

NDPERS BOARD MEETING

Agenda

Bismarck Location:

ND Association of Counties

1661 Capitol Way

Fargo Location:

Sanford Health Plan

1749 38th Street South

October 20, 2016

Time: 8:30 AM

I. MINUTES

- A. September 22, 2016
- B. October 11, 2016

II. PRESENTATIONS

- A. Actuarial Reports – Gabriel Roeder Smith
- B. ADP Annual Report – Sparb/Kathy

III. RETIREMENT

- A. Data Agreement with Segal – Sparb (Board Action)
- B. Job Service COLA – Kathy (Board Action)
- C. 401(a) and 457 Plans RFP – Bryan (Board Action)

IV. GROUP INSURANCE

- A. Telehealth Report – Sparb/Sanford/Deloitte (Information)
- B. Active Health Report – Bryan (Information)
- C. Health Graphs – Bryan (Information)
- D. Life Insurance Request for Proposal – Bryan (Board Action)

V. MISCELLANEOUS

- A. Legislative Bill Analysis – (Information)
- B. Quarterly Consultant Fees – (Information)
- C. PERS Board Meetings – Sparb (Board Action)

VI. APPEALS

- A. Infertility Benefits Cases 374 and 375 – Kathy (Board Action)

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



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

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

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

Memorandum

TO: PERS Board
FROM: Sparb & Kathy
DATE: October 10, 2016
SUBJECT: ADP Update

ADP will be at the next Board meeting to present their annual update.

Attached, for your reference, is the latest survey we recently completed on the ADP services with our members. Also attached is the previous survey. Our goal for them was to increase the satisfaction for this year compared to the past survey which was accomplished.

NDPERS 2016 Flexcomp Plan Survey – 454 Responses (30%)

1. Which Flexcomp program(s) do you participate in?	93% Medical 17% Dependent 51% Pre-Tax
2. Are you satisfied with the NDPERS Flexcomp enrollment process?	93% Yes 6% No
3. Are you satisfied with the availability of Flexcomp plan information?	93% Yes 6% No
4. Have you contacted ADP customer service?	55% Yes 44% No
5. Have you participated in the Flexcomp program before this year?	96% Yes 3% No
6. Do you plan to participate in the Flexcomp plan next year?	96% Yes 3% No

Please mark the box with how much you agree/disagree with the following statements. Use "N/A" if you have not used the service or don't know.	Answer %						
	Strongly disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree	N/A
7. I understand the NDPERS Flexcomp program.	1	1	0	3	49	45	0
8. I am satisfied with the claim submission options available from ADP.	5	4	7	11	40	31	1
9. I am satisfied with the online Web Services available from ADP.	5	4	6	12	41	25	6
10. I am satisfied with the Debit Card option available from ADP.	4	4	4	7	21	29	30
11. I am satisfied with the online claims submission option available from ADP.	4	4	5	10	35	27	15
12. I am satisfied with the Mobile App option available from ADP.	2	1	1	3	6	3	84
13. I am satisfied with the Automatic Claim Reimbursement option available from ADP.	4	4	3	6	26	21	37
14. I am satisfied with the customer service provided by ADP.	6	5	4	10	30	15	28
15. I am satisfied with the Flexcomp service provided by the NDPERS office.	2	2	3	7	41	30	15
16. I plan to enroll in the Flexcomp plan next year.	2	0	0	2	28	65	1
17. I would recommend the NDPERS Flexcomp plan to other employees.	2	0	2	6	35	52	3

18. Years of Service with the state	19. Age at last birthday	20. Marital Status	
17.9 Average Years	50.3 Average Years	18% Single	82% Married
21. Did you defer/contribute more than \$1,000 to your Flexcomp account? 77% Yes 23% No			

Additional Comments?

THANK YOU!
Please return this survey in the postage-paid envelope by:
July 10, 2016

NDPERS 2013 Flexcomp Plan Survey – 790 Responses (30%)

1. Which Flexcomp program(s) do you participate in?	93% Medical 15% Dependent 39% Pre-Tax
2. Are you satisfied with the NDPERS Flexcomp enrollment process?	90% Yes 8% No
3. Are you satisfied with the availability of Flexcomp plan information?	85% Yes 13% No
4. Have you used the ADP claims processing yet?	88% Yes 11% No
5. Have you participated in the Flexcomp program before this year?	96% Yes 4% No
6. Do you plan to participate in the Flexcomp plan next year?	90% Yes 7% No

Please mark the box with how much you agree/disagree with the following statements. Use "N/A" if you have not used the service or don't know.	Answer %						
	Strongly disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree	N/A
7. I am satisfied with the decision to change to ADP for Flexcomp claims processing.	17	12	8	12	30	17	5
8. I am satisfied with the claim submission options available from ADP.	13	9	9	12	33	19	6
9. I am satisfied with the online Web Services available from ADP.	12	7	8	11	29	20	14
10. I am satisfied with the Debit Card option available from ADP.	13	6	5	9	19	22	27
11. I am satisfied with the online claims submission option available from ADP.	11	7	7	10	24	16	25
12. I am satisfied with the Mobile App option available from ADP.	6	2	1	3	5	3	79
13. I am satisfied with the Automatic Claim Reimbursement option available from ADP.	9	6	3	8	20	17	38
14. I am satisfied with the customer service provided by ADP.	10	5	6	10	21	16	32
15. I am satisfied with the Flexcomp service provided by the NDPERS office.	5	3	4	11	37	30	12
16. I plan to enroll in the Flexcomp plan next year.	5	1	1	3	29	55	5
17. I would recommend the NDPERS Flexcomp plan to other employees.	5	3	2	8	34	43	5
18. I preferred the claims processing method before ADP.	14	17	9	8	11	33	9

19. Years of Service with the state 25% <10, 15% 10-14, 17% 15-19, 43% 20+, 1% N/S 18.0 Years average	20. Age at last birthday 15% <40, 24% 40-49, 39% 50-59, 17% 60+, 4% N/S 50.1 Years average	21. Marital Status 17% Single 82% Married 2% N/S
22. Did you defer/contribute more than \$1,000 to your Flexcomp account? 78% Yes 20% No 2% N/S		

Additional Comments?

THANK YOU!
Please return this survey in the postage-paid envelope by: July 15, 2013



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400 East Broadway, Suite 505 • Box 1657
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Executive Director
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Memorandum

TO: PERS Board

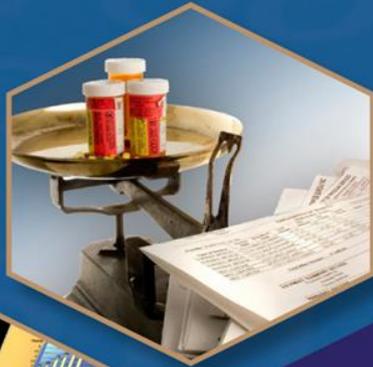
FROM: Sparb/Sharon

DATE: October 13, 2016

SUBJECT: 2016 Actuarial Valuation Reports

Gabriel Roeder Smith will be at the next Board meeting to review the results of the 2016 actuarial valuations. They will be reviewing the attached PowerPoint presentation.

This information will be presented to the Legislative Employee Benefits Programs Committee on October 26.



North Dakota Public Employees' Retirement System

Presentation of July 1, 2016
Actuarial Valuation Results

October 20, 2016

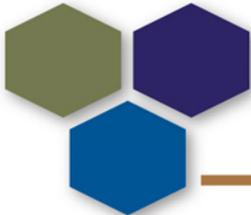
Lance Weiss, EA, MAAA, FCA
Alex Rivera, FSA, EA, MAAA, FCA
Amy Williams, ASA, MAAA, FCA

GRS

Gabriel Roeder Smith & Company
Consultants & Actuaries
www.gabrielroeder.com

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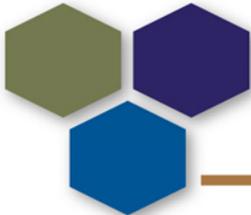


Agenda

- ◆ GRS Actuarial Valuation Methodology and Approach
- ◆ Actuarial Valuation Demographic Data
- ◆ Actuarial Valuation Results – Contribution %
- ◆ Actuarial Valuation Results – Funded Ratio
- ◆ Unfunded Liability and Actuarial Contribution Rate Reconciliation
- ◆ Actuarial Valuation Results Summary Comments
- ◆ Current Events Affecting Public Pension Plans
- ◆ Questions
- ◆ Appendix

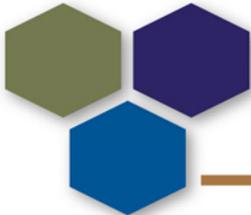
GRS Actuarial Valuation Methodology and Approach



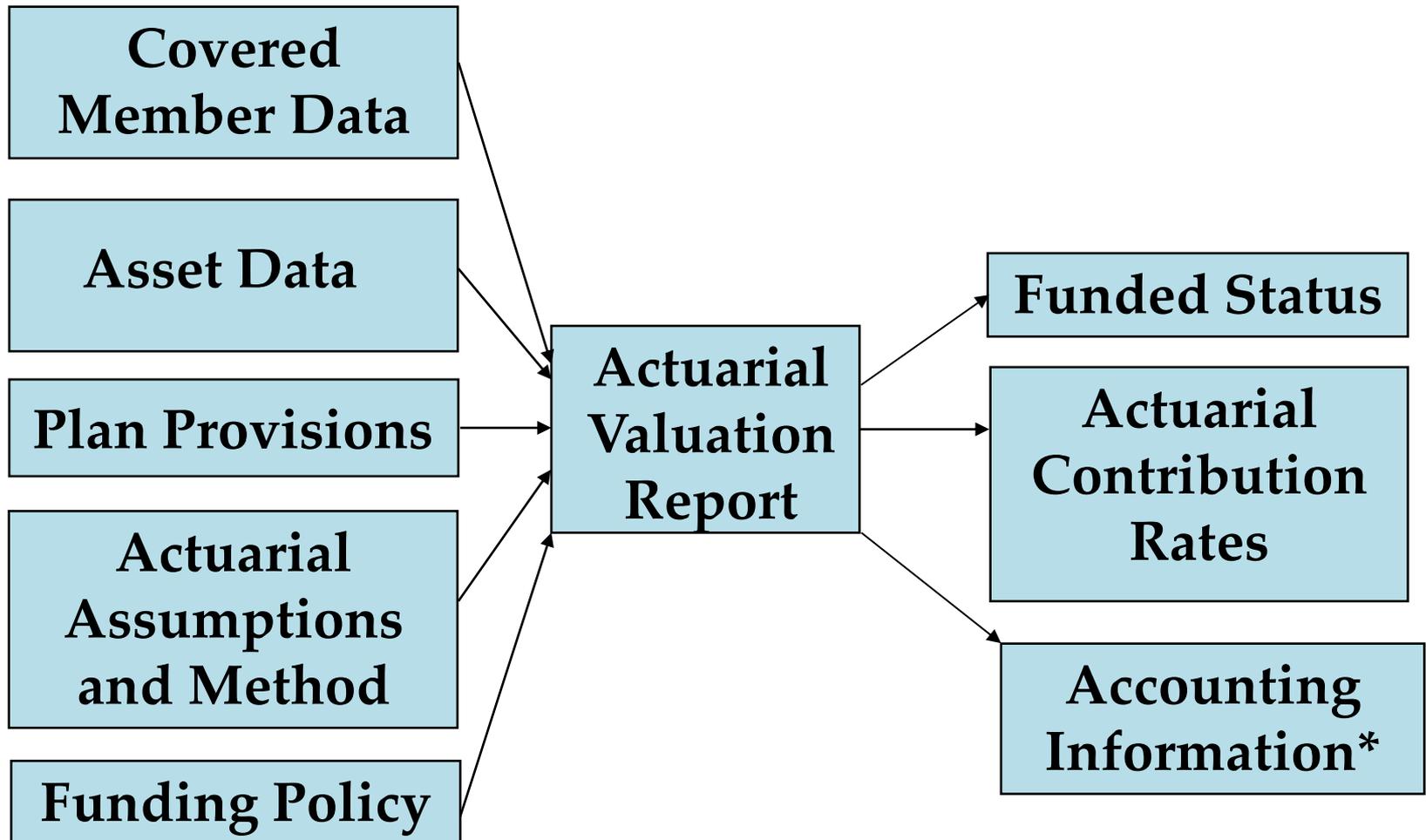


Purpose of Actuarial Valuation

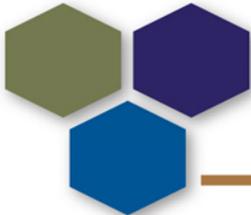
- ◆ Determine Funding Status
- ◆ Develop Actuarial Contribution Rates and Comparison to Statutory Rates
- ◆ Provide Accounting and Other Data
 - ▶ Under the current accounting standards, a separate accounting valuation is performed



Actuarial Valuation Process



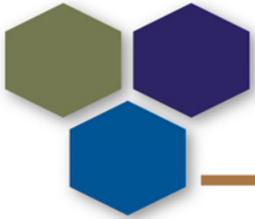
* Under the current accounting requirements, GASB 67 and 68, a separate accounting valuation report is issued.



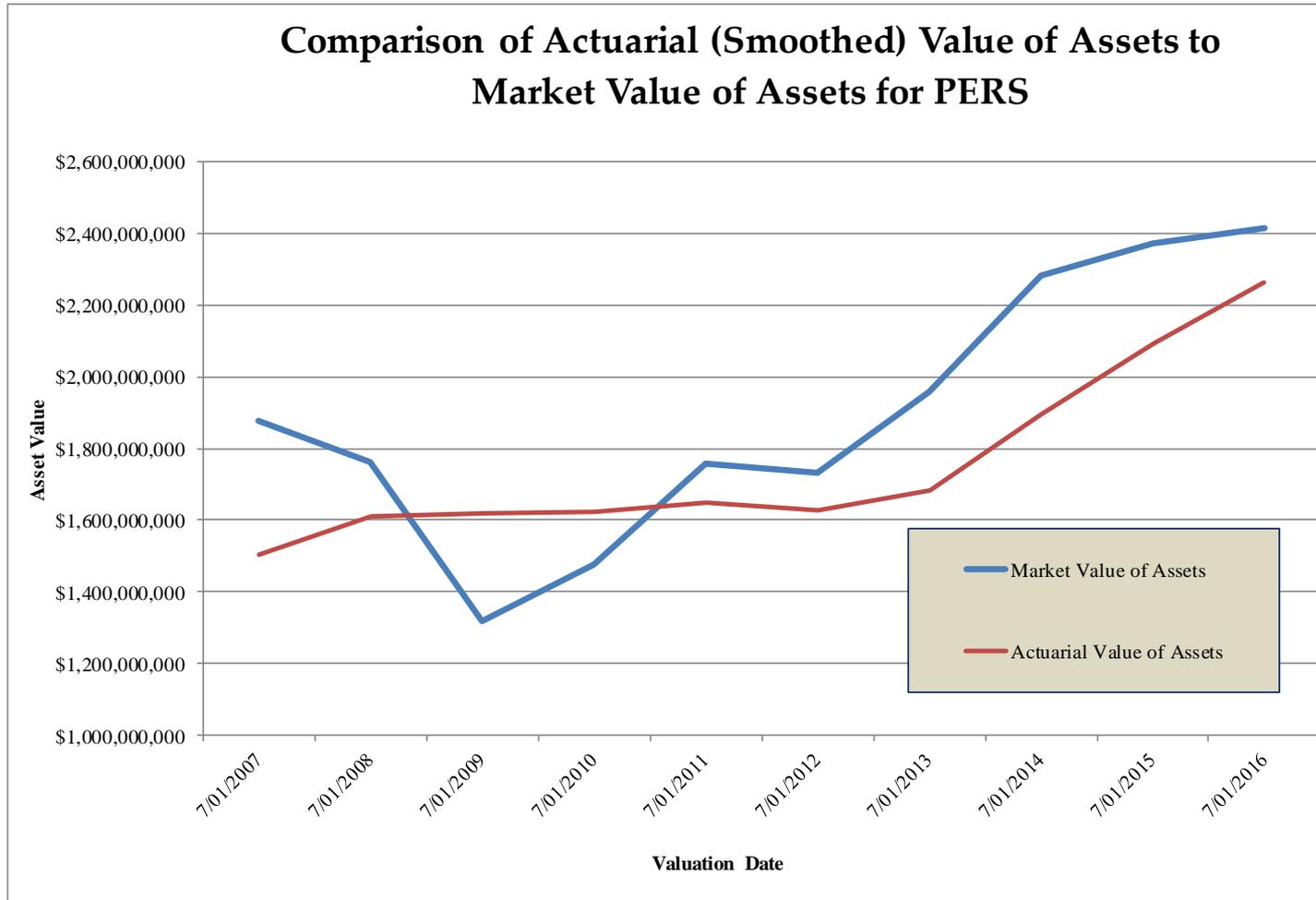
Actuarial Value of Assets

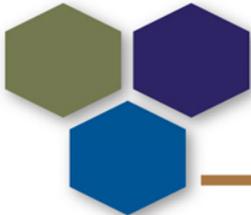
Asset Smoothing

- ◆ Actuarial Value of Assets (Smoothed Value of Assets)
 - ▶ Immediately recognizes interest and dividends
 - ▶ Recognizes the total appreciation or depreciation from the current year (net change in fair value of investments) over a five-year period
 - 20% of the return attributable to investments (net of investment expenses) is recognized in the current year.
 - 80% of the return attributable to investments is deferred and recognized over the next four years.
 - There will be deferred gains from all years in which the net investment return from investments is greater than 0%
 - ▶ We believe that the current asset valuation method has a systematic bias toward the actuarial value of assets being lower than the market value of assets



Actuarial Value of Assets





Selection of Actuarial Assumptions

What

Economic

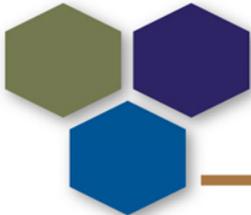
- ◆ Investment Return
- ◆ Payroll Growth Rate
- ◆ Population Growth Rate
(Usually, a constant population size is assumed)

Demographic

- ◆ Retirement Rates
- ◆ Promotional/Step Pay Increases
- ◆ Disability
- ◆ Turnover
- ◆ Mortality

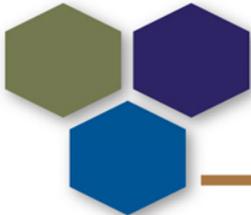
Who Selects

- ◆ Board, Actuary, Other Advisors
- ◆ Board, Actuary, Staff



Actuarial Assumptions

- ◆ Assumptions should be reviewed periodically (at least every three to five years) to ensure they continue to reasonably represent past and expected future experience
 - ▶ Last experience study (performed by prior actuary) covered the period July 1, 2009, through July 1, 2014, and updated actuarial assumptions were adopted in the July 1, 2015, valuation
 - ▶ Experience is monitored annually through the actuarial valuation gain/loss analysis for each plan
 - ▶ Continued gains or losses due to certain assumptions may require an update to the actuarial assumptions between experience studies
- ◆ GRS recommends reviewing the asset valuation (smoothing) method along with the economic assumptions (rate of inflation, investment return, payroll growth assumption) before the July 1, 2017 actuarial valuation

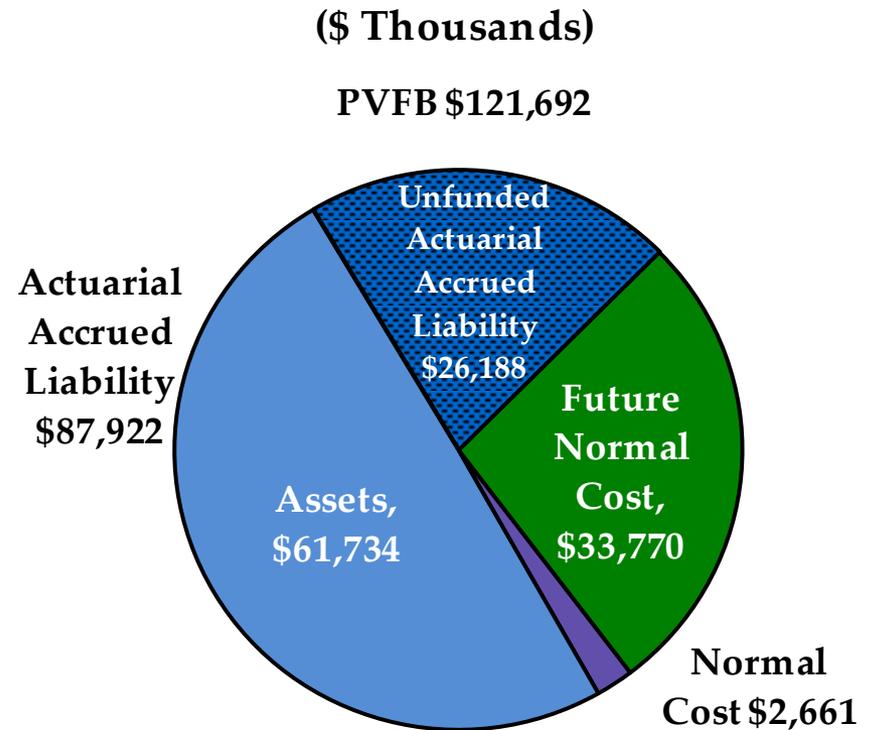


Actuarial Cost Method

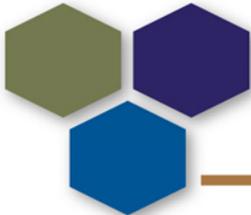
Plan	Actuarial Cost Method
Main System	Entry Age Normal
Judges	Entry Age Normal
Law Enforcement	Entry Age Normal
Highway Patrol	Entry Age Normal
Job Service	Aggregate
RHIC	Projected Unit Credit

Actuarial Cost Method

- Present value of future benefits** – present value of all future benefits (PVFB) payable to current participants (active, retired, terminated vested)
- Actuarial accrued liability** – portion of PVFB allocated to prior years (equal to unfunded actuarial accrued liability plus assets)
- Normal cost** – portion of PVFB allocated to current year
- Future normal costs** – portion of PVFB allocated to future years

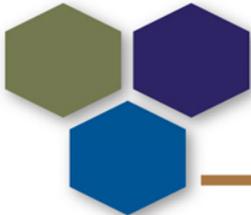


Numbers may not add due to rounding



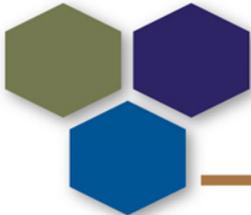
Causes of Unfunded Liability

- ◆ Granting initial benefits or granting benefit increases for service already rendered.
- ◆ Actual experience which is less favorable than assumed. Examples:
 - ▶ Lower rates of investment earnings;
 - ▶ Higher salary increases;
 - ▶ Earlier retirement date(s); and
 - ▶ Lower rates of non-death terminations.
- ◆ Not contributing at least Normal Cost + Interest on the Unfunded Liability.



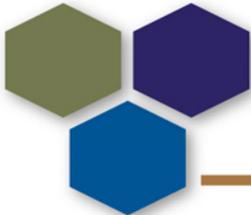
Current Funding Policy

- ◆ Employer contribution rates are based on fixed rates set by Statute or the Board
 - ▶ 7.12% - Main System
 - ▶ 17.52% - Judges
 - ▶ 9.81% - Law Enforcement with Prior Main System Service
 - ▶ 7.93% - Law Enforcement without Prior Main System Service
 - ▶ 19.70% - Highway Patrolmen's Retirement System
 - ▶ 1.14% - Retiree Health Insurance Credit Fund (RHIC)
 - ▶ 0% - Job Service



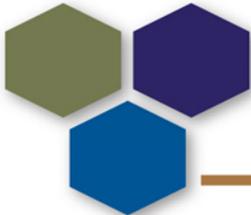
Current Funding Policy

- ◆ Actuarial employer contribution rate equals
 - ▶ Employer Normal Cost, plus
 - ▶ Amortization of Unfunded Liability.
 - Level percent of pay amortization
 - Payment increases as a dollar amount and remains level as a percentage of pay.
 - Payroll is assumed to increase by 4.50% each year (4.00% for Judges)
 - Amortization Period.
 - 20-year open period (Main System, Judges, Law Enforcement, Highway Patrol)
 - 40-year closed period beginning July 1, 1990, 14 years remaining as of July 1, 2016 (RHIC)
 - Not currently applicable for Job Service due to large surplus and Aggregate cost method



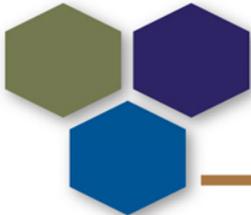
Changes in Provisions

- ◆ There have been no new changes in plan provisions since the last actuarial valuations as of July 1, 2015
 - ▶ Later retirement eligibility conditions for members enrolled in the Main System after December 31, 2015, are reflected in this actuarial valuation
 - ▶ Changes to the employee contribution rate of 5.50% of pay for National Guard members and changes to the employer contribution rate of 9.81% for Bureau of Criminal Investigation (BCI), which affects the Law Enforcement with prior Main system service plan, are reflected in this actuarial valuation
 - ▶ Retiree Health Insurance Credit Fund
 - The plan was changed to no longer require enrollment in the NDPERS health insurance plan. The participation rates were changed in the actuarial valuation as of July 1, 2015, in conjunction with this Plan change.
 - An increase in the covered number of retirees as a result of this change was first reflected in the actuarial valuation as of July 1, 2016



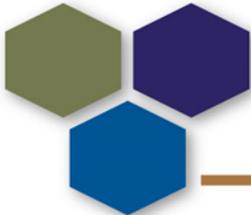
2015 Valuation Replication Results

- ◆ As part of the transition process, GRS replicated the 2015 valuation results for each of the Systems
 - ▶ For the Main System and the Law Enforcement Plans
 - Liabilities that GRS calculated were slightly higher
 - Normal cost that GRS calculated was lower
 - Actuarial contribution rate was lower
 - Differences were within a reasonable range
 - ▶ For the Judges Plan
 - Liabilities that GRS calculated were slightly lower
 - Normal cost that GRS calculated was slightly higher
 - Actuarial contribution rate was lower
 - Differences were within a reasonable range



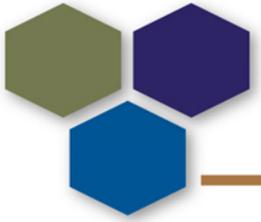
2015 Valuation Replication Results

- ◆ As part of the transition process, GRS replicated the 2015 valuation results for each of the Systems
 - ▶ For Highway Patrol, using the same method as Segal of limiting projected future benefits to the current Internal Revenue Code Section 415 benefit limits applicable to 2016
 - Liabilities that GRS calculated were slightly lower
 - Normal cost that GRS calculated was lower
 - Actuarial contribution rate was lower
 - ▶ However, GRS recommended that for the 2016 valuation that the liabilities be calculated by limiting projected future benefits to a projected Section 415 limit
 - This results in a significant increase in the liabilities, normal cost and actuarial contribution rate compared to those calculated in the 2015 valuation
 - GRS believes that this is a more reasonable approach and the typical approach used by most public sector pension plans
 - If assumptions are realized, including projected inflation, there are not expected to be unanticipated increases in liabilities and the actuarial contribution rate due to increases in the future Section 415 benefit limits



2015 Valuation Replication Results

- ◆ As part of the transition process, GRS replicated the 2015 valuation results for each of the Systems
 - ▶ For the Retiree Health Insurance Credit Fund
 - Liabilities, normal cost and actuarial contribution rate were almost identical to those calculated in the 2015 valuation using the same data, methods and assumptions provided by Segal that were used in the 2015 valuation
 - ▶ For the 2016 valuation of the Retiree Health Insurance Credit Fund, there were significantly more retirees provided in the data than included in the 2015 valuation
 - Although a change in the participation rate for future retirees was reflected in the 2015 valuation, a change in the expected number of current retirees participating in the Plan was first reflected in the 2016 valuation

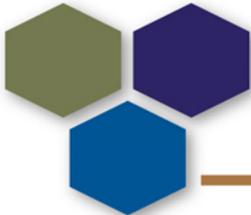


Demographic Data



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Demographic Data

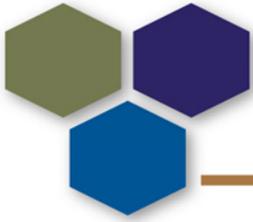
PERS Plans

	PERS						
	Statistics as of July 1						
	2016					2015	Total %
	Main System	Judges	Law Enforcement		Total PERS	Total PERS	
With Prior Main			Without Prior Main				
Membership Counts							
Active Members	22,762	56	498	100	23,416	22,845	2.5%
Retired Members ¹	10,394	43	79	2	10,518	10,097	4.2%
Vested Former Members	10,460	4	206	63	10,733	9,503	12.9%
Total	43,616	103	783	165	44,667	42,445	5.2%
Average Age (Active)	46.5	57.4	37.3	37.6	46.3	46.4	-0.3%
Average Service (Active)	9.6	10.4	6.6	3.7	9.6	9.6	-0.5%
Total Base Payroll	\$1,007,764,043	\$7,937,062	\$28,225,868	\$4,621,494	\$1,048,548,467	\$961,690,526	9.0%
Average Pay	44,274	141,733	56,678	46,215	44,779	42,096	6.4%
Total Retiree Benefits¹	\$139,931,445	\$2,121,768	\$1,470,545	\$13,056	\$143,536,814	\$135,701,596	5.8%
Avg. Annual Benefit	13,463	49,343	18,614	6,528	13,647	13,440	1.5%

¹ Main System includes 3 pensioners receiving benefits under the Special Prior Service Plan.

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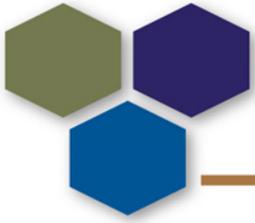
Demographic Data

Highway Patrol, Job Service, RHIC

	Highway Patrol			Job Service			RHIC		
	Statistics as of June 30		%	Statistics as of June 30		%	Statistics as of June 30		%
	2016	2015	Change	2016	2015	Change	2016	2015	Change
Membership Counts									
Active Members	156	161	-3.1%	9	11	-18.2%	23,664	23,237	1.8%
Retired Members	123	128	-3.9%	206	206	0.0%	10,320	5,212	98.0%
Vested Former Members	39	37	5.4%	1	1	0.0%	-	-	
Total	318	326	-2.5%	216	218	-0.9%	33,984	28,449	19.5%
Average Age (Active)	36.4	35.3	1.0	61.6	61.2	0.3	46.2	46.3	(0.1)
Average Service (Active)	9.6	8.6	1.0	40.1	38.9	1.2	9.5	9.7	(0.2)
Total Base Payroll	\$10,526,791	\$9,967,249	5.6%	\$564,684	\$673,836	-16.2%	\$1,066,653,605	\$990,087,194	7.7%
Average Pay	67,479	61,908	9.0%	62,743	61,258	2.4%	45,075	42,608	5.8%
Total Retiree Benefits	\$4,586,664	\$4,697,134	-2.4%	\$5,477,283	\$5,491,161	-0.3%	\$12,369,833	\$7,580,838	63.2%
Avg. Annual Benefit	37,290	36,696	1.6%	26,589	26,656	-0.3%	1,199	1,454	-17.5%

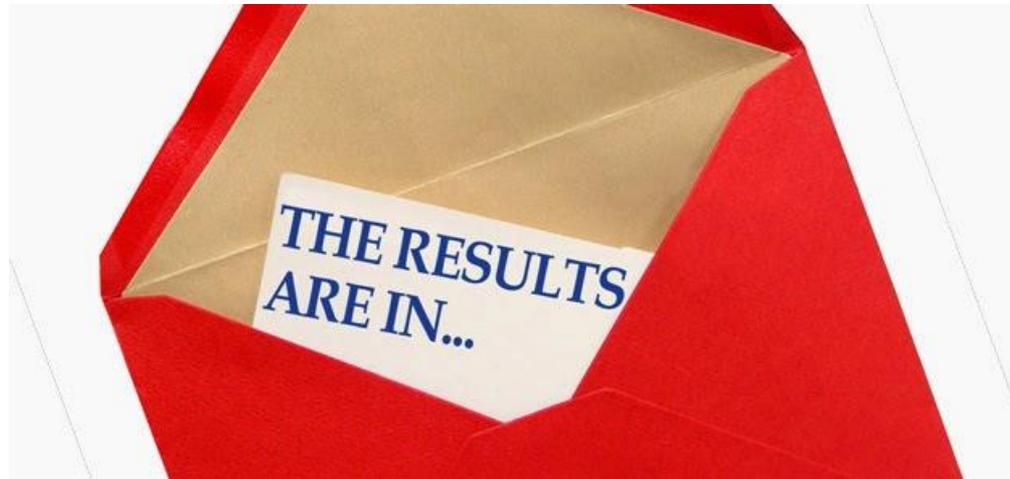
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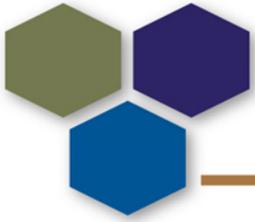
Actuarial Valuation Results

Contribution %



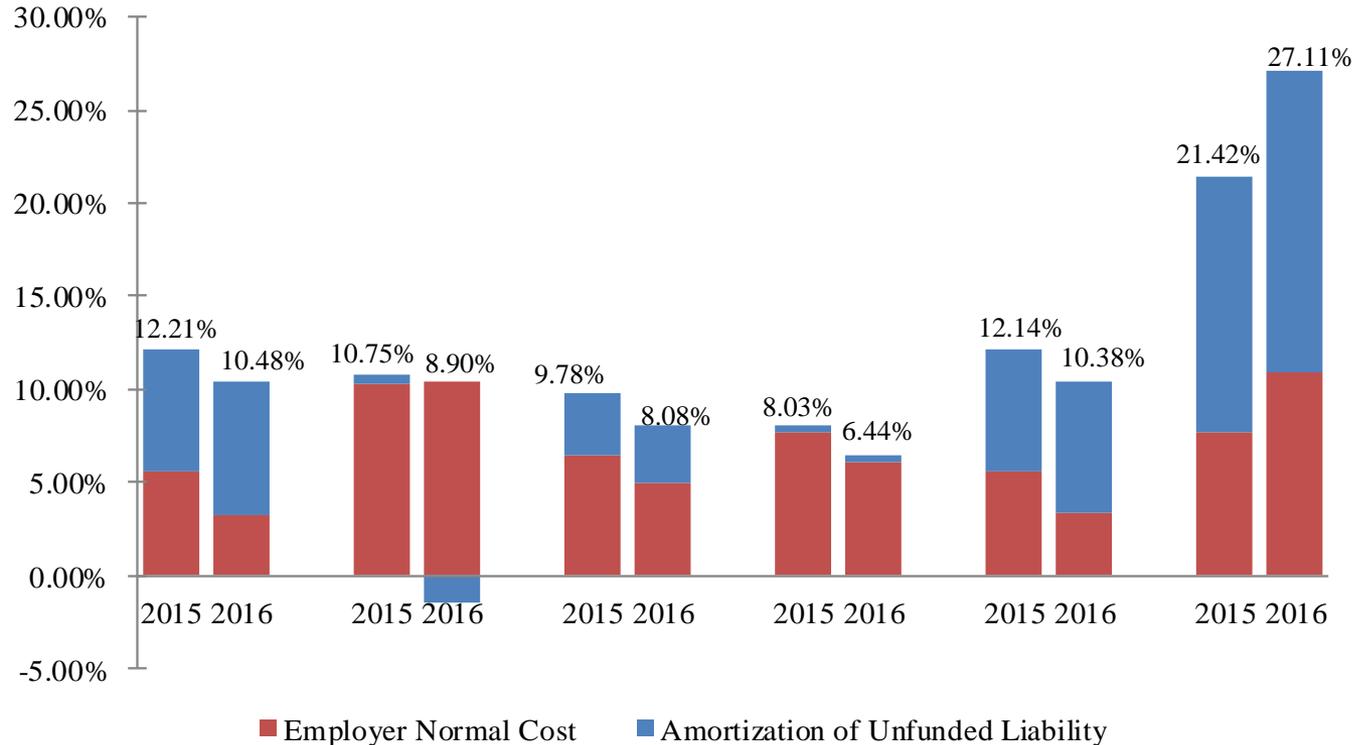
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Actuarial Valuation Results

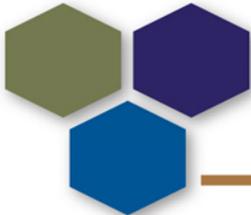
Actuarial Contribution Rate



	Main System	Judges	Law Enforcement		Total PERS	Highway Patrol
			With Prior Main	Without Prior Main		
Employer Normal Cost Rates						
FY 2017 (2016 Valuation)	3.24%	10.40%	4.92%	6.07%	3.35%	10.92%
FY 2016 (2015 Valuation)	5.55%	10.34%	6.43%	7.71%	5.61%	7.66%
Amortization of Unfunded Liability Rates						
FY 2017 (2016 Valuation)	7.24%	-1.50%	3.16%	0.37%	7.03%	16.19%
FY 2016 (2015 Valuation)	6.66%	0.41%	3.35%	0.32%	6.53%	13.76%

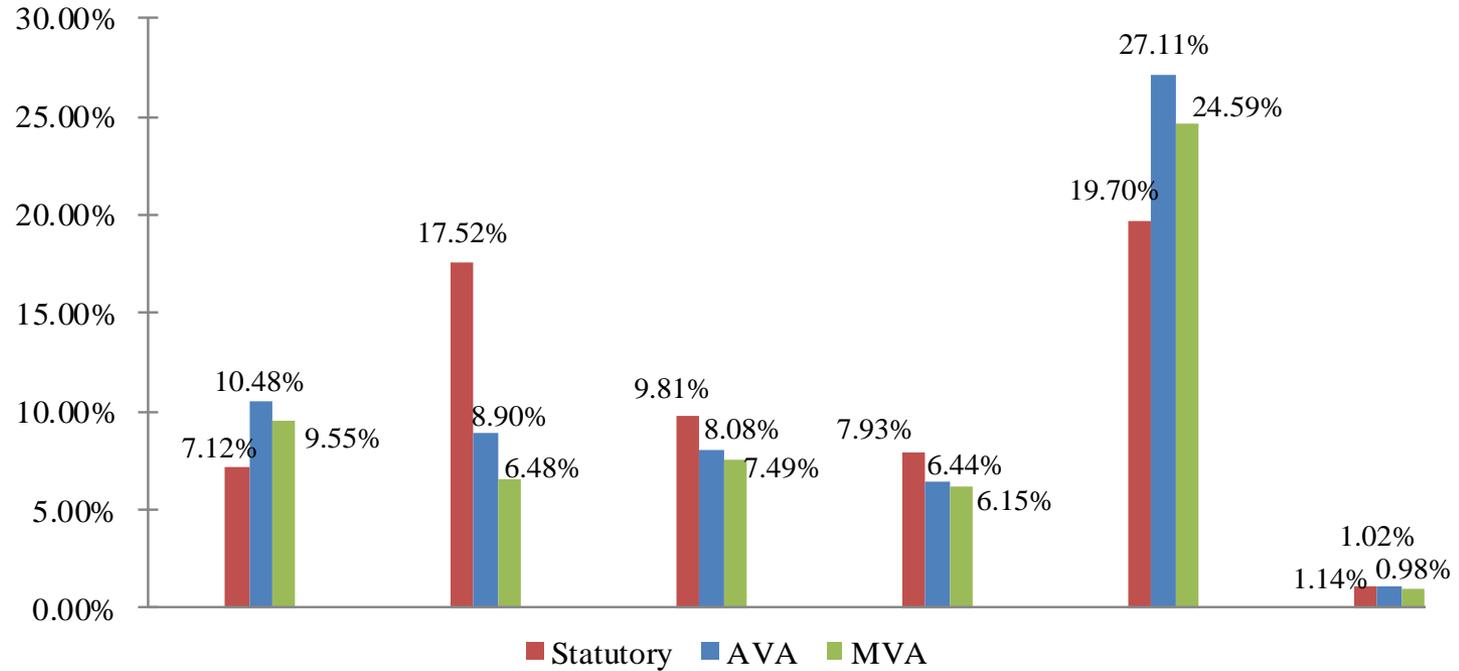
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Actuarial Valuation Results

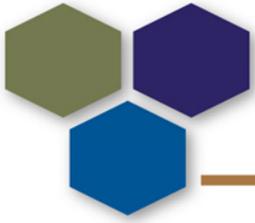
Comparison of Statutory and Actuarial Contribution Rates



Valuation Results	Main System	Judges	Law Enforcement		Highway Patrol	RHIC
			With Prior Main	Without Prior Main		
Statutory Contribution Rate	7.12%	17.52%	9.81%	7.93%	19.70%	1.14%
Actuarial Contribution Rate (AVA)	10.48%	8.90%	8.08%	6.44%	27.11%	1.02%
Statutory Rate Excess/(Deficiency)	-3.36%	8.62%	1.73%	1.49%	-7.41%	0.12%
Actuarial Contribution Rate (MVA)	9.55%	6.48%	7.49%	6.15%	24.59%	0.98%
Statutory Rate Excess/(Deficiency)	-2.43%	11.04%	2.32%	1.78%	-4.89%	0.16%

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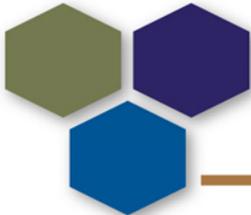
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Actuarial Valuation Results

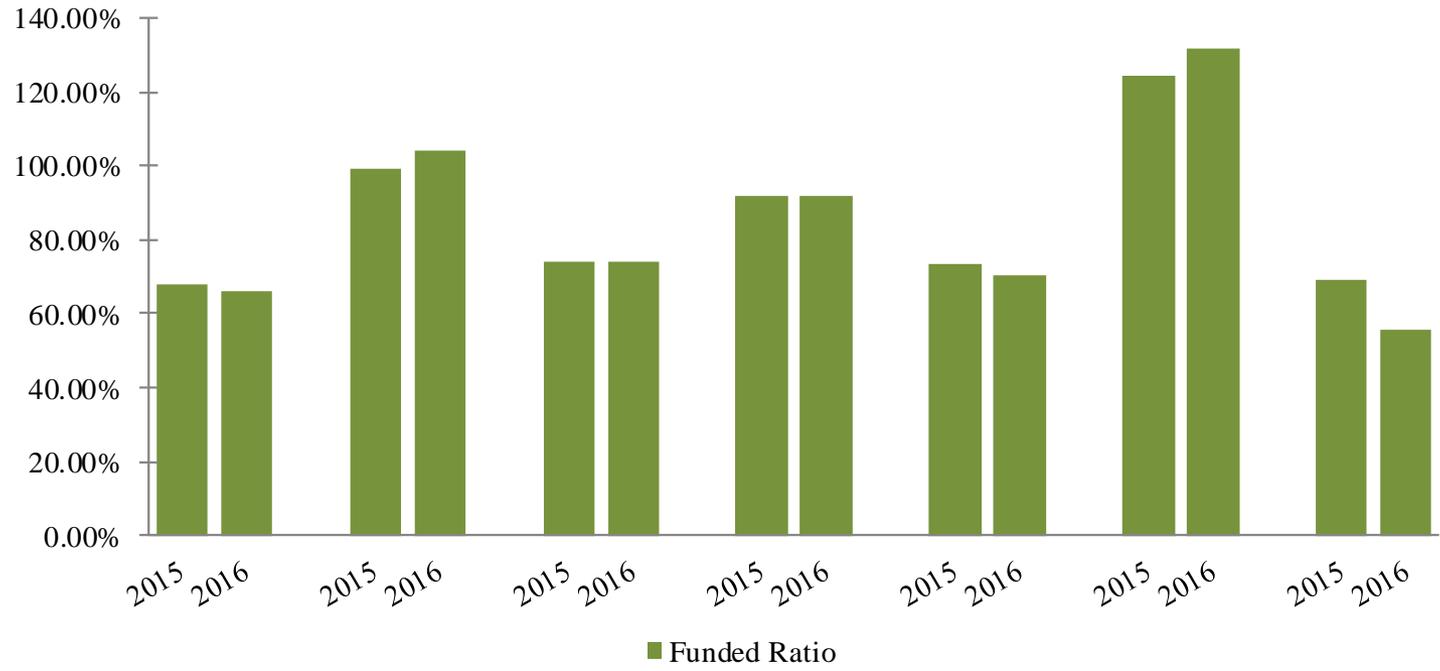
Funded Ratio





Actuarial Valuation Results

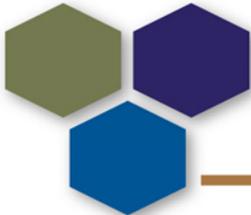
Funded Ratio All Plans



Valuation Results	Main System	Judges	Law Enforcement		Highway Patrol	Job Service	RHIC
			With Prior Main	Without Prior Main			
Actuarial Accrued Liability	\$ 3,299,381,100	\$ 39,819,443	\$ 53,865,148	\$ 3,499,776	\$ 87,921,960	\$ 61,371,296	\$ 176,592,907
Actuarial Value of Assets	2,180,748,616	41,526,834	39,779,332	3,222,859	61,733,910	80,980,498	97,782,124
2016 Unfunded Actuarial Liability	1,118,632,484	(1,707,391)	14,085,816	276,917	26,188,050	(19,609,202)	78,810,783
UAL as Percent of Payroll	111%	-22%	50%	6%	249%	-3473%	7%
2015 Unfunded Actuarial Liability	\$ 948,595,594	\$ 407,537	\$ 8,982,396	\$ 209,656	\$ 21,236,686	\$ (15,573,387)	\$ 39,506,015
2016 Funded Ratio	66.1%	104.3%	73.8%	92.1%	70.2%	132.0%	55.4%
2015 Funded Ratio	68.1%	99.0%	73.8%	92.2%	73.5%	124.5%	69.4%

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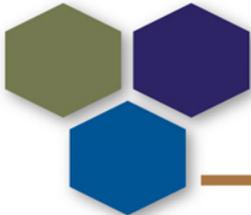


Unfunded Liability and Actuarial Contribution Rate Reconciliation



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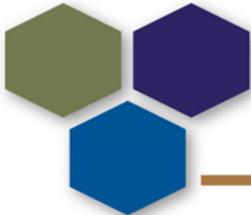
Unfunded Liability Reconciliation

PERS Plans

	Main System	Judges	Law Enforcement With Prior Main	Law Enforcement Without Prior Main
Unfunded liability at previous valuation	\$ 948,595,594	\$ 407,537	\$ 8,982,396	\$ 209,656
Unfunded liability at previous valuation - GRS replication results	\$1,056,939,932	\$ (372,669)	\$ 9,461,676	\$ 305,662
<u>Expected unfunded liability at current valuation</u>				
Normal cost for plan year	103,608,361	1,366,793	1,961,430	533,646
Interest on unfunded liability and normal cost	88,619,801	23,806	833,882	45,388
Contributions using actuarial rate with interest to current valuation date	<u>184,330,892</u>	<u>1,392,282</u>	<u>2,724,616</u>	<u>576,750</u>
Total expected change in unfunded liability at current valuation	7,897,270	(1,683)	70,696	2,284
Total expected unfunded liability at current valuation	1,064,837,202	(374,352)	9,532,372	307,946
Change due to:				
Amount and timing of contributions (based on statutory rate)	33,686,864	(672,994)	(1,148,269)	(75,440)
Amount and timing of administrative expenses	4,091,878	131	7,658	326
Recognition of asset (gains)/losses	14,659,356	482,468	4,945,491	93,070
Salary experience	(42,485,719)	(120,993)	1,178,788	11,506
Retirement experience	(2,559,270)	(535,764)	(148,714)	(6,177)
Withdrawal experience	(1,270,432)	(6,972)	107,787	(31,220)
Disability experience	139,652	(19,505)	56,586	(3,282)
Death in Service experience	(306,953)	(41,050)	(266)	381
Death After Retirement experience	(799,983)	(793,090)	(340,274)	(52,788)
New entrants	54,046,549	165,148	(905,798)	64,328
Data changes and other experience	(5,406,660)	209,582	800,455	(31,733)
Change in actuarial assumptions	-	-	-	-
Changes in plan provisions	-	-	-	-
Total change	<u>53,795,282</u>	<u>(1,333,039)</u>	<u>4,553,444</u>	<u>(31,029)</u>
Unfunded liability at current valuation	\$1,118,632,484	\$ (1,707,391)	\$ 14,085,816	\$ 276,917

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Actuarial Contribution Rate Reconciliation

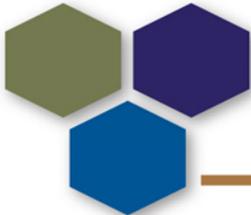
PERS Plans

	Main System	Judges	Law Enforcement With Prior Main	Law Enforcement Without Prior Main
FY 2016 Actuarial Employer Contribution	12.21%	10.75%	9.78%	8.03%
GRS Replication Results FY 2016 Actuarial Employer Contribution	10.76%	10.40%	8.67%	6.52%
Expected FY 2017 Actuarial Employer Contribution	10.49%	10.42%	8.51%	6.51%
Change due to:				
Amount and timing of contributions (based on statutory rate)	0.22%	-0.65%	-0.42%	-0.11%
Amount and timing of administrative expenses	0.04%	0.00%	0.05%	0.00%
Recognition of asset (gains)/losses	0.10%	0.47%	1.79%	0.14%
Salary experience	-0.32%	-0.12%	0.24%	0.03%
Retirement experience	-0.01%	-0.52%	-0.05%	-0.01%
Withdrawal experience	-0.01%	-0.01%	0.04%	-0.04%
Disability experience	0.00%	-0.02%	0.02%	-0.01%
Death in Service experience	0.00%	-0.04%	0.00%	0.00%
Death After Retirement experience	-0.01%	-0.76%	-0.12%	-0.08%
New entrants	0.01%	-0.06%	-2.16%	0.05%
Data changes and other experience	-0.03%	0.19%	0.18%	-0.04%
Change in actuarial assumptions	0.00%	0.00%	0.00%	0.00%
Changes in plan provisions	0.00%	0.00%	0.00%	0.00%
Total change	-0.01%	-1.52%	-0.43%	-0.07%
FY 2017 Actuarial Employer Contribution	10.48%	8.90%	8.08%	6.44%

New entrants includes the net impact of liability and asset transfers and change in payroll.

