

# NDPERS BOARD MEETING

## Agenda

**Bismarck Location:**  
WSI Board Room  
1600 East Century Avenue  
**Fargo Location:**  
Sanford Health Plan  
1749 38<sup>th</sup> Street South

**Tuesday - December 12, 2017**

**Time: 8:30 AM**

### **I. MINUTES**

- A. November 16, 2017

### **II. PRESENTATIONS**

- A. Wellness Report – Raymond Goldsteen, UND (Information)
- B. About the Patient – Mr. Mike Schwab, Dr. Jayme Steig (Information)
- C. Opioid Program – Mr. Danny Weiss, SHP (Information)

### **III. RETIREMENT**

- A. Service Purchase update – MaryJo (Information)
- B. Quarterly Investment Report – Bryan (Information)
- C. Investment Policies – Bryan (Board Action)

### **IV. GROUP INSURANCE**

- A. Dental RFP first draft – Bryan (Information)
- B. OPEB RFP – Bryan (Board Action)
- C. Diabetes proposal from NDDoH – Rebecca (Board Action)
- D. Applied Behavioral Analysis – Sharon (Board Action)
- E. PreMedicare Group – Sharon (Information)
- F. Health Consultant Renewal – Sharon (Board Action)

### **V. MISCELLANEOUS**

- A. Fiduciary Responsibilities Update – Bryan (Information)
- B. Transition Committee Report
- C. Administrative Rules Final Review – Sharon (Board Action)
- D. Legislation – Sharon (Information)
- E. Retirement Application Process – Derrick (Information)
- F. Board Subcommittee update – Sharon (Information)
- G. Legislative Committee update – Sharon (Information)

### **VI. MEMBER (possible Executive Session)**

- A. Overpayment of Benefits Case #396\*\* – Kathy (Board Action)

\*\*Executive Session pursuant to NDCC §44-04-19.1(2) and §44-04-19.2 and §54-52-26 for attorney consultation related to the collection of an overpayment of retirement benefits and to discuss confidential member information.

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



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# Memorandum

**TO:** NDPERS Board

**FROM:** **Bryan**

**DATE:** December 12, 2017

**SUBJECT:** Worksite Wellness Report

NDPERS along with the North Dakota Department of Health and University of North Dakota MPH Program worked on a study of worksite wellness programs for hypertension, diabetes, myocardial infarction and stroke. The study was made possible through a grant from the Million Hearts Program.

Karen and Raymond Goldsteen from UND analyzed the NDPERS data and will present their report findings. The study looked at the NDPERS Health Plan wellness participation and utilization and health care costs for the five fiscal years July 2010 to June 2015.

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

# **Evaluation of WorkSite Wellness Programs for Hypertension, Diabetes, Myocardial Infarction, and Stroke: NDPERS Active Members, 2010-2015**

Prepared for North Dakota Department of Health  
*Million Hearts Program*

Karen Goldsteen and Raymond Goldsteen<sup>1</sup>  
University of North Dakota, MPH Program

Although worksite wellness programs vary in their focus, methods, and scope, they have a common goal to improve health status and health behaviors and, thereby, reduce health care utilization and costs. This report describes an investigation into the impact of worksite wellness programs provided by employer organizations insured by the North Dakota Public Employees Retirement System (NDPERS). Many NDPERS employer organizations offer worksite wellness programs. These programs typically focus on four diseases: hypertension, diabetes, myocardial infarction, and stroke. They aim to improve health behaviors that impact these four diseases such as physical activity, stress reduction, and nutrition. In so doing, the wellness programs are expected to reduce the need for costly, unplanned health services such as emergency room visits and hospitalizations. To evaluate the success of the NDPERS worksite wellness programs in achieving these aims, we examined health care utilization and costs among active NDPERS members over a five year period (FY2011-FY2015). We asked:

- What was the prevalence of the four diseases among NDPERS active members in each fiscal year and by members' age and sex?
- What were the NDPERS costs for the four diseases among active members?
- Was worksite wellness programming associated with reduced health care costs and utilization for hypertension, diabetes, myocardial infarction, and stroke by NDPERS active members?

Following is a summary of the methods and findings of the study. A detailed description of methods and findings for the NDPERS worksite wellness evaluation is contained in the Appendix.

## **METHODS**

For this investigation, we used NDPERS claims data for employees active between between July 1, 2010 and June 30, 2015 (FY2011-FY2015). As a study of active employees, only adults 20 years old and older were included. NDPERS was the primary health care payer for all persons in the study. No dependents were included.

Two NDPERS claims files were analyzed: Institutional and Professional. The Institutional file contains inpatient and outpatient hospital and other facility claims such as nursing and home health facilities and free-standing primary and emergency clinics. The Professional file contains claims from the full range of health care providers including primary and specialty physicians, nurse practitioners, physician assistants, licensed social workers, equipment suppliers, blood banks, and others. In addition, the

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<sup>1</sup> We wish to thank Sparb Collins and Bryan Reinhardt of NDPERS and Terry Dwelle, Kelly Nagel, and Tracy Miller of the North Dakota Department of Health for graciously providing their expertise and support throughout this project.

NDPERS Membership file was used to provide demographic information and monthly membership status for all active NDPERS members during the period covered. No prescription drug information was included in the analysis.

The four diseases in the study – hypertension, diabetes, myocardial infarction (MI), and stroke - were defined broadly by the first three digits of the ICD9 code. Disease occurrence was categorized for each member as: (1) no hypertension, diabetes, MI, or stroke diagnosis; (2) hypertension diagnosis only; (3) diabetes diagnosis only; (4) hypertension and diabetes diagnoses only; and (5) MI and stroke with any combination of hypertension and diabetes. Other factors in the study include each member's sex, age, employer organization, presence of a worksite wellness program in the member's employer organization, and amount paid by NDPERS for the member's health care services during the five year period.

All NDPERS employer organizations were included in the study. Some were included separately. These are: University of North Dakota (UND), North Dakota State University (NDSU), Department of Transportation, Department of Human Services, and City of Fargo. All remaining employer organizations were aggregated according to the number of their employees. Large employers were defined as those having more than 100 employees. Medium employers were those having 15 to 100 employees. Small employers had fewer than 15 employees. All employers are public at the state, county, or city level and they include schools and agencies such as parks departments. This was done to protect the privacy of employees in smaller organizations.

The analysis has two parts:

1. Hypertension, Diabetes, MI, and Stroke Among NDPERS Active Members, to answer:
  - What was the prevalence of the four diseases among NDPERS active members in each fiscal year and by members' age and sex?
  - What were the NDPERS costs for the four diseases among active members?
2. Evaluation of NDPERS Worksite Wellness Programs, to answer:
  - Was worksite wellness programming associated with reduced health care costs and utilization for hypertension, diabetes, myocardial infarction, and stroke by NDPERS active members?

## **FINDINGS**

### **1. Hypertension, Diabetes, MI, and Stroke Among NDPERS Active Members**

#### **Overall Prevalence of the 4 Diseases**

Overall, the prevalence of the four diseases in each fiscal year, as indicated by at least one claim, was the same. There was no statistically significant difference between the years. About 78% of active NDPERS members had no claim with a diagnosis of hypertension, diabetes, MI, or stroke. Hypertension with no diabetes, MI, or stroke, was the most common status, with about 14.5% of members in this category. About 3.6% of active NDPERS members had a diabetes diagnosis with none of the other three conditions indicated. Another 3% of members had both hypertension and diabetes diagnoses. Few members in any fiscal year had a diagnosis of MI or stroke with any combination of diabetes and hypertension. See Table 1.

### Characteristics Associated with Presence of the 4 Diseases

An examination of the differences in prevalence of the four diseases between men and women indicates that men were slightly more likely than women to have a diagnosis of hypertension, diabetes, MI, or stroke. The percent difference varies from 1-5%. Women were less likely than men to have hypertension only, until they reached 65, when women were quite a bit more likely than men to have a diagnosis of hypertension. Men were more likely than women to have diabetes only, hypertension with diabetes, and a MI or stroke diagnosis. See Table 2. The results are quite stable over the five year period (not shown here).

| <b>Table 1.</b><br><b>Hypertension, Diabetes, Myocardial Infarction, and Stroke<sup>1</sup></b><br><b>Among Active NDPERS Members by Year,</b><br><b>Fiscal Years 2011-2015<sup>2</sup></b>   |                 |                 |                 |                 |                 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>NDPERS Claims</b>  | <b>FY 2011</b>  | <b>FY 2012</b>  | <b>FY 2013</b>  | <b>FY 2014</b>  | <b>FY 2015</b>  |
| None <sup>3</sup>   | 16,641<br>77.9% | 17,701<br>78.4% | 17,770<br>77.9% | 18,190<br>78.0% | 18,621<br>78.0% |
| Hypertension Only <sup>4</sup>  | 3,160<br>14.8%  | 3,273<br>14.5%  | 3,394<br>14.9%  | 3,436<br>14.7%  | 3,510<br>14.7%  |
| Diabetes Only <sup>4</sup>  | 772<br>3.6%     | 799<br>3.5%     | 835<br>3.7%     | 849<br>3.6%     | 886<br>3.7%     |
| Hypertension & Diabetes Only <sup>4</sup>   | 638<br>3.0%     | 687<br>3.0%     | 697<br>3.1%     | 702<br>3.0%     | 710<br>3.0%     |
| MI or Stroke <sup>5</sup>   | 155<br>.7%      | 128<br>.6%      | 124<br>.5%      | 146<br>.6%      | 160<br>.7%      |
| Total # of Members  | 21,366          | 22,588          | 22,820          | 23,323          | 23,887          |
| %   | 100%            | 100%            | 100%            | 100%            | 100%            |
| <b>Notes:</b><br><sup>1</sup> As indicated by at least one claim with a primary diagnosis of hypertension, diabetes, MI, or stroke<br><sup>2</sup> No statistically significant difference in distribution of disease claims between the years<br><sup>3</sup> Members with no hypertension, diabetes, MI, or stroke claims<br><sup>4</sup> Members with no MI or stroke claims<br><sup>5</sup> Members who may also have had diabetes or hypertension claims<br><br>Source: NDPERS claims data from Institutional and Professional files |                 |                 |                 |                 |                 |

As would be expected, age was highly associated with prevalence of hypertension, diabetes, MI, and stroke for both men and women. Among the youngest NDPERS members (20-34 years old), about 95% had no diagnosis for any of the four diseases. Among persons 35 to 49 years old, this percent fell to about 83% for men and 86% for woman. And among persons 50 to 64 years old, only about 62% of men and 67% of women had no diagnosis of any of these conditions. Finally, NDPERS members who were 65 years or older had the lowest percent with no diagnosis for hypertension, diabetes, MI, and stroke – 45% of men and 46% of women. See Table 2. These results were stable across the five-year period (not shown here).

As for costs by fiscal year and diagnosis, the total paid per member month increased steadily each year by diagnosis group. Those with no diagnosis of the four conditions were the least costly. Those with a MI or stroke were the most costly. See Table 3.

| <b>Table 2.</b><br><b>Hypertension, Diabetes, Myocardial Infarction, and Stroke<sup>1</sup></b><br><b>Among Active NDPERS Members by Age and Sex,</b><br><b>Fiscal Year 2011<sup>2</sup></b>  |   |                |                |                |              |
|---|---|----------------|----------------|----------------|--------------|
|   |   | Age 20—34      | Age 35-49      | Age 50-64      | Age 65+      |
| Male  | No Hypertension, Diabetes, MI, or Stroke <sup>3</sup> | 2,157<br>95.0% | 2,764<br>83.2% | 2,499<br>62.2% | 205<br>45.9% |
|   | Hypertension Only <sup>4</sup>                        | 81<br>3.6%     | 383<br>11.5%   | 949<br>23.6%   | 134<br>30.0% |
|   | Diabetes Only <sup>4</sup>                            | 23<br>1.0%     | 108<br>3.3%    | 244<br>6.1%    | 40<br>8.9%   |
|   | Hypertension and Diabetes Only <sup>4</sup>           | 5<br>.2%       | 64<br>1.9%     | 259<br>6.4%    | 48<br>10.7%  |
|   | MI or Stroke <sup>5</sup>                             | 4<br>.2%       | 3<br>.1%       | 67<br>1.7%     | 20<br>4.5%   |
|   | Total # of Members<br>%                               | 2,270<br>100%  | 3,322<br>100%  | 4,018<br>100%  | 447<br>100%  |
| Female  | No Hypertension, Diabetes, MI, or Stroke <sup>3</sup> | 2,419<br>95.9% | 3,380<br>86.2% | 3,087<br>67.3% | 130<br>46.4% |
|   | Hypertension Only <sup>4</sup>                        | 66<br>2.6%     | 394<br>10.0%   | 1,038<br>22.6% | 114<br>41.1% |
|   | Diabetes Only <sup>4</sup>                            | 32<br>1.3%     | 91<br>2.3%     | 221<br>4.8%    | 13<br>4.6%   |
|   | Hypertension and Diabetes Only <sup>4</sup>           | 5<br>.2%       | 43<br>1.1%     | 196<br>4.3%    | 18<br>6.4%   |
|   | MI or Stroke <sup>5</sup>                             | 1<br>0%        | 14<br>.4%      | 42<br>.9%      | 4<br>1.4%    |
|   | Total # of Members<br>%                               | 2,523<br>100%  | 3,922<br>100%  | 4,584<br>100%  | 280<br>100%  |
| <b>Notes:</b><br><sup>1</sup> As indicated by at least one claim with a primary diagnosis of hypertension, diabetes, MI, or stroke<br><sup>2</sup> Differences between age groups and sex are statistically significant; Years FY 2012-2015 are not statistically different from FY 2011<br><sup>3</sup> Members with no hypertension, diabetes, MI, or stroke claims<br><sup>4</sup> Members with no MI or stroke claims<br><sup>5</sup> Members who may also have had diabetes or hypertension claims<br><br>Source: NDPERS claims data from Institutional and Professional files |   |                |                |                |              |

**Table 3.**  
**Amount Paid by NDPERS by Fiscal Year and Diagnosis,**  
**Fiscal Years 2011-2015**

| <b>Fiscal Year</b> | <b>Diagnosis (See Key)</b> | <b>Total Paid</b> | <b>Number of Members</b> | <b>Total Paid Per Member</b> | <b>Total Paid Per Member Month*</b> | <b>Average Member Months</b> |
|--------------------|----------------------------|-------------------|--------------------------|------------------------------|-------------------------------------|------------------------------|
| 2011               | 0                          | \$33,981,018.44   | 16,641                   | \$2,042.01                   | \$188.44                            | 10.84                        |
|                    | 1                          | \$16,979,654.72   | 3,160                    | \$5,373.51                   | \$463.61                            | 11.59                        |
|                    | 2                          | \$2,897,725.67    | 772                      | \$3,753.53                   | \$331.32                            | 11.33                        |
|                    | 3                          | \$5,737,837.78    | 638                      | \$8,993.48                   | \$774.86                            | 11.61                        |
|                    | 4                          | \$5,419,234.12    | 155                      | \$34,962.80                  | \$3,072.13                          | 11.38                        |
| 2012               | 0                          | \$39,217,663.15   | 17,701                   | \$2,215.56                   | \$211.24                            | 10.49                        |
|                    | 1                          | \$18,129,396.22   | 3,273                    | \$5,539.08                   | \$483.93                            | 11.45                        |
|                    | 2                          | \$3,844,533.08    | 799                      | \$4,811.68                   | \$433.82                            | 11.09                        |
|                    | 3                          | \$7,232,295.91    | 687                      | \$10,527.36                  | \$914.90                            | 11.51                        |
|                    | 4                          | \$4,396,112.57    | 128                      | \$34,344.63                  | \$3,167.23                          | 10.84                        |
| 2013               | 0                          | \$42,533,937.18   | 17,770                   | \$2,393.58                   | \$224.43                            | 10.67                        |
|                    | 1                          | \$20,261,853.38   | 3,394                    | \$5,969.90                   | \$517.15                            | 11.54                        |
|                    | 2                          | \$3,883,675.66    | 835                      | \$4,591.23                   | \$410.33                            | 11.19                        |
|                    | 3                          | \$7,503,002.60    | 697                      | \$10,764.71                  | \$931.47                            | 11.56                        |
|                    | 4                          | \$3,950,067.77    | 124                      | \$31,855.39                  | \$2,821.48                          | 11.29                        |
| 2014               | 0                          | \$47,282,596.97   | 18,190                   | \$2,599.37                   | \$245.52                            | 10.59                        |
|                    | 1                          | \$21,341,759.14   | 3,436                    | \$6,211                      | \$538.38                            | 11.54                        |
|                    | 2                          | \$4,124,246.72    | 849                      | \$4,857.77                   | \$436.75                            | 11.12                        |
|                    | 3                          | \$6,385,553.47    | 702                      | \$9,096.23                   | \$793.14                            | 11.47                        |
|                    | 4                          | \$5,360,710.20    | 146                      | \$36,717.19                  | \$3,227.40                          | 11.38                        |
| 2015               | 0                          | \$47,412,865.50   | 18,621                   | \$2,546.20                   | \$243.06                            | 10.48                        |
|                    | 1                          | \$20,412,660.46   | 3,510                    | \$5,815.57                   | \$504.04                            | 11.54                        |
|                    | 2                          | \$5,064,601.71    | 886                      | \$5,716.25                   | \$515.48                            | 11.09                        |
|                    | 3                          | \$7,248,588.39    | 710                      | \$10,209.28                  | \$895.33                            | 11.40                        |
|                    | 4                          | \$4,926,786.33    | 160                      | \$30,792.41                  | \$2,684.90                          | 11.47                        |

**Key to Diagnosis Codes:**

- 0 No Hypertension, Diabetes, Myocardial Infarction, or Stroke Diagnosis
- 1 Hypertension Only;
- 2 Diabetes Only;
- 3 Hypertension & Diabetes Only
- 4 Myocardial Infarction or Stroke with combinations of Hypertension & Diabetes

\*Adjusts for members' variable number of months per year in NDPERS

Source: NDPERS claims data from Institutional and Professional files

## **2. Evaluation of NDPERS Worksite Wellness Programs**

The purpose of the second analysis was to determine whether the presence of a worksite wellness program was associated with reduced health care costs and lower utilization of health care among active NDPERS members, controlling for major factors known to affect health care utilization: age, sex, and disease history.

## **Design of Worksite Wellness Evaluation**

The following assumptions were made in designing the analysis:

- Active members with continuous NDPERS coverage over the 5 year period would be the most likely to have been affected by a worksite wellness program. Therefore, all analyses use only members who were insured by NDPERS for the full 5 year period (60 months).
- We do not know enough about the variation in worksite wellness programming to conduct separate analyses of each organization. We chose instead to examine the total population of active NDPERS members who were continuously insured for 5 years (see below).

## **Measures for Worksite Wellness Evaluation**

The predictor variable of interest is the presence of a worksite wellness program in the employer organization.

The health care variables predicted in the models are:

- *Total cost of professional health care services* for the member. These claims are predominantly for providers of ambulatory services.
- *Total cost of institutional health care services* for the member. These claims are predominantly for hospitalizations and emergency room visits.
- *Number of institutional claims* for the member with a primary diagnosis of hypertension, diabetes, MI, or stroke.
- *Number of professional claims* for the member with a primary diagnosis of hypertension, diabetes, MI, or stroke.

The control variables in the models are member's age, sex, and history of hypertension, diabetes, MI, and stroke:

- Age and sex are significant predictors of health care cost and utilization of services. The addition of these variables to the models assures that their effects are reflected in the results. That is, any impact of worksite wellness programs cannot be attributed to the age and sex of members.
- History of the health problems is a strong predictor of cost and use of health services in the future. Therefore, member history of hypertension, diabetes, MI, and stroke are control variables in the models. They are categorized as hypertension only, diabetes only, hypertension and diabetes, and MI or stroke.

## **Analysis for Worksite Wellness Evaluation**

Two sets of regression models examined health care cost and utilization among these active NDPERS members:

- The first set of models used the sample of all persons insured by NDPERS for 5 years (n=12,257 out of the original 32,517 employees).
- The second set of models used a subset of the 12,257 persons – the 7,422 persons who were employed in the aggregated large, medium, and small organizations. Some of these organizations offered worksite wellness programs and others did not, and all persons who did not receive wellness programming worked for one of these organizations. All other NDPERS organizations provided worksite wellness programs.

Linear regression was used to estimate the models predicting cost and hypertension and stroke utilization. Logistic regression was used to estimate the models predicting MI and stroke utilization.



All models were constructed so that control factors were entered into the models first, followed by worksite wellness, to assure that any effect of worksite wellness on health care costs and utilization was in addition to the influence of their known predictors - age, sex, and disease history.

### Findings of Worksite Wellness Evaluation

Both sets of models - using all active NDPERS members and the subset of members with 5 years of continuous coverage - found:

- There was no effect of worksite wellness programs on cost and utilization for diabetes and hypertension in the *Professional* claims file.
- However, the *Institutional* claims were a different story. Presence of a worksite wellness program was associated with reduced costs and reduced use of services for hypertension and diabetes in the Institutional file.
- Wellness programs were associated with reduction in utilization in both the *Institutional and Professional* files for stroke.

Recall that the Institutional file contains inpatient and outpatient hospital and other facility claims such as nursing and home health facilities and free-standing primary and emergency clinics. **Most claims in this file are for hospital and emergency room visits.** The Professional file contains claims from the full range of health care providers including primary and specialty physicians, nurse practitioners, physician assistants, licensed social workers, equipment suppliers, blood banks, and others. **Most claims in this file are for primary and ambulatory care.**

### Discussion of Findings from Worksite Wellness Evaluation

**The findings of the study support the underlying rationale for worksite wellness programs. Through promotion of positive health behaviors, wellness programs reduce costly, unplanned health care utilizations such as emergency room visits and hospitalizations among people with hypertension, diabetes, and stroke.**

There is consistency in the results suggesting that worksite wellness programs may reduce the cost and utilization of institutional health services, which are primarily hospitalizations and emergency room visits.

- In both the first and second sets of models using the Institutional file, worksite wellness was a statistically significant predictor of reduced costs and use of health care services for hypertension, diabetes, and stroke.
- There were no statistically significant effects of worksite wellness when the models estimated with data from the professional file, except for stroke.
- Worksite wellness programs had no effect on MI utilization.

### Limitations of Study

Although the results of the study are heartening, there are a number of issues that urge caution in accepting the findings. Some of these limitations can be addressed with additional NDPERS claims data. These are:

- The NDPERS data files used in this study do not permit identification of the distinctions between types of health care utilization. For instance, we cannot distinguish hospitalizations, emergency room, and other types of settings within the Institutional file. Nor can we distinguish various

kinds ambulatory visits within the professional file, including wellness visits, primary care visits, and specialty care.

- The cost of prescription drugs should be included in the analysis.

Other limitations cannot be addressed. These are:

- We do not know which employees actually knew about and/or participated in worksite wellness programs.
- There were few employees among the NDPERS organizations who worked in an organization that did not offer some kind of worksite wellness programs (n=247), compared to the majority whose employer organization offered wellness programs.

Finally, the following limitation can be addressed somewhat, but not perfectly by NDPERS data:

- We do not know about the differences between the worksite wellness programs in different employer organizations, nor do we know how comprehensive they were.

### *Improving the Study*

In addition to addressing some of the limitations listed above, the study could be improved by examining trends over the five year period. These findings could strengthen the results of the current study about the effectiveness of worksite wellness programs to reduce costly, unplanned health care utilization. For example:

- Did reductions in cost and utilization increase over time as the impact of wellness programs “accumulated”?
- Did people with no claims in 2011 for diabetes, hypertension, and stroke stay “claim free” in subsequent years?

Overall, this evaluation using NDPERS claims data indicates the value of the data for monitoring policy interventions, such as worksite wellness programming. In the future, continuous monitoring using claims data would be useful to determine how to tailor policy interventions to be most effective.

## **APPENDIX: DETAILED DESCRIPTION OF METHODS AND FINDINGS FOR THE NDPERS WORKSITE WELLNESS EVALUATION**

### **METHODS**

Two NDPERS claims files were analyzed: Institutional and Professional. The Institutional file contains inpatient and outpatient hospital and other facility claims such as nursing and home health facilities and free-standing primary and emergency clinics. The Professional file contains claims from the full range of health care providers including primary and specialty physicians, nurse practitioners, physician assistants, licensed social workers, equipment suppliers, blood banks, and others. In addition, the NDPERS Membership file was used to provide demographic information and monthly membership status for all active NDPERS members during the period covered. No prescription drug information was included in the analysis.

The four diseases in the study – hypertension, diabetes, myocardial infarction (MI), and stroke - were defined broadly by the first three digits of the ICD9 code. Hypertension was identified by ICD9 code 401, diabetes by ICD9 code 250, and myocardial infarction (MI) by ICD9 code 410. Ischemic stroke was identified by codes 433, 434, and 436. Hemorrhagic stroke was identified by ICD9 codes 430 and 431.

Disease occurrence was coded for each fiscal year beginning with FY2011 through FY2015. The occurrence of at least one ICD9 code for hypertension, diabetes, MI, and stroke in a fiscal year in either the Institutional file or the Professional file was taken as an indicator of disease prevalence in that year. Then, the multiple occurrence of the diseases was coded as 0 = No Hypertension, Diabetes, MI, or Stroke diagnosis; 1 = Hypertension only; 2 = Diabetes only; 3 = Hypertension & Diabetes only; 4 = MI & Stroke with combinations of Hypertension & Diabetes. MI and stroke are combined because they are rare. Also, in comparison to hypertension and diabetes, MI and stroke diagnoses were found most often in the Institutional file as hospitalizations and emergency room admissions.

All NDPERS employer organizations were included in the study. Some were included separately. These are: University of North Dakota (UND), North Dakota State University (NDSU), Department of Transportation, Department of Human Services, and City of Fargo. All remaining employer organizations were aggregated according to the number of their employees. Large employers were defined as those having more than 100 employees. Medium employers were those having 15 to 100 employees. Small employers had fewer than 15 employees. All employers are public at the state, county, or city level and they include schools and agencies such as parks departments.

### **Design of Worksite Wellness Evaluation**

The following assumptions were made in designing the analysis:

- Employees with continuous NDPERS coverage over the 5 year period would be the most likely to have been affected by a worksite wellness program. Therefore, all analyses use only employees who were insured by NDPERS for the full 5 year period (60 months).
- We do not know enough about the variation in worksite wellness programming to conduct separate analyses of each organization. We chose instead to examine the total population of active NDPERS members, continuously insured for 5 years (see below).

### **Measures for Worksite Wellness Evaluation**

The predictor variable of interest is the presence of a worksite wellness program in the employer organization.

The health care variables predicted in the models are:

- Total cost of professional health care services for the employee measured as the sum of paid claims for all causes in the professional file. These claims are predominantly for providers of ambulatory services.
- Total cost of institutional health care services for the employee measured as the sum of paid claims for all causes in the institutional file. These claims are predominantly for hospitalizations and emergency room visits.
- Number of institutional claims for the employee with a primary diagnosis of hypertension, diabetes, MI, or stroke.
- Number of professional claims for the employee with a primary diagnosis of hypertension, diabetes, MI, or stroke.

The control variables in the models are employee's age, sex, and history of hypertension, diabetes, MI, and stroke:

- Age and sex are significant predictors of health care cost and utilization of services. The addition of these variables to the models assures that their effects are reflected in the results. That is, any impact of worksite wellness programs cannot be attributed to the age and sex of employees. Age is measured categorically as 35-49 years old, 50-64 years old, and 65 years or more. These employees were contrasted to those between 20-34 years old.
- History of the health problems is a strong predictor of cost and use of health services in the future. Therefore, employee history of hypertension, diabetes, MI, and stroke are control variables in the models. They are measured, for each condition, as the occurrence of at least one claim with a primary diagnosis of hypertension, diabetes, MI, or stroke in the first year of the study - fiscal year 2011. They are categorized as hypertension only, diabetes only, hypertension and diabetes, and MI or stroke. These variables indicate the presence of disease at the outset of the study period.

### **Analysis for Worksite Wellness Evaluation**

Two sets of regression models examined health care cost and utilization among these active NDPERS members:

- The first set of models used the sample of all persons insured by NDPERS for 5 years (n=12,257 out of the original 32,517 employees).
- The second set of models used a subset of the 12,257 persons – the 7,422 persons who were employed in the aggregated large, medium, and small organizations. Some of these organizations offered worksite wellness programs and others did not, and all persons who did not receive wellness programming worked for one of these organizations. All other NDPERS organizations provided worksite wellness programs.

MI and stroke are rare events and unlikely to be recurrent. On the other hand, hypertension and diabetes are chronic conditions that are expected to require regular ambulatory care, with emergency and hospital care for them not unusual. The distributions of these variables reflect these realities. The number of diabetes claims varied from 0 to 42 in the Institutional file, compared to claims for stroke that varied from 0 to 10, with less than 1 percent of person having an Institutional claim. Therefore, linear regression was used to estimate the models predicting cost and hypertension and stroke utilization. Logistic regression was used to estimate the models predicting MI and stroke utilization, and these variables were coded 1 (at least one claim for stroke or MI) or 0 (no stroke or MI claims).

All models were constructed as follows. Employee age and sex were entered into the models first, followed by employee disease history in FY 2011 (i.e., a claim for hypertension, diabetes, MI, and stroke), and finally by the presence of a worksite wellness program in the organization. This forced entry of the control factors into the models assured that any effect of worksite wellness on health care costs and utilization was in addition to the influence of their known predictors - age, sex, and disease history.

## FINDINGS

Table 4 summarizes the results of all models. The first set of models, using all active NDPERS members with 5 years of continuous coverage, found:

- There was no effect of worksite wellness programs on cost and utilization for diabetes and hypertension in the Professional claims file.
- However, the Institutional claims were a different story. Presence of a worksite wellness program was associated with reduced costs and reduced use of services for hypertension and diabetes in the Institutional file. The model fit for cost is modest, but good for use of services related to hypertension and diabetes, with the adjusted R2 over .24 for both.
- The models for MI and stroke were not well fit in either the Professional or the Institutional files as indicated by the Cox & Snell R2. However, the coefficient for wellness programs is significant for stroke in both files, indicating a reduction in utilization.
- See Tables 5 and 6 for the complete regression results.

The findings from the second set of regression models, which used the subset of NDPERS organizations, were the same as those in the first set.

- Data from the Institutional claims file indicated that reduced cost and utilization of health care services were associated with having a worksite wellness program for hypertension and diabetes.
- However, presence of a worksite wellness program was not a statistically significant predictor of costs or utilization of health care services in the professional file. The model fit for cost is modest, but good for use of services related to hypertension and diabetes, with the adjusted R2 over .26 for both.
- The models for MI and stroke were not well fit in either the Professional or the Institutional files as indicated by the Cox & Snell R2. However, the coefficient for wellness programs is significant for stroke in both files, indicating a reduction in utilization.
- See Tables 7 and 8 for the complete regression results.

Recall that the Institutional file contains inpatient and outpatient hospital and other facility claims such as nursing and home health facilities and free-standing primary and emergency clinics. **Most claims in this file are for hospital and emergency room visits.** The Professional file contains claims from the full range of health care providers including primary and specialty physicians, nurse practitioners, physician assistants, licensed social workers, equipment suppliers, blood banks, and others. **Most claims in this file are for primary and ambulatory care.**

| Table 4.<br>Regression Model Results for the Effect of Worksite Wellness Programs on Costs and Utilization<br>Fiscal Years 2011-2015   |  |   |                               |                       |                 |                     |
|--|--|---|-------------------------------|-----------------------|-----------------|---------------------|
| Type of Claim  | Worksite Wellness<br>Effect with All<br>Predictors in<br>Model | Paid for<br>Claims<br>(in \$s)                                  | Number of Claims <sup>1</sup> |                       |                 |                     |
|  |  |   | Hypertension <sup>2</sup>     | Diabetes <sup>2</sup> | MI <sup>2</sup> | Stroke <sup>2</sup> |
| All NDPERS Organizations   |  |   |                               |                       |                 |                     |
|  |  | Regression Coefficient for Wellness in Final Model <sup>3</sup> |                               |                       |                 |                     |
| Institutional<br>Claims  | Worksite Wellness  | -.02*   | -.05**                        | -.03**                | ns              | .34*                |
| Professional<br>Claims   | Worksite Wellness  | ns  | ns                            | ns                    | ns              | .38**               |
| Aggregated Small, Medium, and Large NDPERS Organizations   |  |   |                               |                       |                 |                     |
|  |  | Regression Coefficient for Wellness in Final Model <sup>3</sup> |                               |                       |                 |                     |
| Institutional<br>Claims  | Worksite Wellness  | -.03*   | -.04**                        | -.02*                 | ns              | .38*                |
| Professional<br>Claims   | Worksite Wellness  | ns  | ns                            | ns                    | ns              | .43*                |
| Notes:<br><sup>1</sup> Summed over all years – FY 2011-2015<br><sup>2</sup> Models estimated with linear regression for hypertension and diabetes and with logistic regression for MI and stroke.<br><sup>3</sup> Beta coefficient for hypertension and diabetes and Exp(B) coefficient for MI and stroke. An Exp(B) coefficient less than 0 indicates a decrease in the number of claims.<br><br>Statistical significance of coefficients:<br>*. p <= .05<br>**. P <= .01<br>ns = not statistically significant<br><br>Source: NDPERS claims data from Institutional and Professional files |  |   |                               |                       |                 |                     |

### Discussion of Findings from Worksite Wellness Evaluation

**The findings of the study support the underlying rationale for worksite wellness programs. Through promotion of positive health behaviors, wellness programs reduce costly, unplanned health care utilizations such as emergency room visits and hospitalizations among people with hypertension, diabetes, and stroke.**

There is consistency in the results suggesting that worksite wellness programs may reduce the cost and utilization of institutional health services, which are primarily hospitalizations and emergency room visits.

- In both the first and second sets of models using the Institutional file, worksite wellness was a statistically significant predictor of reduced costs and use of health care services for hypertension, diabetes, and stroke.
- There were no statistically significant effects of worksite wellness when the models estimated with data from the professional file, except for stroke.
- Worksite wellness programs had no effect on MI utilization.

### *Limitations of Study*

Although the results of the study are heartening, there are a number of issues that urge caution in accepting the findings. Some of these limitations can be addressed with additional NDPERS claims data. These are:

- The NDPERS data files used in this study do not permit identification of the distinctions between types of health care utilization. For instance, we cannot distinguish hospitalizations, emergency room, and other types of settings within the Institutional file. Nor can we distinguish various kinds ambulatory visits within the professional file, including wellness visits, primary care visits, and specialty care.
- The cost of prescription drugs should be included in the analysis.

Other limitations cannot be addressed. These are:

- We do not know which employees actually knew about and/or participated in worksite wellness programs.
- There were few employees among the NDPERS organizations who worked in an organization that did not offer some kind of worksite wellness programs (n=247), compared to the majority whose employer organization offered wellness programs.

Finally, the following limitation can be addressed somewhat, but not perfectly by NDPERS data:

- We do not know about the differences between the worksite wellness programs in different employer organizations, nor do we know how comprehensive they were.

### *Improving the Study*

In addition to addressing some of the limitations listed above, the study could be improved by examining trends over the five year period. These findings could strengthen the results of the current study about the effectiveness of worksite wellness programs to reduce costly, unplanned health care utilization. For example:

- Did reductions in cost and utilization increase over time as the impact of wellness programs “accumulated”?
- Did people with no claims in 2011 for diabetes, hypertension, and stroke stay “claim free” in subsequent years?

Overall, this evaluation using NDPERS claims data indicates the value of the data for monitoring policy interventions, such as worksite wellness programming. In the future, continuous monitoring using claims data would be useful to determine how to tailor policy interventions to be most effective.

| <b>Table 5.</b><br><b>Regression Model Results for the Effect of Worksite Wellness Programs on Costs and Utilization in the Institutional Files</b><br><b>All NDPERS Organizations</b><br><b>Fiscal Years 2011-2015</b>   |   |  |   |                       |                 |                     |
|---|---|--|---|-----------------------|-----------------|---------------------|
|   |   | Institutional Claims Paid (in \$s)                               | Number of Institutional Claims <sup>1</sup> |                       |                 |                     |
|   |   |  | Hypertension <sup>4</sup>                   | Diabetes <sup>4</sup> | MI <sup>4</sup> | Stroke <sup>4</sup> |
| Predictors Added  | Predictors in Final Model                 | Standardized Regression Coefficient for Final Model <sup>5</sup> |   |                       |                 |                     |
| Step 1  | Ages 35-49                                | .02  | .03*  | .02                   | -               | 2.2                 |
|   | Ages 50-64                                | .08**  | .08**                                       | .03                   | -               | 6.2                 |
|   | Ages 65+                                  | .05**  | .07**                                       | .01*                  | -               | 18.2                |
|   | Male                                      | -.01   | .05**                                       | .02*                  | -               | 2.1                 |
| Step 2  | Hypertension Only <sup>2</sup>            | .08**  | .36**                                       | .01                   | -               | 1.5                 |
|   | Diabetes Only <sup>2</sup>                | .06**  | .08**                                       | .32**                 | -               | 2.5                 |
|   | Hypertension & Diabetes only <sup>2</sup> | .08**  | .29**                                       | .44**                 | -               | 1.7                 |
|   | MI or Stroke & Combinations <sup>3</sup>  | .04**  | .07**                                       | .03**                 | -               | -                   |
| Step 3  | Worksite Wellness                         | -.02*  | -.05**                                      | -.03**                | -               | .34                 |
|   |   |  |   |                       |                 |                     |
|   | Model Fit <sup>6</sup>                    | .03  | .24   | .29                   | -               | .01                 |
|   |   |  |   |                       |                 |                     |
| Notes:<br><sup>1</sup> Summed over all years – FY 2011-2015<br><sup>2</sup> Members with no MI or stroke claims<br><sup>3</sup> Members who may also have had diabetes or hypertension claims; not included in logistic regression models.<br><sup>4</sup> Models estimated with linear regression for hypertension and diabetes and with logistic regression for MI and stroke<br><sup>5</sup> Beta coefficient for hypertension and diabetes and Exp(B) coefficient for MI and stroke. An Exp(B) coefficient less than 0 indicates a decrease in the number of claims.<br><sup>6</sup> Adjusted R2 for hypertension and diabetes, and Cox & Snell R2 for MI and stroke<br><br>Statistical significance of coefficients:<br>*. p <= .05<br>**. P <= .01<br>All other coefficients are not statistically significant.<br><br>Source: NDPERS claims data from Institutional and Professional files |   |  |   |                       |                 |                     |



| <b>Table 6.</b><br><b>Regression Model Results for the Effect of Worksite Wellness Programs on Costs and Utilization in the Professional Files</b><br><b>All NDPERS Organizations</b><br><b>Fiscal Years 2011-2015</b>   |   |  |  |                       |                 |                     |
|--|---|--|--|-----------------------|-----------------|---------------------|
|  |   | Professional Claims Paid (in \$s)                                | Number of Professional Claims <sup>1</sup> |                       |                 |                     |
|  |   |  | Hypertension <sup>4</sup>                  | Diabetes <sup>4</sup> | MI <sup>4</sup> | Stroke <sup>4</sup> |
| Predictors Added   | Predictors in Final Model                 | Standardized Regression Coefficient for Final Model <sup>5</sup> |  |                       |                 |                     |
| Step 1   | Ages 35-49                                | .01  | .04**                                      | .00                   | -               | 4.7                 |
|  | Ages 50-64                                | .05**  | .09**                                      | .01                   | -               | 12.6                |
|  | Ages 65+                                  | .05**  | .05**                                      | .00                   | -               | 41.2                |
|  | Male                                      | -.09**   | .00  | .01                   | -               | 1.8                 |
| Step 2   | Hypertension Only <sup>2</sup>            | .08**  | .66**                                      | .01*                  | -               | 1.1                 |
|  | Diabetes Only <sup>2</sup>                | .06**  | .02*                                       | .62**                 | -               | 2.2                 |
|  | Hypertension & Diabetes only <sup>2</sup> | .07**  | .14**                                      | .46**                 | -               | 1.7                 |
|  | MI or Stroke & Combinations <sup>3</sup>  | .02**  | .06**                                      | .04**                 | -               | -                   |
| Step 3   | Worksite Wellness                         | .01  | .00  | .00                   | -               | .378**              |
|  | Model Fit <sup>6</sup>                    | .03  | .47  | .58                   | -               | .01                 |
| <b>Notes:</b><br><sup>1</sup> Summed over all years – FY 2011-2015<br><sup>2</sup> Members with no MI or stroke claims<br><sup>3</sup> Members who may also have had diabetes or hypertension claims; not included in logistic regression models.<br><sup>4</sup> Models estimated with linear regression for hypertension and diabetes and with logistic regression for MI and stroke<br><sup>5</sup> Beta coefficient for hypertension and diabetes and Exp(B) coefficient for MI and stroke. An Exp(B) coefficient less than 0 indicates a decrease in the number of claims.<br><sup>6</sup> Adjusted R2 for hypertension and diabetes, and Cox & Snell R2 for MI and stroke<br><br>Statistical significance of coefficients:<br>*. p <= .05<br>**. P <= .01<br>All other coefficients are not statistically significant.<br><br>Source: NDPERS claims data from Institutional and Professional files |   |  |  |                       |                 |                     |

| <b>Table 7.</b><br><b>Regression Model Results for the Effect of Worksite Wellness Programs on Costs and Utilization in the Institutional Files</b><br><b>Subset of NDPERS Organizations</b><br><b>Fiscal Years 2011-2015</b>   |   |  |   |                       |                 |                     |
|---|---|--|---|-----------------------|-----------------|---------------------|
|   |   | Institutional Claims Paid (in \$s)                               | Number of Institutional Claims <sup>1</sup> |                       |                 |                     |
|   |   |  | Hypertension <sup>4</sup>                   | Diabetes <sup>4</sup> | MI <sup>4</sup> | Stroke <sup>4</sup> |
| Predictors Added  | Predictors in Final Model                 | Standardized Regression Coefficient for Final Model <sup>5</sup> |   |                       |                 |                     |
| Step 1  | Ages 35-49                                | .04**  | .04**                                       | .02                   | -               | 1.4                 |
|   | Ages 50-64                                | .10**  | .09**                                       | .04**                 | -               | 4.1*                |
|   | Ages 65+                                  | .06**  | .07**                                       | .02*                  | -               | 14.8**              |
|   | Male                                      | .00  | .05**                                       | .02*                  | -               | 1.8*                |
| Step 2  | Hypertension Only <sup>2</sup>            | .08**  | .38**                                       | .01                   | -               | 1.8                 |
|   | Diabetes Only <sup>2</sup>                | .07**  | .09**                                       | .32**                 | -               | 2.8*                |
|   | Hypertension & Diabetes only <sup>2</sup> | .11**  | .30**                                       | .45**                 | -               | 0.5                 |
|   | MI or Stroke & Combinations <sup>3</sup>  | .05**  | .05**                                       | .02*                  | -               | -                   |
| Step 3  | Worksite Wellness                         | -.03**   | -.04**                                      | -.02*                 | -               | 0.4*                |
|   |   |  |   |                       |                 |                     |
|   | Model Fit <sup>6</sup>                    | .04  | .26   | .31                   | -               | .01                 |
|   |   |  |   |                       |                 |                     |
| Notes:<br><sup>1</sup> Summed over all years – FY 2011-2015<br><sup>2</sup> Members with no MI or stroke claims<br><sup>3</sup> Members who may also have had diabetes or hypertension claims; not included in logistic regression models.<br><sup>4</sup> Models estimated with linear regression for hypertension and diabetes and with logistic regression for MI and stroke<br><sup>5</sup> Beta coefficient for hypertension and diabetes and Exp(B) coefficient for MI and stroke. An Exp(B) coefficient less than 0 indicates a decrease in the number of claims.<br><sup>6</sup> Adjusted R2 for hypertension and diabetes, and Cox & Snell R2 for MI and stroke<br><br>Statistical significance of coefficients:<br>*. p <= .05<br>**. P <= .01<br>All other coefficients are not statistically significant.<br><br>Source: NDPERS claims data from Institutional and Professional files |   |  |   |                       |                 |                     |

| <b>Table 8.</b><br><b>Regression Model Results for the Effect of Worksite Wellness Programs on Costs and Utilization in the Professional Files</b><br><b>Subset of NDPERS Organizations</b><br><b>Fiscal Years 2011-2015</b>  |   |  |  |                       |                 |                     |
|---|---|--|--|-----------------------|-----------------|---------------------|
|   |   | Professional Claims Paid (in \$s)                                | Number of Professional Claims <sup>1</sup> |                       |                 |                     |
|   |   |  | Hypertension <sup>4</sup>                  | Diabetes <sup>4</sup> | MI <sup>4</sup> | Stroke <sup>4</sup> |
| Predictors Added  | Predictors in Final Model                 | Standardized Regression Coefficient for Final Model <sup>5</sup> |  |                       |                 |                     |
| Step 1  | Ages 35-49                                | .03  | .04**                                      | .00                   | -               | 3.6*                |
|   | Ages 50-64                                | .07**  | .10**                                      | .01                   | -               | 8.5**               |
|   | Ages 65+                                  | .04**  | .05**                                      | -.01                  | -               | 31.2**              |
|   | Male                                      | -.09**   | .00  | .01                   | -               | 1.7**               |
| Step 2  | Hypertension Only <sup>2</sup>            | .08**  | .64**                                      | .01                   | -               | 1.2                 |
|   | Diabetes Only <sup>2</sup>                | .07**  | .02*                                       | .62**                 | -               | 2.7**               |
|   | Hypertension & Diabetes only <sup>2</sup> | .07**  | .13**                                      | .43**                 | -               | 1.2                 |
|   | MI or Stroke & Combinations <sup>3</sup>  | .02  | .06**                                      | .03**                 | -               | -                   |
| Step 3  | Worksite Wellness                         | .01  | .00  | -.01                  | -               | 0.4**               |
|   |   |  |  |                       |                 |                     |
|   | Model Fit <sup>6</sup>                    | .03  | .45  | .56                   | -               | .01                 |
|   |   |  |  |                       |                 |                     |
| Notes:<br><sup>1</sup> Summed over all years – FY 2011-2015<br><sup>2</sup> Members with no MI or stroke claims<br><sup>3</sup> Members who may also have had diabetes or hypertension claims; not included in logistic regression models.<br><sup>4</sup> Models estimated with linear regression for hypertension and diabetes and with logistic regression for MI and stroke<br><sup>5</sup> Beta coefficient for hypertension and diabetes and Exp(B) coefficient for MI and stroke. An Exp(B) coefficient less than 0 indicates a decrease in the number of claims.<br><sup>6</sup> Adjusted R2 for hypertension and diabetes, and Cox & Snell R2 for MI and stroke<br><br>Statistical significance of coefficients:<br>*. p <= .05<br>**. p <= .01<br>All other coefficients are not statistically significant.<br><br>Source: NDPERS claims data from Institutional and Professional files |   |  |  |                       |                 |                     |



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# Memorandum

**TO:** NDPERS Board

**FROM:** **Bryan Reinhardt**

**DATE:** December 12, 2017

**SUBJECT:** About the Patient Diabetes Program

Mike Schwab from the North Dakota Pharmacists Association will be at the NDPERS Board meeting to report on the NDPERS About the Patient diabetes management program.

