

# NDPERS BOARD MEETING

## Agenda

**Bismarck Location:**  
ND Association of Counties  
1661 Capitol Way  
**Fargo Location:**  
BCBS, 4510 13<sup>th</sup> Ave SW

**November 18, 2010**

**Time: 8:30 AM**

### **I. MINUTES**

- A. October 21, 2010

### **II. RETIREMENT**

- A. RIO Update – LeRoy Gilbertson & John Geissinger (Information)
- B. Legislation – Sparb (Board Action)

### **III. GROUP INSURANCE**

- A. PBM Audit – Sparb (Board Action)
- B. Noridian Insurance Services Inc., USAble Life Cancer and Accident Products – Sparb (Board Action)
- C. Part D Contract – Sparb (Board Action)
- D. Quarterly Executive Summary – BCBS (Information)
- E. Legislation – Sparb (Board Action)
- F. Health Care Reform/Grandfather Provision – Sparb (Board Action)

### **IV. DEFERRED COMPENSATION**

- A. Roth IRA's – Kathy (Information)

### **V. DEFINED CONTRIBUTION PLAN**

- A. Request for Proposal for 401(a) and 457 Plan – Kathy (Information)

### **VI. MISCELLANEOUS**

- A. SIB Agenda

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Any individual requiring an auxiliary aid or service must contact the NDPERS ADA Coordinator at 328-3900, at least 5 business days before the scheduled meeting.



**North Dakota  
Public Employees Retirement System**  
400 East Broadway, Suite 505 • Box 1657  
Bismarck, North Dakota 58502-1657

**Sparb Collins**  
Executive Director  
(701) 328-3900  
1-800-803-7377

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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** November 12, 2010  
**SUBJECT:** RIO Update

Mr. LeRoy Gilbertson and Mr. John Geissinger will be at the next PERS Board meeting to give an update on the State Investment Board. Mr. Geissinger was recently selected by the SIB to be the new Executive Director of RIO and State Investment Officer.



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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** November 11, 2010  
**SUBJECT:** Retirement Legislation

The following table shows the actions taken on the retirement legislation by the Legislative Employee Benefits Committee:

LC Bill Number	Sponsor	Bill Summary	Legislative Employee Benefit Committee Recommendation
10051.0100	PERS	A BILL for an Act to amend and reenact sections 39-03.1-09, 54-52-02.9, 54-52-05, 54-52-06.1, and 54-52-06.3, subsection 6 of section 54-52.6-02, and section 54-52.6-09 of the North Dakota Century Code, relating to increased employee contributions under the highway patrolmen's retirement plan and public employees retirement system.	Unfavorable
10052.0100	PERS	A BILL for an Act to amend and reenact sections 39-03.1-10, 54-52-02.9, 54-52-06, and 54-52-06.1, subsection 6 of section 54-52.6-02, and section 54-52.6-09 of the North Dakota Century Code, relating to increased employer and temporary employee contributions under the highway patrolmen's retirement plan and public employees retirement system.	Unfavorable
10053.0200	PERS	A BILL for an Act to amend and reenact sections 39-03.1-09, 39-03.1-10, 54-52-02.9, 54-52-05, 54-52-06, 54-52-06.1, and 54-52-06.3, subsection 6 of section 54-52.6-02, and section 54-52.6-09 of the North Dakota Century Code, relating to increased employer and employee contributions under the highway patrolmen's retirement plan and public employees retirement system.	Favorable
10059.0200	PERS	A BILL for an Act to amend and reenact section 15-10-17, Subsection 6 of Section 39-03.1-11, Subsection 1 of Section	Favorable

LC Bill Number	Sponsor	Bill Summary	Legislative Employee Benefit Committee Recommendation
		39-03.1-11.2, 39-03.1-14.1, 54-52-03, Subsections 3 and 6 of Section 54-52-17, 54-52-27, 54-52-28, Subsection 3 of Section 54-52.1-03 and Subsection 3 of Section 54-52.6-09 of the North Dakota Century Code, relating to special annuity purchases in the alternate retirement program for university system employees, surviving spouse payment options under the highway patrolmen's retirement plan, calculation of member service credit under the highway patrolmen's retirement plan, election of members to public employees retirement system board, calculation of normal retirement date for a peace officer or correctional officer under the public employees retirement system, payment of member account balance under the public employees retirement system, purchase of sick leave credit under public employees retirement system, spousal election to participate in uniform group insurance program, reporting of employer pick-ups under the defined contribution retirement plan, and Internal Revenue Code compliance under the highway patrolmen's retirement plan and public employees retirement system.	
10080.0300	Rep. Wald	A BILL for an Act to amend and reenact sections 39-03.1-02 and 39-03.1-07, subsection 4 of section 54-52-01, and sections 54-52-02.3, 54-52-02.5, 54-52-02.9, 54-52.6-01, 54-52.6-02, and 54-52.6-09 of the North Dakota Century Code, relating to a defined contribution retirement plan for state employees; and to provide a penalty.	No Recommendation

Concerning Bills 51,52 and 53, the committee gave Bills 51 and 52 an unfavorable recommendation and Bill 53 a favorable recommendation. Also the State Employees Compensation Commission recommended Bill 53 to the Governor.

Pursuant to legislative guidelines, the deadline for executive agencies and the Supreme Court to file bills with the Legislative Council is December 9<sup>th</sup>. In light of the above recommendations, I would suggest that PERS submit Bills 53 and 59 for consideration by the next session.

**Board Action Requested**

To determine which PERS bill should be submitted for consideration by the next session.

**Staff Recommendation**

Submit Bill 53 and Bill 59



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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** November 11, 2010  
**SUBJECT:** PBM Audit

Attached is the summary report from TRICAST, the firm we retained to do an audit of Prime, the pharmacy benefits manager of BCBS. Sara Herbert, the lead auditor, will go over the report at the next meeting and be available to answer any questions you may have.

The next step in the process would be to invite Prime to the December meeting to share with you their observations on the audit and other areas.

After reviewing the above information, we can determine our next steps.



RESEARCH PARK  
10400 West Innovation Drive  
Suite 310  
Milwaukee, WI 53226  
(888) 321-2021

# Audit Results Provided for North Dakota Public Employees Retirement System (NDPERS)

October 28, 2010



## Executive Summary

North Dakota Public Employees Retirement System (NDPERS) is currently assessing the performance of its' Pharmacy Benefit Manager (PBM) Vendor, Prime Therapeutics (Prime) via Blue Cross Blue Shield of North Dakota (BCBSND). NDPERS is a fully insured plan with BCBSND but their contract provides for their plan to be accounted for separately. While BCBSND selects the PBM it is in NDPERS interest to insure that all claims are properly paid by that vendor and all rebates are returned to the NDPERS account pursuant to the guidelines agreed upon. NDPERS is completing this audit in order to maintain ongoing oversight efforts and obtain a thorough understanding of the performance of the subcontracted PBM.

## Project Scope

Pricing elements reviewed include:

- Achieved Discounts:
  - Brand and Generic Mail Order
  - Brand and Generic Retail
  - Brand and Generic Specialty
  - Zero Balance Claims
  - Compound Claims
  - Subscriber Claims
  - MAC Pricing
- Adjudicated Dispensing Fees:
  - Brand and Generic Mail Order
  - Brand and Generic Retail
  - Specialty
- Contract Administrative Fees:
  - Mail
  - Retail
  - Specialty
- Top 20 pharmacy contracts
  - Q4 2008 rebates audit of the top eight (8) pharmaceutical manufacturers

The elements analyzed include:

- Base rebate (volume driven)
- Performance rebate (market share generated)
- Administrative fees (ensuring capture and appropriate reporting)



- Plan design parameters reviewed include:
  - Included/Excluded Drugs
  - Quantity Limits
  - Days Supply
  - Formulary & Non-Formulary
  - Co-pay Rules
  - Step and contingent therapy
  - Prior Authorization

## **Audit Team**

The TRICAST staff members comprising the NDPERS audit team include:

- Greg Rucinski: President and CEO with 24 years of pharmacy and PBM experience.
- Sara Herbert: Senior Consultant with 18 years of PBM experience.
- Rob Shelley: SRVP of Business Development with 19 years of pharmaceutical and PBM experience.
- Lisa Lenda: Audit Consultant with 8 years of PBM experience.  
Heather Stevens: Plan Design and Audit Analyst with 8 years of PBM experience.
- Tom Rieger: Database Administrator
- Peggy Williams: Database Analyst and Reporting Specialist

Overall, BCBSND and Prime are performing well based on the adjudication rules shared throughout the audit process. The audit covered 517,115 claims totaling \$33,157,596 in ingredient cost and dispensing fees. The audit found and observed accuracy rate of approximately 99.46%. The areas in which variances and/ or observances were made are outlined below.

*Prime's Comment: TRICAST concluded that 2,661 claims totaling \$1,831 had copay errors. Please refer to the table on page eight of this document for more detail. Prime disputes these findings and has provided comment explanations in each claim file of Appendix A.*

## **Audit Methodology**

### **1. Contract Analysis**

During the time period under review NDPERS contracted with BCBSND/Prime to provide Pharmacy Benefit Management (PBM) services. A review of the NDPERS/BCBSND contract was completed to review the discount and pricing terms in effect.



The contractual arrangement surrounding pharmacy reimbursement is based on a pass through arrangement. A review of the BCBSND contract with Prime was completed for contract terms.

## Pricing Summary

(Time Period: 1/1/08-12/31/2008)

Drug Type	Actual Claim Counts	Achieved Discount	2008 Market Standard
Retail Brand 1-83 DS	124482	AWP – 17.12%	AWP – 17%
Retail Brand 84-90 DS	21825	AWP – 13.6%	AWP – 17%
Retail Generic 1-90DS	296760	AWP – 70.59%	AWP – 64%
Mail Brand 1-34 DS	80	AWP-18.19%	AWP – 17%
Mail Brand 35-90 DS	0	No Claims	AWP – 22%
Mail Generic 1-90 DS	434	AWP – 54.69%	AWP – 67%

*The market standard is based on a national review of carrier specific discounts.*

### 1. Pass Through Pricing Audit- On-site Review of Provider Contracts

The achieved discounts were evaluated. The discounts were verified by the review of the top twenty pharmacies filling prescriptions for NDPERS. An on-site analysis of the top twenty pharmacy contracts was completed along with a comparative review to the actual performance of these specified stores. This review was absent of any discrepancies and no spread pricing was revealed. Please see Appendix B for detailed results.

#### a. Pricing Guarantees

The contract does not specifically address any discount amounts or guarantees.

**Action recommended; negotiate a contract with specific discount definitions and guarantees.**

Please see Appendix A for detailed results.

### 2. Data Integrity Checks

TRICAST reviewed 100% of pharmacy claims processed between 1/1/2008 and 12/31/2008. No sampling methodology was required. All claims were captured.

Programming for TRICAST’s audit claims adjudication system included loading of all pricing terms and plan design parameters.



Data integrity was validated, no action required.

### **Pricing Audit**

The claims reviewed under the pricing audit included a review of the following claims summary:

#### **Calendar Year 2008**

Ingredient Cost:	\$31,916,248
Claim Count:	516,920

- Retail Brand
  - \$21,025,661
  - 146,307 Claims
- Retail Generic
  - \$5,962,054
  - 304,859 Claims
- Mail Brand
  - \$27,629
  - 80 Claims
- Mail Generic
  - \$19,756
  - 434 Claims
- Subscriber
  - \$545,408
  - 8297 Claims
- Zero-Balance
  - \$186,700
  - 18,312 Claims
- Compounds
  - \$95,300
  - 2344 Claims
- Over-the-Counter
  - \$43,304
  - 1439 Claims
- Patent Litigated
  - \$3,977,317
  - 34,768 Claims

The pricing audit included an audit against third party pricing source Medispan for assessment retail discount performance.



**Pricing Discounts Validated as per the current agreement – No Action Required.**

**3. Plan Design Audit**

The plan design for NDPERS has been reviewed and audited to include:

**a. Co-pay**

The copay summary is as follows:

	Retail and Mail
Generic Preferred	\$5 + 15%
Generic Non-Preferred	\$25 + 50%
Brand Preferred	\$20 + 25%
Brand Non-Preferred	\$25 + 50%
Diabetic Supplies	15%
Maximum Out-of-Pocket	\$1000

The variance amounts total a net dollar amount of \$1,831. The final results are included in Appendix A.

Through-out various iterations and discovery analysis with Prime the following was discovered:

- The flat dollar portion of the members copay does not apply towards the member's \$1000 out-of-pocket maximum (OOP).
- Adjustments were made by TRICAST to the audit assumptions and the audit was rerun. The results were shared with Prime.
- It is noted that BCBSND has access to the Prime's adjudication system for purposes of copay overrides.

**Action Required. TRICAST is requesting that NDPERS verify the conclusions provided above reflect NDPERS' assumptions of appropriate plan administration.**

*Prime's Comments: The statements below are conclusions made by Prime following the review of the claims in the discrepancy files. Please refer to the spreadsheets in Appendix A for specific responses to the claims in question.*



- i. *Flat copayment required. Prime will not require greater than approved amount.*
- ii. *Drug identified as fertility drug is not a fertility drug.*
- iii. *Prior authorizations are entered by BCBSND.*
- iv. *Member will not be charged more than allowed amount.*
- v. *The waiver of flat copayments for diabetic supplies was not accounted for in the audit calculations.*
- vi. *Member pays the difference if a brand drug is selected when a generic drug is available.*
- vii. *Paid as a compound. Compounds are to pay as Non-Formulary.*

*TRICAST's Comments:*

- i. *TRICAST notes that Prime will not require greater than approved amount for a member's copay.*
- ii. *Both Novarel and Chorionic Gonadotropin are drugs commonly used to treat infertility according to Facts and Comparisons.*
  - a. *Facts and Comparisons defined: Drug Facts and Comparisons contains up-to-date, comprehensive information on over 22,000 Rx and 6,000 OTC items grouped by therapeutic category for ease of comparison. The reference book answers questions about actions, indications and contraindications; warnings and precautions; interactions between drugs; adverse reactions; administration, dosage, and over dosage; and patient information.*
- iii. *Prior authorizations are entered by BCBSND.*
- iv. *TRICAST notes that Prime will not require greater than approved amount for a member's copay.*
- v. *TRICAST did account for the waiver of flat copayments for diabetic supplies.*
- vi. *Member pays the difference if a brand drug is selected when a generic drug is available.*
- vii. *TRICAST was not aware that all compounds pay as Non-Formulary.*

**b. Out of Pocket Maximum Calculations**

Through-out various iterations and discovery analysis with Prime the following was observed:

- The flat dollar portion of the members copay does not apply towards the member's \$1000 out-of-pocket maximum (OOP).
  - Adjustments were made and the results were shared with Prime.



- TRICAST was not accumulating the 15% co-insurance towards the members \$1000 OOP.
  - Adjustments were made and the results were shared with Prime.
- The penalty amount the member is charged for requesting a brand drug with a generic available should not accumulate towards the members \$1000 OOP.
  - Adjustments were made and the results were shared with Prime.
- TRICAST was not accumulating sales tax towards the members OOP maximum.
  - Adjustments were made and the results were shared with Prime.

Variance Summary:

**2,662 Claims noted at not in compliance with \$1,831 due to the plan.**

Copyay or Out-of-Pocket Channel	Claim Count	Financial
Diabetic Supply after OOP	3	(\$17)
Diabetic Preferred	3	(\$156)
Specialty	22	\$249
Fertility	25	(\$22)
Mail Brand after OOP	1	\$15
Retail Brand Non-preferred	280	(\$1,114)
Retail Brand Formulary	830	(\$2,375)
Retail Brand After OOP	38	(\$1,511)
Retail Generic Non-preferred	579	\$3,495
Retail Generic Preferred	829	(\$436)
Retail Generic Preferred after OOP	4	(\$264)
Subscriber	47	\$307
Total	2,661	(\$1,831)

Discrepancies are noted. The final results are included in Appendix A.

**Action Required. TRICAST is requesting that NDPERS verify the conclusions provided above reflect the assumptions of appropriate plan administration.**

*Prime's Comments: The statements below are conclusions made by Prime following the review of the claims in the discrepancy files. Please refer to the spreadsheets in Appendix A for specific responses to the claims in question.*



- i. *Claim reversals need to be taken into account in the calculation of the OOP maximum amounts.*
- ii. *Member Reimbursement Account payments need to be taken into account.*
- iii. *Non-formulary drugs do not apply to coinsurance maximum.*

TRICAST's Comments:

- i. *TRICAST accounted for all reversals received on the claim extract provided by Prime.*
- ii. *TRICAST accounted for all Member Reimbursement Account payments provided on the claim extract from Prime.*
- iii. *TRICAST did not apply non-formulary to the coinsurance maximum.*

**b. Drug Exclusions**

Discrepancies noted. 89 claims for Tazorac paid totaling \$5436. According to the plan document Tazorac is a non-covered medication.

*Prime's Comment: Tazorac is listed as a formulary drug. As indicated in the BCBSND formulary and the Restricted Drug List, a PA is required over the age of 35.*

No action required, coverage verified.

**c. Prior Authorizations**

Discrepancies noted. Two (2) claims for Vfend IV paid without a PA totaling \$76. According to BCBSND these two claims were ingredients in a compound and approval was given by BCBSND. It is noted that BCBSND has access to the Prime Therapeutics adjudication system for purposes of prior authorization entry.

**Action required-verification of how a prior authorized drug included in a compound should be covered is recommended.**

**d. Quantity Limitations**

No discrepancies noted-no action required.

**e. Days Supply**

No discrepancies noted -no action required.

**f. Step and Contingent Therapy**

Not applicable.



**g. Pharmacy Input Errors**

No discrepancies noted - no action required.

Please see Appendix A for detailed results.

**Clarification of Coordination of Benefits (COB) adjudication:**

- **How are these claims being processed?**  
*Prime's Comment: Blue Cross Blue Shield of North Dakota (BCBSND) processes all COB claims. Prime has no involvement in the processing of COB claims for BCBSND members.*
- **How are they identified on the claim extract?**  
*Prime's Comment: By completing a search for COB in the claim extract file layout, multiple COB fields are identified. Please see fields 31, 276, 304, 355, 379 and 450.*
- **Are they full balance COB or the remaining amount minus copays?**  
*Prime's Comment: BCBSND would pay on any remaining balance left as the member's responsibility.*
- **Are on-line COB claims being adjudicated?**  
*Prime's Comment: All COB claims must be submitted to BCBSND via a paper claim format for adjudication.*

**TRICAST is requesting the NDPERS verify the Prime statements listed above.**

**4. Rebate Audit**

A full two day PBM on-site review of the top eight (8) pharmaceutical manufacturers was performed by three experienced PBM auditors. Prime Therapeutics' rebate revenue reports were reviewed. This review included base rebate, performance rebate, market share generated rebate, and administrative fees. These results were then reconciled against the Q4 2008 claims data to determine whether the appropriate rebate amounts were paid.

The claims reviewed under the rebate audit included a review of the following:

**Q4 2008**

Total Ingredient Cost:	\$4,034,437
Ingredient Cost Audited:	\$2,607,253 (64.5%)
Total Rebated Claim Count:	20,697
Claim Count Audited:	16,651 (80.4%)



Total Claims that Achieved Rebates:	13,616
Total Rebates Dollars Paid (All Manufacturers):	\$430,204
<b>Total Rebate Dollars Paid (Top 8 Manufacturers):</b>	<b>\$230,473</b>
Total Calculated Expected Rebate Amounts:	\$228,456

No action required – PBM is compliant with rebate administration and payments.

Please see Appendix B for detailed results.

## 5. Recommendations / Next Steps

TRICAST notes that overall the audit exposed a few variances. TRICAST has worked with BCBSND and Prime to address the “action required” items that include:

- Copay discrepancies and verification
- Out-of-pocket discrepancies and verification
- Prior authorization discrepancies
- COB clarification

It is recommended that that NDPERS provide verification of proper plan administration where indicated throughout this document, and considers an ongoing review of items included in the scope of this document for calendar years 2009 and onward.

The final suggestion is that NDPERS negotiates a new agreement that meets market best practices and contains precise performance guarantees for all distribution channels and drug classifications. PBM Financial terms can also be improved based on current market offerings, leading to significant savings. TRICAST can forward a proposed SOW to complete that assessment, including savings estimates and guarantees.



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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** November 11, 2010  
**SUBJECT:** NORIDAN

Attached is a letter from Noridan Insurance Services Inc. requesting inclusion in the NDPERS flex benefits program. Specifically, they are requesting that several of their products be included for pretaxing.

NDPERS presently allows certain products to be pretaxed. This policy was established when the program was set up in 1989. We have not reviewed this since establishment of the program. My recommendation would be to review our existing process, products and have Segal give us an update on the IRS requirements before responding to this request. As part of this review, we can determine if our existing process should continue and if we should expand it.

If the above approach is acceptable, I would suggest the following:

February – we review the existing process and products.

March – we have Segal update us on the existing IRS rules and we have them review our existing process to determine its compliance.

April – We identify optional approaches on how to continue the program and determine which approach to implement.

Based upon the above review, we would be able to respond to the Noridian letter.

**Board Action Requested**

To determine how to respond to the Noridian request.

4510 13th Avenue South  
Fargo, North Dakota 58121



RECEIVED

OCT 04 2010

ND PERS

1-800-575-9643

(701) 277-2049

FAX (701) 277-2454

www.MyNISI.com

September 27, 2010

Dear Sparb Collins and NDPERS board members:

Noridian Insurance Services Inc. (NISI) is requesting inclusion in the NDPERS flex benefit plan for the upcoming 2011 plan year. NISI has attained Office of Management and Budget (OMB) payroll deduction slots for its USABLE Life Cancer and Accident products.

By granting NISI inclusion in the NDPERS employee benefit offering, employees who participate in the plan would have the option to use pre-tax dollars to purchase voluntary supplemental coverage through payroll deduction. The state would not contribute to this coverage through the NDPERS program. NISI would continue to work directly with OMB on the administration of the payroll deduction requirements.

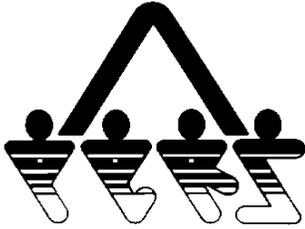
I thank you in advance for your consideration of our request.

Sincerely,

A handwritten signature in black ink, appearing to read "Peg Dickelman", with a long horizontal flourish extending to the right.

Peg Dickelman  
Agency Manager

Noridian Insurance Services, Inc.



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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** November 12, 2010  
**SUBJECT:** PDP Contract

Attached is the Group MedicareBlue Rx Retiree Prescription Drug Plan contract for 2011. At the September meeting you approved the renewal. Aaron is reviewing the attached contract and will report any recommendations to you at the meeting.

**Board Action Requested**

To approve the attached contract and authorize the Chairman to sign it.

