

NDPERS BOARD MEETING

Agenda

Bismarck Location:

WSI

1600 East Century Ave

Fargo Location:

WSI

4165 30th Ave South, Suite 104

October 22, 2015

Time: 8:30 AM

I. MINUTES

- A. September 16, 2015
- B. September 24, 2015

II. RETIREMENT

- A. Actuarial Valuations – Segal (Information)
- B. Retirement Consultant Request for Proposal – Sparb (Board Action)
- C. Asset Liability Study – Sparb (Board Action)
- D. Job Service COLA – Kathy (Board Action)
- E. Defined Contribution to Defined Benefit Retirement Plan Implementation –
Kathy/MaryJo (Information)
- F. Defined Contribution Plan Reporting – Bryan (Information)

III. GROUP INSURANCE

- A. Group Insurance Consultant Request for Proposal – Sparb (Board Action)
- B. Pharmacy Update – Sparb, Sanford Health Plan
- C. Medicare A Only Coverage – Rebecca (Board Action)
- D. Implementation Update – Sharon and Rebecca (Information)

IV. FLEX COMP

- A. Flex Comp Plan Document – Kathy (Board Action)

V. MISCELLANEOUS

- A. Board Committee Assignments – Sparb (Board Action)
- B. PERSLink – Sharon (Board Action)
- C. Quarterly Consultant Fees – Derrick (Information)

VI. DEFERRED COMPENSATION * (possible Executive Session)

- A. Hardship Case #276 – Kathy (Board Action)

VII. APPEALS * (possible Executive Session)

- A. Group Health Appeal #281 – Kathy (Board Action)
- B. Group Health Appeal #283 – Kathy (Board Action)

*Possible Executive Session to discuss confidential member information pursuant to NDCC 44-04-19.2(1), 54-52-26 or 54-52.1-11 (group insurance).

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



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Public Employees Retirement System**
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Memorandum

TO: PERS Board
FROM: Sparb
DATE: October 15, 2015
SUBJECT: 2015 Actuarial Valuations

Brad Ramirez from the Segal Company will be at the next Board meeting to review the results of the 2015 actuarial valuations. Please note that this valuation is completed using the updated assumptions you adopted at the September meeting. He will be reviewing the attached PowerPoint presentation.

This information is going to be presented to the Legislative Employee Benefits Committee on October 27.

Also, we will email you a PDF copy of the draft actuarial report. If you would like a paper copy when they are printed, please let Cheryl know.



North Dakota Public Employees Retirement System

DISCUSSION OF VALUATION RESULTS AND PROJECTIONS

Actuarial Valuation as of July 1, 2015

October 22, 2015

Presented by:

Brad Ramirez, FSA, MAAA, EA, FCA
Laura L. Mitchell, MAAA, EA

#5393080v2

Discussion Topics

- Valuation Basis
 - Methods
 - Assumptions
 - Plan of Benefits
- Valuation Highlights
- Membership and Demographics
- Valuation Results
- GASB No. 67
- Projections
- Appendix

Actuarial Methods

- **Asset Valuation Method** (actuarial value of assets)
 - Investment returns above or below the expected return are recognized over five years
- **Actuarial Cost Method** (allocation of liability between past service and future service)
 - PERS and HPRS use the entry age normal cost method (as do most retirement systems)
 - Job Service uses the aggregate method
 - Retiree Health Insurance Credit Fund (RHIC) uses the projected unit credit cost method
- **Amortization Method**
 - 20-year “open” period to pay off unfunded actuarial accrued liability (15 years remaining “closed” period for RHIC Fund)
 - Based on level percentage of payroll
 - An open amortization period will yield contributions that reduce the unfunded actuarial accrued liability, but will not pay it off by a specified date.
 - Projections for the ongoing plan (including new entrants and a level population) demonstrate anticipated funding progress. The projections begin on page 44.

Assumptions

➤ Set by the ND PERS Board in September 2015

- Discount Rate and Expected Rate of Return on Investments remain at 8%
- Payroll Growth remains at 4.5% (4.0% for Judges)
- Mortality updated to RP 2000 Combined Healthy Mortality Table, set back two years for males and three years for females, projected generationally using SSA 2014 intermediate cost scale from 2014
 - Life expectancy for a Male, currently age 65, increased from 20.1 to 20.4 years
 - Life expectancy for a Female, currently age 65, increased from 22.7 to 23.8 years

➤ Detailed summary of assumption changes in the Appendix

- Impact of changes was an increase in recommended contribution rate by 1.26% of payroll for Main System from 10.95% to 12.21% as of July 1, 2015

Plan of Benefits

- **SB2015 and HB1062 passed for Main System**
- **For new entrants on or after January 1, 2016**
 - Changed rules for full retirement from 85 points (age + service) to 90 points with minimum age 60
 - Increased early retirement reduction from 6% to 8% per year
- **Added 3-month window allowing DC participants to transfer to DB Plan**
- **National Guard group now included in Law Enforcement with Prior Main Service group**

Plan of Benefits (continued)

Statutory Contributions	Member Rate	Employer Rate
Main System Full-Time Employees	7.00%	7.12%
Main System Part-Time Employees	14.12	N/A
Judges	8.00	17.52
Law Enforcement with Prior Main System Service	5.50 ¹	N/A
Law Enforcement without Prior Main System Service	5.50	N/A
Highway Patrol	13.30	19.70
Retiree Health	0.00	1.14
Job Service	0.00	0.00

Board Set Rates	Member Rate	Employer Rate
Law Enforcement with Prior Main System Service	N/A	9.81% ²
Law Enforcement without Prior Main System Service	N/A	7.93

¹ 6.00% for Bureau of Criminal Investigation (BCI); 6.00% for National Guard (NG) decreasing to 5.50% as of 1/1/2016

² 10.31% for BCI; 7.00% for NG increased to 9.81% as of 8/1/2015

Valuation Highlights – PERS and HPRS

- Market value of combined assets for PERS and HPRS was \$2.438 billion vs. \$2.347 billion last year
- Assets returned 3.6% for the year ending 6/30/2015 (Segal estimate – market value)
- Actuarial value of combined assets for PERS and HPRS was \$2.153 billion vs. \$1.950 billion last year
 - Gradual recognition of deferred gains resulted in 10.0% return on actuarial assets
 - Actuarial value of assets (AVA) is 88.3% of market value of assets (MVA)
 - There is a total of \$285.3 million of deferred investment gains that will be recognized in future years

Valuation Highlights

EMPLOYER CONTRIBUTION SUFFICIENCY AS A PERCENT OF PAYROLL

	2015 - 2016			2014 - 2015		
	Recommended	Statutory Rate	Contribution Sufficiency/ (Deficiency)	Recommended	Statutory Rate	Contribution Sufficiency/ (Deficiency)
Main	12.21%	7.12%	(5.09%)	11.06%	7.12%	(3.94)%
Judges	10.75%	17.52%	6.77%	14.80%	17.52%	(2.72)%
Law Enforcement with Prior Service	9.78%	9.81% ¹	0.03%	9.42% ¹	9.81% ²	(0.39)%
Law Enforcement without Prior Service	8.03%	7.93%	(0.10%)	7.42%	7.93%	0.51%
Highway Patrol	21.42%	19.70%	(1.72)%	21.70%	19.70%	(2.00)%
Retiree Health	0.72%	1.14%	0.42%	0.64%	1.14%	0.50%
Job Service	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

¹ Reflects combination of Law Enforcement with Prior Service and National Guard

² 10.31% for BCI

Valuation Highlights

FUNDED RATIO USING ACTUARIAL VALUE OF ASSETS

	July 1, 2015	July 1, 2014	Increase/ (Decrease)
Main	68.1%	64.1%	4.0%
Judges	99.0%	90.9%	8.1%
Law Enforcement with Prior Service	73.8% ¹	66.6%	7.2%
Law Enforcement without Prior Service	92.2%	80.9%	11.3%
PERS	68.6%	64.5%	4.1%
Highway Patrol	73.5%	72.3%	1.2%
Retiree Health	69.4%	66.8%	2.6%
Job Service	118.7%	119.4%	(0.7)%

¹ Includes former National Guard members

Membership

Main System

	2015	2014	Change
Actives			
• Number	22,381	21,814	2.6%
• Projected payroll	\$993.6 million ¹	\$946.2 million	5.0%
• Average Age	46.5 years	46.7 years	-0.2 years
• Average Service	9.7 years	10.1 years	-0.4 years
Retirees and Beneficiaries²			
• Number	9,945	9,199	8.1%
• Total Monthly Benefits	\$10.8 million	\$9.4 million	14.9%
• Average Monthly Benefit	\$1,085	\$1,024	5.9%

¹ Includes assumption change

² Does not include 28 suspended retirees as of 2015 and 26 as of 2014.

Membership

Judges

	2015	2014	Change
Actives			
• Number	51	50	2.0%
• Projected payroll	\$7.3 million ¹	\$7.0 million	4.3%
• Average Age	58.1 years	58.7 years	-0.6 years
• Average Service	15.5 years	16.8 years	-1.3 years
Retirees and Beneficiaries			
• Number	44	38	15.8%
• Total Monthly Benefits	\$181,984	\$143,410	26.9%
• Average Monthly Benefit	\$4,136	\$3,774	9.6%

¹ Includes assumption change

Membership

Law Enforcement with Prior Main System Service

	2015 ¹	2014 ¹	Change
Actives			
• Number	318	315	1.0%
• Projected payroll	\$18.7 million ²	\$16.7 million	12.0%
• Average Age	37.1 years	38.2 years	-1.1 years
• Average Service	6.3 years	7.0 years	-0.7 years
Retirees and Beneficiaries			
• Number	73	62	17.7%
• Total Monthly Benefits	\$116,889	\$91,802	27.3%
• Average Monthly Benefit	\$1,601	\$1,481	8.1%

¹ Includes former National Guard members

² Includes assumption change

Membership

Law Enforcement without Prior Main System Service

	2015	2014	Change
Actives			
• Number	95	83	14.5%
• Projected payroll	\$4.6 million ¹	\$3.6 million	27.8%
• Average Age	37.8 years	38.2 years	-0.4 years
• Average Service	3.8 years	3.6 years	0.2 years
Retirees and Beneficiaries			
• Number	1	1	0%
• Total Monthly Benefits	\$816	\$816	0%
• Average Monthly Benefit	\$816	\$816	0%

¹ Includes assumption change

Membership

PERS

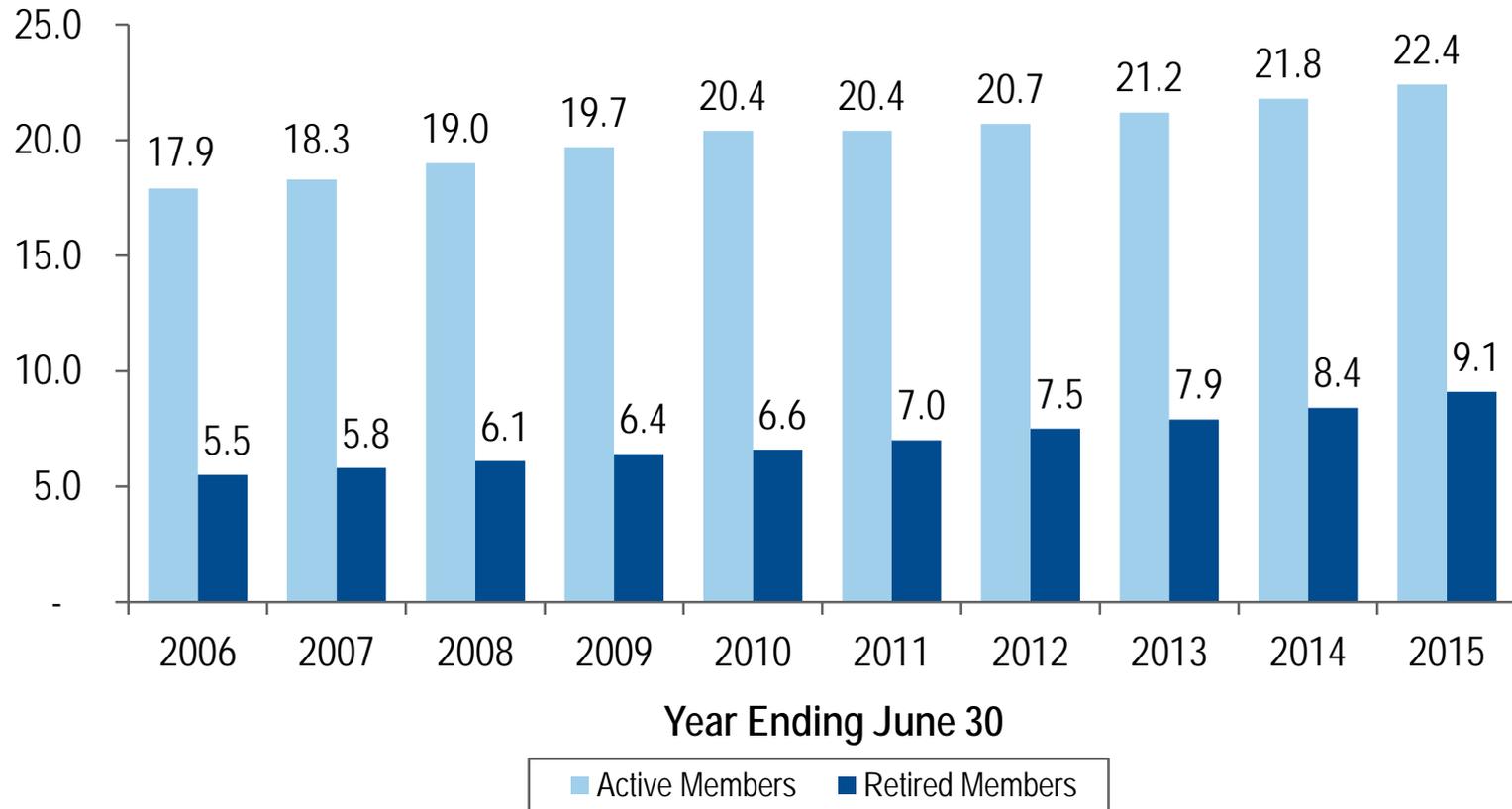
	2015	2014	Change
Actives			
• Number	22,845	22,262	2.6%
• Projected payroll	\$1.024 billion ¹	\$0.974 billion	5.2%
• Average Age	46.3 years	46.6 years	-0.3 years
• Average Service	9.7 years	10.0 years	-0.3 years
Retirees and Beneficiaries²			
• Number	10,063	9,300	8.2%
• Total Monthly Benefits	\$11.1 million	\$9.7 million	14.4%
• Average Monthly Benefit	\$1,102	\$1,038	6.2%

¹ Includes assumption change

² Does not include 28 suspended retirees as of 2015 and 26 as of 2014.

Main System

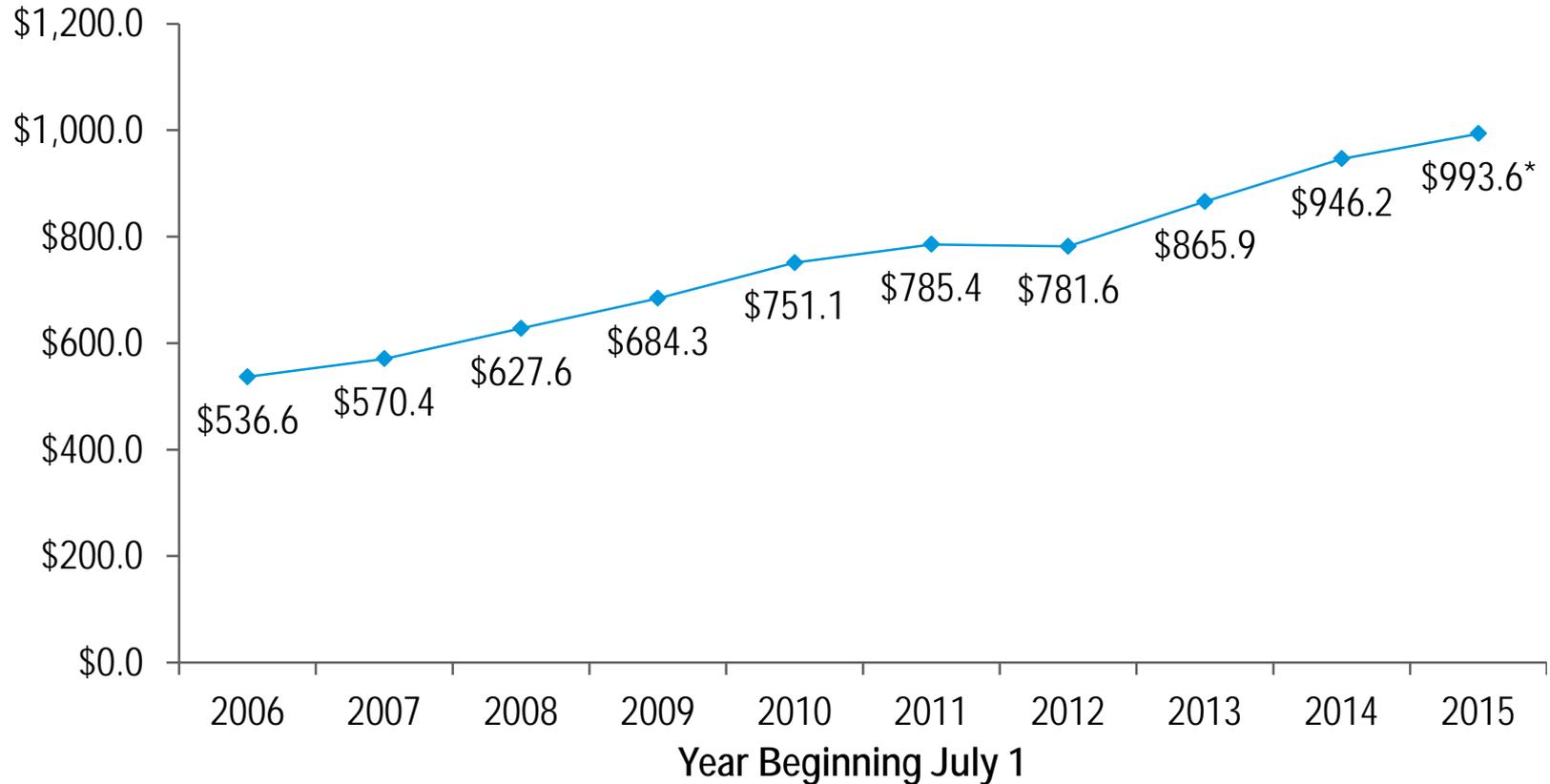
ACTIVE AND RETIRED MEMBERSHIP (In Thousands)



**Active Population increased 2.6% from 21,814 to 22,381.
Retired Members, excluding beneficiaries, increased 8.4% from 8,395 to 9,097.**

Main System

PROJECTED PAYROLL (In Millions)

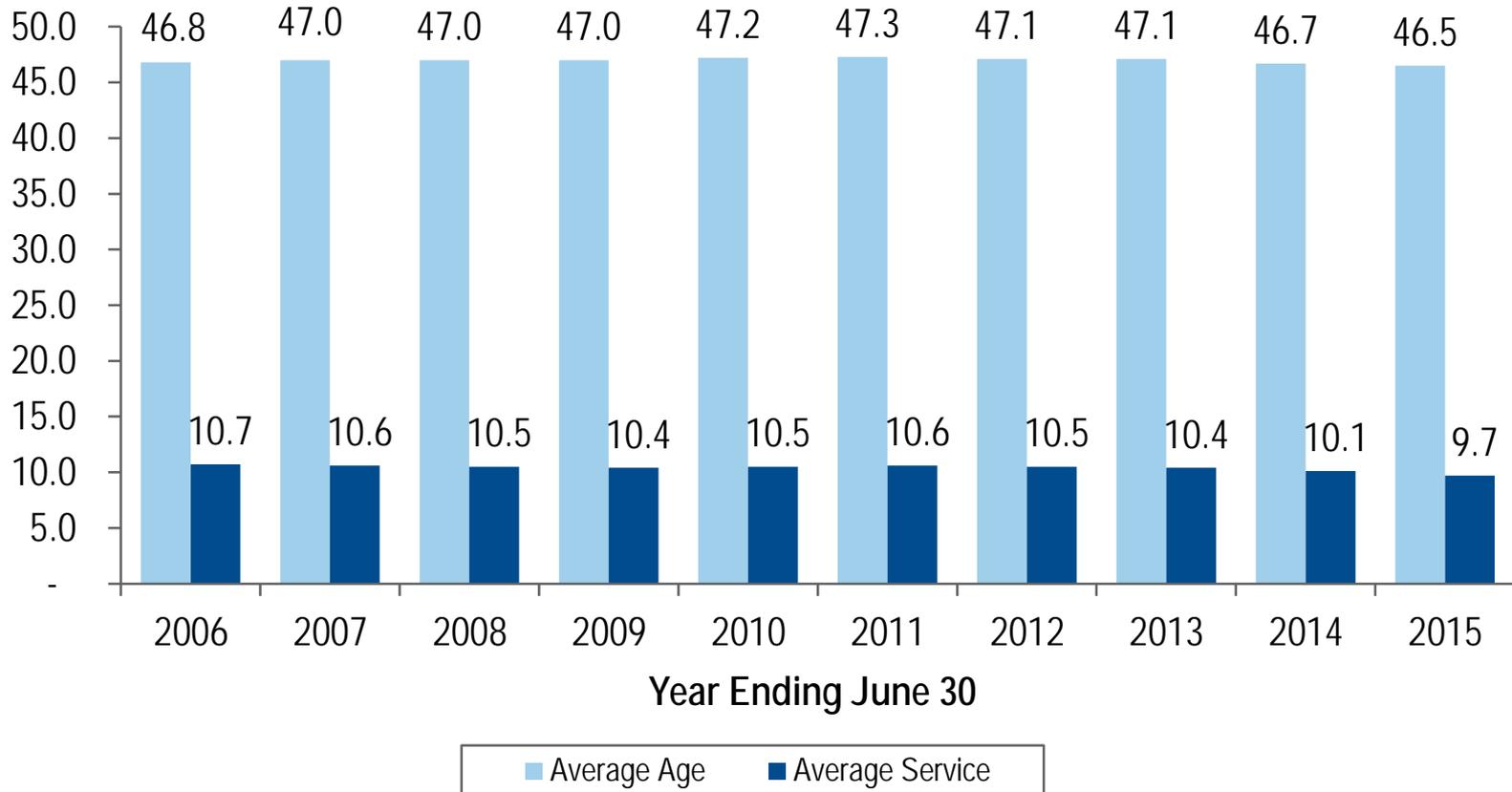


Total compensation projected for the upcoming year increased 5.0% from \$946.2 million to \$993.6 million.

* Includes assumption change

Main System

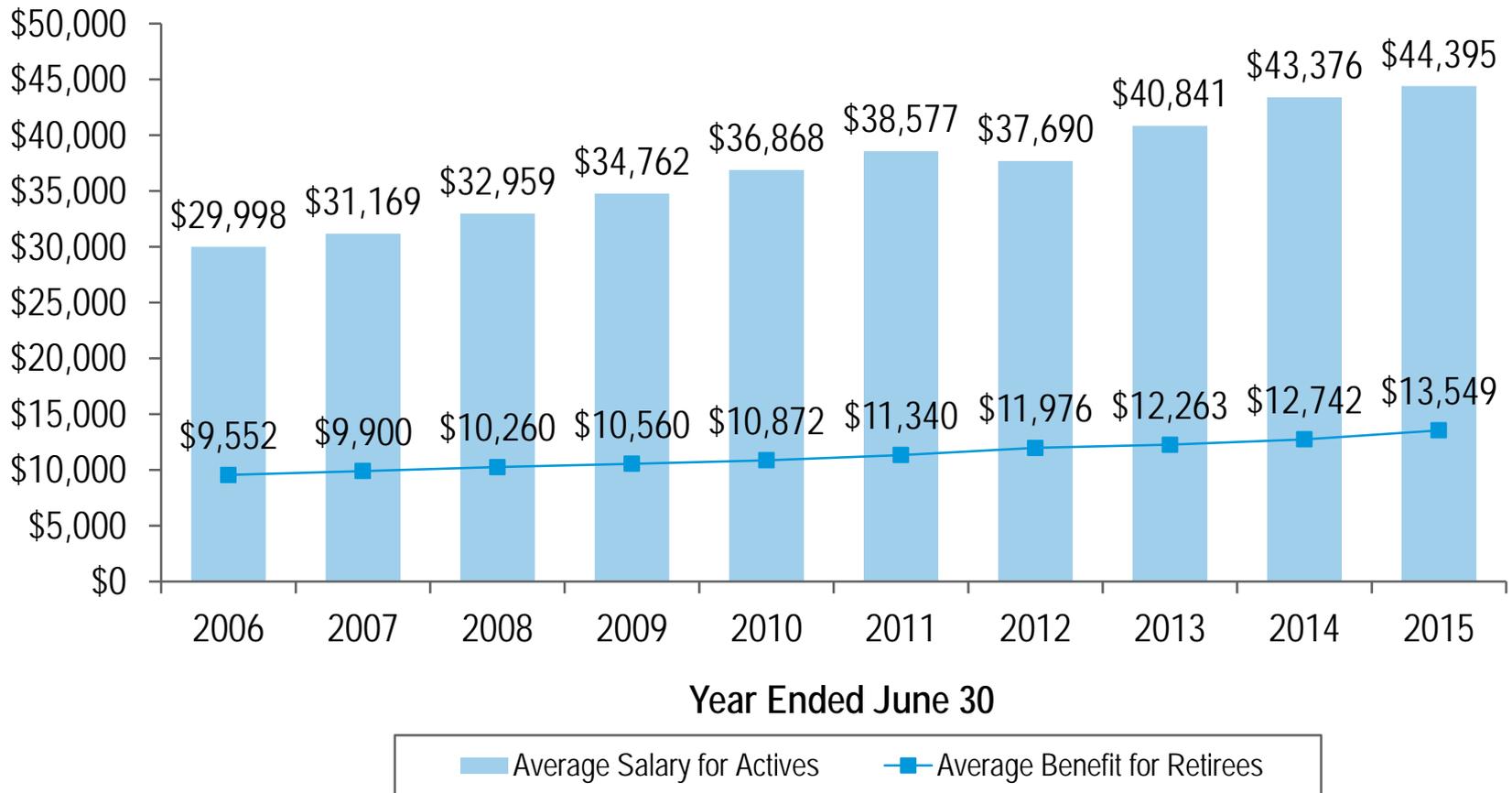
AVERAGE AGE AND SERVICE OF ACTIVE MEMBERS



The average service has decreased slightly as new participants with lower service replace retiring participants. For 2015, the relationship between the average age and service implies an entry age of 36.8 years ($46.5 - 9.7$).

Main System

AVERAGE SALARY AND AVERAGE ANNUAL BENEFIT



Average Salary for Actives increased 2.3% from \$43,376 to \$44,395. Average Benefit for Retired Members, excluding beneficiaries, increased 6.3% from \$12,742 to \$13,549.

Market Value of Assets (\$ in billions)

PERS and HPRS

Fiscal Year Ending June 30, 2015	
Beginning of Year	\$2.347
Contributions	
• Employer	0.073
• Member	0.069
• Service Purchases	0.007
Total Contributions	0.149
Benefits, Expenses and Refunds	(0.142)
Investment Income (net)	0.084
End of Year	\$2.438
Rate of Return	3.57%

Actuarial Value of Assets (\$ in billions)

PERS and HPRS

1. Market Value of Assets as of June 30, 2014	\$2.347
2. Contributions, Interest, Dividends, Benefits and Expenses	0.045
3. Preliminary Market Value as of June 30, 2015: #1 + #2 =	2.392
4. Actual Market Value as of June 30, 2015	\$2.438
5. Excess/(Shortfall) Return for Year Ended June 30, 2015	0.046

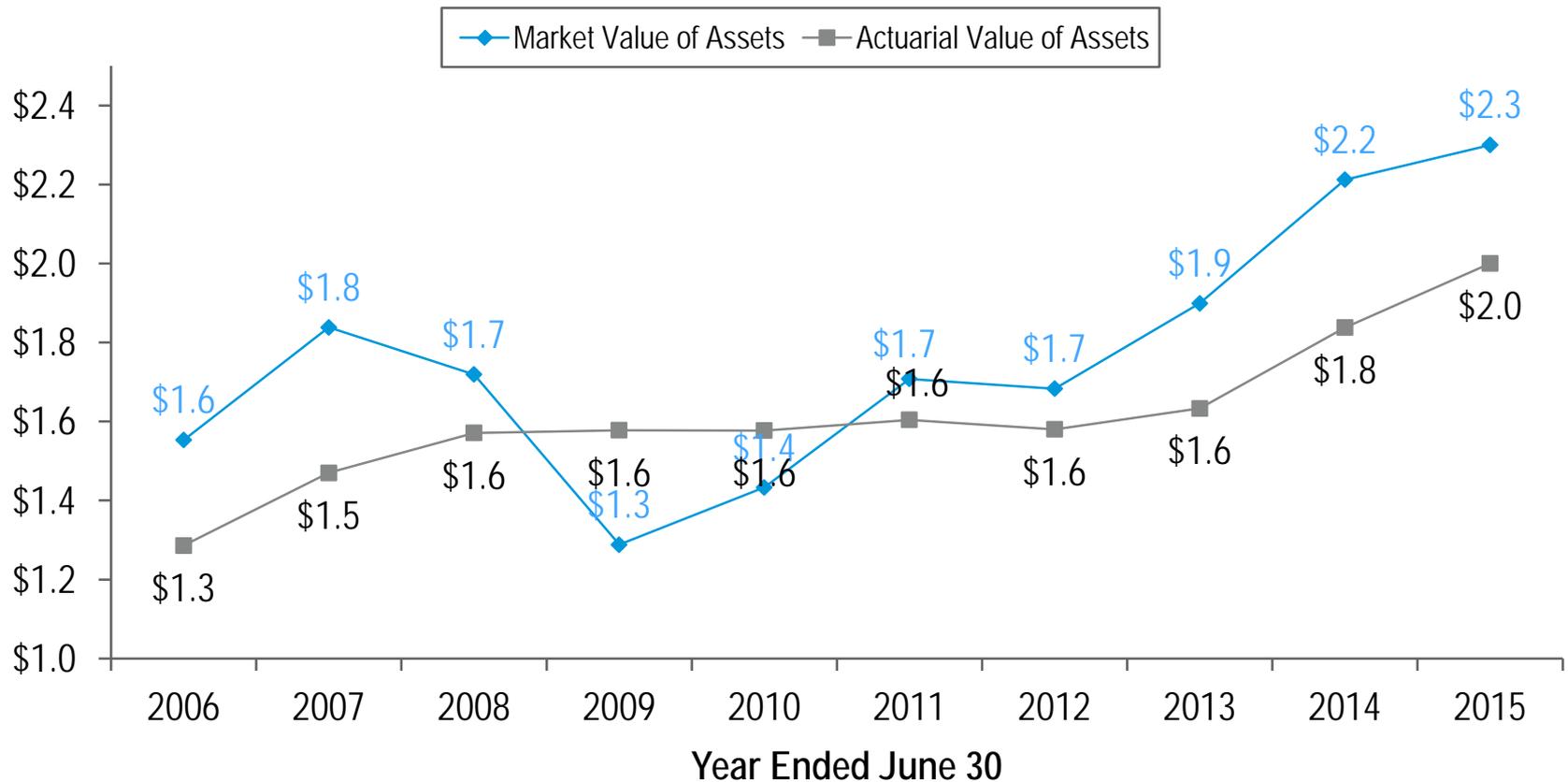
Excess/(Shortfall) Returns for 5 years:

Year	Initial Amount	Deferral %	Unrecognized Amount
2015	\$0.046	80%	\$0.037
2014	0.293	60%	0.176
2013	0.201	40%	0.080
2012	(0.040)	20%	(0.008)
2011	0.289	0%	0.000
6. Total			\$0.285

7. Actuarial Value of Assets as of June 30, 2015: #4 - #6 =	\$2.153
8. Actuarial Value of Assets as a % of Market Value of Assets	88.3%

Main System

MARKET AND ACTUARIAL VALUE OF ASSETS (\$ In Billions)



In the year ended June 30, 2015, the Plan experienced a market value investment loss of \$98.2 million and an actuarial value investment gain of \$37.1 million.

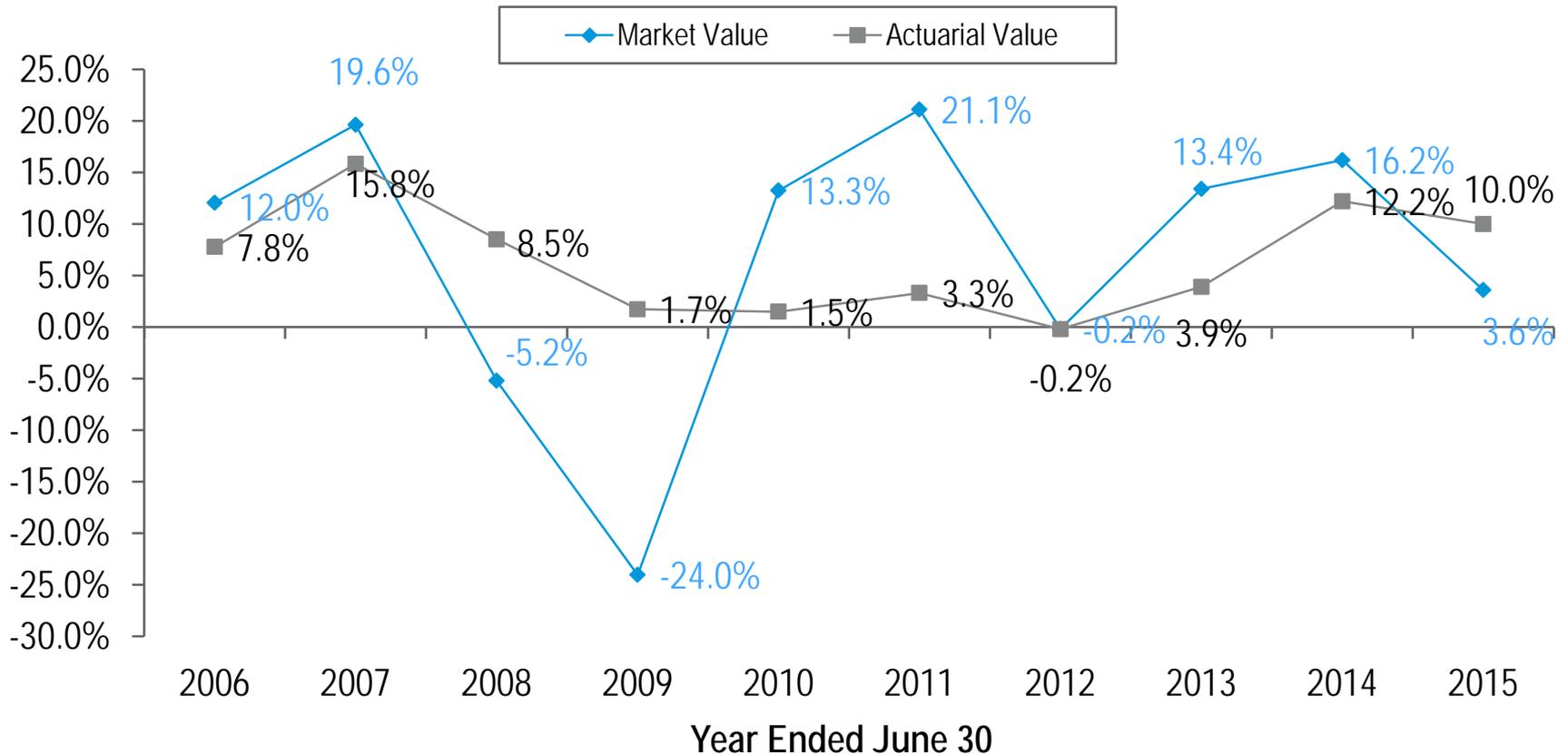
Market Value of Assets

PERS and HPRS – Historical Returns

Year Ending June 30	Market Value	Actuarial Value
2006	12.04%	7.79%
2007	19.63	15.84
2008	(5.21)	8.51
2009	(24.05)	1.72
2010	13.25	1.48
2011	21.09	3.31
2012	(0.20)	(0.15)
2013	13.41	3.93
2014	16.15	12.20
2015	3.57	10.01
10-Year Average	6.06%	6.35%

PERS and HPRS

MARKET AND ACTUARIAL RATES OF RETURN



For 2015, the market value return was 3.6% and the actuarial value return was 10.0%. The assumed rate of return for all years shown was 8.0%. The average annual return over the past 10 years is 6.1% on a market value basis.

Market Value of Assets (\$ in millions)

PERS

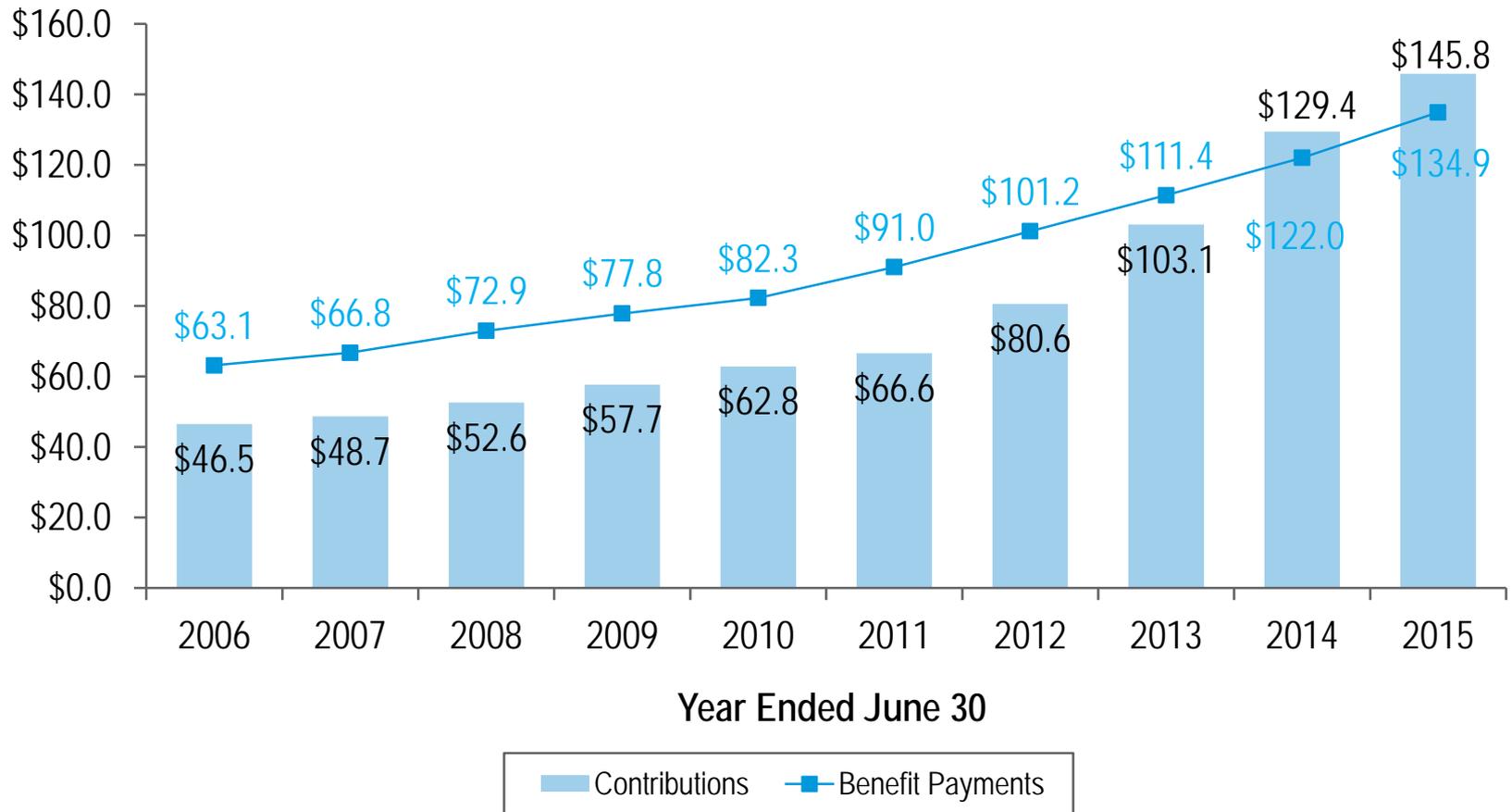
FISCAL YEAR ENDING JUNE 30, 2015

	Main	Judges	Law Enforcement		Total PERS
			With Prior Service ¹	Without Prior Service	
Beginning of Year	\$2,211.9	\$42.7	\$24.8	\$2.2	\$2,281.6
Contributions	140.8	1.9	2.6	0.5	145.8
Benefits, Refunds and Expenses	(133.8)	(2.0)	(1.4)	(0.0)	(137.2)
Investment Income (net)	77.2	1.5	2.7	0.1	81.5
End of Year	\$2,296.1	\$44.1	\$28.7	\$2.8	\$2,371.7
Rate of Return	3.56%	3.59%	3.70%	3.54%	3.57%

¹ Includes former National Guard members

PERS

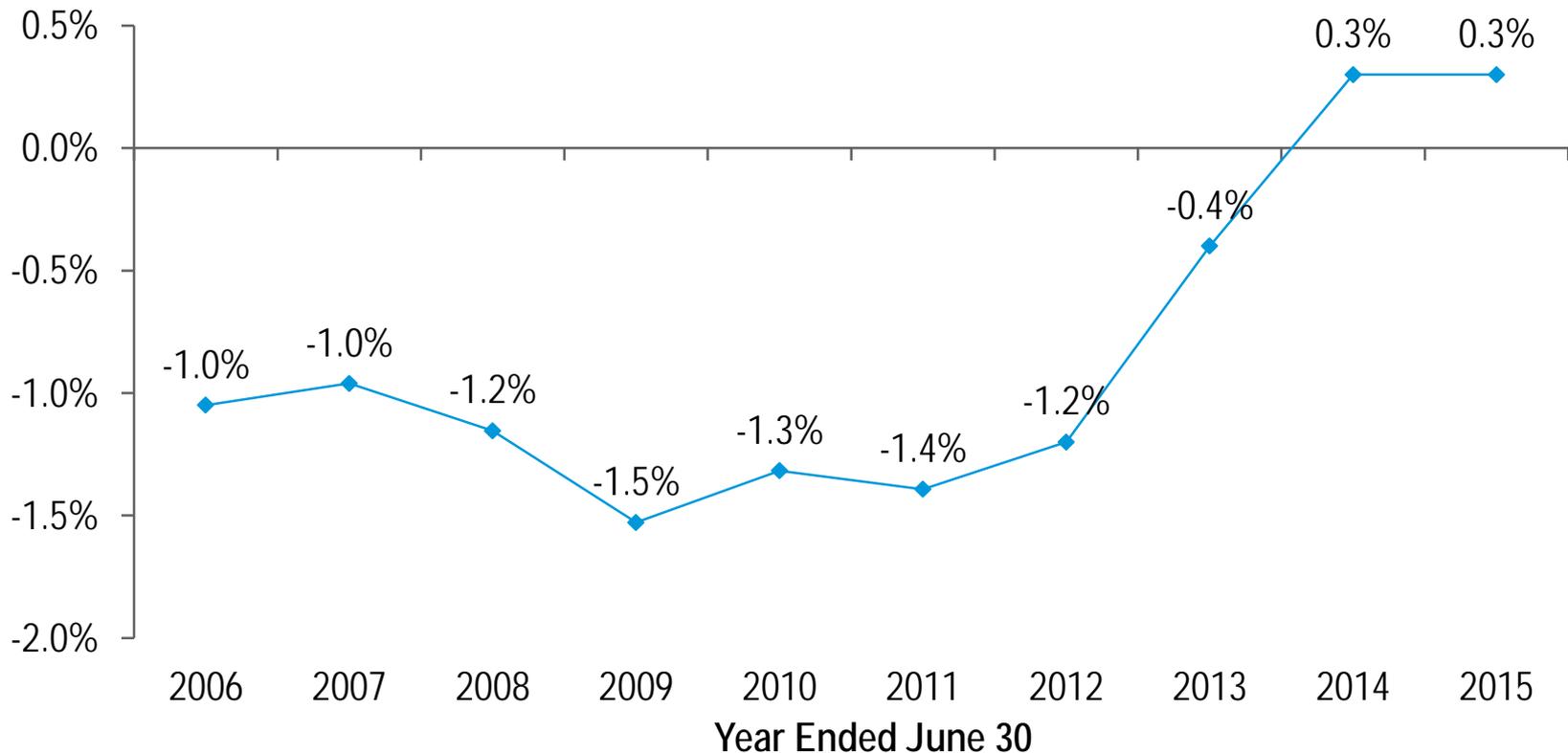
CONTRIBUTIONS VS BENEFIT PAYMENTS (\$ In Millions)



Benefit Payments have generally exceeded Contributions. However for 2014 and 2015, contributions exceeded benefit payments.

PERS

EXTERNAL CASH FLOW AS OF PERCENT OF MARKET VALUE



The net cash flow each year is very small, allowing a large portion of the market value of assets to be invested.