The About the Patient program is run through local pharmacists. About the Patient members are entitled to one comprehensive medication review and two targeted interventions for the first year and one comprehensive medication review and one targeted intervention for the second year of the program. Participants complying with the program requirements have their copays reimbursed on their diabetic medications and supplies.



# Collaborative Drug Therapy Program Annual Report

December 2017

About The Patient— 1641 Capital Way Bismarck, ND 58501

T: 1.888.326.4657 W: [www.aboutthepatient.net](http://www.aboutthepatient.net)

## Executive Summary

The Uniform Group Insurance Program - Collaborative Drug Therapy Program in accordance with section 54-52.1-17 of the North Dakota Century code purpose is to improve the health of individuals with diabetes in order to manage health care expenditures through face-to-face collaborative drug therapy services by pharmacists and certified diabetes educators. For covered individuals waived or reduced co-payment for diabetes treatment drugs and supplies are provided as an incentive for program participation. The North Dakota Pharmacist Association or specified delegate facilitates the About the Patient program, patient curriculum based on national standards for diabetes care, provider network, enrollment procedures, documentation of clinical encounters, and assessment of outcomes. Funding of program is through the uniform group insurance program and if necessary an additional charge on the policy premium for medical and hospital benefits coverage may be added up to two dollars per month.

The About the Patient Program has been administering the Diabetes Management Program since July of 2008. A cost analysis of the Diabetes Management Program was conducted by the Center for Health Promotion and Prevention Research, University of North Dakota School of Medicine and Health Sciences in November of 2010. Return on investment calculation demonstrated a \$71.14 pmpm health cost savings (\$2.34 saved for every \$1.00 spent for the program). The diabetes program was included in the 2016 impact of diabetes report to state legislators as part of NDCC 23-01-40 requirement for even - numbered years reporting. Funding and program administration by About the Patient and Sanford Health Plan was extended for next biennium July 2017 - June 2019.

All data elements in this report are generated from pharmacist input of eligible patients into the North Dakota Pharmacy Services Corporation MTM Express System. The results indicate a mature & stable program with consistent outcomes in participation, interventions, and health outcomes.

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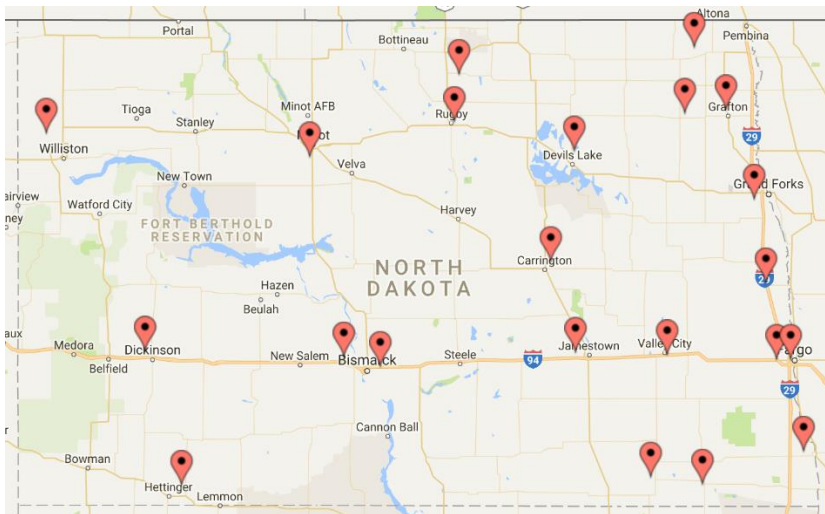
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## Diabetes Management Program

The Diabetes Management Program is an opt-in program for North Dakota Public Employee Retirement System beneficiaries with diabetes. Targeted direct marketing via letters is done by the About the Patient program to inform eligible beneficiaries about the opt-in program. NDPERS also sends a letter to newly eligible patients on a month-to-month basis. The wellness enrollment form allows patients to choose one of 57 community pharmacy locations across North Dakota for face-to-face program participation and/or live secure video conferencing (Telepharmacy) in Edgeley, Glen Ullin, New Salem and all Thrifty White Drug locations in North Dakota. The Thrifty White Patient Care Center also provides teleconference visits for those patients where a barrier to participation is location.



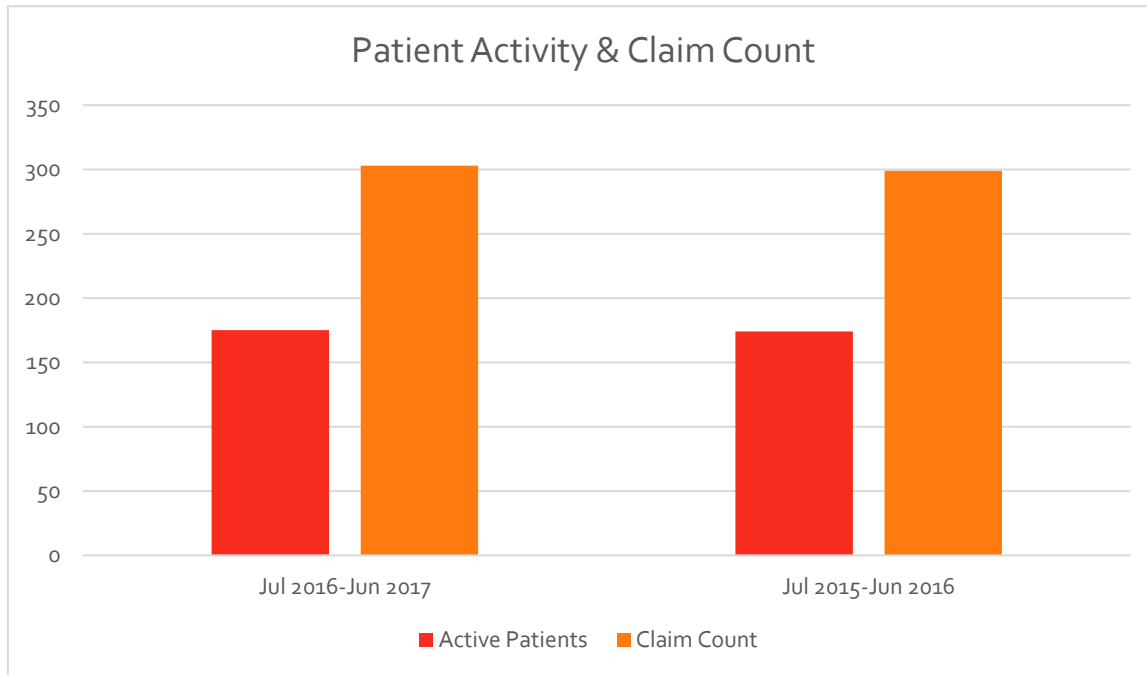
Patients are eligible for three visits within the first year and two visits during the second year. By actively partaking in the program patients receive reimbursement of co-pays on diabetes medications and testing supplies. Patients receive copay reimbursements on a quarterly basis. The patient curriculum is based on the seven self-care behaviors identified by the American Association of Diabetes Educators and principles of medication therapy management as outlined by the American Pharmacist Association. Patients are seen by a health professional, currently a community pharmacist, who has completed additional training in diabetes management outside of their terminal degree and must document continuing education in this area on an annual basis. All patient clinical encounters are documented and billed using the North Dakota Pharmacy Services Corporation's electronic medical record software MTM Express™.

### Program Analysis July 2016-June 2017

#### Participation & Activity

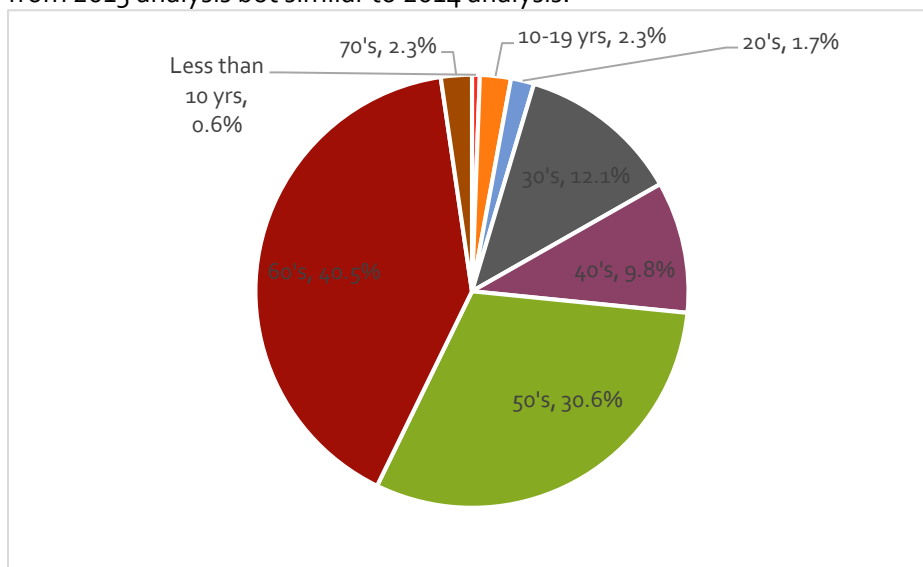
The program had 175 patients with billable services during the current reporting period. These 175 patients accounted for 303 billable visits during the reporting period. The last eligibility report indicated 3,271 eligible patients for a participation rate of 5.4%. For comparison, the reporting period of July 2015 to June 2016 had 174

patients with 299 billable visits from 2,920 eligible patients for a participation rate of 6.0%. These comparisons indicate stability in both patient count and claim activity. During the time period of July 2013-June 2017 patients that have participated in the program have an average of 3.04 claims during their course of participation in the program.



## Demographics

Of the patients with billable services during the reporting period, there was an even split of male and female participation. 50.3% of participants were male. Over 70% of participants were over the age of 50, an increase from 2015 analysis but similar to 2014 analysis.





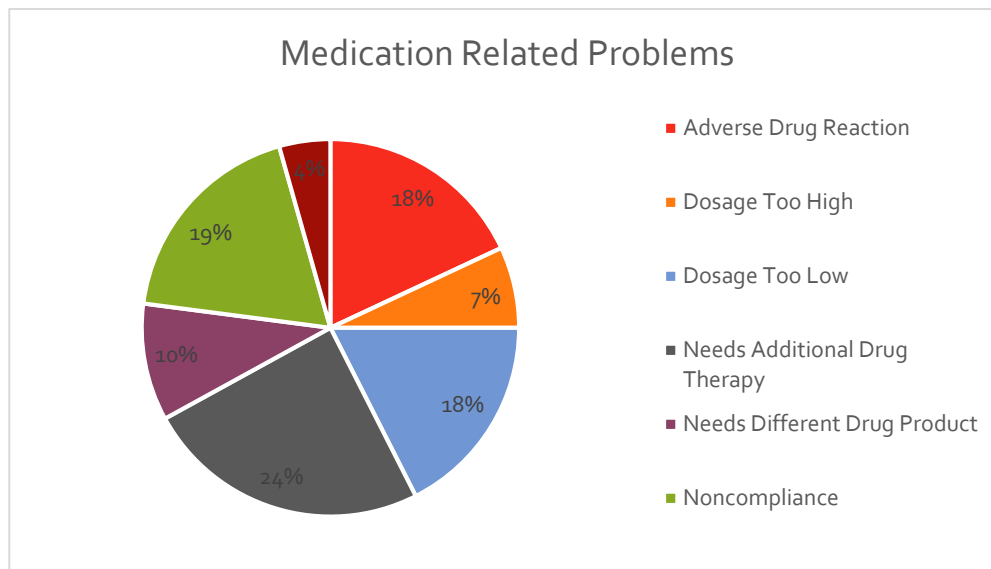
Participants were widely distributed geographically across the state. Pharmacy providers provide face to face or telepharmacy services (secure audio and video connection) to ensure all patients have access to the program.



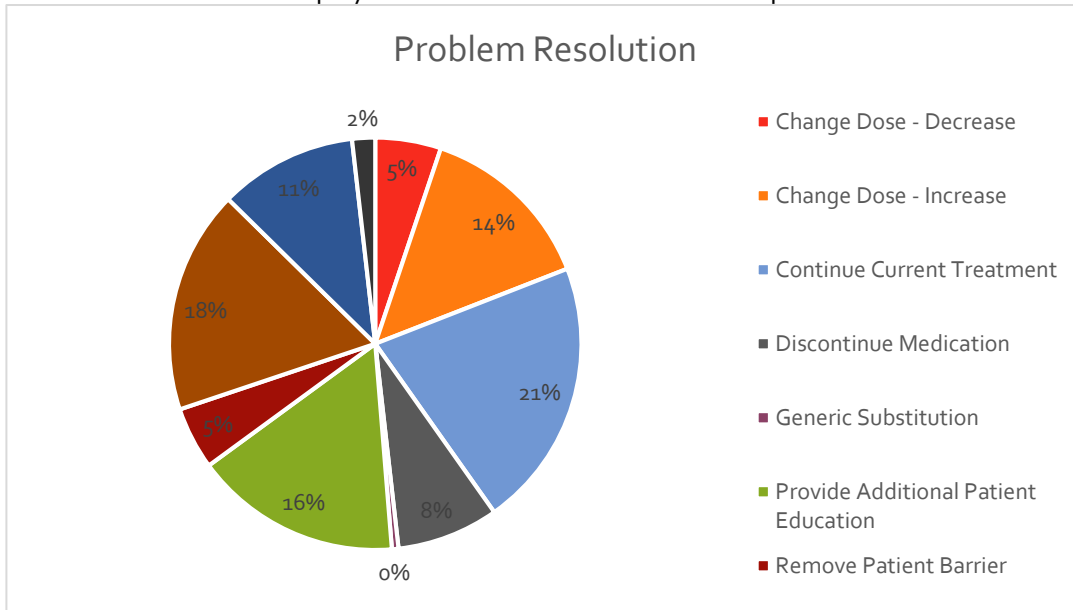
## Pharmacist Interventions

From July 2016-June 2017 there were 388 interventions made by the pharmacists in collaboration with the patient and their primary health provider in order to manage their diabetes and other medical conditions and prevent costly complications. There were 373 interventions made during the previous year, again showing consistency within the program.

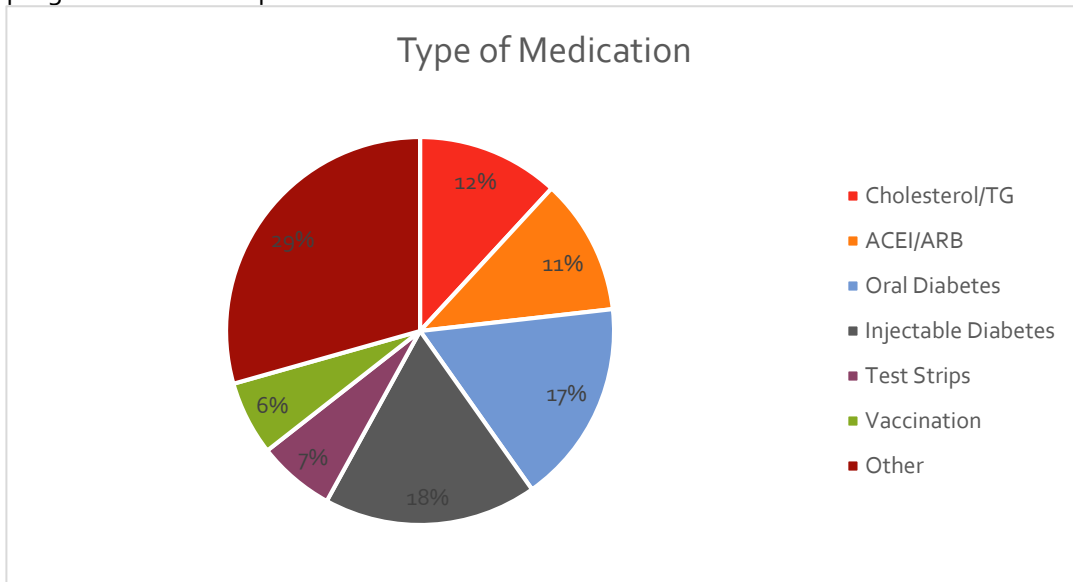
Noncompliance accounted for almost 20% of identified medication problems. Dose adjustments were involved in 25% of medication related problems, while 42% were related to needing to change or discontinue a medication.



These themes are also displayed in how the medication related problems were resolved.

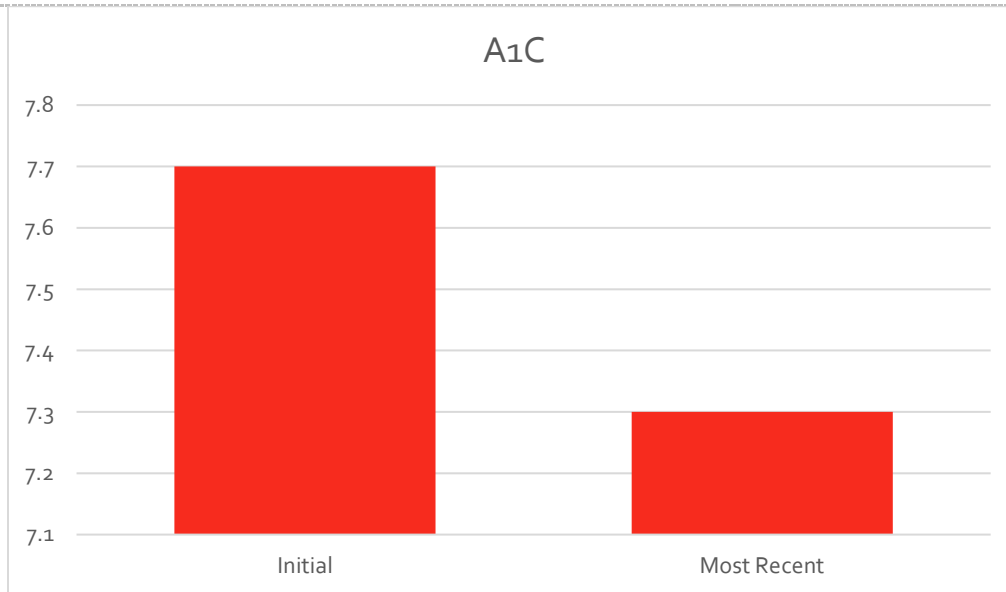


Of the interventions identified over 78% were related to drug classes directly involved in treatment of diabetes and its comorbidities. This is exactly what we would expect to see in a successful program given program areas of emphasis.



## Blood Glucose Lab Results

Of the 175 patients with claims during the reporting period, 122 (69.7%) had more than one A1C level documented. This is an improvement over previous years. For all participants with more than one A1C level document, the most recent result was 0.4 lower than the initial result, indicating improvement in scores.



55% of participants had lower A1c scores on their most recent lab compared to their initial result. Those with improvement experienced an average A1c decrease of 1.1.

**The average fasting blood glucose for active participants was 130.5.** American Diabetes Association (ADA) recommends controlled fasting range of 80-130mg/dL.

**The average random blood glucose for active participants was 123.9.** American Diabetes Association (ADA) recommends random range less than 180mg/dL.

The results above are consistent with prior reporting years and demonstrate the program's ability to help reduce complications associated with diabetes in a majority of participating patients.

## Hypertension

In general, the ADA recommends systolic blood pressure less than 140 and diastolic less than 90. For those active participants during the reporting period, the average systolic pressure was 131 and average diastolic was 78. Both of these results fall within the ADA recommendations.

## Cholesterol

**Improvements were seen in lipid levels for active participants.** For those with multiple lab reports on file, overall improvements were seen in total cholesterol, HDL, LDL, and triglycerides. The most improvement was seen in the HDL results, with over 60% of participants having improved results on their most recent labs.

## Patient Survey Results

| <b>Perception: Diabetes Awareness Survey (1=Strongly Agree to 5=Strongly Agree)</b> | <b>7/2016-6/2017</b> | <b>7/2015-6/2016</b> |
|---|----------------------|----------------------|
| Ask my pharmacist questions I may have about diabetes                               | 4.3                  | 4.2                  |
| Take my medications and administer injections as instructed                         | 4.5                  | 4.6                  |
| Describe the long term complication of uncontrolled diabetes                        | 4.2                  | 4.2                  |
| Be motivated to keep up with my diabetes self-management                            | 4.3                  | 4.4                  |
| Voice concerns to my doctor about diabetes  | 4.5                  | 4.4                  |
| Keep my doctor appointments   | 4.5                  | 4.5                  |
| <b>Patient Satisfaction Survey (1=Strongly Disagree to 5=Strongly Agree)</b>        | <b>7/2016-6/2017</b> | <b>7/2015-6/2016</b> |
| Professional appearance of the provider   | 4.9                  | 5.0                  |
| Appearance of the meeting area  | 4.8                  | 4.9                  |
| System for scheduling your appointment  | 4.9                  | 4.8                  |
| The provider's interest in your health  | 4.9                  | 5.0                  |
| How well the provider helps you manage your medications                             | 4.9                  | 5.0                  |
| How well the provider explains possible side effects                                | 4.9                  | 4.9                  |
| The provider's efforts to solve problems that you have with your medications        | 4.9                  | 5.0                  |
| The responsibility that the provider assumes for your drug therapy                  | 4.8                  | 4.9                  |
| Ability of the provider to answer your questions about your medications             | 5.0                  | 5.0                  |
| Ability of the provider to answer your questions about your health problems         | 4.9                  | 5.0                  |
| The provider's efforts to help you improve your health or stay healthy              | 4.9                  | 5.0                  |
| The program services overall  | 4.9                  | 5.0                  |
| Ability of the provider to see you at your scheduled time                           | 4.9                  | 5.0                  |
| Courtesy and professionalism of the staff   | 5.0                  | 5.0                  |
| Follow-up after the appointment   | 4.9                  | 5.0                  |
| The educational materials provided  | 4.8                  | 5.0                  |

The patient surveys indicate patients are highly satisfied with the program, motivated to work with their health providers, and maintain a high level of self-efficacy with a chronic disease.

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## Summary

### Interpretation:

The Diabetes Management Program administered by the About the Patient Program continues to produce consistent results. The results indicate a mature & stable program with positive interventions and health outcomes.

### Looking into the Future:

As we move forward into this biennium, About The Patient with the help of NDPERS and Sanford would like to increase enrollment into the program. We continue to look at adding program providers to our network as well.

At the direction of the NDPERS Board of Trustees, we would be happy to assist in having another cost analysis of the program completed.

In addition, we are ready and willing to help NDPERS look at any alternatives or changes to the current program design and requirements.

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**North Dakota  
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# Memorandum

**TO:                   NDPERS Board**

**FROM:               Kathy**

**DATE:               December 12, 2017**

**SUBJECT:           Opioid Program**

Danny Weiss of Sanford Health Plan will be available to review this program with the Board. Included is the information that will be covered in his presentation.

**Sanford/Express Scripts Advanced Opioid Solution Program**

- The Sanford/Express Scripts Advanced Opioid Solution Program is comprised of the following components that will be effective 1/1/18:
  - **Short Acting Opioid Quantity Limit** – new patients filling a prescription for a short acting opioid will have that prescription reject “Plans Limit Exceeded” and have the Rx limited to a 7 day supply unless the patient has:
    - A history of a cancer medication with in the previous 180 days **or**
    - A diagnosis of cancer **or**
    - Is receiving palliative care **or**
    - A history of prior opioid prescription within the previous 180 days
  - **Long Acting Opioid Prior Authorization** – all Rx’s for Long Acting Opioids will reject PA required for all patients unless the patient has:
    - A history of a cancer medication with in the previous 180 days **or**
    - A diagnosis of cancer **or**
    - Is receiving palliative care **or**
    - A history of prior opioid prescription within the previous 180 days
  - **Morphine Equivalent Dose Quantity Limits (MEDQ)** – an opioid prescription for a patient will reject “Plans Limit Exceeded” when the member is ove the daily threshold level of morphine equivalent dose accumulating across all opioid claims (up to 200mg/day) unless the patient has:
    - A diagnosis of cancer **or**
    - Is receiving palliative care
  - A prescriber can call into Sanford Health Plan (855) 305-5062 to request a PA override for any of these edits if clinically appropriate.
  - Other components of the program include:
    - **Opioid Educational Letter** – a educational letter that talks about the risks of Opioid medication and Opioid abuse is sent to patients that are new to opioid therapy.
    - **Deactivation Drug Disposal Bags** – these bags will be shipped directly to a member’s home with instructions for the member to dispose of excess opioid medications in a safe and environmentally friendly manner
    - **Enhanced Fraud Waste and Abuse** - provides an ongoing proactive review of all plan claims using advanced analytics, full investigative services, detailed reporting, and client consultation to help control costs and curtail inappropriate drug use. Upon substantiation of a member or prescriber allegation, a detailed case investigation report is provided to the client with four main components included: executive summary, case background, investigative steps, and conclusion, along with possible actions that may be taken by the plan.

# Pain killer

The opioid epidemic in America

**THE OPIOID EPIDEMIC** has been called the worst drug crisis in American history. Each year, thousands of people become addicted and die from overdosing on prescription narcotics. Many are unaware of the risks of opioid addiction – some even become addicted while following doctor's orders. All of this translates to massive medical costs, but more importantly, it takes a human toll. People are suffering. Families are suffering. It's up to us as healthcare providers to help prevent tragic outcomes.

## PROBLEM

**2 Million**

people are addicted to prescription narcotics<sup>1</sup>

**15,000**

fatally overdosed on prescription painkillers in 2015<sup>1</sup>

**2.6 yrs**

Median time from first opioid prescription to overdose for opioid-related overdosing patients<sup>1</sup>

**1 → 851**

for every person who dies from opioids, 851 are in various stages of abuse<sup>1</sup>

## IMPACT

**\$25 Billion+**

per year in lost productivity due to employee opioid abuse<sup>3</sup>

**\$19,000+**

annual healthcare cost per patient<sup>4</sup>



**1 in 32**

people who accumulate morphine equivalent doses above 200mg die from overdose<sup>1</sup>

**20%**

of users starting on a 10-day supply of opioids become long-term users<sup>1</sup>

**70%**

of abused Rx drugs are provided by friends and family<sup>1</sup>

**Only 3%**

of opioids are prescribed by pain specialists<sup>2</sup>

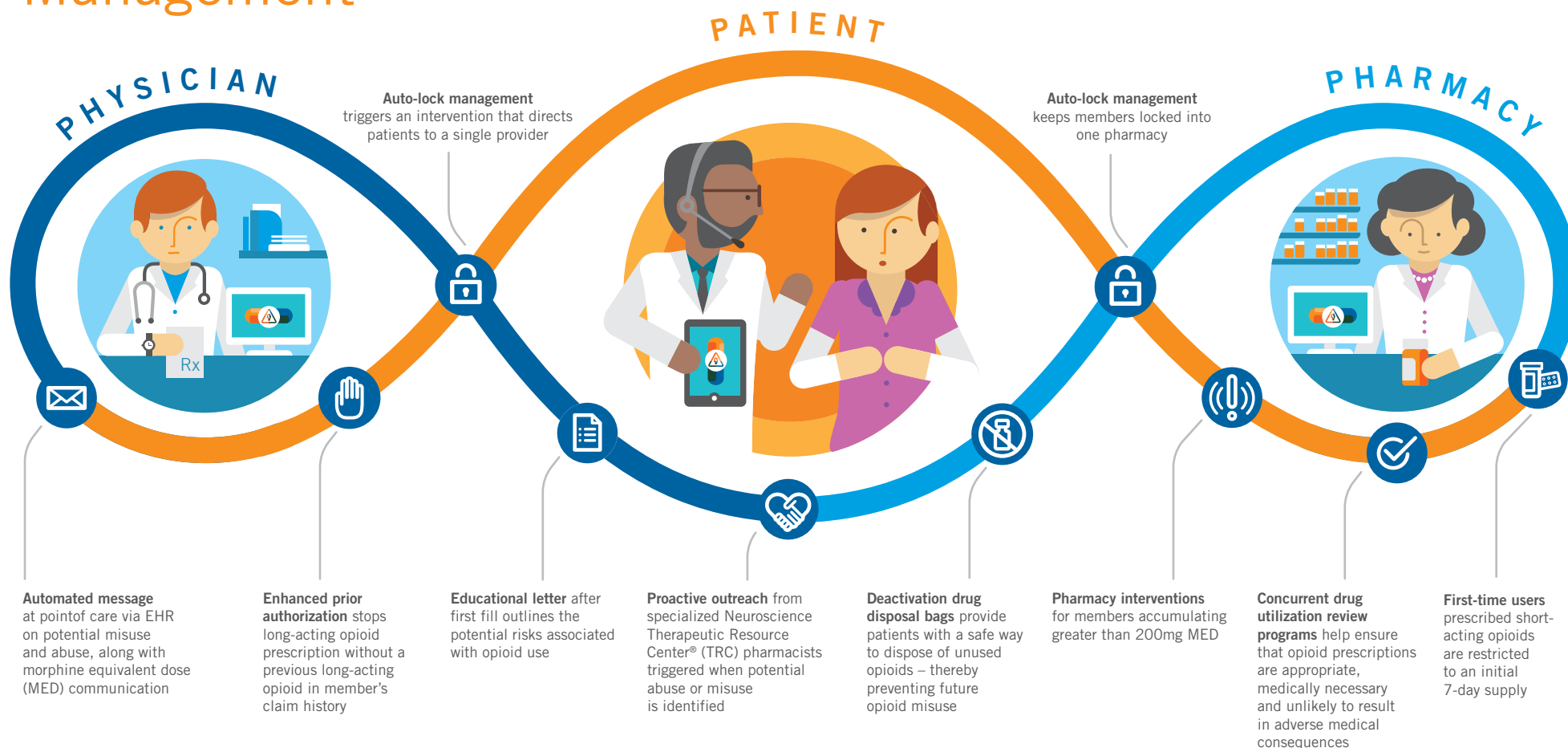




## SOLUTION

# Advanced Opioid Management<sup>SM</sup>

**OUR COMPREHENSIVE OPIOID SOLUTION** is the most aggressive, broadest approach in the industry. It touches the physician's office, patient's home and pharmacy to help shield plan sponsors members from this devastating crisis.



## YOUR OPIOID SOLUTION STARTS WITH THE RIGHT DATA

The Express Scripts opioid solution is not just a bandage, it's a treatment. We provide your team with data and analytics to help you understand your situation today, monitor ongoing progress and see future trends.

**LEARN MORE** at [express-scripts.com/corporate](https://express-scripts.com/corporate)

**CONTACT** your Express Scripts account team to see how we can make a difference together.



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# Memorandum

**TO:** NDPERS Board

**FROM:** MaryJo Anderson

**DATE:** December 1, 2017

**SUBJECT:** Service Purchase Factor Update

At the September 2017 meeting, the Board confirmed the assumptions for the service purchase factors/methodology effective January 1, 2018 as follows:

1. Salary Increase Assumption - varies by age, years of service and employer (either state or non-state)
2. Interest Rate Assumption - rate of 7.75 percent
3. Mortality Rates - consistent with rates used for the retirement benefit option factors
4. Cost Calculation Methodology - factors in present value of future employee contributions based upon earlier retirement age
5. Effective Date of Implementation – any requests received on or after January 1, 2018 for the Main, Judges, Public Safety, Highway Patrol and Retiree Health Insurance Credit plans

In mid-October, NDPERS communicated to membership that the cost to purchase service credit would be increasing effective January 1, 2018 due to new factors/methodology. This change was communicated through the NDPERS website and Facebook, along with both the employee and employer newsletters. Direct email blasts were also sent to employers for distribution (Attachment 1). In October, NDPERS also started inserting a colored notice with each cost calculation being mailed stating service purchase costs increase effective January 1, 2018.

Since this announcement, NDPERS has experienced a higher volume of appointments for service purchase related questions, along with more service purchase requests being submitted. So far, NDPERS staff has been able to accommodate the increased volume of service purchase requests. Communication to membership indicates that requests may take up to 2-3 weeks processing time before cost quote information is mailed. However, the workload has been manageable and we have been able to continue to maintain this level of service.

Below is a breakdown of the volume of requests for 2017 as of 12/1/2017.

| Number of Service Purchase Requests |      |
|-------------------------------------|------|
| January                             | 126  |
| February                            | 48   |
| March                               | 110  |
| April                               | 108  |
| May                                 | 101  |
| June                                | 100  |
| July                                | 67   |
| August                              | 76   |
| September                           | 99   |
| October                             | 242  |
| November                            | 331  |
| December                            | 8    |
| Total                               | 1416 |

In November, GRS finalized the new service purchase actuarial factors based upon the approved assumptions and cost calculation methodology. In looking at a few calculations, the percent increase from the old service purchase factors/methodology to the new factors/methodology is estimated to be approximately 8-35%.

Examples from the service purchase calculations are shown below:

|          | Employer  | Plan          | Age | Years of Service | Final Average Salary | Months Purchased | Meets Rule | Current Retirement Purchase Factors | New Retirement Purchase Factors | Percent Increase |
|----------|-----------|---------------|-----|------------------|----------------------|------------------|------------|-------------------------------------|---------------------------------|------------------|
| <u>1</u> | State     | Main          | 54  | 26               | \$7,956.33           | 60               | Yes        | \$105,864.06                        | \$ 114,679.53                   | 8.33%            |
| <u>2</u> | State     | Main          | 53  | 15               | \$3,776.89           | 15               | Yes        | \$ 9,975.54                         | \$ 12,455.20                    | 24.86%           |
| <u>3</u> | State     | Main          | 48  | 29               | \$3,231.64           | 6                | No         | \$ 4,064.17                         | \$ 4,494.52                     | 10.59%           |
| <u>4</u> | Non-state | Main          | 37  | 3                | \$1,712.53           | 66               | Yes        | \$ 17,029.61                        | \$ 22,392.23                    | 31.49%           |
| <u>5</u> | Non-state | Public Safety | 30  | 4                | \$3,947.73           | 24               | Yes        | \$ 13,415.83                        | \$ 17,253.13                    | 28.60%           |

*Please note that the calculations shown above do not include the cost of the retiree health insurance credit (RHIC), as this is an added cost and separate calculation. It is estimated that the RHIC amount for each cost calculation will have an increase similar to the retirement portion.*

As for system enhancements, NDPERS will be working throughout December to finalize the programming requirements and testing for the new service purchase cost factors/methodology to be implemented January 1, 2018.

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

## Attachment 1

Email Blast sent to employers for distribution on October 26, 2017

Dear member,

Effective January 1, 2018 **the cost to purchase service credit will increase\*** for members enrolled in the NDPERS and Highway Patrol Defined Benefit retirement plans. Pursuant to an experience study and recommendation by our actuarial consultant Gabriel Roeder Smith & Co (GRS), the NDPERS Board adopted a new methodology and factors to reflect actuarial equivalence when purchasing service credit. NDPERS recently received more information from GRS and determined the new method and factors will result in an increase in the cost to purchase service.

*\*This increase in cost does not apply to the purchase of unused sick leave at the time you are leaving employment.*

You must meet certain [criteria to purchase service credit](#).

### ***IF YOU ARE INTERESTED IN PURCHASING SERVICE PRIOR TO 2018:***

1. ***Get an estimate:*** Access [PERSLink Member Self Service \(MSS\) online portal or mobile app](#) to process an estimate based on your personal information.
2. ***Submit an official request:*** Log into your [PERSLink Member Self Service \(MSS\) online portal or mobile app](#) and select the *Service Purchase* option. You may also download, complete, print, sign, and date [SFN 53718 – Request for Purchase Information](#). Please **submit your request as soon as possible** to allow adequate processing time. Requests will be processed on a first come first serve basis. Cost quotes are valid for 90 days or until the 15<sup>th</sup> of the month following the month of termination, whichever occurs first.

**Requests received on or after January 1, 2018 will be calculated under the new factors and methodology and will be subject to a cost increase.**

For more information, please visit our [website](#) or call NDPERS at 701-328-3900 or 1-800-803-7377.



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# Memo

To: NDPERS Board  
From: Bryan T. Reinhardt  
Date: December 12, 2017  
Re: 457 Companion Plan & 401(a) Plan 3rd Quarter 2017 Report

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Here is the 3rd quarter 2017 investment report for the 401(a) & 457 Companion Plan. The reports are available separately on the NDPERS web site. The NDPERS Investment Subcommittee reviewed the 3rd quarter reports. The two plans have 7,457 participants with an account balance and about \$117 million in assets.

Assets in the 401(a) plan increased to \$12.7 million as of September 30, 2017. The number of active participants is at 110. The largest funds are the TIAA-CREF Lifecycle funds with 62% of assets.

Assets in the 457 Companion Plan increased to \$104.3 million as of September 30, 2017. The number of active participants is increasing and is now at 4,643. The largest funds are the TIAA-CREF Lifecycle funds with 72% of assets.

## Benchmarks:

Fund returns for the quarter were mostly positive with only the Cohen & Steers Realty fund (CSRSX) and RidgeWorth Mid Cap Value fund (SMVTX) having negative quarterly returns. Core fund performance was mixed when compared to their benchmarks and peer funds. Note that index funds are expected to slightly underperform their benchmarks because of fund administration fees.

## Fund / Investment News:

The NDPERS Investment Subcommittee heard and reviewed the response from TIAA on the recent NY Times articles on TIAA sales practices and NY subpoena of TIAA. The subcommittee received the 3rd quarter plan review, field activity report, fee analysis, and investment overview from TIAA. It was noted that the fund revenue sharing is currently at the required 23 bps for administration. The Subcommittee did not mark any funds as underperforming for the quarter. The subcommittee took no action on the funds currently under formal fund review. The subcommittee will review these four funds look at the active international area at the next meeting. We are also looking at the 1,243 accounts of terminated members with less than a \$1,000 balance. The subcommittee reviewed the investment policies for all the plans including suggested changes from the Retirement and Investment office and will bring these to the full NDPERS Board to approve. RIO also gave a performance update and is working with SEI to have Job Service and RHIC plan updates at the next quarterly meeting.

