NDPERS BOARD MEETING
Agenda

Bismarck Location:
ND Association of Counties
1661 Capitol Way
Fargo Location:
Sanford Health Plan
1749 38th Street South

November 19, 2015 **Time: 8:30 AM**

I. MINUTES
   A. October 22, 2015

II. INVESTMENTS
   A. Annual Investment Report – David Hunter (Information)
   B. Health Insurance Reserve Fund – David Hunter (Board Action)
   C. Asset Liability Study – Sparb and David Hunter (information)

III. RETIREMENT
   A. IRS Cycle E Filing Update – Kathy (Information)
   B. Defined Contribution Plan to Defined Benefit Plan Update – MaryJo (Information)

IV. GROUP INSURANCE
   A. Medicare Part D Contract – Kathy (Information or Board Action)
   B. Implementation Update – Sharon and Rebecca (Information)
   C. 2011-2013 Biennium – Sparb (Information)
   D. Infertility Benefit – Kathy (Board Action)
   E. Group Health Insurance Appeals Information – Kathy (Information)
   F. BCBS Personal Data Update – Sparb (Information)

V. DEFERRED COMP
   A. Updated Investment Options – Bryan (Information)

VI. MISCELLANEOUS
   A. Board Committee Assignments – Sparb (Board Action)
   B. Personnel Policies Update – Kathy (Board Action)
   C. PERSLink – Sharon (Board Action)
   D. Proposed 2016 Board Meeting Schedule – Sparb (Board Action)

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

North Dakota
Public Employees Retirement System
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Bismarck, North Dakota 58502-1657

Sparb Collins
Executive Director
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Memorandum

TO: PERS Board

FROM: Sparb

DATE: November 9, 2015

SUBJECT: Investment Update

The *Statement of Investment Objectives and Policies*, adopted by the Board, states the following:

> *An annual performance report must be provided to the Board by the State Investment Officer at a regularly scheduled NDPERS Board meeting. The annual performance report must include asset returns and allocation data as well as information regarding all significant or material matters and changes pertaining to the investment of the Fund, including:*
>
> - *Changes in asset class portfolio structures, tactical approaches and market values;*
> - *All pertinent legal or legislative proceedings affecting the SIB.*
> - *Compliance with these investment goals, objectives and policies.*
> - *A general market overview and market expectations.*
> - *A Review of fund progress and its asset allocation strategy.*
> - *A report on investment fees and the SIB's effort relating to Section 6. To measure investment cost PERS requires as part of the annual review information from an investment consultant showing the value added versus the cost.*

David Hunter will be at the next meeting to provide the annual report to the PERS Board.

Annual PERS Investment Report

SIB Update

November 9, 2015

Dave Hunter, Executive Director/CIO

Darren Schulz, Deputy Chief Investment Officer

ND Retirement & Investment Office (RIO)

State Investment Board (SIB)

Executive Summary - June 30, 2015

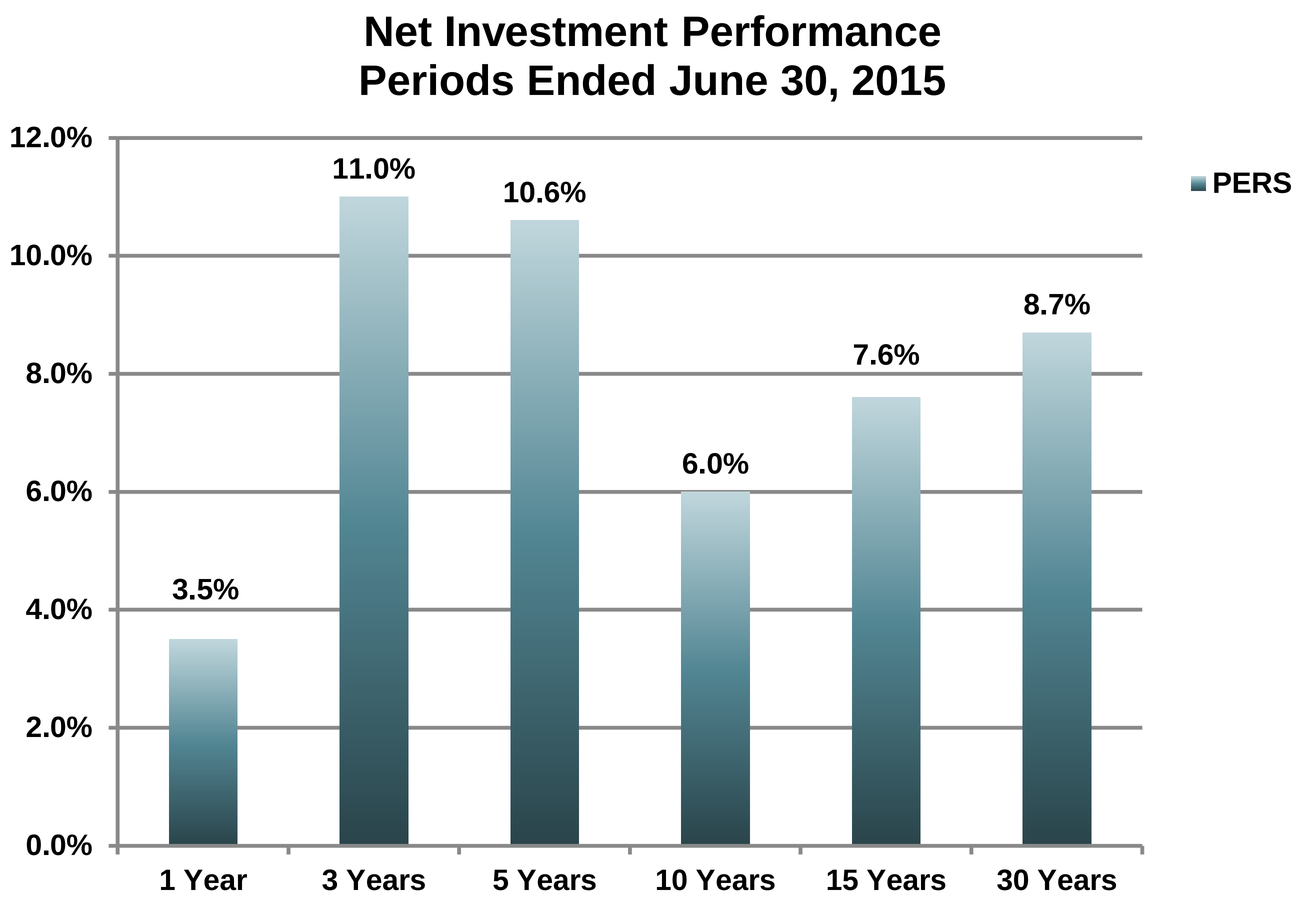
Investment Returns – **PERS Main Plan generated a net investment return of 3.5% for the fiscal year ended June 30, 2015.** Real Estate (up 15%) and U.S. Equities (up 8%) were the top two performers, while Global Equities (up 4%), Timber (up 3%), U.S. Fixed Income (up 3%) and Infrastructure (up 1%) generated modest returns. International Equity, Private Equity and International Fixed Income posted disappointing results and declined by 2%, 5% and 9%, respectively, in the last fiscal year.

Excess Returns - Although 1-year returns of **3.5%** were significantly below long-term expectations, active management generated $32 million of incremental income in the last fiscal year. During the last 5-years, active management has generated $60 million of excess return for the PERS Main Plan ($2 billion of assets x 0.6% of excess return x 5 years = $60 million). **Net investment returns for PERS (Main Plan) exceeded 10.6% for the 5-years ended June 30, 2015.**

Risk Update – During the "Last 5 Years", PERS risk (as measured by actual standard deviation of the PERS portfolio divided by the policy benchmark) has steadily declined from over 120% in 2009 to less than 105% on a rolling 3- and 5-years basis in 2015. (See page 6 for details.)

Fee Update – **Management fees as a % of average assets under management declined by 0.19% in the last two years** due to lower performance fees and structural fee savings (see pages 12-13). In fiscal 2015, the PERS (Main Plan) received a **3:1** return on investment management fees. As example, active management generated $32 million of excess return after paying out $15 million in fees (e.g. $32 million + $15 million = $47 million / $15 million = **3:1**).

PERS Investment Ends – June 30, 2015



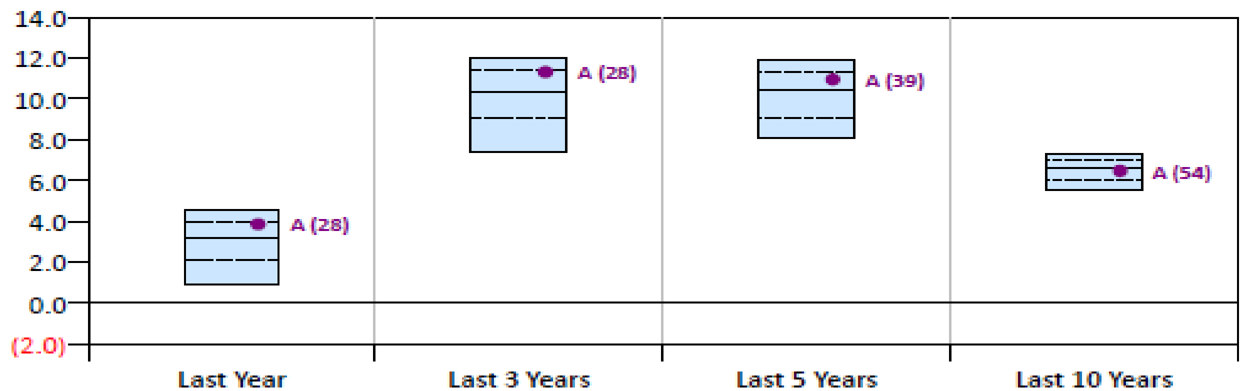
<u>1-Year Returns</u>:

Based on unaudited results, PERS (main plan) generated a net investment return of 3.5% for the fiscal year ended June 30, 2015, with an excess return of over 130 bps (versus policy benchmarks). PERS returns compare favorably to other US public pension plans with over $1 billion in plan assets (see next slide).

<u>Returns</u>: PERS returns for the 3-, 5- and 30-year periods ended June 30, 2015, have approximated 11.0%, 10.6% and 8.7%, respectively, net of investment fees.

PERS Main Plan - 2nd Quartile Returns

Gross of Fee Returns
for Periods Ended June 30, 2015
Group: CAI Public Fund Sponsor Database

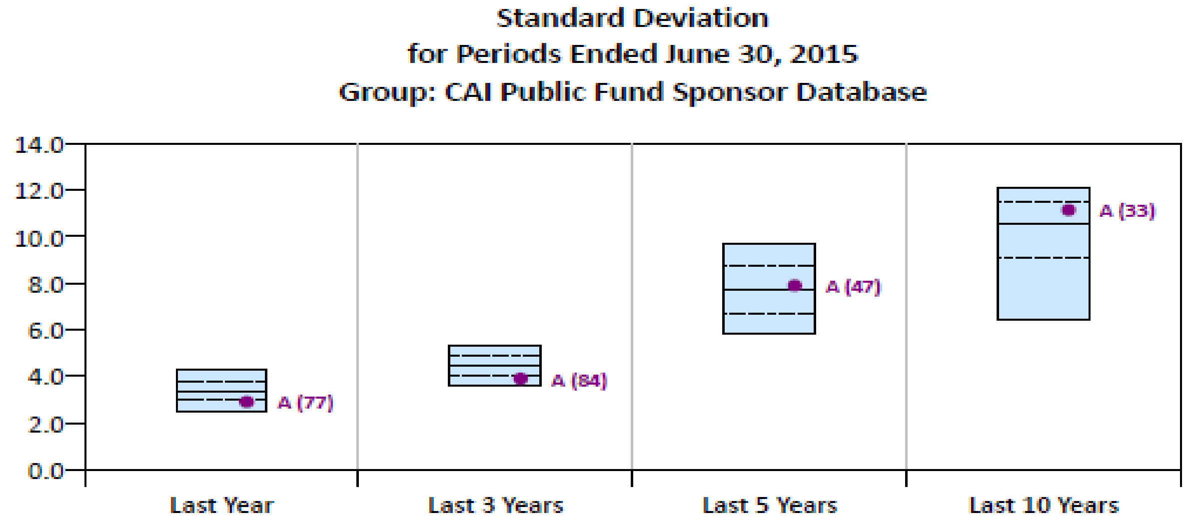


	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
10th Percentile	4.6	12.0	11.9	7.3
25th Percentile	3.9	11.4	11.3	7.0
Median	3.2	10.3	10.4	6.6
75th Percentile	2.1	9.1	9.1	6.1
90th Percentile	1.0	7.4	8.0	5.5
Member Count	256	236	220	191
Total Fund-PERS ● A	3.9	11.3	11.0	6.5

PERS has generated 2nd quartile returns (28th percentile) **over the "Last 3 Years" (and "Last Year") while using risk levels in the 4th quartile** (see next slide).

PERS Main Plan - 2nd Quartile Returns with 4th Quartile Risk

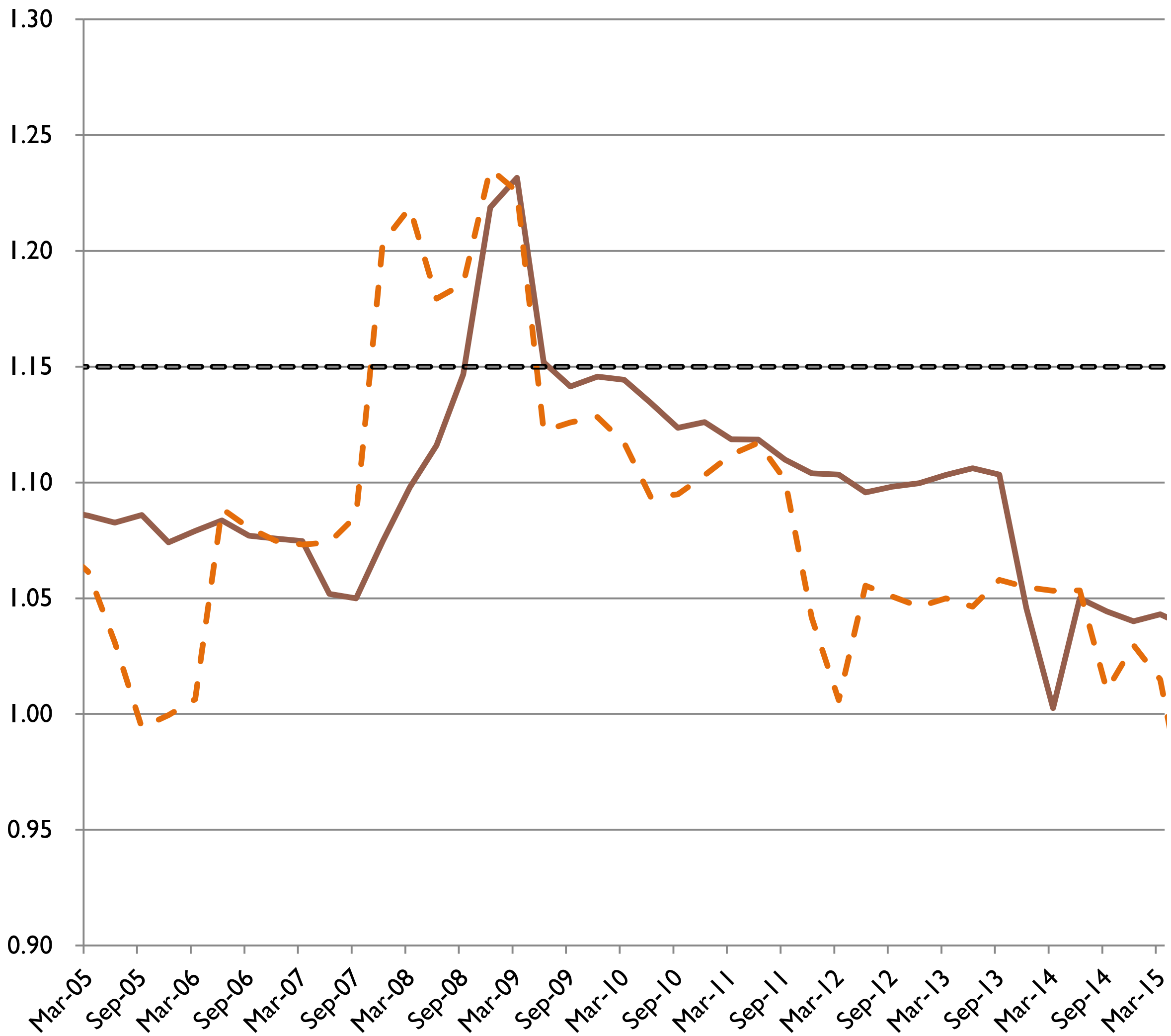
Standard deviation is used to measure investment (or portfolio) volatility whereas a lower standard deviation is generally preferred over a higher standard deviation.



	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
10th Percentile	4.3	5.3	9.7	12.1
25th Percentile	3.8	4.9	8.7	11.5
Median	3.4	4.5	7.7	10.6
75th Percentile	3.0	4.1	6.7	9.1
90th Percentile	2.5	3.6	5.8	6.4
Member Count	256	236	220	191
Total Fund-PERS ● A	2.9	3.9	7.9	11.1

Risk, as measured by standard deviation, has declined from the 2nd quartile in the "Last 5 or 10 Years" down to the 4th quartile in the "Last 3 Years".

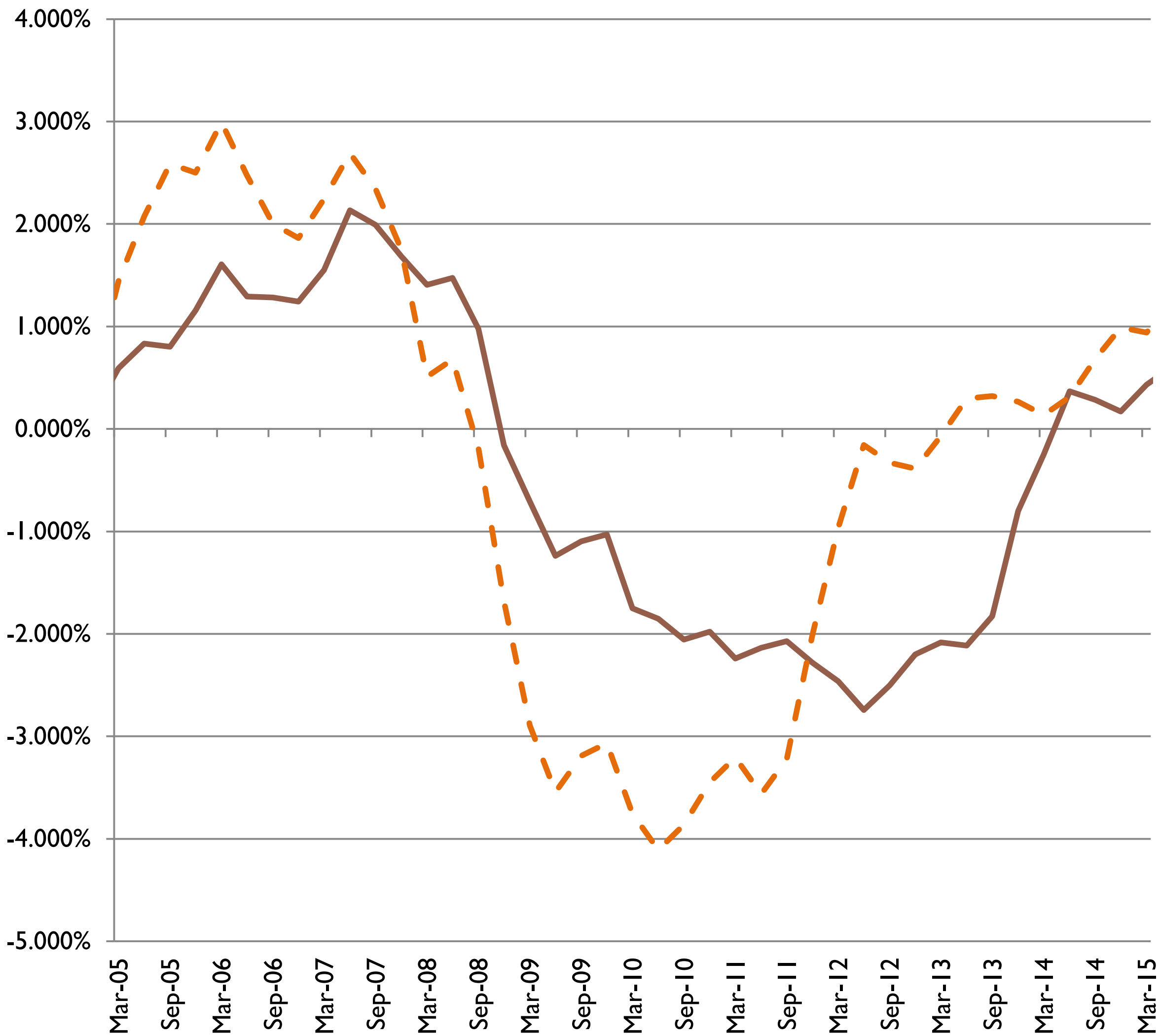
Standard Deviation Relative to Policy Benchmark
10 Years Ended June 30, 2015



PERS risk, as measured by standard deviation, has declined materially during the last 5 years from over 120% in 2009 to less than 105% in 2014 and 2015. Risk remains within guide-lines of 1.15 (or 115%) of the policy benchmark over the last 5 years.

PERS standard deviation for the 5-years ended June 30, 2015 was 7.9% which exceeded the policy benchmark of 7.6% by 104%.

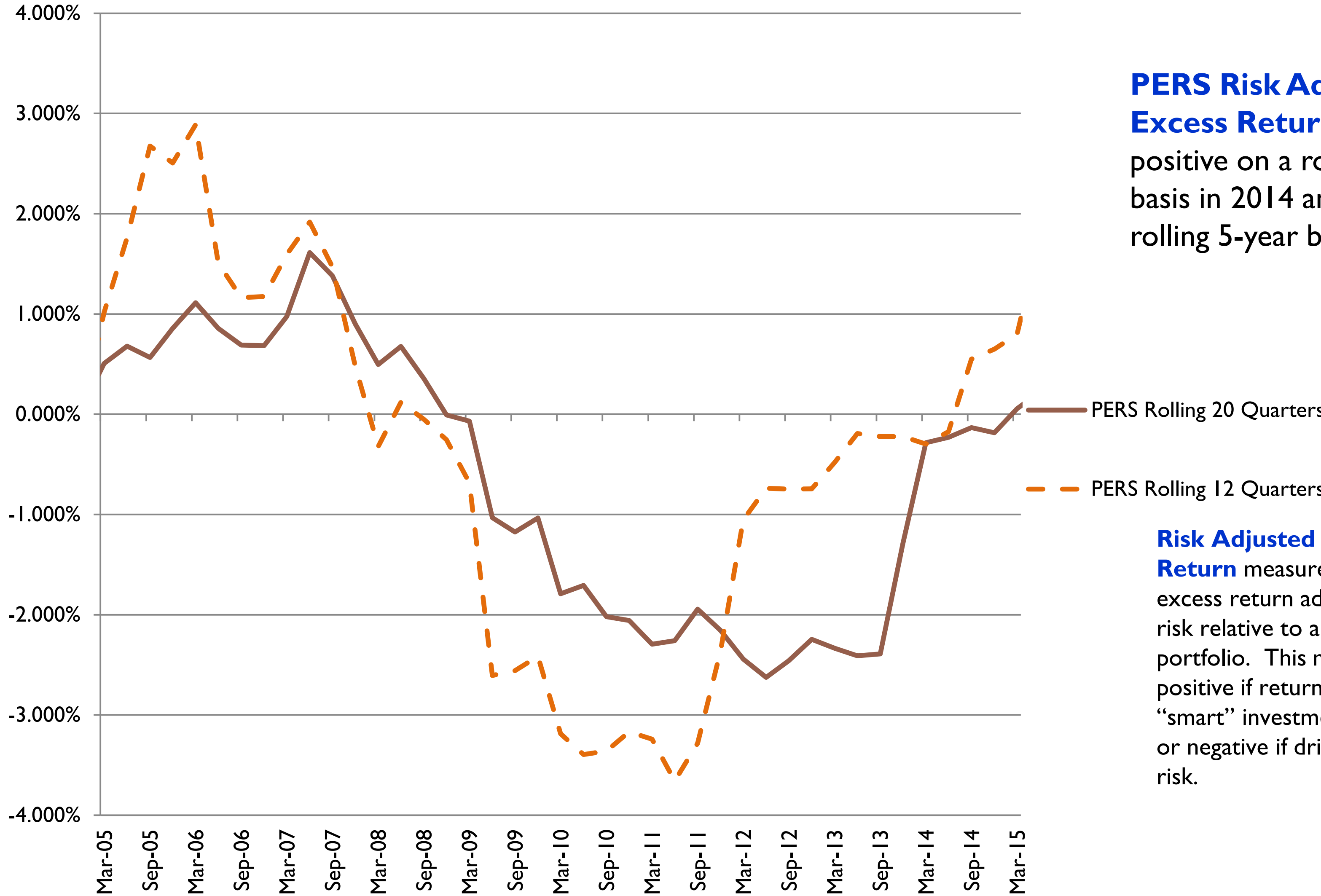
Excess Return Relative to Policy Benchmark
10 Years Ended June 30, 2015



Excess Return for the 5-years ended June 30, 2015 was 0.6% and turned positive in 2014.

Excess Return results when incremental income generated from active management exceeds investment management fees.

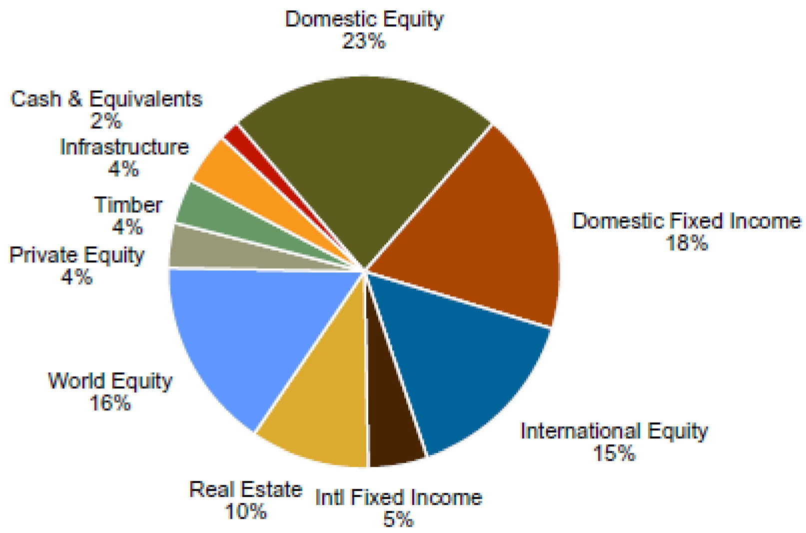
Risk Adjusted Excess Return
10 Years Ended June 30, 2015

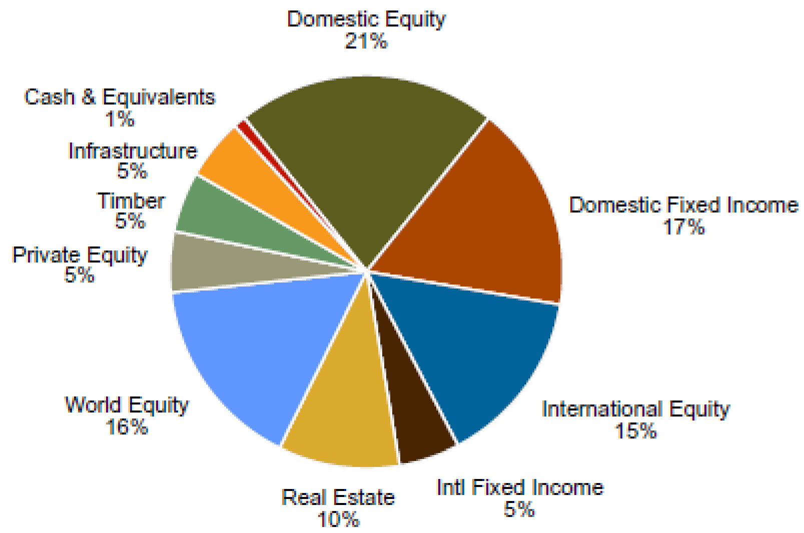


PERS Risk Adjusted Excess Return turned positive on a rolling 3-year basis in 2014 and on a rolling 5-year basis in 2015.

Risk Adjusted Excess Return measures a portfolio's excess return adjusted by its risk relative to a benchmark portfolio. This metric is positive if returns are due to "smart" investment decisions or negative if driven by excess risk.

