

NDPERS BOARD MEETING

Agenda

Location:
Workforce Safety &
Insurance Board Room
1600 East Century Avenue
Bismarck, ND

Conference Call #: 701.328.0950
Conference ID: 875 851 169#

Tuesday, October 26, 2021

Time: 8:30 AM

I. MINUTES

- A. September 14, 2021
- B. September 28, 2021 Special Meeting

II. PRESENTATIONS

- A. Gabriel Roeder Smith (GRS) Actuarial Valuation Presentation

III. RETIREMENT

- A. Job Service COLA – MaryJo (Board Action)
- B. TIAA Follow-up – Rebecca (Board Action)
- C. Gabriel Roeder Smith (GRS) Contract – Bryan (Board Action)

IV. GROUP INSURANCE

- A. Medicare Part D Insurance Transition Update – Bryan (Information)
- B. BCBS Settlement – Scott, Dean, & Rebecca (Board Action)

V. MISCELLANEOUS

- A. Legislative Relations – Scott (Information)
- B. Quarterly Consultant Fees – Derrick (Information)
- C. Business System Upgrade Statement of Work Contract – Derrick (Board Action)
- D. Contracts Under \$10,000 – Scott (Information)
- E. Code of Ethical Responsibility – Scott (Board Action)
- F. Administrative Rules Update – Scott (Information)
- G. 2022 Meeting Dates – Scott (Board Action)

VI. MEMBER *EXECUTIVE SESSION

- A. Retiree Health Insurance Credit (RHIC) Member Appeal Case #697
-- MaryJo (Board Action)
- B. Retiree Health Insurance Credit (RHIC) Member Appeal Case #706
-- MaryJo (Board Action)

*Executive Session pursuant to N.D.C.C. §44-04-19.2, §44-04-19.2(1) and/or §54-52-26 to discuss confidential records or confidential member information.



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Memorandum

TO: NDPERS Board

FROM: Scott

DATE: October 26, 2021

SUBJECT: GRS Actuarial Valuation Presentation

Bonnie Wurst from Gabriel Roeder Smith (GRS) will be at the October Board meeting to provide the results of the July 1, 2021 Actuarial Valuations of our retirement plans.



North Dakota Public Employees Retirement System Presentation of July 1, 2021 Actuarial Valuation Results

October 26, 2021

Bonnie Wurst, ASA, EA, MAAA, FCA

Abra Hill, ASA, MAAA, FCA

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Agenda

- GRS Actuarial Valuation Methodology and Approach
- Demographic Data
- Funded Ratio Results
- Contribution Rate Results
- Reconciliation of Unfunded Liability, Actuarial Contribution Rate and Funded Ratio
- Actuarial Valuation Results Recommendations
- Projections
- Summary of Board Action on Actuarial-Related Issues
- Questions
- Appendix





GRS Actuarial Valuation Methodology and Approach

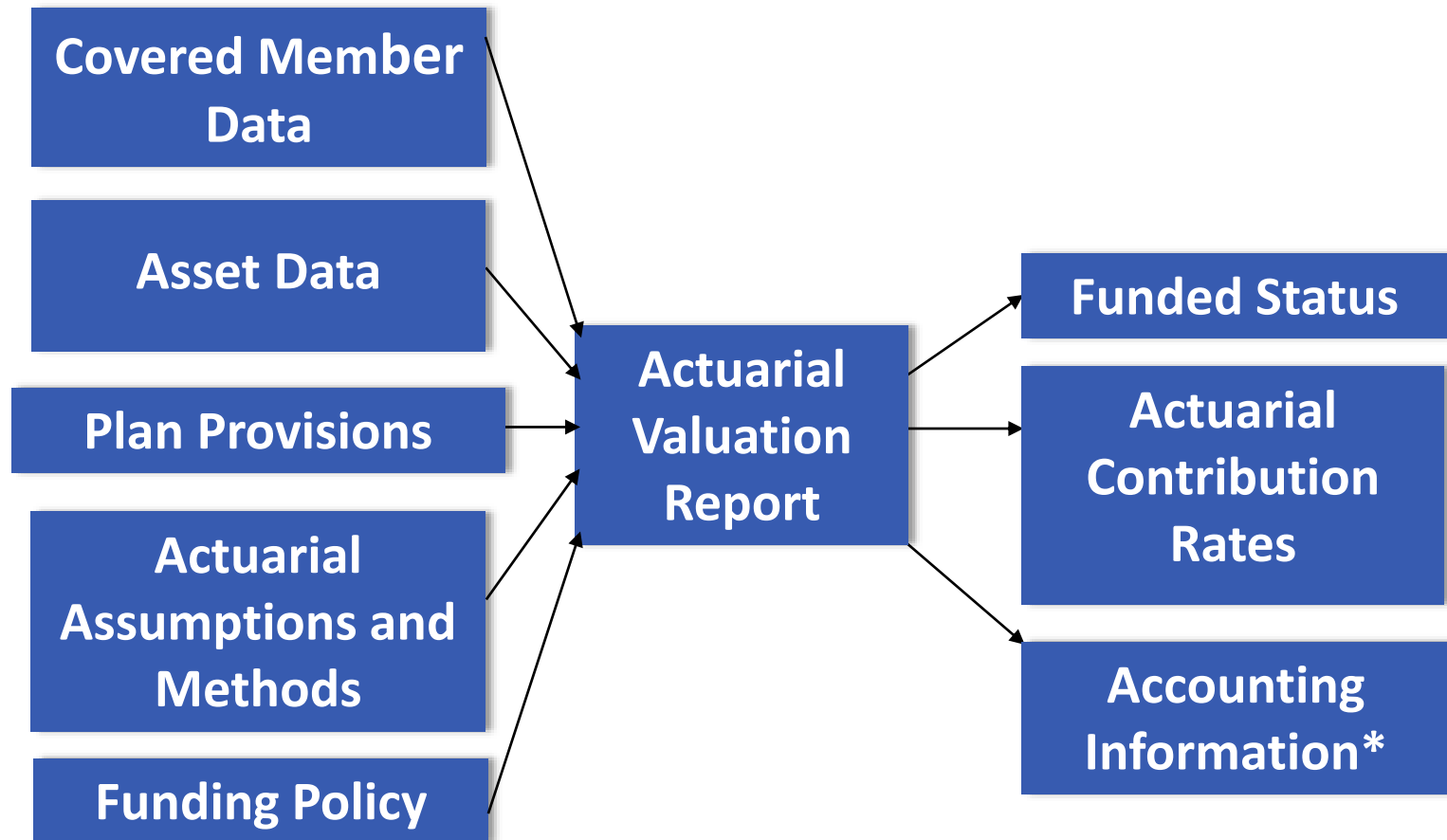


Purpose of the Actuarial Valuation

- Determine Funding Status
- Develop Actuarial Contribution Rates and Compare to Statutory Rates
- Provide Accounting and Other Data
 - Under the current accounting standards, a separate accounting actuarial valuation is performed



Actuarial Valuation Process



** Under the current accounting requirements, GASB 67/68 and GASB 74/75, a separate accounting actuarial valuation report is issued.*

Changes in Provisions

- Main System will potentially receive future Legacy Fund earnings
 - This potential source of revenue has no immediate actuarial impact
- Highway Patrol Employee and Employer Contributions
 - The statutory employee and employer contributions will each increase by 0.5% of pay every year from January 1, 2022 to January 1, 2025, ultimately increasing both by 2.00% of pay
- The following provisions continue to apply to new members
 - RHIC is closed to members first enrolled in the Main System and Defined Contribution Retirement System on or after January 1, 2020
 - Employer contribution of 1.14% of pay for RHIC is contributed to the Main System for Main System members and to the DC System for DC System members
 - The benefit accrual rate for members first enrolled on or after January 1, 2020 in the Main and Public Safety Systems is 1.75% (compared to 2.00% for members enrolled before January 1, 2020)
 - The calculation of Final Average Salary was changed for members who terminate after December 31, 2019
 - Later retirement eligibility conditions for members enrolled in the Main System after December 31, 2015



Selection of Actuarial Assumptions

What

Economic	Demographic
<ul style="list-style-type: none">• Investment Return	<ul style="list-style-type: none">• Retirement Rates
<ul style="list-style-type: none">• Payroll Growth Rates	<ul style="list-style-type: none">• Promotional/Step Pay Increases
<ul style="list-style-type: none">• Population Growth Rate	<ul style="list-style-type: none">• Disability
(Usually, a constant population size is assumed)	<ul style="list-style-type: none">• Turnover• Mortality

Actuarial Assumptions

Actuarial assumptions should be reviewed periodically (at least every three to five years) to ensure they continue to reasonably represent past and expected future experience

- Section 54-52-04.4 of the North Dakota Century Code requires an experience study once every five years
- In 2020, GRS performed an experience study covering the period July 1, 2014 through July 1, 2019
- Recommended updated assumptions were adopted by the NDPERS Board in April 2020



Changes in Actuarial Assumptions

- Decrease investment return assumption for Job Service, from 4.25% to 3.75%
- Continue to monitor the PERS, RHIC, and Highway Patrol investment return assumptions for reasonability

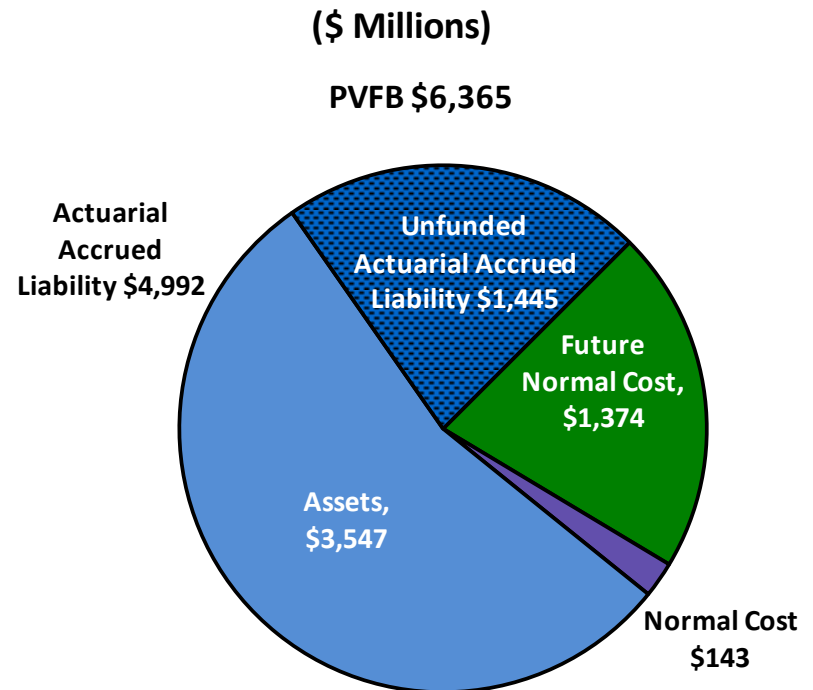
Actuarial Cost Method

Plan	Actuarial Cost Method
Main System	Entry Age Normal
Judges	Entry Age Normal
Public Safety	Entry Age Normal
Highway Patrol	Entry Age Normal
Job Service	Aggregate
RHIC	Modified Aggregate*

**Cost Method changed from Entry Age Normal to a Modified Aggregate method effective with the actuarial valuation as of July 1, 2019 for purposes of calculating the actuarial contribution rate. Entry Age Normal is required to be used for accounting purposes under the Governmental Accounting Standards Board for all Systems.*

Actuarial Cost Method

- **Present value of future benefits** – present value of all future benefits (PVFB) payable to current participants (active, retired, terminated vested)
- **Actuarial accrued liability** – portion of PVFB allocated to prior years (equal to unfunded actuarial accrued liability plus assets)
- **Normal cost** – portion of PVFB allocated to current year
- **Future normal costs** – portion of PVFB allocated to future years
- **Unfunded actuarial accrued liability** – difference between the actuarial accrued liability and assets



