

TESTIMONY OF NDPERS

HOUSE BILL 1023

Good morning Mr. Chairman, members of the committee, my name is Scott Miller. I am the Executive Director of the North Dakota Public Employees Retirement System or PERS, and am here today to provide you with an overview of our agency as well as our work efforts.

With me today is Derrick Hohbein, our Chief Operating/Financial Officer, and he will provide you an overview of our budget request.

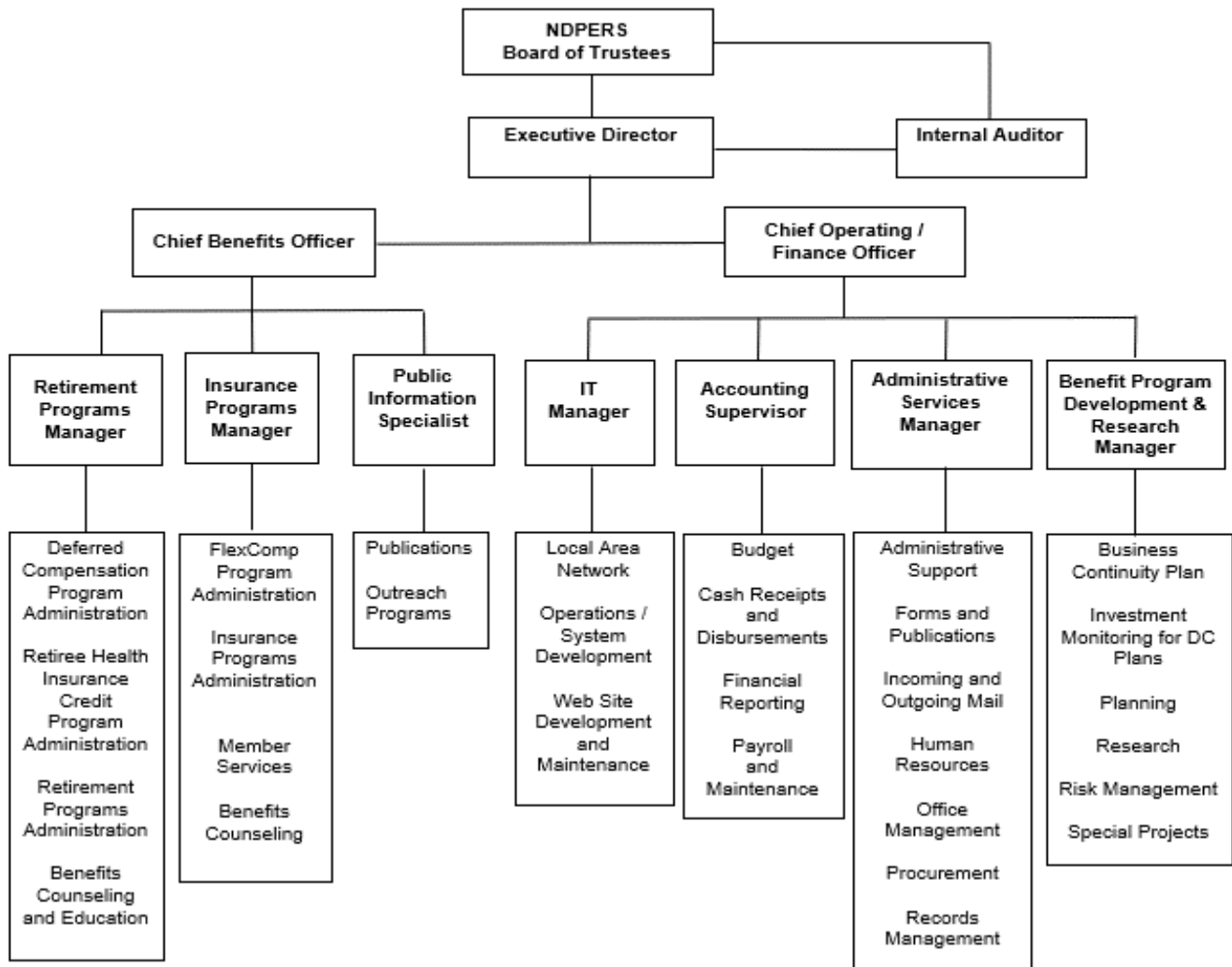
Agency Overview

First let me start by providing an overview of our agency. PERS is directed by a nine member Board composed of the following members:

Chair (appointed by Governor)	Mona Rindy
Appointed by Attorney General	Troy Seibel
State Health Officer	Dirk Wilke
Elected	Kim Wassim
Elected	Casey Goodhouse
Elected	Adam Miller
Elected Retiree	Yvonne Smith
Legislative Appointee	Senator Tim Mathern
Legislative Appointee	Representative Jason Dockter

The Board oversees a staff that has the following administrative structure:

Organizational Chart



The Board oversees the administration of the following North Dakota Century Code chapters: 39-03.1 (Highway Patrol Retirement), 52-11 (Job Service Retirement Plan), 54-52 (Main PERS Plan), 54-52.1 (Group Insurance Program), 54-52.2 (Deferred Compensation Plan), 54-52.3 (Pretax Benefits Program), and 54-52.6 (Defined Contribution Retirement Plan). As you can see, the PERS program responsibilities fall under two broad categories – retirement and group insurance.

Section 54-52-02 states that the overall mission for the retirement program is “to provide for the payment of benefits to state and political subdivision employees or to their beneficiaries thereby enabling the employees to care for themselves and their dependents and which by its provisions will improve state and political subdivision employment, reduce excessive personnel turnover, and offer career employment to high grade men and women.” Similarly, section 54-52.1-02 establishes the overall mission for the group insurance plan as follows: “In order to promote the economy and efficiency of employment in the state’s service, reduce personnel turnover, and offer an incentive to high grade individuals to enter and remain in the service of state employment, there is created a uniform group insurance program”.