PERS Actual Asset Allocations within 1% to 2% of Target
As of June 30, 2015





Asset Class	$000s Actual	Weight Actual	Target	Percent Difference	$000s Difference
Domestic Equity	551,593	22.8%	21.4%	1.4%	33,160
Domestic Fixed Income	442,738	18.3%	17.0%	1.3%	30,898
International Equity	366,054	15.1%	14.6%	0.5%	12,357
Intl Fixed Income	117,625	4.9%	5.0%	(0.1%)	(3,504)
Real Estate	237,578	9.8%	10.0%	(0.2%)	(4,681)
World Equity	382,886	15.8%	16.0%	(0.2%)	(4,727)
Private Equity	88,968	3.7%	5.0%	(1.3%)	(32,162)
Timber	89,608	3.7%	5.0%	(1.3%)	(31,521)
Infrastructure	105,358	4.3%	5.0%	(0.7%)	(15,772)
Cash & Equivalents	40,177	1.7%	1.0%	0.7%	15,951
Total	2,422,584	100.0%	100.0%		

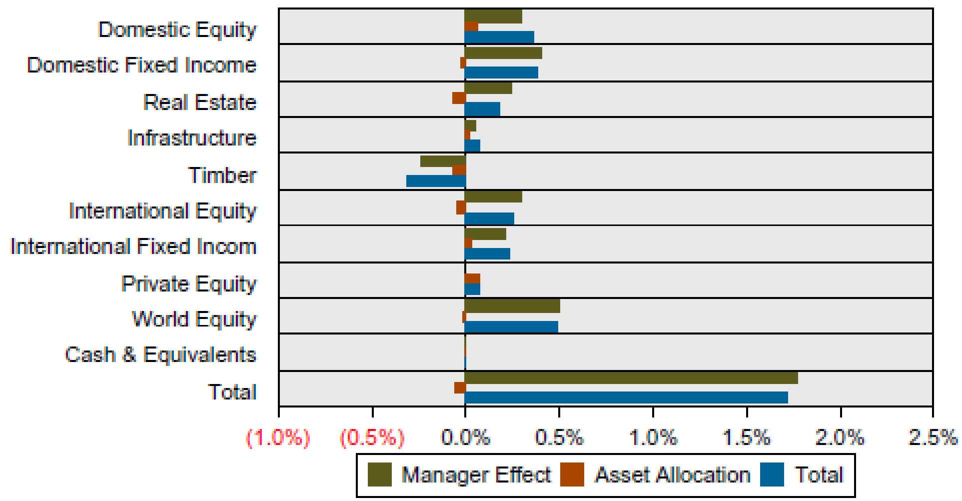
Unaudited amounts subject to change

PERS Total Fund Attribution
One Year Ended June 30, 2015

One Year Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	23%	21%	8.64%	7.26%	0.30%	0.06%	0.36%
Domestic Fixed Income	19%	17%	3.40%	1.22%	0.41%	(0.02%)	0.38%
Real Estate	9%	10%	15.78%	12.98%	0.25%	(0.07%)	0.17%
Infrastructure	4%	5%	1.23%	(0.38%)	0.05%	0.01%	0.07%
Timber	4%	5%	3.94%	10.02%	(0.24%)	(0.07%)	(0.31%)
International Equity	15%	15%	(2.53%)	(4.37%)	0.29%	(0.05%)	0.25%
International Fixed Incom	5%	5%	(9.37%)	(13.19%)	0.21%	0.03%	0.23%
Private Equity	4%	5%	(5.37%)	(5.37%)	0.00%	0.07%	0.07%
World Equity	16%	16%	4.67%	1.43%	0.50%	(0.01%)	0.49%
Cash & Equivalents	1%	1%	0.07%	0.02%	0.00%	(0.01%)	(0.01%)
Total			**3.86% =**	**2.15% +**	**1.77% +**	**(0.06%)**	**1.71%**

One Year Relative Attribution Effects



- **One Year Manager Selection** within nearly every asset class was positive with two exceptions for Timber and Private Equity which materially underperformed market expectations.

Source: Callan, gross returns

Unaudited amounts subject to change

PERS Five Year Return Attribution – June 30, 2015

Five Year Annualized Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	29%	28%	17.94%	17.49%	0.04%	0.13%	0.17%
Domestic Fixed Income	21%	20%	6.65%	4.88%	0.30%	(0.06%)	0.24%
Real Estate	8%	9%	16.18%	12.72%	0.26%	0.02%	0.28%
Timber	4%	4%	-	-	(0.30%)	(0.05%)	(0.35%)
Infrastructure	3%	4%	-	-	0.15%	0.10%	0.25%
Interntional Equity	16%	16%	9.50%	7.33%	0.33%	(0.07%)	0.26%
International Fixed Incom	5%	5%	3.75%	1.08%	0.15%	(0.01%)	0.14%
Private Equity	5%	5%	4.87%	4.87%	0.00%	(0.06%)	(0.06%)
World Equity	9%	9%	-	-	0.10%	(0.05%)	0.05%
Cash & Equivalents	1%	1%	0.09%	0.08%	0.00%	(0.03%)	(0.03%)
Total			**10.96% =**	**10.00% +**	**1.02% +**	**(0.06%)**	**0.96%**

- **PERS (Main Plan) generated an "Actual (Callan Gross) Return" of 10.96%** for the 5-years ended June 30, 2015. Actual Returns of every Asset Class exceeded their performance benchmark excluding Timber and Private Equity. After adjusting the Callan's gross "Actual Return" for investment management and performance fees, the net return for PERS Main Plan was 10.6% over the last five-years.

* Current Quarter Target = 16.6% Russell 1000 Index, 16.0% MSCI World Index, 12.0% Barclays Aggregate Index, 11.1% MSCI EAFE Index, 10.0% NCREIF Total Index, 5.0% CPI-W, 5.0% Barclays HY Corp 2% Issue, 5.0% NDSIB PERS - Private Equity, 5.0% Global Agg ex USD, 5.0% NCREIF Timberland Index, 4.8% Russell 2000 Index, 3.5% MSCI Emerging Mkts - Net and 1.0% 3-month Treasury Bill.

Job Service, Retiree Health and Group Insurance - June 30, 2015

Job Service maintained a 40% equity and 60% fixed income asset allocation and generated a 3.3% return for the year ended June 30, 2015. Strong U.S. equity returns and modest U.S. fixed income results were partially offset by poor international debt and equity conditions. Despite persistent weakness in the international markets, Job Service generated positive Excess Returns for the 1-, 3- and 5-year periods ended June 30, 2015, while adhering to prescribed risk guidelines (as measured by 5-year standard deviation within 106% of policy) and generating strong Risk Adjusted Excess Return of 0.63%.

The PERS Retiree Health plan generated a 3.06% return for the current year which was 0.51% below its performance benchmark. Despite weak results in fiscal 2015, Retiree Health posted the highest net investment returns of over 11% for the 3- and 5-year periods ended June 30, 2015.

The PERS Group Insurance fund ($41 million) generated a negative excess return of 0.01% during the past year, but was slightly positive for the 3- and 5-year periods ended June 30, 2015. This funds asset allocation will be revised in the near future to enhance overall returns.

	1 Yr Ended 6/30/2015	3 Yrs Ended 6/30/2015	5 Yrs Ended 6/30/2015	Risk 5 Yrs Ended 6/30/2015	Risk Adj Excess Return 5 Yrs Ended 6/30/2015
JOB SERVICE - $98 million					
Total Fund Return - Net	**3.30%**	**9.43%**	**9.47%**	**6.0%**	**0.63%**
Policy Benchmark Return	1.59%	7.38%	8.33%	**5.7%**	
EXCESS RETURN	**1.71%**	**2.05%**	**1.14%**	**105.7%**	
PERS RETIREE HEALTH - $97 million					
Total Fund Return - Net	**3.06%**	**11.30%**	**11.47%**	**8.6%**	**-0.22%**
Policy Benchmark Return	3.57%	10.51%	10.85%	**8.0%**	
EXCESS RETURN	**-0.51%**	**0.79%**	**0.62%**		
PERS GROUP INSURANCE - $41 million					
Total Fund Return - Net	**0.01%**	**0.10%**	**0.17%**	**0.1%**	**0.04%**
Policy Benchmark Return	0.02%	0.06%	0.08%	**0.0%**	
EXCESS RETURN	**-0.01%**	**0.03%**	**0.09%**		

Actual asset allocations are within Target ranges and guidelines for all SIB clients as confirmed by Callan Associates as of June 30, 2014.

PERS Long Term Results Meet or Exceed Expectations

The PERS Pension Plan is a Long Term Investor

Net investment returns for PERS Main Plan continue to exceed 8% over the past 3-, 5- and 30-year periods despite disappointing conditions in the international equity and debt markets which declined by over 4% and 13%, respectively, during the most recent fiscal year end.

ND RETIREMENT AND INVESTMENT OFFICE
ND STATE INVESTMENT BOARD
INVESTMENT PERFORMANCE SUMMARY
AS OF JUNE 30, 2015

		Investment Performance (net of fees)										
			Fiscal Years ended June 30					Periods ended 6/30/15 (annualized)				
Fund Name	Market Values as of 6/30/15	FYTD 2015	2014	2013	2012	2011	2010	3 Years	5 Years	10 Years	25 Years	30 Years
PERS (Main Plan)	2,422,579,596	**3.53%**	16.38%	13.44%	-0.12%	21.27%	13.67%	**10.98%**	**10.61%**	5.98%	8.01%	**8.68%**
Job Service	96,392,560	3.30%	13.54%	11.71%	3.09%	16.39%	13.63%	9.42%	9.47%	6.16%	*	*
Group Insurance	39,653,686	0.01%	0.06%	0.27%	0.24%	0.31%	0.36%	0.11%	0.18%	1.55%	*	*
Retiree Insurance	97,671,059	3.06%	16.53%	14.80%	2.62%	21.65%	16.86%	11.30%	11.47%	6.11%	7.53%	*

* These funds do not have the specified periods of history under SIB management.

Note: Asset allocation largely drives investment performance. Each fund has a unique allocation that takes into consideration return objectives, risk tolerance, liquidity constraints, and unique circumstances. Such considerations must be taken into account when comparing investment returns. **All figures are preliminary and subject to revision.**

Annual PERS Investment Report

Investment Management Fee Update

PERS: Investment Manager Fees by Asset Class

ND Public Employees Retirement System
Schedule of Investment Expenses

Performance fees approx. 0.17% the last two years.

	FY 2015				FY 2014			
	Average Market Value	Fees in $	Fees in %	Contribution to Total Fees	Average Market Value	Fees in $	Fees in %	Contribution to Total Fees
Investment managers' fees:								
Global equity managers	367,748,943	2,847,819	0.77%	0.12%	365,981,245	2,955,213	0.81%	0.12%
Domestic large cap equity managers	424,019,221	610,866	0.14%	0.03%	384,861,486	1,147,029	0.30%	0.05%
Domestic small cap equity managers	121,601,493	550,418	0.45%	0.02%	120,164,086	634,024	0.53%	0.03%
Developed international equity managers	265,970,201	911,722	0.34%	0.04%	256,155,282	870,056	0.34%	0.04%
Emerging markets equity managers	83,685,353	692,265	0.83%	0.03%	76,989,246	345,776	0.45%	0.01%
Investment grade domestic fixed income managers	312,406,325	1,176,165	0.38%	0.05%	275,056,490	1,801,790	0.66%	0.08%
Below investment grade fixed income managers	128,164,584	1,405,329	1.10%	0.06%	112,518,187	829,449	0.74%	0.04%
Developed international fixed income managers	115,019,321	421,044	0.37%	0.02%	107,270,172	379,087	0.35%	0.02%
Real estate managers	226,488,804	2,631,744	1.16%	0.11%	207,258,155	2,089,297	1.01%	0.09%
Timber managers	93,271,813	351,187	0.38%	0.01%	98,298,540	376,571	0.38%	0.02%
Infrastructure managers	100,057,644	1,150,098	1.15%	0.05%	84,925,843	751,175	0.88%	0.03%
Private equity managers	97,531,474	1,567,051	1.61%	0.07%	104,032,964	2,652,948	2.55%	0.11%
Cash & equivalents managers	33,606,169	36,755	0.11%	0.00%	25,974,562	35,935	0.14%	0.00%
Total investment managers' fees	**2,369,571,345**	**14,352,462**	**0.61%**		**2,219,486,259**	**14,868,351**	**0.67%**	
Custodian fees		238,481	0.01%	0.01%		322,750	0.01%	0.01%
Investment consultant fees		189,876	0.01%	0.01%		191,403	0.01%	0.01%
Total investment expenses		**14,780,818**	**0.62%**			**15,382,504**	**0.69%**	
Actual Investment Performance (Net of Fees)			**3.53%**				**16.38%**	
Policy Benchmark			**2.16%**				**15.67%**	
Outperformance			**1.37%**				**0.71%**	

➢ **PERS' fees declined to 62 bps from 69 bps in the last year** (and 81 bps in fiscal 2013) **due to various fee reduction initiatives which have benefitted from strong asset growth in North Dakota. SIB client assets under management have increased by 43% (or $3.2 billion) in the last two years.**

Note: All amounts are deemed to be materially accurate, but are unaudited and subject to change.

A basis point is equal to one one-hundredth of one percent (or 0.01%) such that 100 basis points is equivalent to 1%.

PERS: Investment Manager Fees by Asset Class

ND Public Employees Retirement System
Schedule of Investment Expenses

	FY 2014				FY 2013			
	Average Market Value	Fees in $	Fees in %	Contribution to Total Fees	Average Market Value	Fees in $	Fees in %	Contribution to Total Fees
Investment managers' fees:								
Global equity managers	365,981,245	2,955,213	0.81%	0.13%	217,968,250	1,547,875	0.71%	0.08%
Domestic large cap equity managers	384,861,486	1,147,029	0.30%	0.05%	370,889,384	728,603	0.20%	0.04%
Domestic small cap equity managers	120,164,086	634,024	0.53%	0.03%	112,632,847	727,665	0.65%	0.04%
Developed international equity managers	256,155,282	870,056	0.34%	0.04%	239,724,479	956,631	0.40%	0.05%
Emerging markets equity managers	76,989,246	345,776	0.45%	0.02%	74,001,347	511,527	0.69%	0.03%
Investment grade domestic fixed income managers	275,056,490	1,693,310	0.62%	0.08%	236,797,254	3,086,432	1.30%	0.16%
Below investment grade fixed income managers	112,518,187	829,449	0.74%	0.04%	92,929,915	1,785,211	1.92%	0.09%
Developed international fixed income managers	107,270,172	379,087	0.35%	0.02%	98,547,090	354,027	0.36%	0.02%
Real estate managers	207,258,155	2,089,297	1.01%	0.09%	189,031,136	2,036,459	1.08%	0.11%
Timber managers	98,298,540	376,571	0.38%	0.02%	100,781,985	389,485	0.39%	0.02%
Infrastructure managers	84,925,843	756,442	0.89%	0.03%	72,367,259	1,032,097	1.43%	0.05%
Private equity managers	104,032,964	2,652,948	2.55%	0.12%	104,506,668	1,996,034	1.91%	0.10%
Cash & equivalents managers	25,974,562	35,935	0.14%	0.00%	19,981,961	31,361	0.16%	0.00%
Total investment managers' fees	**2,219,486,259**	**14,765,138**	**0.67%**		**1,930,159,576**	**15,183,406**	**0.79%**	
Custodian fees		322,750	0.01%	0.01%		279,055	0.01%	0.01%
Investment consultant fees		191,403	0.01%	0.01%		208,647	0.01%	0.01%
Total investment expenses		**15,279,291**	**0.69%**			**15,671,109**	**0.81%**	
Total Performance Fees Paid (excludes private equity)		**3,268,117**	**0.15%**			**4,571,896**	**0.24%**	
			0.54%				**0.58%**	
Actual Investment Performance (Net of Fees)			**16.38%**				**13.50%**	
Policy Benchmark			**15.67%**				**11.84%**	
Outperformance			**0.71%**				**1.66%**	

- **PERS investment fees declined to 69 bps from 81 bps due to a sharp decline in performance fees (9 bps) while benefitting from recent asset growth and structural fee savings (3-4 bps).**

Note: All amounts are deemed to be materially accurate, but are unaudited and subject to change.

A basis point is equal to one one-hundredth of one percent (or 0.01%) such that 100 basis points is equivalent to 1%.

Active Management Incremental Returns Exceed Investment Fees

	1 Yr Ended 6/30/2015	3 Yrs Ended 6/30/2015	5 Yrs Ended 6/30/2015	Risk 5 Yrs Ended 6/30/2015	Risk Adj Excess Return 5 Yrs Ended 6/30/2015
PERS (Main Plan)					
$ 2,401,309,136					
Total Fund Return - Net	**3.53%**	**10.98%**	**10.61%**	7.9%	**0.22%**
Policy Benchmark Return	2.16%	9.73%	10.00%	7.6%	
EXCESS RETURN	**1.38%**	**1.25%**	**0.61%**	**104%**	

One-Year Impact on Returns: PERS generated 1.38% of excess return via active management in fiscal 2015. Based on $2.37 billion of assets, this translates into $32 million of incremental income. This $32 million of incremental income is after $15 million of management fees, so PERS received $3 back for every $1 paid out for fees last year ($32 million + $15 million = $47 million / $15 million).

Five-Year Impact on Returns: Active management has generated over $60 million of incremental income for PERS for the 5-year period ended June 30, 2015.

Risk: Investment performance has been achieved while adhering to prescribed risk management guidelines which limit portfolio risk (as measured by standard deviation) to 115% of policy, as the actual level of **105%** is within the approved limit.

Note: All amounts are deemed to be materially accurate, but are unaudited and subject to change.

Capital Markets Overview

U.S Economy – GDP Growth Rates

Quarterly GDP Growth Rates (top chart) have been volatile as evidenced by low or negative growth rates in the 1st quarter of recent years largely attributed to poor weather conditions.

Annual GDP Growth Rates (bottom chart) minimize the impact of seasonal weather conditions and display a more consistent and moderate growth rate of about 2.7% over the past year.

Global GDP Growth Rates

	ACTUAL 2010-2013	ACTUAL 2014	FORECAST 2015	PROJECTED 2015-2019	TREND 2020-2025
United States	2.2	2.4	2.9	2.4	1.9
Europe*	0.9	1.4	1.8	2.1	1.5
of which: Euro Area	*0.6*	*0.8*	*1.4*	*1.9*	*1.2*
Japan	1.8	0.2	0.6	1.4	1.1
Other mature**	3.5	3.1	3.0	2.9	2.5
Mature Economies	**1.8**	**1.9**	**2.3**	**2.3**	**1.8**
China	8.8	7.4	6.5	5.5	3.9
India	6.6	5.7	5.9	5.5	5.0
Other developing Asia	5.2	3.9	4.6	4.3	3.9
Latin America	3.6	1.0	1.6	2.8	2.9
of which: Brazil	*3.4*	*0.2*	*0.5*	*3.1*	*3.1*
of which: Mexico	*3.5*	*2.3*	*3.5*	*2.8*	*2.8*
Middle East & North Africa	3.4	2.9	3.4	3.4	3.2
Sub-Saharan Africa	4.6	3.7	4.4	5.0	5.3
Russia, Central Asia and Southeast Europe***	4.1	0.9	-1.5	2.1	1.7
Emerging Market and Developing Economies	**6.2**	**4.7**	**4.4**	**4.5**	**3.7**
World Total	**3.7**	**3.2**	**3.3**	**3.3**	**2.7**

- Global GDP Growth Rates have declined from:
  - 3.7% in 2010-to-2013 to
  - 3.2% in 2014 and are expected to reach
  - 3.3% in 2015 through 2019.
- Global GDP Growth in the Emerging Market and Developing Economies is expected to trend downward over the next decade largely due to China's growth rate slowing from:
  - 8.8% in 2010-to-2013 down to
  - 3.9% in 2020-to-2025.

Key Take-Away: World GDP growth rates continue to show meaningfully positive trends albeit at slower rates than in the recent past.

Source: The Conference Board is a global, independent business membership and research association based in NYC.

U.S Labor Market Conditions

<u>U.S. Labor Markets Continue to Improve</u>: The U.S. Unemployment Rate has declined to 5.1% in August and September of 2015 after peaking at 10% in October of 2009.

Source: U.S. Department of Labor: Bureau of Labor Statistics

Historical Asset Class Returns and Key Economic Indicators

		Period Ended June 30, 2015			
Asset Class	**Benchmark**	**1-Year**	**3-Years**	**5-Years**	**10-Years**
Large Cap US Stocks	Russell 1000	7.37%	17.73%	17.58%	8.13%
Small Cap US Stocks	Russell 2000	6.49%	17.81%	17.08%	8.40%
Non-US Stocks (Developed)	MSCI EAFE	-4.22%	11.97%	9.54%	5.12%
Non-US Stocks (Emerging)	MSCI Emerging Markets	-4.77%	4.08%	4.03%	8.46%
US Bonds	Barclays Aggregate	1.86%	1.83%	3.35%	4.44%
High Yield Bonds	Barclays Corporate High Yield	-0.40%	6.81%	8.61%	7.89%
Non-US Debt	Citi Non-US World Govt	-13.49%	-3.88%	0.33%	2.63%
Inflation Protected	Barclays Global Inflation Linked	-4.23%	1.52%	4.65%	4.32%
Real Estate	NCREIF	12.98%	11.63%	12.72%	8.16%

Recent Quarterly Indicators	2Q15	1Q15	4Q14	3Q14	2Q14	1Q14	4Q13	3Q13
GDP Growth	2.7%	0.6%	2.1%	4.3%	4.6%	-0.9%	3.8%	3.0%
Unemployment Rate	5.3%	5.6%	5.7%	6.1%	6.2%	6.6%	7.0%	7.3%
CPI	0.1%	-0.1%	0.8%	1.7%	2.1%	1.5%	1.5%	1.2%
Consumer Sentiment	96.1	93.0	93.6	84.6	82.5	80.0	82.5	77.5

Overview: The capital markets performed far better in fiscal 2014 than fiscal 2015. This was largely a result of economic growth slowing in the international markets (including China, the world's second largest economy) and continued fears over Greece exiting the European Union in mid-June. In the U.S., stocks generated returns of over 6% in fiscal 2015 versus 24% in fiscal 2014, while Non-U.S. stocks declined by over 4% during the past fiscal year versus gains of over 20% in fiscal 2014. Similarly, U.S. Bonds increased less than 2% in fiscal 2015 versus a 4% gain in fiscal 2014, while Non-U.S. Bonds fell sharply by over 13% in fiscal 2015 versus a 9% gain in fiscal 2014. Real Estate performed well throughout increasing by nearly 13% in fiscal 2015 and 11% in fiscal 2014.

Asset Class Performance
Periods Ending June 30, 2015

- Emerging markets ranked 1st for the last quarter, up 0.8%, but fell 4.8% in the year
- S&P 500 gained 0.3% for the quarter and 7.4% for the trailing year
- Barclays Aggregate fell 1.7% for the quarter and gained 1.9% for the trailing year
- International equities (EAFE and EM) lagged domestic equities over every time period shown except the last quarter

Callan Periodic Table of Annualized Investment Returns

Periods Ending June 30, 2015

Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
MSCI:Emer Markets **0.8%**	S&P:500 **7.4%**	Russell:2000 Index **17.8%**	S&P:500 **17.3%**	MSCI:Emer Markets **8.5%**
MSCI:EAFE US$ **0.6%**	Russell:2000 Index **6.5%**	S&P:500 **17.3%**	Russell:2000 Index **17.1%**	Russell:2000 Index **8.4%**
Russell:2000 Index **0.4%**	Barclays:Aggregate Index **1.9%**	MSCI:EAFE US$ **12.0%**	MSCI:EAFE US$ **9.5%**	S&P:500 **7.9%**
S&P:500 **0.3%**	3 Month T-Bill **0.0%**	MSCI:Emer Markets **4.1%**	MSCI:Emer Markets **4.0%**	MSCI:EAFE US$ **5.1%**
3 Month T-Bill **0.0%**	MSCI:EAFE US$ **(4.2%)**	Barclays:Aggregate Index **1.8%**	Barclays:Aggregate Index **3.3%**	Barclays:Aggregate Index **4.4%**
Barclays:Aggregate Index **(1.7%)**	MSCI:Emer Markets **(4.8%)**	3 Month T-Bill **0.1%**	3 Month T-Bill **0.1%**	3 Month T-Bill **1.4%**

- **Current Year Update** – Equity markets declined sharply during the 3rd calendar quarter of 2015 but rebounded sharply in October of 2015 ➔

Equities were GREAT in October	3Q 2015	Oct. 2015
S&P 500	-7%	8%
MSCI All Country World Index	-10%	7%

Source: Callan.

Manager Level Performance Detail

SIB Update

November 19, 2015

Dave Hunter, Executive Director/CIO

Darren Schulz, Deputy Chief Investment Officer

ND Retirement & Investment Office (RIO)

State Investment Board (SIB)

PERS Main Plan Investment Manager Level Detail – June 30, 2015

	June-15			Current Fiscal YTD		Prior Year FY14		3 Years Ended 6/30/2015		5 Years Ended 6/30/2015	
		Allocation									
	Market Value	Actual	Policy	Gross (7)	Net	Gross (7)	Net	Gross	Net ROR	Gross	Net ROR
TOTAL FUND	**2,422,579,596**	**100.0%**	**100.0%**	**3.86%**	**3.53%**	**16.75%**	**16.38%**	**11.35%**	**11.00%**	**11.1%**	**10.6%**
POLICY TARGET BENCHMARK				*2.16%*	*2.16%*	*15.67%*	*15.67%*	*9.74%*	*9.74%*	*10.0%*	*10.0%*
TOTAL RELATIVE RETURN				1.71%	**1.38%**	1.08%	**0.71%**	1.61%	**1.26%**	1.0%	**0.6%**
GLOBAL EQUITIES	***1,389,496,590***	***57.4%***	***57.0%***	***3.58%***	***3.24%***	***22.29%***	***21.86%***	***14.70%***	***14.32%***		
Benchmark			*52.0%*	***1.54%***	***1.54%***	***21.92%***	***21.92%***	***13.42%***	***13.42%***		
Epoch (1)	165,905,663	6.8%	7.0%	8.58%	7.85%	18.24%	17.41%	15.77%	15.00%	14.20%	13.31%
LSV	216,980,529	9.0%	9.0%	1.94%	1.03%	27.77%	27.33%	N/A	N/A	N/A	N/A
Total Global Equities	**382,886,192**	**15.8%**	**16.0%**	**4.67%**	**3.83%**	**23.25%**	**22.65%**	**13.00%**	**12.57%**		
MSCI World				***1.43%***	***1.43%***	***24.05%***	***24.05%***	***14.27%***	***14.27%***		
Domestic - broad	***551,588,432***	***22.8%***	***21.5%***	***8.64%***	***8.46%***	***25.22%***	***24.85%***	***19.04%***	***18.76%***		
Benchmark				***7.26%***	***7.26%***	***25.02%***	***25.02%***	***17.81%***	***17.81%***		
Large Cap Domestic											
LA Capital	162,820,730	6.7%	6.6%	12.76%	12.52%	25.82%	25.56%	19.03%	18.79%	19.06%	18.84%
Russell 1000 Growth				***10.56%***	***10.56%***	***26.92%***	***26.92%***	***17.99%***	***17.99%***	***18.59%***	***18.59%***
LA Capital	105,453,132	4.4%	3.3%	8.26%	8.12%	24.42%	24.27%	17.89%	17.73%	17.86%	17.64%
Russell 1000				***7.37%***	***7.37%***	***25.36%***	***25.36%***	***17.73%***	***17.73%***	***17.58%***	***17.58%***
Northern Trust	64,586,244	2.7%	3.3%	6.26%	5.89%	26.83%	25.90%	18.57%	18.03%	18.27%	17.86%
Clifton	91,581,142	3.8%	3.3%	7.43%	7.41%	24.65%	24.65%	17.27%	17.26%	N/A	N/A
S&P 500				***7.42%***	***7.42%***	***24.61%***	***24.61%***	***17.31%***	***17.31%***	***17.34%***	***17.34%***
Total Large Cap Domestic	**424,441,247**	**17.5%**	**16.6%**	**9.48%**	**9.30%**	**25.21%**	**24.96%**	**19.06%**	**18.85%**	**17.97%**	**17.69%**
Russell 1000 (2)				***7.37%***	***7.37%***	***25.36%***	***25.36%***	***17.73%***	***17.73%***	***17.57%***	***17.57%***
Small Cap Domestic											
SEI	-	0.0%	0.0%	N/A	N/A	-90.87%	-90.87%	N/A	N/A	N/A	N/A
Callan (5)	62,904,655	2.6%	2.4%	3.98%	3.98%	25.27%	24.40%	18.49%	18.00%	17.77%	17.18%
Clifton	64,242,530	2.7%	2.4%	7.58%	7.17%	24.95%	24.29%	18.98%	18.44%	N/A	N/A
Total Small Cap Domestic	**127,147,185**	**5.2%**	**4.8%**	**5.77%**	**5.57%**	**25.13%**	**24.36%**	**18.85%**	**18.34%**	**18.02%**	**17.48%**
Russell 2000				***6.49%***	***6.49%***	***23.64%***	***23.64%***	***17.81%***	***17.81%***	***17.08%***	***17.08%***

PERS Website Link for Manager Level Performance http://www.nd.gov/rio/RIO_ref/performance/PERS/201506.pdf

