NDPERS BOARD MEETING

Agenda

Bismarck Location:
ND Association of Counties
1661 Capitol Way
Fargo Location:
Sanford Health Plan
1749 38th Street South

May 8, 2018 **Time: 8:30 AM**

I. MINUTES

A. April 10, 2018 minutes

II. PRESENTATIONS

A. (45 minutes) Sanford Executive Summary 2017 Quarter 4
B. (15 minutes) CAFR

III. **GROUP INSURANCE**

A. Dental RFP Evaluation – Bryan (Board Action) *Executive Session
B. Applied Behavioral Analysis – Rebecca (Information)
C. Diabetes Prevention Program Options for 2019-21 – Rebecca (Board Action)
D. Managed Care Option – Sharon (Board Action)
E. 2017 SHP Claims Review – Bryan (Information)
F. Health Plan Renewal – Sharon (Information)
G. Mental Health Benefits Overview – Sharon (Information)

IV. RETIREMENT

A. Actuarial Audit – Sharon & Bryan (Board Action)
B. Employer Group Termination – MaryJo (Board Action)

V. FLEX COMP

A. RFP Update – Bryan (Information)

VI. MISCELLANEOUS

A. Board Election Update – Jan (Information)
B. Budget – Derrick (Information)
C. Legislative Committee Update – Sharon (Information)
D. Executive Director Update – Sharon (Information)

*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)

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

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

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

Fax: (701) 328-3920 Email ndpers-info@nd.gov Website https://ndpers.nd.gov

Memorandum

TO: NDPERS Board

FROM: Sharon Schiermeister

DATE: May 8, 2018

SUBJECT: Sanford Quarterly Report

Attached is the Sanford Executive Summary 2017 Quarter 4. They will be at the meeting to review the report and answer any questions you may have.

NDPERS Executive Summary

Quarter 4 | 2017

Presented April 2018

NORTH DAKOTA
PUBLIC EMPLOYEES
RETIREMENT SYSTEM

SANFORD
HEALTH PLAN

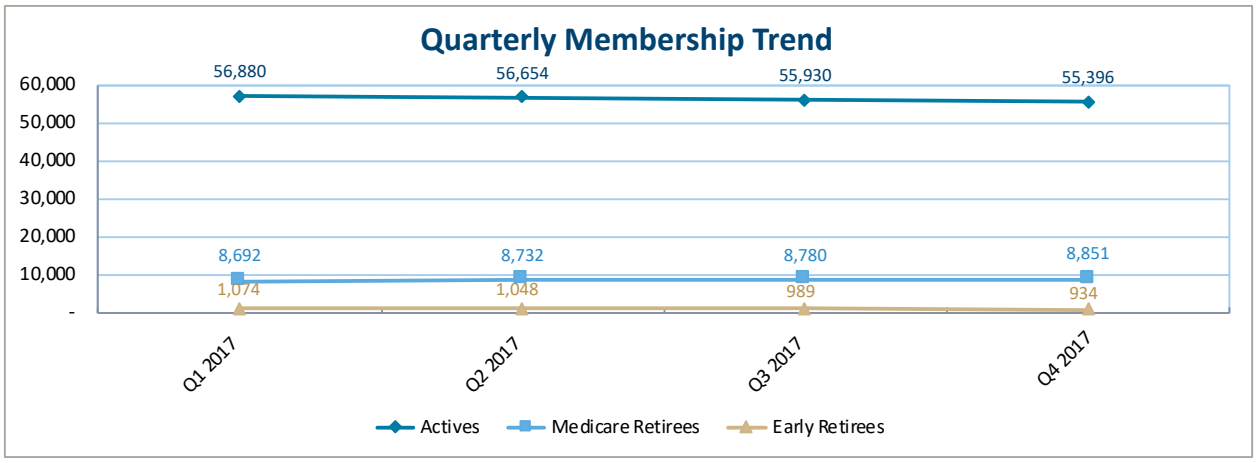
CONTENTS

ANNUAL MEMBERSHIP SUMMARY

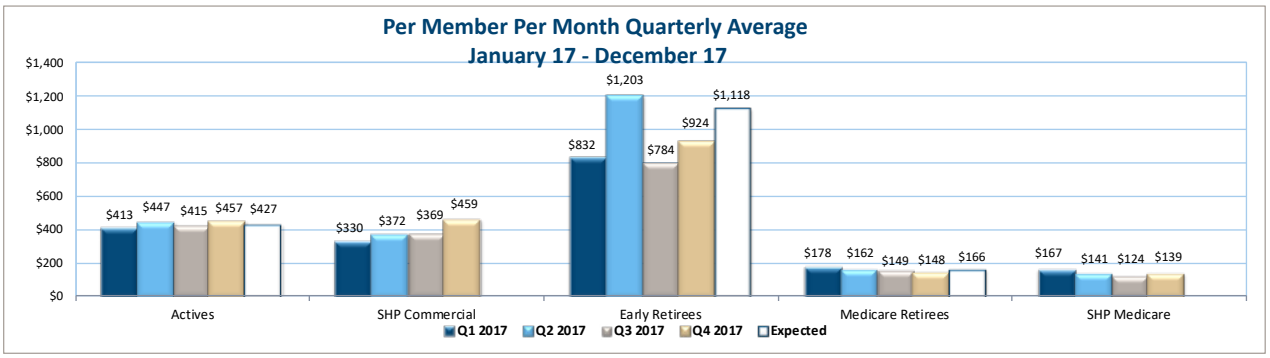
Summary

MEMBERSHIP COMPARISON						PERCENT CHANGE
	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q4 2016 – Q4 2017
Actives	56,769	56,880	56,880	55,930	55,396	-2.4%
Medicare Retirees	8,673	8,692	8,732	8,780	8,851	2.1%
Early Retirees	1,061	1,074	1,048	989	934	-12.0%

MEMBERSHIP TREND



PMPM SUMMARY



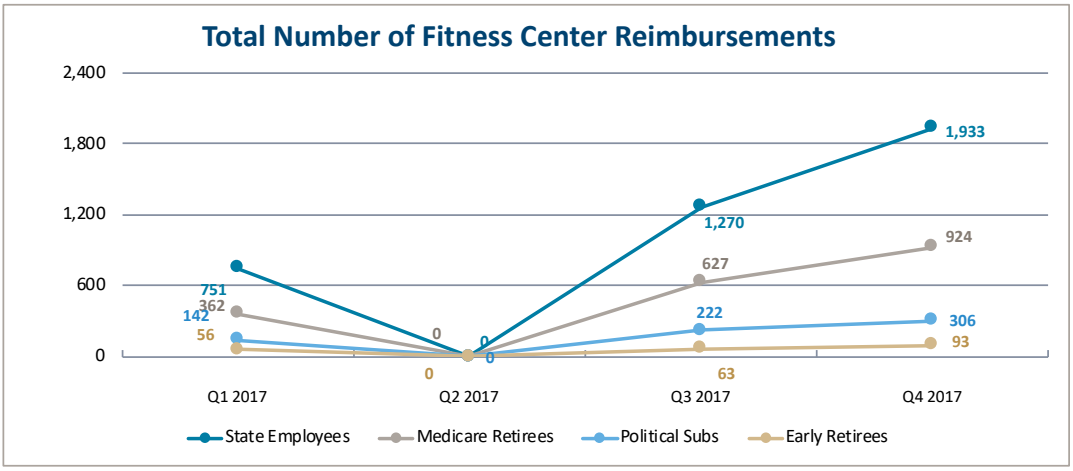
*Incurred between January 1, 2017 and December 31, 2017 and paid through February 28, 2018. Includes IBNR for January 2017 through December 2017, as of February 28, 2018.

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

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

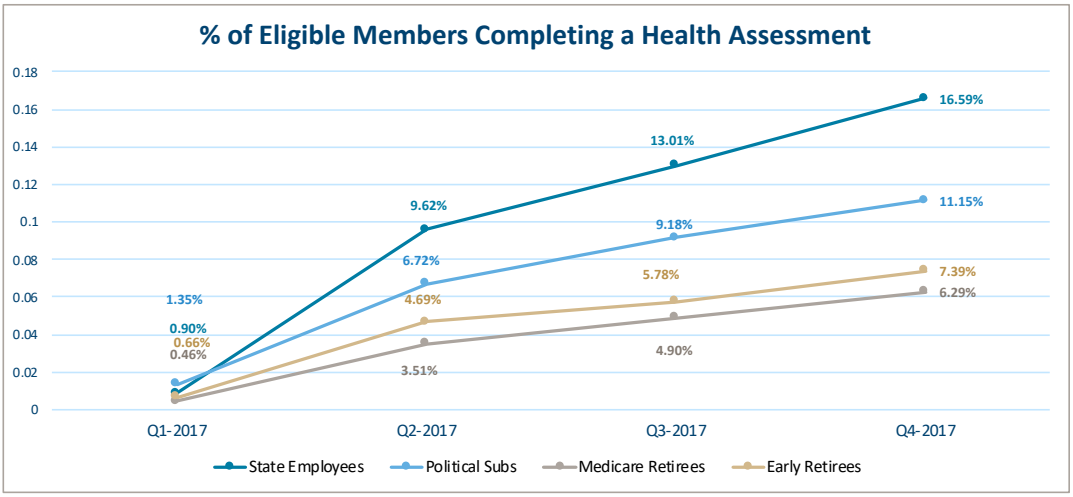
Summary

FITNESS CENTER REIMBURSEMENT



*Activity decline is the result of the wellness program suspension effective January 1 through May 31, 2017.
*Gym reimbursements in Q1 reflect unpaid 2016 gym activity. Gyms had until February 8, 2017 to submit 2016 gym activity.

HEALTH ASSESSMENT



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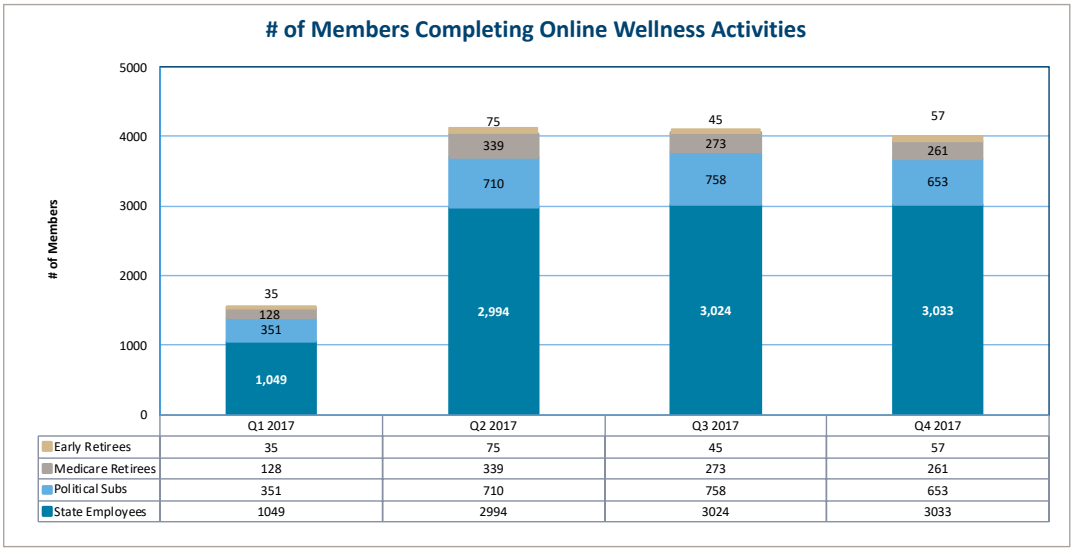
ONLINE WELLNESS ACTIVITIES

Summary



	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Early Retirees	35	75	45	57
Medicare Retirees	128	339	273	261
Political Subs	351	710	758	653
State Employees	1049	2994	3024	3033

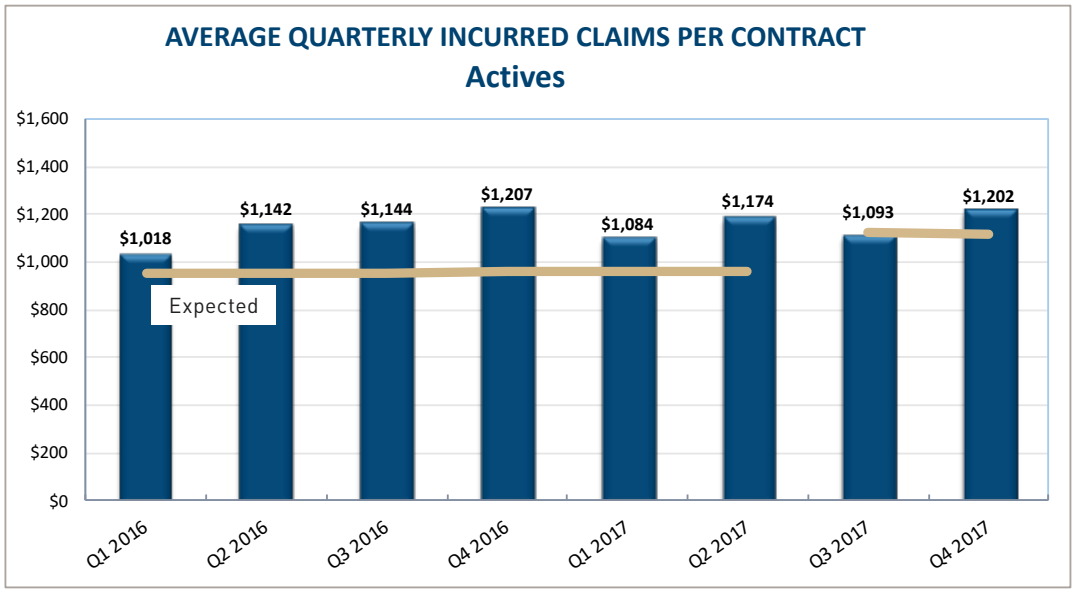
*Activity decline is the result of the wellness program suspension effective January 1 through May 31, 2017.

	Sanford Health Plan – NDPERS EGWP		
Description	**2016**	**2017**	**Change**
Avg Members per Month	8,582	8,760	2.1%
Number of Unique Patients	8,518	8,748	2.7%
Pct Members Utilizing Benefit	99.3%	99.9%	0.6
Total Days	12,530,237	12,927,604	3.2%
Total Rxs	275,598	277,912	0.8%
Average Member Age	74.9	75.1	0.3%
Nbr Rxs PMPM	2.68	2.64	-1.2%
Generic Fill Rate	88.0%	89.3%	1.3
Retail 90 Conversion Rate	64.4%	66.5%	2.1
Home Delivery Utilization	1.1%	1.3%	0.2
Member Cost %	20.8%	20.1%	-0.7
Specialty Percent of Plan Cost	28.9%	31.1%	2.1
Formulary Compliance Rate	98.7%	98.9%	0.2

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

Claims Analysis

PAID CLAIMS PER CONTRACT PER MONTH



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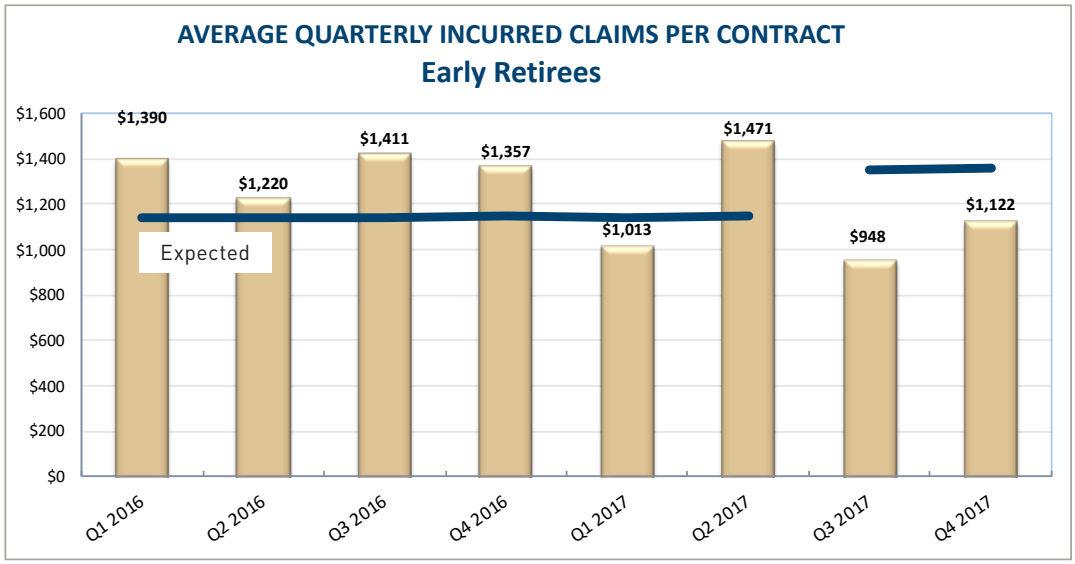
*Historically, 98% of claims will be accounted for within 90 days of the effective date.

*NDPERS Active contracts have approximately 2.62 members per contract.



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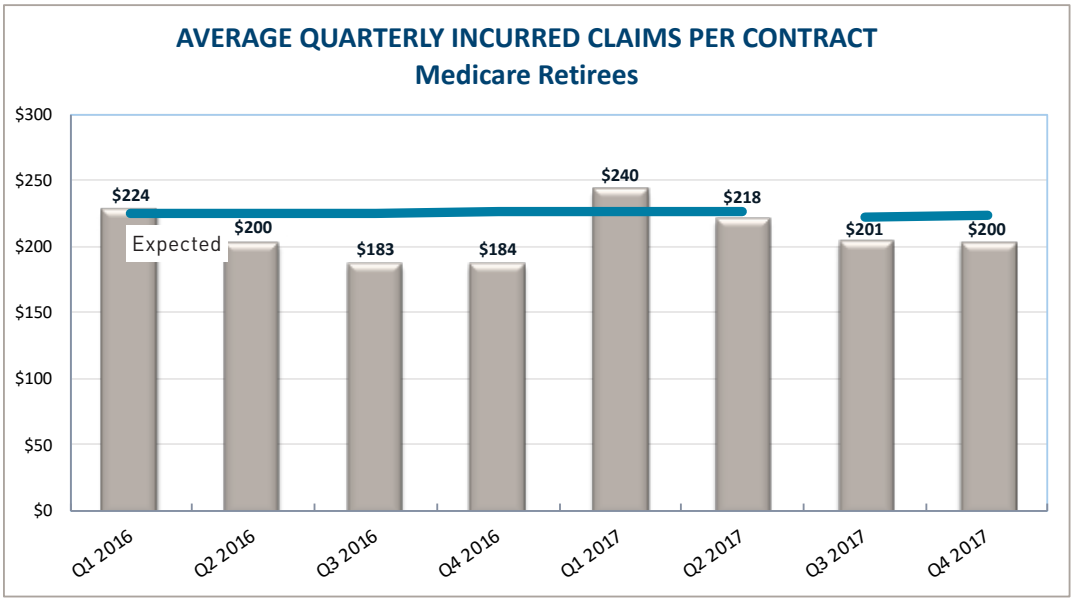
*NDPERS Early Retirees contracts have approximately 1.22 members per contract.

PAID CLAIMS PER CONTRACT PER MONTH

Claims Analysis



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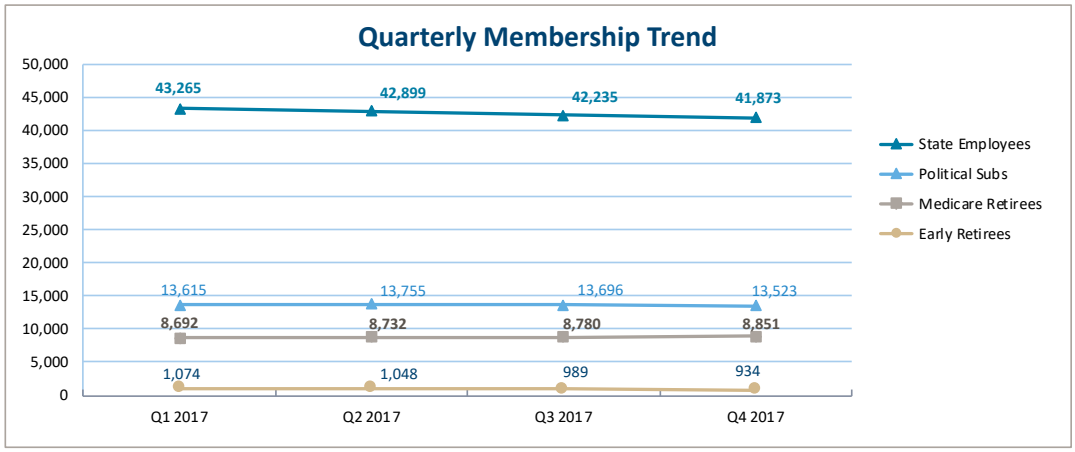
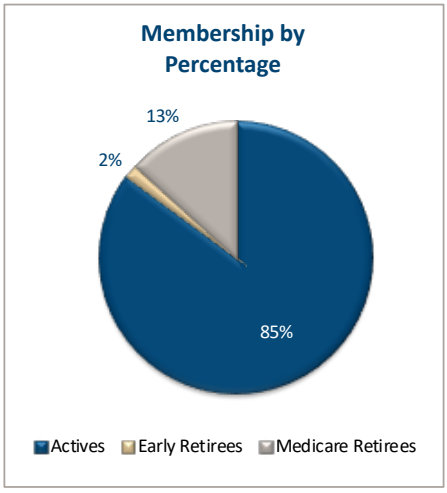
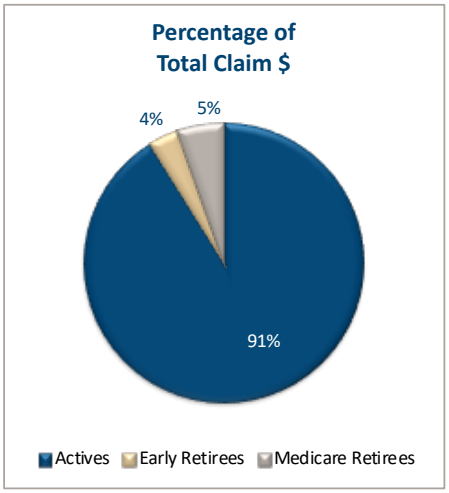
*NDPERS Medicare Retirees contracts have approximately 1.34 members per contract.

Membership & Utilization

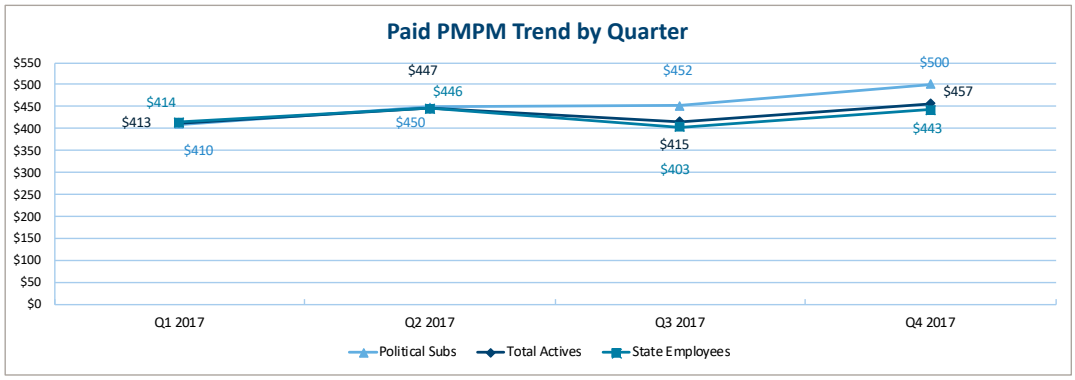
MEMBERSHIP PERCENTAGE







PAID PMPM TREND BY QUARTER



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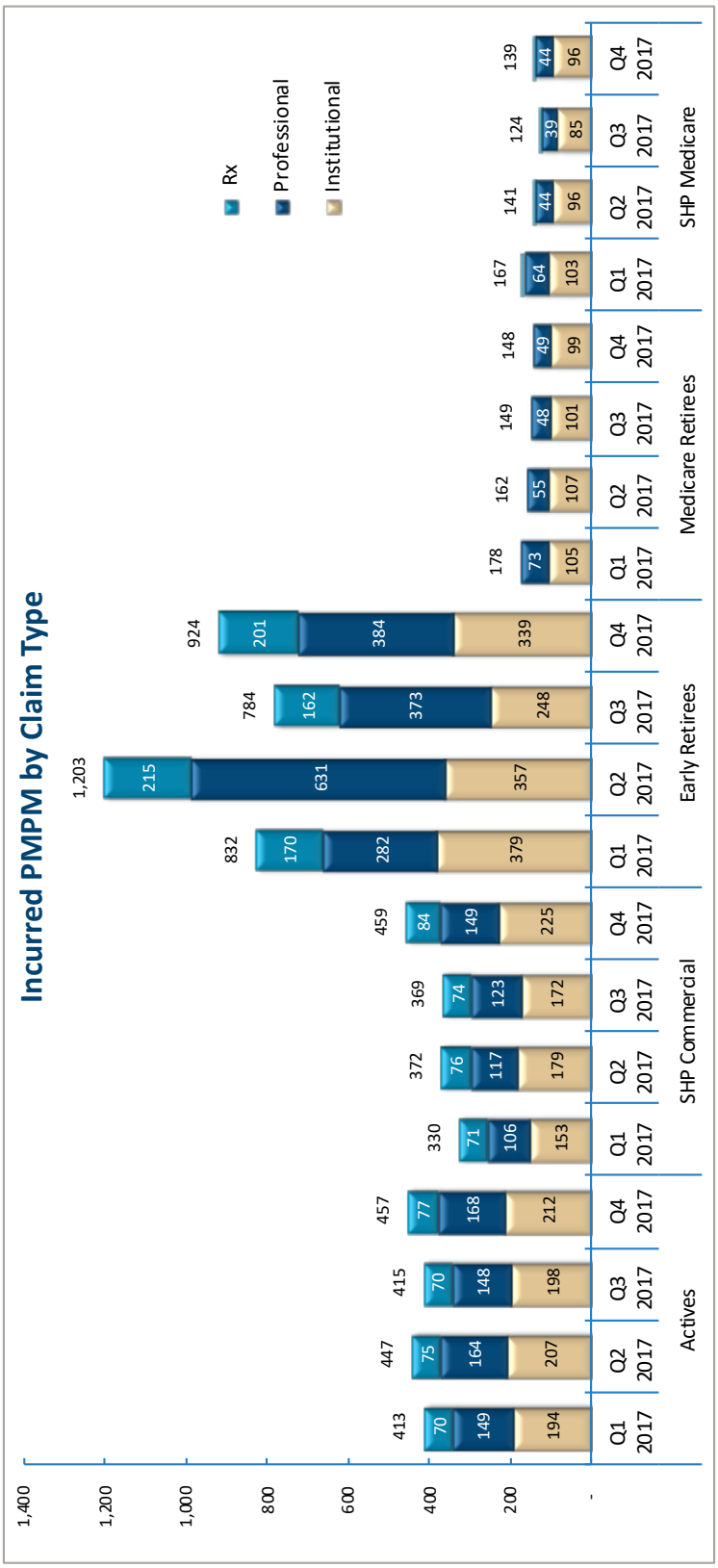
PMPM BY CLAIM TYPE



