

NDPERS BOARD SPECIAL MEETING

Agenda

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

September 29, 2017

Time: 8:30 a.m.

Proposed Agenda items:

I. PRESENTATIONS

A. Fiduciary Responsibilities – Jan Murtha (Information)

II. RETIREMENT

A. Service Purchase Factors – Sharon (Board Action)

III. GROUP INSURANCE

A. Part D Contract – Kathy Board (Board Action)

IV. FLEX COMP

A. WageWorks Contract – Kathy (Board Action)

V. RECRUITMENT FIRM INTERVIEW(S)

A. Review of Proposals (Information)*Executive Session

B. Firm Interviews(s)**Executive Session

C. Discussion/possible firm selection (Board Action)*Executive Session

VI. MISCELLANEOUS

A. Finalize November Meeting Agenda – Sparb (Board Action)

*Possible Executive Session pursuant to N.D.C.C. §§ 44-04-17.1(2) and (5), 44-04-18.4(6), 44-04-19.1(9), 44-04-19.2, and 54-44.4-10 to discuss bids or proposals received by a public entity in response to a request for proposals and to discuss negotiating strategy and provide negotiating instructions to its attorney or other negotiator. (Motion is necessary)

**Possible Executive Session pursuant to N.D.C.C. § 44-04-19.2(6) to sequester all competitors in a competitive selection or hiring process during interviews. (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
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Bismarck, North Dakota 58502-1657

Sparb Collins
Executive Director
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1-800-803-7377

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

Memorandum

TO: NDPERS Board

FROM: Jan Lund

DATE: September 29, 2017

SUBJECT: Fiduciary Responsibilities

Jan Murtha will be providing a presentation to the NDPERS Board on Fiduciary Responsibilities. The material will be sent out electronically prior to the special meeting on Friday.



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Memorandum

TO: NDPERS Board

FROM: Sharon Schiermeister

DATE: September 29, 2017

SUBJECT: **Service Purchase Factors**

We are working with GRS to finalize the new service purchase factors and cost calculation methodology, which will be effective January 1, 2018.

The service purchase factors are being updated to reflect the assumptions that were adopted for the July 1, 2017 valuation. In addition, the Board took action at the May 2017 meeting to adopt a cost calculation method that recognizes the additional cost of a service purchase due to the benefit being payable at an earlier age (Attachment 1).

Before GRS can prepare the new factors, the following needs to be confirmed:

1. **Salary increase assumption.** (The current factors were prepared using a single assumption for all ages of 6.00 percent)
 - a. A single assumption for all ages (5.00 percent or another rate), or
 - b. A salary assumption that varies by age (additional complexity compared to the current method)
2. **Interest assumption.** (The current factors were prepared using an interest rate of 8.00 percent)
 - a. A rate of 7.75 percent, or
 - b. A lower rate (6 percent or lower) that would be more consistent with the concept that service purchase is similar to purchasing an annuity
3. **Mortality rates.**
 - a. Consistent with rates used for the retirement benefit option factors
4. **Cost calculation methodology**
 - a. Factors for present value of future employee contributions based on remaining years until retirement age

5. Plans

- a. New factors and cost calculation methodology will apply to purchase cost requests received on or after January 1, 2018 for the Main, Judges, Law Enforcement, Highway Patrol and Retiree Health Insurance Credit plans.

GRS will be available at the Board meeting to discuss the various assumptions and answer any questions you may have.

Board Action Requested:

Confirm the information required to prepare the service purchase factors



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: May 18, 2017
SUBJECT: Actuarial Assumptions

At the last meeting we discussed the actuarial assumptions and the decision was made to change the investment return assumption. The return assumption also impacts the interest rate we pay on member account balances and collect on service purchases. Specifically in NDAC and NDCC it states:

71-02-01-01. Definitions.

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. (emphasis added)

54-52-06. Employer's contribution to retirement plan. 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. (emphasis added)

54-52-17.4. Purchase of additional credit. (4). The participating member may purchase credit under this section, or the participating member's employer may purchase for the participating member, by paying to the board an amount equal to the actuarial cost to the fund of providing the credit. If the participating member purchases credit pursuant to subdivision d of subsection 1, the participating member must pay to the board an amount equal to the greater of the actuarial cost to the fund of providing the credit, or the amount the participating member received upon taking a refund of the participating member's account balance, plus interest at the actuarial rate of return from the time the participating member was issued the refund. If the participating member is not repurchasing all of the credit originally refunded, the participating member must pay a pro rata amount of the refunded amount determined by dividing the refunded amount by the number of months of

credit refunded, multiplying that amount times the number of months of credit the participating member seeks to repurchase, and adding interest at the actuarial rate of return. The participating member or the participating member's employer shall also pay to the retiree health benefits fund established under section 54-52.1-03.2 an amount equal to the actuarial cost to that fund for the additional credit. This contribution must be recorded as a member contribution pursuant to section 54-52.1-03.2. The board shall adopt rules governing the purchase of additional credit under this section. (emphasis added)

71-02-03-02.2. Payment.

The total dollar amount for the purchase or repurchase may be paid in a lump sum or on a monthly, quarterly, semiannual, or annual basis. Payments may be subject to contribution limitations established under 26 U.S.C. 415. Payments must begin within ninety days of the date the written cost confirmation is prepared. If the installment method is used, the following conditions apply:

1. **Simple interest at the actuarial rate of return must** accrue monthly on the unpaid balance. **(emphasis added)**

While we adopted the new assumptions at the last board meeting we did not specify an effective date. Therefore, we need to specify if the changes are effective July 1 and as a result for the 2017 valuation. If the date is July 1 then it could be interpreted to mean that this change would cause the above provisions to change effective July 1 as well. Given the scope of the changes required for the above provisions, staff believes we will need until January 1, 2018, to make the above changes. This will allow us time to:

1. Develop a plan for the boards review and concurrence on the implementation of the above changes.
2. Notify members of the change in the account balance interest rate change. By doing it by January 1 it will coordinate with the new calendar year.
3. Notify members who have a service purchase agreement with us of the change since this could affect the amount of monthly payment they make to us.
4. Implement the changes in the PERSLink business system.
5. Update communication materials that reference the interest rate.

