

# NDPERS BOARD MEETING

## Agenda

**Bismarck Location:**  
Workforce Safety & Insurance  
1600 East Century Avenue  
**Fargo Location:**  
Workforce Safety & Insurance  
2601 12<sup>th</sup> Avenue SW

**October 31, 2013**

**Time: 8:30 AM**

### **I. MINUTES**

- A. September 19, 2013

### **II. RETIREMENT**

- A. \* Member Benefits (Board Action)
  - 1. \* Job Service Retirement Plan
  - 2. \* PERS Retirement Plan
- B. Actuarial Reports – Segal (Information)
- C. GASB Requirement – Segal (Information)
- D. TIAA-CREF Survey Update – Deb (Information)
- E. Defined Contribution Implementation Update – Deb (Information)
- F. Job Service Cost of Living Adjustment – Kathy (Board Action)
- G. Employee Contributions – Sparb (Information)

### **III. GROUP INSURANCE**

- A. Medicare Retirees Trend Analysis – BCBS (Information)
- B. UNUM Rate Adjustment Update – Kathy (Information)

### **IV. DEFERRED COMPENSATION**

- A. Investment Options Summary Booklet – Bryan (Information)

### **V. MISCELLANEOUS**

- A. Benefits Committee Update – Sparb (Information)
- B. Administrative Rules Update – Deb (Information)
- C. Quarterly Consultant Fees – (Information)

\*Executive Session pursuant to NDCC §44-04-18.4(1)&(2)(b) and/or §44-04-19.2(1) and/or §54-52.1-11 to discuss confidential records or confidential member information.

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.



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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** October 24, 2013  
**SUBJECT:** 2013 Actuarial Valuations

Brad Ramirez from the Segal Company will be at the next Board meeting to review the results of the 2013 actuarial valuations. He will be reviewing the attached PowerPoint presentation highlighting the valuations. We will be emailing you the electronic actuarial valuation reports for your reference.

This information is going to be presented to the Legislative Employee Benefits Committee on November 6th.



# North Dakota Public Employees Retirement System

Actuarial Valuation as of July 1, 2013

## Discussion of Valuation Results and Projections

Brad Ramirez, FSA, MAAA, EA, FCA  
Tammy Dixon, FSA, MAAA, EA

October 31, 2013

**DRAFT**

#5276809

 Segal Consulting

# Discussion Topics

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- Summary of Valuation Highlights
- Membership and Demographics
- Valuation Results and Projections

# Actuarial Methods

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- Asset valuation method (actuarial value of assets)
  - Smoothing of investment gains or losses
  - PERS uses a five-year smoothing method
    - Investment returns above or below the expected return are recognized over five years
  - No market value corridor is applied (i.e., actuarial value must fall within 80% to 120% of market value)
- Cost method
  - Allocation of liability between past service and future service
    - PERS uses the entry age normal cost method (as do most retirement systems)
    - Retiree Health Insurance Credit Fund uses the projected unit credit cost method
- Amortization method
  - 20-year “open” period to pay off unfunded actuarial accrued liability
  - Based on level percentage of payroll
  - Governmental Accounting Standards Board requires 30-year maximum period to determine the Annual Required Contribution
  - An open amortization period will yield contributions that reduce the unfunded actuarial accrued liability, but will not pay it off

# Economic Assumptions

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## ➤ Interest Rate

- 8%

## ➤ Salary Increase Rates

- Based on service
- Ranges from 8.25% for new members to 4.86% for members with 5 or more years of service (5.0% for all years for Judges)

## ➤ Payroll Growth

- 4.5% (4.0% for Judges)

# Summary of Valuation Highlights – PERS and HPRS

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- Market value of assets returned 13.4% for year ending 6/30/13 (Segal estimated calculation)
  - Gradual recognition of deferred gains resulted in 3.9% return on actuarial assets
  - Unrecognized investment **gains** represent about 14.0% of market assets
- Net impact on funded ratio was a decrease from 65.1% (as of 7/1/2012) to 62.0% (as of 7/1/2013)
- Market value of combined assets for PERS and HPRS was \$2.015 billion vs. \$1.785 billion last year
- Combined actuarial value of assets for PERS and HPRS was \$1.732 billion vs. \$1.675 billion last year
- Total actuarial value of assets is 86.0% of market value of assets
- All investment losses from 2008 and 2009 plan years are now fully recognized. Remaining years' unrecognized appreciation or depreciation will be recognized in subsequent valuations

# Summary of Valuation Highlights

	Changes in Statutory Contribution Rates	
	Member	Employer
<b>Main System Full-Time Employees</b>	6.00%	6.12%
<b>Effective January 2014</b>	7.00	7.12
<b>Main System Part-Time Employees</b>	12.12	N/A
<b>Effective January 2014</b>	14.12	N/A
<b>Judges</b>	7.00	16.52
<b>Effective January 2014</b>	8.00	17.52
<b>Highway Patrol</b>	12.30	18.70
<b>Effective January 2014</b>	13.30	19.70
<b>National Guard</b>	4.00	6.50
<b>Effective January 2014</b>	4.50	7.00
<b>Law Enforcement (without Prior Service)</b>	5.00	N/A
<b>Effective January 2014</b>	5.50	N/A
	<b>Member Rate for Employees of Political Subdivisions</b>	<b>Member Rate for Employees of the BCI</b>
<b>Law Enforcement (with Prior Service)</b>	5.00	6.00
<b>Effective January 2014</b>	5.50	7.00

# Summary of Valuation Highlights

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- Some employer rates are determined by the Board of Retirement rather than set in statute

	<b>Employer Contribution Rates Determined by the Board of Retirement</b>
<b>Law Enforcement without Prior Service</b>	7.43%
<b>Effective January 2014</b>	7.93
<b>Law Enforcement with Prior Service (Employees of Political Subdivisions)</b>	9.31
<b>Effective January 2014</b>	9.81
<b>Law Enforcement with Prior Service (Employees of the BCI)</b>	10.31
<b>Effective January 2014</b>	11.31

# Summary of Valuation Highlights

## ➤ Recommended contribution as a percent of payroll

	2013-2014	2012-2013	Statutory/ Approved 2013-2014
<b>Main</b>	12.14%	12.24%	6.12%-7.12%
<b>Judges</b>	16.66%	16.33%	16.52%-17.52%
<b>National Guard</b>	9.07%	7.40%	6.50%-7.00%
<b>Law Enforcement (with Prior Service)</b>	11.07%	10.69%	9.31%-9.81%*
<b>Law Enforcement (without Prior Service)</b>	8.11%	7.33%	7.43%-7.93%
<b>Highway Patrol</b>	25.11%	26.83%	18.70%-19.70%
<b>Retiree Health</b>	_____%	0.90%	1.14%
<b>Job Service</b>	0.00%	0.00%	0.00%

\*Rates shown are for employees of Political Subdivisions. Rates for employees of BCI are 10.31-11.31%.

## ➤ Funded Ratio (AVA)

	July 1, 2013	July 1, 2012
<b>PERS</b>	62.0%	65.1%
<b>HPRS</b>	68.2%	70.3%
<b>Retiree Health</b>	_____%	51.9%
<b>Job Service</b>	114.9%*	104.3%

\*Reflects a change in assumed investment return from 7.5% to 8.0%.

# Membership – Main System

	2013	2012	Change
<b>Active</b>			
• Number	21,201	20,738	+2.2%
• Payroll*	\$865.9 mil	\$781.6 mil	+10.8%
• Average Age	47.1 years	47.1 years	+0.0 years
• Average Service	10.4 years	10.5 years	-0.1 years
<b>Retirees and Beneficiaries**</b>			
• Number	8,637	8,222	+5.0%
• Total Monthly Benefits	\$8.5 mil	\$ 7.9 mill	+7.6%
• Average Monthly Benefit	\$985	\$965	+2.1%

\* \_\_\_\_\_% of this was a change in our data processing methodology.

\*\*Does not include 13 suspended retirees as of 2012 and 21 as of 2013.

# Membership – Judges

	2013	2012	Change
<b>Active</b>			
• Number	49	49	+0.0%
• Payroll*	\$6.6 mil	\$6.1 mil	+8.2%
• Average Age	58.6 years	58.1 years	+0.5 years
• Average Service	18.3 years	17.6 years	+0.7 years
<b>Retirees and Beneficiaries</b>			
• Number	36	34	+5.9%
• Total Monthly Benefits	\$127,563	\$122,548	+4.1%
• Average Monthly Benefit	\$3,543	\$3,604	-1.7%

\* \_\_\_\_\_% of this was a change in our data processing methodology.

# Membership – National Guard

	2013	2012	Change
<b>Active</b>			
• Number	39	32	+21.9%
• Payroll*	\$1.7 mil	\$1.3 mil	+30.8%
• Average Age	36.5 years	36.2 years	+0.3 years
• Average Service	5.5 years	5.4 years	+0.1 years
<b>Retirees and Beneficiaries</b>			
• Number	10	10	+0.0%
• Total Monthly Benefits	\$9,727	\$10,441	-6.8%
• Average Monthly Benefit	\$973	\$1,044	-6.8%

\* \_\_\_\_\_% of this was a change in our data processing methodology.

# Membership – Law Enforcement with Prior Main System Service

	2013	2012	Change
<b>Active</b>			
• Number	229	207	+10.6%
• Payroll*	\$11.7	\$9.5 mil	+23.2%
• Average Age	38.5 years	39.7 years	-1.2 years
• Average Service	7.3 years	8.0 years	-0.7 years
<b>Retirees and Beneficiaries</b>			
• Number	46	37	+24.3%
• Total Monthly Benefits	\$79,915	\$61,160	+30.7%
• Average Monthly Benefit	\$1,737	\$1,653	+5.1%

\* \_\_\_\_\_% of this was a change in our data processing methodology.

# Membership – Law Enforcement without Prior Main System Service

	2013	2012	Change
<b>Active</b>			
• Number	70	65	+7.7%
• Payroll*	\$2.6 mil	\$2.4 mil	+8.3%
• Average Age	37.5 years	38.0 years	-0.5 years
• Average Service	3.3 years	3.3 years	+0.0 years
<b>Retirees and Beneficiaries</b>			
• Number	1	0	N/A
• Total Monthly Benefits	\$816	N/A	N/A
• Average Monthly Benefit	\$816	N/A	N/A

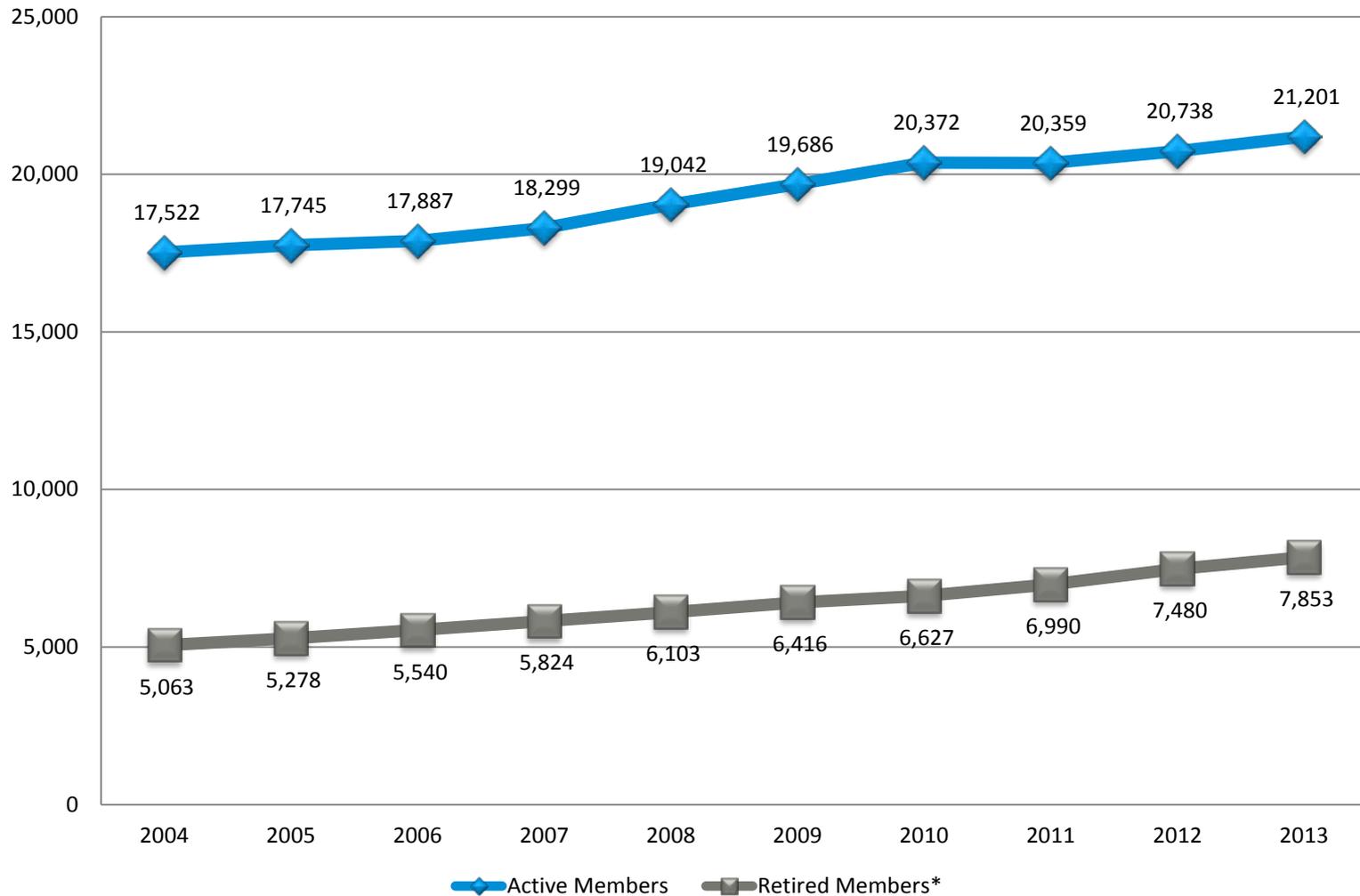
\* \_\_\_\_\_% of this was a change in our data processing methodology.

# Membership – PERS

	2013	2012	Change
<b>Active</b>			
• Number	21,588	21,091	+2.4%
• Payroll*	\$888.5 mil	\$800.9 mil	+10.9%
• Average Age	47.0 years	47.0 years	+0.0 years
• Average Service	10.4 years	10.3 years	+0.1 years
<b>Retirees and Beneficiaries</b>			
• Number	8,730	8,303	+5.1%
• Total Monthly Benefits	\$8.7 mil	\$8.1 mil	+7.4%
• Average Monthly Benefit	\$999	\$979	+2.1%

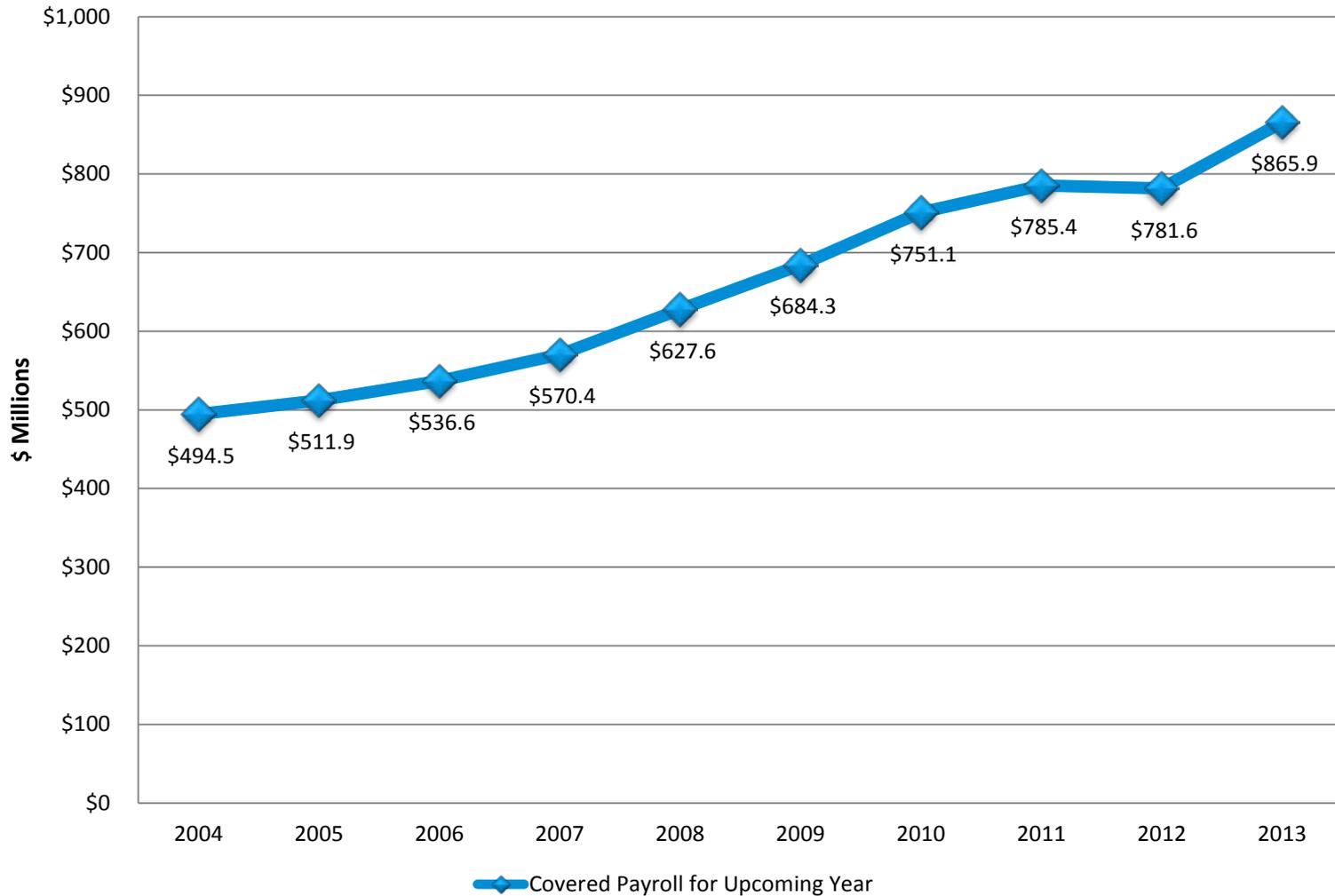
\* \_\_\_\_\_% of this was a change in our data processing methodology.

# Active and Retired Membership – Main System

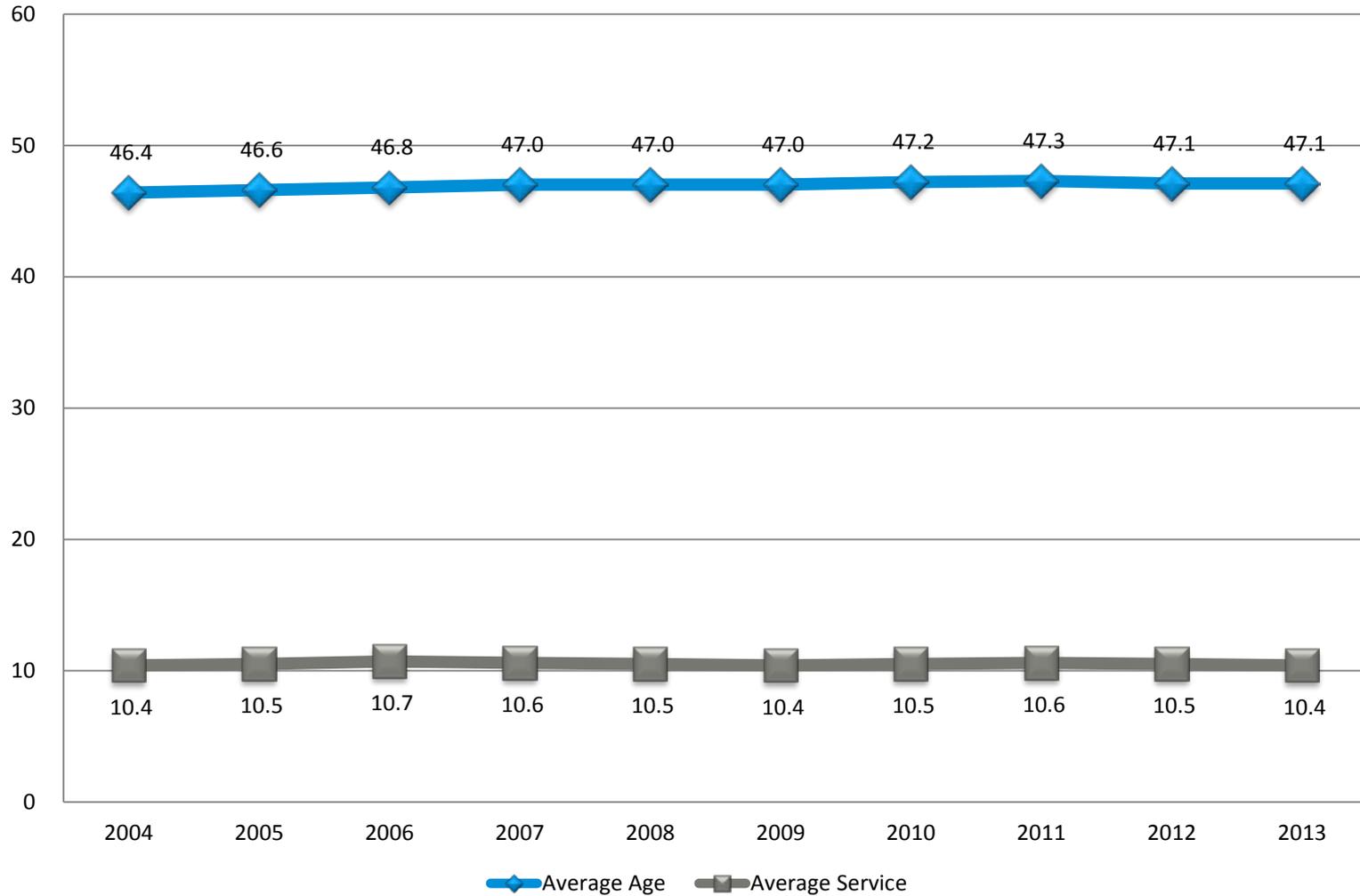


\*Retired Members excludes beneficiaries.

# Active Payroll – Main System



# Average Age and Service of Active Members – Main System



# Average Salary and Average Benefit – Main System



# Assets – PERS and HPRS

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- The market value of assets increased from \$1.785 billion (as of June 30, 2012) to \$2.015 billion (as of June 30, 2013)
  - Segal determined the investment return was 13.41%, net of investment expenses
- The actuarial value of assets – which smooths investment gains and losses over five years – increased from \$1.675 billion (as of June 30, 2012) to \$1.732 billion (as of June 30, 2013)
  - Investment return of 3.93%, net of investment expenses
  - Actuarial value is 86.0% of market value
  - There is a total of \$283 million of deferred investment gains that will be recognized in future years
- The average annual return on market assets over the past 10 years is 6.8%
- The average annual return on actuarial assets over the past 10 years is 4.7%

# Market Value of Assets (\$ in billions) – PERS and HPRS

Fiscal Year Ending June 30, 2013	
Beginning of Year	\$1.785
Contributions:	
• Employer	0.050
• Member	0.048
• Service Purchases	0.008
• Total	0.106
Benefits, Expenses and Refunds	(0.115)
Investment Income (net)	0.239
End of Year	\$2.015
Rate of Return	+13.41%

# Actuarial Value of Assets (\$ in billions) – PERS and HPRS

1. Market Value of Assets as of June 30, 2012	\$1.785
2. Contributions, Interest, Dividends, Benefits and Expenses	<u>0.029</u>
3. Preliminary Market Value as of June 30, 2013	\$1.814
4. Actual Market Value as of June 30, 2013	<u>2.015</u>
5. Excess/(Shortfall) Return for Year Ended June 30, 2013	\$0.201
Excess/(Shortfall) Returns:	

Year	Initial Amount	Deferral %	Unrecognized Amount
2013	\$0.201	80%	\$0.160
2012	(0.040)	60%	(0.024)
2011	0.289	40%	0.116
2010	0.153	20%	0.031
2009	(0.464)	0%	<u>0.000</u>
6. Total			\$0.283

7. Actuarial Value of Assets as of June 30, 2013: (4) - (6)	\$1.732
8. Actuarial Value of Assets as a % of Market Value of Assets	86.0%

# Market Value of Assets (\$ in billions) – Main System

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Fiscal Year Ending June 30, 2013	
Beginning of Year	\$1.683
Contributions	0.100
Benefits, Refunds and Expenses	(0.109)
Investment Income (net)	0.225
End of Year	\$1.899
Rate of Return	+13.40%

# Market Value of Assets (\$ in millions) – Judges

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Fiscal Year Ending June 30, 2013	
Beginning of Year	\$32.218
Contributions	1.428
Benefits, Refunds and Expenses	(1.474)
Investment Income (net)	4.353
End of Year	\$36.525
Rate of Return	+13.52%

# Market Value of Assets (\$ in millions) – National Guard

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Fiscal Year Ending June 30, 2013	
Beginning of Year	\$2.355
Contributions	0.160
Benefits, Refunds and Expenses	(0.139)
Investment Income (net)	0.319
End of Year	\$2.695
Rate of Return	+13.49%

# Market Value of Assets (\$ in millions) – Law Enforcement with Prior Main System Service

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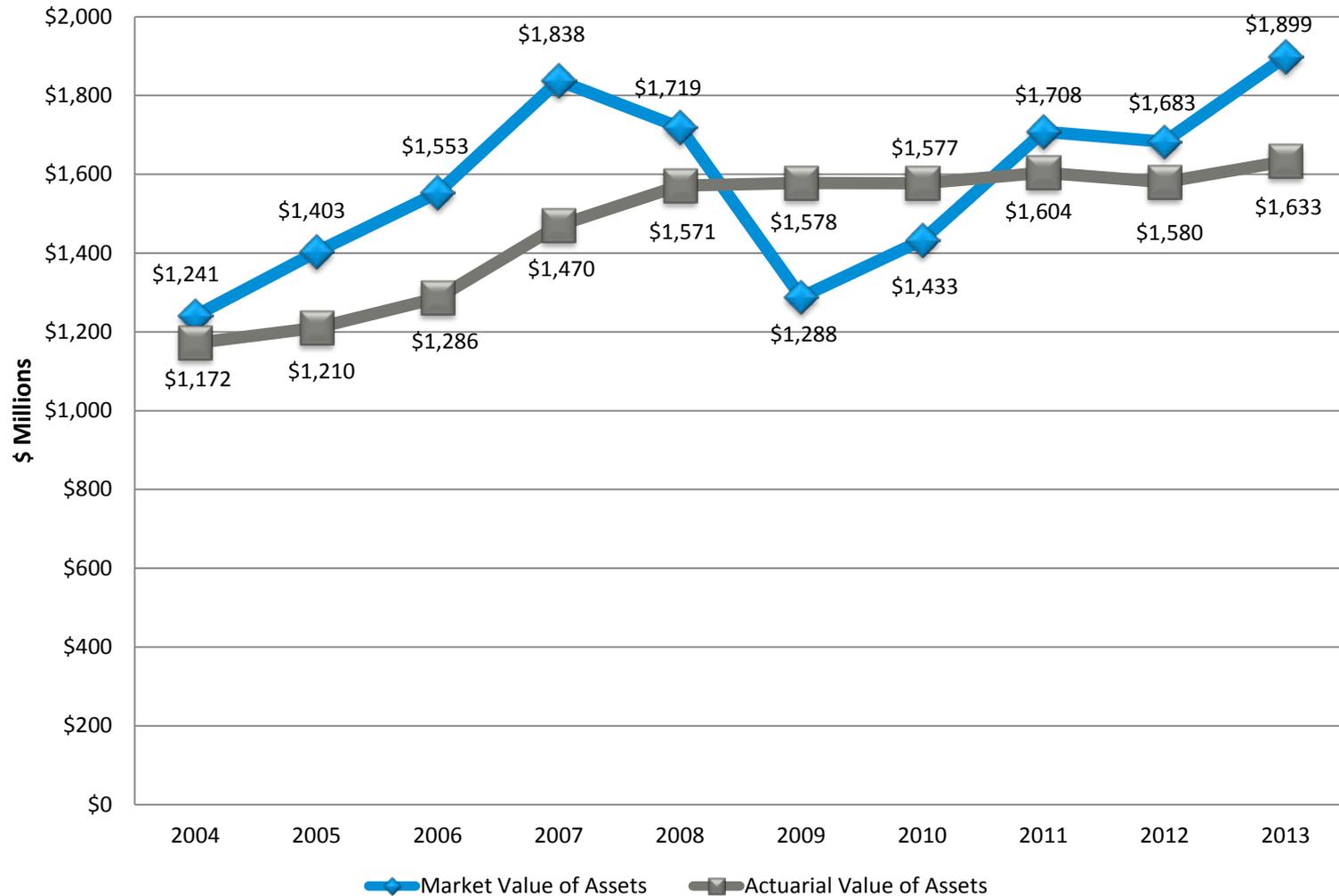
Fiscal Year Ending June 30, 2013	
Beginning of Year	\$15.219
Contributions	1.582
Benefits, Refunds and Expenses	(1.070)
Investment Income (net)	2.090
End of Year	\$17.821
Rate of Return	+13.51%

# Market Value of Assets (\$ in millions) – Law Enforcement without Prior Main System Service

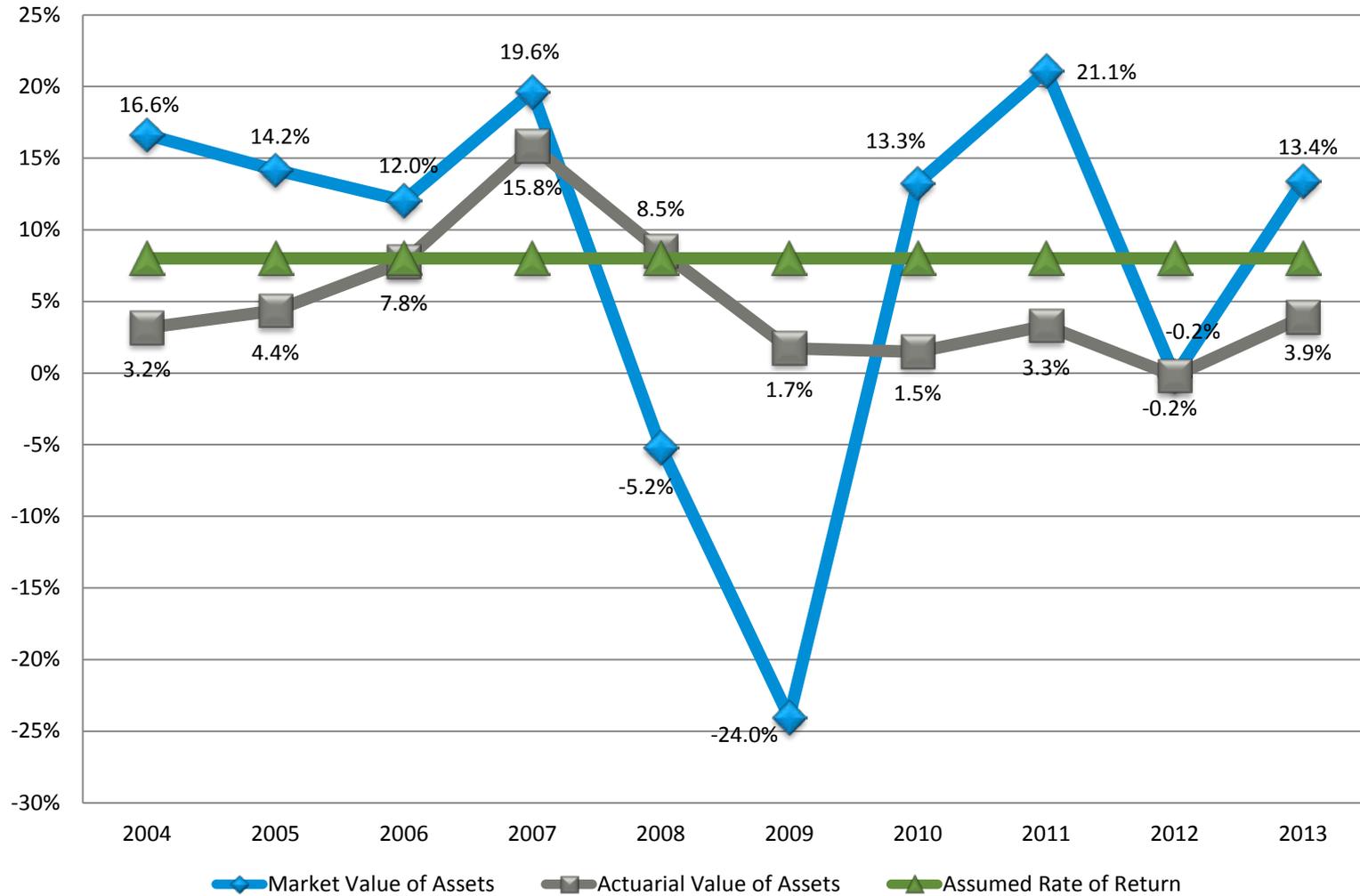
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Fiscal Year Ending June 30, 2013	
Beginning of Year	\$0.778
Contributions	0.308
Benefits, Refunds and Expenses	(0.038)
Investment Income (net)	0.122
End of Year	\$1.170
Rate of Return	+13.39%

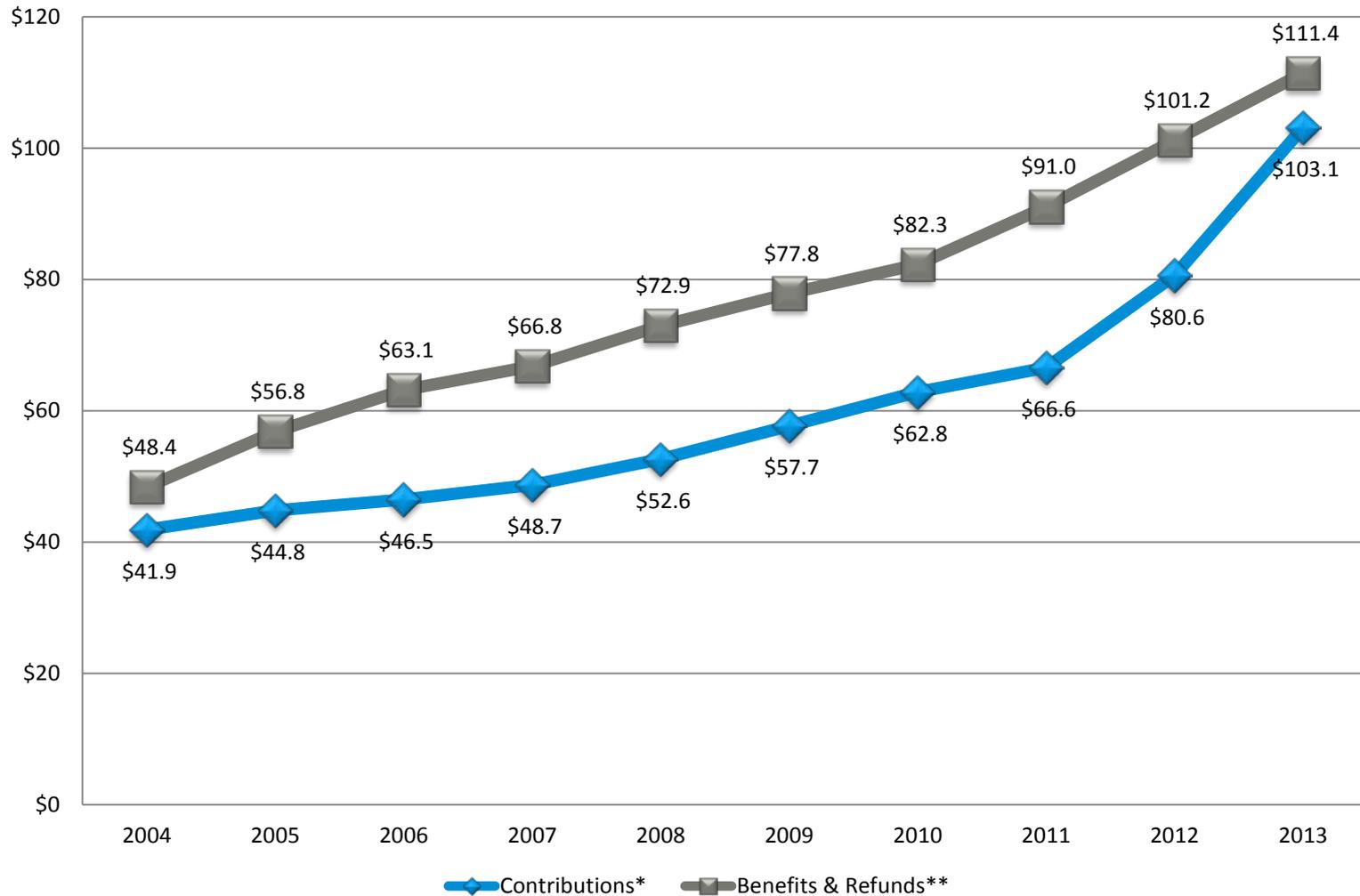
# Market and Actuarial Values of Assets – Main System



# Asset Returns – PERS and HPRS



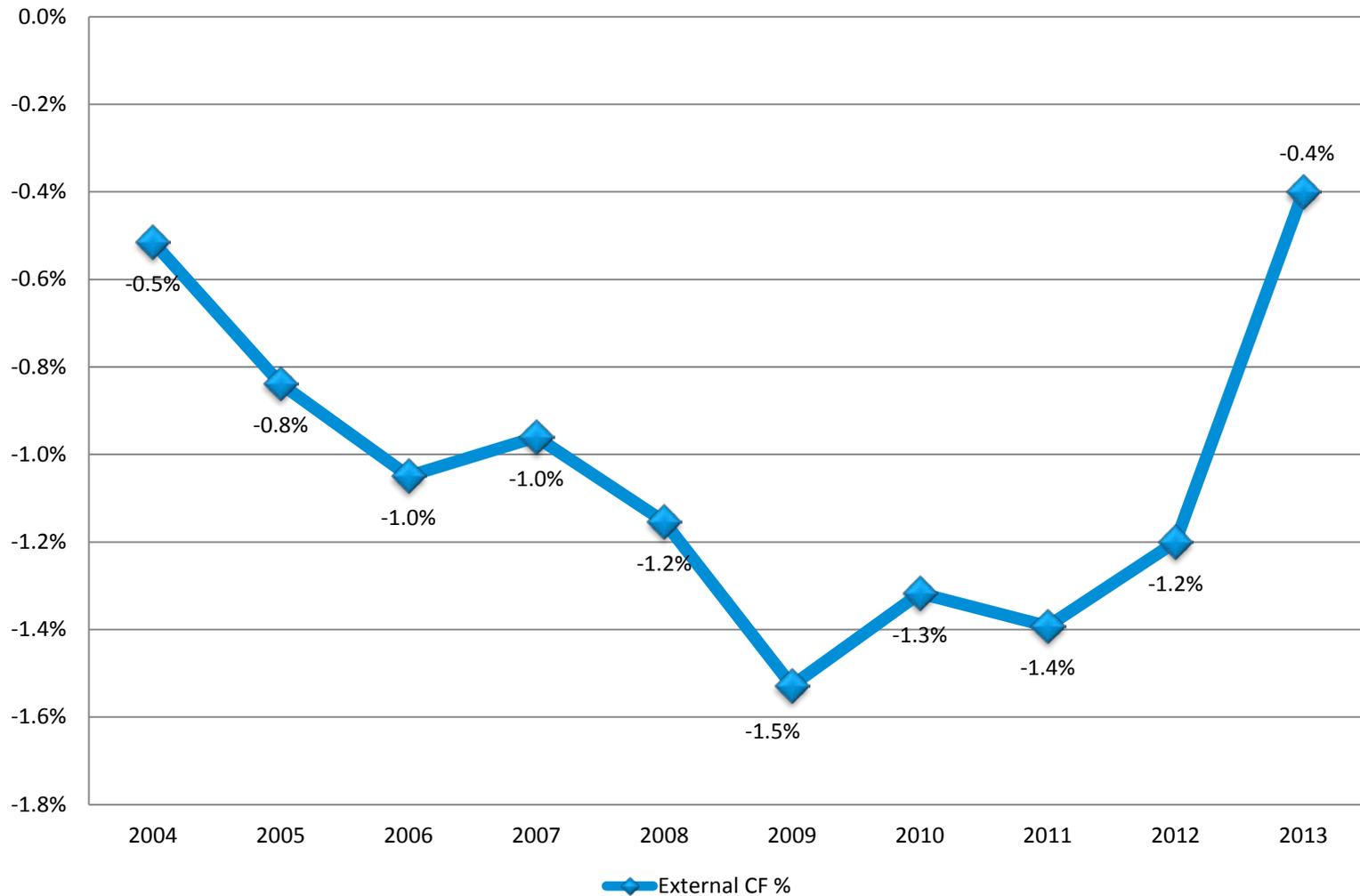
# Contributions vs Benefits and Refunds – PERS



\* Includes member and employer contributions, and service purchases

\*\* Includes administrative expenses

# External Cash Flow as a % of Market Value – PERS



# Valuation Results (\$ in millions) – Main System

	July 1, 2013	July 1, 2012
Actuarial Accrued Liability:		
• Active Members	\$1,552	\$1,396
• Inactive Members	155	171
• Retirees and Beneficiaries	<u>944</u>	<u>875</u>
<b>Total</b>	<b>\$2,651</b>	<b>\$2,442</b>
Actuarial Assets	<u>1,633</u>	<u>1,580</u>
Unfunded Accrued Liability	\$1,018	\$862
Funded Ratio	61.6%	64.7%

# Actuarially Recommended Contribution – Main System

	July 1, 2013	July 1, 2012
Normal Cost Rate	10.31%	10.04%
Member Rate	<u>6.50%</u>	<u>5.50%</u>
Employer Normal Cost Rate	3.81%	4.54%
Amortization of UAAL	<u>8.33%</u>	<u>7.70%</u>
Actuarially Recommended Contribution	12.14%	12.24%
Employer Rate	6.12-7.12%	5.12-6.12%
Contribution Sufficiency/(Deficiency)	(4.52%)	(5.62%)

If the actuarially recommended contribution is calculated using the market value of assets, the ultimate contribution sufficiency/(deficiency) is (2.37%).

# Valuation Results (\$ in millions) – Judges

	July 1, 2013	July 1, 2012
Actuarial Accrued Liability:		
• Active Members	\$21.613	\$19.455
• Inactive Members	0.382	0.355
• Retirees and Beneficiaries	<u>14.217</u>	<u>13.873</u>
<b>Total</b>	<b>\$36.212</b>	<b>\$33.683</b>
Actuarial Assets	<u>31.400</u>	<u>30.238</u>
Unfunded Accrued Liability	\$4.812	\$3.445
Funded Ratio	86.7%	89.8%

# Actuarially Recommended Contribution – Judges

	July 1, 2013	July 1, 2012
Normal Cost Rate	18.75%	18.73%
Member Rate	<u>7.50%</u>	<u>6.50%</u>
Employer Normal Cost Rate	11.25%	12.23%
Amortization of UAAL	<u>5.41%</u>	<u>4.10%</u>
Actuarially Recommended Contribution	16.66%	16.33%
Employer Rate	16.52-17.52%	15.52-16.52%
Contribution Sufficiency/(Deficiency)	1.31%	0.69%

If the actuarially recommended contribution is calculated using the market value of assets, the ultimate contribution sufficiency/(deficiency) is 7.00%.

# Valuation Results (\$ in millions) – National Guard

	July 1, 2013	July 1, 2012
Actuarial Accrued Liability:		
• Active Members	\$1.535	\$1.073
• Inactive Members	0.315	0.369
• Retirees and Beneficiaries	<u>1.110</u>	<u>0.973</u>
<b>Total</b>	<b>\$2.960</b>	<b>\$2.415</b>
Actuarial Assets	<u>2.317</u>	<u>2.211</u>
Unfunded Accrued Liability	\$0.643	\$0.204
Funded Ratio	78.2%	91.6%

# Actuarially Recommended Contribution – National Guard

	July 1, 2013	July 1, 2012
Normal Cost Rate	10.49%	10.31%
Member Rate	<u>4.25%</u>	<u>4.00%</u>
Employer Normal Cost Rate	6.24%	6.31%
Amortization of UAAL	<u>2.83%</u>	<u>1.09%</u>
Actuarially Recommended Contribution	9.07%	7.40%
Employer Rate	7.00%	6.50%
Contribution Sufficiency/(Deficiency)	(1.82%)	(0.90%)

If the actuarially recommended contribution is calculated using the market value of assets, the ultimate contribution sufficiency/(deficiency) is (0.26%).

# Valuation Results (\$ in millions) – Law Enforcement with Prior Main System Service

	July 1, 2013	July 1, 2012
Actuarial Accrued Liability:		
• Active Members	\$14.271	\$13.134
• Inactive Members	0.812	1.037
• Retirees and Beneficiaries	<u>10.250</u>	<u>7.831</u>
<b>Total</b>	<b>\$25.333</b>	<b>\$22.002</b>
Actuarial Assets	<u>15.320</u>	<u>14.284</u>
Unfunded Accrued Liability	\$10.013	\$7.718
Funded Ratio	60.5%	64.9%

# Actuarially Recommended Contribution – Law Enforcement with Prior Main System Service

	July 1, 2013	July 1, 2012
Normal Cost Rate	10.60%	9.92%
Member Rate	<u>5.52%</u>	<u>4.92%</u>
Employer Normal Cost Rate	5.08%	5.00%
Amortization of UAAL	<u>5.99%</u>	<u>5.69%</u>
Actuarially Recommended Contribution	11.07%	10.69%
Employer Rate*	9.31-9.81%	8.81-9.31%
Contribution Sufficiency/(Deficiency)	(0.64%)	(0.85%)

If the actuarially recommended contribution is calculated using the market value of assets, the ultimate contribution sufficiency/(deficiency) is 0.85%.

\*Rates shown are for employees of Political Subdivisions.

Rates for BCI employees are 10.31-11.31% as of July 1, 2013 and 9.31-10.31% as of July 1, 2012.

# Valuation Results (\$ in millions) – Law Enforcement without Prior Main System Service

	July 1, 2013	July 1, 2012
Actuarial Accrued Liability:		
• Active Members	\$1.149	\$0.830
• Inactive Members	0.221	0.103
• Retirees and Beneficiaries	<u>0.096</u>	<u>0.000</u>
<b>Total</b>	<b>\$1.466</b>	<b>\$0.933</b>
Actuarial Assets	<u>1.006</u>	<u>0.730</u>
Unfunded Accrued Liability	\$0.460	\$0.203
Funded Ratio	68.6%	78.3%

# Actuarially Recommended Contribution – Law Enforcement without Prior Main System Service

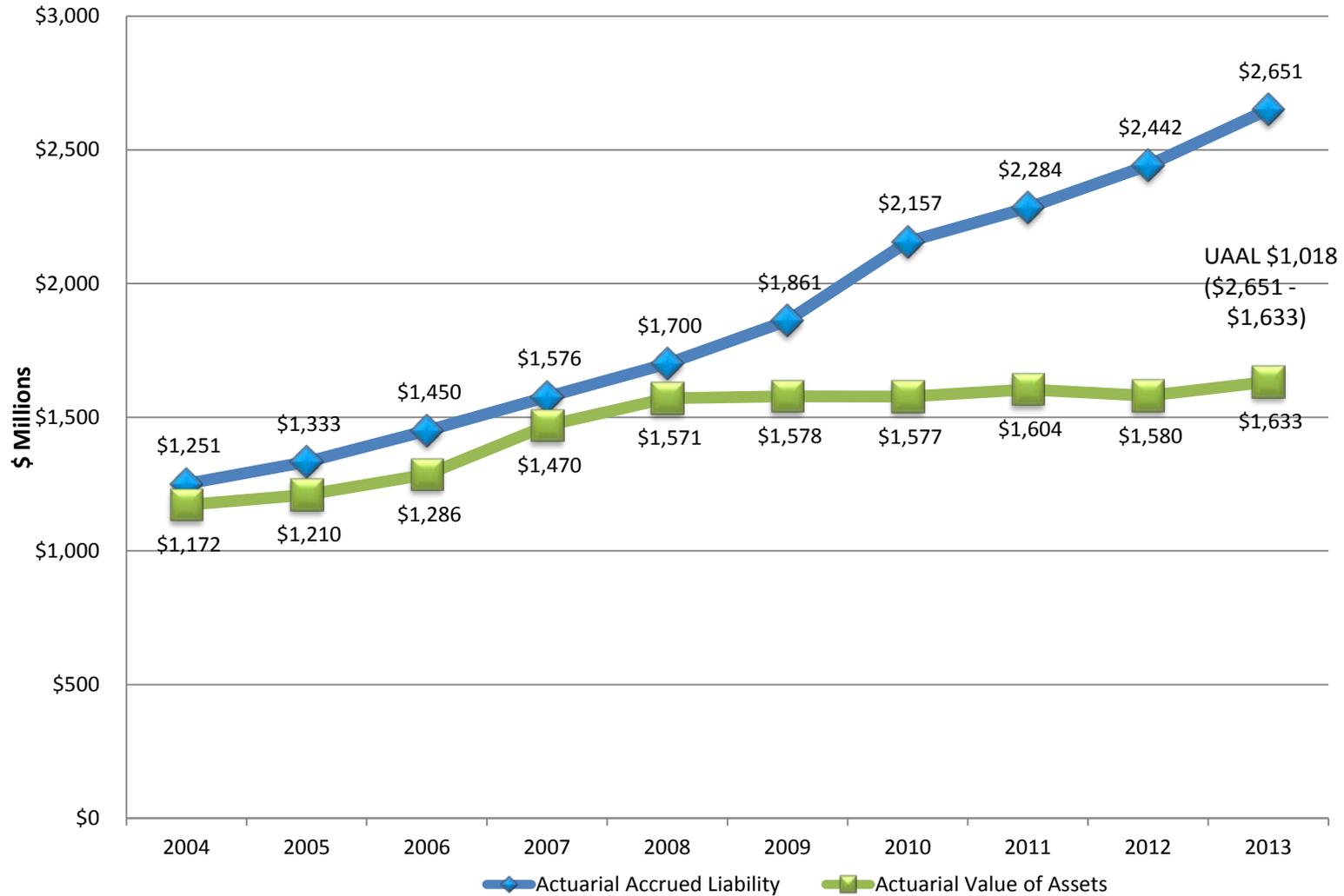
	July 1, 2013	July 1, 2012
Normal Cost Rate	11.83%	11.49%
Member Rate	<u>5.25%</u>	<u>4.75%</u>
Employer Normal Cost Rate	6.58%	6.74%
Amortization of UAAL	<u>1.53%</u>	<u>0.59%</u>
Actuarially Recommended Contribution	8.11%	7.33%
Employer Rate	7.43-7.93%	6.93-7.43%
Contribution Sufficiency/(Deficiency)	0.07%	0.35%

If the actuarially recommended contribution is calculated using the market value of assets, the ultimate contribution sufficiency/(deficiency) is 0.51%.

