

NDPERS BOARD MEETING

Agenda

Fargo Location:
BCBS, 4510 13th Ave SW

June 29, 2011

Time: 9:00 AM

I. MINUTES

A. May 19, 2011

II. RETIREMENT

A. Highway Patrol Plan Experience Review – Sparb (Board Action)

III. GROUP INSURANCE

- A. Tobacco Cessation Program – Kathy (Board Action)
- B. BCBS Service Agreement – Sparb (Board Action)
- C. Dental Renewal – Kathy (Board Action)
- D. Life Insurance Agreement – Kathy (Board Action)
- E. BCBS Review (Information)
 - 1. BCBS Initiatives and Strategies – Paul Von Ebers
 - 2. Wellness/Health Management Strategy - Dr Jon Rice/Mike Carlson
 - 3. MediQHome Presentation – Dr. Hanekom
 - 4. HDHP/HSA – BCBS

IV. MISCELLANEOUS

- A. Contracting – Sparb (Information)
- B. SIB Agenda

V. DEFERRED COMPENSATION

- A. Hardship Process – Kathy (Board Action)
- B. Hardship Appeal Case #31 – Kathy (Board Action)

VI. FLEXCOMP

- A. Appeal Case #32 – Kathy (Board Action)
- B. Appeal Case #33 – 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
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Memorandum

TO: PERS Board
FROM: Sparb
DATE: June 20, 2011
SUBJECT: Highway Patrol Plan Experience Review

Attached is summary of the Highway Patrol Plan Experience Review with the suggested changes recommended by Segal. Representatives of Segal will be at the next meeting to review this with you and answer any questions you may have.

Staff Recommendation

Adopt the proposed changes as recommended by Segal

Board Action Requested

To approve, modify or disapprove the recommendations of Segal



THE SEGAL COMPANY
5670 Greenwood Plaza Boulevard Suite 425 Greenwood Village, CO 80111-2499
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April 27, 2011

Board Members
North Dakota Public Employees Retirement System
Bismarck, North Dakota

**Re: Review of Actuarial Assumptions and Methods for the
Highway Patrolmen's Retirement System July 1, 2011 Actuarial Valuations**

Dear Members of the Board:

We are pleased to submit this letter summarizing our review of the actuarial experience of the North Dakota Highway Patrolmen's Retirement System (HPRS). The study includes the proposed actuarial assumptions and methods to be used in future actuarial valuations starting with the July 1, 2011 actuarial valuation.

Background

In 2010, we submitted a review of the actuarial experience of the HPRS, the North Dakota Public Employees Retirement System (PERS), and North Dakota PERS Retiree Health Insurance Credit Fund (RHICF). Based on that report, the Board adopted new assumptions for PERS and RHICF for the July 1, 2010 valuation; however, the assumptions for the HPRS were not changed at that time. The purpose of this letter is to propose assumptions for the July 1, 2011 HPRS actuarial valuation along with an estimate of the effect that those new assumptions will have on the actuarially determined cost of the HPRS.

Data

This study utilizes the census data of the five actuarial valuations from July 1, 2005 to July 1, 2009. We also compared our proposed assumptions with the census data from the July 1, 2010 valuation and found them to be consistent. For a complete summary of the experience upon which these proposed assumptions are based, please refer to our February 16, 2010 Review of Actuarial Assumptions and Methods for the July 1, 2010 Actuarial Valuations.



Proposed Assumptions

The current assumptions used in the July 1, 2010 valuation are shown in Appendix A, while Appendix B shows our proposed assumptions for the July 1, 2011 valuation. These assumptions are the same as those proposed for HPRS in our 2010 Experience Study with three exceptions. Our proposed assumptions for those three exceptions are as follows:

Healthy mortality: The RP-2000 Combined Healthy Mortality Table set back one year.

Annual administrative expenses: \$18,000

Active retirement in first year of eligibility for unreduced retirement: 75%

Cost Impact of Assumption Changes

The tables below show the changes in the employer actuarial contribution requirements as a percent of payroll due to the recommended assumption changes as if they were applied in the July 1, 2010 actuarial valuation. If all of the proposed assumption changes were implemented, the HPRS employer rate would have increased by 4.12% of payroll. The UAAL for HPRS would have increased by \$2.2 million.

Highway Patrol Retirement System			
	Current Assumptions	Proposed Assumptions	Change
Normal Cost	11.30%	13.43%	2.13%
UAAL	<u>11.24%</u>	<u>13.23%</u>	<u>1.99%</u>
Total	22.54%	26.66%	4.12%

We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

We look forward to reviewing this report with you and answering any questions you may have.

Sincerely,

Brad Ramirez, FSA, FCA, MAAA, EA
Consulting Actuary

Mark Hamwee, FSA, MAAA, EA
Vice President & Associate Actuary

CZI/hy

APPENDIX A

CURRENT ACTUARIAL ASSUMPTIONS

Mortality Rates:

Healthy: 1983 Group Annuity Mortality Table, set back one year for males (not set back for females).

Disabled: Pension Benefit Guaranty Corporation Disabled Life Mortality Table for Individuals Receiving Social Security Disability Benefits.

Sample healthy rates are as follows:

Age	Rate (%)	
	Male	Female
25	0.04	0.03
30	0.06	0.03
35	0.08	0.05
40	0.11	0.07
45	0.19	0.10
50	0.35	0.16
55	0.57	0.25
60	0.84	0.42
65	1.39	0.71

Annual Withdrawal Rates:

First five years of service: 5% per year.

After five years of service:

Under age 35: 2% at each age.

Age 35 and older: 1% at each age.

Withdrawal rates end upon eligibility for early retirement (age 50 and 10 years of service).

Disability Incidence Rates:

Age based rates. Sample rates:

<u>Age</u>	<u>Rate</u>
25	0.05%
30	0.12
35	0.20
40	0.30
45	0.37
50	0.38
55	0.55

Refund of Employee Contributions:

The employee is assumed to receive the greater of the employees' contribution balance or a deferred retirement benefit.

Retirement Rates for Active Members:

<u>Age</u>	<u>Eligible for Rule of 80</u>	<u>Not Eligible for Rule of 80</u>
50 – 54	100%	50%*
55+	100	100

* Those retiring with a reduced benefit are assumed to delay commencement until they satisfy the Rule of 80 if that is more valuable.

Retirement Age for Inactive Vested Members: Age 55

Net Investment Return: 8.00% per annum, net of investment expenses.

Annual Administrative Expenses: \$16,000

Salary Scale:

Less than five years of service: 7.00% per annum.

Five or more years of service (sample rates are as follows):

<u>Age</u>	<u>Percentage Increase</u>	<u>Age</u>	<u>Percentage Increase</u>
25	5.90%	45	4.90%
30	5.60	50	4.80
35	5.30	55	4.70
40	5.10	60	4.70

Payroll Growth: 4.50% per annum.

Percent Married and Age of Spouse:

At retirement or death, 90% of non-retired members are assumed to have spouses. Males are assumed to be three years older than their female spouses.

Indexing for Benefits of Inactive Vested Members: 5.00% per annum.

Transfers to Main System:

Annual withdrawal, disability incidence and retirement rate assumptions for members who have transferred to the Main System follow those specified in the Main System, and are applied to the benefits held in the HPRS.

Split Service:

Liabilities are held in both plans based on service in each plan and are based on the actuarial assumptions of the plan in which they are currently active.

Actuarial Cost Method:

Entry Age Normal Actuarial Cost Method. The unfunded actuarial accrued liability is amortized in installments increasing by the payroll growth assumption each year over an open 20-year period.

Actuarial Value of Assets:

Adjusted market value that immediately recognizes interest and dividends. The procedure recognizes 20% of each year's total appreciation (depreciation) beginning with the year of occurrence. After five years, the appreciation (depreciation) is fully recognized. A characteristic of this asset valuation method is that, over time, it is more likely to produce an actuarial value of assets that is less than the market value of assets.

APPENDIX B

PROPOSED ACTUARIAL ASSUMPTIONS

Mortality Rates:

Healthy: The RP-2000 Combined Healthy Mortality Table set back one year.

Disabled: The RP-2000 Disabled Retiree Mortality Table set back one year for males (not set back for females).

Sample healthy rates are as follows:

Age	Rate (%)	
	Male	Female
25	0.04	0.02
30	0.04	0.02
35	0.07	0.04
40	0.10	0.06
45	0.14	0.10
50	0.20	0.16
55	0.32	0.24
60	0.59	0.44
65	1.13	0.86

Annual Withdrawal Rates:

First year of service: 10% per year.

Second through fifth years of service: 5% per year.

After five years of service:

Under age 35: 2.5% at each age.

Age 35 and older: 1% at each age.

Withdrawal rates end upon eligibility for early retirement (age 50 and 10 years of service).

Disability Incidence Rates:

Age based rates. Sample rates:

<u>Age</u>	<u>Rate</u>
25	0.05%
30	0.12
35	0.20
40	0.30
45	0.37
50	0.38
55	0.55

Refund of Employee Contributions:

Inactive vested members are assumed to elect a refund of employee contributions in lieu of a deferred pension benefit when it is more valuable than the deferred annuity.

Retirement Rates for Active Members:

<u>Age</u>	<u>Early Retirement</u>	<u>First Year Eligible for Unreduced Retirement*</u>	<u>After First Year Eligible for Unreduced Retirement*</u>
50 and Over	0%	75%	100%

* Age 55 and 10 years of service or Rule of 80

Retirement Age for Inactive Vested Members: Age 55

Net Investment Return: 8.00% per annum net of investment expenses.

Annual Administrative Expenses: \$18,000

Salary Scale:

Less than five years of service:

<u>Service</u>	<u>Percentage Increase</u>
0	8.25%
1	7.25
2	6.75
3	6.50
4	6.25

Salary Scale (Continued):

Five or more years of service (sample rates are as follows):

<u>Age</u>	<u>Percentage Increase</u>	<u>Age</u>	<u>Percentage Increase</u>
25	6.25%	45	5.11%
30	5.93	50	5.02
35	5.50	55	4.93
40	5.23	60	4.86

Payroll Growth: 4.50% per annum.

Percent Married and Age of Spouse:

At retirement or death, 90% of members are assumed to have spouses. Males are assumed to be three years older than their female spouses.

Indexing for Benefits of Inactive Vested Members: 4.50% per annum

Transfers to Main System:

Annual withdrawal, disability incidence and retirement rate assumptions for members who have transferred to the Main System follow those specified in the Main System, and are applied to the benefits held in the HPRS.

Split Service:

Liabilities are held in both plans based on service in each plan and are based on the actuarial assumptions of the plan in which they are currently active.

Actuarial Cost Method:

Entry Age Normal Actuarial Cost Method. The unfunded actuarial accrued liability is amortized in installments increasing by the payroll growth assumption each year over an open 20-year period.

Actuarial Value of Assets:

Adjusted market value that immediately recognizes interest and dividends. The procedure recognizes 20% of each year's total appreciation (depreciation) beginning with the year of occurrence. After five years, the appreciation (depreciation) is fully recognized. A characteristic of this asset valuation method is that, over time, it is more likely to produce an actuarial value of assets that is less than the market value of assets.



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Memorandum

TO: NDPERS Board

FROM: Kathy

DATE: June 22, 2011

SUBJECT: Tobacco Cessation Program

The Department of Health (DoH) has notified us that the Smoking Cessation Program funding will be continued for the upcoming biennium. Funding approved for the previous biennium was \$150,000; funding for this biennium was reduced to \$100,000 due to the fiscal spending patterns indicated in past years. The amount spent as of April 30, 2011 is \$77,862.97 for the 2009-2011 biennium. There are also some administrative changes which are being recommended by the DoH as follows:

1. The participating provider list will be eliminated. This is because these providers have discontinued providing cessation counseling services.
2. In lieu of contracting with providers for counseling services, the program will allow and reimburse for telephone counseling through the ND Tobacco Quitline and online counseling with ND Quitnet. Face to face cessation counseling services will be eligible for reimbursement subject to pre-approval by the DoH.

Neither BCBS nor NDPERS have any objections to these recommendations. The DoH and BCBS will be working out the details of these changes and incorporating them into to the final contract for the Board's review and approval at its next meeting.

Board Action Requested

Approve Tobacco Cessation program for 2011-13 biennium incorporating the changes recommended by the Department of Health.



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: June 21, 2011
SUBJECT: BCBS Administrative Service Agreement

Attached is the Administrative Service Agreement with BCBSND for the 2011-13 biennium. The Agreement has been reviewed by staff and our attorney and has been found to be acceptable.

Staff recommendation is to approve the Agreement.

Board Action: To approve the Agreement.

North Dakota Public Employees Retirement System

July 1, 2011 through June 30, 2013

ADMINISTRATIVE SERVICE AGREEMENT

This Administrative Service Agreement ("Agreement") is entered into between North Dakota Public Employees Retirement System (NDPERS) ("the Plan Sponsor"), North Dakota Public Employees Retirement System (NDPERS) ("the Plan Administrator") and Blue Cross Blue Shield of North Dakota ("BCBSND") the terms of which are as follows:

The Plan Sponsor has established and maintains a fully insured group health plan (the Plan) which provides, among other things, various benefits to Members in the Plan, as set forth in the Certificate of Insurance provided to plan Members. The Plan Administrator is the administrator of the Plan established through this Agreement.

In consideration of payment of required premium and acceptance of membership applications, BCBSND enters into this Agreement with the Plan Sponsor and the Plan Administrator. BCBSND agrees to provide plan Members the benefits set forth in the Certificate of Insurance, in accordance with its terms and conditions. This Agreement also includes the Certificate of Insurance, membership applications, Identification Cards, Benefit Plan Attachments and any endorsements, supplements, attachments, addenda or amendments.

1. EFFECTIVE DATE AND PLAN YEAR

This Agreement is effective July 1, 2011 through June 30, 2013, unless terminated as provided.

For the purposes of the costs of any and all benefits and services extended through this Benefit Plan, including the implementation of any benefit changes required under federal or state law, the Plan Administrator agrees that the Plan Year shall commence on July 1, unless it is terminated by one of the parties as specified in Section 8. TERM AND TERMINATION OF AGREEMENT.

2. DEFINITIONS

This section defines the terms used in this Agreement. These terms will be capitalized throughout this Agreement when referred to in the context defined.

- A. **BENEFIT PAYMENTS** - payments of benefits under the Plan.
- B. **CERTIFICATE OF CREDITABLE COVERAGE** - a certificate disclosing information relating to an individual's creditable coverage under a health care benefit program for purposes of reducing any preexisting condition waiting period imposed by any group health plan coverage.
- C. **CLAIM** - notification in a form acceptable to BCBSND that service has been provided or furnished to a Member.
- D. **DRG** - shall mean diagnostic related groups.
- E. **DATA AGGREGATION** - the combining of Protected Health Information that BCBSND creates or receives for or from the Plan and for or from other health plans or health care providers for which BCBSND is acting as a business associate to permit data analyses that relate to the Health Care Operations of the Plan and those other health plans or providers.
- F. **FEES AND CHARGES** - the amounts the Plan Administrator must pay BCBSND for the administrative services described in Section 6. FEES AND CHARGES.
- G. **HEALTH CARE OPERATIONS** - any of the activities of a health plan to the extent the activities relate to functions that make it a health plan.
- H. **HEALTH CARE PROVIDER** - any eligible provider that has provided care, diagnosis, or treatment to or for a Member for which benefits are sought under the Plan.

- I. **INELIGIBLE PERSON** - any person, firm, or corporation that has received benefits or on whose behalf benefits have been paid but for whom benefits are not payable under the terms of the Plan.
- J. **MEMBER** - the Subscriber and any dependent of a Subscriber or any other person designated by a Subscriber or by the terms of the Plan who is or may become entitled to a benefit under the Plan. The term shall also include any proprietor, partner, or owner of the Plan Sponsor, if any, who is designated by the terms of the Plan who is or may become entitled to a benefit under the Plan. In no case shall the term Member include any person not otherwise entitled to coverage under the terms of the Plan.

For the purposes of determining the various benefits and restrictions or other limitations thereto made available to a Member under the terms of this Agreement, all benefits under any Plan option or tier (and any restrictions or other limitations thereto) made available to or received by a Member shall accumulate toward that Member's benefits and any restrictions and other limitations thereto.