NDPERS  
Quarterly Investment  
Report  
3<sup>rd</sup> Quarter  
7/1/2017 – 9/30/2017



North Dakota Public Employees Retirement System  
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Bismarck, ND 58502

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

|                            |  |   |   |               |
|----------------------------|--|---|---|---------------|
| <b>INITIAL OFFERING:</b>   |  |   |   |               |
|                            | Hartford Dividend & Growth<br>T.Rowe Price Equity Income | Vanguard 500 Index Signal<br>Vanguard Dividend Growth       | Franklin Growth Adv<br>Wells Fargo Adv Growth Adm | <b>LARGE</b>  |
|                            |  |   |   |               |
|                            |  |   |   |               |
|                            | RidgeWorth Mid Cap Value Equity I                        | ASTON/Fairpointe Mid Cap I<br>Columbia Mid Cap Index A      | Prudential Jennison Mid Cap Growth Z              | <b>MEDIUM</b> |
|                            |  |   |   |               |
|                            |  |   |   |               |
|                            | Allianz NFJ Small Cap Value                              | DFA US Small Cap  | Brown Capital Mgmt Small Co Inv                   | <b>SMALL</b>  |
|                            |  |   |   |               |
|                            |  |   |   |               |
|                            | <b>VALUE</b>   | <b>BLEND</b>  | <b>GROWTH</b>                                     |               |
| BALANCED FUND:             | T.Rowe Price Capital Appreciation                        |   |   |               |
| INCOME FUNDS:              | Wells Fargo Stable Value Fund J                          | Vanguard Prime Money Market                                 |   |               |
| BOND FUNDS:                | PIMCO Total Return Bond Fund                             | Vanguard Total Bond Index Fund                              | Templeton Global Bond                             |               |
|                            | PIMCO Real Return Admin Bond Fund                        | Prudential High Yield Z                                     |   |               |
| REAL ESTATE:               | Cohen & Steers Realty Shares                             |   |   |               |
| INTERNATIONAL FUNDS:       | Mutual Global Discovery Z                                | Vanguard Total Intl Stock Index                             | Oppenheimer Developing Markets Y                  |               |
| LIFESTYLE FUNDS:           | TIAA-CREF Lifecycle Ret Income                           | TIAA-CREF Lifecycle 2025                                    | TIAA-CREF Lifecycle 2045                          |               |
|                            | TIAA-CREF Lifecycle 2010                                 | TIAA-CREF Lifecycle 2030                                    | TIAA-CREF Lifecycle 2050                          |               |
|                            | TIAA-CREF Lifecycle 2015                                 | TIAA-CREF Lifecycle 2035                                    | TIAA-CREF Lifecycle 2055                          |               |
|                            | TIAA-CREF Lifecycle 2020                                 | TIAA-CREF Lifecycle 2040                                    | TIAA-CREF Lifecycle 2060                          |               |
| <b>FUND STYLE CHANGES:</b> |  |   |   |               |
|                            |  |   |   | <b>LARGE</b>  |
|                            | ASTON/Fairpointe Mid Cap I                               | RidgeWorth Mid Cap Value Equity                             |   | <b>MEDIUM</b> |
|                            |  |   |   | <b>SMALL</b>  |
|                            | <b>VALUE</b>   | <b>BLEND</b>  | <b>GROWTH</b>                                     |               |
| <b>OTHER FUNDS:</b>        |  |   |   |               |
| <b>CURRENT LINEUP:</b>     |  |   |   |               |
|                            | Hartford Dividend & Growth<br>T.Rowe Price Equity Income | Vanguard 500 Index Signal<br>Vanguard Dividend Growth       | Franklin Growth Adv<br>Wells Fargo Adv Growth Adm | <b>LARGE</b>  |
|                            |  |   |   |               |
|                            |  |   |   |               |
|                            | ASTON/Fairpointe Mid Cap I                               | Columbia Mid Cap Index A<br>RidgeWorth Mid Cap Value Equity | Prudential Jennison Mid Cap Growth Z              | <b>MEDIUM</b> |
|                            |  |   |   |               |
|                            |  |   |   |               |
|                            | Allianz NFJ Small Cap Value                              | DFA US Small Cap  | Brown Capital Mgmt Small Co Inv                   | <b>SMALL</b>  |
|                            |  |   |   |               |
|                            |  |   |   |               |
|                            | <b>VALUE</b>   | <b>BLEND</b>  | <b>GROWTH</b>                                     |               |
| BALANCED FUND:             | T.Rowe Price Capital Appreciation                        |   |   |               |
| INCOME FUNDS:              | Wells Fargo Stable Value Fund J                          | Vanguard Treasury Money Market                              |   |               |
| BOND FUNDS:                | PIMCO Total Return Bond Fund                             | Vanguard Total Bond Index Fund                              | Templeton Global Bond                             |               |
|                            | PIMCO Real Return Admin Bond Fund                        | Prudential High Yield Z                                     |   |               |
| REAL ESTATE:               | Cohen & Steers Realty Shares                             |   |   |               |
| INTERNATIONAL FUNDS:       | Mutual Global Discovery Z                                | Vanguard Total Intl Stock Index                             | Oppenheimer Developing Markets Y                  |               |
| LIFESTYLE FUNDS:           | TIAA-CREF Lifecycle Ret Income                           | TIAA-CREF Lifecycle 2025                                    | TIAA-CREF Lifecycle 2045                          |               |
|                            | TIAA-CREF Lifecycle 2010                                 | TIAA-CREF Lifecycle 2030                                    | TIAA-CREF Lifecycle 2050                          |               |
|                            | TIAA-CREF Lifecycle 2015                                 | TIAA-CREF Lifecycle 2035                                    | TIAA-CREF Lifecycle 2055                          |               |
|                            | TIAA-CREF Lifecycle 2020                                 | TIAA-CREF Lifecycle 2040                                    | TIAA-CREF Lifecycle 2060                          |               |

## NDPERS Investment Benchmarks - 3rd Quarter 2017

|  | Quarter | Y-T-D  | 1-Year | 3-Year | 5-Year |
|--|---------|--------|--------|--------|--------|
| <u>Stable Value / Money Market Fund</u>                      |         |        |        |        |        |
| <b>Vanguard Treasury Money Market - VUSXX</b>                | 0.23%   | 0.53%  | 0.60%  | 0.27%  | 0.17%  |
| <b>Wells Fargo Stable Return Fund J - WFSJ#</b>              | 0.28%   | 0.79%  | 1.05%  | 0.93%  | 0.89%  |
| 3 Month T-Bill Index   | 0.26%   | 0.56%  | 0.64%  | 0.29%  | 0.19%  |
| <u>Fixed Income Fund</u>                                     |         |        |        |        |        |
| <b>PIMCO Real Return Admin - PARRX</b>                       | 0.90%   | 2.37%  | -0.10% | 1.07%  | -0.34% |
| <b>PIMCO Total Return Bond Fund - PTRAX &lt;ON WATCH&gt;</b> | 1.44%   | 4.82%  | 2.18%  | 2.96%  | 2.17%  |
| <b>Vanguard Total Bond Market Index Fund - VBTXX</b>         | 0.73%   | 3.14%  | -0.13% | 2.62%  | 1.97%  |
| Barclays Aggregate Bond Index                                | 0.85%   | 3.14%  | 0.07%  | 2.71%  | 2.06%  |
| Taxable Corporate Bond Fund Universe                         | 1.24%   | 4.81%  | 2.15%  | 3.74%  | 3.37%  |
| <b>Prudential High Yield Z - PHYZX</b>                       | 1.86%   | 7.30%  | 8.83%  | 6.23%  | 6.48%  |
| ML High Yield Bond Fund Index                                | 2.04%   | 7.05%  | 9.06%  | 5.87%  | 6.38%  |
| High Yield Bond Fund Universe                                | 1.79%   | 5.94%  | 7.77%  | 4.17%  | 5.14%  |
| <b>Templeton Global Bond Adv - TGBAX</b>                     | 1.19%   | 4.52%  | 13.17% | 1.70%  | 2.97%  |
| Citi World Govt Bond Index                                   | 1.81%   | 6.38%  | -2.69% | 0.88%  | -0.43% |
| World Bond Fund Universe                                     | 1.63%   | 6.09%  | 1.96%  | 1.48%  | 1.15%  |
| <u>Real Estate Fund</u>                                      |         |        |        |        |        |
| <b>Cohen &amp; Steers Realty Shares - CSRSX</b>              | -0.03%  | 4.00%  | 0.24%  | 9.77%  | 9.57%  |
| FTSE NAREIT All Equity REITs Index                           | 0.94%   | 3.67%  | 0.67%  | 9.86%  | 9.69%  |
| Real Estate Fund Universe                                    | 0.76%   | 4.16%  | 1.78%  | 8.76%  | 8.73%  |
| <u>Balanced Fund</u>   |         |        |        |        |        |
| <b>T.Rowe Price Capital Appreciation - PACLX</b>             | 2.55%   | 11.76% | 11.84% | 9.91%  | 11.99% |
| 60% Large Cap Value Univ & 40% Taxable Bond Universe         | 2.78%   | 7.57%  | 10.56% | 6.29%  | 8.69%  |
| 60% Russell 1000 Value & 40% Agg Bond Index                  | 2.21%   | 6.01%  | 9.10%  | 6.20%  | 8.74%  |
| <u>Large Cap Equities - Value</u>                            |         |        |        |        |        |
| <b>Hartford Dividend &amp; Growth - HDGTX</b>                | 4.19%   | 11.36% | 18.87% | 9.54%  | 13.38% |
| <b>T.Rowe Price Equity Income - PRFDX &lt;ON WATCH&gt;</b>   | 4.37%   | 10.18% | 18.25% | 8.11%  | 11.76% |
| Russell 1000 Value Index                                     | 3.11%   | 7.92%  | 15.12% | 8.53%  | 13.20% |
| Large Cap Value Fund Universe                                | 3.80%   | 9.41%  | 16.17% | 7.99%  | 12.23% |
| <u>Large Cap Equities - Blend</u>                            |         |        |        |        |        |
| <b>Vanguard 500 Index - VFIAX</b>                            | 4.48%   | 14.20% | 18.57% | 10.78% | 14.18% |
| <b>Vanguard Dividend Growth Fund - VDIGX</b>                 | 2.76%   | 12.97% | 14.11% | 9.56%  | 12.81% |
| S&P 500 Index  | 4.48%   | 14.24% | 18.61% | 10.81% | 14.22% |
| Large Cap Blend Fund Universe                                | 4.19%   | 13.19% | 17.65% | 9.03%  | 12.91% |
| <u>Large Cap Equities - Growth</u>                           |         |        |        |        |        |
| <b>Wells Fargo Adv Growth Adm - SGRKX &lt;ON WATCH&gt;</b>   | 6.92%   | 26.29% | 21.10% | 10.48% | 11.74% |
| Russell 3000 Growth Index                                    | 5.93%   | 20.43% | 21.87% | 12.65% | 15.18% |
| <b>Franklin Growth Adv - FCGAX</b>                           | 5.32%   | 19.81% | 21.43% | 12.25% | 15.03% |
| Russell 1000 Growth Index                                    | 5.90%   | 20.72% | 21.94% | 12.70% | 15.26% |
| Large Cap Growth Fund Universe                               | 5.29%   | 19.85% | 19.75% | 10.36% | 13.70% |
| <u>Mid Cap Equities - Value</u>                              |         |        |        |        |        |
| <b>RidgeWorth Mid Cap Value Equity I - SMVTX</b>             | -0.25%  | 6.42%  | 14.70% | 8.01%  | 13.17% |
| Russell Mid Cap Value  | 2.14%   | 7.43%  | 13.37% | 9.19%  | 14.33% |
| Mid Cap Value Fund Universe                                  | 3.06%   | 7.46%  | 14.83% | 7.90%  | 12.71% |
| <u>Mid Cap Equities - Blend</u>                              |         |        |        |        |        |
| <b>Columbia Mid Cap Index A - NTIAX</b>                      | 3.10%   | 8.98%  | 16.94% | 10.66% | 13.90% |
| S&P Mid Cap 400  | 3.22%   | 9.40%  | 17.52% | 11.18% | 14.43% |
| <b>AMG/Fairpointe Mid Cap I - ABMIX</b>                      | 0.82%   | 6.09%  | 20.09% | 7.39%  | 14.22% |
| Wilshire 4500 Index  | 4.96%   | 12.46% | 19.73% | 11.46% | 14.85% |
| Mid Cap Blend Fund Universe                                  | 3.57%   | 9.92%  | 15.93% | 8.00%  | 12.86% |
| <u>Mid Cap Equities - Growth</u>                             |         |        |        |        |        |
| <b>Prudential Jennison Mid Cap Growth Z - PEGZX</b>          | 4.22%   | 16.45% | 17.49% | 8.04%  | 10.68% |
| Russell Mid Cap Growth                                       | 5.28%   | 17.29% | 17.82% | 9.96%  | 14.18% |
| Mid Cap Growth Fund Universe                                 | 4.63%   | 16.84% | 18.18% | 9.13%  | 12.62% |
| <b>Fund Returns in RED do not meet both benchmarks.</b>      |         |        |        |        |        |
| <b>Fund Returns in BLACK meet both benchmarks.</b>           |         |        |        |        |        |



## NDPERS Investment Benchmarks - 3rd Quarter 2017

|   | Quarter | Y-T-D  | 1-Year | 3-Year | 5-Year |
|---|---------|--------|--------|--------|--------|
| <u>Small Cap Equities - Value</u>   |         |        |        |        |        |
| <b>Allianz NFJ Small Cap Value - PVADX &lt;ON WATCH&gt;</b>   | 3.54%   | 6.34%  | 19.28% | 6.89%  | 10.61% |
| Russell 2000 Value Index  | 5.11%   | 5.68%  | 20.55% | 12.12% | 13.27% |
| Small Value Fund Universe   | 4.69%   | 4.82%  | 17.89% | 9.17%  | 12.32% |
| <u>Small Cap Equities - Blend</u>   |         |        |        |        |        |
| <b>DFA US Small Cap - DFSTX</b>   | 5.42%   | 7.44%  | 19.77% | 11.76% | 14.48% |
| Russell 2000 Index  | 5.67%   | 10.94% | 20.74% | 12.18% | 13.79% |
| Small Blend Fund Universe   | 5.10%   | 8.45%  | 18.91% | 10.01% | 12.83% |
| <u>Small Cap Equities - Growth</u>  |         |        |        |        |        |
| <b>Brown Capital Mgmt Small Co Inv - BCSIX</b>  | 3.83%   | 22.29% | 20.47% | 16.21% | 17.59% |
| Russell 2000 Growth Index   | 6.22%   | 16.81% | 20.98% | 12.17% | 14.28% |
| Small Growth Fund Universe  | 5.62%   | 15.93% | 20.40% | 11.15% | 13.05% |
| <u>International Equity Funds</u>   |         |        |        |        |        |
| <b>Mutual Global Discovery Z - MDISX</b>  | 1.88%   | 8.68%  | 15.53% | 6.19%  | 9.96%  |
| <b>Vanguard Total Intl Stock Index Inv - VTIAX</b>  | 5.95%   | 21.62% | 19.27% | 5.31%  | 7.49%  |
| MSCI EAFE   | 6.16%   | 21.13% | 19.61% | 4.70%  | 6.97%  |
| International Stock Fund Universe   | 5.34%   | 20.33% | 18.01% | 5.07%  | 7.74%  |
| <b>Oppenheimer Developing Markets Y - ODVYX</b>   | 8.27%   | 28.56% | 21.99% | 3.47%  | 5.19%  |
| MSCI Emerging Markets Index   | 7.89%   | 27.78% | 22.46% | 4.90%  | 3.99%  |
| Diversified Emerging Mkts Universe  | 7.32%   | 26.19% | 19.93% | 3.86%  | 4.09%  |
| <u>Asset Allocation Funds:</u>  |         |        |        |        |        |
| <b>TIAA-CREF Lifecycle Ret Income - TLIRX</b>   | 2.98%   | 9.13%  | 8.51%  | 5.36%  | 6.01%  |
| Income Benchmark  | 2.35%   | 7.70%  | 7.21%  | 4.89%  | 5.77%  |
| <b>TIAA-CREF Lifecycle 2010 - TCLEX</b>   | 3.13%   | 9.59%  | 9.14%  | 5.65%  | 6.64%  |
| 2010 Benchmark  | 2.48%   | 8.12%  | 7.77%  | 5.09%  | 6.09%  |
| <b>TIAA-CREF Lifecycle 2015 - TCLIX</b>   | 3.37%   | 10.47% | 10.08% | 6.05%  | 7.27%  |
| 2015 Benchmark  | 2.70%   | 8.81%  | 8.70%  | 5.44%  | 6.62%  |
| <b>TIAA-CREF Lifecycle 2020 - TCLTX</b>   | 3.77%   | 11.58% | 11.52% | 6.56%  | 8.10%  |
| 2020 Benchmark  | 3.01%   | 9.78%  | 10.03% | 5.92%  | 7.36%  |
| <b>TIAA-CREF Lifecycle 2025 - TCLFX</b>   | 4.23%   | 12.91% | 13.14% | 7.11%  | 8.96%  |
| 2025 Benchmark  | 3.37%   | 10.92% | 11.62% | 6.47%  | 8.24%  |
| <b>TIAA-CREF Lifecycle 2030 - TCLNX</b>   | 4.60%   | 14.16% | 14.72% | 7.62%  | 9.76%  |
| 2030 Benchmark  | 3.73%   | 12.06% | 13.21% | 7.03%  | 9.12%  |
| <b>TIAA-CREF Lifecycle 2035 - TCLRX</b>   | 4.99%   | 15.39% | 16.31% | 8.09%  | 10.51% |
| 2035 Benchmark  | 4.09%   | 13.17% | 14.80% | 7.55%  | 9.97%  |
| <b>TIAA-CREF Lifecycle 2040 - TCLOX</b>   | 5.43%   | 16.59% | 17.98% | 8.53%  | 11.04% |
| 2040 Benchmark  | 4.44%   | 14.26% | 16.41% | 8.06%  | 10.81% |
| <b>TIAA-CREF Lifecycle 2045 - TTFRX</b>   | 5.64%   | 17.25% | 18.65% | 8.79%  | 11.20% |
| 2045 Benchmark  | 4.62%   | 14.79% | 17.19% | 8.31%  | 11.22% |
| <b>TIAA-CREF Lifecycle 2050 - TLFRX</b>   | 5.71%   | 17.30% | 18.86% | 8.86%  | 11.23% |
| 2050 Benchmark  | 4.67%   | 14.95% | 17.42% | 8.38%  | 11.35% |
| <b>TIAA-CREF Lifecycle 2055 - TTRLX</b>   | 5.78%   | 17.50% | 19.17% | 8.98%  | 11.30% |
| 2055 Benchmark  | 4.72%   | 15.11% | 17.66% | 8.46%  | 11.47% |
| <b>TIAA-CREF Lifecycle 2060 - TTRLX</b>   | 5.81%   | 17.74% | 19.32% | 9.09%  | N/A    |
| 2060 Benchmark  | 4.72%   | 15.11% | 17.66% | 8.46%  | 11.47% |
| Income Benchmark is comprised of 26.25% Wilshire 5000, 11.25% MSCI EAFE, 50.0% Ag Bond, 2.5% REIT Index, 10.0% 3 Month T-Bill |         |        |        |        |        |
| 2010 Benchmark is comprised of 28.35% Wilshire 5000, 12.15% MSCI EAFE, 48.2% Ag Bond, 2.5% REIT Index, 8.8% 3 Month T-Bill    |         |        |        |        |        |
| 2015 Benchmark is comprised of 31.85% Wilshire 5000, 13.65% MSCI EAFE, 45.2% Ag Bond, 2.5% REIT Index, 6.8% 3 Month T-Bill    |         |        |        |        |        |
| 2020 Benchmark is comprised of 36.82% Wilshire 5000, 15.78% MSCI EAFE, 40.2% Ag Bond, 2.5% REIT Index, 4.8% 3 Month T-Bill    |         |        |        |        |        |
| 2025 Benchmark is comprised of 42.77% Wilshire 5000, 18.33% MSCI EAFE, 33.6% Ag Bond, 2.5% REIT Index, 2.8% 3 Month T-Bill    |         |        |        |        |        |
| 2030 Benchmark is comprised of 48.72% Wilshire 5000, 20.88% MSCI EAFE, 27.1% Ag Bond, 2.5% REIT Index, 0.8% 3 Month T-Bill    |         |        |        |        |        |
| 2035 Benchmark is comprised of 54.67% Wilshire 5000, 23.43% MSCI EAFE, 19.4% Ag Bond, 2.5% REIT Index                         |         |        |        |        |        |
| 2040 Benchmark is comprised of 60.62% Wilshire 5000, 25.98% MSCI EAFE, 10.9% Ag Bond, 2.5% REIT Index                         |         |        |        |        |        |
| 2045 Benchmark is comprised of 63.53% Wilshire 5000, 27.22% MSCI EAFE, 6.75% Ag Bond, 2.5% REIT Index                         |         |        |        |        |        |
| 2050 Benchmark is comprised of 64.4% Wilshire 5000, 27.6% MSCI EAFE, 5.5% Ag Bond, 2.5% REIT Index                            |         |        |        |        |        |
| 2055&2060 Benchmark is comprised of 65.28% Wilshire 5000, 27.97% MSCI EAFE, 4.25% Ag Bond, 2.5% REIT Index                    |         |        |        |        |        |
| Wilshire 5000 Index   | 4.50%   | 13.75% | 18.62% | 10.39% | 14.08% |
| FTSE NAREIT Index   | 0.94%   | 3.67%  | 0.67%  | 9.86%  | 9.69%  |
| MSCI EAFE   | 6.16%   | 21.13% | 19.61% | 4.70%  | 6.97%  |
| Barclays Aggregate Bond Index   | 0.85%   | 3.14%  | 0.07%  | 2.71%  | 2.06%  |
| 3 Month T-Bill Index  | 0.26%   | 0.56%  | 0.64%  | 0.29%  | 0.19%  |
| <b>Fund Returns in RED do not meet both benchmarks. Fund Returns in BLACK meet both benchmarks.</b>                           |         |        |        |        |        |

**NDPERS Q3 2016 vs. Q3 2017  
COMPARATIVE STATS AS OF 9/30**

**401(a) Defined Contribution Plan;**

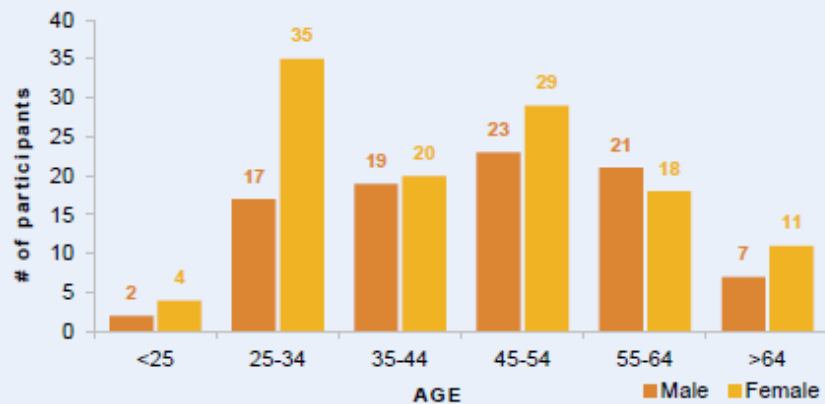
|                                    | <b><u>2016</u></b>         | <b><u>2017</u></b>         | <b><u>% Diff.</u></b> |
|------------------------------------|----------------------------|----------------------------|-----------------------|
| Assets                             | \$11,308,799.08            | \$12,685,252.75            | 12%                   |
| Total Contributions                | \$215,068.46 (101 members) | \$240,278.09 (107 members) | 12%                   |
| Avg. Mo. Contrib's (3 pay periods) | \$709.80                   | \$748.53                   | 5%                    |
| Male Contributions                 | \$112,088.62 (43 members)  | \$119,105.22 (46 members)  | 6%                    |
| Male Avg. Contribution             | \$1,932.56 (43 members)    | \$2,589.24 (46 members)    | 34%                   |
| Female Contributions               | \$102,979.84 (58 members)  | \$121,172.87 (61 members)  | 18%                   |
| Female Avg. Contribution           | \$1,775.51 (58 members)    | \$1,986.44 (61 members)    | 12%                   |

**457(b) Deferred Compensation Plan (Companion Plan);**

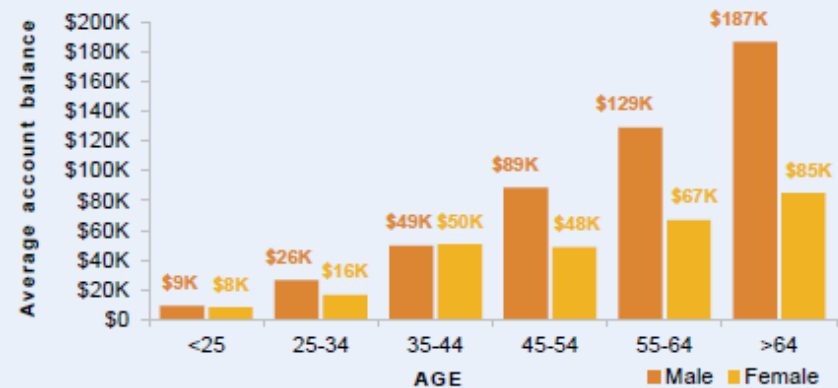
|                                   | <b><u>2016</u></b>            | <b><u>2017</u></b>            | <b><u>% Diff.</u></b> |
|-----------------------------------|-------------------------------|-------------------------------|-----------------------|
| Assets                            | \$83,016,685.30               | \$104,332,835.49              | 26%                   |
| Total Contributions               | \$2,373,453.05 (4515 members) | \$2,752,596.48 (4799 members) | 16%                   |
| Avg. Mo. Contribs (5 pay periods) | \$105.14                      | \$114.72                      | 9%                    |
| Male Contributions                | \$1,190,698.89 (1932 members) | \$1,379,326.77 (2062 members) | 16%                   |
| Male Avg. Contribution            | \$123.26 (1932 members)       | \$133.79 (2062 members)       | 8.5%                  |
| Female Contributions              | \$1,180,779.16 (2575 members) | \$1,367,144.71 (2724 members) | 18%                   |
| Female Avg. Contribution          | \$91.71 (2575 members)        | \$100.38 (2724 members)       | 9%                    |

# Employee summary: Gender and age summary<sup>1</sup>

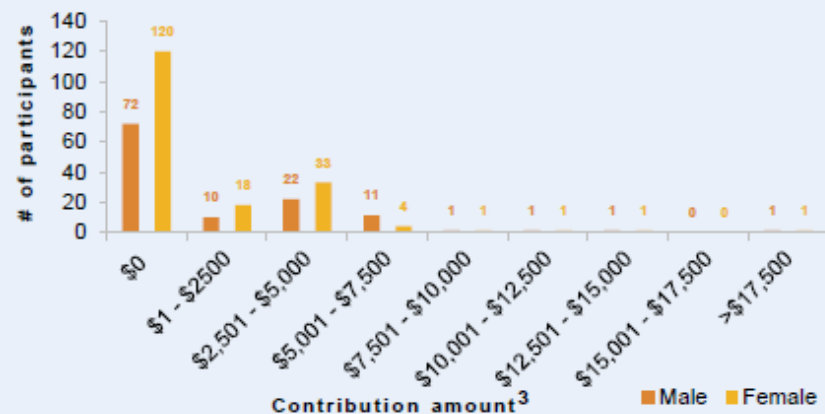
## Demographics by age and gender



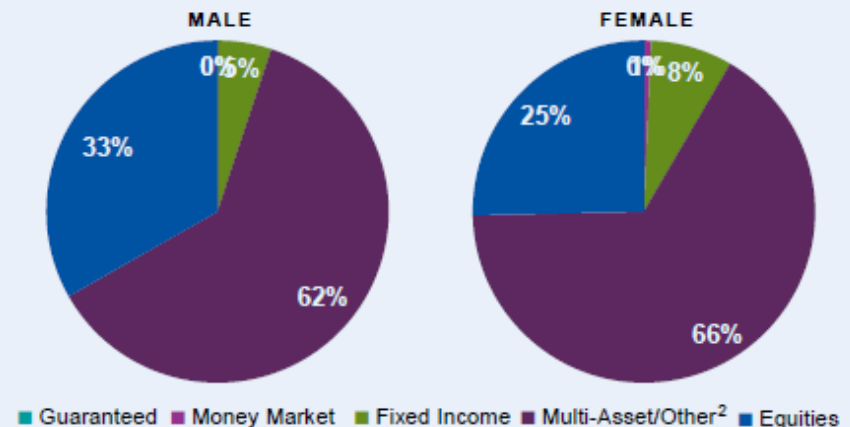
## Average account balance by age and gender



## Employee contribution amounts by gender



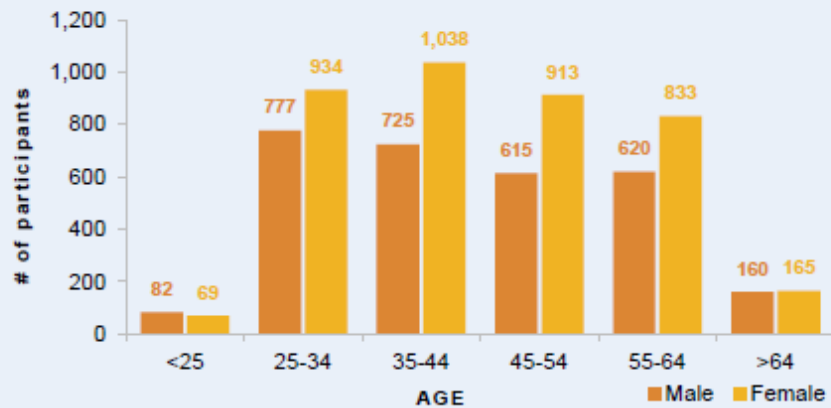
## Diversification by gender



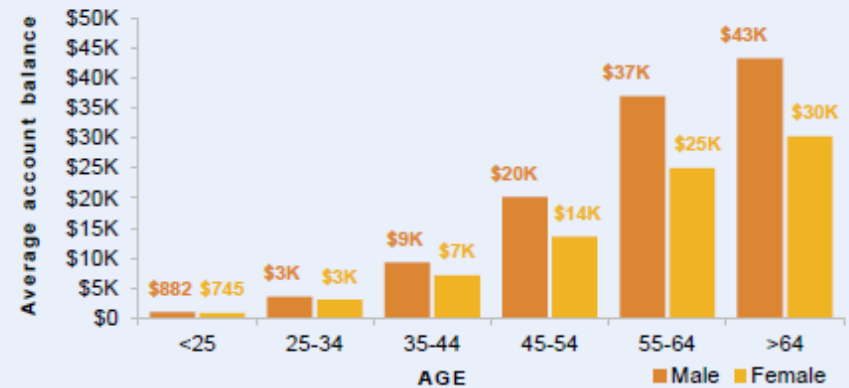
This report is as of the period ending 09/30/2017 and reflects the trailing 12 months of activity unless otherwise noted. The report includes all TIAA plans except 457(f), 457(b) Private, Nonqualified Deferred Compensation, and Retirement Healthcare plans. 1. Data reflected is for all participant statuses except Employee Contribution Amounts by Gender which includes only active or leave status. Does not include 1 participants with no age or gender on file. 2. Multi-Asset/Other includes Lifecycle, Real Estate, and Brokerage. 3. Contribution data reflects the trailing 12 months of data.

# Employee summary: Gender and age summary<sup>1</sup>

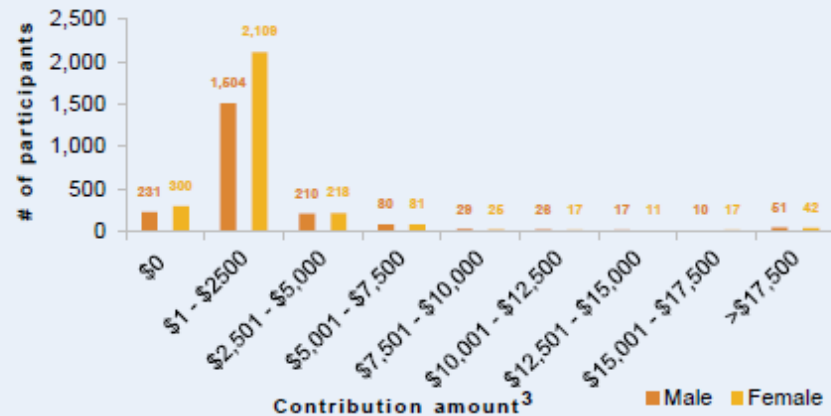
Demographics by age and gender



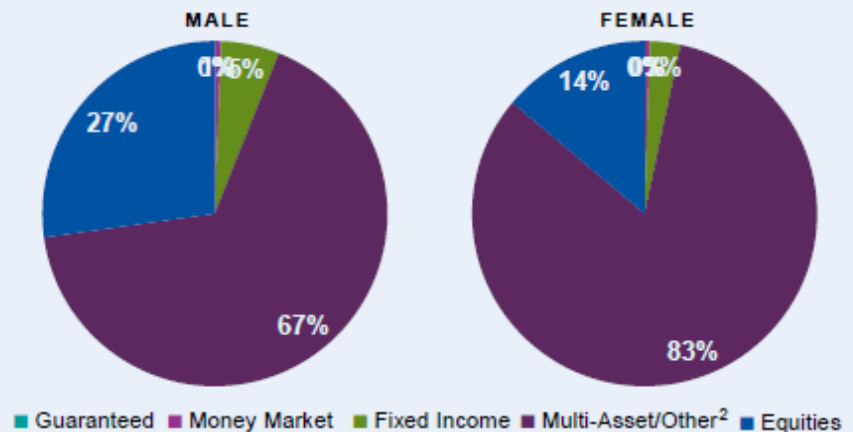
Average account balance by age and gender



Employee contribution amounts by gender



Diversification by gender



This report is as of the period ending 09/30/2017 and reflects the trailing 12 months of activity unless otherwise noted. The report includes all TIAA plans except 457(f), 457(b) Private, Nonqualified Deferred Compensation, and Retirement Healthcare plans. 1. Data reflected is for all participant statuses except Employee Contribution Amounts by Gender which includes only active or leave status. Does not include 395 participants with no age or gender on file. 2. Multi-Asset/Other includes Lifecycle, Real Estate, and Brokerage. 3. Contribution data reflects the trailing 12 months of data.



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# Memorandum

**TO:** NDPERS Board

**FROM:** Bryan

**DATE:** December 12, 2017

**SUBJECT:** Investment Policies

At the October NDPERS Board meeting we heard an investment update from RIO along with a recommendation to adjust the target allocation in the global fixed income asset class. The NDPERS investment subcommittee reviewed this change at their November 17<sup>th</sup> quarterly meeting and recommends the NDPERS Board adopt this change in the main system investment policy.

Staff and the investment subcommittee also reviewed the other investment policies and there are no significant changes. There are several administrative updates such as a change in a fund or benchmark name and updating contributions and return assumptions. The following investment policies are attached for your review:

- Deferred Compensation Companion Plan
- Defined Contribution Plan
- Group Insurance Account
- North Dakota Public Employees Retirement System and Highway Patrol
- Overview of Asset Class Definitions
- Retiree Health Insurance Credit Fund
- Job Service

## **Board Action**

Approve the investment policies

STATE OF NORTH DAKOTA  
DEFERRED COMPENSATION  
PROGRAM

PUBLIC EMPLOYEES  
RETIREMENT SYSTEM  
COMPANION PLAN

Statement of Investment Policy

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# STATE OF NORTH DAKOTA DEFERRED COMPENSATION PROGRAM PUBLIC EMPLOYEE RETIREMENT SYSTEM COMPANION PLAN STATEMENT OF INVESTMENT POLICY

## INTRODUCTION

The Public Employees Retirement System Board (Board) hereby adopts this Statement of Investment Policy for the Deferred Compensation Companion Plan (Plan).

### Objectives of the Plan

The Plan is a long-term retirement savings option intended as a source of retirement income for eligible participants. The investment options available from the Plan cover a broad range of investment risks and rewards typical of this kind of retirement savings program. Participants bear the risks and reap the rewards of investment returns that result from the investment options which they select.

This Statement of Investment Policy:

- Establishes the parameters of an investment program that will allow plan participants the opportunity to structure an investment strategy that meets their individual return objectives and risk tolerances.
- Defines the investment categories offered by the Plan;
- Establishes benchmarks and performance standards for each investment category by which to evaluate each fund's performance;
- Establishes a procedure for reporting and evaluating the various funds and a methodology for monitoring their performance; and
- Defines the procedures for investment fund evaluation and formal fund review.



# STATE OF NORTH DAKOTA DEFERRED COMPENSATION PROGRAM PUBLIC EMPLOYEE RETIREMENT SYSTEM COMPANION PLAN STATEMENT OF INVESTMENT POLICY

## SELECTION OF INVESTMENT OPTIONS

Each investment option offered under the Plan must:

- Operate under its published prospectus;
- Have its performance results measured against the applicable performance standards described herein for that investment category.

The Board may add or replace investment options in any category using any or all of the following general criteria:

- A. Historical performance over a reasonable time frame.
- B. Investment manager performance and tenure.
- C. Costs, including the expense ratio and any other fees.

Mutual fund options are selected through a comprehensive search process. Generally, the Board will first review the suitable offerings from the vendor's alliance family of funds. Absent a competitive offering from the vendor's list of alliance funds, the Board will select from qualified non-alliance funds.

## INVESTMENT CATEGORIES:

The Board in its judgment selects the number, types, and status of individual investment offerings. In general, the Board will seek to offer a sufficient number of investment funds to allow each participant the ability to construct a diversified portfolio consistent with his/her reasonable investment objective. The selection and elimination of investment options will be guided by the following philosophies and principles:

- A. The menu of offerings will be sufficient to allow each participant the ability to construct a diversified portfolio consistent with a reasonable investment goal. (See *Appendix 1* for a classification of the current offerings.) The menu will include at least one offering in each of the following asset categories:

STATE OF NORTH DAKOTA DEFERRED COMPENSATION PROGRAM  
PUBLIC EMPLOYEE RETIREMENT SYSTEM COMPANION PLAN  
STATEMENT OF INVESTMENT POLICY

- Stable Value Account
- Fixed Income
- Balanced
- Large Cap Equity
- Mid Cap Equity
- Small Cap Equity
- International Equity
- Asset Allocation

**B.** Within the domestic equity categories, the offerings may include funds that represent style subsets (value, growth, blend) of the broad market.

**C.** The offerings will include funds that offer pre-determined asset allocations of various risk tolerances or investment horizons.

**D.** The self-directed brokerage option is designed for a sophisticated, experienced and knowledgeable investor. Participants selecting this option will be required to sign an election form containing the following:

- (a) The participant understands and accepts any and all risks associated with this selection;
- (b) The participant understands and accepts that none of the mutual funds available in the self-directed brokerage option have been reviewed for suitability by the Board;
- (c) The participant is solely responsible for determining the suitability or appropriateness of any selected mutual fund; and
- (d) The participant agrees to hold the Plan and the Board harmless for any negative consequences resulting from use of the self-directed brokerage option.

## REPORTING AND MONITORING PROCEDURES

The Board will designate the status of each investment fund offered as either open or closed:

- **Open** – Eligible for new investments.
- **Closed** – Not eligible for new contributions, not eligible for the establishment of new accounts, and may require the existing accounts be transferred.

# STATE OF NORTH DAKOTA DEFERRED COMPENSATION PROGRAM PUBLIC EMPLOYEE RETIREMENT SYSTEM COMPANION PLAN STATEMENT OF INVESTMENT POLICY

## INVESTMENT FUND EVALUATION

The Board will at least annually review the plan and its investment funds, including investment performance. The investment performance review will include comparisons against the appropriate benchmark indices and peer groups over relevant time frames. The focus of the review will be to ensure that the Board is offering funds with competitive (average or above) performance within each category over reasonable measurement periods, typically encompassing a market cycle (3 to 5 years). The Board will also review the fund's investment style relative to its mandate and the stability of the personnel responsible for investment results. As the investment funds are retail mutual funds, the Board may rely on ratings produced by recognized performance evaluation services to evaluate long-term risk-adjusted performance relative to peers. Except for the annual review, the Board may delegate these duties to its investment sub-committee. The NDPERS Board will make the performance review available for the membership.

For performance benchmarks on current offerings, see *Appendix 1*. Funds meeting performance standards and policy objectives will be designated as open.

- A.** Funds rated as not meeting performance standards and policy objectives will, at the Board's discretion, either be placed in a closed status or on a "formal fund review list".
- B.** The Board, at its discretion, may remove funds from the "formal fund review list" should the fund's performance recover sufficiently to meet performance standards.
- C.** Funds that do not meet performance standards and/or policy objectives may be placed in the "Closed" status.
- D.** Failure by a fund to comply with these policy objectives and guidelines is cause for the Board to place the fund under formal fund review or close the fund.

The Board may place a fund under formal fund review, or immediately close a fund, for any reason, including:

- A.** The fund has made significant changes in its investment management, or such change appears imminent;
- B.** The fund has had a significant change in ownership or control;
- C.** The fund has significantly changed investment focus or has experienced style drift, departing from the investment objectives;

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- D. The fund has violated a SEC rule or regulation;
- E. The fund has experienced difficulty in transacting trades, fund transfers, or pricing;
- F. The fund has experienced other changes or problems in its procedures, operations, investing, or reporting which, in the Board's view, has or could detract from the objectives of the Plan;
- G. The fund has increased its fees or expenses.
- H. Other reasons the NDPERS Board deems requires such action.

The Board retains the right to waive any of the above policies if it deems that such waiver is in the best interest of the plan and/or its participants.

**FORMAL FUND REVIEW**

When a fund has been placed under formal review, the Board shall monitor the fund, its operations, and its performance. During this period the Board may close the fund.

**CLOSED FUNDS**

When the Board closes a fund it may direct that:

- A. No new contributions may be made to the fund after a specified date;
- B. The fund is terminated and participant account balances must be transferred to another fund option.

STATE OF NORTH DAKOTA DEFERRED COMPENSATION PROGRAM  
PUBLIC EMPLOYEE RETIREMENT SYSTEM COMPANION PLAN  
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If the Board closes a fund to new contributions it shall:

- A.** Promptly notify the Plan provider;
- B.** Promptly notify plan participants who are currently investing in the fund or who have assets in the closed fund of the Board's action and if applicable that new investment monies must be redirected to another fund option under the Plan within a time specified by the Board.

If the Board closes a fund by terminating its participation in the plan and requires all account balances to be transferred to another fund it shall:

- A.** Promptly notify the Plan provider;
- B.** Promptly notify plan participants who are currently investing in the fund or who have assets in the closed fund that the Board has terminated the fund as an investment option under the Plan and that:
  - New investment monies must be redirected to another fund option under the Plan within a time specified by the Board and
  - After 90 days notice to an affected member by the Board, all assets remaining in the terminated fund will be transferred to the default option designated by the Board.

# STATE OF NORTH DAKOTA DEFERRED COMPENSATION PROGRAM PUBLIC EMPLOYEE RETIREMENT SYSTEM COMPANION PLAN STATEMENT OF INVESTMENT POLICY

## APPENDIX 1

### Companion Plan Investment Options by Investment Category

| Asset Class        | Sector   | Fund(s)   | Benchmark(s)   |
|--------------------|----------|---|--|
| Balanced           | Balanced | T.Rowe Price Capital Appreciation                           | 60% Large Cap Value Fund Universe<br>and 40% Taxable Bond Fund Universe<br>60% Russell 1000 Value<br>and 40% Barclays Aggregate Bond Index |
| Large Cap Equities | Value    | Hartford Dividend & Growth                                  | Russell 1000 Value<br>Large Cap Value Fund Universe  |
|                    |          | T.Rowe Price Equity Income                                  | Russell 1000 Value<br>Large Cap Value Fund Universe  |
|                    | Blend    | Vanguard 500 Index Signal                                   | S&P 500<br>Large Cap Blend Fund Universe   |
|                    |          | Vanguard Dividend Growth                                    | S&P 500<br>Large Cap Blend Fund Universe   |
|                    | Growth   | Wells Fargo Adv Growth <del>Adm</del>                       | Russell 3000 growth<br>Large Cap Growth Fund Universe  |
|                    |          | Franklin Growth Adv <del>isor</del>                         | Russell 1000 growth<br>Large Cap Growth Fund Universe  |
| Mid Cap Equities   | Value    | <del>RidgeWorth</del> <u>Virtus</u> Mid Cap Value Equity I  | _____Mid Cap Value Universe<br>Russell Mid Cap Value   |
|                    | Blend    | Columbia Mid Cap Index A                                    | Mid Cap Blend Universe<br>S & P Mid Cap 400  |
|                    |          | <del>ASTON/Fairpointe</del> <u>AMG Fairpointe</u> Mid Cap I | Mid Cap Blend Universe<br>Wilshire 4500 Index  |
|                    | Growth   | Prudential Jennison Mid Cap Growth Z                        | Mid Cap Growth Universe<br>Russell Mid Cap Growth  |

# STATE OF NORTH DAKOTA DEFERRED COMPENSATION PROGRAM PUBLIC EMPLOYEE RETIREMENT SYSTEM COMPANION PLAN STATEMENT OF INVESTMENT POLICY

|                        |        |  |  |
|------------------------|--------|--|--|
| Small Cap Equities     | Value  | Allianz NFJ Small Cap Value                    | Small Value Universe<br>Russel 2000 Value                                      |
|                        | Blend  | DFA US Small Cap                               | Small Cap Blend Universe<br>Russel 2000 Index                                  |
|                        | Growth | Brown Capital Mgmt Small Co Inv                | Small Cap Growth Universe<br>Russel 2000 Growth                                |
| Fixed Income           |        | Wells Fargo Stable Return Fund J               | 3-Month T-Bill Index   |
|                        |        | Vanguard Treasury Money Market Fund            | 3-Month T-Bill Index   |
|                        |        | Vanguard Total Bond Fund                       | Barclays Aggregate Bond Index<br>Taxable Bond Fund Universe                    |
|                        |        | PIMCO Real Return Admin                        | Barclays Aggregate Bond Index<br>Taxable Bond Fund Universe                    |
|                        |        | PIMCO Total Return Bond Fund                   | Barclays Aggregate Bond Index<br>Taxable Bond Fund Universe                    |
|                        |        | Prudential High Yield Z                        | <del>BofA</del> ML High Yield Bond Index<br>High Yield Bond Fund Universe      |
|                        |        | Templeton Global Bond Adv                      | Citi World Govt Bond Index<br>World Bond Fund Universe                         |
|                        |        |  |  |
| Real Estate            |        | Cohen & Steers Realty Shares                   | FTSE NAREIT All Equity REIT Index<br>Real Estate Fund Universe                 |
| International Equities |        | <del>Franklin</del> Mutual Global Discovery Z  | <del>MSCI EAFE</del> <del>CWI</del> Index<br>International Stock Fund Universe |
|                        |        | Vanguard Total Intl Stock Index <del>Inv</del> | <del>MSCI EAFE</del> <del>CWI</del> Index<br>International Stock Fund Universe |
|                        |        | Oppenheimer Developing Markets Y               | MSCI Emerging Markets Index<br>Diversified Emerging Markets Universe           |
|                        |        |  |  |

# STATE OF NORTH DAKOTA DEFERRED COMPENSATION PROGRAM PUBLIC EMPLOYEE RETIREMENT SYSTEM COMPANION PLAN STATEMENT OF INVESTMENT POLICY

## Asset Allocation

### TIAA-CREF Lifecycle Funds

Retirement Income Fund

2010 Fund Benchmark

2015 Fund Benchmark

2020 Fund Benchmark

2025 Fund Benchmark

2030 Fund Benchmark

2035 Fund Benchmark

2040 Fund Benchmark

2045 Fund Benchmark

2050 Fund Benchmark

2055 Fund Benchmark

2060 Fund Benchmark

The TIAA-CREF Lifecycle Funds will be benchmarked using the Wilshire 5000 Index, ~~EAFE~~MSCI Index, Aggregate Bond Index, High Yield Index, and 3-Month T-Bill Index. Each fund benchmark will be based on the fund allocation in Domestic Equity, International Equity, Fixed-Income, Inflation Protected Assets, and Short-term Fixed Income stated in the fund prospectus.



STATE OF NORTH DAKOTA  
DEFINED CONTRIBUTION  
PROGRAM

PUBLIC EMPLOYEES  
RETIREMENT SYSTEM

Statement of Investment Policy

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# STATE OF NORTH DAKOTA DEFINED CONTRIBUTION PLAN STATEMENT OF INVESTMENT POLICY

## INTRODUCTION

The Public Employees Retirement System Board (Board) hereby adopts this Statement of Investment Policy for the Defined Contribution~~Deferred Compensation Companion~~ Plan (Plan).

