

NDPERS BOARD MEETING

Agenda

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

April 29, 2014

Time: 1:30 PM

I. MINUTES

- A. March 20, 2014
- B. April 11, 2014

II. RETIREMENT

- A. Job Service Retirement Plan – Sparb/Kathy (Board Action) (possible Executive Session pursuant to NDCC 44-04-18.4(1) and 44-04-19.2(1) to discuss confidential information)
- B. GASB 67/68 – Sparb (Board Action)
- C. Job Service Retirement Plan DOL Update – Sparb (Information)

III. GROUP INSURANCE

- A. Healthy Blue Authorization – Sparb (Board Action)
- B. Health Consultant Selection – Sparb (Board Action)
- C. Health Plan – Sparb (Board Action)
- D. Affordable Care Act Update – Sparb (Information)
- E. Affordable Care Act Fees – Sparb (Board Action)
- F. Long Term Care Insurance – Sparb (Board Action)
- G. HIPAA Business Associate Agreement with BCBSND – Sparb (Board Action)
- H. Delta Dental Rate Renewal – Kathy (Board Action)
- I. House Bill 1443, Diabetes Coalition – Sparb (Information)

IV. MISCELLANEOUS

- A. DOMA Update – Jan (Information)
- B. Legislative Studies – Sparb (Information)
- C. 2013 Annual Report – Sharon (Information)
- D. PERSLink – Sharon (Board Action)
- E. Website Development – Deb (Board Action)
- F. Personnel Policies – Kathy (Board Action)
- G. Executive Director Review – (Board Action)
- H. Quarterly Consultant Fees (Information)
- I. Audit Committee: December 19, 2013 Minutes and Charter Activity Review (Information)

V. DEFERRED COMPENSATION

- A. Hardship Case 192 – Kathy (Board Action)

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



**North Dakota
Public Employees Retirement System**
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 & Kathy
DATE: April 22, 2014
SUBJECT: Job Service Retirement Plan

At the last Board meeting we reviewed Attachment #1 – a Board memo relating to the Job Service Retirement Plan and the method used for the uniform income option. At that meeting the Board requested two additional items:

1. If the method was changed to be the same used for the other PERS retirement plans at the effective date of PERSLink, how many members would have had their benefit processed under the old method and how many under the new method? Please see Attachment #2.
2. What is the authority of the PERS Board to make such a change? Please see Attachment #3, a letter from Jan on this subject.

Board Action Requested

- Provide staff direction on whether current administrative procedures for similarly situated members in the other PERS systems should be consistent for members in the Job Service Uniform Income Option, or
- Select option 2 or 3 from Attachment #1.



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Public Employees Retirement System**
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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: NDPERS Board

FROM: Kathy & Sparb

DATE: March 11, 2014

SUBJECT: Job Service Retirement Plan

During an internal audit of the Job Service plan, it was discovered that there is an inconsistency in the administration of the COLA increases related to the Uniform Income Option. The Uniform Income Option under the Job Service plan is the same as the Level Social Security Option previously available under the defined benefit hybrid plan; it coordinates with Social Security benefits to provide a level income, both before a member is eligible to draw Social Security and after the member begins receiving Social Security which must begin no later than age 62. At age 62 the Job Service benefit is automatically reduced by the primary Social Security amount. This is where the inconsistency was detected and appears to have occurred at the time we transitioned to PERSLink in October 2010.

The calculation establishes a base benefit amount which is then increased by the primary Social Security benefit. Prior to PERSLink, the Job Service system was set up using Excel spreadsheets and formulas provided by Job Service when we assumed administration of the plan in 2003. When a COLA increase was authorized, it was calculated separately on the base annuity benefit and primary Social Security benefit. When the member attained age 62, the benefit was reduced by the Social Security benefit including the applicable COLA increase associated with that amount. Since the transition to PERSLink, at age 62 the benefit is only reduced by the primary Social Security benefit, but not the associated COLA increases. This difference appears to be the result of not recognizing this distinction within the Excel formulas when the programming was developed for the plan in our current system. However, the current procedure is the same used by PERS for any members that selected the Level Social Security Option; at age 62, the benefit is reduced by only the Social Security benefit and any ad hoc increases are retained as part of the base benefit.

Due to the change in methodology when reducing the benefit at age 62, eight members were overpaid as the COLA attributed to the Social Security benefit was not reduced and subsequent COLA increases accrued on the higher base benefit payment. Included is a list of the overpayments

owed by these members who turned 62 since October of 2010. The amount of overpayment is shown in the 'Total' column. In addition, an adjustment to the current monthly benefit by the amount of the accrued COLA on the higher benefit amount would be indicated. The amount of this adjustment is shown in the 'COLA Adjustment Necessary' column.

The options available to address this issue for future members who may select the Uniform Income Option and current members that have received an overpayment of benefits are as follows:

1. Administer the plan consistent with how PERS administers this provision for its other systems which means at age 62 the benefit is reduced by only the primary Social Security benefit.
2. Reprogram the PERSLink system to reduce the benefit at age 62 by both the Social Security benefit and associated COLA increases, or
3. Implement a process to manually reduce the benefit by the COLA increases associated with the Social Security benefit.

Following are the considerations for each of the above options:

1. **Administer consistently with PERS.** A review of the Job Service Plan Documents, SPDs, various member correspondence both prior to and after the transition to PERSLink, and administrative manuals does not provide a clear interpretation regarding the administration of the COLA increase at age 62. Attachment 2 has examples of such documentation. The procedure implemented at the time of the transition to PERSLink is the same as is used for similarly situated members in the other PERS systems.
2. **Reprogram PERSLink.** We have received an estimate of effort from our software vendor to change the system to calculate the COLA separately for the base benefit amount and the Social Security amount so that upon attainment of age 62, both the Social Security amount and related COLA increases can systematically be removed from the benefit. It is estimated that these changes would cost between \$6,000 - \$8,000, plus staff time for testing. There are currently only 13 members actively contributing to the Job Service plan of which 5 are age 62 or older and would not be eligible for the Uniform Income Option. This leaves 8 members who may or may not choose the Uniform Income Option upon retirement. Due to the small number of members that would potentially be impacted by this programming change, we would recommend not making this investment in the PERSLink system.
3. **Manual Process.** A process could be put into place to manually determine the amount of the COLA associated with the Social Security amount so that upon the member reaching age 62, the benefit could be manually reduced by the related COLA. The process would include a review of the COLA calculation by Internal Audit to verify that the benefit is being reduced correctly. A process would also need to be established to identify when the benefit needs to be adjusted for the COLA, since PERSLink is currently set up to reduce the benefit by the Social Security amount automatically upon the member reaching age 62. Because this is an exception to normal processing and there are such a small number of members that this may apply to, there is the risk that accounts may not be identified and adjusted correctly.

In addition, if either 2 or 3 are selected, the changes would be prospective. A request for refund of the overpayment amounts would be initiated and the monthly benefit going forward would be adjusted accordingly.

Board Action Requested

- Provide staff direction on whether current administrative procedures for similarly situated members in the other PERS systems should be consistent for members in the Job Service Uniform Income Option, or
- Select option 2 or 3.



Wayne Stenehjem
ATTORNEY GENERAL

STATE OF NORTH DAKOTA
OFFICE OF ATTORNEY GENERAL

STATE CAPITOL
600 E BOULEVARD AVE DEPT 125
BISMARCK, ND 58505-0040
(701) 328-2210 FAX (701) 328-2226
www.ag.nd.gov

April 23, 2014

Mr. Sparb Collins
North Dakota Public Employees Retirement System
PO Box 1657
Bismarck, ND 58502-1657

Dear Mr. Collins:

At the special NDPERS Board meeting held on April 11, 2014, the Board was presented with and discussed options related to resolving an identified inconsistency in the calculation and administration of the cost of living adjustment increases (hereinafter COLAs) associated with the Uniform Income Option under the Job Service Retirement Plan. One of the options presented to the Board by staff in resolving this inconsistency involves the Board adjusting the calculation and administration of the COLA benefit under the aforementioned option to be consistent with how such COLAs are calculated for similarly situated members in other NDPERS programs. The Board had asked and you have asked me to review whether the Board was authorized to proceed with this option. Please accept this letter in response to this request.

N.D.C.C. §§ 54-52-04(7) and 52-11-01(1) authorize the Board to administer the job service retirement plan under N.D.C.C. ch. 52-11. Further, under N.D.C.C. § 54-52-04(12), the Board may correct any member, retiree or beneficiary benefits after an error or inequity has been determined. N.D.C.C. § 52-11-01(3) states that payment may be made for the prior service of employees in accordance with the terms of the retirement program document and the availability of funds. You have provided to me the Job Service Retirement Plan Summary Plan Description (hereinafter "Plan Document") and indicated that this document encompasses the pertinent terms of the retirement program. The two provisions in the Plan Document relevant to the current analysis may be found on pages 10 and 17 respectively and relate to the calculation of COLAs under the Uniform Income Option and administration of the plan; these are restated below:

Any cost of living adjustment (described on page 15) in your benefit prior to age 62 is applied to each amount, the Primary Social Security amount and the Job Service Annuity amount. Therefore using the above example, beginning at age 62 your monthly benefit from the Plan would be reduced to the base amount of \$826.16 **plus accrued COLAs**. Any cost of living

Mr. Sparb Collins
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adjustments granted after age 62 would only be applied to the JSND benefit amount.

Duration of the Plan

The Plan has been adopted after careful consideration and investigation and every effort has been made to arrange it so that it can be continued indefinitely.

To protect you and the North Dakota Public Employees Retirement System against unforeseen conditions, however, the North Dakota Public Employees Retirement System **reserves the right to change or discontinue the Plan at any time.** It is provided, however, that no such change will affect the amount or terms of retirement benefits in effect before the date of change for discontinuance, except that the Plan provides that any change or modification for the purpose of conforming the Plan to the requirements of the Internal Revenue Code of the United States or of any other pertinent provision of federal or state law, or of any regulation or ruling of any duly constituted authority in connection therewith, may be made effective at any time with retroactive effect.

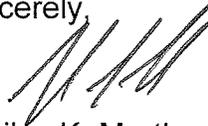
The specific inconsistency being addressed by the Board relative to the calculation of the COLA under the Uniform Income Option is that for the period of time a member received a benefit prior to age 62 Job Service had historically specified what the amount of COLA was that was attributed to the base Job Service Annuity amount and the Primary Social Security amount, and upon reaching age 62 COLAs would only accrue off of the base Job Service Annuity amount that had been increased by the specific Job Service Annuity COLA. Whereas NDPERS in administering other similarly situated members would not distinguish between the COLA amount attributed to the Primary Social Security amount and the base annuity amount and upon age 62 would reduce the benefit by the Primary Social Security amount and allow future COLAs to accrue off of the base annuity amount increased by all prior COLAs. It is my understanding the NDPERS staff asserts and I agree that use of the phrase "plus accrued COLAs" in the Plan Document as highlighted above is arguably vague because it does not specify accrued Job Service Annuity COLAs. Further, pursuant to the authority of the Board to administer the plan and authority granted by the Plan Document allowing the Board to change the plan as noted above, it appears that the Board does have the authority to authorize an adjustment to the calculation of the COLA benefit. It has also been brought to my attention that in 2009 the Board also authorized a prospective change relating to the calculation and administration of a benefit under the Job Service plan which is relevant in so far as it provides an example of a past practice consistent with the current action being considered by the Board. Finally, as we have discussed,

Mr. Sparb Collins
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should the Board choose to adjust the calculation and administration of the COLA benefit prospectively, the Board may consider addressing the issue of any prior overpayments consistently with the administrative rules applicable to the overpayment of retirement benefits under the NDPERS system.

Please let me know if I may be of further assistance in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Murtha", written in a cursive style.

Janylyn K. Murtha
Assistant Attorney General

vkk



**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: April 16, 2014
SUBJECT: GASB 67 & 68

New Pension Standards

In June 2012, the Governmental Accounting Standards Board (GASB) issued two new standards that will substantially change the accounting and financial reporting of public employee pension plans and the state and local governments that participate in such plans. GASB Statement No. 67, *Financial Reporting for Pension Plans*, revises existing guidance for the financial reports of most governmental pension plans. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. GASB Statement No. 67 is effective for financial statements for periods beginning after June 15, 2013. GASB Statement No. 68 is effective for financial statements for fiscal years beginning after June 15, 2014.

Proposed Implementation Plan for NDPERS

The above provisions apply to TFFR as well as NDPERS. Our second largest client is school districts which is TFFR's primary client. Consequently, since our efforts will overlap for this group, we felt it would be a good idea for PERS/TFFR to work closely on this project since it will help to reduce cost, reduce duplication of effort and provide consistent reporting to our employers. For these reasons, we have worked closely with TFFR to develop this plan of action. In addition, since this information is to be reported on the financial statements of employers, we have also reached out to the State Auditors Office to assist with the planning. The plan we have developed includes three basic tasks:

1. Educate our participating employers on this new requirement and the information we will be sending them.

2. Develop the necessary information that needs to be sent to our participating employers.
3. Integrate this effort into the ongoing operations of the plan going forward.

Task 1 - Educate our participating employers on this new requirement and the information we will be sending them.

For this step TFFR and PERS have been working with the State Auditors Office. The plan that has developed is in two stages.

The first stage in this task is to bring together a small group (6 employers from TFFR & 6 from PERS with 1-3 people from each employer attending). With this pilot group, we will work through the requirements of GASB 67 & 68. This meeting will be sponsored by TFFR, the State Auditor Office and NDPERS. Specifically, we would provide education to this group, review the information that we will be providing them and work with them to determine what issues they may have with implementation. We are targeting June 26 for this meeting. In addition, we would invite to that meeting other general groups that would have an interest in learning about these requirement. To conduct the education we have identified Mr. Eric Berman from Eide Baily. He has been working with many public sector groups around the country. Eide Baily is also an auditor that the State Auditors Office uses. We are presently working with him to get a cost estimate that I should have by the board meeting. PERS and TFFR would share these expenses. However, work relating specifically to one system or the other would be that system's responsibility. We expect to have about 50 to 80 people at this meeting.

The second stage in this task is to have a statewide meeting for all PERS and TFFR employers which will also be sponsored by TFFR, the State Auditors Office and NDPERS. The purpose of this meeting for these employers would be similar to that in the first stage, but we would also add the lessons learned in working with our pilot group. We can also have members of the pilot share with the full group what they have learned during their initial efforts. We are targeting November 18 for this meeting and would expect to have 200 to 400 people at this meeting. We are hoping to webcast or record this meeting for employers who are unable to attend.

Task 2 - Develop the necessary information that needs to be sent to our participating employers

The GASB has set certain required information that must now be disclosed on the financial statement of all our employers. This information needs to be developed by our actuary for each of our employer groups and sent to them. The following is a sample schedule showing the information:

Entity	Net Pension Liability	Net Difference Between Projected and Actual Investment Earnings on Pension Plan			Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions			Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions			Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions		
		Differences Between Expected and Actual Experience	Investments	Changes of Assumptions	Contributions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Changes of Assumptions	Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Pension Expense	Employer Contributions and Proportionate Share of Contributions	Total Employer Pension Expense
Employer 1	\$ 45,224,620	438,859	1,569,847	1,404,206	695,426	4,108,338	355,917	-	726,425	1,082,342	1,907,283	12,375	1,919,658
Employer 2	5,661,780	54,942	196,533	175,796	84,231	511,502	44,558	-	74,326	118,884	238,777	(1,793)	236,984
Employer 3	6,795,628	65,945	235,892	211,001	117,354	630,192	53,481	-	98,465	151,946	286,596	(8,088)	278,508
Employer 4	10,193,442	98,917	353,838	316,502	161,215	930,472	80,222	-	165,453	245,675	429,884	3,021	432,915
Employer 5	13,355,038	129,597	463,584	414,668	199,845	1,207,694	105,103	-	197,645	302,748	563,229	(9,900)	553,329
Employer 6	3,043,487	29,534	105,646	94,499	53,453	283,132	23,952	-	48,453	72,405	128,355	599	128,954
Employer 7	2,011,585	19,520	69,827	62,459	33,458	185,264	15,831	-	35,345	51,176	84,836	625	85,461
Employer 8	1,987,964	19,291	69,007	61,725	35,425	185,448	15,645	-	16,453	32,098	83,839	(5,712)	78,127
Employer 9	16,777,717	162,811	582,393	520,941	248,356	1,514,501	132,040	-	284,543	416,583	707,576	8,405	715,981
Employer 10	5,641,888	54,749	195,843	175,178	95,465	521,235	44,401	-	44,356	88,757	237,938	(1,188)	236,750
Employer 11	8,512,562	82,606	295,490	264,312	136,453	778,861	66,993	-	148,543	215,536	359,005	1,254	360,259
Employer 12	3,499,761	33,962	121,485	108,666	52,145	316,258	27,543	-	64,354	91,897	147,597	453	148,050
Employer 13	1,443,418	14,007	50,104	44,818	23,156	132,085	11,360	-	33,453	44,813	60,874	(205)	60,669
Employer 14	131,785	1,279	4,575	4,092	1,968	11,914	1,037	-	894	1,931	5,558	147	5,705
Employer 15	44,757	434	1,554	1,390	1,456	4,834	352	-	698	1,050	1,888	7	1,895
Total for All Entities	\$ 124,325,432	1,206,453	4,315,618	3,860,253	1,939,406	11,321,730	978,435	-	1,939,406	2,917,841	5,243,245	-	5,243,245

Attached is information from Segal on the cost of developing this additional information and schedule for its production. This was developed in response to a request from PERS/TFFR.

Tack 3 - Integrate this effort into the ongoing operations of the plan going forward

In the future the above additional tasks will need to be added to the annual valuation effort by the actuary and the annual efforts by PERS staff to send this information to each of our employers.

Board Action Requested:

Approve the GASB 67 & 68 implementation plan and associated efforts.



5990 Greenwood Plaza Boulevard Suite 118 Greenwood Village, CO 80111-4708
T 303.714.9900 www.segalco.com

April 22, 2014

Ms. Fay Kopp, Deputy Director – Retirement Officer
North Dakota Teachers’ Fund for Retirement
1930 Burnt Boat Drive
Bismarck, ND 58507-7100

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

Re: North Dakota Public Employees Retirement System (PERS) and North Dakota Teachers’ Fund for Retirement (TFFR) Implementation Proposal for GASB Statement Nos. 67 and 68

Dear Fay and Sparb:

As you know, the Governmental Accounting Standards Board (GASB) has issued a new Statement No. 67 that replaces the financial disclosure requirements that public employers such as PERS and TFFR (collectively referred to herein as “the Systems”) have been following under Statement No. 25. In addition, there is a companion Statement No. 68 that replaces the Systems’ participating employer disclosure requirements under Statement No. 27. The effective dates for the new requirements will be the Plan Years ending June 30, 2014 for Statement No. 67 and Fiscal Years ending June 30, 2015 for Statement No. 68.

As the valuation results for funding purposes will no longer be sufficient for financial disclosure purposes, we anticipate that there will be a significant amount of additional work in preparing the new disclosures. This will especially be the case during the first year of implementation as Segal becomes familiar with the practical requirements of satisfying the Statements. There will be considerable effort in coordinating the preparation of these disclosures among the Systems’ staffs and auditors, employers, employers’ auditors, and Segal. In addition, the Statements require a reconciliation of Net Pension Liability (NPL) in the first year of implementation. This will result in the calculation of two years of results before the 2014 disclosures can be prepared.

Below is a tentative list of implementation steps that we foresee being needed throughout this process. Please note that these items may change as more about the process becomes known.

ITEM	TIMEFRAME	RESPONSIBILITY
Discussions With Auditors	March 2014	PERS/TFFR/Segal/State Auditor/Brady Martz/Clifton Larson
2013 GASB 67 Results for 2013-2014 Reconciliation	July 1, 2014	Segal
2014 Valuation Data/Assets Delivery	July-August 2014	PERS/TFFR
2014 Valuation Results Delivery	October 15, 2014	Segal
2014 Valuation Results Presentation	October 23, 2014	Segal
2014 GASB 67 Interest Rate Calculations	October 31, 2014	Segal
2014 GASB 67 Results Preparation	October 31, 2014	Segal
2014 GASB 67 Disclosure Items Preparation	October 31, 2014	Segal/State Auditor/Brady Martz/Clifton Larson
2014 GASB 68 Percentage and Liability Allocations	November 10, 2014	Segal
2014 GASB 68 Allocations Communicated to Employers	November 2014	PERS/TFFR
Employer Education	Ongoing	PERS/TFFR/State Auditor

As a first step, we recommend an initial discussion between Segal, PERS and TFFR staff, the auditors for PERS and RIO (Brady Martz and Clifton Larson), and the State Auditor to discuss the above steps and make any changes to the scope of this assignment, as necessary.

In 2015 and thereafter, we expect that the GASB 67 and GASB 68 information will be prepared along with the annual actuarial valuations in October.

While GASB Statement No. 68 will not take effect until employer fiscal years beginning after June 15, 2014 (one year later than the effective date of GASB Statement No. 67), the AICPA State and Local Government Expert Panel's February 2014 White Paper recommends that "cost-sharing plans calculate each employer's allocation percentage and collective pension amounts". Pursuant to this recommendation, PERS and TFFR will communicate to employers the allocations of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources Related to Pensions, and Deferred Inflows of Resources Related to Pensions, based upon the Systems' June 30, 2014 financial statements. These amounts will be communicated in November 2014, allowing employers to have access to these numbers well in advance of their auditors' deadlines.

Since the scope of the project is not completely defined at this time, we would propose that our cost to assist PERS and TFFR to comply with the new Statements for the Plan Year 2014-2015 be based on our hourly time charges associated with completing these projects. Our estimate of fees for your plans for the items above are provided below.

ITEM	ESTIMATED COST – PERS	ESTIMATED COST – TFFR
2014 GASB 67 Calculations and Preparation of Disclosure Items (includes 2013 GASB 67 Calculations for 2013-2014 Reconciliation)	\$37,000 – \$74,000 (130-260 hours)	\$18,500 – \$37,000 (65-130 hours)
2014 GASB 68 Employer Percentage Allocations	\$3,000 – \$6,000 (10-20 hours)	\$1,500 – \$3,000 (5-10 hours)
2014 GASB 68 Employer Liability Allocations	\$6,000 – \$12,000 (20-40 hours)	\$3,000 – \$6,000 (10-20 hours)

The first and second items above will include the GASB 67 calculations and disclosures and a calculation of GASB Statement No. 68 percentage allocations for the purposes of calculating Net Pension Liability and Pension Expense. The third item covers the additional work to calculate the Net Pension Liability and items needed for Pension Expense for individual employers. Please note that the amounts are larger for PERS because that System has more cost groups that will each require an independent rate calculation. We also anticipate that the costs for these services will be less in future years as the templates for delivering the work will be constructed in the first year.

For your information, the attached document (taken from a December 2012 Segal Public Sector Letter) contains a table that shows the extensive list of items that will ultimately need to be disclosed for GASB Statement Nos. 67 and 68.

North Dakota PERS and TFFR
April 22, 2014
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We look forward to discussing this with you further.

Sincerely,



Kim Nicholl, FSA, MAAA, EA
Senior Vice President and Actuary

Sincerely,



Brad Ramirez, FSA, MAAA, EA
Consulting Actuary

/cz

Enclosure

cc: Cathie Eitelberg
Tammy Dixon
Matt Strom

5295148v4/01640.001

Disclosure Items in GASB's New Accounting Standards for Public Sector Pension Plans and Sponsoring Employers

This table summarizes the disclosure items in Statement 67, *Financial Reporting for Pension Plans* and Statement 68, *Accounting and Financial Reporting for Pensions by State and Local Governmental Employers*, that must be reported in notes to financial statements.

PLAN DESCRIPTION	
<p>Required by Statement 67 (for Plans) and Statement 68 (for Employers)</p>	<ul style="list-style-type: none"> ➤ Name of the pension plan ➤ Identification of the public employee retirement system or other entity that administers the pension plan ➤ Identification of the pension plan as a single-employer, agent or cost-sharing pension plan ➤ Classes of employees covered (e.g., general employees and public safety employees) ➤ The number of employees covered, broken down into the following groups: retirees and/or their beneficiaries currently receiving benefits, inactive employees entitled to but not yet receiving benefits and active employees ➤ Brief description of the benefit terms, including the types of benefits; the key elements of the pension formulas; terms or policies, if any, with respect to automatic postemployment benefit changes (including automatic COLAs) and <i>ad hoc</i> postemployment benefit changes (including <i>ad hoc</i> COLAs) ➤ The authority under which benefit terms are established or may be amended ➤ Closure to new entrants, if applicable ➤ Brief description of contribution requirements, including the basis for determining contributions if the pension plan or the entity that administers the pension plan has the authority to establish or amend contribution requirements
<p>Required by Statement 67 (for Plans) Only</p>	<ul style="list-style-type: none"> ➤ Disclosure of the number of participating employers (if the pension plan is a multiple-employer pension plan) ➤ Whether the pension plan issues a stand-alone financial report (or it is included in the report of a public employee retirement system or another government) that is available to the public and, if so, how to obtain the report (for example, a link to the report on the public employee retirement system's website). ➤ Disclosure of the number of nonemployer contributing entities, if any ➤ Information about the plan's board and its composition (e.g., the number of trustees)
<p>Required by Statement 68 (for Employers) Only</p>	<p>Whether the pension plan issues a stand-alone financial report (or it is included in the report of a public employee retirement system or another government) that is available to the public and, if so, how to obtain the report (for example, a link to the report on the public employee retirement system's website)</p>

(Continued from previous page.)

PLAN INVESTMENTS

**Required by Statement 67
(for Plans) Only**

- Investment policies, including procedures and authority for establishing and amending investment policy decisions, policies pertaining to asset allocation and a description of significant investment policy changes during the period
 - A brief description of how the fair value of investments is determined, including the methods and significant assumptions used to estimate the fair value of investments if that fair value is based on other than quoted market prices
 - Identification of investments (other than those issued or explicitly guaranteed by the U.S. government) in any one organization that represents 5 percent or more of net position
 - The annual money-weighted rate of return on plan investments calculated as the internal rate of return on plan investments (net of investment expense) and an explanation that a money-weighted rate of return expresses investment performance (net of investment expense) adjusted for the impact of the changing amounts actually invested. Inputs to the internal rate of return calculation that represent amounts of additions to and deductions from plan investments should be determined using accrual-based measures no less frequently than monthly. The use of daily inputs is encouraged.
 - The terms of any long-term contracts for contributions to the pension plan between the employer(s) or nonemployer contributing entity(ies) and the pension plan and the balances outstanding on any such long-term contracts at the end of the plan's reporting period
 - Allocated insurance contracts excluded from plan assets: (1) the amount reported in benefit payments in the current period that is attributable to the purchase of allocated insurance contracts; (2) a brief description of the pensions for which allocated insurance contracts were purchased in the current period; and (3) the fact that the obligation for the payment of benefits covered by allocated insurance contracts has been transferred to one or more insurance companies
 - In circumstances in which there is a policy of setting aside reserves for such purposes as benefit increases or reduced employer contributions, a portion of the plan's fiduciary net position that otherwise would be available for existing pensions or for plan administration: (1) a description of the policy related to such reserves; (2) the authority under which the policy was established and may be amended; (3) the purposes for and conditions under which the reserves are required or permitted to be used and (4) the balances of the reserves
- If a pension plan includes terms that permit a plan participant to be credited for benefit payments into an individual participant account within the pension plan while continuing to provide services to the employer and to be paid a salary: (1) a description of the Deferred retirement option program (DROP) terms and (2) the balance of the amounts held by the pension plan pursuant to the DROP

(Continued on next page.)

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SIGNIFICANT ASSUMPTIONS USED TO MEASURE THE TOTAL PENSION LIABILITY

- Required by Statement 67 (for Plans) and Statement 68 (for Employers)**
- Salary changes
 - Inflation
 - *Ad hoc* postemployment benefit changes (including *ad hoc* COLAs), and inputs to the discount rate
 - The source of the assumptions about mortality (e.g., the published tables on which the assumption is based or the experience of the covered group). If different rates are assumed for different periods, information should be disclosed about what rates were applied to the different periods of the measurement.

INFORMATION ABOUT THE DISCOUNT RATE

- Required by Statement 67 (for Plans) and Statement 68 (for Employers)**
- The discount rate applied in the measurement of the total pension liability for benefits provided through the pension plan and the change in the discount rate since the prior measurement date, if any
 - Assumptions made about projected cash flows into and out of the pension plan, such as contributions from the employer, nonemployer contributing entity(ies), and employees
 - The long-term expected rate of return on pension plan investments and a description of how it was determined, including significant methods and assumptions used for that purpose
 - If the discount rate incorporates a municipal bond rate, the municipal bond rate used and the source of that rate
 - The periods of projected benefit payments to which the long-term expected rate of return and, if used, the municipal bond rate were applied to determine the discount rate
 - The assumed asset allocation of the pension plan's portfolio, the long-term expected real rate of return for each major asset class, and whether the expected rates of return are presented as arithmetic or geometric means, if not otherwise disclosed
 - Measures of the net pension liability calculated using (1) a discount rate that is one percentage point higher than and (2) a discount rate that is one percentage point lower than the discount required in the Standard

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NET PENSION LIABILITY COMPONENTS

- Required by Statement 67
(for Plans) Only**
- The total pension liability for benefits provided through the pension plan
 - The plan's fiduciary net position
 - The net pension liability
 - The plan's fiduciary net position as a percentage of the total pension liability
 - Information should be measured as of the plan's most recent fiscal year-end.

EMPLOYER'S TOTAL PENSION LIABILITY FOR ALL PLANS

- Required by Statement 68
(for Employers) Only**
- Net pension assets
 - Deferred outflows of resources and deferred inflows of resources related to pensions
 - Pension expense/expenditures for the period, if the total amounts are not otherwise presented in the financial statements
 - The plan's fiduciary net position unless a financial report that includes disclosure about the elements of the pension plan's basic financial statements is available on the Internet (either as a stand-alone financial report or included as a fiduciary fund in the financial report of another government) and information is provided about how to obtain the report, reference may instead be made to the other report for these disclosures. In this circumstance, it also should be disclosed that the pension plan's fiduciary net position has been determined on the same basis used by the pension plan, and a brief description of the pension plan's basis of accounting, including the policies with respect to benefits paid (including refunds of employee contributions) and the valuation of investments should be included. If significant changes have occurred that indicate that the disclosures included in the pension plan's financial report generally do not reflect the facts and circumstances at the measurement date, information about the substance and magnitude of the changes should be disclosed.