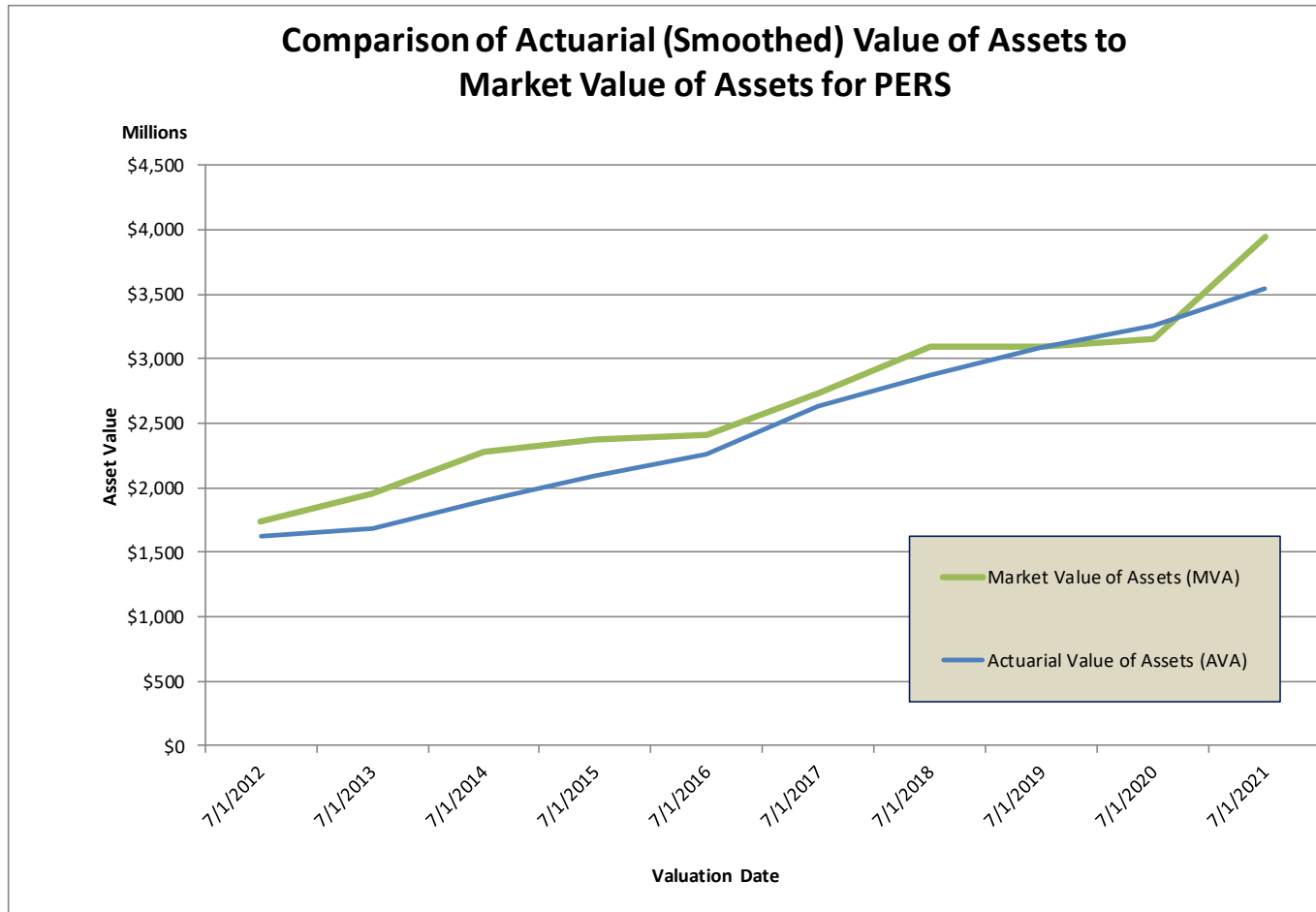
Numbers may not add due to rounding

Actuarial Value of Assets

Asset Smoothing

- Actuarial Value of Assets (AVA or Smoothed Value of Assets)
 - Method was changed beginning with the actuarial valuation as of July 1, 2017
 - Net deferred asset gains and losses attributable to fiscal years 2016 and prior were fully recognized as of July 2017
 - Beginning with fiscal year 2017, total investment gains and losses compared to the investment return assumption are recognized over a five-year period

Actuarial Value of Assets



Causes of Unfunded Liability

- Not contributing at least Normal Cost + Interest on the Unfunded Liability.
- Actual experience which is less favorable than assumed. Examples:
 - Lower rates of investment earnings;
 - Higher salary increases;
 - Earlier retirement date(s); and
 - Lower rates of non-death terminations.
- Granting initial benefits or granting benefit increases for service already rendered.

Current Funding Policy

- Employer/employee contribution rates are based on fixed rates set by Statute

Plan	Employer Rate	Employee Rate	Total Rate	Total Actuarial Rate
Main System ^d	7.26%	7.00%	14.26%	19.46%
Judges	17.52%	8.00%	25.52%	16.62%
Public Safety With ^a	9.81%	5.50% ^b	15.31%	14.86%
Public Safety Without ^a	7.93%	5.50%	13.43%	12.81%
Highway Patrol ^c	19.70%	13.30%	33.00%	45.46%
RHIC ^d	1.14%	0.00%	1.14%	1.08%
Job Service	0.00%	7.00%	7.00%	NA

^a Public Safety with and without prior Main System service.

^b Employee rate for BCI members of Public Safety with prior Main System service is 6.00%.

^c Highway Patrol employer and employee statutory contribution rates are to increase by 0.5 percentage points annually beginning on January 1, 2022, with the last increase occurring January 1, 2025.

^d RHIC rate for members first enrolled on or after January 1, 2020 is made to the Main System for Main System members and to the DC System for DC System members. Main System employer rate of 7.26% is a blend of 7.12% for pre-2020 enrollees and 8.26% for members first enrolled in 2020 or later.



Current Funding Policy – Excluding RHIC

- Actuarial employer contribution rate equals
 - Employer Normal Cost, plus
 - Amortization of Unfunded Liability
 - Level percent of pay amortization
 - Payment increases as a dollar amount and remains level as a percentage of pay
 - Payroll is assumed to increase by 3.50% each year (3.00% for Judges)
 - Amortization Period
 - 20-year open period (Main System, Judges, Public Safety, Highway Patrol)
 - Not currently applicable for Job Service due to large surplus and Aggregate cost method

Current Funding Policy – RHIC

- Actuarial employer contribution rate equals
 - The rate needed to pay off the unfunded liability and future Normal Cost contributions at the end of 20 years as a level percent of closed group (decreasing) payroll



Demographic Data



Demographic Data

PERS Plans

	PERS						
	Statistics as of July 1						
	2021				2020		Total % Change
Main System	Judges	Public Safety		Total PERS	Total PERS		
		With Prior Main	Without Prior Main				
Membership Counts							
Active Members	23,370	57	967	200	24,594	24,489	0.4%
Retired Members	13,361	63	137	14	13,575	12,945	4.9%
Vested Former Members	14,477	1	355	138	14,971	13,843	8.1%
Total	51,208	121	1,459	352	53,140	51,277	3.6%
Average Age (Active)	46.2	56.4	36.5	37.8	45.7	45.9	(0.2)
Average Ben Service (Active)	9.4	9.2	6.6	4.8	9.3	9.3	(0.0)
Total Base Payroll	\$1,132,390,738	\$8,654,665	\$61,533,502	\$11,097,033	\$1,213,675,937	\$1,167,767,935	3.9%
Average Pay	48,455	151,836	63,633	55,485	49,348	47,685	3.5%
Total Retiree Benefits	\$215,323,434	\$3,637,743	\$2,948,915	\$139,708	\$222,049,800	\$207,123,745	7.2%
Average Annual Benefit	16,116	57,742	21,525	9,979	16,357	16,000	2.2%



Demographic Data

Highway Patrol, Job Service, RHIC

	Highway Patrol			Job Service			RHIC		
	Statistics as of July 1		%	Statistics as of July 1		%	Statistics as of July 1		%
	2021	2020	Change	2021	2020	Change	2021	2020	Change
Membership Counts									
Active Members	151	154	-1.9%	3	5	-40.0%	21,067	23,495	-10.3%
Retired Members	135	133	1.5%	177	181	-2.2%	13,697	13,092	4.6%
Vested Former Members	49	43	14.0%	-	1	-100.0%	7,112	6,734	5.6%
Total	335	330	1.5%	180	187	-3.7%	41,876	43,321	-3.3%
Average Age (Active)	38.0	37.7	0.3	65.9	65.1	0.8	47.2	46.3	0.9
Average Ben Service (Active)	11.1	10.7	0.4	44.5	44.2	0.3	10.8	9.8	1.0
Total Base Payroll	\$11,516,196	\$11,409,711	0.9%	\$175,176	\$314,607	-44.3%	\$1,090,257,793	\$1,139,970,530	-4.4%
Average Pay	76,266	74,089	2.9%	58,392	62,921	-7.2%	51,752	48,520	6.7%
Total Retiree Benefits	\$5,814,082	\$5,628,248	3.3%	\$4,657,369	\$4,520,868	3.0%	\$14,693,892	\$13,894,346	5.8%
Average Annual Benefit	43,067	42,318	1.8%	26,313	24,977	5.3%	1,073	1,061	1.1%

Retiree benefit amounts for Job Service exclude the portion of the total benefit amount paid by the insurer.

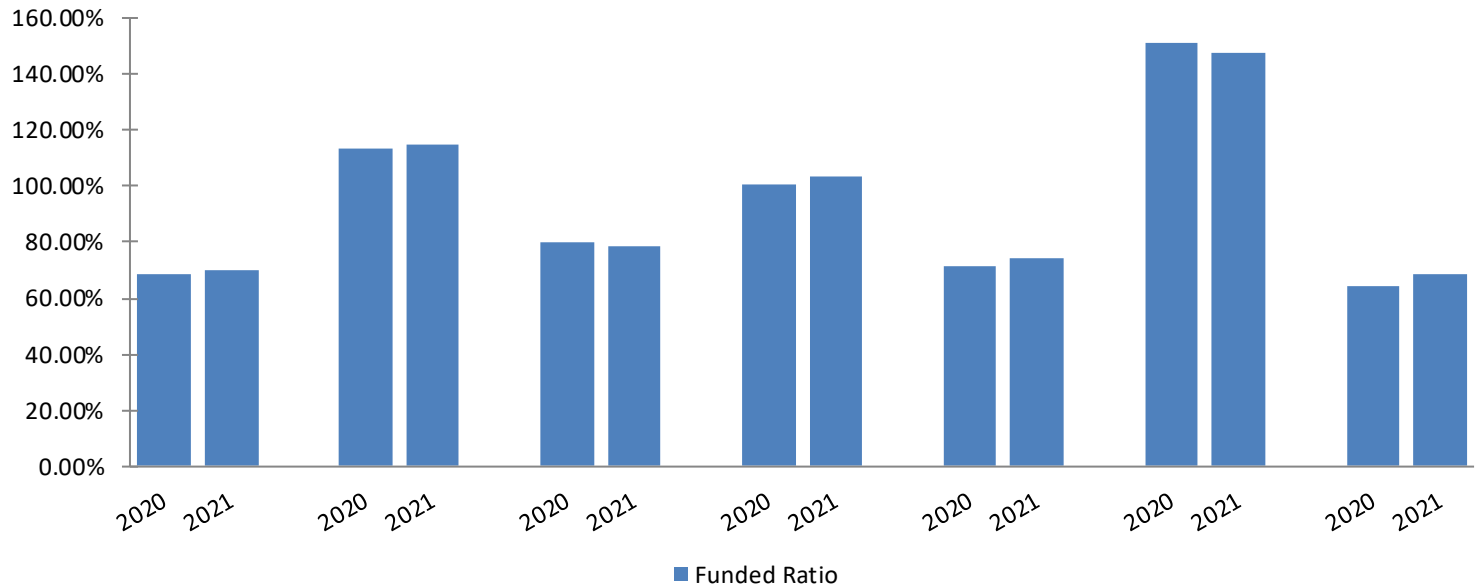


Funded Ratio Results



Funded Ratio Results

All Plans – Actuarial Value of Assets



Valuation Results	Main System		Public Safety		Highway Patrol	Job Service	RHIC
		Judges	With Prior Main	Without Prior Main			
Actuarial Accrued Liability	\$ 4,795,054,158	\$ 53,424,304	\$ 128,468,679	\$ 14,595,856	\$ 123,371,001	\$ 64,914,271	\$ 237,951,735
Actuarial Value of Assets	3,369,943,759	61,293,801	100,482,794	15,100,124	91,445,585	95,856,903	163,278,611
2021 Unfunded Actuarial Liability	1,425,110,399	(7,869,497)	27,985,885	(504,268)	31,925,416	(30,942,632)	74,673,124
UAL as Percent of Payroll	126%	-91%	45%	-5%	277%	-17664%	7%
2020 Unfunded Actuarial Liability	\$ 1,444,758,987	\$ (7,017,349)	\$ 19,198,946	\$ (115,903)	\$ 34,408,702	\$ (32,739,941)	\$ 81,226,983
2021 Funded Ratio	70.3%	114.7%	78.2%	103.5%	74.1%	147.7%	68.6%
2020 Funded Ratio	68.3%	113.7%	80.0%	100.9%	71.2%	151.0%	64.6%



Funded Ratio Results

All Plans – Actuarial/Market Value



<u>Valuation Results</u>	Main System		Public Safety		Highway	Job		RHIC
		Judges	With Prior Main	Without Prior Main	Patrol	Service		
2021 Unfunded Actuarial Liability (AVA)	\$ 1,425,110,399	\$ (7,869,497)	\$ 27,985,885	\$ (504,268)	\$ 31,925,416	\$ (30,942,632)	\$ 74,673,124	
2020 Unfunded Actuarial Liability (AVA)	1,444,758,987	(7,017,349)	19,198,946	(115,903)	34,408,702	(32,739,941)	81,226,983	
2021 Unfunded Actuarial Liability (MVA)	1,042,300,546	(14,832,186)	16,571,509	(2,219,572)	23,295,192	(31,689,426)	55,617,289	
2020 Unfunded Actuarial Liability (MVA)	1,546,179,726	(5,122,192)	21,700,550	298,274	37,099,433	(31,036,242)	84,119,757	
2021 Funded Ratio (AVA)	70.3%	114.7%	78.2%	103.5%	74.1%	147.7%	68.6%	
2020 Funded Ratio (AVA)	68.3%	113.7%	80.0%	100.9%	71.2%	151.0%	64.6%	
2021 Funded Ratio (MVA)	78.3%	127.8%	87.1%	115.2%	81.1%	148.8%	76.6%	
2020 Funded Ratio (MVA)	66.1%	110.0%	77.4%	97.6%	68.9%	148.3%	63.4%	