July 1, 2015 Valuation Results (\$ in millions)

PERS

	Law Enforcement				Total PERS
	Main	Judges	With Prior Service ¹	Without Prior Service	
Actuarial Accrued Liability (AAL)					
• Active Members	\$1,579	\$18	\$16	\$2	\$1,615
• Inactive Members	169	<1	3	<1	174
• Retirees and Beneficiaries	1,228	20	15	<1	1,263
Total AAL	\$2,976	\$39	\$34	\$3	\$3,052
<i>Prior year Total AAL</i>	<i>2,867</i>	<i>39</i>	<i>31</i>	<i>2</i>	<i>2,939</i>
Actuarial Value of Assets	\$2,027	\$39	\$25	\$2	\$2,094
<i>Prior year Actuarial Value of Assets</i>	<i>1,838</i>	<i>35</i>	<i>21</i>	<i>2</i>	<i>1,896</i>
Unfunded Accrued Liability (UAAL)	\$949	<\$1	\$9	<\$1	\$958
<i>Prior Year UAAL</i>	<i>1,029</i>	<i>4</i>	<i>10</i>	<i><\$1</i>	<i>1,043</i>
Funded Ratio	68.1%	99.0%	73.8%	92.2%	68.6%
<i>Prior Year Funded Ratio</i>	<i>64.1%</i>	<i>90.9%</i>	<i>66.6%</i>	<i>80.9%</i>	<i>64.5%</i>
<i>Funded Ratio on Market Value</i>	<i>77.2%</i>	<i>112.1%</i>	<i>83.6%</i>	<i>104.4%</i>	<i>77.7%</i>
<i>Prior Year Funded Ratio on Market Value</i>	<i>77.2%</i>	<i>109.4%</i>	<i>80.2%</i>	<i>97.4%</i>	<i>77.6%</i>

¹ Includes former National Guard members

July 1, 2015 Actuarially Recommended Contribution

PERS (Shown as a % of Payroll)

	Law Enforcement			
	Main	Judges	With Prior Service ¹	Without Prior Service
Normal Cost Rate	12.31%	18.18%	11.85%	13.05%
Member Rate	7.00%	8.00%	5.59% ²	5.50%
Employer Normal Cost Rate	5.31%	10.18%	6.26%	7.55%
<i>Prior Year Employer Normal Cost Rate</i>	3.36%	11.00%	5.08%	6.38%
20 Year Amortization of UAAL + Expenses	6.90%	0.57%	3.51%	0.48%
<i>Prior Year Amortization of UAAL</i>	7.70%	3.80%	4.34%	1.04%
Actuarially Recommended Contribution	12.21%	10.75%	9.78%	8.03%
<i>Prior Year Actuarially Recommended Contribution</i>	11.06%	14.80%	9.42%	7.42%
Employer Contribution Rate	7.12%	17.52%	9.88% ³	7.93%
Contribution Sufficiency/(Deficiency)	(5.09%)	6.77%	0.10%	(0.10%)
<i>Prior Year Contribution Sufficiency/(Deficiency)</i>	(3.94%)	2.72%	0.27%	0.51%
Contribution Sufficiency/(Deficiency) on Market Value	(3.21%)	11.93%	1.35%	0.40%
<i>Prior Year Contribution Sufficiency/(Deficiency) on Market Value</i>	(1.18%)	10.25%	2.01%	1.23%

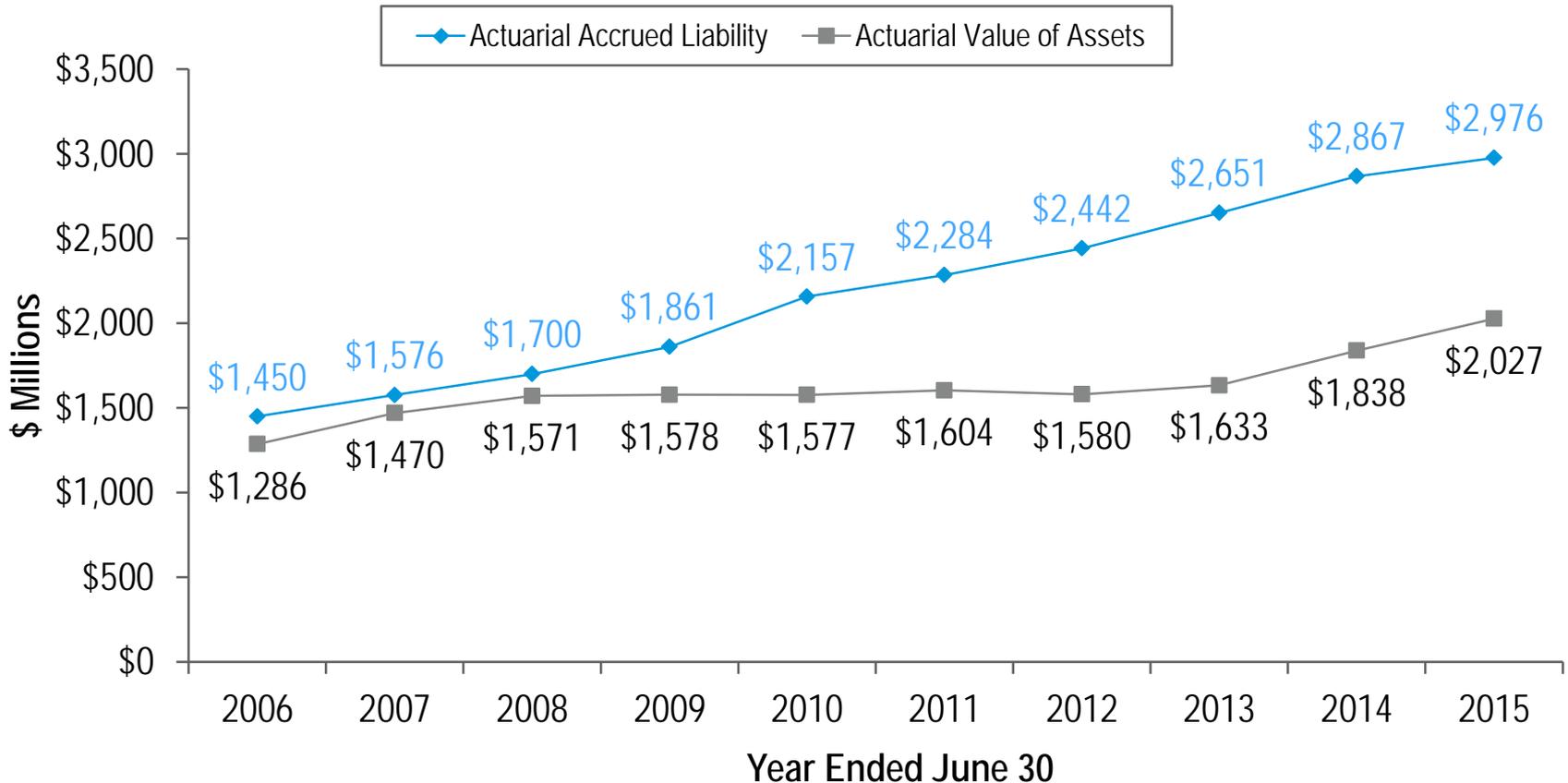
¹ Includes former National Guard members

² 6% for BCI and NG, 5.50% for others

³ 10.31% for BCI, 9.81% for others

Main System

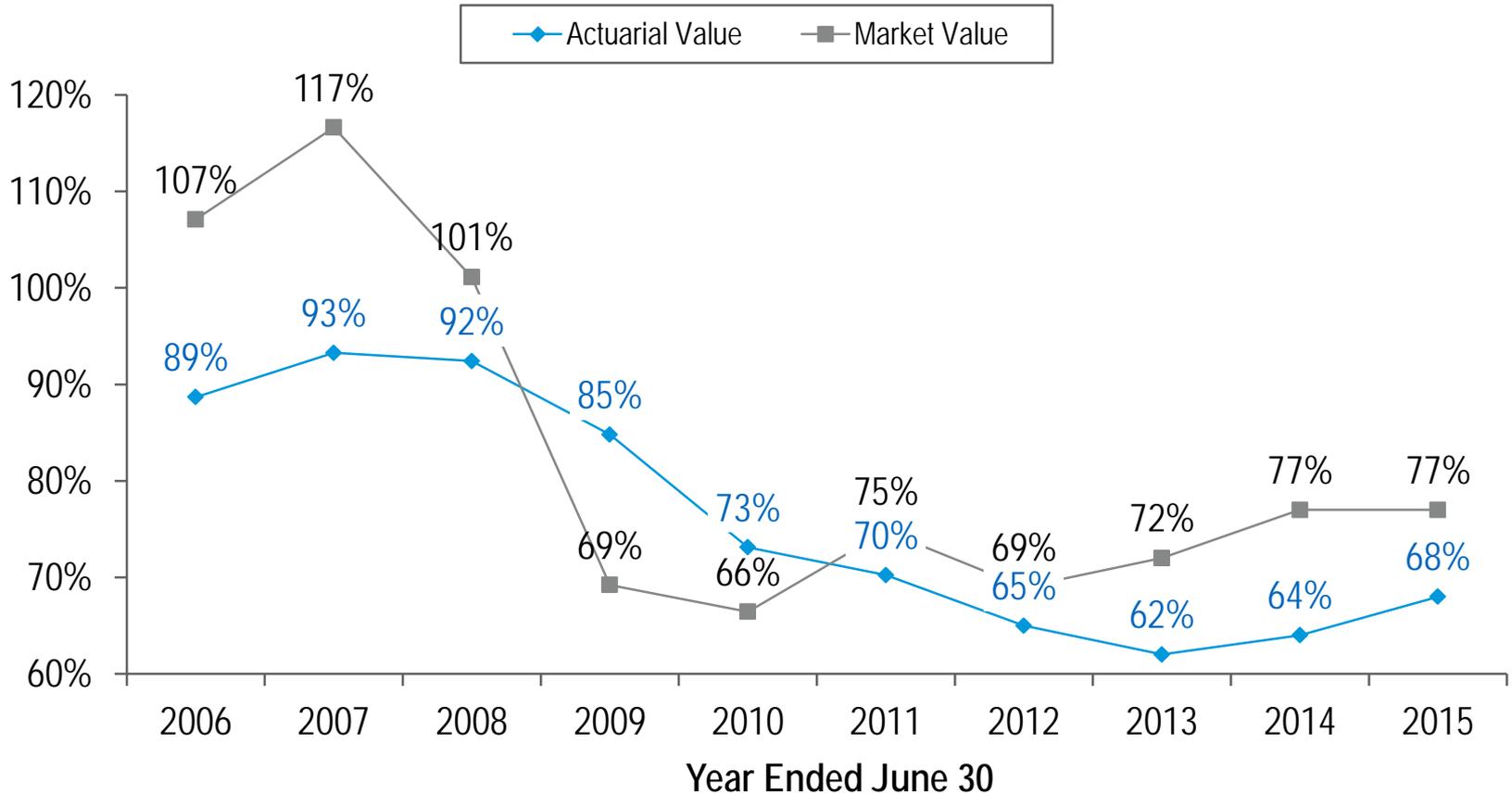
ACTUARIAL VALUE OF ASSETS AND ACTUARIAL ACCRUED LIABILITY



The Unfunded Actuarial Accrued Liability is the difference between the blue line and the grey line. The UAAL is \$949 million as of July 1, 2015.

Main System

FUNDED RATIOS



Although there was a market value investment loss in 2015, the funded ratio based on actuarial value has increased due to the Plan's asset smoothing method.

Membership

Highway Patrol

	2015	2014	Change
Actives			
• Number	161	156	3.2%
• Payroll	\$10.8 million	\$10.1 million	6.9%
• Average Age	35.3 years	37.3 years	-2.0 years
• Average Service	9.2 years	11.2 years	-2.0 years
Retirees and Beneficiaries			
• Number	124	117	6.0%
• Total Annual Benefits	\$4.7 million	\$3.8 million	23.7%
• Average Monthly Benefit	\$3,157	\$2,723	15.9%

Membership

Job Service

	2015	2014	Change
Actives			
• Number	11	13	-15.4%
• Projected payroll	\$0.7 million	\$0.8 million	-12.5%
• Average Age	61.2 years	60.4 years	0.8 years
• Average Service	38.9 years	37.6 years	1.3 years
Retirees and Beneficiaries			
Non-Travelers			
• Number	142	140	1.4%
• Total Monthly Benefits	\$335,196	\$330,262	1.5%
• Average Monthly Benefit	\$2,361	\$2,359	0.0%
Travelers			
• Number	64	73	-12.3%
• Total Monthly Benefits	\$49,259	\$55,227	-10.8%
• Average Monthly Benefit	\$770	\$757	1.7%

Membership

Retiree Health Insurance Credit Fund

	2015 ¹	2014 ²	Change
Actives			
• Number	23,237	22,642	2.3%
• Payroll	\$1.052.7 million	\$1,001.2 million	5.1%
• Average Age	46.3 years	46.6 years	-0.3 years
• Average Service	9.7 years	10.1 years	-0.4 years
Retirees and Beneficiaries			
• Number	5,212	4,829	7.9%
• Total Monthly Benefits	\$0.6 million	\$0.6 million	0.0%
• Average Monthly Benefit	\$121	\$119	1.7%

¹ Includes 231 active participants and 11 retirees and beneficiaries from the Defined Contribution Plan.

² Includes 224 active participants and 8 retirees and beneficiaries from the Defined Contribution Plan.

Assets

Highway Patrol, Job Service, and RHIC

➤ Highway Patrol

- The market value of assets increased from \$65.7 million as of June 30, 2014 to \$66.7 million as of June 30, 2015
- The actuarial value of assets—which smooths investment gains and losses over five years—increased from \$54.6 million as of June 30, 2014 to \$58.9 million as of June 30, 2015
 - Investment return of 10.5%, net of investment expenses

➤ Job Service

- The market value of assets decreased from \$97.7 million as of June 30, 2014 to \$96.3 million as of June 30, 2015
- The actuarial value of assets increased from \$78.2 million as of June 30, 2014 to \$79.2 million as of June 30, 2015
 - Investment return of 7.5%, net of investment expenses

➤ Retirement Health Insurance Credit Fund (RHIC)

- The market value of assets increased from \$92.0 million as of June 30, 2014 to \$99.1 million as of June 30, 2015
- The actuarial value of assets increased from \$77.9 million as of June 30, 2014 to \$89.4 million as of June 30, 2015
 - Investment return of 8.9%, net of investment expenses

July 1, 2015 Valuation Results (\$ in millions)

Highway Patrol, Job Services, and RHIC

	Highway Patrol	Job Services	RHIC
Actuarial Accrued Liability			
• Active Members	\$25.988	\$7.186	\$62.633
• Inactive Members	3.816	0.011	0.000
• Retirees and Beneficiaries	50.308	56.245	66.307
Total AAL	\$80.112	\$63.442	\$128.940
<i>Prior Year AAL</i>	75.464	65.479	116.633
Actuarial Value of Assets	\$58.876	\$79.197	\$89.434
<i>Prior Year Actuarial Value of Assets</i>	54.563	78.157	77.925
Unfunded/(Overfunded) AAL	\$21.237	\$(15.755)	\$39.506
<i>Prior Year UAAL</i>	20.901	(12.678)	38.708
Funded Ratio	73.5%	124.5%	69.4%
<i>Prior Year Funded Ratio</i>	72.3%	119.4%	66.8%
Funded Ratio on Market Value	83.3%	151.3%	76.9%
<i>Prior Year Funded Ratio on Market Value</i>	87.0%	149.2%	78.9%

July 1, 2015 Actuarially Recommended Contribution

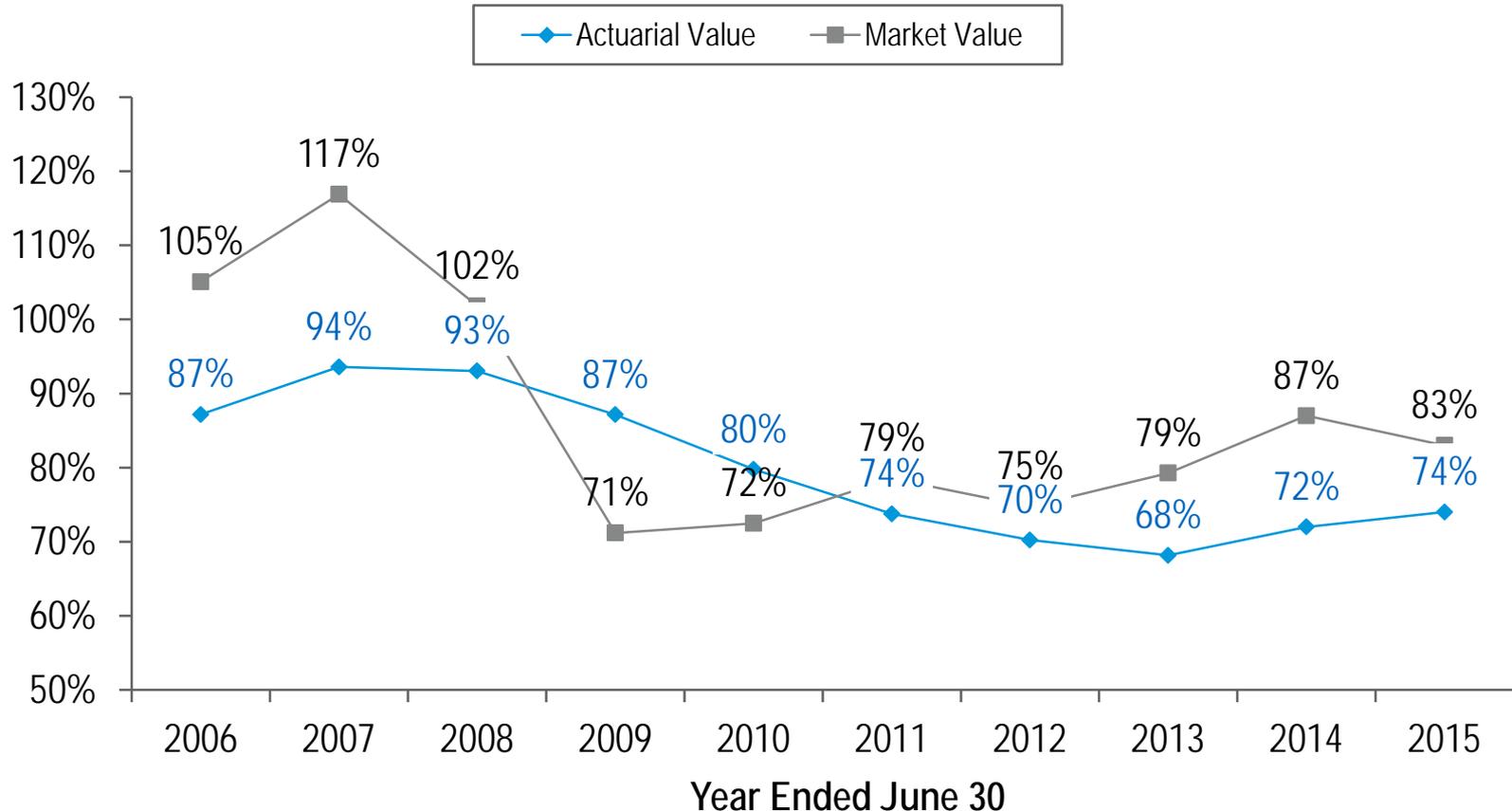
Highway Patrol, Job Services, and RHIC (Shown as a % of Payroll)

	Highway Patrol	Job Services	RHIC*
Normal Cost Rate	20.66%	0.00%	0.37%
Member Rate	13.30%	0.00%	0.00%
Employer Normal Cost Rate	7.36%	N/A	0.37%
<i>Prior Year Employer Normal Cost Rate</i>	<i>7.14%</i>	<i>N/A</i>	<i>0.32%</i>
Period of Amortization	20 years	N/A	15 years
<i>Prior Year Period of Amortization</i>	<i>20 years</i>	<i>N/A</i>	<i>16 years</i>
Amortization of UAAL + Expenses	14.06%	N/A	0.35%
<i>Prior Year Amortization of UAAL + Expenses</i>	<i>7.14%</i>	<i>N/A</i>	<i>0.32%</i>
Actuarially Recommended Contribution	21.42%	N/A	0.72%
<i>Prior Year Actuarially Recommended Contribution</i>	<i>21.70%</i>	<i>N/A</i>	<i>0.64%</i>
Employer Contribution Rate	19.70%	N/A	1.14%
<i>Prior Year Employer Rate</i>	<i>19.70%</i>	<i>N/A</i>	<i>0.32%</i>
Contribution Sufficiency/(Deficiency)	(1.72)%	N/A	0.42%
<i>Prior Year Contribution Sufficiency/(Deficiency)</i>	<i>(2.00)%</i>	<i>N/A</i>	<i>0.50%</i>
Contribution Sufficiency/(Deficiency) on Market Value	3.34%	N/A	0.50%
<i>Prior Year Contribution Sufficiency/(Deficiency) on Market Value</i>	<i>5.64%</i>	<i>N/A</i>	<i>0.61%</i>

* The amortization period is scheduled to end June 30, 2030

Highway Patrolmen's Retirement System

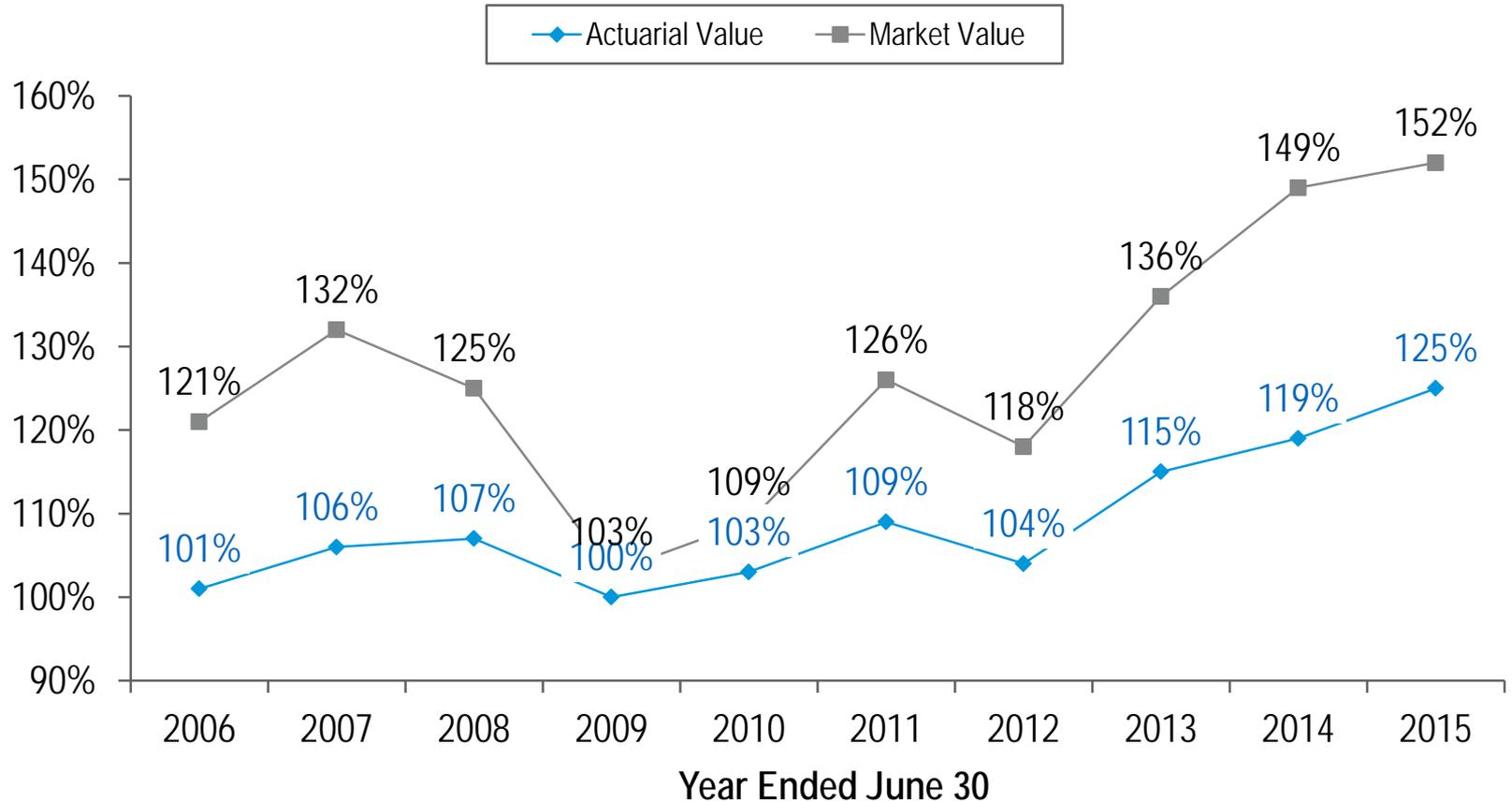
FUNDED RATIOS



Although there was a market value investment loss in 2015, the funded ratio based on actuarial value has increased due to the Plan's asset smoothing method.

Job Service Employees Retirement Plan

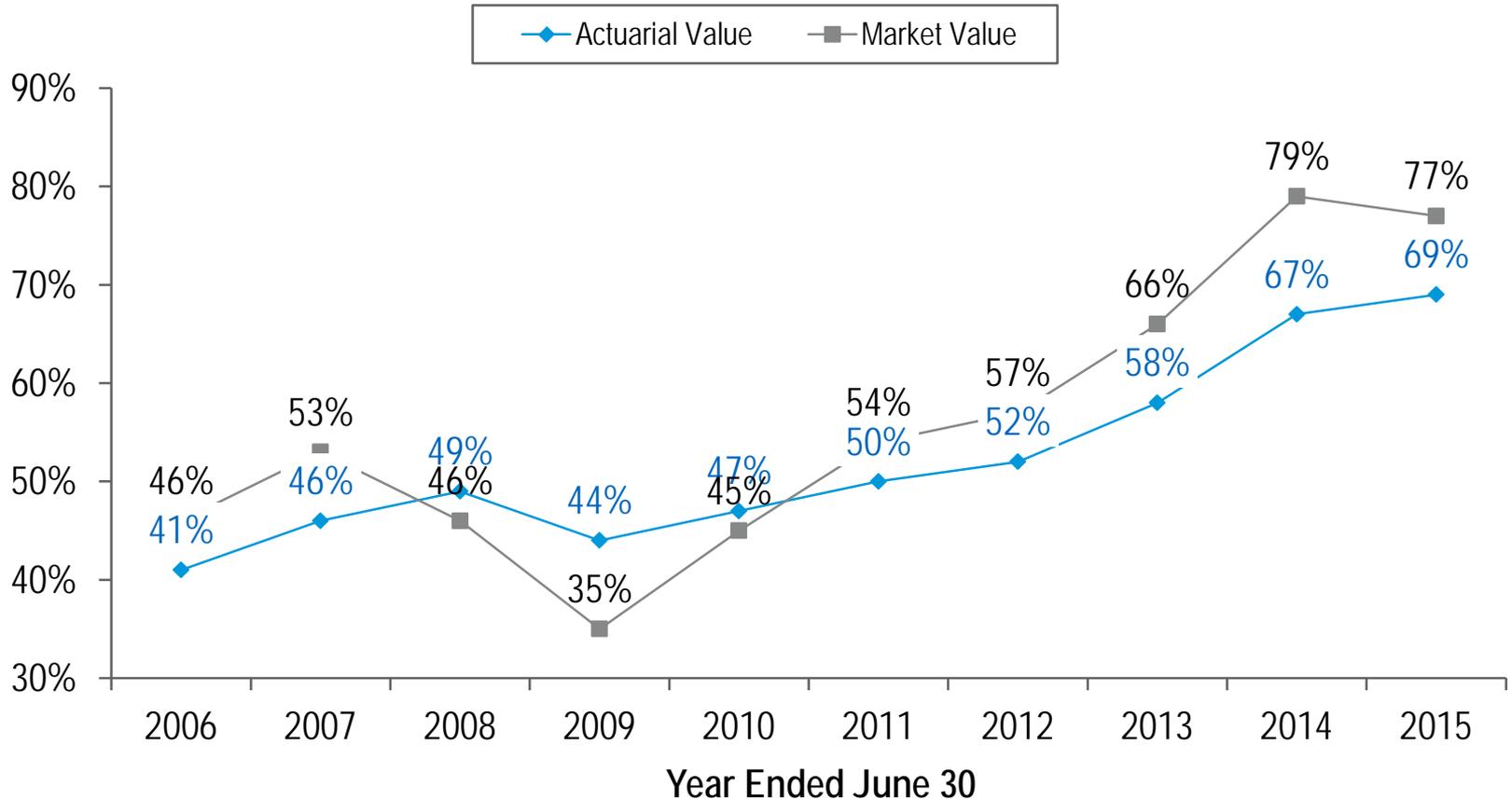
FUNDED RATIOS USING PRESENT VALUE OF BENEFITS



Although there was a market value investment loss in 2015, the funded ratio based on actuarial value has increased due to the Plan's asset smoothing method.

Retiree Health Insurance Credit Fund

FUNDED RATIOS



Although there was a market value investment loss in 2015, the funded ratio based on actuarial value has increased due to the Plan's asset smoothing method.

Valuation Results

Comments

- Potential risks to the system
 - Investment Risk
 - Longevity Risk
 - Demographic Risk
 - Other Risks
- Board should consider projections, studies, etc., to help quantify these risks, and make changes to the system, if appropriate (Actuarial Standards Board Risk ASOP)
- The asset valuation and amortization methods should be reviewed to make sure that they are in line with the Board's funding objectives
 - Consider change in asset valuation method so that AVA equals MVA when actual returns equal assumed return.
- Contributions are being made in accordance with the funding policy but some Plans remain less than 100% funded. A change in the policy could accelerate an improvement of the funded ratios.

June 30, 2015 Valuation Results - GASB 67 (\$ in millions)

- Liability to be reported under new accounting standards
- Not for funding purposes
- Blended discount rate based on projected benefits and assets (8% for 2015/2016 fiscal year)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Main System	\$2,976.1	\$2,296.1	\$680.0
Judges System	39.0	44.1	(5.1)
Law Enforcement with Prior Service System ¹	34.3	28.7	5.6
Law Enforcement without Prior Service System	2.7	2.8	(0.1)
Total PERS	\$3,052.1	\$2,371.7	\$680.4
Highway Patrolmen's Retirement System	80.1	66.7	13.4
Job Service Employees Retirement Plan	63.4	96.3	(32.9)

¹ Includes former National Guard members

June 30, 2015 GASB 68 Proportionate Share – Sample

	Covered Employee Payroll	Proportionate Share	Allocated NPL
State Employees	\$65,000,000	6.539235%	\$44,466,801
Subdivision 1	60,000,000	6.036217%	41,046,278
Subdivision 2	45,000,000	4.527163%	30,784,708
•	•	•	•
•	•	•	•
•	•	•	•
•	•	•	•
•	•	•	•
•	•	•	•
•	•	•	•
•	•	•	•
•	•	•	•
Grand Total	\$994,000,000	100.000000%	\$680,000,000

Projections

➤ Projections of estimated funded ratios for 30 years

- Investment return scenarios ranging from -16% to +16% for 2015/2016, and 8% thereafter
- Investment returns of level 7% and 9% (for all years)
- Benefits are projected based on the actuarial assumptions for 15 years and are projected to grow annually by 5% thereafter.

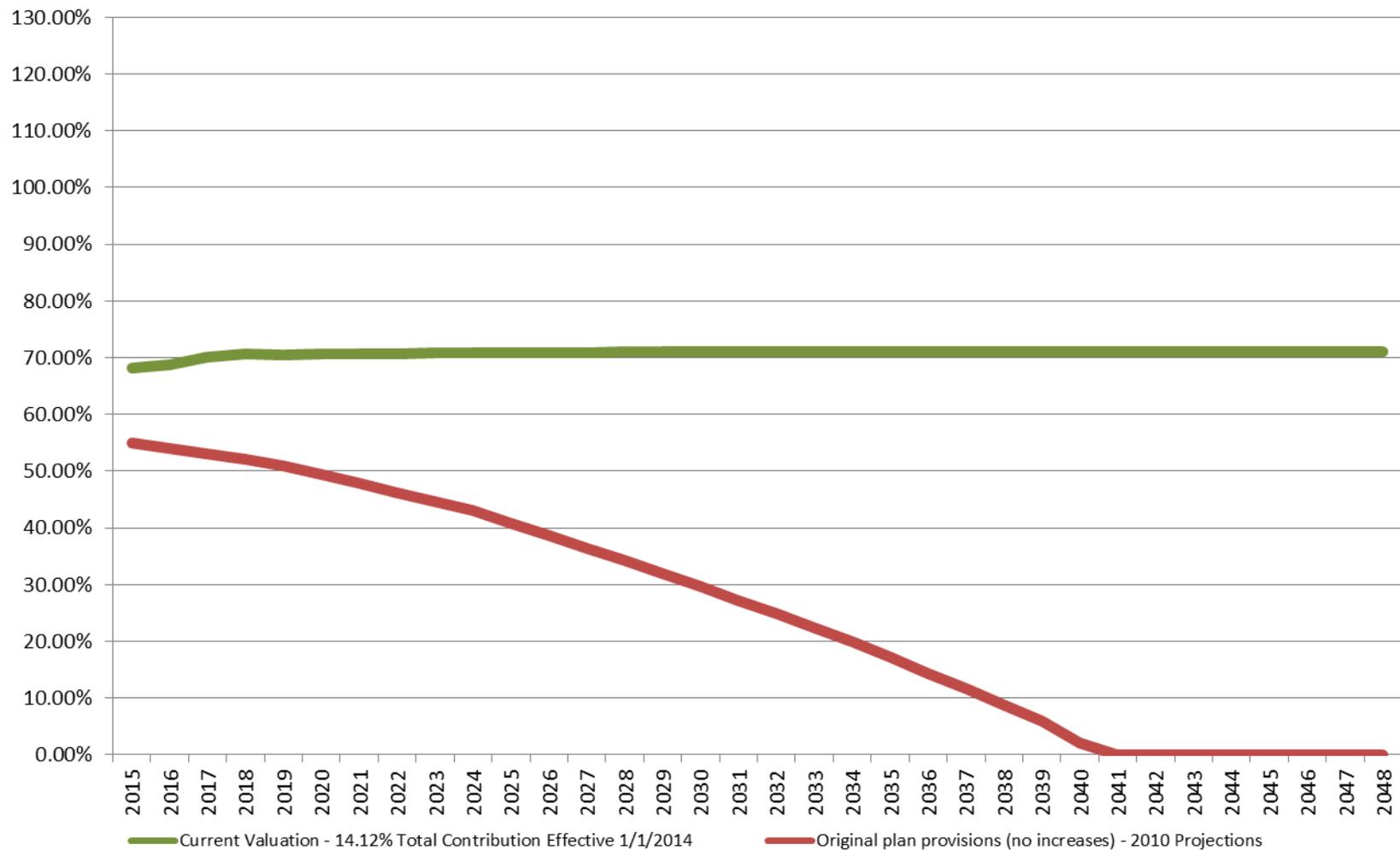
➤ Target Funded Ratios

- Investment return scenarios ranging from -16% to +16% for 2015/2016
- Assume Fund earns indicated return thereafter

Projections, by their nature, are not a guarantee of future results. The modeling projections are intended to serve as illustrations of future financial outcomes that are based on the information available to us at the time the modeling is undertaken and completed, and the agreed-upon assumptions and methodologies described herein. Emerging results may differ significantly if the actual experience proves to be different from these assumptions or if alternative methodologies are used. Actual experience may differ due to such variables as demographic experience, the economy, stock market performance and the regulatory environment.

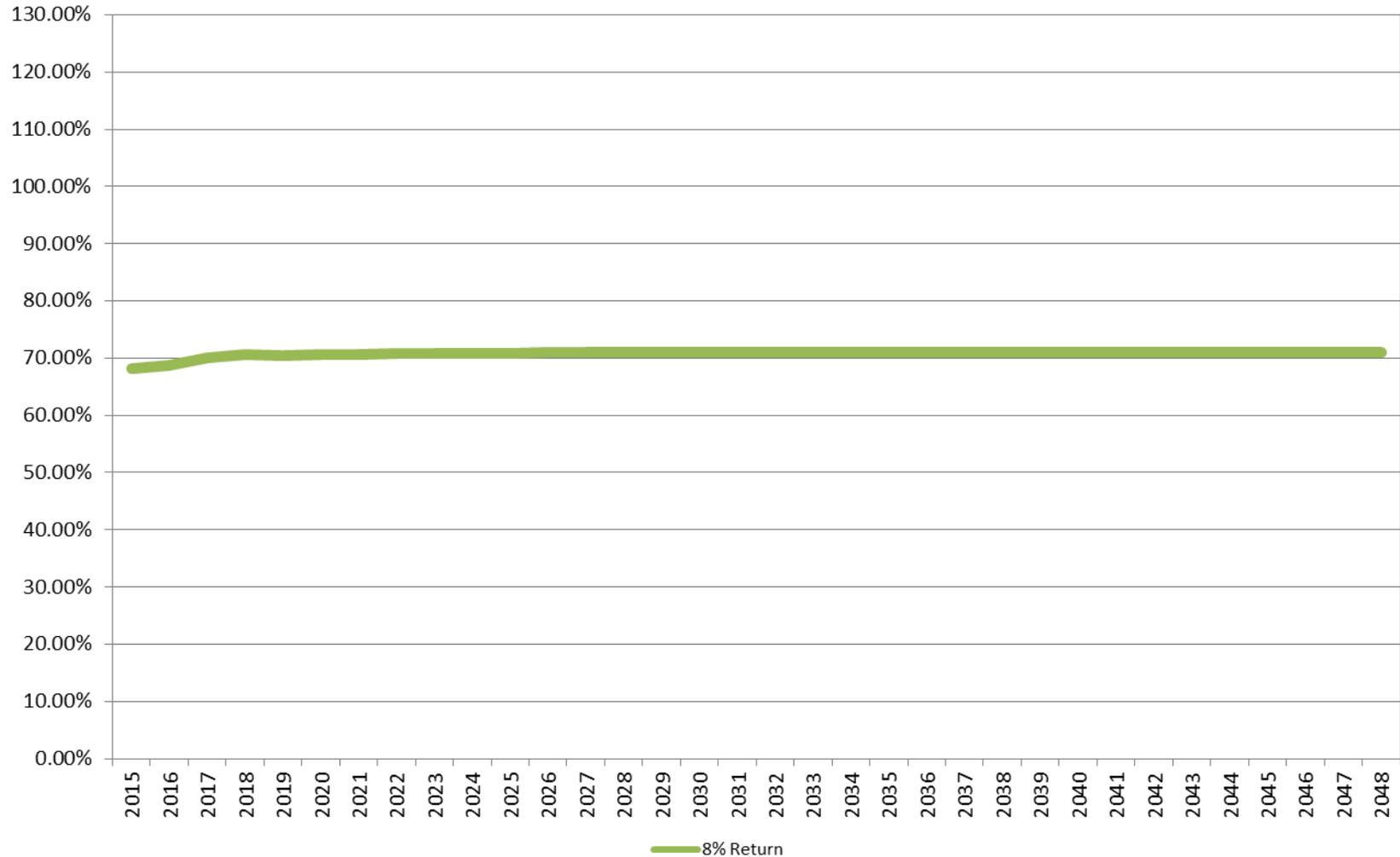
Projected Funded Ratios (AVA Basis)

Main System—Current Plan vs. Original Plan (2010 Projection)



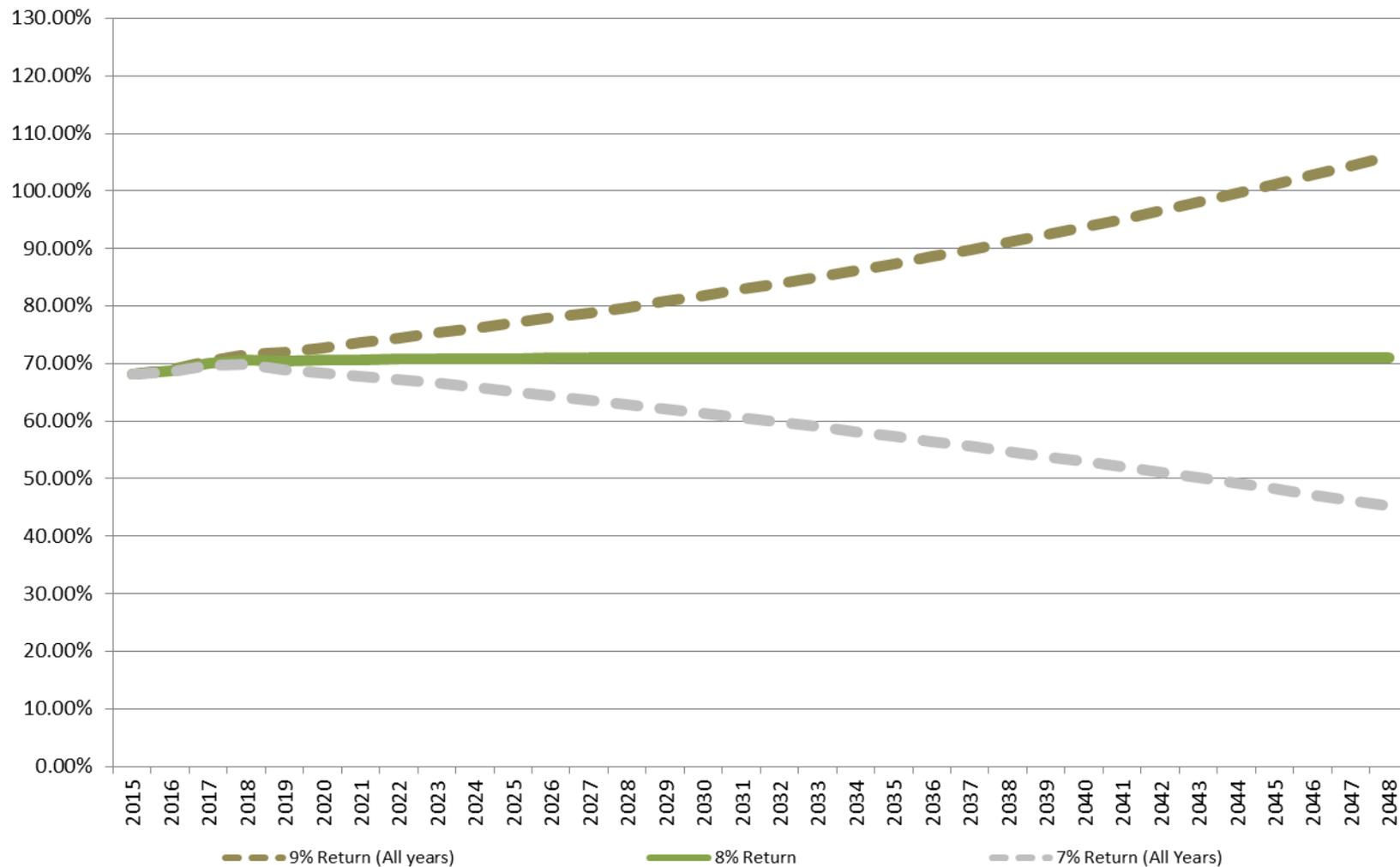
Projected Funded Ratios (AVA Basis)

Main System



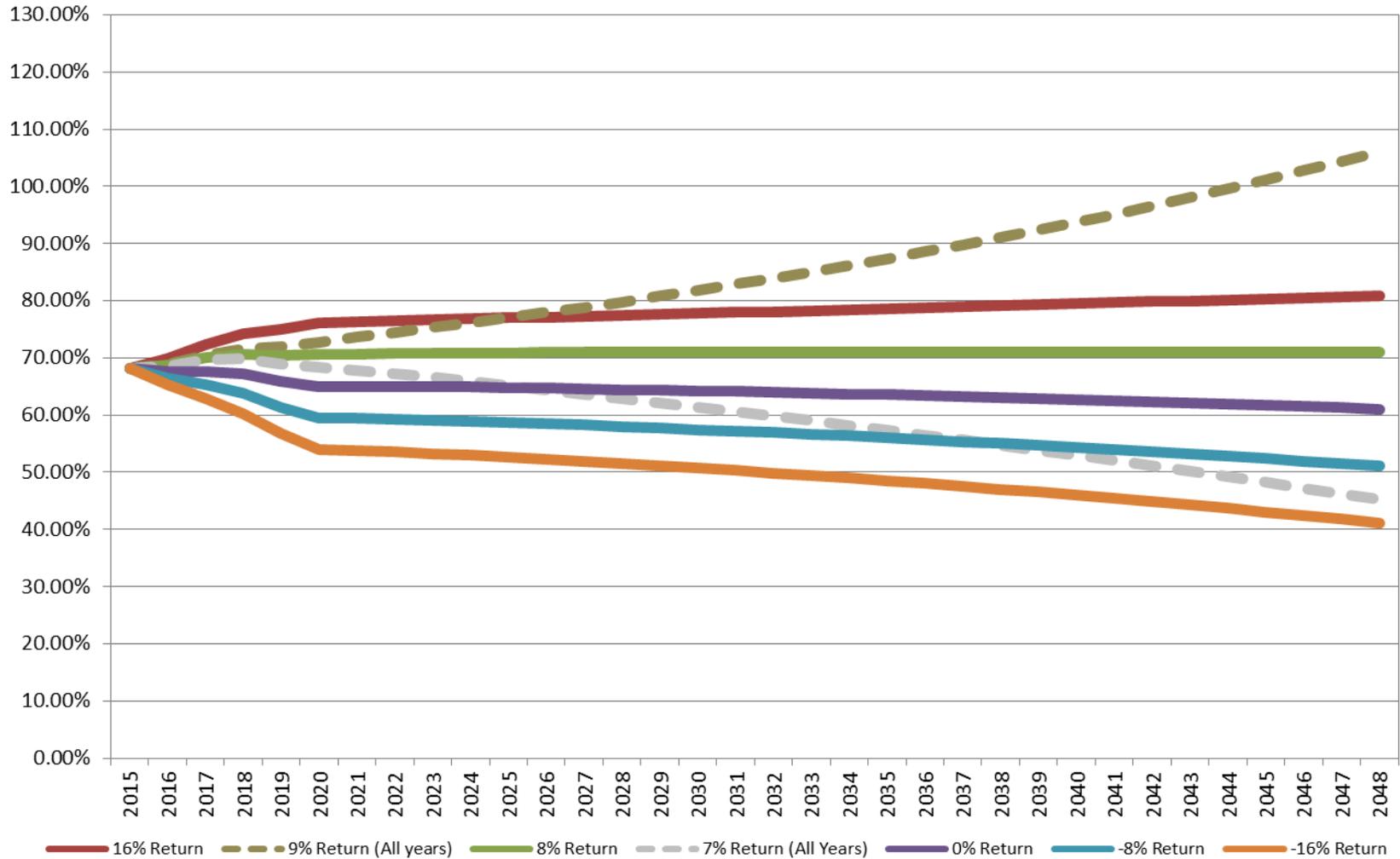
Projected Funded Ratios (AVA Basis)

Main System



Projected Funded Ratios (AVA Basis)