**Attachment A**

**Group MedicareBlue Rx Retiree Prescription Drug Plan**

**Master Contract**

**Issued to:** North Dakota Public Employees Retirement System, hereinafter “Group.”

**Address:** 400 East Broadway  
Suite 505  
Box 1657  
Bismarck North Dakota 58502

**Effective Date:** 01/01/2011

**Issued By:** Blue Cross Blue Shield of North Dakota\* (“BCBS”)

**RECITALS**

WHEREAS Group MedicareBlue Rx is a Medicare Prescription Drug Plan providing prescription drug coverage through only one of the following plans: Wellmark Blue Cross and Blue Shield of Iowa\*, Blue Cross and Blue Shield of Minnesota\*, Blue Cross and Blue Shield of Montana\*, Blue Cross and Blue Shield of Nebraska\*, Blue Cross Blue Shield of North Dakota\*, Wellmark Blue Cross and Blue Shield of South Dakota\*, and Blue Cross Blue Shield of Wyoming;\* and

WHEREAS Group wants to offer Medicare Part D prescription drug coverage to its eligible Medicare beneficiaries under the terms of this Group MedicareBlue Rx Retiree Prescription Drug Plan Contract, and

WHEREAS Group must comply with Medicare restrictions in order to obtain Medicare Part D Group prescription drug coverage; and

WHEREAS BCBS offers Medicare Part D prescription drug coverage through Group MedicareBlue Rx and is willing to provide Group’s eligible Medicare beneficiaries Part D coverage;

NOW THEREFORE it is hereby agreed as follows:

**ARTICLE I**

**DEFINITIONS**

**1.1 Defined Terms.** Capitalized terms used in this Master Contract (the “Contract”) are defined herein or have the meaning set forth in the Medicare Part D Rules (42 C.F.R. Part 423).

\* Independent licensees of the Blue Cross and Blue Shield Association.

## Attachment A

- 1.2 **“BCBS”** is the independent licensee of the Blue Cross and Blue Shield Association, named above, that insurance coverage under this Addendum is issued by.
- 1.3 **“CMS”** is the Centers for Medicare and Medicaid Services, the Federal Agency responsible for the Medicare program.
- 1.4 **“CMS Contract”** is the contract between BCBS and CMS pursuant to which BCBS offers Group MedicareBlue Rx coverage.
- 1.5 **“Enrollee”** is a retired person (not an active employee) who (a) is eligible for Group’s retiree benefit plan, (b) is entitled to Medicare benefits under Medicare Part A or enrolled in Medicare Part B, (c) lives in the United States, and (d) is enrolled in MedicareBlue Rx under the procedures established in this Contract. “Enrollee” may also be a dependent of an Enrollee described above, provided that the dependent (a) is eligible for Group’s retiree benefit plan, (b) is entitled to Medicare benefits under Medicare Part A or enrolled in Medicare Part B, (c) lives in the United States, and (d) is enrolled in MedicareBlue Rx under the procedures established in this Contract.
- 1.6 **“Group”** is the employer, union, or other plan sponsor, named above, that insurance coverage under this Contract is issued to.
- 1.7 **“Medicare Low Income Subsidy (LIS)”** is the Medicare Part D subsidy for which low-income Medicare beneficiaries are eligible under Subpart P of 42 C.F.R. Part 423.
- 1.8 **“Accretion”** is the confirmation by CMS that the retiree meets the federal requirements to be enrolled the specified plan.
- 1.9 **“Involuntary Termination”** is a termination that is requested by the Group rather than the Enrollee. For example, the Group may terminate an Enrollee who no longer meets the Group’s eligibility criteria or who fails to pay premium.

## ARTICLE II

### PROVISION OF PRESCRIPTION DRUG COVERAGE

- 2.1 **Insurance Coverage.** BCBS shall provide Enrollees insurance coverage for prescription drugs in accordance with the Evidence of Coverage and Schedule of Copays and Limitations. Group and BCBS shall comply with the terms of this Contract with respect to this coverage, except as otherwise required by rules or guidance issued by CMS, or as otherwise required by the CMS Contract.
- 2.2 **Evidence of Coverage.** BCBS shall provide Enrollees an Evidence of Coverage describing benefits, exclusions, and appeal rights.
- 2.3 **Plan Effective Date.** The effective date of this Contract is 12:00 a.m. Central Time of the Effective Date listed on page 1. Each Contract month thereafter will begin on the first day of each calendar month and end on the first day of the next succeeding calendar month. This Contract must be renewed annually by January 1.

## ARTICLE III

### GROUP RESPONSIBILITIES

- 3.1 Billing of Premium.** Under this Contract, the billing arrangements are as follows:

**Group Billing.** The Group will be responsible for payment of the “Premium Amount” for each Enrollee. The first Contract charge is payable on the effective date of this Contract. Monthly charges are payable on the first day of the each following month during the time this Contract is in effect.

- 3.2 Premium Amount.** Under this Contract, all Premium Amounts are for a full month. Regardless of what day an Enrollee’s coverage under this Contract starts, the coverage, and the monthly premiums for their coverage, will start on the first of that month. The “Premium Amount” as agreed to by the Group and BCBS for each Enrollee is determined as follows:

**Total Monthly Premium per Enrollee: \$69.50;**

Less any **Low Income Subsidy** applicable to the Enrollee, as determined by CMS;

Plus any **Late Enrollment Penalty** applicable to the Enrollee, as determined by CMS.

- 3.3 Retroactive Premium Adjustments.** The monthly charge will be determined from our record by the number of Enrollees who have been confirmed through the CMS Accretion process. Retroactive adjustments will be made for additions and terminations of Enrollees and for Enrollees who have been confirmed through the CMS Accretion process after the initial billing statement. For Groups that use the Group Billing option, any refund that is owed to an Enrollee must come from the Group. BCBS will only adjust the amount due of a Group and will not refund premium(s) paid to an Enrollee.

- 3.4 Uniform Premium Requirement.** Group may determine how much, if any, of an Enrollee’s premium it will subsidize. Group may subsidize different amounts for different classes of Enrollees, provided that classes are reasonable and based on objective business criteria, such as years of service, business location, job category, and nature of compensation (e.g. salaried versus hourly). Classes may not be based on eligibility for the Medicare Low Income Subsidy. Group’s subsidy may not vary for Enrollees within a class of Enrollees. Group may not require any Enrollee to pay more each month than the Total Per Enrollee Per Month Premium, listed above.

- 3.5 Benefit of Medicare Low Income Subsidy Premium.** Any premium received through the Medicare Low Income Subsidy must be applied first to the eligible Enrollee’s share of premium. Group may not benefit from any premium received through the Medicare Low Income Subsidy until the eligible Enrollee’s premium is reduced to zero (\$0.00).

The Group agrees to be responsible for reducing up-front the premium contribution required for its Group MedicareBlue Rx (PDP) retirees that are eligible for the Low-Income Subsidy. In the instance where the Group is not able to reduce up-front the

## Attachment A

premiums paid by the enrollee, the Group must directly refund to the Enrollee the amount of the low-income premium subsidy up to the monthly premium contribution previously collected. The Group is required to complete the refund of the low-income premium subsidy amount payment for the low-income subsidy eligible enrollee within 15 days of the receipt of the Group MedicareBlue Rx (PDP) monthly invoice.

Note that in some cases the LIS beneficiary may not be the subscriber to or participant in an employer/union sponsored group health plan, but the spouse or dependent of the subscriber/participant. In these instances, where the Group refunds low-income premium subsidy amounts to LIS enrollees, it may refund such amounts directly to the employer/union group health plan subscriber/participant on behalf of a spouse or dependent who is an LIS-eligible beneficiary.

- 3.6 Agreement to Premium Requirements.** The Group understands all premium requirements and obligations set forth in this Contract. By signing this Contract or acknowledging receipt of this Contract, the Group acknowledges and agrees to such requirements and obligations.
- 3.7 Requirement to Obtain and Provide Written Documentation.** As a condition of this Contract, CMS requires that BCBS enter into written agreements with groups which require the Group to comply with the above requirements and to retain and provide documents upon request to BCBS evidencing the Group's adherence to such requirements. This includes the requirement that any low-income premium subsidy amount paid to the Group on behalf an LIS beneficiary is first used to reduce any portion of the monthly premium paid for by the enrollee (or subscriber/participant, if applicable). Also, if the Group assumes responsibility for either reducing up-front LIS beneficiaries' monthly premiums or refunding to LIS beneficiaries their monthly premium contributions, the written agreement will reflect the Group's assumption of these duties consistent with the above requirements. BCBS is required to retain all of these written agreements with groups and must provide access to these written agreements for inspection or audit by CMS (or its designee) in accordance with 42 CFR 423.504(d) and 423.505(d) and (e).
- 3.8 Verification of Residency.** The Group is responsible to verify residency for any Enrollee who has a residential address consisting of a Post Office Box. The Group must maintain this verification in accordance with records retention requirements. In the case of an audit, the Group must be able to produce all applicable documentation.

## ARTICLE IV

### CANCELLATION

- 4.1 BCBS Initiated Cancellation.** This Contract is guaranteed renewable and cannot be cancelled as a result of the claims experience or health status of your Group. BCBS can, however, cancel or fail to renew this Contract for the following reasons:
1. for nonpayment of the Group bill;

## Attachment A

2. for fraud or misrepresentation by the Group with respect to eligibility for coverage or any other material fact;
3. when the Group has failed to comply with a material plan provision relating to employer contribution or Group participation rules.
4. BCBS discontinues offering this product or all products in its service area;
5. termination or non-renewal of the CMS Contract (BCBS will provide at least 90 days notice);
6. there is no longer any Enrollee who lives or resides in the service area.

**4.2 CMS-Initiated Cancellation.** CMS requires BCBS to terminate this Contract upon termination or non-renewal of the CMS Contract. BCBS will provide the Group ninety (90) days notice before BCBS non-renews the CMS Contract and thereby terminates this Contract. BCBS will provide the Group as much notice as reasonably practical of CMS's termination or non-renewal of the CMS Contract. The notice will include the termination date for this Contract.

**4.3 Group Initiated Cancellation.** The Group may cancel this Contract at the end of any Contract month by written notice received by BCBS at least 60 days prior to the effective date of cancellation, unless we have initiated Contract cancellation. In the event of a Group-initiated cancellation, the Group must comply with the enrollee notification requirements for Involuntary Termination of Enrollee Coverage, described in Section 5.4, below.

## ARTICLE V

### GROUP RESPONSIBILITIES

**5.1 Timeliness of Enrollment Transactions.** The Group must provide enrollment and disenrollment requests within 7 calendar days of the date the request is made by an individual.

**5.2 Residency Requirement for Retirees.** Retirees' permanent residence must be in the United States in order to be eligible for MedicareBlue Rx.

**5.3 Involuntary Termination of Enrollee Coverage.**

1. **BCBS Notification:** The Group agrees to report to BCBS any involuntary termination of an Enrollee's coverage (*e.g.* if the Group determines an Enrollee is no longer eligible to participate in the plan). The notification must be at least prior to the effective date of termination and include information used to identify the correct Enrollee, the requested date of disenrollment, the designation that the disenrollment is involuntary, and the contact information and signature of the Group administrator sending the request. Groups that use the electronic enrollment process must ensure that disenrollments (a) are sent on the electronic

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file prior to termination date, (b) explain the disenrollment is involuntary, and (c) include any other required file information.

2. **Enrollee Notification:** The Group must provide an involuntarily terminated Enrollee with advance notice of the termination at a minimum twenty-one (21) calendar days prior to the effective date of disenrollment. The Enrollee's notification must include all of the following components:
  - A. notification of the Involuntary Termination;
  - B. notice of other insurance options through the Group;
  - C. reason for the termination;
  - D. information on other individual plan options the beneficiary may choose and how to request enrollment;
  - E. notification that the disenrollment means that the individual will not have Medicare drug coverage and the potential for late-enrollment penalties in the future;
  - F. explanation on how to contact Medicare for more information about other Medicare Part D plan options that might be available to the individual.

**5.4 Voluntary Enrollee Disenrollment.** For Groups that use the electronic enrollment process, the Group must notify the plan of employees who wish to voluntarily disenroll from coverage. The disenrollment information must accurately reflect the Group's record of disenrollment made by each individual according the process the Group has in place.

**5.5 Group Enrollment.** The Group is responsible for maintaining all enrollment records in a manner that can be easily, accurately and quickly reproduced. The Group must provide BCBS all required data elements for each Enrollee, including retirees who become eligible for coverage under the Group after the Plan Effective Date.

## ARTICLE VI

### MISCELLANEOUS PROVISIONS

**6.1 Application of State Insurance Law.** State Insurance laws, such as laws guaranteeing renewability of insurance contracts, generally do not apply to this Contract. Such laws are preempted by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, Pub. L. 108-173, 117 Stat. 2066. *See* Social Security Act § 1860D-12(g) (42 U.S.C. § 1395w-112(g)); *accord*, 42 C.F.R. §§ 422.402, 423.440(a). The terms of this Contract and Group MedicareBlue Rx coverage are therefore regulated primarily by Federal law.

## Attachment A

- 6.2 Medicare Secondary Payer.** Federal law requires BCBS to identify other payers that are responsible for Enrollees' medical, prescription drug, and other costs covered by the plan and that are primary to Medicare, identify amounts payable by those payers, and coordinate benefits with those payers. BCBS may bill these payers or authorize providers to bill these payers and, to the extent an Enrollee has been paid for MedicareBlue Rx-covered goods or services by another payer, BCBS may bill the Enrollee. Upon request, Group shall provide BCBS and CMS information that Group has on Enrollees' other insurance coverage for purposes of this coordination of benefits. Federal law preempts State laws and contractual provisions that interfere with Group MedicareBlue Rx's ability to coordinate benefits in accordance with CMS guidelines. *See* 42 C.F.R. §§ 422.108(f), 422.402, 423.462, 423.440(a).
- 6.3 Enrollee Communications.** BCBS may send CMS required Enrollee communications without the consent of the Group. BCBS shall provide Enrollees with the applicable Annual Notice Of Change and Evidence of Coverage no later than fifteen (15) calendar days before the beginning of the Annual Coordinated Election Period which is based on the Group open enrollment period, provided that Group provides BCBS with at least thirty (30) days prior notice of the open enrollment period date(s). Samples of all required materials can be made available to Group for informational purposes.
- 6.4 Contract Interpretation.** BCBS has discretionary authority to determine Enrollees' eligibility for benefits and to construe the provisions of the Group Evidence of Coverage.
- 6.5 Prohibited Claim Payments.** BCBS does not pay claims to providers or to members for services received in countries that are sanctioned by the United States Department of Treasury's Office of Foreign Assets Control (OFAC), except for medical emergency services when payment of such services is authorized by OFAC. Countries currently sanctioned by OFAC include Cuba, Iran, and Syria. OFAC may add or remove countries from time to time.
- 6.6 Acceptance of the Contract.** This Contract is agreed to and accepted by Group and BCBS, by their authorized representatives set forth below. In the event that this Contract is not signed, payment to BCBS by Group (either by direct check or EFT) or by any Enrollee (under Direct Billing) will be deemed to signify Group's acceptance of all terms, conditions, and obligations of this Contract, as of the effective date of this Contract as stated on page 1.

### Note:

This Contract and Evidence of Coverage (EOC) make up the entire Contract of coverage. The Group on behalf of itself and its Enrollees hereby expressly acknowledges its understanding that this agreement constitutes a contract solely between [Group Name], in its capacities as Plan Sponsor, Plan Administrator, and as agent on behalf of the Plan and BCBS, that BCBS is an independent corporation operating under a license from the Blue Cross and Blue Shield Association, an association of independent Blue Cross and Blue Shield Plans, (the "**Association**") permitting BCBS to use the Blue Cross and/or Blue Shield Service Marks, and that BCBS is not contracting as the agent of the Association. The Group further acknowledges

**Attachment A**

and agrees that it has not entered into this Contract based upon representations by any person other than BCBS and that no person, entity, or organization other than BCBS shall be held accountable or liable to the Group for any of BCBS's obligations to the Group created under this Contract. This paragraph shall not create any additional obligations whatsoever on the part of BCBS other than those obligations created under this Contract.

IN WITNESS WHEREOF:

Group

_____	_____	_____
(Signature)	(Title)	(Date)
_____		
(Print Name)		

BCBS:

_____	_____	_____
(Signature)	(Title)	(Date)



**North Dakota**  
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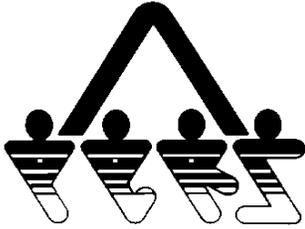
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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** November 12, 2010  
**SUBJECT:** Quarterly Report

Attached is the quarterly report on the group health plan. Representatives of BCBS will be at the meeting to review the report and answer questions.



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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** November 11, 2010  
**SUBJECT:** Group Insurance Legislation

The following are the actions taken by the Legislative Employee Benefits Committee on the group insurance legislation relating to PERS.

<b>LC Bill Number</b>	<b>Sponsor</b>	<b>Bill Summary</b>	<b>Legislative Employee Benefit Committee Recommendation</b>
10001.0200	Senator Mathern	A BILL for an Act to amend and reenact sections 54-52.1-03.2 and 54-52.1-03.3 of the North Dakota Century Code, relating to retiree health benefits for members of the legislative assembly.	Unfavorable
10009.0100	Senators Nelson, Wardner	A BILL for an Act to require health insurance coverage for autism spectrum disorders; and to create and enact a new section to chapter 54-52.1 of the North Dakota Century Code, relating to public employees retirement system medical benefits coverage for autism spectrum disorders.	No Recommendation
10036.0200	Senator Mathern	A BILL for an Act to create and enact a new subsection to section 54-52-04, five new sections to chapter 54-52.1, and a new subsection to section 54-52.1-01 of the North Dakota Century Code, relating to the expansion of the uniform group insurance program to allow participation by permanent and temporary employees of private sector employers and by certain other individuals who are otherwise without health insurance coverage; to amend and reenact section 54-52.1-02 of the North Dakota Century Code, relating to subgroups under the uniform group insurance program; to provide an appropriation; to provide a continuing appropriation; and to provide an effective date.	Unfavorable
10038.0100	Senator Mathern	A BILL for an Act to create and enact a new subsection to section 50-06-05.1 of the North Dakota Century Code, relating to the powers and duties of the department of human services.	Unfavorable
10060.0200	PERS	A BILL for an Act to amend and reenact section 54-52.1-02 of the North Dakota Century Code, relating to subgroups under the uniform group insurance program.	No Recommendation

LC Bill Number	Sponsor	Bill Summary	Legislative Employee Benefit Committee Recommendation
10068.0100	Senator Mathern	A BILL for an Act to enable the establishment and operation of member-run nonprofit health insurance issuers.	Unfavorable
10103.0100	Rep. Carlson	A BILL for an Act to create and enact a new section to chapter 54-52.1 of the North Dakota Century Code, relating to health savings accounts under the uniform group insurance program.	Favorable

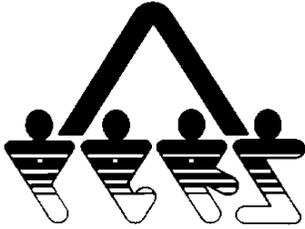
Of the above, Bill #60 is the PERS Bill. You will note that it received a “No Recommendation”. The primary reason is the Committee was not sure about the change proposed in the contingency reserve for the plan under the self insurance option in the Century Code. It was noted that this should be further discussed during the session.

**Board Action Requested**

To determine if Bill #60 should be submitted for consideration during the next legislative session.

**Staff Recommendation**

Submit Bill #60



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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** November 12, 2010  
**SUBJECT:** Health Reform – Grandfather Plans

At our meeting in September we discussed the issue of maintaining our grandfathered status under the Health Care Reform bill. In particular we discussed what would happen if one of our existing political subdivisions changed their premium contribution by an amount greater than allowed by the federal law thereby causing us to lose our grandfathered status. At that meeting it was decided to:

*Require political subdivisions to provide a ninety day notice prior to any action to reduce the level of their current employer contribution with respect to coverage under the PERS group health plan. If the board determines that a reduction of employer contribution by a political subdivision would result in the plan losing its ability to maintain compliance as a grandfathered plan under the Pension Protection and Affordable Care Act, the board may place the participating political subdivision into a newly established non-grandfathered plan under the Pension Protection and Affordable Care Act. The board will adjust premiums under a non-grandfathered plan according to the federal coverage requirements.*

We have mailed the notice requirement to all subdivisions and of this date no one has notified us of any issues.

In implementing the above additional items have arisen and staff needs further direction in two major areas:

- Policy for existing participating political subdivisions
- Policy for new political subdivisions.

## **POLICY FOR EXISTING PARTICIPATING POLITICAL SUBDIVISIONS**

In reviewing this issue, several questions need to be addressed.

**1. When do political subdivisions need to be moved to a nongrandfathered plan if they make changes greater than allowed by federal law?**

If a political subdivision notified us that they intended to change their premium contribution by an amount greater than allowed by federal law the question that arises is when do we need to move them from the grandfathered plan. The two options are:

1. Within sixty days of notice (our contract provides for a sixty notice)
2. At the beginning of the next plan year.

BCBS position based upon their review of the federal requirements is that it would be acceptable to move them at the beginning of the new plan year which would be July 1, 2011 (see attachment #1). I asked this question of Deloitte and their position is that the political subdivision should be moved to a nongrandfathered plan upon notice of such a change or the political subdivision should be removed from the plan (see attachment #2).

If we accept the position of BCBS then we need to consider modifying our contract with political subdivisions to say that if they make a change greater than allowed they will be placed in the nongrandfathered plan on July 1, 2011. If we accept the advice of Deloitte then we need to answer the following additional questions in the memo.

**Board Action Requested:**

Do we follow the advice of BCBS or of Deloitte. If BCBS we would move the political subdivision as of July 1, 2011. If Deloitte we would take an action immediately which raises the following additional questions. Also authorize staff to move forward with making the necessary contract changes.

**Staff Recommendation:**

Unfortunately there is not a clear answer. In deciding what to do we need to make a good faith effort to comply that is reasonable. Our suggestion is to accept the BCBS approach. It is clearly a good faith effort at compliance and is the most reasonable method of compliance. In following BCBS's approach we would be taking actions based upon our existing contracts, plan documents and for future actions we would amend our political subdivision contracts in an orderly manner so we can comply with federal requirements going forward with our next renewal. Also since we are a fully insured plan with BCBS it is reasonable for us to follow their advice since they are ultimately responsible for our compliance. As you will note in the following discussion if we take the Deloitte interpretation it requires us to take actions that are not as reasonable in terms of providing coverage to our political subdivisions, requires us to make changes to existing contracts before our renewal and raises other issues relating to other provisions within the new health care law.