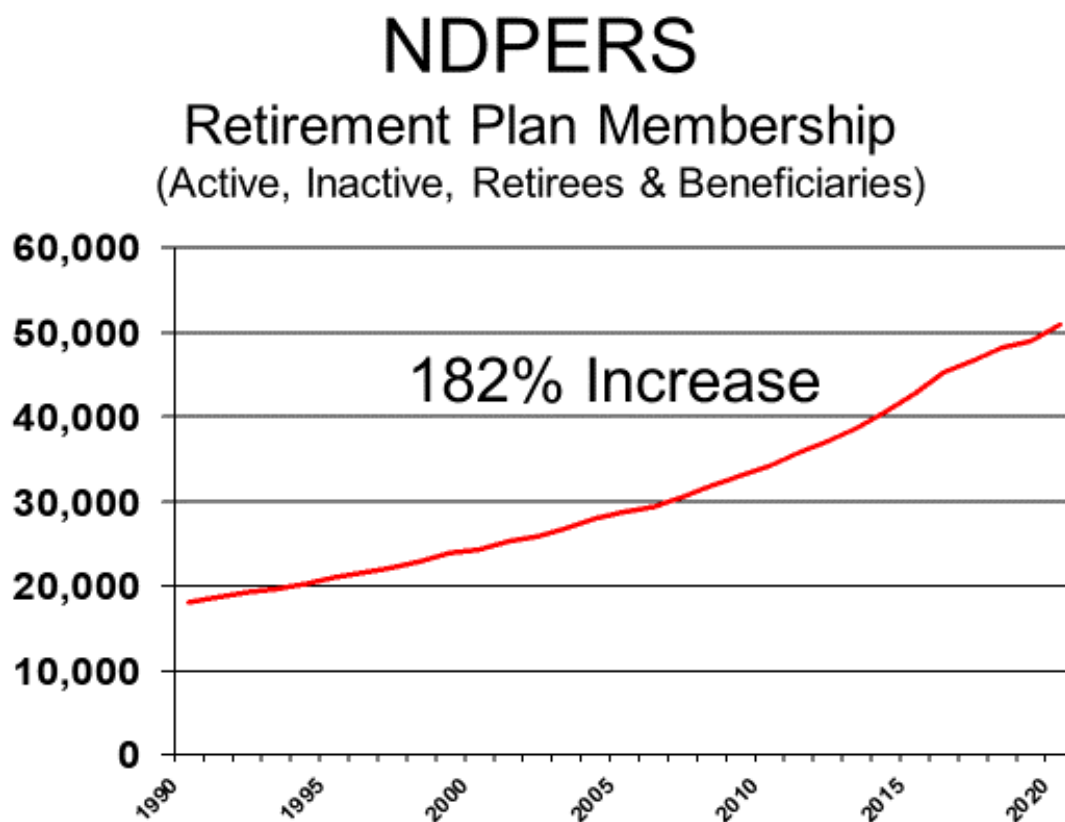
Concerning the retirement programs, the following table gives you an overview of the programs and some statistical information:

January 2020	RETIREMENT PROGRAMS MANAGED AND ADMINISTERED BY NDPERS								
	TOTAL RETIREMENT	Main System	Judges	Public Safety	Highway Patrol	Job Service	DEFINED CONTRIBUTION	DEFERRED COMP	HEALTH CREDIT (RHIC)
PARTICIPATING EMPLOYERS									
State	95	95	1	2	1	1	95	95	95
Counties	52	52		18				32	52
School Dist	127	127		2				18	127
Cities	92	91		15				37	92
Others	81	80		1				36	81
	447							218	447
EMPLOYEES									
State	10,363	9,998	57	74	140	6	88	6,024	10,363
Counties	4,243	3,736		505			2	778	4,243
School Dist	6,948	6,945		2			1	74	6,948
Cities	2,570	2,238		329			3	345	2,570
Others	785	774		10			1	291	785
Subtotal	24,909	23,691	57	920	140	6	95	7,512	24,909
Retirees	12,674	12,117	58	125	136	185	53		12,471
Subtotal	37,583	35,808	115	1,045	276	191	148	7,512	37,380
Deferred Members	13,310	12,856	2	409	42	1			
	50,893	48,664	117	1,454	318	192	148	7,512	

As you can see, PERS is responsible for the administration of 9 different retirement programs. The Job Service Retirement Plan was assigned to our agency by the 2001 legislative assembly. The Public Safety Plan for political subdivisions was added by the 2003 legislative assembly and is divided into two plans, those with past service and those without. This plan has since been expanded to cover certain State employees and, most recently, was expanded to include firefighters during the 2017 session.

The optional defined contribution plan for non-classified state employees was assigned to our agency in 1999. Eligibility for this plan was expanded to provide new State employees with this option effective August 1, 2013 through July 31, 2017. The other retirement programs have been a part of PERS since the 1980's. You will note the largest retirement plan we administer is the Main/Hybrid retirement system which provides services to not only the State, but also to political subdivisions. In this plan, about 42% of the active members are State employees and 58% are political subdivision employees. School districts are the second largest group followed by counties and cities. We continue to see growth as a result of political subdivisions joining the retirement plan. In the last two years we have added 20 new employer groups into our Defined Benefit plans, which shows that this continues to be an effective recruiting tool for our state.

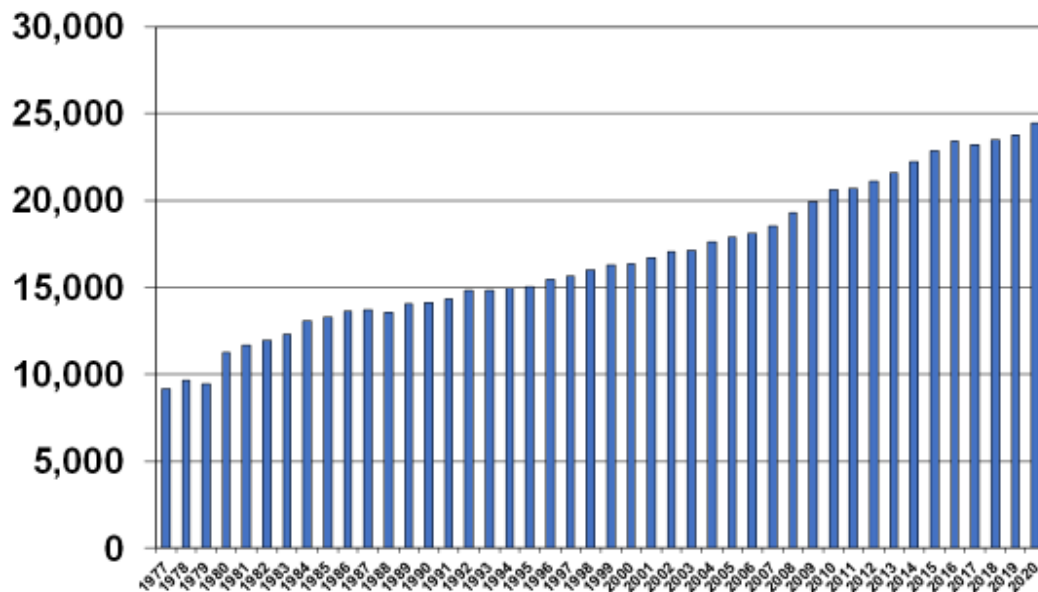
Some historical statistics about the retirement plan include membership:



