

# 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 I 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.

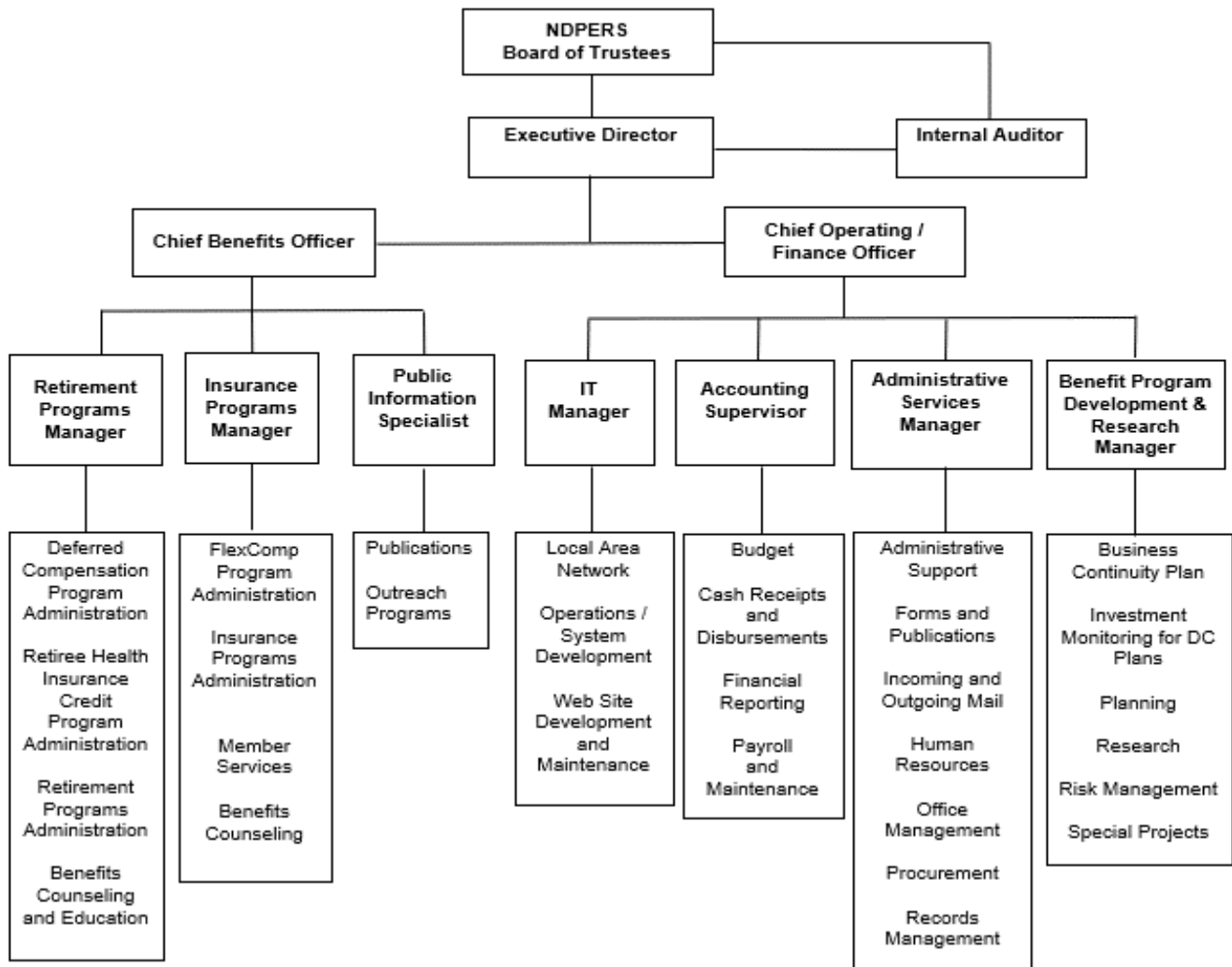
### **Agency Overview**

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”.