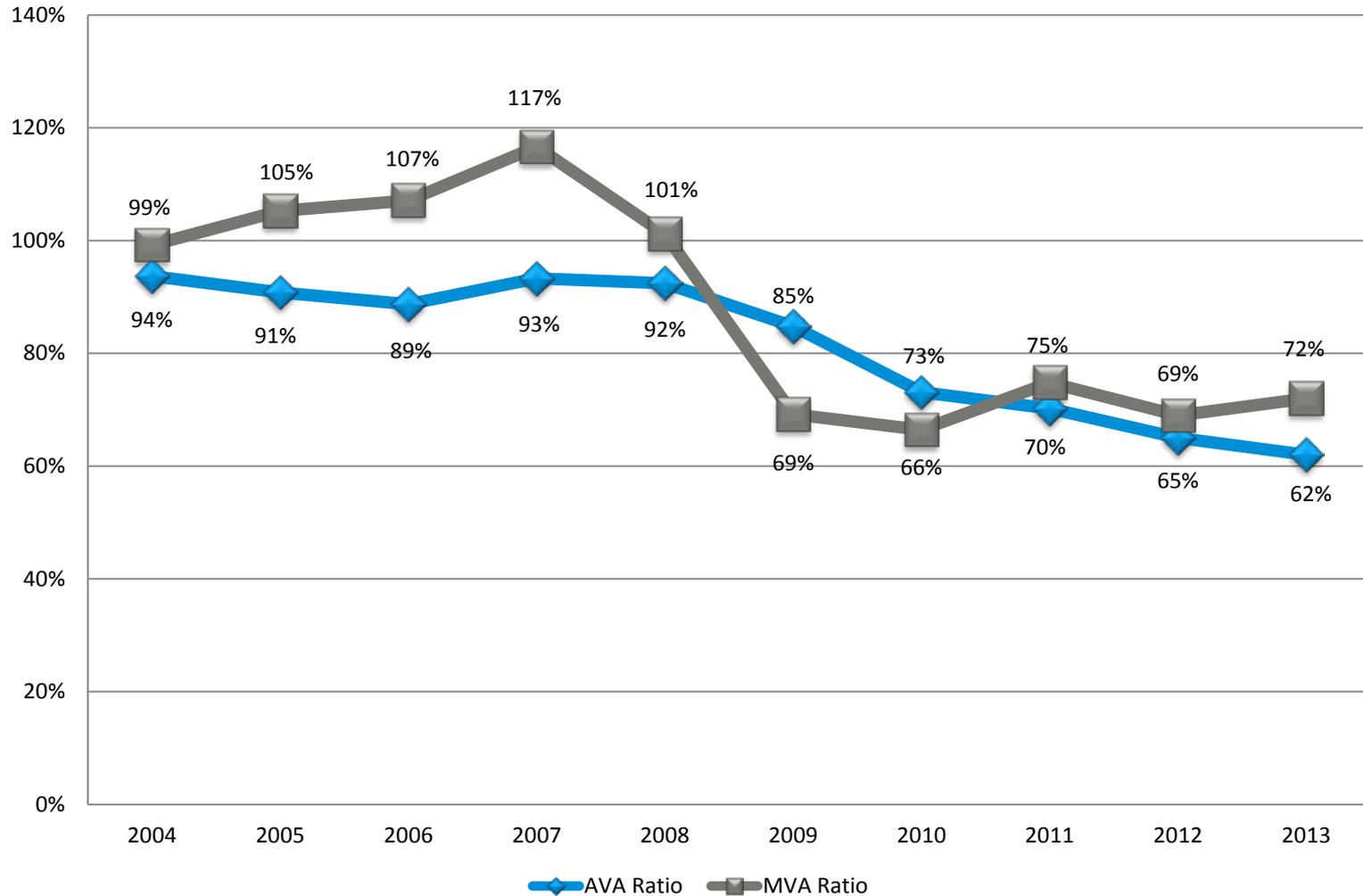
# Valuation Results (\$ in millions) – PERS

	July 1, 2013	July 1, 2012
Actuarial Accrued Liability:		
• Active Members	\$1,591	\$1,430
• Inactive Members	969	173
• Retirees and Beneficiaries	<u>157</u>	<u>898</u>
<b>Total</b>	<b>\$2,717</b>	<b>\$2,501</b>
Actuarial Assets	<u>1,683</u>	<u>1,627</u>
Unfunded Accrued Liability	\$1,034	\$874
Funded Ratio	62.0%	65.1%

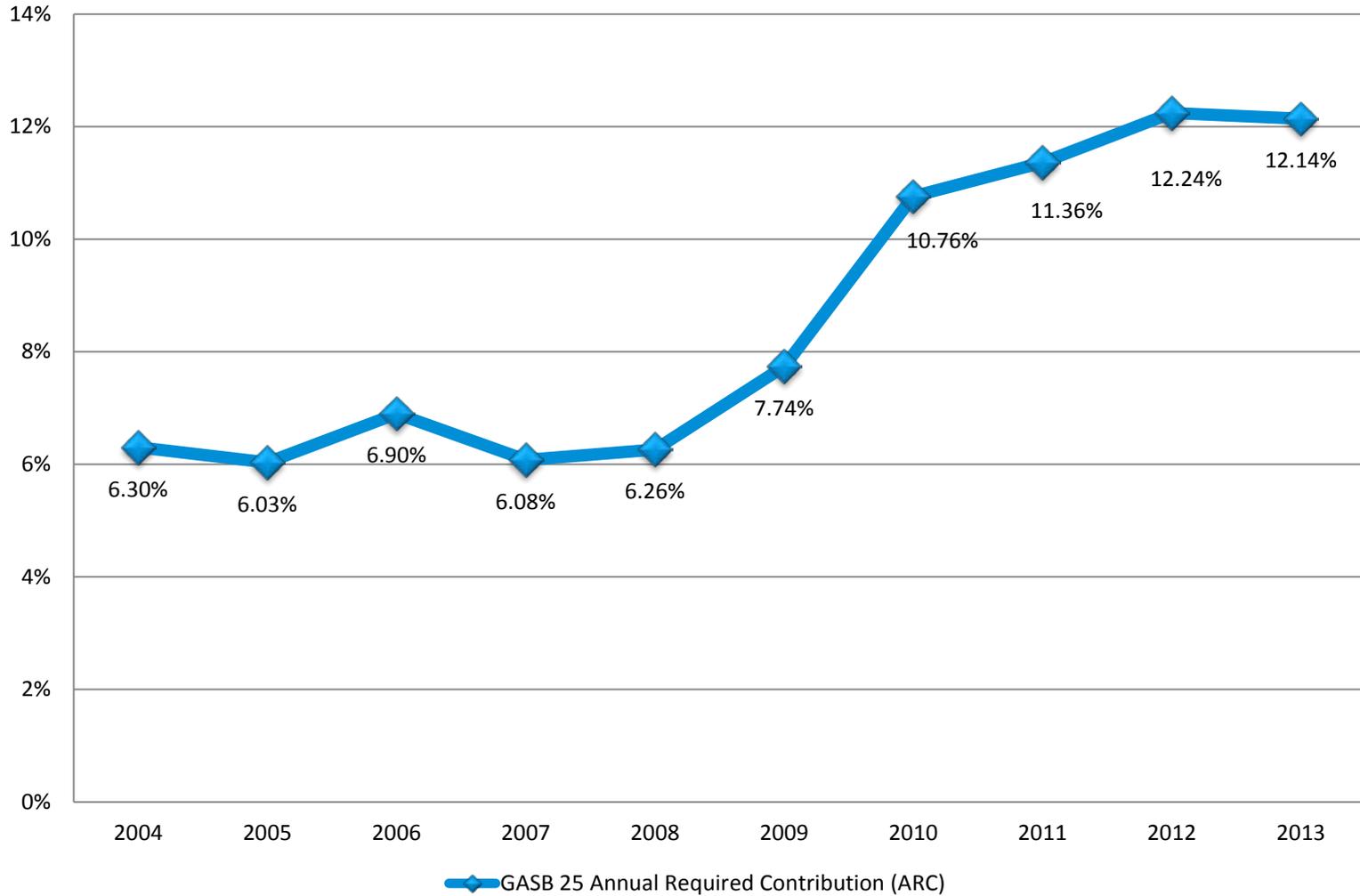
# Actuarial Value of Assets and Actuarial Accrued Liability – Main System



# Funded Ratios – Main System



# GASB 25 Annual Required Contribution (ARC) – Main System



# Membership – Highway Patrol

	2013	2012	Change
<b>Active</b>			
• Number	149	145	+2.8%
• Payroll*	\$9.3 mil	\$8.2 mil	+14.5%
• Average Age	37.3 years	36.8 years	+0.5 years
• Average Service	10.8 years	10.5 years	+0.3 years
<b>Retirees and Beneficiaries</b>			
• Number	116	116	+0.0%
• Total Annual Benefits	\$3.7 mil	\$3.7 mill	+1.5%
• Average Monthly Benefit	\$2,694	\$2,654	+1.5%

\* \_\_\_\_\_% of this was a change in our data processing methodology.

# Assets – Highway Patrol

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- The market value of assets increased from \$51.2 million (as of June 30, 2012) to \$57.0 million (as of June 30, 2013)
  - Segal determined the investment return was 13.52%, net of investment expenses
- The actuarial value of assets – which smooths investment gains and losses over five years – increased from \$48.1 million (as of June 30, 2012) to \$49.0 million (as of June 30, 2013)
  - Investment return of 4.20%, net of investment expenses
  - Actuarial value is 86.0% of market
  - There is a total of \$8.0 million of deferred investment gains that will be recognized in future years
- The average annual return on market assets for PERS and HPRS over the past 10 years is 6.8%
- The average annual return on actuarial assets for PERS and HPRS over the past 10 years is 4.7%

# Valuation Results (\$ in millions) – Highway Patrol

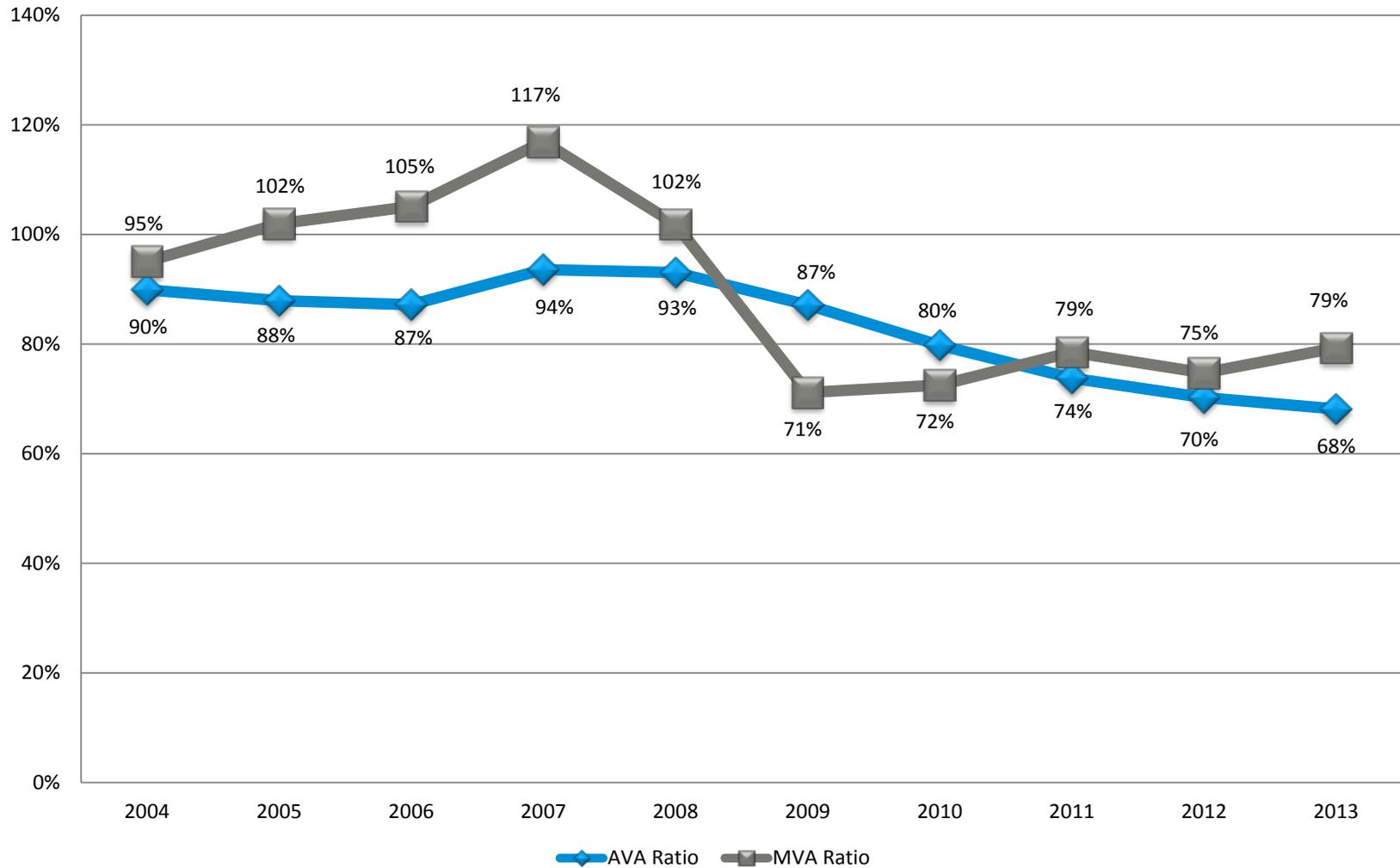
	July 1, 2013	July 1, 2012
Actuarial Accrued Liability:		
• Active Members	\$31.412	\$29.187
• Inactive Members	2.500	1.847
• Retirees and Beneficiaries	<u>37.980</u>	<u>37.422</u>
<b>Total</b>	<b>\$71.892</b>	<b>\$68.456</b>
Actuarial Assets	<u>49,039</u>	<u>48.094</u>
Unfunded Accrued Liability	\$22,853	\$20.362
Funded Ratio	68.2%	70.3%

# Actuarially Recommended Contribution – Highway Patrol

	July 1, 2013	July 1, 2012
Normal Cost Rate	20.66%	21.23%
Member Rate	<u>12.80%</u>	<u>11.80%</u>
Employer Normal Cost Rate	7.86%	9.43%
Amortization of UAAL	<u>17.25%</u>	<u>17.40%</u>
Actuarially Recommended Contribution	25.11%	26.83%
Employer Rate	18.7-19.7%	17.7-18.7%
Contribution Sufficiency/(Deficiency)	(4.91%)	(7.63%)

If the actuarially recommended contribution is calculated using the market value of assets, the ultimate contribution sufficiency/(deficiency) is 1.06%.

# Funded Ratios – Highway Patrol



# Membership – Job Service

	2013	2012	Change
<b>Active:</b>			
• Number	15	19	-21.1%
• Projected payroll	\$0.8 mil	\$1.0 mil	-19.2%
• Average Age	59.3 years	58.6 years	+0.7 years
• Average Service	36.5 years	35.7 years	+0.8 years
<b>Retirees and Beneficiaries</b>			
Non Travelers			
• Number	137	133	+3.0%
• Total Monthly Benefits	\$313,664	\$311,193	+0.8%
• Average Monthly Benefit	\$2,290	\$2,340	-2.2%
Travelers			
• Number	76	79	-3.8%
• Total Monthly Benefits	\$53,983	\$54,571	-1.1%
• Average Monthly Benefit	\$710	\$691	+2.8%

# Assets – Job Service

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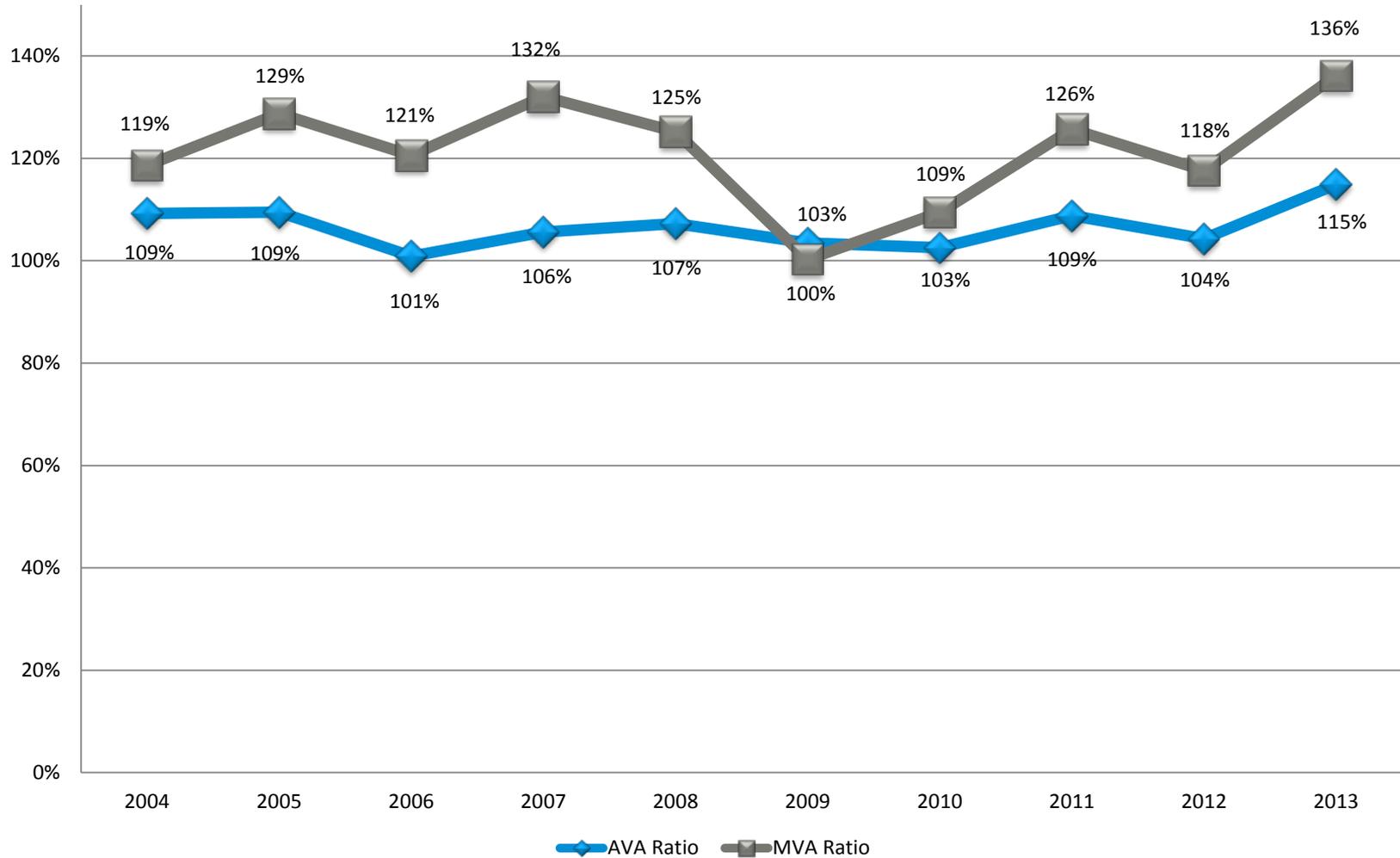
- The market value of assets increased from \$84.7 million (as of June 30, 2012) to \$90.4 million (as of June 30, 2013)
  - Segal determined the investment return was 12.06%, net of investment expenses
- The actuarial value of assets – which smooths investment gains and losses over five years – increased from \$75.1 million (as of June 30, 2012) to \$76.3 million (as of June 30, 2013)
  - Investment return of 7.52%, net of investment expenses
  - Actuarial value is 84.5% of market
  - There is a total of \$14.1 million of deferred investment gains that will be recognized in future years
- The assumed rate of return on investments was increased from 7.5% to 8.0% to measure results on the basis under which the Plan was first established

# Valuation Results (\$ in millions) – Job Service

	July 1, 2013	July 1, 2012
Actuarial Accrued Liability:		
• Active Members	\$7.858	\$10.197
• Inactive Members	1.915	0.661
• Retirees and Beneficiaries	<u>56.672</u>	<u>61.184</u>
<b>Total</b>	<b>\$66.445</b>	<b>\$72.042</b>
Actuarial Assets	<u>76.325</u>	<u>75.118</u>
Unfunded/(Overfunded) Accrued Liability	\$(9.880)	\$(3.076)
Funded Ratio*	114.9%	104.3%

\*No contributions are scheduled as long as the funded ratio exceeds 100%.

# Funded Ratios – Job Service



Based on PVB.

# Membership – Retiree Health Insurance Credit Fund

	2013	2012	Change
<b>Active:</b>			
• Number	_____	21,462	_____%
• Payroll	\$_____ mil	\$824.9 mil	_____%
• Average Age	_____ years	47.0 years	_____ years
• Average Service	_____ years	10.3 years	_____ years
<b>Retirees and Beneficiaries</b>			
• Number	_____	4,442	_____%
• Total Annual Benefits	\$_____ mil	\$6.3 mil	_____%
• Average Monthly Benefit	\$_____	\$118	_____%

# Assets – Retiree Health Insurance Credit Fund

---

- The market value of assets increased from \$63.9 million (as of June 30, 2012) to \$\_\_\_\_\_ million (as of June 30, 2013)
  - Segal determined the investment return was \_\_\_\_\_%, net of investment expenses
- The actuarial value of assets – which smooths investment gains and losses over five years – increased from \$58.3 million (as of June 30, 2012) to \$\_\_\_\_\_ million (as of June 30, 2013)
  - Investment return of \_\_\_\_\_%, net of investment expenses
  - Actuarial value is \_\_\_\_\_% of market
  - There is a total of \$\_\_\_\_\_ million of deferred investment gains that will be recognized in future years

# Valuation Results (\$ in millions) – Retiree Health Insurance Credit Fund

	July 1, 2013	July 1, 2012
Actuarial Accrued Liability:		
• Active Members	\$_____	\$58.337
• Retirees and Beneficiaries	_____	<u>54.036</u>
<b>Total</b>	<b>\$_____</b>	<b>\$112.373</b>
Actuarial Assets	_____	<u>58.307</u>
Unfunded Accrued Liability	\$_____	\$54.066
Funded Ratio	_____%	51.9%

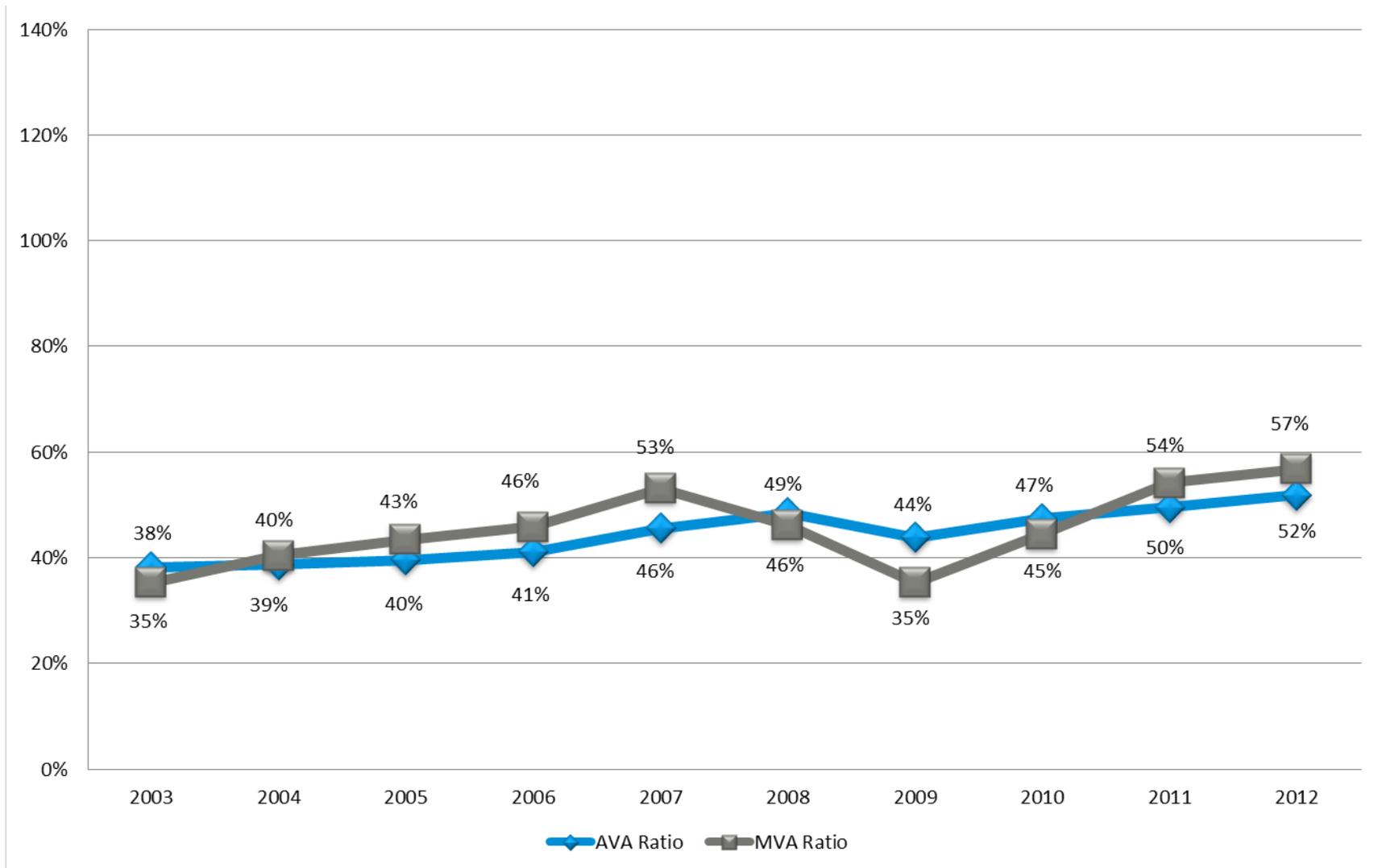
# Actuarially Recommended Contribution – Retiree Health Insurance Credit Fund

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	July 1, 2013	July 1, 2012
Normal Cost Rate	_____ %	0.40%
Amortization of UAAL	_____ %	<u>0.50%</u>
Actuarially Recommended Contribution	_____ %	0.90%
Employer Rate	_____ %	1.14%
Contribution Sufficiency/(Deficiency)	_____ %	0.24%

If the actuarially recommended contribution is calculated using the market value of assets, the ultimate contribution sufficiency/(deficiency) is \_\_\_\_\_%.

# Funded Ratios – Retiree Health Insurance Credit Fund



# Valuation Results - Comments

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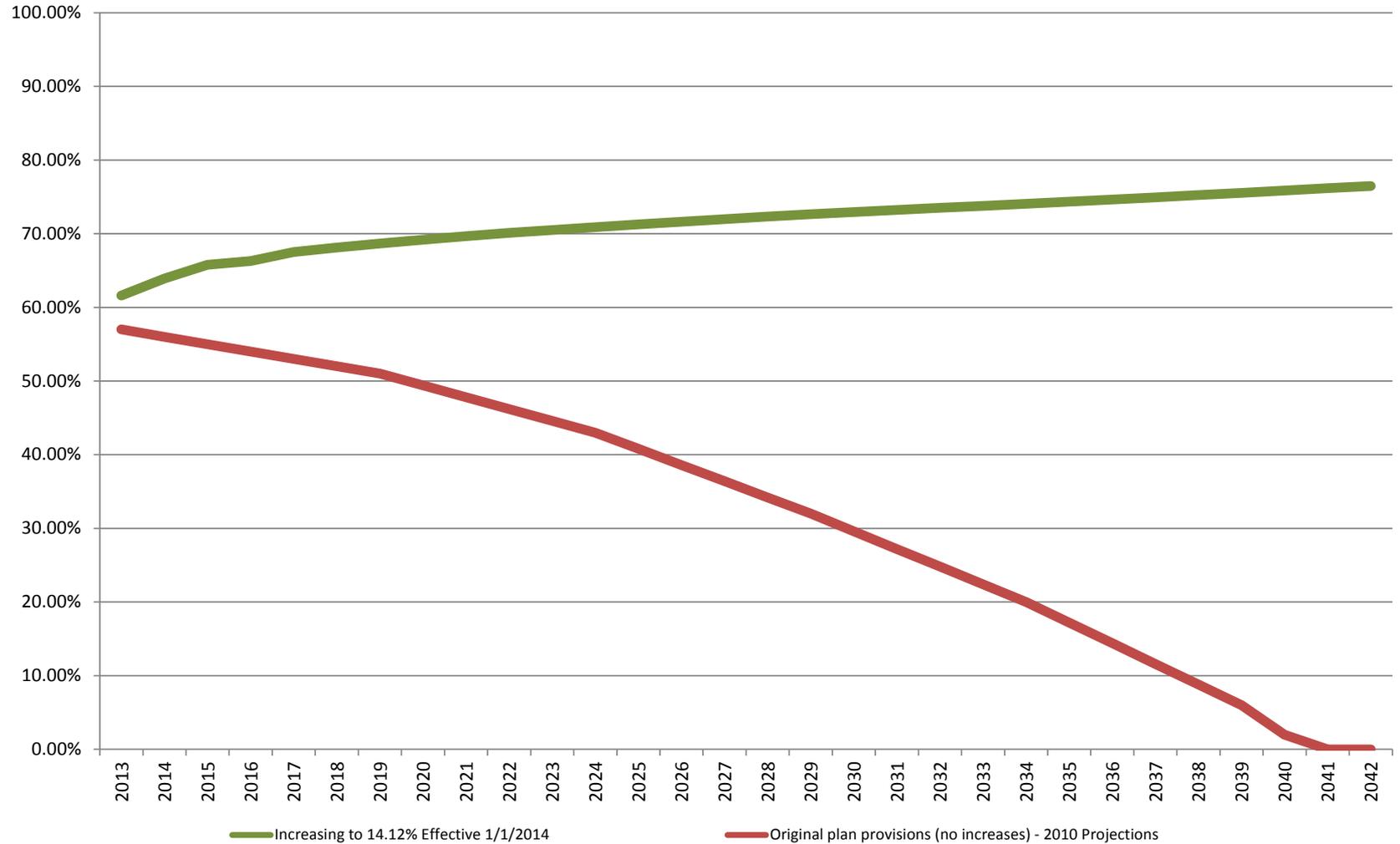
- Potential risks to the system:
  - Continued aging of population
  - Unforeseen demographic “shocks”
  - Change in asset return environment
- Board should consider projections, studies, etc., to help quantify these risks, and make changes to the system, if appropriate
- The asset valuation and amortization methods should be reviewed to make sure that they are in line with the Board’s funding objectives
- Contributions are being made in accordance with the funding policy but the Plans remain unfunded. A change in the policy could accelerate an improvement of the funded ratios.

# Projections

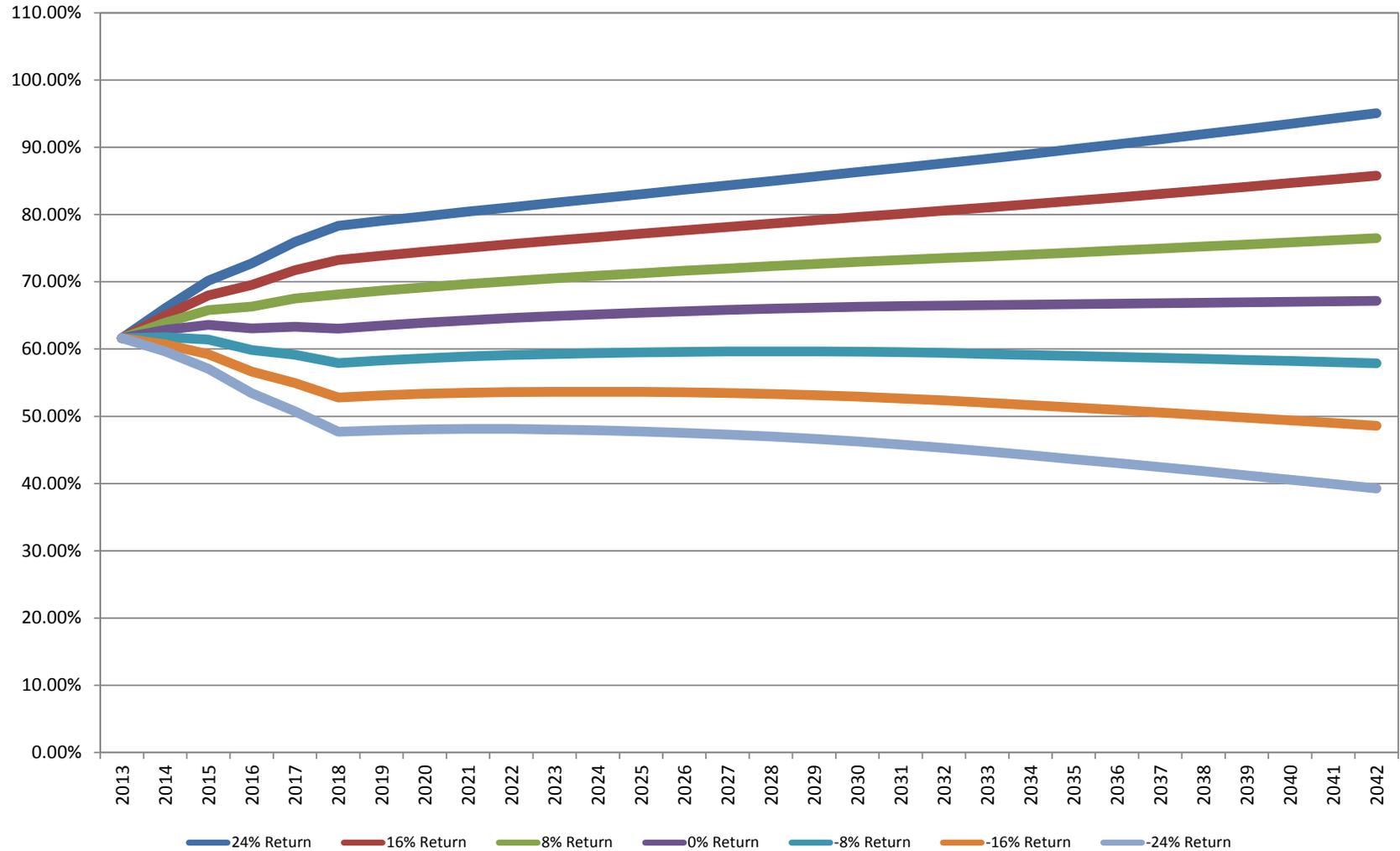
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- Projections of estimated funded ratios for 30 years
  - Based on investment return scenarios ranging from -24% to +24% for 2013/2014
  - Assume Fund earns 8% per year thereafter
  - All other experience is assumed to emerge as expected
  - 10% of new entrants will elect DC Plan participation
  
- Target Funded Ratios
  - Based on investment return scenarios ranging from -24% to 24% for 2013/2014
  - Assume Fund earns indicated return thereafter
  - All other experience is assumed to emerge as expected
  
- Projections, by their nature, are not a guarantee of future results. The modeling projections are intended to serve as illustrations of future financial outcomes that are based on the information available to us at the time the modeling is undertaken and completed, and the agreed-upon assumptions and methodologies described herein. Emerging results may differ significantly if the actual experience proves to be different from these assumptions or if alternative methodologies are used. Actual experience may differ due to such variables as demographic experience, the economy, stock market performance and the regulatory environment.

# Projected Funded Ratios (AVA Basis) – Main System Current Plan vs. Original Plan (2010 Projection)



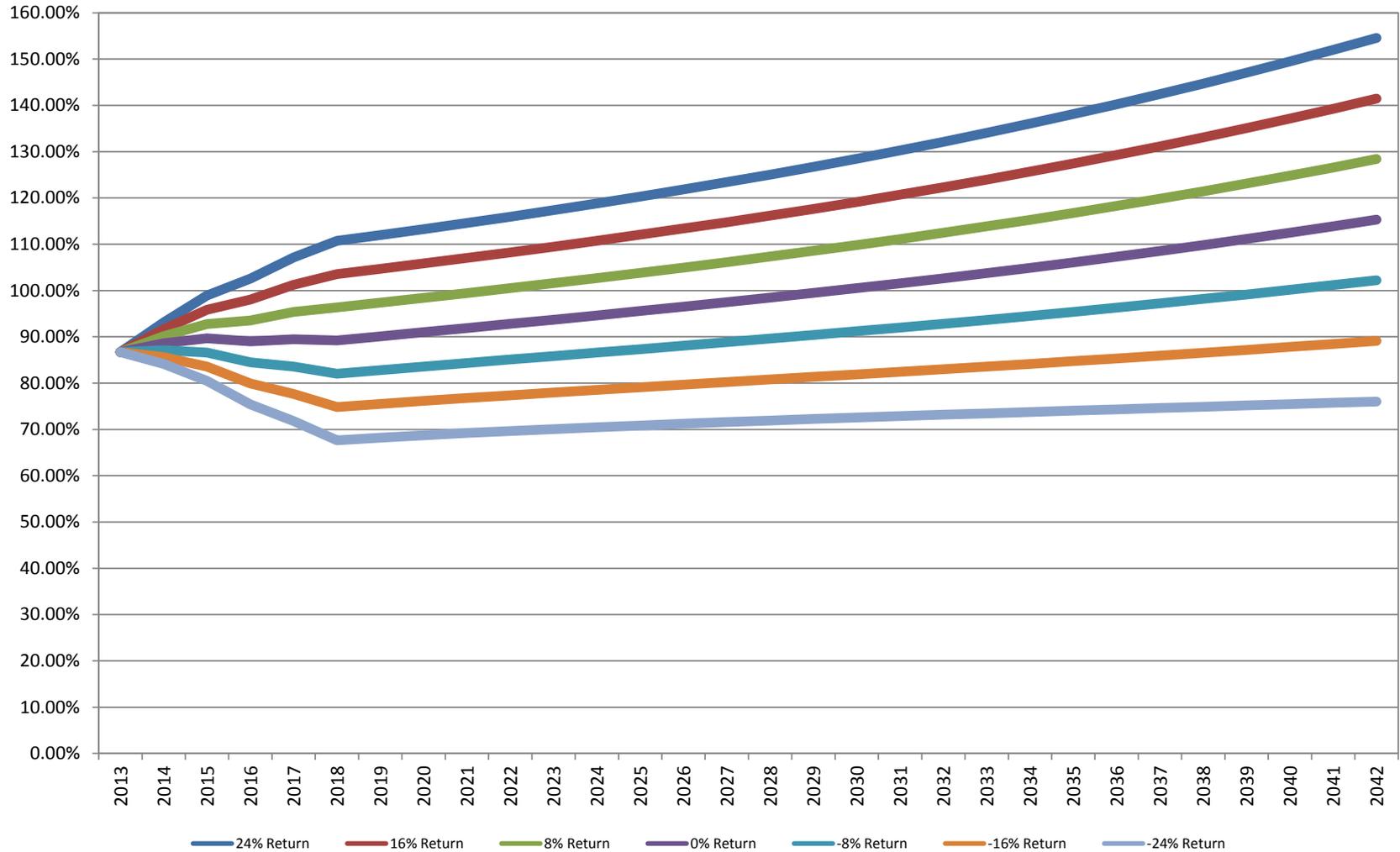
# Projected Funded Ratios (AVA Basis) – Main System



# Target Funded Ratios – Main System

Target Funded Ratio	Rate of Return Required for All Years Beginning on and after 2014/2015 To Achieve Target in 2033						
	Assumed 2013/2014 Return						
	24.0%	16.0%	8.0%	0.0%	-8.0%	-16.0%	-24.0%
<b>70%</b>	6.8%	7.3%	7.7%	8.3%	8.8%	9.5%	10.2%
<b>80%</b>	7.5%	7.9%	8.4%	9.0%	9.5%	10.2%	10.9%
<b>90%</b>	8.1%	8.6%	9.1%	9.6%	10.2%	10.8%	11.5%
<b>100%</b>	8.7%	9.1%	9.6%	10.1%	10.7%	11.4%	12.1%

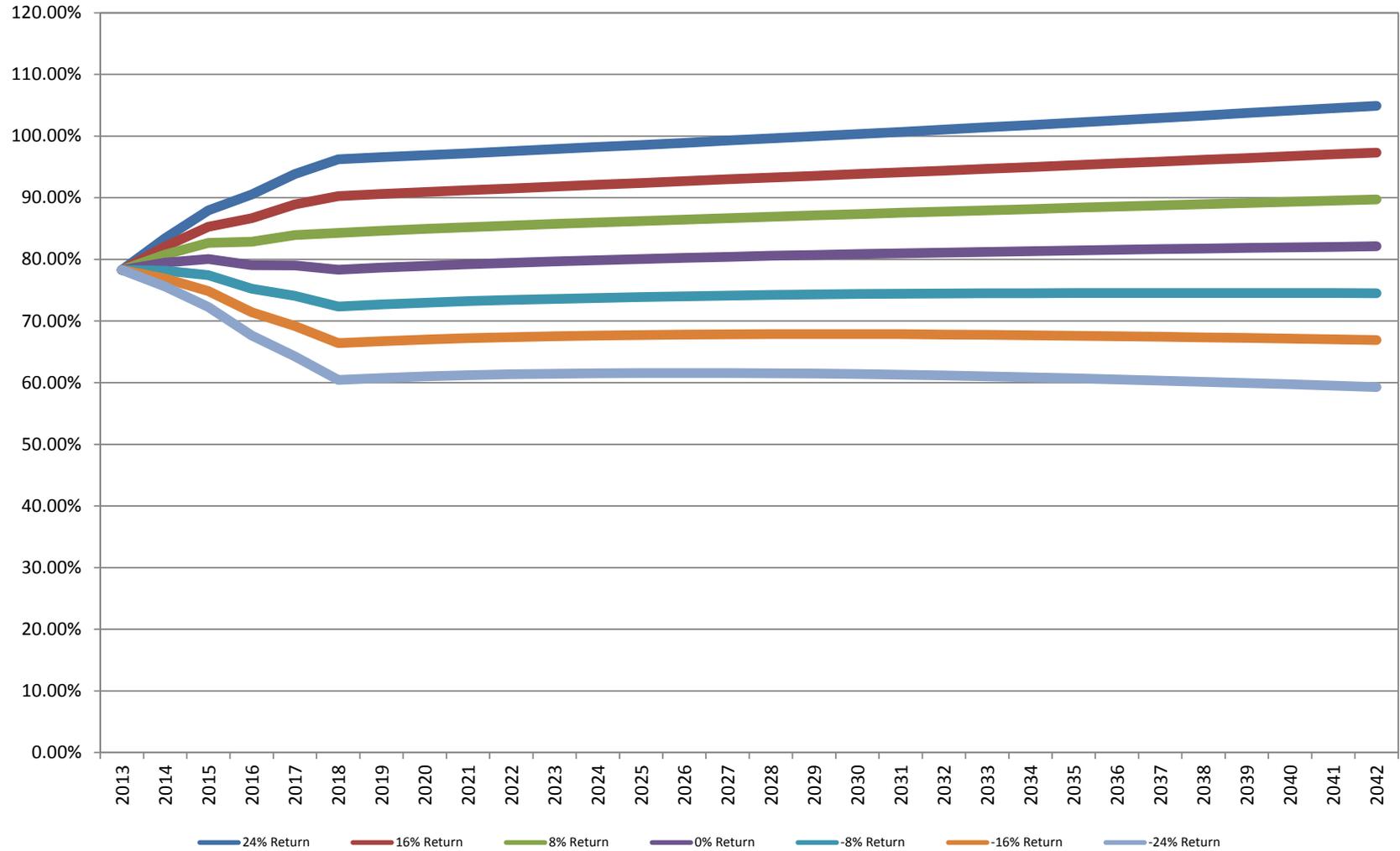
# Projected Funded Ratios (AVA Basis) – Judges



# Target Funded Ratios – Judges

Target Funded Ratio	Rate of Return Required for All Years Beginning on and after 2014/2015 To Achieve Target in 2033						
	Assumed 2013/2014 Return						
	24.0%	16.0%	8.0%	0.0%	-8.0%	-16.0%	-24.0%
70%	4.5%	4.9%	5.4%	5.9%	6.5%	7.1%	7.8%
80%	5.2%	5.6%	6.1%	6.6%	7.2%	7.8%	8.5%
90%	5.8%	6.3%	6.7%	7.2%	7.8%	8.4%	9.1%
100%	6.4%	6.8%	7.3%	7.8%	8.4%	9.0%	9.7%

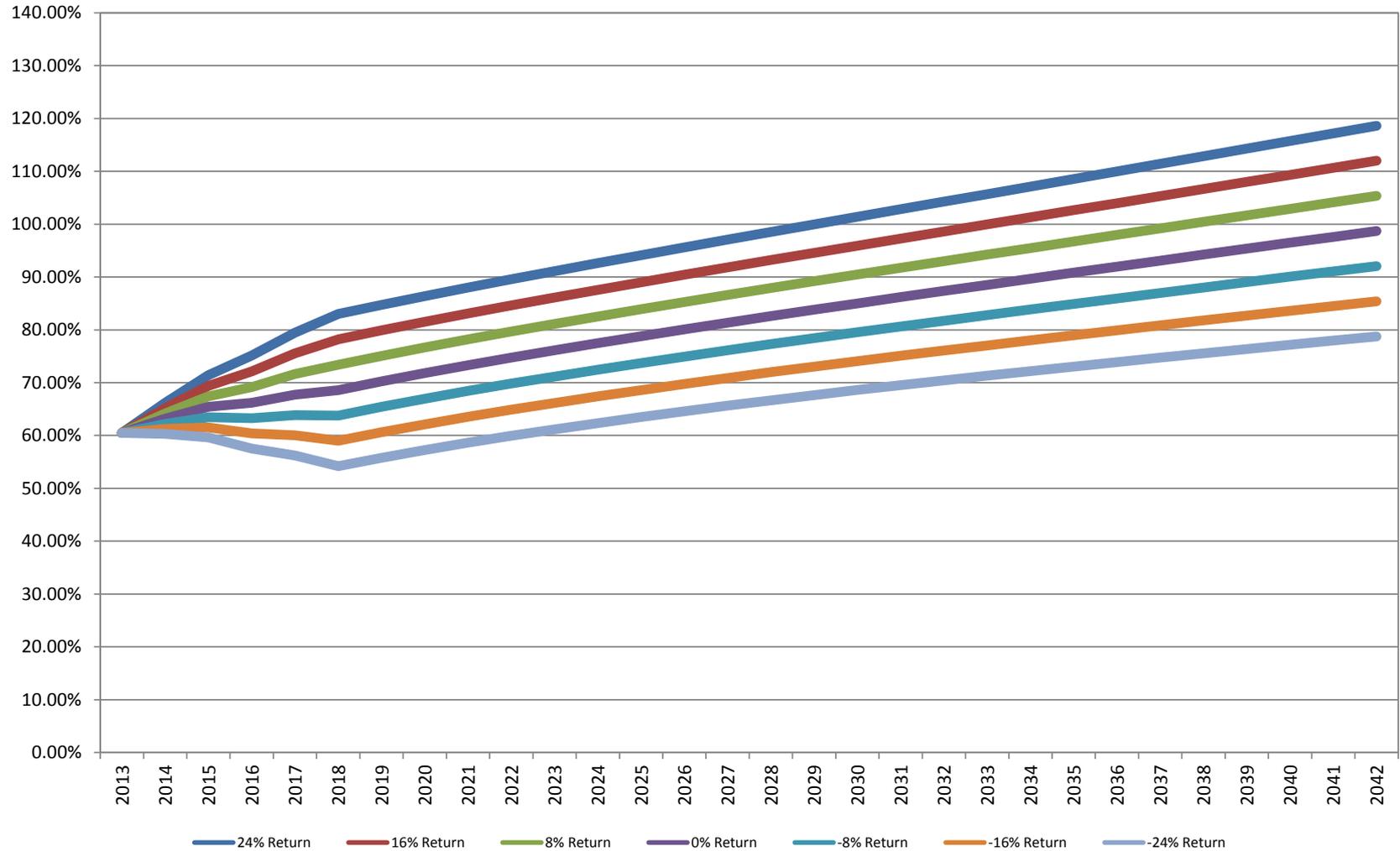
# Projected Funded Ratios (AVA Basis) – National Guard



# Target Funded Ratios – National Guard

Target Funded Ratio	Rate of Return Required for All Years Beginning on and after 2014/2015 To Achieve Target in 2033						
	Assumed 2013/2014 Return						
	24.0%	16.0%	8.0%	0.0%	-8.0%	-16.0%	-24.0%
70%	5.8%	6.2%	6.7%	7.1%	7.6%	8.2%	8.8%
80%	6.6%	7.0%	7.5%	7.9%	8.4%	9.0%	9.6%
90%	7.3%	7.7%	8.1%	8.6%	9.1%	9.7%	10.3%
100%	7.9%	8.3%	8.8%	9.2%	9.8%	10.3%	10.9%

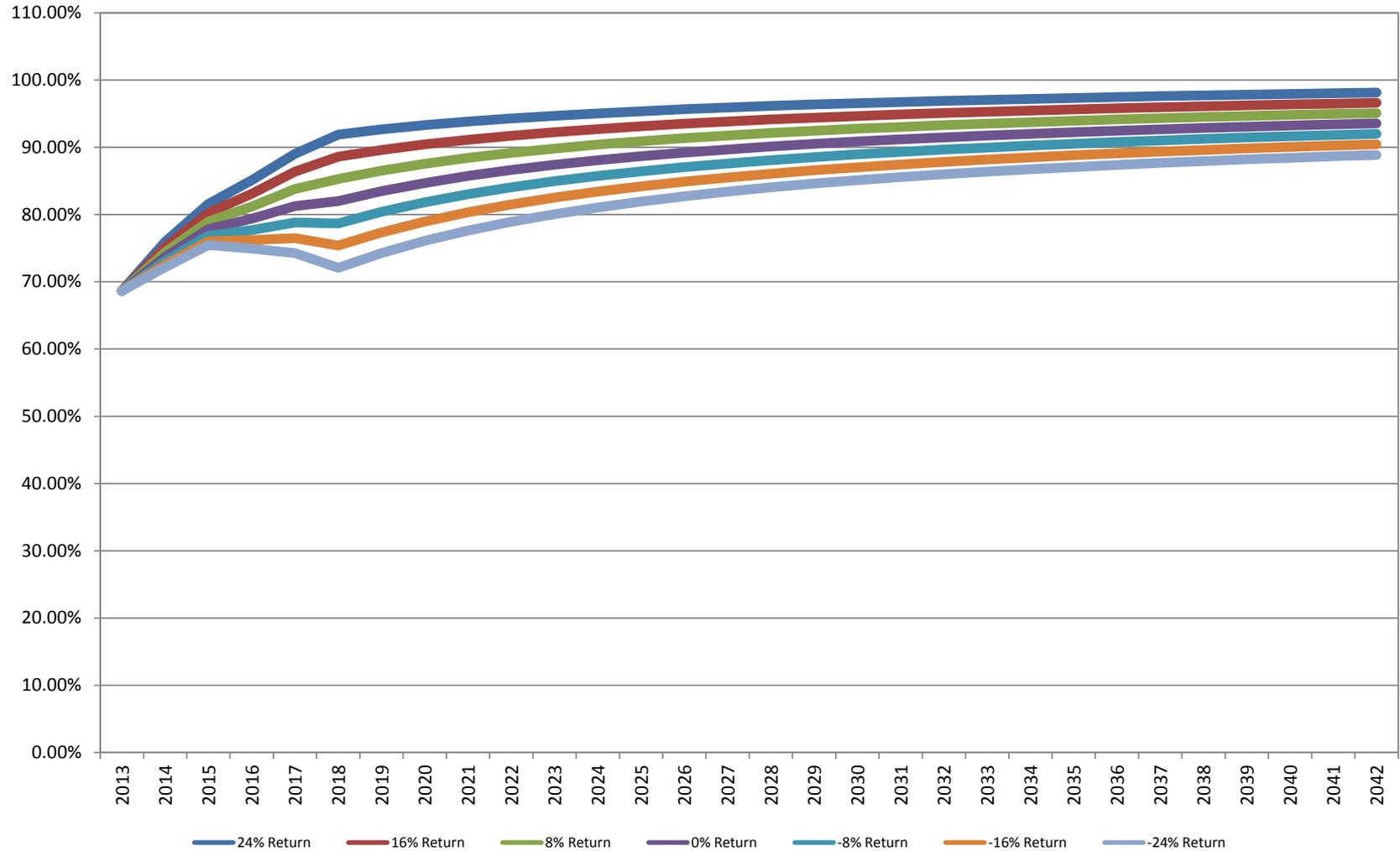
# Projected Funded Ratios (AVA Basis) – Law Enforcement with Prior Main System Service



# Target Funded Ratios – Law Enforcement with Prior Main System Service

Target Funded Ratio	Rate of Return Required for All Years Beginning on and after 2014/2015 To Achieve Target in 2033						
	Assumed 2013/2014 Return						
	24.0%	16.0%	8.0%	0.0%	-8.0%	-16.0%	-24.0%
<b>70%</b>	5.3%	5.7%	6.1%	6.5%	6.9%	7.4%	7.9%
<b>80%</b>	6.2%	6.6%	6.9%	7.3%	7.8%	8.3%	8.8%
<b>90%</b>	7.0%	7.3%	7.7%	8.1%	8.6%	9.0%	9.6%
<b>100%</b>	7.7%	8.0%	8.4%	8.8%	9.3%	9.7%	10.3%