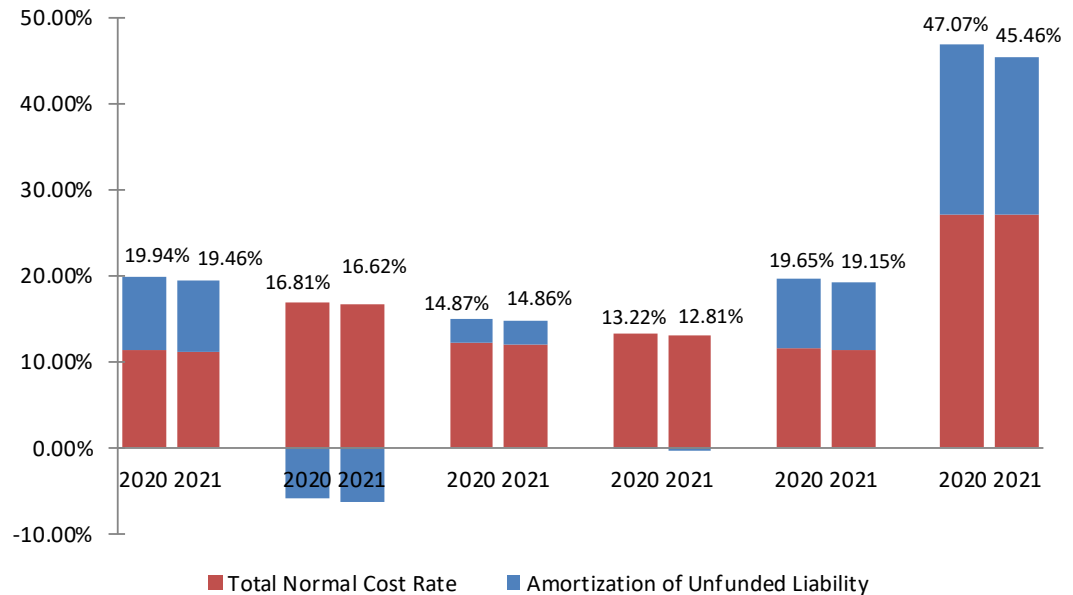


Contribution Rate Results



Contribution Rate Results

Actuarial Contribution Rate (including employee rate)



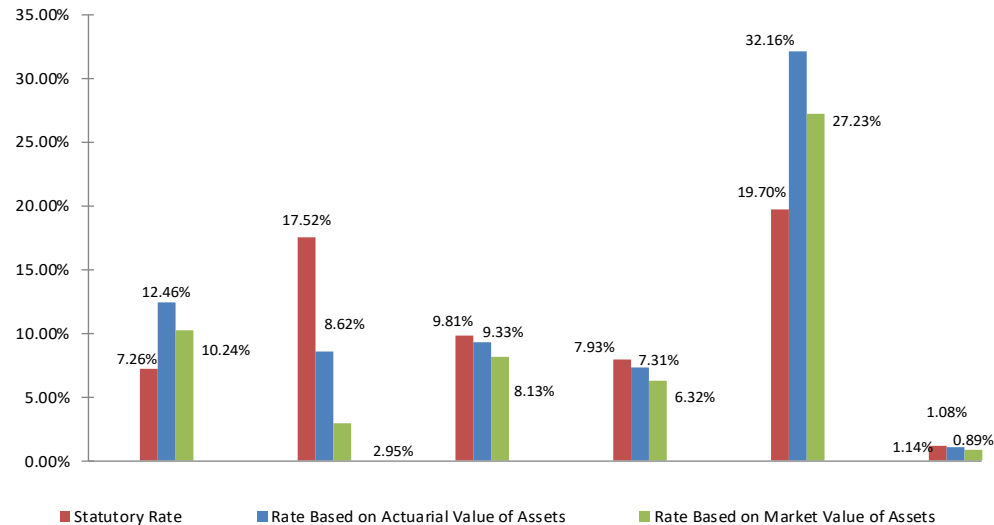
	Public Safety					
	Main System	Judges	With Prior Main	Without Prior Main	Total PERS	Highway Patrol
Total Normal Cost Rates						
FY 2022 (2021 Valuation)	11.19%	23.02%	11.92%	13.10%	11.33%	27.22%
FY 2021 (2020 Valuation)	11.33%	22.66%	12.15%	13.29%	11.46%	27.24%
Amortization of Unfunded Liability Rates						
FY 2022 (2021 Valuation)	8.27%	-6.40%	2.94%	-0.29%	7.82%	18.24%
FY 2021 (2020 Valuation)	8.61%	-5.85%	2.72%	-0.07%	8.19%	19.83%

Amount shown in graph for Judges and Public Safety without Prior Main is the total normal cost rate net of the unfunded liability contribution.
 RHIC normal cost rate for FY 2021 is 0.39% and for FY 2022 is 0.39% and the amortization of the unfunded liability rate for FY 2021 is 0.72% and for FY 2022 is 0.69% of pay.



Contribution Rate Results

Comparison of Statutory and Actuarial Contribution Rates



Valuation Results	Main System	Judges	Public Safety		Highway Patrol	RHIC
			With Prior Main	Without Prior Main		
Statutory Contribution Rate	14.26%	25.52%	15.34%	13.43%	33.00%	1.14%
Actuarial Contribution Rate (AVA)	19.46%	16.62%	14.86%	12.81%	45.46%	1.08%
Statutory Rate Excess/(Deficiency)	-5.20%	8.90%	0.48%	0.62%	-12.46%	0.06%
Actuarial Contribution Rate (MVA)	17.24%	10.95%	13.66%	11.82%	40.53%	0.89%
Statutory Rate Excess/(Deficiency)	-2.98%	14.57%	1.68%	1.61%	-7.53%	0.25%

Due to the overfunded status of Job Service, no employer contributions are required.

Main System Members hired on or after 1/1/2020 contribute an additional 1.14% of pay.

Highway Patrol employer and employee statutory contribution rates are to increase by 0.5 percentage points annually beginning on January 1, 2022, with the last increase occurring January 1, 2025.





Reconciliation of Unfunded Liability, Actuarial Contribution Rate and Funded Ratio

Investment Return Experience

Estimated Rates of Investment Return

System	Market Value				Actuarial Value			
	2018	2019	2020	2021	2018	2019	2020	2021
Main System	9.15%	5.41%	3.29%	27.00%	9.22%	8.64%	7.26%	10.38%
Judges	9.15%	5.41%	3.29%	27.00%	9.22%	8.64%	7.26%	10.38%
Public Safety with Prior*	9.15%	5.41%	3.29%	27.00%	9.22%	8.64%	7.26%	10.38%
Public Safety without Prior*	9.15%	5.41%	3.29%	27.00%	9.22%	8.64%	7.26%	10.38%
Highway Patrol	9.23%	5.45%	3.31%	24.15%	9.28%	8.72%	7.34%	9.90%
Job Service	3.07%	6.68%	2.76%	6.48%	4.83%	4.18%	3.89%	3.78%
RHIC	6.92%	6.36%	5.00%	25.07%	8.22%	7.85%	7.02%	9.81%

- *Public Safety with prior Main System service and Public Safety without prior Main System service.*

Investment Return Assumption Changes:

From 8.00% to 7.75% as of July 1, 2017, from 7.75% to 7.50% as of July 1, 2019, and from 7.50% to 7.00% as of July 1, 2020 for PERS and Highway Patrol.

From 8.00% to 7.50% as of July 1, 2017, from 7.50% to 7.25% as of July 1, 2019, and from 7.25% to 6.50% as of July 1, 2020 for RHIC.

From 8.00% to 5.70% as of July 1, 2017, from 5.70% to 4.75% as of July 1, 2018, from 4.75% to 4.25% as of July 1, 2020 and from 4.25% to 3.75% as of July 1, 2021 for Job Service.



FY 2021 Experience

System	Assets (AVA)	Salary [^]	Other (Demographic)	Statutory Contributions	Assumption Changes	Difference in Funded Ratio	Difference in Actuarial Contribution Rate
Main System	Gain	Gain	Loss	Loss	No Change	2.0%	-0.48%
Judges	Gain	Gain	Loss	Gain	No Change	1.0%	-0.19%
Public Safety with Prior*	Loss	Gain	Loss	Gain	No Change	-1.8%	0.00%
Public Safety without Prior [†]	Gain	Gain	Gain	Loss	No Change	2.6%	-0.41%
Highway Patrol	Gain	Gain	Gain	Loss	No Change	2.9%	-1.61%
Job Service	Loss	Loss	Gain	Gain	Increase UAL	-3.3%	NA
RHIC	Gain	NA	Loss	Loss	No Change	4.0%	-0.03%

[^]Plans had salary gains which reduced the unfunded liability. Lower than expected salary increases reduce the payroll base (in addition to decreases in the number of total active members) which increases the actuarial contribution rate.

Unfunded Liability Reconciliation

Based on Actuarial Value of Assets – All Plans

	Main System	Judges	Public Safety		Highway Patrol	Job Service	RHIC
			With Prior*	Without Prior*			
Unfunded liability at previous valuation	\$ 1,444,758,987	\$ (7,017,349)	\$ 19,198,946	\$ (115,903)	\$ 34,408,702	\$ (32,739,941)	\$ 81,226,983
<u>Expected unfunded liability at current valuation</u>							
Normal cost for plan year	132,492,248	1,969,804	5,964,147	1,576,878	3,292,549	-	4,737,373
Interest on unfunded liability and normal cost	105,691,928	(423,437)	1,549,141	46,144	2,521,899	(1,391,447)	5,431,295
Contributions using actuarial rate with interest	<u>241,140,151</u>	<u>1,511,214</u>	<u>7,552,569</u>	<u>1,622,785</u>	<u>5,884,848</u>	<u>12,976</u>	<u>13,766,728</u>
Total expected change in unfunded liability	(2,955,975)	35,153	(39,281)	237	(70,400)	(1,404,423)	(3,598,060)
Total expected unfunded liability at current valuation	1,441,803,012	(6,982,196)	19,159,665	(115,666)	34,338,302	(34,144,364)	77,628,923
Change due to:							
Amount of contributions and expenses**	70,152,744	(587,349)	(1,299,228)	54,094	1,900,781	(3,551)	185,594
Recognition of asset (gains)/losses	(108,804,392)	(564,096)	136,812	(32,155)	(2,435,716)	447,529	(4,918,678)
Salary experience	(15,590,291)	(4,722)	(723,523)	(409,213)	(931,017)	29,133	-
Demographic and other experience	37,549,326	268,866	10,712,159	(1,328)	(811,477)	(180,955)	1,777,285
Change in actuarial assumptions	-	-	-	-	-	2,909,576	-
Changes in plan provisions	-	-	-	-	<u>(135,457)</u>	-	-
Total change	(16,692,613)	(887,301)	8,826,220	(388,602)	(2,412,886)	3,201,732	(2,955,799)
Unfunded liability at current valuation	\$ 1,425,110,399	\$ (7,869,497)	\$ 27,985,885	\$ (504,268)	\$ 31,925,416	\$ (30,942,632)	\$ 74,673,124

* Public Safety with prior Main System service and Public Safety without prior Main System service.

** Change due to difference between actual contributions based on statutory rate and contributions using actuarial rate.



Funded Ratio Reconciliation

Based on Actuarial Value of Assets – All Plans

	Main System	Judges	Public Safety		Highway Patrol	Job Service	RHIC
			With Prior*	Without Prior*			
July 1, 2020 Funded Ratio (AVA)	68.3%	113.7%	80.0%	100.9%	71.2%	151.0%	64.6%
Expected July 1, 2021 Funded Ratio (AVA)	69.8%	113.1%	81.8%	100.8%	72.5%	154.9%	67.1%
Change due to:							
Amount of contributions and expenses**	-1.5%	1.1%	1.2%	-0.4%	-1.5%	0.0%	-0.1%
Recognition of asset (gains)/losses	2.3%	1.1%	-0.1%	0.2%	2.0%	-0.7%	2.1%
Salary experience	0.2%	0.0%	0.4%	2.8%	0.6%	-0.1%	0.0%
Demographic and other experience	-0.6%	-0.6%	-5.1%	0.0%	0.6%	0.5%	-0.5%
Change in actuarial assumptions	0.0%	0.0%	0.0%	0.0%	0.0%	-6.9%	0.0%
Changes in plan provisions	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%
Total change	0.5%	1.6%	-3.6%	2.7%	1.6%	-7.2%	1.5%
July 1, 2021 Funded Ratio (AVA)	70.3%	114.7%	78.2%	103.5%	74.1%	147.7%	68.6%

* *Public Safety with prior Main System service and Public Safety without prior Main System service.*

** *Expected funded ratio is based on contributions using the actuarial rate. The change due to amount and timing of contributions is based on the statutory contributions that were made compared to the actuarial contributions.*

Numbers may not add due to rounding.



Actuarial Contribution Rate Reconciliation

Based on Actuarial Value of Assets – All Plans

	Main System	Judges	Public Safety		Highway Patrol	RHC
			With Prior*	Without Prior*		
FY 2021 Actuarial Employer Contribution	12.94%	8.81%	9.33%	7.72%	33.77%	1.11%
Expected FY 2022 Employer Contribution	12.63%	9.01%	9.24%	7.72%	33.05%	1.11%
Expected FY 2022 Employer Contribution with New Pay Base	12.58%	9.40%	8.34%	7.54%	33.51%	1.11%
Change due to:						
Amount of contributions and expenses**	0.39%	-0.53%	-0.12%	0.02%	1.00%	0.00%
Recognition of asset (gains)/losses	-0.64%	-0.46%	0.01%	-0.02%	-1.39%	-0.05%
Salary experience	-0.09%	0.00%	-0.07%	-0.24%	-0.54%	0.00%
Demographic and other experience	0.22%	0.21%	1.17%	0.01%	-0.45%	0.02%
Change in actuarial assumptions	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Changes in plan provisions	0.00%	0.00%	0.00%	0.00%	0.03%	0.00%
Total change	-0.12%	-0.78%	0.99%	-0.23%	-1.35%	-0.03%
FY 2022 Actuarial Employer Contribution	12.46%	8.62%	9.33%	7.31%	32.16%	1.08%

Excludes Job Service due to Job Service being in a surplus position with no required contributions.

* *Public Safety with prior Main System service and Public Safety without prior Main System service.*

** *Expected actuarial contribution rate is based on contributions using the actuarial rate. The change due to amount and timing of contributions is based on the statutory contributions that were made compared to the actuarial contributions.*

Numbers may not add due to rounding.