Main System – Range of Returns for 2015/2016, 8% thereafter



Target Funded Ratios

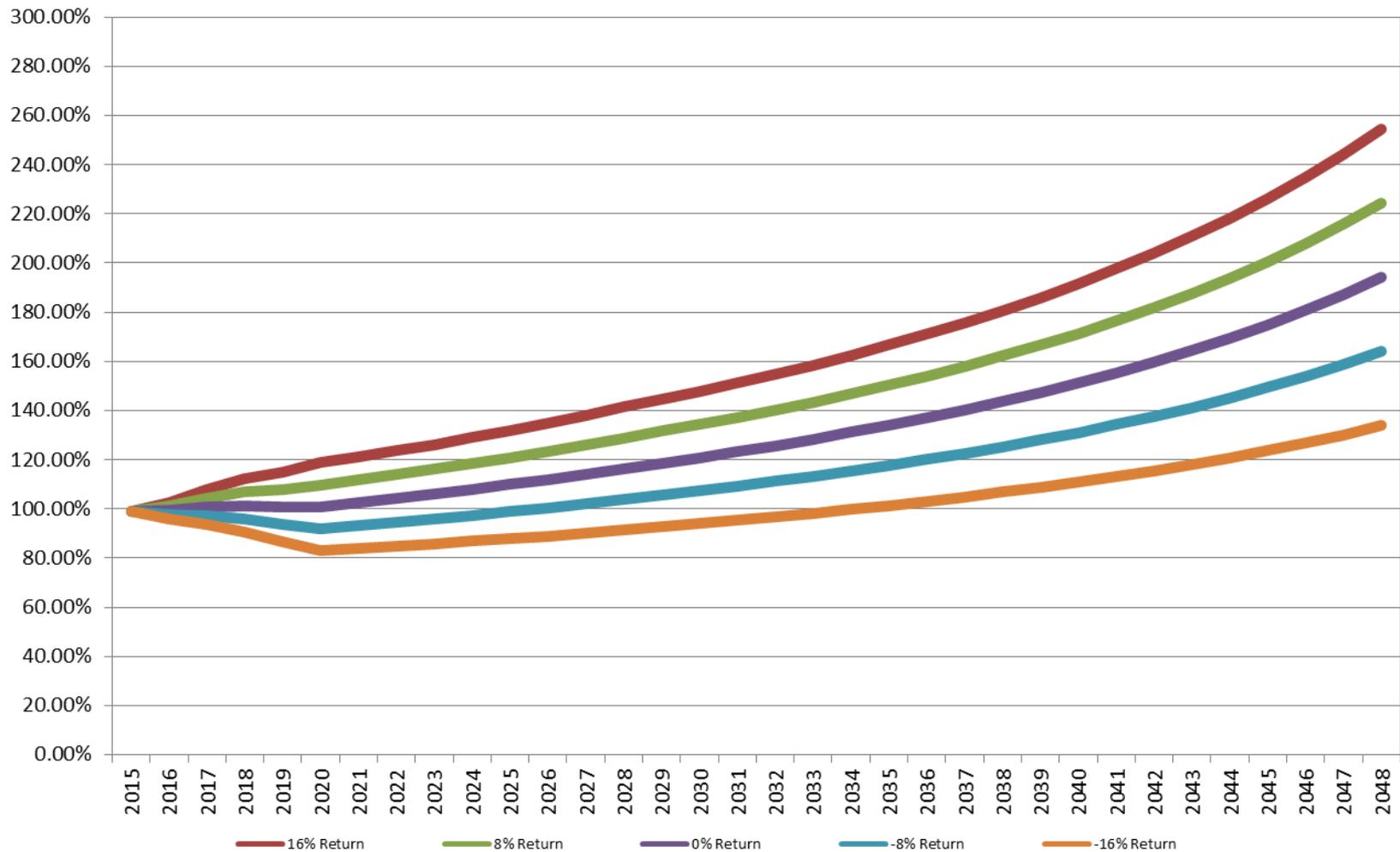
Main System

RATE OF RETURN REQUIRED FOR ALL YEARS BEGINNING ON AND AFTER 2016/2017 TO ACHIEVE TARGET IN 2035

Target Funded Ratio	Assumed 2015/2016 Return				
	16.0%	8.0%	0.0%	-8.0%	-16.0%
70%	7.4%	7.9%	8.5%	9.1%	9.8%
80%	8.1%	8.6%	9.2%	9.8%	10.5%
90%	8.7%	9.2%	9.8%	10.4%	11.1%
100%	9.3%	9.8%	10.4%	11.0%	11.7%

Projected Funded Ratios (AVA Basis)

Judges – Range of Returns for 2015/2016, 8% thereafter



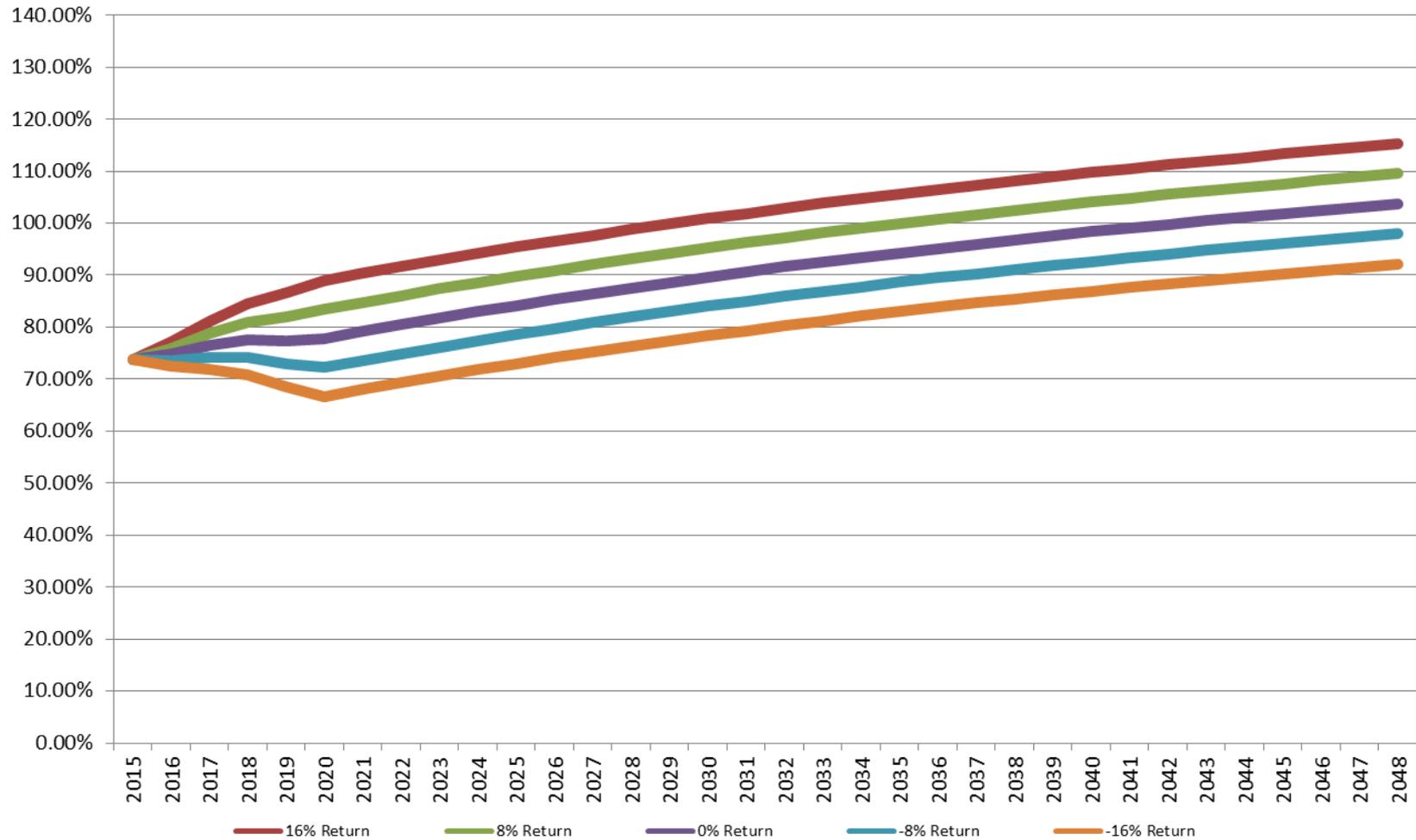
Target Funded Ratios

Judges

RATE OF RETURN REQUIRED FOR ALL YEARS BEGINNING ON AND AFTER 2016/2017 TO ACHIEVE TARGET IN 2035

Target Funded Ratio	Assumed 2015/2016 Return				
	16.0%	8.0%	0.0%	-8.0%	-16.0%
70%	3.8%	4.3%	4.9%	5.6%	6.3%
80%	4.4%	4.9%	5.5%	6.2%	6.9%
90%	4.9%	5.5%	6.1%	6.7%	7.4%
100%	5.4%	6.0%	6.6%	7.2%	7.9%

Projected Funded Ratios (AVA Basis): Law Enforcement with Prior Main System Service - Range of Returns for 2015/2016, 8% thereafter



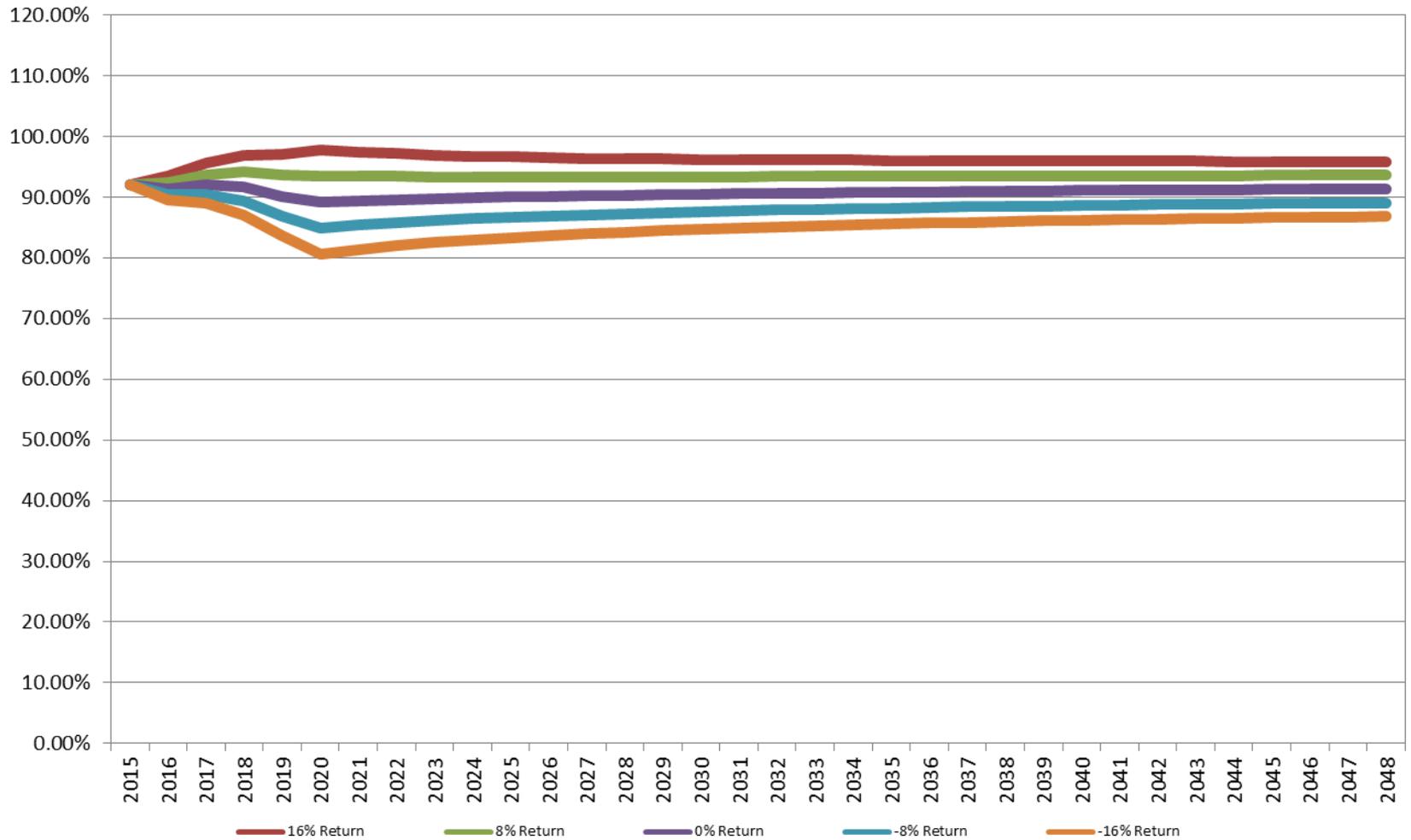
Target Funded Ratios

Law Enforcement with Prior Main System Service

**RATE OF RETURN REQUIRED FOR ALL YEARS
BEGINNING ON AND AFTER 2016/2017 TO ACHIEVE TARGET IN 2035**

	Assumed 2015/2016 Return				
Target Funded Ratio	16.0%	8.0%	0.0%	-8.0%	-16.0%
70%	5.1%	5.5%	5.9%	6.3%	6.8%
80%	6.1%	6.4%	6.8%	7.3%	7.7%
90%	6.9%	7.3%	7.7%	8.1%	8.6%
100%	7.6%	8.0%	8.4%	8.9%	9.4%

Projected Funded Ratios (AVA Basis): *Law Enforcement without Prior Main System Service - Range of Returns for 2015/2016, 8% thereafter*



Target Funded Ratios

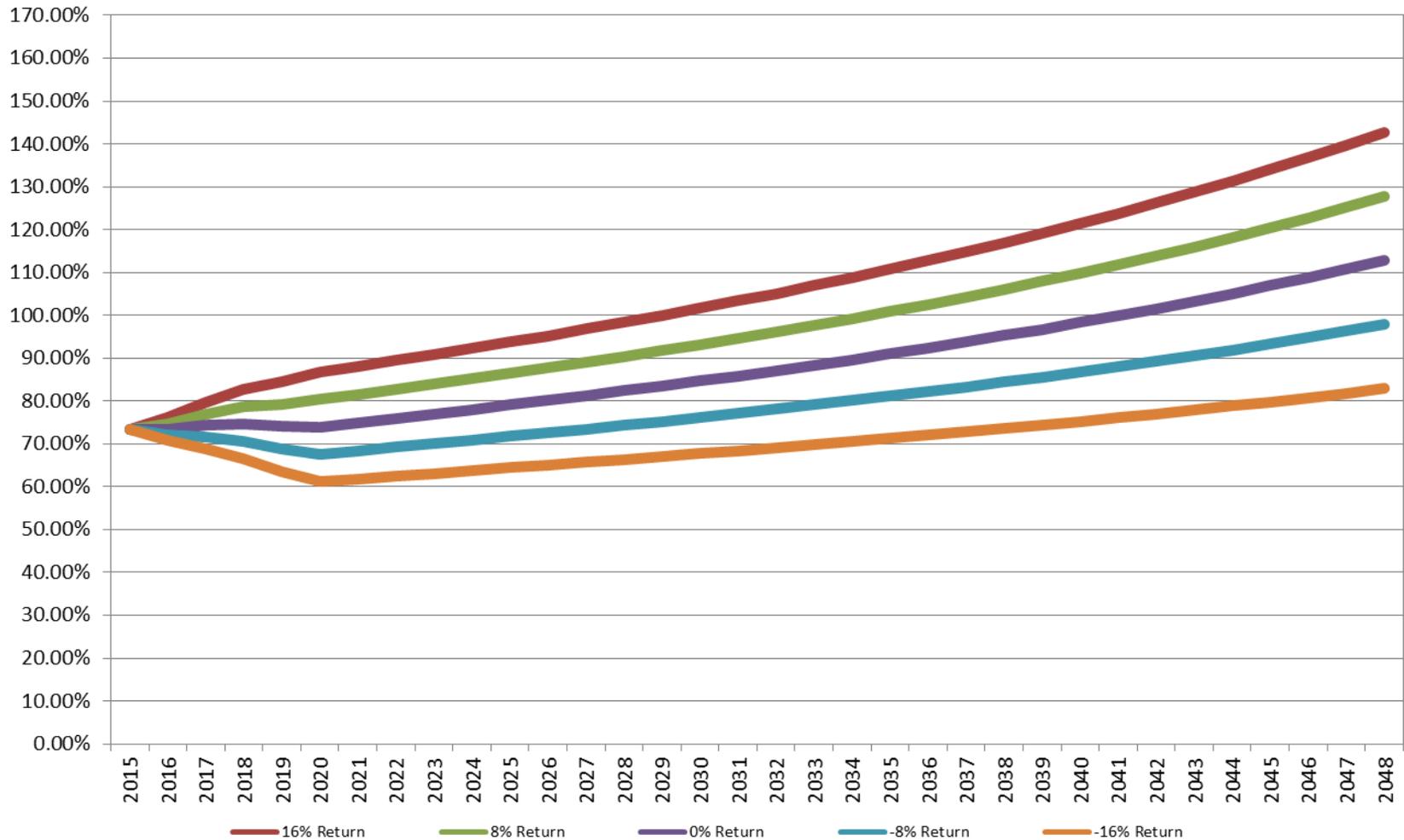
Law Enforcement without Prior Main System Service

**RATE OF RETURN REQUIRED FOR ALL YEARS
BEGINNING ON AND AFTER 2016/2017 TO ACHIEVE TARGET IN 2035**

	Assumed 2015/2016 Return				
Target Funded Ratio	16.0%	8.0%	0.0%	-8.0%	-16.0%
70%	5.3%	5.5%	5.7%	6.0%	6.2%
80%	6.4%	6.7%	6.9%	7.2%	7.4%
90%	7.5%	7.7%	7.9%	8.2%	8.4%
100%	8.3%	8.6%	8.8%	9.1%	9.4%

Projected Funded Ratios (AVA Basis)

Highway Patrol – Range of Returns for 2015/2016, 8% thereafter



Target Funded Ratios

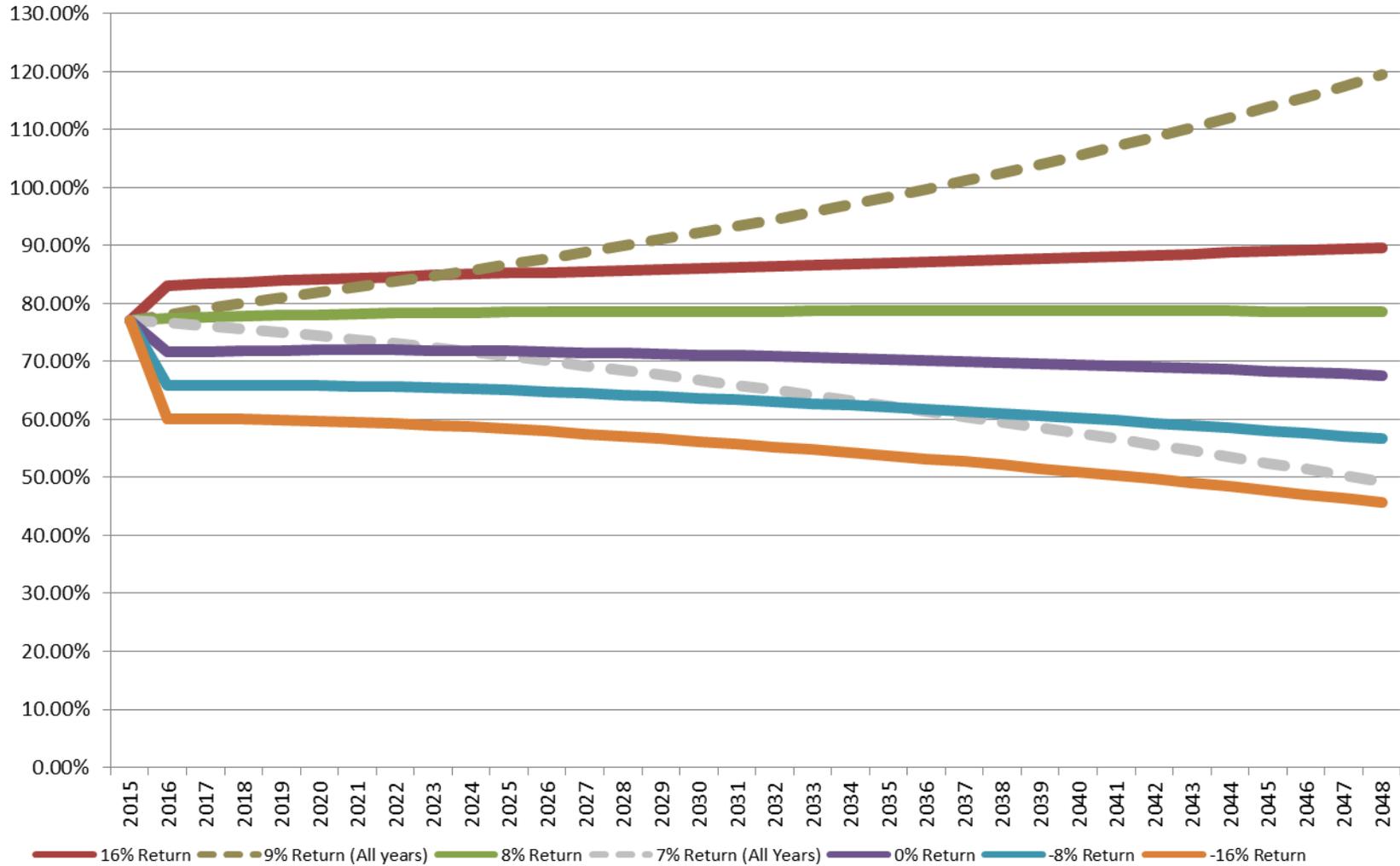
Highway Patrol

RATE OF RETURN REQUIRED FOR ALL YEARS BEGINNING ON AND AFTER 2016/2017 TO ACHIEVE TARGET IN 2035

	Assumed 2015/2016 Return				
Target Funded Ratio	16.0%	8.0%	0.0%	-8.0%	-16.0%
70%	5.6%	6.1%	6.6%	7.2%	7.9%
80%	6.3%	6.8%	7.3%	7.9%	8.6%
90%	6.9%	7.4%	8.0%	8.6%	9.2%
100%	7.5%	8.0%	8.5%	9.1%	9.8%

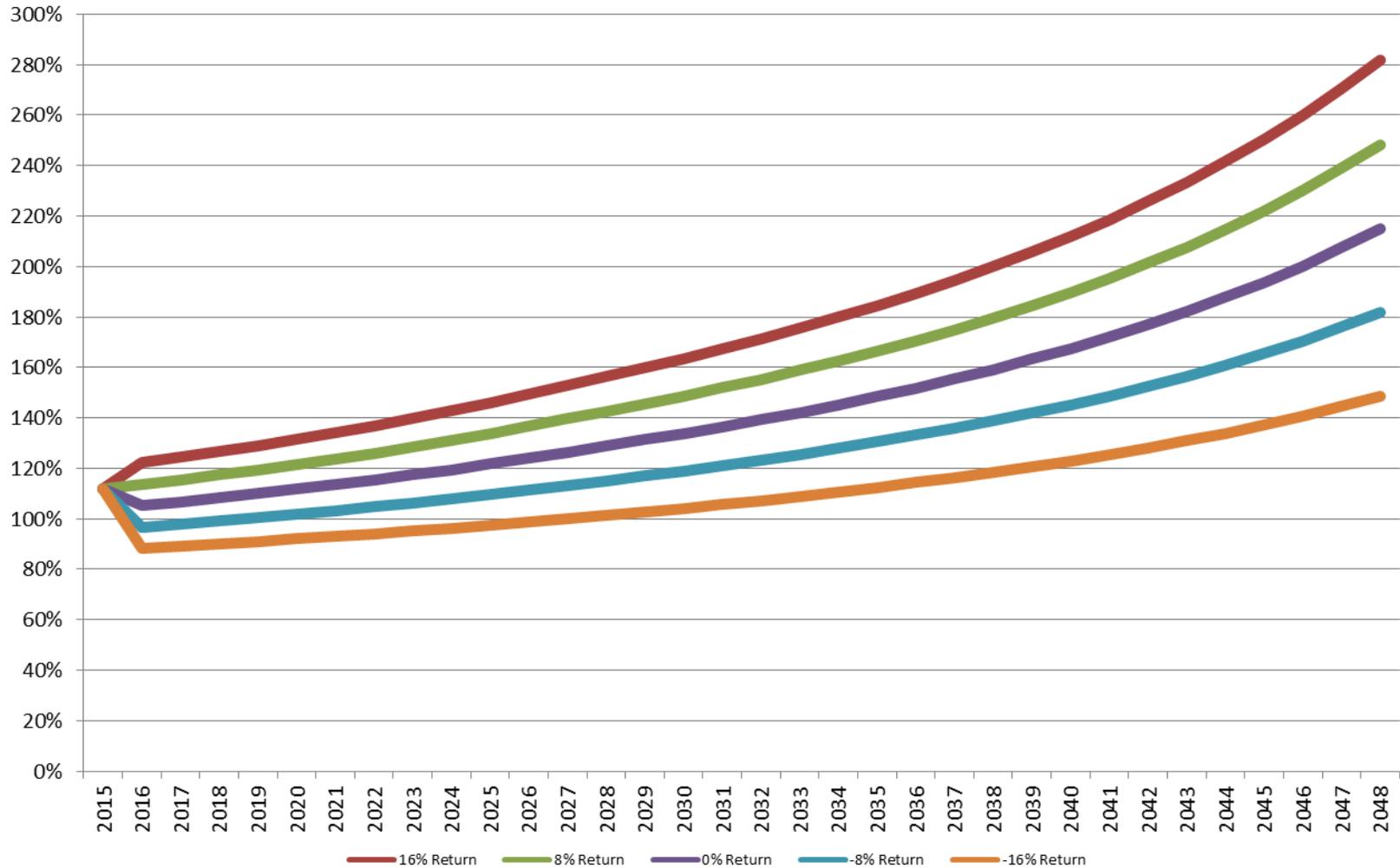
Projected Funded Ratios (MVA Basis)

Main System – Range of Returns for 2015/2016, 8% thereafter

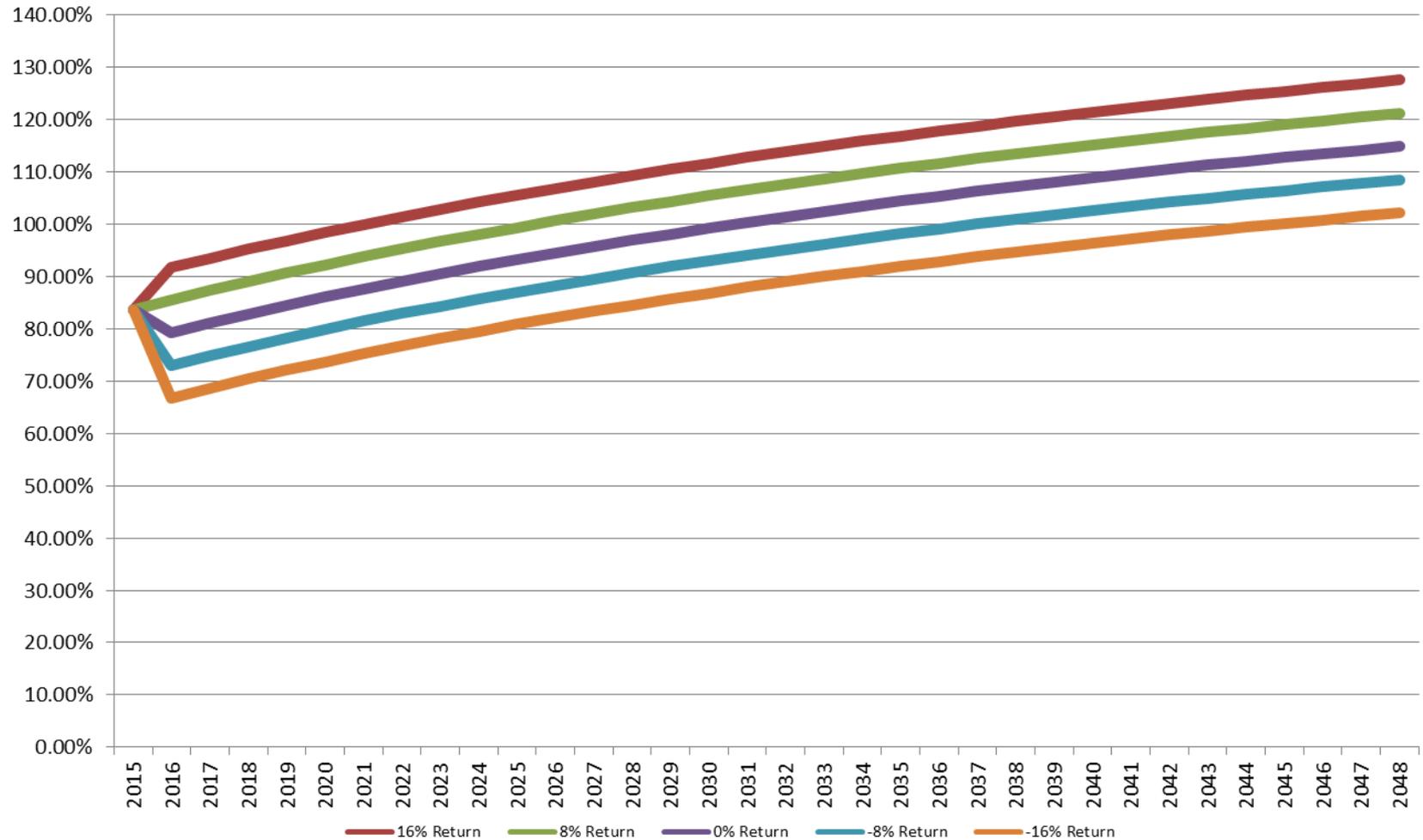


Projected Funded Ratios (MVA Basis)

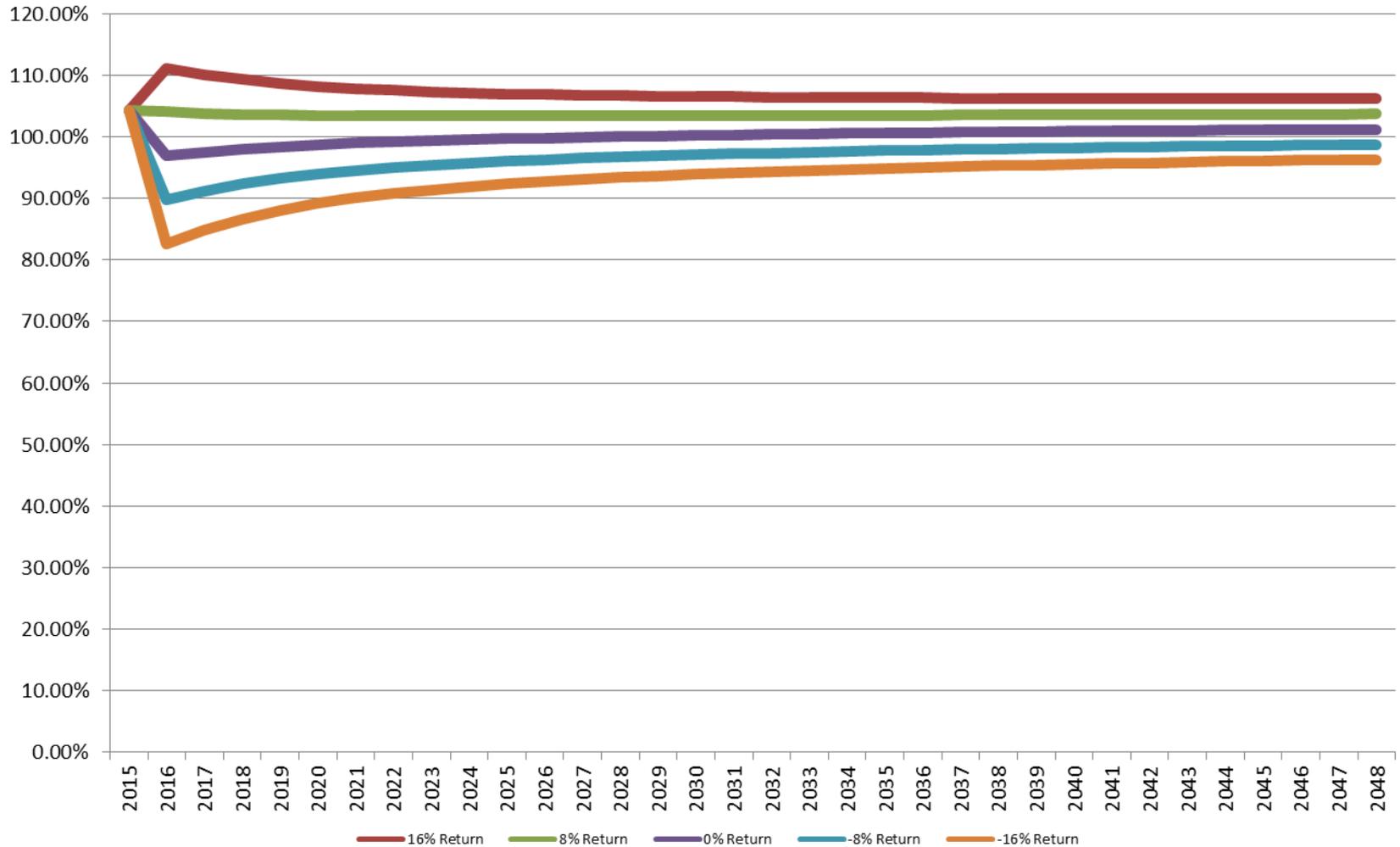
Judges – Range of Returns for 2015/2016, 8% thereafter



Projected Funded Ratios (MVA Basis): Law Enforcement with Prior Main System Service - Range of Returns for 2015/2016, 8% thereafter

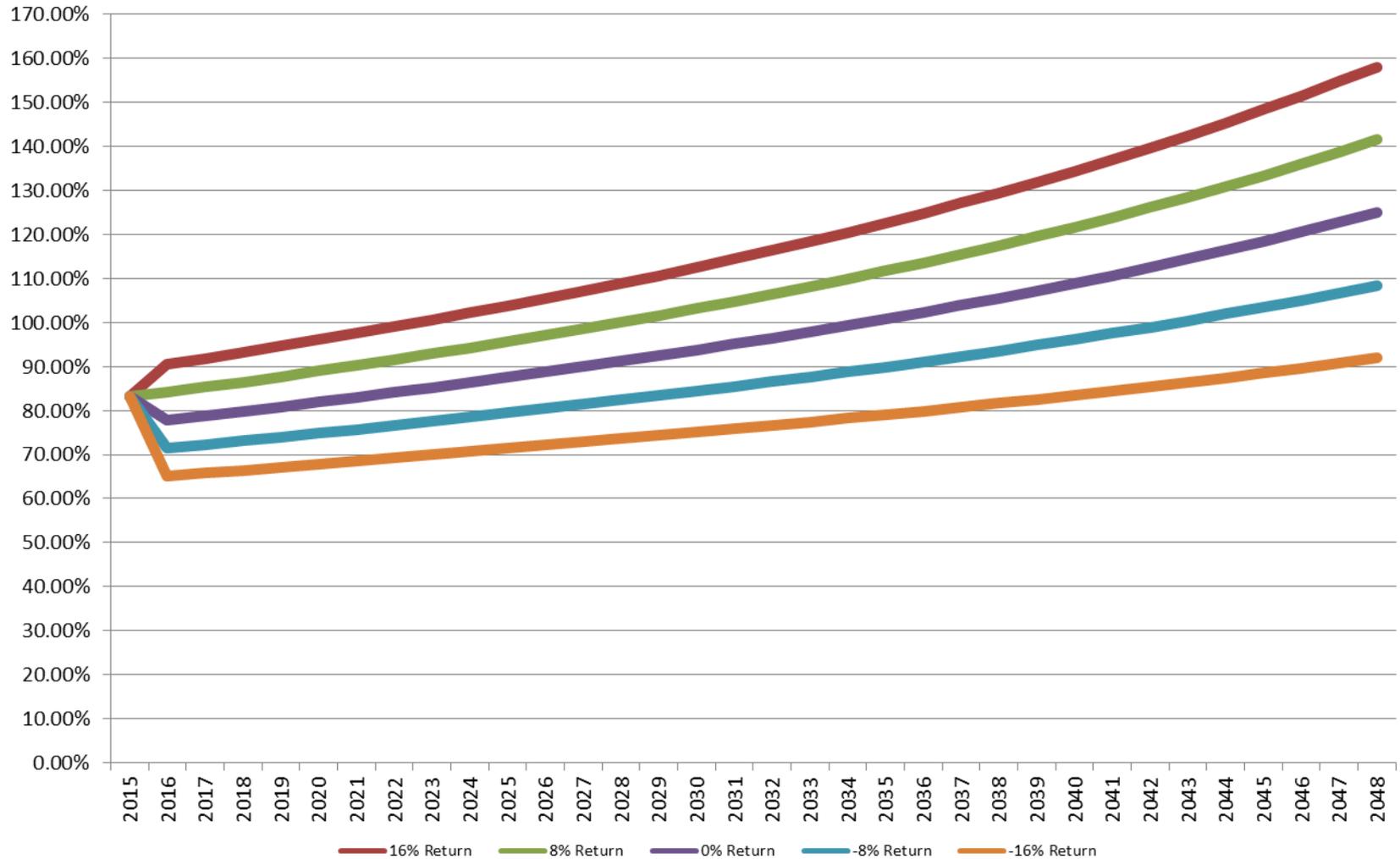


Projected Funded Ratios (MVA Basis): Law Enforcement without Prior Main System Service - Range of Returns for 2015/2016, 8% thereafter



Projected Funded Ratios (MVA Basis)

Highway Patrol – Range of Returns for 2015/2016, 8% thereafter



Appendix

- This Appendix summarizes the economic and demographic assumptions for each system. The descriptions have been shortened for ease of reference.
- Full details of the assumptions are available in the Experience Review: July 2009 – June 2014 Presentation dated May 21, 2015.

Summary of Assumptions – Main System

Assumption	July 1, 2014	July 1, 2015
Inflation/Productivity	3.50%/1.00% (4.50% Payroll Growth)	No Change
Salary Scale	Based on age/service	Based on age/service, split by State/Non-State
Investment Return	8.00%	8.00%
Administrative Expenses	\$1,100,000	Prior year expenses increased by inflation rate (3.5%)
Termination	Based on age/service	No change
Disability	Gender-distinct rates based on age	Lower rates at all ages
Active Retirement	Based on age/eligibility for unreduced benefits	Adjusted rates at some ages
Inactive Retirement	Earlier of age 64 and unreduced retirement	Same as active retirement rates
Healthy Mortality	RP-2000 Combined Healthy, with setback	RP-2000 Combined Healthy, with setback, projected generationally using SSA 2014 Intermediate Cost scale from 2014
Disabled Mortality	RP-2000 Disabled Mortality Table set back one year for males (no setback for females)	RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%
Spouse Information	80% of males and 65% of females married, male spouses are three years older	75% are married. No other changes.
Benefit election	Married elect 50% joint & survivor, non-married elect life annuity	50% elect life annuity, 45% elect 50% joint & survivor, 5% elect refund of contributions
Refund of Contributions	Only if account balance is higher than value of annuity	No Change
Account balance due to vested Employer Contributions (PEP)	Those contributing continue to contribute. Those who haven't contributed will not contribute in the future.	No Change

Summary of Assumptions – Judges

Assumption	July 1, 2014	July 1, 2015
Inflation/Productivity	3.50%/0.50% (4.00% Payroll Growth)	No Change
Salary Scale	5% for all years	4% for all years
Investment Return	8.00%	8.00%
Administrative Expenses	\$7,500	Prior year expenses increased by inflation rate (3.5%)
Termination	Rates based on age	Eliminate rates
Disability	Gender-distinct rates based on age	Lower rates at all ages
Active Retirement	Rates based on age	Adjusted rates based on age
Inactive Retirement	Earlier of age 64 and unreduced retirement	Same as active retirement rates
Healthy Mortality	RP-2000 Combined Healthy, with setback	RP-2000 Combined Healthy, with setback, projected generationally using SSA 2014 Intermediate Cost scale from 2014
Disabled Mortality	RP-2000 Disabled Mortality Table set back one year for males (no setback for females)	RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%
Spouse Information	100% of all participants are married, male spouses are three years older than female spouses	No changes
Benefit election	Married elect 50% joint & survivor, non-married elect life annuity	All elect 50% joint & survivor
Refund of Contributions	Only if account balance is higher than value of annuity	No Change

Summary of Assumptions – Law Enforcement with Prior Service

Assumption	July 1, 2014	July 1, 2015
Inflation/Productivity	3.50%/1.00% (4.50% Payroll Growth)	No Change
Salary Scale	Based on age/service	Based on age/service, adjusted for recent experience
Investment Return	8.00%	8.00%
Administrative Expenses	\$2,500	Prior year expenses increased by inflation rate (3.5%)
Termination	Based on age/service	No change
Disability	Gender-distinct rates based on age	Lower rates at all ages
Active Retirement	Rates based on age	Adjusted rates based on age
Inactive Retirement	Earlier of age 55 and unreduced retirement	Same as active retirement rates
Healthy Mortality	RP-2000 Combined Healthy, with setback	RP-2000 Combined Healthy, with setback, projected generationally using SSA 2014 Intermediate Cost scale from 2014
Disabled Mortality	RP-2000 Disabled Mortality Table set back one year for males (no setback for females)	RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%
Spouse Information	80% of males and 65% of females married, male spouses are three years older	75% are married. No other changes.
Benefit election	Married elect 50% joint & survivor, non-married elect life annuity	50% elect life annuity, 45% elect 50% joint & survivor, 5% elect refund of contributions
Refund of Contributions	Only if account balance is higher than value of annuity	No Change
Account balance due to vested Employer Contributions (PEP)	Those contributing continue to contribute. Those who haven't contributed will not contribute in the future.	No Change

Summary of Assumptions – Law Enforcement without Prior Service

Assumption	July 1, 2014	July 1, 2015
Inflation/Productivity	3.50%/1.00% (4.50% Payroll Growth)	No Change
Salary Scale	Based on age/service	Based on age/service, adjusted for recent experience
Investment Return	8.00%	8.00%
Administrative Expenses	\$7,500	Prior year expenses increased by inflation rate (3.5%)
Termination	Rates based on age/service	No change
Disability	Gender-distinct rates based on age	Lower rates at all ages
Active Retirement	Rates based on age	Adjusted rates based on age
Inactive Retirement	Earlier of age 55 and unreduced retirement	Same as active retirement rates
Healthy Mortality	RP-2000 Combined Healthy, with setback	RP-2000 Combined Healthy, with setback, projected generationally using SSA 2014 Intermediate Cost scale from 2014
Disabled Mortality	RP-2000 Disabled Mortality Table set back one year for males (no setback for females)	RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%
Spouse Information	80% of males and 65% of females married, male spouses are three years older	75% are married. No other changes.
Benefit election	Married elect 50% joint & survivor, non-married elect life annuity	50% elect life annuity, 45% elect 50% joint & survivor, 5% elect refund of contributions
Refund of Contributions	Only if account balance is higher than value of annuity	No Change
Account balance due to vested Employer Contributions (PEP)	Those contributing continue to contribute. Those who haven't contributed will not contribute in the future.	No Change

Summary of Assumptions – Highway Patrolmen

Assumption	July 1, 2014	July 1, 2015
Inflation/Productivity	3.50%/1.00% (4.50% Payroll Growth)	No Change
Salary Scale	Based on age/service	Based on age/service, adjusted for recent experience
Investment Return	8.00%	8.00%
Administrative Expenses	\$18,000	Prior year expenses increased by inflation rate (3.5%)
Termination	Based on age/service	No change
Disability	Rates based on age	Lower rates at all ages
Active Retirement	Based on age/eligibility for unreduced benefits	Adjusted rates at some ages
Inactive Retirement	Age 55	Same as active retirement rates
Healthy Mortality	RP-2000 Combined Healthy, with setback	RP-2000 Combined Healthy, with setback, projected generationally using SSA 2014 Intermediate Cost scale from 2014
Disabled Mortality	RP-2000 Disabled Mortality Table set back one year for males (no setback for females)	RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%
Spouse Information	90% of non-retired members are married, male spouses are three years older than female spouses	100% are married. No other changes.
Benefit election	Married elect 50% joint & survivor, non-married elect life annuity	100% elect 50% joint & survivor
Indexing for benefits of inactive members	4.5% per annum	4.0% per annum
Refund of Contributions	Only if account balance is higher than value of annuity	No Change

Summary of Assumptions – Job Service

Assumption	July 1, 2014	July 1, 2015
Inflation/Productivity	3.50%/1.00%	No Change
Salary Scale	5.00%	3.50%
Investment Return	8.00%	7.00%
Administrative Expenses	Implicitly included in the investment return assumption	Prior year expenses increased by inflation rate (3.5%)
COLA	5.00%	3.00%
Termination	Rates based on age	Not applicable
Disability	Rates based on age	Lower rates at all ages
Active Retirement	75% retire when first eligible. The rest retire at Normal Retirement Age	Adjusted rates based on age
Inactive Retirement	100% at first optional retirement age	Same as active retirement rates
Healthy Mortality	1994 Group Annuity Mortality Table	RP-2000 Combined Healthy, with setback, projected generationally using SSA 2014 Intermediate Cost scale from 2014
Disabled Mortality	1983 Railroad Retirement Board Disabled Life Mortality Table	RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%
Spouse Information	85% of all non-retired are married, male spouses are four years older than female spouses	No change
Benefit election	All participants are assumed to elect the 10-year certain and life annuity	55% elect 10-year certain and life, 45% elect 55% joint & survivor

Questions?

 **Segal Consulting**

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Greenwood Village, CO 80111
T 303.714.9952

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bramirez@segalco.com

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

Memorandum

TO: PERS Board
FROM: Sparb
DATE: October 15, 2015
SUBJECT: Retirement Plan RFP

At the March and April meeting the Board discussed the following relating to the retirement plan consulting contract:

March Meeting:

Request for Proposal for Retirement Consulting Services

Mr. Collins indicated that at the last meeting the Board awarded the experience study to Segal. He noted that it would be difficult for a new actuary to do the 2015 valuation when the existing vendor was doing the experience review and was requesting authorization to approach Segal to extend for one more year. He explained this additional year would allow us to integrate the experience study findings into the next valuation. The Board discussed and concurred that staff obtain a price quote from Segal on this effort for one more year and report back at the April meeting

April Meeting:

RETIREMENT

Mr. Collins reported that at the last meeting the Board was informed that the retirement consultant contract with Segal expires June 30, 2015, with the possibility of extending this contract for one more year since they are working on the experience study. Mr. Collins contacted Segal and they responded with a renewal bid to increase the hourly rate (which is the same rate as TFFR). The Board had concerns that the retirement consultant has not gone to bid for 12 years.

MR. TRENBEATH MOVED THAT STAFF ISSUE A REQUEST FOR PROPOSAL FOR RETIREMENT CONSULTING SERVICES.

The motion failed for lack of a second.

The Board further discussed the Segal renewal. The Board noted the increase in fixed fees of \$3,000 could potentially be lower than issuing the request for proposal and there is no guarantee that the bids would come in at or lower than the Segal bid.

MR. SANDAL MOVED TO ACCEPT THE SEGAL PROPOSAL FOR THE PERIOD JULY 1, 2015 THROUGH JUNE 30, 2016 AND TO ISSUE A REQUEST FOR PROPOSAL NEXT YEAR. THE MOTION WAS SECONDED BY MS. Y. SMITH.

The Board discussed the motion questioning why renewals have not been done sooner. Mr. Collins explained that, for various reasons, the retirement consultant contract has been extended by the Board. For example, in the last couple of legislative sessions staff has been in the midst of the defined contribution plan discussions where much work has been done by the retirement consultant Segal and there was continuity of being able to maintain this consultant.