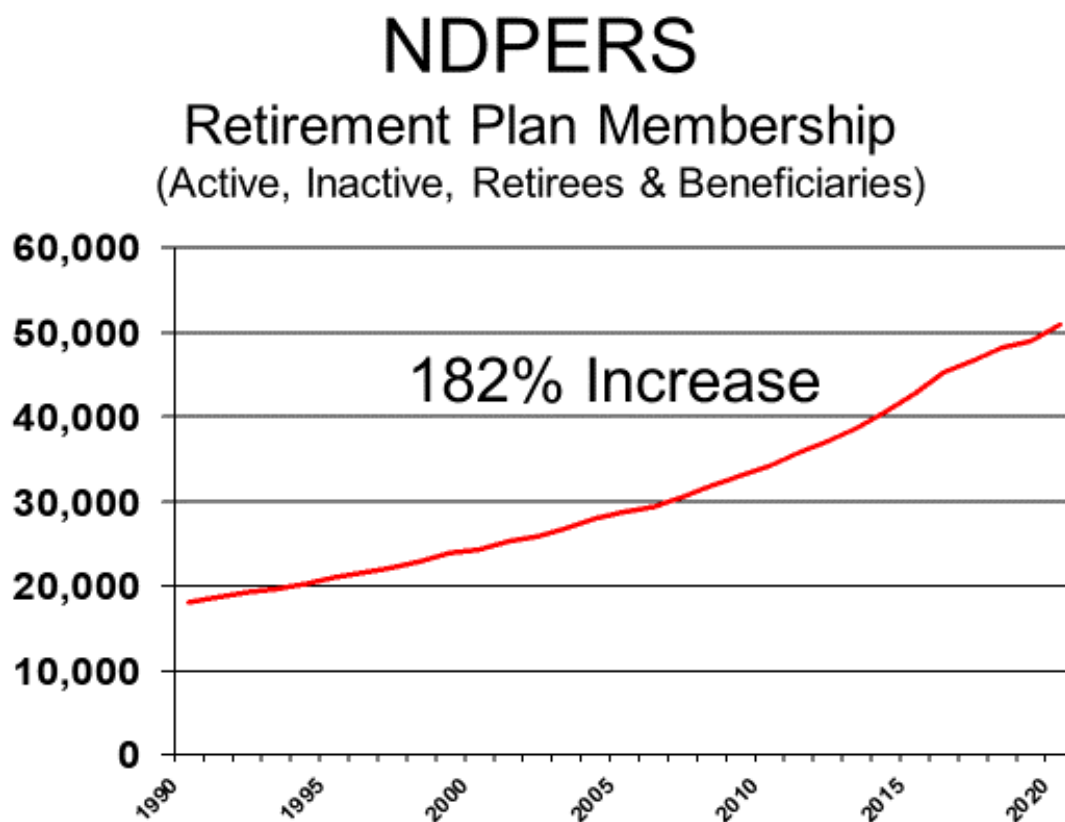
Concerning the retirement programs, the following table gives you an overview of the programs and some statistical information:

|                                |                                                                         |               |               |               |                |                |                     |                 |               |
|--------------------------------|-------------------------------------------------------------------------|---------------|---------------|---------------|----------------|----------------|---------------------|-----------------|---------------|
| January 2020                   | <b>RETIREMENT PROGRAMS</b><br><b>MANAGED AND ADMINISTERED BY NDPERS</b> |               |               |               |                |                |                     |                 |               |
|                                | <b>TOTAL</b>                                                            | <b>Main</b>   |               | <b>Public</b> | <b>Highway</b> | <b>Job</b>     | <b>DEFINED</b>      | <b>DEFERRED</b> | <b>HEALTH</b> |
|                                | <b>RETIREMENT</b>                                                       | <b>System</b> | <b>Judges</b> | <b>Safety</b> | <b>Patrol</b>  | <b>Service</b> | <b>CONTRIBUTION</b> | <b>COMP</b>     | <b>CREDIT</b> |
|                                |                                                                         |               |               |               |                |                |                     |                 | <b>(RHIC)</b> |
| <b>PARTICIPATING EMPLOYERS</b> |                                                                         |               |               |               |                |                |                     |                 |               |
| 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            |
|                                | <b>447</b>                                                              |               |               |               |                |                |                     | <b>218</b>      | <b>447</b>    |
| <b>EMPLOYEES</b>               |                                                                         |               |               |               |                |                |                     |                 |               |
| 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                       | <b>37,583</b>                                                           | <b>35,808</b> | <b>115</b>    | <b>1,045</b>  | <b>276</b>     | <b>191</b>     | <b>148</b>          | <b>7,512</b>    | <b>37,380</b> |
| Deferred Members               | 13,310                                                                  | 12,856        | 2             | 409           | 42             | 1              |                     |                 |               |
|                                | <b>50,893</b>                                                           | <b>48,664</b> | <b>117</b>    | <b>1,454</b>  | <b>318</b>     | <b>192</b>     | <b>148</b>          | <b>7,512</b>    |               |

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 1980s. 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.