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ADDITIONAL INFORMATION TO DISCLOSE

**Required by Statement 67
(for Plans) and Statement 68
(for Employers)**

- The date of the actuarial valuation on which the total pension liability is based
- Indication that the amount reported is the result of the use of update procedures to roll forward amounts to the plan's fiscal year-end, if applicable

**Required by Statement 68
(for Employers) Only**

- The measurement date of its net pension liability
- If the employer has a special funding situation, its proportion of the net pension liability for benefits provided through the pension plan, the basis on which its proportion was determined, and the change, if any, in its proportion since the prior measurement date
- A brief description of changes of assumptions or other inputs that affected measurement of the net pension liability since the prior measurement date
- A brief description of changes of benefit terms that affected measurement of the net pension liability since the prior measurement date
- The amount of benefit payments in the measurement period attributable to the purchase of allocated insurance contracts, a brief description of the benefits for which allocated insurance contracts were purchased in the measurement period, and the fact that the obligation for the payment of benefits covered by allocated insurance contract has been transferred from the employer to one or more insurance companies
- A description of the nature of changes, if any, between the measurement date of the net pension liability and the employer's reporting date that are expected to have a significant effect on the net pension liability and the amount of the expected resultant change in the net pension liability, if known
- The amount of pension expense in the reporting period
- The balances of deferred outflows of resources and deferred inflows of resources related to pensions as of the fiscal year-end, classified as follows, if applicable: (1) net difference between projected and actual earnings on pension plan investments; (2) differences between expected and actual experience; (3) changes of assumptions; (4) changes in proportion and the effect of certain employer contributions on the employer's net pension liability; and (5) employer contributions made subsequent to the measurement date of its recognized net pension liability
- A schedule presenting for each of the subsequent five years, and in the aggregate thereafter, (1) the net amount of deferred outflows of resources and of deferred inflows of resources that will be recognized in pension expense and (2) the amount that will be recognized as a reduction of the net pension liability
- The amount of revenue recognized for the support provided by nonemployer contributing entities, if any

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REQUIRED SUPPLEMENTARY INFORMATION

- Required by Statement 67 (for Plans) and Statement 68 (for Employers) Only**
- 10-year schedule of changes in the net pension liability (asset), presenting for each year the beginning and ending balances of the total pension liability, the plan's fiduciary net position, and the net pension liability, and the effects on those items during the year of the following: (1) service cost; (2) interest on the total pension liability; (3) changes of benefit terms; (4) differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability; (5) changes of assumptions about future economic or demographic factors; (6) contributions from the employer(s); (7) contributions from the nonemployer contributing entity(ies); (8) contributions from plan members; (9) net investment income; (10) benefits paid, including refunds of plan member contributions; (11) plan administrative expenses; and (12) other changes, separately identified if individually significant
 - A 10-year schedule presenting the following for each year: (1) the total pension liability; (2) the plan's fiduciary net position; (3) the net pension liability (asset); (4) the plan's fiduciary net position as a percentage of the total pension liability; (5) the covered-employee payroll; and (6) the net pension liability (asset) as a percentage of covered-employee payroll

- Required by Statement 67 (for Plans) Only**
- Required supplementary information presented by a defined benefit pension plan should include all information required by Statement 67 paragraphs 32-34,* as applicable, when the financial statements are presented (1) in a stand-alone pension plan financial report or (2) solely in the financial report of another government (as a pension trust fund). Statement 68 includes the requirements for required supplementary information to be presented in the financial reports of employers whose employees are provided with pensions and of certain governmental nonemployer contributing entities that are required to contribute to a pension plan on behalf of another government. If (1) a defined benefit pension plan is included in the financial report of a government that applies the requirements of Statement 68 for benefits provided through the pension plan and (2) similar information is required by this Statement and Statement 68, the government should present the information in a manner that avoids unnecessary duplication
 - Information for each year should be measured as of the plan's most recent fiscal year-end. Information about cost-sharing pension plans should be presented for the pension plan as a whole. The information may be presented in a single schedule

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* Required information includes 10-year schedules for (1) the history of the changes in the NPL showing beginning and ending values as well as a reconciliation of the change; (2) the TPL, net fiduciary position NPL, the net fiduciary position as a percentage of the TPL, the covered employee payroll and the NPL as a percentage of this payroll; (3) the actuarially determined contribution (ADC), the actual contributions recognized each year, the difference between the two, the covered employee payroll, and the difference as a percentage of this payroll; and (4) the annual money-weighted rate of return on pension plan investments.

(Continued from previous page.)

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

- Required by Statement 68 (for Employers) Only**
- If the employer has a special funding situation, it should report the amount of the net pension liability for benefits provided through the pension plan recognized by the nonemployer contributing entity(ies) and the amount of the net pension liability for benefits provided through the pension plan recognized by the employer.
 - For each pension plan, a 10-year schedule presenting the following for each year if the employer has a special funding situation: (1) the total pension liability for benefits provided through the pension plan; (2) the pension plan's fiduciary net position; (3) the net pension liability for benefits provided through the pension plan; (4) the nonemployer contributing entity's(ies)' net pension liability that is associated with the employer; (5) the employer's net pension liability; (6) the pension plan's fiduciary net position as a percentage of the total pension liability; (6) the covered-employee payroll; and (8) the employer's net pension liability as a percentage of the covered-employee payroll
 - The information should be determined as of the measurement date of the employer's net pension liability and may be presented in a single schedule. The information should be determined as of the employer's most recent fiscal year-end. If a primary government and one or more of its component units provide pensions through the same single-employer or agent pension plan, required supplementary information in the reporting entity's financial statements should present information for the reporting entity as a whole.

NOTES TO THE REQUIRED SCHEDULES

- Required by Statement 67 (for Plans) and Statement 68 (for Employers)**
- Significant methods and assumptions used in calculating the actuarially determined contributions, if any, should be presented as notes to the schedule required by the statements. In addition, for each of the schedules required by the statements, the employer should present information about factors that significantly affect trends in the amounts reported (for example, changes of benefit terms, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions). (The amounts presented for prior years should not be restated for the effects of changes – for example, changes of benefit terms or changes of assumptions – that occurred subsequent to the measurement date of that information.)

This is an online supplement to The Segal Company's December 2012 *Public Sector Letter*, "Gearing Up to Comply with GASB's New Accounting Standards for Public Sector Pension Plans and Sponsoring Employers," which is available on the following page of Segal's website: <http://www.segalco.com/publications/publicsectorletters/dec2012.pdf>



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: April 16, 2014

SUBJECT: Job Service Retirement Plan Update with DOL

Attached is a letter to Eric Seleznow, Acting Assistant Secretary, U.S. Department of Labor (DOL), relating to the Job Service Retirement Plan. We have requested various documents in order to clarify the intent and impact of the 1999 agreement on the 1980 MOU. Also attached is the response from the DOL assigning it a tracking number under the Freedom of Information Act.

For your information, in 1975, the Department of Labor negotiated a package of benefits designed to upgrade the independent retirement Plans. Improvements to the Plans were adopted and employee contributions were increased. The Department of Labor chose to amortize the unfunded liability created by these improvements over a period of 20 years.

In 1980, discussion began between states which still maintained independent retirement Plans, and the Department of Labor. As a result of those discussions, the Department of Labor agreed to allow cost of living and military service credit provisions in 1980 while the states agreed to close enrollments in the independent Plans as of October 1, 1980. The Department of Labor chose to amortize the unfunded liability created by these changes over a period of 30 years.

From 1983 to 1998, the United States Department of Labor has paid the required amortization of the unfunded liability of the Job Service North Dakota independent retirement Plan. Fifteen years remain on the 30-year amortization schedule with a remaining balance for the unfunded liability of the North Dakota Plan in the amount of \$9.7 million as of July 1998. Also at this time, the funded status of the Plan had reached a point where the actuarial value of the benefits was \$50.6 million and the actuarial value of assets was \$61.7 million. The funded status of the Plan was 119%. Based upon this funded status, the United States Department of Labor question why it should continue to make the amortization payments.

To resolve this issue Job Service and the United States Department of Labor agreed to the following:

1. Commencing with the 1999 payment the United States Department of Labor will suspend the unfunded liability payments.
2. The unfunded liability payments will be reactivated and resumed by the United States Department of Labor at any time when the actuarial valuation indicates the Plan is in an underfunded status.
3. The trigger mechanism for determining when the Plan goes into an underfunded status is when the actuarial value of assets is less than the actuarial present value of benefits. This information will be made available in the annual Plan actuarial valuation report.



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Public Employees Retirement System
 400 East Broadway, Suite 505 • PO 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

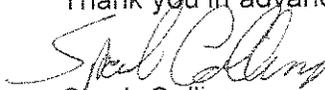
February 24, 2014

Eric M. Seleznow
 Acting Assistant Secretary
 Employment and Training Administration
 U.S. Department of Labor
 Frances Perkins Building
 200 Constitution Ave NW
 Washington, DC 20210

Thank you for your December 24, 2013 letter responding to my July 10, 2013 letter on behalf of Job Service North Dakota. In that correspondence you indicate that the compromise modification of 1999 between the state of North Dakota and the U.S. Department of Labor did not extend the life of the 1980 MOU between the parties, by concluding that the purpose of the 1999 compromise modification was to make possible the amortization of any unfunded liability over the 15 years immediately subsequent to the agreed upon amortization suspension date. The precise language of the 1999 compromise modification indicates, however, that the unfunded liability payments could be reactivated "at any time" (IV(2)). This language as well as the language found in Section III of the 1999 agreement detailing the positions of the parties as well as contemporaneous correspondence between Jennifer Gladden from Job Service North Dakota and Thomas Dowd from the U.S. Department of Labor arguably favor an interpretation that the obligation of the U.S. Department of Labor to fully satisfy the amount of unfunded liability previously agreed upon was not negated by the 1999 agreement, but merely suspended until such time as the plan was in an under-funded status, regardless of when that may occur.

In an effort to further clarify the intent and impact of the 1999 agreement on the 1980 MOU between the parties, I am requesting that you provide NDPERS with a copy of the following documentation: a copy of the 1980 MOU between the U.S. Department of Labor and North Dakota including any correspondence between the parties regarding the 1980 MOU and the 1999 amendment. Further, I am respectfully requesting a copy of any agreements between the U.S. Department of Labor and the employment security agencies of Idaho, Nebraska, Oklahoma, South Dakota and Utah, to the extent that they maintained independent retirement plans as of 1979, regarding the decision of the U.S. Department of Labor to amortize the unfunded liability of those plans over 30 years and which were executed between the respective parties between the years of 1979 to 1981, as well as any amendments or modifications thereto. Finally, I am requesting any additional documentation that the U.S. Department of Labor does or may rely upon in support of the position that it is no longer obligated to fully satisfy the amount of unfunded liability previously agreed upon. Once this information is received, NDPERS will be in a better position to evaluate the accuracy of your interpretation of the 1999 agreement.

Thank you in advance for your assistance in this matter.


 Sparb Collins
 Executive Director

CERTIFIED MAIL

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

U.S. Department of Labor

Employment and Training Administration
200 Constitution Avenue, N.W.
Washington, D.C. 20210

RECEIVED

APR 03 2014

ND PERS



March 28, 2014

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

RE: Freedom of Information Act Request Acknowledgement: Tracking No. 743672

Dear Mr. Collins:

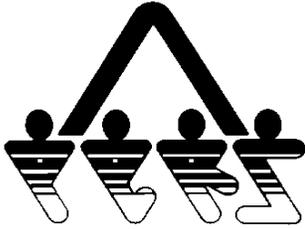
This letter is in response to your Freedom of Information Act request of February 24, 2014, to Acting Assistant Secretary Eric M. Seleznow at the Employment and Training Administration (ETA). You request a copy of the Memorandum of Understanding executed between the U.S. Department of Labor and the State of North Dakota and other states pertaining to the unfunded retirement liability and other related information.

Your request has been assigned the tracking number noted above and is being processed in the ETA Office of Grants Management. Please refer to this number in any future correspondence regarding this request, including the payment of fees which may be assessed pursuant to 29 CFR §70.19(e) and 29 CFR §70.40.

The Department is in the process of identifying all available documentation in response to your request. We ask that you provide the Department 20 days before checking for updates on the status of your request. Thereafter, we invite you to monitor the progress of your request through the Department's Freedom of Information Act website <http://www.dol.gov/foia/FOIASearch.aspx>.

Sincerely,

Antine Jones
FOIA Coordinator
Office of Grants Management



**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: April 22, 2014
SUBJECT: Healthy Blue Authorization

In follow up to the last Board meeting, BCBS staff will be at the April meeting to review authorization language with the Board. Refer to attached memo.

Memorandum

TO: Sparb Collins, NDPERS
FROM: Kevin Schoenborn, BCBSND
DATE: Tuesday, April 29, 2014

SUBJECT: Discussion on *Authorization for Release of Information – Wellness Programs* language on the HealthyBlue portal.

BCBSND personnel will be at the April 29 Board meeting to provide an update to the Authorization language modification that BCBSND can modify based on input from NDPERS members and the NDPERS Board of Directors.

Recommended changes to the *Authorization for Release of Information – Wellness Programs* language have been drafted and will be discussed.



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Public Employees Retirement System**
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Bismarck, North Dakota 58502-1657

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

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

Memorandum

TO: PERS Board
FROM: Sparb
DATE: April 24, 2014
SUBJECT: Health Plan Consultant

At the March meeting the Board decided to seek proposals from consultants to assist us with the health plan bid. Pursuant to that direction, Attachment 1 is the RFP that was issued. It was sent to all those listed on Attachment 2 and a public notice was placed in North Dakota papers March 22 – 24 (Attachment 3). Questions on the RFP were due on April 8. Attachment 4 is the questions and our response. Proposals were due on April 17 and we received 4 proposals:

1. Gallagher Benefit Services
2. Hay Group
3. Segal
4. Deloitte

We had an internal review team with 4 individuals evaluate and rate all the proposals for technical approach, prior experience, and staffing/organization. Team members were not allowed to discuss the proposals with each other during the rating. The weighting factors for each area were included in the RFP on page 15. Once the ratings were completed and compiled, the cost proposals were opened and rated and shared with the group. Attachment 5 is the team ratings and cost proposal ratings.

Overall, the proposals met the minimum qualifications and no exceptions were noted to the work effort. However, there were exceptions proposed for the contract and HIPAA agreement which have been forwarded to Jan for review. The following are some observations for each firm:

Gallagher Benefit Services – Overall rank #4

- Ranked last in total points. Many of their responses to the questions were very brief compared to the other proposers.
- They had the second lowest hourly rate but the second highest fixed fee.

- They have successfully served as the PERS health consultant in the past. Additionally, the lead person assigned to the project was the PERS health insurance manager in the late 1980's and therefore is familiar with our operations in a unique way. Overall, a good team.
- Concerning the conflict of interest question, they indicated "GBS is not aware of any conflict of interest that would preclude us from effectively providing the scope of services required by NDPERS. We agree not to accept any direct or indirect compensation on behalf of NDPERS other than our consulting fee".

Hay Group – Overall rank #3

- Ranked third in total points. They had the highest fixed fee charges of \$90,000 compared to GBS at \$25,250, Segal at \$20,000 and Deloitte at \$10,000.
- Hay Group showed strong experience with Part D administration.
- They did not have a pharmacist assigned to the project team. Otherwise, appears to be a good team.
- Concerning the conflict of interest question, they indicated "Hay Group has no conflict of interest as it pertains to the scope of services requested in this RFP"

Segal – Overall rank #2

- Segal was ranked #2 overall. They had the second lowest fixed proposal cost at \$20,000, but they had the highest hourly rate for the other parts of the RFP effort.
- This firm successfully did our dental RFP several years ago.
- They have a good team assigned to the proposal.
- Concerning the conflict of interest question, they indicated:

5. Conflicts of Interest

No Conflict of Interest exists relative to our proposal to NDPERS.

As a fee-based consulting firm with full transparency of any commissions received, The Segal Group ("Segal") is committed to providing unbiased advice that will ultimately generate the best value for its client. We fully disclose any commissions on a dollar for dollar basis. **With respect to the proposed NDPERS Group Health Plan Actuarial and Consulting Services, Segal will not receive any commissions unless requested to do so by both NDPERS Board of Directors and Executive Director.**

Insurer incentive compensation/supplemental commission payments are used to finance national investments in research, technology, database development and client education to improve overall client services. Generally, any insurer incentive payments derived are based on Segal book of business activity and are limited to less than 1% of total Segal revenue. **However, Segal has the ability to direct all vendors to exclude specific clients from the determination of incentive compensation/supplemental commission payments and will not allow any contracts issued to NDPERS to be used in the calculation of such payments unless requested to do so by both the NDPERS Board of Directors and Executive Director.**

The approach that our staff takes in analyzing insurance proposals and making recommendations

regarding types and levels of coverage is objective and is free from any influence by commissions or supplemental payments. Objective analysis and neutrality are core values of Segal, and the insurance industry recognizes it. We base our recommendations solely on client requirements and objectives. All of this ensures that we have only the best interests of our clients in mind when we approach our work. For more information, please read our “Compensation for Life and Health Benefit Services” disclosure at <http://www.segalco.com/uploads/life-and-health-benefit-services.pdf>.

Deloitte – Overall rank #1

- As the incumbent, they had the strongest understanding of our program and the effort required to conduct the RFP.
- They were ranked #1 in total points.
- They had the lowest fixed fee price; however, their hourly blended rate was the second highest. In comparing this difference to Hay Group’s highest fixed fee, it means that the fee for service efforts would need to exceed 1,379 hours before their proposal was lower cost, and for GBS it would have to exceed 565 hours before being lower cost.
- Concerning the conflict of interest question, they indicated “We do not believe that Deloitte consulting has any professional or ethical conflicts of interest which might interfere with handling this contract, including matters and/or cases where the firm currently represents and individual or entity with interest adverse to NDPERS.
- They had the most state experience. They are now or recently have been the consultant to Minnesota, Iowa, Wisconsin, Illinois and Pennsylvania.

Attachment 1

REQUEST FOR PROPOSAL

FOR

**North Dakota
Public Employees Retirement System**

**Group Health Plan
Actuarial and Consulting Services**

April 2014

Prepared by:

North Dakota Public Employees Retirement System
400 East Broadway, Suite 505
P.O. Box 1657
Bismarck, ND 58502-1657
701.328.3900

This Request for Proposal is soliciting offers to provide actuarial and consulting assistance to develop, issue and evaluate proposals for the group health plan on a fully insured and self insured basis for the period May 2014 through December 31, 2015.

The following is a sequence of activities for this RFP:

March 21, 2014	RFP for actuarial and consultant services issued
April 8, 2014	Questions to RFP due
April 11, 2014	Responses to questions posted
April 17, 2014	Proposals due at NDPERS office no later than 5:00 p.m. Central Standard Time

Request for Proposal Table of Contents

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SECTION 1 – INTRODUCTION

This Request for Proposal (RFP) is issued for actuarial and consulting assistance for the period May 2014 through December 31, 2015. This agreement may be extended by the NDPERS Board and contractor.

The Board is seeking the services of a consultant to develop, issue and evaluate proposals for the group health plan on a fully insured and self insured basis. Note that any census information needed for the RFP will be compiled by NDPERS. Since the work effort is dependent on the number of proposals received, we are seeking a fixed fee proposal for the development of the RFP's and a fee for service proposal for the evaluation/implementation.

Following is a sequence of major activities to be completed by the vendor who is selected in this RFP process:

- | | |
|-------------------------|--|
| May 2014 | Begin work on health RFP's. The consultant and NDPERS will meet at the NDPERS office to discuss the upcoming work schedule. |
| June 2014 | Issue health RFP's. One for Fully Insured and one for Self Insured |
| End of July 2014 | Health RFP's fully insured & self insured due. |
| Late August 2014 | Submit to NDPERS staff draft analysis of fully insured proposals and recommendations. |
| Late August 2014 | Review preliminary information on proposal's with NDPERS Board. |
| September 2014 | Submit to NDPERS staff and Board an analysis of fully insured proposals and recommendations |
| September 2014 | Conduct interviews if necessary. NDPERS Board selects best fully insured proposal |
| October 2014 | Review with NDPERS staff and the Board the self insured proposals including a comparison to the selected fully insured proposal. |
| November 2014 | Conduct interviews if necessary with staff and NDPERS Board. |
| December 2014 | NDPERS Board determines if plan should be fully insured or self-insured. If self insured, the NDPERS Board selects vendor(s). |
| Jan-April 2015 | North Dakota Legislature in session. Assist with providing information as requested. |
| April 2015 | Assist with implementation of the plan for the 2015-17 biennium |

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, vision, deferred compensation, flex comp, retiree health insurance credit, long term care and EAP programs. This proposal is for assistance in the placement of the group health plan.

NDPERS is managed by a Board comprised of seven members:

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

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

B. Group Health

Group Health:

The Uniform Group Health Insurance Plan is presently a fully insured plan underwritten by BCBSND. All state employees are eligible to be covered under the plan, including the staff at colleges and universities. Political subdivisions may participate in the health plan at their option. Retirees may also participate in the plan. Estimated premiums for this biennium (2013-2015) will be approximately \$550,000,000 for about 28,500 contracts.

The following map shows the members of the plan and their geographic distribution:

NDPERS Health Contracts

January 2014

DIVIDE 84	BURKE 52	RENVILLE 39	BOTTINEAU 269	ROLETTE 348	TOWNER 54	CAVALIER 181	PEMBINA 236		
WILLIAMS 887	MOUNTRAIL 165	WARD 1,461	McHENRY 129	PIERCE 89	BENSON 108	RAMSEY 782	WALSH 674		
McKENZIE 64	DUNN 133	McLEAN 321	SHERIDAN 38	WELLS 63	EDDY 70	NELSON 138	GRAND FORKS 3,659		
GOLDEN VALLEY 22	BILLINGS 30	MERCER 121	OLIVER 46	BURLEIGH 5,363	KIDDER 67	FOSTER 116	GRIGGS 76	STEELE 46	TRAILL 407
STARK 1,000	MORTON 1,378	STUTSMAN 1,230	BARNES 497	CASS 3,900					
SLOPE 5	HETTINGER 47	GRANT 63	EMMONS 86	LOGAN 63	LAMOURE 130	RANSOM 289	RICHLAND 496		
BOWMAN 91	ADAMS 72	SIoux 17	McINTOSH 79	DICKEY 123	SARGENT 78				

Out-of-State - 2,565

Total - 28,544

Average Contract Size = 2.27

SECTION 3 - SCOPE OF SERVICES

This Section outlines the scope of services.

A. Bid Process

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.

B. Bid Solicitation 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) 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, 2015 and ending June 30, 2017. The consultant will be supplied the proposed plan of benefits by July 2014. The consultant must have completed the estimates by August 15, 2014. The purpose of these estimates is to provide the Board an estimate of risk to be used in analyzing the merits of a self-insured versus fully-insured product.
 - e) 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.
 - f) 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.
 - g) 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.

SECTION 4 - INFORMATION REQUESTS

In responding to the RFP, all proposals shall use the following format and contain your organization's response to the following requested information. Respond by restating the request with the response following. This format shall be used in the proposal (if the proper elects to use an alternative format to respond, points will be deducted in the evaluation).

Part I - Executive Summary

Discuss your view of the entire project as requested in this RFP and provide a flow chart depicting your understanding of the major work efforts and timeframes for beginning and completing tasks.

Part II - Minimum Requirements

The successful vendor must have a multidisciplinary staff including a health actuary with experience in the work requirements outlined herein. The firm must also have demonstrated experience in doing the work outlined herein. The firm must be able to meet the timelines outlined in this RFP. Preference will be given to those firms with public sector experience and previous experience in doing state level health RFP's for fully insured and self insured plans.

Part III – Proposal

1) Technical Approach.

- a) Generally discuss your understanding of the requested work.
- b) Timeline – discuss your understanding of the timeline for this effort and your ability to meet those timelines.
- c) Approach – discuss your project plan for this effort, identify major steps, timeframes and products.
- d) Describe 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 NDPERS renewal.
- e) Specifically address how you would approach the review of the NDPERS bidding process, the product we could expect and the range of considerations you may review.
- f) Exceptions – identify any exceptions or variations in your proposal from the work effort identified in this RFP.
- g) Outline the product NDPERS will receive from you.
- h) Identify your assumptions concerning the contributions of NDPERS staff toward this effort (i.e. that NDPERS staff will provide the data for projections, timeframes for NDPERS review of material, estimated dates that NDPERS staff need to be available for meetings, etc).

2) Experience.

- a) General firm experience - a brief description of the size, structure and services provided by your organization.

- b) Identify and discuss similar projects you have done, for who, when and how they compare to this project in terms of work efforts. Also discuss the outcome of those projects if that information is available.
- c) Discuss your experience in working with Part D products in general and in the public sector. In particular discuss your experience with products similar to NDPERS product.
- d) Discuss your experience in doing health premium projections such as that requested in this RFP.
- e) Discuss your experience in assessing wellness programs.
- f) Discuss your experience with reviewing RX programs and proposals in general and for clients similar to NDPERS. Include in the discussion your experience in analyzing clinical programs, specialty drug programs, Rx networks, drug utilization review programs and rebate methodologies.
- g) Discuss your experience in assessing claim payment systems offered by vendors.
- h) Provide a list of clients for whom your organization has performed similar tasks and specifically highlight efforts in the public sector.
- i) Discuss your experience in reviewing the adequacy and pricing implications of vendor provider networks and comparing networks from one provider to another.
- j) Indicate your organization's depth of experience in each of the following areas:
 - 1. Benefit Design (health)
 - 2. Retiree Health Insurance
 - 3. Preparation of Plan Documents
 - 4. Preparation of Member Booklets
 - 5. Provider Contract Negotiations
 - 6. PPO Formulation and Development
 - 7. Actuarial Analysis and Reporting
 - 8. Preparation of Contracts, Bid Specifications and RFPs
 - 9. COBRA Administration and Interpretation
 - 10. Legal Issues
 - 11. Disease Management Programs
 - 12. Wellness Programs
 - 13. RX Carve out Programs
 - 14. Legal Assistance
- k) Describe your organization's experience and availability regarding legislative hearings and testimony.
- l) Explain how your organization develops premium rates for health insurance plans.
- m) What new cost containment programs does your organization foresee being implemented in the next 2-3 years and how are you positioned to provide assistance.
- n) Identify and discuss your experience with reviewing self insured plans the adequacy of the stop loss coverage offered.
- o) In terms of implementation efforts, discuss the services you have offered other clients and in particular, if NDPERS went self insured, the services you could offer.

3) Staffing.

- a) This Section should include individual resumes for the personnel who are to be assigned to the project and should indicate the proposed project role or assignment of each individual. The project team should include staff with experience in developing

RFP's of the type requested herein, evaluating responses, doing the required actuarial analysis and assisting with implementation.

- b) Resume information should identify not only educational and work history but also specific information on what clients the individual has worked for and in what role. Please note we may use this information to contact past clients to gather information on the individual.

Please note that it is critical that the information presented in this section is specific enough for us to understand who is being assigned to major efforts proposed in the RFP and their role, responsibility and experience.

4) Additional Information.

- a) This section is optional and can include any additional information the offeror deems relevant to this procurement and the satisfaction of the Board's objectives.

5) Conflicts of interest.

- a) In this Section the offeror shall identify and discuss any potential conflicts of interest. The contractor cannot receive any other compensation relating to this work effort except as provided in the cost proposal. Any other arrangements and/or relationships/contracts the offeror may have with vendors that could be a part of this solicitation must be identified herein and may serve as cause to disqualify the offeror.

6) Company Literature (if applicable).

If company literature or other material is intended to respond to any RFP requirement, it must be included in this section. The offeror's responses in previous sections of the proposal must include reference to the document by name and page citation.

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 NDPERS.
- B. Section 8 - Offer, should be signed by a partner or principal of the firm and included with your proposal. If changes are proposed they should be added and then a signed offer included. Each addition shall be identified along with the reason why.
- C. Address or deliver the RFP to: Cheryl Stockert
North Dakota Public Employees Retirement System
400 E. Broadway, Suite 505
PO Box 1657
Bismarck, ND 58501

Questions concerning the RFP shall be directed, in writing to the above individual, or by email at cstocker@nd.gov by 5:00 p.m. CST on April 8, 2014. Responses will be posted on the NDPERS website at <http://www.nd.gov/ndpers/providers-consultants/consultants/rfp-index.html> by April 11, 2014 under "Request for Proposals".

- D. Twenty (20) 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 April 17, 2014**. The package the proposal is delivered in must be plainly marked "**PROPOSAL TO PROVIDE CONSULTING AND ACTUARIAL 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 NDPERS Board is to solicit proposals with a bona fide intent to award a contract. This policy will not affect the right of the NDPERS Board to reject any or all proposals.
- F. The NDPERS Board may request that representatives of your organization appear before them for interviewing purposes. Travel expenses and related costs will be the responsibility of the organization being interviewed.
- G. The NDPERS Board will award the contract for services no later than May 9, although the goal is to award it by the end of April.
- H. In evaluating the proposals, price will not be the sole factor. The Board will consider the staff review as outlined herein and may consider any other factors it deems necessary and proper to make a determination.
- 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 NDPERS staff and will be an initial screening of each proposal to determine if it is sufficiently responsive to the RFP to permit a valid comparison and meets the minimum qualifications of having completed past projects similar to the efforts requested herein and having a multi discipline project team. Also any conflicts of interest will be reviewed in this step.

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. Points for price are awarded automatically as a percentage based off the lowest bid. Following is the weighting factor for each area:

For the fee for service efforts the rating will be:

- | | |
|-------------------------|-----------|
| • Technical Approach | 25 Point |
| • Prior Experience | 30 points |
| • Staffing/Organization | 25 Points |
| • Pricing | 20 points |

The final step will be a review by the NDPERS Board. The NDPERS Board will use any and all information in making its determination and will use the staff's review/ratings as a resource in its decision.

SECTION 8 - OFFER

AGREEMENT FOR SERVICES

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

Contractor and NDPERS agree to the following:

- 1) **SCOPE OF SERVICES:** Contractor agrees to provide the above accepted 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.
- 2) **TERM:** The term of this contract shall commence on the date of award and continue until the completion of the services identified, with an expected date of completion of all services by December 31, 2015 pursuant to the terms of the RFP.
- 3) **FEES:** NDPERS shall only pay pursuant to the terms in the proposal and RFP.
- 4) **BILLINGS:** The Contractor shall receive payment from NDPERS upon the completion of the services identified under this Agreement.
- 5) **TERMINATION:**
 - a. Either party may terminate this agreement with respect to tasks yet to be performed with thirty (30) days written notice mailed to the other party.
 - b. Termination for lack of funding or authority. NDPERS by written notice of default to CONTRACTOR, may terminate the whole or any part of this contract, under any of the following conditions:
 - (1) If funding from federal, state, or other sources is not obtained and continued at levels sufficient to allow for purchase of the services or supplies in the indicated quantities or term.
 - (2) If federal or state laws or rules are modified or interpreted in a way that the services are no longer allowable or appropriate for purchase under this contract or are no longer eligible for the funding proposed for payments authorized by this contract.
 - (3) If any license, permit, or certificate required by law or rule, or by the terms of this contract, is for any reason denied, revoked, suspended, or not renewed. Termination of this contract under this subsection is without prejudice to any obligations or liabilities of either party already accrued prior to termination.
 - c. Termination for cause. 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.

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

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

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

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

instructions on how to respond to the request.

- 9) **OWNERSHIP OF WORK PRODUCT:** All work product, equipment or materials created or purchased under this contract belong to STATE and must be delivered to STATE at STATE'S request upon termination of this contract. CONTRACTOR agrees that all materials prepared under this contract are "works for hire" within the meaning of the copyright laws of the United States and assigns to STATE all rights and interests CONTRACTOR may have in the materials it prepares under this contract, including any right to derivative use of the material. CONTRACTOR shall execute all necessary documents to enable STATE to protect its rights under this section.
- 10) **APPLICABLE LAW AND VENUE:** This agreement shall be governed by and construed in accordance with the laws of the State of North Dakota. Any action to enforce this contract must be brought in the District Court of Burleigh County, North Dakota.
- 11) **MERGER AND MODIFICATION:** This contract, the RFP and the proposal shall constitute the entire agreement between the parties. In the event of any inconsistency or conflict among the documents making up this agreement, the documents must control in this order of precedence: First – the terms of this Contract, as may be amended and Second - the state's Request for Proposal and Third – Contractor's Proposal. No waiver, consent, modification or change of terms of this agreement shall bind either party unless in writing and signed by both parties. Such waiver, consent, modification or change, if made, shall be effective only in the specific instances and for the specific purpose given. There are no understandings, agreements, or representations, oral or written, not specified herein regarding this agreement.
- 12) **INDEMNITY:** Contractor agrees to defend, indemnify, and hold harmless the state of North Dakota, its agencies, officers and employees (State), from and against claims based on the vicarious liability of the State or its agents, but not against claims based on the State's contributory negligence, comparative and/or contributory negligence or fault, sole negligence, or intentional misconduct. This obligation to defend, indemnify, and hold harmless does not extend to professional liability claims arising from professional errors and omissions. The legal defense provided by Contractor to the State under this provision must be free of any conflicts of interest, even if retention of separate legal counsel for the State is necessary. Any attorney appointed to represent the State must first qualify as and be appointed by the North Dakota Attorney General as a Special Assistant Attorney General as required under N.D.C.C. § 54-12-08. Contractor also agrees to defend, indemnify, and hold the State harmless for all costs, expenses and attorneys' fees incurred if the State prevails in an action against Contractor in establishing and litigating the indemnification coverage provided herein. This obligation shall continue after the termination of this agreement.
- 13) **INSURANCE:** Contractor shall secure and keep in force during the term of this agreement, and Contractor shall require all subcontractors, prior to commencement of an agreement between Contractor and the subcontractor, to secure and keep in force during the term of this agreement, from insurance companies, government self-

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

- 1) Commercial general liability, including premises or operations, contractual, and products or completed operations coverages (if applicable), with minimum liability limits of \$250,000 per person and \$1,000,000 per occurrence.
- 2) Professional errors and omissions with minimum limits of \$1,000,000 per occurrence and in the aggregate, Contractor shall continuously maintain such coverage during the contract period and for three years thereafter. In the event of a change or cancellation of coverage, Contractor shall purchase an extended reporting period to meet the time periods required in this section.
- 3) Automobile liability, including Owned (if any), Hired, and Non-Owned automobiles, with minimum liability limits of \$250,000 per person and \$1,000,000 per occurrence.
- 4) Workers compensation coverage meeting all statutory requirements. The policy shall provide coverage for all states of operation that apply to the performance of this contract.
- 5) Employer's liability or "stop gap" insurance of not less than \$1,000,000 as an endorsement on the workers compensation or commercial general liability insurance.

