NORTH DAKOTA
PUBLIC EMPLOYEES
RETIREMENT SYSTEM

Board Meeting Agenda

Location: WSI Board Room, 1600 East Century Avenue, Bismarck ND
By phone: 701.328.0950 Conference ID: 656 843 380#
Date: **Tuesday, January 11, 2022**
Time: 8:30 A.M.

I. MINUTES

A. December 14, 2021

II. PRESENTATIONS

A. Pharmacy Benefit Manager (PBM) Overview - Deloitte

III. GROUP INSURANCE

A. Humana Transition ***EXECUTIVE SESSION** – Scott (Board Action)

IV. MISCELLANEOUS

A. Operations Update – Derrick (Information)
B. Annual Comprehensive Financial Report (ACFR) – Derrick (Information)
C. Quarterly Consultant Fees – Derrick (Information)
D. Strategic Planning – Scott (Board Action)
E. Administrative Rules Update – Scott (Information)
F. Legislative Relations – Scott (Information)
G. Assurance NM – Bryan (Information)

*Executive Session pursuant to N.D.C.C. §44-04-19.2(1), §44-04-19.1(1), §44-04- 19.1(2), and §44-04-19.1(9) for Attorney Consultation.

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Memorandum

TO: NDPERS Board

FROM: Rebecca

DATE: January 11, 2022

SUBJECT: Pharmacy Benefit Manager (PBM) Overview

In follow-up to the Board Planning Meeting in November, Drew Rasmussen of Deloitte Consulting will be providing an educational presentation regarding Pharmacy Benefit Managers (PBM) to include information on their history, core functions, models and revenue sources. In addition, Drew will discuss regulations at both the federal and state level that impact PBMs.

Attachment

Pharmacy Benefit Managers

January 2022

Discussion Agenda

1. Evolution of the Pharmacy Benefit Manager (PBM)
2. Core Functions of the PBM
3. PBM Revenue Sources
4. Regulatory “Snapshot”
5. Discussion

1 | The Evolution of the Pharmacy Benefit Manager (PBM)

Pharmacy Benefit Managers

i. Pharmacy Benefit Managers (PBMs) are intermediaries between health insurers/health plans, drug manufacturers, and pharmacies, that manage drug benefits for plan sponsors

ii. PBMs create market power through scale. They aggregate members, benefit plans, and drug purchasing. They create pharmacy networks and drug lists to negotiate discounts and price concessions from drug manufacturers and pharmacies in effort to lower costs

iii. PBMs are not fiduciaries for their plan sponsor clients

PHARMACY BENEFIT MANAGERS

Growth of the Industry

1960s- 1980s

PBMs formed to process claims and support "financial and administrative aspect of pharmaceutical benefit administration." [1]

1990s – 2000s

Mergers drive consolidation, anti-trust legislation forces change, technology drives growth, PBMs gain scale. CVS buys Caremark (2007), PBMs build out mail and specialty pharmacies

2010s

Consolidation speeds up, Medco and Express Scripts merge (2012), OptumRx and Catamaran merge (2015).

More employers "carve-out" pharmacy benefits. Formulary exclusions begin, specialty drug costs accelerate

