

NDPERS BOARD MEETING

Agenda

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

September 21, 2017

Time: 8:30 AM

I. MINUTES

- A. August 11, 2017 Special Meeting
- B. August 17, 2017

II. RETIREMENT

- A. Return to Work – Kathy (Board Action)
- B. MetLife/Brighthouse Contract – Kathy (Board Action)
- C. Funding Projections – Sharon (Information)

III. GROUP INSURANCE

- A. 2016 Active Health Care Report – Bryan (Information)
- B. Retiree Special Enrollment – Rebecca (Information)
- C. About the Patient Contract – Bryan (Board Action)
- D. Part D Contract – Kathy (Board Action) *[to be provided under separate cover]*
- E. Dental & Vision Enrollment Policy – Kathy (Information)
- F. Long Term Care – Kathy (Information)
- G. Wellness Update – Rebecca (Information)

IV. DEFERRED COMP

- A. 2nd Quarter Investment Report – Bryan (Information)

V. FLEX COMP

- A. Voluntary FlexComp Products – Kathy (Board Action)
- B. WageWorks contract – Kathy (Board Action) *[to be provided under separate cover]*

VI. MISCELLANEOUS

- A. Administrative Rules proposed changes – Sharon (Board Action)
- B. Electronic Payment Policy–Sharon (Board Action) *[to be provided under separate cover]*
- C. Transition report/review proposals – Sparb (Information) *Executive Session
- D. November PERS Board meeting – Sparb (Board Action)
- E. Operating Guidelines – Sparb (Information)
- F. Audit Committee Report – Jamie (Information)
- G. Board Planning Items – Sparb (Board Action)
- H. Attendance at the Legislative Employee Benefits Programs Committee meeting for presentation regarding “Overview of Retirement, Insurance, and Retiree Health Insurance Programs” 1:00pm Roughrider Room, State Capitol (for more information please see the EBPC agenda at: <http://www.legis.nd.gov/assembly/65-2017/interim/19-5044-02000-meeting-agenda.pdf>)

*Executive Session pursuant to N.D.C.C. §§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

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

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

Memorandum

TO: NDPERS Board

FROM: Kathy

DATE: September 21, 2017

SUBJECT: Return to Work Calculations

Some time ago, we had a case wherein a member returned to work (RTW) after initial retirement and selected a new benefit option for the subsequent retirement. Under NDAC 71-02-07-02, if a different benefit option is selected upon a subsequent retirement, PERS must submit the information to its consultant for an actuarial determination of the elected benefit. The actuarial calculation method used at that time applied an offset for previous benefits paid. When we received the new calculation it was noted that even though additional service credit was factored into the calculation, the new benefit was less than the original benefit. The member filed an appeal with the Board.

The above situation brought into question our policy regarding calculation of benefits for multiple retirements. The Board directed staff to have our consultant review other actuarial methods for calculating benefits related to subsequent retirement situations.

Staff worked with our consultant, GRS, who provided several methods for calculating benefits for a subsequent retirement. We are proposing three options for the Board's consideration which are on the matrix included with this memo. They are displayed as Methods 1, 2 and 3 and we have included the advantages and disadvantages of each for your review and consideration. The methods assume only one subsequent retirement. GRS has advised that if a member retires more than twice, it will be necessary to have them do the calculations under Method 3.

Whether the current method is retained or Method 2 or 3 is selected, staff recommends that Section 71-02-04-04.1 be amended to clarify that the benefit modifications, which includes the Partial Lump Sum (PLSO), Delayed Normal Retirement (DNRO), and Graduated Benefit options cannot be elected upon a subsequent retirement.

Staff Recommendation

Staff is proposing we adopt Method 2 as this calculation does not involve an offset for prior benefits if the benefit option is changed and it is more comprehensive to the member. In addition, we are recommending that the option that was selected at initial retirement must be the same option required upon subsequent retirement. This requires amending Section 71-02-07-02 of the NDAC. The Retiree Health Insurance Credit (RHIC) calculation would follow the same methodology as that for the pension calculation. Draft rules for Sections 71-02-04-04.1 and 71-02-07-02 are included in the "Administrative Rules Proposed Changes" section of the agenda. Implementation of the proposed RTW provisions will be consistent with the promulgation of the rules.

Board Action Requested

Methods to Calculate Benefits for Retirees that Return to Work

<p><u>Method 1 (current method)</u> Recalculation of benefit at subsequent retirement based on all service and with calculation of final average earnings based upon all service with no offset for prior benefits received.</p>	<p><u>Method 2</u> Calculate the additional benefit attributable to the RTW period based upon service and earnings during RTW period only. Total benefit equals original benefit plus the recalculated benefit with no offset for prior benefits received.</p>	<p><u>Method 3</u> Calculate the additional benefit attributable to the RTW period based upon service and earnings during RTW period only. Total benefit equals original benefit plus the recalculated benefit with offset for prior benefits received.</p>
<p><u>Advantages</u></p> <ul style="list-style-type: none"> • Consistent with current practices. • No cost for system change to process independent calculations. • Members that keep the same benefit option will not experience an offset for prior benefits received. 	<p><u>Advantages</u></p> <ul style="list-style-type: none"> • Most comprehensive to member as separate calculations are done for original and subsequent benefit amounts. • Less likely to result in appeals related to reduced benefit amounts. • Clearly defines original benefit under old actuarial factor tables and subsequent RTW benefit under new actuarial factor tables. • No actuarial calculations by consultant are required for subsequent benefit calculations. 	<p><u>Advantages</u></p> <ul style="list-style-type: none"> • Actuary calculates retirement reduction amount for each benefit or provides PERS with a tool for this process. • If subsequent benefit results in reduction from the original benefit, the original benefit would be maintained.
<p><u>Disadvantages</u></p> <ul style="list-style-type: none"> • Inconsistent as members who elect a new benefit option upon subsequent retirement, will have an actuarial offset for prior benefits received which could result in a reduced benefit. • Result in appeals due to reduced benefit amounts. • Actuarial calculation by consultant is required if benefit option is changed • Most costly to plan. 	<p><u>Disadvantages</u></p> <ul style="list-style-type: none"> • Requires one-time cost for system change to process independent calculations of original benefit and RTW benefit. 	<p><u>Disadvantages</u></p> <ul style="list-style-type: none"> • Requires one-time cost for system change to process calculations using tool provided by actuary. • Benefit calculations would be more complex. • Actuarial calculation by consultant is required if member retires more than twice • Most difficult to explain to members. • May require new policy that if recalculated subsequent benefit is lower than original benefit, the original

<p><u>Summary</u></p> <ul style="list-style-type: none"> • Most generous to members that do not elect a new benefit option upon subsequent retirement. • Most cost to system. 	<p><u>Summary</u></p> <ul style="list-style-type: none"> • Most equitable and comprehensive to member. • More equitable to system than current practice. 	<p>benefit would be maintained.</p> <ul style="list-style-type: none"> • May result in appeals if new benefit does not increase because original benefit must be maintained. • Quoted estimates and annual statements may show inflated benefit amount if actuarial/manual data entry is required for final benefit calculation. <p><u>Summary</u></p> <ul style="list-style-type: none"> • Most difficult to explain to member. • Lowest cost to system.
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Memorandum

TO: NDPERS Board

FROM: Kathy

DATE: September 21, 2017

SUBJECT: Job Service Brighthouse (Metlife) Contract

At the Board's planning meeting on July 20th, it was noted that NDPERS has been in the process of updating our contract with Brighthouse Financial (previously MetLife) for several months. At that time, we indicated it may be necessary to escalate this issue if we could not reach consensus with regard to the new agreement. Since that time, legal counsels for PERS and Brighthouse have resolved all outstanding issues and the proposed agreement is included for your information.

As way of background, NDPERS assumed the administrative and recordkeeping services for the Job Service Travelers Plan on August 1, 2003. This group is comprised of those individuals for whom annuities were purchased through The Travelers. Travelers paid the monthly base annuity benefit and PERS transferred funds from plan assets to Travelers for the accumulated COLA amount. This means the members receive one benefit payment rather than two separate payments. In 2006, MetLife purchased The Travelers. In March 2017, MetLife moved its main annuity business to Brighthouse Financial, a new independent subsidiary company. The announcement of this change is included for your information.

At the time of transition from Job Service to PERS, each month we were billed \$3.25 for each check and \$2.50 for each EFT to process payments. Effective May 1, 2014, MetLife changed its billing to a minimum quarterly fee of \$375.00 to process payments. This represented a reduction in the annual administrative fee. Currently Brighthouse is processing monthly payments for 59 annuitants. The new agreement maintains the same administrative fee.

Staff recommends the Board approve the Brighthouse agreement.

Board Action Requested

BENEFIT PAYMENT SERVICES AGREEMENT

Brighthouse Life Insurance Company

A Stock Company Organized under the Laws of Delaware
1209 Orange Street — Wilmington, DE 198018

Job Service North Dakota

Revised and Restated Benefit Payment Services Agreement

Effective May 1, 2014

The State of North Dakota acting through its Public Employees Retirement System which is responsible for administering the job service retirement plan under N.D.C.C. § 52-11-01 (hereinafter Job Service North Dakota) is the Contractholder of Group Annuity Contract No. 88392 (the "Contract") issued by a predecessor of Brighthouse Life Insurance Company ("Brighthouse") and the sponsor of the Contract Plan and any successor plan ("the Plan"). From May 1, 2014, until March 6, 2017, Brighthouse's predecessor companies have provided certain benefit payments and administrative services in accordance with this Benefit Payment Services Agreement ("Agreement"). Effective March 6, 2017, Brighthouse changed its name and will continue to provide the benefit payments and services as set forth in this Agreement.

In consideration of the mutual promises contained herein, Brighthouse and Job Service North Dakota agree as follows:

Section 1 Services Provided by and Information Furnished to Brighthouse

1.1 Benefit Payments

Brighthouse agrees to pay certain benefits payable under the Plan that are not payable under the Contract ("Non-Guaranteed Benefits") to the extent provided in this Agreement. Brighthouse will issue monthly payments of Non-Guaranteed Benefits to each payee (the "payees") for whom Job Service North Dakota has directed Brighthouse to make payment pursuant to Section 2.1. Each check issued by Brighthouse will indicate the due date of the payment and that it is payable only if the payee is living on that date. If a payee is entitled to benefits guaranteed under the Contract, the Non-Guaranteed Benefit payment will be included with the payment of the guaranteed benefits.

In no event will Brighthouse be responsible for making any Non-Guaranteed Benefit payment for which it has not received a report pursuant to Section 2.1 of this Agreement. Brighthouse is entitled to rely on the accuracy of the information reported by Job Service North Dakota and will not be responsible to any person or entity for any action taken or not taken (including payments made or not made) based on such information.

1.2 Reports

On or before the last business day of each month, Brighthouse will communicate to Job Service North Dakota the total amount of Non-Guaranteed Benefit payments that Brighthouse intends to make during the following month. This information will include a summary statement of all non-guaranteed amounts to be paid, classified by groupings of payees as designated by Job Service North Dakota and approved by Brighthouse ("accounting branch") and a listing of all the Non-Guaranteed Benefits to be paid to each payee for that month.

1.3 Administrative Services

Brighthouse will perform those administrative services outlined in the attached Exhibit III-A.

Brighthouse may perform additional reporting services requested by Job Service North Dakota and not set forth in this Agreement ("additional reports"), provided that Job Service North Dakota has agreed in writing to the fees which Brighthouse will charge for those special services. Brighthouse will advise Job Service North Dakota in advance of the amount of such fees. Exhibit III-B gives examples of additional reports.

1.4 Abandoned Property

Brighthouse will perform a Thorough Search, as defined by state regulation, in the attempt to locate the owner of any unclaimed funds or abandoned property. In the event Brighthouse is unable to locate the rightful owner, Brighthouse will escheat unclaimed funds as abandoned property pursuant to applicable state law, unless Job Service North Dakota directs Brighthouse to return such funds to the Plan by initialing the following election:

 X By execution of this agreement Job Service North Dakota instructs Brighthouse to return any funds that remain unclaimed following a Thorough Search to the Plan. Brighthouse will provide detailed information regarding the unclaimed funds or abandoned property and Job Service North Dakota will provide written instructions to Brighthouse on how funds should be returned to the Plan.

Section 2 **Information Furnished to Brighthouse**

2.1 List of Payees

Brighthouse has received the information set forth in Exhibit I for all payees for which Brighthouse is making Non-Guaranteed Benefit payments.

Job Service North Dakota will provide Brighthouse with the information set forth in Exhibit I for any additional payee at least one month prior to the date on which Brighthouse is to begin making Non-Guaranteed Benefit payments to that payee. Job Service North Dakota may revise any information concerning a payee but such change will not take effect earlier than one month after Brighthouse receives the revised information. Changes to the payment amounts that affect all or a subset of the payees and that are not submitted in an electronic format acceptable to Brighthouse will be handled as special services, as described in Section 1.3.

Section 3 **Payments to Brighthouse**

3.1 Payment of Non-Guaranteed Benefits

On or before the first business day of each month Job Service North Dakota will pay to Brighthouse the amount of Non-Guaranteed Benefits for that month as reported by Brighthouse under Section 1.2. Payment will be made by bank wire sent to:

Chase Manhattan Bank (ABA # 021000021)
Money Transfer Department
One New York Plaza
New York, NY 10015
For deposit to the Brighthouse Financial Company
Account Number 002-1-039565
Reference: GAC No. 88392 - Job Service North Dakota Benefit Services

Brighthouse may change these payment directions upon notice to Job Service North Dakota.

3.2 Amount and Payment of Fees

On a quarterly basis, Brighthouse will give Job Service North Dakota an invoice for fees due under this Agreement. Such fees are set out in Exhibit II. On or before 30 calendar days following the invoice date Job Service North Dakota will pay the amount of fees for the previous quarter as reported by Brighthouse.

On or before 30 calendar days following the date of invoice for any fees for special services in accordance with Section 1.3, Job Service North Dakota will pay to Brighthouse the amount of such fees.

3.3 Interest on Late Payments

If any payment referred to in Section 3.1 and 3.2 is received after its due date, interest for the period from the due date up to but not including the date of payment will be included in

a subsequent Brighthouse invoice. For each calendar month (or portion thereof) following the due date of payment, the interest payment will be calculated using a 365-day year and an annual effective rate of interest equal to the auction average (investment) rate resulting from the auction most recently preceding the first business day of that calendar month for three-month Treasury Bills (as shown in the Federal Reserve Statistical Release H.15 or an equivalent publication if such release doesn't exist) plus a margin. That margin will be 1.75 percent for the first 30 days following the due date and will be determined by Brighthouse for any subsequent period.

Any interest due in accordance with this section is the responsibility of the plan sponsor, Job Service North Dakota. Payment of this interest cannot be made from ERISA plan assets.

3.4 Uncollected payments and fees

If for any reason Brighthouse neglects to send an invoice in accordance with Section 3.1 and 3.2, Brighthouse has the right to invoice for uncollected fees and payments for services rendered at a date in the future. This invoice will not include any interest charge as referenced in Section 3.3.

Section 4 Cessation and Suspension of Non-Guaranteed Benefit Payments

4.1 Cessation of Payments

Brighthouse will make payments of Non-Guaranteed Benefits under this Agreement to each payee until the earlier of:

- a) the date that Brighthouse receives notice of the death of the payee,
- b) the date that Brighthouse receives notice from Job Service North Dakota to stop payments to the payee,
- c) the date after which no payments are due under the form of payment chosen, or
- d) the discontinuance date under Section 5.3.

When Job Service North Dakota learns of the death of a payee, it will immediately notify Brighthouse to delete that person's name from the payment register for the following month.

Notwithstanding (a) or (b) above, Brighthouse will not be responsible for any payment made prior to receipt of the notices specified or so soon after receipt of any such notice that payment could not reasonably be stopped. Brighthouse shall be under no obligation to recover any such payment but if it does so, it will credit the amount recovered against Job Service North Dakota next payment under Section 3.1.

4.2 Suspension of Payments

Brighthouse may suspend payment of Non-Guaranteed Benefits to each payee for any month if, at that time, Job Service North Dakota has failed to reimburse Brighthouse for Non-Guaranteed Benefit payments, or for fees, owed for the previous month pursuant to Section 3. As soon as reasonably possible, Brighthouse will resume payment and retroactively make the suspended payments upon receiving all payments due, including interest.

Section 5 **General Provisions**

5.1 Changes by Brighthouse

Brighthouse may change the fees under Exhibit II upon at least three months' notice to Job Service North Dakota. No fee will be changed more frequently than once in any 12-month period.

5.2 Insurance.

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

- 1) Commercial general liability, including premises or operations, contractual, and products or completed operations coverages (if applicable), with minimum liability limits of \$250,000 per person and \$1,000,000 per occurrence.
- 2) The risk of liability for errors & omissions with respect to the professional services to be performed under this Agreement is self-assumed by Brighthouse with a \$2,000,000 limit of liability for any one claim made and in the aggregate.
- 3) Automobile liability, including Owned (if any), Hired, and Non-Owned automobiles, with minimum liability limits of \$250,000 per person and \$500,000 per occurrence.
- 4) Workers compensation coverage meeting all statutory requirements.

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

- 1) Any deductible or self-insured retention amount or other similar obligation under the policies shall be the sole responsibility of the Brighthouse.
- 2) This insurance may be in policy or policies of insurance, primary and excess, including the so-called umbrella or catastrophe form and must be placed with insurers rated "A-" or better by A.M. Best Company, Inc., provided any excess policy follows form for coverage. Less than an "A-" rating must be approved by the Job Service North Dakota.

- 3) Brighthouse shall furnish a certificate of insurance to the undersigned representative of Job Service North Dakota prior to commencement of this agreement.
- 4) Failure to maintain insurance as required in this section is a material breach of contract entitling Job Service North Dakota to terminate this agreement, unless Brighthouse cures the breach within thirty (30) days from its receipt of notice.
- 5) Brighthouse shall provide at least 30 day notice of any cancellation or material change to the policies or endorsements.

5.3 Discontinuance

This Agreement may be discontinued upon written notice by Job Service North Dakota to Brighthouse or by Brighthouse to Job Service North Dakota. Such written notice of discontinuance will be given by either party at least three calendar months before the discontinuance date. The discontinuance date may only be the last day of any calendar month.

Upon discontinuance and except as provided for in Section 5.7 and 5.8, all of Brighthouse's duties and obligations specified in this Agreement will cease and all amounts owed by Job Service North Dakota to Brighthouse will become immediately due. Job Service North Dakota will then be responsible for notifying the affected payees that the Non-Guaranteed Benefit payments will no longer be made by Brighthouse.

Any electronic or printed report which Job Service North Dakota may request to discontinue this Agreement and/or to enable the next payor to assume responsibilities for the payment of benefits will be handled as a special service as described in Section 1.3.

5.4 Brighthouse's Liability

- (a) Brighthouse's only obligation under this Agreement is the payment of Non-Guaranteed Benefits in accordance with the terms of this Agreement. However, to the extent that Brighthouse through its negligence or misconduct pays benefits erroneously, Brighthouse will credit Job Service North Dakota with such amounts in a subsequent itemized statement under Section 1.2, even if Brighthouse cannot recover the overpayment from the payee. Brighthouse's only obligation or liability under this Agreement is to Job Service North Dakota.
- (b) It is agreed that, with respect to the Plan, Brighthouse's duties under this Agreement are intended to be ministerial in nature and are not intended to involve the exercise of discretion; and further that no powers conferred on Brighthouse under this Agreement are intended to cause Brighthouse to be a "fiduciary" of the Plan, as that term is used in the Employee Retirement Income Security Act of 1974 or otherwise.

- (c) Except as otherwise set forth in this Agreement, Brighthouse and Job Service North Dakota each agrees to assume its own liability for any and all claims of any nature including all costs, expenses and attorneys' fees which may in any manner result from or arise out of this agreement.

5.5 Business Day

As used in this Agreement, a business day is any day on which Brighthouse, Job Service North Dakota and their banks are open for business or any other date that Brighthouse and Job Service North Dakota agree to.

5.6 Severability

If any provision of this Agreement is held to be or is invalid or unenforceable, the validity or enforceability of the remaining portions shall not be impaired or affected in any way. Likewise, a waiver of any provision of this Agreement does not waive any other provision of this Agreement.

5.7 Communications and Information

Except as otherwise provided in this Agreement, all notices and other communications between Job Service North Dakota and Brighthouse provided for in this Agreement will be in writing and sent to the address designated by Brighthouse. The Job Service North Dakota address will be that which it designates to Brighthouse. Job Service North Dakota and Brighthouse will exchange all information as each may reasonably require for the administration of this Agreement.

Any communication or payments to Brighthouse pursuant to this Agreement may be made by any party designated in writing to Brighthouse by Job Service North Dakota.

Brighthouse shall not use or disclose any information it receives from Job Service North Dakota under this Agreement that Job Service North Dakota has previously identified as confidential or exempt from mandatory public disclosure except as necessary to carry out the purposes of this Agreement or as authorized in advance by Job Service North Dakota. Job Service North Dakota shall not disclose any information it receives from Brighthouse that Brighthouse has previously identified as confidential and that Job Service North Dakota determines in its sole discretion is protected from mandatory public disclosure under a specific exception to the North Dakota public records law, N.D.C.C. ch. 44-04. The duty of Job Service North Dakota and Brighthouse to maintain confidentiality of information under this section continues beyond the term of this Agreement.

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

Brighthouse will keep full and accurate accounts of all receipts and disbursements hereunder, including such specific records as may be agreed upon in writing between Job Service North Dakota and Brighthouse. Brighthouse will retain such accounts, books and records for not less than three years after the discontinuance date. All such accounts, books and records will be open to inspection and audit by Job Service North Dakota, the North Dakota State Auditor, the Auditor's designee, or Federal auditors at all reasonable times during any business day by any authorized representative of Job Service North Dakota, the North Dakota State Auditor, or Auditor's designee upon 10 business days' notice to Brighthouse.

5.8 Entire Agreement

This Agreement constitutes the entire agreement between the parties with respect to its subject matter. Any amendment, modification or waiver of any provision of this Agreement may be made effective on behalf of Brighthouse and Job Service North Dakota only in writing and by an authorized officer of Brighthouse and/or Job Service North Dakota, as applicable.

5.9 Governing Law

This Agreement will be governed by the laws of the State of North Dakota.

To acknowledge their mutual agreement, Job Service North Dakota and Brighthouse have executed this Agreement as of the date specified.

