

NDPERS BOARD MEETING

Agenda

Bismarck Location:
ND Association of Counties
1661 Capitol Way

Fargo Location:
Sanford Health Plan
1749 38th Street South

March 30, 2017

Time: 8:30 AM

I. DC 401(a) and 457 Companion Plan Vendor Interviews

- A. 8:30 to 9:00: Staff Review of Proposals *Executive Session
- B. 9:00 to 9:40: Prudential** Executive Session
 - 1. Presentation (20 minutes)
 - 2. Questions/Answers (20 minutes)
- C. 9:45 to 10:25 TIAA** Executive Session
 - 1. Presentation (20 minutes)
 - 2. Questions/Answers (20 minutes)
- D. 10:30 to 11:10 ICMA-RC** Executive Session
 - 1. Presentation (20 minutes)
 - 2. Questions/Answers (20 minutes)
- E. 11:15 Discussion/vendor selection – Sparb (Board Action)*

BREAK

II. LIFE RFP Vendor Interviews

- A. 12:30 to 1:00: Staff Review of Proposals *Executive Session
- B. 1:00 to 1:40: Voya** Executive Session
 - 1. Presentation (20 minutes)
 - 2. Questions/Answers (20 minutes)
- C. 1:45 to 2:25: Standard Insurance** Executive Session
 - 1. Presentation (20 minutes)
 - 2. Questions/Answers (20 minutes)
- D. 2:30 Discussion/vendor selection – Sparb (Board Action)*

III. Wellness Benefit

- A. Status/update of reinstatement – Sparb & Rebecca (Board Action)

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

** Executive Session pursuant to N.D.C.C. §§ 44-04-17.1(2) and (5), 44-04-18.4(6), and 44-04-19.2(1) and (6) to hear and discuss oral presentations regarding bids or proposals received by a public entity in response to a request for proposals and to sequester all competitors in a competitive selection or hiring process from that portion of a public meeting wherein presentations are heard or interviews are conducted. (Motion is necessary)

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



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Memorandum

TO: NDPERS Board

FROM: Rebecca & Sparb

DATE: March 23, 2017

SUBJECT: \$250 Employee Wellness Benefit

As discussed in previous meetings, due to the IRS clarification memorandum issued in 2016 regarding the taxability of the benefit, the \$250 employee wellness benefit was suspended effective January 1, 2017. Staff at NDPERS and SHP has been reviewing options for this benefit, which have previously been shared with the Board. Surveys have been sent to members, wellness coordinators and the political subdivision employers to seek their input. Please see Attachment 1 as a reference to previous board memos on the topic, and Attachment 2 for the results of the various surveys.

NDPERS and SHP staffs have narrowed options for the board's consideration as follows:

Option	Pros	Cons
1. Reinstatement of the benefit.	<ul style="list-style-type: none">• Consistency within the NDPERS health plan population.• Promotes a benefit that is valued by members.• Encourages all members to engage in wellness activities, regardless of employer.• Additional programming would not be needed by NDPERS or SHP.• Could be implemented for May 1, 2017.• No additional workload for staff at NDPERS or SHP	<ul style="list-style-type: none">• Tax burden on employers May result in employers opting to leave health insurance plan if they cannot administer taxes.

<p>2. Allow an employer opt-in to select the benefit for their employees (see Attachment 3 for sample election form).</p>	<ul style="list-style-type: none"> • Employers unwilling to do the reporting would not have the tax burden. 	<ul style="list-style-type: none"> • Additional programming would be needed by NDPERS and SHP. • Additional administrative process needed to monitor annually and update based upon employer elections. • May cause confusion among members, especially if member transfers employment to employer not offering benefit. • Earliest implementation is July 1, 2017. • Employers may question why they pay same premium without this benefit.
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Regarding option 1, staff notes that the State prefers that the benefit be reinstated for all state employees. When we review the list of political subdivision survey responses, we see that the response was split 50/50 among employers, with 43 indicating they would like the benefit reinstated and 43 indicating they do not want the benefit reinstated. Upon further review, it appears many of our larger political subdivision employers would like the benefit continued. For those larger employers that indicated "No", it appears many did not have employees that utilized the benefit in 2016. However, this is not indicative of whether they will never have employees that may wish to use the benefit. In addition, survey comments show that members and wellness coordinators value the benefit and want it reinstated.

If the board elects to approve option 2, the board will need to make a determination regarding retirees and COBRA participants of employers that do not opt-in and whether these groups will be eligible for the benefit. Staff recommends that the benefit be included for all retirees and COBRA subscribers on the health plan.

Other considerations:

- 1) Regardless of which option is approved, staff will need guidance if the board is interested in exploring options for awarding additional points to participants to recognize the time period that the benefit was suspended. For example, with the launch of Novu in April 2016, an additional 4,500 points was awarded once a person completed the Novu health risk assessment. SHP estimates that the monthly benefit should equate to \$20, or 2,000 points.

- 2) Staff is working on options with SHP to provide information to employers for tax reporting purposes. We are exploring more frequent reporting including monthly, quarterly, and semi-annually. Staff will be discussing options with OMB and Higher Ed to determine the frequency that will be used. It is anticipated that regardless of the option selected, by the board, the reporting SHP will provide employers will be consistent among all employers and will utilize the same method of dissemination. This item is informational and no action is required by the board.

