

# NDPERS BOARD MEETING

## Agenda

**Bismarck Location:**  
Bank of North Dakota  
1200 Memorial Highway  
Bismarck, ND 58505

**January 26, 2017**

**Time: 8:30 AM**

### **I. MINUTES**

- A. November 17, 2016
- B. December 15, 2016
- C. January 4, 2017 Special Meeting

### **II. AUDIT REPORT - CliftonLarsonAllen**

### **III. GROUP INSURANCE**

- A. Ancillary Programs – Sparb & Bryan (Board Action)
- B. Member Rebate Accounts – Sanford (Information)
- C. Wellness Benefit Update – Sparb & Kathy (Board Action)
- D. Vision RFP – Bryan (Board Action)
- E. Life Insurance RFP Update – Bryan (Information)

### **IV. RETIREMENT**

- A. Actuarial Tables – Sparb (Board Action)
- B. Pension Deductions – Sharon (Board Action)
- C. ASIFlex Renewal – Kathy (Board Action)

### **V. FLEX COMP**

- A. Medical Spending Annual Limit – Kathy (Board Action)

### **VI. DEFERRED COMPENSATION**

- A. 401(a) Defined Contribution 457 Companion Plan RFP Update – Bryan (Information)

### **VII. MISCELLANEOUS**

- A. State Investment Board Committees – Sparb (Board Action)
- B. Annual Enrollment Update – Kathy (Information)
- C. Quarterly Consultant Fees – Derrick (Information)
- D. Audit Committee Minutes – Jamie (Information)
- E. 2016 CAFR – Derrick (Information)
- F. Retiree Meeting Minutes – Bryan (Information)
- G. Legislative Update – Sparb (Information)

### **VIII. MEMBER Executive Session**

- A. Retirement Benefits Case #367\*
- B. Retirement Benefit Overpayment/Collection Matter Case #396\*\*

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

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

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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.

# Memorandum

**DATE:** January 18, 2017  
**TO:** NDPERS Board  
**FROM:** Jamie  
**SUBJECT:** FY 2016 Audit Report Presentation

Included is the FY 2016 audit report for the PERS agency. Thomas Rey and his staff from CliftonLarsonAllen will be joining the Board meeting via teleconference to review the audit report with you and answer any questions you may have. A copy of their presentation is attached.



January 26, 2017

## **Audit Results Presentation to:**

**North Dakota Public Employees Retirement System  
– Board of Trustees**



**CliftonLarsonAllen**

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# Agenda

- 2016 Audit Results
- Required Communications
- Financial Highlights
- GASB 68 Schedule Audit Update

# 2016 Audit Results

- Independent Auditors' Report - Unmodified "clean" opinion that the financial statements are presented fairly, in all material respects, in conformity with U.S. Generally Accepted Accounting Principles (GAAP).
- Limited procedures were performed, and no opinion rendered, on management's discussion and analysis, required supplemental information, supplemental schedules, and the Introductory, Investment, Actuarial, and Statistical sections.
- Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
  - No material weaknesses were identified.
  - No significant deficiencies were identified.
- Letter to the Board providing required communications with those charged with governance

# Required Governing Body Communications

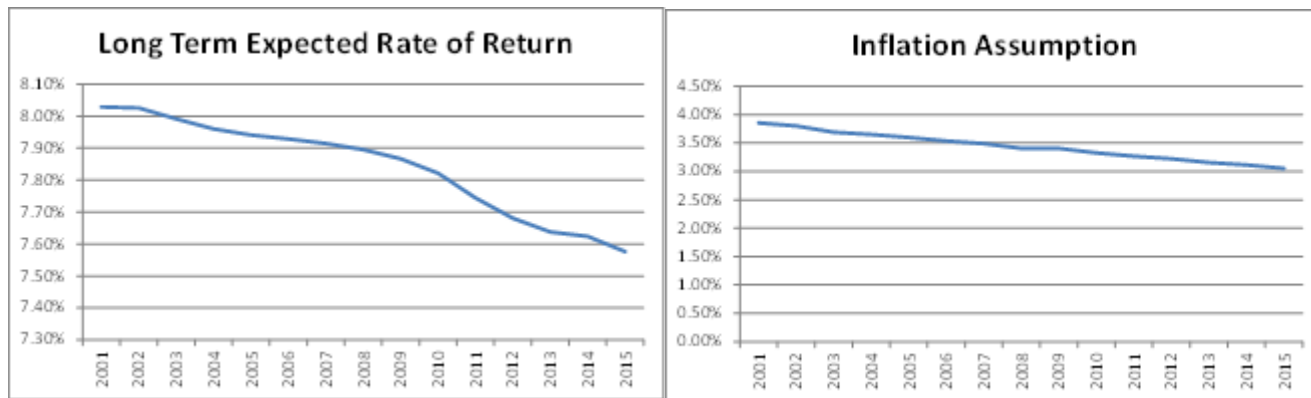
- Auditor's responsibility under U.S. Generally Accepted Auditing Standards
- Significant accounting policies
  - GASB Standard No. 72 *Fair Value Measurement and Application*
- Financial statement disclosures
  - There were no particularly sensitive financial statement disclosures

# Required Governing Body Communications

- Management judgments and accounting estimates
  - Valuation of alternative investments
    - ◇ The valuation of alternative investments, including private equity and real asset investments, are a management estimate which is primarily based upon net asset values reported by the investment managers and comprise 19% of the total investment portfolio. The values for these investments are reported based upon the most recent financial data available and are adjusted for cash flows through June 30, 2016. Our audit procedures validated this approach through the use of confirmations sent directly to a sample of investment managers and the review of the most recent audited financial statements for these sampled funds. Furthermore, we reviewed management's estimate and found it to be reasonable.
  - Actuarial assumptions and methods used
    - ◇ The actuarial valuation was based on the actuarial assumptions and methods adopted by the Board, including an actuarial expected investment rate of return of 8.00% for the PERS, HPRS and RHIC plans and 7.00% for the JSND plan. The valuation takes into account all of the promised benefits to which members are entitled as of July 1, 2016 as required by the North Dakota Century Code. The valuation provides certain information required by GASB to be disclosed in the financial statements. Additionally, the valuation is used to determine the adequacy of the current employer contribution rate. Our audit procedures included reviewing the actuarial valuation and related assumptions used therein and we believe the estimate to be reasonable.

# Required Governing Body Communications

- Management judgments and accounting estimates
  - Actuarial assumptions and methods used (cont'd)
    - ◇ To assess the reasonableness of the long-term expected rate of return, we benchmark assumptions to other public retirement systems. Data obtained from the National Association of State Retirement Administrators (NASRA) for 138 public funds reveals that their average long term expected rate of return for 2015 was 7.62% compared to 8.00% for PERS, HPRS and RHIC. Additionally, the average inflation assumption for those 138 public funds for 2015 was 3.08% compared to 3.50% for PERS, HPRS and RHIC. See the graphs below for additional trend analysis. Based on the current market conditions and industry trends we recommend the System continue to evaluate these assumptions for reasonableness.





# Required Governing Body Communications

- Management was very cooperative and professional during the audit process
- No disagreements with management
- Management did not consult with other accountants on the application of GAAP or GAAS
- No major issues were discussed with management prior to retention
- Management Representations

# Financial Highlights (p. 5)

## Statement of Fiduciary Plan Net Position (in thousands)

	June 30, 2016	% Change	June 30, 2015	% Change	June 30, 2014
<b>Assets</b>					
Cash	\$ 10,855	19.0%	\$ 9,119	34.0%	\$ 6,804
Receivables	21,730	23.3%	17,821	11.0%	15,881
Investments	2,740,379	0.7%	2,720,705	4.0%	2,615,133
Prepaid expenses	-	-	-	-100.0%	580
Invested securities lending collateral	24,703	-	-	-	-
Software & equipment, net of accum depr.	3,168	-17.2%	3,827	-15.8%	4,545
<b>Total assets</b>	<b>2,800,835</b>	<b>1.8%</b>	<b>2,751,272</b>	<b>4.1%</b>	<b>2,642,943</b>
<b>Liabilities</b>					
Long-term liabilities outstanding	177	22.1%	145	-3.3%	150
Other liabilities	28,304	501.2%	4,708	-4.4%	4,924
<b>Total liabilities</b>	<b>28,481</b>	<b>486.9%</b>	<b>4,853</b>	<b>-4.4%</b>	<b>5,074</b>
<b>Net Position</b>	<b>\$ 2,772,354</b>	<b>0.9%</b>	<b>\$ 2,746,419</b>	<b>4.1%</b>	<b>\$ 2,637,869</b>

# Financial Highlights (p. 5), cont'd.

## Statement of Changes in Fiduciary Plan Net Position (in thousands)

	<u>June 30, 2016</u>	<u>% Change</u>	<u>June 30, 2015</u>	<u>% Change</u>	<u>June 30, 2014</u>
<b>Additions</b>					
Contributions	\$ 209,108	21.2%	\$ 172,503	14.9%	\$ 150,144
Investment income	14,611	-84.3%	92,903	-74.5%	364,104
Invested securities lending collateral	290	-	-	-	-
Other	10,512	28.6%	8,172	-18.5%	9,785
Total additions	<u>234,521</u>	-14.3%	<u>273,578</u>	-47.8%	<u>524,033</u>
<b>Deductions</b>					
Benefit payments	171,585	12.2%	152,987	12.2%	136,367
Refunds/transfers	32,357	305.7%	7,975	20.5%	6,621
Administrative expenses	4,645	14.2%	4,068	6.0%	3,837
Total deductions	<u>208,587</u>	26.4%	<u>165,028</u>	12.4%	<u>146,825</u>
<b>Change in Net Position</b>	<u>\$ 25,934</u>	-76.1%	<u>\$ 108,550</u>	-71.2%	<u>\$ 377,208</u>

# Financial Highlights (p. 6), cont'd.

## Statement of Proprietary Fund Net Position (in thousands)

	<u>June 30, 2016</u>	<u>% Change</u>	<u>June 30, 2015</u>	<u>% Change</u>	<u>June 30, 2014</u>
<b>Assets</b>					
Cash	\$ 48,033	1.2%	\$ 47,461	7.0%	\$ 44,363
Receivables	332	-60.2%	834	159.0%	322
Software	1,277	-17.2%	1,543	-15.8%	1,833
Total assets	<u>49,642</u>	-0.4%	<u>49,838</u>	7.1%	<u>46,518</u>
<b>Liabilities</b>					
Long-term liabilities outstanding	91	12.3%	81	2.5%	79
Other liabilities	9,638	58.3%	6,090	7.7%	5,654
Total liabilities	<u>9,729</u>	57.7%	<u>6,171</u>	7.6%	<u>5,733</u>
<b>Net Position</b>	<u>\$ 39,913</u>	-8.6%	<u>\$ 43,667</u>	7.1%	<u>\$ 40,785</u>

# Financial Highlights (p.7), cont'd.

## Statement of Changes in Proprietary Fund Net Position (in thousands)

	June 30, 2016	% Change	June 30, 2015	% Change	June 30, 2014
<b>Operating Revenues</b>					
Premium revenues	\$ 334,889	15.8%	\$ 289,237	2.3%	\$ 282,767
Administrative fee	1,138	4.2%	1,092	2.1%	1,070
Miscellaneous	(3,438)	-136.0%	9,560	-	-
Total operating revenues	<u>332,589</u>	10.9%	<u>299,889</u>	5.7%	<u>283,837</u>
<b>Non-Operating Revenues</b>					
Net investment income	<u>616</u>	1611.1%	<u>36</u>	44.0%	<u>25</u>
Total revenues	<u>333,205</u>	11.1%	<u>299,925</u>	5.7%	<u>283,862</u>
<b>Operating Expenses</b>					
Premium expenses	334,834	13.6%	294,709	2.3%	288,174
Administrative expenses	<u>1,871</u>	-5.7%	<u>1,984</u>	24.9%	<u>1,589</u>
Total operating expenses	<u>336,705</u>	13.5%	<u>296,693</u>	2.4%	<u>289,763</u>
<b>Non-Operating Expense</b>					
Transfer in	<u>1</u>	-	<u>-</u>	-	<u>-</u>
Transfer out	<u>255</u>	-27.1%	<u>350</u>	11.1%	<u>315</u>
Change in Net Position	<u><u>\$ (3,754)</u></u>	-230.3%	<u><u>\$ 2,882</u></u>	146.4%	<u><u>\$ (6,216)</u></u>

# Financial Highlights (p. 23 &24), cont'd.

## Defined Contribution Retirement Fund

	June 30, 2016			
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
	June 30, 2016	(Level 1)	(Level 2)	(Level 3)
<b>Investments at fair value</b>				
Mutual funds	\$ 10,405,678	\$ 10,405,678	-	-
<b>Investments at contract value</b>				
Fixed income	463,659			
<b>Investments at amortized cost</b>				
Invested cash	<u>55,008</u>			
Total investments	<u>\$ 10,924,345</u>			

## Deferred Compensation Plan

	June 30, 2016			
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
	June 30, 2016	(Level 1)	(Level 2)	(Level 3)
<b>Investments at fair value</b>				
Mutual funds	\$ 75,705,779	\$ 75,705,779	-	-
<b>Investments at contract value</b>				
Fixed income	1,411,041			
<b>Investments at cash surrender value</b>				
Annuities	116,397			
<b>Investments at amortized cost</b>				
Invested cash	<u>639,964</u>			
Total investments	<u>\$ 77,873,181</u>			

# Financial Highlights (p. 25 & 26), cont'd.

## INVESTMENTS MEASURED AT THE NET ASSET VALUE - PROPRIETARY FUND

	6/30/2016
Commingled domestic fixed income	\$ 33,598,449

## INVESTMENTS MEASURED AT THE NET ASSET VALUE - FIDUCIARY FUNDS

	June 30, 2016			
	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Retirement Plan for Employees of Job Services North Dakota
Commingled external investment pools	\$ 2,387,841,823	\$ 65,626,348	\$ -	\$ -
Commingled equities	-	-	59,903,215	39,637,397
Commingled fixed income	-	-	41,622,146	58,950,773
Total investments measured at the net asset value	<u>\$ 2,387,841,823</u>	<u>\$ 65,626,348</u>	<u>\$ 101,525,361</u>	<u>\$ 98,588,170</u>

# Financial Highlights (p. 60), cont'd.

	Public Employees Retirement System			Highway Patrolmen's Retirement System			Retirement Plan for Employees of Job Service North Dakota		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
<b>Total pension liability</b>									
Service cost	\$ 126,443,929	\$ 104,158,320	\$ 94,611,357	\$ 2,226,286	\$ 2,038,291	\$ 1,894,183	\$ 71,420	\$ 127,734	\$ 87,668
Interest	243,284,784	236,419,648	218,719,441	6,311,403	6,007,875	5,750,017	4,281,440	5,026,167	5,107,459
Change of benefit terms	-	2,615	-	-	-	-	-	-	-
Differences between expected and actual experience	15,914,938	4,395,805	25,782,859	39,748	984,241	(299,964)	(2,006,791)	(1,806,271)	(1,607,033)
Changes of assumptions	108,139,418	(76,152,255)	-	3,945,801	394,419	-	69,885	(309,878)	-
Benefit payments, including refund of employee contributions	(149,664,141)	(134,929,737)	(119,886,323)	(4,713,495)	(4,745,510)	(3,784,735)	(4,601,196)	(4,694,171)	(4,594,462)
<b>Net change in total pension liability</b>	<b>344,118,928</b>	<b>133,894,396</b>	<b>219,227,334</b>	<b>7,809,743</b>	<b>4,679,316</b>	<b>3,559,501</b>	<b>(2,185,242)</b>	<b>(1,656,419)</b>	<b>(1,006,368)</b>
<b>Total pension liability (asset) - beginning</b>	<b>3,052,446,539</b>	<b>2,918,552,143</b>	<b>2,699,324,809</b>	<b>80,112,217</b>	<b>75,432,901</b>	<b>71,873,400</b>	<b>63,390,014</b>	<b>65,046,433</b>	<b>66,052,801</b>
<b>Total pension liability (asset) - ending (a)</b>	<b>\$ 3,396,565,467</b>	<b>\$ 3,052,446,539</b>	<b>\$ 2,918,552,143</b>	<b>\$ 87,921,960</b>	<b>\$ 80,112,217</b>	<b>\$ 75,432,901</b>	<b>\$ 61,204,772</b>	<b>\$ 63,390,014</b>	<b>\$ 65,046,433</b>
<b>Plan fiduciary net position</b>									
Contributions - employer	\$ 77,080,576	\$ 70,842,535	\$ 61,661,050	\$ 2,127,355	\$ 2,002,291	\$ 1,864,632	\$ -	\$ -	\$ -
Contributions - employee	74,218,276	68,392,061	59,394,200	1,436,236	1,351,798	1,243,520	44,178	50,142	55,748
Service credit repurchase	9,179,163	6,651,879	8,325,140	-	96,429	87,418	-	-	-
Net investment income	11,333,836	81,536,565	316,629,563	316,963	2,334,780	9,239,929	4,840,333	3,260,507	11,887,840
Transfers from other plans	23,574,937	-	-	-	-	-	-	-	-
Benefit payments, including refund of employee contributions	(149,664,141)	(134,929,737)	(119,886,324)	(4,713,495)	(4,745,510)	(3,784,735)	(4,601,196)	(4,694,171)	(4,594,462)
Administrative expense	(2,537,799)	(2,365,357)	(2,210,792)	(31,450)	(30,925)	(27,983)	(32,253)	(30,214)	(31,455)
<b>Net change in plan fiduciary net position</b>	<b>43,184,848</b>	<b>90,127,946</b>	<b>323,912,837</b>	<b>(864,391)</b>	<b>1,008,863</b>	<b>8,622,781</b>	<b>251,062</b>	<b>(1,413,736)</b>	<b>7,317,671</b>
Plan fiduciary net position - beginning	2,371,710,809	2,281,582,863	1,957,670,026	66,675,728	65,666,865	57,044,084	96,282,892	97,696,628	90,378,957
Plan fiduciary net position - ending (b)	<b>\$ 2,414,895,657</b>	<b>\$ 2,371,710,809</b>	<b>\$ 2,281,582,863</b>	<b>\$ 65,811,337</b>	<b>\$ 66,675,728</b>	<b>\$ 65,666,865</b>	<b>\$ 96,533,954</b>	<b>\$ 96,282,892</b>	<b>\$ 97,696,628</b>
<b>Net pension liability (asset) - ending (a) - (b)</b>	<b>\$ 981,669,810</b>	<b>\$ 680,735,730</b>	<b>\$ 636,969,280</b>	<b>\$ 22,110,623</b>	<b>\$ 13,436,489</b>	<b>\$ 9,766,036</b>	<b>\$ (35,329,182)</b>	<b>\$ (32,892,878)</b>	<b>\$ (32,650,195)</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	71.10%	77.70%	78.18%	74.85%	83.23%	87.05%	157.72%	151.89%	150.20%
<b>Covered employee payroll</b>	<b>\$ 1,048,548,467</b>	<b>\$ 973,536,402</b>	<b>\$ 888,452,060</b>	<b>\$ 10,526,791</b>	<b>\$ 10,145,713</b>	<b>\$ 9,348,386</b>	<b>\$ 564,684</b>	<b>\$ 790,649</b>	<b>\$ 842,601</b>
<b>Plan net pension liability (asset) as a percentage of covered employee payroll</b>	93.62%	69.92%	71.69%	210.04%	132.44%	104.47%	(6,256.45)%	(4,160.24)%	(3,874.93)%



# GASB 68 Schedule Audit Update

- Employer Census Testing is Complete
  - Selected 26 Employers for testing
  - Completed testing all employers selected and noted no errors.
- Expect to begin work on the GASB 68 Schedules in January 2017 if information is received from the actuary
- Expect to issue our final report on the schedules no later than March 2017



## **Thomas R. Rey, CPA**

Engagement Partner-in-Charge

[thomas.rey@cliftonlarsonallen.com](mailto:thomas.rey@cliftonlarsonallen.com)

410-453-5574

## **Jason Ostroski, CPA**

Senior Audit Manager

[jason.ostroski@cliftonlarsonallen.com](mailto:jason.ostroski@cliftonlarsonallen.com)

410-453-0900



[cliftonlarsonallen.com](http://cliftonlarsonallen.com)



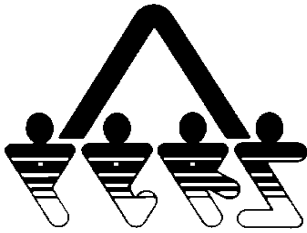
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**North Dakota  
Public Employees Retirement System**  
400 East Broadway, Suite 505 • Box 1657  
Bismarck, North Dakota 58502-1657

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

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

# Memorandum

**TO:** PERS Board

**FROM:** Sparb & Bryan

**DATE:** January 18, 2017

**SUBJECT:** PERS Collaborative Drug Therapy Program & other programs.

## **PERS Collaborative drug therapy program.**

Section 54-52.1-17 of the North Dakota Century requires the PERS Board to:

### **54-52.1-17. Uniform group insurance program - Collaborative drug therapy program - Funding.**

1. The board shall establish a collaborative drug therapy program that is to be available to individuals in the medical and hospital benefits coverage group. The purpose of the collaborative drug therapy program is to improve the health of individuals with diabetes and to manage health care expenditures.
2. The board shall involve physicians, pharmacists, and certified diabetes educators to coordinate health care for covered individuals with diabetes in order to improve health outcomes and reduce spending on diabetes care. Under the program, pharmacists and certified diabetes educators may be reimbursed for providing face-to-face collaborative drug therapy services to covered individuals with diabetes. To encourage enrollment in the plan, the board shall provide incentives to covered individuals who have diabetes which may include waived or reduced copayment for diabetes treatment drugs and supplies.
3. The North Dakota pharmacists association or a specified delegate shall implement a formalized diabetes management program with the approval of the prescriptive practices committee established in section 43-15-31.4, which must serve to standardize diabetes care and improve patient outcomes. This program must facilitate enrollment procedures, provide standards of diabetes care, enable consistent documentation of clinical and economic outcomes, and structure an outcomes reporting system.
4. The board shall fund the program from any available funds in the uniform group insurance program and if necessary the fund may add up to a two dollar per month charge on the policy premium for medical and hospital benefits coverage. A state agency shall pay any additional premium from the agency's existing appropriation.

Pursuant to the above, we established the PERS diabetes disease management program modeled on the Asheville program with North Dakota pharmacists. This program has been a part of the PERS plan for the last several bienniums.

Attached for your reference is the annual report on the program that was presented at the August meeting.

Funding from this program comes from the PERS reserves. The cost estimate is on the last page.

#### Board Action Requested:

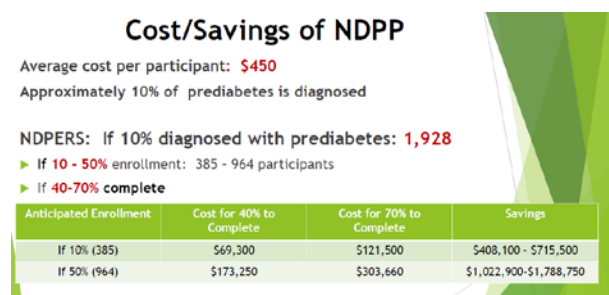
Approve the program for the 2017-2019 biennium.