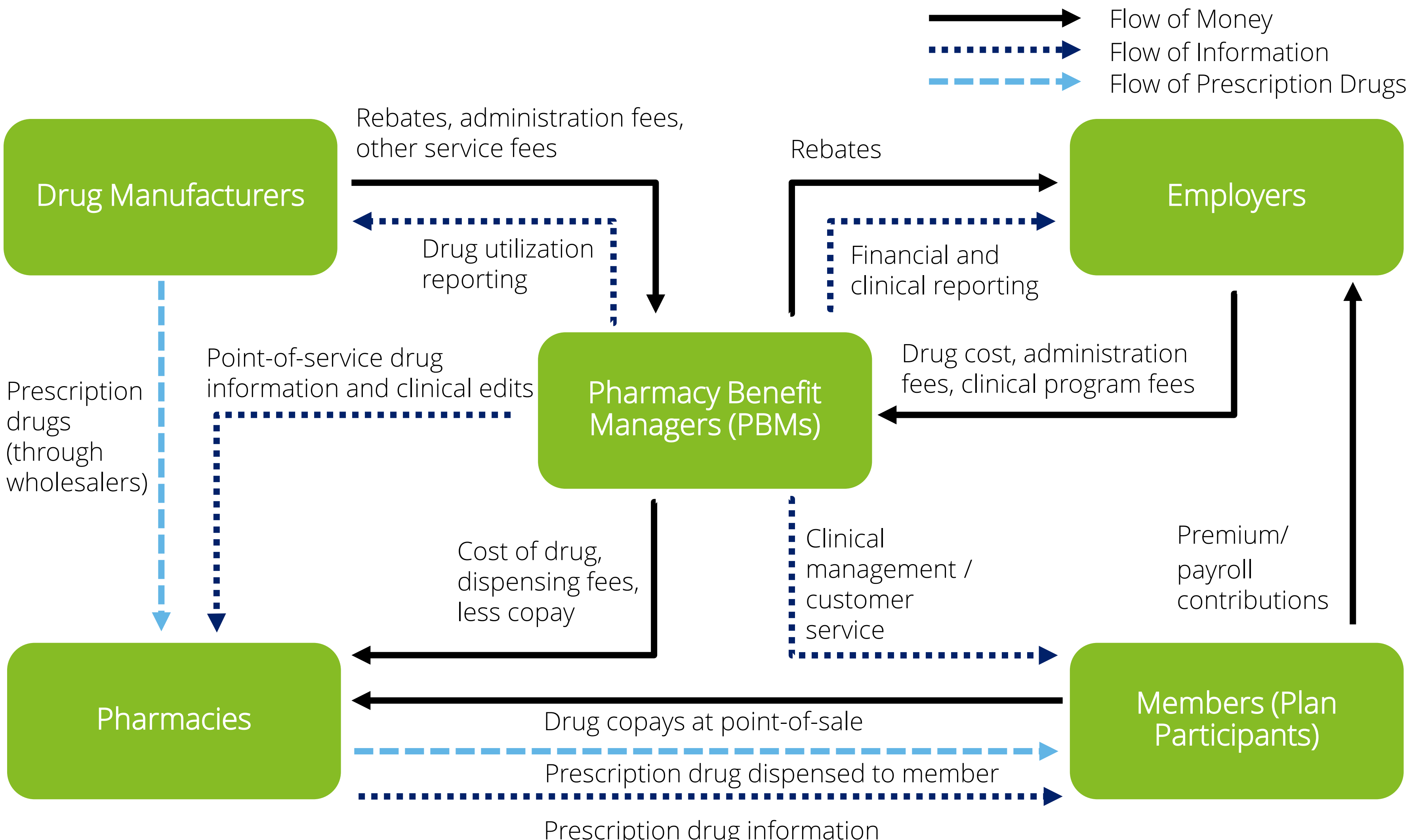
Today

PBM and health plan mergers re-shape the industry. Pressure to control drug costs mounts, state and federal regulation builds momentum

Sources:

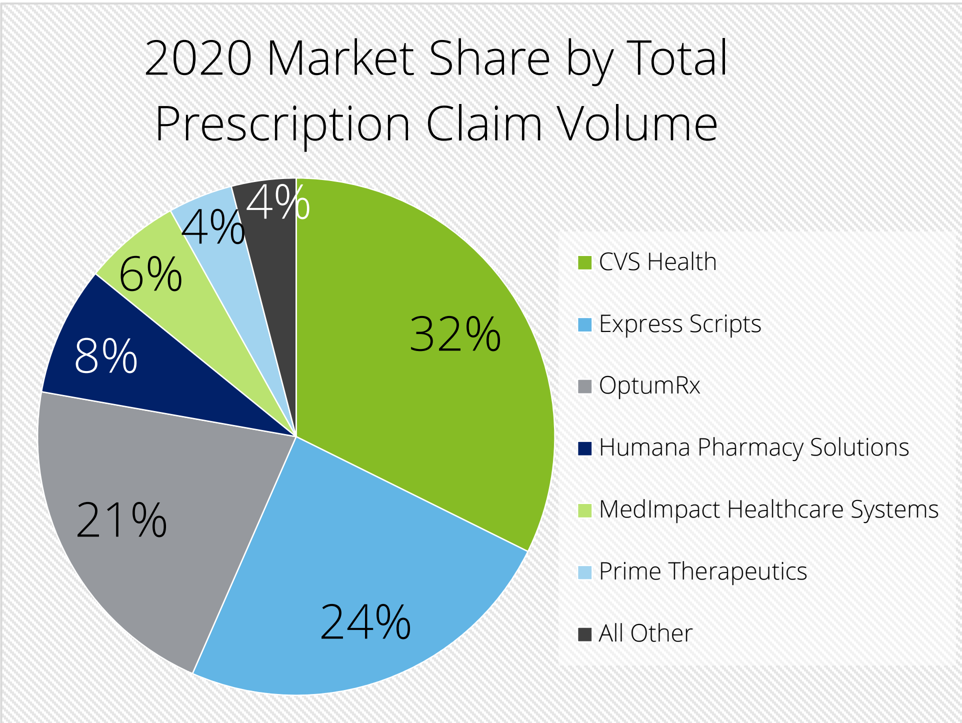
1. Katie Dwyer, Risk & Insurance, The PBM Evolution (Nov. 2, 2015) <https://tinyurl.com/dwyer-pbm>.

PBMs in the Prescription Drug Ecosystem



Note: Chart is simplified for discussion and is not intended to be comprehensive

Today's PBM Market



- The largest 3 PBM's control 77% of prescription volume (2020)[1]
- CVS Health is ranked 4th on the Fortune 500, UnitedHealth Group (OptumRx's parent) is 5th, and Cigna (Express Script's parent) is 13th [2]
- Prescription drug volume may under-represent market scale. Smaller PBMs often contract with larger PBMs for services (claim adjudication, network contract, specialty services, rebate services)

Sources:
1. Drug Channels_ The Top Pharmacy Benefit Managers of 2020_ Vertical Integration Drives Consolidation
2. https://fortune.com/fortune500/

Today's PBM Market – "Integrated" & "Carve-out"

Integrated

- UnitedHealth Group / OptumRx
- Aetna / CVS Health
- Cigna / Express Scripts
- BlueCross BlueShield / Prime Therapeutics
- Humana
- Anthem / IngenioRx

Carve-Out

- Navitus – Pharmacy Benefits Reinvented
- MedImpact
- Capital Rx
- Maxor
- Alluma
- elixir
- welldyne
- EmpiRx Health
- Magellan Rx Management
- flipt
- SS&C
- Serve You Rx
- withme
- nirvanaHealth
- Paradigm