In recognition of the above implementation this gives us two options relating to the effective date:

1. Would be to have the effective for the change in assumptions be January 1, 2018. The effect of this would be that our 2017 valuation would be done based upon the old assumptions.
2. Would be to have dual effective dates. The first would be to make the new assumptions effective for the assumptions for 2017. Second would be to have the effective date for above changes be January 1, 2018.

I have asked Jan Murtha to review option #2 to make sure this is acceptable under our existing statute and rules. She will review this with you at the board meeting.

Staff Recommendation:

Option #2.



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: May 18, 2017
SUBJECT: Actuarial Tables

Attached is a memo from GRS seeking your guidance on two issues relating to the update in the actuarial factors which are:

- A. Joint and Survivor (J&S) Factors for the Main and Law Enforcement Systems
- B. Service Purchase Factors

A. JOINT & SURVIVOR FACTORS

Relating to the J & S benefit that is specified as an option in NDCC 54-52-17 (9)(d) which states:

9. The board shall adopt rules providing for the receipt of retirement benefits in the following optional forms:

- a. Single life.*
- b. An actuarially equivalent joint and survivor option, with fifty percent or one hundred percent options. (underlining added)*
- c. Actuarially equivalent life with ten-year or twenty-year certain options.*
- d. An actuarially equivalent partial lump sum distribution option with a twelve-month maximum lump sum distribution.*
- e. An actuarially equivalent graduated benefit option with either a one percent or two percent increase to be applied the first day of January of each year.*

Concerning actuarial equivalent our rules defined that term to be:

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.

Our rules also discuss the J & S benefit in 71-02-04-04 which state:

71-02-04-04. Optional benefits.

A member may elect, as provided in section 71-02-04-02, to receive one of the following optional benefits in lieu of the regular single life, or normal for judges, retirement benefit.

1. **One hundred percent joint and survivor benefit.** A member shall receive an actuarially reduced retirement benefit during the member's lifetime and after the member's death the same amount will be continued to the member's surviving spouse during the spouse's lifetime. The designated beneficiary is limited to the member's spouse. Payments of benefits to a member's surviving spouse shall be made on the first day of each month commencing on the first day of the month following the member's death, providing the beneficiary has supplied a marriage certificate and death certificate and is still living. Benefits shall terminate in the month in which the death of the beneficiary occurs. **In the event the designated beneficiary predeceases the member or, in the event of divorce, the option shall be**

canceled and the member's benefit shall be returned to the single life or normal amount. Payment of the single life or normal amount shall commence on the first day of the month following the spouse's death providing written notification of death and a death certificate has been submitted or, in the event of divorce, a photocopy of the divorce decree.

2. **Fifty percent joint and survivor benefit.** A member shall receive an actuarially reduced retirement benefit during the member's lifetime and after the member's death one-half the rate of the reduced benefit will be continued to the member's surviving spouse during the spouse's lifetime. The designated beneficiary is limited to the member's spouse. Payments of benefits to a member's surviving spouse shall be made on the first day of each month commencing on the first day of the month following the member's death, providing the beneficiary has supplied a marriage certificate and death certificate and is still living. Benefits shall terminate in the month in which the death of the beneficiary occurs. **In the event the designated beneficiary predeceases the member or, in the event of divorce, the option shall be canceled and the member's benefit shall be returned to the single life or**

normal amount. Payment of the single life or normal amount shall commence on the first day of the month following the spouse's death providing written notification of death and a death certificate has been submitted or, in the event of divorce, a photocopy of the divorce decree. (Emphasis added)

The wording highlighted above is called a "Pop Up" provision.

The issue the GRS memo notes "Although the Main and Law Enforcement Systems include the pop up provision in the joint and survivor options, the current actuarial factors do not reflect the cost of the pop up provision." You will note that the above rule specifies this inclusion. The guidance they seek from you is "When GRS is calculating updated actuarial factors under the new assumptions, we can either:

1. Reflect the cost of the pop up option (which will make factors lower), or
2. Not reflect the cost of the pop up option (which means the value of the pop up provision would be subsidized by the Retirement System rather than paid for by the participant)"

In considering this issue several items to note are:

1. Historically PERS has not had the additional reductions. To staff's recollection this has not been brought forward as consideration in the past and therefore while we have not had the offset it is not due to specific board action on the issue (staff will continue to research this issue)

2. The NDCC states that the J&S benefit should be the “actuarial equivalent” benefit.

Board Action Requested:

Should GRS:

1. Reflect the cost of the pop up option (which will make factors lower), or
2. Not reflect the cost of the pop up option (which means the value of the pop up provision would be subsidized by the Retirement System rather than paid for by the participant)

B. SERVICE PURCHASE FACTORS

GRS has observed in the attached memo that:

“The current methodology for calculating service purchases is to calculate the additional present value of benefits attributable to the service purchase (based upon the earliest retirement date). This methodology does not take into account that the total benefit (including actual service) may be payable at an earlier date, which increases the cost to the System”.

In the example on page two they calculate that the existing methodology with the existing assumptions result in an implicit subsidy from the system of about 3% of the cost of the purchase in that example. Please note that for those close to there normal retirement date or at there normal retirement date there would be no subsidy.

On page 3 of the memo they do an example of the existing methodology using the new assumptions. In that example the implicit subsidy increases to 10%. GRS is asking for the Board’s guidance.

Confirmation of how to treat the additional cost of a service purchase due to the benefit (attributable to actual service) potentially being payable at an earlier age

- a. Maintaining the current method under which the System subsidizes this cost (and is administratively less complex)
- b. Developing a more complex set of factors (or a service purchase tool) under which the System would not be expected to subsidize the additional cost (but is administratively more complex)

In considering the above NDCC 54-52-17.4 provides the following:

The participating member may purchase credit under this section, or the participating member's employer may purchase for the participating member, by paying to the board an amount equal to the actuarial cost to the fund of providing the credit. (emphasis added).

