

# NDPERS BOARD MEETING

## Agenda

**Bismarck Location:**  
ND Association of Counties  
1661 Capitol Way  
**Fargo Location:**  
Sanford Health Plan  
1749 38<sup>th</sup> Street South

**February 23, 2017**

**Time: 8:30 AM**

### **I. MINUTES**

- A. January 24, 2017 special
- B. January 26, 2017

### **II. RETIREMENT**

- A. Service Purchase – Derrick & MaryJo (Board Action)
- B. Pension Payment Deductions – Sharon (Board Action)
- C. ASI Flex renewal – Kathy (Board Action)
- D. Actuarial Transition Update – Sharon (information)

### **III. GROUP INSURANCE**

- A. Sanford:
  - 1. Quarterly Executive Summary
  - 2. Rebate
  - 3. Re-projection
  - 4. Late Claims
  - 5. Glucometer
- B. Disease Management Programs – Sparb (information)
- C. Retiree Dental/Vision Special Enrollment – Rebecca (Board Action)
- D. Life RFP – Bryan (Board Action)
- E. 2016 Sanford Claims Review – Bryan (information)

### **IV. DEFERRED COMPENSATION**

- A. RFP update – Bryan (information)

### **V. MISCELLANEOUS**

- A. Board Election – MaryJo (Board Action)
- B. Legislative update – Sparb (Information)

### **VI. EXECUTIVE SESSION**

- A. Deferred Compensation Hardship Case #385\*

\*Executive Session pursuant to NDCC §44-04-19.2(1) and/or §54-52-26 to discuss confidential records or confidential member information.

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



**North Dakota**  
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**Sparb Collins**  
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1-800-803-7377

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# Memorandum

**TO:** PERS Board

**FROM:** Derrick Hohbein, CPA

**DATE:** February 8, 2017

**SUBJECT:** Service Purchases

A recent analysis of service purchases at the time of conversion was conducted as a result of an internal audit finding. During this process, it was discovered that when PERSLink went live in October 2010 one month of interest was not charged to purchases that were being paid in installments.

At the time of conversion there were 64 purchases that were in payment. Of the 64 purchases, 51 of them have since been paid in full. These 51 purchases, at the time of conversion, had an outstanding principal balance of \$625,946.88 – meaning \$4,172.98 of interest was not charged or collected and should have been.

Of the 64 purchase contracts, 13 are currently still in payment. The outstanding principal balance at the time of conversion for these 13 purchases was \$177,661.27 – resulting in interest of \$1,184.41 not being charged or collected.

Our analysis also showed that 5 opening balances that were converted to PERSLink were incorrect. All 5 of these purchases have been paid in full, resulting in each member having an underpaid purchase amount. The total underpayment amount was \$1,105.45.

Staff is looking for direction on how to proceed with the missed interest and converted balances that were incorrect.

## **Board Action Requested:**

Provide direction on the collection of the underpaid interest and incorrect balances on service purchases at the time of PERSLink conversion.



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# Memorandum

**TO:** NDPERS Board

**FROM:** Sharon Schiermeister

**DATE:** February 8, 2017

**SUBJECT:** Pension payment deductions

It has been our practice to allow our retirees the convenience to set up certain deductions from their monthly pension checks. Specifically, a retiree can have the following deducted from their pension: premiums for the NDPERS sponsored health, Part D, life, dental and vision plans, dues for ND United and Association of Former Public Employees and federal and state taxes.

We have received a request from a retiree requesting that we allow premiums for other health insurance plans to be withheld from NDPERS pension payments, in order for the retiree to be eligible for a tax exclusion. This request was brought to the Board in February 2015 for your consideration (see attached memo). At that time, the Board directed staff to obtain cost estimates and bring this before the Board for final consideration.

We have looked into what would be necessary to facilitate pension deductions for non-NDPERS health premiums. Below are some of the key areas we looked at:

1. **Modifications to PERSLink.** PERSLink has the flexibility to add pension deductions for non-NDPERS health premiums without going through a major enhancement process. We have received an estimate from our software vendor that the effort to implement this feature would involve approximately 65 hours of development/testing time from them, or approximately \$4,000.
2. **Premium authorization.** Before a premium deduction could be set up, the retiree would need to verify that they are a public safety officer who would be eligible for the tax exclusion. In addition, they would need to provide NDPERS with verification from their health insurance carrier that premiums can be made directly to the carrier on behalf of the retiree.

3. **Ongoing maintenance.** The retiree would be responsible for notifying NDPERS of any changes to the amount of premium being withheld from their pension check. This would include changes in premium resulting from rate increases, level of coverage changes, etc. Any premium over/underpayments of premium made to the carrier would need to be resolved directly between the retiree and the carrier.

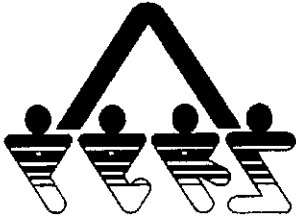
**Staff Recommendation:**

If the Board determines this is an initiative that staff should move forward with, we recommend deferring the decision on an implementation date until after the budget for the 17-19 biennium is approved. At that time, we would be better able to assess funding availability and timeframes for this new initiative.

**Board Action Requested:**

**Should NDPERS offer public safety officers who are receiving pension payments from NDPERS, the ability to have non-NDPERS sponsored health premiums deducted from their monthly pension payment and if so, when should it become available?**

Attachment



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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** February 11, 2015  
**SUBJECT:** Law Enforcement Plan  
Pension Protection Act of 2006

Attached is a letter that was sent to our law enforcement members several years ago about a new provision that was in the Pension Protection Act of 2006. Section 845 of the PPA'06 permits eligible retired public safety officers to transmit up to \$3,000 of their benefits from certain governmental retirement plans (such as NDPERS) each year, tax free, to cover their qualified medical insurance premiums provided the premiums are deducted from the members pension check. As a result, members of law enforcement that take the PERS health insurance coverage and have it deducted from their pension check can take advantage of this option.

I recently received the following email from a member:

Good morning,

I have just been made aware that Public law 109-280-August 17, 2006 120 STAT.1013 Section 845 was signed into law by President Bush in 2006.

In general it allows retired law enforcement officers to have their health insurance premiums deducted from their retirement account and receive up to a \$3,000 exclusion from their gross income.

In visiting with representatives from PERS they state:

1. They can only do it if it is from the State's health care.
2. Or if outside the states Healthcare system than the Legislature must authorizes PERS to do it.

For either in-state or out of state retired law enforcement personnel this is not an option when you can find cheaper insurance on the open market.

Since this is a benefit authorized by Federal law to assist retirees and it is really a no cost proposal for PERS other than assisting with the paperwork once per year I would think (if this cannot be handled with internal modification to PERS rules) that the legislature would agree with this proposal.

I would ask that if this is not already being considered and if it cannot be handled internally than it be introduced during this year's session (if nothing else at the end of the session during the OMB catch all bill).

Please email me if this is doable or if not why not.

I responded to the member with the following email:

To qualify for this benefit for public safety officers the money (up to \$3,000 annually) has to be paid directly from the pension plan to the health insurer or self-funded health plan. Today our business system is set up to provide direct payments to PERS vendors (i.e. BCBS). Our system is not programmed to provide direct payments to other vendors. To add these direct payments our system would need to be modified to provide direct payment to other companies and their system would need to set up to receive those payments. Also and for your information at the time this passed we did send the attached to all HP retirees.

I have also looked back and reviewed this internally and found the following:

1. PERS elected not to change its business system to allow for direct payments to other vendors at the time this was enacted due to other priorities and questions on the provisions of the legislation.
2. We noted the federal law did not require this and discussion with other retirement plans indicated they were not going to set this up initially either.
3. About 36% of our law enforcement retirees take the PERS health coverage and can access the provision
4. To accommodate this PERS would need to change its business system which would result in reprogramming. The cost of this has not been estimated but would be at least several thousand dollars.
5. This cost could be billed back to the HP retirement plan since it would be primarily for its members and therefore we would want to coordinate this effort with the HP.
6. With the exception of your request we have not had any other requests for this option to be added.
7. No legislative authority is required for us to go forward with; however, it would need to be approved by the board.

Since it has been several years since we last examined this option and if you would like I could put this on the February PERS Board agenda and discuss it with them to see if they would like us to add this to our work plan. I could also share your email as well.

Please let me know how you would like to proceed. If you would like to discuss this further, my direct extension is 701-328-3901 or please feel free to email directly.

The member has requested that the Board consider providing this option to our Highway Patrol members.

In talking with the Highway Patrol they have indicated that they would like to have it explored to determine if this could be done and what the cost would be. If you are interested in considering this, staff would move forward by:

1. Identifying how PERSLink would need to be modified.
2. Get an estimate of the cost of the change.
3. Bring it back to the Board for final consideration.

Board Action Requested:

Determine how PERS should proceed.



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### **Public Safety Officers Tax-Free Distributions for MEDICAL Premiums**

On August 17<sup>th</sup>, 2006, President Bush signed The Pension Protection Act of 2006 (PPA'06). Section 845 of the PPA'06 permits eligible retired public safety officers to transmit up to \$3,000 of their benefits from certain governmental retirement plans (such as NDPERS) each year, tax free, to cover their qualified medical insurance premiums. Qualified medical insurance premiums include health, dental, vision, and long-term care plans. The medical insurance premiums must be deducted from a pension benefit. This article is for information purposes only. While we can advise of this new provision we are can not give tax advice. Therefore, you may want to consult a tax advisor.

#### **DEFINITION OF PUBLIC SAFETY OFFICER:**

The term "public safety officer" includes individuals serving a public agency in an official capacity, with or without compensation, such as the following:

1. a law enforcement officer (including a person involved in enforcement of criminal laws, such as police, corrections, probation, parole, and judicial officers);
2. a firefighter;
3. a member of a rescue squad or ambulance crew;
4. or a chaplain.

#### **ELIGIBILITY:**

Eligible retired public safety officers are permitted to transmit up to \$3,000 of their benefits from certain governmental retirement plans each year, tax free, to cover their qualified medical insurance premiums if they retire at normal retirement age or due to disability. Normal retirement age is determined by NDPERS plan provisions.

Retirement benefits attributable to service other than as a public safety officer will be eligible for this tax-free distribution provided the employee separates from service as a public safety officer.

The following employees are ineligible for the tax-free distribution:

- ▶ Those who leave before normal retirement age and who are not disabled
- ▶ Those who do not work as a public safety officer immediately prior to retirement (even if they work for the relevant governmental agency)
- ▶ Those who pay for their health insurance through automatic premium deduction
- ▶ Those who pay by personal check (direct bill)

#### **TAX REPORTING:**

It is the responsibility of the retired officer to claim the premium payments that were subtracted from their pension as a reduction in taxable income on their Form 1040 up to the eligible amount of \$3,000 per year.

NDPERS will not be doing any systematic changes for pre-taxing or any additional reporting on the form 1099R. According to federal requirements, the responsibility for claiming the tax credit is up to the retiree. Retired public safety officers will need to retain the information they are already provided through check statements or quarterly statements and report this information on their Form 1040.

Questions about tax reporting should be directed to a professional tax consultant.



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# Memorandum

**TO:** NDPERS Board

**FROM:** Kathy & MaryJo

**DATE:** February 16, 2017

**SUBJECT:** ASIFlex Contract Amendment

At the January meeting, the PERS Board approved renewing the contract with ASIFlex for the period July 1, 2017 through June 30, 2019. The amendment for this renewal is included for your information. Jan has reviewed and updated as necessary. It has been forwarded to ASIFlex for any comments whose input was not available at the time of this memo.

Subject to any feedback from ASIFlex, staff recommends the amendment be approved as presented.

**Board Action Requested.**

**AMENDMENT TO  
AGREEMENT FOR SERVICES BETWEEN APPLICATION SOFTWARE, INC. d/b/a ASIFLEX  
(CONTRACTOR) AND THE STATE OF NORTH DAKOTA ACTING THROUGH ITS PUBLIC  
EMPLOYEES RETIREMENT SYSTEM (STATE)**

WHEREAS, STATE and CONTRACTOR entered into an Agreement for Services effective July 1, 2015 through June 30, 2017;

WHEREAS, STATE and CONTRACTOR now desire to amend the Term of Contract and Merger and Modification provisions of the Agreement for Services pursuant to the Merger and Modification provision of the same;

WHEREAS, the parties agreed to an implementation option that permitted a refund to STATE by CONTRACTOR of certain administrative fees;

WHEREAS, such implementation options are executed pursuant to RHIC Implementation Documents signed by STATE and accepted by CONTRACTOR;

WHEREAS, on \_\_\_\_\_, the Board approved extending the current Agreement with CONTRACTOR;

NOW THEREFORE, in consideration of the above the parties agree to amend the Agreement for Services by replacing the Term of Contract and Merger and Modification provisions with the following:

**TERM OF CONTRACT**

The term of this contract begins July 1, 2017 through June 30, 2019. The State has the option to renew this contract for one subsequent period from July 1, 2019 through June 30, 2021.

**MERGER AND MODIFICATION**

This Contract, including the following documents, constitutes the entire agreement between the parties. There are no understandings, agreements, or representations, oral or written, not specified within this Contract. This Contract may not be modified, supplemented or amended, in any manner, except by written agreement signed by both parties. Notwithstanding anything herein to the contrary, in the event of any inconsistency or conflict among the documents making up this Contract, the documents must control in this order of precedence; the terms of this Agreement for Services as may be amended; State's request for Proposal ("RFP") dated October 2014; CONTRACTORS proposal dated December 18, 2014, any RHIC Implementation Document. In the case of any RHIC Implementation Document, such a Document shall be deemed effective and executed in compliance with this section if it is signed by the STATE and accepted by the CONTRACTOR. A RHIC Implementation Document shall be deemed accepted by the CONTRACTOR if CONTRACTOR does not provide written notice to STATE of rejection within fifteen (15) days of receipt.

The remaining non-conflicting provisions of the Agreement shall remain in full force and effect.

This amendment is not effective until fully executed by all parties.

NORTH DAKOTA PUBLIC  
EMPLOYEES RETIREMENT SYSTEM

CONTRACTOR

By: \_\_\_\_\_

By: \_\_\_\_\_

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

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



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# Memorandum

**TO:** NDPERS Board

**FROM:** Sharon Schiermeister

**DATE:** February 8, 2017

**SUBJECT:** Actuarial Transition Update

Our new actuary, GRS, has completed the 2016 valuations and is wrapping up the 2016 GASB 68 reports which will be used by our participating employers when preparing their financial statements. To facilitate the transfer of this work to GRS, the Board approved extending our contract with Segal through October 31, 2016. Segal was available to provide information and respond to questions from GRS as they worked through replicating the 2015 valuations and preparing the GASB 68 schedules. We have received an invoice from Segal for these transition services in the amount of \$49,043.75.

It should be noted that as a result of going through the transition to a new actuary, it was similar to going through an actuarial audit process. Although the Main plan has gone through an actuarial audit, this was the first time that the process was reviewed for the Judges, Law Enforcement, Highway Patrol and Job Service plans.



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# Memorandum

**TO: NDPERS BOARD**  
**FROM: Sparb Collins**  
**DATE: February 23, 2017**  
**SUBJECT: Sanford**

Sanford has several items to review with the board.

First is the Quarterly Executive Summary (attachment #1).

Second, at the last board meeting you discussed the issue of pharmacy rebates. Attachment #2 is the memo from the last meeting. Staff and Sanford has had several calls since the last meeting and as a result of those calls we are recommending that instead of continuing this program that we deposit the funds in our reserve to help maintain the overall benefits of the plan for the members. We are continuing to work with Sanford and we will discuss it further at the meeting.

Attachment #3 is the re-projection of the premium as required as part of our renewal. Jim Wynstra will be at the meeting to discuss this with you.

Attachment #4 is a memo from Sanford on the process for paying for late claims. They will review this with you at the meeting.

Item #5 is related to Glucometers. Attachment #5 is memo with information on the subject from Sanford. They are also putting together some information at the meeting on this subject for your consideration. The information that will be handed out is confidential and consequently Sanford is requesting that this be done in Executive Session. I will be following up with Jan on this request and she will be able to advise you at the meeting if this can be accommodated.

Attachment #1

# NDPERS Executive Summary

Quarter 3 | 2016

Presented February 2017



NORTH DAKOTA  
PUBLIC EMPLOYEES  
RETIREMENT SYSTEM

**SANFORD**<sup>®</sup>  
HEALTH PLAN

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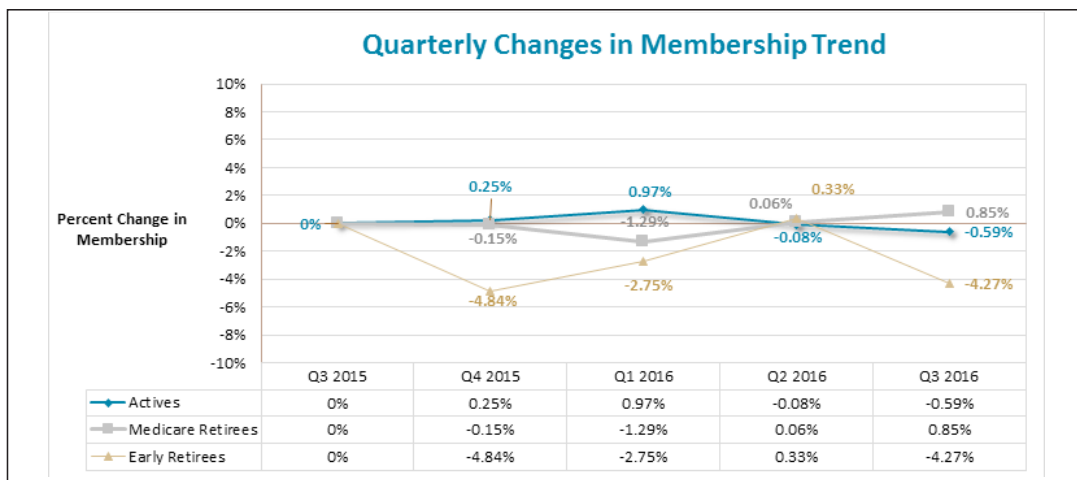
Performance Standards &amp; Guarantees

## ANNUAL MEMBERSHIP SUMMARY

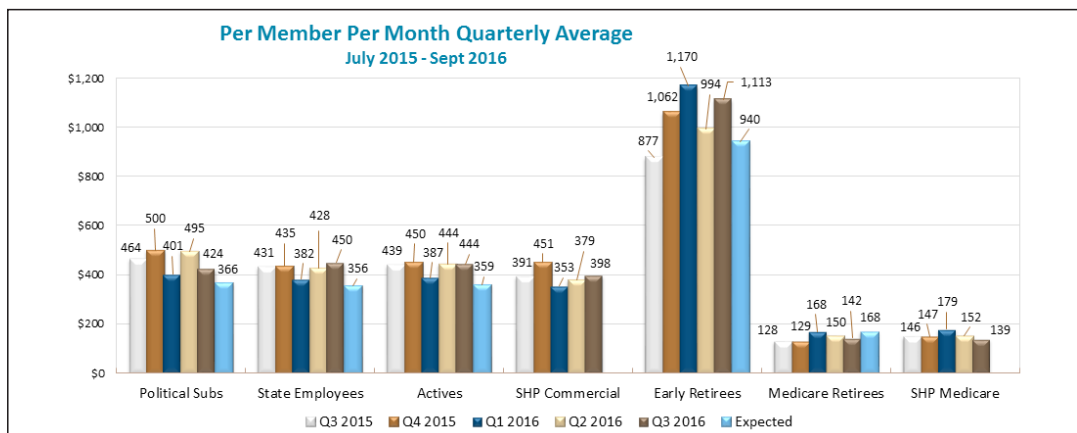
Summary

| MEMBERSHIP COMPARISON   |         |         | CHANGE       |
|-------------------------|---------|---------|--------------|
|                         | Q3 2015 | Q3 2016 | Q3 15/Q3 16  |
| Actives                 | 56,782  | 57,088  | +306 members |
| Early Retirees          | 1,211   | 1,076   | -135 members |
| Medicare Retirees       | 8,648   | 8,601   | -47 members  |
| Net Change (Yr over Yr) |         |         | +124 members |

## MEMBERSHIP TREND



## MEDICAL PMPM SUMMARY



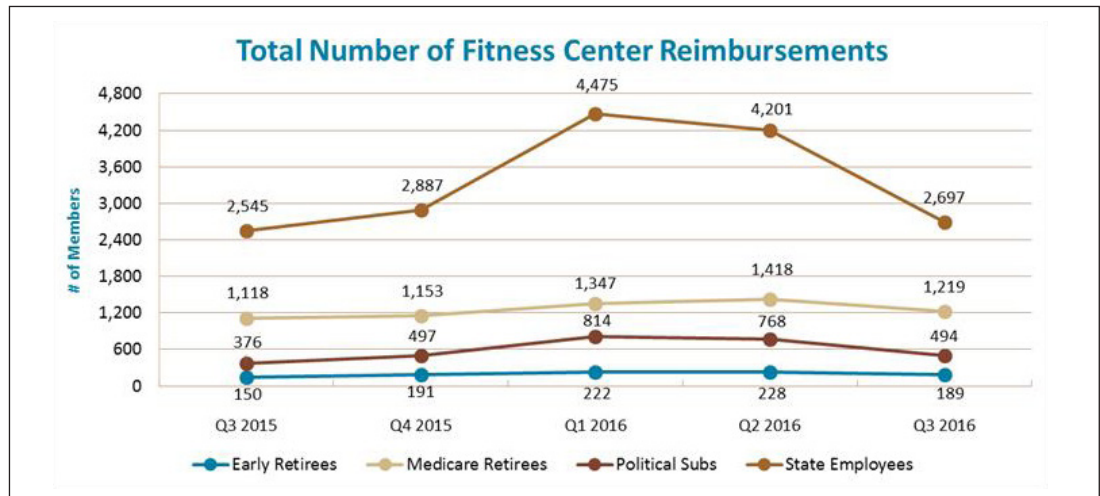
\*Incurred between July 1, 2015 and September 30, 2016 and paid through November 30, 2016. Includes IBNR for July 2015 through September 2016, as of November 30, 2016.