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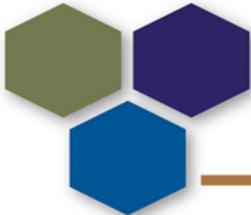


Unfunded Liability Reconciliation

Highway Patrol, RHIC, Job Service

	Highway Patrol	RHIC	Job Service
Unfunded liability at previous valuation	\$ 21,236,686	\$ 39,506,015	\$ (15,573,387)
Unfunded liability at previous valuation - GRS replication results	\$ 25,182,487	\$ 40,767,475	\$ (15,534,859)
<u>Expected unfunded liability at current valuation</u>			
Normal cost for plan year	2,616,207	4,225,270	31,271
Interest on unfunded liability and normal cost	2,117,234	3,427,157	(1,086,364)
Contributions using actuarial rate with interest to current valuation date	<u>4,545,282</u>	<u>8,050,416</u>	<u>34,153</u>
Total expected change in unfunded liability at current valuation	188,159	(397,989)	(1,089,246)
Total expected unfunded liability at current valuation	25,370,646	40,369,486	(16,624,105)
Change due to:			
Amount and timing of contributions (based on statutory rate)	841,890	(4,801,268)	(11,545)
Amount and timing of administrative expenses	(579)	213,741	1,016
Recognition of asset (gains)/losses	623,964	1,510,912	(987,223)
Salary experience	(547,785)	-	15,294
Retirement experience	(17,157)	(82,418)	(73,314)
Withdrawal experience	34,419	(2,205,453)	3,205
Disability experience	(11,700)	(64,330)	3,275
Death in Service experience	16,311	(135,947)	12,036
Death After Retirement experience	(673,671)	2,747,519	5,286
New entrants	68,662	622,038	-
Data changes and other experience	483,050	40,636,503	(1,953,126)
Change in actuarial assumptions	-	-	-
Changes in plan provisions	-	-	-
Total change	<u>817,404</u>	<u>38,441,297</u>	<u>(2,985,096)</u>
Unfunded liability at current valuation	\$ 26,188,050	\$ 78,810,783	\$ (19,609,201)

Data changes and other experience includes the increase in the number of covered retirees under RHIC and a COLA gain for Job Service.



Actuarial Contribution Rate Reconciliation

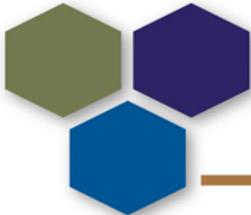
Highway Patrol and RHIC

	Highway Patrol	RHIC
FY 2016 Actuarial Employer Contribution	21.42%	0.72%
GRS Replication Results FY 2016 Actuarial Employer Contribution	27.48%	0.73%
Expected FY 2017 Actuarial Employer Contribution	26.89%	0.73%
Change due to:		
Amount and timing of contributions (based on statutory rate)	0.52%	-0.04%
Amount and timing of administrative expenses	-0.01%	0.02%
Recognition of asset (gains)/losses	0.39%	0.01%
Salary experience	-0.41%	0.00%
Retirement experience	-0.01%	0.00%
Withdrawal experience	0.02%	-0.02%
Disability experience	-0.01%	0.00%
Death in Service experience	0.01%	0.00%
Death After Retirement experience	-0.41%	0.03%
New entrants	-0.17%	-0.03%
Data changes and other experience	0.30%	0.32%
Change in actuarial assumptions	0.00%	0.00%
Changes in plan provisions	0.00%	0.00%
Total change	0.22%	0.29%
FY 2017 Actuarial Employer Contribution	27.11%	1.02%

Data changes and other experience includes the increase in the number of covered retirees under RHIC.

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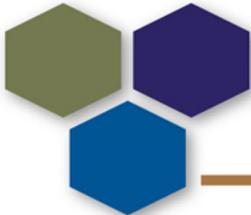


Actuarial Valuation Results

Summary Comments

◆ Public Employees' Retirement System Plans

- ▶ Actuarial employer contribution rates have decreased for FY 2017 compared to FY 2016
 - GRS 2015 replication results and expected 2016 valuation results calculated a lower normal cost rate and actuarial contribution rate
 - Actual plan experience resulted in a net decrease in the actuarial contribution rates compared to the expected rates
 - Asset Experience
 - » The investment rate of return was approximately 0.5% on a market value of assets basis
 - » The investment rate of return was approximately 6.6% on an actuarial value of assets basis
 - » Because the asset return was less than the assumed rate of 8.0%, there was a loss due to assets
 - Liability Experience
 - » There was overall favorable experience which offset the asset losses

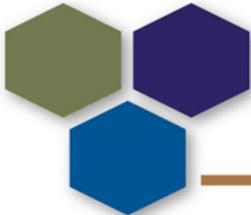


Actuarial Valuation Results

Summary Comments

◆ Highway Patrolmen's Retirement System

- ▶ Actuarial employer contribution rate has increased for FY 2017 compared to FY 2016
 - Updated assumption to reflect projected IRC Section 415 benefit limits increased the contribution rate
 - Actual plan experience resulted in a net increase in the actuarial contribution rate compared to the expected rate
 - Asset Experience
 - » The investment rate of return was approximately 0.5% on a market value of assets basis
 - » The investment rate of return was approximately 6.6% on an actuarial value of assets basis
 - » Because the asset return was less than the assumed rate of 8.0%, there was a loss due to assets
 - Contribution Experience
 - » The statutory contribution rate is lower than the actuarial contribution rate, which caused the actuarial contribution rate for FY 2017 to further increase
 - Liability Experience
 - » Salary increases were lower than assumed
 - » There was favorable death after retirement plan experience
 - » Favorable liability experience partially offset asset and contribution experience losses



Actuarial Valuation Results

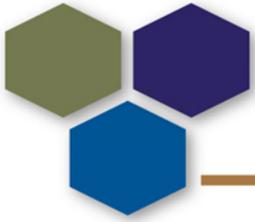
Summary Comments

◆ Retiree Health Insurance Credit Fund

- ▶ Actuarial employer contribution rate has increased for FY 2017 compared to FY 2016
 - The increase in the number of covered retirees included in the valuation due to the plan change to no longer require enrollment in the NDPERS health insurance plan increased the contribution rate.
 - Plan experience, including statutory contributions that were higher than the actuarial rate, slightly offset the increase in the contribution rate due to plan changes

◆ Retirement Plan for Employees of Job Service

- ▶ The plan surplus has increased by about \$4 million from June 30, 2015, to June 30, 2016
 - Asset Experience
 - The investment rate of return was approximately 5.2% on a market value of assets basis
 - The investment rate of return was approximately 8.3% on an actuarial value of assets basis
 - Because the asset return was greater than the assumed rate of 7.0%, there was a gain due to assets
 - Liability Experience
 - There was a COLA gain due to no COLA increases being granted on retiree benefits compared to the actuarial assumption of 3.0%

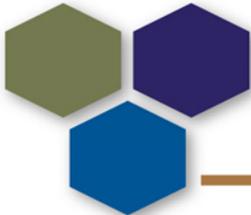


Current Events Affecting Public Pension Plans



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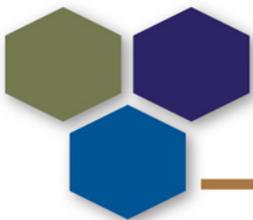
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Current Events

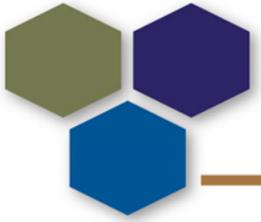
Retirement Environment Today

- ◆ Pension plans are continuing to be impacted by a volatile investment market
- ◆ In general, expectations for future investment returns are decreasing
 - ▶ Plans are decreasing their investment return assumption
 - ▶ Decreases in the investment return assumption increase liabilities and decrease the funded ratio
- ◆ Plan sponsors are making changes to help manage costs
 - ▶ Reducing benefits (for new hires and/or future benefits for current members)
 - ▶ Eliminating or reducing certain provisions (such as COLA and DROP)
 - ▶ Increasing member contributions

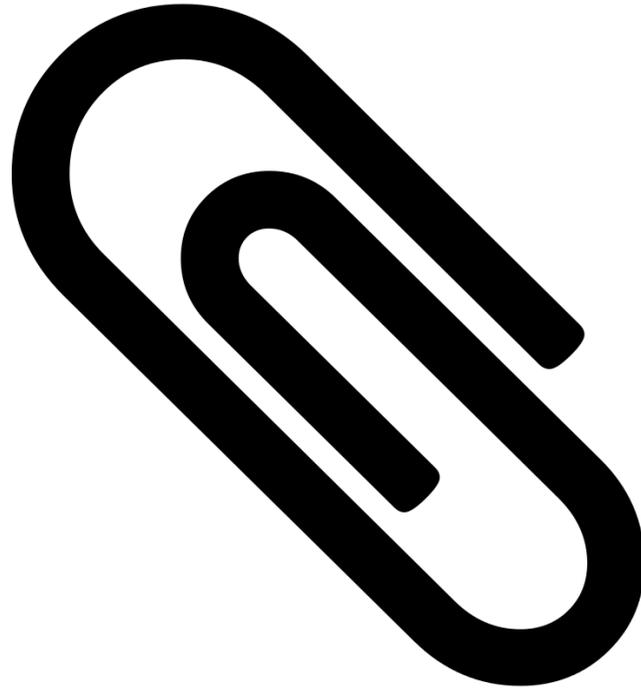


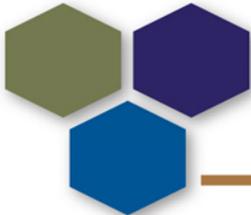
Questions?



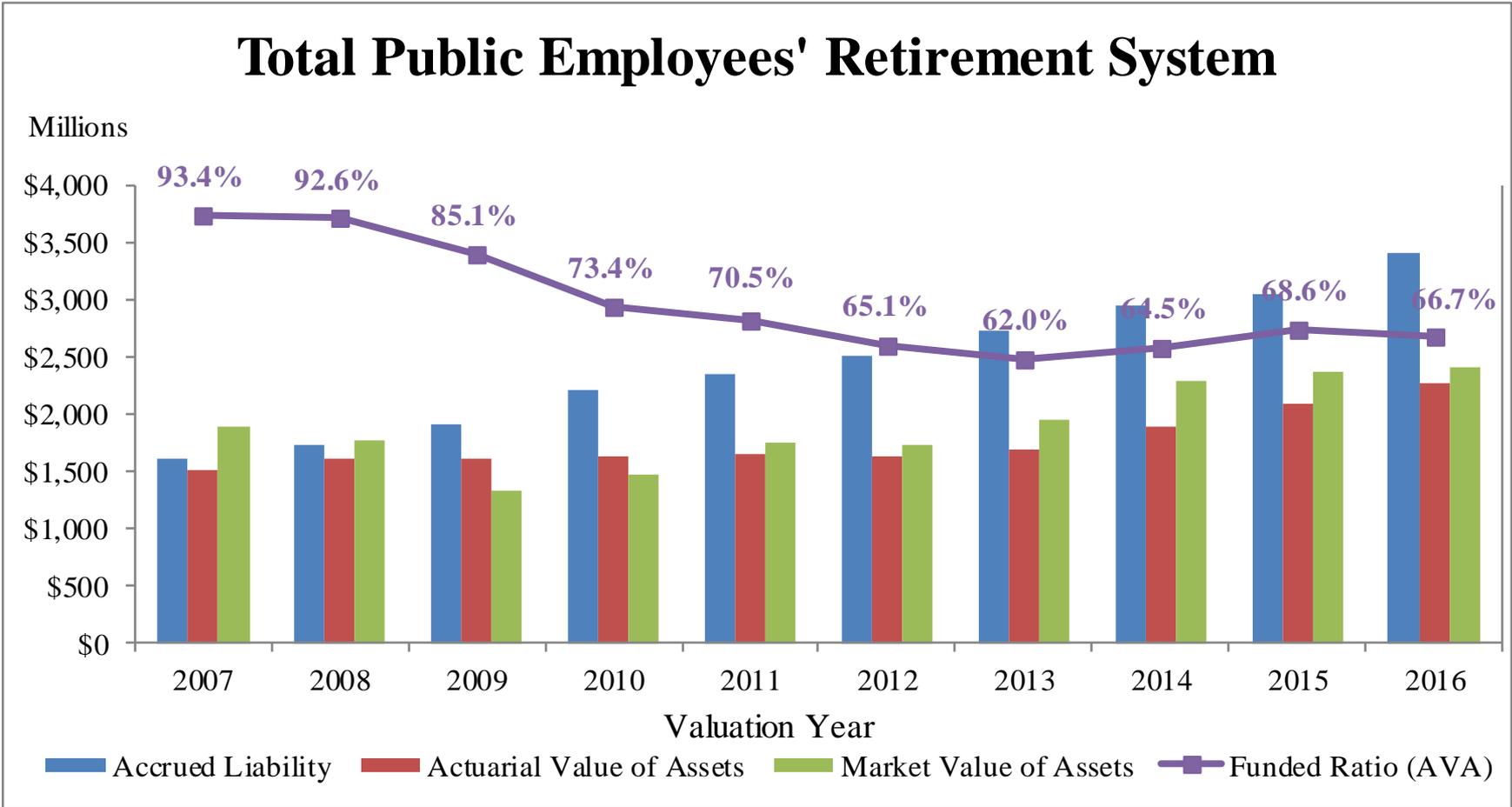


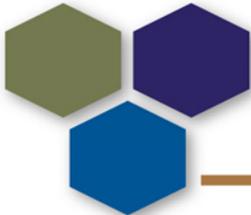
Appendix



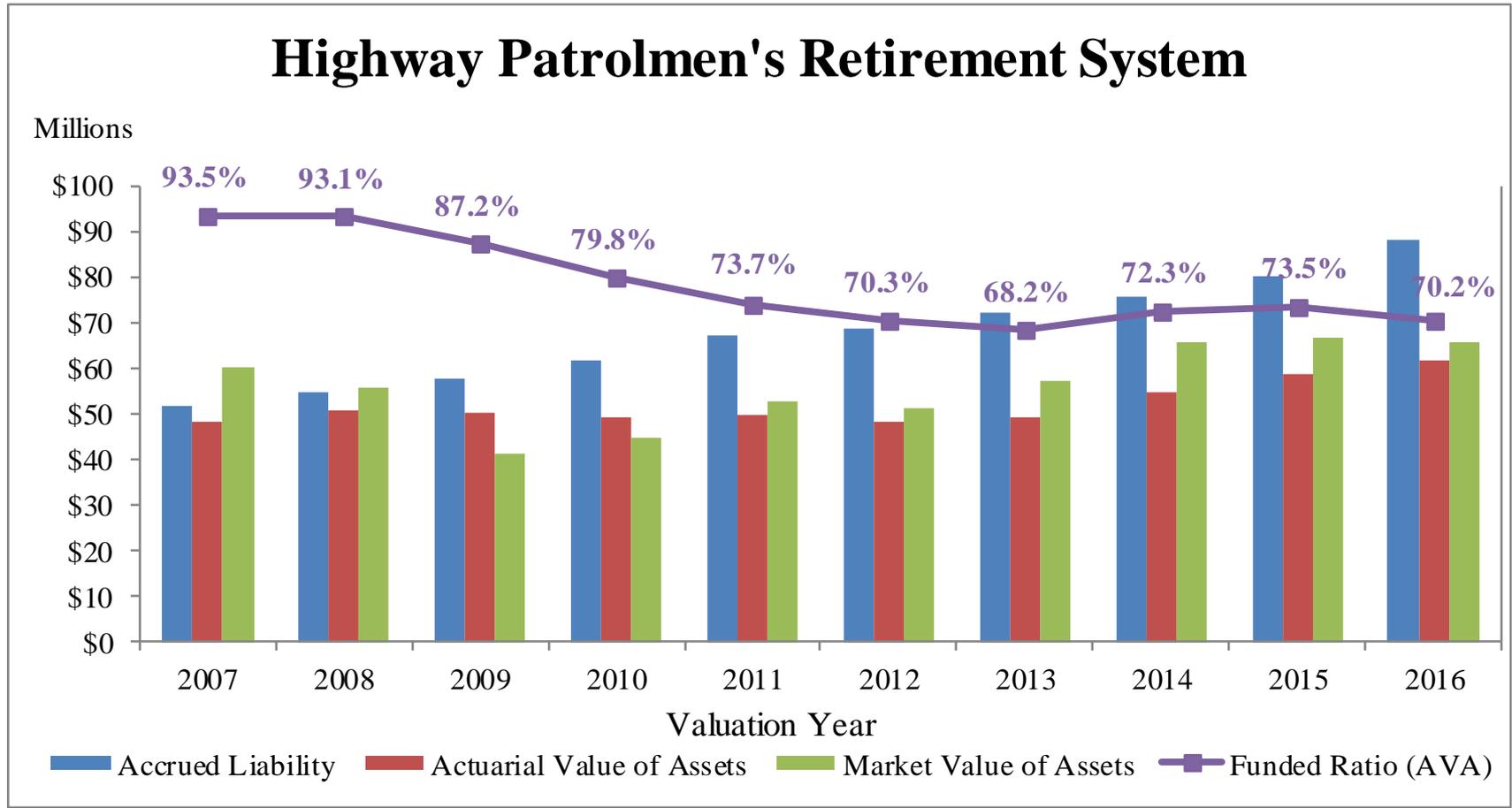


Historical Trends – Change in Funded Status



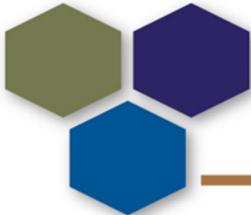


Historical Trends – Change in Funded Status

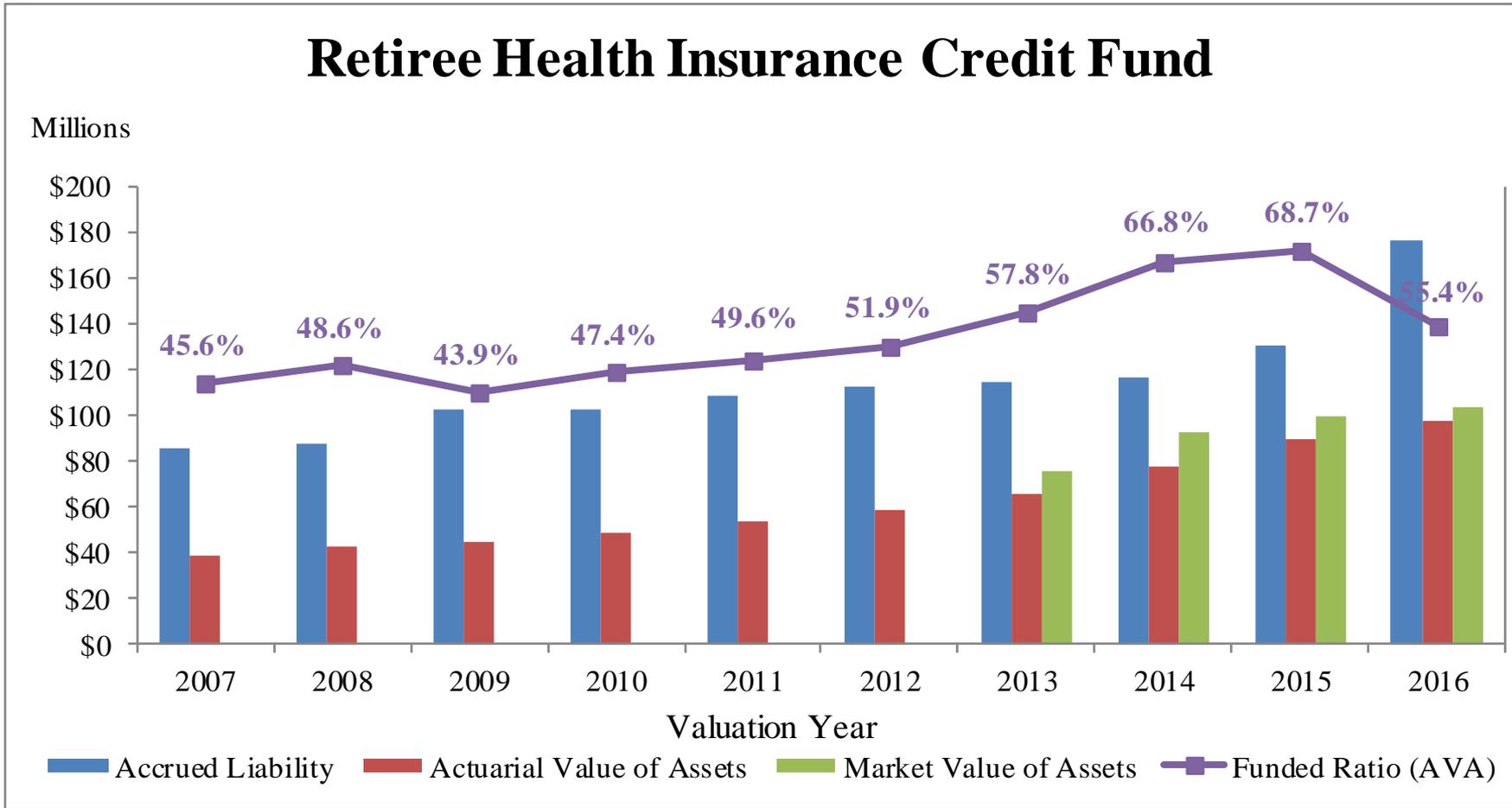


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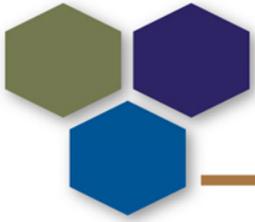


Historical Trends – Change in Funded Status



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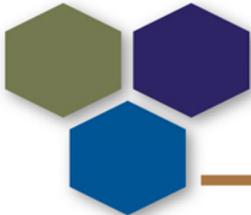


Disclosures



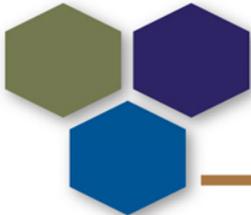
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Disclosures

- ◆ This presentation shall not be construed to provide tax advice, legal advice or investment advice.
- ◆ The actuaries submitting this presentation (Lance Weiss, Amy Williams, and Alex Rivera) are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.
- ◆ The purposes of the actuarial valuation are to measure the financial position of the North Dakota Public Employees' Retirement System, calculate the actuarial employer contribution rates and provide actuarial reporting and disclosure information for financial reporting.



Disclosures

- ◆ Future actuarial measurements may differ significantly from the current and projected measurements presented in this presentation due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.
- ◆ This is one of multiple documents comprising the actuarial reports for the NDPERS Plans. Additional information regarding actuarial assumptions and methods and important additional disclosures are provided in the Actuarial Valuation Reports as of July 1, 2016.
- ◆ If you need additional information to make an informed decision about the contents of this presentation, or if anything appears to be missing or incomplete, please contact us before relying on this presentation.



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

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

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

Memorandum

TO: PERS Board

FROM: Sparb

DATE: October 12, 2016

SUBJECT: Data Agreement with Segal

We recently completed our data agreement with BCBS. Attached is a similar agreement with Segal along with their retention schedule.

If this meets with your approval, we will forward to Segal for their signature.

MEMORANDUM OF UNDERSTANDING BETWEEN THE NORTH DAKOTA PUBLIC
EMPLOYEES RETIREMENT SYSTEM AND THE SEGAL COMPANY RELATING TO
MAINTAINING CONFIDENTIAL INFORMATION

This Memorandum of Understanding is between the State of North Dakota acting through its North Dakota Public Employees Retirement System (NDPERS) and The Segal Company and its subsidiaries (SEGAL) relating to maintenance and destruction of NDPERS Confidential Information held by SEGAL and its subsidiaries.

WHEREAS, NDPERS has previously entered into contracts with SEGAL to provide services related to administration of the NDPERS retirement, deferred compensation and flexcomp plans (Contracts).

WHEREAS, the services provided by SEGAL under these Contracts required the exchange of information between the parties that is confidential under North Dakota Century Code §§ 54-52-26 (Confidential Information).

WHEREAS, the parties acknowledge that these Contracts, including the Business Associate Agreements between the parties, required SEGAL to return or destroy Confidential Information subsequent to the termination of the applicable Contract, or if return or destruction of this information was infeasible to maintain its confidentiality.

WHEREAS, these Contracts have terminated and SEGAL has asserted and NDPERS agrees that actuarial, applicable audit, record keeping, and other required functions make the return or destruction of all Confidential Information infeasible at this time.

WHEREAS, SEGAL has provided and NDPERS has reviewed the SEGAL records retention policy (Policy) applicable to the Confidential Information and SEGAL

has affirmed that it will maintain the confidentiality of NDPERS information pursuant to this Policy until such time as the information is destroyed in a manner designated by this Policy.

NOW THEREFORE, in consideration of the foregoing premises and in furtherance of the aforementioned contractual obligations, the parties agree as follows:

1. SEGAL shall continue to maintain the confidentiality of Confidential Information which it still possesses, in accordance with its Policy in a manner that is at least as secure and diligent as was done during the term of the applicable Contract, until such time as the Confidential Information is destroyed or returned.
2. Upon the request of NDPERS, SEGAL shall confirm the destruction of Confidential Information under its Policy.
3. Upon the request of NDPERS, SEGAL shall provide NDPERS a copy of any change to the Policy provided NDPERS on May 23, 2016.
4. NDPERS agrees these actions are consistent with SEGAL obligations under these Contracts.
5. This Memorandum of Understanding will terminate upon notice to NDPERS by SEGAL that all Confidential Information has either been returned to NDPERS or destroyed, or earlier, upon thirty (30) days' notice by NDPERS to SEGAL if NDPERS determines that the Policy has been modified in a manner that is inconsistent with state or federal law.
6. This Memorandum of Understanding shall be governed by, and construed in accordance with, the laws of the State of North Dakota.

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

BY: _____
Sparb Collins
Executive Director

Date: _____

THE SEGAL COMPANY

BY: _____

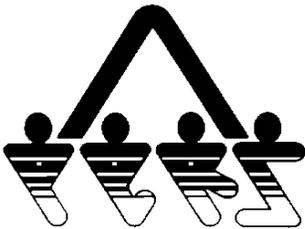
Its: _____

Date: _____

Received May 23, 2016

Code	Record Series	Description	Record Holder (Office of Record)	Working Copy (Active Record)	Official Retention Period
CF—Client/Case Files					
CF-01	Correspondence / Work Files	Client correspondence; work file materials; statistical data; and retainer agreement letters.	Record Owner	CY + 3	10 Years
CF-02	Actuarial Valuation Reports	Final copy of annual valuation reports.	Record Owner	CY + 3	Life of Client Relationship + 10 Years
CF-03	Actuarial Department Backup Materials	Computer printouts (runs) of various actuarial reference tables, functions, etc.	Actuarial Department	CY + 1	Earlier of 20 Years or Life of Client Relationship + 10 Years
CF-04	Administration	Forms and procedures related to the administration of the Fund Office or Benefits Department.	Record Owner	CY + 1	Life of Client Relationship + 10 Years
CF-05	Agreements	Signed agreements (Trust, Reciprocal, CBA, etc.) Amendments, addendums.	Record Owner	CY + 1	Life of Client Relationship + 10 Years
CF-06	Annual Report	Final copy of health, welfare, and retirees' reports to the Trustees.	Record Owner	CY + 1	Life of Client Relationship + 10 Years
CF-07	Benefit Certification	Employee benefit calculations including related correspondence.	Record Owner	CY + 1	Life of Client Relationship + 10 Years
CF-08	Booklet / Summary Plan Description (SPD)	Copy of summary plan description (SPD) and plan booklets.	Record Owner	CY + 1	Life of Client Relationship + 10 Years
CF-09	Government Reporting Forms 5500 Series	Annual government filings with IRS, PBGC, etc.	Record Owner	CY + 1	Filing date + 10 Years
CF-10	Insurance Bids / Retention—Accepted Bids	Group insurance, life and health bid specification letters, bid analyses, proposals from accepted insurance carriers, retention projection matters, etc.	Record Owner	CY + 1	Life of Client Relationship + 10 Years
CF-11	Insurance Bids / Retention—Rejected Bids	Group insurance, life and health bid specification letters, bid analyses, proposals from accepted insurance carriers, retention projection matters, etc.	Record Owner	CY	5 Years
CF-12	Minutes	Minutes of all meetings of Trustees and Committees. <i>The Originals or Official Versions of Vital and Historical Records should be duplicated and either be disseminated to another location or retained in an off-site vault for the retention period specified. Before destruction these should be reviewed for content relating to company history, and if responsive, preserved for the Life of the Client Relationship. Non-historical data and documents should be destroyed at the end of the specified retention period.</i>	Record Owner	CY + 1	Life of Client Relationship + 10 Years
CF-13	Plan Documents and Amendments	The Plan, rules and regulations and any amendments thereto.	Compliance	CY + 1	Life of Client Relationship + 10 Years
CF-14	Policy	Current insurance policies, amendments or riders adopted by the Trustees.	Record Owner	CY + 1	Life of Client Relationship + 10 Years

CF-15	Request for Proposals (RFP) [not Insurance Bids/Retention]	Proposals, responses to proposals and bid analyses.	Departments	CY	5 Years
CF-16	Special Reports	Special Reports such as FASB, mergers, withdrawal liability, benefit design, etc.	Record Owner	CY + 1	Life of Client Relationship + 10 Years
CF-17	Treasury Submission Forms 5300	Correspondence and IRS filing applications relating to plan qualifications and final determination notices from IRS.	Record Owner	CY + 1	Life of Plan + 10 Years



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

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

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

Memorandum

TO: NDPERS Board

FROM: Kathy

DATE: October 12, 2016

SUBJECT: Job Service COLA

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

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



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Executive Director
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1-800-803-7377

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

Memorandum

TO: NDPERS Board

FROM: Sparb & Bryan

DATE: October 10, 2016

SUBJECT: RFP for 401(a) Defined Contribution &
457(b) Deferred Compensation Companion Plan

We have included a draft copy of the 401(a) Defined Contribution and 457(b) Deferred Compensation Companion Plan RFP for your review. Staff has reviewed this document and provided its comments which are incorporated in this document to our consultant, The Segal Company. Proposers are required to submit a bid to provide for services and investment management for the plans.

Following are the key dates for the proposal process:

Sep	Begin Work effort
Oct	First draft of RFP for PERS Board Review
Nov	Final draft of RFP for PERS Board Approval
Dec	RFP Issued
Jan	Proposals returned
Feb	Review analysis of proposals with Board
Mar	Vendor interview and award
Jun	Transition month if necessary
Jul	Start of new contract

The NDPERS Investment Subcommittee has begun work with Segal on refining the RFP requirements.

If you have any questions, additions or changes, we will be available at the NDPERS Board meeting.

**North Dakota Public Employees Retirement System
PERS 401(a) Defined Contribution Plan
PERS IRC Section 457 Deferred Compensation
Companion Plan**

**Request for Proposal to Provide
Semi-Bundled
Deferred Compensation Services:
Recordkeeping/Administration,
Communication/Education,
Custodial Trustee Services and Investment
Management Services**

Issue Date:	12/05/2016
Deadline for Questions:	12/12/2016
Deadline for Submission:	01/09/2017

NOTICE TO PROPOSERS

There may be one or more amendments to this Request for Proposal (“RFP”). If your company desires to receive copies or notices of any such amendments, you must provide the information requested below to Craig Chaikin at Segal Rogerscasey by e-mail at cchaikin@segalrc.com. Additional information about the plans is available at <http://www.nd.gov/ndpers/>.

All inquiries regarding this RFP must be addressed to the individual listed above. The Retirement Board in consultation with Segal Rogerscasey will issue responses to inquiries and any other corrections or amendments it deems necessary in addenda issued prior to the Proposed Submission Deadline. Proposers should not rely on any representations, statements or explanations other than those made in this RFP or in a formal addendum. It is the proposer’s responsibility to ensure receipt of all addenda.

Amendments to the RFP will only be sent to those firms that complete and return this form via fax or provide the requested information by e-mail.

RFP Name	State of North Dakota NDPERS 457 Deferred Compensation Companion Plan and 401(a) Defined Contribution Plan Recordkeeping and Investment Services
Company name	_____
Mailing address	_____ _____ _____
Phone number	_____
Fax number	_____
Contact person	_____
E-mail address	_____

All amendments will be sent via E-mail

Any alterations to this document made by the proposer may be grounds for rejection of the proposal, cancellation of any subsequent award, or any other legal remedies available to the PERS Retirement Board.

From the date this RFP is issued until the award of the contract, all communication related to this RFP shall be directed to Craig Chaikin of Segal Rogerscasey.

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SECTION 1

Introduction/Overview

Section 1: Introduction/Overview

Purpose/Objective

The State of North Dakota (“State”) is seeking competitive proposals from qualified companies to provide semi-bundled 401(a) and 457 Deferred Compensation Companion Plan services (i.e., recordkeeping/administration, communication/education, and custodial trustee services) and semi-bundled investment management services for the North Dakota Public Employees Retirement System 401(a) Defined Contribution and IRC Section 457 Deferred Compensation Plan

The PERS Retirement Board (“Board”) has retained Segal Advisors, Inc. to assist in the evaluation and selection of a full service provider to administer the Plans

The purpose of this RFP is to solicit proposals from qualified vendors that can offer best-in-class investment choices, highest-quality services and favorable costs (i.e., the maximum value for the benefits proposed).

The Board is also requesting each proposer provide recommendations in alternative asset classes it believes will enhance the Plan. Each proposer should provide recommendations in its response to section 3: Investment Management Services, and include its reasoning.

The Board expects each proposer to clearly outline its best and most comprehensive resources because all services and responsibilities identified in this RFP, with the exception of Qualified Domestic Relations Orders and Hardship Withdrawals determinations, will be outsourced to the service provider.

Additionally, the successful bidder will actively work with the Board to meet the following key Plan objectives:

1. Increase the overall number of participants in the 457 Companion Plan 2. Increase the average contribution percentage rate, thus producing a higher average account balance in the 457 Companion Plan

These objectives for the 457 Companion Plan may be achieved by:

- (a) Offering incentives, such as a buyout of surrender charges, allowing participants utilizing another deferred compensation service provider to transfer their balances to the plan
- (b) Utilizing local brokers
- (c) Increasing the minimum contribution rate of the 457 Companion Plan
- (d) An alternative strategy suggested by the selected service provider

Background

PERS IRC Section 457 Deferred Compensation Companion Plan:

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

Presently about 7,000 employees have accounts with fifteen investment providers. There are nine active providers. Assets are over \$200 million. The Board has developed a plan and contracts with investment providers (mainly insurance companies) to invest the contributions of employees.

The deferred compensation plan is found in Chapter 54-52.2 of the North Dakota Century Code (NDCC). State administrative code allows any provider company to participate in the program that has 50 or more eligible members willing to sign up for their product. PERS does not select or monitor the investment products offered by these vendors, and does not act as a trustee for their products.

In 1998 the Board decided that an additional product should be added that would be: 1) selected by the Board based upon a competitive RFP process, 2) that the Board would act as the trustee for, 3) that the Board would select and monitor the investment products, and 4) the investment products would be mutual funds. This product is called the PERS Companion Plan. The Board developed a Statement of Investment Policies for this plan. This policy may be viewed at its website www.nd.gov/ndpers . The Board also has been monitoring the investment products for this plan. This report can also be found on its website at www.nd.gov/ndpers.

The 457 Companion Plan has over \$77.5 million in assets with approximately \$800,000 in monthly contributions. TIAA is the present provider for these services. There has been a steady growth in Plan assets and participation.

Date	Assets	Number of Participants
September 2013	\$54.0 million	4,626
September 2014	\$64.3 million	5,293
September 2015	\$69.9 million	6,033
June September 2016	\$77.5 million	6,184

PERS 401(a) Defined Contribution Plan:

The state approved the establishment of a defined contribution plan for certain state employees, effective January 1, 2000. This program is offered as an alternative to the State’s defined benefit plan. Eligible employees are not classified by Human Resource Management Services; however, this does not include employees of the University System and the Supreme Court.

In 2013 the legislature changed the eligibility provision to allow all new state employees the options to elect out of the DB plan and join the DC plan within the first six months of employment. This option as passed had a sunset clause on it for 2017. Unless legislation is passed in the 2017 session eligibility will revert back to non-classified employees on July 1, 2017.

Approximately 95 employees are enrolled in the 401(a) Defined Contribution plan. The estimated value of contributions to this plan is approximately \$75,000 Total assets are approximately \$10.0 million. Monthly contributions in the amount of 14.12% of salary are added to the plan for each month for each participant. Similar to the Deferred Comp plan the “Statement of Investment Policy” and “Quarterly Report” are available on the PERS Web site under Defined Contribution Retirement Plan. TIAA is the present provider for these services.

Both the 401(a) Defined Contribution Plan and the 457 Deferred Compensation Companion Plan utilize the same investment options. Additionally, a self-directed brokerage option is currently available. Participants must complete and return a form to PERS for approval to utilize the self-directed brokerage option.

Bidders are asked to propose services for two separate and distinct scenarios:

Scenario 1: Submit a bid for either the 401(a) Defined Contribution Retirement Plan or the 457 Deferred Compensation Companion Plan.

Scenario 2: Submit a bid for both the 401(a) Defined Contribution Retirement Plan and the 457 Deferred Compensation Companion Plan.

Scope of Services

Investment Management Services

The Plans currently offer participants a diverse array of investment options covering all major asset classes. The Board is looking for a provider(s) that can offer participants a selective, highly competitive investment product for each asset class described in the RFP

While the final investment line-ups will be determined by the Board in its sole discretion, for purposes of submitting your firm's proposal you should assume that the investment structure would be exactly as described in the RFP. In addition, the Board is looking for the selected service provider to review the existing fund line up and asset classes and make any recommendation it deems appropriate for additional core options in the Plans.

The Stable Value Fund should be fully diversified, limit credit risk/exposure, provide competitive returns with no benefit payment limitations and provide attractive contract termination conditions such as transfer of book value with no market value adjustments or liquidation penalties. Investment options with any front-end or rear-end loads or other similar fees, charges or penalties will not be considered.

Administration and Recordkeeping Services

Proposers will be required to provide detailed information about their recordkeeping and administrative systems and use of technology. Important factors include ability to monitor compliance, process participant transactions, provide timely and accurate participant statements and financial statements for the plan sponsor. The service provider(s) selected by the Board must have in place a toll-free customer service center, automated voice response system, and Internet service that allow participants access to their accounts.

Proposers will provide extensive capabilities to support employee self-service using a variety of media. As a baseline, the proposer must provide superior Internet, interactive voice response system (VRS), and customer and field service representative capabilities to support the needs of the Plans' participants. The services must include the following:

1. Support employee enrollment activities, initial and ongoing.
2. Answer employee inquiries related to eligibility, plan features, and investment offerings.
3. Allow employees to model retirement scenarios, request withdrawals from the Plans, change investment mix, change investment rates and percentages, request balances, and other similar activities.
4. Provide participant investment education materials to make informed investment decisions.
5. Provide participant investment advisory services.

6. Provide benefits literature, such as summary plan descriptions, forms, statements, and prospectuses.
7. Work with NDPERS staff to administer unforeseen emergency withdrawals and Domestic Relations Orders.

The State will be responsible for establishing qualification procedures and other distribution and savings options. In accordance with applicable federal statutes and regulations, the State shall approve all unforeseeable emergency withdrawal requests and handle all appeals of that determination.

The Board expects the successful service provider to assume all data-management responsibilities for the State. The service provider will be required to establish two-way interface capability with all appropriate parties (e.g., State payroll) and be held accountable for timely, accurate transmission and, as appropriate, editing and validation of data for processing enrollments and contribution activity. All programming updates to the State's systems will be the responsibility of the successful service provider.

Implementation Services

Proposers must provide a detailed transition strategy along with communication materials to explain any new plan changes and enhancements. The potential transition from the current plan provider to a new provider will require you to provide an explanation of the process, blackout period, and reconciliation of plan assets to the individual participant records.

Employee Communication/Education and Enrollment Services

The prospective service provider will be required to provide a comprehensive employee communication and investment education program that includes investment advice and pre-retirement planning services. Communication services are to be supported by customer service representatives and comprehensive Internet services that provide participants with interactive financial and retirement planning tools and software. A dual-high touch, high-tech approach will be required to provide the participants with all of the necessary financial information and data to make informed investment decisions related to their elections. An explanation that outlines your firm's capabilities in designing and implementing a communication/education strategy will be required for both the initial transition and ongoing process. The goal is to identify a service provider that offers a comprehensive communication/education services supported with field service representatives to accommodate the needs of the employees located throughout the State of North Dakota including one-on-one counseling and investment advisory services. Field service representatives' compensation cannot be structured for any bias towards any investment product or advisory services.

The service provider will participate in NDPERS enrollment efforts as determined by the Board and NDPERS staff. The service provider may be called upon to prepare enrollment packages, which may be distributed at group meetings and in response to an employee's request and will contain all information in a complete and concise manner so that an employee would be able to enroll in the Plans. The service provider may also be required to provide enrollment counseling to employees who wish to discuss the Plans and the investment offerings in person or over the telephone.

The service provider will be required to prepare, for the Board's approval, an annual education plan. This plan should detail the approach that your organization will take in communicating the program to employees, including the plan for contacting existing participants, by mail/or email, by telephone or in person, to periodically re-evaluate their deferred compensation plan participation and review whether changes should be made. The Board will require a quarterly report from the service provider to monitor

plan level activities, including Plan investments. This report shall include data on both the Plan and participant level, as well as the status and resolution of any participant problems and developments in the delivery of plan services.