Board Action Requested:

Should GRS:

- a. Maintain the current method under which the System subsidizes this cost (and is administratively less complex)
- b. Develop a more complex set of factors (or a service purchase tool) under which the System would not be expected to subsidize the additional cost (but is administratively more complex)

May 8, 2017

Actuarial Factors Attachment

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

Re: Issues Related to Updating Actuarial Factors

Members of the Board:

The first step in the process of calculating new actuarial factors based on the updated actuarial assumptions adopted by the Board (including an investment return assumption of 7.75 percent), was to review and replicate the actuarial factors currently in use. During this first step, we have identified the following items that warrant further discussion and decisions on how to calculate the new actuarial factors.

Joint and Survivor Factors for the Main System and Law Enforcement System

Upon retirement from the Main or Law Enforcement Systems, members may receive monthly benefits payable for their lifetime or they may elect an optional form of payment. One of the optional forms of payment that they may elect is a joint and survivor option. Under the joint and survivor option, a lower benefit is payable during the lifetime of the retiree and all or a portion of the lower benefit that was payable to the retiree continues to be paid after the retiree's death for the lifetime of the beneficiary.

There are two variations of joint and survivor benefit options:

1. Joint and Survivor **with** pop up
2. Joint and Survivor **without** pop up

Under the joint and survivor with pop up benefit option, if the beneficiary dies while the retiree is still alive, the retiree's benefit increases ("pops up") to the original benefit amount if the joint and survivor benefit option had not been elected. Under the joint and survivor option without pop up option, the benefit does not change as a result of the beneficiary dying before the retiree. Under the "with pop up" variation, there is the potential for a higher amount of benefits to be paid to the retiree compared to the "without pop up" option. Therefore, the actuarial factor will be lower if the "with pop up" option is included.

Following is an example of the two options:

Benefit Option	Retiree Life Benefit	Option Factor	Both Retiree and Beneficiary Alive	Retiree Deceased, Beneficiary Alive	Retiree Alive, Beneficiary Deceased
50% Joint and Survivor Without Pop Up	\$1,000.00	0.94430	\$944.30	\$472.15	\$944.30
50% Joint and Survivor With Pop Up	\$1,000.00	0.93730	\$937.30	\$468.65	\$1,000.00
100% Joint and Survivor Without Pop Up	\$1,000.00	0.89450	\$894.50	\$894.50	\$894.50
100% Joint and Survivor With Pop Up	\$1,000.00	0.88200	\$882.00	\$882.00	\$1,000.00

Although the Main and Law Enforcement Systems include the pop up provision in the joint and survivor options, the current actuarial factors do not reflect the cost of the pop up provision. In the

example, the pop up costs about \$7 per month for the 50% joint and survivor option and \$12.50 per month for the 100% joint and survivor option.

When GRS is calculating updated actuarial factors under the new assumptions, we can either:

1. Reflect the cost of the pop up option (which will make factors lower), or
2. Not reflect the cost of the pop up option (which means the value of the pop up provision would be subsidized by the Retirement System rather than paid for by the participant)

Service Purchase Factors

The current service purchase factors are based on an 8.00 percent interest rate and a 6.00 percent salary increase assumption. The current methodology for calculating service purchases is to calculate the additional present value of benefits attributable to the service purchase (based upon the earliest retirement date). This methodology does not take into account that the total benefit (including actual service) may be payable at an earlier date, which increases the cost to the System. Following is an example (based on the current assumptions).

	No Purchased Service	Earlier Retirement Date Based on Actual Service	Earlier Retirement Date Based on Purchased Service
Interest Rate	8.00%	8.00%	8.00%
Salary Assumption	6.00%	6.00%	6.00%
Current Age	40	40	40
Current Service	3	3	3
Purchased Service	0	0	4
Projected Retirement Age	61	59	59
Projected Total Retirement Service	24	22	26
Age Plus Service	85	81	85
Current Average Monthly Salary	\$3,000.00	\$3,000.00	\$3,000.00
Projected Average Monthly Salary At Retirement	\$10,198.69	\$9,076.80	\$9,076.80
Projected Monthly Benefit At Retirement	\$4,895.37	\$3,993.79	\$4,719.94
Annuity Factor At Retirement Age (\$1 per month)	122.6918	125.9222	125.9222
Discount To Age 40	0.1987	0.2317	0.2317
PV Benefits at Age 40	\$119,316.98	\$116,529.63	\$137,716.84
Present Value Future EE Contributions	\$44,179.35	\$40,678.68	\$40,678.68
PV Ben - PV EE Contribs	\$75,137.63	\$75,850.95	\$97,038.16
Change in PV		\$713.32	\$21,900.53
Cost of Earlier Retirement Based on Actual Service			\$713.32
Cost of Purchased Service			\$21,187.21
Percentage of Cost Not Accounted for Under Current Method			3.26%
Cost to Purchase Service			
Current Average Monthly Salary			\$3,000.00
Purchased Service			4
Benefit Accrual Rate			2.00%
Purchase Factor			88.2801
Cost to Purchase Service at Age 40			\$21,187.22

Under the current method, the member is not charged for the cost of the benefit attributable to actual service being payable at an earlier age. The estimated cost of paying for the benefit attributable to 22 years of actual service (out of a total of 26 total years) at age 59 instead of age 61 is \$713.32. This is approximately 3 percent of the total estimated cost of \$21,900.53.

We are in the process of updating the actuarial factors using the new actuarial assumptions. The updated interest rate assumption is 7.75 percent. The proposed salary increase assumption is 5.00 percent (for all ages for purposes of service purchase factors). Based on these assumptions, the estimated additional cost that is not factored into the current service purchase methodology is about 10 percent of the total estimated cost. (The larger the difference is between the interest rate and salary increase assumptions, the larger the additional cost that is not factored into the current service purchase methodology.)