Ayes: Ms. Y. Smith, Ms. Wassim, Mr. Sandal, and Chairman Strinden

Nays: Mr. Trenbeath and Ms. Goodhouse

Absent: Ms. A. Smith

MOTION PASSED

The Board directed staff to begin the request for proposal process in the fall of 2015

Pursuant to the above direction, attached is a draft RFP for retirement plan services. Please review and provide comments. You will note the following:

1. The RFP is for two years with an option to renew for 2 additional two year periods
2. The work effort includes:
 - a. The annual valuations
 - b. The GASB 67 and 68 work
 - c. General consulting work
 - d. Legislation technical/valuation
 - e. Deferred comp general consulting
 - f. Retiree Health Insurance Credit Program valuation, general consulting and legislative work
3. In addition to the above on page 17 we added the work effort to update our actuarial valuation tables.
4. In the past we have had our retirement consultant provide us services relating to the flex comp program. Do you wish to continue to have this a part of the RFP? If so, we will add that before it is issued.

5. Also attached is a list of Retirement Consultants that will be solicited. Please let us know if there are any firms to be added. Also, we will place a public notice ad in the newspaper.

Board Action Requested

1. Approve the outline of the RFP for retirement plan services
2. Approve the timeline
3. Determine if flex comp program should be included
4. Approve the timeline for the actuarial tables.

REQUEST FOR PROPOSAL

FOR

**North Dakota
Public Employees Retirement System**

Retirement Plan Services

November 2015

This Request for Proposal (RFP) is issued for actuarial and consulting assistance for a twenty-four month period (July 1, 2016 through June 30, 2018). In addition, the Board intends that the successful bidder will have the opportunity to renew its contract for two subsequent two-year periods if an acceptable agreement can be reached between the contractor and the Board.

The following is a sequence of activities for this RFP:

November 1, 2015	RFP for consultant services issued
December 1, 2015	Questions to RFP due
December 18, 2015	Responses to questions posted
January 15, 2016	Proposals due at NDPERS office no later than 5:00 p.m. Central Standard Time
May 1, 2016	PERS Board award date

If the Board elects to do interviews, they could be scheduled in March/April before an award is made.

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SECTION 1 - BACKGROUND

The North Dakota Public Employees Retirement System is responsible for the administration of the State's retirement, health, life, dental, deferred compensation, flex comp, retiree health insurance credit, long term care and EAP programs. This proposal is for assistance in the retirement programs.

PERS is managed by a Board comprised of nine members:

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

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

The following are the areas of work for which the Board is seeking assistance

A. Defined Benefit Retirement Plans:

The PERS system (includes the main system, judges, and law enforcement plans), the Job Service Plan and the Highway Patrol plan are defined benefit plans and provide benefits under two separate chapters of the North Dakota Century Code (NDCC). NDCC Chapter 54-52 provides the benefits under the PERS, Judges, and Air Guard/Law Enforcement retirement plans. NDCC Chapter 39-03.1 provides the benefits under the Highway Patrol retirement plan. The Job Service Retirement plan benefits are provided pursuant to that systems plan document. A summary of the plan provisions is found on the PERS web site at <http://www.nd.gov/ndpers/providers-consultants/consultants/rfp-index.html>

A copy of the 2015 valuations can be found at the same site under the "Request for Proposal".

1. Public Employees Retirement System

a. Main System

The North Dakota Public Employees Retirement System (PERS) is the retirement plan for all state employees (excluding those in the Board of Higher Education eligible for TIAA/CREF), and employees of counties, cities and school districts (excluding teachers) which have elected to participate. The following is background information on the main system:

Public Employees Retirement Plan

Chapter 54-52, NDCC

Employer Contribution: 7.12%
Employee Contribution: 7.00%
Total Retirement Contributions: 14.12%

Vesting in Disability Benefit: 180 days
Vesting in Retirement Benefit: 36 months
Normal Retirement: Age 65 or Rule of 85

Retirement Formula:

Final Average Salary x 2% x Years of Credited Service

Example:

$\$2000 \times 2\% \times 20 = \800

Membership

Main System

	2014	2013	Change
Actives			
• Number	21,814	21,201	2.9%
• Payroll	\$946.2 million	\$865.9 million	9.3%
• Average Age	46.7 years	47.1 years	-0.4 years
• Average Service	10.1 years	10.4 years	-0.3 years
Retirees and Beneficiaries¹			
• Number	9,199	8,637	6.5%
• Total Monthly Benefits	\$9.4 million	\$8.5 million	10.6%
• Average Monthly Benefit	\$1,024	\$985	4.0%

¹ Does not include 24 suspended retirees as of 2014 and 21 as of 2013.

b. Judges

The Supreme and District Court Judges in North Dakota, although a part of the PERS system, have a separate benefit program. The following is background information on the judges system:

Public Employees Retirement Plan-Judge's

Chapter 54-52, NDCC

Employer Contribution:	16.52%
Employee Contribution:	<u>7.00%</u>
Total Retirement Contributions:	23.52%

Vesting in Disability Benefit:	180 days
Vesting In Retirement Benefit:	60 months
Normal Retirement:	Age 65 or Rule of 85

First Ten Years:

Final Average Salary x 3.5% x First 10 Years of Credited Service

Second Ten Years:

Final Average Salary x 2.80% x Second 10 Years of Credited Service

Remaining Years:

Final Average Salary x 1.25% x Remaining Years of Credited Service

Example: $\$6861 \times 3.50\% \times 10 = \2401.35

$\$6861 \times 2.80\% \times 10 = \1921.08

$\$6861 \times 1.25\% \times 5 = \underline{\$428.80}$

$\$4751.23$

Membership Judges

	2014	2013	Change
Actives			
• Number	50	49	2.0%
• Payroll	\$7.0 million	\$6.6 million	5.5%
• Average Age	58.7 years	58.6 years	0.1 years
• Average Service	16.8 years	18.3 years	-1.5 years
Retirees and Beneficiaries			
• Number	38	36	5.6%
• Total Monthly Benefits	\$143,410	\$127,563	12.4%
• Average Monthly Benefit	\$3,774	\$3,543	6.5%

c. National Guard

Like the Judge's plan, the Air Guard is also part of the PERS system but has a separate level of benefits. The following is background information on the national guard system:

**Public Employees Retirement Plan
National Guard**

Chapter 54-52, NDCC

- Employer Contribution: 7.00% of covered payroll
- Employee Contribution: 4.50% of salary
- Total Retirement Contribution: 11.50%
- Vesting In Disability Benefit: 180 days
- Vesting In Retirement Benefit: 36 months
- Normal Retirement:
Age 55 with 3 years consecutive service
as Firefighter or Security Police Officer

Membership
National Guard

	2014	2013	Change
Actives			
• Number	27	39	-30.8%
• Payroll	\$1.2 million	\$1.7 million	-29.1%
• Average Age	37.6 years	36.5 years	1.1 years
• Average Service	6.6 years	5.5 years	1.1 years
Retirees and Beneficiaries			
• Number	10	10	0%
• Total Monthly Benefits	\$9,727	\$9,727	0%
• Average Monthly Benefit	\$973	\$973	0%

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Please note that with the 2015 valuation this system has now been combined with the Law Enforcement Plan with Prior Main system service.

d. Law enforcement system with Prior Service Credit & without Prior Service Credit

These are also a part of the PERS system but with a separate level of benefits. For actuarial purposes this group is divided into two groups, one with prior service and the other without prior service. As mentioned earlier the National guard plan has been combined with the Law Enforcement Plan with Prior Service starting in 2015. The following is background information on the Law Enforcement Plans:

With Prior Service:

- Employee Contribution
 - 5.50%
- Current Employer Groups
 - 10.31% Employer Contribution
 - Contribution based on Normal Cost and past service credit liability

Without Prior Service:

- Employee Contribution
 - 5.50%
- Current Employer Groups
 - 8.43% Employer Contribution
 - Contribution based on Normal Cost and no past service credit liability

Only difference from benefit structure in the Main Retirement Plan is these plans provide for an earlier normal retirement date – age 55

Membership

Law Enforcement without Prior Main System Service

	2014	2013	Change
Actives			
• Number	83	70	18.6%
• Payroll	\$3.6 million	\$2.6 million	40.6%
• Average Age	38.2 years	37.5 years	0.7 years
• Average Service	3.6 years	3.3 years	0.3 years
Retirees and Beneficiaries			
• Number	1	1	0%
• Total Monthly Benefits	\$816	\$816	0%
• Average Monthly Benefit	\$816	\$816	0%

Membership
Law Enforcement with Prior Main System Service

	2014	2013	Change
Actives			
• Number	288	229	25.8%
• Payroll	\$15.5 million	\$11.7 million	32.7%
• Average Age	38.3 years	38.5 years	-0.2 years
• Average Service	7.0 years	7.3 years	-0.3 years
Retirees and Beneficiaries			
• Number	52	46	13.0%
• Total Monthly Benefits	\$82,075	\$79,915	2.7%
• Average Monthly Benefit	\$1,578	\$1,737	-9.2%

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2. Highway Patrol

The North Dakota Highway Patrol plan is administered by PERS as a separate plan of benefits. The following is background information on the Highway Patrol system:

Chapter 39-03.1, NDCC

Employer Contribution: 16.7% of covered payroll

Employee Contribution: 10.3% of salary

Total Retirement Contribution: 27.0%

Vesting In Disability Benefit: 180 days

Vesting in Retirement Benefit: 120 months

Normal Retirement: Age 55 or Rule of 80

Retirement Formula:

First 25 Years:

Final Average Salary x 3.60% x First 25 Years

Remaining Years:

Final Average Salary x 1.75% x Remaining Years

Example: \$3000.92 x 3.60% x 25 = \$2,700.83*

Valuation Results (\$ in millions)
Highway Patrol

	July 1, 2014	July 1, 2013
Actuarial Accrued Liability:		
• Active Members	\$33.551	\$31.412
• Inactive Members	3.577	2.500
• Retirees and Beneficiaries	38.336	37.980
Total	\$75.464	\$71.892
Actuarial Assets	54.563	49.039
Unfunded Accrued Liability	\$20.901	\$22.853
Funded Ratio	72.3%	68.2%
Funded Ratio on Market Value	87.0%	79.3%

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3. Job Service Retirement Plan

The Job Service Retirement Plan was transferred to the Public Employees Retirement System to administer on August 1, 2003 and is a closed retirement plan. The following information is from the systems last actuarial report performed by the Segal Company:

Employer Contribution: 0% of covered payroll
 Employee Contribution: 7% of salary
 Total Retirement Contribution: 7%

Vesting In Disability Benefit: 5 years
 Vesting in Retirement Benefit: 5 years
 Normal Retirement: Age 65
 Age 62 with 5 years
 Age 60 with 20 years
 Age 55 with 30 years

Retirement Formula:

First 5 Years:

Final Average Salary x 1.50% x First 25 Years

Next 5 Years:

Final Average Salary x 1.75% x next 5 Years

Remaining Years

Final Average Salary x 2% x Remaining Years

Membership *Job Service*

	2014	2013	Change
Actives			
• Number	13	15	-13.3%
• Projected payroll	\$0.8 million	\$0.8 million	0.0%
• Average Age	60.4 years	59.3 years	1.1 years
• Average Service	37.6 years	36.5 years	1.1 years
Retirees and Beneficiaries			
Non-Travelers			
• Number	140	137	2.2%
• Total Monthly Benefits	\$330,262	\$313,664	5.3%
• Average Monthly Benefit	\$2,359	\$2,290	3.0%
Travelers			
• Number	73	76	-3.9%
• Total Monthly Benefits	\$55,227	\$53,983	2.3%
• Average Monthly Benefit	\$757	\$710	6.6%

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B. PERS Section 457 IRC Deferred Compensation Plan and Defined Contribution Plan:

1. Deferred Compensation Plan

The administration of the Deferred Compensation Plan for public employees was given to the Retirement Board on July 1, 1987. All state employees are eligible to participate, as well as political subdivision employees, if the governing authority of the political subdivision elects to have the state plan as their deferred compensation plan.

Presently 6,500 employees have accounts with fifteen investment providers. Assets are approximately \$185 million. The Retirement Board has developed a plan and contracts with investment providers (mainly insurance companies) to invest the contributions of employees.

The Deferred Compensation Plan is found in Chapter 54-52.2 of the NDCC.

2. Defined Contribution Plan

The defined Contribution Plan was created by the 1998 legislature as an alternate retirement plan to the defined benefit plan for non-classified state employees. Approximately 40% of the non-classified employees have elected to leave the defined benefit plan and join the defined contribution plan. The plan is currently open to new employees to make an election at employment. The plan has approximately \$35 million in assets and is presently contracted with TIAA-CREF for recordkeeping and investments.

The defined contribution plan is found in Chapter 54-52.6 of the NDCC.

C. PERS Retiree Health Insurance Credit Program:

The Retiree Health Insurance Credit program was implemented on July 1, 1989. This program provides for a partial payment of a retiree's medical insurance premium. Eligible members are the PERS, Judges (including judges who retired under 27-17 NDCC), Air Guard, and Highway Patrol retirees who are participating in the Uniform Group Health Insurance program. The Retiree Health Insurance Credit program is found in Chapter 54-52.1 of the NDCC. The following is background information on the retiree health program:

Membership
Retiree Health Insurance Credit Fund

	2014	2013	Change
Actives			
• Number	22,642*	21,955	3.1%
• Payroll	\$1,001.2 million	\$914.4 million	9.5%
• Average Age	46.6 years	46.9 years	-0.3 years
• Average Service	10.1 years	10.3 years	-0.2 years
Retirees and Beneficiaries			
• Number	4,829**	4,635	4.2%
• Total Monthly Benefits	\$0.6 million	\$0.6 million	0.0%
• Average Monthly Benefit	\$119	\$119	0.0%

* Includes 204 Defined Contribution Plan Participants.
** Includes 6 Defined Contribution Plan Participants.

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BENEFIT FORMULA:

\$5.00 for each year of credited service

Example: \$5.00 x 25 = \$125.00

CONTRIBUTION

1.14% of payroll

SECTION 2 - SCOPE OF SERVICES

This Section outlines the scope of services to be provided to PERS.

A. Retirement Plans:

1. Actuarial Valuation

The consultant will be required to prepare a separate actuarial valuation for the various PERS systems (Main, Judges, and law enforcement plans), the Highway Patrol retirement program and the Job Service Retirement Plan at the end of each fiscal year. The retirement plans operate on a July 1 to June 30 fiscal year basis. At a minimum, the actuarial valuation must include and be based on the following:

- a. The applicable provisions of NDCC.
- b. The characteristics of covered active members, inactive non-retired participants, pensioners, and beneficiaries.
- c. The assets of the respective system.
- d. Economic actuarial assumptions regarding future salary increases and investment earnings as established by the applicable Board.
- e. Actuarial assumptions regarding employee termination, retirement, disability, death, etc., as established by the applicable Board.
- f. The actuarial cost methodology to be used.
- g. The effects of state legislation in effect since the last valuation.
- h. The actuarial value of investment is the market value less deferred appreciation (depreciation). The methodology adopted by the Board shall be utilized.
- i. A summary of investment results, including the effect of unrealized gains and losses for the last ten years, of the Fund.
- j. The report must include all items required by the Government Finance Officers Association (GFOA) for inclusion in the actuarial section and select schedules for the statistical section of the pension plan's Comprehensive Annual Financial Report (CAFR).
- k. The report must include the following reporting information and related disclosures for GASB 67: Net Pension Liability, Target Asset Allocation, Sensitivity of the net pension liability to changes in the discount rate, Schedule of changes in net pension liability,

The actuarial valuations must be completed and submitted to PERS within thirty (30) days of receiving the census and financial data, but no later than October 12. As part of the valuation, data on the special prior service pensions for PERS is required. This shall include the number, type and monthly amount for this group as well as demographic information. The consultant will present the report to the

PERS Board. Therefore, the consultant should plan on attending one meeting each year for this presentation. The consultant will also present the report to the Legislative Employee Benefits Committee and therefore should plan on attending one more meeting each year.

2. **GASB 67 and 68 Calculations**

The GASB 67 calculations and disclosures and GASB 68 calculations for employers will be in a separate report. In addition to the GASB 67 information mentioned in item 1(k) above, the report will include the following schedules and related disclosures for employers: Schedule of employer allocation percentage and Schedule of pension amounts by employer.

3. **Product Delivery**

PERS will provide membership information to the selected firm for the retired and non-retired members. Files are scheduled to be available no later than August 15 following the fiscal year ending June 30. The firm must review the files within five working days of receipt and report in writing to PERS any discrepancies or errors discovered. The preliminary financial information consisting of the "Statement of Plan Net Position" and the "Statement of Changes in Plan Net Position" is scheduled to be mailed to the firm no later than September 10 following the fiscal year ending June 30.

All reports (annual valuations and legislative bill reports) are to be delivered to PERS no later than October 12. Delivery after that date shall result in a **ten percent (10%) reduction** in the fixed-fee. The 10% applies for each year to the total fee. Consequently, if the date was missed for two years the total reduction would be 20%. The Board retains the right to waive the penalty if warranted. In addition, if the time schedule is not met in the first two years of the contract the Board will consider not renewing for the additional two year period.

The selected firm is required to present the annual actuarial report to the PERS Board at their October or November meeting which is generally the third Thursday of the month.

4. **Gain/Loss Experience Analysis**

An actuarial gain/loss experience analysis shall be performed each year and included in the actuarial report for PERS main system. The analysis shall reconcile the difference in the employer contribution requirements from the previous year to the present year. Variables to be included are any plan design changes, assumption changes, contributions, investment return, salary assumption, retirement experience, withdrawal experience, disability experience, mortality experience, administrative expenses and other factors as determined by PERS.

5. **Consulting Services**

The consultant will be expected to serve on an ongoing basis in an advisory and review capacity to the PERS Boards, the Executive Director of PERS and the PERS and staff. In this capacity the consultant will be expected to attend meetings and present findings and recommendations as required. The PERS Board meets on a monthly basis. PERS uses video or audio conferencing for these meetings if available to avoid the need for travel.

The consultant must provide the following:

- a. The actuarial and administrative implications of particular interpretations of the statutes and administrative rules governing PERS and its retirement plans.
- b. The effect of existing and proposed state and federal laws that affect, or may affect PERS.
- c. General assistance to PERS, as requested, regarding the ongoing administration of PERS including the calculation of benefits, the development of procedures and forms, and computer systems.
- d. Technical advice on state and federal tax issues facing PERS and its members.
- e. Provide advice on service purchasing provisions, methods and tables as necessary.
- f. General assistance in developing rules and policies.
- g. General actuarial and administrative implications of particular interpretation of retirement statutes or rules.
- h. The consultant shall be available for periodic educational discussions with the PERS Boards and/or staff members.
- j. Give consultation and advisory services in the policy and administrative problems of implementing new legislation.

6. Federal Compliance

The consultant will be expected to serve, on an ongoing basis, in an advisory and review capacity to the PERS Boards, the Executive Director PERS staff relating to major changes in the federal laws and regulations governing defined benefit plans have occurred in recent years. Therefore, the consultant must be able to provide assistance in the following areas:

- a. Minimum participation rules.
- b. Participation of leased employees.
- c. Modified IRC Section 415 limits.
- d. Maximum compensation levels for benefit accruals.
- e. Minimum distribution requirements.
- f. Additional income tax on early withdrawals.
- g. Other federal initiatives and potential initiatives.

Not included, in the above scope of work, are plan amendments, filings with the IRS, or performance testing.

7. Proposed Legislation

The consultant will be required to assist in the following areas relating to proposed legislation on a fee for service basis. Prior to initiating any efforts under this area,

authorization must be given by the Executive Director of PERS. Any work efforts the consultant completes or initiates that are not authorized will not be reimbursed. The efforts under this task area include:

- a. Give consultation on, and perform certain work in, pricing proposed legislation.
- b. Assist in the preparation and review of proposed changes to the governing laws.
- c. Pricing or general review work on legislation shall specifically address each issue and give the basis for each finding. The consultant shall furnish its review in writing and, for pricing efforts, show the assumptions, pricing base, actuarial implications on total program, cost and alternatives, if appropriate.
- d. Generally the consultant will be given several weeks to do the necessary pricing, however, during the Legislative Session it may be necessary to complete certain tasks on an overnight basis. What is your ability to provide such services?
- e. Provide analysis of the applicability of IRS or other federal requirements, as well as, identifying any general retirement plan design issues.
- f. Expert testimony, when requested, to the North Dakota Legislative Assembly or any other body relative to PERS in general and, in particular, with regard to the retirement systems or benefit modifications.
- g. Appear at selected meetings and hearings for discussion of actuarial standards and/or the principles used in the determination of the funding requirement and in the pricing of legislation.

B. Deferred Compensation and Defined Contribution Plan:

1. Consulting Services

The consultant will be expected to serve, on an ongoing basis, in an advisory and review capacity to the PERS Board, Executive Director and the PERS staff.

The consultant must provide the following:

- a. The effect of existing and proposed state and federal laws or regulations that affect, or may affect, the deferred compensation program or defined contribution plan.
- b. Advice on proposed program changes.
- c. Technical advice on state and federal tax issues facing the deferred compensation program or defined contribution plan.
- d. Technical advice concerning administrative issues (i.e., hardship applications, distributions, catch-up provision, etc.).
- e. Technical advice concerning day to day compliance issues.

- f. General assistance in developing rules, policies and plan document changes.
- g. General technical advice concerning investments.

2. Fees

The above services will be on a fee for service basis (flat rate fee). The consultant shall identify the individual assigned to this effort and their experience.

C. Retiree Health Insurance Credit Program:

1. Actuarial Services

The consultant will be required to prepare an annual actuarial valuation of the Retiree Health Insurance Credit plan . The Retiree Health Insurance Credit plan (effective July 1, 1989) currently operates on a fiscal year basis July 1 - June 30. At a minimum the actuarial valuation must include and be based on the following:

- a. The applicable provisions of the NDCC.
- b. The characteristics of covered participants and eligible non-covered pensioners.
- c. The actuarial value of assets of the Retiree Health Insurance Credit program is the market value less deferred appreciation (depreciation). The methodologies adopted by the Board should be used.
- d. Economic actuarial assumption regarding future investment earnings and future salary increases as established by the Board.
- e. Actuarial assumptions regarding employee terminations, retirement, disability, death, etc., as established by the Board.
- f. A gain/loss experience analysis.
- g. Conclusions and recommendations.
- h. The report must include all items required by the Government Finance Officers Association (GFOA) for inclusion in the actuarial section and select schedules for the statistical section of the pension plan's Comprehensive Annual Financial Report (CAFR).

2. Consulting Services

The consultant will be expected to serve on an ongoing basis, in an advisory and review capacity, to the PERS Board, Executive Director and the PERS staff relating to the Retiree Health Credit program. In this capacity, the consultant will be expected to attend meetings to present findings and recommendations as required. The PERS Board meets on a monthly basis.

The consultant must provide the following:

- a. The effect of existing and proposed state and federal laws that affect, or may affect, the Retiree Health Insurance Credit plan.

- b. General assistance to PERS, as requested, regarding the ongoing administration of the Retiree Health Insurance Credit plan.
- c. General actuarial and administrative implications of particular interpretations of the Retiree Health Insurance Credit plan statutes and administrative rules.
- d. General assistance in developing rules and policies.

3. Proposed Legislation

The consultant will be required to assist in the following areas relating to proposed legislation on a fee for service basis concerning the Retiree Health Insurance Credit program. Prior to beginning any efforts under this area authorization must be given by the PERS Executive Director. Any work efforts the consultant completes or initiates that are not authorized will not be reimbursed. The consultant should anticipate that one of the two on-site meetings under the fixed-fee contract will concern proposed legislation and, therefore, not be eligible for billing under this section. The efforts under this task area include:

- a. Give consultation on, and perform certain work in, pricing proposed legislation.
- b. Assist in the preparation and review of proposed changes to the governing laws.
- c. Pricing or general review work on legislation shall specifically address each issue and give the basis for each finding. The consultant shall furnish its review in writing and, for pricing efforts, show the assumptions, pricing base, actuarial implications on total program, cost and alternatives, if appropriate.
- d. Generally the consultant will be given several weeks to do the necessary pricing; however, during the Legislative Session it may be necessary to complete certain tasks on an overnight basis. What is your ability to provide such services?
- e. Expert testimony, upon request, to the North Dakota Legislative Assembly, or any other body, concerning the Retiree Health Insurance Credit plan in general and in particular, with regard to proposed modifications.

D. Update of Actuarial Tables

After completion of the 2016 Actuarial Valuation PERS is requesting an update to its actual tables. Specifically the tables to be updated would be for the PERS retirement plan and the Highway Patrol Retirement plan. These tables include:

- 1. Main & Law Enforcement –Normal Form
 - a. Converting Life Annuity to 50% Joint & Survivor
 - b. Converting Life Annuity to 100% Joint & Survivor
 - c. Converting Life Annuity to 10 Year Term Certain
 - d. Converting Life Annuity of 20 Year Term Certain
- 2. Main & Law Enforcement – Disability

- a. Converting Life Annuity to 50% Joint & Survivor
- b. Converting Life Annuity to 100% Joint & Survivor
- c. Converting Life Annuity to 10 Year Term Certain
- d. Converting Life Annuity of 20 Year Term Certain
3. Judges & Highway Patrol
 - a. Converting 50% Joint & Survivor to 100% Joint & Survivor
 - b. Converting Life Annuity to 10 Year Term Certain (same table as Main)
 - c. Converting Life Annuity of 20 Year Term Certain (same table as Main)
4. Judges & Highway Patrol – Disability
 - a. Converting 50% Joint & Survivor to 100% Joint & Survivor
 - b. Converting Life Annuity to 10 Year Term Certain (same table as Main)
 - c. Converting Life Annuity of 20 Year Term Certain (same table as Main)
5. Retiree Health Insurance Credit – Normal Form – All Members
 - a. Retirement Benefit of 10 Year Term Certain with 50% Joint & Survivor RHIC
 - b. Retirement Benefit of 20 Year Term Certain with 100% Joint & Survivor RHIC
6. Retiree Health Insurance Credit – Disability – All Members
 - a. Retirement Benefit of 10 Year Term Certain with 50% Joint & Survivor RHIC
 - b. Retirement Benefit of 20 Year Term Certain with 100% Joint & Survivor RHIC
7. Service Purchase
 - a. Main & Law Enforcement
 - b. Judges & Highway Patrol
 - c. Main & Law Enforcement RHIC
 - d. Judges & Highway Patrol RHIC
8. Partial Lump Sum Option Factors for Main & Law Enforcement
9. Partial Lump Sum Option Factors for Judges & Highway Patrol
10. Deferred Normal Retirement Option for Main & Law Enforcement
11. Deferred Normal Retirement Option for Judges & Highway Patrol
12. Graduated Benefit Single Life 1% & 2%
13. Graduated Benefit 50% Joint & Survivor 1% & 2%– Main & Law Enforcement
14. Graduated Benefit 100% Joint & Survivor 1% & 2%– Main & Law Enforcement
15. Graduated Benefit 50% (Normal) Joint & Survivor 1% & 2%– Judges & Highway Patrol
16. Graduated Benefit 100% Joint & Survivor 1% & 2%– Judges & Highway Patrol
17. Graduated Benefit 20 Year Term Certain 1% & 2%
18. Graduated Benefit 10 Year Term Certain 1% & 2%
19. Retirement Benefit Repayment – All Plans
 - a. Male Member with Life Annuity
 - b. Female Member with Life Annuity
 - c. All Members with 100% Joint & Survivor
 - d. Male Member with 50% Joint & Survivor
 - e. Female Member with 50% Joint & Survivor

SECTION 3 - INFORMATION REQUESTS

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

A. General Background:

1. The firm's name, home office address, address of the office providing the services under the contract and telephone number.
2. General description of the firm, including the size, number of employees, primary business (consulting, pension planning, insurance, etc.), other business or services, type of organization (franchise, corporation, partnership, etc.) and other descriptive material.
3. Provide summary information regarding the professional and experience qualifications of actuaries and other consultants who shall perform work under the contract.
4. Description of the computer equipment and a statement as to the ownership and location of this equipment to be utilized in the performance of the contract. Describe your data security policies and procedures.
5. Statement of the availability and location of staff (including actuaries) and other required resources for performing all services and providing deliverables within indicated time frames. Statement as to whether or not the services outlined in these specifications can be performed using only your present staff.
6. Provide a time line sequence of activities indicating your understanding of the RFP and what resources will be applied at given sequences.
7. Provide your understanding of the services requested.
8. Identify the specific and unique qualifications of your firm with regard to providing the requested work.
9. Identify the offices from which services to the Fund will be provided.
10. Describe your organization's approach to actuarial consulting.
11. Discuss how your firm will assure that all information provided to you will be confidential and how you secure our information within the organization and from access from the outside your organization.

B. General Services:

1. Retirement

- a. Discuss your understanding of the work effort requested in 2, A, 1 and how you would meet the requested work effort

- b. Discuss your understanding of the work effort requested in 2, A, 2 and how you would meet the requested work effort.
- c. Indicate your ability to meet the requirements of 2, A, 3 and how you would meet the requested work effort. Discuss your understanding of the penalty provision for late delivery of products and whether you agree to abide by this provision.
- d. Discuss your understanding of the 2, A, 4.
- e. Discuss your understanding of 2, A, 5 and the types of general consulting you could provide.
- f. Discuss your expertise and resources for providing the services request in 2, A, 6.
- g. Discuss your understanding of the work requested in 2, A, 7 and your experience working with legislative committee's. Describe your organization's experience and availability regarding legislative hearings and testimony. Also, specifically discuss the experience of the staff assigned. In addition highlight your firm's ability to perform pricing analysis of proposed legislation.
- h. Describe your organization's approach to actuarial consulting for retirement plans.
- b. Include a copy of an actuarial report. Discuss your ability to alter your format and data displays to respond to PERS requests.
- c. Discuss your work experience with public sector retirement boards.
- d. Provide a listing of state public sector clients of similar nature and size for whom your organization provides defined benefit retirement plan consulting and actuarial services. References should identify the appropriate contact person(s), addresses and telephone numbers.
- e. Does your firm publish a periodic newsletter? If yes, how often?
- f. To what extent does your organization provide timely information and insight into current/pending federal legislation?
- h. Discuss your experience with DB/DC plan discussion and studies.
- i. Identify and provide a resume for each actuary that will be assigned to the project and the estimated number of hours they will work on the project.
- j. Provide a resume for each non-actuary professional assigned to this work effort and the number of hours they are assigned.
- k. Identify any subcontractors to be used.

2. Deferred Compensation and Defined Contribution - Section 457 IRC

- a. Discuss your understanding of the work effort in 2, B, 1 and how you would meet the requested effort. Describe your organization's approach to consulting for public employee deferred compensation programs.
- b. Provide a listing of public sector clients of similar size for whom your firm provided deferred compensation consulting services. References should identify the appropriate contact person(s), addresses and telephone numbers.
- c. Indicate your organization's depth of experience in each of the following areas:
 - 1) Preparation of plan document.
 - 2) Preparation of member booklets.
 - 3) Investment provider contract negotiation.
 - 4) Financial analysis and reporting.
 - 5) Preparation of contracts, bid specifications and RFPs for deferred compensation programs that require providers to bid for the opportunity to provide services to employees.
 - 6) Plan qualification.
 - 7) 457 compliance issues.
- d. Provide a list of and resume for each individual assigned to this work effort.

3. Retiree Health Insurance Credit Program:

- a. Describe your organization's understanding and approach to the work effort requested in 2, C, 1.
- b. Describe your organizations understanding and approach to the work effort requested in 2, C, 2.
- c. Describe your organizations understanding and approach to the work effort requested in 2, C, 3.
- d. Provide a listing of public sector clients for whom your organization provides, or has provided, Retiree Health Insurance Credit program consulting and actuarial services. (Indicate the date of the study and the date of implementation). References should identify the appropriate contact person(s), addresses and telephone numbers.
- e. Provide the curriculum vitae of key personnel in your firm who will be providing the service and the estimated hours each is proposed to be utilizing in this project.
- f. Provide a statement of the firm's ability to perform pricing analysis of proposed legislation complete with actuarial certificate showing assumptions, pricing base and actuarial implications on total program.

4. Update of Actuarial Tables

Discuss your understanding of the work effort requested in 2, D. In addition

discuss:

- A. Your experience in preparing the table requested.
- B. Your suggestions on integrating these into the system
- C. How you proof all the numbers supplied to insure their integrity and consistency.

C. Signed Offer (Agreement for Services) from Section 7.

D. Other Information:

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

SECTION 4 – COST PROPOSAL (FEES/HOURS)

We are requesting that you price this project on a fixed fee basis for certain efforts and on a fee for service basis for other efforts as identified below.

THE COST PROPOSAL SHALL BE UNDER SEPARATE COVER AND NOT PART OF THE RESPONSES TO THE OTHER INFORMATION REQUESTS. PLEASE PROVIDE AN ELECTRONIC COPY OF THE COST PROPOSAL.

Expenses for travel, lodging, meals and other travel related out-of-pocket will be reimbursed on an incurred basis if the Executive Director of PERS has given prior approval for PERS related efforts. PERS is under no obligation to reimburse the consultant if no approval was given.

FIXED FEE:

Retirement:

Fixed Fee 2016: \$ _____

(This fixed fee is subject to the 10% reduction) 2017: \$ _____

Retiree Health Insurance Credit:

Fixed Fee 2016: \$ _____

2017: \$ _____

Update of Actuarial Reduction Factors:

Fixed Fee 2016: \$ _____

2017: \$ _____

GASB 67 and 68 Work:

Fixed Fee 2016: \$ _____

2017: \$ _____

FEE FOR SERVICE:

NDPERS is requesting a flat rate fee per hour for work efforts relating to general consulting, Legislative Work, and Defined Contribution/Deferred Comp consulting.

Retirement and Retiree Health General Consulting: Rate
2016: \$ _____

2017: \$ _____

Legislative Work: Rate
2016: \$ _____

2017: \$ _____

Defined Contribution/Deferred Compensation Consulting: Rate
2016: \$ _____

2017: \$ _____

SECTION 5 - SUBMISSION OF PROPOSAL

- A. Proposals should be prepared in a straightforward manner to satisfy the requirements of this RFP. Emphasis should be on completeness and clarity of content. Costs for developing proposals are entirely the responsibility of the proposer and shall not be chargeable to PERS.
- B. Section 7 – Offer (Agreement for Services), must be signed by a partner or principal of the firm and included with your proposal.
- C. Address or deliver the RFP to:
 - Bryan Reinhardt
 - North Dakota Public Employees Retirement System
 - 400 E. Broadway, Suite 505
 - PO Box 1657
 - Bismarck, ND 58502

Questions concerning the RFP shall be directed, in writing to Cheryl Stockert and Bryan Reinhardt, or by email at cstocker@nd.gov or breinhar@nd.gov by 5:00 p.m. CST on December 1, 2015. Responses will be posted on the NDPERS website at <http://www.nd.gov/ndpers/providers-consultants/consultants/rfp-index.html> by December 18, 2015 under “Request for Proposals”.

- D. Twenty (10) copies and one (1) electronic copy each of the technical and price proposals must be received at the above listed location by **5:00 p.m. CST on January 15, 2016**. The package the proposal is delivered in must be plainly marked "**PROPOSAL TO PROVIDE RETIREMENT PLAN SERVICES**".

A proposal shall be considered late if received at any time after the exact time specified for return of proposals.

- E. The policy of the PERS Board is to solicit proposals with a bona fide intention to award a contract. This policy will not affect the right of the PERS Board to reject any, or all, proposals.
- F. The PERS Board may request representatives of your organization to appear for interviewing purposes. Travel expenses and costs related to the interview will be the responsibility of the bidder.
- G. The PERS Board will award the contract for services no later than May 1, 2016.
- H. In evaluating the proposals, price will not be the sole factor. The Board may consider any factors it deems necessary and proper, including but not limited to, price; quality of service; response to this request; experience; staffing; and general reputation.
- I. The failure to meet all procurement policy requirements shall not automatically invalidate a proposal or procurement. The final decision rests with the Board.

SECTION 6 - REVIEW PROCESS

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

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

<u>GENERAL</u>	<u>POINTS</u>
Did Consultant follow required format in Section 3?	6 points
 <u>RETIREMENT</u>	
Technical Understanding	44 points
Product Delivery	10 points
Qualifications and Staffing	10 points
Price	30 points

The purpose of this review is to assess the consultant's understanding of the work requirements, capabilities and resources. It is important that your proposals relate your understanding in order to be rated. A statement that you will comply with the RFP is not sufficient, nor is repeating the RFP requirements. The findings will be reported to the PERS Board. This will be the third step of the review. The Board at it's discretion may require vendor interviews. The Board retains the option to make the final selection based upon not only the above review but all other factors' it deems applicable to deciding what firm should be awarded the contract.

SECTION 7 - OFFER

AGREEMENT FOR SERVICES

The parties to this Agreement for Services are (hereinafter CONTRACTOR) and the State of North Dakota acting through its Public Employees Retirement System (hereinafter NDPERS). The terms of this Contract shall constitute the consulting services agreement (hereinafter "Agreement" of "Contract").

CONTRACTOR and NDPERS agree to the following:

- 1) **SCOPE OF SERVICES:** Contractor agrees to provide the services as specified in the RFP and proposal. The terms and conditions of the RFP and the proposal are hereby incorporated as part of the Contract. We agree to provide the services as specified in the proposal and the RFP. The terms and conditions of the RFP are hereby incorporated as part of the contract.
- 2) **TERM:** This Agreement shall be for the period July 1, 2016 through June 30, 2018. Subject to the written agreement by PERS and the Contractor, this Agreement may be extended for two additional two-year periods.
- 3) **FEES:** NDPERS shall only pay pursuant to the terms in the RFP.
- 4) **BILLINGS:** The CONTRACTOR shall receive payment from NDPERS upon the completion of the services identified in the respective invoice. The CONTRACTOR shall bill NDPERS monthly in arrears for Services rendered and expenses incurred in accordance with the terms hereof.
- 5) **TERMINATION:**

Termination without Cause: Either party may terminate this agreement with respect to tasks yet to be performed with thirty (30) days written notice mailed to the other party. Upon any termination the CONTRACTOR shall be compensated as described in Exhibit A performed up to the date of termination.

Termination for Lack of Funding or Authority: NDPERS by written notice to CONTRACTOR, may terminate the whole or any part of this Contract under any of the following conditions:

- 1) If funding from federal, state, or other sources is not obtained and continued at levels sufficient to allow for purchase of the services or supplies in the indicated quantities or term.
- 2) If federal or state laws or rules are modified or interpreted in a way that the services are no longer allowable or appropriate for purchase under this Contract or are no longer eligible for the funding proposed for payments authorized by this Contract.
- 3) If any license, permit, or certificate required by law or rule, or by the terms of this Contract, is for any reason denied, revoked, suspended, or not renewed.

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

Termination for Cause: NDPERS may terminate this Contract effective upon delivery of written notice to CONTRACTOR, or any later date stated in the notice:

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

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

- 6) **EMPLOYMENT STATUS:** The CONTRACTOR acknowledges that any services performed in connection with the CONTRACTOR's duties and obligations, as created and provided for in this agreement, are performed in the capacity of an independent contractor. At no time during the performing of services as required by this contract will the CONTRACTOR be considered an employee of the State of North Dakota.
- 7) **ASSIGNMENT AND SUBCONTRACTS:** CONTRACTOR may not assign or otherwise transfer or delegate any right or duty without STATE'S express written consent. However, CONTRACTOR may enter into subcontracts provided that any subcontract acknowledges the binding nature of this contract and incorporates this contract, including any attachments. CONTRACTOR is solely responsible for the performance of any subcontractor. CONTRACTOR does not have authority to contract for or incur obligations on behalf of NDPERS.
- 8) **ACCESS TO RECORDS AND CONFIDENTIALITY:**
The parties agree that all participation by PERS members and their dependents in programs administered by PERS is confidential under North Dakota law. Contractor may request and PERS shall provide directly to Contractor upon such request, confidential information necessary for Contractor to provide the services described in the **SCOPE OF SERVICE** section. Contractor shall keep confidential all PERS information obtained in the course of delivering services. Failure of Contractor to maintain the confidentiality of such information may be considered a material breach of the contract and may constitute the basis for additional civil and criminal penalties under North Dakota law. Contractor shall not disclose any individual employee or dependent information without the prior written consent of the employee or family member. Contractor has exclusive control over the direction and guidance of the persons rendering services under this Agreement. Upon termination of this Agreement, for any reason, Contractor shall return or destroy all confidential information received from PERS, or created or received by Contractor on behalf of PERS. This provision applies to confidential information that may be in the possession of subcontractors or agents of Contractor. Contractor shall retain no copies of the confidential information. In the event that Contractor asserts that returning or destroying the confidential information is not feasible, Contractor shall provide to PERS notification of the conditions that make return or destruction infeasible. Upon explicit written agreement of PERS that return or destruction of confidential information is not feasible, Contractor shall extend the protections of this Agreement to that confidential information and limit further uses and disclosures of any such

confidential information to those purposes that make the return or destruction infeasible, for so long as Contractor maintains the confidential information.

CONTRACTOR understands that, except for disclosures prohibited in this contract, NDPERS must disclose to the public upon request any records it receives from CONTRACTOR. CONTRACTOR further understands that any records that are obtained or generated by CONTRACTOR under this contract, except for records that are confidential under this contract, may, under certain circumstances, be open to the public upon request under the North Dakota open records law. CONTRACTOR agrees to contact NDPERS immediately upon receiving a request for information under the open records law and to comply with NDPERS's instructions on how to respond to the request.

- 9) **OWNERSHIP OF WORK PRODUCT:** All work product, equipment or materials created for NDPERS or purchased by NDPERS under this Contract belong to NDPERS and must be immediately delivered to NDPERS at the request of NDPERS upon termination of this Contract.
- 10) **APPLICABLE LAW AND VENUE:** This agreement shall be governed by and construed in accordance with the laws of the State of North Dakota. Any action to enforce this contract must be adjudicated exclusively in the State District Court of Burleigh County, North Dakota. Each party consents to the exclusive jurisdiction of such court and waives any claim of lack of jurisdiction or forum non conveniens.
- 11) **MERGER AND MODIFICATION:** This contract shall constitute the entire agreement between the parties. In the event of any inconsistency or conflict among the documents making up this agreement, the documents must control in this order of precedence: First – the terms of this Contract, as may be amended and Second - the letter dated September 16, 2014 and attached hereto as Exhibit A. No waiver, consent, modification or change of terms of this agreement shall bind either party unless in writing and signed by both parties. Such waiver, consent, modification or change, if made, shall be effective only in the specific instances and for the specific purpose given. There are no understandings, agreements, or representations, oral or written, not specified herein regarding this agreement.
- 12) **INDEMNITY:** NDPERS and CONTRACTOR each agrees to assume its own liability for any and all claims of any nature including all costs, expenses and attorneys' fees which may in any manner result from or arise out of this agreement.
- 13) **INSURANCE:** CONTRACTOR shall secure and keep in force during the term of this agreement, from insurance companies, government self-insurance pools or government self-retention funds, authorized to do business in North Dakota, the following insurance coverages:
 - 1) Commercial general liability, including premises or operations, contractual, and products or completed operations coverages (if applicable), with minimum liability limits of \$250,000 per person and \$1,000,000 per occurrence.
 - 2) Professional errors and omissions with minimum liability limits of \$1,000,000 per occurrence and in the aggregate, CONTRACTOR shall continuously maintain such coverage during the contact period and for three years thereafter. In the event of a change or cancellation of coverage, CONTRACTOR shall purchase an extended reporting period to meet the time periods required in this section.
 - 3) Automobile liability, including Owned (if any), Hired, and Non-Owned automobiles, with minimum liability limits of \$250,000 per person and \$500,000 per occurrence.

4) Workers compensation coverage meeting all statutory requirements.

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

- 1) Any deductible or self-insured retention amount or other similar obligation under the policies shall be the sole responsibility of the CONTRACTOR. The amount of any deductible or self-retention is subject to approval by the State.
 - 2) This insurance may be in policy or policies of insurance, primary and excess, including the so-called umbrella or catastrophe form and must be placed with insurers rated "A-" or better by A.M. Best Company, Inc., provided any excess policy follows form for coverage. Less than an "A-" rating must be approved by the State. The policies shall be in form and terms approved by the State.
 - 3) CONTRACTOR shall provide at least 30 day notice of any cancellation or material change to the policies or endorsements.
 - 4) Upon NDPERS's written request, the CONTRACTOR shall furnish a certificate of insurance to the undersigned State representative prior to commencement of this agreement.
 - 5) Failure to provide insurance as required in this agreement is a material breach of contract entitling NDPERS to terminate this agreement immediately.
- 14) **SEVERABILITY:** If any term in this contract is declared by a court having jurisdiction to be illegal or unenforceable, the validity of the remaining terms must not be affected, and, if possible, the rights and obligations of the parties are to be construed and enforced as if the contract did not contain that term.
- 15) **INTERNAL USE:** NDPERS agrees that all services and deliverables shall be solely for NDPERS' purposes and internal use, and are not intended to be, and may not be relied upon by any person or entity other than NDPERS, or the State of North Dakota in connection with the Services.
- 16) **INDEPENDENT ENTITY:** CONTRACTOR is an independent entity under this contract and is not a State employee for any purpose, including the application of the Social Security Act, the Fair Labor Standards Act, the Federal Insurance Contribution Act, the North Dakota Unemployment Compensation Law and the North Dakota Workforce Safety and Insurance Act. CONTRACTOR retains sole and absolute discretion in the manner and means of carrying out CONTRACTOR'S activities and responsibilities under this contract, except to the extent specified in this contract.
- 17) **ATTORNEY FEES:** In the event a lawsuit is instituted by NDPERS to obtain performance due under this contract, and NDPERS is the prevailing party, CONTRACTOR shall, except when prohibited by N.D.C.C. § 28-26-04, pay NDPERS's reasonable attorney fees and costs in connection with the lawsuit.
- 18) **NDPERS RESPONSIBILITIES:** NDPERS shall cooperate with the CONTRACTOR hereunder, including, without limitation, providing the CONTRACTOR with reasonable facilities and timely access to data, information and personnel of NDPERS. NDPERS shall be responsible for the performance of its personnel and agents and for the accuracy and completeness of data and information provided to the CONTRACTOR for purposes of the performance of the Services. NDPERS acknowledges and agrees that the CONTRACTOR's performance is dependent upon the timely and effective satisfaction of NDPERS's responsibilities hereunder and timely decisions and approvals of NDPERS in connection with the Services. The CONTRACTOR shall be entitled to rely on all decisions and approvals of NDPERS.