Summary of Change in Results

All Plans

	Main System	Judges	Public Safety		Highway Patrol	Job Service	RHC
			With Prior*	Without Prior*			
Unfunded Liability							
<u>Based on Actuarial Value of Assets (AVA)</u>							
Unfunded liability at previous valuation	\$ 1,444,758,987	\$ (7,017,349)	\$ 19,198,946	\$ (115,903)	\$ 34,408,702	\$ (32,739,941)	\$ 81,226,983
Unfunded liability at current valuation	1,425,110,399	(7,869,497)	27,985,885	(504,268)	31,925,416	(30,942,632)	74,673,124
Change	(19,648,588)	(852,148)	8,786,939	(388,365)	(2,483,286)	1,797,309	(6,553,859)
<u>Based on Market Value of Assets (MVA)</u>							
Unfunded liability at previous valuation	\$ 1,546,179,726	\$ (5,122,192)	\$ 21,700,550	\$ 298,274	\$ 37,099,433	\$ (31,036,242)	\$ 84,119,757
Unfunded liability at current valuation	1,042,300,546	(14,832,186)	16,571,509	(2,219,572)	23,295,192	(31,689,426)	55,617,289
Change	(503,879,180)	(9,709,994)	(5,129,041)	(2,517,846)	(13,804,241)	(653,184)	(28,502,468)
Actuarial Employer Contribution Rate							
<u>Based on Actuarial Value of Assets (AVA)</u>							
FY 2021 Actuarial Employer Contribution	12.94%	8.81%	9.33%	7.72%	33.77%	NA	1.11%
FY 2022 Actuarial Employer Contribution	12.46%	8.62%	9.33%	7.31%	32.16%	NA	1.08%
Difference in Actuarial Contribution Rate	-0.48%	-0.19%	0.00%	-0.41%	-1.61%	NA	-0.03%
<u>Based on Market Value of Assets (MVA)</u>							
FY 2021 Actuarial Employer Contribution	13.54%	10.39%	9.69%	7.97%	35.32%	NA	1.13%
FY 2022 Actuarial Employer Contribution	10.24%	2.95%	8.13%	6.32%	27.23%	NA	0.89%
Difference in Actuarial Contribution Rate	-3.30%	-7.44%	-1.56%	-1.65%	-8.09%	NA	-0.24%
Funded Ratio							
<u>Based on Actuarial Value of Assets (AVA)</u>							
2020 Funded Ratio	68.3%	113.7%	80.0%	100.9%	71.2%	151.0%	64.6%
2021 Funded Ratio	70.3%	114.7%	78.2%	103.5%	74.1%	147.7%	68.6%
Difference in Funded Ratio	2.0%	1.0%	-1.8%	2.6%	2.9%	-3.3%	4.0%
<u>Based on Market Value of Assets (MVA)</u>							
2020 Funded Ratio	66.1%	110.0%	77.4%	97.6%	68.9%	148.3%	63.4%
2021 Funded Ratio	78.3%	127.8%	87.1%	115.2%	81.1%	148.8%	76.6%
Difference in Funded Ratio	12.2%	17.7%	9.7%	17.6%	12.2%	0.5%	13.2%

Job Service is in a surplus position with no required contributions.

**Public Safety with prior Main System service and Public Safety without prior Main System service.*

Numbers may not add due to rounding



Summary of Key Actuarial Valuation Results

All Plans

	Main System	Judges	Public Safety		Highway Patrol	Job Service**	RHIC
			With Prior*	Without Prior*			
Membership Information							
Active Members	23,370	57	967	200	151	3	21,067
Retired Members	13,361	63	137	14	135	177	13,697
Vested Former Members	14,477	1	355	138	49	0	7,112
Total Members	51,208	121	1,459	352	335	180	41,876
Total Base Payroll	\$1,132,390,738	\$8,654,665	\$61,533,502	\$11,097,033	\$11,516,196	\$175,176	\$1,090,257,793
Employee Contribution Rate	7.00%	8.00%	5.53%	5.50%	13.30%	0.00%	0.00%
Statutory Employer Contribution Rate	7.26%	17.52%	9.81%	7.93%	19.70%	NA	1.14%
Actuarial Valuation Results (AVA)							
	Based on Actuarial Value of Assets						
Actuarial Accrued Liability (AAL)	\$4,795,054,158	\$53,424,304	\$128,468,679	\$14,595,856	\$123,371,001	\$64,914,271	\$237,951,735
Actuarial Value of Assets	3,369,943,759	61,293,801	100,482,794	15,100,124	91,445,585	95,856,903	163,278,611
Unfunded Actuarial Liability	1,425,110,399	(7,869,497)	27,985,885	(504,268)	31,925,416	(30,942,632)	74,673,124
Funded Ratio	70.3%	114.7%	78.2%	103.5%	74.1%	147.7%	68.6%
FY 2021 Estimated Investment Return (AVA)	10.38%	10.38%	10.38%	10.38%	9.90%	3.78%	9.81%
Employer Normal Cost Rate	4.19%	15.02%	6.39%	7.60%	13.92%	NA	0.39%
Actuarial Employer Contribution Rate	12.46%	8.62%	9.33%	7.31%	32.16%	NA	1.08%
Amortization Period from Statutory Rate (Years)***	100+	None	16.2	None	100+	NA	16
Statutory Contribution Deficit/(Surplus)***	5.20%	-8.90%	-0.48%	-0.62%	12.46%	NA	-0.06%
Actuarial Valuation Results (MVA)							
	Based on Market Value of Assets						
Market Value of Assets	\$3,752,753,612	\$68,256,490	\$111,897,170	\$16,815,428	\$100,075,809	\$96,603,697	\$182,334,446
Unfunded Actuarial Liability	1,042,300,546	(14,832,186)	16,571,509	(2,219,572)	23,295,192	(31,689,426)	55,617,289
Funded Ratio	78.3%	127.8%	87.1%	115.2%	81.1%	148.8%	76.6%
FY 2021 Estimated Investment Return (AVA)	27.00%	27.00%	27.00%	27.00%	24.15%	6.48%	25.07%
Actuarial Employer Contribution Rate	10.24%	2.95%	8.13%	6.32%	27.23%	NA	0.89%
Amortization Period from Statutory Rate (Years)	100+	None	8.5	None	100+	NA	11
Statutory Contribution Deficit/(Surplus)***	2.98%	-14.57%	-1.68%	-1.61%	7.53%	NA	-0.25%

* Public Safety with prior Main System service and Public Safety without prior Main System service.

** Job Service is in a surplus position with no required contributions. AAL shown for Job Service is equal to the Present Value of Future Benefits.

*** Contribution Deficits and Amortization Period from Statutory Rate are based on current normal cost and contribution rates. For the Main System, new hires with lower costs and higher contributions will slowly improve the plan's funding status. Highway Patrol employer and employee statutory contribution rates are to increase by 0.5 percentage points annually beginning on January 1, 2022, with the last increase occurring January 1, 2025.





Actuarial Valuation Results Recommendations

Actuarial Valuation Results

Recommendations

The statutory employer contribution rates are significantly lower than the actuarial employer contribution rates for the Main System. Plan and contribution changes for new hires are expected to slowly improve the funding of the plan.

The statutory employer contribution rates are significantly lower than the actuarial employer contribution rates for Highway Patrol. Highway Patrol contributions will increase by 4.0% of pay in the future, which will partially reduce the deficit.

The statutory employer contribution rate is significantly higher than the actuarial employer contribution rate for the Judges plan and the funded ratio is currently over 114% (over 127% based on the market value of assets)

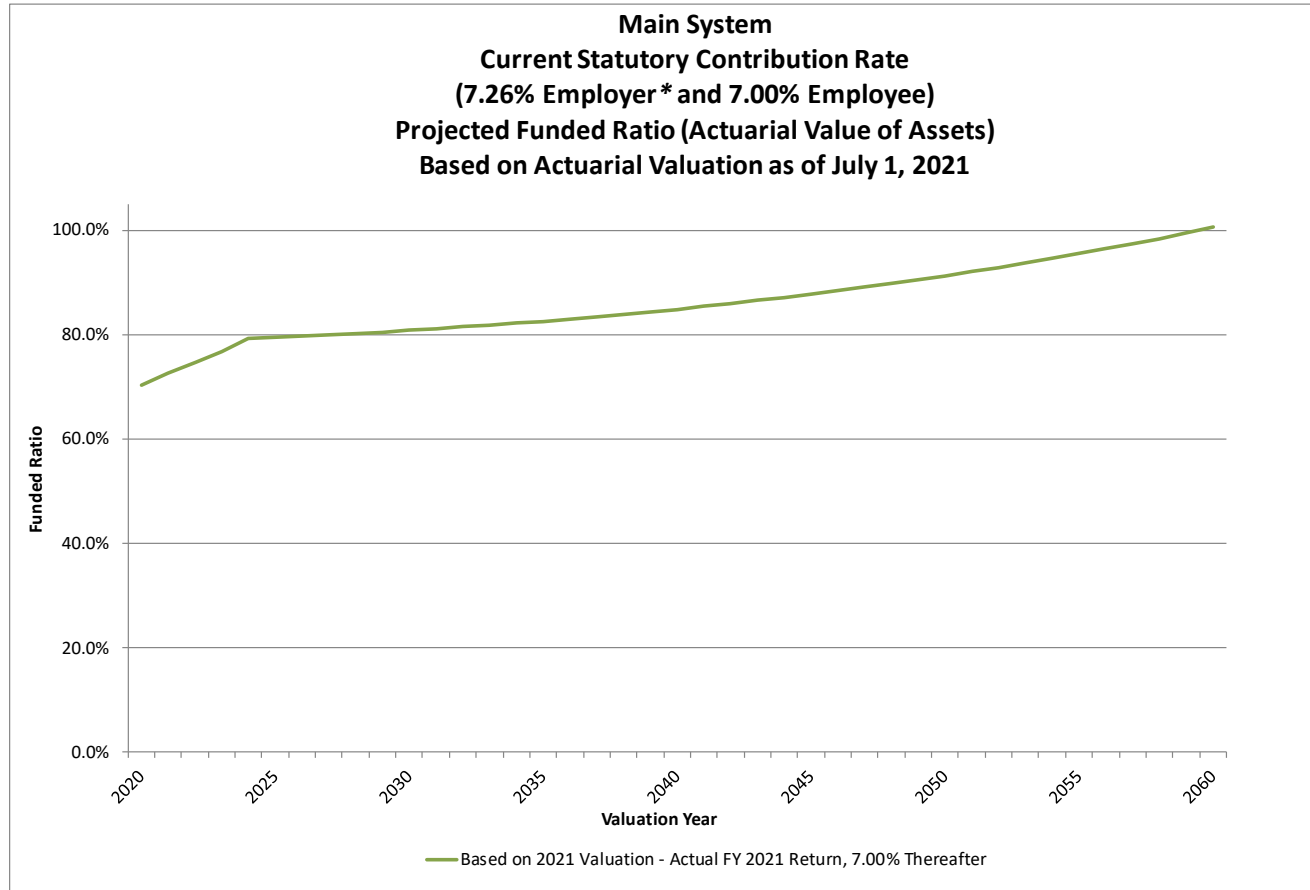
Changes to the statutory contribution rates may be appropriate.