- K. **PAYMENT** - activities undertaken to obtain premiums, determine or fulfill coverage and benefits, or obtain or provide reimbursement for health care services.
- L. **PLAN ADMINISTRATOR –NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM.** North Dakota Public Employees Retirement System (NDPERS) is the administrator of the Plan with all of the duties and responsibilities applicable to plan administrators, including but not necessarily limited to compliance with any and all administrative, reporting, and disclosure requirements. BCBSND is not the Plan Sponsor or the Plan Administrator of the Plan and is not responsible for any of the duties assigned to the Plan Sponsor or the Plan Administrator by the terms of the Plan, or by this Agreement.
- M. **PROTECTED HEALTH INFORMATION (PHI)** - individually identifiable health information, including summary and statistical information, collected from or on behalf of a Member that is transmitted by or maintained in electronic media, or transmitted or maintained in any other form or medium and that:
 1. is created by or received from a Health Care Provider, health care employer, or health care clearinghouse;
 2. relates to a Member's past, present or future physical or mental health or condition;
 3. relates to the provision of health care to a Member;
 4. relates to the past, present, or future payment for health care to or on behalf of a Member; or
 5. identifies a Member or could reasonably be used to identify a Member.

Educational records and employment records are not considered PHI under federal law.

- N. **SECURITY INCIDENT** - any attempted or successful unauthorized access, use, disclosure, modification, or destruction of a Member's electronic PHI or interference with BCBSND's system operations in BCBSND's information systems.
- O. **STANDARD TRANSACTIONS** - health care financial or administrative transactions conducted electronically for which standard data elements, code sets and formats have been adopted in accordance with federal or state law.
- P. **SUBSCRIBER** - any employee of the Plan Sponsor who is or may become eligible to receive a benefit under the Plan. The term includes all common law employees and possibly proprietors, partners, or other owners who work for the Plan Sponsor and are otherwise entitled to coverage under the Plan. Notwithstanding the above, in no case shall the term Subscriber include any person not otherwise entitled to coverage under the terms of the Plan.
- Q. **SUCCESSFUL SECURITY INCIDENTS** - Security Incidents that result in unauthorized access, use, disclosure, modification, or destruction of information or interference with system operations.

- R. **UNSUCCESSFUL SECURITY INCIDENTS** - Security Incidents that do not result in unauthorized access, use, disclosure, modification, or destruction of information or interference with system operations.

3. **BCBSND SHALL:**

- 3.1 Establish a membership record for existing Members containing information as provided by NDPERS.
- 3.2 Provide Identification Cards, Certificates of Insurance/Summary Plan Descriptions and applications for enrollment for each Subscriber.
- 3.3 Provide the Health Plan Performance Guarantees, as outlined in Exhibit B.
- 3.4 Upon enrollment under the NDPERS Benefit Plan, BCBSND will provide written notice to covered employees and their covered spouses of their continuation rights pursuant to the Consolidated Omnibus Budget Reconciliation Act. ("COBRA").
- 3.5 Receive applications for enrollment for late entrants.
- 3.6 Provide Managed Benefits services in accordance with appropriate licensure and certification requirements including a dedicated staff person.
- 3.7 Provide a dedicated service unit to adjudicate all claims and respond to Member's inquiries. Provide toll-free Member and Health Care Provider service lines between the hours of 8 AM and 5:00 PM CST or CDT at the home office in Fargo, ND, as appropriate. A toll-free managed benefits line for Health Care Providers will also be available between the hours of 7:30 AM and 5:30 PM CST or CDT. During nonbusiness hours, answering machine services will be available for managed benefits calls.
- 3.8 Process claims and inquiries per MTM (Member Touchpoint Measures) for Non-BlueCard claims.
- 3.9 Correspond with the Members and Health Care Providers if additional information is deemed necessary by BCBSND to complete the administrative process.
- 3.10 Administer other party liability programs.
- 3.11 Provide to Members an Explanation of Benefits Statement.
- 3.12 Provide a procedure for detection of fraud and unlawful activity.
- 3.13 Provide to Members a conversion policy when application is made within 31 days of the termination of enrollment under NDPERS.
- 3.14 Provide assistance to NDPERS for the conduct of enrollment, servicing and education.
- 3.15 Provide to NDPERS formal Policy and Procedure guidelines for the conduct of external audits or reviews commissioned by NDPERS.

NDPERS shall provide BCBSND with the scope and requirements of any audit or review prior to the commencement of activities. If a sample of claims is required, BCBSND will provide or NDPERS will select a statistically valid computerized sample of claims, if not prohibited by law, regulation or rule.

NDPERS will provide a copy of the report of all audit or review findings and shall discuss the findings with BCBSND upon discovery to allow further investigation or implementation of corrective action.

- 3.16 Provide NDPERS with reporting to include but not limited to:
- a. Annual group reporting of membership and utilization by group segments and product.
 - b. Estimates of future claim reserves and premium to claim ratio.
 - c. Such other special claims reports as requested from time-to-time by NDPERS, subject to the availability of data and appropriate cost considerations.
 - d. Interest calculation monthly report.
 - e. Semi-annual performance objectives as outlined in section 2 of the BCBSND response to question 15 of the RFP.
- 3.17 Provide NDPERS with claims specific data on a monthly basis on compact disc or other agreed upon medium. This information shall be in a format acceptable to NDPERS and subject to all federal and state laws on confidentiality and open records.
- 3.18 Provide support to NDPERS for the establishment of a Preferred Provider Network consistent with objectives established by NDPERS.
- a. BCBSND will provide technical and administrative advice to NDPERS relative to the appropriateness of PPO arrangements compared to existing Blue Cross Blue Shield participation and reimbursement arrangements, to verify that PPO arrangements provide for payments which are no greater than the existing arrangements. BCBSND will provide current information regarding Blue Cross Blue Shield participation and reimbursement arrangements in place on a provider-specific basis for comparative purposes.
 - b. BCBSND will develop jointly with NDPERS a written instrument to be used as the basis for providers participating in the PPO Program.
 - c. BCBSND will secure provider agreements upon completion of negotiations with providers. Such negotiations will be conducted jointly by BCBSND and NDPERS.
 - d. BCBSND will enforce strict managed benefits, utilization review and quality assurance criteria to assure attainment of Preferred Provider program objectives.
 - e. BCBSND will, upon NDPERS direction, terminate a Provider's NDPERS PPO participation agreement in accordance with terms of the agreement, when a PPO Provider is noncompliant with NDPERS policies and procedures. Said policies and procedures shall be documented and communicated to the participating provider prior to implementation.
- 3.19 Carry over any Deductible and/or Coinsurance Amounts incurred from January 1 to June 30, of the prior contract period.

4. **NDPERS SHALL:**

- 4.1 Prepare and distribute monthly billings to participating employers and retirees participating in the Plan. NDPERS shall respond to the participating employers inquiries concerning eligibility rules, billing, etc.
- 4.2 Prepare monthly eligibility tape by participating employer and premium classification for both active and retired employees and provide the tape to BCBSND to be used for eligibility certification purposes. Along with the eligibility tape, NDPERS will furnish a monthly listing of participants added or terminated during the month. Such listing will reflect the name of the employee, dependents, Social Security Number, the effective date of coverage for a new employee or the termination date of a terminated employee and the coverage classification.
- 4.3 Provide enrollment forms, obtain completed classifications or addresses, etc. from participants and furnish BCBSND with a copy of the enrollment forms or request for coverage or address changes and retain the original copy. Enrollment forms will include the NDPERS and Blue Cross Blue Shield Service Marks.
- 4.4 Be responsible for the administration of and compliance with COBRA. BCBSND will forward requests for COBRA participation by membership to NDPERS upon notification.
- 4.5 Comply with BCBSND's established administrative policies which are reasonable and consistent with the NDPERS Health Plan and the bid specifications agreed to by the parties, including but not limited to: underwriting policies, standard adjudication and Medical Policy Guidelines, Payable Provider Guidelines, Managed Benefits Program Guidelines and claim payment procedures.
- 4.6 Develop and provide BCBSND the objectives established for the Preferred Provider programs.
- 4.7 Assume joint responsibility for the determination of provider eligibility and performance criteria in the Preferred Provider programs.
- 4.8 Be responsible for any systems redesign costs to BCBSND which result from the implementation of any new reimbursement mechanisms not presently in place within BCBSND automated claims payment systems. Those reimbursement mechanisms currently in place include:

<u>Institutional</u>	<u>Professional</u>
Percent of Billed Charges	Percent of Physician Payment Schedule
Percent of DRGs	Percent of Billed Charges
Percent of Per Diems	Capitation
Targeted Cost per Member	Targeted Cost per Member

- 4.9 Pay premiums to BCBSND according to the schedule in Section 6.
- 4.10 NDPERS acknowledges that the administration of the Benefit Plan that is the subject of this Agreement may be subject to regulation under federal and/or state law. NDPERS agrees to furnish BCBSND with any and all information necessary to comply with any applicable federal and/or state laws and to certify that this information is accurate. If there are any changes in the employer contribution rate for benefits and services available under this Agreement, NDPERS agrees that it is its obligation to provide information related to the change in contribution rates immediately to BCBSND.

5. **PRIVACY USE AND DISCLOSURE RESPONSIBILITIES**

5.1 **RESPONSIBILITIES OF BCBSND**

A. **Privacy of Protected Health Information (PHI)**

1. BCBSND will keep confidential all Claim records and all other PHI that BCBSND creates or receives in the performance of its duties under this Agreement. Except as permitted or required by this Agreement for BCBSND to perform its duties under this Agreement, BCBSND will not use or disclose such Claim information or other PHI without the authorization of the Member who is the subject of such information or as required by law.
2. BCBSND will neither use nor disclose Members' PHI (including any Members' PHI received from a business associate of the Plan) except (1) as permitted or required by this Agreement, (2) as permitted in writing by the Plan Administrator, (3) as authorized by Members, or (4) as required by law.
3. BCBSND will be permitted to use or disclose Members' PHI only as follows:
 - a. BCBSND will be permitted to use and disclose Members' PHI (a) for the management, operation and administration of the Plan the Plan Administrator offers Members, and (b) for the services set forth in the Plan, which include Payment Activities, Health Care Operations, and Data Aggregation as these terms are defined under federal law.
 1. BCBSND will be permitted to use Members' PHI as necessary for BCBSND's proper management and administration or to carry out BCBSND's legal responsibilities.
 2. BCBSND will be permitted to disclose Members' PHI as necessary for BCBSND's proper management and administration or to carry out BCBSND's legal responsibilities only if (i) the disclosure is required by law, or (ii) before the disclosure, BCBSND obtains from the entity to which the disclosure is to be made reasonable assurance, evidenced by a written contract, that the entity will hold Members' PHI in confidence, use or further disclose Members' PHI only for the purposes for which BCBSND disclosed it to the entity or as required by law, and notify BCBSND of any instance the entity becomes aware of where the confidentiality of any Members' PHI was breached.
 - b. BCBSND will make reasonable efforts to use, disclose, or request only the minimum necessary amount of Members' PHI to accomplish the intended purpose.
4. Other than disclosures permitted by Section 5.1(A)3, BCBSND will not disclose Members' PHI to the Plan Administrator or to the Plan's business associate except as directed by the Plan Administrator in writing.
5. BCBSND will require each subcontractor and agent to which BCBSND is permitted by this Agreement or in writing by the Plan Administrator to disclose Members' PHI to provide reasonable assurance, evidenced by written contract, that such other entity will comply with the same privacy and security obligations with respect to Members' PHI as this Agreement applies to BCBSND.
6. BCBSND will not disclose any Members' PHI to the Plan Sponsor, except as permitted by and in accordance with Section 5.1(A)3.
7. BCBSND will report to the Plan Administrator any use or disclosure of Members' PHI not permitted by this Agreement. BCBSND will make any such report to the Plan Administrator after BCBSND learns of such non-permitted use or disclosure.

8. BCBSND will report to the Plan Administrator attempted or successful unauthorized access, use, disclosure, modification, or destruction of a Member's electronic PHI or interference with BCBSND's system operations in BCBSND's information systems ("Security Incident"), of which BCBSND becomes aware. With regard to attempted unauthorized access, use, etc., BCBSND and the Plan Administrator recognize and agree that the significant number of meaningless attempts to, without authorization, access, use, disclose, modify or destroy electronic PHI will make real-time reporting formidable. Therefore, BCBSND and the Plan Administrator 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, BCBSND and the Plan Administrator agree that this Agreement constitutes notice from BCBSND of any such Unsuccessful Security Incidents. In other words, the Plan Administrator waives any separate notice of Unsuccessful Security Incidents. By way of example, BCBSND and the Plan Administrator consider the following to be illustrative of Unsuccessful Security Incidents when they do not result in unauthorized access, use, disclosure, modification, or destruction of a Member's electronic PHI or interference with an information system:

1. Pings on BCBSND'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).

For Successful Security Incidents, BCBSND shall give notice promptly to the Plan Administrator in the event a Member's electronic PHI was compromised.

9. Disposition of Protected Health Information

The parties agree that upon termination, cancellation, expiration or other conclusion of this Agreement, BCBSND will return or destroy all PHI received or created by BCBSND on the Plan Administrator's behalf as soon as feasible. Due to various regulatory and legal requirements, the Plan Administrator acknowledges that immediate return or destruction of all such information is not feasible. BCBSND agrees that upon conclusion of this Agreement for any reason, it will use or disclose the PHI it received or created on the Plan's behalf only as necessary to meet BCBSND's regulatory and legal requirements and for no other purposes unless permitted in writing by the Plan Administrator. BCBSND will destroy PHI received or created by BCBSND on the Plan Administrator's behalf that is in BCBSND's possession under such circumstances and upon such schedule as BCBSND deems consistent with its regulatory and other legal obligations.

These responsibilities agreed to by BCBSND and related to protecting the privacy and safeguarding the security of PHI, as well as any terms directly related thereto, shall survive the termination of this Agreement and, where applicable, shall govern BCBSND's receipt, use or disclosure of PHI pursuant to the terms of this Agreement.

B. Access, Amendment and Disclosure Accounting for Protected Health Information

1. Upon the Plan Administrator's written request, BCBSND will make available for inspection and obtaining copies by the Plan Administrator, or at the Plan Administrator's direction by the Member (or the Members' representative), any PHI about the Member created or received for or from the Plan Administrator in BCBSND's custody or control so the Plan Administrator may meet its access obligations under federal law.
2. Upon receipt of a written request from the Plan Administrator, or at the Plan Administrator's direction by the Member (or the Members' representative), BCBSND will amend or permit the Plan Administrator access to amend any portion of the PHI created or received for or from the Plan Administrator in BCBSND's custody or control, so the Plan Administrator may meet its amendment obligations under federal law.
3. So the Plan Administrator may meet its disclosure accounting obligations under federal law, BCBSND will do the following:
 - a. BCBSND will record each disclosure of Members' PHI which is not excepted from disclosure accounting under Section 5.1(B)3.b, that BCBSND makes to the Plan Administrator or to a third party.

The information about each disclosure that BCBSND must record ("Disclosure Information") is (i) the disclosure date, (ii) the name and (if known) address of the person or entity to whom BCBSND made the disclosure, (iii) a brief description of the PHI disclosed, and (iv) a brief statement of the purpose of the disclosure.

For repetitive disclosures of Members' PHI that BCBSND makes for a single purpose to the same person or entity (including the Plan Administrator), BCBSND may record (i) the disclosure information for the first of these repetitive disclosures, (ii) the frequency, periodicity or number of these repetitive disclosures, and (iii) the date of the last of these repetitive disclosures.

- b. BCBSND will not be required to record disclosure information or otherwise account for disclosures of Members' PHI that this Agreement or the Plan Administrator in writing permits or requires:
 - (1) for Payment Activities or Health Care Operations,
 - (2) to the Member who is the subject of the PHI or to that Members' personal representative,
 - (3) to persons involved in that Members' health care or payment for health care, as provided under federal law,
 - (4) for notification for disaster relief purposes or national security or intelligence purposes as provided under federal law,
 - (5) to law enforcement officials or correctional institutions regarding inmates,
 - (6) for incidental uses or disclosures,
 - (7) as part of a limited data set in accordance with federal law,
 - (8) that occurred prior to the HIPAA Privacy Compliance Date,
 - (9) pursuant to a valid authorization.
- c. BCBSND will have available for the Plan Administrator the disclosure information required by Section 5.1(B)3.a. for the six (6) years immediately preceding the date of the Plan Administrator's request for the disclosure information.
- d. Upon the Plan Administrator's written request, BCBSND will make available to the Plan Administrator, or at the Plan Administrator's direction to the Member (or the Member's representative), disclosure information regarding the Member so the Plan Administrator may meet its disclosure accounting obligations under federal law.