Public Employees Retirement System for
Job Service North Dakota

Brighthouse Life Insurance Company

Signed _____

Signed _____

Name _____

Name _____

Title _____

Title _____

Date _____

Date _____

EXHIBIT I

Job Service North Dakota will report to Brighthouse the following for each payee:

- (1) Name - as it should appear on the benefit check
- (2) Social Security Number
- (3) Monthly annuity payable - Gross
- (4) Temporary monthly annuity payable - Gross
- (5) Sex
- (6) Effective date of Brighthouse's first payment
- (7) Date of birth
- (8) Date of last payment of temporary Social Security Make-up Benefit (if any)
- (9) Date and new amount if payment changes
- (10) Annuity form (option elected, if any) - Forms
- (11) Contingent annuitant data: Contingent name, social security number, address, date of birth, sex, monthly annuity payable, effective date of Brighthouse's first payment.
- (12) Marital status
- (13) Payment mode (if other than monthly)
- (14) Amount of employee contributions (if any) at retirement without interest, date of retirement, excludable amount, remaining contributions
- (15) Other deductions (if any)
- (16) Plan or branch identifiers (if applicable)
- (17) Address
- (18) Beneficiary name and address, social security number.
- (19) Federal tax withholding election

EXHIBIT II

Fee Schedule

For the services specified in this Agreement (including those listed in Exhibit III-A), the fees will be as follows:

- (1) \$3.00 per payee, per quarter, for payees entitled to benefits under Brighthouse GAC No. 88392 who are also receiving periodic Non-Guaranteed Benefit payments pursuant to the Agreement. This fee is prorated by the actual number of monthly payments issued during the billing period.
- (2) \$16.50 per payee, per quarter, for periodic Non-Guaranteed Benefits made to a payee not entitled to benefits under Brighthouse GAC No. 88392. This fee is prorated by the actual number of monthly payments issued during the billing period.
- (3) \$34.50 per payee, for manual establishment of a periodic Non-Guaranteed Benefit made to a payee not entitled to benefits under Brighthouse GAC No. 88392. This fee will be charged only during the year of establishment.
- (4) For the sum of item (1) and (2), there will be a minimum quarterly expense charge of \$375.00.
- (5) \$25.00 for each check drawn for lump sum payments.

EXHIBIT III-A

BENEFIT PAYMENT SERVICES

- Repetitive monthly payments reasonably expected to reach the payee on or before the first of each month.
- Making "stop payments," and issuing duplicates on lost or stolen checks for any such non-negotiated checks.
- Efforts that Brighthouse believes are reasonable to recover checks or amounts paid but not due.
- Efforts that Brighthouse believes are reasonable to investigate forgery claims.
- Preparation of banking agreements for direct deposits into payee bank accounts.
- Address control, which means not only making required changes, but also differentiating pursuant to payee instruction between the legal jurisdiction of residence for taxation and temporary moves to other jurisdictions, or a mailing address (such as for a banking agreement in another jurisdiction).
- Deducting when requested by the payee or when otherwise required by law, Federal, state and local tax withholding.
- Conducting required communications and subsequently applying tax deductions from payments made to payees residing in foreign countries, where applicable.
- Matching file of payees with Social Security Administration's death index on a monthly basis and reporting any death found to Job Service North Dakota.
- Preparation of at-the-source information reports that the payor of the benefits must file with the governments of various jurisdictions.
- Preparation, for each payee at year-end, of a 1099R information report showing taxable amounts by jurisdiction and any withholding that had been made reflecting any changes in tax status during the year (e.g., moving from a non-withholding to a withholding jurisdiction).
- Making scheduled changes in benefits that occur at the end of a term certain period, changes due to the temporary Social Security Make-Up Benefit, or commencing payments to a contingent payee upon the death of a payee.

- Upon request, an annual report can be furnished, which shows any or all the data elements on the payee's record as well as year-to-date payment totals by accounting branch and in total, for no additional cost.

EXHIBIT III-B

ADDITIONAL REPORTS

The payment system maintains a record for each payee. From these records and our monthly accounting system, a monthly report can be furnished to Job Service North Dakota, for an additional fee. The report contains; a list of deaths reported to Brighthouse during the month showing Name, Social Security Number, Identification Number, and Date of Death.

Fee per annum: \$250.00

[Legal Entity Name]
[Policy/Contract number: #####]

[Current Date]

City, ST ZIP or Country Name if Foreign

We're here to help

You can reach us at 1-866-941-7346. We're available Monday through Friday from 9:00 a.m. – 6:00 p.m. Eastern Standard Time (Eastern Time). We appreciate your continued business.

Sincerely,

A handwritten signature in black ink, appearing to read "E. Steigerwalt", with a large, sweeping horizontal stroke above the name.

Eric Steigerwalt
President

[Enclosure(s): Endorsement



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

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

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

Memorandum

TO: NDPERS Board

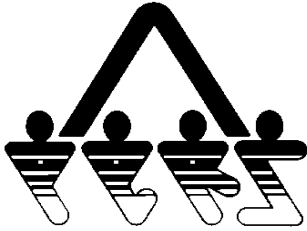
FROM: Sharon Schiermeister

DATE: September 21, 2017

SUBJECT: **Funding Projections**

In conjunction with the annual actuarial valuation, we have asked GRS to update the long-term funding status projections for the Main retirement plan. This will include the effect of the change in the investment return assumption to 7.75% which the Board adopted for the 7/1/2017 actuarial valuation. This projection will be available at the next Board meeting, when GRS presents the valuation reports.

The fee for preparing the funding projections is \$5,000 per projection. We did not feel it was necessary to incur the additional cost to update the funding status projections for the RHIC, Highway Patrol, Judges, and Law Enforcement plans, as these plans are currently on track to become fully funded. However, if the Board would like to see updated funding status projections for these plans, we can advise GRS to move forward with them.



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

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

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

Memorandum

TO: PERS Board

FROM: Bryan Reinhardt

DATE: September 21, 2017

SUBJECT: 2016 Active Health Care Report

Attached is the 2016 NDPERS Active health care report. Costs and trends are increasing slightly. 2016 active charges increased 6.82% over 2015 and 2016 active plain paid increased 9.82% over 2015. The 2014 to 2015 charge/paid increases were 6.4% and 13.8% respectively. A similar agency-specific report is developed for all large groups on the health plan (over 100 employees).

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

2016 NDPERS Health Care Analysis



North Dakota Public Employees Retirement System

For January - December 2016, there were 21,470 active NDPERS employees. This is about 74% of the NDPERS contracts. The average age of these employees was 47 years. There were 35,062 dependents of NDPERS employees on the NDPERS health plan.

HOSPITAL

NDPERS active health plan members had 504,680 hospital claims/services from January to December 2016. These claims had \$255,069,141.93 in total charges. The NDPERS health plan paid \$130,643,667.63 toward these charges.

HOSPITAL UTILIZATION
ADMISSION: 01/2016 – 12/2016

	CLAIMS	%	DAYS	CHARGES	PAID
CLAIM TYPE: IP=Inpatient OP=Outpatient					
IP NEWBORN	3983	1	1412	\$11,016,438	\$4,912,963
IP MEDICAL	127840	25	5071	\$51,445,039	\$25,638,430
IP MATERNITY	10807	2	1761	\$7,269,703	\$4,877,900
IP SURGICAL	24348	5	3622	\$51,768,298	\$29,569,165
IP PSYCH	1254	0	1816	\$2,608,613	\$1,825,163
IP CHEM DEP	1445	0	901	\$1,145,007	\$743,304
OP SURGICAL	12738	3	0	\$30,161,415	\$17,456,197
OP MEDICAL	318883	63	0	\$96,139,933	\$43,747,074
SNF & SWING BED	368	0	0	\$419,988	\$349,250
HOME HEALTH AG	979	0	0	\$196,946	\$91,803
HOSPICE	99	0	0	\$91,202	\$61,767
Other	1926	0	606	\$2,789,494	\$1,355,202
TOTAL	504670	100	15189	\$255,052,077	\$130,628,218

PHYSICIAN/CLINIC

NDPERS active health plan members had 1,147,012 physician/clinic services from January to December 2016. These services had 208,010,804.54 in total charges. The NDPERS health plan paid 107,575,224.75 toward these charges.

PHYSICIAN/CLINIC UTILIZATION SERVICE DATE: 01/2016 – 12/2016

	SERVICES	%	CHARGES	PAID
TYPE OF SERVICE				
SURGERY-OP	7382	1	\$6,346,806	\$2,779,163
IP VISITS	95984	8	\$45,928,796	\$23,022,754
OP / ER VISITS	22350	2	\$6,997,121	\$3,966,122
OFFICE CALLS	917362	80	\$137,784,638	\$72,635,497
CHEM/PSYCH	1930	0	\$402,774	\$248,300
THERAPIES	125	0	\$51,428	\$23,452
DIAGNOSTIC	101777	9	\$10,471,429	\$4,880,845
TOTAL	1146910	100	\$207,982,993	\$107,556,132

PRESCRIPTION DRUGS

NDPERS active health plan members had 501,857 pharmacy claims from January to December 2016. These claims had \$99,876,768.37 in total charges. The NDPERS health plan paid \$50,083,821.90 toward these charges.

PRESCRIPTION DRUG UTILIZATION FILL DATE: 01/2016 – 12/2016

	CLAIMS	%	CHARGES	PAID
PRESCRIPTION DRUGS				
NON-GENERIC	79804	16	\$55,668,295	\$38,299,105
GENERIC	422053	84	\$44,208,473	\$11,784,717
TOTAL	501857	100	\$99,876,768	\$50,083,822

Generic drug use is at 84%, higher than the 82% reported in 2015, 81% reported in 2014, 80% reported in 2013, 77% reported in 2012, 74% reported in 2011, 71% reported in 2010, 68% reported in 2009, 65% reported in 2008, 60% reported in 2007, 56% reported in 2006, 52% reported in 2005, 48% reported in 2004, 44% reported in 2003, 41% reported in 2002, 40% in 2001 and 2000, 41% reported in 1999, 43% reported in 1998 and 44% 1997.

PERCENTAGES

EMPLOYEES, SPOUSES, & CHILDREN
BY MEMBERSHIP & CLAIM TYPE
01/2016 – 12/2016

	MEMBERSHIP		HOSPITAL CLAIMS		PHYSICIAN SERVICES		PHARMACY CLAIMS	
	Sum	%	Sum	%	Sum	%	Sum	%
CHILDREN	21528	38	107582	21	307976	27	85536	17
EMPLOYEE	21470	38	224894	45	506747	44	256273	51
SPOUSE	13535	24	172204	34	332289	29	160048	32
TOTAL	56532	100	504680	100	1146910	100	501857	100

SUMMARY

Employees make up 38% of the active membership, but are responsible for 44% to 51% of the claims/services. The following graph shows that the number of active claims per month was fairly even throughout 2016.

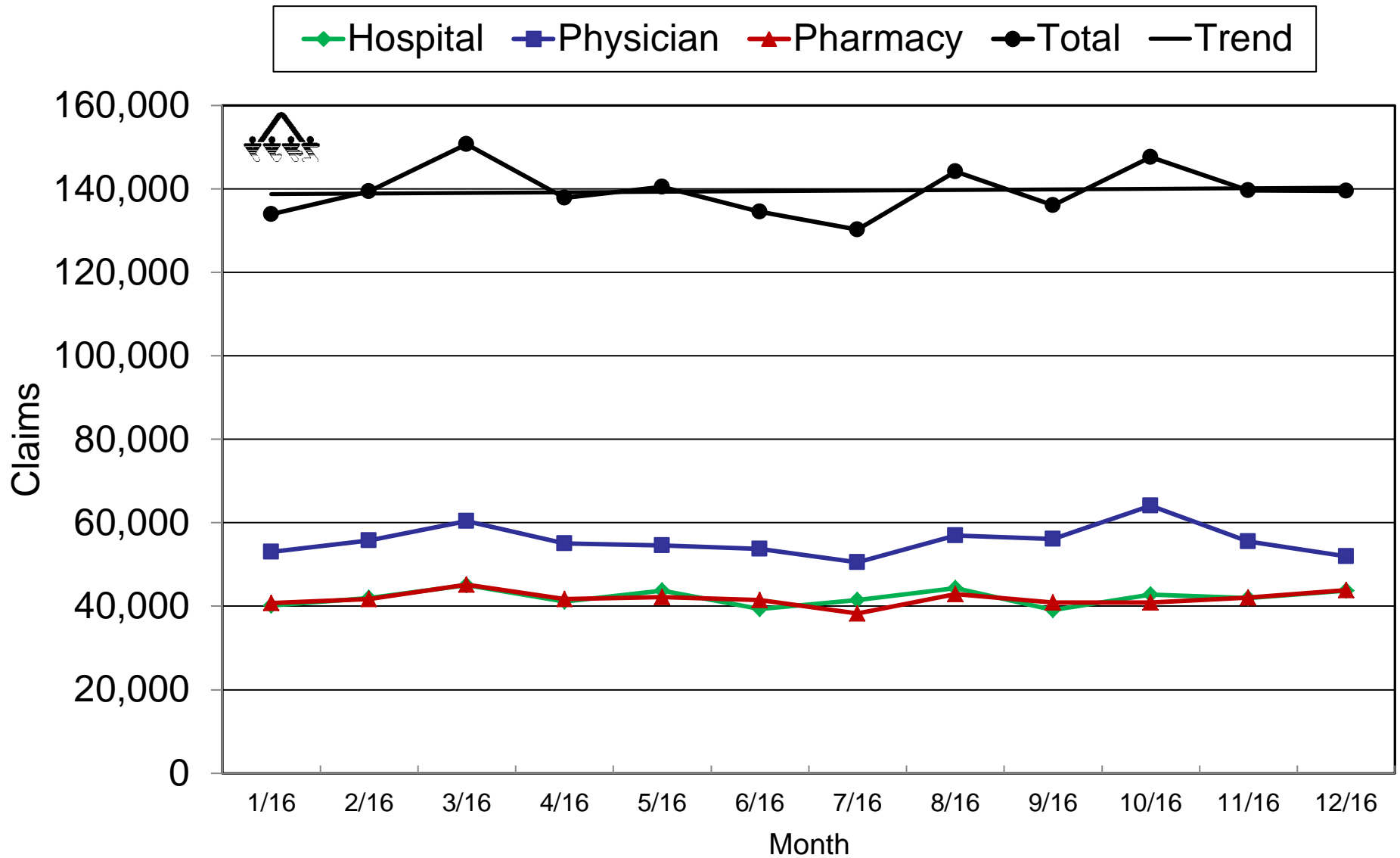
The second graph shows that per capita charges increased 6.82% and per capita costs increased about 9.82% from 2015 to 2016. The average charge per active member per month was \$124 in 1994, \$134 in 1995, \$143 in 1996, \$155 in 1997, \$171 in 1998, \$189 in 1999, \$207 in 2000, \$224 in 2001, \$256 in 2002, \$300 in 2003, \$318 in 2004, \$363 in 2005, \$396 in 2006, \$437 in 2007, \$484 in 2008, \$503 in 2009, \$531 in 2010, \$579 in 2011, \$603 in 2012, \$666 in 2013, \$730 in 2014, \$777 in 2015, and \$830 in 2016. The average amount paid by the NDPERS health plan per capita was \$84 in 1994, \$92 in 1995, \$96 in 1996, \$100 in 1997, \$110 in 1998, \$114 in 1999, \$117 in 2000, \$122 in 2001, \$134 in 2002, \$153 in 2003, \$163 in 2004, \$185 in 2005, \$206 in 2006, \$226 in 2007, \$249 in 2008, \$253 in 2009, \$267 in 2010, \$290 in 2011, \$299 in 2012, \$319 in 2013, \$340 in 2014, \$387 in 2015, and \$425 in 2016.

The last page shows that 2015-2016 overall per capita costs increased for the NDPERS health plan.

North Dakota Public Employees Retirement System

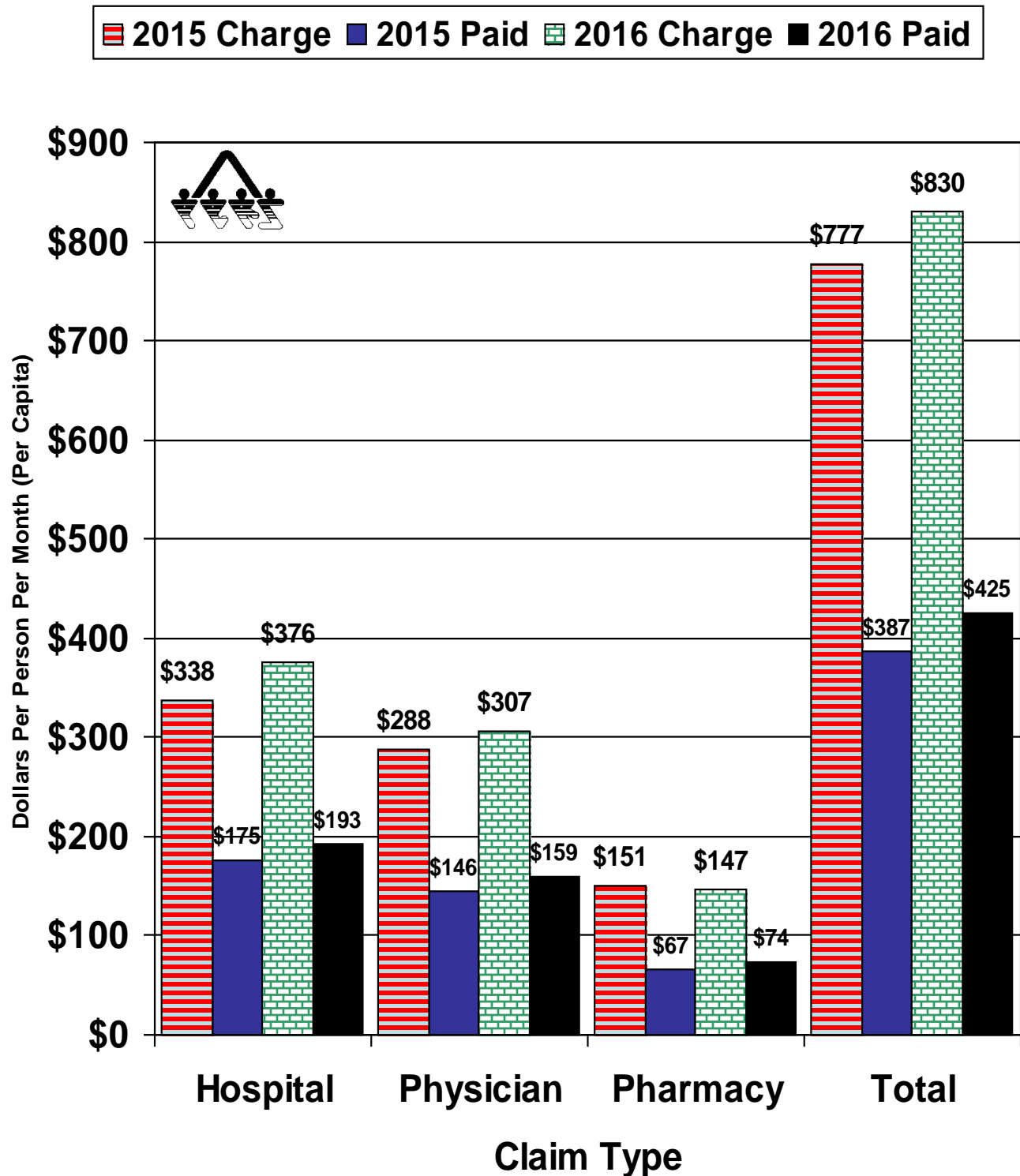
Active Health Insurance Claims

Jan-Dec 2016



NDPERS Health Plan

Active Contracts 2015-2016

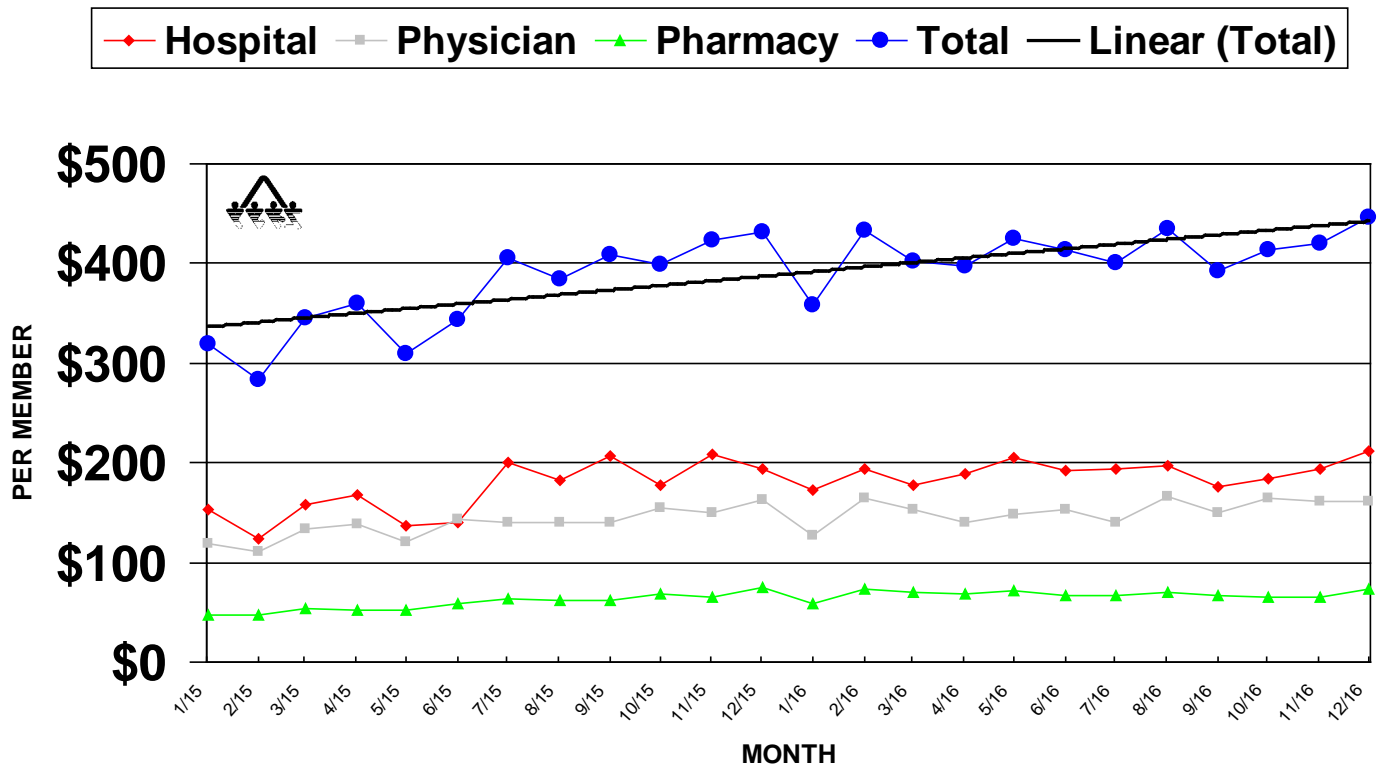


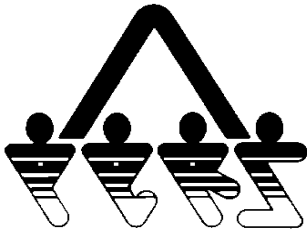
TOTAL NDPERS HEALTH PLAN

The graph below is for the total NDPERS health plan. It shows the average amount the NDPERS health plan paid per member per month (per capita). The graph depicts the latest two years of NDPERS data.

The active employees are at the \$575 per capita level. Their dependents cost the plan around \$390 per person per month. The retired membership's per capita costs are around \$325 per former employee and \$275 per dependent. As the graph below shows, overall, the NDPERS health plan is over \$400 per person per month in medical claims. This is higher than the 2015 report when costs were at \$400 and 2014 report when costs were at \$350. Costs were \$325 in 2013, \$300 in 2012, \$299 in 2011, \$275 in 2010, \$250 in 2009, \$245 in 2008, \$225 in 2007, \$205 in 2006, \$200 in 2005, \$175 in 2004, \$160 in 2003 and \$140 in 2002. In addition to this, the NDPERS health plan pays \$30.50 per month per person in administration costs.