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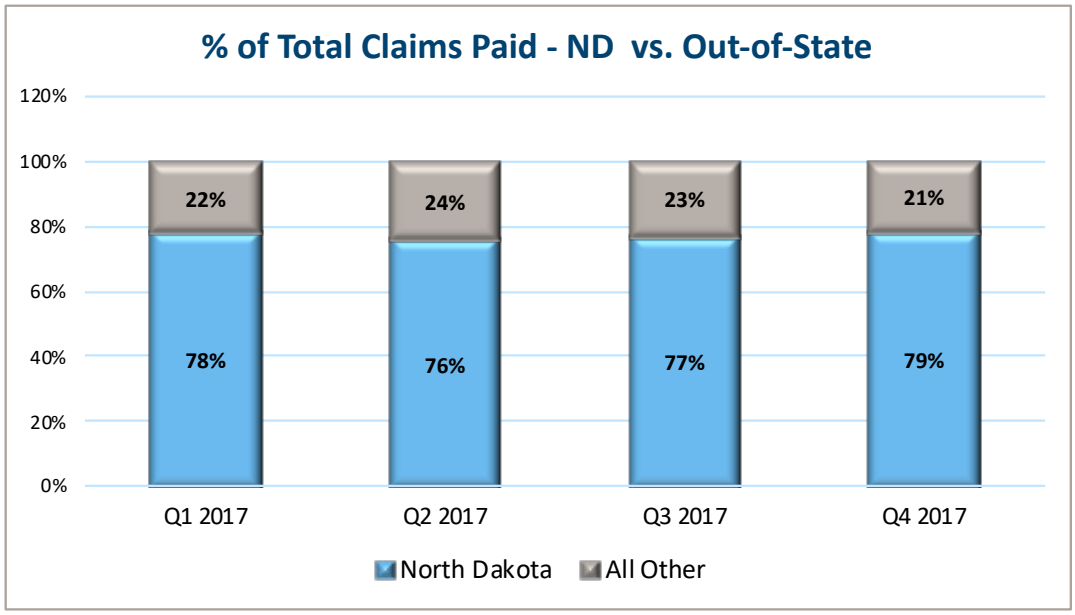
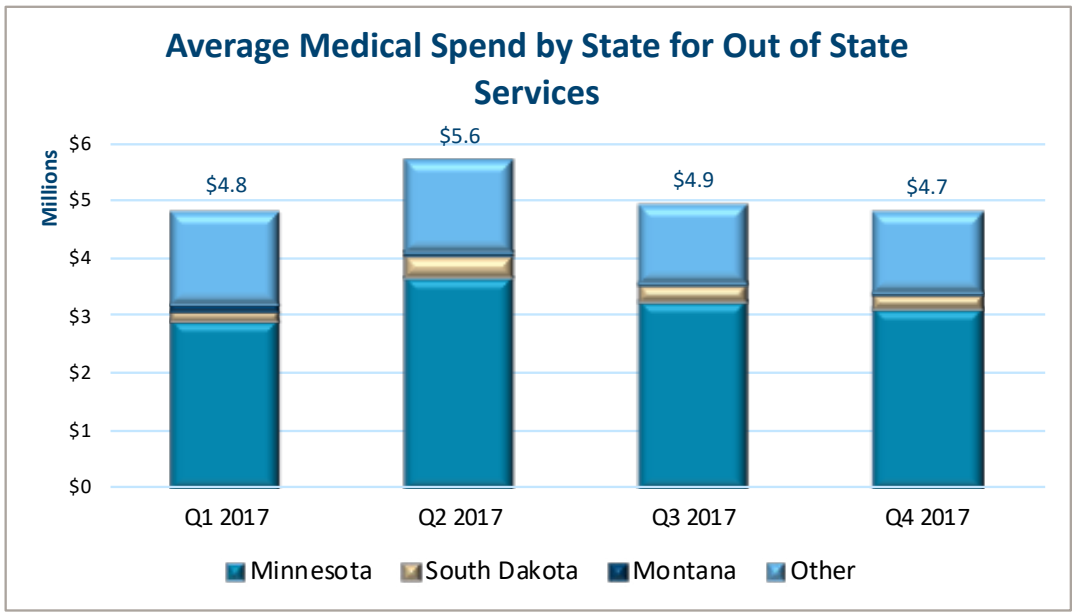
Membership & Utilization

PAID CLAIMS BY STATE





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

MEMBER RISK PROFILE & UTILIZATION

	NDPERS	SHP Commercial
Average Age	35	34
% Male (Current)	49	45
Average Care Gap Index	1.43	1.19
Inpatient Days Per 1000	227	252
Total Admissions Per 1000	60	68
ER Visits Per 1000	219	157
Total Office Visits Per 1000	4,291	3,957
Pharmacy Scripts Per 1000	8,519	9,143

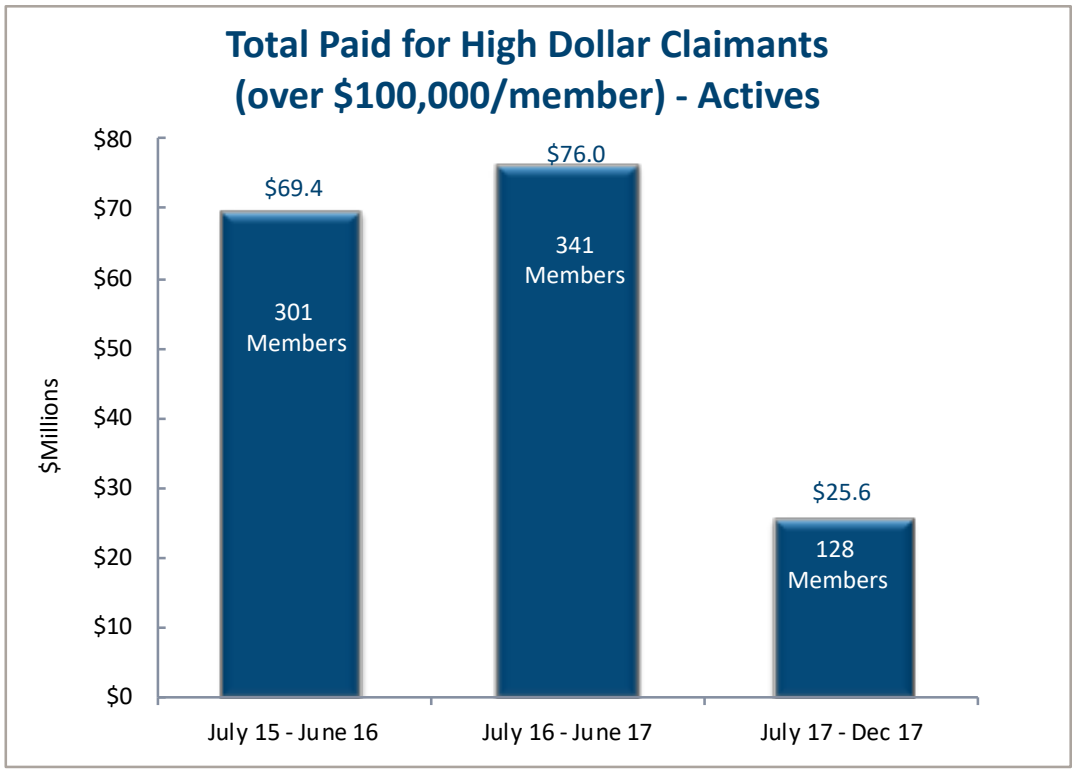
*Incurred between January 1, 2017 and December 31, 2017 and paid through February 28, 2018.

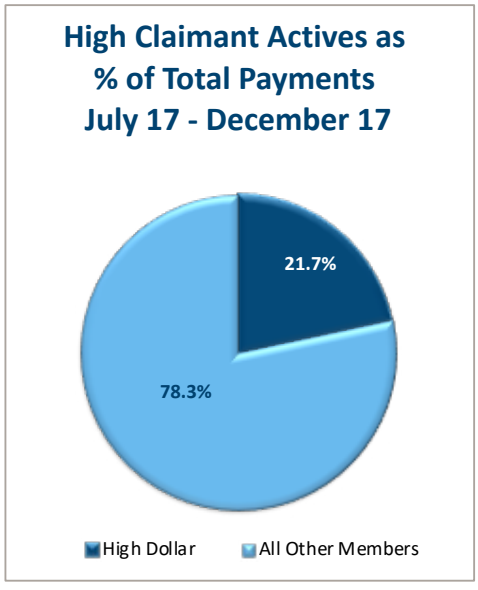
*All data was normalized using Verisk's methodologies and algorithms.

*NDPERS includes Political Subdivisions, Early (Pre-Medicare) Retirees and State Employees.

High Dollar Cases

ACTIVES

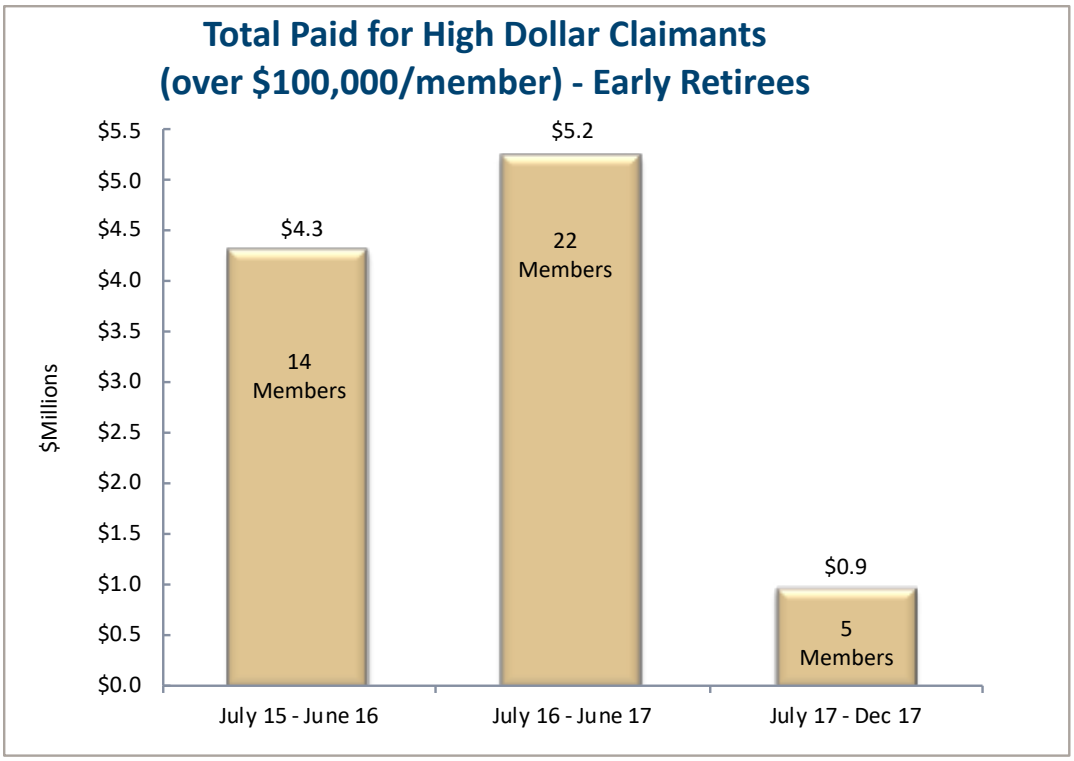


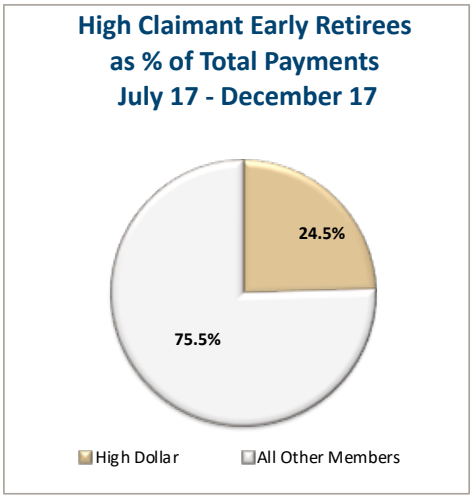


Avg. Paid/Case	$199,949
% of Total Payments	21.7%

EARLY RETIREES

High Dollar Cases

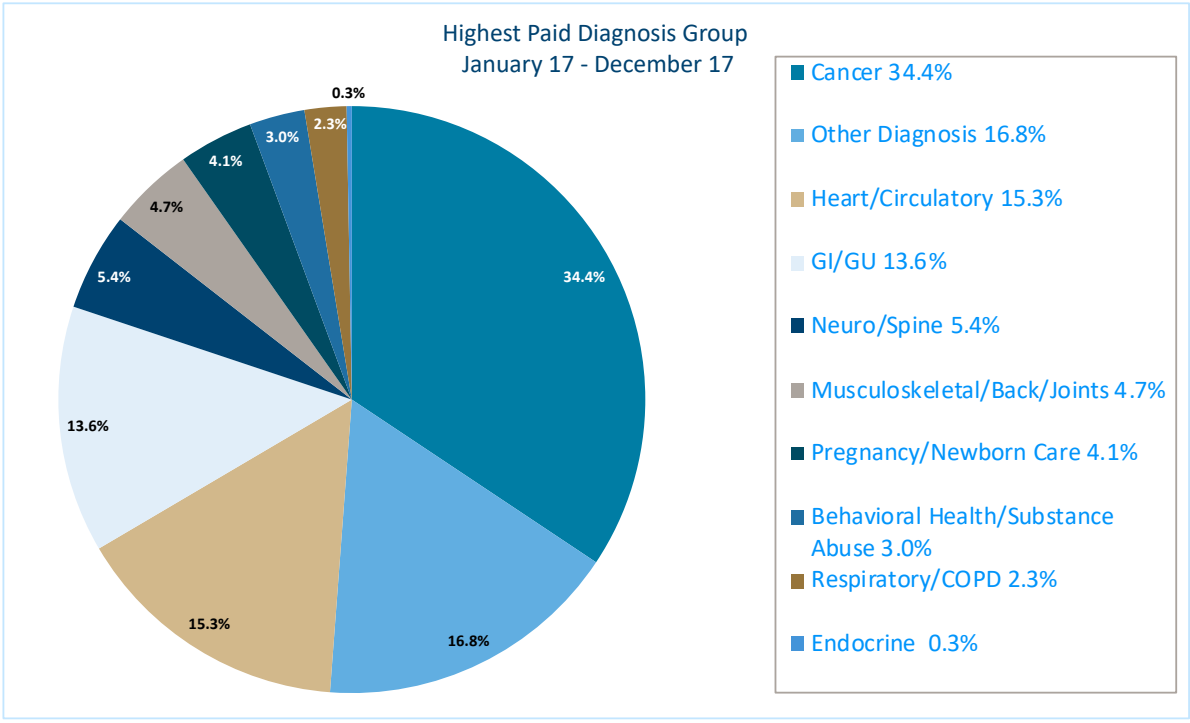


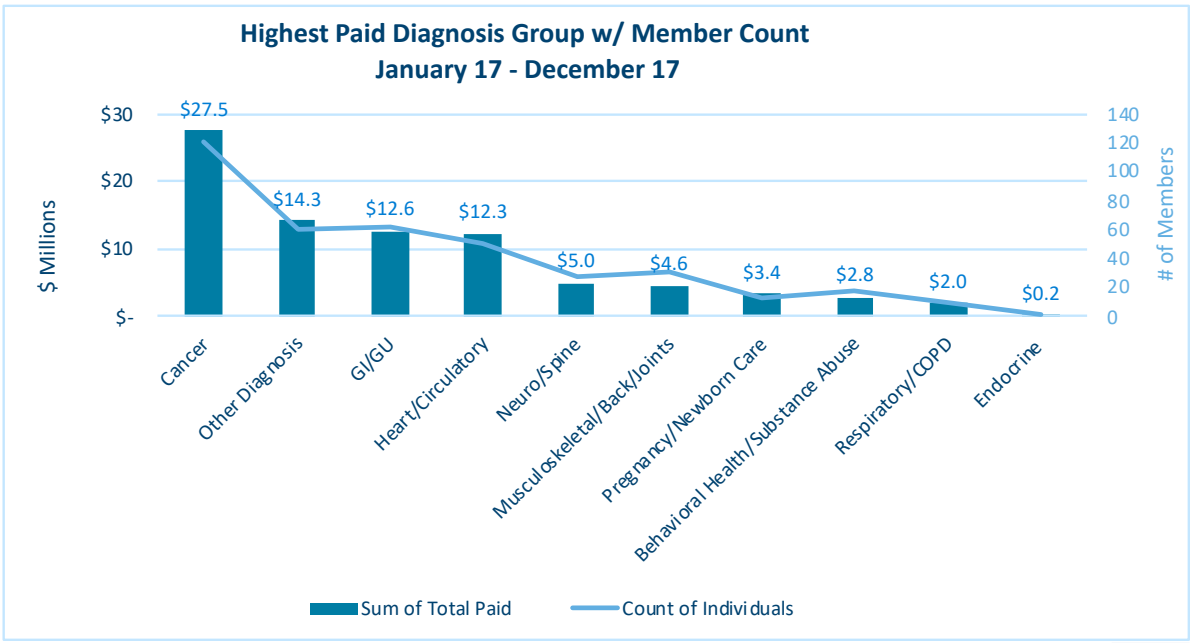


Avg. Paid/Case	$187,592
% of Total Payments	24.5%

High Dollar Cases

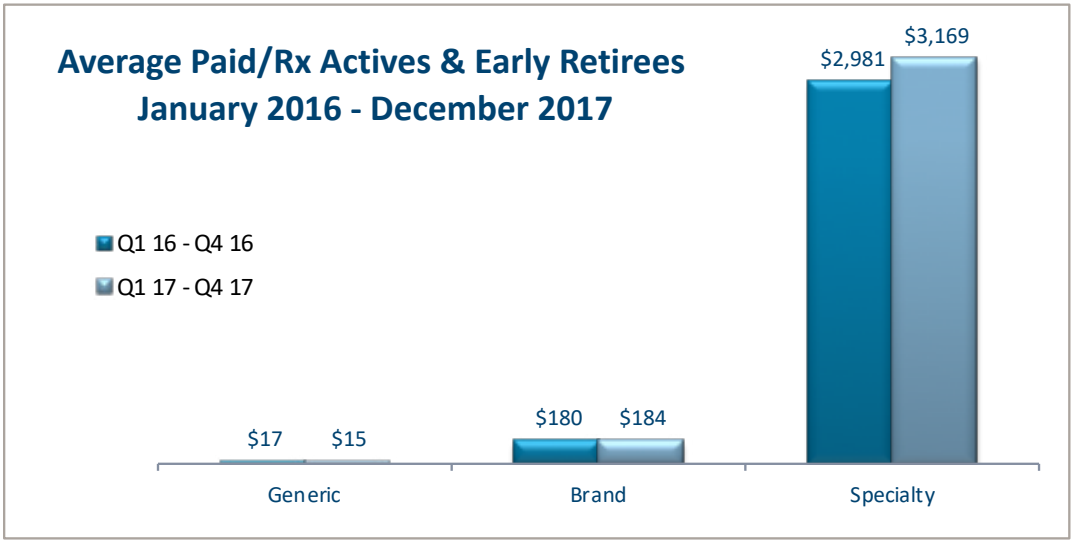
PRIMARY DIAGNOSIS

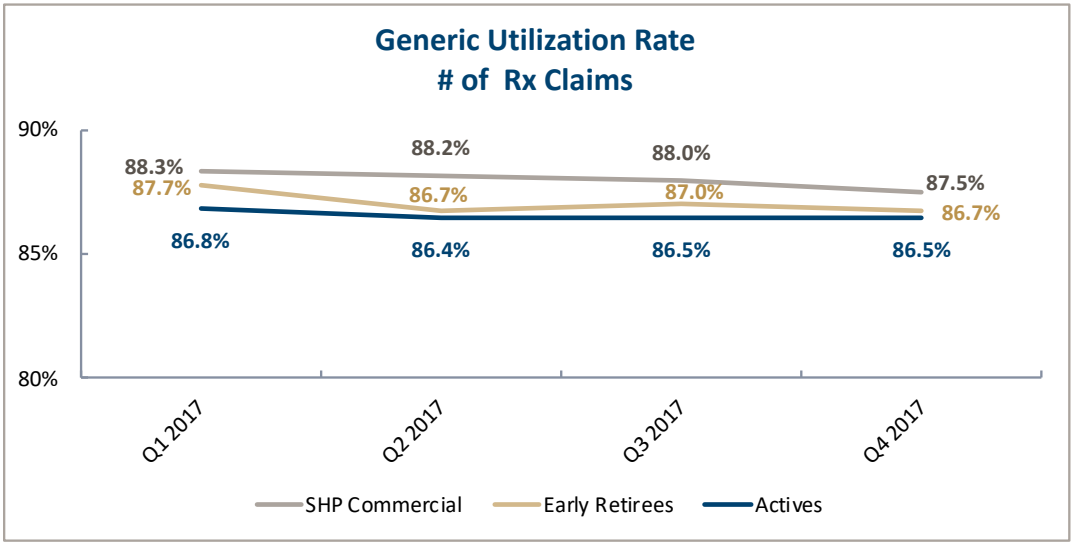


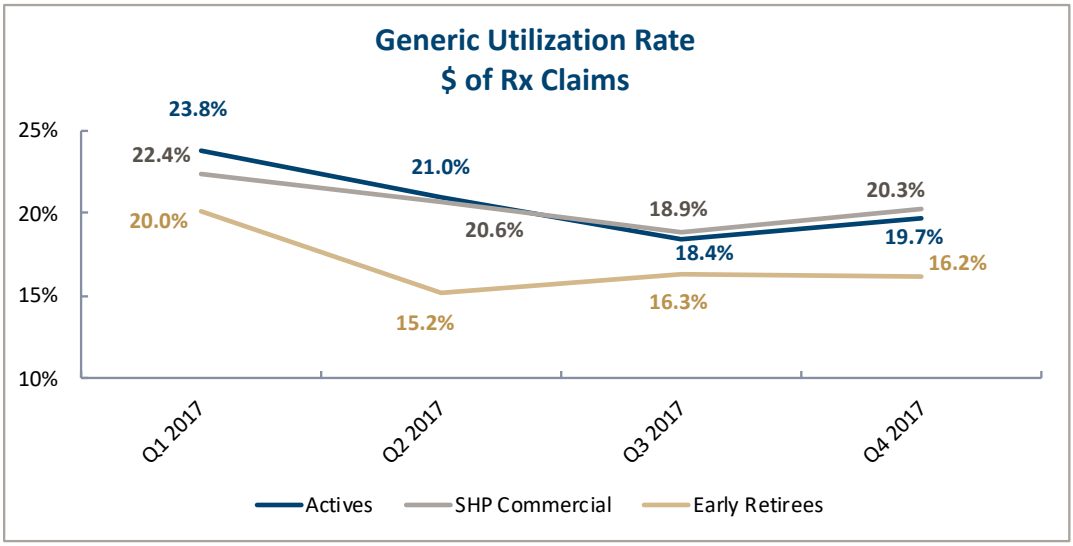


*High dollar cases consist of claims with a total over $100,000.

GENERIC UTILIZATION







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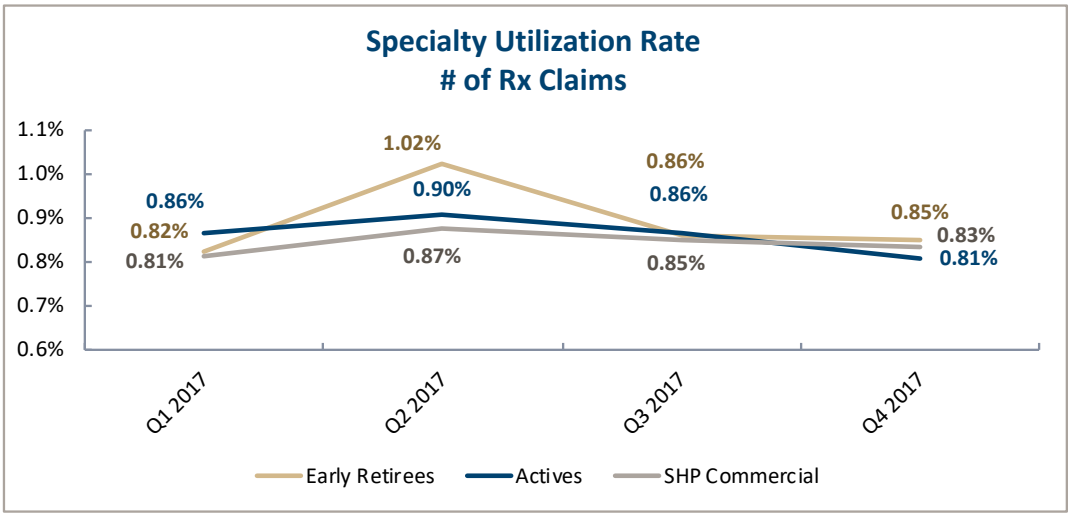
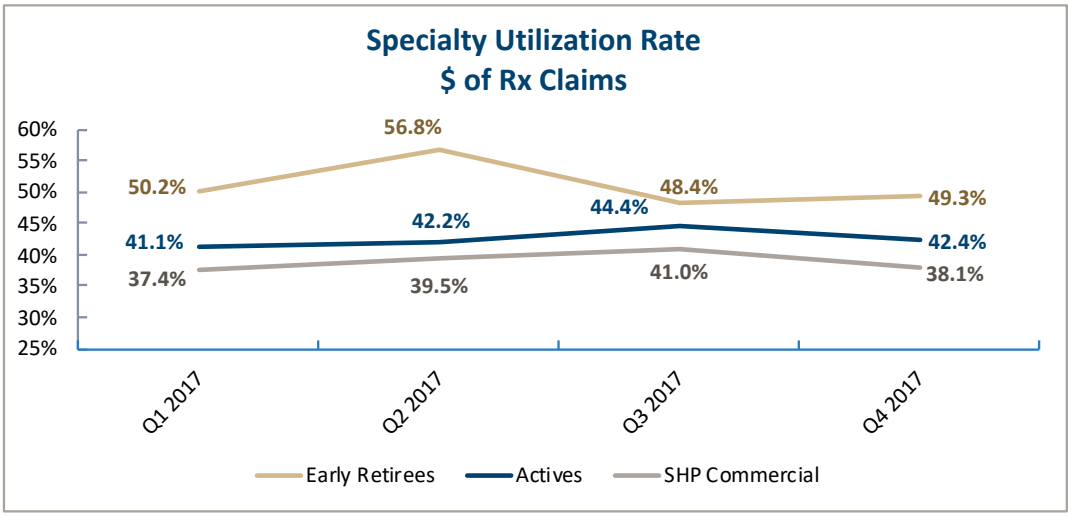
Prescription Drugs

SPECIALTY PHARMACY





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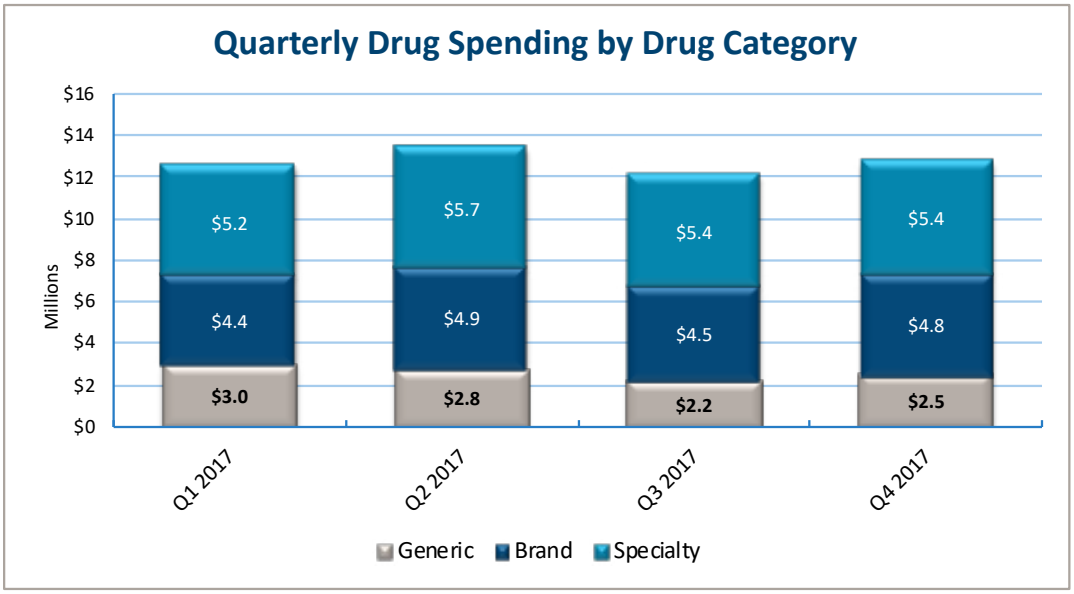
PHARMACY

Prescription Drugs



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Dakota Wellness Program

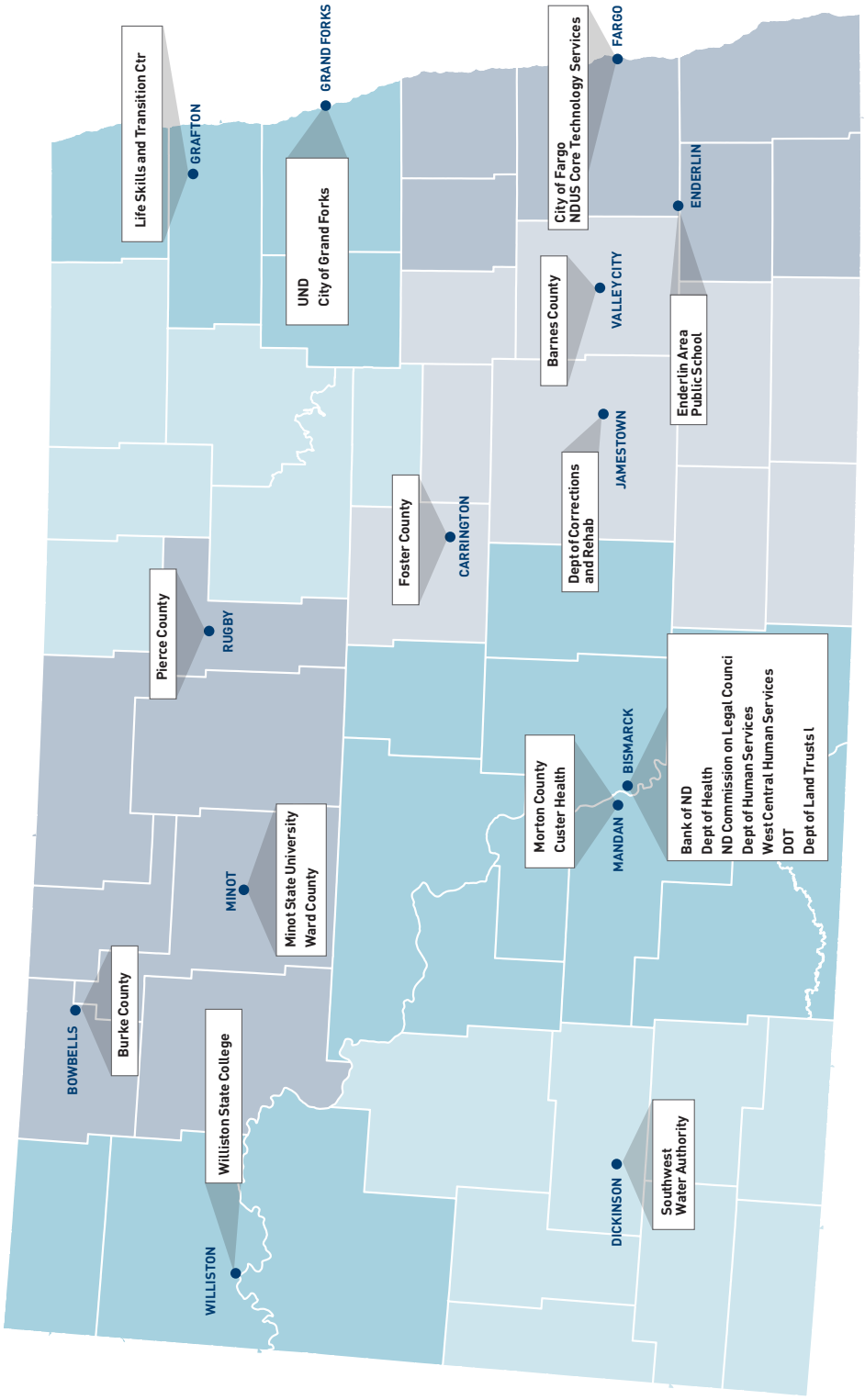
MONTHLY WELLNESS THEMES

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

Dakota Wellness Program

EVENT ATTENDANCE BY AGENCY

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



TOTAL MEMBER ATTENDANCE THIS QUARTER:

1,268

PRESENTATIONS/EVENTS:

- Breakroom Assessment
- Financial Fitness
- Five Star Sleep
- Get Moving at Work
- Gratitude
- Group Wellness Coaching
- Healthy Meals in a Hurry
- Health Fair
- Love Your Job
- Make it Happen
- Mindful Eating
- Dakota Wellness Program
- Organize My Life
- Overcoming Stress
- Paint Your Plate
- Preventive Health
- 1:1 Coordinator Meeting

TOTAL NUMBER OF AGENCIES VISITED (UNDUPLICATED)

24

Dakota Wellness Program

Angela Oberg
Certified Wellness Coach
Sanford Health Plan

Department of Transportation Group Wellness Coaching

There is great need for cost effective approaches to increase patient engagement and improve health and well-being. Health and wellness coaching has demonstrated great promise, but the majority of coaching programs to date have focused on individual coaching (i.e. one coach with one client). Newer Sanford Health Plan initiatives are bringing a group coaching model into the health care arena. A group approach increases cost-effective access to a larger number of clients, but perhaps more importantly, brings the additional benefits of group support and accountability.