## Objectives of the Plan

The Plan is a long-term retirement savings option intended as a source of retirement income for eligible participants. The investment options available from the Plan cover a broad range of investment risks and rewards typical of this kind of retirement savings program. Participants bear the risks and reap the rewards of investment returns that result from the investment options which they select.

This Statement of Investment Policy:

- Establishes the parameters of an investment program that will allow plan participants the opportunity to structure an investment strategy that meets their individual return objectives and risk tolerances.
- Defines the investment categories offered by the Plan;
- Establishes benchmarks and performance standards for each investment category by which to evaluate each fund's performance;
- Establishes a procedure for reporting and evaluating the various funds and a methodology for monitoring their performance; and
- Defines the procedures for investment fund evaluation and formal fund review.

# STATE OF NORTH DAKOTA DEFINED CONTRIBUTION PLAN STATEMENT OF INVESTMENT POLICY

## SELECTION OF INVESTMENT OPTIONS

Each investment option offered under the Plan must:

- Operate under its published prospectus;
- Have its performance results measured against the applicable performance standards described herein for that investment category.

The Board may add or replace investment options in any category using any or all of the following general criteria:

- A.** Historical performance over a reasonable time frame.
- B.** Investment manager performance and tenure.
- C.** Costs, including the expense ratio and any other fees.

Mutual fund options are selected through a comprehensive search process. Generally, the Board will first review the suitable offerings from the vendor's alliance family of funds. Absent a competitive offering from the vendor's list of alliance funds, the Board will select from qualified non-alliance funds.

## INVESTMENT CATEGORIES:

The Board in its judgment selects the number, types, and status of individual investment offerings. In general, the Board will seek to offer a sufficient number of investment funds to allow each participant the ability to construct a diversified portfolio consistent with his/her reasonable investment objective. The selection and elimination of investment options will be guided by the following philosophies and principles:

- A.** The menu of offerings will be sufficient to allow each participant the ability to construct a diversified portfolio consistent with a reasonable investment goal. (See *Appendix 1* for a classification of the current offerings.) The menu will include at least one offering in each of the following asset categories:

## STATE OF NORTH DAKOTA DEFINED CONTRIBUTION PLAN STATEMENT OF INVESTMENT POLICY

- Stable Value Account
- Fixed Income
- Balanced
- Large Cap Equity
- Mid Cap Equity
- Small Cap Equity
- International Equity
- Asset Allocation

**B.** Within the domestic equity categories, the offerings may include funds that represent style subsets (value, growth, blend) of the broad market.

**C.** The offerings will include funds that offer pre-determined asset allocations of various risk tolerances or investment horizons.

**D.** The self-directed brokerage option is designed for a sophisticated, experienced and knowledgeable investor. Participants selecting this option will be required to sign an election form containing the following:

- (a) The participant understands and accepts any and all risks associated with this selection;
- (b) The participant understands and accepts that none of the mutual funds available in the self-directed brokerage option have been reviewed for suitability by the Board;
- (c) The participant is solely responsible for determining the suitability or appropriateness of any selected mutual fund; and
- (d) The participant agrees to hold the Plan and the Board harmless for any negative consequences resulting from use of the self-directed brokerage option.

### REPORTING AND MONITORING PROCEDURES

The Board will designate the status of each investment fund offered as either open or closed:

- ☐ **Open** – Eligible for new investments.
- ☐ **Closed** – Not eligible for new contributions, not eligible for the establishment of new accounts, and may require the existing accounts be transferred.

# STATE OF NORTH DAKOTA DEFINED CONTRIBUTION PLAN

## STATEMENT OF INVESTMENT POLICY

### INVESTMENT FUND EVALUATION

The Board will at least annually review the plan and its investment funds, including investment performance. The investment performance review will include comparisons against the appropriate benchmark indices and peer groups over relevant time frames. The focus of the review will be to ensure that the Board is offering funds with competitive (average or above) performance within each category over reasonable measurement periods, typically encompassing a market cycle (3 to 5 years). The Board will also review the fund's investment style relative to its mandate and the stability of the personnel responsible for investment results. As the investment funds are retail mutual funds, the Board may rely on ratings produced by recognized performance evaluation services to evaluate long-term risk-adjusted performance relative to peers. Except for the annual review, the Board may delegate these duties to its investment sub-committee. The NDPERS Board will make the performance review available for the membership.

For performance benchmarks on current offerings, see *Appendix 1*. Funds meeting performance standards and policy objectives will be designated as open.

- A.** Funds rated as not meeting performance standards and policy objectives will, at the Board's discretion, either be placed in a closed status or on a "formal fund review list".
- B.** The Board, at its discretion, may remove funds from the "formal fund review list" should the fund's performance recover sufficiently to meet performance standards.
- C.** Funds that do not meet performance standards and/or policy objectives may be placed in the "Closed" status.
- D.** Failure by a fund to comply with these policy objectives and guidelines is cause for the Board to place the fund under formal fund review or close the fund.

The Board may place a fund under formal fund review, or immediately close a fund, for any reason, including:

- A. The fund has made significant changes in its investment management, or such change appears imminent;
- B. The fund has had a significant change in ownership or control;
- C. The fund has significantly changed investment focus or has experienced style drift, departing from the investment objectives;

## STATE OF NORTH DAKOTA DEFINED CONTRIBUTION PLAN STATEMENT OF INVESTMENT POLICY

- D. The fund has violated a SEC rule or regulation;
- E. The fund has experienced difficulty in transacting trades, fund transfers, or pricing;
- F. The fund has experienced other changes or problems in its procedures, operations, investing, or reporting which, in the Board's view, has or could detract from the objectives of the Plan;
- G. The fund has increased its fees or expenses.
- H. Other reasons the NDPERS Board deems requires such action.

The Board retains the right to waive any of the above policies if it deems that such waiver is in the best interest of the plan and/or its participants.

### **FORMAL FUND REVIEW**

When a fund has been placed under formal review, the Board shall monitor the fund, its operations, and its performance. During this period the Board may close the fund.

### **CLOSED FUNDS**

When the Board closes a fund it may direct that:

- A.** No new contributions may be made to the fund after a specified date;
- B.** The fund is terminated and participant account balances must be transferred to another fund option.

## STATE OF NORTH DAKOTA DEFINED CONTRIBUTION PLAN STATEMENT OF INVESTMENT POLICY

If the Board closes a fund to new contributions it shall:

- A.** Promptly notify the Plan provider;
- B.** Promptly notify plan participants who are currently investing in the fund or who have assets in the closed fund of the Board's action and if applicable that new investment monies must be redirected to another fund option under the Plan within a time specified by the Board.

If the Board closes a fund by terminating its participation in the plan and requires all account balances to be transferred to another fund it shall:

- A.** Promptly notify the Plan provider;
- B.** Promptly notify plan participants who are currently investing in the fund or who have assets in the closed fund that the Board has terminated the fund as an investment option under the Plan and that:
  - New investment monies must be redirected to another fund option under the Plan within a time specified by the Board and
  - After 90 days notice to an affected member by the Board, all assets remaining in the terminated fund will be transferred to the default option designated by the Board.



# STATE OF NORTH DAKOTA DEFINED CONTRIBUTION PLAN STATEMENT OF INVESTMENT POLICY

## APPENDIX 1

### Defined Contribution Plan Investment Options by Investment Category

| Asset Class        | Sector   | Fund(s)   | Benchmark(s)  |
|--------------------|----------|---|---|
| Balanced           | Balanced | T.Rowe Price Capital Appreciation                   | 60% Large Cap Value Fund Universe<br>and 40% Taxable Bond Fund Universe<br>-60% Russell 1000 Value and<br>40% Barclays Aggregate Bond Index |
| Large Cap Equities | Value    | Hartford Dividend & Growth                          | Russell 1000 Value<br>Large Cap Value Fund Universe   |
|                    |          | T.Rowe Price Equity Income                          | Russell 1000 Value<br>Large Cap Value Fund Universe   |
|                    | Blend    | Vanguard 500 Index Signal                           | S&P 500<br>Large Cap Blend Fund Universe  |
|                    |          | Vanguard Dividend Growth                            | S&P 500<br>Large Cap Blend Fund Universe  |
|                    | Growth   | Wells Fargo Adv Growth <del>Adm</del>               | Russell 3000 growth<br>Large Cap Growth Fund Universe   |
|                    |          | Franklin Growth Adv <del>isor</del>                 | Russell 1000 growth<br>Large Cap Growth Fund Universe   |
| Mid Cap Equities   | Value    | <del>RidgeWorth</del> Virtus Mid Cap Value Equity I | Mid Cap Value Universe<br>Russell Mid Cap Value   |
|                    | Blend    | Columbia Mid Cap Index A                            | Mid Cap Blend Universe<br>S & P Mid Cap 400   |
|                    |          | <del>AMG STON</del> Fairpointe Mid Cap I            | Mid Cap Blend Universe<br>Wilshire 4500 Index   |
|                    | Growth   | Prudential Jennison Mid Cap Growth Z                | Mid Cap Growth Universe<br>Russell Mid Cap Growth   |
| Small Cap Equities | Value    | Allianz NFJ Small Cap Value                         | Small Value Universe<br>Russel 2000 Value   |
|                    | Blend    | DFA US Small Cap                                    | Small Cap Blend Universe<br>Russel 2000 Index   |
|                    | Growth   | Brown Capital Mgmt Small Co Inv                     | Small Cap Growth Universe<br>Russel 2000 Growth   |

# STATE OF NORTH DAKOTA DEFINED CONTRIBUTION PLAN

## STATEMENT OF INVESTMENT POLICY

|                        |  |   |
|------------------------|--|---|
| Fixed Income           | Wells Fargo Stable Return Fund J               | 3-Month T-Bill Index  |
|                        | Vanguard Treasury Money Market Fund            | 3-Month T-Bill Index  |
|                        | Vanguard Total Bond Fund                       | Barclays Aggregate Bond Index   |
|                        |  | Taxable Bond Fund Universe  |
|                        | PIMCO Real Return Admin                        | Barclays Aggregate Bond Index   |
|                        |  | Taxable Bond Fund Universe  |
|                        | PIMCO Total Return Bond Fund                   | Barclays Aggregate Bond Index   |
|                        |  | Taxable Bond Fund Universe  |
|                        | Prudential High Yield Z                        | <del>BofA</del> ML High Yield Bond Index                              |
|                        |  | High Yield Bond Fund Universe   |
| Real Estate            | Templeton Global Bond Adv                      | Citi World Govt Bond Index  |
|                        |  | World Bond Fund Universe  |
|                        | Cohen & Steers Realty Shares                   | FTSE NAREIT All Equity REIT Index                                     |
| International Equities |  | Real Estate Fund Universe   |
|                        | <del>Franklin</del> Mutual Global Discovery Z  | —————MSCI <del>ACWI</del> <del>EAFE</del> Index                       |
|                        |  | International Stock Fund Universe                                     |
|                        | Vanguard Total Intl Stock Index <del>Inv</del> | MSCI <del>EAFE</del> <del>ACWI</del> Index                            |
|                        |  | International Stock Fund Universe                                     |
| Asset Allocation       | Oppenheimer Developing Markets Y               | MSCI Emerging Markets Index   |
|                        |  | Diversified Emerging Markets Universe                                 |
|                        | <u>TIAA-CREF Lifecycle Funds</u>               |   |
|                        | Retirement Income Fund                         | The TIAA-CREF Lifecycle Funds will be benchmarked                     |
|                        | 2010 Fund Benchmark                            | using the Wilshire 5000 Index, <del>EAFE</del> <del>MSCI</del> Index, |
|                        | 2015 Fund Benchmark                            | Aggregate Bond Index, High Yield Index, and                           |
|                        | 2020 Fund Benchmark                            | 3-Month T-Bill Index. Each fund benchmark will                        |
|                        | 2025 Fund Benchmark                            | be based on the fund allocation in Domestic Equity,                   |
|                        | 2030 Fund Benchmark                            | International Equity, Fixed-Income, Inflation Protected               |
|                        | 2035 Fund Benchmark                            | Assets, and Short-term Fixed Income stated in                         |
|                        | 2040 Fund Benchmark                            | the fund prospectus.  |
|                        | 2045 Fund Benchmark                            |   |
|                        | 2050 Fund Benchmark                            |   |
|                        | 2055 Fund Benchmark                            |   |
|                        | 2060 Fund Benchmark                            |   |

# **NDPERS GROUP INSURANCE ACCOUNT INVESTMENT OBJECTIVES AND POLICY GUIDELINES**

## **1. FUND CHARACTERISTICS AND CONSTRAINTS.**

The ND Public Employees Retirement System (PERS) Group Insurance Account (Fund) was established to hold insurance premiums collected from employers until paid to the insurance carrier.

## **2. RESPONSIBILITIES AND DISCRETION OF THE STATE INVESTMENT BOARD (SIB).**

PERS has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. It is the responsibility of PERS to establish policies on investment goals and asset allocation of the Funds. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Funds in a manner consistent with the prudent investor rule as provided in NDCC 21-10-07.

At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, performance objectives appropriate to the prudent investor rule and objectives of the funds participating in the pools.

The SIB may delegate investment responsibility to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory, not advisory.

The SIB is responsible for establishing criteria and procedures and making decisions with respect to hiring, maintaining, and terminating money managers. This responsibility includes selecting performance measurement services, consultants and report formats and determining the frequency of meetings with managers.

The SIB will implement changes to this policy as promptly as is prudent.

## **3. INVESTMENT OBJECTIVES.**

Premiums are collected throughout the month at PERS and will be forwarded to the Fund investment account on the 1<sup>st</sup> and 15<sup>th</sup> of each month. The premiums transferred into the investment account will be transferred back to PERS on approximately the 22<sup>nd</sup> of each month so they may be remitted to the insurance carrier. The investment objective of the Fund is to maximize the return on the deposits within the short-term time-frame involved.

## **4. STANDARDS OF INVESTMENT PERFORMANCE.**

The Fund's investment objectives and liquidity constraints give rise to an asset allocation that is considered the most likely to achieve the results desired. For evaluation purposes, the following performance targets will apply:

- a. The Fund should produce a rate of return that meets or exceeds the portfolio policy index defined as the 90-day Treasury bill.
- b. The Fund annual standard deviation of total returns should not materially exceed that of the policy portfolio.

## 5. POLICY AND GUIDELINES.

The asset allocation of the Fund is established by PERS, with input from the SIB. Asset allocation is based upon the appraisal of projected liquidity and income requirements, and estimates of the investment returns likely to be achieved by the various asset classes over the next five years.

In recognition of these factors, the following allocation is deemed appropriate for the fund:

|                         |   |
|-------------------------|---|
| Short Term Fixed Income | 95% (allocation not to exceed \$36 million) |
| Cash Equivalents        | 5%  |

This cash will be held in an enhanced money market account at the Fund's custodian.

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that:

- a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
- b. Derivatives use will be monitored to ensure that undue risks are not taken by managers.
- c. No transaction shall be made which threatens the tax exempt status of the Fund.
- d. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
- e. No unhedged short sales or speculative margin purchases shall be made.
- f. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

For the purpose of this document, Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

- g. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

Also, for the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

- (1) The cost does not exceed the fair market value at the time of investment.
- (2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
- (3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.
- (4) The safeguards and diversity that a prudent investor would adhere to are present.

Where investment characteristics, including yield, risk, and liquidity are equivalent, the Board's policy favors investments which will have a positive impact on the economy of North Dakota.

**6. EVALUATION AND REVIEW.**

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Evaluation will be conducted quarterly by the SIB through its review of funds participating in the Insurance Trust.

Money managers will be evaluated by the SIB quarterly. In-state meetings will be held with the money managers at least annually.

Approved by:

NDPERS

STATE INVESTMENT BOARD

\_\_\_\_\_  
Sharon Schiermeister  
Interim Executive Director, NDPERS

\_\_\_\_\_  
David Hunter  
Executive Director/CIO, RIO

Date: \_\_\_\_\_

Date: \_\_\_\_\_

# STATEMENT OF INVESTMENT GOALS, OBJECTIVES AND POLICIES FOR THE NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

## 1. PLAN CHARACTERISTICS AND FUND CONSTRAINTS

The North Dakota Public Employees Retirement System (NDPERS) and the Highway Patrol Retirement System (HPRS) are pension benefit plans established to provide retirement income to state employees and employees of participating political subdivisions. The plans are administered by a ~~nineseven~~ member Board of Trustees (the Board). The Chair is appointed by the governor, three members are elected by the active members of the plans, one member is elected by the retired members, one is appointed by the Attorney General, ~~one and the seventh~~ member is the State Health Officer or their designee and two are legislative appointees.

The NDPERS plan is a multi-employer hybrid benefit public pension plan that provides retirement benefits, disability retirement benefits, and survivor benefits, in accordance with Chapter 54-52 of the North Dakota Century Code (NDCC). Monthly retirement benefits for the Main, ~~National Guard~~ and ~~Public Safety Law Enforcement~~ Plans are based on the formula: number of Years of Service times 2.0% times the final average salary. For the NDPERS Judges Plan the retirement formula is: for the first ten years of service of the formula is final average salary times 3.5%, for the second ten years of service the formula is final average salary times 2.80% and for all remaining years of service the formula is final average salary times 1.25%.

The Highway Patrol plan is a single employer plan that provides retirement benefits, disability benefits, and survivor benefits in accordance with Chapter 39-03.1 of the North Dakota Century Code. Monthly retirement benefits are based upon on the formula: first 25 years of credit service times 3.25% and all remaining years of service times 1.75%.

Funding for the NDPERS plan is provided by monthly employee contributions and employer contributions with the amount varying based upon which NDPERS plan the member participates in. For the Main NDPERS plan the employee contribution is 7% and the employer contribution is 7.12%, for the Judges Plan the employee contribution is 8% and employer contribution is 17.52%, for the ~~State Law Enforcement (BCI) National Guard Plan~~ the employee contribution ~~is~~ 65.05% and employer contribution is 96.815%, for the ~~Public Safety Law Enforcement~~ Plan with prior service the employee contribution is 5.54% and the employer contribution is 9.81% and for the ~~Public Safety Law Enforcement~~ Plan without prior service the employee contribution rate is 5.5% and the employer rate is 7.93%.

Funding for the Highway Patrol plan is provided by a monthly employee contribution of 13.3% and an employer contribution of 19.7%

Each year the Board has an actuarial valuation performed. The current actuarial assumed rate of return on assets for all plans is 7.75%.

## 2. RESPONSIBILITIES AND DISCRETION OF THE STATE INVESTMENT BOARD (SIB)

Aggregate plan contributions plus earnings, minus allowable expenses constitute the Fund. The Board is charged by NDCC chapters 54-52, 21-10-01, and 39-03.1 to establish policies for the investment goals and asset allocation of the Fund. The State Investment Board (SIB) is charged with implementing the asset allocation as promptly and prudently as possible in accordance with the Board's policies by investing the assets of the Fund in the manner provided in the prudent investor rule, which provides:

*Fund fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The retirement funds belonging to the teachers'*

*fund for retirement and the public employees retirement system must be invested exclusively for the benefit of their members and in accordance with the respective funds' investment goals and objectives. (NDCC 21-10-07)*

The SIB may delegate investment responsibility of the Fund or any portion of the Fund to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy is supervisory not advisory.

The SIB may at its discretion, pool the assets of the Fund with another fund or funds having similar investment objectives and time horizons in order to maximize returns and minimize costs. In pooling fund assets the SIB will establish asset class pools it deems necessary to achieve the specific quality, diversification, restrictions, and performance objectives subject to the prudent investor rule and the objectives of the funds participating in the pools.

The SIB is responsible for establishing the selection criteria, determining the performance measures, and retaining all fund money managers. SIB is also responsible for the selection and retention of any investment consultants that may be employed in the investment of the Fund assets.

### **3. DELEGATION OF AUTHORITY**

Management responsibility for NDPERS funds not assigned to the North Dakota State Investment Board (SIB) in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, which must establish written policies and procedures for the operation of the NDPERS funds, consistent with this investment policy.

Such procedures must provide for:

1. The definition and assignment of duties and responsibilities to advisory services and persons employed by the SIB pursuant to NDCC 21-10-02.1(1) (a).
2. Investment diversification, investment quality, qualification of money managers, and amounts to be invested by money managers pursuant to NDCC 21-10-02.1(1)(e). In developing these policies it is understood:
  - a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
  - b. The use of derivatives will be monitored to ensure that undue risks are not taken by the money managers.
  - c. All assets must be held in custody by the SIB's master custodian or such other custodians as are selected by the SIB.
3. Guidelines for selection and redemption of investments will be in accordance with NDCC 21-10-02.1(1) (d).
4. The criteria for making decisions with respect to hiring, retention, and termination of money managers will be clearly defined. This also includes selecting performance measurement standards, consultants, report formats, and frequency of meetings with money managers.

All participants in the investment process must seek to act responsibly as custodians of the public trust.

### **4. INVESTMENT GOALS**

The investment goals of the Fund have been established by the NDPERS Board based upon consideration of the Board's strategic objectives and a comprehensive review of the current and projected financial requirements. These goals are to be viewed over the long term.

Goal # 1           Accumulate sufficient wealth through a diversified portfolio of investments which will enable the State of North Dakota to pay all current and future retirement benefits and expense obligations of the Fund.

Goal # 2            To obtain an investment return in excess of that needed to allow for increases in a retiree's annuity to maintain the purchasing power of their retirement benefit.

The Board acknowledges the material impact that funding the pension plan has on the State's financial performance. To enable the State to continue offering secure pension benefits to plan participants, the Board believes that the Fund should pursue the following **secondary goals**:

1. Stabilize the employee and employer contributions needed to fund the Plan over the long term.
2. Avoid both substantial volatility in contributions and sizable fluctuations in the funding status of the Plan.

These two secondary goals affect the Fund's investment strategies and often represent conflicting goals. That is, minimizing the long-term funding costs implies a less conservative investment program, whereas dampening the volatility of contributions and avoiding large swings in the funding status implies a more conservative investment program. The Board places greater emphasis on the strategy of stabilizing the employee and employer contribution needed to fund the plan over the long term as it assists our participating employers by having a predictable contribution for budgeting.

## **5. INVESTMENT PERFORMANCE OBJECTIVE**

The Board's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

1. The fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
2. The fund's risk, measured by the standard deviation of net returns, should not exceed **115%** of the policy benchmark over a minimum evaluation period of five years.
3. The risk-adjusted performance of the fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.



## 6. ASSET ALLOCATION

In recognition of the plan's performance objectives, benefit projections, and capital market expectations, the NDPERS Board has established the following asset allocation:

| Asset Class                   | Policy Target (%) | Rebalancing Range (%)  |
|-------------------------------|-------------------|------------------------|
| Global Equity                 | 57                | 46-66                  |
| Public Equity                 | 51                | 42-57                  |
| Private Equity                | 7                 | 4-9                    |
| Global Fixed Income           | 23                | 16-30                  |
| Investment Grade              | <del>48</del> 16  | <del>13-23</del> 11-21 |
| Non-Investment Grade          | <del>57</del>     | <del>3-7</del> 5-9     |
| Global Real Assets            | 19                | 10-25                  |
| Global Real Estate            | 11                | 5-15                   |
| Other (Infrastructure/Timber) | 8                 | 0-10                   |
| Global Alternatives           |                   | 0-10                   |
| Cash                          | 0                 | 0-2                    |

The Board does not endorse tactical asset allocation, therefore, it is anticipated the portfolio be managed as close to the policy target as is prudent and practicable while minimizing re-balancing costs. Any allocation to Global Alternatives shall not increase the expected volatility of the portfolio as measured in Section #5, and all other targets will be adjusted pro-rata.

PERS requires that in implementing this asset allocation that the State Investment Board seek to maximize return within the scope of these policies while limiting investment costs.

## 7. RESTRICTIONS

- A. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
- B. Use of derivatives will be monitored to ensure that undue risks are not taken by the money managers
- C. No transaction may be made which threatens the tax exempt status of the Fund.
- D. No unhedged short sales or speculative margin purchases may be made.

Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

- E. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

*Economically targeted investing is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.*

- F. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

The Exclusive Benefit Rule is met if the following four conditions are satisfied:

- (1) The cost does not exceed the fair market value at the time of investment.
- (2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
- (3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.
- (4) The safeguards and diversity that a prudent investor would adhere to are present.

Where investment characteristics, including yield, risk, and liquidity are equivalent, the Board's policy favors investments which will have a positive impact on the economy of North Dakota.

G. Publicly Traded REITs may not be used in the Real Estate asset allocation.

Where investment characteristics, including yield, risk, and liquidity are equivalent, the Board's policy favors investments which will have a positive impact on the economy of North Dakota.

## **8. INTERNAL CONTROLS**

The SIB must have a system of internal controls to prevent losses of public funds arising from fraud or employee error. The controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

## **9. EVALUATION**

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards.

An annual performance report must be provided to the Board by the State Investment Officer at a regularly scheduled NDPERS Board meeting. The annual performance report must include asset returns and allocation data as well as information regarding all significant or material matters and changes pertaining to the investment of the Fund, including:

- Changes in asset class portfolio structures, tactical approaches and market values;
- All pertinent legal or legislative proceedings affecting the SIB.
- Compliance with these investment goals, objectives and policies.
- A general market overview and market expectations.
- A review of fund progress and its asset allocation strategy.
- A report on investment fees and the SIB's effort relating to Section 6. To measure investment cost PERS requires as part of the annual review information from Callan, CEM or other acceptable source showing the value added versus the cost.
- Changes/additions to benchmarks utilized to monitor the funds.

In addition, the State Investment Officer shall review with the Board the procedures and policies established by the SIB relating to this statement of investment goals, objectives, and policies.

Sharon Schiermeister~~J. Sparb Collins~~  
Interim Executive Director  
North Dakota Public Employees Retirement System

David Hunter  
Executive Director  
North Dakota Retirement and Investment Office

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Approved by the NDSIB ~~5-26-2017~~  
Approved by the NDPERS Board 124-127-2017

# NDPERS RETIREE HEALTH INSURANCE CREDIT FUND

## STATEMENT OF INVESTMENT GOALS, OBJECTIVES AND POLICIES

### 1. PLAN CHARACTERISTICS AND FUND CONSTRAINTS

The North Dakota Public Employees Retirement System (NDPERS) Retiree Health Insurance Credit Fund was established in 1989 to provide for prefunding of premiums for medical coverage to state employees and employees of participating political subdivisions in accordance with Chapter 54-52.1 of the North Dakota Century Code. The plan is administered by a seven member Board of Trustees (the Board). The Chair is appointed by the governor, three members are elected by the active members of the plans, one member is elected by the retired members, one is appointed by the Attorney General, ~~one member is -and the seventh member is-~~ the State Health Officer or their designee ~~and two are legislative appointees.~~

The NDPERS plan is a defined benefit program that provides for a partial payment of a retiree's medical insurance premium based on the number of years of service.

Funding for the NDPERS plan is provided by a monthly employer contribution of ~~1.14~~<sup>one</sup> percent of payroll. On a monthly basis, benefit payments are netted out against contributions and the balance forwarded to the trust's custodian for investment.

Each year the NDPERS Board has an actuarial valuation performed. The current actuarial assumed rate of return on assets for the plan is ~~78.59~~%.

### 2. RESPONSIBILITIES AND DISCRETION OF THE STATE INVESTMENT BOARD (SIB)

Aggregate plan contributions plus earnings, minus allowable expenses constitute the Fund. The Board is charged by NDCC chapters 54-52, 21-10-02, and 39-03.1 to establish policies for the investment goals and asset allocation of the Fund. The State Investment Board (SIB) is charged with implementing the asset allocation as promptly and prudently as possible in accordance with Board's policies by investing the assets of the Fund in the manner provided in the prudent investor rule, which provides:

*Fund fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The retirement funds belonging to the teachers' fund for retirement and the public employees retirement system must be invested exclusively for the benefit of their members and in accordance with the respective funds' investment goals and objectives. (NDCC 21-10-07)*

The SIB may delegate investment responsibility of the Fund or any portion of the Fund to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy is supervisory not advisory.

The SIB may at its discretion, pool the assets of the Fund with another fund or funds having similar investment objectives and time horizons in order to maximize returns and minimize costs. In pooling fund assets the SIB will establish asset class pools it deems necessary to achieve the specific quality, diversification, restrictions, and performance objectives subject to the prudent investor rule and the objectives of the funds participating in the pools.

The SIB is responsible for establishing the selection criteria, determining the performance measures, and retaining all fund money managers. SIB is also responsible for the selection and retention of any investment consultants that may be employed in the investment of the Fund assets.

### **3. DELEGATION OF AUTHORITY**

Management responsibility for NDPERS funds not assigned to the North Dakota State Investment Board (SIB) in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, which must establish written policies and procedures for the operation of the NDPERS funds, consistent with this investment policy.

Such procedures must provide for:

1. The definition and assignment of duties and responsibilities to advisory services and persons employed by the SIB pursuant to NDCC 21-10-02.1(1) (a).
2. Investment diversification, investment quality, qualification of money managers, and amounts to be invested by money managers pursuant to NDCC 21-10-02.1(1)(e). In developing these policies it is understood:
  - a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
  - b. The use of derivatives will be monitored to ensure that undue risks are not taken by the money managers.
  - c. All assets must be held in custody by the SIB's master custodian or such other custodians as are selected by the SIB.
3. Guidelines for the selection and redemption of investments will be in accordance with NDCC 21-10-02.1(1) (d).
4. The criteria for making decisions with respect to hiring, retention, and termination of money managers will be clearly defined. This also includes selecting performance measurement standards, consultants, report formats, and frequency of meetings with money managers.

All participants in the investment process must seek to act responsibly as custodians of the public trust.

### **4. INVESTMENT GOALS**

The investment goals of the Fund have been established by the NDPERS Board based upon consideration of the Board's strategic objectives and a comprehensive review of the current and projected financial requirements. These goals are to be viewed over the long term.

- |          |  |
|----------|--|
| Goal # 1 | Accumulate sufficient wealth through a diversified portfolio of investments which will enable the State of North Dakota to pay all current and future retirement benefits and expense obligations of the Fund. |
| Goal # 2 | To obtain an investment return in excess of that needed to allow for increases in a retiree's credit to maintain the purchasing power of their benefit.  |

### **5. INVESTMENT PERFORMANCE OBJECTIVE**

The NDPERS Board will seek to make investments that generate sufficient return to meet the goals outlined in this policy. The objectives established in this section are in accordance with the fiduciary requirement in federal and state law.

It is in the best interest of NDPERS and its beneficiaries that performance objectives be established for the total Fund. It is clearly understood these objectives are to be viewed over the long term and have been established after full consideration of all factors set forth in this Statement of Investment Goals, Objectives and Policies.

- a. The funds rate of return, over the long term should equal that of the policy portfolio which is comprised of policy weights of appropriate asset class benchmarks as set by the SIB.
- b. The annual standard deviation of total returns for the Fund should not materially exceed that of the policy portfolio.
- c. Over 5-year and longer periods the fund should match or exceed the expected rate of return projected in the most recent asset/liability study without exceeding the expected risk for the period by more than 15% as measured by standard deviation.

## 6. ASSET ALLOCATION

In recognition of the plan's performance objectives, benefit projections, and capital market expectations, the NDPERS Board has established the following asset allocation:

Date of Last Asset Allocation Study: ~~February~~ NDPERS Board Approved ~~February 2009~~ December 2017 – SEI Corporation

|                                      |                           |
|--------------------------------------|---------------------------|
| Domestic Equities - Large Cap        | <del>37</del><br>37.3%    |
| Domestic Equities – Small Cap        | <del>9</del> 9.6%         |
| International Equities               | <del>14</del><br>21.4%    |
| <del>Gore Plus</del> Fixed Income    | 40%                       |
| <b>Expected Return</b>               | 8.142%                    |
| <b>Standard Deviation of Returns</b> | <del>11.7</del><br>13.34% |

Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy, but not less than annually.

PERS requires that in implementing this asset allocation that the State Investment Board seek to maximize return within the scope of these policies while limiting investment costs.

## 7. RESTRICTIONS

- A. No transaction may be made which threatens the tax exempt status of the Fund.

Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

- B. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

*Economically targeted investing is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.*

- C. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

The Exclusive Benefit Rule is met if the following four conditions are satisfied:

- (1) The cost does not exceed the fair market value at the time of investment.
- (2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
- (3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.
- (4) The safeguards and diversity that a prudent investor would adhere to are present.

Where investment characteristics, including yield, risk, and liquidity are equivalent, the Board's policy favors investments which will have a positive impact on the economy of North Dakota.

## **8. INTERNAL CONTROLS**

The SIB must have a system of internal controls to prevent losses of public funds arising from fraud or employee error. The controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

## **9. EVALUATION**

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards.

An annual performance report must be provided to the Board by the State Investment Officer at a regularly scheduled NDPERS Board meeting. The annual performance report must include asset returns and allocation data as well as information regarding all significant or material matters and changes pertaining to the investment of the Fund, including:

- Changes in asset class portfolio structures, tactical approaches and market values;
- All pertinent legal or legislative proceedings affecting the SIB.
- Compliance with these investment goals, objectives and policies.
- A general market overview and market expectations.
- A Review of fund progress and its asset allocation strategy.

- A report on investment fees and the SIB's effort relating to Section 6. To measure investment cost PERS requires as part of the annual review information from Callan, CEM or other acceptable source showing the value added versus the cost.

In addition, the State Investment Officer shall review with the Board the procedures and policies established by the SIB relating to this statement of investment goals, objectives, and policies.

\_\_\_\_\_  
~~Sharon Schiermeister~~ ~~J. Spahr Collins~~  
~~Interim~~ Executive Director  
North Dakota Public Employees Retirement System

\_\_\_\_\_  
David Hunter  
Executive Director  
North Dakota Retirement and Investment Office

Date: \_\_\_\_\_

Date: \_\_\_\_\_



# **RETIREMENT PLAN FOR EMPLOYEES OF JOB SERVICE NORTH DAKOTA**

## **INVESTMENT POLICY STATEMENT**

### **1. PLAN CHARACTERISTICS AND FUND CONSTRAINTS**

The Retirement Plan for the Employees of Job Service North Dakota (Plan) is a defined benefit retirement plan for the eligible employees hired before October 1, 1980. There have been no new entrants to the plan since October 1, 1980. The plan provides retirement benefits, disability benefits and survivor benefits consistent with the written Plan document. Until October 1, 1993, annuities were purchased from the Travelers for retirees, since that date retiree benefits are paid from Plan assets. Annual cost of living adjustments for all Plan pensioners including annuitants with the Travelers are paid from Plan assets. The NDPERS Board (the Board) is the Plan Administrator and administers the Plan in accord with Chapter 52-11 of the North Dakota Century Code.

Job Service North Dakota as the employer contributes 4% of the active participant's salary as a contribution 'on behalf of the employee' and the active participants pay 3% of their salary into Plan assets.

Each year the Plan has an actuarial valuation performed. The current actuarial assumed rate of return on assets is 5.7%.

### **2. RESPONSIBILITIES AND DISCRETION OF THE STATE INVESTMENT BOARD (SIB)**

Aggregate plan contributions plus earnings, minus allowable expenses constitute the Fund. The Board is charged by NDCC chapters 54-52, 21-10-01, and 39-03.1 to establish policies for the investment goals and asset allocation of the Fund. The State Investment Board (SIB) is charged with implementing the asset allocation as promptly and prudently as possible in accordance with the Board's policies by investing the assets of the Fund in the manner provided in the prudent investor rule, which provides:

Fund fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The retirement funds belonging to the teachers' fund for retirement and the public employees retirement system must be invested exclusively for the benefit of their members and in accordance with the respective funds' investment goals and objectives. (NDCC 21-10-07)

The SIB may delegate investment responsibility of the Fund or any portion of the Fund to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy is supervisory not advisory.

The SIB may at its discretion, pool the assets of the Fund with another fund or funds having similar investment objectives and time horizons in order to maximize returns and minimize costs. In pooling fund assets the SIB will establish asset class pools it deems necessary to achieve the specific quality, diversification, restrictions, and performance objectives subject to the prudent investor rule and the objectives of the funds participating in the pools.

The SIB is responsible for establishing the selection criteria, determining the performance measures, and retaining all fund money managers. SIB is also responsible for the selection and retention of any investment consultants that may be employed in the investment of the Fund assets.

### **3. DELEGATION OF AUTHORITY**

Management responsibility for NDPERS funds not assigned to the North Dakota State Investment Board (SIB) in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, which must establish written policies and procedures for the operation of the NDPERS funds, consistent with this investment policy.

Such procedures must provide for:

1. The definition and assignment of duties and responsibilities to advisory services and persons employed by the SIB pursuant to NDCC 21-10-02.1(1) (a).
2. Investment diversification, investment quality, qualification of money managers, and amounts to be invested by money managers pursuant to NDCC 21-10-02.1(1)(e). In developing these policies it is understood:
  - a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
  - b. The use of derivatives will be monitored to ensure that undue risks are not taken by the money managers.
  - c. All assets must be held in custody by the SIB's master custodian or such other custodians as are selected by the SIB.
3. Guidelines for the selection and redemption of investments will be in accordance with NDCC 21-10-02.1(1) (d).
4. The criteria for making decisions with respect to hiring, retention, and termination of money managers will be clearly defined. This also includes selecting performance measurement standards, consultants, report formats, and frequency of meetings with money managers.

All participants in the investment process must seek to act responsibly as custodians of the public trust.

#### **4. INVESTMENT GOALS**

The investment objectives of the Plan have been established by the Plan's Administrator upon consideration of its strategic objectives and a comprehensive review of current and projected financial requirements.

Objective #1: To maintain a level of surplus sufficient to eliminate the need for future contributions;

Objective #2: To achieve a rate of return which exceeds the rate of inflation, as measured by the Consumer Price index (CPI), by 3.0 or more percentage points per year (based on current actuarial assumptions of 5.7% return and 2.5% inflation), over a complete market cycle; and

Objective #3: As a secondary objective, to maximize the Plan's surplus to increase future benefit payments.

#### **5. INVESTMENT PERFORMANCE OBJECTIVE**

The NDPERS Board will seek to make investments that generate sufficient return to meet the goals outlined in this policy. The objectives established in this section are in accordance with the fiduciary requirement in federal and state law.

It is in the best interest of NDPERS and its beneficiaries that performance objectives be established for the total Fund. It is clearly understood these objectives are to be viewed over the long term and have been established after full consideration of all factors set forth in this Statement of Investment Goals, Objectives and Policies.

- a) The funds rate of return, over the long term should equal that of the policy portfolio which is comprised of policy weights of appropriate asset class benchmarks as set by the SIB.
- b) The annual standard deviation of total returns for the Fund should not materially exceed that of the policy portfolio by more than 15%.

- c) Over 5-year and longer periods the fund should match or exceed the expected rate of return projected in the most recent asset/liability study without exceeding the expected risk for the period as measured by standard deviation by more than 15%.

## 6. ASSET ALLOCATION

The NDPERS Board as plan Administrator establishes the asset allocation of the Fund, with input from consultants and SIB staff. The current asset allocation is based upon the asset/liability study completed by SEI Consultants in 2017. That study provided an appraisal of current cash flow projections and estimates of the investment returns likely to be achieved by the various asset classes.

In recognition of the Plan's objectives, projected financial status, and capital market expectations, the following asset allocation options were deemed appropriate for the Fund:

Domestic Equity – 18%  
Global Equity - 12%  
U.S. High Yield Bonds - 3%  
Emerging Markets Debt - 3%  
Core Fixed Income - 23%  
Limited Duration Fixed Income - 22%  
Diversified Short Term Fixed Income - 12%  
Short Term Corporate Fixed Income - 7 %

Rebalancing of the Fund to this target allocation will be done in accordance with the SIB's rebalancing policy, but not less than annually.

## 7. RESTRICTIONS

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that:

- a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
- b. Derivatives use will be monitored to ensure that undue risks are not taken by the money managers.
- c. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.

Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

- d. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

Economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

- e. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

The Exclusive Benefit Rule is met if the following four conditions are satisfied:

- (1) The cost does not exceed the fair market value at the time of investment.

- (2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
- (3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.
- (4) The safeguards and diversity that a prudent investor would adhere to are present.

## 8. INTERNAL CONTROLS

The SIB must have a system of internal controls to prevent losses of public funds arising from fraud or employee error. The controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

## 9. EVALUATION

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards.

An annual performance report must be provided to the Board by the State Investment Officer at a regularly scheduled NDPERS Board meeting. The annual performance report must include asset returns and allocation data as well as information regarding all significant or material matters and changes pertaining to the investment of the Fund, including:

- Changes in asset class portfolio structures, tactical approaches and market values;
- All pertinent legal or legislative proceedings affecting the SIB.
- Compliance with these investment goals, objectives and policies.
- A general market overview and market expectations.
- A review of fund progress and its asset allocation strategy.

In addition, the State Investment Officer shall review with the Board the procedures and policies established by the SIB relating to this statement of investment goals, objectives, and policies.

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**Sharon Schiermeister**  
**Interim Plan Administrator and Trustee**  
**Retirement Plan for Employees of**  
**Job Service North Dakota**

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**David Hunter**  
**Executive Director**  
**North Dakota Retirement and Investment Office**

Date: \_\_\_\_\_

Date: \_\_\_\_\_



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# Memorandum

**TO:** NDPERS Board

**FROM:** Bryan

**DATE:** December 12, 2017

**SUBJECT:** Dental RFP

NDPERS staff and Conduent have the draft for the dental plan RFP. We will bring the final version to you at the January meeting. We should be on track for the following timeline:

|                       |   |
|-----------------------|---|
| <b>October, 2017</b>  | Begin work on dental RFP.   |
| <b>January, 2018</b>  | Submit dental RFP to PERS Board for approval. Consultant should be available either by teleconference or video conference to review and answer questions for the Board. |
| <b>February, 2018</b> | Issue dental RFP.   |
| <b>April, 2018</b>    | Receive and begin evaluation of dental RFP's.   |
| <b>May, 2018</b>      | Submit dental evaluation to NDPERS Board. The consultant should plan to attend this NDPERS meeting via conference call.   |
| <b>June, 2018</b>     | Interview and select dental vendor. The consultant should plan to attend this NDPERS meeting.   |

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



## **North Dakota Public Employees Retirement System**

### Request for Proposal

**for**

### Group Voluntary Dental PPO Benefits

Including:

- Claims Administration
- Customer Service
- Provider Network Management Services
- Related Administrative Services

RFP Release Date: February 1, 2018

Effective Date of Plan: January 1, 2019

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# **I. INTRODUCTION**

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## **1. Objectives of the Request for Proposal**

The objective of this Request for Proposal (RFP) is to solicit fully-insured proposals for services related to claim administration, customer service, and access to a provider network and associated administrative for the North Dakota Public Employees Retirement System (NDPERS) group Dental benefits plan. The account services to be provided under any resulting contract shall commence on January 1, 2019.

## **2. Definitions**

For purposes of this RFP, the following terms are defined as indicated below:

- A. "Contractor" – the insurer/administrator selected pursuant to this RFP,
- B. "Offeror" – an entity responding to this RFP,
- C. "The Plan" – the dental benefits program pursuant to this RFP,
- D. "Dental Claims" – all dental services, equipment and supplies eligible under the Plan,
- E. "Participant(s)" – All Active or Retired employees and their eligible dependents.

## **3. Background**

The North Dakota Public Employees Retirement System (NDPERS) desires to provide voluntary dental benefits to all eligible active and retired employees and their eligible dependents. NDPERS is soliciting proposals for coverage to be effective January 1, 2019.

## **4. Key Dates in the RFP Process**

The following dates will apply during the RFP 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              |
|-------------------|
| February 1, 2018  |
| February 24, 2018 |
| March 10, 2018    |
| March 30, 2018    |
| May , 2018        |
| June 2018         |
| August 2018       |

## 5. ***Current Enrollment and Demographics***

NDPERS provides fully-insured, voluntary group Dental benefits for active employees, retirees and their respective eligible dependents (collectively “participants”) of NDPERS. In addition to eligible state and university employee and dependents, it is possible that participation may be extended to certain political subdivisions eligible to participate in NDPERS.