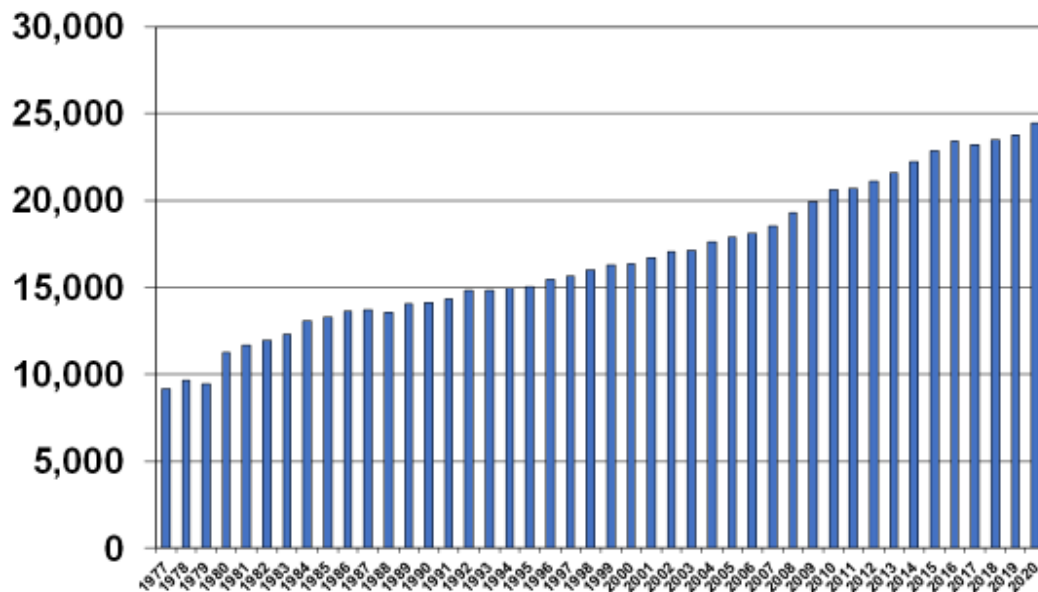
Some historical statistics about the retirement plan include membership:



Of this, the number of active members has grown:

## NDPERS Retirement Actives

(Main System, Judges & Public Safety Systems)

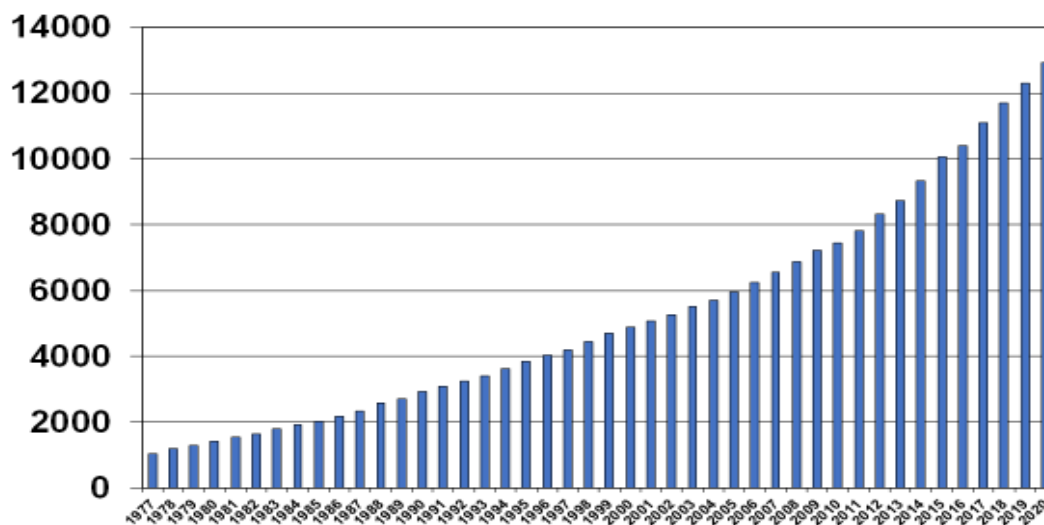


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The number of retired members has grown as well, and at an even greater rate than our active members:

## NDPERS Retirement Retirees

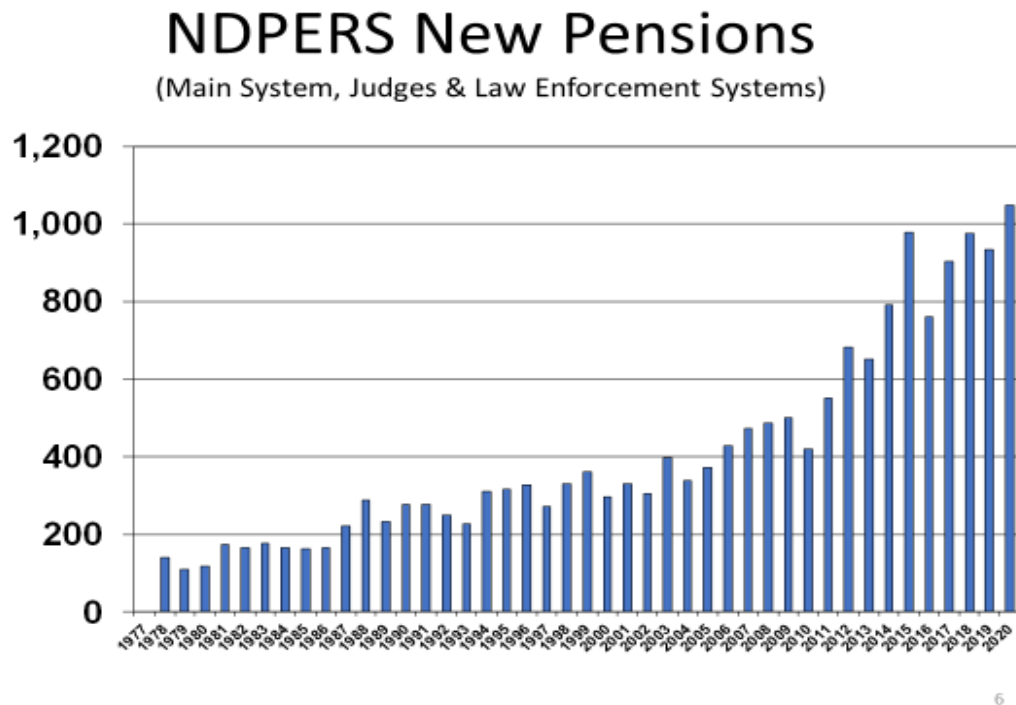
(Main System, Judges & Public Safety Systems)



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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.



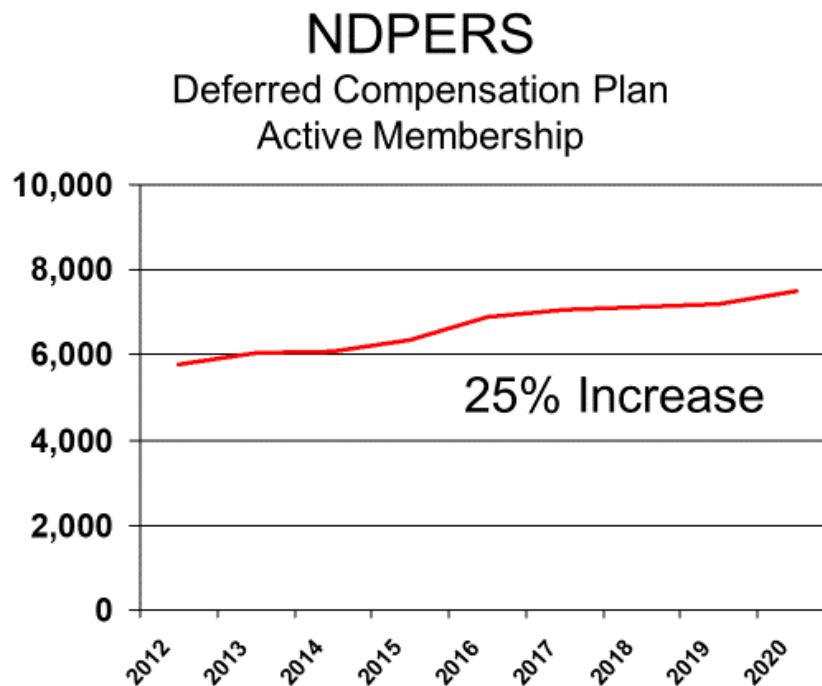
As we look to the future, we see the retired membership continuing to grow and the number of active members remaining about the same. The table below shows the number of members in the Main system who will be eligible to retire in the next 5 years:

|                                       | 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