C. Information Safeguards

1. BCBSND will maintain reasonable and appropriate administrative, technical and physical safeguards to protect the privacy of Member PHI. The safeguards must reasonably protect Member PHI from any intentional or unintentional use or disclosure in violation of federal law and limit incidental uses or disclosures made pursuant to a use or disclosure otherwise permitted by this Agreement.
2. BCBSND will implement administrative, technical, and physical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of electronic PHI BCBSND creates, receives, maintains, or transmits on behalf of the Plan Administrator as required by federal law.

D. Inspection of Books and Records

BCBSND will make its internal practices, books, and records relating to its use and disclosure of PHI created or received for or from the Plan Administrator available to the Plan Administrator and to the U.S. Department of Health and Human Services to determine compliance with federal law or this Agreement.

- E. BCBSND will prepare and distribute a notice of privacy practices appropriate for the Plan to meet its notice obligations under federal law. The Plan Administrator authorizes BCBSND to disclose the minimum necessary PHI to the Plan Sponsor for plan administration functions specified in the Plan documents as amended.

F. Information Privacy and Safeguard Provisions Survive Termination of Agreement

These responsibilities agreed to by BCBSND and related to protecting the privacy of PHI, as well as any terms directly related thereto, shall survive the termination of this Agreement and where applicable, shall govern BCBSND's receipt and use of PHI obtained pursuant to the terms of this Agreement.

5.2 RESPONSIBILITIES OF THE PLAN SPONSOR

- A. The Plan Sponsor retains full and final authority and responsibility for the Plan and its operation. BCBSND is empowered to act on behalf of the Plan only as stated in this Agreement or as mutually agreed in writing by the Plan Sponsor and BCBSND.
- B. Except with respect to services provided by BCBSND set forth in this agreement, the Plan Sponsor will have the sole responsibility for and will bear the entire cost of compliance with all federal, state and local laws, rules, and regulations concerning the privacy of PHI, including any licensing, filing, reporting, and disclosure requirements, that may apply to the Plan. BCBSND will have no responsibility for or liability with respect to the Plan's compliance or noncompliance with any applicable federal, state, or local law, rule, or regulation.

C. By executing this Agreement, the Plan Sponsor certifies to BCBSND that it has amended the Plan documents to incorporate the provisions required by and under federal law, and agrees to comply with the Plan Administrator's plan documents as amended.

BCBSND may rely on Plan Sponsor's certification and Plan Administrator's written authorization, and will have no obligation to verify (1) the Plan Administrator's plan documents have been amended to comply with the requirements of federal law or this Agreement or (2) the Plan Sponsor is complying with the Plan Administrator's plan document as amended.

6. FEES AND CHARGES

6.1 In consideration of the fully insured contract under this Agreement, BCBSND agrees to accept the following provisions and premium rates for the Effective Date of this Agreement.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2011-2013 BIENNIUM**

Rate Structure A

July 1, 2011 - December 31, 2011

Code	Description	(1) Total BCBSND Bid	(2) Less NDPERS Retention	(3) (1)-(2) Total Premium to BCBSND	(4) Medicare Part D Premium	(5) (3)+(4) Total Monthly Paid to BCBSND	(6) Plus NDPERS Retention	(7) (5)+(6) NDPERS Billing Rate
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Political Subdivision Rates with Wellness Program

Active (PPO with Grandfathered Status)

1	4	Single	\$456.16	\$2.80	\$453.36	\$453.36	\$2.80	\$456.16
2	4	Family	\$1,102.08	\$2.80	\$1,099.28	\$1,099.28	\$2.80	\$1,102.08

COBRA (PPO with Grandfathered Status)

4	4	Single	\$456.16	\$2.80	\$453.36	\$453.36	\$11.92	\$465.28
5	4	Family	\$1,102.08	\$2.80	\$1,099.28	\$1,099.28	\$24.84	\$1,124.12

Active (PPO with NonGrandfathered Status)

1	24	Single	\$463.10	\$2.80	\$460.30	\$460.30	\$2.80	\$463.10
2	24	Family	\$1,118.82	\$2.80	\$1,116.02	\$1,116.02	\$2.80	\$1,118.82

COBRA (PPO with NonGrandfathered Status)

4	24	Single	\$463.10	\$2.80	\$460.30	\$460.30	\$12.06	\$472.36
5	24	Family	\$1,118.82	\$2.80	\$1,116.02	\$1,116.02	\$25.18	\$1,141.20

Political Subdivision Rates w/o Wellness Program

Active (PPO with Grandfathered Status)

1	3	Single	\$456.16	\$2.80	\$453.36	\$453.36	\$7.36	\$460.72
2	3	Family	\$1,102.08	\$2.80	\$1,099.28	\$1,099.28	\$13.82	\$1,113.10

COBRA (PPO with Grandfathered Status)

4	3	Single	\$456.16	\$2.80	\$453.36	\$453.36	\$11.92	\$465.28
5	3	Family	\$1,102.08	\$2.80	\$1,099.28	\$1,099.28	\$24.84	\$1,124.12

Active (PPO with NonGrandfathered Status)

1	23	Single	\$463.10	\$2.80	\$460.30	\$460.30	\$7.42	\$467.72
2	23	Family	\$1,118.82	\$2.80	\$1,116.02	\$1,116.02	\$13.98	\$1,130.00

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2011-2013 BIENNIUM**

Rate Structure A (cont'd)

July 1, 2011 - December 31, 2011

Code	Description	(1) Total BCBSND Bid	(2) Less NDPERS Retention	(3) (1)-(2) Total Premium to BCBSND	(4) Medicare Part D Premium	(5) (3)+(4) Total Monthly Paid to BCBSND	(6) Plus NDPERS Retention	(7) (5)+(6) NDPERS Billing Rate
COBRA (PPO with NonGrandfathered Status)								
4	23 Single	\$463.10	\$2.80	\$460.30		\$460.30	\$12.06	\$472.36
5	23 Family	\$1,118.82	\$2.80	\$1,116.02		\$1,116.02	\$25.18	\$1,141.20
<u>State Contracts with Wellness Program</u>								
Active (PPO with Grandfathered Status)								
1-3	2 S/F/Dual	\$886.62	\$2.80	\$883.82		\$883.82	\$2.80	\$886.62
COBRA (PPO with Grandfathered Status)								
4	2 Single	\$426.96	\$2.80	\$424.16		\$424.16	\$11.34	\$435.50
5	2 Family	\$1,029.00	\$2.80	\$1,026.20		\$1,026.20	\$23.38	\$1,049.58
Part-Time/Temporary/LOA (PPO with Grandfathered Status)								
6	2 Single	\$426.96	\$2.80	\$424.16		\$424.16	\$2.80	\$426.96
7	2 Family	\$1,029.00	\$2.80	\$1,026.20		\$1,026.20	\$2.80	\$1,029.00
<u>State Contracts w/o Wellness Program</u>								
Active (PPO with Grandfathered Status)								
1-3	1 S/F/Dual	\$886.62	\$2.80	\$883.82		\$883.82	\$11.66	\$895.48
COBRA (PPO with Grandfathered Status)								
4	1 Single	\$426.96	\$2.80	\$424.16		\$424.16	\$11.34	\$435.50
5	1 Family	\$1,029.00	\$2.80	\$1,026.20		\$1,026.20	\$23.38	\$1,049.58
Part-Time/Temporary/LOA (PPO with Grandfathered Status)								
6	1 Single	\$426.96	\$2.80	\$424.16		\$424.16	\$7.06	\$431.22
7	1 Family	\$1,029.00	\$2.80	\$1,026.20		\$1,026.20	\$13.08	\$1,039.28
<u>Non-Medicare Retiree (PPO with Grandfathered Status)</u>								
21	11 Single	\$640.44	\$2.80	\$637.64		\$637.64	\$2.80	\$640.44
22	11 Family	\$1,280.88	\$2.80	\$1,278.08		\$1,278.08	\$2.80	\$1,280.88
23	11 Family (3+)	\$1,601.10	\$2.80	\$1,598.30		\$1,598.30	\$2.80	\$1,601.10
COBRA								
24	11 Single	\$640.44	\$2.80	\$637.64		\$637.64	\$15.60	\$653.24
25	11 Family	\$1,280.88	\$2.80	\$1,278.08		\$1,278.08	\$28.42	\$1,306.50
26	11 Family (3+)	\$1,601.10	\$2.80	\$1,598.30		\$1,598.30	\$34.82	\$1,633.12
<u>Medicare Retiree</u>								
41	11 1 Medicare only	\$167.18	\$2.80	\$164.38	\$69.50	\$233.88	\$2.80	\$236.68
98	11 Single (PPO with GF status)	\$352.40		\$352.40		\$352.40		\$352.40
99	11 Family (PPO with GF status)	\$352.40		\$352.40		\$352.40		\$352.40
43	11 1 Medicare + Others	\$519.58		\$516.78		\$586.28		\$589.08

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2011-2013 BIENNIUM**

Rate Structure A (cont'd)

July 1, 2011 - December 31, 2011

Code	Description	(1) Total BCBSND Bid	(2) Less NDPERS Retention	(3) (1)-(2) Total Premium to BCBSND	(4) Medicare Part D Premium	(5) (3)+(4) Total Monthly Paid to BCBSND	(6) Plus NDPERS Retention	(7) (5)+(6) NDPERS Billing Rate
42 11	2 Medicare only	\$331.56	\$2.80	\$328.76	\$139.00	\$467.76	\$2.80	\$470.56
98 11	Single (PPO with GF status)	\$352.40		\$352.40		\$352.40		\$352.40
99 11	Family (PPO with GF status)	\$352.40		\$352.40		\$352.40		\$352.40
49 11	2 Medicare + Others	\$683.96		\$681.16		\$820.16		\$822.96
50 11	3 Medicare only	\$495.94	\$2.80	\$493.14	\$208.50	\$701.64	\$2.80	\$704.44
98 11	Single (PPO with GF status)	\$352.40		\$352.40		\$352.40		\$352.40
99 11	Family (PPO with GF status)	\$352.40		\$352.40		\$352.40		\$352.40
55 11	3 Medicare + Others	\$848.34		\$845.54		\$1,054.04		\$1,056.84
51 11	4 Medicare only	\$660.32	\$2.80	\$657.52	\$278.00	\$935.52	\$2.80	\$938.32
98 11	Single (PPO with GF status)	\$352.40		\$352.40		\$352.40		\$352.40
99 11	Family (PPO with GF status)	\$352.40		\$352.40		\$352.40		\$352.40
58 11	4 Medicare + Others	\$1,012.72		\$1,009.92		\$1,287.92		\$1,290.72
44 11	Part A Single	\$371.46	\$2.80	\$368.66	\$69.50	\$438.16	\$2.80	\$440.96
Medicare Retirees with "grandfathered" rates								
42 14	2 Medicare only	\$331.58	\$2.80	\$328.78	\$139.00	\$467.78	\$2.80	\$470.58
98 14	Single (PPO with GF status)	\$169.60		\$169.60		\$169.60		\$169.60
49 14	2 Medicare + Others	\$501.18		\$498.38		\$637.38		\$640.18
50 14	3 Medicare only	\$352.54	\$2.80	\$349.74	\$208.50	\$558.24	\$2.80	\$561.04
51 14	4 Medicare only	\$216.38	\$2.80	\$213.58	\$278.00	\$491.58	\$2.80	\$494.38
Medicare Retirees COBRA (for Non-Medicare dependents of Medicare Retirees)								
30 11	Single (PPO with GF status)	\$347.54	\$2.80	\$344.74		\$344.74	\$9.74	\$354.48
31 11	Family (PPO with GF status)	\$623.30	\$2.80	\$620.50		\$620.50	\$15.26	\$635.76

- (1) - BCBSND premium rates, per bid.
- (2) - Per contract charge retained by NDPERS
- (3) - Total premium paid to BCBSND.
- (4) - Medicare Part D Premium submitted to BCBSND.
- (5) - Amount of premium NDPERS will send to BCBSND.
- (6) - Per contract charge retained by NDPERS.
- (7) - Premium amount NDPERS will bill its contract holders.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2011-2013 BIENNIUM**

Rate Structure A

January 1, 2012 - December 31, 2012

Code	Description	(1)	(2)	(3)	(4)	(5)	(6)	(7)
		Total BCBSND Bid	Less NDPERS Retention	(1)-(2) Total Premium to BCBSND	Medicare Part D Premium	(3)+(4) Total Monthly Paid to BCBSND	Plus NDPERS Retention	(5)+(6) NDPERS Billing Rate

Political Subdivision Rates with Wellness Program

Active (PPO with Grandfathered Status)

1	4	Single	\$456.16	\$2.80	\$453.36		\$453.36	\$2.80	\$456.16
2	4	Family	\$1,102.08	\$2.80	\$1,099.28		\$1,099.28	\$2.80	\$1,102.08

COBRA (PPO with Grandfathered Status)

4	4	Single	\$456.16	\$2.80	\$453.36		\$453.36	\$11.92	\$465.28
5	4	Family	\$1,102.08	\$2.80	\$1,099.28		\$1,099.28	\$24.84	\$1,124.12

Active (PPO with NonGrandfathered Status)

1	24	Single	\$463.10	\$2.80	\$460.30		\$460.30	\$2.80	\$463.10
2	24	Family	\$1,118.82	\$2.80	\$1,116.02		\$1,116.02	\$2.80	\$1,118.82

COBRA (PPO with NonGrandfathered Status)

4	24	Single	\$463.10	\$2.80	\$460.30		\$460.30	\$12.06	\$472.36
5	24	Family	\$1,118.82	\$2.80	\$1,116.02		\$1,116.02	\$25.18	\$1,141.20

Political Subdivision Rates w/o Wellness Program

Active (PPO with Grandfathered Status)

1	3	Single	\$456.16	\$2.80	\$453.36		\$453.36	\$7.36	\$460.72
2	3	Family	\$1,102.08	\$2.80	\$1,099.28		\$1,099.28	\$13.82	\$1,113.10

COBRA (PPO with Grandfathered Status)

4	3	Single	\$456.16	\$2.80	\$453.36		\$453.36	\$11.92	\$465.28
5	3	Family	\$1,102.08	\$2.80	\$1,099.28		\$1,099.28	\$24.84	\$1,124.12

Active (PPO with NonGrandfathered Status)

1	23	Single	\$463.10	\$2.80	\$460.30		\$460.30	\$7.42	\$467.72
2	23	Family	\$1,118.82	\$2.80	\$1,116.02		\$1,116.02	\$13.98	\$1,130.00

COBRA (PPO with NonGrandfathered Status)

4	23	Single	\$463.10	\$2.80	\$460.30		\$460.30	\$12.06	\$472.36
5	23	Family	\$1,118.82	\$2.80	\$1,116.02		\$1,116.02	\$25.18	\$1,141.20

State Contracts with Wellness Program

Active (PPO with Grandfathered Status)

1-3	2	S/F/Dual	\$886.62	\$2.80	\$883.82		\$883.82	\$2.80	\$886.62
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COBRA (PPO with Grandfathered Status)

4	2	Single	\$426.96	\$2.80	\$424.16		\$424.16	\$11.34	\$435.50
5	2	Family	\$1,029.00	\$2.80	\$1,026.20		\$1,026.20	\$23.38	\$1,049.58

Part-Time/Temporary/LOA (PPO with Grandfathered Status)

6	2	Single	\$426.96	\$2.80	\$424.16		\$424.16	\$2.80	\$426.96
7	2	Family	\$1,029.00	\$2.80	\$1,026.20		\$1,026.20	\$2.80	\$1,029.00

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2011-2013 BIENNIUM**

Rate Structure A (cont'd)