Board Action Requested:

1. Determine if NDPERS and SHP staff should:
 - a. Move forward with reinstatement of \$250 wellness benefit for all NDPERS covered employees and spouses, or
 - b. Adopt an employer opt-in for the benefit.
2. If employer opt-in is selected, approve staff's recommendation that the benefit be included for all retirees and COBRA subscribers on the health plan, regardless of employer's participation status.
3. Direct staff regarding whether additional research and efforts should be expended related to granting additional points or awards to participants to recognize the months that the benefit was suspended.



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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?



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Memorandum

TO: PERS Board

FROM: Sparb

DATE: October 5, 2016

SUBJECT: Taxability of Wellness Benefit

At the last Board meeting we discussed the IRS information on the taxability of wellness benefits (see attached September Board memo). It was noted that based upon the most current advice, our present wellness program benefit of \$250 is taxable. We also reviewed with you information from our meetings with our two largest payroll system administrators that indicated that it would very difficult, to impossible, to do the tax reporting on the payroll system given the present program timelines and other considerations. After discussion the Board asked staff to develop information on the effects of maintaining/eliminating the program and identify options to redirect the benefit in non taxable ways and to review them at a special Board meeting along with a suggested plan to address this situation.

Effects of Eliminating the Incentive or Maintaining the Benefit

1. In order to maintain the program for active members our participating employers must be able to do the tax reporting.
2. It seems this is difficult to impossible; therefore, we are offering a program that can not be supported by employers, thereby putting them in a very difficult position that could expose them to penalties.
3. If reporting was possible, the tax implications to the member would be seen as a reduction in the take home pay of members, which would be confusing and distressing.
4. If the program is eliminated, it will be very frustrating for our members who utilize this option. Therefore, it will be important to make sure we communicate why we took this action and provide them an opportunity to "buy into" a new program.

Redirecting or Reducing the \$250 Wellness Benefit Options

Attached is a matrix of options for the Board's consideration. Identified for each option are pros and cons as well as some comments. Overall a couple of observations:

1. The number of options is extensive.
2. There are pros and cons to most options.
3. It is difficult to effectively sort through all the options in this limited timeline.
4. The clearest option at this point is option #1 which would discontinue the \$250 wellness benefit, but continue to provide the on-line resource for members.

Suggested Plan 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 ideas that might motivate wellness in the letter we send them discussing that the program will be terminating.
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 around three or four by the first of the year.
5. We share the list with our wellness coordinators and members and ask them which one they favor.
6. We determine at the April or May meeting which option to implement on July 1, 2017.
7. By the end of October 2016, 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.

Other Items

Sanford has determined that the cost of the \$250 wellness benefit is approximately \$1.96 per member per month. In recognition of this, we will need to update our contract. Two options on how to go forward are:

1. Reduce our premiums by this amount on January 1, 2017 and amend the contract accordingly.
2. Instead of reducing premiums immediately, have this added to the close out procedure in the contract and not make it subject to the gain/loss procedure.

Board Action Requested

1. **Determine how to move forward with the \$250 wellness benefit.**
2. **If we stop it on January 1, determine how to recognize this in our contracts or close out process.**

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> <p>a. Impact to 2015-2017 premium, agreement between SHP & NDPERS regarding remaining 6 months and accounting, \$ returned to NDPERS.</p> <p>b. Impact to 2017-2019 projected premium? Apply to \$250 to buy down premium.</p>	<ul style="list-style-type: none"> Novu still available as wellness education tool & HRA (SHP requirement due to NCQA) Able to reallocate funds to reduce premium or remove benefit reduction of similar value Can be applied across all members, including retirees This could serve as a cost-savings measure to lower premiums. It would create savings the last 6 months of 2017 biennium to add to the general cash reserve fund. 	<ul style="list-style-type: none"> Loss of funds towards wellness initiatives Potential employee dissatisfaction with program as a whole. Overall decrease in participation Diminishes perceived value of program Not converting this to something that benefits member wellness could be perceived as a reduction in benefits by members. 	<p>All NDPERS members will continue to have access to the Novu portal regardless of the new direction of the wellness program.</p> <p>Worksites will continue to be able to use the portal to create special groups, wellness events and challenges.</p>
<p>2) Add SHP educators/coaches to increase the educator to coordinator ratio state-wide</p> <p>a. Offer more enhanced onsite activities</p> <p>b. Offer education-and coaching programs to retirees</p>	<ul style="list-style-type: none"> Allows additional funds to be available to worksites for wellness initiatives More education for employees Additional support for Wellness Coordinators Having more SHP educators/coaches throughout the state would allow for the following: An organizational wellness plan is developed for each NDPERS worksite; 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. NDPERS worksites would be able to offer onsite wellness services, such 	<ul style="list-style-type: none"> Employees who do wellness on their own as their employer does not offer wellness since worksite enhancements will not impact them. Field employees may not have flexibility to attend. Additional programs may need to be developed. There is a potential that agency leaders may still not engage with SHP wellness staff and/or implement wellness plans. 	<p>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."</p> <p>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.</p> <p>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.</p>