	No Purchased Service	Earlier Retirement Date Based on Actual Service	Earlier Retirement Date Based on Purchased Service
Interest Rate	7.75%	7.75%	7.75%
Salary Assumption	5.00%	5.00%	5.00%
Current Age	40	40	40
Current Service	3	3	3
Purchased Service	0	0	4
Projected Retirement Age	61	59	59
Projected Total Retirement Service	24	22	26
Age Plus Service	85	81	85
Current Average Monthly Salary	\$3,000.00	\$3,000.00	\$3,000.00
Projected Average Monthly Salary At Retirement	\$8,357.89	\$7,580.85	\$7,580.85
Projected Monthly Benefit At Retirement	\$4,011.79	\$3,335.57	\$3,942.04
Annuity Factor At Retirement Age (\$1 per month)	122.6918	125.9222	125.9222
Discount To Age 40	0.2086	0.2421	0.2421
PV Benefits at Age 40	\$102,657.42	\$101,705.56	\$120,197.48
Present Value Future EE Contributions	\$41,366.50	\$38,321.97	\$38,321.97
PV Ben - PV EE Contribs	\$61,290.92	\$63,383.59	\$81,875.51
Change in PV		\$2,092.67	\$20,584.59
Cost of Earlier Retirement Based on Actual Service			\$2,092.67
Cost of Purchased Service			\$18,491.92
Percentage of Cost Not Accounted for Under Current Method			10.17%

We are looking for a decision from the Board on the following:

1. Confirmation of the salary increase assumption to use
 - a. A single assumption for all ages (5.00 percent or another rate)
 - b. A salary assumption that varies by age (additional complexity compared to the current method)
2. Confirmation of how to treat the additional cost of a service purchase due to the benefit (attributable to actual service) potentially being payable at an earlier age
 - a. Maintaining the current method under which the System subsidizes this cost (and is administratively less complex)

- b. Developing a more complex set of factors (or a service purchase tool) under which the System would not be expected to subsidize the additional cost (but is administratively more complex)

Following is the salary increase assumption used in the actuarial valuation (in order for the Board to better understand the relationship between the assumptions used in the actuarial valuation and the service purchase factors):

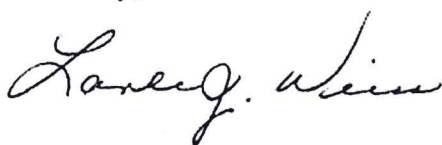
Service At Beginning of Year	State Employee	Non-State Employee	Law Enforcement	Judges
0	12.00%	15.00%	20.00%	
1	9.50%	10.00%	20.00%	
2	7.25%	8.00%	20.00%	
3			10.00%	
4			10.00%	
Age*				
Under 30	7.25%	10.00%	7.25%	4.00%
30-39	6.50%	7.50%	6.50%	4.00%
40-49	6.25%	6.75%	6.25%	4.00%
50-59	5.75%	6.50%	5.75%	4.00%
60+	5.00%	5.25%	5.00%	4.00%

The signing actuaries are independent of the plan sponsor.

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

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

Sincerely,



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



Amy Williams, ASA, MAAA, FCA
Consultant

AW:rl

cc: Ms. Sharon Schiermeister, NDPERS
Mr. Sparb Collins, NDPERS

SENATOR DEVER MOVED APPROVAL OF THE APRIL 27, 2017, NDPERS BOARD MEETING MINUTES. THE MOTION WAS SECONDED BY MS. SMITH AND CARRIED BY VOICE VOTE. THE MINUTES WERE APPROVED.

PRESENTATIONS

ASIFlex

Mr. John Riddick, President and CEO, Ms. Anita Spencer, Vice President of Marketing and Ms. Katie Price introduced themselves. Ms. Anita Spencer opened the presentation by providing background about the company and an overview of the agency and services provided. Ms. Spencer provided details regarding the administration of the Retiree Health Insurance Credit (RHIC) as well as information concerning Plan Year and claim filing deadlines. The presentation also served as an update/report of the first two years of the program. Mr. Collins interjected with background of Health Credit calculated which is calculated at \$5 times a members years of service and that Health Credit can be used to purchase health insurance or PERS vision and dental insurance. Overall it was noted that the transition to ASI went smoothly. Ms. Schiermeister commented on the need to cobrand ASIFlex with NDPERS as direct deposit is not mandated and a large volume of uncashed checks is the result of retirees not recognizing that ASIFlex check is a PERS reimbursement. Discussion followed.

RETIREMENT

Actuarial Tables

Mr. Collins outlined information contained in the board memo about Joint and Survivor factors and service purchase factors provided by Mr. Lance Weiss, Senior Consultant and Team Lead and Ms. Amy Williams, consultants with Gabriel Roeder Smith (GRS). Mr. Weiss noted there are two variations of joint and survivor benefit options: Joint and Survivor with pop up, and Joint and Survivor without pop up. Under the joint and survivor with pop up benefit option, if the beneficiary dies while the retiree is still alive, the retiree's benefit increases ("pops up") to the original benefit amount if the joint and survivor benefit option had not been elected. Under the joint and survivor option without pop up option, the benefit does not change as a result of the beneficiary dying before the retiree. Under the "with pop up" variation, there is the potential for a higher amount of benefits to be paid to the retiree compared to the "without pop up" option. Therefore, the actuarial factor will be lower if the "with pop up" option is included. The current actuarial factors do not reflect the cost of the pop up provision. When calculating updated actuarial factors under the new assumptions there are two options. The first is to reflect the cost of the pop up option, the second is to not reflect the cost of the pop up option which means the value would be subsidized by PERS rather than paid for by the participant. Staff addressed several questions and comments from the Board. PERS staff indicated that there are a large number of Joint and Survivor selections. Further discussion followed regarding subsidizing and related costs.