January 1, 2012 - December 31, 2012

Code	Description	(1) Total BCBSND Bid	(2) Less NDPERS Retention	(3) (1)-(2) Total Premium to BCBSND	(4) Medicare Part D Premium	(5) (3)+(4) Total Monthly Paid to BCBSND	(6) Plus NDPERS Retention	(7) (5)+(6) NDPERS Billing Rate
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State Contracts w/o Wellness Program

Active (PPO with Grandfathered Status)

1-3	1 S/F/Dual	\$886.62	\$2.80	\$883.82		\$883.82	\$11.66	\$895.48
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COBRA (PPO with Grandfathered Status)

4	1 Single	\$426.96	\$2.80	\$424.16		\$424.16	\$11.34	\$435.50
5	1 Family	\$1,029.00	\$2.80	\$1,026.20		\$1,026.20	\$23.38	\$1,049.58

Part-Time/Temporary/LOA (PPO with Grandfathered Status)

6	1 Single	\$426.96	\$2.80	\$424.16		\$424.16	\$7.06	\$431.22
7	1 Family	\$1,029.00	\$2.80	\$1,026.20		\$1,026.20	\$13.08	\$1,039.28

Non-Medicare Retiree (PPO with Grandfathered Status)

21	11 Single	\$640.44	\$2.80	\$637.64		\$637.64	\$2.80	\$640.44
22	11 Family	\$1,280.88	\$2.80	\$1,278.08		\$1,278.08	\$2.80	\$1,280.88
23	11 Family (3+)	\$1,601.10	\$2.80	\$1,598.30		\$1,598.30	\$2.80	\$1,601.10

COBRA

24	11 Single	\$640.44	\$2.80	\$637.64		\$637.64	\$15.60	\$653.24
25	11 Family	\$1,280.88	\$2.80	\$1,278.08		\$1,278.08	\$28.42	\$1,306.50
26	11 Family (3+)	\$1,601.10	\$2.80	\$1,598.30		\$1,598.30	\$34.82	\$1,633.12

Medicare Retiree

41	11 1 Medicare only	\$167.18	\$2.80	\$164.38	TBD	TBD	\$2.80	TBD
98	11 Single (PPO with GF status)	\$352.40		\$352.40		\$352.40		\$352.40
99	11 Family (PPO with GF status)	\$352.40		\$352.40		\$352.40		\$352.40
43	11 1 Medicare + Others	\$519.58		\$516.78		TBD		TBD
42	11 2 Medicare only	\$331.56	\$2.80	\$328.76	TBD	TBD	\$2.80	TBD
98	11 Single (PPO with GF status)	\$352.40		\$352.40		\$352.40		\$352.40
99	11 Family (PPO with GF status)	\$352.40		\$352.40		\$352.40		\$352.40
49	11 2 Medicare + Others	\$683.96		\$681.16		TBD		TBD
50	11 3 Medicare only	\$495.94	\$2.80	\$493.14	TBD	TBD	\$2.80	TBD
98	11 Single (PPO with GF status)	\$352.40		\$352.40		\$352.40		\$352.40
99	11 Family (PPO with GF status)	\$352.40		\$352.40		\$352.40		\$352.40
55	11 3 Medicare + Others	\$848.34		\$845.54		TBD		TBD
51	11 4 Medicare only	\$660.32	\$2.80	\$657.52	TBD	TBD	\$2.80	TBD
98	11 Single (PPO with GF status)	\$352.40		\$352.40		\$352.40		\$352.40
99	11 Family (PPO with GF status)	\$352.40		\$352.40		\$352.40		\$352.40
58	11 4 Medicare + Others	\$1,012.72		\$1,009.92		TBD		TBD

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2011-2013 BIENNIUM**

Rate Structure A (cont'd)

January 1, 2012 - December 31, 2012

		(1)	(2)	(3)	(4)	(5)	(6)	(7)
				(1)-(2)		(3)+(4)		(5)+(6)
Code	Description	Total BCBSND Bid	Less NDPERS Retention	Total Premium to BCBSND	Medicare Part D Premium	Monthly Paid to BCBSND	Plus NDPERS Retention	NDPERS Billing Rate
44	11 Part A Single	\$371.46	\$2.80	\$368.66	TBD	TBD	\$2.80	TBD
Medicare Retirees with "grandfathered" rates								
42	14 2 Medicare only	\$331.58	\$2.80	\$328.78	TBD	TBD		TBD
98	14 Single (PPO with GF status)	<u>\$169.60</u>		<u>\$169.60</u>		<u>\$169.60</u>		<u>\$169.60</u>
49	14 2 Medicare + Others	<u>\$501.18</u>		<u>\$498.38</u>		<u>TBD</u>		<u>TBD</u>
50	14 3 Medicare only	\$352.54	\$2.80	\$349.74	TBD	TBD	\$2.80	TBD
51	14 4 Medicare only	\$216.38	\$2.80	\$213.58	TBD	TBD	\$2.80	TBD
Medicare Retirees COBRA (for Non-Medicare dependents of Medicare Retirees)								
30	11 Single (PPO with GF status)	\$347.54	\$2.80	\$344.74		\$344.74	\$9.74	\$354.48
31	11 Family (PPO with GF status)	\$623.30	\$2.80	\$620.50		\$620.50	\$15.26	\$635.76

- (1) - BCBSND premium rates, per bid.
- (2) - Per contract charge retained by NDPERS
- (3) - Total premium paid to BCBSND.
- (4) - Medicare Part D Premium submitted to BCBSND.
- (5) - Amount of premium NDPERS will send to BCBSND.
- (6) - Per contract charge retained by NDPERS.
- (7) - Premium amount NDPERS will bill its contract holders.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2011-2013 BIENNIUM**

Rate Structure A

January 1, 2013 - June 30, 2013

		(1)	(2)	(3)	(4)	(5)	(6)	(7)
				(1)-(2)		(3)+(4)		(5)+(6)
		Total	Less	Total	Medicare	Total	Plus	NDPERS
		BCBSND	NDPERS	Premium to	Part D	Monthly	NDPERS	Billing
Code	Description	Bid	Retention	BCBSND	Premium	Paid to	Retention	Rate
						BCBSND		

Political Subdivision Rates with Wellness Program

Active (PPO with Grandfathered Status)

1	4	Single	\$456.16	\$2.80	\$453.36	\$453.36	\$2.80	\$456.16
2	4	Family	\$1,102.08	\$2.80	\$1,099.28	\$1,099.28	\$2.80	\$1,102.08

COBRA (PPO with Grandfathered Status)

4	4	Single	\$456.16	\$2.80	\$453.36	\$453.36	\$11.92	\$465.28
5	4	Family	\$1,102.08	\$2.80	\$1,099.28	\$1,099.28	\$24.84	\$1,124.12

Active (PPO with NonGrandfathered Status)

1	24	Single	\$463.10	\$2.80	\$460.30	\$460.30	\$2.80	\$463.10
2	24	Family	\$1,118.82	\$2.80	\$1,116.02	\$1,116.02	\$2.80	\$1,118.82

COBRA (PPO with NonGrandfathered Status)

4	24	Single	\$463.10	\$2.80	\$460.30	\$460.30	\$12.06	\$472.36
5	24	Family	\$1,118.82	\$2.80	\$1,116.02	\$1,116.02	\$25.18	\$1,141.20

Political Subdivision Rates w/o Wellness Program

Active (PPO with Grandfathered Status)

1	3	Single	\$456.16	\$2.80	\$453.36	\$453.36	\$7.36	\$460.72
2	3	Family	\$1,102.08	\$2.80	\$1,099.28	\$1,099.28	\$13.82	\$1,113.10

COBRA (PPO with Grandfathered Status)

4	3	Single	\$456.16	\$2.80	\$453.36	\$453.36	\$11.92	\$465.28
5	3	Family	\$1,102.08	\$2.80	\$1,099.28	\$1,099.28	\$24.84	\$1,124.12

Active (PPO with NonGrandfathered Status)

1	23	Single	\$463.10	\$2.80	\$460.30	\$460.30	\$7.42	\$467.72
2	23	Family	\$1,118.82	\$2.80	\$1,116.02	\$1,116.02	\$13.98	\$1,130.00

COBRA (PPO with NonGrandfathered Status)

4	23	Single	\$463.10	\$2.80	\$460.30	\$460.30	\$12.06	\$472.36
5	23	Family	\$1,118.82	\$2.80	\$1,116.02	\$1,116.02	\$25.18	\$1,141.20

State Contracts with Wellness Program

Active (PPO with Grandfathered Status)

1-3	2	S/F/Dual	\$886.62	\$2.80	\$883.82	\$883.82	\$2.80	\$886.62
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**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2011-2013 BIENNIUM**

Rate Structure A (cont'd)

January 1, 2013 - June 30, 2013

Code	Description	(1) Total BCBSND Bid	(2) Less NDPERS Retention	(3) (1)-(2) Total Premium to BCBSND	(4) Medicare Part D Premium	(5) (3)+(4) Total Monthly Paid to BCBSND	(6) Plus NDPERS Retention	(7) (5)+(6) NDPERS Billing Rate
COBRA (PPO with Grandfathered Status)								
4	2 Single	\$426.96	\$2.80	\$424.16		\$424.16	\$11.34	\$435.50
5	2 Family	\$1,029.00	\$2.80	\$1,026.20		\$1,026.20	\$23.38	\$1,049.58
Part-Time/Temporary/LOA (PPO with Grandfathered Status)								
6	2 Single	\$426.96	\$2.80	\$424.16		\$424.16	\$2.80	\$426.96
7	2 Family	\$1,029.00	\$2.80	\$1,026.20		\$1,026.20	\$2.80	\$1,029.00
<u>State Contracts w/o Wellness Program</u>								
Active (PPO with Grandfathered Status)								
1-3	1 S/F/Dual	\$886.62	\$2.80	\$883.82		\$883.82	\$11.66	\$895.48
COBRA (PPO with Grandfathered Status)								
4	1 Single	\$426.96	\$2.80	\$424.16		\$424.16	\$11.34	\$435.50
5	1 Family	\$1,029.00	\$2.80	\$1,026.20		\$1,026.20	\$23.38	\$1,049.58
Part-Time/Temporary/LOA (PPO with Grandfathered Status)								
6	1 Single	\$426.96	\$2.80	\$424.16		\$424.16	\$7.06	\$431.22
7	1 Family	\$1,029.00	\$2.80	\$1,026.20		\$1,026.20	\$13.08	\$1,039.28
<u>Non-Medicare Retiree (PPO with Grandfathered Status)</u>								
21	11 Single	\$640.44	\$2.80	\$637.64		\$637.64	\$2.80	\$640.44
22	11 Family	\$1,280.88	\$2.80	\$1,278.08		\$1,278.08	\$2.80	\$1,280.88
23	11 Family (3+)	\$1,601.10	\$2.80	\$1,598.30		\$1,598.30	\$2.80	\$1,601.10
COBRA								
24	11 Single	\$640.44	\$2.80	\$637.64		\$637.64	\$15.60	\$653.24
25	11 Family	\$1,280.88	\$2.80	\$1,278.08		\$1,278.08	\$28.42	\$1,306.50
26	11 Family (3+)	\$1,601.10	\$2.80	\$1,598.30		\$1,598.30	\$34.82	\$1,633.12
<u>Medicare Retiree</u>								
41	11 1 Medicare only	\$167.18	\$2.80	\$164.38	TBD	TBD	\$2.80	TBD
98	11 Single (PPO with GF status)	\$352.40		\$352.40		\$352.40		\$352.40
99	11 Family (PPO with GF status)	\$352.40		\$352.40		\$352.40		\$352.40
43	11 1 Medicare + Others	\$519.58		\$516.78		TBD		TBD
42	11 2 Medicare only	\$331.56	\$2.80	\$328.76	TBD	TBD	\$2.80	TBD
98	11 Single (PPO with GF status)	\$352.40		\$352.40		\$352.40		\$352.40
99	11 Family (PPO with GF status)	\$352.40		\$352.40		\$352.40		\$352.40
49	11 2 Medicare + Others	\$683.96		\$681.16		TBD		TBD

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2011-2013 BIENNIUM**

Rate Structure A (cont'd)

January 1, 2013 - June 30, 2013

			(1)	(2)	(3)	(4)	(5)	(6)	(7)
			Total	Less	(1)-(2)	Medicare	(3)+(4)	Plus	(5)+(6)
Code	Description		BCBSND	NDPERS	Total	Part D	Monthly	NDPERS	NDPERS
			Bid	Retention	Premium to	Premium	Paid to	Retention	Billing
					BCBSND		BCBSND		Rate
50	11	3 Medicare only	\$495.94	\$2.80	\$493.14	TBD	TBD	\$2.80	TBD
98	11	Single (PPO with GF status)	\$352.40		\$352.40		\$352.40		\$352.40
99	11	Family (PPO with GF status)	\$352.40		\$352.40		\$352.40		\$352.40
55	11	3 Medicare + Others	\$848.34		\$845.54		TBD		TBD
51	11	4 Medicare only	\$660.32	\$2.80	\$657.52	TBD	TBD	\$2.80	TBD
98	11	Single (PPO with GF status)	\$352.40		\$352.40		\$352.40		\$352.40
99	11	Family (PPO with GF status)	\$352.40		\$352.40		\$352.40		\$352.40
58	11	4 Medicare + Others	\$1,012.72		\$1,009.92		TBD		TBD
44	11	Part A Single	\$371.46	\$2.80	\$368.66	TBD	TBD	\$2.80	TBD
Medicare Retirees with "grandfathered" rates									
42	14	2 Medicare only	\$331.58	\$2.80	\$328.78	TBD	TBD	\$2.80	TBD
98	14	Single (PPO with GF status)	\$169.60		\$169.60		\$169.60		\$169.60
49	14	2 Medicare + Others	\$501.18		\$498.38		TBD		TBD
50	14	3 Medicare only	\$352.54	\$2.80	\$349.74	TBD	TBD	\$2.80	TBD
51	14	4 Medicare only	\$216.38	\$2.80	\$213.58	TBD	TBD	\$2.80	TBD
Medicare Retirees COBRA (for Non-Medicare dependents of Medicare Retirees)									
30	11	Single (PPO with GF status)	\$347.54	\$2.80	\$344.74		\$344.74	\$9.74	\$354.48
31	11	Family (PPO with GF status)	\$623.30	\$2.80	\$620.50		\$620.50	\$15.26	\$635.76

- (1) - BCBSND premium rates, per bid.
- (2) - Per contract charge retained by NDPERS
- (3) - Total premium paid to BCBSND.
- (4) - Medicare Part D Premium submitted to BCBSND.
- (5) - Amount of premium NDPERS will send to BCBSND.
- (6) - Per contract charge retained by NDPERS.
- (7) - Premium amount NDPERS will bill its contract holders.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2011-2013 BIENNIUM**

Rate Structure B

First Year
July 1, 2011 - December 31, 2011

Code	Description	(1) Total BCBSND Bid	(2) Less NDPERS Retention	(3) (1)-(2) Total Premium to BCBSND	(4) Medicare Part D Premium	(5) (3)+(4) Total Monthly Paid to BCBSND	(6) Plus NDPERS Retention	(7) (5)+(6) NDPERS Billing Rate
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Political Subdivision Rates with Wellness Program

Active (PPO with Grandfathered Status)

1	8	Single	\$436.64	\$2.80	\$433.84	\$433.84	\$2.80	\$436.64
2	8	Family	\$1,054.74	\$2.80	\$1,051.94	\$1,051.94	\$2.80	\$1,054.74

COBRA (PPO with Grandfathered Status)

4	8	Single	\$436.64	\$2.80	\$433.84	\$433.84	\$11.52	\$445.36
5	8	Family	\$1,054.74	\$2.80	\$1,051.94	\$1,051.94	\$23.88	\$1,075.82

Active (PPO with NonGrandfathered Status)

1	28	Single	\$443.28	\$2.80	\$440.48	\$440.48	\$2.80	\$443.28
2	28	Family	\$1,070.76	\$2.80	\$1,067.96	\$1,067.96	\$2.80	\$1,070.76

COBRA (PPO with NonGrandfathered Status)