NDPERS currently offers one plan design of voluntary Dental benefits. Listed below are the number of eligible participants and the number of enrolled participants as of **December 31, 2017**.

| Eligibility Category | Number of Eligible Employees/Retires | Number of Enrolled Participants |
|----------------------|--------------------------------------|---------------------------------|
| Actives              | 16,030                               | 8,450                           |
| Retirees/COBRA       | 10,037                               | 2,188                           |

Annual enrollment for active state and university employees will be done each year from approximately mid-October through mid-November for coverage effective the following January 1. New hires must elect coverage within 31 days of their effective date. Coverage will then be effective the first day of the month following the date of permanent employment. If they do not elect coverage within 31 days, they must wait until the next annual enrollment period to apply. Retirees do not have annual enrollment but rather, must apply within 31 days of a qualifying event as provided under the Retiree Eligibility definition.

## 6. ***General Information on the Voluntary Dental Plan***

### 6.1. **Benefit Plans**

The Benefit Plan Year for NDPERS begins on January 1 of each year and concludes on December 31 of each year.

NDPERS has one plan of voluntary group Dental benefits, which is funded by the employee/retiree contributing 100% of the premiums. The current benefits are described in the SPD available at the following link:

<https://ndpers.nd.gov/active-members/insurance-plans/dental/>

Note: In all cases the “Dental Benefit Plan Summary” as issued by Delta Dental of Minnesota and made part of this RFP, will stand as the authority on questions related to plan design and plan provisions.

## **6.2. General**

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

- The dental program is 100% voluntary. Premiums will be paid entirely by the employee.
- The dental 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 1/1/2019.
- 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.

## **II. ELIGIBILITY AND SELECTION CRITERIA**

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### **1. *Minimum Requirements***

To be eligible for consideration for this project, the Offeror must meet the following Minimum Requirements:

- A. The Offeror must have been in the business of providing group Dental benefits for at least five (5) years. Offerors should provide detailed information to establish that they have been in the business of providing group Dental insurance for at least five (5) years.
- B. The Offeror must be currently licensed by the North Dakota Department of Insurance to underwrite and administer group Dental insurance.
- C. The Offeror must have successfully underwritten, implemented and administered a group Dental benefits plan for at least one group with 15,000+ active employees.

### **2. *Selection Criteria***

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

- A. The economy to be affected.
- B. The ease of administration.
- C. The adequacy of the coverages.
- D. The financial position of the carrier, with special emphasis as to its solvency.
- E. The reputation of the carrier and any other information that is available tending to show past experience with the carrier in matters of claim settlement, underwriting, and services.

The Board may reject any or all bids. In the event it does so, NDPERS shall again solicit bids as provided in this section.

### **III. GENERAL INFORMATION**

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#### **1. *Non-Disclosure Agreement (NDA)***

In order to obtain Attachment C: Confidential Documents, which contains confidential data 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 offerors qualified to respond to this RFP, as defined in Section II, submit the Non-Disclosure Agreement.

The Non-Disclosure Agreement must be the form provided in Appendix B of this RFP. The Non-Disclosure Agreement must be received before any confidential data will be released to an Offeror. Please scan and email a signed copy of the NDA to:

Jim Schaefer, Director  
Conduent HR Services  
james.schaefer@conduent.com  
972-366-2012

The information that will be provided to the Offeror after submission of the Non-Disclosure Agreement includes the following:

1. Demographic data showing the coverage election, date of birth, gender, city, state, zip and county for the eligible employee and retiree populations, to be used in completing the Geo-Access reports required in Attachments A-6.
2. Confidential Vendor Response Documents, which includes data on the most utilized providers by total claims paid and by total number of devices and disruption reports for completion of Attachments A-8 and A-9.
3. Historical claims data on a paid basis covering the past six years.

Attachment C may be mailed via overnight mail or encrypted e-mail upon receipt of the Non-Disclosure Agreement. Attachment C will contain the necessary files in Microsoft Office.

Note: Failure to complete all fields on Appendix B may slow the processing of the request for Attachment C or may cause the request to be rejected. In such instances, Conduent HR Services will attempt to contact the offeror to resolve the deficiencies.

#### **2. *Inquiries Regarding Specifications***

Offerors will have until 5:00 p.m. (CDT) on February 23, 2018 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 question submissions must include the identity of the sender, the sender's title, firm name, mailing address, telephone number, and e-mail address.

Questions shall be submitted via email to Jim Schaefer of Conduent HR Services at james.schaefer@conduent.com. Neither NDPERS nor Conduent HR Services are responsible for questions received after the submittal deadline.

Answers to the questions received timely will be made available on the NDPERS web site on March 9, 2018 by 5:00 p.m., CST at <https://ndpers.nd.gov/about/bid-opportunities/>. 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 sent via email to:

Jim Schaefer, Director  
Conduent HR Services  
james.schaefer@conduent.com  
972-366-2012

### **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 RFP posting at:

<https://ndpers.nd.gov/about/bid-opportunities/>. 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 at: <https://ndpers.nd.gov/about/bid-opportunities/> for any possible addenda prior to submitting a proposal. The Offeror must acknowledge all addenda, amendments, or clarifications by indicating receipt on the Signature Page (A-13 Signature Page) of Attachment A, Technical Proposal. Only written addenda, amendments, and clarifications signed or 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, one (1) unbound original and nine (9) additional bound copies of the Offeror's proposal must be received by NDPERS on or before 5:00 P.M. (CDT), March 30, 2018. The unbound copy shall bear original signatures and shall be marked as the "Master Copy". The unbound Master Copy 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 in a digital format (in MS WORD and MS Excel formats as appropriate) shall be provided on a USB flash drive in a sealed envelope. Copies of the proposal shall be delivered to:

Bryan Reinhardt, Research and Planning Manager  
NDPERS  
400 East Broadway, Suite 505  
P.O. Box 1657  
Bismarck, ND 58505

One additional bound copy of the Offeror's proposal along with a copy of the proposal on a USB flash drive (in MS WORD and MS Excel formats as appropriate) shall also be sent to:

Jim Schaefer, Director  
Conduent HR Services  
9090 Skillman Street  
Ste. 182-A / 371  
Dallas, TX 75243



The base contract will be for a two year period of January 1, 2019 through December 31, 2020. All rates and fees must be firm, fixed and valid for the duration of the base period. Additionally, NDPERS is seeking two, additional 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 include "Proposal for Dental Plan Services" and show 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 of Trustees determines otherwise.

Proposals sent via email or facsimile transmission 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 January 1, 2019 through December 31, 2020. The Board at its discretion may extend the contract for up to two additional two-year option periods. The premium and benefit structure of these extensions will be subject to negotiations prior to renewal. 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 this RFP. 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 participants. Providing references in its proposal constitutes the Offeror's permission for NDPERS to contact these clients.

## ***11. Compliance with HIPAA***

As a business associate of NDPERS, the Contractor must comply with the privacy, transactions and code set, and security requirements of the Health Insurance Portability and Accountability Act of 1996 (HIPAA), as if it were a covered entity, as that term is defined by HIPAA, and the federal regulations implementing HIPAA. The Contractor will be required to execute a business associate agreement, which will be an attachment to the Agreement, and abide by the terms of the business associate agreement throughout any contract term. The Contractor will also be required to comply with the security requirements of HIPAA.

## ***12. Certification***

An authorized Officer of any Offeror submitting a proposal must certify that the organization complies with the RFP specifications by signing and including the signature pages as follows:

Attachment A: Technical Proposal:

- Tab A-2
- Tab A-4a
- Tab A-4b
- Tab A-5
- Tab A-10
- Tab A-11
- Tab A-12
- Tab A-13

Attachment B: Financial Proposal:

- Tab B-3
- Tab B-4a
- Tab B-4b
- Tab B-7

## ***13. 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.

## ***14. Additional Information from Responding Organizations***

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

## ***15. Modification***

No modifications to a proposal will be accepted after the stated deadline for submissions of proposals, unless language within the proposal is clarified at NDPERS's request.

## **16. 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.

## **17. News Release**

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

## **18. 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.

## **19. Historical Claim, Rate and Member Census Information**

This information will be provided electronically as "Appendix C - Confidential Data" to those Offerors that return an executed non-disclosure agreement as described in this RFP.

## **IV.CONTRACT REQUIREMENTS**

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### **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 (hereinafter Contract Documents).

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, unless specifically agreed to by NDPERS and incorporated into the Agreement for Services as an amendment signed by both parties.

The Agreement may be amended 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 the Contract Documents 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. Term of the Contract**

The contract term will begin on January 1, 2019 upon the execution of the Agreement by NDPERS. The initial contract term will end on December 31, 2020. The NDPERS Board, at its discretion may extend the contract for up to two additional two (2) year option periods. The timeline in the table below will apply for the duration of the contract.

| <b>Contract Period</b> |  |
|------------------------|--|
| Base Contract          |  |
| Option Period 1        |  |
| Option Period 2        |  |

NDPERS and the Contractor agree and acknowledge that the account services to be provided under this proposal will occur between January 1, 2019 and December 31, 2020. 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.

### **3. *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.

### **4. *Compliance with ERISA***

As a governmental entity, NDPERS is not directly covered by the provisions of ERISA .

### **5. *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.

### **6. *Authorized Signatures***

An authorized officer of the Offeror must sign the Signature Page (Attachment A-13) and the Deviations page (Attachment A-12), which are part of this RFP. Offeror shall include a copy of a document granting the signing officer authority to bind the Offeror to the agreements and representations made in the Offeror's proposal. This document shall be labeled as Response Attachment A-14: Authorization Documentation.

### **7. *Prohibited Interest***

An officer, director or employee of NDPERS may not have a direct interest in the gains or profits from any Agreement executed by NDPERS pursuant to this RFP and may not receive any pay or emolument for any service performed for the Contractor.

### **8. *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.

## V. DESCRIPTION OF SERVICES CURRENTLY PROVIDED

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It is NDPERS' intent that the Contractor provide a level of service that is at least comparable to that provided by the Incumbent. A description of benefits currently offered is available on-line at "NDPERS Group Plan Booklet" at <https://ndpers.nd.gov/active-members/insurance-plans/dental/>. To assist Offerors in assessing the opportunity, the following information is an overview of the services currently provided.

### 1. *Claim Adjudication and Member Services*

The majority of NDPERS claims are auto-adjudicated, which means the claims can be processed without human intervention. Paper claims are scanned into an imaging system, and verified for accuracy. Data Entry Specialists are responsible for confirmation of scanned claims with image anomalies as well as manually keying any claims that cannot be scanned. Once the scanned claim is verified, it and all other claims ready for processing are run through a batch process each evening. The claims that edit out of the auto adjudication process are routed to the examiners and senior examiners for review and release. Customer Service Specialists (CSS) can see claim history and claims in process. Through a workflow process they can send corrections or updates as needed based on calls received into the call center. CSSs do not process or correct claims.

Year-end 2017 call center and claim processing statistics for Delta Dental are shown below:

| Based on Delta Dental Book of Business     |           |
|--|-----------|
| Service Center Call Abandonment rate       | 6%        |
| Average time to answer calls (minutes)     | 1:06      |
| % of calls answered within 30 seconds      | 58%       |
| Percentage of auto-adjudicated claims      | 86%       |
| Total # of claims processed                | 1,699,707 |
| Average clean claim turnaround time (days) | 20        |

| Based on NDPERS Business                   |        |
|--|--------|
| Service Center Call Abandonment rate       | N/A    |
| Average time to answer calls (minutes)     | N/A    |
| % of calls answered within 30 seconds      | N/A    |
| Percentage of auto-adjudicated claims      | 73%    |
| Total # of claims processed                | 17,366 |
| Average clean claim turnaround time (days) | 21     |

## **2. *Network Management***

Currently, the NDPERS voluntary dental plan is a network based, Preferred Provider Organization (PPO) plan. As such, there is a provider network in place that includes dental care providers who are currently under contract with, but not necessarily employed by Delta Dental of Minnesota. Non-network providers (and associated benefit levels) are also available and may be accessed at the discretion of the individual plan participant.

## **3. *Eligibility / Participant Premium Billings Services***

NDPERS will submit enrollment, billing and premium remittance via a centralized electronic system. NDPERS will collect enrollment/eligibility information which will be provided to the successful Contractor on a data file that follows the HIPAA 834 file specifications. Premium payment information will be provided on a data file that follows the HIPAA 820 file specifications. Files will be transmitted using a secure file transmission process. The successful Contractor must be able to receive this data in that format and media. Premiums will be eligible for salary reduction on a pre-tax basis, through IRC Section 125.

## **4. *COBRA Administration***

This function is currently performed internally by NDPERS.

## **5. *Issuance of ID Cards***

ID cards are provided by Contractor and mailed directly to the participants' homes. Participants also have the option of printing replacement ID cards from the carrier's web site.

## **6. *Reporting***

- Weekly Eligibility Discrepancy Reports
- Quarterly Reports:
  - Enrollment by coverage tier report
  - Eyeglass frame summary report
  - Top 35 provider report by claim count and claim cost

## **7. *Plan Documents***

An electronic copy is available at <https://ndpers.nd.gov/active-members/insurance-plans/dental/>

## **VI. 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 as outlined in Sections V and VI. 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 the 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 and the name and number of this RFP. 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 Contractor 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.**

### **3. Attachment A: Technical Proposal**

The following exhibits are located in the MS Excel documents labeled **Attachment A: Technical Proposal** and **Attachment C: Confidential Documents**.



*Attachment C: Confidential Documents* will be sent only to those Offerors who submit a Non-Disclosure Agreement to the Benefit Programs Manager as described in Section III.1 of this RFP.

The Offeror shall complete each of the tabs in Attachment A 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 print 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 A-4b: Additional Answers to Questionnaire for the Offeror to continue a response from Attachment A-4a Questionnaire as appropriate.**

### **3.1. Attachment A-1: Minimum Requirements**

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

### **3.2. Attachment A-2: Offeror Information**

The Offeror shall complete each section of Attachment A-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 A-2 will automatically be used to populate the Attachment A-13: Signature Page and Attachment A-12: Explanations and Deviations, in addition to other areas of the MS Excel attachments.

### **3.3. Attachment A-3: Dental Plan Design**

The Offeror shall review the current plan design and propose alternative plan designs in the space provided. Benefits for Alternative Plans benefits should be equal to or better than the current benefit plan and should be revenue neutral with respect to the current plan rating structure generated by the bidders underwriting guidelines. (Please note that the Offeror will provide a premium quote for all plan designs in Attachment B-4: Fully Insured Current and Alternative Premium Rates.)

### **3.4. Attachment A-4: Questionnaire**

The Offeror shall answer each question in A-4a: Questionnaire completely/briefly in the space provided. If additional space is needed, the response can be continued in Attachment A-4b: Additional Answers to Questionnaire. Continued responses should be labeled clearly with both the Section number (A-4a) and the corresponding question number.

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

### 3.5. Attachment A-5: Subcontractor Questionnaire

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

### 3.6. Attachment A-6: Provider Access

NDPERS is interested in the availability of key Dental care providers to its eligible population. To assist the Offeror in completing the standard GeoAccess report for Dental care providers, NDPERS will provide the Offeror with a census file as part of Attachment C: Confidential Documents. The file will include the following fields: personal identifier, age, gender, city, state and ZIP Code. (Please exclude individuals for which the zip code is equal to "00000" from the analysis.) This file will be sent to only those Offerors who submit a Non-Disclosure Agreement to Jim Schaefer as described in Section III, 1 of this RFP.

The Offeror shall prepare a GeoAccess report for each network proposed, using the census data provided by NDPERS and the parameters shown below:

| Access to Dental Care Providers<br>(Non-Retail Chain Providers) |                   |
|---|-------------------|
| By County   | 1 within 15 miles |
| By County   | 1 within 30 miles |

The report should include the average distance to each provider, the number of providers in the ZIP Code, the number of members that meet the access requirements above and the number of members that do not meet the access requirements above.

**In addition to the standard GeoAccess hard copy report, the data must be supplied in electronic format that has read/write capabilities. Do not send the data in a read-only file.** Label the complete GeoAccess report as ***Response Attachment A-6: Provider Access***. The Offeror shall complete the exhibit in Part C of Attachment A-7, which summarizes the GeoAccess data for Dental care providers by county by zip codes. Please note that the Offeror needs only to populate the highlighted cells in the exhibit; all other cells will be calculated based on the values entered in the highlighted cells.

### 3.7. Attachment A-7: Dental Providers

The Offeror shall complete the exhibit in Attachment A-7, which summarizes the GeoAccess data for Dental care providers by county by zip codes. Please note that the Offeror needs only to populate the highlighted cells in the exhibit; all other cells will be calculated based on the values entered in the highlighted cells.

NDPERS is interested in the availability of Dental care providers to its eligible population. To assist the Offeror in completing the standard GeoAccess report for these providers, NDPERS will provide the Offeror with a census file as part of Attachment C: Confidential Documents. The file will include the following fields: person identifier, age, gender, city, state and ZIP Code. (Please exclude individuals for which the zip code is equal to "00000" from the analysis.) This file will be sent to only those Offerors who submit a Non-Disclosure Agreement to the Purchasing and Contracts Manager as described in Section III.1 of this RFP.

The Offeror shall prepare a GeoAccess report for each network proposed, using the census data provided by NDPERS and the parameters shown below:

The report should include the average distance to each provider, the number of providers in the ZIP Code, the number of members that meet the access requirements above and the number of members that do not meet the access requirements above.

**In addition to the standard GeoAccess hard copy report, the data must be supplied in electronic format that has read/write capabilities. Do not send the data in a read-only file. Label the complete GeoAccess report as Response.**

### **3.8. Attachment A-8: Provider Disruption by Claims**

The required data for Attachment A-8 is included in the MS Excel document entitled **Attachment C: Confidential Documents**. This file will be sent to only those Offerors who submit a Non-Disclosure Agreement to the Purchasing and Contracts Manager as described in Section III.1 of this RFP.

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. Offeror shall further agree that following its use of such confidential, proprietary or trade secret information, it shall take immediate action to destroy and/or render unidentifiable such information.

The Offeror shall complete the exhibit by indicating where or not the named provider is a member of the network being proposed for NDPERS. Valid responses are either "Yes" or "No". All other responses will be treated as a "No" response.

### **3.9 Attachment A-9: Provider Disruption by Service**

The required data for Attachment A-9 is included in the MS Excel document entitled **Attachment C: Confidential Documents**. This file will be sent to only those Offerors who submit a Non-Disclosure Agreement to the Purchasing and Contracts Manager as described in Section III.1 of this RFP.

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. Offeror shall further agree that following its use of such confidential, proprietary or trade secret information, it shall take immediate action to destroy and/or render unidentifiable such information.

The Offeror shall complete the exhibit by indicating where or not the named provider is a member of the network being proposed for NDPERS. Valid responses are either "Yes" or "No". All other responses will be treated as a "No" response.

### **3.10 Attachment A-10: Compliance**

The Offeror shall complete the exhibit by selecting either "Yes" or "No" from the drop down list next to each compliance checklist. For each requirement for which the Offeror selects "No", an explanation must be provided in Attachment A-12: Explanations and Deviations.

### 3.11 Attachment A-11: Performance Guarantees

At a minimum, the criterion identified in Attachment A-12 serves as a benchmark for performance measurements. Actual performance metrics and penalties will be finalized during contract negotiations between NDPERS and the selected organizations.

The Offeror shall complete the exhibit by selecting either “Yes” or “No” from the drop down list next to each performance guarantee. For each requirement for which the Offeror selects “Disagree”, an explanation must be provided in Attachment A-12: Deviations.

### 3.12 Attachment A-12: Explanations and 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.

### 3.13 Attachment A-13: 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 A-13: Authorization Documentation.**

### 3.14 Completed Appendices

The following Appendices shall be completed and attached here. Each Appendix shall be filled out in its entirety and shall include the signature of the Offeror’s authorized agent. **Failure to complete, sign, and/or return all specified Appendices may result in disqualification of the Offeror’s Proposal.**

Appendix C: Conflict of Interest Declaration Form- This form shall be completed and provided on behalf of the Offeror firm and its principles.

### 3.15 Response Attachments

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

1. Response Attachment A-2: Management Reporting Package
2. Response Attachment A-2: Claims Appeals Protocols
3. Response Attachment A-4a: Certificates of Insurance
4. Response Attachment A-4a: Provider Satisfaction Survey
5. Response Attachment A-4a: Dental Director Resume
6. Response Attachment A-4a: DPPO Implementation Team Organizational Chart

7. Response Attachment A-4a: DPPO Implementation Plan
8. Response Attachment A-4a: DPPO Account Management Support
9. Response Attachment A-6: Provider Access
10. Response Attachment A-7: Dental Provider Count by County
11. Response Attachment A-8: Provider Disruption by Total Claims Paid
12. Response Attachment A-9: Provider Disruption by Number of Services
13. Response Attachment A-13: Authorization Documentation

#### **4. Attachment B: Financial Proposal**

The following exhibits are located in the MS Excel documents labeled **Attachment B: Financial Proposal and Attachment C: Confidential Documents**.

**Attachment C: Confidential Documents** will be sent only to those Offerors who submit a Non-Disclosure Agreement to the Benefit Programs Manager as described in Section III.1 of this RFP.

The Offeror shall complete each of the tabs in Attachment B 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.

##### **4.1 Attachment B-1: Financial Requirements**

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

##### **4.2 Attachment B-2: Financial Compliance Checklist**

The Offeror shall answer each question in B-2: Financial Questionnaire completely/briefly in the space provided.

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

##### **4.3 Attachment B-3: Financial Compliance Checklist Deviations**

The Offeror shall complete this attachment regardless of whether or not there are deviations 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 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.

#### **4.4 Attachment B-4a, B-4b: Fully Insured Proposed Premium Rates**

Complete the charts on this tab with the applicable benefits information and/or premium rates required that will be offered to NDPERS participants for the current DPPO and alternative DPPO plan design for January 2019 through December 31, 2024.

#### **4.5 Attachment B-5: Offeror Premium Analysis**

In the table provided, please enter the applicable dollar amount 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 amount attributable to that item.

#### **4.6 Attachment B-6: Provider Reimbursement History**

Provide the Dental PPO reimbursement fees as of January 1, 2017. Some networks have different fee schedules for a given zip code. If there are multiple fee schedules used in any of the selected 5-digit zip codes, provide the set of fees that apply to the largest number of dentists in the zip code. This information will be weighted by expected utilization to develop an overall average cost that will be used to validate the Projected Fee-For-Service Paid Claims in Attachment B-5a. Also, provide the expected average increase in fees for each of the projection years 2020, 2021, 2022, 2023 and 2024.

#### **4.7 Attachment B-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 B-7: Authorization Documentation**.

#### **4.8 Response Attachments**

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

- Response Attachment B-7: Authorization Documentation

## APPENDICES

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## ***Appendix A – Model State Contract***

### **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.
- 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.
- 6) CONTRACTOR shall furnish a certificate of insurance to the undersigned State representative prior to commencement of this Agreement.
- 7) Failure to provide insurance as required in this Agreement is a material breach of contract entitling State to terminate this Agreement immediately.

- 8) 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.
- 15) **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.
- 16) **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.
- 17) **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:**

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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.

- 18) **NONDISCRIMINATION AND COMPLIANCE WITH LAWS:** CONTRACTOR agrees to comply with all laws, rules, and policies, including those relating to nondiscrimination, accessibility and civil rights, 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.
- 19) **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.
- 20) **TAXPAYER ID:** CONTRACTOR'S federal employer ID number is:\_\_\_\_\_.
- 21) **PAYMENT OF TAXES BY STATE:** State is not responsible for and will not pay local, state, or federal taxes. State sales tax exemption number is E-2001, and certificates will be furnished upon request by the NDPERS.
- 22) **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 \_\_\_\_\_, 2017, 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 of Individual<br>Agent or Employee | Employee (E)<br>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: \_\_\_\_\_

MEMORANDUM OF UNDERSTANDING BETWEEN THE NORTH DAKOTA PUBLIC  
EMPLOYEES RETIREMENT SYSTEM AND **NAME OF PROVIDER**  
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 **NAME OF PROVIDER** relating to maintenance and destruction of NDPERS Confidential Information held by **NAME OF PROVIDER** and its subsidiaries.

WHEREAS, NDPERS has previously entered into contracts with **NAME OF PROVIDER** to provide services related to administration of the NDPERS **PUT THE PROGRAM SPECIFICS HERE** (Contracts).

WHEREAS, the services provided by **NAME OF PROVIDER** under these Contracts required the exchange of information between the parties that is confidential under North Dakota Century Code §§ **CHANGE ACCORDING TO PROGRAM 54-52.1-11 and 54-52.1-12** (Confidential Information).

WHEREAS, the parties acknowledge that these Contracts, including the Business Associate Agreements between the parties, required **NAME OF PROVIDER** 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 **NAME OF PROVIDER** has asserted and NDPERS agrees that member service, applicable audit, record keeping, and other required functions make the return or destruction of all Confidential Information infeasible at this time.

WHEREAS, **NAME OF PROVIDER** has provided and NDPERS has reviewed the **NAME OF PROVIDER** records retention policy (Policy) applicable to the Confidential Information and **NAME OF PROVIDER** 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. **NAME OF PROVIDER** 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, **NAME OF PROVIDER** shall confirm the destruction of Confidential Information under its Policy.
3. Upon the request of NDPERS, **NAME OF PROVIDER** shall provide NDPERS a copy of any change to the Policy provided NDPERS on **DATE HERE**.
4. NDPERS agrees these actions are consistent with **NAME OF PROVIDER** obligations under these Contracts.
5. This Memorandum of Understanding will terminate upon notice to NDPERS by **NAME OF PROVIDER** that all Confidential Information has either been returned to NDPERS or destroyed, or earlier, upon thirty (30) days' notice by NDPERS to **NAME OF PROVIDER** 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: \_\_\_\_\_

NAME OF PROVIDER

BY: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

Attach Records Retention Policy



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

**Sharon Schiermeister**  
Interim Executive Director  
(701) 328-3900  
1-800-803-7377

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Fax: (701) 328-3920    Email [ndpers-info@nd.gov](mailto:ndpers-info@nd.gov)    Website <https://ndpers.nd.gov>

# Memorandum

**TO:** NDPERS Board

**FROM:** Bryan

**DATE:** December 12, 2017

**SUBJECT:** OPEB RFP

Attached is the RFP for the consultant to compile the Retiree Health Plan Valuation (OPEB) report. We've issued this RFP every two years. This one is adjusted for a 6-year bid with 2-year renewals.

The following is a sequence of activities for this RFP:

|                          |  |
|--------------------------|--|
| <b>February 1, 2018</b>  | RFP for consultant services issued   |
| <b>February 9, 2018</b>  | Questions to RFP due 5:00 p.m.   |
| <b>February 16, 2018</b> | Responses to questions posted  |
| <b>March 1, 2018</b>     | Consultant proposals due at NDPERS office no later than 5:00 p.m. Central Standard Time. |
| <b>March 13, 2018</b>    | <b>NDPERS Board Meeting</b>  |
| <b>April 10, 2018</b>    | NDPERS Board selects consultant no later than this date                                  |

The due dates for deliverables on this project are:

|                      |   |
|----------------------|---|
| <b>May 31, 2018</b>  | Draft of OPEB valuation report to NDPERS            |
| <b>June 12, 2018</b> | Present draft OPEB valuation report to NDPERS Board |
| <b>July 1, 2018</b>  | Final OPEB valuation report due                     |

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

**Board Action:**

Approve the Retiree Health Plan Valuation request for proposal.

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# **REQUEST FOR PROPOSAL**

**Retiree Health Plan Valuation  
(Other Post Employment Benefits)**

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**Prepared by:**

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

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**Request for Proposals  
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## Section I. Introduction

### Request:

This Request for Proposal is soliciting offers to do the actuarial valuation of the North Dakota Public Employees Retirement System (NDPERS) other post employment benefit plan (OPEB) to satisfy the requirement for the Governmental Accounting Standards Board statement 45 for fiscal years ending June 30, 2018 and June 30, 2019.

The following is a sequence of activities for this RFP:

**February 17, 2018** RFP for consultant services issued  
**February 29, 2018** Questions to RFP due 5:00 p.m.  
**February/March 16, 2018** Responses to questions posted  
**March 14, 2018** Consultant proposals due at NDPERS office no later than 5:00 p.m. Central Standard Time.  
**March 13, 2018** **NDPERS Board Meeting**  
**April 20, 2018** NDPERS Board selects consultant no later than this date

The due dates for deliverables on this project are:

**May 31, 2018** Draft of OPEB valuation report to NDPERS  
**June 12, 2018** Present draft OPEB valuation report to NDPERS Board  
**July 1, 2018** Final OPEB valuation report due

### Term of the Contract:

The contract term will begin on May 1, 2018 upon the execution of the Agreement by NDPERS. The initial contract term will end on July 31, 2018. The NDPERS Board, at its discretion may extend the contract for up to two additional two (2) year option periods. The timeline in the table below will apply for the duration of the contract.

| Contract Period | Effective Date  | Termination Date | Renewal Submission Date                                   |
|-----------------|-----------------|------------------|---|
| Base Contract   | May 1, 2018     | July 31, 2018    | <del>October</del> January 1, 2020 (for Option Period #1) |
| Option Period 1 | January 1, 2020 | July 31, 2020    | <del>October</del> January 1, 2022 (for Option Period #2) |
| Option Period 2 | January 1, 2022 | July 31, 2022    | N/A   |

NDPERS and the Contractor agree and acknowledge that the account services to be provided under this proposal will occur between May 1, 2018 and July 31, 2018. 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.

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**NDPERS:**

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

NDPERS is managed by a Board comprised of ~~nineteen~~ members:

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

## SECTION II. Retiree Health Plan Valuation

The North Dakota Public Employees System administers the group insurance program for the State of North Dakota. Medicare retirees from state retirement systems may elect to continue their participation in the group insurance. ~~As of July 1, 2015, There is no coverage for new Pre-Medicare retirees is no longer offered. Existing Pre-Medicare retirees participating in the plan prior to July 1, 2015~~ and retired legislators may continue coverage. Their rate is set by former state statute:

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- The PreMedicare single rate shall be 150% of the active member single rate
- The PreMedicare family rate is 2 times the PreMedicare single rate
- The PreMedicare family rate for 3 or more is 2.5 times the PreMedicare single rate

The above rates do not meet the actuarially required rates for this group thereby creating an implicit subsidy by the group.

NDPERS needs to have an actuarial valuation completed that will fulfill the requirements for the Governmental Accounting Standards Board (GASB Statement No. 45).

In addition to the above, NDPERS administers an actuarially funded retiree health insurance credit plan which provides a monthly retiree health credit equal to \$5 times the years of service they have in the retirement plan which is applied towards eligible insurance premiums. The liability for this retiree health insurance credit program is actuarially determined each year along with the retirement plan valuations done by ~~the Gabriel Roeder Smith Segal Company~~ and is not part of the scope of this RFP

The valuation for the retiree health plan implicit subsidy is to be completed by May 31, 2018 and presented to the NDPERS Board on June 1~~2~~<sup>6</sup>, 2018.

Prior to beginning work on the valuations, the successful contractor must execute an Agreement for Services and a Business Associate Agreement with NDPERS (attached).

A copy of our last valuation can be viewed on our website under "Request for Proposals" at ~~<http://www.nd.gov/ndpers/providers-consultants/consultants/rfp-index.html>~~  
<https://ndpers.nd.gov/about/bid-opportunities/>

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## SECTION III – Information Requests

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

### A. Technical Understanding, Timelines and Report.

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

### B. Firm, Qualifications and Staffing:

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

j.i. Discuss your work experience with public sector retirement boards.

k.j. Provide a listing of state public sector clients of similar nature and size for whom your organization provides similar services. References should identify the appropriate contact person(s), addresses and telephone numbers.

l.k. Identify and provide a resume for each actuary that will be assigned to the project and the estimated number of hours they will work on the project.

m.l. Provide a resume for each non-actuary professional assigned to this work effort and the number of hours they are assigned.

n.m. Identify any subcontractors to be used.

#### **C. Other Information:**

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

## SECTION IV – Fees/Hours

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

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

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

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

## COST PROPOSAL

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|   | Estimated Total Hours | Total Fixed Fee |
|---|-----------------------|-----------------|
| Retiree Health Plan Implicit Subsidy Valuation (OPEB) Fixed Fee |                       | \$              |
|   |                       |                 |
| <b>TOTAL FIXED FEE</b>  |                       | <b>\$</b>       |

### **DETAILS FOR SERVICE:**

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

#### **Retiree Health Valuation**

| <b><u>Type of Consultant</u></b> | <b><u>Rate</u></b> | <b><u># of Hours</u></b> |
|----------------------------------|--------------------|--------------------------|
|----------------------------------|--------------------|--------------------------|

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

## SECTION V - Submission and Acceptance of Proposals

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- A. Proposals should be prepared in a straightforward manner to satisfy the requirements of this RFP. Emphasis should be on completeness and clarity of content. Costs for developing proposals are entirely the responsibility of the proposer and shall not be chargeable to NDPERS.
- B. Offer, must be signed by a partner or principal of the firm and included with your proposal.
- C. Address or deliver the proposal to: Mr. Bryan Reinhardt  
North Dakota Public Employees Retirement System  
400 E. Broadway, Suite 505  
Bismarck, ND 58501  
(701) 328-3900
- D. Ten (10) written copies and one (1) electronic copy of the technical and price proposals must be received at the above listed location by **5:00 p.m. Central Standard Time on March 14, 2018**. The package the proposal is delivered in must be plainly marked "**PROPOSAL TO PROVIDE RETIREE HEALTH VALUATION SERVICES**". A proposal shall be considered late and will be rejected if received at any time after the exact time specified for return of proposals.
- E. The policy of the NDPERS Board is to solicit proposals with a bona fide intention to award a contract. This policy will not affect the right of the NDPERS Board to reject any, or all, proposals.
- F. The NDPERS Board may request representatives of your organization to appear for interviewing purposes. Travel expenses and costs related to the interview will be the responsibility of the bidder.
- G. The NDPERS Board will award the contract for services no later than April ~~21~~<sup>10</sup>, 2018 and no earlier than March ~~13~~<sup>7</sup>, 2018.
- H. In evaluating the proposals, price will not be the sole factor. The Board may consider any factors it deems necessary and proper, including but not limited to, price; quality of service; response to this request; experience; staffing; and general reputation.
- I. The failure to meet all procurement policy requirements shall not automatically invalidate a proposal or procurement. The final decision rests with the Board.
- J. Questions concerning the RFP shall be directed by e-mail to Mr. Reinhardt at [breinhar@nd.gov](mailto:breinhar@nd.gov) by February ~~9~~<sup>28</sup>, 2018. Responses will be posted on the NDPERS website no later than 5:00 p.m. Central Standard Time on ~~February 16~~<sup>March 4</sup>, 2018 under "Request for Proposals" at <https://ndpers.nd.gov/about/bid-opportunities/http://www.nd.gov/ndpers/providers-consultants/consultants/rfp-index.html>

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## SECTION VIII - Review Procedures

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

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

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

| <b>GENERAL</b>                         | <b>Points</b> |
|--|---------------|
| Did Consultant follow required format? | 5 Points      |

| <b>RETIREE HEALTH PLAN VALUATION</b>          |           |
|---|-----------|
| Technical Understanding, Timelines and Report | 30 Points |
| Firm, Qualifications and Staffing             | 25 Points |
| Price   | 40 Points |

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

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

## Appendix A – Model State Contract

### 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 2018 RFP and proposal (attached hereto and incorporated by reference Exhibit A).
- 2) **TERM:** The term of this contract shall commence January 1, 2019.
- 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 20<sup>th</sup>.
- 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.
- 15) **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.
- 16) **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.
- 17) **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:**

Sharon Schiermeister, Chief Operating Officer  
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.

18) **NONDISCRIMINATION AND COMPLIANCE WITH LAWS:** CONTRACTOR agrees to comply with all laws, rules, and policies, including those relating to nondiscrimination, accessibility and civil rights, 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.

19) **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.

20) **TAXPAYER ID:** CONTRACTOR'S federal employer ID number is: \_\_\_\_\_.

21) **PAYMENT OF TAXES BY STATE:** State is not responsible for and will not pay local, state, or federal taxes. State sales tax exemption number is E-2001, and certificates will be furnished upon request by the NDPERS.

22) **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**

\_\_\_\_\_  
Executive Director

\_\_\_\_\_  
Signature

\_\_\_\_\_  
ND Public Employees Retirement System

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

|

MEMORANDUM OF UNDERSTANDING BETWEEN THE NORTH DAKOTA PUBLIC  
EMPLOYEES RETIREMENT SYSTEM AND NAME OF PROVIDER  
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 NAME OF PROVIDER relating to maintenance and  
destruction of NDPERS Confidential Information held by NAME OF  
PROVIDER and its subsidiaries.

WHEREAS, NDPERS has previously entered into contracts with  
NAME OF PROVIDER to provide services related to administration of  
the NDPERS PUT THE PROGRAM SPECIFICS HERE (Contracts).

WHEREAS, the services provided by NAME OF PROVIDER under these  
Contracts required the exchange of information between the parties  
that is confidential under North Dakota Century Code §§ CHANGE  
ACCORDING TO PROGRAM 54-52.1-11 and 54-52.1-12 (Confidential  
Information).

WHEREAS, the parties acknowledge that these Contracts,  
including the Business Associate Agreements between the parties,  
required NAME OF PROVIDER 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 NAME OF PROVIDER  
has asserted and NDPERS agrees that member service, applicable

audit, record keeping, and other required functions make the return or destruction of all Confidential Information infeasible at this time.

WHEREAS, NAME OF PROVIDER has provided and NDPERS has reviewed the NAME OF PROVIDER records retention policy (Policy) applicable to the Confidential Information and NAME OF PROVIDER 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. NAME OF PROVIDER 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, NAME OF PROVIDER shall confirm the destruction of Confidential Information under its Policy.
3. Upon the request of NDPERS, NAME OF PROVIDER shall provide NDPERS a copy of any change to the Policy

provided NDPERS on DATE HERE.

4. NDPERS agrees these actions are consistent with NAME OF PROVIDER obligations under these Contracts.
5. This Memorandum of Understanding will terminate upon notice to NDPERS by NAME OF PROVIDER that all Confidential Information has either been returned to NDPERS or destroyed, or earlier, upon thirty (30) days' notice by NDPERS to NAME OF PROVIDER 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: \_\_\_\_\_

**NAME OF PROVIDER**

BY: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

Attach Records Retention Policy



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

**Sharon Schiermeister**  
Interim Executive Director  
(701) 328-3900  
1-800-803-7377

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Fax: (701) 328-3920    Email [ndpers-info@nd.gov](mailto:ndpers-info@nd.gov)    Website <https://ndpers.nd.gov>

# Memorandum

**TO:** NDPERS Board

**FROM:** Rebecca Fricke

**DATE:** December 4, 2017

**SUBJECT:** Diabetes Program

At the August meeting, the Board approved the funding for the About the Patient Diabetes Program for the current biennium. The About the Patient Program is an adherence program for individuals diagnosed with diabetes and offers incentives to encourage their use and maintenance of diabetic medications. At this meeting, the Board also requested that staff review the availability of other diabetes programs in the market.

Staff requested input from Sanford Health Plan (SHP) regarding other diabetes programs they may sponsor. The following was the response received from Steve Webster of SHP:

“Outside the About the Patient program, Sanford Health offers diabetes prevention and intervention through a Health Management program comprised of educational materials and newsletters that focus on disease state management. This is an opt-in program whereby members opt-in to receive education, referrals, and medical advice for the treatment of their disease. For high dollar, at risk patients, Case Management is invoked whereby a case manager is assigned to manage his or her care.”

In addition, staff has met with Jane Myers from the Department of Health’s Diabetes Prevention & Control Division regarding the National Diabetes Prevention Program. This program targets a different audience than our About the Patient Program as its focus is the pre-diabetes population, or those that

are at risk for developing diabetes, but have not yet been diagnosed. Jane presented information to the Board in August 2016 about this program. In March 2017, the Board chose not to move forward with the program for the 2017 biennium due to other proposed uses for reserves. At that time, it was suggested to look at a possible pilot program.

Staff has explored with Jane the ability for a pilot program to be offered in the Bismarck area starting in 2018. This would allow us to obtain data on outcomes from the program for the Board to review when considering whether to implement this program for the 2019-2021 biennium.

Jane will be attending the meeting to provide a brief overview of the National Diabetes Prevention Program, including participant eligibility, program details and national results.

If the Board is interested in a pilot program, Jane and NDPERS staff would coordinate efforts to offer 3 cohorts in the Bismarck area beginning the first quarter of 2018. A cohort is a class or group of participants. The cohorts would include 1 site at Bismarck State College and 2 at the Capitol. Bismarck State College has already expressed interest to the Department of Health and the desire to offer the program at its worksite. The target goal of each cohort is to have 15-18 participants. The program is a year-long program that includes 16 weekly sessions for the first six months and a monthly session for the last six months. Participants would be asked to sign a release form that would allow the sharing of information with NDPERS regarding participation and an analysis of the program outcomes. The total cost of the program is \$250. Participants will be charged \$50 to participate and upon successful completion of the program and meeting program goals, NDPERS will be charged the remaining \$200. The Board could opt to reimburse the participant for the \$50 fee contingent upon successful completion and meeting program goals thereby covering the full cost of the program.

In addition, the Department of Health launched a cohort of NDPERS members in September 2017. Jane will work towards obtaining releases from these participants so that their data can be utilized in the analysis of outcomes without there being a cost to NDPERS. This will allow us to have a total of 4 cohorts to use as part of our analysis.

NDPERS has discussed the program with SHP to determine if its wellness educators can be trained in this program. SHP has indicated that they intend to send its 3 wellness educators to the training so they could also act as

educators and offer sessions to the NDPERS members. Once they receive this training, SHP believes they could offer 1 cohort in the Bismarck/Mandan area to NDPERS members beginning in February or March. They do not anticipate a fee being charged to NDPERS, but do plan to charge participants \$50. The NDPERS Board could approve reimbursement to those participants that successfully complete the program and meet program goals.

**BOARD ACTION REQUESTED:**

Determine if the Board would like to offer a pilot Diabetes Prevention Program in conjunction with the Department of Health to employees in the Bismarck area, to include funding of \$200 per participant, up to 54 total participants during the upcoming 2018 calendar year. The Board could also determine if they wished to fund an additional \$50 per participant that completes the program and meets program goals.

If the Board elects to cover the full cost of the program (\$250), the maximum funding required would be \$13,500, which would be paid from reserves. If the Board wishes to cover the cost minus the participant fee (\$200), the maximum funding required would be \$10,800.



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# Memorandum

**TO:** NDPERS Board

**FROM:** Sharon Schiermeister

**DATE:** December 12, 2017

**SUBJECT:** Applied Behavioral Analysis (ABA)

At the August meeting we reviewed:

1. A memo from Sanford indicating they were adding the Applied Behavioral Analysis benefit to all of their fully insured plans starting in January of 2018. The cost of adding this benefit for PERS would be about \$28,000 per month.
2. We reviewed the legislative considerations on the bill and noted
  - a. That a bill had been introduced to mandate this coverage. A copy of the legislative history was provided with an index of the testimony
  - b. If passed under state statute it would have been added to PERS for the first two years as a pilot and then added to all plans after that.
  - c. The bill did not pass. Why it didn't pass included:
    - i. It was argued that this should not be a mandate and instead it should be added by the health carriers. The carriers indicated they would be adding this if the mandate did not pass and the coverage would be provided. (**Note** – articles appeared in the newspapers in November 2017 announcing that both Sanford and BCBS will be adding the ABA benefit effective January 2018)
    - ii. It was also argued that doing it as a mandate would delay this coverage in the marketplace since it would be required to be added to the PERS plan for two years before being added to other plans

At the October meeting we followed up on several questions from August:

1. Did the board have the authority to add this benefit and pay for it from reserves?

- Jan Murtha provided the board a memo and reviewed it at the meeting indicating the board did have the legal authority.
2. Did PERS already provide coverage for ABA?
    - Dr. Donelan from Sanford indicated that while the PERS plan did provide additional speech therapy services it did not provide for the full range of ABA services.

At the October meeting several additional questions did come up that have been researched for your consideration at his meeting.