Of this, the number of active members has grown:

NDPERS Retirement Actives

(Main System, Judges & Public Safety Systems)

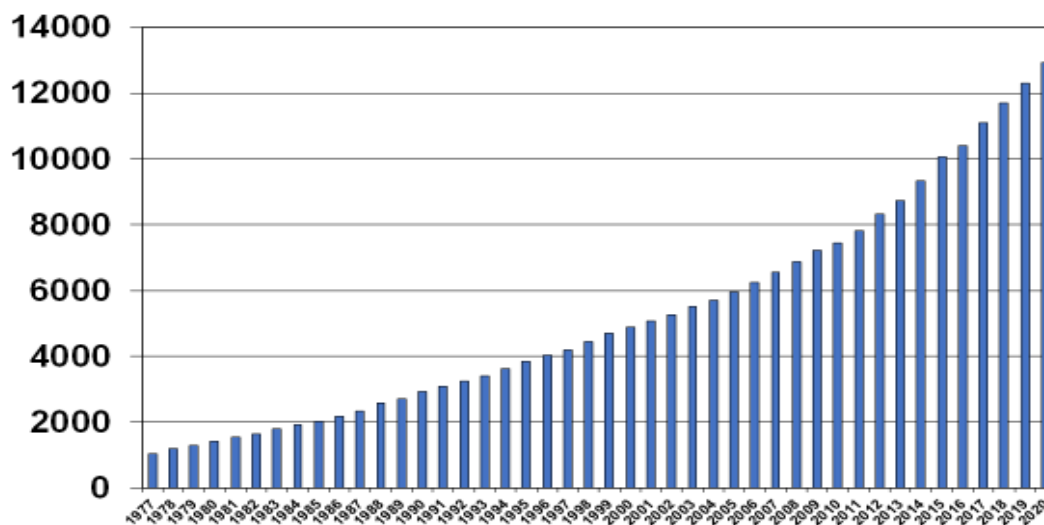


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The number of retired members has grown as well, and at an even greater rate than our active members:

NDPERS Retirement Retirees

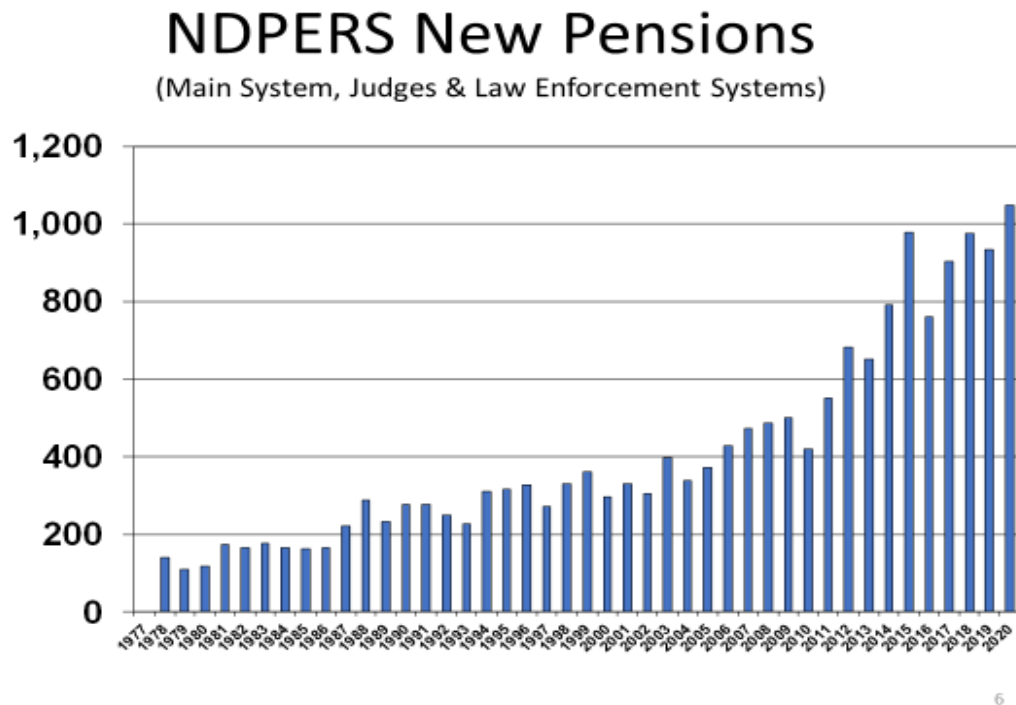
(Main System, Judges & Public Safety Systems)



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Another interesting statistic about the retirement plan is that since 1977 the PERS plan has received approximately \$2.31 billion in contributions and as of the last fiscal year (July 2020) we had \$3.15 billion in assets. During that same period we paid out about \$2.42 billion in benefits.

The number of new retirees each year continues to grow. The table below shows that in the last three fiscal years (July – June) there were 977, 933, and 1049 new retirees.



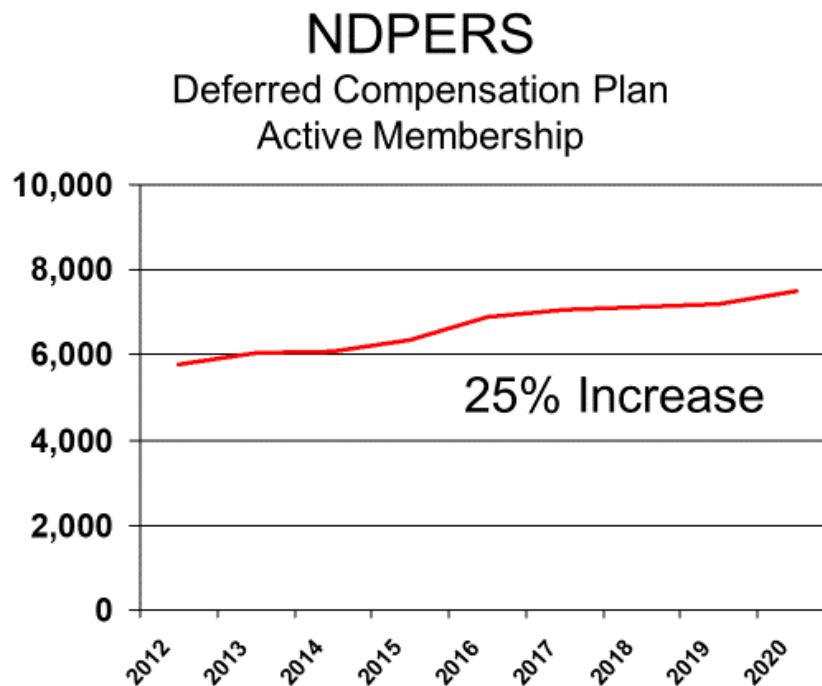
As we look to the future, we see the retired membership continuing to grow and the number of active members remaining about the same. The table below shows the number of members in the Main system who will be eligible to retire in the next 5 years:

	Age 65	Rule of 85	Total
Currently eligible as of January 2021	1,085	1,234	2,319
Newly eligible in 2022	303	335	638
2023	326	298	624
2024	313	304	617
2025	390	303	693
2026	377	286	663

Servicing the present and future needs of the retired membership is a growing challenge for PERS.