TOTAL MEMBER COST





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Memorandum

TO: NDPERS Board

FROM: Rebecca

DATE: September 21, 2017

SUBJECT: Dental/Vision Plans – Retiree Special Enrollment

At the February 23, 2017 Board meeting, staff reviewed an issue regarding the portability of the RHIC benefit. Specifically, NDPERS has heard from a limited number of retirees that they are unable to benefit from this portability as they do not have out-of-pocket health or prescription drug premiums for plans in which they are enrolled. At the meeting, the Board approved allowing a special enrollment window for retirees that began receiving a benefit prior to July 1, 2015 and also requested that staff modify the NDCC to allow the RHIC to be used for reimbursement of any dental or vision plan premium, not just NDPERS plans when the next opportunity for law updates occurs.

Since this meeting, the Legislature has provided NDPERS with direction regarding decreasing printing and mailing expenses as a means to reduce the NDPERS budget. Therefore, NDPERS staff has reviewed this direction in consideration of how to administer a retiree special enrollment yet avoid the expense of a targeted printed mailing.

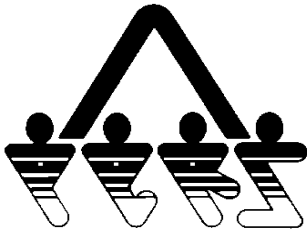
NDPERS staff intends to move forward with a special enrollment opportunity by allowing any NDPERS retiree who began receiving a benefit prior to July 1, 2015 and who requests enrollment into the dental and/or vision plans to prospectively enroll upon completion of the necessary forms. This enrollment opportunity will begin November 1, 2017 and will continue for a six month period ending April 30, 2018. In addition, NDPERS will propose legislation during the next session to allow the RHIC to be used for reimbursement of any dental or vision plan premium. By having a longer enrollment period, NDPERS staff is hoping to allow an opportunity for the communication to be provided in a number of required upcoming mailings to avoid appeals from individuals asserting they did not receive notification and who may request special consideration to enroll outside the window period.

NDPERS plans to communicate the opportunity as follows:

- 1) Prepare marketing pieces for the NDPERS website and Facebook page to announce the special enrollment opportunity to include eligibility requirements and actions needed to enroll in the dental and/or vision plans.
- 2) Notify individuals by email and/or telephone who specifically inquired about enrollment. .
- 3) Provide an insert to ASI Flex to distribute with their quarterly RHIC statement. This will allow a more targeted communication while still avoiding the expense of a direct mailing by NDPERS. ASI Flex is currently investigating this option on our behalf.
- 4) Have handouts available for the NDPERS counselors and member service unit to distribute to visitors to the office.
- 5) Include information in future mailings if NDPERS staff determines the appropriate audience will be reached (1099R, retiree annual statements, etc.).

In addition, staff discussed how to limit enrollment and disenrollment during the special enrollment opportunity. Staff determined that if this were to occur, the retiree would only be allowed to re-enroll if they met one of the required qualifying events. This is consistent with the enrollment requirements for the group health plan. These qualifying events include Medicare eligibility of either the member or spouse, loss of other dental and/or vision coverage, marriage or birth or adoption of a child.

This item is informational only and does not require any action by the Board. Staff will be available to answer any questions that you may have.



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**Retiree Special Enrollment
Attachment**

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Memorandum

TO: NDPERS Board

FROM: Rebecca

DATE: February 8, 2017

SUBJECT: Dental/Vision Plans – Retiree Special Enrollment

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

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

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

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

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

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

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

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

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

Board Action Requested:

Determine if staff:

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



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Memorandum

TO: NDPERS Board

FROM: Sparb & Bryan

DATE: September 21, 2017

SUBJECT: About the Patient Contract

At the last NDPERS Board meeting, the About the Patient diabetes management program through the ND Pharmacy Association was approved for the next two years. Here is the updated contract that has been reviewed by Jan Murtha, staff, and signed by Mike Schwab.

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

Board Action:
Approve the contract.

AGREEMENT FOR SERVICES
Disease State Management of Diabetes Program

The parties to this contract are the State of North Dakota, acting through its North Dakota Public Employees Retirement System ("STATE") and the North Dakota Pharmacy Services Corporation ("CONTRACTOR").

- 1) **SCOPE OF SERVICES**: CONTRACTOR agrees to provide the accepted services as specified in the proposal (attached as Exhibit A). Therefore, the terms of the proposal are hereby incorporated by reference as part of the contract.
- 2) **TERM**: This agreement shall commence on July 1, 2017 and end on June 30, 2019.
- 3) **FEES and BILLING**: STATE will pay for the services provided by CONTRACTOR under this contract an amount not to exceed three hundred fifty-four thousand dollars (\$354,000) as set forth in Exhibit A.
- 4) **TERMINATION**:
 - a. **Termination without cause**. This contract may be terminated by mutual consent of both parties, or by either party upon 30 days' written notice.
 - b. **Termination for lack of authority**: STATE may terminate this contract effective upon delivery of written notice to the CONTRACTOR, or on any later date stated in the notice, under the following condition(s):
 - (1) If funding from federal, state, or other sources is not obtained and continued at levels sufficient to allow for purchase of the services or supplies in the indicated quantities or term.
 - (2) If federal or state laws or rules are modified or interpreted in a way that the services are no longer allowable or appropriate under this contract or are no longer eligible for the funding proposed for payments authorized by this contract.
 - (3) If any license, permit, or certificate required by law or rule, or by the terms of this contract, is for any reason denied, revoked, suspended, or not renewed.

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

- c. **Termination for cause**. STATE may terminate this contract effective upon delivery of written notice to CONTRACTOR, or any later date stated in the notice:
 - i. If the CONTRACTOR fails to provide services required by this contract within the time specified or any extension agreed to by STATE; or
 - ii. If the CONTRACTOR fails to perform any of the other provisions of this contract, or so fails to pursue the work as to endanger performance of this contract in accordance with its terms.

The rights and remedies of STATE provided in the above clause related to defaults by the CONTRACTOR are not exclusive and are in addition to any other rights and remedies provided by law or under this contract.

- 5) **FORCE MAJEURE**
CONTRACTOR shall not be held responsible for delay or default caused by fire, flood, riot, acts of God or war if the event is beyond CONTRACTOR'S reasonable control and CONTRACTOR gives notice to STATE immediately upon occurrence of

the event causing the delay or default or that is reasonably expected to cause a delay or default.

6) **RENEWAL**

This contract will not automatically renew. If STATE desires to renew, STATE will provide written notice to CONTRACTOR of its intent to renew this contract at least 60 days before the scheduled termination date.

7) **ASSIGNMENT AND SUBCONTRACTS**

CONTRACTOR may not assign or otherwise transfer or delegate any right or duty without STATE'S express written consent. However, CONTRACTOR may enter into subcontracts provided that any subcontract acknowledges the binding nature of this contract and incorporates this contract, including any attachments. CONTRACTOR is solely responsible for the performance of any subcontractor. CONTRACTOR does not have authority to contract for or incur obligations on behalf of STATE.

8) **NOTICE**

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

Sharon SchiermeisterNDPERS
400 East Broadway, Suite 505, Box 1657
Bismarck, ND 58501-1657

or

Michael D. Schwab
Executive Vice-President
ND Pharmacists Association
ND Pharmacy Service Corporation
1641 Capitol Way Ste. 102
Bismarck, ND 58501-2195

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

9) **SPOILIATION – NOTICE OF POTENTIAL CLAIMS**

CONTRACTOR shall promptly notify STATE of all potential claims that arise or result from this contract. CONTRACTOR shall also take all reasonable steps to preserve all physical evidence and information that may be relevant to the circumstances surrounding a potential claim, while maintaining public safety, and grants to STATE the opportunity to review and inspect the evidence, including the scene of an accident.

10) **ATTORNEY FEES**

In the event a lawsuit is instituted by STATE to obtain performance due under this contract, and STATE is the prevailing party, CONTRACTOR shall, except when prohibited by N.D.C.C. § 28-26-04, pay STATE'S reasonable attorney fees and costs in connection with the lawsuit.

11) **ALTERNATIVE DISPUTE RESOLUTION – JURY TRIAL**

STATE does not agree to any form of binding arbitration, mediation, or other forms of mandatory alternative dispute resolution. The parties have the right to enforce their rights and remedies in judicial proceedings. STATE does not waive any right to a jury trial.

12) **INDEPENDENT ENTITY**

CONTRACTOR is an independent entity under this contract and is not a STATE employee for any purpose, including the application of the Social Security Act, the Fair Labor Standards Act, the Federal Insurance Contribution Act, the North Dakota Unemployment Compensation Law and the North Dakota Workforce Safety and Insurance Act. CONTRACTOR retains sole and absolute discretion in the manner and means of carrying out CONTRACTOR'S activities and responsibilities under this contract, except to the extent specified in this contract.

13) **PREPAYMENT**

STATE will not make any advance payments before performance by CONTRACTOR under this contract.

14) **TAXPAYER ID**

CONTRACTOR'S federal employer ID number is: _45-0392168.

15) **PAYMENT OF TAXES BY STATE**

State is not responsible for and will not pay local, state, or federal taxes. State sales tax exemption number is E-2001, and certificates will be furnished upon request by the purchasing agency.

16) **CONFIDENTIALITY AND ACCESS TO RECORDS:** The parties agree that all participation by its members and their dependents in programs under this agreement is confidential under North Dakota law. CONTRACTOR may request and NDPERS shall provide directly to CONTRACTOR upon such request, confidential information necessary for CONTRACTOR to provide the services described in Exhibit A. CONTRACTOR agrees to keep confidential all STATE information designated as confidential under state or federal law obtained in the course of delivering services. The indemnity provisions of this agreement specifically apply to the duty of CONTRACTOR to comply with this confidentiality requirement. Failure of CONTRACTOR to maintain the confidentiality of such information may be considered a material breach of the contract and may constitute the basis for additional civil and criminal penalties under North Dakota law. CONTRACTOR agrees to comply with the requirements of a separately signed Business Associate Agreement as required under the HIPAA Privacy Rule, 45 C.F. R. 164.502(e)(2) and with respect to any services provided under this agreement, to comply with all applicable requirements of the federal HIPAA privacy rule, 45 CFR pts. 160 and 164. The CONTRACTOR will have exclusive control over the direction and guidance of the professionals rendering services under this agreement. STATE shall not disclose any information it receives from CONTRACTOR that CONTRACTOR has previously identified as confidential and that STATE determines in its sole discretion is protected from mandatory public disclosure under a specific exception to the North Dakota public records law, N.D.C.C. ch. 44-04. The duty of STATE and CONTRACTOR to maintain confidentiality of information under this section continues beyond the term of this Contract. Upon termination of this Agreement, for any reason, CONTRACTOR shall return or destroy all confidential information received from NDPERS, or created or received by CONTRACTOR on behalf of NDPERS. This provision applies to confidential information that may be in the possession of subcontractors or agents of CONTRACTOR. In the event that CONTRACTOR

asserts that returning or destroying the confidential information is not feasible, CONTRACTOR shall provide to NDPERS notification of the conditions that make return or destruction infeasible. Upon explicit written agreement of PERS that return or destruction of confidential information is not feasible, CONTRACTOR shall extend the protections of this Agreement to that confidential information and limit further uses and disclosures of any such confidential information to those purposes that make the return or destruction infeasible, for so long as CONTRACTOR maintains the confidential information.

- 17) **COMPLIANCE WITH PUBLIC RECORDS LAW:** CONTRACTOR understands that, except for disclosures prohibited in this contract, STATE must disclose to the public upon request any records it receives from CONTRACTOR. CONTRACTOR further understands that any records that are obtained or generated by CONTRACTOR under this contract, except for records that are confidential under this contract, may, under certain circumstances, be open to the public upon request under the North Dakota open records law. STATE retains ownership of all work product, equipment or materials created or purchased under this contract. CONTRACTOR agrees to contact STATE immediately upon receiving a request for information under the open records law and to comply with STATE'S instructions on how to respond to the request.
- 18) **OWNERSHIP OF WORK PRODUCT:** All work products of the CONTRACTOR, including but not limited to, data, documents, drawings, estimates and actuarial calculations which are provided to STATE under this agreement are the exclusive property of STATE. Any medical records and related individually identifiable health information created or obtained by the CONTRACTOR in the course of providing services under this contract are the property of STATE, but disclosure of protected health information to STATE is subject to the applicable requirements of the HIPAA privacy rule and any other applicable State or Federal law.
- 19) **APPLICABLE LAW AND VENUE:** This agreement shall be governed by and construed in accordance with the laws of the State of North Dakota. Any action to enforce this contract must be adjudicated exclusively in the State District Court of Burleigh County, North Dakota.
- 20) **MERGER AND MODIFICATION:** This contract and the proposal shall constitute the entire agreement between the parties. In the event of any inconsistency or conflict among the documents making up this agreement, the documents must control in this order of precedence: First – the terms of this Contract, as may be amended and Second – CONTRACTOR's Proposal. No waiver, consent, modification or change of terms of this agreement shall bind either party unless in writing and signed by both parties. Such waiver, consent, modification or change, if made, shall be effective only in the specific instances and for the specific purpose given. There are no understandings, agreements, or representations, oral or written, not specified herein regarding this agreement.
- 21) **INDEMNITY:** CONTRACTOR agrees to defend, indemnify, and hold harmless the State of North Dakota, its agencies, officers and employees (State), from and against claims based on the vicarious liability of the State or its agents, but not against claims based on State's contributory negligence, comparative and/or contributory negligence or fault, sole negligence, or intentional misconduct. This obligation to defend, indemnify, and hold harmless does not extend to professional liability claims arising from professional errors or omissions. The legal defense provided by

CONTRACTOR to the State under this provision must be free of any conflicts of interest, even if retention of separate legal counsel for the State is necessary. Any attorney appointed to represent the State must first qualify as and be appointed by the North Dakota Attorney General as a Special Assistant Attorney general as required under N.D.C.C. § 54-12-08. CONTRACTOR also agrees to defend, indemnify, and hold the State harmless for all costs, expenses and attorneys' fees incurred if the State prevails in an action against Contractor in establishing and litigating the indemnification coverage provided herein. This obligation shall continue after the termination of this agreement.

22) **INSURANCE:**

Contractor shall secure and keep in force during the term of this agreement and Contractor shall require all subcontractors, prior to commencement of an agreement between Contractor and the subcontractor, to secure and keep in force during the term of this agreement, from insurance companies, government self-insurance pools or government self-retention funds, authorized to do business in North Dakota, the following insurance coverages:

- 1) Commercial general liability, including premises or operations, contractual, and products or completed operations coverages (if applicable), with minimum liability limits of \$250,000 per person and \$1,000,000 per occurrence.
- 2) Automobile liability, including Owned (if any), Hired, and Non-Owned automobiles, with minimum liability limits of \$250,000 per person and \$1,000,000 per occurrence.
- 3) Workers compensation coverage meeting all statutory requirements. The policy shall provide coverage for all states of operation that apply to the performance of this contract.
- 4) Employer's liability or "stop gap" insurance of not less than \$1,000,000 as an endorsement on the workers compensation or commercial general liability insurance.
- 5) Professional errors and omissions with minimum limits of \$1,000,000 per occurrence and in the aggregate, Contractor shall continuously maintain such coverage during the contract period and for three years thereafter. In the event of a change or cancellation of coverage, Contractor shall purchase an extended reporting period to meet the time periods required in this section.

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

- 1) Any deductible or self-insured retention amount or other similar obligation under the policies shall be the sole responsibility of the Contractor.
- 2) This insurance may be in policy or policies of insurance, primary and excess, including the so-called umbrella or catastrophe form and must be placed with insurers rated "A-" or better by A.M. Best Company, Inc., provided any excess policy follows form for coverage. Less than an "A-" rating must be approved by the State. The policies shall be in form and terms approved by the State.
- 3) The duty to defend, indemnify, and hold harmless the State under this agreement shall not be limited by the insurance required in this agreement.
- 4) The state of North Dakota and its agencies, officers, and employees (State) shall be endorsed on the commercial general liability policy, including any excess policies (to the extent applicable), as additional insured. The State shall have all the benefits, rights and coverages of an additional insured under these policies that shall not be limited to the minimum limits of insurance required by this agreement or by the contractual indemnity obligations of the Contractor.
- 5) The insurance required in this agreement, through a policy or endorsement, shall include:

- a) "Waiver of Subrogation" waiving any right to recovery the insurance company may have against the State;
- b) A provision that Contractor's insurance coverage shall be primary (i.e. pay first) as respects any insurance, self-insurance or self-retention maintained by the State and that any insurance, self-insurance or self-retention maintained by the State shall be in excess of the Contractor's insurance and shall not contribute with it;
- c) Cross liability/severability of interest for all policies and endorsements;
- d) The legal defense provided to the State under the policy and any endorsements must be free of any conflicts of interest, even if retention of separate legal counsel for the State is necessary;
- e) The insolvency or bankruptcy of the insured Contractor shall not release the insurer from payment under the policy, even when such insolvency or bankruptcy prevents the insured Contractor from meeting the retention limit under the policy.

6) The Contractor shall furnish a certificate of insurance to the undersigned State representative prior to commencement of this agreement. All endorsements shall be provided as soon as practicable.

7) Failure to provide insurance as required in this agreement is a material breach of contract entitling the State to terminate this agreement immediately.

8) Contractor shall provide at least 30 day notice of any cancellation or material change to the policies or endorsements.

- 23) **SEVERABILITY CLAUSE:** If any term or provision of this Agreement is declared by a court having jurisdiction to be illegal or unenforceable, the validity of the remaining terms and provisions shall not be affected, and the rights and obligations of the parties are to be construed and enforced as if the contract did not contain that term or provision.
- 24) **STATE AUDIT:** All records, regardless of physical form, and the accounting practices and procedures of CONTRACTOR relevant to this contract are subject to examination by the North Dakota State Auditor, the Auditor's designee, or Federal auditors. CONTRACTOR will maintain all of these records for at least three years following completion of this contract and be able to provide them at any reasonable time. STATE, State Auditor, or Auditor's designee shall provide reasonable notice.
- 25) **COMPLIANCE WITH LAWS:** CONTRACTOR agrees to comply with all laws, rules, and policies, including those relating to nondiscrimination, accessibility and civil rights. CONTRACTOR agrees to timely file all required reports, obtain all necessary reviews and approvals, make required payroll deductions, and timely pay all taxes and premiums owed, including sales and use taxes and unemployment compensation and workers' compensation premiums. CONTRACTOR shall have and keep current at all times during the term of this contract all licenses and permits required by law.

26) EFFECTIVENESS OF CONTRACT:

This contract is not effective until fully executed by both parties.

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

CONTRACTOR

North Dakota Pharmacy Services Corporation

BY: Mike Schwal

ITS: EUP

DATE: 9/1/17

STATE OF NORTH DAKOTA

ND Public Employees Retirement System

BY: _____

ITS: _____

DATE: _____

Exhibit A

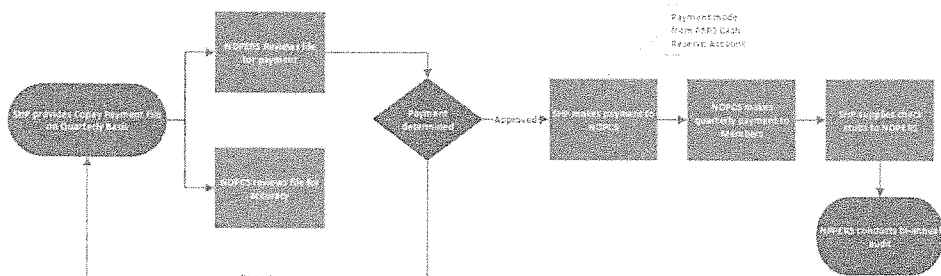
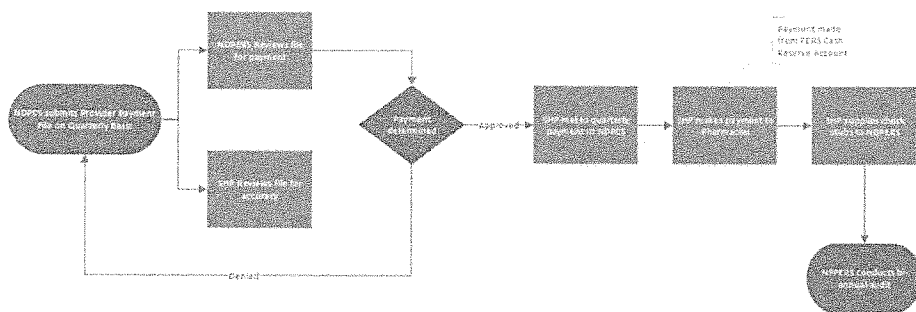
Level of Service July 2017-June 2019

Diabetes July 2017-June 2019	
Direct Program Cost	
Provider Visits	\$132,000
Patient Incentives	\$197,000
Subtotal	\$329,000

Administration Costs	
Subtotal	\$20,000.00

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

Biennial Expenses	\$954,000
--------------------------	------------------



III. Group Insurance

D. Part D Contract – Kathy (Board Action)

**This information will be
sent out under separate cover.**



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

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

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

Memorandum

TO: NDPERS Board

FROM: Kathy

DATE: September 21, 2017

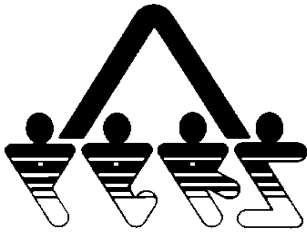
SUBJECT: Dental & Vision Enrollment Policy

At the August meeting, the Board approved adopting a policy to prohibit employees from dropping dental or vision coverage during the calendar year and directed staff to develop a written policy. Following is the proposed policy for your review:

Effective January 1, 2018, individuals that participate in the NDPERS dental or vision plan will be required to have coverage for a full calendar year. Coverage may only be cancelled during the calendar year if the individual terminates employment. Individuals will be allowed to increase or decrease their level of coverage subject to qualifying events and completion of an application within 31 days of the event.

Subject to the Board's approval, NDPERS will update the Dental/Vision Insurance Application or Change SFN 58792 and MSS Dental/Vision Enrollment Wizard to acknowledge that participation is for the calendar year. The new policy will be communicated through the annual enrollment notices which are distributed several times throughout the enrollment period.

BOARD ACTION REQUESTED



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

Sparb Collins
Executive Director
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Memorandum

TO: NDPERS Board

FROM: Kathy

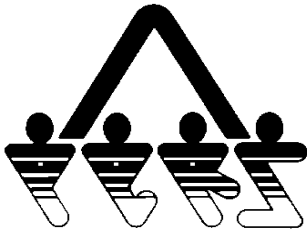
DATE: September 21, 2017

SUBJECT: UNUM Rate Adjustment Update

In August we received a notice from UNUM that there will be a 15% rate increase effective January 1, 2018 for our LTC plan. Following is the schedule for implementing and communicating the rate increase.

1. UNUM will provide us the new rate tables which will be set up in our system by the effective date.
2. Unum will send personalized rate increase notification packets to the direct billed participants.
3. UNUM is providing us with personalized rate increase notification packets which PERS will distribute to our active participants. The packets will include:
 - a. A letter explaining the rate increase,
 - b. The participant's schedule of benefits/confirmation of coverage statement which will provide their current coverage amount and the current cost for their coverage before the rate increase,
 - c. A contingent non-forfeiture election form, which, if exercised, allows the participant to stop paying premium, but still retain a reduced lifetime maximum benefit equal to the total premium paid on the policy since the coverage was issued, and
 - d. A frequently asked questions document.
4. UNUM will provide us an informational website specific to our group. The site provides the user to information about the plan, a cost calculator, and access to enrollment materials and other necessary disclosure forms.
5. NDPERS staff will use the cost calculator to determine the new premium amounts and will send a personalized notification to each active participant. The participant's employer will also receive notification of the new premium amounts so that they can update the employee's payroll deduction information.