1. Was the Legislature doing a study on this issue during the interim?

We reviewed the list of studies approved by Legislative Management and did not note any that had directly to do with adding this benefit to health insurance plans. However we did find the following study relating to state and federal laws:

*Study state and federal laws and regulations relating to the care and treatment of individuals with developmental disabilities or behavioral health needs. The study must include a review of the state's services and delivery systems, including whether changes are necessary to maintain compliance with state and federal laws and regulations; efforts by other states to comply with the 1999 Olmstead v. L.C. case, including the planning and implementation process for any new programs; community- and non-community-based services, including the costs and effectiveness of services; noncompliance with state and federal laws and regulations, including a review of the fees and penalties for noncompliance; a comparison of voluntary and involuntary compliance with state and federal laws and regulations, including a review of long-term costs and effectiveness; the impact of implementation and expansion of selected programs that were added to address unmet needs, including the impact on costs and effectiveness of new programs; needed changes to address noncompliance and a timeline for completing changes; data on the number of individuals who would be impacted by voluntary compliance efforts, and data on the type of services that may need changing, including housing, peer counseling, outpatient treatment, crisis line access, and transportation services; and an evaluation of the funding, mission, and caseload at the Life Skills and Transition Center, including the center's transition plan and number of clients eligible for community placement. (Health Services Committee)*

2. What efforts are being done at the Department of Human Services?

We note that pursuant to 54-06-32 an annual report is to be provided to the legislature about the State Autism Disorder plan to:

*Receive autism spectrum disorder plan from the Autism Spectrum Disorder Task Force before July 1, 2010, and an annual status report thereafter. (Human Services Committee)*

The following is the report presented in August to the Human Services Committee:

*Chairman Hogan and members of the Human Services Committee, I am Maggie Anderson, Director of the Medical Services Division for the Department of Human Services. I appear today to provide a report regarding the state Autism Spectrum Disorder (ASD) plan pursuant to N.D.C.C. 50-06-32. The ASD Task Force (Task Force) members are appointed by the Governor, and include a legislator, representatives from state agencies, providers, parents, and other professionals with an interest in autism. 2017 Senate Bill 2115 added several new members to the Task Force: a behavioral specialist, an enrolled member of a federally recognized Indian tribe, and an adult self-advocate. The Task Force meets four times per year and reviews:*

- *Early intervention, family support services that would enable an individual with ASD to remain in the least restrictive home or community-based setting,*
- *Programs that transition individuals from schools to adult day programs or employment,*
- *The cost of providing services, and*
- *The nature and extent of federal resources that can be directed to the provision of services for individuals with autism spectrum disorder.*

*There have been various membership changes with the Task Force over the past year. The Task Force originally developed and presented a state plan to the governor and legislative council in 2010. The plan has been reviewed and periodically updated to best serve the needs of individuals with ASD.*

More information on the committee can be found at:

<http://www.nd.gov/dhs/autism/taskforce.html>

3. What other treatment options are available?

- Attachment #1 is information received from the Department of Health reviewing the following:
  - a. Information on the ASD task force
  - b. The addition of this ABA coverage to the Medicaid program this biennium
  - c. Minnesota discussion of ABA
  - d. Other related information.

Past board memos from the August and October meetings on this topic have been included as Attachment #2.

### **Board Action Requested**

In consideration of the above information the options for going forward are:

1. Do not add the benefit
2. Do not add the benefit this biennium but include it in the premium request for the 2019-21 biennium.
3. Add the benefit this biennium and pay for it from PERS reserves (about \$28,000 per month).
4. Seek additional input by sending a letter summarizing the Board's review to this point and seeking advice from the following and then reviewing the response and deciding how to proceed at a later board meeting:
  - a. The Governor
  - b. The Majority and Minority leaders in the Senate and House
  - c. The Appropriation Committee Chair in the House and Senate
  - d. The bill sponsors

**From:** [Lund, Janis M.](#)  
**To:** [Lund, Janis M.](#)  
**Subject:** Autism Email  
**Date:** Wednesday, December 6, 2017 9:42:23 AM  
**Attachments:** [autism-aba-service-policy-and-procedures.pdf](#)

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Mylynn, Dirk, and Kim,

You had requested information regarding treatment options for autism. I asked Kodi Pinks and Kim Hruby to do some research for me and to also solicit recommendations from the State Autism Task Force. Below is the information they provided to me. If you need additional information, please let me know.

State ASD Task Force Recommendation:

In order to meet the needs of all individuals on the spectrum, a wide range of evidence-based treatment/therapies should be utilized. This goes beyond the ABA which doesn't benefit every child. There are various treatment/therapies available that address the needs of children and there are those that help adults with ASD. Each individual diagnosed with ASD is different and treatment should be determined after receiving a proper evaluation of the individuals needs and deficiencies. Children and adults may need services so there should not be any age limits for services.

Coverage by Medicaid:

ND Medicaid's policy (attached) covers the minimum of what is required federally for autism. By doing this, they only specify covering ABA therapy for individuals up to 21 years of age. Other states, such as Minnesota, have chosen a broader approach, since ABA does not always work for every individual. MN discusses covering an "early intensive developmental and behavioral intervention benefit" or "EIDBI benefit", which includes a variety of individualized, intensive treatment modalities approved by the commissioner that are based in behavioral and developmental science. It appears that this would include but is not limited to ABA.

Recent autism-related bills from Minnesota:

Minnesota generally addresses a broad group of autism-related services.

- HF.181 required intensive behavior therapy, including but not limited to applied behavior analysis; intensive early intervention behavior therapy; intensive behaviour intervention, neuro-developmental and behavioral health treatments and management. It also includes coverage for autism-related physical, occupational and speech therapy.
- <https://www.revisor.mn.gov/statutes/?id=256B.0949> - Autism Early Intensive Intervention Benefit to provide early intensive intervention to a child with an autism spectrum disorder diagnosis. This benefit must provide coverage for diagnosis, multidisciplinary assessment, ongoing progress evaluation, and medically necessary treatment of autism spectrum disorder.
- <https://www.revisor.mn.gov/laws/?id=19&year=2017&type=0#laws.0.1.0> - The bill above was revised during the 2017 Legislative Session.
- Minnesota Statutes 2016, section 256B.0949, was amended to read Early Intensive Developmental and Behavioral Intervention Benefit. Purpose: This section authorizes the early intensive developmental and behavioral intervention (EIDBI) benefit to provide early intensive intervention to a person with an autism spectrum disorder or a related condition.



This benefit must provide coverage for a comprehensive, multidisciplinary evaluation, ongoing progress monitoring, and medically necessary early intensive treatment of autism spectrum disorder or a related condition. Nothing in this section shall preclude coverage for other medical assistance benefits based on a person's diagnosis of an autism spectrum disorder or a related condition, including, but not limited to, coverage under section 256B.0943 of children's therapeutic services and supports. Under the definitions section, "person" means a person under 21 years of age. Also, "Early intensive developmental and behavioral intervention benefit" or "EIDBI benefit" means a variety of individualized, intensive treatment modalities approved by the commissioner that are based in behavioral and developmental science consistent with best practices on effectiveness.

#### Other Related Information:

Autism Treatment: Treatment for autism is usually a very intensive, comprehensive undertaking that involves the child's entire family and a team of professionals. Some programs may take place in the home. These may be based in the child's home with professional specialists and trained therapists or it may include training for the parents to serve as a therapist for the child under supervision of a professional. Some programs are delivered in a specialized center, classroom or preschool. It is not unusual for a family to choose to combine more than one treatment method. The terms "treatment" and "therapy" may be used interchangeably. The word "intervention" may also be used to describe a treatment or therapy. The different types of treatments can generally be broken down into the following categories: 1) Behavior and Communication Approaches, 2) Dietary Approaches, 3) Medication, and 4) Complementary and Alternative Medicine.

Applied Behavior Analysis (ABA) is a scientific discipline, distinct from psychology that involves behavioral assessments, an analytic interpretation of the results, and the application of behavioral modification therapy based on this analysis. It uses a variety of techniques and principles to bring about meaningful and positive change in behavior. There are different types of ABA. The following are some examples:

- Discrete Trial Training (DTT) - DTT is a style of teaching that uses a series of trials to teach each step of a desired behavior or response. Lessons are broken down into their simplest parts and positive reinforcement is used to reward correct answers and behaviors. Incorrect answers are ignored.
- Early Intensive Behavioral Intervention (EIBI) - The best outcome is achieved when treatment is started as early as possible (before the age of 5) and with a high intensity (30–40 h per week). The treatment is carried out by parents and teachers under supervision by a professional and consists of identifying the skills that the child lacks, breaking these down into components and teaching those component behaviors separately.
- Pivotal Response Training (PRT) - PRT is used to teach language, decrease disruptive/self-stimulatory behaviors, and increase social, communication, and academic skills by focusing on critical, or "pivotal," behaviors that affect a wide range of behaviors. The primary pivotal behaviors are motivation and initiation of communications with others. The goal of PRT is to produce positive changes in the pivotal behaviors, leading to improvement in communication skills, play skills, social behaviors and the child's ability to monitor his or her own behavior.
- Verbal Behavior Intervention (VBI) - VBI is a type of ABA that focuses on teaching verbal skills.

Other similar therapies that can be part of a treatment program include Floor Time, Relationship Development Intervention (RDI), Treatment and Education of Autistic and related Communication-handicapped Children (TEACCH), etc. There are other related services that address symptoms commonly associated with autism, but not specific to the disorder.

- Speech-language therapy
- Occupational therapy
- Sensory integration therapy
- Physical therapy
- Auditory integration therapy
- Picture exchange communication system (PECS)

Other information is available in the CSHS ASD Resource Booklet which can be accessed at <http://www.ndhealth.gov/cshs/docs/AutismResourceBooklet.pdf>.

Tamara Gallup Lelm, Division Director  
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ND Department of Health  
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## **North Dakota Medicaid Policy and Procedures for the Autism Applied Behavior Analysis Service**

### **PURPOSE**

To establish a process to assist North Dakota (ND) Medicaid staff in managing Autism Applied Behavior Analysis (ABA) Service requests and documentation.

### **RATIONALE**

1. To aid in consistency and establish guidelines for the Autism Applied Behavior Analysis (ABA) Service request process.
2. To document ND Medicaid criteria for the Autism Applied Behavior Analysis (ABA) Service.
3. To provide consistency in processing the requests for ABA Service for children with an autism spectrum disorder.
4. To establish ND Medicaid work flow and identify staff responsibilities.
5. To respond to ABA related requests in a timely manner.
6. To provide documentation on ND Medicaid's decision making process regarding Autism Applied Behavior Analysis (ABA) Service requests and approval.

### **FEDERAL CITATIONS**

ABA Services are regulated by the following:

42 CFR Chapter IV, Subchapter C - Medical Assistance Programs EPSDT  
North Dakota Administrative Code 75-02-02.

### **PROGRAM DURATION**

Approval for Autism Applied Behavior Analysis Services is a twelve-month period; annual review of medical necessity is required.

### **POLICY AND PROCEDURES**

- 1) Eligibility  
In order for a child to be considered for acceptance in to the Autism Applied Behavior Analysis Service, the child must:
  - a) Be under 21 years of age
  - b) Be Medicaid eligible on dates of service. (42 CFR 440.20 and North Dakota Administrative Code 75-02-02).



- c) Have an autism spectrum disorder diagnosis from their primary care provider (PCP) or primary medical care provider.
- d) Have an annual North Dakota Health Tracks (EPSDT) screening completed at a public health unit or by a primary care provider (PCP). A current screening is described as being within six months of the date considered eligible for the service. The screening must accompany the packet submitted to ND Medicaid for consideration of approval of the Autism Applied Behavior Analysis Services. Comments in the recommendation portion of that screening must support and recommend Autism Applied Behavior Analysis Services.

If the child is currently enrolled in the Medicaid Autism Spectrum Disorder Waiver, the diagnostic information provided to establish waiver eligibility will be accepted and the child will not be required to provide additional diagnostic information.

Children that do not meet the above criteria will not be eligible for consideration for ABA Services through ND Medicaid.

## 2) Case Management

Autism Case Management (CM) must have an annual care plan and update every 180 days thereafter to ensure:

- a) Child continues to meet medical necessity criteria; and
- b) Care plans include specific mentoring techniques that were taught to the caregiver(s) and any progress made in the caregiver's ability to carry out the techniques in the home.

A summarization of the last six months is required and must address:

- i. Problems that are being worked on;
- ii. Goals being accomplished/addressed; and
- iii. Any changes made by the caregiver to modify interventions that better cope with unwanted behaviors.

## 3) Autism Skills Training

- a) Must be for the direct benefit of the child for the purpose of reaching goals and tasks of the care plan.
- b) The skills trainer (ST) will train the caregiver(s) on implementing interventions across multiple settings.
- c) Skills trainers provide hands-on training to the participant using evidence-based behavioral intervention methods as directed by the case manager.
- d) The skills trainers may also provide general assistance and support on interventions to individuals who provide unpaid support, training, companionship or supervision to participants.

- e) The skills trainer will meet with the participant's case manager and the caregiver at least monthly for the purpose of reviewing progress on the formal training objectives and reviewing the need for changes in the care plan.
- f) Documentation will include who with, time, where occurred, event, data of goal.

Annual approval of service must occur every twelve months, through updating care plan.

ND Medicaid reserves the right to determine medical necessity for children requesting Autism Applied Behavior Analysis (ABA) Service.

The case manager must notify ND Medicaid of any updates to include institutional placement and discharge from the program.

The case manager is responsible for ensuring protected health information sent to ND Medicaid is done according to all Health Insurance Portability and Accountability Act rules.

### **Qualifications of Providers**

Medicaid payment is made only to providers who are actively enrolled in the North Dakota Medicaid program. Refer here for provider enrollment guidance:

<http://www.nd.gov/dhs/info/mmis.html>

The following enrolled provider types are eligible to receive payment for Autism Applied Behavior Analysis (ABA) Service.

### **Autism - Case Management**

1. Agencies must meet all of the following criteria:
  - a) Have in place a training process that will ensure that staff have adequate knowledge relating to children involved in unsafe, crisis, and/or unstable situations;
  - b) Demonstrate the ability to be available 24 hours, 7 days a week to eligible clients who are in need of emergency case management services;
  - c) Ensure case manager:
    - i. Is one of the following: board certified behavior analyst (BCBA), board certified behavior analyst-doctoral (BCBA-D), licensed independent clinical social worker (LICSW), or licensed clinical psychologist; and
    - ii. Has successfully completed the Department of Human Services approved autism spectrum disorder certification training, or be in "provisionally certified" status of successfully completing autism spectrum disorder certification training within six months of beginning to provide case management; and
    - iii. Maintains certification status through attending a Department of Human Services approved autism spectrum disorder recertification training at least once every two years.



Acceptable certification may be obtained from Educational Service Center of Central Ohio - Ohio Center for Autism and low Incidence (OCALI), 2080 Citygate Dr., Columbus OH 43219-3591 for ASD Strategies in Action.

### **Autism - Skills Training**

1. Agencies must meet all of the following criteria:
  - a) Have in place a training process that will ensure that staff have adequate knowledge relating to children involved in unsafe, crisis, and/or unstable situations; and
  - b) Ensure skills trainers are one of the following: licensed independent clinical social worker (LICSW), speech & language pathologist, licensed occupational therapist, licensed physical therapist, licensed certified social worker (LCSW), registered behavior technician (RBT), licensed professional clinical counselor (LPCC), licensed marriage and family therapist (LMFT), or licensed social worker (LSW).
2. Skills Training must be supervised by a qualified case manager (per this policy) and within North Dakota scope of practice laws.
3. Skills Training supervision must:
  - a) Be documented on an ongoing basis.
  - b) Be at least ten percent of the skills training hours.

### **Free Choice of Provider**

Children eligible to receive ASD services described in this section have a free choice of any available provider qualified to perform the services. Providers must be enrolled as a Medicaid provider.

### **Service Delivery**

- 1) **Case Management Services (CM)** are defined as services furnished to assist children, eligible under the State Plan - Autism Applied Behavior Analysis Service, in gaining access to needed applied behavior analysis (ABA) therapy.
  - a) Comprehensive assessment and periodic reassessment of the child's needs are required to determine the need for any medical, educational, social or other services. These assessment activities include:
    - Taking client history;
    - Identifying the child's needs and completing related documentation; and
    - Gathering information from other sources such as family members, medical providers, social workers, and educators (if necessary), to form a complete assessment of the eligible child.

- 
- b) Development (and periodic revision) of a specific care plan based on the information collected through the assessment includes:
- Description of target behaviors
  - Measurable treatment goals
  - Method and frequency of assessing objective and protocols
  - Description of aggressive/inappropriate behaviors and specific goals to address identified behaviors
  - Recommendation of amount of weekly services
  - Where occurring
  - Number of hours of ABA service
  - Reassessment completed at 180 days to include:
    - Date of reassessment
    - Updates to target – behaviors
    - Update to measurable treatment goals
    - Description of improvements
    - Recommendation of amount of weekly services
- c) Referral and related activities (such as scheduling skills trainer for the child) to help the eligible child obtain needed services include:
- Activities that help link the child with medical, social, educational providers, or other programs and services that are capable of providing needed services to address identified needs and achieve goals specified in the care plan.
- d) Monitoring and follow-up activities.
- Activities and contacts that are necessary to ensure the care plan is implemented and adequately addresses the eligible child's needs, which may be with the child, caregiver, service providers, or other entities or individuals and conducted as frequently as necessary, and including at least one annual monitoring, to determine whether the following conditions are met:
- Services are being furnished in accordance with the child's care plan;
  - Services in the care plan are adequate;
  - Changes in the needs or status of the child are reflected in the care plan.
  - Monitoring and follow-up activities include making necessary adjustments in the care plan and service arrangements with skills trainers; and
  - Meet with the skills trainer and caregiver monthly for the purpose of reviewing progress on the goals and/or need for changes to the care plan.
- e) Documentation requirements – the following list contains the minimum content required for the plan of care for each Medicaid recipient receiving CM services:
- Name
  - Age
  - Family composition
-



- Current residency
- Education level or current educational setting
- Work status/employment
- Placement history (including facility, admission and discharge date)
- Narrative history or background of recipient
- Presenting concerns
- Diagnosis (if applicable - all Axes)
- Behavioral patterns
- Names of practitioners that are providing care/services to the recipient
- Legal responsible party
- Treatment goals/primary plan of action
- Summary of progress/goals
- Medical needs (if available)
- Current health status (if available)
- Medication list (if available)
- Immunization record (if available)
- Recent medical appointments (if available)

2) **Skills Training** is defined as direct service designed to assist child in acquiring skills identified on the care plan. This service must occur within the child and caregivers home, with the focus of working with caregivers and others in the environment to promote the participant's competence and positive behaviors.

a) If need is identified, the following skills must be identified on the care plan:

- Social skills, and related skills to enhance participation across all environments (school, home and community settings) and relationships, including imitation, initiation of social interactions with both adults and peers, reciprocal exchanges, parallel and interactive play with peers and siblings;
- A functional communication system which may include expressive verbal language, receptive language and nonverbal communication skills and augmentative communication;
- Increased engagement and flexibility in the exhibition of developmentally appropriate behaviors, including: play behavior, attending behavior, responding to environmental cues (including cues from the training staff and others) and cooperation with instructions;
- Replacement of inappropriate behaviors with more conventional and functional behaviors;
- Fine and gross motor skills used for age-appropriate, functional activities, as needed;
- Cognitive skills related to play activity and academic skills;
- Adaptive behavior and self-care skills to enable the participant to become more independent; and/or



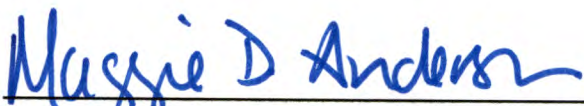
- Independent exhibition of organizational skills including completing a task independently, asking for help, giving instructions to peers and following instructions from peers, following routines, self-monitoring and sequencing behavior.

### Limitations

The department shall not pay for program services or components of services that:

- a) Are of an unproven, experimental, cosmetic or research nature.
- b) Do not relate to the child's diagnosis, symptoms, functional limitations or medical history.
- c) Are intended solely to prepare child for paid or unpaid employment or for vocational equipment and uniforms.
- d) Are solely educational, vocational, recreational or social.
- e) Are not coverable within the preventive services benefit category, such as respite or child care or other custodial services.
- f) Duplicate other State Plan services.

This policy and procedure for the Autism Applied Behavior Analysis Service is hereby approved:



Maggie D. Anderson, Director  
Division of Medical Services  
North Dakota Department of Human Services



Date



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

**Applied Behavioral Analysis**  
**Attachment 2a**  
**August board meeting**

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

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# Memorandum

**TO:** NDPERS Board

**FROM:** Sparb

**DATE:** August 17, 2017

**SUBJECT:** Applied Behavioral Analysis

During this last session HB 1434 was submitted. The proposed bill would have:

*Created a new section to chapter 26.1-36 and a new section to chapter 54-52.1 of the North Dakota Century Code, containing health insurance coverage mandates for autism-related services. The bill would also have provided a statement of legislative intent and require the insurance commissioner to provide a report to the legislative management every other year*

Very compelling and extensive testimony was given concerning the need for the above coverage. PERS and Deloitte were involved when the bill was reviewed by the Legislative Employee Benefits Committee. As part of the Deloitte review they noted:

*Currently, 45 states mandate coverage of autism treatment. The most significant class of treatments covered by all states with mandates in place are behavioral health treatments, which are referred to as applied behavioral analysis (ABA). Most states include age and/or dollar limits or visit limits for mandated ABA benefits. Deloitte reviewed ABA provisions for state mandates passed since 2013 as cited by Autism Speaks. We weren't able to summarize all visit and dollar limits prior to the deadline for this memo, however, the proposed \$50,000 limit in this bill was toward the high end of those state limits that we saw. As mentioned above, all require coverage of ABA, the one exception was MN, which also called for several other intensive therapies to be covered as well as ABA. Only Washington had a higher age limit for coverage than proposed in this bill. Sample ABA age limits are as follows:*

- *Ohio – 14 years of age and younger*

- *Oklahoma – 9 years of age and younger (or 6 years of coverage if not diagnosed by age 3)*
- *North Carolina – 23 years of age and younger*
- *Hawaii – 13 years of age and younger*
- *Georgia – 6 years of age and younger*
- *Mississippi – 8 years of age and younger*
- *South Dakota – 18 years of age and younger (decreasing annual limits at ages 6 and 13)*
- *Maryland – 18 years of age and younger*
- *Nebraska – 20 years of age and younger*
- *Washington – no age limits*
- *Utah – 18 years of age and younger (annual limits cut in half at age 9)*
- *Oregon – 9 years of age and younger*
- *Minnesota – 18 years of age and younger – ABA, EIBI, developmental, IEIBT, IBI*

Ultimately the bill did not pass. My perception was that most legislators agreed with the need for this coverage and that it appeared the reason it didn't pass was a consensus that the best way for this coverage to be provided would be through the insurance companies designing and offering the coverage rather than as a result of legislation. Both BCBS and Sanford indicated that is what they intended to do if the bill did not pass.

Recently I received the following from Steve Webster at Sanford:

*While this bill did not pass, SHP is moving in the direction to provide coverage in ND to large group, non-grandfathered plans, effective 1.1.18. This email is seeking your input on whether PERS would consider adding such a benefit on 1.1.18, understanding the legislature has just approved the 17-19 budget.*

The cost for adding this coverage to the PERS plan for this biennium would need to be funded through reserves since rates have already been set. The estimated cost per month would be about \$28,000 per month. Adding this starting in November of this year would mean it would in the plan for about 20 months so the total cost would be about \$550,000 for the biennium.

### **Staff Recommendation**

Add the coverage to the PERS plan effective November 2017.



**North Dakota  
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**Applied Behavioral Analysis  
Attachment 2b  
October board meeting**

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# Memorandum

**TO:** NDPERS Board

**FROM:** Sparb

**DATE:** October 19, 2017

**SUBJECT:** Applied Behavioral Analysis

## **Item for Board Consideration**

Recently I received the following from Steve Webster at Sanford:

*SHP is moving in the direction to provide coverage in ND to large group, non-grandfathered plans, effective 1.1.18. This email is seeking your input on whether PERS would consider adding such a benefit on 1.1.18, understanding the legislature has just approved the 17-19 budget.*

*Tentative Benefits:*

*< age 6 – Coverage up to \$36,000  
7-13 - Coverage up to \$25,000  
14-18 - Coverage up to \$12,500  
\*Prior Authorization required.*

The cost for adding this coverage to the PERS plan for this biennium would need to be funded through reserves since rates have already been set. The estimated cost per month would be about \$28,000 per month. Adding this starting in January of 2018 would mean it would in the plan for about 18 months so the total cost would be about \$504,000 for the remainder of this biennium.

## **Background**

At the August meeting, we discussed that during this last session HB 1434 was submitted. The proposed bill would have:

*Created a new section to chapter 26.1-36 and a new section to chapter 54-52.1 of the North Dakota Century Code, containing health insurance coverage mandates for autism-related services*

Sponsors of the bill were:

Introduced by

Representatives Beadle, Kasper, B. Koppelman, Maragos, Steiner

Senators Burckhard, Dever, Heckaman

The bill was heard during the interim by the Legislative Employee Benefits Committee and got an Unfavorable Recommendation.

The following is the legislative history of the bill as it was heard during the session:

| Date  | Chamber | Meeting Description   |
|-------|---------|---|
| 01/16 | House   | Introduced, first reading, referred Human Services Committee          |
| 01/30 | House   | Committee Hearing 02:45   |
| 02/08 | House   | Reported back amended, do pass, amendment placed on calendar 9 2 3    |
| 02/09 | House   | Amendment adopted   |
|       |         | Rereferred to Appropriations  |
| 02/14 | House   | Reported back, do not pass, placed on calendar 16 4 1                 |
|       |         | Second reading, failed, lacks constitutional majority yeas 47 nays 43 |
| 02/15 | House   | Reconsidered  |
|       |         | Second reading, passed, yeas 61 nays 29                               |
| 02/17 | Senate  | Received from House   |
|       |         | Introduced, first reading, referred Human Services Committee          |
| 03/06 | Senate  | Committee Hearing 09:00   |
| 03/20 | Senate  | Reported back amended, do not pass, placed on calendar 4 3 0          |
| 03/21 | Senate  | Amendment adopted, placed on calendar                                 |
|       |         | Amendment proposed on floor   |
|       |         | Amendment failed  |
|       |         | Second reading, failed to pass, yeas 16 nays 31                       |

Very compelling and extensive testimony was given concerning the need for the above coverage. Ultimately the bill did not pass. A couple of observations:

1. My perception was that most legislators agreed with the need for this coverage and that it appeared the reason it didn't pass was a consensus that the best way for this coverage to be provided would be through the insurance companies designing and offering the coverage as part of their health plans rather than because of a legislative mandate. Both BCBS and Sanford indicated that is what they intended to do if the bill did not pass. Consequently, to me it seemed the issue was not if the coverage should be provided but if it should be a mandate and that is why the bill failed.
2. It was also noted that if the bill passed as a mandate NDCC pursuant to NDCC 54-03-28(2)(b):

*The application of the mandate is limited to the public employee's health insurance program and the public employee retiree health insurance program.*

*The application of such mandate begins with every contract for health insurance which becomes effective after June thirtieth of the year in which the measure becomes effective.*

Consequently, if this was to pass as a mandate it would go into PERS in 2017 but would not go into the general marketplace until 2019. Given the commitment by the insurance companies to include this coverage in there plans this meant the coverage would become more generally available faster if the mandate bill (HB 1403) did not pass.

### **Question from August Meeting**

At the August meeting, we discussed the above and several questions were asked for staff to follow-up on. The following are those questions:

*Does the board have the authority to add this coverage?*

See attachment 1 from Jan Murtha

*What coverage is BCBS going to offer in their plans?*

*Coverage is currently available for the full range of diagnostic assessments, including physical evaluations, specialty evaluations, psychiatric and psychological evaluations, sensory testing, imaging and laboratory testing that may be necessary for a comprehensive medical evaluation to fully assess an individual's Autism Spectrum Disorder (ASD) needs.*

*BCBSND is adding a benefit for Behavioral Modification Interventions (BMI) that includes evidence-based techniques used in the assessment, treatment and prevention of challenging behaviors associated with ASDs.*

*Does PERS provide an expanded coverage in this area already?*

Please find the Speech therapy side by side comparison. Please note the **30 visits/CY** is available for each type of Rehab Therapy. Examples are Speech and Physical therapy.

#### ***ND Commercial Plans***

- *Outpatient Rehabilitative Therapy (including Speech Therapy) which is expected to provide significant improvement within two (2) months, as certified on a prospective and timely basis by the Plan. Coverage is limited to thirty (30) visits per Calendar Year.*

#### ***NDPERS Benefits - All Plans:***

- *Speech Therapy: Benefits are available for 90 consecutive calendar days, beginning on the date of the first therapy treatment for the condition. Additional benefits may be allowed after the 90 days when Medically Necessary. Benefits are available when performed by or under the direct supervision of a certified and licensed Speech Therapist. Services must be provided in accordance with a prescribed plan of treatment ordered by a Professional Health Care Provider.*

*NDPERS members have 90 visits per year (without taking account the consecutive), while ND Commercial has only 30 that are covered.*

*With this being said, Sanford mentioned that Speech Therapy is only a portion of what may be required for Autism treatment and is something completely different from Behavioral Therapy. Further ABA therapy and Speech therapy are two distinct disciplines in themselves, however, Speech therapy serves as a radiator of ABA treatment since social and language skills are integral components of ABA treatment.*

Dr. Donelan from Sanford will be available via conference call to discuss questions the board may have.

### **Additional Information**

As mentioned above extensive consideration was given to this benefit during the last session. At <https://ndpers.nd.gov/image/cache/october-19-2017--board-book.pdf> on our website you will find the legislative history of the bill and all the information presented. The following is a short table of contents of the information for you to use in looking at the information:

|                                   |          |
|-----------------------------------|----------|
| PERS Fiscal note                  | Page 1   |
| House Committee Minutes           | Page 17  |
| <b><u>House Testimony:</u></b>    |          |
| Rep Beadle Testimony              | Page 88  |
| Judith Ursittii Autism Speaks     | Page 90  |
| Jennifer Skjod – Parent           | Page 108 |
| Dr. Daisha                        | Page 109 |
| Chelsea Evenstad ND Autism Center | Page 114 |
| Ethan Suda                        | Page 123 |
| Charlie Kern                      | Page 125 |
| Kenny Kern                        | Page 126 |
| Tommy Kern                        | Page 127 |
| Jack Kern                         | Page 128 |
| Janice Kern                       | Page 129 |
| Jens Sharbono                     | Page 130 |
| Kristin Sharbono                  | Page 131 |
| Doug Sharbono                     | Page 133 |
| Ted Fogarty                       | Page 135 |
| Sandy Smith                       | Page 138 |
| Eric Mauch                        | Page 140 |
| Jen Werder                        | Page 141 |
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| Dr. Newman                        | Page 145 |
| Autism Speaks                     | Page 146 |
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| Pam Gallagher                                  | Page 148 |
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| Dr. Patrick Welle                              | Page 154 |
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| <b><u>Senate Testimony</u></b>                 |          |
| Rep Beadle                                     | Page 187 |
| Pew Charitable Trust Study                     | Page 194 |
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| Summary Evidence Base Practices                | Page 255 |
| Dan Hannaher, Sanford                          | Page 258 |
| Supplemental Report Acumen Actuarial           | Page 264 |
| Brent Bogar                                    | Page 291 |
| Judith Ursitti Autism Speaks                   | Page 293 |
| ND Autism Spectrum Disorder Coalition          | Page 303 |

### **Staff Recommendation**

Add the coverage to the PERS plan effective January 2018.

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**From October Board Meeting**  
Applied Behavioral Analysis  
Attachment from Jan Murtha

In follow up to the Board's prior discussion on autism related services, you had asked me to confirm that the PERS Board has the legal authority to provide and pay for increased insurance coverage. As we have discussed NDCC 54-52-04(13) (copied below) permits the Board to provide increased insurance coverage to members, and to pay for such amounts from excess reserve funds. It should be noted that subsection 13 also permits the Board to use these excess funds to offset premium costs. Therefore, the Board has the legal authority



to provide and pay for increased insurance coverage and the discretion to determine whether and when such coverage is provided.

“13. The board may use any amount credited to the separate uniform group insurance program fund created by section 54-52.1-06 in excess of the costs of administration of the uniform group insurance program to reduce the amount of premium amounts paid monthly by enrolled members of the uniform group insurance program, to reduce any increase in premium amounts paid monthly by enrolled members, or to provide increased insurance coverage to the members, as the board may determine.”

Please let me know if you would like to discuss this further.



**North Dakota  
Public Employees Retirement System**  
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# Memorandum

**TO:** NDPERS Board

**FROM:** Sharon Schiermeister

**DATE:** December 12, 2017

**SUBJECT:** Pre-Medicare Group

The Board has expressed an interest in looking at offering health insurance for our pre-Medicare retirees. House Bill 1058, which was introduced by PERS in the 2013 session, made changes to the health plan for the pre-Medicare retiree group and also made the Retiree Health Insurance Credit (RHIC) portable. These changes went into effect July 1, 2015.

## **Background**

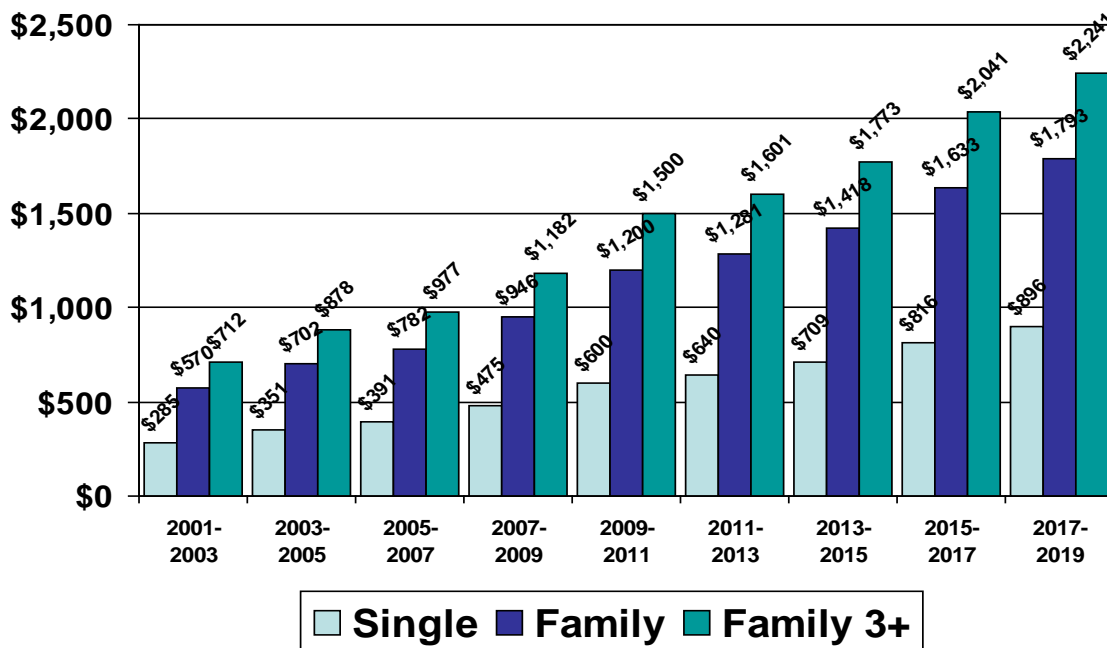
Historically, the main reason PERS offered coverage to retirees who were not yet eligible for Medicare was “guarantee issue”. That is, a PERS member was able to get health insurance at retirement without having to be exposed to medical underwriting requirements or pre-existing condition provisions. However, with the implementation of the federal Affordable Care Act, underwriting/waiting period requirements were removed and Health Care Exchanges were established for North Dakota. In recognition of the above, it was felt that pre-Medicare retirees could go out to the exchange to get health care and PERS could stop providing coverage to this group.

Another reason this option was removed related to the premium rates for this group. The rates for the pre-Medicare group are set in statute as:

- the rate for a non-Medicare retiree single plan is one hundred fifty percent of the active member single plan rate,

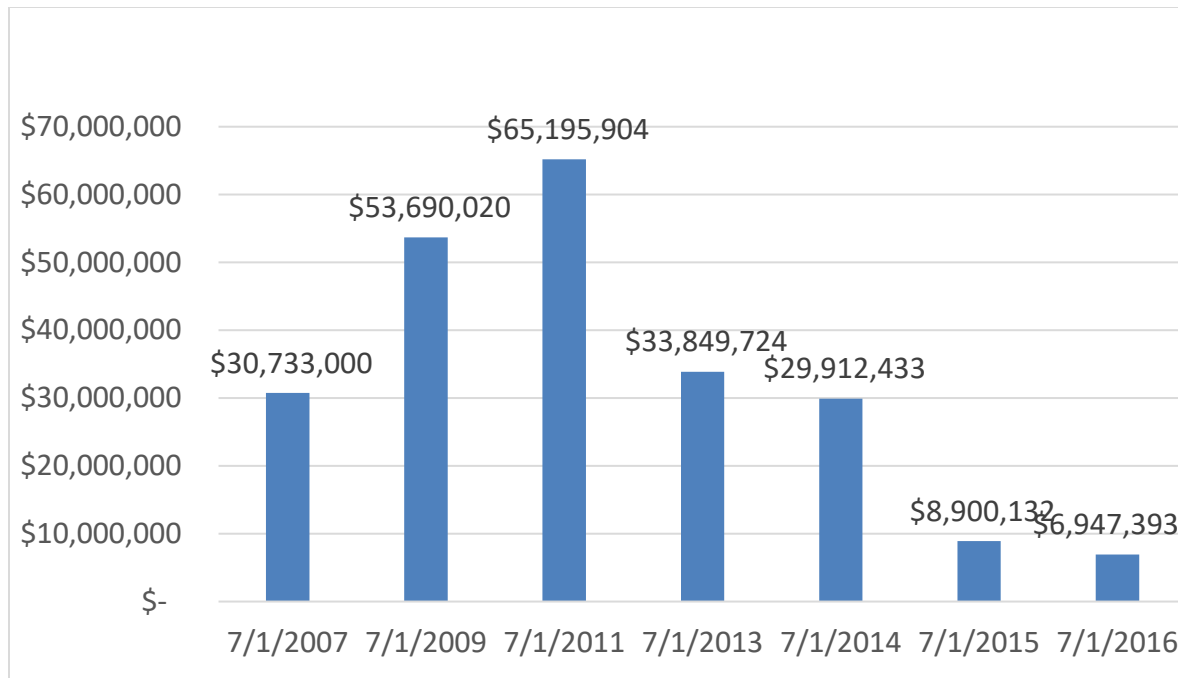
- the rate for a non-Medicare retiree family plan of two people is twice the non-Medicare retiree single plan rate, and
- the rate for a non-Medicare retiree family plan of three or more persons is two and on-half times the non-Medicare retiree single plan rate.

The following is a history of the premiums for that coverage:



Since the above rate is set by a state statute and is not based on the actuarial requirements of the group, the above rates, while high, do not reflect the full cost of that coverage. If the rate was set based on the actuarial requirement for the pre-Medicare group, it would be even higher. The difference between the statutory rate and the actuarial rates results in an implicit subsidy for the plan.

Relating to financial reporting of this implicit subsidy, the Governmental Accounting Standards Board (GASB) established financial reporting standards which apply to post-employment health care benefits such as the one provided to the pre-Medicare retirees. GASB requires that the present value of the implicit subsidy be reported in the State's financial reports. Following is a chart showing a history of this liability.



The result of no longer offering coverage to new non-Medicare retirees has resulted in a reduction in the liability, as well as reduced the cost that needs to be applied to the active contracts.

In conjunction with the change to the pre-Medicare group, a change was made to the RHIC program. Previously, the RHIC was only available to use to offset against the PERS health insurance premium. A change was made to allow the benefit to be used for any health insurance policy and also for the PERS voluntary dental, vision and long-term care plans. This would allow the pre-Medicare retirees, who were no longer able to take the PERS health insurance, to use this benefit to offset the premium for other coverage.

### **Options**

Current statute allows for a pre-Medicare group as long as it does not increase the implicit subsidy. Therefore, one option would be to offer pre-Medicare coverage with experience rated premiums.

#### **NDCC 54-52.1-02**

2. In addition to the coverage provided in subsection 1, another coverage option may be provided for retired employees not eligible for Medicare, except for employees who first retire after the effective date of this section and are not eligible for Medicare on their retirement, provided the option does not increase the implicit subsidy as determined by the governmental accounting standards board's other postemployment benefit reporting procedure. In offering this additional option, the board may have an open enrollment but thereafter enrollment for this option must be as specified in section 54-52.1-03.

We asked Sanford to provide estimated premiums for the pre-Medicare group based on their experience. The table below shows the current premiums for this group and the experience rated estimates.

| Plan Type   | Current Premium | Experience rated – low | Experience rated - high |
|-------------|-----------------|------------------------|-------------------------|
| Single      | \$896.34        | \$1,595.26             | \$1,686.42              |
| Family      | \$1,792.68      | \$3,190.52             | \$3,372.84              |
| Family (3+) | \$2,240.84      | \$3,988.14             | \$4,216.04              |

Another option would be to introduce legislation that would provide for PERS to offer pre-Medicare coverage at a premium level that may require a subsidy.

If the Board would like to pursue either of these options, staff could put together information on the following for consideration at a future meeting:

- Pros and cons
- Administrative implications for PERS
- Potential effect on the active rates
- Implications relating to the liability resulting from any subsidy

We are looking for direction from the Board on whether or not to proceed on these options.



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# Memorandum

**TO:** NDPERS Board

**FROM:** Sharon Schiermeister

**DATE:** December 12, 2017

**SUBJECT:** Health Consultant Renewal

In 2015, we went out for bid for health consulting services and awarded the contract to Deloitte. The term of the contract is from January 2016 through June 2018, with the opportunity to renew the contract for two subsequent two-year periods.

The scope of services provided under this contract include:

1. Consulting services relating to the group health plan
2. General group insurance consulting
3. Prepare an RFP for the health plan, conduct the RFP process and analyze the responses
4. Prepare an RFP for the Medicare Part D plan, conduct the RFP process and analyze the responses
5. Prepare a renewal estimate

The fees that are in place for the current contract period are as follows:

**FIXED FEE #1:**                      **\$ 5,000**

Health Bid development  
Preparation of the Bid

**FIXED FEE #2:**                      **\$ 5,000**

Medicare Part D  
Preparation of the Bid

**FIXED FEE #3 :**                      **\$ 15,000**

Health Premium Estimate

**FIXED FEE HOURLY RATE: \$ 306**

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

Attached is the renewal proposal from Deloitte for July 2018 – June 2020. The fees for the preparation of the bid documents increased to reflect estimated effort to incorporate the new specifications that were passed as part of HB 1403 relating to transparency. The fee for the health premium estimate was increased to more accurately reflect the level of effort that was expended for the projections done this time. It should be noted that the fees for these work efforts have been quoted as a 'not to exceed' fee, so we would pay for these services based on hours actually expended, up to the maximum amount stated.

**Board Action Requested:**

Accept or Reject the renewal proposal from Deloitte.



Deloitte Consulting LLP  
50 South Sixth Street  
Suite 2800  
Minneapolis, MN 55402  
USA

Tel: 612 397 4000  
Fax: 612 397 4450  
www.deloitte.com

## Memo

**Date:** December 6, 2017

**To:** NDPERS Board and  
Sharon Schiermeister, Interim Executive Director

**From:** Steve Wander and Josh Johnson, Deloitte Consulting LLP

**Subject:** DELOITTE CONSULTING RENEWAL COST PROPOSAL

Deloitte Consulting was asked to provide a cost proposal to continue providing actuarial and benefits consulting services to NDPERS for a two-year period beginning July 1, 2018. We greatly value our long-term relationship with NDPERS and appreciate the opportunity to continue our successful relationship. Our renewal cost proposal is outlined below.

### PROPOSED FEES

**1) Preparation of Medical/Pharmacy and Medicare Part D RFP documents**

Hourly rate in #3 below not to exceed \$15,000

**2) Health Premium Estimate (Self-funded claims projection)**

Hourly rate in #3 below not to exceed \$20,000

**3) All Other Consulting Services**

\$321 per hour

This cost proposal assumes a continuation of the terms and conditions in place under the current contract between NDPERS and Deloitte Consulting.





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# Memorandum

**TO:** NDPERS Board

**FROM:** Transition Subcommittee

**DATE:** December 12, 2017

**SUBJECT:** Transition Update

Attached is the final version of the position specifications, which was updated based on feedback received from the Board at the November meeting (Attachment 1). Ads were posted the week of November 20, 2017 (Attachment 2) and EFL has begun their recruitment efforts.

The next meeting of the transition subcommittee is scheduled for January 12, 2018. The committee will review potential candidates identified by EFL and determine which candidates the committee would like to interview.



#### **EFL Associates**

4600 South Ulster Street, Suite 900  
Denver, CO 80237  
Phone: 720.200.7000  
[www.effassociates.com](http://www.effassociates.com)



## **NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM**

### **EXECUTIVE DIRECTOR**

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### **POSITION SPECIFICATIONS**

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#### **CLIENT**

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Our client is the North Dakota Public Employees Retirement System (NDPERS). NDPERS is the administrator of five 401(a) defined benefit pension plans and an optional 401(a) defined contribution retirement plan. NDPERS also manages and administers the retiree health insurance credit program, the uniform group insurance program which includes health, life, dental, and vision plans and an Employee Assistance Program, the 457(b) deferred compensation program and the Section 125 pretax benefits program. A brief overview of each benefit program follows.