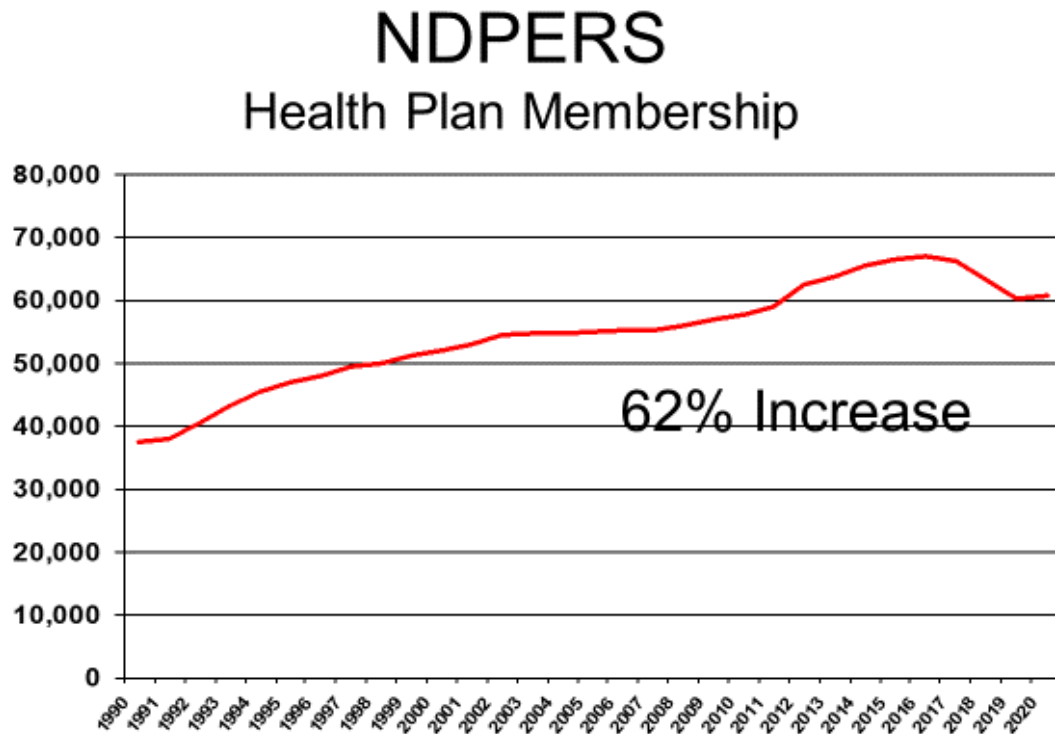
Concerning the group insurance programs, the following gives you an overview of the programs and some statistical information:

|                                |                                           |               |               |               |               |                 |
|--------------------------------|-------------------------------------------|---------------|---------------|---------------|---------------|-----------------|
| January 2020                   | <b>GROUP INSURANCE PROGRAMS</b>           |               |               |               |               |                 |
|                                | <b>MANAGED AND ADMINISTERED BY NDPERS</b> |               |               |               |               |                 |
|                                |                                           |               |               |               |               |                 |
|                                |                                           |               |               |               |               |                 |
|                                | <b>HEALTH</b>                             | <b>LIFE</b>   | <b>DENTAL</b> | <b>VISION</b> | <b>EAP</b>    | <b>FLEXCOMP</b> |
|                                |                                           |               |               |               |               |                 |
| <b>PARTICIPATING EMPLOYERS</b> |                                           |               |               |               |               |                 |
| State                          | 95                                        | 95            | 95            | 95            | 95            | 77              |
| Counties                       | 41                                        | 34            |               |               |               |                 |
| School Dist                    | 22                                        | 11            |               |               |               |                 |
| Cities                         | 37                                        | 27            |               |               |               |                 |
| Others                         | 54                                        | 31            | 20            | 20            | 20            | 4               |
|                                | <b>249</b>                                | <b>198</b>    | <b>115</b>    | <b>115</b>    | <b>115</b>    | <b>81</b>       |
|                                |                                           |               |               |               |               |                 |
| <b>EMPLOYEES</b>               |                                           |               |               |               |               |                 |
| 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            |               |                 |
|                                | <b>24,091</b>                             | <b>21,784</b> | <b>11,643</b> | <b>12,142</b> | <b>15,252</b> | <b>2,481</b>    |
|                                |                                           |               |               |               |               |                 |
| <b>Covered Lives</b>           | <b>60,538</b>                             |               |               |               |               |                 |

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.