This is the third increase in five years, the other two being January 1, 2014 and January 1, 2016. Therefore, this item will be added to our list of planning items for the next year to give us an opportunity to review our options regarding a long term care plan for state employees.



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

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

Memorandum

TO: PERS Board
FROM: Rebecca
DATE: September 21, 2017
SUBJECT: Wellness Updates

NDPERS staff has been working on two annual wellness initiatives in the Bismarck/Mandan area. They are sponsoring a Wellness & Benefits Fair at the Capitol and Flu Vaccination Clinics through the UND Center for Family Medicine. The following is an update on these initiatives.

Wellness & Benefits Fair

State Employee Recognition Week (SERW) is being held for state employees September 11-15, 2017. Activities are sponsored by the Council of State Employees (COSE) throughout the week to recognize state employees for their efforts. As in previous years, NDPERS sponsored a Wellness & Benefits Fair at the State Capitol for employees to attend. The fair was held on September 12, 2017. Attached is the flyer that provides details on vendor attendance, services and screenings provided, as well as, presentations conducted.

Flu Vaccination Clinics

As done in past years, staff has been working with the UND Center for Family Medicine to offer onsite flu shot vaccinations for individuals covered on the NDPERS group health insurance plan in the Bismarck/Mandan area. There will be 5 clinics offered at the Center from September 28 through October 26. In addition, there will be 2 clinics offered at the Capitol on October 11 and November 1. Details regarding the clinics will be posted on the website and will be distributed via email to employees through their employer.

This is informational only and does not require action by the Board. I will be present at the Board meeting to answer any questions that you may have.



"WELLNESS & BENEFITS FAIR"

ATTACHMENT



Tuesday, September 12th
Capitol Building: Ground Floor, West End

9:00 a.m. to 3:00 p.m.*

Cholesterol, blood sugar and PSA screening will begin at **8:15 a.m.*

Fasting for at least 10 hours prior to screening will provide more accurate results.

All other screenings and vendor tables will be available at 9:00 a.m.

Presentations/Screenings/Vendors are subject to change.

Presentations

Who	What	When	Where
NDPERS	"2018 Plan Year Annual Enrollment" (15-20 minutes) Review upcoming changes to NDPERS plans for the 2018 Plan Year Annual Enrollment.	10:00 am 2:00 pm	Ft. Union Room
Sanford Health Plan	"Exercise for a Busy Life" (20-25 minutes) Rejuvenate the body and mind with bodyweight exercises that can be done at home, on the go, or at work during this 20-minute exercise demonstration for all levels of fitness.	9:30 am 1:30 pm	Peace Garden Room
Sanford Health Plan	"Make It Happen!" (20-25 minutes) Strategize a personal wellness plan by working with a wellness coach in this 20-minute coaching demonstration for those thinking about that first step or taking it to the next level.	10:30 am 2:30 pm	Peace Garden Room
UND Health Sciences Library	"Stay Safe & Be Prepared" (20-25 minutes) Learn about safety and emergency information websites and mobile apps for National Preparedness Month.	11:00 am 1:00 pm	Roosevelt Park Room

Screenings

Who	What	When	Cost	Where
WorkLife Inc	Cholesterol & Blood Sugar	8:15-2:45	\$5.00	Brynhild-Haugland
WorkLife Inc	Prostate Specific Antigen (PSA)	8:15-2:45	\$48.00	Brynhild-Haugland

Information Tables

Ground Floor Hallway – West End & Brynhild Haugland Room

- Sanford Health Plan
- ND Dept of Transportation – Safety Division
- Great Plains Rehabilitation
- UND Health Sciences Library
- ND Dept of Human Services – Aging Services
- Voya Financial
- Sanford Sleep Center
- Village Business Institute EAP Services
- St. Alexis EAP
- Bismarck Cancer Center
- ND State Library
- Delta Dental
- West Central Human Service Center
- Superior Vision Services
- WageWorks
- Missouri Valley Family YMCA
- ND Parks & Recreation
- St Alexis Health – Occupational Medicine/Human Performance

Employee participation is subject to agency approval.



Memo

To: NDPERS Board
From: Bryan T. Reinhardt
Date: September 21, 2017
Re: 457 Companion Plan & 401(a) Plan 2nd Quarter 2017 Report

Here is the 2nd quarter 2017 investment report for the 401(a) & 457 Companion Plan. The reports are available separately on the NDPERS web site. The NDPERS Investment Subcommittee reviewed the 2nd quarter reports. The two plans have 7,316 participants with an account balance and about \$110 million in assets.

Assets in the 401(a) plan increased to \$12.0 million as of June 30, 2017. The number of active participants is at 110. The largest funds are the TIAA-CREF Lifecycle funds with 61% of assets.

Assets in the 457 Companion Plan increased to \$97.9 million as of June 30, 2017. The number of active participants is increasing and is now at 4,654. The largest funds are the TIAA-CREF Lifecycle funds with 73% of assets.

Benchmarks:

Fund returns for the quarter were mostly positive with only the Fairpointe Mid Cap (ABMIX), Templeton Global Bond (TGBAX), and PIMCO Real Return Bond (PARRX) having negative quarterly returns. Core fund performance was mixed when compared to their benchmarks and peer funds. Note that index funds are expected to slightly underperform their benchmarks because of fund administration fees.

Fund / Investment News:

The NDPERS Investment Subcommittee reviewed the 2nd quarter plan review, field activity report and investment overview with TIAA. The Subcommittee marked the Wells Fargo Growth Admin Fund (SGRKX) and Allianz NFJ Small Cap Fund (PVADX) as underperforming for the quarter. The investment subcommittee took no action on the funds currently under formal fund review. The subcommittee is in the process of a comprehensive review of the entire core fund lineup. The investment subcommittee is reviewing the investment policies for all the plans.

NDPERS
Quarterly Investment
Report
2nd Quarter
4/1/2017 – 6/30/2017



North Dakota Public Employees Retirement System
400 E Bdwy, Suite 505
Box 1657
Bismarck, ND 58502

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

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

NDPERS Investment Benchmarks - 2nd Quarter 2017

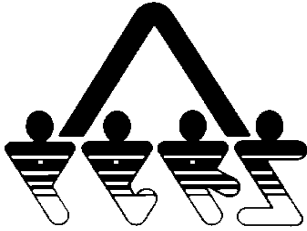
	Quarter	Y-T-D	1-Year	3-Year	5-Year
<u>Stable Value / Money Market Fund</u>					
Vanguard Treasury Money Market - VUSXX	0.18%	0.29%	0.43%	0.19%	0.12%
Wells Fargo Stable Return Fund J - WFSJ#	0.28%	0.52%	1.01%	0.89%	0.89%
3 Month T-Bill Index	0.18%	0.30%	0.46%	0.20%	0.15%
<u>Fixed Income Fund</u>					
PIMCO Real Return Admin - PARRX	-0.35%	1.45%	0.33%	0.00%	-0.03%
PIMCO Total Return Bond Fund - PTRAX <ON WATCH>	1.74%	3.33%	1.91%	2.32%	2.50%
Vanguard Total Bond Market Index Fund - VBTIX	1.48%	2.40%	-0.44%	2.43%	2.13%
Barclays Aggregate Bond Index	1.45%	2.27%	-0.31%	2.48%	2.21%
Taxable Corporate Bond Fund Universe	2.24%	3.68%	2.99%	3.21%	3.94%
Prudential High Yield Z - PHYZX	2.34%	5.33%	12.53%	4.85%	6.95%
ML High Yield Bond Fund Index	2.14%	4.91%	12.75%	4.48%	6.91%
High Yield Bond Fund Universe	1.74%	4.09%	10.78%	3.02%	5.70%
Templeton Global Bond Adv - TGBAX	-1.30%	3.29%	10.42%	1.32%	3.82%
Citi World Govt Bond Index	2.89%	4.49%	-4.14%	-1.00%	-0.20%
World Bond Fund Universe	2.08%	4.42%	1.89%	0.31%	1.72%
<u>Real Estate Fund</u>					
Cohen & Steers Realty Shares - CSRSX	2.51%	4.03%	0.20%	8.58%	9.56%
FTSE NAREIT All Equity REITs Index	1.52%	2.70%	-1.70%	8.36%	9.52%
Real Estate Fund Universe	1.85%	2.89%	-0.61%	7.25%	8.49%
<u>Balanced Fund</u>					
T.Rowe Price Capital Appreciation - PACLX	3.55%	8.98%	11.95%	8.99%	12.57%
60% Large Cap Value Univ & 40% Taxable Bond Universe	1.96%	4.80%	11.09%	5.12%	9.16%
60% Russell 1000 Value & 40% Agg Bond Index	1.36%	3.73%	9.18%	5.43%	9.22%
<u>Large Cap Equities - Value</u>					
Hartford Dividend & Growth - HDGTX	2.57%	6.89%	17.90%	8.08%	13.61%
T.Rowe Price Equity Income - PRFDX <ON WATCH>	2.19%	5.57%	17.92%	5.98%	12.18%
Russell 1000 Value Index	1.30%	4.70%	15.50%	7.40%	13.90%
Large Cap Value Fund Universe	1.78%	5.55%	16.49%	6.40%	12.64%
<u>Large Cap Equities - Blend</u>					
Vanguard 500 Index - VFIAX	3.07%	9.31%	17.85%	9.58%	14.59%
Vanguard Dividend Growth Fund - VDIGX	3.85%	9.94%	11.95%	9.06%	13.13%
S&P 500 Index	3.09%	9.34%	17.90%	9.61%	14.63%
Large Cap Blend Fund Universe	2.92%	8.65%	17.17%	7.60%	13.35%
<u>Large Cap Equities - Growth</u>					
Wells Fargo Adv Growth Adm - SGRKX <ON WATCH>	5.69%	18.12%	20.14%	7.82%	11.84%
Russell 3000 Growth Index	4.65%	13.69%	20.72%	10.83%	15.20%
Franklin Growth Adv - FCGAX	5.07%	13.77%	21.92%	10.73%	14.87%
Russell 1000 Growth Index	4.70%	14.00%	20.40%	11.10%	15.30%
Large Cap Growth Fund Universe	5.01%	14.14%	20.02%	8.80%	13.87%
<u>Mid Cap Equities - Value</u>					
RidgeWorth Mid Cap Value Equity I - SMVTX	1.45%	6.68%	22.29%	6.79%	14.71%
Russell Mid Cap Value	1.37%	5.18%	15.93%	7.46%	15.14%
Mid Cap Value Fund Universe	1.03%	4.58%	17.26%	5.74%	13.37%
<u>Mid Cap Equities - Blend</u>					
Columbia Mid Cap Index A - NTIAX	1.87%	5.71%	17.97%	8.03%	14.38%
S&P Mid Cap 400	1.97%	5.99%	18.57%	8.53%	14.92%
AMG/Fairpointe Mid Cap I - ABMIX	-0.88%	5.23%	30.12%	5.41%	15.46%
Wilshire 4500 Index	2.89%	7.14%	22.14%	7.83%	14.91%
Mid Cap Blend Fund Universe	1.93%	6.23%	17.37%	5.51%	12.98%
<u>Mid Cap Equities - Growth</u>					
Prudential Jennison Mid Cap Growth Z - PEGZX	2.93%	11.74%	15.60%	6.19%	10.80%
Russell Mid Cap Growth	4.21%	11.40%	17.05%	7.83%	14.19%
Mid Cap Growth Fund Universe	4.68%	12.37%	18.58%	6.86%	12.72%
Fund Returns in RED do not meet both benchmarks.					
Fund Returns in BLACK meet both benchmarks.					

NDPERS Investment Benchmarks - 2nd Quarter 2017

	Quarter	Y-T-D	1-Year	3-Year	5-Year
<u>Small Cap Equities - Value</u>					
Allianz NFJ Small Cap Value - PVADX <ON WATCH>	0.87%	2.70%	21.52%	3.58%	11.10%
Russell 2000 Value Index	0.67%	0.54%	24.86%	7.02%	13.39%
Small Value Fund Universe	0.26%	0.52%	21.15%	5.18%	12.47%
<u>Small Cap Equities - Blend</u>					
DFA US Small Cap - DFSTX	0.92%	1.91%	21.56%	7.25%	14.61%
Russell 2000 Index	2.46%	4.99%	24.60%	7.36%	13.70%
Small Blend Fund Universe	1.53%	3.24%	20.96%	5.70%	12.75%
<u>Small Cap Equities - Growth</u>					
Brown Capital Mgmt Small Co Inv - BCSIX	8.20%	17.78%	25.73%	12.89%	17.77%
Russell 2000 Growth Index	4.40%	10.00%	24.40%	7.60%	14.00%
Small Growth Fund Universe	4.33%	10.15%	23.12%	6.67%	12.81%
<u>International Equity Funds</u>					
Mutual Global Discovery Z - MDISX	2.15%	6.68%	20.04%	4.85%	10.78%
Vanguard Total Intl Stock Index Inv - VTIAX	5.82%	14.79%	20.05%	1.35%	7.68%
MSCI EAFE	6.12%	13.81%	20.27%	1.15%	8.69%
International Stock Fund Universe	6.25%	14.45%	19.13%	1.18%	7.81%
Oppenheimer Developing Markets Y - ODVYX	6.93%	18.74%	22.58%	-0.43%	4.98%
MSCI Emerging Markets Index	6.27%	18.43%	23.75%	1.07%	3.96%
Diversified Emerging Mkts Universe	5.87%	18.14%	20.48%	0.48%	4.07%
<u>Asset Allocation Funds:</u>					
TIAA-CREF Lifecycle Ret Income - TLIRX	2.37%	5.98%	8.51%	3.94%	6.25%
Income Benchmark	2.24%	5.08%	7.00%	4.05%	6.17%
TIAA-CREF Lifecycle 2010 - TCLEX	2.44%	6.26%	9.24%	4.12%	6.91%
2010 Benchmark	2.33%	5.34%	7.57%	4.21%	6.51%
TIAA-CREF Lifecycle 2015 - TCLIX	2.62%	6.86%	10.26%	4.39%	7.56%
2015 Benchmark	2.48%	5.78%	8.52%	4.48%	7.09%
TIAA-CREF Lifecycle 2020 - TCLTX	2.91%	7.52%	11.59%	4.71%	8.38%
2020 Benchmark	2.68%	6.39%	9.88%	4.84%	7.88%
TIAA-CREF Lifecycle 2025 - TCLFX	3.17%	8.33%	13.23%	5.03%	9.22%
2025 Benchmark	2.91%	7.10%	11.51%	5.25%	8.83%
TIAA-CREF Lifecycle 2030 - TCLNX	3.51%	9.14%	14.83%	5.36%	10.02%
2030 Benchmark	3.15%	7.82%	13.14%	5.67%	9.77%
TIAA-CREF Lifecycle 2035 - TCLRX	3.81%	9.91%	16.36%	5.63%	10.75%
2035 Benchmark	3.37%	8.52%	14.78%	6.07%	10.69%
TIAA-CREF Lifecycle 2040 - TCLOX	3.93%	10.58%	17.90%	5.85%	11.20%
2040 Benchmark	3.57%	9.19%	16.43%	6.44%	11.59%
TIAA-CREF Lifecycle 2045 - TTFRX	4.09%	11.00%	18.57%	6.05%	11.31%
2045 Benchmark	3.68%	9.53%	17.23%	6.62%	12.03%
TIAA-CREF Lifecycle 2050 - TLFRX	4.08%	10.96%	18.69%	6.10%	11.34%
2050 Benchmark	3.71%	9.63%	17.47%	6.68%	12.17%
TIAA-CREF Lifecycle 2055 - TTRLX	4.14%	11.08%	19.00%	6.19%	11.40%
2055 Benchmark	3.74%	9.73%	17.72%	6.73%	12.30%
TIAA-CREF Lifecycle 2060 - TTRLX	4.23%	11.28%	19.13%	N/A	N/A
2060 Benchmark	3.74%	9.73%	17.72%	6.73%	12.30%
Income Benchmark is comprised of 26.25% Wilshire 5000, 11.25% MSCI EAFE, 50.0% Ag Bond, 2.5% REIT Index, 10.0% 3 Month T-Bill					
2010 Benchmark is comprised of 28.35% Wilshire 5000, 12.15% MSCI EAFE, 48.2% Ag Bond, 2.5% REIT Index, 8.8% 3 Month T-Bill					
2015 Benchmark is comprised of 31.85% Wilshire 5000, 13.65% MSCI EAFE, 45.2% Ag Bond, 2.5% REIT Index, 6.8% 3 Month T-Bill					
2020 Benchmark is comprised of 36.82% Wilshire 5000, 15.78% MSCI EAFE, 40.2% Ag Bond, 2.5% REIT Index, 4.8% 3 Month T-Bill					
2025 Benchmark is comprised of 42.77% Wilshire 5000, 18.33% MSCI EAFE, 33.6% Ag Bond, 2.5% REIT Index, 2.8% 3 Month T-Bill					
2030 Benchmark is comprised of 48.72% Wilshire 5000, 20.88% MSCI EAFE, 27.1% Ag Bond, 2.5% REIT Index, 0.8% 3 Month T-Bill					
2035 Benchmark is comprised of 54.67% Wilshire 5000, 23.43% MSCI EAFE, 19.4% Ag Bond, 2.5% REIT Index					
2040 Benchmark is comprised of 60.62% Wilshire 5000, 25.98% MSCI EAFE, 10.9% Ag Bond, 2.5% REIT Index					
2045 Benchmark is comprised of 63.53% Wilshire 5000, 27.22% MSCI EAFE, 6.75% Ag Bond, 2.5% REIT Index					
2050 Benchmark is comprised of 64.4% Wilshire 5000, 27.6% MSCI EAFE, 5.5% Ag Bond, 2.5% REIT Index					
2055&2060 Benchmark is comprised of 65.28% Wilshire 5000, 27.97% MSCI EAFE, 4.25% Ag Bond, 2.5% REIT Index					
Wilshire 5000 Index	2.95%	8.73%	18.54%	9.34%	14.61%
FTSE NAREIT Index	1.52%	2.70%	-1.70%	8.36%	9.52%
MSCI EAFE	6.12%	13.81%	20.27%	1.15%	8.69%
Barclays Aggregate Bond Index	1.45%	2.27%	-0.31%	2.48%	2.21%
3 Month T-Bill Index	0.18%	0.30%	0.46%	0.20%	0.15%
Fund Returns in RED do not meet both benchmarks. Fund Returns in BLACK meet both benchmarks.					

457(b)	Assets	Pct
TIAA-CREF Lifecycle 2020 Fund Retirement	\$14,797,371	15.1%
TIAA-CREF Lifecycle 2025 Fund Retirement	\$14,395,237	14.7%
TIAA-CREF Lifecycle 2030 Fund Retirement	\$10,612,732	10.8%
TIAA-CREF Lifecycle 2015 Fund Retirement	\$8,091,645	8.3%
TIAA-CREF Lifecycle 2035 Fund Retirement	\$6,732,473	6.9%
TIAA-CREF Lifecycle 2040 Fund Retirement	\$5,662,323	5.8%
TIAA-CREF Lifecycle 2045 Fund Retirement	\$4,890,810	5.0%
Vanguard 500 Index Fund Admiral	\$4,005,436	4.1%
TIAA-CREF Lifecycle 2050 Fund Retirement	\$3,157,360	3.2%
Vanguard Total International Stock Index Fund Admiral	\$2,423,308	2.5%
TIAA-CREF Lifecycle 2010 Fund Retirement	\$1,667,605	1.7%
Wells Fargo Stable Return Fund - J	\$1,666,744	1.7%
Vanguard Dividend Growth Fund Investor	\$1,316,810	1.3%
AllianzGI NFJ Small Cap Value Fund Administrative	\$1,311,092	1.3%
Columbia Mid Cap Index Fund A	\$1,304,485	1.3%
Brown Capital Management Small Company Fund Institutional	\$1,151,227	1.2%
T. Rowe Price Equity Income Fund	\$1,144,449	1.2%
PIMCO Total Return Fund Admin	\$1,100,666	1.1%
T. Rowe Price Capital Appreciation Fund Advisor	\$1,091,038	1.1%
Franklin Growth Fund Advisor	\$944,441	1.0%
Vanguard Total Bond Market Index Fund Admiral	\$878,062	0.9%
Wells Fargo Growth Fund Administrator	\$779,316	0.8%
Cohen & Steers Realty Shares	\$756,196	0.8%
Hartford Dividend and Growth Fund R5	\$751,172	0.8%
Oppenheimer Developing Markets Fund Y	\$728,881	0.7%
Templeton Global Bond Fund Advisor	\$716,124	0.7%
TIAA-CREF Lifecycle 2055 Fund Retirement	\$644,665	0.7%
AMG Managers Fairpointe Mid Cap Fund I	\$642,443	0.7%
RidgeWorth Ceredex Mid Cap Value Equity Fund I	\$638,446	0.7%
Prudential High Yield Fund Z	\$629,519	0.6%
PIMCO Real Return Fund Administrative	\$610,132	0.6%
TIAA-CREF Lifecycle Retirement Income Fund Retirement	\$532,428	0.5%
Vanguard Admiral Treasury Money Market Fund Investor	\$529,302	0.5%
Self Directed Brokerage Account	\$431,546	0.4%
Prudential Jennison Mid-Cap Growth Fund Z	\$400,872	0.4%
Franklin Mutual Global Discovery Fund Z	\$383,968	0.4%
DFA U.S. Small Cap Portfolio Institutional	\$363,569	0.4%
TIAA-CREF Lifecycle 2060 Fund Retirement	\$32,478	0.0%
TIAA-CREF Money Market Fund Retirement	\$0	0.0%
Total	\$97,916,370	100.0%

401(a)	Assets	Pct
TIAA-CREF Lifecycle 2030 Fund Retirement	\$1,430,423	11.9%
TIAA-CREF Lifecycle 2025 Fund Retirement	\$1,421,753	11.8%
TIAA-CREF Lifecycle 2020 Fund Retirement	\$1,099,708	9.1%
TIAA-CREF Lifecycle 2035 Fund Retirement	\$1,066,949	8.9%
TIAA-CREF Lifecycle 2010 Fund Retirement	\$812,868	6.8%
Vanguard 500 Index Fund Admiral	\$531,832	4.4%
TIAA-CREF Lifecycle 2040 Fund Retirement	\$483,398	4.0%
Vanguard Total International Stock Index Fund Admiral	\$473,197	3.9%
TIAA-CREF Lifecycle 2050 Fund Retirement	\$406,640	3.4%
T. Rowe Price Capital Appreciation Fund Advisor	\$352,008	2.9%
TIAA-CREF Lifecycle 2045 Fund Retirement	\$300,270	2.5%
Wells Fargo Growth Fund Administrator	\$279,894	2.3%
Prudential High Yield Fund Z	\$244,673	2.0%
PIMCO Total Return Fund Admin	\$243,979	2.0%
TIAA-CREF Lifecycle 2055 Fund Retirement	\$237,340	2.0%
Franklin Growth Fund Advisor	\$234,026	1.9%
Brown Capital Management Small Company Fund Institutional	\$222,994	1.9%
Franklin Mutual Global Discovery Fund Z	\$221,199	1.8%
Wells Fargo Stable Return Fund - J	\$205,457	1.7%
AllianzGI NFJ Small Cap Value Fund Administrative	\$193,760	1.6%
Hartford Dividend and Growth Fund R5	\$167,003	1.4%
RidgeWorth Ceredex Mid Cap Value Equity Fund I	\$165,936	1.4%
Cohen & Steers Realty Shares	\$153,478	1.3%
Oppenheimer Developing Markets Fund Y	\$129,667	1.1%
Vanguard Total Bond Market Index Fund Admiral	\$127,316	1.1%
T. Rowe Price Equity Income Fund	\$120,466	1.0%
Templeton Global Bond Fund Advisor	\$117,921	1.0%
AMG Managers Fairpointe Mid Cap Fund I	\$117,232	1.0%
Prudential Jennison Mid-Cap Growth Fund Z	\$86,404	0.7%
Vanguard Dividend Growth Fund Investor	\$77,925	0.6%
Columbia Mid Cap Index Fund A	\$73,244	0.6%
PIMCO Real Return Fund Administrative	\$65,144	0.5%
DFA U.S. Small Cap Portfolio Institutional	\$61,971	0.5%
Vanguard Admiral Treasury Money Market Fund Investor	\$60,017	0.5%
TIAA-CREF Lifecycle 2015 Fund Retirement	\$39,115	0.3%
TIAA-CREF Lifecycle 2060 Fund Retirement	\$16,040	0.1%
Self Directed Brokerage Account	\$0	0.0%
TIAA-CREF Lifecycle Retirement Income Fund Retirement	\$0	0.0%
TIAA-CREF Money Market Fund Retirement	\$0	0.0%
Total	\$12,041,247	100.0%
Grand Total	\$109,957,616	



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Memorandum

TO: NDPERS Board

FROM: Kathy

DATE: September 21, 2017

SUBJECT: FlexComp Vendors – Voluntary Products

We have conducted our annual review of the vendors for the voluntary insurance products approved for pretax premiums under our Section 125 FlexComp Plan. We sent all current vendors a request to confirm the products they offer, provide a brief product description, and verify whether it is eligible to be a pretax product. Following is a list of the respondents:

Total Dental Administrators (TDA)
Central United
USABLE

Colonial Life
AFLAC

Of the above, all have responded and confirmed the ongoing eligibility of their products for pretax treatment under our FlexComp plan. Included for your information is a grid for each vendor which outlines the products available for payroll deduction, a brief description of the product, and certification by the vendor which products are or are not eligible to be pretaxed. No new products are being proposed by any of the participating companies.