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

- 1) Any deductible or self-insured retention amount or other similar obligation under the policies shall be the sole responsibility of the Contractor.
- 2) This insurance may be in policy or policies of insurance, primary and excess, including the so-called umbrella or catastrophe form and must be placed with insurers rated "A-" or better by A.M. Best Company, Inc., provided any excess policy follows form for coverage. Less than an "A-" rating must be approved by the State. The policies shall be in form and terms approved by the State.
- 3) The duty to defend, indemnify, and hold harmless the State under this agreement shall not be limited by the insurance required in this agreement.
- 4) The state of North Dakota and its agencies, officers, and employees (State) shall be endorsed on the commercial general liability policy, including any excess policies (to the extent applicable), as additional insured. The State shall have all the benefits, rights and coverages of an additional insured under these policies that shall not be limited to the minimum limits of insurance required by this agreement or by the contractual indemnity obligations of the Contractor.
- 5) The insurance required in this agreement, through a policy or endorsement, shall include:
 - a) "Waiver of Subrogation" waiving any right to recovery the insurance company may have against the State;
 - b) a provision that Contractor's insurance coverage shall be primary (i.e. pay first) as respects any insurance, self-insurance or self-retention maintained by the State and that any insurance, self-insurance or self-retention maintained by the State shall be in excess of the Contractor's insurance and shall not contribute with it;
 - c) cross liability/severability of interest for all policies and endorsements;

- d) The legal defense provided to the State under the policy and any endorsements must be free of any conflicts of interest, even if retention of separate legal counsel for the State is necessary;
- e) The insolvency or bankruptcy of the insured Contractor shall not release the insurer from payment under the policy, even when such insolvency or bankruptcy prevents the insured Contractor from meeting the retention limit under the policy.
- 6) Contractor shall provide at least 30 day notice of any cancellation or material change to the policies or endorsements.
- 7) The Contractor shall furnish a certificate of insurance to the undersigned State representative prior to commencement of this agreement.
- 8) Failure to provide insurance as required in this agreement is a material breach of contract entitling State to terminate this agreement immediately.
- 14) **SEVERABILITY:** If any term in this contract is declared by a court having jurisdiction to be illegal or unenforceable, the validity of the remaining terms must not be affected, and, if possible, the rights and obligations of the parties are to be construed and enforced as if the contract did not contain that term.
- 15) **FORCE MAJEURE**
CONTRACTOR shall not be held responsible for delay or default caused by fire, flood, riot, acts of God or war if the event is beyond CONTRACTOR'S reasonable control and CONTRACTOR gives notice to STATE immediately upon occurrence of the event causing the delay or default or that is reasonably expected to cause a delay or default.
- 16) **NOTICE**
All notices or other communications required under this contract must be given by registered or certified mail and are complete on the date mailed when addressed to the parties at the following addresses:

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

With a copy to:

Sharon Schiermeister
Chief Operating Officer
ND Public Employees Retirement System
400 East Broadway, Suite 505
PO Box 1657
Bismarck, ND 58502-1657

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

17) **ATTORNEY FEES**

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

18) **NONDISCRIMINATION AND COMPLIANCE WITH LAWS**

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

19) **STATE AUDIT**

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

20) **TAXPAYER ID**

CONTRACTOR'S federal employer ID number is: _____.

21) **PAYMENT OF TAXES BY STATE**

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

22) **EFFECTIVENESS OF CONTRACT**

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

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

**NORTH DAKOTA PUBLIC
EMPLOYEES RETIREMENT SYSTEM**

CONTRACTOR

By: Sparb Collins

By: _____

Title: Executive Director

Title: _____

Date: _____

Date: _____

SECTION 9 - 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 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 **consultant services to develop, issue and evaluate proposals for the group health plan** – 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 the date of contract award for the retiree health valuation, 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

For Health
Updated 03-2014

Attachment 2

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
Buck Consultants	Dave Slishinsky Principal and Consulting Actuary	1200 Seventeenth St., Suite 1200 Denver, CO 80202 (720) 359-7773 (720) 359-7701 FAX E-mail: david.slishinsky@buckconsultants.com Web: www.buckconsultants.com
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 tomc@cavmacconsulting.com johng@cavmacconsulting.com
Deloitte Consulting, LLP	Patrick L. Pechacek, Director	50 South Sixth St., Suite 2800 Minneapolis, MN 55402-1538 (612) 397-4033 (612) 692-4033 FAX Cell: 612-270-3848 E-mail: ppechacek@deloitte.com mdeleon@deloitte.com Web: www.deloitte.com
Ennis, Knupp + Associates, Inc.	Harmony Watling Communications Manager	10 South Riverside Plaza, Suite 1600 Chicago, IL 60606 (312) 715-1700 (312) 715-1952 FAX E-mail: h.watling@ennisknupp.com Web: www.ennisknupp.com
Gabriel, Roeder, Smith & Company	Leslie Thompson	7900 East Union Avenue, Suite 650 Denver, Colorado 80237-2746 (720) 274-7271 (720)560-8988 (mobile) E-mail: leslie.thompson@gabrielroeder.com Web: www.grsnet.com
Gallagher Benefit Services, Inc.	Don Heilman	Gallagher Benefit Services, Inc. Don Heilman 6399 S. Fiddler's Green Circle, Suite 200 Greenwood Village, CO 80111 303-889-2724 Email: Don_Heilman@ajg.com Web: www.gallagherbenefits.com

The Hay Group	Kimberly A. Fox, CEBS	The Wanamaker Building 100 Penn Square East Philadelphia, PA 19107 (215) 861-2522 (215) 861-2106 fax E-mail: Kimberly.Fox@haygroup.com Web: www.haygroup.com
Mercer	Norma Pocsatko	525 Vine Street, Suite 1600 Cincinnati, OH 45202 (513) 632-2600 Fax: (513) 632-2650 E-mail: norma.j.pocsatko@marsh.com Web: www.mercer.com
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
The Segal Company	Cathie Eitelberg Sr. V.P.-Natl. Dir., Public Sector Market	1920 N Street, NW, Suite 400 Washington, DC 20036 (202) 833-6437 (202) 833-6490 FAX E-mail: ceitelberg@segalco.com Web: www.segalco.com
The Segal Company	Brad Ramirez, FSA, MAAA, EA Consulting Actuary	The Segal Company Brad Ramirez, FSA, MAAA, FCA, EA 5990 Greenwood Plaza Blvd., Suite 118 Greenwood Village, CO 80111-4708 303-714-9952 Email: bramirez@segalco.com ceitelberg@segalco.com Web: www.segalco.com

Towers Perrin	Shane Bartling Principal	525 Market Street , Suite 2900 San Francisco, CA 94105 (415) 836-1088 (415) 836-1350 FAX E-mail: shane.bartling@towersperrin.com Web: www.towersperrin.com
Van Iwaarden Associates	Mark D. Meyer, MD, FSA Consulting Actuary	840 Lumber Exchange Building Ten S 5 th Street Minneapolis, MN 55402-1010 (612) 596-5960 Mark: (507) 726-6269 (612) 596-5999 FAX markm@vaniwaarden.com Web: www.vaniwaarden.com
Prairie Consulting Group, LLP	Bob Harms	815 Mandan Street Bismarck, ND 58501 Phone: 471-2704 Email: robert.harms@prairieconsultinggroup.com
Middaugh & Associates	Jason Middaugh	1019 5th Avenue South P.O. Box 2543 Fargo, ND 58108 Phone: 701-235-7023 Fax: 701-280-9607 Email: Jason@damiddaugh.com

PUBLIC NOTICE

REQUEST FOR PROPOSAL

Actuarial and Consulting Services

Group Health Plan (Fully Insured and Self Insured)

The North Dakota Public Employees Retirement System is seeking proposals for a consultant to develop, issue and evaluate proposals for a group health plan on a fully insured and self insured basis. Copies of the Request for Proposal (RFP) may be obtained from the NDPERS website at:

<http://www.nd.gov/ndpers/providers-consultants/consultants/rfp-index.html>

This website will contain the RFP and other important information. Bidders should check these electronic pages regularly.

Proposals must be submitted no later than 5:00 PM (CST) on April 17, 2014 as indicated in the RFP. Questions concerning the RFP are due by April 8, 2014 and are to be emailed to Cheryl Stockert at cstocker@nd.gov

NDPERS HEALTH PLAN RFP Questions and Answers

1. What firm(s) does NDPERS currently utilize for its consulting services? For how long? If more than one firm, what services are provided by each firm?

Deloitte is the firm that NDPERS used for the last bid (fully insured only bid). They have been providing services to NDPERS since January 2010.

2. What form(s) and amounts of annual compensation have been in place for each of the past two years? How do the services delivered during that time compare to that requested in the RFP?

During the last two years annual compensation has been on a fee for service basis. Total payments for these services in 2012 were approximately \$106,000 (the fully insured bid and general consulting including ACA compliance, ERRP, RFP, Legislation and other) and in 2013 was \$25,000. The services during the period were for general consulting and one fully insured bid of the health plan. We did not bid the plan on a self insured basis due to the uncertainty relating to the Affordable Care Act (ACA).

3. Our firm's standing policy is to limit our liability to \$20 million. Will that amendment be acceptable? If not, is there any latitude, and would this preclude our proposal from consideration?

NDPERS is prohibited from entering into contracts that limit liability to the state for services of this type pursuant to NDCC § 32-12.2-15. So long as NDPERS considers the services provided to be low risk; however, the parties could agree to each assume its own liability. Please review the following sample language used in low risk contracts:

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

4. There are certain provisions in the proposed consulting agreement and BAA that we would like to discuss – indemnification language, insurance requirements, disposition of PHI, etc. – as a basis of entering into an agreement. While these changes have generally been acceptable to other governmental entities, will such requests limit in any way, or preclude, our consideration? Are any/all exceptions/requests for change to be included with our proposal?

Regarding issues involving indemnification language, please see response to Question #3. Regarding issues involving insurance language, while specific provisions of the insurance requirements may be discussed and potentially modified, NDPERS must generally abide by the insurance requirements established by the Risk Management Division of the North Dakota Office of Management and Budget. Regarding the Business Associate Agreement (BAA), so long as proposed modifications are consistent with both HIPPA requirements and NDPERS policy, modifications to the BAA may be considered.

5. Please confirm the services to be provided relate solely to medical and prescription drug benefits. If not, please indicate what other benefits, and corresponding services, are to be contemplated.

Correct

6. In conducting the RFPs, to what extent are fully insured/carve-out arrangements to be contemplated or Medicare eligible retirees? Medicare Part D/PDP plans?

The NDPERS Board will need to make a final decision on this and will look to the advice of the health consultant selected. Last time the plan was bid on a fully insured basis it was for a bundled product. However, since then legislation was enacted that allows NDPERS to bid the Rx coverage separately. The Board also has the authority to bid the HDHP/HSA plan separately.

7. To what extent are carve-out arrangements to be contemplated under a self-funded arrangement for:
 - a. Stop-loss insurance
 - b. Prescription drugs
 - c. PPO networks
 - d. Behavioral health
 - e. Disease management
 - f. Wellness

The last time the plan was bid on a self insured basis it was as a bundled product. However, the Board will look to the advice of the health consultant selected to make a final decision.

8. Confirm that the fixed fees to be provided are limited specifically to the development of the respective RFPs, and that all other services, including preliminary premium forecast, proposal analyses, presentations, implementation, etc., are to be conducted on a fee-for-service basis.

Correct

9. To what extent may travel time be billed, subject to the agreed upon hourly rate(s)?

Travel expenses may be billed separately at actual cost, subject to prior approval of the Executive Director of NDPERS.

10. Please verify that it is not acceptable to provide fixed hourly rates that vary by team staffing level.

That is correct. Page 13 of the RFP requests a composite rate.

11. Must the Agreement for Services and Business Associate Agreement that are included with the RFP be signed and submitted with our proposal? How are any questions or exceptions to be addressed?

Our preference is that the proposed agreements be signed and included. If you are proposing any changes, you may highlight them on the draft signed agreement.

12. It appears that interim billings for fixed fee project work is not permitted. Please confirm. Also, for services not subject to fixed fee pricing, please confirm that you are not seeking any not to exceed fee cap.

Interim billings will be allowed and no cap is requested.

13. Are there any PPACA employer shared responsibility issues that have not been addressed (ex: variable hour, part time, adjunct faculty, etc.) that would need to be addressed concurrent with the RFP process, in order for carriers to fully contemplate potential changes in the eligible population?

Yes, NDPERS is working with its participating employers at this time to get them up to date on their requirements. State law was modified last session to incorporate the requirements. Our largest participating employer, the state of North Dakota, has elected to use a 12 month look back. Consequently, for the state, we do not anticipate many new employees being eligible (100 or so). However, we will not know specifically the number from state and political subdivisions until after everyone has been enrolled at the end of this year.

14. Have you or are you currently working with a benefits consultant? How long have you worked with this firm? How has the requests for proposals been conducted in the past?

We have been working with Deloitte since 2010. They have worked on two RFP's for us, but they have been fully insured only.

15. Is there any particular reason why these services are out to bid? Do you go out to bid every two years?

The reason this is out to bid is because NDPERS Board policy is to periodically go to bid for these services.

16. Can you provide an estimate of the average annual billed fees/charges for these services historically?

Refer to question #2.

17. Has the decision to possibly self-insure been discussed in the past? If not, what prompted the inclusion of this possibility in the RFP?

NDPERS was last scheduled to bid the plan on a self insured basis in 2010. However, due to the ACA, NDPERS elected to bid it on a fully insured basis only for two years. Once again in 2012, the plan was bid on a fully insured basis for two years only due to the uncertainty of the ACA. At this point in time the Board is again willing to consider a self insured or fully insured arrangement since the effects of the ACA are clearer.

18. What do you value most in a consultant?

Responsiveness, produce thorough and reliable analysis, the ability to understand the job, the ability to anticipate issues that need to be considered, the ability to speak and write in a comprehensive manner to those not as familiar with the complicated issues that need consideration and adherence to the deliverables schedule.

19. How will a conflict of interest be determined, and if methods are identified to mitigate it in the proposal, how will they be approved.

The RFP (page 5) asks for the proposer to identify any potential conflicts of interest. The NDPERS Board will have the final review to determine if the conflict would be of such a nature to disqualify the proposal. Similarly, the NDPERS Board will review any suggested mitigation strategies by the proposer to determine if it is sufficient to offset the possible conflict.

20. Is the System open to conducting some meetings via teleconference or video conference? How often would you like to have in-person meetings?

Yes we are open to doing meetings via teleconference. Our Board meetings are regularly teleconferenced.

21. Are there any particular reasons you are going out to bid or is the issuance of an RFP to meet a requirement to solicit proposals?

Refer to question 15.

22. Will your current consultant/broker be allowed to bid? How long has your current consultant/broker been providing these services to NDPERS?

Yes. Refer to questions 2 and 14

23. When did NDPERS last issue an RFP for these services? Can you please provide all scoring documents related to the last RFP for these services?

2009 was the last bid for a health plan consultant. Attached is the scoring sheet. However, it should be noted that in 2009 an alternative method was used to select the consultant and for the services requested. Specifically, the Board wanted to review alternative methods to the traditional bidding procedure before moving forward. As a result, it was felt the pricing would be based on hourly rates since the scope of work was to be determined as the project moved forward and based upon the alternatives presented. With the passage of ACA, this effort was not completed and it was decided that we would do a fully insured bid only.

24. Cost proposals are given the considerable weight in scoring competing proposals. Please disclose what you paid for the development, issuance and evaluation of group health plan proposals last time you marketed your fully insured and self insured plans.

NDPERS has not done a fully insured and self insured bid since 2004. At that time the bid was awarded for a fully insured plan for six years. As noted in

question 17, in 2010 and 2012 we only bid on a fully insured basis due to ACA. In 2004 the work effort was bid entirely on a fixed fee basis. We received three fixed fee bids for \$45,500, \$27,000, and \$20,000. The Board selected the \$20,000 bid.

25. Please indicate the make-up of the RFP review team – not necessarily by names, but by positions in which departments.

The Executive Director, the Benefits Manager, the Manager of Benefits Planning and Research, and the Benefits Analyst.

26. Both the bids for the fully insured and self insured plans appear to be sequential (fully insured being first and self insured being second). Would NDPERS consider marketing these bids concurrently?

Our thought is that they would be marketed concurrently but analyzed sequentially.

27. Are member level claims and eligibility data available to be used for this project?

Yes

28. How many political subdivisions are eligible for the plan, but are currently not electing to join the plan? If possible, please provide the approximate number of employees associated with the non-participating political subdivisions.

We do not have that number. However, the following is information on the composition of the existing group.

HEALTH

PARTICIPATION

AGENCY

State	95
Counties	44
School Dist	27
Cities	52
Others	69
	287

EMPLOYEES

State	14,984
Counties	2,165
School Dist	1,196
Cities	1,746
Others	601
Legislators	131
Retirees	6,684
COBRA	404
	27,911

We note that we do not have, nor do we anticipate that we will have, many new political subdivisions joining the plan.

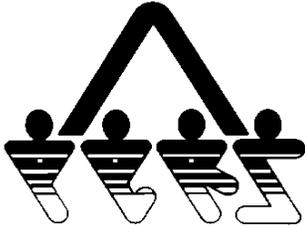
29. Please provide a copy of the most recent GASB 45 valuation performed for the plan.

Refer to attached.

30. How will a conflict of interest be determined and if methods are identified to mitigate it in the proposal how will they be approved.

The RFP (page 5) asks for the proposer to identify any potential conflicts of interest. The NDPERS Board will have the final review to determine if the conflict would be of such a nature to disqualify the proposal. Similarly, the NDPERS Board will review any suggested mitigation strategies by the proposer to determine if it is sufficient to offset the possible conflict.

NDPERS Group Health Plan Consulting Services RFP 2014					
		Deloitte	Hay	Segal	GBS
Minimum Qualifications (Y/N)		Y	Y	Y	Y
Conflicts of Interest					
Exceptions					
	POINTS				
1. Technical Approach					
a) Understanding of work	3	3.00	2.00	2.00	2.25
b) Timeline	4	3.75	3.25	3.75	3.00
c) Approach, project plan	4	3.75	2.25	2.75	2.00
d) Methodology	5	4.50	3.38	4.00	3.63
e) Bidding process	5	3.75	3.00	3.75	3.50
f) Exceptions	0				
g) Outline of product	2	1.25	2.00	1.25	1.50
h) NDPERS staff assumptions	2	0.00	1.75	1.50	2.00
Subtotal	25	20.00	17.63	19.00	17.88
2. Experience					
a) Firm experience	2	2.00	1.25	1.75	1.75
b) Similar projects	2	2.00	1.25	1.50	1.75
c) Part-D experience	2	2.00	2.00	1.50	1.25
d) Health premium experience	3	2.25	1.75	2.00	2.25
e) Wellness programs experience	2	1.00	1.50	1.50	1.00
f) Rx program experience	2	1.75	1.50	2.00	1.25
g) Vendor payment system exp	2	1.75	1.25	2.00	1.00
h) Client list	2	2.00	1.75	1.75	1.75
i) Network experience	1	1.25	1.13	1.25	1.00
j) Depth of experience	4	3.88	4.00	3.50	2.25
1. Benefit design	0				
2. Retiree health insurance	0				
3. Plan documents	0				
4. Member booklets	0				
5. Contract negotiations	0				
6. PPO development	0				
7. Actuarial analysis	0				
8. Contracts, bids, and RFP's	0				
9. COBRA administration	0				
10. Legal issues	0				
11. Disease Mgmt	0				
12. Wellness Programs	0				
13. RX carve out programs	0				
14. Legal assistance	0				
k) Legislative experience	2	2.00	1.75	1.75	1.38
l) Premium rate development	2	2.00	2.00	2.00	1.75
m) Cost containment programs	1	1.00	1.00	1.00	1.00
n) Self insured & stop loss	3	2.50	2.25	2.25	1.75
o) Services offered	0				
Subtotal	30	27.38	24.38	25.75	21.13
3. Staffing/Organization					
a) Resumes & project roles	10	9.25	7.25	8.50	7.75
b) Resume education & work history	15	13.50	11.25	12.00	10.25
Subtotal	25	22.75	18.50	20.50	18.00
4. Pricing					
Fixed fee fully insured proposal	6	6.00	0.86	3.00	1.82
Fixed fee self insured proposal	6	6.00	0.55	3.00	3.43
Fee for service composite rate	8	6.41	8.00	6.24	7.06
Subtotal	20	18.41	9.40	12.24	12.31
Grand Total:	100	88.54	69.90	77.49	69.31
Fixed fee fully insured proposal		\$5,000.00	\$35,000.00	\$10,000.00	\$16,500.00
Fixed fee self insured proposal		\$5,000.00	\$55,000.00	\$10,000.00	\$8,750.00
Fee for service composite rate		\$292.00	\$234.00	\$300.00	\$265.00
Hourly difference from Deloitte:			-\$58.00	\$8.00	-\$27.00
Extra hours to break even from fixed fees:			1379		565



**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: April 22, 2014
SUBJECT: Health Plan Bid

Jan will be at the next meeting to discuss the attached memo (Attachment #1) on the health plan bid. Since the statutes have changed since our last major bid in 2004, I asked her for her review. Attachment #2 is for your reference and is the statutory requirements relating to the bid.

As you will note from Jan's discussion and the statutory provisions, we have the following options when we go to bid:

Fully Insured	Self Insured
1. Fully Insured – Bundled all services	1. Self insured – Bundled all services
2. Fully Insured – all services except Rx & HDHP/HSA	2. Self insured – Bundled except for Rx and HDHP/HSA
3. Fully Insured – all services except Rx (active/retiree)	3. HDHP/HSA
4. Fully Insured – all services except HDHP/HSA	4. Rx (active/retiree)

Presently we have #1 above for fully insured with BCBS. As we approach the next bid, do we want to consider unbundling some of the service in the pricing to determine if their arrangements that may be more cost effective. For example, staying fully insured on the medical but self insuring the Rx or the HDHP/HSA. We can discuss this at the next meeting after you have heard from Jan.



Wayne Stenehjem
ATTORNEY GENERAL

STATE OF NORTH DAKOTA
OFFICE OF ATTORNEY GENERAL

STATE CAPITOL
600 E BOULEVARD AVE DEPT 125
BISMARCK, ND 58505-0040
(701) 328-2210 FAX (701) 328-2226
www.ag.nd.gov

April 22, 2014

Mr. Sparb Collins
North Dakota Public Employees Retirement System
PO Box 1657
Bismarck, ND 58502-1657

Dear Mr. Collins:

You asked me to review and outline what the fully insured and self-insured bid process requirements were under N.D.C.C. ch. 54-52.1 for the medical and hospital benefits and prescription drug coverage groups for both active and retired employees. Please except this letter in response to your request.

N.D.C.C. § 54-52.1-04 sets forth the initial steps the Board must take in this process and provides that the Board shall solicit bids for hospital benefits coverage, medical benefits coverage and prescription drug coverage and shall accept one or more bids of and contract with the carriers that in the judgment of the Board best serves the interests of the state and its eligible employees. As we have previously discussed, changes to the statutory requirements for the bid process requirements related to these categories were made during the 2011 legislative session in S.B. 2110. Specifically S.B. 2110 amended section 54-52.1-04 to clarify that the Board could accept bids from and contract with multiple carriers for these categories. As indicated in N.D.C.C. § 54-52.1-04.2 the Board may not establish a self-insured plan for the aforementioned categories unless the Board determines that such a plan is less costly than the lowest bid submitted by a carrier offering a fully insured option, with equivalent contract benefits, for these categories.

S.B. 2110 also amended section 54-52.1-04.2 by specifically unbundling bidding for prescription drug coverage from medical and hospital benefits coverage by setting out three categories of coverage for which a self-insured plan may be established. These categories are health insurance benefits coverage, health insurance benefits coverage excluding all or part of prescription drug coverage, or all or part of prescription drug coverage. In addition, N.D.A.C. § 71-03-01-02 states that bid solicitations may be for hospital and medical benefits coverage for active or retired members or both under a fully insured contract, self-insured coverage for active or retired members or both, and prescription drug coverage for active or retired members or both.

Mr. Sparb Collins
April 22, 2014
Page 2

While not specifically referenced in N.D.C.C. §§ 54-52.1-04, 54-52.1-04.2 or N.D.A.C. § 71-03-01-02, the High-deductible Health Plan alternative established under N.D.C.C. § 54-52.1-18 may also be bid separately and established as either a self or fully insured plan as it is specifically offered as an alternative to the hospital and medical benefits coverage provided under N.D.C.C. § 54-52.1-06.

While these provisions do provide the Board flexibility in crafting and evaluating bids for services under the aforementioned categories, as previously noted the Board is restricted from establishing a self-insured plan for any of these categories unless the Board determines that such a plan is less costly than the lowest bid submitted by a carrier offering a fully insured option with equivalent contract benefits.

Please let me know if I may be of further assistance in this matter.

Sincerely,



Janilyn K. Murtha
Assistant Attorney General

vkk

Process requirements in statute - general:

1. The board shall receive bids for the providing of hospital benefits coverage, medical benefits coverage(54-52.1-04 NDCC);
2. The board may receive bids separately for prescription drug coverage (54-52.1-04 NDCC);
3. The board shall accept one or more bids of and contract with the carriers that in the judgment of the board best serves the interests of the state and its eligible employees (54-52.1-04 NDCC)
4. In preparing bid proposals and evaluating bids, the board may utilize the services of consultants on a contract basis in order that the bids received may be uniformly compared and properly evaluated (54-52.1-04 NDCC).
5. The board may reject any or all bids and, in the event it does so, shall again solicit bids as provided in this section (54-52.1-04 NDCC).

Contract Timeframe

1. The board shall receive bids fora specified term (54-52.1-04 NDCC);
2. Upon establishing a self-insurance plan, the board shall solicit bids for an administrative services only or third-party administrator contract only every other biennium, and the board is authorized to renegotiate an existing administrative services only or third-party administrator contract during the interim (54-52.1-04.2 NDCC)

Bid Timeframes and Notice

1. Solicitations must be made not later than ninety days before the expiration of an existing uniform group insurance contract (54-52.1-04 NDCC)
2. All bids under this section are due no later than January first, and must be awarded no later than March first, preceding the end of each biennium. All bids under this section must be opened at a public meeting of the board. **(For self insurance)** (54-52.1-04.2 NDCC)
3. Bids must be solicited by advertisement in a manner selected by the board that will provide reasonable notice to prospective bidders (54-52.1-04 NDCC)

Decision Criteria (54-52.1-04 NDCC)

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

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

Self Insurance Requirements (54-52.1-04.2 NDCC)

- 1) The board may establish a self-insurance plan for providing:
 - a) Health insurance benefits coverage;
 - b) Health insurance benefits coverage excluding all or part of prescription drug coverage; or
 - c) coverage; or
 - d) All or part of prescription drug coverage
- 2) In addition, individual stop-loss coverage insured by a carrier authorized to do business in this state must be made part of any self-insured plan.
- 3) Any self-insurance plan under this section must be provided under an administrative services only (ASO) contract or a third-party administrator (TPA) contract under the uniform group insurance program,

Self insurance Decision Criteria (54-52.1-04.2 NDCC)

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.

Self insurance Reserve Requirement (54-52.1-04.3 NDCC)

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.

(54-52.1-04 NDCC)
(54-52.1-04.2 NDCC)
(54-52.1-04.3 NDCC)



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Public Employees Retirement System
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Bismarck, North Dakota 58502-1657

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

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

Memorandum

TO: PERS Board

FROM: Sparb

DATE: April 15, 2014

SUBJECT: Affordable Care Act (ACA) Implementation

NDPERS staff has been working with the OMB and Higher Education on the implementation of the Shared Responsibility provisions of the ACA and HB1059 which implemented those provisions in the NDCC. As you may recall, this last year the compliance date was moved from January 2014 to January 2015. As a result we moved back the compliance date for our participating employers with the approval of the Legislative Employee Benefits Committee. Consequently, our efforts were put on hold last year and are now restarting. Our updated implementation plan is:

1. The OMB has put together a pilot project group of state agencies to work on how they would implement the shared responsibility rules for their agency. We are having a meeting with them on April 30. BCBS will be providing a presentation on the ACA requirements and we will be asking each of the pilot agencies to apply these provisions to their work force. The goal is to see how they are able to apply the coverage and affordability provisions and identify issues that arise. We will work with them to resolve those issues. We hope to have worked through the entire provisions with them by the middle of June.
2. On July 10 we are going to have a statewide meeting for all our employer groups at the Civic Center. This will be a half-day meeting and we hope to record it for those who are unable to attend. The meeting will provide an overview of state law changes, the ACA requirements and presentations by the pilot group on their experience in applying these requirements to their respective workforces.
3. On July 15 and 16 we are having a general briefing with OMB for agency/campus executives.
4. The last step is going to be for PERS staff to act as a technical resource to employees as they work through their respective implementation efforts this fall.



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: April 22, 2014
SUBJECT: PPACA Fees

Part of the bid from BCBS for this biennium included paying the estimated fees associated with the Affordable Care Act (ACA). Below are details of the ACA fees that were built into the \$22.12 charge that was part of the bid. The largest portion of the fee is related to the ACA Insurer Fee that will be applied to all premiums – state programs are not excluded from this fee. The fees listed below are the estimates from the RFP and a majority of the actual fees are still unknown. BCBS is willing to handle the biennium with either of the following approaches:

- **Billed approach** – We would bill NDPERS monthly an estimation of the fees we are assessed for the administration of the NDPERS program. There would be a true up period at the end of the end of each year based on the final annual charges from the federal government. Note: This true up could be higher or lower for NDPERS than the fees included in the original estimates.
- **Estimation of fees** – We will include the estimated fees in the fully-insured premiums. BCBSND would take on the full responsibility for the fees regardless of actual fees assessed. This will provide an easier way for NDPERS to budget for the PPACA fees. We are happy to handle the PPACA fees however NDPERS would like.

A detailed explanation of the PPACA fees is listed below:

- Patient Centered Outcomes research tax: \$0.38 per contract per month (excludes Medicare contracts)
 - \$1 per member in 2013 (1/2 year used)
 - \$2 per member in 2014
 - \$2.06 per member estimated for 2015 (1/2 year used)

- Transitional Reinsurance Assessments: \$8.46 per contract per month (excludes Medicare contracts)
 - We relied on information that came from a Society of Actuaries sponsored study done by Milliman
 - 0% of premium for 2013 (1/2 year used)
 - 1.36% for 2014
 - 0.72% for 2015 (1/2 year used)
- PPACA Insurer Fee: \$13.28 per contract per month (excludes Medicare contracts)
 - We relied on work done by the Blue Cross Blue Shield Association for these estimates
 - 0% of premium for 2013 (1/2 year used)
 - 1.58% for 2014
 - 2.23% for 2015 (1/2 year used)



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: April 22, 2014
SUBJECT: Long Term Care Insurance

Background

For the last couple of years we have been studying our Long Term Care benefits. Attached is the memo that summarizes our efforts up to August 2013. At that time it was decided that we should refer the results of our study to PERS Benefits Committee for review and recommendation. At the January Board meeting we reviewed the suggestions of that committee. We noted that the committee discussed the following five options on how to proceed:

Options

#1	#2	#3	#4	#5
Issue an RFP	Request funding for employer payment of part of premium. <i>For every \$10 in premium support per month by the state, it would cost about \$150,000 per month or about \$3.6 million per biennium (assumes 15,000 state employees). Assuming the average classified salary is \$42,000 per year each \$10 is about .28% of salary. A \$40 premium support would be about 1.14% of payroll. Note: these numbers assume 100% participation</i>	Seek to expand the ND credit so it applies to the existing PERS LTC	As alternative to offering a product, we could develop an approach where we facilitate the flow of information on the importance of this product, how to purchase it in the marketplace, the significance of having a "partnership product" and the effect of age on pricing.	Try to get a product (with medical underwriting) that could be marketed to younger employees and for which the credit would pay most of the premium.