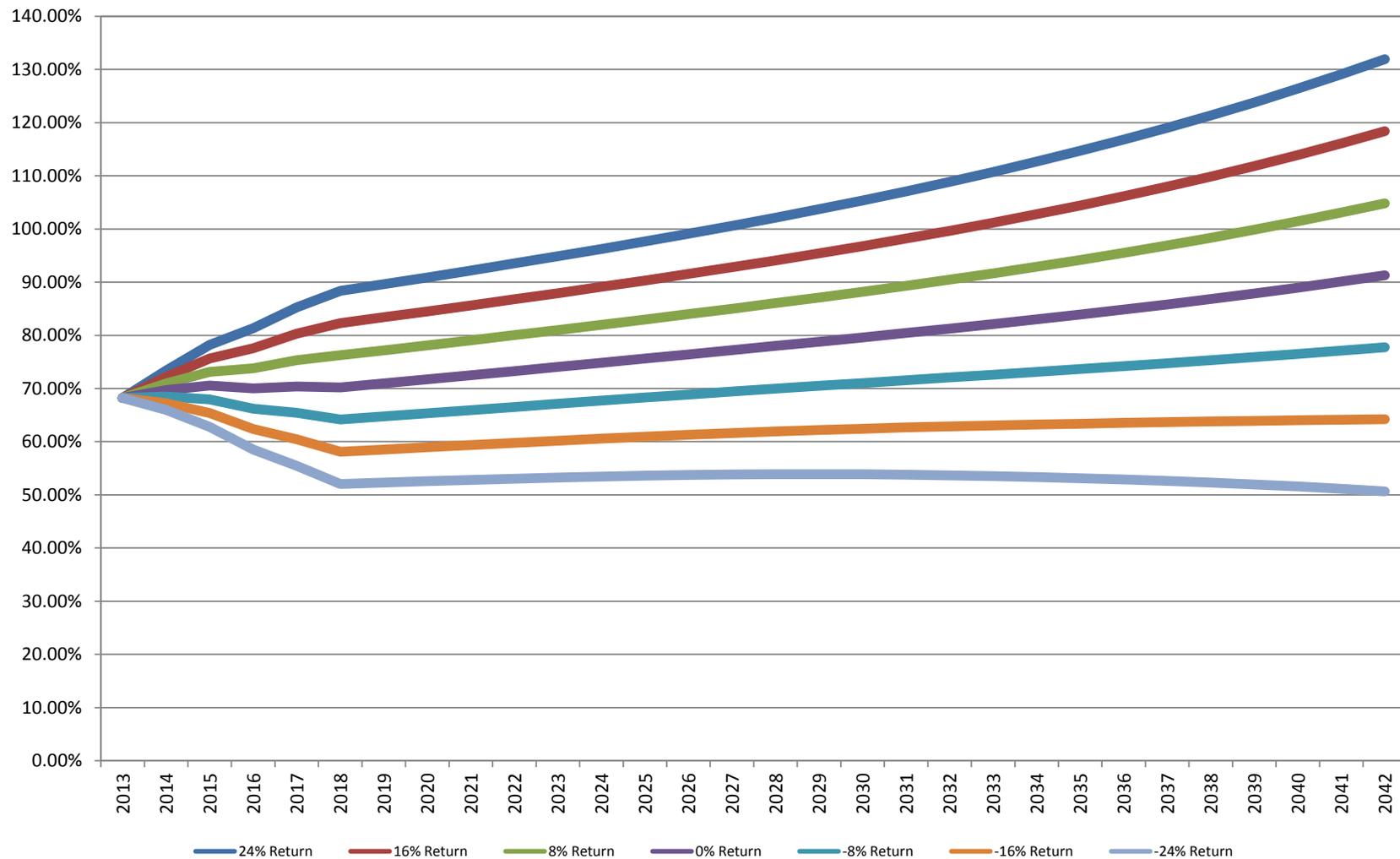
# Projected Funded Ratios (AVA Basis) – Law Enforcement without Prior Main System Service



# Target Funded Ratios – Law Enforcement without Prior Main System Service

Target Funded Ratio	Rate of Return Required for All Years Beginning on and after 2014/2015 To Achieve Target in 2033						
	Assumed 2013/2014 Return						
	24.0%	16.0%	8.0%	0.0%	-8.0%	-16.0%	-24.0%
<b>70%</b>	4.8%	5.0%	5.1%	5.3%	5.5%	5.6%	5.8%
<b>80%</b>	6.1%	6.3%	6.5%	6.7%	6.8%	7.0%	7.2%
<b>90%</b>	7.3%	7.5%	7.6%	7.8%	8.0%	8.2%	8.4%
<b>100%</b>	8.3%	8.5%	8.7%	8.8%	9.0%	9.2%	9.5%

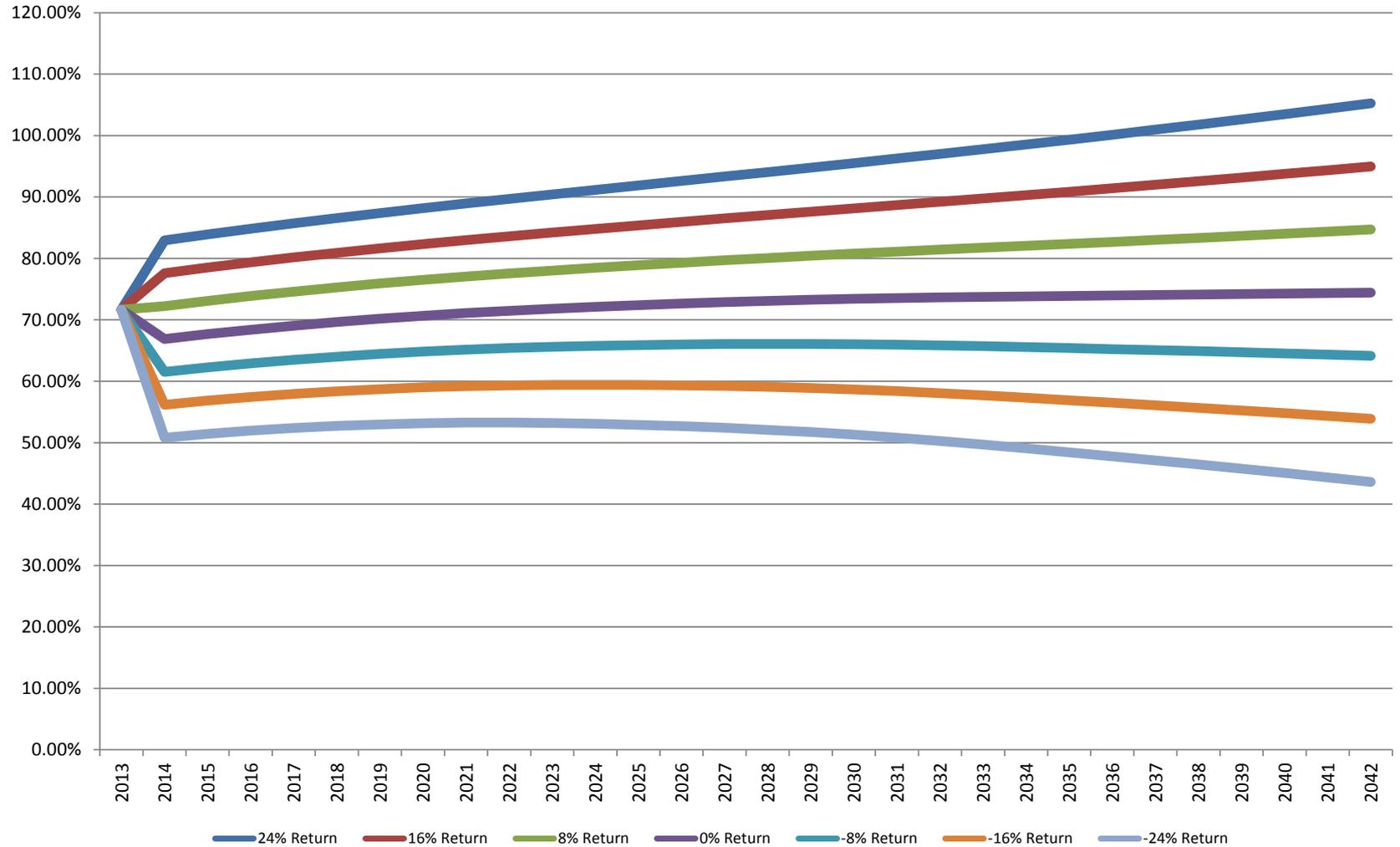
# Projected Funded Ratios (AVA Basis) – Highway Patrol



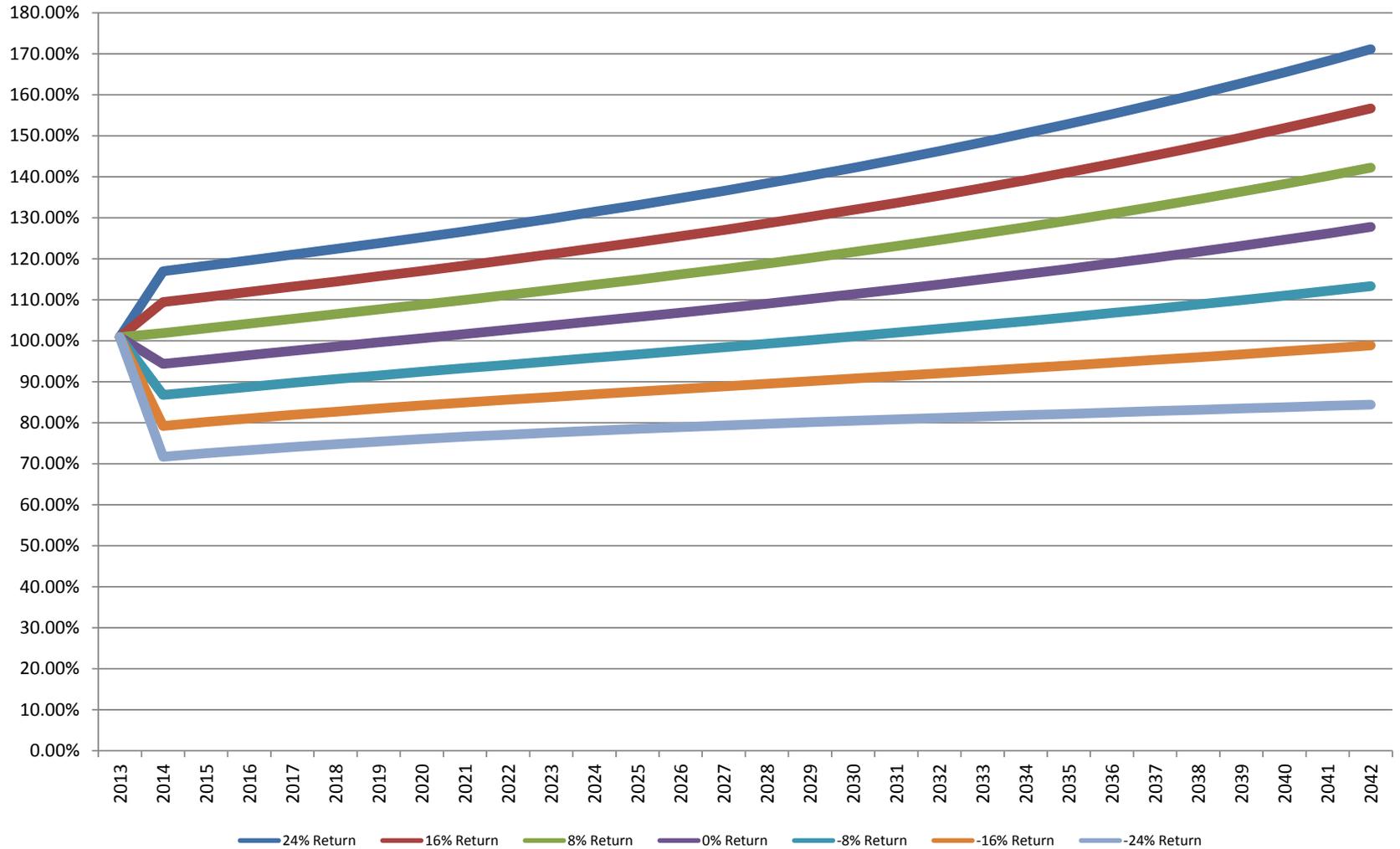
# Target Funded Ratios – Highway Patrol

Target Funded Ratio	Rate of Return Required for All Years Beginning on and after 2014/2015 To Achieve Target in 2033						
	Assumed 2013/2014 Return						
	24.0%	16.0%	8.0%	0.0%	-8.0%	-16.0%	-24.0%
<b>70%</b>	5.7%	6.1%	6.7%	7.2%	7.8%	8.5%	9.3%
<b>80%</b>	6.3%	6.8%	7.3%	7.9%	8.5%	9.2%	9.9%
<b>90%</b>	6.9%	7.4%	7.9%	8.5%	9.1%	9.8%	10.5%
<b>100%</b>	7.5%	7.9%	8.5%	9.0%	9.6%	10.3%	11.1%

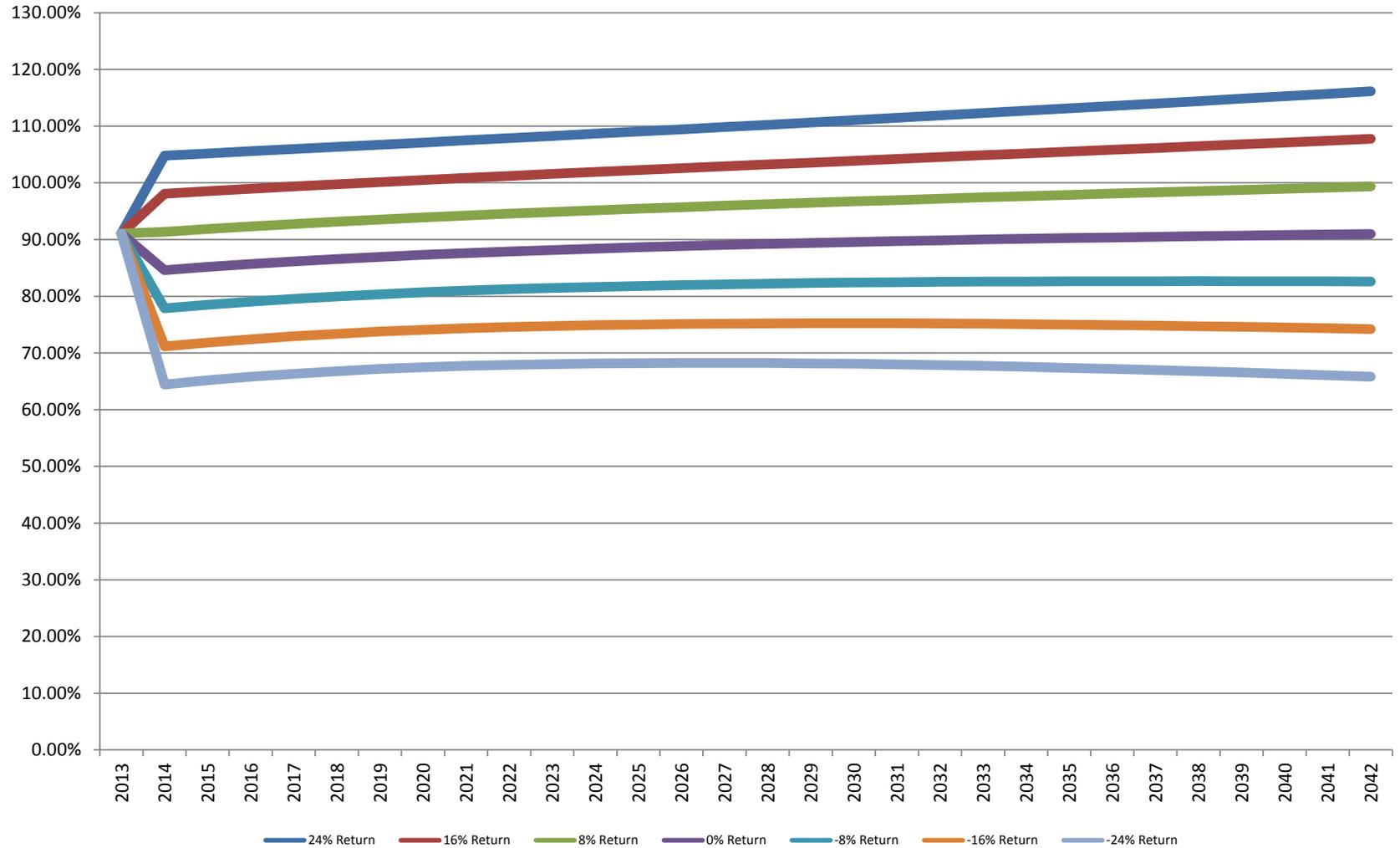
# Projected Funded Ratios (MVA Basis) – Main System



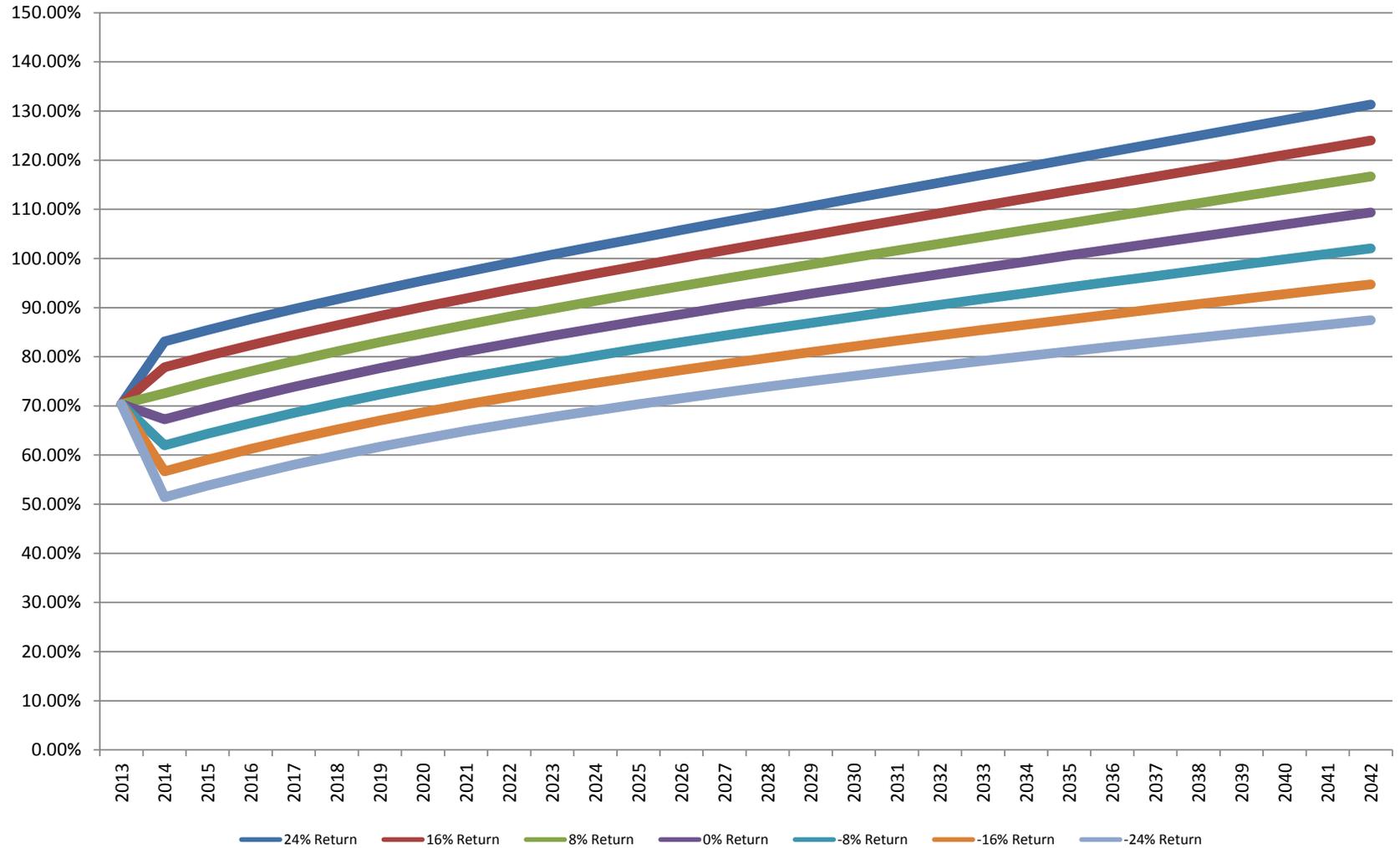
# Projected Funded Ratios (MVA Basis) – Judges



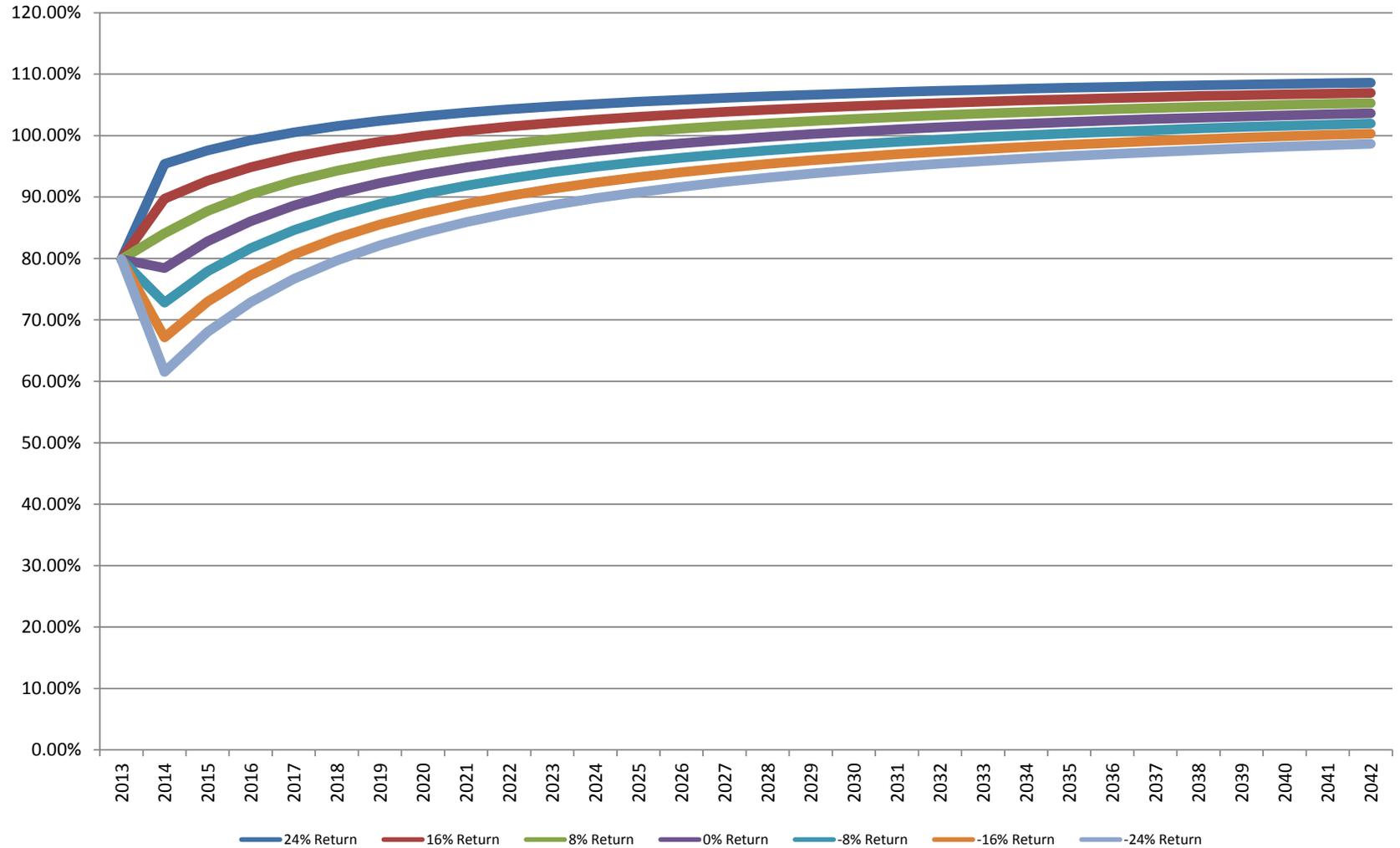
# Projected Funded Ratios (MVA Basis) – National Guard



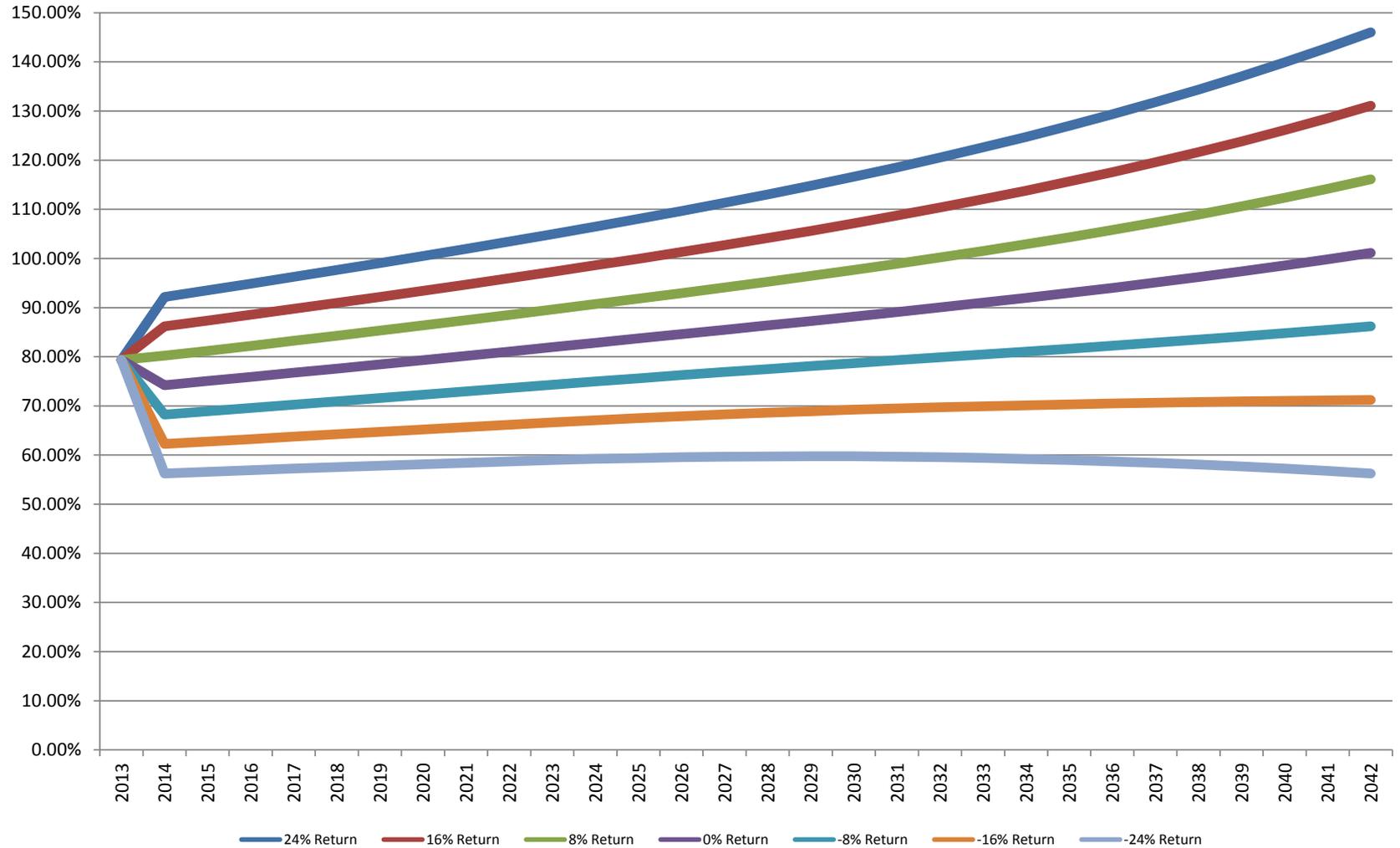
# Projected Funded Ratios (MVA Basis) – Law Enforcement with Prior Main System Service



# Projected Funded Ratios (MVA Basis) – Law Enforcement without Prior Main System Service



# Projected Funded Ratios (MVA Basis) – Highway Patrol



# Questions?

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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** October 24, 2013  
**SUBJECT:** GASB Reporting

Attached, for your information, is a presentation you received last year from Segal on the new Governmental Accounting Standards Board requirements in Statements No. 67 & 68. GASB Statements No. 67 and 68 were developed after a review of Statements No. 25 and 27 which began in 2006. They are scheduled to take effect as the new standards for public pension accounting and reporting in 2013 and 2014.

#### Statement No. 67 Financial Reporting for Pension Plans

GASB Statement No. 67 is a revision to Statement No. 25. Statement 67 requires defined benefit pension plans to prepare two financial statements - a statement of fiduciary net position and a statement of changes in fiduciary net position.

#### Statement No. 68 Accounting and Financial Reporting for Pensions

GASB Statement No. 68 is a revision to Statement No. 27, and makes changes to the valuation of pension plan liabilities. The statement requires to the way liabilities are calculated with respect to the long-term investment assumptions that can be used to discount them over time. GASB 68 also makes changes to the way annual pension expenses are calculated and reported.

At this meeting Segal will provide you an update on how this will affect PERS and our participating employers.

# North Dakota PERS

## GASB Statements 67 and 68

### Moody's Proposed Pension Adjustments

Changes to Pension Accounting and Financial Reporting Standards  
for Employers and Pension Plans

October 25, 2012

Brad Ramirez, FSA, MAAA, EA, FCA

Tammy Dixon, FSA, MAAA, EA

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# GASB Statements 67 and 68

## Governmental Accounting Standards Board

### Financial Reporting Focus

- GASB establishes accounting and financial reporting, *not funding policies*
- Focus is on pension obligation, changes in obligation, and attribution of expense

### Long-Term Nature of Governments

- Cost of services to long-term operation
- “Interperiod equity” matches current period resources and costs

### Employer-Employee Exchange

- Employer incurs an obligation to its employees for pension benefits
- Transaction is in context of a career-long relationship

# GASB Statements 67 and 68

GASB Statement 67: Financial Reporting for Pension Plans (revises GASB Statement No. 25)

GASB Statement 68: Employer Accounting & Financial Reporting for Pensions (revises GASB Statement No. 27)

## ➤ Effective dates

- For plan reporting: effective for all plan years beginning after June 15, 2013
  - Years beginning July 1, 2013 or January 1, 2014
- For employer reporting: effective for all fiscal years beginning after June 15, 2014
  - Years beginning July 1, 2014 or January 1, 2015

## ➤ GASB “Implementation Guide”

- Will address outstanding technical issues in accordance with final Statements



**While this presentation focuses on employer reporting changes (No. 68), similar changes also apply to plan reporting (No. 67).**

# Net Pension Liability

- Net Pension Liability (NPL)
  - Total pension liability (TPL) minus market value of assets
- NPL is required to be reported on the employer's balance sheet
- Under current standards, the Net Pension Obligation (NPO) is reported on the balance sheet
  - Cumulative difference between annual required contribution (ARC) and actual contributions
  - Unfunded liabilities are reported in the Notes to Financial Statements



**NPL is a snapshot of unfunded liabilities as of a point in time.**

# Net Pension Liability

## ➤ NPL is calculated using:

- Projected future benefits
  - Includes projected future service and salary increases
  - Includes the cost of ad hoc COLAs if “substantially automatic”
- A new blended discount rate
  - Determined using projections of contributions and benefit payments
- “Entry age” actuarial cost method
  - Most commonly used method
- Market value of assets
  - AKA “Fiduciary Net Position”
  - No actuarial smoothing



**Accounting NPL will be more volatile than the current unfunded accrued liability (which will still be used for funding).**

# Discount Rate

- Discount rate used to determine NPL is based on projected benefits, projected assets, including projected contributions for current members
  - Projected assets include contributions intended to fund benefits for current members
  - Projected assets do **not** include employer or employee contributions intended to fund the service cost for future employees
- For projected benefits that are covered by projected assets
  - Discount using the long-term expected rate of return on assets
- For projected benefits that are **not** covered by projected assets (i.e., after the “cross-over date”)
  - Discount using yield on 20-year AA/Aa tax-exempt municipal bond index
- Solve for a single rate that gives the same total present value
  - Use that single equivalent rate to calculate the Total Pension Liability (TPL)

**The TPL reflects a standardized actuarial cost method and an adjusted discount rate based on future funding.**

# Discount Rate

## How are contributions projected in determining the discount rate?

- This depends upon how employer contributions are determined
  - Is one of the following true?
    - Contributions are subject to statutory or contractual requirements, or
    - A formal, written policy related to contributions exists
  - If so, then use professional judgment to project contributions
    - Consider the employer's 5-year history as indicator for future contributions
    - Reflect all known events and conditions
  - If neither is true, projected contributions are based on average of contributions for past 5 years
    - Average can be percentage of pay, percentage of actuarially determined contribution, or percentage of Annual Required Contribution
    - Potentially modified for subsequent events

**The new methodology underscores the need for a formal funding policy if none currently exists.**

# Discount Rate

## ➤ Projection of benefits and assets

- No safe harbor to avoid performing the projection of benefits and contributions
- Systematic projection of the long term cash flow of the pension plan
  - Benefit payment stream until last current member is projected to die
  - Projected assets include only future contributions that fund benefits for current members
  - Mechanics not difficult but significant interpretation issues exist
- Final statement states that sufficiency of projected plan assets to pay projected benefits “might be determined through other methods”
  - Not clear what this will allow
  - Implementation Guide will address this and other issues

**The derivation of the discount rate will require significant additional calculations by the actuary.**

# Discount Rate

## What rates are used in the projection?

### ➤ Long-term rate of return

- “Long-term” is period between time employees are hired until when they retire
- Rate is based on investment strategy
- Should be net of investment expense, but not net of administrative expense
  - Administrative expenses are a separate, future cash flow

### ➤ Municipal bond index rate

- Modified from 30 year to 20 year based on availability of rate information
- Can be a yield or an index rate
- Must have average rating of AA/Aa or higher
- Current estimate: 3.50%-3.75%

**Based upon current interest rates, this projection will result in higher liabilities than those currently reported for plans where assets are not projected to cover all future benefit payments.**

# Components of Pension Expense

## New GASB 67/68 pension expense

- Simple definition is change in NPL each year, with deferred recognition of certain elements
- Components of the new pension expense include:
  - Service cost (i.e., normal cost)
  - Interest on the total pension liability as of the beginning of the year
  - Changes in total pension liability over the year (with certain deferrals)
  - Differences between actual and projected earnings over the year (with certain deferrals)
  - Projected investment returns over the year
  - Employee contributions
  - Other changes in plan net position (i.e., market value of assets)

# Components of Pension Expense

## Changes in Total Pension Liability that are recognized immediately

- These changes in total pension liability are recognized in the year in which they occur with no deferrals:
  - Service cost
  - Annual interest on the Total Pension Liability
  - Projected investment returns over the year
  - All plan amendments
- Unchanged from Exposure Draft: Immediate recognition of plan amendments for all members (actives and retirees)

# Components of Pension Expense

## Changes in Total Pension Liability where some deferrals are allowed

- These annual changes in total pension liability are recognized over a period of years:
  - Changes in actuarial assumptions
  - Actuarial gains and losses
  
- Length of the deferral period is the average expected remaining service lives of active **and** inactive members (including retirees)
  - Changed from ED, where active and retired TPL changes were amortized separately
  - Resulting amortization periods will still be very short
  - Method must be systematic and rational, using closed periods

**Simpler calculation than was outlined in the ED, but similar impact on expense.**

# Cost-Sharing Plans

## New GASB 67/68 standards

- Recognize “proportionate share” of collective Net Pension Liability and pension expense
- Proportionate share determination
  - Should be consistent with the way required contributions are determined
  - Use of the projected long-term contribution effort of the employers is encouraged
  - If different contribution rates are assessed for different groups the allocation should reflect these relationships
    - For example: different rates calculated within a single fund for different classes or tiers of employees
- This share of liability is allocated regardless of the terms of liability assignment in the employer/employee contribution agreement

**Employers in “pooled” plans will now have a portion of the NPL assigned to their balance sheet.**

# Expansion of Disclosure Information

- Applies to Notes to Financial Statements and Required Supplementary Information (RSI)
- **Greatly** expanded employer disclosures, including:
  - Description of the plan and assumptions
  - Policy for determining contributions
  - Sensitivity analysis of the impact on NPL of changes in liability discount rate
    - One percentage point increase
    - One percentage point decrease
  - Changes in the NPL for the past 10 years
  - Development of long-term earnings assumption
- Preparation of disclosures for cost-sharing employers
  - New and challenging questions for application
    - Who is responsible for developing this information?
    - Who pays for it?
    - Who has final say on the assumptions?

# Key Implications

- The faster recognition of net pension liability changes will introduce much greater volatility in the reported expense.
- This volatility will be reflected directly on the income statements of plan sponsors.
- The new expense amount will most likely be too volatile to serve as a funding policy for most entities



**By applying the new standards, GASB is effectively decoupling plan funding and plan expense.**

# What's Next?

- Education and communication
- Assessment by employers of the magnitude of the NPL that will be required to be reported when the Statements take effect
- Staff/Actuary preparation for calculations and increased disclosure requirements
- Examination of the actuarial funding policy of the plan in light of the new requirements
- Coordination with contributing employers on preparation of disclosures
- GASB will publish Implementation Guide (no timeline given)



# Moody's Adjustments to Reported Pension Data

## Proposing Standard Adjustments in Evaluating Pension Plans for Public Sector Entities

### ➤ Goals of adjustments

- Improve transparency and comparability
- Facilitate measurement of pension obligations as a balance sheet liability
- Use consistent financial assumptions

### ➤ Areas of adjustment

- Cost-sharing liabilities allocated to employers based on share of contributions
- Liabilities calculated using “high-grade corporate bond index rate” (5.5% in 2011)
- Asset smoothing replaced with market value
- Annual contributions adjusted to reflect common amortization period (17 years)

**These numbers will be used in bond rating decisions and in survey reporting.**

# Moody's Adjustments - PERS

2012 Valuation Results		Reflecting Moody's Adjustments	
Long-term discount rate	8.00%	Short-term discount rate	5.50%
Actuarial Accrued Liability	\$2.501 bil	Actuarial Accrued Liability	\$3.392 bil
Actuarial Value of Assets	1.627 bil	Market Value of Assets	1.734 bil
Unfunded Liability	\$0.874 bil	Unfunded Liability	\$1.658 bil
Funded Percentage	65.1%	Funded Percentage	51.1%
Employer Normal Cost	\$ 35.9 mil	Employer Normal Cost	\$ 53.4 mil
Amortization Payment	61.0 mil	Amortization Payment	144.6 mil
Annual Contribution*	\$ 98.0 mil	Annual Contribution*	\$ 199.1 mil

\*Includes administrative expenses of \$1.1 million

# Thank You!



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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb/Deb  
**DATE:** October 23, 2013  
**SUBJECT:** TIAA-CREF Update

Attached are draft materials TIAA-CREF has prepared for your review, in response to the last Board meeting. Below are a few comments provided by Paul Hovelsrud regarding the materials.

401a / 457 Companion Plan marketing time-line:

~ We've broken this into phases and the first phase includes a communication in December reminding participants of the contribution rate change as well as increasing the awareness of our services and investment choices. A sample draft of the letter is attached. This would be followed up by another brochure in January that is complimented by a Call to Action.

~ Phase 2 is focused on the participants who are facing a savings shortfall. We'll be promoting our consultant services and this phase will include direct outreaches to this group. Bill Thorne's group will be making direct phone calls to DC participants in the 'red zone' with less than a 50% replacement ratio.

~ Phase 3 is our core marketing plan for 2014 that focuses on Saving More, Financial Education & Diversification.

~ Phase 4 outlines an increase in financial counseling services by 50% for 2014

On page 10 you will see a summary of all the solutions we are proposing and the next page is a calendar of events for 2014. Finally, the appendix gives some additional detail on our core marketing campaign and financial essential campaigns.

Updated Plan Outcome Assessment (POA):

~ We updated this presentation with a targeted 90% replacement ratio.

~ The updated POA is a good compliment to the results of your Segal study estimating that a significant portion of these DC participants are experiencing a shortfall.

~ Much of our marketing efforts entail reaching out to the various groups as detailed on page 7. As you can see, the 'yellow zone' increased from 51.1% to 76.1% and the 'green zone' decreased to 18.7%. The 'red zone' group did not change and is still at 11 participants.

Staff will be discussing these materials with Paul prior to the Board meeting, but after the deadline for the Board materials. Therefore, the materials have been provided for your information and staff will provide any additional information gained at the next Board meeting.



Financial Services

TIAA  
CREF

# TIAA-CREF Plan Outcome Assessment

Prepared for North Dakota  
Public Employees Retirement System

**October 2013**



**An approach to optimizing  
plan effectiveness and  
driving employees'  
retirement readiness**

## Discussion Topics

TIAA-CREF reviewed North Dakota Public Employees Retirement System retirement plan to measure the retirement income replacement ratio of actively contributing plan participants. Today we will examine:

- Your plan's retirement income replacement ratio
- How your plan compares to a benchmark
- Next steps to help enhance your plan and participant outcomes

**This Plan Outcome Assessment uses the actual salary and/or compensation data the institution provided to TIAA-CREF.**

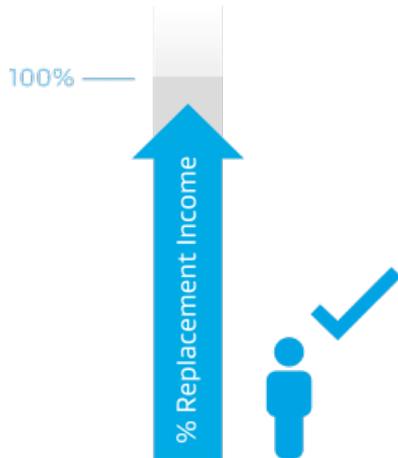
## Plan and Participant Retirement Readiness Ratios Are Linked

**The higher the plan’s average retirement income replacement ratio, the greater the overall preparedness of plan participants for retirement.**

Using the TIAA-CREF advice engine, each plan participant’s retirement readiness was calculated to determine how “ready” individuals are for replacing income in retirement.

- On track to replace more than 90% of after-tax income in retirement
- On track to replace 50%-89% of after-tax income in retirement
- On track to replace less than 50% of after-tax income in retirement

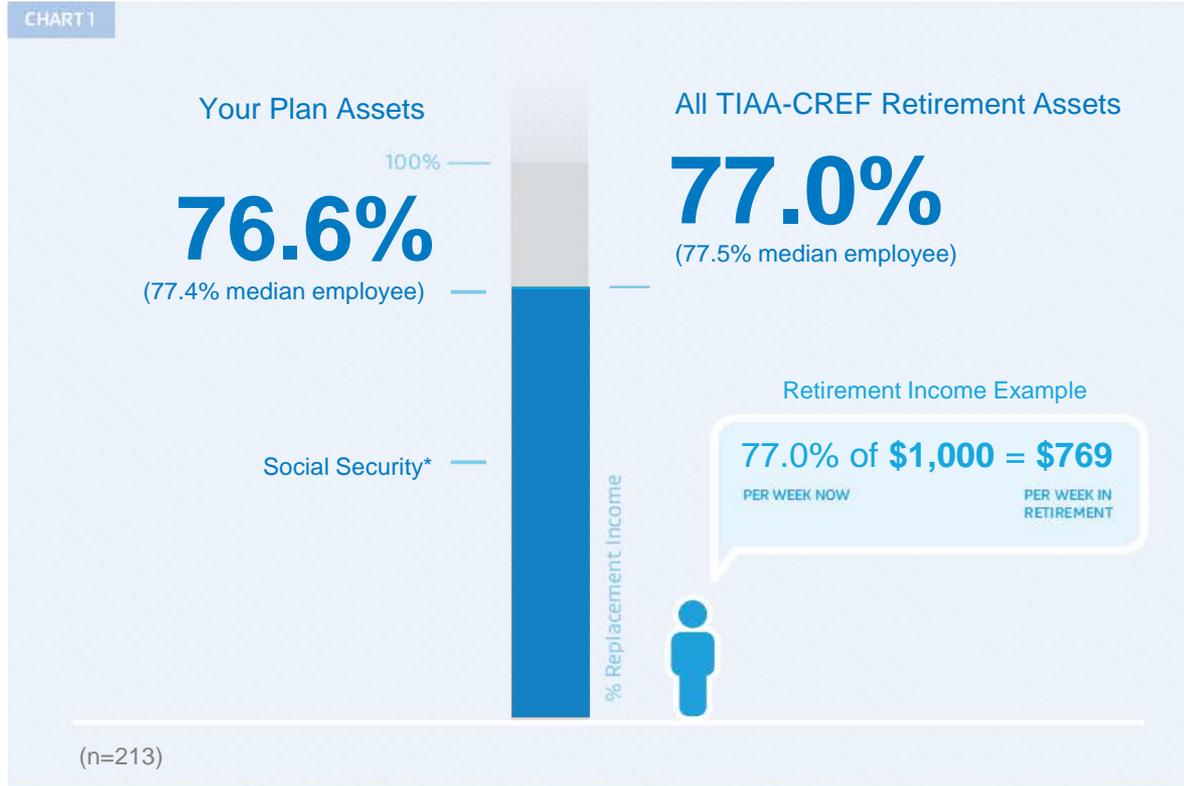
For more details, please refer to the “Report Methodology and Assumptions” slide in the Appendix.



# Your Plan's Retirement Income Replacement Ratio



## Average income replacement across your employees (as of December 31, 2012)



\*Social Security generally provides 20-40% of an individual's retirement income depending on the individual's total taxable income and tax rate.

**This report uses the actual salary and/or compensation data the institution provided to TIAA-CREF.**

## Current Plan Assets

**\$70,422**

Average annual salary (pre-tax)

**\$41,126**

Average annual after-tax retirement income your participants are on track to receive from your TIAA-CREF plan(s)

**\$107,839**

Average Plan balance

**11%**

Average contribution rate (employee & employer)

**48**

**11.1 years**

Average age

Average years in plan

## Plan Assets Plus Assets in All TIAA-CREF Retirement Plans (Past & Current Employers)

**\$41,355**

Average annual after-tax retirement income your participants are on track to receive from all their TIAA-CREF plans (including other employers)

**\$112,386**

Average all TIAA-CREF assets balance

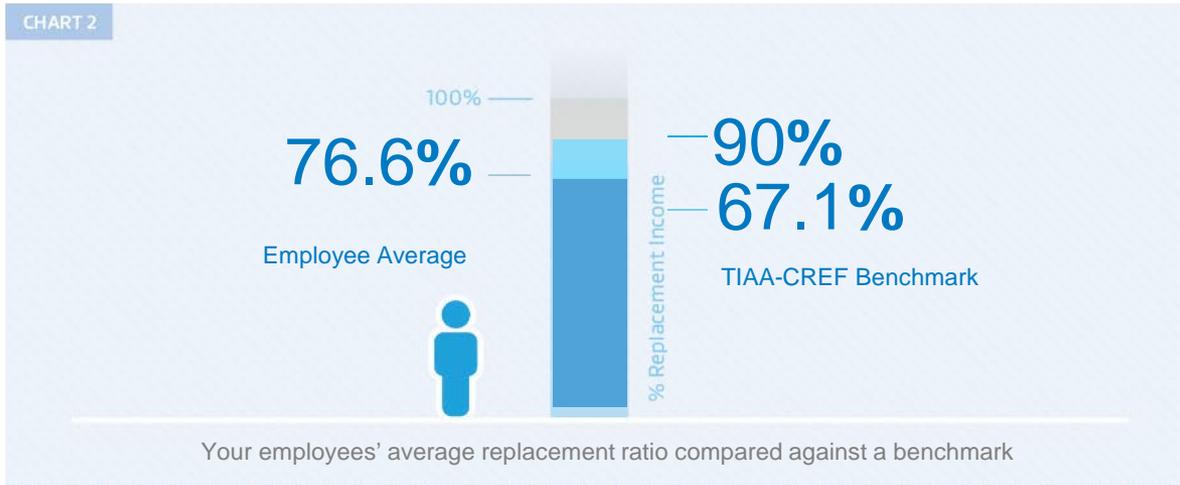
**3.8%**

Employees with balances in other TIAA-CREF administered retirement plans

# Compare Your Plan to Benchmarks



## Average income replacement across your employees compared to the TIAA-CREF Benchmark and average income replacement ratio



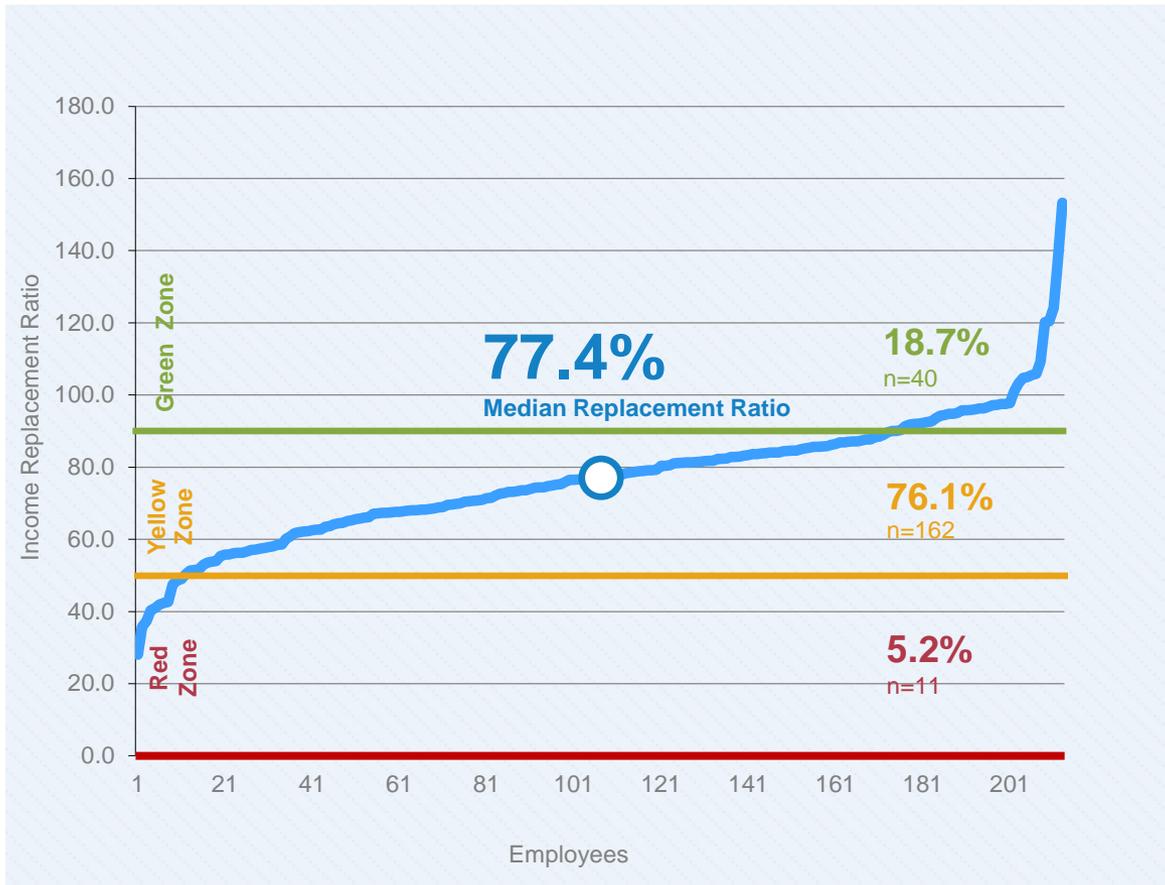
**90%** is a generally accepted target income replacement ratio.

The TIAA-CREF benchmark reflects 151 institutions in the not-for-profit market with plan assets between \$25M and \$100M.

	Your Plan Assets	TIAA-CREF Benchmark	Effect on income replacement ratio
Average annual salary (pre-tax)	\$70,422	\$71,446	The lower the average annual salary, the higher the ratio, because the participant must replace less income in retirement. Also, lower salary means Social Security has a greater impact in providing a retirement income floor.
Average annual retirement income (after-tax)	\$41,126	\$37,169	The higher the retirement income, the higher the income replacement ratio, assuming salaries are equal.
Average asset balance	\$107,839	\$43,071	The higher the average balance, the higher the potential income in retirement.
Average contribution rate	11%	9%	The higher the average contribution rate, the higher the potential income in retirement.
Average age	48	46	The lower the average age of plan participants, the more time employees have to save, leading to higher potential income in retirement.