#### **Defined Benefit Plans**

The Public Employees Retirement System (PERS) is a cost-sharing, multi-employer retirement plan. PERS was established on July 1, 1966 as a defined contribution plan but was later changed to a defined benefit plan by the North Dakota Legislature in 1977. PERS covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. It also covers Supreme and District Court Judges, the National Guard Security Officers and Firefighters, as of August 1, 2004, peace officers and correctional officers employed by political subdivisions and as of August 1, 2017, firefighters employed by political subdivisions. The Highway Patrolmen's Retirement System (HPRS) is a single-employer defined benefit plan established July 1, 1949 that covers substantially all sworn officers of the North Dakota Highway Patrol. NDPERS became the administrator of this plan effective July 1, 1983. The Retirement Plan for Employees of Job Service North Dakota (Job Service Plan) is a single-employer defined benefit plan established July 1, 1961 and is limited to employees participating in the plan as of September 30, 1980. NDPERS became the administrator of the Job Service Plan effective August 1, 2003.

PERS has 23,351 contributing members and 11,110 retirees and beneficiaries currently receiving benefits. HPRS has 151 contributing members and 127 retirees and

beneficiaries. The Job Service Plan has 8 contributing members and 139 retirees. The employers participating in PERS include 96 state agencies and 343 political subdivisions.

### **Defined Contribution Retirement Plan**

An optional Defined Contribution Retirement Plan (DC Plan) was established effective January 1, 2000. The DC plan was available to state employees who are in positions not classified by the Human Resource Management Services division of the State of North Dakota. Employees of the judicial branch or the Board of Higher Education and State Institutions under the jurisdiction of the Board of Higher Education are not eligible to participate in the Plan. The 2013 Legislative Assembly passed legislation to expand eligibility to the Plan to include all new state employees hired on or after October 1, 2013 through July 31, 2017. The Plan has 104 participants.

### **Retiree Health Insurance Credit Program**

This program was created by the North Dakota Legislature in 1989. It is designed to provide members with a benefit that can be used to offset the cost of their health insurance premiums during their retirement years. There are 23,605 contributing members and 11,071 retired participants currently receiving benefits. Starting in July 2015, NDPERS contracted with a benefits service company for processing premium reimbursements for retirees.

### **Uniform Group Insurance Program**

Group Health Insurance. NDPERS began administering the group health insurance plan in 1971. There are 28,537 active and retired contracts under this plan as of June 30, 2017. Total covered lives, including spouses and dependents are 66,284. As of June 30, 2017, there were 156 political subdivisions participating in the group health program. The health insurance premiums paid to the carrier for the fiscal year ended June 30, 2017 totaled \$309.6 million.

Another component of this plan, which is being reported in compliance with GASB Statement 43, provides health care coverage to eligible retirees who are not yet eligible for Medicare. The premiums for this group are not age-rated and do not cover the costs of the coverage, therefore, the costs of this group are being subsidized through the active group rates. There are 353 retirees currently receiving the subsidized premium. This plan was closed to new retirees July 1, 2015.

Group Life Insurance. NDPERS began administering the group life insurance plan in 1971. There are 18,250 active and 3,238 retired employees covered under the basic life insurance plan. Active employees have the option of purchasing additional life insurance under the employee supplemental, dependent supplemental, and spouse supplemental provisions of the plan. The life insurance premiums paid to the carrier for the fiscal year ended June 30, 2017 totaled \$3.45 million. As of fiscal year end, there was \$1.671 billion of life insurance in force for all participants covered by this plan.

Voluntary Insurance Products. The 1995 North Dakota Legislature authorized NDPERS to offer voluntary insurance products, specifically dental, vision and long term care insurance. On January 1, 1997, NDPERS began offering a dental plan and long term

care plan and on January 1, 2003, a vision plan was offered. There are 9,897 participants in the dental plan, 10,766 participants in the vision plan, and 164 participants in the long term care plan.

**Employee Assistance Program.** The 1997 North Dakota Legislature authorized NDPERS to administer an employer-sponsored Employee Assistance Program (EAP) for all state employees, effective August 1, 1997. NDPERS has contracted with four EAP vendors to provide services to employees and their families. NDPERS collects the monthly premiums from the employers and remits them to the appropriate vendor. Approximately 15,200 state employees are covered under this program.

### **Deferred Compensation Program**

This is a voluntary, supplemental retirement plan provided in accordance with Section 457(b) of the Internal Revenue Code. It allows eligible employees to defer and invest income on a pretax basis to be withdrawn at a later date, usually at retirement. NDPERS has administered the Plan since 1987. Fourteen companies have agreed to provide investment services for the State's deferred compensation program. NDPERS is the trustee for deferred compensation assets totaling \$97.9 million, provider companies hold the remaining plan assets of \$151.9 million in custodial accounts for the exclusive benefit of participants and their beneficiaries. Approximately 12,932 employees participate in this program.

### **Pretax Benefits Program (FlexComp)**

This program was established by the North Dakota Legislature in 1989 in accordance with Section 125 of the Internal Revenue Code. It allows eligible employees to elect to reduce their salaries to pay for qualified insurance premiums, medical expenses, and dependent care expenses on a pretax basis. There are 2,873 participants in the medical and dependent care spending accounts. Employee contributions to the spending accounts totaled \$5.55 million. Starting in January 2013, NDPERS contracted with a benefits service company for processing spending account reimbursements.

### **Defined Benefit Plan Funding and Investments**

The July 1, 2017 actuarial value of assets for PERS is \$2.633 billion and its funding status is 70.7%. The actuarial value of assets for HPRS are \$70.7 million and its funding status is 75.2%. The Job Service Plan is fully funded and the actuarial value of its assets are \$98.4 million

### **Investment Management**

NDPERS does not manage the invested assets held in trust for the plans it administers. Investments for PERS, HPRS and the Job Service Plan are managed by the North Dakota State Investment Board (SIB) which adheres to the prudent investor role. The PERS and HPRS assets had an annualized return of 13.05% for the fiscal year ended June 30, 2017. The annualized rate of return was 5.48% for the last three years and 9.16% for the last five years. The annualized rate of return for fiscal year ended June 30, 2017 for the Job Service Plan was 5.63%. The annualized rate of return was 4.79% for the last three years and 7.85% for the last five years. The portfolio is broadly diversified

with holdings in domestic and international equities, domestic and international fixed income, real estate, private equity, timber, infrastructure, and cash equivalents. The assets of the Retiree Health Insurance Credit Program are also invested with the SIB.

The NDPERS offices are located in downtown Bismarck. For more information about NDPERS, please visit the website at [www.ndpers.nd.gov](http://www.ndpers.nd.gov)

## **POSITION SUMMARY**

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### **The Role**

The Executive Director is appointed by and reports to a nine member Board of Trustees. He/she is responsible for the day-to-day administration and direction of all programs delegated by State law to NDPERS which are:

- The defined benefit retirement programs for public employees, judges, law enforcement, highway patrol and Job Service;
- The defined contribution plans including the 401(A) and 457 plans, including the PERS Companion Plan;
- The Retiree Health Insurance Credit program;
- The Group Health, Life, Vision, Dental and Long Term Care insurance programs;
- The State's Employee Assistance Program;
- The 125 State FlexComp program

The Executive Director also serves as the Board's representative with the members, employee and retiree organizations, the Legislature, other State agencies, political subdivisions, State Administration, national organizations, the media and the general public.

NDPERS employs a workforce of 35 regular staff and 2 temporary staff and has an annual administrative budget of \$4.6 million. Functionally, NDPERS is organized into six major departments: Operations; Finance; Research and Planning; Benefits and Human Resources; Administrative Services; and Internal Audit. NDPERS disburses over \$170 million annually in retirement payments and over \$330 million annually in group insurance premiums. NDPERS has more than \$2.7 billion in assets in the Defined Benefit and Defined Contribution trusts, \$250 million in the Deferred Compensation program, and \$116 million in the Retiree Health Trust.

The Executive Director is responsible for overseeing the work of external vendors. These include the health and retirement actuarial consulting firms, the Group Life, Health, Vision, Dental, Long Term Care and EAP providers, deferred compensation providers, the 401(A) plan and 457 Companion plan recordkeeper, and benefit service providers for RHIC reimbursements and the FlexComp Spending accounts.

### **Duties and Responsibilities**

The Executive Director is responsible for planning, organizing and managing the activities of NDPERS in accordance with the policies established by the Board of Trustees under the statutes and rules governing NDPERS.

Key responsibilities include:

- Managing the day-to-day activities of the NDPERS staff and staff recruitment.
- Working closely with the Board of Trustees and its standing committees which include: Investment; Audit; Benefits; and Retiree.
- Representing NDPERS in national retirement and benefit organizations.
- Representing NDPERS before State and Federal elected officials, as appropriate.
- Ensuring the objectives established by the Board of Trustees in its strategic long-term plan are achieved.
- Ensuring that NDPERS operates efficiently.
- Evaluating performance of the direct reports to the Executive Director and General Counsel.
- Ensuring that NDPERS complies with all applicable laws and regulations.
- Ensuring that NDPERS maintains an effective public relations strategy; overseeing communications, and communicating with, the media regarding NDPERS issues.
- Ensuring that the following general principles, under which the Board sets policy and the staff operates, are complied with:
  - Providing excellent service to NDPERS members and retirees.
  - Maintaining high ethical and fiduciary standards in policy development and fund operations.
  - Preserving the financial integrity of the funds.
  - Maintaining actuarial soundness, while balancing the cost of benefits between present and future members and employers.
  - Participating actively in the benefits industry.
- Building and maintaining effective relationships to strengthen the efforts of the system.
- Planning monthly board meetings.
- Conducting elections for vacant board positions in accordance with the rules of the Board.
- Maintaining an understanding of employee benefit plan qualifications and requirements under the Internal Revenue Code, and other state and federal laws and regulations.
- Monitoring program compliance and activities and regularly reporting to the Board regarding plan qualification and other issues affecting the agency and plans it administers, including making recommendations for adjustments as circumstances require.
- Developing, recommending and implementing goals and objectives designed to achieve the mission statement established by the Board.
- Developing budget requests regarding staffing, equipment, and other requirements upon which the budget is based for consideration by the Board, the Governor, and the Legislature.
- Developing and recommending legislation and administrative rule changes relating to programs administered by the agency, and serve as the agency's chief spokesperson with the Legislature.

## **EDUCATION AND EXPERIENCE**

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- Undergraduate degree from an accredited college or university; advanced degree in business or public administration or related field is preferred.
- Significant successful leadership experience (5 or more years) in a complex organization of similar or larger size than PERS preferably one involving retirement, health insurance or financial services, with strong customer service focus.
- Ideally a minimum of two years involving significant supervisory and budgetary oversight. Experience in group health, group life, and flexible spending programs is highly desirable.
- Certification as a Certified Employee Benefits Specialist (CEBS), Certified Retirement Administrator (CRA), Certified Public Accountant (CPA) or other comparable certification will distinguish the most attractive candidates.
- Experience working with/reporting to a Board of Trustees using an inclusive style and consensus orientation.
- Proven management experience, including the ability to hire, motivate, develop and delegate to a strong senior staff.
- Demonstrated success serving as the spokesperson with external stakeholders, including the media.
- Understanding of the legislative process and the necessary political skills to work successfully with legislative committees and legislators.
- Strong financial acumen and the ability to construct and manage an approved annual budget.

## **SKILLS AND ABILITIES**

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- Demonstrated dedication to customer service, including the desire and ability to make this an organizational mentality.
- The highest level of character and integrity combined with a strong sense of fiduciary duty.
- Projects confidence but with humility; a servant leader.
- Open and welcoming; approachable and visible to board, staff, employers and members; empathetic with strong emotional intelligence.
- A thoughtful decision-maker who values both people and process; willing to get input in the decision-making process; makes the decision but is willing to admit mistakes.
- The ability to communicate a vision, combined with strong strategic skills.
- Excellent oral, written and listening communication skills, including strong presentation skills.
- A belief in and commitment to, full disclosure of information (including uncomfortable information) to the Board, as well as dealing even-handedly with all board members.
- Flexibility and adaptability, including a willingness to hear and act on uncomfortable information.
- High energy level and strong work ethic.



## **COMPENSATION**

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Compensation will consist of an attractive base salary commensurate with experience and qualifications. There is no incentive compensation. In addition, the Executive Director will be entitled to the States' generous benefits package, which includes fully-paid family health insurance, a defined benefit or defined contribution retirement plan, dental, vision, and life/AD&D coverage; a generous annual and sick leave policy; optional 457(b) deferred compensation plan; flexible spending account; and an employee assistance program. Relocation assistance, if necessary, will be negotiated on an individual basis.

## **APPLICATION PROCESS**

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EFL Associates, an executive search firm, is assisting NDPERS with this important search. All calls and inquiries must be made through the search firm. Referrals and applications will be treated in accordance with the North Dakota open records law; noting that NDPERS anticipates applications will meet the requirements of N.D.C.C. 44-04-18.27, such that initial applications will be considered confidential under state law, except that records relating to finalists are open to the public after the finalists are designated. Review of applications will begin immediately and will continue until the position is filled.

## **NON-DISCRIMINATION**

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The State of North Dakota and EFL Associates do not discriminate on the basis of race, color, national origin, sex, genetics, religion, age or disability in employment or the provisions of services and complies with the provisions of the North Dakota Human Rights Act.

As an employer, the State of North Dakota prohibits smoking in all places of state employment in accordance with N.D.C.C. § 23-12-10.

**EFL ASSOCIATES**  
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**[www.eflassociates.com](http://www.eflassociates.com)**

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**Phone: 720-200-7005**  
**Email: [mhobson@eflassociates.com](mailto:mhobson@eflassociates.com)**



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## EXTERNAL WEBSITE AD

Our client, **North Dakota Public Employees Retirement Systems (NDPERS)**, seeks an **Executive Director (ED)**. NDPERS is the administrator of five 401(a) defined benefit pension plans, an optional 401(a) defined contribution retirement plan, a 457 deferred compensation plan, the State's uniform group insurance program, and other benefit plans. NDPERS is located in downtown Bismarck, ND, employs a workforce of approximately 35 staff and has an annual administrative budget of \$4.6M. The **ED** is appointed by and reports to a nine member Board of Trustees and is responsible for planning, organizing and managing the activities of NDPERS in accordance with the policies established by the Board of Trustees under the statutes and rules governing NDPERS. An undergraduate degree from an accredited college or university is required; with an advanced degree in business or public administration or related field preferred. Significant successful leadership experience (5 or more years) in a complex organization of similar or larger size; preferably one involving retirement, health insurance or financial services, with strong customer service focus; along with a minimum of two years of supervisory & budgetary oversight will be viewed favorably. Certification as a Certified Employee Benefits Specialist (CEBS), Certified Retirement Administrator (CRA), Certified Public Accountant (CPA) or comparable certification will distinguish the most attractive candidates. NDPERS does not manage its investment portfolio; investments are managed by the State Investment Board, a separate agency.

To view the **position specifications** click here: [www.eflassociates.com/ndpers](http://www.eflassociates.com/ndpers)

**To apply** please send your resume to Lauren at [lmcelderry@eflassociates.com](mailto:lmcelderry@eflassociates.com).

## NDPERS WEBSITE AD

### NDPERS – Executive Director

We are seeking our next Executive Director (ED). **North Dakota Public Employees Retirement Systems (NDPERS)** is the administrator of five 401(a) defined benefit pension plans, an optional 401(a) defined contribution retirement plan, a 457 deferred compensation plan, the State's uniform group insurance program, and other benefit plans. NDPERS is located in downtown Bismarck, ND, employs a workforce of approximately 35 staff and has an annual administrative budget of \$4.6M. The **ED** is appointed by and reports to a nine member Board of Trustees and is responsible for planning, organizing and managing the activities of NDPERS in accordance with the policies established by the Board of Trustees under the statutes and rules governing NDPERS. An undergraduate degree from an accredited college or university is required; with an advanced degree in business or public administration or related field preferred. Significant successful leadership experience (5 or more years) in a complex organization of similar or larger size; preferably one involving retirement, health insurance or financial services, with strong customer service focus; along with a minimum of two years of supervisory & budgetary oversight will be viewed favorably. Certification as a Certified Employee Benefits Specialist (CEBS), Certified Retirement Administrator (CRA), Certified Public Accountant (CPA) or comparable certification will distinguish the most attractive candidates. NDPERS does not manage its investment portfolio; investments are managed by the State Investment Board, a separate agency.

To view the **position specifications** click here: [www.eflassociates.com/ndpers](http://www.eflassociates.com/ndpers)

**To apply** please send your resume to Lauren at [lmcelderry@eflassociates.com](mailto:lmcelderry@eflassociates.com).



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

**Sharon Schiermeister**  
Interim Executive Director  
(701) 328-3900  
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# Memorandum

**TO:** NDPERS Board

**FROM:** Sharon Schiermeister

**DATE:** December 12, 2017

**SUBJECT:** Administrative Rules

A hearing soliciting comments for the proposed amendments, additions and deletions to administrative rules was held on Tuesday, November 21, 2017 at 11:00 a.m. in the Conference Room at the NDPERS office at 400 East Broadway Avenue, Bismarck. There were no members of the public in attendance. The minutes from the hearing are attached as well as the proposed rules, summary of rules, formal notice and small entity regulatory analysis and impact statement. The comment period was held open until 5:00 p.m. on December 1, 2017.

There has been no request for a regulatory analysis or a takings assessment received and the proposed rules are not anticipated to have a cost impact on the regulated community. However, staff has reviewed and discussed the questions provided by the Attorney General's Office regarding small entity impact analysis as well as economic impact. There were no significant findings to report or fiscal impact anticipated. The legislation associated with the rule changes was part of our appropriation bill that was passed. Therefore, email notification was sent to the House and Senate Appropriation Committees.

Staff is requesting the Board's approval to submit the attached rules to the Attorney General's Office for review. Subject to obtaining the Attorney General's approval, staff will then submit the rules to Legislative Council for final promulgation, per the following schedule:

|                          |   |
|--------------------------|---|
| December or January 2018 | Final Board review of comments (no later than January Board meeting). |
| January 2018             | Send to Attorney General's office for review.                         |
| February 2018            | Send up to Legislative Council with AG's review.                      |

April 1 2018

New rules take effect, provided there are no holds placed on them by the committee.

**Board Action Requested:** Approve proposed rules and authorize staff to submit required materials to the Office of Attorney General and Legislative Council.

**Public Hearing Minutes**  
**North Dakota Administrative Code**  
**November 21, 2017**  
**NDPERS Conference Room**  
**400 East Broadway, Suite 505, Bismarck, ND**  
**11:00 A.M.**

Staff Present: Ms. Jan Lund

Others Present: None

Ms. Jan Lund acted as the hearing officer for this public hearing.

The hearing was opened at 11:00 a.m. on November 21, 2017 in the conference room of the Public Employees Retirement System at 400 East Broadway Avenue, Suite 505, Bismarck, North Dakota.

The public hearing was called for the purpose of allowing all interested individuals an opportunity to submit information concerning proposed additions and amendments to the following sections of the North Dakota Administrative Code as read into the record:

- a. 71-02-01-01 relating to definitions;
- b. 71-02-02-01 relating to membership - general rule;
- c. 71-02-03-06 relating to conversion of sick leave;
- d. 71-02-04-03 relating to payment date - retirement benefits;
- e. 71-02-04-04.1 relating to benefit modifications;
- f. 71-02-05-06 relating to determination of disability - procedures;
- g. 71-02-06-01 relating to conditions for return;
- h. 71-02-06-04 relating to adjustment for bonuses, profit sharing, and contributions paid in a month other than month earned;
- i. 71-02-07-02 relating to return to service - retired member;
- j. 71-02-11-04 relating to payment;
- k. 71-03-03-01 71-03-03-05 relating to special enrollment for certain qualifying events;
- l. 71-03-03-02 71-03-05-02 relating to retiree billing;
- m. 71-06-01-09 creation of new section relating to payment - Retiree Health Insurance Credit Benefits;

The information gathered at this hearing will be transmitted to the NDPERS Board for its deliberation and final decision. A registration sheet was placed on the end of the table. The hearing was not recorded. Since there were no attendees present, the recorder was not turned on.

All of the information gathered at this hearing or comments received thereafter through December 1, 2017 will be provided to the NDPERS Board for its consideration. The hearing was closed at 12:00 noon.

Section 71-02-01-01 is amended as follows:

**71-02-01-01. Definitions.**

As used in North Dakota Century Code chapter 54-52 and this article:

1. "Accumulated contributions" means the total of all of the following:
  - a. The employee account fund balance accumulated under the prior plan as of June 30, 1977.
  - b. The vested portion of the employee's "vesting fund" accumulated under the prior plan as of June 30, 1977.
  - c. The member's mandatory contributions made after July 1, 1977.
  - d. The member's vested employer contributions made after January 1, 2000, pursuant to North Dakota Century Code section 54-52-11.1.
  - e. The interest on the sums determined under subdivisions a, b, c, and d, compounded annually at the rate of five percent from July 1, 1977, to June 30, 1981, six percent from July 1, 1981, through June 30, 1986, and one-half of one percent less than the actuarial interest assumption from July 1, 1986, to the member's ~~termination of employment~~ withdrawal from the plan or retirement.
  - f. The sum of any employee purchase or repurchase payments.
2. "Actuarial equivalent" means a benefit calculated to be of equal value to the benefit otherwise payable when computed on the basis of assumptions and methods adopted for this purpose by the board in a way that precludes employer discretion pursuant to Internal Revenue Code section 401(a)(25). Such assumptions and methods adopted by the board, and any table of adjustment factors established in accordance with the assumptions and methods, shall be incorporated herein by reference.
3. "Alternative retirement system" means the teachers' fund for retirement, the highway patrolmen's retirement system, and the teachers' insurance and annuity association of America.
4. "Beneficiary" means any person in receipt of a benefit provided by this plan or any person designated by a participating member to receive benefits.
5. "Board" means the board of trustees for the public employees retirement system.
6. "Bonus" means cash compensation for services performed in addition to base salary excluding commission and shift differentials. Bonus does not include lump sum payments of sick leave provided under North Dakota Century Code section 54-06-14 or lump sum payments of annual leave or vacation pay.
- ~~67.~~ "Claim" means the right to receive a monthly retirement allowance, the receiving of a retirement allowance, or the receiving of a disability benefit.
- ~~78.~~ "Continuously employed" means any period of employment uninterrupted by voluntary or involuntary termination or discharge. A member who has taken a leave of absence approved by the member's employer, not to exceed a year unless approved by the executive director, and returns to employment shall be regarded as continuously employed for the period.
- ~~89.~~ "Contribution" means the payment into the fund as a percentage of the salary of a member.
- ~~910.~~ "Correctional officer" means a person who has completed a correctional officer course approved or certified by the North Dakota department of corrections and rehabilitation and is employed by a correctional facility as defined in North Dakota Century Code chapter 12-44.1.
- ~~4011.~~ "County judge" means a judge who was elected pursuant to North Dakota Century Code section 27-07.1-01 or an individual holding the position of county

judge, county justice, or judge of county court prior to the general election in 1982, who meets all the eligibility requirements established under North Dakota Century Code chapter 54-52.

- ~~44~~12. "Interruption of employment" is when an individual is inducted (enlists or is ordered or called to active duty into the armed forces of the United States) and leaves an employment position with a state agency or political subdivision, other than a temporary position. The individual must have left employment to enter active duty and must make application in accordance with the Uniformed Services Employment and Reemployment Rights Act.
- ~~42~~13. "Leave of absence" means the period of time up to one year for which an individual may be absent from covered employment without being terminated. At the executive director's discretion, the leave of absence may be extended not to exceed two years, or indefinitely if the leave of absence is due to interruption of employment.
- ~~43~~14. "Medical consultant" means a person or committee appointed by the board of the North Dakota public employees retirement system to evaluate medical information submitted in relation to disability applications, recertifications, and rehabilitation programs or other such duties as assigned by the board.
- ~~44~~15. "Normal retirement age", except for members of the national guard and law enforcement, means age sixty-five unless otherwise provided. For members of the national guard and law enforcement, normal retirement age means age fifty-five, unless otherwise provided.
- ~~45~~16. "Office" means the administrative office of the public employees retirement system.
- ~~46~~17. "Participating employer" means an employer who contributes to the North Dakota public employees retirement system. For confidentiality purposes, "participating employer" means the person or group of persons with the ultimate authority over personnel decisions within the agency or political subdivision with which the member is employed or the person's or group's official designee.
- ~~47~~18. "Pay status" means a member is receiving a retirement allowance from the fund.
- ~~48~~19. "Permanent and total disability" for members of the main retirement system and the national guard/law enforcement retirement plan means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than twelve months. For members of the judge's retirement plan, "permanent and total disability" is determined pursuant to subdivision e of subsection 3 of section 54-52-17 of the North Dakota Century Code.
- ~~49~~20. "Plan administrator" means the executive director of the North Dakota public employees retirement system or such other person or committee as may be appointed by the board of the North Dakota public employees retirement system from time to time.
- ~~20~~21. "Plan year" means the twelve consecutive months commencing July first of the calendar year and ending June thirtieth of the subsequent calendar year.
- ~~24~~22. "Prior plan" means the state employees' retirement system which existed from July 1, 1966, to June 30, 1977.
- ~~22~~23. "Regularly funded" means a legislatively authorized full-time equivalent (FTE) position for state agencies. For all governmental units other than state agencies, regularly funded means a similar designation by the unit's governing board which is created through the regular budgeting process and receives traditional employee benefits such as sick leave and annual leave.

- ~~23~~24. "Retiree" means an individual receiving a monthly retirement allowance pursuant to chapter 54-52.
- ~~24~~25. "Retirement allowance" means a reoccurring, periodic benefit from an eligible employer-sponsored retirement plan as approved by the board.
- ~~25~~26. "Service credit" means increments of time to be used in the calculation of retirement benefits. Service credit may be earned as stated in section 71-02-03-01 or may be purchased or repurchased according to section 71-02-03-02.1.
- ~~26~~27. "Substantial gainful activity" is to be based upon the totality of the circumstances including consideration of an individual's training, education, and experience; an individual's potential for earning at least seventy percent of the individual's predisability earnings; and other items deemed significant on a case-by-case basis. Eligibility is based on an individual's employability and not actual employment status.
- ~~27~~28. "Termination of employment" for the purposes of determination for eligibility for benefit payments means a severance of employment by not being on the payroll of a covered employer for a minimum of one month. Approved leave of absence or if reemployed by any covered employer prior to receiving a lump sum distribution of the member's account balance does not constitute termination of employment.
- ~~28~~29. "Termination of participation" means termination of eligibility to participate in the retirement plan.

**History:** Amended effective September 1, 1982; November 1, 1990; September 1, 1991; January 1, 1992; September 1, 1992; June 1, 1993; July 1, 1994; June 1, 1996; July 1, 2000; April 1, 2002; May 1, 2004; July 1, 2006; July 1, 2010; April 1, 2014; April 1, 2016;\_\_\_\_\_.

**General Authority:** NDCC 54-52-04

**Law Implemented:** NDCC 54-52



Section 71-02-02-01 is amended as follows:

**71-02-02-01. Membership - General rule.**

When an eligible employee becomes a member of the public employees retirement system, the following requirements apply:

1. A temporary employee must submit a completed participation agreement within six months of the date of hire as a temporary employee or within six months of a change in status from a permanent to temporary position. If no application is made and filed with the office, an irrevocable waiver of participation will occur for as long as the employee is in temporary status.
2. Contributions for temporary employees must be submitted no later than the sixth working day of the month for the previous month's salary.
3. Delinquent payments of over thirty days, for reasons other than leave of absence or seasonal employment, will result in termination of eligibility to participate as a temporary member.
4. Upon taking a refund, future participation as a temporary member is waived.
5. A member may not ~~participate~~ contribute concurrently to the plan within any given month as both a permanent and a temporary member. Permanent employment has precedence.
6. Elected officials of participating counties and elected state officials, at their individual option, must enroll or waive participation in writing within six months of taking office or beginning a new term. If no application is made and filed with the office, an irrevocable waiver of participation will occur until the official makes application within six months from the start of a new term.

**History:** Amended effective September 1, 1982; November 1, 1990; September 1, 1992; June 1, 1996; July 1, 1998; May 1, 2004; July 1, 2006; April 1, 2016; \_\_\_\_\_.

**General Authority:** NDCC 54-52-04

**Law Implemented:** NDCC 54-52-01, 54-52-02.9, 54-52-05

Section 71-02-03-02.5 is amended as follows:

**71-02-03-02.5. Costs.**

If purchasing under North Dakota Century Code section 54-52-02.6 or subdivision d of subsection 1 of North Dakota Century Code section 54-52-17.4, the cost will be the higher of the amount refunded to the member plus interest at the actuarial rate of return or the actuarial cost to provide the credit. All other types of service purchases must be actuarially determined. An actuarial cost must be calculated by applying actuarial factors to the amount of retirement and retiree health insurance credit being purchased by the member. The member's current age, average salary, ~~and current credited service,~~ and actuarial factors on record and in effect with the North Dakota public employees retirement system in the month in which the member's written request is received ~~processed by the Office~~ must be used in the cost calculation. A member's written request shall be processed by the Office within 60 days of receipt. The amount of retirement and retiree health insurance credit being purchased must be calculated using the benefit formulas in place at the time the written request ~~is received~~ is processed by the Office from the member. When calculating the cost, enhancements to the benefit formula must be considered to be in place at the time the law is signed by the governor.

The member's average salary shall be calculated as follows:

1. For members working full time with more than twelve months of service credit, by using the calculation found in subsection 2 of North Dakota Century Code section 54-52-17.

2. For members working full time with less than twelve months of service credit, by using the calculation found in subsection 2 of North Dakota Century Code section 54-52-17, but disregarding any month in which the member was paid less than a full-month salary. A full-month salary is the compensation the member and the member's employer agreed the member would be paid for working a full month.

3. For members who have not yet received a full-month salary, the member's average salary shall equal the member's full-month salary, as defined in subsection 2.

4. For members working part time, by using the applicable calculations found in subsections 1 and 2, but using a monthly salary equal to the equivalent of the salary the member would have received if the member was working full time.

The retirement board must adopt actuarial assumptions necessary to determine the actuarial factors for the cost calculation. The assumptions must be reviewed concurrently with the assumptions for the retirement program.

Upon receipt of the written request from the member, and all required documentation, a written cost confirmation must be prepared and mailed to the member. The cost stated in the confirmation letter is valid for a period of ninety days from the date of the letter unless the contributor terminates employment with a participating employer. If the contributor terminates employment, then the cost stated in the confirmation letter is valid only until the earlier of the end of the ninety-day period or the fifteenth day of the month following the month of termination.

**History:** Effective July 1, 1994; amended effective June 1, 1996; July 1, 2000; April 1, 2002; May 1, 2004; July 1, 2006;\_\_\_\_\_.

**General Authority:** NDCC 54-52-02.6, 54-52-04, 54-52-17, 54-52-17.2, 54-52-17.4

**Law Implemented:** NDCC 54-52-02.6, 54-52-17, 54-52-17.2, 54-52-17.4

Section 71-02-03-06 is amended as follows:

**71-02-03-06. Conversion of sick leave.**

To convert unused sick leave to service credit, the member must ~~notify~~submit an application to the office, in writing, no later than the end of the month in which the member is no longer eligible to accrue ~~the amount of unused sick leave hours, unless otherwise approved by the executive director, to be converted and the~~ The member's employer must confirm the member's unused balance of accumulated sick leave as of the date the member ~~terminates employment~~is no longer eligible to accrue sick leave hours. For members transferring from one participating employer to another participating employer without terminating eligible employment, the public employees retirement system will record unused sick leave of a participating member if the new employer certifies that it will not transfer that leave. The certification must include documentation from the previous employer detailing the number of hours of sick leave. The public employees retirement system must receive the certification within sixty days after the member leaves employment with the former employer. One month of service credit must be awarded for each one hundred seventy-three and three-tenths hours of unused accumulated sick leave. The employer and employee contributions rates used to calculate the cost must be the rate of the retirement program of the member at termination.

1. Aftertax payments may be accepted from the member as early as six months prior to ~~termination~~when the member is no longer eligible to accrue sick leave hours, if the following requirements are met:
  - a. A notice of ~~termination or application for monthly benefits form is on file with~~employment change has been provided to the public employees retirement system.
  - b. A written certification by the member's employer, as to the member's unused balance of accumulated sick leave as of the date the member wishes to begin payment, is on file with the public employees retirement system.
  - c. ~~At termination, the~~The sick leave conversion payment must be recalculated using the member's unused balance of accumulated sick leave confirmed by the member's employer, and the member's final average salary as of that date. If there is a difference between the sick leave conversion payment amount and the amount the member has paid, any overpayment must be refunded to the member and any underpayment must be collected from the member by the fifteenth of the month following the month ~~of the member's date of termination~~the member is no longer eligible to accrue sick leave hours.
2. The member's record must be updated with the additional service credit once payment is made in full ~~and the member has terminated employment~~.
3. Pretax rollover or transfer payments may be accepted from the member as early as sixty days prior to ~~termination~~when the member is no longer eligible to accrue sick leave hours, if the following requirements are met:
  - a. A notice of ~~termination or application for monthly benefits form is on file with~~employment change has been provided to the public employees retirement system.
  - b. A written certification by the member's employer, as to the member's projected unused balance of accumulated sick leave no sooner than sixty days prior to the date ~~of termination~~the member is no longer eligible to accrue sick leave hours, is on file with the public employees retirement system. This certification must also include a certification by the employer

- of the projected salaries to be reported to the public employees retirement system during the final months of employment.
- c. ~~At termination, the~~The sick leave conversion payment must be recalculated using the member's unused balance of accumulated sick leave confirmed by the member's employer and the member's final average salary as of ~~that~~the date the member is no longer eligible to accrue sick leave hours. If there is a difference between the sick leave balance or conversion payment amount and the amount the member has paid, then only the amount of sick leave available as of the ~~termination date~~the member is no longer eligible to accrue sick leave hours will be added to the member's record. The member account balance will be credited with the full amount of funds from the rollover or transfer.
  - d. If an underpayment has occurred, then the remaining amount must be collected from the member by the fifteenth of the month following the month ~~of the member's date of termination~~member is no longer eligible to accrue sick leave hours.
  - e. The retiree health credit portion must be paid as a personal aftertax payment.
4. The member's record must be updated with the additional service credit once payment is made ~~and the member has terminated employment~~in full.

**History:** Effective June 1, 1996; amended effective April 1, 2002; May 1, 2004; July 1, 2006; April 1, 2008;\_\_\_\_\_.

**General Authority:** NDCC 54-52-04

**Law Implemented:** NDCC 54-52-27

Section 71-02-04-03 is amended as follows:

**71-02-04-03. Payment date - Retirement benefits.**

Except for retirement options provided in section 71-02-04-02, a member's retirement benefit shall commence on the first day of the month which follows the member's eligibility for the benefit and which is at least thirty days after the date on which the member filed an application with the office. Notwithstanding any other provision in this article, benefits must begin no later than April first of the calendar year after the calendar year in which the member retires or attains the age of seventy and one-half years, whichever is later. If the member is employed but ineligible for active participation in the retirement plan, the member's benefits must begin no later than April first of the calendar year after the calendar year in which the member attains the age of seventy and one-half years. In the absence of a retirement application, benefits shall be paid based on a single life, or normal retirement for judges, payment option. Benefits must be directly deposited into a financial account identified by the member or sent to the member's last-known address. If the benefit checks are returned with no forwarding information, the benefits will remain in the fund, and will be distributed in a lump sum retroactive to the required beginning date upon location of the member. If two consecutive checks issued remain uncashed, future payments will be suspended until the member makes payment arrangements with the Office.

**History:** Amended effective November 1, 1990; July 1, 1994; July 1, 2000; July 1, 2010;\_\_\_\_\_.

**General Authority:** NDCC 54-52-04, 54-52-17

**Law Implemented:** NDCC 54-52-17

Section 71-02-04-04.1 is amended as follows:

**71-02-04-04.1. Benefit modifications.**

A member may elect as provided in section 71-02-04-02 to receive one of the following benefit modifications:

1. **Partial lump sum option.** The partial lump sum option will only be available to members who retire on or after reaching normal retirement date. This option is an irrevocable election ~~and made at initial application for retirement, and is not an~~ option for a subsequent retirement. The payment is equal to twelve monthly payments determined under the single life annuity option. The member is permitted to choose one of the optional forms of payment as defined in section 71-02-04-04 for ongoing benefits. The ongoing benefits will be actuarially reduced to reflect the partial lump sum payment.
2. **Deferred normal retirement option.** The deferred normal retirement option will only be available to members who retire after reaching normal retirement date. This option is an irrevocable election ~~and made at initial application for retirement, and is not an option for a subsequent retirement~~. The payment is in lieu of a lump sum equal to the amount of missed payments, without interest, retroactive to the member's normal retirement date. The member is permitted to choose one of the optional forms of payment as defined in section 71-02-04-04. The ongoing benefits will be actuarially increased to reflect the lump sum.
3. **Graduated benefit option.** The graduated benefit option will only be available to members who retire after reaching normal retirement date. This option is an irrevocable election ~~and made at initial application for retirement, and is not an~~ option for a subsequent retirement. The member is permitted to choose one of the optional forms of payment for ongoing benefits as defined in section 71-02-04-04. The ongoing benefits will be actuarially reduced to reflect the election of the graduated benefit option.

**History:** Effective July 1, 2010; amended effective April 1, 2014.

**General Authority:** NDCC 54-52-04, 54-52-17

**Law Implemented:** NDCC 54-52-17

Section 71-02-05-06 is amended as follows:

**71-02-05-06. Determination of disability - Procedures.**

**1. Application.**

- a. If the member is unable or unwilling to file a public employees retirement system application for disability retirement, the member's legal representative may file the member's disability application.
- b. For the main system and the national guard and law enforcement system, the application must explain the cause of the disability, the limitations caused by the disability, the treatment being followed, and the effect of the disability on the individual's ability to be engaged in any gainful occupation for which the person is, or could become, reasonably fitted by education, training, or experience. For the judges' retirement plan, the application must explain the cause of the disability, the limitations caused by the disability, the treatment being followed, and the effect of the disability on the individual's ability to mentally or physically fulfill the duties and responsibilities of being a judge. A judge who is determined to be disabled pursuant to subdivision a of subsection 3 of North Dakota Century Code section 27-23-03 shall file an application documenting this determination and the effective date of the disability.
- c. The application must be filed with the public employees retirement system and may not be filed earlier than one hundred twenty days before the expected termination date.

**2. Medical consultant.**

- a. The board may retain a medical consultant to evaluate and make recommendations on disability retirement applications.
- b. The medical consultant shall review all medical information provided by the applicant.
- c. The medical consultant is responsible to determine eligibility for disability benefits for applicants not approved for social security disability benefits or for judges not approved pursuant to subsection 3 of North Dakota Century Code section 27-23-03 and shall advise the executive director of the decision in writing. Applicants who become eligible for disability benefits under the Social Security Act and who meet the requirements of subdivision h of subsection 3 of North Dakota Century Code section 54-52-17 are eligible for benefits under subdivision e of subsection 4 of North Dakota Century Code section 54-52-17 without submitting further medical information to the medical adviser, but are subject to recertification requirements specified in this chapter. The social security disability award must provide proof that the member's disability was determined during the member's period of eligible employment. In determining eligibility for judges not approved pursuant to the above, the medical director shall work with a review committee composed of one supreme court judge and a district court judge to review the proposed application. In order for the application to be approved, it must have the concurrence of the medical director and at least one judge. The executive director shall appoint two judges to serve on the review committee.

**3. Medical examination.**

- a. The applicant for disability retirement shall provide the medical examination reports as requested by the medical consultant.

- b. The member is liable for any costs incurred by the member in undergoing medical examinations and completing and submitting the necessary medical examination reports, medical reports, and hospital reports necessary for initial determination of eligibility for benefits.
- c. If determined to be eligible for disability benefits, the member must be reimbursed for the cost of medical examinations specifically requested by the medical adviser and the executive director.

4. **Appeal.**

- a. If the applicant has terminated employment, the public employees retirement system shall notify the applicant in writing of the decision. If the applicant is determined not to be eligible for disability benefits, the public employees retirement system shall advise the applicant of the appeal procedure. If the applicant is determined eligible for disability benefits, benefits must be paid pursuant to subsection 5.
- b. If the applicant has not terminated employment, the applicant must be provided with a preliminary notification of the decision in writing. The preliminary notification remains in effect for a period not to exceed two hundred seventy days. If an applicant does not terminate employment within two hundred seventy days of the date of termination provided on the disability application, the application must be considered to be vacated but the applicant may reapply as provided in subsection 1.
- c. The applicant may appeal an adverse determination to the board by providing a written notice of appeal within thirty days of the date that the public employees retirement system mailed the decision.
- d. The board shall consider all appeals at regularly scheduled board meetings. The applicant must be notified of the time and date of the meeting and may attend and be represented by legal counsel. The executive director shall provide to the board for its consideration a case history brief that includes membership history, medical examination summary, and the plan administrator's conclusions and recommendations. The board shall make the determination for eligibility at the meeting unless additional evidence or information is needed. The discussion concerning disability applications must be confidential and closed to the general public.
- e. If the initial board decision is adverse to the applicant after exhausting the administrative procedure under subdivisions a and b, the applicant may file a request for a formal hearing to be conducted under North Dakota Century Code chapter 28-32. The request for a formal hearing must be filed within thirty days after notice of the initial decision has been mailed or delivered. If an appeal is not filed within the thirty-day period, the initial decision of the board is final. If a request for a formal hearing is timely filed, notice of the hearing must be served at least thirty days prior to the date set for the hearing. The board shall request appointment of an administrative law judge from the office of administrative hearings to conduct the hearing and make recommended findings of fact, conclusions of law, and order. The board shall either accept the administrative law judge's recommended findings of fact, conclusions of law, and order or adopt its own findings of fact, conclusions of law, and order. The applicant may under North Dakota Century Code section 28-32-15 appeal the final decision resulting from this procedure to the district court.



5. **Payment of annuity.** If awarded, the disability annuity is payable on, or retroactive to, the first day of the month following the member's termination from covered employment minus any early retirement benefits that have been paid.
6. **Redetermination and recertification.**
  - a. A disabled annuitant's eligibility must be recertified eighteen months after the date the first check is issued and thereafter as specified by the medical consultant unless proof of receipt of ongoing social security disability benefits is received. The executive director may waive the necessity for a recertification, based on the recommendation of the medical consultant or upon proof of receipt of ongoing social security disability benefits.
  - b. The public employees retirement system will send a recertification ~~form~~application and request for a statement of annual earnings by certified mail with return receipt to the disabled annuitant to be completed and sent back to the office. If completed recertification application has not been received by the recertification date set in the recertification request, benefits will be suspended effective the first of the month following that date. If the recertification application is not received within six months of the recertification date set in the recertification request unless an alternative date has been approved by the executive director, the member will no longer be eligible to receive disability benefits. Benefits suspended within six months of the recertification date set in the recertification request will be reinstated the first of the month following recertification by the medical consultant, or upon proof of receipt of ongoing social security disability benefits, unless an alternative date has been approved by the executive director. The regular accrued disability benefits will commence with a lump sum equal to the amount of missed payments, without interest, retroactive to the first day of the month benefits were suspended, unless otherwise approved by the ~~North Dakota public employees retirement system board~~Board.
  - c. The medical consultant may require the disabled annuitant to be reexamined by a doctor. The submission of medical reports by the annuitant, and the review of those reports by the board's medical consultant, may satisfy the reexamination requirement. Upon recertification, the disabled annuitant must be reimbursed for the cost of the required reexamination if deemed necessary by the medical consultant and the executive director.
  - d. When the member has not provided proof of receipt of ongoing social security disability benefits,~~The the~~ medical consultant will make the recertification decision. The executive director may require additional recertifications, if the facts warrant this action. The decision may be appealed to the board within ninety days of receiving the written recertification decision.
  - e. Benefit payments must be suspended immediately upon notice received from the medical consultant that the annuitant does not meet recertification requirements. The executive director shall notify the annuitant of the suspension of benefits by certified mail and shall reinstate benefits back to date of suspension if the annuitant is subsequently found to meet recertification requirements.
  - f. If it is determined that the disability annuitant was not eligible for benefits during any time period when benefits were provided, the executive

director may do all things necessary to recover the erroneously paid benefits.