Alternatives	Pros	Cons	Observations
	<ul style="list-style-type: none"> as coaching opportunities (individual and group), including Diabetes Prevention and Tobacco Cessation, as well as blood pressure checks. This option would allow SHP to expand programming to include retirees at local community centers and gyms. 		<p>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.</p> <p>This option could be offered in combination with Options 3 & 5.</p>
3) Use funding towards other programs: <ol style="list-style-type: none"> National Diabetes Prevention Program Hypertension Tobacco Cessation – political subs/retirees Chronic Disease Management 	<ul style="list-style-type: none"> Able to offer initiatives that have been presented to Board but funding hasn't been available SHP would use the funds to deliver targeted onsite wellness classes and programs, including: <ul style="list-style-type: none"> Diabetes Prevention Hypertension Dietician Tobacco Cessation Chronic Disease Management Habit Change Individual Wellness Coaching Group Wellness Coaching 	<ul style="list-style-type: none"> Benefits only those individuals with condition, not global benefit to all members Members may not see this as a transferrable benefit if they are not interested or qualified to participate in these programs. 	<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>This option is similar to Option #2, but instead has a programmatic focus. The concept could be combined with Option #2.</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.	<ul style="list-style-type: none"> Will maintain a modest rewards system 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. 	<ul style="list-style-type: none"> The limitation of size is further diminished by our previous program. 	
5) Apply benefit to wellness improvements <ol style="list-style-type: none"> Each employer would get an allocation through 	<ul style="list-style-type: none"> Allows additional funds to be available to worksites for wellness 	<ul style="list-style-type: none"> Administration: <ul style="list-style-type: none"> Follow existing funding 	<p>SHP has received feedback from several wellness coordinators</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"> i. Stand-up desks ii. Breakroom improvements, including water dispensers to encourage hydration, refrigerators to encourage healthy lunch and snack storage, etc. iii. Incentives to encourage participation in on-site wellness education and activities, such as t-shirts. iv. Onsite education or onsite fitness activities; v. Leadership training; and/or vi. Employee recognition programs. 	<p>initiatives</p> <ul style="list-style-type: none"> • Incentives may help keep employees engaged in the wellness programs. • <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> • <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> 	<p>program criteria?</p> <ul style="list-style-type: none"> ○ Application process ○ Distribution between various size employers, state vs political sub • Establishing eligible use of funds difficult if existing criteria not followed: <ul style="list-style-type: none"> ○ Equipment if purchased by state is then state property, NDPERS or employer? ○ Programs viewed as unfavorable use of taxpayer dollars • Retirees and those employees who do wellness on their own as their employer does not offer wellness since worksite enhancements will not impact them. • Based on examples provided, are these items valued by employees. • <i>Might be difficult to maintain a perception of equity across members using this approach.</i> 	<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"> • Would allow funds earned to be diverted into an account to be used by member towards out of pocket expenses • Can be established for both actives & retirees • Flexibility for participants in use of funds • May help keep employees engaged in wellness activities • <i>Allows members to spend dollars on</i> 	<ul style="list-style-type: none"> • Administrative fees – who would pay • Set-up & administration – worth the \$250 benefit? • Would require monitoring to confirm eligibility of funds expended. • <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> 	<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"> <i>Distribution and loading accounts would carry administrative complexity and would require a strong specialized customer service arm.</i> 	
7) Premium waiver/reduction	<ul style="list-style-type: none"> Encourages completion of specified wellness activities for achieving specific wellness goals. May help keep employees engaged in wellness activities <i>Employees who attest to being tobacco free could be eligible for a premium and/or deductible reduction.</i> 	<ul style="list-style-type: none"> If state continues to pay full family, this option doesn't help state employees. Administration: <ul style="list-style-type: none"> Criteria to be established Confirmation mechanism When is reduction applied? <i>Will need to be sensitive towards discrimination laws and statute</i> 	<p>Per Ice Miller, need to review impact of GINA & 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"> a. Reduce deductible b. Increase \$200 preventive screening benefit in GF plan 	<ul style="list-style-type: none"> Encourages completion of specified wellness activities for achieving specific wellness goals. May help keep employees engaged in wellness activities <i>Employees who attest to being tobacco free could be eligible for a premium and/or deductible reduction.</i> <i>This could be referred to as the Tobacco-free Deductible Discount.</i> 	<ul style="list-style-type: none"> Administration: <ul style="list-style-type: none"> Criteria to be established Confirmation mechanism When is reduction applied? Reprocessing of claims/Timing? Would not apply to Medicare retirees. <i>Will need to be sensitive towards discrimination laws and statute</i> 	<p>Per Ice Miller, need to review impact of GINA & 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"> Allows additional funds to be 	<ul style="list-style-type: none"> Retirees and those employees who 	<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"> • May result in improved overall health and reduce health plan costs. • <i>Employees who are thriving in all 6 dimensions of wellbeing can have up to 40 percent less health care costs.</i> • <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> • <i>Aggregated data is provided to the employer, providing the employer with insight on the overall health and wellbeing of their employees.</i> 	<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"> • Difficult to have statewide access • Perceived value of benefit to employees. • <i>Employees who are not on the NDPERS plan would not be eligible, unless the employer paid for them directly.</i> 	<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"> • Provides benefit similar to Fitness Center Reimbursement to those that utilize it • <i>Reduces the financial barrier of joining a gym.</i> 	<ul style="list-style-type: none"> • Limited timeframe to negotiate with facilities statewide • Access retirees/actives living outside ND • Does not address online portal and members that received benefit directly through this option. • Difficult to administer if done as a payroll deduction with multiple payrolls. Also would not work if deduction for retirees. • Many facilities already provide an employer discount to employees • <i>Everyone gets it, so it is no longer a reward for active gym-goers.</i> • <i>There are no guarantees that gyms will participate.</i> 	<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"> • Employer discretion • Political subdivisions already have this as an option and a few offer this already. • <i>Would be well-received by members.</i> 	<ul style="list-style-type: none"> • Who pays for this? Allocate wellness funds to employers? • Retirees and those employees who do wellness on their own as their employer does not offer wellness since worksite enhancements will not impact them. • <i>Attainment of "wellness goals" may be difficult to define and measure.</i> 	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"> • Allows additional funds to be available to worksites for wellness initiatives • May result in improved overall health and reduce health plan costs. • <i>Creates convenience in accessing care and impacts presenteeism.</i> 	<ul style="list-style-type: none"> • Difficult to have statewide access • 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 hire adequate, trained staff. Onsite clinics are most efficient when a high volume of staff is in one location; therefore, it would be difficult to create equity across all NDPERS sites. 	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"> • Would allow employees the opportunity to use the rewards for a variety of options on a pretax basis 	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"> a. Nutritionist b. Nurse c. Doctor 	<ul style="list-style-type: none"> • Allows additional funds to be available to worksites for wellness initiatives • May result in improved overall health and reduce health plan costs. • <i>Can assist with prevention efforts and offers convenience.</i> 	<ul style="list-style-type: none"> • 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 hire adequate, trained staff. 	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"> • <i>Would work well where there is a large concentration of members, such as the Capitol area and surrounding agencies.</i> 	<ul style="list-style-type: none"> • <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> 	
15) Retirees – continue to offer \$250 benefit a. Offer both Novu & Fitness Center b. Reduce to only offer Fitness Center	<ul style="list-style-type: none"> • May help keep retirees engaged in wellness activities • <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> 	<ul style="list-style-type: none"> • Lose consistency between active & retiree population • How to handle new retirees and transition from active to retired status • How to handle retirees that return to work and have employer page insurance • Equity issue between the two populations. • <i>Could create dissatisfaction that only some members are continuing to receive the benefit.</i> 	<i>Retirees struggle with the Novu online interface; therefore, maintaining only the fitness center reimbursement is recommended.</i>



