

NDPERS BOARD MEETING

Agenda

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

November 20, 2014

Time: 8:30 AM

I. MINUTES

A. October 23, 2014

II. RETIREMENT

- A. Experience Study Request for Proposal– Sparb (Board Action)
- B. Defined Contribution Plan Document – Sparb (Board Action)
- C. Defined Contribution Legislation – Sparb (Information)
- D. Job Service Retirement Plan – MaryJo (Board Action)
- E. DC 401(a) Reporting – Bryan (Information)
- F. Quarterly Investment Report – Bryan (Information)
- G. 401(a) and 457 Companion Plan Investment Funds – Bryan (Board Action)

III. GROUP INSURANCE

- A. Group Health Insurance Bids Update – Sparb (Information) *Executive Session
- B. Silver Sneakers Program – Rebecca (Information)
- C. Pre-Medicare Retiree Communication and Implementation – Rebecca (Information)
- D. Medicare Part D Program – Kathy and Sparb (Information)
- E. Medicare Part D Program Contract – Kathy (Board Action)
- F. Pharmacy Benefit Manager Report – Linda Cahn (Information)

IV. MISCELLANEOUS

- A. Legislation: Retirement/Health – Sparb (Board Action)
- B. Web Site Request for Proposal – Sparb (Board Action)
- C. 2015 Board Meeting Schedule – Sparb (Board Action)
- D. Plan Documents (Deferred Compensation and Flex Comp) – Kathy (Board Action)
- E. Quarterly Consultant Fees – (Information)

V. FLEX COMP

- A. Comparison of Forfeitures for 2012 and 2013 – Kathy (Information)
- B. Flex Comp Annual Limit – Kathy (Information)

VI. DEFERRED COMPENSATION

- A. Investment Options Summary Booklet – Bryan (Information)

*Executive Session pursuant to NDCC §44-04-19.1(9) and §44-04-19.2 to discuss negotiating strategy or provide negotiating instructions to its attorney or other negotiator.

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



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

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

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

Memorandum

TO: NDPERS Board
FROM: Sparb
DATE: November 12, 2014
SUBJECT: NDPERS Experience Study Request for Proposal

Included for your review and approval is the Request for Proposal (RFP) to solicit offers to conduct an experience review of the NDPERS and Highway Patrol retirement plans. North Dakota state law requires:

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

Pursuant to this statute, the next study will be required for the 5 year period ended June 30, 2014.

Jan has reviewed the Agreement for Services and her recommendations have been incorporated into the RFP.

The following is a sequence of activities for this RFP:

Dec 5, 2014	RFP for consultant services issued
Dec 30, 2014	Questions to RFP due
Jan 9, 2015	Responses to questions posted
Jan 23, 2015	Consultant proposals due at NDPERS office no later than 5:00 p.m. Central Standard Time.
March 1, 2015	NDPERS Board selects consultant no later than this date

The due dates for deliverables on this project are:

April 15, 2015	Draft of experience study to NDPERS
May 6, 2015	Second draft completed and to NDPERS
May 21, 2015	Meet with NDPERS Board and present experience study

Please note the attached study does not include the retiree health credit program. The last experience study for that plan was five years and done at the same time as the other programs in this RFP. It is not included here since the program will be changing this next July to make the credit portable. This means the history of this plan upon which an experience study is done will no longer be applicable due to the addition of the portability provision. Therefore I am suggesting that we wait a year or two to conduct this study and at that time we will have some history with the portability provision upon which

and experience study can be done. However if you would like to add this program to the RFP it is easy to make that addition. Also the retiree health credit program is not subject to the five year requirement mentioned above.

BOARD ACTION REQUESTED

To approve moving forward with the experience study RFP and to determine if the retiree health credit program should or should not be included.

REQUEST FOR PROPOSALS

Experience Study

Prepared by:

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

**Request for Proposals
Table of Contents**

Section I – Introduction 3

Section II – Experience Study..... 4

Section III – Information Requests..... 11

Section IV – Fees/Hours..... 13

Section V – Submission/Acceptance of Proposal..... 15

Section VI – Agreement for Services..... 16

Section VII – Review Procedures 22

Section I. Introduction

Request:

This Request for Proposal is soliciting offers for doing an experience review of the NDPERS and Highway Patrol retirement plans. The first part is to conduct an experience study on the defined benefit plans administered by NDPERS and the retiree health credit plan. NDPERS administers two primary retirement trust funds. One is the North Dakota Public Employees Retirement System (NDPERS) and the other is the Highway Patrol plan. The NDPERS plan has five subdivisions/plans which are: Main, Judges, Law Enforcement with prior service, Law Enforcement without prior service and National Guard.

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Dec 30, 2014	Questions to RFP due
Jan 9, 2015	Responses to questions posted
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NDPERS:

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

NDPERS is governed by a Board comprised of seven members:

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

Section II. Experience Study

A. Background

North Dakota state law requires:

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

Pursuant to this statute, the next study will be required for the 5 year period ended June 30, 2014. The retirement system is requesting a not to exceed fixed fee bid to conduct an experience study for the retirement systems under its jurisdiction for the five year period ending June 30, 2014. The study will review and analyze, at a minimum, the following assumptions:

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

B. Plans:

The NDPERS system (includes the main system, judges, air guard, and law enforcement plans) and the Highway Patrol plan are defined benefit plans and provide benefits under two separate chapters of the North Dakota Century Code (NDCC). NDCC Chapter 54-52 provides the benefits under the NDPERS, Judges, and Air Guard retirement plans. NDCC Chapter 39-03.1 provides the benefits under the Highway Patrol retirement plan. In addition to the retirement funds, NDPERS is requesting an experience study on its retiree health credit program. This program provides members a fixed benefit of \$5.00 times the number of years of service credit in the retirement plan that can be used to purchase health insurance. The program is funded with a 1.14% employer contribution.

1. Public Employees

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

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

2. Judges

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

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

3. National Guard

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

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

4. Law Enforcement System

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

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

The following is for the law enforcement group without prior service:

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

5. Highway Patrol

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

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

	2014	2013	Change
Actives			
• Number	156	149	4.7%
• Payroll	\$10.1 million	\$9.3 million	8.6%
• Average Age	37.3 years	37.3 years	0.0 years
• Average Service	11.2 years	10.8 years	0.4 years
Retirees and Beneficiaries			
• Number	117	116	0.9%
• Total Annual Benefits	\$3.8 million	\$3.7 million	2.7%
• Average Monthly Benefit	\$2,723	\$2,694	1.1%

C. Time frame

Please see timeline outlined previously

D. Data

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

E. Other Information

A copy of our last experience study and our last actuarial valuation for each of the above systems can be viewed on our website under "Request for Proposals" at

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

SECTION III – Information Requests

The proposal shall use the following format and contain your organization's response to the following requested information. Respond by restating the request with the response following. This format must be used in the proposal and scoring will be impacted negatively if required format is not used.

A. General Background:

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

11. Identify and provide a resume for each actuary that will be assigned to the project and the estimated number of hours they will work on the project.
12. Provide a resume for each non-actuary professional assigned to this work effort and the number of hours they are assigned.
13. Identify any subcontractors to be used.
14. Provide a timeline for the project

B. Other Information:

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

SECTION IV – Fees/Hours

We are requesting that you price this project in aggregate. Specifically, we are asking that you provide a fixed fee on a “not to exceed price” for the NDPERS experience study. All efforts will be billed by hours expended but cannot exceed the total fixed fee. Please note that for pricing proposed in the valuation, the “not to exceed price” will be used.

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

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

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

COST PROPOSAL

	Estimated Total Hours	Total Fixed Fee
Experience Study Fixed Fee*		\$
TOTAL FIXED FEE		\$

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

DETAILS FOR SERVICE:

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

Experience Study
Type of Consultant

Rate # of Hours

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

SECTION V - Submission and Acceptance of Proposals

- A. Proposals should be prepared in a straightforward manner to satisfy the requirements of this RFP. Emphasis should be on completeness and clarity of content. Costs for developing proposals are entirely the responsibility of the proposer and shall not be chargeable to NDPERS. RFP responses shall use the format in section IV to respond
- B. Offer, must be signed by a partner or principal of the firm and included with your proposal.
- C. Address or deliver the proposal to: Cheryl Stockert, Mgr. Administrative Services
North Dakota Public Employees Retirement System
400 E. Broadway, Suite 505
Bismarck, ND 58501
(701) 328-3900
- D. Ten (10) copies and one (1) electronic copy of the technical and price proposals must be received at the above listed location by **5:00 p.m. Central Standard Time on January 23, 2015**. The package the proposal is delivered in must be plainly marked "**PROPOSAL TO CONDUCT AN EXPERIENCE STUDY**". A proposal shall be considered late and will be rejected if received at any time after the exact time specified for return of proposals.
- E. The policy of the NDPERS Board is to solicit proposals with a bona fide intention to award a contract. This policy will not affect the right of the NDPERS Board to reject any, or all, proposals.
- F. The NDPERS Board may request representatives of your organization to appear for interviewing purposes. Travel expenses and costs related to the interview will be the responsibility of the bidder.
- G. The NDPERS Board will award the contract for services no later than **March 1, 2015**.
- H. In evaluating the proposals, price will not be the sole factor. The Board may consider any factors it deems necessary and proper, including but not limited to, price; quality of service; response to this request; experience; staffing; and general reputation.
- I. The failure to meet all procurement policy requirements shall not automatically invalidate a proposal or procurement. The final decision rests with the Board.
- J. Questions concerning the RFP shall be directed, in writing or by e-mail to Deb Knudsen at dknudsen@nd.gov and Bryan Reinhardt at breinhar@nd.gov by **December 30, 2014**. Responses will be posted on the NDPERS website no later than 5:00 p.m. Central Standard Time on **January 9, 2015** under "Request for Proposals" at <http://www.nd.gov/NDPERS/providers-consultants/consultants/rfp-index.html> . If you would like a copy of the responses e-mailed to you, please notify Cheryl Stockert at cstocker@nd.gov

SECTION VI - AGREEMENT FOR SERVICES

The parties to this contract are the State of North Dakota, acting through its [North Dakota Public Employees Retirement System] (STATE) and [contractor's legal name] (CONTRACTOR);

SCOPE OF SERVICE

CONTRACTOR, in exchange for the compensation paid by STATE under this contract, agrees to provide services as outlined in this Request for Proposal and CONTRACTOR'S proposal.

TERM OF CONTRACT

The term of this contract begins DATE HERE and ends on DATE HERE.

COMPENSATION

STATE will pay for the services provided by CONTRACTOR under this contract pursuant to a per participant monthly fee in Section V of the proposal. Payments will be made monthly based upon an invoice identifying the number of participants for that month.

TERMINATION OF CONTRACT

- a. Termination without cause. This contract may be terminated by mutual consent of both parties.

- b. Termination for lack of funding or authority. STATE by written notice of default to CONTRACTOR, may terminate the whole or any part of this contract, under any of the following conditions:
 - (1) If funding from federal, state, or other sources is not obtained and continued at levels sufficient to allow for purchase of the services or supplies in the indicated quantities or term.
 - (2) If federal or state laws or rules are modified or interpreted in a way that the services are no longer allowable or appropriate for purchase under this contract or are no longer eligible for the funding proposed for payments authorized by this contract.
 - (3) If any license, permit, or certificate required by law or rule, or by the terms of this contract, is for any reason denied, revoked, suspended, or not renewed.

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

- c. Termination for cause. STATE may terminate this contract effective upon delivery of written notice to CONTRACTOR, or any later date stated in the notice:
 - (1) If CONTRACTOR fails to provide services required by this contract within the time specified or any extension agreed to by STATE; or

- (2) If CONTRACTOR fails to perform any of the other provisions of this contract, or so fails to pursue the work as to endanger performance of this contract in accordance with its terms.

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

FORCE MAJEURE

CONTRACTOR shall not be held responsible for delay or default caused by fire, flood, riot, acts of God or war if the event is beyond CONTRACTOR'S reasonable control and CONTRACTOR gives notice to STATE immediately upon occurrence of the event causing the delay or default or that is reasonably expected to cause a delay or default.

RENEWAL

This contract will not automatically renew. If STATE desires to renew, STATE will provide written notice to CONTRACTOR of its intent to renew this contract at least 60 days before the scheduled termination date.

MERGER AND MODIFICATION

This contract constitutes the entire agreement between the parties. There are no understandings, agreements, or representations, oral or written, not specified within this contract. This contract may not be modified, supplemented or amended, in any manner, except by written agreement signed by both parties. Notwithstanding anything herein to the contrary, in the event of any inconsistency or conflict among the documents making up this contract, the documents must control in this order of precedence: the terms of this Contract for Services, as may be amended; State's Request for Proposal ("RFP") dated _____; and Contractor's proposal dated _____.

SEVERABILITY

If any term of this contract is declared by a court having jurisdiction to be illegal or unenforceable, the validity of the remaining terms is unaffected, and, if possible, the rights and obligations of the parties are to be construed and enforced as if the contract did not contain that term.

ASSIGNMENT AND SUBCONTRACTS

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

NOTICE

All notices or other communications required under this contract must be given by registered or certified mail and are complete on the date mailed when addressed to the parties at the following addresses:

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

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

APPLICABLE LAW AND VENUE

This contract is governed by and construed in accordance with the laws of the State of North Dakota. Any action to enforce this contract must be adjudicated exclusively in the State District Court of Burleigh County, North Dakota.

SPOILIATION – NOTICE OF POTENTIAL CLAIMS

CONTRACTOR shall promptly notify STATE of all potential claims that arise or result from this contract. CONTRACTOR shall also take all reasonable steps to preserve all physical evidence and information that may be relevant to the circumstances surrounding a potential claim, while maintaining public safety, and grants to STATE the opportunity to review and inspect the evidence, including the scene of an accident.

INDEMNITY

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

INSURANCE

CONTRACTOR shall secure and keep in force during the term of this agreement, from insurance companies, government self-insurance pools or government self-retention funds, authorized to do business in North Dakota, the following insurance coverages:

- 1) Commercial general liability, including premises or operations, contractual, and products or completed operations coverages (if applicable), with minimum liability limits of \$250,000 per person and \$1,000,000 per occurrence.
- 2) Professional errors and omissions with minimum limits of \$1,000,000 per occurrence and in the aggregate, Contractor shall continuously maintain such coverage during the contract period and for three years thereafter. In the event of a change or cancellation of coverage, Contractor shall purchase an extended reporting period to meet the time periods required in this section.
- 3) Automobile liability, including Owned (if any), Hired, and Non-Owned automobiles, with minimum liability limits of \$250,000 per person and \$500,000 per occurrence.
- 4) Workers compensation coverage meeting all statutory requirements.

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

- 1) Any deductible or self-insured retention amount or other similar obligation under the policies shall be the sole responsibility of the Contractor. The amount of any deductible or self retention is subject to approval by the State.
- 2) This insurance may be in policy or policies of insurance, primary and excess, including the so-called umbrella or catastrophe form and must be placed with insurers rated "A-" or better

by A.M. Best Company, Inc., provided any excess policy follows form for coverage. Less than an "A-" rating must be approved by the State. The policies shall be in form and terms approved by the State.

- 3) Contractor shall provide at least 30 day notice of any cancellation or material change to the policies and endorsements.
- 4) The Contractor shall furnish a certificate of insurance to the undersigned State representative prior to commencement of this agreement.
- 5) Failure to provide insurance as required in this agreement is a material breach of contract entitling State to terminate this agreement immediately.

ATTORNEY FEES

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

ALTERNATIVE DISPUTE RESOLUTION – JURY TRIAL

STATE does not agree to any form of binding arbitration, mediation, or other forms of mandatory alternative dispute resolution. The parties have the right to enforce their rights and remedies in judicial proceedings. STATE does not waive any right to a jury trial.

CONFIDENTIALITY

CONTRACTOR shall not use or disclose any information it receives from STATE under this contract that STATE has previously identified as confidential or exempt from mandatory public disclosure except as necessary to carry out the purposes of this contract or as authorized in advance by STATE. The parties agree that all participation by PERS members and their dependents in programs administered by PERS is confidential under North Dakota law. Contractor may request and PERS shall provide directly to Contractor upon such request, confidential information necessary for Contractor to provide the services described in the **SCOPE OF SERVICE** section. Contractor shall keep confidential all PERS information obtained in the course of delivering services. Failure of Contractor to maintain the confidentiality of such information may be considered a material breach of the contract and may constitute the basis for additional civil and criminal penalties under North Dakota law. Contractor shall not disclose any individual employee or dependent information without the prior written consent of the employee or family member. Contractor has exclusive control over the direction and guidance of the persons rendering services under this Agreement. Upon termination of this Agreement, for any reason, Contractor shall return or destroy all confidential information received from PERS, or created or received by Contractor on behalf of PERS. This provision applies to confidential information that may be in the possession of subcontractors or agents of Contractor. Contractor shall retain no copies of the confidential information. In the event that Contractor asserts that returning or destroying the confidential information is not feasible, Contractor shall provide to PERS notification of the conditions that make return or destruction infeasible. Upon explicit written agreement of PERS that return or destruction of confidential information is not feasible, Contractor shall extend the protections of this Agreement to that confidential information and limit further uses and disclosures of any such confidential information to those purposes that make the return or destruction infeasible, for so long as Contractor maintains the confidential information.

COMPLIANCE WITH PUBLIC RECORDS LAW

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

WORK PRODUCT, EQUIPMENT AND MATERIALS

All work product, equipment or materials created or purchased under this contract belong to STATE and must be delivered to STATE at STATE'S request upon termination of this contract. CONTRACTOR agrees that all materials prepared under this contract are "works for hire" within the meaning of the copyright laws of the United States and assigns to STATE all rights and interests CONTRACTOR may have in the materials it prepares under this contract, including any right to derivative use of the material. CONTRACTOR shall execute all necessary documents to enable STATE to protect its rights under this section.

INDEPENDENT ENTITY

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

NONDISCRIMINATION AND COMPLIANCE WITH LAWS

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

STATE AUDIT

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

PREPAYMENT

STATE will not make any advance payments before performance by CONTRACTOR under this contract.

TAXPAYER ID

CONTRACTOR’S federal employer ID number is: _____.

PAYMENT OF TAXES BY STATE

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

EFFECTIVENESS OF CONTRACT

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

CONTRACTOR

STATE OF NORTH DAKOTA

Acting through its

ND Public Employees Retirement

System

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

SECTION VII - Review Procedures

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

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

GENERAL	Points
Did Consultant follow required format?	5 Points

RETIREMENT	
Technical Understanding	25 Points
Product Delivery	10 Points
Qualification & Staffing	25 Points
Price	35 points

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

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

MEMORANDUM

TO: Sparb Collins, Public Employees Retirement System

FROM: Janilyn Murtha, Assistant Attorney General

RE: Defined Contribution Plan Document proposed amendment relating to participation by Judges

DATE: November 13, 2014

On October 23, 2014, the Board discussed whether it was appropriate to amend the defined contribution retirement plan document relating to participation by judges. This discussion was prompted in part by a discrepancy between the summary plan description (hereinafter "SPD") and the plan document (hereinafter "PD") relating to this participation. The SPD indicated that once employed, a judge would be enrolled in the judges' defined benefit plan referenced under N.D.C.C. § 54-52-06.1 regardless of whether that individual had made a prior irrevocable election to join the defined contribution plan. The applicable plan document provision did not contain similar language and therefore requires an individual who had made a prior election to join the defined contribution retirement plan (hereinafter "DC Plan") to remain in that plan subsequent to their judicial employment.

It appears that this discrepancy occurred when the PD was last amended, effective October 1, 2013. The Board amended the PD in October 2013 subsequent to a statutory change made to the DC Plan during the 2013 legislative session. Prior to the 2013 session, the DC Plan was not open to judges, therefore a participating member of the DC Plan would nonetheless be enrolled in the judges' defined benefit plan in a manner consistent with N.D.C.C. § 54-52.6-02(3) and Administrative Rule § 71-08-02-01. During the 2013 legislative session, a statutory amendment was passed that had the effect of opening the DC Plan to judges, but only from October 1, 2013, through July 31, 2017. The statutory amendment to N.D.C.C. § 54-52.6-02(1) indicated that the transfer opportunity to the DC Plan would be governed by rules and policies adopted by the Board. The Board then requested the Administrative Rules Committee to suspend the administrative rules affected by these statutory changes through July 31, 2017. Subsequently the Board amended the Defined Contribution PD to incorporate the suspended administrative rules, and it was at this time the discrepancy between the PD and SPD occurred.

Pursuant to Section 10.1 of the Defined Contribution PD the Board retains the right to amend the PD at any time, provided the amendment doesn't reduce the benefits derived from vested contributions credited to any participating member before the effective date of that amendment. It is my understanding the Board would like to amend the PD to specify that judges newly elected or appointed will be given an opportunity to

join the DC Plan, but that an individual that had made an irrevocable election to join the DC Plan prior to that plan being open to judges would not be required to remain in the DC Plan subsequent to their judicial employment. It is also my understanding that such an amendment would only affect one individual, but would not reduce that individual's benefits derived from their vested contributions. Please find below a proposed amendment for the Board's consideration.

11.7 Reemployment. Any former participating member of the defined contribution retirement plan who returns to public employment following a previous termination or retirement and is eligible to participate in a retirement plan, must resume participation in the defined contribution retirement plan. If a member of the defined contribution retirement plan begins employment in a position covered under the highway patrol retirement plan, the teachers' fund for retirement plan, or the alternate retirement plan of the state board of higher education, the member's status as a member of the defined contribution retirement plan is suspended and the member becomes a new member of the retirement plan for which that member's new position is eligible. If a member of the defined contribution plan begins employment in a position covered under the judges' retirement plan, on or subsequent to October 1, 2013, the member may become a new member of the retirement plan for which that member's new position is eligible and the member's status as a member of the defined contribution retirement plan is suspended. The member's account balance remains in the defined contribution retirement plan, but no new contributions may be made to that account. The member's service credit and salary history that were forfeited as a result of the member's transfer to the defined contribution retirement plan remain forfeited, and service credit accumulation in the new retirement plan begins from the first day of employment in the new position. If the member later returns to employment that is eligible for the defined contribution plan, the member's suspension is terminated, the member again becomes a member of the defined contribution plan, and the member's account shall resume accepting contributions. The contributions to the alternate retirement plan shall remain with that plan unless at the member's option, the member elects to transfer any available balance as determined by the provisions of the alternate retirement plan into the member's account in the defined contribution retirement plan.



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

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

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

Memorandum

TO: PERS Board

FROM: Sparb

DATE: November 13, 2014

SUBJECT: Government Finance Committee Defined Contribution Bill

Attachment 1 is the final copy of the defined contribution bill passed out by the Government Finance Committee. Attachment 2 is a summary prepared by Legislative Council.

Introduced by

1 A BILL for an Act to create and enact section 54-52.6-02.1 of the North Dakota Century Code,
2 relating to a defined contribution retirement plan for state employees; and to amend and reenact
3 sections 54-52-01, 54-52-02.5, 54-52-02.9, 54-52.6-01, 54-52.6-02, and 54-52.6-03 of the North
4 Dakota Century Code, relating to a defined contribution retirement plan for state employees.

5 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

6 **SECTION 1. AMENDMENT.** Section 54-52-01 of the North Dakota Century Code is
7 amended and reenacted as follows:

8 **54-52-01. (~~Effective through July 31, 2017~~) Definition of terms.**

9 As used in this chapter, unless the context otherwise requires:

- 10 1. "Account balance" means the total contributions made by the employee, vested
11 employer contributions under section 54-52-11.1, the vested portion of the vesting
12 fund as of June 30, 1977, and interest credited thereon at the rate established by the
13 board.
- 14 2. "Beneficiary" means any person in receipt of a benefit provided by this plan or any
15 person designated by a participating member to receive benefits.
- 16 3. "Correctional officer" means a participating member who is employed as a correctional
17 officer by a political subdivision.
- 18 4. "Eligible employee" means all permanent employees who are participating members
19 before January 1, 2016, and who meet all of the eligibility requirements set by this
20 chapter and who are eighteen years or more of age, and includes appointive and
21 elective officials under sections 54-52-02.5, 54-52-02.11, and 54-52-02.12 who are
22 participating members before January 1, 2016, and nonteaching employees of the
23 superintendent of public instruction, including the superintendent of public instruction,
24 who ~~elect~~elected to transfer from the teachers' fund for retirement to the public

1 employees retirement system under section 54-52-02.13, and employees of the state
2 board for career and technical education who ~~elect~~elect to transfer from the
3 teachers' fund for retirement to the public employees retirement system under section
4 54-52-02.14. Eligible employee does not include state employees who ~~elect to~~
5 ~~become members of the retirement plan established under chapter 54-52-6~~are first
6 employed after December 31, 2015, and are not participating members, but does
7 include supreme court judges and district court judges; employees eligible to
8 participate in the national guard retirement plan or a law enforcement retirement plan;
9 and employees of a political subdivision.

10 5. "Employee" means any person employed by a governmental unit, whose
11 compensation is paid out of the governmental unit's funds, or funds controlled or
12 administered by a governmental unit, or paid by the federal government through any of
13 its executive or administrative officials; licensed employees of a school district means
14 those employees eligible to participate in the teachers' fund for retirement who, except
15 under subsection 2 of section 54-52-17.2, are not eligible employees under this
16 chapter.

17 6. "Employer" means a governmental unit.

18 7. "Funding agent" or "agents" means an investment firm, trust bank, or other financial
19 institution which the retirement board may select to hold and invest the employers' and
20 members' contributions.

21 8. "Governmental unit" means the state of North Dakota, except the highway patrol for
22 members of the retirement plan created under chapter 39-03.1, or a participating
23 political subdivision thereof.

24 9. "National guard security officer or firefighter" means a participating member who is:
25 a. A security police employee of the North Dakota national guard; or
26 b. A firefighter employee of the North Dakota national guard.

27 10. "Participating member" means all eligible employees who through payment into the
28 plan have established a claim against the plan.

29 11. "Peace officer" means a participating member who is a peace officer as defined in
30 section 12-63-01 and is employed as a peace officer by the bureau of criminal
31 investigation or by a political subdivision and, notwithstanding subsection 12, for

- 1 persons employed after August 1, 2005, is employed thirty-two hours or more per
2 week and at least twenty weeks each year of employment. Participating members of
3 the law enforcement retirement plan created by this chapter who begin employment
4 after August 1, 2005, are ineligible to participate concurrently in any other retirement
5 plan administered by the public employees retirement system.
- 6 12. "Permanent employee" means a governmental unit employee whose services are not
7 limited in duration and who is filling an approved and regularly funded position in an
8 eligible governmental unit, and is employed twenty hours or more per week and at
9 least twenty weeks each year of employment.
- 10 13. "Prior service" means service or employment prior to July 1, 1966.
- 11 14. "Prior service credit" means such credit toward a retirement benefit as the retirement
12 board may determine under the provisions of this chapter.
- 13 15. "Public employees retirement system" means the retirement plan and program
14 established by this chapter.
- 15 16. "Retirement" means the acceptance of a retirement allowance under this chapter upon
16 either termination of employment or termination of participation in the retirement plan
17 and meeting the normal retirement date.
- 18 17. "Retirement board" or "board" means the seven persons designated by this chapter as
19 the governing authority for the retirement system created.
- 20 18. "Seasonal employee" means a participating member who does not work twelve
21 months a year.
- 22 19. "Service" means employment on or after July 1, 1966.
- 23 20. "Service benefit" means the credit toward retirement benefits as determined by the
24 retirement board under the provisions of this chapter.
- 25 21. "Temporary employee" means a governmental unit employee who is not eligible to
26 participate as a permanent employee, who is at least eighteen years old and not
27 actively contributing to another employer-sponsored pension fund, and, if employed by
28 a school district, occupies a noncertified teacher's position.
- 29 22. "Wages" and "salaries" means the member's earnings in eligible employment under
30 this chapter reported as salary on the member's federal income tax withholding
31 statements plus any salary reduction or salary deferral amounts under 26 U.S.C. 125,

1 401(k), 403(b), 414(h), or 457. "Salary" does not include fringe benefits such as
2 payments for unused sick leave, personal leave, vacation leave paid in a lump sum,
3 overtime, housing allowances, transportation expenses, early retirement incentive pay,
4 severance pay, medical insurance, workforce safety and insurance benefits, disability
5 insurance premiums or benefits, or salary received by a member in lieu of previously
6 employer-provided fringe benefits under an agreement between the member and
7 participating employer. Bonuses may be considered as salary under this section if
8 reported and annualized pursuant to rules adopted by the board.

9 **(Effective after July 31, 2017) Definition of terms.** As used in this chapter, unless the
10 context otherwise requires:

- 11 1. ~~"Account balance" means the total contributions made by the employee, vested~~
12 ~~employer contributions under section 54-52-11.1, the vested portion of the vesting~~
13 ~~fund as of June 30, 1977, and interest credited thereon at the rate established by the~~
14 ~~board.~~
- 15 2. ~~"Beneficiary" means any person in receipt of a benefit provided by this plan or any~~
16 ~~person designated by a participating member to receive benefits.~~
- 17 3. ~~"Correctional officer" means a participating member who is employed as a correctional~~
18 ~~officer by a political subdivision.~~
- 19 4. ~~"Eligible employee" means all permanent employees who meet all of the eligibility~~
20 ~~requirements set by this chapter and who are eighteen years or more of age, and~~
21 ~~includes appointive and elective officials under sections 54-52-02.5, 54-52-02.11, and~~
22 ~~54-52-02.12, and nonteaching employees of the superintendent of public instruction,~~
23 ~~including the superintendent of public instruction, who elect to transfer from the~~
24 ~~teachers' fund for retirement to the public employees retirement system under section~~
25 ~~54-52-02.13, and employees of the state board for career and technical education who~~
26 ~~elect to transfer from the teachers' fund for retirement to the public employees~~
27 ~~retirement system under section 54-52-02.14. Eligible employee does not include~~
28 ~~nonclassified state employees who elect to become members of the retirement plan~~
29 ~~established under chapter 54-52.6 but does include employees of the judicial branch~~
30 ~~and employees of the board of higher education and state institutions under the~~
31 ~~jurisdiction of the board.~~

Sixty-fourth
Legislative Assembly

- 1 5. ~~"Employee" means any person employed by a governmental unit, whose~~
2 ~~compensation is paid out of the governmental unit's funds, or funds controlled or~~
3 ~~administered by a governmental unit, or paid by the federal government through any of~~
4 ~~its executive or administrative officials; licensed employees of a school district means~~
5 ~~those employees eligible to participate in the teachers' fund for retirement who, except~~
6 ~~under subsection 2 of section 54-52-17.2, are not eligible employees under this~~
7 ~~chapter.~~
- 8 6. ~~"Employer" means a governmental unit.~~
- 9 7. ~~"Funding agent" or "agents" means an investment firm, trust bank, or other financial~~
10 ~~institution which the retirement board may select to hold and invest the employers' and~~
11 ~~members' contributions.~~
- 12 8. ~~"Governmental unit" means the state of North Dakota, except the highway patrol for~~
13 ~~members of the retirement plan created under chapter 39-03.1, or a participating~~
14 ~~political subdivision thereof.~~
- 15 9. ~~"National guard security officer or firefighter" means a participating member who is:~~
16 a. ~~A security police employee of the North Dakota national guard; or~~
17 b. ~~A firefighter employee of the North Dakota national guard.~~
- 18 10. ~~"Participating member" means all eligible employees who through payment into the~~
19 ~~plan have established a claim against the plan.~~
- 20 11. ~~"Peace officer" means a participating member who is a peace officer as defined in~~
21 ~~section 12-63-01 and is employed as a peace officer by the bureau of criminal~~
22 ~~investigation or by a political subdivision and, notwithstanding subsection 12, for~~
23 ~~persons employed after August 1, 2005, is employed thirty two hours or more per~~
24 ~~week and at least twenty weeks each year of employment. Participating members of~~
25 ~~the law enforcement retirement plan created by this chapter who begin employment~~
26 ~~after August 1, 2005, are ineligible to participate concurrently in any other retirement~~
27 ~~plan administered by the public employees retirement system.~~
- 28 12. ~~"Permanent employee" means a governmental unit employee whose services are not~~
29 ~~limited in duration and who is filling an approved and regularly funded position in an~~
30 ~~eligible governmental unit, and is employed twenty hours or more per week and at~~
31 ~~least twenty weeks each year of employment.~~

Sixty-fourth
Legislative Assembly

- 1 13. ~~"Prior service" means service or employment prior to July 1, 1966.~~
- 2 14. ~~"Prior service credit" means such credit toward a retirement benefit as the retirement~~
3 ~~board may determine under the provisions of this chapter.~~
- 4 15. ~~"Public employees retirement system" means the retirement plan and program~~
5 ~~established by this chapter.~~
- 6 16. ~~"Retirement" means the acceptance of a retirement allowance under this chapter upon~~
7 ~~either termination of employment or termination of participation in the retirement plan~~
8 ~~and meeting the normal retirement date.~~
- 9 17. ~~"Retirement board" or "board" means the seven persons designated by this chapter as~~
10 ~~the governing authority for the retirement system created.~~
- 11 18. ~~"Seasonal employee" means a participating member who does not work twelve~~
12 ~~months a year.~~
- 13 19. ~~"Service" means employment on or after July 1, 1966.~~
- 14 20. ~~"Service benefit" means the credit toward retirement benefits as determined by the~~
15 ~~retirement board under the provisions of this chapter.~~
- 16 21. ~~"Temporary employee" means a governmental unit employee who is not eligible to~~
17 ~~participate as a permanent employee, who is at least eighteen years old and not~~
18 ~~actively contributing to another employer sponsored pension fund, and, if employed by~~
19 ~~a school district, occupies a noncertified teacher's position.~~
- 20 22. ~~"Wages" and "salaries" means the member's earnings in eligible employment under~~
21 ~~this chapter reported as salary on the member's federal income tax withholding~~
22 ~~statements plus any salary reduction or salary deferral amounts under 26 U.S.C. 125,~~
23 ~~401(k), 403(b), 414(h), or 457. "Salary" does not include fringe benefits such as~~
24 ~~payments for unused sick leave, personal leave, vacation leave paid in a lump sum,~~
25 ~~overtime, housing allowances, transportation expenses, early retirement incentive pay,~~
26 ~~severance pay, medical insurance, workforce safety and insurance benefits, disability~~
27 ~~insurance premiums or benefits, or salary received by a member in lieu of previously~~
28 ~~employer provided fringe benefits under an agreement between the member and~~
29 ~~participating employer. Bonuses may be considered as salary under this section if~~
30 ~~reported and annualized pursuant to rules adopted by the board.~~

1 **SECTION 2. AMENDMENT.** Section 54-52-02.5 of the North Dakota Century Code is
2 amended and reenacted as follows:

3 **54-52-02.5. Newly elected and appointed state officials.**

4 After December 31, 1999, ~~a person~~ and before January 1, 2016, an individual elected or
5 appointed to a state office for the first time must, from and after the date that ~~person~~individual
6 qualifies and takes office, be a participating member of the public employees retirement system
7 unless that ~~person~~individual makes an election at any time during the first six months after the
8 date the ~~person~~individual takes office to participate in the retirement plan established under
9 chapter 54-52.6. After December 31, 2015, an individual elected or appointed to a state office
10 must, from and after the date the individual qualifies and takes office, be a participating member
11 of the retirement plan established under chapter 54-52.6 unless the individual is a participating
12 member under this chapter. As used in this section, the phrase "for the first time" means a
13 ~~person~~ an individual appointed, who, after December 31, 1999, does not hold office as an
14 appointed official at the time of that ~~person's~~individual's appointment.

15 **SECTION 3. AMENDMENT.** Section 54-52-02.9 of the North Dakota Century Code is
16 amended and reenacted as follows:

17 **54-52-02.9. Participation by temporary employees.**

18 ~~A~~Before January 1, 2016, a temporary employee may elect, within one hundred eighty days
19 of beginning employment, to participate in the public employees retirement system under this
20 chapter and receive credit for service after enrollment. The temporary employee shall pay
21 monthly to the fund an amount equal to ~~eight~~fourteen and twelve-hundredths percent times the
22 temporary employee's present monthly salary. ~~The amount required to be paid by a temporary~~
23 ~~employee increases by two percent times the temporary employee's present monthly salary~~
24 ~~beginning with the monthly reporting period of January 2012, and with an additional two percent~~
25 ~~increase, beginning with the reporting period of January 2013, and with an additional increase~~
26 ~~of two percent, beginning with the monthly reporting period of January 2014.~~ The temporary
27 employee shall also pay the required monthly contribution to the retiree health benefit fund
28 established under section 54-52.1-03.2. This contribution must be recorded as a member
29 contribution pursuant to section 54-52.1-03.2. An employer may not pay the temporary
30 employee's contributions. A temporary employee who is a participating member before
31 January 1, 2016, may continue to participate as a temporary employee in the public employees

1 retirement system until termination of employment or reclassification of the temporary employee
2 as a permanent employee. A temporary employee may not purchase any additional credit,
3 including additional credit under section 54-52-17.4 or past service under section 54-52-02.6.