4	28	Single	\$443.28	\$2.80	\$440.48	\$440.48	\$11.66	\$452.14
5	28	Family	\$1,070.76	\$2.80	\$1,067.96	\$1,067.96	\$24.22	\$1,092.18

Political Subdivision Rates w/o Wellness Program

Active (PPO with Grandfathered Status)

1	7	Single	\$436.64	\$2.80	\$433.84	\$433.84	\$7.16	\$441.00
2	7	Family	\$1,054.74	\$2.80	\$1,051.94	\$1,051.94	\$13.34	\$1,065.28

COBRA (PPO with Grandfathered Status)

4	7	Single	\$436.64	\$2.80	\$433.84	\$433.84	\$11.52	\$445.36
5	7	Family	\$1,054.74	\$2.80	\$1,051.94	\$1,051.94	\$23.88	\$1,075.82

Active (PPO with NonGrandfathered Status)

1	27	Single	\$443.28	\$2.80	\$440.48	\$440.48	\$7.22	\$447.70
2	27	Family	\$1,070.76	\$2.80	\$1,067.96	\$1,067.96	\$13.50	\$1,081.46

COBRA (PPO with NonGrandfathered Status)

4	27	Single	\$443.28	\$2.80	\$440.48	\$440.48	\$11.66	\$452.14
5	27	Family	\$1,070.76	\$2.80	\$1,067.96	\$1,067.96	\$24.22	\$1,092.18

State Contracts with Wellness Program (see Rate Structure 'A')

Active (PPO with Grandfathered Status)

1-3	2	S/F/Dual	\$886.62	\$2.80	\$883.82	\$883.82	\$2.80	\$886.62
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COBRA (PPO with Grandfathered Status)

4	2	Single	\$426.96	\$2.80	\$424.16	\$424.16	\$11.34	\$435.50
5	2	Family	\$1,029.00	\$2.80	\$1,026.20	\$1,026.20	\$23.38	\$1,049.58

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2011-2013 BIENNIUM**

Rate Structure B (cont'd)

			(1)	(2)	(3)	(4)	(5)	(6)	(7)
First Year							(3)+(4)		
July 1, 2011 - December 31, 2011					(1)-(2)		Total		(5)+(6)
Code	Description		Total BCBSND Bid	Less NDPERS Retention	Total Premium to BCBSND	Medicare Part D Premium	Monthly Paid to BCBSND	Plus NDPERS Retention	NDPERS Billing Rate
Part-Time/Temporary/LOA (PPO with Grandfathered Status)									
6	2	Single	\$426.96	\$2.80	\$424.16		\$424.16	\$2.80	\$426.96
7	2	Family	\$1,029.00	\$2.80	\$1,026.20		\$1,026.20	\$2.80	\$1,029.00
<u>State Contracts w/o Wellness Program (see Rate Structure 'A')</u>									
Active (PPO with Grandfathered Status)									
1-3	1	S/F/Dual	\$886.62	\$2.80	\$883.82		\$883.82	\$11.66	\$895.48
COBRA (PPO with Grandfathered Status)									
4	1	Single	\$426.96	\$2.80	\$424.16		\$424.16	\$11.34	\$435.50
5	1	Family	\$1,029.00	\$2.80	\$1,026.20		\$1,026.20	\$23.38	\$1,049.58
Part-Time/Temporary/LOA (PPO with Grandfathered Status)									
6	1	Single	\$426.96	\$2.80	\$424.16		\$424.16	\$7.06	\$431.22
7	1	Family	\$1,029.00	\$2.80	\$1,026.20		\$1,026.20	\$13.08	\$1,039.28
<u>Non-Medicare Retiree (PPO with Grandfathered Status) (see Rate Structure 'A')</u>									
21	12	Single	\$640.44	\$2.80	\$637.64		\$637.64	\$2.80	\$640.44
22	12	Family	\$1,280.88	\$2.80	\$1,278.08		\$1,278.08	\$2.80	\$1,280.88
23	12	Family (3+)	\$1,601.10	\$2.80	\$1,598.30		\$1,598.30	\$2.80	\$1,601.10
COBRA									
24	12	Single	\$640.44	\$2.80	\$637.64		\$637.64	\$15.60	\$653.24
25	12	Family	\$1,280.88	\$2.80	\$1,278.08		\$1,278.08	\$28.42	\$1,306.50
26	12	Family (3+)	\$1,601.10	\$2.80	\$1,598.30		\$1,598.30	\$34.82	\$1,633.12
<u>Medicare Retiree</u>									
41	12	1 Medicare only	\$161.24	\$2.80	\$158.44	\$69.50	\$227.94	\$2.80	\$230.74
98	12	Single (PPO with GF status)	\$337.24		\$337.24		\$337.24		\$337.24
99	12	Family (PPO with GF status)	\$337.24		\$337.24		\$337.24		\$337.24
43	12	1 Medicare + Others	\$498.48		\$495.68		\$565.18		\$567.98
42	12	2 Medicare only	\$319.68	\$2.80	\$316.88	\$139.00	\$455.88	\$2.80	\$458.68
98	12	Single (PPO with GF status)	\$337.24		\$337.24		\$337.24		\$337.24
99	12	Family (PPO with GF status)	\$337.24		\$337.24		\$337.24		\$337.24
49	12	2 Medicare + Others	\$656.92		\$654.12		\$793.12		\$795.92
50	12	3 Medicare only	\$478.12	\$2.80	\$475.32	\$208.50	\$683.82	\$2.80	\$686.62
98	12	Single (PPO with GF status)	\$337.24		\$337.24		\$337.24		\$337.24
99	12	Family (PPO with GF status)	\$337.24		\$337.24		\$337.24		\$337.24
55	12	3 Medicare + Others	\$815.36		\$812.56		\$1,021.06		\$1,023.86

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2011-2013 BIENNIUM**

Rate Structure B (cont'd)

			(1)	(2)	(3)	(4)	(5)	(6)	(7)
First Year							(3)+(4)		
July 1, 2011 - December 31, 2011					(1)-(2)		Total	Plus	(5)+(6)
Code	Description		Total BCBSND Bid	Less NDPERS Retention	Total Premium to BCBSND	Medicare Part D Premium	Monthly Paid to BCBSND	NDPERS Retention	NDPERS Billing Rate
51	12	4 Medicare only	\$636.56	\$2.80	\$633.76	\$278.00	\$911.76	\$2.80	\$914.56
98	12	Single (PPO with GF status)	\$337.24		\$337.24		\$337.24		\$337.24
99	12	Family (PPO with GF status)	\$337.24		\$337.24		\$337.24		\$337.24
58	12	4 Medicare + Others	\$973.80		\$971.00		\$1,249.00		\$1,251.80
Medicare Retirees COBRA (for Non-Medicare dependents of Medicare Retirees)									
30	12	Single (PPO with GF status)	\$332.70	\$2.80	\$329.90		\$329.90	\$9.44	\$339.34
31	12	Family (PPO with GF status)	\$596.62	\$2.80	\$593.82		\$593.82	\$14.72	\$608.54

- (1) - BCBSND premium rates, per bid.
- (2) - Per contract charge retained by NDPERS
- (3) - Total premium paid to BCBSND.
- (4) - Medicare Part D Premium submitted to BCBSND.
- (5) - Amount of premium NDPERS will send to BCBSND.
- (6) - Per contract charge retained by NDPERS.
- (7) - Premium amount NDPERS will bill its contract holders.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2011-2013 BIENNIUM**

Rate Structure B

First Year
January 1, 2012 - June 30, 2012

Code	Description	(1) Total BCBSND Bid	(2) Less NDPERS Retention	(3) (1)-(2) Total Premium to BCBSND	(4) Medicare Part D Premium	(5) (3)+(4) Total Monthly Paid to BCBSND	(6) Plus NDPERS Retention	(7) (5)+(6) NDPERS Billing Rate
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Political Subdivision Rates with Wellness Program

Active (PPO with Grandfathered Status)

1	8	Single	\$436.64	\$2.80	\$433.84	\$433.84	\$2.80	\$436.64
2	8	Family	\$1,054.74	\$2.80	\$1,051.94	\$1,051.94	\$2.80	\$1,054.74

COBRA (PPO with Grandfathered Status)

4	8	Single	\$436.64	\$2.80	\$433.84	\$433.84	\$11.52	\$445.36
5	8	Family	\$1,054.74	\$2.80	\$1,051.94	\$1,051.94	\$23.88	\$1,075.82

Active (PPO with NonGrandfathered Status)

1	28	Single	\$443.28	\$2.80	\$440.48	\$440.48	\$2.80	\$443.28
2	28	Family	\$1,070.76	\$2.80	\$1,067.96	\$1,067.96	\$2.80	\$1,070.76

COBRA (PPO with NonGrandfathered Status)

4	28	Single	\$443.28	\$2.80	\$440.48	\$440.48	\$11.66	\$452.14
5	28	Family	\$1,070.76	\$2.80	\$1,067.96	\$1,067.96	\$24.22	\$1,092.18

Political Subdivision Rates w/o Wellness Program

Active (PPO with Grandfathered Status)

1	7	Single	\$436.64	\$2.80	\$433.84	\$433.84	\$7.16	\$441.00
2	7	Family	\$1,054.74	\$2.80	\$1,051.94	\$1,051.94	\$13.34	\$1,065.28

COBRA (PPO with Grandfathered Status)

4	7	Single	\$436.64	\$2.80	\$433.84	\$433.84	\$11.52	\$445.36
5	7	Family	\$1,054.74	\$2.80	\$1,051.94	\$1,051.94	\$23.88	\$1,075.82

Active (PPO with NonGrandfathered Status)

1	27	Single	\$443.28	\$2.80	\$440.48	\$440.48	\$7.22	\$447.70
2	27	Family	\$1,070.76	\$2.80	\$1,067.96	\$1,067.96	\$13.50	\$1,081.46

COBRA (PPO with NonGrandfathered Status)

4	27	Single	\$443.28	\$2.80	\$440.48	\$440.48	\$11.66	\$452.14
5	27	Family	\$1,070.76	\$2.80	\$1,067.96	\$1,067.96	\$24.22	\$1,092.18

State Contracts with Wellness Program (see Rate Structure 'A')

Active (PPO with Grandfathered Status)

1-3	2	S/F/Dual	\$886.62	\$2.80	\$883.82	\$883.82	\$2.80	\$886.62
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COBRA (PPO with Grandfathered Status)

4	2	Single	\$426.96	\$2.80	\$424.16	\$424.16	\$11.34	\$435.50
5	2	Family	\$1,029.00	\$2.80	\$1,026.20	\$1,026.20	\$23.38	\$1,049.58

Part-Time/Temporary/LOA (PPO with Grandfathered Status)

6	2	Single	\$426.96	\$2.80	\$424.16	\$424.16	\$2.80	\$426.96
7	2	Family	\$1,029.00	\$2.80	\$1,026.20	\$1,026.20	\$2.80	\$1,029.00

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2011-2013 BIENNIUM**

Rate Structure B (cont'd)

		(1)	(2)	(3)	(4)	(5)	(6)	(7)
First Year						(3)+(4)		
January 1, 2012 - June 30, 2012				(1)-(2)		Total		(5)+(6)
Code	Description	Total BCBSND Bid	Less NDPERS Retention	Total Premium to BCBSND	Medicare Part D Premium	Monthly Paid to BCBSND	Plus NDPERS Retention	NDPERS Billing Rate

State Contracts w/o Wellness Program (see Rate Structure 'A')

Active (PPO with Grandfathered Status)

1-3	1	S/F/Dual	\$886.62	\$2.80	\$883.82	\$883.82	\$11.66	\$895.48
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COBRA (PPO with Grandfathered Status)

4	1	Single	\$426.96	\$2.80	\$424.16	\$424.16	\$11.34	\$435.50
5	1	Family	\$1,029.00	\$2.80	\$1,026.20	\$1,026.20	\$23.38	\$1,049.58

Part-Time/Temporary/LOA (PPO with Grandfathered Status)

6	1	Single	\$426.96	\$2.80	\$424.16	\$424.16	\$7.06	\$431.22
7	1	Family	\$1,029.00	\$2.80	\$1,026.20	\$1,026.20	\$13.08	\$1,039.28

Non-Medicare Retiree (PPO with Grandfathered Status) (see Rate Structure 'A')

21	12	Single	\$640.44	\$2.80	\$637.64	\$637.64	\$2.80	\$640.44
22	12	Family	\$1,280.88	\$2.80	\$1,278.08	\$1,278.08	\$2.80	\$1,280.88
23	12	Family (3+)	\$1,601.10	\$2.80	\$1,598.30	\$1,598.30	\$2.80	\$1,601.10

COBRA

24	12	Single	\$640.44	\$2.80	\$637.64	\$637.64	\$15.60	\$653.24
25	12	Family	\$1,280.88	\$2.80	\$1,278.08	\$1,278.08	\$28.42	\$1,306.50
26	12	Family (3+)	\$1,601.10	\$2.80	\$1,598.30	\$1,598.30	\$34.82	\$1,633.12

Medicare Retiree

41	12	1 Medicare only	\$161.24	\$2.80	\$158.44	TBD	TBD	\$2.80	TBD
98	12	Single (PPO with GF status)	\$337.24		\$337.24		\$337.24		\$337.24
99	12	Family (PPO with GF status)	\$337.24		\$337.24		\$337.24		\$337.24
43	12	1 Medicare + Others	\$498.48		\$495.68		TBD		TBD
42	12	2 Medicare only	\$319.68	\$2.80	\$316.88	TBD	TBD	\$2.80	TBD
98	12	Single (PPO with GF status)	\$337.24		\$337.24		\$337.24		\$337.24
99	12	Family (PPO with GF status)	\$337.24		\$337.24		\$337.24		\$337.24
49	12	2 Medicare + Others	\$656.92		\$654.12		TBD		TBD
50	12	3 Medicare only	\$478.12	\$2.80	\$475.32	TBD	TBD	\$2.80	TBD
98	12	Single (PPO with GF status)	\$337.24		\$337.24		\$337.24		\$337.24
99	12	Family (PPO with GF status)	\$337.24		\$337.24		\$337.24		\$337.24
55	12	3 Medicare + Others	\$815.36		\$812.56		TBD		TBD
51	12	4 Medicare only	\$636.56	\$2.80	\$633.76	TBD	TBD	\$2.80	TBD
98	12	Single (PPO with GF status)	\$337.24		\$337.24		\$337.24		\$337.24
99	12	Family (PPO with GF status)	\$337.24		\$337.24		\$337.24		\$337.24
58	12	4 Medicare + Others	\$973.80		\$971.00		TBD		TBD

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2011-2013 BIENNIUM**

Rate Structure B (cont'd)

			(1)	(2)	(3)	(4)	(5)	(6)	(7)
First Year							(3)+(4)		
January 1, 2012 - June 30, 2012					(1)-(2)		Total	Plus	(5)+(6)
			Total	Less	Total	Medicare	Monthly	NDPERS	NDPERS
			BCBSND	NDPERS	Premium to	Part D	Paid to	Retention	Billing
Code	Description		Bid	Retention	BCBSND	Premium	BCBSND	Retention	Rate
Medicare Retirees COBRA (for Non-Medicare dependents of Medicare Retirees)									
30	12	Single (PPO with GF status)	\$332.70	\$2.80	\$329.90		\$329.90	\$9.44	\$339.34
31	12	Family (PPO with GF status)	\$596.62	\$2.80	\$593.82		\$593.82	\$14.72	\$608.54

- (1) - BCBSND premium rates, per bid.
- (2) - Per contract charge retained by NDPERS
- (3) - Total premium paid to BCBSND.
- (4) - Medicare Part D Premium submitted to BCBSND.
- (5) - Amount of premium NDPERS will send to BCBSND.
- (6) - Per contract charge retained by NDPERS.
- (7) - Premium amount NDPERS will bill its contract holders.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2011-2013 BIENNIUM**

Rate Structure B

Second Year
July 1, 2012 – December 31, 2012

Code	Description	(1) Total BCBSND Bid	(2) Less NDPERS Retention	(3) (1)-(2) Total Premium to BCBSND	(4) Medicare Part D Premium	(5) (3)+(4) Total Monthly Paid to BCBSND	(6) Plus NDPERS Retention	(7) (5)+(6) NDPERS Billing Rate
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Political Subdivision Rates with Wellness Program