Staff recommends that the vendors and their eligible products be approved for inclusion as pretax benefits under the FlexComp program for the 2018 plan year.

Board Action Requested

Approve the inclusion of the products eligible to be pre-taxed for the FlexComp 2018 plan year.

Carson

08.25.2017

Date

Central United	Company Representative – James M Kasper C/O Asset Management Group Inc. PO Box 9016 Fargo ND 58103--9016 701-232-6250	
Product Name	E-Mail: jmkasper@amg-nd.com Product Description	Pretax Eligibility
Cancer Insurance	Provides cash benefits to covered persons for treatment of cancer.	Yes


Signature

August 13, 2017
Date

ALL ABOVE ITEMS ARE CORRECT.



Colonial Life & Accident		Pretax Eligibility
Product Name	Company Representative – David Ryden 2950 Bent Tree Hills Dr. New Brighton, MN 55112 651-633-7500 E-Mail: david.ryden@coloniallife.com	
	Product Description	
Accident	Composite rated, guaranteed renewable accident product with choice of plan levels and optional riders. It provides indemnity benefits for on and off the job accidents. – confirmed -	Yes
Cancer	Composite rated, guaranteed renewable specified disease product with choice of plan levels and optional riders. Provides benefits for expenses related to cancer. – confirmed -	Yes
Disability	Age banded, guaranteed renewable short-term disability income product. –confirmed- (Disability insurance premium paid with pre-tax dollars – Please note: A benefit paid to an employee that becomes disabled will be subject to income taxes.)	Yes
Medical Bridge	Age banded, guaranteed renewable hospital confinement indemnity product. Choice of plans, levels. Includes confinement, rehab unit, surgical and diagnostic procedures. –confirmed-	Yes
Critical Illness	Specified disease product with a lump sum benefit upon diagnosis of a covered specified disease with a choice of plan options for reoccurrence, cancer, face amounts, and optional riders. –confirmed-	No
Life	All life insurance policies. –confirmed-	No



 Signature

8-21-2017

 Date

AFLAC Product Name	Company Representative – Carrie Palczewski 4207 Boulder Ridge Road, Ste 140 Bismarck ND 58503 701-258-6040 E-Mail: carrie_palczewski@us.aflac.com Product Description	Pretax Eligibility
Cancer	Cancer indemnity policies providing benefits for diagnosis of skin cancer, internal cancer as well as annual screening benefits.	Yes
Hospital Confinement	Indemnity benefits whether hospitalized days or weeks.	Yes
Hospital Intensive Care	Provides coverage in the event of a sickness or injury and is admitted to the ICU unit.	Yes
Accident	Accident indemnity policies providing benefits for accident/injury.	Yes
Lump Sum Critical Illness	Pays a lump sum benefit for code red major critical illness event. (Heart attack, stroke, coma, paralysis, major organ transplant, end stage renal failure. Riders available for cancer, sudden cardiac death.)	Yes
Personal Sickness Indemnity	Indemnity policy for sickness related hospital confinement, major diagnostic exams, in & out-patient surgeries.	No
Specified Health Event	Critical care, recovery indemnity policies for major critical illness.	Yes
Disability	All disability policies that are specific replacement of income benefits.	No
Dental	Voluntary dental. No networks, no deductibles, no pre-certifications.	No
Vision Now	Vision indemnity policy providing vision insurance, vision correction benefits.	No
Life	All life policies.	No

Carrie Palczewski

Signature

8-16-17

Date

V. Flex Comp

B. WageWorks Contract – Kathy (Board Action)

**This information will be
sent out under separate cover.**



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Memorandum

TO: NDPERS Board

FROM: Sharon Schiermeister

DATE: September 21, 2017

SUBJECT: **Administrative Rules**

At the August Board meeting, information was provided on the proposed changes to the administrative rules. Since that meeting, staff has identified some additional areas for changes relating to service purchase cost calculations, benefit calculations for multiple retirements due to return to work provisions, and uncashed RHIC benefit checks.

The matrix which the Board reviewed in August (Attachment 1) has been modified to include these additional areas. Also attached are the draft rules prepared by Jan Murtha (Attachment 2). This attachment includes the proposed changes that were reviewed by the Board in August, and also includes the proposed changes for service purchase (71-02-03-02.5), return to work (71-02-04-04.1 and 71-02-07-02) and a new section for RHIC (71-06-01-09). It should be noted that the proposed changes for the return to work sections are based on the staff recommendation discussed under agenda item II.A. It may be necessary to modify these changes based on the direction the Board decides to take on calculating subsequent retirement benefits when a retiree returns to work.

The next step in the rules process is to receive final Board approval of the proposed rules so they may be distributed for comment. Below is the schedule:

2017 Proposed Administrative Rule Revision/Addition/Deletion Schedule

August 9	Draft of all revisions, deletions, additions to rules to allow for regulatory analysis if needed.
----------	---

August 17	Initial review at August Board Meeting
September 21	Final Board approval of proposed rules
October 2 (week of)	Post copy of proposed rules on NDPERS website, notify all employer groups that rules are on website, send formal notice and materials to legislative council,
October 2	Notify NDNA of upcoming notice and verify timing of printed notice.
End of October	Notice has been printed in all required newspapers and notice sent to any pertinent legislator with proposed rule changes.
November 6(week of)	Hearing held and comment period opened.
November 20(week of)	Comment period closed.
December 21 or January 2018	Final Board review of comments no later than January Board meeting.
January 2018	Send to Attorney General's office for review.
February 2018	Send up to Legislative Council with AG's review.
April 1 2018	New rules take effect, provided there are no holds placed on them by the committee.

Board Action Requested:

Approve Administrative Rules for distribution for comments

Attachments

Summary of Proposed Rule Changes (2017-19)

Section	Suggested Rule Change	Reason for Change
<p>71-02-01-01. Definitions. As used in North Dakota Century Code chapter 54-52 and this article: 1. "Accumulated contributions" means the total of all of the following: a. The employee account fund balance accumulated under the prior plan as of June 30, 1977. b. The vested portion of the employee's "vesting fund" accumulated under the prior plan as of June 30, 1977. c. The member's mandatory contributions made after July 1, 1977. d. The member's vested employer contributions made after January 1, 2000, pursuant to North Dakota Century Code section 54-52-11.1. e. The interest on the sums determined under subdivisions a, b, c, and d, compounded annually at the rate of five percent from July 1, 1977, to June 30, 1981, six percent from July 1, 1981, through June 30, 1986, and one-half of one percent less than the actuarial interest assumption from July 1, 1986, to the member's termination of employment or retirement. f. The sum of any employee purchase or repurchase payments.</p> <p>History: Amended effective September 1, 1982; November 1, 1990; September 1, 1991; January 1, 1992; September 1, 1992; June 1, 1993; July 1, 1994; June 1, 1996; July 1, 2000; April 1, 2002; May 1, 2004; July 1, 2006; July 1, 2010; April 1, 2014; April 1, 2016. General Authority: NDCC 54-52-04 Law Implemented: NDCC 54-52</p>	<p>Add wording to indicate that interest accrues until funds are withdrawn or member retires</p> <p>Add definition of "Board"</p>	<p>Administrative clarification</p>
<p>71-02-02-01. Membership - General rule. When an eligible employee becomes a member of the public employees retirement system, the following requirements apply: 1. A temporary employee must submit a completed participation agreement within six months of the date of hire as a temporary employee or within six months of a change in status from a permanent to temporary position. If no application is made and filed with the office, an irrevocable waiver of participation will occur for as long as the employee is in temporary status. 2. Contributions for temporary employees must be submitted no later than the sixth working day of the month for the previous month's salary. 3. Delinquent payments of over thirty days, for reasons other than leave of absence or seasonal employment, will result in termination of eligibility to participate as a temporary member. 4. Upon taking a refund, future participation as a temporary member is waived. 5. A member may not participate as both a permanent and a temporary member. Permanent employment has precedence.</p>	<p>Clarify that a member can not contribute concurrently as a permanent and temporary member within any given month</p>	<p>Administrative clarification</p>

Section	Suggested Rule Change	Reason for Change
<p>6. Elected officials of participating counties and elected state officials, at their individual option, must enroll or waive participation in writing within six months of taking office or beginning a new term. If no application is made and filed with the office, an irrevocable waiver of participation will occur until the official makes application within six months from the start of a new term.</p> <p>History: Amended effective September 1, 1982; November 1, 1990; September 1, 1992; June 1, 1996; July 1, 1998; May 1, 2004; July 1, 2006; April 1, 2016.</p> <p>General Authority: NDCC 54-52-04</p> <p>Law Implemented: NDCC 54-52-01, 54-52-02.9, 54-52-05</p>		
<p>71-02-03-06. Conversion of sick leave.</p> <p>To convert unused sick leave to service credit, the member must notify the office, in writing, of the amount of unused sick leave to be converted and the member's employer must confirm the member's unused balance of accumulated sick leave as of the date the member terminates employment. For members transferring from one participating employer to another participating employer without terminating eligible employment, the public employees retirement system will record unused sick leave of a participating member if the new employer certifies that it will not transfer that leave. The certification must include documentation from the previous employer detailing the number of hours of sick leave. The public employees retirement system must receive the certification within sixty days after the member leaves employment with the former employer. One month of service credit must be awarded for each one hundred seventy-three and three-tenths hours of unused accumulated sick leave. The employer and employee contributions rates used to calculate the cost must be the rate of the retirement program of the member at termination.</p> <p>1. Aftertax payments may be accepted from the member as early as six months prior to termination if the following requirements are met:</p> <p>a. A notice of termination or application for monthly benefits form is on file with the public employees retirement system.</p> <p>b. A written certification by the member's employer, as to the member's unused balance of accumulated sick leave as of the date the member wishes to begin payment, is on file with the public employees retirement system.</p> <p>c. At termination, the sick leave conversion payment must be recalculated using the member's unused balance of accumulated sick leave confirmed by the member's employer, and the member's final average salary as of that date. If there is a difference between the sick leave conversion payment amount and the amount the member has paid, any overpayment must be refunded to the member and any underpayment must be collected from the member by the</p>	<p>Change definition of termination of employment to recognize that a change in employment status that results in the member no longer being eligible to accrue sick leave hours is eligible for conversion of sick leave.</p> <p>Establish the deadline for submitting an application as the end of the month in which the member is no longer eligible to accrue sick leave and establish a process for exceptions.</p>	<p>Administrative clarification</p>

Section	Suggested Rule Change	Reason for Change
<p>fifteenth of the month following the month of the member's date of termination.</p> <p>2. The member's record must be updated with the additional service credit once payment is made in full and the member has terminated employment.</p> <p>3. Pretax rollover or transfer payments may be accepted from the member as early as sixty days prior to termination if the following requirements are met:</p> <p>a. A notice of termination or application for monthly benefits form is on file with the public employees retirement system.</p> <p>b. A written certification by the member's employer, as to the member's projected unused balance of accumulated sick leave no sooner than sixty days prior to the date of termination, is on file with the public employees retirement system. This certification must also include a certification by the employer of the projected salaries to be reported to the public employees retirement system during the final months of employment.</p> <p>c. At termination, the sick leave conversion payment must be recalculated using the member's unused balance of accumulated sick leave confirmed by the member's employer and the member's final average salary as of that date. If there is a difference between the sick leave balance or conversion payment amount and the amount the member has paid, then only the amount of sick leave available as of the termination date will be added to the member's record. The member account balance will be credited with the full amount of funds from the rollover or transfer.</p> <p>d. If an underpayment has occurred, then the remaining amount must be collected from the member by the fifteenth of the month following the month of the member's date of termination.</p> <p>e. The retiree health credit portion must be paid as a personal aftertax payment.</p> <p>4. The member's record must be updated with the additional service credit once payment is made and the member has terminated employment.</p> <p>History: Effective June 1, 1996; amended effective April 1, 2002; May 1, 2004; July 1, 2006; April 1, 2008.</p> <p>General Authority: NDCC 54-52-04</p> <p>Law Implemented: NDCC 54-52-27</p>		
<p>71-02-04-03. Payment date - Retirement benefits.</p> <p>Except for retirement options provided in section 71-02-04-02, a member's retirement benefit shall commence on the first day of the month which follows the member's eligibility for the benefit and which is at least thirty days after the date on which the member filed an application with the office. Notwithstanding any other provision in this article, benefits must begin no later than April first of the calendar year after the calendar year in which the member retires or attains the age of seventy and one-half years, whichever is later. If the member is employed but ineligible for active participation in the retirement plan, the member's benefits must begin no later than April first of the calendar year after</p>	<p>Include language that benefits can be direct deposited.</p> <p>Provide the ability to suspend a members benefit payments if 2 consecutive checks remain uncashed until member contacts the office to make alternate payment arrangements.</p>	<p>Statutory: HB 1023 which provides the Board authority to make payments in the most cost-effective manner</p>

Section	Suggested Rule Change	Reason for Change
<p>the calendar year in which the member attains the age of seventy and one-half years. In the absence of a retirement application, benefits shall be paid based on a single life, or normal retirement for judges, payment option. Benefits must be sent to the member's last-known address. If the benefit checks are returned with no forwarding information, the benefits will remain in the fund, and will be distributed in a lump sum retroactive to the required beginning date upon location of the member.</p> <p>History: Amended effective November 1, 1990; July 1, 1994; July 1, 2000; July 1, 2010.</p> <p>General Authority: NDCC 54-52-04, 54-52-17</p> <p>Law Implemented: NDCC 54-52-17</p>		
<p>71-02-05-06. Determination of disability - Procedures.</p> <p>1. Application.</p> <p>a. If the member is unable or unwilling to file a public employees retirement system application for disability retirement, the member's legal representative may file the member's disability application.</p> <p>b. For the main system and the national guard and law enforcement system, the application must explain the cause of the disability, the limitations caused by the disability, the treatment being followed, and the effect of the disability on the individual's ability to be engaged in any gainful occupation for which the person is, or could become, reasonably fitted by education, training, or experience. For the judges' retirement plan, the application must explain the cause of the disability, the limitations caused by the disability, the treatment being followed, and the effect of the disability on the individual's ability to mentally or physically fulfill the duties and responsibilities of being a judge. A judge who is determined to be disabled pursuant to subdivision a of subsection 3 of North Dakota Century Code section 27-23-03 shall file an application documenting this determination and the effective date of the disability.</p> <p>c. The application must be filed with the public employees retirement system and may not be filed earlier than one hundred twenty days before the expected termination date.</p> <p>2. Medical consultant.</p> <p>a. The board may retain a medical consultant to evaluate and make recommendations on disability retirement applications.</p>	<p>Add language for recertification to allow proof of ongoing SSA disability benefit award in lieu of a review by the medical consultant.</p> <p>Set a timeframe for receiving the application for recertification, and clarification of when benefits will be suspended and reinstated.</p>	<p>Administrative Clarification</p>

Section	Suggested Rule Change	Reason for Change
<p>b. The medical consultant shall review all medical information provided by the applicant.</p> <p>c. The medical consultant is responsible to determine eligibility for disability benefits for applicants not approved for social security disability benefits or for judges not approved pursuant to subsection 3 of North Dakota Century Code section 27-23-03 and shall advise the executive director of the decision in writing. Applicants who become eligible for disability benefits under the Social Security Act and who meet the requirements of subdivision h of subsection 3 of North Dakota Century Code section 54-52-17 are eligible for benefits under subdivision e of subsection 4 of North Dakota Century Code section 54-52-17 without submitting further medical information to the medical adviser, but are subject to recertification requirements specified in this chapter. The social security disability award must provide proof that the member's disability was determined during the member's period of eligible employment. In determining eligibility for judges not approved pursuant to the above, the medical director shall work with a review committee composed of one supreme court judge and a district court judge to review the proposed application. In order for the application to be approved, it must have the concurrence of the medical director and at least one judge. The executive director shall appoint two judges to serve on the review committee.</p> <p>3. Medical examination.</p> <p>a. The applicant for disability retirement shall provide the medical examination reports as requested by the medical consultant.</p> <p>b. The member is liable for any costs incurred by the member in undergoing medical examinations and completing and submitting the necessary medical examination reports, medical reports, and hospital reports necessary for initial determination of eligibility for benefits.</p> <p>c. If determined to be eligible for disability benefits, the member must be reimbursed for the cost of medical examinations specifically requested by the medical adviser and the executive director.</p> <p>4. Appeal.</p> <p>a. If the applicant has terminated employment, the public employees retirement system shall notify the applicant in writing of the decision. If the applicant is determined not to be eligible for disability benefits, the public employees retirement system shall advise the applicant of the appeal procedure. If the applicant is determined eligible for disability benefits, benefits must be paid pursuant to subsection 5.</p> <p>b. If the applicant has not terminated employment, the applicant must be provided with a preliminary notification of the decision in writing. The preliminary notification remains in effect for a period not to exceed two hundred seventy days. If an applicant does not terminate employment within two hundred seventy days of the date of termination provided on the disability</p>		

Section	Suggested Rule Change	Reason for Change
<p>application, the application must be considered to be vacated but the applicant may reapply as provided in subsection 1.</p> <p>c. The applicant may appeal an adverse determination to the board by providing a written notice of appeal within thirty days of the date that the public employees retirement system mailed the decision.</p> <p>d. The board shall consider all appeals at regularly scheduled board meetings. The applicant must be notified of the time and date of the meeting and may attend and be represented by legal counsel. The executive director shall provide to the board for its consideration a case history brief that includes membership history, medical examination summary, and the plan administrator's conclusions and recommendations. The board shall make the determination for eligibility at the meeting unless additional evidence or information is needed. The discussion concerning disability applications must be confidential and closed to the general public.</p> <p>e. If the initial board decision is adverse to the applicant after exhausting the administrative procedure under subdivisions a and b, the applicant may file a request for a formal hearing to be conducted under North Dakota Century Code chapter 28-32. The request for a formal hearing must be filed within thirty days after notice of the initial decision has been mailed or delivered. If an appeal is not filed within the thirty-day period, the initial decision of the board is final. If a request for a formal hearing is timely filed, notice of the hearing must be served at least thirty days prior to the date set for the hearing. The board shall request appointment of an administrative law judge from the office of administrative hearings to conduct the hearing and make recommended findings of fact, conclusions of law, and order. The board shall either accept the administrative law judge's recommended findings of fact, conclusions of law, and order or adopt its own findings of fact, conclusions of law, and order. The applicant may under North Dakota Century Code section 28-32-15 appeal the final decision resulting from this procedure to the district court.</p> <p>5. Payment of annuity. If awarded, the disability annuity is payable on, or retroactive to, the first day of the month following the member's termination from covered employment minus any early retirement benefits that have been paid.</p> <p>6. Redetermination and recertification.</p> <p>a. A disabled annuitant's eligibility must be recertified eighteen months after the date the first check is issued and thereafter as specified by the medical consultant. The executive director may waive the necessity for a recertification, based on the recommendation of the medical consultant.</p> <p>b. The public employees retirement system will send a recertification form and request for a statement of annual earnings by certified mail with return receipt to the disabled annuitant to be completed and sent back to the office. If completed recertification has not been received by the recertification date set</p>		

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<p>in the recertification request, benefits will be suspended effective the first of the month following that date. Benefits will be reinstated the first of the month following recertification by the medical consultant. The regular accrued disability benefits will commence with a lump sum equal to the amount of missed payments, without interest, retroactive to the first day of the month benefits were suspended, unless otherwise approved by the North Dakota public employees retirement system board.</p> <p>c. The medical consultant may require the disabled annuitant to be reexamined by a doctor. The submission of medical reports by the annuitant, and the review of those reports by the board's medical consultant, may satisfy the reexamination requirement. Upon recertification, the disabled annuitant must be reimbursed for the cost of the required reexamination if deemed necessary by the medical consultant and the executive director.</p> <p>d. The medical consultant will make the recertification decision. The executive director may require additional recertifications, if the facts warrant this action. The decision may be appealed to the board within ninety days of receiving the written recertification decision.</p> <p>e. Benefit payments must be suspended immediately upon notice received from the medical consultant that the annuitant does not meet recertification requirements. The executive director shall notify the annuitant of the suspension of benefits by certified mail and shall reinstate benefits back to date of suspension if the annuitant is subsequently found to meet recertification requirements.</p> <p>f. If it is determined that the disability annuitant was not eligible for benefits during any time period when benefits were provided, the executive director may do all things necessary to recover the erroneously paid benefits.</p> <p>History: Effective January 1, 1992; amended effective July 1, 1994; June 1, 1996; April 1, 2002; May 1, 2004; July 1, 2006; April 1, 2016.</p> <p>General Authority: NDCC 54-52-04, 54-52-17</p> <p>Law Implemented: NDCC 54-52-17, 54-52-26</p>		
<p>71-02-06-01. Conditions for return.</p> <p>1. The accumulated contributions of a member who terminates permanent employment:</p> <p>a. Before accumulating three years of service credit and whose account balance is less than one thousand dollars shall be automatically refunded unless the member elects to remain in an inactive status.</p> <p>b. After accumulating three years of service credit shall be refunded upon application filed with the executive director.</p> <p>c. The termination date for purposes of processing an application for refund or rollover must be the last date for which a member receives salary except for a member who is on an approved leave of absence. For members who are paid salary in any month following actual separation from employment if the salary</p>	<p>Enrollment applications to participate in the retirement plan are no longer required in NDAC 71-02-02-01. Statute requires mandatory participation, therefore, if an employer reports that an employee is eligible, NDPERS enrolls them in the plan without the application. Therefore, contributions are no longer returned if an enrollment application is not received from an eligible member.</p>	<p>Statutory: NDCC 54-52-05 requires mandatory participation</p>