Projections



Actuarial Projections

PERS – Main System

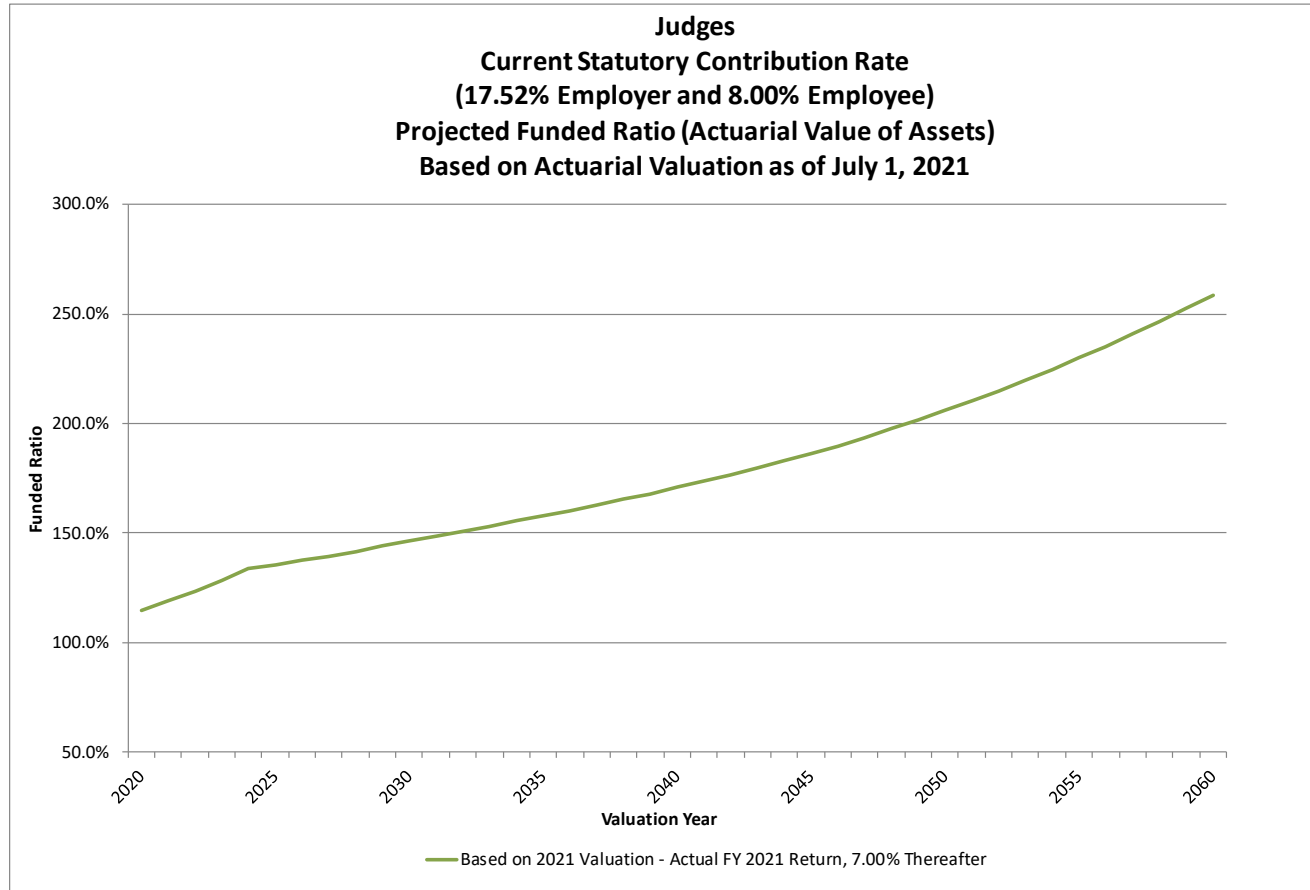


**Employer contributions include an additional 1.14% of pay for members first enrolled on or after January 1, 2020.*



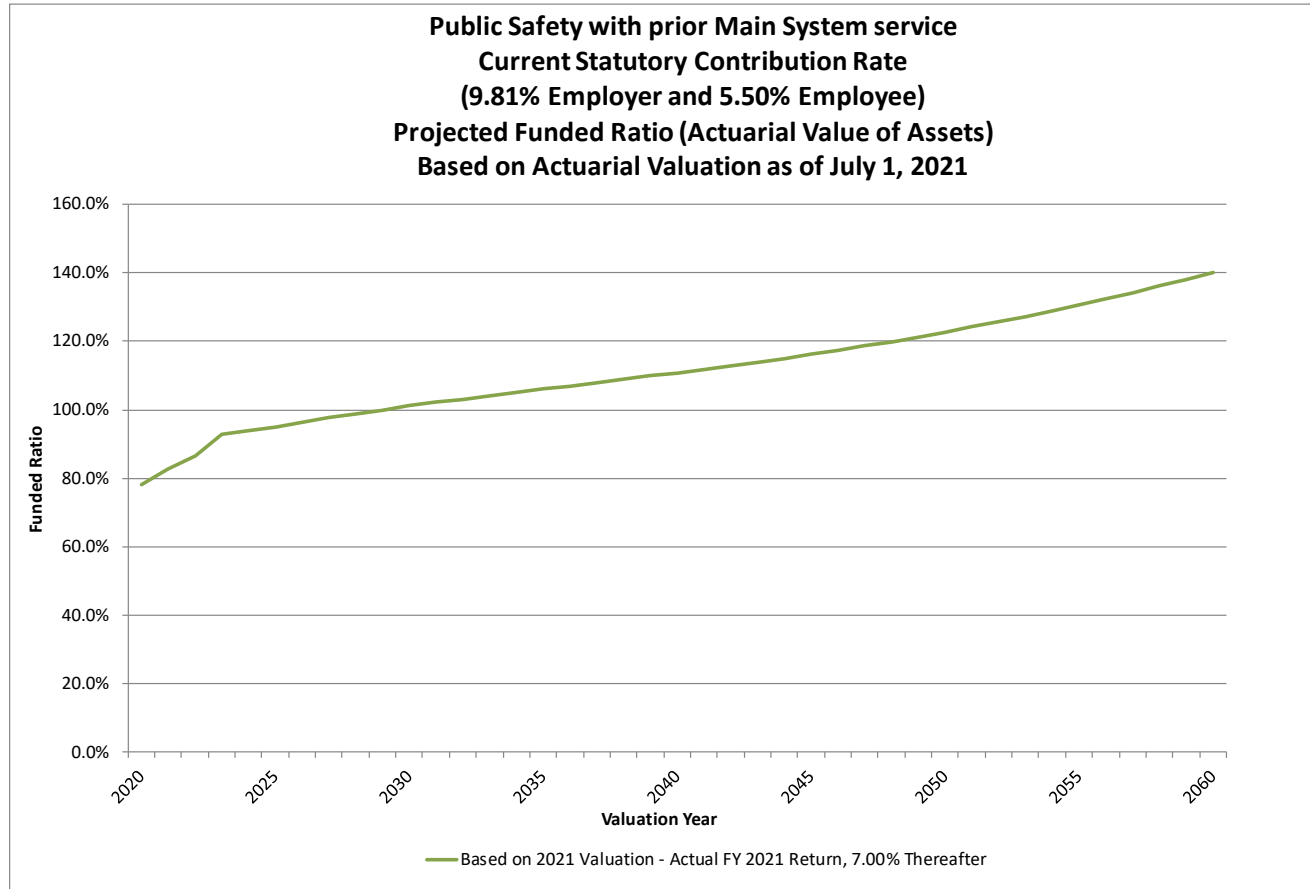
Actuarial Projections

PERS – Judges



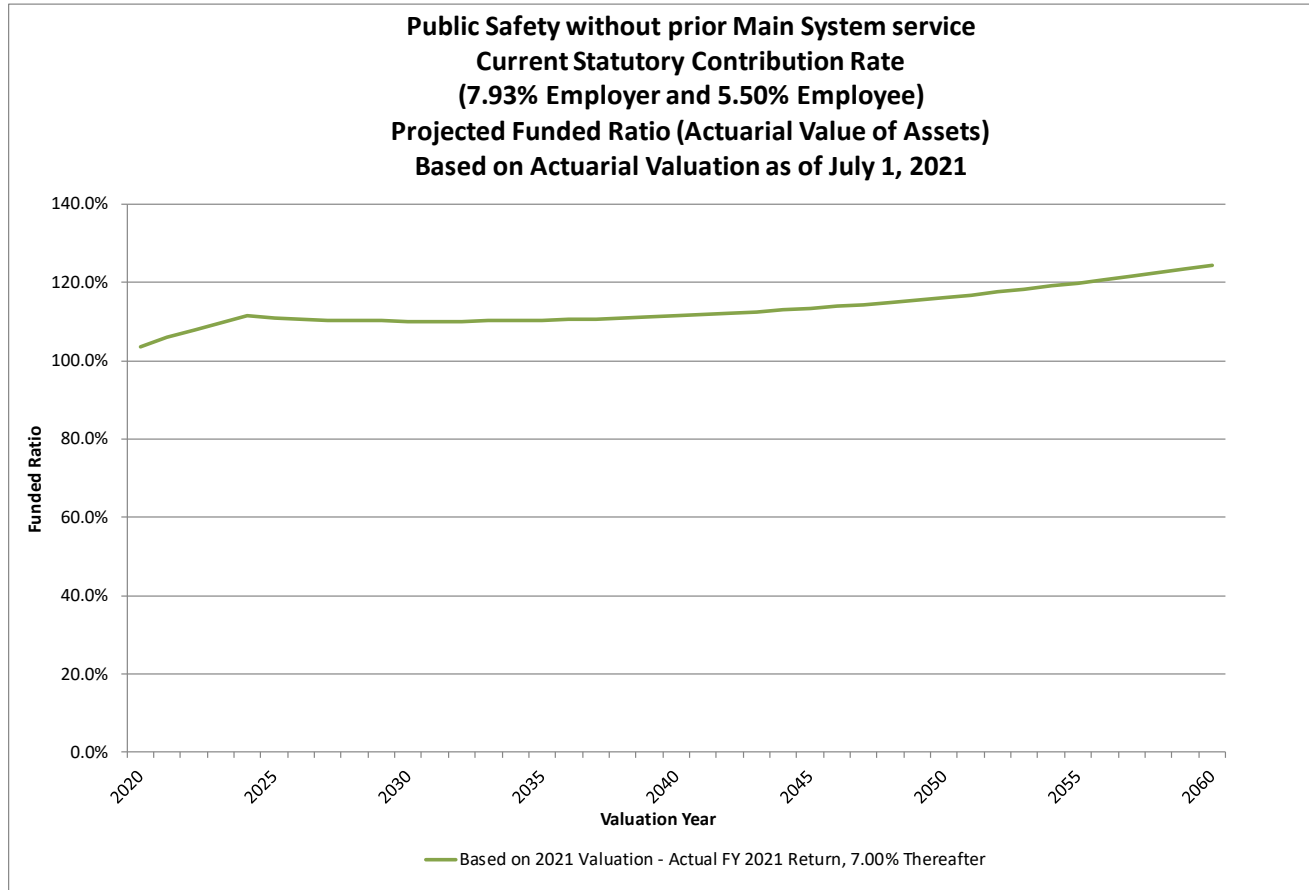
Actuarial Projections

PERS – Public Safety with Prior Main System Service



Actuarial Projections

PERS – Public Safety without Prior Main System Service

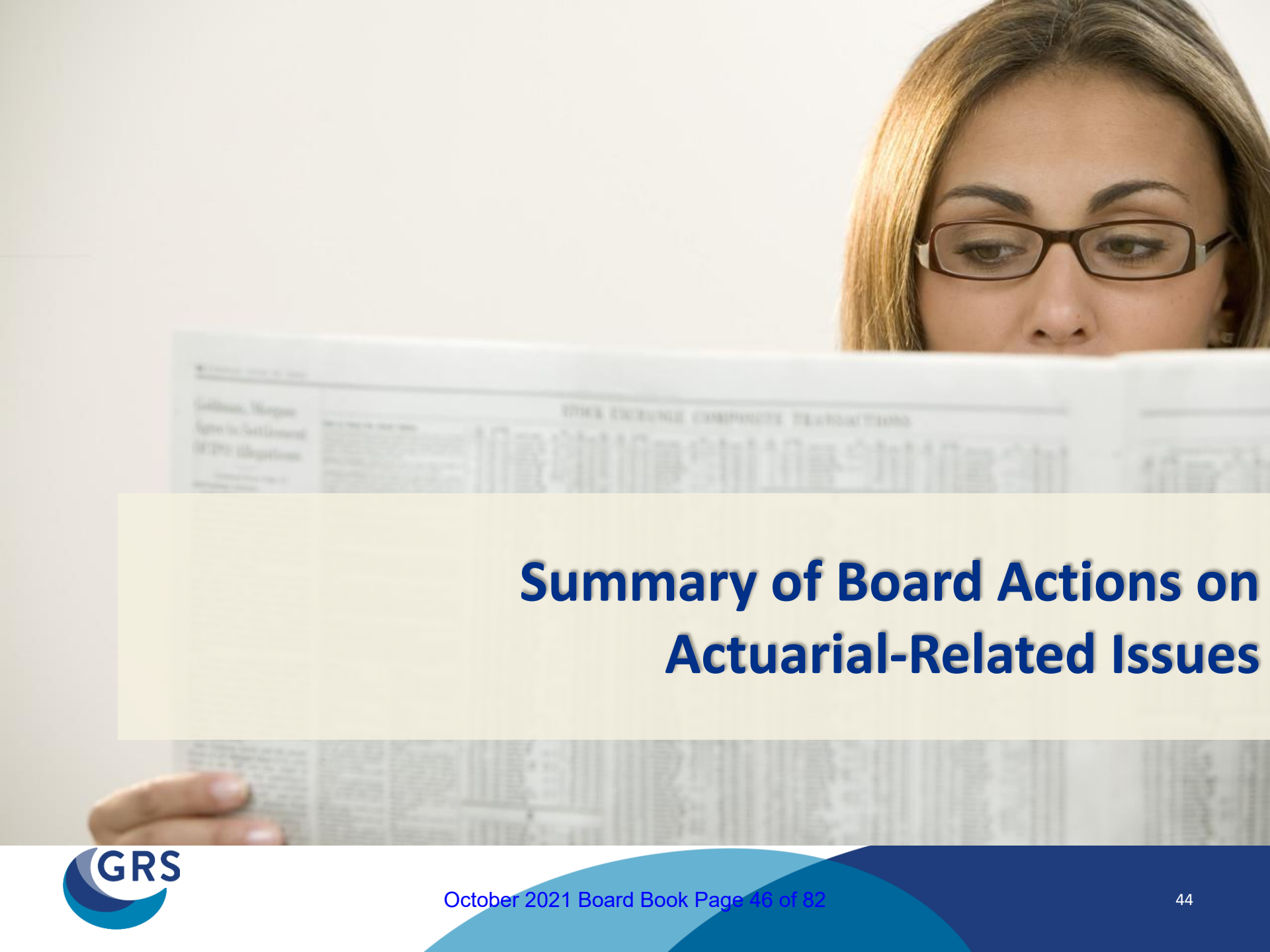


PERS Main System Projection Results

- Based on a snapshot of information as of July 1, 2021, reflecting current normal cost and statutory contributions, it will take more than 100 years to reach full funding
- However, when new hires are reflected, the PERS Main System projection shows improving funded ratios due to lower benefit accruals and higher contributions for new hires
 - This is a more comprehensive approach to projecting the plan's funding ratios, since it reflects actual future benefits and contributions
- Projections assume stable active member population (i.e., terminating and retiring members are assumed to be replaced with new members)

Projection Results – GASB Accounting Purposes

- Last year, the PERS and the Highway Patrol Plan were subject to lower discount rates (and higher liabilities) for GASB accounting purposes, because assets were projected to be depleted
- This year, primarily due to strong investment returns during the past fiscal year, a discount rate of 7% will be used for both systems (assets are not expected to be depleted)
- **GASB discount rates are extremely volatile**



Summary of Board Actions on Actuarial-Related Issues

Summary of Board Actions on Actuarial-Related Issues

1

Updated assumptions first used in actuarial valuations as of July 1, 2017, July 1, 2019, July 1, 2020, and July 1, 2021

2

Adopted updated actuarial equivalence factors, most recently effective January 1, 2021