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Memorandum

TO: PERS Board
FROM: Rebecca
DATE: September 14, 2016
SUBJECT: Taxability of Wellness Benefit

At the August meeting, staff reviewed an IRS Advice that clarified the taxability of wellness benefits. Since the meeting, NDPERS staff and legal counsel have discussed the Advice with Ice Miller, a national law firm that deals specifically with employer and benefit issues. Ice Miller concurred with Deloitte's assessment that the NDPERS \$250 wellness benefit would not be considered de minimis by the IRS and therefore, should be included as taxable income on an employee's W2 and subject to payroll taxes. Ice Miller also agreed that the reporting should reflect the amount of benefit paid in the calendar year. Therefore, fitness center reimbursements for December 2016 that are paid in 2017 should be included as taxable income for the 2017 calendar year, rather than 2016. The firm did confirm that for retirees, the amount of the benefit falls below the 1099 reporting requirements. However, they did recommend that notice be provided to the retirees that the benefit is taxable. NDPERS plans to provide this insert with upcoming mailings already scheduled to be sent to the retirees.

Staff also met with OMB to discuss the IRS Advice and the implications for payroll and tax reporting purposes for the employer. The burden for compliance with this provision will fall on our participating employers since they must do the tax collection and reporting.

OMB discussed with us the difficulty in administering this as a taxable benefit. Specifically discussed were:

- Obtaining the data and integrating it into the payroll system would be cumbersome as it is not a benefit paid through OMB. In order for the benefit to be reported as taxable income and to have payroll taxes withheld, the information would need to either be manually entered into the payroll system by each agency, or the payroll system would need to be enhanced to accept a file feed of this information.

- Timely reporting of the benefit would be required to ensure that payroll taxes can be withheld from the employee's pay in the appropriate tax year. This can not occur within the current redemption timeframe, which allows redemption up until midnight on December 31, as there would no longer be a pay period in the current tax year to withhold the required payroll taxes.
- The amount of tax that may be withheld if the reporting is done at the end of the year could be significant. Since the benefit does not fall under the category of regular pay, the federal tax withholding rate is 25%. An additional 7.65% in FICA taxes would be withheld along with state tax withholding. If the full benefit amount is reported on a single paycheck, this could result in a significant reduction in the employee's net paycheck as a result of the additional tax withholding. This would likely result in concerns from employees.

Some other employee specific issues and questions on reporting requirements that were considered include:

- How reporting should be done if both the subscriber and the spouse are state employees and both on the payroll system. Guidance from Deloitte is that the employee who is the subscriber should be the responsible party for the spouse's benefit and it should be reported as the subscriber's taxable income. This may not be perceived as equitable by the subscriber.
- How reporting should be done if an employee transfers employment during the year. For example, if an employee received fitness center reimbursements for 10 months based upon employment with a county and then transferred to the state for the final 2 months of the year, who is responsible for reporting the benefit and the applicable taxes? If reporting is only done at year-end, the employer at the end of the year has a liability for months that the employee was not employed by them.
- How reporting should be done for retirees who were active employees for part of the year and then retired for the remainder of the year. Should the employer report the amount of benefits that were received by the employee during the months employed, and if so, how would tax withholdings be done when there are no further paychecks.