PERS Main Plan Investment Manager Level Detail – June 30, 2015

	June-15			Current Fiscal YTD		Prior Year FY14		3 Years Ended 6/30/2015		5 Years Ended 6/30/2015	
		Allocation									
	Market Value	Actual	Policy	Gross (7)	Net	Gross (7)	Net	Gross	Net ROR	Gross	Net ROR
International - broad	***366,054,326***	***15.7%***	***14.5%***	***-2.53%***	***-2.71%***	***23.18%***	***22.73%***	***11.97%***	***11.53%***		
Benchmark				***-4.37%***	***-4.37%***	***21.37%***	***21.37%***	***10.02%***	***10.02%***		
Developed International											
Capital Group	69,502,214	3.0%	3.3%	-1.78%	-2.20%	21.31%	20.79%	13.07%	12.59%	9.84%	9.33%
MSCI EAFE (3)				***-4.22%***	***-4.22%***	***23.57%***	***23.57%***	***11.97%***	***11.97%***	***8.38%***	***8.38%***
NTGI	125,303,516	0.0%	5.5%	-4.98%	-5.01%	N/A	N/A	N/A	N/A	N/A	N/A
MSCI World Ex US				***-5.28%***	***-5.28%***						
DFA (5)	40,229,850	1.7%	1.1%	-3.27%	-3.27%	36.64%	35.75%	18.18%	17.71%	13.39%	12.81%
Wellington	45,739,181	2.0%	1.1%	0.53%	-0.31%	29.23%	28.18%	17.91%	16.99%	15.88%	14.97%
S&P/Citigroup BMI EPAC < $2BN				***1.14%***	***1.14%***	***26.39%***	***26.39%***	***14.70%***	***14.70%***	***11.08%***	***11.08%***
Total Developed International	**280,774,762**	**12.0%**	**11.1%**	**-3.10%**	**-3.34%**	**26.29%**	**25.89%**	**13.96%**	**13.52%**	**10.83%**	**10.38%**
MSCI EAFE (3)				***-4.22%***	***-4.22%***	***23.57%***	***23.57%***	***11.97%***	***11.97%***	***8.38%***	***8.38%***
Emerging Markets											
Axiom	65,128,801	2.8%	2.6%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
DFA (5)	20,150,763	0.9%	0.9%	-1.73%	-1.73%	16.64%	15.89%	7.76%	7.30%	6.78%	6.17%
Total Emerging Markets	**85,279,564**	**3.7%**	**3.5%**	**-0.86%**	**-0.88%**	**12.68%**	**12.13%**	**5.31%**	**4.89%**	**6.29%**	**5.75%**
MSCI Emerging Markets				***-5.13%***	***-5.13%***	***14.31%***	***14.31%***	***3.71%***	***3.71%***	***3.75%***	***3.75%***
Private Equity (under $2 million not listed here)											
Total Brinson Partnership Funds	-	0.0%		-7.11%	-7.11%	16.10%	16.10%	5.43%	5.43%	9.40%	9.40%
Total Brinson Non-US Partnership Fund	-	0.0%		-4.47%	-4.47%	15.80%	15.80%	7.77%	7.77%	10.67%	10.67%
Adams Street 2008 Non-US Partnership Fd	-	0.0%		7.59%	7.59%	18.99%	18.99%	12.28%	12.28%	10.86%	10.86%
Adams Street Direct Co-investment Fund	-	0.0%		22.50%	22.23%	18.68%	17.97%	17.56%	17.24%	16.40%	16.21%
Adams Street 2010 Partnership Fund	-	0.0%		18.37%	18.37%	16.95%	16.95%	15.16%	15.16%	16.38%	16.38%
Total Adams Street 2010 Funds	-	0.0%		10.63%	10.63%	18.49%	18.49%	12.38%	12.38%	11.70%	11.70%
Matlin Patterson Global Opportunities III	-	0.0%		-2.43%	-2.43%	4.46%	4.46%	8.43%	8.43%	23.76%	23.76%
L&C II	-	0.0%		-14.35%	-14.35%	-7.13%	-7.13%	-8.65%	N/A	-7.39%	N/A
Corsair III	-	0.0%		-8.84%	-8.84%	0.28%	0.28%	-6.62%	-6.62%	-2.80%	-3.01%
Corsair III - ND Investors LLC	-	0.0%		-5.27%	-5.27%	-1.11%	-1.11%	0.45%	0.45%	1.21%	1.16%
Corsair IV	-	0.0%		29.73%	29.73%	15.69%	15.69%	17.74%	17.74%	5.16%	5.04%
Capital International (CIPEF V)	-	0.0%		-13.33%	-13.33%	10.66%	10.66%	-4.79%	-4.79%	3.06%	3.06%
Capital International (CIPEF VI)	-	0.0%		-21.71%	-21.71%	-5.75%	-5.75%	-16.95%	-16.95%	N/A	N/A
EIG (formerly TCW)	-	0.0%		-23.62%	-23.62%	-5.04%	-5.04%	-10.04%	-10.04%	-2.51%	-2.51%
Quantum Energy Partners	-	0.0%		-19.31%	-19.31%	31.13%	31.13%	7.92%	7.92%	14.64%	14.64%
Total Private Equity (5)	**-**	**0.0%**	**5.0%**	**-5.37%**	**-5.39%**	**4.05%**	**4.02%**	**1.66%**	**1.64%**	**4.89%**	**4.88%**

PERS Main Plan Investment Manager Level Detail – June 30, 2015

	June-15	Allocation		Current Fiscal YTD		Prior Year FY14		3 Years Ended 6/30/2015		5 Years Ended 6/30/2015	
	Market Value	Actual	Policy	Gross (7)	Net	Gross (7)	Net	Gross	Net ROR	Gross	Net ROR
GLOBAL FIXED INCOME	***560,362,966***	***24.0%***	***22.0%***	***0.65%***	***0.40%***	***8.03%***	***7.80%***	***4.82%***	***4.58%***		
Benchmark				***-2.22%***	***-2.22%***	***7.16%***	***7.16%***	***1.89%***	***1.89%***		
Domestic Fixed Income	***442,737,584***	***19.0%***	***17.0%***	***3.40%***	***3.17%***	***7.88%***	***7.67%***	***6.25%***	***6.05%***		
Benchmark				***1.21%***	***1.21%***	***6.50%***	***6.50%***	***3.28%***	***3.28%***		
Investment Grade Fixed Income											
PIMCO (DiSCO II) (5)	41,031,162	1.8%	1.8%	4.32%	4.32%	12.00%	12.00%	15.85%	15.85%	N/A	N/A
BC Aggregate				***1.85%***	***1.85%***	***4.37%***	***4.37%***	***1.82%***	***1.82%***		
State Street	41,302,571	1.8%	1.2%	6.31%	6.28%	6.23%	6.20%	N/A	N/A	N/A	N/A
BC Long Treasuries				***6.32%***	***6.32%***	***6.26%***	***6.26%***				
PIMCO Unconstrained	44,339,069	1.9%	1.6%	1.34%	0.93%	N/A	N/A	N/A	N/A	N/A	N/A
3m LIBOR				***0.26%***	***0.26%***	***0.24%***	***0.24%***				
Declaration (Total Return) (5)	39,458,506	1.7%	1.4%	3.63%	3.63%	6.71%	6.71%	6.04%	6.04%	N/A	N/A
3m LIBOR				***0.26%***	***0.26%***	***0.24%***	***0.24%***	***0.28%***	***0.28%***		
Western Asset	-	0.0%	0.0%	N/A	N/A	4.73%	4.56%	N/A	N/A	N/A	N/A
JP Morgan	58,073,938	2.5%	2.4%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
PIMCO	83,690,070	3.6%	3.6%	2.33%	2.15%	4.06%	3.88%	1.96%	1.79%	N/A	N/A
BC Mortgage Backed Securities Index				***2.28%***	***2.28%***	***4.66%***	***4.66%***	***1.92%***	***1.92%***		
Total Investment Grade Fixed Income	**307,895,316**	**13.2%**	**12.0%**	**3.66%**	**3.53%**	**5.64%**	**5.55%**	**4.81%**	**4.70%**	**5.37%**	**5.20%**
BC Aggregate				***1.85%***	***1.85%***	***4.37%***	***4.37%***	***1.82%***	***1.82%***	***3.35%***	***3.35%***
Below Investment Grade Fixed Income											
Loomis Sayles	114,342,715	4.9%	4.1%	1.33%	0.83%	13.27%	12.72%	8.97%	8.46%	9.68%	9.17%
PIMCO (BRAVO II) (5)	17,746,191	0.8%	0.8%	10.36%	10.36%	N/A	N/A	N/A	N/A	N/A	N/A
Goldman Sachs 2006 Fund (5)	782,376	0.0%	0.0%	25.65%	25.65%	25.57%	25.57%	23.19%	23.19%	14.06%	14.06%
Goldman Sachs Fund V (5)	1,970,986	0.1%	0.1%	14.43%	14.43%	10.04%	10.04%	13.82%	13.82%	14.45%	14.45%
Total Below Investment Grade Fixed Incom	**134,842,268**	**5.8%**	**5.0%**	**2.53%**	**2.09%**	**13.51%**	**13.01%**	**9.91%**	**9.45%**	**10.18%**	**9.76%**
BC High Yield 2% Issuer Constrained Index				***-0.39%***	***-0.39%***	***11.72%***	***11.72%***	***6.81%***	***6.81%***	***8.58%***	***8.58%***
International Fixed Income	**117,625,382**	**5.0%**	**5.0%**	***-9.37%***	***-9.73%***	***8.58%***	***8.25%***	***-0.26%***	***-0.61%***		
Benchmark				***-13.19%***	***-13.19%***	***9.43%***	***9.43%***	***-2.83%***	***-2.83%***		
Developed Investment Grade Int'l FI											
UBS Global (Brinson)	50,837,330	2.2%	2.5%	-13.46%	-13.82%	8.49%	8.26%	-3.22%	-3.52%	0.89%	0.59%
BC Global Aggregate ex-US (4)				***-13.19%***	***-13.19%***	***9.43%***	***9.43%***	***-2.83%***	***-2.83%***	***1.02%***	***1.02%***
Brandywine	66,788,052	2.9%	2.5%	-5.38%	-5.74%	8.78%	8.34%	2.62%	2.22%	6.47%	6.06%
BC Global Aggregate (ex-US)				***-7.10%***	***-7.10%***	***7.39%***	***7.39%***	***-0.81%***	***-0.81%***	***2.07%***	***2.07%***
Total Developed Investment Grade Int'l FI	**117,625,382**	**5.0%**	**5.0%**	**-9.37%**	**-9.73%**	**8.58%**	**8.25%**	**-0.26%**	**-0.61%**	**3.75%**	**3.39%**
BC Global Aggregate ex-US				***-13.19%***	***-13.19%***	***9.43%***	***9.43%***	***-2.83%***	***-2.83%***	***1.02%***	***1.02%***

PERS Main Plan Investment Manager Level Detail – June 30, 2015

	June-15			Current Fiscal YTD		Prior Year FY14		3 Years Ended 6/30/2015		5 Years Ended 6/30/2015	
		Allocation									
	Market Value	Actual	Policy	Gross (7)	Net	Gross (7)	Net	Gross	Net ROR	Gross	Net ROR
GLOBAL REAL ASSETS	***432,543,163***	***18.5%***	***20.0%***	***9.48%***	***9.07%***	***11.40%***	***10.99%***	***9.70%***	***9.30%***		
Benchmark				***8.78%***	***8.78%***	***8.55%***	***8.55%***	***8.47%***	***8.47%***		
Global Real Estate											
INVESCO - Core	92,569,512			16.38%	15.97%	10.91%	10.48%	13.53%	13.07%	14.95%	14.50%
INVESCO - Fund II (5)	9,102,044			6.23%	6.23%	14.49%	14.49%	14.50%	14.50%	24.83%	24.83%
INVESCO - Fund III (5)	16,278,288			18.70%	18.70%	18.28%	18.28%	17.92%	17.92%	N/A	N/A
INVESCO - Fund IV (6)	11,970,538			N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
INVESCO - Asia Real Estate Fund (5)	5,451,534			16.19%	16.19%	15.25%	15.25%	8.12%	8.12%	3.24%	3.24%
J.P. Morgan Strategic & Special Funds	84,200,014			14.71%	13.64%	15.10%	14.04%	14.81%	13.78%	15.68%	14.67%
J.P. Morgan Greater Europe Fund (5)	12,819,248			16.90%	16.90%	66.58%	66.58%	0.01%	0.01%	N/A	N/A
J.P. Morgan Greater China Property Fund (5)	5,006,913			16.74%	16.74%	70.53%	70.53%	23.88%	23.88%	16.34%	16.34%
Total Global Real Estate	**237,577,808**	**10.2%**	**10.0%**	**15.79%**	**15.25%**	**16.77%**	**16.24%**	**14.51%**	**13.99%**	**16.05%**	**15.52%**
NCREIF TOTAL INDEX				***12.98%***	***12.98%***	***11.21%***	***11.21%***	***11.63%***	***11.63%***	***12.72%***	***12.72%***
Timber											
TIR - Teredo	30,759,068	1.3%		15.52%	15.52%	6.64%	6.64%	9.18%	9.18%	6.18%	6.18%
TIR - Springbank	58,848,669	2.5%		-1.98%	-1.98%	0.22%	0.22%	-1.41%	-1.41%	-2.17%	-2.17%
Total Timber (5)	**89,607,737**	**3.8%**	**5.0%**	**3.94%**	**3.94%**	**2.62%**	**2.62%**	**2.37%**	**2.37%**		
NCREIF Timberland Index				***10.02%***	***10.02%***	***9.94%***	***9.94%***	***9.77%***	***9.77%***	***6.10%***	***6.10%***
Infrastructure											
JP Morgan (Asian) (5)	15,480,248	0.7%		-2.58%	-2.58%	3.71%	3.71%	7.80%	7.80%	4.26%	4.26%
JP Morgan (IIF)	69,367,921	3.0%		1.06%	0.23%	9.82%	8.81%	7.08%	6.12%	6.59%	5.44%
Grosvenor (formerly Credit Suisse) (5)	19,735,393	0.8%		5.37%	5.37%	12.90%	12.90%	9.19%	9.19%	N/A	N/A
Total Infrastructure	**105,357,618**	**4.5%**	**5.0%**	**1.23%**	**0.72%**	**9.50%**	**8.83%**	**7.58%**	**6.95%**		
CPI				***-0.38%***	***-0.38%***	***2.05%***	***2.05%***	***1.13%***	***1.13%***		
Northern Trust STIF	40,176,878			0.06%	0.06%	0.04%	0.04%	0.07%	0.07%	0.09%	0.09%
90 Day T-Bill				***0.02%***	***0.02%***	***0.06%***	***0.06%***	***0.06%***	***0.06%***	***0.08%***	***0.08%***

PERS Website Link for Manager Level Performance http://www.nd.gov/rio/RIO_ref/performance/PERS/201506.pdf

Job Service Manager Level Detail – June 30, 2015

	June-15 Market Value	Allocation Actual	Allocation Policy	Current Fiscal YTD Gross(5)	Current Fiscal YTD Net	Prior Year FY14 Gross(5)	Prior Year FY14 Net	3 Years Ended 6/30/2015 Gross(5)	3 Years Ended 6/30/2015 Net	5 Years Ended 6/30/2015 Gross(5)	5 Years Ended 6/30/2015 Net
TOTAL FUND	**96,392,560**	**100.0%**	**100.0%**	**3.59%**	**3.30%**	**13.82%**	**13.54%**	**9.69%**	**9.42%**	**9.78%**	**9.47%**
POLICY TARGET BENCHMARK				*1.59%*	*1.59%*	*13.02%*	*13.02%*	*7.38%*	*7.38%*	*8.33%*	*8.33%*
TOTAL RELATIVE RETURN				**2.00%**	**1.71%**	**0.80%**	**0.52%**	**2.31%**	**2.04%**	**1.45%**	**1.14%**
GLOBAL EQUITIES	***37,791,173***	***39.2%***	***40.0%***	***5.43%***	***4.98%***	***24.66%***	***24.19%***	***16.88%***	***16.45%***		
Benchmark			*40.0%*	***3.45%***	***3.45%***	***24.48%***	***24.48%***	***15.56%***	***15.56%***		
Epoch (1)	6,528,237	6.8%	7.0%	8.58%	7.85%	18.24%	17.41%	15.77%	15.00%	14.20%	13.31%
LSV	8,537,986	8.9%	9.0%	1.94%	1.03%	27.77%	27.33%	N/A	N/A	N/A	N/A
Total Global Equities	**15,066,223**	**15.6%**	**16.0%**	**4.67%**	**3.82%**	**23.32%**	**22.72%**	**14.75%**	**14.01%**		
MSCI World				***1.43%***	***1.43%***	***24.05%***	***24.05%***	***14.27%***	***14.27%***		
Domestic - broad	***22,724,950***	***23.6%***	***24.0%***	***8.79%***	***8.60%***	***25.34%***	***24.96%***	***19.08%***	***18.80%***		
Benchmark				***7.33%***	***7.33%***	***25.07%***	***25.07%***	***17.82%***	***17.82%***		
Large Cap Domestic											
LA Capital	6,890,322	7.1%	7.6%	12.76%	12.52%	25.82%	25.56%	19.03%	18.79%	19.06%	18.84%
Russell 1000 Growth				***10.56%***	***10.56%***	***26.92%***	***26.92%***	***17.99%***	***17.99%***	***18.59%***	***18.59%***
LA Capital	4,462,614	4.6%	3.8%	8.26%	8.12%	24.42%	24.27%	17.89%	17.73%	17.86%	17.64%
Russell 1000				***7.37%***	***7.37%***	***25.36%***	***25.36%***	***17.73%***	***17.73%***	***17.58%***	***17.58%***
Northern Trust	2,733,190	2.8%	3.8%	6.26%	5.89%	26.83%	25.90%	18.57%	18.03%	18.27%	17.86%
Clifton	3,875,573	4.0%	3.8%	7.43%	7.41%	24.65%	24.65%	17.27%	17.26%	N/A	N/A
S&P 500				***7.42%***	***7.42%***	***24.61%***	***24.61%***	***17.31%***	***17.31%***	***17.34%***	***17.34%***
Total Large Cap Domestic	**17,961,699**	**18.6%**	**19.0%**	**9.48%**	**9.30%**	**25.32%**	**25.04%**	**19.10%**	**18.88%**	**17.99%**	**17.70%**
Russell 1000 (2)				***7.37%***	***7.37%***	***25.36%***	***25.36%***	***17.73%***	***17.73%***	***17.57%***	***17.57%***
Small Cap Domestic											
Callan (5)	2,356,565	2.4%	2.5%	3.98%	3.98%	25.27%	24.40%	18.49%	18.00%	17.77%	17.18%
Clifton	2,406,686	2.5%	2.5%	7.58%	7.17%	24.95%	24.29%	18.98%	18.44%	N/A	N/A
Total Small Cap Domestic	**4,763,251**	**4.9%**	**5.0%**	**5.77%**	**5.57%**	**25.17%**	**24.40%**	**18.87%**	**18.35%**	**18.03%**	**17.49%**
Russell 2000				***6.49%***	***6.49%***	***23.64%***	***23.64%***	***17.81%***	***17.81%***	***17.08%***	***17.08%***

Job Service Manager Level Performance Link http://www.nd.gov/rio/RIO_ref/performance/JobService/201506.pdf

Job Service Manager Level Detail – June 30, 2015

	June-15			Current Fiscal YTD		Prior Year FY14		3 Years Ended 6/30/2015		5 Years Ended 6/30/2015	
		Allocation									
	Market Value	Actual	Policy	Gross (5)	Net	Gross (5)	Net	Gross (5)	Net	Gross (5)	Net
GLOBAL FIXED INCOME	***58,038,609***	***60.2%***	***60.0%***	***2.25%***	***2.06%***	***6.90%***	***6.73%***	***4.99%***	***4.82%***		
Benchmark				***0.23%***	***0.23%***	***5.75%***	***5.75%***	***2.10%***	***2.10%***		
Domestic Fixed Income	***55,220,390***	***57.3%***	***57.0%***	***3.13%***	***2.97%***	***6.76%***	***6.61%***	***5.40%***	***5.25%***		
Benchmark				***1.47%***	***1.47%***	***5.42%***	***5.42%***	***2.52%***	***2.52%***		
Investment Grade Fixed Income											
PIMCO (DiSCO II) (5)	6,980,857	7.2%	7.2%	4.32%	4.32%	12.00%	12.00%	15.85%	15.85%	N/A	N/A
BC Aggregate				***1.85%***	***1.85%***	***4.37%***	***4.37%***	***1.82%***	***1.82%***		
State Street	7,027,033	7.3%	5.4%	6.31%	6.28%	6.23%	6.20%	N/A	N/A	N/A	N/A
BC Long Treasuries				***6.32%***	***6.32%***	***6.26%***	***6.26%***				
PIMCO Unconstrained	7,543,649	7.8%	10.1%	1.34%	0.93%	N/A	N/A	N/A	N/A	N/A	N/A
3m LIBOR				***0.26%***	***0.26%***	***0.24%***	***0.24%***				
Declaration (Total Return) (5)	6,713,292	7.0%	5.6%	3.63%	3.63%	6.71%	6.71%	6.04%	6.04%	N/A	N/A
3m LIBOR				***0.26%***	***0.26%***	***0.24%***	***0.24%***	***0.28%***	***0.28%***		
Western Asset	-	0.0%	0.0%	N/A	N/A	4.73%	4.56%	N/A	N/A	N/A	N/A
JP Morgan	9,880,438	10.3%	9.4%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
PIMCO	14,238,651	14.8%	16.2%	2.33%	2.15%	4.06%	3.88%	1.96%	1.79%	N/A	N/A
BC Mortgage Backed Securities Index				***2.28%***	***2.28%***	***4.66%***	***4.66%***	***1.92%***	***1.92%***		
Total Investment Grade Fixed Income	**52,383,921**	**54.3%**	**54.0%**	**3.67%**	**3.54%**	**5.63%**	**5.54%**	**4.81%**	**4.70%**	**5.63%**	**5.43%**
BC Aggregate				***1.85%***	***1.85%***	***4.37%***	***4.37%***	***1.82%***	***1.82%***	***3.35%***	***3.35%***
Below Investment Grade Fixed Income											
Loomis Sayles	2,405,252	2.5%	2.6%	1.33%	0.83%	13.27%	12.72%	8.97%	8.46%	9.68%	9.17%
PIMCO (BRAVO II) (5)	373,299	0.4%	0.4%	10.36%	10.36%	N/A	N/A	N/A	N/A	N/A	N/A
Goldman Sachs 2006 Fund (5)	16,458	0.0%	0.0%	25.65%	25.65%	25.57%	25.57%	23.19%	23.19%	14.06%	14.06%
Goldman Sachs Fund V (5)	41,461	0.0%	0.0%	14.43%	14.43%	10.04%	10.04%	13.82%	13.82%	14.45%	14.45%
Total Below Investment Grade Fixed Incon	**2,836,469**	**2.9%**	**3.0%**	**2.54%**	**2.10%**	**13.51%**	**13.01%**	**9.92%**	**9.45%**	**10.19%**	**9.76%**
BC High Yield 2% Issuer Constrained Index				***-0.39%***	***-0.39%***	***11.72%***	***11.72%***	***6.81%***	***6.81%***	***8.58%***	***8.58%***
International Fixed Income	***2,818,218***	**2.9%**	**3.0%**	***-9.37%***	***-9.73%***	***8.57%***	***8.23%***	***-0.26%***	***-0.61%***		
Benchmark				***-13.19%***	***-13.19%***	***9.43%***	***9.43%***	***-2.83%***	***-2.83%***		
Developed Investment Grade Int'l FI											
UBS Global (Brinson)	1,218,025	1.3%	1.5%	-13.46%	-13.82%	8.49%	8.26%	-3.22%	-3.52%	0.89%	0.59%
BC Global Aggregate ex-US (4)				***-13.19%***	***-13.19%***	***9.43%***	***9.43%***	***-2.83%***	***-2.83%***	***1.02%***	***1.02%***
Brandywine	1,600,193	1.7%	1.5%	-5.38%	-5.74%	8.78%	8.34%	2.62%	2.22%	6.47%	6.06%
BC Global Aggregate (ex-US)				***-7.10%***	***-7.10%***	***7.39%***	***7.39%***	***-0.81%***	***-0.81%***	***2.07%***	***2.07%***
Total Developed Investment Grade Int'l FI	**2,818,218**	**2.9%**	**3.0%**	**-9.37%**	**-9.73%**	**8.57%**	**8.23%**	**-0.26%**	**-0.61%**	**3.74%**	**3.39%**
BC Global Aggregate ex-US				***-13.19%***	***-13.19%***	***9.43%***	***9.43%***	***-2.83%***	***-2.83%***	***1.02%***	***1.02%***
Cash Equivalents											
Northern Trust STIF	562,778			0.06%	0.06%	0.04%	0.04%	0.07%	0.07%	0.09%	0.09%
Total Cash Equivalents	**562,778**	**0.6%**	**0.0%**	**0.06%**	**0.06%**	**0.04%**	**0.04%**	**0.07%**	**0.07%**	**0.10%**	**0.10%**
90 Day T-Bill				***0.02%***	***0.02%***	***0.06%***	***0.06%***	***0.06%***	***0.06%***	***0.08%***	***0.08%***

Job Service Manager Level Performance Link http://www.nd.gov/rio/RIO_ref/performance/JobService/201506.pdf

Retiree Health & Group Insurance Manager Detail – June 30, 2015

	June-15			Current FYTD Returns		Prior Year FY14 Returns		3 Years Ended 6/30/2015		5 Years Ended 6/30/2015	
	Market Value	Allocation Actual	Allocation Policy	Gross	Net	Gross	Net	Gross	Net	Gross	Net
PERS RETIREE HEALTH CREDIT FUND											
TOTAL PERS RETIREE HEALTH	***97,671,059***	***100.0%***	***100.0%***	**3.50%**	**3.06%**	**16.93%**	**16.53%**	**11.71%**	**11.30%**	**11.87%**	**11.47%**
POLICY TARGET BENCHMARK				*3.57%*	*3.57%*	*16.33%*	*16.33%*	*10.51%*	*10.51%*	*10.85%*	*10.85%*
Large Cap Domestic Equity											
SEI Large Cap Index Fund	**35,760,181**	**36.6%**	**37.0%**	**7.38%**	**6.92%**	**25.32%**	**24.89%**	**18.26%**	**17.83%**	**17.91%**	**17.48%**
Russell 1000				*7.37%*	*7.37%*	*25.36%*	*25.36%*	*17.73%*	*17.73%*	*17.58%*	*17.58%*
Small Cap Domestic Equity											
SEI Small Cap Fund	**9,455,637**	**9.7%**	**9.0%**	**5.99%**	**5.54%**	**24.20%**	**23.77%**	**18.08%**	**17.64%**	**16.47%**	**16.05%**
Russell 2000				*6.49%*	*6.49%*	*23.64%*	*23.64%*	*17.81%*	*17.81%*	*17.08%*	*17.08%*
International Equity											
SEI World Equity Ex US	**13,908,709**	**14.2%**	**14.0%**	**-3.02%**	**-3.43%**	**21.85%**	**21.43%**	**12.75%**	**12.33%**	**10.35%**	**9.95%**
MSCI EAFE				*-4.22%*	*-4.22%*	*23.57%*	*23.57%*	*11.97%*	*11.97%*	*9.54%*	*9.54%*
Core Plus Fixed Income											
SEI Core Fixed Income Fund	30,773,869	31.5%		2.61%	2.17%	5.38%	5.02%	3.63%	3.24%	5.16%	4.77%
SEI Emerging Markets Debt Fund	3,818,569	3.9%		-7.91%	-8.31%	6.73%	6.36%	1.87%	1.48%	5.65%	5.26%
SEI High Yield Bond Fund	3,875,059	4.0%		0.76%	0.33%	11.15%	10.77%	8.45%	8.05%	10.10%	9.70%
Total Core Plus Fixed Income	**38,467,497**	**39.4%**	**40.0%**	**1.45%**	**1.02%**	**6.10%**	**5.73%**	**4.01%**	**3.62%**	**5.77%**	**5.38%**
BC Aggregate				*1.85%*	*1.85%*	*4.37%*	*4.37%*	*1.82%*	*1.82%*	*3.35%*	*3.35%*
Cash											
Northern Trust STIF	**79,035**	**0.1%**	**0.0%**	**0.01%**	**0.01%**	**0.01%**	**0.01%**	**0.07%**	**0.07%**	**0.11%**	**0.11%**
90 Day T-Bills				*0.02%*	*0.02%*	*0.06%*	*0.06%*	*0.06%*	*0.06%*	*0.08%*	*0.08%*
PERS GROUP INSURANCE											
Cash Equivalents											
Northern Trust	39,653,686			0.01%	0.01%	0.01%	0.01%	N/A	N/A	N/A	N/A
TOTAL CASH EQUIVALENTS	***39,653,686***	***100.0%***	***100.0%***	***0.01%***	***0.01%***	***0.01%***	***0.01%***	***0.10%***	***0.10%***	***0.17%***	***0.17%***
90 Day T-Bill				*0.02%*	*0.02%*	*0.06%*	*0.06%*	*0.06%*	*0.06%*	*0.08%*	*0.08%*

NOTE: Monthly returns and market values are preliminary and subject to change.

Other PERS Manager Performance Link http://www.nd.gov/rio/RIO_ref/performance/othernonpension/201506.pdf

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Memorandum

TO: PERS Board

FROM: Sparb

DATE: November 10, 2015

SUBJECT: Health Insurance Reserve Fund

In the last several months we have been discussing with David Hunter the possible options for the investment of the health insurance reserve fund. With the conclusion of the session, we know that the fund will not be needed until 2017. We also know that with the decision to go fully insured, we will not need the fund to cash flow existing claims. With this in mind, we asked David to review some options that would preserve the principal but be able to provide a slightly higher return due to the longer horizon. He will review those options with you at the next meeting.

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Sparb Collins
Executive Director
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FAX: (701) 328-3920 ● EMAIL: NDPERS-info@nd.gov ● www.nd.gov/ndpers

Memorandum

TO: PERS Board

FROM: Sparb

DATE: November 9, 2015

SUBJECT: Asset Liability Study

At the last meeting you directed staff to move forward with soliciting proposals for an asset liability study. As we discussed at the time NDCC 21-10-02.1 states that:

> *The asset allocation and any subsequent allocation changes for each fund must be approved by the governing body of that fund and the state investment board. <u>The governing body of each fund shall use the staff and consultants of the retirement and investment office in developing asset allocation and investment policies</u>*

Presently those consultants that work for the SIB who do this type of work are: Segal, Callan and SEI (although SEI is employed as a money manager by the SIB but they have done this work in the past). Attachment #1 is a copy of the request for proposal that was sent to those firms. We will have a proposal from those that elect to respond for your review at the December 17 meeting. We will prepare a summary of each proposal for your consideration. In addition we can also provide time for each of the firms to discuss their proposal with you at that meeting. If you would like to have a presentation and since it is December we could do this by phone and allow each about 10-15 minutes with another 10-15 minutes for questions. **Staff is seeking your direction concerning having interviews with those responding and if so if those could be done by telephone?**

Mr. David Hunter will be at the meeting and I have asked him to provide you some thoughts on doing an asset allocation study including the significance of the long term return assumptions used by the consultant.

TO: PERS Board

FROM: Dave Hunter, NDRIO

DATE: November 3, 2015

SUBJECT: SEI, Segal Rogerscasey ("Segal") and Callan Associates ("Callan")

RIO Overview:

SEI, Segal and Callan are highly qualified to provide an asset liability study to PERS. Segal likely possesses greater qualifications on the liability side, while Callan has a distinctly greater presence and reputation on the asset side of the equation. SEI likely has greater qualifications on the liability side than Callan and a distinctly greater presence and reputation on the asset management side than Segal. Segal and SEI's capital market assumptions are expected to be more optimistic than Callan as a result of using a longer term investment horizon of 20 years or "equilibrium capital market assumptions" (rather than forecasts for 10 years). RIO truly believes that each firm will meet, if not exceed expectations, of RIO and PERS without exception.