\*Historically, 98% of claims will be accounted for within 90 days of the effective date.

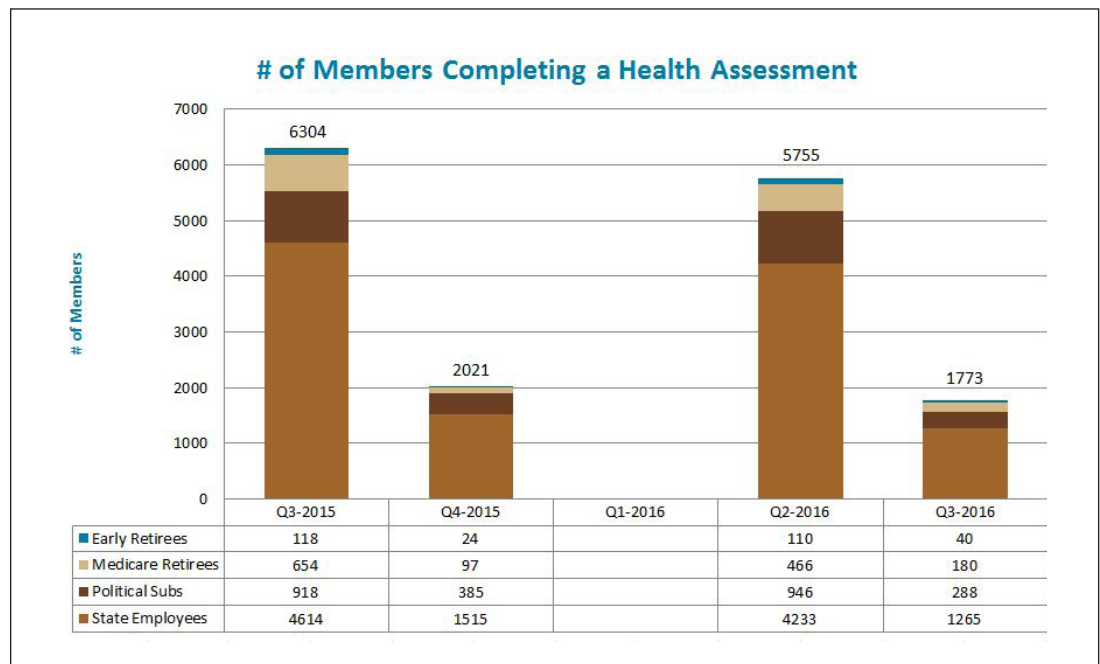
\*Medicare Retirees PMPM excludes prescription drug coverage (Medicare Part D).

## Summary

## FITNESS CENTER REIMBURSEMENT



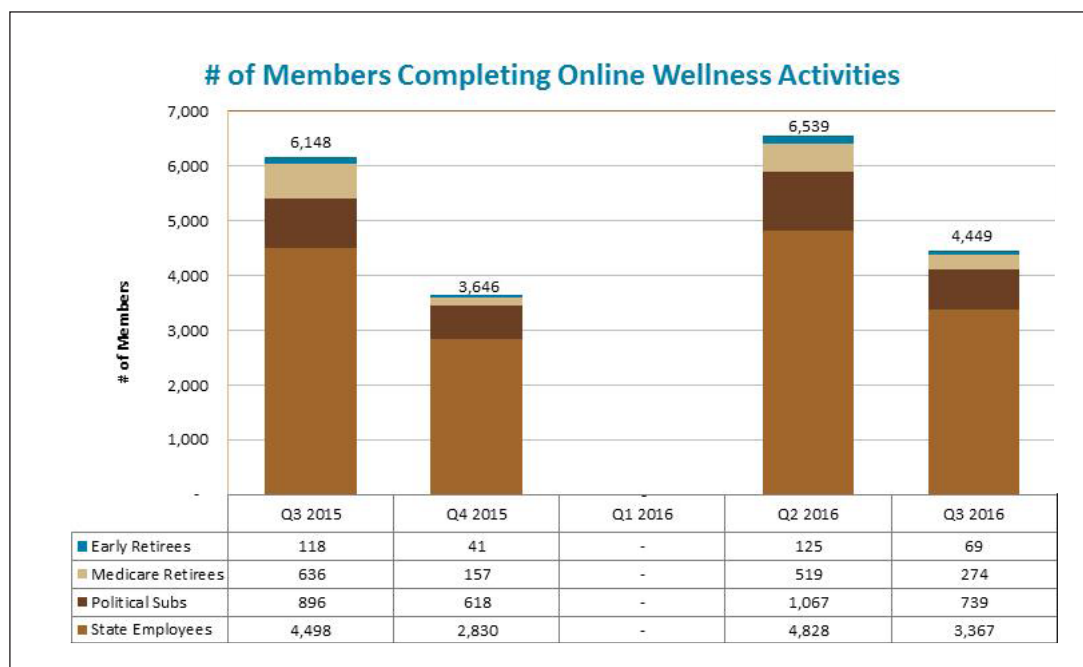
## HEALTH ASSESSMENT



\*Note: No health assessments or online activities were completed in Q1 2016 due to the new wellness portal being under development.

## ONLINE WELLNESS ACTIVITIES

Summary



\*Note: No health assessments or online activities were completed in Q1 2016 due to the new wellness portal being under development.

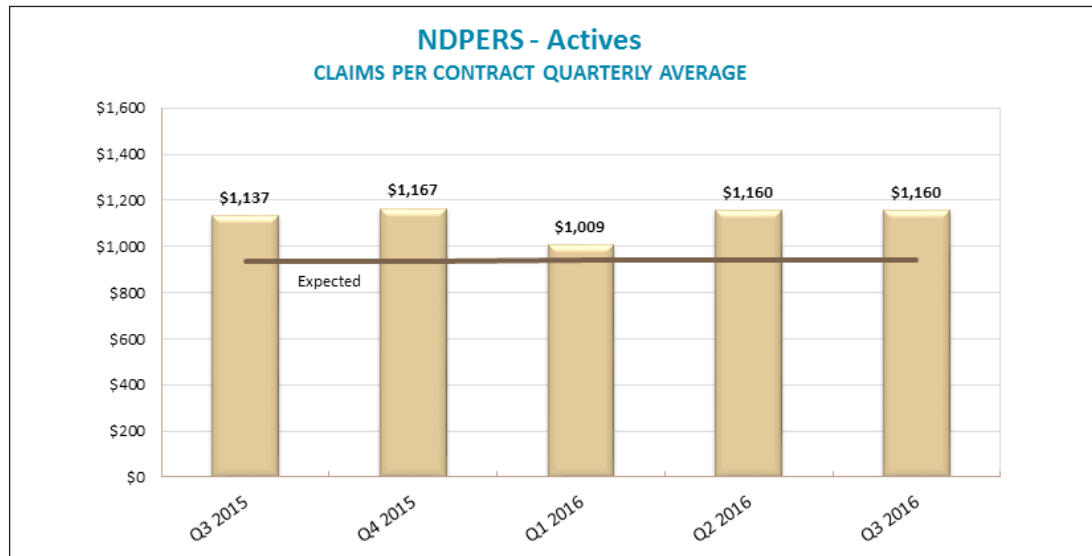
## EGWP TOP LINE PERFORMANCE METRICS

| NDPERS EGWP                    |             |
|--------------------------------|-------------|
| Description                    | 1Q16 - 3Q16 |
| Avg Members per Month          | 8,553       |
| Number of Unique Patients      | 8,346       |
| Pct Members Utilizing Benefit  | 97.6%       |
| Total Days                     | 9,268,480   |
| Total Rx's                     | 204,945     |
| Average Member Age             | 74.8        |
| Nbr Rx's PMPM                  | 2.66        |
| Generic Fill Rate              | 87.9%       |
| Home Delivery Utilization      | 1.0%        |
| Member Cost %                  | 22.0%       |
| Specialty Percent of Plan Cost | 28.0%       |
| Formulary Compliance Rate      | 98.7%       |

\*This data was prepared by Express Scripts Inc. (ESI)

## Claims Analysis

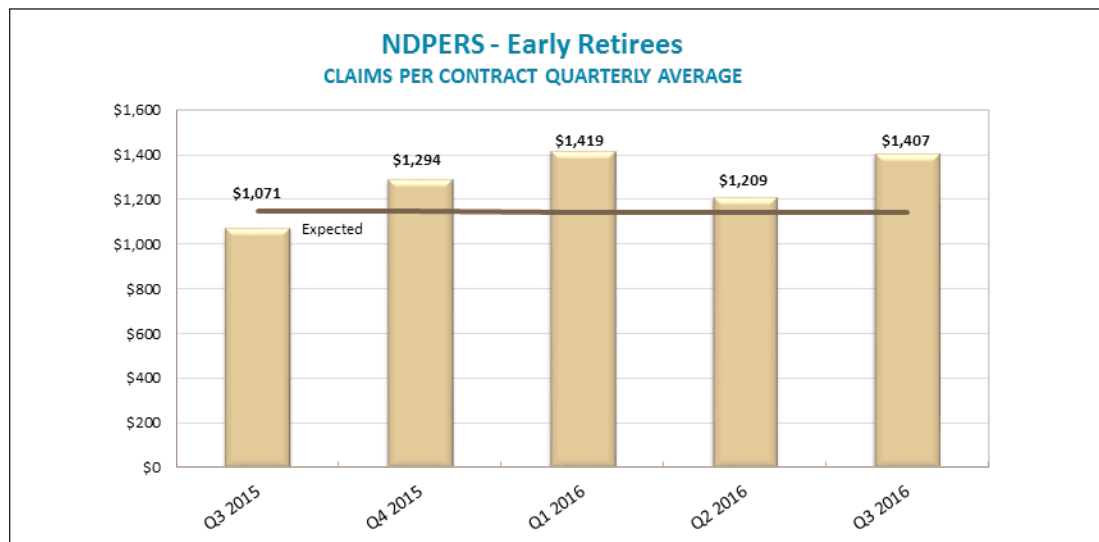
# PAID CLAIMS PER CONTRACT PER MONTH



\*Incurred between July 1, 2015 and September 30, 2016 and paid through November 30, 2016. Includes IBNR for July 2015 through September 2016, as of November 30, 2016.

\*Historically, 98% of claims will be accounted for within 90 days of the effective date.

\*NDPERS Active contracts have approximately 2.60 members per contract.

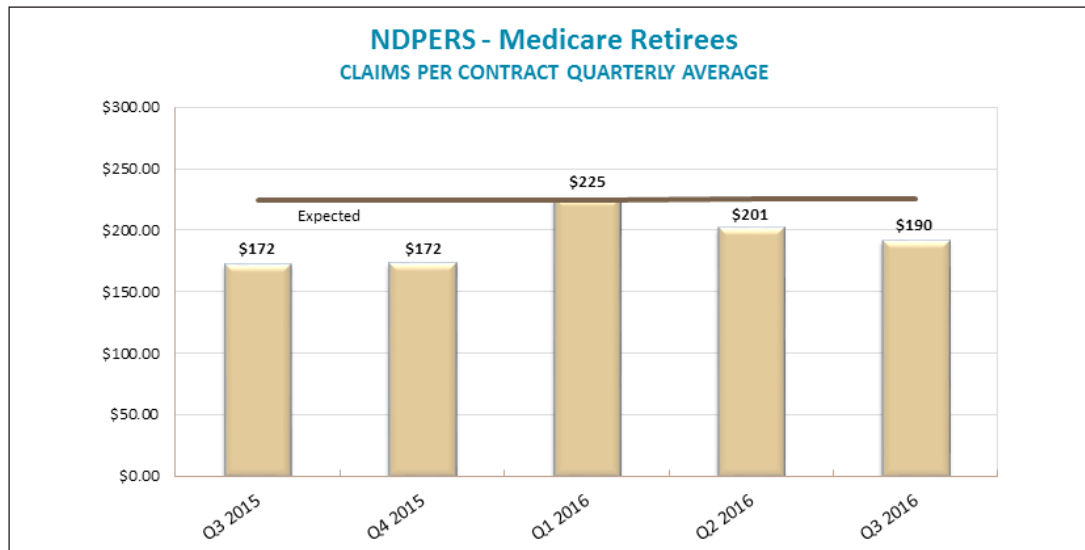


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\*Historically, 98% of claims will be accounted for within 90 days of the effective date.

\*NDPERS Early Retirees contracts have approximately 1.22 members per contract.

## PAID CLAIMS PER CONTRACT PER MONTH

Claims  
Analysis

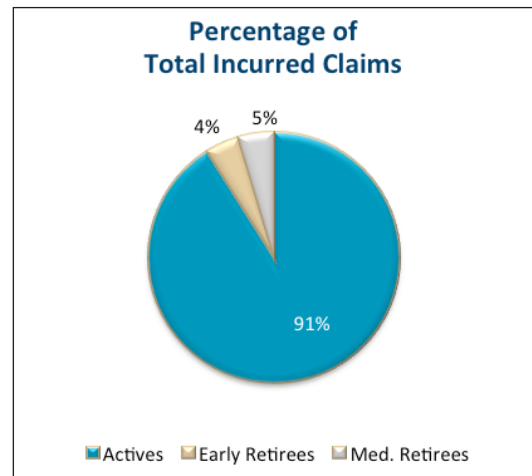
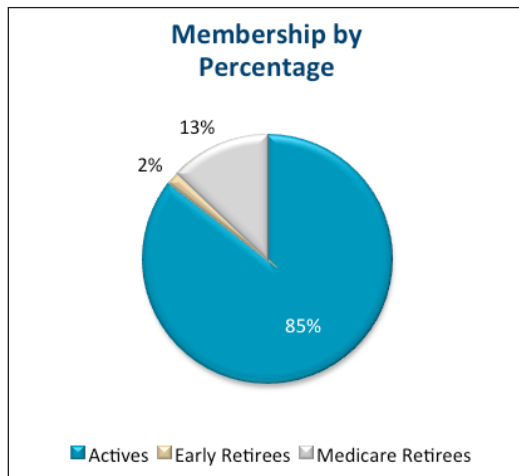
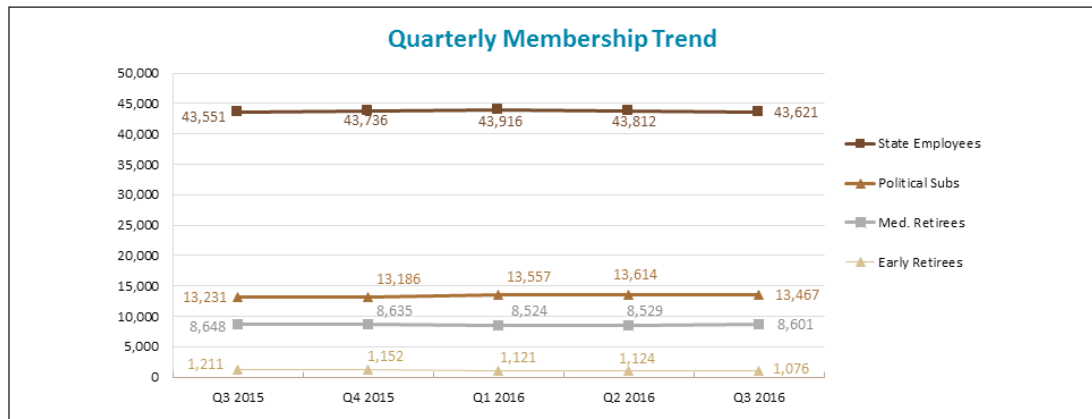
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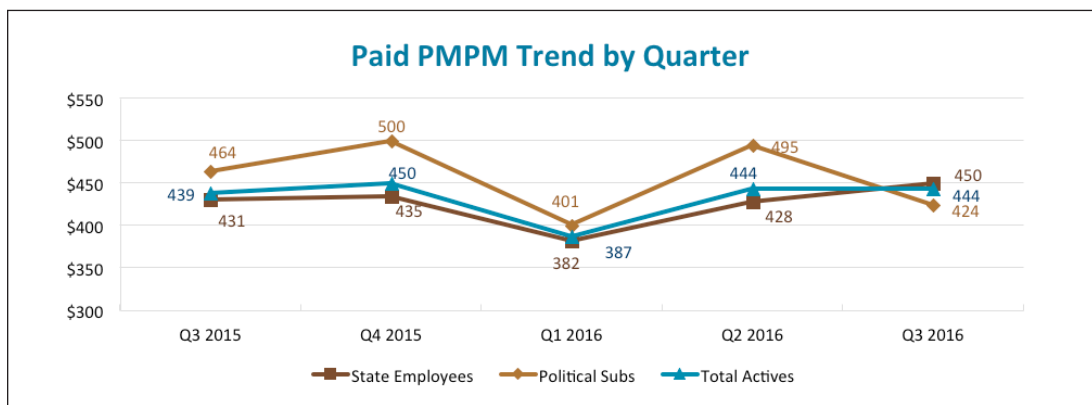
\*NDPERS Medicare Retirees contracts have approximately 1.34 members per contract.