REPRESENTATIVE ANDERSON MOVED APPROVAL TO CHARGE PARTICIPANTS FOR POP UP ON A PROSPECTIVE BASIS FOR NEW PARTICIPANTS. MOTION WAS SECONDED BY MS. SMITH.

Ayes: Ms. Goodhouse, Ms. Yvonne Smith, Ms. Tufte, Mr. Sandal, Ms. Wassim, Senator Dever, Representative Anderson and Chairman Strinden.

Nays: None

Absent: Mr. Seibel

MOTION PASSED

Mr. Lance Weiss, Ms. Amy Williams and Mr. Collins continued with outlining Service Purchase costs based on a proposed salary increase assumption of 5% for all ages or a salary assumption that varies by age. Also detailed was the additional cost of a service purchase due to the benefit potentially being payable at an earlier age and whether to maintain the current method under which PERS subsidizes this cost, or to develop a more complex set of factors under which PERS would not subsidize the additional cost. In response to a question directed to staff, Ms. Schiermeister indicated that there is approximately \$10 million in service purchases. Discussion followed.

MR. SANDAL MOVED APPROVAL TO DIRECT GRS TO ACCOUNT FOR ACTUAL COSTS RELATING TO RECEIVING THE BENEFIT EARLIER IN THE NEW SERVICE PURCHASE COSTS. MOTION WAS SECONDED BY MS. GOODHOUSE.

Ayes: Ms. Goodhouse, Ms. Yvonne Smith, Ms. Tufte, Mr. Sandal, Ms. Wassim, Senator Dever, Representative Anderson, and Chairman Strinden.

Nays: None

Absent: Mr. Seibel

MOTION PASSED

Actuarial Assumptions

Mr. Collins reviewed action taken at the previous Board Meeting when the new actuarial assumptions were adopted for our investment return assumption but he noted that we had not specified an effective date. PERS staff proposed two options relating to the effective date. Option 1) an effective date for the change in assumptions be January 1, 2018. The effect of this would be that our 2017 valuation would be done based upon the old assumptions. Option 2) is to have dual effective dates. The first would be to make the new assumptions effective for the assumptions for 2017. Second would be to have the effective date for above changes be January 1, 2018. The Board was advised by counsel that the decision is within their authority but to discuss fully as it would be setting a precedent. A lengthy discussion followed.

MR. SANDAL MOVED APPROVAL TO ADOPT THE STAFF RECOMMENDATION TO MAKE THE NEW ASSUMPTIONS EFFECTIVE FOR THE VALUATION ON JULY 1, 2017, AND FOR PURPOSES OF NDAC 71-02-01-01, NDCC § 54-52-06, NDCC § 54-52-17.5 AND NDAC 71-02-03-02.2 TO MAKE THE CHANGE AT THE SAME TIME AS ACTUARIAL FACTORS. MOTION WAS SECONDED BY MS. SMITH.

Ayes: Ms. Goodhouse, Ms. Yvonne Smith, Ms. Tufte, Mr. Sandal, Representative Anderson, Ms. Wassim, Senator Dever and Chairman Strinden.

Nays: None

Absent: Mr. Seibel

MOTION PASSED

TIAA Performance Standards

Mr. Reinhardt shared the current Service Level Agreement (SLA) with TIAA and indicated that he is working with Segal to make updates to the SLA in response to several objectives with plan participation and service were conveyed at the April Board meeting.

Job Service Retirement Plan

Mr. Collins reported that the Investment Subcommittee is looking at the closed Job Service Plan that will expire when the last member passes. Recommendation was made approve Portfolio 'A' 30/70 asset allocation by reducing equity from 40% to 30% and increasing fixed income from 60% to 70%. Discussion followed.

MS. SMITH MOVED APPROVAL OF PORTFOLIO 'A' TO REDUCE EQUITY TO 30% AND INCREASE FIXED INCOME TO 70%. MOTION WAS SECONDED BY MS. WASSIM.

Ayes: Ms. Goodhouse, Ms. Yvonne Smith, Mr. Sandal, Ms. Tufte, Ms. Wassim, Representative Anderson, Senator Dever and Chairman Strinden.

Nays: None

Absent: Mr. Seibel

MOTION PASSED

GROUP INSURANCE

Wellness Incentives

Ms. Rebecca Fricke reviewed past Board action to reinstate the \$250 employee wellness incentive effective June 1 and reported on information from a meeting with Sanford Health Plan staff to discuss options regarding granting additional points or awards to participants in recognition of the months that the benefit was suspended. The following options were identified and pros and cons of each were outlined. 1) **Preloading**



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Bismarck, North Dakota 58502-1657

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

Memorandum

TO: NDPERS Board

FROM: Kathy

DATE: September 25, 2017

SUBJECT: Part D Renewal

At its May meeting, the Retiree Subcommittee reviewed several plan design options submitted by ESI in order to assess the effects of various changes on premiums. Attachment 1 is the information provided by ESI. Based on its assessment, the committee recommended that the existing plan design be retained. The minutes from the May meeting are included as Attachment 2.

The current premium is \$90.32 per member per month (PMPM). The premium for the same plan design, formulary and network for 2018 is \$95.38 which is a 5.6% increase or \$5.06 PMPM.

A review of the increase was conducted by Deloitte and is provided as Attachment 3. Deloitte indicated the 5.6% increase appears reasonable given expected trends.

The Addendum to our EGWP agreement was drafted to incorporate the Retiree Subcommittee's recommendation to retain the current plan design and is included as Attachment 4. It has been reviewed and approved by our legal counsel.

Staff Recommendation

Approve the addendum to our agreement to maintain the current plan design and implement the 5.6% increase effective January 1, 2018.

Board Action Requested

NDPERS EGWP Premium

- The Current 2017 EGWP Premium is \$90.32.
- Premium amounts are estimated, and subject to change upon the release of direct subsidies by CMS.