Callan is one of the leading, if not the industry leader, for providing investment consulting services for public pension plans with 125 clients and $1.6 trillion in public defined benefits plan assets under consultant management. SEI maintains fiduciary management relationships with approximately 25 public sector pension clients with approximately $2.5 billion of assets under management and has completed hundreds of asset liability studies over the past three-years for their over 300 defined benefit clients. In contrast, Segal maintains relationships with approximately 30 public sector pension clients with significantly lower assets under management, but has completed 10 asset liability studies over the past three-years. Our prior professional relationship with each of these firms is exemplary which also provides a great deal of reassurance.

In support of Callan, SEI Segal, I must admit that I have found each of their teams to be extremely easy to work with and open to opposing views and opinions, while conducting their services in a highly diligent yet accommodative manner. RIO would be honored to work with anyone of these three firms and fully support PERS decision to consider SEI, Callan or Segal without any reservation whatsoever.

The North Dakota Public Employees Retirement System (NDPERS) Board is considering performing an Asset Liability Study for its retirement plan. NDPERS just completed an Experience Study and updated the economic and demographic assumptions. To follow-up on this the NDPERS Board would like to conduct an Asset Liability Study to update its asset allocation. Under ND state law, such studies can only be done by consultants of the ND Retirement & Investment Office. As one of those consultants I am writing you to ask for a proposal from your firm to undertake such a study.

Here are the specifics for the study and the timeline of the proposal process:

Asset Liability Study

The North Dakota Public Employees Retirement System is seeking a fixed fee bid to conduct an asset liability study for the main retirement system. For NDPERS this effort will also include the Retiree Health Insurance Credit program. This study will be conducted for NDPERS starting on or before February 1st, 2016. The proposed study shall provide for the complete integration of the actuarial and investment components. The study shall also provide for an evaluation of the effectiveness of current asset allocation on funding levels and investment risk. In addition, the study shall determine the likelihood of NDPERS achieving their desired benefit levels with no change in contribution rates while maintaining or improving their funded status.

Asset Liability Study Proposal

a. Describe your approach to asset liability modeling.

b. Provide a detailed description of the capabilities of your computerized modeling, actuarial system, and data security.

c. Who will conduct the liability projections?

d. Who will conduct the estimate of future contributions?

e. How many asset classes can your model include?

f. What is the definition of risk in your study?

g. How are the economic assumptions developed and by whom?

h. Provide a step by step work plan/timeline from initial meetings and receipt of data, to final report distribution and presentation to the Boards.

i. Provide at least three client references.

j. Provide asset class return assumptions.

k. Provide a sample report.

l. Provide a fixed fee cost proposal (Travel, if required will be paid separately).

Any questions should be submitted to Bryan Reinhardt, NDPERS at breinhar@nd.gov by 5:00 pm Central Friday November 18th, 2015.

Proposals are due 5:00 pm Central December 4th, 2015 in the NDPERS office by email to breinhar@nd.gov or by mail to: Bryan Reinhardt, NDPERS, 400 E Bdwy, Suite 505, PO Box 1657, Bismarck, ND 58502. The NDPERS Board may require an interview at its December 17th, 2015 meeting.

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Memorandum

TO: **NDPERS Board**

FROM: **Kathy**

DATE: **November 10, 2015**

SUBJECT: **IRS Cycle E Filing Update**

The Segal Company is in the process of completing the materials for the Cycle E filling. On November 10 Segal requested staff assistance in providing them with a copy of all amendments to the plan since our last determination letter was filed in 2009, a copy of the Administrative Code section that is being amended to add the actuarial equivalent definition, and the number of employers participating in the plan. Staff is responding to this request and we expect to have all materials available for the December Board meeting.

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Memorandum

TO: **NDPERS Board**

FROM: **MaryJo**

DATE: **November 10, 2015**

SUBJECT: **DC to DB Implementation**

With the implementation of the NDPERS Defined Contribution (DC) plan 3-month special election period beginning November 1, 2015, NDPERS scheduled 4 informational meetings. Each of the dates were well attended with 25 members at the capitol, 45 at the morning WSI session, and 39 at the afternoon WSI session. One more informational meeting is scheduled for Friday, November 13 at 8:30 am at the State Capitol. Currently for the month of November, 74 on-site one-on-one counseling sessions are scheduled at WSI and 32 on-site one-on-one counseling sessions are scheduled at the capitol to assist eligible members. TIAA-CREF financial consultant, Denise Bares, is also available for online scheduled appointments at both locations.

Staff training at NDPERS was conducted to review the counseling and transfer process details. As election forms are received, NDPERS will notify the member and employer of the DC to DB transfer election. All DC members receive a confirmation that the election form has been received and will be processed accordingly. As of today, 7 DC elections have been received. A second reminder will be sent to members December 10 to follow up with those that have not yet made an election by this date.

Staff will work with each employer directly to inform authorized agents of the 2% employee assessment and the process for reporting these additional contributions to NDPERS. Employer paperwork will be required from each agency with an eligible DC member verifying how the assessment will be applied to payroll. Employers will confirm if the additional 2% assessment will be employee paid through a pre-tax salary reduction agreement or paid after-tax or will be a combination of both.

The DC to DB election timeline is as follows:

Description of Task	Estimated Date	Date Completed
Mail notification letter for election window	June 15	June 9
Review with Jan	August 15	August 12
Determine data requirements /TIAA-CREF	August 20	August 20
Clarify legal requirements – eligibility of specific DC member	August 28	August 28

TIAA-CREF paperwork required for transfer	September 2	September 2
Draft Introductory Letter	September 10	September 2
Testing for system generated estimates / annual statements	Sep	October 7
Revised Plan Highlights DB/DC Comparison	N/A	
TIAA-CREF rollover / paperwork details	October 6	October 6
Finalize Introductory Letter	N/A	N/A
Board Action : specific DC member eligibility	September 24	September 24
Timeline presented to Board	September 24	September 24
Mail Introductory letter outlining timeline and election window	N/A	N/A
Train staff on benefit estimates / SB 2015 provisions	October 9	October 9
Finalize Benefit Specific Letter and Election Form for DC to DB transfer	October 9	October 7
Schedule On-site visits with TIAA-CREF	October 6	October 6
Confirm joint process with TIAA-CREF	October 6	October 6
Update PERSLink	Nov - Jan	Ongoing
Update PeopleSoft	Nov - Jan	Ongoing
Mail Member specific Calculated Benefit letter outlining transfer process, plan comparisons	October 9	October 14
Respond to Benefit Estimates	Oct - Jan	Ongoing
Confirm mail room/date stamp procedures	October 12	October 12
Establish Administrative Process	October 9	October 20
Informational Meeting with TIAA-CREF	November 3	November 3
Authorized Agent Training / Newsletter Article	Nov-Feb	Nov-Feb
Record webinar	November 1	November 1
Post all information to website	November 1	November 1
Develop Employee Valid/Invalid Election Letters	November 1	November 1
Develop Tracking Spreadsheet	November 1	November 1
Identify & train specific staff processing DC election forms/paperwork	November 1	November 1
Informational Meeting with TIAA-CREF	November 13	November 13
Develop Employer Letters regarding 2%	November 13	November 13
On-site Consultations with TIAA-CREF	Nov 9-20	Nov 9-20
Finalize reminder letter	December 1	
Mail Reminder Letter	December 10	
3 Month Enrollment Window	Nov - Jan	
Deadline for DC to DB Election Window	Jan 31 (Sunday)	
Process final account transfers for April contributions	Feb	

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Memorandum

TO: **NDPERS Board**

FROM: **Kathy**

DATE: **November 10, 2015**

SUBJECT: **Medicare Part D Contract**

Included for your information is the Express Scripts, Inc. contract. Staff and legal counsel will be reviewing this contract and will provide any feedback to the Board at the meeting.

Subject to staff input and Board comments, the contract will be finalized and provided to the Board for action at the December meeting.

MEDICARE PART D
EMPLOYER/UNION-ONLY SPONSORED GROUP WAIVER PLAN
PRESCRIPTION DRUG SERVICES AGREEMENT

THIS MEDICARE PART D EMPLOYER-ONLY SPONSORED GROUP WAIVER PLAN PRESCRIPTION DRUG SERVICES AGREEMENT ("Agreement"), made as of the date of execution as set forth on the signature page (the “Execution Date”), is entered into by and between Medco Containment Life Insurance Company, a Pennsylvania corporation ("MCLIC"), ~~,~~ (an affiliate of Express Scripts, Inc.) and NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM, on its own behalf and on behalf of the Client Group Health Plan (as defined below) (“Client”).

RECITALS

A. MCLIC has received approval from the Centers for Medicare and Medicaid Services (“CMS”) to serve as a Prescription Drug Plan Sponsor (a “PDP Sponsor”) and to provide prescription drug coverage that meets the requirements of, and pursuant to, the Voluntary Prescription Drug Benefit Program set forth in Part D of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, 42 U.S.C. §1395w-101 through 42 U.S.C. §1395w-152 (the “Act”) and all applicable and related rules and regulations promulgated, issued or adopted by CMS or other governmental agencies with jurisdiction over enforcement of the Act, including, but not limited to, 42 C.F.R. §423.1 through 42 C.F.R. §423.910 (with the exception of Subparts Q, R, and S), and the terms of any PDP Sponsor contract between CMS and MCLIC (collectively, the “Medicare Drug Rules”); and

B. Pursuant to the waivers granted by CMS under 42 U.S.C. §1395w-132(b), MCLIC offers employer/union-only sponsored group waiver plans (“EGWPs”) to employers/unions that wish to provide prescription drug benefits to their Part D Eligible Retirees (as defined below) in accordance with the Medicare Drug Rules; and

C. Client desires to contract with MCLIC to offer a prescription drug benefit to Client’s Part D Eligible Retirees pursuant to an EGWP (the “EGWP Benefit”) (as further defined below) as part of Client’s group welfare benefit plan (the “Client Group Health Plan”); and

E. Provided that the EGWP Benefit meets the actuarial equivalence standards of the Medicare Drug Rules, as more fully described below, MCLIC desires to offer the EGWP Benefit to Client’s Part D Eligible Retirees in accordance with the Medicare Drug Rules and pursuant to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual representations, warranties and covenants herein contained, and pursuant to the terms and subject to the conditions set forth below, MCLIC and Client hereby agree as follows:

TERMS AND CONDITIONS

ARTICLE I - DEFINITIONS

Terms not otherwise defined in this Agreement shall have the meanings ascribed to them as set forth below, or as defined in the Medicare Drug Rules.

“Affiliate” means, with respect to MCLIC, individually or collectively, any other individual, corporation, partnership, limited liability company, trust, joint venture or other enterprise or entity directly or indirectly controlling (including without limitation all directors and executive officers of such entity), controlled by or under direct or indirect common control of or with MCLIC.

“Ancillary Supplies, Equipment, and Services” or “ASES” means ancillary supplies, equipment, and services provided or coordinated by ESI Specialty Pharmacy in connection with ESI Specialty Pharmacy’s dispensing of Specialty Products. ASES may include all or some of the following: telephonic and/or in-person training, nursing/clinical services, in-home infusion and related support, patient monitoring, medication pumps, tubing, syringes, gauze pads, sharps containers, lancets, test strips, other supplies, and durable medical equipment. The aforementioned list is illustrative only (not exhaustive) and may include other supplies, equipment, and services based on the patient's needs, prescriber instructions, payer requirements, and/or the Specialty Product manufacturer's requirements.

"Commercial Agreement" means that certain Pharmacy Benefit Management Agreement, dated January 1, 2014, by and between Express Scripts, Inc. ("ESI") and Sanford Health Plan and Sanford Health Plan of Minnesota (collectively "Sanford"), as amended from time to time (the "Commercial Agreement"), in which Client is a participant.

"Copayment" or "Copay" means that portion of the charge for each Covered Drug dispensed to an EGWP Enrollee that is the responsibility of such EGWP Enrollee (e.g., copayment, coinsurance, cost sharing, and/or deductibles under initial coverage limits and up to annual out-of-pocket thresholds) as provided under the EGWP Benefit and shown on Exhibit A.

"Coverage Gap" means the stage of the benefit between the initial coverage limit and the catastrophic coverage threshold, as described in the Medicare Part D prescription drug program administered by the United States federal government.

"Coverage Gap Discount" means the manufacturer discounts available to eligible Medicare beneficiaries receiving applicable, covered Medicare Part D drugs, while in the Coverage Gap.

"Coverage Gap Discount Program" means the Medicare program that makes manufacturer discounts available to eligible Medicare beneficiaries receiving applicable, covered Medicare Part D drugs, while in the Coverage Gap.

"Covered Drug(s)" means those prescription drugs, supplies, Specialty Products and other items that are covered under the EGWP Benefit, or treated as covered pursuant to a coverage determination or appeal.

"EGWP Benefit" means the prescription drug benefit to be administered by MCLIC under this Agreement, as defined in the Recitals above and as further described in the Client Group Health Plan document, its summary plan description, and its summary of benefits, the latter of which is attached hereto as Exhibit A, as may be amended from time to time in accordance with the terms of this Agreement.

"EGWP Enrollee" means each Part D Eligible Retiree who is enrolled in the EGWP Benefit in accordance with the terms of this Agreement.

"EGWP Enrollee Submitted Claim" means (a) a claim submitted by an EGWP Enrollee for Covered Drugs dispensed by a pharmacy other than a Participating Pharmacy, or (b) a claim for Covered Drugs filled at a Participating Pharmacy for which the EGWP Enrollee paid the entire cost of the Covered Drug.

"Enrollment File" means the list(s) submitted by Client to MCLIC, in accordance with Article II, indicating the Part D Eligible Retirees that Client has submitted for enrollment in the EGWP Benefit, as verified by MCLIC through CMS eligibility files.

"ESI Specialty Pharmacy" means CuraScript, Inc., Accredo Health Group, Inc., Express Scripts Specialty Distribution Services, Inc., or another pharmacy or home health agency wholly-owned or operated by MCLIC or one or more of its affiliates that primarily dispenses Specialty Products or provides services related thereto; provided, however, that when the Mail Service Pharmacy dispenses a Specialty Product, it shall be considered an ESI Specialty Pharmacy hereunder.

"HIPAA" means the Health Insurance Portability and Accountability Act of 1996, as amended, and the regulations promulgated thereunder.

"Ineligible Enrollee" means an EGWP Enrollee who Client or MCLIC determines will no longer be eligible to participate as an EGWP Enrollee in the EGWP Benefit, in accordance with the EGWP Benefit's eligibility requirements and/or the Medicare Drug Rules.

"Late Enrollment Penalty" or "LEP" means the financial penalty incurred under the Medicare Drug Rules by Medicare Part D beneficiaries who have had a continued gap in creditable coverage of sixty-three (63) days or more after the end of the beneficiary's initial election period, adjusted from time to time by CMS.

"Mail Service Pharmacy" means a duly licensed pharmacy wholly owned or operated by MCLIC or one or more of its Affiliates, other than ESI Specialty Pharmacy, where prescriptions are filled and delivered to EGWP Enrollees via mail or other delivery service.

"Manufacturer Administrative Fees" means those administrative fees of up to 3.5% of the AWP of certain Covered Drugs paid by pharmaceutical manufacturers to, or otherwise retained by, MCLIC or its Affiliate pursuant to a contract between MCLIC or its Affiliate and the manufacturer and directly in connection with MCLIC or its Affiliate administering, invoicing, allocating and collecting the Rebates for the EGWP Benefit under the Medicare Rebate Program.

"Medicare Formulary" means the list of prescription drugs and supplies developed, implemented and maintained in accordance with the Medicare Drug Rules for the EGWP Benefit.

"Medicare Rebate Program" means MCLIC's or its Affiliate's manufacturer rebate program under which MCLIC or its Affiliate contracts with pharmaceutical manufacturers for Rebates payable on selected Covered Drugs that are reimbursed, in whole or in part, through Medicare Part D, as such program may change from time to time.

~~"Members" has the meaning as set forth in that certain Pharmacy Benefit Management Agreement, dated January 1, 2014, by and between Express Scripts, Inc. ("ESI") and Sanford Health Plan and Sanford Health Plan of Minnesota (collectively "Sanford"), as amended from time to time (the "Commercial Agreement"), in which Client is a participant.~~

"Part D" or "Medicare Part D" means the Voluntary Prescription Drug Benefit Program set forth in Part D of the Act.

"Part D Eligible Retiree" means an individual who is (a) eligible for Part D in accordance with the Medicare Drug Rules, (b) not enrolled in a Part D plan (other than the EGWP Benefit), and (c) eligible to participate in Client's Current Benefit.

"Participating Pharmacy" means any licensed retail pharmacy, including retail, long-term care, home infusion, I/T/U pharmacies, with which MCLIC or one or more of its Affiliates has executed an agreement to provide Covered Drugs to EGWP Enrollees. These shall not include any mail order or specialty pharmacy affiliated with any such Participating Pharmacy.

"Pharmacy" or "Pharmacies" refers from time to time to any or all Participating Pharmacies, Mail Service Pharmacy, or ESI Specialty Pharmacy as the context of the provision dictates.

"Prescription Drug Claim" means an EGWP Enrollee Submitted Claim or claim for payment of a Covered Drug submitted to MCLIC by a Pharmacy.

"Prescription Drug Plan" or "PDP" shall have the meaning set forth in the Medicare Drug Rules.

"PHI" means protected health information as defined under HIPAA.

"Rebates" means retrospective formulary rebates that are paid to MCLIC or its Affiliate, pursuant to the terms of a formulary rebate contract negotiated independently by MCLIC or its Affiliate and directly attributable to the utilization of certain Covered Drugs by EGWP Enrollees under the EGWP Benefit. For sake of clarity, Rebates do not include, for example, Manufacturer Administrative Fees, product discounts or fees related to the procurement of prescription drug inventories by or on behalf of MCLIC or its Affiliates owned and operated specialty or mail order pharmacies; as more fully described in Exhibit D; fees received by MCLIC from manufacturers for care management or other services provided in connection with the dispensing of Specialty Products; or other fee-for-service arrangements whereby pharmaceutical manufacturers generally report the fees paid to MCLIC, its Affiliates or wholly-owned subsidiaries for services rendered as "bona fide service fees" pursuant to federal laws and regulations, including, but not limited to the Medicaid "Best Price" rule (collectively, "Other Pharma Revenue"). Such laws and regulations, as well as MCLIC's contracts with pharmaceutical manufacturers, generally prohibit MCLIC from sharing any such "bona fide service fees" earned by MCLIC, whether wholely or in part, with any MCLIC client.

"Specialty Product List" means the standard list of Specialty Products and their reimbursement rates applicable to Client and available to EGWP Enrollees as part of the EGWP Benefit provided to Client with this Agreement and as updated from time to time. MCLIC or its Affiliate will provide additional and/or updated Specialty Product Lists any time upon request from Client.

"Specialty Products" means those injectable and non-injectable drugs on the Specialty Product List. Specialty Products typically have one or more of several key characteristics, including: frequent dosing adjustments and intensive clinical monitoring to decrease the potential for drug toxicity and increase the probability for beneficial treatment outcomes; intensive patient training and compliance assistance to facilitate therapeutic goals; limited or exclusive product availability and distribution; specialized product handling and/or administration requirements and/or cost in excess of $500 for a 30 day supply. Specialty Products elected for coverage shall be considered "Covered Drugs" as defined in the Agreement.

"True Out-of-Pocket Costs" or "TrOOP" means costs incurred by an EGWP Enrollee or by another person on behalf of an EGWP Enrollee, such as a deductible or other cost-sharing amount, with respect to Covered Drugs, as further defined in the Medicare Drug Rules.

"UM Company" means MCMC, LLC or other independent third party utilization management company contracted by MCLIC, subject to and as further described herein.

ARTICLE II – PLAN STATUS UNDER APPLICABLE LAWS; ENROLLMENT AND DISENROLLMENT IN THE EGWP BENEFIT

2.1 Medicare Part D. Client and MCLIC acknowledge and agree as follows:

(a) Under the Medicare Drug Rules, the EGWP Benefit will be deemed to be an EGWP administered by MCLIC and each EGWP Enrollee will be deemed to be a Part D enrollee of MCLIC who is covered by the EGWP Benefit.

(b) The design of and administration of the EGWP Benefit is subject to the applicable requirements of the Medicare Drug Rules. Client shall cooperate with MCLIC and, upon MCLIC's request, do, execute, acknowledge, deliver, and provide such further acts, reports, information, and instruments as may be reasonably required or appropriate to administer the EGWP Benefit in compliance with the Medicare Drug Rules, applicable state insurance laws and other applicable laws. MCLIC shall provide reasonable guidance to Client regarding the requirements of the performance necessary for Client to meet its obligation under this section.

(c) If the number of Client's Part D Eligible Retirees is materially reduced or eliminated for any reason, the program pricing terms hereunder may be equitably modified by MCLIC to reflect the reduction or elimination of the number of Part D Eligible Retirees.

2.2 HIPAA.

(a) Each of Client, the Client Group Health Plan and MCLIC agrees to take reasonable and necessary actions to safeguard the privacy and security of information that identifies a particular EGWP Enrollee in accordance with state and federal privacy and security requirements, including HIPAA and the confidentiality and security provisions stated in 42 C.F.R. §423.136. Without limiting the generality of the foregoing, the parties acknowledge that, for the purposes of HIPAA compliance, each of MCLIC and the Client Group Health Plan is a Covered Entity, and that, with respect to the EGWP Benefit, MCLIC and the Client Group Health Plan shall be deemed to be an Organized Health Care Arrangement. MCLIC and the Client Group Health Plan may transmit and receive PHI as necessary for the operation of the EGWP Benefit. In addition, MCLIC may transmit PHI to the Client Group Health Plan for payment purposes and any other purpose permitted by HIPAA. Client hereby represents and warrants that: (i) the Client Group Health Plan's documents have been amended to meet the specification requirements set forth at 45 C.F.R. §164.504(f); (ii) Client will use and disclose PHI solely in accordance with these provisions; and (iii) accordingly, MCLIC, at the direction of the Client Group Health Plan, may disclose PHI to Client consistent with the terms of this Section 2.2. The parties shall take reasonable steps to ensure that all uses and disclosures of PHI by MCLIC, the Client Group Health Plan and Client only include information that is minimally necessary to accomplish the purpose(s) of the use or disclosure. Capitalized terms used in this Section 2.2 and not otherwise defined in this Agreement shall have the meaning set forth in HIPAA. Notwithstanding the foregoing, the parties acknowledge that in providing services to EGWP Enrollees, ESI Specialty Pharmacy and the Mail Service Pharmacy are acting as separate health care provider covered entities under HIPAA and not as business associates to the Plan covered by the Business Associate Agreement. In providing services, ESI Specialty Pharmacy and the Mail Services Pharmacy shall abide by all HIPAA requirements applicable to covered entities and shall safeguard, use and disclose EGWP Enrollee PHI accordingly.

2.3 Group Enrollment. Subject to each individual's right to opt out, as described below, Client shall enroll Part D Eligible Retirees in the EGWP Benefit through a group enrollment process, as further described in and permitted under the Medicare Drug Rules. Client agrees that it will comply with all applicable requirements for group enrollment in EGWPs as set forth in the Medicare Drug Rules and related CMS guidance, and as described and required by MCLIC's policies and procedures. Client's performance under this Section 2.3 shall be a condition precedent to MCLIC's performance under this Agreement. MCLIC shall provide reasonable guidance to Client regarding the requirements of the performance necessary for Client to meet its obligation under this section.

2.4 Enrollment File. No later than thirty (30) days prior to the Effective Date (unless otherwise agreed to by the parties) and the first day of each EGWP Benefit enrollment period thereafter, so long as this Agreement is in effect, Client, or its authorized representative, shall provide an Enrollment File to MCLIC via on-line or other communication medium reasonably requested by MCLIC that lists those Part D Eligible Retirees for whom Client intends to make application for enrollment in the EGWP Benefit (i.e., those Part D Eligible Retirees who have not opted out of the group enrollment process) for that contract year. Client shall communicate all new enrollments, requested retroactive enrollments of Part D Eligible Retirees, and disenrollments from the EGWP Benefit via the communication medium reasonably requested by MCLIC. MCLIC agrees to process retroactive enrollment requests pursuant to the requirements of the Medicare Drug Rules. Client acknowledges and agrees that the requested effective date for any such retroactive enrollment may not be prior to the date that the enrollment request was completed by the individual, and that the effective date of enrollment may be adjusted by no greater than ninety (90) days. Client represents and warrants that the Enrollment File provided to MCLIC pursuant to this Section 2.4, and all retroactive additions thereto, shall only include those individuals eligible for enrollment under the Client Group ~~health~~Health Plan, and which have elected to participate in the EGWP Benefit. Client's performance under this Section 2.4 shall be a condition precedent to MCLIC's performance under this Agreement.

2.5 Implementation.

(a) MCLIC's Responsibilities. MCLIC shall implement the Enrollment File following confirmation of the eligibility of the Part D Eligible Retirees listed on the Enrollment File with CMS eligibility files. A Part D Eligible Retiree will not be enrolled in the EGWP Benefit unless such individual is listed on both the Enrollment File submitted by Client and the CMS eligibility files. MCLIC will seek from CMS verification of eligibility for all Part D Eligible Retirees whose names are listed in the Enrollment File. If an individual is listed on the Enrollment File provided by Client, but is not eligible for participation according to CMS eligibility files, then MCLIC shall notify Client in a timely manner regarding such individual's ineligibility. MCLIC will work with Client to determine if such individual has been rejected due to an administrative or clerical error (e.g., data field standards errors, rejections related to information input by MCLIC related to the EGWP Benefit into the CMS system, etc.), or an error requiring individual retiree contact, and if so in either case, MCLIC will take appropriate action and attempt to correct such error and resubmit the individual through the CMS system. Client acknowledges and agrees that MCLIC may update in the Enrollment File any and all information concerning Part D Eligible Retirees upon receipt of corrected information from CMS, and MCLIC may use such corrected information to obtain a Part D Eligible Retiree's enrollment in the EGWP Benefit. For all Part D Eligible Retirees that have been included by Client in the Enrollment File, but who are ultimately determined to be ineligible for participation in the EGWP Benefit, MCLIC or its Affiliate shall notify the individual of his or her ineligibility in the EGWP Benefit and take all other action as required by applicable law. MCLIC shall communicate to Client any changes to a Part D Eligible Retiree's information in the Enrollment File based upon updates or corrections received from CMS.

(b) Incomplete Enrollment File Information. Client acknowledges that its submission to MCLIC of an inaccurate or incomplete Enrollment File (e.g., missing date of birth, last name, first name, etc.) or otherwise of incomplete information with respect to any individual Part D Eligible Retiree, may result in a rejection of the Part D Eligible Retiree's enrollment in the EGWP Benefit. MCLIC will provide Client with regular reports providing the details of all such incomplete information needed to enroll Part D Eligible Retirees. Upon Client's request, MCLIC will perform research and may initiate contact and communication with all such Part D Eligible Retirees to obtain all missing information needed to complete enrollment of the Part D Eligible Retirees in the EGWP Benefit. Client acknowledges and agrees that MCLIC may contact Client's Part D Eligible Retirees to obtain the information required hereunder, and that MCLIC will update the Enrollment File on Client's behalf to reflect additional information needed to complete enrollment of the Part D Eligible Retirees in the EGWP Benefit. MCLIC shall provide to Client all such updated information through the regular reports provided hereunder. After obtaining all information needed to complete enrollment of the Part D Eligible Retirees in the EGWP Benefit, MCLIC shall complete such enrollment including verification with CMS; provided, however, that if MCLIC, using reasonable efforts, is not able to obtain all missing information from a Part D Eligible Retiree within twenty-one (21) days after receiving Client's initial request for enrollment of the Part D Eligible Retiree in the EGWP Benefit, then Client's request shall be deemed cancelled and MCLIC or its Affiliate shall notify the individual of his or her non-enrollment in the EGWP Benefit and shall take all other action as required by applicable law.

(c) Effective Date of Application for Enrollment into EGWP Benefit. Notwithstanding any provision of this Agreement to the contrary, the effective date of the application for any Part D Eligible Retiree who MCLIC seeks to enroll in the EGWP Benefit hereunder shall be the date on which the application for enrollment is entered by MCLIC into its enrollment system, subject however to any adjustments that MCLIC may make for retroactive enrollments as necessary to enroll the Part D Eligible Retiree in the EGWP Benefit.

(d) Client's Responsibilities. The parties agree that Sanford will be providing certain services on behalf of Client with respect to Client's obligations under this Agreement. Client shall bind Sanford for obligations Sanford performs on its behalf, and references in the Agreement to "Client" in performing a function shall be construed to include Sanford to the extent applicable. Further, Client shall require Sanford to comply with all applicable laws and the Medicare Drug Rules. The services provided by Sanford on behalf of client include, but may not be limited to the following:

~~Client to indicate those services to be performed~~

- Help coordination of communication pieces between ESI and Client;
- Assisting Client with renewals or other contract negotiations with ESI;
- Helping to provide technical advice to Client on pharmacy issues;

- Assist Client/ESI with EGWP Enrollee appeals and general complaints;
- Assist Client/ESI with problem resolution;
- Assist EGWP Enrollees with appeals on formulary, network & other issues;
- Assist Client/ESI with general EGWP Enrollee inquiries related to their prescription drug plan.

2.6 Individual Disenrollment. If Client or MCLIC determines that an EGWP Enrollee will ~~no longer be eligible to participate as an EGWP Enrollee in the EGWP Benefit (~~be an ~~“~~Ineligible Enrollee~~”)~~, in accordance with the EGWP Benefit’s eligibility requirements and/or the Medicare Drug Rules, then the following procedures shall be implemented as applicable:

(a) Upon Client’s determination, Client shall notify MCLIC ~~within five~~at least sixty (~~5) business~~60) days prior to the effective date of such Ineligible Enrollee’s ineligibility, in a manner and format agreed upon by the parties;

(b) MCLIC shall send a letter / notification to the Ineligible Enrollee alerting the Ineligible Enrollee that he or she is no longer eligible to participate in the EGWP Benefit;

(~~d~~c) Client shall provide all information to MCLIC that is required for MCLIC to submit a complete disenrollment request transaction to CMS, as set forth in the Medicare Drug Rules; and

(~~e~~d) MCLIC shall submit the disenrollment request transaction to CMS in accordance with the Medicare Drug Rules.