#### **Other Programs.**

##### **National Diabetes Prevention Program** (See attachment A)

At the Sept PERS Board meeting you heard from Jane Myers from the North Dakota Department of Health will be at the NDPERS Board meeting to talk about the National Diabetes Prevention Program (NDPP).

NDPP is a CDC recognized year long lifestyle change program. It has 16 weekly sessions for the first six months and a monthly session for the last six months. The cost of this program is \$450 per participant and highlighted on the following Slide:



#### Requested Board Action:

Does the board want to consider this program for the 2017 biennium and with funding from reserves or do you want to consider it further during the next biennium with a possible pilot program?

#### Staff Recommendation

Do not move forward with the program at this time due to other proposal for use of reserves

#### **Hypertension Program**

The Pharmacy Association completed a pilot project with NDPERS members (See Attachment B). Does the board want to consider this program for the 2017 biennium and with funding from reserves or do you want to consider it further during the next biennium with another possible pilot program? The cost estimate is below.



#### Level of Service July 2017-June 2019

Diabetes July 2017-June 2019	
Direct Program Cost	
Provider Visits	\$140,000
Patient Incentives	\$ 45,000
Subtotal	\$185,000

Administration Costs	
Subtotal	\$20,000.00

Marketing Costs	
Direct to consumer mailings	\$5,000.00
In-pharmacy marketing	
Subtotal	\$5,000.00

Biennial Expenses	\$210,000.00
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Hypertension July 2017-June 2019	
Direct Program Cost	
Provider Visits	\$231,000
Patient Incentives	\$ 40,000
Subtotal	\$271,000

Administration Costs	
Subtotal	\$10,000.00

Marketing Costs	
Direct to consumer mailings	\$7,500.00
In-pharmacy marketing	
Subtotal	\$7,500.00

Biennial Expenses	\$288,500.00
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Expense estimates are for serving ~500 patients (~200 Diabetes and ~300 hypertension) at an 5%-7% participation rate over the next biennium. Each patient would be eligible to receive a Comprehensive Medication Review (CMR-\$400.00) and up to 2 Targeted Medication Reviews (TMR-\$80.00) the first year and one CMR (\$200.00) and one TMR (\$80.00) for any subsequent years of participation in the program.

In-kind from NDPhA and NDSU: Telephone (maintaining toll free direct number for patients), office space, office supplies, Training/Credentialing/Certification of providers, patient curriculum, Clinical Coordinator, Data Analysis

### Staff Recommendation

Do not move forward with the hypertension program at this time due to other proposal for use of reserves.

# National Diabetes Prevention Program (NDPP)

*Getting Ahead of Type 2*

**North Dakota Public Employee Retirement System**

# Terminology

- ▶ Type 2 Diabetes - high blood glucose resulting from a deficiency of or a resistance to insulin that develops gradually. A sedentary lifestyle, obesity and genetics contribute to its development. Comprises about 90% of all diabetes.
- ▶ Prediabetes - blood glucose levels are higher than normal but not high enough to be diagnosed as type 2.
- ▶ Gestational Diabetes - occurs in some women (9.2% of women) at approximately the 24<sup>th</sup> week of pregnancy. Increased mobilization of glucose and decreased insulin sensitivity result in elevated blood glucose. Once pregnancy is complete, glucose returns to normal for most, but the women remain at increased risk for type 2.

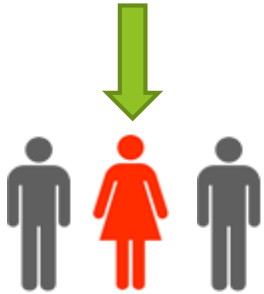
# Today's Discussion

- ▶ Diabetes and Prediabetes in North Dakota
- ▶ Economic Impact
- ▶ Risk Factors, Detection and Treatment of Prediabetes
- ▶ National Diabetes Prevention Program
- ▶ Program Criteria
- ▶ Estimated Cost/Benefits for NDPERS
- ▶ Personal Stories
- ▶ The “Ask”

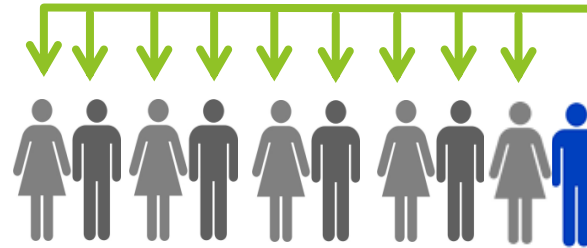


# Prediabetes & Diabetes in North Dakota

>1 in 3 ND adults  
have prediabetes  
(202,000 ND  
adults)



15 to 30% of people with  
prediabetes will develop type  
2 diabetes within 5 years

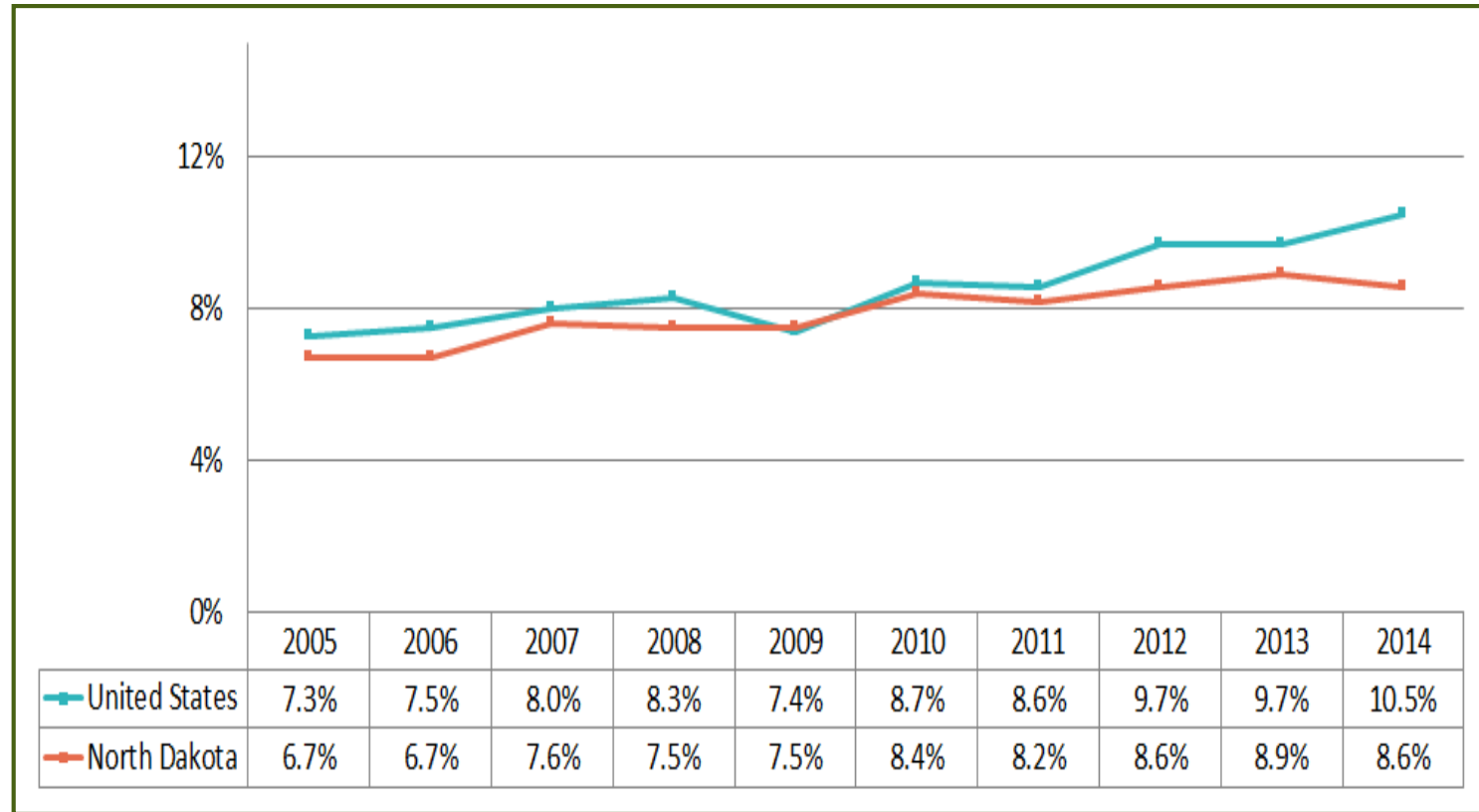


9 out of 10  
people with  
prediabetes  
do not know  
they have it



1 out of 11  
North  
Dakotans  
have  
diabetes

# Prevalence of Diabetes in ND and US



BRFSS 2014

# Economic Impact of Diabetes

- ▶ Diabetes care accounts for **1 in 5** U.S. healthcare dollars
- ▶ **2.3 times higher cost** than without diabetes
- ▶ Average annual medical expense - **\$13,700**
- ▶ Annual cost of diabetes in ND: **\$700 million**

# Impact of Diabetes - NDPERS

## 66,938 Members

- 52,105 Adults
- 4,600 members with diabetes claims
- 19,279 **(37%)** estimated adults with prediabetes

# Diabetes Economic Impact- NDPERS

- ▶ Estimated annual cost **\$43 Million**
- ▶ From **5<sup>th</sup> to 4<sup>th</sup>** mostly costly for NDPERS
- ▶ Average claim paid: **\$11,531** (< national average of \$13,700)

# Type 2 Diabetes Can Be Prevented!

- ▶ Know the risk factors
- ▶ Take action now to prevent type 2 diabetes



# Risk Factors for Prediabetes

- ▶ Overweight and obese (2/3 of population)
- ▶ Inactive
- ▶ Over age 45
- ▶ Family history of diabetes
- ▶ History of gestational diabetes
- ▶ Giving birth to a baby  $\geq 9$  pounds



# National Diabetes Prevention Program

Research on behalf of NIH prove that the incidence of type 2 can be reduced by 58% by:

- ▶ 5% to 7% body weight loss
- ▶ 150 minutes/week of physical activity

10 and 15-year follow up studies also showed reduced diabetes incidence



# NDPP Program Elements

- ▶ **Year-long lifestyle change program**
  - ▶ Facilitated by trained Lifestyle Coaches
    - ▶ community organizations
    - ▶ clinics
    - ▶ worksites
    - ▶ online



**Includes a minimum of 16 weekly sessions in the first six months,  
followed by six monthly sessions**

<http://www.cdc.gov/diabetes/prevention/index.html>

# North Dakota

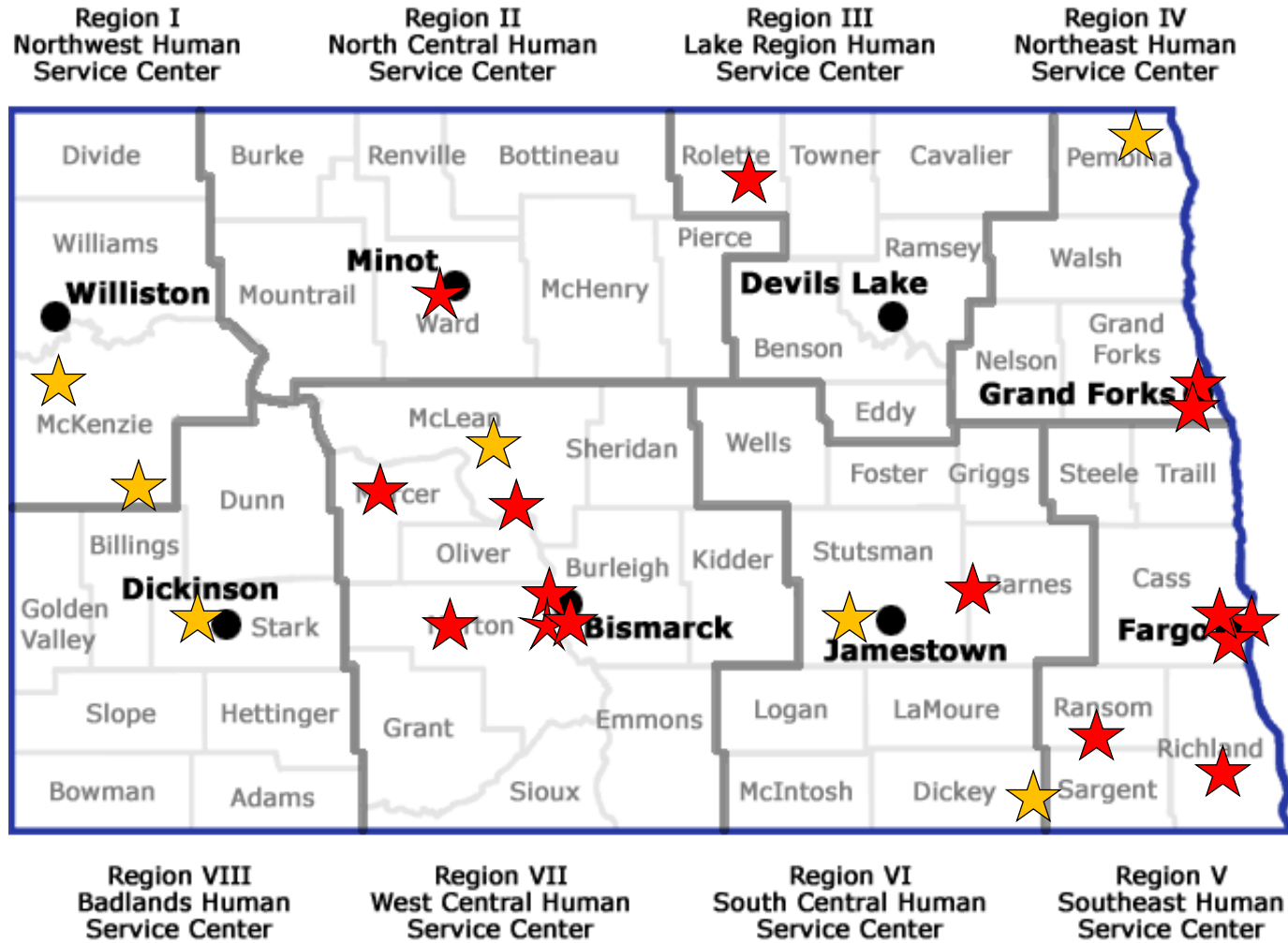
## Programs

- ▶ 16 programs currently available and 7 in development
- ▶ 50+ lifestyle coaches trained in ND
- ▶ Two master trainers in development
- ▶ Online options available

## Effectiveness

- ▶ Average % weight loss
  - ▶ North Dakota 6.4%
  - ▶ Minnesota 5.0%
  - ▶ Montana 5.8%
  - ▶ South Dakota 6.4%
  - ▶ Nebraska 5.5%

# NDP In North Dakota



# NDPP Eligibility Criteria

## 1. 18 years of age or older and

- ▶ have a BMI of >24 and
- ▶ No previous diagnosis of type 1 or 2 and
- ▶ Have a blood test result in the prediabetes range in the past year:

Hemoglobin A1C: 5.7%-6.4% or

Fasting plasma glucose: 100-125 mg/dL or

Two-hour plasma glucose (after a 75 gm glucose load): 140-199 mg/dL

or

## 2. History of gestational diabetes

# CDC Prediabetes Screening Test



## COULD YOU HAVE PREDIABETES?

Prediabetes means your blood glucose (sugar) is higher than normal, but not yet diabetes. Diabetes is a serious disease that can cause heart attack, stroke, blindness, kidney failure, or loss of feet or legs. Type 2 diabetes can be delayed or prevented in people with prediabetes through effective lifestyle programs. Take the first step. Find out your risk for prediabetes.

### TAKE THE TEST—KNOW YOUR SCORE!

Answer these seven simple questions. For each "Yes" answer, add the number of points listed. All "No" answers are 0 points.

Yes	No
1	0
1	0
1	0
5	0
5	0
5	0
9	0

Are you a woman who has had a baby weighing more than 9 pounds at birth?

Do you have a sister or brother with diabetes?

Do you have a parent with diabetes?

Find your height on the chart. Do you weigh as much as or more than the weight listed for your height?

Are you younger than 65 years of age and get little or no exercise in a typical day?

Are you between 45 and 64 years of age?

Are you 65 years of age or older?

Add your score and check the back of this page to see what it means.

### AT-RISK WEIGHT CHART

Height	Weight <small>Pounds</small>	Height	Weight <small>Pounds</small>
4'10"	129	5'7"	172
4'11"	133	5'8"	177
5'0"	138	5'9"	182
5'1"	143	5'10"	188
5'2"	147	5'11"	193
5'3"	152	6'0"	199
5'4"	157	6'1"	204
5'5"	162	6'2"	210
5'6"	167	6'3"	216
		6'4"	221

Know

Your

Score

## IF YOUR SCORE IS 3 TO 8 POINTS

This means your risk is probably low for having prediabetes now. Keep your risk low. If you're overweight, lose weight. Be active most days, and don't use tobacco. Eat low-fat meals with fruits, vegetables, and whole-grain foods. If you have high cholesterol or high blood pressure, talk to your health care provider about your risk for type 2 diabetes.

## IF YOUR SCORE IS 9 OR MORE POINTS

This means your risk is high for having prediabetes now. Please make an appointment with your health care provider soon.

## HOW CAN I GET TESTED FOR PREDIABETES?

**Individual or group health insurance:** See your health care provider. If you don't have a provider, ask your insurance company about providers who take your insurance. Deductibles and copays may apply.

**Medicaid:** See your health care provider. If you don't have a provider, contact a state Medicaid office or contact your local health department.

**Medicare:** See your health care provider. Medicare will pay the cost of testing if the provider has a reason for testing. If you don't have a provider, contact your local health department.

**No insurance:** Contact your local health department for more information about where you could be tested or call your local health clinic.

# Cost/Savings of NDPP

Average cost per participant: **\$450**

Approximately 10% of prediabetes is diagnosed

**NDPERS: If 10% diagnosed with prediabetes: 1,928**

- ▶ If **10 - 50%** enrollment: 385 - 964 participants
- ▶ If **40-70%** complete

Anticipated Enrollment	Cost for 40% to Complete	Cost for 70% to Complete	Savings
If 10% (385)	\$69,300	\$121,500	\$408,100 - \$715,500
If 50% (964)	\$173,250	\$303,660	\$1,022,900-\$1,788,750

# Weighing in on the NDPP

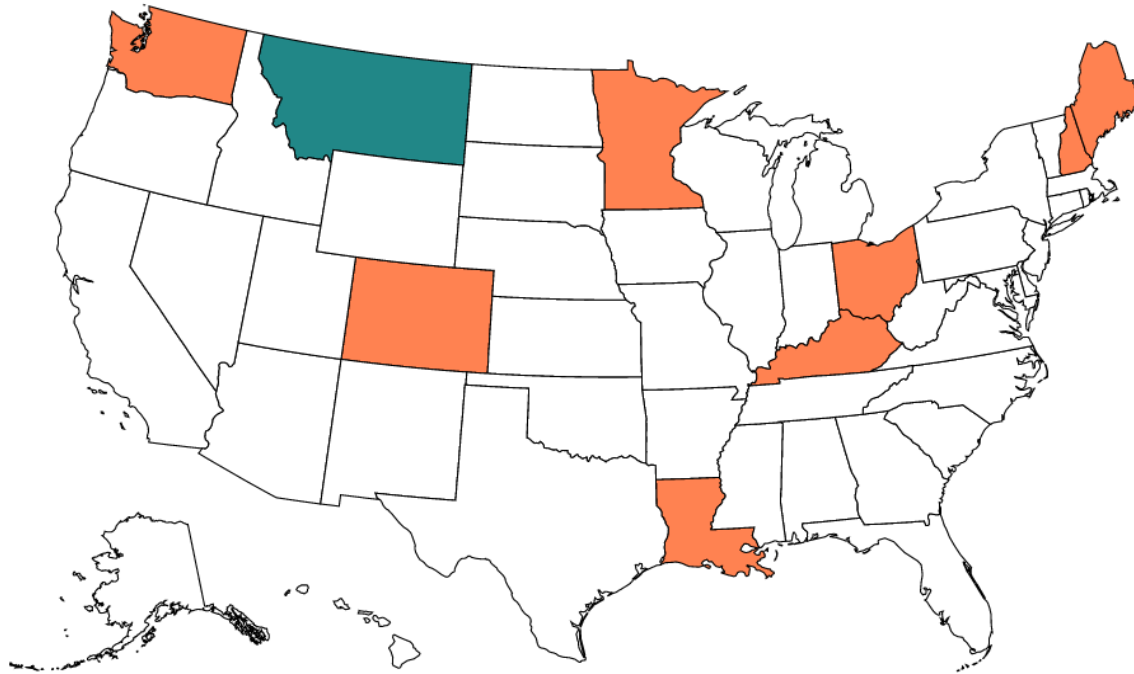
Medicare certification statement 3/14/16 showed:

- ▶ a savings of **\$2,650 in claims** per NDPP participant
- ▶ reduction in **hospitalizations**.

NIH through NIDDK, CDC, IHS, ADA and others:

**58% reduction in type 2**

# NDPP Third Party Reimbursement



**State Employee Coverage**

## Medicaid Coverage



# The “Ask”

- ▶ Allow reimbursement for provision of the NDPP by recognized programs, using Medicare fee schedule and AMA CPT Code 0403T.
- ▶ Initiative to identify prediabetes among NDPERS members

# What participants are saying...

- ▶ "I want to tell you how much I love this program. It is not only educational but the support from you guys and from the other members is amazing."
- ▶ "It is the best program I've ever gone through. For some reason, the information provided was exactly what I needed."
- ▶ "I learned and absorbed so much more than I ever thought I would - to this day I still hear the lifestyle coaches in my head."

# Success Story



*“As a result of reading the food labels and attempting to eat fewer than 33 fat grams per day, I lost 58 pounds. Because of the weight loss, I am no longer taking pain medication for my knee. In September 2012 my glucose was 94 (Range 70-99 mg/dl), so I am no longer prediabetic!”*

*- Eileen Tronnes Nelson, UND staff member.*

► **Questions?**



## Hypertension-control Inspiration Program

2015-2016

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About The Patient— 1641 Capital Way Bismarck, ND 58501

T: 1.888.326.4657 DD: 701.231.6685 E: [wbrown@aboutthepatient.net](mailto:wbrown@aboutthepatient.net)

## Executive Summary

The About The Patient program received grant funding through the North Dakota Department of Health to implement a nine month pilot hypertension education program for community pharmacists and NDPERS eligible beneficiaries. Pilot locations were the Bismarck and Fargo metro areas. Three community pharmacies in Fargo/ West Fargo and four in Bismarck/Mandan completed the required education/credentialing to participate in the pilot. A total of 2,651 NDPERS beneficiaries were eligible for program participation from the Active and Medicare groups.