## Membership & Utilization

### MEMBERSHIP PERCENTAGE



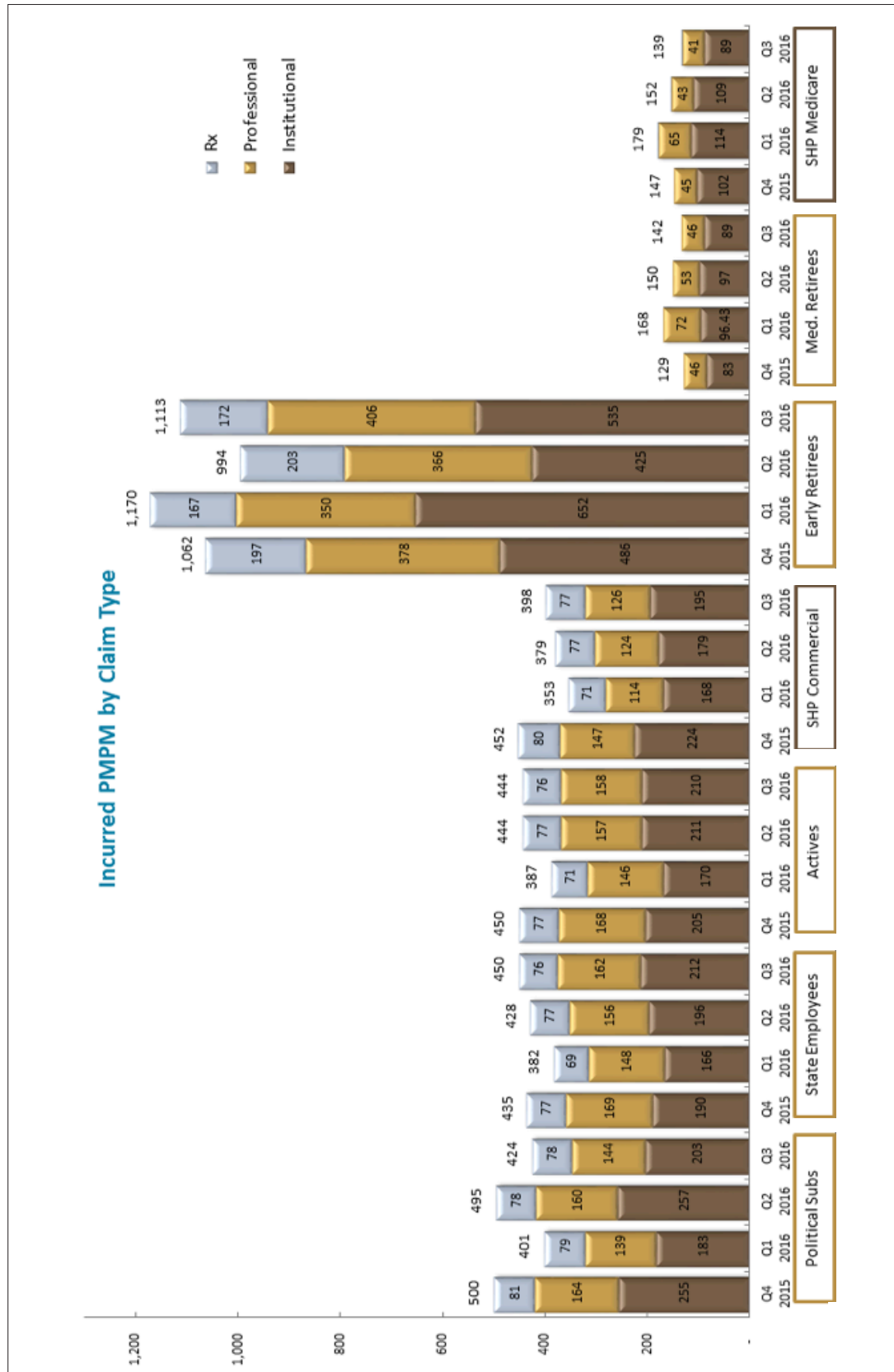
### PAID PMPM TREND BY QUARTER



\*Incurred between July 1, 2015 and September 30, 2016 and paid through November 30, 2016.  
Includes IBNR for July 2015 through September 2016, as of November 30, 2016.

## PMPM BY CLAIM TYPE

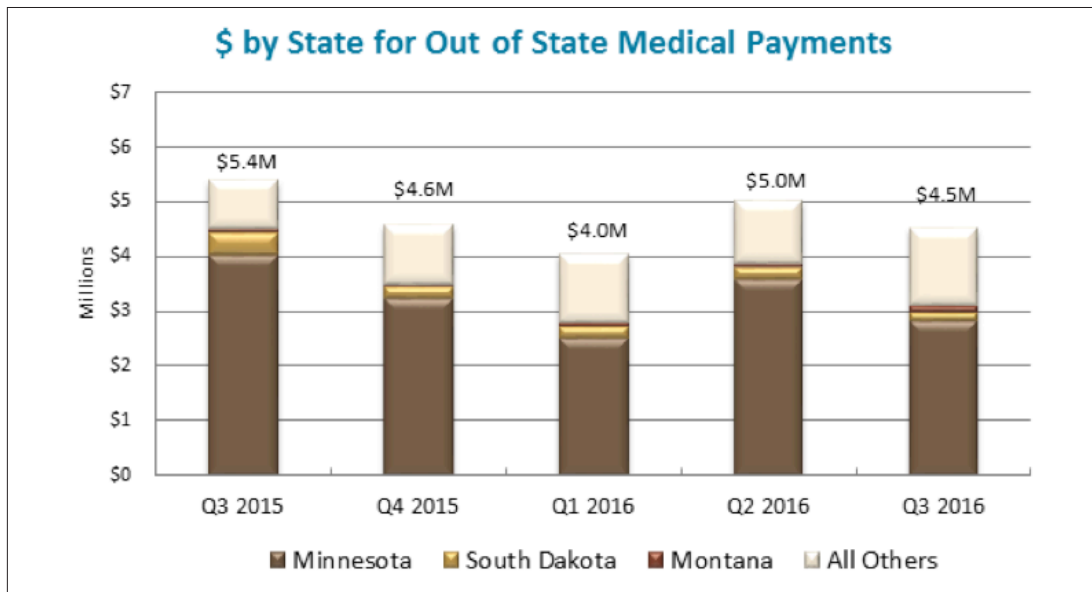
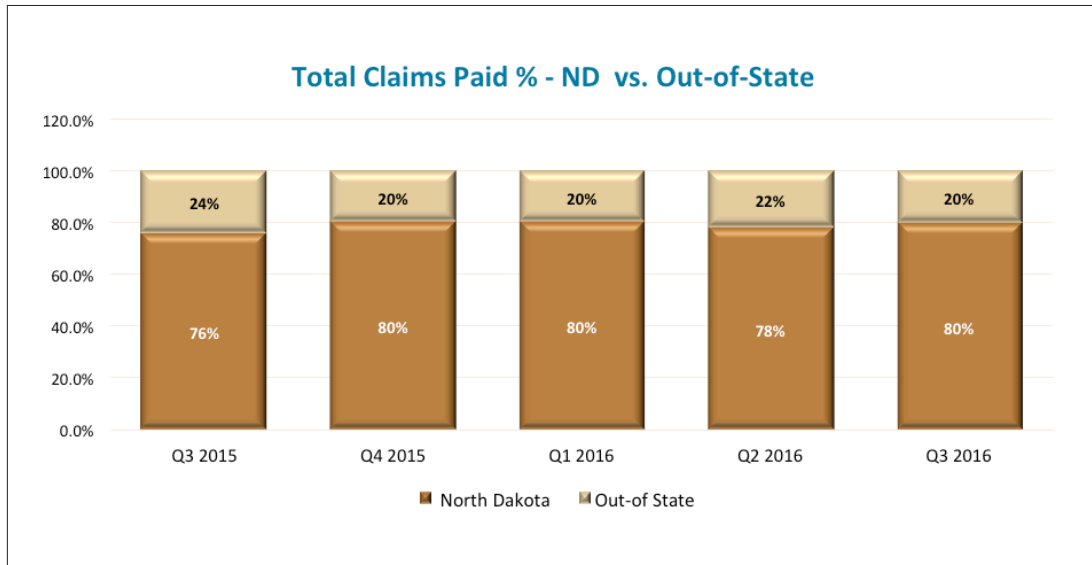
Membership  
& Utilization



\*Incurred between October 1, 2015 and September 30, 2016 and paid through November 30, 2016.  
Includes IBNR for October 2015 through September 2016, as of November 30, 2016.

## Membership & Utilization

## PAID CLAIMS BY STATE



\*Paid Claims by State charts include both active and retiree membership.

## MEMBER RISK PROFILE & UTILIZATION

### Membership & Utilization

|                              | NDPERS | SHP BoB |
|------------------------------|--------|---------|
| Average Age                  | 35.12  | 33.76   |
| % Male (Current)             | 49.12  | 44.90   |
| Average Risk Score           | 1.24   | 1.11    |
| Average Care Gap Index       | 0.72   | 1.12    |
| Inpatient Days Per 1000      | 285    | 276     |
| Total Admissions Per 1000    | 64     | 72      |
| ER Visits Per 1000           | 218    | 163     |
| Total Office Visits Per 1000 | 4,289  | 4,072   |
| Pharmacy Scripts Per 1000    | 9,099  | 9,966   |

\*Incurred between October 1, 2015 and September 30, 2016 and paid through November 30, 2016.

Includes IBNR for October 2015 through September 2016, as of November 30, 2016.

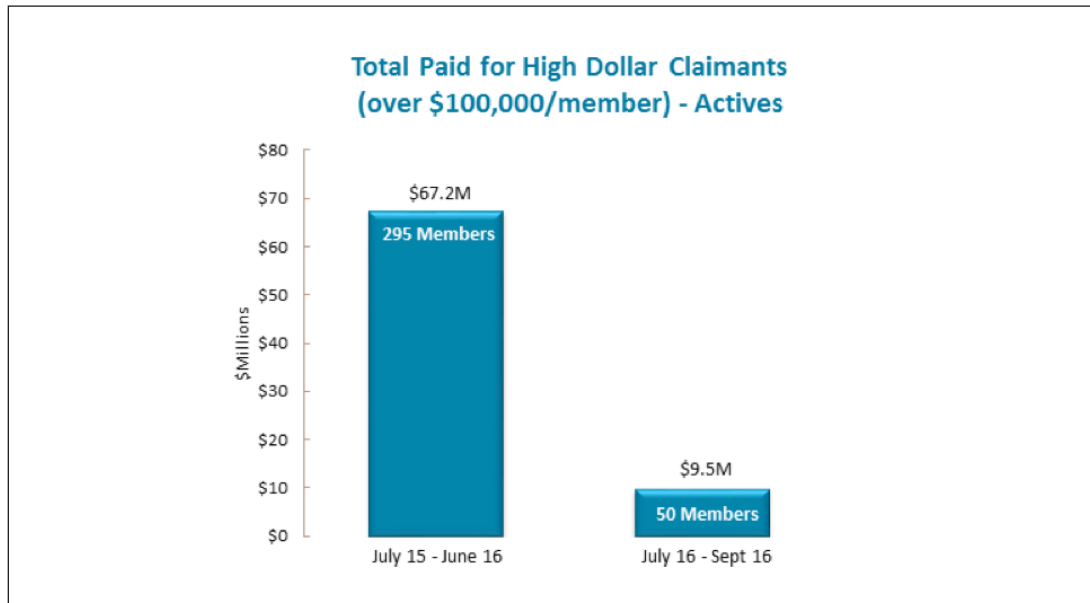
\*All data was normalized using Verisk's methodologies and algorithms.

NDPERS includes Political subdivisions, Pre-Medicare Retirees and state employees.

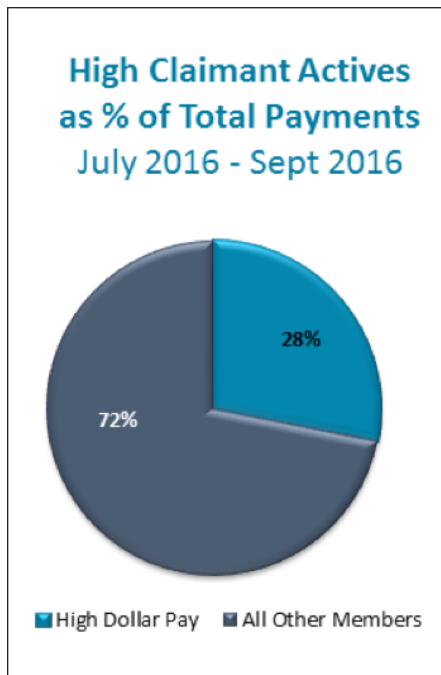
\*Average Care Gap Index is understated for NDPERS due to having less than two full years of claims data.

## High Dollar Cases

## ACTIVES



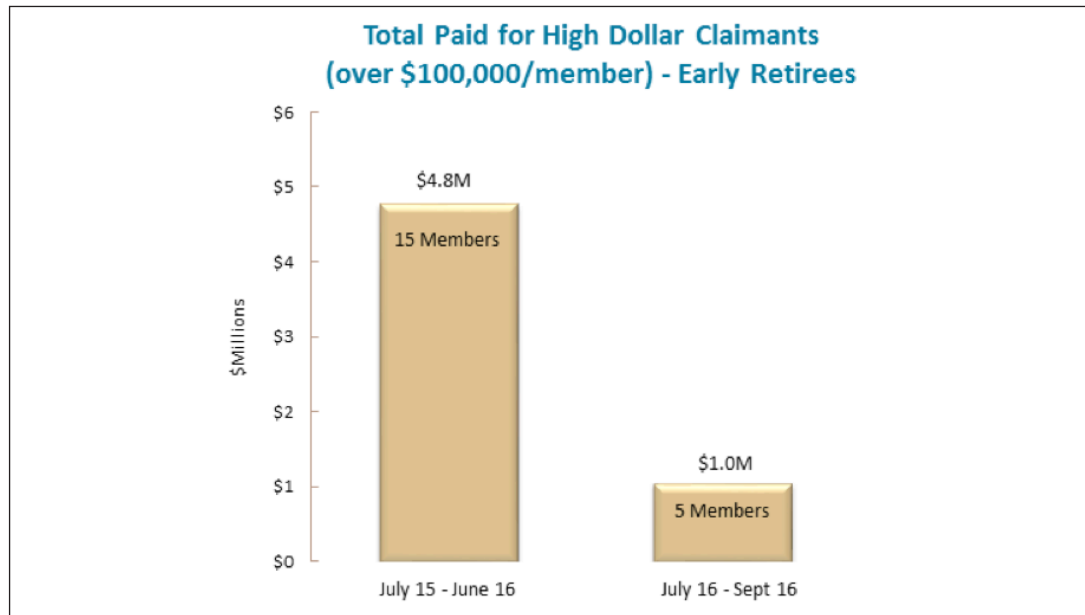
\*Incurred between July 1, 2016 and September 30, 2016 and paid through November 30, 2016.



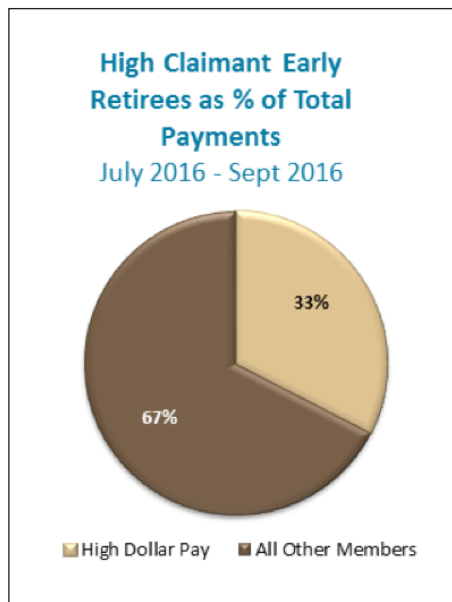
|                     |           |
|---------------------|-----------|
| Avg. Paid/Case      | \$227,828 |
| % of Total Payments | 28.1%     |

## EARLY RETIREES

High Dollar  
Cases



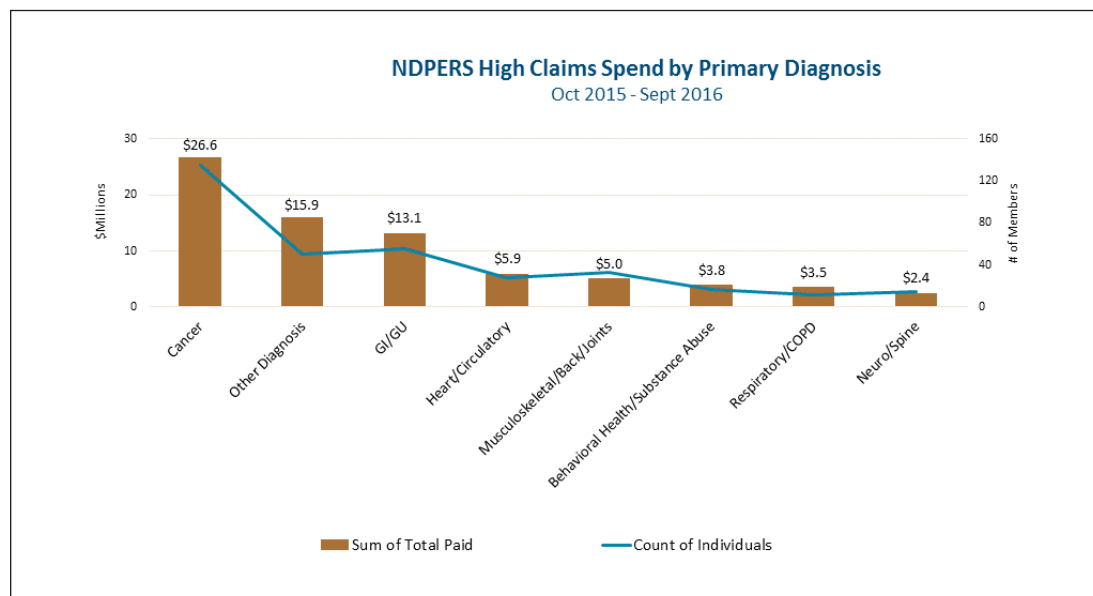
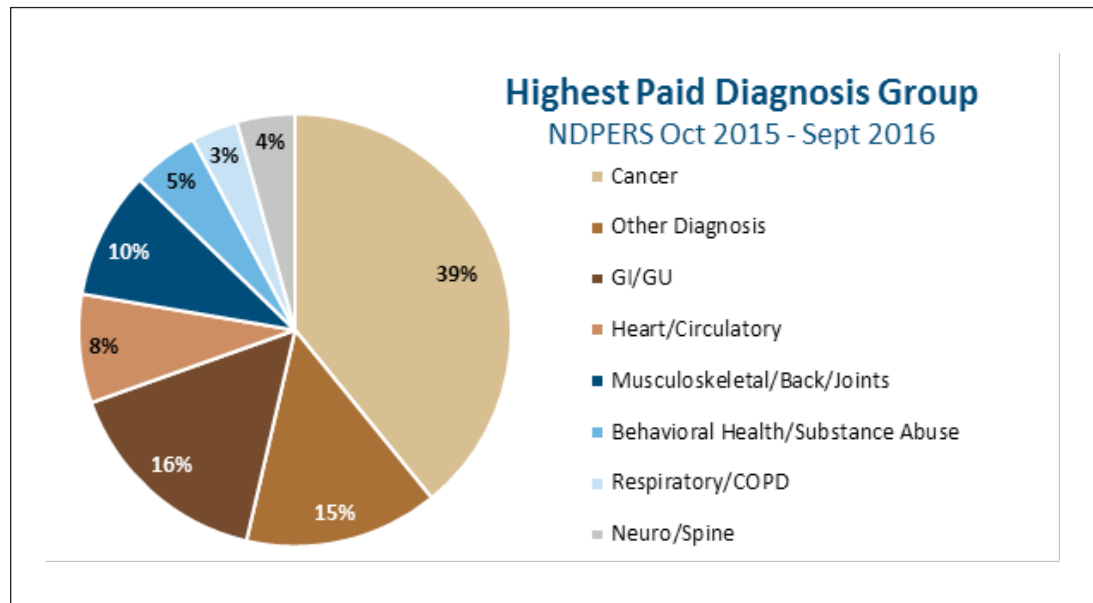
\*Incurred between July 1, 2016 and September 30, 2016 and paid through November 30, 2016.



|                     |         |
|---------------------|---------|
| Avg. Paid/Case      | 205,242 |
| % of Total Payments | 33%     |