It was noted that the committee generally felt that LTC was important but to request funding for a partial employer contribution at this time would not be a good idea since our priorities should be getting the retirement plan back to 100% funded status and maintaining the health plan. Consequently, the general consensus of the PERS Benefits Committee was option #4. At the January Board meeting, the Board agreed to move forward with Option #4 as well, the following is from the minutes:

Long Term Care Insurance

Mr. Collins reviewed what has been discussed relating to long term care insurance with the Board. The key points that were discovered are: that long term care planning is an important consideration in planning for retirement; purchasing a long term care plan that is partnership qualified is key to accessing the tax credit; information from our consultant indicated that it would be unlikely that anyone would bid on an entirely voluntary plan; and that if employer paid a part of the premium and with the tax credit, that a group plan could draw a significant level of participation from our membership. This was brought before the Benefits Committee and they recommended, as an alternative to offering a long term care insurance product, that PERS facilitate the flow of information to members regarding the importance of this product, how to purchase it in the marketplace, and the significance of having a partnership product. The Board concurred on this approach and asked staff to prepare options for consideration.

Based upon the above direction, staff has developed the following concept and plan of action for going forward.

Concept

That PERS add another category to our offering of benefits called “Ancillary Benefits”. Long Term care would be our first. The Ancillary Benefit for long term care would be the tax credit available to all state employees who are citizens of North Dakota. Specifically, the credit equals the premiums paid during the tax year, up to a maximum credit of \$250. In the case of married individuals who file a joint return, where each spouse is covered by an eligible policy, the \$250 credit limit applies to each spouse (for a total maximum credit of \$500). We would encourage our members to consider using this credit by branding it and marketing it as a PERS Ancillary Benefit to pay for long term care coverage. The North Dakota Insurance Department maintains a list of approved North Dakota long term care plans and which ones have been approved for the partnership program that we could share with our members as a way to get started. In addition, we could provide a listing of brokers our members could call similar to how we manage the 457 plan.

Action Plan

Once we embrace this as an Ancillary Benefit, then we would:

1. Add this information to our website.
2. Include this information during annual enrollment.
3. Develop and post videos to our website about long term care.

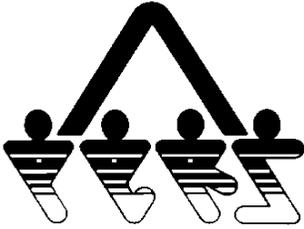
4. Include this information in our PREP, New Employee and Mid Career Seminars.
5. Add it our new hire kit.
6. Consider having an annual benefits newsletter and featuring it in that publication.
7. Have special promotions to young employees for whom the \$250 annual credit could pay for entire policy.

Future Actions

If we find that the Ancillary Benefits concept is workable, we could add similar programs such as the "Saver Credit", the 429 program and we could move our flex program employer sponsored products to this category. This would allow us to brand all of these benefits in a consistent manner for communication to our members and help to make sure they know, understand, and if applicable, take advantage of these other programs.

Board Action Requested

Approve the above approach.



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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: August 14, 2013
SUBJECT: Long Term Care Insurance

Since 2012 we have looked into the long term care (LTC) program and our option to go out to bid. The present product that we offer is Unum. It is not a partnership eligible product and its design is old. Since we selected this product many years ago, numerous improvements have been added to LTC plans including the partnership program. Our product is not eligible for that program.

Study Process To Date

1. April of 2012– In April of 2012 we started our process to go out to bid. To get background on the LTC market we contacted Schmidt Insurance to give a presentation. They attended the meeting and their presentation is Attachment #1. We learned the following:
 - a) 70% of people who reach age 65 will require long term care services.
 - b) Average length of majority of LTC claims is 3.8 years.
 - c) The average cost of assisted living services is \$38,220, for in-home care is \$43,472 and for nursing home is \$72,190.
 - d) One out of 10 people who apply for LTC insurance ages 50-59 are declined, from ages 60-69 the decline rate doubles and decline rate for 70+ is 45%. Worksite LTC can provide expanded underwriting options.
 - e) North Dakota provides an annual tax credit of \$250 per person for someone who purchases a partnership qualified product and \$500 per couple.

At that meeting we also reviewed the attached relating to our existing carrier.



News from Unum regarding our long term care business
Feb. 7, 2012

Dear valued sales partner:

After a careful and comprehensive review, we have decided to end sales of new group long term care contracts. Although we recognize there is a market need for products to help individuals pay for long term care expenses, current economic, pricing and risk factors make it impossible for us to meet our financial and risk management objectives.

Unfortunately, we are not the only insurer to reach this conclusion as many others have now exited the long term care market given the combination of historically low interest rates and the uncertainty of risk and pricing trends.

The decision to end new group long term care sales is in the best interest of all of our policyholders, as it allows us to sharpen our focus on the markets and products that provide the greatest long-term opportunity for our company and are more compatible with our financial and risk management objectives.

This decision will not impact the high quality of service we provide to current policyholders and claimants. Additionally, we will continue to accept new enrollees on existing contracts.

Below are additional details about the changes that will affect you:

- As of Feb. 7, 2012, no additional group long term care quotes will be issued.
- Quotes issued prior to Feb. 7, 2012, are valid for 90 days from the date they were issued.
- Quotes will be considered sold if an application is signed prior to the 90-day window closing.
- Unum will honor all cases that have been sold and are in the enrollment process.
- New enrollees can be added to all inforce cases, according to the eligibility provisions in their contracts.

Additional information is [available here](#). If you have any additional questions, please contact your Unum service or sales representative or local manager. In addition, general questions can be directed to our Customer Support area at 800-227-4165, Monday through Friday from 8 a.m. to 8 p.m. Eastern time.

2. December of 2012 – with the above background we had our consultant go to work on a RFP for LTC. In December of 2012 we received the draft RFP for our review and it is Attachment #2. We also noted the following from our consultant relating to our RFP:

I've delayed sending this pending responses to a Request for Information conducted by another state client. That client has been with Prudential and currently covers over 10,000 participants in its group long term care plan. In response to the RFI, no company indicated that it will be willing to submit a proposal if the state issues an RFP. We can go ahead with your solicitation; however it is unlikely that any company will respond.

Given the above and some questions on the RFP, it was decided to not distribute it and to schedule a meeting with GRS to discuss.

3. March of 2013 – in March the Board had a conference call with Bill Hickman with GRS. The following is from our minutes relating to that discussion:

Ms. Allen reported that Mr. Hickman with Gabriel Roeder Smith was attending via conference call to present information regarding long term care insurance products and the RFP they recently prepared

for PERS. Mr. Hickman reported that nationwide there are only a few companies in the market that offer group long term care insurance products. The policy presently offered by PERS is not a group product since there was not sufficient interest generated to meet the minimum participation requirement and it is not partnership qualified. An observation is that any product offered by PERS can be purchased by members as effectively directly from the market.

The Board discussed this and concluded that Schmidt Insurance Agency be invited to present additional information on long term care insurance for further consideration before the decision is made to do a request for proposal for our members. Chairman Strinden indicated that this will be put on a future agenda for further review and discussion.

4. June of 2013 - At his meeting Gene Schmidt of SIA presented information to the Board. Their firm specializes in Long Term Care products nationally and they have been active in this area for many years. In inviting him, I did share with him one of the issues we had been struggling with:

As I mentioned we are having a difficult time determining what value we can bring to our members by offering a PERS sponsored LTC plan. That is a group plan, if available, seems to be more expensive for a majority of our members compared to what they can buy on their own in the marketplace. If that is the case it may be better for our members to purchase the product through the existing distribution system than us. Your perspective will be very helpful so thanks again for coming to our meeting.

Attachment #3 is copy of his presentation. Some of the things we learned from his presentation were:

- a) Gender pricing has entered the market and underwriting requirements have been enhanced.
- b) Relating to gender pricing:
 - a. Females incurred 67% of claims and 69% of benefit dollars
 - b. Home Care incidence rates for females is more than double that for males
 - c. Mortality for males averages 33% greater than for females
- c) The cost of care is increasing:
 - a. The national average monthly rate for a semi-private nursing home is up 4.5% to \$76,285*
 - b. The national average monthly rate for an assisted living facility is up 5% to \$40,200*
 - c. The national average daily rate for adult day care is up 4.5% to \$69 *
 - d. \$750,000 projected average cost of three years of care in 30 years**
- d) Underwriting requirements have been substantially increased for individual policies however for group policies they can be significantly less. He shared the following to demonstrate the difference:

MODIFIED GUARANTEE ISSUE – Answer Questions in SECTION A only.
SIMPLIFIED ISSUE- Answer Questions in SECTIONS A & B.
FULL UNDERWRITING - Answer Questions in SECTIONS A, B & C.

A. 1. During the last 6 MONTHS, have you been continuously and actively at work for your current employer for a minimum of 90 hours per week (away from home, except for vacation)? Yes No
2. During the last 6 MONTHS, have you missed more than five consecutive days of work due to accidents, injury, sickness or any physical or cognitive impairment? Yes No
3. During the last 12 MONTHS, have you ever required assistance or supervision of any kind to perform any everyday activity, such as mobility (including the use of pronged canes), taking medications, dressing, eating, walking, bathing, transferring, or toileting? Yes No

If any question 4 – 9 is answered Yes, You are not eligible for coverage.

B. 4. Have you EVER had, or been diagnosed, treated or had symptoms of any of the following conditions? Yes No
If Yes, please check the applicable condition(s):
 Alzheimer's disease Dementia or Senility Osteoporosis with fractures
 Angulation due to disease Mobility Deficit Paraplegia or Quadriplegia
 Amyotrophic Lateral Sclerosis Multiple Sclerosis Parkinson's disease
 Lou Gehrig's disease Muscular Dystrophy Polymyositis
 Arthritis with narcotic pain medication Myasthenia Gravis Scleroderma
 Cerebrovascular Accident* (Stroke, CVA, TIA) Huntington's Chorea Memory loss requiring medical consultation

*if applicant has had a single Cerebrovascular Accident more than 2 years ago, complete Section C.

5. Have you ever been diagnosed by a medical practitioner as having AIDS (Acquired Immune Deficiency Syndrome) or tested positive for HIV? Yes No
6. During the last 3 YEARS, have you used over 60 units of insulin per day to treat Diabetes, or have you been diagnosed or treated for Diabetes WITH COMPLICATIONS (neuropathy, retinopathy, Heart Disease, Stroke), Chronic Hepatitis or Cirrhosis, alcohol abuse, drug or prescription drug addiction, or Transient Global Amnesia? Yes No
7. During the last 12 MONTHS, have you used a catheter, dialysis, oxygen equipment, a quad or three-pronged cane, respirator, walker, wheelchair, crutches, motorized scooter or chair lift? Yes No
8. During the last 12 MONTHS, have you been confined to a nursing home, assisted living facility, attended an adult day care facility, or required home health care? Yes No
9. Do you have a direct family history (parents or siblings) of Huntington's Chorea or Polycystic Kidney Disease? Yes No

10. Are you currently taking or been prescribed any prescription drugs or medications? Yes No
If Yes, please list all:

C. 11. Have you EVER had, been diagnosed with, treated for, or had symptoms of:
a) COPD (Emphysema) with oxygen use, or steroid medications? Yes No
b) Multiple Strokes (CVA's), or Metastatic or Multi-site Cancer? Yes No
12. In the last 24 MONTHS, have you had a Single Stroke (CVA or TIA)? Yes No
13. In the last 12 MONTHS, have you had Cardiomyopathy? Yes No
14. Within the last 3 MONTHS, have you had a Heart Attack (MI) or Chest Pain; uncontrolled Blood Pressure; Hip or Back Surgery; or Cancer? Yes No
15. In the last 5 YEARS, have you been diagnosed with, received treatment for, or had symptoms of:
a) Chronic Lymphocytic Leukemia, Diabetes, Cancer or Macular Degeneration? Yes No
b) Arthritis, Osteoporosis, Rheumatoid Arthritis, Fibromyalgia, Fractures, Joint Replacement or used a straight cane? Yes No
c) Heart Attack, Chest Pain, Heart Disease, Congestive Heart Failure (CHF), High Blood Pressure, Heart Murmur, Cardiomyopathy or Peripheral Vascular Disease? Yes No
d) Stroke, Cerebrovascular Accident (CVA), Transient Ischemic Attack (TIA), Aneurysm, Irregular heartbeat, Carotid Artery Stenosis, or Heart Surgery? Yes No
e) Mental or cognitive disorder including memory loss, confusion, disorientation, mental retardation, depression; or Epilepsy? Yes No
f) Asthma, Chronic Obstructive Pulmonary Disease (COPD), or Emphysema? Yes No
g) Dizziness, fainting, blurred vision, convulsions, paralysis, falls, loss of balance or strength? Yes No
h) Any condition requiring treatment, surgery, home care or hospitalization, but not mentioned above (NOT including routine Colds, Flu, etc.) or unplanned weight loss of 15 lbs or more? Yes No
16. In the last 12 MONTHS, has any medical treatment, follow-up, diagnostic testing, or surgery been recommended, but not yet completed? If Yes, give details: Yes No
17. Do you have a handicap sticker, handicap placard, or handicap license plate? Yes No

18. Give details for all Yes answers. FOR EVERY MEDICATION THERE SHOULD BE A CONDITION AND FOR MOST CONDITIONS THERE SHOULD BE A MEDICATION OR TREATMENT.

Question #	Nature of Condition/Medication	Date Last Treated/ Medication Taken	Name of Physician Seen/ Physician's Address

PRIMARY PHYSICIAN'S NAME: _____ TELEPHONE NUMBER: _____ HMO/PPO ID# (if known): _____
ADDRESS: _____ DATE LAST CONSULTED: _____
REASON LAST SEEN: _____

As shown in the above, if you are in a group policy you only need to answer the questions in Section A or A&B; however, if you are purchasing an individual product you go through full underwriting, you need to answer all the questions. Consequently, Mr. Schmidt noted that a group plan can bring a lot of value to its employees by having an abbreviated underwriting form. However, he did note that this all depends on volume. Companies look at volume for pricing. He couldn't give us a price because he would have to send the census in and show how many people are involved and what percentage they think will be insured. The percentage participating is going to be based on if the state will pay anything toward the premium or not. Concerning premium, he indicated the greater the level of employer support the greater the level of participation which will drive volume and overall pricing/underwriting for the group. Mr. Schmidt estimated between the tax credit and \$50 per employee per month, an average age of 40, probably could buy \$100,000 to \$150,000 worth of coverage which would be inflation indexed. This would be \$150 a day plan for a total of \$150,000 worth of coverage.

5. What are the key points that we have discovered.

- a. LTC planning is an important consideration in planning for retirement.
- b. Purchasing a LTC plan that is "partnership" qualified is the key to accessing the tax credit.
- c. The information from GRS indicated that an entirely voluntary plan (fully paid by the employee) would likely not get any interest in the market. Also there would likely be no preferential underwriting. With this understanding, an employee could buy a product just as effectively in the individual market directly from a local agent than through us.
- d. That if the employer paid a part of the premium and with the tax credit a group plan could likely draw a significant level of participation from its membership which would:

- i.* Reduce the underwriting requirement making the plan more accessible
 - ii.* Help with the overall pricing
- e. For every \$10 in premium support per month by the state, it would cost about \$150,000 per month or about \$3.6 million per biennium (assumes 15,000 state employees). Assuming the average classified salary is \$42,000 per year each \$10 is about .28% of salary. A \$40 premium support would be about 1.14% of payroll. Note: these numbers assume 100% participation.

Options For Going Forward

1. Move forward with the RFP from GRS. However, based upon the information received we will likely not get any group plan offers.
2. Accept the offer from Schmidt Insurance Agency and provide them census information on our plan and get a quote from one of their affiliated LTC firms. As part of this we would need to also supply them information on proposed employer premium participation. This information could be shared with the PERS Benefits Committee to get their recommendation for you about adding such a benefit. After review of this information and any recommendation from the Benefits Committee, consideration could be given to preparing a proposed bill to be submitted to the Legislative Employee Benefits Committee early next year.
3. The above information, not including the information in #2 above could be referred to the PERS Benefits Committee which will be meeting this fall. The Committee could discuss the information you have received thus far and share with you their thoughts. After hearing from them you could either move forward with the offer from Schmidt Insurance Agency or you could decide if you want to submit a proposed bill or not based upon the information received thus far and any information from the Benefits Committee.
4. You could decide not go forward with an RFP based upon the following:
 - a. That it would not be feasible to request funding for a LTC premium benefit based upon the costs and the needs for funding in the other core benefits
 - b. That without an employer premium payment, PERS cannot add any value to the member in terms of underwriting or premiums that they could not get directly from a local agent.

As alternative to offering a product, we could develop an approach where we facilitate the flow of information on the importance of this product, how to purchase it in the marketplace, the significance of having a “partnership product” and the effect of age on pricing. We could add this to our PREP seminars and our new seminar that will be rolled out next year oriented to younger members about the importance of planning for retirement. In addition, we could do a web video and put it on our web site.

Board Action Requested

Provide guidance on how to proceed with the LTC effort.



**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: April 16, 2014
SUBJECT: HIPAA Business Associate Agreement with BCBS

Attached is an updated HIPAA Business Associate Agreement with BCBSND.

BCBS has proposed changes which have been reviewed by staff and Jan.

We are requesting approval of this 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 Blue Cross Blue Shield of North Dakota (BCBSND), 4510 13th Avenue SW, Fargo, ND 58121-0001.

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 **BCBSND**.
- 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, attempted or successful unauthorized access, use, disclosure, modification, or destruction of Covered Entity's information systems (Security Incident)~~ 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.

With regard to attempted unauthorized access, use, etc., Business Associate and Covered Entity recognize and agree that the significant number or meaningless attempts to, without authorization, access, use, disclose, modify or destroy Electronic PHI will make real-time reporting formidable. Therefore, Business Associate and Covered Entity agree to the following reporting procedures for Security Incidents that result in unauthorized access, use, disclosure, modification or destruction of information or interference with system operations (Successful Security Incidents) and for Security Incidents that do not so result (Unsuccessful Security Incidents).

For Unsuccessful Security Incidents, Business Associate and Noridian agree that this Agreement constitutes notice from Business Associate of such Unsuccessful Security Incidents. By way of example, Noridian and Business Associate consider the following to be illustrative of Unsuccessful Security Incidents when they do not result in unauthorized access, use, disclosure, modification, or destruction of Electronic PHI or interference with an information system:

1. Pings on Business Associate's firewall,
2. Port scans,
3. Attempts to log on to a system or enter a database with an invalid password or username,
4. Denial-of-service attacks that do not result in a server being taken off-line, and
5. Malware (e.g., worms, viruses).
6. Internal security breaches
7. Software/hardware failures

- 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 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, 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 October 1, 2013 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~~

3.2. ~~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 **BCBSND** [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



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

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

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

Memorandum

TO: NDPERS Board

FROM: Kathy & Sparb

DATE: April 21, 2014

SUBJECT: Delta Dental Plan Renewal

Effective January 1, 2013, Delta Dental of Minnesota was awarded the bid for the group dental plan. The contract expires December 31, 2014. We have included the Delta Dental renewal proposal effective January 1, 2015. Delta proposed two options for the Board's consideration:

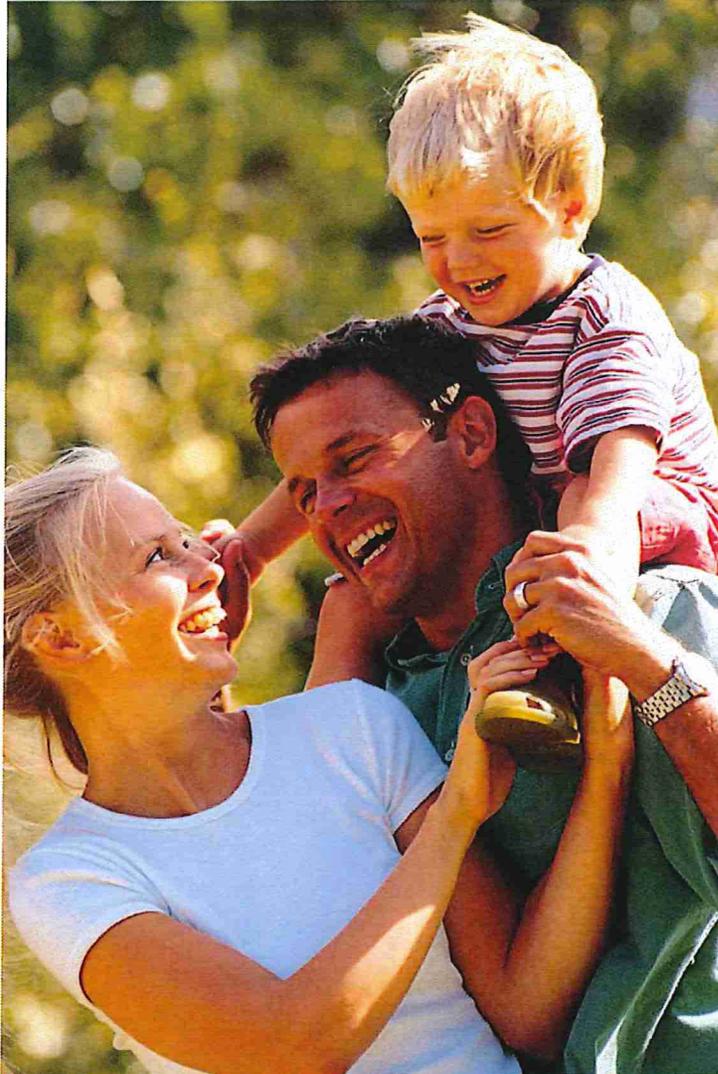
- A premium neutral proposal for a one-year period from January 1, 2015 through December 31, 2015.
- A two-year proposal with a 2% premium increase for the period January 1, 2015 through December 31, 2016. Following are the current rates and the proposed renewal rates for this option:

Current		Proposed 1/1/2015
Emp Only	\$ 38.26	\$ 39.04
Emp + Spouse	\$ 73.84	\$ 75.32
Emp + Child(ren)	\$ 85.72	\$ 87.44
Emp + Family	\$122.08	\$124.52

The Board has the option to have Deloitte conduct a formal analysis and evaluation of the Delta Dental renewal. If so directed, staff will request Deloitte's evaluation be available for review at the May 22nd meeting at which time the Board can determine whether to accept one of the proposals, further negotiate with Delta Dental, or go out to bid for dental plan services. The Board may also consider whether representatives of Delta Dental be present or available for the May 22 meeting to respond to any questions.

BOARD ACTION REQUESTED

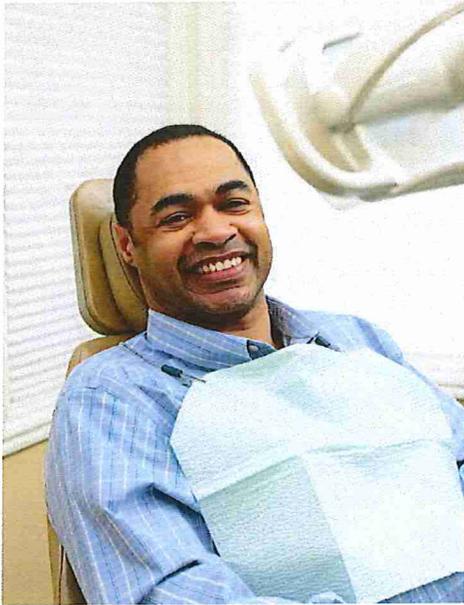
- Determine whether to have Deloitte conduct an evaluation of the Delta Dental renewal proposal.
- Whether representatives of Delta Dental should be available for the May 22 meeting.



2015 Premium Rate Proposal For:

North Dakota Public Employees Retirement System

April 2014



Executive Summary:

“RELIABILITY. STABILITY. CONSISTENCY.SM”

Providing stability in an unsure environment. This might seem like a tall order in today’s challenging economy. But doing things the right way allows Delta Dental of Minnesota to remain a stable, reliable and consistent dental benefits partner. **We’re proud of our:**

Unmatched Service. In our annual subscriber survey, 95 percent of respondents were satisfied with our quality of service. The numbers back this up: 99 percent of claims were paid in 14 calendar days with 99 percent processing and payment accuracy. Phone calls were answered in an average of 18 seconds, with more than 97 percent of questions resolved during the first call.

Large Dentist Network. Delta Dental maintains a network of participating dentists that includes more than 260 (66%) dentists in North Dakota. Nationally, Delta Dental PPOSM has about 89,500 participating dentists. Delta Dental Premier[®] is the largest dental network in the country with about 145,000 participating dentists. You get the best of both worlds with the combination of the two Delta Dental networks.

Consistent and measurable performance is vital to our relationship. To help you evaluate your dental benefits program, we are pleased to provide you with a personalized analysis of your group’s cost, savings and utilization trends.

Thank you for choosing Delta Dental. We look forward to serving your company’s dental benefits needs in the future.

Summary Highlights for NDPERS:

Categories	Current Experience Period 3/1/13 – 2/28/14	Delta Dental Average
Average Enrollment	7,554	
Paid Claims	\$5,223,883	
Average Claim Cost/EE	\$691.54	\$600.67
Average Cost per Claim	\$158.43	\$154.24
EOB’s per Employee	4.4	3.9



RENEWAL CALCULATION

Group Name North Dakota Public Employees Retirement System
Group Number 537482
Renewal Period: January 1, 2015 through December 31, 2015
Experience Period: March 1, 2013 through February 28, 2014

Paid Premium \$6,355,767

Incurred Claims \$5,223,526

Estimated Unpaid Claim Liability*: \$82,199

* EUCL has already been added to the incurred claim total

Average Experience Period Enrollment:

Employee	3,389
Ee + Sp	1,825
Ee + Ch (n)	542
Family	1,798
Total	7,554

Trend Factor: 6.68%

Trend is calculated from the mid-point of the experience period to the midpoint of the renewal period using the following trend factors:

4.00%	in 2012 & 2013
3.50%	in 2014 & 2015

Benefit Adjustment Factor (BAF): 0.00%

Benefit Adjustment Factor is needed if any benefit changes are proposed for the upcoming contract period.

Projected Incurred Claims: \$5,572,526

Proposed Increase: 0.00%

Rates:

	Current Rates	New Rates
Employee	\$38.26	\$38.26
Employee+Sp	\$73.84	\$73.84
Employee+Ch(n)	\$85.72	\$85.72
Family	\$122.08	\$122.08

Note: Our rates include all applicable taxes and fees

N/A Broker Commission
88.68% Target Loss Ratio

BPM
4/14/14



**RENEWAL CALCULATION
24 MONTH CONTRACT**

Group Name North Dakota Public Employees Retirement System

Group Number 537482

Renewal Period: January 1, 2015 through December 31, 2016

Experience Period: March 1, 2013 through February 28, 2014

Paid Premium \$6,355,767

Incurred Claims \$5,223,526

Estimated Unpaid Claim Liability*: \$82,199

* EUCL has already been added to the Incurred claim total

Average Experience Period Enrollment: Employee 3,389

Ee + Sp 1,825

Ee + Ch (n) 542

Family 1,798

Total 7,554

Trend Factor: 6.68%

Trend is calculated from the mid-point of the experience period to the mid-point of the renewal period using the following trend factors:

4.00% in 2012 & 2013

3.50% in 2014 & 2015

Benefit Adjustment Factor (BAF): 0.00%

Benefit Adjustment Factor is needed if any benefit changes are proposed for the upcoming contract period.

Projected Incurred Claims: \$5,572,526

Proposed Increase: 2.00%

Rates:	Current Rates	New Rates
Employee	\$38.26	\$39.04
Employee+Sp	\$73.84	\$75.32
Employee+Ch(n)	\$85.72	\$87.44
Family	\$122.08	\$124.52

If the number of enrolled employees deviates from the above enrollment by 10% or more during the contract period, Delta reserves the right to re-evaluate the fees/rates and restrict funding options.