Active (PPO with Grandfathered Status)

1	8	Single	\$475.68	\$2.80	\$472.88	\$472.88	\$2.80	\$475.68
2	8	Family	\$1,149.42	\$2.80	\$1,146.62	\$1,146.62	\$2.80	\$1,149.42

COBRA (PPO with Grandfathered Status)

4	8	Single	\$475.68	\$2.80	\$472.88	\$472.88	\$12.30	\$485.18
5	8	Family	\$1,149.42	\$2.80	\$1,146.62	\$1,146.62	\$25.78	\$1,172.40

Active (PPO with NonGrandfathered Status)

1	28	Single	\$482.92	\$2.80	\$480.12	\$480.12	\$2.80	\$482.92
2	28	Family	\$1,166.88	\$2.80	\$1,164.08	\$1,164.08	\$2.80	\$1,166.88

COBRA (PPO with NonGrandfathered Status)

4	28	Single	\$482.92	\$2.80	\$480.12	\$480.12	\$12.46	\$492.58
5	28	Family	\$1,166.88	\$2.80	\$1,164.08	\$1,164.08	\$26.14	\$1,190.22

Political Subdivision Rates w/o Wellness Program

Active (PPO with Grandfathered Status)

1	7	Single	\$475.68	\$2.80	\$472.88	\$472.88	\$7.56	\$480.44
2	7	Family	\$1,149.42	\$2.80	\$1,146.62	\$1,146.62	\$14.28	\$1,160.90

COBRA (PPO with Grandfathered Status)

4	7	Single	\$475.68	\$2.80	\$472.88	\$472.88	\$12.30	\$485.18
5	7	Family	\$1,149.42	\$2.80	\$1,146.62	\$1,146.62	\$25.78	\$1,172.40

Active (PPO with NonGrandfathered Status)

1	27	Single	\$482.92	\$2.80	\$480.12	\$480.12	\$7.62	\$487.74
2	27	Family	\$1,166.88	\$2.80	\$1,164.08	\$1,164.08	\$14.46	\$1,178.54

COBRA (PPO with NonGrandfathered Status)

4	27	Single	\$482.92	\$2.80	\$480.12	\$480.12	\$12.46	\$492.58
5	27	Family	\$1,166.88	\$2.80	\$1,164.08	\$1,164.08	\$26.14	\$1,190.22

State Contracts with Wellness Program (see Rate Structure 'A')

Active (PPO with Grandfathered Status)

1-3	2	S/F/Dual	\$886.62	\$2.80	\$883.82	\$883.82	\$2.80	\$886.62
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COBRA (PPO with Grandfathered Status)

4	2	Single	\$426.96	\$2.80	\$424.16	\$424.16	\$11.34	\$435.50
5	2	Family	\$1,029.00	\$2.80	\$1,026.20	\$1,026.20	\$23.38	\$1,049.58

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2011-2013 BIENNIUM**

Rate Structure B (cont'd)

			(1)	(2)	(3)	(4)	(5)	(6)	(7)
Second Year							(3)+(4)		
July 1, 2012 – December 31, 2012					(1)-(2)		Total		(5)+(6)
			Total	Less	Total	Medicare	Monthly	Plus	NDPERS
			BCBSND	NDPERS	Premium to	Part D	Paid to	NDPERS	Billing
Code	Description		Bid	Retention	BCBSND	Premium	BCBSND	Retention	Rate

State Contracts with Wellness Program (see Rate Structure 'A')

Part-Time/Temporary/LOA (PPO with Grandfathered Status)

6	2	Single	\$426.96	\$2.80	\$424.16		\$424.16	\$2.80	\$426.96
7	2	Family	\$1,029.00	\$2.80	\$1,026.20		\$1,026.20	\$2.80	\$1,029.00

State Contracts w/o Wellness Program (see Rate Structure 'A')

Active (PPO with Grandfathered Status)

1-3	1	S/F/Dual	\$886.62	\$2.80	\$883.82		\$883.82	\$11.66	\$895.48
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COBRA (PPO with Grandfathered Status)

4	1	Single	\$426.96	\$2.80	\$424.16		\$424.16	\$11.34	\$435.50
5	1	Family	\$1,029.00	\$2.80	\$1,026.20		\$1,026.20	\$23.38	\$1,049.58

Part-Time/Temporary/LOA (PPO with Grandfathered Status)

6	1	Single	\$426.96	\$2.80	\$424.16		\$424.16	\$7.06	\$431.22
7	1	Family	\$1,029.00	\$2.80	\$1,026.20		\$1,026.20	\$13.08	\$1,039.28

Non-Medicare Retiree (PPO with Grandfathered Status) (see Rate Structure 'A')

21	12	Single	\$640.44	\$2.80	\$637.64		\$637.64	\$2.80	\$640.44
22	12	Family	\$1,280.88	\$2.80	\$1,278.08		\$1,278.08	\$2.80	\$1,280.88
23	12	Family (3+)	\$1,601.10	\$2.80	\$1,598.30		\$1,598.30	\$2.80	\$1,601.10

COBRA

24	12	Single	\$640.44	\$2.80	\$637.64		\$637.64	\$15.60	\$653.24
25	12	Family	\$1,280.88	\$2.80	\$1,278.08		\$1,278.08	\$28.42	\$1,306.50
26	12	Family (3+)	\$1,601.10	\$2.80	\$1,598.30		\$1,598.30	\$34.82	\$1,633.12

Medicare Retiree

41	12	1 Medicare only	\$173.12	\$2.80	\$170.32	TBD	TBD	\$2.80	TBD
98	12	Single (PPO with GF status)	\$367.56		\$367.56		\$367.56		\$367.56
99	12	Family (PPO with GF status)	\$367.56		\$367.56		\$367.56		\$367.56
43	12	1 Medicare + Others	\$540.68		\$537.88		TBD		TBD
42	12	2 Medicare only	\$343.44	\$2.80	\$340.64	TBD	TBD	\$2.80	TBD
98	12	Single (PPO with GF status)	\$367.56		\$367.56		\$367.56		\$367.56
99	12	Family (PPO with GF status)	\$367.56		\$367.56		\$367.56		\$367.56
49	12	2 Medicare + Others	\$711.00		\$708.20		TBD		TBD
50	12	3 Medicare only	\$513.76	\$2.80	\$510.96	TBD	TBD	\$2.80	TBD
98	12	Single (PPO with GF status)	\$367.56		\$367.56		\$367.56		\$367.56
99	12	Family (PPO with GF status)	\$367.56		\$367.56		\$367.56		\$367.56
55	12	3 Medicare + Others	\$881.32		\$878.52		TBD		TBD

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2011-2013 BIENNIUM**

Rate Structure B (cont'd)

Second Year
July 1, 2012 - December 31, 2012

		(1)	(2)	(3)	(4)	(5)	(6)	(7)
				(1)-(2)	(3)+(4)		(5)+(6)	
Code	Description	Total BCBSND Bid	Less NDPERS Retention	Total Premium to BCBSND	Medicare Part D Premium	Monthly Paid to BCBSND	Plus NDPERS Retention	NDPERS Billing Rate
51	12 4 Medicare only	\$684.08	\$2.80	\$681.28	TBD	TBD	\$2.80	TBD
98	12 Single (PPO with GF status)	\$367.56		\$367.56		\$367.56		\$367.56
99	12 Family (PPO with GF status)	\$367.56		\$367.56		\$367.56		\$367.56
58	12 4 Medicare + Others	\$1,051.64		\$1,048.84		TBD		TBD
Medicare Retirees COBRA (for Non-Medicare dependents of Medicare Retirees)								
30	12 Single (PPO with GF status)	\$362.36	\$2.80	\$359.56		\$359.56	\$10.04	\$369.60
31	12 Family (PPO with GF status)	\$650.02	\$2.80	\$647.22		\$647.22	\$15.80	\$663.02

- (1) - BCBSND premium rates, per bid.
- (2) - Per contract charge retained by NDPERS
- (3) - Total premium paid to BCBSND.
- (4) - Medicare Part D Premium submitted to BCBSND.
- (5) - Amount of premium NDPERS will send to BCBSND.
- (6) - Per contract charge retained by NDPERS.
- (7) - Premium amount NDPERS will bill its contract holders.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2011-2013 BIENNIUM**

Rate Structure B

Second Year
January 1, 2013 - June 30, 2013

Code	Description	(1) Total BCBSND Bid	(2) Less NDPERS Retention	(3) (1)-(2) Total Premium to BCBSND	(4) Medicare Part D Premium	(5) (3)+(4) Total Monthly Paid to BCBSND	(6) Plus NDPERS Retention	(7) (5)+(6) NDPERS Billing Rate
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Political Subdivision Rates with Wellness Program

Active (PPO with Grandfathered Status)

1	8	Single	\$475.68	\$2.80	\$472.88	\$472.88	\$2.80	\$475.68
2	8	Family	\$1,149.42	\$2.80	\$1,146.62	\$1,146.62	\$2.80	\$1,149.42

COBRA (PPO with Grandfathered Status)

4	8	Single	\$475.68	\$2.80	\$472.88	\$472.88	\$12.30	\$485.18
5	8	Family	\$1,149.42	\$2.80	\$1,146.62	\$1,146.62	\$25.78	\$1,172.40

Active (PPO with NonGrandfathered Status)

1	28	Single	\$482.92	\$2.80	\$480.12	\$480.12	\$2.80	\$482.92
2	28	Family	\$1,166.88	\$2.80	\$1,164.08	\$1,164.08	\$2.80	\$1,166.88

COBRA (PPO with NonGrandfathered Status)

4	28	Single	\$482.92	\$2.80	\$480.12	\$480.12	\$12.46	\$492.58
5	28	Family	\$1,166.88	\$2.80	\$1,164.08	\$1,164.08	\$26.14	\$1,190.22

Political Subdivision Rates w/o Wellness Program

Active (PPO with Grandfathered Status)

1	7	Single	\$475.68	\$2.80	\$472.88	\$472.88	\$7.56	\$480.44
2	7	Family	\$1,149.42	\$2.80	\$1,146.62	\$1,146.62	\$14.28	\$1,160.90

COBRA (PPO with Grandfathered Status)

4	7	Single	\$475.68	\$2.80	\$472.88	\$472.88	\$12.30	\$485.18
5	7	Family	\$1,149.42	\$2.80	\$1,146.62	\$1,146.62	\$25.78	\$1,172.40

Active (PPO with NonGrandfathered Status)

1	27	Single	\$482.92	\$2.80	\$480.12	\$480.12	\$7.62	\$487.74
2	27	Family	\$1,166.88	\$2.80	\$1,164.08	\$1,164.08	\$14.46	\$1,178.54

COBRA (PPO with NonGrandfathered Status)

4	27	Single	\$482.92	\$2.80	\$480.12	\$480.12	\$12.46	\$492.58
5	27	Family	\$1,166.88	\$2.80	\$1,164.08	\$1,164.08	\$26.14	\$1,190.22

State Contracts with Wellness Program (see Rate Structure 'A')

Active (PPO with Grandfathered Status)

1-3	2	S/F/Dual	\$886.62	\$2.80	\$883.82	\$883.82	\$2.80	\$886.62
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COBRA (PPO with Grandfathered Status)

4	2	Single	\$426.96	\$2.80	\$424.16	\$424.16	\$11.34	\$435.50
5	2	Family	\$1,029.00	\$2.80	\$1,026.20	\$1,026.20	\$23.38	\$1,049.58

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2011-2013 BIENNIUM**

Rate Structure B (cont'd)

			(1)	(2)	(3)	(4)	(5)	(6)	(7)
Second Year							(3)+(4)		
January 1, 2013 - June 30, 2013					(1)-(2)		Total		(5)+(6)
Code	Description		Total BCBSND Bid	Less NDPERS Retention	Total Premium to BCBSND	Medicare Part D Premium	Monthly Paid to BCBSND	Plus NDPERS Retention	NDPERS Billing Rate
Part-Time/Temporary/LOA (PPO with Grandfathered Status)									
6	2	Single	\$426.96	\$2.80	\$424.16		\$424.16	\$2.80	\$426.96
7	2	Family	\$1,029.00	\$2.80	\$1,026.20		\$1,026.20	\$2.80	\$1,029.00
<u>State Contracts w/o Wellness Program (see Rate Structure 'A')</u>									
Active (PPO with Grandfathered Status)									
1-3	1	S/F/Dual	\$886.62	\$2.80	\$883.82		\$883.82	\$11.66	\$895.48
COBRA (PPO with Grandfathered Status)									
4	1	Single	\$426.96	\$2.80	\$424.16		\$424.16	\$11.34	\$435.50
5	1	Family	\$1,029.00	\$2.80	\$1,026.20		\$1,026.20	\$23.38	\$1,049.58
Part-Time/Temporary/LOA (PPO with Grandfathered Status)									
6	1	Single	\$426.96	\$2.80	\$424.16		\$424.16	\$7.06	\$431.22
7	1	Family	\$1,029.00	\$2.80	\$1,026.20		\$1,026.20	\$13.08	\$1,039.28
<u>Non-Medicare Retiree (PPO with Grandfathered Status) (see Rate Structure 'A')</u>									
21	12	Single	\$640.44	\$2.80	\$637.64		\$637.64	\$2.80	\$640.44
22	12	Family	\$1,280.88	\$2.80	\$1,278.08		\$1,278.08	\$2.80	\$1,280.88
23	12	Family (3+)	\$1,601.10	\$2.80	\$1,598.30		\$1,598.30	\$2.80	\$1,601.10
COBRA									
24	12	Single	\$640.44	\$2.80	\$637.64		\$637.64	\$15.60	\$653.24
25	12	Family	\$1,280.88	\$2.80	\$1,278.08		\$1,278.08	\$28.42	\$1,306.50
26	12	Family (3+)	\$1,601.10	\$2.80	\$1,598.30		\$1,598.30	\$34.82	\$1,633.12
<u>Medicare Retiree</u>									
41	12	1 Medicare only	\$173.12	\$2.80	\$170.32	TBD	TBD	\$2.80	TBD
98	12	Single (PPO with GF status)	\$367.56		\$367.56		\$367.56		\$367.56
99	12	Family (PPO with GF status)	\$367.56		\$367.56		\$367.56		\$367.56
43	12	1 Medicare + Others	\$540.68		\$537.88		TBD		TBD
42	12	2 Medicare only	\$343.44	\$2.80	\$340.64	TBD	TBD	\$2.80	TBD
98	12	Single (PPO with GF status)	\$367.56		\$367.56		\$367.56		\$367.56
99	12	Family (PPO with GF status)	\$367.56		\$367.56		\$367.56		\$367.56
49	12	2 Medicare + Others	\$711.00		\$708.20		TBD		TBD
50	12	3 Medicare only	\$513.76	\$2.80	\$510.96	TBD	TBD	\$2.80	TBD
98	12	Single (PPO with GF status)	\$367.56		\$367.56		\$367.56		\$367.56
99	12	Family (PPO with GF status)	\$367.56		\$367.56		\$367.56		\$367.56
55	12	3 Medicare + Others	\$881.32		\$878.52		TBD		TBD

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2011-2013 BIENNIUM**

Rate Structure B (cont'd)

Second Year

January 1, 2013 - June 30, 2013

		(1)	(2)	(3)	(4)	(5)	(6)	(7)
				(1)-(2)		(3)+(4)		(5)+(6)
		Total	Less	Total	Medicare	Monthly	Plus	NDPERS
		BCBSND	NDPERS	Premium to	Part D	Paid to	NDPERS	NDPERS
Code	Description	Bid	Retention	BCBSND	Premium	BCBSND	Retention	Billing
								Rate
51	12 4 Medicare only	\$684.08	\$2.80	\$681.28	TBD	TBD	\$2.80	TBD
98	12 Single (PPO with GF status)	\$367.56		\$367.56		\$367.56		\$367.56
99	12 Family (PPO with GF status)	\$367.56		\$367.56		\$367.56		\$367.56
58	12 4 Medicare + Others	\$1,051.64		\$1,048.84		TBD		TBD
Medicare Retirees COBRA (for Non-Medicare dependents of Medicare Retirees)								
30	12 Single (PPO with GF status)	\$362.36	\$2.80	\$359.56		\$359.56	\$10.04	\$369.60
31	12 Family (PPO with GF status)	\$650.02	\$2.80	\$647.22		\$647.22	\$15.80	\$663.02

- (1) - BCBSND premium rates, per bid.
- (2) - Per contract charge retained by NDPERS
- (3) - Total premium paid to BCBSND.
- (4) - Medicare Part D Premium submitted to BCBSND.
- (5) - Amount of premium NDPERS will send to BCBSND.
- (6) - Per contract charge retained by NDPERS.
- (7) - Premium amount NDPERS will bill its contract holders.