High Dollar  
Cases

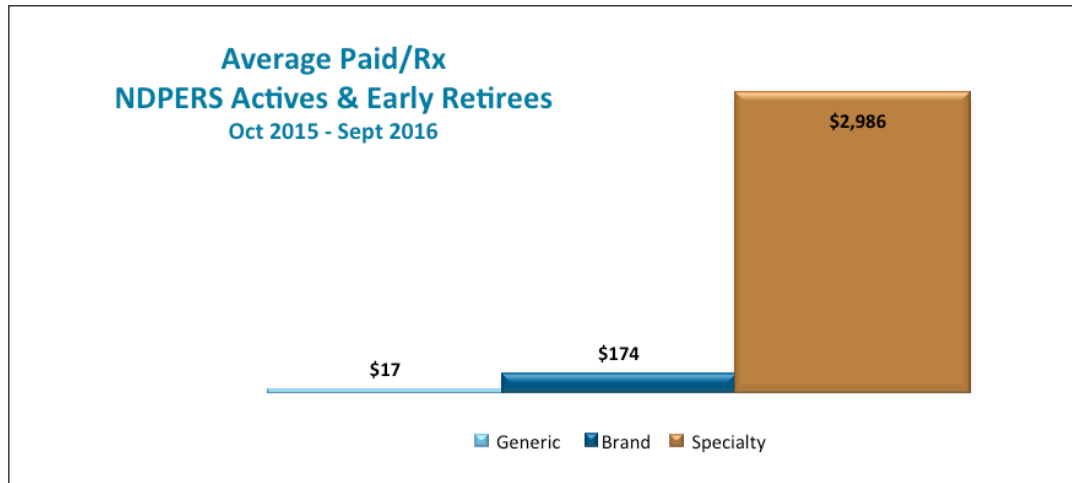
## PRIMARY DIAGNOSIS



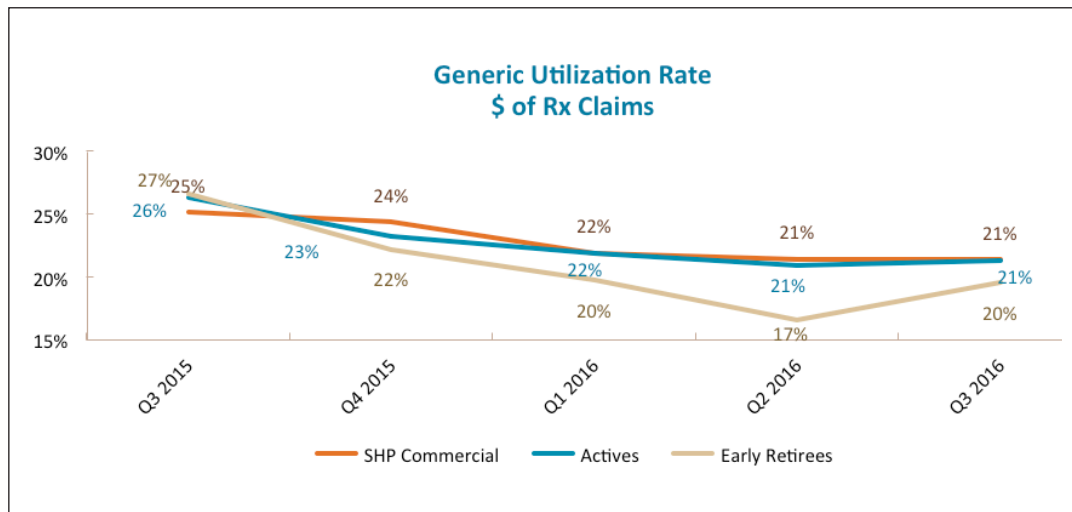
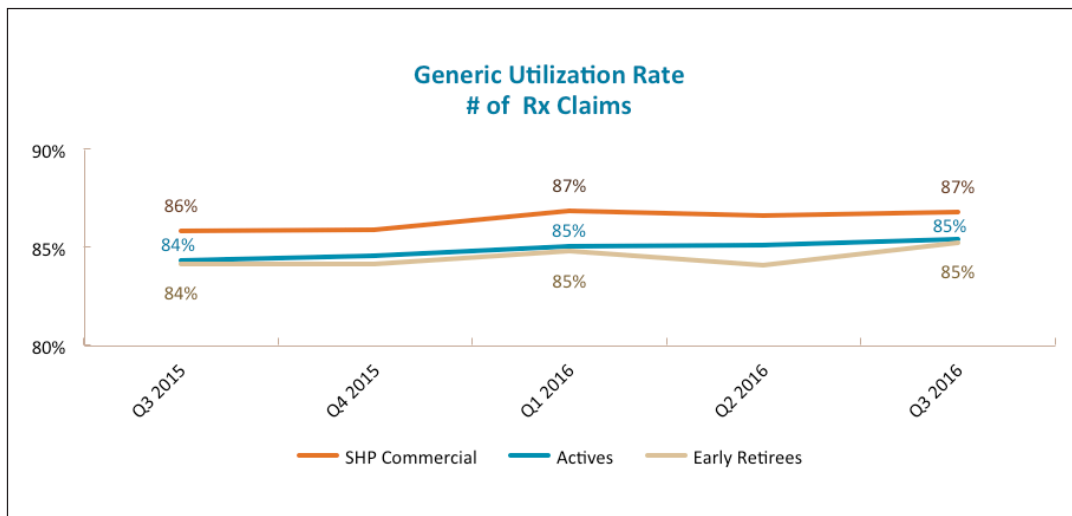
\*High dollar cases consist of claims with a total over \$100,000.

## GENERIC UTILIZATION

Prescription  
Drugs



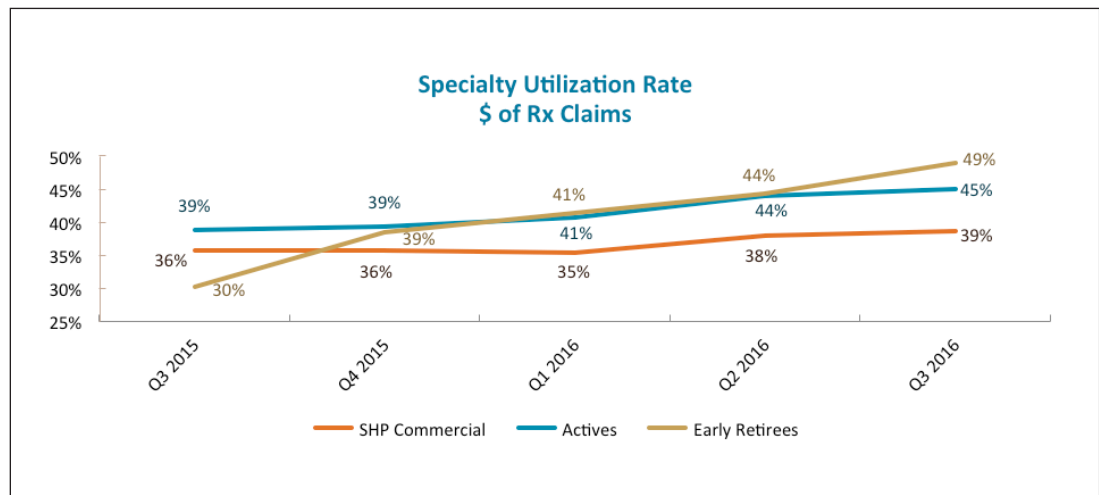
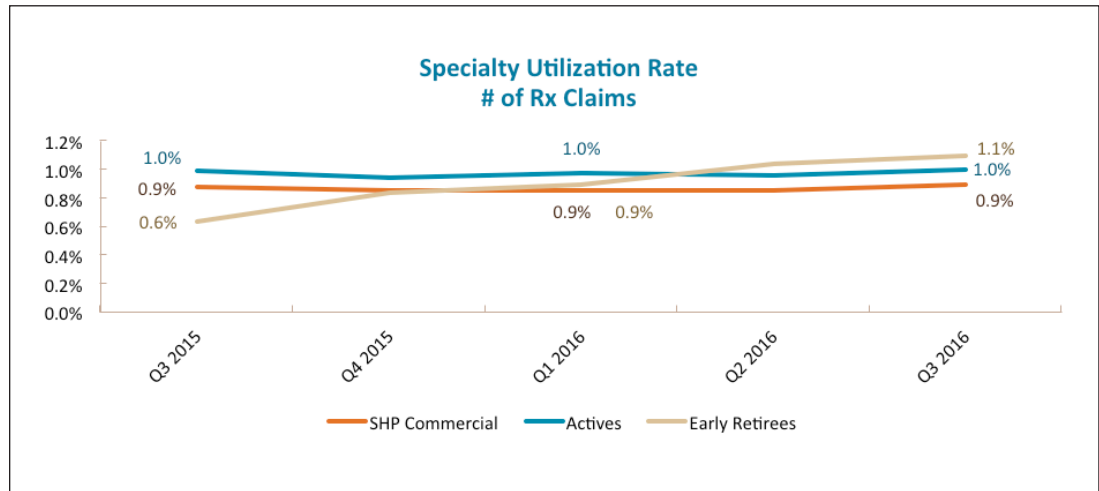
\*Note: Updated chart to reflect utilization of generic, brand, or specialty.  
Removed single-source brand for consistency.



\*Incurred between July 1, 2015 and September 30, 2016 and paid through November 30, 2016.

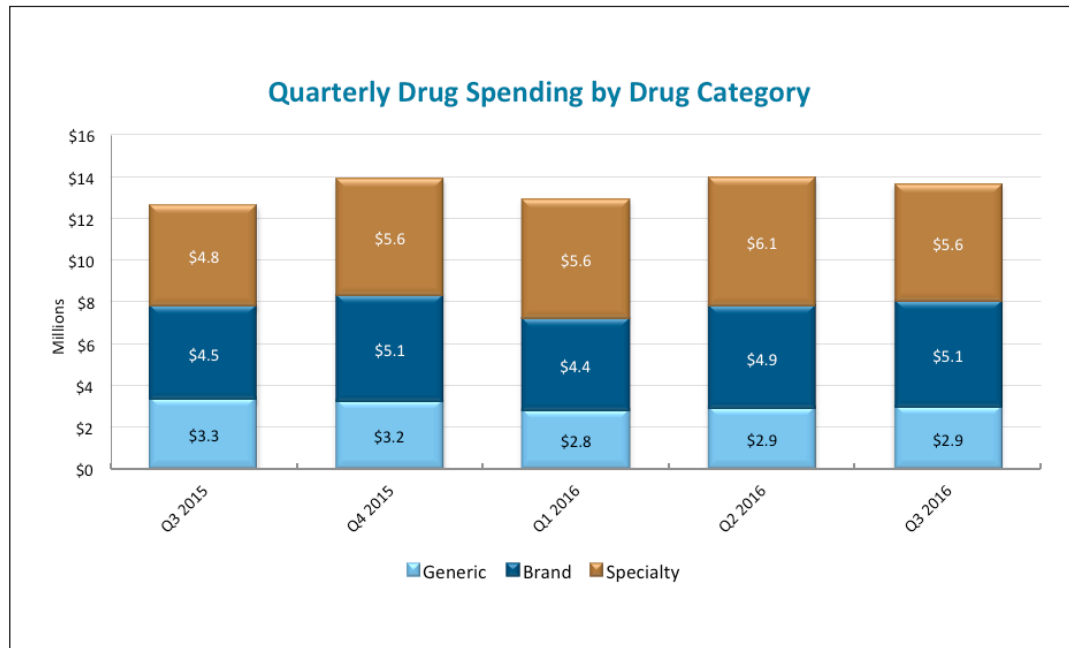
## Prescription Drugs

## SPECIALTY PHARMACY



\*Incurred between July 1, 2015 and September 30, 2016 and paid through November 30, 2016.

## PHARMACY

Prescription  
Drugs

\*Incurred between July 1, 2015 and September 30, 2016 and paid through November 30, 2016.

## Dakota Wellness Program

# MONTHLY WELLNESS THEMES

Monthly themes keep the wellness program fresh throughout the year and keeps members engaged in their individual wellness pursuit. Newsletters, e-blasts and worksite posters are used to introduce themes.

**Dakota Wellness Program**



**FINDING ADDED SUGARS IN FOODS**

The United States Food and Drug Administration recently released a new recommendation for added sugars. It is now recommended to consume less than 50 g of added sugars per day for a 2,000 calorie diet. That's about 12.5 teaspoons of sugar.

Do you know where your added sugars are coming from? Check out some of the common sources and see how your diet stacks up.


|  |   |   |  |
|--|---|---|--|
| <br>Sweetened beverages can have up to 77.5 g of added sugars. That's more than 19 teaspoons! | <br>Canned fruit can have up to 16 g, or 4 teaspoons, of added sugars per serving. Consider a no sugar added option instead. | <br>Breakfast cereals may have 3-4 teaspoons of added sugars per serving. A serving of cereal is usually 1/2 cup. Carefully calculate the number of servings you actually eat. | <br>Condiments quickly add sugar to food. Two tablespoons of ketchup or BBQ sauce can add 8 g of sugar. Jelly can add up to 20 g. |
|--|---|---|--|

**Wellness Activities**  
**Monthly Book Club:** *The How of Happiness: A New Approach to Getting the Life You Want* by Sonja Lyubomirsky

**SANFORD HEALTH PLAN**

NDPERS 12/18 8/18

**Dakota Wellness Program**



**CREATE BALANCE IN YOUR LIFE**

Achieving balance in your life is not something you find, but a way of life that you have to create over time. Here are some simple tips and tricks to live a more balanced life.


1. **Choose your priorities.** What is most important for you to do today?
2. **Don't say yes to everything.** Consider your prior commitments and energy level before taking on new obligations.
3. **Create a plan.** Strategize the steps needed to complete a task.
4. **Schedule events you enjoy.** Plan vacations or events that will increase your happiness.
5. **Do something for yourself every day.** Make time to do something you enjoy.
6. **Get sleep.** Create a nightly routine to relax and promote rest.
7. **Keep your space tidy.** Keep a clean environment with less clutter to increase productivity.
8. **Unplug.** Set aside technology and be present when socializing.
9. **Take regular breaks.** Set stopping points in your work to take a short break and recharge.
10. **Plan ahead.** Prepare easy to grab meals ahead of time.

**Wellness Activities**  
**Monthly Book Club:** *The Power of Full Engagement: Managing Energy, Not Time, Is the Key to High Performance and Personal Renewal* by Jim Loehr and Tony Schwartz

**SANFORD HEALTH PLAN**

NDPERS 12/18 7/18

**Dakota Wellness Program**



**FULLY FOCUSED**

How often do you feel fully immersed and focused on a project you are working on? Incoming emails, text messages, online news, meetings, weather alerts and social media alerts have us impulsively responding to the "ping". We've compiled top suggestions to counteract the "ping" and help you fully focus.

1. Cluster activities like meetings and phone calls together to limit focus shift, which wastes time.
2. Work solely on one project for a predetermined amount of time. In *Are You Fully Charged?* Tom Rath shares that the most productive employees work 52 minutes at a sprint and then take a 17 minute break.
3. Rethink your email strategy to limit distractions. These options can be tweaked to fit your needs:
  - o Check email for the first ten minutes at the top of each hour.
  - o Change your delivery settings so emails are only dropped into your inbox every 30 minutes.
  - o Check email only twice each day—once at noon and again at 4 p.m.
4. Change your phone's notification settings to help you ignore the most recent update.

**Wellness Activities**  
**Monthly Book Club:** *The Accidental Creative: How to be Brilliant at a Moment's Notice* by Todd Henry

**SANFORD HEALTH PLAN**

NDPERS 12/18 8/18

## TOP 10 ONLINE WELLNESS ACTIVITIES

These are the top 10 online Novu activities that were selected and completed by NDPERS members.

Dakota  
Wellness  
Program

#1



**NUTRITION**

#6



**STRENGTH**

#2



**CARDIO**

#7



**BALANCE & MOBILITY**

#3



**SLEEP HEALTH**

#8



**PURPOSE**

#4



**STRESS**

#9



**YOGA & RELAXATION**

#5



**HEALTHY WEIGHT**

#10

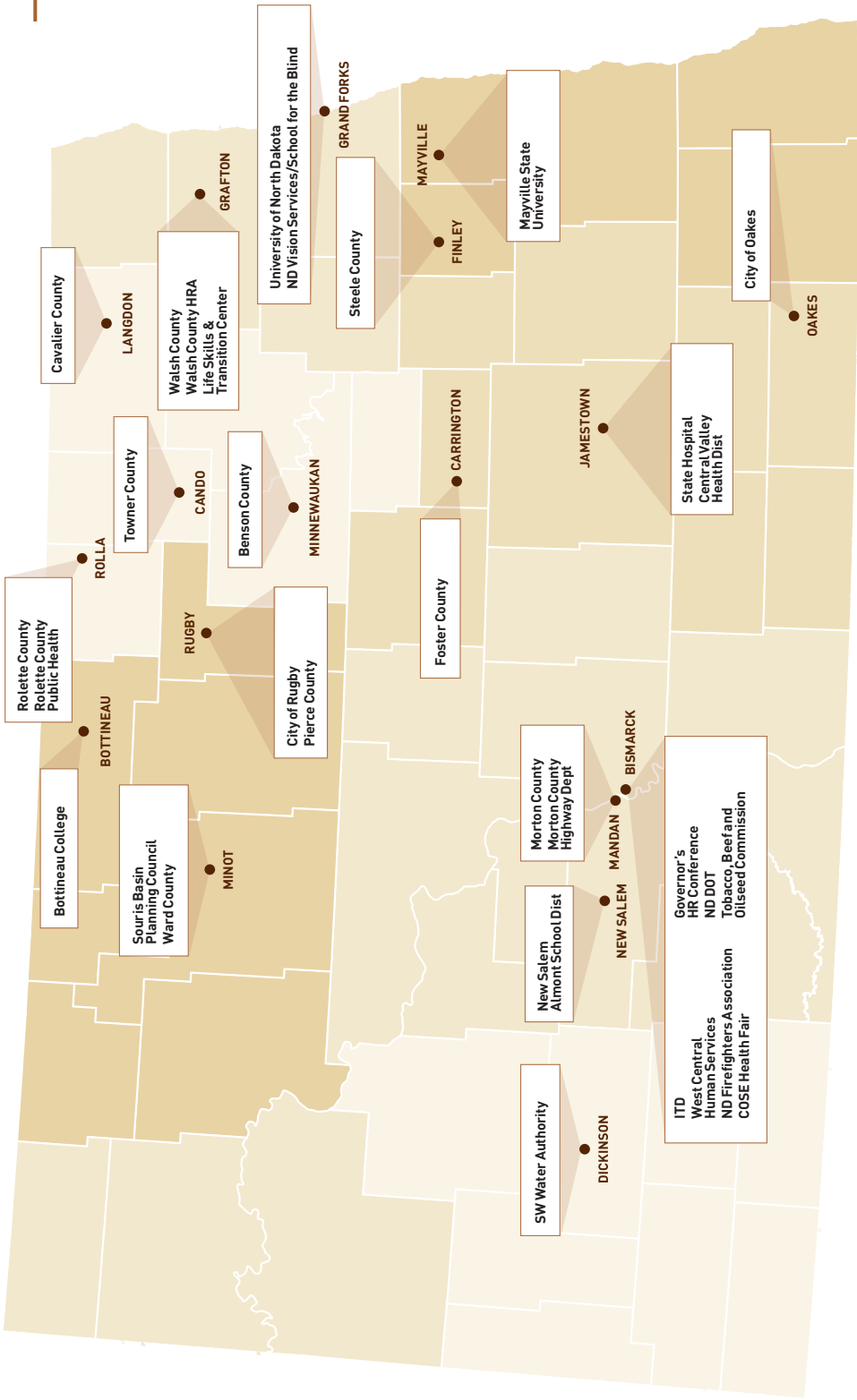


**DAILY HYDRATION  
CHALLENGE**

Dakota  
Wellness  
Program

EVENT ATTENDANCE BY AGENCY

The Sanford Health Plan NDPERS wellness team engages members both offline and online. Wellness educators travel across the state to support agency wellness coordinators and provide worksite education and activities. This map shows where they've been over the last quarter.