Section	Suggested Rule Change	Reason for Change
<p>is received after the normal processing date, the termination date for purposes of processing the application must be the same date as the date that the last paycheck was issued as salary.</p> <p>2. Retirement contributions must be returned if a membership enrollment application form has not been filed with the office. Contributions will be returned until proper membership enrollment forms have been filed.</p> <p>History: Amended effective November 1, 1990; June 1, 1996; July 1, 1998; July 1, 2000; May 1, 2004; July 1, 2010.</p> <p>General Authority: NDCC 54-52-04</p> <p>Law Implemented: NDCC 54-52-06, 54-52-17</p>		
<p>71-02-06-04. Adjustment for bonuses, profit sharing, and contributions paid in a month other than month earned.</p> <p>Adjustments for the following must be made for all members:</p> <p>1. Participating employers shall report bonuses or profit-sharing amounts paid when remitting the contribution associated with the bonus. Recruitment and retention bonuses under North Dakota Century Code section 54-06-31 are not eligible for consideration as salary and no contributions associated with those types of bonuses shall be submitted.</p> <p>2. Bonuses or profit-sharing amounts paid by a participating employer other than pursuant to North Dakota Century Code section 54-06-31 will be retroactively prorated equal to the actual compensation paid over the term of the intended bonus or profit-sharing period. Bonuses or profit-sharing amounts may not be submitted to the public employees retirement system for future months.</p> <p>3. Upon receiving notice, contributions received in a month other than the month earned will be assigned to the appropriate month.</p> <p>History: Effective June 1, 1993; amended effective June 1, 1996; July 1, 1998; July 1, 2000; April 1, 2002; April 1, 2008.</p> <p>General Authority: NDCC 54-52-04</p> <p>Law Implemented: NDCC 54-52-05, 54-52-06</p>	<p>Provides clarification that bonuses are prorated over the prior twelve month period.</p>	<p>Statutory: 54-52-01(23) provides that bonuses are annualized pursuant to rules</p>
<p>71-02-11-04. Payment.</p> <p>The cost for purchase of eligible military service in the North Dakota public employees retirement system and the North Dakota highway patrolmen's retirement system is as follows:</p> <p>1. The cost for any required employee contributions to be paid by the member may be paid in a lump sum or in installments pursuant to the rules established for purchase or repurchase payment under subsection 1, 2, or 3 of section 71-02-03-02.2. If no payments have been made, no credit will be awarded for benefit calculation purposes. To prevent any delay in issuing the employee's first retirement check, purchase must be completed at least thirty days prior to retirement date.</p>	<p>Add language so interest calculation is consistent with the interest calculation for delinquent contributions as defined in NDCC 54-52-06.</p>	<p>Administrative clarification</p>

Section	Suggested Rule Change	Reason for Change
<p>2. The employer cost will be assessed to the member's most recent participating employer. Upon being billed by the North Dakota public employees retirement system, the participating employer will have thirty days in which to make payment in full. If, after sixty days, the employer has not made payment in full, a civil penalty on fifty dollars will be assessed, and, as interest, one percent of the amount due for each month of delay or fraction thereof after the payment became due.</p> <p>History: Effective September 1, 1991; amended effective May 1, 2004; July 1, 2006; July 1, 2010; April 1, 2012; .</p> <p>General Authority: NDCC 54-52-04</p> <p>Law Implemented: NDCC 54-52-06, 54-52-17.4(5), 54-52-17.14; 38 USC 4318(a)(2)(A), 38 USC 4318(a)(2)(B), 38 USC 4318(b)(2); 20 CFR 1002.259-262</p>		
<p>71-03-03-05. Special enrollment for certain qualifying events.</p> <p>An eligible employee, retiree, or surviving spouse who elects to take a periodic distribution from the defined contribution retirement plan or a monthly retirement benefit from the North Dakota public employees retirement system, North Dakota highway patrolmen's retirement system, the retirement system established by job service North Dakota, the teachers' fund for retirement, or teachers' insurance and annuity association of America - college retirement equities fund, or retirees who have accepted a retirement allowance from a participating political subdivision's retirement plan and provide verification of distribution are eligible for coverage with the health, dental, vision, or prescription drug insurance program.</p> <p>1. The employee, retiree, or surviving spouse must submit application for coverage within thirty-one days from one of the following qualifying events:</p> <ul style="list-style-type: none"> a. The month in which the eligible employee or retiree turns age sixty-five or becomes eligible for medicare. b. The month in which the eligible employee's or retiree's spouse turns age sixty-five or becomes eligible for medicare. c. The month in which the eligible employee terminates employment. d. The month in which the eligible retiree or surviving spouse receives the first monthly retirement benefit from one of the eligible retirement systems outlined above. e. The month in which an eligible employee or retiree who is covered through a spouse's plan becomes ineligible for the spouse's plan due to divorce, death, loss of employment, reduction in hours or other events which may cause loss of coverage as 	<p>Clarify that the effective date of coverage for the qualifying event in 1a and 1b is the month in which the member or spouse becomes eligible for Medicare.</p>	<p>Administrative Clarification</p>

Section	Suggested Rule Change	Reason for Change
<p>determined by the board.</p> <p>f. The month in which the eligible employee or retiree is no longer eligible for employer-sponsored insurance, including coverage provided under the Consolidated Omnibus Budget Reconciliation Act.</p> <p>2. Coverage will become effective on the first day of the month following the month in which the qualifying event occurred. If an application is not submitted within thirty-one days of a qualifying event, the eligible individual must be considered to have waived coverage and may not be enrolled unless the individual meets the criteria of another qualifying event. Upon a showing of good cause, the executive director may waive the thirty-one day application requirement.</p> <p>3. Other individuals eligible for the health, dental, vision, or prescription drug insurance plan include a surviving spouse who is not receiving a qualified monthly retirement benefit from one of the eligible retirement systems outlined above, but who was a covered dependent on the eligible retiree's health, dental, vision, or prescription drug insurance plan at the time of the eligible retiree's death, if there is no lapse in coverage.</p> <p>4. Individuals not eligible for the health, dental, vision, or prescription drug insurance plan include:</p> <p>a. A former employee who received a refund of the employee's retirement account, including individuals in the defined contribution plan who take a cash withdrawal of the employee's account, roll their account into another qualified plan, or use the moneys in their account to purchase an annuity.</p> <p>b. A nonspouse beneficiary (eligible for Consolidated Omnibus Budget Reconciliation Act).</p> <p>c. A deferred retiree or surviving spouse between the time in which the retiree or surviving spouse's eligibility for the Consolidated Omnibus Budget Reconciliation Act (if eligible) ends and the month in which the eligible retiree or surviving spouse receives the first monthly retirement benefit from one of the eligible retirement systems.</p> <p>d. A formerly deferred retiree who received a refund of the retiree's retirement account.</p> <p>e. A surviving spouse of a nonvested employee eligible for the Consolidated Omnibus Budget Reconciliation Act.</p> <p>f. A surviving spouse of a former employee who received a refund of the employee's retirement account.</p> <p>g. A former participating member of the defined contribution retirement</p>		

Section	Suggested Rule Change	Reason for Change
<p>program who would not qualify for one of the retirement dates set forth in subsection 3 of North Dakota Century Code section 54-52-17 if that employee was a member of the defined benefit retirement plan, unless eligible under the Consolidated Omnibus Budget Reconciliation Act, and then only for the required duration of eligibility under the Act.</p> <p>h. For the purposes of the medical and prescription drug plan, employees who first retire after July 1, 2015, and are not eligible for medicare upon their retirement and completion of any period of eligibility under the Consolidated Omnibus Budget Reconciliation Act, until such time as they or their spouse become eligible for medicare.</p> <p>History: Effective October 1, 1986; amended effective November 1, 1990; July 1, 1994; June 1, 1996; July 1, 1998; July 1, 2000; May 1, 2004; April 1, 2012; April 1, 2016.</p> <p>General Authority: NDCC 54-52.1-08</p> <p>Law Implemented: NDCC 54-52.1-02, 54-52.1-03, 54-52.1-03.1; Pub. L. 99-272; 100 Stat. 222; 26 USC 162 et seq.</p>		
<p>71-03-05-02. Retiree billing.</p> <p>Retirees receiving a monthly retirement benefit from the board in a sufficient amount to pay premium will have the total monthly premium deducted from their benefit check. Retirees not paying a premium from their benefit check will receive a monthly billing.</p> <p>History: Effective October 1, 1986; amended effective November 1, 1990; April 1, 2008.</p> <p>General Authority: NDCC 54-52.1-08</p> <p>Law Implemented: NDCC 54-52.1-03</p>	Remove requirement for monthly billings.	Statutory: HB 1023 which allows the Board to collect payments in the most cost effective manner and also provides a statement of legislative intent to discontinue the distribution of paper materials where feasible.

Added after the August Board Meeting:

Section	Suggested Rule Change	Reason for Change
<p>71-02-03-02.5. Costs.</p> <p>If purchasing under North Dakota Century Code section 54-52-02.6 or subdivision d of subsection 1 of North Dakota Century Code section 54-52-17.4, the cost will be the higher of the amount refunded to the member plus interest at the actuarial rate of return or the actuarial cost to provide the credit. All other types of service purchases must be actuarially determined. An actuarial cost must be calculated by applying actuarial factors to the amount of retirement and retiree health insurance credit being purchased by the member. The member's current age, average salary, current credited service on record with the North Dakota public employees retirement system in the month in which the member's written request is received must be used in the cost calculation. The amount of retirement and retiree health insurance credit being purchased must be calculated using the benefit formulas in place at the time the written request is received from the member. When calculating the cost, enhancements to the benefit formula must be considered to be in place at the time the law is signed by the governor.</p> <p>The member's average salary shall be calculated as follows:</p> <ol style="list-style-type: none"> 1. For members working full time with more than twelve months of service credit, by using the calculation found in subsection 2 of North Dakota Century Code section 54-52-17. 2. For members working full time with less than twelve months of service credit, by using the calculation found in subsection 2 of North Dakota Century Code section 54-52-17, but disregarding any month in which the member was paid less than a full-month salary. A full-month salary is the compensation the member and the member's employer agreed the member would be paid for working a full month. 3. For members who have not yet received a full-month salary, the member's average salary shall equal the member's full-month salary, as defined in subsection 2. 4. For members working part time, by using the applicable calculations found in subsections 1 and 2, but using a monthly salary equal to the equivalent of the salary the member would have received if the member was working full time. <p>The retirement board must adopt actuarial assumptions necessary to</p>	<p>Clarify that information used for the cost calculation will be as of the date the request is processed, not the month in which the request was received and that all purchase requests will be completed within 60 days of receipt.</p>	<p>Administrative clarification</p>

<p>determine the actuarial factors for the cost calculation. The assumptions must be reviewed concurrently with the assumptions for the retirement program.</p> <p>Upon receipt of the written request from the member, and all required documentation, a written cost confirmation must be prepared and mailed to the member. The cost stated in the confirmation letter is valid for a period of ninety days from the date of the letter unless the contributor terminates employment with a participating employer. If the contributor terminates employment, then the cost stated in the confirmation letter is valid only until the earlier of the end of the ninety-day period or the fifteenth day of the month following the month of termination.</p> <p>History: Effective July 1, 1994; amended effective June 1, 1996; July 1, 2000; April 1, 2002; May 1, 2004; July 1, 2006.</p> <p>General Authority: NDCC 54-52-02.6, 54-52-04, 54-52-17, 54-52-17.2, 54-52-17.4</p> <p>Law Implemented: NDCC 54-52-02.6, 54-52-17, 54-52-17.2, 54-52-17.4</p>		
<p>71-02-04-04.1. Benefit modifications. A member may elect as provided in section 71-02-04-02 to receive one of the following benefit modifications:</p> <p>1. Partial lump sum option. The partial lump sum option will only be available to members who retire on or after reaching normal retirement date. This option is an irrevocable election and made at initial application for retirement. The payment is equal to twelve monthly payments determined under the single life annuity option. The member is permitted to choose one of the optional forms of payment as defined in section 71-02-04-04 for ongoing benefits. The ongoing benefits will be actuarially reduced to reflect the partial lump sum payment.</p> <p>2. Deferred normal retirement option. The deferred normal retirement option will only be available to members who retire after reaching normal retirement date. This option is an irrevocable election and made at initial application for retirement. The payment is in lieu of a lump sum equal to the amount of missed payments, without interest, retroactive to the member's normal retirement date. The member is permitted to choose one of the optional forms of payment as defined in section 71-02-04-04. The ongoing benefits will be actuarially increased to reflect the lump sum.</p> <p>3. Graduated benefit option. The graduated benefit option will only be available to members who retire after reaching normal retirement date. This option is an irrevocable election and made at initial application for retirement. The member is permitted to choose one of the optional forms of payment for ongoing benefits as defined in section 71-02-04-04. The ongoing benefits will</p>	<p>Include clarification that benefit modifications are not applicable to subsequent retirements in the event a retiree returns to work.</p>	<p>Administrative clarification</p>

<p>be actuarially reduced to reflect the election of the graduated benefit option.</p> <p>History: Effective July 1, 2010; amended effective April 1, 2014. General Authority: NDCC 54-52-04, 54-52-17 Law Implemented: NDCC 54-52-17</p>		
<p>71-02-07-02. Return to service - Retired member. The benefits of a retired member who returns to permanent employment shall be suspended without interest accruing on the suspended account, except as provided in subsection 1 of North Dakota Century Code section 54-52-05. Upon subsequent termination, the member's benefit shall be recalculated as follows:</p> <ol style="list-style-type: none"> 1. The member's benefit shall be based on the benefit provisions in effect at final retirement and shall include the member's and spouse's ages, salary earned during the period of reemployment, and total service credits earned before and after reemployment, adjusted to take account of benefit payments received prior to reemployment. If a different option is selected at the second retirement date, the member and office will submit information as required to make an actuarial determination of the elected benefit and the related payment of such. 2. If a member dies during subsequent employment, the member's initial retirement benefit option election will apply. The member's benefit shall be based on the benefit provisions in effect at final retirement and shall include the member's and spouse's ages, salary earned during the period of reemployment, and total service credits earned before and after reemployment, adjusted to take account of benefit payments received prior to reemployment. <p>History: Amended effective November 1, 1990; July 1, 1998; May 1, 2004; July 1, 2006; July 1, 2010. General Authority: NDCC 54-52-04, 54-52-17 Law Implemented: NDCC 54-52-17</p>	<p>Require that the same benefit option selected at initial retirement will apply to all subsequent retirement calculations for a retiree that returns to work and clarify how the subsequent retirement benefit will be calculated.</p>	<p>Administrative clarification</p>
Section	Suggested Rule Change	Reason for Change
<p>New section under Article 71-06 for Retiree Health Insurance Credit</p>	<p>Add requirements for method of benefit payments and establish a process for handling benefit payments in the event checks remain uncashed.</p>	<p>Statutory: HB 1023 which provides the Board authority to make payments in the most cost-effective manner</p>

Section 71-02-01-01 is amended as follows:

71-02-01-01. Definitions.

As used in North Dakota Century Code chapter 54-52 and this article:

1. "Accumulated contributions" means the total of all of the following:
 - a. The employee account fund balance accumulated under the prior plan as of June 30, 1977.
 - b. The vested portion of the employee's "vesting fund" accumulated under the prior plan as of June 30, 1977.
 - c. The member's mandatory contributions made after July 1, 1977.
 - d. The member's vested employer contributions made after January 1, 2000, pursuant to North Dakota Century Code section 54-52-11.1.
 - e. The interest on the sums determined under subdivisions a, b, c, and d, compounded annually at the rate of five percent from July 1, 1977, to June 30, 1981, six percent from July 1, 1981, through June 30, 1986, and one-half of one percent less than the actuarial interest assumption from July 1, 1986, to the member's ~~termination of employment~~withdrawal from the plan or retirement.
 - f. The sum of any employee purchase or repurchase payments.
2. "Actuarial equivalent" means a benefit calculated to be of equal value to the benefit otherwise payable when computed on the basis of assumptions and methods adopted for this purpose by the board in a way that precludes employer discretion pursuant to Internal Revenue Code section 401(a)(25). Such assumptions and methods adopted by the board, and any table of adjustment factors established in accordance with the assumptions and methods, shall be incorporated herein by reference.
3. "Alternative retirement system" means the teachers' fund for retirement, the highway patrolmen's retirement system, and the teachers' insurance and annuity association of America.
4. "Beneficiary" means any person in receipt of a benefit provided by this plan or any person designated by a participating member to receive benefits.
5. "Board" means the board of trustees for the public employees retirement system.
6. "Bonus" means cash compensation for services performed in addition to base salary excluding commission and shift differentials. Bonus does not include lump sum payments of sick leave provided under North Dakota Century Code section 54-06-14 or lump sum payments of annual leave or vacation pay.
- ~~67~~. "Claim" means the right to receive a monthly retirement allowance, the receiving of a retirement allowance, or the receiving of a disability benefit.
- ~~78~~. "Continuously employed" means any period of employment uninterrupted by voluntary or involuntary termination or discharge. A member who has taken a leave of absence approved by the member's employer, not to exceed a year unless approved by the executive director, and returns to employment shall be regarded as continuously employed for the period.
- ~~89~~. "Contribution" means the payment into the fund as a percentage of the salary of a member.
- ~~910~~. "Correctional officer" means a person who has completed a correctional officer course approved or certified by the North Dakota department of corrections and rehabilitation and is employed by a correctional facility as defined in North Dakota Century Code chapter 12-44.1.
- ~~4011~~. "County judge" means a judge who was elected pursuant to North Dakota Century Code section 27-07.1-01 or an individual holding the position of county

judge, county justice, or judge of county court prior to the general election in 1982, who meets all the eligibility requirements established under North Dakota Century Code chapter 54-52.

- ~~44~~12. "Interruption of employment" is when an individual is inducted (enlists or is ordered or called to active duty into the armed forces of the United States) and leaves an employment position with a state agency or political subdivision, other than a temporary position. The individual must have left employment to enter active duty and must make application in accordance with the Uniformed Services Employment and Reemployment Rights Act.
- ~~42~~13. "Leave of absence" means the period of time up to one year for which an individual may be absent from covered employment without being terminated. At the executive director's discretion, the leave of absence may be extended not to exceed two years, or indefinitely if the leave of absence is due to interruption of employment.
- ~~43~~14. "Medical consultant" means a person or committee appointed by the board of the North Dakota public employees retirement system to evaluate medical information submitted in relation to disability applications, recertifications, and rehabilitation programs or other such duties as assigned by the board.
- ~~44~~15. "Normal retirement age", except for members of the national guard and law enforcement, means age sixty-five unless otherwise provided. For members of the national guard and law enforcement, normal retirement age means age fifty-five, unless otherwise provided.
- ~~45~~16. "Office" means the administrative office of the public employees retirement system.
- ~~46~~17. "Participating employer" means an employer who contributes to the North Dakota public employees retirement system. For confidentiality purposes, "participating employer" means the person or group of persons with the ultimate authority over personnel decisions within the agency or political subdivision with which the member is employed or the person's or group's official designee.
- ~~47~~18. "Pay status" means a member is receiving a retirement allowance from the fund.
- ~~48~~19. "Permanent and total disability" for members of the main retirement system and the national guard/law enforcement retirement plan means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than twelve months. For members of the judge's retirement plan, "permanent and total disability" is determined pursuant to subdivision e of subsection 3 of section 54-52-17 of the North Dakota Century Code.
- ~~49~~20. "Plan administrator" means the executive director of the North Dakota public employees retirement system or such other person or committee as may be appointed by the board of the North Dakota public employees retirement system from time to time.
- ~~20~~21. "Plan year" means the twelve consecutive months commencing July first of the calendar year and ending June thirtieth of the subsequent calendar year.
- ~~24~~22. "Prior plan" means the state employees' retirement system which existed from July 1, 1966, to June 30, 1977.
- ~~22~~23. "Regularly funded" means a legislatively authorized full-time equivalent (FTE) position for state agencies. For all governmental units other than state agencies, regularly funded means a similar designation by the unit's governing board which is created through the regular budgeting process and receives traditional employee benefits such as sick leave and annual leave.

- ~~23~~24. "Retiree" means an individual receiving a monthly retirement allowance pursuant to chapter 54-52.
- ~~24~~25. "Retirement allowance" means a reoccurring, periodic benefit from an eligible employer-sponsored retirement plan as approved by the board.
- ~~25~~26. "Service credit" means increments of time to be used in the calculation of retirement benefits. Service credit may be earned as stated in section 71-02-03-01 or may be purchased or repurchased according to section 71-02-03-02.1.
- ~~26~~27. "Substantial gainful activity" is to be based upon the totality of the circumstances including consideration of an individual's training, education, and experience; an individual's potential for earning at least seventy percent of the individual's predisability earnings; and other items deemed significant on a case-by-case basis. Eligibility is based on an individual's employability and not actual employment status.
- ~~27~~28. "Termination of employment" for the purposes of determination for eligibility for benefit payments means a severance of employment by not being on the payroll of a covered employer for a minimum of one month. Approved leave of absence or if reemployed by any covered employer prior to receiving a lump sum distribution of the member's account balance does not constitute termination of employment.
- ~~28~~29. "Termination of participation" means termination of eligibility to participate in the retirement plan.

History: Amended effective September 1, 1982; November 1, 1990; September 1, 1991; January 1, 1992; September 1, 1992; June 1, 1993; July 1, 1994; June 1, 1996; July 1, 2000; April 1, 2002; May 1, 2004; July 1, 2006; July 1, 2010; April 1, 2014; April 1, 2016;_____.

General Authority: NDCC 54-52-04

Law Implemented: NDCC 54-52

Section 71-02-02-01 is amended as follows:

71-02-02-01. Membership - General rule.

When an eligible employee becomes a member of the public employees retirement system, the following requirements apply:

1. A temporary employee must submit a completed participation agreement within six months of the date of hire as a temporary employee or within six months of a change in status from a permanent to temporary position. If no application is made and filed with the office, an irrevocable waiver of participation will occur for as long as the employee is in temporary status.
2. Contributions for temporary employees must be submitted no later than the sixth working day of the month for the previous month's salary.
3. Delinquent payments of over thirty days, for reasons other than leave of absence or seasonal employment, will result in termination of eligibility to participate as a temporary member.
4. Upon taking a refund, future participation as a temporary member is waived.
5. A member may not ~~participate~~ contribute concurrently to the plan within any given month as both a permanent and a temporary member. Permanent employment has precedence.
6. Elected officials of participating counties and elected state officials, at their individual option, must enroll or waive participation in writing within six months of taking office or beginning a new term. If no application is made and filed with the office, an irrevocable waiver of participation will occur until the official makes application within six months from the start of a new term.

History: Amended effective September 1, 1982; November 1, 1990; September 1, 1992; June 1, 1996; July 1, 1998; May 1, 2004; July 1, 2006; April 1, 2016; _____.