**2. If we follow the advice of Deloitte do we move a political subdivision to a nongrandfathered plan within PERS or terminate their participation in PERS.**

I have asked BCBS if they could set up a nongrandfathered plan within PERS before July 1, 2011. They indicated the following:

*Move the political subdivision into a non-grandfathered plan with rates adjusted accordingly prior to the 7/1/2011 renewal. Concerns and implementation timeline for this approach are listed below:*

- *BCBSND is concerned this approach erodes the single employer group concept, making NDPERS look more like an association than a single group health plan. This approach serves to create a circumstance where NDPERS is treating political subdivisions like separate company group health plans akin to Associations and jeopardizes the flexibility of political subdivisions moving in and out of NDPERS and potentially the NDPERS grandfathered status.*
- *Implementing non-grandfathered plans at renewal follows the approach taken for other BCBSND single employer group health plan business.*
- *Inconsistency for NDPERS members in implementing PPACA requirements would exist, as PPACA would be implemented prior to 7/1/2011 for members in the non-grandfathered plan, and not until 7/1/2011 for members in the grandfathered plan.*
- *Other mandated legislation such as Mental Health Parity would also need to be implemented under the non-grandfathered plan during the current biennium.*
- *A 120 day implementation period is estimated for moving political subdivisions into a non-grandfathered plan during the current biennium once a decision is made. Implementation tasks include:*
  1. *Drafting plan documents materials and filing the non-grandfathered plan with the department of insurance (DOI has 60 days plus an additional 15 days, if they request it)*
  2. *Development non-grandfathered rates*
  3. *NDPERS Board approval of documents and rates*
  4. *The Service Agreement needs to be changed since the current contract doesn't allow benefit changes to be made off anniversary*
  5. *Programming systems to handle the non-grandfathered plan*

The second option would be to remove them from the plan upon sixty day notice. BCBS has indicated the following is we should take this approach:

*NDPERS would give the political subdivision a 60 day notice and remove them from NDPERS coverage for the remainder of the current biennium. BCBSND could provide the group with one of our standard non-grandfathered plans (outside of NDPERS) that would be underwritten based on group's specific information (demographics, etc.) Political subdivisions could reenter NDPERS after the 7/1/2011 renewal with non-grandfathered benefits. Concerns and implementation timeline for this approach are listed below:*

- *BCBSND estimates it could implement one of our standard non-grandfathered plans within 60 days of group approval of that plan.*
- *Could result in member disruption/confusion as a result of new/different benefit plans.*
- *Individual accumulators (deductible, coinsurance, annual maximums, etc.) would start over under the new coverage.*
- *County commissioners may not be eligible for coverage outside of NDPERS.*

Either of these options also raise legal questions and I asked the following questions of Aaron relating to our authority:

1. With respect to political subdivisions already in the plan, my question is whether PERS can adopt a minimum requirement that a political subdivision cannot change its employer contribution to employees' health premiums by an amount greater than allowed by the new federal regulations or laws that apply to employer (group) health insurance plans?

Again, the PERS board is permitted under both statute and rule to establish “minimum requirements” for participation by political subdivisions in the uniform group insurance program (NDCC § 54-52.1-03.1 and NDAC § 71-03-07-07). Therefore, it is my opinion that the PERS board could classify the limitation of a political subdivision’s ability to change its employer contribution as a “minimum requirement”.

2. Is there any way for the PERS board to adopt a new minimum requirement to the plan terms for existing political subdivisions besides proposing an amendment to the Employer Participation Agreement?

Once again, PERS has established “minimum requirements” in three different areas: (1) within the administrative code, (2) substantially within Employer Participation Agreements entered into between PERS and the political subdivisions, and (3) within the contract negotiated between PERS and BCBS (Certificate of Insurance – Summary Plan Description). Since it does not appear that PERS is planning on proposing changes associated with the administrative code or the contract negotiated with BCBS, I will address changes associated with the existing Employer Participation Agreements.

Each political subdivision that is currently participating in the uniform group health insurance program has entered into an Employer Participation Agreement with PERS. Section IV(A) of the Employer Participation Agreement provides that “The employer agrees to be bound by the terms, provisions and rules of the Plan as adopted by PERS, and amended from time to time, with regard to the administration of the Plan”. This section goes on to provide “The employer is subject to minimum participation requirements as set forth by the NDPERS Board.” In essence, PERS board has the authority to draft all things necessary for political subdivision participation within the plan, subject to amendment. However, currently there are no terms, provisions or rules in any document that prevent a political subdivision from reducing their employer contribution, so long as it is more than the 50% minimum set forth under IV(F) of the Agreement. It appears that a new term, provision or rule would need to be adopted in order for the board to add such a requirement.

Section IX of the Agreement deals with amendments, and provides that the Agreement may be amended by PERS upon sixty days written notice to the Employer. Absent anything that could be seen as a specific minimum requirement preventing an employer from reducing its contribution to the employee’s health premium, provided either within the law (statutes or rules) or the Certificate of Insurance negotiated between BCBS and PERS, it is my opinion that the safest way to adopt a new minimum requirement (such as the one proposed by PERS) would be to provide the notice required under Section IX of the Agreement. It is very possible that a failure to provide notice according to the Employer Participation Agreement could be seen by a court as a unilateral contract change, and not enforceable against political subdivisions currently participating within the plan.

3. If PERS is allowed to adopt the minimum requirement set forth under number 4, and amends the Agreement to provide for such minimum requirement, and a political subdivision subsequently changes its employer contribution to employees’ health premiums by an amount greater than allowed by the new federal regulations or laws:

- a. before April 1<sup>st</sup>, could PERS give notice pursuant to the attached agreement that their participation in the plan will be terminated in 60 days?

*Yes. If the PERS board adopts an enforceable minimum requirement, the PERS board would be able to terminate the contract with the defaulting political subdivision upon 60 days notice in accordance with subsection VI(A) of the Agreement.*

- b. after April 1<sup>st</sup> could PERS give notice that in 60 days they would be moved to the non-grandfathered plan in PERS with higher rates?

*Again, if the PERS board adopts a new minimum requirement, the PERS board would be able to enforce its minimum requirement against a participating political subdivision. It may be advisable for PERS to include within a contractual change, a method for dealing with political subdivisions who choose to make the changes referenced above. Whether placement into a non-grandfathered plan would be automatic, or submitted to the political subdivision as a choice (participate under the new requirements or be terminated from the plan), would be up to the PERS board.*

Based upon the above we have found out the following:

- a. BCBS can set up a separate grandfathered plan in PERS in about 120 days (it would be available by April 1 and possible later).
- b. BCBS can make available to political subdivisions options outside of PERS if we remove a political subdivision. The political subdivision could rejoin PERS later when the nongrandfathered plan is in place (please note that with each change the out-of-pocket expenses of the members would restart)
- c. Aaron indicates that PERS may have the authority to establish minimum requirements not allowing political subdivisions to make changes greater than allowed under federal law but we need to modify our contracts with them which will take a 60-day notice. Aaron further indicates that we can move them to a new nongrandfathered plan or terminate them if we give them an additional 60-day notice.

### **Board Action Requested:**

Determine if PERS should set up a new nongrandfathered plan or terminate political subdivisions. Based upon course of action choose to authorize staff to move forward with the necessary amendments to the political subdivision contracts.

### **Staff Recommendation:**

Ask BCBS to set up a new nongrandfathered group as soon as possible and move our non-complying political subdivisions when available.

## **Policy for new political subdivisions**

The next area that further direction is sought is for new political subdivisions joining PERS that could cause us to lose our grandfathered status. We asked Deloitte what we should be concerned about with new political subdivisions joining the plan. The following is their response:

*When employees are transferred from one grandfathered group health plan under which they were covered on March 23, 2010 ("Transferor Plan") to another grandfathered group health plan ("Transferee Plan"), the anti-abuse rules provide the Transferee Plan will lose its grandfathered status if:*

1. *Comparing the terms of the Transferee Plan with those of the Transferor Plan (as in effect on March 23, 2010) and treating the Transferee Plan as if it were an amendment of the Transferor Plan would cause a loss of grandfather status under the Interim Final Regulations; AND*
2. *There was no bona fide employment-based reason to transfer the employees into the Transferee Plan. Changing the terms or cost of coverage is not a bona fide employment-based reason for this purpose.*

*The purpose of this rule, according to the preamble to the Interim Final Regulations, is to "prevent efforts to retain grandfather status by indirectly making changes that would result in a loss of that status if those changes were made directly."*

*In order to avoid losing grandfathered status pursuant to this anti-abuse rules, NDPERS should consider the following issues before accepting transferees from other plans:*

- i. Were the employees being transferred covered by the Transferor Plan on March 23, 2010?*
- ii. Is the Transferor Plan a grandfathered health plan?*
- iii. What are the differences between the Transferor and Transferee Plans? If the Transferor Plan was amended to be exactly like the Transferee Plan, would the amendment cause a loss of grandfathered status under the Interim Final Regulations? Some of the key issues to look for include:
  - a. Covered Benefits – Does the Transferor Plan include coverage for diagnosing or treating a particular condition that is not covered by the Transferee Plan?*
  - b. Cost-Sharing – Is the Transferee Plan’s deductibles, copayment, or coinsurance rates higher than the Transferor’s Plan? If so, what is the difference?*
  - c. Employer Premium Contribution – Will the employer’s premium contribution (based on the cost of coverage) under the Transferee Plan be more than 5 percentage points less for any tier of coverage than under the Transferor Plan?*
  - d. Annual and Lifetime Limits – Does the Transferee Plan have any annual limits on the dollar value of all benefits? If so ...
    - i. Did the Transferor Plan have any overall annual or lifetime limit on the dollar value of benefits on March 23, 2010?*
    - ii. Did the Transferor Plan have a lifetime limit in effect on March 23, 2010 that is higher than the Transferee Plan’s annual limit?*
    - iii. Did the Transferor Plan have an annual limit in effect on March 23, 2010 that is higher than the Transferee Plan’s annual limit?***
- iv. Is there a bona fide employment based reason for the transfer other than changing the terms or cost of coverage?? In other words, is there some employment-based reason other than reducing the benefits being provided to employees or lowering the employer’s cost of coverage?*

Based upon the above we asked them what we could implement for new entities applying for participation that would satisfy the above. They responded by suggesting that we implement the process outlined in attachment #3. I asked Aaron if we could implement such a process and I also asked him the following additional questions relating to such implementation, his response was:

1. Pre-qualification/acceptance questionnaire: For new political subdivisions requesting to join the plan, can PERS require each political subdivision to complete the attached pre-qualification/acceptance questionnaire (new employers eligible for grandfathered plan)?

*NDCC § 54-52-03.1 provides: “A political subdivision may extend the benefits of the uniform group insurance program under this chapter to its permanent employees, subject to minimum requirements established by the board and a minimum period of participation of sixty months.” This language is mirrored under NDAC § 71-03-07-07, which provides “An enrolled political subdivision must extend the benefits of the group insurance program to its eligible employees and paid members of its board, commission, or association subject to minimum requirements established by the retirement board and a minimum period of participation of sixty months”. Based on the foregoing, the PERS board has the express authority to establish “minimum requirements” that it finds necessary for political subdivision participation in the uniform group insurance program.*

*Upon reviewing the law and contracts in place with regard to the uniform group health plan, I have not found a specific definition of “minimum requirement”. Currently, the PERS board has established “minimum requirements” in three different areas: (1) within the administrative code, (2) within Employer Participation Agreements entered into between PERS and the political subdivisions (of which a new incoming political*

*subdivision would not have negotiated with PERS), and (3) within the contract negotiated between PERS and BCBS (Certificate of Insurance – Summary Plan Description). Therefore, a change in a “minimum requirement” would likely require a change in one of these three documents.*

*Since this first question relates to a class of employers whom are not currently participating in the uniform group insurance program (and are therefore not currently under contract), it is my opinion that PERS would be able require completion of a questionnaire along with an initial application for participation within the PERS uniform group health insurance program. I am not aware of anything found under an administrative code provision, current contract between PERS and political subdivisions (none yet existing for new incoming political subdivisions), or contract between BCBS and PERS, that would prevent PERS from classifying this questionnaire as a “minimum requirement” and directing the political subdivision to complete the questionnaire as part of the application process.*

2. If a pre-qualification/acceptance questionnaire is allowed, can PERS require each new political subdivision applicant to certify that it can enroll without causing PERS to lose its grandfathered status under federal law? In other words, is this [keeping the grandfathered status under federal law] an appropriate minimum requirement?

*It is my opinion that the PERS board could also make a determination that this certification is a new “minimum requirement”. However, I question whether a political subdivision would be capable of complying with such a requirement when this issue is not well understood even by entities most familiar with the new federal law. Finally, it may be difficult for PERS to enforce this type of “minimum requirement” and locate parties whom have, even if not willfully, misrepresented their status.*

3. In addition, if a new political subdivision’s response indicates that it could cause PERS to lose its grandfathered status, could PERS delay the political subdivisions eligibility or entry to enroll in the plan until July 1, 2011?

*There appears to be three potential options for the PERS board in dealing with a political subdivision who’s status would cause the PERS plan to lose its grandfathered status under the federal law: (1) allow entry of these political subdivisions regardless of the potential result, (2) deny these political subdivisions entry into the plan, or (3) delay entry until such time as PERS has created a sub-group that would allow the state to maintain its grandfathered status while allowing participation from the political subdivisions (the specific nature of your third question).*

*Obviously the first option is one that PERS is not considering, based on its potentially negative results. The second option, which would outright deny a political subdivision access to the uniform group health insurance plan, is one that may violate plain language of NDCC § 54-52.1-03.1, which expressly allows political subdivisions access the uniform group health plan. The final option, which would allow a new political subdivision access to the uniform group insurance plan, subject to a delay in effective date, is an option that attempts to reconcile the extremes of the prior two options.*

*It is my opinion that the most defensible option would be to allow entry of these political subdivisions into the plan right away. However, based on the foregoing, it is my opinion that the PERS board could also choose to create a new “minimum requirement” within an Employer Participation Agreement that would temporarily delay a political subdivision’s participation in the uniform health insurance program until July 1, 2011.*

*However, the board should be aware that this procedure (delay) could arguably be seen as contrary to the plain language of NDCC § 54-52.1-03.1, which again, gives each political subdivision statutory rights to participate in the uniform group insurance program. Finally, it is my opinion that PERS would not have the legal authority to permanently deny political subdivisions access to the uniform group insurance plan absent a legislative amendment.*

Based upon the above, it appears that PERS could implement the above process and for political subdivisions that would endanger our grandfathered status we could indicate they could join on July 2011 at the earliest when we have a non-grandfathered option available.

**Board Action Requested:**

Determine if the above process should be implemented immediately. Specifically political subdivisions wishing to join PERS would have to fill out the attached questionnaire. If the result was that they would not endanger our grandfathered status they could join immediately. If the result was they could endanger our grandfathered status the earliest they would be able to join would be July 2011 when we have a nongrandfathered plan available.

**Staff Recommendation:**

Implement the above process.

*Q2 and 3 are shown below. We believe you will still need the non-grandfathered plan to move them into, but this would be an important first step.*

*Pete*

---

## Grandfathered Health Plans

**Q2: After the interim final regulations on grandfathered health plans were issued, some issuers commented that they do not always have the information needed to know whether (or when) an employer plan sponsor changes its rate of contribution towards the cost of group health plan coverage. (Generally, the interim final regulations provide that a group health plan or health insurance coverage will cease to be a grandfathered health plan if the employer decreases its contribution rate based on cost of coverage towards the cost of coverage by more than 5 percentage points below the contribution rate on March 23, 2010.)**

**For purposes of determining whether an insured group health plan is a grandfathered health plan, what steps should issuers and employer plan sponsors take to communicate regarding changes to the plan sponsor's contribution rate?**

The Departments have determined that, until the issuance of final regulations, they will not treat an insured group health plan that is a grandfathered plan as having ceased to be a grandfathered health plan immediately based on a change in the employer contribution rate if the employer plan sponsor and issuer take the following steps:

- Upon renewal, an issuer requires a plan sponsor to make a representation regarding its contribution rate for the plan year covered by the renewal, as well as its contribution rate on March 23, 2010 (if the issuer does not already have it); and
- The issuer's policies, certificates, or contracts of insurance disclose in a prominent and effective manner that plan sponsors are required to notify the issuer if the contribution rate changes at any point during the plan year.

For policies renewed prior to January 1, 2011, issuers should take these steps no later than January 1, 2011. If these steps are taken, an insured group health plan that is a grandfathered health plan will continue to be considered a grandfathered health plan.

The relief in this Q&A2 will no longer apply as of the earlier of the first date on which the issuer knows that there has been at least a 5-percentage-point reduction or the first date on which the plan no longer qualifies for grandfathered status without regard to the 5-percentage-point reduction.

Moreover, nothing in the Affordable Care Act or the interim final regulations prevents a policy, certificate, or contract of insurance from requiring a plan sponsor to notify an issuer in advance (e.g., 30 or 60 days in advance) of a change in the contribution rate.

**Q3: Similarly, multiemployer plans do not always know whether (or when) a contributing employer changes its contribution rate as a percentage of the cost of coverage. What steps should multiemployer plans take to communicate with contributing employers regarding employer contributions towards coverage?**

If multiemployer plans and contributing employers follow steps similar to those outlined in Q&A2, above, the same relief will apply to the multiemployer plan unless or until the multiemployer plan knows that the contribution rate has changed.

# Are New Employers Eligible for NDPERS Grandfathered Plan?

A group health plan or health insurance coverage (NDPERS Group Health Plan) ceases to be a grandfathered health plan if:

- (A) Employees are transferred into the plan or health insurance coverage (the transferee plan) from a plan or health insurance coverage under which the employees were covered on March 23, 2010 (the transferor plan);
- (B) Comparing the terms of the transferee plan with those of the transferor plan (as in effect on March 23, 2010) and treating the transferee plan as if it were an amendment of the transferor plan would cause a loss of grandfather status; and
- (C) There was no bona fide employment-based reason to transfer the employees into the transferee plan. For this purpose, changing the terms or cost of coverage is not a bona fide employment-based reason.

Was the transferor plan (prior plan) coverage in effect on March 23, 2010?



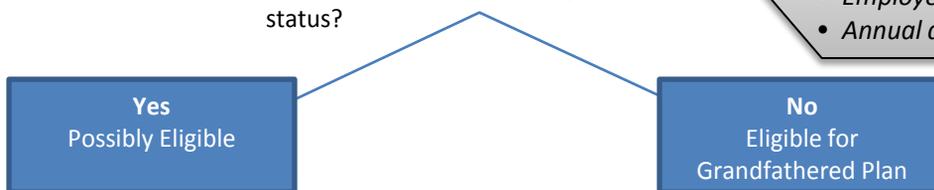
Is the Transferor Plan (prior plan) a Grandfathered Health Plan?



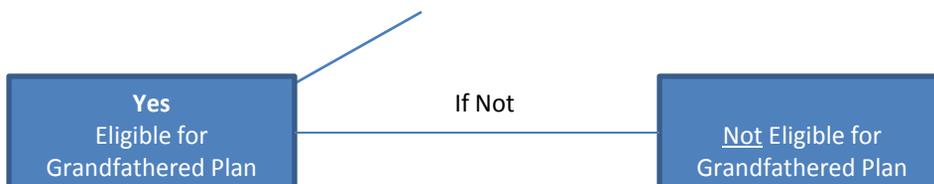
If transferor plan was amended to be exactly like transferee plan, would amendment cause a loss of grandfathered status?

*Key issues that may cause loss:*

- Conditions covered
- Cost-sharing requirements
- Employer contributions
- Annual and lifetime limits



Is there a bona fide "employment based reason" to transfer employees?



Possible examples of reasons:

- Transferor plan no longer offered
- Deemed a better plan for employees
  - NDPERS plan design richer than transferor plan
  - NDPERS plan covers more benefits
  - Able to reduce employee contributions
  - Plan better for attracting and retaining employees

Sole reason was to reduce plan terms or cost of coverage to benefit the employer.

## Maintenance of Records

To maintain grandfathered status, NDPERS must retain records documenting the terms of the plan in effect on March 23, 2010, and any other documents necessary to verify, explain or clarify the plan's status as a grandfathered plan. This requirement includes documentation that new employees and groups transferred into the plan will not cause a loss of grandfathered status. These documents must be available for inspection and must be retained for so long as the group health plan takes the position that it is a grandfathered plan.

As the NDPERS Group Health Plan is a grandfathered health plan, please confirm the following (check one or both to be eligible for the NDPERS Grandfathered Group Health Plan):

- The transferor plan (prior plan) amended to be like the transferee plan (NDPERS Group Health Plan) would not cause the transferor plan to lose grandfathered status.
- There is a bona fide employment-based reason to transfer employees to the NDPERS Group Health Plan.

Public Entity: \_\_\_\_\_

Signature: \_\_\_\_\_



**North Dakota**  
**Public Employees Retirement System**  
400 East Broadway, Suite 505 • Box 1657  
Bismarck, North Dakota 58502-1657

**Sparb Collins**  
Executive Director  
(701) 328-3900  
1-800-803-7377

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# Memorandum

**TO:** NDPERS Board

**FROM:** Kathy Allen

**DATE:** November 9, 2010

**SUBJECT:** Deferred Compensation Companion Plan - Roth Accounts

The Small Business Jobs Act passed by the House allows governmental 457(b) plans to add designated Roth accounts starting with the 2011 plan year. It will also allow plans to permit participants to convert existing 401(k) and 403(b) plan balances to a designated Roth account under the plan. Until now, participants who wanted to convert their tax-deferred savings account to a Roth plan would have had to cash out of their employer plan and invest in a separate IRA account. Once a governmental 457(b) plan adds Roth accounts, they can similarly add the conversion feature. These provisions are voluntary and plan sponsors are not required to offer Roth accounts in their plans. If we do add this option, it will require an amendment to our plan document and recordkeeping agreement.

Inclusion of a Roth account option has been addressed in our RFP for the deferred compensation Companion Plan. Therefore, further consideration will commence after the completion of the RFP process.



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# Memorandum

**TO:** NDPERS Board

**FROM:** Kathy & Sparb

**DATE:** November 12, 2010

**SUBJECT:** RFP for 401(a) Defined Contribution &  
457(b) Deferred Compensation Companion Plan

We have included a draft copy of the 401(a) Defined Contribution and 457(b) Deferred Compensation Companion Plan RFP for your review. Staff has reviewed this document and provided its comments which are incorporated in this document, to our consultant The Segal Company. Proposers are required to submit a bid to provide for semi-bundled services and investment management for the plans.

Following are the key dates for the proposal process:

<b>TASK</b>	<b>TARGET DATES</b>
Release of Request for Proposal – RFP	<b>12/27/2010</b>
Receive pre-proposal questions from provider(s)	<b>01/19/2011</b>
Provide response to provider(s) proposal questions	<b>01/26/2011</b>
<b>Deadline for proposal submission</b>	<b>02/09/2011</b>
Finalists Presentations	<b>Optional, if required</b>
Commence Plan Implementation	<b>May 1, 2011</b>
Asset Transfer	<b>August 1, 2011</b>

Attached is a list of vendors which includes all current deferred compensation provider companies, those that have requested to be on our bid list as well as those Segal is recommending.