Note: Not exhaustive

2 | Core Functions of the PBM

Core Functions of the PBM

Claims Processing, Eligibility, & Benefit Administration	Claims processing	Benefits programming	Eligibility file developmentt, maintenance, validation	Member utilization and out-of-pocket tracking
Customer Service & Member Support	Member & physician calls	Member communications	Appeals & grievances	Tools & web support
Network Contracting & Maintenance	Negotiations & contracting with pharmacies	Mail & specialty fulfillment	Pharmacy calls	Audit
Formulary Administration	Formulary development	P&T Committee & formulary updates	MAC list design and management	Formulary change notifications
Clinical Programs / Utilization Management	Clinical program development	Drug Utilization Review programs	Clinical support Fraud, Waste, & Abuse monitoring	Coverage determinations Reporting
Manufacturer Relations / Rebate Administration	Manufacturer negotiations	Earned rebate calculations & invoicing	Rebate allocation and payment reconciliation	Audit support Reporting
Part D Compliance *(for Medicare eligible populations)*	Compliance with formulary & network requirements	Subsidy tracking and compliance	Compliance with CMS required communications	Compliance with CMS enrollment & disenrollment

Note: Not exhaustive

Claims Processing, Eligibility, & Benefit Administration

Doctor writes prescription → Patient goes to pharmacy to fill prescription → Pharmacist logs prescription into online system → Patient pays copay and receives drug

PBM Claim Adjudication Process

1. Claim intake & preparation

- Receive claims
- Validate data

3. Pharmacy contracts & networks

- Identify pharmacy
- Map claim to network contract

5. Authorizations & program checks

- Validate drug authorization
- Perform utilization and clinical program review

7. Determine member liability

- Update accumulations
- Calculate member liability (out-of-pocket)

Intake → Eligibility & Benefits → Pharmacy Contracts → Formulary Check → Clinical Programs → COB & TPL → Member Liability → Plan Liability

2. Eligibility determination

- Check eligibility
- Determine benefits
- Validate claim rules

4. Formulary & pricing

- Determine drug coverage
- Calculate drug price based on contract

6. Coordination of benefits

- Validate third party liability
- Apply payment toward applicable plan liability

8. Post-adjudication

- Advise liabilities for all parties

PHARMACY BENEFIT MANAGERS

Customer Service & Member Support

Eligibility & Enrollment Support
(e.g. ID cards, address updates, dependent updates, Medicare eligibility, disenrollment)

Benefit Explanations
(e.g. drug coverage, plan design, utilization management)

Complaints
(e.g. service issues, dissatisfaction)

Claims Issue Resolution
(e.g. rejected claims, paper claims, coverage determinations & appeals)

Member

Member Communications
(e.g. formulary changes, new program implementations, tools)

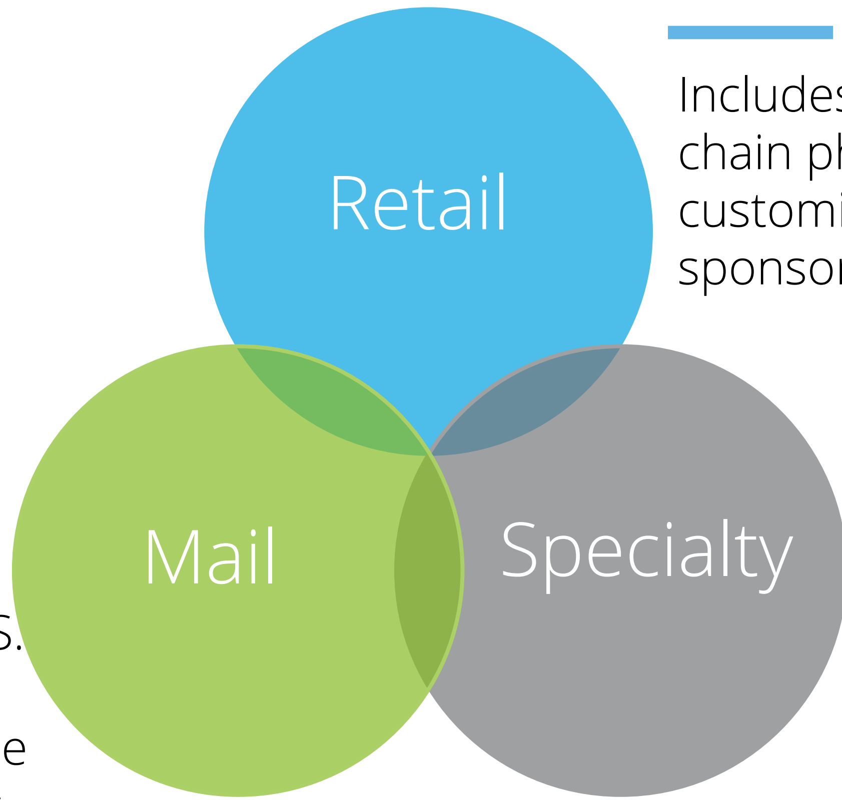
Network Support
(e.g. pharmacy locations, order tracking, transferring prescriptions)

Clinical Support
(e.g. pharmacist support, care coordination, program explanations, drug review)

Out-of-Pocket Support
(e.g. bill payment, invoice questions, appeals, financial assistance)

Network Contracting & Maintenance

A network consists of pharmacies that have contracted with a PBM to dispense prescriptions to plan sponsor members that contract for PBM services



Includes independent and chain pharmacies. Highly customizable based on plan sponsor's needs

PBM owned mail pharmacies are among the largest pharmacies in the U.S. Plan design and pricing may incentivize mail use by members

Specialty networks may include retail pharmacies and mail pharmacies. PBM contracts typically offer incentives for "exclusive" specialty networks offered by the PBM

Formulary Administration

What is a Formulary?