**History:** Effective January 1, 1992; amended effective July 1, 1994; June 1, 1996; April 1, 2002; May 1, 2004; July 1, 2006; April 1, 2016;\_\_\_\_\_.

**General Authority:** NDCC 54-52-04, 54-52-17

**Law Implemented:** NDCC 54-52-17, 54-52-26

Section 71-02-06-01 is amended as follows:

**71-02-06-01. Conditions for return.**

1. The accumulated contributions of a member who terminates permanent employment:
  - a. Before accumulating three years of service credit and whose account balance is less than one thousand dollars shall be automatically refunded unless the member elects to remain in an inactive status.
  - b. After accumulating three years of service credit shall be refunded upon application filed with the executive director.
  - c. The termination date for purposes of processing an application for refund or rollover must be the last date for which a member receives salary except for a member who is on an approved leave of absence. For members who are paid salary in any month following actual separation from employment if the salary is received after the normal processing date, the termination date for purposes of processing the application must be the same date as the date that the last paycheck was issued as salary.
2. ~~Retirement contributions must be returned if a membership enrollment application form has not been filed with the office. Contributions will be returned until proper membership enrollment forms have been filed.~~

**History:** Amended effective November 1, 1990; June 1, 1996; July 1, 1998; July 1, 2000; May 1, 2004; July 1, 2010;\_\_\_\_\_.

**General Authority:** NDCC 54-52-04

**Law Implemented:** NDCC 54-52-06, 54-52-17

Section 71-02-06-04 is amended as follows:

**71-02-06-04. Adjustment for bonuses, profit sharing, and contributions paid in a month other than month earned.**

Adjustments for the following must be made for all members:

1. Participating employers shall report bonuses or profit-sharing amounts paid when remitting the contribution associated with the bonus. Recruitment and retention bonuses under North Dakota Century Code section 54-06-31 are not eligible for consideration as salary and no contributions associated with those types of bonuses shall be submitted.
2. Bonuses or profit-sharing amounts paid by a participating employer other than pursuant to North Dakota Century Code section 54-06-31 will be retroactively prorated ~~equal to the actual compensation paid over the term of the intended bonus or profit-sharing~~ applicable prior twelve month period. Bonuses or profit-sharing amounts may not be submitted to the public employees retirement system for future months.
3. Upon receiving notice, of contributions received in a month other than the month earned, the Office will be assigned assign contributions to the appropriate month.

**History:** Effective June 1, 1993; amended effective June 1, 1996; July 1, 1998; July 1, 2000; April 1, 2002; April 1, 2008;\_\_\_\_\_.

**General Authority:** NDCC 54-52-04

**Law Implemented:** NDCC 54-52-05, 54-52-06

Section 71-02-07-02 is amended as follows:

**71-02-07-02. Return to service - Retired member.**

The benefits of a retired member who returns to permanent employment shall be suspended without interest accruing on the suspended account, except as provided in subsection 1 of North Dakota Century Code section 54-52-05. Upon subsequent termination and retirement, the member is required to select the same benefit option as the option selected at initial retirement. The member's total benefit upon subsequent retirement shall equal the original benefit plus the calculated benefit for the return to work period. The member's benefit attributable to any return to work period shall be based upon service and earnings attributable to the return to work period only and be recalculatedcalculated as follows:

1. The member's calculated benefit shall be based on the benefit provisions in effect at final subsequent retirement and shall include the member's and spouse's ages, salary earned during the period of reemployment, ~~and total service credits earned before and after reemployment, and actuarial factors in effect at subsequent retirement~~ adjusted to take account of benefit payments received prior to reemployment. If a different option is selected at the second retirement date, the member and office will submit information as required to make an actuarial determination of the elected benefit and the related payment of such.
2. If a member dies during subsequent employment, the member's initial retirement benefit option election will apply and the date of death will be considered the subsequent retirement date. ~~The member's benefit shall be based on the benefit provisions in effect at final retirement and shall include the member's and spouse's ages, salary earned during the period of reemployment, and total service credits earned before and after reemployment, adjusted to take account of benefit payments received prior to reemployment.~~
3. If a member's spouse dies during the subsequent employment of the member, section 71-02-04-04 will apply to the member's initial and subsequent retirement benefit calculation.

**History:** Amended effective November 1, 1990; July 1, 1998; May 1, 2004; July 1, 2006; July 1, 2010.

**General Authority:** NDCC 54-52-04, 54-52-17

**Law Implemented:** NDCC 54-52-17

Section 71-02-11-04 is amended as follows:

**71-02-11-04. Payment.**

The cost for purchase of eligible military service in the North Dakota public employees retirement system and the North Dakota highway patrolmen's retirement system is as follows:

1. The cost for any required employee contributions to be paid by the member may be paid in a lump sum or in installments pursuant to the rules established for purchase or repurchase payment under subsection 1, 2, or 3 of section 71-02-03-02.2. If no payments have been made, no credit will be awarded for benefit calculation purposes. To prevent any delay in issuing the employee's first retirement check, purchase must be completed at least thirty days prior to retirement date.
2. The employer cost will be assessed to the member's most recent participating employer. Upon being billed by the North Dakota public employees retirement

system, the participating employer will have thirty days in which to make payment in full. If, after sixty days, the employer has not made payment in full, a civil penalty on fifty dollars will be assessed, and, as interest, one percent of the amount due for each month of delay or fraction thereof after the payment became due. In lieu of assessing a civil penalty or one percent per month, or both, interest at the actuarial rate of return may be assessed for each month the contributions are delinquent. If contributions are paid within ninety days of the date they became due, penalty and interest to be paid on delinquent contributions may be waived.

**History:** Effective September 1, 1991; amended effective May 1, 2004; July 1, 2006; July 1, 2010; April 1, 2012;\_\_\_\_\_.

**General Authority:** NDCC 54-52-04

**Law Implemented:** NDCC 54-52-06, 54-52-17.4(5), 54-52-17.14; 38 USC 4318(a)(2)(A), 38 USC 4318(a)(2)(B), 38 USC 4318(b)(2); 20 CFR 1002.259-262

Section 71-03-03-05 is amended as follows:

**71-03-03-05. Special enrollment for certain qualifying events.**

An eligible employee, retiree, or surviving spouse who elects to take a periodic distribution from the defined contribution retirement plan or a monthly retirement benefit from the North Dakota public employees retirement system, North Dakota highway patrolmen's retirement system, the retirement system established by job service North Dakota, the teachers' fund for retirement, or teachers' insurance and annuity association of America - college retirement equities fund, or retirees who have accepted a retirement allowance from a participating political subdivision's retirement plan and provide verification of distribution are eligible for coverage with the health, dental, vision, or prescription drug insurance program.

1. The employee, retiree, or surviving spouse must submit application for coverage within thirty-one days from one of the following qualifying events:
  - a. The month in which the eligible employee or retiree turns age sixty-five or becomes eligible for medicare.
  - b. The month in which the eligible employee's or retiree's spouse turns age sixty-five or becomes eligible for medicare.
  - c. The month in which the eligible employee terminates employment.
  - d. The month in which the eligible retiree or surviving spouse receives the first monthly retirement benefit from one of the eligible retirement systems outlined above.
  - e. The month in which an eligible employee or retiree who is covered through a spouse's plan becomes ineligible for the spouse's plan due to divorce, death, loss of employment, reduction in hours or other events which may cause loss of coverage as determined by the board.
  - f. The month in which the eligible employee or retiree is no longer eligible for employer-sponsored insurance, including coverage provided under the Consolidated Omnibus Budget Reconciliation Act.
2. Coverage will become effective on the first day of the month following the month in which the qualifying event occurred or under subdivision a or b of subsection 1 may become effective the month in which eligibility for medicare occurs. If an application is not submitted within thirty-one days of a qualifying event, the eligible individual must be considered to have waived coverage and may not be enrolled unless the individual meets the criteria of another qualifying event. Upon a showing of good cause, the executive director may waive the thirty-one day application requirement.
3. Other individuals eligible for the health, dental, vision, or prescription drug insurance plan include a surviving spouse who is not receiving a qualified monthly retirement benefit from one of the eligible retirement systems outlined above, but who was a covered dependent on the eligible retiree's health, dental, vision, or prescription drug insurance plan at the time of the eligible retiree's death, if there is no lapse in coverage.
4. Individuals not eligible for the health, dental, vision, or prescription drug insurance plan include:
  - a. A former employee who received a refund of the employee's retirement account, including individuals in the defined contribution plan who take a cash withdrawal of the employee's account, roll their account into another qualified plan, or use the moneys in their account to purchase an annuity.
  - b. A nonspouse beneficiary (eligible for Consolidated Omnibus Budget Reconciliation Act).

- c. A deferred retiree or surviving spouse between the time in which the retiree or surviving spouse's eligibility for the Consolidated Omnibus Budget Reconciliation Act (if eligible) ends and the month in which the eligible retiree or surviving spouse receives the first monthly retirement benefit from one of the eligible retirement systems.
- d. A formerly deferred retiree who received a refund of the retiree's retirement account.
- e. A surviving spouse of a nonvested employee eligible for the Consolidated Omnibus Budget Reconciliation Act.
- f. A surviving spouse of a former employee who received a refund of the employee's retirement account.
- g. A former participating member of the defined contribution retirement program who would not qualify for one of the retirement dates set forth in subsection 3 of North Dakota Century Code section 54-52-17 if that employee was a member of the defined benefit retirement plan, unless eligible under the Consolidated Omnibus Budget Reconciliation Act, and then only for the required duration of eligibility under the Act.
- h. For the purposes of the medical and prescription drug plan, employees who first retire after July 1, 2015, and are not eligible for medicare upon their retirement and completion of any period of eligibility under the Consolidated Omnibus Budget Reconciliation Act, until such time as they or their spouse become eligible for medicare.

**History:** Effective October 1, 1986; amended effective November 1, 1990; July 1, 1994; June 1, 1996; July 1, 1998; July 1, 2000; May 1, 2004; April 1, 2012; April 1, 2016;\_\_\_\_\_.

**General Authority:** NDCC 54-52.1-08

**Law Implemented:** NDCC 54-52.1-02, 54-52.1-03, 54-52.1-03.1; Pub. L. 99-272; 100 Stat. 222; 26 USC 162 et seq.



Section 71-03-05-02 is amended as follows:

**71-03-05-02. Retiree billing.**

Retirees receiving a monthly retirement benefit from the board in a sufficient amount to pay premium will have the total monthly premium deducted from their benefit check. ~~Retirees not paying a premium from their benefit check will receive a monthly billing.~~

**History:** Effective October 1, 1986; amended effective November 1, 1990; April 1, 2008;\_\_\_\_\_.

**General Authority:** NDCC 54-52.1-08

**Law Implemented:** NDCC 54-52.1-03

**CHAPTER 71-06-01**

**RETIREE HEALTH INSURANCE CREDIT**

|                     |  |
|---------------------|--|
| Section 71-06-01-01 | Eligibility for Retiree Health Insurance Credit Applied to Premiums for Annuitants and Surviving Spouses Under the North Dakota Public Employees Retirement System, the North Dakota Highway Patrolmen's Retirement System, the Retired Judges Under North Dakota Century Code Chapter 27-17, Annuitants of the Job Service Retirement Program, and Former Participating Members of the Defined Contribution Retirement Plan Receiving Periodic Distributions [Repealed] |
| 71-06-01-02         | Calculation of Retiree Health Insurance Credit   |
| 71-06-01-03         | For Retirees Receiving More Than One Benefit Entitled to Retiree Health Insurance Credit   |
| 71-06-01-04         | Employer Paid Health Premiums [Repealed]   |
| 71-06-01-05         | Member Contributions   |
| 71-06-01-06         | Erroneous Crediting of the Retiree Health Insurance Credit [Repealed]  |
| 71-06-01-06.1       | Retroactive Payment of the Retiree Health Insurance Credit [Repealed]  |
| 71-06-01-07         | Optional Benefits  |
| 71-06-01-08         | Vesting in Retiree Health Credit for Members of the Defined Contribution Retirement Plan   |
| 71-06-01-09         | <u>Payment – Retiree Health Insurance Credit Benefits</u>  |

Section 71-06-01-09 is created as follows:

**71-06-01-09. Payment - Retiree Health Insurance Credit Benefits.**

Eligible retiree health insurance credit benefits that have been substantiated by the Office must be directly deposited into a financial account identified by the member or sent to the member's last-known address. If the benefit checks are returned with no forwarding information, the benefits will remain in the fund, and will be distributed in a lump sum upon location of the member. If two consecutive checks issued remain uncashed, future payments will be suspended until the member makes payment arrangements with the Office.

**History:** Effective\_\_\_\_\_.

**General Authority:** NDCC 54-52.1-03.2(b)

**Law Implemented:** NDCC 54-52.1-03.3

## Summary of Proposed Rule Changes 2017-2019

| Section  | Description  | Reason                      |
|--|--|-----------------------------|
| <b>71-02-01-01. Definitions.</b>   | Amend definition of "Accumulated contributions" and add definition of "Board"                  | Administrative change.      |
| <b>71-02-02-01. Membership - General rule.</b>   | Clarify member contribution requirements.  | Administrative change.      |
| <b>71-02-03-02.5. Costs.</b>   | Amend member service purchase process and cost calculation.                                    | Administrative change.      |
| <b>71-02-03-06. Conversion of sick leave.</b>  | Amend administrative process for conversion of sick leave.                                     | Administrative change.      |
| <b>71-02-04-03. Payment date - Retirement benefits.</b>  | Amend administration of retirement benefit payments.   | Implement statute. HB 1023. |
| <b>71-02-04-04.1. Benefit Modifications.</b>   | Amend to clarify retirement benefit options.   | Administrative change       |
| <b>71-02-05-06. Determination of disability - Procedures.</b>  | Amends process and requirements for disability retirement redetermination and recertification. | Administrative change.      |
| <b>71-02-06-01. Conditions for return.</b>   | Amend to reflect updated employer enrollment process.  | Administrative change.      |
| <b>71-02-06-04. Adjustment for bonuses, profit sharing, and contributions paid in a month other than month earned.</b> | Amend bonus adjustment procedure.  | Administrative change.      |
| <b>71-02-07-02. Return to service - Retired member.</b>  | Amend retirement benefit options for retirees returning to service.                            | Administrative change.      |
| <b>71-02-11-04. Payment.</b>   | Amend penalty and interest options for delinquent contributions.                               | Administrative change.      |
| <b>71-03-03-05. Special enrollment for certain qualifying events.</b>  | Amend effective coverage date for certain qualifying events.                                   | Administrative change.      |
| <b>71-03-05-02. Retiree billing.</b>   | Amend billing requirements.  | Implement statute. HB 1023. |
| <b>71-06-01-09. Payment- Retiree Health Insurance Credit Benefits.</b>   | Create a new section regarding administration of retiree health insurance credit benefits.     | Implement statute. HB 1023. |

## NOTICE OF INTENT TO ADOPT AND AMEND ADMINISTRATIVE RULES

Take notice that the North Dakota Public Employees Retirement System will hold a public hearing to address proposed new rules and amendments to Title 71 of the North Dakota Administrative Code as set forth herein. The proposed rulemaking implements House Bill 1023 enacted during the most recent legislative session concerning administration of the benefit plans administered by the North Dakota Public Employees Retirement System (NDPERS). The hearing will be held at 11:00 a.m. on Tuesday, November 21, 2017 in the NDPERS Conference Room at 400 East Broadway, Suite 505, Bismarck, ND. The proposed rules may be viewed online at <https://ndpers.nd.gov/about/notice-of-hearing> or at the NDPERS office at the following location:

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

Written or oral comments on the proposed rules submitted to the above address or below referenced telephone number and received by December 1, 2017 will be fully considered. The proposed rule changes are not expected to have an impact on the regulated community in excess of \$50,000. A copy of the proposed rules and/or regulatory analysis may also be obtained by accessing them on the PERS website at <https://ndpers.nd.gov/about/notice-of-hearing> or by writing to the above address, or by calling the North Dakota Public Employees Retirement System at 701-328-3900. If you plan to attend the public hearing and will need special accommodations or assistance relating to a disability, please contact the Public Employees Retirement System at the above address or telephone number at least three business days prior to the public hearing. Specific sections affected and explanations for proposed revisions are summarized below.

| <b>Section</b>                                 | <b>Description</b>  | <b>Reason</b>          |
|--|---|------------------------|
| <b>71-02-01-01. Definitions.</b>               | Amend definition of "Accumulated contributions" and add definition of "Board" | Administrative change. |
| <b>71-02-02-01. Membership - General rule.</b> | Clarify member contribution requirements.                                     | Administrative change. |
| <b>71-02-03-02.5. Costs.</b>                   | Amend member service purchase process and cost calculation.                   | Administrative change. |
| <b>71-02-03-06. Conversion of sick leave.</b>  | Amend administrative process for conversion of sick leave.                    | Administrative change. |

| <b>Section</b>   | <b>Description</b>   | <b>Reason</b>               |
|--|--|-----------------------------|
| <b>71-02-04-03. Payment date - Retirement benefits.</b>  | Amend administration of retirement benefit payments.   | Implement statute. HB 1023. |
| <b>71-02-04-04.1. Benefit Modifications.</b>   | Amend to clarify retirement benefit options.   | Administrative change       |
| <b>71-02-05-06. Determination of disability - Procedures.</b>  | Amends process and requirements for disability retirement redetermination and recertification. | Administrative change.      |
| <b>71-02-06-01. Conditions for return.</b>   | Amend to reflect updated employer enrollment process.  | Administrative change.      |
| <b>71-02-06-04. Adjustment for bonuses, profit sharing, and contributions paid in a month other than month earned.</b> | Amend bonus adjustment procedure.  | Administrative change.      |
| <b>71-02-07-02. Return to service - Retired member.</b>  | Amend retirement benefit options for retirees returning to service.                            | Administrative change.      |
| <b>71-02-11-04. Payment.</b>   | Amend penalty and interest options for delinquent contributions.                               | Administrative change.      |
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| <b>71-03-05-02. Retiree billing.</b>   | Amend billing requirements.  | Implement statute. HB 1023. |
| <b>71-06-01-09. Payment-Retiree Health Insurance Credit Benefits.</b>  | Create a new section regarding administration of retiree health insurance credit benefits.     | Implement statute. HB 1023. |

Dated this 9<sup>th</sup> day of October 2017

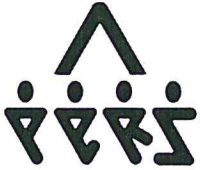
J. Sparb Collins, Executive Director  
North Dakota Public Employees Retirement System

**From:** [Murtha, Janilyn K.](#)  
**To:** [Lund, Janis M.](#)  
**Cc:** [Collins, J. Sparb](#); [Schiermeister, Sharon L.](#)  
**Subject:** Admin Rules  
**Date:** Monday, October 9, 2017 3:44:44 PM

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NDPERS is not required to complete a regulatory analysis under NDCC § 28-32-08 at this time with regards to the proposed rules because none of these proposed rules are expected to have an economic impact on the regulated community in excess of \$50,000. Further, NDPERS is not required to complete a takings assessment under NDCC § 28-32-09 with regards to the proposed rules because none of these proposed rules would limit the use of private real property. Finally, NDPERS is not required to complete a small entity economic impact statement under NDCC § 28-32-08.1 with regards to the proposed rules because none of these proposed rules would have an adverse economic impact on small entities.”

Please let me know if you have any further questions or if anything else is needed. Thanks.



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# Memorandum

**TO:** NDPERS Board

**FROM:** Derrick Hohbein

**DATE:** December 4, 2017

**SUBJECT:** Retirement Application Process

In the past our agency has successfully increased efficiencies by leveraging our PERSLink business system in Member Self Service (MSS) to accept electronic enrollments. This process has streamlined the enrollment process for new hires and annual enrollment, ensured more accurate member records, and significantly reduced the paper applications our agency processes.

Recognizing the expected increase in the number of retirees in the coming years, staff is researching options to increase efficiencies in the retirement application process by allowing members to electronically apply for refunds, rollovers, retirement, and disability benefits using MSS.

As part of this process, enhancements to security within MSS are also being researched to notify members any time sensitive information is being updated to their account. Staff is currently reviewing the information residing in MSS to determine what should be considered sensitive information that is worthy of change notifications, and the best way to communicate to the member that is having sensitive information being updated.

As a way to ensure our business system has up-to-date contact information, staff is also researching the functionality of having members verify personal information at the time of login and ensuring any records we deem a required field to be populated. This will help ensure we have complete and accurate data and also gives us an opportunity to capture email addresses as a required field so we have a way to electronically communicate with our membership.

These enhancements are scheduled to be implemented by the end of the first quarter of 2018, and are being incorporated as part of our monthly business support hours at no additional cost.

This is for your information and would be happy to answer any questions you may have.



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# Memorandum

**TO:** NDPERS Board

**FROM:** Sharon Schiermeister

**DATE:** December 12, 2017

**SUBJECT:** Board Subcommittee Update

## **Benefits Committee**

The PERS Benefits Committee met on Tuesday, December 5, 2017. The agenda was as follows:

### PERS Update

- Life Plan
- Dental Plan
- Vision Plan
- DC/457 Plan
- FlexComp Plan
- Retirement Plan

Health Plan Challenge

Retirement Plan Challenge

Attached are the minutes of the meeting for your information. A general observation from the meeting is that the group did not disagree with our assessment of the challenges facing the health and retirement plans. We introduced a concept which looked at moving RHIC contributions for new employees to the Main plan to address the funding challenge. They did not disagree with the concept, recognizing the environment we are in with

employers and employees having limited capabilities to pay for a contribution increase.

### **Retiree Committee**

The PERS Retiree Committee met on Thursday, December 7, 2017.

Insurance Commissioner Jon Godfread and Consumer Assistance Division Director Dave Zimmerman were also in attendance and provided observations on the NDPERS Medicare Part D plan and other Part D plans available in the State. The agenda was as follows:

- Bundle or unbundle Medicare Part D
- Medicare Supplement – HDHP option
- Pre-Medicare Program
- Dental/Vision Special Enrollment
- Retirement Plan Challenge

There was significant interest in looking at options for unbundling the Medicare Part D plan and exploring lower cost options for the Medicare Supplement. Staff will be gathering additional information for the committee for their next meeting. We also introduced the RHIC contribution funding concept for the retirement plan to this committee, and there was no disagreement with this approach.

Minutes for this meeting will be sent out separately, prior to the Board meeting.



# NDPERS BENEFITS COMMITTEE

December 5, 2017

## MINUTES

\* - Present

### BOARD MEMBERS:

\*Kim Wassim  
Mylynn Tufte  
Casey Goodhouse

### STAFF:

\*Sparb Collins, \*Bryan Reinhardt, \*Kathy Allen,  
\*Sharon Schiermeister, \*MaryJo Steffes, \*Rebecca Fricke

### INTEREST GROUPS:

Bill Kalanek - AFPE/NASW  
Chad Oban – ND United, Gary Rath - NDEA

### Agency/Political Sub Representatives:

|                     |                                     |
|---------------------|-------------------------------------|
| Aimee Copas         | - Council of School Admins          |
| *Brenda Schuler     | - Career & Technical Education      |
| Cindy Pazdernik     | - Adjutant General                  |
| *Dirk Wilke         | - Health Department                 |
| Glenna Ellison      | - Attorney General's Office         |
| Jerry Hjelmstad     | - League of Cities                  |
| Jim Neubauer        | - City of Mandan                    |
| *John Brintnell     | - State Water Commission            |
| Jon Martinson       | - ND School Board Association       |
| Judane Ohlhauser    | - ITD                               |
| *Jane Grinde        | - ND University System (NDUS)       |
| Lynn Hart           | - OMB / Human Resource Mgmt         |
| *Linda Kuether      | - Dept of Transportation            |
| *Lisa Kudelka       | - Bismarck Public Schools           |
| *Lori Laschkewitsch | - OMB                               |
| Lori Leingang       | - Bank of ND                        |
| Lori Malafa         | - ND Highway Patrol                 |
| Marcie Wuitschick   | - Human Services                    |
| Mary Selzler        | - WSI                               |
| Renae Gall          | - Parks & Rec                       |
| Rita Lindgren       | - BSC                               |
| Tammy Terras        | - Burleigh County                   |
| Terry Traynor       | - Association of Counties           |
| Tracy Stein         | - Dept of Corrections               |
| Wendy Bent          | - Morton County                     |
| *Sara Leno          | - Human Services                    |
| Aimee Copas         | - ND Council of Educational Leaders |

### Others Present:

\*Sharon Schwartzbauer – NDUS, \*Genny Dienstmann – Assoc of Counties, \*Allison Volk – BND, \*Jill Vegaas - WSI

## Minutes

Fort Totten Room – State Capitol

11:00 – Sharon thanked everyone for coming. The benefits committee makes suggestions to the NDPERS Board. NDPERS legislation is due in March. Sharon started to cover the presentation on the NDPERS programs.

Life – The plan had a recent RFP and renewed with VOYA with better benefits.

Dental – The plan will have an RFP in 2018.

Vision – The plan had a recent RFP and renewed with Superior with similar benefits and a 1% decrease in rates.

DC plans – After an RFP in 2016, renewed with TIAA with no changes.

Flexcomp – The plan will have an RFP in 2018 for the vendor.

Retirement – There were some changes to the actuarial assumptions and factors. The return assumption was lowered to 7.75 from 8.00 which also affected the interest paid on accounts and charged on service purchases. The actuarial tables were updated including the purchase factors effective in 2018. This will increase the cost of service purchase and it will vary depending on the individual circumstances (age, salary, service, etc.).

Health – The last renewal increase was 17.4% in total. This was paid for by shifting 5.2% to the members in plan design changes, 2.4% in premium buydown using reserves and 9.8% increase in employer premiums. The early estimate is a 15% increase +/- 2% for the next biennium. NDPERS is looking at options. The current fee for service and HDHP plans could be expanded to include a managed care plan similar to the old EPO plan. Legislative committees are also studying health insurance. There are some looks at lifestyle premium differentials.

11:35 – The presentation shifted to retirement plan funded status. The recovery plan after the market drop was to 1. Stop the downward trend; 2. Stabilize the plan; and 3. Get the plan back on track to be 100% funded. The ND Legislature did fund the first three years of the recovery plan (3% employer and 3% employee), but not the 4<sup>th</sup> year. After the reduction of the assumed 8.00% return to 7.75% the trend is negative. GASB also requires a lower rate and increased liabilities on the financial statements of participating employers if the plan is not on track to return to fully funded status. This has a negative affect on the books for the state and political subdivisions participating in the plan.

Since contributions & investments = benefits, Should the plan take on more investment risk to get a better return? This would be a challenge in the markets and would not be consistent with the Board's fiduciary responsibilities. Benefits could be reduced, but not legal for retirees and likely not for existing employees that are retirement eligible or even vested. Changes to new employees have already been done and any additional changes will take a long time to show any measurable results. Contributions of 1% employee and employer is the final recovery plan, but the legislature has not been supportive of this and with no salary increases for state employees, it will be a greater challenge for them. It can be phased in to have a slower impact. For example, a ½ & ½ or a ¼ increase each year for four years. The committee did not have any comments on how the employees would favor an additional increase.

The RHIC is currently a 1.14% employer paid contribution for a \$5 per year of service monthly benefit. This plan was originally started in 1989 by taking 1% out of the retirement contribution that was determined to be in excess. One idea is to stop the RHIC plan for new employees and shift this contribution to the retirement plan. This would lead the retirement plan to fully funded status in 2081 and address the GASB issues. Benefits for the current employees would be the same and benefits for new employees would be less the RHIC. The committee had some discussion on this idea. It was mentioned that most employees do not understand the RHIC benefit and new employees might not care about it as much as their retirement. There was some discussion on NDPERS having a benefit differential similar to TFFR.

The group discussed if NDPERS was looking at adding back the Non-Medicare health option. The health plan does still have this option for existing retirees already in it, but it is closed to new retirees. NDPERS is looking at this and shared that the statute is changed so any new plan would not be subsidized by the other plans. Early indications are that the rates will be much higher than the current rate.

There was no other discussion and Sharon asked if the committee members had any other ideas or comments to contact her or Bryan Reinhardt at the NDPERS office.

12:05 - Meeting adjourned

To: Claudia Ruffolo

From: Bryan Reinhardt

Subject: NDPERS Benefits Subcommittee Meeting

In accordance with the policy effective August 26, 1993 for compensating Board members for attendance at sub-committee meetings, the date of the benefits sub-committee meeting and member attendance is as follows:

Date: December 5<sup>th</sup> 2017

Meeting Time: 11:00am – 12:05pm

| <u>Attendees</u> | <u>Meeting Length</u> |
|------------------|-----------------------|
| Kim Wassim       | 1.1 hours             |



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# Memorandum

**TO:** NDPERS Board

**FROM:** Sharon Schiermeister

**DATE:** December 12, 2017

**SUBJECT:** Interim Legislative Committee Update

The Health Care Reform Review Committee met on November 30 in Grand Forks. Rebecca Fricke and I attended the meeting. One area that this committee is studying is the public employee health insurance plan pursuant to a directive from Legislative Management. PERS was asked to present information on how other states are providing public employees with health benefits, based on surveying other states. We were able to survey 7 surrounding states and presented that information to the committee.

Some information from the survey which we found interesting is that of the 7 states surveyed, 2 states offer fully-insured plans. However, they are also going through an analysis of whether to move to self-insured. We also found it interesting that many of the states that are self-insured are not purchasing stop loss insurance. We are planning to do some additional follow-up on that.

The following is attached for your information:

- November 30 agenda
- PERS Presentation
- Survey responses

## NORTH DAKOTA LEGISLATIVE MANAGEMENT

## Tentative Agenda

**HEALTH CARE REFORM REVIEW COMMITTEE**

Thursday, November 30, 2017

Room E101, University of North Dakota School of Medicine and Health Sciences  
 1301 North Columbia Road  
 Grand Forks, North Dakota

- 8:30 a.m. Call to order  
 Roll call  
 Consideration of the minutes of the August 3, 2017, and September 14, 2017, meetings  
 Comments by the Chairman
- TOUR OF MEDICAL AND HEALTH SCIENCES SCHOOL**
- 8:35 a.m. Committee tour of the University of North Dakota School of Medicine and Health Sciences
- Welcoming remarks by Dr. Joshua Wynne, Dean, University of North Dakota School of Medicine and Health Sciences
- NOTE:** To accommodate the committee members and members of the public, the group participating in the tour will be split into multiple small groups
- PUBLIC EMPLOYEES RETIREMENT SYSTEM STUDY**
- 9:40 a.m. Comments by North Dakota insurers regarding Public Employees Retirement System (PERS) health benefits, including:
- [Current practices and experience](#) in self-funded plans for single- and multiple-employer plans;
  - [Possible changes](#) to the North Dakota Century Code provisions relating to the uniform group insurance plans, including self-funding, which were identified by the Executive Director of PERS at the September 14, 2017, committee meeting; and
  - [Assumption of risk](#) for the spectrum of insurance plans, including fully insured and hybrid fully insured plans
- Comments by interested persons
- Committee discussion and directives
- 10:40 a.m. [Presentation](#) by Ms. Sharon L. Schiermeister, Interim Executive Director, Public Employees Retirement System, regarding the status of the PERS survey of how other states provide health benefits for public employees
- Committee discussion and directives
- 11:10 a.m. [Presentation](#) by Mr. Jeff Ubben, Deputy Commissioner, Insurance Department, regarding the similarities and differences between federally regulated and state-regulated self-funded insurance plans
- Comments by interested persons
- Committee discussion and directives
- 11:45 a.m. Break
- NOTE:** During this break, committee members will bring their meals to their seating area in order to participate in the Dean's Hour panel discussion, moderated by Dr. Wynne

## **DEAN'S HOUR**

12:10 p.m. Committee participation in a panel discussion as part of the Dean's Hour: A Visit With the Legislative Health Care Reform Review Committee

1:00 p.m. Break

## **AFFORDABLE CARE ACT STUDY**

1:15 p.m. [Presentation](#) by Mr. Jon Godfread, Insurance Commissioner, regarding the status of the federal Affordable Care Act (ACA), including:

- Open enrollment;
- North Dakota insurers participating in the Federal Facilitated Marketplace; and
- Federal changes and proposed changes affecting ACA

Comments by interested persons

Committee discussion and directives

2:30 p.m. Report by Mr. Jerry E. Jurena, President, North Dakota Hospital Association, and Ms. Courtney Koebele, Executive Director, North Dakota Medical Association, regarding the positions of the American Hospital Association and American Medical Association on changes and proposed federal changes to ACA

Committee discussion and directives

3:00 p.m. [Presentation](#) by North Dakota insurers regarding ACA and open enrollment under ACA, including the status of cost-sharing reduction payments and the impact of decreases in federal advertising funding

Comments by interested persons

Committee discussion

4:00 p.m. [Presentation](#) by Mr. Godfread regarding the status of ACA waivers

Committee discussion and directives

5:00 p.m. Adjourn

## **Committee Members**

Representatives: George J. Keiser (Chairman), Rick C. Becker, Bill Devlin, Gretchen Dobervich, Kathy Hogan, Jim Kasper, Mike Lefor, Karen M. Rohr, Robin Weisz

Senators: Dick Dever, Jerry Klein, Karen K. Krebsbach, Oley Larsen, Judy Lee, Carolyn C. Nelson, Nicole Poolman

Staff Contact: Jennifer S. N. Clark, Counsel

# Health Care Reform Committee

## NDPERS Presentation

### November 30, 2017



**NORTH DAKOTA**  
PUBLIC EMPLOYEES  
RETIREMENT SYSTEM



# How Other States Are Providing Health Benefits For Public Employees

## Surveyed Surrounding States

- Idaho
- Iowa
- Minnesota
- Montana
- South Dakota
- Wisconsin
- Wyoming



# General Plan Information

- **Grandfathered Status**
  - 1 State Grandfathered
  - 6 States Non-grandfathered
- **Type of Employers in Plan Varies**
  - 4 cover State only
  - 2 cover State and Political Subdivisions
  - 1 has separate plans for State and for Political Subdivisions



# General Plan Information

- **No plans are Multiple Employer Welfare Arrangements (MEWAs)**
  - Defined under ERISA
  - Government plans exempt
- **Regulation of Plan varies**
  - Department of Insurance
  - Executive Branch
  - Legislature
  - Plan Administrator



# Funding Arrangement

- 4 States are self insured
- 1 State has a fully insured hybrid\*
- 1 State has both fully insured and self insured plans\*\*
- 1 State has retrospective premium agreement

\*Idaho – Currently reviewing self-funded option

\*\*Wisconsin – Legislature recently rejected proposal for self-insurance



# Plan Design

- **Various models for determining plan design**
  - Administrative Agency
  - Executive Branch – Governor, Budget Office
  - Legislature
- **Number of Plans Offered**
  - 2 States offer one plan
  - Other States range from 2 -5
- **Number of Insurance Carriers**
  - 5 States use 1 carrier
  - 2 States have multiple carriers



# Premiums

- Premiums are generally developed 6-9 months in advance for upcoming year
- Rates are set annually
  - 1 State has 2 year budget, but rates and plan design can be changed each year



# Length of Contract

- 4 States have 5-year contracts with 1 year renewals
- 2 States have 3-year contracts with 1 year renewals
- Generally, go out to bid at end of contract



# Stop Loss for Self-Insured Plans

## **Only 1 State surveyed carries stop loss**

- Aggregate only
- Mandated in statute

## **Why so few?**

- Group size
- Cost





# Reserves for Self-Insured Plans

## **Reserve levels vary**

- % of claims
- % of Risk Based Capital
- Number of months range

## **Type of reserves varies**

- General reserves only
- Incurred but not reported (IBNR)
- Incurred but not paid (IBNP)



# Next Steps

- **Identify any additional information the Committee would like to see in the survey**
- **Continue to survey additional States**



# NDPERS Survey of Surrounding States Health Plans

Nov 30 survey attachment

November 2017

|   | Idaho  | Iowa  | Minnesota  | Montana   | South Dakota   | Wisconsin   | Wyoming  |
|---|--|---|--|---|--|---|--|
|   | Office of Group Insurance  | Iowa Department of Administrative Services  | Division of Management and Budget  | Health Care and Benefits Division   | State Employee Benefits Program                                      | Department of Employee Trust Funds (ETF)  | Employee Group Insurance (EGI)   |
| 1. Is plan Grandfathered or Non-Grandfathered                     | <i>Grandfathered</i>   | <i>Non-Grandfathered</i>  | <i>Non-Grandfathered</i>   | <i>Non-Grandfathered</i>  | <i>Non-Grandfathered</i>   | <i>Non-Grandfathered</i>  | <i>Non-Grandfathered</i>   |
| 2. Who does the plan cover (State only or political subdivisions) | <i>State and Higher Ed only</i>  | <i>State only</i>   | <i>SEGIP - State only, PEIP - Subs and Schools</i>   | <i>State only</i>   | <i>State only</i>  | <i>Both</i>   | <i>State and school districts only</i>   |
| 3. Is the plan a MEWA as defined under ERISA?*                    | <i>No</i>  | <i>No</i>   | <i>No</i>  | <i>No</i>   | <i>No</i>  | <i>No</i>   | <i>No</i>  |
| 4. Who regulates your plan?                                       | <i>Internally and TPA</i>  | <i>Internally</i>   | <i>Management and Budget and Legislature</i>   | <i>Mostly internally</i>  | <i>SD HR Division</i>  | <i>Internally</i>   | <i>Employee Group Insurance Dept and Wyoming Dept of Insurance</i>                 |
| A. Financial condition  | <i>Carrier is fiduciary</i>  | <i>Executive Council approves premiums and submits to Dept of Budget.</i>                   | <i>N/A</i>   | <i>Internally</i>   | <i>Internally</i>  | <i>Surplus reserves above target in 2017</i>  | <i>Wyoming Dept of Insurance</i>   |
| B. Complaints   | <i>Carrier</i>   | <i>Administrative Services</i>  | <i>N/A</i>   | <i>Internal customer service</i>  | <i>Internally</i>  | <i>N/A</i>  | <i>EGI Dept</i>  |
| C. Established in State law?                                      | <i>Administrative code</i>   | <i>Yes?</i>   | <i>Aggregate stop loss is in statute</i>   | <i>No, follow Federal ERISA rules.</i>  | <i>No</i>  | <i>N/A</i>  | <i>Yes</i>   |
| 5. Is the plan fully insured?                                     | <i>Yes</i>   | <i>No</i>   | <i>No</i>  | <i>No</i>   | <i>No</i>  | <i>Some options are fully insured.</i>  | <i>No</i>  |
| A. Is there any gain/loss sharing?                                | <i>Yes</i>   | <i>no</i>   | <i>N/A</i>   | <i>N/A</i>  | <i>N/A</i>   | <i>No</i>   | <i>n/a</i>   |
| 6. Is the plan a minimum premium plan?                            | <i>No, but similar with plan at risk for 110% of claims.</i>   | <i>Yes</i>  | <i>No</i>  | <i>No</i>   | <i>No</i>  | <i>No</i>   | <i>No</i>  |
| 7. Is the plan retrospective premium agreement?                   | <i>no</i>  | <i>Yes, premiums go up a year after a loss to make up difference</i>                        | <i>No</i>  | <i>No</i>   | <i>No</i>  | <i>No</i>   | <i>No</i>  |
| 8. Is the plan self-insured?                                      | <i>Hybrid, plan is at risk for 110% projected claims. Consultant is currently reviewing self-funded option.</i>                | <i>No</i>   | <i>Yes</i>   | <i>Yes</i>  | <i>Yes</i>   | <i>No mostly, as majority are in fully insured regional HMOs. A broader access PPO is self-insured.</i>   | <i>Yes</i>   |
| A. What level of Stop Loss?                                       | <i>No stop loss</i>  | <i>No stop loss</i>   | <i>Aggregate stop loss only (mandated in statute)</i>  | <i>No stop loss</i>   | <i>No stop loss</i>  | <i>HMOs are fully insured - No stop loss</i>  | <i>No stop loss</i>  |
| B. What amount of general reserves?                               | <i>10% of projected claims held at the state to help with paid versus premium.</i>   | <i>N/A</i>  | <i>Target 15% - 20%</i>  | <i>300% of Risk Based Capital</i>   | <i>N/A</i>   | <i>Self-insured target of 15-25% of annual claims and insured target of 20% of insured annual claims. Actual reserves were \$144M of claims (29%) in 2016 (from health plan experience)</i>   | <i>3-month target, but currently at 1 1/2 months</i>                               |
| C. What amount of IBNR reserves?                                  | <i>Use IBNP, carrier accounts for and bills plan monthly to keep reserves up or refunds so plan puts excess into reserves.</i> | <i>N/A</i>  | <i>5%-10%</i>  | <i>uses general reserves</i>  | <i>Use IBNP formula (been doing this for the last 3-4 years)</i>     | <i>Included in general reserves above</i>   | <i>use general reserves</i>  |
| 9. Who determines plan design?                                    | <i>Director of Administration submits to Governor and Budget Division and to Legislature</i>                                   | <i>Executive Council made up of elected officials (No legislators or elected employees)</i> | <i>Management and Budget with input from Labor Management Committee</i>  | <i>Internally done by HR Division with Advisory group and TPA help. Submitted to budget director.</i> | <i>HR Division submits to the Governor and Legislature approves.</i> | <i>Group Insurance Board with recommendations from the Department of Employee Trust Funds</i>   | <i>Advisory pannel to Employees Group Insurance submit plan design to governor</i> |
| 10. Are there more than one plan design?                          | <i>Yes, three plans</i>  | <i>Yes, 6 plans moving to two plans (HMO &amp; PPO) as of January 2018.</i>                 | <i>State Employee Group has one main plan with a HDHP offered to non-bargaining employees. Public Employee Insurance Program has 3 plan designs.</i> | <i>No, One plan design</i>  | <i>Yes, two plans</i>  | <i>Yes</i>  | <i>No, One plan design</i>   |
| 11. More than one insurance carrier?                              | <i>No, BCBS of Idaho</i>   | <i>No, BCBS</i>   | <i>3 medical vendors and 1 PBM</i>   | <i>No, TPA is Allegiance (local MT company)</i>   | <i>No, Avera currently was DakotaCare</i>                            | <i>Yes</i>  | <i>No, CIGNA is TPA</i>  |
| A. Do they offer the same benefits?                               | <i>N/A</i>   | <i>N/A</i>  | <i>Yes</i>   | <i>N/A</i>  | <i>N/A</i>   | <i>No</i>   | <i>N/A</i>   |
| B. How many plans offered?  | <i>Three</i>   | <i>Moving to two, most members currently in Blue Access and Iowa Choice</i>                 | <i>SEGIP - 2 plans PEIP - 3 plans</i>  | <i>One plan design</i>  | <i>Two</i>   | <i>18 different health plan carriers (primarily insured regional HMO's with broad access self-insured PPOs). 5 different plan designs including Medicare plans. <a href="http://etf.wi.gov/members.htm">Http://etf.wi.gov/members.htm</a></i> | <i>One plan design</i>   |
| C. Do premiums/benefits vary between plans?                       | <i>Yes</i>   | <i>Yes</i>  | <i>No</i>  | <i>N/A</i>  | <i>Yes</i>   | <i>Yes</i>  | <i>N/A</i>   |

|  |  |                              |                                   |   |  |  |  |
|--|--|------------------------------|-----------------------------------|---|--|--|--|
| 12. How far in advance are premiums established? | premiums are developed 6-8 months in advance | July for January 1st         | Rates are set 6 months in advance | Start to develop rates in the summer, approved in September for January 1st.      | Work with consultant to have rates 6-months in advance | HMO renewal rates are negotiated in the summer | Set own rates yearly 6-9 months in advance |
| 13. How long are rates guaranteed?               | 1 year                                       | 1 year rates                 | 1 year                            | 2 year state budget, but employee rates and plan design can be changed each year. | 1 year   | 1-year   | 1 year rates                               |
| 14. What is the length of the contract?          | 5 year with 1 year renewals                  | 5 years with 1 year renewals | 5 years with 1 year renewals      | 3 years with 1 year renewals  | 3 years with 1 year renewals                           | Varies by plan option                          | 5 years with 1 year renewals               |
| 15. How often does the plan go out to bid?       | 5 years                                      | 5 years                      | 5-years                           | 3 years   | 3 years  | Infrequently, most recent RFP in 2016.         | 5 years                                    |

\*MEWA - Multiple Employer Welfare Arrangement

\*ERISA - Employee Retirement Income Security Act of 1974 - a federal law that sets minimum standards for pension and health plans in private industry