**Board Action Requested**

## **NDPERS Provider Companies**

### **Fidelity Investments**

Shawn Crosgrove  
Relationship Manager  
49 NOTHE 400 WEST  
SALT LAKE CITY, UT 84101-1368

### **Valic**

Gary Mellard  
Vice President of Group Relations  
13180 Metcalf Ste 240  
Overland Park KS 66213

### **American Trust Center**

Thecla Ohlhauser  
320 N 4th St American Trust  
Bismarck, ND 58501

### **AXA Equitable Life Insurance Co**

Dolores Moore  
1290 Avenue of the Americas  
14th Floor  
New York, NY 10104

### **Bank of ND**

Donna Frey  
PO Box 5509  
Bismarck, ND 58502

### **Hartford**

William Abramowicz  
Retirement Plans Group  
2 North LaSalle Street, Suite 2500  
Chicago, IL 60602

### **Jackson National Life Ins Co**

Jeff Thompson  
1 Corporate Way  
Lansing, MI 48951

### **Nationwide Retirement Solutions**

John M Lamm  
PO Box 1611  
Boise, ID 83701

**Waddell & Reed Inc**

Mark Newman  
Vice President  
PO Box 29217  
Shawnee Mission KS 66201-9217

**RFP Requests submitted to NDPERS:****Financial Planning Centers**

Gary L Sauve  
1710 Burnt Boat Dr #2  
Bismarck, ND 58503

**Great West Retirement Services**

Rob Dwyer  
Market & Strategic Development  
Government Markets  
Great-West Retirement Services  
8515 East Orchard Road, 10T2  
Greenwood Village, CO 80111  
(P) 303 737 2408  
(F) 303 737 3030  
(Email) [Robert.Dwyer@GWRS.Com](mailto:Robert.Dwyer@GWRS.Com)

**ING**

Harriet Jacobs  
Vice President, Business Development  
ING Institutional Plan Services  
801 North Brand Blvd, Suite 710  
Glendale, CA. 91203  
(818) 265-4705 - Phone  
(818) 291-9801 – Fax  
[Harriet.Jacobs@us.ing.com](mailto:Harriet.Jacobs@us.ing.com)

**Prudential**

Ray Sweetland  
Vice President  
One Penn Plaza, Suite 2501  
New York, NY 10119  
917.339.4423  
[raymond.sweetland@prudential.com](mailto:raymond.sweetland@prudential.com)

**TIAA-CREF**

Andy Kelleher  
Senior Director  
200 N. LaSalle  
Chicago, IL 60601  
312-345-5640  
[AKelleher@tiaa-cref.org](mailto:AKelleher@tiaa-cref.org)

**ICMA**

Suzanne L. Chawk  
Vice President, Consultant Relations  
777 North Capitol St., NE  
Washington, DC 20002-4240  
866-265-5125 (office)  
202-579-6784 (cel)  
[schawk@icmarc.org](mailto:schawk@icmarc.org)

**North Dakota Public Employees Retirement System  
PERS 401(a) Defined Contribution Plan  
PERS IRC Section 457 Deferred Compensation  
Companion Plan**

**Request for Proposal to Provide  
Semi-Bundled  
Deferred Compensation Services:  
Recordkeeping/Administration,  
Communication/Education,  
Custodial Trustee Services and Investment  
Management Services**

**Issue Date: 12/27/2010  
Deadline for Questions: 01/19/2011  
Deadline for Submission: 02/09/2011**

## **NOTICE TO PROPOSERS**

**There may be one or more amendments to this Request for Proposal (“RFP”). If your company desires to receive copies or notices of any such amendments, you must provide the information requested below to Jeffrey Snyder at Segal Advisors by e-mail at [jsnyder@segaladvisors.com](mailto:jsnyder@segaladvisors.com). Additional information about the plans is available at <http://www.nd.gov/ndpers/>.**

All inquiries regarding this RFP must be addressed to the individual listed above. The Retirement Board in consultation with Segal Advisors will issue responses to inquiries and any other corrections or amendments it deems necessary in addenda issued prior to the Proposed Submission Deadline. Proposers should not rely on any representations, statements or explanations other than those made in this RFP or in a formal addendum. It is the proposer’s responsibility to ensure receipt of all addenda.

**Amendments to the RFP will only be sent to those firms that complete and return this form via fax or provide the requested information by e-mail.**

RFP Name            State of North Dakota NDPERS 457 Deferred Compensation Companion  
Plan and 401(a) Defined Contribution Plan Recordkeeping and  
Investment Services

Company name \_\_\_\_\_

Mailing address \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Phone number \_\_\_\_\_

Fax number \_\_\_\_\_

Contact person \_\_\_\_\_

E-mail address \_\_\_\_\_

*All amendments will be sent via E-mail*

Any alterations to this document made by the proposer may be grounds for rejection of the proposal, cancellation of any subsequent award, or any other legal remedies available to the PERS Retirement Board.

**From the date this RFP is issued until the award of the contract, all communication related to this RFP shall be directed to Jeffrey Snyder of Segal Advisors.**

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# **SECTION 1**

## **Introduction/Overview**

# Section 1: Introduction/Overview

---

## Purpose/Objective

The State of North Dakota (“State”) is seeking competitive proposals from qualified companies to provide semi-bundled 401(a) and 457 Deferred Compensation Companion Plan services (i.e., recordkeeping/administration, communication/education, and custodial trustee services) and semi-bundled investment management services for the North Dakota Public Employees Retirement System 401(a) Defined Contribution and IRC Section 457 Deferred Compensation Plan

The PERS Retirement Board (“Board”) has retained Segal Advisors, Inc. to assist in the evaluation and selection of a full service provider to administer the Plans

The purpose of this RFP is to solicit proposals from qualified vendors that can offer best-in-class investment choices, highest-quality services, and most favorable costs (i.e., the maximum value for the benefits proposed).

The Board is also requesting each proposer provide recommendations in alternative asset classes it believes will enhance the Plan. Each proposer should provide recommendations in its response to section 3: Investment Management Services, and include its reasoning.

The Board expects each proposer to clearly outline its best and most comprehensive resources because all services and responsibilities identified in this RFP, with the exception of Qualified Domestic Relations Orders and Hardship Withdrawals determinations, will be outsourced to the service provider.

Additionally, the successful bidder will actively work with the Board to meet the following key Plan objectives:

1. Increase the overall number of participants in the 457 Companion Plan 2. Increase the average contribution percentage rate, thus producing a higher average account balance in the 457 Companion Plan

These objectives for the 457 Companion Plan may be achieved by:

- (a) Offering incentives, such as a buyout of surrender charges, allowing participants utilizing another deferred compensation service provider to transfer their balances to the plan
- (b) Utilizing local brokers
- (c) Increasing the minimum contribution rate of the 457 Companion Plan
- (d) An alternative strategy suggested by the selected service provider

## ***Background***

### **PERS IRC Section 457 Deferred Compensation Companion Plan:**

The administration of the deferred compensation plan for public employees was given to the Board on July 1, 1987. All state employees are eligible to participate, as well as political subdivision employees, if the governing authority of the political subdivision elects to offer the state plan.

Presently 7,200 employees have accounts with fifteen investment providers. There are eleven active providers. Assets are over \$115 million. The Board has developed a plan and contracts with investment providers (mainly insurance companies) to invest the contributions of employees.

The deferred compensation plan is found in Chapter 54-52.2 of the North Dakota Century Code (NDCC). State administrative code allows any provider company to participate in the program that has 50 or more eligible members willing to sign up for their product. PERS does not select or monitor the investment products offered by these vendors, and does not act as a trustee for their products.

**In 1998 the Board decided that an additional product should be added that would be: 1) selected by the Board based upon a competitive RFP process, 2) that the Board would act as the trustee for, 3) that the Board would select and monitor the investment products, and 4) the investment products would be mutual funds. This product is called the PERS Companion Plan. The Board developed a Statement of Investment Policies for this plan. This policy may be viewed at its website [www.nd.gov/ndpers](http://www.nd.gov/ndpers) . The Board also has been monitoring the investment products for this plan. This report can also be found on its website at [www.nd.gov/ndpers](http://www.nd.gov/ndpers).**

**The Companion Plan has over \$31.0 million in assets with approximately \$280,000 in monthly contributions. Fidelity is the present provider for these services. There has been a steady growth in Plan assets and participation.**

<b>Date</b>	<b>Assets</b>	<b>Number of Participants</b>
September 2005	\$15.9 million	1,061
September 2006	\$19.3 million	1,416
September 2007	\$24.0 million	1,872
September 2008	\$21.5 million	2,328
September 2009	\$25.3 million	2,768
September 2010	\$31.1 million	3,135

### **PERS 401(a) Defined Contribution Plan:**

The state approved the establishment of a defined contribution plan for certain state employees, effective January 1, 2000. This program is offered as an alternative to the State's defined benefit plan.

Eligible employees are not classified by Human Resource Management Services; however, this does not include employees of the University System and the Supreme Court.

Approximately 291 employees selected the 401(a) Defined Contribution plan. The estimated value of contributions to this plan is approximately \$12,000,000. Total assets are approximately \$18.0 million. Monthly contributions in the amount of 8.12% of salary (\$100,000) are added to the plan for each month for each participant. Similar to the Deferred Comp plan the "Statement of Investment Policy" and "Quarterly Report" are available on the PERS Web site under Defined Contribution Retirement Plan. Fidelity is the present provider for these services.

Both the 401(a) Defined Contribution Plan and the 457 Deferred Compensation Companion Plan utilize the same investment options. Additionally, a self-directed brokerage option is currently available. Participants must complete and return a form to PERS for approval to utilize the self-directed brokerage option.

## **Scope of Services**

### ***Investment Management Services***

The Plans currently offer participants a diverse array of investment options covering all major asset classes. The Board is looking for a provider(s) that can offer participants a selective, highly competitive investment product for each asset class described in the RFP. Historical investment performance, of at least three, and preferably five to ten years of history, will be required for each recommended investment product.

While the final investment line-ups will be determined by the Board in its sole discretion, for purposes of submitting your firm's proposal you should assume that the investment structure would be exactly as described in the RFP. In addition, the Board is looking for the selected service provider to review the existing fund line up and asset classes and make any recommendation it deems appropriate for additional core options in the Plans.

The Stable Value Fund should be fully diversified, limit credit risk/exposure, provide competitive returns with no benefit payment limitations and provide attractive contract termination conditions such as transfer of book value with no market value adjustments or liquidation penalties. Investment options with any front-end or rear-end loads or other similar fees, charges or penalties will not be considered.

### ***Administration and Recordkeeping Services***

Proposers will be required to provide detailed information about their recordkeeping and administrative systems and use of technology. Important factors include ability to monitor compliance, process participant transactions, provide timely and accurate participant statements and financial statements for the plan sponsor. The service provider(s) selected by the Board must have in place a toll-free customer service center, automated voice response system, and Internet service that allow participants access to their accounts.

Proposers will provide extensive capabilities to support employee self-service using a variety of media. As a baseline, the proposer must provide superior Internet, interactive voice response system (VRS), and customer and field service representative capabilities to support the needs of the Plans' participants. The services must include the following:

1. Support employee enrollment activities, initial and ongoing.
2. Answer employee inquiries related to eligibility, plan features, and investment offerings.
3. Allow employees to model retirement scenarios, request withdrawals from the Plans, change investment mix, change investment rates and percentages, request balances, and other similar activities.
4. Provide participant investment education materials to make informed investment decisions.
5. Provide participant investment advisory services.

6. Provide benefits literature, such as summary plan descriptions, forms, statements, and prospectuses.
7. Work with NDPERS staff to administer unforeseen emergency withdrawals and Domestic Relations Orders.

The State will be responsible for establishing qualification procedures and other distribution and savings options. In accordance with applicable federal statutes and regulations, the State shall approve all unforeseeable emergency withdrawal requests and handle all appeals of that determination.

The Board expects the successful service provider to assume all data-management responsibilities for the State. The service provider will be required to establish two-way interface capability with all appropriate parties (e.g., State payroll) and be held accountable for timely, accurate transmission and, as appropriate, editing and validation of data for processing enrollments and contribution activity. All programming updates to the State's systems will be the responsibility of the successful service provider.

### ***Implementation Services***

Proposers must provide a detailed transition strategy along with communication materials to explain any new plan changes and enhancements. The potential transition from the current plan provider to a new provider will require you to provide an explanation of the process, blackout period, and reconciliation of plan assets to the individual participant records.

### ***Employee Communication/Education and Enrollment Services***

The prospective service provider will be required to provide a comprehensive employee communication and investment education program that includes investment advice and pre-retirement planning services. Communication services are to be supported by customer service representatives and comprehensive Internet services that provide participants with interactive financial and retirement planning tools and software. A dual-high touch, high-tech approach will be required to provide the participants with all of the necessary financial information and data to make informed investment decisions related to their elections. An explanation that outlines your firm's capabilities in designing and implementing a communication/education strategy will be required for both the initial transition and ongoing process. The goal is to identify a service provider that offers a comprehensive communication/education services supported with field service representatives to accommodate the needs of the employees located throughout the State of North Dakota including one-on-one counseling and investment advisory services. Field service representatives' compensation cannot be structured for any bias towards any investment product or advisory services.

The service provider will participate in NDPERS enrollment efforts as determined by the Board and NDPERS staff. The service provider may be called upon to prepare enrollment packages, which may be distributed at group meetings and in response to an employee's request and will contain all information in a complete and concise manner so that an employee would be able to enroll in the Plans. The service provider may also be required to provide enrollment counseling to employees who wish to discuss the Plans and the investment offerings in person or over the telephone.

The service provider will be required to prepare, for the Board's approval, an annual education plan. This plan should detail the approach that your organization will take in communicating the program to employees, including the plan for contacting existing participants, by mail/or email, by telephone or in person, to periodically re-evaluate their deferred compensation plan participation and review whether changes should be made. The Board will require a quarterly report from the service provider to monitor

plan level activities, including Plan investments. This report shall include data on both the Plan and participant level, as well as the status and resolution of any participant problems and developments in the delivery of plan services.

### ***Trustee/Custodial Services***

The proposer must provide trustee/custodial services for the Plans or arrange for trustee services with an outside party. Any additional costs for trustee/custodial services are to be fully disclosed in the fee section of this Request for Proposal.

## **Proposal Preparation**

### ***Fees***

Each respondent must fully disclose fees based on the plan information provided in this RFP. Fees are to be quoted under the following scenarios:

Scenario 1: Submit a bid for either the 401(a) Defined Contribution Retirement Plan or the 457 Deferred Compensation Companion Plan

Scenario 2: Submit a bid for both the 401(a) Defined Contribution Retirement Plan and the 457 Deferred Compensation Companion Plan

### ***Preparation Costs***

All costs incurred during proposal preparation or in any way associated with the proposal's preparation, response, submission, presentation, or oral interviews shall be the sole responsibility of the proposer and will not be reimbursed by the Plans.

### ***Term of Contract***

The successful proposer must execute a contract providing the specified package of services in accordance with the State's requirements.

Once awarded, the contract will begin **August 1, 2011** for a period of **23-months** concluding on **June 30, 2013**. The fee structure proposed must be guaranteed for the initial contract term. In addition, the Board, at its discretion, may extend the contract for up to two, 24-month periods. The fee structure of these extensions will be subject to negotiations.

The Board is not bound by any oral or written information released prior to the issuance of this RFP. Any materials and documents developed during the engagement will become the property of the Board.

In submitting a proposal, the selected provider agrees that the Board has access to and the right to examine directly all pertinent documents, papers and records of the contractor and/or any subcontractor as related to any contract and/or sub-contract resulting from this RFP until six years after final payment has been made pursuant to any contract awarded as a result of the Board's acceptance of the provider's proposal. The Board has the exclusive ownership and unlimited rights to use, disclose, or duplicate for any purpose whatsoever, all information, data, designs, work products, and materials developed by the provider under contract.

The Board reserves the right to refuse to do business with any proposer found to be non-responsive by the Board. The Board reserves the right to postpone or cancel this RFP and to reject all proposals.

If no agreement is reached with a proposer within a period of time considered reasonable by the Board, the Board may terminate negotiations and select another proposer, issue a new RFP, or take any other action consistent with the Plans' best interests. No proposer shall have any rights against the Plans, the Board, or the State arising from such negotiations. By issuing this RFP, the Board is not obligated to award a contract. The contract between the Plans, acting through the Board, and the successful proposer shall contain provisions based on the specific requirements of this RFP, the successful proposer's proposal, and general provisions governing all Plan contracts. No elected or appointed member, agent, or employee of the Board and/or the State shall benefit financially or materially from any contract resulting from this procurement. The Board may terminate any contract resulting from this procurement if gratuities were offered or given by the contractor or his agent to any member, agent, or employee of the Board and/or the State.

The selected proposer is responsible for the entire contract performance. The proposer must indicate in the RFP if it intends to use a subcontractor for any part of the work. If so, the proposer shall identify each subcontractor by name, business address, and expertise, and must include the name(s) of the principal(s) of the subcontracting entity. A full description of the tasks to be performed by the subcontractor must be included.

The selected proposer shall be solely responsible for and shall indemnify and hold harmless the Plans, the Board, the State and their officers, employees, and agents from and against any and all liabilities, losses, costs, expenses (including, without limitation, attorney's fees and disbursements) and damages (losses), arising out of or in connection with any acts or omissions of the provider or a provider Agent, regardless of whether taken pursuant to or authorized by this agreement and regardless of whether due to negligence, fault, or default, including losses in connection with any threatened investigation, litigation or other proceeding or preparing a defense to or prosecuting the same. The proposer shall, upon the Board's demand and at the Board's direction, promptly and diligently defend, at the provider's own risk and expense, any and all suits, actions, or proceedings that may be brought or instituted against and the provider shall pay and satisfy any judgment, decree, loss or settlement in connection therewith. The proposer shall, and shall cause provider Agents to, cooperate with the Board and the State in connection with the investigation, defense or prosecution of any action, suit or proceeding. The successful proposer must execute a contract providing the required services in accordance with the Board's requirements.

The proposer understands that if any term or condition of this RFP or subsequent contract is determined to have been entered by an agent of the Board without the appropriate authority, said term or condition shall be void and unenforceable.

The Board reserves the right to accept or reject the account manager and other staff personnel designated for its programs, both initially and in future years. The successful contractor must notify the Board of all changes in the personnel assigned to this engagement.

The final award will be subject to the execution of a service contract acceptable to the State.

### ***Confidentiality***

This RFP and all materials submitted are not public information until the contract is executed subject to the provisions described in the proposal.

Proposers should specifically identify those portions of the proposal deemed to be confidential, proprietary information or trade secrets and provide justification why the State should not disclose such material upon request. Such confidentiality/proprietary information must be easily separable from the

non-confidential section of the proposal. The selected provider agrees to observe the confidentiality provisions and prohibitions against disclosure of all applicable federal and State laws and regulations relating to the confidentiality of records and information gathered, obtained, reviewed, or developed in the performance of the resulting agreement; and further agrees to require each of its employees, partners, and agents assigned to the performance of this agreement to observe said provisions. The provider must comply with the requirements of North Dakota State Law for safeguarding confidential information, the prohibition against disclosure of confidential information and the civil and criminal consequences of non-compliance.

## Minimum Qualifications of Service Provider

The following is the criteria for a semi-bundled provider to be considered as an eligible candidate to bid on the requested services described in this RFP. **If you are unable to accommodate any one of the minimum qualifications, please provide an explanation in the Certification of Compliance with Minimum Requirements of RFP (Attachment A).**

1. Proposers must certify that they are a qualified firm to provide administrative services pursuant to Sections 401(a) and 457 of the Internal Revenue Code, including all rules and regulations of the State of North Dakota.
2. Proposers must offer the following administrative services (i.e., recordkeeping/administration, communication/education, investment management, custodial trustee services, and investment advisory services) and submit a response to this proposal under all scenarios provided.
3. Proposers must comply with all RFP specifications. Unless otherwise noted by you, in your cover letter, it is assumed that, by submitting a response to this RFP, your response is intended to conform to the specifications in every way.
4. Proposers must provide a representative who can provide a single point of contact, seamless administration and accountability, and meet, on a regular basis, with the Board.
5. Proposers must demonstrate an ability to work with the Board or designated representative in implementation, communication, and administration of the program.
6. Proposer must have at least **five (5) years' experience** in providing the proposed services and products to the public sponsor defined contribution marketplace.
7. Proposer must have a minimum of **\$2 billion** under investment management for public sector 401(a) and 457 plans.
8. Proposer must have at least **three (3)** public sector 401(a) and 457 plan accounts each with **10,000** or more participants.
9. Proposer must have a Statement of Auditing Standards (SAS) 70 Audit conducted at least annually and provide their most recent SAS 70 as part of their response to this proposal.
10. Trust/custodial services must have been provided to defined contribution plans for at least **five years (5)** and have at least **\$5 billion** under trust/custody. Trustee services can be provided either through direct services or through a banking arrangement.
11. The contract term will begin on **August 1, 2011** for a period of **23-months** concluding on **June 30, 2013**. The fee structure proposed **must be guaranteed for the initial contract term**. In addition, the Board, at its discretion, may extend the contract for up to two, 24-month periods. The fee structure of these extensions will be subject to negotiations.
12. Proposers must be able to accommodate an **August 1, 2011** implementation date.
13. Proposers must have the capability to establish a two-way data interface with the State and will be solely responsible for timely, accurate transmission and, as appropriate, editing and validation of data for processing enrollments and contribution activity. The successful service provider will absorb all of the State's programming costs to accommodate any changes to its payroll system.
14. Proposers must provide 1099R Forms for all distributions (including beneficiary) and provide administration under Section 401(a)(9) and 457, required and minimum distributions.

15. Proposers must provide resources to support the on-going consultation to the Board and all Plan participants located throughout the State. This includes the availability of customer and field service representatives to support employee meetings and new employee orientation programs. The selected vendor must have field service support available by **May 1, 2011** to commence the new plan roll out.
16. Proposers must be able to meet with the Board/Committee on an annual basis and provide Plan reporting and investment support, including fund recommendations and oversight on a quarterly basis. Meetings may be either in person or via conference call (or alternative media) as determined by the Board.
17. Proposers must be able to maintain and track participant contribution rate changes and report an electronic feedback file with updated information to payroll so that they can in turn update their payroll deduction records.
18. Proposers must be solely liable and responsible for any processing errors of the provider or its agents. In the event of a participant's loss of interest and/or dividend and/or principal due to an error by the selected proposer or its agent in processing transactions on behalf of the participant, the selected proposer agrees to adjust the participant's account to the same position as if the processing error had not occurred.
19. Proposers must provide access, with reasonable notice, to parties authorized by the State for the purpose of performing any audit or reviews that are deemed necessary.