- 19) **FORCE MAJEURE:** Neither party shall be held responsible for delay or default caused by fire, flood, riot, acts of God or war if the event is beyond the party's reasonable control and the affected party gives notice to the other party immediately upon occurrence of the event causing the delay or default or that is reasonably expected to cause a delay or default.
- 20) **ALTERNATIVE DISPUTE RESOLUTION – JURY TRIAL:** NDPERS does not agree to any form of binding arbitration, mediation, or other forms of mandatory alternative dispute resolution. The parties have the right to enforce their rights and remedies in judicial proceedings. NDPERS does not waive any right to a jury trial.
- 21) **APPROVAL OF DELIVERABLES:** Deliverables shall be deemed accepted by NDPERS if not rejected, in writing, within ninety (90) days of delivery.
- 22) **NOTICE:** All notices or other communications required under this contract must be given by registered or certified mail and are complete on the date mailed when addressed to the parties at the following addresses:
- _____ or _____

- Notice provided under this provision does not meet the notice requirements for monetary claims against the State found at N.D.C.C. § 32-12.2-04.
- 23) **SPOILIATION – NOTICE OF POTENTIAL CLAIMS:** CONTRACTOR shall promptly notify NDPERS of all potential claims that arise or result from this contract. CONTRACTOR shall also take all reasonable steps to preserve all physical evidence and information that may be relevant to the circumstances surrounding a potential claim, while maintaining public safety, and grants to NDPERS the opportunity to review and inspect the evidence, including the scene of an accident.
- 24) **NONDISCRIMINATION AND COMPLIANCE WITH LAWS:** CONTRACTOR agrees to comply with all laws, rules, and policies, including those relating to nondiscrimination, accessibility and civil rights. CONTRACTOR agrees to timely file all required reports, make required payroll deductions, and timely pay all taxes and premiums owed, including sales and use taxes and unemployment compensation and workers' compensation premiums. CONTRACTOR shall have and keep current at all times during the term of this contract all licenses and permits required by law.
- 25) **STATE AUDIT:** All records, regardless of physical form, and the accounting practices and procedures of CONTRACTOR relevant to this contract are subject to examination by the North Dakota State Auditor, the Auditor's designee, or Federal auditors. CONTRACTOR shall maintain all such records for at least three years following completion of this contract and be able to provide them at any reasonable time. NDPERS, State Auditor, or Auditor's designee shall provide reasonable notice.
- 26) **EFFECTIVENESS OF CONTRACT:** This Contract is not effective until fully executed by both parties.

NDPERS:

Contractor:

Sparb Collins, Executive Director
ND Public Employees Retirement System

Signature

Printed Name

Title

Date

Date

SECTION 8 - BUSINESS ASSOCIATE AGREEMENT

Business Associate Agreement

(Revised 10-2013)

This Business Associate Agreement, which is an addendum to the underlying contract, is entered into by and between, the North Dakota Public Employees Retirement System ("NDPERS") and the **ENTER BUSINESS ASSOCIATE NAME, ADDRESS OF ASSOCIATE.**

1. Definitions

- a. Terms used, but not otherwise defined, in this Agreement have the same meaning as those terms in the HIPAA Privacy Rule, 45 C.F.R. Part 160 and Part 164, Subparts A and E, and the HIPAA Security rule, 45 C.F.R., pt. 164, subpart C.
- b. Business Associate. "Business Associate" means the **ENTER BUSINESS ASSOCIATE NAME.**
- c. Covered Entity. "Covered Entity" means the **North Dakota Public Employees Retirement System Health Plans.**
- d. PHI and ePHI. "PHI" means Protected Health Information; "ePHI" means Electronic Protected Health Information.

2. Obligations of Business Associate.

2.1. The Business Associate agrees:

- a. To use or disclose PHI and ePHI only as permitted or required by this Agreement or as Required by Law.
- b. To use appropriate safeguards and security measures to prevent use or disclosure of the PHI and ePHI other than as provided for by this Agreement, and to comply with all security requirements of the HIPAA Security rule.
- c. To implement administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of ePHI that it creates, receives, maintains or transmits on behalf of the Covered Entity as required by the HIPAA Security rule.
- d. To mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a use or disclosure of PHI or ePHI by Business Associate in violation of the requirements of this Agreement.
- e. To report to Covered Entity (1) any use or disclosure of the PHI not provided for by this Agreement, and (2) any "security incident" as defined in 45 C.F.R. § 164.304 involving ePHI, of which it becomes aware without unreasonable delay and in any case within thirty (30) days from the date after discovery and provide the Covered Entity with a written notification that complies with 45 C.F.R. § 164.410 which shall include the following information:
 - i. to the extent possible, the identification of each individual whose Unsecured Protected Health Information has been, or is reasonably believed by the Business Associate to have been, accessed, acquired or disclosed during the breach;
 - ii. a brief description of what happened;
 - iii. the date of discovery of the breach and date of the breach;
 - iv. the nature of the Protected Health Information that was involved;

- v. identify of any person who received the non-permitted Protected Health Information;
 - vi. any steps individuals should take to protect themselves from potential harm resulting from the breach;
 - vii. a brief description of what the Business Associate is doing to investigate the breach, to mitigate harm to individuals, and to protect against any further breaches; and
 - viii. any other available information that the Covered Entity is required to include in notification to an individual under 45 C.F.R. § 164.404(c) at the time of the notification to the State required by this subsection or promptly thereafter as information becomes available.
- f. With respect to any use or disclosure of Unsecured Protected Health Information not permitted by the Privacy Rule that is caused by the Business Associate's failure to comply with one or more of its obligations under this Agreement, the Business Associate agrees to pay its reasonable share of cost-based fees associated with activities the Covered Entity must undertake to meet its notification obligations under the HIPAA Rules and any other security breach notification laws;
 - g. Ensure that any agent or subcontractor that creates, receives, maintains, or transmits electronic PHI on behalf of the Business Associate agree to comply with the same restrictions and conditions that apply through this Agreement to the Business Associate.
 - h. To make available to the Secretary of Health and Human Services the Business Associate's internal practices, books, and records, including policies and procedures relating to the use and disclosure of PHI and ePHI received from, or created or received by Business Associate on behalf of Covered Entity, for the purpose of determining the Covered Entity's compliance with the HIPAA Privacy Rule, subject to any applicable legal privileges.
 - i. To document the disclosure of PHI related to any disclosure of PHI as would be required for Covered Entity to respond to a request by an Individual for an accounting of disclosures of PHI in accordance with 45 C.F.R. § 164.528.
 - j. To provide to Covered Entity within 15 days of a written notice from Covered Entity, information necessary to permit the Covered Entity to respond to a request by an Individual for an accounting of disclosures of PHI in accordance with 45 C.F.R. § 164.528.
 - k. To provide, within 10 days of receiving a written request, information necessary for the Covered Entity to respond to an Individual's request for access to PHI about himself or herself, in the event that PHI in the Business Associate's possession constitutes a Designated Record Set.
 - l. Make amendments(s) to PHI in a designated record set as directed or agreed by the Covered Entity pursuant to 45 C.F.R. § 164.526 or take other measures as necessary to satisfy the covered entity's obligations under that section of law.

3. Permitted Uses and Disclosures by Business Associate

3.1. General Use and Disclosure Provisions

Except as otherwise limited in this Agreement, Business Associate may Use or Disclose PHI and ePHI to perform functions, activities, or services for, or on behalf of, Covered Entity, specifically, retirement plan actuarial and consulting services – provided that such use or disclosure would not violate the Privacy Rule or the Security Rule if done by Covered Entity or the minimum necessary policies and procedures of the Covered Entity.

3.2. Specific Use and Disclosure Provisions

Except as otherwise limited in this Agreement, Business Associate may use PHI and ePHI:

- a. For the proper management and administration of the Business Associate, provided that disclosures are Required By Law, or Business Associate obtains reasonable assurances from the person to whom the information is disclosed that it will remain confidential and used or further disclosed only as Required By Law or for the purpose for which it was disclosed to the person, and the person notifies the Business Associate of any instances of which it is aware in which the confidentiality of the information has been breached.
- b. To provide Data Aggregation services to Covered Entity as permitted by 45 C.F.R. § 164.504(e)(2)(i)(B), but Business Associate may not disclose the PHI or ePHI of the Covered Entity to any other client of the Business Associate without the written authorization of the covered entity Covered Entity.
- c. To report violations of law to appropriate Federal and State authorities, consistent with 45 C.F.R. §§ 164.304 and 164.502(j)(1).

4. Obligations of Covered Entity

4.1. Provisions for Covered Entity to Inform Business Associate of Privacy Practices and Restrictions

Covered Entity shall notify Business Associate of:

- a. Any limitation(s) in its notice of privacy practices of Covered Entity in accordance with 45 C.F.R. § 164.520, to the extent that any such limitation may affect Business Associate's use or disclosure of PHI.
- b. Any changes in, or revocation of, permission by an Individual to use or disclose PHI, to the extent that any such changes may affect Business Associate's use or disclosure of PHI.
- c. Any restriction to the use or disclosure of PHI that Covered Entity has agreed to in accordance with 45 C.F.R. § 164.522, to the extent that any such restriction may affect Business Associate's use or disclosure of PHI.

4.2. Additional Obligations of Covered Entity. Covered Entity agrees that it:

- a. Has included, and will include, in the Covered Entity's Notice of Privacy Practices required by the Privacy Rule that the Covered Entity may disclose PHI for Health Care Operations purposes.
- b. Has obtained, and will obtain, from Individuals any consents, authorizations and other permissions necessary or required by laws applicable to the Covered Entity for Business Associate and the Covered Entity to fulfill their obligations under the Underlying Agreement and this Agreement.
- c. Will promptly notify Business Associate in writing of any restrictions on the Use and Disclosure of PHI about Individuals that the Covered Entity has agreed to that may affect Business Associate's ability to perform its obligations under the Underlying Agreement or this Agreement.
- d. Will promptly notify Business Associate in writing of any change in, or revocation of, permission by an Individual to Use or Disclose PHI, if the change or revocation may affect Business Associate's ability to perform its obligations under the Underlying Agreement or this Agreement.

4.2. Permissible Requests by Covered Entity

Covered Entity may not request Business Associate to use or disclose PHI in any manner that would not be permissible under the Privacy Rule or the Security Rule if done by Covered Entity,

except that the Business Associate may use or disclose PHI and ePHI for management and administrative activities of Business Associate.

5. Term and Termination

- a. Term. The Term of this Agreement shall be effective as of July 1, 2016, and shall terminate when all of the PHI and ePHI provided by Covered Entity to Business Associate, or created or received by Business Associate on behalf of Covered Entity, is destroyed or returned to Covered Entity, or, if it is infeasible to return or destroy PHI and ePHI, protections are extended to any such information, in accordance with the termination provisions in this Section.
- b. Automatic Termination. This Agreement will automatically terminate upon the termination or expiration of the Underlying Agreement.
- c. Termination for Cause. Upon Covered Entity's knowledge of a material breach by Business Associate, Covered Entity shall either:
 1. Provide an opportunity for Business Associate to cure the breach or end the violation and terminate this Agreement and the Underlying Agreement if Business Associate does not cure the breach or end the violation within the time specified by Covered Entity;
 2. Immediately terminate this Agreement and the Underlying Agreement if Business Associate has breached a material term of this Agreement and cure is not possible; or
 3. If neither termination nor cure is feasible, Covered Entity shall report the violation to the Secretary.
- d. Effect of Termination.
 1. Except as provided in paragraph (2) of this subsection, upon termination of this Agreement, for any reason, Business Associate shall return or destroy all PHI received from Covered Entity, or created or received by Business Associate on behalf of Covered Entity. This provision shall apply to PHI and ePHI that is in the possession of subcontractors or agents of Business Associate. Business Associate shall retain no copies of the PHI or ePHI.
 2. In the event that Business Associate determines that returning or destroying the PHI or ePHI is not feasible, Business Associate shall provide to Covered Entity notification of the conditions that make return or destruction infeasible. Upon explicit written agreement of Covered Entity that return or destruction of PHI or ePHI is not feasible, Business Associate shall extend the protections of this Agreement to that PHI and ePHI and limit further uses and disclosures of any such PHI and ePHI to those purposes that make the return or destruction infeasible, for so long as Business Associate maintains that PHI or ePHI.

6. Miscellaneous

- a. Regulatory References. A reference in this Agreement to a section in the HIPAA Privacy or Security Rule means the section as in effect or as amended.
- b. Amendment. The Parties agree to take such action as is necessary to amend this Agreement from time to time as is necessary for Covered Entity to comply with the requirements of the Privacy Rule, the Security Rule, and the Health Insurance Portability and Accountability Act of 1996, Pub. L. No. 104-191.
- c. Survival. The respective rights and obligations of Business Associate under Section 5.c, related to "Effect of Termination," of this Agreement shall survive the termination of this Agreement.
- d. Interpretation. Any ambiguity in this Agreement shall be resolved to permit Covered Entity to comply with the Privacy and Security Rules.
- e. No Third Party Beneficiaries. Nothing express or implied in this Agreement is intended to confer, nor shall anything this Agreement confer, upon any person other than the parties

and their respective successors or assigns, any rights, remedies, obligations or liabilities whatsoever.

- f. Applicable Law and Venue. This Business Associate Agreement is governed by and construed in accordance with the laws of the State of North Dakota. Any action commenced to enforce this Contract must be brought in the District Court of Burleigh County, North Dakota.
- g. Business Associate agrees to comply with all the requirements imposed on a business associate under Title XIII of the American Recovery and Reinvestment Act of 2009, the Health Information Technology for Economic and Clinical Health (HI-TECH) Act, and, at the request of NDPERS, to agree to any reasonable modification of this agreement required to conform the agreement to any Model Business Associate Agreement published by the Department of Health and Human Services.

7. Entire Agreement

This Agreement contains all of the agreements and understandings between the parties with respect to the subject matter of this Agreement. No agreement or other understanding in any way modifying the terms of this Agreement will be binding unless made in writing as a modification or amendment to this Agreement and executed by both parties.

IN WITNESS OF THIS, **NDPERS** [CE] and **ENTER BUSINESS ASSOCIATE NAME** [BA] agree to and intend to be legally bound by all terms and conditions set forth above and hereby execute this Agreement as of the effective date set forth above.

For Covered Entity:

For Business Associate:

Sparb Collins, Executive Director
ND Public Employees Retirement System

Signature

Printed Name

Title

Date

Date

Consultant Listing

Updated 10-2015

AON Consulting	Justin Kindy	4100 E Mississippi Ave., Suite 1600 Denver, CO 80246 (303) 782-3397 Cell: (720) 935-0542 Email: Justin.Kindy@aonhewitt.com Web: www.aon.com
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Cavanaugh Macdonald Consulting LLC	Thomas J. Cavanaugh, F.S.A. CEO	3550 Busbee Pkwy., Suite 250 Kennesaw, GA 30144 (678) 388-1708 (678) 388-1730 FAX tome@cavmacconsulting.com johng@cavmacconsulting.com
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Milliman, Inc.	Daniel Wade Consulting Actuary	Daniel Wade, FSA, EA, MAAA Consulting Actuary Milliman 1301 Fifth Avenue, Suite 3800 Seattle, WA 98101-2605 daniel.wade@milliman.com Web: www.milliman.com
Nyhart/ABG of Indiana	Leanne Willett	8415 Allison Pointe Boulevard, Suite 300 Indianapolis, IN 46250 (317) 845-3513 / 800-428-7106 (317) 845-3655 FAX leanne.willett@nyhart.com Web: www.nyhart.com
Raymond T. Clarke and Associates	Raymond T. Clarke	50 Fishing Brook Road Westbrook, CT 06498 Telephone: (203) 379-8345 E-mail: raymondclarke@yahoo.com Web: www.clarkraymond.com
Segal Consulting	Brad Ramirez, FSA, MAAA, EA Vice President and Consulting Actuary	Segal Consulting Brad Ramirez, FSA, MAAA, FCA, EA 5990 Greenwood Plaza Blvd., Suite 118 Greenwood Village, CO 80111-4708 (303) 714-9952 (303) 223-9234 FAX (303) 875-2757 (mobile) Email: bramirez@segalco.com Web: www.segalco.com
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**North Dakota
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400 East Broadway, Suite 505 • Box 1657
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Sparb Collins
Executive Director
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Memorandum

TO: PERS Board
FROM: Sparb
DATE: October 14, 2015
SUBJECT: Asset Liability Study

After we complete our Experience Study every 5 years, we follow that with an Asset Liability Study. While the purpose of the Experience Study is to review how we determine the retirement plans' liabilities (economic and demographic assumptions), the purpose of the Asset Liability Study is to review our investment strategy to insure that it is designed to meet our liabilities. Since we completed our work on the Experience Study this last month, the next step would be to do the Asset Liability Study.

NDCC 21-10-02.1 (2) states that:

The asset allocation and any subsequent allocation changes for each fund must be approved by the governing body of that fund and the state investment board. The governing body of each fund shall use the staff and consultants of the retirement and investment office in developing asset allocation and investment policies

How we have complied with this legislative direction is to ask those consultants who work for the State Investment Board to give us proposal to do this work. This is the same approach that TFFR uses and which they used this last year to do their study.

Presently those consultants that work for the SIB who do this type of work are: Segal, Callan and SEI (although SEI is employed as a money manager by the SIB but they have done this work in the past). FFR recently asked for a proposal from Segal and Callan. They selected the proposal from Callan and are presently working on their study.

Staff is seeking your approval to work with the SIB staff to seek proposals from the above organizations for your considerations at a future meeting.



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Memorandum

TO: NDPERS Board

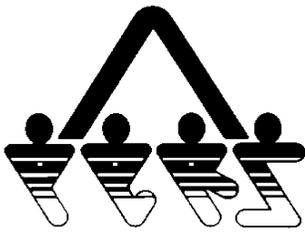
FROM: Kathy

DATE: October 13, 2015

SUBJECT: Job Service COLA

According to Article VII(3) of the plan document for the Retirement Plan for Employees of Job Service North Dakota, “effective each December 1 of any year, the monthly amount of each retirement annuity, death benefit, or disability benefit then payable shall be increased by the percent increase, if any, in the Consumer Price Index.” It further states...”no increase in retirement allowance granted under the Plan, or the date for commencement of such increase, will become effective unless the same increase has been authorized for the Civil Service Retirement System, and unless the increase has been authorized by the NDPERS Board.” This provision for a COLA increase was authorized by the United States Department of Labor as part of a larger agreement reached with the USDOL in the late 1970’s. Since that time the Plan practice has been to provide COLA’s consistent with the Federal Civil Service Plan. The plan assumes a post-retirement COLA of 5%.

The annual COLA percentage adjustment for the Federal Civil Service Plan is not available until October 15th. Therefore, the increase and any effect on the system will be provided at the meeting.



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Memorandum

TO: NDPERS Board
FROM: MaryJo
DATE: October 14, 2015
SUBJECT: DC to DB Implementation

With the implementation of the NDPERS Defined Contribution (DC) plan 3-month special election period beginning November 1, 2015, the topics below were referred for legal review.

Jan clarified the following:

1. Enrollment and when member ceases DC plan membership
NDPERS will enroll members in the Defined Benefit Hybrid (DB) plan the first of the month following the month a member makes an election. However, NDPERS must verify that the contributions for the month in which the member makes an election are received and posted to the DC account prior to initiating funds transfer. Depending on employer payroll cycle and reporting, an employer may take up to the 20th of the following month to post contributions. After NDPERS confirms the last contribution in the DC plan has posted, the transfer will occur.

NDCC 54-52.6-03.1. states “A participating member who makes and files a written election with the North Dakota public employees retirement system office under this section ceases to be a member of the defined contribution plan upon receipt by the public employees retirement system of the accumulated fund balance.”

Jan advised that DC plan membership should cease based upon receipt of funds by NDPERS with enrollment in the DB plan occurring retroactively back to the first of the month following the member’s election. Members are also advised that they are required to be actively participating as of the date of funds transfer for the election to be valid.

2. NDPERS retirement plans affected by the additional 2% contributions

NDCC 54-52.6-03.1. states “A participating member who elects a transfer under this section must be assessed and required to pay monthly to the defined benefit plan an additional employee contribution of an additional two percent of the monthly salary or wages paid to the member.”

Jan confirmed the additional 2% contributions of a member's monthly salary excludes the Highway Patrol retirement plan because that plan is under section 39-03-1 and not 54-52 to which the bill applied.

3. Special Election Window beginning and end dates

NDCC 54-52.6-03.1 states "The board shall establish a three-calendar-month election period beginning not later than February 1, 2016."

Jan recommended for the election period to include 3 full calendar months starting November 1, 2015 and to continue through January 31, 2016, even if beginning and end dates fall on a weekend. Her suggestion was to have the election form available on or before November 1, 2015 with a reminder that forms must be date stamped or postmarked on or after November 1, 2015 and on or before January 31, 2016. Since the last day of the election falls on a Sunday, elections must be postmarked on or before Saturday, January 30, 2016. Election forms that are delivered to the NDPERS office will be date stamped and must be delivered during normal business hours on or before 5:00 p.m. Friday, January 29, 2016.

Melanie from Segal Company clarified the following:

1. Implementation of the additional 2% contribution for NDPERS payroll reporting

NDPERS would like to maintain consistency for all employees, since there are many variations among employers as to what portion of contributions are employer and employee paid.

For example, those employed by a state agency have 4% of the 7% employee contributions picked up by the state. The remaining 3% is employee paid through pre-tax salary reduction agreement. However, employees of political subdivision may have all, partial, or none of the 7% employee contributions picked up by the employer. With a political subdivision, the employee contribution may also be paid through pre-tax salary reduction agreement or after-tax or a combination of both.

Melanie's response:

"Generally, your approach to make the additional 2% employee contribution deducted on an after-tax basis as the default election and allow employers to affirmatively elect some or all of the 2% contribution as employer paid or pre-tax deduction is fine. I would note that it will be important to communicate to employers that the additional 2% contribution will not be paid according to the employer's existing election (e.g., if employer previously elected all pre-tax for employee contributions then this contribution treated the same), but rather will automatically be paid as an after-tax contribution unless the employer takes affirmative steps to change that election."

Melanie confirmed that NDPERS making the additional 2% contribution on an after-tax basis for all employees would be suitable. NDPERS will inform employers that an election may be made to either allow the salary reduction or pay in lieu of a salary increase using the Employer Payment Election form (SFN 52799).

In addition, NDPERS staff reviewed other administrative procedures related to the election forms. For members electing to transfer to the DB plan, NDPERS will require that the TIAA-CREF Direct Transfer form must accompany the NDPERS election form. Both forms must be received at NDPERS "in good order" to make a valid election. NDPERS will notify a member if forms are incomplete and will allow the member 30 days to correct the forms before the election is considered void. NDPERS will not enroll a member in the DB plan until the 1st of the month following receipt of both forms being "in good order". Due to limited timing at the end of month for employer payroll processing adjustments, NDPERS will also notify eligible DC members that submitting forms after

the 20th of the month may result in the delay of the funds transfer by one additional month following date of election in order to accommodate the additional 2% contribution increase. A draft election form is provided as Attachment 1.

On October 14, 2015, actively participating members in the DC plan were mailed a letter confirming eligibility for the 3-month special election period beginning November 1, 2015. The mailing included an individual DB plan benefit estimate, plan comparison guide, and frequently asked questions to address election details more specifically. These are provided as Attachment 2.

NDPERS has confirmed four dates in November for the DC to DB informational meetings and has scheduled two weeks of onsite one-on-one consultations with NDPERS staff and the TIAA-CREF financial consultant, Denise Bares.

The DC to DB election estimated timeline is as follows:

Description of Task	Timeline beginning November 1, 2015
Mail participants notification letter regarding SB 2015 provisions	15-Jun
Review Provisions of SB 2015 with Jan	15-Aug
Determine data requirements / TIAA-CREF Consultation	20-Aug
Clarify legal requirements – eligibility of specific DC members with Jan	28-Aug
Draft Introductory Letter	2-Sep
Testing for system generated estimates for DC members	Sep
Revise Plan Highlights DB/DC Comparison Documents	9-Sep
TIAA-CREF paperwork required for transfer of funds	9-Sep
Finalize Introductory Letter	15-Sep
Board Action: Proposed Timeline & specific DC member eligibility	24-Sep
Mail Introductory letter outlining timeline and election window	N/A
Update PERSLink - Test Site for Benefit Estimates	8-Oct
Train staff on benefit estimates / SB 2015 provisions	9-Oct
Finalize Benefit Specific Letter and Election Form for DC to DB transfer	13-Oct
Schedule On-site visits with TIAA-CREF	7-Oct
Confirm joint process with TIAA-CREF	24-Sep
Mail Member Specific Calculated Benefit letter outlining transfer process, plan comparisons	13-Oct
Respond to requests for Benefit Estimates	Oct - Jan
Update PERSLink - Production Site	Oct-Nov
Update PeopleSoft	Oct-Dec
Establish Administrative Process	23-Oct
Start On-site visits with TIAA-CREF	Nov - Jan
Authorized Agent Training / Newsletter Article	Nov
Confirm mail room/date stamp procedures	20-Oct
Finalize reminder letter	10-Dec
Mail Reminder Letter	15-Dec
3-Month Special Enrollment Window	Nov 1, 2015 – Jan 1, 2016
Deadline for DC to DB Election Window	January 31 (Sunday)
Process final account transfers for January contributions	29-Feb



DEFINED CONTRIBUTION PLAN SPECIAL ELECTION
NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
 SFN (Rev. 10-2015)

NDPERS • PO Box 1657 • Bismarck • North Dakota 58502-1657
(701) 328-3900 • 1-800-803-7377 • Fax 701-328-3920

PART A EMPLOYEE INFORMATION

Name (Last, First, Middle)	NDPERS Member ID
Last 4 digits of Social Security Number	Date of Birth

PART B EMPLOYEE ACKNOWLEDGEMENT

I am eligible for the special election opportunity to terminate my membership in the Defined Contribution (DC) retirement plan under N.D.C.C. Chapter 54-52.6 and become a participating member in the Defined Benefit (DB) retirement plan under N.D.C.C. Chapter 54-52.

I understand and acknowledge the following: INITIAL ALL BOXES – REQUIRED

<input type="checkbox"/>	If I elect to transfer to the Defined Benefit plan, I voluntarily waive all of my rights to a retirement allowance or any other benefit under N.D.C.C. Chapter 54-52.6 Defined Contribution retirement plan and acknowledge my DC vested employer contributions and associated earnings will <u>not</u> transfer into my DB member account balance.
<input type="checkbox"/>	I have had the opportunity to speak with an attorney and financial planner of my choosing at my expense, and to review N.D.C.C. Chapters 54-52 and 54-52.6 and the information available from NDPERS, and to ask any questions I may have concerning this election.
<input type="checkbox"/>	Under N.D.C.C. Chapter 54-52 Defined Benefit retirement plan, I will no longer direct the investment of any account balance or future retirement contributions. NDPERS and its governing board will direct all appropriations, investments, and administrative decisions pursuant to N.D.C.C. Chapter 54-52.
<input type="checkbox"/>	I meet the following eligibility requirements: (1) I do <u>not</u> have a Qualified Domestic Relations Order on my account, (2) I am actively employed with an NDPERS participating employer and (3) I have not taken a distribution from my Defined Contribution account.
<input type="checkbox"/>	If I elect to transfer to the Defined Benefit plan, I understand my future contributions will increase by an additional 2% of my gross earnings once enrolled in the Defined Benefit plan.
<input type="checkbox"/>	I understand my election is irrevocable. If I elect to transfer to the DB plan, I understand that my participation in the DC plan will not cease until all of my DC funds have been transferred.

PART C EMPLOYEE ELECTION - Choose one of the following elections

<p>I have reviewed and understand each of the above provisions, and hereby elect to remain in the Defined Contribution (DC) retirement plan this _____ day of _____ (Month), _____ (Year).</p> <p>_____ VOID _____ Member Signature</p>	<p>I have reviewed and understand each of the above provisions, and hereby elect to terminate my membership in the Defined Contribution (DC) retirement plan and transfer to the Defined Benefit (DB) retirement plan this _____ day of _____ (Month), _____ (Year).</p> <p>_____ VOID _____ Member Signature (Must accompany TIAA-CREF Direct Transfer Form)</p>
---	---

PART D SPOUSAL CONSENT – If you are married, your spouse MUST complete this section

I am the spouse of the above-named NDPERS member. I have had the opportunity to speak with an attorney and financial planner of my choosing at my expense, and to review N.D.C.C. chapters 54-52 and 54-52.6 and the information available from NDPERS, and to ask any questions I may have concerning my spouse's election. I have reviewed the above election, and I consent to the election made by my spouse.

DATED this _____ day of _____ (Month), _____ (Year)

 Spouse Signature

INSTRUCTIONS

PART A: EMPLOYEE INFORMATION

For member identification, please provide all requested information.

PART B: EMPLOYEE ACKNOWLEDGEMENT

Employee should review the eligibility statement and read each paragraph and indicate acknowledgement by initialing all the boxes on the left side.

PART C EMPLOYEE ELECTION

Member must select which plan they elect to participate in.

PART D SPOUSAL CONSENT (If married):

Spouse must sign form.

Any misrepresentation, incomplete forms, or forms not received during the election period constitute an invalid election and will be considered void. If the Defined Contribution Member Special Election Form is not executed properly or received during the election period, member will remain in the Defined Contribution Retirement plan under N.D.C.C. Chapter 54-52.6.

For the election to be valid:

- Forms must be postmarked on or after November 1, 2015 and on or before January 31, 2016.
- Election forms that are delivered to the NDPERS office will be date stamped and must be delivered during normal business hours on or before 5:00 p.m. Friday, January 29, 2016.
- If transferring, the TIAA-CREF Direct Transfer form must be submitted with this form.

Elections received after the 20th of the month may not get processed until the following month.

ATTACHMENT 2 – Letter to member

October 13, 2015

To: NDPERS Members Actively Participating in the Defined Contribution Retirement Plan

Re: Special Election Period

Legislation was passed in the 2015 session that provides participating members in the NDPERS Defined Contribution (DC) Plan a one-time opportunity to terminate membership in the DC Plan and transfer to the NDPERS Defined Benefit Hybrid (DB) Plan. Our records indicate that you are eligible for this special election period.

The NDPERS Board has established a three (3) month election period from November 1, 2015 through January 31, 2016 during which time you will choose whether to remain in the DC Plan or transfer to the DB Plan. Election forms must be signed and returned to NDPERS within the election period. If you elect to transfer to the DB plan, your DC account balance will be transferred from TIAA-CREF to NDPERS after your final contributions to the DC plan have been posted to your account. You must be actively employed with an NDPERS participating employer as of the date the funds are transferred for your election to be final.

We understand you may have many questions relating to this election process and your retirement plan decision is a very important one. Informational meetings are scheduled to explain this election process in more detail. By attending, you will also have the opportunity to schedule an individual one-on-one counseling session with NDPERS staff and TIAA-CREF financial advisors to address more specific questions.

We encourage you to attend one of the following informational meetings:

- November 3, 2015 at 8:00 a.m., ND State Capitol, Pioneer Room
- November 3, 2015 at 10:00 a.m., Workforce Safety Insurance (WSI Employees only)
- November 3, 2015 at 1:00 p.m., Workforce Safety Insurance (WSI Employees only)
- November 13, 2015 at 8:30 a.m., ND State Capitol, Brynhild Haugland Room

Election forms will be available at the informational meetings or on the NDPERS website on November 1, 2015. For the election to be valid, forms must be postmarked on or after November 1, 2015 and on or before January 31, 2016. Election forms that are delivered to the NDPERS office will be date stamped and must be delivered during normal business hours on or before 5:00 p.m. Friday, January 29, 2016. If you are unable to attend one of the informational meetings, you may contact the NDPERS office at 701-328-3900 or 800-803-7377 to schedule an appointment with a Benefit Programs Specialist.

Enclosures: Personal NDPERS Defined Benefit Hybrid Plan Retirement Benefit Estimate
Making an Informed Decision Retirement Plan Comparison
Frequently Asked Questions

Making an Informed Decision - Which plan is right for you? Special Election Period between 11/1/2015 – 1/31/2016

You will need to make your decision based on your individual circumstances and preferences to determine which plan is right for you. As you review the key features of both plans, we hope you will choose the plan that fits most comfortably with your retirement objectives.

If you elect to keep funds in the Defined Contribution Plan...

- A specific **“defined” monthly contribution** amount will be paid by you and your employer during your working years to fund your retirement.
- You are responsible for making investment decisions and managing investment market risk and volatility on your own individual account.
- Your **member contributions continue at the current rate.**
- Your retirement account balance available at retirement is unknown and depends on the contributions and performance of your investment choices.
- You choose your benefit amount and stream of retirement income.
- You waive any future right to become enrolled in the Defined Benefit Plan.
- Your decision is irrevocable.

If you elect to transfer funds to the Defined Benefit Hybrid Plan...

- A specific **"defined" monthly benefit** amount will be calculated at your designated normal retirement date by using a pre-established formula based on your final average salary, years of eligible service credit, and the benefit multiplier.
- Investment decisions are made by the State Investment Board in order to provide lifetime retirement benefits for all eligible members.
- **Your member contributions will be increased prospectively by an additional 2%** of your gross monthly salary.
- Your retirement benefit amount is determined by North Dakota state law, not investment results, and is a defined monthly income stream.
- Your Defined Benefit account will be set up with the **respective employee and employer contribution balances transferred from your Defined Contribution account. Therefore, funds designated as “employer contributions” in the Defined Contribution plan will be excluded from your member account balance** in the Defined Benefit plan.
- If you have a Qualified Domestic Relations Order on your account you are not eligible for this transfer option.
- If you are deferred, retired, or a member with a previous distribution from the Defined Contribution plan, you are not eligible for this transfer option.
- Funds previously rolled over into your Defined Contribution Plan are not eligible for transfer.
- You must be actively participating upon the date of funds transfer.
- **Termination of employment prior to funds transfer voids your election.**
- Your decision is irrevocable.

The plan that best meets your needs depends entirely on your specific situation. Keep in mind that the right decision for you may not be the right decision for someone else.

Frequently Asked Questions

Election Process

What paperwork will be required to make a valid election? The NDPERS election form and TIAA-CREF Direct Transfer form will be required. If you have previously rolled over funds into your Defined Contribution Plan, additional paperwork will be required to liquidate rollover funds from your account.

Can I contact TIAA-CREF directly to process the transfer and submit paperwork? No, all transfer paperwork must be sent directly to NDPERS for processing and approval prior to the transfer of funds. NDPERS will verify all retirement contributions have posted to your account prior to forwarding the required paperwork to TIAA-CREF for processing. If proper documentation is not received and sent through the NDPERS office, as requested, transfer delays may occur.

When is the final day my election form can be received by NDPERS? For the election to be valid, forms must be postmarked on or before January 31, 2016. Election forms that are delivered to the NDPERS office will be date stamped and must be delivered during normal business hours on or before 5:00 p.m. Friday, January 29, 2016.

Funds Transfer

How will funds from the Defined Contribution Plan be allocated in the Defined Benefit Hybrid plan? Funds will be recorded as employee and employer contributions in the same manner as how the defined contribution provider has each of these funds recorded.

When will my funds transfer back into the Defined Benefit Hybrid plan? NDPERS must verify that the contributions for the month in which you make your election are received and posted to your account prior to initiating the transfer. Depending on your employer payroll reporting, your employer may take up to the 20th of the following month to post contributions. After NDPERS confirms your last contribution in the Defined Contribution Plan has posted, the transfer will occur. Your enrollment in the Defined Benefit Hybrid plan will occur retroactively back to the first of the month following your election. **Please Note:** You must be actively employed with an NDPERS participating employer on the date the funds transfer for your election to be final.

Member Account Balance

How do the employee and employer accounts differ if I transfer back to the defined benefit plan? The Defined Benefit Hybrid plan has funds that are partially portable based upon employee contributions and up to 4% vested employer contributions in the PEP program on a prospective basis. You also receive 7.5% interest on your account balance compounded monthly. In the Defined Contribution plan you vest in the employer funds over a 4 year period and can fully vest in all of the employer contributions, so your entire account balance may be portable.

Will I lose portability of my Defined Contribution account if I transfer to the Defined Benefit Plan? Yes, the employer contributions and associated earnings on these funds will not be transferred to your member account balance in the Defined Benefit Plan. In the Defined Contribution Plan, 100% of your vested employer funds are portable if you separate from employment, become deceased, or choose to take a refund or rollover of your account balance.

What happens if I become deceased before I retire? In the Defined Benefit Hybrid plan your estate value is your employee contributions, vested PEP funds, and interest. In the Defined Contribution plan the estate value is all employee contributions and all vested employer contributions plus earnings.

How can I estimate on my own what is employee contributions and employer contributions? Your TIAA-CREF account statement will show employee contributions and employer contributions in the Defined Contribution plan. Only employee contributions will be transferred back into your account balance in the Defined Benefit Hybrid plan, if you elect back into this plan.

Contributions

Why will the employee contributions increase 2% for those transferring back to the Defined Benefit Hybrid plan? In the main plan, 16.12% is the actuarially neutral contribution rate that was recommended for all employees to bring the plan back to 100% funded status.

Will future contributions always be 2% higher, if I choose to transfer back to the Defined Benefit Hybrid plan? Yes, you will continue to pay the higher contribution rate of an additional 2% of your gross earnings.

What happens to the additional 2% of my gross earnings that I contribute, if I elect back into the Defined Benefit Hybrid plan? The 2% additional contributions will go directly into your member account balance.

Service Credit

If I elect to transfer back into the Defined Benefit Hybrid plan, will I receive all service credit for my previous years worked? Yes, unless you have taken a refund of any of your Defined Contribution or Defined Benefit plan retirement previously. Your full years of service credit will be restored to calculate your Defined Benefit Hybrid plan benefit.

What time is eligible for service purchase under the Defined Benefit Hybrid Plan? You can purchase previous public employment (in-state or out-of-state), past NDPERS service, federal service, active military service, legislative service, leave of absences, and generic service (max of 60 months) while actively employed. You can also purchase unused sick leave upon separation from employment.

How does buying service increase my Defined Benefit Hybrid plan retirement? You increase your monthly lifetime benefit for each additional month of service purchased.

Retirement Benefit Calculation

How is my Defined Benefit Plan benefit calculated at retirement?

Your Defined Benefit Plan benefit is calculated according to a pre-determined benefit formula set in statute under NDCC 54-52-17. (Defined Benefit Plan Formula: Final Average Salary X Years of Service X Benefit Multiplier of 2% = Single Life Monthly Benefit at Normal Retirement) If you elect a joint and survivor, term certain, or early retirement option upon retirement, your monthly lifetime benefit is reduced.

How is my final average salary calculated in the Defined Benefit Hybrid plan? An average of your highest 36 months over the last 180 months (15 years) worked.

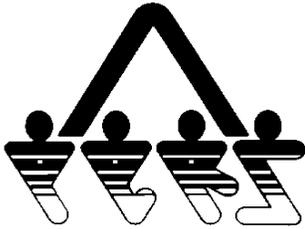
How does the Retiree Health Insurance Credit (RHIC) get calculated? You receive RHIC in the Defined Benefit Hybrid plan or the Defined Contribution plan as a retiree, as long as you do not take a refund or rollover of your account with NDPERS. Your benefit for RHIC is calculated based upon \$5.00 times your years of service. If you elect a joint and survivor or early retirement option, your monthly benefit is reduced.

457 Deferred Compensation Plan & Portability Enhancement Provision (PEP) Vesting

If I have a 457 Deferred Compensation plan with TIAA- CREF, will these funds be affected? No, your account balance in the 457 Deferred Compensation plan is a separate individual account that you manage and these funds will not be transferred back into the Defined Benefit Hybrid plan.

Is the Portability Enhancement Provision (PEP) for vesting in employer funds allowed in the Defined Contribution plan? No, PEP is not a part of the Defined Contribution plan as this plan has its own vesting schedule for employer funds. PEP is only a provision in the Defined Benefit Hybrid plan to allow you to vest in up to 4% of the employer funds.

Will I receive PEP based upon previous 457 Deferred Compensation Plan contributions if I elect back into the Defined Benefit Plan? You will not be eligible for PEP for any previous contributions made to your 457 Deferred Compensation Plan prior to the date of transfer of funds. In the Defined Benefit Hybrid plan, you will receive PEP prospectively based upon your restored years of service credit.



**North Dakota
Public Employees Retirement System**
400 East Broadway, Suite 505 • Box 1657
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Executive Director
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Memorandum

TO: PERS Board

FROM: Bryan

DATE: October 22, 2015

SUBJECT: Defined Contribution Plan Reporting – Sept 2015

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

The first table shows that 467 members have elected the DC plan since it started in 2000. Of these, the second table shows that 236 are still active (50%). With the DC plan now open to all new employees, the graph shows a big increase in the number eligible for the plan. The bottom table shows that only 66 members (out of 2626 since 10/2013) have elected the DC 401(a) plan through September 2015.

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

Defined Contribution Reporting - September 2015

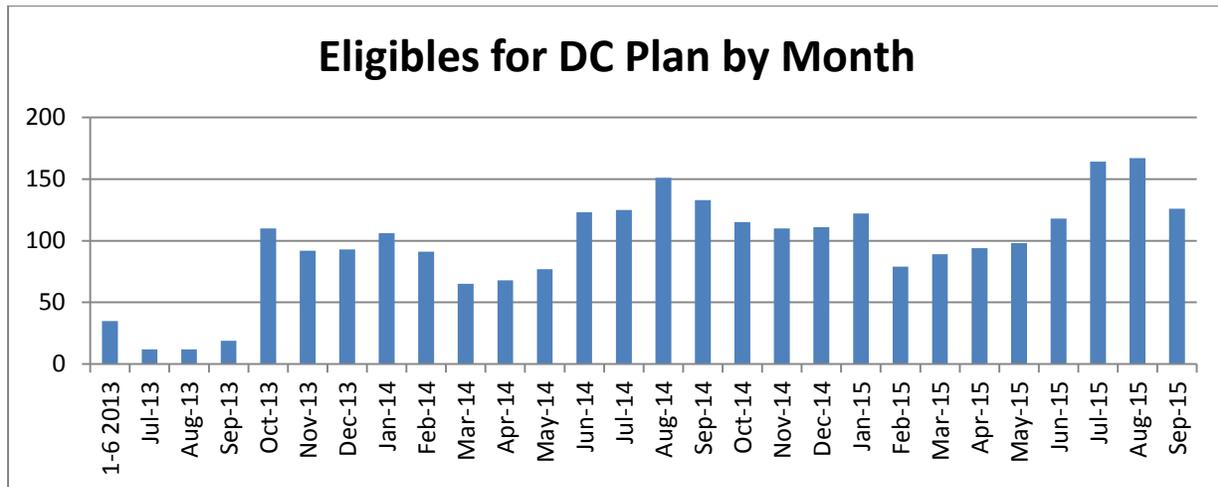
DC Enrollment		
Start Date	Frequency	Percent
Before 2013/07	399	85.07
2013/08	1	0.21
2013/09	2	0.43
2013/10	2	0.43
2013/11	1	0.21
2014/01	1	0.21
2014/02	1	0.21
2014/03	2	0.43
2014/05	5	1.06
2014/06	2	0.44
2014/07	6	1.28
2014/08	2	0.43
2014/09	3	0.64
2014/11	3	0.64
2014/12	3	0.64
2015/01	3	0.64
2015/02	7	1.49
2015/03	4	0.85
2015/04	4	0.85
2015/05	1	0.21
2015/06	5	1.06
2015/07	3	0.64
2015/08	7	1.49
2015/09	1	0.21
Total	467	100

One new enrollment in September 2015.

Current Status	Frequency	Percent
Enrolled	236	50.2
Retired	23	4.9
Suspended	76	16.2
Withdrawn	135	28.7

50.2% of those electing the DC 401(a) plan are still active.

Agency	Frequency	Percent
Workforce Safety & Insurance	77	32.6
Adjutant General ND National Guard	12	5.1
North Dakota State University	11	4.7
Legislative Council	9	3.8
Department Of Commerce	9	3.8
Information Technology Dept	8	3.4
Department of Transportation	8	3.4
Others (50 groups)	102	43.2



New employee DB/DC estimates sent out	Eligible	Elections to Date (180 days to elect)
2013 October - 104	110	1
2013 November - 91	91	6
2013 December - 92	93	1
2014 January - 119	106	3
2014 February - 90	91	4
2014 March - 73	65	2
2014 April - 79	68	2
2014 May - 81	77	4
2014 June - 112	123	3
2014 July - 136	125	4
2014 August - 111	151	3
2014 September - 140	133	4
2014 October - 138	115	2
2014 November - 117	110	1
2014 December - 117	111	8
2015 January - 110	122	7
2015 February - 89	79	4
2015 March - 76	89	2
2015 April - 103	94	0
2015 May - 89	98	1
2015 June - 92	118	0
2015 July - 162	164	2
2015 August - 169	167	2
2015 September - 196	126	0
	2626	66 (2.5%)



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: October 15, 2015
SUBJECT: Health RFP

Our contracts with Deloitte expire at the end of the year. The Board decided this last spring that we should do a bid for health consulting services this fall. Pursuant to this direction, attached please find an RFP for your review and comment. This RFP provides for:

1. Consulting services relating to the group health plan beginning in 2016 through June of 2018.
2. General group insurance consulting.
3. A fixed fee bid to prepare a RFP for the health plan should you decide not to renew with Sanford this summer/fall. This effort is noted as optional in the RFP
4. A consultant to prepare an RFP for the Medicare Part D plan by June of 2016. This is requested should you decide not to renew with ESI that we would be prepared to immediately issue an RFP. As you know, the timeline for consideration relating to the Medicare Part D program is very compressed. Consequently this action would prepare us to be ready to go if the Board decides to go out to bid. If we would not be ready, the timeline may not be sufficient to develop an RFP which could take this option out of consideration.
5. A consultant to prepare a renewal estimate for 2017-19 that the Board can use to review the renewal by Sanford. This is now part of the new legislative requirements as noted below:

The initial term or the renewal term of a fully insured uniform group insurance contract for hospital benefits coverage, medical benefits coverage, or prescription drug coverage may not exceed two years.

a. The board may renew a contract subject to this subsection without soliciting a bid under section 54-52.1-04 if the board determines the carrier's performance under the existing contract meets the board's expectations and the proposed premium renewal amount does not exceed the board's expectations.

b. In making a determination under this subsection, the board shall:

(1) Use the services of a consultant to concurrently and independently prepare a renewal estimate the board shall consider in determining the reasonableness of the proposed premium renewal amount.

The timeline is to do the actual selection in December/January. This means that we may need to continue with Deloitte for a month or by extending the existing contract for that period if services are required.

Staff is continuing to review the attached. Jan will be reviewing the proposed contract.

Board Action Requested

1. Approve the outline of the RFP for group insurance services
2. Approve the timeline

REQUEST FOR PROPOSAL

FOR

**North Dakota
Public Employees Retirement System**

Uniform Group Insurance

November 2015

**Request for Proposal
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SECTION 1 – INTRODUCTION

This Request for Proposal (RFP) is issued for actuarial and consulting assistance for a thirty month period (January 1, 2016 through June 30, 2018). In addition, the Board intends that the successful bidder will have the opportunity to renew its contract for two subsequent two-year periods if an acceptable agreement can be reached between the contractor and the Board.