A formulary is a list of prescription drugs that is covered under the plan

The formulary assigns covered drugs to tiers that correspond to different cost for members

The formulary is developed by the clinical pharmacy team in partnership with the PBM's Pharmacy & Therapeutics (P&T) Committee that includes PBM and independent members

PBM Formulary Strategy

The drug's clinical effectiveness and the financial agreement with manufacturers influence formulary placement decisions

A formulary may be "open" and include all FDA approved products, or "closed" and exclude certain products from coverage

A PBM may have multiple formulary options, and each PBM's formulary will be different from other PBMs

Clinical Programs / Utilization Management

PBMs offer a variety of clinical programs and utilization management controls to improve outcomes, reduce waste, and optimize plan spending

Program Name	Description
Prior Authorization	A requirement that beneficiaries obtain approval for a drug by the PBM or plan sponsor before obtaining the drug if it is to be covered by the plan.
Quantity Limits	A limit on the number of pills or dosages of a prescription drug that will be covered, either per claim or per unit of time (e.g., monthly)
Step Therapy	A requirement where more expensive drugs are covered only if beneficiaries try less expensive alternatives first and find them not to be effective.
Drug Utilization Review	A concurrent examination by the PBM of prescriptions at the time of purchase by the beneficiary to assess safety considerations, such as potential adverse interactions, and compliance with clinical guidelines
Opioid Management	Monitors opioid prescribing and utilization by limiting day supply, dose size, pediatric use, polypharmacy, and physician profiling
Fraud, Waste, and Abuse Monitoring	Monitors and identifies members and prescribers with excessive or unusual utilization. Often employs the use of investigative teams to identify behavior like drug seeking, doctor shopping, identity theft, or inappropriate billing.

Note: Not exhaustive

Manufacturer Relations / Rebate Administration

PBMs negotiate for rebates and price concessions with drug manufacturers. Agreements may be influence, or be influenced by, inclusion or exclusion from the formulary, tier placement, plan design, member utilization, and treatment of other drugs

Contracting

- PBM contracts with drug manufacturers to receive rebates based on member utilization

Rebate Processing

- PBM processes drug claims against eligibility and contract agreements

Rebate Billing

- PBM invoices manufacturers for earned rebates – typically on a quarterly basis
- Manufacturers may pay PBMs for other services like clinical member data

Rebate Sharing

- PBMs share earned rebates with plan sponsors according to contract agreements (100% is typical in today's contracts)

PHARMACY BENEFIT MANAGERS

Part D Compliance

Medicare's prescription drug benefit (Part D) is the part of Medicare that provides outpatient drug coverage. Part D is provided through private insurance companies that have contracts with the federal government

In addition to the core capabilities that PBMs provide to non-Medicare clients, PBMs that offer retiree prescription drug plan (PDP) services are also responsible for complying with Part D regulations that govern the benefit for Medicare eligible participants

- Network Requirements
- Formulary Requirements
- Subsidy Administration
- Income Related Adjustments
- Late Enrollment Penalties
- Grievances, Coverage Determinations, and Appeals
- Eligibility, Enrollment & Disenrollment processes
- Required Member Communications
- PDE Compliance & Reporting
- TrOOP Calculation and Reporting
- MTM & Quality Improvement Program
- Compliance Program Requirements

3 | PBM Revenue Sources

PBM Revenue Sources – Spread vs Pass-Through

	"Traditional"-Spread	Pass-Through
Retail Network	"Spread" retained by the PBM between negotiated rate with the plan sponsor and the reimbursement to the pharmacy	No "spread" is retained. The plan sponsor gets the same discounts that the PBM negotiates with the pharmacies
Mail Network	"Spread" retained by the PBM between acquisition cost and contracted rate with plan sponsor	Typically the same as spread unless the plan sponsor negotiates acquisition cost pricing
Specialty Network	"Spread" retained by the PBM between acquisition cost and contracted rate with plan sponsor	Typically the same as spread unless the plan sponsor negotiates acquisition cost pricing
Manufacturer Derived Revenue	Rebates are retained by the PBM. Contracts structured so that the PBM keeps at least some portion of the revenue paid by manufacturers.	100% pass-through of all manufacturer derived revenue to the plan sponsor
Administration Fees	No administration fees.	Administration fees
Service Fees	Fees for clinical programs and add-on services	

PBM Revenue Sources – Manufacturer Revenue

Rebate Boom

Rebates have increased significantly over the last 10 years due to several factors including the increased size and scale of the PBMs, formulary management strategies that exclude drug products, and competition among drug manufacturers

Other Revenue

Manufacturer Revenue is often referred to as "rebates" but Manufacturer Revenue often include revenue sources that are separately distinguished by the PBMs and not included in rebates, such as: Manufacturer Administration Fees (MAFs), Data Fees, Incentives, Price Protection Payments

New GPOs

The largest PBMs are establishing Group Purchasing Organizations (GPOs), in some cases overseas, to negotiate rebates. This model is likely to create additional revenue streams for PBMs such as GPO Administrative Fees and Membership Fees while also taking advantage of lower foreign corporate tax rates

4 | Regulatory “Snapshot”

PBM Regulation "Snapshot"

Federal regulations related to controlling drug prices continues to be in flux, with both the Trump and Biden administration including provisions that could have significant implications for PBMs and employer plans

In absence of federal PBM regulation, state governments have introduced various regulations on PBMs. In 2021, 111 bills were filed in state legislatures aimed at PBMs[1]

A Case For Change

Rutledge vs PCMA (2020)

Supreme Court ruled 8-0 that ERISA did not preempt Arkansas law regulating PBMs

North Dakota Leads

PCMA vs Wehbi (2021)

Eighth Circuit upholds Rutledge and "clears the way" for further state regulation of PBMs

Source:
1. https://www.nashp.org/rx-legislative-tracker/

5 | Discussion

Deloitte.

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Memorandum

TO: NDPERS Board

FROM: Scott

DATE: January 11, 2022

SUBJECT: Humana Transition

The transition of our Part D plan to Humana was completed by the January 1, 2022 start date. During the course of that transition in late 2021, some of the out-of-network pharmacies complained that Humana's proposed contract violated NDCC section 19-02.1-16.5(3), which does not allow a PBM to "reimburse a lower dollar amount for a drug purchased under section 340B than if the drug had been purchased outside section 340B". The pharmacies stated, and Humana confirmed, that the proposed agreement does provide for a lower reimbursement if the drugs are prescribed under a section 340B situation.