# How much income is the plan actually replacing? The plan and the participants at a glance

## North Dakota Public Employee Assets Only



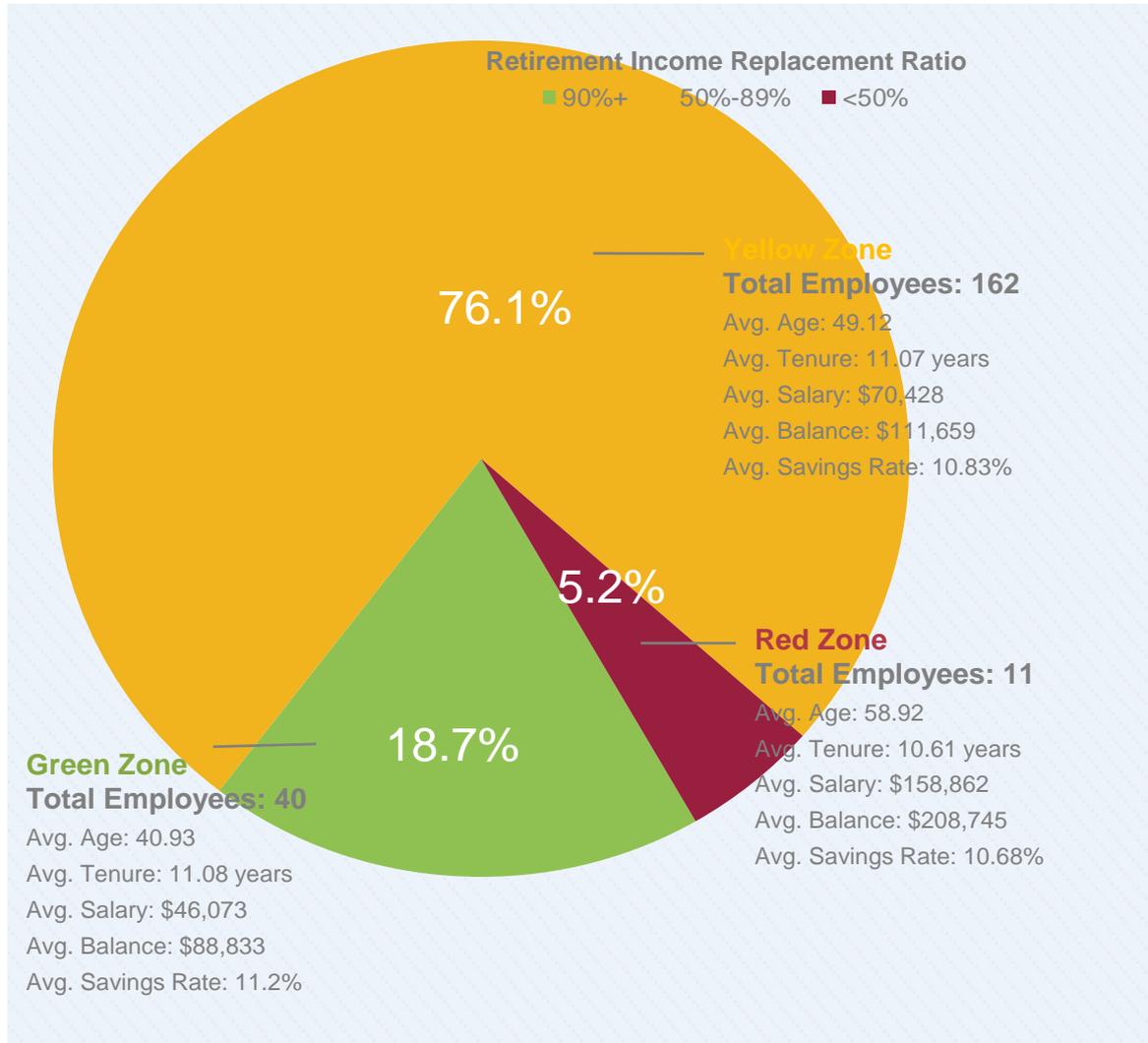
## Key Observations

- 18.7% of participants have income replacement ratios over 90%
- There are 11 employee with income replacement ratios under 50%

Retirement income replacement ratio calculated by TIAA-CREF's third-party advice provider, Ibbotson Associates, based on a participant's savings rate, asset allocation, balance and salary in 2012. Estimates a 70% chance of achieving after-tax retirement income as a percentage of after-tax salary in today's dollars.

# Employee retirement readiness at a glance

## Employee Detail by Zone



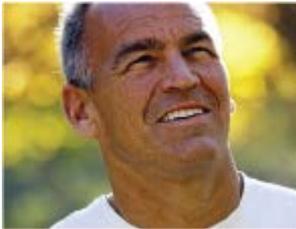
## Key Observations

- Your plan and Social Security can provide **18.7%** of your employees with adequate income in retirement
-

# Targeting employees by lifestage to help increase retirement readiness

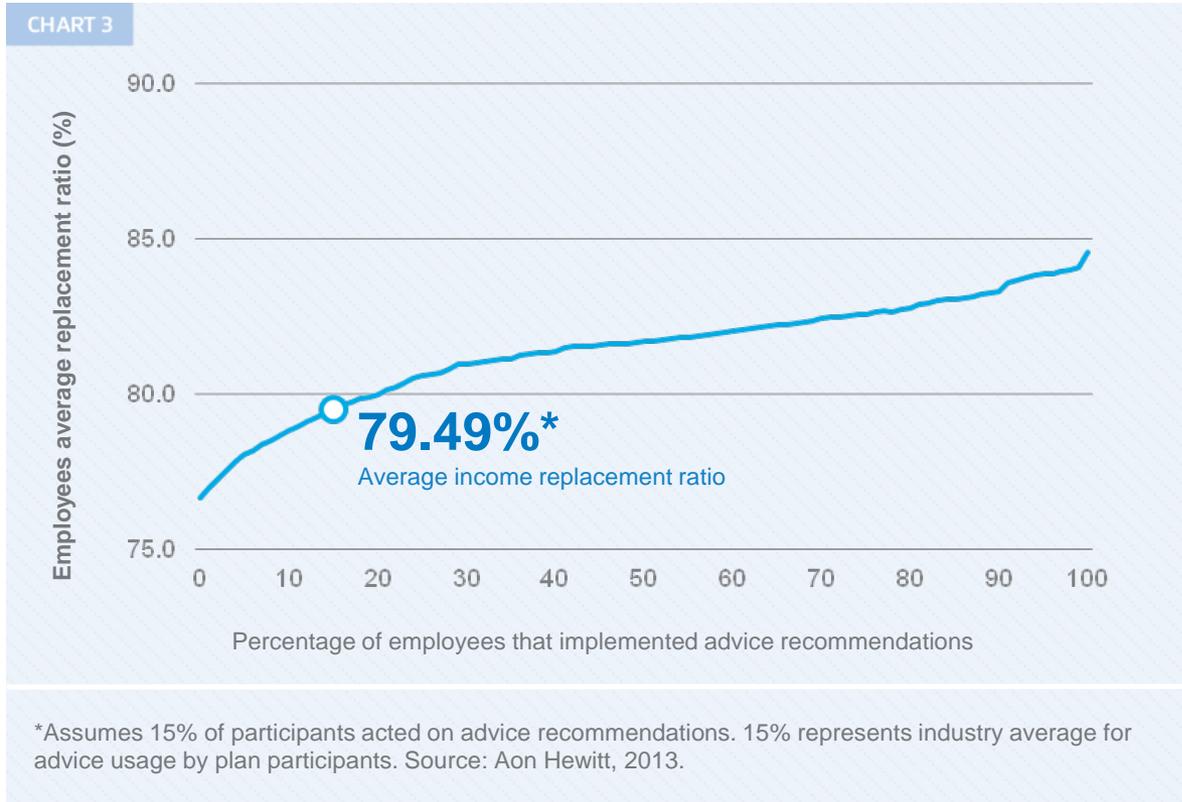


**Focusing on outreach to certain lifestage segments may enhance both plan and participant outcomes.**

	Dollar Stretchers	Life Builders	Accumulators	Transitioners	Established
					
# of employees	4	71	98	35	5
Avg. total assets	\$71,753	\$56,196	\$100,531	\$248,463	\$284,666
Avg. salary	\$57,660	\$54,205	\$73,950	\$93,906	\$104,980
Avg. income replacement ratio	67.4%	83.5%	77.2%	63.1%	59.5%
Avg. saving rate	9.7%	9.8%	11.1%	12.6%	12.4%

# Engaging employees: Advice can make a difference

## Average Income Replacement Assuming Your Employees Took Advantage of Our Advice Recommendations



## Next steps to help enhance your plan and participant outcomes

- Define retirement Plan goals and objectives to help inform next steps**
- Leverage TIAA-CREF's participant communication, education and advice to drive improved retirement readiness outcomes**
- Target select plan segments for increased communication and education outreach to meet your plan objectives**
- Share Plan Outcome Assessment with key stakeholders, such as the benefits committee, board of directors, CHRO, to review Plan progress**

# Plan Outcome Assessment: Methodology and assumptions



## Calculation of the Retirement Income Replacement Ratio

- TIAA-CREF measures retirement income replacement ratios by calculating the projected stream of distributions from participants' assets and estimated Social Security benefits in current dollars as a percentage of employees' current salaries.
- Using the participant's salary, current contribution rates and asset allocation, TIAA-CREF leverages the advice engine from Ibbotson Associates, Inc., an independent expert retained by TIAA-CREF, to perform a sophisticated, Monte Carlo analysis (500 total simulations) to project the retirement income replacement ratio. The results indicate the participant's 70% probability of achieving the retirement goal.
- The plan-level retirement income replacement ratio is determined by calculating the average retirement income replacement ratio of all participants in the plan analysis. All actively contributing participants are included in the analysis, unless the participant has annual compensation of less than \$25,000, has contributed less than \$300 in the previous 12-month period, has a current balance less than \$100, or is less than 18 or greater than 81 years of age.
- Social Security benefits are based on the employee information you provided and the standard formula used by the US Social Security Administration.
- IMPORTANT:** The Plan Outcome Assessment projections, and other information generated regarding the likelihood of various investment outcomes, are hypothetical, do not reflect actual investment results, and are not a guarantee of future results. The projections are dependent in part on subjective and proprietary assumptions, including the rate of inflation and the rate of return for different asset classes, and these rates are difficult to accurately predict. The projections also rely on financial and economic historical assumptions that may not reoccur in the future, volatility measures and other facts.

## Participant-Related Assumptions (Salary, Contribution, Retirement Age, and Advice)

- Participant compensation is based on data submitted by the employer. The participant's gross annual income is used for various calculations, including retirement income replacement ratio, estimated Social Security benefits, and estimated federal and state taxes.
- Participant contributions are aggregated for a 12-month period for participants with a balance at the beginning of the period. For participants without a beginning balance, the contribution amount from the last month of the 12-month period is annualized. IRS contribution limits are applied and adjusted for participants eligible for catch-up provisions. Ibbotson Associates, Inc. shifts any contribution amount above the annual limit of \$50,000 to after-tax contributions for modeling purposes.
- All retirement plan contributions are considered to be dedicated solely for retirement. Assets will not be liquidated for use prior to retirement, and all contributions will end at the Target Retirement Age (TRA).
- The TRA value is defaulted to 67 for most plan participants. Participants aged 66 or higher have a TRA that is set two years from the current age. Life expectancy values are estimated by Ibbotson Associates, Inc. and are based on participant age and gender.
- The participant's balance is aggregated for all selected plans. Amounts are designed as pre-tax and Roth contributions, as appropriate.
- The participant's asset allocation, for the purposes of this analysis, is categorized into simplified asset classes (i.e., stable value, equities, real estate, fixed income, multi asset and money market).
- The advice provided by Ibbotson Associates, Inc. consists of model portfolios composed of target allocations for the asset classes. Based on the target retirement goals, Ibbotson will recommend a specific tolerance level designed to adjust over time based on Ibbotson's proprietary methodology which customizes a risk level trajectory for the participant.
- The hypothetical advice target for the model is an 80% replacement ratio. An 80% target rate is considered an optimal replacement rate when considering all participant retirement contributions, employer contributions and Social Security.

The Ibbotson tool's advice is based on statistical projections of the likelihood that an individual will achieve their retirement goals. The projections rely on financial and economic assumptions of historical rates of return of various asset classes that may not reoccur in the future, volatility measures and other facts, as well as information the individual provides.

**IMPORTANT:** Projections and other information generated through the Ibbotson tool regarding the likelihood of various investment outcomes are hypothetical, do not reflect actual investment results and are not a guarantee of future results. The projections are dependent in part of subjective assumptions, including the rate of inflation and the rate of return for different asset classes. These rates are difficult to accurately predict. Changes to the law, financial markets or individual personal circumstances can cause substantial deviation from the estimates. This could result in declines in an account's value over short or even extended periods of time. **Results may vary with each use and over time.**

**Consider the investment objectives, risks, charges and expenses before investing. Please call 877 518-9161 or go to TIAA-CREF.org for a prospectus that contains this and other information. Read the prospectus carefully before investing.**

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Financial Services



## 2014 Communication Education & Advice Program

North Dakota Public Employer  
Retirement System



## Program Goals



- Relaunch 401(a) and 457(b) Companion Plan
  - Highlight the increase in contributions under the 401(a) plan
  - Increase awareness of services and investment choices
- Engage employees in their retirement plan decisions
  - Increase participation in 457(b) plan
  - Improve diversification
  - Increase use of retirement planning tools and services
- Assist with educating NDPERS employees on their retirement plan choices

# Phase 1 – Capitalize on contribution rate increase (Dec/Jan)

## Letter (Dec)

- Initial notification of contribution rate increase to 401(a)

## Overview brochure (Jan)

- Reminder of rate increase
- Overview of 401(a) benefits
- Highlight variety of investment option choices
- Calls to action: schedule 1:1 appointment with a financial consultant; use online advice tools or call TIAA-CREF contact center



**Audience: All 401(a) participants**

# Phase 2 – Focus on employees facing a savings shortfall

## Mailer promoting Financial Consultant services (*all participants*)

- Review current savings rate and allocations
- Personalized report taking into account outside assets
- No cost to participant
- Reminder of online advice tool



## Direct outreach by Financial Consultants

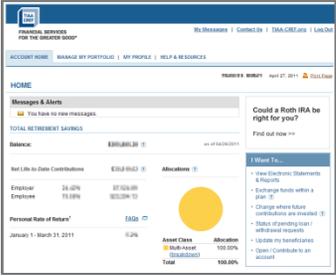
- Phone calls to participants with less than 50% replacement ratio
- Letter to preview Financial Consultant phone calls



## Workshops (*all participants*)

- Pay Yourself First: Income Options in Retirement
- Focus on Tomorrow: Saving for Your Ideal Retirement
- Charting Your Course: Financial Guide for Women

# Phase 3 – Ongoing Communication: Core Campaign

<p><b>Message</b></p>	 <p><b>Save More</b></p>	 <p><b>Financial Education</b></p>	 <p><b>Diversification</b></p>
<p><b>Goal</b></p>	<p>Increase Savings</p>	<p>Address financial challenges</p>	<p>Drive Financial Education Solutions</p>
<p><b>Additional components</b></p>	 <p><b>mytiaa-cref.org Banners</b></p>		 <p><b>Statement Messages</b></p>
<p><b>Call-to-Action</b></p>	<p><i>Save More, a little bit can go a long way</i></p>	<p><i>Understand the steps you need to take. We can help.</i></p>	<p><i>Make sure you're allocated appropriately</i></p>
	<ul style="list-style-type: none"> <li>- Budgeting worksheet</li> <li>- Retirement Goal Evaluator</li> <li>- Increased savings acknowledgement</li> </ul>	<ul style="list-style-type: none"> <li>- Budgeting webinar</li> <li>- Personal action plan</li> <li>- Personal advice session</li> <li>- Retirement Advisor tool</li> </ul>	<ul style="list-style-type: none"> <li>- Messaging based on number of asset classes</li> <li>- Personalized asset allocation pie charts</li> <li>- Retirement Advisor tool</li> </ul>

# Phase 3 – Ongoing Communication: National Financial Awareness Program



## Highlight National Events to Target Key Financial Education Opportunities

- Campaigns raise financial literacy and savings awareness
- Multi-channel content is readily available and easy to deploy
- Week/month targeted education focus helps engage employees



	Save for Retirement Week	Financial Literacy Month
<b>Timing</b>	3rd Week of October	April
<b>Goal</b>	Raise awareness about the importance of saving for retirement	Support the national event with engaging educational tools and resources
<b>Key Message</b>	Take advantage of your retirement plan and benefits	Improving financial literacy is important at all lifestages
<b>TIAA-CREF Support</b>	Tools and content dedicated to savings for every lifestage	Financial education seminars and tools Host the Financial IQ Challenge to boost overall engagement

# Phase 3 – Ongoing Communication: Financial IQ Challenge



## Interactive Financial IQ Challenge

- Interactive learning tool to engage all employees
- Friendly organization-wide contest encourages financial awareness
- 5-Question quizzes are refreshed daily
- Reporting feature identifies key insights and directs targeted education programs
- Leaderboard displays department/campus leader in real-time to foster competition
- Awards for 3 active participants
- Strong results from participating organizations:
  - 9-15% of employee participation
  - Over 10,000 quizzes taken at select institutions
  - Increased participation in financial seminars

## Phase 4 – 1:1 Financial Counseling

### Individual Financial Counseling (Bismarck)

- **Current: 3 days per month / 36 days per year**
- **New (eff. 12/2013): 9 days every 2 months / 54 days per year**
  - *50% increase*

### Individual Financial Counseling (Other Areas of North Dakota)

- **228 days in 2012**
- **127 days through Q2 2013**
  - *Includes Bismarck, NDPERS sites and NDUS sites*

### Direct Outreach to 401(a) participants (Phase 2)

- **Phone calls to participants who are projected to have less than 50% income replacement ratio at retirement**
- **Ensure employees are aware of personalized financial services at no additional cost to them & invite them to meet with a Financial Consultant**

# Phase 4 – New Employee Materials

Educate employees on 401(a) benefits help them make a fully informed decision

- Portability
- Investment choice
- TIAA-CREF support

**Plan Highlights**  
**North Dakota Public Employees Retirement System Pension Plan Comparison** is part of a special offering for state employees hired on 10-1-13 through 7-31-17.

**Important to note:** Selecting a retirement plan in a new hire enrollment election made during the first six months of eligible employment. Complete copies of the New Hire Statement of the plan using the comparison and other Report. For more information on the 103(d) Defined Contribution Plan, call TIAA-CREF at 800-842-2343. For more information on the Defined Benefit Hybrid Plan, call 800-842-2343.

**Defined Contribution (DC) Plan**

**Plan Definition:**

- In the 103(d) Defined Contribution Plan, you are eligible to contribute up to your "deferral limit" each year. The amount you contribute is deducted from your gross pay before taxes.
- Contributions are invested in the investment options selected by you.
- The performance of your investments will depend on the performance of the investments you select.
- The amount of your benefit is dependent on the amount of contributions you make and the performance of the investments you select.

**How to see retirement benefit statement?**

- The amount of your benefit is dependent on the amount of contributions you make and the performance of the investments you select.

**How much do I contribute?**

- There is a maximum annual contribution of 15% of your gross pay. The amount you contribute is deducted from your gross pay before taxes.

**Compare: Defined Benefit Hybrid Plan vs. Defined Contribution**

The following comparison summarizes the advantages and disadvantages of the North Dakota Public Employees Retirement System's Defined Benefit Hybrid Plan versus the Defined Contribution Plan. The general member is provided as a guide to assist you in determining which plan may be most appropriate for you.

**Defined Benefit Hybrid Plan**

- Member benefits are based on a defined benefit formula.
- Benefits are based on your years of service and your salary.
- A portable government (Ultimate benefit) benefit is available to members.
- Benefits are based on your years of service and your salary.
- Benefits are based on your years of service and your salary.

**Defined Contribution**

- Contributions are based on a defined contribution formula.
- Contributions are based on your years of service and your salary.
- Contributions are based on your years of service and your salary.

**Your Investment Choices**

For more detailed descriptions, expenses and performance information for each of these mutual funds go to [www.tiaa-cref.com](http://www.tiaa-cref.com) and click on the "Prospectus" link.

To select the simplified "One Decision" strategy, simply choose the 1-Strategy Fund listed below that is closest to your estimated goal of retirement.

Asset Class	Type	Fund	Fund	Asset Class
Fixed Income	Money Fund	PRND1 TIAA North Fund	PRND1	Global Investment Fund
		PRND2 TIAA North Fund	PRND2	International Core Bond
		PRND3 TIAA North Fund	PRND3	International High Yield Fund
		PRND4 TIAA North Fund	PRND4	International Small Cap Fund
		PRND5 TIAA North Fund	PRND5	International Value Fund
		PRND6 TIAA North Fund	PRND6	International Growth Fund
		PRND7 TIAA North Fund	PRND7	International Equity Fund
		PRND8 TIAA North Fund	PRND8	International Dividend Fund
		PRND9 TIAA North Fund	PRND9	International Bond Fund
		PRND10 TIAA North Fund	PRND10	International Real Estate Fund
		PRND11 TIAA North Fund	PRND11	International Energy Fund
		PRND12 TIAA North Fund	PRND12	International Healthcare Fund
		PRND13 TIAA North Fund	PRND13	International Technology Fund
		PRND14 TIAA North Fund	PRND14	International Consumer Goods Fund
		PRND15 TIAA North Fund	PRND15	International Financial Services Fund
		PRND16 TIAA North Fund	PRND16	International Industrial Goods Fund
		PRND17 TIAA North Fund	PRND17	International Materials Fund
		PRND18 TIAA North Fund	PRND18	International Chemicals Fund
		PRND19 TIAA North Fund	PRND19	International Pharmaceuticals Fund
		PRND20 TIAA North Fund	PRND20	International Biotechnology Fund
		PRND21 TIAA North Fund	PRND21	International Aerospace Fund
		PRND22 TIAA North Fund	PRND22	International Defense Fund
		PRND23 TIAA North Fund	PRND23	International Media Fund
		PRND24 TIAA North Fund	PRND24	International Telecommunications Fund
		PRND25 TIAA North Fund	PRND25	International Utilities Fund
		PRND26 TIAA North Fund	PRND26	International Energy Services Fund
		PRND27 TIAA North Fund	PRND27	International Healthcare Services Fund
		PRND28 TIAA North Fund	PRND28	International Financial Services Services Fund
		PRND29 TIAA North Fund	PRND29	International Industrial Goods Services Fund
		PRND30 TIAA North Fund	PRND30	International Materials Services Fund
		PRND31 TIAA North Fund	PRND31	International Chemicals Services Fund
		PRND32 TIAA North Fund	PRND32	International Pharmaceuticals Services Fund
		PRND33 TIAA North Fund	PRND33	International Biotechnology Services Fund
		PRND34 TIAA North Fund	PRND34	International Aerospace Services Fund
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		PRND38 TIAA North Fund	PRND38	International Utilities Services Fund
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		PRND40 TIAA North Fund	PRND40	International Healthcare Services Services Fund
		PRND41 TIAA North Fund	PRND41	International Financial Services Services Fund
		PRND42 TIAA North Fund	PRND42	International Industrial Goods Services Services Fund
		PRND43 TIAA North Fund	PRND43	International Materials Services Services Fund
		PRND44 TIAA North Fund	PRND44	International Chemicals Services Services Fund
		PRND45 TIAA North Fund	PRND45	International Pharmaceuticals Services Services Fund
		PRND46 TIAA North Fund	PRND46	International Biotechnology Services Services Fund
		PRND47 TIAA North Fund	PRND47	International Aerospace Services Services Fund
		PRND48 TIAA North Fund	PRND48	International Defense Services Services Fund
		PRND49 TIAA North Fund	PRND49	International Media Services Services Fund
		PRND50 TIAA North Fund	PRND50	International Telecommunications Services Services Fund
		PRND51 TIAA North Fund	PRND51	International Utilities Services Services Fund
		PRND52 TIAA North Fund	PRND52	International Energy Services Services Services Fund
		PRND53 TIAA North Fund	PRND53	International Healthcare Services Services Services Fund
		PRND54 TIAA North Fund	PRND54	International Financial Services Services Services Fund
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		PRND57 TIAA North Fund	PRND57	International Chemicals Services Services Services Fund
		PRND58 TIAA North Fund	PRND58	International Pharmaceuticals Services Services Services Fund
		PRND59 TIAA North Fund	PRND59	International Biotechnology Services Services Services Fund
		PRND60 TIAA North Fund	PRND60	International Aerospace Services Services Services Fund
		PRND61 TIAA North Fund	PRND61	International Defense Services Services Services Fund
		PRND62 TIAA North Fund	PRND62	International Media Services Services Services Fund
		PRND63 TIAA North Fund	PRND63	International Telecommunications Services Services Services Fund
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		PRND100 TIAA North Fund	PRND100	International Defense Services Services Services Services Services Services Fund

**Choosing Your Investments**  
**North Dakota Public Employees Retirement System**

TIAA CREF Financial Services

Audience: New hires

# 2013 CE&A program solutions summary

## Targeted communication



401(a) Overview



Core Campaign



Savings/Income  
Projection Campaign

## Education, workshops & 1:1 counseling

### Financial Essentials



Targeted workshops

### Financial IQ



Financial  
Literacy Month

### National Events



Save for  
Retirement Week

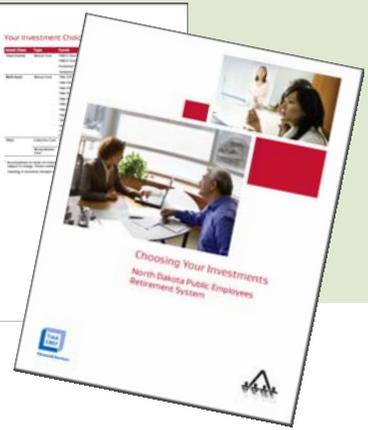


Targeted outreach  
by FCs

## Plan and event communication

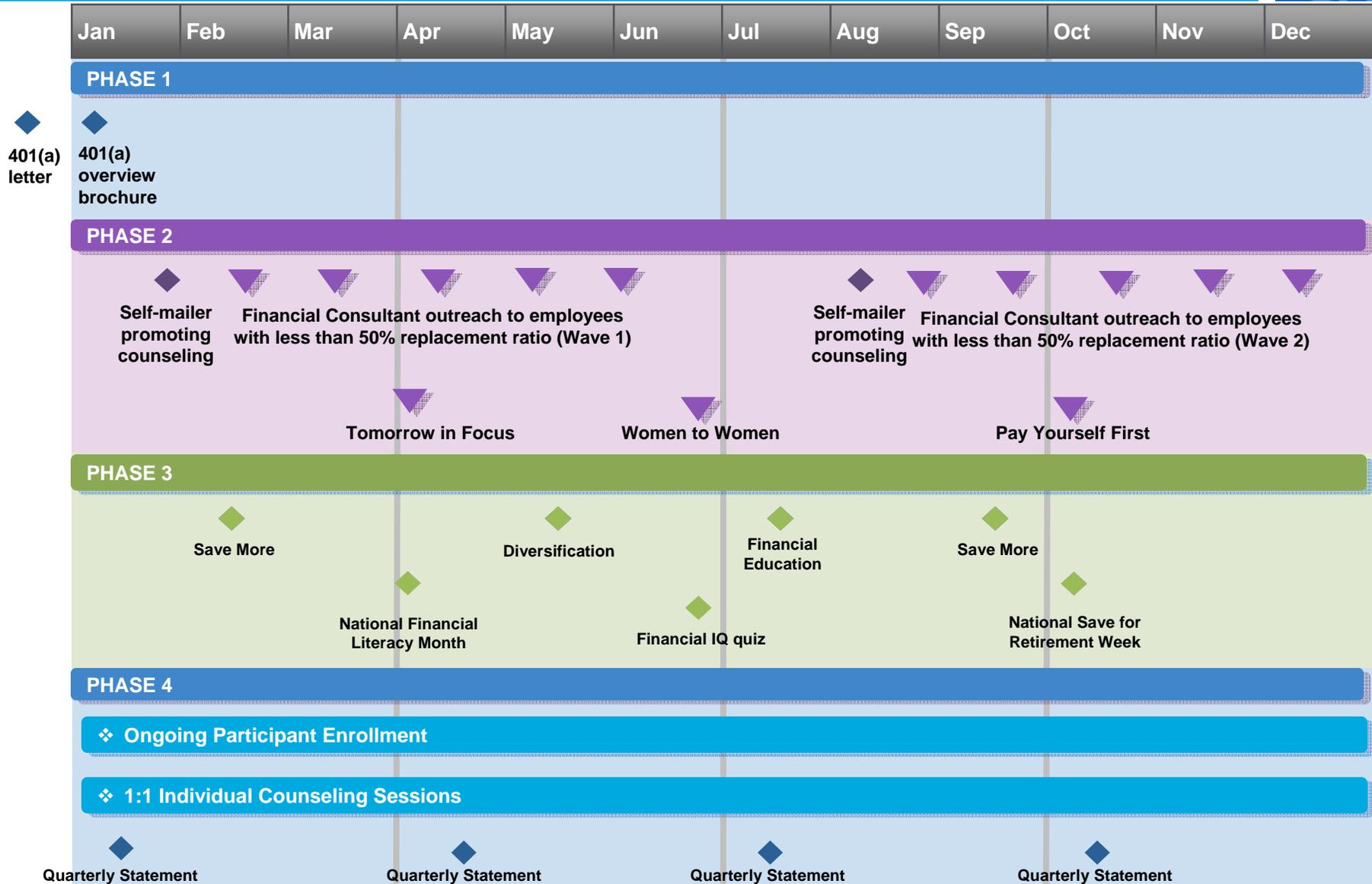


Enrollment



Account Statements

# NDPERS 2014 proposed CE&A calendar





Appendix – 2013 CE&A  
Program Slides



# Segmentation helps us better understand the needs of your employees based on common attitudes and preferences



## **\$ Stretchers**

Maximize savings opportunities and get to solid financial ground



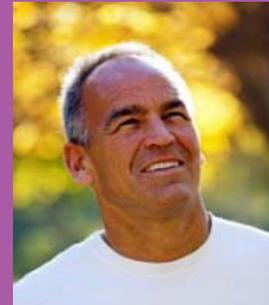
## **Life Builders**

Support “life-building” needs and begin to think about long-term planning



## **Accumulators**

Help address the increasingly complex situations employees face



## **Transitioners**

Shift from accumulation focus to distribution plan



## **Established**

Help manage total financial services needs in retirement

# Save More February & September



	 <b>Dollar Stretchers (worried / uncertain)</b>	 <b>Dollar Stretchers (all others)</b>	 <b>Life Builders</b>	 <b>All other segments</b>
Goals	Increased savings within their employer's retirement plan Engagement with tools and education that help inform their savings decisions			
Key Messages	Get ready to save more: Even small contributions can have a big impact on long-term savings.	Save more now: Even small contributions can have a big impact on long-term savings.	Close the retirement gap by making additional voluntary contributions today.	
How we can help	<u>Tools and tips to help you get started</u> 10 Simple Steps to Building a Budget & Finding Money to Save Worksheet	<u>Get a good estimate of how much you'll need to retire</u> Retirement Goal Evaluator Tool	No additional CTA Save More Only	
Channels	email, Direct Mail, Secure Site Banners, Statement Messages (September only)			
Save More CTA's	Drive participants to where they can take action: Microsite w/ SRF form Microsite w/out SRF form Contact your benefits office			

# Financial Education Message July



	 <45	 Dollar Stretchers	45+  Life Builders	 Accumulators	 Transitioners	 Established
<b>Goals</b>	Engage participants with tools and resources to help address their financial and retirement challenges					
<b>Key Messages</b>	Feel more confident about saving with debt and budgeting help	Retirement savings is a priority	You have a lot of financial priorities and it's hard to manage everything at once	It's important to review your plan and goals at least once a year	Retirement may be a few years off, but it's important to ensure you're ready	You need to ensure you have an income plan
<b>How we can help</b>	Budgeting Webinar 360° Financial View	<u>Get Personalized Advice</u>			<u>Get a Personalized Retirement Income Plan</u>	
	Online	1) Online 2) In Person or Over the Phone		1) In Person or Over the Phone 2) Online	1) In Person or Over the Phone 2) Online	
<b>Channels</b>	Email, Direct Mail, Secure Site Banners, Statement Messages Advice: Online, In Person or By Phone					

# Diversification Message

May & November



	< 5 Asset Classes 	5 + Asset Classes 
<b>Goals</b>	Review their investment mix and diversify or rebalance if necessary Take part in an advice session to help inform their investing decisions	
<b>Key Messages</b>	Reviewing your investment mix regularly can help you maximize chances of achieving retirement savings goals.	
	Benefits of a diversified portfolio	Benefits of rebalancing
<b>How we can help (Engagement CTA's)</b>	<p><u>Get Personalized Advice</u>                      Online: Retirement Advisor Tool                      In Person or Over the Phone: Schedule a meeting (Contact Me) or Call to speak with a Financial Consultant</p>	
<b>Channels</b>	Email, Direct Mail, Secure Site Banners, Statement Messages Advice: Online, In Person or By Phone	
<b>Asset Allocation Pie Charts</b>	Email: Link to view their portfolio online Direct Mail: Personalized asset allocation pie chart printed above sample portfolios	

# Financial Essentials Overview



Education Offering	Target	Content	Channel
 <p>Inside Money: Managing income and debt</p>	<ul style="list-style-type: none"> <li>• Dollar Stretchers</li> </ul>	<ul style="list-style-type: none"> <li>• Why budgeting is important</li> <li>• Budgeting basics</li> <li>• What cash flow is &amp; what it can tell you</li> <li>• Making a budget</li> <li>• The basics of debt, and when to use it</li> <li>• Good &amp; bad debt, and how to manage it</li> </ul>	<ul style="list-style-type: none"> <li>• On-demand webinar</li> <li>• Live workshop</li> </ul>
 <p>Healthy Numbers: Integrating healthcare into your retirement</p>	<ul style="list-style-type: none"> <li>• Transitioners</li> <li>• Established</li> </ul>	<ul style="list-style-type: none"> <li>• Integrating healthcare into retirement planning</li> <li>• Options for 65 &amp; under as well as 65+</li> <li>• Medicare plans</li> <li>• Investment strategies</li> </ul>	<ul style="list-style-type: none"> <li>• Live workshop</li> </ul>
 <p>Eyes on the Prize: Saving for your ideal retirement</p>	<ul style="list-style-type: none"> <li>• Dollar Stretchers</li> <li>• Life Builders</li> </ul>	<ul style="list-style-type: none"> <li>• Retirement readiness</li> <li>• Cost of delaying savings</li> <li>• Investment and savings strategies – employer options, IRAs, Social Security</li> </ul>	<ul style="list-style-type: none"> <li>• Live workshop</li> </ul>
 <p>Charting your course: A financial guide for women</p>	<ul style="list-style-type: none"> <li>• Dollar Stretchers</li> <li>• Life Builders</li> </ul>	<ul style="list-style-type: none"> <li>• Evaluate your financial health</li> <li>• Set financial goals</li> <li>• Make your money work for you</li> <li>• Put it all together to create your financial plan</li> </ul>	<ul style="list-style-type: none"> <li>• Live workshop</li> </ul>
 <p>Paying Yourself: Income options in retirement</p>	<ul style="list-style-type: none"> <li>• Transitioners</li> <li>• Established</li> </ul>	<ul style="list-style-type: none"> <li>• Determining retirement income needs</li> <li>• Shifting savings from accumulation to distribution</li> <li>• Withdrawal and income options</li> <li>• Threats to cash flow in retirement</li> <li>• Healthcare and other expenses</li> </ul>	<ul style="list-style-type: none"> <li>• Live workshop</li> </ul>



# Financial Essentials

## Healthy Numbers: Integrating Healthcare Into Your Retirement



- **Channel:** 60 minute, live workshop
- **Primary target segment:** Transitioners, Established
- **Educational topics:**
  - How, why to save for healthcare in retirement
  - In depth - the benefits and guidelines for healthcare options
  - TIAA RHP & Emeriti options (where available)
  - Actionable plan
- **Interactive elements:**
  - Ideal retirement poll
  - Healthcare “guessing game”
- **Tools and resources:**
  - Workshop guide with cash flow worksheet
  - Appointment card
  - Reminder card



# Financial Essentials

## Focus on Tomorrow: Saving for Your Ideal Retirement



- **Channel:** 60 minute, live workshop
- **Primary target segment:** Life Builders & Dollar Stretchers
- **Educational topics:**
  - Retirement savings level set
  - Benefits of time in regards to saving
  - Retirement readiness
  - Essentials of retirement investments
  - Leveraging web tools
  - Actionable plan
- **Interactive elements:**
  - Retirement plans discussion
  - Live worksheet work
  - Advisor think tank break-outs
- **Tools and resources:**
  - Workshop guide with cash flow worksheet
  - Financial consultant DIY exercise
  - Appointment and reminder cards

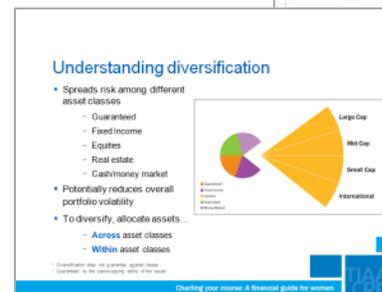
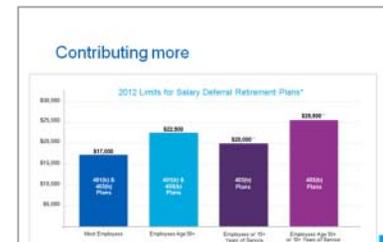


# Financial Essentials

## Charting your course: A financial guide for women



- **Channel:** 60 minute, live workshop
- **Primary target segment:** Life Builders & Dollar Stretchers
- **Educational topics:**
  - Evaluating financial health – cash flow, net worth
  - Set financial goals
  - Investment risk, market volatility, asset allocation
  - Put it all together to create your financial plan
- **Interactive elements:**
  - Goal setting
  - Cash Flow & Net Worth worksheets
  - The Financial Game of Life
- **Tools and resources:**
  - Workshop guide w/ cash flow worksheet
  - Appointment and reminder cards



### The Financial Game of Life

9 minutes

- Read the scenario as a group and discuss what you'd do in this situation
- Talk about how this may affect your goals, and what you can do to still move towards them
- Choose a scribe to take notes for your group
- Select one person who will report back to the larger group



# Financial Essentials

## *US Hispanic/Latino language capabilities*



## US Hispanic/Latino Tools and Resources



- Spanish language educational seminars
- 1:1 individual financial planning consultations in Spanish
- [www.tiaa-cref.org/español](http://www.tiaa-cref.org/español) contains glossary, financial education topics and more
- 10 Certified bi-lingual individual consultants
- 20+ Certified National Contact Center bilingual representatives available same hours as English representatives
- 24/7 Spanish language IVR

## Drive Deeper Savings Opportunity

- Additional “Save More” messages drive increased savings in retirement plan account
- Personalized for greater insight to individual savings needs
- Targeted message is relevant to participant’s lifestage segment
- Highlight’s plan match opportunity if applicable



Your Employees

<p><b>Segment Served</b></p>	<ul style="list-style-type: none"> <li>• Dollar Stretchers</li> <li>• Life Builders</li> <li>• Accumulators</li> </ul>	<ul style="list-style-type: none"> <li>• Accumulators</li> <li>• Transitioners</li> <li>• Established</li> </ul>
<p><b>Key Message</b></p>	<p>Even small contribution increases can make a difference</p>	<p>Are you saving enough to meet your retirement needs?</p>
<p><b>Call-to-Action</b></p>	<p><i>“Increase your contribution rate today”</i></p>	<p><i>‘Increase your savings and meet with a financial consultant to understand your savings gaps”</i></p>
<p><b>Feature</b></p>	<p>Personalized projection savings at age 65 with 1-3% contribution increase</p>	<p>Personalized income projection score at age 65 and where you should be</p>

## Important information



**TIAA-CREF Individual & Institutional Services, LLC and Teachers Personal Investors Services, Inc., members FINRA, distribute securities products. Annuity contracts and certificates are issued by Teachers Insurance and Annuity Association (TIAA) and College Retirement Equities Fund (CREF), New York, NY. TIAA-CREF products may be subject to market and other risk factors. See the applicable product literature or visit [tiaa-cref.org](http://tiaa-cref.org) for details.**

**Investment, insurance, and annuity products: Are NOT FDIC insured, are not bank guaranteed, may lose value, are not bank deposits, are not insured by any federal government agency, and are not a condition to any service or activity.**

**You should consider the investment objectives, risks, charges and expenses carefully before investing. Go to [www.tiaa-cref.org/prospectuses](http://www.tiaa-cref.org/prospectuses) for a prospectus that contains this and other information. Please read the prospectus carefully before investing**

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<Date>

<Recipient Name>  
<address line 1>  
<address line 2>  
<City, State ZIP>

## How to make the most of your retirement benefits in 2014

Dear <Recipient Name>:

If you're like most North Dakota public employees we work with, you're interested in preparing as much as possible for your eventual retirement. As a participant in the Public Employees Retirement System's 401(a) plan, you have one of the most powerful tools available for building the kind of assets you'll need to pursue the retirement life you want. Now for 2014, the plan gives you more potential than ever before.

### More contributions to help build your tomorrow

In order to make a great plan even better, in 2014 the Retirement System is increasing its contribution to the plan from 6.12% to 7.12% and the employee contribution will increase from 6% to 7% for a total of 14%. That means each pay period, you'll have more money being invested in your financial future. This increase starts <date TK>.

### What should your portfolio look like?

With the right portfolio, you can shape the kind of lifestyle you most desire. Fortunately, you can get individual advice and guidance on the kind of investment mix that best targets your retirement goal. A TIAA-CREF Financial Consultant can take you step-by-step through the plan's investment options and show you how to make the most of all the plan offers.

#### Get practical advice on saving

Schedule an appointment with a TIAA-CREF Financial Consultant, at no cost to you, by visiting [www.tiaa-cref.org/schedulenow](http://www.tiaa-cref.org/schedulenow).

#### Or need answers now?

Call **800-842-2252**, Monday to Friday, 7 a.m. to 9 p.m., and Saturday, 8 a.m. to 5 p.m. (CT).

*Continued*

**Enjoying retirement on your terms**

When it comes time to retire, you'll find that TIAA-CREF offers you a number of ways to take distributions from your portfolio. That means you can get the income you need on your terms, on your timetable. Your TIAA-CREF Financial Consultant can help you determine how much income you'll need and the most advantageous ways to receive it.

**When you add it all up...**

You can see how the 401(a) retirement plan is evolving to give you even more flexibility and control over how you invest for the future. Sit down with us or give us a call. We'll show you how the plan can help you boost your retirement saving strategy in 2014...and in the years to come.

We look forward to speaking with you.

Sincerely,

<<variable name>>  
<<variable title>>

P.S.: If you haven't looked at your present portfolio in a while, investment activity may have caused your original asset allocation to shift. Call us at **800 842-2252** to see if your investments need rebalancing.

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# Memorandum

**TO:** PERS Board

**FROM:** Deb

**DATE:** October 23, 2013

**SUBJECT:** Defined Contribution Implementation Update

The Defined Contribution Plan implementation has progressed generally as planned and is currently operational.

Since our last meeting, staff has been trained on internal processes and documents have been made available on the web. Each state agency was mailed a sample DC information packet and two different live webcasts were provided for authorized agents and HR staff and then posted to the NDPERS website. In addition, web videos have been made available for newly hired state employees who want more information regarding the election materials they receive from NDPERS.

We have continued to meet weekly during October to monitor and address any further action items that may arise. Needed enhancements have been identified for PERSlink as well and will be implemented when possible. To assist with the workload in this area, a temporary will be employed, until PERSlink changes are finalized and processes are reworked. As of the date of this memo, 58 individuals have been mailed election packets. We continue to monitor workload in this area to ensure that staff does not fall behind.



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# Memorandum

**TO: NDPERS Board**

**FROM: Kathy**

**DATE: October 22, 2013**

**SUBJECT: Job Service COLA**

According to Article VII(3) of the plan document for the Retirement Plan for Employees of Job Service North Dakota, “effective each December 1 of any year, the monthly amount of each retirement annuity, death benefit, or disability benefit then payable shall be increased by the percent increase, if any, in the Consumer Price Index.” It further states...”no increase in retirement allowance granted under the Plan, or the date for commencement of such increase, will become effective unless the same increase has been authorized for the Civil Service Retirement System, and unless the increase has been authorized by the NDPERS Board.” This provision for a COLA increase was authorized by the United States Department of Labor as part of a larger agreement reached with the USDOL in the late 1970’s. Since that time the Plan practice has been to provide COLA’s consistent with the Federal Civil Service Plan. The plan assumes a post-retirement COLA of 5%.

On October 9, the Department of Labor announced that due to a lapse in appropriations the CPI for September 2013 would not be issued on October 16<sup>th</sup>. As a result, the annual COLA percentage adjustment for the Federal Civil Service Plan is not available until October 30. Therefore, the increase and any effect on the system will be provided at the meeting on October 31.



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# Memorandum

**TO:** PERS Board

**FROM:** Sparb

**DATE:** October 23, 2013

**SUBJECT:** Employee Contributions

Attached, for your information, is a NASRA Issue Brief that discusses change in employee contributions that has occurred in the last several years.

# NASRA Issue Brief

## Employee Contributions to Public Pension Funds



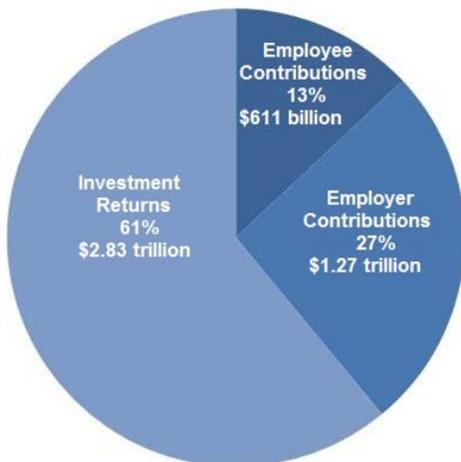
January 2013

Unlike in the private sector, nearly all employees of state and local government are required to share in the cost of their defined benefit pension. Employee contributions typically are based on a percentage of salary as specified in statute. Although investment earnings and employer contributions account for a larger portion of total public pension fund revenues (see Figure 1), contributions from employees fill a vital role in financing pension benefits by providing a reliable and predictable stream of revenue to public pension funds.<sup>i</sup> In the wake of the 2008-09 market decline, employee contribution rates in many states have increased. This issue brief examines employee contribution plan designs, policies and recent trends.

### Mandatory Participation & Shared Financing

For the vast majority of employees of state and local government, participation in a public pension plan and contributing toward the cost of the pension are mandatory terms of employment. Requiring employees to contribute shares some of the risk of the plan between employers and employees. The primary types of risk in a pension plan pertain to investment, longevity, and inflation. Employees who are required to contribute toward the cost of their pension assume a portion of one or more of these risks, depending on plan design.<sup>ii</sup>

Figure 1: Public pension sources of revenue, 1982-2010



Source: U.S. Census Bureau

Employees of state and local government contribute toward their pensions in different ways; the prevailing model is for state and local governments to collect employee contributions as a periodic deduction from employee pay. This amount usually is established as a percentage of an employee's salary and is collected each pay period. As shown in Appendix A, employee contributions typically are between four and eight percent of pay. In some cases, employee contributions are subject to change depending on the condition of the plan and other factors. In other plans, the employee portion of the contribution is paid by the employer in lieu of a negotiated salary increase or other fiscal offset.

Notably, some 25 to 30 percent of employees of state and local government do not participate in Social Security. In most cases, the pension benefit—and required contribution—for those outside of Social Security is greater than the typical benefit and required contribution for those who do participate.

### Trends in Employee Contributions

Many states in recent years have made changes requiring employees to contribute more toward their retirement benefits: since 2009, 28 states have increased required employee contribution rates<sup>iii</sup> (see Figure 2). Appendix A lists employee contribution requirements for state plans in the Public Fund Survey.

#### *New Contributions*

Some states, such as **Missouri, Florida, and Virginia**, which previously did not require some employees to make pension contributions, have now added required contributions for newly hired employees, existing workers, or both.



## See Also

Information is available on the [financing](#) of public pensions and the different [contributions](#) that are collected by pension systems, Wikipension

[Contribution Rates and Funding Issue Enactments in State Legislatures, 1999-2012](#), National Conference of State Legislatures

[Employee and Employer Contribution Rates by State](#), Wikipension

[Public Fund Survey Summary of Findings for FY 2010](#), NASRA

## Contact:

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Alex Brown, Research Associate  
[alexbrown@nasra.org](mailto:alexbrown@nasra.org)

National Association of State Retirement Administrators  
[www.nasra.org](http://www.nasra.org)

<sup>i</sup> NASRA Issue Brief: Public Pension Plan Investment Return Assumptions (August 2012)

<sup>ii</sup> NASRA Issue Brief: State Hybrid Retirement Plans, Part II: Shared-risk arrangements (August 2012)

<sup>iii</sup> In 2011, Arizona passed a law increasing employee contributions which was ruled unconstitutional. Decisions are expected in cases involving similar contribution increases in other states.

## Appendix A: Employee contribution rates for statewide plans

*Note:* Information shown here is intended to reflect the contribution rates in effect for employees who are currently joining the plan (i.e., new hires). In some cases, employees who joined the plan in previous years may pay different contribution rates than what are listed below.