		9 Month Pilot			
Deliverables	Accountability	Months 1	Months 2-4	Months 5-7	Months 8-9
Recruit Patients	Program Director	X	X		
Credential Pharmacists	Clinical Coordinator	X			
Provide education and care to patients	Trained local Pharmacist/ Program Director		X	X	
Collect clinical and humanistic outcomes data	Clinical Coordinator		X	X	X
Data Analysis	Clinical Coordinator			X	X
Dissemination of results	Clinical Coordinator				X

## CONTENTS

Executive Summary	2
Hypertension-control Inspiration Program	3
Program Analysis	4
Pharmacist Interventions	4
Patient Satisfaction with Program	6
Proposed Level of Service	6

# Hypertension-control Inspiration Program

The Hypertension-control Inspiration Program (HIP) based on Team Up, Pressure Down curriculum is an opt-in program for North Dakota Public Employee Retirement System beneficiaries with elevated blood pressure, hypertension designation or initiation of a hypertensive medication excluding individuals with end-stage renal disease. Eligible patients are sent a letter explaining the program as well as a wellness enrollment form and follow up postcards. The wellness enrollment form allows patients to choose a community pharmacy location in the Bismarck or Fargo areas of North Dakota for face-to-face program participation. Patients are eligible for three visits (One Comprehensive Medication Review (CMR) and two Targeted Medication Reviews (TMRs) ) within three months. Patients are seen by a health professional, currently a community pharmacist and pharmacy technician, who have completed additional training in hypertension management outside of their terminal degree. All patient clinical encounters are documented using the North Dakota Pharmacy Services Corporation electronic medical record software MTM Express™.

Patient Activity		Visit 1	Visit 2	Visit 3
Patient Vital Signs	T/P			
Review Comprehensive Health History and Input/Update as Needed in MTM Express	T			
Answer Patient Questions	P			
Repeat Blood Pressure Measurement (If Not at Goal)	P			
With Patient Input Review and Set Medication Action Plan	P			
Provide Patient with update MAP and Personal Medication List (PML)	P			
Document Intervention(s) in MTM Express	P			
Send Necessary Recommendations or Referrals	T			
Schedule Next Appointment	T			

T: Technician Responsibility  
P: Pharmacist Responsibility

Patient Activity		Visit 1	Visit 2	Visit 3
Review Immunization History and administer immunization(s) if available	P			
DRAW Tool to assess adherence	P			

Patient Activity		Visit 1	Visit 2	Visit 3
Hypertension Awareness Survey	T			
Patient Satisfaction Survey	T			

Patient Activity		Visit 1	Visit 2	Visit 3
Hypertension Process	P			
Treatment Options	P			
Adherence	P			
Medication Side Effects	P			
Diet & Sodium Intake	P			
Exercise	P			
Smoking Cessation	P			
Alcohol Use	P			

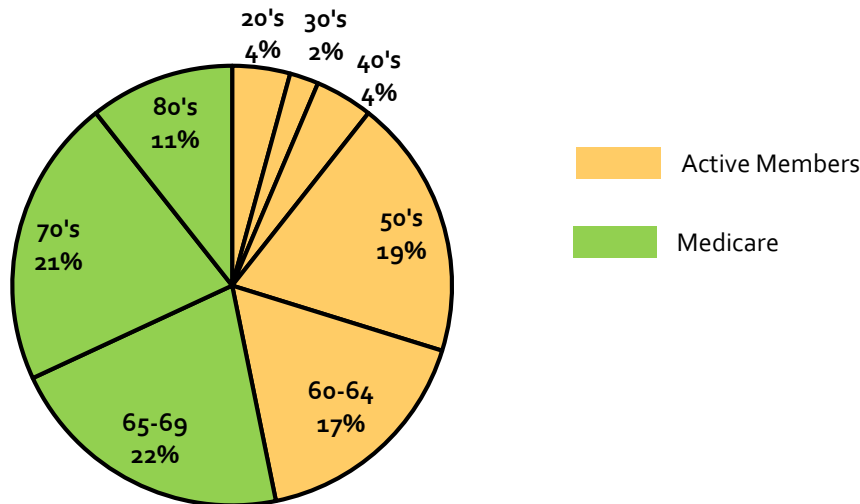
\*Refer to the Patient Education Topic Guidance section for a summary of each topic.

T: Technician Responsibility  
P: Pharmacist Responsibility

## Program Analysis

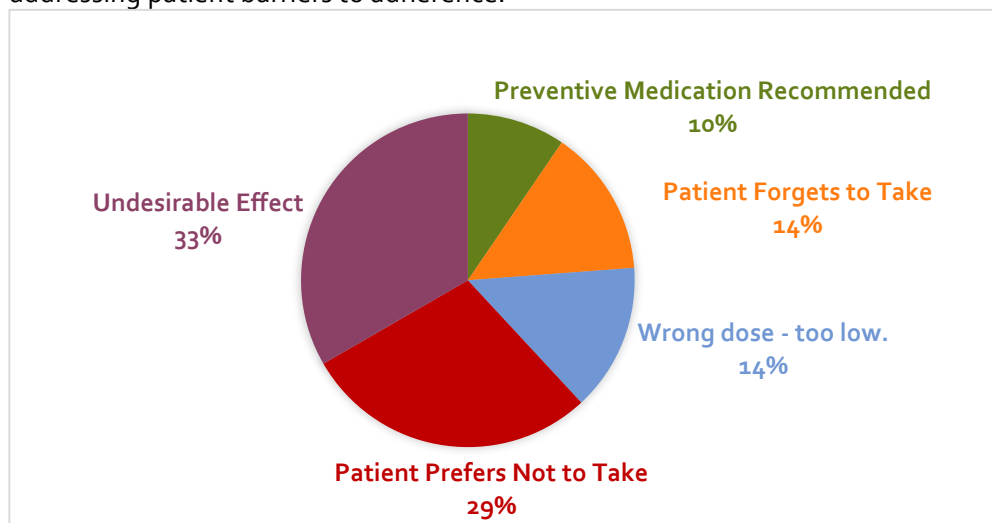
### Demographics

The program has 47 patients with signed wellness agreements. Within the patients' population 66% are female. Overall program participation rate is 2%.



## Pharmacist Interventions

There were 21 hypertensive medication specific interventions (September 2015-June 2016) made by the pharmacists in collaboration with the patient and when appropriate their primary health provider in order to manage hypertension and prevent costly complications. Of these interventions 76% related to addressing patient barriers to adherence.





### Medication Possession Ration (MPR)

	Age	Gender	Medication	Variable MPR
Visit 1	36	Male	Lisinopril/HCTZ	0.99
			Doxazosin	0.94
Visit 1	52	Female	HCTZ	1.02
Visit 1	53	Male	Valsartan/HCTZ	1.00
			Amlodipine	1.00
Visit 1	63	Male	Losartan/HCTZ	0.98
			Metoprolol	1.08
Visit 1	68	Male	Lisinopril	1.02
Visit 1	71	Female	Losartan/HCTZ	1.03
			Diltiazem ER	0.99
Visit 1	72	Female	Amlodipine	0.97
Visit 1	73	Female	Enalapril	1.19
Visit 1	78	Female	Amlodipine	1.01
			HCTZ	0.99

Goal of MPR is to be  $\geq 80\%$ . Of patients whose MPR could be calculated, possession of medications is high with most filling a 90 day supply. Did not vary by age. Thus access to medications is not a barrier to adherence.

There were 22 patients who completed all three visits. Of these individuals average blood pressures were:

	Average SBP	Range	Average DBP	Range
Visit 1	144	125 - 210	83	72 - 110
Visit 2	137	117 - 160	81	70 - 108
Visit 3	139	122 - 184	81	64 - 109

Goal blood pressure:  
Less than 140/90

Of the 22 patients 10 are in the Active eligible group. Ages ranged from 29-63.

Of these individuals average blood pressures were:

	Average SBP	Range	SD	Median	Average DBP	Range
Visit 1	141	125- 156	+/- 10	144	86	78 -110
Visit 2	135	117 - 159	+/- 14	132	80	70 - 108
Visit 3	137	122 - 164	+/-14	134	83	66 - 109

When patients were asked about common barriers to adherence the most common barriers were **concern of potential side effects** followed by experience of a medication side effect or feeling like they have too many medications or too many doses per day. Thus the primary focus for the pharmacist was on counseling, dispelling misconceptions, and recommending methods/tools to incorporate daily medication use. These strategies fostered increased blood pressure control.

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## Patient Satisfaction with Program

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Patient satisfaction with the educational program (n=22) on a 5-point scale (1=very poor, 5=excellent)

1. System for scheduling your appointment	4.8
2. How well the provider helps you manage your medications	4.8
3. How well the provider explains possible side effects	4.7
4. The provider's efforts to solve problems that you have with your medications	4.8
5. The educational materials provided	4.7
6. Ability of the provider to answer your questions about your medications	4.9
7. Ability of the provider to answer your questions about your health problems	4.9
8. The provider's efforts to help you improve your health or stay healthy	4.9
9. The program services overall	4.9
10. Ability of the provider to see you at your scheduled time	4.9

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## Proposed Level of Service

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### September 2016 – June 2017

Spread education and credentialing of community pharmacist state wide with North Dakota Department of Health grant. This will include maintaining on-line content as well as live application events. The live courses would be in October during the NDSU homecoming in Fargo and the second to correspond with the pharmacist state convention in Minot on April 2, 2017. As part of the initial credentialing process pharmacies would document 3 patients progress through the 3 visit program. If patients are a NDPERS beneficiary, consider co-pays for hypertension medications would be waived while participating in the program by NDPERS. This would be a good step to determine beneficiary interests and participation in the program state wide.

### July 2017 – June 2019

Added benefit to eligible beneficiaries of Active NDPERS group. Eligible individuals would have elevated blood pressure, hypertension designation or initiation of a hypertensive medication excluding individuals with end-stage renal disease. Once enrolled, patients are eligible for three visits (One CMR and two TMRs) within the first year of the program and one CMR and TMR thereafter as long as they find the program beneficial.

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

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

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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%
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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.



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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](mailto:NDPERS-info@nd.gov) • [www.nd.gov/ndpers](http://www.nd.gov/ndpers)

# Memorandum

**TO:** NDPERS Board

**FROM:** Sparb

**DATE:** January 18, 2017

**SUBJECT:** Wellness program

In the last part of 2016, we discussed the IRS ruling on the taxability of wellness benefits. At that time, you adopted the following course of action:

1. *That as of January 1, we discontinue providing the \$250 incentive due to the tax implications for our members and employers.*
2. *That we ask our members for input to help determine the options available to continue to allow wellness incentives. In the same communication, members were also informed the \$250 Wellness Benefit program will be temporarily suspended.*
3. *That we continue to offer Option #1, the on-line resource, to all members.*
4. *That we sort through the list of other options, as well as member suggestions, and narrow those to three or four by the first of the year.*
5. *That we share the list of options with our wellness coordinators and members and ask them which ones they favor.*
6. *That we inform our employers and members of the decision to suspend the benefit as of January 1, 2017 and our plan of action for evaluating options for the program. This was completed at the end of October 2016.*
7. *That we determine at the April or May meeting which option to implement on July 1, 2017.*

Steps 1 through 6 have been completed.

- *Step 3*, the on-line resource is still available.
- *Step 4*, NDPERS shared with you a list of options at the October meeting (attachment #3).
- *Step 5*, the options were shared with the wellness coordinators. We asked them to narrow the list to 4 options for consideration by the membership. Attachment #1 is the results of the wellness coordinator survey. Attachment #2 is the results of the member survey.

The results are clear. The membership would like to retain the current incentive program even with the tax implications.

The primary impediment to implementing the memberships' preferred action as listed on the survey is the ability of the employers to do the required IRS tax withholding if we require participation in the wellness incentive as part of our program. If the employer cannot, or does not want to pay the additional taxes associated with the program, the only alternative for employers would be to discontinue the program. This is not really an acceptable alternative for the program.

In our discussions with Sanford, we have developed a concept on how to proceed. We are seeking your agreement on this concept before working out the details. This option would give each of our employers the option to determine if they want to offer the incentive program to its employees. With this option in place, if an employer was unable or unwilling to do the tax reporting, they could stay in the health plan, but in a different status than those that offer the program.

There are many details to work out with this concept, but if you are interested in this option, we will work with Sanford and bring back a draft implementation plan for your consideration at the February or March meeting.

### **Board Action Requested**

Determine if we should move forward with developing the option to restart the employee wellness incentive with an employer option. If not, which direction should the plan pursue?

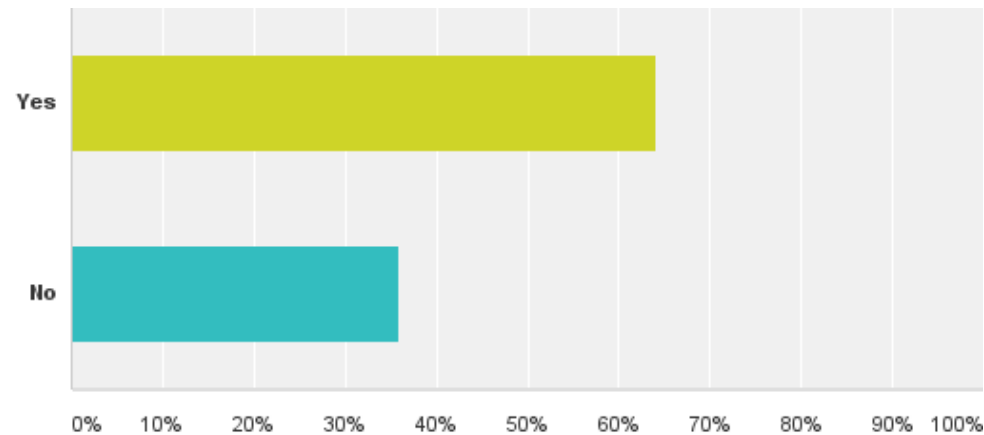


# Wellness Coordinator Feedback

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- 92 Wellness Coordinators responded to the survey
- 64% believe NDPERS should try to keep the \$250 Wellness Benefit even if it is taxable

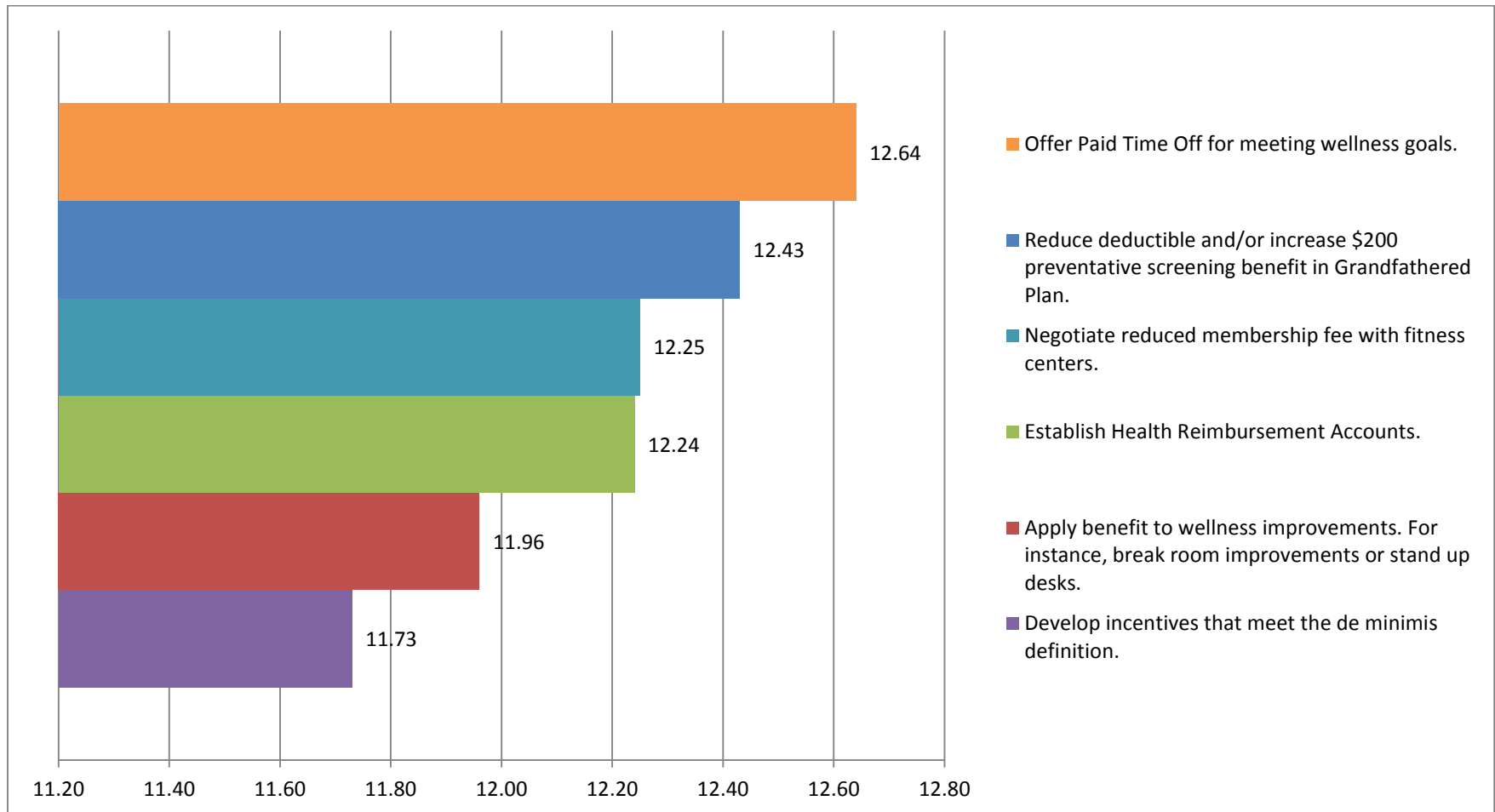
*Q1: As a wellness coordinator, do you believe NDPERS should try to keep the \$250 Dakota Wellness Program Benefit as is? (Taxability of the redeemed amount per member applies.)*



Answer Choices	Responses	
Yes	64.13%	59
No	35.87%	33
Total		92

## Substituting the \$250 Wellness Benefit

- Wellness Coordinators were provided with 14 alternatives to substitute the \$250 Wellness Benefit
- Top 6 alternatives are displayed below
- Paid time off was excluded as an option in the Member Survey



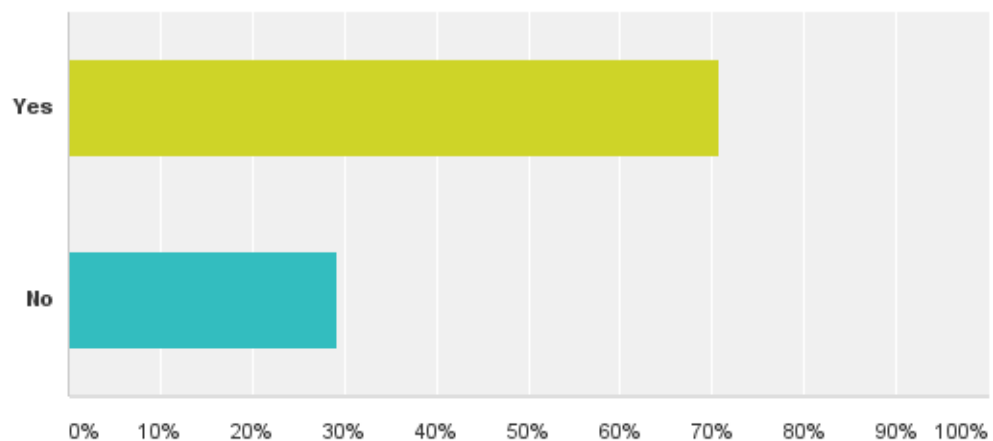
# Member Feedback

- Over 4,200 completed surveys
- About 1% represents retiree population
- Over 70% support the continuation of the \$250 Wellness Benefit even if it is taxable

## Actives and Retirees

**Q2 The IRS recently issued a clarification on the taxability of the \$250 Wellness Benefit. As a result, members who redeemed any of the benefit were taxed on the amount redeemed. Should NDPERS keep the \$250 Dakota Wellness Program Benefit even though it will be taxable?**

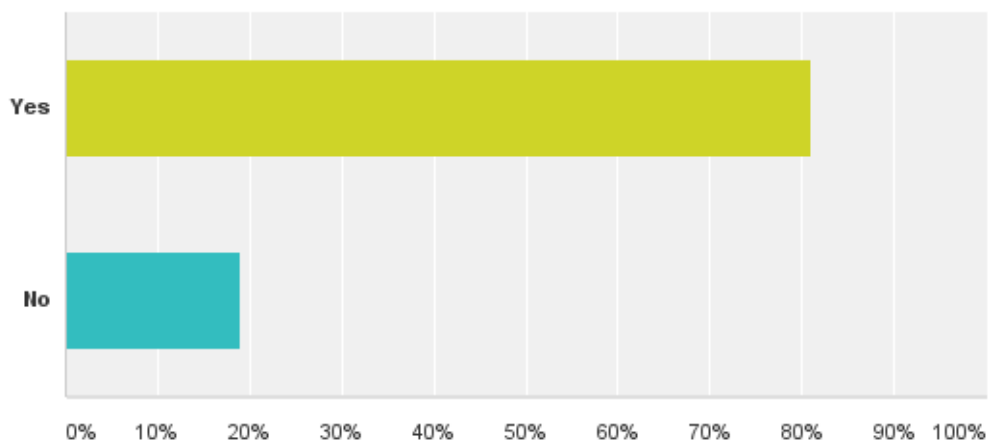
Answered: 4,200 Skipped: 0



## Retirees Only

The percentage of retirees only in support of the taxable wellness benefit is even higher at nearly 81%.