Our contract with Humana requires Humana to comply with state law. As written, NDCC § 19-02.1-16.5(3) does not allow a PBM to "reimburse a lower dollar amount for a drug purchased under section 340B than if the drug had been purchased outside section 340B". However, the recent Eighth Circuit Court of Appeals decision in Pharmaceutical Care Management Association v. Wehbi, No. 18-2926, (8th Cir. Nov. 17, 2021) indicates that there is a strong possibility that the ND statute may be preempted by federal law: "A better interpretation of 42 U.S.C. § 1395w-111(i)(1) would limit the 'negotiations' that it protects from interference [from states] to negotiations about which drugs the pharmacy must carry and what prices the pharmacy may charge for them." The Eighth Circuit's previous decision in Rutledge v. Pharmaceutical Care Management Association, 891 F.3d 1113 (8th Cir 2018), which preempted an Arkansas statute that attempted to interfere with pricing negotiations between a PBM and Arkansas pharmacies for similar reasons, further adds to the possibility that the ND statute is preempted. (Note that while the Rutledge decision was appealed to the U.S. Supreme Court, that appeal did not include the Medicare Part D portion of the 8th Circuit's decision, and so that portion of the decision is still the law in the 8th Circuit, which includes North Dakota).

Dean DePountis, the Board's attorney, recommended that we seek advice from Ice Miller, our outside counsel, since they have more experience with 340B. Attached is their attorney-client protected memo on the topic, which includes background on the 340B program. We will review the memo in closed session to protect the attorney/client communication. However, the Board can, of course, decide to waive that attorney/client privilege and make the memo public. That is the Board’s decision as a whole.

III. GROUP INSURANCE

A. Humana Transition *EXECUTIVE SESSION

The attachment for the Executive Session will be sent under separate cover

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Memorandum

TO: NDPERS Board

FROM: Derrick Hohbein

DATE: January 11, 2022

SUBJECT: Operations Update

We last reported to the Board with an operational update at our July 2021 meeting. There has been a lot of work done and progress made on projects of which the Board may not be aware. In order to keep the Board informed, we like to provide updates once or twice a year on the progress our office is making.

Updates on strategic planning initiatives:

- A project to enhance how enclosures are produced with the correspondence generated in PERSLink is currently being reviewed for efficiencies. Currently if a form needs to be included with a letter to a member, Staff need to retrieve and print the form from our website. PERSLink offers the ability to auto-print enclosures, and Staff is in the process of documenting what enclosures are sent with each type of correspondence generated to begin taking advantage of this enhancement. The development needed on this project is all complete, and the testing of the templates now rests with Staff.

- We previously discussed our concerns with the ND Login process and how it impacts our members from a security and customer experience perspective. NDIT is working on a redesign of the ND Login process and we were able to have our IT Manager secure a seat on the task force to offer input and ensure our concerns are satisfied with the new process. This is a project that has taken a back seat due to the pandemic, but Staff has held discussions with NDIT reiterating how important this update is to our members.

- Proposed updates to our business system to accommodate an electronic Board election process are currently being developed. Staff hopes to have a presentation of the new functionality at the March 2022 Board meeting.

- Staff is currently gathering information to produce an employee handbook. The goal of the employee handbook is to have relevant information Staff may find useful in a centralized location. Some of the documents Staff is hoping to incorporate into the handbook include the personnel policy manual, evacuation procedures, required employee postings, our commitment statements, etc.

- The accounting department has implemented an employer statement process that allows our agency to follow up on past due balances with our employers on a monthly basis. These statements are being sent to all of our employers that are required to log into ESS to pay their invoices (political subdivisions and also Higher Ed). These statements help to ensure employers are paying their invoices in a timely manner, and our office is not floating cash inadvertently to our employers.

- There are tables that exist in PERSLink that have not been archived since we went live ten years ago. Staff has been working with Sagitec on identifying tables that have information that may no longer be relevant, information that is outdated based on records retention policies, and information that is permanent but may need to be stored and accessed in a different manner than staff is currently accessing the information. The initial process to clean up the historical tables has been completed, and we are currently working on developing a monthly script that we can run to archive the data going forward.

- Staff is currently reviewing a MSS enhancement being designed where members have the opportunity to apply for retirement benefits online. Our goals for this project are to streamline the benefit application process for the member, ensure the accuracy of information feeding into PERSLink, and freeing up staff time by eliminating the data entry element when receiving paper applications in our office. The refund wizard is currently being tested by Staff, and will be implemented before the full retirement application wizard. This will give Staff and our members an opportunity to work with our members applying for refunds to see how they work before we release the bigger applications to our membership.

- There are quite a few updates to present to the Board in the area of communications.

  In November, counseling staff conducted a virtual Lunch & Learn session for our members on the benefits of purchasing service. In total there were 426 members that were logged in to view the presentation, with 314 of them appearing to watch the majority of the presentation.

  In December, counseling staff conducted a virtual Lunch & Learn session for our members on the Retiree Health Insurance Credit (RHIC) benefit. In total there were 309 members that were logged in to view the presentation.

  These Lunch & Learn sessions are a global effort in our agency involving the Retirement Manager and counselors, administrative services, and public information. These departments collaborate to ensure our members receive comprehensive information during the presentation as well as answers to each of the questions coming into the chat. This ensures our members have a great experience while attending our virtual events.