As noted, the implications for employers and payroll are significant and staff wanted to provide an update since the last meeting regarding the discussions held with Ice Miller and OMB, as well as, the concerns expressed by OMB. Staff will also be meeting with Higher Education before the next meeting to solicit their thoughts. However given the above, it appears there would be a significant effort required on the part of our employers and the implications for our members are troublesome as well.

Staff recommendation:

In recognition of the above staff is recommending:

1. That staff develop options for the board's consideration to be discussed at a special meeting in early October. Given the need to address this before the beginning of the tax year we should have a plan in place to communicate to our employees and employers no later than the end of October.
2. The options to be considered will include:
 - a. Redirecting the incentive so it is not taxable
 - b. Reducing the incentive so it is not taxable
 - c. Effects if the incentive is eliminated
 - d. Effects if the incentive is maintained

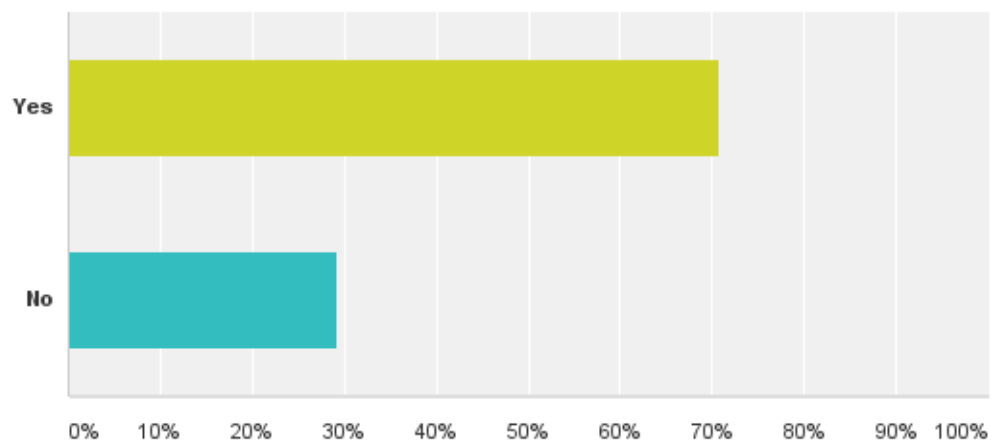
Member Feedback

- 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?