Answered: 42 Skipped: 0

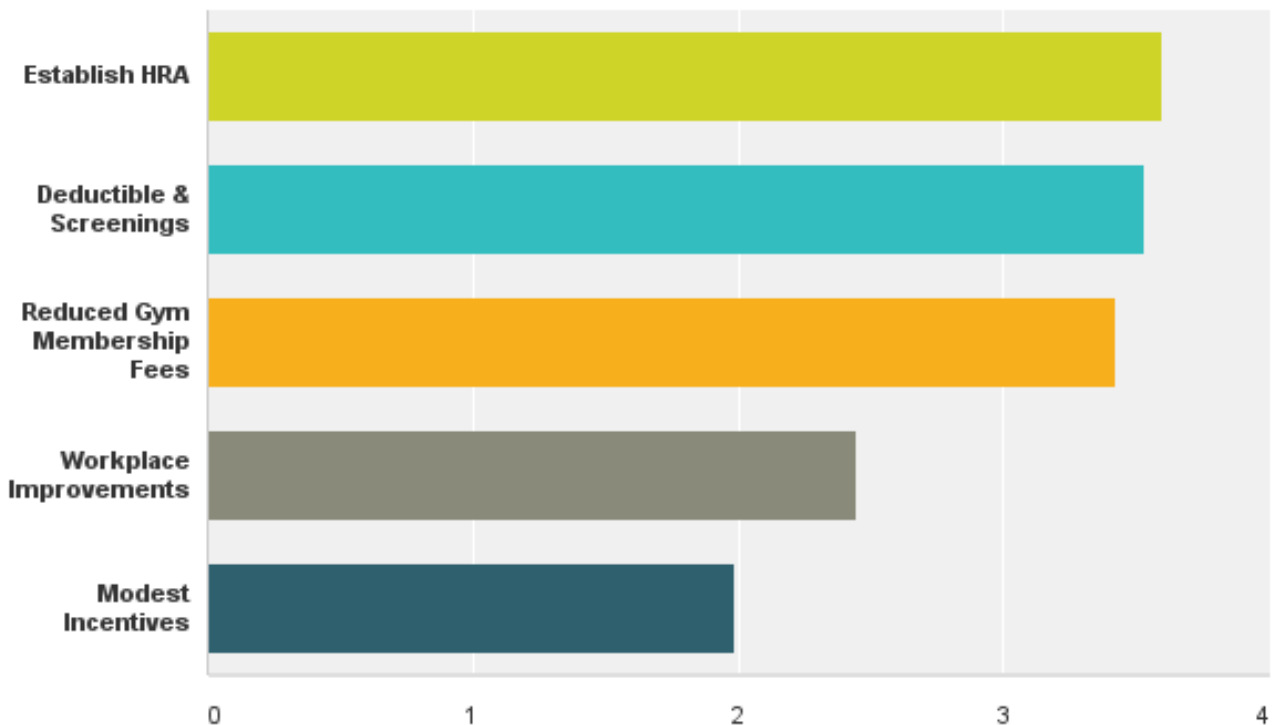


## Substituting the \$250 Wellness Benefit

Members were provided with the top 5 alternatives to substitute the \$250 Wellness Benefit\*. Establishing Health Reimbursement Accounts (HRA) and reducing the deductible and/or increase preventative screening benefit in Grandfathered Plan were the most preferred options as displayed in the chart below.

### Q3 If the existing \$250 Wellness Benefit can be substituted, rank the following alternatives. 1 indicates the most preferred alternative.

Answered: 4,201 Skipped: 0



\*The top 5 alternatives were previously determined by the Wellness Coordinator survey responses.

Detailed summary of ranking question results on page 3.

## Dakota Wellness Program \$250 Wellness Benefit

**If the existing \$250 Wellness Benefit can be substituted, rank the following alternatives. 1 indicates the most preferred alternative.**

Answer Options	1	2	3	4	5	Score
Develop a modest incentive program that consists of giveaway items such as tshirts, coffee mugs, etc.	223	356	566	1081	1975	1.99
Apply benefit to wellness improvements at your workplace. For instance, break room improvements, healthy snacks, etc.	293	562	826	1594	926	2.45
Establish Health Reimbursement Accounts.	1066	1336	1082	491	226	3.60
Reduce deductible and/or increase \$200 preventative screening benefit in Grandfathered Plan.	1134	1179	1003	540	345	3.53
Negotiate reduced membership fee with fitness centers.	1485	768	724	495	729	3.43

## Wellness Benefit Alternatives

Alternatives	Pros	Cons	Observations
<p>1) Continue Novu as a wellness resource without the \$250 benefit which includes discontinuing the fitness center reimbursement</p> <ul style="list-style-type: none"> <li>a. Impact to 2015-2017 premium, agreement between SHP &amp; NDPERS regarding remaining 6 months and accounting, \$ returned to NDPERS.</li> <li>b. Impact to 2017-2019 projected premium? Apply to \$250 to buy down premium.</li> </ul>	<ul style="list-style-type: none"> <li>Novu still available as wellness education tool &amp; HRA (SHP requirement due to NCQA)</li> <li>Able to reallocate funds to reduce premium or remove benefit reduction of similar value</li> <li>Can be applied across all members, including retirees</li> <li><i>This could serve as a cost-savings measure to lower premiums.</i></li> <li><i>It would create savings the last 6 months of 2017 biennium to add to the general cash reserve fund.</i></li> </ul>	<ul style="list-style-type: none"> <li>Loss of funds towards wellness initiatives</li> <li>Potential employee dissatisfaction with program as a whole.</li> <li>Overall decrease in participation</li> <li>Diminishes perceived value of program</li> <li><i>Not converting this to something that benefits member wellness could be perceived as a reduction in benefits by members.</i></li> </ul>	<p><i>All NDPERS members will continue to have access to the Novu portal regardless of the new direction of the wellness program.</i></p> <p><i>Worksites will continue to be able to use the portal to create special groups, wellness events and challenges.</i></p>
<p>2) Add SHP educators/coaches to increase the educator to coordinator ratio state-wide</p> <ul style="list-style-type: none"> <li>a. Offer more enhanced onsite activities</li> <li>b. Offer education and coaching programs to retirees</li> </ul>	<ul style="list-style-type: none"> <li>Allows additional funds to be available to worksites for wellness initiatives</li> <li>More education for employees</li> <li>Additional support for Wellness Coordinators</li> <li><i>Having more SHP educators/coaches throughout the state would allow for the following:</i></li> <li><i>An organizational wellness plan is developed for each NDPERS worksite;</i></li> <li><i>The SHP educator/coach is accountable for implementation of the plan and developing and leading new wellness initiatives, such as Fresh to Desk fruit clubs, vending machine overhauls, break room makeovers, food and tobacco policies, etc.</i></li> <li><i>NDPERS worksites would be able to offer onsite wellness services, such</i></li> </ul>	<ul style="list-style-type: none"> <li>Employees who do wellness on their own as their employer does not offer wellness since worksite enhancements will not impact them.</li> <li>Field employees may not have flexibility to attend.</li> <li>Additional programs may need to be developed.</li> <li><i>There is a potential that agency leaders may still not engage with SHP wellness staff and/or implement wellness plans.</i></li> </ul>	<p><i>Employees who are designated as Wellness Coordinators have other full-time public sector jobs, making it difficult for them to stay focused on organizational wellness plans. They indicate their barrier in being able to do more for their organization is "time."</i></p> <p><i>Most NDPERS organizations do not have a wellness plan. When SHP assists sites in the development of a plan, it often gets pushed to the wayside as the result of other work priorities.</i></p> <p><i>Some Wellness Coordinators are simply not engaged in their roles. Increasing the number of educators/coaches would create more consistent wellness programming and accountability at all NDPERS sites.</i></p>

Alternatives	Pros	Cons	Observations
	<p><i>as coaching opportunities (individual and group), including Diabetes Prevention and Tobacco Cessation, as well as blood pressure checks.</i></p> <ul style="list-style-type: none"> <li><i>This option would allow SHP to expand programming to include retirees at local community centers and gyms.</i></li> </ul>		<p><i>Onsite programming today is limited to just work sites. This option would allow SHP to expand it to community centers to reach the retiree groups.</i></p> <p><i>This option could be offered in combination with Options 3 &amp; 5.</i></p>
<p>3) Use funding towards other programs:</p> <ul style="list-style-type: none"> <li>a. National Diabetes Prevention Program</li> <li>b. Hypertension</li> <li>c. Tobacco Cessation – political subs/retirees</li> <li>d. Chronic Disease Management</li> </ul>	<ul style="list-style-type: none"> <li>Able to offer initiatives that have been presented to Board but funding hasn't been available</li> <li><i>SHP would use the funds to deliver targeted onsite wellness classes and programs, including:</i> <ul style="list-style-type: none"> <li><i>Diabetes Prevention</i></li> <li><i>Hypertension</i></li> <li><i>Dietician</i></li> <li><i>Tobacco Cessation</i></li> <li><i>Chronic Disease Management</i></li> <li><i>Habit Change</i></li> <li><i>Individual Wellness Coaching</i></li> <li><i>Group Wellness Coaching</i></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Benefits only those individuals with condition, not global benefit to all members</li> <li><i>Members may not see this as a transferrable benefit if they are not interested or qualified to participate in these programs.</i></li> </ul>	<p>Currently political subs aren't eligible to participate in the Tobacco Cessation program we currently administer so we would need to coordinate with other programs available throughout state.</p> <p><i>This option is similar to Option #2, but instead has a programmatic focus. The concept could be combined with Option #2.</i></p>
<p>4) Develop incentives that meet de minimis definition to be used with any wellness related activity, including onsite, through Novu, special programs, walking events, etc.</p>	<ul style="list-style-type: none"> <li>Will maintain a modest rewards system</li> <li><i>De minimis incentives, such as a \$25 gift card, may be a good incentive for individuals who sign up for or complete a program as described in Option #3.</i></li> </ul>	<ul style="list-style-type: none"> <li>The limitation of size is further diminished by our previous program.</li> </ul>	
<p>5) Apply benefit to wellness improvements</p> <ul style="list-style-type: none"> <li>a. Each employer would get an allocation through</li> </ul>	<ul style="list-style-type: none"> <li>Allows additional funds to be available to worksites for wellness</li> </ul>	<ul style="list-style-type: none"> <li>Administration: <ul style="list-style-type: none"> <li>o Follow existing funding</li> </ul> </li> </ul>	<p><i>SHP has received feedback from several wellness coordinators</i></p>

Alternatives	Pros	Cons	Observations
<p>SHP to be used for worksite initiatives designed to create a culture of wellness. Examples include:</p> <ul style="list-style-type: none"> <li>i. Stand-up desks</li> <li>ii. Breakroom improvements, including water dispensers to encourage hydration, refrigerators to encourage healthy lunch and snack storage, etc.</li> <li>iii. Incentives to encourage participation in on-site wellness education and activities, such as t-shirts.</li> <li>iv. Onsite education or onsite fitness activities;</li> <li>v. Leadership training; and/or</li> <li>vi. Employee recognition programs.</li> </ul>	<p>initiatives</p> <ul style="list-style-type: none"> <li>• Incentives my help keep employees engaged in the wellness programs.</li> <li>• <i>While we can no longer provide employees with a direct financial benefit, choosing this option still benefits members in a meaningful way by improving their worksite and making it more conducive to individual wellness.</i></li> <li>• <i>We spend the majority of our waking hours at work. Most of what we eat and drink is while we are at work; therefore, it is important that water and healthy eating options are accessible and convenient.</i></li> </ul>	<p>program criteria?</p> <ul style="list-style-type: none"> <li>○ Application process</li> <li>○ Distribution between various size employers, state vs political sub</li> <li>• Establishing eligible use of funds difficult if existing criteria not followed: <ul style="list-style-type: none"> <li>○ Equipment if purchased by state is then state property, NDPERS or employer?</li> <li>○ Programs viewed as unfavorable use of taxpayer dollars</li> </ul> </li> <li>• Retirees and those employees who do wellness on their own as their employer does not offer wellness since worksite enhancements will not impact them.</li> <li>• Based on examples provided, are these items valued by employees.</li> <li>• <i>Might be difficult to maintain a perception of equity across members using this approach.</i></li> </ul>	<p><i>indicating they do not feel they have access to resources to improve the culture of wellness at their worksites.</i></p> <p><i>Oftentimes agencies are reluctant to spend money on worksite improvements that improve employee health due to constrained budgets and/or taxpayer scrutiny.</i></p> <p><i>This option could be offered in combination with Option 2.</i></p>
6) Establish Health Reimbursement Accounts	<ul style="list-style-type: none"> <li>• Would allow funds earned to be diverted into an account to be used by member towards out of pocket expenses</li> <li>• Can be established for both actives &amp; retirees</li> <li>• Flexibility for participants in use of funds</li> <li>• May help keep employees engaged in wellness activities</li> <li>• <i>Allows members to spend dollars on</i></li> </ul>	<ul style="list-style-type: none"> <li>• Administrative fees – who would pay</li> <li>• Set-up &amp; administration – worth the \$250 benefit?</li> <li>• Would require monitoring to confirm eligibility of funds expended.</li> <li>• <i>There are several administrative challenges with HRAs. Per IRS rules, services have to be paid by the HRA on the exact same date they are</i></li> </ul>	<p>Would not legal guidance</p> <p><i>Sanford Health has administered HRAs in the past with its employees and found the administrative barriers left employees feeling more dissatisfied than satisfied with the benefit. As a result, Sanford Health no longer offers the HRA as part of its employee benefit set.</i></p>



Alternatives	Pros	Cons	Observations
	<i>IRS-approved health and dental services in a tax-free environment.</i>	<p><i>provided, which does not match up with all provider billing processes. This causes the payment to get rejected and the member has to call in to rectify and substantiate the date of service.</i></p> <ul style="list-style-type: none"> <li><i>Distribution and loading accounts would carry administrative complexity and would require a strong specialized customer service arm.</i></li> </ul>	
7) Premium waiver/reduction	<ul style="list-style-type: none"> <li>Encourages completion of specified wellness activities for achieving specific wellness goals.</li> <li>May help keep employees engaged in wellness activities</li> <li><i>Employees who attest to being tobacco free could be eligible for a premium and/or deductible reduction.</i></li> </ul>	<ul style="list-style-type: none"> <li>If state continues to pay full family, this option doesn't help state employees.</li> <li>Administration: <ul style="list-style-type: none"> <li>Criteria to be established</li> <li>Confirmation mechanism</li> <li>When is reduction applied?</li> </ul> </li> <li><i>Will need to be sensitive towards discrimination laws and statute</i></li> </ul>	<p>Per Ice Miller, need to review impact of GINA &amp; ADA, notice requirements</p> <p><i>Wellness dollars would go toward premium and/or deductible reduction in addition to randomized testing at NDPERS sites. Randomized tobacco testing is strongly encouraged.</i></p>
8) Deductible reduction/plan design change <ul style="list-style-type: none"> <li>a. Reduce deductible</li> <li>b. Increase \$200 preventive screening benefit in GF plan</li> </ul>	<ul style="list-style-type: none"> <li>Encourages completion of specified wellness activities for achieving specific wellness goals.</li> <li>May help keep employees engaged in wellness activities</li> <li><i>Employees who attest to being tobacco free could be eligible for a premium and/or deductible reduction.</i></li> <li><i>This could be referred to as the Tobacco-free Deductible Discount.</i></li> </ul>	<ul style="list-style-type: none"> <li>Administration: <ul style="list-style-type: none"> <li>Criteria to be established</li> <li>Confirmation mechanism</li> <li>When is reduction applied?</li> <li>Reprocessing of claims/Timing?</li> </ul> </li> <li>Would not apply to Medicare retirees.</li> <li><i>Will need to be sensitive towards discrimination laws and statute</i></li> </ul>	<p>Per Ice Miller, need to review impact of GINA &amp; ADA, notice requirements</p> <p>For plans in which we are not primary, such as Medicare retirees, we are limited as to plan design changes.</p> <p><i>Wellness dollars would go toward premium and/or deductible reduction in addition to randomized testing at NDPERS sites. Randomized tobacco testing is strongly encouraged.</i></p>
9) Offer SHP's onsite Health and Wellbeing Screening	<ul style="list-style-type: none"> <li>Allows additional funds to be</li> </ul>	<ul style="list-style-type: none"> <li>Retirees and those employees who</li> </ul>	<i>If administered every-other year (as</i>

Alternatives	Pros	Cons	Observations
<p>with follow-up coaching:</p> <p>a) Offer more enhanced onsite activities.</p>	<p>available to worksites for wellness initiatives</p> <ul style="list-style-type: none"> <li>• May result in improved overall health and reduce health plan costs.</li> <li>• <i>Employees who are thriving in all 6 dimensions of wellbeing can have up to 40 percent less health care costs.</i></li> <li>• <i>SHP's Health and Wellbeing screen goes further than a typical biometric screen, providing members with a snapshot of how they are doing across all 6 dimensions, and connects them with community resources to help them in their wellness pursuit.</i></li> <li>• <i>Aggregated data is provided to the employer, providing the employer with insight on the overall health and wellbeing of their employees.</i></li> </ul>	<p>do wellness on their own as their employer does not offer wellness since worksite enhancements will not impact them.</p> <ul style="list-style-type: none"> <li>• Difficult to have statewide access</li> <li>• Perceived value of benefit to employees.</li> <li>• <i>Employees who are not on the NDPERS plan would not be eligible, unless the employer paid for them directly.</i></li> </ul>	<p><i>recommended to all employers) the cost would be relatively the same as the current wellness investment. SHP's screening team would visit half of PERS sites each year so that each site had one screening event per biennium.</i></p>
<p>10) Negotiate with fitness centers to offer a reduced membership fee to NDPERS members</p>	<ul style="list-style-type: none"> <li>• Provides benefit similar to Fitness Center Reimbursement to those that utilize it</li> <li>• <i>Reduces the financial barrier of joining a gym.</i></li> </ul>	<ul style="list-style-type: none"> <li>• Limited timeframe to negotiate with facilities statewide</li> <li>• Access retirees/actives living outside ND</li> <li>• Does not address online portal and members that received benefit directly through this option.</li> <li>• Difficult to administer if done as a payroll deduction with multiple payrolls. Also would not work if deduction for retirees.</li> <li>• Many facilities already provide an employer discount to employees</li> <li>• <i>Everyone gets it, so it is no longer a reward for active gym-goers.</i></li> <li>• <i>There are no guarantees that gyms will participate.</i></li> </ul>	<p><i>The fitness industry is more competitive than ever before; therefore, this is a reasonable request to gyms, and is in their best interests for attracting PERS employees and retirees as members.</i></p> <p><i>This option can be combined with any other selected option.</i></p>

Alternatives	Pros	Cons	Observations
11) Paid time off for meeting wellness goals	<ul style="list-style-type: none"> <li>• Employer discretion</li> <li>• Political subdivisions already have this as an option and a few offer this already.</li> <li>• <i>Would be well-received by members.</i></li> </ul>	<ul style="list-style-type: none"> <li>• Who pays for this? Allocate wellness funds to employers?</li> <li>• Retirees and those employees who do wellness on their own as their employer does not offer wellness since worksite enhancements will not impact them.</li> <li>• <i>Attainment of “wellness goals” may be difficult to define and measure.</i></li> </ul>	Legislative action needed for state agencies to be able to offer. Political subs can do so now.
12) Onsite clinics	<ul style="list-style-type: none"> <li>• Allows additional funds to be available to worksites for wellness initiatives</li> <li>• May result in improved overall health and reduce health plan costs.</li> <li>• <i>Creates convenience in accessing care and impacts presenteeism.</i></li> </ul>	<ul style="list-style-type: none"> <li>• Difficult to have statewide access</li> <li>• Retirees and those employees who do wellness on their own as their employer does not offer wellness since worksite enhancements will not impact them.</li> <li>• Would need to hire adequate, trained staff. Onsite clinics are most efficient <i>when a high volume of staff is in one location; therefore, it would be difficult to create equity across all NDPERS sites.</i></li> </ul>	Could be a confidentiality issue under HIPAA. <i>With virtual care becoming increasingly prevalent, onsite clinics are not used as much as they were in the past.</i>
13) Cafeteria plan to defer funds to be used by employees towards eligible expenses	<ul style="list-style-type: none"> <li>• Would allow employees the opportunity to use the rewards for a variety of options on a pretax basis</li> </ul>	Retirees and those employees who do wellness on their own as their employer does not offer wellness since worksite enhancements will not impact them.	Would need to define eligible expenses/seek legal counsel for federal law
14) Provide specialized staffing to go onsite statewide <ul style="list-style-type: none"> <li>a. Nutritionist</li> <li>b. Nurse</li> <li>c. Doctor</li> </ul>	<ul style="list-style-type: none"> <li>• Allows additional funds to be available to worksites for wellness initiatives</li> <li>• May result in improved overall health and reduce health plan costs.</li> <li>• <i>Can assist with prevention efforts and offers convenience.</i></li> </ul>	<ul style="list-style-type: none"> <li>• Retirees and those employees who do wellness on their own as their employer does not offer wellness since worksite enhancements will not impact them.</li> <li>• Would need to hire adequate, trained staff.</li> </ul>	Could be a confidentiality issue under HIPAA. <i>With virtual care becoming increasingly prevalent, onsite clinics are not used as much as they were in the past.</i>

Alternatives	Pros	Cons	Observations
	<ul style="list-style-type: none"> <li><i>Would work well where there is a large concentration of members, such as the Capitol area and surrounding agencies.</i></li> </ul>	<ul style="list-style-type: none"> <li><i>Because we do not have the luxury of knowing when we will get sick, it is inconvenient for employees if the provider (i.e. nurse, doctor) cannot be onsite every day of the week.</i></li> </ul>	
15) Retirees – continue to offer \$250 benefit <ul style="list-style-type: none"> <li>a. Offer both Novu &amp; Fitness Center</li> <li>b. Reduce to only offer Fitness Center</li> </ul>	<ul style="list-style-type: none"> <li>May help keep retirees engaged in wellness activities</li> <li><i>The fitness center reimbursement is popular with retirees. Maintaining the fitness center reimbursement benefit with just the retiree group keeps the 12-visit requirement at the forefront with that group.</i></li> </ul>	<ul style="list-style-type: none"> <li>Lose consistency between active &amp; retiree population</li> <li>How to handle new retirees and transition from active to retired status</li> <li>How to handle retirees that return to work and have employer paid insurance</li> <li>Equity issue between the two populations.</li> <li><i>Could create dissatisfaction that only some members are continuing to receive the benefit.</i></li> </ul>	<i>Retirees struggle with the Novu online interface; therefore, maintaining only the fitness center reimbursement is recommended.</i>



**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](mailto:NDPERS-info@nd.gov) • [www.nd.gov/ndpers](http://www.nd.gov/ndpers)

# Memorandum

**TO:** NDPERS Board

**FROM:** Bryan Reinhardt

**DATE:** **January 18, 2017**

**SUBJECT:** **Vision Plan RFP**

We have included for your review, a draft copy of the vision plan RFP provided by Conduent (formerly Buck Consultants). It has been reviewed by staff and our changes are included in the document. Proposers are required to submit a bid to provide services for eligible active and retired employees and their dependents.

Below is the timeline from the RFP:

Date	Activity
February 1, 2017	RFP is issued.
February 24, 2017	Written questions regarding proposals must be received by NDPERS no later than 5:00 p.m. (CDT).
March 10, 2017	NDPERS posts responses to all questions received.
March 31, 2017	Proposals must be received by NDPERS no later than 5:00 p.m. (CDT).
May , 2017	NDPERS Board review of proposals.
June 2017	Finalist interviews and Best and Final Offers due, if deemed necessary by the NDPERS Board
No later than August 2017	Selection and award of contract by NDPERS.

Conduent will analyze the proposals and narrow them down to 3 or 4 for NDPERS review. Jim Schaefer will be on the phone to discuss plan design and answer any questions.