In addition to the administration of the traditional retirement plans, PERS administers the 457 Deferred Compensation Plan, which is the state's supplemental savings program.

The membership in that program has also grown over the years as shown below:



We are pleased by this growth since it is important that our members have supplemental savings for retirement. During our annual benefit enrollment period conducted each Fall, we include targeted messaging to encourage members to take action to provide for a more secure financial future. In 1999, the Legislature enacted the Portability Enhancement Provision, or PEP, in our retirement plan, thereby turning the Main plan into a hybrid plan to encourage employees to do supplemental savings through the Deferred Compensation Plan. There are currently over 7,275 retirement plan members receiving PEP.

The investment and recordkeeping services for the PERS Companion Plan are currently provided by TIAA. The Deferred Compensation Plan offers our members eight other providers to choose from in addition to the PERS Companion Plan:

American Trust Center
 AXA Equitable (closed to new entrants)
 Bank of North Dakota
 Mass Mutual (closed to new entrants)

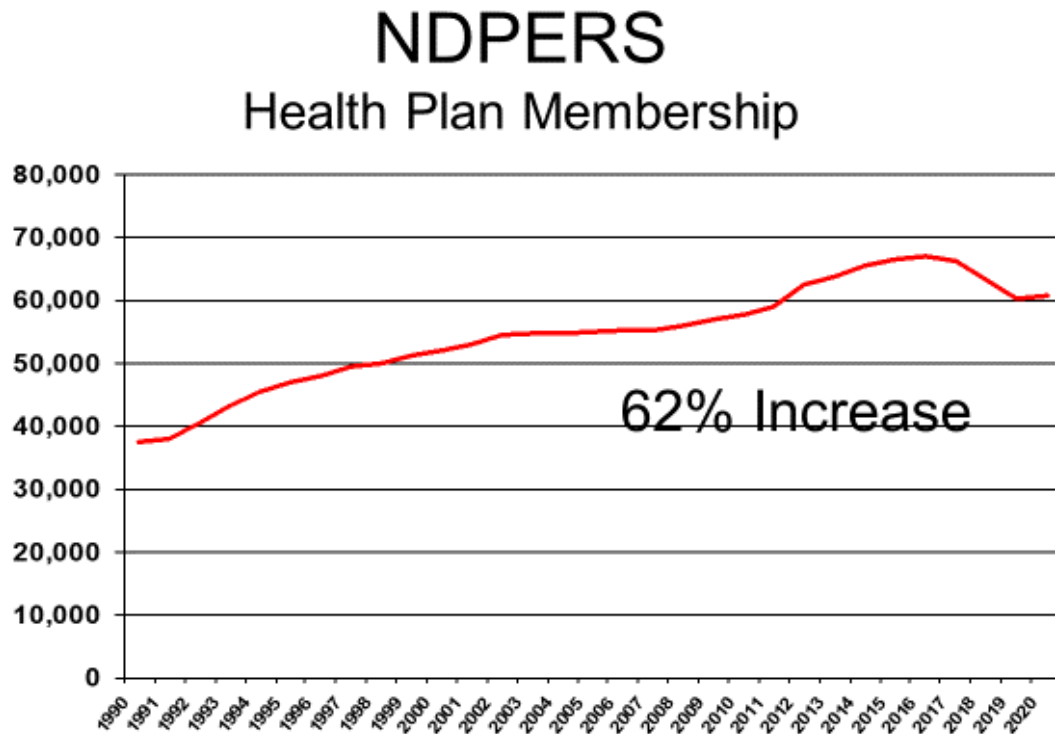
Jackson National
 Nationwide Life
 VALIC (closed to new entrants)
 Waddell & Reed

Concerning the group insurance programs, the following gives you an overview of the programs and some statistical information:

January 2020	GROUP INSURANCE PROGRAMS					
	MANAGED AND ADMINISTERED BY NDPERS					
	HEALTH	LIFE	DENTAL	VISION	EAP	FLEXCOMP
PARTICIPATING EMPLOYERS						
State	95	95	95	95	95	77
Counties	41	34				
School Dist	22	11				
Cities	37	27				
Others	54	31	20	20	20	4
	249	198	115	115	115	81
EMPLOYEES						
State	14,225	14,897	8,200	8,877	14,996	2,481
Legislators	130	140				
Counties	1,777	2,835				
School Dist	1,193	91				
Cities	816	252				
Others	556	396			256	
Retirees	5,203	3,173	3,395	3212		
COBRA	191		48	53		
	24,091	21,784	11,643	12,142	15,252	2,481
Covered Lives	60,538					

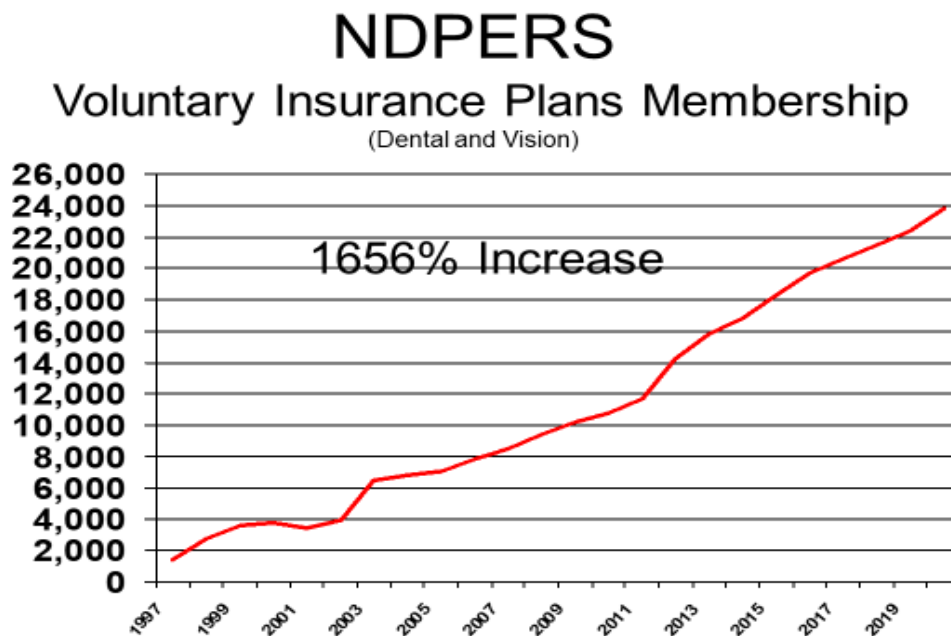
The group health and life insurance programs have been a part of the agency since the early 1970s. In the late 1990's the Employee Assistance Program, Dental Plan and Vision Plan were added to PERS. The FlexComp Program has been a part of the agency since 1989 and allows members to pretax eligible insurance premiums, dependent care expenses, and medical expenses. As you will note, the largest responsibility in this area is the health plan. In this program about 60% of members are state employees and 40% are political subdivisions or other groups such as retirees. We continue to focus on compliance with the Affordable Care Act (ACA), which includes maintaining the grandfathered status of the plan, assisting our participating employers with compliance, and conducting a special enrollment each year for temporary employees.