2018 EGWP Plan Options

	Scenario 1: Current Plan Design, Formulary & Network	Scenario 2: Same as Current Plan Design, Formulary & Network. Add \$100 Deductible	Scenario 3: Same as Current Plan Design, Formulary & Network. Coverage Gap option is Generic Only	
Deductible	\$0	\$100	\$0	
Initial Coverage	Same as Current	Same as Current	Same as Current	
Coverage Gap	All	All	Generic Only	
2018 Premium Estimate PMPM*	\$95.38	\$90.27	\$85.26	
	Scenario 4: Same Plan Design & Network. Move to a Closed Formulary	Scenario 5: Same as Current Plan Design & Formulary. Move to a Preferred Network	Scenario 6: Current Network & Formulary. Move to CMS Defined Standard Plan Design.	Scenario 7: Current Network & Formulary. Implement 4th Tier Specialty Copay of 33%
Deductible	\$0	\$0	\$400	\$0
Initial Coverage	Same as Current	Same as Current	CMS Defined Standard (25%)	Same as Current
Coverage Gap	All	All	CMS Defined Standard Minimum	All
2018 Premium Estimate PMPM*	\$93.82	\$94.85	\$71.09	\$93.67



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Attachment 2

Memorandum

TO: NDPERS Board

FROM: Sparb & Bryan

DATE: June 22, 2017

SUBJECT: Retiree Subcommittee Meeting Update

The NDPERS Retiree Subcommittee met on May 5th. The presentation and minutes from the meeting are attached.

The group discussed the retirement and health plans. The committee looked at the potential changes and cost savings for the Part-D EGWP plan. They also discussed if the retiree plan should be unbundled or remain bundled. They decided to not recommend any changes to the plan at this time.

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

NDPERS RETIREE BENEFITS COMMITTEE
May 5, 2017
MINUTES

* - Present

BOARD MEMBERS: *Yvonne Smith

STAFF: *Sparb Collins, *Bryan Reinhardt, *Kathy Allen, *Rebecca Fricke,
*MaryJo Steffes, *Aime Miller, *Sharon Schiermeister

Guests:

Interest Groups:

Membership Representatives:

*Dave Zentner, *Weldee Baetsch, *Bill Lardy, *Ron Leingang, *Danae Kautzman, *Curt Zimmerman

ND Capitol Ft. Totten Room

Minutes

10:00 – Sparb started the meeting and thanked everyone for coming. The presentation started with the retirement plan. The funded ratio is stable, but without the final year of the recovery contribution increase, it will not move to 100% funded status. The plan would move down with the change in the return assumption to 7.75%. The funding increase did not pass this legislative session. One new change is firefighters can now join the law enforcement plans.

The active health rates went up 17.4%, but after plan design changes and buying down premiums the State increase will be 9.8% for the biennium (Same for the Non-Medicare rates). The retiree health rates only increase on the medical side about 6.5% (Part-D increases are in January). The plan is buying down the rates by over 2% using reserves. The total increase will just over 2% for the next two years (Additional increases may come in January of each year depending on the Medicare Part-D renewals).

The group discussed the changes and potential cost savings for the Part-D EGWP plan. The group discussed if the plan should be unbundled or remain bundled with the medical plan. There are advantages/disadvantages to both. Adverse selection is a big unknown and potential problem. At the prior meeting the group discussed surveying the membership. The group discussed the survey questions developed by staff. The topic is complicated and getting the best wording is difficult. It was noted that Federal changes could happen. The committee decided to wait and not do a survey of the membership. These topics could be communicated in the newsletters and the retirement kit.

The group discussed the retirement plan and funding. Sharon discussed the NDPERS budget reductions and the move toward more electronic communications and payments. There were no other questions or issues.

11:30 – Adjourn

Attachment 3

From: Partida, Megan (US - Chicago)
Sent: Thursday, August 3, 2017 5:55 PM
To: Johnson, Josh (US - Minneapolis) <jkjohnson@deloitte.com>; Collender, Brian M (US - Chicago) <bcollender@deloitte.com>
Subject: RE: 2018 EGWP Plan Designs and Estimated Premium Options
Hi Josh,

The provided file doesn't give us much to go on but my initial thoughts are below:

2017 Rate: \$90.32

2018 Plan Design	2018 Rate	Increase
1) Current design, network & formulary	\$95.38	5.6%
2) Add \$100 deductible	\$90.27	-0.1%
3) Coverage gap generic only	\$85.26	-5.6%
4) Change to a closed formulary	\$93.82	3.9%
5) Change to a preferred network	\$94.85	5.0%
6) Change to CMS Defined Standard	\$71.09	-21.3%
7) Change 4th tier Specialty to 33%	\$93.67	3.7%

- The increase in Scenario #1 of 5.6% keeping constant plan design, network and formulary appears reasonable given expected trends. While CMS trends are lower (see last bullet below) I wouldn't expect ESI and others pricing plans to be so optimistic on trend.
 - Last year this increase was 10.2%.
 - The 2018 rates are likely built from 2016 actual claims data which would already have some of the large impact specialty drugs included, allowing for lower trend assumption.
- The national average monthly bid amount for Part D coverage decreased to \$57.93 from \$61.08 in 2017, and the Part D base beneficiary premium decreased to \$35.02 from \$35.63 in 2017.
- CMS announced an annual 2017 trend on Medicare Part D payments of 3.94%, however, prior year trend was overestimated by 2.62%, yielding an expected 2017 increase of 1.22%.

If we had more time to review the methodology and assumptions we would be better positioned to comment on the 5.6% increase based on actual base data used, projection factors, rebates, UM, etc.