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



**North Dakota Public Employees Retirement System**

# **North Dakota Public Employees Retirement System**

## **Request for Proposal**

### **Group Voluntary Vision Benefits Plan**

**Claims Administration, Customer Service, Provider Network  
and Network Management Services, Related Administrative  
Services**

**Release Date: February 1, 2017**

# TABLE OF CONTENTS

---

## I. INTRODUCTION

1. Objectives of the Request for Proposal.....	4
2. Definitions.....	4
3. Background.....	6
4. Key Dates in the Proposal Process.....	6
5. Current Enrollment and Demographics.....	6
6. General Information on the Group Voluntary Vision Benefits Plan.....	7
6.1. Benefit Plans.....	7
6.2. General.....	8

## II. ELIGIBILITY AND SELECTION CRITERIA

1. Minimum Requirements.....	9
2. Selection Criteria.....	9

## III. GENERAL INFORMATION

1. Non-Disclosure Agreement.....	10
2. Inquiries Regarding Specifications .....	10
3. Rules and Regulations.....	11
4. Confidentiality of trade secret, proprietary, commercial, and financial information....	11
5. Addenda, Amendments, and Clarifications to the RFP.....	11
6. Order of Responses.....	12
7. Submission of Proposals.....	12
8. Acceptance of Proposals.....	13
9. Non-Responsive Proposals.....	13
10. References.....	13
11. Member Identification.....	13
12. Compliance with HIPAA.....	14
13. Certification.....	14
14. Waiver.....	14
15. Additional Information from Responding Organizations.....	14
16. Modification.....	14
17. Solicitation.....	14
18. News Release.....	15
19. Change Required by Statute, Regulation, Court Orders, or Program Appropriations.	15

20. Financial Background.....	15
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#### **IV. CONTRACT REQUIREMENTS**

1. Introduction.....	16
2. Term of the Contract.....	16
3. Failure to Comply.....	17
4. Compliance with ERISA.....	17
5. Taxpayer I.D. Number.....	17
6. Authorized Signatures.....	17
7. Prohibited Interest.....	17
8. Required Contract Provisions.....	17

#### **V. DESCRIPTION OF SERVICES CURRENTLY PROVIDED**

1. Claim Adjudication and Member Services.....	18
2. Network Management.....	18
3. Eligibility / Participant Premium Billing Services.....	18
4. COBRA Administration.....	19
5. Issuance of ID Cards.....	19
6. Reporting.....	19
7. Plan Booklets.....	19
8. Functional Relationships.....	19
9. Applicable Law.....	19

#### **VI. FORMAT OF PROPOSAL**

1. Cover Letter.....	20
2. Table of Contents.....	20
3. Attachment A: Technical Proposal.....	21
3.1. Attachment A-1: Minimum Requirements.....	21
3.2. Attachment A-2: Offeror Information.....	21
3.3. Attachment A-3: Vision Plan Design.....	21
3.4. Attachment A-4: Administrative Requirements.....	22
3.5. Attachment A-5: General Questionnaire.....	22
3.6. Attachment A-6: Network Questionnaire.....	22
3.7. Attachment A-7: Subcontractor Questionnaire.....	22
3.8. Attachment A-8: Access to Vision Providers (Non-Retail Chain Providers)...	22



3.9. Attachment A-9: Access to Retail-Chain Providers.....	23
3.10. Attachment A-10: Disruption based on Paid Vision Care Provider Claims (Non-Retail Chain Providers).....	24
3.11. Attachment A-11: Disruption based on Paid Retail-Chain Provider Claims....	24
3.12. Attachment A-12: Performance Guarantees.....	24
3.13. Attachment A-13: Deviations.....	25
3.14. Attachment A-14: Signature Page.....	25
3.15. Completed Appendices.....	25
3.16. Response Attachments.....	25
4. Attachment B: Financial Proposal.....	26
4.1. Attachment B-1: Financial Requirements.....	26
4.2. Attachment B-2: Financial Proposal.....	26
4.3. Attachment B-3: Premium Breakdown.....	26
4.4. Attachment B-4: Network Composition.....	27
4.5. Attachment B-5: Provider Network.....	27
4.6. Attachment B-6: Deviations.....	27
4.7. Attachment B-7: Signature Page.....	27
4.8. Response Attachments.....	27

## **VII. Appendices**

Appendix A: Model State Contract.....	29
Appendix B: Non-Disclosure Agreement .....	36
Appendix C: Historical Financial Data (Paid Basis).....	38

# I. INTRODUCTION

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## 1. Objectives of the Request for Proposal

The objective of this Request for Proposal (RFP) is to solicit fully-insured proposals for services related to claim administration, customer service, access to a provider network(s) (as appropriate) and associated network management services for the North Dakota Public Employees Retirement System (NDPERS) group voluntary vision benefits plan. The account services to be provided under any resulting contract shall commence on January 1, 2018.

## 2. Definitions

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

A. **“Contractor”** – The Insurer selected pursuant to this RFP will be referred to as this.

B. **“Eligible Dependent”** includes:

- (1) The Spouse of the Subscriber;
- (2) A Dependent child who is related to the Subscriber as a natural child, a child placed for adoption, a legally adopted child, a child for whom the Subscriber has legal guardianship, a stepchild, or a foster child; and is one of the following:
  - a) Under the age of twenty-six (26),
  - b) Incapable of self-sustaining employment by reason of a disabling condition and chiefly dependent upon the Certificate holder/Subscriber for support and maintenance. If the Plan so requests, the Subscriber must provide proof of the child's disability within thirty-one (31) days of the Plan's request. Such a request may be no more than annually following the two year period of the disabled dependent child's attainment of the limiting age [N.D.C.C. §26.1-36-22 (4)].

If a person has a disabled dependent that is over the limiting age but was never previously covered by the Plan, they are eligible for coverage if the disability occurred prior to reaching the limiting age of 26. If for any reason, Subscriber drops coverage for a disabled dependent prior to age 26, then wishes to cover the child again, coverage must be added prior to the child turning age 26. If the disabled child has reached age 26, the child must be continuously covered under the Plan in order to maintain eligibility.

- (3) Dependent of Dependent Child - To be eligible for coverage, a dependent of the Subscriber's Dependent child, as defined above, must meet all the following requirements:
  - a) Be the natural child of the Subscriber's Dependent child, a child placed with the Subscriber's Dependent child for adoption, a legally adopted child by the Subscriber's Dependent child, a child for whom the Subscriber's Dependent child has legal guardianship, a stepchild of the Subscriber's Dependent child, or foster child of the Subscriber's Dependent child. These same definitions apply to dependents of the Dependent child(ren) of the Subscriber's living, covered Spouse; and
  - b) The Subscriber's Dependent child must be a Covered Dependent under this Certificate of Coverage for the dependent of the Dependent child to be eligible; and
  - c) The dependent of Subscriber's Dependent child must be chiefly dependent on the Subscriber's Dependent child for support.

**NOTE:** Dependent coverage does not include the spouse of an adult Dependent child. Coverage will continue to the end of the month in which the adult Dependent child reaches the

limiting age. Coverage does not include the adult Dependent child's spouse or child of such Dependent (dependent of dependent) unless that Dependent's child meets other coverage criteria established under state law. The adult Dependent's marital status, financial status, residency, student status or employment status will not be considered in determining eligibility for initial or continued coverage.

- C. **"Eligible Employee"** – Means every permanent employee who is employed by a governmental unit, as that term is defined in section 54-52-01. "Eligible employee" includes members of the legislative assembly, judges of the supreme court, paid members of state or political subdivision boards, commissions, or associations, full-time employees of political subdivisions, elective state officers as defined by subsection 2 of section 54-06-01, and disabled permanent employees who are receiving compensation from the North Dakota workforce safety and insurance fund. As used in this subsection, "permanent employee" means one whose services are not limited in duration, who is filling an approved and regularly funded position in a governmental unit, and who is employed at least seventeen and one-half hours per week and at least five months each year or for those first employed after August 1, 2003, is employed at least twenty hours per week and at least twenty weeks each year of employment. For purposes of sections 54-52.1-04.1, 54-52.1-04.7, 54-52.1-04.8, and 54-52.1-11, "eligible employee" includes retired and terminated employees who remain eligible to participate in the uniform group insurance program pursuant to applicable state or federal law.
- D. **"Incumbent"** – the current provider of the services sought through this RFP. (These services are currently underwritten by National Guardian Life Insurance Company and administrated by Superior Vision Services, Inc..
- E. **"Retiree Eligibility"** – A retiree who has accepted a periodic distribution from the defined contribution retirement plan pursuant to section 54-52.6-13 who the board determines is eligible for participation in the uniform group insurance program or has accepted a retirement allowance from the public employees retirement system, the highway patrolmen's retirement system, the teachers' insurance and annuity association of America - college retirement equities fund for service credit earned while employed by North Dakota institutions of higher education, the retirement system established by Job Service North Dakota under section 52-11-01, the judges' retirement system established under chapter 27-17, or the teachers' fund for retirement may elect to participate in the uniform group under this chapter without meeting minimum requirements at:
1. Date of retirement, defined as either: The last day of active employment if member does not defer his/her retirement benefit or take a lump-sum refund of his/her retirement account, or Date of first retirement check if member deferred his/her retirement benefit.
  2. Member's 65th birthday or eligibility for Medicare;
  3. Member's spouse or eligible dependent's 65th birthday or eligibility for Medicare;
  4. The loss of coverage in a vision plan sponsored or provided by member's employer or member's spouse's employer, if covered through spouse's employer group plan. This includes loss of coverage due to the death of, or divorce from a spouse as well as completion of COBRA continuation coverage.

5. Marriage

6. Birth, adoption, or appointment of children for legal guardianship.

F. **“Offeror”** – an entity responding to this document will be referred to as this.

G. **“The Plan”** – means the vision benefits program pursuant to this RFP.

H. **“Vision Claims”** – means all professional services and equipment and supplies.

### **3. Background**

The North Dakota Public Employees Retirement System (NDPERS) desires to provide voluntary vision benefits to all eligible active state and university employees and their dependents. The plan is also available to eligible retirees as provided previously. NDPERS is soliciting proposals for coverage to be effective January 1, 2018.

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

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

<b>Date</b>	<b>Activity</b>
February 1, 2017	RFP is issued.
February 24, 2017	Written questions regarding proposals must be received by NDPERS no later than 5:00 p.m. (CDT).
March 10, 2017	NDPERS posts responses to all questions received.
March 31, 2017	Proposals must be received by NDPERS no later than 5:00 p.m. (CDT).
May , 2017	NDPERS Board review of proposals.
June 2017	Finalist interviews and Best and Final Offers due, if deemed necessary by the NDPERS Board
No later than August 2017	Selection and award of contract by NDPERS.

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

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

NDPERS currently offers one plan design of voluntary vision benefits. Listed below are the number of eligible participants and the number of enrolled participants as of January 2017.

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

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

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

### **6.1. Benefit Plans**

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

NDPERS has one plan of voluntary group vision benefits, which is funded by the employee/retiree contributing 100% of the premiums. The current benefits are described at the following link: <http://www.nd.gov/ndpers/insurance-plans/vision-plan.html>

**Note: In all cases the “Group Vision Care Insurance Certificate” as issued by National Guardian Life Insurance Company will stand as the authority on questions related to plan design and plan provisions.**

### **6.2. General**

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

- The voluntary vision program is fully insured.
- With respect to this contract and program, no commissions, bonuses or overrides will be paid to any party directly by NDPERS.
- No minimum participation requirements will be allowed by NDPERS.
- This program is 100% voluntary. Premiums are to be paid entirely by the employee.
- The Incumbent vendor will process all claims incurred prior to 1/1/2018.
- The Contractor will process all claims incurred while the contract between NDPERS and the Contractor is in effect. This includes run-out claims incurred during the period of the contract, but processed after the contract has been terminated.

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

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

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

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

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

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

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

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

### III. GENERAL INFORMATION

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

In order to obtain Attachment C: Confidential Documents, which contains confidential data necessary to complete a proposal in response to this RFP, each Insurer must complete and return a signed Non-Disclosure Agreement. NDPERS requests that only those organizations qualified to respond to this RFP, as defined in Section II of this RFP, submit the Non-Disclosure Agreement.

The Non-Disclosure Agreement must be in the form provided in Appendix B of this RFP. The Non-Disclosure Agreement must be received before any confidential data will be released to an Insurer. Please send the NDA to the attention of:

Jim Schaefer, Director  
Conduent HR Services  
14911 Quorum Dr., Suite 200  
Dallas, TX 75254  
972-628-6888  
james.schaefer@conduent.com

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

1. Demographic data showing the coverage election, date of birth, gender, city, state, zip and county for the approximately 26,000 currently eligible employee and retiree populations, to be used in completing the Geo-Access reports required in Attachments A-8 and A-9.
2. Confidential Vendor Response Documents, which includes data on the most utilized providers and facilities and disruption reports for completion of Attachments A-10 and A-11.

In order to obtain the Attachment C, an Insurer must first print, sign and return the Non-Disclosure Agreement found at Appendix B, "Non-Disclosure Agreement," to Jim Schaefer as described above. A scanned copy with the appropriate signature transmitted by e-mail is acceptable. Jim Schaefer's e-mail address is provided above. Attachment C may be mailed via overnight mail or encrypted e-mail upon receipt of the Non-Disclosure Agreement. Attachment C will contain the necessary files in Microsoft Office. **Note: Failure to complete all fields on Appendix B may slow the processing of the request for Attachment C or may cause the request to be rejected. In such instances, Buck Consultants, LLC will attempt to contact the submitter to resolve the deficiencies.**

#### 2. *Inquiries Regarding Specifications*

Insurers will have until 5:00 p.m. (CDT) on February 24, 2017 to submit questions in writing regarding this RFP. All questions shall cite the specific RFP section and paragraph number(s) to which the question refers. Any questions received by NDPERS prior to the date and time above will be answered in a question and answer document issued by NDPERS. Only answers provided in writing by NDPERS will be considered official.

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

Questions must be submitted to Jim Schaefer of Buck Consultants e-mail, using the contact information found below. NDPERS is not responsible for questions received after the submittal deadline.

Answers to questions will be made available on the NDPERS Web site at [www.nd.gov/ndpers](http://www.nd.gov/ndpers) by March 10, 2017 at 5:00 p.m. C.D.T.

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

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

Jim Schaefer, Director  
Conduent HR Services  
14911 Quorum Drive, Suite 200  
Dallas, TX 75254  
Email: [james.schaefer@conduent.com](mailto:james.schaefer@conduent.com)  
972-628-6888

### **3. Rules and Regulations**

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

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

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

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

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



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

## **5. Addenda, Amendments, and Clarifications to the RFP**

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

## **6. Order of Responses**

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

## **7. Submission of Proposals**

To be considered for award, one (1) unbound original and nine (9) additional copies of the Offeror's proposal must be received by NDPERS on or before 5:00 P.M. (CDT), March 31, 2017. The unbound copy shall bear original signatures and shall be marked as the "Master Copy". The unbound Master Copy shall contain no divider sheets or tabs, and shall be printed on one side only of 8-1/2 in. x 11 in. white paper to enable copying if needed. Colors must reproduce in a legible manner on a black-and-white copier. The unbound original and one (1) copy of the proposal in a digital format (in MS WORD and MS Excel formats as appropriate) shall be provided in a sealed envelope. Copies of the proposal shall be delivered to:

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

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

Jim Schaefer, Director  
Conduent HR Services  
14911 Quorum Dr., Suite 200  
Dallas, TX 75254

The base contract will be for a two year period of January 1, 2018 through December 31, 2019. All rates and fees must be firm, fixed and valid for the duration of the base period. Additionally, NDPERS is seeking two, two year option periods for a potential total contract period of six years. .

Proposals and any other information submitted by organizations in response to this RFP shall become the property of NDPERS and will not be returned.

NDPERS will not provide compensation to Offerors for any expenses that they incur as part of the proposal process, including but not limited to expenses incurred for preparing proposals, making demonstrations, responding to inquiries, and attending meetings and negotiations. Offerors submit proposals at their own risk and expense.

The materials submitted must be enclosed in a sealed envelope, box, or container; the outside of the package must include "Proposal for Vision Plan Services" and show the submittal deadline, organization name, and the return address of the organization.

Late proposals may be returned to the organization unopened at the organization's expense. Late proposals will not be considered unless the NDPERS Board determines otherwise.

Proposals sent via email or facsimile transmission will not be accepted.

Any award is contingent upon a contract acceptable to NDPERS being executed.

## **8. *Acceptance of Proposals***

NDPERS retains the right to reject all proposals submitted. NDPERS is not required to select the proposal with the lowest fees, but will take into consideration any factor it considers relevant. It is the intent of NDPERS at this time to enter into a contract effective upon execution with services beginning January 1, 2018 through December 31, 2019. The Board at its discretion may extend the contract for up to two additional two-year option periods. The premium and benefit structure of these extensions will be subject to negotiations prior to renewal. NDPERS has the right to discontinue the program if the legislature discontinues the program or for any other reason. The Offeror whose proposal is selected will be chosen with the goal of developing a long-term relationship.

## **9. *Non-Responsive Proposals***

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

## **10. *References***

Each Offeror must provide references from other clients as requested in this RFP. NDPERS or its designated representative may ask these clients to provide information regarding the Offeror's overall record of service in providing services for their participants. Providing references in its proposal constitutes the Offeror's permission

for NDPERS to contact these clients.

### **11. *Member Identification***

A unique NDPERS identifier will be used as the reference number to identify each individual in the plan. This unique number shall be printed on the vision identification cards.

### **12. *Compliance with HIPAA***

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

### **13. *Certification***

An authorized Officer of any Offeror submitting a proposal must certify that the organization complies with the RFP specifications by signing and returning the Signature Pages included in this RFP as Attachment A-14 and Attachment B-7. An authorized Officer must also sign Attachment A-13: Deviations and B-6: Deviations, even if the Offeror is not claiming any deviations.

### **14. *Waiver***

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

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

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

### **16. *Modification***

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

### **17. *Solicitation***

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

### **18. *News Release***

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

### ***19. Change Required by Statute, Regulation, Court Orders, or Program Appropriations***

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

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

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

### ***20. Financial Background***

Appendix C shows historical financial information on a paid basis.

## IV. CONTRACT REQUIREMENTS

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### 1. Introduction

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

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

The terms and conditions of any agreements, amendments, modifications, or other documents submitted by the Offeror that conflict with or in any way purport to amend or add to any of the terms and conditions of the Agreement are specifically objected to by NDPERS and are of no force or effect, unless specifically agreed to by NDPERS and incorporated into the Agreement for Services as an amendment signed by both parties.

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

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

### 2. Term of the Contract

The contract term will begin on January 1, 2018 upon the execution of the Agreement by NDPERS. The initial contract term will end on December 31, 2019. The NDPERS Board, at its discretion may extend the contract for up to two additional two (2) year option periods. The timeline in the table below will apply for the duration of the contract.

Contract Period	Effective Date	Termination Date	Renewal Submission Date
Base Contract	January 1, 2018	December 31, 2019	March 1, 2019 (for Option Period #1)
Option Period 1	January 1, 2020	December 31, 2021	March 1, 2021 (for Option Period #2)
Option Period 2	January 1, 2022	December 31, 2023	N/A

NDPERS and the Contractor agree and acknowledge that the account services to be provided under this proposal will occur between January 1, 2018 and December 31, 2019. However, NDPERS and the Contractor also agree and acknowledge that there are duties

and obligations specified by this proposal to be performed both prior to and after these dates. The parties each agree to perform all such duties and obligations, and all damage provisions included in the Agreement shall thereby be in effect.

### **3. *Failure to Comply***

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

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

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

### **5. *Taxpayer I.D. Number***

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

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

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

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

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

### **8. *Required Contract Provisions***

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

## V. DESCRIPTION OF SERVICES CURRENTLY PROVIDED

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It is NDPERS' intent that the Contractor provide a level of service that is at least comparable to that provided by the Incumbent. A description of benefits currently offered is available on-line at "NDPERS Group Plan Booklet" at <http://www.nd.gov/ndpers/insurance-plans/vision-plan.html>. To assist prospective Offerors, the following is an overview of the services currently provided.

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

The majority of NDPERS claims are auto-adjudicated, which means the claims can be processed without human intervention. Paper claims are scanned into an imaging system, the claim information is entered into the current vendors system and processed by data specialists. The claims that cannot be processed by the data specialist are routed to the examiners and senior examiners for processing. The Customer Service Representative can process claims and make claim adjustments with additional information they receive from the caller. Total number of claims received last year (2009) was 3,828,618 and of that number 57% were electronic. Turn-around time for claims was 6 days.

Year-end overall business as NDPERS phone calls are not tracked separately:

#### 2009 year end statistics

Abandon Rate - 1.25%  
Average Speed of Answer - 11 seconds  
% of calls answered within 30 seconds - 90.17%

#### Year to date – April 2010 statistics

Abandon Rate - 0.95%  
Average Speed of Answer - 8 seconds  
% of calls answered within 30 seconds - 94.75%

### 2. *Network Management*

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

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

NDPERS will submit enrollment, billing and premium remittance via a centralized electronic system. NDPERS will collect enrollment/eligibility information which will be provided to the successful Contractor on a data file that follows the HIPAA 834 file specifications. Premium payment information will be provided on a data file that follows the HIPAA 820 file specifications. Files will be transmitted using a secure file transmission process. The successful Contractor must be able to receive this data in that format and media.

Premiums will be eligible for salary reduction on a pre-tax basis, through IRC Section 125.

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

This function is currently performed internally by NDPERS.

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

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

#### **6. *Reporting***

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

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

An electronic copy is published at <http://www.nd.gov/ndpers/insurance-plans/vision-plan.html>



## VI. FORMAT OF PROPOSAL

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

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

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

### **1. Cover Letter**

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

### **2. Table of Contents**

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

**Information which is claimed to be confidential is to be identified on a separate sheet(s) after the Table of Contents in the Offeror's proposal. Such indication shall include the section(s) and page number(s) and a brief explanation for each claim of confidentiality shall be included.**

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

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

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

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

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

***Microsoft Excel will print 1,024 characters in each cell. Therefore, please limit the length of your response to 1,024 characters. Additional space has been provided in Attachments A-5b and A-6b: Additional Answers to Questionnaire for the Offeror to continue a response from Attachment A-5a (General Questionnaire and Attachment A-6a (Network Questionnaire) as appropriate.***

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

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

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

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

The Offeror's Legal Name entered in Attachment A-2 will automatically be used to populate the Attachment A-14: Signature Page and Attachment A-13: Deviations, in addition to other areas of the MS Excel attachments.

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

The Offeror shall review the current plan design and propose alternative plan designs in the space provided. Benefits for Alternative Plans benefits should be equal to or better than the current benefit plan and should be revenue neutral with respect to the current plan rating structure generated by the bidders underwriting guidelines. (Please note that the Offeror will provide a premium quote for all plan designs in Attachment B-2: Financial Proposal.)

**3.4. Attachment A-4: Administrative Requirements**

The Offeror shall complete the exhibit by selecting either “Agree” or “Disagree” from the drop down list next to each administrative requirement. For each requirement for which the Offeror selects “Disagree”, an explanation must be provided in Attachment A-13: Deviations.

**3.5. Attachment A-5: General Questionnaire**

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

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

**3.6. Attachment A-6: Network Questionnaire**

The Offeror shall answer each question in A-6a: Questionnaire completely/briefly in the space provided. If additional space is needed, the response can be continued in Attachment A-6b: Additional Answers to Questionnaire. Continued responses should be labeled clearly with both the Section number (A-6a) and the corresponding question number.