State	Plan	Employee Contribution Rate (Percent of Pay)	Social Security Coverage
AK	Alaska PERS	6.75% for general employees; 7.5% for police and fire	No
AK	Alaska Teachers	8.65%	No
AL	Alabama ERS	7.5%; state police contribute 10.0%; other law enforcement officers, correctional officers, and firefighters contribute 8.5%	Yes
AL	Alabama Teachers	7.5%	Yes
AR	Arkansas PERS	5.0% for those hired since 7/1/05	Yes
AR	Arkansas Teachers	6.0%.	Yes
AZ	Arizona Public Safety Personnel	8.65%, rising gradually to 11.65% by 2014	Yes
AZ	Arizona SRS	10.82%	Yes
CA	California PERF	Beginning on and after January 1, 2013, new members will contribute between 6.0% up to a maximum of 12.0% depending on the employee classification and benefits offered	Both

State	Plan	Employee Contribution Rate (Percent of Pay)	Social Security Coverage
CA	California Teachers	8.0%	No
CO	Colorado Affiliated Local	Varies by plan; most employees contribute between 5% and 10% of pay	No
CO	Colorado Fire & Police Statewide	8.0%	No
CO	Colorado Municipal	8.0%	No
CO	Colorado School	8.0%	No
CO	Colorado State	8.0%; state troopers contribute 10.0%	No
CT	Connecticut SERS	2.0% for those hired since July 1997; 5.0% for public safety personnel	Yes
CT	Connecticut Teachers	6.0%	No
DC	DC Police & Fire	8.0%	No
DC	DC Teachers	8.0%	No
DE	Delaware State Employees	Employees hired on or after 1/1/12, pay 5% of their earnings above \$6,000	Yes
FL	Florida RS	Per legislation approved in 2011, participants are required to contribute 3% of pay; a subsequent judicial ruling invalidated the requirement that existing plan participants contribute (the ruling is under appeal)	Yes
GA	Georgia ERS	1.25%	Yes
GA	Georgia Teachers	6.0%	Yes
IA	Iowa PERS	5.78% for regular employees; 6.84% for protection occupations; 9.90% for sheriffs	Yes
ID	Idaho PERS	6.23%; 7.69% for public safety personnel	Yes
IL	Illinois Municipal	4.50% for general employees; 7.50% for law enforcement personnel	Yes
IL	Illinois SERS	4.0% for those covered by Social Security, 8.0% for those not covered; public safety members contribute 10.5%	Yes
IL	Illinois Teachers	9.4%	No
IL	Illinois Universities	8.0%; public safety personnel contribute 9.5%	No
IN	Indiana PERF	3.0%	Yes
IN	Indiana Teachers	3.0%	Yes
KS	Kansas PERS	4.0% or 6.0%, depending on employee election	Yes

State	Plan	Employee Contribution Rate (Percent of Pay)	Social Security Coverage
KY	Kentucky County	Those hired after 8/31/08, rates are 6.0%, and 9.0%, for hazardous duty, with all but 1% going to individual participant accounts	Yes
KY	Kentucky ERS	Those hired after 8/31/08, rates are 6.0%, 9.0% for hazardous duty, with all but 1% going to individual participant accounts	Yes
KY	Kentucky Teachers	Non-university members contribute 10.855%; University members contribute 6.84%	No
LA	Louisiana SERS	8% for regular employees; hazardous duty members contribute 9.5%	No
LA	Louisiana Teachers	8.0%	No
MA	Massachusetts SERS	5% to 9% depending on member's date of entry; State Police appointed on or after 7/1/96 contribute 12%	No
MA	Massachusetts Teachers	5% to 11%, depending on member's date of entry; those hired after 2000 pay 11%	No
MD	Maryland PERS	7.0% for most general employee participants	Yes
MD	Maryland Teachers	7.0% for most public school teachers	Yes
ME	Maine Local	Ranges from 3.0% to 8.0%	Yes for approximately half of the members
ME	Maine State and Teacher	7.65%; 8.65% for law enforcement officers	No
MI	Michigan Municipal	0% to 10%, depending on employer election	Yes
MI	Michigan Public Schools	Employees choose between a hybrid plan with a 6.4% contribution for the DB component or a DC plan with an automatic 6% contribution	Yes
MI	Michigan SERS	Employees hired since 1997 are enrolled in a DC plan (active DB plan members contribute 4%)	Yes
MN	Minnesota PERF	6.25%; 9.6% for police and fire	Yes (except for police and fire)
MN	Minnesota State Employees	5.0%; 8.6% for correctional officers	Yes
MN	Minnesota Teachers	6.50%	Yes
MO	Missouri DOT and Highway Patrol	4.0% for those hired after 12/31/10	Yes
MO	Missouri Local	Non-contributory or 4%, depending on employer election; most plans are non-contributory	Yes
MO	Missouri PEERS	6.86%	Yes
MO	Missouri State Employees	4.0% for those hired after 12/31/10	Yes
MO	Missouri Teachers	14.50%	No

State	Plan	Employee Contribution Rate (Percent of Pay)	Social Security Coverage
MS	Mississippi PERS	9.0%; Highway Patrol Officers contribute 7.25%	Yes
MT	Montana PERS	7.9% for employees hired after 6/30/2011	Yes
MT	Montana Teachers	7.15%	Yes
NC	North Carolina Local Government	6.0%	Yes
NC	North Carolina Teachers and State Employees	6.0%	Yes
ND	North Dakota PERS	6.0%; law enforcement officers pay 10.31%	Yes
ND	North Dakota Teachers	7.75%	Yes
NE	Nebraska Schools	9.78%	Yes
NH	New Hampshire Retirement System	7.0% for general employees and teachers; 11.8% for firefighters; 11.55% for police officers.	Yes for general employees and teachers; No for public safety
NJ	New Jersey PERS	6.50%	Yes
NJ	New Jersey Police & Fire	0%	Yes
NJ	New Jersey Teachers	6.50%	Yes
NM	New Mexico PERF	7.42%	Yes
NM	New Mexico Teachers	7.9% for those with a salary below \$20,000; 9.4% for those with a salary above \$20,000	Yes
NV	Nevada Police Officer and Firefighter	20.27%	No
NV	Nevada Regular Employees	12.26%	No
NY	New York State Teachers	For those hired since April 2012, graduated based on salary, beginning at 3.5% and rising to 6.0% for those earning above \$100,000 annually.	Yes
NY	NY State & Local ERS	For those hired since 4/1/12, 3%-6% variable rate based on annual salary	Yes
NY	NY State & Local Police & Fire	For those hired since 4/1/12, 3%-6% variable rate based on annual salary for most participants	Yes
OH	Ohio PERS	10.0%; law enforcement personnel contribute 12.6%; public safety employees contribute 12.0%	No
OH	Ohio Police & Fire	10.0%	No
OH	Ohio School Employees	10.0%	No

State	Plan	Employee Contribution Rate (Percent of Pay)	Social Security Coverage
OH	Ohio Teachers	10.0%	No
OK	Oklahoma PERS	3.5% for state employees; 3.5% to 8.5% for employees of county and local agencies; hazardous duty members pay 8.0%	Yes
OK	Oklahoma Teachers	7.0%	Yes
OR	Oregon PERS	Non-contributory for the DB plan; 6.0% for the individual accounts	Yes
PA	Pennsylvania School Employees	For those hired after 6/30/11, may fluctuate between 7.5% and 9.5% or 10.3% and 12.3% depending on the plan and investment return	Yes
PA	Pennsylvania State ERS	For those hired after 6/30/11, 6.25% plus a shared-risk contribution of up to an additional 2% based on the plan's investment return	Yes
PR	Puerto Rico Government Employees	8.275% (except members selecting the Coordination Plan contribute 5.775% up to \$6,600 plus 8.275% of compensation in excess of \$6,600)	Yes (except police)
PR	Puerto Rico Teachers	8.0%	No
RI	Rhode Island ERS	3.75% for state employees, 3.75% for teachers; 5% for state employees to the DC plan; 5% for teachers (SS) to the DC plan; 7% for teachers (non-SS) to the DC plan	Yes
RI	Rhode Island Municipal	1.0% for general employees; 7.0% for public safety personnel; 5% for general employees to the DC plan; 7% for public safety personnel (non-SS) to the DC plan	Yes
SC	South Carolina Police	6.50%	Yes
SC	South Carolina RS	6.50%	Yes
SD	South Dakota PERS	6.0%; public safety personnel contribute 8.0%	Yes
TN	TN Political Subdivisions	Employers may elect the non-contributory option; otherwise, 5%	Yes
TN	TN State and Teachers	Non-contributory for most state and higher education employees; 5% for teachers	Yes
TX	Texas County & District	Employers set the employee contribution rate in a range from 4.0% to 7.0%; 6.9% is the weighted average	Yes
TX	Texas ERS	6.5%	Yes
TX	Texas LECOS	0.5%; LECOS is a supplementary plan to the ERS of Texas, to which LECOS members also contribute 6.5%	Yes
TX	Texas Municipal	5%, 6%, or 7%, depending on ER election	Yes

<b>State</b>	<b>Plan</b>	<b>Employee Contribution Rate (Percent of Pay)</b>	<b>Social Security Coverage</b>
TX	Texas Teachers	6.4%	No
UT	Utah Noncontributory	Non-contributory	Yes
VA	Virginia Retirement System	5.0% for participants other than judges and elected officials	Yes
VT	Vermont State Employees	6.4%	Yes
VT	Vermont Teachers	6.4%	Yes
WA	Washington LEOFF Plan 1	0%	Yes
WA	Washington LEOFF Plan 2	8.46%	Yes
WA	Washington PERS 1	6.0%	Yes
WA	Washington PERS 2/3	4.64%; Plan 3 members contribute only to their defined contribution plan at between 5% and 15%	Yes
WA	Washington School Employees Plan 2/3	4.09% for Plan 2 members; Plan 3 members contribute only to their defined contribution plan at between 5% and 15%	Yes
WA	Washington Teachers Plan 1	6.0%	Yes
WA	Washington Teachers Plan 2/3	4.69% for Plan 2 members; Plan 3 members may contribute 5% to 15% to the defined contribution plan component	Yes
WI	Wisconsin Retirement System	6.65% for general employees and protective occupations	Yes
WV	West Virginia PERS	4.5%	Yes
WV	West Virginia Teachers	6.0%	Yes
WY	Wyoming Public Employees	7.0%; law enforcement personnel contribute 8.6%	Yes



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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** October 22, 2013  
**SUBJECT:** Medicare Retirees Trend Analysis

BCBS provided the following information in response to Board request. Below are the three main drivers of the high 7% trend for April 2013:

- Trend was originally estimated at 7% for April 2013. Claim run out is lower than originally expected and updated April 2013 trend is now calculated at 6% for April 2013.
- Incurred claims per contract for April 2012 were \$166.46. This is significantly lower than the average claims of \$179.35 for calendar year 2012. This month of low experience moved into the base period when calculating trend for April 2013 which caused the trend to increase from 4.2% through March 2013 to 6% in April 2013.
- Incurred claims per contract for April 2013 are \$207.18. April 2013 claims were high due to a \$108,000 out of state claim. Without this high April 2013 claim, trend would have been 5.1% in April.

Below is an updated Trend chart showing retiree trend has decreased to 4.9% which is more in line with expectations.

**PERS Quarterly Trend Analysis**  
Paid through June 30, 2013

Incurred Month	Twelve Month Moving Average			
	Est Incurred Claim/Contract		Annual Trend	
	Actives	Med Retirees	Actives	Med Retirees
6/11	712.66	171.54	7.6%	3.6%
7/11	714.16	171.37	7.1%	3.1%
8/11	726.40	171.70	8.1%	3.5%
9/11	736.63	171.73	9.7%	3.8%
10/11	740.09	171.40	9.8%	3.1%
11/11	744.62	171.38	10.0%	2.0%
12/11	751.06	172.16	10.4%	3.0%
1/12	757.04	171.62	10.2%	0.5%
2/12	758.55	172.15	9.8%	0.9%
3/12	761.17	171.79	9.9%	0.8%
4/12	765.06	172.16	9.5%	0.8%
5/12	769.24	174.06	8.5%	2.2%
6/12	772.26	173.44	8.4%	1.1%
7/12	776.53	175.04	8.7%	2.1%
8/12	786.01	177.30	8.2%	3.3%
9/12	784.84	177.76	6.5%	3.5%
10/12	798.45	180.05	7.9%	5.0%
11/12	806.20	180.34	8.3%	5.2%
12/12	804.90	179.77	7.2%	4.4%
1/13	806.38	181.33	6.5%	5.7%
2/13	812.29	180.30	7.1%	4.7%
3/13	817.10	180.40	7.3%	5.0%
4/13	820.20	184.24	7.2%	7.0%

**PERS Quarterly Trend Analysis**  
Paid through September 30, 2013

Incurred Month	Twelve Month Moving Average			
	Est Incurred Claim/Contract		Annual Trend	
	Actives	Med Retirees	Actives	Med Retirees
9/11	736.80	171.59	9.7%	3.7%
10/11	740.08	171.49	9.8%	3.2%
11/11	744.61	171.43	10.0%	2.1%
12/11	751.02	172.22	10.4%	3.1%
1/12	757.01	171.67	10.2%	0.5%
2/12	758.51	172.22	9.8%	1.0%
3/12	761.13	171.83	9.9%	0.9%
4/12	764.98	172.15	9.5%	0.9%
5/12	768.90	174.06	8.5%	2.3%
6/12	771.77	173.42	8.3%	1.2%
7/12	776.04	174.96	8.7%	2.2%
8/12	784.85	177.31	8.0%	3.3%
9/12	783.36	177.73	6.3%	3.6%
10/12	796.18	179.77	7.6%	4.8%
11/12	803.57	180.03	7.9%	5.0%
12/12	801.76	179.35	6.8%	4.1%
1/13	802.74	180.57	6.0%	5.2%
2/13	809.26	179.36	6.7%	4.1%
3/13	812.55	179.12	6.8%	4.2%
4/13	814.62	182.53	6.5%	6.0%
5/13	821.07	183.17	6.8%	5.2%
6/13	824.85	183.21	6.9%	5.6%
7/13	832.20	183.55	7.2%	4.9%



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# Memorandum

**TO:** NDPERS Board

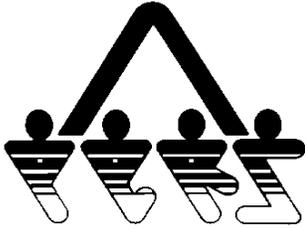
**FROM:** Kathy

**DATE:** October 24, 2013

**SUBJECT:** UNUM Rate Adjustment Update

At the August meeting, we shared with the Board a notice we received from UNUM regarding a rate increase effective January 1, 2014 for our LTC plan. The Board directed staff to implement the rate increase. Following is the schedule for implementing and communicating the rate increase.

1. UNUM provided us with the new rate tables which will be set up in our system by the effective date.
2. Unum will send personalized rate increase notification packets to the direct billed participants.
3. UNUM is providing us with personalized rate increase notification packets for distribution to our active participants. The packets will include:
  - a. A letter explaining the rate increase,
  - b. The participant's schedule of benefits/confirmation of coverage statement which will provide their current coverage amount and the current cost for their coverage before the rate increase,
  - c. A contingent non-forfeiture election form, which, if exercised, allows the participant to stop paying premium, but still retain a reduced lifetime maximum benefit equal to the total premium paid on the policy since the coverage was issued, and
  - d. A frequently asked questions document.
4. UNUM has provided an informational website specific to our group. We tested the link and found the site to be very comprehensive. The site allows the user to view information about the plan design, utilize a cost calculator, and view and/or print enrollment materials and other necessary disclosure forms.



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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb and Bryan  
**DATE:** October 23, 2013  
**SUBJECT:** Updated Investment Options Summary

The updated Investment Options Summary for the NDPERS 457 Deferred Compensation Plan is now available. The booklet contains information on all the providers and investment options available in the plan. Inside you will find a description of the investments options available and the contact information for all the active providers. For each provider, all the investments are listed along with their investment objective, associated expenses and historical performance. The investment options summary is located on the NDPERS web site at:

<http://www.nd.gov/ndpers/forms-and-publications/publications/investment-options.pdf>

2013-2014

## Investment Options

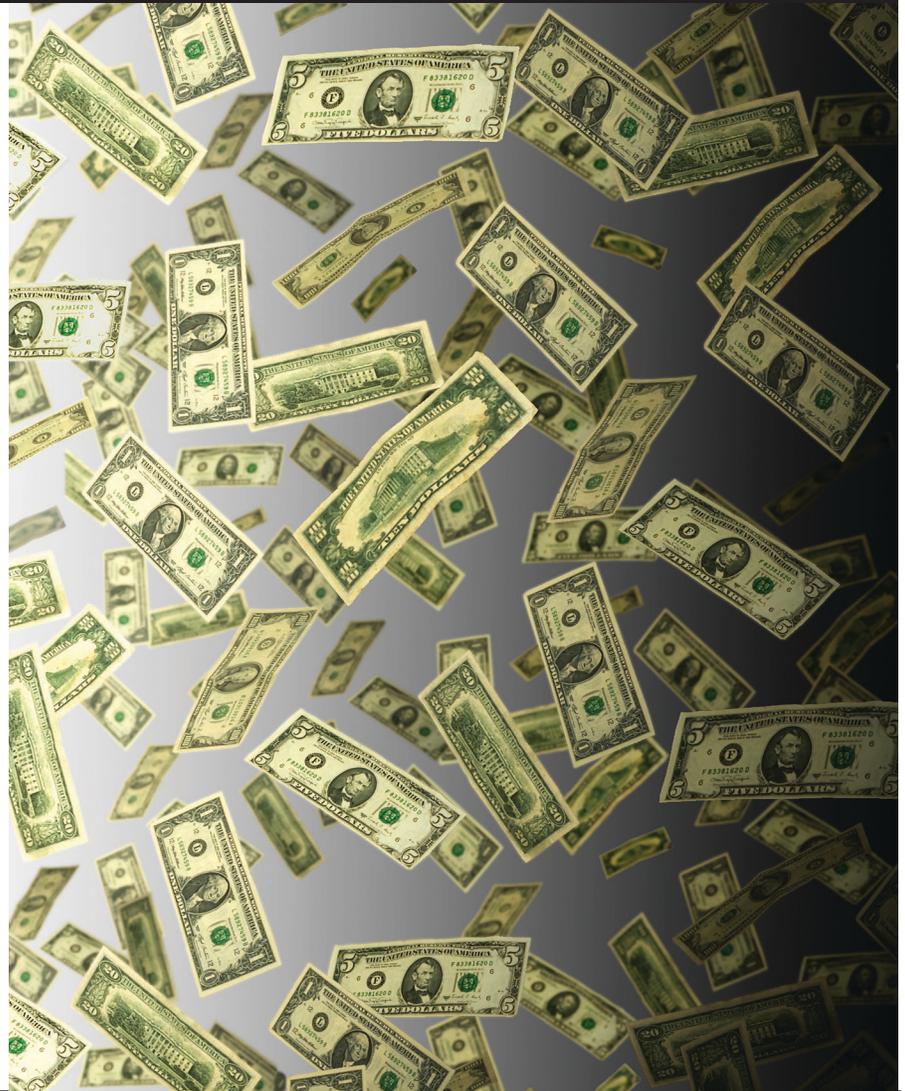
A SUMMARY FOR THE  
NORTH DAKOTA  
PUBLIC EMPLOYEES  
RETIREMENT SYSTEM  
DEFERRED  
COMPENSATION PLAN



2013-2014

# Investment Options

A SUMMARY FOR THE  
NORTH DAKOTA  
PUBLIC EMPLOYEES  
RETIREMENT SYSTEM  
DEFERRED  
COMPENSATION PLAN





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# SUMMARY OF INVESTMENT OPTIONS

## NORTH DAKOTA EMPLOYEE’S RETIREMENT SYSTEM

### Introduction

The information in this summary is organized into three sections. Section I details the investment options that are available through the NDPERS Deferred Compensation Companion Plan. Section II lists the other investment options currently available through the NDPERS Section 457 Deferred Compensation Plan. This information has been organized in alphabetical order by provider company. The investment objective, annual expenses and historical performance information is provided for each investment option. Due to the inception date of some investment funds, historical performance information is not available and is indicated with “N/A” (not available). Instances in which information was not provided by the provider companies are indicated by “N/P” (not provided). Section III lists the representatives you can contact at each provider company for more information as of the date this summary was published. Updates to the list of registered provider

representatives are published on the NDPERS website at the end of each quarter.

The annual expense column includes fund expense ratios and any applicable fees to pay for service, distribution and marketing costs (12b-1 fees), operating expenses, asset management fees, separate account charges, or mortality and expense charges imposed by the provider. It does not, however, include any withdrawal, surrender or deferred sales charges or miscellaneous administrative fees. Whenever possible, withdrawal, surrender or deferred sales charges, etc. have been noted at the bottom of the page. Please refer to your prospectus or contact your provider company for more complete information. The column entitled “Other Fees” indicates whether additional information is footnoted below the table about fees and/or withdrawal provisions (Y=yes, N=no).

Performance results provided herein reflect all fund expense ratios and any applicable 12b-1 fees, operating expenses, asset management fees, separate account charges, or mortality and expense charges imposed by the provider company. They do not, however, reflect any withdrawal, surrender or deferred sales charges or account maintenance fees footnoted below each table in the sections entitled “Other Fees” and “Withdrawal Provisions”.

Although all applicable fees for each provider company should be provided in this *Summary of Investment Options*, you should discuss fees in detail with a provider company representative.

The following abbreviations are used in the “Type of Investment” column on the following pages:  
**FA** - Fixed Annuity  
**MF** - Mutual Fund  
**VA** - Variable Annuity  
**CF** - Commingled Fund

# ANNUITIES VERSUS MUTUAL FUNDS



## **Annuities**

The investment options currently offered through the NDPERS Section 457 Deferred Compensation Plan are set up primarily as annuities, although some are offered in the form of mutual funds. Deferred annuities are essentially tax-sheltered accounts offered by life insurance companies. They come in two basic forms, fixed or variable, and offer different benefits each suited to achieving very different retirement objectives.

Fixed annuities pay a fixed nominal interest rate per period and guarantee a minimum rate of return. Variable annuities can range from conservative to aggressive investments and pay a rate linked to the investment performance of some underlying portfolio; therefore, the returns of variable annuity contracts are not guaranteed by the offeror. Many variable annuities are invested in mutual funds as the underlying

investment. The annuity fund structure typically offers a guaranteed death benefit which provides safety of principal for beneficiaries. This structure results in an additional layer of fees above those that are paid for the underlying investment vehicle. Typically, the annual expenses associated with annuity solutions reflect a mortality and expense risk charge (insurance component, investment management expenses, administrative and recordkeeping charges, and declining surrender charges). Sales loads and marketing and distribution charges may apply but are often waived for institutional clients.

## **Mutual Funds**

Mutual funds are registered with the Securities and Exchange Commission (SEC) and their prices and performance are usually reported daily in the newspapers. Commingled funds are pooled

investment vehicles that are similar to mutual funds but are not registered with the SEC and may or may not be reported in the newspapers.

Mutual funds can range from conservative to aggressive, and their values will fluctuate according to the volatility of the securities in which the funds are invested. Mutual funds do not offer a guaranteed death benefit; therefore, their fees do not include an insurance component. Typically, the annual expenses associated with mutual funds reflect the investment management expenses and administrative and record-keeping fees charged by the provider company. Again, sales loads and marketing and

distribution charges may apply but are typically waived in the case of institutional accounts.

The investment funds that are available through the NDPERS Companion Plan consist of a series of mutual funds and a commingled fund. In the case of the Companion Plan, the annual fees charged by mutual fund organizations to pay for service, distribution, and marketing costs (12b-1 fees) are currently rebated back to participants by TIAA CREF. In addition, any front and deferred sales loads are currently waived by TIAA CREF.

The information included in this summary is strictly quantitative in nature and is intended to provide an evaluation of the returns and expenses associated with the investment options available through NDPERS deferred compensation program.

This summary does not present factors that are more subjective in nature such as: 1) the quality, availability and responsiveness of client service; 2) verification of the investment style underlying the investment options; 3) the longevity and stability of the investment professionals managing the investment options; and 4) internet access and voice response systems. These factors should also be taken into consideration when selecting provider companies and investment options. Please contact your provider companies to obtain this information.



Please keep in mind when reviewing the historical performance information that past performance does not guarantee future performance. This ***Summary of Investment Options*** is not a prospectus. It is only intended to provide basic information about the available investment options. Please contact the individual provider companies for a prospectus containing more detailed information.

The material presented in this Summary of Investment Options has been compiled from information supplied by the provider companies to the NDPERS Section 457 Deferred Compensation Plan. To the best of our knowledge this information is accurate and complete although we have not independently verified its accuracy or completeness.

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**SECTION I**  
SUMMARY OF INVESTMENT OPTIONS  
NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM  
**SECTION 457 DEFERRED COMPENSATION COMPANION PLAN**  
(INFORMATION CURRENT AS OF JUNE 30, 2013)

# NDPERS DEFERRED COMPENSATION COMPANION PLAN INVESTMENT OPTIONS

For more information, call TIAA-CREF at (800)842-2252



Fund/Ticker Symbol	Type of Investment	Objective	Annual Expense	Other Fees (Y/N)	Return 6 Mos. Ended June 30, 2013	Net Historical Performance As of December 31, 2012			
						1 Year	3 Years	5 Years	10 Years
Wells Fargo Stable Return Fund									
J-WFSJ#	Stable Value	Income		N	0.51	1.20	1.66	2.24	3.03
PIMCO Real Return Admin-PARRX	Bond	Inflation-Protected	0.70	N	-8.31	8.98	9.26	7.64	6.86
PIMCO Total Return Admin-PTRAX	Bond	Intermediate-Term	0.71	N	-3.14	10.08	7.48	8.07	6.55
Prudential High Yield Z-PHYZX	Bond	High Yield	0.62	N	1.37	14.16	11.23	9.71	9.97
Templeton Global Bond Adv-TGBAX	Bond	World	0.65	N	-1.36	16.15	8.68	10.25	10.84
Cohen & Steers Realty Shares									
CSRSX	Mutual Fund	Real Estate	1.00	N	5.95	15.72	16.03	6.31	12.70
T. Rowe Price Capital Appreciation									
Adv-PACLX	Mutual Fund	Balanced	1.03	N	10.09	14.34	10.20	5.22	N/A
Franklin Growth Adv-FCGAX	Mutual Fund	Large Growth	0.70	N	9.73	13.98	9.81	3.55	8.57
Wells Fargo Adv Growth Adm-SGRKX	Mutual Fund	Large Growth	0.97	N	9.13	16.89	17.01	7.24	12.30
Vanguard 500 Index Signal-VIFSX	Mutual Fund	Large Blend	0.05	N	13.80	15.97	10.85	1.68	N/A
Vanguard Dividend Growth Inv-VDIGX	Mutual Fund	Large Blend	0.29	N	15.22	10.39	10.41	4.05	8.84
Hartford Dividend & Growth									
R5-HDGTX	Mutual Fund	Large Value	0.75	N	14.96	13.33	9.04	1.90	N/A
T. Rowe Price Equity Income-PRFDX	Mutual Fund	Large Value	0.68	N	14.12	17.25	10.26	1.58	7.22
Prudential Jennison Mid Cap									
Growth Z-PEGZX	Mutual Fund	Mid Growth	0.76	N	9.38	16.24	12.72	5.27	12.77
ASTON/Fairpointe Mid Cap I-ABMIX	Mutual Fund	Mid Blend	0.86	N	22.46	16.75	10.49	5.18	N/A
Columbia Mid Cap Index A-NTIAX	Mutual Fund	Mid Blend	0.46	N	14.31	17.31	13.11	4.76	10.12
RidgeWorth Mid Cap									
Value Equity I - SMVTX	Mutual Fund	Mid Value	1.09	N	12.60	21.79	12.95	6.67	11.71

# NDPERS DEFERRED COMPENSATION COMPANION PLAN INVESTMENT OPTIONS

For more information, call TIAA-CREF at (800)842-2252



Fund/Ticker Symbol	Type of Investment	Objective	Annual Expense	Other Fees (Y/N)	Return 6 Mos. Ended June 30, 2013	Net Historical Performance As of December 31, 2012			
						1 Year	3 Years	5 Years	10 Years
Brown Capital Mgmt									
Small Co Inv-BCSIX	Mutual Fund	Small Growth	1.28	Y	15.54	17.47	12.96	7.95	11.83
Parnassus Small Cap-PARSX	Mutual Fund	Small Blend	1.20	N	7.81	18.41	12.15	8.53	N/A
Allianz NFJ Small Cap Value									
Admin-PVADX	Mutual Fund	Small Value	1.04	N	12.47	10.54	12.24	5.26	11.13
Mutual Global Discovery z-MDISX	Mutual Fund	World	1.02	N	10.44	13.65	7.19	1.88	10.60
Vanguard Total Intl Stock Index									
Sig-VTSGX	Mutual Fund	Foreign	0.22	N	-0.49	18.14	3.90	-3.03	9.41
Oppenheimer Developing Markets									
Y-ODVYX	Mutual Fund	Emerging Mkts.	1.03	N	-3.78	21.29	8.27	3.81	N/A
TIAA-CREF Lifecycle									
Ret Income-TLIRX	Mutual Fund	Target Date	0.64	N	1.87	11.27	7.96	3.81	N/A
TIAA-CREF Lifecycle 2010-TCLEX	Mutual Fund	Target Date	0.66	N	2.68	12.27	8.31	3.00	N/A
TIAA-CREF Lifecycle 2015-TCLIX	Mutual Fund	Target Date	0.67	N	3.40	13.31	8.55	2.54	N/A
TIAA-CREF Lifecycle 2020-TCLTX	Mutual Fund	Target Date	0.69	N	4.45	14.28	8.76	1.99	N/A
TIAA-CREF Lifecycle 2025-TCLFX	Mutual Fund	Target Date	0.71	N	5.64	15.24	8.91	1.44	N/A
TIAA-CREF Lifecycle 2030-TCLNX	Mutual Fund	Target Date	0.72	N	6.68	16.21	8.99	0.81	N/A
TIAA-CREF Lifecycle 2035-TCLRXX	Mutual Fund	Target Date	0.73	N	7.62	17.01	9.08	0.58	N/A
TIAA-CREF Lifecycle 2040-TCLOX	Mutual Fund	Target Date	0.74	N	8.12	17.37	9.14	0.64	N/A
TIAA-CREF Lifecycle 2045-TTFRX	Mutual Fund	Target Date	0.74	N	8.28	17.26	9.07	0.33	N/A
TIAA-CREF Lifecycle 2050-TLFRX	Mutual Fund	Target Date	0.74	N	8.19	17.24	9.07	0.29	N/A

## NDPERS DEFERRED COMPENSATION COMPANION PLAN INVESTMENT OPTIONS

For more information, call TIAA-CREF at (800)842-2252



Fund/Ticker Symbol	Type of Investment	Objective	Annual Expense	Other Fees (Y/N)	Return 6 Mos. Ended June 30, 2013	Net Historical Performance As of December 31, 2012			
						1 Year	3 Years	5 Years	10 Years
TIAA-CREF Lifecycle 2055-TTRLX	Mutual Fund	Target Date	0.74	N	8.27	17.30	N/A	N/A	N/A
Vanguard Prime Money Market-VMMXX	Mutual Fund	Money Market	0.16	N	0.01	0.04	0.05	0.68	1.83



## **SECTION II**

### **SUMMARY OF INVESTMENT OPTIONS**

#### **NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM**

#### **SECTION 457 DEFERRED COMPENSATION PLAN**

(INFORMATION CURRENT AS OF JUNE 30, 2013)

*The NDPERS Board provides this Summary as a service to the deferred compensation participants to help them make an informed decision regarding their investments. The NDPERS Board has not examined the investment options described in Section II of this Summary, and makes neither recommendation nor warranty regarding those options. The investment options offered are those the individual provider companies have determined they will offer to the participants using the provider's services.*

*Unless otherwise noted, performance results provided herein reflect all fund expense ratios and any applicable 12b-1 fees, operating expenses, asset management fees, separate account charges, or mortality and expense charges imposed by the provider company. They do not, however, reflect any withdrawal, surrender, or deferred sales charges or account maintenance fees footnoted below each table in the sections entitled "Other Fees" and "Withdrawal Provisions."*

# AMERICAN TRUST CENTER INVESTMENT OPTIONS

For more information, call American Trust Center at (701) 355-4820 or Refer to List of Representatives in Section III



Fund/Ticker Symbol	Type of Investment	Objective	Annual Expense	Return Not Net of fees 6 Mos.		Historical Performance Not Net of Fees as of December 31, 2012			
				Other Fees (Y/N)	Ended June 30, 2013	1 Year	3 Years	5 Years	10 Years
Federated Prime Obligations Fund	Mutual Fund	Stable Value	0.20%	Y*	.04	.17	.16	.79	1.95
Vanguard Retirement Savings Trust	Mutual Fund	Stable Value	0.30%	Y*	.94	2.37	2.74	3.10	3.66
BlackRock Inflation Protected Bond Instl/BPRIX	Mutual Fund	Treasury Inflation Protected Securities (TIPS/Fixed Income)	0.45%	Y*	-6.98	6.94	8.32	7.10	-
Vanguard GNMA/VFIJX	Mutual Fund	Bond/Fixed Income	0.11%	Y*	-2.76	2.45	5.75	5.99	5.16
Dodge & Cox Income/DODIX	Mutual Fund	Bond/Fixed Income	0.43%	Y*	-1.31	7.94	6.62	7.00	5.64
Principal High Yield Instl/PHYTX	Mutual Fund	Bond/High Yield	0.57%	Y*	1.42	15.86	11.16	9.06	11.18
Northern Institutional/BBPAX- <i>replaced with Northern Fixed Income Fund NOFIX on 10/26/12</i>	Mutual Fund	Bond/Fixed Income	-	-	-	-	-	-	-
Northern Fixed Income Fund/NOFIX	Mutual Fund	Bond/Fixed Income	0.49%	Y*	-2.92	7.15	6.83	6.24	5.06
Vanguard Index 500/VIFSX	Mutual Fund	Large Cap Blend/Equity	0.05%	Y*	13.80	15.97	10.85	1.68	7.05
Davis NY Venture Y/DNVYX- <i>Davis NY Venture Y was eliminated as an option on 8-21-2012</i>	Mutual Fund	Large Cap Blend/Equity	-	-	-	-	-	-	-
Dodge & Cox Stock/DODGX	Mutual Fund	Large Cap Value/Equity	0.52%	Y*	17.55	22.01	9.92	-23	7.30
T Rowe Price Equity Income/PRFDX	Mutual Fund	Large Cap Value/Equity	0.68%	Y*	14.12	17.25	10.26	1.58	7.22
T Rowe Price Instl Large Cap Gr/TRLGX	Mutual Fund	Large Cap Growth/Equity	0.57%	Y*	13.19	17.55	10.46	4.11	8.88

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Fund/Ticker Symbol	Type of Investment	Objective	Annual Expense	Other Fees (Y/N)	Return Not Net	Historical Performance Not			
					of Fees 6 Mos. Ended June 30, 2013	Net of Fees 1 Year	As of December 31, 2012 3 Years	5 Years	10 Years
Vanguard Primecap/VPMAX-replaced with Laudus Growth Investors US Large Cap Growth Fund LGILX on 11-26-12	Mutual Fund	Large Cap Growth/Equity	-	-	-	-	-	-	-
Laudus Growth Investors US Large Cap Growth Fund/LGILX	Mutual Fund	Large Cap Growth/Equity	0.78%	Y*	9.71	18.16	11.02	4.97	10.20
Vanguard Mid Cap Index/VMISX	Mutual Fund	Mid Cap Blend/Equity	0.10%	Y*	15.53	16.02	12.62	3.15	10.04
Janus Perkins Mid Cap Value N/JDPNX	Mutual Fund	Mid Cap Value/Equity	0.58%	Y*	12.61	10.52	7.48	3.4	10.39
Morgan Stanley Mid Cap Growth/MPEGX-replaced with Prudential Jennison Mid Cap Growth Fund PJGQX 11-26-12	Mutual Fund	Mid Cap Growth/Equity	-	-	-	-	-	-	-
Prudential Jennison Mid Cap Growth Fund/PJGQX	Mutual Fund	Mid Cap Growth/Equity	0.60%	Y*	9.47	16.42	12.71	5.14	12.57
Vanguard Small Cap Value Index Inv/VISVX	Mutual Fund	Small Cap Value/Equity	0.35%	Y*	15.37	18.56	12.35	4.66	9.61
Bogle Small Cap Growth/BOGIX	Mutual Fund	Small Cap Growth/Equity	1.25%	Y*	17.52	26.17	15.74	3.23	10.21
Harbor International/HAINX	Mutual Fund	International/Equity	0.78%	Y*	.37	20.87	6.35	-0.90	11.99
Dodge & Cox Intl Stock/DODFX	Mutual Fund	International/Equity	0.64%	Y*	5.40	21.03	4.96	-1.89	11.63
Principal Diversified Real Asset Fund/PDRDX	Mutual Fund	Real Asset/Equity	0.87%	Y*	-	7.65	-	-	-
T Rowe Price Science & Technology/PRSCX	Mutual Fund	Sector/Equity	0.90%	Y*	13.67	6.25	7.15	3.02	8.15
Vanguard Health Care/VGHAX	Mutual Fund	Sector/Equity	0.30%	Y*	20.19	15.17	10.90	6.14	9.62
Vanguard REIT Index/VGRSX	Mutual Fund	Sector/Equity	0.10%	Y*	6.32	17.67	17.98	6.07	11.64
Vanguard Conservative/VSCGX	Mutual Fund	Lifestrategy	0.15%	Y*	2.27	9.19	7.29	3.07	6.12

# AMERICAN TRUST CENTER INVESTMENT OPTIONS

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Fund/Ticker Symbol	Type of Investment	Objective	Annual Expense	Other Fees (Y/N)	Return Not Net	Historical Performance Not			
					of Fees 6 Mos. Ended June 30, 2013	Net of Fees as of December 31, 2012	1 Year	3 Years	5 Years
Dodge & Cox Balanced/DODBX	Mutual Fund	Lifestrategy	0.53%	Y *	12.60	18.32	9.30	2.18	6.84
Vanguard Moderate/VSMGX	Mutual Fund	Lifestrategy	0.16%	Y *	4.72	11.76	8.29	2.35	6.93
Vanguard Growth/VASGX	Mutual Fund	Lifestrategy	0.17%	Y *	7.08	14.38	8.75	1.07	7.36

Other Fees:

\*American Trust Center Fee: 0.60%

\*Investment/Advisor: 0.50%

\*Discretionary Trustee Investment Management Services Fee 0.04% - In the event that ATC receives revenue from the management companies utilized in the plan, the revenue is credited against fees charged by ATC.

Termination/Distribution/In-Service Processing Fee \$50

Express delivery services \$30 minimum

Certified Mail \$10

Wire Transfers \$25, International Wire Transfers \$50

Cashier's Check \$10

Returned/Lost Check/Stop Payment and Reissued checks \$25

QDRO Processing Fees \$100

American Trust Center (ATC) has entered into an agreement with Vanguard and will monitor shareholder trading activity and seek to restrict a shareholder's trading privileges if that shareholder is found to have entered into multiple roundtrip transactions. ATC will track the trades and provide a warning notice when the shareholder hits the first violation and will block the second as defined below. The first time a shareholder completes a roundtrip transaction, defined as a buy in and sell out of greater than \$10,000 that occurs within a 30 calendar day period, a warning letter will be sent to the shareholder reminding them of the policy.

VANGUARD GNMA-ADM, VANGUARD HEALTH CARE-ADM, VANGUARD INDEX 500-SIG, VANGUARD MID CAP IDX-SIG, VANGUARD REIT INDEX SIG, VANGUARD SMALL CAP VALUE INDEX FD, Life Strategy-CONSERVATIVE, Life Strategy-GROWTH, and Life Strategy-MODERATE:

Excessive trading violation will result in a trading restriction period of 60 days. For Vanguard Retirement Investment Program pooled plans, the limitations apply to exchanges made online or by phone. SEP-IRAs, SIMPLE IRAs, certain Individual 403(b)(7) Custodial Accounts, and Vanguard

## AMERICAN TRUST CENTER INVESTMENT OPTIONS

*For more information, call American Trust Center at (701) 355-4820 or Refer to List of Representatives in Section III*



Individual 401(k) Plans are subject to the limitations. Vanguard will monitor for frequent trading in institutional (Other Than Defined Contribution Plans) clients' accounts. ETF Shares are not subject to these frequent-trading limits. The limitations will not apply to some other cases.

### BLACKROCK INFL PROTECTED BD FD

The Board has not adopted any specific numerical restrictions on purchases, sales and exchanges of Fund shares because certain legitimate strategies will not result in harm to the Fund or shareholders. If the Fund believes, in its sole discretion, that your short-term trading is excessive or that you are engaging in market timing activity, it reserves the right to reject any specific purchase or exchange order.

### BOGLE STOCK FUND

The Company and the Adviser reserve the right to (i) reject a purchase or exchange order, (ii) delay payment of immediate cash redemption proceeds for up to seven calendar days, (iii) revoke a shareholder's privilege to purchase Fund shares (including exchanges), or (iv) limit the amount of any exchange.

### T ROWE PR EQ INC, T ROWE PR LRG GR and T ROWE PR SCI & TECH

Excessive trading violation will result in a trading restriction period of 30 days. In addition to restricting transactions in accordance with the 30-Day Purchase Block, T. Rowe Price may, in its discretion, reject any purchase or exchange into a fund from a person whose trading activity could disrupt the management of the fund or dilute the value of the fund's shares, including trading by persons acting collectively. Such persons may be barred from further purchases of T. Rowe Price funds for a period longer than 30 calendar days or permanently.

### PERKINS MID CAP VALUE CL N

A round trip is defined as a buy and sell that occur within 90 days. Maximum of 1 round trip allowed per 3 month period. The Funds may suspend or permanently terminate the exchange privilege of any investor who makes more than one round trip in a Fund over a 90-day period, and may bar future purchases into the Fund and any of the other Janus funds by such investor. The Funds' excessive trading policies generally do not apply to a money market fund, although money market funds at all times reserve the right to reject any purchase request for any reason without prior notice.

### PRINCIPAL DIV REAL ASSET FUND and PRINCIPAL HIGH YIELD (Bond)

The Fund has reserved the right to accept or reject, without prior written notice, any exchange requests. In some instances, an exchange may be completed prior to a determination of abusive trading. In those instances, we will reverse the exchange and return the account holdings to the positions held prior to the exchange.

## AMERICAN TRUST CENTER INVESTMENT OPTIONS

*For more information, call American Trust Center at (701) 355-4820 or Refer to List of Representatives in Section III*



DODGE & COX BAL (40%B-60%S), DODGE & COX INTERNATIONAL (Int'l), DODGE & COX INCOME (Bond), and DODGE & COX STOCK (Large Value)  
Certain transactions are exempt from excessive trading policy such as retirement plan contributions, shares purchased through certain fund of funds, IRA transfers, conversions or recharacterizations.

### HARBOR INTERNATIONAL (Int'l)

A round trip is defined as a buy and sell that occur within 30 days. Excessive trading violation will result in a trading restriction period of 60 days.

Maximum of 4 round trips allowed per 12 month period.

The Funds' exchange limits and excessive trading policies generally do not apply to Harbor Money Market Fund, although the Fund at all times reserves the right to reject any purchase request (including exchange purchases) for any reason without prior notice.

### NORTHERN FIXED INCOME (Bond)

Maximum of 2 round trips allowed per 3 month period. The Trust may permit more than two "round trips" in a Fund during a calendar quarter if the Trust determines in its reasonable judgment that the Trust's excessive trading policies would not be violated. In addition, the High Yield Fixed Income Fund imposes a redemption fee on redemptions made within 30 calendar days of purchase and the Tax-Advantaged Ultra-Short Fixed Income Fund and Ultra-Short Fixed Income Fund impose a redemption fee on redemptions made within 90 calendar days of purchase.

### PRUDENTIAL JENNISON (Mid-Cap Growth)

A round trip is defined as a buy and sell that occur within 30 days. Excessive trading violation will result in a trading restriction period of 90 days.

Maximum of 1 round trip allowed per 30 days

period. The Fund's Chief Compliance Officer has defined frequent trading as one or more round-trip transactions in shares of the Fund within a 30-day period. If this occurs, the shareholder's

account will be subject to a 60-day warning period, commencing on the first day of the following month. If a second round-trip occurs before the conclusion of the 60-day warning period, a trading suspension will be placed on the account by the Fund's Transfer Agent that will remain in effect for 90 days.

# AXA EQUITABLE LIFE INSURANCE COMPANY INVESTMENT OPTIONS

For more information, call AXA Equitable at (800) 628-6673 or Refer to List of Representatives in Section III



Fund	Type of Investment	Objective	Annual Expense	Other Fees (Y/N)	Return 6 Mos. Ended June 30, 2013	Net Historical Performance As of December 31, 2012			
						1 Year	3 Years	5 Years	10 Years
Guaranteed Interest Account	Guaranteed Interest Option	Guaranteed rates.	None	Y	-	-	-	-	-
All Asset Growth-Alt 20	Asset Allocation	Long-term capital appreciation.	2.22%	Y	-2.22	6.08	4.81	-0.43	4.35
American Century VP Mid Cap Value	Mid Cap Value	Long-term capital growth	2.36%	Y	10.00	10.27	8.45	3.98	-
AXA Aggressive Allocation	Asset Allocation	Long-term capital appreciation.	2.43%	Y	4.49	8.24	3.37	-3.86	-
AXA Balanced Strategy	Asset Allocation	Long-term capital appreciation.	2.25%	Y	-0.07	2.61	2.53	-	-
AXA Conservative Allocation	Asset Allocation	High level of current income.	2.20%	Y	-4.11	-1.24	1.82	0.07	-
AXA Conservative Strategy	Asset Allocation	High level of current income.	2.15%	Y	-4.05	-1.32	1.36	-	-
AXA Conservative Growth Strategy	Asset Allocation	High level of current income.	2.20%	Y	-1.40	1.33	2.14	-	-
AXA Conservative-Plus Allocation	Asset Allocation	Current income and growth of capital.	2.30%	Y	-1.70	1.52	2.42	-0.80	-
AXA Moderate Allocation	Asset Allocation	Long-term capital appreciation.	2.35%	Y	-0.69	2.92	2.55	-1.60	-
AXA Moderate Growth Strategy	Asset Allocation	Long-term capital appreciation.	2.30%	Y	1.28	4.01	2.86	-	-

# AXA EQUITABLE LIFE INSURANCE COMPANY INVESTMENT OPTIONS

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Fund	Type of Investment	Objective	Annual Expense	Other Fees (Y/N)	Return 6 Mos. Ended June 30, 2013	Net Historical Performance As of December 31, 2012			
						1 Year	3 Years	5 Years	10 Years
AXA Moderate-Plus Allocation	Asset Allocation	Long-term capital appreciation.	2.39%	Y	1.95	5.62	3.02	-2.58	-
AXA Tactical Manager 400	Mid Cap Blend	Long-term growth of capital.	2.15%	Y	8.73	10.50	7.07	-	-
AXA Tactical Manager 500	Large Cap Blend	Long-term growth of capital.	2.07%	Y	7.96	8.87	4.98	-	-
AXA Tactical Manager 2000	Small Cap Blend	Long-term growth of capital.	2.15%	Y	10.21	9.49	5.94	-	-
AXA Tactical Manager International	International/Global Stocks	Long-term growth of capital.	2.15%	Y	-2.00	10.63	-1.99	-	-
EQ/AllianceBernstein Dynamic Wealth Strategies	Asset Allocation	Capital appreciation.	2.51%	Y	0.83	1.86	-	-	-
EQ/AllianceBernstein Small Cap Growth	Small Cap Growth	Long-term growth of capital.	2.18%	Y	9.69	9.62	12.63	0.64	8.74
EQ/AXA Franklin Small Cap Value Core	Small Cap Value	Long-term total return	2.37%	Y	8.41	10.86	6.83	0.13	-
EQ/BlackRock Basic Value Equity	Large Cap Value	Capital appreciation.	2.14%	Y	13.37	7.71	4.62	-1.80	5.12
EQ/Boston Advisors Equity Income	Large Cap Value	Combination of growth and income.	2.25%	Y	8.89	11.76	8.05	-1.75	5.60

# AXA EQUITABLE LIFE INSURANCE COMPANY INVESTMENT OPTIONS

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Fund	Type of Investment	Objective	Annual Expense	Other Fees (Y/N)	Return	Net Historical Performance			
					6 Mos. Ended June 30, 2013	As of December 31, 2012			
						1 Year	3 Years	5 Years	10 Years
EQ/Calvert Socially Responsible	Large Cap Growth	Long-term capital appreciation.	2.18%	Y	9.41	10.77	6.95	-3.43	3.54
EQ/Common Stock Index	Large Cap Blend	Total return that approximates the total return performance of the Russell 3000 Index.	1.92%	Y	8.45	9.64	7.76	-2.86	5.74
EQ/Core Bond Index	Investment Grade Bonds	Total return that approximates the total return performance of the Barclays Capital U.S. Aggregate Bond Index.	1.92%	Y	-6.97	-2.64	1.83	-0.85	1.06
EQ/Davis New York Venture	Large Cap Blend	Long-term growth of capital.	2.44%	Y	9.96	6.01	3.33	-3.04	-
EQ/Equity 500 Index	Large Cap Blend	Total return that approximates the total return performance of the S&P 500 Index.	1.82%	Y	8.27	9.29	7.53	-1.13	5.16
EQ/Equity Growth PLUS	Large Cap Growth	Long-term growth of capital.	2.20%	Y	10.03	8.31	4.60	-3.46	5.22
EQ/Franklin Core Balanced	Specialty	Maximize income.	2.28%	Y	-0.10	5.33	4.71	-0.21	-
EQ/Franklin Templeton Allocation	Asset Allocation	Capital appreciation.	2.47%	Y	3.35	8.78	3.85	-2.64	-
EQ/GAMCO Small Company Value	Small Cap Value	Maximize capital appreciation.	2.30%	Y	9.84	11.86	12.08	6.09	11.41

# AXA EQUITABLE LIFE INSURANCE COMPANY INVESTMENT OPTIONS

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Fund	Type of Investment	Objective	Annual Expense	Other Fees (Y/N)	Return 6 Mos. Ended June 30, 2013	Net Historical Performance As of December 31, 2012			
						1 Year	3 Years	5 Years	10 Years
EQ/Global Bond PLUS	Investment Grade Bonds	Capital growth and current income.	2.19%	Y	-8.65	-2.10	2.07	2.44	-
EQ/Global Multi-Sector Equity	International/Global Stocks	Long-term capital appreciation.	2.37%	Y	-0.09	11.02	1.83	-8.53	12.42
EQ/International Core PLUS	International/Global Stocks	Long-term growth of capital.	2.23%	Y	-3.83	10.35	-0.99	-7.08	5.36
EQ/International Value PLUS	International/Global Stocks	Capital appreciation.	2.25%	Y	-3.68	11.49	-1.34	-7.38	5.05
EQ/JPMorgan Value Opportunities	Large Cap Value	Long-term capital appreciation.	2.19%	Y	12.19	10.08	4.59	-2.57	4.20
EQ/Large Cap Core PLUS	Large Cap Blend	Long-term growth of capital.	2.17%	Y	7.91	9.05	5.24	-2.34	4.15
EQ/Large Cap Growth Index	Large Cap Growth	Total return that approximates the total return performance of the Russell 1000 Growth Index.	1.92%	Y	10.57	8.78	8.18	1.24	6.14
EQ/Large Cap Growth PLUS	Large Cap Growth	Long-term capital growth.	2.15%	Y	10.90	7.81	5.14	-1.34	6.19
EQ/Large Cap Value Index	Large Cap Value	Total return that approximates the total return performance of the Russell 1000 Value Index.	1.95%	Y	10.23	10.62	7.36	-9.77	-

# AXA EQUITABLE LIFE INSURANCE COMPANY INVESTMENT OPTIONS

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Fund	Type of Investment	Objective	Annual Expense	Other Fees (Y/N)	Return 6 Mos. Ended June 30, 2013	Net Historical Performance As of December 31, 2012			
						1 Year	3 Years	5 Years	10 Years
EQ/Lord Abbett Large Cap Core	Large Cap Blend	Capital appreciation and growth of income.	2.30%	Y	6.80	9.41	3.64	-1.39	-
EQ/MFS International Growth	International/Global Stocks	Long-term growth of capital.	2.45%	Y	-4.38	13.70	4.40	-2.11	7.23
EQ/Mid Cap Index	Mid Cap Blend	Total return that approximates the total return performance of the S&P MidCap 400 Index.	1.93%	Y	8.99	11.10	10.21	-2.40	6.47
EQ/Mid Cap Value PLUS	Mid Cap Value	Long-term capital appreciation.	2.21%	Y	9.69	12.62	6.91	-0.65	6.31
EQ/Money Market	Money Market	High level of current income.	1.91%	Y	-5.12	-5.78	-2.83	-1.8	0.23
EQ/Morgan Stanley Mid Cap Growth	Mid Cap Growth	Capital growth.	2.28%	Y	9.89	2.88	7.26	-0.30	-
EQ/Mutual Large Cap Equity	Large Cap Value	Capital appreciation.	2.36%	Y	7.58	8.26	4.19	-3.39	-
EQ/Oppenheimer Global	International/Global Stocks	Capital appreciation.	2.55%	Y	2.63	14.35	5.52	-1.43	-
EQ/PIMCO Ultra Short Bond	Investment Grade Bonds	Seeks to generate a return in excess of traditional money market products.	2.03%	Y	-5.35	-4.29	-2.10	-1.05	1.56

# AXA EQUITABLE LIFE INSURANCE COMPANY INVESTMENT OPTIONS

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Fund	Type of Investment	Objective	Annual Expense	Other Fees (Y/N)	Return 6 Mos. Ended June 30, 2013	Net Historical Performance As of December 31, 2012			
						1 Year	3 Years	5 Years	10 Years
EQ/Quality Bond PLUS	Investment Grade Bonds	High current income.	2.05%	Y	-7.22	-3.13	0.58	-0.37	1.37
EQ/Small Company Index	Small Cap Blend	Seeks to achieve the total return of the Russell 2000 Index.	1.82%	Y	9.84	9.59	9.11	0.84	7.79
EQ/T. Rowe Price Growth Stock	Large Cap Growth	Long-term capital appreciation.	2.32%	Y	10.48	12.94	8.07	0.09	6.26
EQ/Templeton Global Equity	International/Global Stocks	Long-term capital growth.	2.36%	Y	2.86	13.34	3.00	-4.19	-
Fidelity VIP Contrafund	Large Cap Blend	Long-term capital appreciation.	2.10%	Y	6.05	10.18	7.04	-1.73	7.38
Fidelity VIP Equity Income	Large Cap Blend	Seeks reasonable income.	2.01%	Y	9.29	11.09	7.98	-2.13	5.11
Fidelity VIP Mid Cap	Mid Cap Growth	Long-term growth of capital.	2.11%	Y	6.68	8.61	6.83	-0.11	9.95
Goldman Sachs VIT	Mid Cap Value	Mid Cap Value Long-term capital appreciation.	2.28%	Y	10.04	12.19	8.59	0.62	-
Invesco V.I. Dividend Growth	Specialty	Long-term growth of capital.	2.12%	Y	10.50	12.38	6.57	-1.70	4.25
Invesco V.I. Global Real Estate	Specialty	Total return through growth of capital and current income.	2.59%	Y	-4.26	21.75	9.17	-1.98	-

# AXA EQUITABLE LIFE INSURANCE COMPANY INVESTMENT OPTIONS

For more information, call AXA Equitable at (800) 628-6673 or Refer to List of Representatives in Section III



Fund	Type of Investment	Objective	Annual Expense	Other Fees (Y/N)	Return 6 Mos. Ended June 30, 2013	Net Historical Performance As of December 31, 2012			
						1 Year	3 Years	5 Years	10 Years
Invesco V.I. High Yield	Specialty	Long-term growth of capital.	2.25%	Y	-4.41	10.99	7.44	6.48	7.99
Invesco V.I. International Growth	International/ Global Stocks	Long-term growth of capital.	2.48%	Y	-3.66	9.30	3.76	-2.91	8.89
Invesco V.I. Mid Cap Core Equity	Mid Cap Blend	Long-term growth of capital.	2.48%	Y	7.59	4.73	2.85	-0.46	6.09
Invesco V.I. Small Cap Equity	Small Cap Blend	Long-term growth of capital.	2.51%	Y	9.43	7.72	10.37	1.51	-
Ivy Funds VIP Energy	Specialty	Long-term capital appreciation.	2.44%	Y	6.61	-4.40	1.22	-5.55	-
Ivy Funds VIP High Income	Specialty	Long-term capital appreciation.	2.10%	Y	-1.22	12.65	10.14	8.39	8.39
Ivy Funds VIP Mid Cap Growth	Mid Cap Growth	Growth of capital.	2.36%	Y	5.19	7.63	11.48	4.72	-
Ivy Funds VIP Small Cap Growth	Small Cap Growth	Growth of capital.	2.34%	Y	11.14	-0.67	3.91	-2.40	6.23
Lazard Retirement Emerging Markets Equity	International/ Global Stocks	Long-term growth of capital.	2.62%	Y	-13.58	16.01	4.37	-0.86	16.51
MFS International Value	Large Cap Blend	Capital appreciation.	2.46%	Y	7.30	9.98	4.70	-1.02	9.73
MFS Investors Growth Stock	Large Cap Blend	Capital appreciation.	2.27%	Y	5.38	10.71	6.85	0.70	5.37
MFS Investors Trust	Large Cap Growth	Capital appreciation.	2.27%	Y	7.10	12.83	6.06	-0.53	5.59
MFS Technology	Specialty	Long-term capital appreciation.	2.53%	Y	3.29	8.32	8.91	1.53	9.27

## AXA EQUITABLE LIFE INSURANCE COMPANY INVESTMENT OPTIONS

For more information, call AXA Equitable at (800) 628-6673 or Refer to List of Representatives in Section III



Fund	Type of Investment	Objective	Annual Expense	Other Fees (Y/N)	Return 6 Mos. Ended June 30, 2013	Net Historical Performance As of December 31, 2012			
						1 Year	3 Years	5 Years	10 Years
MFS Investors Trust	Large Cap Growth	Capital appreciation.	2.27%	Y	7.10	12.83	6.06	-0.53	5.59
MFS Technology	Specialty	Long-term capital appreciation.	2.53%	Y	3.29	8.32	8.91	1.53	9.27
MFS Utilities	Specialty	Long-term capital appreciation.	2.26%	Y	4.35	7.28	8.39	0.32	13.12
Multimanager Aggressive Equity	Large Cap Growth	Long-term growth of capital.	2.22%	Y	7.69	8.26	5.28	-3.93	4.73
Multimanager Core Bond	Investment Grade Bonds	Balance of high current income and capital appreciation.	2.14%	Y	-7.56	-0.36	3.11	3.54	3.44
Multimanager Large Cap Value	Large Cap Value	Long-term growth of capital.	2.36%	Y	10.11	9.62	4.60	-3.31	5.23
Multimanager Multi-Sector Bond	Investment Grade Bonds	High current income and capital appreciation.	2.15%	Y	-6.71	-0.50	2.95	-2.45	3.11
Multimanager Technology	Specialty	Long-term growth of capital.	2.66%	Y	5.26	7.50	5.63	-0.94	8.19
Oppenheimer Main Street Fund/VA	Large Cap Blend	High total return from equity and debt securities.	2.23%	Y	5.90	10.64	7.76	-1.09	4.99

# AXA EQUITABLE LIFE INSURANCE COMPANY INVESTMENT OPTIONS

For more information, call AXA Equitable at (800) 628-6673 or Refer to List of Representatives in Section III



Fund	Type of Investment	Objective	Annual Expense	Other Fees (Y/N)	Return 6 Mos. Ended June 30, 2013	Net Historical Performance As of December 31, 2012			
						1 Year	3 Years	5 Years	10 Years
PIMCO VIT Commodity RealReturn Strategy	Specialty	Maximum real return.	2.21%	Y	-20.59	-0.71	3.78	-3.08	-
Target 2015 Allocation	Asset Allocation	Highest total return over time consistent with its asset mix.	2.42%	Y	-0.68	4.97	3.34	-2.29	-
Target 2025 Allocation	Asset Allocation	Highest total return over time consistent with its asset mix.	2.39%	Y	1.30	6.93	3.97	-2.83	-
Target 2035 Allocation	Asset Allocation	Highest total return over time consistent with its asset mix.	2.37%	Y	2.54	8.18	4.34	-3.21	-
Target 2045 Allocation	Asset Allocation	Highest total return over time consistent with its asset mix.	2.36%	Y	3.66	9.48	4.59	-3.82	-
Templeton Global Bond Securities	Investment Grade Bonds	High current income, consistent with preservation of capital.	2.01%	Y	-6.77	9.11	6.62	8.46	9.50
Van Eck Global Hard Assets	Specialty	Long-term capital appreciation.	2.46%	Y	-10.14	-2.70	0.62	-3.73	-

## AXA EQUITABLE LIFE INSURANCE COMPANY INVESTMENT OPTIONS

*For more information, call AXA Equitable at (800) 628-6673 or Refer to List of Representatives in Section III*



### **Other Fees**

The current series of EQUI-VEST® EDC contracts provide that the Annual Administrative Charge is the lesser of 2% of the contract's total Annuity Account Value ("AAV") or \$30 - including any withdrawals made during the year and - will be deducted at the end of each contract year.