General Authority: NDCC 54-52-04

Law Implemented: NDCC 54-52-01, 54-52-02.9, 54-52-05

Section 71-02-03-02.5 is amended as follows:

71-02-03-02.5. Costs.

If purchasing under North Dakota Century Code section 54-52-02.6 or subdivision d of subsection 1 of North Dakota Century Code section 54-52-17.4, the cost will be the higher of the amount refunded to the member plus interest at the actuarial rate of return or the actuarial cost to provide the credit. All other types of service purchases must be actuarially determined. An actuarial cost must be calculated by applying actuarial factors to the amount of retirement and retiree health insurance credit being purchased by the member. The member's current age, average salary, ~~and current credited service,~~ and actuarial factors on record and in effect with the North Dakota public employees retirement system in the month in which the member's written request is received ~~processed by the Office~~ must be used in the cost calculation. A member's written request shall be processed by the Office within 60 days of receipt. The amount of retirement and retiree health insurance credit being purchased must be calculated using the benefit formulas in place at the time the written request ~~is received~~ is processed by the Office. When calculating the cost, enhancements to the benefit formula must be considered to be in place at the time the law is signed by the governor.

The member's average salary shall be calculated as follows:

1. For members working full time with more than twelve months of service credit, by using the calculation found in subsection 2 of North Dakota Century Code section 54-52-17.

2. For members working full time with less than twelve months of service credit, by using the calculation found in subsection 2 of North Dakota Century Code section 54-52-17, but disregarding any month in which the member was paid less than a full-month salary. A full-month salary is the compensation the member and the member's employer agreed the member would be paid for working a full month.

3. For members who have not yet received a full-month salary, the member's average salary shall equal the member's full-month salary, as defined in subsection 2.

4. For members working part time, by using the applicable calculations found in subsections 1 and 2, but using a monthly salary equal to the equivalent of the salary the member would have received if the member was working full time.

The retirement board must adopt actuarial assumptions necessary to determine the actuarial factors for the cost calculation. The assumptions must be reviewed concurrently with the assumptions for the retirement program.

Upon receipt of the written request from the member, and all required documentation, a written cost confirmation must be prepared and mailed to the member. The cost stated in the confirmation letter is valid for a period of ninety days from the date of the letter unless the contributor terminates employment with a participating employer. If the contributor terminates employment, then the cost stated in the confirmation letter is valid only until the earlier of the end of the ninety-day period or the fifteenth day of the month following the month of termination.

History: Effective July 1, 1994; amended effective June 1, 1996; July 1, 2000; April 1, 2002; May 1, 2004; July 1, 2006;_____.

General Authority: NDCC 54-52-02.6, 54-52-04, 54-52-17, 54-52-17.2, 54-52-17.4

Law Implemented: NDCC 54-52-02.6, 54-52-17, 54-52-17.2, 54-52-17.4

Section 71-02-03-06 is amended as follows:

71-02-03-06. Conversion of sick leave.

To convert unused sick leave to service credit, the member must ~~notify~~submit an application to the office, in writing, no later than the end of the month in which the member is no longer eligible to accrue ~~the amount of unused sick leave hours, unless otherwise approved by the executive director, to be converted and the~~ The member's employer must confirm the member's unused balance of accumulated sick leave as of the date the member ~~terminates employment~~is no longer eligible to accrue sick leave hours. For members transferring from one participating employer to another participating employer without terminating eligible employment, the public employees retirement system will record unused sick leave of a participating member if the new employer certifies that it will not transfer that leave. The certification must include documentation from the previous employer detailing the number of hours of sick leave. The public employees retirement system must receive the certification within sixty days after the member leaves employment with the former employer. One month of service credit must be awarded for each one hundred seventy-three and three-tenths hours of unused accumulated sick leave. The employer and employee contributions rates used to calculate the cost must be the rate of the retirement program of the member at termination.

1. Aftertax payments may be accepted from the member as early as six months prior to ~~termination~~when the member is no longer eligible to accrue sick leave hours, if the following requirements are met:
 - a. A notice of ~~termination or application for monthly benefits form is on file with~~employment change has been provided to the public employees retirement system.
 - b. A written certification by the member's employer, as to the member's unused balance of accumulated sick leave as of the date the member wishes to begin payment, is on file with the public employees retirement system.
 - c. ~~At termination, the~~The sick leave conversion payment must be recalculated using the member's unused balance of accumulated sick leave confirmed by the member's employer, and the member's final average salary as of that date. If there is a difference between the sick leave conversion payment amount and the amount the member has paid, any overpayment must be refunded to the member and any underpayment must be collected from the member by the fifteenth of the month following the month ~~of the member's date of termination~~the member is no longer eligible to accrue sick leave hours.
2. The member's record must be updated with the additional service credit once payment is made in full ~~and the member has terminated employment~~.
3. Pretax rollover or transfer payments may be accepted from the member as early as sixty days prior to ~~termination~~when the member is no longer eligible to accrue sick leave hours, if the following requirements are met:
 - a. A notice of ~~termination or application for monthly benefits form is on file with~~employment change has been provided to the public employees retirement system.
 - b. A written certification by the member's employer, as to the member's projected unused balance of accumulated sick leave no sooner than sixty days prior to the date ~~of termination~~the member is no longer eligible to accrue sick leave hours, is on file with the public employees retirement system. This certification must also include a certification by the employer

- of the projected salaries to be reported to the public employees retirement system during the final months of employment.
- c. ~~At termination, the~~The sick leave conversion payment must be recalculated using the member's unused balance of accumulated sick leave confirmed by the member's employer and the member's final average salary as of ~~that~~the date the member is no longer eligible to accrue sick leave hours. If there is a difference between the sick leave balance or conversion payment amount and the amount the member has paid, then only the amount of sick leave available as of the ~~termination date the member is no longer eligible to accrue sick leave hours~~ will be added to the member's record. The member account balance will be credited with the full amount of funds from the rollover or transfer.
 - d. If an underpayment has occurred, then the remaining amount must be collected from the member by the fifteenth of the month following the month ~~of the member's date of termination~~member is no longer eligible to accrue sick leave hours.
 - e. The retiree health credit portion must be paid as a personal aftertax payment.
4. The member's record must be updated with the additional service credit once payment is made ~~and the member has terminated employment in full~~.

History: Effective June 1, 1996; amended effective April 1, 2002; May 1, 2004; July 1, 2006; April 1, 2008;_____.

General Authority: NDCC 54-52-04

Law Implemented: NDCC 54-52-27

Section 71-02-04-03 is amended as follows:

71-02-04-03. Payment date - Retirement benefits.

Except for retirement options provided in section 71-02-04-02, a member's retirement benefit shall commence on the first day of the month which follows the member's eligibility for the benefit and which is at least thirty days after the date on which the member filed an application with the office. Notwithstanding any other provision in this article, benefits must begin no later than April first of the calendar year after the calendar year in which the member retires or attains the age of seventy and one-half years, whichever is later. If the member is employed but ineligible for active participation in the retirement plan, the member's benefits must begin no later than April first of the calendar year after the calendar year in which the member attains the age of seventy and one-half years. In the absence of a retirement application, benefits shall be paid based on a single life, or normal retirement for judges, payment option. Benefits must be directly deposited into a financial account identified by the member or sent to the member's last-known address. If the benefit checks are returned with no forwarding information, the benefits will remain in the fund, and will be distributed in a lump sum retroactive to the required beginning date upon location of the member. If two consecutive checks issued remain uncashed, future payments will be suspended until the member makes payment arrangements with the Office.

History: Amended effective November 1, 1990; July 1, 1994; July 1, 2000; July 1, 2010;_____.

General Authority: NDCC 54-52-04, 54-52-17

Law Implemented: NDCC 54-52-17

Section 71-02-04-04.1 is amended as follows:

71-02-04-04.1. Benefit modifications.

A member may elect as provided in section 71-02-04-02 to receive one of the following benefit modifications:

1. **Partial lump sum option.** The partial lump sum option will only be available to members who retire on or after reaching normal retirement date. This option is an irrevocable election ~~and made at initial application for retirement, and is not an~~ option for a subsequent retirement. The payment is equal to twelve monthly payments determined under the single life annuity option. The member is permitted to choose one of the optional forms of payment as defined in section 71-02-04-04 for ongoing benefits. The ongoing benefits will be actuarially reduced to reflect the partial lump sum payment.
2. **Deferred normal retirement option.** The deferred normal retirement option will only be available to members who retire after reaching normal retirement date. This option is an irrevocable election ~~and made at initial application for retirement, and is not an option for a subsequent retirement~~. The payment is in lieu of a lump sum equal to the amount of missed payments, without interest, retroactive to the member's normal retirement date. The member is permitted to choose one of the optional forms of payment as defined in section 71-02-04-04. The ongoing benefits will be actuarially increased to reflect the lump sum.
3. **Graduated benefit option.** The graduated benefit option will only be available to members who retire after reaching normal retirement date. This option is an irrevocable election ~~and made at initial application for retirement, and is not an~~ option for a subsequent retirement. The member is permitted to choose one of the optional forms of payment for ongoing benefits as defined in section 71-02-04-04. The ongoing benefits will be actuarially reduced to reflect the election of the graduated benefit option.

History: Effective July 1, 2010; amended effective April 1, 2014.

General Authority: NDCC 54-52-04, 54-52-17

Law Implemented: NDCC 54-52-17

Section 71-02-05-06 is amended as follows:

71-02-05-06. Determination of disability - Procedures.

1. Application.

- a. If the member is unable or unwilling to file a public employees retirement system application for disability retirement, the member's legal representative may file the member's disability application.
- b. For the main system and the national guard and law enforcement system, the application must explain the cause of the disability, the limitations caused by the disability, the treatment being followed, and the effect of the disability on the individual's ability to be engaged in any gainful occupation for which the person is, or could become, reasonably fitted by education, training, or experience. For the judges' retirement plan, the application must explain the cause of the disability, the limitations caused by the disability, the treatment being followed, and the effect of the disability on the individual's ability to mentally or physically fulfill the duties and responsibilities of being a judge. A judge who is determined to be disabled pursuant to subdivision a of subsection 3 of North Dakota Century Code section 27-23-03 shall file an application documenting this determination and the effective date of the disability.
- c. The application must be filed with the public employees retirement system and may not be filed earlier than one hundred twenty days before the expected termination date.

2. Medical consultant.

- a. The board may retain a medical consultant to evaluate and make recommendations on disability retirement applications.
- b. The medical consultant shall review all medical information provided by the applicant.
- c. The medical consultant is responsible to determine eligibility for disability benefits for applicants not approved for social security disability benefits or for judges not approved pursuant to subsection 3 of North Dakota Century Code section 27-23-03 and shall advise the executive director of the decision in writing. Applicants who become eligible for disability benefits under the Social Security Act and who meet the requirements of subdivision h of subsection 3 of North Dakota Century Code section 54-52-17 are eligible for benefits under subdivision e of subsection 4 of North Dakota Century Code section 54-52-17 without submitting further medical information to the medical adviser, but are subject to recertification requirements specified in this chapter. The social security disability award must provide proof that the member's disability was determined during the member's period of eligible employment. In determining eligibility for judges not approved pursuant to the above, the medical director shall work with a review committee composed of one supreme court judge and a district court judge to review the proposed application. In order for the application to be approved, it must have the concurrence of the medical director and at least one judge. The executive director shall appoint two judges to serve on the review committee.

3. Medical examination.

- a. The applicant for disability retirement shall provide the medical examination reports as requested by the medical consultant.

- b. The member is liable for any costs incurred by the member in undergoing medical examinations and completing and submitting the necessary medical examination reports, medical reports, and hospital reports necessary for initial determination of eligibility for benefits.
- c. If determined to be eligible for disability benefits, the member must be reimbursed for the cost of medical examinations specifically requested by the medical adviser and the executive director.

4. **Appeal.**

- a. If the applicant has terminated employment, the public employees retirement system shall notify the applicant in writing of the decision. If the applicant is determined not to be eligible for disability benefits, the public employees retirement system shall advise the applicant of the appeal procedure. If the applicant is determined eligible for disability benefits, benefits must be paid pursuant to subsection 5.
- b. If the applicant has not terminated employment, the applicant must be provided with a preliminary notification of the decision in writing. The preliminary notification remains in effect for a period not to exceed two hundred seventy days. If an applicant does not terminate employment within two hundred seventy days of the date of termination provided on the disability application, the application must be considered to be vacated but the applicant may reapply as provided in subsection 1.
- c. The applicant may appeal an adverse determination to the board by providing a written notice of appeal within thirty days of the date that the public employees retirement system mailed the decision.
- d. The board shall consider all appeals at regularly scheduled board meetings. The applicant must be notified of the time and date of the meeting and may attend and be represented by legal counsel. The executive director shall provide to the board for its consideration a case history brief that includes membership history, medical examination summary, and the plan administrator's conclusions and recommendations. The board shall make the determination for eligibility at the meeting unless additional evidence or information is needed. The discussion concerning disability applications must be confidential and closed to the general public.
- e. If the initial board decision is adverse to the applicant after exhausting the administrative procedure under subdivisions a and b, the applicant may file a request for a formal hearing to be conducted under North Dakota Century Code chapter 28-32. The request for a formal hearing must be filed within thirty days after notice of the initial decision has been mailed or delivered. If an appeal is not filed within the thirty-day period, the initial decision of the board is final. If a request for a formal hearing is timely filed, notice of the hearing must be served at least thirty days prior to the date set for the hearing. The board shall request appointment of an administrative law judge from the office of administrative hearings to conduct the hearing and make recommended findings of fact, conclusions of law, and order. The board shall either accept the administrative law judge's recommended findings of fact, conclusions of law, and order or adopt its own findings of fact, conclusions of law, and order. The applicant may under North Dakota Century Code section 28-32-15 appeal the final decision resulting from this procedure to the district court.

5. **Payment of annuity.** If awarded, the disability annuity is payable on, or retroactive to, the first day of the month following the member's termination from covered employment minus any early retirement benefits that have been paid.
6. **Redetermination and recertification.**
 - a. A disabled annuitant's eligibility must be recertified eighteen months after the date the first check is issued and thereafter as specified by the medical consultant unless proof of receipt of ongoing social security disability benefits is received. The executive director may waive the necessity for a recertification, based on the recommendation of the medical consultant or upon proof of receipt of ongoing social security disability benefits.
 - b. The public employees retirement system will send a recertification ~~form~~ application and request for a statement of annual earnings by certified mail with return receipt to the disabled annuitant to be completed and sent back to the office. If completed recertification application has not been received by the recertification date set in the recertification request, benefits will be suspended effective the first of the month following that date. If the recertification application is not received within six months of the recertification date set in the recertification request unless an alternative date has been approved by the executive director, the member will no longer be eligible to receive disability benefits. Benefits suspended within six months of the recertification date set in the recertification request will be reinstated the first of the month following recertification by the medical consultant, or upon proof of receipt of ongoing social security disability benefits, unless an alternative date has been approved by the executive director. The regular accrued disability benefits will commence with a lump sum equal to the amount of missed payments, without interest, retroactive to the first day of the month benefits were suspended, unless otherwise approved by the ~~North Dakota public employees retirement system board~~ Board.
 - c. The medical consultant may require the disabled annuitant to be reexamined by a doctor. The submission of medical reports by the annuitant, and the review of those reports by the board's medical consultant, may satisfy the reexamination requirement. Upon recertification, the disabled annuitant must be reimbursed for the cost of the required reexamination if deemed necessary by the medical consultant and the executive director.
 - d. When the member has not provided proof of receipt of ongoing social security disability benefits, ~~The the~~ medical consultant will make the recertification decision. The executive director may require additional recertifications, if the facts warrant this action. The decision may be appealed to the board within ninety days of receiving the written recertification decision.
 - e. Benefit payments must be suspended immediately upon notice received from the medical consultant that the annuitant does not meet recertification requirements. The executive director shall notify the annuitant of the suspension of benefits by certified mail and shall reinstate benefits back to date of suspension if the annuitant is subsequently found to meet recertification requirements.
 - f. If it is determined that the disability annuitant was not eligible for benefits during any time period when benefits were provided, the executive

director may do all things necessary to recover the erroneously paid benefits.

History: Effective January 1, 1992; amended effective July 1, 1994; June 1, 1996; April 1, 2002; May 1, 2004; July 1, 2006; April 1, 2016;_____.

General Authority: NDCC 54-52-04, 54-52-17

Law Implemented: NDCC 54-52-17, 54-52-26

Section 71-02-06-01 is amended as follows:

71-02-06-01. Conditions for return.

1. The accumulated contributions of a member who terminates permanent employment:
 - a. Before accumulating three years of service credit and whose account balance is less than one thousand dollars shall be automatically refunded unless the member elects to remain in an inactive status.
 - b. After accumulating three years of service credit shall be refunded upon application filed with the executive director.
 - c. The termination date for purposes of processing an application for refund or rollover must be the last date for which a member receives salary except for a member who is on an approved leave of absence. For members who are paid salary in any month following actual separation from employment if the salary is received after the normal processing date, the termination date for purposes of processing the application must be the same date as the date that the last paycheck was issued as salary.
2. ~~Retirement contributions must be returned if a membership enrollment application form has not been filed with the office. Contributions will be returned until proper membership enrollment forms have been filed.~~

History: Amended effective November 1, 1990; June 1, 1996; July 1, 1998; July 1, 2000; May 1, 2004; July 1, 2010;_____.

General Authority: NDCC 54-52-04

Law Implemented: NDCC 54-52-06, 54-52-17

Section 71-02-06-04 is amended as follows:

71-02-06-04. Adjustment for bonuses, profit sharing, and contributions paid in a month other than month earned.

Adjustments for the following must be made for all members:

1. Participating employers shall report bonuses or profit-sharing amounts paid when remitting the contribution associated with the bonus. Recruitment and retention bonuses under North Dakota Century Code section 54-06-31 are not eligible for consideration as salary and no contributions associated with those types of bonuses shall be submitted.
2. Bonuses or profit-sharing amounts paid by a participating employer other than pursuant to North Dakota Century Code section 54-06-31 will be retroactively prorated ~~equal to the actual compensation paid over the term of the intended bonus or profit-sharing~~ applicable prior twelve month period. Bonuses or profit-sharing amounts may not be submitted to the public employees retirement system for future months.
3. Upon receiving notice, of contributions received in a month other than the month earned, the Office will be assigned assign contributions to the appropriate month.

History: Effective June 1, 1993; amended effective June 1, 1996; July 1, 1998; July 1, 2000; April 1, 2002; April 1, 2008;_____.

General Authority: NDCC 54-52-04

Law Implemented: NDCC 54-52-05, 54-52-06

Section 71-02-07-02 is amended as follows:

71-02-07-02. Return to service - Retired member.

The benefits of a retired member who returns to permanent employment shall be suspended without interest accruing on the suspended account, except as provided in subsection 1 of North Dakota Century Code section 54-52-05. Upon subsequent termination and retirement, the member is required to select the same benefit option as the option selected at initial retirement. The member's total benefit upon subsequent retirement shall equal the original benefit plus the calculated benefit for the return to work period. The member's benefit attributable to any return to work period shall be based upon service and earnings attributable to the return to work period only and be recalculatedcalculated as follows:

1. The member's calculated benefit shall be based on the benefit provisions in effect at final subsequent retirement and shall include the member's and spouse's ages, salary earned during the period of reemployment, ~~and total service credits earned before and after reemployment, and actuarial factors in effect at subsequent retirement~~ adjusted to take account of benefit payments received prior to reemployment. If a different option is selected at the second retirement date, the member and office will submit information as required to make an actuarial determination of the elected benefit and the related payment of such.
2. If a member dies during subsequent employment, the member's initial retirement benefit option election will apply and the date of death will be considered the subsequent retirement date. ~~The member's benefit shall be based on the benefit provisions in effect at final retirement and shall include the member's and spouse's ages, salary earned during the period of reemployment, and total service credits earned before and after reemployment, adjusted to take account of benefit payments received prior to reemployment.~~
3. If a member's spouse dies during the subsequent employment of the member, section 71-02-04-04 will apply to the member's initial and subsequent retirement benefit calculation.

History: Amended effective November 1, 1990; July 1, 1998; May 1, 2004; July 1, 2006; July 1, 2010.

General Authority: NDCC 54-52-04, 54-52-17

Law Implemented: NDCC 54-52-17

Section 71-02-11-04 is amended as follows:

71-02-11-04. Payment.

The cost for purchase of eligible military service in the North Dakota public employees retirement system and the North Dakota highway patrolmen's retirement system is as follows:

1. The cost for any required employee contributions to be paid by the member may be paid in a lump sum or in installments pursuant to the rules established for purchase or repurchase payment under subsection 1, 2, or 3 of section 71-02-03-02.2. If no payments have been made, no credit will be awarded for benefit calculation purposes. To prevent any delay in issuing the employee's first retirement check, purchase must be completed at least thirty days prior to retirement date.
2. The employer cost will be assessed to the member's most recent participating employer. Upon being billed by the North Dakota public employees retirement

system, the participating employer will have thirty days in which to make payment in full. If, after sixty days, the employer has not made payment in full, a civil penalty on fifty dollars will be assessed, and, as interest, one percent of the amount due for each month of delay or fraction thereof after the payment became due. In lieu of assessing a civil penalty or one percent per month, or both, interest at the actuarial rate of return may be assessed for each month the contributions are delinquent. If contributions are paid within ninety days of the date they became due, penalty and interest to be paid on delinquent contributions may be waived.

History: Effective September 1, 1991; amended effective May 1, 2004; July 1, 2006; July 1, 2010; April 1, 2012;_____.

General Authority: NDCC 54-52-04

Law Implemented: NDCC 54-52-06, 54-52-17.4(5), 54-52-17.14; 38 USC 4318(a)(2)(A), 38 USC 4318(a)(2)(B), 38 USC 4318(b)(2); 20 CFR 1002.259-262

Section 71-03-03-05 is amended as follows:

71-03-03-05. Special enrollment for certain qualifying events.

An eligible employee, retiree, or surviving spouse who elects to take a periodic distribution from the defined contribution retirement plan or a monthly retirement benefit from the North Dakota public employees retirement system, North Dakota highway patrolmen's retirement system, the retirement system established by job service North Dakota, the teachers' fund for retirement, or teachers' insurance and annuity association of America - college retirement equities fund, or retirees who have accepted a retirement allowance from a participating political subdivision's retirement plan and provide verification of distribution are eligible for coverage with the health, dental, vision, or prescription drug insurance program.

1. The employee, retiree, or surviving spouse must submit application for coverage within thirty-one days from one of the following qualifying events:
 - a. The month in which the eligible employee or retiree turns age sixty-five or becomes eligible for medicare.
 - b. The month in which the eligible employee's or retiree's spouse turns age sixty-five or becomes eligible for medicare.
 - c. The month in which the eligible employee terminates employment.
 - d. The month in which the eligible retiree or surviving spouse receives the first monthly retirement benefit from one of the eligible retirement systems outlined above.
 - e. The month in which an eligible employee or retiree who is covered through a spouse's plan becomes ineligible for the spouse's plan due to divorce, death, loss of employment, reduction in hours or other events which may cause loss of coverage as determined by the board.
 - f. The month in which the eligible employee or retiree is no longer eligible for employer-sponsored insurance, including coverage provided under the Consolidated Omnibus Budget Reconciliation Act.
2. Coverage will become effective on the first day of the month following the month in which the qualifying event occurred or under subdivision a or b of subsection 1 may become effective the month in which eligibility for medicare occurs. If an application is not submitted within thirty-one days of a qualifying event, the eligible individual must be considered to have waived coverage and may not be enrolled unless the individual meets the criteria of another qualifying event. Upon a showing of good cause, the executive director may waive the thirty-one day application requirement.
3. Other individuals eligible for the health, dental, vision, or prescription drug insurance plan include a surviving spouse who is not receiving a qualified monthly retirement benefit from one of the eligible retirement systems outlined above, but who was a covered dependent on the eligible retiree's health, dental, vision, or prescription drug insurance plan at the time of the eligible retiree's death, if there is no lapse in coverage.
4. Individuals not eligible for the health, dental, vision, or prescription drug insurance plan include:
 - a. A former employee who received a refund of the employee's retirement account, including individuals in the defined contribution plan who take a cash withdrawal of the employee's account, roll their account into another qualified plan, or use the moneys in their account to purchase an annuity.
 - b. A nonspouse beneficiary (eligible for Consolidated Omnibus Budget Reconciliation Act).