Note: Our rates include all applicable taxes and fees

N/A Broker Commission BPM
88.68% Target Loss Ratio 4/14/14



North Dakota Public Employees Retirement System

MONTHS	INCURRED CLAIMS	PAID PREMIUM	EMPLOYEE	EMPLOYEE+ SPOUSE	EMPLOYEE+ CHILD(REN)	FAMILY	TOTAL EMPLOYEES
MAR-2013	\$412,127.82	\$511,705.48	3,298	1,756	519	1,739	7,312
APR-2013	\$415,287.44	\$513,166.04	3,299	1,765	516	1,744	7,324
MAY-2013	\$441,519.19	\$514,318.82	3,313	1,772	520	1,742	7,347
JUN-2013	\$393,862.05	\$516,704.00	3,330	1,780	524	1,739	7,373
JUL-2013	\$462,267.57	\$518,642.84	3,335	1,801	523	1,753	7,412
AUG-2013	\$434,448.94	\$521,627.84	3,362	1,815	524	1,765	7,466
SEP-2013	\$364,099.17	\$527,687.04	3,427	1,835	535	1,777	7,574
OCT-2013	\$435,715.73	\$533,191.10	3,426	1,846	539	1,785	7,596
NOV-2013	\$379,147.81	\$533,493.12	3,437	1,848	541	1,795	7,621
DEC-2013	\$370,340.68	\$533,186.62	3,433	1,849	541	1,799	7,622
JAN-2014	\$601,621.86	\$563,459.92	3,504	1,916	607	1,963	7,990
FEB-2014	\$513,087.88	\$568,584.46	3,500	1,920	610	1,978	8,008
AVERAGE	\$435,293.85	\$529,647.27	3,389	1,825	542	1,798	7,554
TOTAL	\$5,223,526.14	\$6,355,767.28					
LOSS RATIO	82.2%						

DELTA DENTAL OF MINNESOTA**ENROLLMENT AND PREMIUM/PAID CLAIMS****North Dakota Public Employees Retirement System**

MONTHS	PAID CLAIMS	PAID PREMIUM	EMPLOYEE	EMPLOYEE+ SPOUSE	EMPLOYEE+ CHILD(REN)	FAMILY	TOTAL EMPLOYEES
MAR-2013	\$415,352.67	\$511,705.48	3,298	1,756	519	1,739	7,312
APR-2013	\$453,329.64	\$513,166.04	3,299	1,765	516	1,744	7,324
MAY-2013	\$460,973.39	\$514,318.82	3,313	1,772	520	1,742	7,347
JUN-2013	\$372,633.97	\$516,704.00	3,330	1,780	524	1,739	7,373
JUL-2013	\$433,075.48	\$518,642.84	3,335	1,801	523	1,753	7,412
AUG-2013	\$446,990.54	\$521,627.84	3,362	1,815	524	1,765	7,466
SEP-2013	\$388,976.39	\$527,687.04	3,427	1,835	535	1,777	7,574
OCT-2013	\$409,999.27	\$533,191.10	3,426	1,846	539	1,785	7,596
NOV-2013	\$409,310.82	\$533,493.12	3,437	1,848	541	1,795	7,621
DEC-2013	\$394,700.28	\$533,186.62	3,433	1,849	541	1,799	7,622
JAN-2014	\$539,944.32	\$563,459.92	3,504	1,916	607	1,963	7,990
FEB-2014	\$498,596.39	\$568,584.46	3,500	1,920	610	1,978	8,008
AVERAGE	\$435,323.60	\$529,647.27	3,389	1,825	542	1,798	7,554
TOTAL	\$5,223,883.16	\$6,355,767.28					
LOSS RATIO	82.2%						

Customer # 0000348815
 Group # 537482
 March 2013-February 2014



North Dakota Public Employees Retirement System

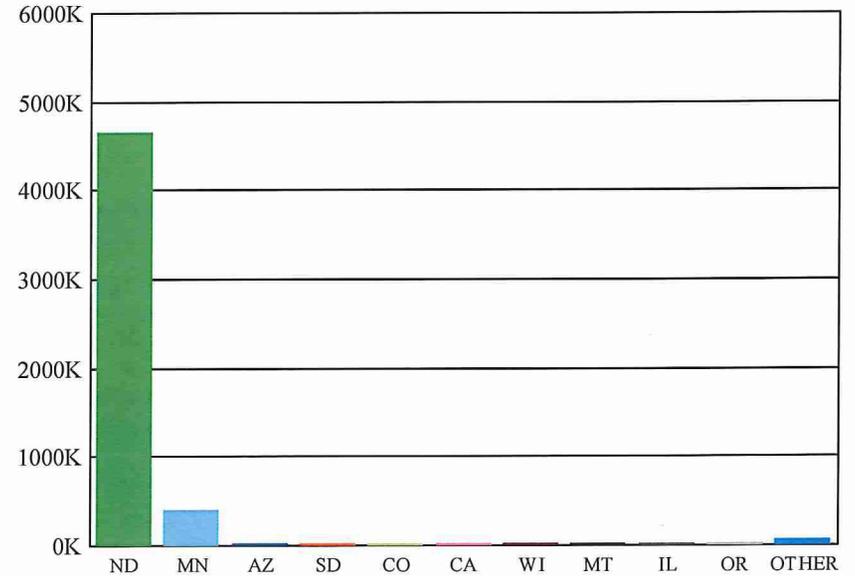
BENEFIT LEVEL	CURRENT PERIOD (3/1/13-2/28/14)					DDMN
	SUBSCRIBER CLAIMS PAID	SPOUSE CLAIMS PAID	CHILD CLAIMS PAID	TOTAL CLAIMS PAID	% OF TOTAL	AVG % OF TOTAL
DIAGNOSTIC	\$657,023	\$286,298	\$372,900	\$1,316,220	25.20%	22.86%
PREVENTIVE	\$599,289	\$253,401	\$439,583	\$1,292,274	24.74%	21.58%
BASIC RESTORATIVE	\$394,382	\$174,517	\$211,319	\$780,218	14.94%	14.37%
ENDODONTIC	\$160,183	\$77,515	\$19,241	\$256,940	4.92%	5.79%
PERIODONTICS	\$131,653	\$56,401	\$4,770	\$192,825	3.69%	5.42%
ORAL SURGERY	\$79,924	\$43,266	\$154,194	\$277,383	5.31%	6.30%
MAJOR	\$430,982	\$202,334	\$26,780	\$660,096	12.64%	13.88%
PROSTHODONTICS	\$42,065	\$25,181	\$0	\$67,245	1.29%	2.48%
PROSTHODONTICS-FIXED	\$56,383	\$22,485	\$2,546	\$81,414	1.56%	1.63%
ORTHODONTICS	\$44,050	\$11,566	\$243,586	\$299,201	5.73%	5.69%
TOTAL	\$2,595,968	\$1,152,982	\$1,474,932	\$5,223,883	100.00%	100.00%



North Dakota Public Employees Retirement System

STATE	PAID CLAIMS	% OF TOTAL PAYMENT
ND	\$4,645,730.45	88.93%
MN	\$395,131.45	7.56%
AZ	\$26,135.18	0.50%
SD	\$23,815.00	0.45%
CO	\$19,808.79	0.37%
CA	\$11,941.73	0.22%
WI	\$11,617.90	0.22%
MT	\$11,568.20	0.22%
IL	\$8,827.73	0.16%
OR	\$7,841.60	0.15%
TOP 10 TOTAL	\$5,162,418.03	98.78%
ALL OTHER	\$61,465.13	1.03%
TOTAL CLAIMS PAID	\$5,223,883.16	100.00%

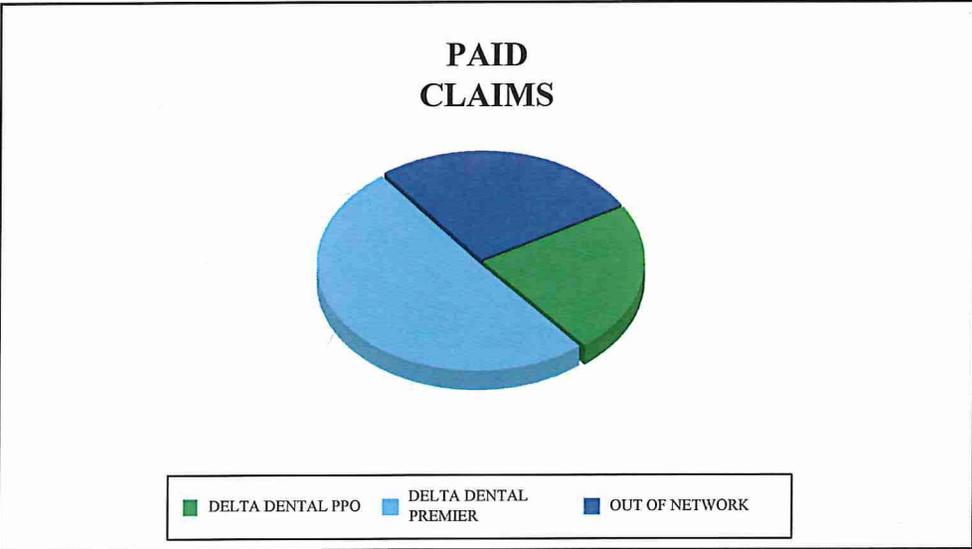
PAID CLAIMS BY STATE





North Dakota Public Employees Retirement System

NETWORK	UNIQUE PATIENTS	% OF UNIQUE PATIENTS	UNIQUE PROVIDERS	% OF UNIQUE PROVIDERS	CLAIMS	% OF CLAIMS	PAID CLAIMS	% OF PAID CLAIMS
DELTA DENTAL PPO	2,940	19.99%	305	28.99%	5,612	17.02%	\$1,176,933.03	22.53%
DELTA DENTAL PREMIER	8,111	55.16%	538	51.14%	18,822	57.08%	\$2,636,748.92	50.47%
TOTAL DELTA DENTAL PROVIDERS	11,051	75.15%	843	80.13%	24,434	74.11%	\$3,813,681.95	73.00%
OUT OF NETWORK PROVIDERS	3,654	24.85%	209	19.87%	8,538	25.89%	\$1,410,201.21	27.00%
TOTAL	14,705	100.00%	1,052	100.00%	32,972	100.00%	\$5,223,883.16	100.00%





North Dakota Public Employees Retirement System

PROPHYLAXIS (CLEANINGS) IN ADDITION TO PERIODONTAL MAINTENANCE	UNIQUE MEMBERS	% OF TOTAL MEMBERS	MEMBERS COVERED
CLEANINGS WITHOUT PERIODONTAL MAINTENANCE (CODES 1110 AND 1120)			
ONE CLAIM	5,089	26.10%	
TWO CLAIMS	5,701	29.24%	
THREE OR MORE CLAIMS	477	2.45%	
TOTAL	11,267		19,498
CLEANINGS WITH PERIODONTAL MAINTENANCE (CODES 1110, 1120, 4910)			
ONE CLAIM	0	0.00%	
TWO CLAIMS	34	0.17%	
THREE OR MORE CLAIMS	80	0.41%	
TOTAL	114		19,498
NO CLEANINGS - JUST PERIODONTAL MAINTENANCE			
CLAIMS	496	2.54%	19,498

	CLEANINGS WITHOUT PERIODONTAL			CLEANINGS WITH PERIODONTAL		
	ONE CLAIM	TWO CLAIMS	THREE OR MORE CLAIMS	ONE CLAIM	TWO CLAIMS	THREE OR MORE CLAIMS
EMPLOYEE	2,092	2,745	272	0	28	61
SPOUSE	1,092	1,122	129	0	6	19
CHILD	1,905	1,834	76	0	0	0
TOTAL	5,089	5,701	477	0	34	80



North Dakota Public Employees Retirement System

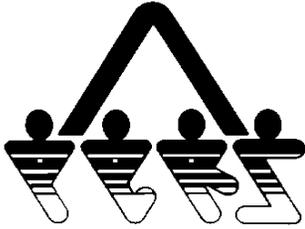
ANNUAL MAXIMUM AMOUNT REACHED	# OF MEMBERS	% OF MEMBERS
\$1-\$499	9,217	51.0%
\$500-\$750	1,218	6.7%
\$751-\$999	714	3.9%
\$1,000	1,118	6.2%
TOTAL	12,267	67.8%
TOTAL ENROLLED	18,087	

ANNUAL MAXIMUM AMOUNT REACHED BY RELATIONSHIP TYPE	MEMBERS
EMPLOYEE	622
SPOUSE	272
CHILD	224
TOTAL	1,118



North Dakota Public Employees Retirement System

CLAIM SUMMARY	TOTAL DOLLARS	DELTA DENTAL PPO	DELTA DENTAL PREMIER	OUT OF NETWORK
TOTAL DOLLARS SUBMITTED	\$11,905,833	\$3,247,711	\$5,561,821	\$3,096,301
TOTAL COVERED CHARGES	\$7,417,939	\$1,769,247	\$3,679,083	\$1,969,609
DEDUCTIBLE SAVINGS	\$289,923			
COINSURANCE SAVINGS	\$1,904,133			
TOTAL CLAIM DOLLARS PAID	\$5,223,883	\$1,176,933	\$2,636,749	\$1,410,201
TOTAL COST CONTAINED	\$4,487,895			
COST CONTAINED DETAIL	TOTAL DOLLARS CONTAINED	% OF COVERED	DDMN AVG- % OF COVERED	% OF TOTAL CONTAINED
NETWORK SAVINGS				
DELTA DENTAL PPO DENTIST SAVINGS	\$328,310	18.56%	33.49%	
DELTA DENTAL PREMIER DENTIST SAVINGS	\$835,925	22.72%	20.41%	
OUT OF NETWORK DENTIST SAVINGS	\$64,396	3.27%	8.88%	
SUBTOTAL	\$1,228,632	16.56%	24.76%	27.38%
PLAN DESIGN SAVINGS				
FREQUENCY LIMITATIONS EXCEEDED MAXIMUM	\$226,953	3.06%	5.74%	
OTHER CONTRACT/HISTORY SAVINGS	\$1,423,967	19.20%	12.00%	
SUBTOTAL	\$2,743,950	36.99%	24.83%	61.14%
PLAN ADMINISTRATION				
ELIGIBILITY	\$216,477	2.92%	3.01%	
DUPLICATE CLAIMS	\$200,777	2.71%	3.74%	
COORDINATION OF BENEFITS	\$98,058	1.32%	2.03%	
SUBTOTAL	\$515,313	6.95%	8.78%	11.48%
TOTAL COSTS CONTAINED	\$4,487,895	60.50%	58.36%	100.00%



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: April 22, 2014
SUBJECT: House Bill 1443

This last session House Bill 1443 was passed. The bill provides:

HOUSE BILL NO. 1443
(Representatives Hawken, Delmore, N. Johnson, J. Nelson)
(Senators Berry, Kilzer)

AN ACT to provide for collaboration in developing diabetes goals and plans.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1.

Diabetes goals and plans - Report to legislative management.

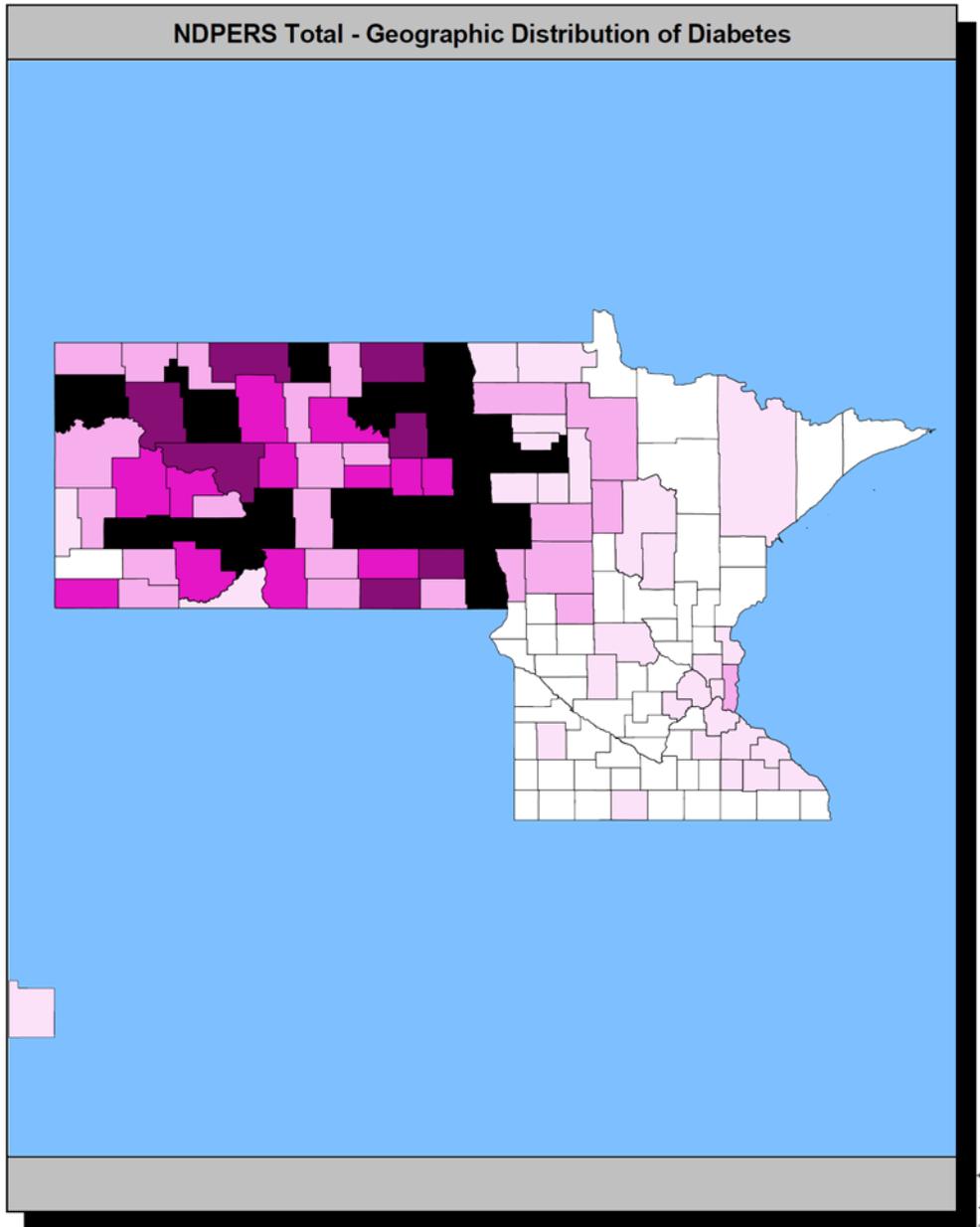
1. The department of human services, state department of health, Indian affairs commission, and public employees retirement system shall collaborate to identify goals and benchmarks while also developing individual agency plans to reduce the incidence of diabetes in the state, improve diabetes care, and control complications associated with diabetes.
2. Before June 1 of each even-numbered year the department of human services, state department of health, Indian affairs commission, and public employees retirement system shall submit a report to the legislative management on the following:
 - a. The financial impact and reach diabetes is having on the agency, the state, and localities. Items included in this assessment must include the number of lives with diabetes impacted or covered by the agency, the number of lives with diabetes and family members impacted by prevention and diabetes control programs implemented by the agency, the financial toll or impact diabetes and diabetes complications places on the agency's programs, and the financial toll or impact diabetes and diabetes complications places on the agency's programs in comparison to other chronic diseases and conditions.
 - b. An assessment of the benefits of implemented programs and activities aimed at controlling diabetes and preventing the disease. This assessment must document the amount and source for any funding directed to the agency from the legislative assembly for programs and activities aimed at reaching those with diabetes.
 - c. A description of the level of coordination existing between the agencies on activities, programmatic activities, and messaging on managing, treating, or preventing diabetes and diabetes complications.
 - d. The development or revision of detailed action plans for battling diabetes with a range of actionable items for consideration by the legislative assembly. The plans must identify proposed action steps to reduce the impact of diabetes, prediabetes, and related diabetes complications. The plan must identify expected outcomes of the action steps proposed in the following biennium while also establishing benchmarks for controlling and preventing relevant forms of diabetes.
 - e. The development of a detailed budget blueprint identifying needs, costs, and resources required to implement the plan identified in subdivision d. This blueprint must include a budget range for all options presented in the plan identified in subdivision d for consideration by the legislative assembly.

The State Department of Health has taken the lead in putting the report together. Attached is the draft narrative PERS is providing for the report. Please review pages 16, 17 and 18 as these are draft ideas for these programs going forward. I appreciate your guidance at the Board meeting to insure we are moving in the right direction for the report.

Prevalence of Diabetes in the PERS Population:

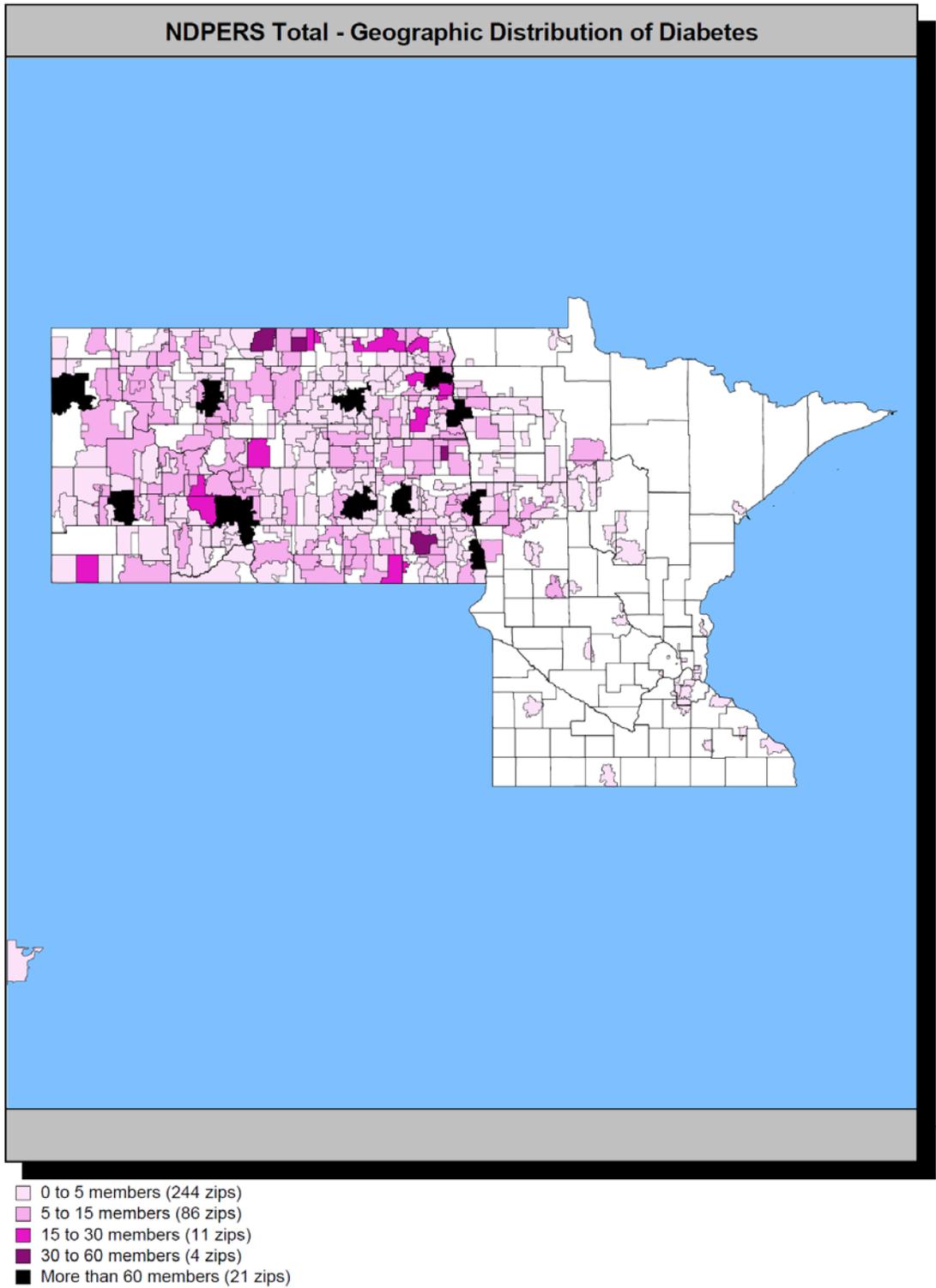
NDPERS - In Total - Diabetic Membership

Thematic map - County View



- 0 to 5 members (31 counties)
- 5 to 15 members (24 counties)
- 15 to 30 members (12 counties)
- 30 to 60 members (7 counties)
- More than 60 members (17 counties)

Thematic map - Zip Code View



Cost of Diabetes to the PERS Plan:

Allowed dollars related to diabetes - Current Period

Incurred between 10/1/2012 and 9/30/2013

Paid through 12/31/2013

NDPERS-	Members	% of Total Membership	Direct Costs	Total Costs of all Diabetic Members	Total Cost of all Members	Diabetes Costs as a % of a Diabetic members cost	Diabetes Cost as a % of total costs
In Total	4859	7%	\$9,364,037	\$44,921,565	\$272,051,073	21%	3%
Actives & Early Retirees	3011	5%	\$8,939,033	\$40,185,678	\$255,966,404	22%	3%
Medicare Retirees	1848	22%	\$425,005	\$4,735,888	\$16,084,668	9%	3%

Allowed dollars related to diabetes - Prior Period

Incurred between 10/1/2011 and 9/30/2012

Paid through 12/31/2013

NDPERS-	Members	% of Total Membership	Direct Costs	Total Costs of all Diabetic Members	Total Cost of all Members	Diabetes Costs as a % of a Diabetic members cost	Diabetes Cost as a % of total costs
In Total	4718	7%	\$8,132,138	\$44,149,364	\$257,650,631	18%	3%
Actives & Early Retirees	2984	5%	\$7,797,042	\$39,663,772	\$242,830,090	20%	3%
Medicare Retirees	1734	22%	\$335,096	\$4,485,593	\$14,820,541	7%	2%

Top Drug Classes - Combined

Ranking Report

Population:	NDP-1
Disease(s):	DIABETES
Therapeutic Class(es):	ALL
GPI Class(es):	ALL
Date Range:	01/01/2013 - 12/31/2013 (Date of Service)
Ranking/Sorting:	Top 50 by Plan Paid

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Run Date:	4/4/2014 10:25:12 AM
Data Through Date:	2/28/2014
Created By:	PrimeAdmin
Printed By:	ndbsolse

GPI Class Descr	Therapeutic Class Descr	\$ Plan Paid	% Plan Paid	% Plan Paid - Generic	% Mbr Contrib	# Claims	% Claims	% Claims - Generic	% Claims - Mail	\$ Avg Plan Paid - Day	\$ Avg Plan Paid	\$ Avg Mbr Contrib
INSULIN	ANTIDIABETICS	2,441,832	77.7	0.0	22.3	8,311	25.1	0.0	0.5	6.79	293.81	84.47
DIAGNOSTIC TESTS	DIAGNOSTIC PRODUCTS	815,339	87.7	0.0	12.3	5,515	16.6	0.0	0.3	3.17	147.84	20.70
INCRETIN MIMETIC AGENTS (GLP-1 RECEPTOR AGONISTS)	ANTIDIABETICS	400,536	78.4	0.0	21.6	1,169	3.5	0.0	0.3	10.35	342.63	94.42
DIPEPTIDYL PEPTIDASE-4 (DPP-4) INHIBITORS	ANTIDIABETICS	284,915	70.9	0.0	29.1	1,074	3.2	0.0	0.7	6.14	265.28	108.66
ANTIDIABETIC COMBINATIONS	ANTIDIABETICS	270,759	71.6	8.2	28.4	1,219	3.7	15.5	1.0	5.09	222.12	88.19
PARENTERAL THERAPY SUPPLIES	MEDICAL DEVICES	96,005	89.1	0.0	10.9	2,666	8.0	0.0	0.3	0.71	36.01	4.38
BIGUANIDES	ANTIDIABETICS	54,837	42.0	99.9	58.0	8,592	25.9	100.0	0.5	0.11	6.38	8.81
SULFONYLUREAS	ANTIDIABETICS	31,059	52.0	88.0	48.0	2,646	8.0	92.1	0.4	0.20	11.74	10.84
INSULIN SENSITIZING AGENTS	ANTIDIABETICS	27,866	74.7	98.8	25.3	565	1.7	98.2	0.0	0.98	49.32	16.73
SODIUM-GLUCOSE CO-TRANSPORTER 2 (SGLT2) INHIBITORS	ANTIDIABETICS	15,559	45.7	0.0	54.3	105	0.3	0.0	0.0	4.18	148.18	175.80
DIABETIC SUPPLIES	MEDICAL DEVICES	13,400	87.2	0.0	12.8	1,190	3.6	0.0	0.3	0.21	11.26	1.66
ANTIDIABETIC - AMYLIN ANALOGS	ANTIDIABETICS	10,613	91.7	0.0	8.3	8	0.0	0.0	0.0	25.21	1,326.66	120.84
DIABETIC OTHER	ANTIDIABETICS	5,324	70.7	0.0	29.3	44	0.1	0.0	2.3	30.08	120.99	50.22

Top Disease Categories - Combined

Ranking Report

Population:	NDP-1
Date Range:	01/01/2013 - 12/31/2013 (Date of Service)
Ranking/Sorting:	Top 50 by Claim

Page:	1/2
Run Date:	4/4/2014 10:17:52 AM
Data Through Date:	2/28/2014
Created By:	PrimeAdmin
Printed By:	ndbsolse

Disease Category Descr	\$ Plan Paid	% Plan Paid	% Plan Paid - Generic	% Mbr Contrib	# Claims	% Claims	% Claims - Generic	% Claims - Mail	\$ Avg Plan Paid - Day	\$ Avg Plan Paid	\$ Avg Mbr Contrib
ANTIHYPERTENSIVE	1,418,191	54.1	63.6	45.9	74,239	22.4	63.6	0.3	0.31	19.10	16.21
DEPRESSION	1,029,926	52.4	54.4	47.6	51,547	15.6	54.4	0.3	0.42	19.98	18.12
PAIN	1,164,191	66.1	42.2	33.9	37,470	11.3	42.2	0.0	1.81	31.07	15.95
DIABETES	4,470,129	77.5	3.0	22.5	33,128	10.0	3.0	0.4	2.71	134.94	39.26
ANTIHYPERTENSIVE	1,693,317	62.4	28.6	37.6	32,710	9.9	28.6	0.4	0.86	51.77	31.22
ASTHMA/COPD	1,857,666	67.7	17.1	32.3	21,925	6.6	17.1	0.3	2.67	84.73	40.46
PPIs	669,343	64.2	34.4	35.8	16,052	4.8	34.4	0.2	0.82	41.70	23.26
ANTICONVULSANT	604,059	61.2	42.0	38.8	14,724	4.4	42.0	0.2	1.11	41.03	26.04
ESTROGENS & OSTEOPOROSIS	753,375	63.8	41.7	36.2	12,198	3.7	41.7	0.4	1.07	61.76	35.09
ADHD	1,396,690	72.6	65.9	27.4	11,372	3.4	65.9	0.1	3.85	122.82	46.35
INSOMNIA	131,521	54.2	59.2	45.8	6,767	2.0	59.2	0.2	0.58	19.44	16.44
ANTICOAGULANT	173,846	58.0	11.7	42.0	5,522	1.7	11.7	0.1	0.67	31.48	22.77
LIFESTYLE	213,062	45.2	8.8	54.8	2,925	0.9	8.8	0.2	3.04	72.84	88.31
OTHER - ANTIPSYCHOTIC	208,786	58.8	24.7	41.2	2,379	0.7	24.7	0.0	2.81	87.76	61.47
NAUSEA & VOMITING	30,389	62.7	96.7	37.3	2,242	0.7	96.7	0.0	1.95	13.55	8.05
AUTOIMMUNE	4,735,270	94.6	2.0	5.4	1,958	0.6	2.0	0.2	71.53	2,418.42	138.43
MULTIPLE SCLEROSIS	4,394,788	94.3	0.0	5.7	951	0.3	0.0	0.3	139.30	4,621.23	281.46
IMMUNOSUPPRESSANTS	175,208	81.5	75.8	18.5	761	0.2	75.8	0.5	5.88	230.23	52.15

PERS Efforts Relating to Diabetes

The NDPERS strategy relating to Diabetes is centered around our health insurance provider BCBS and also the “About the Patient” program. The following discusses each.

BCBS Efforts:

BCBS efforts for the PERS Plan relating to diabetes are part of three programs: 1) the MediQHome Program, 2) The Case management program and 3) HealthBlue program.

MediQHome

MediQHome is a collaborative program between Blue Cross Blue Shield of ND (BCBSND) and medical providers across the state of ND. The program provides financial incentives to clinicians and organizations to support the patient centered medical home methodology of care. BCBSND provides a semiannual care management fee payment to compensate for care coordination and better management of chronic conditions which are otherwise not accounted for in a fee for service payment model. The care management fees are paid using a tiered approach that is tied to patient outcomes. The MediQHome program also allows the provider access to a population health platform that allows the medical providers to identify overall how their population of patients is doing. It also allows them to see gaps in care based on medical guidelines that are individualized to each patient and their chronic disease.

Diabetes is one of the targeted chronic conditions in the MediQHome program. The care management fee paid to providers is calculated based on how well the provider cares for their patients with diabetes, high blood pressure, and coronary artery disease (pay for performance). Providers are asked to make sure that these patients meet “optimal care” in the specific disease categories. For diabetes, optimal care means:

- HgA1c <8 (this is a lab value that indicates blood sugar control over a longer time period)
- Blood Pressure <140/90
- LDL <100 (bad cholesterol)
- Tobacco free

The MDInsight platform allows the provider to be able to quickly see if all of these “optimal care” measures have been completed for each patient. It also allows them to use the platform to look for a certain group of patients who may need follow up due to these measures being overdue or out of range. This helps them to track their diabetes patients to make sure they are receiving

Case Management

The prevalence of chronic conditions, such as diabetes, is growing and the bulk of healthcare expenditures are used to treat conditions such as these. Case Management provides members of higher risk with telephonic outreach to enhance a Member’s knowledge about their condition and also provides collaboration between the Member and healthcare team. Using evidence-based principles, an action plan is developed based on the Member’s disease state, risk level and goals. Case Management provides ongoing support throughout the Member’s continuum of care closing out identified gaps of care, encouraging a healthy lifestyle and educating the Member about their chronic condition. Diabetics in the Case Management Program will receive education materials and are also reviewed to identify gaps in care. Recommended diabetes care management include a yearly office visit, A1C every 3-12 months, lipid panel every 12 months, microalbumin every 12 months and dilated eye exam every 12 months.

HealthyBlue

HealthyBlue (online Wellness portal) is available to all NDPERS members, including those who have self reported they are diabetic. Members can engage in disease specific educational workshops, talk to wellness experts, track exercise, nutrition and medications. They can do this either online or on a mobile device and earn rewards for their engagement.

About the Patient Program Efforts:

The Uniform Group Insurance Program-Collaborative Drug Therapy Program in accordance with section 54-52.1-17 of the North Dakota Century code purpose is to improve the health of individuals with diabetes in order to manage health care expenditures through face-to-face collaborative drug therapy services by pharmacists and certified diabetes educators. For covered individuals waived or reduced co-payment for diabetes treatment drugs and supplies are provided as an incentive for program participation. The North Dakota Pharmacist Association or specified delegate currently About the Patient facilitates patient curriculum based on national standards for diabetes care, enrollment procedures, documentation of clinical encounters, and assess economic/clinical outcomes. Funding of

program is through the uniform group insurance program and if necessary an additional charge on the policy premium for medical and hospital benefits coverage may be added up to two dollars per month.

The About The Patient Program has been administering the Diabetes Management Program since July of 2008. A cost analysis of the Diabetes Management Program was conducted by the Center for Health Promotion and Prevention Research, University of North Dakota School of Medicine and Health Sciences in November of 2010. Return on investment calculation demonstrated a \$71.14 pmpm health cost savings (\$2.34 saved for every \$1.00 spent for the program). Funding and program administration by About The Patient is evaluated biannually and current funding is through June 2015.