Thanks!
Megan

Megan Partida, ASA, MAAA
Deloitte Consulting LLP
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mpartida@deloitte.com | www.deloitte.com

ADDENDUM TO AGREEMENT FOR MEDICARE PART D EMPLOYER
SPONSORED GROUP WAIVER PLAN
PRESCRIPTION DRUG SERVICES
BETWEEN
NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
AND
MEDCO CONTAINMENT LIFE INSURANCE COMPANY

This Addendum is made and entered into this 21st day of September 2017, by and between the State of North Dakota, acting through its North Dakota Public Employees Retirement System (Client) and Medco Containment Life Insurance Company (MCLIC). This agreement is an Addendum to the Agreement for Medicare Part D Employer-Only Sponsored Group Waiver Plan Prescription Drug Services (Agreement) between parties executed on December 30, 2015, and is made in accordance with Section 8.1 and Section 9.5 of the Agreement. All provisions of the Agreement remain in full force and effect except as otherwise noted in this Addendum.

Comment [MJK1]: Update to date the Board approves the addendum.

Whereas, the Section 8.1 and Section 9.5 of the Agreement executed between the parties permit Client to renew the Agreement for the term of January 1, 2018 through December 31, 2018; and

Whereas, the Client expressed its intent to renew the Agreement by executing Document attached hereto as Exhibit A and dated September 8, 2017; now,

Therefore, the parties in consideration of the mutual agreements and undertakings set forth in the Agreement hereby agree as follows:

1. That the Agreement between the parties executed on December 30, 2015 shall continue to be effective for the term of January 1, 2018 through December 31, 2018; and,
2. That in the event a conflict exists between the terms of the Agreement and the terms of Exhibit A to this Addendum, Exhibit A shall control; and
3. That this Addendum shall not be effective until fully executed by both parties.

MEDCO CONTAINMENT LIFE INSURANCE
COMPANY

NORTH DAKOTA PUBLIC EMPLOYEES
RETIREMENT SYSTEM

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

Federal ID Number: _____



Dear North Dakota Public Retirement System,

Medco Containment Life Insurance Company and Medco Containment Insurance Company of New York (hereinafter referred to as "Express Scripts Medicare") is pleased to continue offering the Medicare Part D Employer Group Waiver Plan (EGWP) for 2018 as described below.

Please check mark your intention below, sign and return to Express Scripts Medicare by 8/31/2017.

Plan Design:

		Retail Pharmacy Network	Retail Maintenance Drug Program (MDP) Pharmacy	Express Scripts Home Delivery
Day Supply		Up to 31 day	Up to 90 day	Up to 90 day
Member Co-Pay	Generic	\$5 copay plus 15% coinsurance	\$5 copay plus 15% coinsurance	\$5 copay plus 15% coinsurance
	Preferred Brand	\$15 copay plus 25% coinsurance	\$15 copay plus 25% coinsurance	\$15 copay plus 25% coinsurance
	Non-Preferred	\$25 copay plus 50% coinsurance	\$25 copay plus 50% coinsurance	\$25 copay plus 50% coinsurance
	Specialty	\$15 copay plus 25% coinsurance	\$15 copay plus 25% coinsurance	\$15 copay plus 25% coinsurance
Deductible		No deductible		
Initial Coverage Limit (ICL)		\$3,750		
Maximum Out Pocket		No maximum out of pocket		
Coverage Gap		No Coverage Gap; Member Co-pays above apply.		
Member True Out of Pocket (TrOOP)		\$5,000		
Catastrophic Coverage		Member cost share post-TrOOP (\$5,000) is the greater of 5% or \$3.35 per generic or preferred multi-source drugs and the greater of 5% or \$8.35 per all other brands		
Formulary		Premier Access Open		
Non Part D Drugs ¹		Mirror current coverage within CMS guidelines		
Part B Drugs ¹		Not Covered		
Utilization Management Program		All Approved Standard Part D		
Compound Management Solution		Compound Management Solution applies. Compound Management Solution in place to mitigate compound drug abuse by means of commercial inclusion and exclusion lists.		

¹Some states require coverage for certain Non Part D and Part B drugs. Express Scripts will comply with all state requirements on your behalf.

This group Medicare Part D plan has additional benefits to enhance the Medicare Part D coverage, as required by the Centers for Medicare and Medicaid Services (CMS). Per CMS regulations, the benefit enhancements are considered other health benefits and require filing with and approval by the state department of insurance. Express Scripts Medicare will offer this product in conjunction with Companion Life. The premium consists of two distinct components that will be outlined on your invoice as follows:

EGWP Plan Premium (PMPM)	\$68.59
Additional enhanced insurance (PMPM)	\$26.79
Total Premium Per Member Per Month* (PMPM)	\$95.38

These premiums are based on group enrollment with member option to opt out and a minimum enrollment of 3,000 in the selected plan by 1/1/2018. If minimum enrollment thresholds are not met, Express Scripts Medicare reserves the right to adjust the premium accordingly.

*The illustrated premium is subject to change in the event of CMS guidance and rate changes.

☒ I elect to offer the plan design as described to my Members **effective 01/01/2018 – 12/31/2018** pursuant to my agreement with Express Scripts Medicare.
☐ I do not elect the above EGWP and will notify Express Scripts Medicare of my intentions in accordance to our agreement by the timeframe required within our agreement.

Kathy M Allen
 Print Name

Kathy M Allen
 Signature

9-8-17
 Date

Please be aware that if you do not complete the above election and notify Express Scripts Medicare by 8/31/2017 attempts to confirm your intentions for the 2018 plan year will be made. If we are unable to confirm intentions for the 2018 plan year, the group disenrollment process may be initiated and your retirees will be notified that they need to seek coverage elsewhere or under alternative plans that you may offer.

Sincerely,

Express Scripts, Inc.
 Client Contracting Department
 One Express Way
 St. Louis, MO 63121
 FAX: 1-800-287-0359



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Memorandum

TO: NDPERS Board

FROM: Kathy

DATE: September 25, 2017

SUBJECT: WageWorks Contract – FlexComp Plans

Attachment 1 is the Assignment and Assumption Agreement for our FlexComp Plan administrative services. This document assigns ADP's rights, duties, obligation and responsibilities under our Master Services Agreement to WageWorks. The agreement has been reviewed and approved by our legal, Jan, the Universities System's legal as well as by WageWorks.