3

Adopted updated service purchase methodology which incorporated updated assumptions

4

Adopted Return to Work methodology

5

Adopted Employer Withdrawal Liability methodology



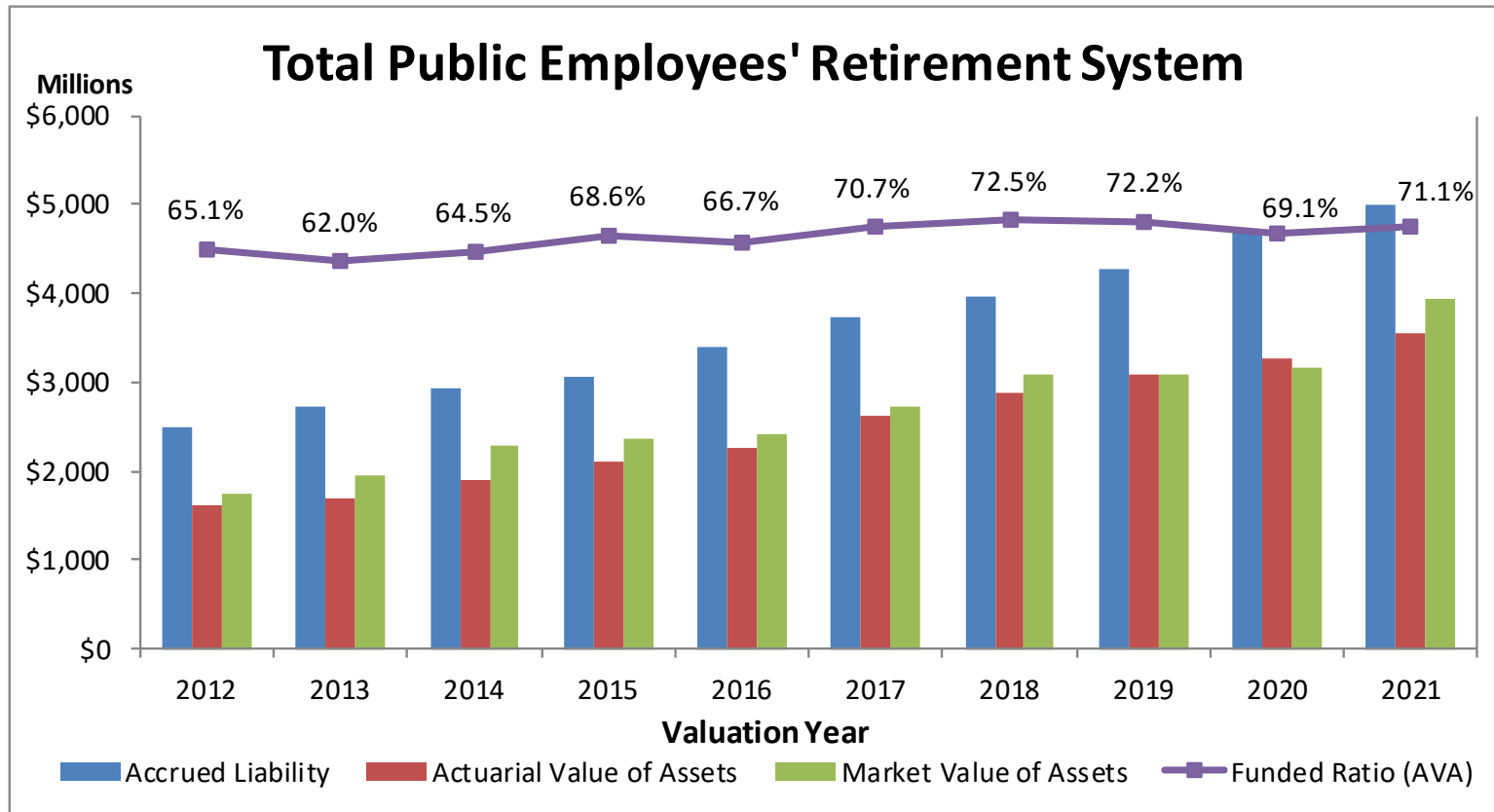


Questions?

APPENDIX

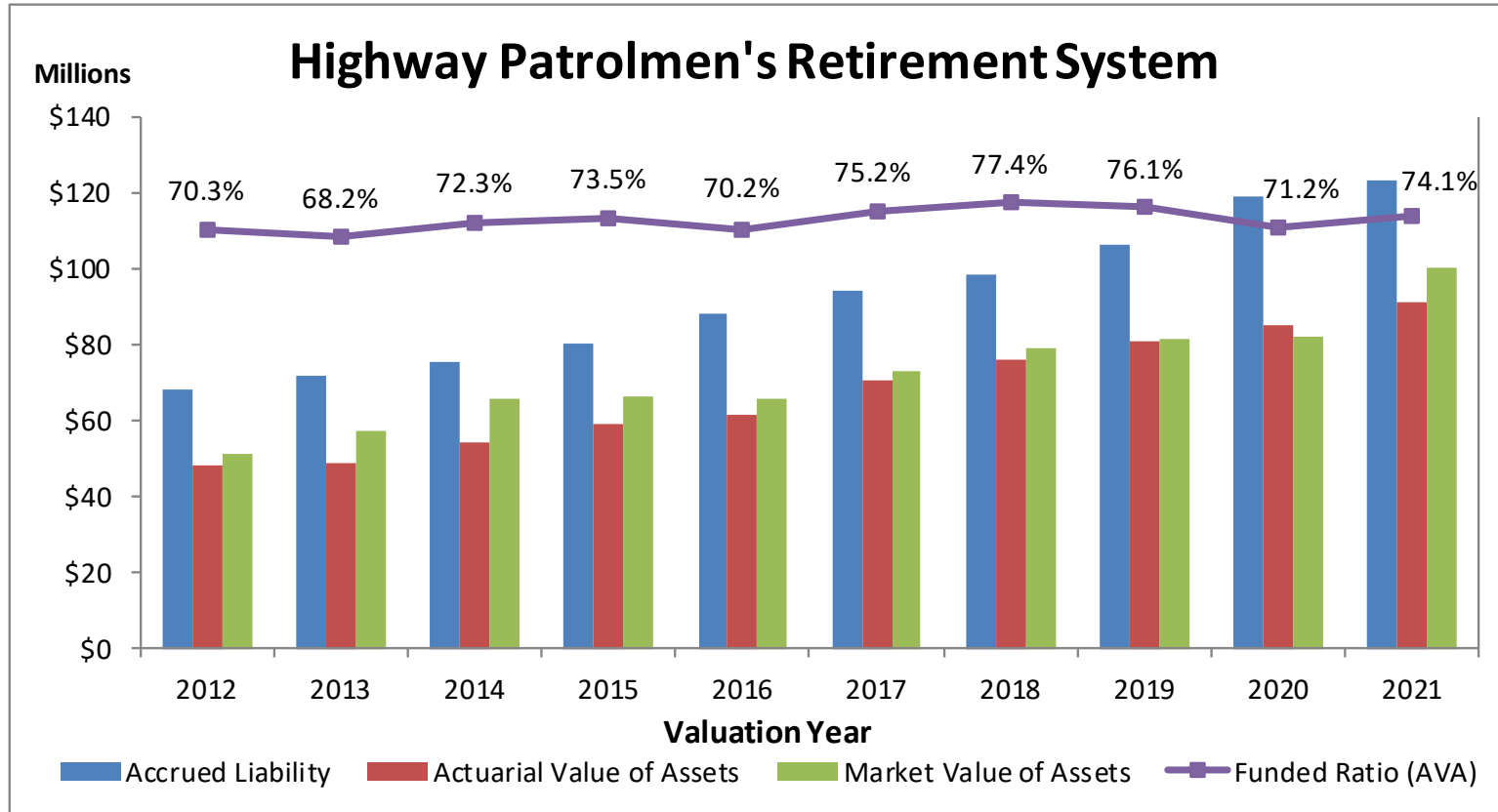
Historical Trends

Change in Funded Status



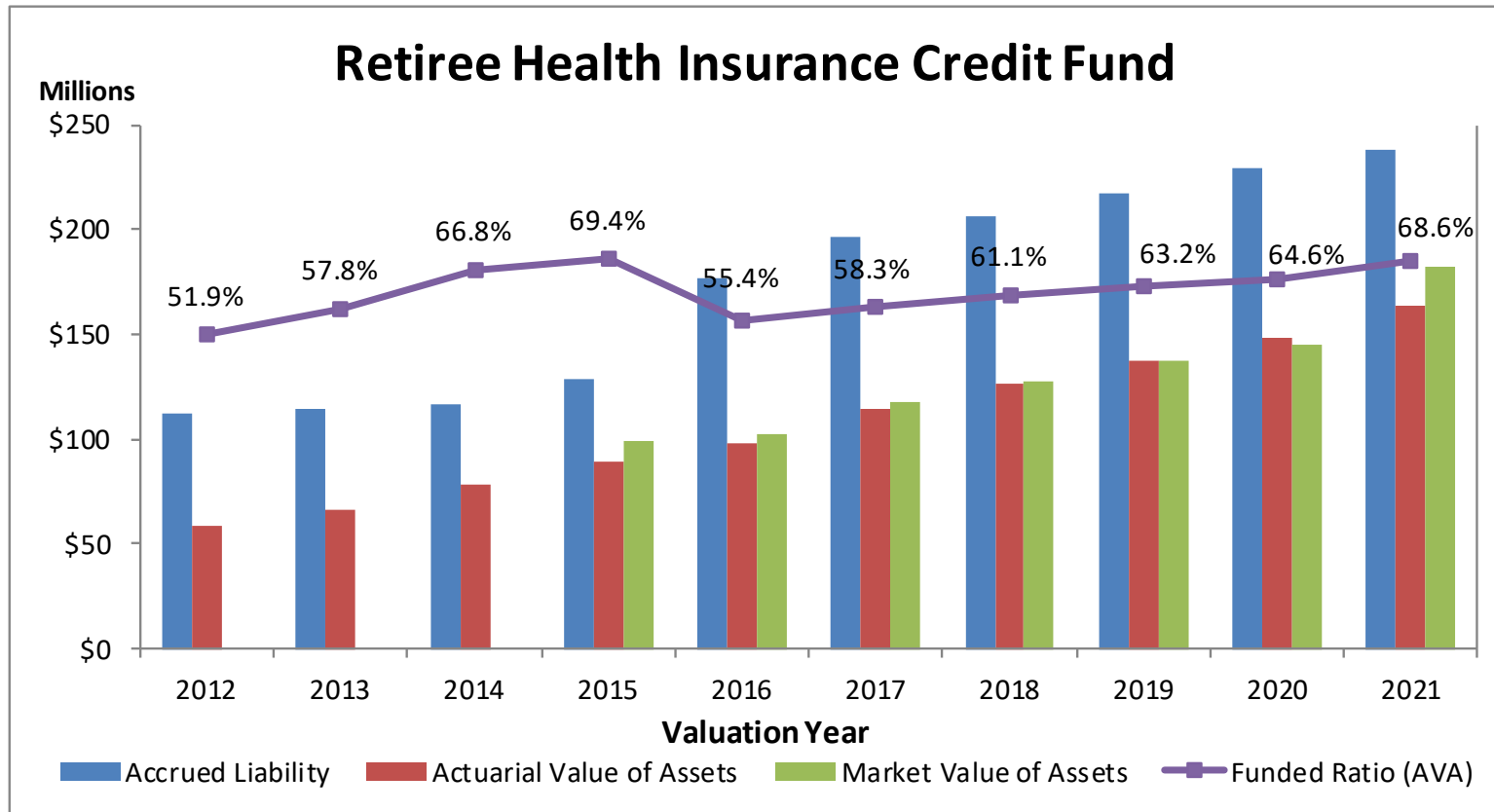
Historical Trends

Change in Funded Status



Historical Trends

Change in Funded Status



Disclosures

- This presentation shall not be construed to provide tax advice, legal advice or investment advice.
- The actuaries submitting this presentation (Bonita Wurst and Abra Hill) are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.
- The purposes of the actuarial valuation are to measure the financial position of the North Dakota Public Employees Retirement System, calculate the actuarial employer contribution rates and provide actuarial reporting and disclosure information for financial reporting.
- The assumptions used in the calculation of the July 1, 2021 actuarial valuation results are based on an experience study for the five year period ending June 30, 2019 as well as an analysis of investment return assumptions dated September 10, 2021, and were provided by, and are the responsibility of, the NDPERS Board.



Disclosures

- Future actuarial measurements may differ significantly from the current and projected measurements presented in this presentation due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.
- This is one of multiple documents comprising the actuarial reports for the NDPERS Plans. Additional information regarding actuarial assumptions and methods and important additional disclosures are provided in the Actuarial Valuation Reports as of July 1, 2021.
- If you need additional information to make an informed decision about the contents of this presentation, or if anything appears to be missing or incomplete, please contact us before relying on this presentation.





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Memorandum

TO: NDPERS Board

FROM: MaryJo Anderson

DATE: October 26, 2021

SUBJECT: Job Service COLA

According to Article VII(3) of the plan document for the Retirement Plan for Employees of Job Service North Dakota, “effective each December 1 of any year, the monthly amount of each retirement annuity, death benefit, or disability benefit then payable shall be increased by the percent increase, if any, in the Consumer Price Index.” It further states, “no increase in retirement allowance granted under the Plan, or the date for commencement of such increase, will become effective unless the same increase has been authorized for the Civil Service Retirement System, and unless the increase has been authorized by the NDPERS Board.” This provision for a COLA increase was authorized by the United States Department of Labor as part of a larger agreement reached with the USDOL in the late 1970’s. Since that time, the Plan practice has been to provide COLAs consistent with the Federal Civil Service Plan. The plan assumes a post-retirement COLA of 2.25%.