**Please complete the attached Certification of Compliance with Minimum Requirements of RFP (Attachment A) attesting to the adherence of these requirements. Any responses not meeting these specifications may be considered, at the sole discretion of the Board, as non-responsive.**

## Information Regarding the 401(a) Defined Contribution Retirement Plan

<b>Plan Name:</b>	North Dakota Public Employee Retirement System Defined Contribution Plan	
<b>Plan Sponsor:</b>	North Dakota Public Employees Retirement System 400 E Broadway, Suite 505 PO Box 1657 Bismarck, ND 58502-1657	
<b>Eligibility:</b>	All permanent employees who meet the eligibility requirements set by chapter 54-52.6, except an employee of the judicial branch, member of the highway patrol, or an employee of the board of higher education and state institutions under the jurisdiction of the board, who are eighteen years or more of age and who are in a position not classified by the central personnel division or a permanent employee of a political subdivision who has previously elected to participate in the defined contribution program	
<b>Eligible Employees:</b>	There are approximately <b>600</b> non-classified eligible employees	
<b>Contribution Types:</b>		
<b>Mandatory Employee</b>	<ul style="list-style-type: none"><li>▪ 4% of compensation under 414(h) of the Internal Revenue Code</li></ul>	
<b>Employer</b>	<ul style="list-style-type: none"><li>▪ 4.12% of compensation deposited each calendar month</li></ul>	
<b>Employer Payment of Employee</b>	<ul style="list-style-type: none"><li>▪ The Employer, at its option, may pay for the employee contributions for all compensation earned after December 31, 1999</li></ul>	
<b>Vesting:</b>	Less than 2 years of service	0%
	2 years	50%
	3 years	75%
	4 years	100%
<b>Benefit Payment Events:</b>	The Plan allows for withdrawals for the following events: <ul style="list-style-type: none"><li>▪ Termination of employment</li><li>▪ Less than \$1,000 force outs</li><li>▪ Minimum Required Distributions</li><li>▪ Retirement</li><li>▪ Death</li><li>▪ Disability</li><li>▪ Qualified Domestic Relations Orders.</li></ul>	
<b>Forms of Distribution:</b>	<ul style="list-style-type: none"><li>▪ Lump Sum</li><li>▪ Periodic payments (monthly, quarterly or semi-annually)</li></ul>	
<b>Fees:</b>	\$8 per participant per year	

## Information Regarding the 457 Plan

<b>Plan Name:</b>	State of North Dakota 457 Deferred Compensation Companion Plan
<b>Plan Sponsor:</b>	North Dakota Public Employees Retirement System 400 E Broadway, Suite 505 PO Box 1657 Bismarck, ND 58502-1657
<b>Eligibility:</b>	Employees of the State of North Dakota and employees of participating political subdivisions <ul style="list-style-type: none"><li>▪ Permanent employees working a minimum of 20 hours per week for 20 or more weeks per year</li><li>▪ 18 years of age filling a permanent position that is regularly funded and not of limited duration</li><li>▪ Legislators</li></ul>
<b>Eligible Employees:</b>	There are approximately <b>14,000</b> eligible State employees plus participating political subdivision employees
<b>Contribution Types:</b>	
<b>Employee Pre-Tax:</b>	▪ Minimum of \$25.00 per month
<b>Rollovers:</b>	▪ Rollover contributions from 401(a), 401(k), 401(c) Keogh, 403(b), 457(b), FERS and IRA
<b>Catch-Up Contributions:</b>	▪ Age 50 and over and 3-Year
<b>In-Service Withdrawals:</b>	Participants may withdraw their contributions plus interest for the following reason: <ul style="list-style-type: none"><li>▪ Financial hardship in accordance with IRS regulations</li><li>▪ Qualified Domestic Relations Orders</li><li>▪ Purchase of Service Credits</li><li>▪ One-time de minimus distribution of account balances less than \$5,000</li></ul>
<b>Benefit Payment Events:</b>	The Plan allows for withdrawals for the following events: <ul style="list-style-type: none"><li>▪ Termination of employment</li><li>▪ Retirement</li><li>▪ Death</li><li>▪ Required Minimum Distributions</li></ul>
<b>Forms of Distribution:</b>	<ul style="list-style-type: none"><li>▪ Lump Sum</li><li>▪ Periodic payments</li></ul>
<b>Fees:</b>	\$30 per participant per year

## NDPERS Participating Political Subdivisions/Employer Groups

<b>NUMBER</b>	<b>AGENCY</b>	<b>EMPLOYEES</b>
101	GOVERNOR'S/LT. GOVERNOR'S OFFICE	31
108	SECRETARY OF STATE'S OFFICE	30
110	OFFICE OF MANAGEMENT & BUDGET	138
112	INFORMATION TECHNOLOGY DIVISION	319
117	STATE AUDITOR'S OFFICE	70
120	STATE TREASURER'S OFFICE	6
125	ATTORNEY GENERAL'S OFFICE	232
127	STATE TAX DEPARTMENT	154
140	OFFICE OF ADMINISTRATIVE HEARING	6
150	LEGISLATIVE ASSEMBLY	142
160	LEGISLATIVE COUNCIL	26
180	ND SUPREME COURT	428
188	LEGAL COUNSEL OF INDIGENTS	30
190	RETIREMENT & INVESTMENT OFFICE	21
192	PUBLIC EMPLOYEES RETIREMENT SYSTEM	35
201	DEPARTMENT OF PUBLIC INSTRUCTION	122
202	EDUCATION STANDARDS AND PRACTICES BOARD	6
215	ND UNIVERSITY SYSTEM	10
223	ND YOUTH CORRECTIONAL CENTER	96
224	CORRECTIONS – JUVENILE SERVICES	35
226	LAND COMMISSION	27
227	BISMARCK STATE COLLEGE	158
228	UND - LAKE REGION	54
229	WILLISTON STATE COLLEGE	60
230	UNIVERSITY OF NORTH DAKOTA	1746
235	ND STATE UNIVERSITY	1203
238	ND STATE COLLEGE OF SCIENCE	219
239	DICKINSON STATE UNIVERSITY	126
240	MAYVILLE STATE UNIVERSITY	104
241	MINOT STATE UNIVERSITY	235
242	VALLEY CITY STATE UNIVERSITY	73
250	ND STATE LIBRARY	47
252	SCHOOL FOR THE DEAF	51
253	SCHOOL FOR THE BLIND	28
261	STATE BOARD OF NURSING	5
270	CAREER & TECHNICAL EDUCATION	32
301	HEALTH DEPT. & CONSOLIDATED LABS	459
305	TOBACCO PREVENTION/CONTROL COMMITTEE	6

NUMBER	AGENCY	EMPLOYEES
310	DEVELOPMENTAL CENTER OF GRAFTON	549
312	JAMESTOWN STATE HOSPITAL	569
313	ND VETERAN'S HOME	153
316	INDIAN AFFAIRS COMMISSION	4
321	DEPARTMENT OF VETERAN'S AFFAIRS	7
325	DEPARTMENT OF HUMAN SERVICES	1779
360	PROTECTION & ADVOCACY PROJECT	36
380	JOB SERVICE	322
401	ND INSURANCE DEPARTMENT	55
405	ND INDUSTRIAL COMMISSION	69
406	ND LABOR DEPARTMENT	12
408	PUBLIC SERVICE COMMISSION	47
412	AERONAUTICS COMMISSION	5
413	DEPARTMENT OF BANKING & FINANCE	45
414	ND SECURITIES DEPARTMENT	11
426	ND BOARD OF LAW EXAMINERS	3
427	STATE BOARD OF COSMETOLOGY	4
428	ND PLUMBING BOARD	3
471	BANK OF NORTH DAKOTA	228
472	PUBLIC FINANCE AUTHORITY	2
473	HOUSING FINANCE AGENCY	53
475	ND MILL & ELEVATOR	149
485	WORKFORCE SAFETY & INSURANCE	166
502	ND PAROLE BOARD	110
504	ND HIGHWAY PATROL	217
517	DEPT OF CORRECTIONS – TRANSITIONAL FACILITIES	37
518	JAMES RIVER CORRECTIONAL CENTER	206
519	STATE PENITENTIARY	240
520	ROUGH RIDER INDUSTRIES	36
530	DEPARTMENT OF CORRECTIONS	110
540	ADJUTANT GENERAL ND NATIONAL GUARD	266
601	DEPARTMENT OF COMMERCE	64
602	DEPARTMENT OF AGRICULTURE	105
603	DAIRY PROMOTION COMMISSION	1
607	MILK STABILIZATION BOARD	4
608	ND OILSEED COUNCIL	1
611	ND SOYBEAN COUNCIL	5

<b>NUMBER</b>	<b>AGENCY</b>	<b>EMPLOYEES</b>
614	ND CORN UTILIZATION COUNCIL	2
616	ND SEED DEPARTMENT	27
624	ND BEEF COMMISSION	3
625	ND WHEAT COMMISSION	7
626	ND BARLEY COMMISSION	5
665	ND FAIR ASSOCIATION	34
670	RACING COMMISSION	2
701	ND HISTORICAL SOCIETY	77
709	ND COUNCIL OF THE ARTS	9
710	SOIL CONSERVATION COMMITTEE	2
720	ND GAME & FISH DEPARTMENT	188
750	ND PARKS & RECREATION	71
770	ND WATER COMMISSION	97
801	DEPARTMENT OF TRANSPORTATION	1192
900	STATE BOARD OF ACCOUNTANCY	1
901	STATE BOARD OF MEDICAL EXAMINERS	5
902	STATE BOARD OF PHARMACY	3
903	CUSTER DISTRICT HEALTH UNIT	56
905	FIRST DISTRICT HEALTH UNIT	74
906	REAL ESTATE COMMISSION	2
907	SW DISTRICT HEALTH UNIT	40
908	UPPER MISSOURI HEALTH UNIT	30
909	STATE ELECTRICAL BOARD	16
910	LAKE REGION DISTRICT HEALTH UNIT	25
912	GARRISON DIVERSION CONSERVATION DISTRICT	40
913	WALSH COUNTY HEALTH DISTRICT	5
914	DICKEY COUNTY HEALTH DISTRICT	3
916	ROLETTE COUNTY PUBLIC HEALTH	7
917	TOWNER COUNTY PUBLIC HEALTH	2
990	CAVALIER COUNTY HEALTH DISTRICT	5
992	CITY-COUNTY HEALTH UNIT	23
997	CENTRAL VALLEY HEALTH UNIT	35
998	TRAILL COUNTY HEALTH DISTRICT	8

**COUNTIES**

<b>NUMBER</b>	<b>AGENCY</b>	<b>EMPLOYEES</b>
A01	ADAMS COUNTY (HETTINGER)	55
A02	BARNES COUNTY (VALLEY CITY)	86
A03	BENSON COUNTY (MINNEWAUKAN)	64
A04	BILLINGS COUNTY (MEDORA)	40
A05	BOTTINEAU COUNTY (BOTTINEAU)	87
A06	BOWMAN COUNTY (BOWMAN)	38
A07	BURKE COUNTY (BOWBELLS)	36
A08	BURLEIGH COUNTY (BISMARCK)	296
A09	CASS COUNTY (FARGO)	476
A10	CAVALIER COUNTY (LANGDON)	63
A11	DICKEY COUNTY (ELLEDALE)	68
A12	DIVIDE COUNTY (CROSBY)	44
A13	DUNN COUNTY (MANNING)	85
A14	EDDY COUNTY (NEW ROCKFORD)	31
A15	EMMONS COUNTY (LINTON)	39
A16	FOSTER COUNTY (CARRINGTON)	38
A18	GRAND FORKS COUNTY (GRAND FORKS)	311
A19	GRANT COUNTY (CARSON)	47
A20	GRIGGS COUNTY (COOPERSTOWN)	47
A21	HETTINGER COUNTY (MOTT)	34
A23	LAMOURE COUNTY (LAMOURE)	56
A24	LOGAN COUNTY (NAPOLEON)	24
A25	MCHENRY COUNTY (TOWNER)	56
A26	MCINTOSH COUNTY (ASHLEY)	37
A27	MCKENZIE COUNTY (WATFORD CITY)	120
A28	MCLEAN COUNTY (WASHBURN)	103
A29	MERCER COUNTY	59
A30	MORTON COUNTY (MANDAN)	2
A31	MOUNTRAIL COUNTY (STANLEY)	88
A32	NELSON COUNTY (LAKOTA)	47
A33	OLIVER COUNTY (CENTER)	22
A34	PEMBINA COUNTY (CAVALIER)	81
A35	PIERCE COUNTY (RUGBY)	65
A36	RAMSEY COUNTY (DEVILS LAKE)	79
A37	RANSOM COUNTY (LISBON)	77
A38	RENVILLE COUNTY (MOHALL)	36
A39	RICHLAND COUNTY (WAHPETON)	178
A40	ROLETTE COUNTY	67

NUMBER	AGENCY	EMPLOYEES
A42	SHERIDAN COUNTY (MCCLUSKY)	27
A43	SIOUX COUNTY (FORT YATES)	21
A45	STARK COUNTY (DICKINSON)	137
A46	STEELE COUNTY (FINLEY)	51
A47	STUTSMAN COUNTY (JAMESTOWN)	171
A48	TOWNER COUNTY (CANDO)	23
A49	TRAILL COUNTY (HILLSBORO)	78
A50	WALSH COUNTY (GRAFTON)	96
A51	WARD COUNTY (MINOT)	298
A52	WELLS COUNTY (FESSENDEN)	57
A53	WILLIAMS COUNTY (WILLISTON)	178

### SCHOOLS

NUMBER	AGENCY	EMPLOYEES
B05	SURREY PUBLIC SCHOOL	36
B12	HARVEY PUBLIC SCHOOL DIST #38	46
B17	KILLDEER PUBLIC SCHOOL DIST #14	30
B18	GLENBURN PUBLIC SCHOOL	16
B29	LISBON PUBLIC SCHOOL	34
B31	BELCOURT PUBLIC SCHOOL DIST #7	150
B32	MCCLUSKY PUBLIC SCHOOLS	9
B53	WHITE SHIELD PUBLIC SCHOOL DIST #85	25
B54	UNDERWOOD PUBLIC SCHOOL DIST #8	19
B58	TURTLE LAKE/MERCER PUBLIC SCHOOL	17
B74	UNITED PUBLIC SCHOOL DIST #7	33
B78	MANVEL PUBLIC SCHOOL	17
B84	TIOGA PUBLIC SCHOOLS	25
B92	YELLOWSTONE SCHOOL DISTRICT #14	4
B97	NAPOLEON PUBLIC SCHOOL DIST #2	10
BA7	NORTHERN PLAINS SPEC EDUC UNIT	46
BA9	APPLE CREEK ELEMENTARY SCHOOL	2
BB0	STANLEYCOMMUNITY PUBLIC SCHOOL DIST # 2	48
BB2	KENMARE PUBLIC SCHOOLS	16
BB5	BEACH PUBLIC SCHOOL DISTRICT	36
BB6	LEWIS & CLARK PUBLIC SCHOOLS	21
BC4	ENDERLIN AREA SCHOOL DIST #24	20
BD3	NEW SALEM – ALMONT SCHOOL DISTRICT	1

NUMBER	AGENCY	EMPLOYEES
BD6	PINGREE BUCHANAN SCHOOL DIST	8
BD9	WAHPETON PUBLIC SCHOOL DIST 39	64

**CITIES**

NUMBER	AGENCY	EMPLOYEES
C01	KENMARE, CITY OF	6
C04	BOWMAN, CITY OF	16
C06	CARRINGTON, CITY OF	21
C07	WATFORD CITY, CITY OF	23
C08	PARK RIVER, CITY OF	8
C12	WILLISTON, CITY OF	118
C16	MINTO, CITY OF	2
C20	GRAFTON, CITY OF	44
C26	KULM, CITY OF	5
C27	KILLDEER, CITY OF	8
C35	MEDORA, CITY OF	6
C36	GLENBURN, CITY OF	2
C37	RUGBY, CITY OF	18
C42	LAMOURE, CITY OF	6
C44	ROLLA, CITY OF	12
C46	HARVEY, CITY OF	13
C47	BELFIELD, CITY OF	6
C48	OAKES, CITY OF	26
C50	NEW LEIPZIG, CITY OF	1
C51	WILTON, CITY OF	3
C59	TIOGA, CITY OF	10
C60	ELLENDALE, CITY OF	12
C63	GRANVILLE, CITY OF	2
C73	MINOT, CITY OF	274
C75	NORTHWOOD, CITY OF	8
C78	TOWNER, CITY OF	1
C79	UNDERWOOD, CITY OF	2
C87	NEW ROCKFORD, CITY OF	7
C89	RAY, CITY OF	2
C90	VELVA, CITY OF	4
C91	MANDAN, CITY OF	100
C92	THOMPSON, CITY OF	4
C99	MOHALL, CITY OF	7

NUMBER	AGENCY	EMPLOYEES
CA3	BISMARCK, CITY OF	89
CA4	RHAME, CITY OF	2
CA8	BEACH, CITY OF	5
CB1	PICK CITY, CITY OF	2

**POLITICAL SUBDIVISIONS**

NUMBER	AGENCY	EMPLOYEES
D01	BURLEIGH COUNTY SOIL CONSERVATION	4
D10	BURLEIGH COUNTY HOUSING AUTHORITY	49
D11	SOUTHWEST WATER AUTHORITY	30
D14	CASS COUNTY SOIL CONSERVATION	5
D16	RICHLAND COUNTY SOIL CONSERVATION	7
D19	GRAFTON PARK DISTRICT	4
D24	SOUTHEAST REGION CAREER & TECH CENTER	5
D27	CAVALIER CO JOB DEVELOPMENT	3
D28	BARNES COUNTY SOIL CONSERVATION DISTRICT	3
D35	BURLEIGH COUNTY COUNCIL ON AGING	20
D43	R & T WATER SUPPLY ASSOCIATION	7
D47	WALSH COUNTY HOUSING AUTHORITY	1
D52	MORTON WATER RESOURCE DISTRICT	4
D64	WESTERN & CENTRAL STARK SOIL CONS DIST	3
913	WALSH COUNTY HEALTH DEPARTMENT	5
D66	RAMSEY COUNTY HOUSING AUTH	4
D74	BISMARCK PARK DISTRICT	18
916	ROLETTE COUNTY PUBLIC HEALTH	7
D83	JAMESTOWN REGIONAL AIRPORT	5
D91	JAMES RIVER VALLEY LIBRARY SYSTEM	3

## Plan Demographic Information

1. Frequency of contributions (weekly/bi-weekly/monthly)	Monthly (daily)
2. Medium used to remit contributions files (electronic, disk, magnet tape, etc.)	Electronic
3. Funding method (check, wire, ACH)	Wire
4. Number of payroll locations	1
5. Number of payroll files	6-7/month
6. Current number of field service representatives	6 Service Team Mbrs
7. Number of Qualified Domestic Relations Orders processed 401(a)	0
8. Number of Qualified Domestic Relations Orders processed 457	2
9. Number of Unforeseeable Withdrawals processed 457	2

### Participant Breakdown

<b>NDPERS 401(a) Plan</b>	<b>Participants</b>	<b>Employees</b>
State Employees	237	
Political Subdivisions	5	
<b>Total</b>	<b>242</b>	

<b>NDPERS 457 Companion Plan</b>	<b>Participants</b>	<b>Employees</b>
State Employees	2,685	15,350
Political Subdivisions	485	5,850
<b>Total</b>	<b>3,170</b>	<b>21,200</b>

<b>NDPERS 457 Plan*</b>	<b>Participants</b>	<b>Employees</b>
State Employees	4,500	15,350
Political Subdivisions	3,000	5,850
<b>Total</b>	<b>7,500</b>	<b>21,200</b>

\* The NDPERS 457 Plan information is included for informational purposes and is not included in this proposal.

<b>Participants by Status as of September 30, 2010</b>			
	<b>401(a) Pla</b>	<b>457(b) Plan</b>	<b>Total</b>
Active and contributing	242	2,624	2,866
Active, not contributing	n/a	n/a	n/a
Suspended	0	0	0
Terminated, receiving installments	n/a	n/a	n/a
Terminated with a balance	48	507	555
<b>Total</b>	<b>290</b>	<b>3,131</b>	<b>3,421</b>

<b>Balances by Status as of September 30, 2010</b>			
	<b>401(a) Plan</b>	<b>457(b) Plan</b>	<b>Total</b>
Active and contributing	\$16,157,772.63	\$26,508,462.46	\$42,666,235.09
Active, not contributing			
Suspended			
Terminated, receiving installments			
Terminated with a balance	\$2,274,421.31	\$4,613,228.11	\$6,887,649.48
<b>Total</b>	<b>\$18,432,193.94</b>	<b>\$31,121,690.63</b>	<b>\$49,553,884.57</b>

457(b) Plan – Cash In			
	2008	2009	YTD 9/30/2010
Employee pre-tax*	\$3,337,887	\$3,485,441	\$2918,920
Employee Age 50+ catch-up	n/a	n/a	n/a
3-Year catch-up	n/a	n/a	n/a
Rollover	\$277,616	\$170,740	\$83,926
Balance Forward (Transfers)	\$75,359	\$144,008	\$0
<b>Total</b>	<b>\$3,690,862</b>	<b>\$3,800,189</b>	<b>\$3,002,846</b>

\* excluding Age 50+ catch-up and 3-Year catch-up

457(b) Plan – Cash Out			
	2008	2009	YTD 9/30/2010
Unforeseeable Withdrawals	n/a	n/a	n/a
De Minimus payments	n/a	n/a	n/a
Total distributions*	\$1,139,779	\$637,122	\$578,123
Purchase of service credits	n/a	n/a	n/a
Installment payments**	n/a	n/a	n/a
Fees	\$65,940	\$78,723	\$67,165
<b>Total</b>	<b>\$1,205,719</b>	<b>\$715,845</b>	<b>\$645,288</b>

\* Excluding purchase of service credits

\*\* Periodic payments on a monthly, quarterly or annual frequency

Rollovers Out – 457(b)Plan			
	2008	2009	YTD 9/30/2010
Purchase of Service Credits	n/a	n/a	n/a
<b>Number of participants</b>	n/a	n/a	n/a
All other rollovers out	\$755,272	\$190,366	\$265,494
<b>Number of participants</b>	<b>38</b>	<b>27</b>	<b>27</b>

Rollovers Out – 401(a)Plan			
	2008	2009	YTD 9/30/2010
Rollovers out	\$859,669	\$289,798	\$139,341,
<b>Number of participants</b>	<b>12</b>	<b>10</b>	<b>2</b>

401(a) Plan – Cash In			
Source	2008	2009	YTD 9/30/2010
Employer	\$528,252	\$568,406	\$443,495
Employee	\$512,877	\$551,838	\$430,578
After Tax	\$0	\$0	\$0
MF Window- Employer	\$43,847	\$50,233	\$44,561
MF Window - Employee	\$42,570	\$48,770	\$43,263
Rollover	\$0	\$0	\$10,415
Balance Forward (Transfers)	\$94,884	\$90,339	\$2,769
<b>Total</b>	<b>\$1,232,744</b>	<b>\$1,309,585</b>	<b>\$975,081</b>

401(a) Plan – Cash Out			
	2008	2009	YTD 9/30/2010
Total distributions	\$947,469	\$311,698	\$304,713
Installment payments	n/a	n/a	n/a
Fees	\$12,932	\$31,752	\$9,468
<b>Total</b>	<b>\$960,401</b>	<b>\$343,450</b>	<b>\$314,181</b>

<b>Pre-Tax Average Deferral - 457 Plan</b>						
Age	Ppts	2008	Ppts	2009	Ppts	2010
20-29	n/a	\$355	n/a	\$380	n/a	n/a
30-39	n/a	\$700	n/a	\$674	n/a	n/a
40-49	n/a	\$1,642	n/a	\$1,462	n/a	n/a
50-59	n/a	\$2,640	n/a	\$2,408	n/a	n/a
60-64	n/a	\$2,247	n/a	\$1,941	n/a	n/a
65-69	n/a	\$2738	n/a	\$2,474	n/a	n/a
No Date of Birth	0	\$0	0	\$0	0	0

<b>Average Contributions – 401(a) Plan</b>						
Age	Ppts	2008	Ppts	2009	Ppts	2010
20-29	n/a	\$1,113	n/a	\$1,720	n/a	n/a
30-39	n/a	\$1,800	n/a	\$1,920	n/a	n/a
40-49	n/a	\$2,169	n/a	\$2,396	n/a	n/a
50-59	n/a	\$2,809	n/a	\$2,841	n/a	n/a
60-64	n/a	\$3,243	n/a	\$3,749	n/a	n/a
65-69	n/a	\$2,037	n/a	\$2,493	n/a	n/a
No Date of Birth	0	\$0	0	0	0	0

<b>Investment Options Per Participant as of June 30, 2010</b>		
Number of Funds	401(a) Plan	457 Plan
1 Fund (Lifecycle Fund)	22.0%	72.8%
1 Funds	5.5%	2.9%
2 Funds	20.3%	8.5%
3 Funds	10.3%	3.7%
4 Funds	10.7%	3.6%
5 or more Funds	31.3%	8.6%
Average # of Funds Held	3.7 funds	1.8 funds

## Investment Structure and Plan Assets as of September 30, 2010

The Board is looking for a semi-bundled service provider to fully support one or both of the Plans, offering an investment structure with competitive funds including a series of lifecycle funds. The investment options may be either proprietary or outside alliances, and shall offer broad diversification opportunities, consistent returns, top quartile performance, and competitive expense levels. Institutional share class investment options if available, should be strongly considered. A fund mapping conversion method will be utilized with respect to the transfer and consolidation of funds into the new investment line-up. Under this approach, all assets in the Plan will be transferred into similar investment options within each asset class of the new investment manager.