4 **SECTION 4. AMENDMENT.** Section 54-52.6-01 of the North Dakota Century Code is
5 amended and reenacted as follows:

6 **54-52.6-01. (Effective through July 31, 2017December 31, 2015) Definition of terms.**

7 As used in this chapter, unless the context otherwise requires:

- 8 1. "Board" means the public employees retirement system board.
- 9 2. "Deferred member" means a person who elected to receive deferred vested retirement
10 benefits under chapter 54-52.
- 11 3. "Eligible employee" means a permanent state employee who elects to participate in
12 the retirement plan under this chapter.
- 13 4. "Employee" means any person employed by the state, whose compensation is paid
14 out of state funds, or funds controlled or administered by the state or paid by the
15 federal government through any of its executive or administrative officials.
- 16 5. "Employer" means the state of North Dakota.
- 17 6. "Participating member" means an eligible employee who elects to participate in the
18 defined contribution retirement plan established under this chapter.
- 19 7. "Permanent employee" means a state employee whose services are not limited in
20 duration and who is filling an approved and regularly funded position and is employed
21 twenty hours or more per week and at least five months each year.
- 22 8. "Wages" and "salaries" means earnings in eligible employment under this chapter
23 reported as salary on a federal income tax withholding statement plus any salary
24 reduction or salary deferral amounts under 26 U.S.C. 125, 401(k), 403(b), 414(h), or
25 457. "Salary" does not include fringe benefits such as payments for unused sick leave,
26 personal leave, vacation leave paid in a lump sum, overtime, housing allowances,
27 transportation expenses, early retirement, incentive pay, severance pay, medical
28 insurance, workforce safety and insurance benefits, disability insurance premiums or
29 benefits, or salary received by a member in lieu of previously employer-provided fringe
30 benefits under an agreement between an employee and a participating employer.

1 Bonuses may be considered as salary under this section if reported and annualized
2 pursuant to rules adopted by the board.

3 **(Effective after July 31, 2017December 31, 2015) Definition of terms.** As used in this
4 chapter, unless the context otherwise requires:

- 5 1. "Board" means the public employees retirement system board.
- 6 2. "Deferred member" means a person who elected to receive deferred vested retirement
7 benefits under chapter 54-52.
- 8 3. "Eligible employee" means a permanent state employee, ~~except an employee of the~~
9 ~~judicial branch or an employee of the board of higher education and state institutions~~
10 ~~under the jurisdiction of the board,~~ who is eighteen years or more of age ~~and who is in~~
11 ~~a position not classified by North Dakota human resource management services.~~ If a
12 participating member loses permanent employee status and becomes a temporary
13 employee, the member may still participate in the defined contribution retirement plan.
14 "Eligible employee" does not include a supreme court judge or a district court judge,
15 an employee eligible to participate in the national guard retirement plan or a law
16 enforcement retirement plan, an employee of a political subdivision, or an employee of
17 the board of higher education and state institutions under the jurisdiction of the board
18 who is participating in the teachers' insurance and annuity association of America -
19 college retirement equities fund retirement plan.
- 20 4. "Employee" means any person employed by the state, whose compensation is paid
21 out of state funds, or funds controlled or administered by the state or paid by the
22 federal government through any of its executive or administrative officials.
- 23 5. "Employer" means the state of North Dakota.
- 24 6. "Participating member" means an eligible employee who ~~elects to~~
25 ~~participate~~participates in the defined contribution retirement plan established under
26 this chapter.
- 27 7. "Permanent employee" means a state employee whose services are not limited in
28 duration and who is filling an approved and regularly funded position and is employed
29 twenty hours or more per week and at least five months each year.
- 30 8. "Temporary employee" means a governmental unit employee who is not eligible to
31 participate as a permanent employee, who is at least eighteen years old and not

1 actively contributing to another employer-sponsored pension fund, and, if employed by
2 a school district, occupies a noncertified teacher's position.

3 ~~8-9.~~ "Wages" and "salaries" means earnings in eligible employment under this chapter
4 reported as salary on a federal income tax withholding statement plus any salary
5 reduction or salary deferral amounts under 26 U.S.C. 125, 401(k), 403(b), 414(h), or
6 457. "Salary" does not include fringe benefits such as payments for unused sick leave,
7 personal leave, vacation leave paid in a lump sum, overtime, housing allowances,
8 transportation expenses, early retirement, incentive pay, severance pay, medical
9 insurance, workforce safety and insurance benefits, disability insurance premiums or
10 benefits, or salary received by a member in lieu of previously employer-provided fringe
11 benefits under an agreement between an employee and a participating employer.
12 Bonuses may be considered as salary under this section if reported and annualized
13 pursuant to rules adopted by the board.

14 **SECTION 5. AMENDMENT.** Section 54-52.6-02 of the North Dakota Century Code is
15 amended and reenacted as follows:

16 **54-52.6-02. (Effective through July 31, 2017December 31, 2015) Election.**

- 17 1. The board shall provide an opportunity for eligible employees who are new members
18 of the public employees retirement system under chapter 54-52 to transfer to the
19 defined contribution plan under this chapter pursuant to the rules and policies adopted
20 by the board. An election made by a member of the public employees retirement
21 system under chapter 54-52 to transfer to the defined contribution retirement plan
22 under this chapter is irrevocable. For an individual who elects to transfer membership
23 from the public employees retirement system under chapter 54-52 to the defined
24 contribution retirement plan under this chapter, the board shall transfer a lump sum
25 amount from the public employees retirement system fund to the participating
26 member's account in the defined contribution retirement plan under this chapter.
27 However, if the individual terminates employment prior to receiving the lump sum
28 transfer under this section, the election made is ineffective and the individual remains
29 a member of the public employees retirement system under chapter 54-52 and retains
30 all the rights and privileges under that chapter. This section does not affect an
31 individual's right to health benefits or retiree health benefits under chapter 54-52.1.

- 1 2. If the board receives notification from the internal revenue service that this section or
2 any portion of this section will cause the public employees retirement system or the
3 retirement plan established under this chapter to be disqualified for tax purposes
4 under the Internal Revenue Code, then the portion that will cause the disqualification
5 does not apply.
- 6 3. A participating member who becomes a temporary employee may still participate in
7 the defined contribution retirement plan upon filing an election with the board within
8 one hundred eighty days of transferring to temporary employee status. The
9 participating member may not become a member of the defined benefit plan as a
10 temporary employee. The temporary employee electing to participate in the defined
11 contribution retirement plan shall pay monthly to the fund an amount equal to
12 ~~eight~~fourteen and twelve-hundredths percent times the temporary employee's present
13 monthly salary. ~~The amount required to be paid by a temporary employee increases~~
14 ~~by two percent times the temporary employee's present monthly salary beginning with~~
15 ~~the monthly reporting period of January 2012, and with an additional increase of two~~
16 ~~percent, beginning with the monthly reporting period of January 2013, and with an~~
17 ~~additional increase of two percent, beginning with the monthly reporting period of~~
18 ~~January 2014.~~ The temporary employee shall also pay the required monthly
19 contribution to the retiree health benefit fund established under section 54-52.1-03.2.
20 This contribution must be recorded as a member contribution pursuant to section
21 54-52.1-03.2. An employer may not pay the temporary employee's contributions. A
22 temporary employee may continue to participate as a temporary employee until
23 termination of employment or reclassification of the temporary employee as a
24 permanent employee.
- 25 4. A former participating member who has accepted a retirement distribution pursuant to
26 section 54-52.6-13 and who subsequently becomes employed by an entity different
27 from the employer with which the member was employed at the time the member
28 retired but which does participate in any state-sponsored retirement plan may, before
29 reenrolling in the defined contribution retirement plan, elect to permanently waive
30 future participation in the defined contribution retirement plan, whatever plan in which
31 the new employing entity participates, and the retiree health program and maintain

1 that member's retirement status. Neither the member nor the employer are required to
2 make any future retirement contributions on behalf of that employee.

3 **(Effective after July 31, 2017December 31, 2015) Election.**

4 1. The board shall provide an opportunity for each eligible employee who is first
5 employed before January 1, 2016, and who is a member of the public employees
6 retirement system on ~~September 30, 2001,~~ and ~~who has not made a written election~~
7 ~~under this section June 30, 2016,~~ to transfer to the defined contribution retirement plan
8 ~~before October 1, 2001, to elect~~by electing in writing to terminate membership in the
9 public employees retirement system and elect to become a participating member
10 under this chapter. Except as provided in section 54-52.6-03, an election made by an
11 eligible employee under this section is irrevocable. ~~The board shall accept written~~
12 ~~elections under this section from eligible employees during the period beginning on~~
13 ~~July 1, 1999, and ending 12:01 a.m. December 14, 2001. An eligible employee who~~
14 ~~does not make a written election or who does not file the election during the period~~
15 ~~specified in this section continues to be a member of the public employees retirement~~
16 ~~system. An eligible employee who makes and files a written election~~transfers to the
17 defined contribution plan under this section ceases to be a member of the public
18 employees retirement system ~~effective twelve midnight December 31, 2001;~~and
19 becomes a participating member in the defined contribution retirement plan under this
20 chapter ~~effective 12:01 a.m. January 1, 2002;~~ and waives all of that person's rights to
21 a pension, annuity, retirement allowance, insurance benefit, or any other benefit under
22 the public employees retirement system ~~effective December 31, 2001.~~ This section
23 does not affect a person's right to health benefits or retiree health benefits under
24 chapter 54-52.1. An eligible employee who is first employed and entered upon the
25 payroll of that person's employer ~~after September 30, 2001,~~ may make an election to
26 participate in the defined contribution retirement plan established under this chapter at
27 any time during the ~~first six months after the date of employment. If the board, in its~~
28 ~~sole discretion, determines that the employee was not adequately notified of the~~
29 ~~employee's option to participate in the defined contribution retirement plan, the board~~
30 ~~may provide the employee a reasonable time within which to make that election, which~~

1 ~~may extend beyond the original six-month decision window~~period beginning July 1,
2 2016, and ending 5:00 p.m. December 30, 2016.

- 3 2. If an individual who is a deferred member of the public employees retirement system
4 on ~~September 30, 2004~~December 31, 2015, is reemployed and by virtue of that
5 employment is again eligible for membership in the public employees retirement
6 system under chapter 54-52, the individual may elect in writing to remain a member of
7 the public employees retirement system or if eligible to participate in the defined
8 contribution retirement plan established under this chapter to terminate membership in
9 the public employees retirement system and become a participating member in the
10 defined contribution retirement plan established under this chapter. An election made
11 by a deferred member under this section is irrevocable. The board shall accept written
12 elections under this section from a deferred member during the period beginning on
13 the date of the individual's reemployment and ending upon the expiration of six
14 months after the date of that reemployment. If the board, in its sole discretion,
15 determines that the employee was not adequately notified of the employee's option to
16 participate in the defined contribution retirement plan, the board may provide the
17 employee a reasonable time within which to make that election, which may extend
18 beyond the original six-month decision window. A deferred member who makes and
19 files a written election to remain a member of the public employees retirement system
20 retains all rights and is subject to all conditions as a member of that retirement system.
21 A deferred member who does not make a written election or who does not file the
22 election during the period specified in this section continues to be a member of the
23 public employees retirement system. A deferred member who makes and files a
24 written election to terminate membership in the public employees retirement system
25 ceases to be a member of the public employees retirement system effective on the
26 last day of the payroll period that includes the date of the election; becomes a
27 participating member in the defined contribution retirement plan under this chapter
28 effective the first day of the payroll immediately following the date of the election; and
29 waives all of that person's rights to a pension, an annuity, a retirement allowance,
30 insurance benefit, or any other benefit under the public employees retirement system
31 effective the last day of the payroll that includes the date of the election. This section

1 does not affect any right to health benefits or retiree health benefits to which the
2 deferred member may otherwise be entitled.

3 3. An eligible employee who elects to participate in the retirement plan established under
4 this chapter must remain a participant even if that employee ~~returns to the classified~~
5 ~~service or~~ becomes employed by a political subdivision that participates in the public
6 employees retirement system. The contribution amount must be as provided in this
7 chapter, regardless of the position in which the employee is employed.

8 Notwithstanding the irrevocability provisions of this chapter, if a member who elects to
9 participate in the retirement plan established under this chapter becomes a supreme
10 or district court judge, becomes a member of the highway patrol, becomes employed
11 in a position subject to teachers' fund for retirement membership, or becomes an
12 employee of the board of higher education or state institution under the jurisdiction of
13 the board who is eligible to participate in an alternative retirement program established
14 under subsection 6 of section 15-10-17, the member's status as a member of the
15 defined contribution retirement plan is suspended, and the member becomes a new
16 member of the retirement plan for which that member's new position is eligible. The
17 member's account balance remains in the defined contribution retirement plan, but no
18 new contributions may be made to that account. The member's service credit and
19 salary history that were forfeited as a result of the member's transfer to the defined
20 contribution retirement plan remain forfeited, and service credit accumulation in the
21 new retirement plan begins from the first day of employment in the new position. If the
22 member later returns to employment that is eligible for the defined contribution plan,
23 the member's suspension must be terminated, the member again becomes a member
24 of the defined contribution retirement plan, and the member's account resumes
25 accepting contributions. At the member's option, and pursuant to rules adopted by the
26 board, the member may transfer any available balance as determined by the
27 provisions of the alternate retirement plan into the member's account under this
28 chapter.

29 4. After consultation with its actuary, the board shall determine the method by which a
30 participating member or deferred member may make a written election under this
31 section. If the participating member or deferred member is married at the time of the

1 election, the election is not effective unless the election is signed by the individual's
2 spouse. However, the board may waive this requirement if the spouse's signature
3 cannot be obtained because of extenuating circumstances.

4 5. If the board receives notification from the internal revenue service that this section or
5 any portion of this section will cause the public employees retirement system or the
6 retirement plan established under this chapter to be disqualified for tax purposes
7 under the Internal Revenue Code, then the portion that will cause the disqualification
8 does not apply.

9 6. A participating member who becomes a temporary employee may still participate in
10 the defined contribution retirement plan upon filing an election with the board within
11 one hundred eighty days of transferring to temporary employee status. The
12 participating member may not become a member of the defined benefit plan as a
13 temporary employee. The temporary employee electing to participate in the defined
14 contribution retirement plan shall pay monthly to the fund an amount equal to
15 ~~eight~~fourteen and twelve-hundredths percent times the temporary employee's present
16 monthly salary. ~~The amount required to be paid by a temporary employee increases~~
17 ~~by two percent times the temporary employee's present monthly salary beginning with~~
18 ~~the monthly reporting period of January 2012, and with an additional increase of two~~
19 ~~percent, beginning with the monthly reporting period of January 2013, and with an~~
20 ~~additional increase of two percent, beginning with the monthly reporting period of~~
21 ~~January 2014.~~ The temporary employee shall also pay the required monthly
22 contribution to the retiree health benefit fund established under section 54-52.1-03.2.
23 This contribution must be recorded as a member contribution pursuant to section
24 54-52.1-03.2. An employer may not pay the temporary employee's contributions. A
25 temporary employee may continue to participate as a temporary employee until
26 termination of employment or reclassification of the temporary employee as a
27 permanent employee.

28 7. A former participating member who has accepted a retirement distribution pursuant to
29 section 54-52.6-13 and who subsequently becomes employed by an entity different
30 from the employer with which the member was employed at the time the member
31 retired but which does participate in any state-sponsored retirement plan may, before

1 reenrolling in the defined contribution retirement plan, elect to permanently waive
2 future participation in the defined contribution retirement plan, whatever plan in which
3 the new employing entity participates, and the retiree health program and maintain
4 that member's retirement status. Neither the member nor the employer are required to
5 make any future retirement contributions on behalf of that employee.

6 **SECTION 6.** Section 54-52.6-02.1 of the North Dakota Century Code is created and
7 enacted as follows:

8 **54-52.6-02.1. (Effective January 1, 2016) Membership.**

- 9 1. All eligible employees are participating members.
10 2. A temporary employee may elect, within one hundred eighty days of beginning
11 employment, to participate in the defined contribution retirement plan under this
12 chapter. The temporary employee electing to participate in the defined contribution
13 retirement plan shall pay monthly to the fund an amount equal to fourteen and twelve-
14 hundredths percent times the temporary employee's present monthly salary. The
15 temporary employee shall also pay the required monthly contribution of the retiree
16 health benefit fund established under section 54-52.1-03.2. This contribution must be
17 recorded as a member contribution pursuant to section 54-52.1-03.2. An employer
18 may not pay the temporary employee's contributions. A temporary employee may
19 continue to participate as a temporary employee in the public employees retirement
20 system until termination of employment.

21 **SECTION 7. AMENDMENT.** Section 54-52.6-03 of the North Dakota Century Code is
22 amended and reenacted as follows:

23 **54-52.6-03. (Suspended from October 1, 2013, through July 31, 2017December 31,**
24 **2015) Transfer of accumulated fund balances.**

25 For an individual who elects to terminate membership in the public employees retirement
26 system under chapter 54-52, the board shall transfer a lump sum amount from the retirement
27 fund to the participating member's account in the defined contribution retirement plan under this
28 chapter. However, if the individual terminates employment prior to receiving the lump sum
29 transfer under this section, the election made under section 54-52.6-02 is ineffective and the
30 individual remains a member of the public employees retirement system under chapter 54-52
31 and retains all the rights and benefits provided under that chapter. The board shall calculate the

1 amount to be transferred for persons employed before October 1, 2001, using the two following
2 formulas, and shall transfer the greater of the two amounts obtained:

- 3 1. The actuarial present value of the individual's accumulated benefit obligation under the
4 public employees retirement system based on the assumption that the individual will
5 retire under the earliest applicable normal retirement age, plus interest from January 1,
6 2001, to the date of transfer, at the rate of one-half of one percent less than the
7 actuarial interest assumption at the time of the election; or
- 8 2. The actual employer contribution made, less vested employer contributions made
9 pursuant to section 54-52-11.1, plus compound interest at the rate of one-half of one
10 percent less than the actuarial interest assumption at the time of the election plus the
11 employee account balance.

12 ~~The board shall calculate the amount to be transferred for persons employed after~~
13 ~~September 30, 2001, using only the formula contained in subsection 2.~~

14 **SECTION 8. AMENDMENT.** Section 54-52.6-10 of the North Dakota Century Code is
15 amended and reenacted as follows:

16 **54-52.6-10. Vesting.**

17 A participating member is immediately one hundred percent vested in that member's
18 contributions made to that member's account under this chapter. A participating member ~~vests~~
19 one hundred percent vested in the employer contributions made on that member's behalf ~~to an~~
20 ~~account under this chapter according to the following schedule:~~

- 21 1. ~~Upon~~upon completion of ~~two years~~one year of service, ~~fifty percent.~~
- 22 2. ~~Upon completion of three years of service, seventy-five percent.~~
- 23 3. ~~Upon completion of four years of service, one hundred percent.~~

24 A participating member also becomes one hundred percent vested in the employer
25 contributions upon reaching age sixty-five. A participating member who was a member or
26 deferred member of the public employees retirement system under chapter 54-52 who makes
27 an election to participate in the defined contribution retirement plan pursuant to this chapter
28 must be credited with the years of service accrued under the public employees retirement
29 system on the effective date of participation in the defined contribution retirement plan for the
30 purpose of meeting vesting requirements for benefits under this section. Any forfeiture as a

1 result of the failure of a participating member to vest in the employer contribution must be
2 deposited in the administrative expenses account.

3 **SECTION 9. PUBLIC EMPLOYEES RETIREMENT SYSTEM - ESTIMATE OF**

4 **ACCUMULATED BALANCE TRANSFER.** For the period beginning January 1, 2016, and
5 ending June 30, 2017, upon the request of an individual who is eligible for termination of
6 membership in the public employees retirement system under chapter 54-52 as provided for in
7 Subsection 1 of Section 54-52.6-02, the public employees retirement system shall estimate the
8 individual's accumulated balance transfer amount by calculating the actuarial present value of
9 the individual's accumulated benefit obligation under the public employees retirement system
10 based on the assumption that the individual will retire under the earliest applicable normal
11 retirement age.

SUMMARY OF BILL DRAFT [15.0176.04000] - PROPOSED STATE RETIREMENT PLAN CHANGES

This memorandum provides information on the current state retirement plans as well as proposed modifications to the state retirement plans under bill draft [15.0176.04000], which was approved by the Government Finance Committee on October 8, 2014.

CURRENT STATE RETIREMENT PLANS

The Public Employees Retirement System (PERS) is governed by North Dakota Century Code Chapter 54-52 and includes the PERS main system, judges' retirement system, National Guard retirement system, law enforcement with prior main service, law enforcement without prior main service, an optional defined contribution retirement plan, Highway Patrolmen's retirement system, Job Service North Dakota retirement plan, and retiree health benefits fund.

The Legislative Assembly authorized the use of the optional defined contribution retirement plan effective January 1, 2000. The defined contribution retirement plan is provided for under Chapter 54-52.6. Prior to October 1, 2013, the plan was available to state employees in positions not classified by Human Resource Management Services, excluding employees of the judicial branch and employees under the control of the State Board of Higher Education. Between October 1, 2013, and July 31, 2017, as a result of provisions of 2013 House Bill No. 1452, any new state employee who is eligible may elect to participate in the defined contribution plan. An eligible employee may make an election at any time during the first six months of employment to participate in the defined contribution plan rather than the defined benefit plan under Chapter 54-52. An election to participate in the defined contribution plan is irrevocable.

STATE RETIREMENT PLANS UNDER THE PROPOSED BILL DRAFT

The proposed bill draft provides for the following:

- An eligible state employee hired for the first time after December 31, 2015, would be required to enroll in the defined contribution plan under Chapter 54-52.6, rather than the defined benefit plan.
- The bill draft would not affect current or future Supreme Court or district court judges, employees eligible to participate in the National Guard retirement plan or the law enforcement plan, employees of a political subdivision, or employees of the State Board of Higher Education and state institutions under the jurisdiction of the board that are participating in the TIAA-CREF retirement plan.
- State employees currently participating in the defined benefit plan and those hired before January 1, 2016, who elect to participate in the defined benefit plan would continue to participate in the defined benefit plan. However, during the last six months of 2016, a state employee participating in the defined benefit plan may elect to transfer to the defined contribution plan. This election is irrevocable.
- The vesting period for employees in the defined contribution plan would be changed to allow employees to become fully vested in employer contributions after one year of service rather than a vesting schedule of 50 percent after two years, 75 percent after three years, and 100 percent after four years.

SUMMARY OF BILL DRAFT BY SECTION

Section 1 of the bill draft amends the definition of eligible employee under Section 54-52-01(4) of the **defined benefit plan** to include the following: employees who are participating members before January 1, 2016, Supreme Court judges and district court judges, employees eligible to participate in the National Guard retirement plan or a law enforcement retirement plan, and employees of a political subdivision.

Section 2 of the bill draft amends Section 54-52-02.5 of the **defined benefit plan** to designate which retirement plan newly elected and appointed state officials may participate in.

Section 3 of the bill draft amends Section 54-52-02.9 of the **defined benefit plan** to allow temporary employees to elect to participate under the defined benefit plan until December 31, 2015. New temporary employees hired after December 31, 2015, will not be able to elect to participate under the defined benefit plan. A temporary employee who is a participating member before January 1, 2016, may continue under the defined benefit plan. The bill draft also clarifies the contribution percentage of 14.12 percent, which is the sum of the original 8.12 percent plus 2 percent increases in each of 2012, 2013, and 2014.

Section 4 of the bill draft amends the definition of eligible employee under Section 54-52.6-01(3) of the **defined contribution plan** to include state employees hired after December 31, 2015, except: Supreme Court judges and district court judges, employees eligible to participate in the National Guard retirement plan or a law enforcement retirement plan, employees of a political subdivision, and employees of the State Board of Higher Education and state institutions under the jurisdiction of the board who are participating in the TIAA-CREF retirement plan. The bill draft also amends the definition of participating employees under Section 54-52.6-01(6), removing the election requirement for employees to participate under the defined contribution plan. The bill draft also amends Section 54-52.6-01 adding a definition of temporary employee, which includes temporary employees under the defined contribution plan. The new definitions would take effect on January 1, 2016.

Section 5 of the bill draft amends Section 54-52.6-02 of the **defined contribution plan** and provides that newly hired eligible employees have an option to elect to participate in the defined contribution plan until December 31, 2015. Beginning January 1, 2016, all eligible employees will be participating members under the defined contribution plan without an election.

This section also includes an election for all eligible employees, who are first employed before January 1, 2016, and who are members of PERS on June 30, 2016, to terminate membership under the defined benefit retirement plan and transfer to the defined contribution retirement plan. The election period would begin July 1, 2016, and would end December 30, 2016.

The section also makes clear that the contribution percentage under the section relating to temporary employee contributions is 14.12 percent, which is the sum of the original 8.12 percent plus 2 percent increases in 2012, 2013, and 2014.

Section 6 of the bill draft creates Section 54-52.6-02.1 under the **defined contribution plan** defining the membership under Chapter 54-52.6 of the defined contribution plan to include all eligible employees, as well as any temporary employees who elect to participate under the defined contribution plan. The effective date of the section would be January 1, 2016.

Section 7 of the bill draft amends Section 54-52.6-03 of the **defined contribution plan** to adjust the suspension date of the section from July 31, 2017, to December 31, 2015.

Section 8 of the bill draft amends Section 54-52.6-10 of the **defined contribution plan** and provides a participating member is 100 percent vested in the employer contributions made on the member's behalf upon completion of one year of service.

Section 9 of the bill draft provides that an employee who is a participating member in the defined benefit plan and is eligible to transfer to the defined contribution plan may request that PERS prepare an estimate of the employee's accumulated balance transfer amount by calculating the actuarial present value of the employee's accumulated benefit obligation.

ESTIMATED FISCAL IMPACT OF BILL

The Government Finance Committee received information regarding the actuarially calculated costs relating to the main defined benefit retirement plan if state employees hired after January 1, 2016, were required to participate in a defined contribution benefit plan.

The Segal Company Projections

The committee received information in March 2014 from The Segal Company, which is the consulting actuary for PERS. Segal reported that if the defined benefit plan was closed to new employees, the state portion of the plan would be able to pay benefits until the year 2046. There would be a projected contribution shortfall of \$3,688,100,000 for future benefits to be paid after 2046. However, a payment of \$162.8 million could be made to the retirement plan on July 1, 2015, to fully offset the state portion of the future projected contribution shortfall. The estimated payment of \$162.8 million needed to fully fund the state portion of the plan is based on an 8 percent investment return. However, the asset allocation of the plan's investments may need to be adjusted by moving the investments to shorter-term investments near the projected end of the plan. The move to more short-term investments near the projected end of the plan could potentially reduce the plan's investment return.

Independent Review by Arthur J. Gallagher & Co.

The committee requested and received approval from the Legislative Management Chairman to enter into an actuarial consulting contract with Arthur J. Gallagher & Co. (Gallagher). Representatives of Gallagher reviewed the July 1, 2013 actuarial valuation of the PERS plan conducted by Segal as well as the March 2014 study conducted by Segal regarding estimated costs to close the main state employee defined benefit retirement plan.

Representatives of Gallagher reviewed assumptions used by Segal and suggested the committee consider reviewing plan projections using alternative assumptions. Suggested alternative assumptions were provided for investment returns, salary increases, payroll growth, employee mortality, and employee retirement rates.

Representatives of Gallagher reported minimal differences resulting from its review of Segal's July 2013 valuation report but did have differences compared to Segal's March 2014 study results. Gallagher estimated that if only the state employees group was closed and separated from nonstate employees, the insolvency date of the plan would be in 30 years as compared to 35 years as determined by Segal. The estimated one-time contribution on July 1, 2015, to fully fund the retirement plan would be \$301 million as calculated by Gallagher compared to \$162.8 million under Segal's projections.

Representatives of Segal provided comments regarding differences in the projected actuarial costs calculated by Segal and by Gallagher to close the main state employee retirement plan to new employees effective January 1, 2016. Segal indicated the major difference in the calculations is due to an adjustment made by Segal to the amount of future benefit payments. Segal inadvertently failed to report the adjustment to the PERS or to Gallagher when disclosing projection assumptions.

Method to Address Unfunded Liabilities

The Government Finance Committee approved a separate bill draft to address any unfunded liabilities of the defined benefit plan resulting from the bill draft to close the defined benefit plan to new state employees. The separate bill draft establishes a school construction assistance loan fund and a public employee retirement stabilization fund. The funds in the public employee retirement stabilization fund would be available to offset any unfunded liability of the main state employee defined benefit retirement plan. The State Investment Board would be responsible for investing the public employee retirement stabilization fund. The bill draft includes a contingency that would make the transfers into these funds from the foundation aid stabilization fund effective only upon approval of a constitutional amendment by the Legislative Assembly in 2015 and by the voters in June 2016 to allow for additional uses of the foundation aid stabilization fund. The bill draft provides for a transfer of \$250 million into the school construction assistance loan fund and a transfer of \$200 million into the public employee retirement stabilization fund.



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Memorandum

TO: PERS Board
FROM: MaryJo
DATE: November 13, 2014
SUBJECT: Job Service Plan Adjustments

During an internal audit of the Job Service plan, it was discovered that there were inconsistencies in administering the plan. A summary of the three inconsistencies are outlined below for board review.

1 - Job Service QDRO Calculation

NDPERS recently found an inconsistency with how a Qualified Domestic Relations Order (QDRO) was calculated within the Job Service Plan. A QDRO calculation from 2002, prior to NDPERS taking over the Job Service Plan, was compared to a QDRO calculation from 2006 after NDPERS took over the Job Service Plan.

The main difference was the calculation of the alternate payee's benefit based upon the Uniform Income option selected by the retired member.

- 2002 QDRO - member chose "Uniform Income 10-year Term Certain" option at retirement but alternate payee had a calculated benefit based upon "Normal Annuity 10-year Term Certain" option. When computation was administered by Job service, QDRO calculation was not based upon member choosing Uniform Income option.
- 2006 QDRO - member chose "Uniform Income Straight Life" option at retirement and alternate payee had calculated benefit based upon "Uniform Income Straight Life" option. When computation was administered by NDPERS, QDRO calculation was based upon member choosing Uniform Income option.

The 2006 calculation for the alternate payee should have been based upon the "Normal Annuity" option regardless of member choosing Uniform Income option. Due to the age difference and Uniform Income reduction of benefit based upon member's age to maintain uniform income throughout retirement, this should not affect the alternate payee's ongoing benefit. To remain consistent with the Job Service 2002 calculation, the 2006 QDRO benefit calculation for the alternate payee should be based solely upon the member's "Straight Life" option as indicated in the QDRO rather than on the benefit option the member has chosen.

In addition to the benefit option, the alternate payee's benefit was not actuarially reduced for the age difference. QDRO calculations are sent for actuarial review prior to payment to determine the calculated age reduction to the alternate payee's benefit. As a result, the alternate payee should not be receiving 100% of the calculated benefit but rather the actuarially adjusted amount based upon alternate payee's age reduction factor.

As a result, the calculated underpayment for the member through 12/31/2014 is \$17,494.66 with interest and the monthly benefit amount for the member will decrease from \$1,489.12 to \$1,242.43 effective January 1, 2015. The calculated overpayment to the alternate payee through 12/31/2014 is \$38,260.30 and the monthly benefit amount for the alternate payee will decrease from \$1,645.27 to \$1,264.62 effective January 1, 2015.

Board Action Requested

In reviewing the information with Jan, the underpayment will need to be paid to the member.

Concerning the over payment staff is seeking your direction regarding one of the following options:

- Send notice of benefit error to recover overpayment by providing an opportunity to repay the amount owed by lump sum payment, payment plan, or implementing a lifetime reduction to monthly benefit amount (Admin Rule 71-02-04-10 Erroneous payment of benefits for the main plan approved by the Board December 2013 for the Job Service Plan).
- Send notice of overpayment, waive recovery as necessary and reduce future benefits (similar to Uniform Income overpayments approved by the Board in April 2014).

2 - Job Service Straight Life and Term Certain Option Calculations

During the development of PERSLink, the Job Service benefit calculation worksheet was reworked to make it more efficient. During this process part of a formula referenced a wrong cell, causing a formula error. This worksheet was used by Sagitec to build computations into PERSLink; therefore, the formula is incorrect in PERSLink. All retirees who retired after PERSLink implementation in 10/01/2010 with the Straight Life and Term Certain benefit options were calculated incorrectly. This affected 8 members with 2 members being underpaid and 6 members being overpaid.

Member ID	Retirement Date	Total Adjustment to Retiree Benefit
60457	3/1/2012	(\$2,431.17)
6017	10/1/2010	(\$28.23)
106015	11/1/2011	\$288.04
43061	1/1/2014	\$399.28
103952	1/1/2014	\$808.72
60856	12/1/2011	\$1,429.57
62604	7/1/2013	\$1,823.96
54306	5/1/2011	\$8,093.78

Since finding this error, PIR 13296 was logged on 7/28/2014 to correct the 15 and 20 year Term Certain and Straight Life formulas in PERSLink. In the meantime, until the PIR goes to production, procedures are in place for staff to manually calculate these benefit options for new Job Service retirees.

Board Action Requested

Provide staff direction regarding one of the following options:

- Send notice of benefit error to recover overpayment by providing an opportunity to repay the amount owed by lump sum payment, payment plan, or implementing a lifetime reduction to monthly benefit amount (Admin Rule 71-02-04-10 Erroneous payment of benefits for the main plan approved by the Board December 2013 for the Job Service Plan).
- Send notice of overpayment, waive recovery as necessary and reduce future benefits (similar to Uniform Income overpayments approved by the Board in April 2014).

3 - Job Service Joint & Survivor Option Calculation

When the formula for Straight Life and Term Certain was found to be incorrect, the Joint & Survivor formula was reviewed for accuracy. It was found that there is an additional reduction factor that is used in the calculation of benefit payments for Job Service retirees when there is more than 10 years age difference between the retiree and the contingent annuitant. This is a manual calculation outside of the regular Job Service worksheet used for calculating the benefit and is not programmed into PERSLink. There are only 2 members within the Job Service plan that have been found to have this age difference.

Of the two Joint & Survivor option retirees with age differences greater than 10 years, the one calculated by Job Service was correct and the one calculated by NDPERS was incorrect. Since NDPERS took over the administration of the Job Service plan, this is the only retiree that this age reduction factor would apply. For any new retirees that elect this

option and have greater than 10 years age difference with their contingent annuitant, which is not limited to spouse, the benefit will have to be manually calculated and a PIR logged to correct the benefit amount in PERSLink prior to benefit payment.

Member was in the Job Service retirement plan and retired July 1, 2006 choosing the 75% Joint & Survivor benefit option. The beneficiary listed was the member's child with a 19 year age difference. The calculated overpayment to the member is \$42,632.46 and the monthly benefit amount for the member should be decreased from \$1,439.06 to \$1,008.83.

Board Action Requested

Provide staff direction regarding one of the following options:

- Send notice of benefit error to recover overpayment by providing an opportunity to repay the amount owed by lump sum payment, payment plan, or implementing a lifetime reduction to monthly benefit amount (Admin Rule 71-02-04-10 Erroneous payment of benefits for the main plan approved by the Board December 2013 for the Job Service Plan).
- Send notice of overpayment, waive recovery as necessary and reduce future benefits (similar to Uniform Income overpayments approved by the Board in April 2014).
- Communicate the error to member and discuss the basis of the initial election allowing the retiree to change election option based upon the language outlined in the plan document and cited below.

Job Service Plan Document p 7. - A member may not revoke the elected benefit after receiving and cashing the first benefit check, unless, the member can provide sufficient evidence to the executive director that the factual basis by which the election was made later provide to be incorrect and such was due in part to representation or misrepresentation made by the employer or the office.

71-02-04-02 (3). Special retirement options – Application. A member may not revoke the elected benefit after receiving and cashing the first benefit check or if paid by direct deposit, after the bank reversal window has expired, unless, the member can provide sufficient evidence to the executive director that the factual basis by which the election was made later proved to be incorrect and such was due in part to representation or misrepresentations made by the employer or the office.