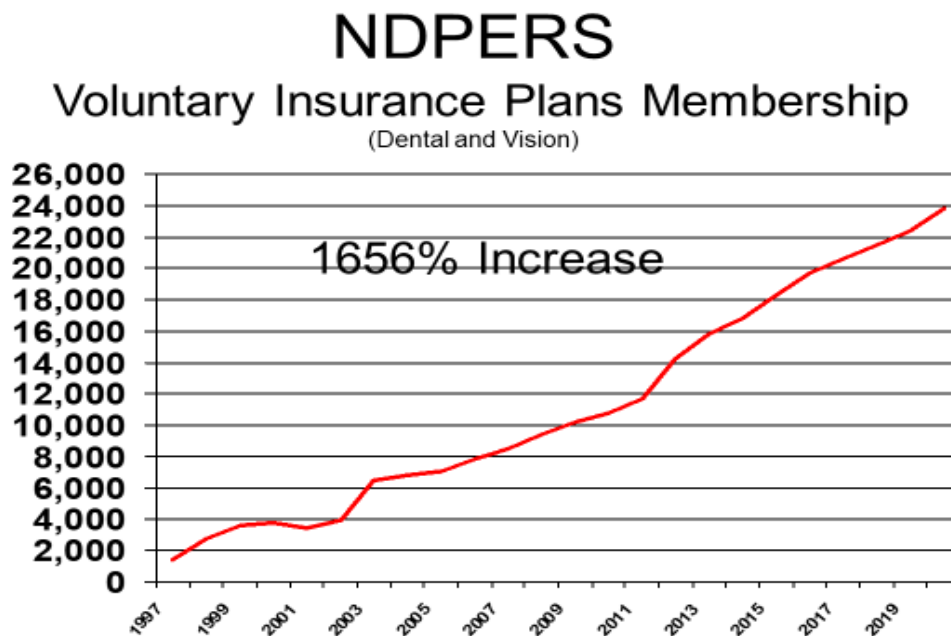


The following table shows the history of the membership in the health plan:



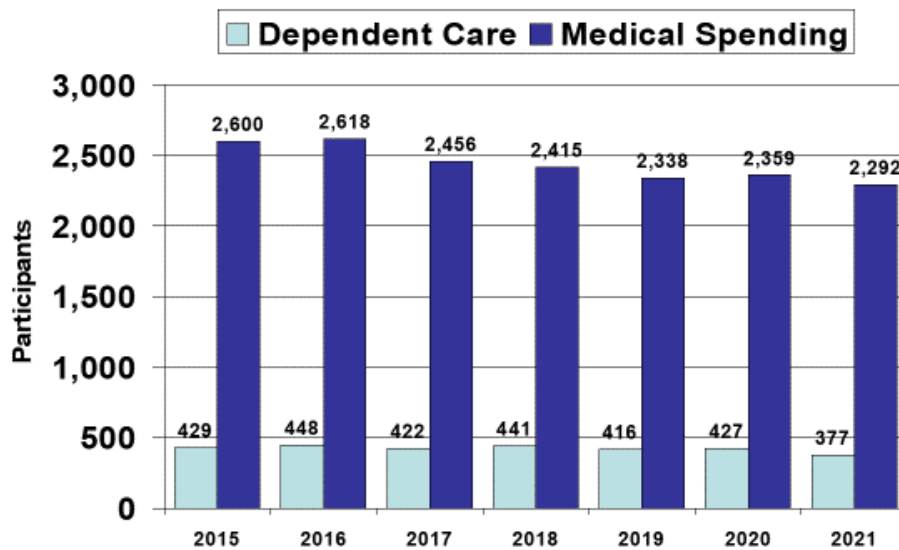
This plan was last bid in 2020, and the PERS Board has awarded the contract to Sanford Health Plan for the 2021-23 biennium under the same modified fully-insured arrangement that we have today.

