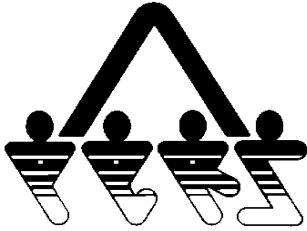


# Memorandum

**DATE:** November 21, 2008  
**TO:** NDPERS Board  
**FROM:** Jamie  
**SUBJECT:** 2008 Audit Report Presentation

Included is the 2008 audit report for the PERS agency. John Mongeon and Patrick Brown from Brady Martz & Associates will be at the Board meeting to review the report with you and answer any questions you may have. This report was reviewed by the Audit Committee at its November meeting.



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# Memorandum

**TO:** PERS Board

**FROM:** Bryan and Sharon

**DATE:** December 8, 2008

**SUBJECT:** **PERSLink Project Quarterly Report**

## Quarterly Report

Attached is the third quarter 2008 PERSLink status report. NDPERS is required to file this report with ITD throughout the duration of our system replacement project. This is the third progress report in the execution stage. Note that the planning phase went well and the project is on time and on budget.

Bryan or Sharon will be available at the Board meeting if you have any questions on the report.

# Project Status Report

**Project Name** *PERSLink*

**Project Phase** *EXECUTION*

<b>For period:</b>	<i>July 1, 2008 – September 30, 2008</i>
<b>Submitted by:</b>	<b>Sharon Schiermeister, NDPERS Project Manager</b>
<b>Green</b>	Strong probability the project will be delivered on time, within budget, and with acceptable quality.
<b>Yellow</b>	Good probability the project will be delivered on time, within budget, and with acceptable quality. Schedule, budget, resource, or scope changes may be needed.
<b>Red</b>	Probable that the project will NOT be delivered with acceptable quality without changes to schedule, budget, resources, and/or scope.

## EXECUTIVE SUMMARY

Status Item	Current Status	Prior Status	Summary
<b>Overall Project Status</b>	<b>Green</b>	<b>Green</b>	<i>Overall, the project is on time, on budget and within scope. The vendor continues to produce deliverables that conform to the acceptance criteria included in the Request for Proposal and that adhere to the ITD Enterprise Project Management criteria. The project team exhibits a dedicated, cooperative, and professional approach to the project – focused on producing and accepting deliverables while meeting the project timetables.</i>
<b>Scope</b>	<b>Green</b>	<b>Green</b>	<i>No new variance in scope. A process to track enhancements and new or purged requirements using a Scope Management Register in Sharepoint was developed. Guidelines were also developed for when the NDPERS Project Manager can approve a Change Order and when Steering Committee approval is required..</i>
<b>Schedule</b>	<b>Green</b>	<b>Green</b>	<i>There is a schedule variance of 2 months on the completion of UCS documentation creation and review tasks for Pilot 2.1. Despite applying an action plan to correct these variances, the cumulative variances in the development of UCS documents has caused a variance on the Baseline Finish Date for Pilot 2.1 UAT beyond the schedule contingency buffer. This variance is not expected to propagate to the other Pilots and to the final implementation because of additional process improvement actions being taken. The scheduled implementation date of October 1, 2010 will be maintained.</i>
<b>Cost</b>	<b>Green</b>	<b>Green</b>	<i>Actual costs are 5.06% less than expected costs primarily due to actual NDPERS staff hours being less than projected.</i>
<b>Project Risk</b>	<b>Green</b>	<b>Green</b>	<i>The risk management log developed during the Planning Phase is maintained in SharePoint and is being reviewed periodically by the project management team. No new High Priority risks and no changes to risks have been identified during this period.</i>

**Accomplishments:**

*During this reporting period of the Execution phase the PERSLink Project Team completed User Acceptance testing, system documentation, user training and deployment planning and execution culminating with the implementation of PERSLink Release 1.0 into production. Production cut-over was October 1, 2008.*