We are available to respond to any questions.



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Memorandum

TO: PERS Board

FROM: Bryan

DATE: November 3, 2014

SUBJECT: Defined Contribution Plan Reporting

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

The first table shows that 427 members have elected the DC plan since it started in 2000. Of these, the second table shows that 225 are still active (53%). With the DC plan now open to all new employees, the graph shows a big increase in the number eligible for the plan. The bottom table shows only 22 members (out of 1350 since 10/2013) have elected the DC 401(a) plan through October 2014.

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

Defined Contribution Reporting - October 2014

DC Enrollment		
Start Date	Frequency	Percent
ff		
Before 2013/07	399	93.44
2013/08	1	0.23
2013/09	2	0.47
2013/10	2	0.47
2013/11	1	0.23
2014/01	1	0.23
2014/02	1	0.23
2014/03	2	0.47
2014/05	5	1.17
2014/06	2	0.47
2014/07	6	1.41
2014/08	2	0.47
2014/09	3	0.70
Total	427	100

No new enrollments in October 2014.

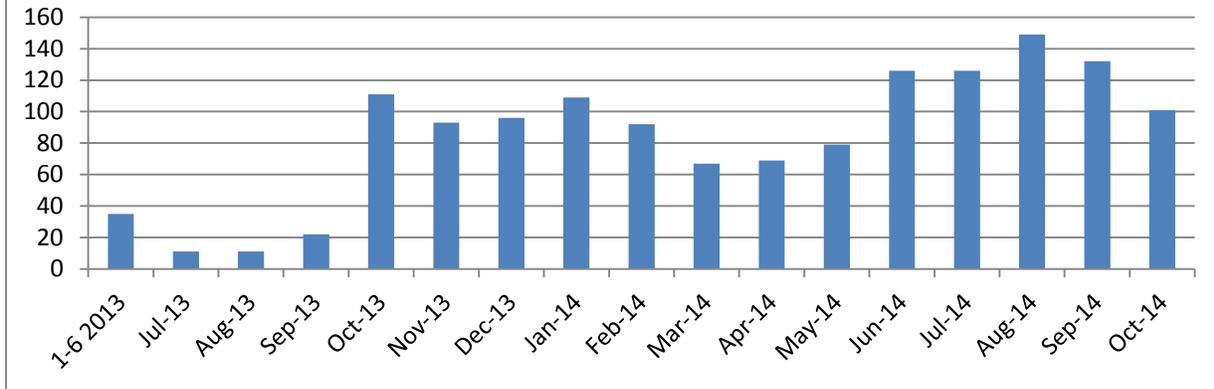
Current Status	Frequency	Percent	Cumulative Frequency	Cumulative Percent
Enrolled	225	52.69	225	52.69
Retired	15	3.51	240	56.21
Suspended	63	14.75	303	70.96
Withdrawn	124	29.04	427	100.00

52.69% of those electing the DC 401(a) plan are still active.

NDPERS DC 401(a) Active MEMBERS – September 2014
--

Agency	Frequency	Percent	Cumulative Frequency	Cumulative Percent
Workforce Safety & Insurance	81	36.00	81	36.00
Adjutant General ND National Guard	17	7.56	98	43.56
Legislative Council	12	5.33	110	48.89
Department Of Commerce	8	3.56	118	52.44
Information Technology Dept	8	3.56	126	56.00
Others (47 groups)	99	44.00	225	100.00

Eligibles for DC Plan by Month



New employee DB/DC estimates sent out	Eligible	Elections to Date (180 days to elect)
2013 October - 104	111	1
2013 November - 91	93	6
2013 December - 92	96	1
2014 January - 119	109	2
2014 February - 90	92	4
2014 March - 73	67	2
2014 April - 79	69	2
2014 May - 81	79	2
2014 June - 112	126	2
2014 July - 136	126	0
2014 August - 111	149	0
2014 September - 140	132	0
2014 October - 138	101	0
<hr/>		
	1350	22 (1.6%)



Memo

To: NDPERS Board
From: Bryan T. Reinhardt
Date: 11/17/2014
Re: 457 Companion Plan & 401(a) plan 2nd Quarter 2014 Reports

Here is the 2nd quarter 2014 investment report for the 401(a) & 457 Companion Plan. The reports are available separately on the NDPERS web site. The NDPERS Investment Sub-committee reviewed the 2nd quarter report.

Assets in the 401(a) plan increased to \$33.2 million as of Jun 30, 2014. The number of participants is at 293 (232 active), up slightly from when the plan started. The largest funds are the TIAA-CREF Lifecycle funds with 68% of assets.

Assets in the 457 Companion Plan increased to \$64.2 million as of Jun 30, 2014. The number of participants is increasing and is now at 5,144 (3,973 active). The largest funds are the TIAA-CREF Lifecycle funds with 73% of assets.

Benchmarks:

Fund returns for the quarter were all positive. The markets have rebounded and all the funds in the core lineup have positive returns across the 3-year and 5-year periods. Most of the core funds performed well compared to their benchmarks and peer funds. Note that index funds are expected to slightly underperform their benchmarks because of fund administration fees.

Fund / Investment News:

The NDPERS Investment Sub-Committee reviewed a 2nd quarter plan and investment overview with TIAA-CREF. The Investment Sub-Committee marked the Wells Fargo Growth Admin Fund (SGRKX) and Prudential Jennison Mid Cap Growth (PEGZX) as underperforming for the quarter.

The Sub-Committee continues to work on the Job Service and RHIC plans. The committee completed the asset definitions work and reviewed the investment policy statements with the new SIB Director. The Sub-Committee completed their study of adding Exchange Traded Funds (ETF's) to the brokerage window.

NDPERS
Quarterly Investment Report
2nd Quarter
4/1/2014 – 6/30/2014



North Dakota Public Employees Retirement System
400 E Bdwy, Suite 505
Box 1657
Bismarck, ND 58502

NDPERS 401(a) Defined Contribution Plan & 457 Companion Plan - TIAA-CREF

INITIAL OFFERING:			
	Hartford Dividend & Growth T.Rowe Price Equity Income	Vanguard 500 Index Signal Vanguard Dividend Growth	Franklin Growth Adv Wells Fargo Adv Growth Adm
			LARGE
	RidgeWorth Mid Cap Value Equity I	ASTON/Fairpointe Mid Cap I Columbia Mid Cap Index A	Prudential Jennison Mid Cap Growth Z
			MEDIUM
	Allianz NFJ Small Cap Value	Parnassus Small Cap	Brown Capital Mgmt Small Co Inv
			SMALL
	VALUE	BLEND	GROWTH
BALANCED FUND:	T.Rowe Price Capital Appreciation		
INCOME FUNDS:	Wells Fargo Stable Value Fund J		
BOND FUNDS:	PIMCO Total Return Bond Fund		
	PIMCO Real Return Admin Bond Fund		
REAL ESTATE:	Cohen & Steers Realty Shares		
INTERNATIONAL FUNDS:	Mutual Global Discovery Z		
	Vanguard Total Intl Stock Index		
	Oppenheimer Developing Markets Y		
LIFESTYLE FUNDS:	TIAA-CREF Lifecycle Ret Income		
	TIAA-CREF Lifecycle 2010		
	TIAA-CREF Lifecycle 2015		
	TIAA-CREF Lifecycle 2020		
	TIAA-CREF Lifecycle 2025		
	TIAA-CREF Lifecycle 2030		
	TIAA-CREF Lifecycle 2035		
	TIAA-CREF Lifecycle 2040		
	TIAA-CREF Lifecycle 2050		
	TIAA-CREF Lifecycle 2055		
	TIAA-CREF Lifecycle 2060		
	TIAA-CREF Lifecycle 2065		
	TIAA-CREF Lifecycle 2070		
	TIAA-CREF Lifecycle 2075		
	TIAA-CREF Lifecycle 2080		
	TIAA-CREF Lifecycle 2085		
	TIAA-CREF Lifecycle 2090		
	TIAA-CREF Lifecycle 2095		
	TIAA-CREF Lifecycle 2100		
FUND STYLE CHANGES:			
			LARGE
		RidgeWorth Mid Cap Value Equity	
			MEDIUM
			SMALL
	VALUE	BLEND	GROWTH
OTHER FUNDS:			
CURRENT LINEUP:			
	Hartford Dividend & Growth T.Rowe Price Equity Income	Vanguard 500 Index Signal Vanguard Dividend Growth	Franklin Growth Adv Wells Fargo Adv Growth Adm
			LARGE
		RidgeWorth Mid Cap Value Equity Columbia Mid Cap Index A ASTON/Fairpointe Mid Cap I	Prudential Jennison Mid Cap Growth Z
			MEDIUM
	Allianz NFJ Small Cap Value	Parnassus Small Cap	Brown Capital Mgmt Small Co Inv
			SMALL
	VALUE	BLEND	GROWTH
BALANCED FUND:	T.Rowe Price Capital Appreciation		
INCOME FUNDS:	Wells Fargo Stable Value Fund J		
BOND FUNDS:	PIMCO Total Return Bond Fund		
	PIMCO Real Return Admin Bond Fund		
REAL ESTATE:	Cohen & Steers Realty Shares		
INTERNATIONAL FUNDS:	Mutual Global Discovery Z		
	Vanguard Total Intl Stock Index		
	Oppenheimer Developing Markets Y		
LIFESTYLE FUNDS:	TIAA-CREF Lifecycle Ret Income		
	TIAA-CREF Lifecycle 2010		
	TIAA-CREF Lifecycle 2015		
	TIAA-CREF Lifecycle 2020		
	TIAA-CREF Lifecycle 2025		
	TIAA-CREF Lifecycle 2030		
	TIAA-CREF Lifecycle 2035		
	TIAA-CREF Lifecycle 2040		
	TIAA-CREF Lifecycle 2050		
	TIAA-CREF Lifecycle 2055		

NDPERS Investment Benchmarks - 2nd Quarter 2014

	<u>Quarter</u>	<u>Y-T-D</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>
<u>Stable Value / Money Market Fund</u>					
Vanguard Prime Money Market - VMMXX	0.00%	0.00%	0.02%	0.03%	0.05%
Wells Fargo Stable Return Fund J - WFSJ#	0.16%	0.31%	0.70%	1.06%	1.49%
3 Month T-Bill Index	0.01%	0.02%	0.04%	0.05%	0.08%
<u>Fixed Income Fund</u>					
PIMCO Real Return Admin - PARRX	4.16%	6.38%	5.27%	3.65%	6.27%
PIMCO Total Return Bond Fund - PTRAX	2.31%	3.58%	4.62%	4.06%	6.12%
Barclays Aggregate Bond Index	2.04%	3.93%	4.37%	3.66%	4.85%
Taxable Bond Fund Universe	2.01%	3.86%	5.47%	4.28%	6.73%
Prudential High Yield Z - PHYZX	2.44%	5.53%	11.63%	9.15%	13.42%
ML High Yield Bond Fund Index	2.57%	5.64%	11.84%	9.27%	13.94%
High Yield Bond Fund Universe	2.12%	4.88%	10.50%	8.17%	12.52%
Templeton Global Bond Adv - TGBAX	2.68%	3.46%	7.41%	4.76%	8.42%
Citi World Govt Bond Index	2.27%	5.00%	6.85%	1.57%	3.60%
World Bond Fund Universe	2.47%	4.90%	6.93%	3.38%	5.94%
<u>Real Estate Fund</u>					
Cohen & Steers Realty Shares - CSRSX	6.94%	17.31%	14.14%	10.30%	22.76%
FTSE NAREIT All Equity REITs Index	7.13%	16.25%	13.02%	11.89%	23.65%
Real Estate Fund Universe	6.81%	17.03%	13.87%	10.39%	22.41%
<u>Balanced Fund</u>					
T.Rowe Price Capital Appreciation - PACLX	3.93%	6.83%	18.45%	13.25%	15.23%
60% Large Cap Value Univ & 40% Taxable Bond Universe	3.58%	6.09%	15.59%	10.47%	13.05%
60% Russell 1000 Value & 40% Agg Bond Index	3.88%	6.54%	16.03%	11.62%	13.48%
<u>Large Cap Equities - Value</u>					
Hartford Dividend & Growth - HDGTX	5.15%	8.00%	23.40%	15.54%	17.30%
T.Rowe Price Equity Income - PRFDX	4.46%	6.13%	20.66%	15.27%	18.06%
Russell 1000 Value Index	5.10%	8.28%	23.81%	16.92%	19.23%
Large Cap Value Fund Universe	4.62%	7.58%	22.33%	14.60%	17.27%
<u>Large Cap Equities - Blend</u>					
Vanguard 500 Index Signal - VIFSX	5.22%	7.11%	24.55%	16.54%	18.81%
Vanguard Dividend Growth Fund - VDIGX	2.66%	4.59%	19.39%	15.38%	17.33%
S&P 500 Index	5.07%	6.81%	23.83%	15.82%	18.08%
Large Cap Blend Fund Universe	4.59%	7.12%	23.74%	14.62%	17.52%
<u>Large Cap Equities - Growth</u>					
Wells Fargo Adv Growth Adm - SGRKX	1.95%	-0.20%	22.03%	13.71%	22.45%
Russell 3000 Growth Index	4.86%	5.98%	26.75%	16.11%	19.34%
Franklin Growth Adv - FCGAX	4.71%	7.18%	26.71%	14.65%	18.49%
Russell 1000 Growth Index	5.13%	6.31%	26.92%	16.26%	19.24%
Large Cap Growth Fund Universe	3.90%	5.67%	26.38%	14.21%	17.81%
<u>Mid Cap Equities - Value</u>					
RidgeWorth Mid Cap Value Equity I - SMVTX	6.25%	9.83%	27.99%	15.45%	22.17%
Russell Mid Cap Value	5.62%	11.14%	27.76%	17.56%	22.97%
Mid Cap Value Fund Universe	4.57%	8.48%	25.21%	15.04%	20.39%
<u>Mid Cap Equities - Blend</u>					
Columbia Mid Cap Index A - NTIAX	4.19%	7.23%	24.68%	14.77%	21.13%
S&P Mid Cap 400	4.33%	7.50%	25.24%	15.26%	21.67%
ASTON/Fairpointe Mid Cap I - ABMIX	5.27%	10.48%	30.65%	18.95%	25.38%
Wilshire 4500 Index	3.65%	6.46%	27.63%	15.92%	21.77%
Mid Cap Blend Fund Universe	3.70%	7.23%	24.42%	13.85%	19.71%
<u>Mid Cap Equities - Growth</u>					
Prudential Jennison Mid Cap Growth Z - PEGZX	2.59%	3.78%	21.52%	13.05%	18.68%
Russell Mid Cap Growth	4.37%	6.51%	26.04%	14.54%	21.16%
Mid Cap Growth Fund Universe	2.18%	4.87%	23.59%	12.34%	19.07%
Fund Returns in RED do not meet both benchmarks.					
Fund Returns in BLACK meet both benchmarks.					

NDPERS Investment Benchmarks - 2nd Quarter 2014

	<u>Quarter</u>	<u>Y-T-D</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>
Small Cap Equities - Value					
Allianz NFJ Small Cap Value - PVADX	5.80%	6.35%	24.55%	13.76%	19.47%
Russell 2000 Value Index	2.38%	4.20%	22.54%	14.65%	19.88%
Small Value Fund Universe	2.83%	5.74%	23.23%	14.34%	19.91%
Small Cap Equities - Blend					
Parnassus Small Cap - PARSX <Closing>	5.70%	1.63%	20.99%	9.48%	17.80%
Russell 2000 Index	2.05%	3.19%	23.64%	14.57%	20.21%
Small Blend Fund Universe	2.09%	4.89%	23.48%	14.07%	19.74%
Small Cap Equities - Growth					
Brown Capital Mgmt Small Co Inv - BCSIX	0.90%	-1.44%	27.08%	15.23%	21.64%
Russell 2000 Growth Index	1.72%	2.22%	24.73%	14.49%	20.50%
Small Growth Fund Universe	0.21%	1.95%	22.04%	12.57%	19.90%
International Equity Funds					
Mutual Global Discovery Z - MDISX	4.03%	6.32%	20.95%	11.99%	13.12%
Vanguard Total Intl Stock Index Inv - VGTSX	5.02%	5.87%	22.44%	5.88%	N/A
MSCI EAFE	4.40%	5.52%	23.16%	8.17%	11.61%
International Stock Fund Universe	4.63%	5.38%	20.11%	6.75%	11.92%
Oppenheimer Developing Markets Y - ODVYX	7.88%	6.02%	19.75%	5.16%	14.07%
MSCI Emerging Markets Index	6.60%	6.14%	14.31%	-0.39%	9.24%
Diversified Emerging Mkts Universe	6.03%	6.23%	14.05%	-0.14%	8.86%
Asset Allocation Funds:					
TIAA-CREF Lifecycle Ret Income - TLIRX	2.68%	4.02%	12.02%	7.69%	9.80%
Income Benchmark	2.92%	4.62%	12.12%	7.47%	9.37%
TIAA-CREF Lifecycle 2010 - TCLEX	2.92%	4.20%	13.43%	8.31%	10.97%
2010 Benchmark	3.17%	4.92%	13.69%	8.32%	10.40%
TIAA-CREF Lifecycle 2015 - TCLIX	3.05%	4.31%	14.66%	8.86%	11.80%
2015 Benchmark	3.38%	5.18%	15.06%	9.06%	11.30%
TIAA-CREF Lifecycle 2020 - TCLTX	3.13%	4.36%	16.20%	8.59%	12.73%
2020 Benchmark	3.64%	5.48%	16.83%	10.01%	12.45%
TIAA-CREF Lifecycle 2025 - TCLFX	3.33%	4.46%	17.79%	10.34%	13.67%
2025 Benchmark	3.90%	5.79%	18.57%	10.95%	13.59%
TIAA-CREF Lifecycle 2030 - TCLNX	3.45%	4.49%	19.33%	10.97%	14.55%
2030 Benchmark	4.11%	5.95%	19.82%	11.51%	14.13%
TIAA-CREF Lifecycle 2035 - TCLRX	3.59%	4.45%	20.74%	11.54%	15.31%
2035 Benchmark	4.32%	6.16%	21.42%	12.33%	15.09%
TIAA-CREF Lifecycle 2040 - TCLOX	3.73%	4.57%	21.72%	12.04%	15.65%
2040 Benchmark	4.45%	6.29%	22.37%	12.81%	15.65%
TIAA-CREF Lifecycle 2045 - TTFRX	3.68%	4.44%	21.52%	12.01%	15.57%
2045 Benchmark	4.45%	6.29%	22.38%	12.81%	15.66%
TIAA-CREF Lifecycle 2050 - TLFrx	3.69%	4.46%	21.63%	12.02%	15.61%
2050 Benchmark	4.45%	6.29%	22.38%	12.80%	15.65%
TIAA-CREF Lifecycle 2055 - TTRLX	3.63%	4.49%	21.53%	12.06%	N/A
2055 Benchmark	4.45%	6.29%	22.38%	12.80%	15.65%
Income Benchmark is comprised of 27.5% Wilshire 5000, 12.5% MSCI EAFE, 47.4% Ag Bond, 2.5% ML HY Bond, 10.1% 3 Month T-Bill					
2010 Benchmark is comprised of 32.6% Wilshire 5000, 14.5% MSCI EAFE, 42.8% Ag Bond, 2.8% ML HY Bond, 7.3% 3 Month T-Bill					
2015 Benchmark is comprised of 36.9% Wilshire 5000, 16.4% MSCI EAFE, 38.1% Ag Bond, 3.4% ML HY Bond, 5.2% 3 Month T-Bill					
2020 Benchmark is comprised of 42.5% Wilshire 5000, 18.8% MSCI EAFE, 31.1% Ag Bond, 4.4% ML HY Bond, 3.2% 3 Month T-Bill					
2025 Benchmark is comprised of 48.1% Wilshire 5000, 21.1% MSCI EAFE, 24.2% Ag Bond, 5.4% ML HY Bond, 1.2% 3 Month T-Bill					
2030 Benchmark is comprised of 53.8% Wilshire 5000, 23.4% MSCI EAFE, 22.8% Ag Bond					
2035 Benchmark is comprised of 59.4% Wilshire 5000, 25.8% MSCI EAFE, 14.8% Ag Bond					
2040 Benchmark is comprised of 62.7% Wilshire 5000, 27.2% MSCI EAFE, 10.1% Ag Bond					
2045 Benchmark is comprised of 62.7% Wilshire 5000, 27.3% MSCI EAFE, 10.0% Ag Bond					
2050 Benchmark is comprised of 62.6% Wilshire 5000, 27.4% MSCI EAFE, 10.0% Ag Bond					
2055 Benchmark is comprised of 62.6% Wilshire 5000, 27.4% MSCI EAFE, 10.0% Ag Bond					
Wilshire 5000 Index	4.86%	7.00%	24.92%	16.29%	19.15%
MSCI EAFE	4.40%	5.52%	23.16%	8.17%	11.61%
Barclays Aggregate Bond Index	2.04%	3.93%	4.37%	3.66%	4.85%
ML High Yield Bond Fund Index	2.57%	5.64%	11.84%	9.27%	13.94%
3 Month T-Bill Index	0.01%	0.02%	0.04%	0.05%	0.08%
Fund Returns in RED do not meet both benchmarks. Fund Returns in BLACK meet both benchmarks.					

PLAN ASSETS BY INVESTMENT OPTION

FUND/ACCOUNT	ASSETS	PERCENTAGE of TOTAL
Money Market		
VANGRD PRIME MONEY MARKET FUND	\$423,753	1.28%
Money Market Total	\$423,753	1.28%
Fixed Income		
PIMCO REAL RETURN FUND ADMIN	\$84,152	.25%
PIMCO TOTAL RETURN ADMIN CLASS	\$731,048	2.21%
PRUDENTIAL HIGH YIELD FUND Z	\$158,877	.48%
TEMPLETON GLOBAL BOND ADVCLASS	\$148,610	.45%
Fixed Income Total	\$1,122,688	3.39%
Lifecycle		
TIAA-CREF LFCYCLE RTMT INC-RTMT	\$34,628	.10%
TIAA-CREF LIFECYCLE 2010-RTMT	\$1,132,188	3.42%
TIAA-CREF LIFECYCLE 2015-RTMT	\$2,034,628	6.14%
TIAA-CREF LIFECYCLE 2020-RTMT	\$3,658,630	11.04%
TIAA-CREF LIFECYCLE 2025-RTMT	\$4,443,061	13.40%
TIAA-CREF LIFECYCLE 2030-RTMT	\$5,094,166	15.37%
TIAA-CREF LIFECYCLE 2035-RTMT	\$4,293,408	12.95%
TIAA-CREF LIFECYCLE 2040-RTMT	\$1,377,355	4.15%
TIAA-CREF LIFECYCLE 2045-RTMT	\$211,001	.64%
TIAA-CREF LIFECYCLE 2050-RTMT	\$158,411	.48%
TIAA-CREF LIFECYCLE 2055-RTMT	\$17,038	.05%
Lifecycle Total	\$22,454,514	67.73%
Equities		
ALLIANZGI NFJ SML CAP VAL ADM	\$552,160	1.67%
ASTON/FAIRPOINTE MID CAP I	\$402,918	1.22%
BROWN CAPITAL MGMT SML CO INV	\$320,118	.97%

TIAA-CREF: FINANCIAL SERVICES FOR THE GREATER GOOD®

Default Investment: AGE-BASED LIFECYCLE FUNDS Retirement

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FUND/ACCOUNT	ASSETS	PERCENTAGE of TOTAL
Equities (cont'd)		
COHEN & STEERS REALTY SHARES	\$446,916	1.35%
COLUMBIA MID CAP INDEX FUND A	\$257,426	.78%
FRANKLIN GROWTH FUND ADVISOR	\$374,846	1.13%
FRANKLIN MUTUAL GLB DISCOVERY Z	\$327,360	.99%
HARTFORD DIVIDEND & GROWTH R5	\$412,425	1.24%
OPPENHEIMER DEVELOP MARKETS Y	\$375,918	1.13%
PARNASSUS SMALL CAP FUND	\$50,781	.15%
PRUDENTIAL JENNISON MC GRW Z	\$252,135	.76%
RIDGEWORTH MID CP VAL EQ FD I	\$342,184	1.03%
T ROWE PRICE EQUITY INCOME	\$472,959	1.43%
T. ROWE PRICE CAP APPREC ADV	\$391,509	1.18%
VANGUARD 500 INDEX FUND SIGNAL	\$584,773	1.76%
VANGUARD DIVIDEND GROWTH INV	\$325,667	.98%
VANGUARD TOTAL INT STKINDX SIG	\$915,398	2.76%
WELLS FARGO ADV GROWTH ADMIN	\$789,275	2.38%
Equities Total	\$7,594,768	22.91%
Other		
SELF DIRECTED ACCOUNT	\$476,157	1.44%
WELLS FARGO STABLE RETURN J	\$1,079,433	3.26%
Other Total	\$1,555,590	4.69%
Total	\$33,151,313	100%

Forfeiture plan assets of \$298.27 are included in the total above.

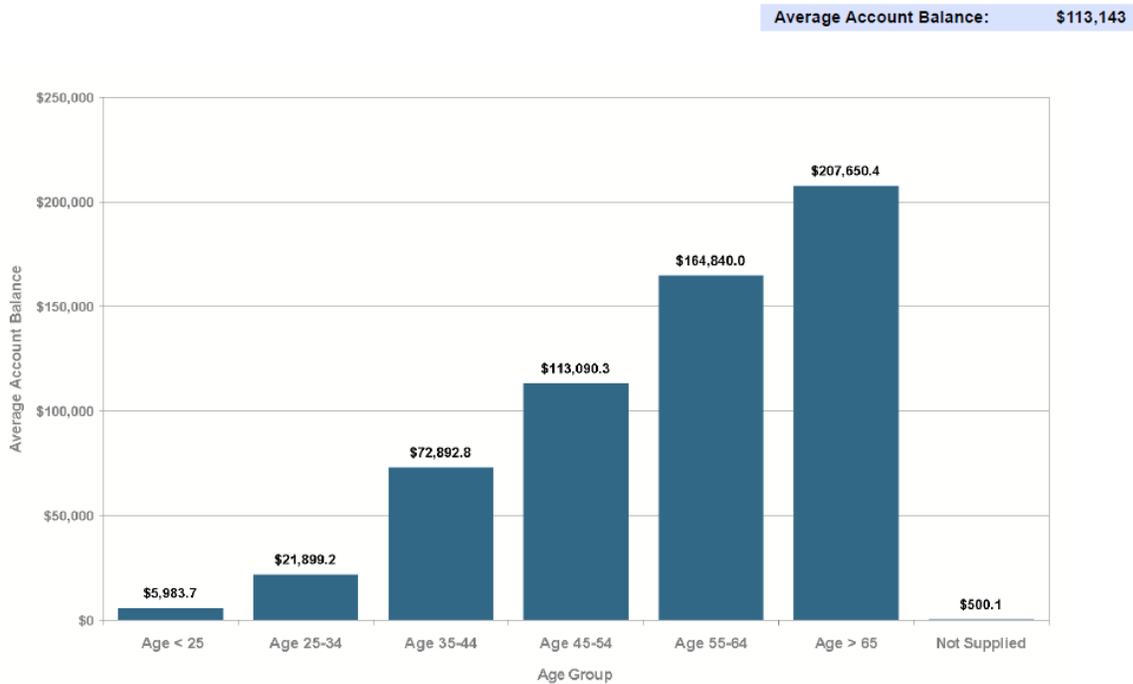
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PLAN ASSETS

BY AGE - AVERAGE ACCOUNT BALANCE

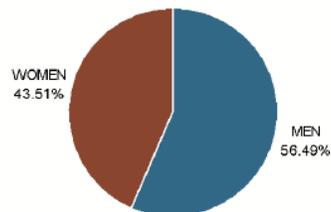
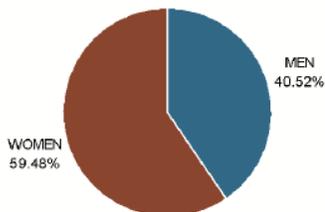


PARTICIPANT DEMOGRAPHICS

PARTICIPANT COUNTS AND ASSETS - ACTIVE*, BY GENDER AND AGE

Counts			
	Women	Men	Total
Under 25:	3	0	3
25 to 34:	5	10	15
35 to 44:	49	19	68
45 to 54:	52	28	80
55 to 64:	23	33	56
65 and over:	6	4	10
Total Active Participants:			232

Assets			
	Women	Men	Total
Under 25:	\$17,951	\$0	\$17,951
25 to 34:	\$89,144	\$278,309	\$367,453
35 to 44:	\$3,885,735	\$1,778,095	\$5,663,830
45 to 54:	\$5,292,113	\$4,499,962	\$9,792,075
55 to 64:	\$2,531,002	\$7,966,407	\$10,497,409
65 and over:	\$647,059	\$1,655,987	\$2,303,046
Total Active Assets:			\$28,641,764



PLAN ASSETS BY INVESTMENT OPTION

FUND/ACCOUNT	ASSETS	PERCENTAGE of TOTAL
Money Market		
VANGRD PRIME MONEY MARKET FUND	\$436,077	.68%
Money Market Total	\$436,077	.68%
Fixed Income		
PIMCO REAL RETURN FUND ADMIN	\$191,382	.30%
PIMCO TOTAL RETURN ADMIN CLASS	\$1,321,563	2.06%
PRUDENTIAL HIGH YIELD FUND Z	\$287,591	.45%
TEMPLETON GLOBAL BOND ADVCLASS	\$726,908	1.13%
Fixed Income Total	\$2,527,445	3.94%
Lifecycle		
TIAA-CREF LFCYCLE RTMT INC-RTMT	\$139,837	.22%
TIAA-CREF LIFECYCLE 2010-RTMT	\$2,412,690	3.76%
TIAA-CREF LIFECYCLE 2015-RTMT	\$7,501,428	11.68%
TIAA-CREF LIFECYCLE 2020-RTMT	\$10,346,889	16.11%
TIAA-CREF LIFECYCLE 2025-RTMT	\$10,133,214	15.78%
TIAA-CREF LIFECYCLE 2030-RTMT	\$6,221,833	9.69%
TIAA-CREF LIFECYCLE 2035-RTMT	\$3,991,750	6.22%
TIAA-CREF LIFECYCLE 2040-RTMT	\$2,976,924	4.64%
TIAA-CREF LIFECYCLE 2045-RTMT	\$2,149,390	3.35%
TIAA-CREF LIFECYCLE 2050-RTMT	\$1,149,118	1.79%
TIAA-CREF LIFECYCLE 2055-RTMT	\$92,475	.14%
Lifecycle Total	\$47,115,547	73.36%
Equities		
ALLIANZGI NFJ SML CAP VAL ADM	\$1,478,082	2.30%
ASTON/FAIRPOINTE MID CAP I	\$487,338	.76%
BROWN CAPITAL MGMT SML CO INV	\$257,874	.40%

TIAA-CREF: FINANCIAL SERVICES FOR THE GREATER GOOD®

Default Investment: AGE-BASED LIFECYCLE FUNDS Retirement

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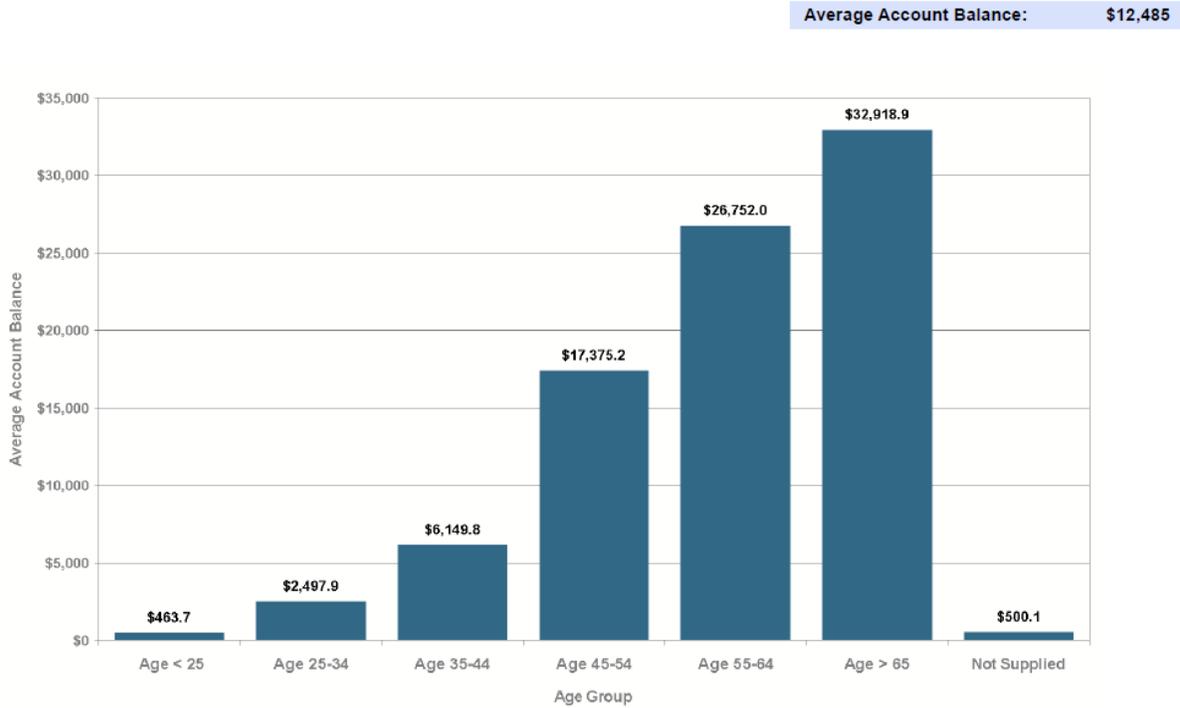
FUND/ACCOUNT	ASSETS	PERCENTAGE of TOTAL
Equities (cont'd)		
COHEN & STEERS REALTY SHARES	\$538,611	.84%
COLUMBIA MID CAP INDEX FUND A	\$902,107	1.40%
FRANKLIN GROWTH FUND ADVISOR	\$770,286	1.20%
FRANKLIN MUTUAL GLB DISCOVERY Z	\$285,688	.44%
HARTFORD DIVIDEND & GROWTH R5	\$467,765	.73%
OPPENHEIMER DEVELOP MARKETS Y	\$506,186	.79%
PARNASSUS SMALL CAP FUND	\$128,598	.20%
PRUDENTIAL JENNISON MC GRW Z	\$305,975	.48%
RIDGEWORTH MID CP VAL EQ FD I	\$308,014	.48%
T ROWE PRICE EQUITY INCOME	\$808,456	1.26%
T. ROWE PRICE CAP APPREC ADV	\$434,614	.68%
VANGUARD 500 INDEX FUND SIGNAL	\$1,782,382	2.78%
VANGUARD DIVIDEND GROWTH INV	\$694,343	1.08%
VANGUARD TOTAL INT STKINDX SIG	\$1,489,680	2.32%
WELLS FARGO ADV GROWTH ADMIN	\$767,551	1.20%
Equities Total	\$12,413,550	19.33%
Other		
SELF DIRECTED ACCOUNT	\$361,892	.56%
WELLS FARGO STABLE RETURN J	\$1,370,450	2.13%
Other Total	\$1,732,342	2.70%
Total	\$64,224,961	100%

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PLAN ASSETS

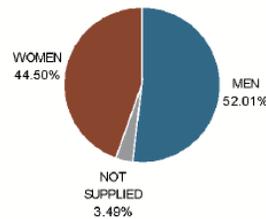
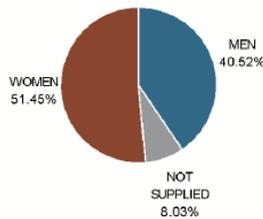
BY AGE - AVERAGE ACCOUNT BALANCE



PARTICIPANT DEMOGRAPHICS

PARTICIPANT COUNTS AND ASSETS - ACTIVE*, BY GENDER AND AGE

	Counts				Assets			
	Women	Men	Not Supplied	Total	Women	Men	Not Supplied	Total
Under 25:	72	53	5	130	\$33,892	\$24,556	\$5,532	\$63,981
25 to 34:	521	450	110	1,081	\$1,437,768	\$1,426,599	\$329,693	\$3,194,060
35 to 44:	507	354	76	937	\$3,256,097	\$3,098,705	\$176,321	\$6,531,123
45 to 54:	526	381	69	976	\$9,406,980	\$9,086,416	\$643,374	\$19,136,769
55 to 64:	386	322	54	762	\$8,865,733	\$11,772,346	\$704,515	\$21,342,594
65 and over:	32	50	5	87	\$990,505	\$2,632,865	\$21,762	\$3,645,132
Total Active Participants:				3,973				\$53,913,659





Memo

To: NDPERS Board
From: Bryan T. Reinhardt
Date: 11/17/2014
Re: 457 Companion Plan & 401(a) Plan Investment Funds

The NDPERS Investment Sub-Committee reviewed the 3rd quarter plan and investment overview with TIAA-CREF. The Investment Sub-Committee marked the Wells Fargo Advantage Growth Admin Fund (SGRKX) as underperforming for the quarter. The Investment Sub-Committee also marked the PIMCO Total Return Bond Fund (PTRAX) due to a management change and high outflows of investments in the fund.