TOTAL NUMBER OF  
AGENCIES VISITED  
(UNDUPLICATED)  
**32**

Overcoming stress  
Organize my life

Sitting disease  
Financial fitness  
Wellness coordinator  
1:1 meetings

Preventive health  
Self care  
Health fair  
NOVU

TOTAL MEMBER  
ATTENDANCE  
THIS QUARTER:  
**497**

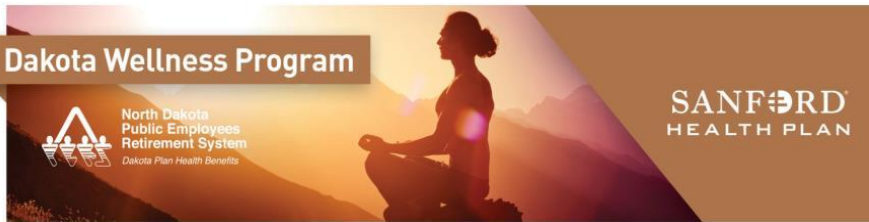
## TOBACCO CESSATION WEBINAR

Sanford Health Plan held a webinar on August 16 to create additional awareness surrounding tobacco cessation benefits. Twenty-seven members attended the live webinar. The webinar was recorded and is available online for members to view at any time.

The webinar covered the following topics:

- How to enroll in the Tobacco Cessation Program
- Who is eligible for the program
- What products and services the program pays for
- How to triple ones chance of quitting tobacco
- Other tobacco cessation support available from Sanford Health Plan and in the community



Dakota  
Wellness  
Program

The banner features a silhouette of a person meditating against a sunset background. On the left, it says "Dakota Wellness Program" and "North Dakota Public Employees Retirement System". On the right, it says "SANFORD HEALTH PLAN".

### Tobacco Cessation Program Overview

We will begin at 8:30 a.m.

Can't hear the music? Make sure to turn up your speakers



# Performance Standards & Guarantees

| MEASURE  | GOAL                              | OUTCOME REPORTING DATES | OUTCOME                           |
|--|-----------------------------------|-------------------------|-----------------------------------|
| <b>COST MANAGEMENT:</b>  |                                   |                         |                                   |
| Health Risk Assessment   | 10%                               | Dec. 31, 2015           | 17.9%                             |
| <b>HEALTH OUTCOMES:</b>  |                                   |                         |                                   |
| Medical Home Enrollment  | 30%                               | July 1, 2016            | 36.5%                             |
| Breast Cancer Screening Rates  | 80%                               | June 30, 2017           | –                                 |
| Cervical Cancer Screening Rates  | 85%                               | June 30, 2017           | –                                 |
| Colorectal Cancer Screening Rates  | 60%                               | June 30, 2017           | –                                 |
| <b>PROVIDER NETWORK/CONTRACTING:</b>   |                                   |                         |                                   |
| NDPERS PPO network - in-state hospitals, MDs and DOs that participate in the Company's Par Network.      | Hospital = 85%<br>MDs & DOs = 85% | Dec. 31, 2015           | Hospital = 94%<br>MDs & DOs = 87% |
| Minimum provider discount from in-network providers  | 30% for Non-Medicare contracts    | June 30, 2017           | –                                 |
| Claims Financial Accuracy  | 99%                               | June 30, 2017           | –                                 |
| Claims Payment Incidence Accuracy  | 97%                               | June 30, 2017           | –                                 |
| Claim Timeliness   | 99%                               | June 30, 2017           | –                                 |
| Average Speed of Answer  | 45 seconds                        | June 30, 2017           | –                                 |
| Call Abandoned Rate  | 7% or less                        | June 30, 2017           | –                                 |
| <b>ANCILLARY ITEMS:</b>  |                                   |                         |                                   |
| The interest rate utilized currently is based on the US Treasury Notes quoted by the Wall Street Journal | verification                      | June 30, 2017           | –                                 |
| Rx rebates passed-through to NDPERS  | 100%                              | June 30, 2017           | –                                 |
| <b>HRA WELLNESS SCORE:</b>   |                                   |                         |                                   |
| HRA Wellness Score   | 5% point increase                 | Dec. 31, 2016           | N/A                               |
| bWell Participation  | 10%                               | Dec. 31, 2015           | 10.8%                             |
| Health Club Credit   | Goal = 1,950                      | July 1, 2016            | 1,879                             |

## NOTES

[illegible]



NORTH DAKOTA  
PUBLIC EMPLOYEES  
RETIREMENT SYSTEM

SANFORD<sup>®</sup>  
HEALTH PLAN



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

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

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

# Memorandum

**TO:** NDPERS Board

**FROM:** Sparb Collins

**DATE:** January 18, 2017

**SUBJECT:** Prescription Medication Rebate Program

At the November board meeting you reviewed the following from Sanford:

*NDPERS Prescription Medication Rebate – Member Cost Share Project*

*In the current contract, Sanford Health Plan has agreed to replicate a program that was previously discontinued by the legacy carrier, where a proportionate share of medication rebates is distributed to the member. We can only speculate why this program was discontinued by the legacy carrier, but it is noteworthy that this program was discontinued prior to the transition to Sanford Health Plan on July 1, 2015.*

*Name brand manufacturers offer member coupons to help offset prescription copays for the majority of medications that are both name brand and have alternative options competing with their brand. A review of the top 25 medications (by total cost) for the first 6 months with Sanford Health Plan, supports this statement. In the top 25 medications, there were 23 brand name medications. Of these 23, all had coupons available to offset a large portion of the member cost share. Two of these coupons had no limit, the other 21 had an average copay offset of \$935 per month. The challenge with these offerings is that pharmacies submit a claim to the Pharmacy Benefit Manager, who replies with a member obligation (copay). The pharmacy then submits a secondary claim containing only the copay information to another processor for any coupon assistance. The coupon offsets the member obligation, and responds with a new reduced member cost share. The health plan as well as NDPERS has no access to this secondary transaction, nor does the plan have any right to this data since our involvement was completed during the primary transaction.*

*The concern this phenomenon raises is legitimate, how can any health plan accurately account for the member cost share, when these coupon programs offset the majority of member cost share already? Provided this challenge, we have multiple options to consider:*

- 1. The health plan can administer the rebate sharing program as delineated in our contractual agreement. The NDPERS team would acknowledge the reality that some members would be rebated more than they actually contributed to their portion of the prescription medication (after coupon). This option is considered less favorable, because this set-up would encourage behavior that contributes to higher plan costs (utilization of brand medications).*

2. *Consider elimination of the rebate cost sharing. In the current agreement with Sanford Health, the NDPERS plan receives 100% of rebates received from the Pharmacy Benefit Manager. In challenging fiscal environments, this is a reasonable option.*
3. *Modify the rebate sharing program in such a way that the member portion, is redistributed in such a way to help “buy down” generic benefits, and encourage generic utilization.*

At that time you requested that Sanford do some modeling of this issue. Attached is the information from Sanford. Danny Weiss will be at the meeting to review this and to seek your direction.

## Rebate modeling:

Upon considering the previous board memo (see attached), Sanford Health Plan was requested to provide additional modeling to support appropriate utilization.

The following summary and analysis is based on the first year of pharmacy claims from July 1, 2015 through June 30, 2016. Prescription manufacturers provide rebates only for medications that are “preferred brand” or tier-2 medications. For this reason, the analysis focuses predominantly on this category of medications. Because only preferred brands generate rebates, the amount of member cost share should help determine the appropriate amount to fund this project. In this circumstance, members paid on average 12.20% of the total costs for medications in this category. The total rebates area is depicted as a negative, because it is a negative expenditure, or plan credit. In FY 2016, the total plan rebate was \$6.19 million.

|      | Total        | Preferred Brands | Generic |
|------|--------------|------------------|---------|
| Rx's | 494,476      | 70,492           | 416,977 |
|      | % Total Rx's | 14.26%           | 84.33%  |

|             |              |              |              |
|-------------|--------------|--------------|--------------|
| Gross Cost  | \$64,077,847 | \$43,911,305 | \$18,338,623 |
| Member Cost | \$10,715,842 | \$5,358,184  | \$4,676,444  |
| Plan Cost   | \$53,342,500 | \$38,539,191 | \$13,658,592 |

|                              |        |        |        |
|------------------------------|--------|--------|--------|
| Member Share % of Gross Cost | 16.72% | 12.20% | 25.50% |
|------------------------------|--------|--------|--------|

|                     |                  |
|---------------------|------------------|
| Total Rebates       | (\$6,187,930.25) |
| Net Total Plan Cost | \$47,693,579     |

Since the member rebate program utilizes historical claims to estimate current details, a conservative estimate is provided. This will assist in any correction for marketplace shifts such as generic launch or member utilization changes. When the 12.20% is taken from the \$6.19 million, the result is \$754,927.49. Provided the above concern about using historical claims for projections, a conservative 90% figure is used, which reduces this to \$679,434.74.

If this cost share is applied to generic benefits, the average decrease in member cost share will be \$1.48. One area of concern for retail pharmacy has been the elimination of a minimum reimbursement for pharmacies for generic medications. If the member cost share is reduced from the copay portion of benefit, this will further impact pharmacy minimum reimbursement in an unfavorable manner to the pharmacies. For this reason, we recommend the consideration of reduction of the coinsurance portion of the benefit, so that the pharmacy will not face further declines in reimbursement on the least expensive generic medications. The following table depicts the impact of various coinsurance benefits.

|             | Avg Gross Cost/Rx | Avg Copay/Rx | Avg Coinsurance \$ | Coinsurance % | Effect on Avg Copay/Rx | Effect on Total Copay |
|-------------|-------------------|--------------|--------------------|---------------|------------------------|-----------------------|
| Grand Total | \$50.09           | \$13.03      | \$6.54             | 15.00%        | \$0.00                 | \$0.00                |
|             | \$50.09           | \$11.72      | \$5.23             | 12.00%        | -\$1.31                | -\$386,727.90         |
|             | \$50.09           | \$11.53      | \$5.04             | 11.56%        | -\$1.50                | -\$443,604.59         |
|             | \$50.09           | \$11.29      | \$4.80             | 11.00%        | -\$1.74                | -\$515,654.91         |

If the coinsurance is dropped to 10%, the net impact will be approximately -\$644,000 in member obligation.

If the board of trustees agrees to pursue this option, our process would be to reduce the member coinsurance obligation as directed. At the end of the fiscal year, the pharmacy benefit manager will provide analytics to demonstrate what the member cost share would have been for the standard benefit, and the difference will be refunded to Sanford Health Plan from the rebates. Additionally, similar modeling will be provided on an annualized basis to determine an appropriate member cost share factoring this rebate cost share, in a similar manner.

The options before the board of trustees include:

1. Build the rebate cost share program as described in the Sanford Proposal with no deviation from this proposal.
2. Build the rebate cost share program to “buy down” generic benefits for member benefit as described above.
3. Retain 100% of rebates for the NDPERS plan, knowing members have significant cost share assistance for branded products through couponing.

---

**From:** Collins, J. Sparb  
**Sent:** Thursday, February 16, 2017 10:29 AM  
**To:** Lund, Janis M.  
**Subject:** FW: February re-evaluation of the 2017-2019 biennium rates

---

**From:** Wynstra,James [<mailto:James.Wynstra@SanfordHealth.org>]  
**Sent:** Wednesday, February 15, 2017 12:27 PM  
**To:** Collins, J. Sparb  
**Cc:** Klepatz,Michael  
**Subject:** February re-evaluation of the 2017-2019 biennium rates

---

**CAUTION:** This email originated from an outside source. Do not click links or open attachments unless you know they are safe.

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Hi Sparb,

The NDPERS renewal increase has been reviewed using incurred claims through December 31, 2016 with claim payments through January 31, 2016. As is standard practice, NDPERS is re-evaluated each February prior to the biennium renewal to assess whether favorable claims experience warrants a lower renewal increase. With the February re-evaluation, Sanford confirms the emerging claim experience still supports the original rate increase calculations and that a lower rate increase is not warranted. Let me know if you have any questions.

Sincerely,

Jim Wynstra  
Executive Director of Actuarial Services  
Ph: 605-312-2752  
RT # 5485  
[james.wynstra@sanfordhealth.org](mailto:james.wynstra@sanfordhealth.org)



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## NDPERS Timely Filing

Section 7 of the NDPERS Certificate of Insurance requires that claims for services rendered to members by **Non-Participating Providers** must be submitted to the Plan within one-hundred eighty (180) days after the date the cost was incurred. If the member, or the Non-Participating Practitioner and/or Provider, file the claim after the 180 day timely-filing limit has expired the member may be responsible for payment of the claim.

**Participating Providers are responsible** for claims submitted after their contractually agreed upon timely filing period; however, a member may also be responsible for claims incurred by Participating Providers if the timely filing period has lapsed and the member failed to show his/her Plan ID card at the time of the service.

NDPERS prior carrier, BCBSND, held the Member responsible for providing a claim for benefits within 18 months after the date the benefits or services were incurred.

A review of claims for the twelve month period ending 6/30/2016, reveals that just under \$950,000 of claim charges were denied on account of timely filing requirements. About \$874,000 or 92% of those denials were for claims received from participating providers resulting in providers writing off the claim amount with no recourse to the member. However, claims totaling just under \$75,000 were denied for services rendered by non-participating providers in which the member may be financially responsible. A summary analysis of those claims is as follows:

| <b>Provider Arrangement</b> | <b>Charges denied for timely filing</b> | <b>% of denied claims</b> | <b># of Claims</b> | <b>Claim Range</b> | <b># of Members</b> | <b>Financial Responsibility</b> |
|-----------------------------|---|---------------------------|--------------------|--------------------|---------------------|---------------------------------|
| Non-Participating Providers | \$74,654                                | 8%                        | 203                | \$12 - \$2,350     | 122                 | Member                          |

Timely filing requirements vary based on payer and the contractual agreement between the payer and the provider. A comparison of the general timely filing requirements amongst payers in our region is as follows:

| <b>Payer</b>               | <b>Timely Filing Deadline</b>  |
|----------------------------|--------------------------------|
| Blue Cross of Minnesota    | 120 days from date of service  |
| Medica                     | 180 days from date of service  |
| Sanford Health Plan        | 180 days from date of service  |
| Blue Cross of North Dakota | 18 months from date of service |

## Attachment #5

In the managed care industry, it is standard practice for pharmaceutical manufacturers to offer rebate opportunities to entice health plans to enhance the formulary position for their product. In some cases, rebates may be captured by reducing utilization management tools such as prior authorization or step therapy. In other cases, rebates are offered by allowing select manufacturers access to a preferred formulary status. In most situations, a nominal rebate will be offered to plans that prefer the manufacturer's product but that opportunity can grow considerably if plans are willing to exclude access to competing manufacturer's products.

When competing products are equal in price and efficacy, manufacturers will typically offer significant rebates to differentiate their product. This logic is understood when we consider the converse. If one medication is significantly better, or a significantly better value, that manufacturer doesn't have to offer much to demonstrate why their product should be the preferred option.

One opportunity where competition is aggressive is for the market associated with blood glucose meters. For the average patient with diabetes, these devices are all nearly identical in function, a very small sample of blood is inserted into a test strip, and the device measures blood glucose in a matter of moments. The sample size, accuracy, and measurement time are all fairly consistent as these devices rely upon similar technology. The following proposal is an opportunity for the NDPERS plan to increase rebate revenue by offering a reduced number of manufacturers glucometer test strips. One important clarification is that the manufacturers of these devices offer coupons for free glucometers to patients, so the member is not charged for the device. It is also important to designate that in cases where patients must use a specific brand (to communicate to other devices such as insulin pumps), exceptions shall be granted.



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

**Sparb Collins**  
Executive Director  
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# Memorandum

**DATE:** February 23, 2017

**TO:** NDPERS BOARD

**FROM:** Sparb Collins

**SUBJECT:** Disease Management Programs

Attached is a letter from Deloitte in response to a question asked at a previous board meeting regarding participation in a disease management program.

## Memo

**Date:** February 15, 2017  
**To:** Sparb Collins, NDPERS  
**From:** Robert Davis  
**Subject:** Disease Management Programs

Sparb:

You asked me to prepare a summary of the various federal regulations relating to encouraging/coercing employees to participate in disease management programs. Please note that the following is provided for general information purposes only. It does not represent, and should not be construed as, legal or tax advice.

Although not exhaustive, the 3 federal laws that are most relevant to this issue are the HIPAA nondiscrimination rules, the Americans with Disabilities Act, and the Genetic Information Nondiscrimination Act. Following is a brief summary of the relevant requirements of each of these laws.

### HIPAA Nondiscrimination Rules

The HIPAA nondiscrimination rules generally prohibit group health plans from discriminating with respect to eligibility or contributions on the basis of a "health factor" (health status, medical condition, claims experience, receipt of health care, or disability, et al.) For example, HIPAA generally prohibits group health plans from imposing less favorable eligibility criteria or higher premium contributions (or cost-sharing requirements) based on an individual's health status, among other things.

There is an exception to the HIPAA nondiscrimination rules, however, for certain wellness programs – including disease management programs. The exception is available only if each of the following conditions is satisfied:

- 1) The program must give individuals eligible to participate the opportunity to qualify for the reward at least once per year.
- 2) The total reward for all the plan's wellness programs that require satisfaction of a standard related to a health factor is limited – generally, it must not exceed 30 percent (or 50 percent for programs designed to prevent or reduce tobacco use) of the cost of employee-only coverage under the plan. If dependents (such as spouses and/or dependent children) may participate in the wellness program, the reward must not exceed 30 percent (or 50 percent) of the cost of the coverage in which an employee and any dependents are enrolled.
- 3) The program must be reasonably designed to promote health and prevent disease. (Note: different requirements apply for activity-only and outcome-based programs, as described later in this section.)



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Professional Services means audit, tax, consulting, and advisory.

Solely for the information and use of NDPERS and not to be relied upon by any other person or entity

To: Sparb Collins, NDPERS  
Subject: Disease Management Programs  
Date: February 15, 2017  
Page 2

- 4) The full reward must be available to all similarly situated individuals. This means the program must allow a reasonable alternative standard (or waiver of the otherwise applicable standard).
- 5) The plan must disclose in all materials describing the terms of the program the availability of a reasonable alternative standard (or the possibility of a waiver of the otherwise applicable standard).

Significantly, this exemption applies only to the extent the wellness and/or disease management programs would otherwise violate the HIPAA nondiscrimination rules. Examples of programs that would not violate these rules are as follows:

- A program that reimburses employees for all or part of the cost for memberships in a fitness center.
- A diagnostic testing program that provides a reward for participation and does not base any part of the reward on outcomes.
- A program that reimburses employees for the costs of participating, or that otherwise provides a reward for participating, in a smoking cessation program without regard to whether the employee quits smoking.
- A program that provides a reward to employees for attending a monthly, no-cost health education seminar.

### **Americans with Disabilities Act (ADA)**

The ADA generally prohibits discrimination based on a "disability." The ADA also specifically prohibits employers from requiring medical exams or make disability-related inquiries unless the exam or inquiry is job-related and consistent with business necessity. There is an exception for voluntary wellness programs, which is explained in regulations issued in 2016 by the Equal Employment Opportunity Commission (EEOC).

The ADA rule applies only to wellness programs that require employees to answer disability-related questions or to undergo medical examinations in order to earn a reward or avoid a penalty. It would not apply, for example, to a wellness program that simply requires employees to engage in a certain activity (such as attending a nutrition or weight loss class or to walk a certain amount every week) in order to earn an incentive.

If the ADA rule does apply to a wellness program, the program must be completely voluntary. Among other things, this means that employers may not take adverse employment action or otherwise retaliate against employees for refusing to participate. Additionally, the maximum incentive that can be offered relating to the program is 30% of the cost of self-only coverage. Other conditions apply as well.

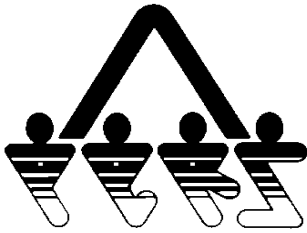
### **Genetic Information Nondiscrimination Act (GINA)**

Title I of GINA generally prohibits group health plans from restricting enrollment or adjusting premiums based on genetic information, requiring or requesting genetic information or genetic testing prior to or after enrollment (unless an exception applies), and using genetic information for underwriting purposes.