This charge is deducted on a pro rata basis from the investment options, the Guaranteed Interest Option and the Account for Special Dollar Cost Averaging. The annual administrative charge is waived under the following conditions:

If the AAV is at least \$50,000\* on the last day of the contract year,

If the AAV is at least \$50,000\* upon contract termination,

If the AAV is at least \$50,000\* upon the death of the participant,

If the AAV is at least \$50,000\* at the election of an annuity settlement option.

\*EFFECTIVE SEPTEMBER 27, 2010, THIS AMOUNT WILL BE REDUCED TO \$25,000..

The State of North Dakota or the participant (if authorized by the State of North Dakota) will receive a Confirmation Notice (a statement report) at the end of the contract year showing the charge and the amount in each investment option after the charge has been deducted.

A \$200 administrative charge will be assessed if a Life Fixed Annuity Benefit is chosen before 5 contract years have been completed. After 5 contract years, the charge does not apply. This charge will be waived if the participant dies and the beneficiary elects a life benefit; however, a \$350 administrative charge will apply upon the election of variable life contingent annuity distribution option.

### **Withdrawal Provisions**

Withdrawals are permitted subject to the terms of the EDC Plan. Withdrawals will be processed within seven days from the date of receipt at the EQUI-VEST® Processing Office.

**Free Corridor Amount:** Each contract year, 10% of the contract's Annuity Account Value (Free Corridor Amount), may be withdrawn without incurring AXA Equitable's contingent withdrawal charge (assuming the funds are otherwise available for withdrawal). The minimum amount of withdrawal is \$300 and \$500 must remain in the contract after the withdrawal. Withdrawals from the Guaranteed Interest Option will be processed last in first out (LIFO).

## AXA EQUITABLE LIFE INSURANCE COMPANY INVESTMENT OPTIONS

*For more information, call AXA Equitable at (800) 628-6673 or Refer to List of Representatives in Section III*



No withdrawal charge will apply under the following circumstances:

- Completion of 3 contract years and the amount withdrawn is applied to purchase from AXA Equitable a Period Certain Annuity for a term of at least 10 years that allows no prepayment;
- The participant has completed at least five contract years, has reached age 55, and has separated from service;
- Attainment of age 55 by the participant and the completion of 5 contract years and application of the amount withdrawn to purchase from AXA Equitable a Period Certain Annuity that extends beyond age 59\_ and allows no prepayment;
- Attainment of age 59 1/2 by the participant and the completion of 5 contract years;
- Amount withdrawn is applied to purchase from AXA Equitable an annuity with life contingencies;
- Withdrawals by a beneficiary following the death of the contract owner;
- Refund of excess contributions within one month of the date on which the contribution is made;
- Amount withdrawn is applied to purchase from AXA Equitable a Period Certain Annuity for a term of at least 15 years;
- Amount withdrawn is made through the AXA Equitable's required distribution automatic withdrawal option to satisfy the minimum distribution requirements;
- Amount withdrawn qualifies as a unforeseeable emergency withdrawal;
- The participant qualifies to receive Social Security disability benefits as certified by the Social Security Administration;
- AXA Equitable receives satisfactory proof that the participant's life expectancy is six months or less;
- The participant is confined to a nursing home for more than 90 days as verified by a licensed physician.

Withdrawals which do not fall into the categories described on the preceding page, including any amount that is in excess of the 10% Free Corridor Amount, will be subject to the following contingent withdrawal charges: The withdrawal charge is based on how long each contribution has been in the contract. For withdrawals that exceed the free withdrawal amount, the amount of the withdrawal charge we deduct is equal to 5% of any contribution withdrawn attributable to contributions made during the current and five prior contract years measured from the date of the withdrawal. Effective September 27, 2010, withdrawal charges will no longer apply after the completion of 12 contract years.

## BANK OF NORTH DAKOTA INVESTMENT OPTIONS

For more information, call Bank of North Dakota at (701) 328-5617 or (701) 328-5652 or refer to List of Representatives in Section III



Fund/Ticker Symbol	Type of Investment	Objective	Annual Expense	Other Fees (Y/N)	Return 6 Mos. Ended June 30, 2013	Net Historical Performance As of December 31, 2012			
						1 Year	3 Years	5 Years	10 Years
Open Savings Statement (Variable Rate Account)	Savings	Stability of Principal	None	N	1.20%*	N/P	N/P	N/P	N/P

**Other Fees:** None

**Withdrawal Provisions:** No fee unless account is moved prior to eighteen months. Applicable fee is six months of interest.

\* Rate presented is an annual interest rate that changes January 1. Call Bank of North Dakota to obtain the current new money rate.

N/P - Not provided

## MASS MUTUAL INVESTMENT OPTIONS

For more information, call MassMutual at (800) 528-9009 or Refer to List of Representatives in Section III



Fund	Type of Investment	Objective	Annual Expense	Other Fees (Y/N)	Return	Net Historical Performance			
					6 Mos. Ended June 30, 2013	As of December 31, 2012			
					1 Year	3 Years	5 Years	10 Years	
Hartford Dividend & Growth	HIADX VA	Growth & Income	1.57%	Y	14.69%	12.58%	8.24%	.97%	7.04%
American Century Income & Growth									
BIGRX	VA	Growth & Income	1.54%	Y	16.29%	13.55%	9.48%	-0.13%	5.5%
DWS Core Equity SCDGX	VA	Growth & Income	1.49%	Y	13.72%	14.79%	8.77%	0.87%	5.38%
American Century Value TWVLX	VA	Growth & Income	1.86%	Y	15.85%	13.58%	8.4%	1.86%	6.23%
Hartford Balanced HADAX	VA	Growth & Income	1.54%	Y	9.23%	11.02%	7.59%	1.73%	4.95%
Calvert VP SRI Balanced	N/A VA	Growth & Income	1.81%	Y	5.55%	9.52%	8.03%	1.28%	4.51%
Fidelity Advisor Balanced FAIGX	VA	Growth & Income	1.95%	Y	6.14%	11.27%	7.82%	1.29%	4.83%
Putnam High Yield Advantage PHYIX	VA	Income	1.89%	Y	0.77%	14.13%	9.47%	7.71%	8.94%
Hartford Total Return Bond HIABX	VA	Income	1.39%	Y	-3.41%	6.57%	6.39%	4.67%	4.3%
Hartford US Govt Securities HAUSX	VA	Income	1.38%	Y	-2.73%	2.77%	3.19%	2.08%	1.99%
Hartford Money Market HIAXX	VA	Income	1.32%	Y	-0.45%	-0.9%	-0.9%	-0.46%	0.71%
Putnam International									
Growth Opportunities PINOX	VA	Growth	2.51%	Y	2.9%	19.84%	3.18%	-2.67%	7.79%
Hartford International Opportunities									
HIAOX	VA	Growth	1.63%	Y	2.5%	19.12%	4.84%	-2.7%	9.07%
Janus Global Research JAWWX	VA	Growth	1.77%	Y	7.69%	18.82%	5.18%	-2.84%	4.02%
American Century Ultra TWCUX	VA	Growth	1.85%	Y	9.45%	13.22%	9.5%	0.36%	5.04%
Putnam Multi-Cap Growth PNOPX	VA	Growth	2.07%	Y	11.04%	15.72%	8.84%	0.54%	6.14%
Janus Twenty JAVLX	VA	Growth	1.82%	Y	7.31%	21.28%	5.4%	-0.87%	9.05%
Hartford Capital Appreciation									
HIACX	VA	Growth	1.57%	Y	16.39%	17.28%	5.94%	-1.54%	9%
Hartford Stock HSTAX	VA	Growth	1.40%	Y	15.23%	13.36%	8.13%	-0.01%	5.3%

## MASS MUTUAL INVESTMENT OPTIONS

For more information, call MassMutual at (800) 528-9009 or Refer to List of Representatives in Section III



Fund	Type of Investment	Objective	Annual Expense	Other Fees (Y/N)	Return	Net Historical Performance As of December 31, 2012				
					6 Mos. Ended June 30, 2013	1 Year	3 Years	5 Years	10 Years	
Hartford Global Research HLS HVGAX	VA	Growth	1.93%	Y	8.02%	17.33%	6.64%	N/A	N/A	
Fidelity Advisor Growth Opportunities FAGOX	VA	Growth	1.85%	Y	13.43%	17.85%	13.39%	-1.21%	5.76%	
Fidelity Advisor Growth & Income FGITX	VA	Growth & Income	2.06%	Y	14.78%	16.96%	9.94%	-0.74%	4.78%	
Hartford Index HIAIX	VA	Growth & Income	1.23%	Y	13.14%	14.59%	9.55%	0.48%	5.81%	
Janus Overseas JIGRX	VA	Growth	2.07%	Y	-4.05%	11.15%	-4.46%	-6.42%	10.6%	
American Century International Growth TWIEX	VA	Growth	2.17%	Y	4%	20.84%	5.99%	-2.98%	7.06%	
Putnam Global Equity PEQUX	VA	Growth	2.25%	Y	11.7%	18.83%	6.84%	-3.21%	5.67%	
Hartford Small Company HLS HIASX	VA	Growth	1.61%	Y	18.5%	14.6%	10.53%	0.36%	10.41%	
Invesco Small Cap Growth GTSIX	VA	Growth	2.10%	Y	14.56%	17.34%	12.89%	3.1%	8.62%	
Franklin Small-Mid Cap Growth FRSGX	VA	Growth	1.85%	Y	14.67%	9.84%	9.67%	1.31%	7.77%	
Janus Enterprise JAENX	VA	Growth	1.79%	Y	11.75%	16.61%	12.29%	2.49%	10.57%	
Hartford Midcap HLS HIMCX	VA	Growth	1.61%	Y	16.71%	18.37%	9.74%	1.91%	9.75%	
American Century Equity Income TWEIX	VA	Growth & Income	1.80%	Y	11.31%	10.56%	8.45%	2.39%	6.51%	
Massachusetts Investors Growth Stock MIGFX	VA	Growth	1.70%	Y	10.2%	15.92%	9.66%	2.8%	6.3%	
Dreyfus Third Century DTCAX	VA	Growth	2.24%	Y	15.52%	10.4%	7.58%	1.28%	5%	
MFS Core Equity Fund MRGAX	VA	Growth	2.03%	Y	14.37%	15.59%	9.58%	1.3%	6.82%	
Janus Balanced JABAX	VA	Growth & Income	1.69%	Y	7.54%	12.01%	6.33%	4.48%	6.83%	
MFS High Income MHITX	VA	Income	1.78%	Y	0.34%	13.2%	10.19%	6.67%	7.41%	
Dreyfus Intermediate Term Income DRITX	VA	Income	1.73%	Y	-3.21%	6.29%	6.94%	5.76%	4.76%	
Invesco Technology FTCHX	VA	Growth	2.38%	Y	3.91%	9.76%	8.07%	1.7%	6.38%	
Invesco Diversified Dividend LCEIX	VA	Growth	1.72%	Y	14.42%	16.23%	9.51%	3.18%	N/A	

## MASS MUTUAL INVESTMENT OPTIONS

For more information, call MassMutual at (800) 528-9009 or Refer to List of Representatives in Section III



Fund	Type of Investment	Objective	Annual Expense	Other Fees (Y/N)	Return 6 Mos. Ended June 30, 2013	Net Historical Performance As of December 31, 2012			
						1 Year	3 Years	5 Years	10 Years
Hartford Healthcare HLS HIAHX	VA	Growth	1.81%	Y	21.63%	19.54%	10.93%	4.13%	8.77%
MFS Utilities MMUFX	VA	Growth	1.92%	Y	9.09%	12.37%	10.17%	1.76%	13.74%
FA Overseas FAERX	VA	Growth	2.27%	Y	5.18%	19.65%	2.94%	-5.08%	6.7%
Mgrs AMG Skyline SEP SKSEX	VA	Value	2.18%	Y	19.51%	18.33%	12.83%	5.25%	9.19%
AmCentury Select TWCIX	VA	Growth	1.86%	Y	6.97%	13.77%	9.14%	0.77%	4.86%

Other Fees: None

Withdrawal Provisions:

Participants are assessed a surrender charge for early withdrawal of assets. These charges may be waived under certain circumstances.

See your prospectus for complete details.

Years: 1-6 7,8 9,10 11,12 13

Charge: 5% 4% 3% 2% 0%

\*Rate presented is an annual interest rate. Contact MassMutual to obtain the current new money rate.

# JACKSON NATIONAL LIFE INVESTMENT OPTIONS

For more information, call Jackson National Life at (800) 873-5654 or Refer to List of Representatives in Section III



Fund	Type of Investment	Objective	Annual Expense	Other Fees (Y/N)	Return 6 Mos. Ended** June 30, 2013	Net Historical Performance As of December 31, 2012			
						1 Year	3 Years	5 Years	10 Years
Elite 500 Indexed Annuity (all lines)***	FA	Stability of Principal & Stock Market Participation	None	Y	N/A	N/A	N/A	N/A	N/A
Elite Access	VA	Stock Mkt Part.	None	Y	N/A	N/A	N/A	N/A	N/A
Perspective (all lines)***	VA	Stock Market Participation	None	Y	N/A	N/A	N/A	N/A	N/A
Flex I	FA	Stability of Principal	None	Y	1.50%	1.50%	1.75%	4.50%	3.5%
Q Flex	FA	Stability of Principal	None	Y	1.50%	1.50%	1.75%	4.50%	3.5%
Action Annuity Series	FA	Stability of Principal	None	Y	2.05%	2.05%	2.05%	6.10%	4.55%
Bonus MAX Series	FA	Stability of Principal	None	Y	2.05%	2.05%	2.05%	6.15%	4.85%
Super MAX	FA	Stability of Principal	None	Y	2.10%	2.35%	2.35%	5.10%	3.5%
MAX Plan	FA	Stability of Principal	None	Y	2.00%	2.00%	2.0%	4.30%	3.5%
Jackson National Life Select (available for Guaranteed Periods from 1 to 10 years)*	FA	Stability of Principal	None	Y					
1 year					3.00%	N/P	N/P	N/P	N/P
2 years					3.00%	N/P	N/P	N/P	N/P
3 years					3.00%	N/P	N/P	N/P	N/P
4 years					3.00%	N/P	N/P	N/P	N/P
5 years					3.00%	N/P	N/P	N/P	N/P
6 years					3.00%	N/P	N/P	N/P	N/P
7 years					3.05%	N/P	N/P	N/P	N/P
8 years					3.00%	N/P	N/P	N/P	N/P
9 years					3.00%	N/P	N/P	N/P	N/P
10 years					3.00%	N/P	N/P	N/P	N/P

## JACKSON NATIONAL LIFE INVESTMENT OPTIONS

*For more information, call Jackson National Life at (800) 873-5654 or Refer to List of Representatives in Section III*



### **Other Fees:**

1. Annuity contract allows for a \$20 administrative fee per year and a \$1.25 collection fee per premium; however, these charges are currently waived per company policy.

### **Withdrawal Provisions:**

Some options may allow participants to withdraw up to 10% of the account balance every 12 months. Some options may also allow the accumulation of unused withdrawals up to 50%. Participants are assessed a declining surrender charge which varies from product to product. See your prospectus for complete details. All withdrawal provisions are subject to Section 457 of the Internal Revenue Code.

\*Early withdrawals are subject to an interest rate adjustment.

\*\*Rates presented are annual interest rates. Contact Jackson National Life to obtain current interest rates for all funds. Some plans may have higher guaranteed rates than the current rates shown.

\*\*\*Earnings are based on individual investment selections within the contract.

# NATIONWIDE LIFE INSURANCE INVESTMENT OPTIONS

For more information, call Nationwide Life Insurance at (877) 677-3678 or Refer to List of Representatives in Section III



Fund/Ticker Symbol	Type of Investment	Objective	Annual Expense	Other Fees (Y/N)	Return	Net Historical Performance			
					6 Mos. Ended June 30, 2013	As of December 31, 2012			
						1 Year	3 Years	5 Years	10 Years
Nationwide Investor Destination Aggressive (Service Class) a/NDASX	VA	Asset Allocation	1.57%	N	9.27%	15.15%	7.65%	-0.20%	6.69%
Nationwide Investor Destination Moderately Aggressive (Service Class)/NDMSX	VA	Asset Allocation	1.56%	N	7.33%	13.01%	7.13%	0.69%	6.29%
Nationwide Investor Destination Moderate (Service Class)/NSDMX	VA	Asset Allocation	1.56%	N	5.28%	10.18%	6.32%	1.63%	5.45%
Nationwide Investor Destination Moderately Conservative (Service Class)/NSDCX	VA	Asset Allocation	1.57%	N	2.83%	7.35%	5.38%	2.32%	4.66%
Nationwide Investor Destination Conservative (Service Class)/NDCSX	VA	Asset Allocation	1.58%	N	0.39%	4.34%	3.87%	2.44%	3.55%
Putnam International Equity Fund (Class A)/POVSX	VA	Foreign Stock	2.16%	N	4.89%	20.76%	3.39%	-5.55%	5.34%
Templeton Foreign Fund (Class A)/TEMFx	VA	Foreign Stock	2.01%	N	3.09%	17.61%	3.11%	-2.73%	7.21%
Janus Global Research Fund - Class T/JAWWX	VA	World Stock	1.72%	N	N/A	N/A	5.23%	-2.79%	4.07%
Oppenheimer Global (Class A)/OPPAX	VA	World Stock	2.02%	N	7.33%	19.78%	7.58%	0.12%	8.80%
Templeton Global Smaller Companies Fund (Class A)/TEMGX	VA	World Stock	2.21%	N	9.95%	17.92%	5.15%	-0.59%	9.33%
Brown Capital Management Small Company Fund (Institutional Class)BCSIX	VA	Small Growth	2.15%	N	15.08%	16.53%	12.06%	7.09%	10.94%

# NATIONWIDE LIFE INSURANCE INVESTMENT OPTIONS

For more information, call Nationwide Life Insurance at (877) 677-3678 or Refer to List of Representatives in Section III



Fund/Ticker Symbol	Type of Investment	Objective	Annual Expense	Other Fees (Y/N)	Return	Net Historical Performance			
					6 Mos. Ended June 30, 2013	As of December 31, 2012			
					1 Year	3 Years	5 Years	10 Years	
NVIT Small Company Fund (Class 1)	VA	Small Growth	1.97%	N	15.74%	14.58%	10.10%	1.80%	8.53%
DFA US Micro Cap Portfolio (Investor Class) DFSCX	VA	Small Blend	1.32%	N	16.99%	17.30%	13.61%	3.18%	9.54%
American Century Small Cap Value (Investor Class)/ASVIX	VA	Small Value	2.25%	N	13.35%	15.77%	9.67%	5.45%	9.73%
Dreyfus Mid Cap Index Fund (Investor Class)/PESPX	VA	Mid Blend	1.30%	N	13.85%	16.27%	12.14%	3.86%	9.17%
Nationwide Growth Fund (Institutional Class)MUIGX	VA	Large Growth	1.60%	N	6.17%	12.35%	9.76%	1.21%	7.11%
Janus Fund (Class T)/JANSX	VA	Large Growth	1.59%	N	8.59%	16.80%	6.36%	-0.44%	5.55%
Invesco American Franchise Fund (Class A)/VAFAX	VA	Large Growth	1.85%	N	8.46%	12.29%	8.13%	3.56%	N/A
Oppenheimer Capital Appreciation (Class A)/OPTFX	VA	Large Growth	1.85%	N	8.13%	12.78%	6.04%	-1.84%	4.45%
Aberdeen U.S. Equity Fund (Institutional Service Class)/ GXXIX	VA	Large Growth	1.70%	N	11.76%	15.42%	7.53%	-0.38%	8.33%
Invesco Diversified Dividend Fund (Investor Class)/ LCEIX	VA	Large Blend	1.71%	N	14.45%	16.28%	9.57%	3.23%	7.20%
Davis NY Venture Fund (Class A)/NYVTX	VA	Large Blend	1.70%	N	15.10%	11.83%	5.52%	-1.75%	5.76%
Nationwide Fund (Institutional Service Class)MUIFX	VA	Large Blend	1.61%	N	13.11%	13.58%	8.16%	-1.73%	4.94%
Neuberger Berman Large Cap Value Fund: Trust Class /NBPTX	VA	Large Blend	1.86%	N	12.46%	15.88%	5.17%	-3.08%	6.86%
American Century Value Fund (Investor Class)/TWVLX	VA	Large Value	1.81%	N	15.88%	13.64%	8.46%	1.91%	6.28%

## NATIONWIDE LIFE INSURANCE INVESTMENT OPTIONS

For more information, call Nationwide Life Insurance at (877) 677-3678 or Refer to List of Representatives in Section III



Fund/Ticker Symbol	Type of Investment	Objective	Annual Expense	Other Fees (Y/N)	Return	Net Historical Performance			
					6 Mos. Ended June 30, 2013	As of December 31, 2012			
					1 Year	3 Years	5 Years	10 Years	
Dreyfus Premier Balanced Opportunity Fund/DBOAX	VA	Moderate Allocation	1.90%	N	8.16%	12.52%	7.23%	1.34%	4.27%
MFS Total Return (Class A)/MSFRX	VA	Moderate Allocation	1.57%	N	7.93%	10.36%	6.77%	1.83%	5.20%
PIMCO Foreign Bond Fund (Class A)/PFOAX	VA	International Blend	1.70 %	N	-2.10%	9.86%	7.71%	7.20%	5.21%
Janus High Yield Fund (Investor Class)/JAHYX	VA	High Yield Bond	1.66%	N	0.59%	13.42%	10.05%	8.31%	7.72%
Federated Bond Fund (Class A)/FDBAX	VA	Intermediate Term Bond	1.79%	N	-2.30%	9.34%	8.16%	7.16%	6.38%
PIMCO Total Return Fund (Admin Class)/ PTRAX	VA	Intermediate Term Bond	1.51%	N	-3.52%	9.21%	6.63%	7.21%	5.70%
Franklin U.S. Government Secs (Class A)/FKUSX	VA	Intermediate Gov't Bond	1.53%	N	-2.66%	0.71%	3.94%	4.36%	3.60%
Nationwide Money Market Fund (Prime Shares)/MIFXX	VA	Money Market	1.42%	N	-0.39%	-0.80%	-0.80%	-0.38%	0.74%
Nationwide Fixed Account (GPFA)*	VA	Fixed/Cash	N/A	N	3.50%	3.49%	3.50%	3.50%	3.66%

Past performance is no guarantee of future performance.

Investment returns and principal value will fluctuate and the investors' units, when redeemed, may be worth more or less than their original cost.

**\* New money rates are set every quarter, please call Nationwide to obtain the current new money rate.**

## VALIC INVESTMENT OPTIONS

For more information, call VALIC at (952) 838-7800 or Refer to List of Representatives in Section III



Fund	Type of Investment	Objective	Annual Expense	Other Fees (Y/N)	Return	Net Historical Performance			
					6 Mos. Ended June 30, 2013	As of December 31, 2012			
					1 Year	3 Years	5 Years	10 Years	
Am Beacon Holland Large Cap Growth (AmBeacon)	VA	Large Cap Growth	2.28%	N	12.32%	15.55%	15.98%	6.39%	5.89%
Blue Chip Growth Fund (T. Rowe Price)	VA	Large Cap Growth	1.85%	N	11.47%	16.86%	18.27%	6.34%	6.47%
Capital Appreciation Fund (Boston Company)	VA	Large Cap Growth	1.60%	N	9.99%	16.72%	14.98%	2.51%	4.78%
Growth Fund (American Century)	VA	Large Cap Growth	1.81%	N	9.80%	13.60%	15.74%	5.06%	N/A
Large Capital Growth Fund (SunAm/Invesco)	VA	Large Cap Growth	1.78%	N	9.00%	12.18%	12.12%	2.70%	N/A
Nasdaq-100(r) Index Fund (SAAMCo)	VA	Large Cap Growth	1.53%	N	9.29%	11.21%	18.28%	9.04%	8.34%
Core Equity Fund (BlackRock)	VA	Large Cap Blend	1.80%	N	13.35%	20.80%	15.52%	4.06%	4.19%
Growth & Income Fund (AIG SunAmerica)	VA	Large Cap Blend	1.85%	N	12.43%	17.09%	13.62%	2.39%	4.26%
Large Cap Core Fund (Columbia)	VA	Large Cap Blend	1.85%	N	14.76%	23.83%	18.82%	9.73%	
Socially Responsible Fund (SAAMCo)	VA	Large Cap Blend	1.31%	N	14.86%	21.05%	17.13%	6.07%	6.21%
Stock Index Fund (SAAMCo)	VA	Large Cap Blend	1.37%	N	13.08%	19.03%	16.88%	5.62%	5.89%
Broad Cap Value Income Fund (Barrow Hanley)	VA	Large Cap Value	1.85%	N	16.53%	23.78%	17.08%	7.07%	N/A
Dividend Value Fund (BlackRock/SunAmerica)	VA	Large Cap Value	1.82%	N	14.67%	19.03%	18.03%	6.15%	5.89%
Large Cap Value Fund (Boston Company/Perkins)	VA	Large Cap Value	1.56%	N	16.27%	28.03%	16.25%	3.54%	5.36%
Value Fund (Wellington)	VA	Large Cap Value	1.85%	N	15.28%	23.87%	17.19%	4.71%	6.32%
Vanguard Windsor II Fund	VA	Large Cap Value	0.016	N	14.06%	21.22%	17.09%	6.01%	6.57%

## VALIC INVESTMENT OPTIONS

For more information, call VALIC at (952) 838-7800 or Refer to List of Representatives in Section III



Fund	Type of Investment	Objective	Annual Expense	Other Fees (Y/N)	Return 6 Mos. Ended June 30, 2013	Net Historical Performance As of December 31, 2012			
						1 Year	3 Years	5 Years	10 Years
Mid Cap Growth Fund (Columbia)	VA	Mid Cap Growth	1.60%	N	10.57%	13.81%	14.00%	3.68%	7.11%
Mid Cap Strategic Growth Fund (Allianz/MS)	VA	Mid Cap Growth	1.85%	N	15.36%	18.29%	14.42%	2.94%	
Mid Cap Index Fund (SAAMCo)	VA	Mid Cap Blend	1.38%	N	13.90%	23.64%	17.90%	7.54%	9.33%
Mid Cap Value Fund (Wellington/Robeco/Tocque)	VA	Mid Cap Value	1.80%	N	12.93%	25.38%	16.28%	7.46%	8.56%
Small Cap Aggressive Growth Fund (RS Inv)	VA	Small Cap Growth	1.99%	N	21.20%	26.32%	16.42%	10.28%	N/A
Small Cap Growth Fund (JP Morgan)	VA	Small Cap Growth	1.91%	N	19.75%	27.02%	19.51%	9.24%	7.77%
Small-Mid Growth Fund (WellsCap/CntyCap)	VA	Small Cap Growth	2.00%	N	11.63%	13.49%	15.01%	6.10%	N/A
Small Cap Fund (Invesco/TRPrice/Bridgeway)	VA	Small Cap Blend	1.93%	N	15.91%	24.71%	19.32%	8.53%	7.68%
Small Cap Index Fund (SAAMCo)	VA	Small Cap Blend	1.44%	N	15.16%	22.78%	17.26%	7.48%	8.18%
Small Cap Special Values Fund (WlsCap/Dreman)	VA	Small Cap Value	1.90%	N	13.41%	20.46%	14.44%	6.28%	N/A
Small Cap Value Fund (JPMorgan/MetWest)	VA	Small Cap Value	1.70%	N	15.80%	26.24%	15.20%	6.84%	8.31%
Global Social Awareness Fund (PineBridge)	VA	Global (Large Cap Blend)	1.68%	N	8.43%	19.24%	12.98%	2.11%	4.25%
Global Strategy Fund (Franklin/Templeton)	VA	Global (Large Cap Blend)	1.67%	N	4.16%	17.50%	11.57%	6.46%	N/A

## VALIC INVESTMENT OPTIONS

For more information, call VALIC at (952) 838-7800 or Refer to List of Representatives in Section III



Fund	Type of Investment	Objective	Annual Expense	Other Fees (Y/N)	Return 6 Mos. Ended June 30, 2013	Net Historical Performance As of December 31, 2012			
						1 Year	3 Years	5 Years	10 Years
Emerging Economies Fund (JP Morgan)	VA	International Equity	2.04%	N	-9.82%	1.90%	4.45%	-4.79%	N/A
Foreign Value Fund (Franklin/Templeton)	VA	International Equity	1.83%	N	1.62%	19.78%	8.16%	0.60%	N/A
International Equities Fund (PineBridge)	VA	International Equity	1.53%	N	1.29%	14.75%	7.93%	-2.42%	5.29%
International Growth Fund (AmCntry/Inv/MFS)	VA	International Equity	2.01%	N	2.67%	16.61%	10.89%	0.55%	7.32%
International Opportunities Fund (UBS/Invesco)	VA	International Equity	1.75%	N	4.37%	20.71%	9.12%	-1.11%	7.13%
Health Sciences Fund (T. Rowe Price)	VA	Speciality	2.16%	N	18.57%	24.65%	26.97%	14.13%	11.98%
Science & Tech Fund (TRPrc/Allianz/Wellington)	VA	Speciality	2.02%	N	12.05%	14.89%	14.92%	6.70%	6.54%
Global Real Estate Fund (Invesco/GISch)	VA	Speciality	1.92%	N	1.60%	13.54%	13.97%	3.55%	N/A
Aggressive Growth Lifestyle Fund (PineBridge)	VA	Lifestyle	1.61%	N	6.37%	13.24%	13.08%	5.62%	7.79%
Conservative Growth Lifestyle Fund (PineBridge)	VA	Lifestyle	1.63%	N	0.97%	5.84%	9.10%	6.10%	6.04%
Moderate Growth Lifestyle Fund (PineBridge)	VA	Lifestyle	1.61%	N	4.26%	10.15%	11.37%	6.16%	6.98%
Vanguard LifeStrategy Conservative Growth Fund	VA	Lifestyle	1.40%	N	1.65%	5.53%	6.70%	3.34%	4.24%
Vanguard LifeStrategy Growth Fund	VA	Lifestyle	1.42%	N	6.43%	13.45%	11.61%	3.33%	5.62%

## VALIC INVESTMENT OPTIONS

For more information, call VALIC at (952) 838-7800 or Refer to List of Representatives in Section III



Fund	Type of Investment	Objective	Annual Expense	Other Fees (Y/N)	Return 6 Mos. Ended June 30, 2013	Net Historical Performance As of December 31, 2012			
						1 Year	3 Years	5 Years	10 Years
Vanguard LifeStrategy									
Moderate Growth Fund	VA	Lifestyle	1.41%	N	4.08%	9.48%	9.35%	3.63%	5.11%
Asset Allocation Fund (PineBridge)	VA	Balanced	1.77%	N	4.14%	8.58%	10.75%	6.28%	5.73%
SunAmerica 2020									
High Watermark Fund	VA	Balanced	2.43%	N	-4.70%	-4.55%	3.99%	1.06%	N/A
Vanguard Wellington Fund	VA	Balanced	0.015	N	8.05%	13.48%	11.99%	5.89%	6.85%
Capital Conservation Fund (PineBridge)	VA	Fixed Income	1.66%	N	-3.34%	-1.63%	3.07%	4.12%	2.86%
Core Bond Fund (PineBridge)	VA	Fixed Income	1.52%	N	-3.08%	-0.30%	4.06%	5.32%	3.81%
Government Securities Fund (SunAm/JP Morgan)	VA	Fixed Income	1.67%	N	-3.71%	-2.92%	1.81%	2.59%	2.37%
High Yield Bond Fund (Wellington)	VA	Fixed Income	1.71%	N	0.03%	6.50%	8.55%	5.47%	6.97%
Inflation Protected Fund (PineBridge)	VA	Fixed Income	1.61%	N	-6.68%	-3.86%	3.84%	3.27%	N/A
International Government Bond Fund (PineBridge)	VA	Fixed Income	1.67%	N	-7.57%	-3.22%	3.05%	3.32%	4.51%
Strategic Bond Fund (PineBridge)	VA	Fixed Income	1.64%	N	-3.21%	2.59%	6.15%	5.56%	5.93%
Vanguard Long-Term Investment Grade Fund	VA	Fixed Income	1.22%	N	-7.20%	-2.78%	6.30%	7.83%	4.98%
Vanguard Long-Term Treasury Fund	VA	Fixed Income	1.20%	N	-8.13%	-9.52%	4.89%	6.26%	4.84%
Money Market I Fund	VA	Money Market	1.52%	N	-0.48%	-0.98%	-0.98%	-0.75%	0.54%
Money Market II Fund	VA	Money Market	1.30%	N	-0.36%	-0.73%	-0.74%	-0.50%	0.79%
Fixed Accounts Plus*	VA	Stable Value							
Short-Term Fixed Account*	VA	Stable Value							

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## VALIC INVESTMENT OPTIONS

*For more information, call VALIC at (952) 838-7800 or Refer to List of Representatives in Section III*

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**Other Fees:** None

**Withdrawal Provisions:** Participants are assessed a surrender charge for early withdrawal of assets. These charges may be waived under certain circumstances. See your prospectus for complete details.

**The surrender charge only applies to inservice transfers.**

The surrender charge is equal to 5% of the lesser of: (1) any purchase payments received during the most recent 60 months prior to the receipt of the surrender request by VALIC at its Home Office or, (2) the amount transferred.

\*Rates presented are annual interest rates. Contact VALIC to obtain the current interest rates.

# WADDELL & REED FINANCIAL SERVICES INVESTMENT OPTIONS

For more information, call Waddell & Reed at 1-888-WADDELL or Refer to List of Representatives in Section III



Fund	Type of Investment	Objective	Annual Expense	Other Fees (Y/N)	Return 6 Mos. Ended June 30, 2013	Net Historical Performance As of December 31, 2012			
						1 Year	3 Years	5 Years	10 Years
Accumulative A/UNACX	MF	Capital Growth/Income	1.22%	N	17.31	12.06	8.39	-0.75	5.81
Asset Strategy A/UNASX	MF	Asset Allocation	1.17%	N	16.50	18.91	5.91	1.91	11.40
Bond A/UNBDX	MF	Capital Preservation	0.98%	N	-0.97	5.37	6.21	5.08	4.55
Continental Income A/UNCIX	MF	Income/Capital Appreciation	1.22%	N	13.72	11.77	10.30	4.34	7.58
Government Securities A/UNGVX	MF	Income/Safety of Principal	1.07%	N	-3.23	1.65	4.38	4.35	3.80
High Income A/UNHIX	MF	High Income/Cap Growth	0.92%	N	12.95	11.20	8.61	6.33	5.71
Global Bond A/UNHHX	MF	High Income/Cap Growth	1.20%	N	3.24	6.79	4.61	4.81	5.90
Core Investment A/UNCMX	MF	Growth/Income	1.15%	N	19.22	18.44	13.08	3.14	8.13
International Growth A/UNCGX	MF	Appreciation/Income	1.53%	N	14.04	18.25	7.83	-0.99	8.48
New Concepts A/UNECX	MF	Capital Growth	1.45%	N	19.55	12.54	13.78	6.52	11.69
Retirement Shares A/UNFDX									
Fund merged with Continental Income									
Science & Technology A/UNSCX	MF	Capital Growth	1.38%	N	32.42	27.68	10.35	5.07	11.89
Vanguard A/UNVGX	MF	Capital Appreciation	1.24%	N	13.29	10.54	8.67	-0.50	7.32
Value A/WVAAX	MF	Long Term Capital Growth	1.38%	N	28.58	18.33	8.91	1.35	6.49
Small Cap A/UNSAX	MF	Capital Growth	1.56%	N	21.06	15.17	13.95	6.67	9.94
Cash Management/UNCXX	MF	Money Market	0.79%	N	0.02	0.02	0.03	0.64	1.53

**Other Fees:** The returns shown above (average annual returns, except for year-to-date returns which are annualized) reflect the performance of the funds for the periods indicated that would have been realized IF AND ONLY IF a shareholder had invested in the Fund PRIOR to the first day of the period. These returns include no impact of any sales load as the North Dakota Public Employees Retirement System purchases are made at 0% sales charge.

**Withdrawal Provisions:** None



# SECTION III

## PROVIDER REPRESENTATIVES

### NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

#### SECTION 457 DEFERRED COMPENSATION PLAN

(INFORMATION CURRENT AS OF SEPTEMBER 30, 2013)

This list is not inclusive of all sales representatives eligible to provide investment services for the State of North Dakota Deferred Compensation Plan. A sales representative, with any of the listed Provider Companies, who is licensed by the North Dakota State Securities Commissioner or the North Dakota State Insurance Commissioner or both, is eligible to provide investment services under the plan. This list is updated quarterly.

***Contact the North Dakota Securities Department to check the background of an investment professional before doing business.***

**NDPERS Deferred Compensation****Companion Plan**

*(Serviced by TIAA-CREF)*

**Home Office**

730 Third Ave  
New York, NY 10017

**National Contact Center**

(800-842-2252) account changes, updates,  
distributions, etc.

**Minneapolis Office**

(800-877-6602) to contact an individual  
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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** October 23, 2013  
**SUBJECT:** PERS Benefits Committee

The PERS Benefits Committee met on October 10. Attached is the PowerPoint that we reviewed. We discussed the LTC considerations of the Board and reviewed with the Committee the following options on how to go forward:

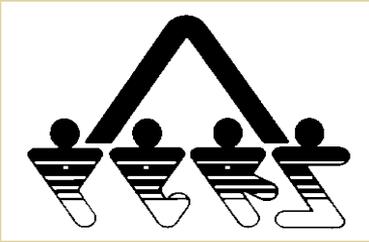
## Options

#1	#2	#3	#4	#5
Issue an RFP	Request funding for employer payment of part of premium. <i>For every \$10 in premium support per month by the state, it would cost about \$150,000 per month or about \$3.6 million per biennium (assumes 15,000 state employees). Assuming the average classified salary is \$42,000 per year each \$10 is about .28% of salary. A \$40 premium support would be about 1.14% of payroll. Note: these numbers assume 100% participation</i>	Seek to expand the ND credit so it applies to the existing PERS LTC	As alternative to offering a product, we could develop an approach where we facilitate the flow of information on the importance of this product, how to purchase it in the marketplace, the significance of having a “partnership product” and the effect of age on pricing.	Try to get a product ( with medical underwriting) that could be marketed to younger employees and for which the credit would pay most of the premium.

We indicated that the Board was interested in hearing how they thought we should proceed. Discussion followed and included:

1. Concerns were expressed with asking for employer premium support given the challenge the retirement and health plans faced.
2. In addition, some thought that requesting additional premiums support for a new program could effect considerations relating salary.
3. It was also suggested that while it would be unlikely to get the state to support additional premiums for LTC, asking for it would highlight the importance of this type of coverage and demonstrate PERS concern in this area. It was felt that submitting to the interim committee for consideration and the legislature would provide useful discussion on this topic.
4. There appeared to be a consensus that PERS should, at a minimum, pursue option #4.

The other topics were reviewed with the committee for their information and we indicated that for the retirement area we would have new information after the actuarial reports are received. The meeting of the committee will be in late November of December.



# PERS Benefits Committee

Sparb Collins

NDPERS



North Dakota Public Employees Retirement System

# Agenda

- LTC
- Retirement
- Health

# **April of 2012 – In April of 2012 we started our process to go out to bid.**

- 70% of people who reach age 65 will require long term care services.
- Average length of majority of LTC claims is 3.8 years.
- The average cost of assisted living services is \$38,220, for in-home care is \$43,472 and for nursing home is \$72,190.
- One out of 10 people who apply for LTC insurance ages 50-59 are declined, from ages 60-69 the decline rate doubles and decline rate for 70+ is 45%. Worksite LTC can provide expanded underwriting options.
- North Dakota provides an annual tax credit of \$250 per person for someone who purchases a partnership qualified product and \$500 per couple.

## The Risk for Needing Long-Term Care

Odds of filing a claim for the most common insurance coverage types:



House Fire  
1 in 740<sup>1</sup>



Auto Accident  
1 in 43<sup>2</sup>



Disability  
1 in 8<sup>3</sup>



Long-Term Care  
2 in 5<sup>4</sup>

*The risk of needing long-term care in a lifetime is greater than all of the insurance incidents above.*

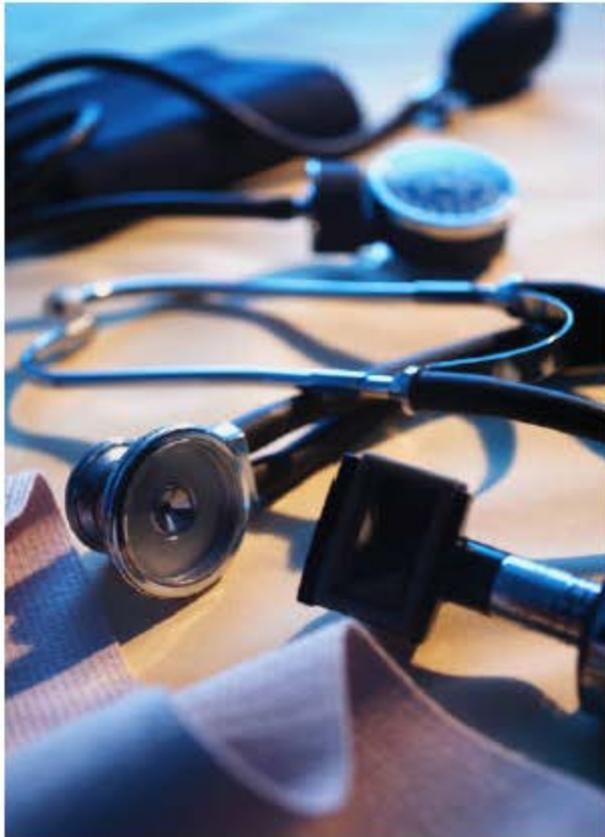
<sup>1</sup> Karter, Michael J., Fire Loss in the United States During 2004, National Fire Protection Association.

<sup>2</sup> Bureau of the Census Data, 2000 and 2000 data collected from the federal Highway Administration, November 2001

<sup>3</sup> US Department of Health and Human Services. "National Clearinghouse for Long Term Care Information." 2008.

<sup>4</sup> Long-Term Care. AHRQ Focus on Research. AHRQ Pub No. 02-M028, March 2002. Agency for Healthcare Research and Quality, Rockville, MD.

## The Future Cost of Care



Year	Projected Annual Cost
2013	\$83,950 <sup>6</sup>
2023	\$130,234
2033	\$212,141
2043	\$345,546

Increases for the cost of care range from 0.84% to 4.45% (depending upon the type of care) from 2008 to 2013.<sup>6</sup>

**December of 2012 – with the above background we had our consultant go to work on a RFP for LTC.**

- *I've delayed sending this pending responses to a Request for Information conducted by another state client. That client has been with Prudential and currently covers over 10,000 participants in its group long term care plan. In response to the RFI, no company indicated that it will be willing to submit a proposal if the state issues an RFP. We can go ahead with your solicitation; however it is unlikely that any company will respond.*

## March of 2013 – in March the Board had a conference call with Bill Hickman with GRS

- *Ms. Allen reported that Mr. Hickman with Gabriel Roeder Smith was attending via conference call to present information regarding long term care insurance products and the RFP they recently prepared for PERS. Mr. Hickman reported that nationwide there are only a few companies in the market that offer group long term care insurance products. The policy presently offered by PERS is not a group product since there was not sufficient interest generated to meet the minimum participation requirement and it is not partnership qualified. An observation is that any product offered by PERS can be purchased by members as effectively directly from the market.*
- 
- *The Board discussed this and concluded that Schmidt Insurance Agency be invited to present additional information on long term care insurance for further consideration before the decision is made to do a request for proposal for our members. Chairman Strinden indicated that this will be put on a future agenda for further review and discussion.*

# June of 2013 - At his meeting Gene Schmidt of SIA presented information to the Board

- Gender pricing has entered the market and underwriting requirements have been enhanced.
- Relating to gender pricing:
  - Females incurred 67% of claims and 69% of benefit dollars
  - Home Care incidence rates for females is more than double that for males
  - Mortality for males averages 33% greater than for females
- The cost of care is increasing:
  - The national average monthly rate for a semi-private nursing home is up 4.5% to \$76,285\*
  - The national average monthly rate for an assisted living facility is up 5% to \$40,200\*
  - The national average daily rate for adult day care is up 4.5% to \$69 \*
  - \$750,000 projected average cost of three years of care in 30 years\*\*
- Underwriting requirements have been substantially increased for individual policies however for group policies they can be significantly less. He shared the following to demonstrate the difference:

# Gene G Schmidt

*CEO, The SIA Companies*



- Licensed since 1976
- Personally writing LTCi since 1976
- Started Schmidt Insurance: 1979
- Founded SIA in 1986
- SIA serves **14,000+** insurance professionals nationwide
- Nationally recognized expert on LTCi  
who regularly contributes to the design of new benefits  
for the industry's top companies

# Today's Topics

- Gender Pricing Entering the Market**
  - **Claims on Women vs. Men**
  
- Updated Underwriting Requirements**
  - **Why the change in underwriting**



# Topic #1

## Gender Pricing Entering the Market

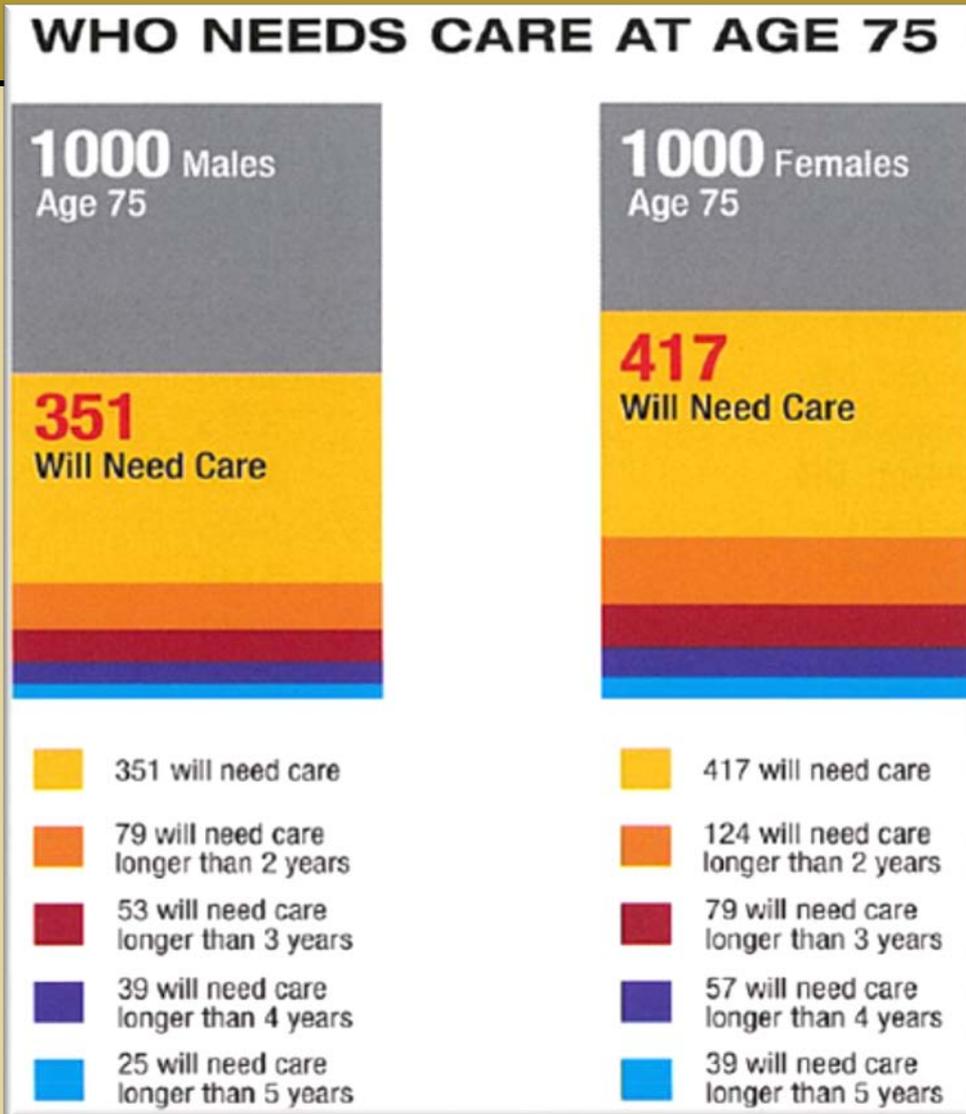
- Claims on Women vs. Men



# Who's on Claim



# Who's on Claim



# Who's has the most claims

## New Claims Opened By Attained Age (2011)

	Men	Women	Total
Under 50	0.1 %	0.2 %	0.3 %
50 - 59	0.8 %	0.9 %	1.7 %
60 - 69	3.5 %	4.9 %	8.4 %
70 - 79	8.6 %	15.5 %	24.1 %
80 and over	22.0 %	43.5 %	65.5 %

\*Source: American Association for Long Term Care Insurance, 2012 LTCi Sourcebook

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# Longer & Larger Claims

- Females incurred 67% of claims and 69% of benefit dollars
- Home Care incidence rates for females is more than double that for males
- Mortality for males averages 33% greater than for females



\*Source: American Association for Long Term Care Insurance, 2012 LTCi Sourcebook

# Cost of Care Increasing

- The national average monthly rate for a semi-private nursing home is up 4.5% to \$76,285\*
- The national average monthly rate for an assisted living facility is up 5% to \$40,200\*
- The national average daily rate for adult day care is up 4.5% to \$69 \*
- \$750,000 projected average cost of three years of care in 30 years\*\*

High Net Worth Clients

- Will continue to

demand the best possible package

\*Source: American Association for Long Term Care Insurance, 2012 LTCi Sourcebook

\*\*Based on John Hancock's Cost of Care Survey, conducted by LifePlans, Inc 2011 and an assumed rate of inflation of 4.1% based on the average annual increase in the Consumer Price index for All-Urban Consumers (CPI-U), obtained from the Bureau of Labor Statistics of the U. S. Department of Labor, for the 50-year period ending 12/31/10.