The following table shows the history of the membership in the health plan:



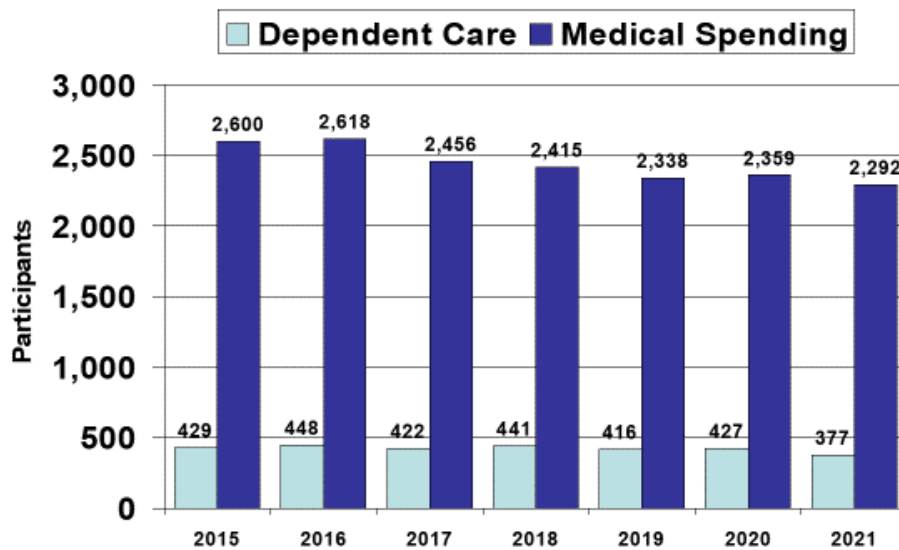
This plan was last bid in 2020, and the PERS Board has awarded the contract to Sanford Health Plan for the 2021-23 biennium under the same modified fully-insured arrangement that we have today.

The following table shows the history of the voluntary programs. This program area continues to see significant growth.

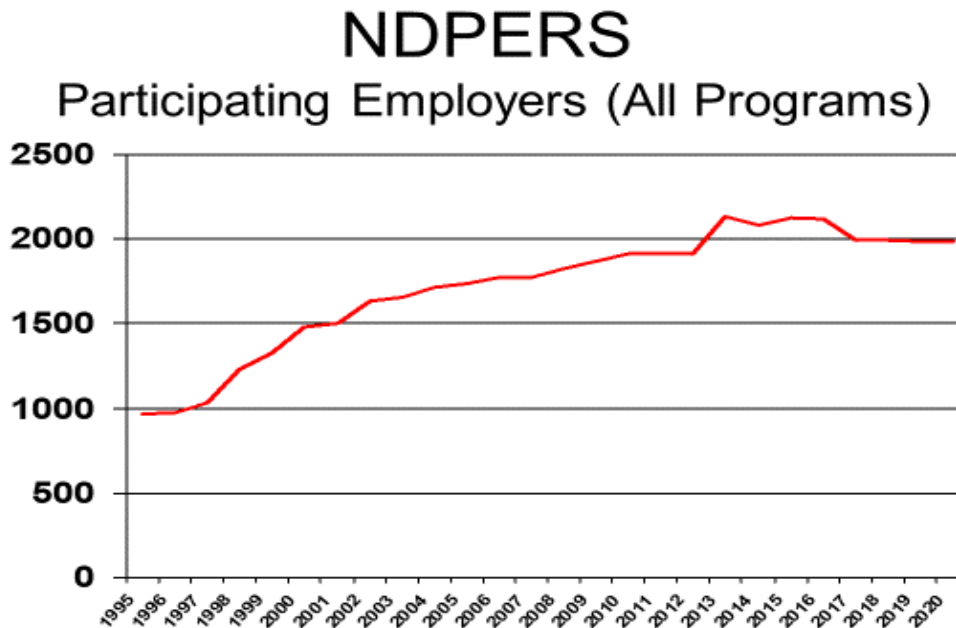


The following tables show the history of the number of members in the FlexComp program:

NDPERS Flexcomp Participation



While we have been serving more members in more programs over time, we have also been serving more employers as they join PERS. The following table shows each employer relationship for each program (an employer in more than one program would count more than once):



As shown above, PERS has faced two challenges over the years: the growth of program responsibilities, and the growing membership needs for assistance.

We are also concerned with maintaining the quality of what we do. To that extent, we have sought national review of our systems and other reviews as noted in the following:

- We have received the Public Pension Achievement Award and the Recognition Award for Administration.
- We have received the Certificate of Achievement for Excellence in Financial Reporting for the past 24 years (1996-2019).
- We have had unqualified audit opinions for over 30 years.
- We received favorable IRS determination letters for the PERS and Highway Patrol Retirement Plans.

In addition, we provide our members who request information from our office the opportunity to evaluate our customer service. Our average ratings for the past 6 years show overall satisfaction with our customer service. However, we have seen a slight decline in our ratings the past few years which we feel is reflective of reaching our capacity to provide the exceptional level of customer service our members have come to expect. We will be presenting testimony on how we'd like to address these concerns when we discuss our optional change packages.