Board Action

The NDPERS Investment Subcommittee recommends putting the Wells Fargo Advantage Growth Admin Fund (SGRKX) and PIMCO Total Return Bond Fund (PTRAX) on Formal Fund Review. The committee tracked these funds as underperforming for the last two quarters. By placing a fund "On Watch" we would note this in the investment reporting, notify the membership by the NDPERS web site and newsletter, and have TIAA-CREF place a notice on the NDPERS micro web site.

If you have any questions, I will be available at the NDPERS Board Meeting.

Plan	Assets
457(b)	\$1,366,867
401(a)	\$718,059

PIMCO Total Return Fund

Admin Class (PTRAX)

As of 09/30/14

Portfolio Strategies

The investment seeks maximum total return, consistent with preservation of capital and prudent investment management. The fund normally invests at least 65% of its total assets in a diversified portfolio of Fixed Income Instruments of varying maturities, which may be represented by forwards or derivatives such as options, futures contracts, or swap agreements. It invests primarily in investment-grade debt securities, but may invest up to 10% of its total assets in high yield securities ("junk bonds") rated B or higher by Moody's, or equivalently rated by S&P or Fitch, or, if unrated, determined by PIMCO to be of comparable quality.

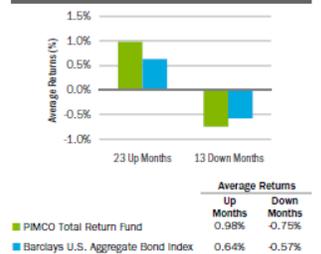
Fund Name	Total Return		Average Annual Total Return					SI
	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr		
PIMCO Total Return Fund	-0.42%	3.14%	3.04%	4.30%	4.81%	5.73%	6.84%	
Barclays U.S. Aggregate Bond Index	0.17%	4.10%	3.96%	2.43%	4.12%	4.62%	6.05%	
Morningstar Peer Group: Intermediate-Term Bond								
Median Quartile	-0.07%	4.08%	4.30%	3.38%	4.82%	4.54%	-	
Percentile Rank	-	-	83	25	48	9	-	
Number of Funds In Peer Group	-	-	1,051	929	808	574	Overall: 929	
Morningstar Rating	-	-	-	★★★★	★★★	★★★★★	★★★★	

Fund Name	Calendar Year Performance									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
PIMCO Total Return Fund	4.88%	2.63%	3.74%	8.81%	4.55%	13.55%	8.56%	3.91%	10.08%	-2.17%
Barclays U.S. Aggregate Bond Index	4.34%	2.43%	4.33%	6.97%	5.24%	5.93%	6.54%	7.84%	4.21%	-2.02%

Portfolio Characteristics	As of 06/30/14	
	Fund	Benchmark
Duration (Option Adjusted)	4.97 yrs	5.60 yrs
Average Maturity	5.29 yrs	-
# Holdings	17,740	-

Descriptive Information	
Ticker	PTRAX
CUSIP	693390726
Share Class	Admin Class
Portfolio Inception Date	05/11/1987
Fund Inception Date - Share Class	09/08/1904
Net Expense Ratio	0.71%
Revenue Share	0.25%
Portfolio Net Assets (As of 06/30/14)	\$225.22 billion
Turnover (As of 03/31/14)	227.0%
Manager Name	Team Managed
Manager Tenure	0.01 years

Up Down Market Chart 10/01/11 - 09/30/14



Plan	Assets
457(b)	\$770,404
401(a)	\$761,249

Wells Fargo Advantage Growth Fund

Administrator Class (SGRXX)

As of 09/30/14

Portfolio Strategies

The investment seeks long-term capital appreciation. The fund invests at least 80% of its total assets in equity securities and up to 25% of the fund's total assets in equity securities of foreign issuers through ADRs and similar investments. It invests principally in equity securities of companies that the advisor believes have prospects for robust and sustainable growth of revenues and earnings. The fund selects equity securities of companies of all market capitalizations. It may also invest in equity securities of foreign issuers through ADRs and similar investments.

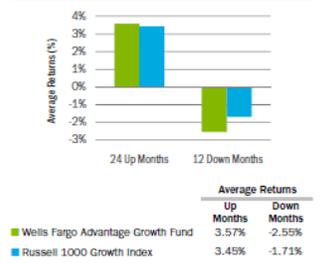
Fund Name	Total Return		Average Annual Total Return				
	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	SI
Wells Fargo Advantage Growth Fund	-0.61%	-0.81%	6.89%	19.37%	18.61%	12.38%	12.49%
Russell 3000 Growth Index	0.88%	6.91%	17.87%	22.41%	16.43%	8.95%	9.20%
Russell 1000 Growth Index	1.49%	7.89%	19.15%	22.45%	16.50%	8.94%	9.07%
Morningstar Peer Group: Large Growth							
Median Quartile	0.80%	5.48%	16.42%	21.53%	14.75%	8.24%	-
Percentile Rank	-	-	98	80	3	1	-
Number of Funds in Peer Group	-	-	1,712	1,504	1,334	912	Overall: 1,504
Morningstar Rating	-	-	-	★★	★★★★★	★★★★★	★★★★

	Calendar Year Performance									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Wells Fargo Advantage Growth Fund	13.23%	9.50%	8.31%	28.06%	-40.21%	48.07%	26.61%	8.26%	16.89%	33.44%
Russell 3000 Growth Index	6.93%	5.17%	9.46%	11.40%	-38.44%	37.01%	17.64%	2.18%	15.21%	34.23%

Portfolio Characteristics	As of 08/31/14	
	Fund	Benchmark
# Holdings	112	-
Average Market Cap	\$19.30	\$52.43
Price/Book	5.00	5.22
Price/Sales	2.64	2.50
ROE (1 Yr Average)	17.49	22.70

Descriptive Information	
Ticker	SGRXX
CUSIP	949915698
Share Class	Administrator Class
Portfolio Inception Date	12/31/1993
Fund Inception Date - Share Class	08/30/2002
Net Expense Ratio	0.96%
Revenue Share	0.35%
Portfolio Net Assets (As of 08/31/14)	\$11.48 billion
Turnover (As of 07/31/14)	42.0%
Manager Name	Team Managed
Manager Tenure	12.42 years

Up Down Market Chart 10/01/11 - 09/30/14





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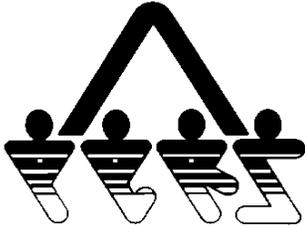
Memorandum

TO: PERS Board
FROM: Sparb
DATE: November 13, 2014
SUBJECT: Health Bid Update

At this meeting Deloitte will be with us by conference call to provide an update. Items to be covered will include:

1. The new fully insured bid responses are due in the day before at 5:00 p.m. We will give you a brief update on who submitted and changes from the first RFP.
2. We will provide an update on the self insured proposals. Staff is scheduled to meet with them on November 24 & 25.

We would suggest going into executive session for this update. Executive Session pursuant to NDCC §44-04-19.1(9) and §44-04-19.2 to discuss negotiating strategy or provide negotiating instructions to its attorney or other negotiator.



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Memorandum

TO: NDPERS Board

FROM: Rebecca

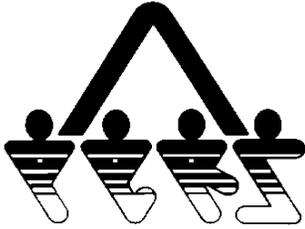
DATE: November 7, 2014

SUBJECT: Silver Sneakers Program

At the September meeting, the Board received a request from a NDPERS retiree regarding the Silver Sneakers Program. The member asked the Board to consider adding the program to the Dakota Retiree Health Insurance Plan so that Medicare age retirees could participate in it. Information about the program was also provided by BCBS, as BCBS provides this program in their individual Supplement Plan market. Included for your reference is Attachment 1, which is the Board Memo from the September meeting.

The Board directed staff to develop a survey regarding the program so that the retiree membership could be asked if they are interested in having Silver Sneakers added to their plan design and if they are willing to pay the additional premium necessary to cover the cost. Staff has been working with BCBS on this survey and Attachment 2 is the draft survey.

The survey will be mailed in January and staff will provide the results of the survey to the Board at the February meeting.



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Memorandum

TO: PERS Board

FROM: Sparb

DATE: September 11, 2014

SUBJECT: Silver Sneakers Program

The Silver Sneakers Program is part of the BCBS Medicare Supplement Plans. Our retirees have become aware of the program and some have requested having it as a part of our plan. Attached is recent letter I received from one of our members. Another member will be available by phone with us to share his thoughts with the Board. He has been interested in PERS adding this program for several years. If we were to add this program, it is something we would consider for the 2015-17 Biennium. In presenting this to you today, staff is seeking your direction on how to go forward. If you would like to consider this later this year or early next, we can get some additional information. If you would like us to survey the membership, we could do that as well.

Also Mike Carlson, BCBSND Manager of Wellness Services, will be at the September 19 Board meeting to provide an overview of the BCBSND Silver Sneakers program. The presentation will provide an overview of the over 65 program and how it compares to the NDPERS Health Club Credit program for their over 65 population.

BACKGROUND

Concerning the Silver Sneakers program, we have discussed the program at the staff level as a result of member inquiries about the program that has caused us to do some background research. What we have found is:

- The Silver Sneaker's program is traditionally tied to a Medicare supplement policy and the only way to access the program is by being a part of an insurance plan that offers the program.
- Currently BCBS offers the program only in their individual Medicare Supplement lines of business.
- No other employer groups with BCBS offer the Silver Sneakers program and instead offer wellness programs similar to what PERS has in its plan today.
- PERS could offer the Silver Sneakers program to its Medicare Retirees if the Board would elect to do so.
- It is estimated that the cost of adding this provision to our plan is about \$3.25 per member per member month. This is an increase of about \$3.25 to a single contract and \$6.50 to a family contract per month. Depending on actual utilization of the program, the price could go up or down.
- We were unable to determine that the program is uniformly available in all parts of the state to all our retirees (PERS has about 8,250 retired members in the plan in every county in the state and outside the state).
- Since the PERS plan retiree premium is paid entirely by the retiree, this would be an increase to the retiree's out of pocket premium payment.

With the above in mind, staff has discussed the following:

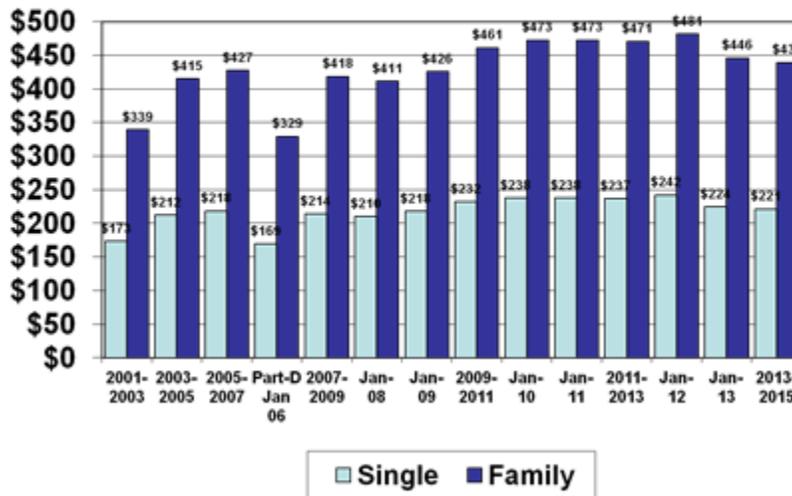
1. Add the program and increase premiums accordingly.
2. Consider dropping the existing program and replacing it with this program.
3. Consider using plan gains when they occur to pay for the program instead of providing a premium reduction as we did this biennium.

As staff here has considered each of these individually, the following are some of the points relating to each.

1. Add the program and increase premiums accordingly

The following chart shows a history of our retiree premiums and our existing rates:

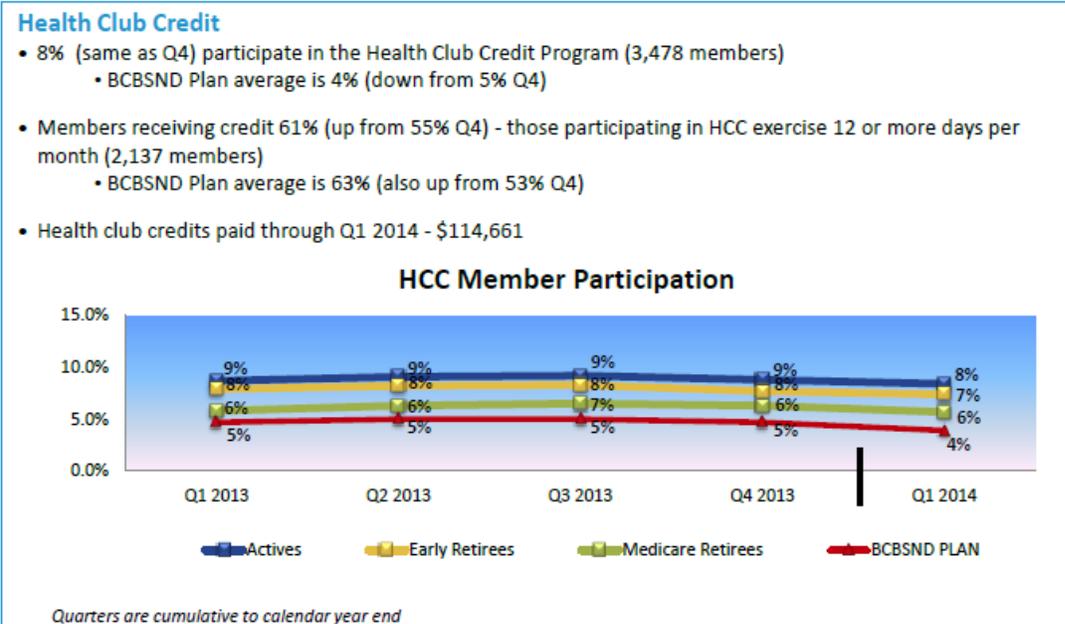
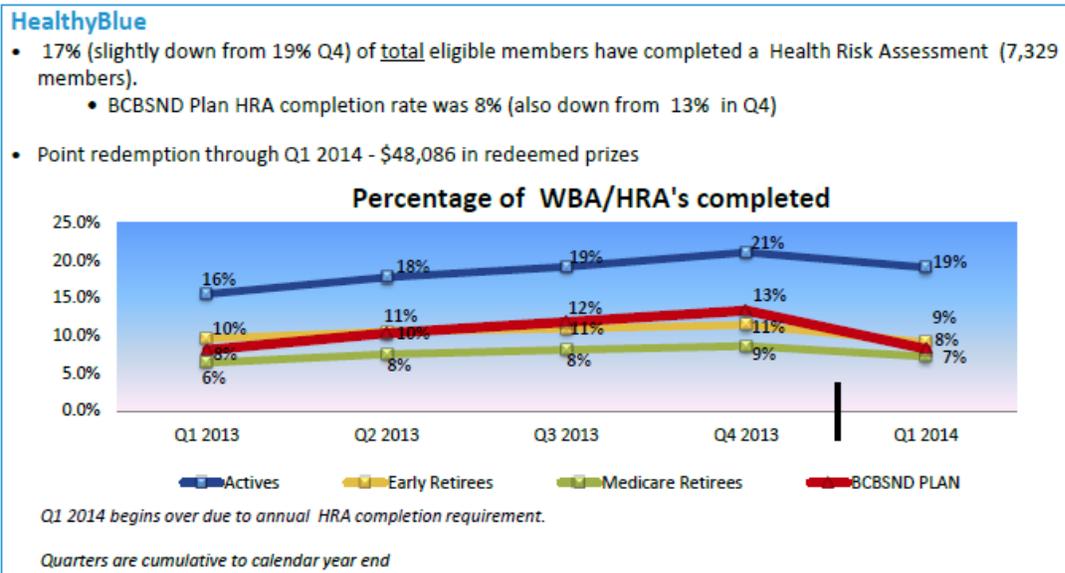
NDPERS Medicare Premiums



The addition of this cost to the premiums would increase rates by about 1.5%. The estimated total cost payment to the vendor for this program would be about \$27,000 dollars per month or \$322,000 per year (based upon around 8300 members). This would be assessed to all contracts and we are not sure that it would be equally available to all retirees (in close geographical proximity). We do know that premium costs are a significant concern to our members since many are on a fixed payment from a Defined Benefit plan that has no COLA provision or are on a Defined Contribution plan that has experienced a downturn as a result of the financial markets.

2. Consider dropping the existing program and replacing it with this program

The following numbers relate to participation in the existing wellness program from our most recent quarterly report:



The numbers for the 2nd quarter are up to 8.2% (672) who have done the HRA and 6.2% (506) in the HCC. This program is available to all retirees in all parts of the state since they can do the on-line version if a health club is not geographically close by. This program costs about \$3.95 per contract. In addition in 2013, retirees received about \$106,000 in incentive payments. Given the level of usage, payments and the availability to all members, it would be difficult to close this program

3. Consider using plan gains when they occur to pay for the program instead of providing a premium reduction as we did this biennium.

Under our contract with BCBS if our premiums exceed our expenses, the difference is returned to the plan. This last biennium we had a gain and the retiree rates we pay to BCBS were reduced by 2% and paid by reserves. Instead of returning that premium to our members, it could be used to add programs such as the Silver Sneakers. The dilemma is that this is just one time funds and once exhausted, the program would need to be stopped or added on to premiums going forward.

2014 NDPERS Silver Sneakers Survey

NDPERS is conducting a survey to gauge member interest in offering the Healthways SilverSneakers® Fitness Program to the retiree population.

Currently, NDPERS members are eligible to participate in the Health Club Credit Program. To earn credit, a NDPERS member must visit a participating health club a minimum of 12 days a month. If they do so, they receive up to \$20 to help cover the cost of the health club's monthly membership. The cost of this program is \$1.00 per person per month, regardless of whether or not it is utilized.

Based upon member requests, NDPERS is considering supplementing the Health Club Credit program with the Healthways SilverSneakers® Fitness Program.

Your responses to this survey will help NDPERS administration decide if there is enough support for the Healthways SilverSneakers® Fitness Program to justify the additional cost per member, which is \$3.25 per person per month regardless of whether or not the program is used. This per member cost would be added to your monthly health insurance premium.

Healthways SilverSneakers® Fitness Program is designed exclusively for older adults to take greater control of their health by encouraging physical activity and offering social events. Healthways SilverSneakers® Fitness Program includes:

- A FREE basic membership at any participating fitness facility in the 12,000+ SilverSneakers network nationwide including approximately 75 locations in North Dakota and surrounding communities. To find a location near you, visit: <https://www.silversneakers.com/tools/fitness-locations>
- Access to signature SilverSneakers group fitness classes
- Secure online community – HealthwaysFIT.com, that will provide easy to use wellness resources and track health progress
- Personalized fitness program – SilverSneakers Steps, for eligible members who do not have access to a SilverSneakers location
- Health education seminars and other events

1) Would you be interested in participating in the Silver Sneakers Program?

Yes

No

2) Would you be willing to have \$3.25 per person per month added to your premium to participate in Silver Sneakers regardless of whether or not you use the program?

Yes

No

Please respond by **XXXXXX**.

Thank You!

Thank you for completing the survey, your response is very important to us.



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Memorandum

TO: NDPERS Board

FROM: Rebecca

DATE: November 13, 2014

SUBJECT: **Pre-Medicare Retiree Health Insurance & RHIC Portability Communications and Implementation**

Staff has been discussing our ongoing communication plan for the upcoming change regarding eligibility for Pre-Medicare retiree health insurance and the RHIC portability. Thus far, the following has taken place:

- Articles have been communicated to employees and employers through our various newsletters. We plan to continue running these notices in upcoming newsletters.
- The Pre-Retirement Education Presentations (PREPs) conducted throughout 2014 across the state have included updates regarding the upcoming changes.
- Counseling staff has also met with a number of employees who have requested one-on-one counseling to discuss the change and the potential impact.

In addition to the above, staff is planning to conduct a series of Webinars in January or February that will be available for interested parties to view and ask questions that they may have. We are reaching out to the State Insurance Department to have a speaker from the State Health Insurance Counseling (SHIC) division available during the Webinars. This speaker would discuss options for individual coverage that are available through the exchanges. Staff plans to record a Webinar so that it can be posted to our website for future reference by employees.

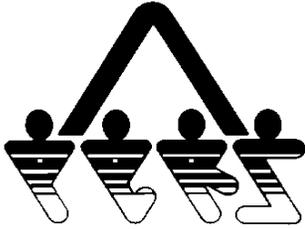
In discussions with employees, there have been some questions regarding current policy and what will happen when the change is in effect on July 1, 2015. The two areas of concern are:

- 1) Treatment of surviving spouses and if they will still be eligible to participate in the plan.
- 2) If the one over/one under rate will still be available for retirees to join the plan if one of the spouse is age 65 and the other spouse is not.

Based upon review by staff, Segal and Jan, it is our intent to continue our existing policy and implementation with the Pre-Medicare change as follows:

- 1) Surviving spouses are eligible to participate in the NDPERS pre-Medicare plan if they are on the plan at the time of the retiree's death or if they are not on the pre-Medicare plan at the time of death, they can join as long as their spouse began receiving benefits prior to July 1, 2015, they are going to be receiving a surviving spouse benefit and elect to join with their first surviving spouse benefit payment.
- 2) When a retiree or their spouse is turning age 65 or becoming eligible for Medicare, the retiree can apply for coverage and if both are not on Medicare, the one over/one under 65 rate applies. For the individual that is not on Medicare, for experience purposes, they are part of the Medicare pool.

We are presenting this information to you so that you can advise us if you have any concerns with staff implementing the change in the Pre-Medicare retiree health insurance but maintaining our existing policy as outlined above. If the Board does not want to change the existing policy, we will move forward as outlined above.



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Memorandum

TO: NDPERS Board

FROM: Kathy & Sprab

DATE: November 10, 2014

SUBJECT: Medicare Part D Program

At the September 19th meeting, the Board moved to accept the BCBS MedicareBlue RX Part D rate increase effective January 1, 2015. As this increase was significant when compared to past increases, the Board directed staff to provide members with information as to the factors that contributed to the rate increase. In compliance with that request, we have included a copy of the correspondence provided to the members in conjunction with the notice about the increase.

We are available to respond to any questions.



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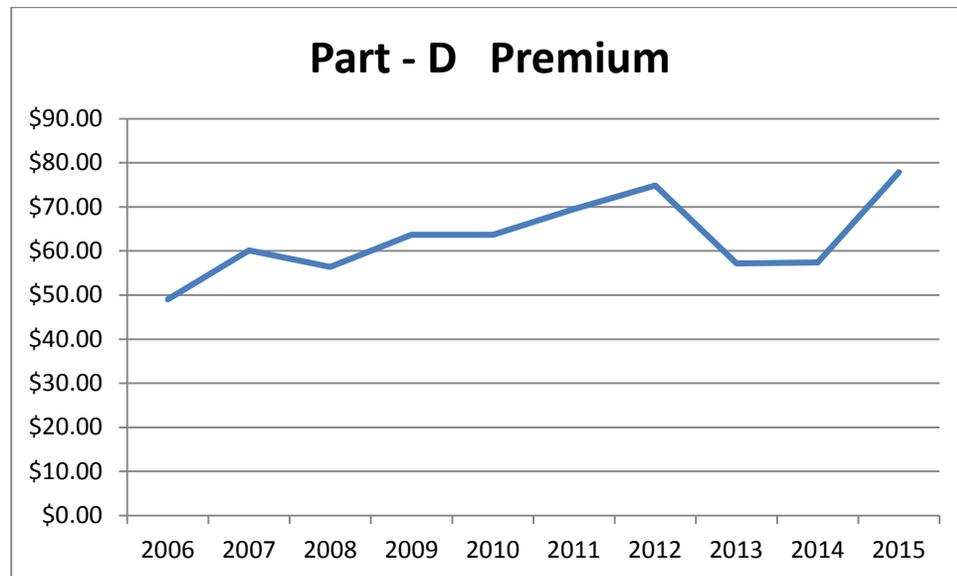
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MEMBER CORRESPONDENCE SAMPLE

Your PDP (Prescription Drug Plan) premium will be increasing by \$20.50 per person per month from \$57.40 to \$77.90 effective January 1, 2015. Following are the reasons this is happening:

- Rates for 2014 were inadequate due to higher than expected claim trends.
- Specialty drugs are very costly and the main driver of increased claim trends. For the NDPERS PDP members, the average cost of a specialty drug claim increased by \$918 per script to \$4,500 from July of 2013 to July of 2014.
- In 2015, more specialty drug therapies are expected to become available, which translates into higher utilization and costs.
- Required Affordable Care Act fees also contributed to increased premium costs.

PDP premiums have been very volatile in recent years dropping from \$74.90 in 2012 to \$57.20 in 2013, incurring an increase of \$.20 in 2014 and now increasing to \$77.90 for 2015. The following graph shows the history of the single Part D premium since the inception of Medicare Part D.



There will be a change in the PBM (Pharmacy Benefit Manager) for the 2015 Calendar year from Prime Therapeutics to CVS/Caremark. However, this change has no impact on the premium increase. Notification regarding this change was provided previously under separate cover.



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Memorandum

TO: NDPERS Board

FROM: Kathy

DATE: November 13, 2014

SUBJECT: Medicare Part D Program Contract

Included for your review is the Medicare Part D prescription drug plan contract. The contract has been referred to legal counsel for review. Review by staff has noted revisions in 3.3, 4.1, and 5.7. We did follow-up with BCBS regarding these issues; however, we are still researching what implications they may have for NDPERS. We expect to have these resolved and present a final to the Board for approval at the December meeting.

Group MedicareBlueSM Rx (PDP) Retiree Prescription Drug Plan

Master Contract

Issued to: *North Dakota Public Employee Retirement System*, hereinafter “Group.”

Address: *400 East Broadway
Suite 505
Box 1657
Bismarck North Dakota 58502*

Effective Date: *01/01/2015*

Issued By: *Blue Cross Blue Shield of North Dakota** (“BCBS”)

RECITALS

WHEREAS, Group MedicareBlue Rx is a Medicare Prescription Drug Plan providing Medicare Part D Prescription Drug Coverage issued through only one of the following plans: Wellmark Blue Cross and Blue Shield of Iowa, Blue Cross and Blue Shield of Minnesota, Blue Cross and Blue Shield of Montana, Blue Cross and Blue Shield of Nebraska, Blue Cross Blue Shield of North Dakota, Wellmark Blue Cross and Blue Shield of South Dakota, or Blue Cross Blue Shield of Wyoming;

WHEREAS, Group wants to offer Medicare Part D Prescription Drug Coverage and certain Supplemental Drug Coverage to its eligible Medicare beneficiaries under the terms of this Contract;

WHEREAS, Group must comply with Medicare requirements in order to obtain Medicare Part D Prescription Drug Coverage; and

WHEREAS, BCBS offers Medicare Part D Prescription Drug Coverage through Group MedicareBlue Rx and certain Supplemental Drug Coverage and is willing to provide Group’s eligible Medicare beneficiaries such coverage as described in this Contract.

NOW THEREFORE it is hereby agreed as follows:

ARTICLE I

DEFINITIONS

1.1 Defined Terms. Capitalized terms used in this Group MedicareBlue Rx Retiree Prescription Drug Plan Master Contract (the “**Contract**”) are defined herein or have the respective meanings set forth in the Medicare Part D Rules (42 C.F.R. Part 423).

- 1.2 **“Accretion”** is the confirmation by CMS that the individual meets the federal requirements to be enrolled in the specified plan.
- 1.3 **“Annual Notice of Change” (ANOC)** is a CMS required material that outlines coverage information and changes related to an Enrollee’s Medicare health plan. CMS requires this document to be in the beneficiary’s hands at least fifteen days prior to the Annual Coordinated Election Period or a Group’s annual open enrollment period.
- 1.4 **“Annual Coordinated Election Period” or “Annual Enrollment Period” (AEP)** is the annual period during which Medicare eligible individuals can enroll in a Medicare health plan or change their Medicare coverage. The Annual Coordinated Election Period occurs each year from October 15 – December 7, with a January 1 effective date. This does not apply to employer/union group-sponsored enrollments and such plans’ enrollment periods may differ from the CMS specified AEP.
- 1.5 **“BCBS”** is the independent licensee of the Blue Cross and Blue Shield Association, named above, that insurance coverage under this Contract is issued by.
- 1.6 **“CMS”** is the Centers for Medicare and Medicaid Services, the federal agency responsible for administering the Medicare program.
- 1.7 **“CMS Contract”** is the contract between BCBS and CMS pursuant to which BCBS offers Group MedicareBlue Rx coverage.
- 1.8 **“Defined Standard Part D”** means the standard drug benefit structure that Part D plans must offer, as defined by CMS.
- 1.9 **“Enrollee”** is a retired person (not an active employee) who (a) is eligible for Group’s Retiree benefit plan, (b) is entitled to Medicare benefits under Medicare Part A or enrolled in Medicare Part B, (c) lives in the United States, and (d) is enrolled in MedicareBlue Rx under the procedures established in this Contract. “Enrollee” may also be a dependent or spouse of an Enrollee described above, provided that the dependent or spouse (a) is eligible for Group’s Retiree benefit plan, (b) is entitled to Medicare benefits under Medicare Part A or enrolled in Medicare Part B, (c) lives in the United States, and (d) is enrolled in MedicareBlue Rx under the procedures established in this Contract.
- 1.10 **“Enrollment Request Mechanism”** is a method used by individuals to request to enroll in a Part D plan.
- 1.11 **“Evidence of Coverage” (EOC)** is the document that must be provided to Enrollees each year that describes how the Group gets coverage from BCBS. The Schedule of Copays and Limitations (defined below in Section 1.20) is considered a part of the EOC for purposes of this Contract.
- 1.12 **“Group”** is the employer, union, or other plan sponsor, named above, that insurance coverage under this Contract is issued to.

- 1.13 **“Group MedicareBlue Rx”** means the stand-alone Medicare Prescription Drug Plan sponsored by Group and issued by BCBS pursuant to this Contract.
- 1.14 **“Group MedicareBlue Rx Formulary”** is the list of Part D prescription drugs covered by MedicareBlue Rx. The Group MedicareBlue Rx Formulary is also referred to as the “List of Covered Drugs” or “Drug List.”
- 1.15 **“Group Initiated Disenrollment”** is a disenrollment that is requested by the Group rather than the Enrollee. For example, the Group may disenroll an Enrollee who no longer meets the Group’s eligibility criteria or who fails to pay premium.
- 1.16 **“Late Enrollment Penalty” (LEP)** is an amount assessed by CMS and added to an Enrollee’s Part D premium when there is a period of sixty-three (63) or more consecutive days in which the Enrollee does not have Part D or other creditable prescription drug coverage.
- 1.17 **“Low Income Subsidy” (LIS)** is the Medicare Part D subsidy for which low-income Medicare beneficiaries are eligible under Subpart P of 42 C.F.R. Part 423.
- 1.18 **“Medicare Part D Prescription Drug Coverage”** means coverage provided under Group MedicareBlue Rx for prescription drugs that can be covered under Medicare Part D and are listed on the Group MedicareBlue Rx Formulary.
- 1.19 **“Medicare Prescription Drug Plan”** means a stand-alone Part D prescription drug plan offered by a Plan Sponsor pursuant to a contract with CMS.
- 1.20 **“Plan Sponsor”** is an entity that sponsors a health plan. This can be an employer, a union, or some other entity.
- 1.21 **“Retiree”** is a person who has retired from a working or professional career.
- 1.22 **“Schedule of Copays and Limitations” (SCAL)** is the document that accompanies the Evidence of Coverage and describes how the Enrollee gets coverage from a selected plan option
- 1.23 **“Summary of Benefits”** is a standardized document that must be provided when an enrollment form is provided and upon request by a group member or Enrollee. See the Medicare Marketing Guidelines, section 60.1 for more information.
- 1.24 **“Supplemental Drugs”** means drugs that are not normally covered in a Medicare Prescription Drug Plan or are excluded from coverage under Medicare Part D and that are listed on the “Supplemental Drug List” / **“Supplemental Plus Drug List”** attached at the end of or provided in connection with the Group MedicareBlue Rx Formulary.
- 1.25 **“Supplemental Drug Coverage”** means the drug coverage offered by BCBS to Group pursuant to this Contract that is in excess of Medicare’s Defined Standard Part D prescription drug coverage, including, but not limited to, any coverage of Supplemental Drugs. CMS refers to this additional coverage as Other Health Insurance (OHI).

ARTICLE II

PROVISION OF DRUG COVERAGE

- 2.1 Insurance Coverage.** BCBS shall provide Enrollees insurance coverage for prescribed drugs in accordance with the Evidence of Coverage, Schedule of Copays and Limitations, and the Group MedicareBlue Rx Formulary (along with any attachments/supplements thereto). The Group and BCBS shall comply with the terms of this Contract with respect to this coverage, except as otherwise required by rules or guidance issued by CMS, or as otherwise required by the CMS Contract.
- 2.2 Evidence of Coverage.** BCBS shall provide Enrollees an Evidence of Coverage describing benefits, exclusions, and appeal rights.
- 2.3 Plan Effective Date.** The effective date of this Contract is 12:00 a.m. Central Time on the Effective Date listed on page 1. Each Contract month thereafter will begin on the first day of each calendar month and end on the first day of the next succeeding calendar month. This Contract must be renewed annually by January 1.

ARTICLE III

GROUP RESPONSIBILITIES

- 3.1 Billing of Premium.** Under this Contract, the billing arrangements are as follows:
- Group Billing.** The Group will be responsible for payment of the “Premium Amount” (defined below in Section 3.2) for each Enrollee. The “Premium Amount” may be less for Enrollees who qualify for Low Income Subsidy. **The Group may elect to pay the Late Enrollment Penalty charges assessed by CMS on behalf of its Enrollees or instead pass those charges on to the Enrollees.** The first bill is due and payable on the Effective Date of this Contract. Monthly bills are due and payable on the first day of each following month during the time this Contract is in effect.
- 3.2 Premium Amount.** Under this Contract, all “Premium Amounts” are for a full month. The “Premium Amount” as agreed to by the Group and BCBS for each Enrollee is determined as follows:
- Total Monthly Premium per Enrollee: \$77.90;**
- Less any **Low Income Subsidy** applicable to the Enrollee, as determined by CMS;
- Plus any **Late Enrollment Penalty** applicable to the Enrollee, as determined by CMS.
- 3.3 Retroactive Premium Adjustments.** The monthly charge will be determined from BCBS’ records by the number of Enrollees who have been confirmed through the CMS Accretion process. Retroactive adjustments will be made for additions and terminations

of Enrollees and for Enrollees who have been confirmed through the CMS Accretion process after the initial billing statement. For Groups that use the Group Billing option, any refund that is owed to an Enrollee must come from the Group. BCBS will only adjust the amount due from a Group and will not refund premium(s) paid to an Enrollee.

3.4 Uniform Premium Requirement. The Group may determine how much, if any, of an Enrollee's premium it will subsidize. The Group may subsidize different amounts for different classes of Enrollees, provided that classes are reasonable and based on objective business criteria, such as years of service, business location, job category, and nature of compensation (e.g., salaried versus hourly). Enrollee classes may not be based on eligibility for the Medicare Low-Income Subsidy. Any such premium subsidy may not vary for Enrollees within a class of Enrollees. The Group may not require any Enrollee to pay more each month than the Total Monthly Premium per Enrollee listed above in Section 3.2. Groups that choose to subsidize different amounts for different classes of Enrollees must use the Group Billing option described in Section 3.1 above, rather than Split Billing or Direct Billing.