Staff recommends approval of the Assignment and Assumption Agreement.

Board Action Requested

ASSIGNMENT AND ASSUMPTION AGREEMENT

This Assignment and Assumption Agreement ("Agreement") is entered into effective October 1, 2017 (the "Effective Date") by and between **STATE OF NORTH DAKOTA through its ND Public Employees Retirement System (NDPERS)**, with an office located at **400 E. Broadway Ave. Ste. 505, Bismarck, ND 58501-4038** ("Client"), ADP, LLC, (formerly ADP, Inc.) which is in turn a wholly owned subsidiary of Automatic Data Processing, Inc., a corporation duly organized and existing under the laws of Delaware with its principal office in Roseland, New Jersey ("ADP") and WageWorks, Inc., a Delaware corporation, with an office located at 1100 Park Place, 4th Floor, San Mateo, CA 94403 ("WageWorks").

WHEREAS, Client entered into a **Master Services Agreement** with **ADP**, on **October 22, 2012, including a Business Associate Agreement dated September 12, 2012**, and amendments to that agreement, dated **September 30, 2013** and **June 27, 2014**, and a **Business Associate Agreement dated February 5, 2015** (collectively referred to as the "Services Agreement"), copies of which are attached hereto as Attachment 1 and incorporated herein by reference;

WHEREAS, pursuant to the terms set forth in the Services Agreement, Client engaged ADP to provide certain Consumer Health and Spending Account services to Client, specifically **Flexible Spending Account (FSA) services** (the "Services");

WHEREAS, with respect to the Services, ADP desires to assign its rights and responsibilities under the Services Agreement to WageWorks, Client desires to consent to such assignment, and WageWorks desires to accept such assignment of, and assume all rights and responsibilities under the Services Agreement, arising on or after the Effective Date, as set forth herein;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. ADP hereby assigns, and Client hereby consents to the assignment of, all ADP's rights, duties, obligations and responsibilities under the Services Agreement with respect to the Services to WageWorks as of the Effective Date. WageWorks hereby agrees to assume and fully and faithfully discharge the duties and obligations of and terms applicable to ADP under the Services Agreement as of the Effective Date. To clarify, ADP shall remain solely responsible for all claims arising from or relating to the Services Agreement prior to the Effective Date, and Client shall look solely to ADP to resolve such claims; and WageWorks shall be solely responsible for all claims arising from or relating to the Services Agreement on and after the Effective Date, and Client shall look solely to ADP to resolve such claims.
2. Client and WageWorks acknowledge and agree that, with respect to the Services, all references to "ADP" in the Services Agreement shall hereinafter be interpreted as "WageWorks," accordingly.
3. Client and WageWorks further acknowledge and agree that this Agreement shall apply only to the Services, and that, if applicable, for any and all other services provided by ADP to Client pursuant to the Services Agreement, the terms of the Services Agreement will remain in full force and effect between ADP and Client.

4. Notwithstanding anything to the contrary, all notices relating to Services provided on and after the Effective Date, must be sent to WageWorks, 1100 Park Place, 4th Floor, San Mateo, CA 94403.
A copy of all communications to WageWorks of a legal nature must be sent to WageWorks, 1100 Park Place, 4th Floor, San Mateo, CA 94403 Attention: General Counsel
5. Unless otherwise modified herein, all other terms and conditions set forth in the Services Agreement will remain in full force and effect.
6. The North Dakota University System Office and certain North Dakota University System institutions that entered into Participating Agreements as set forth under the first amendment to the Master Services Agreement, dated September 30, 2013, acknowledge their participation under the terms of the Services Agreement, and also agree to the assignment as set forth herein, including the assignment of the Participating Agreements, and shall be signatories to this Assignment and Assumption Agreement.
7. This Agreement may be executed in counterparts and exchanged by facsimile or electronically scanned copy. Each such counterpart shall be deemed to be an original and all such counterparts together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound, have caused this Amendment to be executed by their respective duly authorized representatives.

**State of North Dakota
ND Public Employee Retirement System**

By: _____

Name: _____

Title: _____

Date: _____

North Dakota University System Office

By: _____

Name: _____

Title: _____

Date: _____

The University of North Dakota

By: _____

Name: _____

Title: _____

Date: _____

Valley City State University

By: _____

Name: _____

Title: _____

Date: _____

Minot State University

By: _____

Name: _____

Title: _____

Date: _____

Williston State College

By: _____

Name: _____

Title: _____

Date: _____

ADP, Inc.

By: _____

Name: _____

Title: _____

Date: _____

WageWorks, Inc.

By: _____

Name: _____

Title: _____

Date: _____



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Memorandum

TO: NDPERS Board

FROM: Sparb

DATE: September 29, 2017

SUBJECT: November 16, 2017 meeting

After discussion at the last meeting I have talked with Sanford and BCBS and we could change the agenda **from:**

Wed Afternoon: Tour of Sanford Hospital (1-2 hours)

Thursday: Meeting with Sanford (3 hours)

Meeting with BCBS (2 hours)

(this schedule would require arrival in Fargo on Wed by 2:30 or 3:00 with an estimated departure time of around 3:00 on Thursday)

To:

Wed Afternoon: Meeting with BCBS (2 hours)

Thursday: Meeting with Sanford (3 hours)

Tour of Sanford Hospital (1-2 hours)

(this schedule would require arrival in Fargo on Wed by 2:00 with an estimated departure time of around 2:00 on Thursday)

Or:

Wed Afternoon: Meeting with BCBS (2 hours)

Tour of Sanford Hospital (1-2 hours)

Thursday: Meeting with Sanford (3 hours)

(this schedule would require arrival in Fargo on Wed by 12:00 with an estimated departure time of around 12:30 or 1:00 on Thursday)

Board Action Requested:

Determine the schedule for the November meeting.



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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.