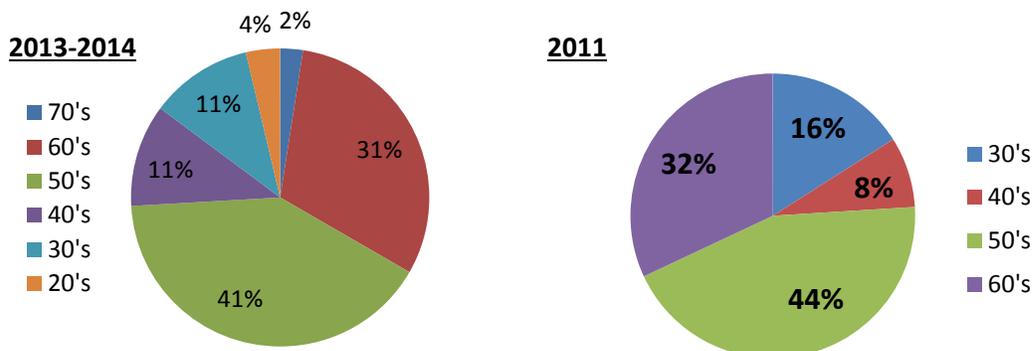
Program Description

The Diabetes Management Program is an opt-in program for North Dakota Public Employee Retirement System beneficiaries with diabetes. On a monthly basis newly eligible patients are sent a letter explaining the program as well as a wellness enrollment form. The wellness enrollment form allows patients to choose one of 50 community pharmacy locations across North Dakota for face-to-face program participation. Patients are eligible for three visits within the first year and two visits per year thereafter. By actively partaking in the program patients receive reimbursement of co-pays on diabetes medications, ACE inhibitors and testing supplies on a quarterly basis. The patient curriculum is based on the seven self-care behaviors identified by the American Association of Diabetes Educators and principles of medication therapy management as outlined by the American Pharmacist Association. Patients are seen by a health professional, currently a community pharmacist, who has completed additional training in diabetes management outside of their terminal degree and must document continuing education in this area on an annual basis. All patient clinical encounters are documented and billed using the North Dakota Pharmacy Services Corporation electronic medical record software MTM Express™.

Interventions

Demographic

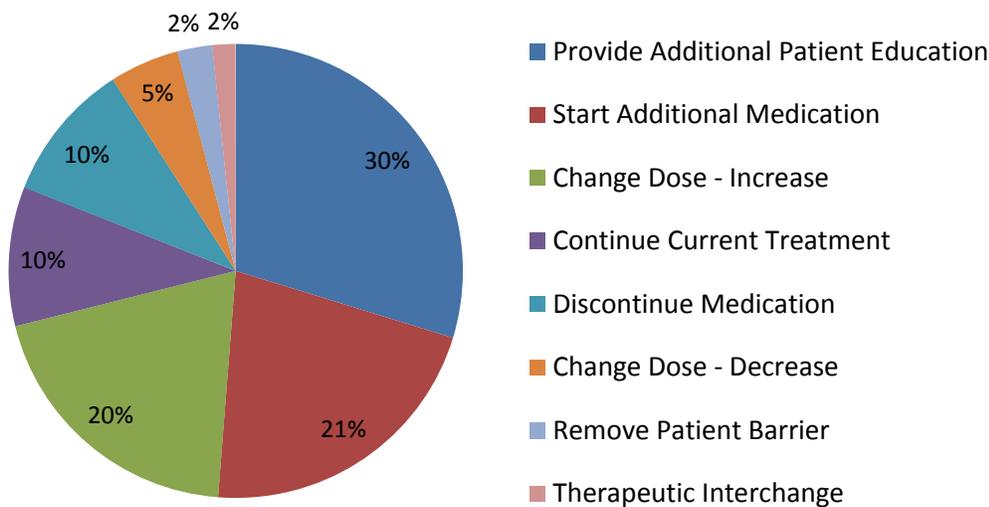
From third quarter of 2013 through first quarter of 2014, 52% of the actively participating patients are male. Age distribution is demonstrated below:



National and current patient trends are demonstrating that younger people are being diagnosed with Diabetes. This creates great opportunities for early disease management to prevent long term costly complications.

Pharmacist Interventions

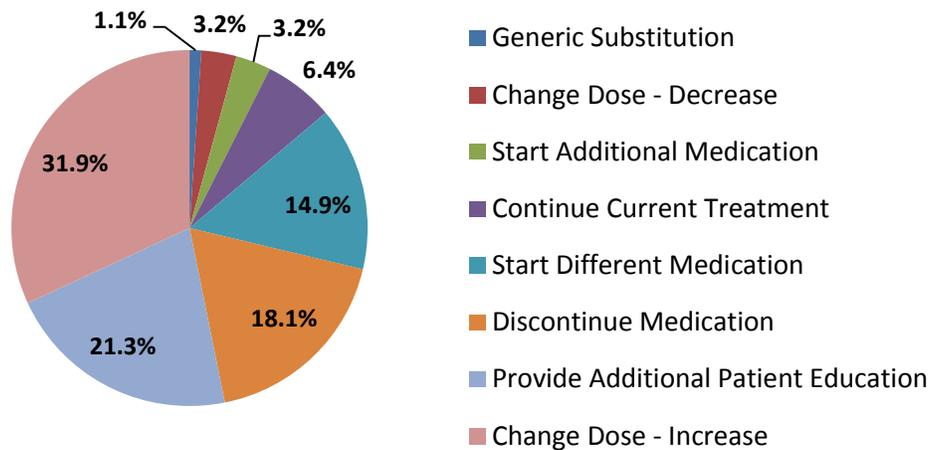
Within the 9 month reporting period there were 121 interventions made by the providers in collaboration with the patients in order to manage diabetes and prevent costly complication. Descriptions of intervention are listed below:



The most common reason for providing additional patient education was regarding insulin. The pharmacist was able to clarify how the patient should be taking their insulin, especially the rapid acting formulations.

The most common recommendations for starting medication related to ACE inhibitor use for renal protection or untreated dyslipidemia. Most increase dose recommendations were for insulin where 50% were for basal insulin and 50% for rapid insulin.

In contrast to 2011 interventions, pharmacists now are **optimizing medication use and starting to identify and address barriers to medication adherence** compared to general education about the medications.



Patient Satisfaction with Program

Based on a 5 point Likert scale where 5 is excellent and 1 is poor.

	Current	2011
1.) Professional appearance of the provider	5.0	4.7
2.) Appearance of the meeting area	4.8	4.3
3.) System for scheduling your appointment	4.8	4.7
4.) The provider's interest in your health	4.9	4.7
5.) How well the provider helps you manage your medications	4.3	4.3
6.) How well the provider explains possible side effects	4.1	4.3
7.) The provider's efforts to solve problems that you have with your medications	4.3	4.3
8.) The responsibility that the provider assumes for your drug therapy	4.2	4.3
9.) Ability of the provider to answer your questions about your medications	4.4	4.3
10.) Ability of the provider to answer your questions about your health problems	4.4	4.3

11.) The provider's efforts to help you improve your health or stay healthy	4.9	4.7	
12.) The program services overall	4.3	4.7	
13.) Ability of the provider to see you at your scheduled time	4.8	4.3	
14.) Courtesy and professionalism of the staff		5.0	4.7
15.) Follow-up after the appointment		4.8	4.3
16.) The educational materials provided	4.9	4.3	

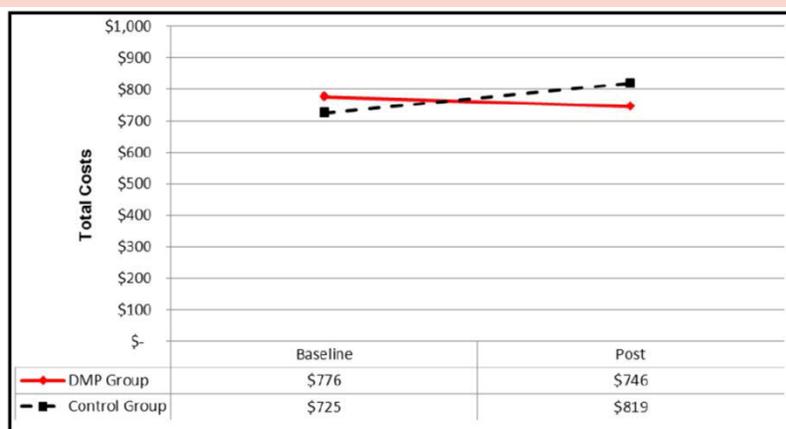
Satisfaction among participants in the program remains high.



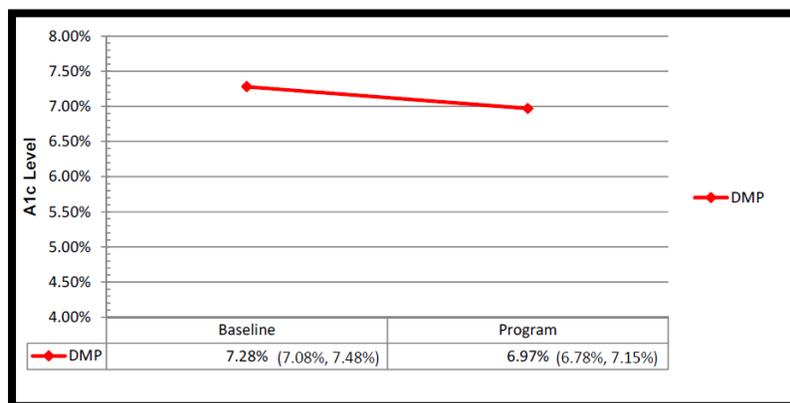
Trends and Savings

Face to Face Diabetes Management provided by pharmacist to NDPERS beneficiaries over 24 months (n= 346). Initial cost analysis 2008-2010.

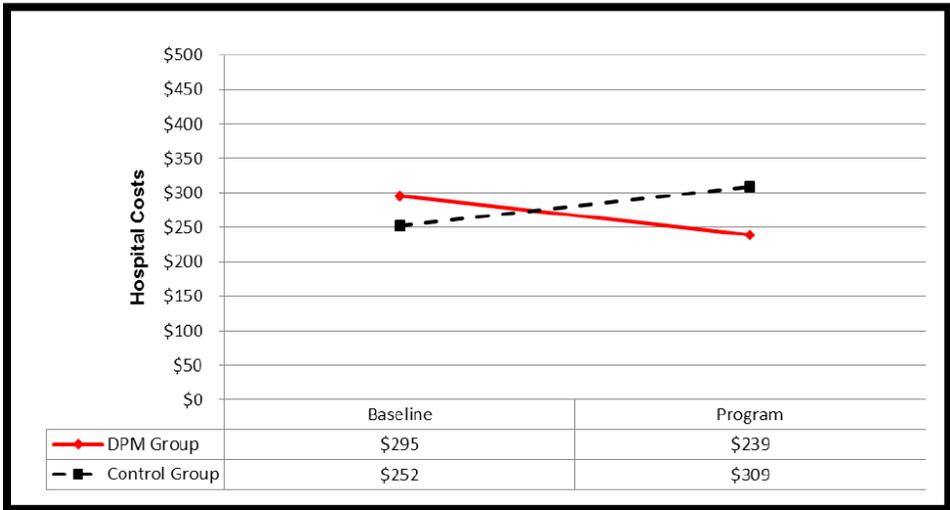
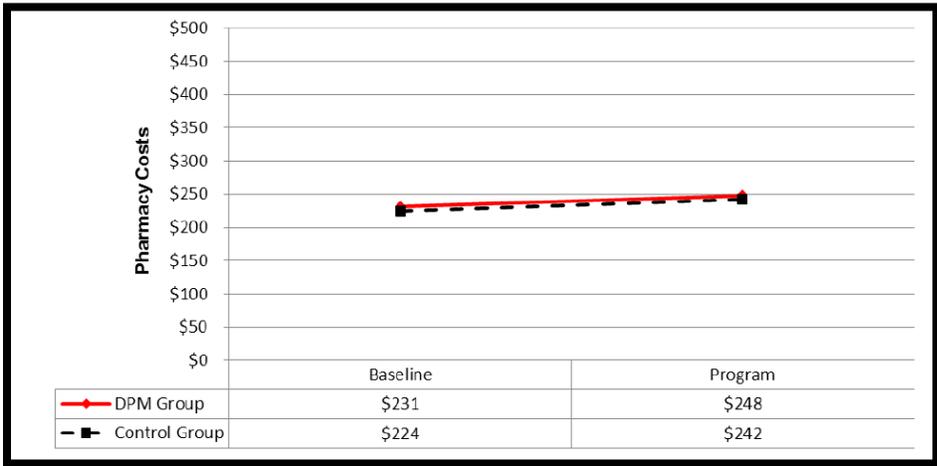
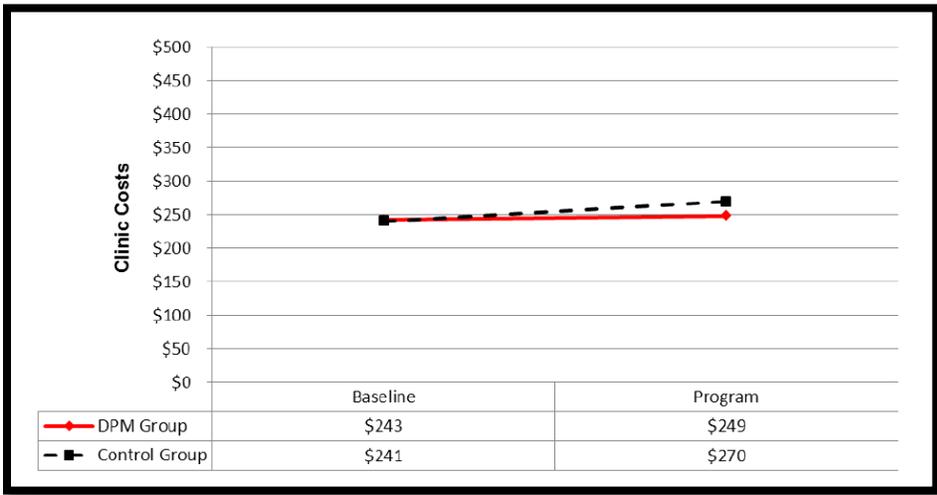
Demographics	
Mean Age	53.7 years
Type 2 Diabetes	72%
Average # of Medical Conditions	6.1
Average # of Medications	10.3
Average # of Pharmacist Identified Medication Related Problems	3.4



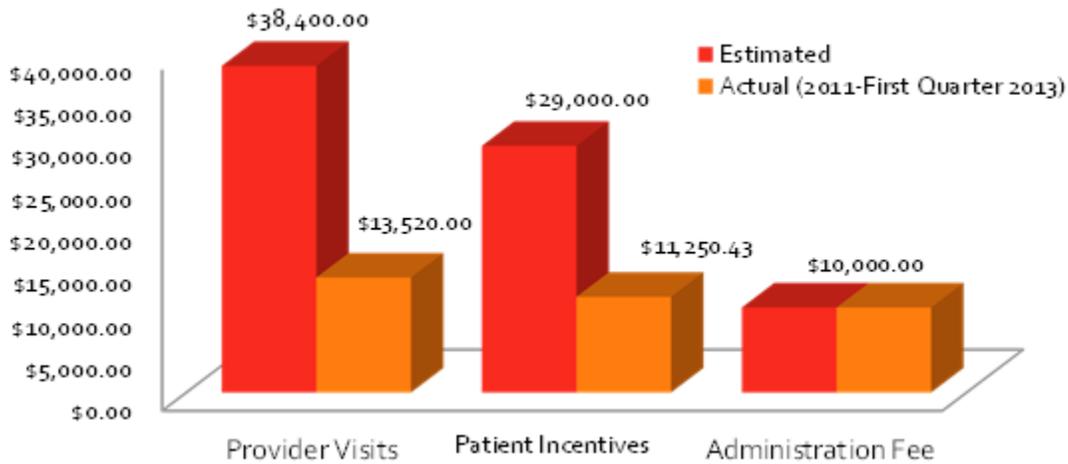
Overall health care expenditure **monthly savings of \$71.14 per program participant** compared to control. **For every \$1.00 spent** (administrative expense and patient incentives) on the Diabetes Program **NDPERS saved \$2.34**. Sample size at time of analysis was able to identify trends however was too small to determine statistical significance.



In worldwide studies, lower A1C is correlated with better prevention of microvascular complications such as Kidney Disease and Blindness.



Levels of Services July 2011 - June 2013



Marketing:

In 2008 when the program was first launched a letter to **all eligible** patients as well as a follow up postcard was delivered and over 200 individuals opted into the program that year. Current recruitment occurs on a monthly basis where **newly eligible** patients are sent a letter and a wellness enrollment form that lists all the program provider locations. In 2012, current marketing strategy engaged ~4% of the **newly eligible** patients.

Direct Marketing to Eligible Patients 2013-2014

During the fourth quarter of 2013 a direct to consumer marketing campaign was launched with a goal to activate 10% of the **eligible patient** population over the next biennium. Newly eligible patients will continue to receive a letter and enrollment form on a monthly basis. In addition, all eligible patients will receive a letter explaining the program along with enrollment form and two follow up postcards.

	Letter/Enrollment form	Postcard 1	Postcard 2
Newly Eligible	Monthly		
All Eligible Patients Last Names Starting with A-L	Fourth Quarter 2013 Oct- A-D Nov- E-H Dec-I-L	First Quarter 2014 Jan-A-D Feb-E-H Mar-I-L	Second Quarter 2014 Apr-A-D May-E-H Jun-I-L
All Eligible Patients Last Names Starting with M-Z	First Quarter 2014 Jan-M-P Feb-Q-T Mar-U-Z	Second Quarter 2014 Apr-M-P May-Q-T June-U-Z	Third Quarter 2014 Jul-M-P Aug-Q-T Sep-U-Z

Marketing efforts from the fourth quarter 2013 through first quarter 2014 have increased enrollment. Currently have 198 (5.6% of total eligible population) patients with signed wellness forms. **We are currently half way to our activation goal for the 2013-2015 biennium.**



Diabetes Management Program

Date

Dear Member ,

Living with daily health concerns can affect all parts of your life. North Dakota Public Employees Retirement System (NDPERS) knows that the care you receive now is important to your future health. Having a health care team (Primary care Provider, Diabetes Educator, Clinical Pharmacist, and Dietician) is the best way to manage diabetes. We have joined forces with *About the Patient* to provide **free** clinical pharmacy services to round out your health care team. The best part is that it may be as simple as spending a little extra time when you fill your prescription at your local pharmacy, if they are a provider.

We know your time is valuable. Our way of thanking you for taking part in this program is to ***refund co-pays for diabetes medications, testing supplies and certain medicines used for kidney safety every six months while in the program.***

Taking part in the program is easy. **Call 1-888-326-4657 to sign up over the phone or visit the About The Patient website: www.AboutThePatient.net to download the enrollment form.** At your convenience, schedule a one-on-one visit with a pharmacist specially trained in diabetes. A list of diabetes management programs in your area is listed on the back of this letter.

You do not need to be a patient or customer at the location of the program. Your medications will continue to be covered through any pharmacy of your choice. Because the diabetes management program is customized to your needs, you can opt out at any time.

After all, *it is all about you and your health.* Now is the best time to manage your diabetes. Hope to hear from you soon!

Sincerely,

Wendy Brown Pharm.D, PA-C, AE-C
Clinical Coordinator

Location	Address	City	Certified Local Pharmacist
Belcourt Drug	1110 Hospital Rd Suite #1	Belcourt	Mary Jo
Churchill Pharmacy	1190 W. Turnpike Ave.	Bismarck	Patricia, Daniel
Dakota Pharmacy	705 East Main Ave.	Bismarck	Stacey, Crystal
Gateway Health Mart-North	3101 North 11th St.	Bismarck	Pat, Barb, Janel, Jennifer, Pamela, Allison
Gateway Health Mart-South	835 S. Washington	Bismarck	Lance, Tom, Jennifer, Brita
Northbrook Drug	1929 N Washington St	Bismarck	Cindy, Debra, Kim, Thomas
St. Alexius Community Pharmacy	900 E. Broadway Ave.	Bismarck	Connie
The Medicine Shoppe	1304 E Blvd. Ave.	Bismarck	Tanya, Jodi
White Drug #5	117 N 5th St.	Bismarck	Ken, LeNeika
Central Pharmacy	990 Main St.	Carrington	Shane, Kristin
White Drug #53	201 E 3rd Ave. S.	Cavalier	Kinsey
Bell Pharmacy (Thrifty White #47)	323 5th St NE Suite 2	Devils Lake	Donna, Allison
Clinic Pharmacy	1001 7th Street NE	Devils Lake	Diane
White Drug #63	425 College Drive S #10	Devils Lake	Marcus
ND Pharmacy	446 18th Street West	Dickinson	Dawn
Family Health Care Pharmacy	301 NP Avenue	Fargo	Miguel, Betty, Nicole, Jennifer, Sue
Linson Pharmacy	3175 25th Street S	Fargo	Steve
Sanford Mills Ave Pharmacy	737 Broadway	Fargo	Susanne, Grace
NDSU College of Pharmacy	Sudro Hall On the NDSU Campus	Fargo	Heidi, Alicia, Jeanne, Liz, Wendy
Southpoint Pharmacy	2400 32nd Ave S	Fargo	Shayla, Jeff, Karla, Staci
The Medicine Shoppe #80	1605 S University Dr	Fargo	Oliver, Ross
White Drug #68	4255 30th Ave S	Fargo	Krystal
White Drug #39	1401 33rd St SW	Fargo	Cindy
Thrifty Patient Care Center	706 38th Street NW	Fargo	Melissa, LaNell, Wendy
Forman Drug Inc.	330 Main St S	Forman	Diane, Nathan
Thrifty White #65	544 Hill Avenue	Grafton	Samantha
Family Medicine Residency Pharmacy	725 Hamline Street On the UND campus	Grand Forks	Jana
Thrifty White Drug #9	2475 32nd Ave S Suite #1	Grand Forks	Donell, Tim
Wall's Medicine Center	708 S Washington Street	Grand Forks	Dan
Hazen Drug	30 W. Main	Hazen	Mike
White Drug #55	112 S Main St	Hettinger	Kim
Hillsboro Drug	13 North Main St.	Hillsboro	Randy
White Drug #45	310 First Ave S	Jamestown	Paul
Gateway Health Mart	500 Burlington Street SE	Mandan	James, Heather, Robert
Thrifty White Drug #43	511 First Street NW	Mandan	Mark, Nadine
B & B Northwest Pharmacy	20 Burdick Exp. W	Minot	Marla
Key Care Pharmacy	400 Burdick Express E #201	Minot	Marla
Market Pharmacy	1930 S Broadway	Minot	Brad
Thrifty White Drug #40	2700 8th St NW	Minot	Tayna
White Drug #17	1015 S Broadway Suite 3	Minot	Tayna
Central Pharmacy	4 N 8th Street	New Rockford	Shane
Tara's Thrifty White	610 Main Ave	Oakes	Tara
White Drug #50	107 2nd Street SE	Rugby	Kyle
Turtle Lake Drug	218 E Main	Turtle Lake	Jamie
Central Avenue Pharmacy	323 N Central Ave Suite 101	Valley City	Doreen
Thrifty White #60	148 S Central Ave	Valley City	Thrifty Patient Care Pharmacists
Southtown Econodrug	387 S 11th Street	Wahpeton	Ashley, Paula
White Drug #46	1100 13th Ave East	West Fargo	Holly, Danielle
Service Drug Pharmacy	317 Main	Williston	Lisa, Jody

Postcard 1

To enjoy activities that are important... Your Health Matters

When was the last time you sat down one-on-one with a local medication expert to talk about your diabetes medication?

ND Public Employees Retirement System is providing **FREE** one-on-one face to face visits with specially trained pharmacists in your area.

- For taking part in the program **CO-PAYS** on select medications and testing supplies are **REFUNDED**.

Call or click today for more information:
1-888-326-4657
www.AboutThePatient.net

PATIENT ADDRESS

1581 Capital Way
Bismarck, ND 58501

Sponsored by:

ND Public Employees Retirement System

POST-IT
U.S. POSTAGE
CENT 37
PERMIT NO.

About the Patient

Postcard 2

To enjoy activities that are important... Your Health Matters

ND Public Employees Retirement System is providing **FREE** one-on-one face to face visits with specially trained pharmacists in your area.

Co-pays on select medications are refunded.

To learn more >>> www.AboutThePatient.net 1-888-326-4657

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Bismarck, ND 58501

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U.S. POSTAGE
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PERMIT NO.

About the Patient

Budget

Diabetes efforts associated with our health carrier BCBS are part of the health premiums paid to BCBS. The About the Patient program is a separate program pursuant to HB 1433 and the following is the 2011-13 expenses and the projected 2013 -15 expenses:

Actual			
July 2011 - June 2013 Biennium			
Quarterly Fees:		\$	18,000
Copayments:		\$	13,887
Admin Fee:		\$	10,000
		\$	41,887

Latest Projection			
July 2013 - June 2015 Biennium			
Estimated Quarterly Fees:		\$	130,160
Estimated Copayments:		\$	43,345
Admin Fee:		\$	25,000
		\$	198,505

The following is our project budget for this program for the 2015-2017 biennium which would funded from the PERS health plan:

I

Proposed Level of Services July 2015-June 2017

July 2015-June 2017	
Direct Program Cost	
Provider Visits	\$132,000.00
Patient Incentives	\$43,000.00
Subtotal	\$175,000.00

Administration Costs	
Subtotal	\$20,000.00

Marketing Costs	
Direct to consumer mailings	\$5000.00
In-pharmacy marketing	

Expense estimates are for serving ~200 patients (~5% participation rate) over the next biennium. Each patient would be eligible to receive a Comprehensive Medication Review (CMR-\$400.00) and up to 2 Targeted Medication Reviews (TMR-\$80.00) the first year and one CMR (\$200.00) and one TMR (\$80.00) in for any

Subtotal	\$5000.00
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TOTAL Biennial Expenses	\$200,000.00
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In-kind from NDPhA and NDSU: Telephone (maintaining toll free direct number for patients), office space, office supplies, Training/Credentialing/Certification of providers, patient curriculum, Clinical Coordinator, Data Analysis.

Action Steps for 2015-2017

1. Maintain Current Efforts in the Health Plan

Through our carrier it is our intent to continue efforts such as the MediQ Home program and case management efforts relating to diabetes. In addition we will maintain our wellness program into 2015-17. As part of that program we will look to new ways to interact with those with diabetes through the Health Assessment functionality. In addition will add to wellness program seminars that are available to our participating employers a program on diabetes.

2. Continue the “About the Patient” Program

In 2015 -17 we will continue the “About the Patient” Program. In addition to continuing the program we would:

- a. In late 2015 & early 2016 we would do another study of the program similar to the one we previously did. The purpose of this study would be assess the programs effectiveness and identify “best practices”.
- b. The results of this study could serve as a basis for replicating the program in other settings such as other employers or state agencies
- c. PERS will set up committee of those entities identify in HB 1443 to serve as an advisory group for this program going forward. The purpose of this group would be to share information on this program and identify opportunities.

3. Other PERS strategic goals going forward:

Strategic Goals

Marketing campaign for eligible patients with diabetes beginning fourth quarter 2013 through first quarter 2014. Increased activation of eligible patients

BCBS of North Dakota executive summary from March 2014 demonstrated that per Medi-Q-Home findings the NDPERS patient's optimal diabetes compliance exceeded the target and state averages for 2013

Based on the success of the diabetes program model expand to a broader Collaborative Drug Therapy Program. Opt-in eligible population would contain the top chronic condition (Diabetes, Coronary Artery Disease, Hypertension, Heart Failure and Asthma) seen in the NDPERS population. Patient education would be face to face identifying and reducing barriers to medication adherence*.

Treatment → Adherence → Outcomes[†]

* Ho P, Bryson C, Rumsfeld. Medication Adherence: Its Importance in Cardiovascular Outcomes. *Circulation*. 2009; 119:3028-3035. Adherence To Long-Term Therapies: Evidence for Action. World Health Organization. 2003. http://www.who.int/hiv/pub/prev_care/lttherapies/en/. Accessed 3/28/2014. ISBN 92 4 154599 2.

† Brown M, Bussell J. Medication Adherence: WHO Cares? *Mayo Clinic Proceedings*. 2011;86(4):304-314.



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: April 22, 2014
SUBJECT: DOMA Update

Jan will review the attached guidance from the IRS relating to DOMA at the April meeting.

Application of the Windsor Decision and Rev. Rul. 2013-17 to Qualified Retirement Plans

Notice 2014-19

I. PURPOSE

The purpose of this notice is to provide guidance on the application (including the retroactive application) of the decision in United States v. Windsor, 570 U.S. ____, 133 S. Ct. 2675 (2013), and the holdings of Rev. Rul. 2013-17, 2013-38 I.R.B. 201 (Sept. 16, 2013), to retirement plans qualified under section 401(a) of the Internal Revenue Code (Code).

II. BACKGROUND

01. Qualified Retirement Plan Rules Relating to Married Participants

Several Code sections provide special rules with respect to married participants in qualified retirement plans, including, but not limited to, the following:

- Under section 401(a)(11), certain qualified retirement plans must provide a qualified joint and survivor annuity (QJSA) upon retirement to married participants (and generally must provide a qualified preretirement survivor annuity (QPSA) to the surviving spouse of a married participant who dies before retirement). If a plan is subject to these rules, the QJSA (or QPSA) may be waived by a married participant only with spousal consent pursuant to section 417. If such a plan permits loans to participants, then section 417(a)(4) requires a plan to obtain the consent of the spouse of a married participant before making a loan to the participant.
- Under section 401(a)(11)(B)(iii), certain qualified defined contribution retirement plans are exempt from the QJSA and QPSA requirements provided that a married participant's benefit is payable in full, on the death of the participant, to the participant's surviving spouse, unless the surviving spouse consents to the designation of a different beneficiary.
- Under the required minimum distribution rules of section 401(a)(9) and the rollover rules of section 402(c), additional alternatives are provided for surviving spouses that are not available to non-spousal beneficiaries.
- Under section 1563(e)(5), generally a spouse is treated as owning shares owned by the other spouse for purposes of determining whether corporations are members of a controlled group under section 414(b).

- Under section 318(a)(1), generally a spouse is treated as owning shares owned by the other spouse for purposes of determining whether an employee is a key employee under section 416(i)(1), including whether an employee is considered a 5% owner.
- Under section 409(n), an employee stock ownership plan (ESOP) that acquires certain employer securities generally must prohibit the allocation or accrual of those securities for the benefit of certain individuals, including the spouse of the seller and the spouse of any individual who owns 25% or more of the securities.
- Under section 409(p), no portion of the assets of an ESOP attributable to employer securities consisting of S corporation stock may accrue during a nonallocation year for the benefit of any disqualified person or certain family members of the disqualified person (including the spouse) in certain circumstances.
- Under section 401(a)(13)(B), the anti-alienation rules do not apply to the creation, assignment, or recognition of an alternate payee's right to receive all or a portion of the benefits payable to a participant under a plan pursuant to a qualified domestic relations order (QDRO) described in section 414(p), and, under section 402(e)(1), an alternate payee who is a spouse or former spouse of the participant is treated as the distributee of a distribution under a QDRO.

02. Defense of Marriage Act

Until the decision of the Supreme Court in Windsor found it unconstitutional, section 3 of the Defense of Marriage Act (DOMA) prohibited the recognition of same-sex spouses for purposes of Federal tax law. Specifically, section 3 of DOMA provided that:

In determining the meaning of any Act of Congress, or of any ruling, regulation, or interpretation of the various administrative bureaus and agencies of the United States, the word 'marriage' means only a legal union between one man and one woman as husband and wife, and the word 'spouse' refers only to a person of the opposite sex who is a husband or a wife.

1 U.S.C. § 7. As a result, same-sex spouses were not recognized for purposes of the Code with respect to qualified retirement plans.

03. Effect of the Windsor Decision and Rev. Rul. 2013-17

In the Windsor decision, the Supreme Court held on June 26, 2013 that section 3 of DOMA is unconstitutional because it violates Fifth Amendment principles. Subsequent to the Windsor decision, Rev. Rul. 2013-17 held the following:

(1) For Federal tax purposes, the terms "spouse," "husband and wife," "husband," and "wife" include an individual married to a person of the same sex if the individuals

are lawfully married under state law, and the term “marriage” includes such a marriage between individuals of the same sex.