The Board is seeking three areas of fixed fee bids from each firm responding to this RFP. The first area of fixed fee bid relates to the health insurance plan. Every six years PERS issues a Request for Proposal soliciting responses to provide services on a fully insured basis and on a self insured basis from interested vendors. The next RFP will be issued 2020. However, the existing arrangement provides for renewals every two years during this 6 year period. If the renewal terms are not acceptable to the board it will issue a new bid. The next renewal is scheduled for the summer of 2016. If this is not accepted, the Board is seeking a fixed fee bid to conduct a bid process starting in the fall of 2016. We are asking for that the fixed fee for this area be divided into two tasks. The first is to prepare an RFP for the required services for the Board's consideration at the July meeting. The second is to conduct the bid process if so directed by the Board starting in Sept of 2016.

The second fixed fee bid relates to the Medicare Part D plan which is also bid every six years subject to one year renewals. Similar to the above the current vendor will have an opportunity to renew this next summer, however if the board decides to bid this effort this task would start in August with a completion of September of 2016. We are asking that the fixed fee for this area be divided into two tasks. The first is to prepare a RFP and develop a list of potential firms to solicit by the end of June 2016. The second is to conduct the RFP process and analyze the responses in Aug/Sept of 2016 if necessary.

The third fixed fee area is for the consultant to prepare an actuarial estimate of the needed premiums health insurance premiums for the 2017-19 biennium. This effort is specified in North Dakota law and states

The initial term or the renewal term of a fully insured uniform group insurance contract for hospital benefits coverage, medical benefits coverage, or prescription drug coverage may not exceed two years.

a. The board may renew a contract subject to this subsection without soliciting a bid under section 54-52.1-04 if the board determines the carrier's performance under the existing contract meets the board's expectations and the proposed premium renewal amount does not exceed the board's expectations.

b. In making a determination under this subsection, the board shall:

(1) Use the services of a consultant to concurrently and independently prepare a renewal estimate the board shall consider in determining the reasonableness of the proposed premium renewal amount.

(2) Review the carrier's performance measures, including payment accuracy, claim processing time, member service center metrics, wellness or other special program participation levels, and any other measures the board determines relevant to making the determination and shall consider these measures in determining the board's satisfaction with the carrier's performance.

(3) Consider any additional information the board determines relevant to making the determination.

c. If the board determines the carrier's performance under the existing contract does not meet the board's expectations or the proposed premium renewal amount

exceeds the board's expectations and the board determines to solicit a bid under section 54-52.1-04, the board shall specify its reasons for the determination to solicit a bid.

The Board is also seeking assistance for the following services on a fee for services basis: 1) general technical and consulting services relating to operations of the uniform group insurance program (health, dental, vision, life and EAP); 2) technical and actuarial evaluations of proposed legislation and benefit changes; 4) assist with special legislative studies; and 4) review of the proposed premium renewals with the exception of the fee for service efforts identified above for each program when conducted.

Following is a sequence of major activities:

- January 1, 2016** Begin work. Be available for general program consulting.
- March, 2016** Proposed legislation relating to the health plan is referred to consultant to do a technical and actuarial review with a report prepared for the Legislative Employee Benefits Committee by July of 2016. The consultant and PERS will meet to discuss the upcoming work schedule.
- July, 2016** Submit Medicare Part D & Health RFP to PERS Board. Consultant should be available either by teleconference or video conference to review and answer questions for the Board. First Draft of legislative bill reviews due to Legislative Employee Benefits Committee
- August, 2016** Review proposed health and Part D renewals and report findings to the Board.
- September, 2016** Issue Medicare Part D and/or Health RFP if so determined by the PERS Board. Meet with PERS to follow-up on any issues relating to health RFP. Submit final copies of technical and actuarial reviews for consideration by the Legislative Employee Benefits Committee.
- December, 2016** Review analysis of health bids if necessary and provide recommendations to the PERS board. The consultant should be available either by teleconference or video conference.
- January, 2017** North Dakota Legislative session begins. Follow-up with PERS Board on any issues from the December meeting, conduct interviews if necessary.
- February, 2017** PERS Board selects health carrier if necessary.

Work schedule for remainder of the contract will be reviewed in December of 2016.

Timeline for RFP:

November 1, 2015	RFP issued
November 19, 2015	Questions to RFP Due
November 27, 2015	Responses to questions posted
December 11, 2015	Proposals due at NDPERS office no later than 5:00 p.m. Central Standard Time

It is PERS intent to award the contract in December/January. If the Board elects to do interviews, it could be February when an award is made.

SECTION 2 - BACKGROUND

A. The Agency:

The North Dakota Public Employees Retirement System is responsible for the administration of the State's retirement, health, life, dental, deferred compensation, flex comp, retiree health insurance credit, long term care and EAP programs. This proposal is for assistance in the health, life and dental program areas.

PERS is managed by a Board comprised of nine members:

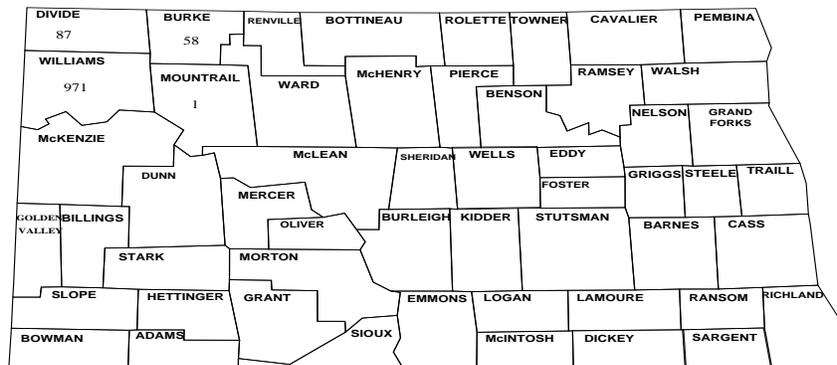
- (1) Chairman - appointed by the Governor
- (1) Member - appointed by the Attorney General
- (1) Member - elected by retirees
- (3) Members - elected by active employees
- (1) State Health Officer or designee
- (2) Members - appointed by Legislative Management

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

Group Health, Life, Dental, and Vision Insurance:

1. Group Health:

The Uniform Group Health Insurance Plan is a fully insured plan with Sanford Health Plan. All state employees are eligible to be covered under the plan, including the professional staff at colleges and universities. Political subdivisions may participate in the health plan at their option. Estimated premiums for this biennium (2015-2017) will be approximately \$550,000,000 for about 29,500 contracts. The following map shows the members of the plan and their geographic distribution:



1. Group Life:

The Uniform Group Life Insurance Plan is a fully insured plan underwritten by Voya. All state employees are covered under the plan, including the professional staff at colleges and universities. Political subdivisions may participate in the life plan at their option. Premiums collected for the past fiscal year totaled approximately \$3,000,000.

The Uniform Group Health and Life Insurance programs are under chapter 54-52.1 of the North Dakota Century Code (NDCC).

2. Dental:

The Uniform Group Dental Plan is fully insured by Delta Dental. As of January 2015 there were 6,700 active contracts and 1,950 retired contracts. All premiums are paid by the employee. Premiums collected for the past fiscal year were approximately \$4,000,000.

3. Vision:

The Uniform Group Vision Plan is fully insured by Superior Vision. As of January 2015 there were 7,950 active contracts and 1,650 retired contracts. All premiums are paid by the employee. Premiums collected for the past fiscal year were approximately \$500,000.

SECTION 3 - SCOPE OF SERVICES

This Section outlines the scope of services to be provided to PERS.

A. Consulting Services:

The consultant will be required to assist in the following areas relating to consulting services on a fee-for-service basis. Prior to initiating any efforts under this area, work must be authorized by the Executive Director on a not-to-exceed basis. Any work efforts the consultant completes or initiates that have not been authorized will not be reimbursed.

1. General Consulting Services. The consultant will be expected to serve on an ongoing basis in an advisory and review capacity to the PERS Board, Executive Director and PERS staff. In this capacity, the consultant will be expected to attend meetings and present findings and recommendations as required. The PERS Board meets on a monthly basis. The consultant must be able to provide the following:

- The actuarial and administrative implications of particular interpretations of the health, life, vision and dental insurance statutes and administrative rules.
- The effect of existing and proposed state and federal laws that affect, or may affect, the health, life, vision and dental insurance programs at PERS.
- General assistance to PERS, as requested, regarding the ongoing administration of the group health, life, vision and dental programs, including the review of premiums and the development of procedures and forms.
- Technical assistance relating to COBRA administration.
- Technical assistance relating to plan design, PBM's, disease management programs; wellness programs, provider negotiations and plan documents.
- Assistance with ACA compliance
- Assistance with HIPAA compliance
- Compliance assistance

2. Bid Solicitation and Evaluation for the Health Programs (if necessary):

If necessary and discussed earlier the Board is seeking assistance for the health plan and the Medicare Part D plan if a renewal with the existing vendor(s) is not accomplished. The consultant will be expected to take a lead role in developing and issuing the RFPs, and analyzing any proposals received.

Bid Process – Health Plan

The North Dakota Century code directs in NDCC 54-52.1-04.2:

Any self insurance plan under this sectionmay be established only if it is determined by the board that an administrative services only or third-party administrator plan is less costly than the lowest bid submitted by a carrier for underwriting the plan with equivalent contract benefits.

Pursuant to this direction we are asking for two RFP's to be developed, one for a fully insured plan and the other for a self insured plan. As outlined, the first step in the process is to review the fully insured proposals. The findings will be reported to the

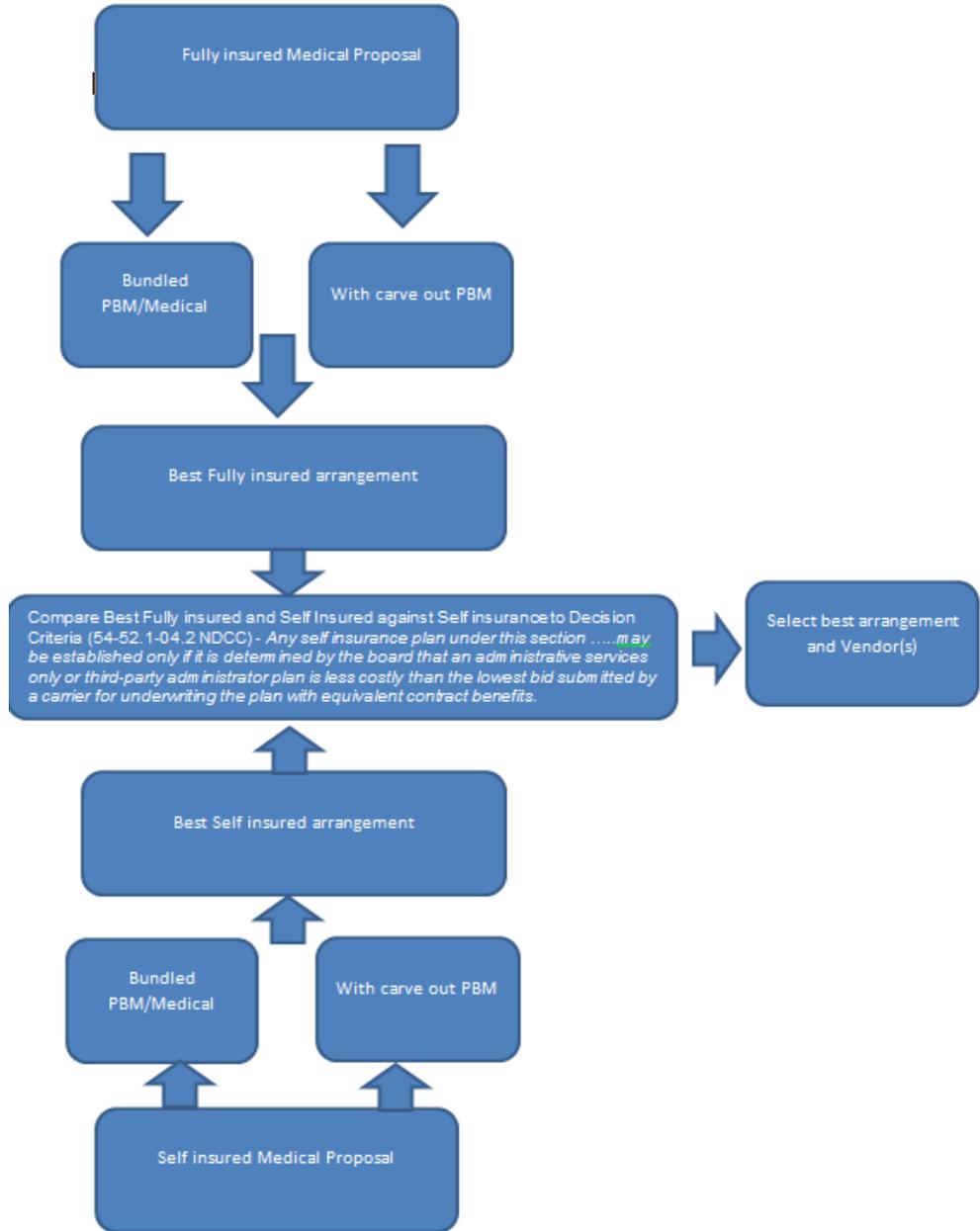
NDPERS Board and the fully insured proposal that is most responsive to the review criteria will be selected by the Board.

Once the above is completed, the second step in the process will be the review of the self insured proposals. As directed in North Dakota statute, these proposals will be reviewed to determine if any of the proposals are “less costly” than the fully insured proposal. Cost is interpreted as all costs associated with a self insured proposal as compared to the fully insured proposal.

North Dakota statute also directs that stop loss coverage shall be a part of any self insured plan. Statute also directs the establishment of reserves for a self insured plan as follows:

1. The Board shall establish under a self-insurance plan a contingency reserve fund to provide for adverse fluctuations in future charges, claims, costs, or expenses of the uniform group insurance program.
2. The Board shall determine the amount necessary to provide a balance in the contingency reserve fund between one and one-half months and three months of claims paid based on the average monthly claims paid during the twelve-month period immediately preceding March first of each year.
3. The Board also shall determine the amount necessary to provide an additional balance in the contingency reserve fund between one month and one and one-half months for claims incurred but not yet reported.
4. The Board may arrange for the services of an actuarial consultant to assist the board in making these determinations
5. Upon the initial changeover from a contract for insurance pursuant to section 54-52.1-04 to a self-insurance plan pursuant to section 54-52.1-04.2, the Board must have a plan in place which is reasonably calculated to meet the funding requirements of this chapter within sixty months.

For both the fully insured and self insured proposals that should be each as a “bundled product” that is with the medical and Rx service combined and awarded to one vendor and then as an “unbundled product” with the medical and Rx service awarded separately. The following chart is an outline of the process.



Bid Preparation and Evaluation for the Group Health Insurance Bids

The consultant will be expected to take a lead role in developing and issuing RFPs, and analyzing any proposals for the group health plan:

1. The first bid will be for the plan on a fully insured basis.
2. The second bid will be for the plan on a self insured basis.

Information on the existing plan is available at <http://www.nd.gov/ndpers/insurance-plans/group-health.html>. Information on the retiree plan can be found at:

<http://www.nd.gov/ndpers/insurance-plans/group-health-retirees.html>. Information on the retiree PDP can be found at <http://www.nd.gov/ndpers/insurance-plans/medicare-rx.html>. You will note the existing plan offered by NDPERS for active members is a PPO Grandfathered Plan; a PPO Non-grandfathered plan and an HDHP/HSA. The successful vendor will also need to provide an HSA vendor. The retiree plan is the equivalent of a Medicare Supplement Plan F.

Pursuant to NDCC 54-52.1-14 the group insurance program has a wellness program. Information on that program can be found at <http://www.nd.gov/ndpers/insurance-plans/employer-based-wellness.html>

The proper placement of this plan is a major and significant task for NDPERS. The consultant must provide the following service for all of the above efforts:

1. Sections 54-52.1-04 and 54-52.1-04.2 NDCC requires that the NDPERS Board solicit bids for the insurance programs. The consultant must prepare draft bid proposals to replicate the existing plans pursuant to the schedule outlined in Section 1. The consultant will also be responsible for developing a list of firms to be solicited. This list will be supplemented by requests NDPERS has received and those additional requests that come in as a result of a notice appearing in local newspapers in North Dakota.
2. The Board and staff will review draft RFP's pursuant to the schedule outlined in Section 1.
3. The consultant shall review all bids within the timeframes outlined in Section 1. The analysis shall include the following:
 - a) Confirm that all bidders meet the minimum requirements and eliminate any non-qualified bidders.
 - b) Evaluate the financial implications of each bid (quantitative factors). Section 54-52.1-04 of NDCC requires the Board to give consideration to the following:
 - (1) The economy to be affected
 - (2) The ease of administration
 - (3) The adequacy of the coverage
 - (4) The financial position of the carrier, with special emphasis as to its solvency
 - (5) The reputation of the carrier and such other information as is available tending to show past experience with the carrier in matters of claim settlement, underwriting and services.
 - c) Review the technical aspects of each proposal (qualitative factors).
 - d) Review the group insurance proposals when received for fully insured offers. The consultant shall prepare a recommendation to the Board as to merits of each fully insured offer and a recommendation.
 - e) Once the optimum fully insured proposal is selected, the self insured proposals must be reviewed. NDCC 54-52.1-04.2 states that the board may establish a self insured plan only if it is determined that it is less costly than the fully insured method. The consultant will review the self insured offers to determine if they are less costly and meet the minimum requirements. If so the proposals will be

reviewed pursuant to 3.b.

- f) Do all other analysis that will be required based upon the outcome of the review of the bidding methodology
4. Present findings to the Board pursuant to the schedule outlined in Section 1.
 5. The consultant shall assist in developing contracts with the successful bidder and with implementation.

Bid Process, Solicitation Evaluation of Part D Plan (if necessary)

Sections 54-52.1-04 and 54-52.1-04.2 NDCC requires that the NDPERS Board solicit bids for the insurance programs. The consultant must prepare draft bid proposals to replicate the existing plans pursuant to the schedule outlined in Section 1. The consultant will also be responsible for developing a list of firms to be solicited. This list will be supplemented by requests NDPERS has received and those additional requests that come in as a result of a notice appearing in local newspapers in North Dakota.

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 - (1) The economy to be affected
 - (2) The ease of administration
 - (3) The adequacy of the coverage
 - (4) The financial position of the carrier, with special emphasis as to its solvency
 - (5) The reputation of the carrier and such other information as is available tending to show past experience with the carrier in matters of claim settlement, underwriting and services.
 - c) Review the technical aspects of each proposal (qualitative factors).

3. Premium Calculation for 2017-19

The consultant will be required to estimate the required premiums for the group health insurance program for a twenty-four (24) month period beginning July 1, 2017 and ending June 30, 2019. The consultant will be supplied the proposed plan of benefits by July 2016. The consultant must have completed the estimates by August 1, 2016. The purpose of this effort is to provide the Board an estimate to be used in analyzing the merits of renewing with the existing carrier.

B. Proposed Legislation:

The consultant will be required to assist in the following areas relating to proposed legislation on a fee-for-service basis. Prior to initiating any efforts under this area, work must be authorized by the Executive Director on a not-to-exceed basis. Any work efforts the consultant completes or initiates that have not been authorized will not be reimbursed. The efforts under this task area include:

- Give consultation on, and perform certain work in, pricing proposed legislation or plan benefit modifications.
- Assist in the preparation and review of proposed changes to the governing laws.
- Pricing or general review work on legislation or plan benefit modifications shall specifically address each issue and give the basis for each finding. The consultant shall furnish its review in writing and, for pricing efforts, show the assumptions, pricing base, actuarial implications on total program, cost and alternatives, if appropriate.

SECTION 4 - INFORMATION REQUESTS

The proposal must contain in a separate section your organization's response to the following requested information. Please respond by restating the request, with the response following.

1. Provide a brief description of the size, structure and services provided by your organization.
2. Provide your understanding of the services PERS is requesting and discuss how you would approach the work for the following:
 - a. For the efforts in III.A.1. Also discuss Indicate your organization's depth of experience in each of the following areas:
 - < Benefit Design (health, life and dental)
 - < Retiree Health Insurance
 - < Preparation of Plan Documents
 - < Preparation of Member Booklets
 - < Provider Contract Negotiations
 - < PPO Formulation and Development
 - < Actuarial Analysis and Reporting
 - < Preparation of Contracts, Bid Specifications and RFPs
 - < COBRA Administration and Interpretation
 - < Legal Issues
 - < Disease Management Programs
 - < Wellness Programs
 - < RX Carve out Programs
 - < Legal Assistance
 - b. For the efforts in III.A.2
 - c. For the efforts in III.B including the method used by your firm to project expected claims. Also, provide specific details of how your firm decides the appropriate medical trend; what factors are considered; (i.e., historical claims trends, cost shifting, leveraging, intensity, etc.) and how these factors are weighted or allocated in the final decision. Please discuss how this relates to the PERS renewal.
 - d. For the efforts in III.C. In addition describe your organization's experience and availability regarding legislative hearings and testimony
3. Describe your organization's approach to actuarial consulting for medical, dental and life insurance programs.
4. Detail your understanding of the renewal work effort and the timeframes for its accomplishment.
5. Provide a listing of public and private sector clients for whom your organization provides group medical, life and dental insurance program consulting and actuarial services. References should identify the appropriate contact person(s), addresses and telephone numbers. Specifically discuss your responsibilities in similar projects with other public or private clients. Discuss your understanding of the difference between a public bid process versus a private bid process.
6. To what extent does your organization provide timely information and insight into current or pending federal legislation, and other national events or trends?

7. Explain how your organization develops premium rates for health insurance plans.
8. Describe your data security policies and procedures.
9. What new cost containment programs does your organization foresee being implemented in the next 2-3 years?
10. Provide the resumes of key personnel in your firm who will be providing the services. Also specifically identify their assignment as it relates to the efforts requested in the RFP.
11. Provide a flow chart depicting major work efforts and timeframes for beginning and completing tasks.

SECTION 5 – COST PROPOSAL (FEES/HOURS)

We are requesting that you price this project on a fixed fee basis for certain efforts and on a fee for service basis for other efforts as identified below. Expenses for travel, lodging, meals and other out-of-pocket expenses will be paid on an incurred basis if the Executive Director of PERS has given prior approval for each individual to incur such expenses. PERS is under no obligation to reimburse the consultant if no approval was given.

THE COST PROPOSAL SHALL BE UNDER SEPARATE COVER AND NOT PART OF THE RESPONSES TO THE OTHER INFORMATION REQUESTS. PLEASE PROVIDE AN ELECTRONIC COPY OF THE COST PROPOSAL.

FIXED FEE #1: \$ _____
Health Bid development
Preparation of the Bid

FIXED FEE #2: \$ _____
Medicare Part D
Preparation of the Bid

FIXED FEE #3: \$ _____
Health Premium Estimate

All other work will be on a fixed fee
hourly rate - that is a single hourly rate

FIXED FEE HOURLY RATE: \$ _____

SECTION 6 - SUBMISSION OF PROPOSAL

- A. Proposals should be prepared in a straightforward manner to satisfy the requirements of this RFP. Emphasis should be on completeness and clarity of content. Costs for developing proposals are entirely the responsibility of the proposer and shall not be chargeable to PERS.
- B. Section 7 – Offer (Agreement for Services), must be signed by a partner or principal of the firm and included with your proposal.
- C. Address or deliver the RFP to:
 - Bryan Reinhardt
 - North Dakota Public Employees Retirement System
 - 400 E. Broadway, Suite 505
 - PO Box 1657
 - Bismarck, ND 58502

Questions concerning the RFP shall be directed, in writing to Cheryl Stockert and Bryan Reinhardt, or by email at cstocker@nd.gov or breinhar@nd.gov by 5:00 p.m. CST on November 19, 2015. Responses will be posted on the NDPERS website at <http://www.nd.gov/ndpers/providers-consultants/consultants/rfp-index.html> by November 27, 2015 under “Request for Proposals”.

- D. Twenty (10) copies and one (1) electronic copy each of the technical and price proposals must be received at the above listed location by 5:00 p.m. CST on December 11, 2015. The package the proposal is delivered in must be plainly marked "PROPOSAL TO PROVIDE GROUP INSURANCE CONSULTING SERVICES”.

A proposal shall be considered late if received at any time after the exact time specified for return of proposals.

- E. The policy of the PERS Board is to solicit proposals with a bona fide intention to award a contract. This policy will not affect the right of the PERS Board to reject any, or all, proposals.
- F. The PERS Board may request representatives of your organization to appear for interviewing purposes. Travel expenses and costs related to the interview will be the responsibility of the bidder.
- G. The PERS Board will award the contract for services no later than January 1, 2017.
- H. In evaluating the proposals, price will not be the sole factor. The Board may consider any factors it deems necessary and proper, including but not limited to, price; quality of service; response to this request; experience; staffing; and general reputation.
- I. The failure to meet all procurement policy requirements shall not automatically invalidate a proposal or procurement. The final decision rests with the Board.

SECTION 7 - REVIEW PROCESS

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

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

<u>GENERAL</u>	<u>POINTS</u>
Did Consultant follow required format in Section 4?	6 points
Technical Understanding	44 points
Qualifications, Experience and Staffing	20 points
Price	30 points

The purpose of this review is to assess the consultant's understanding of the work requirements, capabilities and resources. It is important that your proposals relate your understanding in order to be rated. A statement that you will comply with the RFP is not sufficient, nor is repeating the RFP requirements. The findings will be reported to the PERS Board. This will be the third step of the review. The Board at it's discretion may require vendor interviews. The Board retains the option to make the final selection based upon not only the above review but all other factors' it deems applicable to deciding what firm should be awarded the contract.

SECTION 8 - OFFER

AGREEMENT FOR SERVICES

The parties to this Agreement for Services are (hereinafter CONTRACTOR) and the State of North Dakota acting through its Public Employees Retirement System (hereinafter NDPERS). The terms of this Contract shall constitute the consulting services agreement (hereinafter "Agreement" of "Contract").

CONTRACTOR and NDPERS agree to the following:

- 1) **SCOPE OF SERVICES:** Contractor agrees to provide the services as specified in the RFP and proposal. The terms and conditions of the RFP and the proposal are hereby incorporated as part of the Contract. We agree to provide the services as specified in the proposal and the RFP. The terms and conditions of the RFP are hereby incorporated as part of the contract.
- 2) **TERM:** This Agreement shall be for the period January 1, 2016 through June 30, 2018. Subject to the written agreement by PERS and the Contractor, this Agreement may be extended for two additional two-year periods.
- 3) **FEES:** NDPERS shall only pay pursuant to the terms in the RFP.
- 4) **BILLINGS:** The CONTRACTOR shall receive payment from NDPERS upon the completion of the services identified in the respective invoice. The CONTRACTOR shall bill NDPERS monthly in arrears for Services rendered and expenses incurred in accordance with the terms hereof.
- 5) **TERMINATION:**

Termination without Cause: Either party may terminate this agreement with respect to tasks yet to be performed with thirty (30) days written notice mailed to the other party. Upon any termination the CONTRACTOR shall be compensated as described in Exhibit A performed up to the date of termination.

Termination for Lack of Funding or Authority: NDPERS by written notice to CONTRACTOR, may terminate the whole or any part of this Contract under any of the following conditions:

- 1) If funding from federal, state, or other sources is not obtained and continued at levels sufficient to allow for purchase of the services or supplies in the indicated quantities or term.
- 2) If federal or state laws or rules are modified or interpreted in a way that the services are no longer allowable or appropriate for purchase under this Contract or are no longer eligible for the funding proposed for payments authorized by this Contract.
- 3) If any license, permit, or certificate required by law or rule, or by the terms of this Contract, is for any reason denied, revoked, suspended, or not renewed.

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

Termination for Cause: NDPERS may terminate this Contract effective upon delivery of written notice to CONTRACTOR, or any later date stated in the notice:

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

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

- 6) **EMPLOYMENT STATUS:** The CONTRACTOR acknowledges that any services performed in connection with the CONTRACTOR's duties and obligations, as created and provided for in this agreement, are performed in the capacity of an independent contractor. At no time during the performing of services as required by this contract will the CONTRACTOR be considered an employee of the State of North Dakota.
- 7) **ASSIGNMENT AND SUBCONTRACTS:** CONTRACTOR may not assign or otherwise transfer or delegate any right or duty without STATE'S express written consent. However, CONTRACTOR may enter into subcontracts provided that any subcontract acknowledges the binding nature of this contract and incorporates this contract, including any attachments. CONTRACTOR is solely responsible for the performance of any subcontractor. CONTRACTOR does not have authority to contract for or incur obligations on behalf of NDPERS.
- 8) **ACCESS TO RECORDS AND CONFIDENTIALITY:**
The parties agree that all participation by PERS members and their dependents in programs administered by PERS is confidential under North Dakota law. Contractor may request and PERS shall provide directly to Contractor upon such request, confidential information necessary for Contractor to provide the services described in the **SCOPE OF SERVICE** section. Contractor shall keep confidential all PERS information obtained in the course of delivering services. Failure of Contractor to maintain the confidentiality of such information may be considered a material breach of the contract and may constitute the basis for additional civil and criminal penalties under North Dakota law. Contractor shall not disclose any individual employee or dependent information without the prior written consent of the employee or family member. Contractor has exclusive control over the direction and guidance of the persons rendering services under this Agreement. Upon termination of this Agreement, for any reason, Contractor shall return or destroy all confidential information received from PERS, or created or received by Contractor on behalf of PERS. This provision applies to confidential information that may be in the possession of subcontractors or agents of Contractor. Contractor shall retain no copies of the confidential information. In the event that Contractor asserts that returning or destroying the confidential information is not feasible, Contractor shall provide to PERS notification of the conditions that make return or destruction infeasible. Upon explicit written agreement of PERS that return or destruction of confidential information is not feasible, Contractor shall extend the protections of this Agreement to that confidential information and limit further uses and disclosures of any such confidential

information to those purposes that make the return or destruction infeasible, for so long as Contractor maintains the confidential information.

CONTRACTOR understands that, except for disclosures prohibited in this contract, NDPERS must disclose to the public upon request any records it receives from CONTRACTOR. CONTRACTOR further understands that any records that are obtained or generated by CONTRACTOR under this contract, except for records that are confidential under this contract, may, under certain circumstances, be open to the public upon request under the North Dakota open records law. CONTRACTOR agrees to contact NDPERS immediately upon receiving a request for information under the open records law and to comply with NDPERS's instructions on how to respond to the request.

- 9) **OWNERSHIP OF WORK PRODUCT:** All work product, equipment or materials created for NDPERS or purchased by NDPERS under this Contract belong to NDPERS and must be immediately delivered to NDPERS at the request of NDPERS upon termination of this Contract.
- 10) **APPLICABLE LAW AND VENUE:** This agreement shall be governed by and construed in accordance with the laws of the State of North Dakota. Any action to enforce this contract must be adjudicated exclusively in the State District Court of Burleigh County, North Dakota. Each party consents to the exclusive jurisdiction of such court and waives any claim of lack of jurisdiction or forum non conveniens.
- 11) **MERGER AND MODIFICATION:** This contract shall constitute the entire agreement between the parties. In the event of any inconsistency or conflict among the documents making up this agreement, the documents must control in this order of precedence: First – the terms of this Contract, as may be amended and Second - the letter dated September 16, 2014 and attached hereto as Exhibit A. No waiver, consent, modification or change of terms of this agreement shall bind either party unless in writing and signed by both parties. Such waiver, consent, modification or change, if made, shall be effective only in the specific instances and for the specific purpose given. There are no understandings, agreements, or representations, oral or written, not specified herein regarding this agreement.
- 12) **INDEMNITY:** NDPERS and CONTRACTOR each agrees to assume its own liability for any and all claims of any nature including all costs, expenses and attorneys' fees which may in any manner result from or arise out of this agreement.
- 13) **INSURANCE:** CONTRACTOR shall secure and keep in force during the term of this agreement, from insurance companies, government self-insurance pools or government self-retention funds, authorized to do business in North Dakota, the following insurance coverages:
 - 1) Commercial general liability, including premises or operations, contractual, and products or completed operations coverages (if applicable), with minimum liability limits of \$250,000 per person and \$1,000,000 per occurrence.
 - 2) Professional errors and omissions with minimum liability limits of \$1,000,000 per occurrence and in the aggregate, CONTRACTOR shall continuously maintain such coverage during the contact period and for three years thereafter. In the event of a change or cancellation of coverage, CONTRACTOR shall purchase an extended reporting period to meet the time periods required in this section.

- 3) Automobile liability, including Owned (if any), Hired, and Non-Owned automobiles, with minimum liability limits of \$250,000 per person and \$500,000 per occurrence.
- 4) Workers compensation coverage meeting all statutory requirements.

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

- 1) Any deductible or self-insured retention amount or other similar obligation under the policies shall be the sole responsibility of the CONTRACTOR. The amount of any deductible or self-retention is subject to approval by the State.
 - 2) This insurance may be in policy or policies of insurance, primary and excess, including the so-called umbrella or catastrophe form and must be placed with insurers rated "A-" or better by A.M. Best Company, Inc., provided any excess policy follows form for coverage. Less than an "A-" rating must be approved by the State. The policies shall be in form and terms approved by the State.
 - 3) CONTRACTOR shall provide at least 30 day notice of any cancellation or material change to the policies or endorsements.
 - 4) Upon NDPERS's written request, the CONTRACTOR shall furnish a certificate of insurance to the undersigned State representative prior to commencement of this agreement.
 - 5) Failure to provide insurance as required in this agreement is a material breach of contract entitling NDPERS to terminate this agreement immediately.
- 14) **SEVERABILITY:** If any term in this contract is declared by a court having jurisdiction to be illegal or unenforceable, the validity of the remaining terms must not be affected, and, if possible, the rights and obligations of the parties are to be construed and enforced as if the contract did not contain that term.
- 15) **INTERNAL USE:** NDPERS agrees that all services and deliverables shall be solely for NDPERS' purposes and internal use, and are not intended to be, and may not be relied upon by any person or entity other than NDPERS, or the State of North Dakota in connection with the Services.
- 16) **INDEPENDENT ENTITY:** CONTRACTOR is an independent entity under this contract and is not a State employee for any purpose, including the application of the Social Security Act, the Fair Labor Standards Act, the Federal Insurance Contribution Act, the North Dakota Unemployment Compensation Law and the North Dakota Workforce Safety and Insurance Act. CONTRACTOR retains sole and absolute discretion in the manner and means of carrying out CONTRACTOR'S activities and responsibilities under this contract, except to the extent specified in this contract.
- 17) **ATTORNEY FEES:** In the event a lawsuit is instituted by NDPERS to obtain performance due under this contract, and NDPERS is the prevailing party, CONTRACTOR shall, except when prohibited by N.D.C.C. § 28-26-04, pay NDPERS's reasonable attorney fees and costs in connection with the lawsuit.
- 18) **NDPERS RESPONSIBILITIES:** NDPERS shall cooperate with the CONTRACTOR hereunder, including, without limitation, providing the CONTRACTOR with reasonable facilities and timely access to data, information and personnel of NDPERS. NDPERS shall be responsible for the performance of its personnel and agents and for the accuracy and completeness of data and information provided to the CONTRACTOR for purposes of the performance of the Services.

26) **EFFECTIVENESS OF CONTRACT:** This Contract is not effective until fully executed by both parties.

NDPERS:

Contractor:

Sparb Collins, Executive Director
ND Public Employees Retirement System

Signature

Printed Name

Title

Date

Date

SECTION 9 - BUSINESS ASSOCIATE AGREEMENT

Business Associate Agreement

(Revised 10-2013)

This Business Associate Agreement, which is an addendum to the underlying contract, is entered into by and between, the North Dakota Public Employees Retirement System ("NDPERS") and the **ENTER BUSINESS ASSOCIATE NAME, ADDRESS OF ASSOCIATE.**

1. Definitions

- a. Terms used, but not otherwise defined, in this Agreement have the same meaning as those terms in the HIPAA Privacy Rule, 45 C.F.R. Part 160 and Part 164, Subparts A and E, and the HIPAA Security rule, 45 C.F.R., pt. 164, subpart C.
- b. Business Associate. "Business Associate" means the **ENTER BUSINESS ASSOCIATE NAME.**
- c. Covered Entity. "Covered Entity" means the **North Dakota Public Employees Retirement System Health Plans.**
- d. PHI and ePHI. "PHI" means Protected Health Information; "ePHI" means Electronic Protected Health Information.

2. Obligations of Business Associate.

2.1. The Business Associate agrees:

- a. To use or disclose PHI and ePHI only as permitted or required by this Agreement or as Required by Law.
- b. To use appropriate safeguards and security measures to prevent use or disclosure of the PHI and ePHI other than as provided for by this Agreement, and to comply with all security requirements of the HIPAA Security rule.
- c. To implement administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of ePHI that it creates, receives, maintains or transmits on behalf of the Covered Entity as required by the HIPAA Security rule.
- d. To mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a use or disclosure of PHI or ePHI by Business Associate in violation of the requirements of this Agreement.
- e. To report to Covered Entity (1) any use or disclosure of the PHI not provided for by this Agreement, and (2) any "security incident" as defined in 45 C.F.R. § 164.304 involving ePHI, of which it becomes aware without unreasonable delay and in any case within thirty (30) days from the date after discovery and provide the Covered Entity with a written notification that complies with 45 C.F.R. § 164.410 which shall include the following information:

- i. to the extent possible, the identification of each individual whose Unsecured Protected Health Information has been, or is reasonably believed by the Business Associate to have been, accessed, acquired or disclosed during the breach;
 - ii. a brief description of what happened;
 - iii. the date of discovery of the breach and date of the breach;
 - iv. the nature of the Protected Health Information that was involved;
 - v. identify of any person who received the non-permitted Protected Health Information;
 - vi. any steps individuals should take to protect themselves from potential harm resulting from the breach;
 - vii. a brief description of what the Business Associate is doing to investigate the breach, to mitigate harm to individuals, and to protect against any further breaches; and
 - viii. any other available information that the Covered Entity is required to include in notification to an individual under 45 C.F.R. § 164.404(c) at the time of the notification to the State required by this subsection or promptly thereafter as information becomes available.
- f. With respect to any use or disclosure of Unsecured Protected Health Information not permitted by the Privacy Rule that is caused by the Business Associate's failure to comply with one or more of its obligations under this Agreement, the Business Associate agrees to pay its reasonable share of cost-based fees associated with activities the Covered Entity must undertake to meet its notification obligations under the HIPAA Rules and any other security breach notification laws;
- g. Ensure that any agent or subcontractor that creates, receives, maintains, or transmits electronic PHI on behalf of the Business Associate agree to comply with the same restrictions and conditions that apply through this Agreement to the Business Associate.
- h. To make available to the Secretary of Health and Human Services the Business Associate's internal practices, books, and records, including policies and procedures relating to the use and disclosure of PHI and ePHI received from, or created or received by Business Associate on behalf of Covered Entity, for the purpose of determining the Covered Entity's compliance with the HIPAA Privacy Rule, subject to any applicable legal privileges.
- i. To document the disclosure of PHI related to any disclosure of PHI as would be required for Covered Entity to respond to a request by an Individual for an accounting of disclosures of PHI in accordance with 45 C.F.R. § 164.528.
- j. To provide to Covered Entity within 15 days of a written notice from Covered Entity, information necessary to permit the Covered Entity to respond to a request by an Individual for an accounting of disclosures of PHI in accordance with 45 C.F.R. § 164.528.
- k. To provide, within 10 days of receiving a written request, information necessary for the Covered Entity to respond to an Individual's request for access to PHI about himself or herself, in the event that PHI in the Business Associate's possession constitutes a Designated Record Set.
- l. Make amendments(s) to PHI in a designated record set as directed or agreed by the Covered Entity pursuant to 45 C.F.R. § 164.526 or take other measures as necessary to satisfy the covered entity's obligations under that section of law.

3. Permitted Uses and Disclosures by Business Associate

3.1. General Use and Disclosure Provisions

Except as otherwise limited in this Agreement, Business Associate may Use or Disclose PHI and ePHI to perform functions, activities, or services for, or on behalf of, Covered Entity, specifically, uniform group insurance consulting services – provided that such use or disclosure would not violate the Privacy Rule or the Security Rule if done by Covered Entity or the minimum necessary policies and procedures of the Covered Entity.

3.2. Specific Use and Disclosure Provisions

Except as otherwise limited in this Agreement, Business Associate may use PHI and ePHI:

- a. For the proper management and administration of the Business Associate, provided that disclosures are Required By Law, or Business Associate obtains reasonable assurances from the person to whom the information is disclosed that it will remain confidential and used or further disclosed only as Required By Law or for the purpose for which it was disclosed to the person, and the person notifies the Business Associate of any instances of which it is aware in which the confidentiality of the information has been breached.
- b. To provide Data Aggregation services to Covered Entity as permitted by 45 C.F.R. § 164.504(e)(2)(i)(B), but Business Associate may not disclose the PHI or ePHI of the Covered Entity to any other client of the Business Associate without the written authorization of the covered entity Covered Entity.
- c. To report violations of law to appropriate Federal and State authorities, consistent with 45 C.F.R. §§ 164.304 and 164.502(j)(1).

4. Obligations of Covered Entity

4.1. Provisions for Covered Entity to Inform Business Associate of Privacy Practices and Restrictions

Covered Entity shall notify Business Associate of:

- a. Any limitation(s) in its notice of privacy practices of Covered Entity in accordance with 45 C.F.R. § 164.520, to the extent that any such limitation may affect Business Associate's use or disclosure of PHI.
- b. Any changes in, or revocation of, permission by an Individual to use or disclose PHI, to the extent that any such changes may affect Business Associate's use or disclosure of PHI.
- c. Any restriction to the use or disclosure of PHI that Covered Entity has agreed to in accordance with 45 C.F.R. § 164.522, to the extent that any such restriction may affect Business Associate's use or disclosure of PHI.

4.2. Additional Obligations of Covered Entity. Covered Entity agrees that it:

- a. Has included, and will include, in the Covered Entity's Notice of Privacy Practices required by the Privacy Rule that the Covered Entity may disclose PHI for Health Care Operations purposes.
- b. Has obtained, and will obtain, from Individuals any consents, authorizations and other permissions necessary or required by laws applicable to the Covered Entity for Business Associate and the Covered Entity to fulfill their obligations under the Underlying Agreement

and this Agreement.

- c. Will promptly notify Business Associate in writing of any restrictions on the Use and Disclosure of PHI about Individuals that the Covered Entity has agreed to that may affect Business Associate's ability to perform its obligations under the Underlying Agreement or this Agreement.
- d. Will promptly notify Business Associate in writing of any change in, or revocation of, permission by an Individual to Use or Disclose PHI, if the change or revocation may affect Business Associate's ability to perform its obligations under the Underlying Agreement or this Agreement.

4.2. Permissible Requests by Covered Entity

Covered Entity may not request Business Associate to use or disclose PHI in any manner that would not be permissible under the Privacy Rule or the Security Rule if done by Covered Entity, except that the Business Associate may use or disclose PHI and ePHI for management and administrative activities of Business Associate.

5. Term and Termination

- a. Term. The Term of this Agreement shall be effective as of July 1, 2016, and shall terminate when all of the PHI and ePHI provided by Covered Entity to Business Associate, or created or received by Business Associate on behalf of Covered Entity, is destroyed or returned to Covered Entity, or, if it is infeasible to return or destroy PHI and ePHI, protections are extended to any such information, in accordance with the termination provisions in this Section.
- b. Automatic Termination. This Agreement will automatically terminate upon the termination or expiration of the Underlying Agreement.
- c. Termination for Cause. Upon Covered Entity's knowledge of a material breach by Business Associate, Covered Entity shall either:
 - 1. Provide an opportunity for Business Associate to cure the breach or end the violation and terminate this Agreement and the Underlying Agreement if Business Associate does not cure the breach or end the violation within the time specified by Covered Entity;
 - 2. Immediately terminate this Agreement and the Underlying Agreement if Business Associate has breached a material term of this Agreement and cure is not possible; or
 - 3. If neither termination nor cure is feasible, Covered Entity shall report the violation to the Secretary.
- d. Effect of Termination.
 - 1. Except as provided in paragraph (2) of this subsection, upon termination of this Agreement, for any reason, Business Associate shall return or destroy all PHI received from Covered Entity, or created or received by Business Associate on behalf of Covered Entity. This provision shall apply to PHI and ePHI that is in the possession of subcontractors or agents of Business Associate. Business Associate shall retain no copies of the PHI or ePHI.

2. In the event that Business Associate determines that returning or destroying the PHI or ePHI is not feasible, Business Associate shall provide to Covered Entity notification of the conditions that make return or destruction infeasible. Upon explicit written agreement of Covered Entity that return or destruction of PHI or ePHI is not feasible, Business Associate shall extend the protections of this Agreement to that PHI and ePHI and limit further uses and disclosures of any such PHI and ePHI to those purposes that make the return or destruction infeasible, for so long as Business Associate maintains that PHI or ePHI.

6. Miscellaneous

- a. Regulatory References. A reference in this Agreement to a section in the HIPAA Privacy or Security Rule means the section as in effect or as amended.
- b. Amendment. The Parties agree to take such action as is necessary to amend this Agreement from time to time as is necessary for Covered Entity to comply with the requirements of the Privacy Rule, the Security Rule, and the Health Insurance Portability and Accountability Act of 1996, Pub. L. No. 104-191.
- c. Survival. The respective rights and obligations of Business Associate under Section 5.c, related to "Effect of Termination," of this Agreement shall survive the termination of this Agreement.
- d. Interpretation. Any ambiguity in this Agreement shall be resolved to permit Covered Entity to comply with the Privacy and Security Rules.
- e. No Third Party Beneficiaries. Nothing express or implied in this Agreement is intended to confer, nor shall anything this Agreement confer, upon any person other than the parties and their respective successors or assigns, any rights, remedies, obligations or liabilities whatsoever.
- f. Applicable Law and Venue. This Business Associate Agreement is governed by and construed in accordance with the laws of the State of North Dakota. Any action commenced to enforce this Contract must be brought in the District Court of Burleigh County, North Dakota.
- g. Business Associate agrees to comply with all the requirements imposed on a business associate under Title XIII of the American Recovery and Reinvestment Act of 2009, the Health Information Technology for Economic and Clinical Health (HI-TECH) Act, and, at the request of NDPERS, to agree to any reasonable modification of this agreement required to conform the agreement to any Model Business Associate Agreement published by the Department of Health and Human Services.