The ratings are shown below based on a scale of 1-4, with 4 being the most satisfied:

Customer Experience

Year	# of responses	Courtesy received from NDPERS Staff.	Promptness of NDPERS response.	Information easy to understand.	How well did we review and explain the information.
2015	464	3.82	3.67	3.62	3.73
2016	478	3.83	3.73	3.62	3.75
2017	540	3.83	3.76	3.58	3.69
2018*	1,084	3.76	3.59	3.56	3.63
2019	2,392	3.75	3.48	3.59	3.63
2020**	2,036	3.76	3.51	3.63	3.66

*Moved to electronic customer experience survey last 2 months of 2018 which allows us to reach out to more members who have contacted our office

**Preliminary annual results. December 2020 data is not complete.

Work Efforts

Following are some of the major work efforts since we last reported to you in the 2019 session:

- Group Insurance
 - Issued a request for proposal for the Health plan and selected Sanford Health Plan to continue the modified fully insured arrangement that exists today
 - Renewed our FlexComp, Medicare Part D, Dental, Vision, and Life insurance contracts with the incumbent providers
 - Continued to work with our participating employers on compliance with the provisions of the Affordable Care Act.
 - Implemented a value-based care option in the health plan
 - Began offering a high deductible health plan (HDHP) to political subdivisions
 - Implemented pre-tax HSA employee deductions for members of the HDHP
 - Added an opioid management program to the health and Medicare Part D plans.
- Retirement
 - Conducted an actuarial experience study and adopted new asset allocation and liability assumptions
 - Conducted an Asset/Liability study and affirmed the asset allocation for the Main Plan and slightly modified the asset allocation for the RHIC plan
 - Submitted several options for consideration to the Legislative Employee Benefits Program Committee to address the retirement plan funded status
 - Submitted administrative rule changes in relation to exit liabilities for our DB plans
 - Renewed the 457 Companion Plan and 401(a) Defined Contribution Plan contract with the incumbent provider
 - Transitioned the Retiree Health Insurance Credit plan year to a calendar year
 - Refined service purchase cost calculation methodologies for members with multiple service purchases
 - Continued to de-risk the Job Service Retirement Plan's investment portfolio by adopting and implementing a more conservative asset allocation

- Went through an RFP process for an investment consultant to provide the Board with necessary information and guidance regarding our 457 and DC plans
- Administrative Accomplishments
 - Developed a secure file transfer process for employers submitting confidential information to NDPERS
 - Discontinued the Mobile App as of August 31, 2020 and reallocated those funds to upgrade the servers, RAM, and CPU on the business system servers
 - Submitted administrative rule changes
 - Implemented a benefit enrollment outbound file for employers that are on the state's central payroll program to eliminate dual processing for our employers
 - Implemented a daily feed to bring in Higher Ed's demographic information on newly hired employees, eliminating dual processing for that population
 - Offered our Pre-Retirement Education Program and Financial Essentials Workshop virtually through a TEAMS Live event with a record number of attendees
 - Partnered with HRMS to help implement the electronic employee on-boarding process
 - Developed a comprehensive annual communication plan to strategize the best way/time to communicate with our membership
 - Currently are converting our website to be under the NDIT umbrella
 - Obtained laptops for all staff so we can participate in a "hoteling" concept in our office to reduce rent
 - Plan on relocating our office to a state-owned building and having a footprint that is roughly ½ the size of our current office space

At this time, I will turn the presentation over to Derrick Hohbein to review the PERS budget request.

PERS Budget

2019-21 Budget. The PERS budget is all special funds. This biennium we do have one-time funding expenses for which we would like to provide updates.

Last session, PERS received \$40,000 to conduct an independent IT Risk Assessment of our agency. This assessment included internal vulnerability testing, penetration testing, as well as an independent review of all of our policies and procedures that surround our IT environment. This project was a joint effort with NDIT, and an RFP was issued in July 2019. This project was completed in January 2020, with a final contract price of \$39,556.00. We are pleased to report there were no material weaknesses or discrepancies found as a result of this assessment, and the consultant was comfortable overall with the posture of our IT processes and procedures.

PERS also received \$190,000 to upgrade both the member and employer portals in our business system to a mobile-view-view-mobile (MVVM) platform. The base platform that our business system resides on had not been updated since 2010 and this upgrade offered our members and employers with a scalable, fully functional platform that can be accessed on any device. This project went live in March 2020 at the appropriated cost of \$190,000.

Once the member and employers were upgraded, our business system vendor offered us a roughly 20% discount to keep their coding team dedicated to our account to upgrade our internal portal to MVVM as well, at the cost of \$148,000. Section 3 of our appropriation bill allows our Board to authorize the director of OMB to transfer from our contingencies line item to any line item requested by the PERS Board. The PERS Board voted at the April 2020 Board meeting to move forward with upgrading our Line of Business application so all 3 legs of our business system reside on the same upgraded platform. This project was completed in August 2020 for the contracted price of \$148,000.

Section 4 of our appropriation bill required “the public employees retirement system board to solicit and receive bids for the 2021-23 biennium hospital benefits coverage and medical benefits coverage for state employees under section 54-52.1-04. The request for proposal must include an option for coverage through a self-insurance plan. The board shall report to the majority and minority leaders of the House and Senate and the chairmen of the appropriations committees, or their designees, when bids are received during the biennium beginning July 1, 2019, and ending June 30, 2021. The report must provide comparative information and the board's evaluation of the bids received, including information on the self-insurance option.”

A report was provided to Legislative Management and the House and Senate Appropriation Committees outlining the requirements of this section. As a recap, the RFP conducted this summer included 7 different service options, including:

1. Fully-insured medical and pharmacy proposal
2. Self-insured medical and pharmacy proposal
3. Fully-insured medical proposal only
4. Self-insured medical proposal only
5. Fully-insured pharmacy proposal only
6. Self-insured pharmacy proposal only
7. Stop loss insurance for all self-insured options

The Board voted to enter into contract negotiations with Sanford Health Plan for the 21-23 biennium at a special board meeting on October 19, 2020, determining that the current modified fully insured arrangement that we currently have with Sanford Health plan continues to be the option that is in the best interests of its participants and the State of North Dakota.

2021-23 Budget. The proposed legislative base budget before you today is all special funds. It does not include any one-time funding requests.

	2019-21 Appropriation	One-Time Expenditures	2021-2023 Legislative Base Budget	% Increase/ (Decrease)
Salaries & Wages	6,652,604	-	6,652,604	0.0%
Operating Expenses	2,483,592	(40,003)	2,443,589	(1.6%)
Capital Expenditures	190,000	(190,000)	-	(100.0%)
Contingencies	250,000	-	250,000	0.0%
Total Special Funds	9,576,196	(230,003)	9,346,193	(2.4%)
FTE	34.5		34.5	

Salaries and Wages

Salaries and wages account for 71% of the base budget and maintains funding for 34.5 FTE, a full time temporary employee, and a part time intern position. These temporary positions give us the flexibility to accommodate unexpected work efforts, vendor transitions, and unexpected workload increases like previous Voluntary Separation Incentive Payments (VSIP) initiatives.