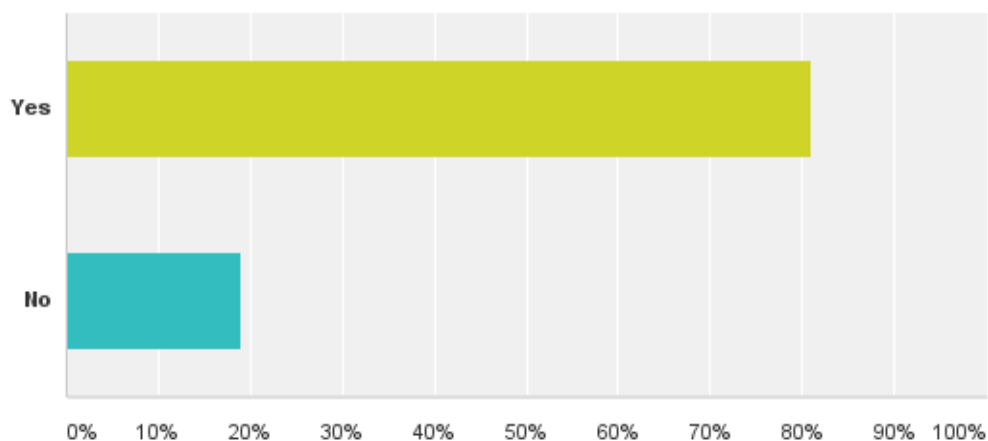
Answered: 4,200 Skipped: 0



Retirees Only

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

Answered: 42 Skipped: 0

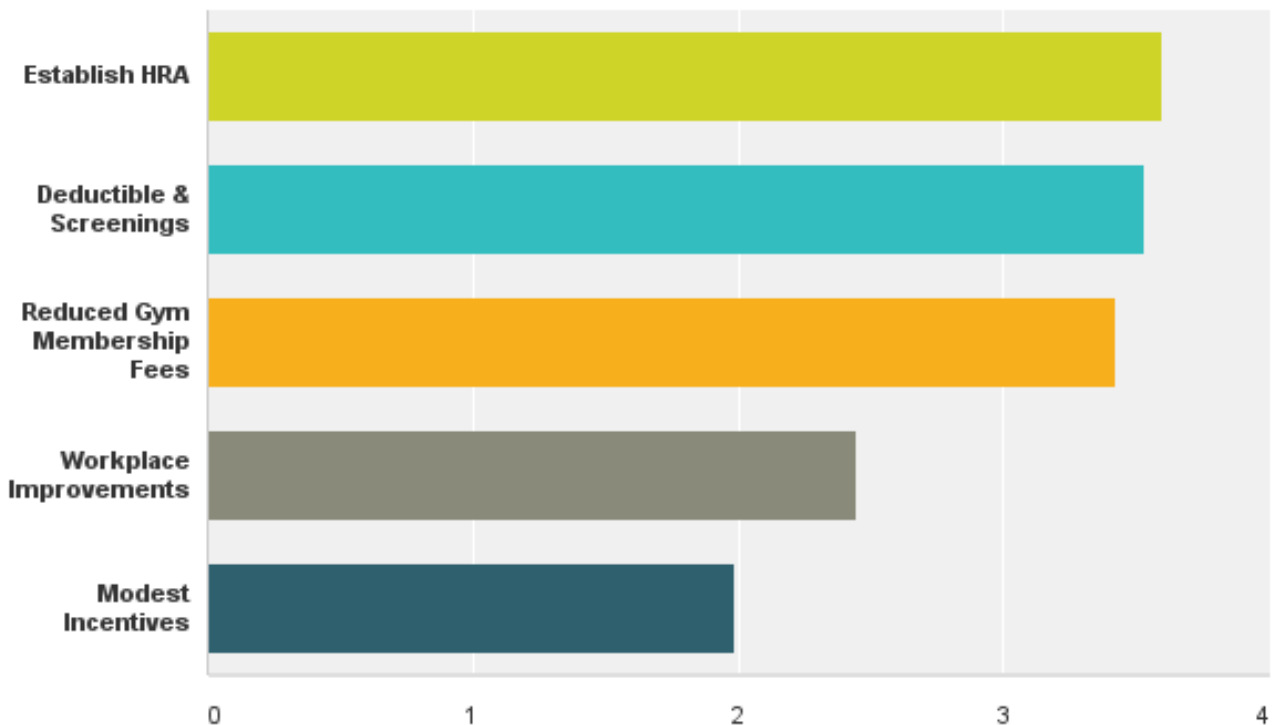


Substituting the \$250 Wellness Benefit

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

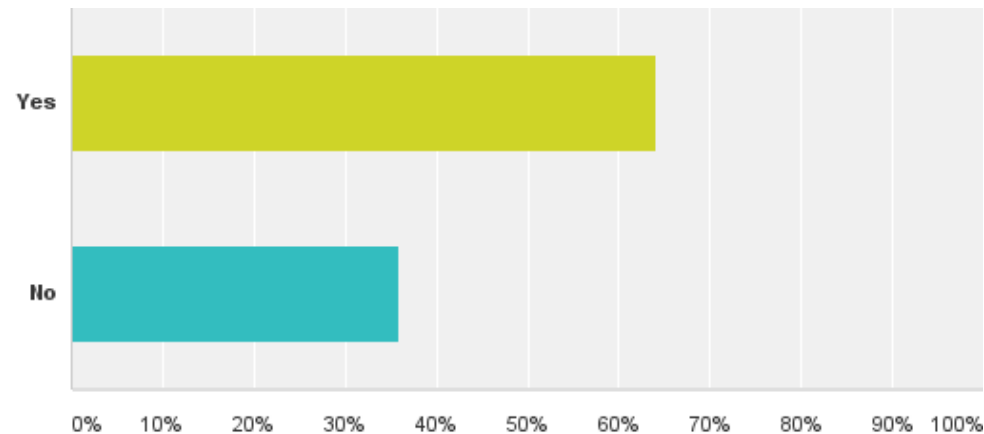
If the existing \$250 Wellness Benefit can be substituted, rank the following alternatives. 1 indicates the most preferred alternative.

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 Coordinator Feedback

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

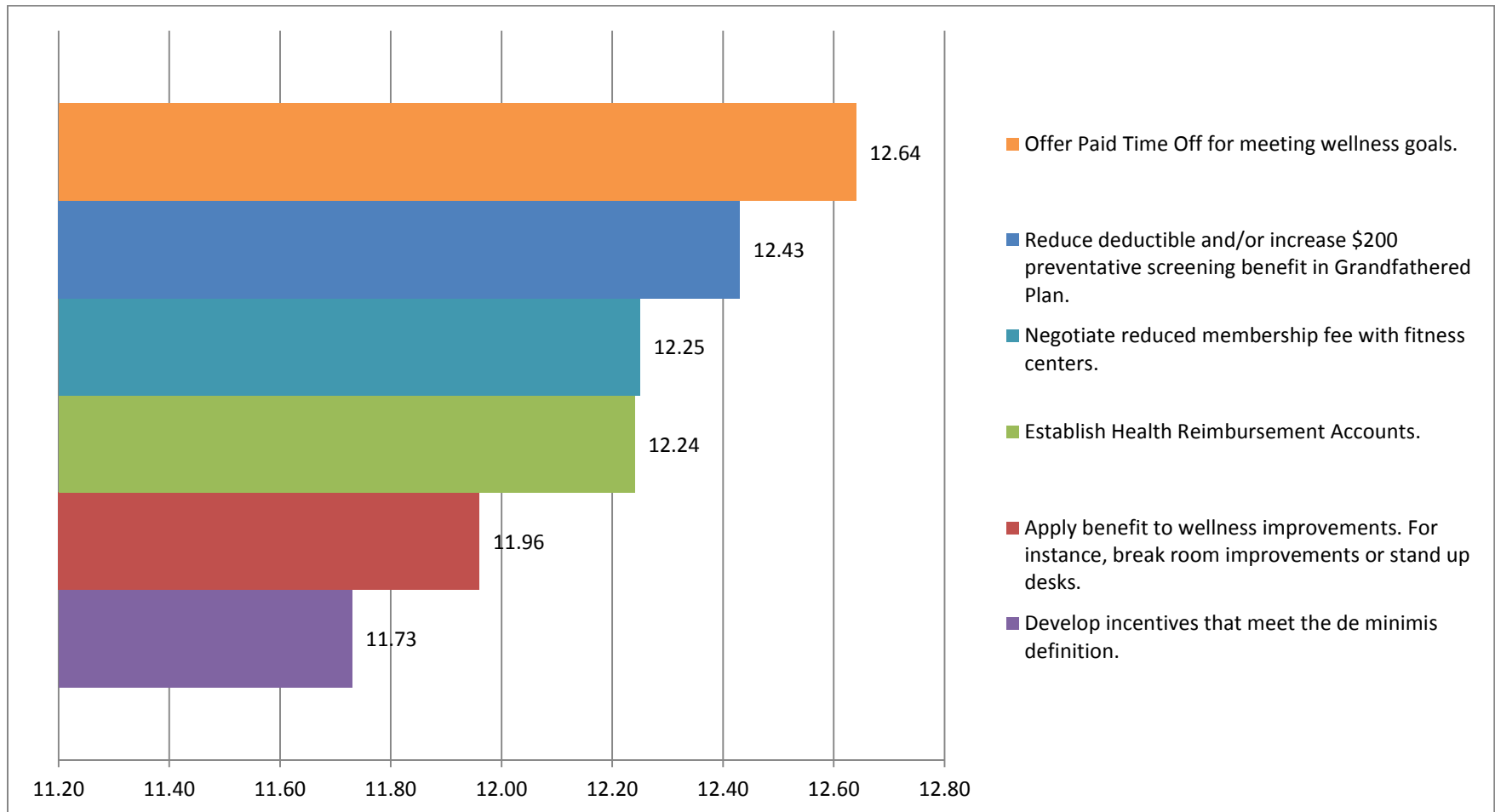
Q1: As a wellness coordinator, do you believe NDPERS should try to keep the \$250 Dakota Wellness Program Benefit as is? (Taxability of the redeemed amount per member applies.)