*In parallel, the project team also completed all JAD sessions planned for Pilot 2.1, and completed, reviewed and approved all the UCS documentation packages for the Pilot. They also completed technical design, construction and unit testing for 11 of 14 UCS's, completed system test for 6 of 14 UCS and started User Acceptance Testing. The Project team also continued to work on the data conversion and interfaces with PeopleSoft and vendors.*

*The backfile conversion task is in progress. A statement of work and project schedule was developed and started execution. A sample of microfiche was converted by the document conversion vendor, FNTI, as a proof of concept and is currently under QA review by NDPERS. The NDPERS team also completed the boxing of all the fiche to be converted and the resulting 36 boxes will be shipped to FNTI upon successful completion of the QA review for the Proof of Concept.*

The deliverables that were developed, reviewed and approved are listed in the Deliverable Acceptance Log Summary.

The following team building events occurred:

1. The PERSLink Team held several meetings to review the project plan and address challenges impacting the schedule. Specific action plans were developed and put into execution. Lessons learned and action plans are available on the SharePoint PERSLink Project Portal.
2. The PERSLink project team held a series of meetings to review the team process and the UCS development process. Lessons learned and action plans are available on the SharePoint PERSLink Project Portal.
3. Sagitec provided a series of Training Sessions to NDPERS core project team and certain subject matter experts who will be involved with UAT for Pilot 2.1 and conducted a training analysis at the completion of the training that was shared with the team.
4. Sagitec also provided a demonstration of Pilot 2.1 to the NDPERS core project team.

The following project communications events occurred:

1. The July 2008 PERSLink Newsletter was published
2. NDPERS Project Manager made periodic updates to the NDPERS Management Team, staff and NDPERS Board

### Expected Accomplishments:

During the next reporting period the project team plans to accomplish the following:

1. Complete the following tasks and deliverables:
  - a. Technical Design, Construction and Unit Testing, Conversion, System Testing for Pilot 2.1
  - b. Execution of Pilot 2.1
  - c. User Acceptance Testing for Pilot 2.1
  - d. Planning for Pilots 2.2 and 2.3
  - e. Scope Definition for Pilots 2.2 and 2.3

## RISK MANAGEMENT

Status Item	Current Status	Prior Status	Summary
<b>Project Risk</b>	<b>Green</b>	<b>Green</b>	<i>No new risks have been added.</i>
<b>Risk Management Log Summary</b>			
Risk #	Description	Response Plan	Owner
<b>Comments:</b> A complete Risk Log is available on PERSLink Project Portal in SharePoint. A total of 17 risks have been identified, prioritized and are being monitored by the PERSLink Project Team.			
<b>Issues Log Summary</b>			
Issue #	Description	Required Action	Owner
4	Sagitec lost their data conversion manager on 5/20. They will need to hire a new manager and bring them up to speed on the project. While this may not impact Pilot 1.1, it may have an impact on planning for data conversion of Pilot 2.1 which was scheduled to begin in April and continue through October 2008,	A new resource to replace the data conversion manager is in place and data conversion is in progress. Issue is CLOSED.	Sagitec Project Manager
<b>Comments:</b> An Issue Management process document was developed and approved during the project planning phase. As areas of risk eventuate an issue is created in the Issue Register (PERSLink Project Portal in SharePoint) and assigned an owner for resolution. The team continues to monitor Issue #3 relating to NDPERS staffing. At this time, this is the only outstanding issue.			