2.7 Group Disenrollment. If, upon the expiration of the then current term of this Agreement, or as otherwise provided in Section 8.2, Client plans to disenroll its EGWP Enrollees from the EGWP Benefit using a group disenrollment process, then Client shall implement the following procedures:

(a) Notification to EGWP Enrollees. Client shall provide at least twenty-one (21) days (or such other minimum days notice as required by the Medicare Drug Rules) prior written notice to each EGWP Enrollee that Client plans to disenroll him or her from the EGWP Benefit and shall include with such written notification an explanation as to how the EGWP Enrollee may contact CMS for information on other Medicare Part D options that might be available to the EGWP Enrollee; and

(b) Information to MCLIC. Client shall provide all the information to MCLIC that is required for MCLIC to submit a complete disenrollment request transaction to CMS, as set forth in the Medicare Drug Rules.

2.8 Voluntary Disenrollment. If an EGWP Enrollee makes a voluntary request to be disenrolled from the EGWP Benefit (the “Voluntary Disenrollee”) to Client, then Client shall notify MCLIC ~~within five~~at least sixty (~~5) business~~60) days prior to the effective date of such Voluntary Disenrollee’s disenrollment, in a manner and format agreed upon by the parties. If Client does not timely notify MCLIC of such Voluntary Disenrollee’s disenrollment in the EGWP Benefit, then MCLIC shall submit a retroactive disenrollment request to CMS. Client acknowledges that CMS may only grant up to a ninety (90) day retroactive disenrollment in such instances. If the Voluntary Disenrollee makes his or her request directly to MCLIC, then MCLIC shall direct the Voluntary Disenrollee to initiate the disenrollment with the Client.

2.9 Responsibility for ~~Accurate Information~~Claims After Loss of Eligibility or Disenrollment. Client represents and warrants that all information that Client, or its authorized representative, provides to MCLIC in the Enrollment File will be complete and correct. Except for Prescription Drug Claims that are paid due to MCLIC’s negligence, Client shall be responsible for reimbursing MCLIC pursuant to Section 5.1 for all Prescription Drug Claims processed by MCLIC (a) with respect to an Ineligible Enrollee during any period in which the Enrollment File indicated that such Ineligible Enrollee was eligible and (b) with respect to a Voluntary Disenrollee, in the event Client did not provide timely notice to MCLIC of such disenrollment as set forth in this Article II.

2.10 General Support Services. In addition to any other Client obligation under this Article II or elsewhere in this Agreement, Client shall be responsible for providing general support services to EGWP Enrollees throughout the enrollment process, including, but not limited to, EGWP Enrollee education concerning the EGWP Benefit, communicating information concerning premiums, providing information concerning alternative benefit options offered by Client, if any, and answering on-going inquiries related to the payment of the applicable EGWP Enrollee premium.

2.11 Effect On / Effect Of Commercial Agreement. Except as expressly provided in this Agreement, the parties acknowledge that MCLIC shall have no obligations under the Commercial Agreement with respect to the Client Group Health Plan, and that Client shall be solely responsible for determining the eligibility of ~~Members~~members covered by the prescription drug benefit administered pursuant to the Commercial Agreement (the "Commercial Benefit"). Upon a ~~Member~~member's enrollment as an EGWP Enrollee in the EGWP Benefit, such EGWP Enrollee's eligibility as a ~~Member~~member in the Commercial Benefit shall immediately terminate. An EGWP Enrollee may not have dual coverage under the EGWP Benefit and the Commercial Benefit; and therefore, after any EGWP Enrollee's enrollment in the EGWP Benefit, all Prescription Drug Claims and ~~Member Submitted Claims~~member submitted claims submitted to ESI under the Commercial Agreement shall be treated as Prescription Drug Claims under this Agreement and shall be processed by MCLIC in accordance with the EGWP Benefit. Any Prescription Drug Claim or ~~Member Submitted Claim~~member submitted claim processed under the Commercial Agreement and the Commercial Benefit after the date of an EGWP Enrollee's enrollment in the EGWP Benefit shall be reversed and shall be re-processed under the EGWP Benefit. Client acknowledges that termination of a ~~Member~~member's coverage under the Commercial Benefit prior to such ~~Member~~member's enrollment as an EGWP Enrollee in the EGWP Benefit may result in a loss of prescription drug benefit coverage for such ~~Member~~member; provided, however, notwithstanding the foregoing, the parties acknowledge and agree that a ~~Member~~member's prescription drug benefit coverage under the Commercial Benefit shall be solely determined by Client and not by MCLIC or any of its Affiliates, including without limitation ESI.

ARTICLE III – PRESCRIPTION DRUG SERVICES

3.1 Exclusivity. Client acknowledges and agrees that, in the event Client offers its Part D Eligible Retirees more than one Part D benefit option, the eligibility determinations, enrollment and disenrollment and other administration of such Part D options will require extensive coordination with the administration of the EGWP Benefit. For these reasons, Client agrees that Client shall use MCLIC as Client's exclusive provider of all Medicare Part D services for its Part D Eligible Retirees during the term of this Agreement unless otherwise requested by Client and agreed to by MCLIC in writing. Notwithstanding the forgoing, the parties agree that Retiree Health Insurance Credit benefits received by Part D Eligible Retirees does not violate or implicate this section. The terms and conditions of Client's and MCLIC's arrangements for Part D options other than the EGWP Benefit shall be set forth in separate agreements.

3.2 Prescription Drug Services. In exchange for Client's payment to MCLIC of the amounts set forth in Section 5.2, MCLIC will offer the EGWP Benefit to EGWP Enrollees in accordance with the terms and conditions of this Agreement. In its capacity as a PDP Sponsor with respect to the EGWP Benefit, MCLIC will be responsible for pharmacy network contracting; Mail Service Pharmacy and Specialty Products services; Prescription Drug Claim processing; Formulary and Rebate administration; Medication Therapy Management; and related services (collectively, "Prescription Drug Services"), as further described in this Agreement. All Prescription Drug Services shall be provided by MCLIC in accordance with the Medicare Drug Rules and the terms of the EGWP Benefit. Client acknowledges and agrees that MCLIC may provide Prescription Drug Services under this Agreement through one or more of its Affiliates. MCLIC represents and warrants that it will have written agreements with each Affiliate that will perform services on behalf of MCLIC in connection with the EGWP Benefit that meet the requirements the Medicare Drug Rules for subcontractors of PDP Sponsors.

3.3 Compliance with Medicare Drug Rules and State Insurance Laws. Under the Medicare Drug Rules, MCLIC is required to maintain licensure under applicable state insurance laws or to obtain appropriate waivers from CMS of such requirements. Notwithstanding any provision to the contrary in this

Agreement, MCLIC shall not be obligated to take any action or omit to take any action with respect to the EGWP Benefit that is not in compliance with the Medicare Drug Rules, applicable state insurance laws or other applicable laws.

3.4 The EGWP Benefit. The EGWP Benefit will satisfy all actuarial equivalence standards set forth in the Medicare Drug Rules. Client hereby agrees to cooperate with MCLIC to perform the necessary actuarial equivalence calculations to determine whether the EGWP Benefit meets the foregoing actuarial equivalence standards prior to the Effective Date. If MCLIC determines that the EGWP Benefit does not meet the actuarial equivalence standards, then Client shall cooperate with MCLIC to make necessary adjustments to the EGWP Benefit design to meet the actuarial equivalence standards.

3.5 Changes to the EGWP Benefit. Client shall have the right to request changes to the terms of the EGWP Benefit from time to time by providing written notice to MCLIC. MCLIC shall implement any such requested changes in its sole discretion. Any such changes shall be subject to the following requirements: (a) all changes to the EGWP Benefit must be consistent with the Medicare Drug Rules; (b) the EGWP Benefit, after implementation of such changes, must continue to meet the actuarial equivalence standards referenced in Section 3.4 above; (c) EGWP Benefit changes may be implemented only at times and in the manner permitted by the Medicare Drug Rules; and (d) any requested change that would increase MCLIC's costs of administering the EGWP Benefit without an equivalent increase in the PMPM Fees (as defined in Section 5.2 below) paid to MCLIC from Client shall not be implemented unless and until Client and MCLIC agree in writing upon a corresponding adjustment to the PMPM Fees.

3.6 EGWP Enrollee Communications. All standard EGWP Enrollee communications concerning the EGWP Benefit (i.e., summary plan description, evidence of coverage, etc.) shall be mutually developed by MCLIC and the Client pursuant to the Medicare Drug Rules, including the CMS Marketing Guidelines contained therein. MCLIC shall be responsible, with assistance from Client, in completing EGWP Enrollee communications and distributing them to EGWP Enrollees as appropriate. Pursuant to the Medicare Drug Rules, Client acknowledges and agrees that MCLIC must provide all such EGWP Enrollee communications, whether created and/or distributed by MCLIC or Client, to CMS for review. If CMS notifies MCLIC that any such EGWP Enrollee communication is deficient, Client agrees to assist MCLIC to make necessary revisions to such EGWP Enrollee communication to correct such deficiency.

3.7 Network Access and Service Area Requirements. At least thirty (30) days prior to the Effective Date, Client shall provide MCLIC de-identified aggregate information concerning where: (A) all Part D Eligible Retirees reside; and (B) all of Client's employees reside, as necessary for MCLIC to determine whether MCLIC's network of Participating Pharmacies is sufficient to meet the needs of such individuals. Client represents and warrants that all such information shall be accurate and complete. Client's performance under this Section 3.7 shall be a condition precedent to MCLIC's performance under this Agreement. If MCLIC determines that its network of Participating Pharmacies is not sufficient to meet the needs of individuals eligible to participate in the EGWP Benefit, then MCLIC shall use its best efforts to address such deficiencies. If MCLIC is not able to satisfactorily address such deficiencies prior to the Effective Date, then MCLIC shall provide written notice to Client prior to the Effective Date and this Agreement shall automatically terminate.

3.8 Pharmacy Network. Subject to the terms of Section 3.7 above, MCLIC shall develop and maintain a Participating Pharmacy network that, at a minimum, is sufficient to meet the needs of the EGWP Enrollees, as provided in the CMS waiver guidance concerning network access under Medicare Drug Rules.

(a) Pharmacy Credentialing. MCLIC agrees to comply with all applicable Medicare Drug Rules regarding credentialing requirements. MCLIC shall require Participating Pharmacies, MCLIC Mail Service Pharmacy and ESI Specialty Pharmacy to meet MCLIC's and the Medicare Drug Rules' credentialing requirements, including but not limited to licensure, insurance and provider agreement requirements.

(b) Independent Contractors. Neither MCLIC nor its Affiliate directs or exercises any control over the professional judgment exercised by any pharmacist in dispensing prescriptions or otherwise providing pharmaceutical related services at a Participating Pharmacy. Participating Pharmacies are independent contractors of MCLIC or its Affiliate, and neither MCLIC nor its Affiliate shall have any liability to Client, any EGWP Enrollee or any other person or entity for any act or omission of any Participating Pharmacy or its agents or employees.

(c) Pharmacy Help Desk. MCLIC will provide 24-hour a day, 7-days a week toll-free telephone support and Internet web site to assist Participating Pharmacies with EGWP Enrollee eligibility verification and questions regarding reimbursement, and Covered Drug benefits under the EGWP Benefit.

3.9 Audits of Participating Pharmacies; Fraud and Abuse. MCLIC shall periodically audit Participating Pharmacies to determine compliance with their agreements with MCLIC or its Affiliate and in order to meet the anti-fraud provisions of the Medicare Drug Rules applicable to PDPs. MCLIC also shall perform fraud and abuse reviews of EGWP Enrollees and physicians as required under the Medicare Drug Rules for PDPs.

3.10 Claims Processing. Subject to Sections 3.10(a)-(h), MCLIC will be responsible for all claims processing services for Covered Drugs dispensed to EGWP Enrollees by a Pharmacy consistent with the applicable standard transaction rules required under HIPAA and the Medicare Drug Rules. MCLIC also shall process EGWP Enrollee Submitted Claims.

(a) COB.

(i) MCLIC will coordinate benefits with state pharmaceutical assistance programs and entities providing other prescription drug coverage consistent with the Medicare Drug Rules. If Client, in accordance with the Medicare Drug Rules, elects to provide non-Medicare EGWP supplemental coverage for EGWP Enrollees through other health insurance separately issued by a carrier with which MCLIC or its Affiliate has contracted (the "EGWP Supplemental Policy"), then MCLIC will perform the following additional coordination of benefits: Coordination of benefits for Medicare Part D applicable drugs throughout the EGWP Benefit and the EGWP Supplemental Policy; single transaction for ~~Members~~members at POS utilizing Medicare Part D eligibility and a single ID card; utilize EGWP Enrollee eligibility established under Medicare Part D plan; comprehensive EGWP Enrollee communications package for the EGWP Supplemental Policy; all CMS required reporting; claims reporting detailing primary and secondary payments; and financial reporting detailing application of Coverage Gap Discount Program.

(ii) The premium collected by MCLIC or its Affiliate for the EGWP Supplemental Policy, which is an amount set forth as a separate line item on Client's invoice, is included in the PMPM Fees paid to MCLIC pursuant to this Agreement. PMPM Fees collected by MCLIC pursuant to this Agreement will first be applied to all non-EGWP Supplemental Policy PMPM Fees owed to MCLIC before applying any remaining amounts to the EGWP Supplemental Policy premium amounts owned. As a result, default in payment of PMPM Fees by Client, in whole or in part, may result in a default under the EGWP Supplemental Policy for failure to pay premium amounts thereunder. In addition to the principal ESI revenue sources disclosed in Exhibit B (Financial Disclosure), in connection with the EGWP Supplemental Policy issued to Client in connection with this Agreement, MCLIC or its Affiliate is paid an original commission in an amount equal to one percent (1%) of the gross premium collected by MCLIC or its Affiliate for the EGWP Supplemental Policy.

(iii) If MCLIC and/or the carrier with which MCLIC or its Affiliate has contracted to provide the EGWP Supplemental Policy at any time does not receive authority to issue such EGWP Supplemental Policy, or has such authority revoked, then this Agreement is subject to immediate termination by MCLIC upon written notice to Client.

(b) Utilization Management. Consistent with the terms of the EGWP Benefit, MCLIC will establish a reasonable and appropriate drug management program that includes incentives to reduce costs when medically appropriate; maintains policies and systems to assist in preventing over-utilization and under-utilization of prescribed medications, according to guidelines specified by CMS and in accordance with the Medicare Drug Rules.

(c) Quality Assurance. Consistent with the terms of the EGWP Benefit, MCLIC will establish quality assurance measures and systems to reduce medication errors and adverse drug interactions and improve medication use in accordance with the Medicare Drug Rules.

(d) TrOOP. Consistent with the terms of the EGWP Benefit, MCLIC will establish and maintain a system to record EGWP Enrollees' TrOOP balances, and shall communicate TrOOP balances to EGWP Enrollees upon request.

(e) Coverage Determinations and Appeals. The parties acknowledge and agree that MCLIC is required under the Medicare Drug Rules to maintain oversight of coverage determinations under the EGWP Benefit, including prior authorizations and EGWP Enrollee Submitted Claims determinations, and to maintain an appeals process for EGWP Enrollees. Client acknowledges and agrees that ESI may perform such services through the UM Company. MCLIC or the UM Company, as applicable, will be responsible for conducting the appeal in a manner consistent with the requirements of the Medicare Drug Rules and shall ensure that the contract with the UM Company complies with the applicable delegation requirements of the Medicare Drug Rules, including without limitation 42 C.F.R. §423.505. ESI represents to Client that UM Company has contractually agreed that: (A) UM Company will conduct appeals in accordance with the the Medicare Drug Rules and the EGWP Benefit, (B) Client is a third party beneficiary of UM Company's agreement with MCLIC or its Affiliate (a copy of which is available upon request) and the remedies set forth therein, and (C) UM Company will indemnify Client for third party claims caused by the UM Company's negligence or willful misconduct in providing the appeal services.

(g) EOBs. MCLIC will furnish EGWP Enrollees, in a manner specified by CMS, a written explanation of benefits ("EOB") when prescription drug benefits are provided under qualified prescription drug coverage consistent with the requirements of the Medicare Drug Rules.

(h) EGWP Enrollee Services. MCLIC will provide 24-hours a day, 7-days a week toll-free telephone, IVR and Internet support to assist Client and EGWP Enrollees with EGWP Enrollee eligibility, benefits and TrOOP verification, location of Participating Pharmacies and other related EGWP Enrollee concerns.

3.11 Formulary and Medication Management.

(a) P&T Committee and Medicare Formulary. MCLIC or its Affiliate will maintain a pharmacy and therapeutics committee ("P&T Committee") in accordance with the Medicare Drug Rules, which will develop a Medicare Formulary for the EGWP Benefit consistent with the requirements of the Medicare Drug Rules. In accordance with the Medicare Drug Rules, all Covered Drugs on the Medicare Formulary shall be Part D drugs (within the meaning of the Medicare Drug Rules) or otherwise permitted to be covered by a PDP under the Medicare Drug Rules. Client acknowledges and agrees that the Medicare Formulary may not be modified by removing Covered Drugs, adding additional utilization management restrictions, making the cost-sharing status of a drug less beneficial or otherwise modified in a manner not consistent with the Medicare Drug Rules.

(b) Medication Therapy Management. Consistent with the terms of the EGWP Benefit, MCLIC or its Affiliate may implement a Medication Therapy Management program that is designed to ensure that Covered Drugs prescribed to targeted EGWP Enrollees are appropriately used to optimize therapeutic outcomes through improved medication use and reduce the risk of adverse events, including adverse drug interactions, in accordance with the Medicare Drug Rules.

3.12 Medicare Rebate Program.

(a) MCLIC or its Affiliate will negotiate with pharmaceutical manufacturers regarding the terms of the Medicare Rebate Program and will enter into agreements with such manufacturers for

Rebates for certain Covered Drugs and Manufacturer Administrative Fees. MCLIC and its Affiliate retain all right, title and interest to any and all actual Rebates and Manufacturer Administrative Fees received from manufacturers. Client acknowledges and agrees that it shall not have a right to any Rebate and Manufacturer Administrative Fee payments received by MCLIC or its Affiliates.

(b) Client shall not negotiate or arrange with, or enter into an agreement with, a pharmaceutical manufacturer for rebates or similar discounts for any Covered Drugs dispensed to EGWP Enrollees for the term covered by this Agreement. A breach of the prior sentence shall be deemed to be a material breach of this Agreement.

(c) To the extent required under the Medicare Drug Rules, MCLIC shall disclose to Client the amount of all Rebates and Manufacturer Administrative Fees received from manufacturers or otherwise retained by MCLIC or its Affiliate with respect to the Rebate eligible EGWP Benefit utilization.

3.13 Mail Service Pharmacy. EGWP Enrollees may have prescriptions filled through the Mail Service Pharmacy. Subject to applicable law, MCLIC may communicate with EGWP Enrollees regarding benefit design, cost savings, availability and use of the Mail Service Pharmacy, as well as provide supporting services. MCLIC may suspend Mail Service Pharmacy services to an EGWP Enrollee who is in default of any Copayment amount due MCLIC. Client will be responsible for any unpaid EGWP Enrollee Copayment amounts if payment has not been received from the EGWP Enrollee within one hundred twenty (120) days following dispensing. Client will be billed following the one hundred twenty (120) day collection period, with payment due in accordance with the payment terms set forth in Article V of this Agreement.

3.14 Specialty Products

(a) Specialty Products and ASES. EGWP Enrollees may have prescriptions filled through ESI Specialty Pharmacy and Participating Pharmacies. Subject to applicable law, MCLIC and its affiliates may communicate with EGWP Enrollees and physicians to advise EGWP Enrollees filling Specialty Products at Participating Pharmacies of the availability of filling prescriptions through ESI Specialty Pharmacy.

(i) For Specialty Products filled through ESI Specialty Pharmacy only, EGWP Enrollees may receive the following services from ESI Specialty Pharmacy, depending on the particular therapy class or disease state: ASES; patient intake services; pharmacy dispensing services and/or social services (patient advocacy, hardship reimbursement support, and indigent and patient assistance programs).

(ii) Subject to Client's prior authorization requirements, if applicable, MCLIC or its affiliates will provide or coordinate ASES for EGWP Enrollees through ESI Specialty Pharmacy or through other specialty pharmacies or other independent third party providers of ASES when ASES is required. If MCLIC or its affiliates engages a third party provider of ASES, MCLIC or its affiliates shall contractually obligate such third party provider of ASES to comply with all applicable laws, including, without limitation, all applicable laws relating to professional licensure. Neither MCLIC nor its affiliates direct or exercise any control over any third party provider of ASES in administering Specialty Products or otherwise providing ASES.

(b) MCLIC shall notify Client no more frequently than monthly of new Specialty Products that are introduced to the market and added to the Specialty Product List on or after the Effective Date of this Agreement ("Notice").

3.15 Late Enrollment Penalty. Client agrees to and attests that it shall comply with the applicable CMS requirements of the LEP and shall comply with MCLIC's LEP policy, inducing participating with MCLIC in the following process:

(a) Client has an option to: (i) provide an initial global attestation to MCLIC to attest to a creditable coverage for all of its EGWP Enrollees; or (ii) periodically provide an attestation to MCLIC to attest to a creditable coverage for its EGWP Enrollees listed on the LEP report periodically provided to Client by MCLIC.

(b) If Client elects to periodically attest to MCLIC under Section 3.15(a)(ii) above, then:

(i) Client's response shall be delivered to MCLIC within five (5) business days from the receipt of LEP report from MCLIC;

(ii) Client shall provide MCLIC with the file listing all EGWP Enrollees for whom Client was unable to attest; and

(iii) MCLIC shall also mail an attestation to each EGWP Enrollee that has gap in coverage as defined by CMS.

(c) Client will provide MCLIC with the attestation in the form attached as Exhibit C of this Agreement, and a file listing of all the EGWP Enrollees included in the attestation.

(d) MCLIC will collect responses to the attestations from Client or EGWP Enrollees and submits EGWP Enrollees information to CMS for processing and determination of applicable LEP.

(e) CMS calculates the LEP amount and transmits the LEP amount to MCLIC on the daily TRR file, which is communicated to Client. MCLIC shall invoice Client for payment of the LEP, which shall be due and owing by the Client to MCLIC. Per the Medicare Drug Rules, Client may elect to either pay for the LEP on behalf of the EGWP Enrollee, or seek reimbursement of the LEP amount from the EGWP Enrollee. This election must be made prior to the beginning of the plan year and must be applied consistently by Client for all EGWP Enrollees throughout the plan year.

ARTICLE IV – PROGRAM OPERATIONS

4.1 Program Reporting. MCLIC or its Affiliate shall make available to Client MCLIC's or its Affiliate's standard management information reporting applications. At the request of Client, MCLIC or its Affiliate may develop special reporting packages at MCLIC's or its Affiliate's standard hourly rate for such services.

4.2 Regulatory Reporting. MCLIC shall comply with the reporting requirements set forth in 42 C.F.R. §423.514, including reporting significant business transactions with parties in interest to CMS, notifying CMS of any loans or other financial arrangements that it makes with contractors, subcontractors, and related entities, and making such information available to EGWP Enrollees upon reasonable request.

4.3 Claims Data Retention. MCLIC and Client will maintain, for a period of the then current plan year plus an additional ten (10) years, the applicable books, contracts, medical records, patient care documentation, and other records relating to covered services under this Amendment. MCLIC may use and disclose both during and after the term of this Agreement the anonymized claims data (de-identified in accordance with HIPAA) including drug and related medical data collected by MCLIC or provided to MCLIC by Client for research; provider profiling; benchmarking, drug trend, and cost and other internal analyses and comparisons; clinical, safety and/or trend programs; ASES; or other MCLIC business purposes, in all cases subject to applicable law.

4.4 Government Audits. MCLIC and Client agree to allow the United States Department of Health and Human Services ("DHHS") and the Comptroller General, ~~and the North Dakota State Auditor, and Client~~ or their designees, the right to audit, evaluate, inspect books, contracts, medical records, patient care documentation and other records relating to covered services under this Agreement, as are reasonably necessary to verify the nature and extent of the costs of the services provided to EGWP Enrollees under this Agreement, for a period of the then current plan year, plus an additional ten (10) years following termination or expiration of the Amendment for any reason, or until completion of any audit, whichever is later.

4.5 Liability Insurance. Each party shall maintain such policies of general liability, professional liability and other insurance of the types and in amounts customarily carried by their respective businesses. Proof of such insurance shall be available upon request. MCLIC agrees, at its sole expense, to maintain during the term of this Agreement or any renewal hereof, commercial general liability insurance, pharmacists professional liability insurance for the MCLIC Mail Service and ESI Specialty Pharmacies, and managed care liability with limits, excess of a self insured retention, in amounts of not less than $5,000,000 per occurrence, and in the aggregate. MCLIC or its Affiliate does not maintain liability insurance on behalf of any Participating Pharmacy, but does contractually require such pharmacies to maintain a minimum amount of commercial liability insurance or, when deemed acceptable by MCLIC or its Affiliate, to have in place a self-insurance program.

ARTICLE V – MONTHLY PREMIUMS; FEES; BILLING AND PAYMENT

5.1 Monthly Premiums.

(a) Determination of Monthly Premium Amounts. Prior to the Effective Date and each EGWP Benefit enrollment period thereafter, MCLIC shall determine the amount of the monthly premium to be charged for each EGWP Enrollee for participation in the EGWP Benefit, which shall be determined based on the CMS Medicare Drug Rules and guidance for standard prescription drug coverage along with enhancements under the EGWP Benefit as compared to the standard prescription drug coverage as permitted.

(b) Collection of Monthly Premium Amounts. In accordance with the Medicare Drug Rules, MCLIC hereby delegates the premium collection function to Client and hereby directs Client, on behalf of MCLIC, to collect all monthly premium payments due from EGWP Enrollees for participation in the EGWP Benefit. In connection with MCLIC's delegation of the premium collection function to Client under this Section 5.1(b), Client hereby agrees as follows:

(i) That in no event, including, but not limited to, MCLIC's insolvency, or MCLIC's breach of this Agreement, will Client bill, charge, collect a deposit from, seek compensation, remuneration or reimbursement from, or have any recourse against an EGWP Enrollee or persons acting on his or her behalf for payments that are the financial responsibility of MCLIC under this Agreement. The foregoing is not intended to prohibit Client from collecting premium amounts due by EGWP Enrollees for participation in the EGWP Benefit;

(ii) That DHHS, the Comptroller General, or their designees shall have the right to inspect, evaluate, and audit pertinent contracts, books, documents, papers and records of the Client involving Client's collection of premium amounts from EGWP Enrollees, and that DHHS', the Comptroller General's, or their designees' right to inspect, evaluate, and audit any such pertinent information will exist through ten (10) years from the date of termination or expiration of this Agreement, or from the date of completion of any audit, whichever is later;

(iii) That if MCLIC or CMS determines that Client is not performing the premium collection function in compliance with all applicable Medicare Drug Rules and Client is unable to cure such noncompliance within thirty (30) days following notice from MCLIC or CMS, then MCLIC may, at its sole discretion, either: (i) upon prior written notice to Client, revoke all or a portion of such delegated function as MCLIC deems necessary to effectuate MCLIC's ultimate responsibility to CMS for the performance of such delegated function under MCLIC's contract with CMS; or (ii) negotiate an alternative remedy in lieu of revocation of delegation, so long as such remedy conforms to the requirements of the Medicare Drug Rules. Nothing in this Section 5.1(b)(3), including, but not limited to, the thirty (30) day cure period, shall be construed in any way to limit MCLIC's right to suspend performance under Section 8.2 for non-payment; and

(iv) That Client shall not further delegate or subcontract the performance of the premium collection function to a third party without MCLIC's prior written consent, which consent will not be unreasonably withheld. If Client does further delegate or subcontract the performance of the premium collection function to a third party, then Client agrees that it shall: (i) amend its written agreement with such subcontractor or enter into a separate written agreement with such subcontractor that contains the terms, conditions, and provisions set forth in Schedule 5.1(a)(iv) attached hereto and incorporated herein by reference; and (ii) ensure that such subcontractor's performance of the premium collection function complies with the provisions set forth on Schedule 5.1(a)(iv).

(c) Determination of Monthly Premium Amounts (if any) to be Subsidized by Client. In determining the amount of the EGWP Enrollee's monthly premium for participation in the EGWP Benefit that Client will subsidize, Client shall make such determination subject to the following restrictions and any other restrictions that may be imposed by CMS:

(i) Client may subsidize different amounts for different classes of EGWP Enrollees provided such classes are reasonable and based on objective business criteria, such as years of service, business location, job category, and nature of compensation (e.g., salaried vs. hourly). Different classes cannot be based on eligibility for the Low Income Subsidy. Notwithstanding the forgoing, the parties agree that Retiree Health Insurance Credit benefits received by Part D Eligible Retirees does not violate or implicate this section~~.~~;

(ii) Client may not vary the premium subsidy for individuals within a given class of EGWP Enrollees;

(iii) Client may not charge an EGWP Enrollee more than the sum of his or her monthly beneficiary premium attributable to basic prescription drug coverage and 100% of the monthly beneficiary premium attributable to his or her supplemental prescription drug coverage, if any, and by signing this agreement, Client agrees to and attests that it shall abide by such provisions in accordance with the requirements set forth in 42 CFR 423.504 and 423.505;

(iv) Client shall directly refund to the EGWP Enrollee (or shall allow MCLIC to do so), within forty-five (45) days of original receipt from CMS of the Low Income Subsidy premium, the full premium subsidy amount up to the monthly beneficiary premium amount previously collected from the EGWP Enrollee; provided, however, that to the extent there are Low Income Subsidy premium amounts remaining after Client refunds the full monthly beneficiary premium amount to the EGWP Enrollee, then Client may apply that remaining portion of the Low Income Subsidy premium to the portion of the monthly premium paid by Client;

(v) ~~(iv)~~ If Client is not able to reduce the up-front monthly beneficiary premium as described in subsection (iv) above, Client shall directly refund to the EGWP Enrollee (or shall allow MCLIC to do so), within forty-five (45) days of original receipt from CMS of the Low Income Subsidy premium, the full premium subsidy amount up to the monthly beneficiary premium amount previously collected from the EGWP Enrollee;

(vi) ~~(v)~~ If the Low Income Subsidy amount for which an EGWP Enrollee is eligible is less than the portion of the monthly beneficiary premium paid by the EGWP Enrollee, then Client must communicate to the EGWP Enrollee the financial consequences for the beneficiary of enrolling in the EGWP Benefit as compared to enrolling in another Medicare Part D plan with a monthly beneficiary premium equal to or below the Low Income Subsidy amount (MCLIC shall provide reasonable guidance to Client regarding the requirements of the performance necessary for Client to meet its obligation under this section) ; and

(vii) ~~(vi)~~ In the event of a change in an EGWP Enrollee's Low Income Subsidy status or an EGWP Enrollee otherwise becomes ineligible to receive the Low Income Subsidy after payment of the Low Income Subsidy premium amount to the EGWP Enrollee, and upon MCLIC's receipt of notification from CMS that such Low Income Subsidy premium amount will be recovered from MCLIC or withheld from future payments to MCLIC, then MCLIC in its sole discretion will invoice Client or set off from amounts otherwise owed from MCLIC to Client, and in either case Client shall reimburse MCLIC for, all amounts deemed by CMS to be ineligible Low Income Subsidy premium payments with respect to the EGWP Enrollee.