Operating Expenses

Operating expenses account for 26% of the base budget. Looking into our operating line item:

- 65% is IT and shared services related (software, Sagitec, State Wide Cost Allocation)
- 11% is office rent
- 12% is printing and postage
- 12% are all other operating categories

IT is an area that our agency relies on heavily, and the business system is the heart of all the activity that takes place within our office. The costs of IT have continuously gone up, but we've been fortunate to be able to offset a good portion of these increases by working on the licensing arrangement we have with Sagitec – our business system vendor.

Office rent is an expense we have heavily explored since the COVID pandemic took place. I will speak more to our office rent when we discuss the adjustments made to comply with the Governor's 5% reallocation guideline.

Since the legislative mandate in 2017 to become more efficient in our operations regarding our printing and postage costs, we are pleased to say we have reduced our printing and postage expenses by over \$229,526 (a 30% reduction) over the last 4 years. While we continue to explore ways to become more efficient in our operations, there are numerous physical communications we are mandated by law to send. We also know we have a significant retiree population that still prefer to be communicated with through printed materials. I am happy to report that because of the MVVM upgrades I discussed earlier, we did not increase our budget request by the nearly \$12,000 that we would have in prior biennia to accommodate board elections that will be taking place during the 21-23 biennium. We now have a way to do these electronically in our business system, and thus, not require additional funding for these events.

Attachment 1 – Proposed budget reallocations to meet the Governor’s 5% budget reallocation guideline

To comply with the Governor’s recommendation, NDPERS submitted a budget that reinvests 5% of our budget into high impact areas. NDPERS did a thorough analysis of the services that are provided and ways to reduce our spending and gain efficiencies. The base budget adjustments are as follows:

	2021-23 Legislative Base	Reallocation Adjustments	2021-2023 5% Reallocation Base	% Increase/ (Decrease)
Salaries & Wages	6,652,604	68,781	6,721,385	1.0%
Operating Expenses	2,443,589	(68,781)	2,374,808	(2.8%)
Contingencies	250,000	-	250,000	
Total Special Funds	9,346,193	-	9,346,193	(0.0%)
FTE	34.5	-	34.5	

Salaries and Wages

Not included in the 5% reallocation, but which is offset from operational cost savings, is \$68,781 of salary & benefit increases that were given to eligible staff on July 1, 2020 that the Legislature approved during the 2019 session. The reallocation process includes eliminating \$180,926 in salaries of one of our Internal Audit staff. That savings would be fully reallocated to our accounting department. We feel another accounting position is essential in ensuring the ability to maintain accurate financial records.

Another \$155,548 in salaries of our Public Information Specialist are being reallocated to a receptionist position and a marketing intern. The receptionist position would greet walk-ins in our office, work on administrative duties, and allow our 3 member services staff to become a true call center and not have a significant portion of their work day interrupted by visitors to the office. As I stated earlier, we’ve noticed a drop in customer service ratings with our office, especially in the timeliness our office is able to provide a response to our

customers. We feel having a dedicated call center helps us alleviate these concerns. The Public Information Specialist position is a .8 FTE and as such only .8 of what is ultimately needed is being reallocated at a cost of \$118,121. A change package requesting the authority for the additional .2 FTE is also being requested, which totals \$21,216 in additional salaries a biennium. Additional funding to increase temporary salaries to hire a marketing intern to take over communication efforts is being included as part of the reallocation process, totaling \$37,427.

Operating Expenses

Not included in the 5% reallocation, but which is being used to offset the \$68,781 in salary increases for July 1, 2020, is a reduction in software and licensing fees by discontinuing our mobile app. In March 2020, we upgraded our member portals to be a fully functional and mobile friendly platform that makes the mobile app expendable. The total savings from the mobile app discontinuation totals \$90,023; \$21,242 of which is geared to the reallocation process after offsetting salary increases. The reallocation process also includes savings in rent totaling \$80,865 by cutting roughly a quarter of office space and allowing some divisions to telework and other divisions the ability to "hotel" in our office in addition to the operational expenses that are tied to the positions being reallocated, which total \$28,730 a biennium for both positions.

Since we submitted our budget request to OMB, NDPERS has further researched available office space. We have an agreement in place with WSI to move into roughly half of the Department of Commerce space that is located in that building. We anticipate this will result in additional ongoing budget savings. However, we are presently unsure of the amount of those savings. We understand we will not be able to move into the space until early next biennium, and will therefore be paying rent to both our current lessor and to WSI for a short term. We also know there will be expenses for the move, the amount of which we do not yet know. As such, we have not reduced our budget request for rent for the upcoming biennium, but anticipate significant savings for the 2023-2025 biennium.

These operational cost savings are offset by operational increases for NDIT data processing, including acquiring additional servers to increase the performance of our

portals for our members and employers, as well as inflationary increases for the developers of our business system and other operational inflationary increases.

Reallocation Summary:

July 1, 2020 pay increases: \$68,701 (not included in the 5% mandate)

Reallocation Additions:

	Salaries & Wages	Operating Expenses	Total Additions	FTE
Receptionist	118,121	15,033	133,154	.8
Accountant	180,926	14,365	195,291	1.0
Intern	37,427	11,378	48,805	-
Technology Inflation	-	75,755	75,755	-
Other Operating Inflation	-	14,306	14,306	-
Total Additions	336,474	130,837	467,311	1.8

Reallocation Savings:

	Salaries & Wages	Operating Expenses	Total Savings	FTE
Public Information Specialist	155,548	14,365	169,913	(.8)
Internal Auditor	180,926	14,365	195,291	(1.0)
Mobile App Discontinuation*	-	21,242	21,242	-
Rent	-	80,865	80,865	-
Total Savings	336,474	130,837	467,311	(1.8)

*Total mobile app discontinuation was \$89,943 with \$68,701 of this offsetting salary increases for July 1, 2020.