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

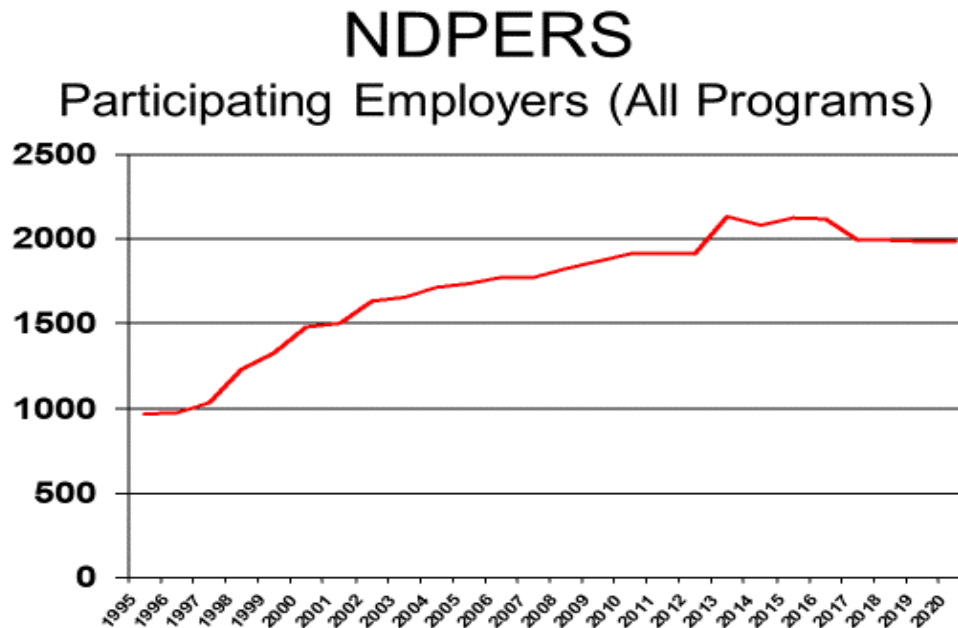


The following tables show the history of the number of members in the FlexComp program:

### 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 on.

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.

|                      | <b>2019-21<br/>Appropriation</b> | <b>One-Time<br/>Expenditures</b> | <b>2021-2023<br/>Legislative<br/>Base Budget</b> | <b>House<br/>Adjustments</b> | <b>House<br/>Amendment</b> |
|----------------------|----------------------------------|----------------------------------|--------------------------------------------------|------------------------------|----------------------------|
| Salaries & Wages     | 6,652,604                        | -                                | 6,652,604                                        | 274,893                      | 6,927,497                  |
| Operating Expenses   | 2,483,592                        | (40,003)                         | 2,443,589                                        | (65,373)                     | 2,378,216                  |
| Capital Expenditures | 190,000                          | (190,000)                        | -                                                | -                            | -                          |
| Contingencies        | 250,000                          | -                                | 250,000                                          | -                            | 250,000                    |
|                      |                                  |                                  |                                                  |                              |                            |
| Total Special Funds  | 9,576,196                        | (230,003)                        | 9,346,193                                        | 209,520                      | 9,555,713                  |
| FTE                  | 34.5                             |                                  | 34.5                                             | 34.5                         | 34.5                       |

### **Salaries and Wages**

Salaries account for 72.5% of our agency's budget under the House's amendment and maintains funding for 34.5 FTE in our office, a full time temporary position, and a part time intern position. These temporary positions give us flexibility to accommodate unexpected work efforts, vendor transitions, and unexpected workload increases.

The adjustments the House made to our appropriation bill totaling \$274,893 are as follows:

- Includes the cost to continue the salary increases we gave staff on July 1, 2020.
- Includes 1.5% salary increases each biennium with a minimum of \$100/month and a maximum of \$250/month.
- Includes funding for the increase to health insurance.
- Includes reallocating a staff member from the internal audit division to the accounting division.
- Includes reallocating our Public Information Specialist (PIS) to a receptionist.
- Includes funding for a Marketing Intern to take over duties of the reallocated PIS.

|                  | <b>July 2020<br/>Salary<br/>Increase</b> | <b>House<br/>Compensation<br/>Package</b> | <b>Health<br/>Insurance<br/>Increase</b> | <b>Reallocate<br/>Auditor &amp;<br/>PIS</b> | <b>Marketing<br/>Intern</b> | <b>Total House<br/>Amendment</b> |
|------------------|------------------------------------------|-------------------------------------------|------------------------------------------|---------------------------------------------|-----------------------------|----------------------------------|
| Salaries & Wages | 68,781                                   | 166,884                                   | 1,801                                    | -                                           | 37,427                      | 274,893                          |

## **Operating Expenses**

Operating expenses account for 24.9% of our agency's budget under the House amendment. Looking into our operating line item:

- 65% is IT and shared services related
- 12% is printing and postage
- 11% is office rent
- 12% is 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. When the budget was submitted we were able to submit a reduction in rent of \$80,865 by reducing our footprint in our current office space, and allowing staff to hotel throughout our agency. 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 as well as some remodel efforts, 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 in addition to the reduction for the upcoming biennium.