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



EMPLOYER SURVEY & FEEDBACK

Date

Organization Director

OrgName

Mailing Address

City, State, ZIP

Dear Employer,

Effective January 2017, the \$250 Wellness Benefit was temporarily suspended due to an IRS Clarification on the Taxability of this benefit. Information was sent to employers in November 2016 and is available online. NDPERS informed employers we would survey members, wellness coordinators, and employers. Members and wellness coordinators' survey results indicated a significant preference to reinstate the \$250 Wellness Benefit even with the payroll tax implications (view back of page).

With the assistance of the Sanford Health Plan (SHP) team, reports compiling members' redemption of the wellness benefit were made available to employers for payroll tax reporting. Numerous employers requested these reports and successfully applied employer and employee payroll taxes on any redeemed wellness benefit amounts, including the ND Office of Management and Budget (OMB).

NDPERS has continued to research options to reinstate the \$250 Employee Wellness Benefit. At this point, NDPERS requests employers to provide input by Monday, March 13, 2017 on the following. *Only one response will be accepted per organization.*

If you have any questions, contact Rebecca Fricke at (701)328-3978 or rfricke@nd.gov.

Regards,

North Dakota Public Employees Retirement System



Organization Name:

Org ID:

Would your organization be interested in the reinstatement of the \$250 Employee Wellness Benefit even with the tax implications to the employer? Please circle yes or no.

YES

NO

Additional comments:

Please respond by March 13, 2017 by mail or online at <https://www.surveymonkey.com/r/NDPERSEmployer>.

Survey Results

I. Member Feedback

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

II. Wellness Coordinator Feedback

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

Org ID	Name of Organization	Answer	Additional Comments	Enrolled Employees	Redeemed benefits	Received Reporting
200004	City of Fessenden	No		2	0	No
200006	City of Belfield	No		8	0	No
			I do not have anyone that participates in this benefit, so I do not feel that it impacts us at this time. I do not feel that it would be a huge undertaking, however.	15		No
200010	City of Cavalier	Yes		404	151	Yes
200014	City of Grand Forks	Yes	Sanford should mail out in January, not March like the Insurance part was.... What benefits each employee received on the wellness part.	6	2	No
200017	City of Wishek	No		3	0	No
200022	City of Ray	No		6	0	No
200025	City of Medora	No		121	20	Yes
200027	City of Mandan	Yes		4	0	No
200028	City of Thompson	Yes		221	11	Yes
200029	City of Williston	Yes		18	0	No
200031	City of Tioga	Yes		3	0	No
200032	City of Stanton	Yes		757	206	Yes
200035	City of Fargo	Yes	Please have this reinstated--it would be so great. I attend the gym regularly, and would absolutely love this bonus. Thanks!	2	0	No
200041	City of Harwood	Yes		156	25	Yes
200043	City of Dickinson	Yes				

Org ID	Name of Organization	Answer	Additional Comments	Enrolled Employees	Redeemed benefits	Received Reporting
200046	City of Wahpeton	No		27	10	Yes
200050	City of Rugby	Yes		13	9	No
200053	City of Gwinner	Yes		3	0	No
200054	City of Kenmare	No		5	0	No
200060	City of Mott	No		1	0	No
200063	City of Lamoure	No		4	0	No
200068	City of Center	No		6	0	No
200074	City of Mayville	Yes		6	0	No
200087	City of Ashley	Yes		4	0	No
200104	City of Lisbon	Yes		8	0	No
300003	Benson County	No		39	1	No
300005	Bottineau County	No		67	6	Yes
300006	Bowman County	No		32	5	Yes
300007	Burke County	No		35	5	Yes
300008	Burleigh County	Yes		257	79	Yes
300011	Dickey County	Yes		45	10	Yes
300013	Dunn County	Yes		88	32	Yes
300014	Eddy County	No		23	2	
300015	Emmons County	No		34	7	Yes
300020	Griggs County	Yes		26	3	Yes
			We need to know exactly how the benefit should be taxed. In Payroll or just on the W-2 as a lump sum.			
300022	Kidder County	Yes		24	8	Yes
300023	Lamoure County	Yes		41	14	Yes