Attachment 2 – Executive Recommendation

	2021-23 Legislative Base	Executive Recommendation Adjustments	2021-2023 Executive Recommendation	% Increase/ (Decrease)
Salaries & Wages	6,652,604	450,159	7,102,763	6.8%
Operating Expenses	2,443,589	54,160	2,497,749	2.2%
Capital Assets		257,600	257,600	
Contingencies	250,000	-	250,000	
Total Special Funds	9,346,193	761,919	10,108,112	8.2%
FTE	34.5	1.0	35.5	

Analysis of the Executive Recommendation Adjustments:

FTE Authority for the Public Information Specialist

Communicating with our members and employers is one of the most difficult challenges our agency faces. We have a dynamic customer base that includes hundreds of employers and tens of thousands of active employees and retirees. Ensuring we have clear and effective communication efforts is essential for our agency. The Public Information Specialist currently sits on our management team and initiates all communications that leave our office. That position plays a key role in realizing the nearly \$230,000 a biennium we've saved in printing and postage by helping our office achieve the following efficiencies:

- Printed annual statements were discontinued and are now provided in our member portal
- Printed active newsletters were discontinued and are now provided to the membership through our employers
- Communication efforts were made to transition those currently receiving a retirement benefit to sign up for direct deposit. All new retirees are required to receive benefits by ACH unless they submit a hardship request to our office, which has not yet occurred

- Elections were previously done through printed ballots, and are now done electronically
- Electronic surveying capabilities are currently being finalized in our business system
- The number of retiree and deferred member newsletters was reduced and the timing of the communication effort analyzed to make sure we communicate at the proper times
- Retiree payment change notices are now online versus printed
- Board materials are now provided electronically instead of in printed binder books
- Group batch printings by member so members don't receive multiple mailings from our agency
- Employers are now required to make payments electronically instead of processing paper checks in our office from our employers
- Coordinate with vendors on mailings they do on our behalf to customize the message and shift expenses to our vendors
- Coordinate specialized inserts with mandated mailings
- Digitalized event registration
- Digitalized customer experience feedback
- Members can "subscribe" to receive NDPERS communications
- Developed a comprehensive communication plan to identify required mailings and the proper time to communicate with our membership
- Trend/Analyze/Report results of events and interactions with our agency
- Transitioned our retirement education seminars to a virtual experience
- Transitioned our employer training experiences to a virtual experience
- Preparing for our biennial employer conference to be held virtually for the first time this June
- Developed an internal newsletter to provide staff monthly updates
- Converted our website to the more robust NDIT platform

These work efforts more than offset the cost of the position we were asked to reallocate on an ongoing basis. We have a very lean office for the membership we serve, and there are not a lot of options for us to look at that do not directly impact our membership, although the indirect impact these positions we are reallocating is significant. Transitioning this

work to an intern is concerning from a few perspectives; that position will constantly need education on what we're trying to accomplish, the majority of the work will fall on the rest of the management team to ensure the messages going out the door are effective and accurate, and staff will not have the expertise to train on the types of communication tools we have in place. We do still have a strategic vision that we are working at enhancing with communication, and looking for better ways to reach our membership is a practice that will never cease. To lose a resource in that area we feel has already paid for itself in ongoing savings is not an ideal situation for our office. We'd encourage your consideration in allowing us to continue improving, continue our efforts to reach our diverse members, and help our agency continue with our strategic vision of targeting communications based on each member's lifecycle as a member to ensure we are developing effective communications to the nearly 40,000 members we have to reach. Some of our strategic vision that we are still hoping to achieve in the communication arena include:

- Establishing an email marketing campaign based on the lifecycle of members
- Creating short educational video campaigns for our website
- Enhancing the news experience our subscribers receive
- Tracking trends to determine which pages on our new website are effective/ineffective and allows for targeted improvement that didn't exist previously

Make New Receptionist a 1.0 FTE

If a .8 Public Information Specialist is reallocated to a receptionist that is meant to be at the front desk during business hours, that person would need to be a 1.0 FTE to meet the needs of the agency. Making the receptionist a 1.0 FTE still offers cost savings from the .8 Public Information Specialist, but the agency would need an additional .2 FTE to make the receptionist meaningful and allow us to transition our member services to a true call center. The WSI space our office will soon be occupying has an area that is dedicated to incoming customers, and has an area for us to counsel our members and meet with our vendors that is not in the back office. Because of this move, we view this position as a necessity for our agency to meet our strategic vision and to increase our customer service scores on promptness of responses from our office.

Upgrade PERSLink to Business Process Management

Business Process Management (BPM) is an upgrade capability in our business system that redesigns the flow of all work done in our agency. It offers the ability to build the business process into our system and ensures staff members drive the system as it is intended and prevents them from inadvertently circumventing processes. As the possibility of transitioning to a remote work environment continues to grow, the BPM process also allows the managers to readily identify how their staff members are processing the work in our office, including how long each process takes, to better manage training opportunities or areas for improvement. It also offers long-term savings when fully implemented as the developers are more readily able to see where the business flow becomes a problem, and why.

Additional Development Resources for PERSLink

Funding was requested for additional developers in our PERSLink business system. One developer was requested to develop comprehensive new hire and annual enrollment wizards. This process is designed to enhance our user experience and ensure the data being entered in our business system is complete and accurate. A second developer was also being requested to address a backlog of identified system enhancements that are not able to be prioritized because of the everchanging environment our agency faces.

The Governor recommends adding one of the two additional developers for our business system, which would be used to create the comprehensive new hire and annual enrollment wizards for our membership.

Summary of the Executive Recommendation

Wages of \$450,159:

- Public Information Specialist - \$155,548 plus .8 FTE authority
- Receptionist - \$21,216 plus .2 FTE authority
- Reallocated July 2020 Salary Increase - \$68,781
- Salary increases and Retirement Contribution increase - \$204,614

Operating Expenses of \$54,160

- Public Information Specialist - \$14,365
- Microsoft 365 - \$4,076
- Sagitec Resource - \$104,500
- Reallocated Mobile App Savings to Salaries - \$(68,781)

Capital Assets of \$257,600:

- BPM Upgrade - \$257,600

Attachment 3 – Changes to the Executive Recommendation

Additional Development Resources for PERSLink

A second developer is also being requested to address a backlog of identified system enhancements that are not able to be prioritized because of the everchanging environment our agency faces. We currently have over 300 enhancements that have been identified and are being housed in a backlog list. Given we are making an effort to get our business system upgraded, and the BPM upgrade is a huge step in that effort, it would be beneficial to make a one-time push in cleaning up historical issues while we're trying to make this transition effective.

FTE Authority for Internal Auditor

Given the budgetary constraints facing the state we felt like a reallocation was appropriate to get the FTE authority in the accounting department our agency desperately needs. Our internal audit division has the ability to control the scope of their work, whereas the accounting department does not. We do have significant concerns with cutting our auditing division in half, and the indirect impact it may have to our members regarding the accuracy of their benefits. While we did not include this position as a formal request in our budget process, we would appreciate the Legislature's consideration in restoring the funding and FTE authority for our internal audit position as well.