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 \$225,000 (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, do not require additional funding for these events.

The adjustments the House made to our appropriation bill totaling \$(65,373) are as follows:

- Includes funding for operating expenses of a Marketing Intern
- Includes IT inflationary adjustments
- Includes funding for Office 365
- Includes rent reductions

|                    | <b>Marketing Intern</b> | <b>IT Adjustments</b> | <b>Office 365</b> | <b>Rent</b> | <b>Total House Amendment</b> |
|--------------------|-------------------------|-----------------------|-------------------|-------------|------------------------------|
| Operating Expenses | 11,378                  | 38                    | 4,076             | (80,865)    | (65,373)                     |

### **One-Time Funding**

The House amendment did not include funding for any one-time adjustments that were requested. Two additional developers for our business system were requested, and instead of funding the request, the House is instructing us to pay for one of the two developers from our contingency line item. An upgrade to our business system to help us streamline efforts and help us transition to a remote work environment was also omitted from the House Amendment despite being included in the Executive Recommendation.

### **Suggested Changes to the House Amendment**

There are several changes to the House Amendment that we would appreciate the Senate consider before acting on our agency's appropriation. First and foremost would be restoring the FTE and funding authority for our Public Information Specialist (PIS). As part of the reallocation efforts, our PIS was reallocated to a receptionist position. Our new office space at the WSI office building has a dedicated reception area, and the receptionist position would greet walk-ins to our office, work on administrative duties, and allow our 3 member services staff to become a true call center while not having a significant portion of their work day interrupted by visitors to the office. As Scott 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, which is why this reallocation was proposed.

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 are done 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
- Coordinates with vendors on mailings they do on our behalf to customize the message and shift expenses to our vendors
- Coordinates specialized inserts with mandated mailings
- Digitalized event registration
- Digitalized customer experience feedback
- Members can “subscribe” to receive NDPERS communications online
- 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 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 that 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

Our PIS position is a .8 FTE and as such only .8 of what is ultimately needed was able to be reallocated. We need the receptionist position to be a 1.0 FTE to meet the needs of our agency. However, the change package requesting the authority for the additional .2 FTE was not part of the House Amendment. 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. We would appreciate the Senate's consideration of following the Executive Recommendation, which restored our PIS funding and FTE authority as well as the .2 additional FTE and funding to make the receptionist a 1.0 FTE.

As part of the reallocation effort, our agency eliminated the funding for one of our two internal audit staff and fully reallocated that authority to our accounting department. 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. That being said, 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 Senate's consideration in restoring the funding and FTE authority for our internal audit position.

A one-time funding request was submitted to upgrade our business system to Business Process Management (BPM). 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 we continue the transition to a remote work environment, the BPM process also allows the managers to readily identify how their staff members are processing their work, 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. This enhancement was included in the Executive Recommendation.

One-time funding was also 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 recommended 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. The House is proposing to pay for the developer the Governor recommended out of our contingency line item. It is our understanding that the Contingency line item is reserved for unexpected/unanticipated work efforts, not for one-time funding requests. We ask for the Senate's consideration in not only providing the funding for the additional developers, but also how the appropriation should be allocated because we do not feel this should not be paid from our Contingency line item.

A summary of our proposed changes to the House Amendment is below.

|                      | <b>PIS</b> | <b>Receptionist</b> | <b>Auditor</b> | <b>BPM</b> | <b>Two<br/>Additional<br/>Developers</b> | <b>Total<br/>Proposed<br/>Changes</b> |
|----------------------|------------|---------------------|----------------|------------|------------------------------------------|---------------------------------------|
| Salaries & Wages     | 155,548    | 21,216              | 180,926        | -          | -                                        | 357,690                               |
| Operating Expenses   | 14,365     | -                   | 14,365         | -          | 209,000                                  | 237,730                               |
| Capital Expenditures | -          | -                   | -              | 257,600    | -                                        | 257,600                               |
| Contingencies        | -          | -                   | -              | -          | -                                        | -                                     |
|                      |            |                     |                |            |                                          |                                       |
| Total Special Funds  | 169,913    | 21,216              | 195,291        | 257,600    | 209,000                                  | 853,020                               |
| FTE                  | 0.8        | 0.2                 | 1.0            | -          | -                                        | 2.0                                   |