- c. A deferred retiree or surviving spouse between the time in which the retiree or surviving spouse's eligibility for the Consolidated Omnibus Budget Reconciliation Act (if eligible) ends and the month in which the eligible retiree or surviving spouse receives the first monthly retirement benefit from one of the eligible retirement systems.
- d. A formerly deferred retiree who received a refund of the retiree's retirement account.
- e. A surviving spouse of a nonvested employee eligible for the Consolidated Omnibus Budget Reconciliation Act.
- f. A surviving spouse of a former employee who received a refund of the employee's retirement account.
- g. A former participating member of the defined contribution retirement program who would not qualify for one of the retirement dates set forth in subsection 3 of North Dakota Century Code section 54-52-17 if that employee was a member of the defined benefit retirement plan, unless eligible under the Consolidated Omnibus Budget Reconciliation Act, and then only for the required duration of eligibility under the Act.
- h. For the purposes of the medical and prescription drug plan, employees who first retire after July 1, 2015, and are not eligible for medicare upon their retirement and completion of any period of eligibility under the Consolidated Omnibus Budget Reconciliation Act, until such time as they or their spouse become eligible for medicare.

History: Effective October 1, 1986; amended effective November 1, 1990; July 1, 1994; June 1, 1996; July 1, 1998; July 1, 2000; May 1, 2004; April 1, 2012; April 1, 2016;_____.

General Authority: NDCC 54-52.1-08

Law Implemented: NDCC 54-52.1-02, 54-52.1-03, 54-52.1-03.1; Pub. L. 99-272; 100 Stat. 222; 26 USC 162 et seq.

Section 71-03-05-02 is amended as follows:

71-03-05-02. Retiree billing.

Retirees receiving a monthly retirement benefit from the board in a sufficient amount to pay premium will have the total monthly premium deducted from their benefit check. ~~Retirees not paying a premium from their benefit check will receive a monthly billing.~~

History: Effective October 1, 1986; amended effective November 1, 1990; April 1, 2008;_____.

General Authority: NDCC 54-52.1-08

Law Implemented: NDCC 54-52.1-03

CHAPTER 71-06-01

RETIREE HEALTH INSURANCE CREDIT

Section 71-06-01-01	Eligibility for Retiree Health Insurance Credit Applied to Premiums for Annuitants and Surviving Spouses Under the North Dakota Public Employees Retirement System, the North Dakota Highway Patrolmen's Retirement System, the Retired Judges Under North Dakota Century Code Chapter 27-17, Annuitants of the Job Service Retirement Program, and Former Participating Members of the Defined Contribution Retirement Plan Receiving Periodic Distributions [Repealed]
71-06-01-02	Calculation of Retiree Health Insurance Credit
71-06-01-03	For Retirees Receiving More Than One Benefit Entitled to Retiree Health Insurance Credit
71-06-01-04	Employer Paid Health Premiums [Repealed]
71-06-01-05	Member Contributions
71-06-01-06	Erroneous Crediting of the Retiree Health Insurance Credit [Repealed]
71-06-01-06.1	Retroactive Payment of the Retiree Health Insurance Credit [Repealed]
71-06-01-07	Optional Benefits
71-06-01-08	Vesting in Retiree Health Credit for Members of the Defined Contribution Retirement Plan
71-06-01-09	<u>Payment – Retiree Health Insurance Credit Benefits</u>

Section 71-06-01-09 is created as follows:

71-06-01-09. Payment - Retiree Health Insurance Credit Benefits.

Eligible retiree health insurance credit benefits that have been substantiated by the Office must be directly deposited into a financial account identified by the member or sent to the member's last-known address. If the benefit checks are returned with no forwarding information, the benefits will remain in the fund, and will be distributed in a lump sum upon location of the member. If two consecutive checks issued remain uncashed, future payments will be suspended until the member makes payment arrangements with the Office.

History: Effective _____.

General Authority: NDCC 54-52.1-03.2(b)

Law Implemented: NDCC 54-52.1-03.3

V. Miscellaneous

B. Electronic Payment Policy – Sharon (Board Action)

**This information will be
sent out under separate cover.**



North Dakota
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Memorandum

TO: NDPERS Board

FROM: Sparb

DATE: September 21, 2017

SUBJECT: Transition Report/Review Proposals

The deadline to submit proposals is 5:00 pm on Friday, September 15th. Staff will be reviewing the proposals on Monday and meeting with the Transition Committee on Tuesday, September 19th. Board material regarding the bids will be emailed late Tuesday afternoon.



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Memorandum

TO: NDPERS Board
FROM: Sparb
DATE: September 21, 2017
SUBJECT: November Board Meeting

Looking ahead to the November PERS Board meeting one idea would be to have it in Fargo at the Sanford Office. For those who have not been there it would be an opportunity to see the facility and meet some of the staff. Sanford has also indicated that they could arrange a tour of the new hospital for the Board as well. A tentative agenda for the meeting would be:

1. Presentation of the Sanford Quarterly Report
2. Sanford operational review
 - a. Organizational Review
 - b. Review of Operational Savings Efforts
3. Review of Sanford Disease Management Programs
4. Discussion of Wellness Program
5. Discussion of the Pharmacies items
6. Tour of Sanford Hospital

I would anticipate that you should be done with the above items by 2:00 p.m. (assuming you start at 8:30).

In addition, while the Board is in Fargo we could also ask BCBS if they would be available for a brief visit by the Board to get an update from them on their current efforts. If you are interested in exploring this it could be from 3:00 to 5:00 p.m.

Board Action Requested

1. Determine if the board would like to have an on-site meeting at Sanford in Fargo.
2. Determine if staff should ask BCBS if they would be available for a visit from the Board to get an update on there activities.



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Memorandum

TO: NDPERS Board

FROM: Sparb

DATE: September 21, 2017

SUBJECT: Operating Guidelines

Attached for your review is the Operational Guidelines that the PERS Board approved as guidance for the Executive Director on what items should be approved by the Board and what items can be approved by the Executive Director. These guidelines are in addition to what exists in the Century Code and the Administrative Rules. These have been helpful to me in my years here at PERS. Consequently, I bring them forward at this time for your review. If no changes are necessary I will forward them to the subsequent Executive Directors for their guidance.

NDPERS

Operating Guidelines

GENERAL

	Board	Executive Director
Rules	Must approve all rules	Proposes, drafts and implements
Benefit Structure	Must approve all program design features	Proposes and drafts changes; implements
Legislation	Must approve	Proposes; drafts and represents Board's position
Plan Documents	Must approve	Proposes; drafts and implements
Member Booklets, Newsletters, and Other Informational Material Sent to Members		Approves

FINANCE

	Board	Executive Director
Emergency Commission (i.e. line item transfers or transfers from contingency) Budget Preparation and Submittal to OMB Budgeted Expenses	<p>Approves</p> <p>Approves</p>	<p>Proposes</p> <p>Proposes and represents agency before Legislature and OMB Approves as long as expenses do not exceed the approved budget. Must report the status of the budget at each Board meeting. Director must assure the rate of expenditures for salaries and operating is consistent with Section 54-27-10 NDCC. Arrangements for office space must be reviewed by the Board before committing the Agency.</p>
Consulting Service Contracts <ul style="list-style-type: none"> • On Budget • Off Budget 	<p>Approves all contracts over \$10,000</p>	<p>Approves (i.e. temp services, EAP, Printing, Etc.)</p> <p>Approves if under \$10,000; must report all contracts to the Board at the earliest opportunity</p>
Contracts with Political Subs <ul style="list-style-type: none"> • Retirement • Health • Life • Deferred Compensation 	<p>Approves standard agreement</p>	<p>Approves as long as consistent with standard agreement</p>

	Board	Executive Director
Uniform Group Insurance Contract PPO Contracts	Approves and must be signed by Chairman (54-52.1-05 NDCC) Approves guidelines and standard agreement	Recommends Negotiates and approves if consistent with guidelines and the arrangement is equal to, or more stringent than, a standard agreement; must advise Board of status and terms.
Travel	Approves all out of state Board travel; the Chairman will review for approval any requests for Board travel that occurs prior to the reconvening of the full Board. Approves all staff travel outside the continental United States	Approves all staff travel (including the Executive Director's) within the continental United States and in-state Board travel

PERSONNEL

	Board	Executive Director
Personnel Policies New FTE Positions Hiring Firing Overtime Authorization Severance Pay Leave of Absence Job Evaluations Reclassifications Salary Increases Promotions	Approves Approves Responsible for Executive Director Responsible for Executive Director Approves, subject to Section 54-14-04.3 NDCC Approves for Executive Director Responsible for Executive Director Approves for Executive Director	Recommends and implements Recommends Responsible for filling authorized FTE and temporary assistance pursuant to OMB guidelines and available funds. Approves Approves subject to available funds Approves for staff Approves staff evaluations; advises Board annually of increases Approves; must advise Board of any major changes Approves, subject to available funds and OMB guidelines Approves, subject to OMB Human Resources guidelines
Educational Reimbursement	Approves for Executive Director	Approves for staff



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MEMORANDUM

TO: NDPERS Board
FROM: Jamie Kinsella
DATE: August 18, 2017
SUBJECT: May 23, 2017 PERS Audit Committee Minutes

Attached are the approved minutes from the May 23, 2017 meeting. Those who attended the meeting are available to answer any questions you may have.

The minutes may also be viewed on the NDPERS web site at www.nd.gov/ndpers.

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

Attachment

MEMORANDUM

TO: Audit Committee
Jon Strinden
Arvy Smith
Pamela Anderson
Rebecca Dorwart

FROM: Jamie Kinsella, Internal Auditor

DATE: May 24, 2017

SUBJECT: **May 23, 2017 Audit Committee Meeting**

In Attendance:
Jon Strinden
Rebecca Dorwart
Representative Pamela Anderson
Jamie Kinsella
Julie McCabe
Sharon Schiermeister
Derrick Hohbein
Sparb Collins

The meeting was called to order at 10:03 a.m.

I. March 8, 2017 Audit Committee Minutes

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

II. Internal Audit Reports

- A. Quarterly Audit Plan Status Report – A summary of the internal audit staff time spent for the past quarter was included with the audit committee materials. Of the total hours reported, 48.68% was spent in audit and 25.18% in consulting. This is in line with the audit plan of 50-60% auditing. However, more time was spent in consulting this quarter due to research conducted to understand how PERSLink calculated years of service upon conversion.
- B. Outstanding Issues Status Report – As stated in the Audit Policy #103, the Internal Audit Division is to report quarterly to management and the audit committee the status of the audit recommendations of the external auditors as well as any found by the internal auditor. The report has been updated to reflect what has been accomplished during February 1, 2017 through April 30, 2017. The audit committee commended staff on their progress as there were 9 issues completed, leaving 9 remaining.

- C. Benefit/Premium Adjustments Report – The quarterly benefit adjustment report was provided to the audit committee. The report is in two sections, Retirement and Insurance. This report has 21 retirement adjustments. The adjustments resulted from a variety of reasons as shown on a report to the committee.
- D. Status Update 2016-2017 Internal Audit Plan - Jamie reviewed the 2016-2017 status update, noting that Internal Audit's time was primarily spent on benefit audits. After discussion, going forward the Audit Committee directed the Internal Audit to audit benefits for issues that affect gross benefits only for fiscal year 2018 looking for an accuracy rate of 97%. Management will provide a plan for refunds at the August meeting.

III. Administrative

- A. Audit Committee Meeting Date & Time - The next audit committee meeting is scheduled for August 16, 2017 at 10:00 a.m. Jon is done with NDPERS, therefore no longer on the Audit Committee after the May meeting. Because there will be several changes to the board in July, the August date may need to be revised to ensure we have a quorum and we meet the Audit Committee Charter requirements.
- B. Audit Committee Charter 2016 Activity Review - The Audit Committee Charter states that it will "17. Conform annually that all responsibilities outlined in this charter have been carried out. Report annually to the Board, members, retirees and beneficiaries, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services." Report will go to the Board at the next meeting for their information.
- C. Internal Audit Charter 2016 Activity Review - A copy of the Internal Audit Charter Activity review matrix of the activities completed through December 31, 2016 was given to the board for review. A report will go to the board at the next meeting.
- D. Internship Update - NDPERS is in the process of recruiting for another intern for the summer and school year 2017-2018. The position was posted Friday, May 12, 2017 and was closed on May 18th. Four applicants will be interviewed the week of May 29th.
- E. Annual Performance Evaluation - NDPERS is in the process of doing annual reviews. In the past the Audit Committee has had Sparb prepare a draft review for Jamie Kinsella and submit it to the committee for review and comment. The Audit Committee agreed to follow a similar approach for this year.
- F. Confidential Meeting between Internal Audit and Audit Committee - The chief audit executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan. Reporting must also include significant risk exposures and

control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the board. The meeting between the audit committee and the internal audit division is scheduled to take place in February of each year. The meeting was held at the close of regular business.

IV. Miscellaneous

- A. Retirement Payment Status Report (Sharon) - Sharon reviewed the report she provided via email. The Audit Committee extended their appreciation for the update.
- B. Legislative Update - Information on legislation affecting NDPERS was provided to the Audit Committee.
- C. Travel Expenditures Update - The travel expenditures incurred by the Board and/or Executive Director for out-of-state travel for the period February 1, 2017 through April 30, 2017 were provided to the committee.
- D. Risk Management Report - The Loss Control Committee provides quarterly to the Audit Committee a copy of the Loss Control Committee's agenda from their last meeting as well as the approved minutes. Copies of the December 7, 2016 minutes and the agenda for the April 3, 2017 meeting were provided to the audit committee.
- E. Report on Consultant Fees - According to the Audit Committee Charter, the audit committee should "Periodically review a report of all costs of and payments to the external financial statement auditor. The listing should separately disclose the costs of the financial statement audit, other attest projects, agreed-upon-procedures and any non-audit services provided." A copy of the report showing the actuary/consulting audit, legal, investment and administrative fees paid during the quarter ended December 2016 was attached for the audit committee's information.
- F. Publications – The April 2017 publication of the Tone at the Top was provided to the audit committee for their perusal.
- G. CPEs and Webinars - Ms. Kinsella and Ms. McCabe have been participating in free Webinars that the Institute of Internal Auditors provides for their members. Each 1 hour webinar provides 1 hour of continuing professional education credits. The internal auditors have attended three webinars from February 1, 2017 through April 30, 2017. These webinars are held during the lunch hour so the internal auditors remain available to staff during normal business hours.

Meeting adjourned at 11:28 a.m.



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Memorandum

TO: NDPERS Board
FROM: Sparb
DATE: September 21, 2017
SUBJECT: Board Planning Items

Attached is an updated summary of the items we reviewed at the Board Planning Meeting in July. We had included this in August board material. We have added a couple of items since then. If there are no changes to this list staff will start working on the attached items for your future consideration.

**Board Planning Items
Attachment 1**

2017 Planning Meeting	Items to consider	Timeline	Board Committee	Action Plan
Legislative Efforts	Discuss adding back Pre-Medicare with PERS Active member committee and Retiree committee.	August – January	PERS Benefits Committee	<ul style="list-style-type: none"> • Prepare information on how this could be accomplished • Discuss with the Benefits Committee • Compile information and report back to PERS Board no later than Jan 18
	PERS staff shall regularly report to the board activities of interim committees including: <ul style="list-style-type: none"> • Health Care Reform • Employee Benefits Committee 	Ongoing	PERS Board	<ul style="list-style-type: none"> • Staff will provide regular reports to the board • Board will directions to staff on thoughts to share with Legislative committees
	Main plan ·Contributions ·Benefits	August – January	PERS Benefits Committee	<ul style="list-style-type: none"> • Prepare options for returning the plan back to 100% (contribution increases, benefit reductions, etc) • Discuss with Benefits Committee • Compile information and report back to the PERS Board no later that Jan 18
	Health Premium provision	August – January	PERS Benefits Committee	<ul style="list-style-type: none"> • Develop a concept for levels of premium contributions based upon plan design • Review with PERS Benefits Committee • Compile information and report back to PERS Board no later than Jan 18
	EAP funding	August – January	PERS Board	<ul style="list-style-type: none"> • Consider increase in premiums in 2019-21 budget • Include in Executive budget request • Prepare RFP in spring of 2019
	Judges Retirement Plan	August – January	PERS Board	<ul style="list-style-type: none"> • Review with Judges the Plan funding status • Seek thoughts from them on how to move forward with the plan <ul style="list-style-type: none"> ○ No change ○ Reduce contributions to plan <ul style="list-style-type: none"> ▪ Employer ▪ Employee ○ Change Benefits
	Law Enforcement/BCI Retirement Plan:	August – January	PERS Board	<ul style="list-style-type: none"> • Following up with BCI to get their thoughts concerning further legislation in 2019 (contribution levels) • Compile information and report back to PERS Board no later than Jan 18
	Final Average Salary	August – January	PERS Benefits Committee	<ul style="list-style-type: none"> • Consider changing method for calculating final average salary: <ul style="list-style-type: none"> ○ From average of high 36 months of last 180 ○ To an alternative method of aggregation of FAS • Compile information and report back to the PERS Board no later than Dec, 2017
	DC Plan – Opening to non state entities	Aug to Jan	PERS Bd	Review if DC plan should be open to non state entities

2017 Planning Meeting	Items to consider	Timeline	Board committee	Action Steps
Program Planning & Implementation	RHIC – participation assumption	August - July	PERS Board	Examine participation assumption and determine if it should be changed for the 2018 valuation
	Part D coverage – Plan design	August - August	Retiree Committee	Maintain Existing Part D coverage—review again in 2018 <ul style="list-style-type: none"> Remain bundled but review and again in 2018 Move forward with Renewal with ESI
	DC Plan - Annuities	August – August	Investment Committee	Adding annuities to our line up of funds for both the 401(a) and 457 plans <ul style="list-style-type: none"> Compile the adv & disadvantage of such an addition and report back to the board no later than Jan 2018 If board approves develop plan & implement it by summer of 2018
	EAP	Dec 2017	PERS Board	Add reporting of EAP utilization to the PERS Bd on a semi-annual basis
	Fiduciary Responsibility	Jan 2018	PERS Board	Ask our attorney to research this question and report back to the board <ul style="list-style-type: none"> Explore fiduciary responsibility for Retirement Plan What are implications/actions for a fiduciary of not funding the program
	Health Plan Design: <ul style="list-style-type: none"> Consider adding a managed care Plan (EPO) Review Premium method for plans 	March 2018	PERS Board	<ul style="list-style-type: none"> Develop a report for PERS board of implications of adding an EPO If approved develop and implementation plan & timeline Review the implications and options for a new pricing structure for the PERS plan.
	Specialty programs	Ongoing	PERS Board	<ul style="list-style-type: none"> Study specialty drug programs, pricing and growth (Oct 2018) Develop new operating plan for “About the Patient” (fall 2017) Monitor change from Accordant (include in Quart. Rep) Examine other steps for managing care (Jan 2018) Examine the “Medical Home” model to determine if this should still be a part of plan going forward. (Jan 2018) Review Mental Health efforts (Feb 2018)
	Wellness	Ongoing	PERS Board	Review and determine if: <ul style="list-style-type: none"> We should consider approaching the new administration about activities Review wellness study being done & determine if changes should occur

2017 Planning Meeting	Items to consider	Timeline	Board committee	Action Steps
Administrative Actions	Expectations Setting process for the health plan:	Sept 2017 for letter Ongoing for reporting	PERS board	<ul style="list-style-type: none"> A letter should be sent Sanford discussing the board expectations Staff should meet with Sanford to review the letter It should also indicate these will be considered as part of the next renewal. Ask for a board update on these around the first of the year
	Expectations Setting process for the 457 plan:	Sept 2017 for letter Ongoing for reporting	PERS board	<ul style="list-style-type: none"> A letter should be sent TIAA discussing the board expectations Staff should meet with TIAA to review the letter It should also indicate these will be considered as part of the next renewal. Ask for a board update on these around the first of the year
	Expectations Setting process for the Flex plan:	Sept 2017 for letter Ongoing for reporting	PERS board	<ul style="list-style-type: none"> A letter should be sent to WageWorks discussing the board expectations Staff should meet with Wage Works to review the letter It should also indicate these will be considered as part of the next renewal. Ask for a board update on these around the first of the year
	New administration	Ongoing	PERS Board	Work with new Governor and staff concerning retirement & health care programs, PERS programs and Wellness.
	FlexComp	Ongoing	PERS Board	<ul style="list-style-type: none"> Monitor transition Establish updates to the board on <ul style="list-style-type: none"> Communication plan Decision Support tools Explore in more detail increase “% of claims processed correctly” Ask them for assistance in annual open enrollment to increase participation Go to bid in 2018 or extend
	Dental Plan – do bid	October – June 18	PERS Board	October, 2017 Begin work on dental RFP. January, 2018 Submit dental RFP to PERS Board for approval. February, 2018 Issue dental RFP April, 2018 Receive and begin evaluation of dental RFP’s. May, 2018 Submit dental evaluation to NDPERS Board. June, 2018 Interview and select dental vendor. The consultant should plan to attend this NDPERS meeting.
	FlexComp – do bid	February – Dec 18	PERS Board	Feb 2018 issue Flex RFP (keep in market 4 weeks) March 2018 RFP’s Due August 2018 NDPERS Board Selects Vendor

2017 Planning Meeting	Items to consider	Timeline	Board committee	Action Steps
				December 31, 2018 new contract effective date
	Health Plan vendor - Renew or bid	January – August/September	PERS Board	Jan – August – Prepare RFP's in case the decision is to go to bid July/August - Do the renewal estimate August/September –Receive and consider the proposed renewal and other information required in NDCC 54-52.1-05. September – If the renewal is not approved we need to go to bid immediately with the following timeline Sept – issue RFP Nov – receive RFP's Dec/Jan/Feb – review RFP's February – award the plan for the 2019-21 biennium
	Reducing mailing and paper processes (benefits adm, Bd elections, e		PERS Board	Developing a plan of action to present policies relating to electronic payments and electronic communications for Board consideration
	Review an electronic enrollment process	May/June	PERS Board	Develop costs for the addition to PERSLink of an on-line application process for retirement and health at retirement. Get numbers together for consideration in the development of the PERS Budget
	Review LTC program	Summer	PERS Benefits Committee	Review if PERS should continue to offer employees the opportunity enroll in the LTC plan
	Flex automatic payment	Spring.	PERS Board	Review with the PERS Board the process for the auto payment methodology for the Flex program to determine if it should be continued and a part of the next bid.