Trustee/Custodial Services

The proposer must provide trustee/custodial services for the Plans or arrange for trustee services with an outside party. Any additional costs for trustee/custodial services are to be fully disclosed in the fee section of this Request for Proposal.

Proposal Preparation

Fees

Each respondent must fully disclose fees based on the plan information provided in this RFP. Fees are to be quoted under the following scenarios:

Scenario 1: Submit a bid for either the 401(a) Defined Contribution Retirement Plan or the 457 Deferred Compensation Companion Plan.

Scenario 2: Submit a bid for both the 401(a) Defined Contribution Retirement Plan and the 457 Deferred Compensation Companion Plan.

Preparation Costs

All costs incurred during proposal preparation or in any way associated with the proposal's preparation, response, submission, presentation, or oral interviews shall be the sole responsibility of the proposer and will not be reimbursed by the Plans.

Term of Contract

The successful proposer must execute a contract providing the specified package of services in accordance with the State's requirements.

Once awarded, the contract will begin **July 1, 2017** for a period of **24-months** concluding on **June 30, 2019**. The fee structure proposed must be guaranteed for the initial contract term. In addition, the Board, at its discretion, may extend the contract for up to two, 24-month periods. The fee structure of these extensions will be subject to negotiations.

The Board is not bound by any oral or written information released prior to the issuance of this RFP. Any materials and documents developed during the engagement will become the property of the Board.

In submitting a proposal, the selected provider agrees that the Board has access to and the right to examine directly all pertinent documents, papers and records of the contractor and/or any subcontractor as related to any contract and/or sub-contract resulting from this RFP. The Board has the exclusive ownership and unlimited rights to use, disclose, or duplicate for any purpose whatsoever, all information, data, designs, work products, and materials developed by the provider under contract.

The Board reserves the right to refuse to do business with any proposer found to be non-responsive by the Board. The Board reserves the right to postpone or cancel this RFP and to reject all proposals.

If no agreement is reached with a proposer within a period of time considered reasonable by the Board, the Board may terminate negotiations and select another proposer, issue a new RFP, or take any other action consistent with the Plans' best interests. No proposer shall have any rights against the Plans, the Board, or the State arising from such negotiations. By issuing this RFP, the Board is not obligated to award a contract. The contract between the Plans, acting through the Board, and the successful proposer shall contain provisions based on the specific requirements of this RFP, the successful proposer's proposal, and general provisions governing all Plans' contract. No elected or appointed member, agent, or employee of the Board and/or the State shall benefit financially or materially from any contract resulting from this procurement. The Board may terminate any contract resulting from this procurement if gratuities were offered or given by the contractor or his agent to any member, agent, or employee of the Board and/or the State.

The selected proposer is responsible for the entire contract performance. The proposer must indicate in the RFP if it intends to use a subcontractor for any part of the work. If so, the proposer shall identify each subcontractor by name, business address, and expertise, and must include the name(s) of the principal(s) of the subcontracting entity. A full description of the tasks to be performed by the subcontractor must be included.

The proposer understands that if any term or condition of this RFP or subsequent contract is determined to have been entered by an agent of the Board without the appropriate authority, said term or condition shall be void and unenforceable.

The Board reserves the right to accept or reject the account manager and other staff personnel designated for its programs, both initially and in future years. The successful contractor must notify the Board of all changes in the personnel assigned to this engagement.

The final award will be subject to the execution of a service contract acceptable to the State.

Confidentiality

All materials submitted in response to this RFP will become property of NDPERS and upon receipt BY NDPERS are subject to the North Dakota public records law. If the Responder submits information in response to this RFP that it believes to be confidential financial, commercial, propriety or trade secret materials the Responder must:

- a. Clearly mark each provision that respondent believes to be confidential in its response at the time the response is submitted,
- b. Include a statement with its response justifying the confidential designation for each provision.
- c. Attest whether the information sought to be protected has ever been previously publicly disclosed, if not whether disclosure would cause the Responder competitive injury, and if so, how.

Responder is put on notice that, except for information that is determined by NDPERS to be confidential or otherwise exempt from the North Dakota public records law, NDPERS must disclose to the public upon request any records it receives from Responder. If NDPERS receives a request for information that Responder has requested be kept confidential, NDPERS will review the above information submitted by Responder and may also contact Responder for additional input regarding the nature of those records, but NDPERS will be solely responsible for making the ultimate determination of whether the materials submitted are open or exempt. All information that has not been clearly identified by Responder as

being confidential and which NDPERS has determined constitutes confidential or exempt information under the North Dakota public records law will be disclosed as an open record. NDPERS will not consider the prices submitted by the Responder to be confidential.

Minimum Qualifications of Service Provider

The following is the criteria for a semi-bundled provider to be considered as an eligible candidate to bid on the requested services described in this RFP.

1. Proposers must certify that they are a qualified firm to provide administrative services pursuant to Sections 401(a) and 457 of the Internal Revenue Code, including all rules and regulations of the State of North Dakota.
2. Proposers must offer the following administrative services (i.e., recordkeeping/administration, communication/education, investment management, custodial trustee services, and investment advisory services) and submit a response to this proposal under all scenarios provided.
3. Proposers must comply with all RFP specifications. Unless otherwise noted by you, in your cover letter, it is assumed that, by submitting a response to this RFP, your response is intended to conform to the specifications in every way.
4. Proposer must have at least **five (5) years' experience** in providing the proposed services and products to the public sponsor defined contribution marketplace.
5. Proposer must have a minimum of **\$2 billion** under investment management for public sector 401(a) and 457 plans.
6. Proposer must have at least **three (3)** public sector 401(a) and 457 plan accounts each with **10,000** or more participants.
7. Proposer must have at least **three (3)** public sector clients where you administer both the 401(a) and 457 plans.
8. Any relationships proposed to provide services offered in this RFP must have been in place for at least **five (5)** years and provide services to similar plans (size and demographics).
9. Proposers who elect to provide investment advisory services/onsite services utilizing a joint-venture must have a minimum of **five (5)** years experience with the proposed service provider.

Service Provider Preferences

1. Proposer should have a Statement on Standards for Attestation Engagements (SSAE) 16 conducted at least annually and provide their most recent SSSAE 16 as part of their response to this proposal.
2. Proposers should be able to accommodate a **June 30, 2017** implementation date.
3. Proposers should have the capability to establish a two-way data interface with the State and will be solely responsible for timely, accurate transmission and, as appropriate, editing and validation of data for processing enrollments and contribution activity. The successful service provider will absorb all of the State's programming costs to accommodate any changes to its payroll system.
4. Proposers must provide resources to support the on-going consultation to the Board and all Plan participants located throughout the State. This includes the availability of customer and field service representatives to support employee meetings and new employee orientation programs. The selected vendor must have field service support available by **April 3, 2017** to commence the new plan roll out.

5. Proposers should be able to maintain and track participant contribution rate changes and report an electronic feedback file with updated information to payroll so that they can in turn update their payroll deduction records.
6. Proposers should be solely liable and responsible for any processing errors of the provider or its agents. In the event of a participant's loss of interest and/or dividend and/or principal due to an error by the selected proposer or its agent in processing transactions on behalf of the participant, the selected proposer agrees to adjust the participant's account to the same position as if the processing error had not occurred.

Any responses not meeting these specifications may be considered, at the sole discretion of the Board, as non-responsive.

Section 1: Introduction/Overview

Information Regarding the 401(a) Defined Contribution Retirement Plan <http://www.nd.gov/ndpers/forms-and-publications/publications/dc-plan-handbook.pdf>

Plan Name:	North Dakota Public Employee Retirement System Defined Contribution Plan
Plan Sponsor:	North Dakota Public Employees Retirement System 400 E Broadway, Suite 505 PO Box 1657 Bismarck, ND 58502-1657
Eligibility:	All permanent employees who meet the eligibility requirements set by chapter 54-52.6, except an employee who is eligible for the Highway Patrol Retirement System, an employee who is eligible for the Teachers Fund for Retirement, or an employee who is eligible for the alternate retirement program
Eligible Employees:	There are approximately 130/month newly eligible employees
Contribution Types:	
Mandatory Employee	▪ 7% of compensation
Employer	▪ 7.12% of compensation deposited each calendar month
Employer Payment of Employee	▪ The Employer, at its option, may pay for the employee contributions for all compensation earned after December 31, 1999
Vesting:	Less than 2 years of service 0% 2 years 50% 3 years 75% 4 years 100%
Benefit Payment Events:	The Plan allows for withdrawals for the following events: <ul style="list-style-type: none">▪ Termination of employment▪ Less than \$1,000 force outs▪ Minimum Required Distributions▪ Retirement▪ Death▪ Disability▪ Qualified Domestic Relations Orders.
Forms of Distribution:	▪ Lump Sum ▪ Periodic payments (monthly, quarterly or semi-annually)
Fees:	0.23%; all in revenue sharing

Information Regarding the 457 Plan

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

Plan Name:	State of North Dakota 457 Deferred Compensation Companion Plan
Plan Sponsor:	North Dakota Public Employees Retirement System 400 E Broadway, Suite 505 PO Box 1657 Bismarck, ND 58502-1657
Eligibility:	Employees of the State of North Dakota and employees of participating political subdivisions <ul style="list-style-type: none">▪ Permanent employees working a minimum of 20 hours per week for 20 or more weeks per year▪ 18 years of age filling a permanent position that is regularly funded and not of limited duration▪ Legislators
Eligible Employees:	There are approximately 15,000 eligible State employees plus participating political subdivision employees
Contribution Types:	
Employee Pre-Tax:	▪ Minimum of \$25.00 per month
Rollovers:	▪ Rollover contributions from 401(a), 401(k), 401(c) Keogh, 403(b), 457(b), FERS and IRA
Catch-Up Contributions:	▪ Age 50 and over and 3-Year
In-Service Withdrawals:	Participants may withdraw their contributions plus interest for the following reason: <ul style="list-style-type: none">▪ Financial hardship in accordance with IRS regulations▪ Qualified Domestic Relations Orders▪ Purchase of Service Credits▪ One-time de minimus distribution of account balances less than \$5,000 and have not contributed in the previous 24 months
Benefit Payment Events:	The Plan allows for withdrawals for the following events: <ul style="list-style-type: none">▪ Termination of employment▪ Retirement▪ Death▪ Required Minimum Distributions
Forms of Distribution:	<ul style="list-style-type: none">▪ Lump Sum▪ Periodic payments
Fees:	0.23%; all in revenue sharing

NDPERS Participating Political Subdivisions/Employer Groups

Number	Agency	Employees
10100	Governor's Office	13
10800	Secretary Of State	34
11000	Office Of Management & Budget	40
11200	Information Technology Dept	315
11700	State Auditor's Office	55
11800	Central Services	25
12000	State Treasurer's Office	6
12500	Attorney General's Office	235
12700	Tax Department	125
13000	Facility Management	53
14000	Office Of Administrative Hearings	5
15000	Legislative Assembly	2
16000	Legislative Council	34
18000	ND Supreme Court	375
18800	Commission On Legal Counsel For Indigent	39
19000	Retirement & Investment Office	19
19200	ND Public Employees Retirement System	33
20100	Public Instruction	87
20200	Education Standards & Practice	7
21500	ND University System Office	10
22300	ND Youth Correctional Center	68
22400	Juvenile Services - DOCR	29
22600	Land Department	29
22700	Bismarck State College	144
22800	Lake Region State College	48
22900	Williston State College	35
23000	University Of North Dakota	1059
23500	North Dakota State University	866
23800	ND St College Of Science	161
23900	Dickinson State University	68
24000	Mayville State University	112
24100	Minot State University	178
24200	Valley City State University	62
25000	ND State Library	27
25200	SCHOOL FOR THE DEAF	36
25300	School For The Blind	17
26100	ND Board Of Nursing	8
27000	Career & Technical Education	24

30100	ND Department Of Health	357
30500	Tobacco Prevention/Control Committee	9
31000	Life Skills and Transition Center	352
31100	San Haven State Hospital	1
31200	North Dakota State Hospital	403
31300	ND Veterans Home	142
31600	Indian Affairs Commission	3
32100	Veterans Affairs Department	9
32500	Department Of Human Services	1336
36000	Protection & Advocacy Project	28
38000	Job Service North Dakota	162
40100	Insurance Department	42
40500	Industrial Commission	105
40600	ND Department Of Labor	14
40800	Public Service Commission	42
41200	Aeronautics Commission	6
41300	Department Of Financial Institutions	30
41400	ND Securities Department	8
42600	State Board Of Law Examiners	4
42700	ND State Board Of Cosmetology	1
42800	ND State Plumbing Board	6
47100	Bank Of North Dakota	172
47200	Public Finance Authority	2
47300	Housing Finance Agency	39
47500	Mill & Elevator Association	142
48500	Workforce Safety & Insurance	257
50200	Field Services Division	135
50400	Highway Patrol	196
51700	Department Of Corrections Transitional S	42
51800	James River Correctional Ctr	162
51900	State Penitentiary	229
52000	Rough Rider Industries	30
53000	Department Of Corrections And Rehabilita	107
54000	Adjutant General ND National Guard	212
60100	Department Of Commerce	66
60200	Dept Of Agriculture	70
60700	Milk Marketing Board	3
60800	ND Oilseed Council	1
61100	ND Soybean Council	6
61400	ND Corn Utilization Council	3
61600	State Seed Department	26
62400	Beef Commission	3

62500	ND Wheat Commission	5
62600	ND Barley Council	1
66500	State Fair Association	21
67000	Racing Commission	2
70100	Historical Society	75
70900	ND Council On The Arts	5
72000	Game & Fish Department	160
75000	Parks & Recreation Department	64
77000	Water Commission	92
80100	Department Of Transportation	1026
90000	ND State Board Of Accountancy	4
90100	Board Of Medical Examiners	4
90200	Board Of Pharmacy	3
90600	Real Estate Commission	3
90900	Electrical Board	19
99501	ND System Information Technology Service	31
100002	McIntosh District Health Unit	2
100003	Wells County Dist Health Unit	4
100004	Central Valley Health Unit	22
100005	Dickey County Health District	4
100006	Emmons County Public Health	6
100007	Rolette County Public Health	8
100008	Towner County Public Health Unit	2
100009	Nelson-Griggs District Health Unit	3
100010	First District Health Unit	48
100011	Lake Region District Health Unit	18
100012	Garrison Diversion Conservancy District	29
100013	Upper Missouri Health Unit	18
100014	Kidder County District Health Unit	2
100015	Southwestern District Health Unit	27
100017	City-County Health District	13
100018	Sargent County District Health Unit	2
100019	Traill District Health Unit	3
100021	Cavalier County Health Dist	2
100022	Walsh County Health District	5
100023	Custer Health Unit	30
200002	City Of Mcville	4
200003	City Of Drayton	6
200004	City Of Fessenden	1
200005	City Of Westhope	3
200006	City Of Belfield	9
200008	City Of Rolla	9

200009	City of New Town	21
200010	City Of Cavalier	15
200011	City Of Harvey	14
200012	City Of Napoleon	6
200014	City Of Grand Forks	376
200015	City Of Killdeer	14
200016	City Of Ellendale	9
200017	City Of Wishek	6
200018	City Of Granville	2
200019	City Of Linton	6
200020	City Of Finley	2
200021	City Of Wilton	3
200022	City Of Ray	4
200025	City Of Medora	7
200026	City of Velva	6
200027	City Of Mandan	32
200028	City Of Thompson	5
200029	City Of Williston	274
200030	City Of Bowman	19
200031	City Of Tioga	18
200033	City Of Rhame	1
200035	City Of Fargo	540
200036	City Of Jamestown	115
200037	City Of Beach	5
200038	City Of Glenburn	2
200040	City Of Kulm	4
200041	City Of Harwood	3
200045	City Of Mapleton	2
200046	City Of Wahpeton	51
200049	City Of Elgin	2
200050	City Of Rugby	16
200051	City Of New Salem	4
200052	City Of Walhalla	6
200053	City Of Gwinner	4
200054	City Of Kenmare	7
200055	City Of Watford City	53
200057	City Of Cooperstown	5
200058	City Of New England	2
200059	City Of Carrington	16
200060	City Of Mott	3
200061	City Of Larimore	4
200062	City Of Sherwood	1

200063	City Of Lamoure	4
200064	City Of Michigan	2
200065	City Of Park River	9
200067	City Of Hatton	2
200069	City Of Northwood	9
200070	City Of Powers Lake	3
200071	City Of Hillsboro	1
200072	City Of Towner	3
200073	City Of Pembina	2
200075	City Of Underwood	2
200076	City Of New Leipzig	1
200077	City Of Stanley	16
200080	City Of Crosby	5
200083	City Of Grafton	34
200084	City Of Emerado	2
200085	City Of Lincoln	8
200086	City Of Minto	2
200087	City Of Ashley	3
200088	City Of Neche	1
200089	City Of Surrey	10
200090	City Of Hankinson	6
200091	City Of New Rockford	6
200092	City Of Minot	1
200094	City Of West Fargo	144
200097	City Of Devils Lake	34
200098	City Of Oakes	15
200100	City Of Mohall	3
200101	City Of Lidgerwood	2
200102	City Of Mcclusky	1
200103	City Of Burlington	6
200104	City Of Lisbon	10
200110	City Of Halliday	3
200111	City Of Maddock	3
200114	City of Regent	2
200115	City of Lakota	5
200117	City of Alexander	3
200118	City of Berthold	3
200119	City of Carson	2
200120	City of Dodge	1
300001	Adams County	30
300002	Barnes County	96
300003	Benson County	51

300004	Billings County	44
300005	Bottineau County	75
300006	Bowman County	41
300007	Burke County	35
300008	Burleigh County	296
300009	Cass County	431
300010	Cavalier County	52
300011	Dickey County	48
300012	Divide County	53
300013	Dunn County	90
300014	Eddy County	24
300015	Emmons County	36
300016	Foster County	30
300018	Grand Forks County	297
300019	Grant County	35
300020	Griggs County	25
300021	Hettinger County	29
300023	Lamoure County	43
300024	Logan County	21
300025	Mchenry County	37
300026	Mcintosh County	31
300027	Mckenzie County	185
300028	Mclean County	113
300029	Mercer County	72
300030	Morton County	156
300031	Mountrail County	113
300032	Nelson County	40
300033	Oliver County	23
300034	Pembina County	66
300035	Pierce County	59
300036	Ramsey County	70
300037	Ransom County	44
300038	Renville County	30
300039	Richland County	124
300040	Rolette County	71
300041	Sargent County	1
300042	Sheridan County	23
300044	Slope County	17
300045	Stark County	130
300046	Steele County	26
300047	Stutsman County	137
300048	Towner County	26

300049	Trail County	66
300050	Walsh County	79
300051	Ward County	274
300052	Wells County	46
300053	Williams County	248
400002	Mcclusky Public Schools	7
400003	Lake Region Special Education Unit	17
400004	Lidgerwood Public School	17
400006	Halliday Public School	4
400007	Oliver-Mercer Special Education Unit	23
400008	Underwood School District #8	15
400010	New Town Public School District	78
400011	Bottineau Public School	65
400012	Peace Garden Special Services	10
400014	Beulah Public School #27	51
400016	St John School District #3	23
400017	Ellendale Public School District #40	25
400018	Rural Cass Special Education Unit	4
400019	Fargo Public Schools	729
400020	Surrey Schools	26
400021	Jamestown Public School District #1	164
400023	Warwick Public School	15
400024	Souris Valley Special Services	5
400025	Rugby Public School District #5	29
400026	Billings County School District	17
400027	Belcourt School District #7	110
400028	West Fargo Public School #6	657
400029	Minot Public School District #1	613
400030	Belfield Public School #13	15
400031	Minto Public School District #20	20
400033	Harvey Public School Dist #38	34
400034	Oakes Public Schools	24
400035	Larimore Public School District #44	28
400036	Hazen Public School District #3	28
400038	Park River Area School District	27
400039	Hillsboro Public School	26
400040	Lisbon Public School	31
400042	Northern Cass School District # 97	27
400043	Mandaree Public School #36	20
400044	Thompson Public School	16
400045	Northern Plains Special Ed Unit	2
400046	Bowman County School District #1	24

400047	Apple Creek Elementary School	2
400048	Burke Central School	8
400049	Washburn Public School	19
400050	Enderlin Area School District #24	32
400051	Midkota School	10
400052	Velva Public School	21
400053	Sheyenne Valley Special Education Unit	31
400054	Center Stanton Public School	13
400055	Burleigh County Special Education Unit	2
400056	New Rockford Sheyenne Public School	16
400057	James River Multidistrict Special Educat	9
400058	Newburg United Public School	7
400059	Napoleon Public School District #2	13
400060	Yellowstone School District # 14	7
400061	Cavalier Public Schools	26
400062	Richland School District # 44	26
400063	Fort Totten School District # 30	9
400064	Bismarck Public Schools	900
400065	Solen Public School Dist #3	14
400068	Lakota Public School District # 66	15
400069	Stanley Community Public School District	54
400070	Mandan Public School District #1	305
400072	Killdeer Public School #16	26
400073	Glenburn School District	22
400074	New Public School #8	29
400075	Williston Public School #1	248
400076	Valley City Public School	37
400077	Dickinson Public Schools	221
400078	Drayton Public School #19	10
400079	Mohall Lansford Sherwood School	17
400080	Westhope Public School #17	14
400081	Kindred Public School District #2	20
400082	Grafton Public School District #3	68
400083	Wilton Public School District	13
400084	Sheyenne Valley Career And Tech Center	4
400085	White Shield School Dist #85	35
400086	Tgu School District #60	79
400087	Turtle Lake Mercer School District #72	17
400088	Lamoure School District #8	23
400089	Divide County School Dist #1	25
400090	Mott/Regent School Dist #1	23
400091	United Public School District # 7	40

400092	Kulm Public School District #7	15
400093	Midway Public School District #128	20
400094	Dunseith School District #1	51
400095	Carrington School District #49	16
400096	Glen Ullin Public School #48	14
400099	Manvel Public School	8
400100	Maple Valley School District	19
400101	North Border School District # 100	27
400102	Mckenzie Cty Public School #1	99
400103	Devils Lake Public School	128
400104	Mt Pleasant School Dist #4	15
400105	Central Cass Public School District #7	39
400106	Milnor Public School District #2	16
400107	Mapleton Public School	5
400108	Linton Public School District #36	24
400109	Tioga Public School District #15	38
400114	Zeeland Public Schools	3
400117	Garrison Public School District #51	28
400118	Kenmare Public School District #28	20
400119	Lewis & Clark Public Schools	24
400120	Sw Special Education Unit	4
400121	North Valley Career & Technology Center	5
400122	Dakota Prairie Public School	31
400123	Beach Public School District #3	37
400124	Rolette Public School	9
400125	Drake Public School District	11
400137	New Salem Almont School District #49	21
400138	Max Public School	12
400139	East Central Special Education Unit	24
400140	North Sargent School District #3	19
400141	Wahpeton Public School District 37	66
400142	Medina Public School District #3	9
400143	Pingree-Buchanan School District	10
400144	West River Student Services	4
400145	Leeds Public School District 6	8
400147	Sawyer Public School	8
400148	Wilmac Multidistrict Special Education U	21
400149	Great Northwest Education Cooperative	3
400150	Anamoose Public School District #14	8
400151	South Prairie School District #70	28
400152	South East Education Cooperative	23
400153	South Heart Public School District #9	13

500002	Cass County Water Resource District	4
500003	Walsh County Water Resource District	3
500006	James River Soil Conservation District	3
500007	Burleigh County Soil Conservation Distri	3
500008	Traill County Water Resource District	2
500009	Grafton Park District	5
500010	Cass County Soil Conservation District	5
500013	Lake Metigoshe Recreation Service Distri	2
500016	Greater Ramsey Water District	6
500017	Carnegie Regional Library	2
500018	Griggs County Public Library	1
500019	R & T Water Supply Commerce Authority	7
500022	Consolidated Waste Ltd	4
500023	Walsh County Housing Authority	1
500024	Williams County Soil Conservation Distri	1
500025	Bowman City Park Board	2
500028	Williston Housing Authority	8
500030	Minot Rural Fire Department	3
500031	Central Plains Water District	4
500033	Ransom County Soil Cons Dist	1
500037	Mandan Park District	1
500038	Jamestown Regional Airport	3
500040	Fargo Park District	60
500041	Bismarck Rural Fire Protection	9
500045	Dunseith Community Nursing Home	39
500047	Mercer County Soil Conservation District	3
500049	West Fargo Park District	18
500053	Stutsman County Housing Authority	3
500054	Grand Forks County Water Resource Distri	1
500055	Southeast Region Career & Technology Cen	3
500056	Cavalier County Job Development Authorit	1
500057	Barnes County Soil Conservation District	3
500059	Traill Rural Water District	2
500060	Devils Lake Basin Joint Water Resource B	1
500061	Ward County Water Resource District	1
500063	Southwest Water Authority	51
500068	Burleigh County Council On Aging	16
500072	Watford City Park District	19
500080	Western & Central Stark Soil Conservatio	2
500081	Ramsey County Housing Authority	6
500082	Grand Forks Public Library	12
500084	Rolette County Soil Conservation Distric	1

500085	Jamestown Parks And Recreation District	5
500091	Ramsey County Water Resource District	1
500107	Grand Forks-E Grand Forks Metropolitan P	4
500108	North Dakota Firefighters Association	3
500109	James River Valley Library System	11
500110	Grand Forks Park District	41
500111	Mcintosh County Housing Authority	1
500113	Lonetree Special Education Unit	3
500114	Roughrider Education Services Program (R	2
500116	Western Area Water Supply Authority	15
500118	Crosby Park District	2
500120	Tri-Cities Joint Job Development Authori	4
500121	Devils Lake Park Board	8
500122	North Central Soil Conservation District	3
Total		24,428

Plan Demographic Information

<u>1. Frequency of contributions (weekly/bi-weekly/monthly)</u>	-
<u>2. Medium used to remit contributions files (electronic, disk, magnet tape, etc.)</u>	-
<u>3. Funding method (check, wire, ACH)</u>	-
<u>4. Number of payroll locations</u>	-
<u>5. Number of payroll files</u>	-

Participant Breakdown

<u>401(a)</u>	<u>YTD 2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Total Active</u>	-	-	-	-
<u>Actively Contributing</u>	-	-	-	-
<u>Total Accounts</u>	-	-	-	-

<u>457(b) Plan</u>	<u>YTD 2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Total Active</u>	-	-	-	-
<u>Actively Contributing</u>	-	-	-	-
<u>Total Accounts</u>	-	-	-	-

Total Plan Cash Flow

<u>401(a)</u>	<u>YTD 2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Contributions</u>	-	-	-	-
<u>Withdrawals</u>	-	-	-	-
<u>Net Cash Flow</u>	-	-	-	-

Total Plan Cash Flow

<u>457(b)</u>	<u>YTD 2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Contributions</u>	-	-	-	-
<u>Withdrawals</u>	-	-	-	-
<u>Net Cash Flow</u>	-	-	-	-

Stable Value Cash Flow

<u>401(a)</u>	<u>YTD 2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Contributions</u>	-	-	-	-
<u>Withdrawals</u>	-	-	-	-
<u>Net Cash Flow</u>	-	-	-	-

Stable Value Cash Flow

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<u>457(b)</u>	<u>YTD 2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Contributions</u>	-	-	-	-
<u>Withdrawals</u>	-	-	-	-
<u>Net Cash Flow</u>	-	-	-	-

<u>Stable Value Participant Participation</u>				
<u>401(a)</u>	<u>YTD 2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Under age 25</u>	-	-	-	-
<u>Age 26 - 35</u>	-	-	-	-
<u>Age 36 - 45</u>	-	-	-	-
<u>Age 46 - 55</u>	-	-	-	-
<u>Age 56 - 65</u>	-	-	-	-
<u>Age 65 - 70.5</u>	-	-	-	-
<u>Age 71 - 80</u>	-	-	-	-
<u>Age 80+</u>	-	-	-	-

<u>Stable Value Participant Participation</u>				
<u>457(b)</u>	<u>YTD 2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Under age 25</u>	-	-	-	-
<u>Age 26 - 35</u>	-	-	-	-
<u>Age 36 - 45</u>	-	-	-	-
<u>Age 46 - 55</u>	-	-	-	-
<u>Age 56 - 65</u>	-	-	-	-
<u>Age 65 - 70.5</u>	-	-	-	-
<u>Age 71 - 80</u>	-	-	-	-
<u>Age 80+</u>	-	-	-	-

<u>401(a)</u>	<u>YTD 2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Employee Pre-tax (excluding catch-up contributions)</u>	-	-	-	-
<u>Age 50 catch-up</u>	-	-	-	-
<u>3-year catch-up</u>	-	-	-	-
<u>15-year catch-up</u>	-	-	-	-
<u>Roth</u>	-	-	-	-
<u>After-Tax</u>	-	-	-	-
<u>Employer Match</u>	-	-	-	-
<u>Employer Discretionary</u>	-	-	-	-
<u>Rollover Contributions</u>	-	-	-	-

<u>90-24 Contract exchanges</u>	-	-	-	-
<u>Loan repayments</u>	-	-	-	-

<u>457(b)</u>	<u>YTD 2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Employee Pre-tax (excluding catch-up contributions)</u>	-	-	-	-
<u>Age 50 catch-up</u>	-	-	-	-
<u>3-year catch-up</u>	-	-	-	-
<u>15-year catch-up</u>	-	-	-	-
<u>Roth</u>	-	-	-	-
<u>After-Tax</u>	-	-	-	-
<u>Employer Match</u>	-	-	-	-
<u>Employer Discretionary</u>	-	-	-	-
<u>Rollover Contributions</u>	-	-	-	-
<u>90-24 Contract exchanges</u>	-	-	-	-
<u>Loan repayments</u>	-	-	-	-

<u>401(a)</u>	<u>YTD 2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>Lump sum distributions – cash</u>	-	-	-	-	-
<u>Lump sum distributions – rollover</u>	-	-	-	-	-
<u>De Minimum payments (less than \$5,000)</u>	-	-	-	-	-
<u>Installment payments</u>	-	-	-	-	-
<u>Unforeseeable/Hardship withdrawals</u>	-	-	-	-	-
<u>Inservice withdrawals (excluding hardship withdrawals)</u>	-	-	-	-	-
<u>Loan withdrawals</u>	-	-	-	-	-
<u>Fees (ie: loans, self-directed brokerage)</u>	-	-	-	-	-

<u>457(b)</u>	<u>YTD 2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>Lump sum distributions – cash</u>	-	-	-	-	-

<u>Lump sum distributions – rollover</u>	-	-	-	-	-
<u>De Minimum payments (less than \$5,000)</u>	-	-	-	-	-
<u>Installment payments</u>	-	-	-	-	-
<u>Unforeseeable/Hardship withdrawals</u>	-	-	-	-	-
<u>Inservice withdrawals (excluding hardship withdrawals)</u>	-	-	-	-	-
<u>Loan withdrawals</u>	-	-	-	-	-
<u>Fees (ie: loans, self-directed brokerage)</u>	-	-	-	-	-

Investment Structure and Plan Assets as of August 31, 2016

The Board is looking for a semi-bundled service provider to fully support both of the Plans, offering an investment structure with competitive funds including a series of lifecycle funds. The investment options may be either proprietary or outside alliances, and shall offer broad diversification opportunities and competitive expense levels.

You may propose fund recommendations in each of the categories currently in the Plan line up. Your proposed funds can include mutual funds, separate accounts, and/or commingled funds. The proposed investment structure consists of **core funds plus a series of Lifecycle/Retirement Date funds**. The State, upon selection of the services provided, will have complete flexibility and sole discretion to select the final investment options as well as to determine the actual number of investment options in the investment lineup to be offered to its plan participants.

The Board is also requesting each proposer provide recommendations in additional asset classes it believes will enhance the Plan. Each proposer should provide recommendations in its response to section 3: Investment Management Services, and include its reasoning.

Stable Value Fund

The Plan utilizes the Wells Fargo Stable Value Fund a collective investment trust. The Fund generally requires a 12-month put for a full Plan liquidation. However, the Fund may waive the notification period at the discretion of Wells Fargo.

457(b) Deferred Compensation Retirement Plan

401(a) Plan	Investment Category	Ticker	Account Value as of 08/31/2016	Percent of Assets
Wells Fargo	Stable Value	-		
Vanguard Treasury Money Market	Money Market	VUSXX		
PIM CO Real Return Admin	Fixed Income	PARX		
PIMCO Total Return Bond Fund	Fixed Income	PTRAX		
Prudential High Yield Z	Fixed Income	PHYZX		
Templeton Global Bond Adv	Fixed Income	TGBAX		
Hartford Dividend & Growth	Large Value	HDGTX		
T.Rowe Price Equity Income	Large Value	PRFDX		
T.Rowe Price Capital Appreciation (Balanced)	Large Blend	PACLX		
Vanguard 500 Index Signal	Large Blend	VFIAX		
Vanguard Dividend Growth	Large Blend	VDIGX		
Wells Fargo Adv Growth Adm	Large Growth	SGRXX		
Franklin Growth Adv	Large Growth	FCGAX		
RidgeWorth Mid Cap Value Equity I	Mid-Cap Value	SMVTX		
Columbia Mid Cap Index A	Mid-Cap Blend	NTIAX		
ASTON/Fairpointe Mid Cap I	Mid-Cap Blend	ABMIX		
Prudential Jennison Mid Cap Growth Z	Mid-Cap Growth	PEGZX		
Allianz NFJ Small Cap Value Admin	Small Value	PVADX		
DFA Small Cap	Small Blend	DFSTX		
Brown Capital Mgmt Small Co Inv	Small Growth	BCSIX		
Mutual Global Discovery Z	International	MDISX		
Vanguard Total Intl Stock Index Inv	International	VTIAX		
Oppenheimer Developing Markets Y	International	ODVYX		
Cohen & Steers Realty Shares	Real Estate	CSRSX		
TIAA-CREF Lifecycle Ret. Income	Target Date	TLIRX		
TIAA-CREF Lifecycle 2010	Target Date	TCLEX		
TIAA-CREF Lifecycle 2015	Target Date	TCLIX		
TIAA-CREF Lifecycle 2020	Target Date	TCLTX		
TIAA-CREF Lifecycle 2025	Target Date	TCLFX		
TIAA-CREF Lifecycle 2030	Target Date	TCLNX		
TIAA-CREF Lifecycle 2035	Target Date	TCLRXX		
TIAA-CREF Lifecycle 2040	Target Date	TCLOX		
TIAA-CREF Lifecycle 2045	Target Date	TTFRX		
TIAA-CREF Lifecycle 2050	Target Date	TLFRX		
TIAA-CREF Lifecycle 2055	Target Date	TTRLX		
TIAA-CREF Lifecycle 2060	Target Date	TLXRX		
Total			\$0	0.00%

457(b) Deferred Compensation Retirement Plan

407(b) Companion Plan	Investment Category	Ticker	Account Value as of 08/31/2016	Percent of Assets
Wells Fargo	Stable Value	-		
Vanguard Treasury Money Market	Money Market	VUSXX		
PIM CO Real Return Admin	Fixed Income	PARX		
PIMCO Total Return Bond Fund	Fixed Income	PTRAX		
Prudential High Yield Z	Fixed Income	PHYZX		
Templeton Global Bond Adv	Fixed Income	TGBAX		
Hartford Dividend & Growth	Large Value	HDGTX		
T.Rowe Price Equity Income	Large Value	PRFDX		
T.Rowe Price Capital Appreciation (Balanced)	Large Blend	PACLX		
Vanguard 500 Index Signal	Large Blend	VFIAX		
Vanguard Dividend Growth	Large Blend	VDIGX		
Wells Fargo Adv Growth Adm	Large Growth	SGRXX		
Franklin Growth Adv	Large Growth	FCGAX		
RidgeWorth Mid Cap Value Equity I	Mid-Cap Value	SMV		
Columbia Mid Cap Index A	Mid-Cap Blend	NTIA		
ASTON/Fairpointe Mid Cap I	Mid-Cap Blend	ABMI		
Prudential Jennison Mid Cap Growth Z	Mid-Cap Growth	PEGZ		
Allianz NFJ Small Cap Value Admin	Small Value	PVAD		
DFA Small Cap	Small Blend	DFST		
Brown Capital Mgmt Small Co Inv	Small Growth	BCSI		
Mutual Global Discovery Z	International	MDIS		
Vanguard Total Intl Stock Index Inv	International	VTIA		
Oppenheimer Developing Markets Y	International	ODV		
Cohen & Steers Realty Shares	Real Estate	CSRSX		
TIAA-CREF Lifecycle Ret. Income	Target Date	TLIRX		
TIAA-CREF Lifecycle 2010	Target Date	TCLEX		
TIAA-CREF Lifecycle 2015	Target Date	TCLIX		
TIAA-CREF Lifecycle 2020	Target Date	TCLTX		
TIAA-CREF Lifecycle 2025	Target Date	TCLFX		
TIAA-CREF Lifecycle 2030	Target Date	TCLNX		
TIAA-CREF Lifecycle 2035	Target Date	TCLRXX		
TIAA-CREF Lifecycle 2040	Target Date	TCLOX		
TIAA-CREF Lifecycle 2045	Target Date	TTFRX		
TIAA-CREF Lifecycle 2050	Target Date	TLFRX		
TIAA-CREF Lifecycle 2055	Target Date	TTRLX		
TIAA-CREF Lifecycle 2060	Target Date	TLXRX		
Total			\$0	0.00%

Goals and Objectives of the 401(a) Defined Contribution Retirement and 457 Deferred Compensation Companion Plans

As part of the selection criteria, the State is looking for a semi-bundled service provider that has the capabilities of dealing directly with at least **15,000** eligible state employees plus participating political subdivisions.

For a program of this size to be a success, an administrative process must be in place to address the needs of all eligible employees, including assistance in the enrollment and education process. The State is looking for a service provider who can actively manage all related enrollment activity and implement a program to ensure maximum participation.

Additionally, the State wants to develop a relationship with a service provider(s) who will offer strong and competitive fund choices, accurate and timely recordkeeping services and administer the Plans within pre-described service standards. It places a high value on finding a service provider that meets the following qualifications.

1. Focus on Quality and Consistency of Service Delivery

- Adheres to successful quality assurance procedures;
- Follows a successful problem resolution methodology;
- Has a history of performing services on a timely basis;
- Performs services correctly and accurately every time;
- Provides accurate and consistent responses to inquiries;
- Develops a strategy with the Board to increase Plan participation and assets including but not limited to:
 - (a) Offering incentives, such as a buyout of surrender charges, allowing participants utilizing another deferred compensation service provider to transfer their balances to the Plan
 - (b) Utilizing local brokers
 - (c) Increasing the minimum contribution rate of the Plan
 - (d) An alternative strategy suggested by the selected service provider
- Proactively provides the Board with opportunities to lower fund fees and Plan administrative costs; and
- Provides accurate and consistent modeling of participant scenarios for both the Defined Benefit Pension and Defined Contribution plans.

2. Proactive Approach

- Develops and implements a strategic plan that covers participant communication and education, enhancements to Plan sponsor and participant services and implementation of any substantive regulatory or legislative changes and includes clear and concise objectives, timetables and benchmarking methodology;
- Educates participants through participant friendly communications;
- Educates participants by providing informed customer service representatives;

- Provides comprehensive retirement planning and investment education services to participants; and
- Provides comprehensive education on an ongoing basis to the Board and dedicated Retirement System Staff.

3. Commitment to Technology Development

- Keeps up to date on technological developments such as website development and Internet access;
- Continuously invests in enhanced technology; and
- Demonstrates improvement (accuracy, timeliness, etc.) in client service through technological enhancements.

4. Investment Vehicles

- Diversified array of investment offerings including investment vehicle

Pre-Bid Vendor Questions

Submission of questions related to this Request for Proposal must be made via email to Craig Chaikin at **cchaikin@segalrc.com** by **5:00 p.m. Eastern Time, December 12, 2016**. Your questions must simultaneously be submitted as a cc: to Mr. Bryan T. Reinhardt, Research & Planning Manager, North Dakota Public Employees Retirement System, at breinhar@nd.gov.

Written responses to each vendor's questions will be distributed back to all prospective proposers via email by Segal Rogerscasey by **5:00 p.m. ET, January 9, 2017**.

Format of RFP Responses

Vendors must provide their proposal in the following format:

1. Transmittal Letter

A letter of transmittal shall accompany each proposal. Such letter must be signed by a person authorized to contractually obligate the vendor to the scope, terms, specifications, and pricing contained in the response. This letter should also clearly indicate the name, address, phone number and facsimile number of one contact person for the proposal.

The letter of transmittal should be no longer than two pages and should include the following:

- A. Certification that the proposer meets all of the minimum service qualifications. Reference to completion of certification of compliance with terms and conditions of the RFP.
- B. A brief statement of the services to be provided.
- C. A statement of commitment to provide the services requested within the times and manner specified.
- D. A brief summary of the vendor's qualifications to perform this type of engagement.
- E. A statement confirming that this proposal shall remain valid for six (6) months after the closing date for receipt of proposals.
- F. Certification that the individual signing this proposal has the authority to bind the proposer to the terms and conditions set out in the proposal document.

Name of Company _____
Signature _____
Position _____
Date ___/___/___

2. Table of Contents

The table of contents should include clear and complete identification of the materials submitted by section and page number.

3. Format Requirements

Responses must comply with the following:

- A. All questions in Sections 2, 3 and 4 must be answered in the manner and area stipulated after each question. Each RFP question must be restated before your response. If printed matter is supplied as supplemental information, please make sure that the supplemental information is appropriately marked with the corresponding question to which it applies.
- B. Please respond to every question in each section of the RFP. Failure to respond to all questions may lead to your elimination from consideration.
- C. All questions must be answered in the order asked.

- D. Neither Segal Rogerscasey nor the Board will be bound by oral explanations or instructions given at any time during the request for proposal process or after the award of the contract.

4. Fee Specifications

Fee quotes should be provided in the format outlined in the Fee section of the questionnaire (Section 4). Pricing offer must be good for six (6) months from the receipt date of the proposal.

Submission of RFP Responses

Each vendor must submit their RFP response in accordance with all stipulations listed below:

Each service provider must submit a total of thirteen (13) copies by **5:00 p.m. Eastern Time on January 9, 2017 to the State of North Dakota PERS Retirement Board and to Segal Rogerscasey**, as follows:

Ten (10) bound copies, one (1) unbound copy, one (1) unbound redacted copy, plus an electronic copy to:

Mr. Bryan T. Reinhardt
Research & Planning Manager
North Dakota Public Employees Retirement System
400 E. Broadway, Suite 505
PO Box 1657
Bismarck , ND 58502
E-mail: breinhar@nd.gov

One (1) bound copy and one (1) electronic copy to:

Craig Chaikin
Vice President
Segal Rogerscasey
333 W 34th Street
New York, NY 10001
E-mail: cchaikin@segalrc.com

1. Proposals must be clearly labeled: **Request for Proposal/ 401(a) Defined Contribution Retirement Plan and 457 Deferred Compensation Companion Plan Services.**
2. Service providers must provide a copy of their proposal in an electronic format to Craig Chaikin (212-251-5486) at Segal Rogerscasey via e-mail: cchaikin@segalrc.com

Asset transfer to the new provider will be completed on **June 30, 2017**

Projected Timetable

TASK	TARGET DATES
Release of Request for Proposal – RFP	12/5/2016
Receive pre-proposal questions from provider(s)	12/12/2016
Provide response to provider(s) proposal questions	12/19/2016
Deadline for proposal submission	01/9/2017
Finalists Presentations	March 2017
Commence Plan Implementation	April 2017
Asset Transfer	June 30, 2017

If required, successful proposers will be notified as to the actual date and time of finalist presentations and will be provided with instructions regarding the presentation agenda and location.

Evaluation of the Proposals

The Board along with Segal Rogerscasey will first examine proposals to eliminate those that are non-responsive to the stated requirements. Therefore, proposers should exercise particular care in reviewing the proposal format required for this RFP.

The Board reserves the right to contact any and all references to obtain, without limitation, information regarding a proposer's performance on previous projects. A sample of references will be checked for each proposer.

The first review will narrow the respondents to three finalists. Elimination will be based largely on total cost to the Plans, proposed servicing model and scope of communication and education capabilities.

In evaluating the finalist proposals, all aspects of the required services will be fully evaluated. The Board may consider any factors it deems necessary and proper for best value, including but not limited to:

1. Data-management services, including creation and maintenance of employee data, transaction data and history, interfaces with suppliers and payroll, and other recordkeeping and administrative functions, including compliance.
2. Overall cost structure, including member fees and credit allowances for plan level expenses
3. Size, structure, resources, and experience in providing deferred compensation services that are similar in size and scope to that of the North Dakota Public Employees Retirement System 401(a) Defined Contribution and 457 Deferred Compensation Companion Plans.
4. Qualifications of the personnel assigned to execute the services required by the Board.
5. Member services including one-on-one participant counseling and on-line system capabilities including voice response system, participant internet website and customer service center.
6. Plan for increasing overall plan participation and assets
7. Scope and value of performance guarantees.
8. The final award will be subject to the execution of a service contract acceptable to the Board.

Finalist Presentations

The purpose of the finalist presentations is to give each finalist an opportunity to further explain its qualifications, services and capabilities.

When finalist presentations are made to the Board, it is expected that each proposer will bring to the meeting those people who will work directly with the Board, if proposer is successful.

Travel expenses and costs related to the interview will be the responsibility of the proposer.

From the date this RFP is issued until the award of the contract, all communication related to this RFP shall be directed to Craig Chaikin of Segal Rogerscasey.

This RFP and the selected proposer's RFP response including exhibits and any addenda, will be incorporated into the final contract document.

Exceptions/Additions

Any language which differs from this RFP that is used or suggested by a proposer will be submitted for clarification only, and shall not affect the proposer's acceptance of the terms and conditions of this RFP and shall not be binding on the Board unless affirmatively accepted by the Board in writing. The Board assumes no obligation to accept, reject, or negotiate proposed replacement terms or conditions with the successful proposer.