This year we also ventured to host our own virtual annual enrollment events. The first one was an overview of all insurance benefit election options available during annual enrollment. The second presentation focused on the advantages of participating in flexible spending account(s) and featured ASIFlex as the guest speaker. Again, numerous departments collaborated to ensure the success of these events including the Benefit Enrollment Specialists and Insurance Plans Manager. Both virtual events were extremely well received by members and employers with nearly 700 total attendees to the live events. In addition, the recordings of these two annual enrollment live presentations and other short clips on annual enrollment, resulted in 1,015 views of these recordings in the NDPERS YouTube channel.

Staff also has a lot of educational opportunities lined up for 2022. In 2022 we are looking to schedule the following quarterly Lunch & Learns:

- February 9, 2022 – How to Complete Retirement Forms
- May 11, 2022 – Portability Enhancement Provision (PEP)
- September 14, 2022 – Navigating Member Self Service
- November 9, 2022 – Insurance Options Upon Retirement

Each year we offer our membership retirement education seminars. One event is a Pre-Retirement Education Program (PREP) and is a session for members retiring in the next 5 years. This virtual event is scheduled for April 6th & 7th, 2022.

Another event is a Financial Essentials Workshop (FEW) and is a session for new hires and mid-career employees. This virtual event is scheduled for April 5th, 2022.

Staff has also scheduled Authorized Agent Training for our employers. This training covers basic education on the plans we administer, provides an overview of both Member and Employer Self Service, as well as payroll reporting requirements. These training sessions are scheduled for January 25th & 26th for our political subdivisions, and March 22nd & 23rd for state employers.

All of these educational efforts will be held virtually, recorded, uploaded to our YouTube channel, and promoted within our ongoing communication efforts.

- At the December 2021 meeting, we discussed conversion of our existing Microfiche into an electronic format. Staff have begun drafting an RFP for future consideration to get this project completed before the end of the biennium.

Staff has also completed the following projects that were not a part of the Board's strategic plan:

- The Public Pension Coordinating Council (PPCC) is a coalition of three national associations that represent public retirement systems and administrators, including the National Association of State Retirement Administrators (NASRA), the National Council on Teacher Retirement (NCTR), and the National Conference on Public Employees Retirement Systems (NCPERS).

  The PPCC established the Public Pension Standards to reflect minimum expectations for public retirement system management, administration, and funding. The Standards serve as a benchmark to measure public defined benefit plans. All public retirement systems and the state and local governments sponsoring them are encouraged to meet the standards.

We submitted our annual application for their review in October 2021, and we are pleased to announce we did receive the Recognition Award for Administration in 2020, which is attached for your review as Attachment A.

- The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the North Dakota Public Employees Retirement System for its annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2020, and is attached for your review as Attachment B. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

  In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The ACFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The North Dakota Public Employees Retirement System has received a Certificate of Achievement for the last twenty-five consecutive years (fiscal years ended June 30, 1996 - 2020). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA for their review.

- Every year our Internal Audit team conducts a risk assessment on every division in our agency. These risk assessments provide an in-depth review of every major activity the division is responsible for, and captures the risk inherent within each activity. The review also includes any controls management has in place to combat the risks our agency encounters. A score is assigned to each risk and level of effectiveness for our controls in place. This practice helps identify areas of concern for our agency. Discussions are also had on where we can improve our operations, especially in any categories that are deemed to be a high risk area.

- In October, each staff member was given the opportunity to submit an evaluation of their direct supervisor, as well as the Chief Benefits Officer and the Chief Operating/Financial Officer. This survey was similar to the survey staff did on behalf of the Executive Director earlier this year. Comments and areas for improvement were discussed with each supervisor and will be incorporated into annual evaluations that take place in March.

- In September, TIAA liquidated participant accounts that had a balance that was less than $1,000. Refunding these participants on an annual basis helps keep our administrative fee with TIAA down, as there are fewer accounts requiring maintenance. In total TIAA liquidated 172 accounts in 2021.

- Updates were made to both our PERSLink business system, and the State's PeopleSoft payroll system to accommodate annual limit increases for retirement and deferred comp wages.

- Work efforts to implement Legislative initiatives that impacted our office have been completed. These work efforts include the following:
  - SB 2044 – NDPERS' technical corrections bill
  - SB 2043 – Highway Patrol retirement contribution increases

  - HB 1435 – Survivor health coverage for the family of individuals who perish in the line of duty
  - HB 1041 – the ability to charge employers penalties for the non-compliance of statutory reporting requirements

Staff is also currently working on the following projects that are not a part of the Board's strategic plan:

- A bookmark was developed to insert our new address, logo, and contact information into each of our correspondence and forms. This will ensure a seamless transition in the event we ever update our logo, or move, in the future.

- Starting in January 2023, the IRS will have new federal withholding requirements for pension plans. This includes two different W4 forms, one for annuitants and another for individuals refunding their accounts. A lot of preliminary work was done to prepare for an original January 2022 deadline (which was delayed in December 2021), and staff intends to implement the new requirements April 1, 2022.

- The servers that our business system resides on are from 2010. These servers are being upgraded to Windows 2019, and will help the response time our users experience as well as implement some important security enhancements. The test servers have been transitioned and we will look to transition the production servers the first quarter of 2022.

- Accounting has gone through a comprehensive review of all 102 validations that must be met in our system before we would allow an employer's payroll record to post. This review included ensuring the order of validations was appropriate, ensuring the validation was still appropriate, and finally developed meaningful direction to the employer for the steps needed to address the validation concern. Staff is hopeful this project will help streamline our operations, and allow our employers to provide meaningful direction before our processing team picks up the reports.