6.2 BCBSND and NDPERS agree to the Health Plan Performance Guarantees, as outlined in the attached Exhibit B.

6.3 NDPERS will pay BCBSND, on or before the last day of each month, premium income based on the amount identified in **Column 6-5** of the above Table for type of contract for that month.

~~6.4 To fund the amounts identified in Column 4, NDPERS will maintain surplus sufficient to fund transfers of \$2,900.00 per month to BCBSND and these Premium Buydown funds will be considered premium income. Final Premium Buydown will be based on actual Non-Medicare contract month exposure times the premiums listed in Column 4 and will be subject to settlement.~~

6.4 NDPERS will maintain a deposit of \$3,000,000 in a Cash Reserve Account held by BCBSND until the settlement of the biennium. This Cash Reserve Account shall earn interest at a rate to be determined monthly, based on US Treasury Notes quoted by the Wall Street Journal. The monthly rate will be established at the close of the first trading day each month based on the closing yield to maturity of US Treasury Notes maturing 24 months hence. If there are multiple notes for that maturity, the rate will be based on an average. If there are no notes with that maturity, the next subsequent maturity will be used.

6.5 BCBSND will retain any surplus funds from the amounts identified in Column 3 of the above tables. Surplus funds retained by BCBSND shall earn interest at a rate to be determined monthly, based on US Treasury Notes quoted by the Wall Street Journal. The monthly rate will be established at the close of the first trading day each month based on the closing yield to maturity of US Treasury Notes maturing 24 months hence. If there are multiple notes for that maturity, the rate will be based on an average. If there are no notes with that maturity, the next subsequent maturity will be used.

Surplus funds described in the above section 6.5 not used by BCBSND to pay NDPERS Health Plan incurred claims plus retention will be subject to the Final Accounting as described in Section 7 of this Agreement.

6.6 Payments made pursuant to ~~Section 6.2~~ **6.3** and pursuant to **Column 5 4** of the above Table will be handled as follows:

BCBSND will dispense to Regional Advantage Services LLC, Medicare Part D premiums identified in **Column 5 4** of the above Table for type of contract for that month. Interest will not be paid on this account.

Funds described in section 6.6 are not subject to final accounting as described in section 7 of this Agreement.

7. FINAL ACCOUNTING

7.1 A continual accounting of NDPERS Health Plan experience will take place during the **2011-2013** biennium. Monthly reports of earned income less incurred claims and retention will be produced during the biennium and the **twenty-four** months following the biennium.

7.2 Within 31 days of 12 months after the end of the biennium (by July 31, **2014**) BCBSND will provide an accounting which will result in an initial settlement of the biennium agreement as follows:

1. Earned Premium Income during the Biennium
- ~~2. Plus Premium Buydown Deposits~~
2. Plus interest on Surplus Funds

3. Less Claims Incurred during the Biennium and Paid July 1, 2011 through June 30, 2014
4. Less Estimated Claims Incurred and Unpaid at June 30, 2014
5. Less Administrative Expense during the Biennium (\$25.80 per contract per month)
6. Less Conversion Cost during the Biennium (\$1.68 per Non-Medicare contract per month)
7. Less Service Charge during the Biennium (\$8.40 per Non-Medicare contract per month and \$2.08 per Medicare contract per month)
8. Less Disease Management Program fees during the Biennium (\$1.20 per contract per month)
9. Less Wellness Program fees during the Biennium (\$2.74 per contract per month)
10. If 1+2-3-4-5-6-7-8-9 of 7.2 is positive, the lesser of 50% of this amount or \$1.5 million is retained by BCBSND. The remainder equals Refund paid to NDPERS.
11. If 1+2-3-4-5-6-7-8-9 of 7.2 is negative, the lesser of 50% of this amount or \$3.0 million will be refunded by NDPERS to BCBSND.

Claims incurred and unpaid will be estimated by the mean of the latest three actual IBNR claims (Incurred But Not Reported) amounts for equivalent periods in the NDPERS history.

7.3 Within 31 days of 24 months after the end of the biennium (by July 31, 2015), BCBSND will provide an accounting, which will result in a final settlement of the biennium agreement as follows:

1. Earned Premium Income during the Biennium
- ~~2. Plus Premium Buydown Deposits~~
2. Plus interest on Surplus Funds
3. Less Claims Incurred during the Biennium and Paid July 1, 2011 through June 30, 2015
4. Less Administrative Expense during the Biennium (\$25.80 per contract per month)
5. Less Conversion Cost during the Biennium (\$1.68 per Non-Medicare contract per month)
6. Less Service Charge during the Biennium (\$8.40 per Non-Medicare contract per month and \$2.08 per Medicare contract per month)
7. Less Disease Management Program fees during the Biennium (\$1.20 per contract per month)
8. Less Wellness Program fees during the Biennium (\$2.74 per contract per month)
9. Less any refund paid to NDPERS at initial settlement on July 31, 2014
10. If 1+2-3-4-5-6-7-8-9 of 7.3 is positive, the lesser of 50% of this amount or \$1.5 million is retained by BCBSND for the July 1, 2011 through June 30, 2013 biennium. The remainder equals Refund paid to NDPERS. The maximum retained by BCBSND for the biennium is 50% of \$3.0 million of gain.
11. If 1+2-3-4-5-6-7-8-9 of 7.3 is negative, the lesser of 50% of this amount or \$3.0 million will be refunded by NDPERS to BCBSND. BCBSND retains all losses beyond \$6.0 million and any estimated gains previously distributed to NDPERS are subject to refund back to BCBSND based on this final settlement. The maximum loss NDPERS is subject to is 50% of \$6.0 million of loss.

8. TERM AND TERMINATION OF AGREEMENT

- 8.1 The term of this Agreement shall be for a two year period from July 1, 2011 through June 30, 2013.
- 8.2 This Agreement may be terminated by mutual agreement of both parties, upon 60 days notice, in writing.

Either party may terminate this Agreement effective 90 days following delivery of written notice to the other party, or at such later date as may be stated in the notice, under any of the following conditions:

- a. 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. The Agreement may be modified by agreement of the parties in writing to accommodate a reduction of funds.
- b. If federal or state laws, rules or regulations are modified, changed or interpreted in such a way that the services are no longer allowable or appropriate for purchase under this Agreement or are no longer eligible for the funding proposed for payments authorized by this Agreement.
- c. If any license, permit or certificate required by law, rule or regulation, or by the terms of this Agreement, is for any reason denied, revoked, suspended or not renewed.

Any such termination of this Agreement shall be without prejudice to any obligations or liabilities of either party already accrued prior to such termination.

- d. In the event of a breach by either party, other than for nonpayment of premium, the other party may terminate this Agreement by written notice to the breaching party. The breaching party has 31 days to fully cure the breach. If the breach is not cured within 31 days after written notice, this Agreement will immediately terminate.

9. **BLUECARD® PROGRAM**

Like all Blue Cross and Blue Shield Licensees, BCBSND participates in a program called "BlueCard." Whenever Members access health care services outside the geographic area BCBSND serves, the claim for those services may be processed through BlueCard and presented to BCBSND for payment in conformity with network access rules of the BlueCard Policies then in effect ("Policies"). Under BlueCard, when Members receive Covered Services within the geographic area served by an on-site Blue Cross and/or Blue Shield Licensee ("Host Blue"), BCBSND will remain responsible to the Group for fulfilling BCBSND's contract obligations. However, the Host Blue will only be responsible, in accordance with applicable BlueCard Policies, if any, for providing such services as contracting with its participating providers and handling all interaction with its participating providers. The financial terms of BlueCard are described generally below.

Liability Calculation Method Per Claim - The calculation of Member liability on claims for Covered Services incurred outside the geographic area BCBSND serves and processed through BlueCard will be based on the lower of the provider's billed charges or the negotiated price BCBSND pays the Host Blue.

The methods employed by a Host Blue to determine a negotiated price will vary among Host Blues based on the terms of each Host Blue's provider contracts. The negotiated price paid to a Host Blue by BCBSND on a claim for health care services processed through BlueCard may represent:

1. the actual price paid on the claim by the Host Blue to the health care provider ("Actual Price"), or
2. an estimated price, determined by the Host Blue in accordance with BlueCard Policies, based on the Actual Price increased or reduced to reflect aggregate payments expected to result from settlements, withholds, any other contingent payment arrangements and non-claims transactions with all of the Host Blue's health care providers or one or more particular providers ("Estimated Price"), or
3. an average price, determined by the Host Blue in accordance with BlueCard Policies, based on a billed charges discount representing the Host Blue's average savings expected after settlements, withholds, any other contingent payment arrangements and non-claims transactions for all of its providers or for a specified group of providers ("Average Price"). An Average Price may result in greater variation to the Member and the Group from the Actual Price than would an Estimated Price.

Host Blues using either the Estimated Price or Average Price will, in accordance with BlueCard Policies, prospectively increase or reduce the Estimated Price or Average Price to correct for over- or underestimation of past prices. However, the amount paid by the Member is a final price and will not be affected by such prospective adjustment.

Statutes in a small number of states may require a Host Blue either (1) to use a basis for calculating Member liability for Covered Services that does not reflect the entire savings realized, or expected to be realized, on a particular claim or (2) to add a surcharge. Should any state statutes mandate liability calculation methods that differ from the negotiated price methodology or require a surcharge, the Host Blue would then calculate Member liability for any Covered Services in accordance with the applicable state statute in effect at the time the Member received those services.

Return of Overpayments - Under BlueCard, recoveries from a Host Blue or from participating providers of a Host Blue can arise in several ways, including, but not limited to, anti-fraud and abuse audits, provider/hospital audits, credit balance audits, utilization review refunds, and unsolicited refunds. In some cases, the Host Blue will engage third parties to assist in discovery or collection of recovery amounts. The fees of such a third party are netted against the recovery. Recovery amounts, net of fees, if any, will be applied in accordance with applicable BlueCard Policies, which generally require correction on a claim-by-claim or prospective basis.

10. **RETROSPECTIVE DISCOUNT PAYMENT**

Regarding prescription medications or drugs purchased by Members under the terms of the Plan, the Plan Administrator agrees to pay to BCBSND the amount due to the pharmacy (or other prescription drug retailer) under the terms of the pharmacy provider participating agreement. The amount due to the pharmacy under the terms of the pharmacy provider participating agreement is that which is due at the time the prescription medication or drug is purchased by the Member. The amount due to the pharmacy under the pharmacy provider participating agreement is calculated without regard to any subsequent, retrospective manufacturer discount that may apply to the cost of the prescription medication or drug. The Plan Administrator acknowledges and agrees that, in some cases but not all, drug manufacturers may offer retrospective discounts to BCBSND on prescription medications and drugs purchased under the terms of the Plan. If a drug manufacturer makes a retrospective discount payment available, the Plan Administrator acknowledges and agrees that a portion of any such rebate may be retained by an entity that performs manufacturer discount program services on behalf of BCBSND under the terms of this Agreement. The Plan Administrator further acknowledges and agrees that, when made available by the drug manufacturer, another portion of the retrospective discount payment is retained by BCBSND. In its sole discretion, BCBSND may periodically refund to the Plan all or part of any rebate payments received. The calculation of any refund rests in the sole discretion of BCBSND.

In its sole discretion, and only in the case where a Member is required to pay Coinsurance as part of the Cost Sharing Amounts for each Prescription Medication and Drug provided under the terms of this Benefit Plan, BCBSND may periodically refund to Members a proportional amount of any retrospective discount payments received. The calculation and payment of any such proportional refund rests in the sole discretion of BCBSND. The manner in which such retrospective discount program payment refund, if any, is distributed to a Member rests in the sole discretion of BCBSND. The Member waives any right, title, or interest in and to such proportional retrospective discount payment once the Member is no longer eligible for benefits under the terms of this Benefit Plan, and BCBSND may use its discretion and disburse any such retrospective discount payments as it deems appropriate and necessary in its administration of this Benefit Plan. The Member shall pay all Cost Sharing Amounts at the time the Prescription Medication or Drug is purchased, without regard to any potential retrospective discount.

11. **GENERAL PROVISIONS:**

11.1 This Agreement is between NDPERS and BCBSND and does not create any rights or legal relationships between BCBSND and any Member(s).

- 11.2 This Agreement, together with the Response to the Request for Proposal and any exhibits, attachments and amendments constitutes the entire Agreement between the parties. No promises, terms, conditions or obligations other than those contained in this Agreement are valid or binding. Any prior agreements, statements, promises, negotiations, inducements or representations, either oral or written, made by either party or agent of either party that are not contained in this Agreement are of no effect. No modification of the terms or provisions of this Agreement shall be effective unless evidenced by a written amendment, signed by an authorized officer or employee of NDPERS and BCBSND.
- 11.3 This Agreement shall be governed by and construed according to the laws of the state of North Dakota.
- 11.4 Failure of either party at any time to require performance by the other party of any provision of this Agreement shall not be deemed to be a continuing waiver of that provision or a waiver of any other provision of this Agreement.
- 11.5 No assignment of this Agreement in whole or in part may be made by either party without written agreement approved by both parties.

- 11.6 All notices and correspondence required or permitted to be given under this Agreement shall be given by personal delivery to the other party or may be sent by mail, postage prepaid to the other party at the following addresses:

**NORTH DAKOTA PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

PO Box 1657
Bismarck, North Dakota 58502

**BLUE CROSS BLUE SHIELD
OF NORTH DAKOTA**

4510 13th Avenue South
Fargo, North Dakota 58121

- 11.7 Neither party shall be liable for any delay in or failure to perform under this Agreement due to an act of God or due to war mobilization, insurrection, rebellion, civil commotion, riot, act of an extremist or public enemy, sabotage, labor dispute, explosion, fire, flood, storm, accident, drought, equipment failure, power failure, fuel or energy shortages, unavoidable delay of carriers, embargo, law, ordinance, act, rule or regulation of any government, whether valid or invalid.
- 11.8 NDPERS hereby expressly acknowledges and understands that BCBSND is an independent corporation operating under a license with the Blue Cross and Blue Shield Association, an association of independent Blue Cross and Blue Shield Plans (the "Association"), permitting BCBSND to use the Blue Cross and Blue Shield Service Marks in the state of North Dakota, and that BCBSND is not contracting as an agent of the Association. NDPERS further acknowledges and agrees this Agreement was not entered into based upon representations by any person or entity other than BCBSND and that no person, entity, or organization other than BCBSND shall be held accountable or liable to NDPERS for any of BCBSND's obligations to NDPERS created under this Agreement. This paragraph shall not create any additional obligations whatsoever on the part of BCBSND other than those obligations created under other provisions of this Agreement.
- 11.9 If NDPERS or BCBSND creates benefit communications for Members, relating to the Certificate of Insurance attached as Exhibit A, such communications will be sent to BCBSND or NDPERS for comment prior to distribution. Either party will have 5 business days to comment on the communication. If one party fails to advise the other within that 5-day period, it will be presumed there are no comments on the communication. If NDPERS has a digital or online version of the Certificate of Insurance available to its Members, NDPERS agrees that it will not alter, modify or change the language of the Certificate of Insurance, and further agrees the Certificate of Insurance, attached as Exhibit A, will be the controlling document in the event of any conflict or liability that might arise as the result of any alterations, modifications or changes made by NDPERS. In the event a claim is paid based on NDPERS's modified or altered digital or online Certificate of Insurance, NDPERS is liable for all such claims. NDPERS further agrees that no waiver of this agreement is valid unless in writing and approved by BCBSND.
- 11.10 When coverage under this Agreement is terminated, BCBSND will, within a reasonable period of time, issue a Certificate of Creditable Coverage to the Subscriber. Upon notification by the Subscriber of the ineligibility of a dependent, a Certificate of Creditable Coverage will be issued to the affected Member within a reasonable period of time. Certificates of Creditable Coverage may also be obtained from BCBSND upon request within 24 months after coverage is terminated. Certificates of Creditable Coverage will only reflect continuous coverage provided through BCBSND.