3.5 Benefit of Medicare Low-Income Subsidy Premium. Any premium received through the Low-Income Subsidy must be applied first to the eligible Enrollee's share of premium. The Group may not benefit from any premium received through the Low-Income Subsidy until the eligible Enrollee's premium is reduced to zero (\$0.00).

The Group agrees to be responsible for reducing up-front the premium contribution required for its Group MedicareBlue Rx Enrollees that are eligible for the Low-Income Subsidy. In an instance where the Group is not able to reduce up-front the premiums paid by the Enrollee, the Group must directly refund to the Enrollee the amount of the Low-Income Subsidy up to the monthly premium contribution previously collected. The Group is required to complete the refund of the Low-Income Subsidy amount payment for the Low-Income Subsidy eligible Enrollee within fifteen (15) days of receipt of the Group MedicareBlue Rx monthly invoice.

Note that in some cases the LIS beneficiary may not be the Retiree/employee, but the spouse or dependent of the Retiree/employee. In these instances, where the Group refunds Low-Income Subsidy amounts to LIS Enrollees, it may refund such amounts directly to the Retiree/employee on behalf of a spouse or dependent who is an LIS-eligible beneficiary.

3.6 Agreement to Premium Requirements. The Group understands all premium requirements and obligations set forth in this Contract. By signing this Contract or acknowledging receipt of this Contract, the Group acknowledges and agrees to such requirements and obligations.

As a condition of this Contract, CMS requires that BCBS enter into written agreements with groups which require the Group to comply with the above requirements and to retain and provide documents upon request to BCBS evidencing the Group's adherence to such requirements. This includes the requirement that any Low-Income Subsidy amount paid to the Group on behalf of an LIS Enrollee is first used to reduce any portion of the

monthly premium paid for by the Enrollee. Also, if the Group assumes responsibility for either reducing up-front LIS Enrollees' monthly premiums or refunding to LIS Enrollees their monthly premium contributions, the written agreement will reflect the Group's assumption of these duties consistent with the above requirements. BCBS is required to retain all of these written agreements with groups and must provide access to these written agreements for inspection or audit by CMS (or its designee) in accordance with 42 CFR 422.504(d) & (e) and 423.505(d) & (e).

ARTICLE IV

CANCELLATION

4.1 BCBS Initiated Cancellation. This Contract is guaranteed renewable and cannot be cancelled as a result of the claims experience or health status of your Group. BCBS can, however, cancel or fail to renew this Contract for the following reasons:

1. for nonpayment of the Group bill;
2. for fraud or misrepresentation by the Group with respect to eligibility for coverage or any other material fact;
3. when the Group has failed to comply with a material plan provision relating to employer contribution or Group participation rules;
4. BCBS discontinues offering this product or all products in its service area;
5. termination or non-renewal of the CMS Contract;
6. there is no longer any Enrollee who lives or resides in the service area.
7. the employer group is no longer headquartered in the service area.
8. the employer group does not comply with state/federal regulations and CMS guidance.

4.2 CMS or BCBS-Initiated Cancellation of CMS Contract. CMS requires BCBS to terminate this Contract upon termination or non-renewal of the CMS Contract. BCBS will provide the Group ninety (90) days' notice before BCBS non-renews the CMS Contract and thereby terminates this Contract. BCBS will provide the Group as much notice as reasonably practical in the event of CMS's termination or non-renewal of the CMS Contract. The notice will include the termination date for this Contract.

4.3 Group-Initiated Cancellation. The Group may cancel this Contract at the end of any Contract month by written notice received by BCBS at least sixty (60) days prior to the effective date of cancellation, unless BCBS has initiated Contract cancellation. In the event of a Group-initiated cancellation, the Group must comply with the Enrollee notification requirements for Group-Initiated Disenrollment, described in Section 5.4, below.

ARTICLE V

GROUP RESPONSIBILITIES

- 5.1 Timeliness of Enrollment Transactions.** The Group must provide enrollment and disenrollment requests promptly upon receipt of the request by the individual.
- 5.2 Residency Requirement for Retirees.** Enrollees' permanent residence must be in the United States in order to be eligible for Group MedicareBlue Rx.
- 5.3 Disclosure Standards.** Group shall provide Enrollees information about its Medicare Part D Prescription Drug Coverage and any Supplemental Drug Coverage offered by Group such that Group complies with all applicable disclosure standards and requirements under federal and state laws, including, if applicable to Group, the Employee Retirement Income Security Act ("ERISA"). At a minimum, Group shall ensure that Enrollees receive an Evidence of Coverage (including the Schedule of Copays and Limitations) describing benefits, exclusions, and appeal rights.
- 5.4 Group-Initiated Disenrollment**
1. **BCBS Notification:** The Group agrees to report to Group MedicareBlue Rx any Group-Initiated Disenrollment (*e.g.*, if the Group determines an Enrollee is no longer eligible to participate in Group MedicareBlue Rx). The notification sent by the Group must be received by Group MedicareBlue Rx no earlier than the first calendar day after the Group-Initiated Disenrollment effective date, and no later than three (3) business days after the Group-Initiated Disenrollment effective date. The notification sent by the Group must include information used to identify the correct Enrollee, the requested date of disenrollment, the designation that the disenrollment is a Group-Initiated Disenrollment, and the contact information and signature of the Group administrator sending the request.
 2. **Enrollee Notification:** The Group must provide the affected Enrollee with advance notice of a Group-Initiated Disenrollment at least twenty-one (21) calendar days prior to the effective date of disenrollment. The notification must include all of the following components:
 - A. notification of the Group-Initiated Disenrollment;
 - B. notice of other insurance options available through the Group;
 - C. reason for the Group-Initiated Disenrollment;
 - D. information on other individual plan options the beneficiary may choose and how to request enrollment;
 - E. notification that the disenrollment means that the individual will not have Medicare drug coverage and the potential for Late Enrollment Penalties in the future;

- F. an explanation of how to contact Medicare for more information about other Medicare Part D plan options that might be available to the individual.

5.5 Voluntary Enrollee Disenrollment. The Group must inform Enrollees that if they wish to voluntarily disenroll from coverage, the Enrollee must complete a disenrollment form or other written request and submit the form or request prior to the requested effective date of disenrollment. For Groups that use the electronic enrollment process, the Group must notify Group MedicareBlue Rx of Enrollees who wish to voluntarily disenroll from coverage. The disenrollment information must accurately reflect the Group's record of disenrollment made by each individual, according to the process the Group has in place.

5.6 Group Enrollment. The Group is responsible for maintaining all enrollment records in a manner that can be easily, accurately and quickly reproduced. The Group must provide BCBS all required data elements for each Enrollee, including Retirees who become eligible for coverage under a Group MedicareBlue Rx plan after the Effective Date.>

5.7 Member Request to Cancel Enrollment/Disenrollment. Individuals may request cancellation of an enrollment/disenrollment verbally or in writing. This request must be received by either the Group or Group MedicareBlue Rx prior to the effective date of enrollment/disenrollment. Groups that receive these requests directly from the individual must do one of the following:

1. Call Group MedicareBlue Rx Customer Service to submit the cancellation request received by the Group; or
2. Complete the "Group PDP Member Request to Cancel" spreadsheet per the instructions on the form and email it to Group MedicareBlue Rx per the email address listed on the form.

ARTICLE VI

MISCELLANEOUS PROVISIONS

6.1 Application of State Insurance Law. State Insurance laws, such as laws guaranteeing renewability of insurance contracts, generally do not apply to this Contract. Such laws are preempted by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, Pub. L. 108-173, 117 Stat. 2066. *See* Social Security Act § 1860D-12(g) (42 U.S.C. § 1395w-112(g)); *accord*, 42 C.F.R. §§ 422.402, 423.440(a). The terms of this Contract and Group MedicareBlue Rx coverage are therefore regulated primarily by federal law.

6.2 Medicare Secondary Payer. Federal law requires BCBS to identify other payers that are responsible for Enrollees' medical, prescription drug, and other costs covered by Group MedicareBlue Rx and that are primary to Medicare, identify amounts payable by those payers, and coordinate benefits with those payers. BCBS may bill such payers or authorize providers to bill such payers and, to the extent an Enrollee has been paid for MedicareBlue Rx-covered goods or services by another payer, BCBS may bill the Enrollee. Upon request, Group shall provide BCBS and CMS information that Group has

on Enrollees' other insurance coverage for purposes of this coordination of benefits. Federal law preempts State laws and contractual provisions that interfere with Group MedicareBlue Rx's ability to coordinate benefits in accordance with CMS guidelines. Group agrees to indemnify BCBS for any losses related to Group's failure to provide BCBS any information required by CMS to comply with the Medicare Secondary Payer law. *See* 42 C.F.R. §§ 422.108, 422.402, 423.462, 423.440(a).

- 6.3 Enrollee Communications.** BCBS may send CMS-required Enrollee communications without the consent of the Group. BCBS shall provide Enrollees with the applicable Annual Notice Of Change and Evidence of Coverage no later than fifteen (15) calendar days before the beginning of the Annual Coordinated Election Period which is based on the Group open enrollment period, provided that Group provides BCBS with at least thirty (30) days' prior notice of the open enrollment period date(s). Samples of all required materials can be made available to Group for informational purposes.
- 6.4 Contract Interpretation.** BCBS has discretionary authority to determine Enrollees' eligibility for benefits and to construe the provisions of the Group Evidence of Coverage and this Contract.
- 6.5 Prohibited Claim Payments.** BCBS does not pay claims for items or services furnished or prescribed by a person or entity that has been (i) excluded or debarred (or is currently under threat of exclusion, debarment or suspension) from participation in the Medicare program or any other federal health care program, or (ii) convicted of a criminal offense related to that person's/entity's involvement in any federal health care program. Further, BCBS does not pay claims for services received in countries that are sanctioned by the United States Department of Treasury's Office of Foreign Assets Control (OFAC), except, as applicable, for medical emergency services when payment of such services is authorized by OFAC.
- 6.6 Acceptance of the Contract.** This Contract is agreed to and accepted by Group and BCBS, by their authorized representatives set forth below. In the event that this Contract is not signed by the Group, payment to BCBS by Group (either by direct check or EFT) or by any Enrollee (under Direct Billing) will be deemed to signify Group's acceptance of all terms, conditions, and obligations of this Contract, as of the Effective Date of this Contract as stated on page 1.
- 6.7 Entire Agreement.** This Contract and the Evidence of Coverage make up the entire Contract of coverage. The Group on behalf of itself and its Enrollees hereby expressly acknowledges its understanding that this Contract constitutes a contract solely between Group and BCBS, that BCBS is an independent corporation operating under a license from the Blue Cross and Blue Shield Association, an association of independent Blue Cross and Blue Shield Plans, (the "**Association**") permitting BCBS to use the Blue Cross and/or Blue Shield Service Marks, and that BCBS is not contracting as the agent of the Association. The Group, on behalf of itself and its Enrollees, further acknowledges and agrees that it has not entered into this Contract based upon representations by any person other than BCBS and that no person, entity, or organization other than BCBS shall be held accountable or liable to the Group for any of BCBS's obligations to the Group

created under this Contract. This paragraph shall not create any additional obligations whatsoever on the part of BCBS other than those obligations created under this Contract. This Contract constitutes the entire agreement of the parties hereto and supersedes all prior agreements, understandings, representations, warranties, proposals, discussions, and communications, whether oral or in writing with respect to the subject matter hereof, including. This Contract may be executed in any number of counterparts or electronically, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

- 6.8 Assignment.** Group shall not assign this Contract, or any part of it, without the prior written consent of BCBS.
- 6.9 Governing Law.** To the extent not superseded by federal law and without regard to any conflict of law rule, this Contract shall be governed and construed in all respects in accordance with the laws of the State of North Dakota.
- 6.10 Record Maintenance and Inspection.** To the extent required by applicable law, during the term of this Contract and until ten (10) years from the later of this Contract's expiration or termination date or the completion of the U.S. Department of Health and Human Services' or the Comptroller General's final audit, unless otherwise required by applicable law, Group shall maintain all records and books of account relating to this Contract, consistent with books and records maintained in the ordinary course of business, and shall permit HHS, the Comptroller General, or their designees, to inspect, evaluate, and audit any of Group's records and books of account pertaining to any transaction related to this Contract. This right to inspect, evaluate, and audit shall extend ten (10) years from the later of the expiration or termination of this Contract or completion of final audit, unless otherwise required by applicable law.
- 6.11 Use of Marks.** BCBS' names, trademarks and/or service marks shall not be used on materials issued by or on behalf of Group in connection with this Contract or otherwise, without first obtaining the written consent of BCBS, which consent may be withheld in BCBS' sole discretion. Group hereby expressly acknowledges its understanding that this Contract constitutes a contract between Group and BCBS, that BCBS is an independent corporation operating under a license from the Blue Cross and Blue Shield Association, an association of independent Blue Cross and Blue Shield Plans (the "Association"), permitting BCBS to use the Blue Cross and Blue Shield Service Marks in its designated service area, and that BCBS is not contracting as the agent of the Association.
- 6.12 Determinations.** BCBS has discretionary authority to make Group eligibility and benefits determinations and to construe the terms of the group certificate(s) and this Contract consistent with North Dakota law.

Signature page follows.



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

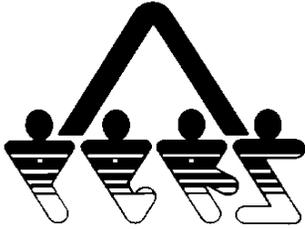
Sparb Collins
Executive Director
(701) 328-3900
1-800-803-7377

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

Memorandum

TO: PERS Board
FROM: Sparb
DATE: November 12, 2014
SUBJECT: Pharmacy Benefit Manager Review

Linda Cahn may be at the next Board meeting by conference call to discuss the pharmacy benefit manager review. We were only able to get a complete data set to her within the last few weeks. Consequently, we may have to defer this item to a later meeting. However, if they are able to have some findings by this Board meeting, we will discuss them then.



North Dakota
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Memorandum

TO: PERS Board
FROM: Sparb
DATE: November 12, 2014
SUBJECT: Legislation

Attachment 1 is a copy of the agenda for the last meeting of the Legislative Employee Benefits Committee (LEBC). The LEBC took jurisdiction of Bill 176 (the DC Bill) and sent it for actuarial and technical review. They will have a meeting during their organizational session to hear the report (tentatively set for December 2).

Concerning the two PERS bills, the following actions were taken by the committee:

1. On our technical bill, they gave it a favorable recommendation (136).
2. Concerning our contribution increase bill (the fourth year of the recovery plan), they gave it no recommendation. Initially one of the committee members moved to give the bill a favorable recommendation and that motion was seconded. The motion failed on a tie vote. On behalf of the PERS Board, I requested a favorable recommendation, no others testified in favor of the bill (137).

Concerning the other PERS related bills the committee:

- #117 – Coverage of Cancer Medications – Favorable recommendation.
- #79 – There was an amendment to the bill so it was referred to the actuary for review.
- #43 – Allow existing employees in the DC plan the option to rejoin DB/Hybrid Plan – no recommendation.
- #139 – Combining the National Guard and Law enforcement plans – Favorable recommendation.
-

Attachment 2 is the final actuarial/technical reviews of each of the bills.

At this point we need to consider what position to take on the bills that have had final considerations by the committee (#117, #79, #43, & #139). In the past, PERS has taken a neutral position on bills that have no adverse impact on our plans and were not submitted by PERS unless there were other considerations. The reasoning for this position has been that if the plan is not affected, it is more of a policy consideration of the legislature. With this in mind, staff would make the following recommendation:

- #117 – **PERS take a neutral position on the bill since it has no actuarial effect.**
- # 43 – **PERS take a neutral position on the bill.** As you will note in the actuarial/technical review, the bill could have a slight actuarial effect on the plan. However, given that it is so small, staff would recommend a neutral position. Also if our contributions were increased it would have no actuarial effect
- # 139 – **PERS take a favorable position on the bill.** Given the change in the National Guard's mission, the number of members in this plan will continue to decrease making the ongoing viability more difficult. Combining it with the law enforcement plan will help to stabilize the funding for these members going out into the future.
- #79 – **PERS should wait to determine what position to take on the bill until an updated technical/actuarial review is completed.**

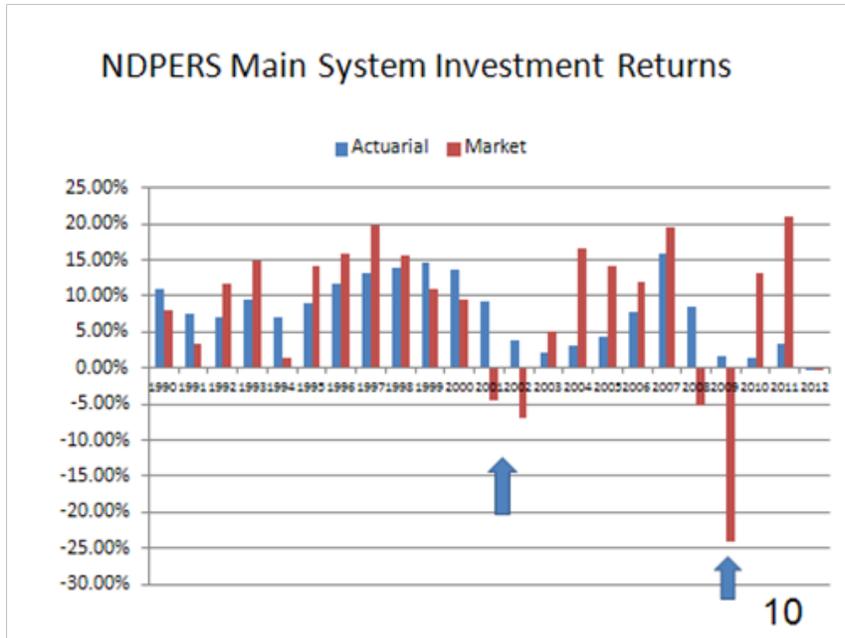
Concerning the PERS bills (# 136 & 137), we need to decide if we want to submit them to the session for consideration now that we have the most recent actuarial information.

Based upon the technical/ actuarial review and favorable recommendation of the LEBC, **staff would recommend submitting Bill 136.**

Based upon the technical/actuarial review, investment returns, considerations by LEBC and others, the proposed DC bill and other bills offered by the Government Finance Committee, the Governors Executive Recommendation and other considerations, **staff would recommend deferring this decision to December 4 and staff would further recommend that a special meeting be held on that date to determine if the bill should be submitted.** At that time you will have additional information to make a decision including the funding recommendations of the Governor and a fuller understanding of the effect of the proposed DC plan on the DB plan since the technical/ actuarial review be completed by that date (the 4th year of the recovery).

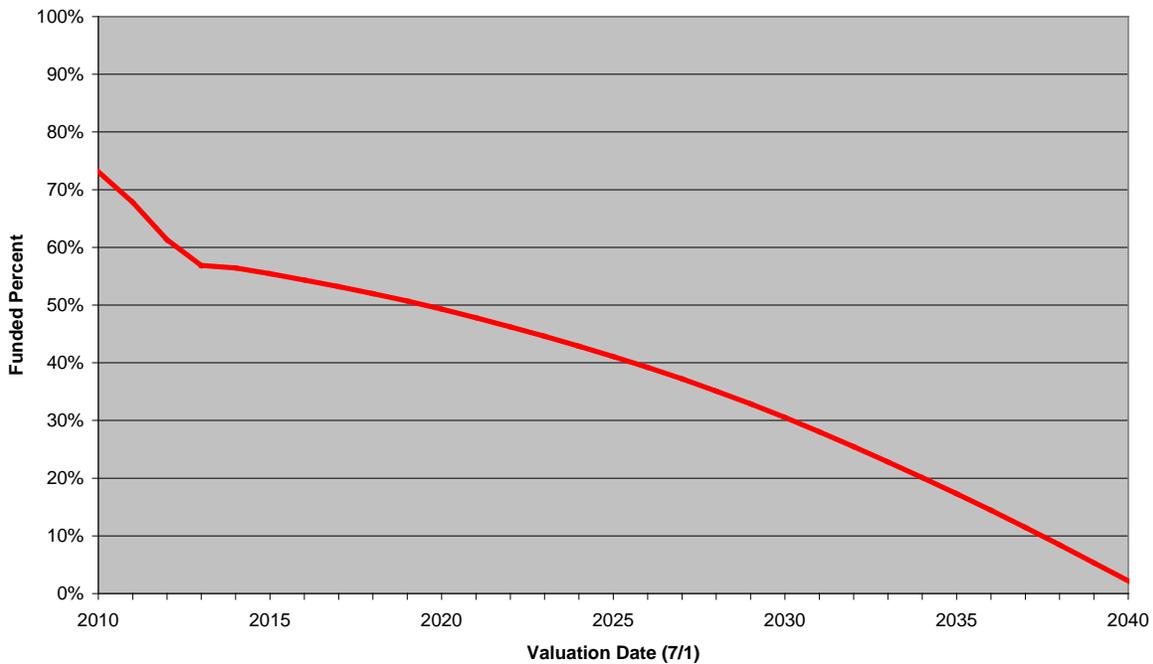
BACKGROUND ON BILL 136

As a result of the dramatic downturn in the financial markets (see graph below) in 2001 and 2008/2009, the long term funding status of all the retirement plans under PERS was projected to deteriorate over time and in some cases go to a "0" funded status by the mid 2040's.



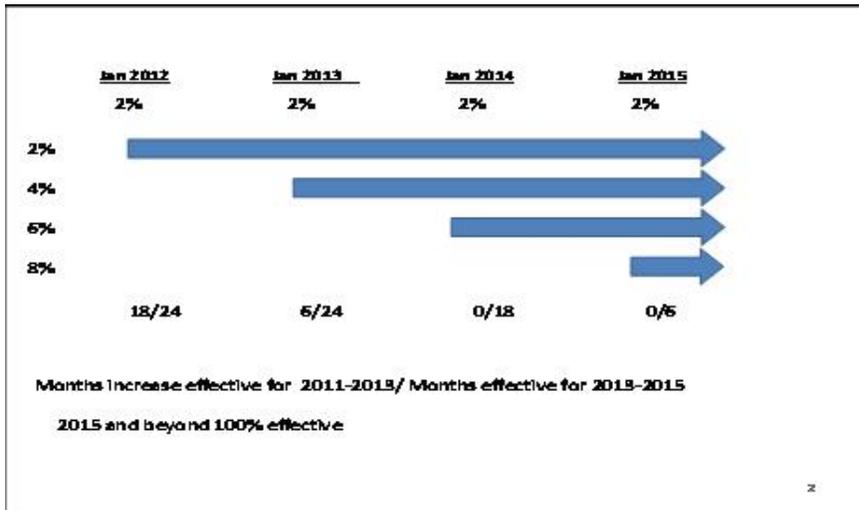
The Main retirement plan was one of the plans whose funded status was projected to go to “0” which is shown on the following:

PERS (Main System)
Projected Funded Ratio Under Current Plan
(Actuarial Value of Assets to Actuarial Accrued Liability)
Based on July 1, 2010 Data



As a result of this challenge, the Board developed a proposed recovery plan to return all plans back to 100%. That plan was based upon a shared recovery between both the employer and employee. The plan that emerged was to increase contributions by 8% over

four years with employees paying 4% and the employers paying 4% and assumed we would make 8% in returns. The following table shows the proposed timetable for the increases:



This plan was based upon three goals the Board had set for the plans:

- Stop the downward trend
- Stabilize the plans
- Put them on a track back to 100% funded

The initial recovery plan was submitted to the 2011 legislative session and the 2012 and 2013 increases were approved. Consideration of the 2014 and 2015 increase was deferred to the 2013 session.

In 2013 the Board submitted the final two years of the recovery plan. The following is the process of considerations:

- *Recommended by:*
 - *Legislative Employee Benefits Committee*
 - *In the Executive Recommendation*
- *Submitted as SB 2059*
 - *Passed the Senate (35-12)*
 - *Defeated in the House (32 -59)*
- *Provisions put in HB 1452 (defined contribution bill for state employees)*
 - *Passed the Senate*
 - *Not concurred by the House*
- *Conference Committee*
 - *Amended to provide third year of recovery but not the fourth year & add a DC option for state employees to 2017*

As the above highlights, the third year of the recovery was approved, but a DC plan option for all state employees was added until 2017 with no funding for this new option.

The 2011 Session and the 2013 session accomplished much for the retirement plans. For all the plans the first two goals were achieved:

- The downward trend had been stopped
- The plans have been stabilized

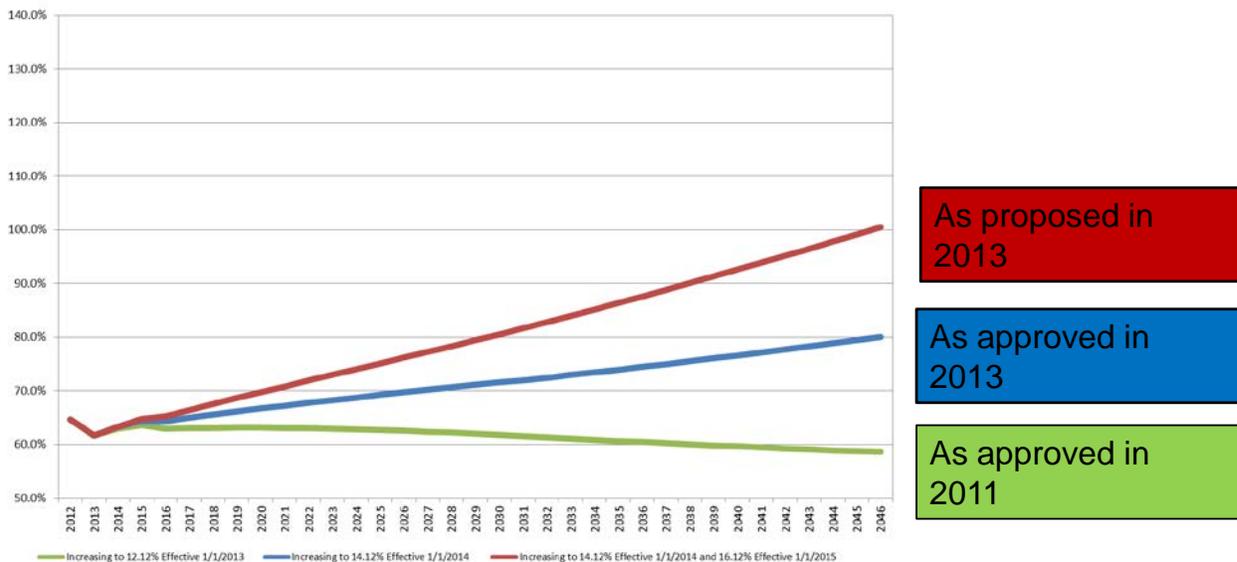
The third goal was not quite as clear for the main retirement plan as we considered how to move forward this last winter for 2015 based upon the information we had at that time. However for other retirement plans (Judges, Law Enforcement, Highway Patrol and National Guard) we determined not to go forward with the fourth year of the recovery.

Retirement Information from this last winter

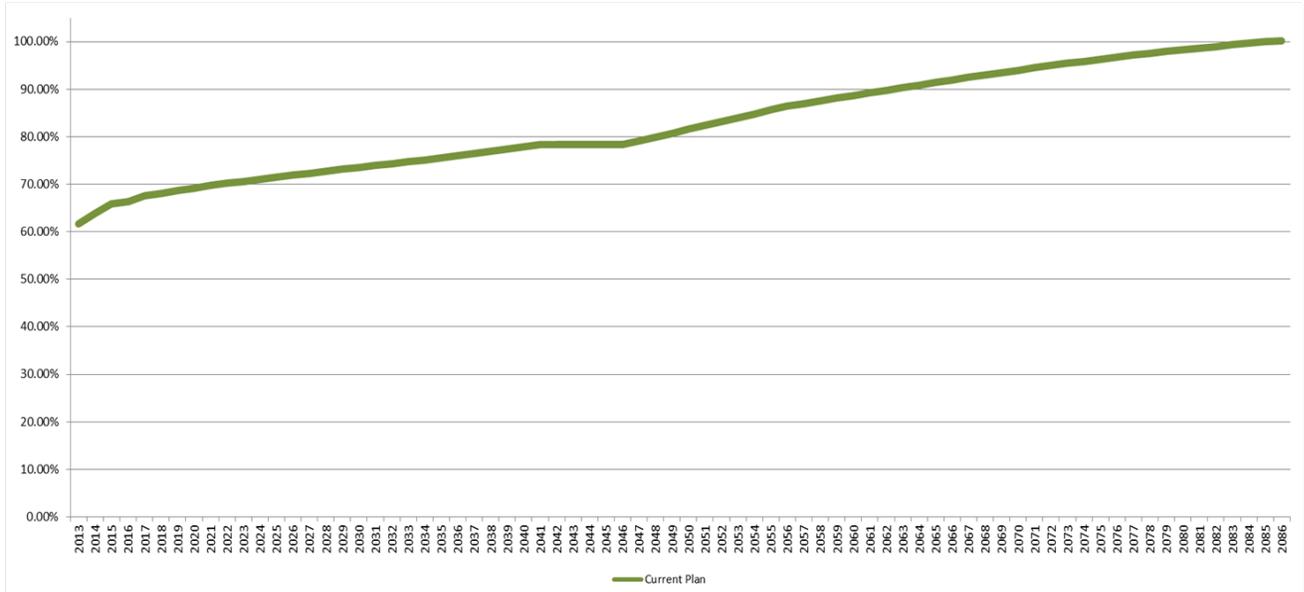
This last winter the following is the information we had concerning the main retirement plan. This shows that the adoption of the 3rd year of the recovery improved the funded status of the plan going forward increasing it 80% by 2046. However if the 4th year of the plan would have been adopted we would have been 100% funded in 2046.

2013 Considerations

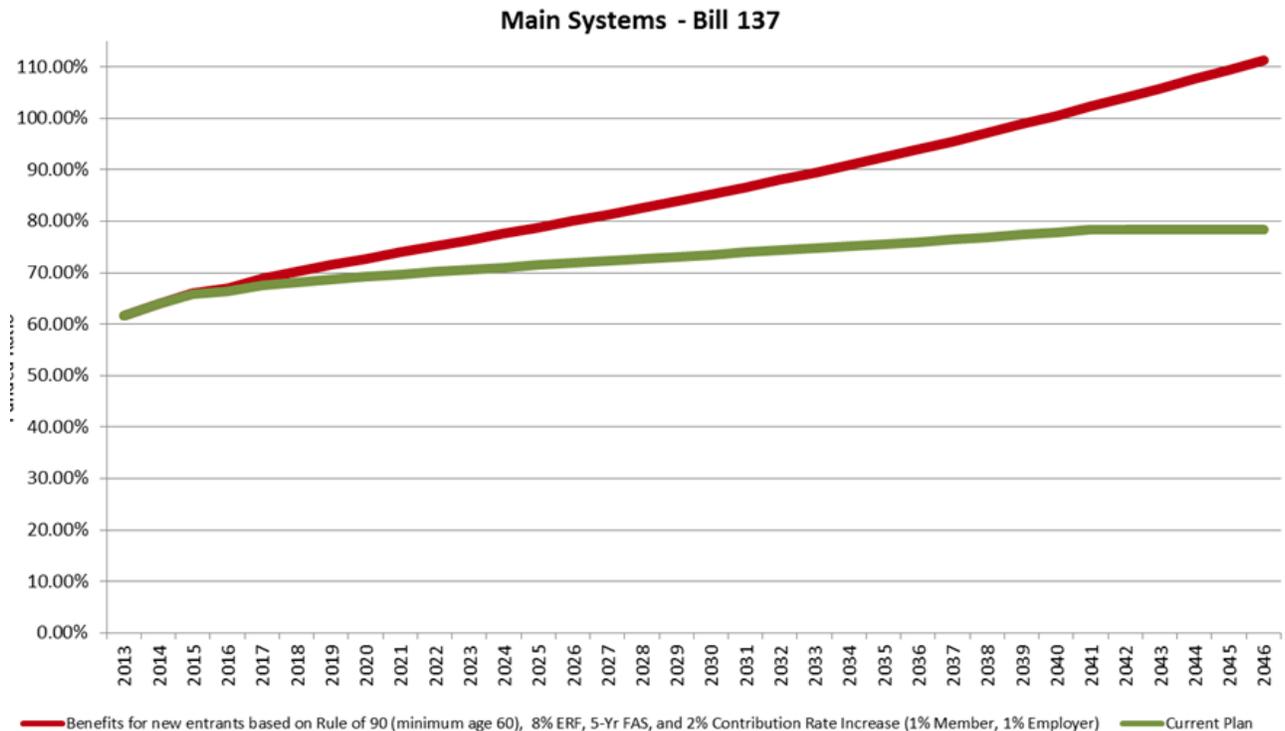
(projects assume DC plan option is funded in 2017 or not continued)



We also received additional information from Segal on when the plan would get to 100% with the 3rd year of the recovery passed but not the 4th year. The following table shows that at that time the projection was that it would be 2086 (72 years from now).



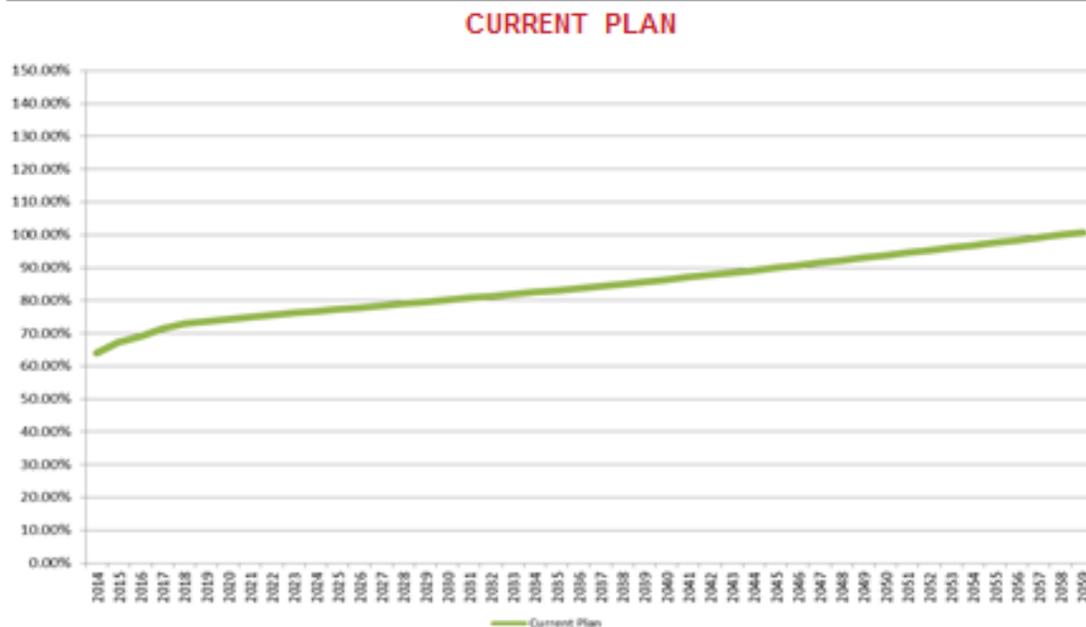
Based upon the amount of time needed to get to 100%, the Board decided this last winter to submit bill #137 for review. The information we reviewed at that time was that if that bill was to pass the plan would return to 100% funded status in 2041 (27 years).



New Retirement Information Based on 2014 Report

At our last meeting Segal presented the new actuarial information based upon the 2014 valuation. This last year we had a return of slightly over 16%. Our funded status improved to 77% at market value of assets and 64% at actuarial value. With that information, it was reported that if no changes were made to the plan it would return to 100% funded status in 2059 (27 years earlier than the information we reviewed this last winter).