The Dakota Wellness Program's first group coaching session launched in November at the Department of Transportation in Bismarck (November 15-December 20) and included six 30-minute sessions with 15 participants.

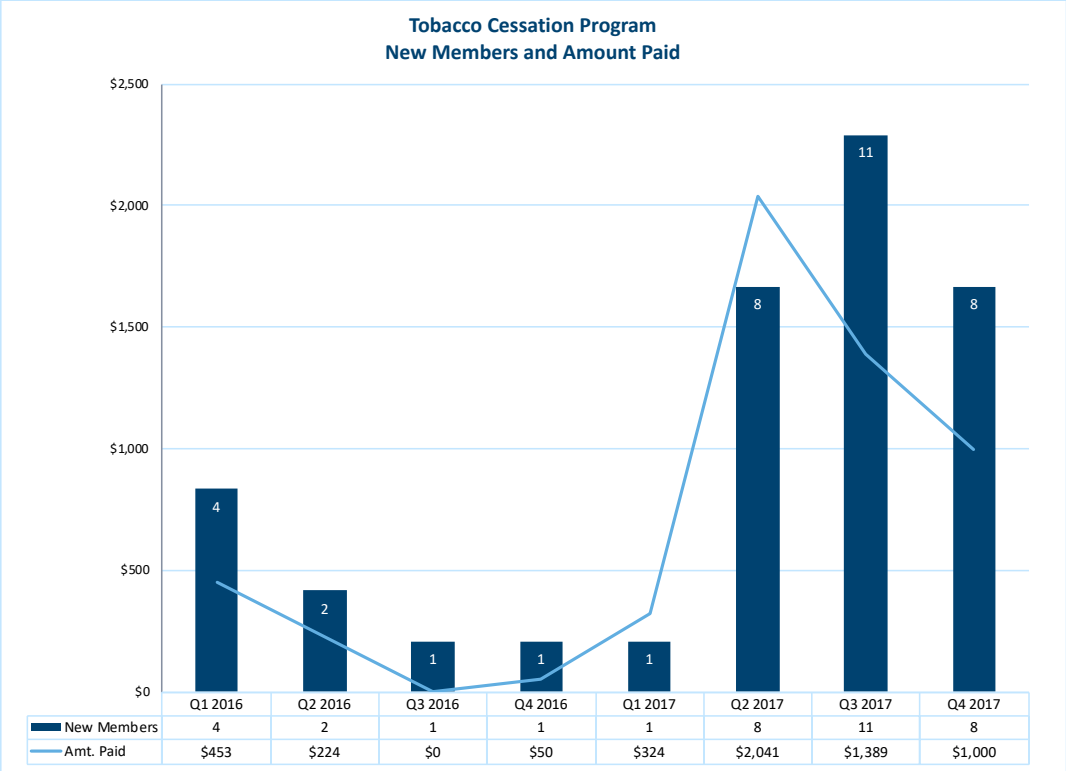
Participants identified challenges of staying healthy during the holiday season and strategized ways to overcome them. Ideas were transformed into action by learning how to set meaningful and realistic goals to stay on track.

In a post-program survey, all participants **strongly agreed or agreed that**:

- Meeting as a group helped with my motivation.
- I have gained new ideas while working with a group.
- I feel more social support or connected with others.
- Learned coaching skills give me more confidence to take on challenges.
- I am interested in future group coaching programming.

Tobacco Cessation Program

TOBACCO CESSATION PROGRAM



	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
New Members	4	2	1	1	1	8	11	8
Amt. Paid	$453	$224	$0	$50	$324	$2,041	$1,389	$1,000

MEMBER MANAGEMENT REPORT

Member Management

	CASE SUMMARY		MEMBER OUTREACH		CASE MANAGEMENT
PROGRAM TYPE	Total Cases	Individual Members	Successful Outreach	Unsuccessful Outreach	Care Coordination
CASE MANAGEMENT					
Behavioral Health	64	64	19	20	58
Case Management	91	91	56	28	79
Healthy Pregnancy	115	115	78	44	38
High Risk Pregnancy	1	1	1	0	1
Inpatient Behavioral Health	69	67	5	6	91
Inpatient Medical/ Surgical	5	5	0	0	5
Oncology	4	4	1	0	4
Premature Infant	2	2	2	0	2
Psychosocial Needs	8	8	2	2	9
Substance Abuse Disorder	4	4	1	0	3
Transplant	1	1	0	0	2
COMPLEX CASE MANAGEMENT					
Complicated Case	4	4	5	2	3
Transplant	2	2	0	1	1
QUALITY IMPROVEMENT ACTIVITY					
Asthma	12	12	0	0	0

HEALTH MANAGEMENT PROGRAMS					
PROGRAM TYPE	CAD	Diabetes	Congestive Heart Failure	Asthma	Hypertension
Transplant	1362	3300	732	3294	8960

Case Summary

- Total cases – Count of any cases open or closed during the report time frame.
- Individual members – Count of the individual members with a case open.

Member Outreach

- Successful outreach – Includes the following activities: successful telephone call, outreach, site visit, member interaction.
- Unsuccessful outreach – Includes leaving messages for a member or letter sent.

Case Management

- Case manager activities related to care coordination, including: chart review, referrals to internal Health Plan staff for claim or coverage questions, electronic outreach to providers and educational material mailings.

Performance Standards & Guarantees

2017-2019

MEASURE	GOAL	OUTCOME REPORTING DATES	CURRENT
WELLNESS:			
Health Risk Assessment completion	15%	June 30, 2019	**8.54%**
Worksite Interventions agency participation	70%	June 30, 2019	**36%**
Fitness Center Reimbursement participation	3.8%	Dec. 31, 2018	**3.33%**
Redemption Center payments	$550,000	Dec. 31, 2018	**$197,856**
Redemption Center participation rate	6%	Dec. 31, 2018	**2.36%**
HEALTH OUTCOMES:			
Tobacco Cessation grant dollar distribution	5% growth	June 30, 2019	**1.25%**
Healthy Pregnancy member participation	5% growth	June 30, 2019	**3.75%**
Breast Cancer Screening Rates	80%	June 30, 2019	**81%**
Cervical Cancer Screening Rates	85%	June 30, 2019	**85%**
Colorectal Cancer Screening Rates	60%	June 30, 2019	**>60%**
PROVIDER NETWORK/CONTRACTING:			
PPO Network participation rate	Hospital: 92% MDs & DOs: 92%	June 30, 2019	**Hospital: 96% MDs & DOs: 94%**
Minimum provider discount from in-network providers	30% for Non-Medicare contracts	June 30, 2019	**39.2%**
CUSTOMER SERVICE & CLAIMS:			
Claims Financial Accuracy	99%	June 30, 2018	**100%**
Claims Payment Incidence Accuracy	97%	June 30, 2018	**100%**
Claim Timeliness	99%	June 30, 2018	**99.7%**
Average Speed of Answer	35 seconds	June 30, 2018	**28.3 seconds**
Call Abandoned Rate	5% or less	June 30, 2018	**3.31%**
ANCILLARY ITEMS:			
Interest rate based on US Treasury Notes quoted by Wall Street Journal	US Treasury rate	June 30, 2019	-
Rx Rebate Pass-Through Rate	100%	June 30, 2019	-
About the Patient payment within 5 business days of NDPERS approval	100%	June 30, 2019	**100%**

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Fax: (701) 328-3920 Email ndpers-info@nd.gov Website https://ndpers.nd.gov

Memorandum

TO: NDPERS Board

FROM: Derrick Hohbein

DATE: May 8, 2018

SUBJECT: CAFR Presentation

NDPERS prepares a Comprehensive Annual Financial Report (CAFR) as of June 30th each year. This report contains detailed financial, investment, actuarial, and statistical information for the plans administered by NDPERS.

The report is available on our website and the link is provided to participating employers electronically each year.

https://ndpers.nd.gov/about/financial/

I will be on hand to walk through the CAFR and what is all included in the annual report.

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Bismarck, North Dakota 58502-1657

Sharon Schiermeister
Interim Executive Director
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Memorandum

TO: NDPERS Board

FROM: Rebecca Fricke

DATE: April 25, 2018

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

At the December Board meeting, discussion was held regarding Applied Behavioral Analysis benefits for members with a diagnosis of Autism Spectrum Disorder and whether this coverage should be added to the NDPERS health plan. Attachment 1 includes a copy of the board memo and attachments from that meeting. The following action was taken by the Board:

> **MS. TUFTE MOVED TO DELAY A DECISION REGARDING APPLIED BEHAVIORAL ANALYSIS AND ASK FOR A QUOTE OF WHAT IS COMPARABLE TO CURRENT COVERAGE INCLUDED IN THE MEDICAID PLAN. MOTION WAS SECONDED BY MS. GOODHOUSE.**
>
> **Ayes:** Ms. Goodhouse, Ms. Smith, Senator Dever and Ms. Tufte.
> **Nays:** Mr. Seibel, Ms. Wassim, Representative Anderson, Mr. Miller and Chairman Dosch.
> **Absent:** None
>
> **MOTION FAILED**
>
> **MS. WASSIM MOVED APPROVAL OF THE COVERAGE OF APPLIED BEHAVIORAL ANALYSIS EFFECTIVE JANUARY 1, 2018. MOTION WAS SECONDED BY REPRESENTATIVE ANDERSON.**
>
> **Ayes:** Ms. Goodhouse, Ms. Wassim and Representative Anderson.

Nays: Mr. Seibel, Ms. Smith, Senator Dever, Ms. Tufte, Mr. Miller and Chairman Dosch.
Absent: None

MOTION FAILED

THE BOARD INSTRUCTED STAFF TO PLACE THIS TOPIC ON THE BOARD AGENDA WHEN THE HEALTH PLAN RENEWAL WILL BE DISCUSSED.

Staff contacted the Department of Human Services to obtain information regarding what is covered for ABA benefits under Medicaid and requested that Sanford Health Plan provide a comparison to the benefits they are providing in their commercial plans. Please see Attachment 2 for this document. You will note that the benefits covered under SHP small and large group plans are different than what is covered under Medicaid.

Staff is seeking direction from the Board to determine what benefits Sanford should price as part of the 2019-21 renewal. Should they price the benefits that are currently being provided to their commercial small and large group plans? If not, what level of benefits should be priced?

Board Action Requested:

Determine if ABA benefits should be added to the NDPERS health plan coverage for the 2019-2021 biennium and if so, what type of benefits they wish to have covered so that Sanford Health Plan can price it as part of the renewal.

ABA Attachment 1

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Memorandum

TO: NDPERS Board

FROM: Sharon Schiermeister

DATE: December 12, 2017

SUBJECT: Applied Behavioral Analysis (ABA)

At the August meeting we reviewed:

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

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

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

- Jan Murtha provided the board a memo and reviewed it at the meeting indicating the board did have the legal authority.

2. Did PERS already provide coverage for ABA?
    - Dr. Donelan from Sanford indicated that while the PERS plan did provide additional speech therapy services it did not provide for the full range of ABA services.

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

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

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

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

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

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

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

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

   Chairman Hogan and members of the Human Services Committee, I am Maggie Anderson, Director of the Medical Services Division for the Department of Human Services. I appear today to provide a report regarding the state Autism Spectrum Disorder (ASD) plan pursuant to N.D.C.C. 50-06-32. The ASD Task Force (Task Force) members are appointed by the Governor, and include a legislator, representatives from state agencies, providers, parents, and other professionals with an interest in autism. 2017 Senate Bill 2115 added several new members to the Task Force: a behavioral specialist, an enrolled member of a federally recognized Indian tribe, and an adult self-advocate.
   The Task Force meets four times per year and reviews:
   - *Early intervention, family support services that would enable an individual with ASD to remain in the least restrictive home or community-based setting,*
   - *Programs that transition individuals from schools to adult day programs or employment,*
   - *The cost of providing services, and*
   - *The nature and extent of federal resources that can be directed to the provision of services for individuals with autism spectrum disorder.*

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

More information on the committee can be found at:
http://www.nd.gov/dhs/autism/taskforce.html

3. What other treatment options are available?

- Attachment #1 is information received from the Department of Health reviewing the following:

a. Information on the ASD task force
b. The addition of this ABA coverage to the Medicaid program this biennium
c. Minnesota discussion of ABA
d. Other related information.

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

Board Action Requested

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

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

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Memorandum

TO: NDPERS Board

FROM: Sparb

DATE: August 17, 2017

SUBJECT: Applied Behavioral Analysis

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

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

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

> *Currently, 45 states mandate coverage of autism treatment. The most significant class of treatments covered by all states with mandates in place are behavioral health treatments, which are referred to as applied behavioral analysis (ABA). Most states include age and/or dollar limits or visit limits for mandated ABA benefits. Deloitte reviewed ABA provisions for state mandates passed since 2013 as cited by Autism Speaks. We weren't able to summarize all visit and dollar limits prior to the deadline for this memo, however, the proposed $50,000 limit in this bill was toward the high end of those state limits that we saw. As mentioned above, all require coverage of ABA, the one exception was MN, which also called for several other intensive therapies to be covered as well as ABA. Only Washington had a higher age limit for coverage than proposed in this bill. Sample ABA age limits are as follows:*
>
> - *Ohio – 14 years of age and younger*

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

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

Recently I received the following from Steve Webster at Sanford:

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

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

Staff Recommendation

Add the coverage to the PERS plan effective November 2017.

Applied Behavioral Analysis
Attachment #1 From Jan Murtha

In follow up to the Board's prior discussion on autism related services, you had asked me to confirm that the PERS Board has the legal authority to provide and pay for increased insurance coverage. As we have discussed NDCC 54-52-04(13) (copied below) permits the Board to provide increased insurance coverage to members, and to pay for such amounts from excess reserve funds. It should be noted that subsection 13 also permits the Board to use these excess funds to offset premium costs. Therefore, the Board has the legal authority to provide and pay for increased insurance coverage and the discretion to determine whether and when such coverage is provided.

"13. The board may use any amount credited to the separate uniform group insurance program fund created by section 54-52.1-06 in excess of the costs of administration of the uniform group insurance program to reduce the amount of premium amounts paid monthly by enrolled members of the uniform group insurance program, to reduce any increase in premium amounts paid monthly by enrolled members, or to provide increased insurance coverage to the members, as the board may determine."

Please let me know if you would like to discuss this further.

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Memorandum

TO: NDPERS Board

FROM: Sparb

DATE: October 19, 2017

SUBJECT: Applied Behavioral Analysis

Item for Board Consideration

Recently I received the following from Steve Webster at Sanford:

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

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

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

Background

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

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

Sponsors of the bill were:

Introduced by

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

Senators Burckhard, Dever, Heckaman

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

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

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

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

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

2. It was also noted that if the bill passed as a mandate NDCC pursuant to NDCC 54-03-28(2)(b):

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

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

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

Question from August Meeting

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

Does the board have the authority to add this coverage?

See attachment 1 from Jan Murtha

What coverage is BCBS going to offer in their plans?

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

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

Does PERS provide an expanded coverage in this area already?

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

ND Commercial Plans

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

NDPERS Benefits - All Plans:

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

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

With this being said, Sanford mentioned that Speech Therapy is only a portion of what may be required for Autism treatment and is something completely different from Behavioral Therapy. Further ABA therapy and Speech therapy are two distinct disciplines in themselves, however, Speech therapy serves as a radiator of ABA treatment since social and language skills are integral components of ABA treatment.

Dr. Donelan from Sanford will be available via conference call to discuss questions the board may have.

Additional Information

As mentioned above extensive consideration was given to this benefit during the last session. At https://ndpers.nd.gov/image/cache/october-19-2017--board-book.pdf on our website you will find the legislative history of the bill and all the information presented. The following is a short table of contents of the information for you to use in looking at the information:

Senate Testimony

Staff Recommendation

Add the coverage to the PERS plan effective January 2018.

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

Mylynn, Dirk, and Kim,

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

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

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

Recent autism-related bills from Minnesota:
Minnesota generally addresses a broad group of autism-related services.

- HF.181 required intensive behavior therapy, including but not limited to applied behavior analysis; intensive early intervention behavior therapy; intensive behaviour intervention, neuro-developmental and behavioral health treatments and management. It also includes coverage for autism-related physical, occupational and speech therapy.

- https://www.revisor.mn.gov/statutes/?id=256B.0949 - Autism Early Intensive Intervention Benefit to provide early intensive intervention to a child with an autism spectrum disorder diagnosis. This benefit must provide coverage for diagnosis, multidisciplinary assessment, ongoing progress evaluation, and medically necessary treatment of autism spectrum disorder.

- https://www.revisor.mn.gov/laws/?id=19&year=2017&type=0#laws.0.1.0 - The bill above was revised during the 2017 Legislative Session.

- Minnesota Statutes 2016, section 256B.0949, was amended to read Early Intensive Developmental and Behavioral Intervention Benefit. Purpose: This section authorizes the early intensive developmental and behavioral intervention (EIDBI) benefit to provide early intensive intervention to a person with an autism spectrum disorder or a related condition.

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

Other Related Information:

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

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

- Discrete Trial Training (DTT) - DTT is a style of teaching that uses a series of trials to teach each step of a desired behavior or response. Lessons are broken down into their simplest parts and positive reinforcement is used to reward correct answers and behaviors. Incorrect answers are ignored.

- Early Intensive Behavioral Intervention (EIBI) - The best outcome is achieved when treatment is started as early as possible (before the age of 5) and with a high intensity (30–40 h per week). The treatment is carried out by parents and teachers under supervision by a professional and consists of identifying the skills that the child lacks, breaking these down into components and teaching those component behaviors separately.

- Pivotal Response Training (PRT) - PRT is used to teach language, decrease disruptive/self-stimulatory behaviors, and increase social, communication, and academic skills by focusing on critical, or "pivotal," behaviors that affect a wide range of behaviors. The primary pivotal behaviors are motivation and initiation of communications with others. The goal of PRT is to produce positive changes in the pivotal behaviors, leading to improvement in communication skills, play skills, social behaviors and the child's ability to monitor his or her own behavior.

- Verbal Behavior Intervention (VBI) - VBI is a type of ABA that focuses on teaching verbal skills.

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

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

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

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NORTH DAKOTA
DEPARTMENT of HEALTH
Children's Special Health Services

North Dakota Medicaid Policy and Procedures for the Autism Applied Behavior Analysis Service

PURPOSE

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

RATIONALE

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

FEDERAL CITATIONS

ABA Services are regulated by the following:

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

PROGRAM DURATION

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

POLICY AND PROCEDURES

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

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

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

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

2) Case Management
Autism Case Management (CM) must have an annual care plan and update every 180 days thereafter to ensure:
a) Child continues to meet medical necessity criteria; and
b) Care plans include specific mentoring techniques that were taught to the caregiver(s) and any progress made in the caregiver's ability to carry out the techniques in the home.

A summarization of the last six months is required and must address:
i. Problems that are being worked on;
ii. Goals being accomplished/addressed; and
iii. Any changes made by the caregiver to modify interventions that better cope with unwanted behaviors.

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

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

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

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

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

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

Qualifications of Providers

Medicaid payment is made only to providers who are actively enrolled in the North Dakota Medicaid program. Refer here for provider enrollment guidance:
http://www.nd.gov/dhs/info/mmis.html

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

Autism - Case Management

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

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

Autism - Skills Training

1. Agencies must meet all of the following criteria:
   a) Have in place a training process that will ensure that staff have adequate knowledge relating to children involved in unsafe, crisis, and/or unstable situations; and
   b) Ensure skills trainers are one of the following: licensed independent clinical social worker (LICSW), speech & language pathologist, licensed occupational therapist, licensed physical therapist, licensed certified social worker (LCSW), registered behavior technician (RBT), licensed professional clinical counselor (LPCC), licensed marriage and family therapist (LMFT), or licensed social worker (LSW).

2. Skills Training must be supervised by a qualified case manager (per this policy) and within North Dakota scope of practice laws.

3. Skills Training supervision must:
   a) Be documented on an ongoing basis.
   b) Be at least ten percent of the skills training hours.

Free Choice of Provider

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

Service Delivery

1) **Case Management Services** (CM) are defined as services furnished to assist children, eligible under the State Plan - Autism Applied Behavior Analysis Service, in gaining access to needed applied behavior analysis (ABA) therapy.

   a) Comprehensive assessment and periodic reassessment of the child's needs are required to determine the need for any medical, educational, social or other services. These assessment activities include:
      - Taking client history;
      - Identifying the child's needs and completing related documentation; and
      - Gathering information from other sources such as family members, medical providers, social workers, and educators (if necessary), to form a complete assessment of the eligible child.

b) Development (and periodic revision) of a specific care plan based on the information collected through the assessment includes:
    - Description of target behaviors
    - Measurable treatment goals
    - Method and frequency of assessing objective and protocols
    - Description of aggressive/inappropriate behaviors and specific goals to address identified behaviors
    - Recommendation of amount of weekly services
    - Where occurring
    - Number of hours of ABA service
    - Reassessment completed at 180 days to include:
        - Date of reassessment
        - Updates to target – behaviors
        - Update to measurable treatment goals
        - Description of improvements
        - Recommendation of amount of weekly services

c) Referral and related activities (such as scheduling skills trainer for the child) to help the eligible child obtain needed services include:
    - Activities that help link the child with medical, social, educational providers, or other programs and services that are capable of providing needed services to address identified needs and achieve goals specified in the care plan.

d) Monitoring and follow-up activities.
Activities and contacts that are necessary to ensure the care plan is implemented and adequately addresses the eligible child's needs, which may be with the child, caregiver, service providers, or other entities or individuals and conducted as frequently as necessary, and including at least one annual monitoring, to determine whether the following conditions are met:
    - Services are being furnished in accordance with the child's care plan;
    - Services in the care plan are adequate;
    - Changes in the needs or status of the child are reflected in the care plan.
    - Monitoring and follow-up activities include making necessary adjustments in the care plan and service arrangements with skills trainers; and
    - Meet with the skills trainer and caregiver monthly for the purpose of reviewing progress on the goals and/or need for changes to the care plan.

e) Documentation requirements – the following list contains the minimum content required for the plan of care for each Medicaid recipient receiving CM services:
    - Name
    - Age
    - Family composition

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

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

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

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

Limitations

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

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

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

Maggie D Anderson

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

7/13/2017

Date

SANFORD HEALTH PLAN

ABA Benefit Comparison – Traditional Medicaid vs Sanford Health Plan

ABA Eligibility & Coverage		
Product Line	**Eligibility Requirements**	**Benefit Plans**
Sanford Health Plan (SHP) Marketplace Small Group (on- & off-exchange)		Not Covered
SHP Marketplace Individual (on- & off- exchange)		Not Covered
SHP Individual Transitional (on- & off-exchange)		Not Covered
SHP Small Group (Transitional & Grandfathered)	Members with an ASD Diagnosis through age 18. ABA Services must be provided by the following providers: MD, DO, or Licensed Psychologist; or Licensed behavior analyst	**Annual Benefit Levels:** Age 0-6: $36,000 Age 7-13: $25,000 Age 14-18: $12,500 **Covered Codes:** CPT: 96152, 0359T, 0360T, 0361T, 90899, 96116, 96127, 96150, 96151, 96152, 96153, 96154, 9615 HCPCS: H0032, H2012, H2014, H2019, S5108, S5110, S5111, G9012
SHP Large Group (Grandfathered & NGF)	Members with an ASD Diagnosis through age 18. ABA Services must be provided by the following providers: MD, DO, or Licensed Psychologist; or Licensed behavior analyst	**Annual Benefit Levels:** Age 0-6……..$36,000 Age 7-13……$25,000 Age 14-18….$12,500 **Covered Codes**: CPT: 96152, 0359T, 0360T, 0361T, 90899, 96116, 96127, 96150, 96151, 96152, 96153, 96154, 96155 HCPCS: H0032, H2012, H2014, H2019, S5108, S5110, S5111, G9012
Sanford Employer Group (for Sanford Employees only)		Not Covered
SHP Medicaid Expansion	Members with an ASD diagnosis Diagnosis ages 19 and 20. No limits for services. Services are subject to prior authorization.	**Covered Codes:** CPT: 96152, 0359T, 0360T, 0361T, 90899, 96116, 96127, 96150, 96151, 96152, 96153, 96154, 96155 HCPCS: H0032, H2012, H2014, H2019, S5108, S5110, S5111, G9012

<table>
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<td>Traditional Medicaid</td>
<td>1) Be under 21 years of age.

2) Be Medicaid eligible on dates of service. (42 CFR 440.20 and North Dakota Administrative Code 75-02-02).

3) Have an autism spectrum disorder diagnosis from their primary care provider (PCP or licensed medical care provider qualified to diagnose autism spectrum disorder*.

4) Have an annual North Dakota Health Tracks (EPSDT) screening completed at a public health unit or by a primary care provider (PCP). A current screening is described as being within six months of the date considered eligible for the service.** The screening must accompany the packet submitted to NO Medicaid for consideration of approval of the Autism Applied Behavior Analysis Services. Comments in the recommendation portion of that screening must support and recommend Autism Applied Behavior Analysis Services.</td>
<td>Qualifiers:

Children diagnosed with Autism Spectrum Disorder and who are not currently involved in a Medicaid waiver program, and whose families have gross incomes up to 200% of the Federal Poverty Level, may qualify and can apply.

Autism Voucher Program Qualifying Monthly Household Incomes:

Family gross income can be up to 200% the Federal Poverty Level to qualify.