Proposers will be required to sign a statement, as part of the proposal, that they are in agreement with all of the terms and conditions presented in the RFP, the exhibits, and the addendum to the RFP. (Transmittal Letter)

The proposer is responsible for clarifying any ambiguity, conflict, discrepancy, omission, or other error in the Request for Proposal before submitting the proposal; otherwise the right to raise such issues shall be waived.

SECTION 2

Request for Proposal

Administrative Services Questionnaire

Organization and History

1. **Proposer Information:** The proposer must include a narrative summary of the proposer's corporation and each subcontractor, if any. The narrative shall include the following:
 - (a) date established;
 - (b) ownership (public, partnership, subsidiary, etc.);
 - (c) years active in the deferred compensation market;
 - (d) years active in the 457 market;
 - (e) years active in the 401(a) market; and
 - (f) relationships with other entities relevant to or related to the subject matter of this RFP.
2. Provide the following information:
 - a. Total assets under management
 - b. Total defined contribution assets under management
 - c. Total deferred compensation assets under management
 - d. Total public 457 deferred compensation assets under management
 - e. Total public 401(a) assets under management
3. How many proposals have you submitted in the last three years in response to public 457(b) deferred compensation plan service provider RFPs? How many for public 401(a) plans?
4. What are your client retention statistics for each of the last three years broken out by year? What percentage left due to issues pertaining to services provided by your organization?
5. How many public 457(b) deferred compensation plans have you lost in the last three years broken out by year? How many public 401(a) plans broken out by year?
6. How many public 457(b) deferred compensation plans have you gained in the last three years broken out by year? How many public 401(a) plans broken out by year?
7. What is the average client relationship duration? What is the average relationship duration for your public sector plans?
8. List the number and total assets of the public sector 401(a) plans that you currently administer in the following categories:

Number of Participants Public 401(a) Plans	Plans		Assets	
	Number	Percent	Amount	Percent
Under 1,000				
1,001 – 5,000				
5,001 – 10,000				
10,001 +				

Section 2: Administrative Questionnaire

Total				
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9. List the number and total assets of the 457(b) plans that you currently administer in the following categories:

Number of Participants 457 Plans	Plans		Assets	
	Number	Percent	Amount	Percent
Under 1,000				
1,001 – 5,000				
5,001 – 10,000				
10,001 +				
Total				

10. What is the total number of participants in all public sector deferred compensation plans currently being administered by your organization? Break out by 457(b) and 401(a) as well.
11. Describe your errors/omissions liability insurance and coverage. Describe the various types of insurance coverage and indemnification provided to protect clients.
12. Has your company, or any affiliates, been a party to any litigation during the last three years involving your deferred compensation recordkeeping and administration services? If yes, please provide: 1) the nature of the claim or action 2) the current status of the litigation, 3) any fines or settlements paid.
13. What is the last date when your organization had a change in its business structure, whether through an acquisition or divestiture or through an alliance arrangement? If applicable, how did this change in business affect the recordkeeping division? Describe any pending or anticipated plans to re-organize your company within itself or as part of the larger organization of which your company is a part.
14. Please describe all outsourcing arrangements and any contemplated outsourcing arrangements that will be used by you to deliver any of the services you will be providing.

References

- Please provide references for three current 457 clients and three current 401(a) clients that have similar plan demographics (*i.e.*, size and plan design). If available, at least one of the three should have converted within the last year. For each reference, please provide client name, contact name, address, phone number, services provided, and year they became a client.
- Please provide references for three former clients who had similar plan demographics (*i.e.*, size and plan design). At least one of the three should have left within the last year. Please provide

Section 2: Administrative Questionnaire

former client name, contact name, address, phone number, services provided, year they ceased to be a client and the reason(s).

Client Service / Quality Assurance

1. How many of your employees work on DC plans? Is there staff dedicated specifically to public 457(b) and/or public 401(a) plans? If so, please provide the numbers in addition to completing the chart below on the number of full-time equivalent employees working on DC:

Personnel Type	Number
Management	
Call Center Mgmt./Supervisors	
Customer Service Reps	
Field Reps	
Systems Management	
Systems Staff: Development & Operating/Maintenance	
Website	
Other	

2. What is the average tenure (in years) of the following positions:
- Plan Administrator
 - Client Relationship Manager
 - Field Service Representatives
 - Conversion Project Manager
 - 800 Customer Service Center Representatives
3. Do you currently have staff located in North Dakota? If yes, where is your office located? If no, where is the closest office?
4. Describe the team that would deal directly with the State on an ongoing basis. Indicate size, roles, experience, and turnover rates. In addition, provide a brief resume for each individual.
5. What location(s) would provide the services described in this RFP?
6. Briefly describe the training program and licensing requirements for your field service representatives. What are the licensing requirements?
7. Briefly describe the training program and licensing requirements for your 800 customer service representatives. What are the licensing requirements?
8. Will you need to hire any additional staff in order to service this account?
9. The current performance standards are included in the appendix. Confirm that you are able to meet or exceed the current standards. If you exceed the standard, provide your standard and the amount at risk.

Section 2: Administrative Questionnaire

10. What is the total, annual amount you are willing to put at risk?
11. How frequently do you conduct client and participant satisfaction surveys on your services and performance?

Recordkeeping / Administration

1. What portion of your organization's expenses is related to recordkeeping and system technology development?
2. Briefly describe the level of customization available to the Plans on the administrative forms used by Plans' participants. Will the State have input on content and not just look? (Yes/No)
3. Can you accept manual edits, adjustments, and indicative data changes to the contribution input file? (Yes/No)
4. Can you handle negative data from the payroll files? (Yes/No)
5. Describe how your payroll contribution reports identify participants contributing up to the current maximum contribution, and identify participants in catch-up status.
6. Are you able to fully administer hardship/unforeseen emergency distribution requests? (Yes/No) Are you able to handle first level appeals? (Yes/No) Note: Currently ND PERS administers these requests.
7. For systematic payment distributions, is payment made on a pro rata basis or can a participant elect systematic payment from specific fund(s)?
8. Describe your process for searching for participants who have not cashed their distribution payment checks.
9. The State will continue to qualify QDROs. Briefly describe how you will work with the State to ensure that accounts are segregated and assets distributed properly.
10. Are there any limits imposed on any participant initiated transactions (i.e.: mix changes, contribution rate changes, etc.). If yes, list them.
11. Describe the process you use to track and maintain employee beneficiary data.
12. How much historical plan information do you maintain on participants? List the type of information available. How much information is immediately available?

Contracts

1. The State's standard contract is included in the Appendix. Provide a redline version with any exceptions that you would require. Additionally, this RFP will be included as part of the contract. Provide copies of any additional contracts that would be required.

Systems Capabilities and Hardware

1. What system do you use to recordkeep and administer defined contribution plans? Do you have different systems for 457 and 401(a) plans? (Yes/No)

Section 2: Administrative Questionnaire

2. Was the software developed internally, leased, or purchased from another provider? Who has the ultimate responsibility/authority to make sure the software remains current to laws, regulations, client needs, etc.?
3. How long have you used these systems for recordkeeping?
4. Are you planning any major change in the software or hardware supporting your recordkeeping system in the next 24 months? If yes, please describe.
5. Describe your documented disaster recovery plan. How often do you test your recovery system?
6. Where is your main data processing center located?
7. Where is your back-up center located?
8. How often is data backed-up?
 - a. Describe any system outages within the last three years and how have they been handled?
 - b. Has any liability resulted from these outages and are there any pending claims related to these outages?
9. Describe in detail your procedures and safeguards used to guarantee:
 - a. Security for your hardware and facility
 - b. Authorized access to data
 - c. Confidentiality of data
 - d. Security for any hard copy of plan-related data or documents
 - e. Explain your process in the event that participant data is compromised.
10. Provide a current SSAE16 audit of your recordkeeping system, or any other audit you have performed. Who completes the audit and how frequently?
11. Do you test IT security as part of the SSAE16 or separately? If separately, who performs and how frequently.

Custodial Trustee Services

1. For the custody/trustee services you propose, what is the name of the trust company, the total number of years that they have been in operation, and the assets under custody as of August 31, 2016?
2. What are the total public DC assets currently held by the custodian?
3. Are there any restrictions by investment type that pertain to your custodial services? (Yes/No) If yes, what?
4. Confirm that you will trustee outside investment funds.
5. Do you have a limit on the number of checks/wires available to participants? (Yes/No)
6. Do you have an electronic link with the investment managers for updating participants' accounts on the recordkeeping system? (Yes/No)

Section 2: Administrative Questionnaire

7. Will the Plans be required to execute a custodial agreement with your custodial trustee or will it be part of the contract with the Plans?

Regulatory/Compliance Service

1. Describe how you monitor §401(a) (9) required minimum distributions including:
 - Identification of individuals
 - Determination of the amount of the minimum required payment
 - Payment within required deadlines.
2. Describe your capabilities and timeframes for monitoring maximum deferral limits and the catch-up provisions.
3. What resources do you have to obtain legal opinions, interpretations of laws, regulations, and other matters on issues pertaining to deferred compensation plans?
4. How do you ensure that your recordkeeping system is in compliance with all applicable rules and regulations?
5. How quickly are changes in the law reflected in the system?
6. Should the State wish to comply with 408(b)(2) and 404(a)(5) regulations, will you provide 408(b)(2) disclosures to the State and 404(a)(5) disclosures to participants? (Yes/No) If yes, is there an additional cost to provide either?

Communication and Education

1. Describe separately your initial and on-going communication and education program (including printed material, visits, training, etc.). Be sure to identify the key elements provided as part of a standard communication and education program package including the types marketing medium (e.g. print, e-mail, onsite, etc.).
2. Provide samples of initial enrollment and on-going communication and education materials.
3. Describe the services you offer in the enrollment process. be sure to include such items as monitoring and tracking new hires. Outline any data requirements. Will you maintain and control the inventory of all related enrollment materials that are to be included in the enrollment kits?
4. Describe the communication and education process that you provide for non-active participants (i.e. retirees and terminated employees with assets in the Plan).
5. Will you provide participants with onsite, group education, and retirement planning sessions or financial/pre-retirement seminars on an on-going basis? (Yes/No). If yes, please list the titles of the subjects that are covered in your program. No description necessary.
6. Do you provide information to Plan participants regarding options on distributions? Describe any services or programs you provide for participants leaving the Plan.

Section 2: Administrative Questionnaire

7. Describe the State's role in the communication, education, and enrollment process.
8. To what extent can the State customize communication and investment education materials (e.g., plan name, logos)? State if there would be additional charges for customizing or editing these communication materials.
9. Briefly describe how you measure the success of your education/communication programs.

Plan Sponsor Reporting

1. Describe the standard reporting package that you would provide to the State (provide samples).
2. Will the State be able to generate these reports on-line?
3. What is the standard timeframe for providing each plan sponsor report, including investment asset reports, after the reporting period ends?
4. List the types of demographic participant data will you be able to provide?

Participant Reporting

1. Describe your standard participant statements (provide samples).
2. Are there any differences between your hard copy statements and the statements available online? (Yes/No) If yes, briefly describe the differences.
3. What time periods are illustrated for a participant's personalized rate-of-return?
4. Describe your customization capabilities for participant statements. Are these applied to both hard copy and electronic statements? (Yes/No)
5. Are participants able to additionally customize the statements they receive (hard copy or electronic)? (Yes/No)
6. How much space is there for customized messages from the State on your quarterly participant statement? Is this included on both hard copy and electronic statements? (Yes/No) Is there an additional cost?
7. Can you include other printed information, prepared by the State, with the mailing of statements to participants? (Yes/No) Is this included on both hard copy and electronic statements? (Yes/No) If so, please verify that this service is available at no additional cost.
8. Are fees disclosed to plan participants on the quarterly statements? (Yes/No) Do they comply with 404(a)(5)? (Yes/No) What additional fee disclosure, if any, do you provide?

Participant Services/Automated Voice Response System (VRS)

1. Are there any transactions that cannot be processed through the voice response system (i.e., PIN changes, address changes, etc.)?

Section 2: Administrative Questionnaire

2. How quickly is the VRS updated after transactions are performed?
3. Is the VRS fully capable of generating all the necessary administrative forms to handle enrollments, hardships, terminations, and beneficiary distribution requests?
4. In the situation whereby a participant calls the VRS but does not properly complete the transaction, is there any follow-up with the participant? (Yes/No)
5. Can participants request contribution deduction changes through the VRS? (Yes/No) Can you provide a feedback report back to the State and each local subdivision to update their payroll records and contribution changes? (Yes/No) How frequently?
6. Does your VRS accommodate non-English speaking participants? What languages?
7. Does it accommodate the hearing/speech impaired participants?
8. Describe how data is secured within the system (i.e., PIN, audit trail, confirmations).
9. Describe any security breaches that resulted in improper access to one or more participant's accounts within the last three years and the steps you took to remedy the breach.

Participant Services/1-800 Customer Service Center

1. What are the standard hours of operation of your customer service center?
2. Where is your customer service center located?
3. Where is your back-up customer service center?
4. Are there any transactions that cannot be processed? If yes, what?
5. If allowed by the Plans, can employees enroll in the Plan through the customer service center?
6. Can participants change their PIN through a CSR? Can PINs be reset and immediately provided to a participant during the call? Can participants who misplace their PIN call the customer service center and have a new PIN sent directly to their home address?
7. Provide the following information on your customer service reps:
 - a. Licensing requirements in addition to your training program
 - b. Relationship: employees or outside contractors
 - i. If contractors or a combination, include the percentage of each & duration of subcontractor agreement
 - c. Average tenure
 - d. Total CSR agents employed year-round basis
 - e. Compensation structure
8. Do you dedicate CSR's to specific accounts? (Yes/No) If yes, how many would be dedicated to the State?

Section 2: Administrative Questionnaire

9. Provide the information below on your service center standards:

	Performance Standard	3rd quarter 2016	2nd quarter 2016	1st quarter 2016
Number of calls				
Average length				
Average response time				
Percentage requiring follow-up				
Abandonment rate				
Percentage handled 100% via VRS versus 1-800				

Participant Services/Internet Services

1. Provide an Internet address and instructions on how to access a demonstration of your Internet capabilities for both the participant and plan sponsor.
2. Briefly highlight your participant website capabilities.
3. Specify any transactions that cannot be completed via your Internet site.
4. Do you have a mobile app or mobile optimized website? (Yes/No) Are the limitations to the functionality versus the full site? (Yes/No) If yes, what?
5. What communication materials or tools do you offer participants via the Internet?
6. Do you offer an automated enrollment process through the Internet? (Yes/No)
7. Do participants have the ability to implement auto escalation? (Yes/No)
8. Can participants e-mail account specific questions via the Internet site? (Yes/No) If yes, who receives the e-mail, researches the issue, and responds? What is the turnaround time?
9. Does your Internet site have the ability to download participant account information software programs (i.e. Quicken, Mint, etc.)? If yes, which programs?
10. Describe the security through which a participant passes to use your Internet system. What firewalls do you have in place for your Internet services?
11. What improvements to your Internet capabilities are designated to occur in the next two to three years?
12. Are the same improvements being made to your mobile capabilities? (Yes/No) If no, briefly describe what is being done to enhance your mobile capabilities.

Field Service Representatives

1. How many field service representatives are you dedicating to the State? Will they be 100% full-time dedicated representatives?

Section 2: Administrative Questionnaire

2. Provide your rationale for determining the appropriate staffing for the Plan.
3. Describe the structure of how the field service representatives would be organized to service this relationship:
 - a. Location
 - b. Staffing (including functions to be performed)
 - c. Standard hours of operation
 - d. How you would handle pre-scheduled consultations?
 - e. How you would handle walk-ins?
4. What is your annual cost associated for each dedicated service representative?
5. Briefly describe the credentials and related experience of local service representatives who will be assigned to the Plan's account.
6. If the representative are responsible for additional accounts, how many?
7. Will the representatives assigned to the Plan's Plan be employees of your firm?
8. Detail the compensation structure for the local representative (e.g. 85% salary, 15% bonus). Include an explanation of how any bonuses and incentives are determined. As indicated in the minimum service qualifications in Section 1, it is a requirement that your field service representatives that provide enrollment and education services are not compensated on a commissioned or incentive basis to promote any investment product or services.
9. Are field service representatives available to discuss the plan and investments with participants on a one-on-one basis? If so, how often? Will you provide local annual account reviews for participants?
10. How will these discussions be handled (e.g., in person, via telephone)?
11. Identify the annual number of group meetings and number of one-on-one consultations you have assumed will be provided by the field service representatives.

Investment Advisory Services

1. Describe the investment advisory services (i.e., Morningstar ClearFuture, Financial Engines, etc.), including managed accounts.
2. Describe your due diligence process for selecting the partner and what services are provided.
3. How long have you partnered with your current vendor for each of the services in your advisory program?
4. What are the costs associated with the advisory services? Is it based on total plan level or only charged to participants who elect these services?
5. Describe the difference between your Internet investment education tools and software from your investment advisory services.

Section 2: Administrative Questionnaire

6. Does your service produce asset allocation recommendations? (Yes/No) Does it provide recommendations of specific funds? (Yes/No)
7. Does your investment advisory service include savings rate recommendations? (Yes/No)
8. Does your investment advisory service take into account a participant's assets outside the Plans? If so, please list what assets.
9. Describe the generally accepted investment theories that form the basis for your advice model.
10. Briefly describe the type and level of indemnification you provide to the State for your advisory services.
11. What is disclosed to participants regarding your fiduciary role and the provider's fiduciary role with respect to these investment advisory services?
12. How many of your existing public sector clients have subscribed for each level of service you offer?
13. Do you offer specific investment advice to participants on an in-person basis other than through the on-line advice provider? (Yes/No) If yes, briefly describe. How have the recent fiduciary regulations impacted your offering to participants?
14. For in-person investment advice, how do you manage conflicts of interest?
15. Will the Plans be required to execute a separate contract with your investment advisory provider or it be part of your service contract and agreements?

Plan Implementation

1. By what date would you need authority to proceed to accommodate the June 30, 2017 asset and recordkeeping transfer?
2. What involvement will be required from the Board during the implementation process?
3. Do you have any limitations as to the format/media of participant data received from the current recordkeeper?
4. How are investments handled during the conversion process? How are distributions handled to accommodate the continuity of payments to retirees during the conversion period?
5. Describe your procedures during the conversion period to communicate with non-active employees (*i.e.* retirees and terminated employees with value in the plan).
6. What assurances/guarantees do you provide with respect to a timely implementation?
7. What is the standard length of your blackout period?

Section 2: Administrative Questionnaire

8. Identify comparable plan conversions in which you have been involved. How many conversions and implementations has your company conducted during the past three years involving Plans of similar size?
9. How many similar conversions have you done where you have converted both 457(b) and 401(a) programs over the last three years?

SECTION 3

Investment Management Services

Self-Directed Brokerage Services

1. Briefly describe any third parties involved in offering of the self-directed brokerage account services and explain their role.
2. Fully describe the self-directed brokerage option features, program design requirements.
3. Does your self-directed brokerage account require any minimum balance? What happens if minimum balances are not maintained?
4. Can your brokerage account restrict a participant from investments that are ordinarily not permitted in retirement plans or a part of a “restricted list” established by the plan sponsor (e.g., no precious metals, futures, margin trading, options, commodities, collectibles, short sales, real estate, etc.)?
5. Describe the procedure you will use in monitoring and enforcing the limitations that are currently in place, such as investment in mutual funds only and maintaining a minimum percent of account balance outside the self-directed brokerage option.
6. Describe the rules for transferring from the core options into the brokerage accounts and vice-versa. Are there any restrictions with respect to the transfer of balances between your core defined contribution investment alliance funds and the self-directed brokerage account?
7. During what hours of the day are client service brokerage representatives available to respond to participant trading questions and inquiries?
8. Do participants receive a detailed account summary of all assets held in the brokerage account? When? How often?
9. What information from the self-directed brokerage account is reflected and reported on the core participant quarterly statement? On quarterly plan-level reports provided to the plan sponsor?
10. Will the State be required to execute a separate contract for self-directed brokerage?
11. Currently participants interested in utilizing the Plan’s self-directed brokerage services must complete and return the “Mutual Fund Window Election” Form (<http://www.nd.gov/ndpers/forms-and-publications/forms/sfn-53082-mutual-fund-window.pdf>) to NDPERS for approval. Please outline how you will work with the NDPERS staff to establish participant access to this service.

Investment Management Services

1. Provide the number of outside fund family alliances with which you have relationships. Approximately how many investment options does this represent?
2. Describe the administrative, financial, and any other impact on the plan sponsor and the participants when a manager or fund offered to those participants ceases to be offered through your organization.

Section 2: Administrative Questionnaire

- List the stable value products available on your platform.
- Provide your most recent ratings from A.M. Best, Moody's and S&P.
- What stable value product are you proposing for the State and why?
- For the proposed product, does old money receive the same rate as new? If not, describe.
- Complete the following charts for the proposed product as of September 30, 2016:

Manager	
Vehicle	
Fund Name	
Class	
Fund Inception	
Fund Assets (\$B)	
Total Firm Stable Value Assets (\$B)	
Effective Duration	
Market-to-Book Value Ratio	
Gross Crediting Rate *	
Net Crediting Rate *	
Crediting Rate Reset Frequency	
Minimum Crediting Rate	
Recommended Benchmark	
Benchmark for Underlying Portfolio	
Expense Ratio	
Trustee	

* Gross of investment management fees, net of wrap fees, sub-advisory fees and other expenses

Book Value Structure

	<i>% allocation</i>
Liquidity Buffer	
Wrap Providers	
<i>Please list wrap providers below</i>	
Total	100%

- Is wrap capacity contingent on affiliated investment management? (Yes/No)

Fees	
Investment Management	

Section 2: Administrative Questionnaire

Wrap	
Revenue Share	
Other	
Total Expense Ratio	

* *Specify Other*

7. Do you anticipate any changes in wrap fees that would impact the total expense ratio? (Yes/No) If yes, what is the expected impact?

Quality Allocation	%
Cash/cash equivalents	
AAA	
AA	
A	
BBB	
Below Inv Grade	
NR	
Sector Allocation	%
Cash/cash equivalents	
U.S. Treasury	
U.S. Govt-Related	
Corporate	
Agency MBS	
Non-agency MBS	
ABS	
CMBS	
Municipal	
Other	

8. Fully describe the withdrawal/transfer restrictions for both the Plan and participants.

SECTION 4

Request for Proposal

Fees

Proposers are to submit bids under the following scenarios:

Scenario 1: Submit a bid for either the 401(a) Defined Contribution Retirement Plan or the 457 Deferred Compensation Companion Plan

Scenario 2: Submit a bid for both the 401(a) Defined Contribution Retirement Plan and the 457 Deferred Compensation Companion Plan

Items for consideration by the proposer:

The 457 Deferred Compensation Companion Plan currently has an expedited enrollment feature with a \$25.00 monthly expedited contribution (quick enrollment process).

The overall average account balance for the Plan has dropped consistently over the last several years while the Plan's overall participation rate has increased

All Plan fees are paid for by the participant.

The Board is therefore considering several alternatives to this current Plan design.

Included in the list of alternatives are:

(a) Increasing the expedited contribution (quick enrollment process) minimum from \$25 - \$50

(b) Suspending/eliminating the expedited enrollment (quick enrollment process) feature

As noted above, the PERS Board is concerned about participant fees. The Board would like the input from each proposer on how fees for the 457 plan can be reduced including but not limited to alternatives to the present pricing model and possible changes in the investment options, etc. Please outline these alternatives in your response.

The initial contract term will be 24 months from the date on which a contract is awarded by the Plan. The contract will be renewed based upon the discretion of the Committee.

1. What are the factors you consider in determining future fee decreases and when they are to occur?
2. How are fees adjusted if a sizable number of participants are added or removed from the Plan?
3. If a participant has multiple accounts in the Plans, will they be charged for each account?
4. Provide other alternatives not outlined in this proposal that could result in the lowering of participant fees. Be clear in your response and provide the condition and the result.
5. Are you able to return revenue directly to participant accounts from which it was generated? If no, are you working on this capability?
6. Briefly describe any additional fee leveling capabilities. What different arrangements are available?

Based upon the information supplied in the RFP, please complete the cost structure charts on the following pages. It is critical that you provide complete information so that fees can be compared on an equitable basis. If there are additional fees not listed, describe them, in detail, under "comments."

If assumptions are necessary, please fully explain your assumptions and quote the related fees on a unit cost basis, if possible.

Fee Schedule Initial Contract

457(b) only	Amount	Assumptions underlying the amount
Total basis point administrative fee for all services described in the RFP (based on all assets)		

401(a) only	Amount	Assumptions underlying the amount
Total basis point administrative fee for all services described in the RFP (based on all assets)		

Both 457(b) & 401(a)	Amount	Assumptions underlying the amount
Total basis point administrative fee for all services described in the RFP (based on all assets)		

* Should not include any ongoing reimbursement or credit allowances in your required fee.

* **For the bid on both plans, clearly note if there is a different fee arrangement for the 457(b) and 401(a) plans.**

|

Fee Schedule First 2-year Extension

457(b) only	Amount	Assumptions underlying the amount
Total basis point administrative fee for all services described in the RFP (based on all assets)		

401(a) only	Amount	Assumptions underlying the amount
Total basis point administrative fee for all services described in the RFP (based on all assets)		

Both 457(b) & 401(a)	Amount	Assumptions underlying the amount
Total basis point administrative fee for all services described in the RFP (based on all assets)		

- * Should not include any ongoing reimbursement or credit allowances in your required fee.
- * **For the bid on both plans, clearly note if there is a different fee arrangement for the 457(b) and 401(a) plans.**

Fee Schedule Second 2-year Extension

457(b) only	Amount	Assumptions underlying the amount
Total basis point administrative fee for all services described in the RFP (based on all assets)		

401(a) only	Amount	Assumptions underlying the amount
Total basis point administrative fee for all services described in the RFP (based on all assets)		

Both 457(b) & 401(a)	Amount	Assumptions underlying the amount
Total basis point administrative fee for all services described in the RFP (based on all assets)		

* Should not include any ongoing reimbursement or credit allowances in your required fee.

* **For the bid on both plans, clearly note if there is a different fee arrangement for the 457(b) and 401(a) plans.**

Additional Fees

Plan Level

Services	Fee	Comments
Plan Set-up/Installation (one-time fee)		
Investment advisory services		
Managed accounts		
Plan documents (outside of prototype)		
Check processing		
1099-R forms		
Postage		
Custom website set-up		
Custom website ongoing		
Employee communication & education		
Customized enrollment materials		
Customized periodic newsletter		
Customized communications		
Annual notifications to eligible participants		
Other (be specific)		

Participant Level

Services	Fee	Comments
Investment advisory services		
Managed accounts		
Self-directed brokerage		
Hardship Qualifications		
DRO Qualifications		
Wire Fees		
Other (be specific)		

SECTION 5

APPENDIX



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

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

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

Memorandum

TO: PERS Board

FROM: Sparb

DATE: October 14, 2016

SUBJECT: Telehealth Report

At the August meeting we discussed the telehealth bill and the legislative requirements for actions by the PERS Board. Attachment #1 is that memo. We decided at that meeting to provide our recommendation on telehealth based upon the experience of the PERS Plan. We will need to develop and approve that recommendation by the November meeting so we can share it with the Legislature pursuant to the direction in the NDCC.

In preparation for that discussion in November, we will review the attached bill analysis from Deloitte. If you have any questions or desire further information, please let us know at this meeting so we can move toward a final recommendation at the November 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

Attachment 1

TO: PERS Board
FROM: Sparb
DATE: September 7, 2016
SUBJECT: Telehealth Bill

At the May 2015 Board meeting we reviewed that the following bill which was passed this last session:

HB 1038

- Passed
- Telemedicine
- PERS already covered telemedicine

At the August 2015 meeting we reviewed a presentation from Sanford on the bill (Attachment 1)

HB1038 Telehealth Overview

North Dakota Health Information Network
Telehealth Workgroup
July 20, 2015

Section 54-03-28 (2) (c) states:

That for the next legislative assembly, the public employees retirement system shall prepare and request introduction of a bill to repeal the expiration date and to extend the mandated coverage or payment to apply to accident and health insurance policies. The public employees retirement system shall append to the bill a report regarding the effect of the mandated coverage or payment on the system's health insurance programs. The report must include information on the utilization and costs relating to the mandated coverage or payment and a recommendation on whether the coverage or payment should continue. For purposes of this section, the bill is not a legislative measure mandating health insurance coverage of services or payment for specified providers of services, unless the bill is amended following introduction so as to change the bill's mandate.

This section requires PERS to:

1. Prepare and request introduction of a bill to repeal the expiration date and to extend the mandated coverage or payment to apply to accident and health insurance policies.
2. The public employees retirement system shall append to the bill a report regarding the effect of the mandated coverage or payment on the system's health insurance programs.
3. The report must include a recommendation on whether the coverage or payment should continue

In compliance with this section, to date PERS Board has:

1. Approved the introduction of Proposed Bill #17.01 (Attachment 2)
2. Had Deloitte prepare a review (Attachment 3)

Yet to be done is for the Board to prepare its recommendations on the bill. In doing so the Board could:

1. Base its recommendation on the Deloitte review
2. Invite interested parties to comment on the Deloitte review at the regular September meeting or in writing by the meeting and consider those comments in preparing the final recommendations.
3. Share those recommendations with the Employee Benefits Programs Committee.

Staff is seeking your direction on how to proceed now that the bill has been introduced and the Deloitte review is completed.

Board Action Requested

Determine how to proceed with the last phase of the Telehealth Bill

HB1038 Telehealth Overview

North Dakota Health Information Network
Telehealth Workgroup
July 20, 2015

Our discussion today...

- Overview of HB1038
- Legislative process and timeline
- Eligibility
- Covered Services
- Coding & Reimbursement
- Q&As

HB1038

- Require the coverage of telemedicine for NDPERS
- Amendments adopted include:
 - adding definitions for “distant site” and “originating site”
 - reimbursements may be established through negotiations
 - In addition, a provision was struck that would prohibit special cost-sharing for services provided through telemedicine.

HB1038

- Services still subject to medical necessity
- Services subject to normal deductible, coinsurance and copayment amounts
- The bill will expire June 30, 2017 unless the expiration is reversed as a result of recommendations of a study.

Legislative Process and Timeline

- Oct. 2015 – PERS develops study outline
- March 2016 – PERS submits bill draft to the Employee Benefits Committee
- Aug/Sept 2016 – Report is submitted to Employee Benefits Committee

Facility Eligibility

We follow CMS eligibility standards for facilities:

- Practitioner Office
- Hospital (inpatient or outpatient)
- Critical Access Hospital (CAH)
- Rural Health Clinic (RHC)
- Federally Qualified Health Center (FQHC)
- Dialysis Centers (hospital or CAH-based)
- Skilled Nursing Facility
- Community Mental Health Center

Practitioner Eligibility

We follow CMS eligibility standards for practitioners:

- Physician
- Nurse practitioner
- Physician assistant
- Nurse-midwife
- Clinical nurse specialist
- Clinical psychologist
- Clinical social worker
- Registered dietician or nutrition professional

Covered Services

- Services must be medically necessary and appropriate
- Evaluation, management and consultation services
 - Synchronous – interactive audio/video visit
 - Asynchronous - store-and-forward evaluation
- Telemonitoring – monitoring patients at a distance who are at risk for an acute episode
 - Cardiac conditions, COPD, diabetes, mental health/substance abuse

Examples of Covered Services

- Office or outpatient visits
- Consultations (office, Internet-based, outpatient, emergency room)
- Follow-up inpatient consultations
- Pharmacologic management
- Neurobehavioral status exam
- Individual and group medical nutrition therapy
- Individual and group health and behavior assessment and intervention

Minimum Requirements

- Services must be medically necessary and appropriate
- A permanent record of telemedicine communication must be maintained as part of patient medical record
- Provider must receive appropriate informed patient consent for telemedicine
- Services must be under control of consulting practitioner

Non-Covered Services

- Non-HIPAA compliance communication
- Transmission fees, per-minute – reported by HCPCS procedure code T1014.
- Services for diagnoses excluded by a Member's Benefit Policy
- Services not medically appropriate or necessary.
- Installation or maintenance of any telecommunication devices or systems
- Provider-initiated e-mail

Non-Covered Services

- Appointment scheduling
- A service that would similarly not be charged for in a regular office visit
- Reminders of scheduled office visits
- Requests for a referral
- Consultative message exchanges with an individual who is seen in the provider's office immediately afterward
- Clarification of simple instructions

Coding & Reimbursement

Coding

- Billable CPT codes will be provided on website and within Provider Manual
- Must use modifiers:
 - GT – live video encounters
 - GQ – store-and-forward encounters
- Reimbursement is according to your current negotiated professional agreement rates

Questions?

Thank you for your time.

BILL NO.

Introduced by

(At the request of the Public Employees Retirement System)

1 A BILL for an Act to create and enact section 26.1-36-09.15 of the North Dakota Century Code,
2 relating to individual and group health insurance coverage of telehealth services; and to amend
3 and reenact section 54-52.1-04.13 of the North Dakota Century Code, relating to public
4 employees retirement system uniform group insurance coverage of telehealth services.

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

6 **SECTION 1.** Section 26.1-36-09.15 of the North Dakota Century Code is created and
7 enacted as follows:

8 **26.1-36-09.15. Coverage of telehealth services.**

9 **1. As used in this section:**

- 10 a. "Distant site" means a site at which a health care provider or health care facility is
11 located while providing medical services by means of telehealth.
- 12 b. "Health care facility" means any office or institution at which health services are
13 provided. The term includes hospitals; clinics; ambulatory surgery centers;
14 outpatient care facilities; nursing homes; nursing, basic, long-term, or assisted
15 living facilities; laboratories; and offices of any health care provider.
- 16 c. "Health care provider" includes an individual licensed under chapter 43-05,
17 43-06, 43-12.1 as a registered nurse or as an advanced practice registered
18 nurse, 43-13, 43-15, 43-17, 43-26.1, 43-28, 43-32, 43-37, 43-40, 43-41, 43-42,
19 43-44, 43-45, 43-47, 43-58, or 43-60.
- 20 d. "Originating site" means a site at which a patient is located at the time health
21 services are provided to the patient by means of telehealth.
- 22 e. "Policy" means an accident and health insurance policy, contract, or evidence of
23 coverage on a group, individual, blanket, franchise, or association basis.

- 1 f. "Store-and-forward technology" means electronic information, imaging, and
2 communication that is transferred, recorded, or otherwise stored in order to be
3 reviewed at a distant site at a later date by a health care provider or health care
4 facility without the patient present in real time. The term includes telehome
5 monitoring and interactive audio, video, and data communication.
- 6 g. "Telehealth":
- 7 (1) Means the use of interactive audio, video, or other telecommunications
8 technology that is used by a health care provider or health care facility at a
9 distant site to deliver health services at an originating site and that is
10 delivered over a secure connection that complies with the requirements of
11 state and federal laws.
- 12 (2) Includes the use of electronic media for consultation relating to the health
13 care diagnosis or treatment of a patient in real time or through the use of
14 store-and-forward technology.
- 15 (3) Does not include the use of audio-only telephone, electronic mail, or
16 facsimile transmissions.
- 17 2. An insurer may not deliver, issue, execute, or renew a policy that provides health
18 benefits coverage unless that policy provides coverage for health services delivered
19 by means of telehealth which is the same as the coverage for health services
20 delivered by in-person means.
- 21 3. Payment or reimbursement of expenses for covered health services delivered by
22 means of telehealth under this section may be established through negotiations
23 conducted by the insurer with the health services providers in the same manner as the
24 insurer with the health services providers in the same manner as the insurer
25 establishes payment or reimbursement of expenses for covered health services that
26 are delivered by in-person means.
- 27 4. Coverage under this section may be subject to deductible, coinsurance, and
28 copayment provisions.
- 29 5. This section does not require:
- 30 a. A policy to provide coverage for health services that are not medically necessary,
31 subject to the terms and conditions of the policy;

- 1 b. A policy to provide coverage for health services delivered by means of telehealth
2 if the policy would not provide coverage for the health services if delivered by
3 in-person means;
4 c. A policy to reimburse a health care provider or health care facility for expenses
5 for health services delivered by means of telehealth if the policy would not
6 reimburse that health care provider or health care facility if the health services
7 had been delivered by in-person means; or
8 d. A health care provider to be physically present with a patient at the originating
9 site unless the health care provider who is delivering health services by means of
10 telehealth determines the presence of a health care provider is necessary.

11 **SECTION 2. AMENDMENT.** Section 54-52.1-04.13 of the North Dakota Century Code is
12 amended and reenacted as follows:

13 **~~54-52.1-04.13. (Effective through July 31, 2017) Insurance coverage~~Coverage of**
14 **~~telehealth services.~~**

- 15 1. ~~As used in this section:~~
- 16 a. ~~"Distant site" means a site at which a health care provider or health care facility is~~
17 ~~located while providing medical services by means of telehealth.~~
- 18 b. ~~"Health care facility" means any office or institution at which health services are~~
19 ~~provided. The term includes hospitals; clinics; ambulatory surgery centers;~~
20 ~~outpatient care facilities; nursing homes; nursing, basic, long-term, or assisted-~~
21 ~~living facilities; laboratories; and offices of any health care provider.~~
- 22 c. ~~"Health care provider" includes an individual licensed under chapter 43-05,~~
23 ~~43-06, 43-12.1 as a registered nurse or as an advanced practice registered~~
24 ~~nurse, 43-13, 43-15, 43-17, 43-26.1, 43-28, 43-32, 43-37, 43-40, 43-41, 43-42,~~
25 ~~43-44, 43-45, 43-47, 43-58, or 43-60.~~
- 26 d. ~~"Originating site" means a site at which a patient is located at the time health~~
27 ~~services are provided to the patient by means of telehealth.~~
- 28 e. ~~"Policy" means health benefits coverage under a contract for insurance pursuant~~
29 ~~to section 54-52.1-04 or under a self-insurance plan pursuant to section~~
30 ~~54-52.1-04.2.~~

Sixty-fifth
Legislative Assembly

- 1 f. ~~"Store and forward technology" means electronic information, imaging, and~~
2 ~~communication that is transferred, recorded, or otherwise stored in order to be~~
3 ~~reviewed at a distant site at a later date by a health care provider or health care~~
4 ~~facility without the patient present in real time. The term includes telehome-~~
5 ~~monitoring and interactive audio, video, and data communication.~~
- 6 g. ~~"Telehealth":~~
- 7 (1) ~~Means the use of interactive audio, video, or other telecommunications~~
8 ~~technology that is used by a health care provider or health care facility at a~~
9 ~~distant site to deliver health services at an originating site; and that is~~
10 ~~delivered over a secure connection that complies with the requirements of~~
11 ~~state and federal laws.~~
- 12 (2) ~~Includes the use of electronic media for consultation relating to the health-~~
13 ~~care diagnosis or treatment of a patient in real time or through the use of~~
14 ~~store and forward technology.~~
- 15 (3) ~~Does not include the use of audio-only telephone, electronic mail, or~~
16 ~~facsimile transmissions.~~
- 17 2. ~~For all policies that become effective after June 30, 2015, and which do not extend~~
18 ~~past June 30, 2017, the board shall provide health benefits coverage under a policy~~
19 ~~that provides coverage for health services delivered by means of telehealth which is~~
20 ~~the same as the coverage for health services delivered by in-person means.~~
- 21 3. ~~Payment or reimbursement of expenses for covered health services delivered by~~
22 ~~means of telehealth under this section may be established through negotiations~~
23 ~~conducted by the board or the board's contractor with the health services providers in~~
24 ~~the same manner as the board establishes payment or reimbursement of expenses for~~
25 ~~covered health services that are delivered by in-person means.~~
- 26 4. ~~Coverage under this section may be subject to deductible, coinsurance, and~~
27 ~~copayment provisions.~~
- 28 5. ~~This section does not require:~~
- 29 a. ~~A policy to provide coverage for health services that are not medically necessary,~~
30 ~~subject to the terms and conditions of the policy;~~

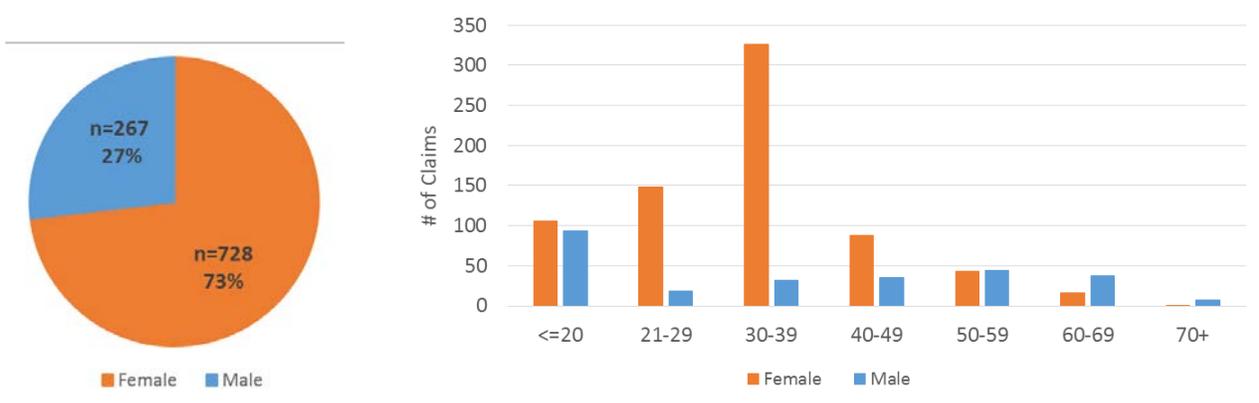
- 1 b. ~~A policy to provide coverage for health services delivered by means of telehealth-~~
2 ~~if the policy would not provide coverage for the health services if delivered by-~~
3 ~~in-person means;~~
- 4 e. ~~A policy to reimburse a health care provider or health care facility for expenses-~~
5 ~~for health services delivered by means of telehealth if the policy would not-~~
6 ~~reimburse that health care provider or health care facility if the health services-~~
7 ~~had been delivered by in-person means; or~~
- 8 d. ~~A health care provider to be physically present with a patient at the originating-~~
9 ~~site unless the health care provider who is delivering health services by means of-~~
10 ~~telehealth determines the presence of a health care provider is necessary.~~

11 The board shall provide health benefits coverage under a contract for insurance pursuant to
12 section 54-52.1-04 or under a self-insurance plan pursuant to section 54-52.1-04.2 which
13 provides coverage of health services delivered by means of telehealth in the same manner as
14 provided under section 26.1-36-09.15.

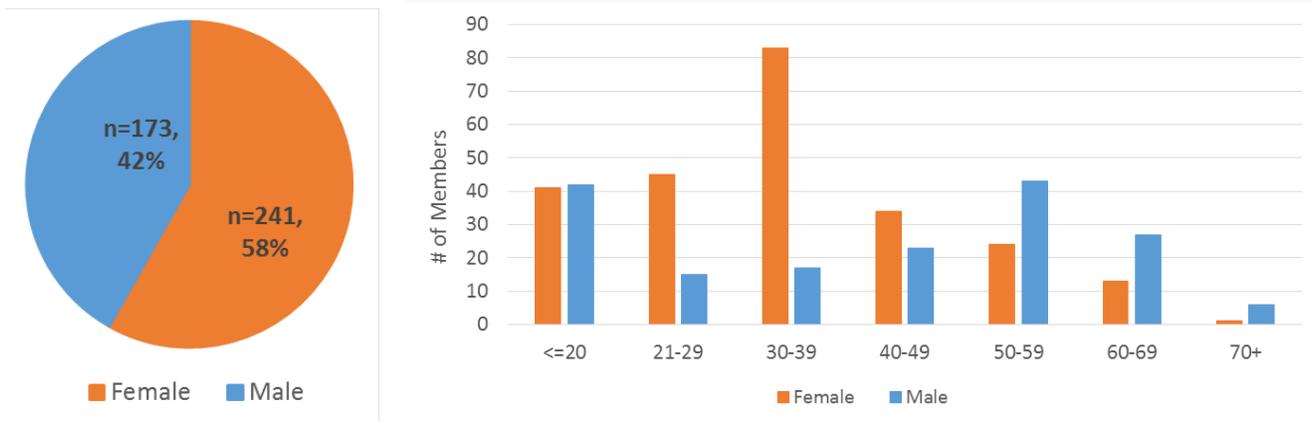
NDPERS Telehealth Summary

Claims incurred between 7/1/15 and 6/30/16, paid through 8/9/16

Total Telehealth Claims by Gender and Age Bands

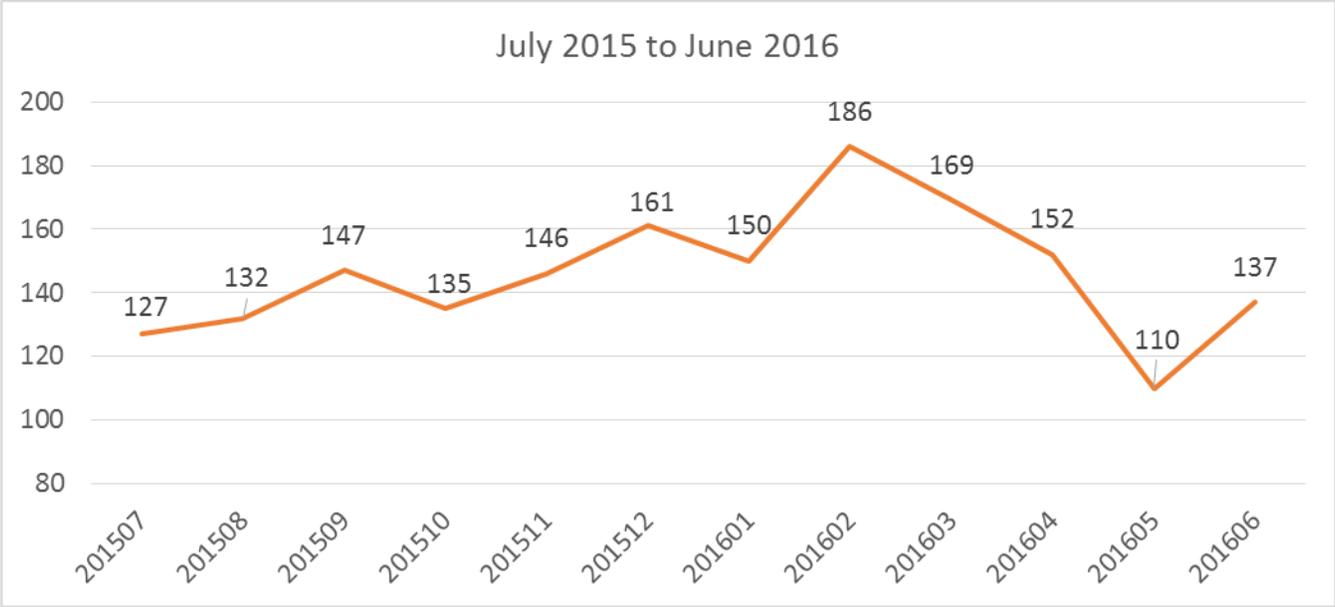


Total Telehealth Members by Gender and Age Bands



Claims over Time

Claims incurred between 7/1/15 and 6/30/16, paid through 8/9/16



Note that May and June claims may not reflect actual volume due to limited runout period

Member State v Provider State

Provider State	Member State			Grand Total
	MN	ND	SD	
ND	10	801	0	811
MN	12	86	0	98
NULL	0	28	0	28
IL	2	23	0	25
MT	0	25	0	25
SD	3	15	3	21
NE	0	8	0	8
WA	0	1	0	1
IA	0	4	0	4
ID	1	0	0	1
Grand Total	28	991	3	1022

Excludes CPT code 'Q3014'

- 78.4% of the telehealth claims were between a provider and a member (resident) both in the state of North Dakota. 8.4% of the telehealth claims were between a ND resident and a MN provider.