You may propose fund recommendations in each of the categories currently in the Plan line up. Your proposal response must include a list of your top fund recommendations. Your proposed funds can include mutual funds, separate accounts, and/or commingled funds. The proposed investment structure consists of **core funds plus a series of Lifecycle/Retirement Date funds**. The State, upon selection of the services provided, will have complete flexibility and sole discretion to select the final investment options as well as to determine the actual number of investment options in the investment lineup to be offered to its plan participants.

The Board is also requesting each proposer provide recommendations in additional asset classes it believes will enhance the Plan. Each proposer should provide recommendations in its response to section 3: Investment Management Services, and include its reasoning.

#### 401(a) Defined Contribution Retirement Plan

Asset Class	Fund	Ticker Symbol	9/30/2010 Balance	# of Participants
<b>TIER 1: LIFECYCLE</b>				
Lifecycle	Freedom Income	FFFAX	\$84,864	5
Lifecycle	Freedom 2000	FFFBX	\$30,069	1
Lifecycle	Freedom 2005	FFVFX	\$0	0
Lifecycle	Freedom 2010	FFFCX	\$366,870	12
Lifecycle	Freedom 2015	FFVFX	\$117,33	9
Lifecycle	Freedom 2020	FFFDX	\$2,055,116	47
Lifecycle	Freedom 2025	FFTWX	\$383,758	14
Lifecycle	Freedom 2030	FFFEX	\$1,625,895	48
Lifecycle	Freedom 2035	FFTHX	\$238,456	16
Lifecycle	Freedom 2040	FFFFX	\$398,782	21
Lifecycle	Freedom 2045	FFFGX	\$91,523	8
Lifecycle	Freedom 2050	FFHFX	\$114,501	3
<b>TIER 2: CORE FUNDS</b>				
Stable Value	Managed Income Portfolio	N/A	\$2,500,787	133
Bond Fund	PIMCO Total Return Fund – Administrative Class	PTRAX	\$933,097	40
Balanced/Hybrid Fund	Fidelity Puritan Fund	FPURX	\$502,446	40
Large Cap Growth	Fidelity Growth Company	FDGRX	\$2,236,639	118
Large Cap Growth	Fidelity Blue Chip Growth	FBGRX	\$73,143	14
Large Cap Value	Fidelity Equity Income Fund	FEQIX	\$733,399	55
Large Cap Value	Mutual Shares Fund – Class A	TESIX	\$71,410	15
Large Cap Blend	Fidelity Dividend Growth Fund	FDGFX	\$129,092	19
Large Cap Blend	Spartan 500 Index Fund – Investor Class	FUSEX	\$799,562	59
Mid Cap Value	Goldman Sachs Mid Cap Value Fund – Class A	GCMAX	\$32,412	8
Mid Cap Blend	Dreyfus Mid Cap Index Fund	PESPX	\$27,695	5
Mid Cap Blend	Spartan Extended Market Index Fund – Investor Class	FSEMX	\$0	0
Mid Cap Growth	Fidelity Mid-Cap Stock Fund	FMCSX	\$235,034	26
Small Cap Value	Allianz NFJ Small-Cap Value Fund – Administrative Class	PVADX	\$155,903	20
Small Cap Blend	Dreyfus Small Cap Stock Index Fund	DISSX	\$10,097	2
Small Cap Growth	MSIF Small Company Growth Portfolio – Class P Share	MSSMX	\$839,231	79
International/Global Fund	Fidelity Diversified International Fund	FDIVX	\$1,327,320	102
International/Global Fund	Fidelity Spartan International Index Fund	FSIIX	\$574	1
<b>Total</b>			<b>\$15,997,675</b>	

## 457 Deferred Compensation Companion Plan

Asset Class	Fund	Ticker Symbol	9/30/2010 Balance	# of Participants
<b>TIER 1: LIFECYCLE</b>				
Lifecycle	Freedom Income	FFFAX	\$443,140	57
Lifecycle	Freedom 2000	FFFBX	\$77,952	10
Lifecycle	Freedom 2005	FFVFX	\$86,226	12
Lifecycle	Freedom 2010	FFFCX	\$731,424	106
Lifecycle	Freedom 2015	FFVFX	\$937,626	178
Lifecycle	Freedom 2020	FFFDX	\$4,114,806	407
Lifecycle	Freedom 2025	FFTWX	\$1,250,440	294
Lifecycle	Freedom 2030	FFEX	\$888,766	262
Lifecycle	Freedom 2035	FFTHX	\$685,433	304
Lifecycle	Freedom 2040	FFFFX	\$1,836,786	569
Lifecycle	Freedom 2045	FFFGX	\$466,404	389
Lifecycle	Freedom 2050	FFHFX	\$277,881	325
<b>TIER 2: CORE FUNDS</b>				
Stable Value	Managed Income Portfolio	N/A	\$2,240,748	205
Bond Fund	PIMCO Total Return Fund – Administrative Class	PTRAX	\$1,287,505	130
Balanced/Hybrid Fund	Fidelity Puritan Fund	FPURX	\$1,977,781	197
Large Cap Growth	Fidelity Growth Company	FDGRX	\$265,218	49
Large Cap Growth	Fidelity Blue Chip Growth	FBGRX	\$1,611,974	263
Large Cap Value	Fidelity Equity Income Fund	FEQIX	\$345,888	64
Large Cap Value	Mutual Shares Fund – Class A	TESIX	\$446,348	103
Large Cap Blend	Fidelity Dividend Growth Fund	FDGFX	\$190,564	40
Large Cap Blend	Spartan 500 Index Fund – Investor Class	FUSEX	\$2,011,898	314
Mid Cap Value	Goldman Sachs Mid Cap Value Fund – Class A	GCMAX	\$66,777	17
Mid Cap Blend	Dreyfus Mid Cap Index Fund	PESPX	\$592,932	62
Mid Cap Blend	Spartan Extended Market Index Fund – Investor Class	FSEMX	\$227,405	28
Mid Cap Growth	Fidelity Mid-Cap Stock Fund	FMCSX	\$461,034	78
Small Cap Value	Allianz NFJ Small-Cap Value Fund – Administrative Class	PVADX	\$2,779,243	319
Small Cap Blend	Dreyfus Small Cap Stock Index Fund	DISSX	\$143,783	23
Small Cap Growth	MSIF Small Company Growth Portfolio – Class P Share	MSSMX	\$264,984	63
International/Global Fund	Fidelity Diversified International Fund	FDIVX	\$2,577,290	329
International/Global Fund	Fidelity Spartan International Index Fund	FSIIX	\$30,832	6
<b>Total</b>			<b>\$29,319,088</b>	

## **Goals and Objectives of the 401(a) Defined Contribution Retirement and 457 Deferred Compensation Companion Plans**

As part of the selection criteria, the State is looking for a semi-bundled service provider that has the capabilities of dealing directly with at least **14,000** eligible state employees plus participating political subdivisions.

***Proposers may bid on either scenario 1 (either the 401(a) Defined Contribution Retirement Plan or 457 Deferred Compensation Companion Plan) or scenario 2 (both plans).***

For a program of this size to be a success, an administrative process must be in place to address the needs of all eligible employees, including assistance in the enrollment and education process. The State is looking for a service provider who can actively manage all related enrollment activity and implement a program to ensure maximum participation.

Additionally, the State wants to develop a relationship with a service provider(s) who will offer strong and competitive fund choices, accurate and timely recordkeeping services and administer the Plans within pre-described service standards. It places a high value on finding a service provider that meets the following qualifications.

### **1. Focus on Quality and Consistency of Service Delivery**

- Adheres to successful quality assurance procedures;
- Follows a successful problem resolution methodology;
- Has a history of performing services on a timely basis;
- Performs services correctly and accurately every time;
- Provides accurate and consistent responses to inquiries;
- Develops a strategy with the Board to increase Plan participation and assets including but not limited to:
  - (a) Offering incentives, such as a buyout of surrender charges, allowing participants utilizing another deferred compensation service provider to transfer their balances to the Plan
  - (b) Utilizing local brokers
  - (c) Increasing the minimum contribution rate of the Plan
  - (d) An alternative strategy suggested by the selected service provider
- Proactively provides the Board with opportunities to lower fund fees and Plan administrative costs; and
- Provides accurate and consistent modeling of participant scenarios for both the Defined Benefit Pension and Defined Contribution plans.

### **2. Proactive Approach**

- Develops and implements a strategic plan that covers participant communication and education, enhancements to Plan sponsor and participant services and implementation of any substantive regulatory or legislative changes and includes clear and concise objectives, timetables and benchmarking methodology;
- Educates participants through participant friendly communications;

- Educates participants by providing informed customer service representatives;
- Provides comprehensive retirement planning and investment education services to participants; and
- Provides comprehensive education on an ongoing basis to the Board and dedicated Retirement System Staff.

### **3. Commitment to Technology Development**

- Keeps up to date on technological developments such as website development and Internet access;
- Continuously invests in enhanced technology; and
- Demonstrates improvement (accuracy, timeliness, etc.) in client service through technological enhancements.

### **4. Reasonable Fees**

#### **Vendor Selection Process**

The selection process will include the following phases:

#### **1. Analysis of RFP Responses**

Following submission of responses to this RFP, Segal Advisors and the Board will review and analyze the proposals and identify the finalists who will be invited to make a presentation to the Board.

#### **2. Finalist Presentations (optional, if required)**

Finalists will make a presentation that will give them an opportunity to explain the functional, technical and investment capabilities of their organizations. Providers should also be prepared to answer detailed questions regarding their proposals.

#### **3. Selection of Service Provider**

It is expected that the successful candidate(s) will be notified shortly after the finalist presentations. The actual award of the engagement is contingent upon finalizing an agreement with regard to the service contract, service standards and fees.

## **Section 1: Introduction/Overview**

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### **Pre-Bid Vendor Questions**

Submission of questions related to this Request for Proposal must be made via email to Jeffrey Snyder at **jsnyder@segaladvisors.com** by **5:00 p.m. Eastern Time, January 19, 2011**. Your questions must simultaneously be submitted as a cc: to Mr. Sparb Collins, Executive Director, North Dakota Public Employees Retirement System, at [scollins@nd.gov](mailto:scollins@nd.gov).

Written responses to each vendor's questions will be distributed back to all prospective proposers via email by Segal Advisors by **5:00 p.m. ET, January 26, 2011**.

## Format of RFP Responses

Vendors must provide their proposal in the following format:

### 1. Transmittal Letter

A letter of transmittal shall accompany each proposal. Such letter must be signed by a person authorized to contractually obligate the vendor to the scope, terms, specifications, and pricing contained in the response. This letter should also clearly indicate the name, address, phone number and facsimile number of one contact person for the proposal.

The letter of transmittal should be no longer than two pages and should include the following:

- A. Certification that the proposer meets all of the minimum service qualifications. Reference to completion of certification of compliance with terms and conditions of the RFP. (**Please see Attachment A.**)
- B. A brief statement of the services to be provided.
- C. A statement of commitment to provide the services requested within the times and manner specified.
- D. A brief summary of the vendor's qualifications to perform this type of engagement.
- E. A statement confirming that this proposal shall remain valid for six (6) months after the closing date for receipt of proposals.
- F. Certification that the individual signing this proposal has the authority to bind the proposer to the terms and conditions set out in the proposal document.

Name of Company \_\_\_\_\_  
Signature \_\_\_\_\_  
Position \_\_\_\_\_  
Date \_\_\_/\_\_\_/\_\_\_

### 2. Table of Contents

The table of contents should include clear and complete identification of the materials submitted by section and page number.

### 3. Format Requirements

Responses must comply with the following:

- A. All questions in Sections 2, 3 and 4 must be answered in the manner and area stipulated after each question. Each RFP question must be restated before your response. If printed matter is supplied as supplemental information, please make sure that the supplemental information is appropriately marked with the corresponding question to which it applies.
- B. Please respond to every question in each section of the RFP. Failure to respond to all questions may lead to your elimination from consideration.

- C. All questions must be answered in the order asked.
- D. Neither Segal Advisors nor the Board will be bound by oral explanations or instructions given at any time during the request for proposal process or after the award of the contract.

**4. Fee Specifications**

Fee quotes should be provided in the format outlined in the Fee section of the questionnaire (Section 4). Pricing offer must be good for six (6) months from the receipt date of the proposal.

## Submission of RFP Responses

Each vendor must submit their RFP response in accordance with all stipulations listed below:

Each service provider must submit a total of thirteen (13) copies by **5:00 p.m. Eastern Time on February 9, 2011 to the State of North Dakota PERS Retirement Board and to Segal Advisors**, as follows:

**Ten (10) bound copies, one (1) unbound copy, one (1) unbound redacted copy, plus an electronic copy to:**

Mr. Sparb Collins  
Executive Director  
North Dakota Public Employees Retirement System  
400 E. Broadway, Suite 505  
PO Box 1657  
Bismarck , ND 58501  
E-mail: [scollins@nd.gov](mailto:scollins@nd.gov)

**One (1) bound copy and one (1) electronic copy to:**

Jeffrey H. Snyder  
Consultant  
Segal Advisors, Inc.  
One Park Avenue, 6<sup>th</sup> Floor  
New York, NY 10016  
E-mail: [jsnyder@segaladvisors.com](mailto:jsnyder@segaladvisors.com)

1. Proposals must be clearly labeled: **Request for Proposal/ 401(a) Defined Contribution Retirement Plan and 457 Deferred Compensation Companion Plan Services.**
2. Service providers must provide a copy of their proposal in an electronic format to Jeffrey Snyder (212-251-5178) at Segal Advisors via e-mail: [jsnyder@segaladvisors.com](mailto:jsnyder@segaladvisors.com).
3. Service providers must provide their investment exhibits II – VII (Section 3) in Microsoft Excel format to [jsnyder@segaladvisors.com](mailto:jsnyder@segaladvisors.com).
4. Service providers must submit their RFP response via the Segal Advisors Online Vendor Search RFP application available at the following internet web address: <http://rfp.segaladvisors.com/>

To use the application, each vendor must have a user ID and password. User IDs and passwords for the application may be obtained by email at [DCCconnect@segaladvisors.com](mailto:DCCconnect@segaladvisors.com).

Questions regarding the operation of and input into the application may be forwarded by email at [DCCconnect@segaladvisors.com](mailto:DCCconnect@segaladvisors.com).

*Please note that responses to questions in the Segal Advisors Online Vendor Search RFP Application are limited to 1,024 characters. Please make certain to adhere to this limit.*

*Proposals received after the deadline are late and will not be considered unless the proposer presents extenuating, exceptional circumstances acceptable to the Board. Proposers are responsible for ensuring that their proposals are received in a timely fashion.*

Asset transfer to the new provider will be completed on **August 1, 2011**

**Projected Timetable**

<b>TASK</b>	<b>TARGET DATES</b>
Release of Request for Proposal – RFP	<b>12/27/2010</b>
Receive pre-proposal questions from provider(s)	<b>01/19/2011</b>
Provide response to provider(s) proposal questions	<b>01/26/2011</b>
<b>Deadline for proposal submission</b>	<b>02/09/2011</b>
Finalists Presentations	<b>Optional, if required</b>
Commence Plan Implementation	<b>May 1, 2011</b>
Asset Transfer	<b>August 1, 2011</b>

If required, successful proposers will be notified as to the actual date and time of finalist presentations and will be provided with instructions regarding the presentation agenda and location.

## **Evaluation of the Proposals**

The Board along with Segal Advisors will first examine proposals to eliminate those that are non-responsive to the stated requirements. Therefore, proposers should exercise particular care in reviewing the proposal format required for this RFP.

The Board reserves the right to contact any and all references to obtain, without limitation, information regarding a proposer's performance on previous projects. A sample of references will be checked for each proposer.

In evaluating the proposals, all aspects of the required services will be fully evaluated. The Board may consider any factors it deems necessary and proper for best value, including but not limited to:

1. Data-management services, including creation and maintenance of employee data, transaction data and history, interfaces with suppliers and payroll, and other recordkeeping and administrative functions, including compliance.
2. Overall cost structure, including member fees and credit allowances for plan level expenses
3. Size, structure, resources, and experience in providing deferred compensation services that are similar in size and scope to that of the North Dakota Public Employees Retirement System 401(a) Defined Contribution and 457 Deferred Compensation Companion Plans.
4. Qualifications of the personnel assigned to execute the services required by the Board.
5. Member services including one-on-one participant counseling and on-line system capabilities including voice response system, participant internet website and customer service center.
6. Plan for increasing overall plan participation and assets
7. Scope and value of performance guarantees.
8. The final award will be subject to the execution of a service contract acceptable to the Board.

## **Finalist Presentations**

The purpose of the finalist presentations is to give each finalist an opportunity to further explain its qualifications, services and capabilities.

When finalist presentations are made to the Board, it is expected that each proposer will bring to the meeting those people who will work directly with the Board, if proposer is successful.

Travel expenses and costs related to the interview will be the responsibility of the proposer.

**From the date this RFP is issued until the award of the contract, all communication related to this RFP shall be directed to Jeffrey Snyder of Segal Advisors.**

**This RFP and the selected proposer's RFP response including exhibits and any addenda, will be incorporated into the final contract document.**

## **Exceptions/Additions**

Any language which differs from this RFP that is used or suggested by a proposer will be submitted for clarification only, and shall not affect the proposer's acceptance of the terms and conditions of this RFP and shall not be binding on the Board unless affirmatively accepted by the Board in writing. The Board assumes no obligation to accept, reject, or negotiate proposed replacement terms or conditions with the successful proposer.

Proposers will be required to sign a statement, as part of the proposal, that they are in agreement with all of the terms and conditions presented in the RFP, the exhibits, and the addendum to the RFP. (Transmittal Letter)

The proposer is responsible for clarifying any ambiguity, conflict, discrepancy, omission, or other error in the Request for Proposal before submitting the proposal; otherwise the right to raise such issues shall be waived.

# **SECTION 2**

## **Request for Proposal**

### **Administrative Services Questionnaire**

## Organization and History

1. **Proposer Information:** The proposer must include a narrative summary of the proposer's corporation and each subcontractor, if any. The narrative shall include the following:
  - (a) date established;
  - (b) ownership (public, partnership, subsidiary, etc.);
  - (c) organizational chart;
  - (d) a statement that financial statements for the past 3 years are attached, with copy of each statement; and
  - (e) relationships with other entities relevant to or related to the subject matter of this RFP.
2. Provide a brief overview of your company and history of your organization and its 401(a) defined contribution and 457 deferred compensation services. Please describe any parent/subsidiary/affiliate relationships.
3. Provide the name(s), title(s), address(es), telephone and fax number(s), and email address(es) of the individual(s) responsible for responding to this request. These individuals must be authorized to negotiate contracts regarding the scope, terms and pricing outline in the proposal.
4. Please provide an organizational chart of your proposed service team for this relationship. Provide the name(s), title(s), address(es), telephone and fax number(s), email address(es), and the responsibilities, functions, or roles of each individual who will be assigned to and responsible for providing the contracted services under the Plan, including the Client Relationship Manager who will be responsible for the overall relationship with the Commission. In addition, please provide a resume for each individual stating the individual's education and work experience.
5. How many of your employees work on 457 deferred compensation and 401(a) defined contribution retirement plans?
  - a. Provide a breakdown of the number of full-time equivalent employees working on 457 deferred compensation and 401(a) defined contribution retirement plans by the following functional areas: management; call center management/supervisors; customer service representatives (CSR's); field representatives; systems management; systems staff (development staff and operating/maintenance staff); and other support personnel.
  - b. Will you need to add local or onsite employees in order to provide the required services to these Plans? If so, please state the number of additional staff required, by job title and function.
6. What are your client retention statistics for each of the last three years?
  - a) For those who left, what percentage left due to issues pertaining to services provided by your organization?
  - b) What is the average client relationship duration?
7. How many 401(a) and 457 deferred compensation plans have you gained in the last three years?
8. How many 401(a) and 457 deferred compensation plans have you lost in the last three years?

## Section 2: Administrative Questionnaire

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9. Indicate how many years your company has been active in the defined contribution business as it pertains to public sector 401(a) plans. Indicate the period of time for each service, if different, such as investment management for X years, recordkeeping for Y years, trustee services for Z years.

10. Indicate how many years your company has been active in the defined contribution business as it pertains to public sector 457 Deferred Compensation plans. Indicate the period of time for each service, if different, such as investment management for X years, recordkeeping for Y years, trustee services for Z years.

11. Provide a representative list of public sector 401(a) defined contribution plan clients for whom you provide services.