7. Entire Agreement

This Agreement contains all of the agreements and understandings between the parties with respect to the subject matter of this Agreement. No agreement or other understanding in any way modifying the terms of this Agreement will be binding unless made in writing as a modification or amendment to this Agreement and executed by both parties.

IN WITNESS OF THIS, **NDPERS** [CE] and **ENTER BUSINESS ASSOCIATE NAME** [BA] agree to and intend to be legally bound by all terms and conditions set forth above and hereby execute this Agreement as of the effective date set forth above.

For Covered Entity:

Sparb Collins, Executive Director
ND Public Employees Retirement System

Date

For Business Associate:

Signature

Printed Name

Title

Date



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

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

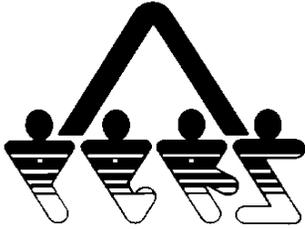
FAX: (701) 328-3920 • EMAIL: NDPERS-info@nd.gov • www.nd.gov/ndpers

Memorandum

TO: PERS Board
FROM: Sparb
DATE: October 15, 2015
SUBJECT: Pharmacy Update

Sanford will be at the next Board meeting to provide you an update on the pharmacy issues. Areas that will be covered include:

1. Member Issues
 - a. Out of pocket costs
2. Pharmacy Issues
 - a. Rural pharmacy concerns
 - b. Urban pharmacy concerns
 - i. MAC pricing
 - ii. other
 - c. Immunizations/flu shots
3. Other issues



**North Dakota
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400 East Broadway, Suite 505 • Box 1657
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Sparb Collins
Executive Director
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FAX: (701) 328-3920 • EMAIL: NDPERS-info@nd.gov • www.nd.gov/ndpers

Memorandum

TO: PERS Board
FROM: Rebecca
DATE: October 15, 2015
SUBJECT: Medicare A Only Retiree Contracts

NDPERS receives notification from the insurance carrier when retirees on the Dakota Retiree Plan have lost or cancelled their Medicare Part B. Sometimes this notification is not received for many months or even years following the date when the individual's Part B coverage terminated. It is our policy that to be eligible for the retiree plan, you must have both Medicare Part A and B. All NDPERS forms and communication materials indicate this requirement.

With cancellation of Part B coverage, it is necessary to cancel their Dakota Retiree Plan medical coverage and adjust the premium retroactively to the date of the coverage lapse. This will result in a higher premium due to the additional risk because we were primary and not secondary payer during the lapse period. In addition, the individual is no longer eligible for the Medicare Part D Plan prospectively from the date NDPERS becomes aware as CMS will not allow a retroactive cancellation of the Part D product.

Previously when NDPERS was notified of this occurrence, the individual's coverage was transitioned to the Dakota Plan under the pre-Medicare rate retroactive to the date the individual lost or cancelled Part B. The individual was then notified of the additional premium due over the Part D coverage lapse period. With the closing of the Dakota Plan to pre-Medicare retirees on July 1, 2015, staff has reviewed this policy and also held discussions with Sanford Health Plan on options should these situations occur with individual's who lose or cancel their Medicare Part B coverage in the future.

The following are the options that NDPERS and Sanford determined are available for the board's consideration:

- 1) Retroactively cancel coverage to the date the member dropped Part B.

- 2) Upon notification that Part B has been dropped, prospectively discontinue coverage until the member gets Part B set-up again.
- 3) Move member to a Gap Plan, which would be the Dakota Plan coverage, and use the established pre-Medicare premium rates for the period of time they do not have Part B coverage. The member would be allowed a 15-month window in order to get their Part B reinstated or they would lose their NDPERS medical coverage.

Staff recommends option 3 as it is consistent with our current process for individuals that retire prior to July 1, 2015. Staff also feels that it allows the least disruption to the individual as they are still permitted coverage, but are required to pay the higher premium to reflect the increased risk of being primary payer for Part B claims.

Board Action Requested:

Determine how staff should handle individual's that retire after July 1, 2015 and discontinue their Part B coverage, thus making them no longer eligible to remain on the Dakota Retiree Plan.



**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
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Memorandum

TO: PERS Board
FROM: Sharon & Rebecca
DATE: October 9, 2015
SUBJECT: Health Plan Implementation Update

Staff continues to work with the Sanford Health Plan (SHP) team. Below is an update in each of the areas we have teams working.

a. Operations

- i. Operational items continue to be reviewed and addressed as they arise. Issues deal mostly with enrollment, ID cards and member services through the call center. We are still working on resolving the issue experienced by employees who transfer to another employer.
- ii. NDPERS and SHP staff continues to work on the files for membership and claims data.
- iii. A team of NDPERS and SHP staff continue to meet bi-weekly to discuss business processes and operational issues.
- iv. NDPERS will be reviewing a sample of claims to verify they have been processed accurately.

b. Marketing/Communication – The campaign to encourage participants to set-up their online Sanford Health Plan account, select paperless Explanation of Benefits and take their Health Risk Assessment was conducted in September. Fitbits were distributed to the winners of the 4 week campaign.

c. Wellness –

- i. NDPERS has held discussions with Sanford regarding the bWell wellness portal and the ability of members to accrue their full 25,000 points with little ongoing engagement. Sanford is reviewing the point allocation and will be making changes based upon the suggestions of NDPERS staff.

- ii. NDPERS became aware that individuals who had redeemed points with BCBS prior to the transition were also able to redeem points exceeding their remaining balance through the bWell Redemption Center. Sanford identified the problem and has been asked to review this situation and provide details on the number of individuals impacted and options regarding the excess points redeemed.

d. Pharmacy and Care Management –

- i. Sanford has been tracking member issues related to prescriptions and there will be a separate board memo provided to further discuss this information.
- ii. We have heard from members that have received infertility services that have concerns with this benefit and how it is being administered due to the carrier change. With a carrier change, infertility services start over, meaning that the \$20,000 lifetime benefit is available under the new carrier. However, this also means that the \$500 lifetime deductible must also be met again. This is an item that was not communicated to members as part of the implementation communications.

An example raised by an impacted employee indicates that they must receive monthly, continuous treatments. The individual met her \$500 lifetime deductible in May 2015 and had only used a small percentage of the lifetime maximum (less than \$1500). The individual based her flexcomp election on the lifetime deductible amount also. Upon having treatments following July 1, she was informed that she would need to meet the \$500 lifetime deductible again, but that her lifetime maximum of \$20,000 was restarted. The individual has expressed frustration as she felt that she was not informed that this would occur and that communications indicated her benefits would remain unchanged. In addition, she noted that the monthly treatment was less than \$30 per month under BCBS but is now costing her over \$160 per month.

We have asked Sanford to review these services and provide information and options to the Board at the meeting.

e. Medicare Part D – The transition of the Part D product is the main focus of the NDPERS implementation team. The team continues to participate in weekly calls with SHP and Express Scripts. In addition, a separate team of SHP and NDPERS staff meet weekly on the Medicare Part D implementation. Below is an update on this transition:

- i. **Contract with ESI –** NDPERS staff and legal counsel have provided their first comments back to ESI related to the contract. Further details on the contract will be provided under a separate memo.
- ii. **Files have been requested from CVS –** 4 data files have been requested by ESI as part of the transition. They include files on open refills, claims history and prior-authorizations.

- iii. **Eligibility Files** – Several meetings have been held to define the requirements for the weekly eligibility files that NDPERS will be sending to ESI for members enrolling and dis-enrolling in the Part D product. Sagitec is currently working on developing the file. We are on a tight schedule to send the first test file to ESI the week of October 19 and the first production file on November 9.
- iv. **PERSLink Modifications** – Several meetings have been held to define the requirements for modifying the PERSLink system to better address the billing requirements for this product (i.e. late enrollment penalty, different effective dates than health plan). Sagitec is currently working on these system enhancements, which will be implemented in December for the January billing cycle.
- v. **Member communications.**
 - The initial notice to retirees regarding the transition to ESI will be sent by NDPERS the week of October 12. A copy of this notice is included for your reference.
 - Staff has been working with ESI on the notifications that they will be providing. These include:
 - a. Pre-notification mailing sent mid-November: confirmation from ESI that the NDPERS product will be moving to ESI that includes a benefits overview document.
 - b. Welcome packet sent by end of December: formulary list, ID card and additional plan materials.
 - NDPERS will send a special mailing in late October to members who are subject to the Late Enrollment Penalty (LEP) notifying them that starting in January, the LEP will be included in their monthly premium billing.
 - NDPERS will send the premium change notice to retirees by the end of November.
- vi. **ESI Call Center** - ESI has indicated that their call center will be available to our members for general questions beginning October 15. Specific questions from members will be able to be answered by the call center starting on November 15 and thereafter once they upload the eligibility file being sent by NDPERS on November 9.
- vii. **Website & Forms** –
 - The website is being reviewed to determine what needs to be removed for January 1. In addition, a new icon will be added to the home page which will be the location for members to access information and materials related to the transition to ESI.
 - New enrollment and disenrollment forms are being developed for the product. In the past, we were required to use MedicareBlue Rx forms but ESI does not have this requirement, nor do they have forms available. The new forms will be available for enrollments and dis-enrollments effective January 1 or after.
- viii. **Staffing** – due to the anticipated increase in calls that we may receive due to the transition, an additional temporary staff member has been retained and is being trained on incoming calls.

Staff continues to meet with the BCBS transition team to facilitate the exit of the BCBS system. Below is an update on this transition:

- a. BCBS continues to provide deductible and co-insurance accumulator files to SHP bi-weekly. This is being evaluated each month to determine the appropriate frequency of files going forward.
- b. Final member rebate account listing and payment to NDPERS should occur in October.
- c. Final close out for premium billings and invoices paid from program reserve account should occur by end of October.
- d. Transition of the PDP – terminating the plan through MedicareBlue Rx
 - o BCBS is helping to facilitate delivery of the transition files requested by ESI.
 - o Cutoff dates for processing Medicare Blue Rx enrollments/dis-enrollments between now and December 31 are being determined. BCBS has indicated that if NDPERS receives an enrollment form from a member after December 9 for coverage effective December 1, the member will not be able to be enrolled in the PDP until January 1.
 - o Process for closing out and payment of the final billing is being clarified.

Weekly meetings continue to be held with the internal NDPERS transition team to address issues that are specific to NDPERS and do not require involvement from BCBS or SHP. Internal transition issues for NDPERS continue to be identified and tracked and addressed by this team.

In addition, staff continues to hold bi-weekly status meetings with the Sanford implementation team. Representatives from Sanford will be at the meeting to provide an operational update and answer any questions you may have.

We will be at the Board meeting if you have any further questions or concerns.



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YOUR MEDICARE PART D PRESCRIPTION DRUG PLAN

TRANSITION TO EXPRESS SCRIPTS INC.

Your Medicare Part D Prescription Drug Plan is currently administered through BCBS/MedicareBlue Rx. This will be changing to Express Scripts Inc. (ESI), Sanford Health Plan's Pharmacy Benefits Manager (PBM), on January 1, 2016.

Transition and Premiums

Effective January 1, 2016, we will automatically transition your Medicare Part D coverage to ESI. Your plan is bundled, which means you must be enrolled in the NDPERS Dakota Retiree Health Plan to be eligible for the NDPERS Medicare Part D Prescription Drug Plan. You do not need to do anything if you wish to remain on the NDPERS plans. The premium for each plan is currently combined and you are billed for the total premium each month.

The premiums for the Medicare Part D plan are adjusted each year in January. Effective January 1, 2016 the Part D portion of your health premium will increase from \$77.90 to \$82.00 per person per month, which is an increase of \$4.10 per person per month. Some example premiums showing this change are shown below:

Example Premiums for Retirees

Current Premiums	Medical	Part D	Total Premium
Single	\$183.76	\$ 77.90	\$261.66
Family of 2	\$364.42	\$155.80	\$520.22
One Medicare/One non-Medicare	\$621.44	\$ 77.90	\$699.34

January 2016 Premiums	Medical	Part D	Total Premium
Single	\$183.76	\$ 82.00	\$265.76
Family of 2	\$364.42	\$164.00	\$528.42
One Medicare/One non-Medicare	\$621.44	\$ 82.00	\$703.44

The above examples do not represent all premium tiers available to our retirees; only the most commonly used premiums. If your current premium is not represented, you can estimate your January 1st premium by taking \$4.10 times the number of individuals covered on your policy who are on Medicare, and adding this to your current monthly premium. As in the past, you will be receiving a notice from NDPERS in late November with your new premiums for January 1, 2016.

With the change in your Part D vendor from MedicareBlue Rx to ESI, your copay and coinsurance amounts will not change; however, the ESI formulary list and network may differ from the MedicareBlue Rx formulary and network. In addition, there may be different pharmacy reimbursement schedules that may result in an increase or decrease in your out-of-pocket expenses.

Notice of Creditable Coverage

Enclosed is our Notice of Creditable Coverage. This notice confirms that your current Prescription Drug Plan (PDP) is creditable coverage. This means that should you decide to join another Medicare Part D plan, you will not pay a higher premium (a penalty). This notice also provides you with other information related to enrollment in another plan. **Please keep this notice as you may be required to provide a copy should you choose to discontinue your enrollment in the NDPERS Medicare Part D Prescription Drug Plan and enroll in another Part D plan.** Keep in mind that if you enroll in another Part D plan, you will not be able to retain the medical coverage with the NDPERS Dakota Retiree Plan. A Request to Cancel Retiree Health Insurance Coverage SFN 58269 and a Group PDP Disenrollment Form must be completed to cancel the medical and prescription drug coverage. These forms are available on the NDPERS website at www.nd.gov/ndpers.

What to Expect

In addition to this notice, you will be receiving communications from several other sources as follows:

October

- NDPERS PERSpectives newsletter with news about this change.
- The ESI phone center at 855.315.4569 will be open beginning October 15 through November 14, 2015 to answer provide support for general questions about:
 - General medication pricing.
 - Explain how the member's plan works.
 - Provide general information on Medicare Part D.
 - Provide benefit office contact numbers for opting out, enrollment, eligibility questions, premium billing, etc.

November

- ESI phone center at 855.315.4569 will be available beginning November 15, 2015 with full support services which will include the general topic areas above as well as the following:
 - Medication specific coverage or pricing information including whether a medication requires a coverage review, Prior Authorization, has quantity limits, etc.
 - Information on whether or not a particular pharmacy is in the network.
 - Formulary information - what tier a specific medication is listed under.
- Notice from ESI affirming the change in your Part D carrier effective January 1, 2016.
- NDPERS health insurance premium change notice with your new premiums for January 1, 2016.

December

- New ID cards with Welcome Packet from ESI that will be sent by January 1, 2016.

January

- Notice from BCBS/MedicareBlue Rx in informing you that your Part D coverage with them terminated on December 31, 2015.



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Memorandum

TO: NDPERS Board

FROM: Kathy

DATE: October 13, 2015

SUBJECT: FlexComp Plan Document

The restated FlexComp Plan Document was provided at the September meeting for your review and feedback with the objective to provide it at a future meeting for your approval.

Included is the Plan Document which incorporates changes recommended by Segal and PERS staff. The Plan Document is being reviewed by our legal counsel and any additional observations will be provided at the meeting. In consideration of any further changes from legal counsel or the Board, staff recommends approval of the FlexComp Plan Document.

Board Action Requested

Approve staff recommendation.

STATE OF NORTH DAKOTA
FLEXCOMP PLAN DOCUMENT

Effective January 1, 2016

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ARTICLE I. PURPOSE OF PLAN

The purpose of the State of North Dakota FlexComp Plan (“Plan”) is to allow eligible Employees to pay medical, dental, vision, group term life, disability and cancer insurance premiums and other medical and dependent care expenses using pre-tax dollars.

The Board (pursuant to North Dakota Century Code Section 54-52-04) has, therefore, adopted the Plan as set forth herein and as amended from time to time, effective January 1, 2016 for the exclusive benefit of those Employees who are eligible to participate.

The Plan is intended to qualify as a cafeteria plan within the meaning of section 125 of the Internal Revenue Code of 1986, as amended and shall be construed in a manner consistent with that Section. The tax implications of this Plan, however, are subject to rulings, regulations and the application of the tax laws of the state and federal government. Although it may anticipate certain tax consequences as being likely, the Board does not represent or warrant to any Participant that any particular tax consequence will result from participation in this Plan. By participating in the Plan, each Participant understands and agrees that in the event the Internal Revenue Service or any state or political subdivision thereof should ever assess or impose any taxes, charges and/or penalties upon any benefits received under the Plan, the recipient of the benefit will be responsible for those amounts, without contribution from the Board.

This Plan is intended not to discriminate as to eligibility or benefits in favor of the prohibited group under sections 105, 125, and 129 of the Internal Revenue Code.

ARTICLE II. DEFINITIONS

The following words and phrases have the following meaning, unless a different meaning is plainly required by the text:

- 2.01 Board.** “Board” means the North Dakota Public Employees Retirement System (PERS) board.
- 2.02 Benefit Package Option.** “Benefit Package Option” means a qualified benefit under Code section 125(f) that is offered under a cafeteria plan or an option for coverage under an underlying accident or health plan.
- 2.03 Benefit Plan.** “Benefit Plan” means the life insurance, medical, dental, vision, cancer insurance and in some cases disability plans and any alternate medical coverage under a health maintenance organization approved by the Board.
- 2.04 Code.** “Code” means the Internal Revenue Code of 1986, as amended.
- 2.05 Dependent Care Center.** “Dependent Care Center” means any facility which:
- a. complies with all applicable laws and regulations of the State of North Dakota and unit of local government in which it is located;
 - b. provides care for more than six (6) individuals (other than individuals who reside at the center); and
 - c. receives a fee, payment or grant for providing services for any such individuals (regardless of whether such facility is operated for profit).
- 2.06 Dependent Child.** Except as otherwise stated herein, “Dependent Child” means a child who is the Participant’s “qualifying child” or “qualifying relative” as those terms are defined in Code section 152 (determined without regard to subsections (b)(1), (b)(2) and (d)(1)(B) thereof) and subject to the special rule in Code section 152(e) for divorced or separated parents. For purposes of payment of the Pre-Tax Premiums to a Benefit Plan, a Dependent Child must also satisfy the criteria for dependent status under the terms of the applicable Benefit Plan.

The following definition of Dependent Child shall apply to the Qualified Health Care Expense account, notwithstanding a child’s eligibility status under a Benefit Plan.

- a. With respect to the Participant’s Qualified Health Care Expense account, a Dependent Child includes an Employee’s child (within the meaning of Code section 152(f)(1)) who has not attained age twenty-seven (27) as of the end of the calendar year.
- b. Under Code section 152(f)(1), a child is the son, daughter, stepson, or stepdaughter of the Employee, and a child includes both a legally adopted individual of the Employee and an individual who is lawfully placed with the Employee for legal adoption by the Employee.

- c. A child also includes an “eligible foster child,” defined as an individual who is placed with the Employee by an authorized placement agency or by judgment, decree, or other order of any court of competent jurisdiction.

Other than the foregoing conditions, a Dependent Child need not satisfy any other age limit, student status, residency, support or other test in order to be eligible for coverage and reimbursement of Qualified Health Care Expenses.

Notwithstanding the foregoing, a child named in a qualified medical child support order (QMCSO) as defined in section 609 of the Employee Retirement Security Income Act (ERISA) shall be a Dependent Child to the extent specified in the QMCSO. The preceding sentence applies only to the Pre-Tax Premiums for a Benefit Plan and the Qualified Health Care Expense accounts under this Plan.

2.07 Earned Income. “Earned Income” means earned income as set forth in Code section 32(c)(2), but excluding such amounts paid or incurred by the Employer for dependent care assistance to the Participant.

2.08 Employee. “Employee” means employees of the State of North Dakota and district health units that are eligible to participate in the Plan. In addition, members of the Legislative Assembly are considered employees and eligible to participate in the Plan. Employees of higher education and political subdivisions are excluded from participation in the Plan.

Eligible employees who are eighteen (18) years of age, whose services are not limited in duration, who are filling an approved and regularly funded position, and who are employed at least seventeen and one-half (17 ½) per week and at least five (5) months each year, or those first employed after August 1, 2003 who are employed at least twenty (20) hours per week and at least twenty (20) weeks each year, are eligible to participate in the Plan.

2.09 Employer. “Employer” means the State of North Dakota, excluding higher education, and any participating district health units as defined in Section 54-52.3-01 of the North Dakota Century Code.

2.10 Grace Period. “Grace Period” shall mean the period that begins immediately following the close of a Plan Year and ends on the day that is two (2) months plus fifteen (15) days following the close of that Plan Year.

2.11 Health Care Expense. “Health Care Expense” means expenses incurred by a Participant, payment of which is reimbursable under Code section 105. For over-the-counter (OTC) drugs and medicines (other than insulin) which are for medical care as defined in Code section 213(d) will not be reimbursable as a Health Care Expense unless the Participant, Spouse or Dependent Child has a prescription for such drug or medicine. However, OTC products that are not considered drugs or medicines continue to be reimbursable if the product is for medical care as defined in Code section 213(d) and is not merely for good health or for cosmetic purposes.

2.12 Health Savings Account (HSA). “Health Savings Account” or “HSA” means a health savings account established under Code section 223 as an individual trust or custodial

account, each separately established and maintained by an Employee with a qualified trustee or custodian.

- 2.13 Participant.** “Participant” means an eligible Employee who is participating in the Plan.
- 2.14 Plan.** “Plan” means the State of North Dakota FlexComp Plan, as set forth herein.
- 2.15 Plan Administrator.** “Plan Administrator” means the North Dakota Public Employees Retirement System (PERS) with the authority and responsibility to manage and direct the operation and administration of the Plan. Plan Administrator includes any designated agent to which specified administrative functions under the Plan have been delegated, to the extent of such delegation.
- 2.16 Plan Year.** “Plan Year” means a twelve (12) consecutive month period beginning January 1 and ending December 31.
- 2.17 Pre-tax Premium(s).** “Pre-tax Premium(s)” means the cost of life, disability, medical, dental, vision and cancer insurance under the Benefit Plan which a Participant is required, as a condition for coverage, to defray. The amount of the Pre-tax Premium(s) under the Benefit Plan shall be approved by the Board in accordance with the Board’s policies that are applied to all Employees in a consistent manner.
- 2.18 Qualified Beneficiary.** “Qualified Beneficiary” means an individual who, on the day before a Qualifying Event defined in Section 2.21, is a Spouse or Dependent Child of a Participant. A person who becomes a new Spouse of an existing Qualified Beneficiary during a period of continuation coverage is not a Qualified Beneficiary.

In the case of a Qualifying Event described in section 2.21, subsection b., (termination of coverage due to termination of employment or reduction in hours), Qualified Beneficiary means an individual, who on the day before such Qualifying Event, is a Participant.

A newborn child, adopted child of a Qualified Beneficiary or a child placed for adoption with a Qualified Beneficiary who was not a covered Employee will be entitled to the same continuation coverage period available to the Qualified Beneficiary, however, such child shall not become a Qualified Beneficiary. A newborn child of a Qualified Beneficiary or child placed for adoption with a Qualified Beneficiary who was a covered Employee shall become a Qualified Beneficiary in his/her own right and shall be entitled to benefits as a Qualified Beneficiary. A child of a covered Employee who is receiving benefits under the Plan because of a qualified medical child support order (QMCSO), as defined in ERISA section 609, during the Employee’s period of employment, is entitled to the same continuation rights under Section 3.07 as an eligible child.

A Qualified Beneficiary must notify the Board within thirty (30) days of the child’s birth, adoption or placement for adoption in order to add the child to the continuation coverage.

- 2.19 Qualified Dependent Care Expense.** “Qualified Dependent Care Expense” means any employment-related dependent care expense eligible for reimbursement under the Plan as determined under Code sections 129(e)(1) and 21(b)(2). Such expense includes

amounts paid for household services and for the care of Qualifying Individuals enabling the Employee to be gainfully employed.

2.20 Qualified Health Care Expense. “Qualified Health Care Expense” means any Health Care Expense which is not otherwise reimbursable under the Benefit Plan or other plan or entity, but not including any Pre-tax Premium or the premiums paid for any other health insurance coverage.

2.21 Qualifying Event. “Qualifying Event” means any of the following with respect to continued participation in the Qualified Health Care Expense accounts or Benefit Plan under Section 3.07:

- a. termination of coverage due to the death of a Participant.
- b. termination of coverage due to the voluntary or involuntary termination of employment (other than by reason of gross misconduct) or reduction in hours of a Participant.
- c. the divorce or legal separation of a Participant from his/her Spouse.
- d. a Participant’s commencement of entitlement to Medicare coverage during an eighteen (18) month continuation period.
- e. a Dependent Child ceasing to be a Dependent Child.

2.22 Qualifying Individual. “Qualifying Individual” means, for purposes of a Qualified Dependent Care Expense account, any individual who is:

- a. the Participant’s “qualifying child” as defined in Code section 152(c) and who has not attained age thirteen (13); or
- b. the Participant’s “qualifying child” or “qualifying relative” as defined in Code section 152 (determined without regard to subsections (b)(1), (b)(2) and (d)(1)(B) thereof), who (i) is physically or mentally incapable of caring for himself or herself; and (ii) has the same principal place of abode as the Participant for more than one-half of the Plan Year; or
- c. the Participant’s Spouse if the Spouse is physically or mentally incapable of caring for himself or herself and has the same principal place of abode as the Participant for more than one-half of the Plan Year.

Notwithstanding the foregoing, in the case of divorced or separated parents (within the meaning of Code section 152(e), a Qualifying Individual who is a child shall, as provided in Code section 21(e)(5), be treated as a Qualifying Individual of the custodial parent (within the meaning of Code section 152(e)) and shall not be treated as a Qualifying Individual with respect to the non-custodial parent.

2.23 Salary Reduction Agreement. “Salary Reduction Agreement” means a written agreement by a Participant to reduce his/her salary or wage to pay for applicable Pre-tax

Premiums or to fund a Qualified Health Care Expense account or Qualified Dependent Care Expense account.

2.24 **Spouse.** “Spouse” means the legal spouse of a Participant but shall not include an individual legally separated from a Participant under a decree of divorce or of separate maintenance. No later than June 26, 2015, for all purposes under this Plan, the term “Spouse” shall include an individual married to a person of the same sex if the individual was lawfully married to a Participant under applicable laws, and the term “marriage” shall include such a marriage between individuals of the same sex that was validly entered into in a state whose laws authorize the marriage of two individuals of the same sex regardless of where such individuals are domiciled.

2.25 **Student.** “Student” means an individual who, during each of five (5) calendar months during a taxable year is a full-time student at an educational institution which normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of students in attendance at the place where its educational activities are regularly carried on.

ARTICLE III. ELIGIBILITY AND PARTICIPATION

3.01 Eligibility. All Employees eligible to participate in the Benefit Plan are eligible to participate in the Plan for purposes of payment of Pre-tax Premiums under section 4.01. All Employees are eligible to participate in the Plan for purposes of payment of eligible Qualified Health Care Expenses under Section 4.02, except that an Employee with any contributions to a Health Savings Account in a Plan Year cannot participate in the Qualified Health Care Expense Account portion of the Plan for such Plan Year. All Employees are eligible to participate in the Plan for purposes of payment of work-related Qualified Dependent Care Expenses under Section 4.03.

An Employee must be eligible on the first day of the Plan Year to be a Participant in the Plan on that day. Employees who become eligible during the Plan Year shall be allowed to participate the first day of the month following their permanent full-time employment. However, the election period will be extended sixty (60) days from a new Employee's date of hire. An election during the extended sixty (60) day period will not be effective until the first contribution is received.

3.02 Participation. Participation is established on a Plan Year to Plan Year basis. Each eligible Employee shall be a Participant in the Plan for a Plan Year as follows:

a. For purposes of receiving Pre-tax Premium benefits under Section 4.01, participation will become effective when the appropriate Salary Reduction Agreement has been submitted as outlined in Article VI.

For the purpose of receiving employee supplemental life insurance Pre-Tax Premium benefits, participation will be automatic unless an employee elects not to participate under this Plan for the Plan Year for the purpose of Pre-Tax Premium. An Employee who is eligible to participate may elect not to participate by completing and submitting an appropriate declination form with the Employer within the election period established by the Board. An Employee who elects not to participate with regard to payment of Pre-tax Premiums for life insurance shall pay for such Pre-tax Premiums for life insurance under the Benefit Plan on an after-tax basis.

b. For purposes of receiving reimbursement for Qualified Health Care Expenses and/or Qualified Dependent Care Expenses, participation will begin when the appropriate Salary Reduction Agreement(s) have been submitted and become effective under Article VI.

A Participant's Salary Reduction Agreement shall terminate at the end of the Plan Year. A Participant must make an affirmative election for salary reduction for each Plan Year.

3.03 Changes in Participation Status. With respect to the Benefit Plan, Qualified Health Care Expense accounts, and Qualified Dependent Care Expense accounts, a Participant may revoke or amend participation in the Plan during a Plan Year only on account of and consistent with a change in status or other circumstances allowed under applicable law or regulation.

Unless otherwise specified, a revocation or amendment of participation must be made within sixty (60) days after the change in status occurs and will be effective for the balance of the Plan Year in which the election is made, beginning with the first appropriate pay period after the election is received.

A Participant reducing his/her election, based on a change in status, cannot reduce his/her Salary Reduction Agreement election to the point where his/her contributions to a Qualified Health Care Expense account or a Qualified Dependent Care Expense account for the Plan Year are less than the amount already reimbursed for that Plan Year.

- a. Change in Status Events. (*Applies to the Benefit Plan, Qualified Health Care Expense accounts and Qualified Dependent Care Expense accounts.*)
 1. Change in the Participant's legal marital status, including marriage, divorce, death of Spouse, legal separation, or annulment.
 2. Change in number of the Participant's dependents under Code section 152, including birth, adoption, placement for adoption, or death.
 3. Change in the employment status of the Participant, Spouse, or Dependent Child, including the following:
 - (a) Termination or commencement of employment.
 - (b) A reduction or increase in hours of employment by the Employee, the Employee's Spouse or the Employee's Dependent Child, including a switch between part-time and full-time status or commencement of or return from an unpaid leave of absence.
 - (c) A change in employment status that results in the Participant, Spouse, or Dependent Child becoming or ceasing to be eligible for benefits under the individual's plan (such as switching from part-time to full-time or from full-time to part-time employment status).
 - (d) Any situation where the Employee, the Employee's Spouse or the Employee's Dependent Child has special enrollment rights under the Health Insurance Portability and Accountability Act of 1996 (HIPAA) as described in Section 3.04.
 4. Dependent Child satisfies (or ceases to satisfy) dependent eligibility requirements, such as attainment of age, Student status or any similar circumstances as provided under the Benefit Plan.
- b. Change in Residence. (*Applies to the Benefit Plan only.*) A change in residence of the Employee, Spouse, or Dependent Child is considered a status change event. An election change is permissible if the change in residence affects the Participant's eligibility for coverage.
- c. Change in Cost. (*Applies to the Benefit Plan and the Dependent Care Expense accounts.*) A Participant may make election changes as a result of changes in cost under the following circumstances:

1. If the cost of a qualified benefits plan increases (or decreases), the Plan may automatically make a prospective increase (or decrease) in Employee contributions for the Plan.
2. If the cost of a Benefit Package Option significantly increases or significantly decreases, a Participant may make a prospective increase or decrease in payments or revoke his/her election and, in lieu thereof, choose another Benefit Package Option providing similar coverage, prospectively. This paragraph only applies in the case of a dependent care assistance plan if the cost change is imposed by a dependent care provider who is not a relative of the Employee.

For purposes of a dependent care assistance program, a change in provider is a significant change in coverage similar to a Benefit Package Option becoming available, and may permit an election change under this Section 3.03.

- d. Change in Coverage. (*Applies to the Benefit Plan.*) A Participant may make election changes as a result of changes in coverage under the following circumstances:

1. If the coverage under the Benefit Plan is significantly curtailed without a loss of coverage, a Participant may revoke his/her election for that coverage. The Participant may make a new prospective election of coverage under another Benefit Package Option providing similar coverage. Coverage is significantly curtailed only if there is an overall reduction in coverage provided to Participants under the Benefit Plan so as to constitute reduced coverage to Participants generally.

If the coverage under the Benefit Plan is significantly curtailed and a loss of coverage occurs, a Participant may revoke his/her election. The Participant may make a new prospective election of coverage under another Benefit Package Option providing similar coverage or to drop coverage if no similar Benefit Package Option is available. A loss of coverage means a complete loss of coverage under the Benefit Package Option, or other coverage option, or the individual losing all coverage under the option by reason of an overall lifetime or annual limitation.

2. If the Benefit Plan adds a new Benefit Package Option or improves a Benefit Package Option, or other coverage option (or eliminates an existing option) a Participant may elect the newly added option (or elect another option if an option has been eliminated) prospectively and may make corresponding election changes with respect to other Benefit Package Options providing similar coverage. The Plan may permit eligible Employees who have not previously made an election to make an election on a prospective basis for coverage under a new or improved Benefit Package Option.

- e. With the exception of Qualified Health Care Expense accounts, a Participant may make a prospective election change under subsection c. or d. of this Section 3.03 that is on account of and corresponds with a change made under another employer plan, including a plan of the same employer or of another employer, if:

1. the other plan permits the Participant to make an election change that would be permitted under federal regulations; or
 2. the plan permits Participants to make an election for a period of coverage that is different from the period of coverage under this Plan.
- f. A Participant may make an election change on a prospective basis to add coverage under a Benefit Plan for the Employee, Spouse or Dependent Child if the Employee, Spouse or Dependent Child loses coverage under any group health coverage sponsored by a governmental or educational institution, including the following:
1. a state's children's health insurance program (SCHIP) under Title XXI of the Social Security Act;
 2. a medical care program of an Indian Tribal government (as defined in Code section 7701(a)(40)), the Indian Health Service, or a tribal organization;
 3. a state health benefits risk pool; or
 4. a foreign government group health plan.
- g. Judgement, Decrees and Orders. (*Applies to the Benefit Plan and Qualified Health Care Expense accounts.*) In the case of a Benefit Plan that provides health or accident coverage, and for Qualified Health Care Expense accounts, a Participant's revocation or amendment of participation during the Plan Year, and new election for the remainder of the Plan Year, is allowable:
1. if a judgment, decree, or order (collectively, "Order") results from a divorce, legal separation, annulment, or change in legal custody (including a Qualified Medical Child Support Order (QMCSO) defined in ERISA section 609) that requires accident or health coverage for an Employee's Dependent Child or for a foster child who is a dependent of the Employee; and
 2. the Employee changes his/her election to provide coverage for the Dependent Child or foster child if the Order requires coverage under the Employee's plan; or
 3. the Employee changes his/her election to revoke coverage for the Dependent Child or foster child if the Order requires the former spouse to provide coverage.
- h. Entitlement to Medicare and Medicaid. (*Applies to the Benefit Plan and Qualified Health Care Expense accounts.*) In the case of a Benefit Plan that provides health or accident coverage, and for Qualified Health Care Expense accounts, a Participant's revocation or amendment of participation during the Plan Year, and new election for the remainder of the Plan Year, is allowable:
1. if the Employee, Spouse, or Dependent Child becomes entitled to coverage under Part A or Part B of Title XVIII of the Social Security Act (Medicare) or Title XIX of the Social Security Act (Medicaid), other than coverage

consisting solely of benefits under Section 1928 of the Social Security Act (the program for distribution of pediatric vaccines); and

2. if the Employee changes his/her election to revoke coverage for that Employee, Spouse or Dependent Child under the Benefit Plan or Qualified Health Care Expense account.
- i. Consistency Rules Applicable to Change in Status Events. A Participant's mid-year election change under this Section 3.03 satisfies the requirements of the consistency rule if the election change is on account of and corresponds with a change in status event that affects the Participant's, Spouse's or Dependent Child's eligibility or loss of eligibility for coverage under an employer's plan.

If the change in status event is the Participant's divorce, annulment or legal separation from a Spouse, the death of a Spouse or Dependent Child, or a Dependent Child ceasing to satisfy the eligibility requirements for coverage, a Participant may only elect to cancel insurance coverage for the Spouse involved in the divorce, annulment, or legal separation, the deceased Spouse or Dependent Child, or the Dependent Child that ceased to satisfy the eligibility requirements. Canceling coverage for any other individual under these circumstances fails to correspond with the change in status event.

If a Participant, Spouse or Dependent Child gains eligibility for coverage under a cafeteria plan or qualified benefits plan of the employer of the Spouse or Dependent Child as a result of a change in marital status or a change in employment status, a Participant may elect to cease or decrease coverage for that individual only if coverage for that individual becomes effective or is increased under the other plan. The Plan may rely on the Participant's certification that such individual has obtained or will obtain coverage under the other plan unless the Plan has reason to believe that the Participant's certification is incorrect.

Notwithstanding the foregoing, for purposes of the Qualified Dependent Care Expense account, a Participant's mid-year election change under Section 3.03 satisfies the requirements of the consistency rule if the election change is on account of and corresponds with a change in status event that affects:

1. The Participant's, Spouse's or Dependent Child's eligibility for coverage under an employer's plan; or
2. Expenses described in Code section 129 (including employment-related expenses as defined in Code section 21(b)(1) with respect to dependent care assistance.

The Plan Administrator, in its sole discretion, shall determine, based on the surrounding facts and circumstances and prevailing Internal Revenue Service guidance, whether a requested change is on account of and corresponds with a change in status event.

3.04 HIPAA Special Enrollment Rights. (*Applies to Benefit Plan only.*) A Participant may make a change to an annual election in the middle of a Plan Year if the change corresponds to a special enrollment event under the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and Code section 9801(f), whether or not the change is permitted under any other section of this Plan as follows:

- a. Acquisition of a new Spouse or Dependent Child as a result of marriage, birth, adoption or placement for adoption; or
- b. Loss of eligibility under another group health plan or other health insurance by anyone who would otherwise be eligible under this Plan, including for (but not limited to) the following reasons:
 - 1. Voluntary or involuntary termination of employment or reduction in hours of employment, or death, divorce or legal separation, cessation of dependent status, or
 - 2. Loss of coverage through an HMO that does not provide benefits to individuals who do not reside, live or work in the service area, or
 - 3. Termination of employer contributions toward that other coverage, or
 - 4. If the other coverage was COBRA continuation coverage and the coverage was exhausted.
- c. Loss of eligibility for coverage under Title XIX of the Social Security Act (Medicaid) or under Title XXI of the Social Security Act that is coverage under a state children's health insurance program (SCHIP) or becoming eligible for a premium assistance subsidy from Medicaid or SCHIP.
- d. For individuals losing other coverage, an Employee may revoke participation in a Benefit Plan and make a new election if the Employee is eligible, but not enrolled, for coverage under the terms of the Benefit Plan (or a Spouse or Dependent Child of such an Employee if the Spouse or Dependent Child is eligible, but not enrolled, for coverage); and
 - 1. The Employee, Spouse or Dependent Child was covered under a group health plan or had health insurance coverage at the time coverage was previously offered to the Employee.
 - 2. The Employee stated in writing at such time that coverage under a group health plan or health insurance coverage was the reason for declining enrollment.
 - 3. The Employee's, Spouse's or Dependent Child's coverage under a group health plan or health insurance was under a COBRA continuation provision and the coverage under such provision was exhausted, or not under a COBRA continuation provision and either the coverage was terminated as a result of loss of eligibility for the coverage (including as a result of legal separation, divorce, death, termination of employment, or reduction in the number of hours of employment) or the Employer contributions towards such coverage were terminated.

Under this subsection d., a revocation or amendment of participation must be made within thirty (30) days after the date of exhaustion of coverage described in paragraph 1. or the termination of coverage or Employer contribution described in paragraph 3. and will be effective for the balance of the Plan Year in which the election is made, beginning on the first day of the month following the month in which the election is made.

- e. For acquisition of a Spouse or Dependent Child, a Participant may revoke participation in a Benefit Plan and make a new election if the individual is a Participant under the Benefit Plan (or has met any waiting period applicable to becoming a Participant under the Plan and is eligible to be enrolled under the Plan but for a failure to enroll during a previous enrollment period); and
 - 1. A person becomes a Spouse or a Dependent Child of the Participant through marriage, birth, or adoption or placement for adoption, and
 - 2. The Participant elects to enroll himself/herself, the Spouse, and/or the Participant's Dependent Child or Children in the Plan, to the extent that the Spouse or Dependent Children are otherwise eligible for coverage.

Under this subsection e., a revocation or amendment of participation must be made within thirty (30) days after the date dependent coverage is made available or the date of the marriage, birth, or adoption or placement for adoption and will be effective for the balance of the Plan Year in which the election is made, and in the case of marriage, beginning with the first appropriate pay period after the election is received; or in the case of a Dependent Child's birth, as of the date of such birth; or in the case of a Dependent Child's adoption or placement for adoption, the date of such adoption or placement for adoption.

- f. An election change on account of birth, adoption or placement for adoption will be effective retroactive to the date of birth, adoption or placement for adoption, provided the request to change the annual election is made within thirty (30) days of the birth, adoption or placement for adoption. Except as otherwise provided for herein, election changes for other special enrollment events (e.g., marriage or loss of other health coverage) will be effective as soon as practicable once a request for such election changes has been received, provided the request to change the annual election is made within sixty (60) days of the event.
- g. Retroactive coverage of a newly acquired Dependent Child on account of birth, adoption or placement for adoption applies to the premium payment of Benefit Costs under section 4.01 and Qualified Health Care Expense accounts, but not to the Qualified Dependent Care Expense accounts. The effective date of coverage of a new Spouse or Dependent Child under the Qualified Dependent Care Expense account in accordance with Section 3.03 will be prospective for the balance of the Plan Year beginning as soon as practicable after the date the new benefit election form and Salary Reduction Agreement are received by the Plan Administrator.

- h. Payroll changes made in accordance with special enrollment under this Section 3.04 will be effective with the first pay period following approval of a request to change a salary reduction election amount even if the effective date of a Dependent Child's coverage is retroactive.

3.05 Additional Election Change Pursuant to IRS Notice 2014-55. *(Applies to the Benefit Plan only.)* An Employee who is eligible to enroll in a government sponsored exchange (marketplace coverage) during a marketplace special enrollment or open enrollment period may drop Benefit Plan coverage midyear, but only if the change corresponds to the Employee's intended enrollment (and the intended enrollment of any related individuals whose coverage is being dropped) in marketplace coverage that is effective no later than the day after the last day of the original coverage. This means that Benefit Plan coverage is not to be terminated until marketplace coverage takes effect.

3.06 Termination of Participation.

- a. Pre-tax Premium(s). Participation with regard to Pre-tax Premium(s) provided under this Plan during a Plan Year terminates on the first to occur of the following:
 - 1. the end of the month following the month of termination of employment;
 - 2. the date the applicable Salary Reduction Agreement is revoked;
 - 3. the date the Plan is terminated; or
 - 4. the date of a change in employment status from permanent to temporary.
- b. Qualified Health Care Expenses. Participation with regard to Qualified Health Care Expenses provided under this Plan during a Plan Year terminates on the first to occur of the following:
 - 1. the last day of month in which a Participant ceases to be an Employee;
 - 2. the date the applicable Salary Reduction Agreement is revoked;
 - 3. the date the Plan is terminated; or
 - 4. the date of a change in employment status from permanent to temporary.
- c. Qualified Dependent Care Expenses. Participation with regard to Qualified Dependent Care Expenses provided under this Plan during a Plan Year terminates on the first to occur of the following:
 - 1. upon exhaustion of the account balance during the Plan Year in which the Employee ceases employment;
 - 2. the date the applicable Salary Reduction Agreement is revoked;

3. the date the Plan is terminated; or
4. the date of a change in employment status from permanent to temporary.

Notwithstanding any provision of the Plan to the contrary, a former Participant shall be entitled to submit a request for reimbursement of Qualified Health Care Expenses, in accordance with Article VII, as if he/she were a Participant, provided such Qualified Health Care Expenses were incurred while the former Participant participated in the Plan.

If participation terminates because the Participant ceases to be an Employee and the individual returns to eligible employment with the Employer in the same Plan Year within thirty (30) days of return to work, and without any other intervening event that would permit a Participant to revoke or amend participation, then the Employee will be required to take the same benefit election for the remaining portion of the Plan Year as he/she had before he/she terminated. Participation shall be effective the first of the month following such election.

If the individual returns to employment, with the Employer, after more than thirty (30) days he/she will not be eligible to participate in the Pre-tax Premium benefit, the Qualified Health Care Expense account or the Qualified Dependent Care Expense account for the remainder of the Plan Year.

Notwithstanding any provisions of the Plan to the contrary, a former Participant who is a Qualified Beneficiary may elect to continue coverage for Qualified Health Care Expenses by submitting the required self-payment premiums as set forth in Section 3.07.

3.07 Continuation Coverage.

- a. Eligibility. A Qualified Beneficiary may continue coverage under this Section 3.07 by making election to do so with the Employer and submitting the applicable self-payment contribution, subject to all conditions and limitations under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The amount of the monthly self-payment contribution will be established by the Plan Administrator and will be paid on an after-tax basis on a uniform and consistent basis. However, Employees who elect COBRA are permitted to pre-tax the COBRA premiums and pre-pay such premiums through the end of the current Plan Year from their final paychecks.
- b. Maximum Self-Payment Period. A Qualified Beneficiary may elect continuation coverage because of a Qualifying Event described in Section 2.21 only for the remainder of the Plan Year in which the Qualifying Event occurs.
- c. Procedures to Elect Self-Payment for Continuation Coverage.
 1. In the case of a Qualifying Event described in Section 2.21, a., b., or d., (death, termination of employment or reduction in hours, or the Employee's entitlement to Medicare) a Qualified Beneficiary will receive information concerning continuation coverage, including the self-payment rates, within forty-four (44) days of loss of coverage.

2. In the case of a Qualifying Event as described in Section 2.21, c. or e., (legal separation or divorce, or a child no longer qualifies as a Dependent Child) a Qualified Beneficiary must notify the Plan Administrator within sixty (60) days of the Qualifying Event. If notice is not received within sixty (60) days of the Qualifying Event, the Qualified Beneficiary will not be eligible for continuation coverage.

Following receipt of timely notice of a Qualifying Event and within fourteen (14) days of receipt of such notice, the Plan Administrator will provide the Qualified Beneficiary with information concerning continuation coverage and rates.

3. After notification of continuation coverage, the Qualified Beneficiary will have sixty (60) days to elect continuation coverage, after the **later** of:
 - (a) the date that the Qualified Beneficiary would lose coverage on account of the Qualifying Event; or
 - (b) the date that the Qualified Beneficiary is sent such notice.

If a Qualified Beneficiary chooses to waive coverage, a waiver of continuation coverage will be effective on the date that the waiver is received by the Plan Administrator.

A Qualified Beneficiary who, during the election period, waives continuation coverage can revoke the waiver at any time before the end of the election period. However, if a Qualified Beneficiary who waives continuation coverage later revokes the waiver, coverage will be effective on the date that the revocation of the waiver and election to continue is received by the Plan Administrator.