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

**3.7. Attachment A-7: Subcontractor Questionnaire**

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

**3.8. Attachment A-8: Access to Vision Providers (Non-Retail-Chain Providers)**

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

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

<b>Access to Vision Care Providers (Non-Retail Chain Providers)</b>	
Urban/Suburban Areas (1,000 or greater people per square mile)	1 within 10 miles
Rural Areas (Less than 1,000 people per square mile)	1 within 40 miles

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

**In addition to the standard GeoAccess hard copy report, the data must be supplied in electronic format that has read/write capabilities. Do not send the data in a read-only file.** Label the complete GeoAccess report as ***Response Attachment A-8: GeoAccess Report for Non-Retail-Chain Providers***. Part B of Attachment A-8 shows the reporting format for the Offeror's response attachment.

In addition, the Offeror shall complete the exhibit in Part C of Attachment A-8, which summarizes the GeoAccess data for vision care providers by county. Please note that the Offeror needs only to populate the highlighted cells in the exhibit; all other cells will be calculated based on the values entered in the highlighted cells.

### **3.9. Attachment A-9: Access to Retail-Chain Providers**

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

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

<b>Access to Retail-Chain Providers</b>	
Urban/Suburban Areas (1,000 or greater people per square mile)	1 within 10 miles
Rural Areas (Less than 1,000 people per square mile)	1 within 40 miles

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

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

**Attachment A-9: GeoAccess Report for Retail-Chain Providers.** Part B of Attachment A-9 shows the reporting format for the Offeror's response attachment.

In addition, the Offeror shall complete the exhibit in Part C of Attachment A-9, which summarizes the GeoAccess data for other specialists by county. Please note that the Offeror needs only to populate the highlighted cells in the exhibit; all other cells will be calculated based on the values entered in the highlighted cells.

**3.10. Attachment A-10: Disruption based on Paid Vision Care Provider Claims (Non-Retail-Chain Providers)**

The required data for Attachment A-10 is included in the MS Excel document entitled **Attachment C: Confidential Documents**. This file will be sent to only those Offerors who submit a Non-Disclosure Agreement to the Purchasing and Contracts Manager as described in Section III.1 of this RFP.

The Offeror shall agree that all confidential, proprietary or trade secret information of the Incumbent shall be used only for the express purpose of formulating a proposal for NDPERS. Offeror shall further agree that following its use of such confidential, proprietary or trade secret information, it shall take immediate action to destroy and/or render unidentifiable such information.

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

**3.11. Attachment A-11: Disruption based on Paid Retail-Chain Provider Claims**

The required data for Attachment A-11 is included in the MS Excel document entitled **Attachment C: Confidential Documents**. This file will be sent to only those Offerors who submit a Non-Disclosure Agreement to the Purchasing and Contracts Manager as described in Section III.1 of this RFP.

The Offeror shall agree that all confidential, proprietary or trade secret information of the Incumbent shall be used only for the express purpose of formulating a proposal for NDPERS. Offeror shall further agree that following its use of such confidential, proprietary or trade secret information, it shall take immediate action to destroy and/or render unidentifiable such information.

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

**3.12. Attachment A-12: Performance Guarantees**

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

The Offeror shall complete the exhibit by selecting either “Agree” or “Disagree” from the drop down list next to each performance guarantee. For each requirement for which the Offeror selects “Disagree”, an explanation must be provided in Attachment A-13: Deviations.

### **3.13. Attachment A-13: Deviations**

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

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

### **3.14. Attachment A-14: Signature Page**

The Offeror shall complete this attachment and provide documentation granting authorization for the signing officer to bind the Offeror to the agreements and representations made in the Offeror’s proposal. Label the documentation as **Response Attachment A-14: Authorization Documentation.**

### **3.15. Completed Appendices**

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

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

### **3.16. Response Attachments**

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

1. Response Attachment A-5: Certificates of Insurance
2. Response Attachment A-5: Conflict of Interest List
3. Response Attachment A-5: Offeror Resources
4. Response Attachment A-5: Additional Costs for Lens Options
5. Response Attachment A-5: Sample Member Satisfaction Survey
6. Response Attachment A-5: Sample forms
7. Response Attachment A-5: Sample Communication Documents and Enrollment Forms
8. Response Attachment A-5: Sample Reporting Response
9. Response Attachment A-5: List of Proposed Communications & Informational
10. Materials
11. Response Attachment A-5: Implementation Team Organizational Chart
12. Response Attachment A-5: Preliminary Implementation Plan
13. Response Attachment A-5: Account Management Team Organizational Chart
14. Response Attachment A-5: Account Management Support
15. Response Attachment A-6: National Network Providers
16. Response Attachment A-8: GeoAccess Report for Vision Care Providers
17. Response Attachment A-9: GeoAccess Report for Retail-Chain Providers

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

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

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

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

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

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

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

##### **4.2. Attachment B-2: Financial Proposal**

The Offeror shall propose premium rates for each requested plan design on a per month basis. NDPERS is requesting guaranteed rates for a total of two years. Years one and two should be two-year rates, years three and four should be two-year rates, and year five and six should be two-year rates.

The product of the monthly premium and the total number of contracts by tier, as shown in the exhibit, will be multiplied by a factor of 24 in order to calculate the projected cost as shown for the first two years of the contract. The same methodology will be used for each of the option periods of the contract.

##### **4.3. Attachment B-3: Premium Breakdown**

The Offeror shall provide the applicable percentage of the total premium attributable to the component of the premium listed. For any item for which the Offeror enters 0%, it will be assumed that the service is included in the premium; however, the Offeror is

unable to provide a separate percentage attributable to that item. Percentages should add up to a total of 100%.

#### **4.4. Attachment B-4: Network Composition**

The Network Composition exhibit outlines which areas your commercial network covers and which areas are covered by other networks. For each five-digit ZIP Code, NDPERS has provided the Offeror with the number of NDPERS employees, retirees, spouses and other dependents currently enrolled in the plan as of January 2017 under the heading "General Information".

For each five-digit ZIP Code, the Offeror shall provide the requested metrics for the network being proposed. For the number of lives covered, the number of vision care providers and the number of retail-chain providers, the Offeror shall base their response on their total book of business within each ZIP Code during calendar year 2016. (The Incumbent shall not base their response on the NDPERS business alone.)

For subsequent metrics, the Offeror shall base their response on the incurred claim activity of their total book of business during calendar year 2016.

#### **4.5. Attachment B-5: Provider Network**

NDPERS has provided data for a representative sample of 10 vision provider procedures. Using provider agreements of the network proposed for Alternative Plan II, please provide the allowed charge (reimbursement) and pricing methodology used in each of the three-digit ZIP Codes indicated. When more than one reimbursement amount is utilized in a ZIP Code, provide the most prevalent reimbursement.

#### **4.6. Attachment B-6: Deviations**

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

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

#### **4.7. Attachment B-7: Signature Page**

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

#### **4.8. Response Attachments**

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

- Response Attachment B-7: Authorization Documentation



## APPENDICES

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

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

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

CONTRACTOR and NDPERS agree to the following:

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

In addition, PERS by written notice to CONTRACTOR may terminate the whole or any part of this Agreement under any of the following conditions:

- 1) If funding from federal, state, or other sources is not obtained and continued at levels sufficient to allow for purchase of the services or supplies in the indicated quantities or term.
- 2) If federal or state laws or rules are modified or interpreted in a way that the services are no longer allowable or appropriate for purchase under this Agreement or are no longer eligible for the funding proposed for payments authorized by this Agreement.
- 3) If any license, permit, or certificate required by law or rule, or by the terms of this Agreement, is for any reason denied, revoked, suspended, or not renewed.

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

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

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

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

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

- 6) **ASSIGNMENT AND SUBCONTRACTS:** CONTRACTOR may not assign or otherwise transfer or delegate any right or duty without STATE'S express written consent. However, the State expressly consents to CONTRACTOR entering into (i) subcontracts with its affiliates located in the United States, and (ii) third-party subcontracts provided that any such third-party subcontract acknowledges the binding nature of this contract and incorporates this contract, including any attachments. CONTRACTOR is solely responsible for the performance of any subcontractor to the same extent as if such performance were done by CONTRACTOR. CONTRACTOR does not have authority to contract for or incur obligations on behalf of NDPERS.
- 7) **ACCESS TO RECORDS AND CONFIDENTIALITY:** The parties agree that all participation by NDPERS members and their dependents in programs administered by NDPERS is confidential under North Dakota law. CONTRACTOR may request and NDPERS shall provide directly to CONTRACTOR upon such request, confidential information necessary for CONTRACTOR to provide the services described in Exhibit A. CONTRACTOR shall keep confidential all NDPERS information obtained in the course of delivering services. Failure of CONTRACTOR to maintain the confidentiality of such information may be considered a material breach of the contract and may constitute the basis for additional civil and criminal penalties under North Dakota law. CONTRACTOR has exclusive control over the direction and guidance of the persons rendering services under this Agreement. Upon termination of this Agreement, for any reason, CONTRACTOR shall return or destroy all confidential information received from NDPERS, or created or received by CONTRACTOR on behalf of NDPERS. This provision applies to confidential information that may be in the possession of subcontractors or agents of CONTRACTOR. CONTRACTOR shall retain no copies of the confidential information. In the event that CONTRACTOR asserts that returning or destroying the confidential information is not feasible, CONTRACTOR shall provide to NDPERS notification of the conditions that make return or destruction infeasible. Upon explicit written agreement of PERS that return or destruction of confidential information is not feasible, CONTRACTOR shall extend the protections of this Agreement to that confidential information and limit further uses and disclosures of any such confidential information to those purposes that make the return or destruction infeasible, for so long as CONTRACTOR maintains the confidential information.

CONTRACTOR shall not use or disclose any information it receives from NDPERS under this Agreement that NDPERS has previously identified as confidential or exempt from mandatory public disclosure except as necessary to carry out the purposes of this Agreement or as authorized in advance by NDPERS. NDPERS shall not disclose any information it receives from CONTRACTOR that CONTRACTOR has previously identified as confidential and that NDPERS determines in its sole discretion is protected from mandatory public disclosure under a specific exception to the North Dakota public records

law, N.D.C.C. ch. 44-04. The duty of NDPERS and CONTRACTOR to maintain confidentiality of information under this section continues beyond the term of this Agreement.

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

- 8) **APPLICABLE LAW AND VENUE:** This agreement shall be governed by and construed in accordance with the laws of the State of North Dakota. Any action to enforce this contract must be adjudicated exclusively in the State District Court of Burleigh County, North Dakota.
- 9) **MERGER AND MODIFICATION:** This Agreement shall constitute the entire agreement between the parties. In the event of any inconsistency or conflict among the documents making up this agreement, the documents must control in this order of precedence: First – the terms of this Agreement, as may be amended and Second - the state's Request for Proposal (attached in Exhibit A) and Third – CONTRACTOR's Proposal (attached in Exhibit A). No waiver, consent, modification or change of terms of this Agreement shall bind either party unless in writing and signed by both parties. Such waiver, consent, modification or change, if made, shall be effective only in the specific instances and for the specific purpose given. There are no understandings, agreements, or representations, oral or written, not specified herein regarding this Agreement.
- 10) **INDEMNITY:** CONTRACTOR agrees to defend, indemnify, and hold harmless the state of North Dakota, its agencies, officers and employees (State), from and against claims based on the vicarious liability of the State or its agents, but not against claims based on the State's contributory negligence, comparative and/or contributory negligence or fault, sole negligence, or intentional misconduct. This obligation to defend, indemnify, and hold harmless does not extend to professional liability claims arising from professional errors and omissions. The legal defense provided by CONTRACTOR to the State under this provision must be free of any conflicts of interest, even if retention of separate legal counsel for the State is necessary. Any attorney appointed to represent the State must first qualify as and be appointed by the North Dakota Attorney General as a Special Assistant Attorney General as required under N.D.C.C. § 54-12-08. CONTRACTOR also agrees to defend, indemnify, and hold the State harmless for all costs, expenses and attorneys' fees incurred if the State prevails in an action against CONTRACTOR in establishing and litigating the indemnification coverage provided herein. This obligation shall continue after the termination of this Agreement.
- 11) **INSURANCE**

CONTRACTOR shall secure and keep in force during the term of this Agreement, from insurance companies, government self-insurance pools or government self-retention funds, the following insurance coverages:

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

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

- 1) Any deductible or self-insured retention amount or other similar obligation under the policies shall be the sole responsibility of the CONTRACTOR.
- 2) This insurance may be in policy or policies of insurance, primary and excess, including the so-called umbrella or catastrophe form and must be placed with insurers rated "A-" or better by A.M. Best Company, Inc., provided any excess policy follows form for coverage. Less than an "A-" rating must be approved by the State.
- 3) The duty to defend, indemnify, and hold harmless the State under this Agreement shall not be limited by the insurance required in this Agreement.
- 4) The state of North Dakota and its agencies, officers, and employees (State) shall be endorsed on the commercial general liability policy, including any excess policies (to the extent applicable), as additional insured. The State shall have all the benefits, rights, and coverages of an additional insured under these policies that shall not be limited to the minimum limits of insurance required by this Agreement or by the contractual indemnity obligations of CONTRACTOR.
- 5) The insurance required in this Agreement, through a policy or endorsement, shall include:
  - a) "Waiver of Subrogation" waiving any right to recovery the insurance company may have against the State;
  - b) a provision that CONTRACTOR's insurance coverage shall be primary (i.e. pay first) as respects any insurance, self-insurance or self-retention maintained by the State and that any insurance, self-insurance or self-retention maintained by the State shall be in excess of the CONTRACTOR's insurance and shall not contribute with it;
  - c) cross liability/severability of interest for all policies and endorsements;

- d) The legal defense provided to the State under the policy and any endorsements must be free of any conflicts of interest, even if retention of separate legal counsel for the State is necessary;
  - e) The insolvency or bankruptcy of the insured CONTRACTOR shall not release the insurer from payment under the policy, even when such insolvency or bankruptcy prevents the insured CONTRACTOR from meeting the retention limit under the policy.
- 5) CONTRACTOR shall furnish a certificate of insurance to the undersigned State representative prior to commencement of this Agreement.
- 6) Failure to provide insurance as required in this Agreement is a material breach of contract entitling State to terminate this Agreement immediately.
- 7) CONTRACTOR shall provide at least 30 day notice of any cancellation or material change to the policies or endorsements.
- 12) **SEVERABILITY:** If any term in this Agreement is declared by a court having jurisdiction to be illegal or unenforceable, the validity of the remaining terms must not be affected, and, if possible, the rights and obligations of the parties are to be construed and enforced as if the Agreement did not contain that term.
- 13) **INDEPENDENT ENTITY:** CONTRACTOR is an independent entity under this Agreement and is not a State employee for any purpose, including the application of the Social Security Act, the Fair Labor Standards Act, the Federal Insurance Contribution Act, the North Dakota Unemployment Compensation Law and the North Dakota Workforce Safety and Insurance Act. CONTRACTOR retains sole and absolute discretion in the manner and means of carrying out CONTRACTOR'S activities and responsibilities under this Agreement, except to the extent specified in this Agreement.
- 14) **NDPERS RESPONSIBILITIES:** NDPERS shall cooperate with the CONTRACTOR hereunder, including, without limitation, providing the CONTRACTOR with reasonable and timely access to data, information and personnel of NDPERS. NDPERS shall be responsible for the performance of its personnel and agents and for the accuracy and completeness of data and information provided to the CONTRACTOR for purposes of the performance of the Services.
- 15) **FORCE MAJEURE:** Neither party shall be held responsible for delay or default caused by fire, riot, terrorism, acts of God or war if the event is beyond the party's reasonable control and the affected party gives notice to the other party immediately upon occurrence of the event causing the delay or default or that is reasonably expected to cause a delay or default.
- 16) **ALTERNATIVE DISPUTE RESOLUTION – JURY TRIAL:** NDPERS does not agree to any form of binding arbitration, mediation, or other forms of mandatory alternative dispute resolution. The parties have the right to enforce their rights and remedies in judicial proceedings. NDPERS does not waive any right to a jury trial.

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

**NDPERS:**

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

**CONTRACTOR:**

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

- 18) **NONDISCRIMINATION AND COMPLIANCE WITH LAWS:** CONTRACTOR agrees to comply with all laws, rules, and policies, including those relating to nondiscrimination, accessibility and civil rights, as are applicable to CONTRACTOR. CONTRACTOR agrees to timely file all legally required reports, make required payroll deductions, and timely pay all taxes and premiums owed, including unemployment compensation and workers' compensation premiums. CONTRACTOR shall have and keep current at all times during the term of this contract all licenses and permits required by law.
- 19) **STATE AUDIT:** All records, regardless of physical form, and the accounting practices and procedures of CONTRACTOR relevant to this Agreement are subject to examination by the North Dakota State Auditor, the Auditor's designee, or Federal auditors. CONTRACTOR shall maintain all of these records for at least three (3) years following completion of this Agreement and be able to provide them at any reasonable time. State, State Auditor, or Auditor's designee shall provide reasonable notice.
- 20) **TAXPAYER ID:** CONTRACTOR'S federal employer ID number is:\_\_\_\_\_.
- 21) **PAYMENT OF TAXES BY STATE:** State is not responsible for and will not pay local, state, or federal taxes. State sales tax exemption number is E-2001, and certificates will be furnished upon request by the NDPERS.
- 22) **EFFECTIVENESS OF CONTRACT:** This Agreement is not effective until fully executed by both parties.

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

**NORTH DAKOTA PUBLIC**

**EMPLOYEES RETIREMENT SYSTEM**

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Sparb Collins, Executive Director  
ND Public Employees Retirement System

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Date

**CONTRACTOR**

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Signature

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Printed Name

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Title

---

Date



## **Appendix B – Non-Disclosure Agreement**

This Non- Disclosure Agreement (the "Agreement") is made this \_\_\_\_ day of \_\_\_\_\_ 2017, by and between \_\_\_\_\_ (hereinafter referred to as "the OFFEROR ") and the North Dakota Public Employees Retirement System (hereinafter referred to as "NDPERS").

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

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

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

6. This Agreement shall be governed by the laws of the State of North Dakota. The OFFEROR consents to personal jurisdiction in North Dakota state courts, and exclusive venue shall be in Burleigh County, North Dakota.
7. The individual signing below warrants and represents that they are fully authorized to bind the OFFEROR to the terms and conditions specified in this Agreement. If signed below by an individual employee or agent of the OFFEROR under Section 3 of this Agreement, such individual acknowledges that a failure to comply with the requirements specified in this Agreement may also result in personal liability.

Offeror: \_\_\_\_\_

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

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

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

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

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

Offeror: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

Phone Number: \_\_\_\_\_

Email: \_\_\_\_\_





**Appendix C – Historical Financial Data (Paid Basis)**

<i>Calendar Year</i>	<i>Employee Only</i>	<i>Employee &amp; Spouse</i>	<i>Employee &amp; Child(ren)</i>	<i>Employee &amp; Family</i>	<i>Paid Claims</i>	<i>Loss Ratio</i>	<i>Average Paid per Contract</i>	<i>Average Paid per Member</i>	<i>Average premium per contract per year</i>



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

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

---

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

# Memorandum

**TO:** NDPERS Board

**FROM:** Bryan Reinhardt

**DATE:** **January 18, 2017**

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

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 CONDUENT (Buck) started their proposal review process. We should have their analysis for the February NDPERS Board meeting. Below is the timeline from the RFP:

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

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



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# Memorandum

**TO:** NDPERS Board  
**FROM:** Sparb  
**DATE:** January 18, 2017  
**SUBJECT:** Actuarial Tables Update

## Background:

At the November meeting the board reviewed the following information:

*GRS has completed its work on the actuarial valuations so the next effort is to do the update on the Actuarial Reduction Tables. These tables are used in determining all the benefits except the single life benefit and for purchase of service. Therefore, this can have an affect on someone's planning for retirement. In reviewing this effort with GRS, we have agreed that they will begin this project in March and it will take up to 90 days. They are going to use the time between now and then to review our assumptions to determine if they have any recommendations for us before starting on the tables.*

*With the above in mind, staff will develop for your consideration at the January or February meeting an implementation plan for the tables. Once we have adopted that plan, we can then communicate it to our members so they can understand the affect of this change before it takes place.*

## General Implementation Plan:

Staff has met and would propose the following high level implementation plan (if this is acceptable we will develop the details for your consideration.)

1. That GRS will complete the work on the tables by July 1, 2017
2. That PERS will implement the new tables for benefits starting after July 2018. Staff is recommending this date since it will give us time to make sure all members are aware of the change, allow time to get the necessary administrative changes in place

and recognize that we have bids out that could result in changes to our both our deferred comp vendor and life vendor this summer, and vision vendor next January.

3. That PERS will announce to the membership:
  - a. This spring that the tables are being updated and when they will be implemented.
    - i. We will do this through the newsletter (see attached Maryland newsletter for an example).
    - ii. We will post a notice on the NDPERS Facebook page.
    - iii. We will update the member portal and mobile application to include the information.
  - b. That PERS will be able to provide members with benefit estimates showing the effect of the change by August 1, 2017.
4. PERS will develop an information page on the change and include it with benefit estimates starting this April.

Other items:

At the November meeting in board discussion of this matter, it was suggested that we look at the option of providing the member the “higher payment” of either the new actuarial tables or the old tables.

Jan will be at the meeting to discuss this from a legal perspective.

We also contacted GRS about this approach. They indicated none of its clients have used such an approach and they are not aware of any other employers that have adopted this method. They indicate the approach used is to set a date and all retirements processed before that date are with the current tables and retirements processed after are done with the new tables.

**Board Action Requested**

Approve or change the above high level implementation plan for the new actuarial tables.



# THE Mentor

News from the Maryland State Retirement and Pension System

ATTACHMENT D

SPRING 2016

VOL. 38 NO. 1



MARYLAND  
STATE RETIREMENT  
and PENSION SYSTEM



## SRPS to adopt new option, annuity factors July 1, 2017

**NEW OPTION AND ANNUITY FACTORS** will be in place for members of the Maryland State Retirement and Pension System (SRPS) who choose a retirement date effective on or after July 1, 2017. Option and annuity factors are used to calculate monthly retirement benefit payments for members who select an optional form of retirement allowance that reduces the retiree's Basic Allowance and may provide beneficiary protection after the retiree's death.

It is important to note that the new factors do not change the formula that is used to calculate the Basic Allowance. The new factors will have no impact on how a retiree's Basic Allowance is calculated, unless an adjustment for additional contributions or a contribution deficiency needs to be made to the member's account. For the Employees', Teachers', Local Fire and Police, and Correctional Officers' Systems, the Basic Allowance provides the largest monthly allowance

See New factors, page 3

## Gov. Hogan taps Messrs. Brotman, DiPaula, Johnson for SRPS Board

**GOVERNOR LAWRENCE J. HOGAN, JR.**, has appointed three financial professionals to serve on the Board of Trustees of the Maryland State Retirement and Pension System (SRPS).

Trustees Eric D. Brotman, James "Chip" DiPaula and Charles W. Johnson each began four-year terms on the Board in January.

The Board of Trustees is responsible for establishing investment and administrative policy and overseeing the management of the Maryland State Retirement Agency.