11.11 Upon the effective date of any final regulation or amendment to final regulations with respect to PHI, Standard Transactions, the security of health information or other aspects of the Health Insurance Portability and Accountability Act of 1996 applicable to this Agreement, this Agreement will automatically amend such that the obligations imposed on the Plan Sponsor, the Plan Administrator and BCBSND remain in compliance with such regulations, unless BCBSND elects to terminate this Agreement by providing the Plan Sponsor and the Plan Administrator notice of termination in accordance with this Agreement at least thirty-one (31) days before the effective date of such final regulation or amendment to final regulations.

12. DISPUTES AND INDEMNIFICATION

If litigation is filed regarding denial of benefits or otherwise, and BCBSND is named as the sole defendant, BCBSND will have the right to manage and have full control of litigation and to determine whether to pay, compromise, litigate or appeal the litigation.

NDPERS agrees that all Retrospective Discount Payments will be made to Members of the Plan. BCBSND agrees to indemnify NDPERS for any judgments against NDPERS solely arising out of NDPERS' decision to participate in the Retrospective Discount Payment program.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed, in their names by their undersigned officers, the same being duly authorized to do so.

**NORTH DAKOTA PUBLIC EMPLOYEES
RETIREMENT SYSTEM (PLAN ADMINISTRATOR)**
PO Box 1657
Bismarck, North Dakota 58502

BLUE CROSS BLUE SHIELD OF NORTH DAKOTA*
4510 13th Avenue South
Fargo, North Dakota 58121

By: _____

"Signature"

Title: _____

Its President and CEO

Date: _____

Date Signed

**NORTH DAKOTA PUBLIC EMPLOYEES
RETIREMENT SYSTEM (PLAN SPONSOR)**
PO Box 1657
Bismarck, North Dakota 58502

By: _____

Title: _____

Date: _____

Administrative Service Agreement
07/01/2011-06/30/2013

*An Independent Licensee of the Blue Cross and Blue Shield Association.

Exhibit "A"

Exhibit "B"

NDPERS PERFORMANCE GUARANTEES

Cost Management	Biennium Total
• By December 31, 2012, increase the number of NDPERS members completing a Well Being Assessment (WBA) by 10% over the 2011 completion rate.	\$15,000
• By December 31, 2012, NDPERS will have a 5% point increase in the NDPERS group aggregate WBA wellness score.	\$10,000
• 2012 MyHealthCenter NDPERS group aggregate incentives paid for MyHealthCenter redemptions will increase by 10% over 2011 NDPERS rate.	\$7,500
• 2012 annual percentage average of NDPERS members receiving the Health Club Credit will increase by 10% over 2011 NDPERS rate.	\$7,500

Health Outcomes	Biennium Total
• By June 30, 2013, 80% of the NDPERS population will be enrolled in a medical home.	\$15,000
• HEDIS-like measures breast cancer screening rates will be at least 80%.	\$15,000
• HEDIS-like measures cervical cancer screening rates will be at least 85%.	\$15,000
• HEDIS-like measures colorectal cancer screening rates will be at least 60%.	\$15,000

Provider Network Management	Biennium Total
• BCBSND will maintain an NDPERS PPO network consisting of 90% or more of the in-state hospitals, MDs and DOs that participate in the Company's Par Network.	\$25,000

Operational Performance

All operational performance audits will be conducted according to guidelines defined in the Blue Cross Blue Shield Association's Member Touchpoint Measure (MTM) quality assurance program.

Operational Performance Metric		Performance Goal	Annual Value of Forfeiture	Biennium Total
• Claims Financial Accuracy	Measures the percentage of paid dollars processed accurately.	99%	\$12,500	\$25,000
• Claims Payment Incidence Accuracy	Measures the percentage of claims processed without a payment error	97%	\$12,500	\$25,000
• Claims Timeliness	Measures the percentage of all claims processed within 30 calendar days. Excludes BlueCard claims.	99%	\$12,500	\$25,000
• Average Speed of Answer	Measures the average speed of answer of member calls in seconds.	30 or less	\$12,500	\$25,000
• Call Abandonment Rate	Measures the percentage of callers who disconnect before being connected to a live customer service representative.	5% or less	\$12,500	\$25,000



**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: NDPERS Board

FROM: Kathy

DATE: June 20, 2011

SUBJECT: Dental Plan Renewal

Our group dental contract with CIGNA expires on December 31, 2011. The contract has been in effect since January 1, 2007. Last year the Board accepted CIGNA's renewal proposal for a 6% premium increase for 2011. NDPERS in conjunction with our consultant, Deloitte, requested a renewal proposal from CIGNA for January 1, 2012. They are proposing an across the board increase of 4.32%. Included for your information is the CIGNA proposal.

In summary, the loss ratio for 2010 was 89.4%. CIGNA's preference is that our experience be under 90%; therefore, we are within the acceptable range. Deloitte has reviewed the reports and the renewal rates and has performed an independent projection. Their analysis is included for your information and the results came very close to those proposed in CIGNA's renewal.

CIGNA has proposed two plan design options for consideration should the Board wish to mitigate the increase. If we raise our deductible from \$50 to \$75 it will reduce the renewal rates by 1.9% to 2.42%. If we decreased the R&C level from the 90th to the 80th percentile, it will reduce the rates by 1.7% to 2.62%. Adopting both options will result in a decrease of 3.6% for a total increase of .72%.

Board Action Requested

1. Direct staff to proceed with renewal negotiations.
2. Consider whether to implement either or neither of the proposed options to decrease the proposed 4.32% increase.
3. Direct staff to develop a RFP to go to bid for a new dental carrier.

Scott A. Shultz, RHU
Senior Client Manager
CIGNA Sales

May 24, 2011

Kathy Allen
Benefit Programs Manager
NDPER System
400 E. BDWY, Suite 505
Box 1657
Bismarck, ND 58502

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

Re: North Dakota Public Employees Retirement System (NDPERS)
- 2012 CIGNA Dental Renewal

Dear Kathy:

Thank you for allowing CIGNA Dental to be of service to the retirees of NDPERS. We appreciate having you as a client.

I am writing to provide the renewal rates for 2012. With no coverage changes the renewal increase is just 4.32% effective January 1, 2012.

The proposed rates are:

<u>Description</u>	<u>Rate</u>	<u>Projected Enroll</u>
Retiree/Employee only	\$41.54	3038
Retiree/Employee + spouse	\$80.20	1551
Retiree/Employee + child(ren)	\$93.08	430
Retiree/Employee + family	\$132.53	1409

I am also presenting two options for lowering the renewal increase. If NDPERS increased its deductible from \$50 to \$75 it would reduce the renewal rates 1.90%. Decreasing the R&C level from the 90th percentile to the 80th, it would reduce the renewal rates 1.70%.

If you have any questions or need additional information, please feel free to give me a call.

Cordially,

Scott A. Shultz
Senior Client Manager

Memo

Date: June 15, 2011

To: Kathy Allen, Benefit Programs Manager

From: Deloitte Consulting LLP – Patrick Pechacek, Tim FitzPatrick, Kuanhui Lee

Subject: North Dakota Public Employees Retirement System (NDPERS)
- 2012 CIGNA Dental Renewal

The 2012 CIGNA Dental Renewal was proposed on May 24, 2011 with a renewal increase of 4.32%, effective 1/1/2012. The monthly premium, claim, and enrollment with the detailed renewal projection buildup were enclosed and the renewal quotes were demonstrated on a 4-tier coverage structure. In addition, benefit buy-down options were proposed to reduce the renewal increase if the State needed to do so. Due to the limited information on the benefit buy-down options, this renewal review focused on the reasonableness of renewal increase and provides observations from the experience and assumptions incorporated in CIGNA's renewal calculation.

Review Results

Overall, the renewal increase of 4.32% is reasonable based on the information received. The methodology and assumptions used by CIGNA were appropriate and support the renewal increase. CIGNA incorporated a 5.5 % annual trend into their calculation, which is the composite trend of a 3.5% expected increase on unit cost and a 2.0% increase on utilization. The annual trend of 5.5% is in line with the market average, which ranges from 3% to 7% depending on the type of plan. The experience loss ratio of 89.4%, without adjusting for completion, is in line with the target loss ratio of 90.5% and a slightly lower than trend rate increase. CIGNA included a two month set back adjustment to account for the use of paid claims, rather than incurred. While we believe this adjustment is appropriate, we believe using a two month set back is a bit conservative; CIGNA's average reserve lag is 1.5 months. Additionally, CIGNA only used the most recent year of experience in their renewal, using the most recent two years of experience results in a 1.4% lower increase. However, based on the changing relationship between subscribers and members over the past 2 years, we believe the approach is reasonable.

Observations

Our review of the CIGNA dental renewal consisted of assessing the methodology and assumptions built into the renewal projection. Below are our observations:

- **Selection of setback month:** For the experienced period claim PEPY calculation, CIGNA used the paid claims from April 2010 to March 2011, and the subscriber count with a setback of two months (i.e. February 2010 to January 2011). The projected claim PEPY is \$801.27. Due to the typically quick completion of dental claims, compared to medical, a two month setback may be conservative. We analyzed the impact of modifying the number of setback months:

Impact Analysis - Remove the setback adjustment and add one additional month of trend to account for paid versus incurred

The experienced claim PEPY is calculated upon the most recent 12-month claim (Apr 2010 to Mar 2011) and the 12-month subscriber counts without setbacks (Apr 2010 to Mar 2011). However, the experienced claim PEPY is then trended one more month to the midpoint of projected period to account for the difference between paid and incurred. The projected claim PEPY under this methodology is \$799.78, which results in an overall impact of -0.2%. Based on this minimal impact, we believe that the methodology used is reasonable.

- **Experience Period:** CIGNA used the paid claims from April 2010 to March 2011, and the subscriber count with a setback of two months (i.e. February 2010 to January 2011). We analyzed the impact of using the most recent two years of experience rather than only the most recent year of experience. For this analysis we maintained the two month set back methodology in order to segregate the impact of simply expanding the experience period.

Impact Analysis - 24 month claim experience with two month setback on subscriber count

When using the almost recent 24 months of paid claims (Apr 2009 to Mar 2011) with the 2-month setback on the subscriber counts (Feb 2009 to Jan 2011), the projected claim PEPY is \$790.33, which results in an overall impact of -1.4%. However, based on the changing relationship between subscribers and members over the past 2 years, we believe the approach is reasonable.

- **Historical claim PEPM and utilization trend**

We calculated the historical claim PEPM, utilization, and unit cost trends to further understand the annual trend included in the renewal calculations.

The rolling 12-month claim PEPM, utilization, and unit cost trends are summarized as below:

Trend Type	As of March 2011
Claim PEPM	3.5%
Utilization per 1,000 Subscriber	-0.6%
Unit Cost	4.1%

1. The claim PEPM increased modestly from Jan 2007 to Mar 2011, with a consistent pattern of higher claim level in the first half of the year and gradually decreased from July to December. The claim PEPM is running at 3.5% as of Mar 2011.
2. Utilization level has been relatively flat from Jan 2007 to Mar 2011. The utilization per 1,000 subscriber is running at -0.6% as of March 2011.
3. The unit cost trend is running at 4.1% as of Mar 2011.

Since the utilization level has been flat, the claim PEPM pattern reflects the case mix and the unit cost changes. Based on the historical trend, the 5.5% annual trend used within the renewal is conservative, but still within a reasonable range and in line with market trends.

- **Loss ratio**

CIGNA has the target ratio set as 90.5% (the expense as % of premium is 9.5%). The loss ratios are developed to compare the experience to CIGNA's target.

The loss ratio by plan year stated below:

Plan Year	Loss Ratio
2007	93.2%
2008	99.5%
2009	92.2%
2010	89.4%

The loss ratio had been gradually improving since 2008. The 2010 incomplete loss ratio is running at 89.4%. CIGNA reserve estimate for the entire book of business is 12%, assuming all or part of this estimate is realized, the actual loss ratio will increase. Since the target loss ratio and the actual loss ratio are very close, a trend level increase seems reasonable.



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

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

Memorandum

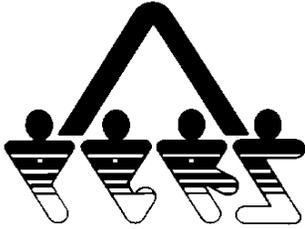
TO: NDPERS Board

FROM: Kathy

DATE: June 21, 2011

SUBJECT: Life Insurance Agreements

The ING Group Application, Electronic Facilitation Agreement and NDPERS Personal Service Agreement have been referred to our legal counsel. Their review and comments will be available to the Board at the meeting.



**North Dakota
Public Employees Retirement System**
400 East Broadway, Suite 505 • Box 1657
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FAX: (701) 328-3920 • EMAIL: NDPERS-info@nd.gov • www.nd.gov/ndpers

Memorandum

TO: PERS Board
FROM: Sparb
DATE: June 21, 2011
SUBJECT: BCBS Review

Our meeting this month is at the BCBS office. While we are on-site, we have the following presentations from BCBS staff:

1. BCBS Initiatives and Strategies – Paul Von Ebers
2. Wellness/Health Management Strategy - Dr. Jon Rice/Mike Carlson
3. MediQHome Presentation – Dr. Hanekom
4. HDHP/HSA – BCBS

In addition, we have a tour of the facility.

Please note item #4 above. These presentations relate to HB 1364 which recently passed and requires PERS to establish a High Deductible Health Plan with a Health Savings Account option for state employees by Jan 1, 2012. In order to meet this deadline we will have to have a plan set up for employees to consider during the upcoming open enrollment. While BCBS can do the High Deductible Health Plan portion, they contract out the health savings account efforts to a firm called Discovery Benefits. I have asked that during our visit they give us a presentation on the capabilities of this firm. If we modify our contract with BCBS to do item #4, this is the firm they would use for the HSA. The other option is for us to bid out the HSA separately; however, given the short time frame for implementation, this would be a challenge.



**North Dakota
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Memorandum

TO: PERS Board
FROM: Sparb
DATE: June 21, 2011
SUBJECT: Contracting

Pursuant to Board policy the Executive Director can award a contract for work efforts \$10,000 or under but must inform the Board of such action. Recently, as a result of our fiscal year ending and as a result of our fiscal and internal audit staff being assigned to PERSLink (as well as the retirement of a staff member in the accounting area), I contracted with Brady Martz for two efforts both being fee for service contracts not to exceed \$10,000.

The two efforts were:

1. To assist the accounting division to catch up on some of the year end activities before the audit.
2. To do some of the financial testing that the internal audit division does but was unable to do this.

Both of these efforts need to be done before the year end so our external audit can be done. We should not have to contract this effort in the future years and be able to do this internally as we have done in the past.



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Memorandum

TO: NDPERS BOARD

FROM: Kathy & Sparb

DATE: June 16, 2011

SUBJECT: PROPOSED ACCELERATED FINANCIAL HARDSHIP PROCESS

Currently, hardship withdrawal requests are referred to the NDPERS Board for review and recommendation at its regularly scheduled meetings. Due to flooding in Bismarck-Mandan, as well as various other areas throughout the state, over the next several months there may be an increase in requests for unforeseeable emergency distributions as a result of property loss and/or relocation expenses for affected individuals. Some of these participants may have an urgent need for funds which could be compromised by having to wait for a determination until the next regularly scheduled meeting.

In anticipation of this and to expedite the process, for your consideration we developed an alternative to our current procedures wherein the Board would grant authority for staff to review and approve hardship withdrawal requests for applicants with an unforeseeable emergency related to a flood disaster and who need immediate financial relief. The participant would still be required to complete the application and provide documentation to substantiate the claim. Staff would rely on guidance from Segal in its consideration and should a participant disagree with staff's recommendation, they would be allowed to appeal our decision to the Board. Hardship withdrawal requests for reasons other than the flood disaster would still be referred to the Board through our current procedures.

Board Action Requested

Approve or deny authorization for PERS staff to review and make determinations on hardship applications with an unforeseeable emergency related to a flood disaster and who need immediate financial relief.