4. The first monthly payment (which will include premiums for all months since coverage terminated) must be received by the Plan Administrator within forty-five (45) days of the date the Qualified Beneficiary elects to continue coverage. Each subsequent payment is due by the first day of the month for which coverage is elected, and shall be considered timely if received within thirty (30) days of the date due.
5. If premiums are not received in a timely manner, coverage will terminate. No claims will be paid until premium payment is received by the Plan Administrator in accordance with paragraph 4. above.
6. The election must specify which Qualified Beneficiaries are electing COBRA continuation coverage. If it does not specify the Qualified Beneficiaries, the election shall be deemed to be an election on behalf of all Qualified Beneficiaries.

- d. Termination of Continuation Coverage. Continuation coverage as provided under this section will terminate on the **earliest** of the following dates, as applicable:

1. the date after election of continuation coverage that the Qualified Beneficiary first becomes covered under any other group medical coverage as an employee or dependent. In the event such other group medical coverage has a pre-existing condition clause or limitation, continuation

coverage will not terminate until exhaustion of the maximum period continuation coverage is allowed unless the pre-existing condition clause or limitation does not apply to the Qualified Beneficiary or is satisfied by the Qualified Beneficiary by reason of the provisions of Code section 9801.

2. the end of the period for which the last payment was made for coverage in a timely manner.
3. the end of the Plan Year in which the Qualifying Event occurs.
4. the date the Qualified Beneficiary becomes entitled to Medicare.
5. under any circumstance where a non-COBRA beneficiary would have benefits terminated for cause (e.g., fraud).
6. the date the Board ceases to provide any group health plan.

3.08 Death of a Participant. With respect to Qualified Dependent Care Expenses, if a Participant dies, his/her participation in the Plan shall cease. However, such Participant's estate (or the Participant's heirs, if there is no estate) may submit claims for expenses incurred prior to the Participant's death for the remainder of the Plan Year or until the account balance is exhausted.

With respect to Qualified Health Care Expenses, if a Participant dies, his/her participation in the Plan shall cease on the last day of such month. However, there are two ways for a deceased Participant's family members to access the money in the Participant's Qualified Health Care Expense account. Such Participant's estate (or the Participant's heirs, if there is no estate) may submit claims for expenses incurred prior to the Participant's death for the remainder of the Plan Year. In addition, a Qualified Beneficiary may be eligible to elect COBRA continuation coverage in accordance with Section 3.07 and obtain reimbursement for their own health care expenses incurred after the Participant's death through the end of the Plan Year.

ARTICLE IV. BENEFITS

- 4.01 Pre-tax Premium(s).** The Pre-tax Premium(s) of a Participant for the Benefit Plan shall be paid by the Employer subject to the provisions of Section 5.01.
- 4.02 Qualified Health Care Expenses.** The Plan Administrator or designated agent shall reimburse a Participant for Qualified Health Care Expenses incurred by the Participant or the Participant's Spouse or Dependent Child in accordance with the provisions of Section 5.02. Reimbursement for Qualified Health Care Expenses during a Plan Year is limited to the annualized amount directed by the Participant to the Qualified Health Care Expense account under a valid Salary Reduction Agreement. The annual amount elected by the Participant for a Qualified Health Care Expense account under a valid Salary Reduction Agreement shall be available at all times during the applicable period of coverage regardless of the actual amount credited to the Participant's Qualified Health Care Expense account. An Employee who is enrolled in a High Deductible Health Plan with contributions to a Health Savings Account cannot participate in the Qualified Health Care Expense account portion of this Plan.
- 4.03 Qualified Dependent Care Expenses.** The Plan Administrator or designated agent shall reimburse a Participant for Qualified Dependent Care Expenses in accordance with the provisions of Section 5.03. Reimbursement for Qualified Dependent Care Expenses during a Plan Year is limited to the amount of expenses incurred, not to exceed the amount in the Participant's account at the time a claim is made.
- 4.04 Determination of Noncompliance.** It is the intent of this Plan to provide a benefits plan that is nondiscriminatory and which provides benefits to a classification of Employees while not discriminating in favor of any group, as set forth in Code section 125. In the event that a determination is made that all or any part of the contributions to the Plan do not qualify as non-taxable contributions to a "cafeteria plan" or a "dependent care assistance program" under Code sections 125 and 129, the affected contributions made by any Participant shall be treated as salary and, to the extent not yet expended, returned to such Participant. The Participant shall pay:
- a. any state or federal income taxes due with respect to such amount, together with any interest or penalties imposed thereon;
 - b. the Participant's share (as determined in good faith) of any applicable FICA contributions which would have been withheld from such amounts, had such amounts been treated as salary and not as Qualifying Dependent Care Expenses or Qualified Health Care Expenses; and
 - c. an amount (as determined in good faith) equal to the portion of any applicable penalties and interest payable as the result of the failure to withhold and pay such amounts to the appropriate payee allocable to the Participant.

ARTICLE V. FUNDING

5.01 Funding of Pre-tax Premium(s). In return for the Employer payment of a Participant's Pre-tax Premium(s) under Section 4.01, the Participant agrees to reduce the Participant's salary or wage each month by the amount of the Pre-tax Premium(s) under the Benefit Plan under a Salary Reduction Agreement. The premium amounts paid under the Salary Reduction Agreement will be adjusted during a Plan Year to reflect changes in the Pre-tax Premium(s).

5.02 Funding of Qualified Health Care Expense Account.

- a. Qualified Health Care Expenses shall be reimbursed to a Participant to the extent the Participant has elected to reduce the Participant's salary or wage for the Plan Year under a valid Salary Reduction Agreement.
- b. A Participant's salary or wage may be reduced under this Section 5.02 in an amount not to exceed \$2,500, as adjusted in accordance with Code section 125(i) to the extent such adjustment is approved by the Board.
 1. The salary reduction amount so elected shall be funded prorata over the number of consecutive pay periods in the Plan Year. The salary reduction amount for any single pay period may not exceed the amount of the Participant's salary or wage for that period. Salary reduction amounts for a pay period shall be reduced by the amount it exceeds the Participant's salary or wage for that period.
 2. For members of the Legislative Assembly, the salary reduction amount may vary per pay period however, the total amount of salary reduction must equal the annual election amount.
- c. The Plan Administrator or designated agent shall establish individual Qualified Health Care Expense accounts for each Participant and shall credit to each Participant's account salary reduction amounts elected under this Section 5.02. The Plan Administrator or designated agent shall reimburse Participants for Qualified Health Care Expenses in accordance with Article VII.

5.03 Funding of Qualified Dependent Care Expense Account.

- a. Qualified Dependent Care Expenses may be reimbursed to a Participant to the extent the Participant has elected to reduce the Participant's salary or wage for the Plan Year under a valid Salary Reduction Agreement, not to exceed the amount in the Participant's account at the time reimbursement is required.
- b. A Participant's salary or wage may be reduced under this Section 5.03 in an amount not to exceed \$5,000 (\$2,500 if the employee is married, but filing separately) for each Plan Year.
 1. The salary reduction amount so elected shall be funded prorata over the number of consecutive pay periods in the Plan Year. The salary reduction

amount for any single pay period may not exceed the amount of the Participant's salary or wage for the pay period. Salary reduction amounts for a pay period shall be reduced by the amount it exceeds the Participant's salary or wage for that period.

2. For members of the Legislative Assembly, the salary reduction amount may vary per pay period however, the total amount of salary reduction must equal the annual election amount.
- c. The Plan Administrator or designated agent shall establish individual Qualified Dependent Care Expense accounts for each Participant and shall credit to each Participant's account salary reduction amounts elected under this Section 5.03. The Plan Administrator or designated agent shall reimburse Participants for Qualified Dependent Care Expenses in accordance with Article VII.

5.04 **Accounting.** The Plan Administrator or designated agent shall maintain complete records of all amounts to be credited as a contribution or debited as a reimbursement of Qualified Health Care Expenses or Qualified Dependent Care Expenses on behalf of any Participant for six (6) years as required under ERISA and federal tax law.

ARTICLE VI. SALARY REDUCTION ELECTIONS

6.01 Election Period for Salary Reduction.

- a. In order to fund a Qualified Health Care Expense account or a Qualified Dependent Care Expense account for a Plan Year, a Participant must complete and submit to the Plan Administrator an appropriate Salary Reduction Agreement election form within the applicable election period.
- b. An Employee who is eligible to participate in the salary reduction for Pre-tax Premium(s) must complete and submit to the Plan Administrator an appropriate Salary Reduction Agreement form within the applicable election period.
- c. For the purpose of employee supplemental life insurance Pre-tax Premium benefits, an employee may elect not to participate by completing an appropriate Salary Reduction Agreement declination form within the applicable election period.

6.02 Termination, Revocation, or Amendment of Salary Reduction Elections.

- a. A Participant's Salary Reduction Agreement election for a Plan Year shall terminate at the end of the Plan Year. A Participant must make an affirmative election for salary reduction for each Plan Year. Failure to make such an election will result in waiving participation for a Qualified Health Care Expense account or a Qualified Dependent Care Expense account and any applicable Pre-tax Premium paid to the Employer on an after-tax basis.
- b. The employee supplemental life insurance Pre-tax benefits will be automatic unless an Employee declines this action.
- c. Termination, revocation or amendment of salary reduction elections may only be made by a Participant in accordance with Article III.

6.03 Limitations on Exclusion from Gross Income for Dependent Care Expense Account.

- a. Reimbursements under the Plan for Qualified Dependent Care Expenses shall be excluded from the gross income of a Participant during a Plan Year in accordance with Code section 129. An Employee's exclusion from gross income under the Plan in a calendar year shall not exceed:
 1. \$5,000 if the Employee is married and filing a joint return or if the Employee is a single parent (\$2,500 if the employee is married, but filing separately); or
 2. in the case of an Employee who is not married at the close of such Plan Year, the Earned Income of such Employee for such Plan Year; or

3. in the case of an Employee who is married at the close of such Plan Year, the lesser of the Earned Income of such Employee or the Earned Income of the Spouse of such Employee for such Plan Year.

To the extent reimbursements exceed the maximum amount excludable from a Participant's gross income, the reimbursements shall be treated as taxable income to the Participant.

- b. The amount excluded from the income of an Employee under the Plan for any Plan Year shall not include:
 1. payments made or incurred to an individual who can be claimed as a Dependent Child of the Employee or the Spouse of such Employee; or
 2. payments made or incurred to an individual who is a child, under the age of nineteen (19), of such Employee or the Spouse of such Employee.

6.04 Forfeiture of Salary Reduction Amounts.

- a. If a Participant fails to claim any amounts in the Qualified Health Care Expense account or Qualified Dependent Care Expense account by the time allowed in Section 7.04, d., and Section 7.05, d., such amounts shall not be carried over to reimburse the Participant for expenses incurred during a subsequent Plan Year and rights to such amounts shall be forfeited by the Participant.
- b. All forfeitures under this Plan shall be used first to offset any losses experienced by the Board during the Plan Year as a result of making reimbursements with respect to any Participant in excess of the premiums paid by such Participant via salary reductions. Second, forfeitures shall be used to reduce the Board's cost of administering this Plan during the Plan Year.

6.05 Amendment of Salary Reduction Elections Due To Leave of Absence, Family and Medical Leave Act (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 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 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 Plan Year upon return from the leave.

(a) *“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.

(b) *“Catch-up option”*: Employer will continue coverage during the leave. A Participant must make after-tax contributions after the leave to make up missed contributions.

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 paragraph 3. above, 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 for Qualified Health Care Expenses as described in section 4.02 herein.

5. *USERRA*. If a Participant returns from a qualified military leave under the Uniformed Services Employment and Reemployment Rights Act (USERRA) 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 paragraph 2. above, 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.

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 FMLA may, to the extent required by 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 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 paragraph 2. above, 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) *“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.
 - (b) *“Catch-up option”:* Employer will continue coverage during the leave. A Participant must make after-tax contributions after the leave to make up missed contributions.
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 paragraph 3. above, 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 the Employee’s 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 USERRA 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 paragraph 2. above, or to elect not to participate for the remainder of the Plan Year.

ARTICLE VII. PAYMENT OF CLAIMS

7.01 **Determination of Status of Eligible Expenses.** After receiving an appropriately submitted claim and the information required under Section 7.04 or Section 7.05, the Plan Administrator shall determine whether such expenses are Qualified Health Care Expenses or Qualified Dependent Care Expenses. The Plan Administrator may delegate the authority to administer claims under the Plan to a designated agent.

7.02 **Payment of Claims.** The Plan Administrator will authorize payment of properly submitted claims for reimbursement at such intervals, as it may consider appropriate.

7.03 **Expenses.** All administrative expenses incurred prior to the termination of the Plan that arise in connection with the administration of the Plan shall be paid as authorized by the Plan Administrator.

7.04 **Claims Reimbursement for Qualified Health Care Expenses.**

- a. The Participant must submit a properly completed claim form to the Plan Administrator or the designated agent along with written evidence from an independent third party describing the Health Care Expense that has been incurred, the person on whose behalf such Health Care Expense has been incurred, the date such expense was incurred, the amount of such expense, and such other information as the Plan Administrator may find necessary.
- b. The Participant must submit with other required documents a signed statement in such form as determined by the Plan Administrator certifying that the expenses for which reimbursement is sought are expenses that the Participant believes in good faith are Qualified Health Care Expenses.
- c. The Plan Administrator reserves the right to verify to its satisfaction all claimed expenses prior to reimbursement and to refuse to reimburse any amounts which are not Qualified Health Care Expenses.
- d. All claims for reimbursement must be submitted no later than April 30 following the end of the Plan Year in which the expense was incurred.
- e. Claims reimbursement for Qualified Health Care Expenses using a debit card shall be made in accordance with the terms of the debit card agreement and Proposed Treasury Regulations section 1.125-6 and other applicable IRS rulings.

7.05 **Claims Reimbursement for Qualified Dependent Care Expenses.**

- a. To make a claim for reimbursement of Qualified Dependent Care Expenses, the Participant shall submit a statement to the Plan Administrator or the designated agent on an appropriate form adopted by the Plan Administrator which may contain the following information:
 1. the Qualifying Individual(s) for whom the Qualified Dependent Care Expenses were incurred;

2. a statement to substantiate that the dependent or dependents are Qualifying Individuals, such as the age of the dependent or a statement as to the physical or mental capacity of the dependent;
3. the nature of the services which will generate the Qualified Dependent Care Expenses;
4. written evidence from an independent third party stating the expenses have been incurred, the amount of such expense, the date of such expense, and such other information as the Plan Administrator in its sole discretion may request;
5. the name of the person, organization or entity to who the expense was paid, including the taxpayer identification number, and the relationship, if any, of the person performing the services to the Participant;
6. a statement as to where the services were performed;
7. if the services are to be performed in a Dependent Care Center, a statement verifying that each of the requirements for a Dependent Care Center specified in Section 2.05 of the Plan are met;
8. a statement indicating whether the services are necessary to enable the Participant to be gainfully employed;
9. if the Participant is married, a statement:
 - (a) that the Spouse is employed; or
 - (b) if the Spouse is not employed, a statement that he/she is incapacitated or that he/she is a Student within the meaning of Section 2.25 of the Plan.

If an Employee's Spouse is not employed, not incapacitated, nor a Student as defined in Section 2.25, such Employee is not eligible to participate in this Plan; and

10. a statement that the Qualified Dependent Care Expenses have not been reimbursed and are not reimbursable under any other plan or by any other entity.
- b. The Participant must submit with other required documents a signed statement in such form as determined by the Plan Administrator or designated agent certifying that the expenses for which reimbursement is sought are expenses that the Participant believes in good faith are Qualified Dependent Care Expenses.
 - c. The Plan Administrator reserves the right to verify to its satisfaction all claimed expenses prior to reimbursement and to refuse to reimburse any amounts which are not Qualified Dependent Care Expenses.

- d. All claims for reimbursement must be submitted not later than April 30 following the end of the Plan Year in which the expense was incurred.

7.06 Grace Period for Qualified Health Care Expenses. Amounts remaining in a Participant's Qualified Health Care Expense account at the end of a Plan Year can be used to reimburse the Participant for Qualified Health Care Expenses that are incurred during the period that begins immediately following the close of that Plan Year and ends on the day that is two (2) months plus fifteen (15) days following the close of that Plan Year (the "Grace Period") under the following conditions:

- a. Applicability. In order for an individual to be reimbursed for Qualified Health Care Expenses incurred during a Grace Period from amounts remaining in his or her Qualified Health Care Expense account at the end of the Plan Year to which that Grace Period relates, he or she must be either (1) a Participant with Health Care Expense account coverage that is in effect on the last day of that Plan Year; or (2) a Qualified Beneficiary (as defined under COBRA) who has COBRA coverage under the Health Care Expense account component on the last day of that Plan Year.
- b. No Cash-Out or Conversion. Prior Plan Year Qualified Health Care Expense accounts may not be cashed out or converted to any other taxable or nontaxable benefit. For example, a prior Plan Year Health Care Expense account may not be used to reimburse Qualified Dependent Care Expenses.
- c. Reimbursement of Grace Period Expenses. Qualified Health Care Expenses incurred during a Grace Period and approved for reimbursement in accordance with the Plan's claims procedure for the Qualified Health Care Expense account component will be reimbursed and charged first from any available prior Plan Year Qualified Health Care Expense account. If a current Plan Year Qualified Health Care Expense should subsequently be submitted, the claims for reimbursement under the Qualified Health Care Expense account component will be paid in the order in which they are approved. Once paid, a claim will not be reprocessed so as to pay it (or treat it as paid) from amounts attributable to a different Plan Year or period of coverage.
- d. Run-Out Period and Forfeitures. Claims for reimbursement of Qualified Health Care Expenses incurred during a Plan Year or its related Grace Period must be submitted no later than the April 30 following the close of the Plan Year in order to be reimbursed from prior Plan Year Qualified Health Care Expense account amounts. Any prior Plan Year Qualified Health Care Expense account amounts that remain after all reimbursement have been made for the Plan Year and its related Grace Period shall not be carried over to reimburse the Participant for expenses incurred after the Grace Period ends.

The Participant will forfeit all rights with respect to such balance, which will be subject to the Plan's provisions regarding forfeitures in section 6.04 of the Plan.

- e. Qualified Health Care Expense Account Balance, Grace Period and Health Savings Accounts. This Plan's Qualified Health Care Expense account operates with a Grace Period. Under IRS rules regarding a Qualified Health Care Expense Account's Grace Period, if a Participant's Qualified Health Care Expense Account is in effect with any balance in that account on the last day of a Plan Year, the Participant (and their Spouse, if married), nor an Employer on behalf of the Participant, can contribute to a Health Savings Account during the first three (3) months following the close of the Plan Year.
- f. Employee Participation in a Qualified Health Care Expenses Account Prevents Spouse or Dependent Child from Contributing to an HSA. Since this Plan's Qualified Health Care Expenses account is a general purpose account that permits reimbursement of qualifying medical expenses of Employees, Spouses and Dependent Children, under IRS rules, if the Spouse (or Dependent Child) of the Employee is enrolled in a High Deductible Health Plan with Health Savings Account, the Spouse (and Dependent Child) cannot contribute to an HSA while the Employee is enrolled in a general purpose Qualified Health Care Expenses account.

7.07 Grace Period for Qualified Dependent Care Expenses. Amounts remaining in a Participant's Qualified Dependent Care Expense account at the end of a Plan Year can be used to reimburse the Participant for Qualified Dependent Care Expenses that are incurred during the period that begins immediately following the close of that Plan Year and ends on the day that is two (2) months plus fifteen (15) days following the close of that Plan Year (the "Grace Period") under the following conditions:

- a. Applicability. In order for an individual to be reimbursed for Qualified Dependent Care Expenses incurred during a Grace Period from amounts remaining in his or her Qualified Dependent Care Expense Account at the end of the Plan Year to which that Grace Period relates, he or she must be a Participant with Qualified Dependent Care Expense account coverage that is in effect on the last day of that Plan Year.
- b. No Cash-Out or Conversion. Prior Plan Year Qualified Dependent Care Expense accounts may not be cashed out or converted to any other taxable or nontaxable benefit. For example, a Prior Plan Year Qualified Dependent Care Expense account may not be used to reimburse Qualified Health Care Expenses.
- c. Reimbursement of Grace Period Expenses. Qualified Dependent Care Expenses incurred during a Grace Period and approved for reimbursement in accordance with the Plan's claims procedure for the Qualified Dependent Care Expense account will be reimbursed and charged first from any available prior Plan Year Qualified Dependent Care Expense account. If a current Plan Year Qualified Dependent Care Expense should subsequently be submitted, the claims for reimbursement under the Qualified Dependent Care Expense account will be paid in the order in which they are approved. Once paid, a claim will not be reprocessed so as to pay it (or treat it as paid) from amounts attributable to a different Plan Year or period of coverage.
- d. Run-Out Period and Forfeitures. Claims for reimbursement of Qualified Dependent Care Expenses incurred during a Plan Year or its related Grace Period

must be submitted no later than the April 30 following the close of the Plan Year in order to be reimbursed from a prior Plan Year Qualified Dependent Care Expense account balance. Any prior Plan Year Qualified Dependent Care Expense account balance that remain after all reimbursements have been made for the Plan Year and its related Grace Period shall not be carried over to reimburse the Participant for expenses incurred after the Grace Period ends.

The Participant will forfeit all rights with respect to such balance, which will be subject to the Plan's provisions regarding forfeitures in Section 6.04 of the Plan.

- e. Grace Period Effect on Dependent Care Expense Account Exclusions. Grace Periods may have an adverse effect on the exclusions that individuals report on their personal income taxes. There may be taxable income to an individual if the Qualified Dependent Care Expense account reimbursements exceed IRS permitted Qualified Dependent Care Expense Account exclusion amounts as a result of the Grace Period. For example, if as a result of the Grace Period, a participant receives Qualified Dependent Care Expense account reimbursements for services incurred in a year that exceed his or her maximum Qualified Dependent Care Expense account exclusion, the excess will be included in the Participant's taxable income period. Individuals should be guided by the advice of their tax professional(s).

ARTICLE VIII. ADMINISTRATION

8.01 Board Powers and Duties. The Board shall interpret the Plan and decide all matters arising thereunder, including the right to remedy possible ambiguities, inconsistencies, or omissions. All determinations of the Board with respect to any matter under the Plan shall be conclusive and binding on all persons. The Board shall:

- a.. Make and enforce administrative rules or policies.
- b. Decide questions concerning the Plan.
- c. Provide a review to any Participant whose claim for benefits has been denied in whole or in part.

8.02 Plan Administrator Duties. The Plan Administrator or designated agent shall manage and administer the Plan. The Plan Administrator shall:

- a. Require any person to furnish such information as it may request for the purpose of the proper administration of the Plan and as a condition to receiving any benefits under the Plan.
- b. Prescribe the use of administrative policies and procedures as it considers necessary for the efficient administration of the Plan.
- c. Determine the eligibility of any Employee to participate in the Plan, in accordance with the provisions of the Plan.
- d. Determine the amount of benefits which are payable to any person in accordance with the provisions of the Plan.

8.03 Additional Operating Rules. A Participant's salary reduction amount will not be subject to federal income tax withholding or to applicable Social Security (FICA or FUTA) tax withholding. Salary reduction amounts will not be subject to any state income tax withholding unless otherwise prohibited by applicable state law.

Salary reduction amounts under this Plan shall not reduce salary or wage amounts for purposes of any other Employee benefit programs unless the provisions of those programs otherwise provide.

8.04 Use and Disclosure of Protected Health Information. The Plan will use protected health information (PHI) only to the extent of and in accordance with the uses and disclosures permitted by the Health Insurance Portability and Accountability Act of 1996 (HIPAA), as amended by the Health Information Technology for Economic and Clinical Health Act (HITECH). Specifically, the Plan will use and disclose PHI for purposes related to health care treatment, payment for health care and health care operations. The Plan rarely, if ever, uses or discloses PHI for treatment purposes. In addition, the Plan does not use or disclose PHI that is genetic information (as defined in 45 CFR 160.103) for underwriting purposes, as set forth in 45 CFR 164.502(a)(5)(1)).

With an authorization, the Plan will disclose PHI to a Benefit Plan for purposes related to administration of these plans.

The Plan will disclose PHI to the Employer only upon receipt of a certification from the Employer that the Employer, as Plan sponsor agrees to:

- a. not use or further disclose PHI other than as permitted or required by the Plan document or as required by law;
- b. ensure that any agents to whom the Plan sponsor provides PHI received from the Plan agree to the same restrictions and conditions that apply to the Plan sponsor with respect to such PHI;
- c. not use or disclose PHI for employment-related actions and decisions unless authorized by an individual;
- d. not use or discloses PHI in connection with any other benefit or employee benefit plan of the Plan Sponsor unless authorized by an individual;
- e. report to the Plan any PHI use or disclosure that is inconsistent with the uses or disclosure provided for of which it becomes aware;
- f. make PHI available to an individual in accordance with HIPAA's access requirements;
- g. make PHI available for amendment and incorporate any amendments to PHI in accordance with HIPAA;
- h. make available the information required to provide an accounting of disclosures;
- i. make internal practices, books and records relating to the use and disclosure of PHI received from the Plan available to the HHS Secretary for the purposes of determining the Plan's compliance with HIPAA;
- j. if feasible, return or destroy all PHI received from the Plan that the Plan Sponsor still maintains in any form, and retain no copies of such PHI when no longer needed for the purpose for which disclosure was made (or if return or destruction is not feasible, limit further uses and disclosures to those purposes that make the return or destruction infeasible); and
- k. if a breach of unsecured protected health information (PHI) occurs, the Plan will notify affected individuals in accordance with applicable federal law and regulations.

In accordance with HIPAA, only the Executive Director of the Public Employees Retirement System and staff designated by the Executive Director may be given access to PHI. Such persons may only have access to and use and disclose PHI for Plan administration functions that the Plan sponsor performs for the Plan. If such persons do not comply with this Section 8.04, the Plan sponsor shall provide a mechanism for resolving issues of noncompliance, including disciplinary sanctions.

ARTICLE IX. APPEALS PROCEDURE

- 9.01** **Notice to Employee.** Any person who claims he/she has been denied a benefit under the Plan shall be entitled, upon written request to the Plan Administrator to receive, within sixty (60) days of receipt of such request, a written notice of such action, together with a full and clear statement of the specific reasons therefore, citing pertinent provisions of the Plan and a statement of the procedure to be followed in requesting a review of his/her claim.
- 9.02** **Late Claim Appeal.** Claims for the reimbursement of Qualified Health Care Expenses incurred in a Plan Year shall be paid as soon after a claim has been filed as is administratively practicable. If a Participant fails to submit a claim within the three (3) month period immediately following end of the Plan Year, those Health Care Expense claims shall not be considered for reimbursement by the Plan Administrator or designated agent; provided however, after three (3) months from the close of the Plan Year and before the end of three hundred sixty (360) days following the close of the Plan Year, a Participant may request the Board to authorize reimbursement of a Qualifying Health Care Expense incurred during the Plan Year by the Participant. The Participant must submit a written request to the Board specifying the request and the reason(s) why the Qualifying Health Care Expense was not submitted on or before the end of the 3rd month following the close of the Plan Year. The Board may authorize payment for any reason constituting good cause not involving fault on the part of the Participant if such payment would be permitted under the Plan. Upon authorization of the Board, the Plan Administrator or designated agent shall reimburse the Participant for the amount not to exceed the Qualified Health Care Expense account balance for that Plan Year. The decision of the Board shall be final.
- 9.03** **Appeal of Denial of Benefit.** If the claimant wishes further consideration of his/her claim, he/she may request a review. The Plan Administrator shall schedule a review by the Board on the issue within sixty (60) days following receipt of the claimant's request for such review. The decision following such review shall be communicated in writing to the claimant and, if the claim is denied, shall set forth the specific reasons for such denial, citing the pertinent provisions of the Plan. The decision of the Board as to all claims shall be final.

ARTICLE X. AMENDMENT OR TERMINATION OF THE PLAN

The Board reserves the power at any time and from time to time (and retroactively if necessary or appropriate to meet the requirements of the Code) to modify or amend, in whole or in part, any or all of the provisions of the Plan provided, however, that no such modifications or amendment shall divest a Participant of a right to a benefit to which he becomes entitled in accordance with the Plan. The Board reserves the power to discontinue or terminate the Plan at any time. Any such amendment, discontinuance or termination shall be effective as of such date as the Board shall determine.

ARTICLE XI. GENERAL PROVISIONS

- 11.01 No Right to be Retained in Employment.** Nothing contained in the Plan shall give any Employee the right to be retained in the employment of any Employer or affect the right of the Employer to dismiss any Employee.
- 11.02 Alienation of Benefits.** No benefit under the Plan is subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to do so is void.
- 11.03 Use of Form Required.** All communications in connection with the Plan made by a Participant are effective only when submitted to the Plan Administrator or designated agent.
- 11.04 Applicable Law.** The provisions of the Plan shall be construed, administered and enforced according to applicable federal law and the laws of the State of North Dakota.
- 11.05 Statement of Benefits.** On or before January 31 of each year, the Board or a designated agent will furnish each Participant who received benefits under the Plan a written statement on appropriate forms required by the federal Internal Revenue Service, showing the amounts paid or incurred by the Plan in providing reimbursement under the Plan for Qualified Dependent Care Expenses with respect to the Participant for the prior Plan Year.
- 11.06 Effect of Mistake.** In the event of a mistake as to the eligibility or participation of an Employee, the allocations made to the account of a Participant, or the amount of benefits paid or to be paid to a Participant or other person, the Plan shall, to the extent it deems administratively possible and otherwise permissible under Code section 125 or the regulations issued thereunder, cause to be allocated or cause to be withheld or accelerated, or otherwise make adjustment of, such amounts as it will in its judgment accord to such Participant or other person the credits to the account or distributions to which he/she is properly entitled under the Plan. Such actions by the Plan may include withholding any amounts due to the Plan or the Employer from compensation paid by the Employer.

Dated: _____

By: _____

Title: _____

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

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Executive Director
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Memorandum

TO: PERS Board

FROM: Sparb

DATE: October 9, 2015

SUBJECT: Board Member Committee Assignments

We need to consider which Board subcommittees everyone will be appointed to (Investment, Benefits, Audit & Election). Current assignments are:

- Investment Committee: Mr. Sandal, Mr. Trenbeath, Ms. Y. Smith and Ms. Wassim (alternate)
- Audit Committee: Chairman Strinden and Ms. A. Smith
- Benefits Committee: Ms. A. Smith, Ms. Goodhouse, and Ms. Wassim
- Election Committee: Ms. A. Smith, Mr. Sandal



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Memorandum

TO: PERS Board
FROM: Sharon Schiermeister
DATE: October 15, 2015
SUBJECT: PERSLink Mobile App

Last month, Sagitec, the software vendor for our PERSLink system, came on-site to provide a presentation of some of the new features their company has been working on. One of the new features is a mobile app that would be able to tie in with the PERSLink system. The mobile app has not yet been made available to any of their customers.

Attached is a proposal that we received from Sagitec. They are looking to partner with a client to be an early adapter in this deployment. They are offering discount pricing in acknowledgment that there will be some unexpected challenges that will need to be worked through together.

At this time, staff is seeking direction from the Board as to whether or not we should explore this opportunity with Sagitec.

Attachment

MOBIAS

Mobile Application for NDPERS Members

October 2015



Integrating Mobile into your Modernization Initiatives

- Did you know that 64%* of Americans have a smart phone and 10%* of them have no other internet access at home?
- There is a clear upward trend across all demographics and age groups to access services through mobile devices. Based on industry data and demographics, Sagitec estimates 80% of active members both own and use smartphones.
- Mobile is a driver that is fundamentally reshaping operating models, business models, and marketplaces. Mobile devices, websites and applications have fundamentally changed the environment and online interaction.
- Mobile has evolved from an add-on to equal status with desktops, and has become the dominant mode of access to information and services.
- Many organizations are seeing mobile devices generating 20–50%* of their website traffic. Because an agency’s web portal is often its “front door” for members to access services, there is an increasing need to ensure mobile users can use web-based resources effectively.
- Nearly all recent RFP’s now include requirements in support of mobile self-service. The pension market understands that participants want improved access to information in modern and convenient ways.

Why go Mobile?

**NEW MEMBER SELF-SERVICE
CHANNEL**
mobile (24x7x365)

BRAND ENHANCEMENT
innovative and responsive

**OPERATIONAL
EFFICIENCY**
fewer calls

**PROACTIVE
COMMUNICATION -**
member engagement

IMPROVES PERSLINK ROI
deployment speed and effort

MEASURABLE
mobile usage analytics

BACK-OFFICE EFFICIENCIES
fewer service requests

**LOWERS TOTAL COST OF
OWNERSHIP**
PERSLink reuse, support and
maintenance

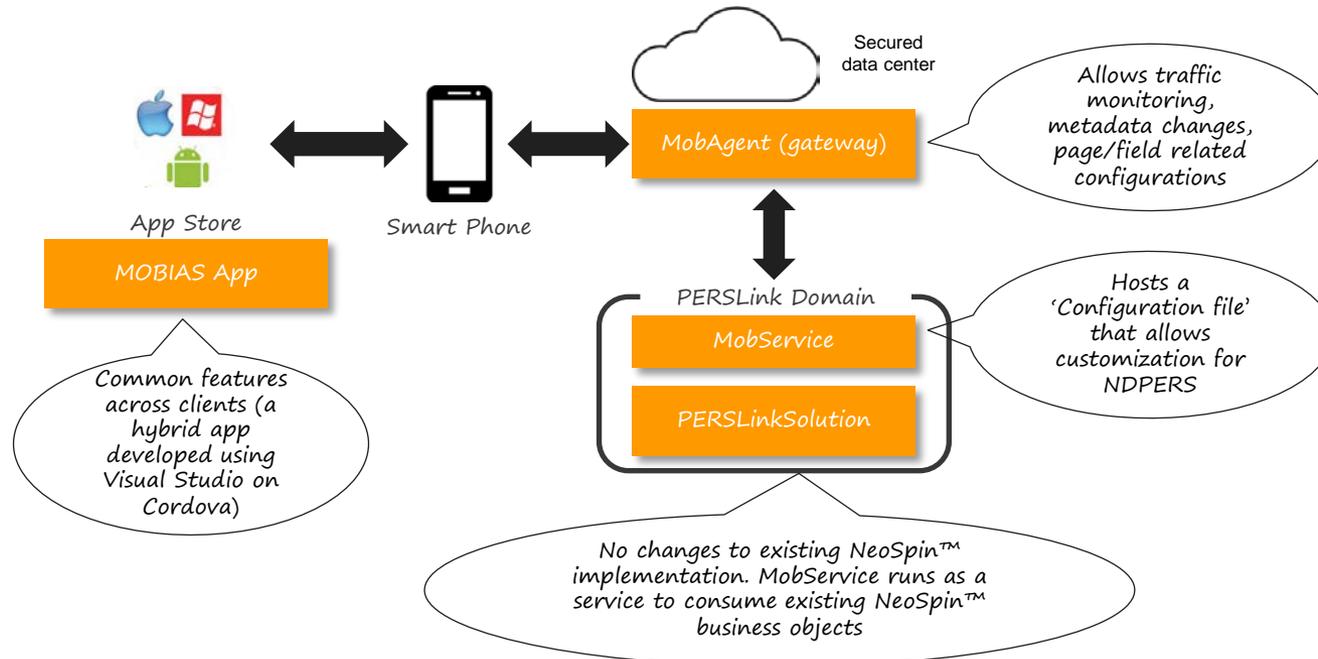
A Bold Step Forward - Introducing MOBIAS ...

- MOBIAS is mobile application that exploits the functionality of your existing PERSLink solution so you can quickly deliver self-service mobile technologies to your membership.
- MOBIAS reuses the data and logic from PERSLink, lowering your time and effort to deploy a mobile application.
- MOBIAS provides core features out of the box; simply connect and go.
- MOBIAS improves your Return-on-Investment on PERSLink by reducing the need to design, develop and test your mobile application.
- MOBIAS lowers your Total Cost of Ownership of PERSLink because it reuses your business objects and data, and it does not require a separate code base.

Active Member	Retiree	Capabilities
View Account Balance	View Benefit Summary	Core
View / Edit Address	View / Edit Address	Optional
View Insurance Coverage	View Insurance Coverage	Common
Perform Open Enrollment	View Payment History	
Perform Benefit Calculation/Estimates	View / Edit EFT	
Perform Service Purchase Estimates	View / Edit Tax Withholding	
View / Edit Profile (Name, Email)		
Collaboration (launch phone dialer)		
Contact Details		
Messages		
Security		

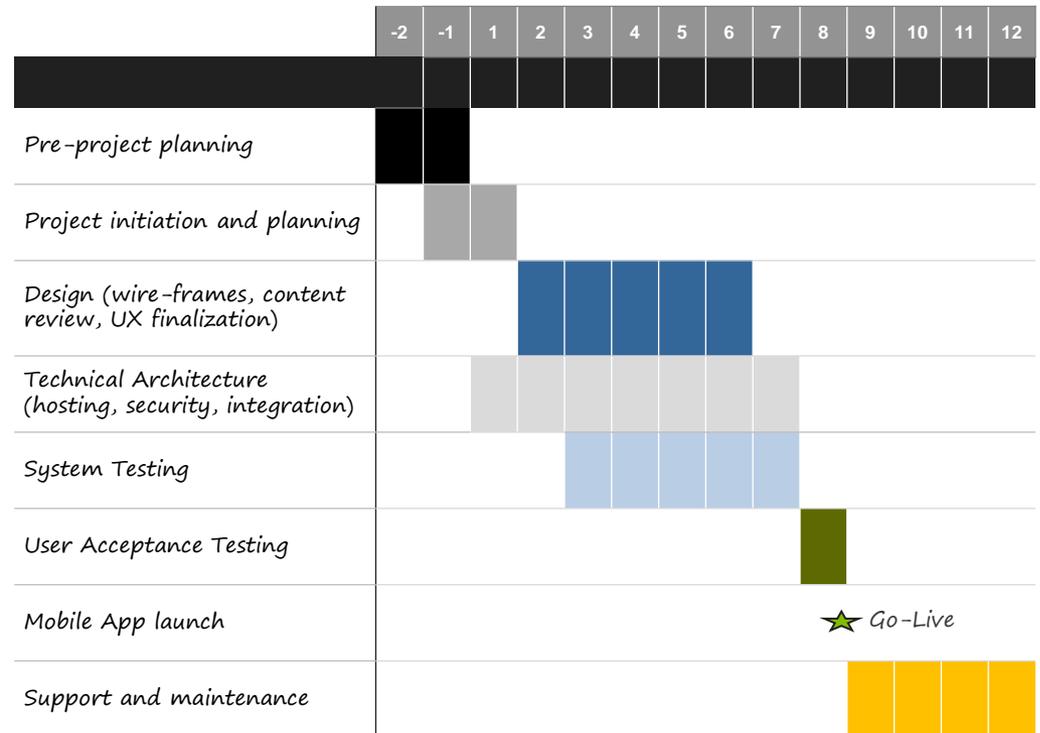
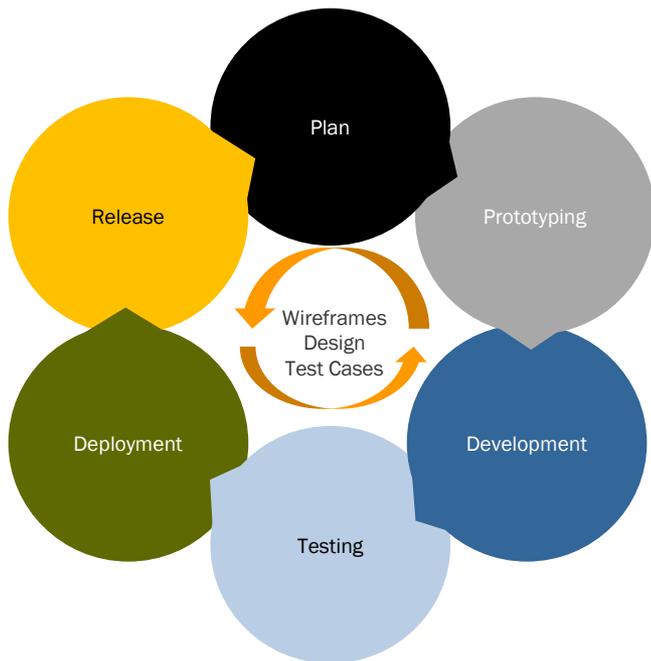
MOBIAS Solution Architecture

- MobService and MobAgent are services built using PERSLink and Sagitec Analyst Studio (rules engine) as web API end points.
- Server-side customization happens using an XML file.
- User Interface customization happens by modifying templates or web components.
- Additional processing of rules outside of PERSLink will happen within Sagitec Analyst Studio (rules engine).



NDPERS Implementation Approach and Timeline

An 8 week user-centric and agile approach to deliver the core capabilities.



Other Considerations

- **Hosting:** We recommend NDPERS host the Mob Agent on Microsoft's Azure Government Cloud or Sagitec's Denver-based data center. However, other hosting or on premise options are also available.
- **Authentication:** We need to understand if authentication requires use of the ND state-wide service or if alternatives can be considered.
- **Security:** Even in the hosted model - no PII information will ever be stored on our servers.
- **User experience is critical.** The limited display and input options on handheld devices mean that MOBIAS should be simple and easy to use. This is especially important when trying to engage members, as the user base is likely to be highly diverse and include many participants with limited technology skills.
- **Mobile is about transformation.** It offers the opportunity to fundamentally rethink how an agency engages with members and delivers services to both active members and retirees.

MOBIAS - Early Adopter Pricing

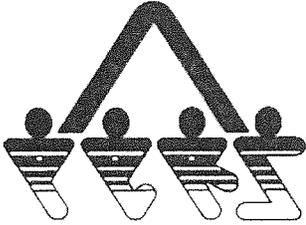
Sagitec is seeking to partner with an early adapter and invest in a MOBIAS deployment. We are offering our partner an early adopter deep pricing discounts to help us refine our implementation processes and technical architecture.

Cost Category	Description	Fees	Discount	Total
Implementation	Covers a one-time cost for an 8 week implementation to configure/integrate MOBIAS with PERSLink solution.	\$165,000	100%	0
Licensing (annual)	Grants NDPERS non-perpetual rights (with no buy-out rights) to the use of the MOBIAS app. As long as you are current on your subscription payments and adhere to the Terms of Service, you will have access to the most up-to-date version of the MOBIAS app.	\$78,000	60%	30,000
Hosting (annual)	Covers the recurring cost of cost provisioning required hardware, software configurations at data center, making necessary configuration changes to base functionality, and making necessary one time customization on the server side and deployment.	\$5,750	0%	5,750
Support	Covers ongoing maintenance and support to keep the mobile app in sync with your PERSLink solution changes.	NA	NA	NA
Total (annual)				\$35,750*

*Pricing includes all core capabilities. Pricing for optional capabilities will need to be discussed further. Pricing also assumes that a 5 year agreement assumes an increase, but the increase is not to exceed 4% in annual fees from year two.

Implementation staffing assumptions

Sagitec Team		Hours
Program Leadership	Engagement Leader	20
	Program Manager	40
Business Architecture	Application & Process Architect	320
	Offshore Application & Process Tester	240
	Offshore Application & Process Tester	240
Technology	Offshore Development Lead	320
	Offshore Developer	320
	Offshore Developer	320
	Offshore Developer	320
Total		2,140
Client Team		Hours
Program Leadership	Program Director	20
Business Team	Pension Solution SME	80
Technical Team	Technical SME	40
Total		140



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Memorandum

TO: PERS Board

FROM: Derrick Hohbein, CPA

DATE: October 14, 2015

SUBJECT: Consultant Fees for the Quarter Ended June 2015

Attached is a quarterly report showing the consulting, investment, and administrative fees paid during the quarter ended September 2015.

Attachment

**North Dakota Public Employees Retirement System
Consulting/Investment/Administrative Fees
For the Quarter ended September 30, 2015**

Program/Project	Fee Type	Jul-15	Aug-15	Sep-15	Fees Paid During The Quarter	Fees Paid Fiscal Year-To-Date
Actuary/Consulting Fees:						
Callan and Associates					-	0
Deloitte Consulting	Fully insured RFP				-	0
Deloitte Consulting	Self Insured RFP				-	0
Deloitte Consulting	Hourly billings regular rates				-	0
Deloitte Consulting	Hourly billings Composite rates				-	0
Mid Dakota Clinic	Retirement Disability	400		850	1,250	1,250
Eide Bailly	GASB 68/67				-	0
Eide Bailly	Hourly Consulting				-	0
Eide Bailly	Travel expenses				-	0
Gallagher Benefit Services Inc	fixed fee				-	0
Ice Miller	Legal fees ACA				-	0
Ice Miller	Legal fees Employee benefit matters				-	0
Linda Cahn	Project # 1				-	0
Linda Cahn	Project # 2				-	0
Linda Cahn	Project # 3				-	0
The Segal Company	Retirement (DB)				-	0
The Segal Company	Ret Health Credit				-	0
The Segal Company	FlexComp				-	0
The Segal Company	Job Service				-	0
The Segal Company	QDRO/Compliance	2,940			2,940	2,940
The Segal Company	Legislation				-	0
The Segal Company	Retirement (DC)				-	0
The Segal Company	Def comp	560			560	560
The Segal Company	GSAB 67 disclosures				-	0
The Segal Company	Deferred Comp Plan Docs	2,170			2,170	2,170
The Segal Company	Health savings accounts				-	0
The Segal Company	115 TRUST				-	0
The Segal Company	Consulting on ACA				-	0
The Segal Company	RHIC RFP	\$ 490			490	490
The Segal Company	Travel Expenses				-	0
					\$ 7,410	7,410
Audit Fees:						
Brady Martz	GASB 68 Review	Fixed Fee	38,613		38,613	38,613
Legal Fees:						
ND Attorney General	Administrative	Time charges			-	0 ND Attorney General
Calhoun Law Group	Administrative	Time charges			-	0
Investment Fees:						
SIB - Investment Fees	Retirement (DB)	% Allocation	100,312	1,087,714	2,569,248	3,757,274
SIB - Investment Fees	Ret Health Credit	% Allocation	8,038	824	70,644	79,506
SIB - Investment Fees	Insurance	% Allocation	563	334	460	1,357
SIB - Administrative Fees	Retirement (DB)	% Allocation	44,968	21,355	23,483	89,806
					3,927,943	3,927,943
Administrative Fee:						
Blue Cross Blue Shield	Health Plan	Fixed fee			-	0 Blue Cross Blue Shield
Sanford	Health Plan	Fixed fee	1,948,064	1,947,059	3,895,123	3,895,123

* fees not yet available