(d) Reporting and Auditing of Premium Amounts; Non-Payment by EGWP Enrollees. As of the Effective Date and on a monthly basis thereafter, Client shall provide a report to MCLIC, in a form and manner as agreed to by the parties, that includes all information concerning monthly premium amounts due by EGWP Enrollees for participation in the EGWP Benefit, including, without limitation, the monthly premium amount charged to each class of EGWP Enrollees, the amount that is being subsidized by the Client, and all premium amounts collected from EGWP Enrollees. Client represents and warrants that all information that it provides to MCLIC pursuant to this Section 5.1(d) shall be accurate and complete. Client further represents and warrants that it shall collect only those monthly premium amounts that are due from EGWP Enrollees, consistent with the information provided to MCLIC pursuant to this Section 5.1(d). Upon reasonable advance written notice, MCLIC or its Affiliate shall have access to Client's records in order to audit the monthly premium amounts collected from EGWP Enrollees for the purposes of fulfilling reporting requirements under the Medicare Drug Rules or applicable state insurance laws related to collection of such premium amounts or to otherwise assess compliance with the Medicare Drug Rules in connection with the collection of such premium amounts. Any audits performed by MCLIC or its Affiliate pursuant to this Section 5.1(d) will be at MCLIC's expense. Client acknowledges and agrees that neither MCLIC nor its Affiliate shall be responsible to Client for non-payment by any EGWP Enrollee of any monthly premium amount due by such EGWP Enrollee for participation in the EGWP Benefit. Client further acknowledges and agrees that in the event that either Client or MCLIC (through any audit) determines that Client has collected a greater premium amount from an EGWP Enrollee than is due, that Client shall promptly refund any such overpayment to the EGWP Enrollee.

5.2 Once a month, on or about the fifteenth (~~15~~18th)~~ day~~ of the month beginning on the Effective Date, Client shall be invoiced for an amount equal to the product of: (i) the then-current number of EGWP Enrollees; multiplied by (ii) a "per member per month" fee (i.e., member premium amount) determined by MCLIC on an annual basis, as may be adjusted by MCLIC pursuant to the terms of this Agreement. The monthly fee shall be referred to in this Agreement as the "PMPM Fees." During the Initial Term (as defined in Section 8.1 below) of this Agreement, the "per member per month" fee used to calculate the PMPM Fees shall be ~~One Hundred Nineteen~~Eighty Two and ~~23~~00/100 Dollars ($~~119.23~~82.00). Thereafter, MCLIC shall provide written notice to Client of any annual adjustment to the "per member per month" fee by the ~~July tenth (10)~~August 31st immediately prior to the commencement of any one (1) year renewal term hereunder. Any Administrative Service Fees incurred by Client during the previous month shall be invoiced to Client on or about the twentieth (20th) day of the month beginning on the Effective Date. "Administrative Service Fees" means the fees incurred by Client, if any, for MCLIC's or its Affiliate's performance of any agreed to administrative services.

5.3 CMS Reimbursement. MCLIC and its Affiliate retain all right, title and interest to any and all reimbursement received from CMS with respect to the EGWP Benefit and EGWP Enrollees, including the following: (1) advance direct subsidy monthly payments with respect to EGWP Enrollees, (2) reinsurance subsidy payments with respect to the EGWP Benefit, (3) low-income subsidy payments with respect to EGWP Enrollees, and (4) any other reimbursement payment by CMS to MCLIC for coverage provided to EGWP Enrollees under the EGWP Benefit for such period (each as further defined in the Medicare Drug Rules) (collectively, "CMS Reimbursement"). Client acknowledges and agrees that neither it nor its EGWP Enrollees shall have a right to any CMS Reimbursement payments received by MCLIC or its Affiliates during the collection period or moneys payable under this Section. Notwithstanding the foregoing, to the extent that MCLIC receives any low-income subsidy payments from CMS with respect to any EGWP Enrollee that qualifies for such payments, MCLIC will remit amounts equal to such payments to Client. In such case, Client shall apply such amounts received from MCLIC pursuant to Section 5.1(c)(iv) ~~and~~through (~~v~~vi) above.

5.4 Payment. ~~Payment of the PMPM Fees is due by Client by the twentieth (20th) day of each month for the monthly invoice received by Client on or about the first (1st) day of that month.~~ Client shall pay all

Fees to MCLIC by wire or ACH transfer, debit or other electronic method within two (2) days from the date of Client's receipt of the MCLIC invoice.

5.5 Deposit. If, at any time: (i) Client has one (1) or more outstanding past due invoices; or (ii) MCLIC has reasonable grounds to believe that Client may become delinquent in payment of PMPM Fees to MCLIC based on Client's published financial data (examples include, but are not limited to, persistent negative cash flow, bankruptcy, and insolvency), then MCLIC may require that Client provide to MCLIC a deposit in an amount equal to one (1) month's billing, using the average of the last three (3) months of billing history as the basis for determining the one (1) month deposit amount or, if three (3) months billing history is not available, the most recent month of billing history as the basis. MCLIC shall retain the deposit until the earlier of: (i) termination of this Agreement (following any run-off period); or (ii) six (6) consecutive months of timely payments of all PMPM Fees following submission of the deposit, and may apply the deposit to delinquent PMPM Fees until return of the deposit.

5.6 Manufacturer Coverage Gap Discount. Pursuant to its CMS contract, MCLIC has agreed to administer for EGWP Enrollees at point-of-sale the Coverage Gap Discount authorized by section 1860D-14A of the Social Security Act. In connection with the Coverage Gap Discount, CMS will coordinate the collection of discount payments from manufacturers, and payment to MCLIC, through a CMS contractor (the "Coverage Gap Discount Payments"). MCLIC and its Affiliate retain all right, title and interest to any and all actual Coverage Gap Discount Payments received from CMS. Client acknowledges and agrees that neither it nor its EGWP Enrollees shall have a right to interest on, or the time value of, any Coverage Gap Discount Payments received by MCLIC or its Affiliates under this Section.

ARTICLE VI - CONFIDENTIALITY

6.1 Access to Records and Confidential Information. Each party agrees that participation by EGWP Enrollees in programs administered by Client is confidential under North Dakota law. Each party agrees that confidential information of the other party, must be exchanged as necessary for MCLIC to provide the services described within this Agreement. MCLIC shall not use or disclose any information it receives from Client under this Agreement that Client has previously identified as confidential or exempt from mandatory public disclosure except as necessary to carry out the purposes of this Agreement or as authorized in advance by Client. Client shall not disclose any information it receives from MCLIC that MCLIC has previously identified as confidential and that Client determines in its sole discretion is protected from mandatory public disclosure under a specific exception to the North Dakota public records law, N.D.C.C. ch. 44-04. The parties acknowledge that the following information may constitute confidential or exempt information of the other party under N.D.C.C. § 44-04-18.4, 44-04-18.5, 54-52.1-11, and 54-52.1-12, subject to final determination by Client: (a) with respect to MCLIC and its Affiliate: reporting and system applications, (web-based and other media), and system formats, databanks, clinical and formulary management operations and programs, fraud, waste and abuse tools and programs, manuals, and anonymized claims data (de-identified in accordance with HIPAA), ESI Specialty Pharmacy and Mail Service Pharmacy data, information concerning Rebates, prescription drug evaluation criteria, drug choice management, drug pricing information, and Participating Pharmacy agreements; and (b) with respect to Client: Participating Pharmacy Client and EGWP Enrollee identifiable health information and data, and Client information files. Neither party shall use the other's confidential or exempt information or disclose it to any third party, at any time during or after termination of this Agreement, except as specifically contemplated by this Agreement, upon prior written consent or as required by the Medicare Drug Rules or other applicable law. Upon termination of this Agreement, each party shall cease using the other'~~sconfidential~~s confidential or exempt information, and all such information shall be returned or destroyed upon the owner's direction. The duty of both parties to maintain the confidentiality of information under this section continues beyond the term of this Agreement. This section applies to confidential information that may be in the possession of subcontractors or agents of MCLIC.

6.2 Non-Access to MCLIC's or its Affiliate's Systems. Client will not, and will not permit any third party acting on Client's behalf to, access, attempt to access, test or audit MCLIC's or its Affiliate's systems or any other system or network connected to MCLIC's or its Affiliate's systems. Without limiting the foregoing, Client will not: (i) access or attempt to access any portion or feature of MCLIC's or its Affiliate's systems, by circumventing such systems' access control measures, either by hacking, password "mining" or any other means; or (ii) probe, scan, audit or test the vulnerability of such systems, nor breach the security or authentication measures of such systems~~, except as permitted by MCLIC or the terms of this Agreement~~.

ARTICLE VII - COMPLIANCE WITH LAW AND FINANCIAL DISCLOSURE

7.1 Compliance with Law; Change in Law. MCLIC and Client hereby agree to perform their respective obligations under this Agreement in a manner that is consistent with and complies with the Medicare Drug Rules and with MCLIC's contractual obligations under its contract with CMS. In addition, each party shall be responsible for ensuring its compliance with all federal, state, and local laws and regulations applicable to its business, including maintaining any necessary licenses and permits. If the scope of MCLIC's duties under this Agreement is made materially more burdensome or expensive due to a change in federal, state or local laws or regulations or the interpretation thereof, including actions by CMS, the parties shall negotiate an appropriate modification of the services and/or an adjustment to the PMPM Fees paid to MCLIC. If the parties cannot agree on a modification or adjusted PMPM Fees, then either party may terminate this Agreement upon no less than thirty (30) days prior written notice to the other party. Further, Client by written notice to MCLIC, may terminate this Agreement under the following conditions: 1) If funding from federal, state, or other sources is not obtained and continued at levels sufficient to allow for purchase of the services of supplies in the indicated quantities or term; 2) if federal or state laws or rules are modified or interpreted in a way that the services are no longer eligible or appropriate for purchase under this Agreement or are no longer eligible for the funding proposed for payments authorized by this Agreement; and 3) if any license, permit, or certificate required by law or rule, or by the terms of this Agreement, is for any reason denied, revoked, suspended, or not renewed and, as a result, would have a material impact on MCLIC's ability to perform services under this Agreement. Termination of this Agreement under this section is without prejudice to any obligations or liabilities of either party already accrued prior to termination.

7.2 Disclosure of Certain Financial Matters. Client acknowledges and agrees that MCLIC will contract with its Affiliate, ESI, to provide the pharmacy benefit management services contemplated by this Agreement on MCLIC's behalf. In addition to the administrative fees paid to MCLIC by Client, MCLIC and ESI's wholly-owned subsidiaries or Affiliates derive revenue in one or more of the ways as further described in the ESI Financial Disclosure to PBM Clients set forth in Exhibit D hereto ("Financial Disclosure"), as updated by ESI from time to time. Unlike the administrative fees, the revenues described in the Financial Disclosure are not direct or indirect compensation to MCLIC from Client for services rendered to Client or the Client Group Health Plan under this Agreement. In negotiating any of the fees and revenues described in the Financial Disclosure, ESI and ESI's wholly-owned subsidiaries and Affiliates act on their own behalf, and not for the benefit of or as agents for Client, EGWP Enrollees or the EGWP Benefit. Except for the Rebate amounts set forth in Exhibit B, if any, Client acknowledges and agrees that MCLIC and MCLIC's wholly-owned subsidiaries and Affiliates retain all interest, revenues, any or all Rebates and Manufacturer Administrative Fees not payable to Client, and all Participating Pharmacy discounts, if any, in addition to any administrative and other fees paid by Client. Client acknowledges for itself and its EGWP Enrollees that, except as may be expressly provided herein, neither it nor any EGWP Enrollee has a right to receive, or possesses any beneficial interest in, any such discounts or payments.

ARTICLE VIII - TERM AND TERMINATION; DEFAULT AND REMEDIES

8.1 Term. The initial term of this Agreement (the "Initial Term") shall commence on the Execution Date, and coverage of EGWP Enrollees under the EGWP Benefit shall begin as of January 1, 2016 (the "Effective Date"). Unless earlier terminated as provided herein, the Initial Term shall continue until December 31, 2016. Thereafter, Client may renew this Agreement upon satisfactory completion of the ~~initial term~~Initial Term for successive one (1) year renewal terms with the same terms and conditions as set forth herein. MCLIC may decline to renew the Agreement for successive one (1) year terms by providing Client notice of its intent not to renew the Agreement in writing at least ninety (90) days prior to the expiration of the then current term.

MCLIC shall provide written notice to Client of any annual adjustment to the "per member per month" fee by the ~~July tenth (10th~~August thirty-first (31st) prior to the commencement of any one (1) year renewal term hereunder. Client ~~to~~shall provide notice of intent to renew this Agreement to MCLIC at least ~~seventy-five (75~~ninety (90) days prior to the expiration of the then current term. Both parties acknowledge that nothing in this Agreement prevents Client from engaging in a competitive selection process and to accept a bid from another vendor through a competitive selection process for a subsequent contract term for the services provided hereunder. This Agreement may be terminated earlier during the Initial Term or any renewal terms pursuant to Section 8.2 below.

8.2 Termination.

(a) Breach or Default. Either party may give the other written notice of a material, substantial and continuing breach of this Agreement. If the breaching party has not cured said breach within thirty (30) days from the date such notice was sent, this Agreement may be terminated at the option of the non-breaching party. If the amount of time commercially reasonable for the breach to be cured is longer than thirty (30) days, this Agreement may not be terminated by the non-breaching party pursuant to this provision until such commercially reasonable period of time has elapsed; provided, however, that in no event shall such period exceed sixty (60) days.

(b) Termination of MCLIC's Contract with CMS. If at any time throughout the term of this Agreement, CMS either does not renew its contract with MCLIC or terminates its contract with MCLIC such that MCLIC may no longer provide services as a PDP Sponsor under the Medicare Drug Rules, then this Agreement shall be automatically terminated conterminously with such CMS contract termination. MCLIC will provide Client one hundred and twenty (120) days' notice before MCLIC non-renews the CMS contract and thereby terminates this Agreement. MCLIC will provide Client as much notice as reasonably practical in the event of CMS's termination or non-renewal of the CMS contract. The notice will include the termination date for this Agreement.

(c) Non-Payment. To the extent permitted by the Medicare Drug Rules and other applicable laws, MCLIC and its Affiliate may terminate or suspend their performance hereunder and cease providing or authorizing provision of Covered Drugs to EGWP Enrollees upon forty-eight (48) hours written notice if Client fails to pay MCLIC or provide a deposit, if required, in accordance with the terms of this Agreement. MCLIC also may offset amounts overdue to MCLIC with amounts owed, if any, by MCLIC to Client. To the extent permitted by law, MCLIC may suspend Mail Service Pharmacy and/or ESI Specialty Pharmacy services to any EGWP Enrollee who is in default of payment of any Copayments or deductibles to the applicable Pharmacy.

(d) Insolvency; Regulatory Action. To the extent permitted by applicable law, MCLIC may terminate this Agreement, or suspend performance hereunder, upon the insolvency of Client, and Client may terminate this Agreement upon the insolvency of MCLIC. The "insolvency" of a party shall mean the filing of a petition commencing a voluntary or involuntary case (if such case is an involuntary case, then only if such case is not dismissed within sixty (60) days from the filing thereof) against such party under the United States Bankruptcy Code or applicable state law; a general assignment by such party for the benefit of creditors; the inability of such party to pay its debts as they become due; such party's seeking or consenting to, or acquiescence in, the appointment of any trustee, receiver or liquidation of it, or any material part of its property; or a proceeding under any state or federal agency declaration or imposition of receivership, composition, readjustment, liquidation, insolvency, dissolution, or like law or statute, which case or proceeding is not dismissed or vacated within sixty (60) days. Notwithstanding the preceding, in the event of Client's insolvency or other cessation of operations, MCLIC agrees to require Participating Pharmacies to continue to provide prescription drug services to EGWP Enrollees if required by the Medicare Drug Rules and all other applicable federal and state laws relating to insolvency or other cessation of operations or termination. Nothing herein shall be interpreted to require MCLIC or Pharmacies to provide services without being paid for Covered Drugs or Prescription Drug Services.

~~(e) Client may cancel this Agreement at the end of any month by written notice received by MCLIC at least sixty (60) days prior to the effective date of cancellation. Client will otherwise follow the group disenrollment requirements of Section 2.7.~~

8.3 Remedies.

(a) Remedies Not Exclusive. A party's right to terminate this Agreement under Article VIII shall not be exclusive of any other remedies available to the terminating party under this Agreement or otherwise, at law or in equity.

(b) Force Majeure. Neither party shall be held responsible for delay or default caused by fire, riot, terrorism, extreme weather conditions, government acts or regulations, acts of God or war if the event is beyond the party's reasonable control and the affected party gives notice to the other party immediately upon occurrence of the event causing the delay or default or that is reasonably expected to cause a delay or default.

(c) Limitation of Liability. Client and MCLIC each agrees to assume its own liability for any and all claims of any nature including all, costs, expenses and attorneys' fees which may in any manner result from or arise out of this agreement.

~~(~~

8.4 Obligations Upon Termination. Client or its agent shall pay MCLIC in accordance with this Agreement for all PMPM Fees due hereunder on or before the later of: (i) the effective date of termination, or (ii) the final date that all EGWP Enrollees have been transitioned to a new Part D plan, as applicable (the "Termination Date"). The parties shall cooperate regarding the transition of Client and its EGWP Enrollees to a successor PDP Sponsor in accordance with all applicable Medicare Drug Rules and MCLIC will take all reasonable steps to mitigate any disruption in service to EGWP Enrollees~~. Specifically MCLIC agrees to provide to a successor PDP Sponsor information that includes but is not limited to: Open Refill (ORT) File, Open Refill (ORT) File – Specialty, Prior Authorization (PA) File, and Claims History File~~. Notwithstanding the preceding, MCLIC may (a) delay payment of any amounts due Client, if any, to allow for any final adjustments to EGWP Enrollee enrollment information, or (b) request that Client pay a reasonable deposit in the event MCLIC is requested to process after the Termination Date claims incurred on or prior to such date.

8.5 Survival. The parties' rights and obligations under Section 3.8(b) and 3.10(e); Articles V and VI; and Sections 7.1, 8.3, 8.4, and 8.5 shall survive the termination of this Agreement for any reason.

ARTICLE IX - MISCELLANEOUS

9.1 Notice. Any notice or document required or permitted to be delivered pursuant to this Agreement must be in writing and shall be deemed to be effective upon mailing and must be either (a) deposited in the United States Mail, postage prepaid, certified or registered mail, return receipt requested, or (b) sent by recognized overnight delivery service, in either case properly addressed to the other party at the address set forth below, or at such other address as such party shall specify from time to time by written notice delivered in accordance herewith:

Medco Containment Life Insurance Company
Attn: President
One Express Way
St. Louis, Missouri 63121
with copy to: General Counsel
Fax: 800-417-8163

North Dakota Public Employees Retirement System

Attn: Sparb Collins
400 East Broadway, Suite 505
Bismarck, North Dakota 58502

9.2 Independent Parties. No provision of this Agreement is intended to create or shall be construed to create any relationship between MCLIC or its Affiliate and Client other than that of independent entities contracting with each other solely for the purpose of effecting the provisions of this Agreement. Neither party, nor any of their respective representatives, shall be construed to be the partner, agent, fiduciary, employee, or representative of the other and neither party shall have the right to make any representations concerning the duties, obligations or services of the other except as consistent with the express terms of this Agreement or as otherwise authorized in writing by the party about which such representation is asserted.

9.3 Assignment and Subcontracting. Client acknowledges and agrees that MCLIC may perform certain services hereunder (e.g., mail service pharmacy and specialty pharmacy services) through one or more MCLIC subsidiaries or Affiliates. MCLIC is responsible and liable for the performance of its subsidiaries and Affiliates in the course of their performance of any such service. To the extent that MCLIC subcontracts any PBM Service under this Agreement to a third party, MCLIC is responsible and liable for the performance of any such third party. In addition, MCLIC may contract with third parties to provide information technology support services and other ancillary services, which services are not PBM Services hereunder, but rather are services that support MCLIC's conduct of its business operations. This Agreement will be binding upon, and inure to the benefit of and be enforceable by, the respective successors and permitted assigns of the parties hereto.

9.4 Integration. This Agreement and all Exhibits hereto constitute the entire understanding of the parties hereto and supersede any prior oral or written communication between the parties with respect to MCLIC's plan offering to EGWP Enrollees as a PDP Sponsor of the EGWP Benefit under the Medicare Drug Rules. The parties hereby expressly agree that this Agreement and the Commercial Agreement are separate and independent agreements that stand on their own and that, unless otherwise specifically set forth in this Agreement, no term or condition in one such agreement shall have any connection to or bear any force or effect on the other agreement.

9.5 Amendments. No modification, alteration, or waiver of any term, covenant, or condition of this Agreement shall be valid unless in writing and signed by both parties or the agents of the parties who are authorized in writing.

9.6 Choice of Law. Unless governed by the Medicare Drug Rules or applicable state insurance laws, this Agreement shall be construed and governed in all respects according to the laws in the State of ~~North Dakota~~Delaware, without regard to the rules of conflict of laws thereof.

9.7 Waiver. The failure of either party to insist upon the strict observation or performance of this Agreement or to exercise any right or remedy shall not be construed as a waiver of any subsequent breach of this Agreement or impair or waive any available right or remedy.

9.8 Taxes and Assessments. Any applicable sales, use, excise, or other similarly assessed and administered tax, surcharge, or fee imposed on items dispensed, or services provided hereunder or the EGWP Supplemental Policy, or the fees or revenues generated by the items dispensed or services provided hereunder or the EGWP Supplemental Policy, or any other amounts MCLIC or one or more of its subsidiaries or affiliates may incur or be required to pay arising from or relating to MCLIC's or its subsidiaries' or affiliates' performance of services as a pharmacy benefit manager, third-party administrator, or otherwise in any jurisdiction, will be the sole responsibility of Client or the EGWP Enrollee. If MCLIC is legally obligated to collect and remit, or to incur or pay, any such sales, use, excise, or other similarly assessed and administered tax, surcharge, or fee in a particular jurisdiction, such amount will be reflected on the applicable invoice or subsequently invoiced at such time as MCLIC becomes aware of such obligation or as such obligation becomes due. MCLIC reserves the right to charge a reasonable administrative fee for collection and remittance services provided on behalf of Client.

9.9 Severability. In the event that any provision of this Agreement is invalid or unenforceable, such invalid or unenforceable provision shall not invalidate or affect the other provisions of this Agreement which shall remain in effect and be construed as if such provision were not a part hereof; provided that if the invalidation or unenforceability of such provision shall, in the opinion of either party to the Agreement, have a material effect on such party's rights or obligations under this Agreement, then the Agreement may be terminated by such party upon thirty (30) days written notice by such party to the other party.

9.10 Third Party Beneficiary Exclusion. This Agreement is not a third party beneficiary contract, nor shall this Agreement create any rights on behalf of EGWP Enrollees as against MCLIC. Client and MCLIC reserve the right to amend, cancel or terminate this Agreement without notice to, or consent of, any EGWP Enrollee.

9.11 Trademarks. Each party acknowledges each other party's sole and exclusive ownership of its respective trade names, commercial symbols, trademarks, and service marks, whether presently existing or later established (collectively "Marks"). No party shall use the other party's Marks in advertising or promotional materials or otherwise without the owner's prior written consent.

9.12 Debarment. MCLIC or its Affiliate shall not knowingly employ, or subcontract with, an individual or an entity that employs or contracts with an individual, who is excluded from participation in Medicare under section 1128 or 1128A of the Act or from participation in a Federal health care program for the provision of health care, utilization review, medical social work, or administrative services.

9.13 Signatures. Any documents required to implement the terms of this Agreement shall be signed by a representative of each party with legal authority to bind the entity.

9.14 Federal Funds. The parties acknowledge that information provided in connection with this Agreement is used for purposes of obtaining federal funds and, as such, the parties are subject to certain laws that are applicable to individuals and entities receiving federal funds.

9.15 Nondiscrimination and Compliance with Laws. MCLIC agrees to comply with all laws, rules, and policies, including those relating to nondiscrimination, accessibility and civil rights. MCLIC agrees to timely file all required reports, make required payroll deductions, and timely pay all taxes and premiums owed, including sales and use taxes and unemployment compensation and workers' compensation premiums. ~~MCLIC shall have and keep current at all times during the term of this Contract all licenses and permits required by law.~~

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the day and year below set forth.

MEDCO CONTAINMENT LIFE INSURANCE COMPANY	NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
By:________________________________	By: ________________________________
Printed Name: ______________________	Printed Name:_______________________
Title:________________________________	Title:________________________________
Date:________________________________	Date:________________________________
	Federal ID Number:__________________

EXHIBIT A

EGWP BENEFIT DESCRIPTION
(Incorporated herein by reference)

Plan Design Option: Current NDPERS Plan Design

	Retail Pharmacy Network	Retail Maintenance Drug Program (MDP) Pharmacy	Express Scripts Home Delivery
Day Supply	Up to 31 day	Up to 90 day	Up to 90 day
Member Co-Pay	Generic: $5 copay plus 15% coinsurance ~~Generic~~ Preferred Brand: $15 copay plus 25% coinsurance ~~Preferred Brand~~ Non-Preferred Brand: $25 copay plus ~~45~~50% coinsurance ~~Non-Preferred Brand~~ Specialty: $15 copay plus 25% coinsurance ~~Specialty~~	~~One (1) retail co-pay per 31-day supply~~Generic: $5 copay plus 15% coinsurance Preferred Brand: $15 copay plus 25% coinsurance Non-Preferred Brand: $25 copay plus 50% coinsurance Specialty: $15 copay plus 25% coinsurance	Generic: $5 copay plus 15% coinsurance ~~Generic~~ Preferred Brand: $15 copay plus 25% coinsurance ~~Preferred Brand~~ Non-Preferred Brand: $25 copay plus ~~45~~50% coinsurance ~~Non-Preferred Brand~~ Specialty: $15 copay plus 25% coinsurance ~~Specialty~~
Deductible	No Deductible		
Coverage Gap[1]	No Coverage Gap; Member Co-pays above apply.		
Catastrophic Coverage	Member cost share post TrOOP ($4,850) is the greater of 5% or $2.95 per generic or preferred multi-source drugs and the greater of 5% or $7.40 per all other brands		
Formulary	~~Transition Formulary~~Medicare Premier Access		
Non Part D Drugs[2]	~~Not Covered~~Mirror current coverage within CMS guidelines		
Part B Drugs[2]	Not Covered		
Generics Policy	Voluntary		
Utilization Management Program	All Approved Standard Part D		
Federal Poverty Limits	Standard Federal Poverty Limit (FPL) guidelines apply		

	~~Effective Date~~	~~Expiration Date~~
	~~01/01/2016~~	~~12/31/2016~~
~~EGWP Plan Premium (PMPM)~~	~~$96.64~~	
~~Enhanced Insurance Premium[3] (PMPM)~~	~~$22.59~~	
~~Total Premium[4] (PMPM)~~	~~$119.23~~	

Please note that most specialty medications can only dispensed up to a 31 day supply to Medicare members

	Effective Date	**Expiration Date**
	January 1st, 2016	December 31st, 2016

~~[1] *Coverage Gap begins at the Initial Coverage Limit which is $3,310 for CY 2016*~~

~~[2] *Some states require coverage for certain Non Part D and Part B drugs. Express Scripts will comply with all state requirements on your behalf.*~~

~~[3] *This group Medicare Part D plan has additional benefits to enhance the Medicare Part D coverage, as required by the Centers for Medicare and Medicaid Services (CMS). Per CMS regulations, the benefit enhancements are considered other health benefits and require filing with and approval by the state department of insurance. MCLIC will offer this product in conjunction with Companion/Niagara/Pan American.[4] The illustrated premium is subject to change in the event of CMS guidance and rate changes. Income Related Monthly Adjustment Amounts apply for high income beneficiaries. See page 2 for details.*~~

	EGWP Plan Premium (PMPM)	$69.26
	Enhanced Insurance Premium[3] (PMPM)	$12.74
	Total Premium[4] (PMPM)	**$82.00**

[1] *Coverage Gap begins at the Initial Coverage Limit which is $3,310 for CY 2016.*

[2] *Some states require coverage for certain Non Part D and Part B drugs. Express Scripts will comply with all state requirements on your behalf.*

[3] *This group Medicare Part D plan has additional benefits to enhance the Medicare Part D coverage, as required by the Centers for Medicare and Medicaid Services (CMS). Per CMS regulations, the benefit enhancements are considered other health benefits and require filing with and approval by the state department of insurance. Express Scripts Medicare will offer this product in conjunction with Companion/Niagara/Pan American.*

[4] *The illustrated premium is subject to change in the event of CMS guidance and rate changes. Income Related Monthly Adjustment Amounts apply for high income beneficiaries. See page 2 for details.*

Income Related Monthly Adjustment Amount (IRMAA)

Effective January 1, 2011, individuals whose modified gross income (MAGI) exceeds certain thresholds will be required to pay an extra amount, referred to as an income related monthly adjustment amount, for their Medicare Part D coverage. In 2010, these amounts were $85,000 for a beneficiary filing an individual income tax return or married and filing a separate return, and $170,000 for a beneficiary filing a joint tax return. In accordance with the Affordable Care Act, these income threshold amounts will remain at the 2010 levels for calendar years 2011-2019. The Social Security Administration, not MCLIC, will determine which members are required to pay a Part D-IRMAA and will send the beneficiary a letter telling him or her what that extra amount will be and what information was used to make the determination. In general, the Part D-IRMAA will be paid through premium withholding from monthly Social Security benefit payments. For more information about Part D premiums based on income, visit medicare.gov on the web or call 1-800-MEDICARE (1-800-633-4227). The Social Security Administration may also be contacted at 1-800-772-1213.