Looking to the future, work efforts on the following strategic planning initiatives are scheduled to begin in the next few months:

- Business Process Management (BPM) is a system upgrade that was included as a one-time funding initiative for our agency for the 2021-23 biennium. This upgrade will redesign the flow of all work being done in our office, and will probably take 3-4 years to fully implement. Each workflow is analyzed for efficiencies, and the business process is built into the system directly so staff do not inadvertently circumvent processes and the system is driven as intended. This upgrade will also help with our transition to a remote working environment, allowing managers to see what staff are doing with the work being processed in our office.

- An additional developer was granted to our agency by the Legislative Assembly for the 2021-23 biennium. This resource will initially help develop comprehensive new hire and annual enrollment wizards in Member Self Service to enhance the experience of our members in the member portal. Once complete, this resource will also help with a backlog of system enhancements that our agency hasn't been able to prioritize as well as help us move forward with our BPM development.

- Our office has a repository of Electronic Administrative files that has never been organized. Staff is planning to develop a proposed policy relating to these files and a project centered around cleaning the files up to adhere to this policy will begin the first quarter of 2022.

- A process to automate IT's movement of system generated reports is currently underway. Staff has automated a few of the reports, and target implementing a few reports each month until the list is completed. This is an effort that requires coordination with NDIT, so the timeline for completion is currently unknown.

- Lifecycle training sessions were conducted a couple of years ago, before we had the ability to easily record them. These sessions were conducted to help staff understand what each division is responsible for, the challenges their teammates face, and how the work everyone does is integrated with each other. Goals are currently being set for each division to revisit these presentations, and commit to do a follow up presentation that we can record and house in our repository for staff to reference in the future.

- Redefining our Mission Statement was a team building exercise the Board identified during the planning meeting. This is a topic Staff will be addressing in the coming months, and a final proposal will be presented at a future Board meeting.

This is informational only and does not require any Board action.

Attachment A

Public Pension Coordinating Council

Recognition Award for Administration 2021

Presented to

North Dakota Public Employees Retirement System

In recognition of meeting professional standards for
plan administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle

Alan H. Winkle
Program Administrator

Attachment B

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

North Dakota Public Employees Retirement System

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO

North Dakota
Public Employees Retirement System
1600 East Century Avenue, Suite 2 ● PO Box 1657
Bismarck, North Dakota 58502-1657

Scott A. Miller
Executive Director
(701) 328-3900
1-800-803-7377

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

Memorandum

TO: NDPERS Board

FROM: Derrick Hohbein, CPA

DATE: January 11, 2022

SUBJECT: Annual Comprehensive Financial Report (ACFR)

The 2021 annual comprehensive financial report has been completed. The report contains detailed financial, investment, actuarial and statistical information for the plans administered by NDPERS. You can view, download or print the report from the NDPERS website at:

https://www.ndpers.nd.gov/sites/www/files/documents/about/financial/acfr-2021.pdf

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

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

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Memorandum

TO: NDPERS Board

FROM: Derrick Hohbein

DATE: January 11, 2022

SUBJECT: Consultant Fees for the Quarter Ended December 2021

Attached is a quarterly report showing the consulting, investment, and administrative fees paid during the quarter ended December 2021.

Attachment

Attachment

North Dakota Public Employees Retirement System
Consulting/Investment/Administrative Fees
For the Quarter ended December 31, 2021

	Program/Project	Fee Type	Oct-21	Nov-21	Dec-21	Fees Paid During The Quarter		Fees Paid Fiscal Year-To-Date
Actuary/Consulting Fees:								
Mid Dakota Clinic	Retirement Disability	Time charges	600		600	1,200	$	2,350
Ice Miller	Legal fees Employee benefit matters			1,539		1,539	$	7,344
Deloitte	Legislative Analysis					-	$	-
Deloitte	Claims Projections					-	$	-
Deloitte	Consulting		2,925		2,600	5,525	$	69,550
State Auditor's Office	PBM Audit	Time charges				-	$	-
Gabriel Roeder Smith & Company	Retirement	Fixed Fee		41,000	15,000	56,000	$	69,000
Gabriel Roeder Smith & Company	RHIC	Fixed Fee		7,000		7,000	$	9,500
Gabriel Roeder Smith & Company	GASB 67/68	Fixed Fee		12,000		12,000	$	12,000
Gabriel Roeder Smith & Company	GASB 74/75	Fixed Fee		2,500		2,500	$	2,500
Gabriel Roeder Smith & Company	Actuarial Factor Updates	Fixed Fee				-	$	-
Gabriel Roeder Smith & Company	Projections	Fixed Fee		10,000		10,000	$	10,000
Gabriel Roeder Smith & Company	Legislation	Time Charges				-	$	-
Gabriel Roeder Smith & Company	Retirement	Time Charges		1,400	15,250	16,650	$	17,000
Gabriel Roeder Smith & Company	RHIC	Time Charges				-	$	-
Gabriel Roeder Smith & Company	Deferred Comp	Time Charges				-	$	-
Gabriel Roeder Smith & Company	Flexcomp	Time Charges				-	$	-
Callan & Associates	Asset Allocation & Liability Study	Fixed Fee				-	$	-
Callan & Associates	Investment Consultant Expenses	Fixed Fee	12,450			12,450	$	24,900
Callan & Associates	Record Keeper Search	Fixed Fee				-	$	-
Audit Fees:								
Clifton Larson Allen	Annual Audit Fee	Fixed Fee		42,500		42,500	$	65,500
Legal Fees:								
ND Attorney General	Administrative	Time charges	3,130	2,142	2,959	8,231	$	19,371
Investment Fees:								
SIB - Investment Fees	Retirement (DB)	% Allocation	3,872,298	3,872,860	*	7,745,158	$	12,705,661
SIB - Investment Fees	Ret Health Credit	% Allocation	130,476	131,757	*	262,233	$	422,101
SIB - Investment Fees	Insurance	% Allocation	10,705	10,951	*	21,656	$	33,454
SIB - Administrative Fees	Retirement (DB)	% Allocation	18,538	30,281	*	48,819	$	273,570
						8,077,866	$	13,434,786
Administrative Fee:								
Sanford Health Plan	Health Plan	Fixed fee	1,240,721	1,242,190	*	2,482,911	$	6,207,278

*** fees not yet available**

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Memorandum

TO: NDPERS Board

FROM: Scott Miller

DATE: January 11, 2022

SUBJECT: Strategic Planning

Attached is staff's proposal regarding strategic planning goals and timelines for the next three years, based on the discussion that took place at the November 2021 Board Planning Meeting. Staff will be available to go over any goals from the Board Planning Meeting.