# Industry Response

Introduce Gender Specific rates  
with new product design for Individual market

## John Hancock's Product

**Custom Care III featuring Benefit Builder** *in all Compact states*

- Women's premiums *(on average)* increased by 24%<sup>1</sup>
  - Men's premiums *(on average)* decreased by 21%<sup>1</sup>
  - Married male/female couple's premiums *(on average)* increased about 1.5%<sup>1</sup>
- The changes vary by issue age, benefit period and inflation option.*



1. LTC Newslink John Hancock's explanatory flier March 29, 2013.

# Topic #2

## Updated Underwriting Requirements

- Why the change in underwriting



# New Application - Components

- **Part I**

- Personal Profile
- Insurability Profile
  - SSDI Past 3 Years
  - Assistive Devices/ADLs
  - Use of LTC Services
  - Uninsurable Conditions
- Client Profile
  - Tobacco Use
  - Employment
  - Volunteer, Hobbies, Driving
- Other Coverage/Replacement
- Protection Unintentional Lapse
- Declarations (Authorization)
- Conditional Insurance Agreement
- Signatures
- Agent Information

- **Part II (Paramed Exam)**

- Medical Questions
- IADLs
- Alcohol/Drug Use
- Family History
- Examiner's Report
  - Build
- Blood/Urine Samples
- Functional/Cognitive Assessment
  - Living Arrangements
  - ADLs/IADLs
  - Mobility Assessment
  - Cognitive Assessment (EMST\*)

\*EMST = Enhanced Mental Skills Test. Proprietary to LifePlans, Inc

# Underwriting Questions

**MODIFIED GUARANTEE ISSUE – Answer Questions in SECTION A only.**

**SIMPLIFIED ISSUE- Answer Questions in SECTIONS A & B.**

**FULL UNDERWRITING - Answer Questions in SECTIONS A, B & C.**

**A**

1. During the last 6 MONTHS, have you been continuously and actively at work for your current employer for a minimum of 30 hours per week (away from home), except for vacation? .....  Yes  No
2. During the last 6 MONTHS, have you missed more than five consecutive days of work due to accidents, injury, sickness or any physical or cognitive impairment? .....  Yes  No
3. During the last 12 MONTHS, have you ever required assistance or supervision of any kind to perform any everyday activity, such as mobility (including the use of pronged canes), taking medications, dressing, eating, walking, bathing, transferring, or toileting? .....  Yes  No

**If any question 4 – 9 is answered Yes, You are not eligible for coverage.**

**B**

4. Have you EVER had, or been diagnosed, treated or had symptoms of any of the following conditions?  Yes  No

If Yes, please check the applicable condition(s):

- |   |   |   |
|---|---|---|
| <input type="checkbox"/> Alzheimer's disease                                  | <input type="checkbox"/> Dementia or Senility   | <input type="checkbox"/> Osteoporosis with fractures                |
| <input type="checkbox"/> Amputation due to disease                            | <input type="checkbox"/> Mobility Deficit       | <input type="checkbox"/> Paraplegia or Quadriplegia                 |
| <input type="checkbox"/> Amyotrophic Lateral Sclerosis (Lou Gehrig's disease) | <input type="checkbox"/> Multiple Sclerosis     | <input type="checkbox"/> Parkinson's disease                        |
| <input type="checkbox"/> Arthritis with narcotic pain medication              | <input type="checkbox"/> Muscular Dystrophy     | <input type="checkbox"/> Polymyositis                               |
| <input type="checkbox"/> Cerebrovascular Accident* (Stroke, CVA, TIA)         | <input type="checkbox"/> Myasthenia Gravis      | <input type="checkbox"/> Scleroderma                                |
|   | <input type="checkbox"/> Organic Brain Syndrome | <input type="checkbox"/> Memory loss requiring medical consultation |
|   | <input type="checkbox"/> Huntington's Chorea    |   |

\*If applicant has had a single Cerebrovascular Accident more than 2 years ago, complete Section C.

5. Have you ever been diagnosed by a medical practitioner as having AIDS (Acquired Immune Deficiency Syndrome) or tested positive for HIV? .....  Yes  No
6. During the last 3 YEARS, have you used over 60 units of insulin per day to treat Diabetes, or have you been diagnosed or treated for Diabetes WITH COMPLICATIONS (Neuropathy, Retinopathy, Heart Disease, Stroke), Chronic Hepatitis or Cirrhosis, alcohol abuse, drug or prescription drug addiction, or Transient Global Amnesia? .....  Yes  No
7. During the last 12 MONTHS, have you used a catheter, dialysis, oxygen equipment, a quad or three-pronged cane, respirator, walker, wheelchair, crutches, motorized scooter or chair lift?...  Yes  No
8. During the last 12 MONTHS, have you been confined to a nursing home, assisted living facility, attended an adult day care facility, or required home health care? .....  Yes  No
9. Do you have a direct family history (parents or siblings) of Huntington's Chorea or Polycystic Kidney Disease? .....  Yes  No
10. Are you currently taking or been prescribed any prescription drugs or medications? .....  Yes  No

If Yes, please list all:  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

<b>PRIMARY PHYSICIAN'S NAME</b>	<b>TELEPHONE NUMBER</b>	<b>HMO/PPO ID# (if known)</b>
<b>ADDRESS</b>		<b>DATE LAST CONSULTED</b>
<b>REASON LAST SEEN</b>		

**If any question 11 – 14 is answered Yes, You are not eligible for coverage. For questions 15-17, if Yes, circle any applicable diagnosis or condition(s) and give details in question # 18.**

**C**

11. Have you EVER had, been diagnosed with, treated for, or had symptoms of:
  - a) COPD (Emphysema) with oxygen use, or steroid medications?.....  Yes  No
  - b) Multiple Strokes (CVA's), or Metastatic or Multi-site Cancer?.....  Yes  No
12. In the last 24 MONTHS, have you had a Single Stroke (CVA or TIA)? .....  Yes  No
13. In the last 12 MONTHS, have you had Cardiomyopathy? .....  Yes  No
14. Within the last 3 MONTHS, have you had a Heart Attack (MI) or Chest Pain; uncontrolled Blood Pressure; Hip or Back Surgery; or Cancer? .....  Yes  No
15. In the last 5 YEARS, have you been diagnosed with, received treatment for, or had symptoms of:
  - a) Chronic Lymphocytic Leukemia, Diabetes, Cancer or Macular Degeneration?.....  Yes  No
  - b) Arthritis, Osteoporosis, Rheumatoid Arthritis, Fibromyalgia, Fractures, Joint Replacement or used a straight cane? .....  Yes  No
  - c) Heart Attack, Chest Pain, Heart Disease, Congestive Heart Failure (CHF), High Blood Pressure, Heart Murmur, Cardiomyopathy or Peripheral Vascular Disease? .....  Yes  No
  - d) Stroke, Cerebrovascular Accident (CVA), Transient Ischemic Attack (TIA), Aneurysm, irregular heartbeat, Carotid Artery Stenosis, or Heart Surgery? .....  Yes  No
  - e) Mental or cognitive disorder including memory loss, confusion, disorientation, mental retardation, depression; or Epilepsy? .....  Yes  No
  - f) Asthma, Chronic Obstructive Pulmonary Disease (COPD), or Emphysema? .....  Yes  No
  - g) Dizziness, fainting, blurred vision, convulsions, paralysis, falls, loss of balance or strength? .....  Yes  No
  - h) Any condition requiring treatment, surgery, home care or hospitalization, but not mentioned above (NOT including routine Colds, Flu, etc.) or unplanned weight loss of 15 lbs or more? .....  Yes  No
16. In the last 12 MONTHS, has any medical treatment, follow-up, diagnostic testing, or surgery been recommended, but not yet completed? If Yes, give details:  Yes  No  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
17. Do you have a handicap sticker, handicap placard, or handicap license plate? .....  Yes  No

**18. Give details for all Yes answers. FOR EVERY MEDICATION THERE SHOULD BE A CONDITION AND FOR MOST CONDITIONS THERE SHOULD BE A MEDICATION OR TREATMENT.**

Question #	Nature of Condition/Medication	Date Last Treated/ Medication Taken	Name of Physician Seen/ Physician's Address

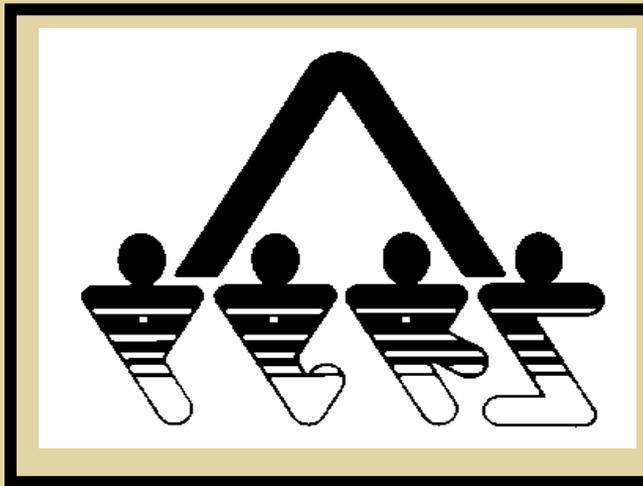
# What are the key points that we have discovered.

- LTC planning is an important consideration in planning for retirement.
- Purchasing a LTC plan that is “partnership” qualified is the key to accessing the tax credit.
- The information from GRS indicated that an entirely voluntary plan (fully paid by the employee) would likely not get any interest in the market. Also there would likely be no preferential underwriting. With this understanding, an employee could buy a product just as effectively in the individual market directly from a local agent than through us.
- That if the employer paid a part of the premium and with the tax credit a group plan could likely draw a significant level of participation from its membership which would:
  - - Reduce the underwriting requirement making the plan more accessible
    - Help with the overall pricing
  -
- For every \$10 in premium support per month by the state, it would cost about \$150,000 per month or about \$3.6 million per biennium (assumes 15,000 state employees). Assuming the average classified salary is \$42,000 per year each \$10 is about .28% of salary. A \$40 premium support would be about 1.14% of payroll. Note: these numbers assume 100% participation.
-

# Options

#1	#2	#3	#4	#5
Issue an RFP	Request funding for employer payment of part of premium. <i>For every \$10 in premium support per month by the state, it would cost about \$150,000 per month or about \$3.6 million per biennium (assumes 15,000 state employees). Assuming the average classified salary is \$42,000 per year each \$10 is about .28% of salary. A \$40 premium support would be about 1.14% of payroll. Note: these numbers assume 100% participation</i>	Seek to expand the ND credit so it applies to the existing PERS LTC	As alternative to offering a product, we could develop an approach where we facilitate the flow of information on the importance of this product, how to purchase it in the marketplace, the significance of having a “partnership product” and the effect of age on pricing.	Try to get a product ( with medical underwriting) that could be marketed to younger employees and for which the credit would pay most of the premium.

# RETIREMENT PROGRAMS



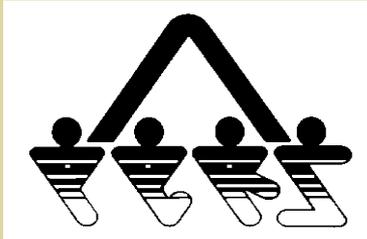
# NDPERS Participation

## Retirement

	<i>TOTAL RETIREMENT</i>
<b>PARTICIPATION</b>	
<b>AGENCY</b>	
State	93
Counties	49
School Dist	114
Cities	81
Others	73
	<b>410</b>
<b>EMPLOYEES</b>	
State	10,512
Counties	3,583
School Dist	4,988
Cities	1,475
Others	557
Retirees	7,816
	<b>28,931</b>

## Insurance

	<i>HEALTH</i>
<b>PARTICIPATION</b>	
<b>AGENCY</b>	
State	95
Counties	51
School Dist	68
Cities	65
Others	70
	<b>349</b>
<b>EMPLOYEES</b>	
State	14,656
Counties	2,270
School Dist	1,273
Cities	1,642
Others	540
Legislators	118
Retirees	6,389
COBRA	354



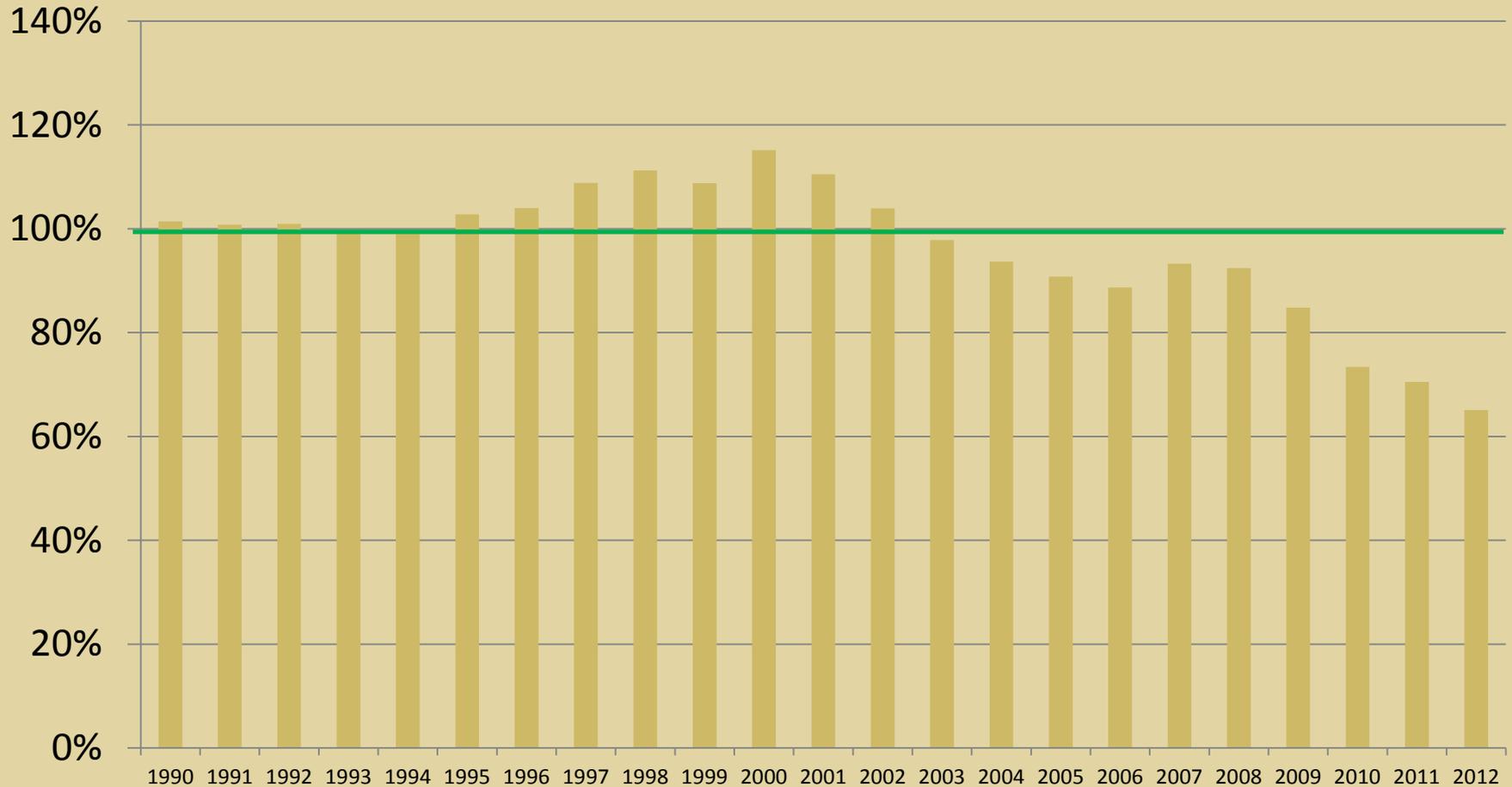
# RETIREMENT



North Dakota Public Employees Retirement System

# NDPERS Funded Ratio

## Actuarial Value

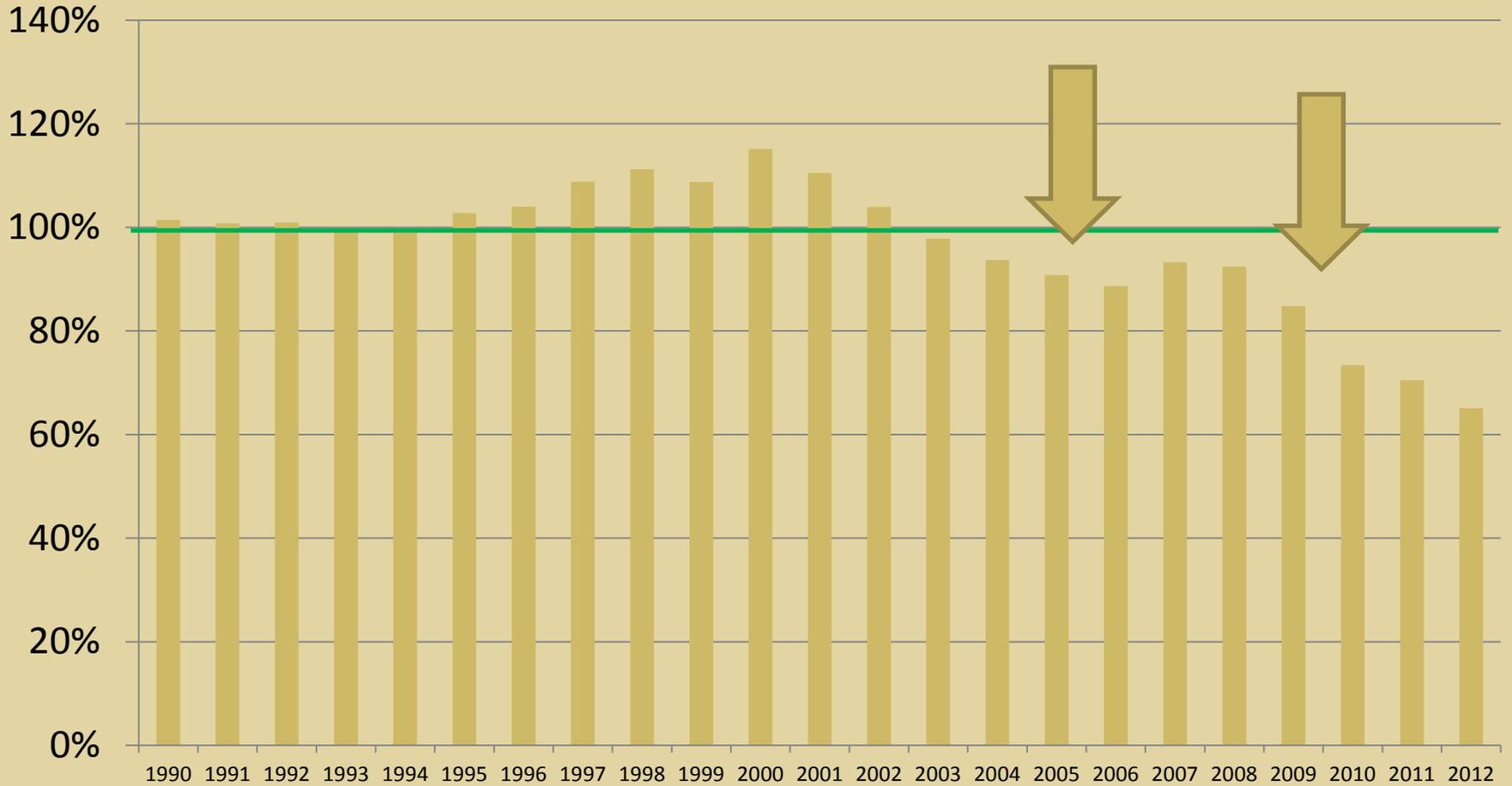


# NDPERS Main System Investment Returns



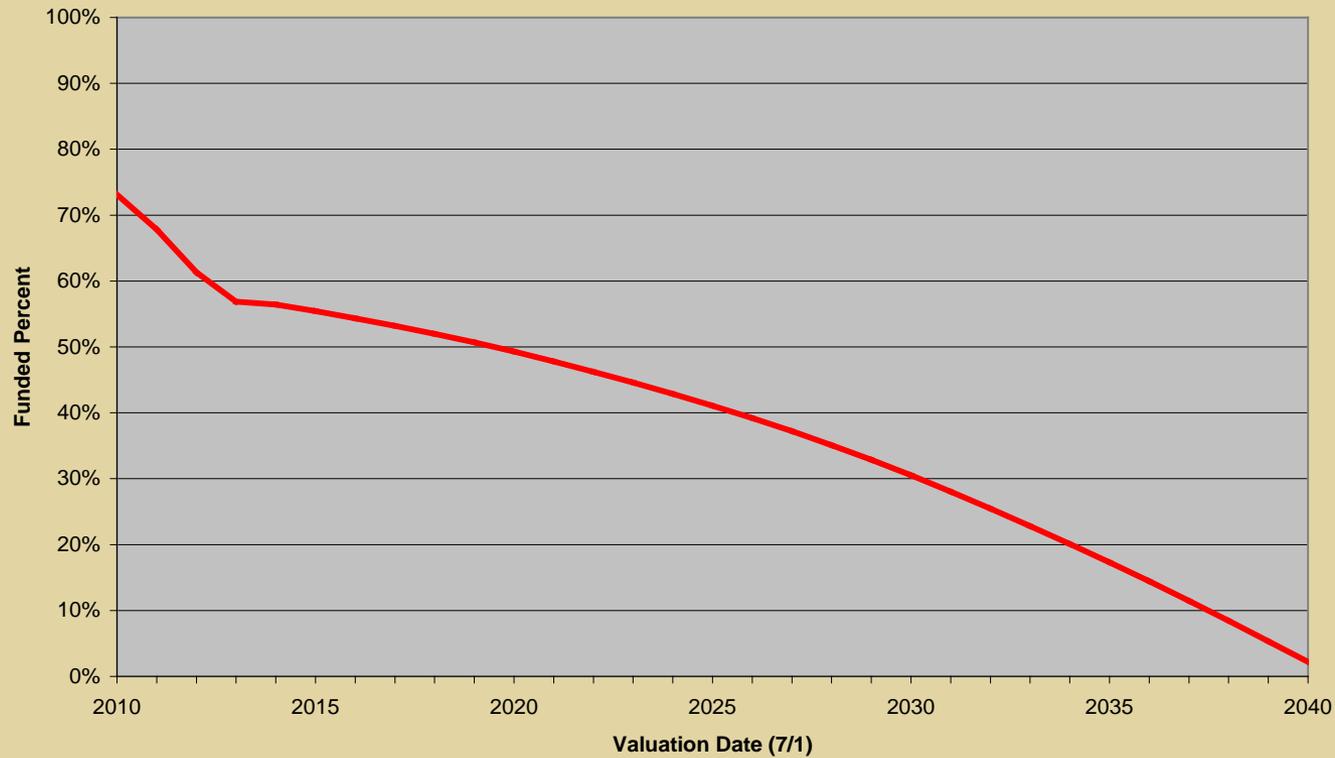
# NDPERS Funded Ratio

## Actuarial Value

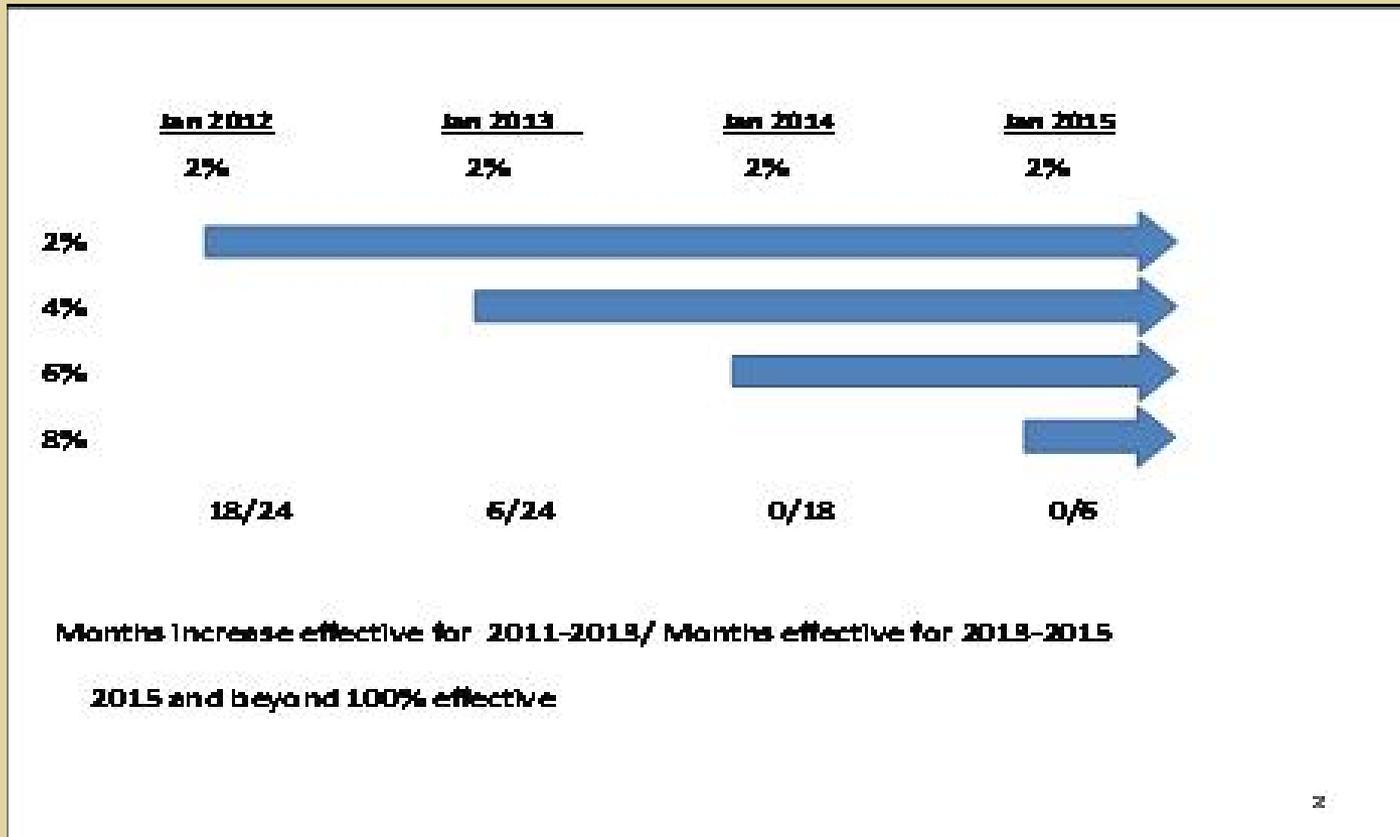


# The challenge

PERS (Main System)  
Projected Funded Ratio Under Current Plan  
(Actuarial Value of Assets to Actuarial Accrued Liability)  
Based on July 1, 2010 Data



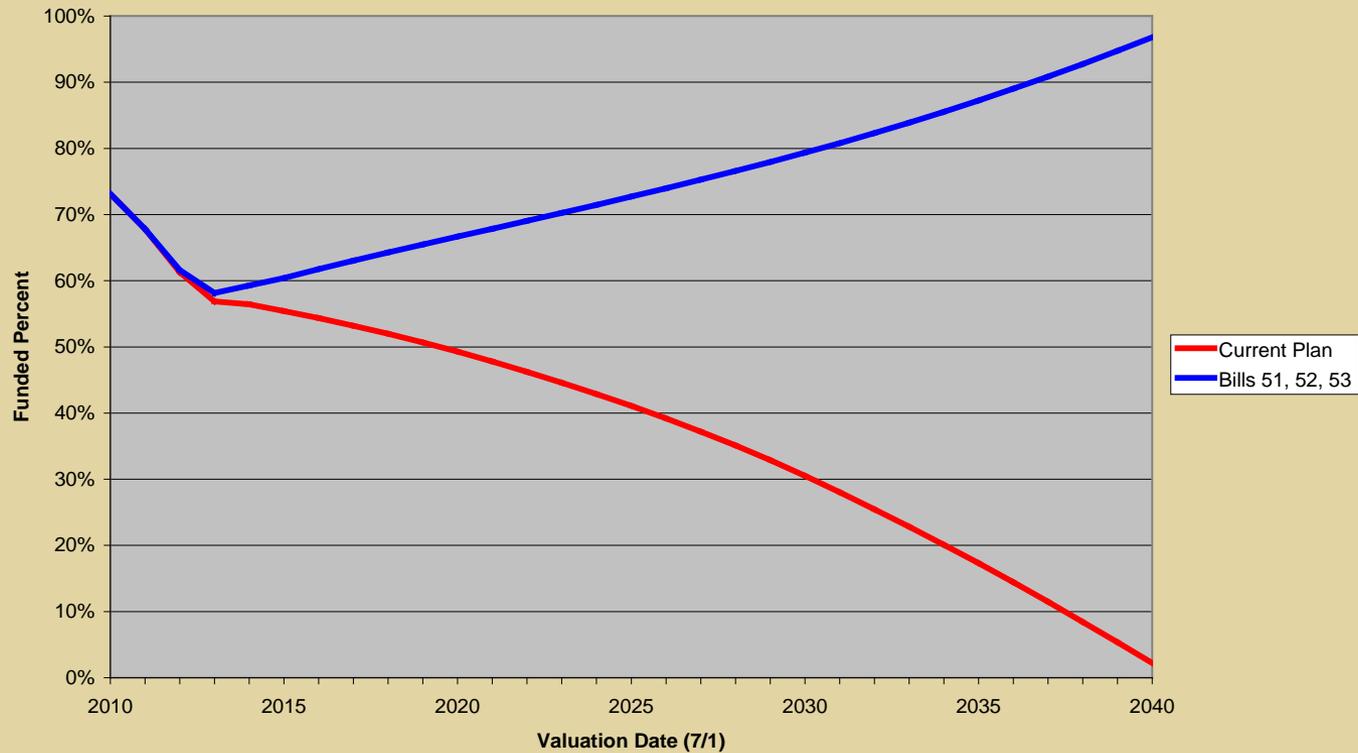
# 2011 Session Recovery Plan



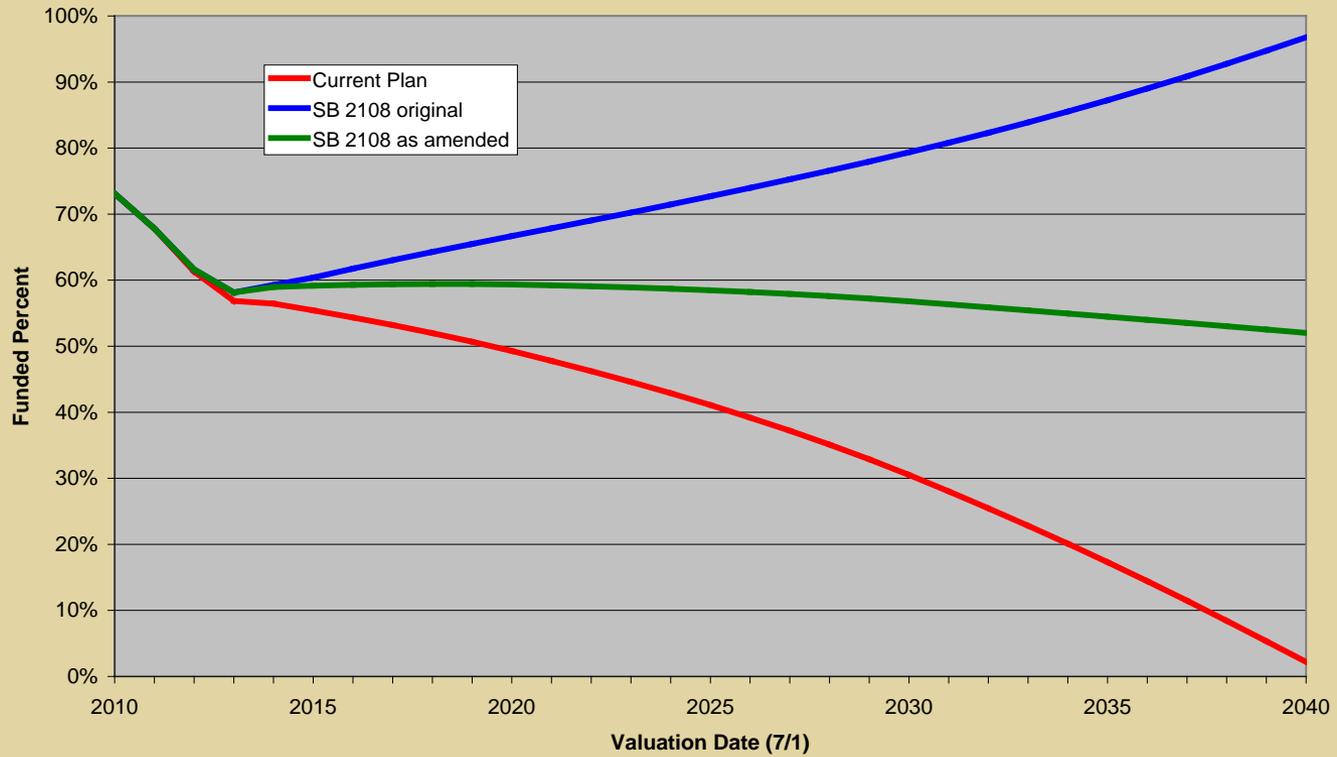
**SHARED RECOVERY PLAN**

# 2011 Session Recovery Plan

PERS (Main System)  
Comparison of Funded Ratio  
(Actuarial Value of Assets to Actuarial Accrued Liability)  
Based on July 1, 2010 Data



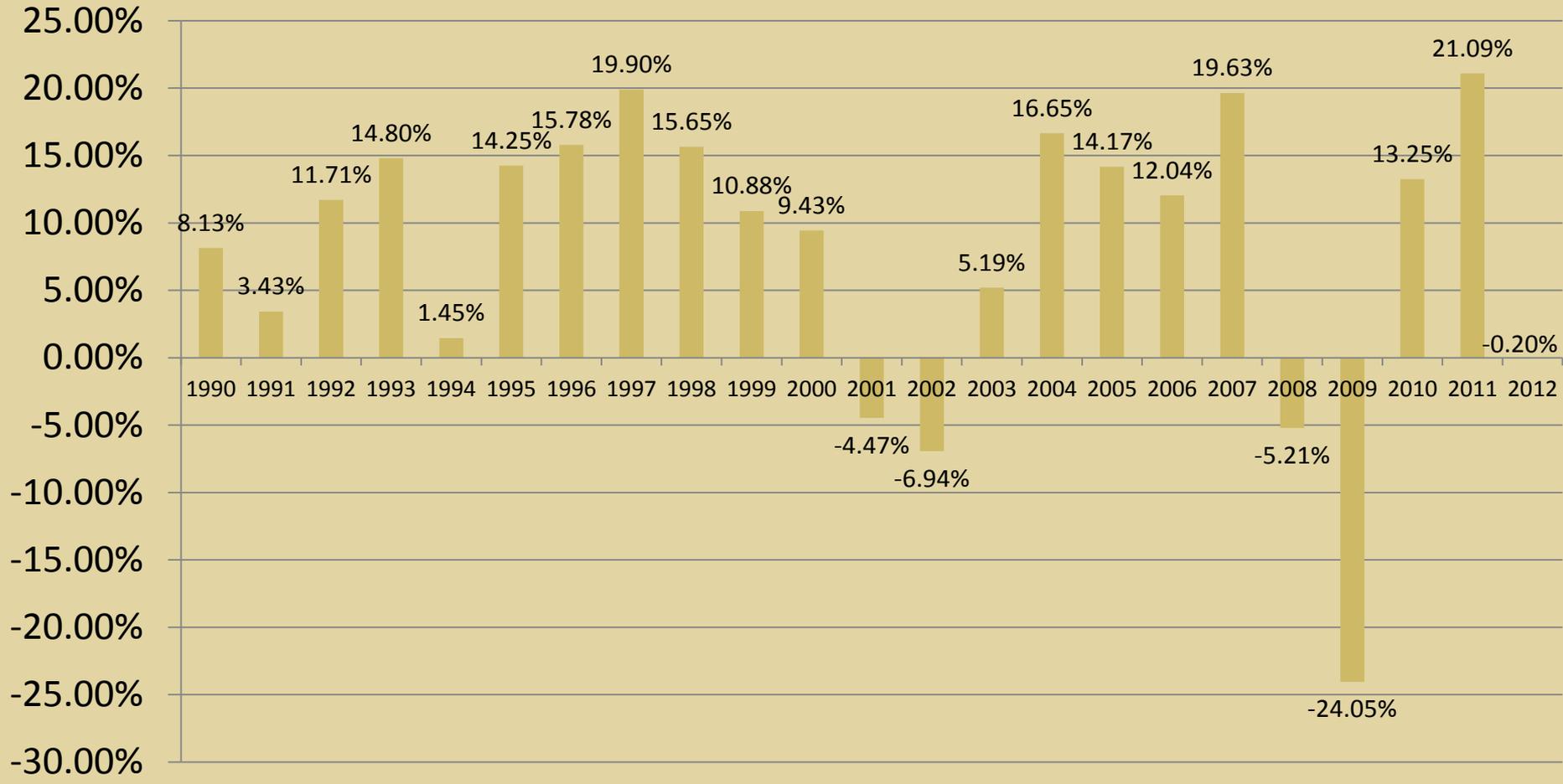
**PERS (Main System)  
Comparison of Funded Ratio  
(Actuarial Value of Assets to Actuarial Accrued Liability)  
Based on July 1, 2010 Data**



# NDPERS Main System Investment Returns

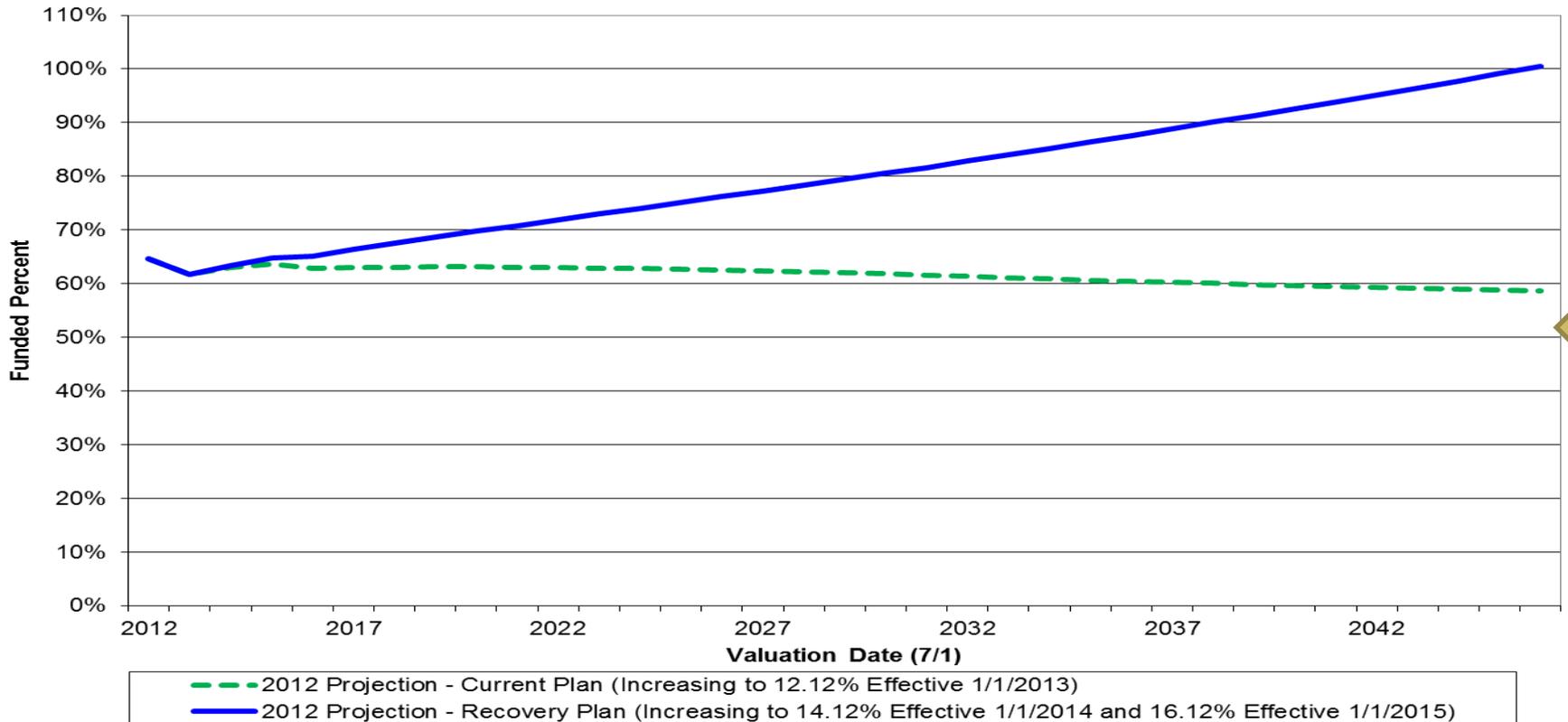


## Market



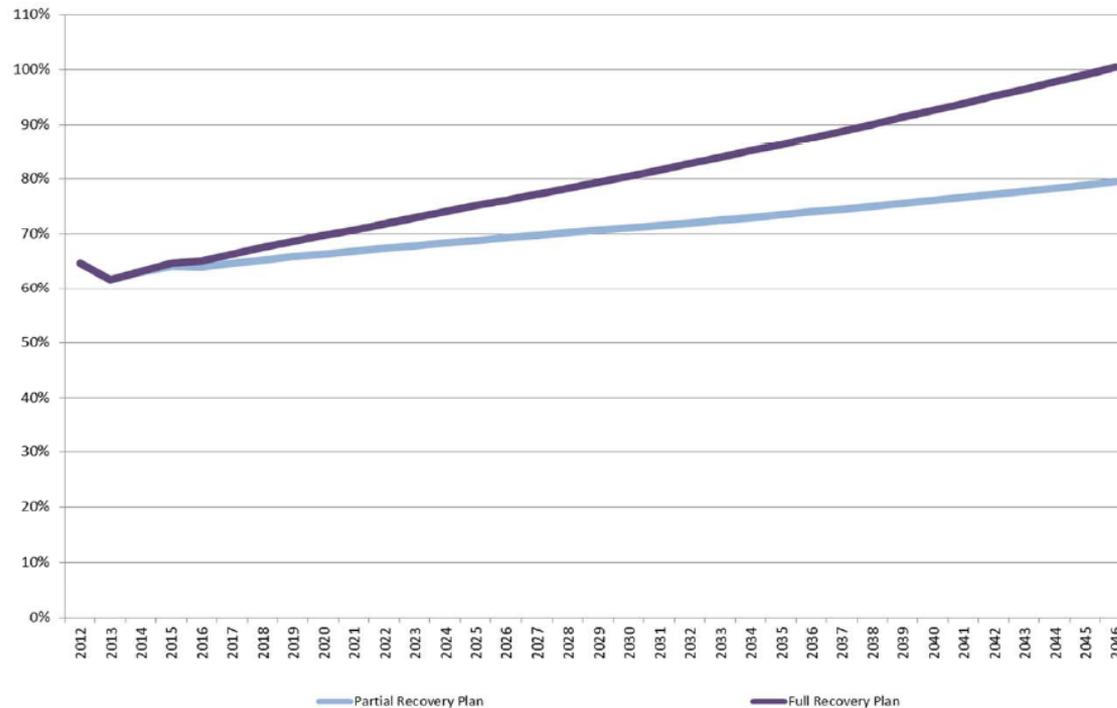
# 2013 Session Recovery Plan (last half)

**PERS (Main System)  
Projected Funded Ratio Under Current Plan  
(Actuarial Value of Assets to Actuarial Accrued Liability)**



# 2013 Session Recovery Plan (last half)

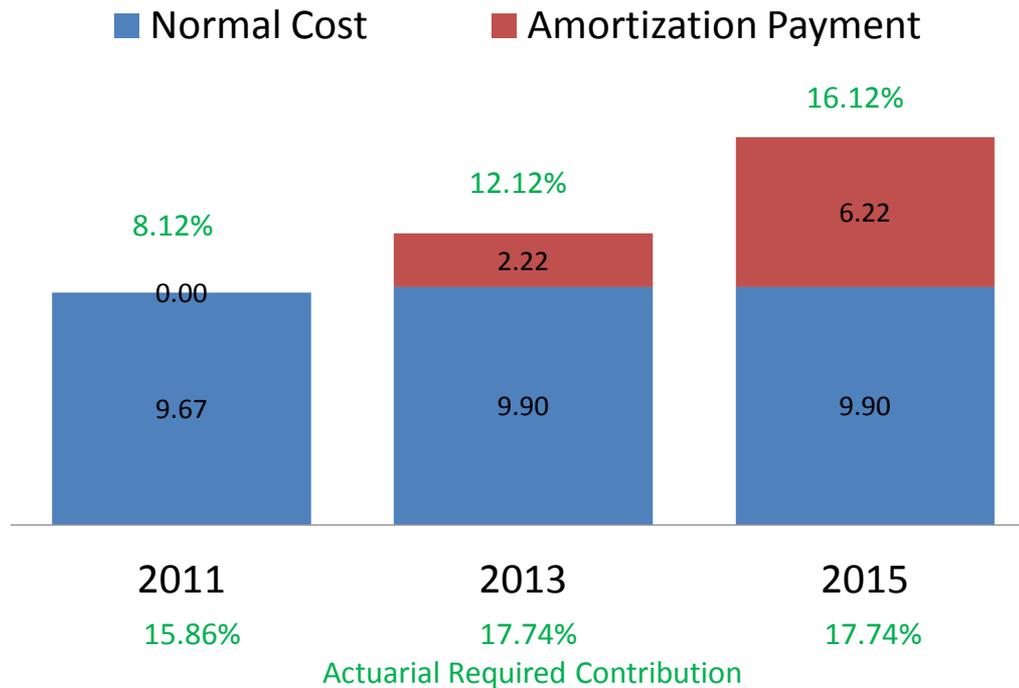
Projected Funded Ratios Under HB 1452 with Partial Recovery Plan (1% Increases on 1/2013 and 1/2014) and Full Recovery Plan (2% Increases on 1/2013 and 1/2014)  
Main System (AVA Basis)



2014 increase approved not 2015

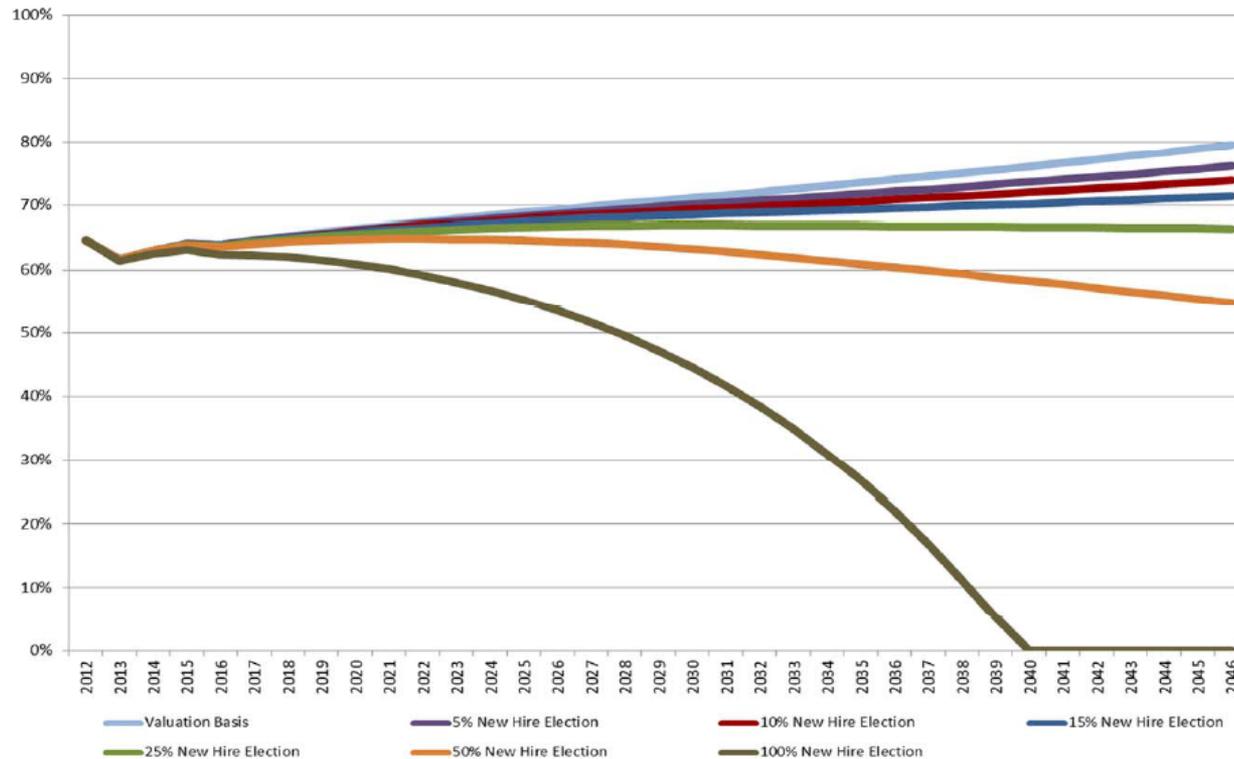
# 2013 Session Recovery Plan also a DC option for State Employees

## NDPERS Main System Contributions



# 2013 Session Recovery Plan also a DC option for State Employees

Projected Funded Ratios Under HB 1452 with Partial Recovery Plan  
New Hires May Elect to Participate in DC Plan (with No PERS DB Contribution)  
Main System (AVA Basis) – 1% Increases on 1/2013 and 1/2014

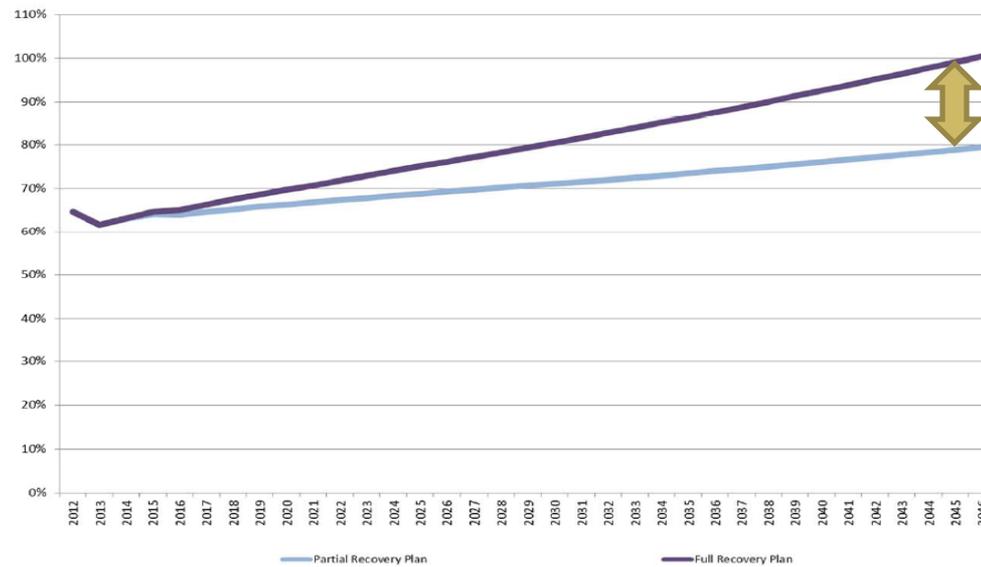


Above assumes DC option is permanent, as passed it is only till the middle of 2017 consequently cost would be closer to blue. If permanent then additional cost would be as shown above.