Member State/City v Provider State/City

Count of Claim#	Member City											Grand Total
Provider City	GRAND FORKS	BISMARCK	WILLISTON	JAMESTOWN	MINOT	DEVILS LAKE	DICKINSON	Other ND	MN	SD		
ND												
BISMARCK		11	19		14			2	11			57
DEVILS LAKE									2			2
DICKINSON							8		7			15
FARGO	143	59	21	46	12	1	25	145	4			456
GRAND FORKS	12	38				30		97	6			183
JAMESTOWN				4				3				7
MINOT			19	9	29			14				71
VALLEY CITY				1				2				3
WILLISTON			1				10	5				16
WEST FARGO								1				1
MN	2	2	1	10		5	4	62	12			98
IL	12							11	2			25
MT			22		1			2				25
SD		5		2				8	3	3		21
NE					8							8
WA								4				4
FL		1										1
IA									1			1
ID		1										1
NULL							18	10				28
Grand Total	169	117	83	72	64	54	49	384	28	3		1023

Excludes CPT code 'Q3014'

Claims by Provider Specialty

Top 10 Provider Specialties by Total Charged. These top 10 specialties represent 85% of total claims.

Provider Specialty	Claims	Total Charged
REPRODUCTIVE ENDOCRINOLOGY (OBSTETRICS AND GYNECOLOGY)	341	\$57,429
PSYCHIATRY (PSYCHIATRY AND NEUROLOGY)	211	\$55,883
CHILD AND ADOLESCENT PSYCHIATRY (PSYCHIATRY AND NEUROLOGY)	71	\$29,068
PSYCHOLOGIST	75	\$14,824
INTERNAL MEDICINE	46	\$6,102
CLINICAL NURSE SPECIALIST (PSYCHIATRIC OR MENTAL HEALTH)	27	\$5,167
NURSE PRACTITIONER	26	\$5,065
FAMILY MEDICINE	19	\$4,745
NP - OBSTETRICS AND GYNECOLOGY	32	\$4,664
SLEEP MEDICINE (FAMILY MEDICINE)	26	\$4,530
Grand Total	874	\$187,477

Excludes CPT code 'Q3014'

Claims by Provider Group

Top 15 Provider Groups by Total Charged. There top 15 providers represent 87% of total claims.

Provider Group	Claims	Total Charged
SANFORD MEDICAL CENTER FARGO PROF	427	\$74,544
ALTRU HEALTH SYSTEM PROFESSIONAL	241	\$35,345
NORTH CENTRAL HUMAN SERVICE CENTER	48	\$20,217
NORTHWEST HUMAN SERVICE CENTER	36	\$17,095
SANFORD CLINIC FARGO REGION	252	\$14,794
CENTER FOR PSYCHIATRIC CARE	104	\$11,761
BADLANDS HUMAN SERVICE CENTER	17	\$7,839
VA MEDICAL CENTER	41	\$7,564
SANFORD BISMARCK	190	\$7,180
NORTHLAND CHRISTIAN COUNSELING CENTER	38	\$6,415
PSYCHIATRY NETWORKS	36	\$4,260
ESSENTIA HEALTH	16	\$3,931
WHITNEY SLEEP DIAGNOSTICS AND CONSULTANTS	42	\$3,906
SANFORD THIEF RIVER FALLS	14	\$3,385
BILLINGS CLINIC	24	\$3,288
Grand Total	1,526	\$221,524

Claims by Diagnosis

Top 15 Diagnoses by Total Charged. These top 15 diagnoses represent 42% of total claims.

Diag 1	Diagnosis Description	Claims	Total Charged
N97.9	Female infertility, unspecified	69	\$12,050
F33.1	Major depressive disorder, recurrent, moderate	35	\$10,704
F41.1	Generalized anxiety disorder	49	\$10,507
N97.0	Female infertility associated with anovulation	52	\$8,512
F90.2	Attention-deficit hyperactivity disorder, combined type	27	\$7,811
F33.9	Major depressive disorder, recurrent, unspecified	24	\$6,571
F84.0	Autistic disorder	14	\$5,533
628	Female infertility associated with anovulation	38	\$5,323
F32.1	Major depressive disorder, single episode, moderate	11	\$5,053
G47.33	Obstructive sleep apnea (adult)(pediatric)	30	\$4,764
F32.9	Major depressive disorder, single episode, unspecified	18	\$4,743
296.32	Major depressive affective disorder, recurrent episode, moderate	11	\$3,648
628.9	Infertility, female, of unspecified origin	22	\$3,307
F90.9	Attention-deficit hyperactivity disorder, unspecified type	13	\$3,187
Z34.01	Encounter for supervision of normal first pregnancy, first trimester	18	\$2,917
Grand Total		431	\$94,627

Summary Category	Claims	Total Charged
Female Infertility & Birthing	199	\$32,109
Behavioral Health	202	\$57,755
Sleep Apnea	30	\$4,764
Grand Total	431	\$94,627

Excludes CPT code 'Q3014'

Health Policy Brief

Realizing the potential of telehealth: Federal and state policy is evolving to support telehealth in value-based care models

Produced by the Deloitte Center for Health Solutions
and the Deloitte Center for Regulatory Strategy



Executive summary

Improving digital connectivity between patients and providers is critical to achieving value-based, patient-centered care.

Many health care organizations are exploring strategies to leverage technology, including telehealth, to increase consumer engagement and focus on prevention and chronic care management outside the traditional physician office visit. Findings from Deloitte's *2016 Survey of US Health Care Consumers* show that interest in and use of telehealth is rising. The policy landscape—including payment policy and care provisions across state lines—is evolving to keep up with consumer demand and technology innovations.

An aging population, increasing chronic illness, the importance of self-care, accelerating health costs, regulatory reform, and new payment models are driving interest and growth in telehealth.¹ Some recent studies show that telehealth visits are associated with lower costs than traditional in-office visits and could result in Medicare savings,² while others are concerned about its potential to increase costs in a fee-for-service (FFS) environment.³ Under new value-based payment models that reward outcomes (including lower total cost of care) rather than utilization, telehealth may be a cost-effective solution to provide access to care and, ideally, reduce unnecessary hospital care. Given these trends, providers and health plans should continue to

monitor the complex and ever-evolving policy landscape around telehealth, and consider adopting targeted strategies for telehealth that encourage self-care and increase medication adherence to realize the clinical and economic benefits.⁴

New telehealth policies will likely need to balance potential increased access to services with potential cost increases, as well as payment and licensing changes and what they may mean for provider business models.⁵ This policy brief provides an overview of trends in telehealth and consumer interest; the regulatory landscape; and the potential barriers, opportunities, and enablers for telehealth in the coming years. Top-of-mind policies for providers and health plans include:

- Current Medicare payment policy and proposed legislation to change it
- The Medicare Access and CHIP Reauthorization Act of 2015 (MACRA) and its impact on telehealth
- Centers for Medicare and Medicaid Services (CMS) initiatives that are encouraging telehealth
- Recent Medicaid legislation that encourages telehealth⁶ in states and Medicaid managed care
- State policy trends, including licensing reciprocity and reimbursement, and examples of state telehealth regulations

Telehealth has the potential to reduce treatment costs

Telehealth aims to make health care services more accessible to patients so that they can avoid going to the physician's office. Instead, patients can access care any time, via different devices—a web browser, a mobile phone or tablet, or a standalone kiosk in a retail clinic. Telehealth has the potential to improve remote monitoring and self-care strategies and, ultimately, reduce treatment costs by keeping people out of the hospital and emergency room, and reducing physician office visits.

Chronic disease rates are rising, and mental health issues, including depression, are also affecting millions of Americans. The Department of Health and Human Services (HHS) reports that nearly 80 million Americans live in a mental health professional shortage area. Even in urban environments, transportation, time constraints, and the stigma of mental illness often prevent people from seeking mental health services.⁷ Telehealth may help address these situations.

A literature review by Rashid Bashshur looked at the evidence related to three conditions prominent in the Medicare population—congestive heart failure (CHF), stroke, and chronic obstructive pulmonary disease.⁸ He found that among CHF patients, telemonitoring (transmitting certain physiologic parameters and symptoms from patients at home to their health care provider) was significantly associated with reductions in mortality, ranging from 15 percent to 56 percent relative to traditional care.⁹ Studies have also shown that telestroke services—involving a neurologist and an attending nurse communicating via videoconferencing to evaluate the patient's motor skills, view a computed tomography scan, make a diagnosis, and prescribe

treatment—can help stroke patients without readily available access to stroke specialists. Telestroke services could also reduce mortality roughly 25 percent during the first year after the event.¹⁰

A recent technical brief from the Agency for Healthcare Research and Quality (AHRQ) found that the evidence on telehealth varies across different clinical conditions and health care functions. The report notes that there is sufficient evidence to support the effectiveness of telehealth in some circumstances, including remote monitoring, communication, and counseling for patients with chronic conditions, and psychotherapy as part of behavioral health. The authors conclude that the research focus should shift to how to promote broader implementation and address barriers; and that future research should focus on the use and impact of telehealth in new health care organizational and payment models.¹¹

Finally, though data is limited, there is evidence to suggest economic benefits to telemonitoring compared with usual care. One study using data from five telehealth service vendors found:

- In the commercial market, the average estimated cost of a telehealth visit is \$40 to \$50, compared to the average estimated cost of \$136 to \$176 for in-person acute care.
- Patient issues are resolved during the initial telehealth visit an average of 83 percent of the time.

The study concluded that replacing in-person acute care services with telehealth visits reimbursed at the same rate as a doctor's office visit could save the Medicare program an estimated \$45 per visit.¹²

What is telehealth?

Telehealth is the use of electronic information and telecommunications technologies to support long-distance clinical health care and patient and professional health-related education. Telehealth enables health care providers to connect with patients and consulting practitioners across vast distances. A patient with a chronic disease who uses telehealth may have multiple phone or video sessions with the care team, where health care professionals guide treatment, provide behavioral health support, and monitor progress. See the appendix for definitions of terminology used in this brief.

Telehealth payment policies are evolving as value-based models grow

Medicare: Medicare currently pays for telehealth services when the patient being treated is in a health professional shortage area or in a county that is outside any metropolitan statistical area, as defined by the Health Resources and Services Agency and the US Census Bureau, respectively. The telehealth site must be a medical facility, such as a physician's office, hospital, or rural health clinic, and not the patient's home. Medicare will only pay for "face-to-face" interactive video consultation services in which the patient is present, and does not generally cover store-and-forward applications (the transmission of digital images) as they do not typically involve direct interactions with patients (Medicare does have limited coverage of store-and-forward applications in certain regions). Traditionally, Medicare policy restricts coverage to certain reimbursable codes.¹³

As accountable care organizations (ACOs) and other value-based care (VBC) models increase, CMS is experimenting with expanding telehealth—some newer

CMS initiatives give providers more flexibility to use telehealth. In traditional Medicare, coverage is designed around rural populations with little access to other care. However, proposed legislation and experimental programs through CMS are aiming to ease geographic restrictions, which would allow the originating site to be in a person's home and could encourage remote monitoring for patients with chronic conditions.

Since Medicare often sets the standard for coverage in other public and private programs, some stakeholders are advocating for Medicare to update its policy. In May 2016, a group of individual providers and health systems wrote a letter asking the Congressional Budget Office to examine broader sets of telehealth data—from the commercial population, the US Department of Veterans Affairs (VA), and Medicaid—when generating future cost estimates and analyses of telehealth in Medicare.

Telehealth is a critical component of VA's journey toward patient-centered care

VA is on a journey to become more patient-centric and focused on improving veterans' health and quality. VA's progress in telehealth is virtually unparalleled in other health systems.¹⁴ Early investments and a commitment to increasing access to specialists, incorporating mental health care into primary care, and an integrated provider-payer system that allows for more fluid data flow all support the department's telehealth program.

VA served over 150,000 beneficiaries with telehealth services in 2012.¹⁵ Telehealth was associated with a 25 percent reduction in number of bed days of care and a 19 percent reduction in hospital admissions across all VA patients using telehealth. Overall, VA estimates average annual savings of \$6,500 for each patient that participated in the telehealth program in 2012, which equates to nearly \$1 billion in system-wide savings. VA has conducted studies that show videoconferencing can be successful in treating post-traumatic stress disorder, and that treating mental health issues via telehealth can be effective when compared to face-to-face visits.¹⁶

Having access to real-time, synchronous expert care through telehealth may help improve access to care, the patient experience, care delivery, and ultimately, health outcomes.

No new federal telehealth policy but experimentation is happening

Congress has been slow to move on telehealth: Many bills are in the works, but none have passed. Congress did, however, pass MACRA, which included policies that may encourage greater use of telehealth.¹⁷ The Administration has also been focused on telehealth, implementing demonstrations through CMS and making modifications to Medicare Advantage and Medicaid policies at the federal level. Congressional lawmakers have introduced legislation in both the Senate and the House to change Medicare's policies. Some stakeholders say that these bills (described below) have a low chance of passing in their current form,¹⁸ but that certain parts of the bills' provisions may be incorporated into other policy vehicles, including the Senate Finance Committee's expected legislation to address chronic care.¹⁹

MACRA: MACRA may increase telehealth adoption by both clinicians in Alternative Payment Models (APMs) and those remaining in traditional FFS. In April 2016, CMS released the first major regulation under MACRA.²⁰ According to the proposed rule on the Merit-Based Incentive Payment System (MIPS), Medicare will reward providers' use of telehealth. MIPS will measure performance in four areas: quality; resource utilization; investment in clinical improvement activities; and electronic health records usage. MIPS identifies telehealth and remote patient monitoring (RPM) as a supporting technology for the care coordination subcategory of the clinical practice improvement area.

Telehealth will likely be a useful tool under MACRA because providers will be required to extend their reach beyond the office setting as they aim for more holistic, quality care that avoids costly and unnecessary services. Additionally, MACRA encourages organizations to enter into new payment and delivery models, which should promote collaboration between health plans and hospitals around telehealth and other technology-based patient services.

MACRA directs the Government Accountability Office to study the potential impact of telehealth and remote monitoring on Medicare, with reports due in spring 2017. Though the law holds many encouraging implications for telehealth, some advocates believe that CMS is still showing hesitancy through asking for more evidence around its use.²¹

Senate activity: In early 2016, a bipartisan group introduced legislation to remove barriers to Medicare coverage of telehealth through the Creating Opportunities Now for Necessary and Effective Care Technologies (CONNECT) for Health Act.²² The CONNECT Act, endorsed by several medical specialty societies, academic institutions, patient advocacy groups, and technology companies, aims to expand the use of telehealth and RPM services in Medicare. Proponents of the legislation believe it will improve quality of care and save costs by making the delivery of health care, information, and education more accessible. The Act includes video conferencing, RPM services to monitor high-risk patients at home, and store-and-forward technologies.

The CONNECT Act strives to help providers transition to MACRA, MIPS, and APMs by eliminating current telehealth and RPM restrictions around geography and lack of reimbursement for face-to-face visits. The Act would also allow RPM use for certain patients with chronic conditions and include telehealth and RPM as basic benefits in Medicare Advantage, without most of the noted restrictions. In a summary sheet for the media, the senators behind the CONNECT Act state that elements of the Act could save \$1.8 billion over 10 years.²³

House activity: The House of Representatives introduced the Medicare Telehealth Parity Act of 2015, bipartisan legislation designed to expand telehealth services under Medicare. This legislation proposes to remove the geographic barriers under current Medicare law and expand the list of providers and related covered services to categories including occupational, physical, respiratory, speech, and audiology therapy.²⁴ Access to telestroke and RPM for patients with chronic conditions is also part of the legislation, as is access to home health care for dialysis, hospice, and eligible outpatient mental health and home health services. The changes would be phased in to achieve parity between in-person and telehealth coverage.

CMS demonstrations: Several CMS initiatives, including the Comprehensive Primary Care Plus (CPC+) Model, the ACO Next Generation model, the Comprehensive Care for Joint Replacement Model (CCJR), and the Bundled Payment for Care Improvement initiative (BPCI), waive certain restrictions around telehealth services (see Table 1 on the following page). Many telehealth advocates and analysts hope these models will demonstrate the value of telehealth services and thereby lay the groundwork for expanding coverage in Medicare.

Medicare Advantage: While most of Medicare's 57 million enrollees are covered by FFS Medicare, 31 percent (around 17 million) are enrolled in a Medicare Advantage (MA) plan.²⁶ MA plans can choose to pay for and provide telehealth services more broadly—as extra benefits—than Medicare FFS.²⁷ MA plans finance these benefits through their rebate dollars or by charging beneficiaries a supplemental premium.²⁸ Despite these flexibilities, most MA plans follow the standard Medicare originating site rule.

Anthem and the University of Pittsburgh Medical Center Health Plan offer telehealth benefits beyond traditional FFS benefits to their Medicare Advantage beneficiaries. Part of their motivation is to enhance the consumer experience and make care more accessible.²⁹ Humana announced in early 2016 that it would offer some telehealth services to its MA beneficiaries, as well.³⁰ Finally, the Senate Finance Committee is examining telehealth in MA through its work on chronic care management legislation.³¹

Medicare Payment Advisory Committee (MedPAC) report: More evidence needed on telehealth's value

MedPAC is an independent, congressionally-appointed body of stakeholders with expertise in health care services financing and delivery. MedPAC makes recommendations to CMS and Congress on payment policy for private health plans participating in Medicare and health care providers serving Medicare beneficiaries. MedPAC published one paper on telehealth, in November 2015, and wrote a chapter on telehealth in its June 2016 report to CMS.²⁵ In its most recent report, MedPAC again cited the lack of evidence around quality or overall cost-savings for telehealth services. The report said that telestroke may have the strongest evidence. However, MedPAC acknowledged the difficulty in finding sufficient Medicare data on telehealth, given its low use in Medicare as well as inconsistent academic literature, and stated that more evidence is needed around targeted telehealth interventions for specific populations.

"Many telehealth advocates and analysts hope CMS initiatives and models will demonstrate the value of telehealth services and thereby lay the groundwork for expanding coverage in Medicare."

Table 1. CMS demonstrations involving telehealth

Initiative	Description	Telehealth implications
CPC+	<p>The risk-based primary care initiative aims to accelerate the shift toward value-based reimbursement and emphasizes health IT and chronic care management.</p> <p>The model builds on the Pioneer ACO Model and the Medicare Shared Savings Program. It sets financial targets, enables greater opportunities to coordinate care, and aims to incentivize high quality care.³²</p>	<p>Participating practices will be responsible for giving patients 24-hour access to care and their information, delivering preventive care, engaging with patients and their families, and coordinating care with hospitals and other clinicians, such as specialists. Telehealth might help meet these requirements.</p> <p>Providers may decide to use the incentive payments to invest in telehealth.³³</p>
ACO Next Generation	<p>The model's goal is to test whether strong financial incentives for ACOs, combined with tools to support better patient engagement and care management, can improve health outcomes and lower expenditures for original Medicare FFS beneficiaries.³⁴</p>	<p>CMS waives certain telehealth restrictions for ACOs in this model. Originating telehealth sites do not have to be in rural areas or originate from a medical facility (they can originate from the patient's home).</p> <p>ACOs might use telehealth to reduce avoidable hospital readmission rates and triage patients to urgent care or the physician office instead of using the emergency room (ER).³⁵</p>
CCJR	<p>This model began April 1, 2016. It tests bundled payment and quality measurement for knee and hip replacement episodes of care. Participating hospitals are financially responsible for the cost and quality of these episodes of care.³⁶</p>	<p>Under bundled payments, providers have the incentive to use any service they believe can reduce the cost of care and improve quality. This model waives the requirements that the originating site for telehealth services must be in a rural area and be a specified medical facility (they can originate from the patient's home).</p>
BPCI	<p>This voluntary program began in 2013 to test bundled payments in Medicare and their ability to reduce Medicare spend while maintaining or improving quality. Participating organizations assume financial and performance responsibility for episodes of care triggered by a hospital admission.³⁷</p>	<p>Participating organizations can choose among several waivers, including a telehealth waiver similar to the above programs that eases geographic restrictions, though the originating site cannot be the patient's home.</p>

Federal policies are expanding telehealth in Medicaid

Two recent federal policies provide opportunities for Medicaid providers to expand their telehealth services.

Federal Medicaid managed care regulations: In April 2016, CMS released its largest overhaul of Medicaid managed care requirements in more than a decade.³⁸ The updated regulations aim to modernize Medicaid managed care, align coverage and quality requirements with other sources of health care coverage, strengthen states' delivery system reform, enhance network adequacy standards, and improve the consumer experience. During the public comment period, several commenters recommended that the final rule include coverage for telehealth. CMS noted these comments and agreed that solutions and services related to telehealth could help improve network adequacy in certain areas.

Under the rule, states are required to develop and make publicly available time and distance network adequacy standards for primary care and several specialties, behavioral health and dental care, as well as hospital care. The rule includes factors states should consider in setting standards, including the use of telemedicine, e-visits, and/or other evolving and innovative technological solutions.

Federal policy on use of telehealth in home care: Also in early 2016, CMS released a final rule updating and clarifying policy around how providers can document Medicaid patients' needs for home health services. These updates have implications for telehealth.³⁹ CMS' rule allows providers to use face-to-face encounters via telehealth to meet the requirement that a provider sees a patient before ordering home health services. It encourages states to work with the home health provider community to incorporate face-to-face visits in creative and flexible ways, while clarifying that phone calls or emails do not qualify as replacements to the face-to-face encounter.

The rule leaves the states flexibility to define telehealth coverage, including what types to cover, where in the state it can be provided, and how it is to be provided. Several organizations used the public comment period to show their support for telehealth, and, in the final rule, the agency noted its willingness to offer technical assistance to state Medicaid agencies to use telehealth. CMS also noted the need to update Medicaid telehealth guidance, which the agency says is forthcoming.

Policy stakeholders tracking telehealth in Medicaid are largely lauding these recent clarifications and updates. Providers can now examine and appropriately prescribe home health while the patient is remote, which can help streamline processes and maximize resources.

States telehealth policies are a mix of barriers and incentives

Considerable telehealth oversight takes place at the state level and, in general, states have taken diverse approaches to regulating the services and addressing licensing issues. States regulate telehealth coverage through three major channels, as described in Table 2 on the following page.

Providers seeking to adopt VBC initiatives will likely demand policy changes around telehealth. For example, telehealth could assist physicians operating under payment models that emphasize keeping people out of the hospital. The fact that 16 states have adopted an expedited physician licensure process (the Interstate Medical Licensure Compact) indicates that the shift to VBC is helping to align incentives so that physicians may have an easier time obtaining licenses in multiple states.⁴⁰

"As care delivery models evolve, state policies are progressing to meet consumer and provider demand."

Table 2. State policy areas around telehealth

	Description of state policy issue	Examples
Medicaid reimbursement	<p>Medicaid programs in the District of Columbia (DC) and 47 states provide some level of reimbursement for live video, the most traditional telehealth service. Five states offer a full range of services reimbursing for live video, store-and-forward and remote patient monitoring, though the restrictions and limitations vary.</p>	<p>California passed the Telehealth Advancement Act in 2011 to prohibit health plans from requiring a face-to-face visit if a service could be provided via telehealth.</p> <p>This law has led to Medicaid managed care plans reimbursing for a variety of telehealth services including e-consults – electronic communications between a primary care provider and a specialty provider, particularly for patients in medical care homes.</p>
Private insurance parity	<p>Twenty eight states and DC have laws requiring private insurers to reimburse telehealth services at the same rate as in-person services.</p> <p>As payment models evolve toward value-based models, payment parity laws may become less relevant if shared risk and shared savings increase the incentives for plans to encourage the use of telehealth services.</p>	<p>Most states self-insure their state employee health plans, meaning that they would be exempt under traditional private insurer parity requirements.</p> <p>Oregon, however, has amended its parity law to apply to self-insured state plans. Arizona’s parity law requires coverage and reimbursement of telehealth services but limits the requirement to rural areas and seven specific services.⁴¹</p>
Licensing and reciprocity	<p>States and licensing boards govern how and where providers can practice. Most states require physicians to be licensed to practice where they are located and some states require providers using telehealth technology across state lines to have a valid state license in the state where the patient is located.⁴²</p> <p>Medical provider licensing can limit telehealth programs.⁴³</p>	<p>In 2015, the Texas Medical Board restricted when physicians can use telephones and video services to provide medical care. Physicians must have a pre-existing relationship established in-person to provide services remotely. While the restrictions do not ban telehealth outright they sharply limit its use.</p> <p>Representatives from telehealth groups and the Texas Medical board have been meeting to see if compromise language can be established. Talks are ongoing.⁴⁴</p>

Source: Deloitte analysis of state policies around telehealth; and The Center for Connected Health Policy, “State Laws and Reimbursement Policies,” <http://cchpca.org>.

Consumer attitudes about telehealth

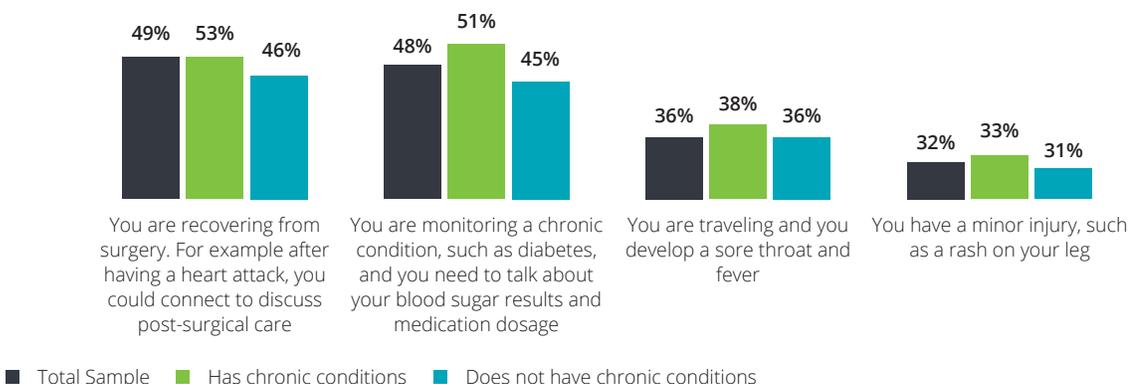
Deloitte's 2016 Survey of US Health Care Consumers⁴⁵ shows that consumers are open to telehealth. About half of surveyed consumers, whether they have a chronic condition or not, say they would use telemedicine for post-acute care or chronic condition monitoring. Consumers seem less interested in using telemedicine for acute conditions such as sore throats, rashes, or other minor injuries (Figure 1).

Around one third of surveyed consumers say they have no concerns about using telemedicine. However, 43 percent are concerned about quality of care being

lower than if they saw a provider in person, while 35 percent have privacy and security concerns. Fewer consumers (33 percent) had concerns about the impersonality of telemedicine, while only 15 percent thought the technology would be difficult to learn (Figure 2).

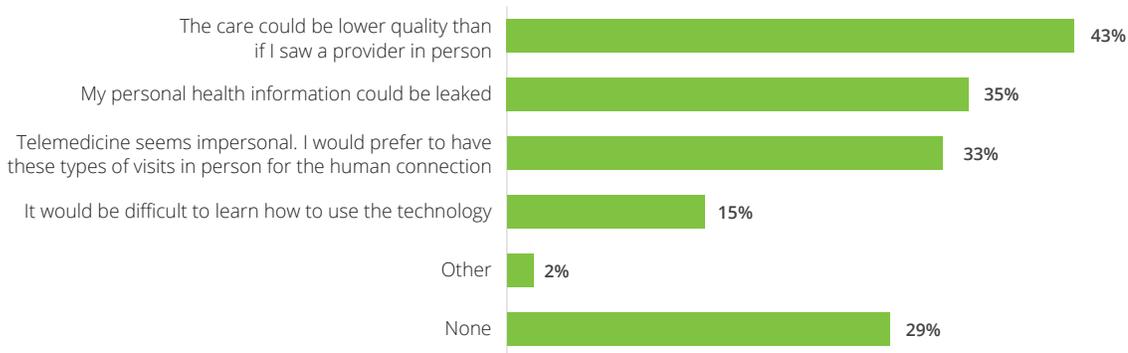
These trends indicate that, similar to banking and retail, health care is not exempt from consumer demand for technology to makes services and information easier to access.

Figure 1. Likelihood of using telemedicine



Source: Deloitte Center for Health Solutions 2016 Survey of US Health Care Consumers.

Figure 2. Barriers to telemedicine use



Source: Deloitte Center for Health Solutions 2016 Survey of US Health Care Consumers.

Implications of evolving policies for health care stakeholders

Health care providers

The American Hospital Association reports that 52 percent of US hospitals were using telehealth in 2013 and another 10 percent were moving toward adopting the platform. A recent policy recommendation from the group includes asking the Senate Finance Committee's Chronic Care Management workgroup to make telehealth the standard of care for people with chronic conditions, rather than a separate path of care alongside traditional in-person visits.⁴⁶

As consumer interest in telehealth continues to grow, and as the federal and state policy landscape evolves to reduce barriers to telehealth, providers may consider investing in telehealth capabilities. In particular, providers may consider strategies for targeted populations who are affected by value-based care models.

Finally, given the complex and ever-evolving policy landscape around telehealth, it would be wise for providers to monitor ongoing federal and state efforts.

Payers: Health plans and employers

With many health plans developing and investing in capabilities that make health care more convenient and accessible to consumers, it is not surprising that health plan adoption of telehealth is growing. The past year has seen a flurry of activity, with some commercial health plans partnering with telehealth vendors to pilot or expand telehealth services. In addition, more health plans and large employers are interested in incorporating telehealth into their benefit structure.⁴⁷ UnitedHealth Group predicts 20 million of its members could access and receive coverage by telehealth providers in the next year; Anthem is expanding its LiveHealth Online program to most individual and employer-based plans, including exchange members in 11 states, and also predicts 20 million members will have telehealth benefits in 2016.⁴⁸

For employers, telehealth may be as much of a human resources topic, used for recruitment and retention, as it is a health care topic. According to a 2015 survey by American Well, one-third of employers offered telehealth in 2015, up from 22 percent in 2014, with 49 percent saying they planned to offer a telehealth benefit in 2016. Reducing medical costs and improving access to care are some of the reasons employers are investing in telehealth; others include employee satisfaction, improving productivity, and attracting new talent.⁴⁹

Will innovative companies and services beat traditional players to market?

While evidence continues to evolve and accumulate around the ability of telehealth services to meet the health care system's need for cost-effective, quality preventive care and chronic care management, some providers and health plans are interested in meeting consumers where they are.

In the past few years, there has been a proliferation of vendors that offer direct-to-consumer telehealth services. While some consumers may prefer services provided by their physician or health plan, some health care organizations may worry about losing business to these industry disruptors. Meeting consumer demand and innovating their business strategy may be a motivator, beyond cost and quality alone, for broadening telehealth adoption.

Source: Darius Tahir, "Telehealth services surging despite questions of value," *Modern Healthcare*, February 21, 2015.

The Affordable Care Act (ACA) requires that health plans serving health insurance exchanges meet standards for network adequacy. As health plans move toward narrower provider networks for exchange plans in order to reduce premiums, telehealth is one important strategy that could help health plans meet network adequacy standards more cost-effectively—and help providers deliver care to underserved areas more efficiently.⁵⁰

Like providers, health plans may want to pay attention to the evolving policy landscape to confirm that their efforts mirror those of CMS and that they are not burdening providers with different requirements. There is an opportunity for health plans to play a leading role in pioneering telehealth strategies, as the federal government will likely continue to look to the commercial market for additional telehealth quality and cost-effectiveness data.

Appendix

Telehealth terminology:

- **Telehealth vs. telemedicine:** According to the Office of the National Coordinator for Health Information Technology, telehealth refers to a broader scope of remote healthcare services than telemedicine, which refers specifically to remote clinical services. Telehealth can refer to remote nonclinical services, such as provider training and continuing medical education, in addition to clinical services.
- **Synchronous telehealth** requires presence of both parties (may be a patient and a nurse practitioner consulting with a specialist via a live audio/video link, or a clinician and a patient communicating via videoconference) to be communicating in real time.
- **Asynchronous or store-and-forward telehealth** refers to the transmission of digital images, as in radiology or dermatology, for a diagnosis.

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Authors

Harry Greenspun

Managing Director
Deloitte Services LP
hgreenspun@deloitte.com

Casey Korba

Health Policy Manager
Deloitte Center for Health Solutions
Deloitte Services LP
ckorba@deloitte.com

Arielle Kane

Senior Business Project Specialist
Deloitte Center for Health Solutions
Deloitte Services LP
arkane@deloitte.com

To download a copy of this report,
please visit www.deloitte.com/us/telehealth-policy.

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**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: Bryan Reinhardt

DATE: October 10, 2015

SUBJECT: 2015 Active Health Care Report

Attached is the 2015 NDPERS Active health care report. Costs and trends are increasing slightly. 2015 active charges increased 6.4% over 2014 and 2015 active plain paid increased 13.8% over 2014. The 2013 to 2014 charge/paid increases were 9.6% and 6.6% respectively. A similar agency-specific report is developed for all large groups on the health plan (over 100 employees).

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

2015 NDPERS Health Care Analysis



North Dakota Public Employees Retirement System

For January - December 2015, there were 21,442 active NDPERS employees. This is about 74% of the NDPERS contracts. The average age of these employees was 46 years. There were 34,698 dependents of NDPERS employees on the NDPERS health plan.

HOSPITAL

NDPERS health plan members had 281,907 hospital claims/services from January to December 2015. These claims had \$227,526,344.16 in total charges. The NDPERS health plan paid \$118,079,408.15 toward these charges.

HOSPITAL UTILIZATION
ADMISSION: 01/2015 - 12/2015

	CLAIMS	%	DAYS	CHARGES	PAID
CLAIM TYPE: IP=Inpatient OP=Outpatient					
IP NEWBORN	1625	1	2164	\$6,463,120	\$4,336,755
IP MEDICAL	63600	23	4735	\$37,069,876	\$20,824,754
IP MATERNITY	4980	2	1841	\$6,844,658	\$3,928,850
IP SURGICAL	12974	5	4196	\$53,427,474	\$32,979,354
IP PSYCH	654	0	1205	\$2,427,756	\$1,293,932
IP CHEM DEP	485	0	545	\$677,061	\$482,891
OP MATERNITY	1331	0	0	\$902,792	\$380,827
OP SURGICAL	10142	4	0	\$35,416,475	\$15,686,851
OP PSYCH	430	0	0	\$858,993	\$457,862
OP CHEM DEP	341	0	0	\$575,955	\$288,707
OP MEDICAL	183055	65	0	\$79,079,753	\$35,564,947
SNF & SWING BED	262	0	363	\$293,242	\$204,005
HOME HEALTH AG	348	0	0	\$109,684	\$73,160
HOSPICE	103	0	0	\$727,021	\$221,285
OTHER	1550	1	729	\$2,637,555	\$1,344,064
TOTAL	281880	100	15778	\$227,511,414	\$118,068,244

PHYSICIAN/CLINIC

NDPERS health plan members had 1,126,557 physician/clinic services from January to December 2015. These services had \$194,299,163.45 in total charges. The NDPERS health plan paid \$98,109,056.67 toward these charges.

PHYSICIAN/CLINIC UTILIZATION
SERVICE DATE: 01/2015 – 12/2015

	SERVICES	%	CHARGES	PAID
TYPE OF SERVICE				
SURGERY-IP	1589	0	\$3,412,472	\$1,869,879
SURGERY-OP	7974	1	\$8,189,071	\$3,251,904
SURGERY-OFFICE	11345	1	\$5,260,412	\$1,670,426
ANESTHESIA	6362	1	\$4,797,389	\$1,932,659
MATERNITY	5089	0	\$3,032,280	\$1,441,649
ANCILLARY ROOMS	1430	0	\$2,753,706	\$1,218,143
IP VISITS	56059	5	\$23,964,804	\$12,902,555
OP / ER VISITS	19659	2	\$6,209,358	\$3,666,324
OFFICE CALLS	573677	50	\$80,444,581	\$45,012,475
OPTICAL	6964	1	\$867,798	\$368,126
CHEM/PSYCH	21565	2	\$3,945,208	\$2,247,820
THERAPIES	93063	8	\$11,343,629	\$5,667,316
EKG/EEG	11939	1	\$2,132,427	\$730,596
DIAGNOSTIC LAB	165005	15	\$14,626,556	\$5,596,198
DIAGNOSTIC X-RAY	46844	4	\$7,093,754	\$2,881,333
RX/INJECTIBLES	47690	4	\$7,109,060	\$3,059,946
SPECIAL SERVICES	37126	4	\$6,480,368	\$3,377,741
SUPPLIES	2952	0	\$424,705	\$179,117
HME	10205	1	\$2,202,255	\$1,033,140
TOTAL	1126537	100	\$194,289,832	\$98,107,347

PRESCRIPTION DRUGS

NDPERS health plan members had 506,375 pharmacy claims from January to December 2015. These claims had \$101,616,927.45 in total charges. The NDPERS health plan paid \$44,857,818.98 toward these charges.

PRESCRIPTION DRUG UTILIZATION
FILL DATE: 01/2015 – 12/2015

	CLAIMS	%	CHARGES	PAID
PRESCRIPTION DRUGS				
NON-GENERIC	89894	18	\$59,130,220	\$33,806,821
GENERIC	416481	82	\$42,486,708	\$11,050,998
TOTAL	506375	100	\$101,616,927	\$44,857,819

Generic drug use is at 82%, higher than the 81% reported in 2014, 80% reported in 2013, 77% reported in 2012, 74% reported in 2011, 71% reported in 2010, 68% reported in 2009, 65% reported in 2008, 60% reported in 2007, 56% reported in 2006, 52% reported in 2005, 48% reported in 2004, 44% reported in 2003, 41% reported in 2002, 40% in 2001 and 2000, 41% reported in 1999, 43% reported in 1998 and 44% 1997.

PERCENTAGES

EMPLOYEES, SPOUSES, & CHILDREN
BY MEMBERSHIP & CLAIM TYPE
01/2015 – 12/2015

	MEMBERSHIP		HOSPITAL CLAIMS		PHYSICIAN SERVICES		PHARMACY CLAIMS	
	Sum	%	Sum	%	Sum	%	Sum	%
CHILDREN	21718	39	65557	23	313084	28	95171	19
EMPLOYEE	21442	38	126925	45	493214	44	259338	51
SPOUSE	12979	23	89425	32	320259	28	151866	30
TOTAL	56140	100	281907	100	1126557	100	506375	100

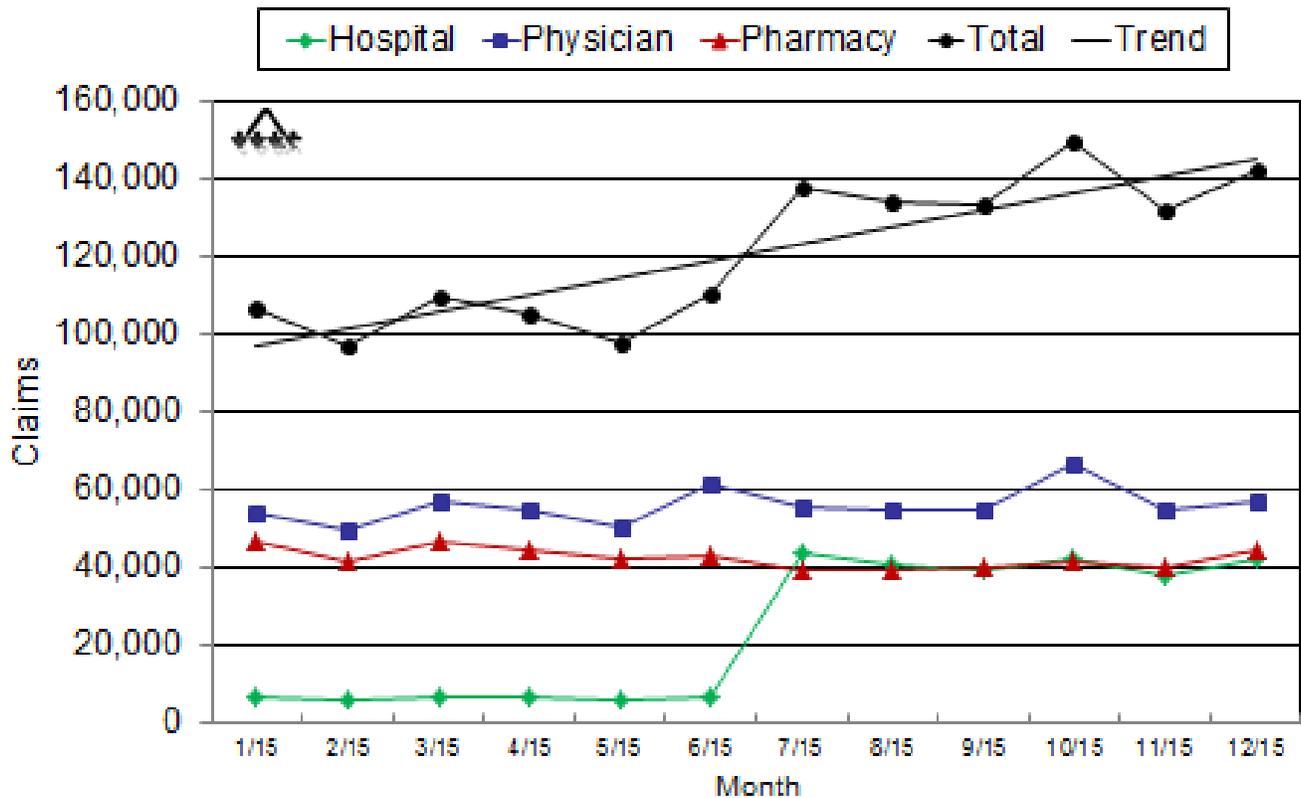
SUMMARY

Employees make up 38% of the active membership, but are responsible for 44% to 51% of the claims/services. The following graph shows that the number of active claims per month was fairly even throughout 2015. Note that the hospital increase is due to outpatient data being unbundled.

The second graph shows that per capita charges increased 6.44% and per capita costs increased about 13.82% from 2014 to 2015. The average charge per active member per month was \$124 in 1994, \$134 in 1995, \$143 in 1996, \$155 in 1997, \$171 in 1998, \$189 in 1999, \$207 in 2000, \$224 in 2001, \$256 in 2002, \$300 in 2003, \$318 in 2004, \$363 in 2005, \$396 in 2006, \$437 in 2007, \$484 in 2008, \$503 in 2009, \$531 in 2010, \$579 in 2011, \$603 in 2012, \$666 in 2013, \$730 in 2014, and \$777 in 2015. The average amount paid by the NDPERS health plan per capita was \$84 in 1994, \$92 in 1995, \$96 in 1996, \$100 in 1997, \$110 in 1998, \$114 in 1999, \$117 in 2000, \$122 in 2001, \$134 in 2002, \$153 in 2003, \$163 in 2004, \$185 in 2005, \$206 in 2006, \$226 in 2007, \$249 in 2008, \$253 in 2009, \$267 in 2010, \$290 in 2011, \$299 in 2012, \$319 in 2013, \$340 in 2014, and \$387 in 2015.

The last page shows that 2014-2015 overall per capita costs increased for the NDPERS health plan.