Under Title II of GINA, it is illegal to discriminate against employees or applicants because of genetic information. Title II of GINA prohibits the use of genetic information in making employment decisions, restricts employers and other entities covered by Title II (employment agencies, labor organizations and joint labor-management training and apprenticeship programs - referred to as "covered entities") from requesting, requiring or purchasing genetic information, and strictly limits the disclosure of genetic information.

In the context of disease management programs, the GINA prohibitions make it very difficult for employers to acquire and use genetic information for purposes of identifying high-risk individuals for certain chronic conditions and encouraging those individuals to enroll in the appropriate disease management program(s).

cc: Josh Johnson



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# Memorandum

**TO:** NDPERS Board

**FROM:** Rebecca

**DATE:** February 8, 2017

**SUBJECT:** Dental/Vision Plans – Retiree Special Enrollment

At the October 11, 2016 Board meeting, staff reviewed an issue regarding the portability of the RHIC benefit. Specifically, NDPERS has heard from a limited number of retirees that they are unable to benefit from this portability as they do not have out-of-pocket health or prescription drug premiums for plans in which they are enrolled. Please see Attachment 1, which is the board memo from this meeting.

As you may recall, staff was seeking legal guidance regarding whether NDPERS has the authority to offer a one-time special enrollment window within the guidelines provided in the NDCC & NDAC. Staff has received a response from legal counsel which is included as Attachment 2. Jan has determined that the change making the RHIC portable, could be an enrollment opportunity for retirees that were receiving retirement benefits prior to July 1, 2015, as at the time they retired, the RHIC was not portable and, therefore, could not be used to offset the NDPERS dental or vision premiums. In addition, we inquired about allowing the RHIC to be used for any dental or vision plan as well as a one-time special enrollment that would be open to all retirees. Both these options will require amendments to our NDCC or NDAC.

Based upon this guidance, following are options for the Board's consideration along with the pros & cons associated with each:

| Option   | Pros   | Cons  |
|--|--|---|
| 1. Allow special enrollment opportunity for retirees that began receiving a benefit prior to July 1, 2015. | <ul style="list-style-type: none"><li>Allows individuals who could not use RHIC towards NDPERS dental/vision when they retired, an opportunity to enroll for coverage in</li></ul> | <ul style="list-style-type: none"><li><b>Identification</b> – We would have to target a specific population of retirees for marketing enrollment opportunity based on date of retirement, as well as verify</li></ul> |

|   |   |   |
|---|---|---|
|   | <p>the plans.</p> <ul style="list-style-type: none"> <li>• Consistent with legal guidance.</li> </ul>   | <p>eligibility upon receipt of enrollment form.</p> <ul style="list-style-type: none"> <li>• <b>Confusion</b> – Members that are not part of the target group may be confused as to why they were not included.</li> <li>• <b>Implementation</b> - Currently vision plan is out to bid and dental plan will be bid out in 2018. Depending on effective date, a carrier change could require an additional communication effort.</li> <li>• <b>Staffing</b> – May be a challenge to implement if staffing is cut.</li> </ul> |
| <p>2. Change NDCC to allow RHIC to be used for reimbursement of any dental or vision plan premium, not just the NDPERS plans.</p> | <ul style="list-style-type: none"> <li>• Allows individuals who could not use RHIC towards NDPERS dental/vision, to use it upon proof of other dental/vision coverage.</li> <li>• Allows individual to shop market and obtain dental/ vision coverage that best meets their needs.</li> <li>• NDPERS already has a process in place for reimbursement of other health and prescription drug plans. Therefore, this would only require expanding existing process.</li> <li>• No staffing concerns.</li> <li>• NDPERS would not need to allow a special enrollment opportunity in NDPERS dental/vision plans as retirees could apply credit to plans they already have whether through NDPERS or the marketplace.</li> </ul> | <ul style="list-style-type: none"> <li>• Will require amendment to NDCC. This will affect the implementation date.</li> </ul>   |

|  |   |  |
|--|---|--|
|  | <ul style="list-style-type: none"> <li>•</li> </ul>   |  |
| 3. Modify NDAC to allow all retirees the special enrollment option regardless of date they began benefit payments. | <ul style="list-style-type: none"> <li>• Allows individuals who could not use RHIC for NDPERS dental/vision when they retired to use it upon enrollment in plan.</li> <li>• Eliminates fragmenting the population based on benefit effective date.</li> <li>• Avoids member confusion since eliminates targeting of specific population.</li> </ul> | <ul style="list-style-type: none"> <li>• Will require amendment to NDAC. This will affect the implementation date.</li> <li>• <b>Staffing</b> – May be a challenge to implement if staffing is cut.</li> </ul> |
| 4. Do not allow a special enrollment opportunity for retiree to enroll in the dental and vision plans.             | <ul style="list-style-type: none"> <li>• No change to current statute and rules.</li> <li>• Maintains current policy.</li> <li>• No staffing concerns.</li> </ul>   | <ul style="list-style-type: none"> <li>• Some members may be dissatisfied.</li> </ul>  |

We did contact Delta Dental and provided them information regarding the eligible population to determine if they anticipate an impact on existing premiums if a special one-time enrollment window is offered to the retirees. It was their observation that a special enrollment option would only have a minimal impact on claims and they would not expect to see any significant increase in overall participation as they believe the majority of the individuals being offered the special enrollment are likely already using their RHIC for medical and do not have any additional funds remaining for other premiums. Staff would concur with this observation.

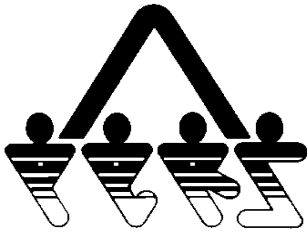
If a special enrollment window is allowed, staff has identified several options for effective dates. Because both plans are on a calendar year, it is staff's preference that any special enrollment period be in the fall with coverage effective the following January 1.

- Do an enrollment for the dental and vision plans this fall with an effective date of January 1, 2018.
- Because we are bidding the dental plan in 2018, another option would be to wait until the fall of 2018 for a January 1, 2019 effective date to avoid the additional communication effort required if there is a dental carrier change. This same time line would apply if option 3 is selected.
- If option 2 is selected, enrollment would be in the fall of 2019 with an effective date of January 1, 2020 in order to accommodate the legislative process.

**Board Action Requested:**

Determine if staff:

1. Should move forward with a special enrollment window for the dental and vision plans as presented in option 1.
2. Amend the NDCC to allow the RHIC to be used for any dental or vision plan.
3. Amend the NDAC to allow a special enrollment for all retirees.
4. Maintain current policy, and do not allow a special enrollment for retirees.



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# Memorandum

**TO:** NDPERS Board

**FROM:** Rebecca

**DATE:** September 15, 2016

**SUBJECT:** Dental/Vision Plans – Retiree Open Enrollment

With the portability of the RHIC benefit, staff has heard from a limited number of retirees that they are not able to benefit from this portability as they do not have out-of-pocket health or prescription drug premiums from other sources. This has typically been a result of coverage being provided through Tri-Care or if coverage on a spouse's plan that is being paid by the spouse's employer.

You may recall that the RHIC benefit can now be used for other health or prescription drug coverage, but only for the NDPERS dental or vision plans. For those retirees that have contacted us, they elected not to enroll in the NDPERS dental and vision plans upon retirement and in most instances, had elected not to enroll during the other qualifying events available to them as that at the time of these events, the RHIC was still not portable and therefore, could not be applied to the dental or vision plans.

Therefore, staff has begun exploring the option of holding a one time open enrollment window to retirees to allow them to apply for coverage or increase the level of coverage that they have if already enrolled. Currently Jan is reviewing the law and administrative rules to determine if this type of window can occur without modification to law or rules. Staff has also discussed this with the current carriers for each plan. They have requested that if the board wishes to explore this option further that additional details are provided to them so that their underwriting departments can determine if a change in premium would be necessary to accommodate the special window opportunity.

At this time, staff is seeking direction from the board regarding if this is an item they would like staff to pursue further. Based upon Jan's feedback on the law and rules, if so desired by the board, staff would determine when the window can occur and bring back an action plan for the board's review and approval at a future meeting.

---

**From:** Murtha, Janilyn K.  
**Sent:** Thursday, November 10, 2016 8:40 PM  
**To:** Fricke, Rebecca D.  
**Cc:** Collins, J. Sparb  
**Subject:** RHIC credit issue

Rebecca,

I'm writing to confirm our discussion regarding your question of whether the NDPERS has the authority under statute to permit and schedule an open enrollment for all retirees for the purpose of admission to the NDPERS vision and dental plans only or whether such an open enrollment may only be authorized in accordance with an amendment to N.D.A.C. 71-03-03-05. You indicate the purpose of this enrollment is to permit use of the RHIC by retirees for participation in the NDPERS dental and vision plan due to an amendment to N.D.C.C. 54-52.1-03.2 and 54-52.1-03.3 which took effect July 1, 2015. For the reasons indicated below, it's my opinion that the NDPERS Board has the authority under statute to permit and schedule an open enrollment for the purpose of admission to the NDPERS vision and dental plans if the open enrollment opportunity is limited to those whose retirement was effective prior to July 1, 2015 and are not otherwise ineligible under N.D.A.C. 71-03-03-05(4). If the NDPERS Board desires to make this open enrollment opportunity available to all retirees regardless of date of retirement then the Board may do so only in accordance with an amendment to N.D.A.C. 71-03-03-05.

The dental and visions programs administered by NDPERS are part of the NDPERS uniform group insurance program under N.D.C.C. 54-52.1-02. A retiree's eligibility for participation in the NDPERS uniform group insurance program is governed by N.D.C.C. 54-52.1-03(3), which identifies specific circumstances under which a retiree may join and indicates that if a retiree fails to join at the time these circumstances occur may only do so upon meeting the "minimum requirements established by the board", generally a member must elect to participate in the uniform group insurance program at the time they begin to receive their first retirement benefit. Retirees have not historically been offered an open enrollment opportunity, rather, if they fail to elect to participate in the NDPERS uniform group insurance program at the times specified in statute they may only later do so within thirty-one days of a qualifying event as established by the Board in rule under N.D.A.C. 71-03-03-05. During the 2013 legislative session an amendment to N.D.C.C. 54-52.1-03.2 and 54-52.1-03.3 passed which took effect July 1, 2015. Prior to these amendments, a retiree could only use their RHIC to offset premiums for hospital and medical benefits coverage under the uniform group insurance program; these amendments permitted retirees to use their RHIC to offset premiums for dental and vision coverage under the uniform group insurance program.

Given that a retiree may never experience a qualifying event as set forth under N.D.A.C. 71-03-03-05, a person retiring prior to July 1, 2015 (the effective date of the amendments) would not be able to elect coverage in the NDPERS dental and vision plans and use their RHIC to offset premiums for these plans absent an open enrollment opportunity established by the Board. The amendments to N.D.C.C. 54-52.1-03.2 and 54-52.1-03.3 occurred pursuant to H.B. 1058 (2013), the legislative history of this bill supports a conclusion that the change in the law was going to permit expanded use of the RHIC by all retirees not just those that retired after July 1, 2015, the effective date of the changes. Such statements include:

1-11-13 before the House Government and Veterans Affairs Committee, testimony of Sparb Collins: "With this change in the portability feature, the actuary will now assume that 100% of the people would use that credit".

1-11-13 before the House Government and Veterans Affairs Committee, Chairman Jim Kasper: "What we are assuring then is that every pre-Medicare retired employee is going to use the dollars in some way or another?" Sparb Collins

“And Medicare. This makes it portable for both the pre-Medicare and Medicare. Even the actuary says 100%, I suspect we will probably get up to 99.”

1-17-13 before the House Government and Veterans Affairs Committee, Vice Chair Randy Boehning: “It is good for retired employees. They can use that health credit which is a win win for everyone.”

Thus, the amendments to N.D.C.C. 54-52.1-03.2 and 54-52.1-03.3 would appear to authorize the Board to make the expanded use of the RHIC available to those retiring prior to July 1, 2015, and subject to the eligibility restrictions set forth in N.D.A.C. 71-03-03-05(4), by offering an open enrollment to those individuals. Those retiring after July 1, 2015, however, have already been afforded the opportunity to take advantage of the expanded use of the RHIC, therefore if the Board were to offer these individuals a second opportunity unrelated to the qualifying events already detailed in statute and rule, this would constitute a new event appropriately set forth in administrative rule, pursuant to the authority granted the Board under N.D.C.C. 54-52.1-03(3).

Please let me know if you have any questions.

Janilyn Murtha



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# Memorandum

**TO:** NDPERS Board

**FROM:** Bryan Reinhardt

**DATE:** **February 23, 2017**

**SUBJECT:** **Life Plan RFP**

We received eight proposals for our group life plan RFP. The eight vendors are: [Minnesota Life – Securian](#), [AETNA](#), [Unum](#), [Dearborn National](#), [The Standard](#), [Cigna](#), [Voya](#), and [Metlife](#)

Jim Schaefer and his team at CONDUEMENT (Buck) completed their proposal review process and will be presenting their findings. Cigna and Dearborn have minimum qualifications issues and Metlife didn't structure their rates correctly. Unum didn't agree to hold rates when groups are added/deleted. This would be a problem with political subdivisions joining or leaving the plan.

The consultant and internal review identified Voya (the current provider), Standard, and Securian as the top three to interview. A possible fourth provider to look at would be Aetna and a fifth would be Unum.

Jim will be available at the NDPERS Board meeting to review their findings and answer any questions.

**Board Action:**

Select the vendors to interview at the March board meeting.



# Memo

To: NDPERS Board  
From: Bryan T. Reinhardt  
Date: 2/2/2017  
Re: 2016 Sanford Claims Review

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Each year we conduct an audit to check the accuracy of the health plan claims processing. On January 5-6th, I was at the Sanford corporate office in Fargo to review a sample of 100 NDPERS claims. A list of the claim specifications is attached. Note that this is not a random sample of all claims, but a select sample from specific areas that we felt needed to be looked at. I focused on claims incurred in the year 2016. Sanford did a good job of having everything ready for me and having staff available to answer my questions and explain the claims payment process.

The findings are detailed below:

## Review Errors/Findings:

Under the \$200 preventative screening benefit a cholesterol test or lipid panel goes to the benefit if there was a "High Cholesterol" diagnosis and no other diagnosis. In a similar situation, the 83036 A1c test for someone with a diagnosis of "250.0 Diabetes" is not going to the \$200 preventative screening benefit without a 'routine' screening diagnosis. This is also true for other diagnostic tests. With NDPERS direction, Sanford is willing to do this.

A claim for a Hepatitis-C test with a Z11.59 diagnosis (Encounter for screening for other viral diseases) did not go to the \$200 wellness screening benefit. The move to ICD-10 increased the classification base to about 68,000 codes (13,000 in ICD-9) and complicated claims processing. Sanford will do a study of the ICD-10 code set to determine which ones should be included.

Sanford is making a change from tracking and accumulating 5 hours of psych/chemical dependency services to 5 visits. The plan pays the first 5 at no cost share to the member.

There was a claim with a denied code for the service being part of a clinical trial. I asked that the code language be clear on the member's EOB so it does not appear that they would be responsible for the denied charges.

A WSI claim with an emergency room visit was not denied as paid by WSI, but the professional component was. We looked at a few more examples with an episode of care involving WSI and found other examples where services were paid by the NDPERS plan. Sanford will be doing an audit of all NDPERS members flagged for WSI benefit coordination.

A claim where the NDPERS plan is secondary had a large amount denied (\$10,000+) as not medically necessary by the primary plan and the NDPERS plan paid. I had questions on why the other plan found this service not medically necessary and ours did. I also question if there is a process in place at Sanford to verify the primary coverage processed correctly or the system is automated and claims are processed as they come in. Here is the follow-up information from Sanford:

*I researched the situation and the answer is:*

*We were not aware of other coverage at the time the authorization was obtained. The surgery was authorized by our UM department and determined to be medically necessary. After the authorization was approved it was determined he had primary coverage. When the claim came in it was determined that the primary denied the primary charge as not medically necessary. Our normal procedure would have been to investigate the denial of the primary carrier, however, because an authorization was already obtained and our UM department determined it was medically necessary, the decision was to honor the authorization and pay the claim accordingly.*

*Our normal procedure would be to deny the claim if the primary denied it and then it would come back through appeal. We didn't do it on this claim because we were honoring our authorization. We can certainly try and get more info from the provider on this one. This was an unusual circumstance.*

There were claims where NDPERS paid when the plan is secondary due to the greater allowed amount than the primary plan. If what the primary plan pays is less than the allowed amount in our fee schedule, our plan will pay more. This is a contracting issue.

I would recommend we do another claims review in August after the plan design changes go into effect on July 1, 2017.

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

NDPERS 2016 Audit of 4/2016 – present Sanford Claims Processing

1. Professional Chiropractic (1 claim)
2. Institutional COB (1 claim)
3. Institutional COB (2 with Medicare Member age 65+)
4. Institutional COB (2 with Medicare Member age <65)
5. Institutional COB (5 with Workers Compensation)
6. Professional COB (3 claims Other Insurance Plan)
7. Professional COB (2 with Medicare)
8. Professional COB (5 with Workers Compensation)
9. Institutional Psych (2 claims)
10. Professional Psych (2 claims)
11. Institutional CDU (2 claims)
12. Professional CDU (2 claims)
13. Professional PAP (5 claims) (No COB)
14. Professional Mammograms (5 claims) (No COB)
15. Professional Fecal Occult Test (5 claims) (No COB)
16. Professional Cholesterol Screening (5 claims) (No COB)
17. Professional Blood Sugar Testing (5 claims) (No COB)
18. Professional PSA Testing (5 claims) (No COB)
19. Professional Colonoscopy (5 claims) (No COB)
20. Prescription Drug Formulary (2 claims)
21. Prescription Drug Non-Formulary (2 claims)
22. Prescription Drug for Flu Vaccine (5 claims) (No COB)
23. Prescription Drug Medicare Part-D claims (4 claims)
24. Institutional 'Denied Experimental' (1 claims)
25. Professional Physical Therapy (2 claims) (No COB)
26. Claims for Durable Medical Equipment (2 claims)
27. Professional from HDHP member (3 claims)
28. Office Visit for Infertility (5 claims)
29. Adult Routine Diagnosis Physical Office Visit with Screenings (4 claims)
30. Out-Of-State Out-Of-Network Professional Claims (5 claims)
31. Institutional Delivery Claim on Healthy Pregnancy Program (1 claim)

Total 100 Claims



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# Memorandum

**TO:** NDPERS Board

**FROM:** Bryan Reinhardt

**DATE:** February 23, 2017

**SUBJECT:** DC RFP Update

We received four proposals for our DC 401(a) & 457 Companion Plan RFP. The four vendors are: TIAA, Prudential, Nationwide, and ICMA-RC.

Segal has started their proposal review process. We had an NDPERS Investment subcommittee meeting on February 8<sup>th</sup>. We went over Segal's preliminary findings. We have another meeting scheduled for March 10<sup>th</sup> to go over the results. We should have the final analysis for the March 16th NDPERS Board meeting. Here is the timeline from the DC RFP:

| TASK   | TARGET DATES      |
|--|-------------------|
| Release of Request for Proposal – RFP              | 11/28/2016        |
| Receive pre-proposal questions from provider(s)    | 12/12/2016        |
| Provide response to provider(s) proposal questions | 12/19/2016        |
| <b>Deadline for proposal submission</b>            | <b>01/09/2017</b> |
| Finalists Presentations                            | March 2017        |
| Commence Plan Implementation                       | April 2017        |
| Asset Transfer                                     | June 30, 2017     |

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



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# Memorandum

**TO:** NDPERS Board  
**FROM:** Kathy & MaryJo  
**DATE:** February 15, 2017  
**SUBJECT:** Board Election Committee

The terms of Board member Mike Sandal will expire on June 30, 2017. Pursuant to Section 71-01-02-01 of the election rules, the Retirement Board must appoint a committee of three from its membership, one of whom must be designated as chair, to oversee the election process.

**BOARD ACTION REQUESTED:**

Appoint a committee of three from the Board and designate one as chairman.