(2) For Federal tax purposes, the Internal Revenue Service (Service) adopts a general rule recognizing a marriage of same-sex individuals that was validly entered into in a state whose laws authorize the marriage of two individuals of the same sex even if the married couple is domiciled in a state that does not recognize the validity of same-sex marriages.

(3) For Federal tax purposes, the terms “spouse,” “husband and wife,” “husband,” and “wife” do not include individuals (whether of the opposite sex or the same sex) who have entered into a registered domestic partnership, civil union, or other similar formal relationship recognized under state law that is not denominated as a marriage under the laws of that state, and the term “marriage” does not include such formal relationships.

The holdings of Rev. Rul. 2013-17 apply for all Federal tax purposes, including for purposes of the Federal tax rules that apply to qualified retirement plans under section 401(a). The ruling provides that the holdings will be applied prospectively as of September 16, 2013. The ruling also provides that taxpayers may rely on the holdings retroactively with respect to any employee benefit plan or arrangement (or any benefit provided thereunder) for limited purposes with respect to certain employer-provided health coverage and fringe benefits that are specified in the ruling. The ruling further states that:

The Service intends to issue further guidance on the retroactive application of the Supreme Court’s opinion in Windsor to other employee benefits and employee benefit plans and arrangements. Such guidance will take into account the potential consequences of retroactive application to all taxpayers involved, including the plan sponsor, the plan or arrangement, employers, affected employees and beneficiaries. The Service anticipates that the future guidance will provide sufficient time for plan amendments and any necessary corrections so that the plan and benefits will retain favorable tax treatment for which they otherwise qualify.

04. Authority under Section 7805(b)(8)

Under section 7805(b)(8), the Commissioner is authorized to prescribe the extent, if any, to which any judicial decision, or any administrative determination other than by regulation, relating to the internal revenue laws is to be applied without retroactive effect.

05. Remedial Amendment Period under Section 401(b)

Section 401(b) provides a period during which a plan may be amended retroactively to comply with the Code's qualification requirements. The deadline for amending a plan is generally the time prescribed by law for filing the return of the employer for its taxable year in which the amendment was adopted or such later time as the Secretary may designate.

Rev. Proc. 2007-44, 2007-28 I.R.B. 54, provides rules regarding the timing of amendments made to qualified retirement plans. Section 5.05 of Rev. Proc. 2007-44 provides that when there are changes to the plan qualification requirements that affect provisions of the written plan document, the adoption of an interim amendment generally is required by the later of the end of the plan year in which the change is first effective or the due date of the employer's tax return for the tax year that includes the date the change is first effective.

III. QUESTIONS AND ANSWERS

GENERAL RULES

Q-1. How does the Windsor decision affect the application of the Federal tax rules to qualified retirement plans?

A-1. In the Windsor decision, the Supreme Court held that section 3 of DOMA (which applied for purposes of determining an individual's marital status under Federal law) is unconstitutional. In the absence of section 3 of DOMA, any retirement plan qualification rule that applies because a participant is married must be applied with respect to a participant who is married to an individual of the same sex. For example, a participant in a plan subject to the rules of section 401(a)(11) who is married to a same-sex spouse cannot waive a QJSA without obtaining spousal consent pursuant to section 417.

Q-2. As of what date are qualified retirement plans required to be operated in a manner that reflects the outcome of Windsor and the guidance in Rev. Rul. 2013-17?

A-2. Qualified retirement plan operations must reflect the outcome of Windsor as of June 26, 2013. A retirement plan will not be treated as failing to meet the requirements of section 401(a) merely because it did not recognize the same-sex spouse of a participant as a spouse before June 26, 2013. For Federal tax purposes, effective as of September 16, 2013, Rev. Rul. 2013-17 (i) adopts a general rule recognizing a marriage of same-sex individuals that is validly entered into in a state whose laws authorize the marriage of two individuals of the same sex, even if the individuals are domiciled in a state that does not recognize the validity of same-sex marriages, and (ii) provides that individuals (whether part of an opposite-sex or same-sex couple) who have entered into a registered domestic partnership, civil union, or other similar formal relationship recognized under state law that is not denominated as a marriage under the laws of that state are not treated as married. Accordingly, a retirement plan will not be treated as failing to meet the requirements of section 401(a) merely because the plan, prior to

September 16, 2013, recognized the same-sex spouse of a participant only if the participant was domiciled in a state that recognized same-sex marriages. See Q&A-8 for the deadline to adopt plan amendments pursuant to this notice.

Q-3. May a qualified retirement plan be amended to reflect the outcome of Windsor as of a date earlier than June 26, 2013, and, if so, may the amendment reflect the outcome of Windsor for only certain purposes?

A-3. A qualified retirement plan will not lose its qualified status due to an amendment to reflect the outcome of Windsor for some or all purposes as of a date prior to June 26, 2013, if the amendment complies with applicable qualification requirements (such as section 401(a)(4)). Recognizing same-sex spouses for all purposes under a plan prior to June 26, 2013, however, may trigger requirements that are difficult to implement retroactively (such as the ownership attribution rules) and may create unintended consequences. Provided that applicable qualification requirements are otherwise satisfied, a plan sponsor's choice of a date before June 26, 2013, and the purposes for which the plan amendments recognize same-sex spouses before June 26, 2013, do not affect the qualified status of the plan. For example, for the period before June 26, 2013, a plan sponsor may choose to amend its plan to reflect the outcome of Windsor solely with respect to the QJSA and QPSA requirements of section 401(a)(11) and, for those purposes, solely with respect to participants with annuity starting dates or dates of death on or after a specified date.

PLAN AMENDMENTS

Q-4. For purposes of satisfying the Federal tax rules relating to qualified retirement plans, must a qualified retirement plan be amended to reflect the outcome of Windsor and the guidance in Rev. Rul. 2013-17 and this notice?

A-4. Whether a plan must be amended to reflect the outcome of Windsor and the guidance in Rev. Rul. 2013-17 and this notice depends on the terms of the specific plan, as described in Q&A-5 through Q&A-7 of this notice.

Q-5. Must a plan sponsor amend a qualified retirement plan if its terms with respect to the requirements of section 401(a) define a marital relationship by reference to section 3 of DOMA or if the plan's terms are otherwise inconsistent with the outcome of Windsor or the guidance in Rev. Rul. 2013-17 or this notice?

A-5. If a plan's terms with respect to the requirements of section 401(a) define a marital relationship by reference to section 3 of DOMA or are otherwise inconsistent with the outcome of Windsor or the guidance in Rev. Rul. 2013-17 or this notice, then an amendment to the plan that reflects the outcome of Windsor and the guidance in Rev. Rul. 2013-17 and this notice is required by the date specified in Q&A-8 of this notice.

Q-6. If a qualified retirement plan's terms are not inconsistent with the outcome of Windsor and the guidance in Rev. Rul. 2013-17 and this notice (for example, the term

“spouse,” “legally married spouse” or “spouse under Federal law” is used in the plan without any distinction between a same-sex spouse and an opposite-sex spouse), must the plan be amended to reflect the change in meaning or interpretation of those terms to include same-sex spouses?

A-6. If a plan’s terms are not inconsistent with the outcome of Windsor and the guidance in Rev. Rul. 2013-17 and this notice, an amendment generally would not be required. If no amendment to such a plan is made, the plan nonetheless must be operated in accordance with the provisions of Q&A-2 of this notice. (Though not required, a clarifying amendment may be useful for purposes of plan administration.)

Q-7. If a plan sponsor chooses to apply the rules with respect to married participants in qualified retirement plans in a manner that reflects the outcome of Windsor for a period before June 26, 2013, is an amendment to the plan required?

A-7. Yes, if a plan sponsor chooses to apply the rules in a manner that reflects the outcome of Windsor for a period before June 26, 2013, an amendment to the plan that specifies the date as of which, and the purposes for which, the rules are applied in this manner is required. The deadline for this amendment is the date specified in Q&A-8 of this notice.

Q-8. What is the deadline to adopt a plan amendment pursuant to this notice?

A-8. The deadline to adopt a plan amendment pursuant to this notice is the later of (i) the otherwise applicable deadline under section 5.05 of Rev. Proc. 2007-44, or its successor, or (ii) December 31, 2014. Moreover, in the case of a governmental plan, any amendment made pursuant to this notice need not be adopted before the close of the first regular legislative session of the legislative body with the authority to amend the plan that ends after December 31, 2014.

Q-9. Is an amendment to a single-employer defined benefit plan that implements the outcome of Windsor and the guidance in Rev. Rul. 2013-17 and this notice subject to the requirements of section 436(c)?

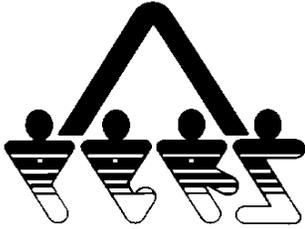
A-9. In general, under section 436(c), an amendment to a single-employer defined benefit plan that increases the liabilities of the plan cannot take effect unless the plan’s adjusted funding target attainment percentage is sufficient or the employer makes the additional contribution specified under section 436(c)(2). However, this notice provides a special rule pursuant to § 1.436-1(c)(4)(iii). Under this special rule, a plan amendment that is described in Q&A-5 of this notice and that takes effect on June 26, 2013, is not treated as an amendment to which section 436(c) applies. In contrast, a plan amendment that is described in Q&A-7 of this notice is an amendment to which section 436(c) applies.

IV. EFFECT ON OTHER DOCUMENTS

Rev. Rul. 2013-17 is amplified by providing further guidance on the effect of the Windsor decision with respect to qualified retirement plans under section 401(a).

V. DRAFTING INFORMATION

The principal authors of this notice are Angelique Carrington of the Employee Plans, Tax Exempt and Government Entities Division, and Jeremy Lamb of the Office of Division Counsel/Associate Chief Counsel (Tax Exempt and Government Entities). For further information regarding this notice, contact Ms. Carrington at *RetirementPlanQuestions@irs.gov* or Mr. Lamb at (202) 317-6700 (not a toll-free call).



**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: April 23, 2014
SUBJECT: Legislative Studies

The Government Finance Committee met on April 23. Attached, for your information, are two committee memorandums relating to the actuarial firms that responded to the RFP and on health premiums.



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

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

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

Memorandum

TO: NDPERS Board

FROM: Sharon Schiermeister

DATE: March 3, 2014

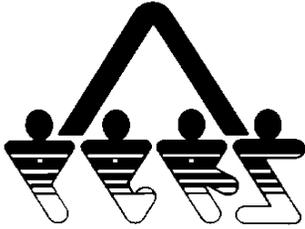
SUBJECT: 2013 COMPREHENSIVE ANNUAL FINANCIAL REPORT

The 2013 comprehensive annual financial report has been completed. The report contains detailed financial, investment, actuarial and statistical information for the plans administered by NDPERS. You can view, download or print the report from the NDPERS website at

<http://www.nd.gov/ndpers/forms-and-publications/index.html>

An email notice was sent to each participating employer notifying them that the annual report is available on the NDPERS website. The report was submitted to the Government Finance Officers Association with an application for the GFOA Certificate of Excellence in Financial Reporting.

Please let me know if you have any questions on the report.



**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: Sharon Schiermeister
DATE: April 22, 2014
SUBJECT: PERSLink Challenges

At the Board planning meeting held in January, an overview was provided of the challenges that we are facing with the PERSLink system. Since going live in October 2010, there have been several accomplishments, which include the following:

- January 2011** – Transitioned to new vision insurance vendor
- July 2011** – Transitioned to new life insurance vendor
- November 2011** – Transitioned to new recordkeeper for the DC and Companion Plans
- January 2012** – Implemented new HDHP plan and HSA vendor; deployed Member Self Service (MSS) for retirees
- June 2012** – PERSLink Framework upgrade
- September 2012** – MSS pilot for active employees
- January 2013** – Transitioned to new dental insurance vendor; transitioned FlexComp claims processing to a third-party administrator
- April – September 2013** – Deployed MSS to all active employees
- October 2013** – MSS available for annual enrollment; expanded eligibility for the DC plan

Although we have experienced much success with our system implementation, we have identified some concerns. These concerns include: backlog of system refinements that are not getting resolved; new enhancements/changes lead to more issues; system performance issues; and deterioration of user confidence. We shared these concerns with Sagitec, our software vendor, and asked that they perform an analysis to determine the root cause and identify solutions to address these concerns.

Their analysis identified three main areas which they felt were the cause for our concerns: high volume of enhancements in a short timeframe has restricted the amount of time available to review and test as thoroughly as possible; impact analysis and testing have not

been adequate to identify and prevent new issues; and team size is inadequate to manage the workload. They came back with an action plan that included process improvements for testing and releasing changes into Production, an investment in the system by Sagitec, and an investment in the system by NDPERS.

The process improvements that were recommended were implemented in January 2014 and seem to be working so far. The investment by Sagitec includes dedicating 2.5 additional developers to work on a redesign of the Employer Self Service (ESS) functionality and complete system refinements related to employer payroll reporting. This effort began in January and will continue through October 2014. The investment by NDPERS would involve authorizing additional expenditures to retain the additional developers to work on the backlog of system refinements. This was estimated to cost \$244,000 and take approximately 8 months to complete. At the January planning meeting, the Board indicated their support to make this investment in the system starting in this biennium, if possible.

If it is still the desire of the Board to make an investment in the system to resolve the backlog, the following decisions will need to be made:

1. Should this work effort start in the 2013-15 biennium or 2015-17 biennium?

Staff would recommend that work begin in the current biennium, around October/November 2014. This would allow the same team of developers that Sagitec has dedicated to the ESS/employer project to continue working on our system, rather than being re-assigned to another client. In addition, it was acknowledged at the January planning meeting that resolving the backlog as soon as possible would be most beneficial.

2. If work begins in the current biennium, it would be necessary to transfer appropriation authority from the Contingency line item to the Operating Expense line item. The Contingency line item has \$250,000 of appropriation authority. How much appropriation authority should be transferred from the Contingency line item?

Sagitec previously provided a high level estimate of \$244,000 and 8 months of effort to work through the backlog. They are currently working on updating this estimate. Staff would recommend that no more than \$200,000 be transferred at this time so that a balance of \$50,000 remains in the Contingency line item and that the remaining balance of the work effort be included in the 2015-17 budget request.

3. If work begins in the 2015-17 biennium, how much appropriation authority should be included in the budget request?

As mentioned above, Sagitec previously provided an estimate of \$244,000 and is currently working on updating this estimate. Staff would recommend that the amount from the updated estimate, plus an additional amount to cover potential refinements uncovered between now and July 2015 and a potential increase in hourly rates, be included in the 2015-17 budget request. This assumes that no work is done on the backlog during the current biennium.

4. What type of fee arrangement should be set up for these additional services?

Currently, we purchase a set amount of hours from Sagitec at a fixed fee (\$330,200/year for \$7,200 hours of support). Staff would recommend a different arrangement for the back log work effort since it is difficult to estimate the exact number of hours it may take to fix an issue. We want to make sure that there is a guarantee that a set number of items will be resolved for a set price. For example, if Sagitec estimates that it will take 300 hours to fix 30 items and the cost for this is \$30,000 (300 hours X \$100/hour), but it actually takes the developers 320 hours to resolve the items, NDPERS would only pay the \$30,000. If it only takes 270 hours to fix the 30 items, NDPERS would only pay \$27,000 (270 hours X \$100/hour). Staff would recommend that a fee for service, with a not to exceed amount, be set up for the backlog project.

Board Action Requested: Take action on staff recommendations listed above.



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Memorandum

TO: PERS Board
FROM: Deb Knudsen
DATE: April 21, 2014
SUBJECT: Follow-up Website Information

Back in January at the Board retreat, Sparb touched on some options regarding our website and various Social Media that would be available to NDPERS, should the NDPERS Board decide to utilize it.

As Sparb indicated, a representative of the Segal Company, Jennifer Schuster, worked with us on defining the project at hand and breaking it into digestible pieces. At the start, we agreed that the current NDPERS website provides members, employers, business partners and the public with comprehensive information about our benefits plans and our organization. Members and participating employers can also conduct transactions with us online.

Through this initiative, she suggested that we will repurpose the investments we've made in content and at the same time transform how we present this information to our many audiences. Reasons we need to redesign the NDPERS website include:

- Modernizing and enhancing the site's look, feel and organization to ensure that our stakeholders find the information they seek and can easily conduct business with NDPERS.
- Our members, both active and retired, are already using social media, so we should consider leveraging these channels to broaden our reach.
- Our members, both active and retired, are also rapidly adopting mobile devices. So as we redesign our website, we have the opportunity to build it for easy access regardless of the user's device of choice (computer, tablet, mobile phone) and operating system.

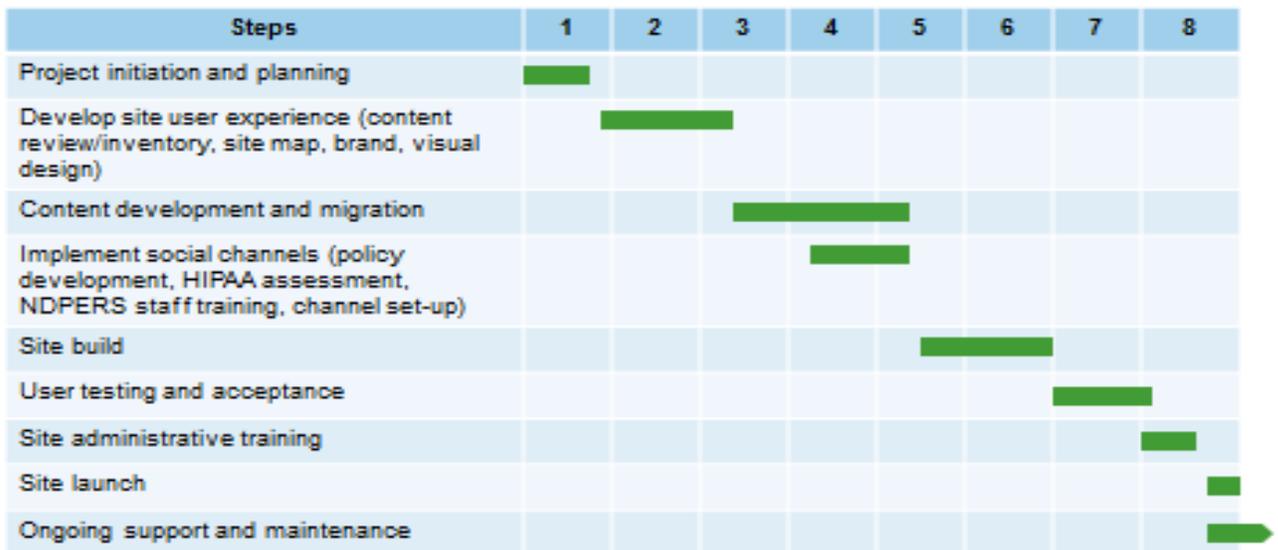
- As access is improved for mobile devices, we anticipate that there will be higher demand for electronic content and less reliance on print media over time, hopefully reducing print and postage costs.

Segal estimated that to cover the most critical areas and go out to bid for services, it would take approximately two months time. This would include developing site functional requirements, developing and issuing an RFP, evaluating RFP responses and providing a vendor recommendation and budget for the Board/legislature.

She proposed the timeline below for the actual re-development of the website and integration of social media that is selected for use.

Timeline for This Approach

8-MONTH DEVELOPMENT TIMELINE—POST BUDGET APPROVAL



26

She also provided some potential budget requirements. Her estimate projected approximately \$63,090.00 for total site development costs and recommended an additional allowance of \$11,340 for ongoing support and maintenance for 12 months after the initial launch of the website.

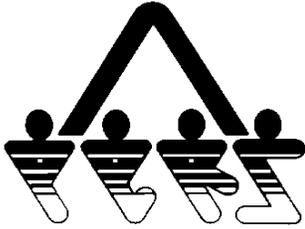
Possible Budget Requirements – Outside Development Resources

Steps	Development
Develop site functional requirements	\$5,040
Project initiation and planning, with project management for work streams below	\$6,885
Develop site user experience (content review/inventory, site map, brand, visual design)	\$8,415
Content development and migration	\$0
Site build	\$32,400
User testing and acceptance/site launch	\$6,750
Site administrative training	\$3,600
Total Site Development Costs	\$83,090
Optional: Ongoing support and maintenance post site launch (12 months)	\$11,340
	\$0
	\$0

In addition to consulting the Segal Company, we also checked with Rebecca Ternes, deputy director of the Insurance Commissioner's office, as we thought they had an attractive and functional website. Their experience seems to confirm Segal's recommendation to retain ongoing support for a certain period after the website is launched. Ms. Ternes indicated that they started out with a person specifically responsible for the website, but that person no longer works there and they maintain their own website presently. She clarified that the social media they utilize is solely for the purpose of turning information seekers to their website (twitter, flickr and youtube). Initially they used a local firm to develop their site and had a dedicated position devoted to public information. She indicated they were able to do their project for less than what our costs are projected at, but indicated they were existing clients with the firm that designed their site and their public information employee was very experienced in this area.

Proposed Action Plan:

1. Include the estimated cost of the project in our proposed budget to the OMB this summer.
2. Late this fall, (November) we issue an RFP to more precisely develop the costs for the project, which we can then share with the legislature if the Governor approves moving forward.
3. If approved by the Legislature and Governor, begin project implementation at the beginning of the 2015-2017 biennium.



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Memorandum

TO: NDPERS Board
FROM: Kathy
DATE: April 22, 2014
SUBJECT: Personnel Policy Manual Revisions

We have updated/revised the following sections of our Personnel Policy Manual:

- Section 2.7: Updates the language for our smoking policy to comply with NDCC 23-12-10.
- Section 2.8: Modified the Cell Phone Use in Vehicles policy. Section 26.2 was modified accordingly. Changed name to Distracted Driving Policy based on recommendation from Risk Management which will also qualify us for a discount on our premium.
- Section 26.2 Reflects the change made to 2.8 and defines the distracted driver policy for NDPERS employees.
- Section 8.5: Added new section to clarify the conditions under which NDPERS will pay out annual leave hours in the event an employee terminates employment and transfers to another state agency.
- Section 18.6 Revises language regarding reimbursements for tuition to indicate that payments made for educational expenses are excluded from gross income.
- Section 21.1 Updates the language to include the eligibility for service awards for three, forty-five and fifty years of service.

Copies of the redacted policies are included for your information. Staff recommends that the board approve the proposed revisions.

Board Action Requested

Violation of these rules will result in disciplinary action up to and including termination of employment.

Each year, during your annual performance review, you will be required to read and sign a Code of Ethical Responsibility statement and if engaged in outside employment, an Outside Employment Agreement. These acknowledgements will be retained in your personnel file.

- 2.7 Smoking Policy -- ~~As an employer, the State of North Dakota prohibits smoking in all places of state employment in accordance with NDCC 23-12-10 it is the policy of NDPERS to provide a smoke-free work environment for its employees. No smoking is allowed in the suite of offices occupied by NDPERS.~~ Smoking is allowed during scheduled breaks in designated areas only.
- 2.8 Use of NDPERS Property - NDPERS property, supplies and equipment is to be used for conducting NDPERS business. State law prohibits the use of NDPERS property for political purposes. Authorized Uses and Standards of Conduct are included in Section 2.11.

The following policies apply to personal use of NDPERS equipment.

Telephone - We recognize that you will make or receive personal telephone calls; however, the number and length of these calls should be kept to a minimum.

If you are required to make a personal long-distance call, you must either charge the call to your credit card or call collect. If your call should be charged to PERS because of an error, please notify your supervisor.

Distracted Driving Policy/Cell Phone Use in Vehicles – The use of State-owned and personal cellular phones or other mobile devices on-the-job and while operating a moving vehicle has restrictions/guidelines for use due to the distraction and lack of concentration presented to safe work performance. Refer to Chapter 26, Section 2 for an outline of the guidelines.

Copy Machine(s) - Personal use of the copy machine(s) may be allowed. If you must use the machines for personal use, you may do so at a cost of 5¢ per copy. This charge applies whether you are duplicating or printing copies from the internet. If you will be copying more than 50 pages at one time, you must receive prior approval from your supervisor.

Fax Machine - Personal use of the fax machine is not allowed.

Violation of these policies will result in disciplinary action.

- 2.9 Electronic Mail (e-mail) Policy - E-mail is one of PERS internal and external communication methods. E-mail originating from a North Dakota Public Employees Retirement System (NDPERS) e-mail account is to be considered the property of NDPERS. As such, the agency reserves the right to search and access employee e-mail when necessary to ensure the proper use of the system and to protect the interests of the agency. System features such as passwords and delete message functions do

CHAPTER 26

HEALTH AND SAFETY POLICY

- 26.1 General Safety Rules - It is NDPERS policy to provide a safe workplace. General safety rules are considered minimum safety standards for usual work conditions. The following general safety rules for usual work conditions shall be adhered to by all employees:
1. Participate in new employee training.
 2. Participate in continuing education which is conducted on a departmental level.
 3. Report all accidents, injuries, near misses or safety hazards in the workplace immediately to your supervisor.
 4. Report faulty electrical equipment. Faulty electrical equipment will be removed from service until the equipment has been repaired or replaced.
 5. Report any dangerous physical plant situations or equipment to appropriate maintenance personnel.
 6. Ask and insist on sufficient help before lifting heavy objects. Follow proper procedure when lifting - bend knees and keep back erect, lift with weight close to the body and do not twist while lifting. Use mechanical devices!
 7. Remember, no horseplay is allowed in the workplace.
 8. Always wear your safety belt when driving any state-owned vehicle.
 9. Participate in proper housekeeping. Proper housekeeping is mandatory for all departmental areas.

If you notice a potential hazard in the workplace, report it to your immediate supervisor. Your ideas for alleviating problems are welcome.

- 26.2 Distracted Driving Policy Cell Phone Use in Vehicles – The use of State-owned and personal cellular phones of other mobile devices on-the-job and while operating a moving vehicle has restrictions/guidelines for use due to the distraction and lack of concentration presented to safe work performance.

In order to reduce the risks associated with distracted driving, it is the policy of NDPERS to prohibit the use of cell phones (including hands free) or any other mobile devices while operating a motor vehicle on NDPERS business. This restriction includes answering or making phone calls, engaging in phone conversations, reading or responding to e-mails and text messages, and accessing the internet.

These restrictions do not apply to emergency calls, or brief calls that are identified and

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Certain staff positions are required to take at least one continuous week of leave during the calendar year. This policy applies to the following positions:

Accounting/IT Manager	IT Coordinators
Accountants	FlexComp Program Coordinator
Benefit Programs Administrators	Benefit Services Specialist
Benefit Programs Specialist	

8.4 If you are employed by NDPERS by means of a transfer from another state agency, NDPERS will accept 80 hours of accrued annual leave from your previous employer.

8.5 If you terminate employment with NDPERS by means of a transfer to another state agency, NDPERS will pay out only those hours of annual leave the new employer will not accept.

8.65 Annual Leave Donation (NDCC 54-06-14.1) - You may donate annual leave to another state employee under certain situations. The employee must be suffering from, or have a relative or household member suffering from, an extraordinary or severe illness, injury, impairment, or physical or mental condition that has caused, or is likely to cause, the employee to take leave without pay or terminate employment. Donated leave must be voluntary, donated in full-hour increments, and is not returnable. You must retain 40 hours of leave after donating.

To be eligible to receive donated leave, you must have over six months of continuous service and are not probationary, temporary or otherwise limited in term. You must have exhausted or will exhaust all annual and sick leave and compensatory time due to illness, injury, impairment or physical or mental condition that is of an extraordinary or severe nature. Excluded as an eligible condition for annual leave donation are conditions relating to normal pregnancy. Your use of shared leave can not exceed four months in any twelve-month period. Medical certification will be required.

CHAPTER 18

EDUCATION AND TRAINING

- 18.1 Continuing Education - NDPERS has adopted an educational assistance program to provide you with the opportunity to develop personally and professionally. We believe that employees who demonstrate the initiative to undertake and complete courses or work toward a degree or professional designation or certification become greater assets to the organization and should be supported in this endeavor.
- 18.2 To qualify for educational assistance you must be a full-time employee who has completed the six-month evaluation period. You must complete the course successfully and agree to work for the agency for two years following the completion of the reimbursed course work. If you leave our employment prior to the two years, you must reimburse NDPERS for the cost of those portions of education that were funded by NDPERS.
- 18.3 You may apply for educational assistance for any course, degree or certification programs that relate directly to the skills and knowledge required for your current job or which could qualify you for a more responsible position with NDPERS.
- 18.4 You must complete an Application for Educational Assistance and submit it to your supervisor prior to taking the course. Applications are considered on a first-come, first-serve basis contingent with the purpose of this program and availability of funds.
- 18.5 The level of assistance is limited to \$1,000 in tuition fees per eligible employee per fiscal year. Professional development courses for a designation or certification are also subject to this limitation. Books, software and other similar costs for items that you will maintain ownership of are your responsibility.
- 18.6 Reimbursement of tuition will be made upon completion of the course. You will be required to provide verification of your tuition payment and your course grade. You must receive no lower than a "C" grade in undergraduate work and no lower than a "B" grade in graduate work. ~~Reimbursement for graduate level course work is includable as income for the tax year in which the reimbursement is paid. Payments made to an employee for educational expenses for courses below graduate level are excluded from gross income. This exclusion also applies to expenses related to graduate level courses.~~
- 18.7 Training - NDPERS will also fund the cost of conferences, seminars, workshops, conventions and related programs. Attendance is subject to approval by your supervisor and is limited to two per fiscal year or four per biennium. Approval will not be granted for out-of-state attendance if the program is available locally or in-state. The Executive Director must approve out-of-state participation.

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NDPERS will pay the advance registration and related fees in excess of \$25. If these fees are \$25 or less, you will be responsible for paying the fee and NDPERS will reimburse you for the expense. (OMB Policy 504)

CHAPTER 21

SERVICE AWARD PROGRAM NDAC 4-07-18

- 21.1 NDPERS has a service award program to recognize employees who reach certain service anniversaries. You must complete the equivalent of three, five, ten, fifteen, twenty, twenty-five, thirty, thirty-five, ~~or forty~~, forty-five or fifty years of full-time employment with the state in order to receive an award. If you were employed by other state agencies, NDPERS will recognize your total years of state service in determining your service anniversary designation. If you have eligible state service accrued prior to a break in service, NDPERS will apply it to any future service award.
- 21.2 Service awards will be presented each year for employees who reach their anniversary during the year. You will receive a service award plaque and a gift card that corresponds in value with the service award amount specified in the schedule under NDAC 4-07-18. Gift cards are taxable under IRS rules.



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Memorandum

TO: PERS Board

FROM: Sparb

DATE: April 22, 2014

SUBJECT: ANNUAL EXECUTIVE DIRECTOR EVALUATION

It is time to conduct the annual evaluation for the Executive Director. Attached is the form that is used for the evaluation.

In the past the Board has appointed a committee of three to coordinate the annual evaluation of the Executive Director and make a salary recommendation at the June meeting. Last year Mr. Sandal, Ms. Smith and Chairman Strinden served on the committee.

Board Action Requested

To determine how to proceed with the evaluation process.

MEMORANDUM

TO: NDPERs Board
FROM: Jim Smrcka
DATE: April 16, 2014
SUBJECT: Consultant Fees

Attached is a report showing the consulting, investment and administrative fees paid during the quarter ended March 2014.