North Dakota Public Employees Retirement System Active Health Insurance Claims Jan-Dec 2015

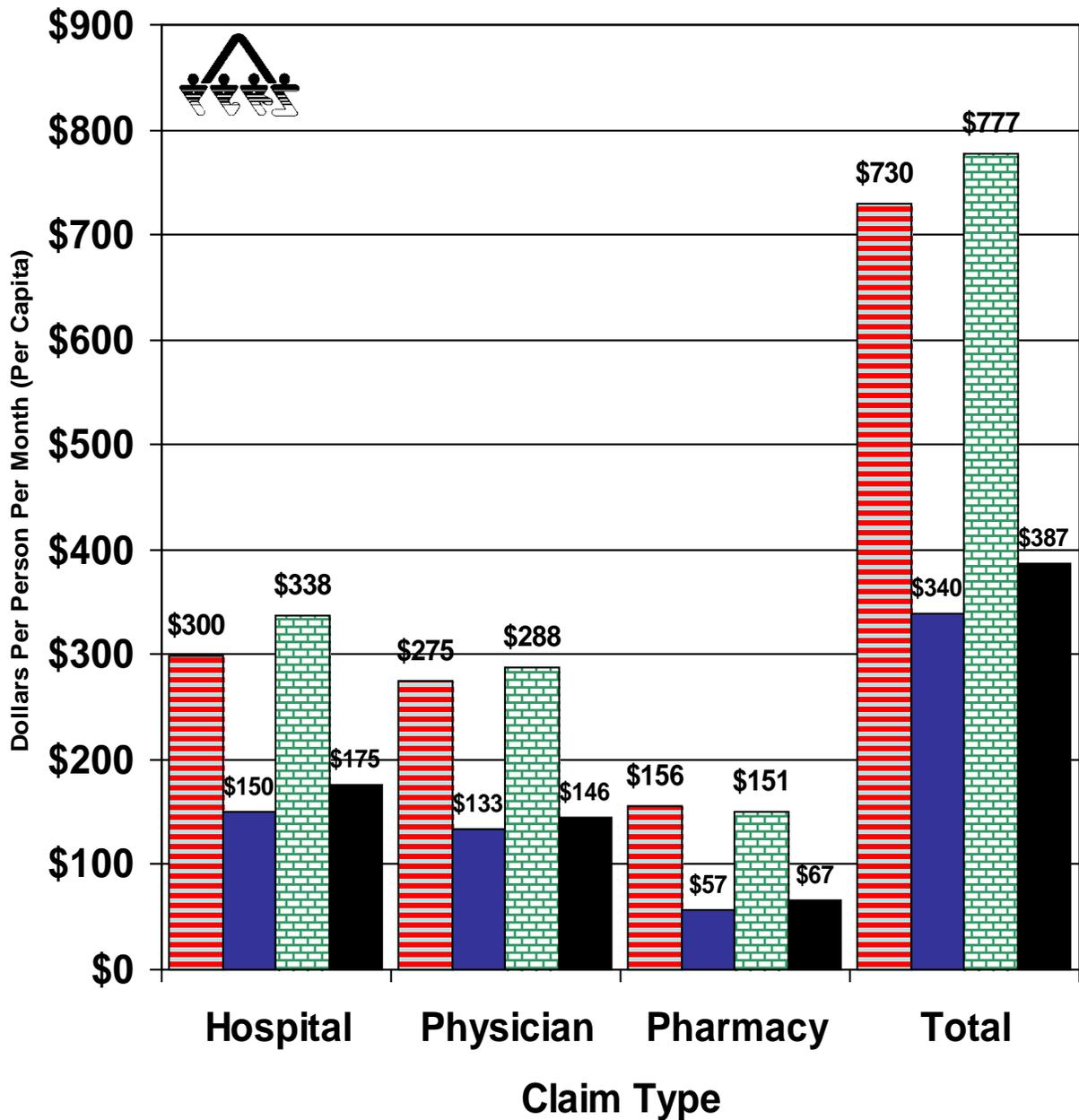


NDPERS Health Plan

Active Contracts

2014-2015

2014 Charge 2014 Paid 2015 Charge 2015 Paid

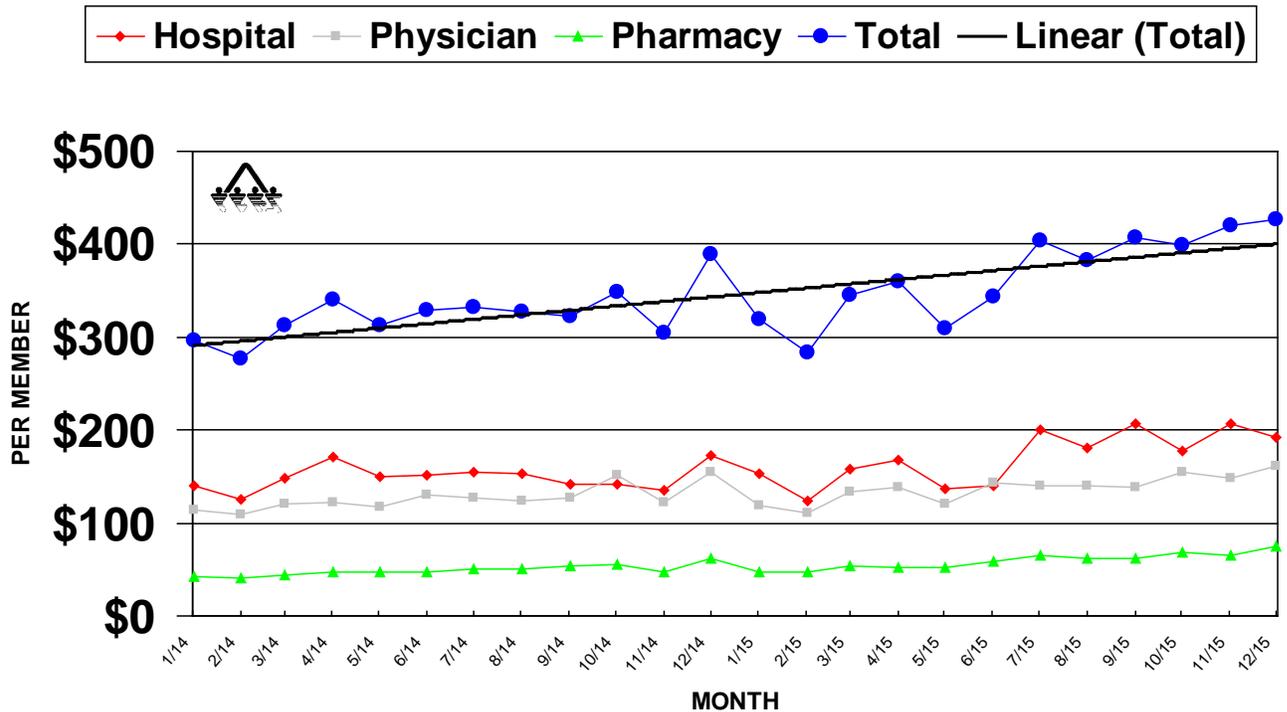


TOTAL NDPERS HEALTH PLAN

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

The active employees are at the \$500 per capita level. Their dependents cost the plan around \$390 per person per month. The retired membership's per capita costs are around \$325 per former employee and \$225 per dependent. As the graph below shows, overall, the NDPERS health plan is at \$400 per person per month in medical claims. This is higher than the 2014 report when costs were at \$350 and the 2013 report when costs were at \$325 and the 2012 report when costs were about \$300. Costs were \$299 in 2011, \$275 in 2010, \$250 in 2009, \$245 in 2008, \$225 in 2007, \$205 in 2006, \$200 in 2005, \$175 in 2004, \$160 in 2003 and \$140 in 2002. In addition to this, the NDPERS health plan pays \$30.50 per month per person in administration costs.

TOTAL MEMBER COST





**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: Bryan
DATE: October 10, 2016
SUBJECT: Health Graphs

Attached are the NDPERS per member per month (Per Capita) health graphs for the last two years of data ending December 2015. Overall costs are at the \$400 per capita level ending 2015. They were \$350 at the end of 2014. This is about a 14% increase.

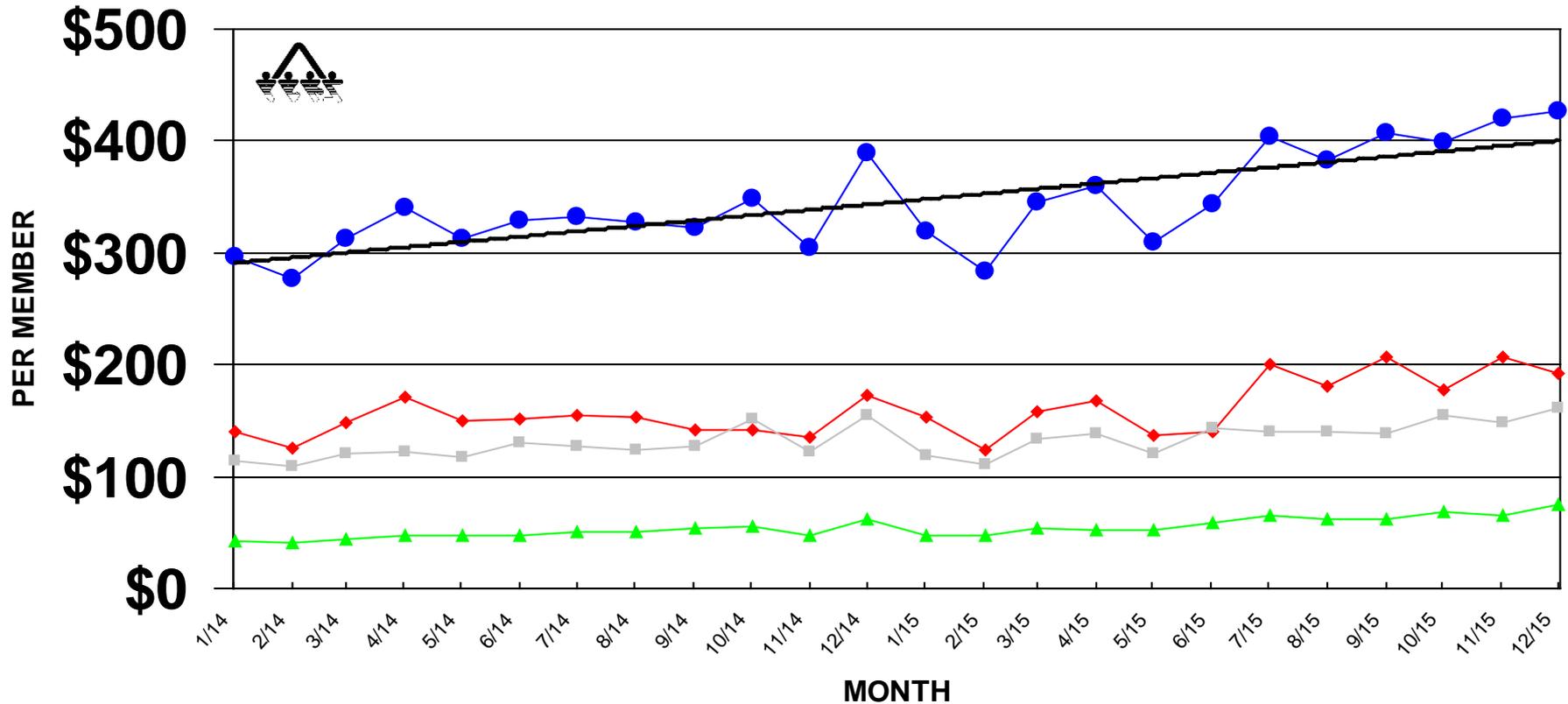
The active employees ended up at around \$500 per capita, and the active dependents are around \$375. The retired employees ended up at about \$325 per capita, and their dependents around \$225.

Note that these are health plan paid and do not include any administration.

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

NDPERS HEALTH INSURANCE PLAN

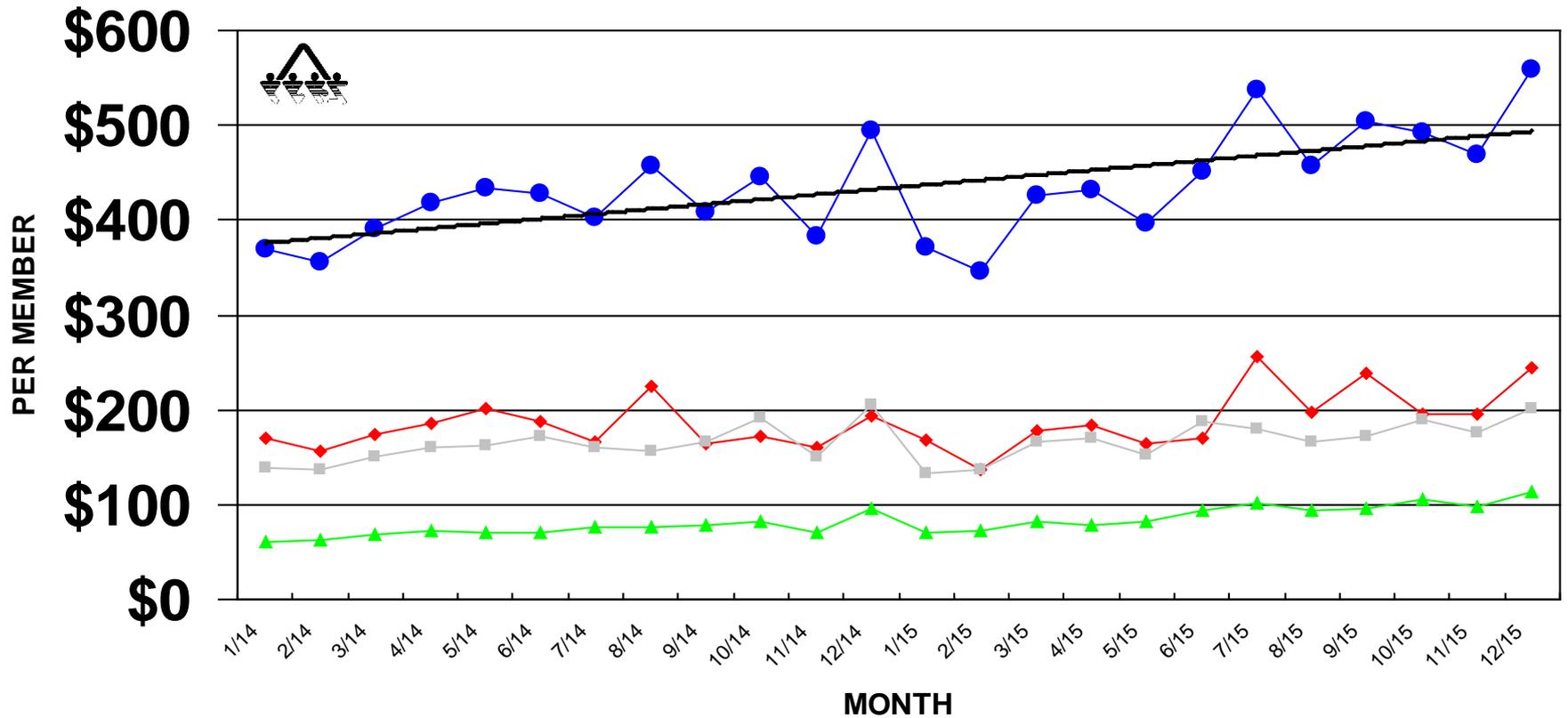
TOTAL MEMBERSHIP



NDPERS HEALTH INSURANCE PLAN

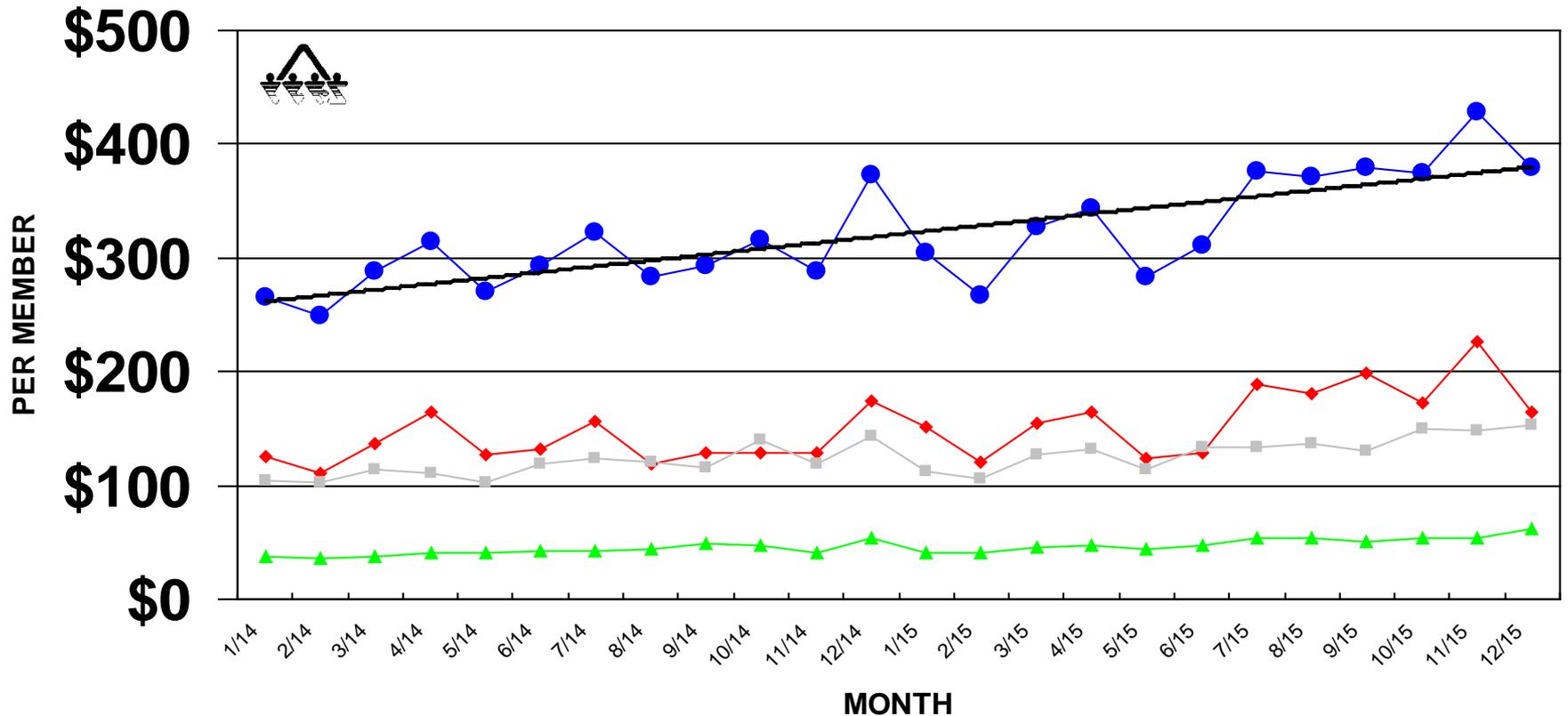
ACTIVE EMPLOYEES

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



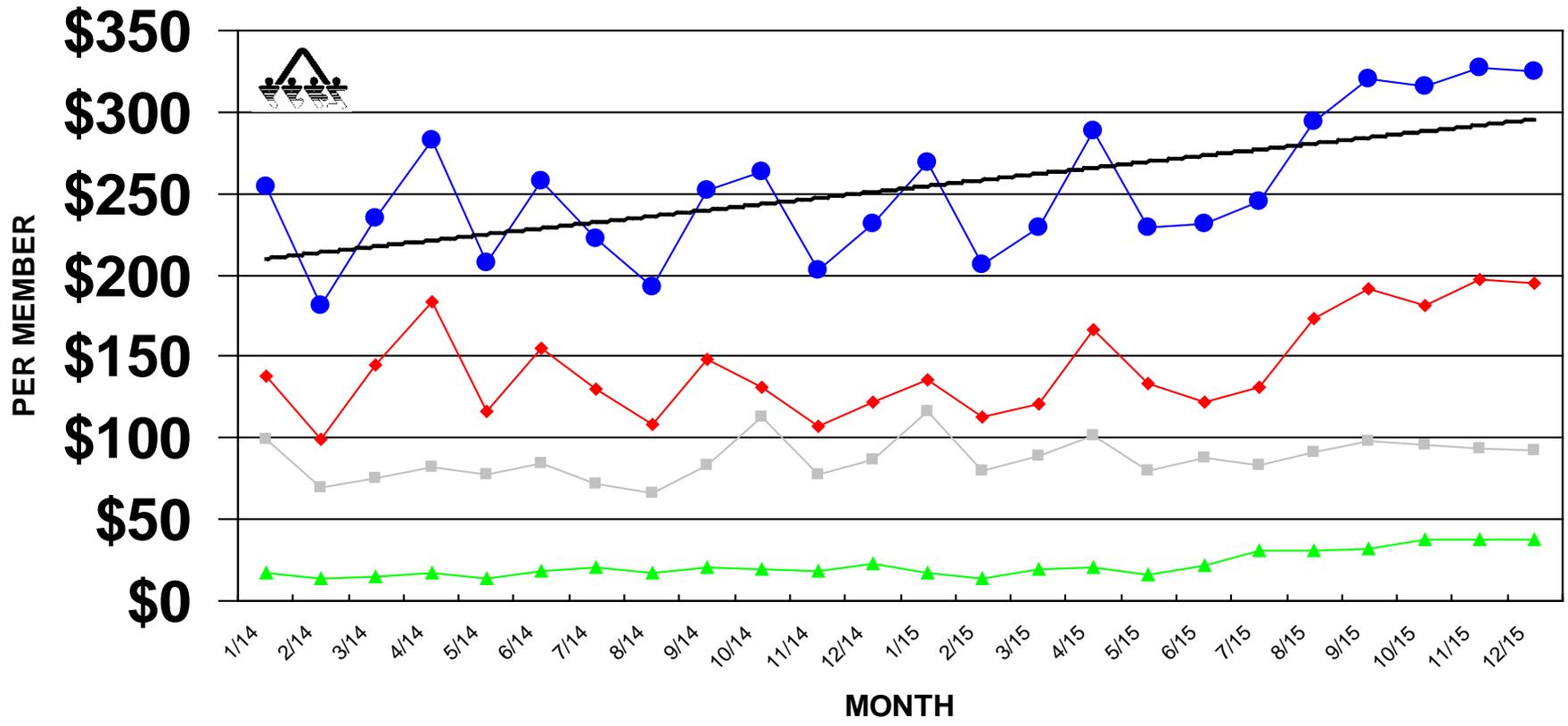
NDPERS HEALTH INSURANCE PLAN

ACTIVE DEPENDENTS



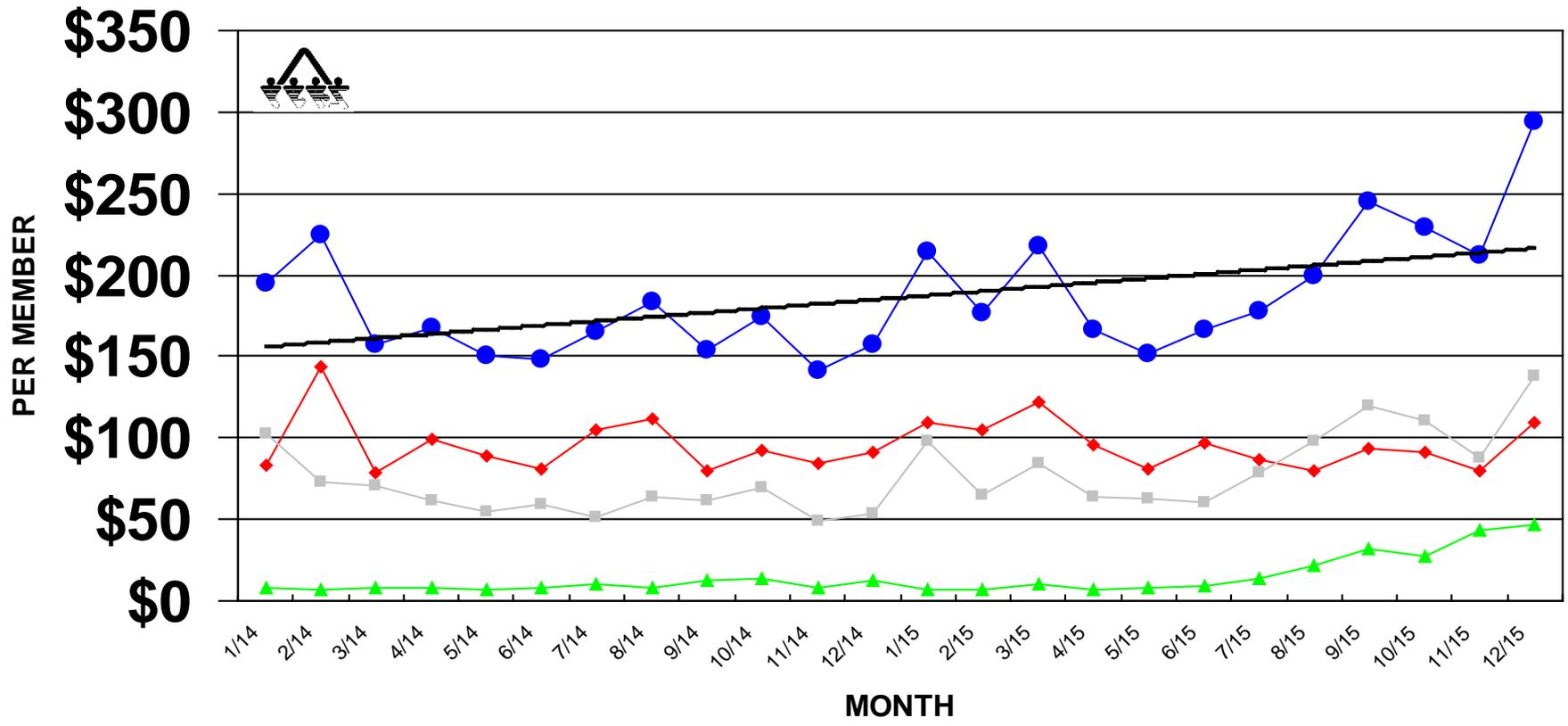
NDPERS HEALTH INSURANCE PLAN

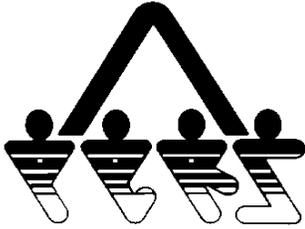
RETIRED EMPLOYEES



NDPERS HEALTH INSURANCE PLAN

RETIRED DEPENDENTS





**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 & Bryan

DATE: October 10, 2016

SUBJECT: RFP for Group Life & AD&D Insurance Plan

We have included for your review, a draft copy of the Group Life & AD& D plan RFP provided by Buck Consultants. It has been reviewed by staff and our changes are included in the document. Proposers are required to submit a bid to provide for fully insured services for eligible active and retired employees and their dependents.

Following are the key dates for the proposal process:

Date	Activity
November 01, 2016	RFP is issued.
November 22, 2016	Written questions regarding proposals must be received by NDPERS no later than 5:00 p.m. (CDT).
December 06, 2016	NDPERS posts responses to all questions received.
December 23, 2016	Proposals must be received by NDPERS no later than 5:00 p.m. (CDT).
February 01, 2017	NDPERS begins review of proposals.
March 01, 2017	Begin finalist interviews and Best and Final Offers if deemed necessary by the NDPERS Board.
Not later than April 2017	Selection and award of contract by NDPERS.
July 1, 2017	Effective Date of Coverage.

Buck Consultants will analyze the proposals and narrow them down to 3 or 4 for NDPERS to review.

If you have any questions, additions or changes to the Life RFP, we will be available at the NDPERS Board Meeting.

DRAFT v2 10-12-2016



North Dakota Public Employees Retirement System

North Dakota Public Employees Retirement System

Request for Proposal:

Group Term Basic & Supplemental Life and AD&D Coverages

RFP Issue Date: November 01, 2016

Proposal Due Date: December 23, 2016

Proposed Effective Date: July 1, 2017

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I. INTRODUCTION

1. *Background and Objectives*

The North Dakota Public Employees Retirement System (NDPERS) desires to provide Basic and Supplemental Life and Accidental Death & Dismemberment (AD&D) benefits to all eligible active and retired state and university and participating political subdivision employees and their eligible dependents. NDPERS is soliciting proposals for an initial coverage period to be effective July 1, 2017 to June 30, 2019. Additionally, NDPERS is requesting two additional option periods, each of two years in duration (07/01/2019 – 06/30/2021 and 07/01/2021 – 06/30/2023) for a potential total of six years. The rates for the option periods will be negotiated separately 12 months in advance of the respective renewal.

NDPERS is seeking fully insured proposals for its group Life and AD&D insurance plans. The current benefit for Basic Life and AD&D is \$3,500. The State pays \$0.28 per eligible active participant per month for this coverage. Retirees pay \$4.32 per eligible participant per month (both early retirees and retirees age 65 and older) for a \$1,300 benefit. Supplemental Life and AD&D, Spouse Supplemental Life, and Dependent Supplemental Life are age rated based on the employee's age and are entirely employee paid. All premium rates must be guaranteed for the July 1, 2017 – June 30, 2019 state biennium.

Presently, all coverages are combined on an experience rated, non-participating basis. For purposes of comparison, we are requesting proposals for both participating and non-participating contracts.

Employees can elect to increase coverage during the annual enrollment conducted each fall. During the initial (new hire) enrollment period, there are guaranteed issue amounts for the supplemental coverages. During annual enrollment increases up to \$5,000 on employee supplemental are guarantee issue. Requests for increases in excess of \$5,000 on employee supplemental and all requests for increases on dependent and spouse supplemental coverage are subject to proof of good health. Any increase, if approved, will be effective the later of the date the coverage is approved or January 1. Please refer to Appendix C: Current Life and AD&D Summary Booklet for more information related to plan design and plan provisions.

2. *Definitions*

For purposes of this RFP, the following abbreviations or terms have the meanings indicated below:

- “**Actively at Work**” means the individual is performing the material duties of his/her own occupation at the employer's usual place of business. The individual is considered actively at work if absence is due to a regularly scheduled day off, holiday or vacation day.
- “**AD&D**” – means Accidental Death and Dismemberment.
- “**BAFO**” means Best and Final Offer; a BAFO may be requested in order to permit written revisions to an Offeror's initial proposal.

- **“Contractor”** – The Offeror selected pursuant to this RFP will be referred to as this.
- **“Covered Lives”** means each individual enrolled in the plan.
- **“Eligible Dependent”** – a dependent of the Subscriber who qualifies for membership under this Benefit Plan in accordance with the requirements specified below:
 - The Subscriber's lawful spouse.
 - The Subscriber's or the Subscriber's living, covered spouse's unmarried children under the age of 26. Children are considered under age 26 until the end of the month in which the child becomes 26 years of age. The term child or children includes:
 - Children for whom the Subscriber or the Subscriber's living, covered spouse are required by court order to provide health benefits.
 - Children beyond the age of 26 who are incapable of self-sustaining employment by reason of a disabling condition that began before the child attained age 26 and who are primarily dependent on the Subscriber or the Subscriber's spouse for support. Coverage for such a disabled child will continue for as long as the child remains unmarried, disabled and the Subscriber's dependent for federal income tax purposes.

○ **“Eligible Employee”** – means every permanent active employee, who is employed by a governmental unit, as that term is defined in section 54-52-01. "Eligible employee" includes members of the legislative assembly, judges of the supreme court, paid members of state or political subdivision boards, commissions, or associations, full-time employees of political subdivisions, elective state officers as defined by subsection 2 of section 54-06-01, and disabled permanent employees who are receiving compensation from the North Dakota workforce safety and insurance fund. As used in this subsection, "permanent employee" means one whose services are not limited in duration, who is filling an approved and regularly funded position in a governmental unit, and who is employed at least twenty hours per week and at least twenty weeks each year of employment.

As defined in 54-52-01, eligible employee also includes temporary, retired and terminated employees who remain eligible to participate in the uniform group insurance program pursuant to applicable state or federal law.

- **“Incumbent”** – the current provider of the services sought through this RFP. (These services are currently being provided by VOYA Financial.)

- **“Eligible Retiree”** – means a retiree who has accepted a periodic distribution from an eligible retirement system under the defined contribution retirement plan pursuant to section 54-52.6 or has accepted a retirement allowance from the public employees retirement system, the highway patrolmen's retirement system, the Teachers' Insurance and Annuity Association

(TIAA) for service credit earned while employed by North Dakota institutions of higher education, the retirement system established by job service North Dakota under section 52-11-01, the judges' retirement system established under chapter 27-17, or the teachers' fund for retirement may elect to participate in the uniform group under this chapter.

- **“Offeror”** – an entity responding to this RFP with a proposal to bind coverage will be referred to as this.
- **“The Plan”** – means the life and AD&D benefits program pursuant to this RFP.
- **“Waiver of Premium”** – means an insurance provision that waives the payment of the premium and continues insurance coverage during a period of total disability as defined by the insurer.

3. **Mandatory Requirements**

The proposal that you submit will constitute your unqualified consent to the following mandatory requirements:

- Proposals submitted in response to this request will be considered the only submission; revised proposals will not be allowed after the proposal submission deadline date and time unless requested by NDPERS.
- All proposals must answer all applicable questions in **Attachment C: Technical Proposal** and **Attachment D: Financial Proposal**.
- All materials submitted in response to this RFP will become property of NDPERS and upon receipt BY NDPERS are subject to the North Dakota public records law (see General Information #4)No bidders/proposers conference is scheduled nor required.

4. **Key Dates in the Proposal Process**

The following dates will apply during the proposal process. NDPERS reserves the right to waive or modify specific terms and conditions contained in this RFP, and to waive, modify or extend deadlines specified herein.

Date	Activity
November 01, 2016	RFP is issued.
November 22, 2016	Written questions regarding proposals must be received by NDPERS no later than 5:00 p.m. (CDT).
December 06, 2016	NDPERS posts responses to all questions received.
December 23, 2016	Proposals must be received by NDPERS no later than 5:00 p.m. (CDT).
February 01, 2017	NDPERS begins review of proposals.
March 01, 2017	Begin finalist interviews and Best and Final Offers if deemed necessary by the NDPERS Board.

Not later than April 2017	Selection and award of contract by NDPERS.
July 1, 2017	Effective Date of Coverage.

5. Current Enrollment and Demographics

NDPERS provides a fully-insured group Basic and Supplemental Life and AD&D benefit for active employees and retirees (participants) of NDPERS. In addition, eligibility is extended to eligible state and university employees and their dependents, as well as certain political subdivisions eligible to participate in NDPERS.

NDPERS currently offers one plan design for Basic Life and AD&D benefits. Listed below are the number of eligible participants and the number of enrolled participants through September 2017.

Basic Life/AD&D

Eligibility Category	Number of Eligible and Enrolled Participants
Actives	19,120
Retirees	3,250

Supplemental Life/AD&D

Eligibility Category	Number of Eligible Participants	Number of Enrolled Participants - EE	Number of Enrolled Participants - Spouse	Number of Enrolled Participants - Dependents
Actives	19,120	11,573	5,338	7,005
Retirees	3,250	439	164	219

Annual enrollment for the group Life and AD&D plan is conducted each year from approximately **mid-October through mid-November** for coverage effective the following January. New hires must elect coverage within 31 days of their effective date. Coverage will be effective the first day of the month following the date of employment. If coverage is not elected within 31 days, application may be made during the next annual enrollment period or within 31 days of a qualifying event.

6. General Information on the Life and AD&D Plan

PLAN DESIGN

(Note: Appendix C “Current Life and AD&D Summary Booklet” will stand as the authority for issues related to current plan design and plan provisions.)

The Benefit Plan Year for NDPERS begins on July 1 of each year and concludes on June 30th of the following year.

Currently NDPERS contracts with VOYA Financial to provide its employees Basic Life and AD&D, Supplemental Life and AD&D, Spouse Supplemental and Dependent Life coverages.

All eligible active employees are eligible for Basic Life and AD&D, Supplemental Life and AD&D, Spouse Supplemental Life and Dependent Supplemental Life coverage. The current benefits are described below:

BASIC LIFE & AD&D:

The current Active Employee benefit for Basic Life and AD&D is \$3,500. The State pays \$0.28 per eligible active employee per month. Participation in this coverage is mandatory for this group. A waiver of premium benefit is included for Basic Life and AD&D.

Coverage for eligible retirees is subject to the following:

- The eligible retiree participated in the plan as an active employee.
- There is no lapse in coverage.
- Supplemental coverage may be decreased but not increased.
- The Basic and AD&D coverage is reduced to \$1,300 from \$3,500 with a corresponding adjustment to the premium. The premium for this coverage is \$4.32 per month.
- If under age 65, the supplemental coverage may be retained.

Upon attainment of age 65, the retiree may continue the \$1,300 Basic life and AD&D coverage so long as there is no lapse in coverage. The Supplemental Life and AD&D, Supplemental Dependent Life and Spouse Supplemental life coverage will terminate at age 65 for retirees enrolled in such coverage. The retiree will have the option to convert the supplemental coverage to an individual policy. Retirees are not eligible to participate in the annual open enrollment.

The premium for the retiree group is experience rated.

SUPPLEMENTAL LIFE & AD&D:

Eligible Employees have the option of purchasing Supplemental Life and AD&D in \$5,000 increments with the first being \$1,500 to a combined Basic and Supplemental Life maximum of \$200,000. A waiver of premium benefit is available for Supplemental Life.

SUPPLEMENTAL SPOUSE LIFE:

Eligible Employees have the option of purchasing supplemental spouse life in the amount of 50% of the employee's supplemental life amount to a maximum of \$100,000. Proof of good health is required for amounts over \$50,000. The employee must purchase Supplemental Dependent Life to be eligible for this coverage. A waiver of premium benefit is included for Supplemental Spouse Life.

SUPPLEMENTAL DEPENDENT LIFE:

Eligible Employees have the option of purchasing dependent life for their Spouse and for their unmarried children from birth until age 26. The employee can choose either a \$2,000 or \$5,000 benefit level for a flat fee, regardless of the number of dependents covered. The employee must purchase Supplemental Life to be eligible for this coverage. A waiver of premium benefit is included for Supplemental Dependent Life.

ALTERNATIVE PLAN DESIGN OPTION:

NDPERS is interested in exploring proposals for alternative plan design as described in Attachment C-3: Plan Design.

ADDITIONAL INFORMATION:

CONVERSION OPTION

Please see Appendix C: Current Life and AD&D Summary Booklet for details on the conversion options available. (Note: NDPERS is interested in exploring other continuation of coverage options such as “Portability”.)

ACCELERATED DEATH BENEFIT

The Accelerated Death Benefit is equal to 75% of the amount of Basic and Supplemental Life Insurance in force, or \$50,000, whichever is less. This benefit is available to employees only. Employees must have at least \$10,000 in Life Insurance coverage in force to qualify for this benefit.

PREMIUM REQUIREMENTS

Basic Life and AD&D - this premium is set up as a flat amount, not as a rate per thousand, and combines the life and Accidental Death and Dismemberment (AD&D) premium for billing purposes.

1. The sum of the life insurance premium and AD&D premium must be evenly divisible by 2, carried out to no more than 2 decimal places.

Supplemental Life & AD&D – this premium is set up as a rate per thousand and combines the life and AD&D premium for billing purposes.

1. The sum of the life insurance and AD&D premium may not exceed 2 decimal places (example: XX.XX). It is acceptable for the rate per thousand to have 3 decimal places, as long as when the life and AD&D premiums are added together, it results in a number with 2 decimal places, such as $.016 + .044 = .06$.
2. It does not matter if the rate per thousand for this coverage is divisible by 2 as long as the plan design continues to require the first increment of coverage to be \$1,500, instead of \$5,000. This first increment results in premiums not always being evenly divisible by 2, even if the rate per thousand is divisible by 2.

Spouse Supplemental Life – this premium is set up as a rate per thousand

1. The rate per thousand must be evenly divisible by 2, carried out to no more than 2 decimal places.

Dependent Supplemental Life – this premium is set up as a flat amount for each level of coverage (\$2,000 or \$5,000).

1. Rates must be evenly divisible by 2, carried out to no more than 2 decimal places.

6.1. ELIGIBILITY PROVISIONS

The following classifications of employees are eligible:

- State employees or employees of participating Political Subdivisions who are eighteen (18) years of age whose services are not limited in duration, who are filling an approved and regularly funded position, and who are employed at least twenty (20) hours per week and at least twenty weeks each year of employment are eligible to receive benefits.
- Retirees who are enrolled in the program may continue the basic and the Supplemental Life and AD&D, Supplemental Dependent Life and Spouse Supplemental life coverage upon retirement or disability if the employee is

entitled to a retirement allowance from an eligible retirement system and is under age 65

- Any temporary employee who is employed by the state, a participating county, city or school district, or any combination thereof; members of the legislative assembly, judges of the supreme or district courts, and elected state officers as defined by the state who are employed for at least 20 hours per week for at least 20 weeks per year. Temporary employees are eligible for Basic Life and AD&D, Supplemental Life and AD&D, Spouse Supplemental Life and Dependent Supplemental Life coverage, EXCEPT employees and their dependents must pay the premium for the Basic and Supplemental coverage.

6.2. CONTRACTUAL OBLIGATION

The contents of the proposal and any subsequent clarifications submitted by the successful proposers will become part of the contractual obligation and incorporated by reference into the ensuing contract.

6.4. COMPLIANCE

Proposing companies agree to comply with all federal state, and local laws, ordinances, rules, regulations, and executive orders pertaining to unlawful discrimination on account of race, color, creed, religion, national origin, genetics or physical or mental disability, sex, marital status, status with regard to public assistance, disability, or age.

6.5. TERM OF CONTRACT

The North Dakota Public Employees Retirement System is governed by North Dakota State statutes, which includes a requirement to solicit bids for group life coverage for a specified term for a fully-insured arrangement. NDPERS has determined that the specified term for providing such life benefits under a fully insured arrangement shall be six years to include three biennium periods: July 1, 2017 to June 30, 2019; July 1, 2019 to June 30, 2021; and July 1, 2021 to June 30, 2023.

NDPERS and the successful proposer will renegotiate the existing contract during the interim of each biennium without resorting to a formal bidding process. If NDPERS and the successful proposer are unable to reach an agreement during re-negotiations, a formal bidding process will be initiated. Negotiations will begin in August and end in September in the final fiscal year of the biennium. NDPERS also reserves the right to terminate any contract awarded pursuant to this bidding process within thirty (30) days notice.

NDPERS and the Contractor agree and acknowledge that the account services to be provided under this proposal will occur between July 1, 2017 and June 30, 2019. However, NDPERS and the Contractor also agree and acknowledge that there are duties and obligations specified by this proposal to be performed both prior to and after these dates. The parties each agree to perform all such duties and obligations, and all damage provisions included in the Agreement shall thereby be in effect.

6.6. General

Offerors should keep in mind the following considerations as they prepare proposals in response to this RFP.

- The Life and AD&D program is fully insured.
- With respect to this contract and program, no commissions, bonuses or overrides will be paid to any party directly by NDPERS.
- No minimum participation requirements will be allowed by NDPERS.
- The Incumbent vendor will process all claims incurred prior to 7/1/2017.
- The Contractor will process all claims incurred while the contract between NDPERS and the Contractor is in effect. This includes run-out claims incurred during the period of the contract, but processed after the contract has been terminated.

ELIGIBILITY AND SELECTION CRITERIA

1. Minimum Requirements

To be eligible for consideration for this project, the Offeror must meet the Minimum Requirements set forth in Attachment C-1: Minimum Requirements. All Offerors must fill out and submit this exhibit with their proposal.

2. Selection Criteria

Proposal information provided in direct response to the Proposal Cost Summary and Questionnaire sections will be relied upon to evaluate all proposals. The ability to meet NDPERS minimum bid requirements is essential. The following criteria will be used:

- Ability to meet NDPERS minimum requirements as outlined in this RFP
- Financial position of the carrier, with special emphasis as to its solvency
- Cost/value of services
- Level/adequacy of services
- Completeness of response to RFP specifications
- Experience/reputation serving large accounts
- Public sector experience/reputation
- Data and reporting capabilities ease of administration
- Flexibility to meet NDPERS needs

Price will not be the sole determinant factor in the decision to award the contract. NDPERS reserves the right to accept or reject any or all proposals. The cost of the proposal will be borne by the respondent.

GENERAL INFORMATION

1. *Non-Disclosure Agreement (NDA)*

In order to obtain Attachment E: Confidential Documents, which contains confidential data that is necessary to complete a proposal in response to this RFP, each Offeror must complete and return a signed Non-Disclosure Agreement. NDPERS requests that only those organizations who plan to respond to this RFP should submit the Non-Disclosure Agreement. The Non-Disclosure Agreement must be in the form provided as Appendix B to this RFP. The Non-Disclosure Agreement must be received before any confidential data is released to any Offeror. Please send the NDA to the attention of:

<p>Jim Schaefer, Director Buck Consultants, LLC/Xerox 14911 Quorum Drive Suite 200 Dallas, TX 75254 Phone: 972-628-6888 E-mail: james.schaefer@xerox.com</p>
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The information that will be provided to the Offeror after submission of the Non-Disclosure Agreement includes the following:

1. Census information for NDPERS members through September 2016.

In order to obtain Attachment E, an Offeror must first print, sign and return the Non-Disclosure Agreement found at Appendix B, "Non-Disclosure Agreement," to Jim Schaefer as described above. A scanned copy with the appropriate signature transmitted by e-mail is acceptable. Jim Schaefer's e-mail address is provided above. The Attachment will be mailed to each Offeror via FedEx, UPS or DHL upon receipt of the Non-Disclosure Agreement. The Attachment will be provided in digital media format and will contain the necessary file in Microsoft Excel.

Note: Failure to complete all fields on Appendix B may slow the processing of the request for Attachment E or may cause the request to be rejected. In such instances, Buck Consultants will attempt to contact the submitter to resolve the deficiencies.

2. *Inquiries Regarding Specifications*

Offerors will have until 5:00 p.m. (CDT) on November 22, 2016 to submit questions in writing regarding this RFP. All questions shall, cite the specific RFP section and paragraph number(s) to which the question refers. Any questions received by NDPERS prior to the date and time above will be answered in a question and answer document issued by NDPERS. Only answers provided in writing by NDPERS will be considered official.

All query submissions must include the identity of the sender, the sender's title, firm name, mailing address, telephone number, and e-mail address.

Questions must be submitted to Jim Schaefer via fax, e-mail or mail using the contact information shown below. NDPERS is not responsible for questions received after the submittal deadline.

Answers to questions will be made available on the NDPERS Web site at www.nd.gov/ndpers by December 6, 2016 at 5:00 p.m. C.D.T.

Only information in the materials constituting this RFP, including its attachments, exhibits, and forms, the question and answer document, and any RFP addendum shall be binding on NDPERS.