Projected Funded Ratios (AVA Basis) – Main System



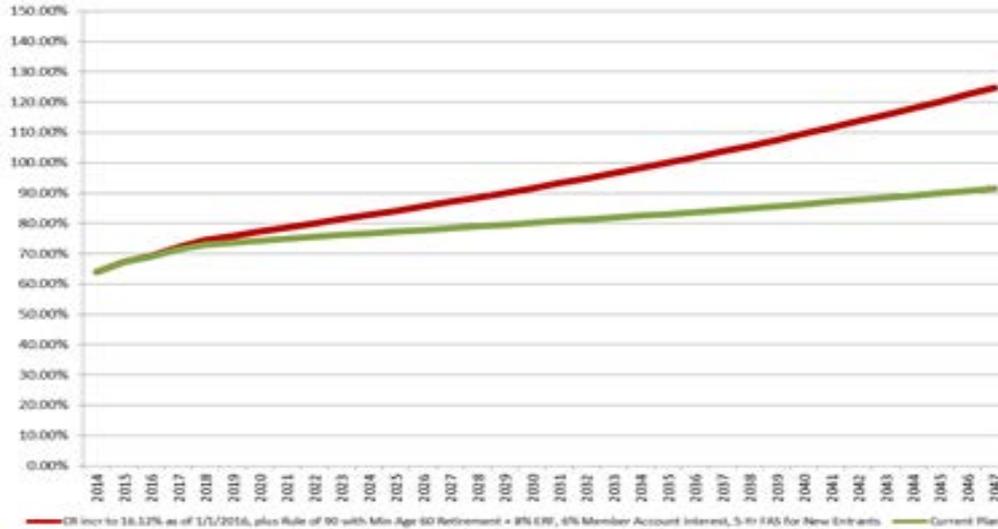
The current plan for Main System is expected to reach a 100% Funded Ratio in the year beginning July 1, 2059.

Segal Consulting 9

It was also noted that if the proposed bill was passed, the plan would return to 100% funded status in approximately 2036 (5 years earlier than we previously considered).

Projected Funded Ratios (AVA Basis) – Main System

RULE OF 90 WITH MINIMUM RETIREMENT AGE 60, 8%ERF, 5-YEAR FAS FOR NEW ENTRANTS AND 2% CONTRIB INCREASE ON JANUARY 1, 2016 (IN MILLIONS)



16

In summary, the difference in the numbers from last winter to now is:

	Last Winter	This Fall
Year plan fully funded with no change in contributions/benefits (actuarial value of assets)	2086	2059
Years to fully funded status based upon the above)	72	45
Year plan fully funded with no change in contributions/benefits (market value of assets)	2072	2045
Years to fully funded status based upon the above)	58	31
Year plan fully funded with changes in bill #137	2041	2036
Years to fully funded status	27	22

At market value of assets the plan will be fully funded in 2045 and at actuarial value in 2059 with no change in contributions/benefits (PERS bill 137). Our original goal in the recovery plan was to have the plan fully funded by 2046 at actuarial value. With these improvements

in the future funding status of the plan, I believe it can be argued that we have met the third goal of getting the plan on track back to 100%. If we agree we have accomplished that goal, then a new consideration would be if it should be sooner which primarily affects the employers/members. That is, if contribution rates are higher in the near term, then they could be lower later which would mean the total amount needed would be less since there would be more investment earnings. In this case the 2% increase in contributions to 2035 will cost \$632 million more over that period. When the plan hits 100% funded in 2035, the contribution could drop 4% netting a 2% savings (12.12%). When you run this 2% out to 2059 (when the plan would have been 100% funded with no changes), the savings is \$2.03 billion. The net savings is \$1.39 billion after subtracting the increase. We also know the cheapest cost would be a one time payment that would be about 163 million. Our past goal did not address getting the plan back on track to 100% at the lowest cost but rather was to only to get the trend line on a clear path back to 100%. That we have accomplished. If we want to add to our goal by having it sooner, we can do that or we can look to the employer for direction. One clear indicator of the employer's preference is the Governors Executive Budget which will indicate if it is funded or not. Another indicator is the LEBC which oversees the plan on behalf of the employers and employees. As of the most recent action, it did not get a favorable recommendation for the first time. Therefore, waiting for information relating to the Governor's action would be helpful in getting that perspective.

Considerations by LEBC and Others

Since this last winter, we have learned the following:

1. Unlike the previous recovery bills, this bill was unable to get a favorable recommendation from the Legislative Employee Benefits Committee.
2. Funding for this legislation was not recommended by the State Employee Compensation Commission.
3. Unlike the previous recovery bills, we are not confident that it will be included in the Executive Budget making it almost impossible to get during the session during the session and requiring hearings before 4 committees instead of 2.

We know that if wait until December 4th we will then know if the Governor recommends this in the executive budget.

We also know that the Government Finance Committee passed out a DC bill that would close the DB plan. The bill was referred by the LEBC to the actuary for a technical/actuarial review. While we have some actuarial information on the bill we do not have a full review. Waiting until the final report is in will give you an opportunity to consider that information as well as it relates to the DB/Hybrid plan.

If we wait until December 4th, we will have the opportunity to review the result of the final actuarial review of the DC Bill.

Conclusion & Staff Recommendation

Since many of the items above will be clarified by December 3rd, staff would recommend holding final action on this bill to December 4th. We could have a special Board meeting that day to consider how to go forward. However, the prefiling deadline is 5:00 pm that day so a decision would need to be made that day.

Board Action Requested

To take action on the proposed legislation relating to PERS.

Staff Recommendation

1. Bill # 137 – Hold action on this bill until December 4th.
2. Bill # 136 - Approve submitting the bill for consideration by the next session.
3. Bill #117 – Take a neutral position on the bill.
4. Bill #79 – Wait to the December 4th meeting at which time an updated technical/actuarial study will be available to review.
5. Bill #43 – take a neutral position on the bill.
6. Bill #139 – take a favorable position on the bill.

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Attachment 1

Tentative Agenda

EMPLOYEE BENEFITS PROGRAMS COMMITTEE

Wednesday, October 29, 2014
Harvest Room, State Capitol
Bismarck, North Dakota

9:00 a.m. Call to order
Roll call
Consideration of the minutes of the September 18, 2014, meeting
Comments by the Chairman

STATE INVESTMENT BOARD

9:05 a.m. Presentation by Mr. David J. Hunter, Chief Investment Officer and Executive Director, Retirement and Investment Office, regarding the investment allocations and investment strategies of the State Investment Board for the Public Employees Retirement System (PERS) fund and Teachers' Fund for Retirement (TFFR)

Committee discussion

Presentation by Mr. Hunter of actuarial information relating to the bill draft submitted to the committee which affects the State Investment Board

Bill Draft No. 135 modifies investment policies for and funds under the management of the State Investment Board [[15.0135.01000](#)]

Comments by interested persons

Committee discussion and directives

**TEACHERS' FUND FOR RETIREMENT AND
PUBLIC EMPLOYEES RETIREMENT SYSTEM**

9:50 a.m. Presentation by Mr. Matthew Strom, FSA, MAAA, EA, Consulting Actuary, The Segal Company, Chicago, Illinois, of the TFFR and PERS valuation process

Presentation by Mr. Strom of the July 1, 2014, actuarial valuation of TFFR

Presentation by Mr. Brad Ramirez, FSA, MAAA, FCA, EA, Consulting Actuary, The Segal Company, Greenwood Village, Colorado, of the July 1, 2014, actuarial valuation of the PERS main system, judges' retirement fund, National Guard retirement fund, Highway Patrolmen's retirement fund, and the retiree health benefits fund

Presentation by Mr. Strom and Mr. Ramirez regarding the new Governmental Accounting Standards Board (GASB) standards

Committee discussion

12:00 noon Luncheon recess

BILL DRAFTS

1:00 p.m. Committee consideration and receipt of technical comments and actuarial information relating to bill drafts submitted to the committee which affect, actuarially or otherwise, the retirement programs of state employees or employees of any political subdivision, and health and retiree health plans of state employees or employees of any political subdivision pursuant to North Dakota Century Code Section 54-35-02.4

Bill Drafts Nos. 176 and 189 and Resolution No. 10, recommended by the Employee Benefits Programs Committee, provide for state employee new hires to participate in a defined contribution retirement plan, closure of the current defined benefit program for state employee new hires, creation of the public employee retirement stabilization fund, and amending the Constitution of North Dakota to allow funding of existing or

anticipated unfunded benefit obligations of state retirement funds [[15.0176.04000](#)], [[15.0189.03000](#)], and [[15.3010.03000](#)]

Bill Draft No. 140 updates references to the Internal Revenue Code [[15.0140.02000](#)]

Bill Draft No. 136 updates references to the Internal Revenue Code and modifies the Highway Patrolmen's retirement fund and the PERS retirement benefits, health insurance plans, life insurance benefits, and employee assistance benefits coverage [[15.0136.03000](#)]

Bill Draft No. 137 increases employer and employee contributions under the PERS defined benefit and defined contribution plans, decreases employee contributions under PERS for peace officers employed by the Bureau of Criminal Investigation, and provides benefit changes for employees first enrolled after December 31, 2015 [[15.0137.02000](#)]

Bill Draft No. 117 provides a health insurance requirement to address coverage of cancer treatment medications [[15.0117.04000](#)]

Bill Draft No. 79 provides a health insurance mandate to provide parity in reimbursement for telemedicine services and provides for a cost-benefit analysis report [[15.0079.02000](#)]

Bill Draft No. 43 provides a three-month opportunity for employees in the defined contribution plan to opt to participate in the defined benefit plan [[15.0043.02000](#)]

Bill Draft No. 139 revises the retirement contribution law for National Guard security officers and repeals the law relating to National Guard firefighters [[15.0139.02000](#)]

Comments by interested persons

Committee discussion and directives

3:15 p.m.

Committee work

3:30 p.m.

Adjourn

NOTE: The committee may take a 10 to 15 minute break in the morning and in the afternoon. The committee may work into the lunch break.

Committee Members

Senators: Dick Dever (Chairman), Spencer Berry, Ralph Kilzer, Karen K. Krebsbach, David O'Connell, Connie Triplett

Representatives: Randy Boehning, Roger Brabandt, Jason Dockter, Jessica Haak, Scott Louser, Kenton Onstad, Don Vigesaa

Staff Contact: Jennifer S. N. Clark, Counsel



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October 17, 2014

Mr. Sparb Collins
Executive Director
State of North Dakota Public Employees' Retirement System
400 East Broadway, Suite 505
P.O. Box 1657
Bismarck, ND 58502

Re: **Technical Comments – Bill Draft No. 15.0043.02000**

Dear Sparb:

The following presents our analysis of the proposed changes found in draft Bill No. 15.0043.02000:

Systems Affected: North Dakota Public Employees Retirement System (PERS) Hybrid Plan

Summary: The proposed legislation would allow current active Defined Contribution (DC) participants the option to participate in the PERS Hybrid Plan. This election would take place during a three-calendar-month period beginning no later than February 1, 2016. Participants' Defined Contribution accumulated fund balances (less rollovers) would be transferred to the PERS Hybrid plan, and the participant would be credited with benefits as if they had always participated in the PERS Hybrid plan. The opportunity for DC Plan participants to participate in the Hybrid Plan is limited only to currently active employees with a participating employer whose DC Plan account balances are not subject to any court order, such as a qualified domestic relations order.

Actuarial Cost Analysis: This bill will have an actuarial cost impact on the Hybrid Plan. Due to the transfer of funds and the crediting of service, both the assets and the liabilities would increase as a result of the transfer.

It is difficult to predict which participants will elect to participate in the Hybrid Plan. However, previous analysis has concluded that for nearly all DC plan members, the account balance is less than the actuarial present value of comparable service under the Hybrid Plan. For this reason, we have previously assumed that 100% of DC participants will elect to transfer in this analysis.

Based upon analysis, the Unfunded Actuarial Accrued Liability (UAAL) for members as of July 1, 2014 would be \$40,506,274 offset by assets from the existing DC Plan of \$27,952,921. If this were to be amortized using the current 20 year policy of the PERS Plan for Main members, the required annual contribution would be \$876,102. In addition to this amortization amount, the annual employer Normal Cost (total Normal Cost less member contributions) would be \$625,374. This would result in an annual required employer contribution of \$1,501,476 on behalf of the DC Plan participants, which is approximately 8.5% of DC Plan participant payroll (a total of 15.5% of payroll including employee contributions). This is based on the projected annual payroll of \$17,575,003 for DC Plan members.

If these participants were allowed to enter the PERS plan and were subject to the same contributions as current PERS Main members, the resulting 14.12% of pay contribution would be approximately 1.38% of payroll less than actuarially required for these participants. Under the recommended 16.12% of contribution, the addition of these members would result in an actuarial gain to the System.

Technical Comments: Our comments on the bill are as follows:

General

Allowing participants to choose their type of benefit exposes the Hybrid Plan to antiselection risk. This is the risk that participants will behave in ways that will have the greatest cost impact to the Plan. Any analysis of provisions involving choice should consider this effect.

Benefits Policy Issues

> Adequacy of Retirement Benefits

To the extent that Defined Contribution members elect a Hybrid Plan benefit that has a greater value than their current account balance, the bill will improve benefit adequacy for this group of employees.

> Benefits Equity and Group Integrity

To the extent that Defined Contribution members elect a Hybrid Plan benefit and receive a similar benefit to similarly situated Hybrid Plan participants, the bill will improve benefit equity and group integrity.

> Competitiveness

No impact.

> Purchasing Power Retention

To the extent that Defined Contribution members elect a Hybrid Plan benefit that has a greater value than their current account balance, the bill will improve purchasing power for this group of employees.

> Preservation of Benefits

No impact.

> Portability

No impact.

> Ancillary Benefits

- *Death and Disability Benefits:* The DC plan does not provide additional death and disability benefits outside of payment of the participant's account balance. To the extent that Defined Contribution members elect to participate in the Hybrid Plan, these employees will receive additional death and disability benefits.
- *Social Security:* No impact.

Funding Policy Issues

> Actuarial Impacts

This bill would have an actuarial impact on the Hybrid Plan as discussed above.

> Investment Impacts

- *Cash Flow:* The Hybrid Plan will receive increased funds as a result of the bill. These will come from the initial transfer of DC account balances and the ongoing contributions for transfers. Additional benefit payments will also be expected to be paid as a result of the granting benefits to former Defined Contribution participants.
- *Asset Allocation:* Because the bill would affect a relatively small portion of the Hybrid Plan's employees, the bill is not expected to create new investment asset allocation issues.

Administration Issues

> Implementation Issues

This bill would present implementation issues for the PERS. The bill specifies that the Board shall determine the method by which a participating member may make a written election. System staff would be responsible for notifying the affected members and processing the

forms in accordance with the bill. The provision that the spousal signature requirement may be waived in extenuating circumstances will require that the Board or System staff make determinations in those cases.

In addition, for employees who purchased service in the Hybrid Plan, then transferred to the Defined Contribution Plan and now transfer back to the Hybrid Plan under this bill, it is unclear how future service purchases would be handled. It may be necessary for PERS to verify that any requests for future service purchases by such employees do not violate permissive service credit purchasing limits under Internal Revenue Code section 415(n) or the Hybrid Plan's own rules limiting service credit purchases.

➤ Administrative Costs

The bill would have an impact on the administrative resources of the PERS in addressing the implementation issues discussed above.

➤ Needed Authority

The bill appears to provide appropriate levels of administrative and governance authority to the PERS Board to implement the mandated changes.

➤ Integration

No impact.

➤ Employee Communications

The PERS would need to notify the affected participants of their option to elect under the bill. It may also be appropriate for the PERS to assist participants in making this election by estimating the value of benefits under the Hybrid Plan on an individual basis. It may be necessary to create a system to perform these calculations.

➤ Compliance Issues

Pursuant to Internal Revenue Code section 415 and the regulations thereunder, annuity benefits attributable to a plan-to-plan transfer are not subject to annual benefit dollar limitations. However, it is our understanding that this exception only applies to the extent that the actuarial value of the service credited from the transfer is not greater than the amount of the asset transfer. Thus, it appears that actuarial value of the service credited which exceeds the value of the assets transferred for any individual will be subject to the Code section 415(b) annual benefit limit. For DC Plan participants who transfer to the Hybrid Plan and then retire with less than ten years of participation in the Hybrid Plan, their annual benefit may be limited to the extent that this excess annuity value (when added to subsequently earned Hybrid Plan benefit) is greater than the prorated annual benefit limitation. Thus, it may be advisable for PERS to test the Code section 415(b) limit applicable to individual participants who retire from the Hybrid Plan within 10 years of transferring from the DC Plan under this bill.

> Miscellaneous and Drafting Issues

The language in this bill indicates that DC Plan participants who elect to transfer to the Hybrid Plan waive all rights to the DC Plan account balance. It is unclear whether this includes the right to the value of mandatory employee contributions, since employee contributions under the Hybrid Plan are immediately vested. Thus, you may wish to consider communicating that transferring participants retain their rights to receive mandatory employee contribution amounts after the transfer, regardless of vesting status under the Hybrid Plan, in the notice to participants of the option to transfer.

The information contained in this letter is provided within our role as the plan's actuary and benefits consultant and is not intended to provide tax or legal advice. We recommend that you address all issues described herein with your legal counsel. The calculations summarized were prepared under the supervision of Tammy F. Dixon, FSA, EA, MAAA. Please call if you have any questions or comments.

Sincerely,



Brad Ramirez, FSA, MAAA, FCA, EA
Vice President and Consulting Actuary

Sincerely,



Melanie Walker, JD
Vice President

/csw

cc: Tammy Dixon
Laura Mitchell



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Memo

Date: September 12, 2014
To: Sparb Collins
From: Josh Johnson and Pat Pechacek
Subject: REVIEW OF PROPOSED BILL 15.0079.02000 RELATING TO INSURANCE COVERAGE OF TELEMEDICINE.

The following summarizes our review of the proposed legislation and the preliminary response from Blue Cross Blue Shield (BCBS).

OVERVIEW OF PROPOSED BILL

As proposed, this bill would require the medical benefits coverage of services provided by a health care provider by means of telemedicine which are the same as medical benefits coverage for the same services provided by a health care provider in-person.

EXPECTED FINANCIAL IMPACT

There are many different ways and mediums by which telemedicine is delivered today and there will likely continue to be additional advances in this regard. The current NDPERS medical benefits cover healthcare facility based services from provider to members, and BCBS has therefore stated that there would be no cost impact if the coverage parameters are not changed. However, BCBS has stated that if the intent is to expand coverage of telemedicine mediums other than what is currently covered, there may be additional cost to the plan. Telemedicine providers claim impressive returns on investment, however, the equipment can be expensive. Therefore the services and mediums by which telemedicine is delivered need to be specifically considered and defined in the plan.

TECHNICAL COMMENTS

As stated above, we recommend that coverage of any expanded telemedicine coverage be reviewed with BCBS to evaluate the administrative, clinical, and cost implications.



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Memo

Date: October 27, 2014
To: Sparb Collins
From: Josh Johnson and Pat Pechacek
Subject: REVIEW OF PROPOSED BILL 15.0117.02000 RELATING TO INSURANCE
COVERAGE OF CANCER TREATMENT MEDICATIONS

The following summarizes our review of the proposed legislation and the preliminary response from Blue Cross Blue Shield (BCBS).

OVERVIEW OF PROPOSED BILL

As proposed, this bill would require that member cost sharing (copays, deductibles, or coinsurance) for cancer medications administered by the patient either orally or by self-injection not exceed member cost sharing for cancer medications administered by a health care provider.

EXPECTED FINANCIAL IMPACT

Injectable medications are more commonly administered by health care providers which can entail charges for the visit in addition to the cost of the medication itself. Because of this, our initial thought was that it may cost the plan less if injectable medications are patient administered.

However, upon further investigation by BCBS, they have determined that the most common and accurate way to administer parity on the medical and pharmacy benefit components is to administer both with no member cost sharing for the applicable cancer medications. They estimate the potential cost to the plan of the lost member cost sharing to be approximately \$300,000 annually assuming no change in utilization from current levels. The richer benefit and removal of any utilization management or cost differential for different medications could have an impact on utilization as well which could increase costs further.

TECHNICAL COMMENTS

As mentioned above, BCBS has determined that the easiest and most accurate way to administer parity would be to have zero member cost sharing for cancer medications through the pharmacy and medical benefits. BCBS stated that different cost sharing provisions could

To: Sparb Collins

Subject: REVIEW OF PROPOSED BILL 15.0117.02000

Date: October 27, 2014

Page 2

be applied, but the resulting cost estimates would have higher variability as they depend on how existing medical and pharmacy accumulators are coordinated. There is also concern as to the administrative complexity of administering cost-sharing equally from a medical and pharmacy benefit perspective if it is set at something other than zero member cost. In addition, changes to any benefit parameters may cause the loss of grandfathered status per ACA regulations.



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October 28, 2014

Mr. Sparb Collins
Executive Director
State of North Dakota Public Employees' Retirement System
400 East Broadway, Suite 505
P.O. Box 1657
Bismarck, ND 58502

Re: **Technical Comments – Bill Draft No. 15.0136.03000**

Dear Sparb:

The following presents our analysis of the proposed changes found in draft Bill No. 15.0136.01000:

Systems Affected: North Dakota Public Employees Retirement System (PERS) Hybrid Plan, Highway Patrolmen's Retirement System (HPRS) and Defined Contribution Plan (DCP)

Summary: The proposed legislation would make the following important changes:

- > Revises the definition of "salary" in the HPRS to exclude expense allowances.
- > Automatically updates federal compliance provisions of the Hybrid Plan, HPRS and DCP regarding Internal Revenue Code sections 401(a)(17), 401(a)(9), 401(a)(31), 415(b) and (d), and 402(c)(4), as such sections are amended, in North Dakota Century Code (NDCC) sections 39-03.1-11.2 and 54-52-28 and 54-52.6-21..
- > Updates federal compliance provisions for qualified military service in the Hybrid Plan, HPRS and DCP to comply with required amendments under the Heroes Earnings Assistance and Tax Relief Act of 2008 (HEART Act) in NDCC sections 54-52-17.14, 39-03.1-10.3 and 54-52.6-09.4.
- > Requires that employees of participating political subdivisions be enrolled in the Hybrid Plan within the first month of eligible employment and that retirees returning to work must reenroll in the Plan or permanently waive future participation in the Plan within the first month of reemployment.

- > Provides clarifying language regarding determination of final average salary for participants in the HPRS and temporary employees in the Hybrid Plan.
- > Provides clarifying language indicating that the three eligible years of employment required to reach normal retirement date for a national guard security officer or firefighter, a peace officer or correctional officer does not have to be earned in that specific job classification.

Actuarial Cost Analysis: This bill would not have a significant actuarial cost impact on the Hybrid Plan or the Highway Patrolmen's Retirement System.

Technical Comments: Our comments on the bill are as follows:

General

The bill would generally clarify existing statutory provisions to more accurately reflect actual operations of the Systems or to make the terms of the plans under the Systems more consistent with each other. In addition, the bill automatically updates the provisions of the plans to comply with current Internal Revenue Code rules for qualified plans, as those rules are amended. The provisions of this bill do not appear to directly or significantly impact the benefits payable from the Hybrid Plan or HPRS.

Our review and analysis of this bill does not include provisions relating to the uniform group insurance program in NDCC chapter 54-52.1.

Benefits Policy Issues

- > Adequacy of Retirement Benefits
No impact.
- > Benefits Equity and Group Integrity
No impact.
- > Competitiveness
No impact.
- > Purchasing Power Retention
No impact.
- > Preservation of Benefits
No impact.

> Portability

No impact.

> Ancillary Benefits

- No impact.
- *Social Security*: No impact.

Funding Policy Issues

> Actuarial Impacts

This bill would have no material actuarial impact on the Hybrid Plan or the Highway Patrolmen's Retirement System.

> Investment Impacts

- *Cash Flow*: No impact.
- *Asset Allocation*: The bill would not create new investment asset allocation issues.

Administration Issues

> Implementation Issues

This bill would not present any significant implementation issues for the PERS.

> Administrative Costs

The bill would have no impact on the administrative resources of the PERS.

> Needed Authority

The bill appears to provide appropriate levels of administrative and governance authority to the PERS Board to implement the changes made by the bill.

> Integration

No impact.

> Employee Communications

The PERS may need to update employee communications material to indicate that new eligible employees must be enrolled in the Hybrid Plan within the first month of employment.

> Compliance Issues

The bill amends various sections of the North Dakota Century Code, chapters 54-52.6, 39-03.1 and 54-52 to change references under Internal Revenue Code sections 401(a)(9), 401(a)(17), 401(a)(31), 415(b) and (d), and 402(c)(4) from the Code language in effect on August 1, 2013 to instead be automatically updated as those Code sections are amended. No material changes have been made to these Internal Revenue Code sections since August 1, 2013, other than the statutory indexing of dollar amounts set forth in Code sections 401(a)(17) and 415(b).

It is our understanding that external legal counsel reviewed your statutes to determine whether any changes were necessary to comply with the Supreme Court ruling in *United States v. Windsor* relating to same-gender marriage and the definition of spouse for purposes of federal tax laws, and advised that revising the Internal Revenue Code references to be automatically updated as the Code sections are amended was sufficient for this purpose. Pursuant to IRS Notice 2014-19, any plan amendment necessary to comply with the *Windsor* decision must be effective June 26, 2013 (unless an earlier effective date is selected), and governmental plans must be amended no later than the close of the first legislative session of the legislative body with the authority to amend the plan that ends after December 31, 2014. The IRS Notice suggests that, even if a plan amendment is not required, a clarifying amendment may help ensure proper plan operations in the future.

> Miscellaneous and Drafting Issues

None.

The information contained in this letter is provided within our role as the plan's actuary and benefits consultant and is not intended to provide tax or legal advice. We recommend that you address all issues described herein with your legal counsel. Please call if you have any questions or comments.

Sincerely,



Brad Ramirez, FSA, MAAA, FCA, EA
Vice President and Consulting Actuary

Sincerely,



Melanie Walker, JD
Vice President

/cz

cc: Tammy Dixon
Laura Mitchell



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Memo

Date: October 27, 2014
To: Sparb Collins, Executive Director NDPERS
From: Josh Johnson and Pat Pechacek
Subject: REVIEW OF PROPOSED BILL 15.0136.03000 SECTIONS 8, 9, 10 AND 11

Deloitte Consulting was asked to review sections 8 through 11 of proposed bill 15.0136.0300 specifically to provide our opinion as to whether the proposed changes will have any actuarial cost impact. We reviewed the applicable sections of the proposed bill and discussed with NDPERS staff. The following summarizes our understanding of each section's proposed changes and the potential for actuarial cost impact.

Section 8

The purpose of this amendment is to allow automatic enrollment of eligible individuals into the employer paid basic life and employee assistance programs. In discussions with NDPERS staff, it was confirmed that this amendment will not increase enrollment in either benefit program or otherwise change the underlying demographics of plan enrollment. Due to this, we would not expect any impact on program cost or experience as a result of the amendment.

Section 9

The purpose of this amendment is to clarify that only those political subdivisions large enough to be eligible to join the group under federal ACA regulations can do so. We would not anticipate any material actuarial impact due to this clarification.

Section 10

The purpose of this amendment is to clarify temporary employee eligibility due to the delay in the enforcement of the shared responsibility penalties of the federal ACA regulations (i.e. change the eligibility date from 12/31/13 to 12/31/14). We do not anticipate any actuarial impact due to this change. We would refer you to the draft letter provided by Robert Davis of Deloitte Consulting in August of 2013 for further analysis of this proposed amendment.

To: Sparb Collins
Subject: REVIEW OF PROPOSED BILL 15.0136.01000
Date: October 27, 2014
Page 2

Section 11

The intent of this amendment is to clarify that if a political subdivision wants to offer the HDHP, they cannot also offer the PPO/Basic plan to their employees. After discussions with NDPERS staff we understand the reasoning behind this amendment to be to avoid ACA and administrative issues with a political subdivision potentially offering the non-grandfathered HDHP along with the grandfathered PPO/Basic plan. We would not anticipate any material actuarial impact due to this requirement.



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October 16, 2014

Mr. Sparb Collins
Executive Director
State of North Dakota Public Employees' Retirement System
400 East Broadway, Suite 505
P.O. Box 1657
Bismarck, ND 58502

Re: **Technical Comments – Bill Draft No. 15.0137.02000**

Dear Sparb:

The following presents our analysis of the proposed changes found in draft Bill No. 15.0137.02000:

Systems Affected: North Dakota Public Employees Retirement System (PERS) Hybrid Plan and Defined Contribution Plan

Summary: The proposed legislation would increase both the employer contribution rates and the member contribution rates that are mandated by statute in the Hybrid Plan (Main only) and Defined Contribution Plan by 1% of the member's monthly salary beginning January 2016. The bill would also adjust member contribution rates for the following groups:

- Peace officers in the Hybrid Plan employed by the State bureau of criminal investigation, for which member contributions would *decrease* by 0.5% of monthly salary, rather than increase. While not part of the draft bill, we have assumed the employer contributions will not decrease in 2016 unless approved by the PERS board; and
- Temporary employees in the Hybrid Plan and Defined Contribution Plan, for which the member contribution rate would increase by 2% of monthly salary in 2016, instead of 1%.

The proposed legislation would also make the following benefit modifications for Hybrid Plan members (except for National Guard security officers, peace officers or correctional officers employed by the Bureau of Criminal Investigation or by a political subdivision, or a Supreme Court or district court judge) first enrolled after December 31, 2015:

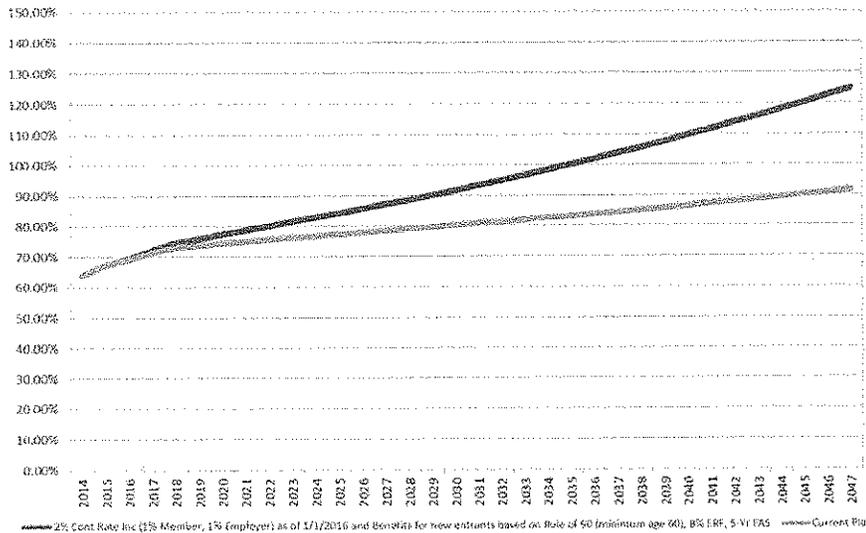
- Final average salary would be based on the five highest periods of twelve consecutive months employed during the last one hundred eighty months immediately preceding

retirement, excluding months without earnings. Currently, final average salary is based on the highest salary for any thirty six months employed within the last one hundred eighty months of employment, with no requirement for any months to be consecutive; and

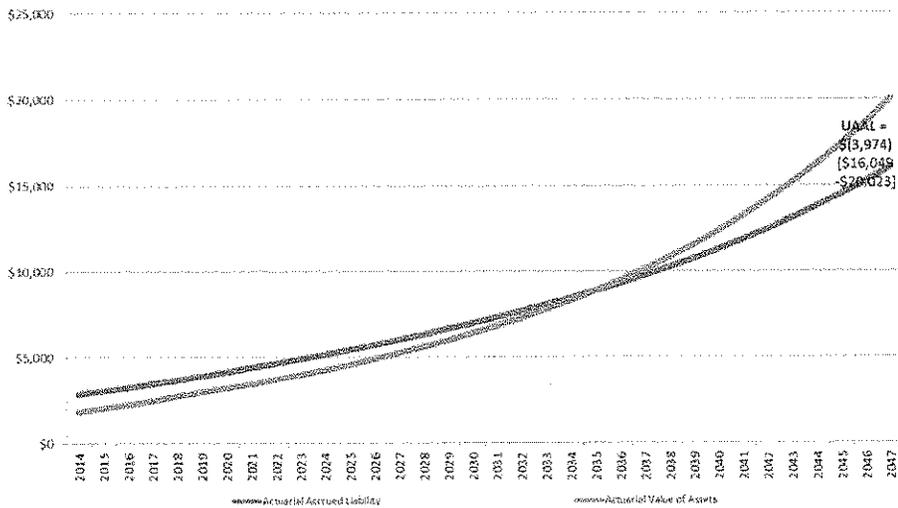
- The minimum age at which unreduced benefits could begin (normal retirement date) would be increased to a combined total of years of service credit and years of age equal to ninety where member is at least sixty years old (Rule of 90). Currently, normal retirement age requires attaining a Rule of 85 with no minimum age; and
- The early retirement reduction would be changed from an actuarial reduction to account for benefit payment prior to normal retirement date to a fixed rate of eight percent per year benefit payments begin prior to normal retirement date.

Actuarial Cost Analysis:

This bill would positively affect the current funding level of the Hybrid Plan. To illustrate the effect, the funded ratios (Actuarial Value of Assets compared to Actuarial Accrued Liability) for the Main System are compared in the graph below for the current plan of benefits (green line) and the proposed changes (red line). We have assumed an 8% market value return for all years.



To further illustrate the impact, the graph below shows that the Main System is projected to have an Actuarial Value of Assets (green line) in excess of the Actuarial Accrued Liability (blue line) by July 1, 2035.



Technical Comments: Our comments on the bill are as follows:

General

The bill would significantly increase funding to the Systems in the form of additional employer and member contributions.

The changes applicable to new members enrolled after December 31, 2015 would not provide immediate costs savings but would be realized over a period of years as new members replace those currently in the System. The cost savings would be very gradual and would be expected to take over 30 years to completely take effect.

Benefits Policy Issues

> Adequacy of Retirement Benefits

The increase in member and employer contributions would have no impact on retirement benefits for existing members in the Hybrid Plan. The additional contributions to the Defined Contribution Plan will provide additional retirement income to members of that Plan.

For new members enrolled after December 31, 2015, the changes in final average salary, normal retirement date and early retirement reduction would have the effect of reducing the overall adequacy of retirement benefits as compared to existing members. Such effect will vary based on the individual experience of the member.

> Benefits Equity and Group Integrity

To the extent decreased member contributions raises the take-home pay of members, this bill would rebalance salary equity between peace officers/correctional officers employed by political subdivisions and peace officers employed by the State Bureau of Criminal

Investigation, so that members in both groups will be required to make contributions equal to 5.5% of pay effective in 2016. Currently, peace officers/correctional officers employed by political subdivisions make member contributions equal to 5.5% of pay, while peace officers employed by the State Bureau of Criminal Investigation make member contributions equal to 6% of pay.

For new members enrolled after December 31, 2015, the changes in final average salary, normal retirement date and early retirement reduction would have the effect of reducing the overall equity of retirement benefits as compared to existing members. This means that a new employee working in the same position with similar job duties as a current employee would be paying the same member contributions but accruing less valuable retirement benefits.

> Competitiveness

To the extent increased member contributions reduce the take-home pay of members without a resulting increase in pension benefits under the Hybrid Plan, this bill may diminish the total compensation package offered by participating employers in the System.

Similarly, due to the changes to final average salary, normal retirement date and early retirement reductions under this bill, new members enrolled after December 31, 2015 would receive a lower compensation package than is currently offered by participating employers in the System.

> Purchasing Power Retention

No impact.

> Preservation of Benefits

Increased funding to the System in the form of additional employer and member contributions will reduce the unfunded actuarial accrued liability of the System at a faster rate than currently projected. By requiring additional funding the bill would help preserve the value of benefits from the System for several years.

> Portability

The additional member contributions to the Defined Contribution plan would be fully portable as are the existing member contributions.

> Ancillary Benefits

- No impact.
- Social Security: No impact.

Funding Policy Issues

> Actuarial Impacts

As previously noted, the bill will have a positive actuarial impact on the Hybrid Plan.

> Investment Impacts

- Cash Flow: The bill would have a positive impact on cash flow.
- Asset Allocation: The bill does not create new investment asset allocation issues.

Administration Issues

> Implementation Issues

This bill would have an impact on administrative costs of the PERS as new benefit structures would be added for new employees. It would also have an effect on the members and participating employers, since their required contributions would increase.

In addition, pursuant to rules under Internal Revenue Code section 414(h), participating employers (including the State) would be required to take formal, written action to elect to pick up the increased (or decreased) member contribution amounts for 2016, in order for such contributions to be made on a pre-tax basis.

> Administrative Costs

No impact.

> Needed Authority

The bill appears to provide appropriate levels of administrative and governance authority to the PERS Board to implement the changes made by the bill.

> Integration

No impact.

> Employee Communications

Employee communications will be necessary to describe the impact of increased (or decreased) member contributions on employee pay.

Employee communications provided to new members (e.g., member handbooks) will need to be updated to describe the benefit modifications to final average salary, normal retirement date and early retirement reductions.