<table>
<tr><td>1 Person</td><td>2 people</td><td>3 people</td><td>4 people</td><td>5 people</td><td>6 people</td><td>7 people</td><td>8 people</td></tr>
<tr><td>$2,010</td><td>$2,706</td><td>$3,403</td><td>$4,100</td><td>$4,796</td><td>$5,493</td><td>$6,190</td><td>$6,886</td></tr>
</table>

Covered Codes: Medicaid Fee:
0359T $500.00
0360T $39.84
0361T $39.84
0364T $18.36
0365T $18.36
0368T $53.84
0369T $53.84
0373T $44.06
0374T $22.03</td>
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Memorandum

TO: NDPERS Board

FROM: Rebecca Fricke

DATE: April 25, 2018

SUBJECT: **Diabetes Prevention Program (DPP) Pilot**

At the December Board meeting, approval was given for NDPERS staff to work with the Department of Health regarding a Diabetes Prevention Program pilot in the Bismarck/Mandan area. The approval was for 3 cohorts to be launched during 2018. A cohort is a class or group of 15-18 participants. Funding for the program was approved as follows:

> **MS. WASSIM MOVED APPROVAL TO OFFER THE DIABETES PREVENTION PILOT PROGRAM OFFERED BY THE NORTH DAKOTA DEPARTMENT OF HEALTH WITH THE FULL COST OF $13,500 TO BE PAID FROM RESERVES, ASKING PARTICIPANTS TO PAY THE $50 PARTICIPANT FEE AT THE ONSET AND TO REIMBURSE PARTICIPANTS THE $50 FEE WHEN PROGRAM IS COMPLETED AND THEY HAVE MET THEIR GOALS, AND TO LIMIT THE PILOT PROGRAM TO THE BISMARCK MANDAN AREA BECAUSE OF LOGISTICS. MOTION WAS SECONDED BY MS. SMITH.**
>
> **Ayes:** Ms. Goodhouse, Ms. Smith, Mr. Seibel, Ms. Wassim, Representative Anderson, Senator Dever, Mr. Miller, Ms. Tufte and Chairman Dosch.
> **Nays:** None
> **Absent:** None
>
> **MOTION PASSED**

To date, two of the cohorts have begun and are being offered at Bismarck State College and the Capitol. The cohorts have successfully recruited the necessary number of participants. A third cohort is currently being promoted for registration and will begin in May at Workforce Safety & Insurance.

As part of the renewal discussions with Sanford Health Plan (SHP), staff asked their wellness team to give some consideration to the DPP and making it available to a broader NDPERS audience outside of the Bismarck/Mandan area. The wellness educators with Sanford have attended the DPP training and can therefore, lead cohorts. They are currently leading the cohort that is at the Capitol each week.

Attachment 1 provides information from SHP regarding their capacity to continue offering DPP cohorts focusing on various sized population areas. They then separated the major cities with the highest populations into 1st and 2nd tier cities. Tier 3rd tier cities are less populated and more rural areas.

As you can see from the attached, the SHP wellness team feels that with their wellness team, they will be able to launch additional DPP in the 1st tier cities, which includes Grand Forks and Fargo, in 2018 and 2019. They also believe that they can contract with trainers in the 2nd tier cities of Dickinson, Minot and Jamestown to provide DPP cohorts to NDPERS members in these areas during the same time period. Sanford Health Plan has confirmed that these cohorts will be offered as part of the Dakota Wellness Program, at no additional cost to NDPERS.

As far as the tier 3 cities or locations, SHP and NDPERS would work with the Department of Health and other trainers within the state to recruit NDPERS members to join any programs that are being offered in specific areas. For example, if a program were to be offered in a specific community, SHP staff would reach out to the wellness coordinators within their area to ask them to promote the program. However, since it would not be a program being offered through SHP's wellness team or as part of the DPP pilot, the participant would be responsible for the cost of the program.

At this time, we wanted to provide you with an update on the pilot program, as well as how SHP proposes to incorporate the program into the Dakota Wellness Program for a broader audience state-wide, at no additional cost to NDPERS.

Staff Recommendation:

Expand the DPP pilot program through Sanford Health Plan to Tier 1 and Tier 2 locations for the remainder of this biennium and throughout next biennium. In 2 years, the outcomes of the pilot can be evaluated to determine if the program should be expanded. In addition, have Sanford Health Plan actively recruit NDPERS members to join existing programs in Tier 3 locations.

Board Action Requested:

Determine whether or not to expand the DPP pilot program through Sanford Health Plan as proposed.

Diabetes Prevention Program
Attachment 1

NDPERS MEMBER DPP ENGAGEMENT STRATEGY

FIRST TIER CITIES

Objective

Sanford Health Plan Dakota Wellness Program lifestyle coaches lead NDPERS cohorts in three primary cities: Bismarck, Fargo, and Grand Forks.

2018			2019			
Q2	Q3	Q4	Q1	Q2	Q3	Q4
Bismarck Pilot Project Angie and Whitney ND State Capitol						
	Grand Forks Cohort Karisa and Molly Soeby, NDSU Ext. Location: UND					
			Bismarck NDPERS Cohort Angie and Whitney ND State Capitol			
			Fargo NDPERS Cohort Karisa and Co-coach Co-coach: Sanford or NDSU Ext. Location: NDSU			

SECOND TIER CITIES

Objective

Sanford Health Plan will contract with trained lifestyle coaches to lead NDPERS cohorts in secondary cities: Dickinson, Minot, and Jamestown.

Dickinson

Entity: Sanford Health Dickinson
Lifestyle coach: Kim Hamburger
Email: kim.hamburger@sanfordhealth.org
Phone: 701-456-6227
Suggested location: Dickinson State University or Stark County

Minot

Entity: Trinity Health Center
Lifestyle Coach: Michelle Fundingsland
Email: michelle.fundingsland@trinityhealth.org
Phone: 701-857-5268
Suggested location: Minot State University

or

Entity: Private Registered Dietitian Nutritionist
Lifestyle Coach: Michelle Mathura
Email: mhoppman@gmail.com
Suggested location: Minot State University

Jamestown
Entity: Stutsman County
Lifestyle Coach: Annette Niemeier
Email: aniemeier@nd.gov
Phone: 701-252-8130
Suggested location: North Dakota State Hospital

THIRD TIER CITIES

Objective
Sanford Health Plan actively recruits NDPERS members to join existing Diabetes Prevention Programs.

Identify ongoing Diabetes Prevention Programs

- www.DiabetesND.org
- Jane Myers, Department of Health

Promotion

- Karisa Johnson – Eastern ND wellness coordinators
- Whitney Kuch – Western ND wellness coordinators

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Memorandum

TO: NDPERS Board

FROM: Sharon Schiermeister

DATE: May 8, 2018

SUBJECT: Health Plan Managed Care Option

Background:

At the Board planning meeting last July, we discussed the health plan and the challenges it will be facing going into 2019-21. Specifically, we noted three items.

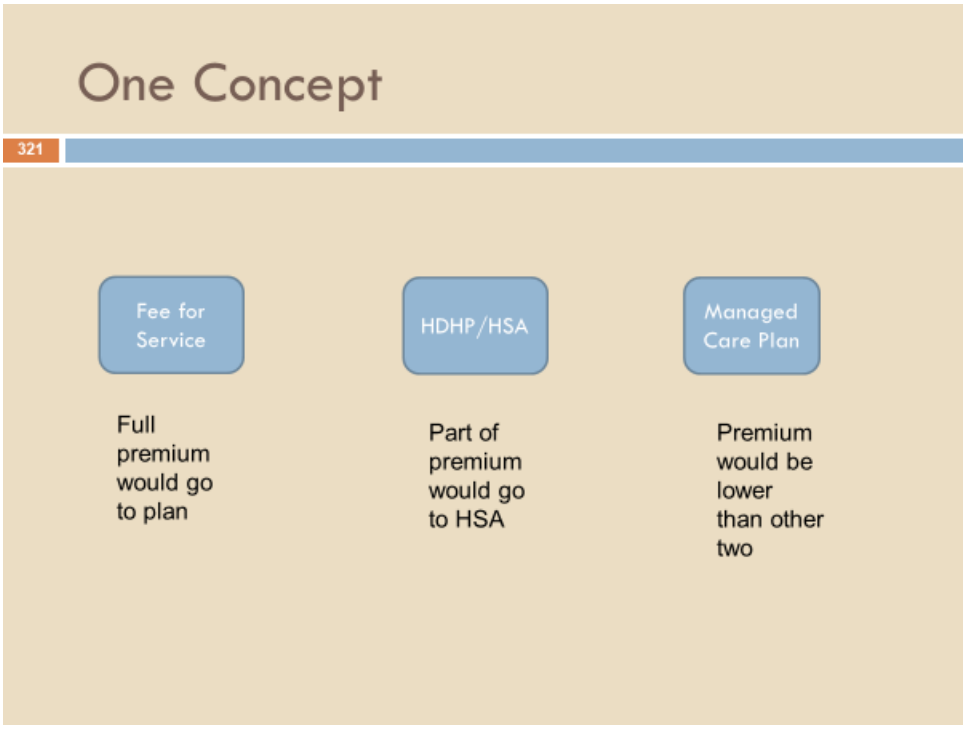
First was the early estimate of what the premium requirements may be for the 2019-21 biennium. That number was a possible increase of 15% for the biennium to maintain the existing plan design. This level of increase would require $70 million in new state funding of which $39 million would be general funds.

The second item we noted was that for the 2017-19 biennium the premium increase for all members was reduced by 2% since NDPERS used about $15 million of its reserves to buy down the premiums for our active and retired members. If this is not done again the full cost of the premium increase would need to be 2% more, or 17%.

Third, we noted that the plan design changes that were made to reduce the overall premium increase were almost all that is allowed under the ACA without losing the plan's grandfathered status.

In recognition of the above, the Board considered numerous strategies for going forward. One was to explore implementing a managed care option in the health plan. This was previously done by NDPERS in the 1990's and was called the EPO at that time.

As envisioned in that discussion, the managed care option would be added to the fee for service option and the HDHP/HSA options we presently have:



The managed care plan would be a network product and offered to members as an option. The product would be more cost effective than the fee for service option since the member in electing this option would agree to use the Health System tied to the plan they elect. The Health Systems that choose to participate in the managed care plan would then be responsible for managing the health of the NDPERS population they serve and would be incented to take a more holistic perspective to member health. The key to moving forward with this concept is to get provider involvement.

Actions to Date

NDPERS has worked with Sanford Health Plan on this option since the planning meeting. One of the key areas that has been discussed is how to solicit provider involvement in a manner consistent with our member's needs. We have established the following goals for this project:

1. The process of soliciting Health System participation should be viewed as non-biased.
2. All Health Systems should have an equal opportunity to participate.
3. Participation requirements and solicitation methodology should be transparent and discussed in a public setting.
4. The managed care product will offer the member a network which will result in more provider management and involvement of care. This should result in lower costs and higher quality care for the member.
5. The Health Systems shall commit to a process of continuous quality improvement and measures tied to a risk model.

Pursuant to the above goals, two options have been developed for adding managed care into the PERS plan. At this time we are seeking your direction on which option to continue to study/develop. If you approve one of the options, we will move to the next steps of developing the plan provisions, risk sharing method and an implementation plan for your review and approval at a board meeting later this summer.

Option #1

This would be a traditional managed care option, like the EPO, as follows:

1. Health Systems would be offered a participation agreement to be in the new PERS managed care option and approved through a bid process. The participation agreement would incorporate access & quality standards.
2. Health Systems would enter a risk arrangement whereby they are at risk for all **affiliated** member's healthcare services .
3. Members would need to elect to participate in the managed care option and choose a Health System as part of an annual enrollment process.
4. Members would agree to have all services performed through the focused network Health System to receive the highest level of benefit.
5. The Health System will manage their care.

Some pros/cons of this approach include:

Pros:

1. Members choice, they have the option to remain in current plan
2. Network affiliation strengthens flow of members to Health Systems.
3. Members pay less premium than the standard PPO Plan.

Cons:

1. Affiliation to a focused Health System may cause member disruption
2. Potential lack of Health System participation due to lack of a critical mass of membership for Health Systems to accept risk
3. Referral process may be a burden for both Members and Health Systems
4. Health Systems will have to build a comprehensive network to provide full continuum of care. (Chiros, dentists, specialists, home health, and other ancillary providers)
5. Health System access and availability standards need to be defined and monitored throughout contract period
6. Health Systems reluctance to take on additional administrative burden for a subset of their overall business

Option #2

This would be a managed care option that would apply across a majority of the membership, as follows:

1. Health Systems would enter a risk arrangement whereby they are at risk for all health care services for members **attributed** to them
2. Health System affiliation is not required - members are attributed to Health Systems based upon historical care patterns
3. Members maintain access to all participating providers
4. Health Systems will manage care

Some pros and cons of this option are:

Pros:

1. Majority of the NDPERS members will be in a risk-share arrangement
2. Members will be attributed based on where they receive most of their office visits
3. Eliminates provider disruption that may occur with affiliation at employee (contract) level.

4. Less member disruption as it does not require the member to take action to affiliate with a Health System
5. Virtually invisible to member while care is being managed by Health System
6. Increases likelihood for critical mass necessary for Health Systems to manage patient risk
7. Aligns with risk-sharing models currently used by other payers
8. Eliminates in-state referrals, easing the administrative burden for members and Health Systems

Cons:

1. Model applies to all members so, although not mandatory, critical for all major Health Systems in North Dakota to be on board.
2. Members would need a referral to receive in network benefits from out-of-state providers.

One of the significant issues with Option 1 is reaching a critical mass of membership to entice Health Systems into a risk arrangement. Option 2 eliminates that concern as the model would automatically attribute a majority of the members to a Health System, thereby, creating a sufficient pool for the Health Systems to participate. Further, a large number of members would have their care managed without affiliating with a Health System. Option 1 contrasts with Option 2 in that it will have less member and Health System participation. Back in the 90's, approximately 30% of members selected the EPO at its highest point. Under Option 2, we predict that a majority of members would be in the managed care program, however, the member would retain full ability to choose where they receive services. Under the EPO, members had to obtain services from a specific Health System to receive the highest level of benefits. Option 2 would maintain the member's ability to choose from in-state network providers while creating an adequate risk pool.

To address the issue of benefits and premium, a second component would be added to Option 2 whereby members pay higher cost share amounts for services rendered outside of North Dakota unless they received a referral. The member would need to elect this plan annually in exchange for a lower premium and added preventive/wellness benefits.

Solicitation Method: Staff discussed two options on how to accomplish this task:

A. Sanford Health Plan will develop and implement the managed care option for PERS

   Pursuant to this option, Sanford Health Plan will develop the managed care option for PERS in recognition of the above goals for implementation in 2019. Sanford Health Plan staff will work directly with the Health Systems to set up the program for those willing to participate. The primary source for questions on this option from the members and other public entities will be Sanford Health Plan

B. The solicitation process will be done by offering a participation agreement and a formal bid process

   Pursuant to this option a bid document would be sent to providers as was done with the establishment of the EPO in 1993.

Sanford Health Plan will be at the meeting to discuss the two options above and the solicitation models.

Staff Recommendation:

Option 2 and Solicitation Method B.

Board action requested:

Approve Option 1 or 2 for further study and provide direction on Solicitation Models A or B.

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Memorandum

TO: NDPERS Board

FROM: Bryan Reinhart

DATE: May 8, 2018

SUBJECT: 2017 Sanford Claims review

Each year we conduct an audit to check the accuracy of the health plan claims processing. On March 1st-2nd, I was at the Sanford corporate office in Fargo to review a sample of 100 NDPERS claims. A list of the claim specifications is attached. Note that this is not a random sample of all claims, but a select sample from specific areas that we felt needed to be looked at. I focused on claims incurred in the year 2017. Sanford did a good job of having everything ready for me and having staff available to answer my questions and explain the claims payment process.

The findings are detailed below:

Review Errors/Findings:

A claim for a Hepatitis-C test with a Z11.59 diagnosis (Encounter for screening for other viral diseases) was processed at 100%. It should have gone to the $200 wellness screening benefit. A routine syphilis screening (common with infertility treatments) did not go to the $200 wellness screening benefit. Sanford will review the screening codes allowed for the $200 wellness benefit and update them based on the current CDC recommendations.

A WSI claim with an emergency room visit was paid by WSI, but the professional component was paid by the health plan. We looked at a few more examples with an episode of care involving WSI and found other examples where services were paid by the NDPERS plan. Sanford will be doing an audit of all NDPERS members flagged for WSI benefit coordination. This was an audit finding last year and appears to still be an issue. NDPERS will add this to our health plan monthly meeting agenda and have Sanford report on progress.

The COI wording for Physical Therapy, Occupational Therapy, and Speech Therapy should be modified. For the PPO Plan, “$25 Copayment Amount per visit, then 80% of allowed Charge” should be changed to “$25 Copayment Amount per Office visit / Evaluation or $20 Copayment Amount per visit, then 80% of allowed Charge”. A similar change should be made for the Basic plan wording.

Under the $200 preventative screening benefit a cholesterol test or lipid panel goes to the benefit if there was a “High Cholesterol” diagnosis (E78.5 Hyperlipidemia) and no other diagnosis. In a similar situation, the 83036 A1c test for someone with a diagnosis of “250.0 Diabetes” is not going to the $200 preventative screening benefit without a ‘routine’ screening diagnosis. This is also true for other diagnostic tests. With NDPERS direction, Sanford is willing to do this.

One thing we noticed is a fairly large difference in reimbursement for Flu shot vaccinations. Some of this may be the vaccine administered and some might be the contracted rates. I would recommend looking at this when setting up annual Flu shot clinics.

If an EGWP Medicare Part-D claim has a prescribed fill less than the 31 days, the copayment is prorated based on the pill count.

PSA tests have a special processing definition in the COI. Deductible is waived and coinsurance applies. In a routine screening, this would be less out-of-pocket for members if the benefit went toward their $200 wellness screening benefit (assuming it was not already met).

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

NDPERS 2017 Audit of 1/2017 – present Sanford Claims Processing

1. Professional Chiropractic (1 claim)
2. Institutional COB (1 claim)
3. Institutional COB (2 with Medicare Member age 65+)
4. Institutional COB (2 with Medicare Member age <65)
5. Institutional COB (5 with Workers Compensation)
6. Professional COB (3 claims Other Insurance Plan)
7. Professional COB (2 with Medicare)
8. Professional COB (5 with Workers Compensation)
9. Institutional Psych (2 claims)
10. Professional Psych (2 claims)
11. Institutional CDU (2 claims)
12. Professional CDU (2 claims)
13. Professional PAP (5 claims) (No COB)
14. Professional Mammograms (5 claims) (No COB)
15. Professional Fecal Occult Test (5 claims) (No COB)
16. Professional Cholesterol Screening (5 claims) (No COB)
17. Professional Blood Sugar Testing (5 claims) (No COB)
18. Professional PSA Testing (5 claims) (No COB)
19. Professional Colonoscopy (5 claims) Include Institutional and Lab components (No COB)
20. Prescription Drug Formulary (2 claims)
21. Prescription Drug Non-Formulary (2 claims)
22. Prescription Drug for Flu Vaccine (5 claims) (No COB)
23. Prescription Drug Medicare Part-D claims (4 claims)
24. Institutional 'Denied Experimental' (1 claims)
25. Professional Physical Therapy (2 claims) (No COB)
26. Claims for Durable Medical Equipment (2 claims)
27. Professional from HDHP member (3 claims)
28. Office Visit for Infertility (5 claims)
29. Adult Routine Diagnosis Physical Office Visit with Screenings (2 claims)
30. Out-Of-State Out-Of-Network Professional Claims (5 claims)
31. Institutional Delivery Claim on Healthy Pregnancy Program (1 claim)
32. Professional claim for QMCSO provision (1 claim) - *A QMCSO is an order of a court or administrative tribunal that creates the right of a Member's child to be enrolled under this Plan. If a QMCSO is issued, this Plan will provide benefits to the child(ren) of a covered person regardless of whether the child(ren) resides with the Member. In the event that a QMCSO is issued, each named child(ren) will be covered by this Plan in the same manner as any other Dependent child(ren) by this Plan.*
33. Professional claim for Michelle's Law (1 claim) - *Federal law requires that we provide the following notice regarding Michelle's Law [Public Law 110-381]. Please note that changes in federal law may eliminate certain elements of Michelle's Law, and the Plan intends to provide continuing coverage of Eligible Dependents up to age twenty-six (26), irrespective of their student status, for Plan Years beginning on or after September 23, 2010.*

Total 100 Claims

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Memorandum

TO: NDPERS Board

FROM: Sharon Schiermeister

DATE: May 3, 2018

SUBJECT: Health Plan Renewal

Following is an update on activities related to the upcoming health plan renewal.

Pursuant to NDCC 54-52.1-05 (2), two of the requirements for the renewal process are to:

1. Have our consultant perform a renewal estimate, and
2. Review the carrier's performance measures, payment accuracy, etc

Renewal Estimate. We have met with Deloitte and discussed the methodology and timing for the renewal estimate. They will be provided with our claims data from July 2015 through present and will incorporate in the plan design changes that became effective July 1, 2017 as well as any provider contract changes that Sanford Health Plan has made. The renewal estimate will be available for your review at the August board meeting.

Review the Carrier's Performance. During the previous renewal, we looked to meet this requirement in two ways. First, get members' perceptions on Sanford Health Plan's performance through a member survey. The survey that was approved at the March board meeting has been distributed by Sanford Health Plan and the results will be presented to you at the August board meeting.

As part of the last renewal, Sanford hired an independent consultant (Deloitte) to review the operational metrics in the statute. The same approach is being followed this year and Sanford has again retained Deloitte to perform this review. Their report will also be available for your review at the August meeting.

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

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

Fax: (701) 328-3920 Email ndpers-info@nd.gov Website https://ndpers.nd.gov

Memorandum

TO: NDPERS Board

FROM: Sharon Schiermeister

DATE: May 3, 2018

SUBJECT: Mental Health Benefits

At the Board planning meeting last July, one topic that was discussed related to coverage for mental health benefits. We asked Sanford to provide a summary of the mental health benefits that are provided as part of the NDPERS health plan, as well as what is being provided for their commercial plans (Attachment 1).

Representatives from Sanford will be at the Board meeting to answer any questions you may have.

Mental Health Attachment

	NDPERS (Grandfathered & Non-Grandfathered)	Commercial Market - Large Group
Cost Sharing	In compliance with the Mental Health Parity and Addiction Equity Act of 2008 (MHPAEA), the financial requirements and treatment limitations that apply to the Plan's mental health and/or substance use disorder benefits are no more restrictive than the predominant financial requirements or treatment limitations that apply to substantially all medical/surgical benefits. In addition, mental health and substance use disorder benefits are not subject to separate cost sharing requirements or treatment limitations	
Defined Services	Mental Health and Substance Abuse Health Care Services are provided for disorders specified in the Diagnostic and Statistical Manual of Mental Disorders (DSM), the American Society of Addiction Medicine Criteria (ASAM Criteria), and the International Classification of Diseases (ICD), current editions. Also referred to as behavioral health, psychiatric, chemical dependency, substance abuse, and/or addiction services.	
Coverage Spectrum	Coverage for mental health conditions which current prevailing medical consensus affirms substantially impairs perception, cognitive function, judgment, and/or emotional stability, and limits the life activities of the person with the condition(s). Includes, but is not limited to, the following conditions: • schizophrenia; • schizoaffective disorders; • bipolar disorder; • major depressive disorders (single episode and/or recurrent); • obsessive-compulsive disorders; • attention-deficit/hyperactivity disorder; • autism spectrum disorders; • eating disorders; • post-traumatic stress disorders (acute, chronic, or with delayed onset); • and anxiety disorders that cause significant impairment of function.	
Outpatient Professional services, including therapy by Providers such as psychiatrists, psychologists, clinical social workers, or other qualified mental health professionals	☑ First 5 visits of treatment of any calendar year will be covered at 100% (no charge).	☑ First 5 visits of treatment of any calendar year will be covered at 100% (no charge).
Inpatient services, including Hospitalizations	☑	☑
Medication management	☑	☑
Diagnostic tests	☑	☑
Electroconvulsive therapy (ECT)	☑	☑

Partial Hospitalization	☑	☑
Intensive Outpatient Programs	☑	☑
Gender Identity Disorder including hormone therapy, non-surgical, medically necessary treatment, mental/ behavioral services, and laboratory testing to monitor the safety of continuous hormone therapy.	☑	☑
Convalescent care	☒	☒
Marriage or bereavement counseling; pastoral counseling; financial or legal counseling; and custodial care counseling	☒	☒
Educational or non-medical services provided under the Individuals with Disabilities Education Act (IDEA)	☒	☒
Services related to environmental change	☒	☒
Behavioral therapy, modification, or training	☒	☒
Milieu therapy	☒	☒
Sensitivity training	☒	☒
Educational or non-medical services for learning disabilities and/or behavioral problems, including those educational or non-medical services provided under the Individuals with Disabilities Education Act (IDEA)	☒	☒
Applied Behavioral Analysis (ABA)	☒	☑ Annual Maximum Benefits: 0-6: $36,000 7-13: $25,000 14-16: $12,500

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Memorandum

TO: NDPERS Board

FROM: **Bryan & Sharon**

DATE: May 8, 2018

SUBJECT: Actuarial Audit of Plans

It is NDPERS practice to conduct an actuarial audit of the plan valuations every 10 years. When GRS was awarded the contract as the retirement consultant, one of their first tasks was to replicate the prior actuarial valuations. Attachment 1 is the August 2016 GRS letter highlighting the replication results for all the NDPERS plans. This is essentially an actuarial audit. The email response below from Lance Weiss at GRS confirms that they performed the same tasks during their replication as they would have done for an audit.

Hi Bryan. Yes the steps we took during the replication phase are the same steps we would take to conduct an actuarial replication audit.

Regards,
Lance Weiss
Sent from my IPhone

On Mar 21, 2018, at 9:44 AM, Reinhardt, Bryan T. <breinhar@nd.gov> wrote:

> Hi Lance,
> When GRS became the NDPERS consultant one of the first work efforts was to replicate the prior actuarial studies. During this process GRS found and noted inconsistencies. Were the steps taken in the replication the same steps you would take when performing an actuarial audit?
>
> Bryan T. Reinhardt
> Research & Planning Manager
> NDPERS
> 400 E Bdwy, Suite 505
> Box 1657
> Bismarck, ND 58502
> (701) 328-3919

Board Action:

Accept the 2016 GRS replication of the 2015 actuarial valuations as meeting the audit requirement. The next actuarial audit would be for the 2025 valuations.

GRS
Gabriel Roeder Smith & Company
Consultants & Actuaries
120 North LaSalle Street
Suite 1350
Chicago, IL 60602
312.456.9800 phone
312.683.3271 fax
www.gabrielroeder.com

Actuarial Audit Attachment 1

August 17, 2016

Board Members
North Dakota Public Employees Retirement System
Bismarck, North Dakota

Re: Results of Replication of July 1, 2015, Actuarial Valuation Results

Members of the Board:

In accordance with your request, we have replicated the actuarial valuation results from the actuarial valuations as of July 1, 2015, performed by Segal Consulting.

This letter contains the following exhibits which compare the actuarial valuation results from the July 1, 2015, actuarial valuations performed by Segal with the July 1, 2015, actuarial valuations performed by GRS using the same census data, methods and assumption as used in the 2015 actuarial valuations (based on information provided to us by Segal).

- Exhibit I Comparison of Present Value of Future Benefits, Funded Ratio and Employer Actuarial Rate for All Plans
- Exhibit II Detailed Comparison of Actuarial Valuation Results – Total PERS (Combined Main, Judges and Law Enforcement Systems)
- Exhibit III Detailed Comparison of Actuarial Valuation Results – Main System
- Exhibit IV Detailed Comparison of Actuarial Valuation Results – Judges
- Exhibit V Detailed Comparison of Actuarial Valuation Results – Law Enforcement with Prior Main System Service
- Exhibit VI Detailed Comparison of Actuarial Valuation Results – Law Enforcement without Prior Main System Service
- Exhibit VII Detailed Comparison of Actuarial Valuation Results – Job Service
- Exhibit VIII Detailed Comparison of Actuarial Valuation Results – Retiree Health Insurance Credit Fund
- Exhibit IX Detailed Comparison of Actuarial Valuation Results – Highway Patrol

Summary of Results

As shown in Exhibit I, GRS was able to closely match (within about 3.5%) the present value of future benefits (PVFB) for each System, except for the Highway Patrol System. (The present value of future benefits is defined as the current discounted value of all future monthly benefits payable to a pensioner.) Results within 3-4% generally indicate that calculations of projected benefits to be paid from the Systems were performed consistently between the two firms.

The PVFB for each member is allocated over his/her career. The amount of the PVFB allocated to past service is the actuarial accrued liability and the amount of the PVFB allocated to future service is the present value of future normal costs. There were slightly larger differences in the actuarial accrued liability and the total normal cost results between the Segal results and the GRS

results. This is due to differences in how the PVFB was allocated between past and future service. The total PVFB, however, payable from the Systems is not affected by this allocation.

The actuarial accrued liability calculated by GRS for each system was slightly higher for certain Systems than the amount calculated by Segal in their 2015 actuarial valuations. As a result, the funded ratio calculated by GRS is slightly lower. As shown in Exhibit I, the funded ratio calculated by GRS is about 2% higher for Judges and 0% to 4% lower for the other Systems.

The employer actuarial rates calculated by GRS are up to about 1.5% of pay lower than the rates calculated by Segal (except for Highway Patrol). This is the result of the net effect of a lower normal cost and a higher unfunded liability amortization rate.

Due to the differences in the actuarial valuation results for the Highway Patrol System, GRS requested additional details from Segal in order to further reconcile the differences. We believe that the differences may be due to the treatment of current active members in the Highway Patrol System that have prior service in another NDPERS System. We will continue to work with Segal to reconcile the Highway Patrol System results.

Disclosures and Additional Information

The actuarial assumptions used by GRS were the same assumptions used in the actuarial valuation as of July 1, 2015, as disclosed in the Segal report, including an assumed rate of investment return of 8.00 percent.

Future actuarial measurements may differ significantly from the current measurements presented in this cost analysis, due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions, contribution amounts or applicable law.