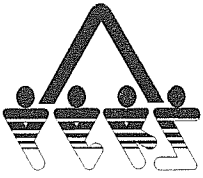
## SCOPE MANAGEMENT

Status Item	Current Status	Prior Status	Summary
<b>Scope</b>	<b>Green</b>	<b>Green</b>	<i>No change control log entries.</i>
<b>Change Control Log Summary</b>			
Change #	Description	Action Accept / Reject	Action Date
<b>Comments:</b> A Change Management Process document was developed and approved by the PERSLink project team during the Planning Phase. There are no entries in the Change Management Log on the PERSLink Project Portal in SharePoint. New requirements and enhancements are being tracked using a Scope Management Register in SharePoint. Additions and removals from scope are recorded and a process to dispose of additions in excess of removals was developed and is being executed by the Project Management Team with approval from the Steering Committee as needed.			
<b>Deliverable Acceptance Log Summary</b>			
Deliverable #	Deliverable Name	Action Accept / Reject	Action Date
	Phase 4 Release 1.0 Transition Plan	Accept	9/10/08
	Phase 4 Release 1.0 User Training	Accept	9/30/08
	Phase 4 Release 1.0 Deployment/Rollout Plan	Accept	8/26/08
	Phase 4 Release 1.0 Conversion Certification of Completion	Accept	8/26/08
	Phase 4 Release 1.0 Software Certification of Completion	Accept	8/28/08
	Phase 4 Release 1.0 Source Code	Accept	8/28/08
	Phase 4 Release 1.0 Acceptance of the System	Accept	9/30/08
	Phase 5 Pilot 2.1 Use Case Scenarios	Accept	9/30/08
	Phase 5 Pilot 2.1 Activity Diagrams	Accept	9/30/08
	Phase 5 Pilot 2.1 Data Definitions	Accept	9/30/08
	Phase 5 Pilot 2.1 Business Rules	Accept	9/30/08
	Phase 5 Pilot 2.1 Correspondence Definitions	Accept (with exception of UCS-022 addendum)	9/30/08
	Phase 5 Pilot 2.1 Report Definitions	Accept (with exception of UCS-022 addendum)	9/30/08
	Phase 5 Pilot 2.1 Updated RTM	Accept	9/30/08
	Phase 5 Pilot 2.1 Interface Definitions	Accept (with exception of UCS-022 addendum)	9/30/08
	Phase 5 Pilot 2.1 Conversion Specifications	Accept (with exception of UCS-022 addendum)	9/30/08
	Phase 5 Pilot 2.1 Integration Specifications	Accept	9/30/08
<b>Comments:</b> All PERSLink deliverables are maintained on the PERSLink Project Portal in SharePoint. All accepted deliverables are maintained in the Acceptance Folder in word format and on the Archive folder in pdf format			

## COST MANAGEMENT

Status Item	Current Status	Prior Status	Summary	
<b>Budget</b>	<b>Green</b>	<b>Green</b>	<i>At the end of the quarter, actual costs were lower than expected costs.</i>	
<b>Project Budget</b>	<b>Revised Budget (if applicable)</b>		<b>Expenditures to Date</b>	<b>Estimated Cost at Completion</b>
\$10,502,214	10,502,214		3,452,435	\$9,970,392

	Original Budget	Actual Costs	Expected Costs	Actual vs Expected Variance	Remaining Budget
Sagitec	7,678,360	3,011,467	3,034,058	(22,591)	4,666,893
LRWL	1,000,000	240,197	270,831	(30,635)	759,803
Hardware/Software	185,000	12,430	12,430	0	172,570
Contingency	730,640	0	0	0	730,640
<b>Total Appropriation</b>	9,594,000	3,264,094	3,317,319	(53,226)	6,329,906
PERS Staffing hours	908,214 24,000	188,341 4,977	319,269 8,437	(130,928) (3,460)	719,873 19,023
<b>Total Budget</b>	10,502,214	3,452,435	3,636,588	(184,153)	7,049,780



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## MEMORANDUM

**TO:** NDPERS Board

**FROM:** Jamie Kinsella *Jamie*

**DATE:** November 12, 2008

**SUBJECT:** **August 20, 2008 PERS Audit Committee Minutes**

Attached are the approved minutes from the August 20, 2008 meeting. Those who attended the meeting are available to answer any questions you may have.

These minutes may also be viewed on the NDPERS web site at [www.nd.gov/ndpers](http://www.nd.gov/ndpers).

The next audit committee meeting is scheduled for February 18, 2009, 10:00 a.m., in the NDPERS Conference Room.