Attachment

Goal	2020	2021	2022	2023	2024
Accuracy Improvement	In Process	In Process	X	X	X
Succession Planning:					
IT	In Process	In Process			
Research & Planning	In Process	In Process	X		
Admin Services			X	X	X
CFO			X	X	X
Transition RHIC to Calendar Year	Done				
Internal MVVM	Done				
Part D Transparency	Done				
HRMS Onboarding	Done				
External MVVM	Done				
Online Presentations - FEW & PREP	Done				
Funded Status of Retirement	Legislation Submitted	Done			
Educational Videos for Website	In Process	In Process	X		
Consider/Relocate Office	In Process	Done			
Part D Bundle/Unbundle		Done			
Communication Engine		Implementing Alternate Solution	X		
Mainframe Discontinuation		Done			
Website Redesign		Done			
**ND Login Process		In Process	X		
Internal PIR Process Redesign		Done			
Renewal/RFPs					
Vision		Done		X	
RHIC (RFP)		Done		X	
Medicare Part D (RFP)		Done	X	X	X
EAP		Done		X	
Consultant - Actuary		Done		X	
Consultant - Health Plan		In Process		X	
Health			X		X
Dental			X		X
457/DC Third Party Administrator			X		X
Flexcomp Third Party Administrator			X		X
Consultant - Dental, Vision, Life			X		X
Consultant - Investment			X		X
Life			X		X
Electronic Surveys/Board Elections		In Process	X		
Electronic Records Cleanup		In Process	X		
Develop an Employee Handbook		In Process	X		
Implement Employer Statement Process		In Process	X		
Archive/Purge PERSLInk Tables & Drives		In Process	X	X	
Comprehensive Wizards		In Process	X	X	
System Enhancement Backlog		In Process	X	X	
Workflow Redesign (BPM)		In Process	X	X	X
Lifecycle Training Recordings			X	X	
HSA Administrator Change		Done			
Redefining Mission Statement			X		
FAS Calculations			X		
Death Processing Accuracy Improvement			X	X	
Automated Report Moving			X	X	
**State Auditor PBM Audit			X	X	
**Microfiche Project			X	X	
**Deferred Comp Process Automation			X	X	
Procedure Manual Documentation			X	X	X
Education Campaign					
Employers			X	X	X
Legislators			X	X	X
Members			X	X	X
Committee Charter Creation					X

* Will require one-time appropriation next session

** Bulk of the work done outside of NDPERS Staff

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Memorandum

TO: NDPERS Board

FROM: Scott

DATE: January 11, 2021

SUBJECT: Proposed Administrative Rules

The promulgation process is on track for consideration for formal adoption by the Legislative Administrative Rules Committee when they meet in March 2022. The Office of Attorney General has examined the proposed administrative rules and have approved them as to their legality. The rules packet will be forwarded to Legislative Council.

The new rules will take effect April 1, 2022, provided there are no holds placed on them by the Committee.

This topic is informational only. I'd be happy to answer any questions the Board may have.

Attachment

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OFFICE OF ATTORNEY GENERAL
STATE CAPITOL
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www.attorneygeneral.nd.gov

Wayne Stenehjem
ATTORNEY GENERAL

OPINION

December 30, 2021

Mr. Scott A. Miller, Exec. Dir.
ND PERS
PO Box 1657
Bismarck, ND 58502

Dear Mr. Miller,

The Office of Attorney General has examined the proposed amendments to N.D.A.C. arts. 71-02 and 71-03 concerning plan membership, payment date, optional benefits, erroneous payment of benefits, employer payment of employee contributions, refusal of interest on contributions, enrollment, and leave without pay, along with the notice of the proposed rules, the publication of that notice, and the filing of that notice with the Legislative Council. This office has also determined that 1) a written record of the agency's consideration of any comments to the proposed rules was not made because there were no comments, 2) a regulatory analysis was not issued nor requested, 3) a takings assessment was not prepared, 4) a small entity regulatory analysis and an economic impact statement were not prepared because the agency believes the proposed rules will not impact small entities, and 5) the proposed rules are within the agency's statutory authority.

These administrative rules are in compliance with N.D.C.C. ch. 28-32 and are hereby approved as to their legality. Upon final adoption, these rules may be filed with the Legislative Council.

Sincerely,

Troy Seibel
Chief Deputy

amj
cc: Jill Grossman, Legislative Council

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Memorandum

TO: NDPERS Board

FROM: Scott

DATE: January 11, 2022

SUBJECT: Legislative Relations

This is a placeholder for us to discuss any Legislative topics that have arisen the past month.

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Memorandum

TO: NDPERS Board

FROM: Bryan

DATE: January 11, 2022

SUBJECT: Assurance NM Testing

This is a test of our emergency communication network Assurance NM. You will get a test message on all media (phone, text, email) you have listed in PeopleSoft.

No Board Action is necessary, other than letting us know if you do NOT get the communication.