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# Memorandum

**TO:** NDPERS BOARD  
**FROM:** Sparb  
**DATE:** February 23, 2017  
**SUBJECT:** Legislation

Attachment #1 is an update on the status of proposed legislation.

Attachment #2 is the Actuarial/ Technical review of the proposed amendments to HB 1023 including a summary of changes from Legislative Council. I sent the amendments to you by email and due to the length I have not included them here. If you would like a paper or electronic copy please let us know and we will send them. We will go through this at the meeting. We will need your guidance on:

1. The proposed budget changes (attachment #3)
2. The proposed changes to PERS

## 2017 Legislative Assembly

| bill number             | short name  | Title   | fiscal Impact           | bill status   | chamber/ committee                  | hearing date                                | hearing time                          | meeting room                               | committee members   |
|-------------------------|-------------|---|-------------------------|---|-------------------------------------|---|---------------------------------------|--|---|
| <a href="#">HB 1023</a> | approps     | A BILL for an Act to provide an appropriation for defraying the expenses of the public employees retirement system; and to provide for a transfer.  |                         | 1/3 1st reading, referred to approps<br>1/5 committee hearing 8:30 am<br>1/17 committee hearing 9:30<br>2/1 committee hearing 2:45pm<br>2/10 committee hearing, 9:30<br>2/13 committee hearing 11:00 am<br>2/16 Employee Benefits Programs Committee hearing 8am  | approps<br><br>Govt Ops<br><br>EBPC | 2/16/2017                                   | 8:00 AM                               | Medora<br><br>Harvest                      | <b>Govt Operations Division</b><br>Brandenburg, chair<br>Randy Boehning<br>R Brabandt<br>L Delmore<br>K Kempenich<br>M Nathe<br>D Vigesaa   |
| <a href="#">HB 1053</a> | recovery    | Relating to increased employer and employee contributions under the public employees retirement system defined benefit and defined contribution plans.  | <a href="#">FN 1053</a> | 1/03 1st reading, referred to approps<br>1/17 committee hearing<br>1/20 Report back, DO NOT PASS 15-0-6 placed on calendar Eleventh order<br>1/24 2nd reading <b>FAILED TO PASS</b> 0-90  | <b>DEFEATED</b>                     | 1/17/2017                                   | 8:30 AM                               |  |   |
| <a href="#">HB 1083</a> | approps     | A BILL for an Act to provide an appropriation for defraying the expenses of the public employees retirement system; and to provide for a transfer.  |                         | 1/04 1st reading, referred to approps<br>1/05 committee hearing<br>1/26 Reported back, do not pass, placed on consent calendar 19-0-2<br>1/27 2nd reading <b>FAILED TO PASS</b> 0-88-6  | <b>DEFEATED</b>                     | 1/5/2017<br>1/17/2017                       | 8:30 AM<br>9:30 AM                    | Medora                                     | <b>Govt Operations Division</b><br>Brandenburg, chair<br>Randy Boehning<br>R Brabandt<br>L Delmore<br>K Kempenich<br>M Nathe<br>D Vigesaa   |
| <a href="#">HB 1148</a> | firefighter | A BILL for an Act to amend and reenact sections 54-52-01, 54-52-02.1, & 54-52-06.3 & subsections 3 & 4 of section 54-52-17 of the NDCC, relating to a public employee retirement plan for firefighters. | <a href="#">FN 1148</a> | 1/03 1st reading, referred to Political Subs<br>1/13 hearing 9am, DO PASS 14-0-1 placed on calendar 11th order<br>1/18 2nd reading <b>PASSED</b> 85-6-3   | House                               |   |                                       | Prairie Room                               | <b>Political Subdivisions</b><br>Larry Klemin, chair<br>Pat Hatlestad<br>Tom Beadle<br>Rich Becker<br>Sebastian Ertelt<br>Ron Guggisberg<br>Karla Hanson<br>Mary Johnson<br>Kim Koppelman<br>Don Longmuir<br>Andrew Maragos<br>Brandy Pyle<br>Luke Simons<br>Nathan Toman<br>Denton Zubke |
| <a href="#">HB 1403</a> |             | A BILL for an Act to create and enact a new section to chapter 54 52.1 of the North Dakota Century Code, relating to public employee health benefits transparency.                                      |                         | 1/16 1st reading, referred to Human Services Committee<br>1/17 referred to IB&L<br>1/24 committee hearing 9am<br>1/26 Employee Benefits Committee hearing 8 am<br>1/27 Employee Benefits Committee hearing 1 pm<br>1/30 Employee Benefits Committee hearing 4 pm<br>2/1 reported back amended DO PASS 13-0-1<br>2/2 amendment adopted, placed on calendar<br>2/8 Second reading, <b>passed</b> 91-0 | IB&L<br><br>EBPC<br>House           | 1/24/2017<br><br>1/27/2017<br><br>1/30/2017 | 9:00 AM<br><br>1:00 PM<br><br>4:00 PM | Peace Garden<br><br>Harvest<br><br>Harvest | <b>Industry, Business &amp; Labor</b><br>George Keiser, chair<br>Gary Sukut<br>Tom Beadle<br>Rick Becker<br>Glenn Bosch<br>Joshua Boschee<br>Gretchen Dobervich<br>Craig Johnson<br>Jim Kasper<br>Vern Laning<br>Mike Lefor<br>Scott Louser<br>Emily O'Brien<br>Dan Ruby                  |

## 2017 Legislative Assembly

|                         |            |   |                         |  |   |   |                                       |  |   |   |
|-------------------------|------------|---|-------------------------|--|---|---|---------------------------------------|--|---|---|
| <a href="#">HB 1406</a> |            | A Bill for an Act to create and enact a new section to chapter 54-52.1 of NDCC, relating to public employee uniform group health insurance benefits, to provide for application, and to declare an emergency  |                         | 1/16 1st reading, emergency clause referred to IB&L<br>1/26 Employee Benefits Committee hearing 8 am<br>1/26 Reported back, do pass 11-2-1, referred to appropriations<br>1/27 Employee Benefits Committee hearing 1 pm<br>1/30 Employee Benefits Committee hearing 4 pm   | IB&L<br><br>House approps   | 1/25/2017<br><br>1/30/2017                  | 9:00 AM<br><br>4:00 pm                | Peace Garden<br><br>Harvest              | <b>Industry, Business &amp; Labor</b><br>George Keiser, chair<br>Gary Sukut<br>Tom Beadle<br>Rick Becker<br>Glenn Bosch<br>Joshua Boschee<br>Gretchen Dobervich<br>Craig Johnson<br>Jim Kasper<br>Vern Laning<br>Mike Lefor<br>Scott Louser<br>Emily O'Brien<br>Dan Ruby          |   |
| <a href="#">HB 1407</a> |            | A Bill for an Act to amend and reenact section 54-52.1-05 of the NDCC relating to the term of the public employee uniform group insurance contract for health benefits coverage, to provide for application, and to declare an emergency.   |                         | 1/16 1st reading, emergency clause referred to IB&L<br>1/30 Employee Benefits Committee hearing 4 pm<br>1/31 reported back amended, [emergency clause removed] DO PASS, placed on calendar 10-4-0<br>2/1 amendment adopted, referred to approps<br>2/10 reported back DO PASS, placed on calendar 17-0-4   | IB&L<br><br>EBPC<br><br>House approps   | 1/25/2017<br><br>1/30/2017                  | 9:00 AM<br><br>4:00 pm                | Peace Garden<br>Harvest                  | <b>Industry, Business &amp; Labor</b><br>George Keiser, chair<br>Gary Sukut<br>Tom Beadle<br>Rick Becker<br>Glenn Bosch<br>Joshua Boschee<br>Gretchen Dobervich<br>Craig Johnson<br>Jim Kasper<br>Vern Laning<br>Mike Lefor<br>Scott Louser<br>Emily O'Brien<br>Dan Ruby          |   |
| <a href="#">HB 1434</a> | autism     | A BILL for an Act to create and enact a new section to chapter 26.1 36 and a new section to chapter 54 52.1 of the North Dakota Century Code, relating to health insurance coverage for autism related services; to provide a statement of legislative intent; and to provide for a report to the legislative management. | <a href="#">FN 1434</a> | 1/16 1st reading, referred to House Human Services Committee<br>1/27 Employee Benefits Programs Committee hearing 1 pm<br>1/30 Committee hearing 2:45 pm<br><br>1/30 Employee Benefits Committee hearing 4 pm<br>2/8 reported back, DO PASS 9-2-3 placed on calendar<br>2/9 amendment adopted, referred to approps<br>2/14 2nd reading <b>FAILED</b> 47-43 (lacks constitutional majority)<br>2/15 bill reconsideration PASSED 61-29 | EBPC<br><br>House Human Services<br>EBPC<br><br><b>DEFEATED</b><br><br>reconsidered | 1/27/2017<br><br>1/30/2017<br><br>1/30/2017 | 1:00 pm<br><br>2:45 PM<br><br>4:00 pm | Harvest<br><br>Fort Union<br><br>Harvest | <b>House Human Services</b><br>Robin Weisz, chair<br>Karen Rohr, vice<br>Bert Anderson<br>Dick Anderson<br>Pamela Anderson<br>Chuck Damschen<br>Bill Devlin<br>Dwight Kiefert<br>Aaron McWilliams<br>Todd Porter<br>Mary Schneider<br>Jay Seibel<br>Kathy Skroch<br>Greg Westlind |   |
| <a href="#">SB 2052</a> | telehealth | Relating to individual and group health insurance coverage of telehealth services; and to amend and reenact section 54-52.1-04.13 of the NDCC, relating to public employees retirement system uniform group insurance coverage of telehealth services.  | <a href="#">FN 2052</a> | 1/03 1st reading<br>1/09 hearing 9am DO PASS 7-0-0, placed on calendar 11th order<br>1/10 2nd reading, PASS 46-0-1<br><b>SENATE PASSED</b><br>1/11 sent to House / received by House<br>2/9 introduced in House, 1st reading, referred to Human Services Committee   | <b>House Human Services</b>   | 1/9/2017                                    | 9:00 AM                               | Red River<br><br>Ft Union                | <b>Senate Human Services</b><br>Judy Lee<br>Oley Larson<br>Howard Anderson<br>David Clemens<br>Joan Heckaman<br>Curt Kreun<br>Merrill Piepkorn  | <b>House Human Services</b><br>Robin Weisz, chair<br>Karen Rohr, vice<br>Bert Anderson<br>Dick Anderson<br>Pamela Anderson<br>Chuck Damschen<br>Bill Devlin<br>Dwight Kiefert<br>Aaron McWilliams<br>Todd Porter<br>Mary Schneider<br>Jay Seibel<br>Kathy Skroch<br>Greg Westlind |

## 2017 Legislative Assembly

|                         |           |   |                         |   |                  |          |          |                   |   |  |
|-------------------------|-----------|---|-------------------------|---|------------------|----------|----------|-------------------|---|--|
| <a href="#">SB 2053</a> | technical | Relating to the definitions of retirement and retirement board, decreased employee contributions under the public employees retirement system for peace officers employed by the bureau of criminal investigation, eligibility for disability retirement and early retirement benefits under the public employees retirement system, employee enrollment, billing for the retiree health insurance credit, failure to maintain a health savings account when the high-deductible health plan is elected, payment of administrative expenses of the defined contribution plan, and penalties for employers failing to pay contributions under the defined contribution plan. | <a href="#">FN 2053</a> | 1/03 1st reading referred to GVA<br>1/05 Hearing 11am<br>1/09 DO PASS 5-0-1 placed on calendar 6th order<br>1/10 amendment adopted-placed on 11th order<br>1/11 2nd reading 46-0-1 engrossed passed<br><b>SENATE PASSED</b><br>1/12 sent to House / received by House<br>2/9 introduced, 1st reading, referred to GVA | <b>House GVA</b> | 1/5/2017 | 11:00 AM | Sheyenne<br>River | <b>Govt &amp; Veterans Affairs</b><br>N Pool man, chair<br>K Davison<br>B Bekkedahl<br>R Marcellais<br>S Meyer<br>S Vedaa | <b>House</b><br><b>Gvt &amp; Vet Affairs</b><br>J Kasper, chair<br>S Louser<br>P Anderson<br>J Dockter<br>C Johnson<br>D Johnson<br>K Karels<br>B Koppelman<br>V Laning<br>C Olson<br>K Rohr<br>M Schneider<br>V Steiner<br>S Vetter |
|-------------------------|-----------|---|-------------------------|---|------------------|----------|----------|-------------------|---|--|

Date: February 15, 2017

To: Senator Krebsbach, Chair

From: Gabriel, Roeder, Smith & Co.  
Groom Law Group  
Deloitte Consulting  
NDPERS Assigned Assistant Attorney General  
NDPERS Staff

cc: Sparb Collins, NDPERS

Re: Proposed amendments to House Bill No. 1023 (17.0508.01001)

The purpose of this memo is to provide the collective comments of the parties listed above on the impact of proposed amendments to House Bill No. 1023 (17.0508.01001).

In accordance with the request of NDPERS staff, Gabriel, Roeder, Smith & Company (GRS) has analyzed the actuarial impact of proposed amendments to House Bill No. 1023 (17.0508.01001) on the retirement plans of the North Dakota Public Employees Retirement System (NDPERS).

In addition, other parties, including Deloitte Consulting, Groom Law Group, NDPERS Assigned Assistant Attorney General and NDPERS staff, have also reviewed various aspects of the proposed amendments to House Bill No. 1023 (17.0508.01001) on the North Dakota Public Employees Retirement System (NDPERS).

**Systems Affected:**

North Dakota Public Employees Retirement System

**Summary:**

Although extensive, the Amendments to House Bill No. 1023 include the following primary changes:

- Changes the governance (and membership) of PERS such that the PERS Retirement Board is now made advisory.
- Creates a state agency called the public employees retirement system office (PERS Office) which will now have governing authority over PERS. The changes effectively remove the PERS Board as the governing body of the plan, instead granting authority for plan administration to the PERS Office through an Executive Director appointed by the Governor. It appears this will create a single fiduciary or sole trustee plan, with fiduciary authority/responsibility vested in the Governor but carried out through the appointed Executive Director.
- Codifies that the monies in the health insurance reserve fund may not be used to reduce the amount of premium or increase the coverage, unless there is a legislative appropriation.

## **Actuarial Impact of the Amendments to Bill 1023 on NDPERS**

### **Retirement Plans**

**There are no changes to the membership, benefit provisions or funding to PERS.** Therefore, there is no actuarial impact on the funded ratio or contribution requirements of PERS from the amendments. This does not enhance or reduce the funding status of any of the retirement plans under PERS.

The actuarial assumptions which are currently adopted by and the responsibility of the NDPERS Board will now be adopted by and the responsibility of the new PERS Office.

### **Group Insurance Plans**

**Please see the attached memo from Deloitte Consulting with further discussion of the changes.**

## **Technical Analysis**

**As provided by and summarized in the legal review by PERS, the substantive changes in the bill are as follows.**

### **Governance**

Section 31: The changes proposed in Section 31 remove the PERS Board as the governing body of the plan, instead granting authority for plan administration to the PERS office through an Executive Director appointed by the Governor. It appears this will create a single fiduciary **or** sole trustee plan, with fiduciary authority/responsibility vested in the Governor but carried out through the appointed Executive Director. Note that if the single fiduciary holds another government office, this creates the potential for conflicts of interest for that fiduciary. For example, if the Governor is the plan fiduciary, that individual may be put in the position of making decisions on behalf of the state that run contrary to fiduciary duties to the plan. This is the same potential for conflict faced by the members of the legislature currently sitting on the PERS Board. However, the risk to these Board members is mitigated by being one member of a nine member board and thus not solely responsible for actions taken by Board majority.

It is unclear if the intent of this legislation is to have the PERS executive director be the sole fiduciary or trustee for the plan. Further clarity in statute would be needed to make that assertion on behalf of the plan.

This section also creates an advisory board comprised of the same membership as the current PERS Board, except that the Attorney Generals' designee and Health Officers' designee will be removed. Further, while the current statute requires the PERS Board to be chaired by an individual appointed by the Governor, there is no such requirement for the Advisory Board which may select its own chairman from any of its membership. While these Advisory Board members

will be expected to “act” as fiduciaries, ultimately fiduciary responsibility will not reside with this Board because it will be limited to making recommendations as opposed to taking action.

Section 8: This section changes the membership of the SIB, the entity responsible for investing PERS assets, by removing three PERS Board members and replacing them with two members of the newly created Advisory Board and the Executive Director of the PERS Board. Due to other amendments in this bill, PERS Advisory Board members may only make recommendations to the PERS Office, whereas the Executive Director will have the authority and responsibility to administer the PERS office. Note that the Advisory Board members will be granted two votes to the Executive Director’s one vote, and, in fact, the SIB will be the only Board where the Advisory Board members may take action directly affecting the PERS plan.

This section also has an implication for the TFFR plan. Given the SIB is the governing body of the RIO agency, which administers the TFFR plan, the PERS Executive Director will have a vote and be placed in a supervisory capacity over the TFFR plan, whereas the Executive Director for the TFFR program will not fill a similar role. These changes, and the expansion of the SIB proposed in HB 1175, may impact the governance process of the SIB and RIO.

Finally, it appears there may be an inconsistency in this section. The new language permits the PERS Executive Director *or designee* to sit on the SIB, but only the Executive Director is barred from receiving payment for SIB meeting attendance. As currently worded, it appears the designee would receive payment for SIB attendance but not the Executive Director. This appears inconsistent with the treatment of other SIB members. For example, neither the WSI Director nor designee may receive payment for SIB meeting attendance.

Please see the attached memo from Groom Law with further discussion of the changes.

### **Access to Confidential Information**

The change in Governance may have implications for the exchange of confidential member and health information under HIPPA and state law. This will require further research.

### **Legislative Employee Benefits Committee**

Section 27: This section increases the membership of the Employee Benefits Program Committee by adding three non-voting employee members from the PERS Advisory Board to this Interim Committee. On its face this would appear to result in a slight executive branch encroachment of the legislative branch (non-voting status notwithstanding), given the Employee Benefits Programs Committee is a standing interim committee and not advisory. Further, there is a potential for conflict given that Advisory Board members will be in a position to recommend a course of action or position to the PERS office, and then as contributors to the legislative interim committee, and given the powers of oversight granted the committee under NDCC 54-35-02.4, be able to comment on the appropriateness of that same proposed course of action. The PERS office will be responsible for the cost of attendance by Advisory Board members.

### **Health Plan**

Section 32: This section modifies 54-52-04, previously the Board authority statute, and transfers all authority for program administration from the Board to the PERS Office, with one exception. Similar to the change proposed in Section 5 of the bill, there is a new restriction on the use of the reserve funds under Section 30, 54-52-04(13) which speaks to the ability to use reserve funds to buy-down insurance premiums. This new restriction makes the authority granted in subsection 13 obsolete. This change states that the ability to use such reserve funds for this purpose is subject to appropriation.

It is unclear, however, if the drafter is referring to appropriation for insurance premiums or appropriation of dollars from the reserve fund. Either way, the amendments would have the same effect as deleting subsection 13 which will result in loss of grandfathered status of the main plan effective July 1, 2017. This will require the health plan to cover services and medications not currently covered, resulting in an increased cost and reduction of benefits for plan members.

Section 5: This section also prevents the PERS Board from using the authority granted to it under NDCC 54-52-04(13), but only during the 2017-2019 biennium, by preventing use of the health insurance reserve fund to buy-down premiums. Like Section 32, this section will result in loss of grandfathered status of the main plan effective July 1, 2017, requiring the health plan to cover services and medications not currently covered, resulting in an increased cost and reduction of benefits for plan members.