All inquiries regarding these specifications must be in writing and addressed to:

<p>Jim Schaefer, Director Buck Consultants, LLC/Xerox 14911 Quorum Drive Suite 200 Dallas, TX 75254 Phone: 972-628-6888 E-mail: james.schaefer@xerox.com</p>
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3. Rules and Regulations

Any Offeror submitting a proposal must be able to meet and comply with all applicable state and federal statutes and regulations.

4. Confidentiality of trade secret, proprietary, commercial, and financial information (NDCC Section 44-04-18.4(6))

All materials submitted in response to this RFP will become property of NDPERS and upon receipt BY NDPERS are subject to the North Dakota public records law. If the Responder submits information in response to this RFP that it believes to be confidential financial, commercial, propriety or trade secret materials the Responder must:

- a. Clearly mark each provision that respondent believes to be confidential in its response at the time the response is submitted,
- b. Include a statement with its response justifying the confidential designation for each provision.
- c. Attest whether the information sought to be protected has ever been previously publicly disclosed, if not whether disclosure would cause the Responder competitive injury, and if so, how.

Responder is put on notice that, except for information that is determined by NDPERS to be confidential or otherwise exempt from the North Dakota public records law, NDPERS must disclose to the public upon request any records it receives from Responder. If NDPERS receives a request for information that Responder has requested be kept confidential, NDPERS will review the above information submitted by Responder and may also contact

Responder for additional input regarding the nature of those records, but NDPERS will be solely responsible for making the ultimate determination of whether the materials submitted are open or exempt. All information that has not been clearly identified by Responder as being confidential and which NDPERS has determined constitutes confidential or exempt information under the North Dakota public records law will be disclosed as an open record. NDPERS will not consider the prices submitted by the Responder to be confidential.

5. Addenda, Amendments, and Clarifications to the RFP

NDPERS may issue any addenda, amendments, and clarifications regarding this RFP that NDPERS determines are necessary. All such addenda, amendments, and clarifications issued by NDPERS become part of the RFP. All addenda, amendments, and clarifications to the RFP will be issued in writing and added to the posting on the www.nd.gov/ndpers. NDPERS may also e-mail any addenda, amendments, or clarifications to all eligible Offerors that have submitted a Non-Disclosure Agreement that is recorded by NDPERS and that have provided NDPERS with an e-mail address. However, it shall be the responsibility of the Offeror to recheck the RFP posting on the www.nd.gov/ndpers for any possible addenda prior to submitting a proposal. The Offeror must acknowledge all addenda, amendments, or clarifications by either signing and returning such document(s) or indicating receipt on Attachment C-8: Signature Page, of the Technical proposal. Only written addenda, amendments, and clarifications signed and sent by authorized NDPERS personnel shall be binding. All oral and other interpretations or clarifications have no legal effect.

6. Order of Responses

Responses must be made in the same order as provided in the specifications. Unless a variation from the specifications of the RFP is specifically noted in a response, the Offeror is agreeing to meet all requirements, including the required contract provisions, stated in this RFP. No proposed variation is binding on NDPERS unless and until accepted by NDPERS.

7. Submission of Proposals

To be considered for award, ten (10) printed and bound copies plus one unbound copy of the Offeror's proposal must be received by NDPERS on or before 5:00 P.M. (CDT), December 23, 2017. The unbound copy shall bear original signatures and shall be marked as the "Master Copy". Unbound original shall contain no divider sheets or tabs, and shall be printed on one side only of 8-1/2 in. x 11 in. white paper to enable copying if needed. Colors must reproduce in a legible manner on a black-and-white copier. The unbound original and one (1) copy of the proposal on CD (in MS WORD and MS Excel formats as appropriate) shall be provided in a sealed envelope. Copies of the proposal shall be delivered to:

**Bryan Reinhardt NDPERS
400 East Broadway, STE 505
P.O. Box 1657
Bismarck, ND 58505**

- One additional copy of the Offeror's proposal along with a digital of the proposal in

MS WORD and MS Excel formats as appropriate) shall also be sent to:

Jim Schaefer, Director
Buck Consultants, LLC/Xerox
14911 Quorum Drive
Suite 200
Dallas, TX 75254
Phone: 972-628-6888
E-mail: james.schaefer@xerox.com

- The base contract will be for a two year period of July 1, 2017 through June 30, 2019. All rates and fees must be firm, fixed and valid for the duration of the base period. Additionally, NDPERS is seeking two, two year option periods for a potential total contract period of six years.
- Proposals and any other information submitted by organizations in response to this RFP shall become the property of NDPERS and will not be returned.
- NDPERS will not provide compensation to Offerors for any expenses that they incur as part of the proposal process, including but not limited to expenses incurred for preparing proposals, making demonstrations, responding to inquiries, and attending meetings and negotiations. Offerors submit proposals at their own risk and expense.
- The materials submitted must be enclosed in a sealed envelope, box, or container; the outside of the package must show clearly the submittal deadline, organization name, and the return address of the organization.
- Late proposals may be returned to the organization unopened at the organization's expense. Late proposals will not be considered unless the NDPERS Board determines otherwise.
- Telephone proposals and proposals transmitted electronically will not be accepted.
- Any award is contingent upon a contract acceptable to NDPERS being executed.

8. Acceptance of Proposals

NDPERS retains the right to reject all proposals submitted. NDPERS is not required to select the proposal with the lowest fees, but will take into consideration any factor it considers relevant. It is the intent of NDPERS at this time to enter into a contract effective upon execution (with services beginning July 1, 2017) through June 30, 2019. The Board at its discretion may extend the contract for up to two additional two-year periods. The premium and benefit structure of these extensions will be subject to negotiations. NDPERS has the right to discontinue the program if the legislature discontinues the program or for any other reason. The Offeror whose proposal is selected will be chosen with the goal of developing a long-term relationship.

9. Non-Responsive Proposals

NDPERS is not required to accept for consideration any proposal that does not comply with the criteria set forth herein.

10. References

Each Offeror must provide references from other clients as requested in **Attachment C-2: Offeror Information**. NDPERS or its designated representative may ask these clients to provide information regarding the Offeror's overall record of service in providing services for their members. Providing references in its proposal constitutes the Offeror's permission for NDPERS to contact these clients.

11. Certification

An authorized Officer of any Offeror submitting a proposal must certify that the organization complies with the RFP specifications by signing and returning the Signature Pages included in this RFP as **Attachment C-1, Attachment C-8, Attachment D-2 and Attachment D-7**. An authorized Officer must also sign **Attachment C-7: Deviations and Attachment D-4: Explanations**, even if the Offeror is not claiming any deviations.

12. Waiver

By submitting a proposal, the Offeror submitting the proposal agrees to waive any claim it has or may have against NDPERS, NDPERS employees, NDPERS agents, and NDPERS attorneys, arising out of or in connection with (1) the administration, evaluation or recommendation of any proposal; (2) waiver of any requirement under this RFP; (3) acceptance or rejection of any proposal; and (4) award of the contract.

13. Additional Information from Responding Organizations

NDPERS reserves the right to request additional documentation from responding organizations, and such information may vary by Offeror.

14. Modification

No proposal may be changed after the deadline for submissions of proposals unless language within the proposal is clarified at NDPERS' request.

15. Solicitation

The selected Offeror shall not use lists of covered employees and other data for any purpose except to provide services to participants. Neither the selected Offeror nor its employees may disclose such information to any other party unless specifically authorized in writing in advance by NDPERS.

16. News Release

Written approval by NDPERS will be required for any news releases or other communications regarding a contract awarded to an Offeror.

17. Change Required by Statute, Regulation, Court Orders, or Program Appropriations

NDPERS recognizes that there are factors that could cause a change of condition with regard to NDPERS benefits and administration that are beyond the control of NDPERS or the Offeror submitting a proposal. Those factors that may affect the program include, but are not

limited to:

- Federal and state statutes, regulations, court decisions and administrative rulings
- Funding appropriated by the North Dakota Legislature
- Opinions of the Attorney General of the State of North Dakota

NDPERS expects a good faith effort on the part of the Offeror that is selected to comply with additional responsibilities imposed by federal or state law without requiring mid-year fee increases. NDPERS reserves the right to negotiate with the Offeror as needed to comply with any changes required by statute, regulation, court order, administrative order or official interpretation.

18. *Financial Background*

Appendix D illustrates historical premium and claim information history.

CONTRACT REQUIREMENTS

1. Introduction

The Agreement between NDPERS and the Contractor will include the RFP as finally amended and/or clarified, the Contractor's proposal as amended or clarified, if applicable, and any other information the Contractor may be required to provide.

The contract documents are intended as the complete and exclusive statement of the agreement between NDPERS and the Contractor and supersede all prior or contemporaneous agreements, negotiations, course of prior dealings, or oral representations relating to the Agreement subject matter.

The terms and conditions of any agreements, amendments, modifications, or other documents submitted by the Offeror that conflict with or in any way purport to amend or add to any of the terms and conditions of the Agreement are specifically objected to by NDPERS and are of no force or effect.

The Agreement may be amended within the contract period by mutual consent of the parties. No modification or amendment to the Agreement shall become valid unless in writing and signed by both parties. All correspondence regarding modifications or amendments to the Agreement must be forwarded to NDPERS for prior review and approval.

The contracting organization agrees that it shall not publicize this Contract or disclose, confirm or deny any details thereof to third parties or use any photographs or video recordings of NDPERS' or participating entities' employees or use NDPERS' name in connection with any sales promotion or publicity event without the prior express written approval of NDPERS.

2. Failure to Comply

Failure to comply with the procedures required by NDPERS or any other applicable guidelines shall be cause for the immediate imposition of liquidated damages and/or immediate cancellation of the Agreement, at NDPERS's option. Liquidated damages and/or cancellation shall remain in effect until NDPERS has been satisfied that circumstances resulting in liquidated damages and/or cancellation have been corrected.

3. Compliance with ERISA

As a governmental entity, NDPERS is not directly subject to the provisions of ERISA.

4. Taxpayer I.D. Number

The Contractor must obtain a Vendor Identification Number in order to receive payments issued through NDPERS. The Contractor will be required to complete a Payment Identification Form (W-9) and submit it to NDPERS in order to receive payment.

5. Authorized Signatures

An authorized officer of the Offeror must sign the Minimum Requirements (Attachment C-1), the Signature Page (Attachment C-8), the Deviations page (Attachment C-7), the Financial Requirements page (Attachment D-2) and the Explanations (Attachment D-4), which are part of this RFP. Offeror shall include a copy of the documents granting the signing officer authority to bind the Offeror to the agreements and representations made in the Offeror's proposal. These documents shall be labeled as **Response Attachment C-8: Authorization Documentation** and **Response Attachment D-7: Authorization Documentation**.

6. Required Contract Provisions

The selected Offeror will enter into a written agreement between it and NDPERS. The contract shall be in a form satisfactory to NDPERS.

ADMINISTRATIVE SERVICES

3. Eligibility / Participant Premium Billings Services

NDPERS self-administers the plan which includes responsibility for determining eligibility, collecting and maintaining enrollment information, billing and premium collection. Each month, NDPERS pays the carrier the premiums for the current month on approximately the 20th and also provides the carrier with a Group Life Premium Report, Appendix F.

The first \$50,000 of Basic & Employee Supplemental life premiums will be eligible for salary reduction on a pre-tax basis, through IRC Section 125.

4. Reporting

Reporting is received on an ad hoc basis and at renewal.

5. Plan Booklets

An electronic copy is published at www.nd.gov/ndpers.

6. Functional Relationships

It is expected that the Contractor will be interfacing with the following people at NDPERS:

General Account Management Contact:

Ms. Kathy Allen
Benefit Programs Manager
NDPERS

7. Applicable Law

54-52.1-02. Uniform group insurance program created – Formation into subgroups.

In order to promote the economy and efficiency of employment in the state's service, reduce personnel turnover, and offer an incentive to high-grade men and women to enter and remain in the service of state employment, there is hereby created a uniform group insurance program. The uniform group must be composed of eligible and retired employees and be formed to provide hospital benefits coverage, medical benefits coverage, and life insurance benefits coverage in the manner set forth in this chapter.

FORMAT OF PROPOSAL

Offeror shall submit their proposal in accordance with the requirements of Section III.7, Submission of Proposals. Regarding the proposal, Offerors are hereby advised of the following:

- Each proposal shall be prepared simply and economically, providing a straightforward, concise description of the organization's ability to meet the requirements of this RFP. Emphasis should be on completeness, clarity of content, responsiveness to the requirements and an understanding of NDPERS's needs.
- Proposals that are qualified with conditional clauses, alterations, items not called for in the RFP documents, or irregularities of any kind are subject to disqualification by NDPERS, at its option.
- Representations made within the proposal will be binding on the responding organizations. NDPERS will not be bound to act by any previous communication or proposal submitted by the organization other than this RFP and any proposal submitted in response to this RFP.
- Any pages or information which the Offeror wishes to claim as confidential shall be clearly marked within the proposal. Additionally, the Offeror shall provide a brief summary page after the Table of Contents explaining the confidential nature of any marked pages.

The proposal shall include the following sections in the order in which they appear below. Each of the attachments described in this section must be completed in the MS Excel format in which it is provided.

1. Cover Letter

A transmittal letter shall be bound with the Offeror's proposal. The letter should bear the name and address of the Offeror. The purpose of this letter is to transmit the proposal(s) and acknowledge the receipt of any addenda. The transmittal letter should be brief and signed by an individual who is authorized to commit the Offeror to the services and requirements as stated in this RFP.

2. Table of Contents

The proposal shall include a Table of Contents that lists page number references. The Table of Contents should be in sufficient detail to facilitate easy reference to the sections of the proposal and separate attachments (which shall be included in the main Table of Contents). If supplemental materials are included with the proposal, each copy of the proposal must include such supplemental materials. Supplemental information and attachments included by the organization (i.e., not required) should be clearly identified in the Table of Contents and provided as a separate section.

Information which is claimed to be confidential is to be identified on a separate sheet(s)

after the Table of Contents in the Offeror's proposal. Such indication shall include the section(s) and page number(s) and a brief explanation for each claim of confidentiality shall be included as described in General Information #4.

3. Attachment C: Technical Proposal

The Offeror shall complete each of the tabs in Attachment C according to the instructions described below and any additional instructions included at the top of each worksheet.

Cells which have been highlighted in yellow require a response from the Offeror.

Response types throughout the documents include selecting from a pre-set drop down menu, entering a numerical value and/or writing a brief narrative. If the cell includes a drop down menu, the Offeror shall not provide a response that is not provided in the drop down list.

Microsoft Excel will only print the first 1,024 characters in each cell. Therefore, please limit the length of your response to 1,024 characters. Additional space has been provided in Attachments C-5b: Additional Answers to Questionnaire for the Offeror to continue a response from Attachment C-5a (General Questionnaire and Attachment appropriate).

In addition, the unlocked cells will automatically lock if the Offeror pastes an answer into a cell. This will prohibit the user from editing the cell(s) at a later time. The Offeror can use the Undo function to unlock the cell only if changes have not been saved since the paste occurred.

3.1. Attachment C-1: Minimum Requirements

The Offeror shall complete Attachment C-1 as requested. The Offeror shall state how they specifically meet or exceed each requirement.

The Offeror's Legal Name entered in Attachment C-1 will automatically be used to populate the Attachment C-8: Signature Page in addition to other areas of the MS Excel attachments.

3.2. Attachment C-2: Offeror Information

The Offeror shall complete each section of Attachment C-2 as requested. References provided shall include at least one reference for which the proposed account manager currently provides service.

The Offeror's Legal Name entered in Attachment C-2 will automatically be used to populate Attachment C-7: Deviations, in addition to other areas of the MS Excel attachments.

3.3. Attachment C-3: Current and Proposed Plan Design

This is reference document provided to the Offerors. It is not necessary to respond anywhere on Attachment C-3.

3.4. Attachment C-4: Administrative Requirements

The Offeror shall complete the exhibit by selecting either "Agree" or "Disagree" from the drop down list next to each administrative requirement. For each requirement for which the Offeror selects "Disagree", an explanation must be provided in Attachment C-7: Deviations.

3.5. Attachment C-5: General Questionnaire

The Offeror shall answer each question in C-5a: General Questionnaire completely/briefly in the space provided. If additional space is needed, the response can be continued in Attachment C-5b: Additional Answers to Questionnaire. Continued responses should be labeled clearly with both the Section number (C-5a) and the corresponding question number.

If a drop down list is available, the Offeror shall select a response from the list provided.

3.6. Attachment C-6: Subcontractor Questionnaire

The Offeror shall complete a Subcontractor Questionnaire for each subcontractor proposed to perform any of the administrative requirements of this contract.

3.7. Attachment C-7: Deviations

The Offeror shall complete this attachment regardless of whether or not deviations from the administrative requirements or performance guarantees are proposed. The top right of the worksheet includes macros that the Offeror can use to indicate whether or not deviations are included in the table below the signature line.

Prior to printing the final proposal, the Offeror shall ensure that the print area of this document is set appropriately. If no deviations are claimed, then the print area shall end following the title of the individual signing the document. Otherwise, the print area shall end following the last deviation described in the table.

3.8. Attachment C-8: Signature Page

The Offeror shall complete this attachment and provide documentation granting authorization for the signing officer to bind the Offeror to the agreements and representations made in the Offeror's proposal. Label the documentation as **Response Attachment C-8: Authorization Documentation.**

3.9. Response Attachments

The following response attachments shall be included in the following order:

- Response Attachment C-5: Insurance Certificate – Workers' Compensation
- Response Attachment C-5: Insurance Certificate – E&O Insurance
- Response Attachment C-5: Insurance Certificate – Commercial General Liability
- Response Attachment C-5: Annual Reports
- Response Attachment C-5: Financial Statements
- Response Attachment C-5: Financial Ratings
- Response Attachment C-5: Conflict of Interest List
- Response Attachment C-5: List of Exclusions
- Response Attachment C-5: Claim Forms
- Response Attachment C-5: Sample Application and Health Statement Forms
- Response Attachment C-5: Sample Communications Materials
- Response Attachment C-5: Communication Plan

- Response Attachment C-5: Sample Benefit Booklet
- Response Attachment C-5: Standard Reports
- Response Attachment C-5: Implementation Team Organizational Chart
- Response Attachment C-5: Preliminary Implementation Plan
- Response Attachment C-5: Account Management Team Organizational Chart
- Response Attachment C-5: Account Management Support
- Response Attachment C-5: Account Team Biographies
- Response Attachment C-8: Authorization Documentation

4. Attachment D: Financial Proposal

The Offeror shall complete each of the tabs in Attachment D according to the instructions described below and any additional instructions included at the top of each worksheet.

Cells which have been highlighted in yellow require a response from the Offeror.

Response types throughout the documents include selecting from a pre-set drop down menu, entering a numerical value and/or writing a brief narrative. If the cell includes a drop down menu, the Offeror shall not provide a response that is not provided in the drop down list (Please refer to D-1 Instructions in the Financial Proposal).

4.1. Attachment D-2: Financial Requirements

The Offeror shall complete Attachment D-2 as requested. The Offeror shall state how they specifically meet or exceed each requirement.

4.2. Attachment D-3: Financial Questionnaire

The Offeror shall answer each question in D-3a: Financial Questionnaire completely/briefly in the space provided. If additional space is needed, the response can be continued in Attachment D3b: Additional Answers to Questionnaire. Continued responses should be labeled clearly with both the Section number (D-3a) and the corresponding question number.

If a drop down list is available, the Offeror shall select a response from the list provided.

4.3. Attachment D-4: Explanations

The Offeror shall complete this attachment regardless of whether or not explanations from the financial requirements are proposed. The top right of the worksheet includes macros that the Offeror can use to indicate whether or not explanations are included in the table below the signature line.

Prior to printing the final proposal, the Offeror shall ensure that the print area of this document is set appropriately. If no explanations are claimed, then the print area shall end following the title of the individual signing the document. Otherwise, the print area shall end following the last deviation described in the table.

4.4. Attachment D-5 Financial Proposal

Complete the charts on this tab with the applicable benefits information and/or premium rates required that will be offered to NDPERS participants.

4.5. Attachment D-6 Premium Breakdown (Retention Exhibit)

It is the intent of NDPERS that the items listed below be included within the premiums offered in Attachment D-5: Financial Proposal. In the table provided, please enter the applicable percentage of the total premium attributable to the component of the premium listed. For any item for which the Offeror enters 0%, it will be assumed that the service is included in the premium; however, the Offeror is unable to provide a separate percentage attributable to that item. Percentages should add up to a total of 100%.

In addition, percentages shown below will be consistent regardless of the aggregate enrollment or the contract year. Offerors should not use this exhibit to propose additional pricing for any component of the premium listed below.

4.6. Attachment D-7: Signature Page

The Offeror shall complete this attachment and provide documentation granting authorization for the signing officer to bind the Offeror to the agreements and representations made in the Offeror's proposal. Label the documentation as **Response Attachment D-7: Authorization Documentation.**

4.7. Response Attachments

The following response attachments shall be included in the following order:

- Response Attachment D-3: Rating Structure for Ported Policies
- Response Attachment D-7: Authorization Documentation

APPENDICES

Appendix A – Model State Agreement

AGREEMENT FOR SERVICES BETWEEN (Name of Contractor) AND NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

(Name of Contractor) (hereinafter CONTRACTOR) has offered to provide services to the State of North Dakota acting through its Public Employees Retirement System (hereinafter NDPERS). The terms of this Contract shall constitute the services agreement (“Agreement”).

CONTRACTOR and NDPERS agree to the following:

- 1) **SCOPE OF SERVICES:** CONTRACTOR agrees to provide the service(s) as specified in the 2016 RFP and proposal (attached hereto and incorporated by reference Exhibit A).
- 2) **TERM:** The term of this contract shall commence July 1, 2017.
- 3) **FEES:** NDPERS shall only pay pursuant to the terms in Exhibit A.
- 4) **BILLINGS:** NDPERS self- administers the plan which includes responsibility for determining eligibility, collecting and maintaining enrollment information, billing and premium collection. Each month, NDPERS pays the carrier the premiums for the current month on approximately the 20th and also provides the carrier with a Group Life Premium Report, Appendix F
- 5) **TERMINATION:** Either party may terminate this agreement with thirty (30) days written notice mailed to the other party, or as mutually agreed to by the parties. Upon any termination the CONTRACTOR shall be compensated as described in Exhibit A for services performed up to the date of termination.

In addition, PERS by written notice to CONTRACTOR, may terminate the whole or any part of this Agreement 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 Agreement or are no longer eligible for the funding proposed for payments authorized by this Agreement.
- 3) If any license, permit, or certificate required by law or rule, or by the terms of this Agreement, is for any reason denied, revoked, suspended, or not renewed.

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

In addition, NDPERS may terminate this Agreement effective upon thirty (30) days prior written notice to CONTRACTOR, or any later date stated in the notice:

1) If CONTRACTOR fails to provide services required by this Agreement within the time specified or any extension agreed to by NDPERS; **or**

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

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

6) **ASSIGNMENT AND SUBCONTRACTS:** CONTRACTOR may not assign or otherwise transfer or delegate any right or duty without STATE'S express written consent. However, the State expressly consents to CONTRACTOR entering into (i) subcontracts with its affiliates located in the United States, and (ii) third-party subcontracts provided that any such third-party 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 to the same extent as if such performance were done by CONTRACTOR. CONTRACTOR does not have authority to contract for or incur obligations on behalf of NDPERS.

7) **ACCESS TO RECORDS AND CONFIDENTIALITY:** The parties agree that all participation by NDPERS members and their dependents in programs administered by NDPERS is confidential under North Dakota law. CONTRACTOR may request and NDPERS shall provide directly to CONTRACTOR upon such request, confidential information necessary for CONTRACTOR to provide the services described in Exhibit A. CONTRACTOR shall keep confidential all NDPERS 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 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 NDPERS, or created or received by CONTRACTOR on behalf of NDPERS. 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 NDPERS notification of the conditions that make return or destruction infeasible. Upon explicit written agreement of PERS that return or destruction of confidential information is not feasible, CONTRACTOR shall extend the protections of this Agreement to that confidential information and limit further uses and disclosures of any such confidential information to those purposes that make the return or destruction infeasible, for so long as CONTRACTOR maintains the confidential information.

CONTRACTOR shall not use or disclose any information it receives from NDPERS under this Agreement that NDPERS has previously identified as confidential or exempt from mandatory public disclosure except as necessary to carry out the purposes of this Agreement or as authorized in advance by NDPERS. NDPERS shall not disclose any information it receives from CONTRACTOR that CONTRACTOR has previously identified as confidential and that NDPERS determines in its sole discretion is protected from mandatory public disclosure under a specific exception to the North Dakota public records law, N.D.C.C. ch. 44-04. The duty of NDPERS and CONTRACTOR to maintain confidentiality of information under this section continues beyond the term of this Agreement.

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

- 8) **APPLICABLE LAW AND VENUE:** This agreement shall be governed by and construed in accordance with the laws of the State of North Dakota. Any action to enforce this contract must be adjudicated exclusively in the State District Court of Burleigh County, North Dakota.
- 9) **MERGER AND MODIFICATION:** This Agreement shall constitute the entire agreement between the parties. In the event of any inconsistency or conflict among the documents making up this agreement, the documents must control in this order of precedence: First – the terms of this Agreement, as may be amended and Second - the state's Request for Proposal (attached in Exhibit A) and Third – CONTRACTOR's Proposal (attached in Exhibit A). No waiver, consent, modification or change of terms of this Agreement shall bind either party unless in writing and signed by both parties. Such waiver, consent, modification or change, if made, shall be effective only in the specific instances and for the specific purpose given. There are no understandings, agreements, or representations, oral or written, not specified herein regarding this Agreement.

10) **INDEMNITY:** CONTRACTOR agrees to defend, indemnify, and hold harmless the state of North Dakota, its agencies, officers and employees (State), from and against claims based on the vicarious liability of the State or its agents, but not against claims based on the State's contributory negligence, comparative and/or contributory negligence or fault, sole negligence, or intentional misconduct. This obligation to defend, indemnify, and hold harmless does not extend to professional liability claims arising from professional errors and omissions. The legal defense provided by CONTRACTOR to the State under this provision must be free of any conflicts of interest, even if retention of separate legal counsel for the State is necessary. Any attorney appointed to represent the State must first qualify as and be appointed by the North Dakota Attorney General as a Special Assistant Attorney General as required under N.D.C.C. § 54-12-08. CONTRACTOR also agrees to defend, indemnify, and hold the State harmless for all costs, expenses and attorneys' fees incurred if the State prevails in an action against CONTRACTOR in establishing and litigating the indemnification coverage provided herein. This obligation shall continue after the termination of this Agreement.

11) **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, the following insurance coverages:

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

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

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

excess policy follows form for coverage. Less than an "A-" rating must be approved by the State.

- 3) The duty to defend, indemnify, and hold harmless the State under this Agreement shall not be limited by the insurance required in this Agreement.
 - 4) The state of North Dakota and its agencies, officers, and employees (State) shall be endorsed on the commercial general liability policy, including any excess policies (to the extent applicable), as additional insured. The State shall have all the benefits, rights, and coverages of an additional insured under these policies that shall not be limited to the minimum limits of insurance required by this Agreement or by the contractual indemnity obligations of CONTRACTOR.
 - 5) The insurance required in this Agreement, through a policy or endorsement, shall include:
 - a) "Waiver of Subrogation" waiving any right to recovery the insurance company may have against the State;
 - b) a provision that CONTRACTOR's insurance coverage shall be primary (i.e. pay first) as respects any insurance, self-insurance or self-retention maintained by the State and that any insurance, self-insurance or self-retention maintained by the State shall be in excess of the CONTRACTOR's insurance and shall not contribute with it;
 - c) cross liability/severability of interest for all policies and endorsements;
 - d) The legal defense provided to the State under the policy and any endorsements must be free of any conflicts of interest, even if retention of separate legal counsel for the State is necessary;
 - e) The insolvency or bankruptcy of the insured CONTRACTOR shall not release the insurer from payment under the policy, even when such insolvency or bankruptcy prevents the insured CONTRACTOR from meeting the retention limit under the policy.
 - 5) CONTRACTOR shall furnish a certificate of insurance to the undersigned State representative prior to commencement of this Agreement.
 - 6) Failure to provide insurance as required in this Agreement is a material breach of contract entitling State to terminate this Agreement immediately.
 - 7) CONTRACTOR shall provide at least 30 day notice of any cancellation or material change to the policies or endorsements.
- 12) **SEVERABILITY:** If any term in this Agreement is declared by a court having jurisdiction to be illegal or unenforceable, the validity of the remaining terms must not be affected, and, if possible, the rights and obligations of the parties are to be construed and enforced as if the Agreement did not contain that term.

- 13) **INDEPENDENT ENTITY:** CONTRACTOR is an independent entity under this Agreement 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 Agreement, except to the extent specified in this Agreement.
- 14) **NDPERS RESPONSIBILITIES:** NDPERS shall cooperate with the CONTRACTOR hereunder, including, without limitation, providing the CONTRACTOR with reasonable and timely access to data, information and personnel of NDPERS. NDPERS shall be responsible for the performance of its personnel and agents and for the accuracy and completeness of data and information provided to the CONTRACTOR for purposes of the performance of the Services.
- 19) **FORCE MAJEURE:** Neither party shall be held responsible for delay or default caused by fire, riot, terrorism, acts of God or war if the event is beyond the party's reasonable control and the affected party gives notice to the other party immediately upon occurrence of the event causing the delay or default or that is reasonably expected to cause a delay or default.
- 15) **ALTERNATIVE DISPUTE RESOLUTION – JURY TRIAL:** NDPERS does not agree to any form of binding arbitration, mediation, or other forms of mandatory alternative dispute resolution. The parties have the right to enforce their rights and remedies in judicial proceedings. NDPERS does not waive any right to a jury trial.
- 16) **NOTICE:** All notices or other communications required under this contract must be given by registered or certified mail and are complete on the date mailed when addressed to the parties at the following addresses:

NDPERS:

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

CONTRACTOR:

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

17) **NONDISCRIMINATION AND COMPLIANCE WITH LAWS:** CONTRACTOR agrees to comply with all laws, rules, and policies, including those relating to nondiscrimination, accessibility and civil rights, as are applicable to CONTRACTOR. CONTRACTOR agrees to timely file all legally required reports, make required payroll deductions, and timely pay all taxes and premiums owed, including 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.

18) **STATE AUDIT:** All records, regardless of physical form, and the accounting practices and procedures of CONTRACTOR relevant to this Agreement are subject to examination by the North Dakota State Auditor, the Auditor's designee, or Federal auditors. CONTRACTOR shall maintain all of these records for at least three (3) years following completion of this Agreement and be able to provide them at any reasonable time. State, State Auditor, or Auditor's designee shall provide reasonable notice.

19) **TAXPAYER ID:** CONTRACTOR'S federal employer ID number is:_____.

20) **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 NDPERS.

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

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

**NORTH DAKOTA PUBLIC
EMPLOYEES RETIREMENT SYSTEM**

CONTRACTOR

Sparb Collins, Executive Director
ND Public Employees Retirement System

Signature

Printed Name

Title

Date

Date

Appendix B – Non-Disclosure Agreement

This Non- Disclosure Agreement (the “Agreement”) is made this ____ day of _____2016, by and between _____(hereinafter referred to as "the OFFEROR ") and the North Dakota Public Employees Retirement System (hereinafter referred to as "NDPERS").

OFFEROR warrants and represents that it intends to submit a Proposal in response to the NDPERS RFP, the Request for Proposals for Group Life and AD&D Benefits Plan. In order for the OFFEROR to submit a Proposal, it will be necessary for NDPERS to provide the OFFEROR with access to certain information that constitutes confidential information under North Dakota law, including, but not limited to, demographic and identifying information on NDPERS active and retiree population and plan utilization data. All such information provided by NDPERS shall be considered Confidential Information regardless of the form, format, or media upon which or in which such information is contained or provided, regardless of whether it is oral, written, electronic, or any other form, and regardless of whether the information is marked as “Confidential Information.” As a condition for its receipt and access to the Confidential Information described in Section III of the RFP, OFFEROR agrees as follows:

1. OFFEROR will not copy, disclose, publish, release, transfer, disseminate or use for any purpose in any form any Confidential Information received under Section III, except in connection with the preparation of its Proposal.
2. The OFFEROR shall agree that all confidential, proprietary or trade secret information of the Incumbent shall be used only for the express purpose of formulating a proposal for NDPERS.
3. Each employee or agent of the OFFEROR who receives or has access to the Confidential Information shall execute a copy of this Agreement and the OFFEROR shall provide originals of such executed Agreements to NDPERS. Each employee or agent of the OFFEROR who signs this Agreement shall be subject to the same terms, conditions, requirements and liabilities set forth herein that are applicable to the OFFEROR and the OFFEROR shall be liable for any violations by any employees or agents who are provided or given access to Confidential Information.
4. OFFEROR shall destroy and confirm such destruction with notice to NDPERS, the Confidential Information, including any copies, remaining in its possession within five business days of NDPERS’s notice of a recommended award in connection with this procurement. If the OFFEROR does not submit a Proposal, the OFFEROR shall return the Confidential Information, including any copies, to the NDPERS Purchasing and Contracts Manager identified in the RFP, Section III, on or before the due date for Proposals.
5. OFFEROR acknowledges that the disclosure of the Confidential Information may cause irreparable harm to NDPERS and agrees that NDPERS may obtain an injunction to prevent the disclosure, copying, or other impermissible use of the Confidential Information. NDPERS’s rights and remedies hereunder are cumulative and NDPERS expressly reserves any and all rights, remedies, claims and actions that it may have now or in the future to protect the Confidential Information and/or to seek damages for the OFFEROR’S failure to comply with the requirements of this Agreement.

In the event NDPERS suffers any losses, damages, liabilities, expenses, or costs (including, by way of example only, attorneys’ fees and disbursements) that are attributable, in whole or in part to any failure by the OFFEROR or any employee or agent of the OFFEROR to comply with the requirements of this Agreement, OFFEROR and such employees and agents of OFFEROR shall hold harmless and indemnify NDPERS and the State of North Dakota from and against any such losses, damages, liabilities, expenses, and/or costs.

6. This Agreement shall be governed by the laws of the State of North Dakota. The

OFFEROR consents to personal jurisdiction in North Dakota state courts, and exclusive venue shall be in Burleigh County, North Dakota.

7. The individual signing below warrants and represents that they are fully authorized to bind the OFFEROR to the terms and conditions specified in this Agreement. If signed below by an individual employee or agent of the OFFEROR under Section 3 of this Agreement, such individual acknowledges that a failure to comply with the requirements specified in this Agreement may also result in personal liability.

Offeror: _____

By:

Signature: _____

Print Name: _____

Title: _____

Address: _____

**OFFEROR'S EMPLOYEES AND AGENTS WHO WILL BE GIVEN ACCESS TO THE
CONFIDENTIAL INFORMATION**

Printed Name and Address of Individual Agent	Employee (E) or Agent (A)	Signature	Date

Please provide the name and delivery address for the individual who is to receive Attachment E: Confidential Documents.

Offeror: _____

Name: _____

Title: _____

Address: _____

Phone Number: _____

Email: _____

Appendix C – Current Life and AD&D Summary Booklet

Note to NDPERS: Voya is preparing a new contract based on the latest version of their policy. They are aware that NDPERS will need a new Summary Plan Booklet for inclusion with this RFP.

Appendix D – Rate/Experience History (Will be updated with current data before release)

Premium & Claim Report:		1/1/2008 thru 12/31/2008						
Coverage	Average Lives	Average Volume	Reported Claims	Claim Interest	Conversion Charges	Change in Waiver Reserves	Due Premium	
Basic Active	18,097	\$23,526,425	\$39,000	\$101	\$14,814	\$259	\$56,227	
Basic Retired	2,983	\$3,878,442	\$161,200	\$620	\$0	\$0	\$153,277	
Active AD&D	18,097	\$23,526,425	\$2,600	\$9	\$0	\$0	\$4,520	
Retired AD&D	2,983	\$3,878,442	\$0	\$0	\$0	\$0	\$1,069	
Optional	10,583	\$861,338,225	\$2,131,200	\$5,808	\$0	\$29,173	\$2,025,057	
Optional AD&D	10,583	\$861,338,225	\$29,400	\$99	\$0	\$0	\$186,259	
Dependent	10,498	\$185,680,833	\$312,000	\$1,309	\$51,436		\$468,296	
Total			\$2,675,400	\$7,946	\$66,250	\$29,432	\$2,894,704	
Premium & Claim Report:		1/1/2009 thru 12/31/2009						
Coverage	Average Lives	Average Volume	Reported Claims	Claim Interest	Conversion Charges	Change in Waiver Reserves	Due Premium	
Basic Active	18,263	\$23,742,442	\$24,700	\$44	\$2,210	-\$550	\$56,799	
Basic Retired	3,002	\$3,902,925	\$161,200	\$215	\$0	\$0	\$153,921	
Active AD&D	18,255	\$23,742,442	\$1,300	\$7	\$0	\$0	\$4,565	
Retired AD&D	3,002	\$3,902,925	\$0	\$0	\$0	\$0	\$1,074	
Optional	10,716	\$911,223,058	\$1,289,200	\$2,135	\$48,290	\$4,280	\$2,038,868	
Optional AD&D	10,716	\$911,223,058	\$0	\$0	\$0	\$0	\$218,693	
Dependent	10,838	\$198,659,583	\$860,000	\$920	\$0	\$0	\$483,840	
Total			\$2,336,400	\$3,322	\$50,500	\$3,730	\$2,957,761	
Premium & Claim Report:		1/1/2010 thru 11/30/2010						
Coverage	Average Lives	Average Volume	Reported Claims	Claim Interest	Conversion Charges	Change in Waiver Reserves	Due Premium	
Basic Active	18,458	\$23,994,809	\$28,600	\$29	\$1,957	-\$36	\$52,531	
Basic Retired	3,005	\$3,906,973	\$166,075	\$119	\$0	\$0	\$141,582	
Active AD&D	18,458	\$23,994,809	\$0	\$0	\$0	\$0	\$4,223	
Retired AD&D	3,005	\$3,906,973	\$0	\$0	\$0	\$0	\$983	
Optional	10,807	\$952,584,400	\$1,856,200	\$1,338	\$110,254	-\$36,302	\$2,026,840	
Optional AD&D	10,807	\$952,584,400	\$0	\$0	\$0	\$0	\$209,310	
Dependent	11,074	\$209,741,818	\$531,000	\$272	\$15,000	\$0	\$480,442	
Total			\$2,581,875	\$1,757	\$127,210	-\$36,338	\$2,915,911	

Data is unaudited and subject to change.

Dependent volume is spouse only. Dependent lives include spouse and children.

Appendix E – Confidential Documents

Note to Offerors:

Please see page 17 of this Wrap document for information on how to receive the confidential data file(s).

Appendix F – Group Life Premium Report (Sample)



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

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

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

Memorandum

TO: PERS Board

FROM: Sparb

DATE: October 11, 2016

SUBJECT: Legislative Bill Reviews

Attached for your information and reference is the final bill review for LC 118 which is our technical bill.

The Legislative Employee Benefits is meeting on October 26th. I have attached a copy of their agenda. At that time they will give this bill final consideration.

October 5, 2016

Senator Krebsbach, Chair
Legislative Employee Benefits Programs Committee
North Dakota State Government

Re: Legislative Studies

Dear Senator Krebsbach:

As requested, we have analyzed the impact of Bill No. 17.0118.02000 on the North Dakota Public Employees Retirement System (NDPERS).

Systems Affected:

North Dakota Public Employees Retirement System (PERS) and Defined Contribution Plan

Summary:

Bill No. 17.0118.02000 includes the following changes:

- PERS
 - Changes the definition of Retirement and Retirement Board
 - Decreases the employee contribution rate on behalf of peace officers employed by the Bureau of Criminal Investigation by 0.50% of salary from 6.00% of salary to 5.50% of salary, effective with the monthly reporting period of January 2018
 - Clarifies that disability benefits are only payable from the fund to which the member was actively contributing at the time the member became disabled
 - References normal retirement date as defined in Subsection 3, instead of defining normal retirement date for the purpose of calculating the actuarial reduction for early retirement benefits payable before normal retirement date
- Defined Contribution Plan
 - Adds the same language to the Defined Contribution Plan as the Main System Defined Benefit Plan relating to the treatment of late payments of employer contributions, thereby making the administrative remedies the same
 - Allows the board to pay administrative expenses of the defined contribution plan from fines and fees collected from vendors

Actuarial Impact of Bill 118 on the Law Enforcement with Prior Main Service System

We believe that the only change that has an actuarial impact is the reduction in the employee contribution rate on behalf of peace officers employed by the Bureau of Criminal Investigation (in the Law Enforcement with Prior Main System Service System) by 0.50% of salary (from 6.00% of salary to 5.50% of salary, effective with the monthly reporting period of January 2018.)

Following is a summary of the projected funded ratio on an actuarial value of assets basis and a market value of assets basis under the current provisions and the proposed provisions of Bill 118:

Year	Law Enforcement with Prior Main System Service					
	Funded Ratio (AVA)			Funded Ratio (MVA)		
	Current Provisions	Bill 118 Proposed Provisions	Change	Current Provisions	Bill 118 Proposed Provisions	Change
2015	72.8%	72.8%	0.0%	82.5%	82.5%	0.0%
2016	74.6%	74.6%	0.0%	84.5%	84.5%	0.0%
2017	77.6%	77.6%	0.0%	86.7%	86.7%	0.0%
2018	80.0%	80.0%	0.0%	88.9%	88.9%	0.0%
2019	81.4%	81.4%	0.0%	91.1%	91.0%	0.0%
2020	83.3%	83.2%	-0.1%	93.2%	93.1%	-0.1%
2025	92.1%	91.9%	-0.2%	103.1%	102.9%	-0.2%
2030	100.0%	99.7%	-0.3%	112.1%	111.8%	-0.3%
2035	107.4%	107.0%	-0.4%	120.4%	120.0%	-0.4%
2040	114.8%	114.4%	-0.5%	129.0%	128.5%	-0.5%
2045	123.5%	122.9%	-0.6%	138.9%	138.2%	-0.7%

The reduction in employee contribution rate is projected to very slightly decrease the future funded ratio. After 30 years (by the year 2045):

1. The Law Enforcement with Prior Main System Service System funded ratio is projected to be 0.6 percentage points lower (122.9 percent compared to 123.5 percent) on an actuarial value of assets basis
2. The Law Enforcement with Prior Main System Service System funded ratio is projected to be 0.7 percentage points lower (138.2 percent compared to 138.9 percent) on a market value of assets basis

We have assumed that there will be no additional future changes in the employee contribution rates.

The following exhibits provide additional information on the actuarial impact on NDPERS of the proposed changes in Bill 118:

- Exhibit I: Summary of Actuarial Valuation Results as of July 1, 2015
- Graph I: Comparison of Projected Valuation Results for the Law Enforcement With Prior Main System Service System under the Current and Proposed Provisions
- Exhibit II(a): Projected Valuation Results for the Law Enforcement With Prior Main System Service System under the Current Provisions

- Exhibit II(b): Projected Valuation Results for the Law Enforcement With Prior Main System Service System under the Proposed Provisions

Actuarial Impact of Bill 118 on the Defined Contribution Plan

There is no actuarial impact to the Defined Contribution Plan as a result of (1) the change to the treatment of late payments of employer contributions or (2) the payment of expenses from vendor fines and fees.

Policy Issue Analysis

Benefits Policy Issues

- Adequacy of Retirement Benefits

The decrease in employee contributions would have no impact on retirement benefits for existing members in the Law Enforcement With Prior Main System Service System.

The changes included in Bill 118 do not appear to impact the adequacy of benefits payable from the Defined Contribution Plan. Employees would likely benefit from having Defined Contribution Plan administrative expenses paid from vendor fines and fees.

- Competitiveness

The decrease in employee contributions to the Law Enforcement With Prior Main System Service System will have no impact on retirement benefits for existing members. It will, however, increase the employees' take-home pay. As such, this bill may increase the total compensation package offered by participating employers in the Law Enforcement With Prior Main System Service System.

- Benefits Equity and Group Integrity

The bill may increase the total compensation package offered by participating employers in the Law Enforcement With Prior Main System Service System.

- Purchasing Power Retention

No impact.

- Preservation of Benefits

Because the employer contribution to the Law Enforcement With Prior Main System Service System is equal to the "...amount determined by the board to be actuarially required to support the level of benefits" any reduction in the member contribution rate may, if necessary, be made up by the employer. As a result, members' promised benefits from the

Law Enforcement With Prior Main System Service System will not be impacted by the reduction in the member contribution rate.

- Portability

No impact.

- Ancillary Benefits

No impact.

- Social Security:

No impact

Funding Policy Issues

- Actuarial Impacts

As previously noted, the reduction in the member contribution rate to the Law Enforcement With Prior Main System Service System is projected to very slightly decrease the future funded ratio. (The Plan is still projected to reach 100% funded.)

- Investment Impacts

- Cash Flow: The 0.50% reduction in the member contribution rate will not have a material impact on cash flow to the Law Enforcement With Prior Main System Service System.
- Asset Allocation: No impact

Administration Issues

- Implementation Issues

This bill would have an impact on the employees, since their required contributions would decrease.

- Administrative Costs

There may be administrative costs associated with the decrease in member contributions, as well as with the “non actuarial” changes included in Bill 118. This will depend on the employer administrative practices.

- 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 decreased member contributions on employee pay, as well as any “non-actuarial” changes that may impact the members.

- Miscellaneous and Drafting Issues

There may be some drafting changes depending on administrative practices.

Projection Assumptions

Following is a summary of the assumptions made for new hires used in the projections. The average new hire information is based on the average of members with at least one year and less than five years of service. The average assumed new hire salary is based on projecting the valuation salary from the 2015 valuation back to hire age using the assumed salary increase assumption and then projecting back to the 2015 valuation using the assumed wage inflation assumption of 4.5 percent per year. The projections assume that the number of active members remains the same in each future year as the number as of the most recent valuation of July 1, 2015.