Included Additional Services

Electronic Claims Processing	No Additional Fee
Member Submitted Paper Claims Processing	No Additional Fee
Medicaid Subrogation Claims	No Additional Fee
Electronic Prescribing	No Additional Fee
Eligibility submission	No Additional Fee
Electronic/on-line submission (changes only)	No Additional Fee
Manual/hardcopy submission	No Additional Fee
Pharmacy Audit	No Additional Fee
Pharmacy Help Desk	No Additional Fee
Pharmacy Network Management	No Additional Fee
Pharmacy Reimbursement	No Additional Fee
Network Development Upon Request	No Additional Fee
My Rx Choices Medicare	No Additional Fee
Benefit Education (Includes Mail Promotion Program)	No Additional Fee
Prescription Delivery – standard	No Additional Fee
Ad-Hoc Desktop Parametric Reports	No Additional Fee
Billing Reports	No Additional Fee
Custom Ad-Hoc Reporting (up to 10 hours of programming time)	Included; additional programming may be billed at $150 per hour
Load 12 Months Claims History for Clinical Programs and Reporting	No Additional Fee
Preparation of All Data Necessary to meet Medicare Part D Reporting Requirements	No Additional Fee
Provide Data to CMS in Required Format	No Additional Fee
CMS Designated Third Party Manages TrOOP ensuring Secondary Payments	No Additional Fee
Digital Certificates – Up to 5 certificates	No Additional Fee
Express-Scripts.com for Clients – access to Contact Directory, Sales and Benefit and Enrollment Support Marketing Information, and Benefit and Enrollment Support	No Additional Fee
Express-Scripts.com for Members – access to benefit, drug, health and wellness information; prescription ordering capability; and customer service	No Additional Fee

Call Center service for members	No Additional Fee
Fraud and Abuse Program – Pharmacy, Physician and Member Audit Program to Prevent Fraud, Waste and Abuse	No Additional Fee
Pharmacy Audit Only	No Additional Fee
Online member service application	No Additional Fee (up to 10 users)
Assigned account team, Training for online tools	No Additional Fee
Communication with physicians and/or members (Transition Letters, notifications, etc.)	No Additional Fee (Client Requested EOBs Extra)
Annual pharmacy benefit strategic planning with quarterly review	No Additional Fee
Postage (e.g., physician or member mailings)	No Additional Fee
CMS required Member Materials and New Enrollee Packets, which contain the following: 1 standard ID card and Enrollment Letter carrier, HIPAA Notice of Privacy, Abridged Formulary, Evidence of Coverage (Non-ERISA clients only), Quick Reference Guide and Checklist, and Home Delivery Form	No Additional Fee
Non-Standard Member Materials	Non Standard member materials priced upon
Appeals	No Additional Fee
Grievances	No Additional Fee
Prior Authorization Services-Administrative Manage plan benefits and drug costs by ensuring appropriate prescribing and use by members Non-clinical PA Lost/stolen overrides Vacation supplies	No Additional Fee
Prior Authorization Services-Clinical Prior Authorization, Step Therapy, Drug Quantity Level Limits Part B versus Part D coverage determinations Formulary exceptions Benefit level exceptions	No Additional Fee

Optional Service (if elected by Client)

Includes: • Invoicing of EGWP Enrollees • Sending delinquency • Disenrollment for non-payment of premium • Processing of premium refunds	$0.80 Per EGWP Enrollee Per Month

MCLIC offers clinical programs focused on Safety Management and Care Management. Safety Management Programs are designed to provide an additional source of pharmaceutical information (a "safety net") for the most important drug and member specific pharmaceutical care issues. Care Management Programs offer disease-based programs focused on improving the health and well being of the patient, optimization of medication therapy, and compliance with prescribed therapy.

Safety and Care Management		
Program Name	**Description**	**Fee**
Concurrent DUR	Drug Utilization Review is a series of checks to insure that the drug being dispensed is appropriate; edits include dose checks, checks for drug interactions, duplicate Rx, step therapy, etc.	No Additional Fee
Medication Therapy Management Program (MTM)	This CMS required clinical program is designed to improve the therapeutic outcomes associated with the use of medication for selected Medicare members.	No Additional Fee
Emerging Therapeutic Interventions Program	This CMS required notification is designed to alert members and healthcare professionals regarding significant safety-related drug recalls (FDA Removals) or market withdrawals (Manufacturer Removals) in a timely and efficient manner.	No Additional Fee
Fraud, Waste and Abuse	Express Scripts is strongly committed to the detection and prevention of Fraud, Waste and Abuse	No Additional Fee

Program	(FWA). This program includes the identification of potential problem pharmacies as well as prescribers and members with unusual or excessive utilization patterns. This program consists of two parts: the Network Pharmacy Audit Program and the Member and Physician Fraud Detection Program.	
Appeals	Any of the procedures that deal with the review of adverse coverage determinations made by the Part D Plan Sponsor on the benefits a member believes he/she is entitled to receive, including the delay in providing or approving the drug coverage (when a delay would adversely affect the health of the member), or any amounts the member must pay for the drug coverage. These procedures include redeterminations by the Part D Plan Sponsor, reconsiderations by the independent review entity (IRE), ALJ hearings, MAC reviews, and judicial reviews. MCLIC contracts with an independent review agency to handle Re-determination appeals for the Express Scripts PDP. This vendor will perform redeterminations in compliance with CMS regulations for standard and expedited appeals.	No Additional Fee
Grievance	A 'grievance' is defined as a patient's expressed dissatisfaction with a specific event related to their Medicare Part D benefit that occurred within the last 60 calendar days or a complaint regarding the Part D sponsor's refusal to expedite a Coverage Determination or redetermination.	No Additional Fee

The following describes the CMS approved MCLIC Generics Policy.

Generics Policy	
Voluntary	No matter who requests Brand name, Physician or Member, no ancillary charge applies.

The following describes the MCLIC Standard Utilization Management Programs. These programs apply if the Design Option sections states "Standard Part D".

Standard Utilization Management Programs		
Program	**Description**	**Fee**
Step Therapy	CMS approved program that manages drug costs within specific therapy classes by ensuring that patients try a front-line or step one drug (usually generics) before a higher cost back-up or step two brand-name drug is covered. Within specific therapy classes, multiple drugs are available to treat the same condition. Step Therapy points a new patient to a front-line or step one, lower cost, clinically effective drug in each therapy group. Evidence-based clinical protocols are used to select front-line or step one drug. Members who fill a step therapy medication within the first 90 days of enrollment will be allowed to remain on that medication. Medicare Part D Step Therapy Drugs List stated below.	No Additional Fee
Prior Authorization (PA)	CMS approved program that manages plan benefits by ensuring appropriate prescribing and member usage. For MCLIC Standard list of drugs, client agrees to all updates/revisions as approved by CMS. B vs D require Prior Authorization, if determined to be a Part B drug, then the copay will process at the Part B co-pay (if covered); if determined to be a Part D drug then the co-pay will process at the applicable Part D co-pay. Members will be allowed one transition fill for a retail supply (up to 31 day supply) within the first 90 days of enrollment.	No Additional Fee
Quantity Level Limit (QLL)	CMS approved program that manages prescription costs by ensuring that the quantity of units supplied for each copayment are consistent with clinical dosing guidelines. The program is designed to support safe, effective, and economic use of drugs while giving patients access to quality care. MCLIC clinicians maintain a list of quantity limit drugs, which is based upon manufacturer-recommended guidelines and medical literature. Online edits help make sure optimal quantities of medication are dispensed per copayment and per days' supply.	No Additional Fee

SCHEDULE 5.1(a)(iv)

If Client engages a subcontractor ("Subcontractor") to perform any of the functions that MCLIC has delegated to Client to perform under this Agreement, Client shall do so pursuant to a written agreement that includes the following terms, conditions, and provisions:

1. The agreement between Client and Subcontractor (the "Subcontract") must clearly identify the parties to the Subcontract.

2. The Subcontract must describe the functions that are being delegated to and performed by the Subcontractor.

3. The Subcontract must describe the manner in which Client will monitor the performance of the Subcontractor on an ongoing basis; specifically to monitor compliance with the Medicare Drug Rules.

4. The Subcontract must describe any reporting requirements that the Subcontractor has to Client.

5. The Subcontract must describe the payment that the Subcontractor will receive for performance under the Subcontract.

6. The Subcontractor must agree that the United States Department of Health and Human Services ("DHHS"), the Comptroller General, or their designees have the right to inspect, evaluate, and audit any pertinent contracts, books, documents, papers and records (including medical records and documentation) of the Vendor involving transactions related to the Centers for Medicare and Medicaid Services' ("CMS") contract with MCLIC for a period of the then current plan year, plus an additional ten (10) years following the expiration or termination of the Subcontract or the date of any audit completion, whichever is later.

7. The Subcontractor must agree pursuant 42 CFR § 423.505(i)(3)(iv) to produce upon request by CMS, or its designees, any books, contracts, records, including medical records and documentation of the PDP Sponsor, relating to the Part D program, to either the PDP Sponsor to provide to CMS, or directly to CMS or its designees.

8. The Subcontractor must agree that in no event, including, but not limited to, nonpayment by Client, Client's insolvency, or breach of the Subcontract, will the Subcontractor bill, charge, collects a deposit from, seek compensation, remuneration or reimbursement from, or have any recourse against a beneficiary of Client or persons acting on his or her behalf for services provided by the Subcontractor pursuant to the Subcontract.

9. The Subcontract must: (i) specify that the Subcontractor will perform all services under the Subcontract in a manner that is consistent with and that complies with MCLIC's contractual obligations under its contract with CMS; (ii) specify that the Subcontractor agrees to comply with all applicable federal laws, regulations, and CMS instructions; and (iii) provide for revocation of the Subcontractor's delegated activities and reporting responsibilities or specify other remedies in instances when CMS, Client, or MCLIC determine that the Subcontractor has not performed satisfactorily.

10. The Subcontract must require the Subcontractor to agree to comply with state and federal privacy and security requirements, including the confidentiality and security provisions stated in 42 CFR §423.136.

11. The Subcontract must include an acknowledgment by the parties that information provided in connection with the Subcontract is used for purposes of obtaining federal funds.

12. If the Subcontract permits the Subcontractor to use a subcontractor to perform any of the services delegated to it under the Subcontract, the Subcontract must require that the Subcontractor include all of the above provisions in a written agreement with such subcontractor.

13. The Subcontract must be signed by a representative of the Subcontractor with legal authority to bind the Subcontractor.

14. The Subcontract must contain a representation by Client and the Subcontractor that they shall not knowingly employ, or subcontract with, an individual or an entity that employs or contracts with an individual, who is excluded from participation in Medicare under section 1128 or 1128A of the Act or from participation in a Federal health care program for the provision of health care, utilization review, medical social work, or administrative services.

15. The Subcontract must contain language clearly indicating that the first tier, downstream, or related entity has agreed to participate in the PDP Sponsor's Medicare Prescription Drug Benefit program. This requirement is not applicable for a network pharmacy if the existing contract would allow participation in this program.

16. The Subcontract must be for a term of at least the one-year contract period for which the PDP Sponsor's Medicare Part D Application is submitted. However, where the Subcontract is for services or products to be used in preparation for the next contract year's Part D operations (marketing, enrollment), the initial term of such Subcontract must include this period of performance (e.g., contracts for enrollment-related services must have a term beginning no later than November 15 extending through the full contract year ending on December 31 of the next year).

17. Insofar as the Subcontractor establishes the pharmacy network or select pharmacies to be included in the network, the Subcontractor must agree: i) pursuant 42 CFR § 423.505(i)(5) that the PDP Sponsor retains the right to approve, suspend, or terminate any arrangement with a pharmacy; ii) pursuant 42 CFR §423.505(i)(3)(vi) and consistent with 42 CFR § 423.520 to issue, mail, or otherwise transmit payment of all clean claim to such pharmacies (excluding long-term care and mail order) submitted by or on behalf of pharmacies within 14 days for electronic claims and within 30 days for claims submitted otherwise; iii) pursuant 42 CFR § 423.505(i)(3)(viii)(B) and 42 CFR § 423.505(i)(3)(viii)(A) that if a prescription drug pricing standard is used for reimbursement, Subcontractor will identify the source used by the PDP Sponsor for the prescription drug pricing standard of reimbursement and agree to a contractual provision that updates to such a standard occur not less frequently than once every 7 (seven) days beginning with an initial update on January 1 of each year, to accurately reflect the market price of acquiring the drug.

EXHIBIT B

As provided in the Agreement, MCLIC may provide services under this Agreement through one or more of its Affiliates, including Express Scripts, Inc. ("ESI"). The following financial disclosure statement relates to the rebate programs and other financial arrangements that may be used by Express Scripts, Inc. ("ESI") in connection with MCLIC's administration of the EGWP Benefit under this Agreement.

FINANCIAL DISCLOSURE TO ESI PBM CLIENTS

This disclosure provides an overview of the principal revenue sources of Express Scripts, Inc. and Medco Health Solutions, Inc. (individually and collectively referred to herein as "ESI"), as well as ESI's affiliates. In addition to administrative and dispensing fees paid to ESI by our clients for pharmaceutical benefit management ("PBM") services, ESI and its affiliates derive revenue from other sources, including arrangements with pharmaceutical manufacturers, wholesale distributors, and retail pharmacies. Some of this revenue relates to utilization of prescription drugs by members of the clients receiving PBM services. ESI may pass through certain manufacturer payments to its clients or may retain those payments for itself, depending on the contract terms between ESI and the client.

Network Pharmacies – ESI contracts for its own account with retail pharmacies to dispense prescription drugs to client members. Rates paid by ESI to these pharmacies may differ among networks (e.g., Medicare, Worker's Comp, open and limited), and among pharmacies within a network, and by client arrangements. PBM agreements generally provide that a client pays ESI an ingredient cost, plus dispensing fee, for drug claims. If the rate paid by a client exceeds the rate contracted with a particular pharmacy, ESI will realize a positive margin on the applicable claim. The reverse also may be true, resulting in negative margin for ESI. ESI also enters into pass-through arrangements where the client pays ESI the actual ingredient cost and dispensing fee amount paid by ESI for the particular claim when the claim is adjudicated to the pharmacy. In addition, when ESI receives payment from a client before payment to a pharmacy, ESI retains the benefit of the use of the funds between these payments. ESI may maintain non-client specific aggregate guarantees with pharmacies and may realize positive margin. ESI may charge pharmacies standard transaction fees to access ESI's pharmacy claims systems and for other related administrative purposes.

Brand/Generic Classifications – Prescription drugs may be classified as either a "brand" or "generic;" however, the reference to a drug by its chemical name does not necessarily mean that the product is recognized as a generic for adjudication, pricing or copay purposes. For purposes of pharmacy reimbursement, ESI distinguishes brands and generics through a proprietary algorithm ("BGA") that uses certain published elements provided by First DataBank (FDB) including price indicators, Generic Indicator, Generic Manufacturer Indicator, Generic Name Drug Indicator, Innovator, Drug Class and ANDA. The BGA uses these data elements in a hierarchical process to categorize the products as brand or generic. The BGA also has processes to resolve discrepancies and prevent "flipping" between brand and generic status due to price fluctuations and marketplace availability changes. The elements listed above and sources are subject to change based on the availability of the specific fields. Updated summaries of the BGA are available upon request. Brand or generic classification for client reimbursement purposes is either based on the BGA or specific code indicators from Medi-Span or a combination of the two as reflected in the client's specific contract terms. Application of an alternative methodology based on specific client contract terms does not affect ESI's application of its BGA for ESI's other contracts.

Maximum Allowable Cost ("MAC")/Maximum Reimbursement Amount ("MRA") – As part of the administration of the PBM services, ESI maintains a MAC List of drug products identified as requiring pricing management due to the number of manufacturers, utilization and/or pricing volatility. The criteria for inclusion on the MAC List are based on whether the drug has readily available generic product(s), is generally equivalent to a brand drug, is cleared of any negative clinical implications, and has a cost basis that will allow for pricing below brand rates. ESI also maintains MRA price lists for drug products on the MAC List based on current price reference data provided by MediSpan or other nationally recognized pricing source, market pricing and availability information from generic manufacturers and on-line research of national wholesale drug company files, and client arrangements. Similar to the BGA, the elements listed above and sources are subject to change based on the availability of the specific fields. Updated summaries of the MAC methodology are available upon request.

Manufacturer Formulary Rebates, Associated Administrative Fees, and PBM Service Fees – ESI contracts for its own account to obtain formulary rebates attributable to the utilization of certain brand drugs and supplies (and possibly certain authorized generics marketed under a brand manufacturer's new drug application). Formulary rebate amounts received vary based on client specific utilization, the volume of utilization as well as formulary position applicable to the drug or supplies, and adherence to various formulary management controls, benefit design requirements, claims volume, and other similar factors, and in certain instances also may vary based on the product's market-share. ESI often pays an amount equal to all or a portion of the formulary rebates it receives to a client based on the client's PBM agreement terms. ESI retains the financial benefit of the use of any funds held until payment of formulary rebate amounts is made to the client. ESI or its affiliates may maintain non-client specific aggregate guarantees and may realize positive margin. In addition, ESI provides administrative services to contracted manufacturers, which include, for example, maintenance and operation of systems and other infrastructure necessary for invoicing and processing rebates, pharmacy discount programs, access to drug utilization data, as allowed by law, for purposes of verifying and evaluating applicable payments, and for other purposes related to the manufacturer's products. ESI receives administrative fees from the participating manufacturers for these services. These administrative fees are calculated based on the price of the drug or supplies along with the volume of utilization and do not exceed the greater of (i) 4.58% of the average wholesale price, or (ii) 5.5% of the wholesale acquisition cost of the products. In its capacity as a PBM company, ESI also may receive other compensation from manufacturers for the performance of various services, including, for example, formulary compliance initiatives, clinical services, therapy management services, education services, medical benefit management services, and the sale of non-patient identifiable claim information. This compensation is not part of the formulary rebates or associated administrative fees.

Copies of ESI's standard formularies may be reviewed at www.express-scripts.com/wps/portal/. In addition to formulary considerations, other plan design elements are described in ESI's Plan Design Review Guide, which may be reviewed at www.express-scripts.com/wps/portal/.

ESI Subsidiary Pharmacies – ESI has several licensed pharmacy subsidiaries, including our specialty pharmacies. These entities may maintain product purchase discount arrangements and/or fee-for-service arrangements with pharmaceutical manufacturers and wholesale distributors. These subsidiary pharmacies contract for these arrangements on their own account in support of their various pharmacy operations. Many of these subsidiary arrangements relate to services provided outside of PBM arrangements, and may be entered into irrespective of whether the particular drug is on one of ESI's national formularies. Discounts and fee-for-service payments received by ESI's subsidiary pharmacies are not part of the PBM formulary rebates or associated administrative fees paid to ESI in connection with ESI's PBM formulary rebate programs. However, certain purchase discounts received by ESI's subsidiary pharmacies, whether directly or through ESI, may be considered for formulary purposes if the value of such purchase discounts is used by ESI to supplement the discount on the ingredient cost of the drug to the client based on the client's PBM agreement terms. From time to time, ESI and its affiliates also may pursue and maintain for its own account other supply chain sourcing relationships not described below as beneficial to maximize ESI's drug purchasing capabilities and efficiencies, and ESI or affiliates may realize an overall positive margin with regard to these initiatives.

The following provides additional information regarding examples of ESI subsidiary discount arrangements and fee-for-service arrangements with pharmaceutical manufacturers, and wholesale distributors:

ESI Subsidiary Pharmacy Discount Arrangements – ESI subsidiary pharmacies purchase prescription drug inventories, either from manufacturers or wholesalers, for dispensing to patients. Often, purchase discounts off the acquisition cost of these products are made available by manufacturers and wholesalers in the form of either up-front discounts or retrospective discounts. These purchase discounts, obtained through separate purchase contracts, are not formulary rebates paid in connection with our PBM formulary rebate programs. Drug purchase discounts are based on a pharmacy's inventory needs and, at times, the performance of related patient care services and other performance requirements. When a subsidiary pharmacy dispenses a product from its inventory, the purchase price paid for the dispensed product, including applicable dispensing fees, may be greater or less than that pharmacy's acquisition cost for the product net of purchase discounts. In general, our pharmacies realize an overall positive margin between the net acquisition cost and the amounts paid for the dispensed drugs.

ESI Subsidiary Fee-For-Service Arrangements – One or more of ESI's subsidiaries, including, but not limited to, its subsidiary pharmacies also may receive fee-for-service payments from manufacturers or wholesalers in conjunction with various programs or services, including, for example, patient assistance programs for indigent patients, dispensing prescription medications to patients enrolled in clinical trials, various therapy adherence and fertility programs, administering FDA compliance requirements related to the drug, product reimbursement support services, and various other clinical or pharmacy programs or services. As a condition to having access to certain products, and sometimes related to certain therapy adherence criteria or FDA requirements, a pharmaceutical manufacturer may require a pharmacy to report selected information to the manufacturer regarding the pharmacy's service levels and other dispensing-related data with respect to patients who receive that manufacturer's product. A portion of the discounts or other fee-for-service payments made available to our pharmacies may represent compensation for such reporting.

Other Manufacturer Arrangements – ESI also maintains other lines of business that may involve discount and service fee relationships with pharmaceutical manufacturers and wholesale distributors. Examples of these businesses include a wholesale distribution business, group purchasing organizations (and related group purchasing organization fees), a medical benefit management company, and United BioSource Corporation ("UBC"). Compensation derived through these business arrangements is not considered for PBM formulary placement, and is in addition to other amounts described herein. Of particular note, UBC partners with life sciences and pharmaceutical companies to develop, commercialize, and support safe, effective use and access to pharmaceutical products. UBC maintains a team of research scientists, biomedical experts, research operations professionals, technologists and clinicians who work with clients to conduct and support clinical trials, create, and validate and administer pre and post product safety and risk management programs. UBC also works on behalf of pharmaceutical manufacturers to provide product and disease state education programs, reimbursement assistance, and other support services to the public at large. These service fees are not part of the formulary rebates or associated administrative fees.

Third Party Data Sales – Consistent with any client contract limitations, ESI or its affiliates may sell HIPAA compliant information maintained in their capacity as a PBM, pharmacy, or otherwise to data aggregators, manufacturers, or other third parties on a fee-for-service basis or as a condition of discount eligibility. All such activities are conducted in compliance with applicable patient and pharmacy privacy laws and client contract restrictions.

December 1, 2014

THIS EXHIBIT REPRESENTS ESI'S FINANCIAL POLICIES. ESI MAY PERIODICALLY UPDATE THIS EXHIBIT AND THE FINANCIAL DISCLOSURES CONTAINED HEREIN TO REFLECT CHANGES IN ITS BUSINESS PROCESSES; THE CURRENT FINANCIAL DISCLOSURE IS AVAILABLE UPON REQUEST AND ACCESSIBLE ON EXPRESS-SCRIPTS.COM AT WWW. EXPRESS-SCRIPTS.COM/WPS/PORTAL/.

EXHIBIT C

CERTIFICATION OF INFORMATION RELATING TO CREDITABLE COVERAGE REQUIREMENT AND LATE ENROLLMENT PENALTY FOR PART D EMPLOYER GROUP WAIVER PLAN

Pursuant to the contract(s) between the Centers for Medicare & Medicaid Services ("CMS") and Medco Containment Life Insurance Company ("MCLIC"), governing the operation of the contract between MCLIC and ________________ ("Client"), an Employer Group Waiver Plan (EGWP), MCLIC hereby requests from Client a certification concerning the creditable coverage maintained for the Part D beneficiaries enrolled under the contract with Client ("Enrollees").

CMS REQUIREMENT - Under applicable CMS Part D regulations, 42 CFR 423, CMS Manual Chapter 4, and related guidance as may be amended from time to time: plans, "using the Batch Eligibility Query (BEQ), [must] determine whether the Enrollee was either enrolled in a Part D plan or was covered by an employer receiving the retiree drug subsidy (RDS) since the IEP end date. If .the Enrollee was enrolled in a Part D Plan or by an employer receiving RDS or in an employer-sponsored plan providing coverage at least as good as the standard Medicare part D plan since the end of the IEP, such that there is no gap in creditable coverage of sixty-three (63) or more days, [the plan must] report to CMS that the Enrollee had zero (0) uncovered months." This coverage is deemed to be continuous "creditable coverage."

Under the same guidance, plans may secure an attestation from employers and unions such as Client, who enroll groups of Enrollees into Medicare prescription drug coverage. The attestation must provide that employer/Client has been maintaining continuous creditable coverage for each applicable Enrollee for the time during which the Enrollee was enrolled through Client.

Attestation
Client directs MCLIC to effectuate enrollment into an EGWP of all persons on such files. In doing so:

☐ For persons on the initial file and subsequent files, Client attests that all Enrollees submitted by the Client to MCLIC for enrollment under an Enhanced Plan were either enrolled under another Prescription Drug Plan or had other creditable coverage as defined by the CMS applicable guidelines prior to their coverage under Enhanced Plan. This Attestation applies to all enrollees Client has submitted to MCLIC as of the date below, and shall further apply as a continuing obligation to submissions by Client at any time during the term of the Agreement.

~~☒~~☐ For the initial file, Client attests that all Enrollees submitted by the Client to MCLIC for enrollment under an Enhanced Plan were either enrolled under another Prescription Drug Plan or had other creditable coverage as defined by the CMS applicable guidelines prior to their coverage under Enhanced Plan.

RELEASE TO DISCLOSE PROTECTED HEALTH INFORMATION (PHI) - PHI is collected by Express Scripts, Inc. and its affiliates ("ESI") in connection with the prescription drug program of Client which is administered by ESI pursuant to ESI's arrangement with Client. Pursuant to the Standards for Privacy of Protected Health Information ("Privacy Rule") to the Health Insurance Portability and Accountability Act of 1996, Client represents and warrants that MCLIC may access information pertaining to the commercial coverage, which includes RDS coverage of the Enrollees for the purpose of verifying whether Enrollees had creditable prescription drug coverage during the coverage gap assessed by the MCLIC pursuant to the Chapter 4 – Creditable Coverage Period Determinations and the Late Enrollment Penalty - of the Medicare Prescription Drug Benefit Manual requirements.

ACCURACY – In providing said Certification, Client acknowledges that the information directly affects the calculation of CMS payments to the MCLIC and/or Client or additional benefit obligations of MCLIC and those misrepresentations to CMS about the accuracy of such information may result in Federal civil action and/or criminal prosecution.

RESPONSIBILITY – Client will reimburse ESI for CMS penalties and other costs asserted against MCLIC arising from misrepresentation of information provided in this Attestation by Client. Client agrees to provide MCLIC proof of creditable coverage or documentation from members in the event that MCLIC is audited by any government authority.

APPEAL **–** MCLIC shall not be responsible for appealing CMS' determination of Enrollees' creditable coverage status, however, MCLIC shall honor the final disposition of appeals that are filed by Client.

AGREEMENT – This Attestation supplements and is made a part of the Agreement in effect between MCLIC and Client.

Based on best knowledge, information, and belief, as of the date indicated below, Client is attesting that all information submitted to MCLIC is accurate, complete, and truthful.