**See attached Memo from Deloitte Consulting.**

### **Administration Issues**

As noted previously, the PERS staff would be moved to be under the Governor instead of the Board. This would include the following responsibilities such as:

| Present PERS Board Duty                                      | Transferred to Governor administered through Designee (Exec Dir) |
|--|--|
| Development of proposed Legislation                          | x  |
| Development of Rules   | x  |
| Hiring of Executive Director                                 | x  |
| Development of Budget  | x  |
| Hearing benefit appeals                                      | x  |
| Approval of plan documents                                   | x  |
| Development of investment policies                           | x  |
| Development of Asset Allocation for investments              | x  |
| Monitor and Maintain Qualified Status of Plans administered. | x  |

| Present PERS Board Duty   | Tansferred to Governor administered through Designee (Exec Dir) |
|---|---|
| Approval of contracts for Health, 457 provider, 401(a) provider, life, dental, vision and EAP vendors   | x   |
| Approval of retirement plans economic and demographic actuarial assumptions   | x   |
| Work with participating political subdivisions and retirees in the plan to insure compliance and enrollment. Implement and set rates for their participation. | x   |
| Oversight of all payments (retirement, health, etc)   | x   |
| Approve, monitor and select investments for the 457 & 401(a) plan   | x   |
| Hiring consultants  | x   |
| Adjust service credit or records when an error or inequity has occurred   | x   |
| Maintain Confidentiality of information   | x   |
| Hiring of advisors, consultants, etc.   | x   |
| Development of administrative policies  | X   |

This change should not result in any savings or cost increases to the plan.

Attachment: Memo from Deloitte Consulting  
Memo from Groom Law Group

## Memo

**Date:** February 15, 2017

**To:** Senator Krebsbach, Chair  
Legislative Employee Benefits Programs Committee

**From:** Josh Johnson and Jon Herschbach, Deloitte Consulting LLP

**Subject:** **ACTUARIAL REVIEW OF PROPOSED BILL 17.0508.01001a**  
**(Amendments to House Bill No. 1023)**

The following summarizes our review of the proposed legislation as it relates to actuarial impact to the Group Insurance Program.

### OVERVIEW OF PROPOSED BILL

The following is a summary of the proposed amendments:

- 1) Add 3 non-voting members to the Employee Benefits Programs Committee (these 3 members are the 3 employee representative elected members on the new Retiree System Advisory Board – formerly the PERS Retirement Board)
- 2) Changes the governance of PERS. The changes make the PERS Retirement Board advisory and changes the membership of this board, creates a state agency called the PERS Office, and provides the Governor appoints an Executive Director to the PERS Office.
- 3) Codifies that the monies in the health insurance reserve fund may not be used to reduce the amount of premium or to increase coverage unless there is legislative appropriation.

### ESTIMATED ACTUARIAL IMPACTS

Items 1) and 2) above change the membership and governance of the PERS Board/Office and we would not expect any actuarial or financial impact on the Group Insurance Program specifically attributable to these changes.

The impact of 3) depends on which scenario is chosen to address the shortfall between the appropriated funds and the currently proposed premium. The currently proposed premium beginning July 1, 2017 is \$1,268.14 (12.2% increase) per employee per month

(PEPM) after plan changes resulting in a 4.4% reduction in plan value. The plan design changes were Identified by Sanford Health Plan and include all possible plan design changes that would allow the plan to reduce premium while maintaining grandfathered status under the ACA. The approved budget appropriation allows for a premium of \$1,249.47 PEPM (\$10.55% increase). The difference of \$18.67 PEPM is approximately 1.47% of premium. The current plan is to use the health insurance reserve fund to offset this difference. Over the two-year biennium, the total reserve spend is estimated at \$7.2M -for full-time employees(\$10.3 million for all participants). The following scenarios highlight possible ways to deal with the funding difference under the proposed amendment in item 3) above restricting the use of reserves:

- 1) No change to current plan; reserve is spent down by ~\$7.2M (\$10.3M for all)
  - a. This would require legislative appropriation under the proposed amendment
- 2) The appropriated budget goes up from an increase of 10.55% to an increase of 12.2% increase to cover the full premium increase. This represents a biennium increase of approximately \$7.2M for state employees.
  - a. This would require an increase in the appropriated budget for the biennium
- 3) The plan design could be adjusted to bring the proposed premium down to the appropriated budget level. This would require a reduction in actuarial value of the plan by approximately 1.5%. However, since the proposed premium already included all possible plan design changes that allow the plan to maintain grandfathered status under the ACA, any new changes will result in a loss of grandfathered status and introduce various other mandated ACA coverage provisions. Sanford estimates the expected cost increase of these mandated plan design changes would be approximately 3%. Additional plan design reductions would therefore be needed to offset the cost increase caused by the mandated plan provisions. An example of projected plan design changes required to lower premiums by and additional ~1.5% plus the additional 3% to offset the loss of Grandfathered status are shown in the table below.

The plan design modeled by Sanford that most closely matches the required total reduction is as follows:

| PPO Plan Design Provision                             | Current       | Proposed        |
|---|---------------|-----------------|
| Pharmacy Copays:<br>(Generic/Formulary/Non-Formulary) | \$5/\$20/\$25 | \$10/\$25/\$30  |
| Pharmacy Coinsurance (after copay)                    | 85%/75%/50%   |                 |
| Pharmacy Coinsurance Maximum (Per Person)             | \$1,000       | \$1,200         |
| Office Visits   | \$25          | \$30            |
| Emergency Room  | \$50          | \$60            |
| Deductible (Single/Family)                            | \$400/\$1,200 | \$1,000/\$3,000 |
| Medical Coinsurance Maximum (Single/Family)           | \$750/\$1,500 | \$1,000/\$2,000 |

To: Legislative Employee Benefits Programs Committee  
Subject: REVIEW OF PROPOSED BILL 17.0508.01001a (HB 1023)  
Date: February 15, 2017  
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MEMORANDUM

**DRAFT**

February 15, 2017

TO: J. Sparb Collins, Executive Director  
North Dakota Public Employees Retirement System

FROM: David Levine  
Allison Itami  
Scott Mayland  
Arsalan Malik

RE: Issues Involved in Limiting Authority Over Plans to One Individual

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It is our understanding that on February 8, 2017, proposed legislation was introduced in the North Dakota House of Representatives (the “Proposed Legislation”) that affects the governance structure of the North Dakota Public Employees Retirement System (“NDPERS”). Among other changes, the Proposed Legislation amends various sections of the North Dakota Century Code to shift the administration authority of NDPERS from a “retirement board” to a new entity called the “public employees retirement system office” (the “Office”). Whereas previously the retirement board had the authority to appoint its executive director, the Proposed Legislation provides that the Governor shall appoint the Office’s executive director “to serve at the governor’s discretion.”

As requested, this memorandum outlines potential issues generally associated with this type of proposed structure.

**I. Potential Conflicts in Sole Fiduciary/Trustee Structures**

We note that by granting the Governor exclusive discretion to appoint the Office’s executive director, while limiting the role of others to an advisory capacity, the Proposed Legislation effects a structure where the Governor is essentially the “sole fiduciary” or “sole trustee” of NDPERS. Without reviewing the specific powers and limitations on such powers under North Dakota law, we note that sole fiduciary/trustee structures tend to implicate potential conflict of interest and other issues, including the following:

- **Public/State Interests vs. Participant Interests.** As a general matter, public officials, particularly elected officials, may be placed in a position where they have divided loyalties between their constituents (*i.e.*, the public at large) and plan participants. If any such conflicts occur, they may be amplified when decision-making authority is limited to one individual.

- **Competing Interests From Other Activities.** Public officials may have divided loyalties as result of their association with or activities relating to for-profit companies, non-profit organizations, or other arms of the government (*e.g.*, serving on boards or committees).
- **Political Influence on Asset Allocation/Investing.** Political pressures could influence or limit where plan assets are invested. For example, pressures to provide for the allocation of a certain percentage of plan assets to certain underperforming state industries may be beneficial for the state as a whole but may not be prudent investments for participants.
- **Risks Associated with Current Events and Public Sentiments.** Public sentiments (*e.g.*, outrage at certain industries or policies) could raise pressures to make investment or administrative decisions that conflict with the interests of participants. Similarly, international events (*e.g.*, calls for sanctions against certain countries or predominant industries in certain international regions) could give rise to pressures to immediately divest certain investments in a manner that may not be in the best interest of participants as determined under applicable laws.
- **Abrupt Changes/“Whipsaw” Effect.** There is a greater potential for sudden or dramatic changes in policy (commonly referred to as a “whipsaw” effect) when a single person is endowed with the ability to dictate plan administration and influence investments.
- **Susceptibility to Lobbying.** There could be enhanced lobbying efforts in sole fiduciary/trustee structures. Moreover, such efforts may be more influential and could be impacted by state statutes governing lobbying.
- **“Revolving Door” Concerns.** When decision-making authority is limited to the discretion of one person, there could be a potential for decisions to be influenced by the promise or allure of future employment in the private sector or by other private interests (*i.e.*, future personal investments).
- **Self-Dealing.** Sole fiduciary/trustee structures are especially vulnerable to self-dealing problems or the appearance of self-dealing. Specifically:
  - When made in the sole discretion of one individual, service provider selections (*e.g.*, actuaries, consultants, investment advisers) and other appointments and delegations could be more likely affected by ulterior motives, such as financial interests, nepotism, and interests in rewarding family, friends, and political allies.
  - Increased likelihood that decisions could be affected by campaign contributions, political endorsements, gifts, awards, gratuities, kickbacks, and other personal or professional favors.
  - There is a potential for bribery, “pay to play” schemes, and other similar conduct with fewer individuals overseeing a system.
  - Appearance of impropriety or self-dealing can result even without intent affecting public confidence.

## II. Misconduct Involving Sole Fiduciary/Trustee Structures

There have been several prominent scandals involving state pension plans with sole fiduciary/trustee structures. In 1999, the treasurer and sole fiduciary for the Connecticut state pension plan pled guilty to, among other allegations, receiving cash kickbacks in return for placing pension plan assets to certain investments.<sup>1</sup> Similarly, in the 2000s, the New York State Comptroller, the sole trustee for the state pension fund, was convicted in a “pay to play” scheme involving financial firms handling plan investments.<sup>2</sup>

Notably, state plans with sole fiduciary/trustee structures have attracted controversy even in the absence of criminal wrongdoing or other misconduct. For example, in 2016, then North Carolina State Treasurer Janet Cowell was criticized for serving on the boards of two corporations (and receiving compensation) at the same time that she was sole fiduciary of the state pension system.<sup>3</sup>

## III. Governmental Retirement Systems With Authority Centralized in One Individual

Set forth below is a list of governmental plans or retirement systems governed by statutes providing governance authority to a single official.

- **Connecticut Retirement Plans and Trust Funds.** The assets of several Connecticut retirement systems are held and invested in the Connecticut Retirement Plans and Trust Funds. C.G.S.A. § 3-13c. The Treasurer of Connecticut is the trustee of the Connecticut Retirement Plans and Trust Funds and is responsible for investing their assets. C.G.S.A. §§ 3-22h–i.
- **Florida Department of Management Services.** The Secretary of the Florida Department of Management Services, who is appointed by the Governor and confirmed by the Florida Senate, is responsible for the administration of the Florida Retirement System, as well as other state health, disability, and insurance plans. F.S.A. §§ 110.123; 121.025. A separate board of three members, which includes the Governor, Chief Financial Officer of Florida, and Attorney General of Florida, invests the assets of the Florida Retirement System.
- **New York Common Retirement Fund.** The New York Common Retirement Fund (“CRF”) holds and invests the assets of the New York State and Local Retirement

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<sup>1</sup> See Mike Allen, *Treasurer’s Downfall in Kickback Scheme Shakes Connecticut Political Establishment*, N.Y. TIMES, Oct. 25, 1999.

<sup>2</sup> See Danny Hakim, *Hevesi, Jailed for Corruption, Is Given Parole*, N.Y. TIMES, Nov. 15, 2012.

<sup>3</sup> See David Sirota, *North Carolina Treasurer Will Run State Pension While Serving On Corporate Boards*, International Business Times, May 6, 2016.

System. The sole trustee of the CRF, and the administrative head of the system, is the New York State Comptroller. NYRSSL §§ 11; 422.

- **North Carolina Retirement Systems.** The Treasurer of the State of North Carolina is responsible for the investment of the assets of several North Carolina retirement and other employee benefit systems. N.C.G.S.A. § 147-69.2.

## SUMMARY - AMENDMENTS TO HOUSE BILL NO. 1023

This document summarizes the amendments to House Bill No. 1023 proposed by the Government Operations subcommittee of the House Appropriations Committee (17.0508.01006), as those amendments relate to the administration of the Public Employees Retirement System (PERS). The following table summarizes the changes in administration of the PERS from its current structure to the structure under the proposed amendments:

| North Dakota Century Code Section | Current Structure  | Proposed Structure   |
|-----------------------------------|--|--|
| 21-10-01                          | Three members of the Retirement Board--two elected members and one additional member--serve on the North Dakota State Investment Board.  | Two elected members of the Retirement System Advisory Board and the PERS Office Executive Director serve on the North Dakota State Investment Board.   |
| 54-35-02.3                        |  | Three elected members of the Retirement System Advisory Board serve as nonvoting members of the Employee Benefits Programs Committee.  |
| 54-52-03                          | Retirement Board is created to be the state agency charged with administering PERS.  | PERS Office is created to be the state agency charged with administering PERS.   |
| 54-52-03                          | Retirement Board membership: <ul style="list-style-type: none"> <li>Two members of the Legislative Assembly;</li> <li>Citizen member appointed by Governor;</li> <li>Attorney General appointment;</li> <li>State Health Officer;</li> <li>Three active members elected by members; and</li> <li>Retiree member elected by retired members.</li> </ul> | Retirement System Advisory Board is charged with advising the PERS Office Executive Director, Governor, and the Legislative Management. Retirement System Advisory Board membership: <ul style="list-style-type: none"> <li>Two members of the Legislative Assembly;</li> <li>Citizen member appointed by Governor;</li> <li>Three active members elected by members; and</li> <li>Retiree member elected by retired members.</li> </ul> |
| 54-52-04                          | Retirement Board shall adopt rules as necessary to manage PERS.  | PERS Office shall adopt rules as necessary to manage PERS.   |
| 54-52-04                          | Retirement Board has powers and privileges of a corporation, including the right to sue and be sued.   |  |
| 54-52-04                          | Retirement Board shall appoint an Executive Director to serve at the board's discretion and perform duties as assigned by the board.   | Governor shall appoint an Executive Director to serve at the Governor's discretion.  |
| 54-52-04                          | Retirement Board authorizes and Executive Director hires PERS staff.   | PERS Office shall employ staff.  |
| 54-52-04                          | Retirement Board shall retain an actuary on a consulting basis.  | PERS Office shall retain an actuary on a consulting basis.   |
| 54-52-04                          | Retirement Board shall administer the Highway Patrolmen's Retirement System, Uniform Group Insurance Program, and the Deferred Compensation Plan for Public Employees and other optional employee benefit programs.  | PERS Office shall administer the Highway Patrolmen's Retirement System, Uniform Group Insurance Program, and the Deferred Compensation Plan for Public Employees and other optional employee benefit programs.   |
| 54-52-04                          | Retirement Board may use money in the uniform group insurance program fund to reduce the amount of premium amounts paid and to reduce any increase in premium.   | Subject to appropriation, the PERS Office may use money in the uniform group insurance program fund to reduce the amount of premium amounts paid and to reduce any increase in premium.  |
|                                   |  | Statutory references to the Retirement Board are replaced with references to the PERS Office.  |

**STATEMENT OF PURPOSE OF AMENDMENT:****House Bill No. 1023 - Public Employees Retirement System - House Action**

|                       | Base Budget | House Changes | House Version |
|-----------------------|-------------|---------------|---------------|
| Salaries and wages    | \$6,315,360 | \$8,263       | \$6,323,623   |
| Operating expenses    | 2,753,643   | (132,844)     | 2,620,799     |
| Contingencies         | 250,000     |               | 250,000       |
| Total all funds       | \$9,319,003 | (\$124,581)   | \$9,194,422   |
| Less estimated income | 9,319,003   | (124,581)     | 9,194,422     |
| General fund          | \$0         | \$0           | \$0           |
| FTE                   | 34.50       | (1.00)        | 33.50         |

**Department No. 192 - Public Employees Retirement System - Detail of House Changes**

|                       | Adjusts Funding for Base Payroll Changes <sup>1</sup> | Adds Funding for Health Insurance Increases <sup>2</sup> | Removes FTE Position <sup>3</sup> | Adjusts Funding for Operating Expenses <sup>4</sup> | Total House Changes |
|-----------------------|---|--|-----------------------------------|---|---------------------|
| Salaries and wages    | \$55,378  | \$102,885  | (\$150,000)                       |   | \$8,263             |
| Operating expenses    |   |  |                                   | (132,844)   | (132,844)           |
| Contingencies         |   |  |                                   |   |                     |
| Total all funds       | \$55,378  | \$102,885  | (\$150,000)                       | (\$132,844)   | (\$124,581)         |
| Less estimated income | 55,378  | 102,885  | (150,000)                         | (132,844)   | (124,581)           |
| General fund          | \$0   | \$0  | \$0                               | \$0   | \$0                 |
| FTE                   | 0.00  | 0.00   | (1.00)                            | 0.00  | (1.00)              |

<sup>1</sup> Funding is added for cost-to-continue 2015-17 biennium salaries and benefit increases and for other

base payroll changes.

<sup>2</sup> Funding is added for increases in employee health insurance premiums from \$1,130 to \$1,249 per month.

<sup>3</sup> One FTE position and related funding is removed.

<sup>4</sup> Funding for operating expenses is adjusted as follows:

|  | Other Funds |
|--|-------------|
| Printing and postage costs for newsletters               | (\$59,504)  |
| Printing and postage costs for annual benefit statements | (66,440)    |
| Other postage, printing, and supplies                    | (16,900)    |
| Mobile app hosting costs                                 | (43,000)    |
| Office remodeling  | 30,000      |
| Other operating adjustments                              | 23,000      |
| Total  | (\$132,844) |

**STATEMENT OF PURPOSE OF AMENDMENT:**

**House Bill No. 1023 - Public Employees Retirement System - House Action**

|                       | Base<br>Budget | House<br>Changes | House<br>Version |
|-----------------------|----------------|------------------|------------------|
| Salaries and wages    | \$6,315,360    | \$8,263          | \$6,323,623      |
| Operating expenses    | 2,753,843      | (132,844)        | 2,620,999        |
| Contingencies         | 250,000        |                  | 250,000          |
| Total all funds       | \$9,319,003    | (\$124,581)      | \$9,194,422      |
| Less estimated income | 9,319,003      | (124,581)        | 9,194,422        |
| General fund          | \$0            | \$0              | \$0              |
| FTE                   | 34.50          | (1.00)           | 33.50            |

**Department No. 192 - Public Employees Retirement System - Detail of House Changes**

|                       | Adjusts<br>Funding for<br>Base Payroll<br>Changes <sup>1</sup> | Adds Funding<br>for Health<br>Insurance<br>Increases <sup>2</sup> | Removes FTE<br>Position <sup>3</sup> | Adjusts<br>Funding for<br>Operating<br>Expenses <sup>4</sup> | Total House<br>Changes |
|-----------------------|--|---|--------------------------------------|--|------------------------|
| Salaries and wages    | \$55,378   | \$102,885   | (\$150,000)                          |  | \$8,263                |
| Operating expenses    |  |   |                                      | (132,844)  | (132,844)              |
| Contingencies         |  |   |                                      |  |                        |
| Total all funds       | \$55,378   | \$102,885   | (\$150,000)                          | (\$132,844)  | (\$124,581)            |
| Less estimated income | 55,378   | 102,885   | (150,000)                            | (132,844)  | (124,581)              |
| General fund          | \$0  | \$0   | \$0                                  | \$0  | \$0                    |
| FTE                   | 0.00   | 0.00  | (1.00)                               | 0.00   | (1.00)                 |

<sup>1</sup> Funding is added for cost-to-continue 2015-17 biennium salaries and benefit increases and for other

base payroll changes.

<sup>2</sup> Funding is added for increases in employee health insurance premiums from \$1,130 to \$1,249 per month.

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| Printing and postage costs for newsletters               | (\$59,504)  |
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| Office remodeling  | 30,000      |
| Other operating adjustments                              | 23,000      |
| Total  | (\$132,844) |