This year the COLA index for the Federal Civil Service Plan is 5.9%. Therefore, a 5.9% COLA increase is indicated for the Job Service retirees paid by NDPERS as well as for the Job Service retirees paid by MetLife/Brighthouse. The increase would be effective December 1, 2021. The last increase for annuitants in this system was 1.3% effective December 1, 2020.

The actuarial assumption used in the annual valuation for the COLA is 2.25% per year; therefore, the 5.9% increase represents a loss to the system.

Board Action Requested

Determine whether to approve the 5.9% COLA increase for Job Service annuitants.



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Memorandum

TO: NDPERS Board

FROM: Rebecca

DATE: October 26, 2021

SUBJECT: **TIAA Update on Fiduciary Responsibility Standard**

At the September meeting, Melissa Thorpe from TIAA provided an update regarding the New York Attorney General's Office and the Securities and Exchange Commission (SEC) investigation of certain TIAA practices related to a product outside of the services offered to NDPERS members.

During the discussion, a question was raised regarding TIAA following the fiduciary responsibility standard on behalf of the NDPERS members that utilize their services. The Board requested that our current contract, referred to as the record-keeping agreement, with TIAA be reviewed to determine the language related to the standard. Please note that the agreement was executed in October 2017. The following is the language:

2. NON- FIDUCIARY STATUS

Except with respect to its offering Contracted Services that delivers investment and savings advice to Plan participants as described in Schedule A, it is intended that the Contracted Services be ministerial in nature and that nothing in this Agreement should be construed as granting any discretionary authority or discretionary responsibility to TIAA with respect to the Plan(s), the Participants, or the investments under the Plan(s).

The following language is in Schedule A (Contracted Services) that is referenced in the above statement:

12. TIAA shall, as authorized by a Plan Administrator, offer a Plan level service that delivers investment and savings advice to Plan participants from an independent third party advice provider. The program follows the guidelines set forth in Department of Labor ("DOL") Advisory Opinion 2001-09A (known as the Sun America Opinion). Morningstar Investment Management, LLC is the independent financial expert under this participant advice program. The advice service will be delivered to participants over the phone, through the web, and by TIAA-CREF consultants in the field. TIAA accepts fiduciary responsibility for the provision of advice under this program.

TIAA has provided the following regarding our request for additional information:

Covered recommendations that TIAA makes involving employer retirement plans subject to the Employee Retirement Income Security Act of 1974 ("ERISA") and individual retirement accounts (IRAs) subject to the Internal Revenue Code (IRC) (collectively, plans) are subject to a fiduciary duty under ERISA and the IRC, respectively. Covered recommendations include rollover/transfer recommendations, annuitization recommendations and recommendations to enroll in an IRA (covered investment advice).

When TIAA provides covered investment advice to plan participants, TIAA operates under impartial conduct standards and internal policies and procedures that require TIAA to act in the participant's best interest and not put our interests ahead of the participant. When TIAA provides investment advice to participants regarding their plan accounts, we are fiduciaries within the meaning of Title I of ERISA and the Code, as applicable.

Governmental plans like North Dakota PERS are not covered by ERISA and its impartial conduct standards. However, our internal policies and procedures require TIAA to adhere to the same fiduciary standard and requirements when we provide North Dakota PERS participants with covered investment advice on non-ERISA plan assets.

Therefore, when TIAA renders investment advice to a participant regarding their North Dakota PERS account (i.e., in-plan asset allocation advice and beginning in December 2021, rollover, transfer and distribution recommendations), TIAA acts by policy in a fiduciary capacity.

Representatives from TIAA will be available to discuss the fiduciary responsibility standard it follows for the NDPERS members, the record-keeping agreement, and to answer any additional questions the Board may have.



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Memorandum

TO: NDPERS Board

FROM: Bryan Reinhardt

DATE: October 26, 2021

SUBJECT: GRS Contract Extension

At the September 14, 2021 NDPERS Board meeting, the Board approved extending the GRS contract for the NDPERS retirement consultant an additional two years. The attached contract addendum would extend the existing contract until June 30, 2024.

Dean DePountis drafted the addendum and can answer any questions you may have.

BOARD ACTION:

Approve the contract addendum and authorize for signature.

FIXED FEE:

Retirement:

Fixed Annual Fee	7/1/2019 to 6/30/2020:	\$71,000
	7/1/2020 to 6/30/2021:	\$73,000
	7/1/2021 to 6/30/2022:	\$75,000
	7/1/2022 to 6/30/2023:	\$77,000
	7/1/2023 to 6/30/2024:	\$77,000

Retiree Health Insurance Credit:

Fixed Annual Fee	7/1/2019 to 6/30/2020:	\$13,200
	7/1/2020 to 6/30/2021:	\$13,600
	7/1/2021 to 6/30/2022:	\$14,000
	7/1/2022 to 6/30/2023:	\$14,400
	7/1/2023 to 6/30/2024:	\$14,400

GASB 67 and 68 Work:

Fixed Annual Fee	7/1/2019 to 6/30/2020:	\$43,000
	7/1/2020 to 6/30/2021:	\$44,000
	7/1/2021 to 6/30/2022:	\$45,000
	7/1/2022 to 6/30/2023:	\$46,000
	7/1/2023 to 6/30/2024:	\$46,000

GASB 74 and 75 Work:

Fixed Annual Fee	7/1/2019 to 6/30/2020:	\$8,000
	7/1/2020 to 6/30/2021:	\$8,250
	7/1/2021 to 6/30/2022:	\$8,500
	7/1/2022 to 6/30/2023:	\$8,750
	7/1/2023 to 6/30/2024:	\$8,750

FEE FOR SERVICE:

NDPERS is requesting a flat rate fee per hour for work efforts relating to general consulting, Legislative Work, and Defined Contribution/Deferred Comp consulting based on a July – June fiscal year (FY)

Retirement and Retiree Health General Consulting⁽¹⁾:

Flat Rate Per Hour	7/1/2019 to 6/30/2020:	\$330
	7/1/2020 to 6/30/2021:	\$340
	7/1/2021 to 6/30/2022:	\$350
	7/1/2022 to 6/30/2023:	\$360
	7/1/2023 to 6/30/2024:	\$370

Legislative Work⁽¹⁾:

Flat Rate Per Hour	7/1/2019 to 6/30/2020:	\$310
	7/1/2020 to 6/30/2021:	\$320
	7/1/2021 to 6/30/2022:	\$330
	7/1/2022 to 6/30/2023:	\$340
	7/1/2023 to 6/30/2024:	\$350

Defined Contribution/Deferred Compensation Consulting⁽²⁾⁽³⁾:

Flat Rate Per Hour	7/1/2019 to 6/30/2020:	\$450
	7/1/2020 to 6/30/2021:	\$475
	7/1/2021 to 6/30/2022:	\$500
	7/1/2022 to 6/30/2023:	\$525
	7/1/2023 to 6/30/2024:	\$550

Flex Comp Consulting⁽²⁾⁽³⁾:

Flat Rate Per Hour	7/1/2019 to 6/30/2020:	\$450
	7/1/2020 to 6/30/2021:	\$475
	7/1/2021 to 6/30/2022:	\$500
	7/1/2022 to 6/30/2023:	\$525
	7/1/2023 to 6/30/2024:	\$550

⁽¹⁾ To be provided by Gabriel, Roeder, Smith & Company

⁽²⁾ To be provided by Groom Law Group

⁽³⁾ For consulting provided by Groom Law Group, the quoted Flat Rate is applicable for a maximum of 45 hours per fiscal year. Rates are subject to change for hours above the maximum.

Fourth Addendum to Agreement for Services
Between
North Dakota Public Employees Retirement System
And
Gabriel, Roeder, Smith & Company

This addendum is made between the State of North Dakota, acting through its North Dakota Public Employees Retirement System (State) and Gabriel, Roeder, Smith & Company (Contractor). This is the fourth addendum to the Agreement for Services between the parties executed on July 1, 2016 (Agreement). This addendum is made in accordance with the Agreement’s Merger, Modification, and Term provisions. The terms of this fourth addendum are controlling should there be a conflict between this fourth addendum and the Agreement.

The parties hereby amend the Agreement as follows:

1. Scope of Services

Contractor will provide to State experience study services from July 1, 2022 until June 30, 2024.

2. Fees

For services rendered, State will compensate Contractor in accordance with fee schedule attached as Exhibit A.

All other Agreement terms remain in effect. This fourth addendum is effective when fully executed by both parties below.

Gabriel, Roeder, Smith & Company

State of North Dakota through its
Public Employees Retirement System

Signature: _____

Signature: _____

Printed: _____

Printed: _____

Title: _____

Title: _____

Date: _____

Date: _____



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Memorandum

TO: NDPERS Board

FROM: Bryan Reinhardt

DATE: October 26, 2021

SUBJECT: Medicare Part-D (EGWP) Plan Update

After the NDPERS Board awarded the EGWP plan administration to Humana, the NDPERS team along with Deloitte has been working with Humana on the implementation. The plan is on track for the January 2022 start date along with all the notices this fall.

Current activities underway include:

- 1) Member communications and resources are in progress. Specifically:
 - a. Announcement Letter – The announcement letter was distributed by NDPERS to all members at the beginning of October. The announcement included information that Humana has found to be beneficial in providing notice on vendor changes and plan design changes, and also met the requirements of the Center for Medicare and Medicaid Services (CMS). An insert was included that provides a plan comparison of the current Part D plan design and the new design that will be provided through Humana. In addition, the CMS required annual Creditable Coverage notice was included that must be distributed by October 15.
 - b. The NDPERS web site was updated with the carrier change information.
 - c. The NDPERS forms, along with the retirement and disability kits, have been updated to include information about both the current vendor and the new vendor effective January 1, 2022 to ensure that new retirees are aware of the vendor change.

- d. Following the distribution of the Announcement Letter, a welcome enrollment kit was distributed to members from Humana beginning on October 8th. The kit included specific plan details and reiterated that members will automatically be enrolled in the plan and members do not need to do anything if they wish to remain with NDPERS.
 - e. Virtual Meetings – Humana will be hosting virtual meetings for retirees to attend to learn more about the vendor and plan design change. These meetings are scheduled for November 8th and November 10th and were communicated in both the announcement letter and the welcome enrollment kit. Information is also provided on the NDPERS website. In addition, Humana will be posting a recorded version of the presentation for retirees to view at a later date.
 - f. Humana Call Center – Humana’s Call Center went live on October 1st and has been available to assist our members.
- 2) Reviewing our current processes for enrollments and billings - Humana and NDPERS staff have been meeting to discuss how to handle processing enrollments/dis-enrollments. Plan specifics and reporting is being worked out.
 - 3) NDPERS and Humana have worked on the file process and the testing of files. Humana is also working with ESI to get the files with the current member specifics. That process is on schedule.
 - 4) NDPERS is working with Humana to address member and pharmacy concerns. Humana is working with North Dakota pharmacies not in their contracted network.

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



STATE OF NORTH DAKOTA
OFFICE OF ATTORNEY GENERAL
STATE CAPITOL
600 E. BOULEVARD AVE DEPT 125
BISMARCK, ND 58505-0040
(701) 328-2210
www.attorneygeneral.nd.gov

Memorandum

To: Scott Miller, NDPERS Executive Director
From: Dean DePountis, Assistant Attorney General
Date: October 18, 2021
Re: Blue Cross Blue Shield (BCBS) Class Action Settlement

Background

An eight-year class action lawsuit against Blue Cross Blue Shield recently settled. The Settlement requires BCBS to establish a Settlement Fund of \$2.67 billion, which shall be deposited into an Escrow Account for ultimate distribution to the Damages Class.

The Damages Class includes all Individuals, Insured Groups (and their employees), and Self-Funded Accounts (and their employees), that purchased, were covered by, or were enrolled in a Blue-Branded Commercial Health Benefit Product sold, underwritten, insured, administered, or issued by any Settling Individual Blue Plan during the respective class periods.

The class period for the fully insured Individuals and Insured Groups (and their employees) is from February 7, 2008, through October 16, 2020 ("Settlement Class Period"). The deadline for filing a claim is November 5, 2021.

Board action

NDPERS may be an eligible member of the Damages Class. The question before the board is whether to file a settlement claim on behalf of NDPERS.



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Memorandum

TO: NDPERS Board

FROM: Scott

DATE: October 26, 2021

SUBJECT: Legislative Relations

Mona and I discussed having a regular “Legislative Relations” topic every Board meeting. The purpose of the topic is to advise the Board of legislative matters that have occurred over the past month, including brief updates on any committee meetings or other interactions with Legislators. As such, the updates will be primarily oral, rather than in memo form, unless the event warrants a separate, distinct topic, which would be a different agenda item with a memo.