Average Age	37.1	31.6
Average Benefit Service	5.5	0.0
Average Salary	\$58,048	\$45,098
Normal Cost Rate (Benefits)	10.46%	10.44%

Disclosures and Additional Information

The actuarial assumptions used in this analysis were the same assumptions used in the actuarial valuation as of July 1, 2015, including an assumed rate of investment return of 8.00 percent on the market value of assets in each future year. A summary of the actuarial assumptions can be found in Appendix I of this letter.

A summary of the current benefit provisions can be found in Appendix II of this letter.

Senator Krebsbach, Chair
Legislative Employee Benefits Programs Committee
October 5, 2016
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Future actuarial measurements may differ significantly from the current measurements presented in this cost analysis, due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions, contribution amounts or applicable law.

If any of the provisions, underlying data or assumptions used in this analysis appear to be incorrect or unreasonable, please let us know as soon as possible so we can update the analysis.

The signing actuaries are independent of the plan sponsor.

Lance J. Weiss and Amy Williams are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Please let us know if you have any questions or would like to discuss the results of this analysis further.

Sincerely,



Lance J. Weiss, EA, MAAA, FCA
Senior Consultant and Team Leader



Amy Williams, ASA, MAAA, FCA
Consultant

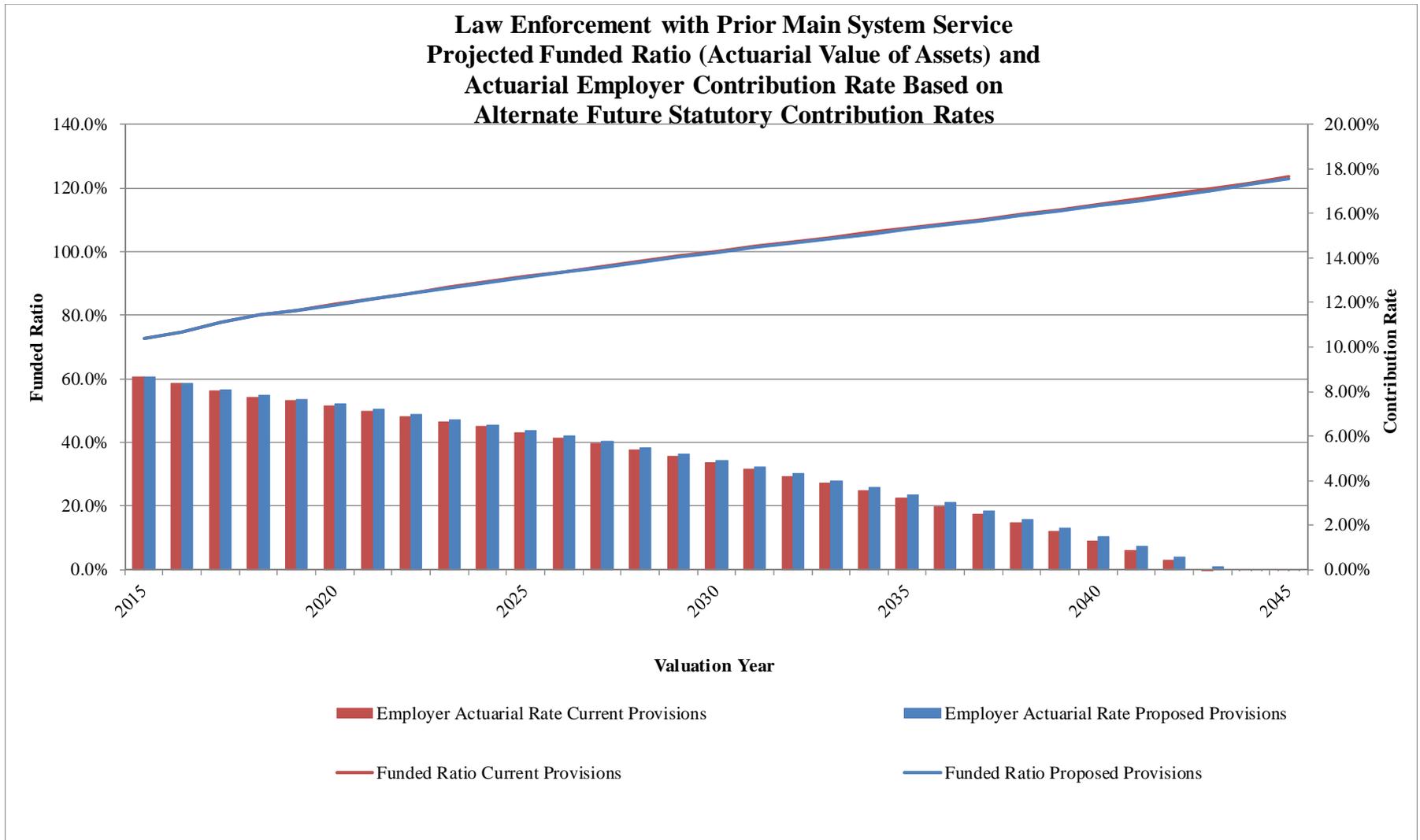
AW:rl

cc: Mr. Sparb Collins, NDPERS
Ms. Sharon Schiermeister, NDPERS
Mr. Bryan Reinhardt, NDPERS
Mr. Alex Rivera, Gabriel, Roeder, Smith & Company
Ms. Kristen Brundirks, Gabriel, Roeder, Smith & Company
Mr. Neil Nguyen, Gabriel, Roeder, Smith & Company

				Actuarial Value of Assets Basis				Market Value of Assets Basis			
	Total Normal Cost*	Employee Rate	Net Employer Normal Cost	Unfunded Liability Rate	Total Employer Actuarial Rate	Employer Approved Rate	Approved Rate Deficiency	Unfunded Liability Rate	Total Employer Actuarial Rate	Employer Approved Rate	Approved Rate Deficiency
2015 Valuation Results	12.02%	5.59%	6.43%	3.35%	9.78%	9.81%	-0.03%	2.10%	8.53%	9.81%	-1.28%
GRS 2015 Replication Results											
BCI Employees	10.79%	6.00%	4.79%	3.58%	8.37%	9.81%	-1.44%	2.31%	7.10%	9.81%	-2.71%
Non BCI Employees	10.60%	5.50%	5.10%	3.58%	8.68%	9.81%	-1.13%	2.31%	7.41%	9.81%	-2.40%
Total	10.63%	5.54%	5.09%	3.58%	8.67%	9.81%	-1.14%	2.31%	7.40%	9.81%	-2.41%
Illustrative 2015 Results with Change in Contribution Rates											
BCI Employees	10.78%	5.50%	5.28%	3.58%	8.86%	9.31%	-0.45%	2.31%	7.59%	9.31%	-1.72%
Non BCI Employees	10.60%	5.50%	5.10%	3.58%	8.68%	9.81%	-1.13%	2.31%	7.41%	9.81%	-2.40%
Total	10.62%	5.50%	5.12%	3.58%	8.70%	9.81%	-1.11%	2.31%	7.43%	9.81%	-2.38%

*Includes assumed administrative expenses.

Unfunded liability rate is based on 20-year open level percentage of payroll amortization of the unfunded liability.



North Dakota Public Employees Retirement System - Law Enforcement with Prior Main System Service
 Projection Results Based on the Actuarial Valuation as of July 1, 2015

Current Plan Provisions
 (\$ in thousands)

Year	Results Based on Actuarial Value of Assets										Results Based on Market Value of Assets								
	Present Value Future Benefits	Actuarial Accrued Liability	Assets	Unfunded			Projected Payroll	Employer Actuarial Rate (%)			Statutory Contribution Amount (\$)			Benefit Payments and Expenses	Employer			Member Counts	
				Accrued Liability	Funded Ratio	Funded Ratio		Normal Cost	Amortization of UAL	Total	Employer (9.81%)	Employee (5.50%)	Total		Assets	Funded Ratio	Rate	Active	Ben Recip.
2015	\$ 51,268	\$ 34,797	\$ 25,335	\$ 9,462	72.8%	\$ 18,459	5.09%	3.58%	8.67%	\$ 3,328	\$ 997	\$ 4,325	\$ 1,411	\$ 28,692	82.5%	7.40%	318	73	
2016	54,862	37,088	27,656	9,432	74.6%	19,426	4.99%	3.39%	8.38%	1,811	1,022	2,833	2,512	31,321	84.5%	7.06%	318	87	
2017	59,266	40,195	31,190	9,005	77.6%	20,438	4.96%	3.07%	8.03%	1,906	1,083	2,988	1,998	34,856	86.7%	6.78%	318	100	
2018	63,838	43,511	34,792	8,719	80.0%	21,681	4.95%	2.81%	7.76%	2,005	1,139	3,144	2,140	38,688	88.9%	6.50%	318	112	
2019	68,649	47,087	38,349	8,738	81.4%	22,969	4.94%	2.65%	7.59%	2,127	1,208	3,335	2,277	42,882	91.1%	6.22%	318	123	
2020	73,724	50,947	42,448	8,499	83.3%	24,336	4.91%	2.44%	7.35%	2,253	1,279	3,533	2,416	47,473	93.2%	5.91%	318	134	
2021	79,128	55,133	46,950	8,183	85.2%	25,747	4.90%	2.22%	7.12%	2,387	1,355	3,743	2,544	52,516	95.3%	5.61%	318	144	
2022	84,897	59,636	51,856	7,780	87.0%	27,162	4.88%	2.00%	6.88%	2,526	1,434	3,960	2,711	58,016	97.3%	5.30%	318	156	
2023	91,027	64,430	57,150	7,280	88.7%	28,623	4.87%	1.78%	6.65%	2,665	1,512	4,177	2,927	63,956	99.3%	4.99%	318	170	
2024	97,482	69,547	62,875	6,672	90.4%	30,176	4.87%	1.54%	6.41%	2,808	1,593	4,401	3,140	70,384	101.2%	4.68%	318	181	
2025	104,329	75,018	69,075	5,943	92.1%	31,778	4.86%	1.31%	6.17%	2,960	1,680	4,640	3,360	77,345	103.1%	4.35%	318	194	
2026	111,575	80,880	75,800	5,080	93.7%	33,450	4.85%	1.06%	5.91%	3,117	1,768	4,886	3,575	84,895	105.0%	4.01%	318	207	
2027	119,265	87,173	83,104	4,069	95.3%	35,202	4.84%	0.81%	5.65%	3,281	1,861	5,143	3,790	93,092	106.8%	3.67%	318	219	
2028	127,453	93,937	91,044	2,894	96.9%	37,046	4.83%	0.55%	5.38%	3,453	1,958	5,412	4,005	102,001	108.6%	3.31%	318	232	
2029	136,140	101,202	99,664	1,538	98.5%	38,980	4.82%	0.28%	5.10%	3,634	2,061	5,695	4,239	111,675	110.3%	2.95%	318	245	
2030	145,394	109,035	109,050	(15)	100.0%	41,011	4.80%	0.00%	4.80%	3,824	2,168	5,992	4,457	122,205	112.1%	2.56%	318	257	
2031	155,269	117,455	119,242	(1,786)	101.5%	43,101	4.79%	-0.29%	4.50%	4,023	2,281	6,304	4,708	133,640	113.8%	2.17%	318	272	
2032	165,786	126,465	130,264	(3,798)	103.0%	45,254	4.78%	-0.59%	4.19%	4,228	2,397	6,626	5,008	146,013	115.5%	1.77%	318	287	
2033	176,967	136,079	142,155	(6,077)	104.5%	47,479	4.76%	-0.89%	3.87%	4,439	2,517	6,956	5,346	159,367	117.1%	1.34%	318	304	
2034	188,829	146,289	154,939	(8,650)	105.9%	49,780	4.75%	-1.21%	3.54%	4,658	2,641	7,299	5,744	173,731	118.8%	0.90%	318	318	
2035	201,344	157,074	168,623	(11,550)	107.4%	52,160	4.75%	-1.55%	3.20%	4,883	2,769	7,652	6,221	189,118	120.4%	0.46%	318	340	
2036	214,513	168,358	183,171	(14,813)	108.8%	54,563	4.74%	-1.89%	2.85%	5,117	2,901	8,018	6,822	205,490	122.1%	-0.01%	318	366	
2037	228,285	180,086	198,565	(18,479)	110.3%	57,033	4.74%	-2.26%	2.48%	5,353	3,035	8,387	7,519	222,831	123.7%	-0.49%	318	393	
2038	242,628	192,285	214,875	(22,590)	111.7%	59,629	4.75%	-2.64%	2.11%	5,595	3,172	8,767	8,234	241,211	125.4%	-0.98%	318	420	
2039	257,546	204,889	232,085	(27,196)	113.3%	62,262	4.75%	-3.05%	1.70%	5,850	3,316	9,166	9,064	260,614	127.2%	-1.50%	318	447	
2040	273,003	217,909	250,251	(32,342)	114.8%	65,024	4.76%	-3.47%	1.29%	6,108	3,463	9,571	9,920	281,100	129.0%	-2.02%	318	474	
2041	289,009	231,347	269,429	(38,082)	116.5%	67,889	4.77%	-3.91%	0.86%	6,379	3,617	9,996	10,822	302,730	130.9%	-2.57%	318	502	
2042	305,587	245,214	289,686	(44,472)	118.1%	70,881	4.77%	-4.38%	0.39%	6,660	3,776	10,436	11,758	325,574	132.8%	-3.14%	318	529	
2043	322,783	259,578	311,148	(51,570)	119.9%	74,037	4.78%	-4.86%	-0.08%	6,953	3,943	10,896	12,675	349,771	134.7%	-3.72%	318	550	
2044	340,619	274,469	333,912	(59,443)	121.7%	77,353	4.78%	-5.36%	-0.58%	7,263	4,118	11,381	13,618	375,429	136.8%	-4.33%	318	575	
2045	359,115	289,873	358,033	(68,160)	123.5%	80,805	4.79%	-5.89%	-1.10%	7,588	4,303	11,891	14,632	402,615	138.9%	-4.95%	318	597	

Employee rate is 6.00% and employer rate is 9.81% for BCI employees.

North Dakota Public Employees Retirement System - Law Enforcement with Prior Main System Service
 Projection Results Based on the Actuarial Valuation as of July 1, 2015
 Proposed Plan Provisions - 0.50 percent of pay decrease to the employee contribution rate for the Bureau of Criminal Investigation (BCI) members
 (\$ in thousands)

Year	Results Based on Actuarial Value of Assets										Results Based on Market Value of Assets							
	Present Value Future Benefits	Actuarial Accrued Liability	Assets	Unfunded Accrued Liability	Funded Ratio	Projected Payroll	Employer Actuarial Rate (%)			Statutory Contribution Amount (\$)			Benefit Payments and Expenses	Assets	Funded Ratio	Employer Actuarial Rate	Member Counts	
						Normal Cost	Amortization of UAL	Total	Employer (9.81%)	Employee (5.50%)	Total						Active	Ben Recip.
2015	\$ 51,268	\$ 34,795	\$ 25,335	\$ 9,460	72.8%	\$ 18,459	5.09%	3.58%	8.67%	\$ 3,328	\$ 997	\$ 4,325	\$ 1,411	\$ 28,692	82.5%	7.40%	318	73
2016	54,862	37,085	27,656	9,430	74.6%	19,426	4.99%	3.39%	8.38%	1,811	1,022	2,833	2,512	31,321	84.5%	7.06%	318	87
2017	59,266	40,192	31,190	9,002	77.6%	20,438	5.00%	3.07%	8.07%	1,906	1,083	2,988	1,998	34,856	86.7%	6.82%	318	100
2018	63,838	43,508	34,785	8,723	80.0%	21,681	5.02%	2.81%	7.83%	2,005	1,132	3,137	2,139	38,681	88.9%	6.57%	318	112
2019	68,649	47,083	38,326	8,757	81.4%	22,969	5.00%	2.66%	7.66%	2,127	1,192	3,319	2,277	42,859	91.0%	6.28%	318	123
2020	73,724	50,943	42,409	8,535	83.2%	24,336	4.98%	2.45%	7.43%	2,253	1,263	3,517	2,416	47,432	93.1%	5.99%	318	134
2021	79,128	55,128	46,892	8,236	85.1%	25,747	4.97%	2.23%	7.20%	2,387	1,338	3,726	2,544	52,455	95.2%	5.69%	318	144
2022	84,897	59,631	51,778	7,853	86.8%	27,162	4.95%	2.02%	6.97%	2,526	1,416	3,942	2,710	57,931	97.1%	5.39%	318	156
2023	91,027	64,424	57,049	7,375	88.6%	28,623	4.94%	1.80%	6.74%	2,665	1,494	4,158	2,926	63,847	99.1%	5.08%	318	170
2024	97,482	69,541	62,750	6,791	90.2%	30,176	4.93%	1.57%	6.50%	2,808	1,574	4,382	3,139	70,247	101.0%	4.77%	318	181
2025	104,329	75,011	68,923	6,088	91.9%	31,778	4.92%	1.34%	6.26%	2,960	1,660	4,620	3,359	77,177	102.9%	4.44%	318	194
2026	111,575	80,872	75,618	5,254	93.5%	33,450	4.91%	1.10%	6.01%	3,117	1,748	4,865	3,574	84,694	104.7%	4.11%	318	207
2027	119,265	87,164	82,889	4,275	95.1%	35,202	4.90%	0.85%	5.75%	3,281	1,840	5,121	3,788	92,854	106.5%	3.77%	318	219
2028	127,453	93,927	90,792	3,135	96.7%	37,046	4.88%	0.59%	5.47%	3,453	1,936	5,389	4,004	101,723	108.3%	3.41%	318	232
2029	136,140	101,190	99,372	1,818	98.2%	38,980	4.87%	0.33%	5.20%	3,634	2,038	5,672	4,238	111,351	110.0%	3.05%	318	245
2030	145,394	109,021	108,714	307	99.7%	41,011	4.86%	0.05%	4.91%	3,824	2,144	5,968	4,455	121,831	111.8%	2.68%	318	257
2031	155,269	117,439	118,856	(1,417)	101.2%	43,101	4.85%	-0.23%	4.62%	4,023	2,256	6,279	4,706	133,212	113.4%	2.30%	318	272
2032	165,786	126,447	129,825	(3,378)	102.7%	45,254	4.83%	-0.52%	4.31%	4,228	2,371	6,599	5,006	145,524	115.1%	1.89%	318	287
2033	176,967	136,058	141,657	(5,599)	104.1%	47,479	4.82%	-0.82%	4.00%	4,439	2,489	6,928	5,344	158,812	116.7%	1.48%	318	304
2034	188,829	146,266	154,376	(8,110)	105.5%	49,780	4.81%	-1.14%	3.67%	4,658	2,611	7,269	5,742	173,104	118.3%	1.05%	318	318
2035	201,344	157,047	167,989	(10,941)	107.0%	52,160	4.80%	-1.46%	3.34%	4,883	2,738	7,621	6,218	188,410	120.0%	0.60%	318	340
2036	214,513	168,328	182,458	(14,130)	108.4%	54,563	4.80%	-1.81%	2.99%	5,117	2,869	7,986	6,819	204,695	121.6%	0.15%	318	366
2037	228,285	180,053	197,767	(17,714)	109.8%	57,033	4.80%	-2.17%	2.63%	5,353	3,001	8,354	7,516	221,941	123.3%	-0.33%	318	393
2038	242,628	192,249	213,984	(21,735)	111.3%	59,629	4.80%	-2.54%	2.26%	5,595	3,137	8,732	8,231	240,216	125.0%	-0.81%	318	420
2039	257,546	204,849	231,092	(26,243)	112.8%	62,262	4.81%	-2.94%	1.87%	5,850	3,280	9,129	9,060	259,505	126.7%	-1.32%	318	447
2040	273,003	217,865	249,147	(31,281)	114.4%	65,024	4.81%	-3.36%	1.45%	6,108	3,424	9,532	9,916	279,866	128.5%	-1.84%	318	474
2041	289,009	231,299	268,204	(36,904)	116.0%	67,889	4.82%	-3.79%	1.03%	6,379	3,576	9,955	10,818	301,359	130.3%	-2.38%	318	502
2042	305,587	245,162	288,327	(43,165)	117.6%	70,881	4.83%	-4.25%	0.58%	6,660	3,734	10,394	11,753	324,055	132.2%	-2.94%	318	529
2043	322,783	259,521	309,645	(50,124)	119.3%	74,037	4.83%	-4.72%	0.11%	6,953	3,898	10,852	12,670	348,091	134.1%	-3.52%	318	550
2044	340,619	274,408	332,251	(57,844)	121.1%	77,353	4.84%	-5.22%	-0.38%	7,263	4,072	11,335	13,612	373,572	136.1%	-4.11%	318	575
2045	359,115	289,807	356,201	(66,394)	122.9%	80,805	4.84%	-5.73%	-0.89%	7,588	4,254	11,843	14,625	400,566	138.2%	-4.73%	318	597

Employee rate is 6.00% and employer rate is 9.81% for BCI employee until January 1, 2018. Beginning January 1, 2018, the employee rate decreases to 5.50%.

ACTUARIAL ASSUMPTIONS

Normal cost and the allocation of benefit values between service rendered before and after the valuation date were determined using the *Individual Entry Age Normal actuarial cost method* having the following characteristics:

- The normal cost for each individual active member, payable from the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefit at the time of retirement; and
- Each annual normal cost is a constant percentage of the member's year by year projected covered pay.

Financing of Unfunded Actuarial Accrued Liabilities. The unfunded actuarial accrued liability is amortized using 20-year open level-percentage of pay amortization of the unfunded liability as of the valuation date.

Actuarial Value of Pension Plan Assets. The asset value is the actuarial value of assets which is calculated by recognizing 100 percent of the current year's interest and dividends and 20 percent of the current year and previous four years' total appreciation/(depreciation). The total appreciation/(depreciation) for a given year is fully recognized after a five-year period.

Valuation Assumptions

The contribution and benefit values of the System are calculated by applying actuarial assumptions to the benefit provisions and census information furnished, using the actuarial cost method described above.

The principal areas of financial risk which require assumptions about future experiences are:

- Long-term rates of investment return to be generated by the assets of the Plan;
- Patterns of pay increases to members;
- Rates of mortality among members, retirees and beneficiaries;
- Rates of withdrawal of active members;
- Rates of disability among members; and
- The age patterns of actual retirement.

In a valuation, the monetary effect of each assumption is calculated for as long as a present covered person survives; a period of time which can be as long as a century.

Actual experience of the Plan will not coincide exactly with assumed experience. Each valuation provides a complete recalculation of assumed future experience and takes into account all past differences between assumed and actual experience. The result is a continual series of adjustments (usually small) to the computed contribution rate.

From time-to-time it becomes appropriate to modify one or more of the assumptions, to reflect experience trends (but not random year-to-year fluctuations). Thus, an experience review of the North Dakota Public Employees Retirement System for the period July 1, 2009, to July 1, 2014, was performed to compare the demographic and economic experience against the actuarial assumptions used in the valuations. The actuarial assumptions described in this section were adopted by the Board for use beginning with the July 1, 2015, valuation. Additional information

ACTUARIAL ASSUMPTIONS

regarding the rationale for the assumptions may be found in the 2015 experience review report. **The experience review was performed by the prior actuary.** All actuarial assumptions are expectations of future experience, not current market measures.

Current Valuation Assumptions and Methods

The assumed rate of investment return used was 8.00%, net of expenses, annually.

The assumed rate of price inflation is 3.50 percent.

No Cost of Living Adjustments (COLA) are provided to benefits recipients. Therefore, there is no assumption for this valuation.

The rates of annual salary increase used for individual members are in accordance with the following table. This assumption is used to project a member's current salary to the salaries upon which benefit amounts will be based.

Service At Beginning of Year	State Employee	Non-State Employee	Law Enforcement	Judges
1	12.00%	15.00%	20.00%	
2	9.50%	10.00%	20.00%	
3	7.25%	8.00%	20.00%	
4			10.00%	
5			10.00%	
Age				
Under 30	6.75%	9.55%	6.75%	4.00%
30-39	6.00%	9.50%	6.00%	4.00%
40-49	5.75%	9.00%	5.75%	4.00%
50-59	5.25%	8.50%	5.25%	4.00%
60+	4.50%	8.25%	4.50%	4.00%

The assumed rate of total payroll growth used in amortizing the unfunded liability as a level percentage of pay is:

Main System and Law Enforcement: 4.50 percent

Judges: 4.00 percent

The assumed increase in the Social Security Taxable Wage Base is 3.25 percent.

ACTUARIAL ASSUMPTIONS

The mortality assumptions are as follows:

	Male Setback	Female Setback
RP-2000 Combined Healthy Mortality Table (healthy mortality)	2 years	3 years
RP-2000 Disabled Retiree Mortality Table (disabled post retirement)*	1 year	0 years

*Rates multiplied by 125 percent.

To provide a margin for future mortality improvements, generational mortality improvements from the year 2014 using the Social Security Administration (SSA) 2014 Intermediate Cost scale were assumed.

Following is a table with the life expectancies by age as of the valuation date.

<u>Age</u>	<u>Healthy Mortality</u>		<u>Disabled Mortality</u>	
	<u>Post-Retirement</u>		<u>Future Life</u>	
	<u>Future Life</u>		<u>Future Life</u>	
	<u>Expectancy (years) in 2015</u>		<u>Expectancy (years) in 2015</u>	
	<u>Men</u>	<u>Women</u>	<u>Men</u>	<u>Women</u>
20	67.55	71.96	32.00	49.54
25	62.15	66.55	30.13	45.71
30	56.76	61.13	28.14	41.80
35	51.39	55.72	26.03	37.81
40	46.08	50.35	23.67	33.67
45	40.81	45.01	20.99	29.37
50	35.60	39.74	18.12	25.13
55	30.48	34.54	15.64	21.39
60	25.54	29.47	13.47	18.11
65	20.89	24.62	11.45	15.12
70	16.65	20.14	9.49	12.35
75	12.83	16.03	7.64	9.85
80	9.52	12.38	6.04	7.71
85	6.79	9.21	4.74	5.90
90	4.72	6.63	3.58	4.44
95	3.36	4.84	2.52	3.36
100	2.56	3.82	1.90	2.73
105	2.13	3.11	1.59	2.13

ACTUARIAL ASSUMPTIONS

Rates of separation from active membership are represented by the following table (rates do not apply to members eligible to retire and do not include separation on account of death or disability). This assumption measures the probabilities of members terminating employment.

Service Beginning of Year	Service and Age-Based Rates For First Five Years of Service					
	Main System			Law Enforcement		
	Age					
	Under 30	30-39	40+	Under 30	30-39	40+
0	22.00%	16.00%	12.00%	25.00%	20.00%	17.00%
1	18.00%	14.00%	10.00%	23.00%	17.00%	15.00%
2	16.00%	12.00%	10.00%	20.00%	15.00%	12.00%
3	14.00%	12.00%	8.00%	17.00%	13.00%	10.00%
4	14.00%	11.00%	7.00%	15.00%	11.00%	7.00%

Age	Age-Based Rates Only After First Five Years of Service	
	Main System	Law Enforcement
20-24	8.80%	8.80%
25-29	8.80%	8.80%
30-34	5.50%	5.50%
35-39	4.70%	4.70%
40-44	3.90%	3.90%
45-49	3.70%	3.70%
50-54	3.40%	3.40%
55-59	0.10%	0.10%
60+	0.20%	0.20%

No pre-retirement termination is assumed for Judges.

Vested participants that terminate are assumed to elect the option with the greater present value:

- 1) *A refund of their accumulated contributions with interest or*
- 2) *A deferred benefit.*

Withdrawal rates end upon eligibility for early retirement.

Early retirement eligibility is as follows:

Main System: Earlier of (i) age 55 and 3 years of service, and (ii) eligibility for Rule of 85.

Law Enforcement: Age 50 and 3 years of service.

Account Balance Due to Vested Employer Contribution (PEP): Participation Under Chapter 54-52.2: If not elected: None. If elected: 100% of active members of the Main System and Law Enforcement. Contribution: Maximum allowed, based on service at the beginning of the Plan year.

ACTUARIAL ASSUMPTIONS

Rates of disability:

Before age 65: Males: 20% of OASDI disability incidence rates.
 Females: 10% of OASDI disability incidence rates.
 Age 65 and later: 0.25% per year.

Rates of disability were as follows:

Age	All Plans	
	Male	Female
20	0.0120%	0.0060%
25	0.0171%	0.0085%
30	0.0220%	0.0110%
35	0.0295%	0.0147%
40	0.0440%	0.0220%
45	0.0719%	0.0360%
50	0.1212%	0.0606%
55	0.2018%	0.1009%
60	0.3254%	0.1627%
65	0.2500%	0.2500%

Social Security Disability (for Judges' disability benefit offset):

Eligibility: 50%
 Consumer Price Index Increases: 3.5% per annum
 Wage Base Increases: 5.0% per annum

Workers' Compensation (for Judges' disability benefit offset):

None assumed.

ACTUARIAL ASSUMPTIONS

Rates of retirement for members eligible to retire during the next year were as follows:

<u>Age</u>	<u>Main System</u>		<u>Law Enforcement</u>	<u>Judges</u>
	<u>Reduced</u>	<u>Unreduced</u>	<u>Unreduced</u>	<u>Unreduced</u>
50		30.00%	25.00%	
51		10.00%	25.00%	
52		10.00%	25.00%	
53		10.00%	25.00%	
54		10.00%	25.00%	
55	1.00%	10.00%	10.00%	10.00%
56	1.00%	8.00%	10.00%	10.00%
57	1.00%	8.00%	10.00%	10.00%
58	1.00%	8.00%	10.00%	10.00%
59	1.00%	8.00%	10.00%	10.00%
60	2.00%	8.00%	10.00%	10.00%
61	5.00%	15.00%	10.00%	10.00%
62	10.00%	30.00%	50.00%	10.00%
63	10.00%	30.00%	50.00%	10.00%
64	10.00%	20.00%	50.00%	10.00%
65		30.00%	50.00%	20.00%
66		20.00%	20.00%	20.00%
67		15.00%	20.00%	20.00%
68		15.00%	20.00%	20.00%
69		15.00%	20.00%	20.00%
70		15.00%	20.00%	20.00%
71		15.00%	20.00%	20.00%
72		15.00%	20.00%	20.00%
73		15.00%	20.00%	20.00%
74		15.00%	20.00%	20.00%
75+		100.00%	100.00%	100.00%

ACTUARIAL ASSUMPTIONS

Assumed Service**Credit:**

All active members (full time and part time) are assumed to earn one full year of service for each assumed future year of service.

Marital Status:

It is assumed that 75 percent of participants in the Main System and Law Enforcement and 100 percent of Judges have an eligible spouse at the time of retirement or pre-retirement death. The male spouse is assumed to be three years older than the female spouse.

**Form of Payment
Election
Assumption:**

Form of Payment	Main System and Law Enforcement	Judges
Life Annuity	50%	0%
50% Joint and Survivor	45%	100%
Refund of Member Contributions	5%	0%

Benefit Service:

Exact fractional years of service are used to determine the amount of benefit payable.

Decrement Timing:

All decrements are assumed to occur at the middle of the year.

Decrement**Operation:**

Turnover decrements do not operate after the member reaches retirement eligibility (early or normal).

Eligibility Testing:

Eligibility for benefits is determined based upon the age nearest birthday and service on the date the decrement is assumed to occur.

Pay Increase Timing:

End of (fiscal) year.

Expenses:

Assumed administrative expenses were added to the Normal Cost and are based on the prior year's expenses, adjusted for inflation. The assumed amount added to the Normal Cost is:

Expenses	Main System	Judges	Law Enforcement		Total
			With Prior	Without	
Assumed FY 2015	\$ 1,100,000	\$ 7,500	\$ 5,500	\$ 7,500	\$ 1,120,500
Actual FY 2015	2,318,204	11,168	28,834	7,151	2,365,357
Assumed FY 2016	2,399,341	11,559	29,843	7,402	2,448,145

BENEFIT PROVISIONS

This section summarizes the major benefit provisions of the North Dakota Public Employees Retirement System as included in the valuation. It is not intended to be, nor should it be, interpreted as a complete statement of all plan provisions.

1. Normal Service Retirement:

➤ Eligibility:

Main System and Judges:

Attainment of age 65, or at any age with age plus service equal to at least 85 (Rule of 85).

For members enrolled after December 31, 2015, into the Main System, attainment of age 65, or at age 60 with age plus service equal to at least 90 (Rule of 90).

Law Enforcement:

Attainment of age 55 and three consecutive years of service, or if not former National Guard, at any age with age plus service equal to at least 85 (Rule of 85). Former National Guard is eligible for Rule of 85 on August 1, 2015.

➤ Benefit:

Main System and Law Enforcement:

2.00% of final average salary multiplied by service.

Judges:

3.50% of final average salary for each of the first ten years of service, 2.80% for each of the next ten years of service and 1.25% for service in excess of twenty years.

2. Early Retirement:

➤ Eligibility:

Main System:

Attainment of age 55 with three years of service.

Judges:

Attainment of age 55 with five years of service.

BENEFIT PROVISIONS

Law Enforcement:

Attainment of age 50 with three years of service.

➤ Benefit:

Main System:

The Normal Service Retirement Benefit as determined above. A benefit that begins before age 65 (or Rule of 85, if earlier) is reduced by one-half of one percent for each month before the earlier of age 65 or the age at which the Rule of 85 is met.

For members enrolled after December 31, 2015, into the Main System, a benefit that begins before age 65 (or Rule of 90, if earlier) is reduced by 2/3% of one percent for each month before the earlier of age 65 or the age at which the Rule of 90 is met.

Judges:

The Normal Service Retirement Benefit as determined above. A benefit that begins before age 65 (or Rule of 85, if earlier) is reduced by one-half of one percent for each month before age 65 or the age at which the Rule of 85 is met.

Law Enforcement:

The Normal Service Retirement Benefit as determined above. A benefit that begins before age 55 (or Rule of 85, if earlier) is reduced by one-half of one percent for each month before age 55 or the age at which the Rule of 85 is met.

3. Disability Benefit:

➤ Eligibility:

Six months of service and inability to engage in any substantial gainful activity.

➤ Benefit:

Main System and Law Enforcement:

25% of the member's final average salary at disability minus workers' compensation benefits, with a minimum of \$100 per month.

Judges:

70% of the member's final average salary at disability minus Social Security and Workers' Compensation benefits paid.

BENEFIT PROVISIONS

4. Deferred Vested Retirement:

➤ Eligibility:

Main System and Law Enforcement:

Three years of service.

Judges:

Five years of service.

➤ Benefit:

Main System and Judges:

The Normal Service Retirement Benefit payable at age 65 or the Rule of 85, if earlier. Reduced early retirement benefits can be elected upon attainment of age 55.

Law Enforcement:

The Normal Service Retirement Benefit payable at age 55 or the Rule of 85, if earlier. Reduced early retirement benefit can be selected upon attainment of age 50.

5. Pre-Retirement Death Benefits:

(a) Vested participants with a surviving spouse

➤ Eligibility:

Main System and Law Enforcement:

Three years of service.

Judges:

Five years of service.

➤ Benefit:

Main System and Law Enforcement:

One of the following options:

- Lump sum payment of member's accumulated contributions with interest.

BENEFIT PROVISIONS

- 50% of the member's accrued benefit (not reduced on account of age) payable for the surviving spouse's lifetime.
- Continuation portion of 100% joint and survivor annuity (only if participant was eligible for normal retirement).
- A partial lump sum payment in addition to the one of the annuity options above.

Judges:

One of the following options:

- Lump sum payment of member's accumulated contributions with interest.
- 100% of the member's accrued benefit (not reduced on account of age) payable for the spouse's lifetime.

(b) Non-vested members or vested members without a surviving spouse

➤ Eligibility:

Main System, Judges and Law Enforcement:

Non-vested or no surviving spouse.

➤ Benefit:

Main System, Judges and Law Enforcement:

Lump sum payment of member's accumulated contributions with interest.

6. Refund of Member Contributions:

Paid to terminated non-vested members and terminated vested members who choose a refund of employee contributions in lieu of a monthly retirement benefit.

BENEFIT PROVISIONS

7. Accumulated Member Contributions:

Member contributions accumulate with interest at the following rates:

<u>Time Period</u>	<u>Per Annum Interest Rate</u>
Through June 30, 1981	5.0%
July 1, 1981, to June 30, 1986	6.0%
After June 30, 1986	0.5% less than the actuarial interest rate assumption

8. Standard and Optional Forms of Payment:

Standard form of payment:

Main System and Law Enforcement:

Monthly benefit for life with a refund to beneficiary at death of the remaining balance (if any) of accumulated member contributions.

Judges:

Monthly benefit for life, with 50% payable to an eligible survivor.

Optional forms of payment:

- Life annuity (for Judges).
 - 50% joint and survivor annuity with pop-up (for Main System and Law Enforcement).
 - 100% joint and survivor annuity with pop-up.
 - Twenty-year certain and life annuity.
 - Ten-year certain and life annuity.
 - Social Security level income annuity.
 - A partial lump sum payment in addition to one of the annuity options above.
 - An actuarially equivalent graduated benefit option with either a one percent or two percent increase to be applied the first day of January of each year. Not available for disability or early retirements or in combination with a partial lump sum option, a deferred normal retirement option, or a Social Security level income annuity.

BENEFIT PROVISIONS

9. Final Average Salary:

Average of the highest salary received by the member for any 36 months employed during the last 180 months of employment.

10. Contributions:

Contribution rates specified in the Century Code (except employer rate for Law Enforcement); differ between permanent full-time employees and part-time temporary employees. Rates are as follow:

	<u>Rates Set by Statute</u>		<u>Rates Determined by the Board of Retirement</u>
	<u>Member</u>	<u>Employer</u>	<u>Employer</u>
Main System Full-Time Employees	7.00%	7.12%	
Main System Part-Time Employees	14.12%	0.00%	
Judges	8.00%	17.52%	
Law Enforcement with prior Main System service	5.50%		9.81%
➤ BCI Employees ¹	6.00%		10.31%
➤ National Guard members ²	4.50%		7.00%
Law Enforcement without prior Main System service	5.50%		7.93%

¹ Effective July 1, 2016, the employer contribution rate for BCI employees of the State Law Enforcement plan will be reduced by 0.5% to 9.81%.

² Effective August 1, 2015, the member contribution rate for former National Guard members increased to 6.00% and the employer contribution rate increased to 9.81%. Effective January 1, 2016, the contribution rate for National Guard members of the State Law Enforcement plan will be reduced by 0.50% to 5.50%.

BENEFIT PROVISIONS

Effective January 1, 2000:

A member's account balance includes vested employer contributions equal to the member's contributions to the deferred compensation Plan under chapter 54-52.2. The vested employer contribution may not exceed:

1. For months one through 12 of service credit, \$25 or 1% of the member's monthly salary, whichever is greater.
2. For months 13 through 24 of service credit, \$25 or 2% of the member's monthly salary, whichever is greater.
3. For months 25 through 36 of service credit, \$25 or 3% of the member's monthly salary, whichever is greater.
4. For service exceeding 36 months, \$25 or 4% of the member's monthly salary, whichever is greater.

Vested employer contributions are credited monthly to the member's account balance.

11. Rollovers:

The fund may accept rollovers from other qualified plans under rules adopted by the Board for the purchase of additional service credit.

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Tentative Agenda

EMPLOYEE BENEFITS PROGRAMS COMMITTEE

Wednesday, October 26, 2016
Harvest Room, State Capitol
Bismarck, North Dakota

10:00 a.m. Call to order
Roll call
Consideration of the minutes of the September 1, 2016, meeting

TEACHERS' FUND FOR RETIREMENT

10:05 a.m. Presentation by representatives of The Segal Group, Inc. of:

- An overview of the Teachers' Fund for Retirement (TFFR) valuation process
- The July 1, 2016, actuarial valuation of TFFR

11:05 a.m. Presentation by a representative of TFFR regarding an audit of the July 1, 2015, actuarial valuation report

EMPLOYEE BONUSES

11:25 a.m. Presentation by a representative of Human Resource Management Services, regarding the effectiveness of employee retention bonuses

11:40 a.m. Presentation by a representative of the Public Employees Retirement System (PERS) regarding the effect bonuses have on retirement plan contributions

11:50 a.m. Comments by interested persons

11:55 a.m. Committee discussion

12:00 noon Luncheon recess

PUBLIC EMPLOYEES RETIREMENT SYSTEM

1:00 p.m. Presentation by representatives of Gabriel, Roeder, Smith and Company Holdings, Inc. of:

- An overview of the PERS valuation process
- The July 1, 2016, 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

BILL DRAFTS

2:15 p.m. Committee consideration and receipt of technical comments, actuarial information, and public comments relating to the following 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 Draft No. 118 decreases employee contributions under PERS for peace officers employed by the Bureau of Criminal Investigation and makes other technical adjustments
- Bill Draft No. 172 eliminates the renewal process for the uniform group insurance contract and limits the contract to 2 years

Committee discussion and directives

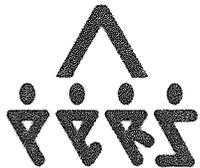
3:30 p.m. Adjourn

Committee Members

Senators: Karen K. Krebsbach (Chairman), Dick Dever, Ralph Kilzer, Carolyn C. Nelson, Erin Oban, Nicole Poolman

Representatives: Pamela Anderson, Randy Boehning, Jason Dockter, Jessica Haak, Gary Kreidt, Vernon Laning, Kenton Onstad

Staff Contact: Alex J. Cronquist, Fiscal Analyst



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: Derrick Hohbein, CPA

DATE: October 6, 2016

SUBJECT: Consultant Fees for the Quarter Ended September 2016

Attached is a quarterly report showing the consulting, investment, and administrative fees paid during the quarter ended September 2016.

Attachment

**North Dakota Public Employees Retirement System
 Consulting/Investment/Administrative Fees
 For the Quarter ended September 30, 2016**

Program/Project	Fee Type	Jul-16	Aug-16	Sep-16	Fees Paid During The Quarter	Fees Paid Fiscal Year-To-Date
Actuary/Consulting Fees:						
Deloitte Consulting	Fully insured RFP				-	0
Deloitte Consulting	Self Insured RFP				-	0
Deloitte Consulting	Hourly billings regular rates				-	0
Deloitte Consulting	Hourly billings Composite rates				-	0
Deloitte Consulting	General Consulting				-	0
Mid Dakota Clinic	Retirement Disability		850		850	850
Ice Miller	Legal fees ACA				-	0
Ice Miller	Legal fees Employee benefit matters				-	0
Callan & Associates	Assumption Analysis				-	0
Callan & Associates	Travel Expenses			3,234	3,234	3,234
Nyhart	GASB 45 Disclosure				-	0
The Segal Company	Retirement (DB)	18,625			18,625	18,625
The Segal Company	Retirement (DB)		5,015		5,015	5,015
The Segal Company	Ret Health Credit	3,425			3,425	3,425
The Segal Company	Job Service	4,875			4,875	4,875
The Segal Company	Def comp		811		811	811
The Segal Company	GSAB 67 disclosures	37,170		10,104	47,274	47,274
					84,109	84,109
					\$	
Gabriel Roeder Smith & Company	Retirement				-	0
Gabriel Roeder Smith & Company	RHIC				-	0
Gabriel Roeder Smith & Company	GASB 67/68				-	0
Audit Fees:						
Brady Martz	GASB 68 Review				-	0
Clifton Larson Allen	Annual Audit Fee			53,750	53,750	53,750
Website Redesign						
MABU	Website Redesign	12,167	13,899		26,066	26,066
Legal Fees:						
ND Attorney General	Administrative	\$ 9,801	\$ 3,521	\$ 5,721	19,043	19,043
Investment Fees:						
SIB - Investment Fees	Retirement (DB)	(1,025,904)	3,842	*	(1,022,062)	-1,022,062
SIB - Investment Fees	Ret Health Credit	5,209	878	*	6,087	6,087
SIB - Investment Fees	Insurance	23,197	326	*	23,523	23,523
SIB - Administrative Fees	Retirement (DB)	40,793	22,258	*	63,051	63,051
					-929,401	-929,401
Administrative Fee:						
Sanford Health Plan	Health Plan	1,853,242	1,848,010	*	3,701,252	3,701,252



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

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

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

Memorandum

TO: PERS Board

FROM: Sparb

DATE: October 13, 2016

SUBJECT: PERS Board Meetings

We need to start considering our meeting dates for 2017. In the past we have generally set them as the third Thursday of the month in the morning. However, with 2017 being a legislative year and with two of our members in the legislature, I wanted to discuss what may be the way to set up these meetings for January through April.

Secondly, we do not have a lot of items for the December meeting and I notice I will be out of the office on that date as well. With that in mind, we have a couple of options:

1. Not have a meeting in December.
2. Go forward with the December meeting.
3. Since we do not have any action items on the December meeting at this time we keep the meeting, but limit it to information items only. We can also set up an educational item for the agenda. One item I was thinking of was to have it on hardship withdrawals. We can arrange to have a presentation from one of our consultants (Groom Law Firm or Ice Miller).

Please let me know your thoughts at the meeting on the two items so we can plan accordingly.



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Memorandum

TO: NDPERS Board
FROM: Kathy
DATE: October 12, 2016
SUBJECT: Infertility Benefit Appeals Case 374 & 375

The two members are appealing the additional out-of-pocket expenses due to the deductible balance incurred under the previous carrier being set to zero when we transitioned carriers on July 1, 2015. The deductible is \$500. At its November meeting, the Board moved that NDPERS allow members the opportunity to appeal their specific case relating to the deductible. Following are the case specifics:

Case Number	Deductible Met BCBS	Deductible Incurred since 7/1/2015 SHP	Reimbursement to Member
374	\$500	\$500	\$500
375	\$500	\$500	\$500

The members did submit their appeals within the 180-day requirement specified in the notification sent in May of this year.

Board Action Requested

Provide authority for staff and SHP to issue reimbursement to subscribers for the additional deductible expenses incurred since July 1, 2015.