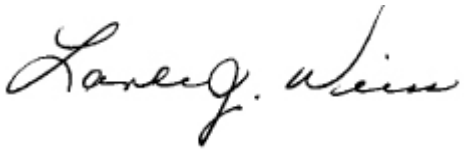
If any of the provisions, underlying data or assumptions used in this analysis appear to be incorrect or unreasonable, please let us know as soon as possible so we can update the analysis.

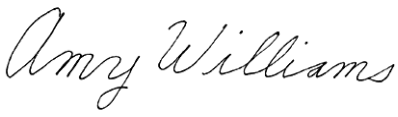
The signing actuaries are independent of the plan sponsor.

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

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

Sincerely,





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

Amy Williams, ASA, MAAA, FCA
Consultant

AW:rl

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

North Dakota Public Employees Retirement System
July 1, 2015 Valuation
Summary - All Plans

	Segal	GRS	Delta $	Delta %
Present Value of Benefits				
Main System	$ 4,075,205,734	$ 4,107,874,649	$ 32,668,915	0.80%
Judges	47,470,944	47,353,786	(117,158)	-0.25%
Law Enforcement with Prior Main System Service	52,361,965	51,268,399	(1,093,566)	-2.09%
Law Enforcement without Prior Main System Service	7,427,722	7,165,075	(262,647)	-3.54%
Total	$ 4,182,466,365	$ 4,213,661,909	$ 31,195,544	0.75%
Job Service	$ 63,623,299	$ 63,661,827	38,528	0.06%
Highway Patrol	104,366,667	119,140,378	14,773,711	14.16%
Retiree Health Insurance Credit Fund	161,891,447	163,672,786	1,781,339	1.10%
Funded Ratio				
Main System	68.13%	65.73%		-2.40%
Judges	98.97%	100.97%		2.00%
Law Enforcement with Prior Main System Service	73.83%	72.81%		-1.02%
Law Enforcement without Prior Main System Service	92.16%	88.97%		-3.19%
Total	68.61%	66.26%		-2.35%
Job Service	124.48%	124.40%		-0.08%
Highway Patrol	73.49%	69.70%		-3.79%
Retiree Health Insurance Credit Fund	69.36%	68.69%		-0.67%
Employer Actuarial Rate				
Main System	12.21%	10.76%		-1.46%
Judges	10.75%	10.40%		-0.34%
Law Enforcement with Prior Main System Service	9.78%	8.67%		-1.11%
Law Enforcement without Prior Main System Service	8.03%	6.52%		-1.51%
Total	12.14%	10.70%		-1.44%
Job Service	0.00%	0.00%		0.00%
Highway Patrol	21.42%	28.21%		6.79%
Retiree Health Insurance Credit Fund	0.72%	0.73%		0.01%

Exhibit II

North Dakota Public Employees Retirement System
July 1, 2015 Valuation
Summary - Total PERS

	Segal	GRS	Delta $	Delta %
Number of Active Members	22,845	22,845	-	0.00%
Average Age	46.4	46.3	(0.1)	-0.22%
Average Years of Benefit Service		9.6	NA	
Average Years of Vesting Service	9.6	9.7	0.1	1.04%
Total Payroll	$ 961,690,526	$ 961,690,526	$ -	0.00%
Projected Annual Compensation	1,024,155,919	1,029,267,110	5,111,191	0.50%
Average Projected Annual Compensation	44,831	45,054	224	0.50%
Contribution Account Balance	788,302,199	788,302,200	1	0.00%
1. Present Value of Benefits				
Active Members	$ 2,745,442,324	$ 2,788,370,972	$ 42,928,648	1.56%
Special Prior Service Pensions	1,074	1,072	(2)	-0.19%
Retired Members and Beneficiaries	1,263,418,385	1,259,890,624	(3,527,761)	-0.28%
Inactive Non-Retired Members	173,604,582	165,399,241	(8,205,341)	-4.73%
Total	$ 4,182,466,365	$ 4,213,661,909	$ 31,195,544	0.75%
2. Actuarial Accrued Liability				
Active Members	$ 1,615,422,498	$ 1,735,295,020	$ 119,872,522	7.42%
Special Prior Service Pensions	1,074	1,072	(2)	-0.19%
Retired Members and Beneficiaries	1,263,418,385	1,259,890,624	(3,527,761)	-0.28%
Inactive Non-Retired Members	173,604,582	165,399,241	(8,205,341)	-4.73%
Total	$ 3,052,446,539	$ 3,160,585,957	$ 108,139,418	3.54%
3. Actuarial Value of Assets	$ 2,094,251,356	$ 2,094,251,356	$ -	0.00%
4. Funded Ratio (3./2.)	68.61%	66.26%		-2.35%
5. Unfunded Actuarial Accrued Liability (2.-3.)	$ 958,195,183	$ 1,066,334,601	$ 108,139,418	11.29%
6. Total Normal Cost for Ensuing Year	$ 126,443,929	$ 105,021,383	$ (21,422,546)	-16.94%
7. Estimated Annual Salaries of Covered Members	$ 1,024,155,919	$ 1,029,267,110	$ 5,111,191	0.50%
8. Member Normal Cost	$ 71,430,469	$ 71,781,994	$ 351,525	0.49%
9. Employer Normal Cost (6.-8.)	$ 55,013,460	$ 33,239,389	$ (21,774,071)	-39.58%
10. Amortization Payment - Equals 20-year Amortization of the UAAL as a level % of Payroll	$ 66,873,860	$ 74,418,718	$ 7,544,858	11.28%
11. Administrative Expenses	$ 2,448,847	$ 2,448,847	$ -	0.00%
12. Total Employer Cost for Ensuing Year (9.+10.+11.)	$ 124,336,167	$ 110,106,955	$ (14,229,212)	-11.44%
13. Total Employer Cost as % of Pay (12./7.)	12.14%	10.70%		-1.44%

Exhibit III

North Dakota Public Employees Retirement System
July 1, 2015 Valuation
Summary - Main

	Segal	GRS	Delta $	Delta %
Number of Active Members	22,381	22,381	-	0.00%
Average Age	46.5	46.5	-	0.00%
Average Years of Benefit Service		9.6	NA	
Average Years of Vesting Service	9.7	9.7	-	0.00%
Total Payroll	$ 934,045,098	$ 934,045,098	$ -	0.00%
Projected Annual Compensation	993,609,618	998,913,078	5,303,460	0.53%
Average Projected Annual Compensation	44,395	44,632	237	0.53%
Contribution Account Balance	773,846,715	773,846,716	1	0.00%
1. Present Value of Benefits				
Active Members	$ 2,677,977,138	$ 2,721,820,679	$ 43,843,541	1.64%
Special Prior Service Pensions	1,074	1,072	(2)	-0.19%
Retired Members and Beneficiaries	1,227,994,794	1,224,494,177	(3,500,617)	-0.29%
Inactive Non-Retired Members	169,232,728	161,558,721	(7,674,007)	-4.53%
Total	$ 4,075,205,734	$ 4,107,874,649	$ 32,668,915	0.80%
2. Actuarial Accrued Liability				
Active Members	$ 1,578,843,212	$ 1,698,362,176	$ 119,518,964	7.57%
Special Prior Service Pensions	1,074	1,072	(2)	-0.19%
Retired Members and Beneficiaries	1,227,994,794	1,224,494,177	(3,500,617)	-0.29%
Inactive Non-Retired Members*	169,232,728	161,558,721	(7,674,007)	-4.53%
Total	$ 2,976,071,808	$ 3,084,416,146	$ 108,344,338	3.64%
3. Actuarial Value of Assets	$ 2,027,476,214	$ 2,027,476,214	$ -	0.00%
4. Funded Ratio (3./2.)	68.13%	65.73%		-2.39%
5. Unfunded Actuarial Accrued Liability (2.-3.)	$ 948,595,594	$ 1,056,939,932	$ 108,344,338	11.42%
6. Total Normal Cost for Ensuing Year	$ 122,308,342	$ 101,208,317	$ (21,100,025)	-17.25%
7. Estimated Annual Salaries of Covered Members	$ 993,609,618	$ 998,913,078	$ 5,303,460	0.53%
8. Member Normal Cost	$ 69,552,673	$ 69,923,915	$ 371,242	0.53%
9. Employer Normal Cost (6.-8.)	$ 52,755,669	$ 31,284,402	$ (21,471,267)	-40.70%
10. Amortization Payment - Equals 20-year Amortization of the UAAL as a level % of Payroll	$ 66,202,742	$ 73,764,123	$ 7,561,381	11.42%
11. Administrative Expenses	$ 2,400,044	$ 2,400,044	$ -	0.00%
12. Total Employer Cost for Ensuing Year (9.+10.+11.)	$ 121,358,455	$ 107,448,568	$ (13,909,887)	-11.46%
13. Total Employer Cost as % of Pay (12./7.)	12.21%	10.76%		-1.46%

North Dakota Public Employees Retirement System
July 1, 2015 Valuation
Summary - Judges

	Segal	GRS	Delta $	Delta %
Number of Active Members	51	51	-	0.00%
Average Age	58.7	58.1	(0.6)	-1.02%
Average Years of Benefit Service		10.9	NA	
Average Years of Vesting Service	15.5	15.5	-	0.00%
Total Payroll	$ 6,999,397	$ 6,999,397	$ -	0.00%
Projected Annual Compensation	7,274,441	7,279,372	4,931	0.07%
Average Projected Annual Compensation	142,636	142,733	97	0.07%
Contribution Account Balance	6,414,157	6,414,157	0	0.00%
1. Present Value of Benefits				
Active Members	$ 26,226,489	$ 26,327,848	$ 101,359	0.39%
Retired Members and Beneficiaries	20,416,692	20,429,649	12,957	0.06%
Inactive Non-Retired Members	827,763	596,289	(231,474)	-27.96%
Total	$ 47,470,944	$ 47,353,786	$ (117,158)	-0.25%
2. Actuarial Accrued Liability				
Active Members	$ 18,136,988	$ 17,575,299	$ (561,689)	-3.10%
Retired Members and Beneficiaries	20,416,692	20,429,649	12,957	0.06%
Inactive Non-Retired Members	827,763	596,289	(231,474)	-27.96%
Total	$ 39,381,443	$ 38,601,237	$ (780,206)	-1.98%
3. Actuarial Value of Assets	$ 38,973,906	$ 38,973,906	$ -	0.00%
4. Funded Ratio (3./2.)	98.97%	100.97%		2.00%
5. Unfunded Actuarial Accrued Liability (2.-3.)	$ 407,537	$ (372,669)	$ (780,206)	-191.44%
6. Total Normal Cost for Ensuing Year	$ 1,322,507	$ 1,355,234	$ 32,727	2.47%
7. Estimated Annual Salaries of Covered Members	$ 7,274,441	$ 7,279,372	$ 4,931	0.07%
8. Member Normal Cost	$ 581,955	$ 582,350	$ 395	0.07%
9. Employer Normal Cost (6.-8.)	$ 740,552	$ 772,884	$ 32,332	4.37%
10. Amortization Payment - Equals 20-year Amortization of the UAAL as a level % of Payroll	$ 29,602	$ (27,069)	$ (56,671)	-191.44%
11. Administrative Expenses	$ 11,559	$ 11,559	$ -	0.00%
12. Total Employer Cost for Ensuing Year (9.+10.+11.)	$ 781,713	$ 757,374	$ (24,339)	-3.11%
13. Total Employer Cost as % of Pay (12./7.)	10.75%	10.40%		-0.34%

North Dakota Public Employees Retirement System
July 1, 2015 Valuation
Summary - Law Enforcement With Prior Main System Service

	Segal	GRS	Delta $	Delta %
Number of Active Members	318	318	-	0.00%
Average Age	37.1	37.1	-	0.00%
Average Years of Benefit Service		5.5	NA	
Average Years of Vesting Service	6.3	6.3	-	0.00%
Total Payroll	$ 16,584,551	$ 16,584,551	$ -	0.00%
Projected Annual Compensation	18,692,512	18,459,348	(233,164)	-1.25%
Average Projected Annual Compensation	58,781	58,048	(733)	-1.25%
Contribution Account Balance	6,765,213	6,765,213	(0)	0.00%
1. Present Value of Benefits				
Active Members	$ 34,384,696	$ 33,609,397	$ (775,299)	-2.25%
Retired Members and Beneficiaries	14,917,164	14,877,048	(40,116)	-0.27%
Inactive Non-Retired Members	3,060,105	2,781,954	(278,151)	-9.09%
Total	$ 52,361,965	$ 51,268,399	$ (1,093,566)	-2.09%
2. Actuarial Accrued Liability				
Active Members	$ 16,340,513	$ 17,138,060	$ 797,547	4.88%
Retired Members and Beneficiaries	14,917,164	14,877,048	(40,116)	-0.27%
Inactive Non-Retired Members	3,060,105	2,781,954	(278,151)	-9.09%
Total	$ 34,317,782	$ 34,797,062	$ 479,280	1.40%
3. Actuarial Value of Assets	$ 25,335,386	$ 25,335,386	$ -	0.00%
4. Funded Ratio (3./2.)	73.83%	72.81%		-1.02%
5. Unfunded Actuarial Accrued Liability (2.-3.)	$ 8,982,396	$ 9,461,676	$ 479,280	5.34%
6. Total Normal Cost for Ensuing Year	$ 2,215,447	$ 1,931,588	$ (283,859)	-12.81%
7. Estimated Annual Salaries of Covered Members	$ 18,692,512	$ 18,459,348	$ (233,164)	-1.25%
8. Member Normal Cost	$ 1,043,977	$ 1,021,886	$ (22,091)	-2.12%
9. Employer Normal Cost (6.-8.)	$ 1,171,470	$ 909,702	$ (261,768)	-22.35%
10. Amortization Payment - Equals 20-year Amortization of the UAAL as a level % of Payroll	$ 626,884	$ 660,333	$ 33,449	5.34%
11. Administrative Expenses	$ 29,842	$ 29,842	$ -	0.00%
12. Total Employer Cost for Ensuing Year (9.+10.+11.)	$ 1,828,196	$ 1,599,877	$ (228,319)	-12.49%
13. Total Employer Cost as % of Pay (12./7.)	9.78%	8.67%		-1.11%

North Dakota Public Employees Retirement System
July 1, 2015 Valuation
Summary - Law Enforcement Without Prior Main System Service

	Segal	GRS	Delta $	Delta %
Number of Active Members	95	95	-	0.00%
Average Age	37.8	37.8	-	0.00%
Average Years of Benefit Service		3.2	NA	
Average Years of Vesting Service	3.8	3.8	-	0.00%
Total Payroll	$ 4,061,481	$ 4,061,481	$ -	0.00%
Projected Annual Compensation	4,579,348	4,615,312	35,964	0.79%
Average Projected Annual Compensation	48,204	48,582	379	0.79%
Contribution Account Balance	1,276,114	1,276,114	0	0.00%
1. Present Value of Benefits				
Active Members	$ 6,854,001	$ 6,613,048	$ (240,953)	-3.52%
Retired Members and Beneficiaries	89,735	89,750	15	0.02%
Inactive Non-Retired Members	483,986	462,277	(21,709)	-4.49%
Total	$ 7,427,722	$ 7,165,075	$ (262,647)	-3.54%
2. Actuarial Accrued Liability				
Active Members	$ 2,101,785	$ 2,219,485	$ 117,700	5.60%
Retired Members and Beneficiaries	89,735	89,750	15	0.02%
Inactive Non-Retired Members	483,986	462,277	(21,709)	-4.49%
Total	$ 2,675,506	$ 2,771,512	$ 96,006	3.59%
3. Actuarial Value of Assets	$ 2,465,850	$ 2,465,850	$ -	0.00%
4. Funded Ratio (3./2.)	92.16%	88.97%		-3.19%
5. Unfunded Actuarial Accrued Liability (2.-3.)	$ 209,656	$ 305,662	$ 96,006	45.79%
6. Total Normal Cost for Ensuing Year	$ 597,633	$ 526,244	$ (71,389)	-11.95%
7. Estimated Annual Salaries of Covered Members	$ 4,579,348	$ 4,615,312	$ 35,964	0.79%
8. Member Normal Cost	$ 251,864	$ 253,842	$ 1,978	0.79%
9. Employer Normal Cost (6.-8.)	$ 345,769	$ 272,402	$ (73,367)	-21.22%
10. Amortization Payment - Equals 20-year Amortization of the UAAL as a level % of Payroll	$ 14,632	$ 21,332	$ 6,700	45.79%
11. Administrative Expenses	$ 7,402	$ 7,402	$ -	0.00%
12. Total Employer Cost for Ensuing Year (9.+10.+11.)	$ 367,803	$ 301,136	$ (66,667)	-18.13%
13. Total Employer Cost as % of Pay (12./7.)	8.03%	6.52%		-1.51%

North Dakota Job Service Employees Retirement System
July 1, 2015 Valuation
Summary

		Segal Results	GRS Results	Delta $	Delta %
Membership Data					
	Active Members	11	11	0	0.00%
	Deferred Vested	1	1	0	0.00%
	Retirees and Beneficiaries	206	206	0	0.00%
	TOTAL	218	218	0	0.00%
	Average Age	61.2	61.2	-	0.00%
	Average Years of Service	38.9	38.9	-	0.00%
	Total Payroll	$ 673,836	$ 673,836	$ -	0.00%
	Projected Annual Compensation	697,420	471,673	(225,747)	-32.37%
	Average Projected Annual Compensation	63,402	42,879	(20,522)	-32.37%
	Contribution Account Balance		1,820,326	NA	
Plan Liabilities	Present Value of Future Benefits				
	Active Members	$ 7,367,184	$ 7,388,702	$ 21,518	0.29%
	Term Vested Members	11,011	11,473	462	4.20%
	Retirees and Beneficiaries	56,245,104	56,261,652	16,548	0.03%
	Total	$ 63,623,299	$ 63,661,827	$ 38,528	0.06%
	Actuarial Value of Assets	$ 79,196,686	$ 79,196,686	$ -	0.00%
	Outstanding Balance as of July 1, 2015 of Frozen Initial Liability	$ -	$ -	$ -	
	Actuarial Value of Future Normal Costs	$ -	$ -	$ -	
	Present Value of Future Salaries	$ 1,398,693	$ 1,346,124	$ (52,569)	-3.76%
	Normal cost percentage	0%	0%		
	Normal Cost	$ -	$ -	$ -	

Exhibit VIII

North Dakota Retiree Health Insurance Credit Fund
July 1, 2015 Valuation
Summary

	Segal	GRS	Delta $	Delta %
Number of Active Members	23,237	23,237		0.00%
Average Age	46.3	46.2		-0.11%
Average Years of Benefit Service	9.7	9.6		-1.12%
Projected Annual Compensation	$ 1,052,657,242	$ 1,059,638,167	$ 6,980,925	0.66%
Average Projected Annual Compensation	$ 45,301	$ 45,601	$ 300	0.66%
1. Present Value of Benefits				
Active Members	$ 95,584,297	$ 96,429,242	$ 844,945	0.88%
Retired Members and Beneficiaries	66,307,150	67,243,544	936,394	1.41%
Total	$ 161,891,447	$ 163,672,786	$ 1,781,339	1.10%
2. Actuarial Accrued Liability				
Active Members	$ 62,632,863	$ 62,895,056	$ 262,193	0.42%
Retired Members and Beneficiaries	66,307,150	67,306,417	999,267	1.51%
Total	$ 128,940,013	$ 130,201,473	$ 1,261,460	0.98%
3. Actuarial Value of Assets	89,433,998	89,433,998	0	0.00%
4. Unfunded Actuarial Accrued Liability (2.-3.)	39,506,015	40,767,475	1,261,460	3.19%
5. Normal Cost for Ensuing Year	3,905,835	3,999,651	93,816	2.40%
6. Amortization Payment - Equals 15-year Amortization of the UAAL as a level % of Payroll	3,412,289	3,521,246	108,957	3.19%
7. Administrative Expenses	225,619	225,619	0	0.00%
8. Total Cost for Ensuing Year (5.+6.+7.)	7,543,743	7,746,516	202,773	2.69%
9. Total Payroll of Covered Members	1,052,657,242	1,059,638,167	6,980,925	0.66%
10. Total Employer Cost as % of Pay (8./9.)	0.72%	0.73%		0.01%

North Dakota Public Employees Retirement System
July 1, 2015 Valuation
Summary - Highway Patrol

	Segal	GRS	Delta $	Delta %	GRS			GRS Non-Transfer vs. Segal	
					Non-Transfer Actives	Transfer Actives	Total GRS	Delta $	Delta %
Number of Active Members	161	161	-	0.00%	130	31	161	(31)	-19.25%
Average Age	35.3	35.3	-	0.00%	35.4	34.9	35.3	0.1	0.28%
Average Years of Benefit Service	8.6	8.6	-	0.00%	8.9	7.5	8.6	0.3	3.49%
Average Years of Vesting Service		9.2	NA		9.0	10.0	9.2	NA	
Total Payroll	$ 9,967,249	$ 9,967,249	$ -	0.00%	$ 8,107,178	$ 1,860,071	$ 9,967,249	$ (1,860,071)	-18.66%
Projected Annual Compensation	10,774,341	10,725,877	(48,464)	-0.45%	8,731,040	1,994,837	10,725,877	(2,043,301)	-18.96%
Average Compensation	61,908	61,908	-	0.00%	62,363	60,002	61,908	455	0.73%
Average Projected Annual Compensation	66,921	66,620	(301)	-0.45%	67,162	64,350	66,620	240	0.36%
Contribution Account Balance	12,312,314	12,312,358	44	0.00%	10,396,675	1,915,683	12,312,358	(1,915,639)	-15.56%
1. Present Value of Benefits									
Active Members	$ 50,242,223	$ 65,315,619	$ 15,073,396	30.00%	$ 53,221,561	$ 12,094,058	$ 65,315,619	$ 2,979,338	5.93%
Retired Members and Beneficiaries	50,308,102	50,174,079	(134,023)	-0.27%	50,174,079	-	50,174,079	(134,023)	-0.27%
Inactive Non-Retired Members	3,816,342	3,650,680	(165,662)	-4.34%	3,650,680	-	3,650,680	(165,662)	-4.34%
Total	$ 104,366,667	$ 119,140,378	$ 14,773,711	14.16%	$ 107,046,320	$ 12,094,058	$ 119,140,378	$ 2,679,653	2.57%
2. Actuarial Accrued Liability									
Active Members	$ 25,987,773	$ 30,642,960	$ 4,655,187	17.91%	$ 25,483,990	$ 5,158,970	$ 30,642,960	$ (503,783)	-1.94%
Retired Members and Beneficiaries	50,308,102	50,174,079	(134,023)	-0.27%	50,174,079	-	50,174,079	(134,023)	-0.27%
Inactive Non-Retired Members*	3,816,342	3,650,680	(165,662)	-4.34%	3,650,680	-	3,650,680	(165,662)	-4.34%
Total	$ 80,112,217	$ 84,467,719	$ 4,355,502	5.44%	$ 79,308,749	$ 5,158,970	$ 84,467,719	$ (803,468)	-1.00%
3. Actuarial Value of Assets	$ 58,875,531	$ 58,875,531	$ -	0.00%	$ 55,279,635	$ 3,595,896	$ 58,875,531		
4. Funded Ratio	73.5%	69.7%		-3.79%	69.7%	69.7%	69.7%		
5. Unfunded Actuarial Accrued Liability	$ 21,236,686	$ 25,592,188	$ 4,355,502	20.51%	$ 24,029,114	$ 1,563,074	$ 25,592,188		
6. Total Normal Cost for Ensuing Year	$ 2,226,286	$ 2,633,932	$ 407,646	18.31%	$ 2,126,140	$ 507,792	$ 2,633,932	$ (100,146)	-4.50%
7. Estimated Annual Salaries of Covered Members	$ 10,774,341	$ 10,725,877	$ (48,464)	-0.45%	$ 8,731,040	$ 1,994,837	$ 10,725,877		
8. Member Normal Cost	$ 1,432,987	$ 1,426,542	$ (6,445)	-0.45%	$ 1,161,228	$ 265,313	$ 1,426,542		
9. Employer Normal Cost	$ 793,299	$ 1,207,390	$ 414,091	52.20%	$ 964,912	$ 242,479	$ 1,207,390		
Amortization Payment - Equals 20-year									
10. Amortization of the UAAL as a level % of Payroll	$ 1,482,114	$ 1,786,086	$ 303,972	20.51%	$ 1,676,998	$ 109,087	$ 1,786,086		
11. Administrative Expenses	$ 32,007	$ 32,007	$ -	0.00%	$ 25,836	$ 6,171	$ 32,007		
12. Total Employer Cost for Ensuing Year	$ 2,307,420	$ 3,025,483	$ 718,063	31.12%	$ 2,667,746	$ 357,737	$ 3,025,483		
13. Total Employer Cost as % of Pay	21.42%	28.21%		6.79%	30.55%	17.93%	28.21%		

North Dakota
Public Employees Retirement System
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Interim Executive Director
(701) 328-3900
1-800-803-7377

Fax: (701) 328-3920 Email ndpers-info@nd.gov Website https://ndpers.nd.gov

Memorandum

TO: NDPERS Board

FROM: MaryJo

DATE: April 30, 2018

SUBJECT: Employer Group Termination

NDPERS has recently received inquiries from political subdivisions regarding withdrawal from the NDPERS retirement program due to increased annual pension expenses being reported on employer financial statements.

With the financial reporting standards under Government Accounting Standards Board (GASB) Statement No. 68, employers must recognize their portion of net pension liability (similar to current unfunded actuarial accrued liability) on employer financial statements based on the prior fiscal year. Each employer's cost share of the net pension liability is based upon the employer's total pension contributions for the current year. With the current NDPERS unfunded liability, GASB requirements also require that a discount rate or blended long-term expected rate of return on plan investments to be used so net position is projected to be sufficient to make projected future benefit payments.

Since NDPERS has not experienced an employer group withdrawal from participation previously, we are looking for Board guidance. North Dakota Administrative Code 71-02-08-02 outlines the general process for a political subdivision to withdraw from participating in the NDPERS plan. This process requires that the political subdivision pay the plan costs for any cost incurred by the fund resulting from the political subdivision withdrawal.

> **71-02-08-02. Withdrawal.**
> Any political subdivision may discontinue participation in the fund if the following requirements are met:
> 1. The political subdivision must provide the board with a copy of a resolution adopted by the governing authority authorizing the termination of participation in the fund.
> 2. Upon receiving a copy of the written resolution, an actuarial study must be done by

the plan's actuary to determine the accrued benefit of all vested employees minus allocated assets from the date of participation. The interest assumption used must be the plan's interest assumption used for funding purposes.
3. Any costs incurred by the fund, resulting from a political subdivision ceasing participation, must be assessed against the political subdivision.
4. All employees of a political subdivision that has terminated participation in the fund must not be eligible for future benefit improvements granted to employees or former employees of participating governmental units after the date the employer's participation ceases.
5. An employee who is not vested at the time an employer ceases participation has the option of taking a refund or rollover of the employee's contribution plus interest.

The first area requiring clarification is whether an employer can discontinue participation in the retirement plan, but allow current employees to continue their participation. In reviewing this information with our actuary, Gabriel Roeder Smith & Company (GRS), it was indicated that discontinuing participation can fall under 2 categories: full withdrawal – where all employees would become inactive or "frozen" as of the date the employer terminates participation; or partial withdrawal – where current employees continue to participate in the plan, but no new employees can join the plan. The method for calculating the accrued benefits, used in determining the costs to be assessed against the employer, is different under each of these options.

The second area requiring clarification is how to allocate assets to the employer when determining the cost to cease participation. It may not be possible to determine what has actually been contributed and paid out for each employer, therefore, we have asked GRS to provide an alternate method for allocating assets.

Attached is the information prepared by GRS. They will also be available at the Board meeting to review the options and respond to any questions you may have.

Board Action Requested:

Determine what withdrawal options are available to employers who elect to discontinue participation in the retirement plan, how the accrued benefits will be calculated and how assets will be allocated.

GRS Retirement Consulting

P: 312.456.9800 | F: 312.683.3271 | www.grsconsulting.com

May 4, 2018

Board Members
North Dakota Public Employees Retirement System
Bismarck, North Dakota

Re: North Dakota Public Employees Retirement System – Calculation Methodologies for Employer Withdrawal Valuations

Dear Members of the Board:

In accordance with your request, we are providing commentary on potential calculation methodologies that could be used for employers (political subdivisions) who withdraw from the North Dakota Public Employees Retirement System (NDPERS). Because NDPERS is a cost-sharing multiple employer plan, the remaining employers will bear future risks associated with withdrawn employers.

Background

Article 71-02 of the North Dakota Administrative Code provides the following guidance with respect to political subdivisions withdrawing from NDPERS.

71-02-08-02. Withdrawal.
Any political subdivision may discontinue participation in the fund if the following requirements are met:

1. *The political subdivision must provide the board with a copy of a resolution adopted by the governing authority authorizing the termination of participation in the fund.*
2. *Upon receiving a copy of the written resolution, an actuarial study must be done by the plan's actuary to determine the accrued benefit of all vested employees minus allocated assets from the date of participation. The interest assumption used must be the plan's interest assumption used for funding purposes.*
3. *Any costs incurred by the fund, resulting from a political subdivision ceasing participation, must be assessed against the political subdivision.*
4. *All employees of a political subdivision that has terminated participation in the fund must not be eligible for future benefit improvements granted to employees or former employees of participating governmental units after the date the employer's participation ceases.*
5. *An employee who is not vested at the time an employer ceases participation has the option of taking a refund or rollover of the employee's contribution plus interest.*

Although there is guidance in the North Dakota Administrative Code with respect to certain aspects of the calculations for withdrawing political subdivisions, there are many details of the calculations for determining accrued benefits, allocating assets and costs resulting from a political subdivision ceasing participation that could be interpreted and implemented in different ways.