Signature: ________________________________

Print Name: ______________________________

Client: __________________________________

Dated: __________________________________

Document comparison by Workshare Compare on Friday, November 06, 2015 10:34:27 AM

Input:	
Document 1 ID	interwovenSite://BLMMS108/IMANAGE/218338/2
Description	#218338v2<IMANAGE> - North Dakota Public Employees EGWP (Sanford) (from 205447v5)(v2 clien redline)
Document 2 ID	interwovenSite://BLMMS108/IMANAGE/218338/3
Description	#218338v3<IMANAGE> - North Dakota Public Employees EGWP (Sanford) (from 205447v5)(v3w/s 10/7/15)
Rendering set	Standard

Legend:	
Insertion	
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Statistics:	
	Count
Insertions	107
Deletions	85
Moved from	2
Moved to	2
Style change	0
Format changed	0
Total changes	196

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 ● www.nd.gov/ndpers

Memorandum

TO: PERS Board

FROM: Sharon & Rebecca

DATE: November 9, 2015

SUBJECT: Health Plan Implementation Update

Staff continues to work with the Sanford Health Plan (SHP) team. Below is an update in each of the areas we have teams working.

a. **Operations**
   i. Operational items continue to be reviewed and addressed as they arise.
   ii. NDPERS and SHP staff continues to work on the files for claims data.
   iii. A team of NDPERS and SHP staff continue to meet bi-weekly to discuss business processes and operational issues.

b. **Marketing/Communication –** Staff from NDPERS and SHP have begun efforts in two areas that involve the Affordable Care Act and compliance:
   i. The annual contribution and participation testing that needs to be conducted to ensure political subdivision compliance with NDPERS Board requirements, as well as, Affordable Care Act requirements. It is anticipated that the annual mailing will be sent by SHP to political subdivisions in mid-November with an expected return time of December.
   ii. Required IRS tax reporting efforts for applicable large employers. SHP will be developing an employer newsletter article, presentation and sample IRS forms as educational tools for political subdivisions. NDPERS staff has requested that these tools be available no later than December 1 for employers to reference.

c. **Wellness**
   i. As discussed at the October board meeting, NDPERS became aware that individuals who had redeemed points with BCBS prior to the transition were also able to redeem points exceeding their remaining

balance through the bWell Redemption Center. Sanford has compiled a report that provides details on the overages. NDPERS also became aware that some members may have redeemed awards in excess of $250 with BCBS. NDPERS has discussed this with BCBS and they are looking into it further. Staff will be bringing forward the information from BCBS and Sanford to discuss further with the board at the December meeting.

d. **Pharmacy and Care Management –**
    i. As discussed at the October board meeting, there has been concern voiced by members related to the Infertility Services lifetime deductible and its renewal upon the carrier change. Sanford will provide options under a separate memo for the board to consider at the November meeting.

e. Medicare Part D – The transition of the Part D product continues to be the main focus of the NDPERS implementation team. The team continues to participate in weekly calls with SHP and Express Scripts. In addition, a separate team of SHP and NDPERS staff meet weekly on the Medicare Part D implementation. Below is an update on this transition:
  - **i. Contract with ESI –** NDPERS staff and legal counsel have provided their first comments back to ESI related to the contract. Further details on the contract will be provided under a separate memo.
  - **ii. Fully Insured Rx Application –** ESI requires a Fully Insured Rx Application be signed by NDPERS to acknowledge ESI's relationship with Companion Life, a third party vendor that they contract with to obtain the necessary state licensures for ESI to be able to continue offering these type of Part D products. Per ESI, this is required based upon CMS guidance. Jan has reviewed the application and is preparing a Memorandum of Understanding on behalf of NDPERS, which will explain the purpose of the Fully Insured Rx Application. Jan will be available at the Board meeting to answer any questions that you may have.
  - iii. **Files have been requested from CVS** – Staff continues to work with ESI and BCBS on the requested 4 data files that ESI has requested.
  - iv. **Eligibility Files** – The initial eligibility file was sent to ESI on November 10. This file identifies everyone on the Part D plan who will be transitioning to ESI effective 1/1/2016, which is used to trigger the pre-notification communication from ESI. Steps have been taken to verify that everyone covered under Medicare BlueRx was included on the file to ESI; however, there is a slight risk that someone could have been missed in this process due to timing of enrollment changes being reflected on the billing. Staff will continue this verification process as the November and December billings are received from Medicare BlueRx.
  - v. **PERSLink Modifications** – The new enrollment screens for the Medicare Part D plan have been implemented, data has been

converted, and staff has been trained. Work continues on modifying the PERSLink system to better address the billing requirements for this product (i.e. late enrollment penalty, different effective dates than health plan). These changes will be implemented in December for the January billing cycle.

vi. **Member communications**
   - The ESI Pre-notification mailing is scheduled to be sent to members in mid-November.
   - Letters were sent on November 9th to those members who are subject to the Late Enrollment Penalty (LEP) notifying them that starting in January; the LEP will be included in their monthly premium billing.
   - NDPERS will send the premium change notice to retirees by the end of November. This mailing will also include an insert reminding retirees of the upcoming vendor change.

vii. **Pharmacy communications** – Staff have requested that notifications be sent to pharmacies in North Dakota and surrounding areas regarding the upcoming vendor change. ESI and SHP are working on this notification.

Staff continues to meet with the BCBS transition team to facilitate the exit of the BCBS system. Below is an update on this transition:

a. BCBS continues to provide deductible and co-insurance accumulator files to SHP bi-weekly. This is being evaluated each month to determine the appropriate frequency of files going forward.
b. Transition of the PDP – terminating the plan through MedicareBlue Rx
   - BCBS is helping to facilitate delivery of the transition files requested by ESI.
   - Process for closing out and payment of the final billing is being clarified.
c. The balances in the programs cash reserve account and member rebate accounts were transferred to NDPERS at the end of October.

Weekly meetings continue to be held with the internal NDPERS transition team to address issues that are specific to NDPERS and do not require involvement from BCBS or SHP. Internal transition issues for NDPERS continue to be identified and tracked and addressed by this team.

In addition, staff continues to hold bi-weekly status meetings with the Sanford implementation team. Representatives from Sanford will be at the meeting to provide an operational update and answer any questions you may have.

We will be at the Board meeting if you have any further questions or concerns.

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Memorandum

TO: PERS Board

FROM: Sparb

DATE: November 9, 2015

SUBJECT: BCBS Final Accounting Summary (2011-2013)

Attached is information relating to the final accounting.

ND

September 30, 2015

Sparb Collins, Executive Director
North Dakota Public Employees Retirement System
400 East Broadway Avenue, Suite 505
PO Box 1657
Bismarck, ND 58502-1657

Dear Mr. Collins:

I am writing in regards to the final accounting summary for the biennium ended June 30, 2013. This includes experience from July 1, 2011 through June 30, 2013 with claims paid through June 30, 2015. The final balance due to NDPERS as of June 30, 2015 is $468,247.30. Enclosed is a copy of the final accounting summary.

If you have any questions regarding the initial accounting summary please don't hesitate to contact me at 701-282-1106, David Breuer Dave.Breuer@bcbsnd.com or Dan LeClair at 701-282-1030, Dan.LeClair@bcbsnd.com

Sincerely,

Dave Breuer
Interim CFO
Blue Cross Blue Shield of ND

Enclosure

Cc: Brad Bartle, Chief Actuary BCBSND
Kevin Schoenborn, Manager Consulting Services BCBSND
Dan LeClair, Director of Financial Reporting & Risk Management BCBSND
Sharon Schiermeister, COO/Accounting & IT Manager NDPERS

NDPERS - Initial Accounting Summary
July 1, 2011 through June 30, 2013 With Claims Paid Through June 30, 2015
Due July 31, 2015

		As of June 30, 2015
Earned Premium Income	$	471,304,722.73
Interest Earned on Cash Flow		193,965.52
Interest Earned June 2015 on Cash Flow		1,087.12
Less Claims Incurred and Paid during the biennium		
Claims Paid (negative)		(449,463,322.16)
Claims Refunded (positive)		9,999,109.56
Pharmacy Rebate (positive)		4,124,747.31
Less Estimated Claims Incurred and Unpaid		-
Less Administrative Expense ($39.82 or $31.82 per contract per month)		(25,113,714.48)
Less 50% of First $3.0 Million Excess		(1,500,000.00)
Total Cash Balance + Interest Earned as of June 2015	**$**	**9,546,595.60**
Paid NDPERS on 08/06/14		-9,078,348.30
Balance Owed NDPERS	**$**	**468,247.30**

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Memorandum

TO: **NDPERS Board**

FROM: **Kathy**

DATE: **November 12, 2015**

SUBJECT: **Infertility Benefit**

In the transition from BCBS to Sanford Health Plan, accumulators for deductible and coinsurance were transferred. However, the accumulators for the infertility benefit were not transferred. The benefit is a $500 deductible and a $20,000 lifetime maximum. We have received feedback from participants that were in treatment at the time of the transition who had met all or a portion of the deductible and did not expect or plan on incurring another $500 in out of pocket expenses. In discussing this issue with Sanford, it was stated that when a plan transitions, resetting the accumulator for this benefit is standard business practice. This was further affirmed by Deloitte.

To address this issue, we asked Sanford Health to provide us with some options for consideration:

Option 1: Grandfather all members that have met the $500 deductible. This is roughly 740 members. If all 740 members receive the grandfather status, the maximum cost would be approximately $370,000 if all members continued to seek treatments. It is very unlikely that all 740 members would continue to seek treatments, but can reasonably assume an expense of between $30,000 and $40,000.

Option 2: Grandfather "active" members that have met the $500 dollar deductible (active members defined as any member that has hit the $500 deductible and has utilized this benefit within the last 6 or 12 months). According to the Sanford Health Reproductive Endocrinologist, a 6 month look back will catch 80% of those seeking infertility treatments. A 12 month look back will catch 95% of those seeking treatment. Following is the associated cost:

6 months	34 members = $17,000
12 months	66 members = $33,000

Option 3: Seed all members' accounts for exactly the same price point they are currently at with incurred expenses. This would seed a member's account that has not yet met the $500 deductible. Therefore, a member that has paid in $200 towards the deductible would be grandfathered in at this same amount. A member that has hit the $500 deductible would also be grandfathered in at their respective amount.

> $370,000 for those members that have met the $500 deductible and $32,000 for those members that have incurred some deductible thus far for a total of $402,000. Likely cost would be between $62,000 and $72,000.

Option 4: This is a hybrid of options 2 and 3. We would seed all accounts of "active" members with treatment received within the last 6 or 12 months.

6 months – 34 members = $17,000
+ 19,000 for 120 active members that have incurred some deductible
$36,000

12 months – 66 members = $55,500
+ 32,000 for 198 active members that have incurred some deductible
$65,000

Option 5: Stay with the plan design as it was originally rolled out. Deductible starts over as well as the $20,000 lifetime maximum. This would be considered status quo per an insurance carrier switch and there would be no additional cost to PERS.

Option 6: Move forward with option 5 leaving open the opportunity for the member to appeal to the Board. The Board, on a situational basis, would determine what status would be granted to the contract holder. Any additional cost is unknown.

Board Action Requested

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Memorandum

TO: **NDPERS Board**

FROM: **Kathy**

DATE: **November 10, 2015**

SUBJECT: **Group Health Appeals Update**

At the October meeting the Board reviewed an appeal for repayment of a health premium underpayment that resulted when the individual was inadvertently enrolled in the wrong level of coverage. The coverage was set up with a premium code for a family of two when it should have been for a family of three or more. This was the second case of this nature in the last few months; therefore, staff conducted a system query to review all member records with the premium code for family of two in order to determine if there were any other records that were incorrectly coded based on the number of family members reported on the application. It was reported at the meeting that we had found three more records that were incorrectly coded. The Board requested that staff provide an accounting of these records for review at a future meeting. Following is the detail for the three members identified as having an underpayment of premium based on the wrong premium code:

	Incorrect Premium		
	From	**To**	**Amount of Underpayment**
Member 1	5/12/12	11/1/15	$15,033.04
Member 2	9/1/2012	11/1/15	$13,752.16
Member 3	4/1/13	11/1/15	$11,510.62

Business protocol is to adjust the premium prospectively and send the member a letter outlining the reason for the increase in premium and an accounting of, and request that the underpayment be repaid. A memorandum of understanding is included to provide the member with options for repayment. A copy of the correspondence template is included for your information. It does contain information regarding the member’s right to appeal.

At this time, we have not followed up with the above members to initiate repayment of the underpaid premium.

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November 12, 2015 Member ID:

RE: OVERPAYMENT OF RETIREMENT BENEFITS

Dear :

EXPLANATION

The laws governing NDPERS state that a person who receives an overpayment is liable to refund those payments upon receiving an explanation and a written request for the amount to be returned. The North Dakota Administrative Code Chapter 71-02-04-10 states, in part:

The North Dakota Administrative Code Chapter 71-02-09-01 also states:

Review procedure. A member who has received notice that the member's application for benefits has been denied in whole or in part may within thirty days of receipt of such notice secure review by written request addressed to the board in care of the executive director of the public employees retirement system. The applicant has the right to all relevant information available to the board and may submit arguments or comments in writing. The board must render a decision within one hundred twenty days after the request for a review is timely filed. The decision by the board must be submitted to the applicant in writing and include the specific reason or reasons for the decision and the specific references to the provisions of the plan on which the decision is based.

You have the following three options in which to address the situation:

1) Pay back the $0.00 in a one-time lump sum by personal check.

2) Propose a repayment schedule, which can be no less that $50.00 a month. You will be charged six (6) percent interest on the unpaid balance until the balance is paid in full. NDPERS executive director must approve any proposal you make.

3) Direct the NDPERS executive director to offset the amount of the overpayment from the amount of future benefit payments so that the actuarial equivalent of the overpayment is spread over your lifetime.

If you do not select one of the above options within 60 days of the date of this letter, option three (3) will automatically be selected and implemented. Please complete and return the enclosed "Memorandum of Understanding" by DATE to inform us of your repayment option.

Please accept our apologies for this error and causing you inconvenience. If you have any questions, please call NDPERS at (701) 328-3900 or (800) 803-7377.

MEMORANDUM OF UNDERSTANDING
RETIREMENT OVERPAYMENT

NAME: Member ID:

This memorandum of understanding is confirmation that Member Name will accept the following election to repay the excess benefits of $0.00 received in error from the North Dakota Public Employees Retirement System.

☐ Pay a lump sum amount of $0.00 payable by DATE

☐ Pay a monthly payment in the amount of $____________ effective 01/11/2016. This amount will continue for __________ months. (Subject to the approval of the NDPERS Executive Director). Monthly payments can be no less that $50.00 a month.

☐ Permanently reduce month payment by approximately $0.00 effective Date. The reduction amount will continue for as long as the benefit is payable.

______________________________	______________________________
Signature of Member	Sparb Collins, Executive Director ND Public Employees Retirement System
______________________________	______________________________
Date Signed	Date Signed

PAY-4207 (04-2012)

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Memorandum

TO: PERS Board

FROM: Sparb

DATE: November 9, 2015

SUBJECT: BCBS Personal Data Update

Attached are two notices we recently received from BCBS.

Kathy Allen
ND Public Employees Retirement System
PO Box 1657
Bismarck, ND 58502

Dear Valued Employer:

We are writing to inform you of a recent event that involved your employee's personal information. At this time there is no evidence that any of your employee's personal information has been improperly accessed, disclosed, or used.

On September 27, 2015, Blue Cross Blue Shield of North Dakota (BCBSND) learned that a paper report containing your employee's information was stolen during the early morning of September 27, 2015 from a BCBSND employee's residence. The type of information in the stolen report may have included your employee's name, benefit plan number, address, phone number, dates of service, claim number, social security number and medical information documented from telephone calls that were received by us pertaining to their benefit plan from September 1 through September 23, 2015. Local law enforcement has been notified of the theft.

Although we have no evidence to date that any information about your employees from the report has been used inappropriately, we have notified your affected employees by mail of the possibility of misuse of their information and have provided them with information on how to obtain one year of free credit monitoring and identity theft protection services.

BCBSND takes its responsibility to protect our member's personal information very seriously. To ensure that situations like this one do not occur in the future, we have made process changes and are providing staff with counseling to reinforce the need to be alert to potential misuse of member information.

We sincerely apologize for this incident, and regret any inconvenience it may cause your employees and are committed to preventing this type of situation from occurring again. Should you have any additional questions or concerns, please contact your BCBSND representative.

Sincerely,

Rebecca K. Nichol

Rebecca Nichol
Associate General Counsel & Privacy Officer
Blue Cross Blue Shield of North Dakota

ND

RECEIVED
NOV 09 2015
ND PERS

November 2, 2015

KATHY ALLEN
ND STATE GRP MEDICARE
STE 505
400 BROADWAY AVE E
BISMARCK, ND 58501

Dear Kathy Allen,

This letter is a follow up to the letter Blue Cross Blue Shield of North Dakota (BCBSND) sent to you dated September 18, 2015.

On August 5, 2015, Excellus BlueCross BlueShield discovered a cyberattack that resulted in a security breach and personal data exposure. Further investigation revealed that the initial attack occurred on December 23, 2013. As a result of the attack, Excellus has worked with Mandiant, one of the world's leading cybersecurity firms, to conduct their investigation and to remediate the issues created by the attack on their IT systems.

As was stated in the letter dated September 18, 2015, this is a follow up to provide you more information about impacted members. We know some members who received health care services in the state of New York, where Excellus does business, have been impacted. We also know that you have 16 member(s) who were, in fact, impacted, including both Active and Non-Active BCBSND members.

For those members, Excellus has sent them official notification via a letter mailed directly to them. It is important that impacted members receive this notification directly from Excellus. BCBSND will not be sending any official notification, as it is Excellus's data that was breached. The limited data that was breached may have included a member's name, address, telephone number, date of birth, Social Security number, member identification number, financial account information, and claims information. Excellus is providing two years of free credit monitoring and identity theft protection services for any member who thinks they may have been impacted. To enroll, affected individuals should go to www.excellusfacts.com.

Affected individuals with questions may also call Excellus's response line at 1-877-589-3331, Monday through Friday, between 8:00 a.m. and 8:00 p.m. Eastern Time (closed on U.S. observed holidays).

It's important to understand that BCBSND and Excellus are separately managed companies. Excellus, like BCBSND, is one of 36 independent Blue Cross Blue Shield plans nationwide. As a standard practice, BCBSND has our own protection and strategies in place to combat these types of advanced persistent threats. We also have taken information about this specific threat from Excellus to confirm that the same threat does not exist within our systems.

As always, if you have any additional questions, please contact your local BCBSND representative.

Thank you,

Pat Bellmore

Pat Bellmore
Chief Marketing Officer
Blue Cross Blue Shield of North Dakota

Date

Name
Address
City

Dear Valued Employer,

As you may know, on September 9, 2015, Excellus, one of 37 independent Blue Cross Blue Shield plans across the country, reported a cyber attack that resulted in a security breach and personal data exposure. The breach included unauthorized access to personal information of Excellus members, and possibly members of Blue Cross Blue Shield of North Dakota (BCBSND) who had health care services in the state of New York, where Excellus does business. Because the breach may have included some BCBSND members, we want to share facts about the breach, steps you and your employees can take if you may have been impacted, and a summary of BCBSND's technology safeguards and actions in place to prevent a similar event.

How BCBSND members may have been impacted:

As part of our national network of providers, BCBSND contracts with Excellus to deliver access to health care services and doctors in the Excellus service area through the Blue Cross Blue Shield Association's BlueCard program. For that reason, some BCBSND members who had health care services in Excellus's service area in New York state from 1993 to present may have had personal information breached. The information exposed included member names, date of birth, Social Security number, financial account information and claims information. The investigation has not determined that any such data was removed from Excellus' systems. Excellus also has no evidence to date that such data has been used inappropriately.

Excellus's response for impacted members:

In the next several weeks, Excellus will send a letter via United States mail to all impacted members. BCBSND will NOT send any notification to impacted members to ensure expediency and avoid confusion. Additionally, Excellus has announced that it will provide two years of free credit monitoring and protection for any member who thinks they may have been impacted, even prior to the official notification to impacted members by Excellus.

If you or your employees had health care services in New York state since 1993, and you may have been impacted, you can enroll for the two years of credit monitoring and protection by visiting www.excellusfacts.com or by calling 1-877-589-3331, Monday through Friday, between 8:00 a.m. and 8:00 p.m. Eastern Time (closed on U.S. observed holidays).

BCBSND's response and role:

In addition to this pre-notification letter, once BCBSND receives the file of impacted BCBSND members, we will send notification to all employer groups who had impacted employees. Specifically, BCBSND will send the total number of employees impacted to fully insured employer groups, and the number and names of the impacted employees to self-funded groups. To ensure the most expedient notification to impacted members, BCBSND will NOT be sending a notice to impacted members; as stated earlier in this letter, the official notification will come directly from Excellus via United State mail.

BCBSND information technology and data protections:

Finally, it's important to note that BCBSND's systems were not breached. Additionally, BCBSND takes a holistic approach to prepare for and manage security threats, and continuously monitors all systems and technologies. With a comprehensive entity-wide security program, we adhere to strict policies, procedures, employee training requirements, and strong technology security controls that are considered to be industry best practices which ensure the confidentiality, integrity and availability of information.

In closing, BCBSND is committed to protecting the private information of your employees. We continue to monitor the situation very closely and will provide updates to our Sales and Service organizations when any new information becomes available. To get the most current up-to-date information, you and your employees can visit www.excellusfacts.com.

If you have any questions, please contact your local BCBSND representative.

Sincerely,

Pat Bellmore

Pat Bellmore
Chief Marketing Officer
Blue Cross Blue Shield of North Dakota

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Memorandum

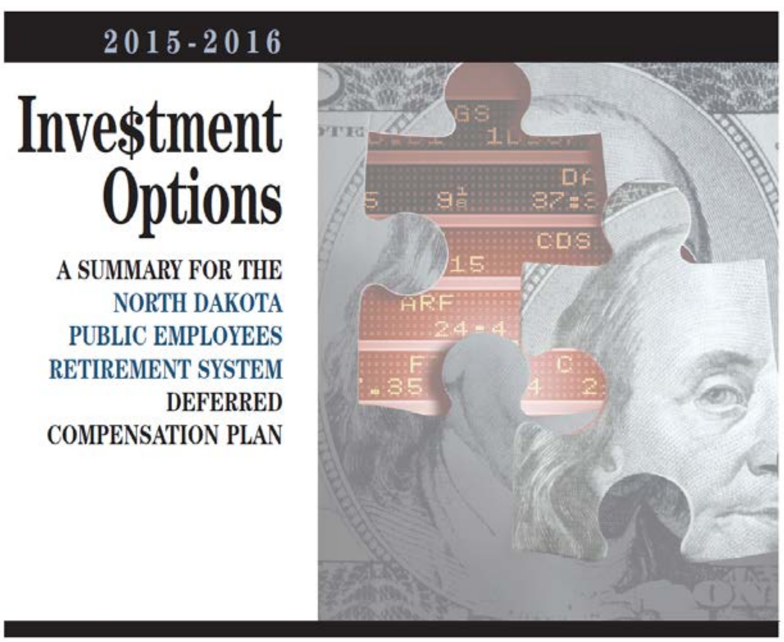
TO: PERS Board

FROM: Sparb and Bryan

DATE: November 19, 2015

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



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Memorandum

TO: PERS Board

FROM: Sparb

DATE: November 9, 2015

SUBJECT: Board Member Committee Assignments

We need to consider which Board subcommittees everyone will be appointed to (Investment, Benefits, Audit & Election). Current assignments are:

- Investment Committee: Mr. Sandal, Mr. Trenbeath, Ms. Y. Smith and Ms. Wassim (alternate)
- Audit Committee: Chairman Strinden and Ms. A. Smith
- Benefits Committee: Ms. A. Smith, Ms. Goodhouse, and Ms. Wassim
- Election Committee: Ms. A. Smith, Mr. Sandal

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Memorandum

TO: **NDPERS Board**

FROM: **Kathy**

DATE: **November 10, 2015**

SUBJECT: **Personnel Policy Update**

During the last legislative session, statutory changes were made to the OMB sick leave policy. In order to conform to these changes, NDPERS has updated its policy accordingly. Included for your information is a red lined copy of the updated policy which is in Chapter 9 of the NPDERS Personnel Policy Manual. In addition, in auditing this Chapter, it was noted we did not have a reference regarding sick leave reinstatement in cases of a reduction in force or voluntary leave without pay. Section 9.8 addresses this issue.

Board Action Requested

CHAPTER 9

SICK LEAVE
NDCC 54-06-14

9.1 Sick leave is a statutory privilege provided to all regular employees and is not a benefit earned by an employee. A regular employee is a person who has completed the probationary period and who is in an approved funded position classified by Human Resource Management Services.

9.2 Regular employees accrue sick leave from the first day of employment at the rate of eight hours per month with unlimited accumulation. Sick leave accrues on a prorated basis for a fraction of a month. In this case, total straight-time hours actually worked is compared to total number of working hours in a month. Your supervisor must approve sick leave. Temporary employees are not eligible for sick leave benefits. If you are employed by NDPERS by means of a transfer from another state agency, NDPERS will accept all accrued sick leave hours. Sick leave does not accrue while you are on a leave without pay.

9.3 Sick leave may be used for the following occurrences:

~~1. Recuperation from illness or injury.~~
~~2. Appointments for treatment of medically related conditions.~~

~~3. To tend to the needs of your eligible family members who are ill or to assist them in obtaining services related to their health or well being.~~

~~a. Sick leave used for these purposes may not exceed eighty (80) hours per calendar year.~~

~~b. Upon the approval of the agency appointing authority or your supervisor, you may, per calendar year, take up to an additional ten percent (10%) of your accrued sick leave to care for your eligible family members. The supervisor may require you to provide written verification of the serious health condition by a health care provider.~~

~~"Eligible family member" means the employee's spouse, parent (natural, adoptive, foster, or stepparent), child (natural, adoptive, foster, or stepchild), or any other family member who is financially or legally dependent upon the employee or who resides with the employee for the purpose of the employee providing care to the family member.~~

~~4. To participate in the Employee Assistance Program.~~

1. The employee is ill or injured and is unable to work.
2. The employee has an appointment for the diagnosis or treatment of a medically related condition.

3. The employee wishes to attend to the needs of the employee's eligible family members who are ill or to assist them in obtaining other services related to their health or well-being. (*NDAC 4-07-13-07*)
    a. Sick leave used for these purposes may not exceed eighty hours per calendar year.
    b. "Eligible family member" means the employee's spouse, parent (natural, adoptive, foster, or stepparent), child (natural, adoptive, foster, or stepchild), or any other family member who is financially or legally dependent upon the employee or who resides with the employee for the purpose of the employee providing care to the family member.
4. The employee may take up to 6 weeks of accrued sick leave within the first 6 months following birth or adoption of a child. (*NDCC 54-06-14.5*)
5. The employee may use up to 12 weeks of accrued sick leave in a 12 month period to care for a child, spouse, or parent with a serious health condition. Serious Health Condition means a disabling physical or mental illness, injury, impairment, or condition involving inpatient care or outpatient care requiring continuing treatment by a health care provider. (*NDCC 54-52.4-03*)
6. The employee may use sick leave for the following situations relating to domestic violence, a sex offense, stalking, or terrorizing (*NDCC 54-06-14.6*):
    a. Seek legal or law enforcement assistance
    b. Seek treatment by a health care provider for physical or mental injuries of employee or immediate family member
    c. Obtain or assist an immediate family member in obtaining services from a domestic violence shelter, rape crisis center, or other social service program
    d. Obtain or assist an immediate family member in obtaining mental health counseling
    e. Participate in safety planning, temporary or permanent relocation or take other actions to increase the safety of the employee or employee's family members
    f. Immediate family member means spouse, parent, child, or sibling.
    g. At the discretion of the employee's supervisor, the sick leave hours may be limited to forty hours per calendar year.
7. The employee is participating in an employee assistance program.

9.4 If sick leave is necessary, it is your responsibility to notify your supervisor within one hour of your scheduled reporting time or as soon as reasonably possible that you will be absent and the nature of your absence. Sick leave must be reported on your monthly Time Report and must be taken in no less than one-quarter (.25) hour increments. The leave is subject to approval by your supervisor. NDPERS reserves the right to request a physician's verification if deemed necessary. Failure to notify your supervisor you will be absent may result in disciplinary action. Failure to report to work for three consecutive days without your supervisor's approval will be considered grounds for disciplinary action up to and including termination.

9.5 You may not use sick leave in advance of it being granted. If a medical need arises and you have exhausted your accumulated sick leave hours, other options such as use of annual leave (Chapter 8), comp time (Chapter 5) leave of absence without pay (Chapter 11), family medical leave (Chapter 12) donated leave (Chapters 8 and 9), or being placed on the supplemental payroll (10^{th} working day of the month) will be reviewed with your immediate supervisor. You will also have the option to make the time up. If this option is elected, you must make up the time in the same week the leave is taken. If you are placed on the supplemental payroll, you will need to accumulate 40 hours of combined leave (annual leave, sick leave, and comp time) before being returned to the advanced payroll.

9.6 If you become ill while at work, it is your responsibility to notify your supervisor before leaving the office. It is NDPERS policy to provide for transport assistance upon your request or if administration deems it advisable based on the nature of the illness.

9.7 If you separate from employment and have at least 10 years of continuous service with the state, you will be entitled to a lump sum payment equal to 10% of your accrued unused sick leave. The unused sick leave payment will be computed on an hour for hour basis using your salary at the time of separation. If you leave and return to state service within one year, you will be credited with the amount of sick leave hours accumulated at the time of departure, less any amount for which you may have subsequently been paid.

9.8 An employee's years of state employment must be deemed continuous if the employee's work is terminated because of a reduction-in-force and the employee is reinstated within two years, or if the employee is placed on voluntary leave status without pay and the leave lasts no longer than two years for educational purposes, or one year for any other voluntary leave without pay. Employees retiring from state employment may also be able to convert their sick leave balance to retirement service credit.

9.9 You may donate sick leave to another state employee under certain situations. The employee must be suffering from an extraordinary or severe illness, injury, impairment, or physical or mental condition that has caused or is likely to cause the employee to take leave without pay or terminate employment. Donated leave must be voluntary, donated in full-hour increments and is not returnable. You may donate no more than 5% of your accrued leave.

To be eligible to receive donated leave, you must have over six months of continuous service and are not probationary, temporary or otherwise limited in term. You must have exhausted or will exhaust all annual and sick leave and compensatory time due to an illness, injury, impairment or physical or mental condition that is of an extraordinary or severe nature. Excluded as eligible for sick leave donation are conditions relating to normal pregnancy. Your use of shared leave can not exceed four months in any twelve-month period. Medical certification will be required.

North Dakota
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Memorandum

TO: PERS Board

FROM: Sharon Schiermeister

DATE: November 13, 2015

SUBJECT: PERSLink Mobile App

At the last Board meeting, we reviewed a proposal from Sagitec for implementing a mobile app that would be able to tie in with the PERSlink system. The mobile app has not yet been made available to any of their customers. They are looking to partner with a client to be an early adapter in this deployment and offering discount pricing in acknowledgment that there will be some unexpected challenges that will need to be worked through together.

The Board expressed interest in the proposal and directed staff to gather more information on pricing options. Staff is currently reviewing the cost information and will present options at the Board meeting.

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Memorandum

TO: PERS Board

FROM: Sparb

DATE: November 10, 2015

SUBJECT: Proposed Board Meeting Schedule for 2016

All meetings are scheduled to be held at the North Dakota Association of Counties conference room located at 1661 Capitol Way, Bismarck, unless otherwise noted.

- **January 21 (Board Planning Meeting)**
- **February 18**
- **March 17**
- **April 21**
- **May 19**
- **June 16**
- **July 21**
- **August 25**
- **September 22**
- **October 20**
- **November 17**
- **December 15**

Cheryl will set these meetings up on your Outlook calendars. Please review and let us know if one of the dates should be changed.