# Going Forward

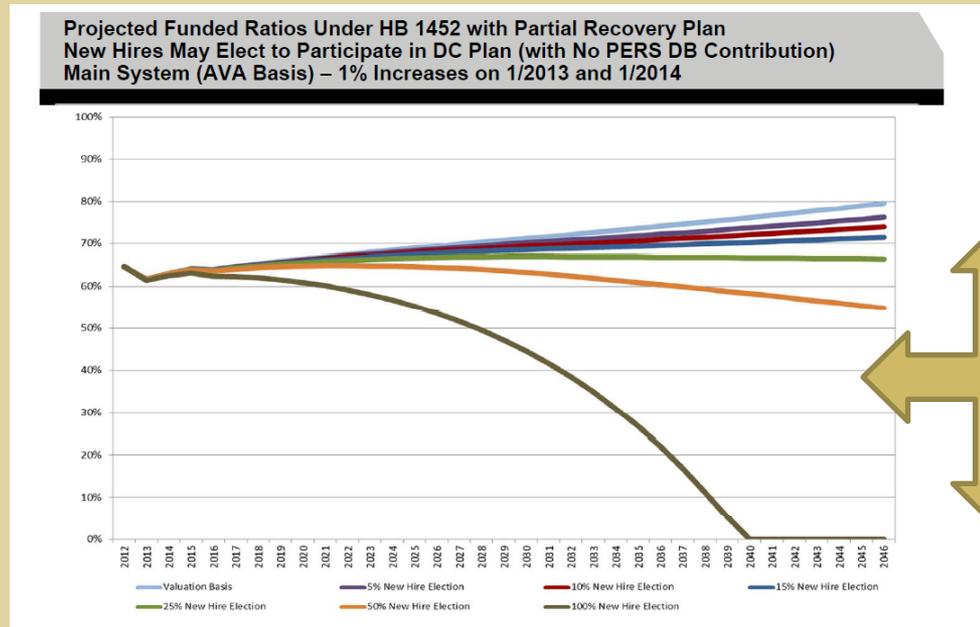
- Additional contribution increases will likely be needed in the future

Projected Funded Ratios Under HB 1452 with Partial Recovery Plan (1% Increases on 1/2013 and 1/2014) and Full Recovery Plan (2% Increases on 1/2013 and 1/2014) Main System (AVA Basis)



# Going Forward

- Additional contribution increases will be needed in the future
- DC plan costs will need to be added if continued



# Option

- Submit a bill for a general fund transfer to pay the hybrid plan for lost contribution for the unfunded liability based upon the election rates for the first 9 months.

# Going Forward

- Additional contribution increases may be needed in the future
- DC plan costs will need to be added if continued
- Effect on political subdivisions will need to be considered and adjustments made if needed

**OTHER RETIREMENT  
RELATED ACTIVITIES**

# GASB Statements 67 and 68

## Governmental Accounting Standards Board Financial Reporting Focus

- GASB establishes accounting and financial reporting, *not funding policies*
- Focus is on pension obligation, changes in obligation, and attribution of expense

## Long-Term Nature of Governments

- Cost of services to long-term operation
- “Interperiod equity” matches current period resources and costs

## Employer-Employee Exchange

- Employer incurs an obligation to its employees for pension benefits
- Transaction is in context of a career-long relationship

# GASB Statements 67 and 68

GASB Statement 67: Financial Reporting for Pension Plans  
(revises GASB Statement No. 25)

GASB Statement 68: Employer Accounting & Financial  
Reporting for Pensions (revises GASB Statement No. 27)

- Effective dates
  - For plan reporting: effective for all plan years beginning after June 15, 2013
    - Years beginning July 1, 2013 or January 1, 2014
  - For employer reporting: effective for all fiscal years beginning after June 15, 2014
    - Years beginning July 1, 2014 or January 1, 2015
- GASB “Implementation Guide”
  - Will address outstanding technical issues in accordance with final Statements



# Net Pension Liability

- NPL is calculated using:
  - Projected future benefits
    - Includes projected future service and salary increases
    - Includes the cost of ad hoc COLAs if “substantially automatic”
  - A new blended discount rate
    - Determined using projections of contributions and benefit payments
  - “Entry age” actuarial cost method
    - Most commonly used method
  - Market value of assets
    - AKA “Fiduciary Net Position”
    - No actuarial smoothing



**Accounting NPL will be more volatile than the current unfunded accrued liability (which will still be used for funding).**

# Discount Rate

How are contributions projected in determining the discount rate?

- This depends upon how employer contributions are determined
  - Is one of the following true?
    - Contributions are subject to statutory or contractual requirements, or
    - A formal, written policy related to contributions exists
  - If so, then use professional judgment to project contributions
    - Consider the employer's 5-year history as indicator for future contributions
    - Reflect all known events and conditions
  - If neither is true, projected contributions are based on average of contributions for past 5 years
    - Average can be percentage of pay, percentage of actuarially determined contribution, or percentage of Annual Required Contribution
    - Potentially modified for subsequent events

**The new methodology underscores the need for a formal funding policy if none currently exists.**

# Cost-Sharing Plans

## New GASB 67/68 standards

- Recognize “proportionate share” of collective Net Pension Liability and pension expense
- Proportionate share determination
  - Should be consistent with the way required contributions are determined
  - Use of the projected long-term contribution effort of the employers is encouraged
  - If different contribution rates are assessed for different groups the allocation should reflect these relationships
    - For example: different rates calculated within a single fund for different classes or tiers of employees
- This share of liability is allocated regardless of the terms of liability assignment in the employer/employee contribution agreement

**Employers in “pooled” plans will now have a portion of the NPL assigned to their balance sheet.**

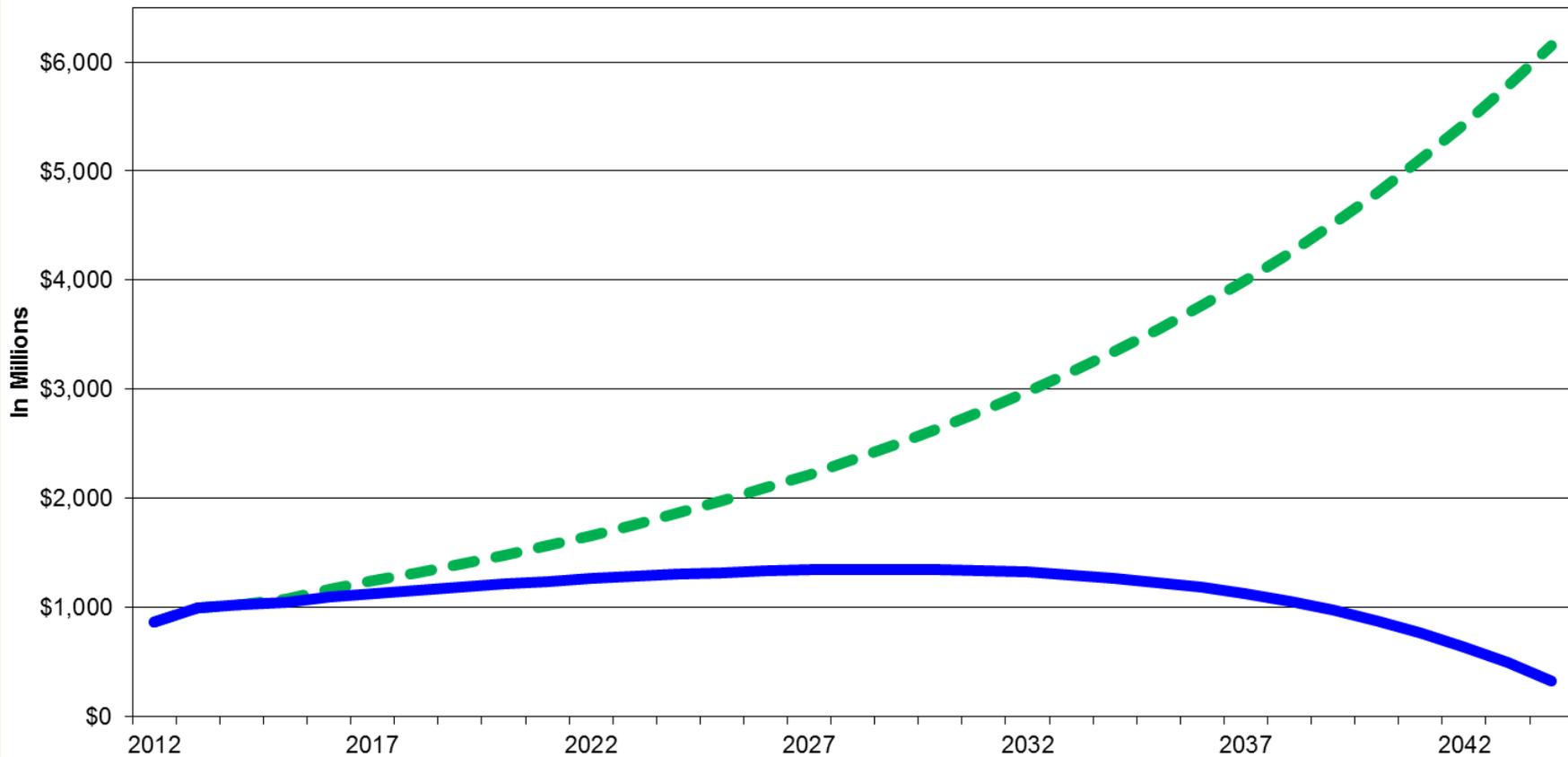
# Key Implications

- The faster recognition of net pension liability changes will introduce much greater volatility in the reported expense.
- This volatility will be reflected directly on the income statements of plan sponsors.
- The new expense amount will most likely be too volatile to serve as a funding policy for most entities



By applying the new standards, GASB is effectively decoupling plan funding and plan expense.

**PERS (Main System)**  
**Projected Unfunded Actuarial Liability Under Current Plan**  
**(Actuarial Accrued Liability less Actuarial Value of Assets)**



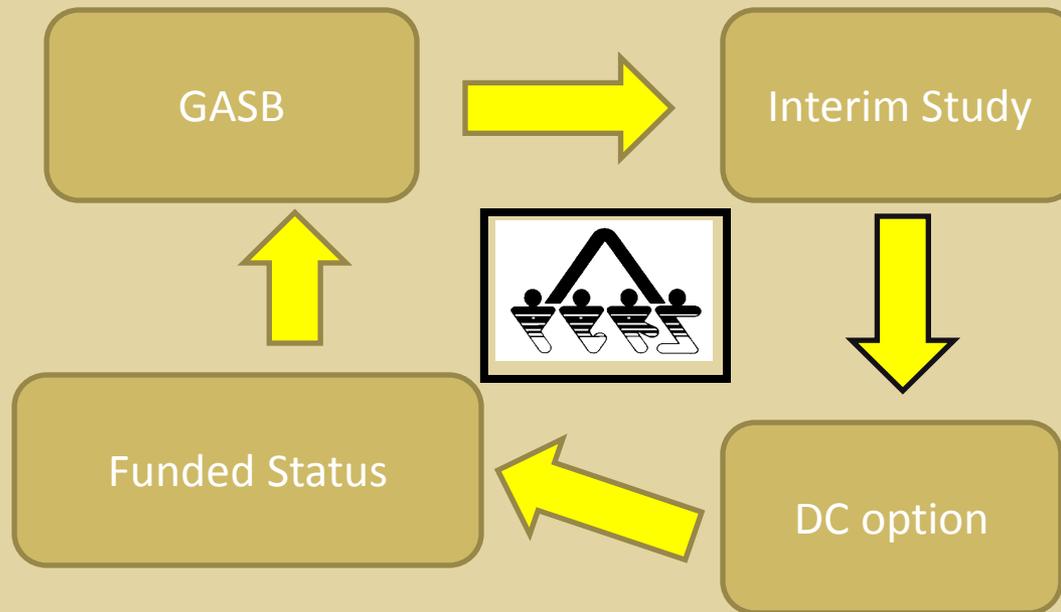
- 2012 Projection - Current Plan (Increasing to 12.12% Effective 1/1/2013)
- 2012 Projection - Recovery Plan (Increasing to 14.12% Effective 1/1/2014 and 16.12% Effective 1/1/2015)



SECTION 16. LEGISLATIVE MANAGEMENT STUDY - NORTH DAKOTA RETIREMENT PLANS.

**During the 2013-14 interim, the legislative management shall consider studying the feasibility and desirability of existing and possible state retirement plans. The study must include an analysis of both a defined benefit plan and a defined contribution plan with considerations and possible consequences for transitioning to a state defined contribution plan. The study may not be conducted by the employee benefits programs committee. The legislative management shall report its findings and recommendations, together with any legislation needed to implement the recommendations, to the sixty-fourth legislative assembly.**

# Environment



# What to do next session

Option #1	Option #2	Option #3	Option #4	Option #5	Option #6
Finish recovery plan	Standardize the plan with TFFR	Standardize the plan with TFFR plus reduce the multiplier	Standardize the plan with TFFR plus contribution increases each year	No Legislation	Submit legislation to pay for lost amortization payments by members going to DC plan

# Contribution Increase

<i>Retirement System Biennium Cost Estimates</i>							
			Increase Biennium Cost 2015-2017				
	Jul-13	2013-2015	1.00%	0.75%	0.50%	0.25%	0.10%
Plan	Employees	Biennium Payroll					
Main - State	11631	\$ 1,093,946,372	\$ 10,939,464	\$ 8,204,598	\$ 5,469,732	\$ 2,734,866	\$ 1,093,946
Judges	47	\$ 12,810,520	\$ 128,105	\$ 96,079	\$ 64,053	\$ 32,026	\$ 12,811
Highway Patrol	141	\$ 18,073,433	\$ 180,734	\$ 135,551	\$ 90,367	\$ 45,184	\$ 18,073
DC Plan	219	\$ 33,540,006	\$ 335,400	\$ 251,550	\$ 167,700	\$ 83,850	\$ 33,540
Total	12038	\$ 1,158,370,331	\$ 11,583,703	\$ 8,687,777	\$ 5,791,852	\$ 2,895,926	\$ 1,158,370
General Fund	53.38%	\$ 618,338,083	\$ 6,183,381	\$ 4,637,536	\$ 3,091,690	\$ 1,545,845	\$ 618,338
Political Subs							
County	3581	\$320,111,689	\$ 3,201,117	\$ 2,400,838	\$ 1,600,558	\$ 800,279	\$ 320,112
City	1475	\$162,456,950	\$ 1,624,570	\$ 1,218,427	\$ 812,285	\$ 406,142	\$ 162,457
Schools	4988	\$303,998,340	\$ 3,039,983	\$ 2,279,988	\$ 1,519,992	\$ 759,996	\$ 303,998
Others	557	\$47,604,153	\$ 476,042	\$ 357,031	\$ 238,021	\$ 119,010	\$ 47,604
Subs Total	10601	\$834,171,132	\$ 8,341,711	\$ 6,256,283	\$ 4,170,856	\$ 2,085,428	\$ 834,171
Total			\$ 19,925,415	\$ 14,944,061	\$ 9,962,707	\$ 4,981,354	\$ 1,992,541

# Rule and FAS

The actuarial recommended contribution rates are shown below as a percentage of payroll:

<b>Plan Provision</b>	<b>Ultimate Contribution Rate</b>	<b>Savings If Current Employees Included*</b>	<b>Savings If Only New Employees Affected</b>
Current Plan Employer Contribution	12.24%	N/A	N/A
Rule of 85, min. age 55	12.10 %	0.26 %	0.14 %
Rule of 85, min. age 60	12.07 %	0.29 %	0.17 %
5-Year Final Average Compensation	11.91%	N/A	0.33%

\*Employees within ten years of eligibility for the Rule of 85 would not be affected.

# Change Multiplier

Per your request, we have calculated the effect of changing the future benefit accrual rate from 2.0% to 1.9% of final average salary multiplied by service, where final average salary is determined using a three-year average of compensation.

The actuarial recommended contribution rates are shown below as a percentage of payroll:

<b>Plan Provision</b>	<b>Ultimate Contribution Rate</b>	<b>Savings If Current Employees Included</b>	<b>Savings If Only New Employees Affected</b>
Current Plan Employer Contribution	12.24%	N/A	N/A
1.9% Benefit Accrual	11.62%	0.62%	0.36%

# Interest rate – employee accounts

<b>PERS Main System Employer Contribution Rate</b>	<b>7.50% Crediting Rate (Current Plan)</b>	<b>4.00% Crediting Rate (Proposed)</b>	<b>Savings</b>
Normal Cost*	5.31%	5.00%	0.31%
20-Year UAL Payment	6.05%	6.05%	0.00%
Actuarial Recommended Contribution	11.36%	11.05%	0.31%

# PEP

<b>Service Credit</b>	<b>PEP Contribution (Current Plan)</b>	<b>PEP Contribution (Proposed)</b>
0 – 12 months	1%	1.5%
13 – 24 months	2%	3.0%
25 – 36 months	3%	4.5%
37 or more months	4%	6.0%

<b>PERS Main System Employer Contribution Rate</b>	<b>PEP Contribution (Current Plan)</b>	<b>PEP Contribution (Proposed)</b>	<b>Increase</b>
Normal Cost*	5.31%	5.48%	0.17%
20-Year UAL Payment	6.05%	6.02%	(0.03%)
Actuarial Recommended Contribution	11.36%	11.50%	0.14%

North Dakota Public Employees Retirement System  
**Defined Contribution Plan**



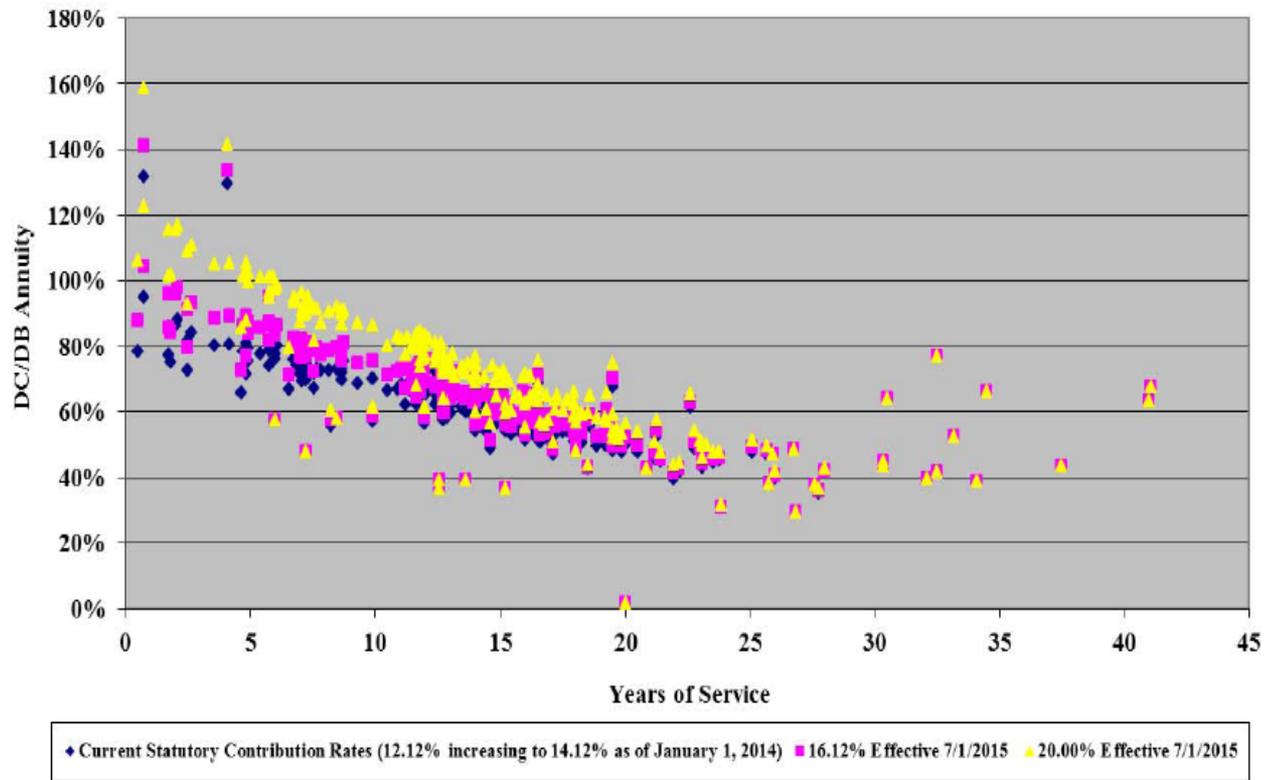
DEFINED  
CONTRIBUTION PLAN

# DC 401(a) Plan – June 2013

# DC Plan Challenge

<u>Ratio of Projected DC to DB Benefits</u>	<u>Future Contribution Rate</u>		
	<u>Current Plan 14.12% effective January 1, 2014</u>	<u>Increase to 16.12% effective July 1, 2015</u>	<u>Increase to 20.00% effective July 1, 2015</u>
Less than 50%	49	41	32
50% - 75%	149	131	106
75% - 100%	27	52	69
100% and Over	<u>2</u>	<u>3</u>	<u>20</u>
Total	227	227	227

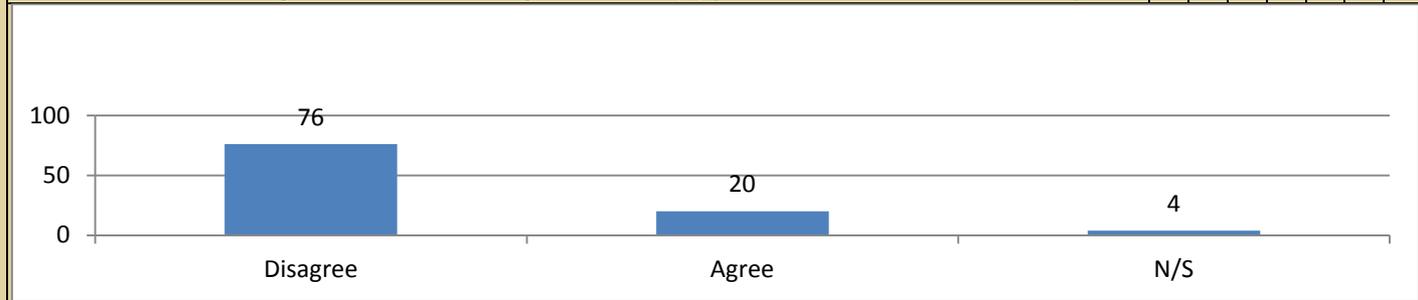
Ratio of Projected DC Account (Converted to an Annuity) to DB Benefit  
by Years of Service projected to June 30, 2013



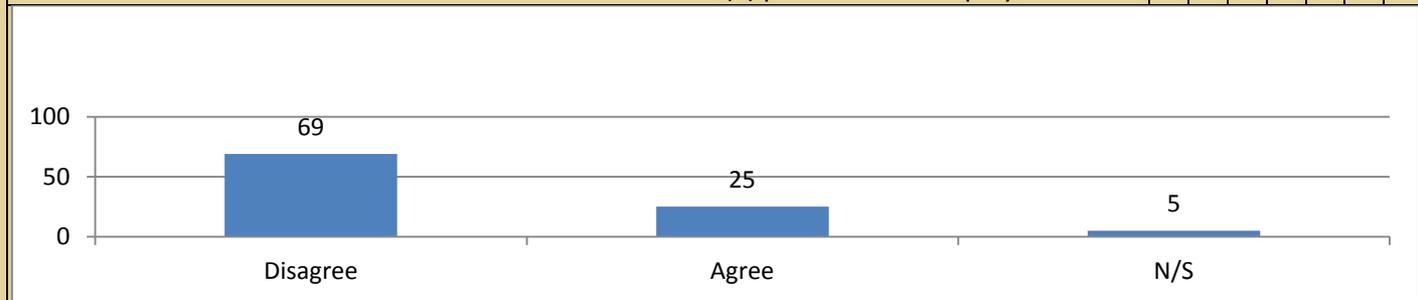
Concerning the above, the Segal report stated: *Overall, this analysis shows that the majority of the current DC Plan members are projected to receive significantly less retirement income under the DC Plan than projected under the DB Plan. In particular, the ratio of DC Plan to DB Plan benefits declines somewhat as age increases, and declines dramatically as length of service increases. The DC Plan benefits are projected to be higher with an increase in the contribution rate but are still less than 100% of the DB Plan benefits for most participants. Under existing contribution levels, the only way that DC Plan benefits would consistently reach the level of DB Plan benefits would be to earn long term investment returns above the assumed 8%.*

## DC Questions

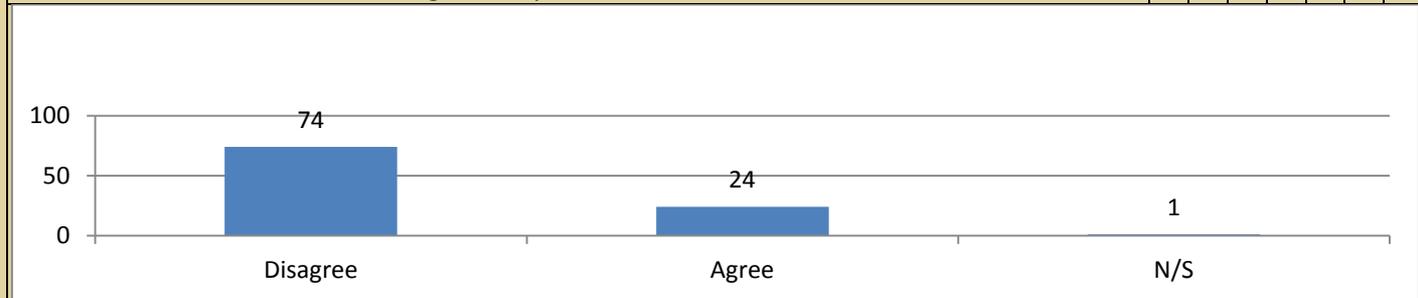
14. I feel I made the right decision selecting the DC 401(a) plan over the Defined Benefit plan. 54 9 13 7 8 5 4



17. I would recommend the PERS Defined Contribution 401(a) plan to other employees? 47 15 7 15 9 1 5



18. I am confident I will have enough money to retire. 47 13 14 6 16 2 1

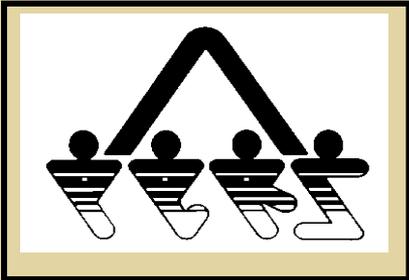


# Other Issue

- Disability
- Leave time for financial planning
- Life insurance

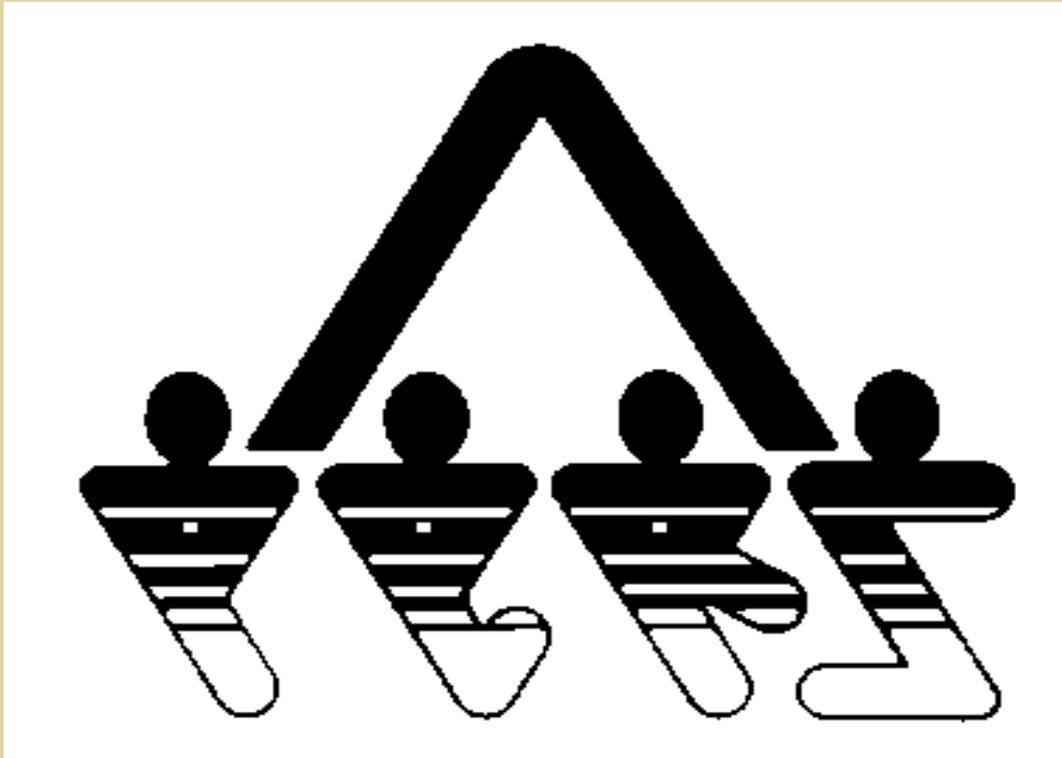
# DC Plan

Option #1	Option #2	Option #3	Option #4	Option #5
Increase Employee contributions by 2% with goal of further increases in future sessions to a total of 18% to 20%	Provide statutory language to provide time for financial planning	Increase life insurance paid by employer to \$75,000	Add employer paid disability coverage	Allow existing long term members the opportunity to rejoin the Hybrid plan.



# HEALTH INSURANCE





# **PERS Health Insurance Plan**

**2013-2015 Rates and Plan Design**

# 2013-15 Premiums

BCBS Premium

**12.98%**

Sanford Premium

**25.49%**

# 2013-15 Premiums

BCBS Premium

PERS BUYDOWN

**+12.98%**

**-2.26**

**Final Premium for 2015-2017**

**+10.72%**

*About 5.5% per year*

## State of North Dakota Health Plan Appropriations (Excludes Higher Education)

	Total Budget Appropriation	FTE	Health Premium	Health Plan Appropriation	% of Total Appropriations
1991-93	2,771,064,605	8,179	\$254.00	\$49,859,184	1.80%
1993-95	2,935,767,081	8,216	\$254.00	\$50,084,736	1.71%
1995-97	3,107,356,520	8,024	\$265.00	\$51,032,640	1.64%
1997-99	3,347,823,922	8,118	\$301.00	\$58,644,432	1.75%
1999-01	3,767,007,536	8,400	\$349.72	\$70,503,552	1.87%
2001-03	4,325,559,659	8,538	\$409.09	\$83,827,450	1.94%
2003-05	4,587,351,203	8,392	\$488.70	\$98,428,090	2.15%
2005-07	5,186,963,789	8,438	\$553.94	\$112,179,497	2.16%
2007-09	5,843,419,715	8,808	\$658.08	\$139,111,900	2.38%
2009-11	8,052,214,358	8,960	\$825.66	\$177,549,926	2.20%
2011-13*	8,556,123,763	9,011	\$886.62	\$191,743,988	2.24%

\* - Executive Recommendation

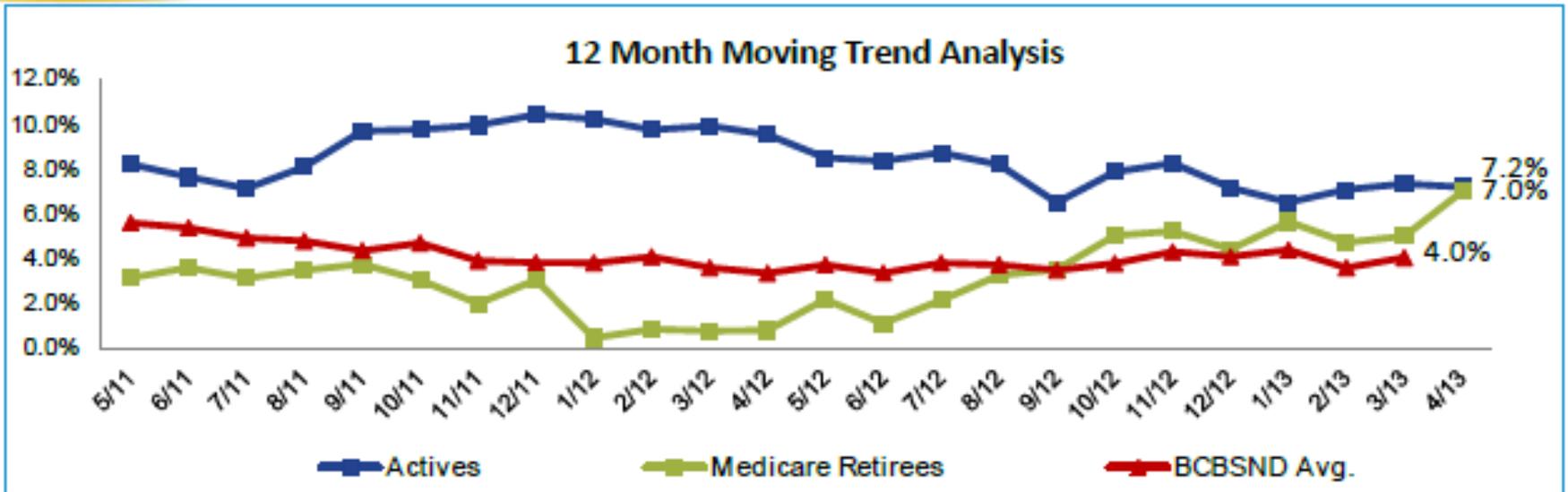
**NDPERS Active Health Insurance Out-Of-Pocket**

July-June Fiscal Year ending:

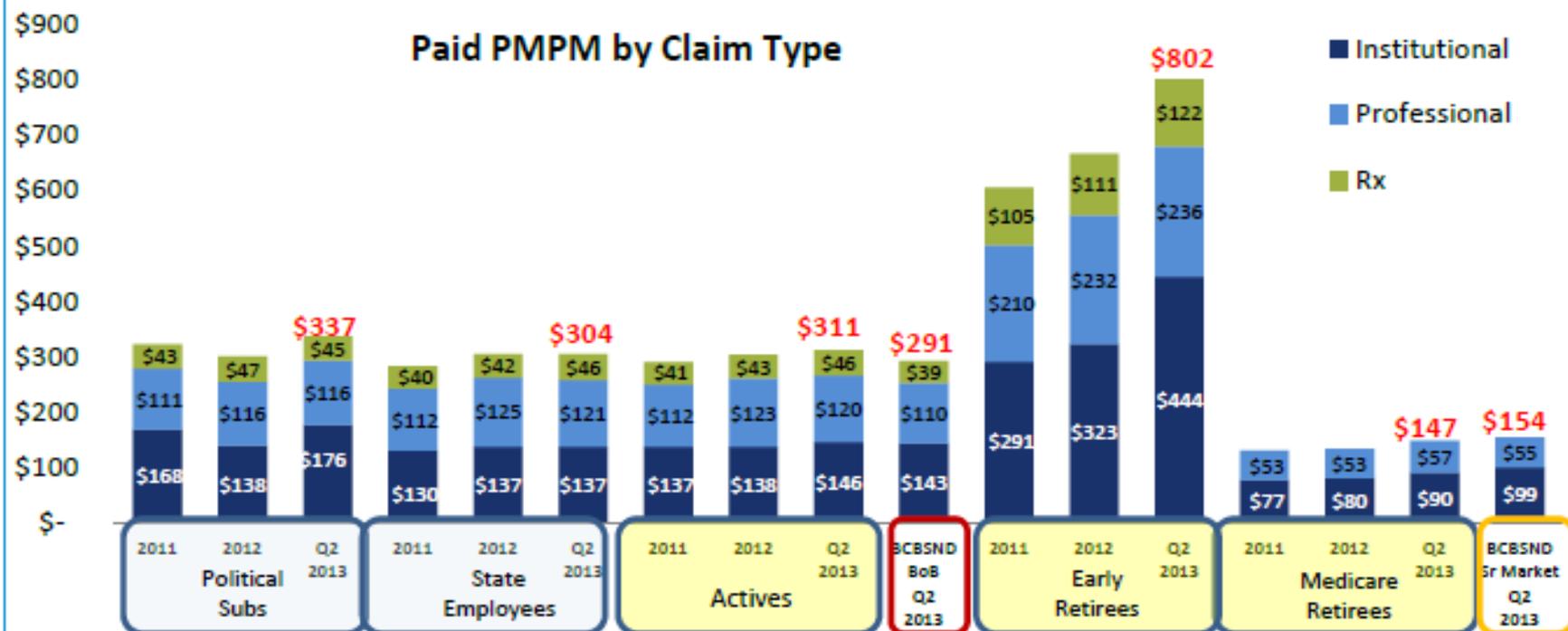
\*\*\*\*\*Calendar Year Jan – Dec\*\*\*\*\*

	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Active Contracts	16,565	17,253	17,632	17,573	17,889	18,114	18,303	18,791	19,116	19,728	20,014	20,940
Deductibles	\$2,307,596	\$1,789,727	\$1,967,859	\$5,765,933	\$5,080,986	\$4,859,625	\$5,006,043	\$8,968,213	\$8,092,001	\$9,816,469	\$10,073,095	\$10,967,963
Coinsurance	\$6,427,972	\$7,340,161	\$8,424,109	\$9,315,964	\$11,044,560	\$11,358,692	\$11,932,003	\$10,710,173	\$11,179,053	\$12,712,265	\$11,714,676	\$13,930,488
Sanctions	\$0	\$0	\$0	\$795,964	\$0	\$0	\$0	\$1,469,334	\$1,791,889	\$2,794,769	\$2,695,473	\$2,650,929
Copayments	\$5,188,715	\$8,445,132	\$8,768,553	\$7,456,340	\$7,533,643	\$7,546,375	\$7,686,951	\$9,334,245	\$9,190,399	\$11,465,517	\$11,696,304	\$12,214,972
Exceed Max	\$247,044	\$361,158	\$672,490	\$378,841	\$550,479	\$744,321	\$549,843	\$2,752,873	\$1,910,581			
Exclusions	\$1,560,268	\$1,702,808	\$1,847,570	\$2,322,307	\$2,516,646	\$2,919,717	\$3,112,107	\$4,044,846	\$3,956,861	\$4,497,621	\$5,850,646	\$9,056,696
<b>TOTAL</b>	<b>\$15,731,595</b>	<b>\$19,638,986</b>	<b>\$21,680,581</b>	<b>\$26,035,349</b>	<b>\$26,726,314</b>	<b>\$27,428,730</b>	<b>\$28,286,947</b>	<b>\$37,279,684</b>	<b>\$36,120,784</b>	<b>\$41,286,641</b>	<b>\$42,030,194</b>	<b>\$48,821,048</b>
<b>Per Contract</b>	<b>\$950</b>	<b>\$1,138</b>	<b>\$1,230</b>	<b>\$1,482</b>	<b>\$1,494</b>	<b>\$1,514</b>	<b>\$1,545</b>	<b>\$1,984</b>	<b>\$1,890</b>	<b>\$2,092</b>	<b>\$2,100</b>	<b>\$2,331</b>
<b>Average Salary</b>	<b>\$25,864</b>	<b>\$26,998</b>	<b>\$27,943</b>	<b>\$28,408</b>	<b>\$29,063</b>	<b>\$30,218</b>	<b>\$31,387</b>	<b>\$33,203</b>	<b>\$34,987</b>	<b>\$37,242</b>	<b>\$38,858</b>	<b>\$37,973</b>
<b>Percent</b>	<b>3.7%</b>	<b>4.2%</b>	<b>4.4%</b>	<b>5.2%</b>	<b>5.1%</b>	<b>5.0%</b>	<b>4.9%</b>	<b>6.0%</b>	<b>5.4%</b>	<b>5.6%</b>	<b>5.4%</b>	<b>6.1%</b>

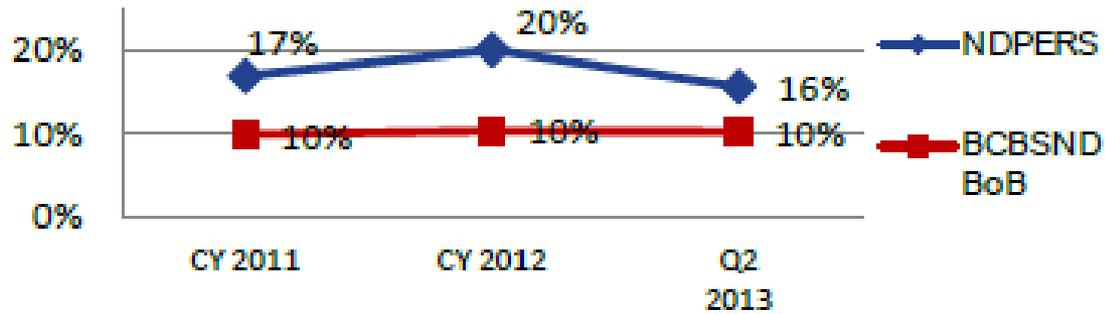
# Health Trend



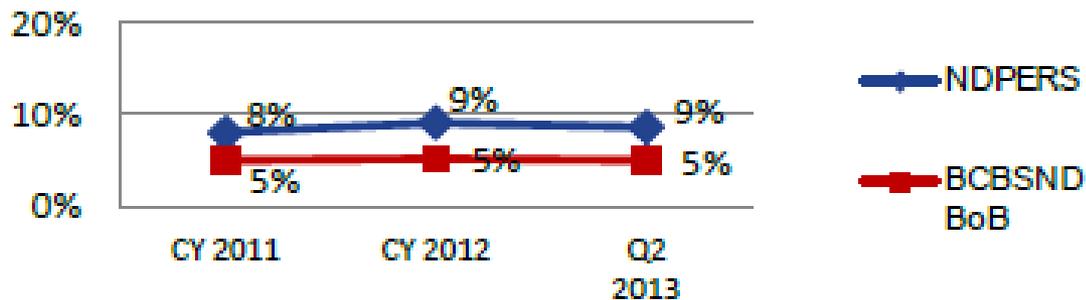
## Paid PMPM by Claim Type



### Healthy Blue Participation



### Health Club Credit Participation



# What could this mean for 2015-17

- Trend could be between 7-8%
- Such a trend could produce a premium increase of 14% to 16%
- ACA changes are unpredictable

# Active State Renewal Rate

NDPERS 2013- 2015 Allocation and 2015-2017 Projection	NDPERS 2015-2017 Planning Projections			
	5.0% Trend	7.0% Trend	9.0% Trend	10.0% Trend
2009-2011 rate	\$825.66	\$825.66	\$825.66	\$825.66
2011-2013 rate	\$886.62	\$886.62	\$886.62	\$886.62
2013-2015 rate (\$998.92 BCBS)	\$981.68	\$981.68	\$981.68	\$981.68
2013-2015 % increase	10.72%	10.72%	10.72%	10.72%
Projected 2015-2017 rate	\$1101.31	\$1143.66	\$1186.82	\$1208.69
2015-2017 \$ increase	\$102.39	\$144.74	\$187.90	\$209.77
2015-2017 % increase	12.19%	16.50%	20.09%	23.12%
Total State additional funds *	\$29,488,000	\$41,685,000	\$54,115,000	\$60,414,000
Total additional general funds**	\$16,218,000	\$22,927,000	\$29,763,000	\$33,228,000

\* - For biennium assuming 12,000 State FTE's

\*\* - Assumed to be 55% of total funds

# Allowed changes

## NDPERS PPO Health Plan Design Cost Shifts

### Maximum changes allowed to retain Grandfathered Status

	<u>Estimated PPO Percentage Change</u>
<u>Annual Premium Reductions to change deductible:</u> from \$400 single/\$1200 family to \$450 single/\$1350 family	0.7%
<u>Annual Premium Reductions to change coinsurance maximum:</u> from \$750/1500 to \$900/1800 IN and \$1250/2500 to \$1500/3000 OON	0.6%
<u>Annual Premium Reduction for a \$5 increase in office visit copay:</u>	0.5%
<u>Annual Premium Reduction for a \$10 increase in emergency room copay:</u>	0.05%
<u>Annual Premium Reductions to change RX Formulary Generic copay:</u> from \$5 copay to \$10 copay	0.8%
<u>Annual Premium Reductions to change RX Formulary Brand copay:</u> from \$20 copay to \$25 copay	0.3%
<u>Annual Premium Reductions to change RX Non-Formulary copay:</u> from \$25 copay to \$30 copay	0.08%
<u>Annual Premium Reductions to change RX Formulary coinsurance maximum:</u> from \$1000 to \$1200	0.05%
Total of all changes shown above:	3.08%



# **AFFORDABLE CARE ACT (ACA)**

**Upcoming compliance provisions**

# Large Employers

Must:

- Offer coverage to all full time employees
- Must meet certain minimum value guidelines (benefit design and cost- no more than 9.5% of household income)

- Small employer is 50 or more employees
- Is an employer responsibility not a health plan responsibility
- PERS did change our statute this session to comply with the ACA

- **Significance of Full-Time Employee Status**

***AFFORDABLE CARE ACT (ACA)***

# Significance of “Full-Time Employee” Status

- Employer Shared Responsibility rules apply only to “Applicable Large Employers”
  - Employed an average of at least 50 “Full-Time Employees” for more than 120 days during the preceding calendar year
    - “Full-Time Equivalent” employees counted for this purpose only
    - Special rule for seasonal employees
- Employer Shared Responsibility penalties apply only with respect to “**Full-Time Employees**”
  - Potential **\$2,000** penalty per FTE if coverage not offered to FTEs and their dependents
  - Potential **\$3,000** penalty for each FTE who opts out of the employer’s coverage if it isn’t “affordable” or doesn’t meet a “*minimum value*” threshold
    - Note: Penalties are “potential” because they are imposed only if a FTE obtains coverage in a State Health Insurance Exchange and qualifies for a Premium Tax Credit or Cost-Sharing Subsidy

# Definition of “Full-Time Employee”

- The Employer Shared Responsibility rules only apply with respect to “Full-Time Employees”
  - “The term ‘full-time employee’ means, with respect to any month, an employee who is employed on average at least 30 hours of service per week.” IRC § 4980H(c)(4)(A).
- Because of the potential penalties associated with not offering coverage to “Full-Time Employees”, this definition raises many concerns
  - Can part-time employees become full-time employees from time to time, just because they work too many hours in a given month?
  - What about new employees, if the employer isn’t sure how much they will work?
  - Are there any special rules for temporary and seasonal employees?

# Ongoing and New Full-Time Employees

*AFFORDABLE CARE ACT (ACA)*

# Ongoing Employees

- Key Definitions

- Ongoing Employee: any employee employed by the employer for at least one complete Standard Measurement Period
- Standard Measurement Period: a defined time period, as chosen by the employer, of at least 3 – but no more than 12 – consecutive calendar months, used to determine full-time status for ongoing employees
- Stability Period: the period during which coverage must be offered to those employees determined to be “full-time” during the relevant Standard Measurement Period in order to avoid Shared Responsibility penalties.

# Options

#1	#2	#3	#4
Continue to use reserves to buydown premiums	Adjust benefits as allowed to help control trend	Maintain status quo	Give up Grandfathered status



**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

FAX: (701) 328-3920 • EMAIL: [NDPERS-info@nd.gov](mailto:NDPERS-info@nd.gov) • [www.nd.gov/ndpers](http://www.nd.gov/ndpers)

# Memorandum

**TO:** PERS Board  
**FROM:** Deb  
**DATE:** October 23, 2013  
**SUBJECT:** Administrative Rules

The hearing for the administrative rules has been set for November 6 at 11:00 a.m. in the NDPERS Conference room. The notice below was placed in the required newspapers across the state and notice was also posted on the NDPERS website, along with a copy of the summary of rule changes and proposed rules.

**ABBREVIATED NOTICE OF INTENT TO ADOPT AND AMEND ADMINISTRATIVE RULES 71-01-02-04 relating to election notification; 71-01-02-13 relating to electronic voting; 71-02-01-01 relating to the definition of termination of employment for purposes of benefit payments; 71-02-04-01 relating to applications for retirement benefits in the Public Employees Retirement System ; 71-02-04-04.1 relating to removal of the level social security benefit option; 71-02-04-09 relating to dual membership in retirement plans; 71-02-10-02 relating to processing qualified domestic relations orders in the Public Employees Retirement System; 71-03-03-08 relating to supplemental life insurance coverage; 71-03-04-02 relating to information provided to employees; 71-03-05-10 relating to determining the amount of premium overpayments and underpayments; 71-03-07-07 relating to participation by political subdivisions in the group health insurance program; 71-04-03-01 relating to enrollment in the deferred compensation plan; 71-04-05-02 relating to payroll deductions; 71-05-05-01 relating to applications for normal and early retirement benefits in the Highway Patrol Retirement System; 71-05-08-02 relating to processing qualified domestic relations orders in the Highway Patrol Retirement System; 71-07-01-01 relating to updates to the Pretax Benefits plan document; 71-08-04-02 relating to processing qualified domestic relations orders in the Defined Contribution plan.**

TAKE NOTICE that the North Dakota Public Employees Retirement System will hold a public hearing to address proposed changes to the N.D. Admin. Code at 11:00 a.m. on November 6, 2013 at 400 E Broadway, Suite 505, Bismarck, ND. A copy of the proposed rules may be obtained by contacting NDPERS at the above address or calling 701-328-3900 or toll-free at 1-800-803-7377. Also, written comments may be submitted to the above address until November 18, 2013. If you plan to attend the public hearing and will need special facilities or assistance relating to a disability, please contact the North Dakota Public Employees Retirement System at the above telephone number or address at least three days prior to the public hearing.

Dated the 23<sup>rd</sup> day of September, 2013. Sparb Collins, Executive Director

Please let me know if you have any questions. Thank you!

## MEMORANDUM

**TO:** NDPERS Board  
**FROM:** Jim Smrcka  
**DATE:** October 18, 2013  
**SUBJECT:** **Consultant Fees**

Attached is a report showing the consulting, investment and administrative fees paid during the quarter ended September 2013.

Attachment