> Miscellaneous and Drafting Issues

Since this bill would increase member contribution rates, participating employers (including the State) would need to determine whether they can pay for the increased member contributions from their own funds as a salary supplement or would reduce members' current or future salary, while also paying an increased employer contribution rate. Any participating employer that decides to reduce members' salary to pay for the increased level of member contributions must pay and report FICA taxes on the member contribution amounts made via salary reduction.

The projections were made using generally accepted actuarial practices and are based on the July 1, 2014 actuarial valuation. Calculations were completed under the supervision of Tammy Dixon, FSA, MAAA, EA.

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

The information contained in this letter is provided within our role as the plan's actuary and benefits consultant and is not intended to provide tax or legal advice. We recommend that you address all issues described herein with your legal counsel. Please call if you have any questions or comments.

Sincerely,



Brad Ramirez, FSA, MAAA, FCA, EA
Vice President and Consulting Actuary

Sincerely,



Melanie Walker, JD
Vice President

/cz

cc: Tammy Dixon
Laura Mitchell



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October 16, 2014

Mr. Sparb Collins, Executive Director
State of North Dakota Public Employees' Retirement System
400 East Broadway, Suite 505
P.O. Box 1657
Bismarck, ND 58502

Re: **Technical Comments – Bill Draft No. 15.0139.02000**

Dear Sparb:

The following presents our analysis of the proposed changes found in Bill Draft No. 15.0139.0020:

Systems Affected: North Dakota Public Employees Retirement System (Hybrid Plan)

Summary: The proposed legislation would align the contribution structure of both member and employer contributions for security officers and firefighters employed by the National Guard with the contribution structure for law enforcement with prior main service members. In addition, the bill would also add Rule of 85 eligibility for normal retirement benefits to National Guard security officers and firefighters.

Actuarial Cost Analysis: The proposed legislation would not have a material impact on the overall actuarial cost of the Hybrid Plan. If assets are transferred between cost groups as a result of the bill, the cost rates associated with those groups could change as discussed below.

Technical Comments: Our comments on the bill are as follows:

General

The Hybrid Plan provides very similar levels of benefits to National Guard security officers, firefighters, and law enforcement with prior main service members including the benefit accrual formula (2% of final average salary times years of service), death benefits, and optional forms of retirement benefits. By aligning the contribution structure of both member and employer contributions for security officers and firefighters employed by the National Guard with the contribution structure for law enforcement plan with prior main service members, National Guard security officers and firefighters would experience an increase in required member contributions from 4.5% of monthly salary to 6.0% of monthly salary in 2015 and then to 5.5%

of monthly salary in 2016 . We assume the employer contribution rate for National Guard security officers and firefighters will be identical to the employer contribution rate for law enforcement with prior main service members, as approved by the PERS board. Thus, the National Guard's employer contribution rate may also increase under this bill (from 7.00% to 9.81%).

Benefits Policy Issues

➤ Adequacy of Retirement Benefits

No impact.

➤ Benefits Equity and Group Integrity

Under the bill, National Guard security officers and firefighters would pay the same member contributions as law enforcement with prior main service members would become eligible to retire under the Rule of 85.

➤ Competitiveness

No impact.

➤ Purchasing Power Retention

No impact.

➤ Preservation of Benefits

Increased funding to the System in the form of additional member contributions from National Guard security officers and firefighters provides additional funds to pay down the unfunded actuarial accrued liability of the System at a faster rate. By setting up this additional funding mechanism it will help preserve the value of benefits from the System for future years.

➤ Portability

No impact.

➤ Ancillary Benefits

◆ No impact.

◆ Social Security: No impact.

Funding Policy Issues

> Actuarial Impacts

Given that the National Guard participants have similar same ages, service and salaries as the Law Enforcement with Prior Main Service participants, the bill does not create a material change in actuarial costs. The July 1, 2014 actuarial valuation shows the following information.

	National Guard	Law Enforcement with Prior Main Service
Average age	37.6	38.3
Average service credits	6.6	7.0
Average compensation	\$44,388	\$53,939
Total normal cost	10.30% of pay	10.62% of pay
Member contribution	4.50%	5.50%
Employer normal cost	5.80%	5.12%

> Investment Impacts

- ◆ Asset Allocation: The bill does not create new investment asset allocation issues.
- ◆ Cash Flow Impacts: The bill will create additional cash flow to the System.

Administration Issues

> Implementation Issues

Pursuant to rules under Internal Revenue Code section 414(h), the National Guard would be required to take formal, written action to elect to pick up the increased member contribution amounts, in order for such contributions to be made on a pre-tax basis.

> Administrative Costs

The bill will have minimal effect on administrative resources.

> Needed Authority

The bill appears to provide appropriate levels of administrative and governance authority to the PERS Board to implement the changes made by the bill.

> Cross Impact on Other Plans

No impact.

> Employee Communications

Employee communications may be necessary to describe the impact of increased member contributions on pay to National Guard security officers and firefighters.

> Miscellaneous and Drafting Issues

Since this bill would increase member contribution rates for security officers and firefighters, the National Guard would need to determine whether they can pay for the increased member contributions from their own funds as a salary supplement or would reduce members' current or future salary, while also perhaps paying an increased employer contribution rate. If the National Guard decides to reduce members' salary to pay for the increased level of member contributions, they must pay and report FICA taxes on the member contribution amounts made via salary reduction.

Although North Dakota Century Code (NDCC) section 54-52-06.2 indicates that both National Guard security officers and firefighters will participate under NDCC section 54-52-06.4, the bill does not amend NDCC section 54-52-06.4 to include firefighters in the section title or substantive language describing employee contributions or with other references to security officers in this section.

The actuarial results summarized herein are based on the actuarial valuation as of July 1, 2013, which was completed under the supervision of Tammy Dixon, FSA, MAAA, EA.

The information contained in this letter is provided within our role as the plan's actuary and benefits consultant and is not intended to provide tax or legal advice. We recommend that you address all issues described herein with your legal counsel. Please call if you have any questions or comments.

Sincerely,



Brad Ramirez, FSA, MAAA, FCA, EA
Vice President and Consulting Actuary

Sincerely,



Melanie Walker, JD
Vice President

/cz

cc: Tammy Dixon
Laura Mitchell



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Public Employees Retirement System**
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Memorandum

TO: NDPERS Board

FROM: Sparb

DATE: November 12, 2014

SUBJECT: NDPERS Web Site Request for Proposal

Included for your review and approval is the Request for Proposal (RFP) soliciting offers for assistance in developing a new web site and social media connection for the North Dakota Public Employees Retirement System.

NDPERS is requesting funding in its budget for the 2015-17 biennium in the amount of \$60,000. As we previously discussed, our goal was to put this RFP out to market so we could get back cost estimates that would confirm that estimate. Therefore, it was our intent to select a successful vendor by the end of January but will not be able to award the contract until after full legislative/Governors consideration is complete, which will be the end of April.

Jan has reviewed the Agreement for Services and her recommendations have been incorporated into the RFP.

The following is a sequence of activities for this RFP:

December 4, 2014	RFP for consultant services issued
December 12, 2014	Questions to RFP due
December 18, 2014	Responses to questions posted
January 2, 2015	Consultant proposals due at NDPERS office no later than 5:00 p.m. Central Standard Time.
April 30, 2015	NDPERS Board selects consultant no later than this date

BOARD ACTION REQUESTED

REQUEST FOR PROPOSAL

NDPERS Web Development & Social Media Deployment

Prepared by:

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

**Request for Proposals
Table of Contents**

Section I – Introduction 3

Section II – Web Development & Social Media..... 13

Section III – Information Requests..... 21

Section IV – Fees/Hours..... 23

Section V – Submission of Proposal..... 25

Section VI – Agreement for Services..... 26

Section VII – Review Procedures 32

Section I. Introduction

Request:

This Request for Proposal (RFP) is soliciting offers for assistance in developing a new web site and social media connection for the North Dakota Public Employees Retirement System (NDPERS).

The following is a sequence of activities for this RFP:

December 4, 2014	RFP for consultant services issued
December 12, 2014	Questions to RFP due
December 18, 2014	Responses to questions posted
January 9, 2015	Consultant proposals due at NDPERS office no later than 5:00 p.m. Central Standard Time.
May 29, 2015	NDPERS Board selects consultant no later than this date

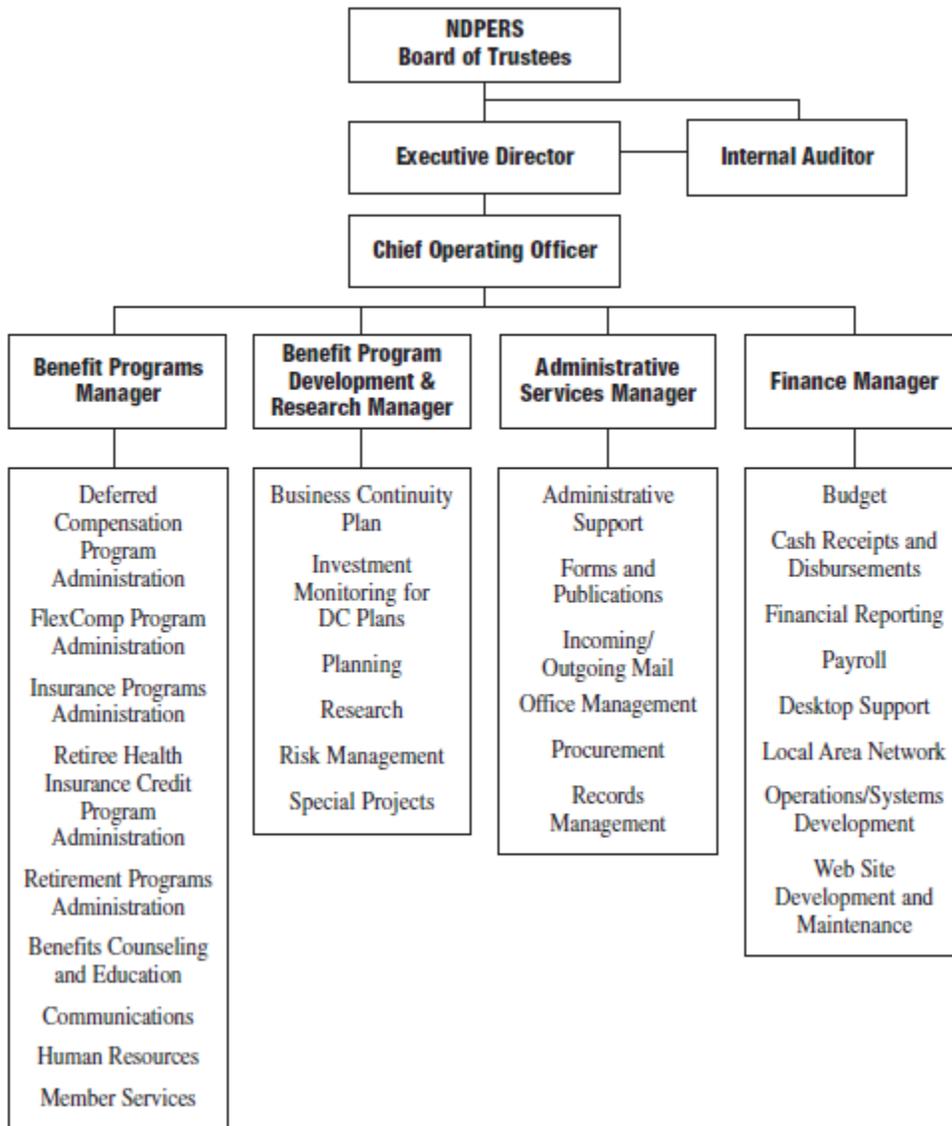
NDPERS is requesting funding for this project as part of the agency's budget for the 2015-17 biennium, which must be approved by the Governor and Legislative Assembly during the 2015 legislative session. Therefore, the award of this contract is contingent upon receiving the necessary appropriation authority for this project. If funding is approved, the contract will be awarded in May 2015, with work scheduled to begin after July 1, 2015.

Agency Overview

NDPERS is governed by a Board composed of the following members:

Chair (appointed by Governor)	Jon Strinden
Appointed by Attorney General	Tom Trenbeath
State Health Officer or Deputy	Arvy Smith
Active, Elected	Kim Wassim
Active, Elected	Casey Goodhouse
Active, Elected	Mike Sandal
Retired, Elected	Yvonne Smith

Administratively NDPERS is organized as illustrated:



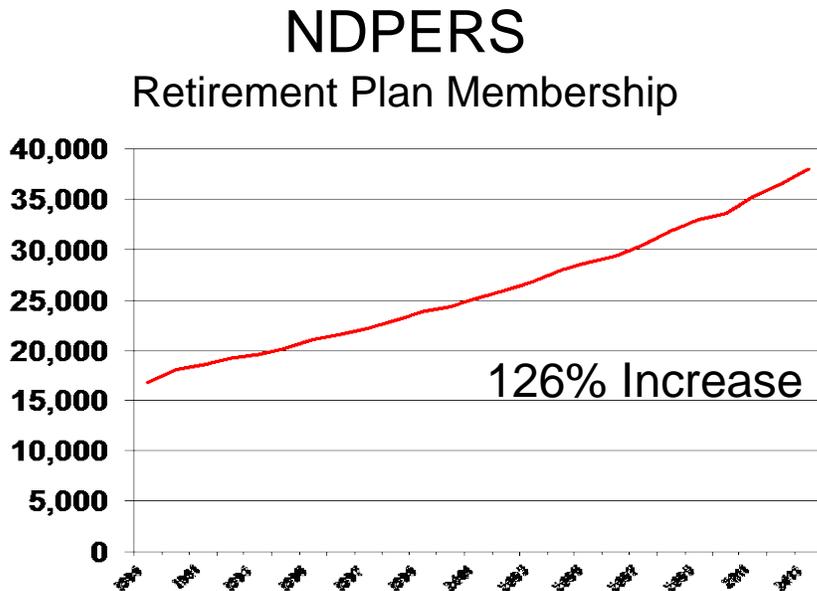
The NDPERS program responsibilities fall under two broad categories – retirement and group insurance. Section 54-52-02 NDCC states the overall mission for the retirement program as: “...to provide for the payment of benefits to state and political subdivision employees or to their beneficiaries thereby enabling the employees to care for themselves and their dependents and which by its provisions will improve state and political subdivision employment, reduce excessive personnel turnover, and offer career employment to high grade men and women”. Similarly, state statute establishes the overall mission for the group insurance plan as: “In order to promote the economy and efficiency of employment in the states service, reduce personnel turnover, and offer an incentive to high grade men and women to enter and remain in state service, there is hereby created a uniform group insurance program”.

Concerning the retirement programs, the following table provides an overview of the programs and some statistical information:

January 2014	RETIREMENT PROGRAMS MANAGED AND ADMINISTERED BY NDPERS									
	<i>TOTAL</i>	<i>Main</i>			<i>Law</i>	<i>Highway</i>	<i>Job</i>	<i>D.C.</i>	<i>DEFERRED</i>	<i>HEALTH</i>
	<i>RETIREMENT</i>	<i>System</i>	<i>Judges</i>	<i>Guard</i>	<i>Enforcement</i>	<i>Patrol</i>	<i>Service</i>	<i>401(a)</i>	<i>COMP</i>	<i>CREDIT</i>
PARTICIPATION										
AGENCY										
State	94	94	1	1	1	1	1	94	90	94
Counties	49	48			11				34	49
School Dist	116	116							19	116
Cities	82	82			6				35	82
Others	74	74							31	74
	415								209	415
EMPLOYEES										
State	10,725	10437	49	39	37	145	18	215	4,899	10,725
Counties	3,854	3627			227				681	3,854
School Dist	5,682	5682							69	5,682
Cities	1,663	1612			51				237	1,663
Others	590	590							189	590
Retirees	8,249	7907	36	8	45	116	137	67		4,635
	30,763	29,855	85	47	360	261	155	282	6,075	27,149

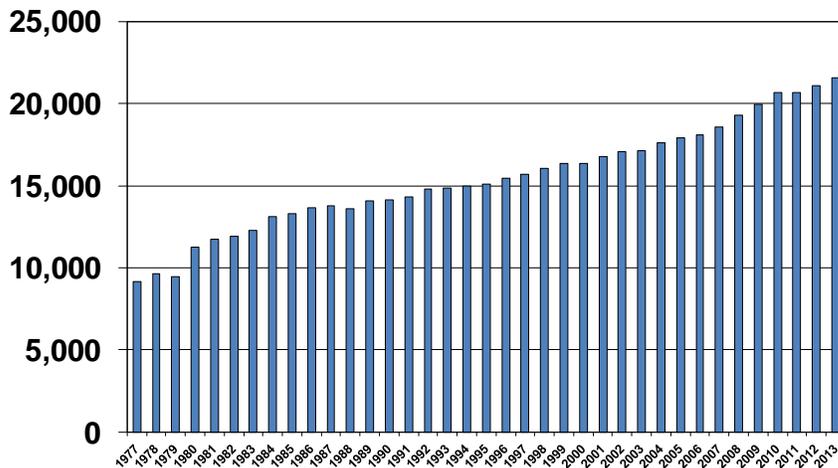
NDPERS is responsible for the administration of approximately 10 different retirement plans. The Law Enforcement Plan is divided into two plans, those with past service and those without. Several of the above plans were assigned to our agency by the 2001 and 2003 legislative session. Those were the Job Service Retirement Plan and the Law Enforcement Plans for political subdivisions. The Law Enforcement Plan has since been expanded to certain state employees. The 401(a) plan or optional defined contribution plan for non-classified state employees was assigned to our agency in 1999. The other retirement programs have been a part of NDPERS since the 1980's. You will note the largest retirement plan we administer is the Main/Hybrid retirement system which has been in existence since the mid 70's and provides services to not only the state, but also to cities, counties, schools and other political subdivisions. In this plan about 50% of the active members are state employees and 50% are political subdivision employees. School districts are our second largest group followed by counties and cities.

Some historical statistics about the retirement plan include membership:



Of this, the number of active members represent 58% of membership:

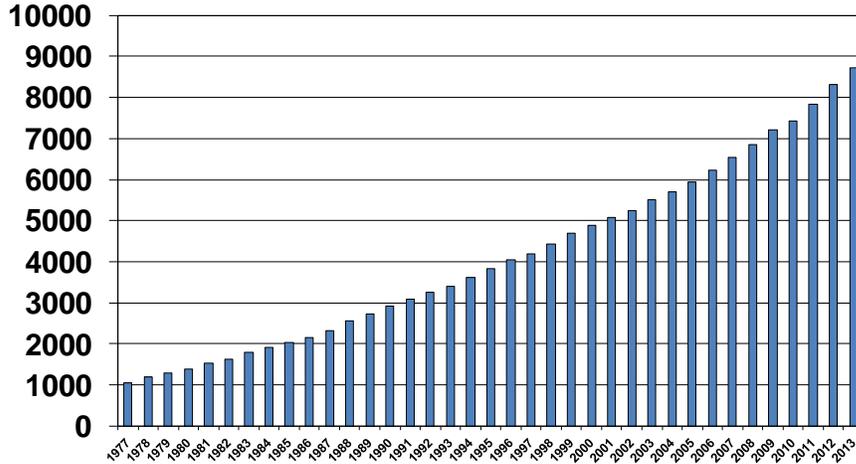
NDPERS Retirement Actives (Main System, Judges, Guard, Law Systems)



Retired members make up approximately 24% of membership and are growing at a faster rate than the active member population.

NDPERS Retirement Retirees

(Main System, Judges, Guard, Law Systems)

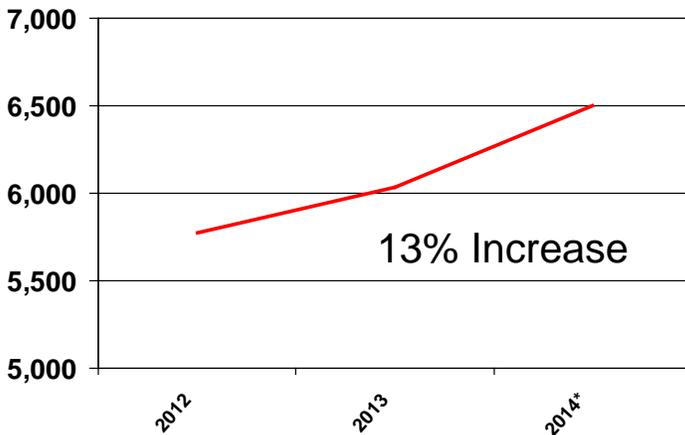


As we look to the future, we see the retired membership continuing to grow and the number of active members remaining about the same. Servicing the present and future needs of the retired membership is going to be a growing challenge for NDPERS.

In addition to the administration of the traditional retirement plans, NDPERS administers the state's supplemental savings program as well (457 plan). The membership in that program has also grown over the years (this shows both active and inactive accounts):

NDPERS

Deferred Compensation Plan Membership



We are pleased by this growth since it is important that our members save for retirement. In 1999 the legislature started the PEP provision in our retirement plan, thereby turning the Main Retirement plan into a hybrid plan to encourage employees to do supplemental savings. While that program has been successful it is a real challenge to communicate, as it requires coordination with the 457 program. <http://www.nd.gov/ndpers/forms-and-publications/publications/db-plan.pdf> (p. 12)

Deferred Compensation offers our members approximately 8 different provider companies to choose from including the NDPERS Companion Plan (presently with TIAA-CREF) and:

American Trust Center	Jackson National
AXA Equitable	Nationwide Life
Bank of North Dakota	VALIC
Mass Mutual	Waddell & Reed

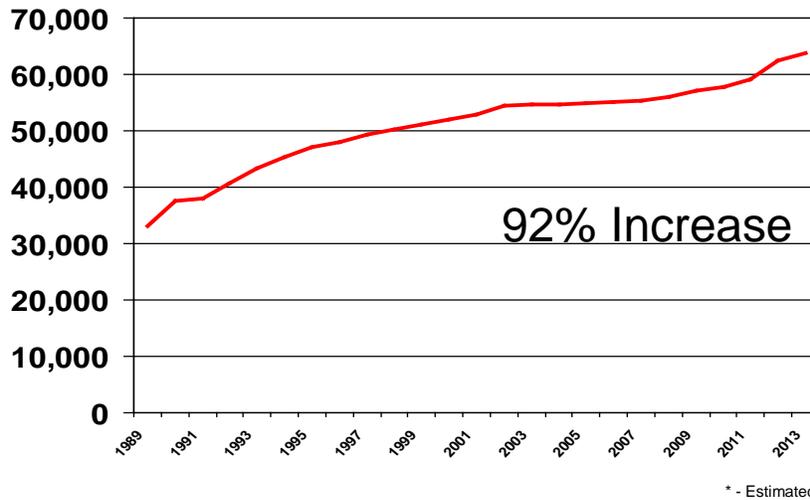
Concerning the group insurance programs, the following gives you an overview of the programs and some statistical information:

January 2014		GROUP INSURANCE PROGRAMS MANAGED AND ADMINISTERED BY NDPERS						
		<i>HEALTH</i>	<i>LIFE</i>	<i>DENTAL</i>	<i>VISION</i>	<i>EAP</i>	<i>FLEXCOMP</i>	<i>LT Care</i>
PARTICIPATION								
AGENCY								
State		95	95	95	95	95	90	95
Counties		44	30					
School Dist		27	9					
Cities		52	25					
Others		69	30	20	20	20	20	20
		287	189	115	115	115	110	115
EMPLOYEES								
State		14,984	15,950	6,219	7,388	15,950	2,810	55
Counties		2,165	2,354					
School Dist		1,196	221					
Cities		1,746	79					
Others		601	346			201		
Legislators		131						
Retirees		6,684	3,154	1,693	1,371			
COBRA		404		44	54			
		27,911	22,104	7,956	8,813	16,151	2,810	55

The largest responsibility in this area is the health plan. In this program about 54% of members are state employees and 46% are political subdivisions or other groups such as retirees.

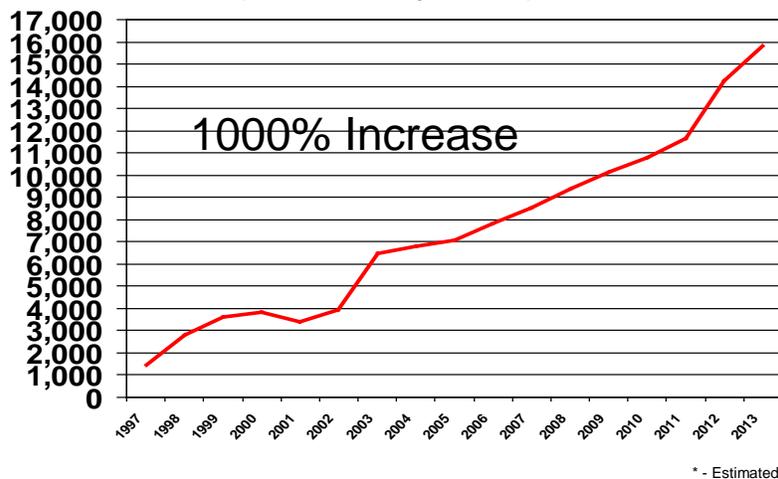
The following table shows the history of the membership in the health plan:

NDPERS Health Plan Membership



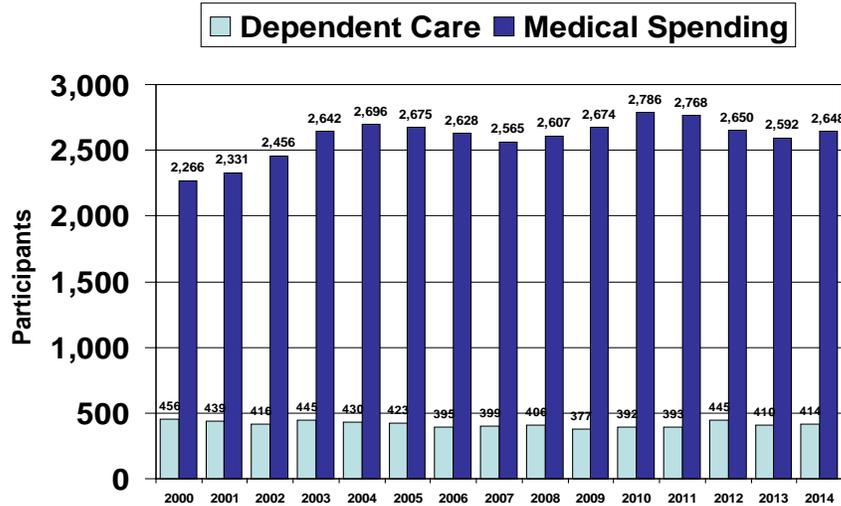
In the late 1990's the Employee Assistance Program, Long Term Care Plan, Dental Plan & Vision Plan were added to NDPERS. The other group insurance programs have been a part of the agency since before 1990. The following table illustrates the growth of those programs (not including the EAP):

NDPERS Voluntary Insurance Plans Membership (Dental, Vision, Long-Term Care)

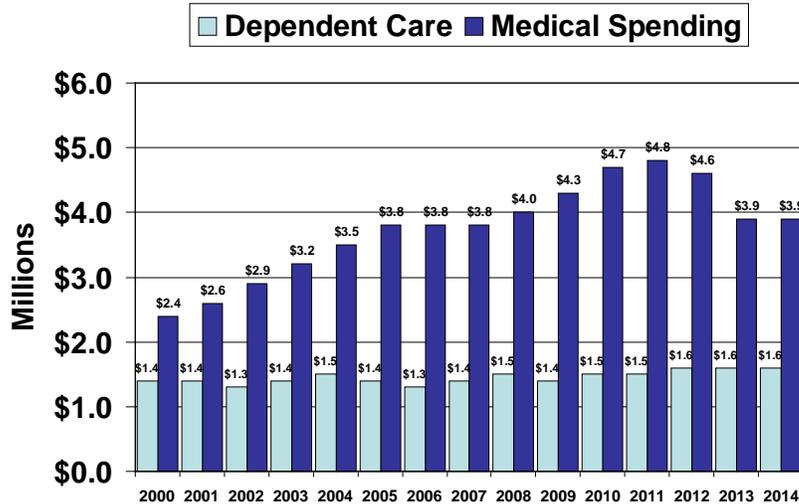


The Flex Comp Program which has been a part of the agency since 1989 allows members to pretax certain insurance premiums, dependent care expenses and medical expenses. The following tables show the growth history of the number of members and deferrals:

NDPERS Flexcomp Participation

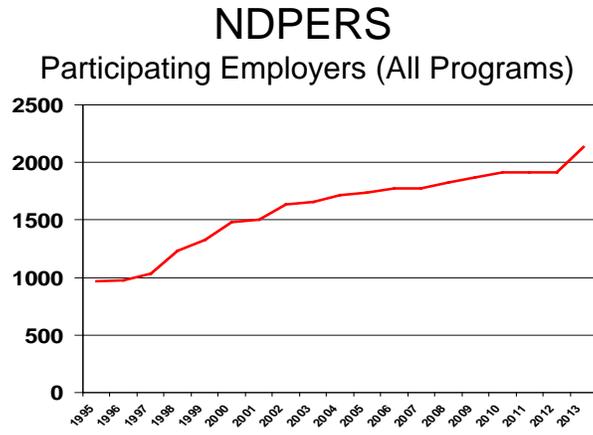


NDPERS Flexcomp Participation



As the above shows, the number of members participating in the program has decreased slightly as well as the average and total deferrals.

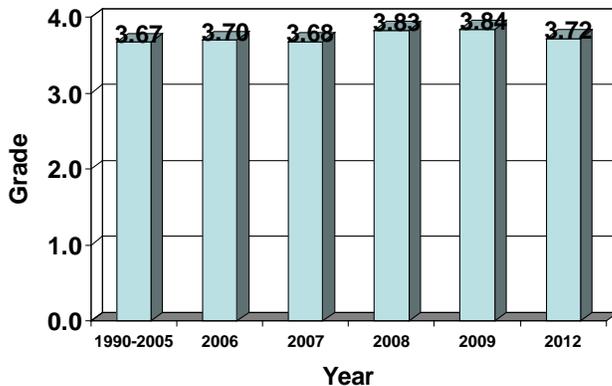
While we have been serving more members in more programs over time, we have also been serving more employers as they join NDPERS. The following table shows each employer relationship for each program (an employer in more than one program would count more than once):



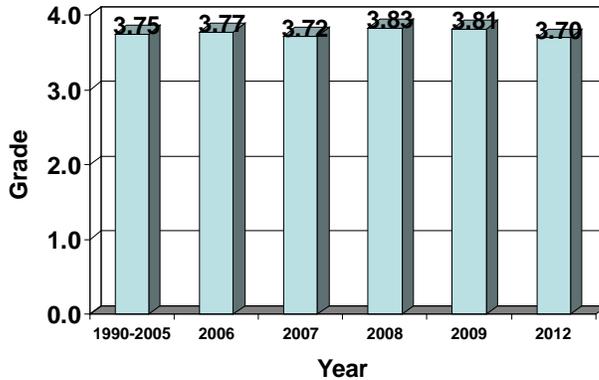
As shown above, NDPERS has faced two challenges over the years. First, is the growth of program responsibilities. Second, is the growing membership needs for assistance. We have also tried to meet the needs of our members and monitor how we are doing by sending to them a rating card. The following are the responses:

NDPERS

Member Report Cards



NDPERS Member Report Cards



As the above shows, we have been able to maintain a positive rating by the members, but we note we can do better and will continue to work toward that goal.

Recently, NDPERS implemented a new business system, PERSLink, which includes self service portals for active/retired members (Member Self Service - MSS) and employers (Employer Self Service – ESS). Some of the MSS features that are available for active members include: alerts and messages, view and update personal profile, view benefit plans enrolled in or eligible to enroll in, on-line enrollment, calculate on-line benefit estimates and calculate on-line service purchase cost estimates. MSS features available for retired members include: alerts and messages, view and update personal profile, view benefit plans enrolled in, view retirement account information, view and update income tax withholding elections, view and print annual tax reporting forms. ESS is used by employers primarily to report their employee’s employment status to NDPERS and payroll reporting for employees participating in NDPERS benefit plans.

As a multi-program agency NDPERS is looking to enhance its communication with our members concerning their options to participate in our programs and increase their understanding of the decisions they need to make in participating and using the programs. Secondly as a multi-employer plan we also need to make it easier for our participating employers to communicate with us and for us to communicate with them.

SECTION II. Web Development and Social Media

Why Redesign the NDPERS Website?

- We want to modernize and enhance the site's look, feel and organization to ensure our members find the information they seek and can easily conduct business with NDPERS.
- Our members, both active and retired, are actively using social media, and we hope to selectively leverage these channels to broaden our reach.
- Our members, both active and retired, are rapidly adopting mobile devices, and as we redesign our website, we wish to build it for seamless use regardless of the user's device type (computer, tablet, mobile phone) and operating system.
- As we improve our site's user experience and accessibility via mobile devices, we anticipate higher demand for electronic content and less of a reliance on print media over time (with a resulting decrease in print and postage costs).

Leading Practices—Web, Mobile, Social, Personalization

In reviewing several state PERS and other public retirement system websites, along with leading benefits and employee/Human Resources sites, we observe the following leading practices, which should be employed in our future vision for NDPERS communications:

- User personas—Upon entry to a site, users are prompted to provide basic information about themselves (e.g., Active Member and plan type). The site's content is then auto-customized to reflect their information needs. A log-in is not required. In addition, the organization structure for most sites groups information specific to the organization's various stakeholders, for example, Active Members, Retired Members, Contributing Employers and Business Partners
- Responsive design—Use of mobile and tablet devices has exploded over the past few years. The website should now be optimized for a wide range of screen sizes. Thus, many organizations are now leveraging "responsive design," which is a "single-site-fits-all approach" that intelligently reflows content to fit a user's screen, regardless of its size.
- Social tie-in—Social media is no longer considered "new" technology, NDPERS wishes to harness the attributes of various social sites to complement and link back to NDPERS publications and other media.
- Content management—NDPERS wishes to use a content management system (CMS) or equivalent to build and publish content for sites and social channels. employing open source code, resulting in the use of either a free or very low cost system. Further, NDPERS requires a system that is easy to use and can be configured to automate tasks, including the review/approval process, content publication dates and archiving.

Example: User Personas

The screenshot shows the OPERS website homepage. At the top left is the OPERS logo and the text "Welcome to Ohio PERS — A partner in your future". On the top right, there are links for "MEMBER LOGIN" and "EMPLOYER LOGIN (ECS)", a search bar with the text "Search OPERS.org...", and a link for "Advanced Search". Below this is a blue banner with "OPERS ALERT" in large white letters. To the right of the alert, it says "Alert: Early Closing" and "OPERS will be closing at 2:30 p.m. on Tuesday, Dec. 24th and Tuesday, Dec. 31st. OPERS will be closed on December 25th and January 1st." Below the banner is a navigation menu with links: "Board of Trustees", "Investments", "Health Care", "Government Relations", "Legal", "Finance", "Vendor Opportunities", and "News". The main content area is divided into several sections. On the left, there's a "Forms" section with dropdown menus for "Member forms", "Employer forms", and "Retiree forms", and a link to "Information Resources for Pension and Retirement Issues". In the center, there are three columns representing user personas: "Active & Inactive Members" with a photo of a man, "Contributing Employers" with a photo of a woman, and "Benefit Recipients" with a photo of a man. Below these are sections for "Members", "Employers", and "Retirees", each with a list of links. On the right, there's a "Quick Links" section with buttons for "GASB Standards", "Careers at OPERS", "Contact Us", and "CAFR / PAFR", and a "Connect with OPERS" section with buttons for "Like us on Facebook" and "Read our Blog".