Trustees Brotman, DiPaula and Johnson succeed departing Trustees Robert R. Hagans, Jr., Harold Zirkin and Thurman W. Zollicoffer, Jr., who provided a combined 20 years of dedicated service and committed leadership to the \$45 billion defined benefit plan.

### Trustee Eric D. Brotman

Mr. Brotman, CFP, AEP, MSFS, is President and Managing Principal of Brotman Financial Group, Inc., an independent firm assisting clients with wealth creation, preservation, and distribution. Mr. Brotman began



Trustees Eric D. Brotman, James "Chip" DiPaula and Charles W. Johnson, clockwise from top left, are Gubernatorial appointees to the Maryland State Retirement and Pension System Board.

his financial planning practice in Baltimore in 1994, and founded Brotman Financial Group in 2003.

He is a 2006 alumnus of Leadership Baltimore County and a 2009 alumnus of Leadership Maryland, where he serves as Chairman of the Board of Directors. Mr. Brotman also serves on the Board of Trustees and is Chairman of the University Ad-



See Board, page 7

[sra.maryland.gov](http://sra.maryland.gov)

*The date of this newsletter is Spring 2016 and you will note the implementation date is July of 2017. They used a about the same time period that staff is proposing for NDPERS.*



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

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

---

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

# Memorandum

**TO:** NDPERS Board

**FROM:** Sharon Schiermeister

**DATE:** January 18, 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. The Pension Protection Act of 2006 (PPA) included a provision for a federal income tax exclusion for certain retiree health and long-term care insurance premiums. Specifically, the PPA permits eligible retired public safety officers to exclude from federal income tax, amounts paid directly from retirement plan distributions to cover the cost of certain health and long-term care insurance premiums. The maximum amount of the exclusion in any one year is the lesser of actual premiums paid or \$3,000. Because this retiree is not on the NDPERS health plan, the retiree's health premiums are not able to be deducted from the NDPERS pension, so the retiree is not eligible for this tax benefit.

The PPA does not require that plan administrators implement such a program. At the time this law went into effect, we were in the early stages of exploring options for replacing our legacy business system and the decision was made not to invest in system modifications of this nature at that time. Members of the Highway Patrol Retirement System and the Law Enforcement System would be affected by this, as well as any members of the Main system who are employed as a public safety officer.

As a result of the retiree's request, we 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 on, 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 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?**



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Bismarck, North Dakota 58502-1657

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

---

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## Memorandum

**TO:** NDPERS Board

**FROM:** Kathy

**DATE:** January 18, 2017

**SUBJECT:** ASIFlex Renewal

ASIFlex has been the administrator of the Retiree Health Insurance Credit Program since July 1, 2015. Initially the Board moved to bid the program for a 2-year period in order to give staff time to develop a proposal to incorporate the administration of the program into the PERSLink business system by 2017. At the May 2016 meeting, staff provided the Board with the significant work efforts scheduled for 2016-17. Based on this information, staff recommended, and the Board approved to defer the research regarding the internal administration for the RHIC program for two years in order to provide staff adequate time to study the implications of this administrative change.

The current contract for ASIFlex is for the July 1, 2015 through June 30, 2017 time period with the option to renew it for two subsequent two-year periods from July 1, 2017 through June 30, 2019 and July 1, 2019 through June 30, 2021. Because the work effort related to internal administration of the RHIC program has been deferred, the Board must determine whether to renew the contract for another two years or go out to bid.

Staff has no concerns about continuing its relationship with ASIFlex and recommends we contract to retain their services for another two-year period from July 1, 2017 through June 30, 2019.

**Board Action Requested**



**North Dakota  
Public Employees Retirement System**  
400 East Broadway, Suite 505 • Box 1657  
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Executive Director  
(701) 328-3900  
1-800-803-7377

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## Memorandum

**TO: NDPERS Board**

**FROM: Kathy Allen**

**DATE: January 18, 2017**

**SUBJECT: FlexComp Medical Spending Annual Limit**

At the November 2014 meeting, the Board was notified that on October 30, 2014, the Internal Revenue Service released Revenue Procedure 2014-61 announcing annual inflation adjustments to increase the annual limit for health care medical spending accounts (MSA) from \$2,500 to \$2,550 for the 2015 calendar year.

Our annual enrollment for 2015 was already in progress when the notification was received. Therefore, based on staff review, the Board was presented with several observations regarding the administrative requirements that would be necessary to incorporate this change for the 2015 plan year. The Board's action was to maintain the current limit of \$2,500 and consider any opportunity to increase the limit for future annual enrollments. Subsequently, the limit was increased to \$2,550 for the 2016 plan year, one year from the original effective date of the IRS release.

On October 25, 2016, the IRS announced an increase in the annual limit for health MSA accounts from \$2,550 to \$2,600 for the 2017 calendar year. As occurred previously, the notice was received after our annual enrollment was in progress and, therefore, presented the same challenges for implementation as those cited for 2015.

For the Board's information, limit changes are typically not released until the end of October/early November each year; therefore, this information will never be available to coincide with the release of our annual enrollment communication materials in early October. Also, the medical spending limit is determined by the Board and may be any amount within the prescribed IRS limit.

In order to address the above situation, staff is recommending that the Board consider adopting a lag policy for implementation of IRS MSA adjustments. This means the current limit increase for 2017 would be effective for the 2018 plan year. The policy would also provide staff with direction to implement these changes accordingly for future IRS limit increases without seeking Board approval.

**Board Action Requested**



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

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

---

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# Memorandum

**TO:** NDPERS Board

**FROM:** Bryan Reinhardt

**DATE:** **January 18, 2017**

**SUBJECT:** **DC RFP Update**

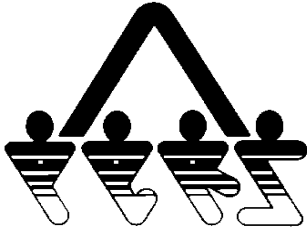
We received four proposals for our DC 401(a) & 457 Companion Plan RFP. The four vendors are: TIAA, Prudential, Nationwide, and ICMA-RC.

We received a “decline to bid” letter from EMPOWER Retirement. We also received a “decline to bid” email from Fidelity which listed the primary reasons as the onsite support requirements, the desire for lowest cost, and the two year contract duration.

Segal has started their proposal review process. We have an NDPERS Investment subcommittee meeting scheduled for the morning of February 8<sup>th</sup>. At this time we will go over Segal’s preliminary findings and decide how to proceed. We should have the analysis for the February NDPERS Board meeting. Here is the timeline from the RFP:

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

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



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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** January 18, 2017  
**SUBJECT:** Board Standing Committee Assignments & SIB appointment

As of December 2016 the PERS Board had several standing committees comprised of the following Board members:

- Investment Committee: Mr. Sandal, Ms. Y Smith, Mr. Trenbeath, Senator Dever and Ms. Wassim (alternate)
- Audit Committee: Chairman Strinden, Representative Anderson and Ms. Smith
- Benefits Committee: Casey Goodhouse, Ms. Smith, and Ms. Wassim
- Election Committee: Mr. Sandal, Mr. Trenbeath, and Ms. Wassim
- Retiree Committee: Ms Y Smith

With Tom's departure from the board and Troy's appointment we need to consider the appointments to the above committees and to the State Investment Board.

Concerning the Investment Board, state statute requires three members be appointed by PERS as specified below.

*The North Dakota state investment board consists of the governor, the state treasurer, the commissioner of university and school lands, the director of workforce safety and insurance, the insurance commissioner, three members of the teachers' fund for retirement board or the board's designees who need not be members of the fund as selected by that board, two of the elected members of the public employees retirement system board as selected by that board, and one member of the public employees retirement system board as selected by that board. The director of workforce safety and insurance may appoint a designee, subject to approval by the workforce safety and insurance board of directors, to attend the meetings, participate, and vote when the director is unable to attend. The teachers' fund for retirement board may appoint an alternate designee with full voting privileges to attend meetings of the state investment board when a selected member is unable to attend. The public employees retirement system board may appoint an alternate designee with full voting privileges from the public employees retirement system board to attend meetings of the state investment board when a selected member is unable to attend. The members of the state investment board, except elected and appointed officials and the director of workforce safety and insurance or the director's designee, are entitled to receive as compensation one hundred forty-eight dollars per day and necessary mileage and travel expenses as provided in sections 44-08-04 and 54-06-09 for attending meetings of the state investment board.*

## **Board Action Requested**

Appoint members to the PERS standing committees.



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Public Employees Retirement System**  
400 East Broadway, Suite 505 • Box 1657  
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## Memorandum

**TO:** NDPERS Board

**FROM:** Kathy Allen

**DATE:** January 18, 2017

**SUBJECT:** Annual Enrollment Update

Annual enrollment was conducted from October 17<sup>th</sup> through November 4<sup>th</sup>. Following are the enrollment statistics for the FlexComp Plan:

<u>FlexComp Plan</u>	<u>Prior to OE*</u>	<u>Contributions*</u>	<u>After OE</u>	<u>Contributions</u>
Medical Spending	2,588	\$3,941,964	2,453	\$3,475,409
Dependent Care	451	\$1,814,225	423	\$1,775,439
<b>Total</b>	<b>3,039</b>	<b>\$5,756,189</b>	<b>2,876</b>	<b>\$5,250,849</b>

Change in participation for medical spending: -5.2%

Change in participation for dependent care: -6.2%

Change in contribution for medical spending: -12.7%

Change in contribution for dependent care: - 2.14%

Following is the change in enrollment for subscriber contracts in the dental and visions plans:

	<b>2016</b>	<b>2017</b>	<b>Increase</b>
Dental	9,590	9,865	2.8%
Vision	10,334	10,722	3.6%

Enrollment change for the High Deductible Health Plan:

2016: 200 contracts  
2017: 206 contracts

We are available to answer any questions.





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# Memorandum

**TO:** PERS Board

**FROM:** Derrick Hohbein, CPA

**DATE:** January 18, 2017

**SUBJECT:** Consultant Fees for the Quarter Ended December 2016

Attached is a quarterly report showing the consulting, investment, and administrative fees paid during the quarter ended December 2016.

Attachment



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Bismarck, North Dakota 58502-1657

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## MEMORANDUM

**TO:** NDPERS Board  
**FROM:** Jamie Kinsella *Jamie*  
**DATE:** November 16, 2016  
**SUBJECT:** August 31, 2016 PERS Audit Committee Minutes

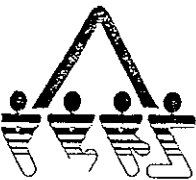
Attached are the approved minutes from the August 31, 2016 meeting. Those who attended the meeting are available to answer any questions you may have.

The minutes may also be viewed on the NDPERS web site at [www.nd.gov/ndpers](http://www.nd.gov/ndpers).

The next audit committee meeting is currently scheduled for February 15, 2017 at 10:00 a.m. in the NDPERS Conference Room.

Attachment





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Public Employees Retirement System  
400 East Broadway, Suite 505 • PO Box 1657  
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Sparb Collins  
Executive Director  
(701) 328-3900  
1-800-803-7377

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

## MEMORANDUM

TO: Audit Committee  
Jon Strinden  
Arvy Smith  
Rebecca Dorwart

FROM: Jamie Kinsella, Internal Auditor *Jamie*

DATE: September 19, 2016

SUBJECT: August 31, 2016 Audit Committee Meeting

In Attendance:

Jon Strinden (teleconference)  
Arvy Smith  
Rebecca Dorwart  
Representative Pamela Anderson (teleconference)  
Jamie Kinsella  
Julie McCabe  
Sparb Collins  
Sharon Schiermeister  
Derrick Hohbein  
Bryan Reinhardt  
Jan Murtha (teleconference)

The meeting was called to order at 1:00 p.m.

I. May 18, 2016 Audit Committee Minutes

The audit committee minutes were examined and approved by the Audit Committee.

II. Internal Audit Reports

- A. Quarterly Audit Plan Status Report – A summary of the internal audit staff time spent for the past quarter was included with the audit committee materials. Of the total hours reported, 68.42% was spent in audit and 11.8% in consulting. Discussion followed regarding setting a benchmark for benefit processing accuracy. Management is looking into this.
- B. Outstanding Issues Status Report – As stated in the Audit Policy #103, the Internal Audit Division is to report quarterly to management and the audit committee the status of the audit recommendations of the external auditors, as well as any found by the internal auditor. The report has been updated to reflect what has been accomplished during May 1, 2016 through July 31, 2016. Two issues have been resolved, leaving 15 remaining.

- C. Benefit/Premium Adjustments Report – The quarterly benefit adjustment report was provided to the audit committee. The report is in two sections, Retirement and Insurance. This report has 3 retirement adjustments. The adjustments resulted from a variety of reasons as shown on a report to the committee.

There were 11 errors found prior to check write and were able to be fixed before the first check was sent.

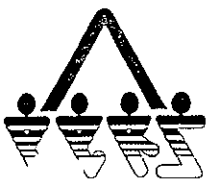
### III. Administrative

- A. Audit Committee Meeting Date & Time - The next audit committee meeting is scheduled for November 16, 2016 at 10:00 a.m.
- B. Internship Update - Michael Sisk started his internship on February 8th. He worked part-time during the spring semester, and full time over the summer. With school starting early September, he will be reducing his hours with us the end of August to prepare for school. He estimates he will be able to work 10-12 hours per week.

With the reduction in hours above, the quantity of work Internal Audit will be able to accomplish will be much reduced. Hiring temporary staff for Quality Assurance in the Benefits Division will alleviate some work that is done by Internal Audit. This will be monitored to determine if Internal Audit will need additional staff.

### IV. Miscellaneous

- A. De minimis Policy - Sharon Schiermeister presented the De minimis policy that is going before the board in September for input from the Audit Committee. Jan Murtha was available for any questions. Other pension funds have a policy in place to mitigate costs in adjusting and recovering overpayments.
- B. Retirement Payment Status Report – Sharon Schiermeister reviewed with the Audit Committee the Retirement Payment Status report. This is the result of the benefit payment statistics that are being reported to the Audit Committee. Kathy Allen, Sharon Schiermeister, Sharmain Dschaak and MaryJo Steffes have developed a plan for addressing these issues.
- C. CliftonLarsonAllen Update - CliftonLarsonAllen performed their preliminary work May 16th through May 19th. They are scheduled to conduct their fieldwork on site August 29th through September 2nd. If all goes well, they will present their audit report at the November 16th meeting.
- D. Travel Expenditures Update - There were no travel expenditures incurred by the Board and/or Executive Director for out-of-state travel for the period May 1st through July 31st, 2016.
- E. Risk Management Report - The Loss Control Committee provides quarterly to the Audit Committee a copy of the Loss Control Committee's agenda from their



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

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

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

## MEMORANDUM

TO: Audit Committee  
Jon Strinden  
Arvy Smith  
Rebecca Dorwart

FROM: Jamie Kinsella, Internal Auditor *Jamie*

DATE: September 19, 2016

SUBJECT: August 31, 2016 Audit Committee Meeting

In Attendance:

Jon Strinden (teleconference)  
Arvy Smith  
Rebecca Dorwart  
Representative Pamela Anderson (teleconference)  
Jamie Kinsella  
Julie McCabe  
Sparb Collins  
Sharon Schiermeister  
Derrick Hohbein  
Bryan Reinhardt  
Jan Murtha (teleconference)

The meeting was called to order at 1:00 p.m.

### I. May 18, 2016 Audit Committee Minutes

The audit committee minutes were examined and approved by the Audit Committee.

### II. Internal Audit Reports

- A. Quarterly Audit Plan Status Report – A summary of the internal audit staff time spent for the past quarter was included with the audit committee materials. Of the total hours reported, 68.42% was spent in audit and 11.8% in consulting. Discussion followed regarding setting a benchmark for benefit processing accuracy. Management is looking into this.
- B. Outstanding Issues Status Report – As stated in the Audit Policy #103, the Internal Audit Division is to report quarterly to management and the audit committee the status of the audit recommendations of the external auditors, as well as any found by the internal auditor. The report has been updated to reflect what has been accomplished during May 1, 2016 through July 31, 2016. Two issues have been resolved, leaving 15 remaining.

last meeting as well as the approved minutes. Copies of the March 9, 2016 minutes and the agenda for the June 8, 2016 meeting were provided to the audit committee. Bryan provided the Audit Committee an annual report of the Loss Control Committee's activities.

- F. Report on Consultant Fees - According to the Audit Committee Charter, the audit committee should "Periodically review a report of all costs of and payments to the external financial statement auditor. The listing should separately disclose the costs of the financial statement audit, other attest projects, agreed-upon-procedures and any non-audit services provided." A copy of the report showing the actuary/consulting audit, legal, investment and administrative fees paid during the quarter ended June 2016 was attached for the audit committee's information.
- G. Publications - The June 2016 publication of the Tone at the Top was provided to the audit committee for their perusal.
- H. Webinars and CPE's - Ms. Kinsella and Ms. McCabe have been participating in free Webinars that the Institute of Internal Auditors provides for their members. Each 1 hour webinar provides 1 hour of continuing professional education credits. The internal auditors have attended four webinars from May 1, 2016 through July 31, 2016. These webinars are held during the lunch hour so the internal auditors remain available to staff during normal business hours.

Meeting adjourned at 2:13 p.m.



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**Sparb Collins**  
Executive Director  
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1-800-803-7377

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# Memorandum

**TO:** PERS Board

**FROM:** Derrick Hohbein, CPA

**DATE:** January 18, 2017

**SUBJECT:** 2016 COMPREHENSIVE ANNUAL FINANCIAL REPORT

The 2016 comprehensive annual financial report has been completed. The report contains detailed financial, investment, actuarial and statistical information for the plans administered by NDPERS. You can view, download or print the report from the NDPERS website at

<http://www.nd.gov/ndpers/about-ndpers/docs/annual-report/2016-annual-report.pdf>

This year we completed the CAFR in-house instead of outsourcing the design for a savings of over \$3,400.

An email notice was sent to each participating employer notifying them that the annual report is available on the NDPERS website. The report was submitted to the Government Finance Officers Association with an application for the GFOA Certificate of Excellence in Financial Reporting.

Please let me know if you have any questions on the report.





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# Memorandum

**TO:** NDPERS Board

**FROM:** Bryan Reinhardt

**DATE:** **January 18, 2017**

**SUBJECT:** **NDPERS Retiree Subcommittee Meeting**

The NDPERS Retiree Subcommittee met on January 10<sup>th</sup>. The group discussed the retiree health plan and had no recommendations for future actions or changes. The committee thought a survey of all the members should be done to get input on the options for the wellness program. The group thought we should continue to study options for the Part-D coverage and survey the retiree membership for their input. Staff will also look at options available in the marketplace.

The minutes from the meeting are attached.

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

# NDPERS RETIREE BENEFITS COMMITTEE

January 10, 2017

## MINUTES

\* - Present

**BOARD MEMBERS:** \*Yvonne Smith

**STAFF:** \*Sparb Collins, \*Bryan Reinhardt, \*Kathy Allen, \*Rebecca Fricke,  
\*MaryJo Steffes

**Guests:**

**Interest Groups:** Bill Kalanek - AFPE/NASW, Stuart Savelkohl - NDPEA

**Membership Representatives:**

\*Dave Zentner, Weldee Baetsch, \*David Gunkel, Bill Lardy,

\*Ron Leingang Howard Sage, Denae Kautzman, \*Deb Knudsen, \*Curt Zimmerman

ND Association of Counties

### Minutes

1:30 – Sparb started the meeting and thanked everyone for coming. Sparb gave some background since the last meeting and covered the presentation. The Sanford renewal for the health plan came in at 17.4% for actives and 6.5% for retirees. Note that the retiree increase is the medical side only and the Medicare Part-D EGWP has calendar year renewals. The executive budget did not fund the entire active increase and the final rates are subject to the legislature. A buydown of 1.5%-2.5% will likely be needed and a similar buydown rate could be used on the retiree premiums. The group discusses if any future actions such as changing the plan design should be looked at. The group did not think this was necessary at this time.

Sparb passed out a handout on the wellness survey questions being asked of the membership and available on the NDPERS web site now. The group discussed the taxability of the benefit and that NDPERS will not be sending out any accounting for the retirees. Retirees are responsible for claiming any tax liability on their own. The cost to the program is about ½% of premium and the NDPERS will look at how to structure the program. The group thought a survey should be sent to the entire retiree committee to get more input than just the six that were at the meeting.

The discussion moved to the Part-D plan and if alternative plan designs should be looked at or the plan should consider unbundling the drug plan from the medical plan. The present plan monthly cost increased from \$82 to \$90.33 (10.16%) on January 1st. ESI gave several plan design options to consider that would shift costs and reduce the premium increase.

#1 – Current plan \$90.33

#2 – Add a \$100 deductible \$86.72, the \$3.61 savings (\$43.32 per year) for potential \$100 cost

#3 – Allow only generics in the coverage gap \$81.29, big savings but may be hardship for some

#4 – Closed formulary \$88.95, \$1.38 savings, not much savings but may be hardship for some

#5 – Preferred network \$89.86, \$.47 savings, not much but may be hardship for some

#6 – Change to standard plan benefits \$68.26, big savings, but at this level of coverage it would probably be best to unbundle the plan.

The group noted that at the last meeting they thought efforts should be made to target high cost members and nonformulary RX users with education on alternatives. The #3 and #4 options should be studied. David noted that there are a lot of plans that are cheaper and \$90 is a lot if the member does not use any drugs. Are we losing healthy members due to them leaving the plan to get cheaper part-D coverage? The portability of the Retiree Health Insurance Credit (RHIC) would help these members. Rebecca noted that when the RHIC became portable, the NDPERS plan did not lose many members. The group thought we should survey the retiree membership to get their thoughts. Would they prefer to choose their own RX program? Would they prefer a cheaper plan with less benefits or a higher cost plan like NDPERS with better coverage? We could also include the closed formulary and network (options 3 & 4) in the survey.

The subcommittee also discussed what is available in the marketplace. How do the best coverage plans compare to the NDPERS plan? The NDPERS EGWP plan should be competitive, but staff will check for similar plans and their costs.

3:00 – Adjourn



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# Memorandum

**TO:** NDPERS Board

**FROM:** Sparb

**DATE:** January 18, 2017

**SUBJECT:** Legislation/Executive Budget

## LEGISLATION

Attachment #1 is a list of bills relating to PERS and actions to date. We will review this at the board meeting.

You will note two new bills on the list: HB1406 & 1407 (attachments 2 & 3). Both bills propose to change the bidding/renewal methodology. HB 1407 was submitted to the Legislative Employee Benefits during the interim for review and got an unfavorable recommendation. Attachment #4 is the technical review done during the interim by Deloitte.

HB 1406 I have sent to Deloitte for review. I will forward that to you when I get it and we can discuss at the board meeting.

### Board Action Requested:

I will need your direction on the above bills concerning testimony and position of PERS.