Different Types of Employer Withdrawals

There are different types of employer withdrawals from a retirement system:

1. Type 1: A political subdivision ceases participation in the plan for future members only. Current members, however, remain in the system and continue to earn future benefit accruals
2. Type 2: A political subdivision freezes participation for future benefit accruals of current members (as well as future members); however, frozen accrued benefits for the current members remain in the retirement system. Current members remain in the system and are eligible to begin receiving the benefit amount accrued at the time of withdrawal (frozen benefit) once age/service conditions are met

It is important to define what types of benefits (retirement, termination, disability, death) are paid or are not paid under each type of withdrawal (Type 1 or Type 2) because this will affect the calculation of the liabilities.

Under a Type 1 withdrawal, employers may make statutory contributions for their continuing active members (which would include normal cost and unfunded liability contributions that cease upon members terminating active employment) plus an additional withdrawal liability contribution.

Under a Type 2 withdrawal, employers may make a withdrawal liability contribution only.

The selection of appropriate assumptions depends on whether or not the withdrawing employer has ongoing contribution requirements or is released from all future obligations beyond the final withdrawal liability contribution.

Risks Associated with Assumptions Used in Liability Calculations

If the benefit obligations for members whose employers withdraw from NDPERS are left with the System, NDPERS assumes the risks and the additional costs if actual experience is unfavorable compared to the actuarial assumptions used to assess the employer's withdrawal liability. Therefore, it is important to understand the risks and to use assumptions in the calculation of the liabilities that will appropriately recognize these risks. There are risks associated with the following assumptions:

1. Investment return – if plan assets earn less than the assumed rate of return used in the calculation of liabilities for withdrawing members, there will be an actuarial loss to the System and therefore, a shortfall in the amount contributed by the withdrawing employer that will need to be paid by the remaining employers in NDPERS. However, the ND Administrative Code specifies that "The interest assumption used must be the plan's interest assumption used for funding purposes." This rate is currently 7.75 percent.
2. Pay increases – if members are accruing future benefits, higher salary increases than assumed will result in a loss to the System. If benefits are frozen as of the employer withdrawal date, the future benefits are known and there is limited risk related to future pay increases.

3. Mortality – if a pre-retirement mortality assumption is used and fewer members die prior to benefit commencement than assumed, a loss may occur. If a member receives retirement benefits longer than assumed, a loss will occur.
4. Disability – if a disability assumption is used, a loss may occur if members receive disability benefits other than expected.
5. Termination – if members are accruing future benefits, fewer members terminating prior to retirement than assumed will result in a loss. If benefits are frozen as of the employer withdrawal date, the future benefits are known and there is limited risk related to more future service accruals than assumed.
6. Retirement/Benefit Commencement – if members begin receiving benefits earlier than assumed, a loss may occur.

Because an employer withdrawal valuation has a different purpose than the annual funding valuation, you may want to consider using different assumptions (that result in higher costs) than those used in the funding valuation. Using a different set of assumptions may help insure against the risk that there will be losses that the remaining employers in the System will have to fund on behalf of the withdrawn employer.

The attached November 2013 Issue Brief from the American Academy of Actuaries distinguishes between a "budget liability" such as the actuarial accrued liability used in the funding valuation and a "solvency liability" on a market basis. Page 3 of the Issue Brief states that "…an important characteristic of the solvency value is that it is intended to fulfill the benefit obligation without additional funds." In the case of an employer withdrawal from NDPERS, it is our understanding that there would be no subsequent additional funds from the withdrawing employer. This is precisely the situation requiring a solvency liability calculation as described in the Issue Brief and is a strong rationale for using a lower investment return assumption for calculating the withdrawal liability.

Calculation of the Liabilities (Value of Accrued Benefits)

For a withdrawal in which current members remain in the system and earn future benefit accruals (Type 1), the corresponding liability calculation for active members should reflect projected future pay increases and increases in the annual benefit attributable to the member accruing additional service after the employer withdrawal date. There are additional assumptions applied in the actuarial valuation for the assumed rate of investment return, disabilities, pre-retirement death and pre-retirement terminations that would need to be considered as well.

For a withdrawal in which current members remain in the system but do not earn future benefit accruals and only receive their frozen accrued benefit upon satisfying eligibility conditions (Type 2), we recommend the following approach:

- Accrued service is equal to service as of the withdrawal date;
- Final average salary is calculated as of the employer withdrawal date; and
- Members are assumed to start receiving their frozen benefit at first retirement eligibility. Future service after the withdrawal date will apply towards eligibility to the extent allowed under ND law.

As previously indicated, because of the risks associated with the liability calculations for withdrawing employers, it may be appropriate to use different assumptions for withdrawal valuations than used in the funding valuation. The most common assumptions that vary from the funding valuation in order to add conservatism are the investment return assumption, the mortality assumption and the age at which benefits are assumed to commence. The ND Administrative Code states the following:

Upon receiving a copy of the written resolution, an actuarial study must be done by the plan's actuary to determine the accrued benefit of all vested employees minus allocated assets from the date of participation. The interest assumption used must be the plan's interest assumption used for funding purposes.

We recommend that a rate lower than 7.75 percent (the funding valuation interest rate) be used in employer withdrawal calculations. This would require a change to the ND Administrative Code. Currently, the RP-2000 mortality table with generational mortality improvements is used in the actuarial valuation. We recommend that an updated mortality table and generational mortality improvement scale be used in the withdrawal liability calculations. (Withdrawn employers would not be assessed an additional contribution in the future as a result of future assumption changes.) We recommend that for Type 2 withdrawals, the benefit is assumed to commence at earliest eligibility. For Type 1 withdrawals, we recommend reviewing the difference in liability between using the retirement rates assumed in the funding valuation and earliest eligibility for retirement and using the assumption with the higher cost.

Calculation of the Net Employer Withdrawal Liability

If employers are to fully fund the cost of benefits provided to their employees, the benefits and expenses paid should equal the contributions from the employers and employees plus investment earnings. In order to exactly know the current system assets attributable to a certain employer , we would need to know the total contributions received each year since the employer began participating in the system, the total benefits paid and expenses allocated to the employer each year and the accumulated investment earnings for each of those years. However, cash flows are typically not separately tracked each year by employer, so performing an exact calculation of employer assets is difficult. Therefore, using a simplified method which uses the system funded ratio (ratio of assets to liabilities) is typically used.

Following is an example of a methodology that could be used for **Type 2 employer withdrawals**. Because current assets are attributable to current retiree, inactive and active member liabilities, all liabilities (using the same assumptions from the funding valuation) should be considered in the allocation of assets to an employer. Because market value of assets is the actual value of the assets held in the trust, market value is typically used for withdrawal valuations. (Asset smoothing is used to limit volatility in future contribution rates and therefore, we don't consider it appropriate to use in a withdrawal valuation where ongoing contributions are not expected). The frozen liability should be based on the assumptions selected for this type of calculation. We have included commentary on assumptions for use for this calculation on the previous page.

	Main System		
	Actuarial Accrued Liability	Market Value of Assets	Funded Ratio
Active Members	$ 1,916,436,508	$ 623,136,158	32.52%
Inactive Vested and Non-Vested Members	254,886,944	254,886,944	100.00%
Retired Members and Beneficiaries	1,446,760,521	1,446,760,521	100.00%
Total	3,618,083,973	$ 2,324,783,623	64.25%

	Sample Employer Results Based on Funding Valuation			
	Actuarial Accrued Liability	Allocated Assets*	Frozen Liability** (Type 2 Withdrawal)	Unfunded Withdrawal Liability***
Active Members	$ 500,000	$ 162,600	$ 420,000	$ 257,400
Inactive Vested and Non-Vested Members	8,000	8,000	9,240	1,240
Retired Members and Beneficiaries	400,000	400,000	420,000	20,000
Total	$ 908,000	$ 570,600	$ 849,240	$ 278,640

**Allocated assets are equal to the Main System funded ratio (based on market value of assets) times the actuarial accrued liability (based on the funding valuation assumptions and methods and assuming future benefit accruals) for all members of the withdrawing employers.*
***The frozen liability is calculated assuming no future benefit accruals after the employer withdrawal date and withdrawal liability assumptions. There is an additional load of 5% to account for future administrative expenses.*
****The unfunded withdrawal liability is the cost of future benefits and expenses expected to be paid in the future for the members of the withdrawing employer that are not funded by the assets allocated to the employer.*

For Type 1 withdrawals (current active members continue to accrue future service), we recommend the same general approach as Type 2 withdrawals:

1. Calculate a funded ratio by status for the System from which the employer is withdrawing based on the market value of assets
2. Allocate market value of assets by status to the withdrawing employer based on liabilities for all members of the employer and methods and assumptions consistent with the funding actuarial valuation (assuming future benefit accruals)
3. Calculate liabilities on a withdrawal basis for all members of the employer. For a Type 1 withdrawal, future accruals for active members would be assumed, and for Type 2, accrued benefits would be frozen as of the withdrawal date. A calculation of potential future disability and death benefits would be included if appropriate based on the provisions of the withdrawal. A different set of assumptions could be used to calculate the withdrawal liability, as discussed previously.
4. Calculate the unfunded withdrawal liability by subtracting the allocated assets (step 2) from the employer withdrawal liability (step 3).

Assuming that employers will continue to make the statutory contributions for their active employees for a Type 1 withdrawal, the following additional steps would be used for a Type 1 withdrawal for the cost of benefits earned in the future:

5. Calculate the present value of future normal cost using the same assumptions as under step 3, including a load for future administrative expenses
6. Calculate the present value of future employer statutory contributions and employee contributions using the same assumptions as under step 3

7. Calculate the expected present value of future unfunded liability by subtracting the future expected contributions (step 6) from the present value of benefits expected to be earned in the future (step 5)
8. Add the unfunded withdrawal liability attributable to past service (step 4) to the unfunded withdrawal liability attributable to future service (step 7) to get the total unfunded withdrawal liability for a Type 1 withdrawal

Following is an example of the additional steps for a Type 1 employer withdrawal:

Step 4 (Unfunded Withdrawal Liability)	$	278,640
Step 5 (PV Future Normal Cost)		550,000
Step 6 (PV Future Contributions)		706,000
Step 7 (PV Unfunded Liability - Future Service)		(156,000)
Step 8 (Total Unfunded Withdrawal Liability)	$	122,640

In this example, the employer would contribute the total unfunded withdrawal liability of $122,640 at the time of withdrawal and then also continue to contribute the employer statutory contribution rate of 7.12% of pay for their active members. If the total unfunded withdrawal liability is not paid as a lump, a payment schedule could be set up which includes appropriate interest charges.

Summary and Conclusions

In order to develop and implement an employer withdrawal policy, the following steps should be taken:

1. Define the types of benefits payable under each type of withdrawal (for example, under a Type 2 withdrawal, are pre-retirement death benefits or disability benefits payable?)
2. Adopt assumptions to be used for employer withdrawal liability calculations (which may be the same or different than the assumptions used for the System funding valuation and may include a provision for future administrative expenses)
3. Adopt a methodology for the allocation of assets
4. Adopt a calculation methodology for the employer withdrawal liability and the calculation of the total unfunded employer withdrawal liability

We have outlined proposed methodologies and considerations for assumptions earlier in this letter.

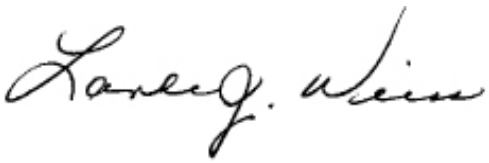
Disclosures and Additional Information

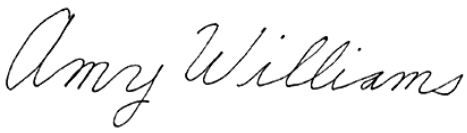
The signing actuaries are independent of the plan sponsor.

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

Please let us know if you have any questions or would like to discuss the considerations in this letter further.

Sincerely,





Lance J. Weiss, E.A., M.A.A.A., F.C.A.
Senior Consultant and Team Leader

Amy Williams, A.S.A., M.A.A.A., F.C.A.
Consultant

American Academy of Actuaries
ISSUE BRIEF
NOVEMBER 2013

Measuring Pension Obligations

Discount Rates Serve Various Purposes

Key Points

- Two common measurements of pension obligations have significantly different meanings.
- Market-based methods use a discount rate based on observable data from the financial markets. Expected return-based methods use a discount rate based on the estimated return of the plan's investment portfolio.
- The *solvency value,* a market-based measurement, determines an amount that a pension plan needs to invest in default-free securities to provide the benefits with certainty.
- The *budget value,* an expected return-based measurement, determines an amount that will be sufficient to provide benefits if the portfolio earns the expected return on assets.
- The difference between the two represents the gain the sponsor anticipates by taking on risk in a diversified portfolio.
- Plans funded at the budget level and invested in a diversified portfolio are likely to experience either insufficient or surplus assets, and benefit security is affected by the plan sponsor's ability to make additional contributions if an adverse investment experience materializes.

Tens of millions of U.S. workers and retirees belong to pension plans that are the subject of heated debates surrounding the discount rate used to measure pension obligations. The American Academy of Actuaries' Pension Practice Council developed this issue brief to inform public policymakers and the general public about different measurements of the obligations of defined benefit pension plans.

Put simply, a pension is a series of payments made to retirees, usually for their lifetimes. An actuary estimates the payments that will be made for all potential retirees from the plan in each future year. Although an estimate, considering these payments as a certain stream of future cash flows is helpful to understand pension measurement.

Expressing the value of this future series of payments as a single amount on a specific date is required for several purposes, including financial statement preparation, funding decisions and regulatory compliance. This amount is an estimate of the ***present value*** of the obligation and is dependent on the discount rate, the interest rate used to bring future cash flows to the present to account for the time value of money. The intended use of the estimated present value influences how the measurement is determined. Although the estimate is useful for several purposes, the actual obligation remains the payment of the benefits when due.

This issue brief explores two approaches for selecting discount rates when measuring pension obligations, describes the meaning

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David Goldfarb, Pension Policy Analyst

of each measurement, and characterizes the difference between them in terms of investment risk and potential gains and losses. Understanding the measurements of pension obligations requires recognizing the purpose and meaning of each one.

Two Measurements

The two approaches for selecting discount rates used to determine the present value are the ***market-based method*** and the ***expected return-based method***.

Using a market-based method, a discount rate is selected by looking at observable data in the financial markets at the measurement date. Market-based methods use fixed-income yield data because fixed-income securities are similar to the pension obligations – both make fixed payments in future years. Market-based methods vary in the amount of default risk recognized. For example, financial statement disclosures for private-sector employers use AA corporate bond rates, plan-termination measurements use insurance company premium quotes, and solvency measures (discussed further below) often use U.S. Treasury bond rates.

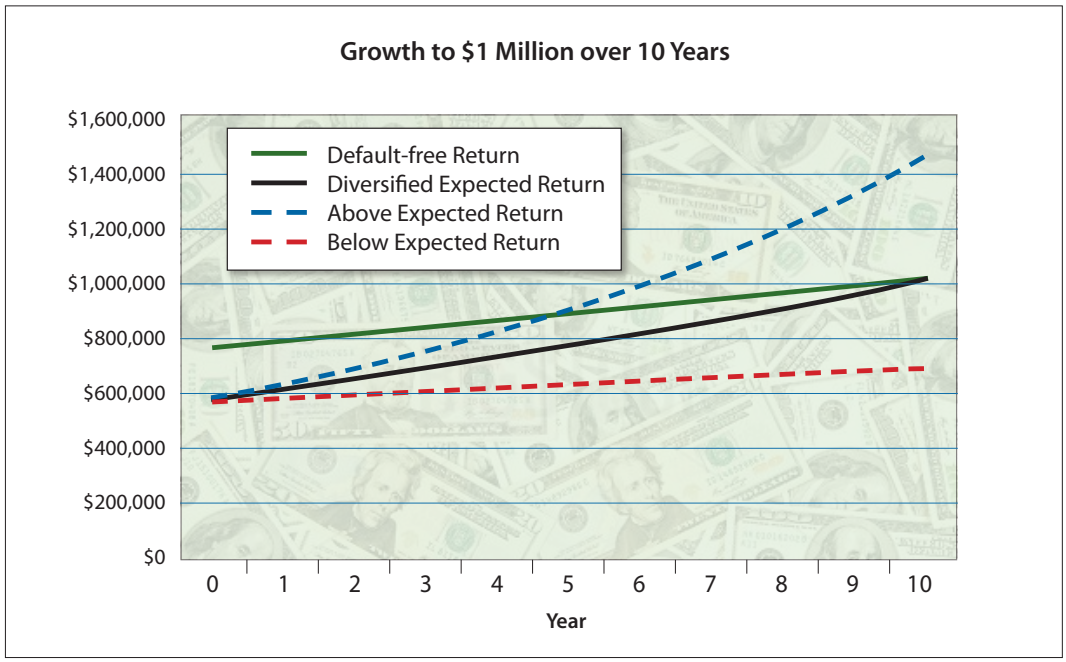
Using an expected return-based method, a discount rate is selected by looking at the asset allocation of the pension plan investment portfolio and estimating the average return the portfolio is expected to produce during the time period in which benefits are paid. State and local government plans, multiemployer plans, and some private sector plans not subject to the Pension Protection Act[1] funding rules commonly use expected return-based methods. The expected return-on-assets estimate is based on the assumption that the asset allocation will be maintained in the future.

The two methods may produce the same result if a pension portfolio is invested entirely in the same type and duration of fixed-income securities used to select the market-based discount rate, but this is uncommon. Usually, the actual investment portfolio contains securities expected to generate returns greater than the fixed-income returns used by the market-based methods. Thus, the expected return-based discount rate will be higher and the resulting measurement will be lower than the market-based method.[2]

The two methods differ in the relative certainty (the confidence level or probability) that assets equal to the present value would grow as expected if invested as the method assumes. A simplified example is useful to illustrate the level of certainty associated with each.

Assume you promise to pay $1 million to another party in 10 years and that you are deemed certain to pay your debt. You could fund this debt with a 10-year zero coupon Treasury note. If the note had an effective return of 3 percent, an investment of $744,000 would be sufficient to fund the debt with 100 percent certainty. You might also fund the debt with a smaller amount invested in a diversified portfolio of assets. If you could reasonably expect the portfolio to return 6

[1]Public Law 109–280 (Aug. 17, 2006).
[2]In some periods of high interest rates such as the early 1980s, many pension plans used discount rates less than default-free rates.



percent, an investment of just $558,000 would be expected to fund the debt, but the ability to meet the obligation with the invested assets would be less certain. The portfolio might earn more or less than 6 percent over the 10 years.

Your creditor would be willing to accept the $744,000 Treasury note in settlement of the debt now, since both your debt and the note are certain to pay $1 million in 10 years. But your creditor would not accept the $558,000 diversified portfolio in lieu of the debt because there is no longer certainty that $1 million will be available in 10 years and there is no compensation for the additional risk accepted.[3] The higher $744,000 required using the Treasury investment can be considered the price of providing certainty and the $186,000 reduction using the diversified investment is the anticipated savings of the debtor that may result when the debtor accepts the additional investment risk.

Solvency Value – A Market-Based Measurement

The ***solvency value***[4] is the amount needed to fulfill all benefit obligations when invested in a portfolio of securities free of default risk whose cash flows match the future benefit payments.

An important characteristic of the solvency value is that it is intended to fulfill the benefit obligation without additional funds. This requires that the portfolio be free of default risk or else additional funds may be needed. Treasury securities are the only broadly available securities that are generally considered free of default risk. For the purposes of this brief, it is presumed

[3]A creditor willing to take risk could accept the $744,000 Treasury note, sell the note and invest in a diversified portfolio.
[4]The terms "solvency" and "budget" (introduced in the next section) are used in the *Pension Actuary's Guide to Financial Economics*. The meaning in this paper is the same as in that guide. These terms may be used in other contexts with different meanings.

that a portfolio of Treasury securities that produces future cash flows with the same timing as the promised pension benefits would be certain to be capable of fulfilling the pension obligation.[5]

The discount rate used to calculate the solvency value is based on the Treasury yield curve or the return on the assets of the hypothetical Treasury portfolio. When expressed as the return of the hypothetical portfolio, the rate will vary depending on the timing of future benefit payments, or equivalently, based on the duration of the portfolio.

The solvency value, like any market-based value, will change when interest rates change but does not change merely because the asset allocation of the actual portfolio is changed. The solvency value is independent of the actual investments. In our example, the solvency value is $744,000.

Valuing future pension benefits with a default-free discount rate such as the return on a hypothetical Treasury portfolio provides a reasonable measurement of the amount of assets needed today to provide the estimated benefits with no additional funds.

Budget Value – An Expected Return-Based Measurement

The ***budget value*** is the amount that is expected to be sufficient to pay all benefits when due if that amount is invested and earns the anticipated return of the plan's investment portfolio. When the portfolio is diversified[6] and the return is uncertain, additional funds may be needed when returns are less, and surplus assets may develop when returns are greater than the expected return.

If the portfolio is diversified to include securities seeking greater returns, the anticipated return will be higher and the budget value will be lower than the solvency value. Because of the risk aspects of the portfolio, insufficient or surplus assets may develop, and the budgeting process will have to be adjusted for this differential over time.

The budget value differs from the solvency value in that the selection of the discount rate is based on judgment of future market performance while the solvency discount rate is based on observable data in current markets. Selection of a reasonable rate is essential to the viability of the budget method. The expected return on assets often represents the median or the average of an array of estimated rates based on the potential variability of the return of the portfolio.

The diversified portfolio and the lower budget amount also result in greater uncertainty of the future contributions required of the plan sponsor. With a diversified portfolio and funding based on the budget measurement, the level of sponsor contributions are sensitive to total investment returns, which are affected by interest rates, defaults, and equity (including stock, real estate, hedge fund) price movements. Thus, returns in a diversified trust are expected to be variable, not consistently equal to the expected return. The inevitable result is that sponsor contributions to keep the plan funded at the budget value will be more volatile; or, if contributions are kept stable, unfunded or surplus amounts will develop. In practice, both volatile contributions and unfunded or surplus amounts are experienced by plans using the budget method.

The expected return on assets is often set as the median expected return of a wide range of possible outcomes. This means that perhaps 50 percent of the time the budgeted amount will be

[5]Constructing such a portfolio is not possible for most pension plans, partially due to the very long payment periods. Nevertheless, this hypothetical portfolio is useful for explaining solvency value and can be approximated in the markets with the use of derivatives.

[6]In this issue brief, diversified means any investments other than default-free assets that match the cash flow requirements of the benefit obligation.

insufficient and the sponsor will be called upon to make additional contributions. To the extent the plan sponsor cannot make additional contributions, the security of the benefits is at risk. The magnitude of the potential insufficiency is dependent on the actual return on investments compared to the expected return and can be significant.

Diversified portfolios are expected to have higher returns than Treasury securities. If the portfolio actually earns more than the solvency discount rate, benefits can be provided at a lesser cash cost than under the solvency model. In our example, the budget value is $558,000, implying a targeted savings of $186,000 compared to the solvency value. But this anticipated savings comes with added risk.

Valuing future pension benefits with the expected return on a diversified portfolio provides a reasonable measurement of the amount of assets needed today to provide the estimated benefits, but additional contributions may be required or surplus assets may develop.

Risk and Reward

The difference between the solvency value and the budget value provides insight into the risk and potential reward of the diversified portfolio. If a plan sponsor does not invest in a matching portfolio of Treasury securities but instead uses return-seeking assets in a diversified portfolio, several changes occur. First, the expected return on the portfolio is likely to be higher. Therefore, the sponsor's target for funding is lower. At the same time, the magnitude of potential unfunded or surplus amounts increases. This increases the potential demand on the sponsor and the risk to benefit security.

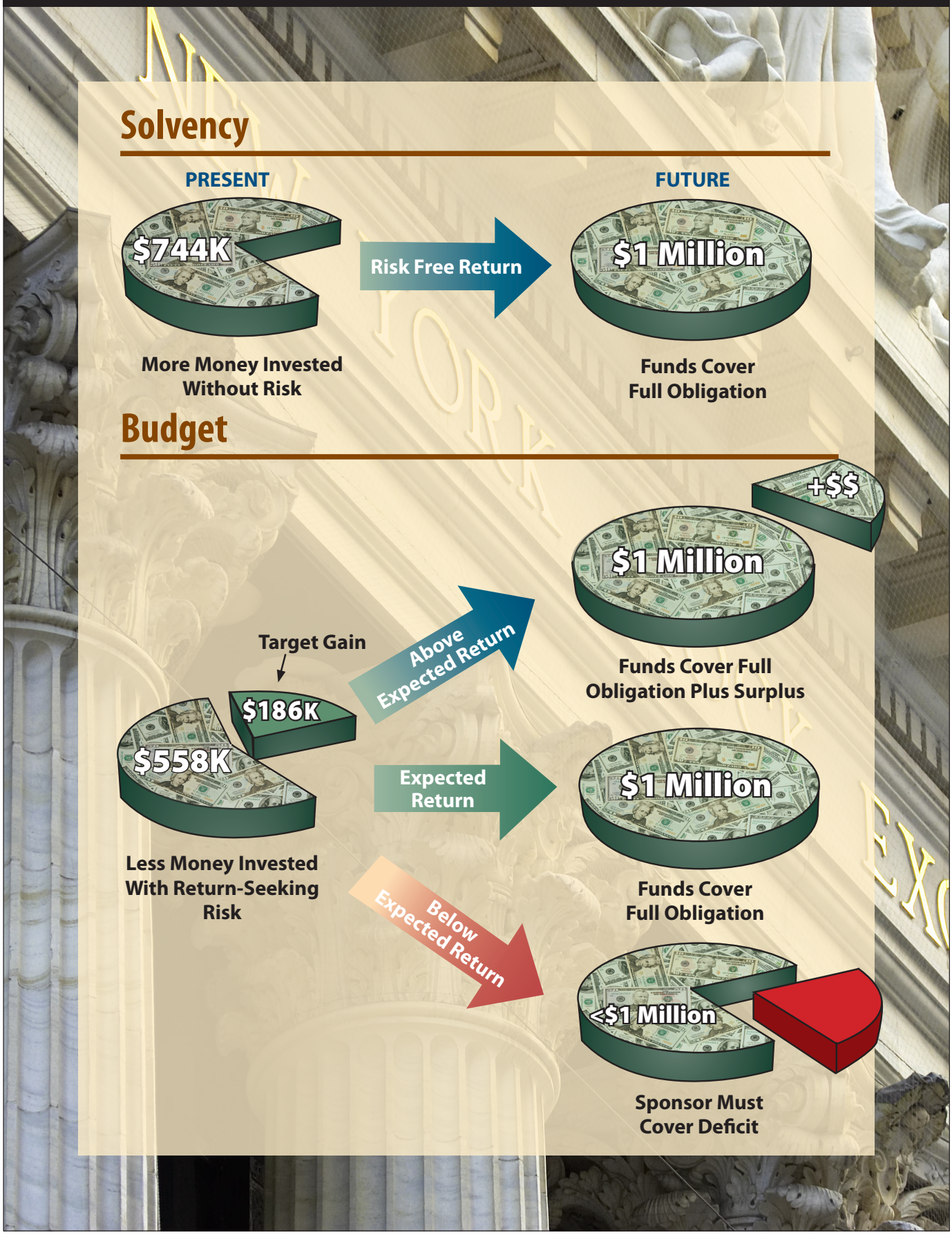
Rational investors do not take risk without the opportunity for a commensurate gain. In this case, the difference between the solvency value of the pension obligation and the budget value of that same obligation ($186,000 in our example) can be thought of as a ***target gain*** for the plan sponsor. This target gain can also be viewed as the market value of the additional risk in the diversified portfolio.[7] Whether this potential gain is realized depends on the actual investment returns of the pension portfolio. The realized gains could be more or less than the target, and may be negative (i.e., the diversified portfolio may return less than the hypothetical Treasury portfolio). As in our example, the budget value would not be accepted as payment by another party to settle the pension obligation.