Org ID	Name of Organization	Answer	Additional Comments	Enrolled Employees	Redeemed benefits	Received Reporting
300024	Logan County	Yes		19	5	Yes
300025	McHenry County	Yes		38	9	Yes
300028	McLean County	Yes		104	45	Yes
300030	Morton County	Yes		132	47	Yes
300032	Nelson County	No		40	2	No
300033	Oliver County	No		16	1	Yes
300034	Pembina County	No		60	18	No
300035	Pierce County	No		51	13	Yes
300037	Ransom County	No		41	6	Yes
300039	Richland County	Yes		77	16	Yes
300040	Rolette County	No		31	4	Yes
300045	Stark County	Yes		109	35	Yes
300046	Steele County	Yes		25	10	No
300047	Stutsman County	No		117	27	Yes
300048	Towner County	Yes		23	1	No
300049	Traill County	No		61	6	No
300051	Ward County	Yes		243	43	Yes
400003	Lake Region Special Ed Unit	No		40	4	Yes
400027	Belcourt School Dist #7	Yes		179	2	No
			To my knowledge none of my employees			
400030	Belfield Public School #13	Yes	use this.	18	0	Yes
400040	Lisbon Public School	No		53	2	No
400072	Killdeer Public School #16	Yes		39	0	No
400075	Williston Public School #1	Yes		299	16	No

Org ID	Name of Organization	Answer	Additional Comments	Enrolled Employees	Redeemed benefits	Received Reporting
400092	Kulm Public School Dist #7	No		12	0	No
400096	Glen Ullin Public School #48	No		18	1	No
400103	Devils Lake Public School	No		268	37	Yes
400104	Mt Pleasant School Dist #4	No		35	1	No
400137	New Salem Almont School Dis	Yes		34	2	No
500011	Dickinson Park District	Yes		1	0	No
500012	Burleigh City Housing Authorit	Yes		39	2	Yes
500017	Carnegie Regional Library	No		1	0	No
500019	R & T Water Supply Assn	No		7	1	No
500023	Walsh County Housing Author	No		1	1	No
500031	Central Plain Water District	No		2	0	No
500032	Northeast Regional Water Dist	No		8	0	No
500034	Tri-County Water District	No		3	1	No
500037	Mandan Park District	Yes		22	13	Yes
500041	Bismarck Rural Fire Protection	No		10	4	No
500042	Morton Water Resource Distric	No		6	0	No
			Do not want additional taxes by our			
500063	Southwest Water Authority	No	organization.	49	20	Yes
500067	Minot Commission on Aging Ir	Yes		16	5	Yes
500070	South Central Adult Services	No		12	0	No
500074	GGF Senior Citizen Association	Yes		13	3	Yes
500082	Grand Forks Public Library	Yes		17	5	No

Org ID	Name of Organization	Answer	Additional Comments	Enrolled Employees	Redeemed benefits	Received Reporting
	Grand Forks Metropolitan					
500107	Planning Organization	No		3	1	No
500108	ND Firefighters Association	Yes		2	0	No
500111	Mcintosh County Housing Autl	No		1	0	No
	Foster County Soil					
500112	Conservation District	No		1	0	No



NDPERS Wellness

EMPLOYER ELECTION TO PARTICIPATE IN EMPLOYEE WELLNESS INCENTIVE

 NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
 SFN xxxxx (Rev. 03/2017)

 NDPERS • 400 East Broadway • PO Box 1657 • Bismarck • North Dakota 58502-1657
 (701) 328-3900 • 1-800-803-7377 • Fax 701-328-3920

PART A EMPLOYER INFORMATION

Organization Name		Organization ID
Name of Organization's Head/Contracting Authority		
Mailing Address		
City	State	ZIP Code + 4

PART B AGENCY HEAD/CONTRACTING AUTHORITY ACKNOWLEDGEMENT

As signified by my signature on the bottom of Part B, I elect to offer the NDPERS \$250 Employee Wellness Benefit to employees enrolled in the NDPERS Dakota Plan Group Health Insurance. I understand this benefit is also available to the member's covered spouse. I FURTHER understand this benefit is taxable per IRS guidelines and that we, the Employer, will be responsible for withholding and reporting, as taxable income, the benefits received by the employee and/or the covered spouse.

I understand this election is for a calendar year (January 1 through December 31), and that in order to discontinue the \$250 Employee Wellness Benefit, I must notify NDPERS in writing no later than November 30 prior to January 1 of a new calendar year.

Signature of Agency/Subdivision's Head/Contracting Authority	Date
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PART C EMPLOYER CONTACT INFORMATION

I designate the following person as this employer's payroll contact authorized to receive reporting - from Sanford Health Plan (SHP) listing any benefit amounts redeemed by employees and their covered spouses within my employer. I understand this information will be used for withholding and reporting the necessary tax information.

Name of Employer Contact		
Telephone Number	E-Mail Address	
Mailing Address		
City	State	ZIP Code + 4