Client Names	Total Participants	Total Assets	Length of Relationship

12. Provide a representative list of public sector 457 deferred compensation plan clients for whom you provide services.

Client Names	Total Participants	Total Assets	Length of Relationship

13. List the number and total assets of the public sector 401(a) plans that you currently administer in the following categories:

Number of Participants Public 401(a) Plans	Plans		Assets	
	Number	Percent	Amount	Percent
Under 1,000				
1,001 – 5,000				
5,001 – 10,000				
10,001 +				
<b>Total</b>				

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14. List the number and total assets of the 457 plans that you currently administer in the following categories:

Number of Participants 457 Plans	Plans		Assets	
	Number	Percent	Amount	Percent
<b>Under 1,000</b>				
<b>1,001 – 5,000</b>				
<b>5,001 – 10,000</b>				
<b>10,001 +</b>				
<b>Total</b>				

15. What is the total number of participants in all public sector deferred compensation plans currently being administered by your organization?
16. Are you currently participating in any alliances or joint marketing efforts? If so, please describe in detail.
17. Please provide the number of outside fund family alliances that you have relationships with. Please also provide the total number of non-proprietary funds that are available.
18. What is your experience in providing 401(a) and 457 plan administration services for similar governmental programs?
19. Identify the key facets of your approach that make you uniquely qualified to provide services to the Board.
20. Describe your errors/omissions liability insurance and coverage. Describe the various types of insurance coverage and indemnification provided to protect clients.
21. Has your company, or any affiliates, been a party to any litigation during the last three years involving your deferred compensation recordkeeping and administration services? If yes, please provide: 1) the names and address(es) of the parties to the litigation, 2) the name and location of the court where the proceeding was filed, 3) the docket or file number of the case, 4) the nature of the claim or action and 5) the current status of the litigation.
22. Please provide the biography, including education and work history, as well as the following information of the Client Relationship Manager responsible for the overall relationship with the Commission:
- Name:
  - Title:
  - Address:
  - Phone Number:
  - Fax Number:
  - E-mail Address:

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23. Please provide an organizational chart of your proposed service team for this relationship. What is the average number of account relationships for each member? What is the current number of account relationships for the entire team proposed for this account?
24. What is the authority the client service manager will have to resolve problems? For those issues that the client service manager does not have direct authority to resolve a problem, please identify the process internally that will be followed to provide resolution.
25. What is the average tenure (in years) of the following positions:
  - Plan Administrator
  - Client Relationship Manager
  - Field Service Representatives
  - Conversion Project Manager
  - 800 Customer Service Center Representatives
26. What location(s) would provide the services described in this RFP?
27. If account team members or services are provided from multiple locations, explain how the team/service will be managed.
28. How do you ensure that account continuity and knowledge are maintained on the account from initial planning through implementation and ongoing servicing?
29. What is the last date when your organization had a change in its business structure, whether through an acquisition or divestiture or through an alliance arrangement? If applicable, how did this change in business affect the recordkeeping division?
30. Describe any pending or anticipated plans to re-organize your company within itself or as part of the larger organization of which your company is a part.
31. What portion of your organization's expenses is related to recordkeeping and system technology development?
32. Do you measure the profitability of each plan individually or the business unit as a whole?
33. Please describe all outsourcing arrangements and any contemplated outsourcing arrangements that will be used by you to deliver any of the services you will be providing.
34. Provide the following information:
  - a. Total assets under management
  - b. Total defined contribution assets under management
  - c. Total public 457 deferred compensation assets under management
  - d. Total 401(a) assets under management
  - e. Total 457 deferred compensation assets under management

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### References

1. Please provide references for three current public sector clients that have similar plan demographics (*i.e.*, size and plan design). If available, at least one of the three should have converted within the last year. For each reference, please provide client name, contact name, address, phone number, services provided, and year they became a client.
2. Please provide references for three former clients who had similar plan demographics (*i.e.*, size and plan design). At least one of the three should have left within the last year. Please provide former client name, contact name, address, phone number, services provided, year they ceased to be a client and the reason(s).

### Client Service / Quality Assurance

1. Please describe the team that would deal directly with the Board during the transition/implementation and on an ongoing basis. Indicate staff size, experience and turnover rates.
2. Describe your organizational philosophy/ approach to client services.
3. Describe the training program and licensing requirements for your field service representatives and 800 customer service representatives. Focus on call center skills, use of call center equipment, benefit training, HR training, customer service, problem resolution, and other operator training areas.
4. Describe your service standards and turnaround time for the completion of the following:

Transaction	Turnaround Time	Penalty (\$) for Not Meeting Standard
Issuance of Participant Statements		
Transaction Confirmation Statements		
Hard Copy Plan Level Administrative Reports (hard copies)		
Processing Payroll Contributions		
Hardship/Unforeseen Emergency Withdrawals		
Termination/Rollovers/Direct Transfers for Distribution		
Fund Balance Transfers		
Investment Election Requests		
Error corrections and adjustments		
Contribution Percentage Elections/ Changes		
QDRO Processing		

5. Please outline in detail your expected processing timelines for all participant and plan level transactions. Please include step-by-step processing flow charts that outline the timing for each step of the process.
6. Do you offer performance guarantee as part of your standard service? If so, please describe.

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7. Describe your procedures for monitoring:
  - a. client satisfaction
  - b. participant satisfaction
8. How frequently do you conduct client and participant satisfaction surveys on your deferred compensation services and performance?
9. Is the survey conducted by an independent entity?
10. What corrective measures or action steps do you perform to address client and participants who are not satisfied with your service performance?

### **Recordkeeping / Administration**

1. Do you provide an administrative or procedures manual that includes a timeline of critical dates, roles, and responsibilities?
2. Provide copies of your administrative forms that are to be used by the plan participants to request transactions.
3. Do you use unit or share accounting?
4. Describe how you will handle payroll reconciliations. Describe your administrative process for correcting payroll data and performing edits on incomplete or missing data.
5. Can you accept manual edits, adjustments, and indicative data changes to the contribution input file?
6. Describe your recordkeeping/administrative capabilities for handling negative data from the payroll files.
7. Describe how your payroll contribution reports identify participants contributing up to the current maximum contribution, and identify participants in catch-up status.
8. Describe your process for fully administering hardship/unforeseen emergency distribution requests. Note: Currently ND PERS administers these requests.
9. Describe your system capabilities to process systematic payment distributions. Is payment made on a pro rata basis across all investment options? Can a participant elect systematic payment from specific fund(s)?
10. For distributions, does your system withhold Federal tax and if applicable, State tax?
11. Do you prepare 1099R Tax Forms and issue tax statements to participants who receive distributions including forms and tax statements for beneficiary distributions and related filings?
12. Describe your process for searching for participants who have not cashed their distribution payment checks.
13. As indicated in the minimum qualifications, PERS staff determines the qualified status of Domestic Relations Orders. Please outline your ability to meet this minimum qualification and outline the exact process PERS staff will follow.

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14. Describe any limits imposed on any participant initiated transactions (ie: mix changes, contribution rate changes, etc.).
15. How do you maintain separate accounts for non-participant alternate payees?
16. Describe the process you use to track and maintain employee beneficiary data.
17. Describe the historical plan information you maintain on participants.
18. If the Board is not satisfied with the performance of a particular fund, what are the steps needed to make a change?
19. How long would it take to make a fund change?
20. Would there be a cost to change funds?
21. Please describe how your recordkeeping system handles funds with short-term fund redemption fees.
22. The Small Business Jobs and Credit Act of 2010 established the Roth 457(b) for governmental deferred compensation plans. Please fully describe your anticipated Roth 457(b) service. Please outline any specific administrative concerns or system issues that you foresee in the implementation of this service for your clients.
23. What other administrative services do you provide?

### **Regulatory/Compliance Service**

1. Describe how you monitor §401(a) (9) required minimum distributions including:
  - Identification of individuals
  - Determination of the amount of the minimum required payment
  - Payment within required deadlines.
2. How do you address violations of any of the limits?
3. Describe your capabilities and timeframes for monitoring maximum deferral limits and the catch-up provisions.
4. Fully describe your administrative process for calculating catch-up contributions.
5. As part of your service, do you provide an annual benefits file, containing financial and non-financial data by participant?
6. Please provide an executive summary of the findings from the most current SAS70 audit of your recordkeeping system and any other audit you have performed.
7. What resources do you have to obtain legal opinions, interpretations of laws, regulations, and other matters on issues pertaining to deferred compensation plans?
8. Please acknowledge and describe in detail your fiduciary responsibility with respect to the Plans.

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9. How will you ensure that the Plans remain in compliance?
10. How do you ensure that your recordkeeping system is in compliance with all applicable rules and regulations?
11. How quickly are changes in the law reflected in the system?

### **Sample Contracts**

1. The successful firm will be required to sign a standard contract with the State that will incorporate this RFP and the State's standard provisions. If the vendor requires any additional contract provisions they should provide a sample with their proposal response and explain why the additional contract provision will be required.

### **Reporting**

1. Describe the standard reporting package that you would provide the Board (provide samples).
2. Will the Board be able to generate these reports on-line?
3. What is the standard timeframe for providing each plan sponsor report after the reporting period ends?
4. What types of demographic participant data will you be able to provide?
5. Describe your flexibility to produce ad-hoc plan level reports.
6. Describe your turn around time for providing quarterly investment asset reports to be used to conduct investment performance analysis.
7. Describe your standard participant statements and documents (provide samples). Do your participant quarterly statements illustrate personalized rate-of-return?
8. Describe your ability to consolidate both the 401(a) and 457 plan balances on the participant statement?
9. Describe your customization capabilities for participant statements.
10. Do you have the flexibility to include a section for customized messages from the Board on your quarterly participant statement?
11. Can you include other printed information, prepared by the Board, with the mailing of statements to participants? If so, please verify that this service is available at no additional cost.
12. Can statements be provided to participants on an on-demand basis?
13. How do you disclose fees to plan participants?

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### Custodial Trustee Services

1. Describe the custody/trustee services you propose. Does your organization have a single custody/trust relationship? If so, what is the name of your trust company and the total number of years that they have been in operation?
2. Describe any restrictions by investment type that pertain to your custodial services.
3. What are the total public deferred compensation assets currently held by the custodian?
4. Confirm that you will trustee outside investment funds.
5. Please fully describe your check distribution process including frequency.
6. Do you have a limit on the number of checks/wires available to participants?
7. Do you have an electronic link with the investment managers for updating participants' accounts on the recordkeeping system? Please explain your daily updating process.
8. Describe your reconciliation process to ensure participant accounts and total custodial assets are in proof.
9. Will the State be required to execute a custodial agreement with your custodial trustee or will the custodial trustee services be part of the contract with the State?

### Plan Implementation

1. Explain your implementation/conversion process including timeframe, based upon an **August 1, 2011** conversion with an "in-kind" transfer method, which will not require an initial re-enrollment.
2. What involvement will be required from the Board during the implementation process?
3. Does your organization require a test conversion of prior valuation and reconciliation of assets to balance before conversion?
4. Do you have any limitations as to the format/media of participant data?
5. How are investments handled during the conversion process? How are distributions handled to accommodate the continuity of payments to retirees during the conversion period?
6. Describe your procedures during the conversion period to communicate with non-active employees (*i.e.* retirees and terminated employees with value in the plan).
7. Describe the team that would be involved in implementation of the program, explaining each team member's role and experience with similar engagements. Is the same team responsible for on-going processing? If not, how will the implementation team work with the ongoing service team? Address, in particular, how transition and continuity issues will be addressed.
8. By what date would you need authority to proceed to accommodate an **August 1, 2011** asset and recordkeeping transfer?

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9. What assurances/guarantees do you provide with respect to a timely implementation?
10. How do you manage the implementation process to keep it on schedule? Please provide a detailed timeline with milestones and applicable dates assuming an **August 1, 2011** asset and recordkeeping transfer.
11. Identify comparable plan conversions in which you have been involved. How many conversions and implementations has your company conducted during the past three years involving 5,000 employees or more?
12. Confirm how any blackout period will conform to the Sarbanes-Oxley Act for participant notification.
13. Have you completed your conversions in less than 10 business days from receipt of reconciled data? If yes, specify average number of business days.

### **Systems Capabilities and Hardware**

1. Describe the hardware platform and software system you use to recordkeep and administer defined contribution plans.
2. Was the software developed internally, leased, or purchased from another provider? Who has the ultimate responsibility/authority to make sure the software remains current to laws, regulations, client needs, etc.?
3. How long have you used these systems for deferred compensation recordkeeping?
4. Are you planning any major change in the software or hardware supporting your recordkeeping system in the next 24 months? If yes, please describe.
5. Describe your documented disaster recovery plan. How often do you test your recovery system?
6. Where is your main data processing center located?
7. Where is your back-up center located?
8. Where is your customer service center located?
9. Where is your back-up customer service center?
10. Describe your maintenance and back-up procedures including daily back-ups, retention timetable and off-site back-up storage approach.
11. Describe your maintenance and back-up procedures including daily back-ups, retention timetable and off-site back-up storage approach.
  - a) Describe any system outages within the last three years and how have they been handled?
  - b) Has any liability resulted from these outages and are there any pending claims related to these outages?
12. Please explain your disaster recovery plans and procedures to handle the following situations
  - a) Loss of inbound telecommunications services by the carrier

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- b) Individual system failure including the following systems: PBX, IVR, application server, case management system
  - c) Loss of power
  - d) Loss of daily backup/natural disaster
  - e) Outages: Provide information on how short outages (2 hours or less) vs. prolonged outages (more than 2 hours) would be handled.
  - f) Testing: How often and how is your backup plan tested?
  - g) Disasters: Please describe the most severe disaster that has occurred at your facility and explain the cause, how it was handled, and what steps were taken to prevent future occurrences.
13. Describe the method of maintaining plan sponsor and participant history on the system.
14. Can historical information, such as management reports, be stored on CD-ROM?
15. Describe in detail your procedures and safeguards used to guarantee:
- a) Security for your hardware and facility
  - b) Authorized access to data
  - c) Confidentiality of data
  - d) Security for any hard copy of plan-related data or documents
16. Are your recordkeeping and trust systems fully integrated? Does it have the ability to electronically feed data between the two?
17. Are internal controls of your recordkeeping system audited by an independent accounting firm on an annual or more frequent basis? If so, who conducts the audit?

### **Participant Services/Automated Voice Response System (VRS)**

- 1. Please provide a phone number and instructions on how to access a demonstration of your automated VRS capabilities for the participant.
- 2. Describe the services available through your automated VRS.
- 3. Are there any transactions that cannot be processed through the voice response system (i.e., PIN changes, address changes, etc.)?
- 4. Is the VRS fully capable of generating all the necessary administrative forms to handle enrollments, hardships, terminations and beneficiary distribution requests?
- 5. How are participant-initiated transactions processed through the VRS?
- 6. Which VRS transactions generate written confirmations? Can participants request confirmation statements be faxed to them?

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7. How quickly is the VRS updated after transactions are performed?
8. Does your VRS capture and retain information regarding the confirmation of a transaction request?
9. In the situation whereby a participant calls the VRS but does not properly complete the transaction, do you retain a record that a call was placed but the transaction was not properly executed?
10. Can participants request contribution deduction changes through the VRS? Can you provide a feedback report back to the State and each local subdivision to update their payroll records and contribution changes?
11. Does your VRS accommodate non-English speaking participants? Does it accommodate the hearing/speech impaired participants?
12. Does the VRS accommodate the hearing/speech impaired participants? Please describe the accommodations.
13. Describe how data is secured within the system (i.e., PIN, audit trail, confirmations).
14. Describe the security through which a participant passes to use your voice response system (e.g., recorded lines, personal identification numbers, and confirmation notices).
15. Describe any security breaches that resulted in improper access to one or more participant's accounts within the last three years.

### **Participant Services/1-800 Customer Service Center**

1. What are the standard hours of operation of your customer service center?
2. At what point in the call can a participant elect to move from the VRS to an operator?
3. Describe the types of information customer service representatives (CSRs) will be able to provide to the participants.
4. Are there any transactions that cannot be processed through the customer service center?
5. Can employees enroll in the Plans through the customer service center?
6. Following a CSR-assisted transaction, how quickly will a written confirmation be mailed to the participant's home address?
7. Can participants change their PIN through a CSR? Can PINs be reset and immediately provided to a participant during the call? Can participants who misplace their PIN call the customer service center and have a new PIN sent directly to their home address?
8. Do you monitor participant calls for quality control?

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9. Do you tape conversations and/or otherwise maintain records of conversations between a participant and a CSR? If so, how long do you maintain the records?
10. Do CSRs back up your Internet site? If so, how are they accessible during an active Internet session?
11. Do you track telephone utilization data? If yes, describe what is tracked and the standard reports the plan sponsor will receive.
12. Describe the PIN management process including timing of assigning new PIN at the initial conversion and upon new plan enrollment.
13. Where is the location of your 1-800 call center that will be responsible for servicing this relationship?
14. Do you have a back-up center for your voice response and operator services? If yes, where is it located and is it in continuous operation?
15. Please identify your 1-800 number service standards, including response time, percentage of calls handled without subsequent follow-up, etc. Please include for the last three calendar quarters, statistics related to the following actual performance:
  - (a) Number of calls
  - (b) Average length of calls
  - (c) Average response time
  - (d) Percentage of calls requiring follow-up
  - (e) Call abandonment rate
  - (f) Percentage of incoming calls totally handled via VRS versus 1-800 live operator assistance
16. Explain your process for recruiting and selecting CSRs.
17. On what basis are CSRs paid?
18. Are CSR's employees of your company or are they outside contractors?
19. How many total CSR agents does your call center(s) employ on a year-round basis?
20. What is the average tenure of a CSR agent?
21. How would you determine the number of CSR's to use for/dedicate to the State's Plans? How many other clients would those CSR's serve?
22. What reports are available to your management to monitor service levels? Please provide examples of these reports.
23. With respect to escalation of calls, what are the procedures for referring a participant to a supervisor?
24. With respect to complaints, what is the follow-up procedure for complaints about CSRs?

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### **Participant Services/Internet Services**

1. Provide an Internet address and instructions on how to access a demonstration of your Internet capabilities for both the participant and plan sponsor.
2. Describe in detail your Internet capabilities. What types of web-based Internet services do you provide to Plan participants?
3. Please specify any transactions that cannot be completed via your Internet site.
4. What communication materials or tools do you offer the Plan participant via the Internet?
5. How are participant-initiated transactions processed through the Internet? Are confirmations sent? Are they available immediately?
6. Do you offer an automated enrollment process through the Internet?
7. Can participants e-mail account specific questions via the Internet site? If yes, who receives the e-mail, researches the issue, and responds? What is the turnaround time?
8. Does your Internet site have the ability to download participant account information software programs (i.e. Microsoft Money, Quicken, etc.)?
9. Do you track Internet site hits? If yes, describe what is tracked and the standard reports the Board will receive.
10. Describe the security through which a participant passes to use your Internet system. What firewalls do you have in place for your Internet services?
11. What improvements to your Internet capabilities are designated to occur in the next two to three years?
12. Are the VRS, Internet, and Customer Service Center's workstation all linked to the same recordkeeping database?
13. Describe any online capabilities that your system provides for plan sponsor access.

### **Communication and Education**

1. Briefly describe your background and experience in providing communication and education programs.
2. How long have you been providing communication services to the public sector?
3. Describe separately your initial and on-going communication and education program (including printed material, visits, training, etc.). If the program is tailored to a specific plan sponsor need, identify the critical issues to be determined in designing such a program.
4. Provide samples of initial enrollment and on-going communication and education materials.

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5. Identify the key elements provided as part of a standard communication and education program package.
6. Describe the services you offer in the enrollment process. Please be sure to include such items as monitoring and tracking new hires. Please outline the data requirements. Will you maintain and control the inventory of all related enrollment materials that are to be included in the enrollment kits?
7. Describe the communication and education process that you provide for retired employees with balances held in the Plans.
8. Will you provide participants with onsite, group education and retirement planning sessions or financial/pre-retirement seminars on an on-going basis? (Yes/No). If yes, please list the titles of the subjects that are covered in your program. No description necessary.
9. Do you offer any retirement planning software for participants, made available at no additional charge? If you have a demonstration or sample disk, please enclose it with your proposal.
10. Do you offer video or web-based educational programs to participants and retirees? (Yes/No). If yes, please list the classes/courses currently available. No description necessary.
11. Do you provide information to Plan participants regarding options on distributions? Describe any services or programs you provide for participants leaving the Plans.
12. When was the content and look of your standard materials last modified? Is it scheduled to be modified this year?
13. Do you create all of your communication and education materials in-house or through third parties? If so, fully disclose.
14. Describe the Board's role in the communication, education and enrollment process.
15. To what extent can the Board customize communication and investment education materials (e.g., plan name, logos)? Please state if there would be additional charges for customizing or editing these communication materials.
16. Are you willing to provide customized surveys to assess the success of the education program? (Yes/No). Will there be a charge for this service?

### **Field Service Representatives**

1. How do you propose staffing for the State's on-site services? Please provide your rationale for determining the appropriate staffing for the Plans.
2. What is your annual cost associated for each dedicated service representative?
3. Although not required, how many field service representatives are you dedicating to the Plans? Will they be 100% full-time dedicated representatives? Where will they be located in the State? Describe how you will allocate the field representatives to the Plans?

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4. Briefly describe the credentials and related experience of local service representatives who will be assigned to the State's account.
5. How many accounts will the State's representatives be responsible for?
6. Will the representatives assigned to the State's Plans be employees of your firm?
7. As indicated in the minimum service qualifications in Section 1, it is a requirement that your field service representatives that provide enrollment and education services are not compensated on a commissioned or incentive basis to promote any investment product or services. Fully describe the field service representative's compensation structure, and incentive awards methods that you employ to maintain an objective and unbiased distribution of products and service to the Plan participants.
8. Are field service representatives available to discuss the plan and investments with participants on a one-on-one basis? If so, how often? Will you provide local annual account reviews for participants?
9. How will these discussions be handled (e.g., in person, via telephone)?
10. Identify the annual number of group meetings and number of one-on-one consultations you have assumed will be provided by the field service representatives.
11. Describe the structure of how the field service representatives would be organized to service this relationship:
  - Location
  - Staffing (including functions to be performed)
  - How you would handle pre-scheduled consultations?
  - How you would handle walk-ins?
  - Activities supported by Field Service Representatives (education, enrollments, inquiries, retirement and participant advisory services).

### **Investment Advisory Services**

1. Describe your company's capabilities for providing participants with online investment advisory services (i.e., Morningstar ClearFuture, Financial Engines, etc.). Describe any costs associated with offering this service.
2. Indicate whether your advisory service is a partnership with an outside company. Describe your due diligence process for selecting the partner and what services are provided.
3. Is your investment advisory fee based on total plan level for all participants or only charged to participants who elect service?
4. Describe the difference between your Internet investment education tools and software from your investment advisory services.