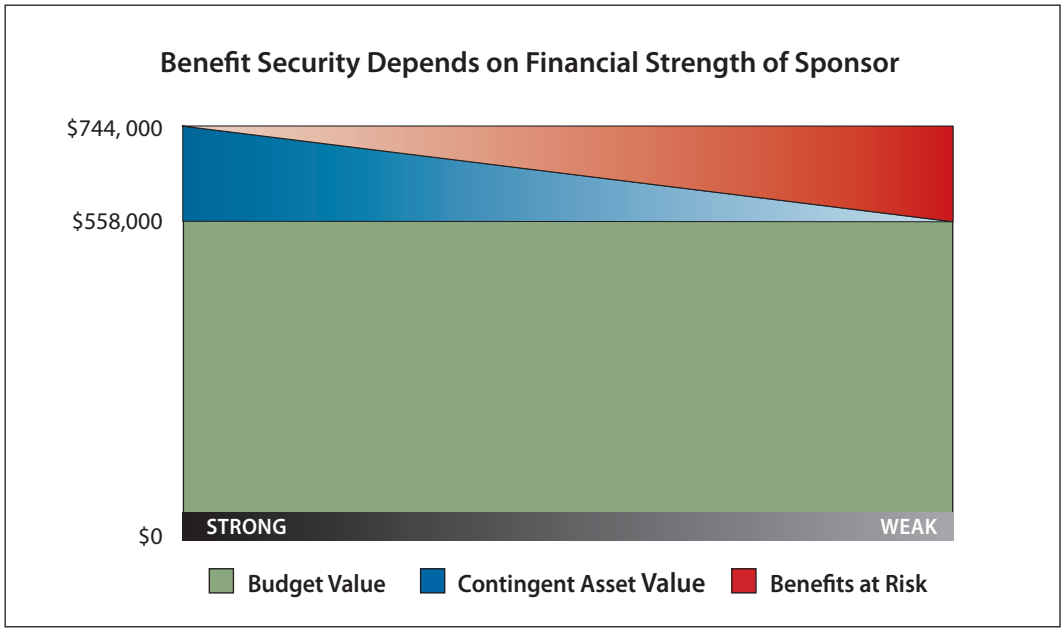
To reiterate, if the portfolio were invested as the solvency value anticipates, assets would accumulate to the amount needed to pay benefits since the return is certain. If the portfolio is diversified as the budget value anticipates, the asset accumulation is less certain and depends on the future return of the portfolio. Future returns less than the expected return will cause insufficiencies and additional contribution requirements. Future returns above the expected return will develop surplus assets and lower future contribution requirements.

Despite the uncertainties, several elements remain constant when risk is added to the portfolio – the benefit payments owed to the pension plan's participants and the sponsor's obligation to provide those benefits remain unchanged. The solvency value, which is independent of the actual investments, does not change. But the present value of the pension obligation as measured by the budget value decreases. This anomaly between the unchanged solvency value and decreasing budget value is reconciled by the sponsor's promise to fund additional amounts, if necessary. In effect, the plan then has a con-

[7]In theory, the target gain is the price of a put on the portfolio to protect against deficiencies, less the price of a call to sell the potential surplus. In practice, no markets exist for such puts and calls.

PENSION MEASUREMENTS





tingent asset, the equivalent of a call option on the sponsor's assets if the budget amount proves inadequate.

This contingent asset can provide significant benefit security for plan participants if the plan sponsor is financially strong and remains capable of making any necessary additional contributions. In such a case, the budget value plus the contingent asset value is essentially equal to the solvency value. However, if the plan sponsor is financially weak or not capable of making additional contributions, the benefit security of the participants may be materially reduced.[8]

Summary

The market-based and expected return-based methods of measuring pension obligations both use a rate of return on assets to determine a present value of future pension benefits, but the assets of the portfolios differ. The solvency value uses a hypothetical portfolio of default-free securities that is independent of actual investments, while the budget value uses the expected return of the actual portfolio. The solvency value, if invested in default-free cash flow matching securities, provides certainty that the assets will be adequate to provide the benefits. The budget value provides less certainty and depends on the ability of the plan sponsor to make additional contributions in the event adverse investment experience materializes. The difference between the solvency value and the budget value represents both the market value of the investment risk in the diversified portfolio and the target gain or reward that the plan sponsor anticipates. Each method is useful for its intended purpose although the measurements may differ significantly.

[8]To the extent the plan is funded at less than the budget value the contingent asset and the risk to benefit security further increase. For additional discussion about funded status and considerations about the health of the sponsor, see the Academy's issue brief *The 80% Pension Funding Standard Myth*.

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Memorandum

TO: NDPERS Board

FROM: **Bryan Reinhardt**

DATE: May 8, 2018

SUBJECT: Flexcomp Contractor RFP Update

We released the Flexcomp vendor RFP and are on track for the following schedule:

March 16, 2018	RFP issued.
March 30, 2018	Deadline for RFP Questions**.**
April 13, 2018	Answers to RFP Questions posted to NDPERS Website.
April 27, 2018	RFP's Due.
July/August 2018	NDPERS Board Selects Contractor

As of the March 30th deadline, we received questions from 5 vendors.

We have 7 proposals from vendors.

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

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Memorandum

TO: NDPERS Board

FROM: Jan Lund

DATE: May 8, 2018

SUBJECT: Board Election Update

Administrative Rules state that the nomination petition must be filed no later than four p.m. on the first Friday of May and must be validated by the election committee or their representatives following the filing deadline and prior to ballots being distributed.

By 4 p.m. on Friday, 7 candidates submitted petitions for the active member representative opening on the Board. All of the petitions have been confirmed as having met the required minimum of 100 eligible signatures. Below is the list of candidates who met the criteria.

Cade Jorgenson	WSI	Deon Vilhauer	DOT
Kim Wassim	HRMS	Krisanna Peterson	Bismarck Public Schools
Nicole Ralph	DOT	Parrell Grossman	Attorney General
Ryan Kamrowski	Ward Co		

The Election Subcommittee is scheduled to meet on Wednesday, May 9th, to validate the petitions and approve the names to be placed on the election ballot. Following the Committee meeting you will be provided with an official list of confirmed candidates.

Background on the election process:
When the petitions are received in the office it is verified that the candidate has met the requirement of obtaining the signatures of at least 100 eligible active members. The process to determine an eligible signature is completed by PERS staff because it requires access to the PERSLink business system in order to verify that the individual is an active member and a retirement plan participant. The Committee meets to review the findings and approve the slate of candidates. The verification process was compounded this election cycle by the atypical number of petitions received. The Board Meeting date of the second Tuesday significantly narrows the window of time to complete the process.

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Memorandum

TO: NDPERS Board

FROM: Sharon Schiermeister and Derrick Hohbein

DATE: May 4, 2018

SUBJECT: 2019-2021 Biennium Budget

On April 18, 2018 Governor Burgum released the budget guidelines for the 2019-2021 biennium. The Governor is asking that all agencies, including special fund agencies, follow these guidelines:

- Agencies with an appropriation of less than $5 million, submit a base budget with a 5 percent reduction in ongoing expenditures
- Agencies with an appropriation of $5 million or more, submit a base budget with a 10 percent reduction in ongoing expenditures
- Identify an additional 3 percent reduction as a contingency
- Agencies with 20 or more authorized FTEs are to submit a base budget with a 5 percent reduction in FTE

NDPERS currently has 34.5 authorized FTEs and our appropriation for the current biennium is $9.3 million. Therefore, to meet the guidelines when preparing our base budget request for the 2019-21 biennium, we will need to reduce FTE by 1 position and our overall appropriation by 10%, or approximately $930,000. An additional 3% reduction, or approximately $278,000, will also need to be included as a contingency.

Below is the appropriation for the 2017-19 biennium:

Line Item	Appropriation	% of Total Appropriation
Salaries and Wages	$6,316,169	68%
Operating Expenses	2,692,221	29%
Contingency	250,000	3%
Total	$9,258,390	

As you can see, 68% of our budget is for staff.

Looking at the operating line item:

- 60% are IT related (software, Sagitec, ITD)
- 14% is office rent
- 12% is printing and postage costs
- 15% are all other operating expenses

Staff is currently looking at ways we can save money to achieve these budget reductions; however, it is clear that we will need to identify services and/or programs that can be eliminated in order to allow us to reduce FTE. Our preliminary analysis indicates this could involve a reduction of 3-5 FTEs to meet both the 10% base budget reduction and the 3% contingency reduction.

We will prepare budget reduction options for your consideration at the June meeting.

We are also seeking the Board's guidance on the following initiatives to include as optional packages in our budget request:

1. **Upgrade PERSLink system to MVVM.** Our business system partner, Sagitec Solutions, is interested in working with NDPERS on upgrading the development framework of our business system. Sagitec has a declining number of clients not on MVVM, so an upgrade is inevitable as eventually Sagitec will no longer support the current framework being utilized. Some benefits of the upgrade include better system performance and ability for our self-service applications to be "mobile friendly".

2. **IT Risk Assessment.** With cyber security becoming an increasing concern, having a consultant conduct an assessment of our business system, IT infrastructure and data protection would help us identify vulnerabilities and areas for improvement.

3. **Self-funded staffing.** As part of the upcoming renewal process for the health plan, there is a possibility for the Board to go out to bid. If this were to occur, there could also be the possibility for the PERS Health Insurance Plan to become self-funded. If the plan were to become self-funded, it would clearly add additional administrative efforts and would also substantially increase PERS' accountability for the plan. Today, most all of our administrative and financial/operational risk is transferred to Sanford Health Plan. However, on a self-funded basis, that would become the Board's responsibility. Funding would need to be included for staffing.

Staff is seeking the Board's guidance on the above initiatives. Based upon that guidance, we will develop a specific budget number for your final consideration at the June Board meeting.

2017-2019 Budget Update

As we review the status of our current biennium budget, we are expecting that we will need to transfer funds from the Contingency line item to the Operating line item. At this time, we are estimating a transfer of up to $80,000, which is directly related to the costs for the Executive Director search performed by EFL Associates.

We currently do not anticipate needing to transfer funds from the Contingency line item to the Salary line item, as a result of the leave payouts for the 3 staff retirements that occurred so far this biennium. However, we may need to transfer money for leave payouts if we have additional staff leave employment before the end of the biennium.

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Memorandum

TO: NDPERS Board

FROM: Sharon Schiermeister

DATE: May 8, 2018

SUBJECT: Legislative Committee Update

Employee Benefits Programs Committee.
The committee met on Wednesday, May 2, 2018. Attached are the agenda and a copy of my presentation. The committee did not have a quorum present, therefore, they were not able to take jurisdiction on any of the bills that were submitted. In addition to the 5 bills that were submitted by NDPERS, there were bills submitted by legislators mostly relating to the health plan. The bills can be viewed at http://www.legis.nd.gov/assembly/65-2017/committees/interim/employee-benefits-programs-committee

The next meeting for this committee is tentatively scheduled for Tuesday, June 12 at 1:00, with the purpose being to take jurisdiction on the bills that were submitted.

Health Care Reform Review Committee.
The committee will meet on Wednesday, May 9, 2018. NDPERS has been asked to provide information on the following:

- Keeping the Dakota Retiree Health Plan and Part D Plan bundled and options for unbundling them
- Survey information from surrounding states
- Comments on the proposed bill, that was drafted at the request of the committee, relating to the PERS health plan in the event it goes to self-

insured that it would (1) be regulated by the Insurance Department, (2) include benefit mandates that are required in fully insured plans, (3) and provide consumer protections. A preliminary draft of the testimony that I will be providing is attached.

Employee Benefits Programs Committee
Attachment

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Tentative Agenda

EMPLOYEE BENEFITS PROGRAMS COMMITTEE

Wednesday, May 2, 2018
Roughrider Room, State Capitol
Bismarck, North Dakota

10:00 a.m. Call to order
Roll call
Consideration of the minutes of the October 26, 2017, meeting
Comments by the Chairman

RETIREMENT AND INVESTMENT OFFICE

10:05 a.m. Presentation by Mr. David J. Hunter, Executive Director/CIO, Retirement and Investment Office, regarding the status of the fund and activities of the Retirement and Investment Office

10:20 a.m. Committee consideration of Bill Draft No. 126, which updates North Dakota Century Code relating to the Teachers' Fund for Retirement to remain in compliance with the federal Internal Revenue Code

Comments by interested persons

Committee discussion and directives

PUBLIC EMPLOYEES RETIREMENT SYSTEM

10:35 a.m. Presentation by Ms. Sharon Schiermeister, Interim Executive Director, Public Employees Retirement System, regarding the status of the Public Employees Retirement System activities

11:00 a.m. Committee consideration of:

- Bill Draft No. 128, provides if health benefits are provided through a self-insurance plan, the Public Employees Retirement System is not required to provide prescription drug coverage through a third-party administrator and is not required to provide stop loss coverage for prescription drug coverage. The bill draft also clarifies only vested members of the Highway Patrolmen's Retirement System are qualified to purchase service credit and that retiree health benefits are able to be used for any dental, vision, and long-term care benefits.
- Bill Draft No. 131, provides for an increase in employee and employer contribution for the main retirement fund and the defined contribution plan.
- Bill Draft No. 130, for new hires, decreases the retirement multiplier from 2 to 1.75 percent until the main retirement fund is at 100 percent funding, at which time the multiplier increases back to 2 percent.
- Bill Draft No. 129, for new hires, reallocates the 1.14 percent employer contribution currently allotted to the retiree health insurance credit fund to the general pool of funds in the main plan.
- Bill Draft No. 135, for future terminations, provides final average salary is the higher of two alternative calculations.
- Bill Draft No. 117, provides contracts for the provision of health benefits coverage may not exceed 2 years and may not be renewed and updates the law relating to self-insurance plans for health benefits coverage.
- Bill Draft No. 19, provides if a state employee elects family health benefits coverage, the employee pay the difference between the cost of the individual coverage and the family coverage.

- Bill Draft No. 20, revises the duties of the Employee Benefits Programs Committee.
- Bill Draft No. 32, revises the statute relating to the state's plan for high-deductible health benefits coverage.

Comments by interested persons

Committee discussion and directives

12:20 p.m. Adjourn

Committee Members

Representatives: Mike Lefor (Chairman), Randy Boehning, Jason Dockter, Vernon Laning, Alisa Mitskog, Mark S. Owens, Roscoe Streyle

Senators: Brad Bekkedahl, Dick Dever, Karen K. Krebsbach, Oley Larsen, Gary A. Lee, Carolyn C. Nelson

Staff Contact: Jennifer S. N. Clark, Counsel

NDPERS Update

Employee Benefits Programs Committee

May 2, 2018

NORTH DAKOTA
PUBLIC EMPLOYEES
RETIREMENT SYSTEM

Today's Agenda

- **Retirement Plan**
  - 2017 Legislation
  - Assumption changes
  - Funding status
- **Insurance Plans**
  - ABA Benefits
  - Health Care Reform Review Committee
  - Renewal/Bid process
  - Request for Proposals
  - Long Term Care Plan
- **PERS Administration**
  - Executive Director Search
  - NDPERS Board
  - Electronic payments/communications

Retirement Plan

2017 Legislation

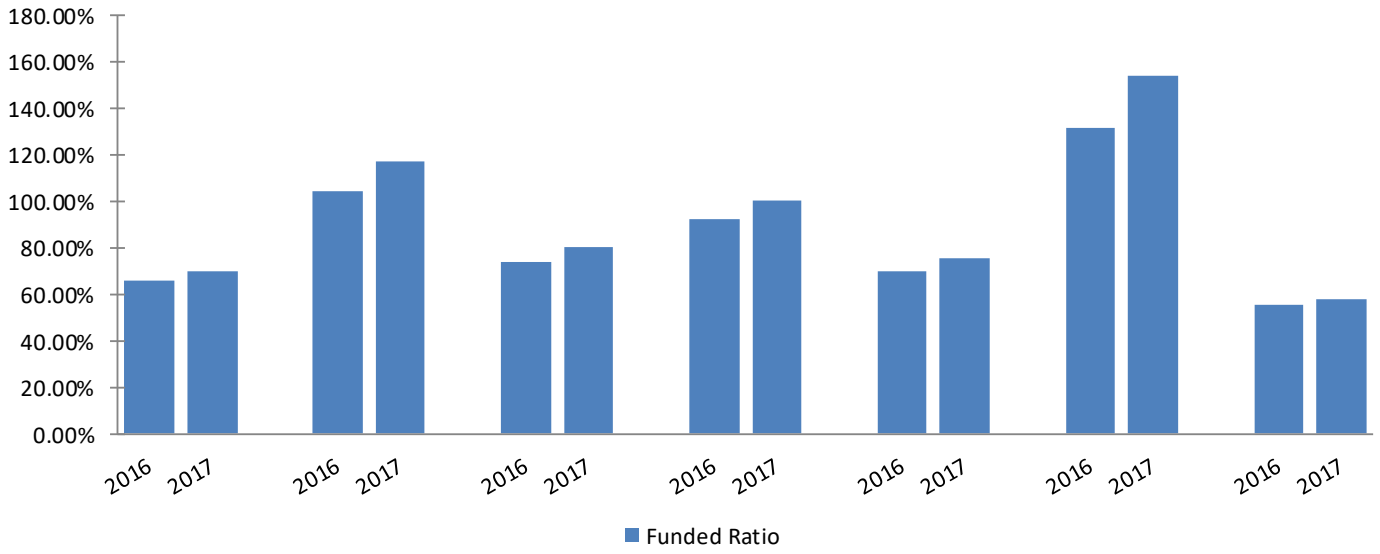
- Employers can elect to offer Public Safety Plan to Firefighters (Effective 8/1/2017)
  - City of Williston has joined
  - Several others have inquired

Assumption Changes

- Updated Retirement Benefit Option Factors (Effective for retirements on or after 10/1/2017)
- Updated Service Purchase cost methodology and actuarial factors (Effective 1/1/2018)
- Lowered investment return assumption from 8.0% to 7.75% for 2017 actuarial valuation
- Reduced interest paid on retirement account balances from 7.5% to 7.25% (Effective 1/1/2018)
- Reduced interest charged on service purchase installment payments from 8.0% to 7.75% (Effective 1/1/2018)

Current Funded Status

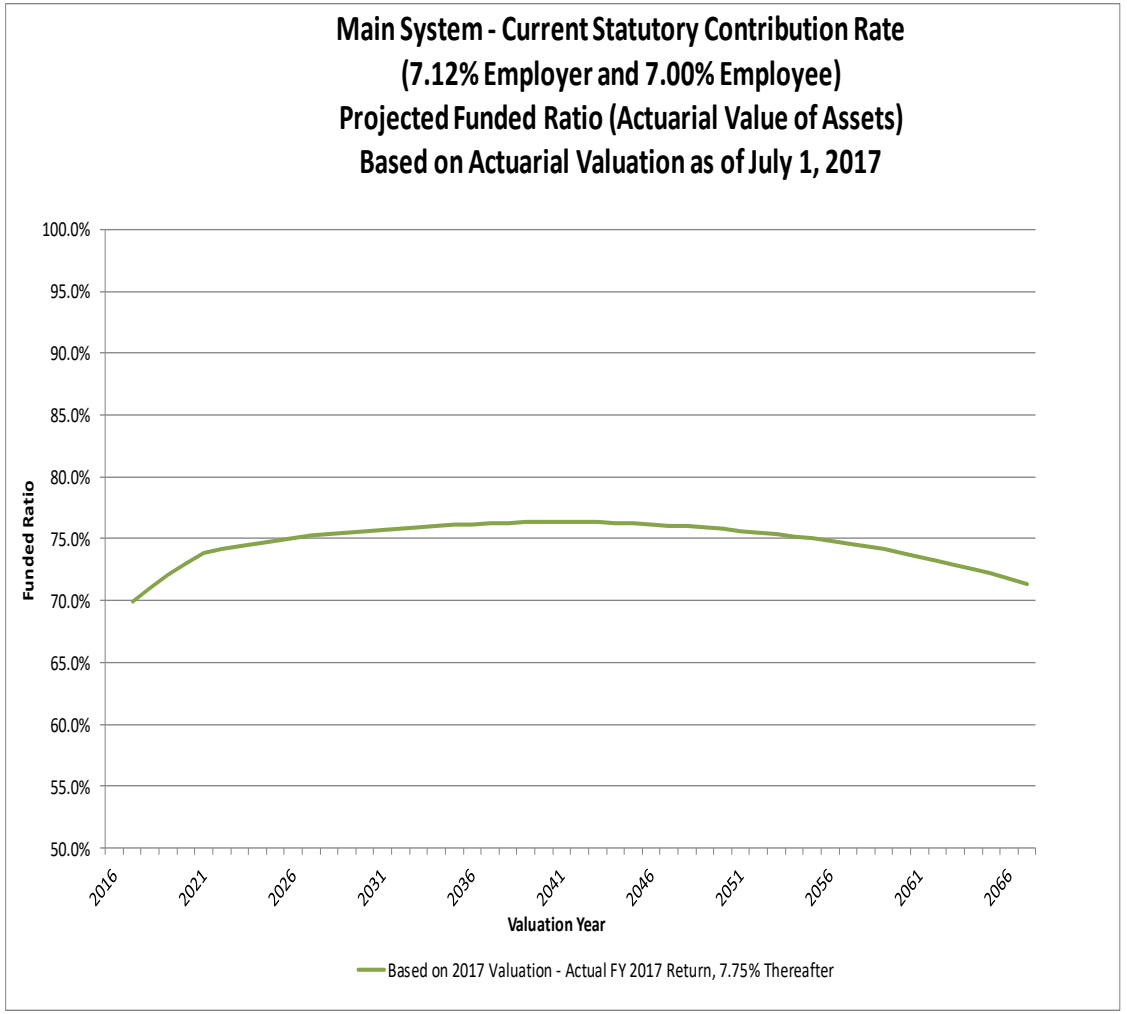
Actuarial Value of Assets



Valuation Results	Main System	Judges	Law Enforcement With Prior Main	Law Enforcement Without Prior Main	Highway Patrol	Job Service	RHIC
Actuarial Accrued Liability	$ 3,618,083,973	$ 40,763,862	$ 61,543,047	$ 6,424,205	$ 94,047,078	$ 63,822,722	$ 196,694,770
Actuarial Value of Assets	2,529,631,008	47,856,615	49,254,041	6,456,968	70,722,302	98,356,137	114,602,927
2017 Unfunded Actuarial Liability	1,088,452,965	(7,092,753)	12,289,006	(32,763)	23,324,776	(34,533,415)	82,091,843
UAL as Percent of Payroll	107%	-90%	43%	-1%	219%	-6927%	8%
2016 Unfunded Actuarial Liability	$ 1,118,632,484	$ (1,707,391)	$ 14,085,816	$ 276,917	$ 26,188,050	$ (19,609,202)	$ 78,810,783
2017 Funded Ratio	69.9%	117.4%	80.0%	100.5%	75.2%	154.1%	58.3%
2016 Funded Ratio	66.1%	104.3%	73.8%	92.1%	70.2%	132.0%	55.4%

Actuarial Projections

Main System



Main System Projection Results

- Current statutory contribution rate for the PERS Main System is not sufficient to improve the funded ratio
- Based on the funding projections we just completed for the NDPERS Main System, the funded ratio is not projected to ever reach 100 percent under the current contributions rates and methods and assumptions. Therefore, for accounting purposes under GASB 67/68, there would be a crossover date and required use of a blended/single discount rate that is lower than 7.75 percent.
  - A discount rate of between 6.00% and 6.50% needs to be used to calculate the Total Pension Liability
  - Expected to increase the Net Pension Liability by an additional $600 million (over 20%)
  - This will drive up liabilities for GASB reporting for the State and political subdivisions
  - First affects employers in PERS beginning in fiscal year 2018
    - Affects Main System, Judges and Law Enforcement Systems

2019 Considerations

Get the plan on track back to 100%

Legislative efforts

Adm Action

Legislative efforts

Contributions + Investments = Benefits

- Propose last year of recovery:
  - Shared
  - Employer
  - Employee
- Spread them over:
  - A year
  - Several years

Take on more risk in hopes of getting a higher return

Reduce Benefits
- For all
- For new members

2019 Considerations

The NDPERS Board submitted the following retirement funding bills for your consideration:

- Contribution increase - Main and DC plans
  - 1% employee and 1% employer effective 1/1/2020
- Benefit changes – Main and Law Enforcement plans
  - Decreases multiplier to 1.75% for members first enrolled after 12/31/2019
  - Restore multiplier to 2.0% when plan reaches 100% funded status
- RHIC option – Main and DC plans
  - RHIC no longer available to members first enrolled after 7/31/2019

Insurance Plans

Applied Behavioral Analysis (ABA) Benefits

- HB 1434
  - Health insurance coverage mandates for autism-related services
  - Did not pass

- Sanford Health Plan and Blue Cross Blue Shield have added ABA benefits
  - Effective 1/1/2018

- Not currently part of NDPERS health plan that was funded for 2017-19 biennium
  - Will be presented as an option for 2019-21 biennium

Health Care Reform Review Committee

- By directive of the Legislative Management, the Health Care Reform Review Committee is charged with studying the public employee health insurance plan, including the feasibility and desirability of transitioning to a self-insurance plan to provide health benefits coverage. The study must include a review of the current plan and consideration of the costs and benefits of the current plan compared to the costs and benefits of a self-insurance plan.
- PERS has provided information from surrounding states on how they provide and regulate health benefits for state employees

Health Plan Renewal/Bid

NDCC 54-52.1-05

Provides guidance for renewing the contract with the existing carrier

- Carrier's performance meets the Board's expectations
- Proposed premium renewal amount does not exceed the Board's expectations
- If carrier or premium do not meet expectations, the board shall specify its reasons for the determination to solicit a bid

Health Plan Renewal/Bid

NDCC 54-52.1-05

Provides guidance for making this determination

- 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.
- 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.
- Consider any additional information the board determines relevant to making the determination

Health Plan Renewal/Bid

Renewal Timeline

- July/August 2018– Do the renewal estimate for the 2019-21 biennium
- August/September 2018 – Receive and consider the proposed renewal and other information required in NDCC 54-52.1-05. Decision made by mid-September
- September 2018 – If the renewal is not approved, go to bid immediately with the following timeline:
  - September 2018 – Issue RFP
  - November 2018 – Receive proposals
  - December 2018 – February 2019 – Review proposals
  - February 2019 – award the plan for the 2019-21 biennium

Request for Proposals

- Dental plan
  - Current carrier is Delta Dental
  - Contract ends December 31, 2018
- FlexComp claims administration
  - Current service provider is WageWorks
  - Contract ends December 31, 2018
  - Partnering with Higher Ed

Long-Term Care Plan

- NDPERS has offered a Long-Term Care (LTC) plan since January 1, 1997
- Carrier has been UNUM
  - No longer issuing new group LTC contracts
- Few companies in the market that offer group LTC products
- Not a partnership plan so individual can’t access the premium tax credit
- Low enrollment – 51 participants
- NDPERS Board made the decision to discontinue offering the plan effective 1/1/19

PERS Administration

Executive Director Search

- Sparb Collins retired October 31, 2017
- Sharon Schiermeister, Chief Operating Officer, has been serving as Interim Executive Director
- Executive Search firm was retained by the NDPERS Board to perform a statewide and national search
- Decision was made by the NDPERS Board at their April 10, 2018 meeting to extend an offer to Scott Miller for the Executive Director position

NDPERS Board

- Governor Burgum appointed Mark Dosch to chair the Board
- Legislative management re-appointed Senator Dick Dever and Representative Pamela Anderson to serve on the Board
- Currently seeking nominations for one active member representative
  - Term is expiring June 30, 2018

Electronic Payments/Communications

- Legislative Direction – HB 1023
  - NDCC 54-52-02 (15) The Board shall establish policies and implement procedures to make and collect payments in the most cost-effective manner, including the use of electronic transfer of funds
  - Legislative Intent – Electronic Distribution of Materials
    - Create operating efficiencies when feasible by discontinuing the distribution of paper materials, including newsletters and benefit statements
    - Develop procedures to electronically distribute materials or provide access to materials through member self-service website applications

Electronic Payments/Communications

- All new pension payments are made electronically
- Payments from employers are being transitioned to electronic payments by the end of the biennium
- Discontinue individual insurance billings – encourage electronic payments
- Active annual statements no longer mailed – available on-line through PERSLink Member Self Service (MSS)
- Retiree annual statements will no longer be mailed – available on-line through MSS
- Active member newsletters distributed by email
- Printed retiree newsletters reduced to one a year
- Board meeting materials provided to board members distributed electronically
- Electronic distribution of material for benefit education events

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Bill Draft No. 128

Miscellaneous Technical Changes

- Provides that if PERS elects to self insure the prescription drug coverage only, the plan is not required to have stop loss coverage and does not need to be lower cost than a fully insured plan
- Clarifies that a highway patrol retirement plan member must be vested in order to purchase service
- Provides that the retiree health insurance credit can be used for any dental, vision and long term care coverage, not only those offered by PERS

Bill Draft No. 131

4th Year of the PERS Recovery Plan

- Increases temporary employee contributions to the Main PERS plan by 2%
- Increases employee contributions to the Main PERS plan by 1%
- Increases employer contributions to the Main PERS plan by 1%
- Increases temporary employee contributions to the DC plan by 2%
- Increases the employee contributions to the DC plan by 1%
- Increases the employer contributions to the DC plan by 1%

Bill Draft No. 130

Reduce the benefit multiplier for new hires

- Decreases the multiplier to 1.75% for the Main PERS plan and the Public Safety plan for members first enrolled after December 31, 2019
- Restores the multiplier to 2.0% upon the fund reaching 100% funded status

Bill Draft No. 129

Discontinue Retiree Health Insurance Credit Program for new hires and transfer the employer contribution to the retirement plan

- Increases temporary employee contributions to the main PERS plan by 1.14% and discontinues the 1.14% temporary employee contributions to the RHIC plan prospectively for temporary employees first enrolled after July 31, 2019
- Increases the employer contribution to the main PERS plan by 1.14% for members first enrolled after July 31, 2019
- Increases the employer contribution to the DC retirement plan by 1.14% for members first enrolled after July 31, 2019
- Removes the employer contribution to the RHIC plan for members first enrolled after July 31, 2019
- Provides the RHIC plan will no longer be available to new employees first enrolled in the main PERS plan or DC plan after July 31, 2019

Bill Draft No. 135

Changes the method for calculating Final Average Salary (FAS) from average salary for highest 36 months, to the three highest periods of twelve consecutive months, out of the last 180 months

- Requires consecutive 12-month periods to be used in calculating FAS pursuant to rules adopted by the Board,
- Effective for members who terminate employment on or after January 1, 2022
- Provides that the FAS used to calculate the member's final benefit will be the greater of the FAS at retirement or as of December 31, 2021.
- Applies to members of the PERS main plan, judges plan and public safety plan and members of the Highway Patrol Retirement System

Testimony of Sharon Schiermeister of NDPERS

Mr. Chairman, members of the committee my name is Sharon Schiermeister, Interim Executive Director of the North Dakota Public Employees Retirement System. I appear before you with comments and observations on the draft bill that was presented at the last meeting relating to PERS being self-funded. The comments I offer today are only those from the PERS staff. I have not reviewed them with the PERS Board. I have also not had an opportunity to review them with our attorney who recently left the AG's office and whose position is in the process of being refilled. Lastly, they have not been reviewed with our new Executive Director who will be starting at the end of this month. Attached to this testimony you will find notes from staffs review of the bill (attachment #1), its statutory references to the Insurance Commissioners authority (attachment #2) and the Insurance Commissioners administrative rules relating to multi-employer plans. These comments are a work in progress, however, I provide them to you for your information. For purposes of my comments here today I have aggregated them into the following for discussion with you:

A. Priority of overlapping jurisdictions
B. Reserves
    a. Requirement
    b. Developments
C. Premiums/Reserve Maintenance
D. Benefits
E. Stop loss

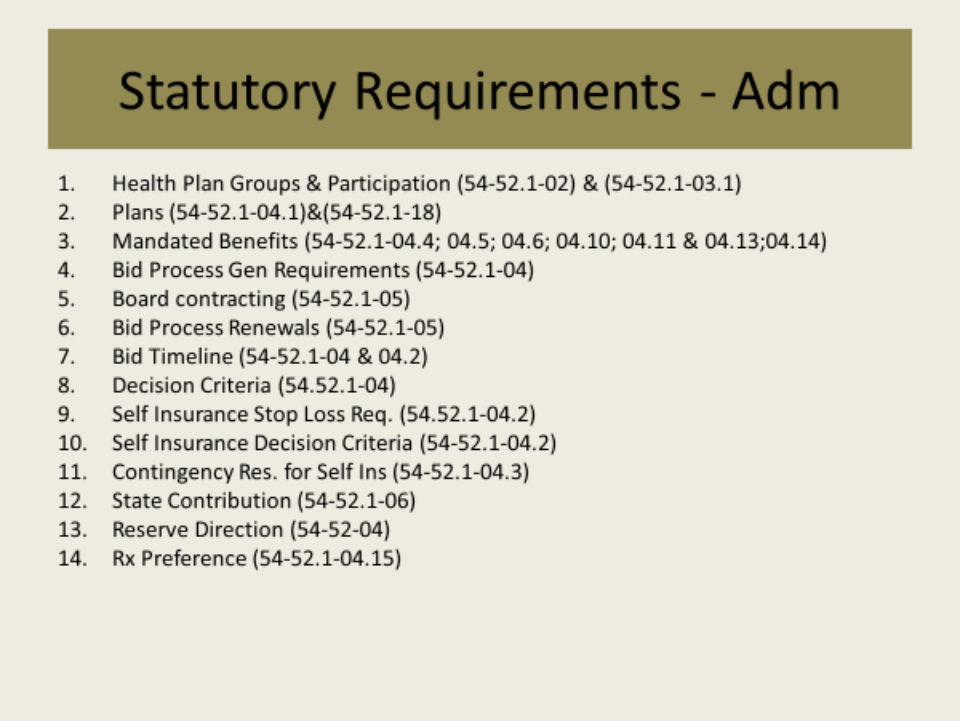
F. Timelines/procedures

G. Administration

A. Priority of overlapping jurisdictions

In Row #1 of the attached we note this bill clarifies the jurisdiction of the Insurance Department relative to the PERS plan.