Attachment

**North Dakota Public Employees Retirement System
Consulting/Investment/Administrative Fees
For the Quarter ended March 31, 2014**

	Program/Project	Fee Type	Jan-14	Feb-14	Mar-14	Fees Paid During The Quarter	Fees Paid Fiscal Year-To-Date
Actuary/Consulting Fees:							
	Deloitte Consulting	Insurance Time charges				-	13,712
	Mid Dakota Clinic	Retirement Disability Time charges	400		1,650	2,050	6,500
	The Segal Company	Retirement (DB) Fixed Fee	17,750			17,750	52,550
	The Segal Company	Ret Health Credit Fixed Fee	3,275			3,275	9,700
	The Segal Company	FlexComp Fixed Fee				-	-
	The Segal Company	Job Service Fixed Fee	4,750			4,750	14,075
	The Segal Company	QDRO/Compliance Time charges	36,470			36,470	51,951
	The Segal Company	Legislation Time charges				-	52,273
	The Segal Company	Retirement (DC) Time charges				-	-
	The Segal Company	Def comp Time charges				-	3,360
			\$ 62,645	\$ -	\$ 1,650	\$ 64,295	\$ 204,120
Audit Fees:							
	Brady Martz	Annual audit Fixed Fee	6,250			6,250	51,250
Legal Fees:							
	ND Attorney General	Administrative Time charges	17,520	8,017		25,537	25,537
	Calhoun Law Group	Administrative Time charges				-	-
Investment Fees:							
	SIB - Investment Fees	Retirement (DB) % Allocation	176,912	201,533	1,213,032	1,591,477	5,421,882
	SIB - Investment Fees	Ret Health Credit % Allocation	601	689	56,814	58,104	180,639
	SIB - Investment Fees	Insurance % Allocation	320	327	459	1,106	3,622
	SIB - Administrative Fees	Retirement (DB) % Allocation	17,027	21,246	321,676	359,949	514,085
						\$ 2,010,636	\$ 6,120,228
Administrative Fee:							
	Blue Cross Blue Shield	Health Plan Fixed fee	1,725,784	1,730,423	*	3,456,207	13,732,755

* fees not yet available



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MEMORANDUM

TO: NDPERS Board
FROM: Jamie Kinsella *Jamie*
DATE: February 19, 2014
SUBJECT: December 19, 2013 PERS Audit Committee Minutes

Attached are the approved minutes from the December 19, 2013 meeting. Those who attended the meeting are available to answer any questions you may have.

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

The next audit committee meeting is tentatively scheduled for May 21, 2014 10:00 a.m., in the NDPERS Conference Room.

Attachment

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



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MEMORANDUM

TO: Audit Committee
Jon Strinden
Arvy Smith
Rebecca Dorwart

FROM: Jamie Kinsella, Internal Auditor

DATE: January 27, 2014

SUBJECT: December 19, 2013 Audit Committee Meeting

In Attendance:

Jon Strinden – via call
Arvy Smith
Jamie Kinsella
Sparb Collins
Sharon Schiermeister
Julie McCabe
John Mongeon
Stacy DuToit

The meeting was called to order at 10:00 a.m.

I. August 21, 2013 Audit Committee Minutes

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

II. Internal Audit Reports

- A. Quarterly Audit Plan Status Report – A summary of the internal audit staff time spent for the past quarter was included with the audit committee materials. The number of errors are decreasing in the monthly benefits and refund payments, and we are going to increase the population for testing in the months that have smaller number of retirees retiring.
- B. FY 2013 Retirement Benefits and Refunds Executive Summary Reports – The Executive Summary Reports from the FY 2013 Retirement Benefits and Refunds Audits were provided to the board for their information.
- C. Audit Recommendation Status Report – As stated in the Audit Policy #103, the Internal Audit Division is to report quarterly to management and the audit committee the status of the audit recommendations of the external auditors, as well as any found by the internal auditor.

There are four carry overs from the previous quarter, one of which is a report in

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

this year's management letter. There are six new recommendations from Brady Martz. There are ten new recommendations from Internal Audit of which two are completed, one is 80% completed, one is 25% in progress and two are 10% in progress.

- D. Benefit/Premium Adjustments Report – The quarterly benefit adjustment report was provided to the audit committee. The report is in two sections, Retirement and Insurance. This report has 8 retirement and 5 health adjustments.

While doing research for the board two reports were found in PERSLink that will be investigated further to determine if it can be an additional tool to use in tracking adjustments. One is called the "Premium Adjustment Receivable" and the other is "Payee Receivable Report". The first is not reporting correctly so it will need to be fixed. Whether the second report is reporting correctly is yet to be determined.

- E. Internal Audit Plan for 2014-2015 – A copy of the Internal Audit Plan for the 2014-2015 calendar year was given to the board for review.

III. Administrative

- A. Audit Committee Meeting Date & Time – A schedule for 2014 was reviewed and agreed upon. The next audit committee meeting is scheduled for February 19, 2014 at 10:00 a.m.
- B. Risk Assessment – Prior to PERSLink Internal Audit had set a goal to conduct an enterprise risk assessment every four years. This assessment was completed in November. A copy of the Risk Management Methodology was given to the board for their information.
- C. Job Service – Early in October Internal Audit was asked to work with MaryJo Steffes, Benefits Administrator, on the Job Service (JS) 2013 COLA increases. Staff found issues with benefits during the 2013 COLA project which they want to review to ensure the payee's benefits were correct. The audit committee agreed Internal Audit should look at remaining records and determine if benefits are correct.

IV. Miscellaneous

- A. Brady Martz & Associates Meeting with the Audit Committee – Item 13 of the Audit Committee Charter states in part: The AC will, on a regular basis, meet separately with the external financial statement audit firm to discuss any matters that the committee or auditors believe should be discussed privately (subject to open meeting laws). There was discussion on this subject.
- B. Brady Martz & Associates FY 2013 Audit Report Presentation – John Mongeon and staff were at the audit committee meeting to present the FY 2013 audit report.
- C. Brady Martz & Associates Presentation on GASB Updates – As requested by the

Audit Committee, Brady Martz presented GASB updates that will impact NDPERS. There was concern about staffing to deal with new GASB Standards 67 & 68 for government pension plans. This was noted by staff and will be addressed.

- D. Travel Expenditures Update – There was a worksheet presented to the board with travel expenditures incurred by the Board and/or Executive Director for out-of-state travel submitted from August 1, 2013 through October 31, 2013.
- E. Risk Management Report – The Loss Control Committee will provide quarterly to the Audit Committee a copy of the Loss Control Committee's agenda from their last meeting as well as the approved minutes. Copies of the June 6, 2013 meeting and the agenda for the September 17, 2013 meeting were provided to the audit committee.
- F. Report on Consultant Fees - According to the Audit Committee Charter, the audit committee should "Periodically review a report of all costs of and payments to the external financial statement auditor. The listing should separately disclose the costs of the financial statement audit, other attest projects, agreed-upon-procedures and any non-audit services provided." Attached was a copy of the report showing the actuary/consulting audit, legal, investment and administrative fees paid during the quarter ended September 30, 2013. This report was changed to fiscal year to date as requested.
- G. Administrative Rules - Per Item 15 of the Audit Committee Charter: The AC will monitor changes and proposed changes in law, regulations and rules affecting the organization. Information was provided to the board in regard to this administrative rule.
- H. Publications – The August and October 2013 publications of the Tone at the Top were provided to the Audit Committee for their perusal.
- I. Webinars and CPE's – Ms. Kinsella and Ms. McCabe have been participating in the free Webinars that the Institute of Internal Auditors provides for their members. Each 1 hour webinar provides 1 hour of continuing professional education credits. The internal auditors have attended five webinars from August 1, 2013 through October 31, 2013. These webinars are held during the lunch hour so the internal auditors remain available to staff during normal business hours.

In addition, the internal auditors attended a two day "Rev Up Your Performance" seminar in Bismarck that dealt with change, getting closer to your stakeholders and managing conflict.

Meeting adjourned at 11:35 a.m.



North Dakota
Public Employees Retirement System
400 East Broadway, Suite 505 • PO 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: NDPER Board

FROM: Jamie Kinsella

DATE: February 19, 2014

SUBJECT: Audit Committee Charter Activity Review

The Audit Committee Charter states that it will "17. Confirm annually that all responsibilities outlined in this charter have been carried out. Report annually to the Board, members, retirees and beneficiaries, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services."

To meet this requirement a matrix was developed to review against current practices to ensure that the audit committee is meeting its responsibilities. The attached copy of this matrix was provided to the audit committee at their February for review. This is for your information.

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
Audit Committee Charter Review Matrix
 For Year Ending December 31, 2013

J. Kinsella
 02/7/2014

Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
1. The audit committee (AC) will consist of two to five members with the majority of the members selected from the Board of Directors, and one may be selected from outside the organization. The Board or its nominating committee will appoint committee members and the committee chair.	The Board of Directors determines who will serve on the AC when they are assigning committees.	Indicate in AC meeting minutes whenever a new member is appointed.	Whenever there is a change in AC members.	No changes to the Audit Committee in 2013.
2. The Board should attempt to appoint committee members who are knowledgeable and experienced in financial matters, including the review of financial statements.	Ascertain that at least one member of the AC is knowledgeable and experienced in financial matters, including the review of financial statements.	Indicate in AC meeting minutes which member of the AC is knowledgeable and experienced in financial matters, including the review of financial statements.	Whenever there is a change in board members.	No changes to the Audit Committee in 2013.
3. The AC will meet as often as it determines is appropriate, but not less frequently than quarterly.	Hold meetings at least once each quarter.	Prepare minutes that document decisions made and action steps following meetings and review for approval. Meeting minutes should be filed with the board of directors.	Quarterly, or more often if necessary, but no later than prior to the next meeting.	Meeting minutes for 2/20/13, 05/15/13, 08/21/13, and 12/19/13 were prepared and presented for approval at the next quarterly meeting. These minutes are made available on the NDPERS web site after approval. The approved minutes are reported to the board at the next board meeting.
4. All committee members are expected to attend each meeting, in person or via tele- or video-conference.	Accommodations should be made available to committee members to encourage attendance.	Note in the AC meeting minutes the members who were in attendance at the meeting.	Quarterly, or more often if necessary, but no later than prior to the next meeting.	All AC members were in attendance at all meetings with the exception of the 5/15/13 and 8/21/13 meetings, however there was a quorum.
5. The committee periodically will hold individual meetings with management, the internal auditor and the external auditor.	Establish these sessions in conjunction with quarterly meetings or as necessary.	Contact appropriate people to arrange time for meetings.	Annually, or more often if necessary.	An individual meeting with the Internal Auditor was held 2/20/2013. The AC met individually with the external auditors on 12/19/2013.
6. The AC may invite any officer or employee of the agency, the external auditor, the agency's outside counsel, or others to attend meetings and provide	Establish these sessions in conjunction with quarterly meetings or as necessary.	Contact appropriate people to arrange time for meetings.	Annually, or more often if necessary.	Deb Knudsen, Manager, Benefit Program Development and Research was invited and spoke at the August meeting, providing the committee an update on the Loss Control

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<p>7. Meeting agendas will be prepared by the Chief Audit Executive (CAE) and provided in advance to members, along with appropriate briefing materials.</p>	<p>The agendas for meetings should be prepared and provided to members in advance, along with appropriate briefing materials.</p>	<p>Prepare and provide meeting agenda, previous meeting minutes, and appropriate briefing materials to members in advance.</p>	<p>Quarterly, or more often if necessary</p>	<p>Committee activities. Meeting agendas were mailed to the AC on 2/13/13, 5/8/13, 8/14/13, and 12/12/13.</p>
<p>8. Minutes will be kept by a member of the AC or a person designated by the AC.</p>	<p>Designate the appropriate person to keep the minutes of meetings.</p>	<p>Prepare minutes documenting decisions made and future action steps and review for approval at the next meeting.</p>	<p>Quarterly, or following each meeting.</p>	<p>The Internal Audit Manager provides meeting minutes to the administrative assistant to prepare for the next quarterly meeting. These minutes were provided to the AC at the next quarterly meeting. See #3.</p>
<p>9. The AC will:</p> <ul style="list-style-type: none"> • Obtain information and/or training to enhance the committee members' expertise in financial reporting standards and processes so that the committee may adequately oversee financial reporting. • Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements. • Review with management, the external auditors, and the internal auditors the results of the audit, including any difficulties encountered. • Review all significant adjustments proposed by the external financial statement auditor and by the internal 	<p>Provide information related to financial reporting standards and processes to the AC.</p> <p>Bring external auditors to explain new changes to accounting reporting and how they impact NDPERS.</p> <p>Invite the external auditors to present the financial statements upon completion of their audit.</p> <p>Review with management and AC any proposed significant adjustments.</p>	<p>Articles, publications, external auditors, speakers with information regarding changes to accounting rules.</p> <p>Report to the board on issues relating to internal controls, with emphasis on management's ability to override and related monitoring and testing.</p> <p>Submit reports of audit findings and their status at each AC meeting.</p> <p>Audited Financial Statements, including the Independent Auditor's Report, management</p>	<p>Quarterly, or as they become available.</p>	<p>Articles from the Institute of Internal Auditors are provided as they become available.</p> <p>External auditors discussed with the staff/AC significant accounting and reporting issues as they develop.</p> <p>External auditors provided the statement of management responsibility and reviewed with staff prior to commencement of audit.</p> <p>There were no legal matters relating to financial statements.</p> <p>Staff reviewed the annual statements for completeness, consistency of information and accounting principles.</p> <p>A system for interim financial</p>

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<p>auditor.</p> <ul style="list-style-type: none"> • Review all significant suggestions for improved financial reporting made by the external financial statement auditor and by the internal auditor. • Review with the General Counsel the status of legal matters that may have an effect on the financial statements. • Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles. • Review with management and the external auditors all matters required to be communicated to the committee under generally accepted auditing Standards. • Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement. • Review the statement of management responsibility for and the assessment of the effectiveness of the internal control structure and procedures of the organization for financial reporting. Review the attestation on this management assertion by the financial statement auditor as 	<p>Review management letter with management and AC.</p> <p>Bring to the General Counsel's attention any legal matters that may have an effect on the financial statements. AC should ask of management if the annual financial statements are complete.</p> <p>Inquire of management and external auditors if there are any matters required to be communicated to the committee under GAAS. Inquire of management their system of developing interim financial information and if the internal or external auditors were involved. Ascertain that the external auditors provided the statement of management responsibility and review with them. Review key internal controls with the CAE, and understand how these controls will be tested during the year.</p>	<p>Discussion and Analysis, financial Statements, Required Supplementary Information, Supplementary Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards, and Special Comments Requested by the Legislative Audit and Fiscal Review Committee.</p>		<p>information is not in place at this time.</p> <p>External auditors discussed with CAE and management the effectiveness of internal controls on 12/2/13.</p>

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<p>part of the financial statement audit engagement.</p> <p>10. The AC will:</p> <ul style="list-style-type: none"> • Obtain information about, training in and an understanding of risk management in order to acquire the knowledge necessary to adequately oversee the risk management process. • Periodically review that the organization has a comprehensive policy on risk management. • Consider the effectiveness of the organization's risk management system, including risks of information technology systems. • Consider the risks of business relationships with significant vendors and consultants. • Review management's reports on management's self-assessment of risks and the mitigations of these risks. • Understand the scope of internal auditor's and external auditor's review of risk management over financial reporting. • Understand the scope of internal auditor's review of risk management over all other processes, and obtain reports on significant findings and recommendations, together with management's responses. • Understand the scope of any 	<p>Provide the AC members with information regarding risk management.</p> <p>Review risk management policy periodically.</p> <p>Create a portfolio that documents the material risks that the agency faces. Update as events occur.</p> <p>Review with management and the CAE periodically to make sure it is up-to-date.</p> <p>Provide AC a summary of results of self-assessment of risks, and how these risks are handled.</p> <p>Provide the AC information on how external and internal audit review risk management over financial reporting.</p> <p>Provide AC a summary of results of self-assessment of risks, and how these risks are handled.</p> <p>Provide the AC an explanation of other</p>	<p>Articles, publications, etc. relating to risk management.</p> <p>Current risk management policy and most recent information relating to risk management.</p> <p>Submit a risk report including mitigation strategies and quantifiable risks and insurance to cover such risks, e.g., loss of business.</p>	<p>Quarterly.</p> <p>As necessary.</p>	<p>Articles, publications, etc. relating to risk management are provided as they become available.</p> <p>It is required by Risk Management of OMB to have a Loss Control Committee. The Chairperson presented an overview of the committee at the August 2013 meeting. This will be done every year in August, providing an update annually. In addition, quarterly agendas and minutes of the Loss Control Committee were provided to the Audit Committee at each meeting.</p> <p>A risk assessment was facilitated and completed with management in November and a copy of the results provided to the audit committee at the 12/19/13 meeting.</p> <p>There was nothing to report.</p>

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<p>other external auditor's or consultant's review of risk management.</p> <ul style="list-style-type: none"> • Hire outside experts and consultants in risk management as necessary subject to full board approval. 	<p>external auditor's review of risk management.</p> <p>Develop a request for proposal if an outside expert is deemed necessary.</p>			
<p>11. The AC will:</p> <ul style="list-style-type: none"> • Obtain information about, training in and an understanding of internal control in order to acquire the knowledge necessary to adequately oversee the internal control process. • Ensure that the organization has a comprehensive policy on internal control and compliance. • Review periodically the policy on ethics, code of conduct and fraud policy. • Consider the effectiveness of the organization's internal control system, including information technology security and control. • Consider any internal controls required because of business relationships with significant vendors and consultants. • Understand the scope of internal auditor's and external auditor's review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses. • Understand the scope of 	<p>Provide the AC members with information regarding internal control process.</p> <p>Review periodically the policy on internal controls, ethics, code of conduct and fraud.</p> <p>Review the reports of the internal audit team for all audits completed since the prior AC meeting.</p> <p>Review key internal controls with the CAE, and understand how these controls will be tested during the year.</p> <p>Review with the CAE the plans for audits of other elements of the control environment.</p>	<p>Report to the board on issues relating to internal controls, with emphasis on management's ability to override and related monitoring and testing.</p>	<p>Quarterly.</p> <p>Update on anything new, or any changes to the internal control system, at every meeting.</p>	<p>Information relating to internal control is provided as they become available.</p> <p>Internal periodic reviews on ethics, code of conduct and fraud have not been conducted consistently. These issues are addressed during the benefit programs, business processes, accounting functions and enterprise risk management assessments. Internal controls are reviewed as part of each audit project and/or special examinations.</p> <p>External auditors conduct a review of internal accounting controls annually. There have been no areas of concern as a result of these reviews.</p>

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<p>internal auditor's review of internal control over all other processes, and obtain reports on significant findings and recommendations, together with management's responses.</p> <ul style="list-style-type: none"> Review the role of the internal auditor's involvement in the corporate governance process, including corporate governance documentation and training. Periodically review contracts with external service providers which should contain appropriate record-keeping and audit language. 	<p>Determine that all internal control weaknesses are quantified, reviewed, and addressed.</p> <p>Review these plans with the independent auditor to understand their scope with respect to key controls</p>			<p>Internal audit includes a review of internal controls as part of each audit, consulting project, and/or special examinations.</p> <p>At this time the role is to assist in the development of the enterprise risk management questionnaire. The results will be summarized into a report, and this will discuss corporate governance.</p> <p>The 2014-2015 Internal Audit Plan includes developing a process to review contracts.</p>
<p>12. The AC will:</p> <ul style="list-style-type: none"> Obtain the information and training needed to enhance the committee members' understanding of the role of internal audits so that the committee may adequately oversee the internal audit function. Oversee the selection process for the Chief Audit Executive. Assure and maintain, through the organizational structure of the organization and by other means, the independence of the internal audit process. Review any difficulties encountered in the course of audit work, including any restrictions on the scope of activities or access to required information Review with management and 	<p>Review reports of all internal auditors from the preceding 12 months and planned for the upcoming six months along with the status of each planned audit.</p> <p>Hold special meetings as necessary to address appointment, reassignment, or dismissal of CAE.</p> <p>Discuss internal audit</p>	<p>Report on the status of all current internal audits and audits planned for the next quarter and/or year.</p> <p>Report to the full board on the performance of the CAE including the effectiveness of the internal audit function.</p>	<p>Review at each meeting.</p> <p>Conduct ongoing reviews, as changes can be made at any time during the year.</p>	<p>An updated quarterly status report is provided to the AC at each meeting.</p> <p>No change in internal auditors this period. No change in reporting structure this period. Structure is in accordance with best practices.</p> <p>No difficulties encountered.</p>

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<p>the Chief Audit Executive the charter, objectives, plans, activities, staffing, budget, qualifications, and organizational structure of the internal audit function.</p> <ul style="list-style-type: none"> • Receive and review all internal audit reports and management letters. • Review the responsiveness and timeliness of management's follow-up activities pertaining to any reported findings and recommendations. • Receive periodic notices of advisory and consulting activities by internal auditors. • Review and concur in the appointment, replacement, or dismissal of the Chief Audit Executive. • Review the performance of the Chief Audit Executive periodically. • Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' <i>Standards for the Professional Practice of Internal Auditing</i>. 	<p>division's budget and staffing with CAE.</p> <p>Maintain workload project management worksheet, audit recommendation worksheets</p> <p>Review and discuss the findings for each audit completed since the prior meeting, and management's response to the report.</p> <p>Meet periodically with other members of executive management and the external auditors to discuss the performance of CAE.</p> <p>Discuss internal audit's compliance with IIA Standards, including the requirement for a peer review once every five years.</p>	<p>Internal Audit Activities Report Audit Recommendation Report</p> <p>Annual Internal Audit Report</p> <p>Performance evaluation worksheet</p> <p>Quality Assurance Review report</p>	<p>Quarterly</p> <p>Quarterly</p> <p>Annually</p> <p>As needed</p> <p>As needed</p> <p>Annually</p> <p>QAR every five years. Annual Internal Audit report</p>	<p>A revised Internal Audit Charter was approved by the Board 9/18/2008. No changes were made since.</p> <p>The Internal Audit Activities report is presented at each audit committee meeting.</p> <p>A report of all audit recommendations is provided to the AC quarterly, with a progress update for each audit. An annual report of the Internal Audit Division was presented in February 2013.</p> <p>A quarterly report of audit activities is provided to the AC, which includes advisory and consulting activities.</p> <p>A performance review was written by the Executive Director and approved by the AC in May 2013. Nothing is reported to the full board at this time.</p> <p>A Quality Assurance Review was not completed in 2013 to review the effectiveness of the internal audit function.</p>

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<ul style="list-style-type: none"> On a regular basis, meet separately with the Chief Audit Executive to discuss any matters that the committee or internal audit believes should be discussed privately (subject to open meeting laws). Designate the Chief Audit Executive as the lead coordinator for handling all matters related to audits, examinations, investigations or inquiries of the State Auditor and other appropriate State or Federal agencies. 	<p>Review the internal audit charter periodically. Assess the appropriateness of each point in the charter from past experience (since the last review). Assess the completeness of the charter against new best practices and new legal or regulatory requirement.</p> <p>The AC chair should be available if any unforeseen issues arise between meetings relating to the CAE.</p> <p>Discuss job satisfaction and other employment issues with the CAE.</p>	<p>Internal Audit Charter</p>	<p>Annually</p> <p>Periodically</p>	<p>IA charter was not reviewed in 2013.</p> <p>Private meeting with the Internal Audit Manager was held in February 2013.</p> <p>AC Chair is available at all times if needed.</p> <p>The Internal Audit Division is the primary contact for the external auditors, and coordinated all matters relating to the 2013 financial audits.</p>
<p>13. The AC will:</p> <ul style="list-style-type: none"> Obtain the information and training needed to enhance the committee members' understanding of the purpose of the financial statements audit and the role of external financial statement auditor so that the committee may adequately oversee the financial statement audit function. Review the external auditor's proposed audit scope and approach, including coordination of audit effort with internal audit. 	<p>Provide information and/or training.</p> <p>Meet with independent audit partner, the controller and CAE to discuss scope of the previous year's audit, and lessons learned. Later, discuss planned scope for audit of current</p>	<p>Document the meeting in the AC meeting minutes.</p>	<p>Meet with new audit firm at the beginning of a new contract to review the scope of the upcoming audit; discuss audit results, lessons learned and scope for current year at the exit conference.</p> <p>As requested</p>	<p>The contract is for the fiscal years ending June 2012 through June 2014; a meeting was not held because there was no change in the external audit firm.</p> <p>Nothing to review at this time.</p>

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<ul style="list-style-type: none"> Review the performance of the external financial statement audit firm, and review the State Auditor's recommendation for the final approval on the request for proposal for, and the appointment, retention or discharge of the audit firm. Obtain input from the Chief Audit Executive, management and other parties as appropriate. Review the independence of the external financial statement audit firm by obtaining statements from the auditors on relationships between the audit firm and the organization, including any non-audit services, and discussing these relationships with the audit firm. Obtain from management a listing of all services provided by the external audit firm. Obtain information from the Chief Audit Executive and other sources as necessary. Review the audited financial statements, associated management letter, attestation on the effectiveness of the internal control structure and procedures for financial reporting, other required auditor communications, and all other auditor reports and communications relating to the financial statements. 	<p>year.</p> <p>Provide input on the external audit performance to the State Auditor's Office.</p> <p>Provide input to the State Auditors Office on the request for proposal for the appointment of the next audit firm.</p> <p>Obtain from external audit firm and/or management any documentation of any activity or issues between the audit firm and organization if information should be provided to the AC.</p> <p>Review at the exit conference with management, and again with the AC.</p>		<p>Every three years</p>	<p>No comments were requested by the State Auditor's Office.</p> <p>Input was provided in December 2011 to the State Auditor's Office on the RFP for the 2012-2014 contract period.</p> <p>This was not an issue for 2013.</p> <p>External audit firm presented the financial statements and associated reports to the AC at the December 2013 meeting.</p>

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<ul style="list-style-type: none"> • Review all other reports and communications made by the external financial statement auditor. • Review the responsiveness and timeliness of management's follow-up activities pertaining to any reported findings and recommendations. • On a regular basis, meet separately with the external financial statement audit firm to discuss any matters that the committee or auditors believe should be discussed privately (subject to open meeting laws). • Provide guidelines and mechanisms so that no member of the AC or organization staff shall improperly influence the auditors or the firm engaged to perform audit services. • Periodically review a report of all costs of and payments to the external financial statement auditor. The listing should separately disclose the costs of the financial statement audit, other attest projects, agreed-upon-procedures and any non-audit services provided. 	<p>Review as needed.</p> <p>Provide a quarterly audit recommendation report to the AC.</p> <p>Provide opportunity at the time external auditors are at meeting to present audit report.</p> <p>Need to draft guidelines.</p> <p>Provide a quarterly report to the board of all external audit costs.</p>	<p>Audit recommendation report</p> <p>Annual audit report presentation</p> <p>External Audit costs report</p>	<p>Quarterly</p> <p>Annually</p> <p>Quarterly</p>	<p>Reports were reviewed during 2013 during each AC meeting.</p> <p>The Audit Committee met with the External Auditors at the December 2013 audit committee meeting.</p> <p>Guidelines not needed at this time -- State Auditor's Office selects external auditors.</p> <p>Quarterly reports are provided to the full board and to the AC.</p>
<p>14. The AC will:</p> <ul style="list-style-type: none"> • Obtain the information and training needed to enhance the committee members' understanding of the role of the other external audit firm(s) so that the committee may 	<p>Provide the AC members with information regarding the role of the other external audit firm(s).</p> <p>Meet with independent</p>	<p>Document the meeting in the AC meeting minutes.</p>	<p>Provide information and training as needed.</p>	<p>Not applicable at this time as we have not had an "other" external audit firm in conjunction with the external audit firm.</p>

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<p>adequately oversee their function(s).</p> <ul style="list-style-type: none"> Confirm coordination of efficient and effective audit activities between the internal and external auditors. Review the performance of the other external audit firm(s). Review the scope all services to be performed by the other external auditor. Review the reports of the audits and/or agreed-upon-procedures. Provide a forum for follow up of findings from the audit reports or agreed-upon-procedures. Meet separately with the other external audit firm(s) on a regular basis to discuss any matters that the committee or staff of the audit firm(s) believes should be discussed Review a report of all costs of and payments to other external audit firm(s). The listing should separately disclose the costs of any audit, other attest projects, agreed-upon-procedures and any non-audit services provided. 	<p>audit partner, the accounting manager and CAE to discuss scope of the previous year's audit, and lessons learned. Later, discuss planned scope for audit of current year.</p>			
<p>15. The AC will:</p> <ul style="list-style-type: none"> Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any 	<p>Review the reports of compliance with laws and regulations. Discuss compliance issues and resolutions.</p>	<p>Record discussion and any action steps in the AC meeting minutes.</p>	<p>Review as necessary.</p>	<p>Compliance with laws and regulations are reviewed for each specific audit by both the external auditors and internal auditors. Any concerns will be brought before management, the AC and/or board as necessary.</p>

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Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
<ul style="list-style-type: none"> • instances of noncompliance. • Review the findings of any examinations by regulatory agencies, and any auditor observations, including investigations of misconduct and fraud. • Review the process for communicating to all affected parties the ethics policy, code of conduct and fraud policy to organization personnel, and for monitoring compliance therewith. • Obtain regular updates from management and organization legal counsel regarding compliance matters. • Monitor changes and proposed changes in laws, regulations and rules affecting the organization. 	<p>Require staff to sign off on ethics/code of conduct and fraud policy annually during their performance reviews.</p> <p>Report to AC as necessary.</p> <p>Report to AC as needed.</p>	<p>Review signed form stating the employee read the policies.</p> <p>Report to AC at meeting, if matters arise.</p> <p>Report to AC of changes in laws, regulations and rules.</p>	<p>Annually.</p> <p>As they occur.</p> <p>As they occur.</p>	<p>It is our practice to have staff review and sign off annually on ethics/code of conduct during their annual performance evaluations.</p> <p>During legislative years changes in laws, regulations and rules are monitored by management and reported to the board and to the Audit Committee. Changes to rules were provided to the Audit Committee at the 12/19/13 meeting.</p>
<p>16. The AC will:</p> <ul style="list-style-type: none"> • Institute and oversee special investigations as needed. • Provide an appropriate confidential mechanism for whistleblowers to provide information on potentially fraudulent financial reporting or breaches of internal control to the AC. 	<p>Review procedures with CAE and the general counsel.</p> <p>Review all complaints that have been received and the status of resolution.</p> <p>Ensure proper steps are taken to investigate and resolve complaints timely.</p>	<p>Review an original of each complaint received, no matter the media used to submit. Discuss the status or resolution of each complaint.</p> <p>Review a cumulative list of complaints submitted to date to review for patterns or other observations.</p>	<p>Review at each meeting.</p>	<p>There were none during 2013.</p>
<p>17. The AC will:</p> <ul style="list-style-type: none"> • Regularly report to the Board of Directors about all committee activities, issues, and related recommendations. • Perform other activities related 	<p>Submit AC meeting minutes to the board after AC approval.</p>	<p>Submit AC meeting minutes after AC approval to the board for their next meeting.</p>	<p>Following each AC approved AC minutes to the Administrative Services Manager to</p>	<p>Copies of the AC minutes are provided to the board after the AC's approval of the minutes.</p>

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
 Audit Committee Charter Review Matrix
 For Year Ending December 31, 2013

J. Kinsella
 02/7/2014

Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
<p>to this charter as requested by the Board of Directors, and report to the Board</p> <ul style="list-style-type: none"> Provide an open avenue of communication between internal audit, the external financial statement auditors, other external auditors, management and the Board of Directors. Review any other reports that the organization issues that relates to AC responsibilities. Confirm annually that all responsibilities outlined in this charter have been carried out. Report annually to the Board, members, retirees and beneficiaries, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services. Review and assess the adequacy of the committee charter periodically, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation. 	<p>Have at minimum annual meeting with internal auditor, external auditor, management, and Board of Directors to discuss issues.</p> <p>Utilize a matrix to determine if all responsibilities outlined in the charter are carried out.</p> <p>Review charter periodically. Assess the suitability of each point in the charter based on past experiences (since the last review). Evaluate completeness of the charter against best practices and legal or regulatory requirements. Revise charter as needed and obtain AC and Board approval for changes.</p>	<p>An AC Charter review matrix will be updated each year and presented to the AC to present a report to the Board for approval.</p> <p>Report to the board on the appropriateness of the AC charter and any revisions recommended.</p>	<p>include in the next board meeting materials.</p> <p>Annually.</p> <p>As needed.</p>	<p>An annual meeting was held with the Internal Audit Manager in 2/2013. The external auditors will provide an overview of the financial statements during the February 2014 board meeting. The report was presented to the audit committee at the December 2013 meeting.</p> <p>An updated AC review matrix was provided to the AC at the February 2013 meeting.</p> <p>AC Charter was reviewed, updated, and approved by the board September 2008. No change has been required since then.</p>