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Memorandum

TO: NDPERS Board

FROM: Derrick Hohbein

DATE: October 26, 2021

SUBJECT: Consultant Fees for the Quarter Ended September 2021

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

Attachment

**North Dakota Public Employees Retirement System
Consulting/Investment/Administrative Fees
For the Quarter ended September 30, 2021**

Attachment

Program/Project	Fee Type	Jul-21	Aug-21	Sep-21	Fees Paid During The Quarter	Fees Paid Fiscal Year-To-Date
Actuary/Consulting Fees:						
Mid Dakota Clinic	Retirement Disability	Time charges	450	250	450	1,150 \$ 1,150
Ice Miller	Legal fees Employee benefit matters		4,415	1,391		5,805 \$ 5,805
Deloitte	Legislative Analysis				-	\$ -
Deloitte	Claims Projections				-	\$ -
Deloitte	Consulting		51,594	6,013	6,419	64,025 \$ 64,025
Gabriel Roeder Smith & Company	Retirement			6,000	7,000	13,000 \$ 13,000
Gabriel Roeder Smith & Company	RHIC				2,500	\$ 2,500
Gabriel Roeder Smith & Company	GASB 67/68				-	\$ -
Gabriel Roeder Smith & Company	GASB 74/75				-	\$ -
Gabriel Roeder Smith & Company	Actuarial Factor Updates				-	\$ -
Gabriel Roeder Smith & Company	Projections				-	\$ -
Gabriel Roeder Smith & Company	Legislation				-	\$ -
Gabriel Roeder Smith & Company	Retirement			350	350	\$ 350
Gabriel Roeder Smith & Company	RHIC				-	\$ -
Gabriel Roeder Smith & Company	Deferred Comp				-	\$ -
Gabriel Roeder Smith & Company	Flexcomp				-	\$ -
Callan & Associates	Asset Allocation & Liability Study				-	\$ -
Callan & Associates	Investment Consultant Expenses		12,450		12,450	\$ 12,450
Callan & Associates	Record Keeper Search				-	\$ -
Audit Fees:						
Clifton Larson Allen	Annual Audit Fee				23,000	\$ 23,000
Legal Fees:						
ND Attorney General	Administrative					
			2,519	2,804	5,816	11,140 \$ 11,140
Investment Fees:						
SIB - Investment Fees	Retirement (DB)	% Allocation	1,525,390	581,722	2,853,391	4,960,503 \$ 4,960,503
SIB - Investment Fees	Ret Health Credit	% Allocation	29,940	126,709	3,219	\$ 159,868
SIB - Investment Fees	Insurance	% Allocation	1,159	5,347	5,292	\$ 11,798
SIB - Administrative Fees	Retirement (DB)	% Allocation	174,972	24,327	25,452	\$ 224,751
						\$ 5,356,920
Administrative Fee:						
Sanford Health Plan	Health Plan	Fixed fee	1,242,778	1,239,349	*	2,482,127 \$ 2,482,127

* fees not yet available



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Memorandum

TO: NDPERS Board

FROM: Derrick Hohbein

DATE: October 26, 2021

SUBJECT: Business System Upgrade Statement of Work Contract

NDPERS submitted a one-time budget request this biennium to upgrade our business system to a process called Business Process Management (BPM). This one-time expenditure was approved by the 67th Legislative Assembly, at the requested cost of \$257,600.

The BPM upgrade will redesign every workflow that is done in our agency, and will automate processes that are currently being done manually. This process will help ensure the accuracy and completeness of our work, and will also help us manage staff that is working remotely more effectively.

Board Action Requested:

Approve the contract amendment for upgrading our business system to the BPM process, and approve the authority for the Executive Director to sign the agreement.



PERSLink BPM Migration Statement of Work (SOW)

10/01/2021

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1. Overview

This Statement of Work No. 2021-01 (“SOW”) is delivered in accordance with the Maintenance and Support Service Level Agreement (the “Agreement”) dated July 1, 2019 by and between Sagitec Solutions, LLC. (“Sagitec”) and the State of North Dakota, through its Public Employees Retirement System (“NDPERS”). This SOW is subject to all the terms and conditions of the Agreement.

This SOW describes the scope of work for the BPM migration project by Sagitec for NDPERS.

2. Objectives

2.1. Scope

NDPERS desires Sagitec to perform an “as-is” migration of the workflow processes currently used in the PERSLink application to Sagitec’s Business Process Management (BPM) solution. In addition, Sagitec will work with NDPERS to identify and redesign the process flow for two (2) medium sized business processes. The two (2) medium sized business processes to be redesigned will be finalized by mutual agreement.

2.2. Staff Resources

Sagitec shall assign a team of resources to migrate the currently used workflow processes in PERSLink to the BPM solution. This team would contain a mix of onsite and offsite Sagitec resources as determined by Sagitec.

2.3. Start Criteria

The start criteria associated to this SOW is defined as:

- Mutual agreement to this SOW

2.4. SOW Acceptance / Exit Criteria

SOW Acceptance is defined as:

- Mutual agreement to this SOW

SOW Exit Criteria is defined as:

- Changes related to the BPM migration project have been deployed to Production

- All “Blocking”, “Critical” PIRs/defects related to the BPM migration project, identified prior to the go-live of the BPM migration project, are resolved and deployed to Production.

2.5. Assumptions

- The BPM migration project will not impact the day to day support of the PERSLink application.
- As part of this BPM migration project, Sagitec will work with NDPERS and be jointly responsible to redesign the business process flow for two (2) medium sized workflows.
 - The two (2) medium sized workflow processes would be identified and agreed upon mutually by 11/15/2021.
- Sagitec will be responsible for the design, development, system testing, User Acceptance Test (UAT) planning, training & support and production deployment of the BPM migration related changes including redesign of the two (2) medium sized workflow processes
- NDPERS will be responsible for setting up additional environment(s) as needed for the migration project and for performing UAT for the BPM migration related changes.
- During UAT, any non-conformity reported by NDPERS will be logged as PIRs.
 - Sagitec will fix reported PIRs related to the BPM Migration Project and submit them back to NDPERS for re-test.
 - NDPERS will re-test each reported PIR and will either accept the fix or report back outstanding issues within five business days.
 - If NDPERS does not report outstanding issue with the reported PIR within five business days, PIR will be deemed complete and accepted.
 - PIRs not related to the BPM Migration project such as existing application issues identified during the BPM Migration project will be handled as part of regular maintenance and support.
 - These issues would not be in scope of the BPM Migration project.
- NDPERS may agree to accept the BPM Migration with unresolved PIR’s.
 - Unresolved PIRs related to the BPM Migration Project, which exist at the time of production migration, will be resolved by Sagitec at no additional cost to NDPERS.
- PIRs raised after the exit criteria has been met, will be taken up as part of regular application support activities.
- The project schedule start and end dates and UAT timelines will be mutually agreed upon by NDPERS and Sagitec. The BPM Migration Project is currently scheduled to start on 10/01/2021 and complete by 03/28/2022.

3. SOW Payments and Costs

Fees and payment associated to the scope of services and work products of this SOW are defined as:

- NDPERS will pay Sagitec a fixed amount of \$257,600.00 for the BPM Migration project.
 - Sagitec will invoice NDPERS in two installments of \$128,800.00
 - The first invoice will be submitted upon commencement of the BPM Migration project.
 - The second invoice will be submitted upon meeting the exit criteria for the BPM Migration project.

4. Document Acceptance

NDPERS

By _____

Name Scott Miller

Title Executive Director

Date October 26, 2021

Sagitec Solutions LLC

By _____

Name _____

Title _____

Date _____



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Memorandum

TO: NDPERS Board

FROM: Scott Miller

DATE: October 26, 2021

SUBJECT: Contracts under \$10,000

Attached is a document that shows the contracts under \$10,000 that I have signed this calendar year. Please let me know if you have any questions on any of these contracts.

This topic is informational only.

Attachment

Vendor	Amount	Frequency Incurred
Office of Management & Budget	\$ -	3 year renewal for surplus property
Record Keepers	~ \$ 16	Weekly
NDIT	\$ -	Secondary disaster recovery site
Fireside	\$ -	Data service agreement
Inter Office	\$ 2,815.58	3 additional office chairs
Surplus Property	\$ 100.00	Commerce's Surplus Property
*ND Safety Council	\$ 712.50	AED/CPR Training

*Newly signed agreements since last board meeting



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Memorandum

TO: NDPERS Board

FROM: Scott

DATE: October 26, 2021

SUBJECT: Code of Ethical Responsibility

At the August meeting, the Board received its annual fiduciary responsibility education from Dean DePountis and signed the Code of Ethical Responsibility. As the Board was considering the Code, Senator Dever inquired whether the State Ethics Officer had reviewed and approved the document. It turns out that was a great question – Dave Thiele had not done so, and upon reviewing the document recommended that we remove a part of it. The attached is the Code as Dave Thiele recommended it be edited. Please sign the Code and forward it to Jan Lund.

North Dakota Public Employees Retirement System Board of Trustees

Code of Ethical Responsibility

1. Each NDPERS Board and subcommittee member owes a duty to conduct themselves so as to inspire the confidence, respect and trust of the NDPERS members and to strive to avoid not only professional impropriety, but also the appearance of impropriety.
2. NDPERS Board and subcommittee members should perform the duties of their offices impartially and diligently. NDPERS Board and subcommittee members are expected to fulfill their responsibilities in accord with the intent of all applicable laws and to refrain from any form of dishonest or unethical conduct. Board members should be unswayed by partisan interest, public sentiment, or fear of criticism.
3. Conflicts of interest and the appearance of impropriety shall be avoided by NDPERS Board and subcommittee members. Board and subcommittee members should not allow their family, social, or other relationships to influence their judgement in discharging their responsibilities. Board and subcommittee members should refrain from financial and business dealings that tend to reflect adversely on their impartiality or interfere with the proper performance of their duties. If a conflict of interest unavoidably arises, the Board or subcommittee member shall immediately disclose the conflict to the NDPERS Board.
4. Board and subcommittee members should not unnecessarily retain employees or consultants. The hiring of employees and consultants shall be based on merit, avoiding nepotism and favoritism. The compensation of such employees and consultants shall not exceed the fair value of services rendered.
5. NDPERS members' retirement benefit information and health insurance data shall not be transmitted to any person other than in the fulfillment of a Board or subcommittee member's lawful responsibilities.
6. Board and subcommittee members shall not accept any cash or gifts, special accommodations, or favors from anyone with whom such person is doing, negotiating, or being solicited for business on behalf of NDPERS. However, Board and subcommittee members may accept: occasional meals or beverages from a citizen or business representative in connection with official duties; meals or refreshments offered in connection with a conference or seminar; reimbursement for costs related to attending a conference or seminar; and promotional items of nominal value. Travel and lodging costs may be accepted only upon prior approval of the Board.

7. Board and subcommittee members shall perform their respective duties in a manner that satisfies their fiduciary responsibilities including:
 - a. **The exclusive benefit rule.** All activities and transactions performed on behalf of the retirement fund must be for the exclusive purpose of providing benefits to plan participants and defraying reasonable expenses of administering the plan.
 - b. **The prudent person rule.** Fiduciaries are required to exercise the same care, skill, prudence, and diligence that a prudent person familiar with such matter would exercise in managing similar affairs. The investments of the trust funds must be diversified so as to minimize the risk of large losses unless such diversification is clearly imprudent.
 - c. **Compliance with statutory scheme.** The fiduciary must act in conformance with the requirements of law, specifically, NDCC Chapter 54-52.
 - d. **Prohibited transactions.** Prohibited transactions for fiduciaries generally fall into two areas: those involving self-dealing and those involving a party-in-interest. Self-dealing refers to the fiduciary's use of plan assets for personal gain, engaging transactions on behalf of parties whose interests are adverse to the plan, or receiving personal consideration in connection with any planned transaction. A party-in-interest includes a fiduciary, counsel, or employee of the plan, anyone providing services to the plan, any employer or employee, organizations whose employees or members are covered by the plan and any of the number of other persons or entities that have a stated interest or relationship with a party-in-interest. Prohibited transactions between the plan and a party-in-interest include the sale, loan, exchange, or transfer of any plan assets.
8. Violation of these rules may result in an official reprimand from the NDPERS Board. No reprimand may be issued until the Board or subcommittee member has had the opportunity to be heard by the Board.

I understand and agree to the provisions of this policy.

NDPERS Trustee or subcommittee member

Date



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Memorandum

TO: NDPERS Board

FROM: Scott

DATE: October 26, 2021

SUBJECT: Proposed Administrative Rules

The Notice of Intent has been published in all required newspapers and the notice has been sent to pertinent legislators and Legislative Council. The Public Hearing is scheduled for Monday, October 25th at 11:00 A.M. in the NDPERS Conference Room.

Following is the schedule:

2021 Proposed Administrative Rule Revision/Addition/Deletion Schedule

July 27	Draft of all revisions, deletions, additions to rules.
August 17	Initial review at August Board Meeting.
September 14	Final Board approval of proposed rules.
September 15	Notify NDNA of upcoming notice and verify timing of printed notice.
September 15-20	Post copy of proposed rules on NDPERS website, notify all employer groups that rules are on website, send formal notice and materials to Legislative Council.
September 27	Notice has been printed in all required newspapers and notice sent to any pertinent legislator with proposed rule changes.
October 25	Proposed date for Public Hearing.

October 26	Hearing held and comment period opened.
November 8	Comment period closed.
December 14	Final Board review of comments.
December 16	Send to Office of Attorney General for review.
December/ Early January 2022	After receipt of AG review, send to Legislative Council.
February 1, 2022	Deadline to submit proposed rules to Legislative Council
March 2022	Administrative Rules Committee Meeting held
April 1, 2022	New rules take effect, 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.



Memorandum

TO: NDPERS Board

FROM: Scott

DATE: October 26, 2021

SUBJECT: 2022 Meeting Dates

Below is a list of proposed meeting dates, most of which are on the second Tuesday of each month other than in August and October. August is the third Tuesday because the annual National Association of State Retirement Administrators conference is on the second Tuesday. October is on the last Tuesday of the month because of the time it takes our actuary to complete the valuations of our retirement plans.

A motion to approve or modify the meeting dates is in order.

NDPERS Board 2022 Proposed Meeting Dates

January 11	WSI Board Room
February 8	WSI Board Room
March 8	WSI Board Room
April 12	WSI Board Room
May 10	WSI Board Room
June 14	WSI Board Room
July 12	WSI Board Room
August 16	WSI Board Room (3 rd Tuesday)
September 13	WSI Board Room
October 25	WSI Board Room (4 th Tuesday)
November 8	WSI Board Room
December 13	WSI Board Room

VI. MEMBER *EXECUTIVE SESSION

- A. Retiree Health Insurance Credit (RHIC) Member Appeal Case #697
- B. Retiree Health Insurance Credit (RHIC) Member Appeal Case #706

Material for this agenda item will be sent under separate cover.