At an early meeting of this committee our previous Executive Director reviewed the statutory requirements established by the Legislature for the management of the PERS Health plan. The following is a slide from that presentation:



This is a list of those statutory directions that have passed the legislature and been signed by the Governor. As discussed at that meeting these guide the PERS Board in how it can administer the health plan. This bill

would clarify for the board that in addition to the above legislative directions it shall also comply with the Insurance Department requirements and the direction of the Commissioner. As we have noted in the review there are times when the two directions are not consistent. We have a similar situation in the retirement plan where we must comply with not only state law but also federal law. Similarly, they can sometimes be inconsistent with one another. In the retirement plan this has been resolved by the following statutory language:

54-52-23. Savings clause - Plan modifications.
If the board determines that any section of this chapter does not comply with applicable federal statutes or rules, the board shall adopt appropriate terminology with respect to that section as will comply with those federal statutes or rules, subject to the approval of the employee benefits programs committee. Any plan modifications made by the board pursuant to this section are effective until the effective date of any measure enacted by the legislative assembly providing the necessary amendments to this chapter to ensure compliance with the federal statutes or rules.

Similar language could be added to the health plan statute except it would replace “federal statute or rules” with “North Dakota Insurance Department Statutes or rules”. Alternatively, it could say that if any statute or rule of the Insurance Department is contradicted by the Legislative language in the PERS statute or its rules that the PERS statute or rules would override the Insurance Department. This would help set for the board its priorities for compliance. We offer this only as an example but would suggest that some language be added to clarify this oversight and set the priority.

B. Reserves

a. Reserve Requirements

In Row #4 of the attached we note the change proposed in this bill relating to the reserve requirements for PERS. The existing requirement was established by the Legislature in the 2011 legislative session. This bill proposes to change that from a minimum balance of 1.5 months to 2 months of paid claims. At this point our paid clams run about 27 million per month. Under existing statute, we need about $40.5 million in reserves in the plan (1.5 months). As proposed this would increase that to about $52 million or about a $12 million increase. This change would increase the threshold that the board would need to meet to select a self-insured plan over a fully insured pursuant to NDCC 54-52.1-04.2. As we discussed at our earlier meeting state law establishes a preference for a fully insured plan over a self-insured plan unless specific financial conditions are met. The effect of this change would be to increase that threshold.

b. Reserve Development

In Rows 4, 25 & 28 the above and the Insurance Department multi-employer rules establish the processes for surplus and reserves. PERS is not sure it could presently meet these requirements and consideration should be given to adding additional authority in the PERS statute to comply. PERS offers some options in the table and later in our testimony.

C. Premiums/Reserves maintenance

Rows 16 and 37 review the Insurance Departments rules relating to restoring reserves/surpluses. One method discussed is an assessment of the participating employers. Presently PERS puts in a rate for a two-year period for all our active member plans and retirees. That rate does not change since all our employers, as public employers, go through an annual or biennial budgeting process that requires approval of their governing entities. Since 1989 PERS has given each entity a firm rate that will be in place for 2 years. They have been able to budget that number and not have it change. If PERS is self-funded and under the process here the board may be required to assess our employers during this period an amount that may not have been budgeted. For state agencies this would mean they would need to find this amount from roll up dollars or budget cuts during the interim. This could increase Emergency Commission requests. Therefor it may be helpful to put in statute legislative direction on how to resolve this situation should it occur. Secondly, authority for agencies to make this payment to PERS and which line item it can come from may also be appropriate to add to statute.

D. Benefits

Rows 47-58, 60 &, 62 are benefit requirements in the Insurance Department statute that are not in the PERS statute. These are a part of the PERS plan and would not have to be added, therefor there would be no actuarial effect on the plans costs.

E. Stop Loss

Row 4, 29 & 30 of the attached notes the proposed bill eliminates the legislative requirement for PERS to have individual stop loss coverage if self-funded. This would change the guidance from the legislature to PERS and leave it up to the PERS Board and Commissioner. Please note Row 30 which states the Insurance Department rules "The multiple employer welfare arrangement must purchase stop-loss insurance for liability exposure."

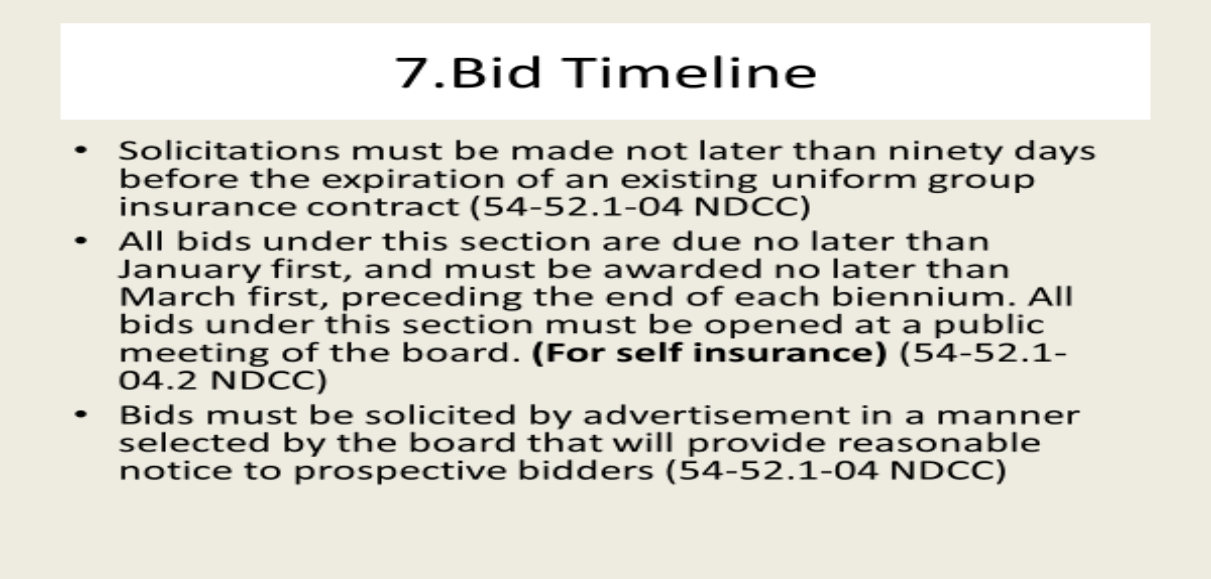
Stop Loss coverage is really a policy issue and the question of what level of risk you are comfortable assuming. If the Legislature wishes to express its risk tolerance then some statutory language would be appropriate as you have in existing statute otherwise it would be up to the board subject to guidance from the Insurance Commissioner.

You may recall in the survey information PERS presented to you at a recent meeting relating to practices in other surrounding states that only Minnesota had aggregate stop loss and the other 6 had no stop loss.

F. Timelines/processes

This last fall we reviewed with this committee the legislative direction that PERS must follow relating to bids. PERS may only select a self-insured method after going through a full bid process in order to comply with NDCC 54-52.1-04.2 which states: *Any self-insurance plan under this section …..may be established only if it is determined by the board that an administrative services only or third-party administrator plan is less costly than the lowest bid submitted by a carrier for underwriting the plan with*

equivalent contract benefits. The following is the legislative required timeline for such a bid that we reviewed with you this last fall:



The Insurance Department also has requirements relating to applying for a certificate of authority. Specifically, they require such application to be submitted 60 days in advance of the effective date. It would be in April when the session would be completed leaving us time to meet this requirement but if issues arose we may not have time to address those. For example, if the board did select self-funded, the reserving process in the PERS statute was changed as suggested and during the session sufficient funds were not appropriated to allow the Commissioner to approve the certificate, then PERS would not have time to do a new bid. Legislative direction and additional authority for the PERS Board to address situations such as this in this bill would be beneficial to ensure that we do not have a lapse in coverage for our members.

We would also note that during the interim if issues arise that would require the Commissioner to provide guidance to PERS we may not be able to

respond timely since we may not have the legislative authority. Here again additional legislative authority for the PERS Board or additional guidance may be helpful in this area.

G. Administration

The following is to highlight some of the areas that will require additional research, authority or exemptions under this category.

a. PERS Board – On Row 10 of the attached it is noted the Insurance Commissioner has requirements for a multi-employer plan board. The Legislature has set in statute the composition of the board. Additional authority for the board to make changes to comply if necessary would be appropriate or clarification that the legislative composition will meet the requirement would be helpful
b. Availability, Joining, Withdrawal, Expulsions and Runoff– Rows 15,16, 17,18 & 19 mentions these provisions in the Insurance Commissioners procedures. We presently may not have that authority in PERS statute or explicit direction in statute to be able to comply. Additional legal review is needed and if necessary additional legislative guidance to comply
c. Fidelity Bond – Row 32 requires a Fidelity Bond. This may have to be reviewed by Risk Management since I believe the legislature has given them the authority over this area for the state.

d. Deposit premium – Row 26. PERS may not have this authority and if not would need an exemption or additional legislative authorization
e. Loss of Certificate – Row 41. If PERS lost its Certificate and we needed to move forward with a bid our existing bidding process may take anywhere from 6 or months therefore additional statutory authority should be considered for the board to address such a situation.
f. PERS Business/Financial adm. process - Rows 13 & 14 discuss PERS business processes and financial administration process. These need to be reviewed with the Insurance Department to determine if we would be complying today or if changes are necessary.
g. By-Laws requirements. See Row 9. Possible our statute and rules could be deemed to meet this requirement.
h. Application process – see Row 11.
i. Financial Reporting – Row 36. This will need to be reviewed to determine if any new information is needed from PERS that would necessitate a new business process.

H. Continuing appropriation authority.

As discussed in Rows 4, 25 & 28 one of the biggest challenges with the change contemplated under this section is the funding of the reserves or surplus requirements to insure compliance with the Insurance Department. The only authority for this is the legislature. The amount is open ended up to the level of total required reserve. A mechanism

needs to be established so PERS could establish sufficient funding to meet this requirement. If not PERS may not be able to select self-funded. Some options would be:

- Set up a mechanism that would provide that OMB would transfer the necessary funds to PERS as required by the Insurance Department from a specific source. If it would need to be appropriated up-front, the legislature may only be able to get such appropriation from the general fund. Presently, the general fund supports about 35% of our premium payments not 100%. Consequently, if the state funded the entire reserve it would need to appropriate that as an up-front payment from the general fund which may put a disproportionate share on a minority funding source for the plan
- Set up a loan process from the BND and indicate in statute that this would be deemed sufficient to meet the Insurance requirements. The Legislature would then address repaying the loan during there next session
- Retain the exiting statutory method that allows this to developed over time

I am sure there are other options but the key issue is that a process is in place which will establish these reserves up-front, if needed, so the board can set up a self-insured plan or maintain a plan over time. Without such a process self-funded may not be an option as anticipated in this bill.

Mr. Chairman, the above and the attached provides an overview of some of the staff observations thus far in its review. The next step would be for us

to finalize the review and if you wanted we could develop some proposed statutory language to address the observations in coordination with the Insurance Department.

Thank you for providing us this opportunity.

PERS Staff Notes concerning the bill relating to self-insurance

	Section	Provision	Observations
	Proposed bill draft		
1	Section 1 26.1-36.6-02 & 03		• If part of this oversight results in requirements that PERS is unable to comply with due to appropriation limitations or other legislative limitations consideration should be given to granting the board the necessary authority to comply with the Commissioners requirements. Wording could be added to this section. Maybe add authority like PERS has in retirement. • NDCCC 26.1-36.6-02 See below "Insurance Commissioner Multiple Employer Welfare Arrangements" rules 45-06-14 NDAC
2	Section 3 Definition #5 & 12	NDCC 26.1-36.6-01(2)	Not able to find
3	Section 5	PERS Stop Loss	Changes the requirement that PERS must have individual stop loss coverage. Not having this will save the cost of the coverage but increase the risk to the state for large claims.
4	Section 6 line 23	PERS Reserve Requirements	This change will require PERS to increase its minimum reserve requirement from approx. $45 million to $60 million. The effect of increasing this requirement will increase the threshold to select self-insurance pursuant to 54-52.1-04.2 (2). This section also changes the timeline for PERS to meet the reserve requirement. The present statute provides the plan must be over 60 months. The proposed bill strikes that and does not specify a timeline.
5	Section 6 Lines 12-14	NDCC 26.1-36.6	Not able to find
	Insurance Commissioner Admin. Rules Requirements for Multiple Employer Plans		
6	45-06-14-01	Definitions	No comment

	Section	Provision	Observations
7	45-06-14-02	Purpose	No comment
8	45-06-14-03	Scope	No comment
9	45-06-14-04	By laws	The legislature sets in NDCC 54-52.1 these provisions. Also, the board has administrative rules that must go through the adoption procedure set by the legislature. Possible our statute and rules could be deemed to meet this section.
10	45-06-14-05	Board	This is set in NDCC 54-52.1. PERS could not the requirements of this section since the legislature directly establishes the board structure & duties.
11	45-06-14-06	Application	The legislature has directly established the PERS plan in NDCC 54-52.1 and the plan has been in operation since. Possible the legislation action could be deemed the approval and the basis for issuing a certificate. Due to statutory timelines, the legislative approval process it would not be possible for PERS to go through this process with sufficient time to make changes if required.
12	45-06-14-07	Ending Self-funding	• Termination provision – no comment • Revocation – determination under this section may require legislative action and therefor the board may not be able to respond until after having had the opportunity for the legislature to address this issue. This may need to be deemed a timely response for purposes of this section • Deterioration of the financial integrity could not be addressed without legislative action. It may be beneficial to establish a procedure for PERS to responds during the interim which could be modeled after Section 4 HB 1436 that provided a line of credit from the Bank of North Dakota. • If the plan losses its certificate it will require PERS to bid again as a fully insured plan which could take some 6 months to a year. If the fully insured bids are higher than the amount appropriated the board may not be able to award a contract.

	Section	Provision	Observations
			Here again it would be helpful for the legislature to approve a plan to deal with this in the interim.
13	45-06-14-08	Service company	• The PERS existing business process may have to be altered to comply with this section. Our service provider does not do the billing and collection of premiums and assessments for all the general administration.
14		Financial administrator	• By statute PERS uses the RIO. Clarification that they would be an acceptable entity may be helpful. This section also references for accounting services which are not presently contracted but internally at PERS with the auditing being done by the State Auditor.
15	45-06-14-09	Availability	• The PERS board does not have the authority to establish eligibility it is done in statute by the legislature in NDCC 54-52.1-03.1.
16		Joining	• These procedures are set in ND statute (NDCC 54-52.1-03.1 or rules. Also, PERS would not have the authority to establish an assessment process since it would require legislative appropriation for our state employers.
17		Withdrawal	• This is also set in statute at NDCC 54-52.1-03.1
18		Expulsion	• PERS does not have the authority in state law to expel its participating employers.
19		Runoff	• Under present law PERS does not have the authority to deny an employer the opportunity to withdraw. Also for PERS the end of self-insurance would mean the plan would be moving back to fully insured. These members would then be required to move to the fully insured plan.
20	45-06-14-10	Coverage	• No comment
21		Uniform underwriting	• This is set in NDCC for our active and retired members. It does vary from each group.
22		Continuing responsibility	• When PERS went from self-funding to fully insured last time this responsibility was assumed by the new carrier. Any

	Section	Provision	Observations
			ongoing responsibility may be subject to legislative concurrence and funding
23	45-06-14-11	Minimum annual premium	• No comment
24		Monitoring premium volume	• No comment
25		Surplus or stop loss advancement	• A mechanism needs to be established so PERS could establish sufficient funding to meet this requirement. If not PERS may not be able to select self-funding. Options would be: o Set up a mechanism that would provide that OMB would transfer the necessary funds to PERS as required by the Insurance Department. o Set up a loan process from the BND and indicate in statute that this would be deemed sufficient to meet the Insurance requirements. o Retain the exiting statutory method that allows this to be developed over time. If it would need to be appropriated up front the legislature may only be able to get such appropriation from the general fund. Presently the general fund only supports about 25% of or premium payments. There the dilemma is that an up-front payment may put a disproportionate share on a minority funding source for the plan
26		Deposit premium	• PERS may not have the authority to apply this requirement for our participating employers/ members. PERS would need to work with the Insurance Department to get an exception or get additional authority from the Legislature.
		Premium payment	• PERS has in place business processes to meet this requirement
27		Dividend procedure	• No comment
28	45-06-14-12	Reserves	• See comments on Line 25
29	45-06-14-13	Stop loss – purchase	• No comment
30		Required stop loss	• This section requires stop loss coverage. The requirement for individual stop loss was removed from the PERS statute.

	Section	Provision	Observations
31		Return of liability	• No comment
32	45-06-14-15	Financial Integrity -fidelity bond	• PERS presently does not have this coverage, Risk Management handles this area
33		Integrity of assets	• No comment
34		Sources & uses	• No comment
35		Separate accounts	• No comment
36		Investments	• PERS health funds are presently with RIO
37		Monitoring Financial condition	• PERS presently does not have these all these powers including but not limited to: o Expulsion powers o assessments
38	45-06-14-16	Reporting – financial statements	• No comment
		Quarterly report	• No comment
		Extraordinary audits	• PERS has an annual audit done by the State Auditor • It the Commissioner requires PERS to hire other outside experts our ability to comply will be limited to available funds. Also, consideration should be given to adding this to the continuing appropriation of the agency so we are able to comply with such a request.
		Penalty	• No comments
39	45-06-14-17	Trade Practices	• Not sure if this applicable to PERS
40	45-06-14-18	Disclosure	• No comment
41	45-06-14-19	Sanctions	• If PERS certificate was revoked and the plan had to close the legislature guidance should be provided in statute what steps PERS should take and the necessary authority.
	Insurance Commissioner Statutory Requirements		
42	26.1-36-03		How do these provisions apply to the PERS retiree plan and Part D plan? This may need to be clarified.

	Section	Provision	Observations
43	26.1-36-03.1		PERS health plan benefits are not finalized until after the end of session since changes in funding may require changes in plan design which can be the last part of April. The new benefits become effective July 1. This section would require PERS to have it available before the Plan would become effective. The timeline from the end of session to the new plan could be as short as 10 Weeks. If this was to be delivered by mail it could narrow this further. Depending on the changes in the final part of the legislative session it may be difficult to meet this timeline. Consideration should be given to allowing a later timeline for PERS if self-insured, especially during the initial changeover.
44	26.1-36-05		Staff should go through these
45	26.1-36-06		No comment
46	26.1-36-06.1		No comment
47	26.1-36-07	Coverage for newborns and adopted children	Already a part of the PERS plan, no fiscal effect
48	26.1-36-08	Substance abuse	Already a part of the PERS plan, no fiscal effect
49	26.1-36-08.1	Substance abuse alternative	Already a part of the PERS plan, no fiscal effect
50	26.1-36-09	Mental disorder coverage	Already a part of the PERS plan, no fiscal effect
51	26.1-36-09.5	Nurse Practitioner	Already a part of the PERS plan, no fiscal effect
52	26.1-36-09.6	PSA	Already a part of the PERS plan, no fiscal effect
53	26.1-36-09.8	Postdelivery Coverage	Already a part of the PERS plan, no fiscal effect
54	26.1-36-09.10	Hospital Emergency Services	Already a part of the PERS plan, no fiscal effect
55	26.1-36-09.11	Breast Reconstruction Surgery	Already a part of the PERS plan, no fiscal effect
56	26.1-36-09.12	Medical services related to suicide	Already a part of the PERS plan, no fiscal effect
57	26.1-36-10	COB	Clarify with Sanford this would not require any change to the PERS plan
58	26.1-36-11	Right to doctor or Hospital services	No comment
59	26.1-36-12	Department of Human Service	No comment
60	26.1-36-12.2	Pharmacy Benefits	Discuss with Sanford to determine any implications

	Section	Provision	Observations
61	26.1-36-12.4	Confidentiality	PERS has confidentiality provisions in 54-52.1-11 and 12. These provisions seem to complement each other and this change would not override or change the PERS statute. • PERS extends to payroll information at the agency • PERS insures that information from the PERS and the carrier can be exchanged for purposes of administration.
62	26.1-36-12.5	Exceptions to required coverage	Need to discuss with Insurance Commissioner office to see if this would affect our existing business practices. If so three options would be: • Seek an exception • Seek any necessary appropriation to change business practice and time for compliance
63	26.1-36-12.6	Ambulance services	Clarify with Sanford that it is part of existing plan
64	26.1-36-13 & 14	Simplification Standards	Would this now apply to PERS enrollment forms, etc. If so this would possible require an appropriation to get into compliance and time. Additional wording may be required. Does 26.1-36-13(3) b mean that PERS would be excluded?
65	26.1-36-1-17	Application for accident and health policy	No Comment
67	26.1-36-18	Notice under accident and health policy	No Comment
68	26.1-36-19	Age limit in accident and health policy	No comment
69	26.1-36-20	Juvenile's accident and health coverage	Already a part of the PERS Plan
70	26.1-36-21	Prisoner's health coverage to continue	Already a part of the PERS Plan
71	26.1-36-22	Group health for dependents	Does the ACA take precedent over this section?
72	26.1-36-23	COBRA	How does this work with the Federal COBRA law
73	26.1-36-23.1	Former Spouse and dependent	How does this work with the Federal COBRA law
74	26.1-36-38	Rulemaking authority	No comment

	Section	Provision	Observations
75	26.1-36-39	Effect of policy not conforming to chapter	No comment
76	26.1-36-38	Rulemaking authority	No comment
77	26.1-36-39	Effect of policy not conforming to chapter	No comment
78	26.1-36-41	Contract limitations	No comment
79	26.1-36-43	Uniform Prescription drug card	PERS vendor already does this
80	26.1-36-44	Independent external review	Discuss with Sanford
81	26.1-36-46	External Review	Discuss with Sanford

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Memorandum

TO: NDPERS Board

FROM: Sharon Schiermeister

DATE: May 3, 2018

SUBJECT: Executive Director Update

The offer letter to Scott A. Miller was accepted on April 16, 2018. Mr. Miller's employment is contingent upon a successful nationwide and statewide criminal history record check pursuant to NDCC 12-60-24, and a pre-employment background check, including credit history, in compliance with NDPERS Human Resource Policy 2.5 Hiring Policy/Background Checks. As of this date PERS has received only a partial report.

An official announcement will be released to the media upon receiving the pre-employment background check final report. Attached is the draft news release.

Mr. Miller's start date is set for Tuesday, May 29, 2018.

XXXX, May XX, 2018
FOR IMMEDIATE RELEASE

Contact: Sharon Schiermeister, Interim Executive Director
Contact info: sschierm@nd.gov

NDPERS Board Announces New Executive Director

BISMARCK, N.D. – Scott Miller, currently the Retirement Program Administrator for the City of Phoenix Employees' Retirement System (COPERS), has been named the new Executive Director for the North Dakota Public Employees Retirement System (NDPERS). After an extensive national search, the NDPERS Board unanimously selected Miller on April 10, and he will officially adopt his new role on May 29, 2018.

As Executive Director, Miller is expected to lead the NDPERS agency and staff as well as to direct and oversee the management of the benefits programs used by thousands of members mostly residing in North Dakota. NDPERS administers five 401(a) defined benefit pension plans, an optional 401(a) Defined Contribution plan, a voluntary 457(b) deferred compensation program and the Retiree Health Insurance Credit Program in addition to a comprehensive uniform group insurance program which includes health, life, dental and vision plans along with the Employee Assistance program and FlexComp plan.

NDPERS Board Chairman Mark Dosch shared "we are thrilled to bring a North Dakotan back home. Scott is definitely qualified and brings with him ND values to lead our NDPERS". In his new role, Miller will report to the nine-member Board of Trustees. He will also serve as the Board's representative with the members, employers and retiree organizations, the Legislature, the State Administration, national organizations, the media and the public.

Miller, who has over 20 years of executive leadership experience serving public pension systems, demonstrates great knowledge and expertise in implementing and administering public employee benefits. His public pension career began in this state as the Attorney General's appointed legal counsel for NDPERS in 1998. In 2006, he made the decision to further develop his qualifications and knowledge as a public pension professional outside of the state. He has served public pension systems throughout the mid-west including Montana, Illinois and most recently Arizona.

Miller stated he "is truly excited to bring my experience back home to serve the NDPERS members and participating employers in the State of North Dakota. I cannot wait to continue the important work the NDPERS Board and staff have done to ensure the ongoing stability of the NDPERS fund".

Raised in North Dakota, Miller obtained his Bachelor of Business Administration with a major in Economics and minor in mathematics at the University of North Dakota. He also obtained a Doctor of Jurisprudence degree from the Willamette University College of Law. Additionally, he has successfully accomplished the certification as an Accredited Fiduciary from the National Conference on Public Employees Retirement Systems.

About NDPERS
NDPERS was established on July 1, 1966. The agency serves employees (and their dependents) whom reside mostly in the state of North Dakota. Members are employed by different agencies including state, political subdivisions, the Supreme and District Court Judges, the Highway Patrol and Public Safety.