Example: Responsive Design

The screenshot shows the Local 94 Operating Engineers website. At the top, there's a header with the Local 94 logo and the text "Local 94 Operating Engineers". On the right, there's a search bar with the text "Search this site". Below the header is a main content area with a large image of a microphone. To the left of the microphone is a sidebar with links: "Home", "Local 94", "Affiliated Funds", "Related Sites", "Forms", "FAQs", "Contact Us", "Union Gear", and "Give feedback about this site". Below the sidebar is a "YouTube" logo. To the right of the microphone is a "Fund Shortcuts" section with links to "Annuity Fund", "Central Pension Fund", "Health & Benefit Trust Fund", "Scholarship Fund", "Sick Fund", and "Training Fund". Below the microphone is a "Next General Membership Meeting: June 13" section with text: "Learn about Local 94, voice your concerns and meet your fellow members at our next General Membership Meeting on Wednesday, June 13. See all Upcoming Events." Below this is a "News" section with a link to "Rally for a Fair Contract" and text: "6,000 Local 94 Firemen and Engineers and Local 328J School Handymen and Cleaners have been without a contract for five years. This is your fight. You must be there. Tuesday, June 19 at 11:00 A.M. On Broadway, outside City Hall." Below the news is a "The Cutting Edge" section with a link to "Read the most recent newsletter (PDF)". To the right of the news is an "Upcoming Events" section with a link to "General Membership Meeting and Service Award Ceremony" and text: "Times: 8:30 AM, 2:00 PM, and 5:00 PM. Service Award Ceremony will take place at the 5:00 PM meeting. Meetings are held at the Hotel Trades Council Auditorium, 305 West 44th Street." Below the upcoming events is a "Local 94—Running New York's Buildings" section with a video player. On the right, there's a "FAQs" section with a link to "What is the vision coverage?" and text: "The Fund provides benefits for one eye exam and one lens(es) per calendar year. For more information, go to the Vision Care Benefits page. View All FAQs >".



Local 94 Operating Engineers

Search this site

Menu

Next General Membership Meeting: June 13
 Learn about Local 94, voice your concerns, and meet your fellow members at our next General Membership Meeting on Wednesday, June 13. See all Upcoming Events.

News

Rally for a Fair Contract
 6,000 Local 94 Firemen and Engineers and Local 328J School Handymen and Cleaners have been without a contract for five years. **This is your fight. You must be there.** Tuesday, June 19 at 11:00 A.M. On Broadway, outside City Hall.

The Cutting Edge
 Read the most recent [newsletter \(PDF\)](#).

Upcoming Events

13 **General Membership Meeting and Service Award Ceremony.** Times: 8:30 AM, 2:00 PM, and 5:00 PM
 Service Award Ceremony will take place at the 5:00 PM meeting. Meetings are held at the Hotel Trades Council Auditorium, 305 West 44th Street.

13 **The Members Assistance Program (MAP)** meeting is held the same day as the General Membership

Example: Social Tie-In

Skip to Content | Skip to Footer About Our Site | Press Room | Glossary | Contact Us



Members | Employers | Business Partners | CaIPERS Investments | About CaIPERS

SEARCH

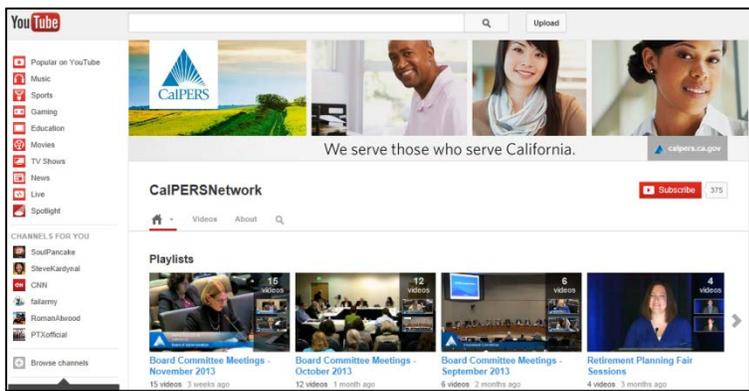
<p>Quick Links</p> <ul style="list-style-type: none"> Pension Reform Impacts Career Opportunities CaIPERS Facts at a Glance Comprehensive Annual Financial Report CaIPERS Programs & Services Overview 	<p>Online Services</p> <ul style="list-style-type: none"> Board Meeting Notices & Agendas Board Meeting Webcasts Global Governance Website Search the Investment Policy Glossary View Videos & Web Events 	<p>Log In to Our Self-Service Website</p> <p>myCaIPERS GO</p> <p>Forms & Publications Center » GO</p> <p>Separate Fact from Fiction</p> <p>CaIPERS Responds » GO</p> <p>Follow Us</p> <p>f t + in</p> <p>You Tube RSS</p>
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Welcome to CaIPERS On-Line

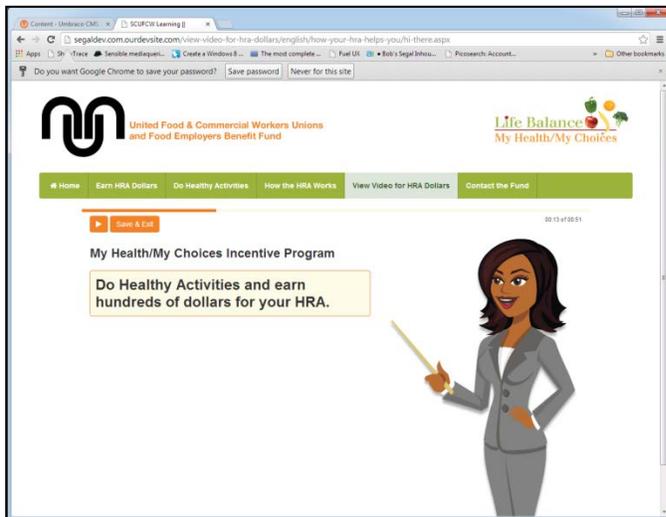
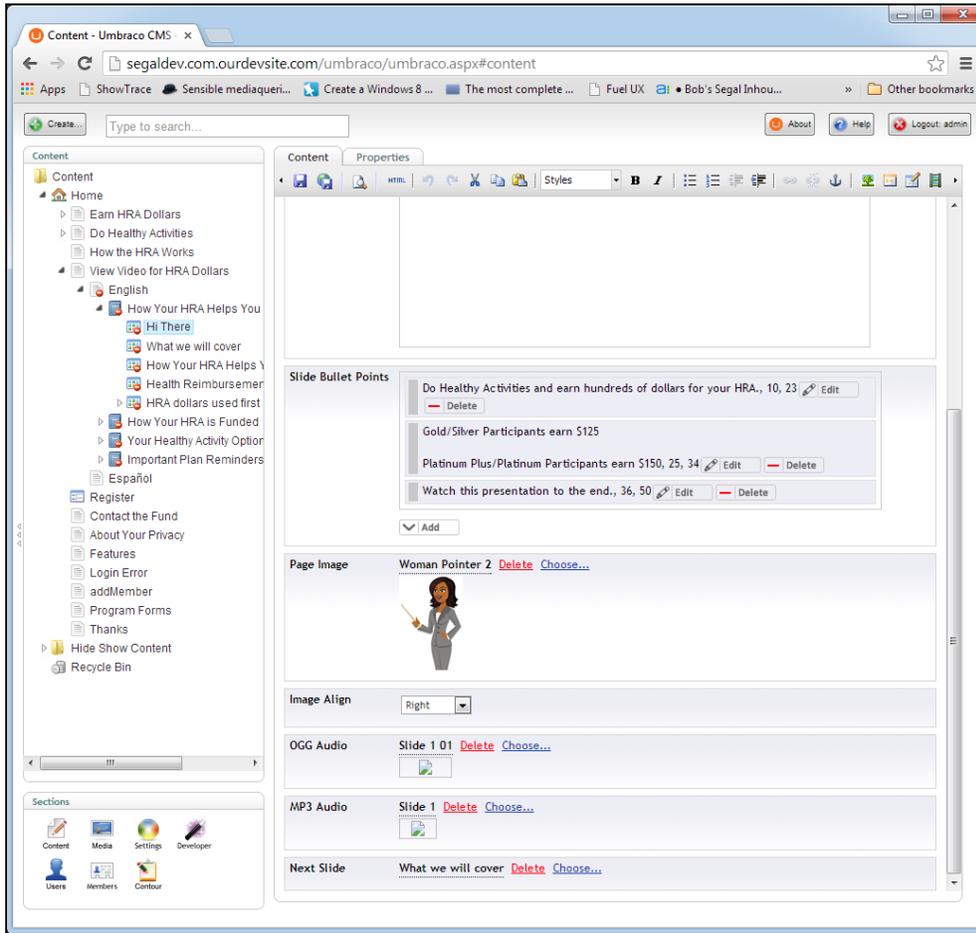
We are your complete information source for the California Public Employees' Retirement System, whether you're a member, employer, business partner or interested party.

We provide retirement, health and related financial programs and benefits to more than 1.6 million public employees, retirees and their families and more than 3,000 public employers.

New to the site?
 If you're a member or employer, create your view first so we can provide the information that's pertinent to



Example: Content Management Systems



Timeline for This Approach

8-month Development Timeline

Steps	1	2	3	4	5	6	7	8
Project initiation and planning	█							
Develop site user experience (content review/inventory, site map, brand, visual design)		█	█					
Content development and migration			█	█	█			
Implement social channels (policy development, HIPAA assessment, NDPERS staff training, channel set-up)				█	█			
Site build					█	█	█	
User testing and acceptance							█	█
Site administrative training								█
Site launch								█
Ongoing support and maintenance								█

Project Initiation and Planning

The successful vendor will:

- Develop project charter, which documents:
 - Summary of scope of work
 - Define project manager and team roles and responsibilities
 - Define summary of key milestones
 - Affirm project budget and funding sources
- Develop project work plan, which includes:
 - Detailed project scope description
 - Project Work Breakdown Structure (WBS)
 - Project management plan (aligned with WBS and identifying activities, responsible parties, start/finish dates and percentage completion/status)
 - Project dashboard report

- Conduct weekly team meetings and distribute dashboard reports

Execution, Site User Experience

- Conduct review of and document current NDPERS site content and functionality, including forms, documents, video and information available through secure channels
- Review site inventory and assess content gaps, overlaps and development opportunities; document the content that can be archived
- Develop initial site map denoting both public and secure content
- Develop or refresh NDPERS “brand” concept (logo, tagline, print/web style guide)
- Develop visual page design for home, level 1 and level 2 pages

Content Development and Migration

- Document content governance structure and process (i.e., who is responsible for content management and updates, review and approval process and publishing parameters)
- Draft/repurpose content to populate site pages
- Establish editorial calendar for content updates and publication to companion social channels
- Create contextual FAQs
- Archive outdated content available through current NDPERS site

Social Channels

NDPERS may establish social channels, for example a Twitter account and YouTube Channel, at any time. The successful vendor will assist NDPERS in developing a social media plan of action and implementation plan. The following will be considered:

- A leading practice is to link users back to the organization website for more information, conducting transactions, or other features available through the site.
- For example, we may use Facebook and Twitter to:
 - Promote events
 - Announce plan changes
 - Promote publications (e.g., CAFR, handbooks, etc.)
 - Direct members to website updates
 - Post open NDPERS positions and link to State application process
 - Provide information for new or retiring members
 - Remind members of deadlines
 - And, establish a YouTube channel for publication of NDPERS videos
- Note, the following considerations will come into play when establishing social channels:
 - Developing and distributing a social media use policy for NDPERS staff

- Developing use guidelines for external users of NDPERS social channels
- Documenting and mitigating HIPAA security considerations
- Establishing ownership for social channels:
 - Maintaining and contributing content to channels
 - Monitoring channels to gauge participant perceptions and identifying questions/communications opportunities
 - Responding to participant feedback/responses as needed
 - Monitoring channels to remove inappropriate participant comments, including comments that include HIPAA protected health information
- Managing multiple social media accounts, using a tool such as Hootsuite

Site Build Out

The successful vendor will:

- Create page templates
- Tailor content management system and code in customized functionality
- Migrate content to the content management system
- Integrate site search, analytics and other third-party add-ons
- Conduct internal team review of site content and functionality against site requirements
- Release draft site for user testing and acceptance

User Testing and Acceptance

The successful vendor will develop and prepare training for site administrators, including:

- Content management tool overview with real-life practice tests:
 - How to add/delete a page, edit content on a page
 - Updating navigation elements
 - Uploading video/graphics
 - Content review/approval process
 - Trouble shooting technical issues
- Getting technical support
- Understanding high-level site analytics

Ongoing Site Support and Maintenance

The successful vendor will together with NDPERS develop a plan:

- Establish ownership and processes for ongoing site technical support
- Update and publish content to the site against editorial calendar
- Review site analytics and prepare monthly/quarterly dashboard reports

SECTION III – Information Requests

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

A. Technical Understanding, Timelines and Report.

- a. Provide your understanding of the required work effort
- b. Discuss your understanding of the project timelines
- c. Provide a copy of a similar work effort your firm has recently completed

B. Firm, Qualifications and Staffing:

- a. The firm's name, home office address, address of the office providing the services under the contract and telephone number.
- b. Detail your organization's approach to conducting projects as proposed herein. Also provide a timeline for the work efforts in Section II.
- c. General description of the firm, including the size, number of employees, primary business (consulting, web design etc.), other business or services, type of organization (franchise, corporation, partnership, etc.) and other descriptive material.
- d. Provide summary information regarding the professional and experience qualifications of consultants who shall perform work under the contract. Also for each staff member assigned to the project indicate who they have done project work for and a reference.
- e. Description of the computer equipment and a statement as to the ownership and location of this equipment to be utilized in the performance of the contract.
- f. Statement of the availability and location of staff and other required resources for performing all services and providing deliverables within indicated time frames. Statement as to whether or not the services outlined in these specifications can be performed using only your present staff.
- g. Identify the specific and unique qualifications of your firm with regard to providing the requested work.
- h. Identify the offices from which services to the Fund will be provided.
- i. Include a copy of a previous experience doing projects as proposed herein, including social media policy and user guidelines.
- j. Discuss your work experience with public sector clients.

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

C. Other Information:

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

SECTION IV – Fees/Hours

We are requesting that you price this project on a fixed fee not to exceed price for each step. All efforts will be billed by hours expended but cannot exceed the total fixed fee. Please note that for pricing proposed in the Request for Proposal, the not to exceed price will be used.

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

We are also requesting that a single fixed hourly rate be used for each Step. Please provide in the following table the number of hours you expect to expend for each effort and the total cost for that effort (this should be equal to the number of hours times your fixed rate)

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

Steps	Total	Rate per hour	Number of Hours
Develop site functional requirements			
Project initiation and planning, with project management for work streams below			
Develop site user experience (content review/inventory, site map, brand, visual design)			
Content development and migration			
Site build			
User testing and acceptance/site launch			
Site administrative training			
Total Site Development Costs			

NDPERS will pay when each Step is completed upon acceptance by the NDPERS project manager and being billed by the vendor, minus hold backs. Fifteen percent of the amount for each step will be held back from the payment until all work is completed and signed off for by the NDPERS Project Manager.

SECTION V - Submission and Acceptance of Proposal

- A. Proposals should be prepared in a straightforward manner to satisfy the requirements of this RFP. Emphasis should be on completeness and clarity of content. Costs for developing proposals are entirely the responsibility of the proposer and shall not be chargeable to NDPERS.
- B. Offer, must be signed by a partner or principal of the firm and included with your proposal.
- C. Address or deliver the proposal to: Cheryl Stockert, Mgr, Administrative Services
North Dakota Public Employees Retirement System
400 E. Broadway, Suite 505
Bismarck, ND 58501
(701) 328-3900
- D. Ten (10) written copies and one (1) electronic copy of the technical and price proposals must be received at the above listed location by **5:00 p.m. Central Standard Time on January 9, 2015**. The package the proposal is delivered in must be plainly marked "**PROPOSAL FOR WEB SITE DEVELOPMENT AND SOCIAL MEDIA**". A proposal shall be considered late and will be rejected if received at any time after the exact time specified for return of proposals.
- E. The policy of the NDPERS Board is to solicit proposals with a bona fide intention to award a contract. This policy will not affect the right of the NDPERS Board to reject any, or all, proposals.
- F. The NDPERS Board may request representatives of your organization to appear for interviewing purposes. Travel expenses and costs related to the interview will be the responsibility of the bidder.
- G. The NDPERS Board will award the contract for services no later than May 29, 2015.
- H. In evaluating the proposals, price will not be the sole factor. The Board may consider any factors it deems necessary and proper, including but not limited to, price; quality of service; response to this request; experience; staffing; and general reputation.
- I. The failure to meet all procurement policy requirements shall not automatically invalidate a proposal or procurement. The final decision rests with the Board.
- J. Questions concerning the RFP shall be directed by e-mail to both Mr. Bryan Reinhardt at breinhar@nd.gov and Ms. Cheryl Stockert at cstocker@nd.gov by December 12, 2014. Responses will be posted on the NDPERS website no later than 5:00 p.m. Central Standard Time on December 18, 2014 under "Request for Proposals" at <http://www.nd.gov/ndpers/providers-consultants/consultants/rfp-index.html> If you would like a copy e-mailed to you, please notify Cheryl Stockert at cstocker@nd.gov

SECTION VI - AGREEMENT FOR SERVICES

The parties to this contract are the State of North Dakota, acting through its [North Dakota Public Employees Retirement System] (STATE) and [contractor's legal name] (CONTRACTOR);

SCOPE OF SERVICE

CONTRACTOR, in exchange for the compensation paid by STATE under this contract, agrees to provide services as outlined in this Request for Proposal and CONTRACTOR'S proposal.

TERM OF CONTRACT

The term of this contract begins DATE HERE and ends on DATE HERE.

COMPENSATION

STATE will pay for the services provided by CONTRACTOR under this contract pursuant to a per participant monthly fee in Section V of the proposal. Payments will be made monthly based upon an invoice identifying the number of participants for that month.

TERMINATION OF CONTRACT

- a. Termination without cause. This contract may be terminated by mutual consent of both parties.
- b. Termination for lack of funding or authority. STATE by written notice of default to CONTRACTOR, may terminate the whole or any part of this contract, under any of the following conditions:
 - (1) If funding from federal, state, or other sources is not obtained and continued at levels sufficient to allow for purchase of the services or supplies in the indicated quantities or term.
 - (2) If federal or state laws or rules are modified or interpreted in a way that the services are no longer allowable or appropriate for purchase under this contract or are no longer eligible for the funding proposed for payments authorized by this contract.
 - (3) If any license, permit, or certificate required by law or rule, or by the terms of this contract, is for any reason denied, revoked, suspended, or not renewed.

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

- c. Termination for cause. STATE may terminate this contract effective upon delivery of written notice to CONTRACTOR, or any later date stated in the notice:
 - (1) If CONTRACTOR fails to provide services required by this contract within the time specified or any extension agreed to by STATE; or

- (2) If CONTRACTOR fails to perform any of the other provisions of this contract, or so fails to pursue the work as to endanger performance of this contract in accordance with its terms.

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

FORCE MAJEURE

CONTRACTOR shall not be held responsible for delay or default caused by fire, flood, riot, acts of God or war if the event is beyond CONTRACTOR'S reasonable control and CONTRACTOR gives notice to STATE immediately upon occurrence of the event causing the delay or default or that is reasonably expected to cause a delay or default.

RENEWAL

This contract will not automatically renew. If STATE desires to renew, STATE will provide written notice to CONTRACTOR of its intent to renew this contract at least 60 days before the scheduled termination date.

MERGER AND MODIFICATION

This contract constitutes the entire agreement between the parties. There are no understandings, agreements, or representations, oral or written, not specified within this contract. This contract may not be modified, supplemented or amended, in any manner, except by written agreement signed by both parties. Notwithstanding anything herein to the contrary, in the event of any inconsistency or conflict among the documents making up this contract, the documents must control in this order of precedence: the terms of this Contract for Services, as may be amended; State's Request for Proposal ("RFP") dated _____; and Contractor's proposal dated _____.

SEVERABILITY

If any term of this contract is declared by a court having jurisdiction to be illegal or unenforceable, the validity of the remaining terms is unaffected, and, if possible, the rights and obligations of the parties are to be construed and enforced as if the contract did not contain that term.

ASSIGNMENT AND SUBCONTRACTS

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

NOTICE

All notices or other communications required under this contract must be given by registered or certified mail and are complete on the date mailed when addressed to the parties at the following addresses:

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

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

APPLICABLE LAW AND VENUE

This contract is governed by and construed in accordance with the laws of the State of North Dakota. Any action to enforce this contract must be adjudicated exclusively in the State District Court of Burleigh County, North Dakota.

SPOILIATION – NOTICE OF POTENTIAL CLAIMS

CONTRACTOR shall promptly notify STATE of all potential claims that arise or result from this contract. CONTRACTOR shall also take all reasonable steps to preserve all physical evidence and information that may be relevant to the circumstances surrounding a potential claim, while maintaining public safety, and grants to STATE the opportunity to review and inspect the evidence, including the scene of an accident.

INDEMNITY

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

INSURANCE

CONTRACTOR shall secure and keep in force during the term of this agreement, from insurance companies, government self-insurance pools or government self-retention funds, authorized to do business in North Dakota, the following insurance coverages:

- 1) Commercial general liability, including premises or operations, contractual, and products or completed operations coverages (if applicable), with minimum liability limits of \$250,000 per person and \$1,000,000 per occurrence.
- 2) Professional errors and omissions with minimum limits of \$1,000,000 per occurrence and in the aggregate, Contractor shall continuously maintain such coverage during the contact period and for three years thereafter. In the event of a change or cancellation of coverage, Contractor shall purchase an extended reporting period to meet the time periods required in this section.
- 3) Automobile liability, including Owned (if any), Hired, and Non-Owned automobiles, with minimum liability limits of \$250,000 per person and \$500,000 per occurrence.
- 4) Workers compensation coverage meeting all statutory requirements.

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

- 1) Any deductible or self-insured retention amount or other similar obligation under the policies shall be the sole responsibility of the Contractor. The amount of any deductible or self retention is subject to approval by the State.
- 2) This insurance may be in policy or policies of insurance, primary and excess, including the so-called umbrella or catastrophe form and must be placed with insurers rated "A-" or better by A.M. Best Company, Inc., provided any excess policy follows form for coverage. Less

than an "A-" rating must be approved by the State. The policies shall be in form and terms approved by the State.

- 3) Contractor shall provide at least 30 day notice of any cancellation or material change to the policies and endorsements.
- 4) The Contractor shall furnish a certificate of insurance to the undersigned State representative prior to commencement of this agreement.
- 5) Failure to provide insurance as required in this agreement is a material breach of contract entitling State to terminate this agreement immediately.

ATTORNEY FEES

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

ALTERNATIVE DISPUTE RESOLUTION – JURY TRIAL

STATE does not agree to any form of binding arbitration, mediation, or other forms of mandatory alternative dispute resolution. The parties have the right to enforce their rights and remedies in judicial proceedings. STATE does not waive any right to a jury trial.

CONFIDENTIALITY

CONTRACTOR shall not use or disclose any information it receives from STATE under this contract that STATE has previously identified as confidential or exempt from mandatory public disclosure except as necessary to carry out the purposes of this contract or as authorized in advance by STATE. The parties agree that all participation by PERS members and their dependents in programs administered by PERS is confidential under North Dakota law. Contractor may request and PERS shall provide directly to Contractor upon such request, confidential information necessary for Contractor to provide the services described in the **SCOPE OF SERVICE** section. Contractor shall keep confidential all PERS information obtained in the course of delivering services. Failure of Contractor to maintain the confidentiality of such information may be considered a material breach of the contract and may constitute the basis for additional civil and criminal penalties under North Dakota law. Contractor shall not disclose any individual employee or dependent information without the prior written consent of the employee or family member. Contractor has exclusive control over the direction and guidance of the persons rendering services under this Agreement. Upon termination of this Agreement, for any reason, Contractor shall return or destroy all confidential information received from PERS, or created or received by Contractor on behalf of PERS. This provision applies to confidential information that may be in the possession of subcontractors or agents of Contractor. Contractor shall retain no copies of the confidential information. In the event that Contractor asserts that returning or destroying the confidential information is not feasible, Contractor shall provide to PERS notification of the conditions that make return or destruction infeasible. Upon explicit written agreement of PERS that return or destruction of confidential information is not feasible, Contractor shall extend the protections of this Agreement to that confidential information and limit further uses and disclosures of any such confidential information to those purposes that make the return or destruction infeasible, for so long as Contractor maintains the confidential information.

COMPLIANCE WITH PUBLIC RECORDS LAW

CONTRACTOR understands that, except for disclosures prohibited in this contract, STATE must disclose to the public upon request any records it receives from CONTRACTOR. CONTRACTOR further understands that any records that are obtained or generated by

CONTRACTOR under this contract, except for records that are confidential under this contract, may, under certain circumstances, be open to the public upon request under the North Dakota open records law. STATE retains ownership of all work product, equipment or materials created or purchased under this contract. CONTRACTOR agrees to contact STATE immediately upon receiving a request for information under the open records law and to comply with STATE'S instructions on how to respond to the request.

WORK PRODUCT, EQUIPMENT AND MATERIALS

All work product, equipment or materials created or purchased under this contract belong to STATE and must be delivered to STATE at STATE'S request upon termination of this contract. CONTRACTOR agrees that all materials prepared under this contract are "works for hire" within the meaning of the copyright laws of the United States and assigns to STATE all rights and interests CONTRACTOR may have in the materials it prepares under this contract, including any right to derivative use of the material. CONTRACTOR shall execute all necessary documents to enable STATE to protect its rights under this section.

INDEPENDENT ENTITY

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

NONDISCRIMINATION AND COMPLIANCE WITH LAWS

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

STATE AUDIT

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

PREPAYMENT

STATE will not make any advance payments before performance by CONTRACTOR under this contract.

TAXPAYER ID

CONTRACTOR'S federal employer ID number is: _____.

PAYMENT OF TAXES BY STATE

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

EFFECTIVENESS OF CONTRACT

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

CONTRACTOR

STATE OF NORTH DAKOTA
Acting through its
ND Public Employees Retirement System

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

SECTION VIII - Review Procedures

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

The second step will be a review and rating of each proposal's technical, product delivery, qualifications and staffing by NDPERS staff. The purpose of this review is to assess the consultant's understanding of the work requirements, capabilities and resources. It is important that your proposal relates your understanding in order to be fully rated. Statements that you will comply with the RFP are not sufficient, nor is repeating the RFP requirements.

Each individual will review the proposal for all areas but price. Every proposal will be awarded points for specified areas by the reviewers. Points for price are awarded automatically. Following is the weighting factor for each area:

GENERAL	Points
Did Consultant follow required format?	5 Points
Website/Social Media Proposal	
Technical Understanding, Timelines and Report	30 Points
Firm, Qualifications and Staffing	25 Points
Price	40 Points

This third step of the review will be allocation of points for price. The findings will be reported to the NDPERS Board.

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



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: November 10, 2014
SUBJECT: Proposed Board Meeting Schedule for 2015

All meetings are scheduled to be held at the North Dakota Association of Counties conference room located at 1661 Capitol Way, Bismarck, unless otherwise noted.

- **January 15**
- **February 19**
- **March 19**
- **April 16**
- **May 21**
- **June 18**
- **July 16**
- **August 27**
- **September 24**
- **October 22** (WSI Conference Room)
- **November 19**
- **December 17**

Cheryl will set these meetings up on your Outlook calendars. Please review and let us know if one of the dates should be changed.



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Memorandum

TO: NDPERS Board

FROM: Kathy

DATE: November 12, 2014

SUBJECT: Restate Plan Documents:
Deferred Compensation & Companion Plan
FlexComp Plan

Staff is proposing that the Plan Documents for the above referenced plans be restated. The FlexComp Plan Document was last restated January 1, 2003 and since that time numerous revisions due to federal regulations have been incorporated as amendments. The two deferred compensation PDs were last restated January 1, 2007. Following is Segal's proposal to restate the three plan documents:

We propose to restate the Flexcomp Plan Document and both 457 plan documents (Deferred Compensation Plan and Companion Plan) for the following fees:

- 1) FlexComp Plan billed at actual time charges not to exceed **\$12,000**; and*
- 2) 457 plans billed at actual time charges not to exceed **\$6,000 each Plan** (\$12,000 for both Plans).*

In addition to the above, Segal also proposed the following for consideration:

Also, would you be amenable to revamping the style of these Plan Documents and draft from scratch? For the 457 plans, I recommend using the IRS model plan document for governmental 457 plans, and then update it to include compliance changes since it was issued (in 2004), as well as maintain the unique provisions in your current Plan Documents (e.g., trust provisions).

For the FlexComp Plan Document, Segal utilizes two different model cafeteria plan documents, one simple and one more complex. I recommend using the simpler model to update your existing document, while maintaining the special provisions and limitations contained therein.

Segal has confirmed that its proposal would be the same regardless of whether we decide to restate our existing Plan Documents or redraft the Plan Documents using one of its suggested models. Staff recommends we update our FlexComp and Deferred Compensation Plan Documents using one of Segal's models. This will ensure compliance with federal regulations as well as retain those policies unique to our plans.

Board Action Requested

To determine if we should proceed with these projects.

Staff Recommendation

Approve moving forward.

MEMORANDUM

TO: NDPERS Board
FROM: Jim Smrcka
DATE: November 5, 2014
SUBJECT: **Consultant Fees**

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

Attachment

**North Dakota Public Employees Retirement System
Consulting/Investment/Administrative Fees
For the Quarter ended September 30, 2014**

Program/Project	Fee Type	Jul-14	Aug-14	Sep-14	Fees Paid During The Quarter	Fees Paid Fiscal Year-To-Date
Actuary/Consulting Fees:						
Deloitte Consulting	Fully insured RFP		5,000		5,000	5,000
Deloitte Consulting	Self Insured RFP				-	0
Deloitte Consulting	Hourly billings regular rates		12,315		12,315	12,315
Deloitte Consulting	Hourly billings Composite rates		1,168		1,168	1,168
Mid Dakota Clinic	Retirement Disability	Time charges		2,100	3,100	3,100
Eide Bailly	GASB 68/67	Time charges	2,450		2,450	2,450
Eide Bailly	Travel expenses		368		368	368
Gallagher Benefit Services Inc	fixed fee				-	0
The Segal Company	Retirement (DB)	Fixed Fee	17,750		17,750	17,750
The Segal Company	Ret Health Credit	Fixed Fee	3,275		3,275	3,275
The Segal Company	FlexComp	Fixed Fee			-	0
The Segal Company	Job Service	Fixed Fee	4,750		4,750	4,750
The Segal Company	QDRO/Compliance	Time charges			-	0
The Segal Company	Legislation	Time charges			-	0
The Segal Company	Retirement (DC)	Time charges			-	0
The Segal Company	Def comp	time charges			-	0
The Segal Company	GSAB 67 disclosures	Time charges		18,130	18,130	18,130
The Segal Company	115 TRUST				-	0
The Segal Company	Consulting on ACA	Time charges			-	0
The Segal Company	Dental RFP				-	0
The Segal Company	Travel Expenses	Actual			-	0
			\$ 28,593	\$ 20,583	\$ 19,130	\$ 68,306
Audit Fees:						
Brady Martz	Annual audit	Fixed Fee		10,000	15,000	25,000
Legal Fees:						
ND Attorney General	Administrative	Time charges	\$ 3,317	\$ 3,600	\$ 4,244	11,161 ND Attorney General
Calhoun Law Group	Administrative	Time charges	-	-	-	0
Investment Fees:						
SIB - Investment Fees	Retirement (DB)	% Allocation	1,727,939	2,087,690	1,086,213	4,901,842 SIB - Investment Fees
SIB - Investment Fees	Ret Health Credit	% Allocation	13,200	736	63,842	77,778 SIB - Investment Fees
SIB - Investment Fees	Insurance	% Allocation	749	305	332	1,386 SIB - Investment Fees
SIB - Administrative Fees	Retirement (DB)	% Allocation	35,042	19,955	20,116	75,113 SIB - Administrative Fees
					5,056,119	5,056,119
Administrative Fee:						
Blue Cross Blue Shield	Health Plan	Fixed fee	1,731,664	1,734,065	1,746,682	5,212,411 Blue Cross Blue Shield

* fees not yet available

BCBS comes from spreadsheet we make interest entry on
SIB Investment Fees is investment expenses from the previous months Rio financial statement
for instance Jun 30 statement expenses will show on July 31 consultant fees.



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Memorandum

TO: NDPERS Board
FROM: Kathy
DATE: November 10, 2014
SUBJECT: Comparison of Forfeitures

The Board requested an accounting of the forfeitures for the medical spending and dependent care accounts. Following are the forfeitures for the years 2009 – 2013. NDPERS was self-administering the plan from 2009 – 2012; since 2013, ADP has been the administrator.

Forfeitures

Year	Medical Spending	Dependent Care	Balance
2009	\$ 43,394.80	\$ 5,879.24	\$49,274.04
2010	\$ 57,019.12	\$12,504.16	\$69,523.28
2011	\$ 71,097.98	\$ 6,867.87	\$77,965.85
2012	\$ 65,597.73	\$ 9,989.63	\$75,587.36
2013	\$ (6,822.82)	\$17,793.23	\$10,970.41

The medical spending loss in 2013 is the result of individuals that used their total annual contribution amount prior to terminating employment during the year and, therefore, the contributions did not cover the claims.

We are available to answer any questions.



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Memorandum

TO: NDPERS Board

FROM: Kathy

DATE: November 12, 2014

SUBJECT: FlexComp Annual Limit

On October 30, 2014, the Internal Revenue Service released Revenue Procedure 2014-61 announcing annual inflation adjustments for 2015. One of the items included in this announcement was an increase in the annual limit for the health care medical spending account from \$2,500 in 2014 to \$2,550 in 2015. This was not anticipated as when the limit was decreased from \$6,000 to \$2,500 there was no indication this amount would be subject to annual indexing.

This year's annual enrollment was from October 20 through November 7, 2014. Due to the late release of the IRS announcement, this information was not included in our annual enrollment communications. Staff has made the following observations regarding the incorporation of the new annual limit in our plan for 2015:

1. Annual enrollment for the 2015 plan year concluded on November 7, 2014. To accommodate this change for 2015 would require the following:
 - Have a special enrollment to allow participants to change their election to the higher limit. Segal has indicated there is not specific guidance on the enrollment criteria for a special enrollment. It was their recommendation that if the Board elected to move in this direction, the special enrollment be offered to everyone who elected any amount for the health MSA. However, they felt we can only offer a change to the new maximum dollar amount and no decreases in amounts or increases in increments other than from the current election to the maximum annual limit be permitted.

We queried ADP and Segal about the approach being taken by their clients. Both indicated that there was no particular trend as employers were making a decision based on where they were at with their annual enrollment period.

- Update the PERSLink system to allow a late limit change for annual enrollment elections.
- Communication to employees and employers of limit change and provide instructions on how employees could revise their elections. This would have to be a paper application process because the MSS annual enrollment portal is no longer available after the

closing date. The portal cannot be maintained only for a specific plan; if left open, all plans would remain open and subject to revisions by participants.

- Develop a new application specific to the revised election.
- Modify PERSLink limit value to allow higher limit for ongoing enrollment.
- Update PeopleSoft with new limit amount.
- Revise Plan Document.

2. The above would have the following implications for employers and staff:

- The window to allow participants time to complete and submit an application and for payroll to enter changes would be very narrow. This would be additional workload for payroll, as they would need to ensure that revised elections were entered prior to the payroll cut-off date in December.
- We cannot anticipate the additional increase in workload we will experience for NDPERS staff and payroll. To provide some perspective, following is a breakdown of medical spending annual elections for 2014:

\$2,496 - \$2,500	590
\$2,000 - \$2,470	305
\$1,000 +	1,023
<\$1,000	<u>839</u>
	2,757

In addition, this year a special enrollment opportunity to revise MSA elections would coincide with the special enrollment window for ACA eligible temporary employees to enroll for health coverage, which is also a paper application process.

Segal has indicated that the inflation-driven IRS limit changes typically are not released until the end of October/early November each year; therefore, if indexing the MSA limit is IRS policy, there could be a limit change that occurs each year at this time. As previously stated, this means the information will never be available to coincide with the release of our annual enrollment communication materials.

As a reminder, the medical spending limit is determined by the Board and can be any amount so long as it does not exceed the IRS annual limit. ADP and Segal have confirmed that incorporating the increased limit is discretionary on behalf of the plan sponsor. As the Board has discretion to increase plan limits, it could consider other options, which may include adopting a lag policy for implementation. However, this would require additional research by staff which could be provided at a future meeting.

We are available to answer any questions.



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Memorandum

TO: PERS Board
FROM: Sparb and Bryan
DATE: November 20, 2014
SUBJECT: Updated Investment Options Summary

The updated Investment Options Summary for the NDPERS 457 Deferred Compensation Plan is now available. The booklet contains information on all the providers and investment options available in the plan. Inside you will find a description of the investments options available and the contact information for all the active providers. For each provider, all the investments are listed along with their investment objective, associated expenses and historical performance. The investment options summary is located on the NDPERS web site at:

<http://www.nd.gov/ndpers/forms-and-publications/publications/investment-options.pdf>