## EXECUTIVE BUDGET

Governor Burgum is submitting his recommendation for the Executive Budget. It is my understanding that he will be updating recommendations relating to special fund agencies such as PERS. I will forward that to you when released.

updated 1/19/17

## 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 1053</a>	<a href="#">Recovery</a>	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 1/17 committee hearing	House approps	1/17/2017	8:30 AM		
<a href="#">HB 1083</a>	<a href="#">approps</a>	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 1/05 committee hearing	House approps	1/5/2017 1/17/2017	8:30 AM 9:30 AM	Medora	<b>Govt Operations Division</b> Brandenburg, chair Randy Boehning R Brabandt L Delmore K Kempenich M Nathe D Vigesaa
<a href="#">HB 1148</a>		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 1/13 hearing 9am, DO PASS 14-0-1 placed on calendar 11th order 1/18 2nd reading PASSED 85-6-3	House			Priairie Room	<b>Political Subdivisions</b> Larry Klemm, chair Pat Hatlestad Tom Beadle Rich Becker Sebastian Ertelt Ron Guggisberg Karla Hanson Mary Johnson Kim Koppelman Don Longmuir Andrew Maragos Brandy Pyle Luke Simons Nathan Toman Denton Zubke
<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	IB&L			Peace Garden	<b>Industry, Business &amp; Labor</b> George Keiser, chair Gary Sukut Tom Beadle Rick Becker Glenn Bosch Joshua Boschee Gretchen Dobervich Craig Johnson Jim Kasper Vern Laning Mike Lefor Scott Louser Emily O'Brien 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	IB&L			Peace Garden	<b>Industry, Business &amp; Labor</b> George Keiser, chair Gary Sukut Tom Beadle Rick Becker Glenn Bosch Joshua Boschee Gretchen Dobervich Craig Johnson Jim Kasper Vern Laning Mike Lefor Scott Louser Emily O'Brien Dan Ruby

nays:  
Rick Becker  
Headland  
Johnsont  
B Koppelman  
Simons

<a href="#">SB 2052</a>	<a href="#">telehealth</a>	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 1/09 hearing 9am DO PASS 7-0-0, placed on calendar 11th order 1/10 2nd reading, PASS 46-0-1 1/11 sent to House	House	1/9/2017	9:00 AM	Red River	<b>Senate Human Services</b> Judy Lee Oley Larson Howard Anderson David Clemens Joan Heckaman Curt Kreun Merrill Piepkorn
<a href="#">SB 2053</a>	<a href="#">Technical</a>	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 1/05 Hearing 11am 1/09 DO PASS 5-0-1 placed on calendar 6th order 1/10 ammendment adopted-placed on 11th order 1/11 2nd reading 46-0-1 engrossed passed 1/12 sent to House	House	1/5/2017	11:00 AM	Sheyenne River	<b>Govt &amp; Veterans Affairs</b> N Poolman, chair K Davison B Bekkedahl R Marcellais S Meyer S Vedaa

Sixty-fifth  
Legislative Assembly  
of North Dakota

**HOUSE BILL NO. 1406**

Introduced by

Representatives Carlson, Kasper

1 A BILL for an Act to create and enact a new section to chapter 54-52.1 of the North Dakota  
2 Century Code, relating to public employee uniform group health insurance benefits; to provide  
3 for application; and to declare an emergency.

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

5 **SECTION 1.** A new section to chapter 54-52.1 of the North Dakota Century Code is created  
6 and enacted as follows:

7 **Health benefits plans - Term of contract - Plan design.**

- 8 1. This section applies to a contract for hospital and medical benefits coverage under  
9 section 54-52.1-04, health maintenance organization coverage under 54-52.1-04.1, or  
10 a self-insurance plan for hospital and medical benefits coverage under section  
11 54-52.1-04.2. The term of a contract must be two years and must begin on January  
12 first of an even-numbered year.
- 13 2. The board may not sign a contract unless the terms of the plan design are consistent  
14 with the appropriation for uniform group health insurance program benefits coverage  
15 enacted by the most recent legislative assembly.

16 **SECTION 2. APPLICATION.** Notwithstanding contrary term of contract provisions, the term  
17 of a contract subject to section 1 of this Act in effect on the effective date of this Act may be  
18 increased or decreased by the shortest period necessary in order to synchronize the contract  
19 with a January 1, 2018, start date.

20 **SECTION 3. EMERGENCY.** This Act is declared to be an emergency measure.

Sixty-fifth  
Legislative Assembly  
of North Dakota

**HOUSE BILL NO. 1407**

Introduced by

Representatives Carlson, Kasper, Keiser, D. Ruby

1 A BILL for an Act to amend and reenact section 54-52.1-05 of the North Dakota Century Code,  
2 relating to the term of the public employee uniform group insurance contract for health benefits  
3 coverage; to provide for application; and to declare an emergency.

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

5 **SECTION 1. AMENDMENT.** Section 54-52.1-05 of the North Dakota Century Code is  
6 amended and reenacted as follows:

7 **54-52.1-05. Provisions of contract - Term of fully insured uniform group insurance**  
8 **contract for hospital benefits, medical benefits, or prescription drug coverage.**

9 1. Each uniform group insurance contract entered by the board must be consistent with  
10 ~~the provisions of this chapter,~~ must be signed for the state of North Dakota by the  
11 chairman of the board, and must include the following:

12 a. As many optional coverages as deemed feasible and advantageous by the  
13 board.

14 b. A detailed statement of benefits offered, including maximum limitations and  
15 exclusions, and such other provisions as the board may deem necessary or  
16 desirable.

17 2. ~~The initial term or the renewal term of a fully insured uniform group insurance contract~~  
18 ~~for hospital benefits coverage, medical benefits coverage, or prescription drug~~  
19 ~~coverage may not exceed two years.~~

20 a. ~~The board may not renew a contract subject to this subsection without soliciting a~~  
21 ~~bid under section 54-52.1-04 if the board determines the carrier's performance~~  
22 ~~under the existing contract meets the board's expectations and the proposed~~  
23 ~~premium renewal amount does not exceed the board's expectations.~~

24 b. ~~In making a determination under this subsection, the board shall:~~



(1) ~~Use the services of a consultant to concurrently and independently prepare a renewal estimate the board shall consider in determining the reasonableness of the proposed premium renewal amount.~~

(2) ~~Review the carrier's performance measures, including payment accuracy, claim processing time, member service center metrics, wellness or other special program participation levels, and any other measures the board determines relevant to making the determination and shall consider these measures in determining the board's satisfaction with the carrier's performance.~~

(3) ~~Consider any additional information the board determines relevant to making the determination.~~

e. ~~If the board determines the carrier's performance under the existing contract does not meet the board's expectations or the proposed premium renewal amount exceeds the board's expectations and the board determines to solicit a bid under section 54-52.1-04, the board shall specify its reasons for the determination to solicit a bid.~~

**SECTION 2. APPLICATION.** This Act applies to a fully insured uniform group insurance contract for hospital benefits coverage, medical benefits coverage, or prescription drug coverage in effect on or entered after the effective date of this Act.

**SECTION 3. EMERGENCY.** This Act is declared to be an emergency measure.

## Memo

**Date:** October 24, 2016

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

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

**Subject:** REVIEW OF PROPOSED BILL 17.0172.01000 REGARDING THE CONTRACT TERM FOR HEALTH BENEFITS COVERAGE

The following summarizes our review of the proposed legislation.

### OVERVIEW OF PROPOSED BILL

The proposed bill would amend Section 54-52.1-05 of the North Dakota Century Code mandating that the term of a fully insured uniform group insurance contract for hospital benefits coverage, medical benefits coverage, or prescription drug coverage may not exceed two years. This would require NDPERS to solicit bids for coverage after each biennium contract.

### EXPECTED ACTUARIAL IMPACT

We would not anticipate any material actuarial impact due to this amendment.

### TECHNICAL COMMENTS

Although we don't feel this amendment would cause any specific actuarial impact to the health insurance program we do feel that there are potential implications to the health plan marketplace in North Dakota which could impact the long term cost of coverage for NDPERS.

North Dakota is a relatively unique health plan market in that there has historically been one major health carrier. Without the leverage of the NDPERS group insurance program it is difficult for other carriers to negotiate competitive provider, facility and pharmacy contracts. As we have seen with the change to Sanford Health Plan in 2015, it takes time for a new carrier to negotiate improved discounts after being awarded the NDPERS business and many provider contract improvements are contingent upon continued coverage of the NDPERS program. Should a bid for the upcoming biennium result in NDPERS program returning to the prior carrier, the market may revert to a one carrier



Official Professional Services Sponsor

To: Legislative Employee Benefits Programs Committee  
Subject: REVIEW OF PROPOSED BILL 17.0172.01000  
Date: October 24, 2016  
Page 2

market. While requiring the program to solicit bids every biennium may seem to ensure the program is getting the most favorable financial terms due to frequent competition, it might actually result in the limitation or elimination of competition altogether. While having one major health carrier in the market may provide leverage to allow that carrier to negotiate favorable provider contracts, the lack of meaningful competition removes any pressure for that carrier to do so.

Another aspect to consider is the significant cost and effort of the carrier to implement a large client. We have found that health carriers are less likely to be aggressive with premium rates when they know that the program will go out to bid again in a short period of time. With the chance to retain the business assuming satisfactory performance and costs, carriers can be more willing to invest in the relationship i.e. be more aggressive on their rates and other guarantees. Through past experience we have found that groups who consistently bid out their coverage incur higher costs in the long run due to this. In addition, some carriers may be unwilling to bid at all knowing that the plan will go out to bid after two years.

*In addition to our comments above we worked with NDPERS staff to develop additional comments relating to the statutory provisions of the bill, implementation timeframe, bid timeframe, mitigation options and history of the plan.*

## **STATUTORY OBSERVATIONS**

As presently drafted this bill has an emergency provision. In addition Section 2 of the bill specifies the Application of the bill. Read together they indicate that if the bill is passed with the emergency clause it would become effective immediately and the board could not sign an agreement to renew the existing contract, which it has already authorized, and instead require NDPERS to solicit bids. The following timeframes are required in the statute:

1. Solicitations must be made not later than ninety days before the expiration of an existing uniform group insurance contract (54-52.1-04 NDCC)
2. Bids for a self-insurance plan are due no later than January first, and must be awarded no later than March first, preceding the end of each biennium. All bids under this section must be opened at a public meeting of the board. (54-52.1-04.2 NDCC)
3. Bids must be solicited by advertisement in a manner selected by the board that will provide reasonable notice to prospective bidders (54-52.1-04 NDCC)

If this bill was to pass with the emergency clause NDPERS may not be able to meet the statutory requirements in #1 depending on the date the bill would be signed into law. In addition, regardless of when the bill would be passed in 2017 NDPERS would not be able to meet the requirements in #2 which could eliminate the possibility of bidding the plan on a self-insured basis for the 2017-2019 biennium.

To: Legislative Employee Benefits Programs Committee  
Subject: REVIEW OF PROPOSED BILL 17.0172.01000  
Date: October 24, 2016  
Page 3

There may also be concerns with the interpretation and application of Section 2 of this bill given the restriction in Section 18 of Article I of the North Dakota Constitution relating to the impairment of contracts which states, "No bill of attainder, ex post facto law, or law impairing the obligations of contracts shall ever be passed".

## **IMPLEMENTATION TIMEFRAME**

Given the size and complexity of the NDPERS plan, changing carriers is a significant effort. Attached is the implementation schedule from the recent transition. As this demonstrates, there are many variables that must be worked through to ensure that a transition does not create difficulties in the continuity of care or benefits for participating members. At a minimum, most carriers have indicated that 90 days is necessary, with the NDPERS preference being 120 days or longer, in order to ensure continuity of coverage during the course of the transition.

## **BID TIMEFRAME**

An effective bid process must allow sufficient time for the following:

1. Preparation of the Request for Proposals (RFP)
2. Marketing the RFP
3. Allowing time for interested parties to review the RFP
4. Allowing interested parties to submit questions and receive responses
5. Allowing the interested parties sufficient time to prepare final proposals once questions have been answered
6. Time for review of the proposals by
  - a. Consultant
  - b. NDPERS Staff
  - c. NDPERS Board
7. Allowing time to interview the bidders and get best and final offers.
8. Time for unexpected contingencies. (For example in 2014/15, NDPERS rejected all fully insured bids and rebid it for a second time)

The timeline for the last bid is below. This demonstrates that the process can take over 6 months in the event there is a rebid (this does not include the time to prepare the bid).

- July 9, 2014 – Fully-insured Bid issued
- August 13th – Self-insured Bid issued for medical and prescription drug plans
- September 4th – Fully-insured Proposals Due
- October 10<sup>th</sup> – Self-Insured Proposals Due
- October 21<sup>st</sup> – Staff interview with BCBS and Sanford (Fully-insured)

- October 23<sup>rd</sup> – Board Rejects Fully-insured Bids, and issues a new RFP.
- October 29<sup>th</sup> – Fully-insured RFP released
- November 19<sup>th</sup> – Fully-insured Proposals due
- November 24<sup>th</sup> – Staff interview with BCBS and Sanford (Self-Insured)
- November 25<sup>th</sup> – Staff interview of PBM vendors
- December 4<sup>th</sup> – approved sending PBM contracts
- December 18<sup>th</sup> – NDPERS Board reviewed the Health plan bids
- January 2, 2015 – Best and Final Offer (BAFO) responses due
- January 5<sup>th</sup> – NDPERS Board Interviews BCBS and Sanford (fully-insured)
- January 15<sup>th</sup> – NDPERS Board interviews PBM vendors
- January 19<sup>th</sup> – NDPERS Board members and staff conduct a site visit of Sanford Health Plan
- February 5<sup>th</sup> – NDPERS Board reviews proposals (fully-insured, self-insured, Rx)
- February 13<sup>th</sup> – NDPERS Board continues its review of proposals (fully-insured, self-insured, Rx)
- February 19<sup>th</sup> – NDPERS Board awards bid

## **FULL BIDS VS RENEWALS**

Generally full bids occur later and are finalized by February after the development of the Executive Budget thereby allowing for several more recent months of claims data to be used in the premium projection. To the extent that the additional claims data is positive, it may reduce trend, and to the extent it is negative it can increase trend and premium. Also, since the final bid amount is not known until during the legislative session it may be higher or lower than the budget amount in the Executive budget thereby requiring adjustment during the session.

Renewals occur earlier and are finalized by September or October. As a result a final rate is included in the Executive Budget that is fixed as a maximum amount. However, since it is possible that claims data could result in a lower premium, the renewal agreements with BCBS (previous) and Sanford (current) provide(d) for a February re-projection and if the required premium is lower as a result of the additional months of experience, premiums can be reduced. If the amount needed is higher it stays as agreed in the September renewal.

## **MITIGATION OPTIONS RELATING TO IMPLEMENTATION AND BID TIMELINE**

In recognition of the above timelines for implementation and bid process, if this bill did pass with the emergency clause, consideration should be given to providing for processes in order to meet the compressed timeline. For example the bill could provide:

1. An abbreviated bidding process
  - a. Changing the notification process

- b. Recognition that not all vendors will have adequate time to respond
  - c. Automatic certification of existing carrier and previous carrier or closing the process to only existing and previous carrier
  - d. Recognition that not all options can be bid and specifying what options will not be included in the RFP.
2. A mechanism to deal with a late implementation if necessary, such as extending the contract with the existing carrier on a self-insured basis or fully insured if the option to negotiate is available.
3. Funding and funding authorization for a delayed implementation as well as the recognition of potential risk that the extension of the contract with the existing carrier may not be an option on a fully-insured basis. If the contract were extended on a self-insured basis, funding would need to be available to cover claims during this period, taking into consideration that it may not be possible to acquire stop loss insurance for such a short duration or have adequate reserves.

## **HISTORY OF PAST RENEWALS AND BIDS**

Briefly, the history of NDPERS Bids/Renewals is as follows:

- 2016 – Renewal
- 2014 – Full bid
- 2012 – Fully insured bid only (partial)
- 2010 – Fully insured bid only (partial)
- 2008 – Renewal
- 2006 – Renewal
- 2004 – Full bid
- 2002 – Renewal
- 2000 – Renewal
- 1998 – Full bid
- 1996 – Renewal

The following table provides additional detail of the history of the health plan. Please note that since 1994 the plan has had three full bids, two partial bids and seven renewals. Six of the renewals were with BCBS and one is with Sanford. Additionally, note that most years (except the current and upcoming biennium contracts) there were plan design changes or rate buy downs from the NDPERS reserves to reduce the cost of premiums.

To: Legislative Employee Benefits Programs Committee  
Subject: REVIEW OF PROPOSED BILL 17.0172.01000  
Date: October 24, 2016  
Page 6

History of Health Plan Bids/Renewals - fully insured	Consultant	State premium % increase	Plan Changes		Buydown*	Comments
Year						
2016 (2017-19) Renewal	Deloitte	17.40				Renewed with Sanford
2014 (2015-17) Full Bid	Deloitte	15.13				Self Insured Bid released August. Fully Insured bids released in July, decision in February (6-7 months). Received two fully insured bids. One from BCBS (19-20% increase and the other from Sanford (15% increase). Self funded bid estimated to cost 14.9%. Sanford selected
2012(2013-15) Partial bid - Fully Insured Only	Deloitte	10.72			\$5,772,000 (\$20.04 per active contract)	Bid was released in May, Award in Sept (4 months). Partial bid for fully insured product only due to ACA concerns. Received two bids. One from Sanford (25.49% Inc) and the other from BCBS (12.98% Inc). Selected BCBS
2010 (2011-2013) Partial Bid Fully Insured Only	Deloitte	7.40	Additional benefit requirements in the Health Care Reform Bill and the Mental Health Parity Act.			Bid was issued in June, award in Sept (2-3 months). Partial bid for fully insured product only due to ACA concerns. Received one bid from BCBS. Selected BCBS.
2008 (2009-2011) Renewal	GBS	25.50	Eliminated EPO		\$40,000 (\$14 per active contract)	Renewed with BCBS. Plan design changes reduced the carrier rate by about 2%.
2006 (2007-2009) Renewal	GBS	19.00	Increased Cost Sharing			The carrier rate was reduced from 22.9% by approximately 3% in cost shift to members through plan design changes. First \$3 million in risk deposit made.
2004 (2005-07) Full bid	GBS	13.00	Plan design changes added \$1,000 RX coinsurance maximum		\$7,062,000 (\$24.52 per active contract)	Bid was released in May and awarded in Oct (5 months). Approximately \$14.3 million was used to buy down the rate and the Feb reprojection reduced active state rates by about \$5.20 PCPM
2002 (2003-05) Renewal	Deloitte	19.00	Plan design changes		\$2,880,000 (\$10.00 per active contract)	Premium was reduced for two reasons: 1) a gain in the Feb reprojection, 2) changes in the plan design and 3) utilizing reserves to buydown the premium
2000 (2001-2003) Renewal	Deloitte	17.00	Increased Cost Sharing		See comments	Rate was reduced by approx \$7.47 as a result of setting up a reserve account with BCBS and changes in the plan design to increase member out of pocket expenses
1998(1999-2001) Full bid	Deloitte	16.00	Increased Cost Sharing		\$2,693,000 (\$9.35 per active contract)	Bid was released in October and the award was in Feb (5 months)
1996 (1997-1999) Renewal	Deloitte	14.00	Increased Benefits & Lifetime Maximum		\$5,965,000 (\$20.71 per active contract)	Rate was reduced by utilization of reserves

\* - Estimated based on 12,000 State budgeted FTE's

## **EFFECT ON MEMBERSHIP**

The effect on membership should be minimal as a result of bidding the plan more often. However if the result was changes in the carrier every two years this could have an effect on members since networks, formularies and other items may change even though there may not be any changes in the plan design.

## **OBSERVATIONS ON RENEWALS AND BIDS:**

### RFP Process (Full bids)

- RFP's for full bids were done in 1998, 2004 and 2014
- Full bid processes take about 5-7 months (after RFP's were developed). The last RFP took 7 months since more options are now requested in the NDCC.

### RFP Process (Partial bids)

- Partial bids were done in 2010 & 2012.
- Partial bids were to continue the existing fully insured contract only and did not include any self-insured arrangements
- Partial bids were done due to the uncertainty of the regulatory environment due to the ACA
- Partial bids took about 3-4 months (after RFP's were developed)

### Renewals

- Renewals were done in 1996, 2000, 2002, 2006, 2008 & 2016
- Renewals take about 2-3 months to complete.

### NDPERS Reserves

- The existing fully insured contract has a return of premium provision if it is not needed to pay claims
- The existing contract structure with Sanford and previously with BCBS returns premium to NDPERS if expenses are less than premiums. These premium returns have contributed to the NDPERS reserves.
- These reserves have been used to buy down premiums in 97-99, 99-01, 03-05, 05-07 & 13-15 bienniums.
- Since the plan has no substantial risk of loss due to this type of contract, reserves can be used to buy down premiums. If the plan were self-insured the use of reserves would be limited by the requirements in NDCC 54-52.1-04.3 which requires maintaining a minimum reserve level between 2.5 & 4.5 months of claims for adverse risk. This would amount to approximately \$20 million for each month or between \$45 and \$85 million. To the extent this level of reserves is not



available for a self-insured plan, the board would need to add this to the premium rates to establish the reserves at the required level.

## **OVERALL CONCLUSIONS AND OBSERVATIONS**

- This bill would not have a material actuarial impact on the Health Plan
- This bill could affect the willingness of new carriers to bid on the plan and could have the unintentional effect of reducing future competition for the NDPERS plan
- Having a required two year bid process versus a six year process could result in carriers being less aggressive in the bids knowing that they would face another bid in two years. A six year process may encourage carriers to invest in the relationship by being more aggressive in pricing and other guarantees.
- The emergency provision is in conflict with other timelines in the statute.
- There may be concerns with Section 18 of Article I of the North Dakota Constitution relating to impairment of contract
- If the emergency provision is passed it may not be possible to bid and implement a new plan within the timeframes. Mitigating options may need to be considered and added to the bill.
- The history of the bid process shows that full bids, partial bids and renewals have been used during the past bienniums. It also shows the plan design has changed and NDPERS Reserves have been used to mitigate premium increases. As a result the history does not indicate if any one method is more effective than the others in achieving lower premiums.
- The modified fully insured method has allowed NDPERS reserves to be used to buy down premiums in past bienniums whereas if the plan were self-insured these funds may be needed to be maintained as plan reserves in compliance with the NDCC-54-52.1-04.3
- Timing of bids and renewals is different. Bids are generally not completed until February during the legislative session which can affect the budget process if premiums come in higher than projected. In the case of renewals the amount is determined in advance of the session and is a fixed maximum number. Consequently, renewals do not have an effect on increasing premiums during the budgeting process during the session whereas bids may.
- Since bids could benefit from additional months of claims data in determining the premium, the existing renewal process was modified several years ago to have a February re-projection to take advantage of any improvements due to additional months of actual claims data. If the data shows a need for additional funding the

To: Legislative Employee Benefits Programs Committee  
Subject: REVIEW OF PROPOSED BILL 17.0172.01000  
Date: October 24, 2016  
Page 9

September agreed amount is the maximum. The modified process captures the benefit of a later projection but eliminates the risk of higher premiums.

- The effect on membership should be minimal as a result of bidding the plan more often. However if the result is changes in the carrier every two years this could have an effect on members since networks, formularies and other items may change even though there may not be any changes in the plan design. During the transfer to Sanford even though the plan design did not change some members had the above adjustments.