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5. Does your investment advisory service produce asset allocation recommendations or recommendations of specific funds? Does your investment advisory service include savings rate recommendations?
6. Does your investment advisory service take into account a participant's assets outside the 401(a) and 457 Plans? If so, please describe.
7. Please describe the degree to which you tailor your advice services to different types of investors.
8. How does your program ensure that it provides Plan participants with impartial and balanced information about the Plans' investment options without any conflicts of interest between the advice provider and the investment provider's products?
9. Describe each component of the information and advice provided, including those related to asset allocation time horizons and risk profiles, to future retirement income needs, and to assessing the impact of different asset allocations on retirement income.
10. Describe the generally accepted investment theories that form the basis for your advice model.
11. Describe all material facts and assumptions on which such models are based and how these facts and assumptions are disclosed to participants. Describe how the facts and assumptions are communicated.
12. Please describe how your investment advice model materially differs from other competing advice providers and how yours would result in superior investment advice to participants.
13. By offering investment advisory services, either through your proprietary or third party provider, you will agree to indemnify the Board per contract requirements.
  - What is disclosed to participants regarding your role as a fiduciary?
  - Describe the type and level of indemnification your organization is willing to provide to the Board.
14. Will the Board be required to execute a separate contract with your investment advisory provider or will the investment advisory services be part of your service contract and agreements?
15. How many of your existing clients have subscribed for this service?

### Self-Directed Brokerage Services

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1. Fully describe the Self-Directed Brokerage option features, program design requirements, and all related fees including annual account fees and/or brokerage transaction/commission fees.
2. Does your self-directed brokerage account require any minimum balance? Please describe what happens if minimum balances are not maintained.
3. Can your brokerage account restrict a participant from certain investment types that the Board deems as inappropriate for qualified retirement plans (e.g., no precious metals, futures, margin trading, options, commodities, collectibles, short sales, real estate, etc.)?
4. Describe the procedure you will use in monitoring and enforcing any limitations requested by the Board during implementation, such as investment in mutual funds only and maintaining a minimum percent of account balance outside the self-directed brokerage option.
5. Describe the rules for transferring from the core options into the brokerage accounts and vice-versa. Are there any restrictions with respect to the transfer of balances between your core defined contribution investment alliance funds and the self-directed brokerage account? Can this restriction be applied to specific participants?
6. How are self-directed brokerage account balances treated for purposes of the following:
  - Regular benefit or unforeseeable emergency distributions
  - IRC required and minimum distributions
  - Domestic relations orders
  - Death benefit claims
  - Federal tax levies
7. During what hours of the day are client service brokerage representatives available to respond to participant trading questions and inquiries?
8. Do participants receive a detailed account summary of all assets held in the brokerage account? When? How often?
9. What information from the self-directed brokerage account is reflected and reported on the core participant quarterly statement? On quarterly plan-level reports provided to the plan sponsor?
10. Describe any third parties involved in offering of the self-directed brokerage account services and explain their role.
11. Will the State be required to execute a separate contract for self-directed brokerage accounts or will it be part of your overall service contract and agreement? All supplemental documents and contracts must be included with your proposal.
12. Currently participants interested in utilizing the Plan's self-directed brokerage services must complete and return the "Mutual Fund Window Election" Form (<http://www.nd.gov/ndpers/forms-and-publications/forms/sfn-53082-mutual-fund-window.pdf>) to NDPERS for approval. Please outline how you will work with the NDPERS staff to establish participant access to this service.

### Market-Timing/ Trading Restrictions

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1. Has the firm been subpoenaed by regulators with regard to the firm's trading practices? If yes, by whom and when?
2. Has the firm been fined by regulators to pay a settlement(s) regarding market-timing and/or after-hours trading? If yes, please provide the settlement amount(s).
3. If your firm has been fined by regulators, what was done to monitor that market-timing and/or after-hours trading does not occur in the future?
4. Has the firm conducted an internal review to determine if excessive market timing and/or after-hours trading have occurred in the funds? If yes, what was the outcome of the internal review?
5. What are the firm's guidelines regarding excessive trading, short-term trading or market timing?

### **Programs to Increase Member Participation In The 457 Plan**

1. Discuss your firm's program to increase participation.
2. Please provide a document outlining your firm's specific goals and high level milestones to increase member participation.
3. Discuss your firm's abilities as well as any cost implications with respect to the following:
  - a. Contract buyouts of existing participant surrender charges
  - b. Utilization of existing local brokers
  - c. An alternative strategy suggested by your firm
4. Please identify and discuss successful programs you have implemented for any current or former clients.

# **SECTION 3**

## **Investment Management Services**

## Section 3: Investment Management Services

**Exhibit I – Current Investment Structure**

Asset Class	Fund	Ticker Symbol
<b>TIER 1: LIFECYCLE</b>		
Lifecycle	Freedom Income	FFFAX
Lifecycle	Freedom 2000	FFF BX
Lifecycle	Freedom 2005	FFFVX
Lifecycle	Freedom 2010	FFFCX
Lifecycle	Freedom 2015	FFVFX
Lifecycle	Freedom 2020	FFFDX
Lifecycle	Freedom 2025	FFT WX
Lifecycle	Freedom 2030	FFEX
Lifecycle	Freedom 2035	FFTHX
Lifecycle	Freedom 2040	FFFFX
Lifecycle	Freedom 2045	FFFGX
Lifecycle	Freedom 2050	FFFHX
<b>TIER 2: CORE FUNDS</b>		
Stable Value	Managed Income Portfolio	N/A
Bond Fund	PIMCO Total Return Fund – Administrative Class	PTRAX
Balanced/Hybrid Fund	Fidelity Puritan Fund	FPURX
Large Cap Growth	Fidelity Growth Company	FDGRX
Large Cap Growth	Fidelity Blue Chip Growth	FBGRX
Large Cap Value	Fidelity Equity Income Fund	FEQIX
Large Cap Value	Mutual Shares Fund – Class A	TESIX
Large Cap Blend	Fidelity Dividend Growth Fund	FDGFX
Large Cap Blend	Spartan US Equity Index Fund – Investor Class	FUSEX
Mid Cap Value	Goldman Sachs Mid Cap Value Fund – Class A	GCMAX
Mid Cap Blend	Dreyfus Mid Cap Index Fund	PESPX
Mid Cap Blend	Spartan Extended Market Index Fund – Investor Class	FSEM X
Mid Cap Growth	Fidelity Mid-Cap Stock Fund	FMCSX
Small Cap Value	Allianz NFJ Small-Cap Value Fund – Administrative Class	PVADX
Small Cap Blend	Dreyfus Small Cap Stock Index Fund	DISSX
Small Cap Growth	MSIF Small Company Growth Portfolio – Class P Share	MSSMX
International/Global Fund	Fidelity Diversified International Fund	FDIVX
International/Global Fund	Fidelity Spartan International Index Fund	FSIIX

## Section 3: Investment Management Services

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1. Identified in Exhibit I is the current investment structure. For each investment category proposed, please identify a single fund which your organization recommends as an alternative to the Plans' current funds. Please make certain to provide a ticker symbol. If a ticker symbol is not available for a particular investment, please furnish all the information requested in Exhibits II through VII in the format provided. Please be certain to provide the fund's official name (including share class and ticker symbol) to allow us to obtain additional information on the funds through outside services. The Plan requires that participants be able to freely transfer assets between the funds recommended by your organization; therefore, the funds recommended should be non-competing vehicles. Please fully describe any situation in which the recommended funds would be considered competing and provide an explanation of how your organization would address or circumvent this issue.

The proposer must propose an investment option for each asset class outlined in Exhibit I.

The Board is looking for a provider that can offer participants a selective, highly competitive investment product for each asset class the provider proposes. Historical investment performance, of at least three, and preferably five or more years of history, will be required for each recommended investment product.

2. For each recommended fund, please provide:
  - for fixed income funds: average quality, average maturity, duration, yield, etc;
  - a description of the fund's investment philosophy and strategy. For fixed income funds, this should include strategies regarding duration, the yield curve, sector selection and security selection. For equity funds, this should include details regarding the manager's buy/sell discipline, portfolio construction and investment style (i.e., deep value, conservative growth, etc.);
  - a biography of the current portfolio manager and how long he has acted as portfolio manager;
  - for equity funds: market capitalization, wtd. average market cap, median market cap, P/E ratio, P/B ratio, beta, # holdings, 3 year ext. growth rate, distribution of market cap of holdings, percentage<1.5 bill, percentage 1.5 to 5.0 bill, percentage>5.0 bill. Please note, P/E ratios should be calculated on a forward-looking basis;
  - for lifecycle funds: asset allocation, fund composition, benchmarks, etc.
3. For each recommended fund, please provide the basis points you would receive in revenue sharing from the investment managers. This data should be inputted in the "Revenue Sharing %" column in Exhibit II. Please ensure that the 12b-1 fees for each fund are included in the revenue sharing column.
4. For the lifecycle/retirement investment vehicles, provide each portfolio's underlying funds and asset allocation breakdown for the period ending **December 31, 2010**. Additionally, if you are proposing customized lifecycle funds, describe how you would determine asset allocation for the portfolios and re-balancing frequency.
5. For each fixed-income investment vehicle, provide the average maturity, average duration, average credit quality, average coupon. Also, provide % sector breakdown to Treasury/Agency, corporate, mortgage-related, asset-backed, foreign, cash equivalents, other. Provide % invested in AAA, AA, A, BBB, BB, B, below B and any related limitations or percentages of assets that can be allocated to any one issue or issue class.

## Section 3: Investment Management Services

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6. For each investment vehicle, please provide quarterly total rate of returns (net of fees) (Exhibit III).

### **Stable Value Fund:**

7. Are you proposing a stable value fund? If so, please respond to questions 9-16 below.
8. Are you proposing a daily credit rate or a guaranteed declared rate method of reporting interest rates?
9. For each product, describe the current and minimum interest rate guarantees, how is interest credited, and the frequency of rate changes.
10. For each product, how often do you declare a new rate? Does old money receive the same rate as new money?
11. Describe your process for managing the book to market value differential at the time of each new rate reset. How involved, if at all, will the Board be in this process?
12. Provide the current proposed interest rate for an account of our size.
13. For each product, provide the average quality, average maturity, modified duration, liquidity percentage and yield to maturity. Furthermore, provide the make-up of the underlying portfolio including asset type, grade and percentage breakdown as well as other fixed income portfolio characteristics as of **December 31, 2010** (Exhibit VI).
14. Does the proposed stable value funds have a minimum contract rate guaranteed for the life of the contract? If so, please indicate for each product
15. The proposed account stable value funds must be fully liquid at the end of the contract period with no market value adjustments. Fully describe the payout provisions for each product. Provide a detailed description regarding participant and plan level transfer/withdrawal restrictions (Exhibit VII).

### **Investment Management Services**

16. Fund Selection Criteria:
- a) What criteria do you use to select recommended funds or fund families?
  - b) Describe the process you use for, and the frequency of, the periodic review of the funds.
  - c) Describe the criteria you use in that review.
  - d) Describe the process you use when a fund manager does not meet your expectations.
17. Fund Performance:
- a) If the State is not satisfied with the performance of a particular fund, what are the steps needed to make a change?
  - b) How long would it take to make such a change?
  - c) Please confirm that there would be no cost to change funds.

## **Section 3: Investment Management Services**

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18. Describe the administrative, financial, and any other impact on the plan sponsor and the participants when a manager or fund offered to those participants ceases to be offered through your organization.
19. For any funds managed in-house:
  - a) Describe your research capabilities, including the number of research professionals you employ.
  - b) Indicate to what extent you rely on research information obtained from outside sources. List your sources and volume of business. How do you pay for these services?
20. Please confirm that there are no contingent deferred sales charges or wrap fees that are included in your products.
21. Please describe if any of the recommended funds have minimum balance requirements or any other types of restrictions.
22. Please confirm that none of your recommended funds have withdrawal or transfer provisions.
23. Do any of your recommended funds have short-term redemptions? If so, identify the fund(s).
24. Please describe how your recordkeeping system handles short-term fund redemption fees for proprietary and non-proprietary funds.
25. If your organization has alliances with outside fund families, please provide a list of the specific funds in the program.
26. Please identify opportunity related to the design of your proposed Stable Value Fund to improve or enhance the credit rate.









## Section 3: Investment Management Services

Exhibit VI – Proposed Stable Value Fund Characteristics

Portfolio Characteristics	(%)
Average Maturity (years)	
Average Duration (years)	
Average Credit Quality	
Minimum Rate Guarantees	
Interest Rate	
Rate Declaration Frequency	
Type of Fund	

Termination Provisions/Restrictions
Plan Sponsor
Participant

Sector Allocations	(%)
Treasury	
Agency	
Gov't./Agency MBS & CMO	
AAA ABS & CMBS	
Credit	
A Credit	
Cash	
Other	
Total	

Portfolio Composition	(%)
Bonds	
Mortgage	
Other	
Stocks	
Real Estate	
Cash	
Total	

# **SECTION 4**

## **Request for Proposal**

### **Fees**

## Section 4: Fees

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**Proposers are to submit bids under the following scenarios:**

**Scenario 1:** Submit a bid for either the 401(a) Defined Contribution Retirement Plan or the 457 Deferred Compensation Companion Plan

**Scenario 2:** Submit a bid for both the 401(a) Defined Contribution Retirement Plan and the 457 Deferred Compensation Companion Plan

**Items for consideration by the proposer:**

The 457 Deferred Compensation Companion Plan currently has an expedited enrollment feature with a \$25.00 monthly expedited contribution (quick enrollment process).

The overall average account balance for the Plan has dropped consistently over the last several years while the Plan's overall participation rate has increased

All Plan fees are paid for by the participant.

The Board is therefore considering several alternatives to this current Plan design.

Included in the list of alternatives are:

- (a) Increasing the expedited contribution (quick enrollment process) minimum from \$25 - \$50
- (b) Suspending/eliminating the expedited enrollment (quick enrollment process) feature

As noted above, the PERS Board is concerned about participant fees. The Board would like the input from each proposer on how fees for the 457 plan can be reduced including but not limited to alternatives to the present pricing model and possible changes in the investment options, etc. Please outline these alternatives in your response.

## Section 4: Fees

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1. What are the start-up/implementation costs and plan termination costs?
2. As described in the minimum qualification requirements, once awarded, the contract will begin **August 1, 2011** for a period of **23-months** concluding on **June 30, 2013**. The fee structure proposed must be guaranteed for the full contract term. In addition, the Board, at its discretion, may extend the contract for up to two, 24-month periods. The fee structure of these extensions will be subject to negotiations based on increase asset size. The Board expects favorable fee renegotiations as the Plans assets increase during the contract period.
3. What are the factors you consider in determining future fee decreases and when they are to occur?
4. How are fees adjusted if a sizable number of participants are added or removed from the Plans?
5. Do you provide a service guarantee related to successful plan transition with monetary reimbursement if conversion is not completed on a timely and accurate basis? If in the event participant statements and plan sponsor reports are not completed on a timely and accurate basis, what type of monetary reimbursement will be provided to the Plans?
6. What is the cost for financial advisory services through a third party (Morningstar, Financial Engines, etc.)? Does the cost of this service apply to the full Plan or only to the participants who subscribe for the service?
7. Please indicate the number of assigned field representatives that you will allocate to this relationship.
8. What is your per participant fee to recordkeep the 401(a) and 457 Plans? Please also express this fee as an asset based fee. One of PERS' chief concerns is the application of a per participant fee to accounts with small balances. Please describe possible pricing alternatives to a flat per participant fee.
9. If a participant has an account in both Plans, will they be charged for each account?
10. Please provide other alternatives not outlined in this proposal that could result in the lowering of participant fees. Please be clear in your response and provide the condition and the result.

Based upon the information supplied in the RFP, please complete the cost structure chart on the following page. It is critical that you provide complete information so that fees can be compared on an equitable basis. If there are additional fees not listed, describe them, in detail, under "comments".

If assumptions are necessary, please fully explain your assumptions and quote the related fees on a unit cost basis, if possible.

**Scenario 1**

**401(a) Defined Contribution Plan  
Cost Structure**

Services	Fee	Comments
Plan Set-up/Installation		
Financial/Investment Advisory Services		
Contribution Remittance		
Plan Documents		
Compliance Services		
Check Processing		
1099R Forms		
Postage		
DRO Qualifications		
Wire Fees		
Confirmation Statements		
Participant Statements		
Voice Response Services		
Customer Service Center		
Internet Services		
On-line Services: Set-up/ongoing and software		
Employee Communication & Education:		
Generic enrollment materials		
Customized enrollment materials		
Awareness materials (posters, tents etc.)		
DVDs		
Generic periodic newsletter		
Customized periodic newsletter		
Retirement planning tools		
Pre-retirement planning tools		
Investment education materials		
Other (be specific)		
Enrollment Services:		
No. of initial enrollment meetings (#)		
No. of ongoing enrollment meetings (#)		
(frequency and price per meeting)		
Enrollment Kits		
Fees		
Customized communications		
Annual notifications to all eligible participants		
Other (be specific)		

# Section 4: Fees

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## Scenario 1

### 401(a) Defined Contribution Plan Additional Fee Schedule

	Amount	Assumptions underlying the Amount
<i>Based on your proposed investment line up and a contract term of 23 months plus two additional 2-year renewals, please express your fee in the following ways:</i>		
Total hard dollar administrative fee for all services described in the RFP.	<b>23 months</b>  <b>Years 3 and 4</b>  <b>Years 5 and 6</b>	
Total required revenue sharing from proposed funds for all services described in the RFP in basis points (bps)	<b>23 months</b>  <b>Years 3 and 4</b>  <b>Years 5 and 6</b>	
Total expected revenue sharing from proposed funds for all services described in the RFP in basis points (bps)	<b>23 months</b>  <b>Years 3 and 4</b>  <b>Years 5 and 6</b>	

## Section 4: Fees

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### Scenario 1

#### 457 Deferred Compensation Companion Plan Cost Structure

Services	Fee	Comments
Plan Set-up/Installation		
Financial/Investment Advisory Services		
Contribution Remittance		
Plan Documents		
Compliance Services		
Check Processing		
1099R Forms		
Postage		
Unforeseeable Hardship Withdrawals		
DRO Qualifications		
Wire Fees		
Confirmation Statements		
Participant Statements		
Voice Response Services		
Customer Service Center		
Internet Services		
On-line Services: Set-up/ongoing and software		
Employee Communication & Education:		
Generic enrollment materials		
Customized enrollment materials		
Awareness materials (posters, tents etc.)		
DVDs		
Generic periodic newsletter		
Customized periodic newsletter		
Retirement planning tools		
Pre-retirement planning tools		
Investment education materials		
Other (be specific)		
Enrollment Services:		
No. of initial enrollment meetings (#)		
No. of ongoing enrollment meetings (#)		
(frequency and price per meeting)		
Enrollment Kits		
Fees		
Customized communications		
Annual notifications to all eligible participants		
Other (be specific)		

# Section 4: Fees

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## Scenario 1

### 457 Deferred Compensation Companion Plan Additional Fee Schedule

	Amount	Assumptions underlying the Amount
<i>Based on your proposed investment line up and a contract term of 23 months plus two additional 2-year renewals, please express your fee in the following ways:</i>		
Total hard dollar administrative fee for all services described in the RFP.	<b>23 months</b>  <b>Years 3 and 4</b>  <b>Years 5 and 6</b>	
Total required revenue sharing from proposed funds for all services described in the RFP in basis points (bps)	<b>23 months</b>  <b>Years 3 and 4</b>  <b>Years 5 and 6</b>	
Total expected revenue sharing from proposed funds for all services described in the RFP in basis points (bps)	<b>23 months</b>  <b>Years 3 and 4</b>  <b>Years 5 and 6</b>	
(5) Total revenue sharing on stable value fund in basis points (bps)		

## Section 4: Fees

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### Scenario 2

#### 401(a) Defined Contribution Plan Cost Structure

Services	Fee	Comments
Plan Set-up/Installation		
Financial/Investment Advisory Services		
Contribution Remittance		
Plan Documents		
Compliance Services		
Check Processing		
1099R Forms		
Postage		
DRO Qualifications		
Wire Fees		
Confirmation Statements		
Participant Statements		
Voice Response Services		
Customer Service Center		
Internet Services		
On-line Services: Set-up/ongoing and software		
Employee Communication & Education:		
Generic enrollment materials		
Customized enrollment materials		
Awareness materials (posters, tents etc.)		
DVDs		
Generic periodic newsletter		
Customized periodic newsletter		
Retirement planning tools		
Pre-retirement planning tools		
Investment education materials		
Other (be specific)		
Enrollment Services:		
No. of initial enrollment meetings (#)		
No. of ongoing enrollment meetings (#)		
(frequency and price per meeting)		
Enrollment Kits		
Fees		
Customized communications		
Annual notifications to all eligible participants		
Other (be specific)		

# Section 4: Fees

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## Scenario 2

### 401(a) Defined Contribution Plan Additional Fee Schedule

	Amount	Assumptions underlying the Amount
<i>Based on your proposed investment line up and a contract term of 23 months plus two additional 2-year renewals, please express your fee in the following ways:</i>		
Total hard dollar administrative fee for all services described in the RFP.	<b>23 months</b>  <b>Years 3 and 4</b>  <b>Years 5 and 6</b>	
Total required revenue sharing from proposed funds for all services described in the RFP in basis points (bps)	<b>23 months</b>  <b>Years 3 and 4</b>  <b>Years 5 and 6</b>	
Total expected revenue sharing from proposed funds for all services described in the RFP in basis points (bps)	<b>23 months</b>  <b>Years 3 and 4</b>  <b>Years 5 and 6</b>	
(5) Total revenue sharing on stable value fund in basis points (bps)		

## Section 4: Fees

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### Scenario 2

#### 457 Deferred Compensation Companion Plan Cost Structure

Services	Fee	Comments
Plan Set-up/Installation		
Financial/Investment Advisory Services		
Contribution Remittance		
Plan Documents		
Compliance Services		
Check Processing		
1099R Forms		
Postage		
Unforeseeable Hardship Withdrawals		
DRO Qualifications		
Wire Fees		
Confirmation Statements		
Participant Statements		
Voice Response Services		
Customer Service Center		
Internet Services		
On-line Services: Set-up/ongoing and software		
Employee Communication & Education:		
Generic enrollment materials		
Customized enrollment materials		
Awareness materials (posters, tents etc.)		
DVDs		
Generic periodic newsletter		
Customized periodic newsletter		
Retirement planning tools		
Pre-retirement planning tools		
Investment education materials		
Other (be specific)		
Enrollment Services:		
No. of initial enrollment meetings (#)		
No. of ongoing enrollment meetings (#)		
(frequency and price per meeting)		
Enrollment Kits		
Fees		
Customized communications		
Annual notifications to all eligible participants		
Other (be specific)		

# Section 4: Fees

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## Scenario 2

### 457 Deferred Compensation Companion Plan Additional Fee Schedule

	Amount	Assumptions underlying the Amount
<i>Based on your proposed investment line up and a contract term of 23 months plus two additional 2-year renewals, please express your fee in the following ways:</i>		
Total hard dollar administrative fee for all services described in the RFP.	<b>23 months</b> <b>Years 3 and 4</b> <b>Years 5 and 6</b>	
Total required revenue sharing from proposed funds for all services described in the RFP in basis points (bps)	<b>23 months</b> <b>Years 3 and 4</b> <b>Years 5 and 6</b>	
Total expected revenue sharing from proposed funds for all services described in the RFP in basis points (bps)	<b>23 months</b> <b>Years 3 and 4</b> <b>Years 5 and 6</b>	
(5) Total revenue sharing on stable value fund in basis points (bps)		

# **SECTION 5**

## **Appendix**