Attachment

- 
- |                                    |                                  |                                   |
|------------------------------------|----------------------------------|-----------------------------------|
| • FlexComp Program                 | • Retirement Programs            | • Retiree Health Insurance Credit |
| • Employee Health & Life Insurance | - Public Employees               | - Judges                          |
| • Dental                           | - Highway Patrol                 | - Prior Service                   |
| • Vision                           | - National Guard/Law Enforcement | - Job Service                     |
|                                    |                                  | • Deferred Compensation Program   |
|                                    |                                  | • Long Term Care Program          |



**MEMORANDUM**

**TO:** Audit Committee  
Jon Strinden  
Ron Leingang

**FROM:** Jamie Kinsella, Internal Auditor *Jamie*

**DATE:** September 2, 2008

**SUBJECT:** August 20, 2008 Audit Committee Meeting

In Attendance:

Jon Strinden, via conference call  
Ron Leingang  
Rebecca Dorwart  
Jamie Kinsella  
Sparb Collins  
Leon Heick  
Deb Knudsen

The meeting was called to order at 10:05 a.m.

**I. May 21, 2008 Audit Committee Minutes**

The audit committee minutes were examined and approved by the Audit Committee.

**II. Internal Audit Quarterly Report**

- A. Internal Audit Quarterly Report – The Internal Audit quarterly report listed all of the projects that are in active status as of July 31, 2008. There were 2 projects completed this quarter.

Quarterly Audit Recommendation Status Report – As stated in the Audit Policy #103, the Internal Audit Division is to report quarterly to management and the audit committee the status of the audit recommendations of the external auditors, as well as any found by the internal auditor.

During the past year efforts have been made to ensure that management continues to work on these recommendations. As part of this process, staff reviews these recommendations and their progress at the quarterly Loss Control Committee meetings. Ms. Kinsella report that in the past quarter there was one recommendation completed, progress made on three, and no change for seven of the recommendations.

**III. Administrative**

- A. Request for Quality Assurance Review – At the May meeting the audit committee approved having a quality assurance review conducted on the NDPERS internal audit division. The approval included having an internal self-assessment conducted, with an external validation conducted by an outside party.

Ms. Kinsella indicated she contacted the Association of Public Pension Fund Auditors on July 28 of her desire to have someone from the organization conduct an external validation. Included with the audit materials were the responses received to date. Ms. Kinsella conveyed after discussion with Sparb, it has become apparent with that with the upcoming work required of staff due to the PERSLink project and the potential issues with the insurance carrier, staff can not accomplish this task in a timely manner. Staff recommended to postpone conducting a quality assurance review on the internal audit division to a later date. Mr. Leingang approved staff's recommendation. Ms. Dorwart seconded the motion.

- B. Audit Committee Charter Revision – Included with the audit committee minutes was a draft of the Audit Committee Charter. Ms. Kinsella conveyed staff entered the change that was discussed at the last audit committee meeting. Staff recommended approving the changes to the Audit Committee Charter and approving the revised Audit Committee Charter before the Board of Directors for their approval the next Board meeting. Mr. Leingang approved staff's recommendation. Ms. Dorwart seconded the motion.

- C. Audit Committee Meeting Date & Time – The November audit committee meeting is scheduled for November 19, 2008 at 10:00 am.

#### IV. **Miscellaneous**

- A. Pharmacy Benefits Manager (PBM) Project – A meeting was held with Blue Cross Blue Shield and Prime Therapeutics on Tuesday, August 19, 2008 to discuss the following:

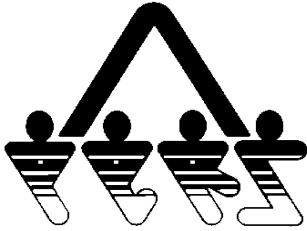
- 1) Rebate process
- 2) RFP to third party
- 3) General discussion
- 4) Time frames

Prime Therapeutics agreed to provide NDPERS with appropriate language for an RFP, as well as their methodology. They will provide their terms and conditions, language regarding confidentiality, what can be done offsite versus onsite, what will be proprietary information as well as any other restrictions, such as nondisclosures, background checks, etc. They will also draft an audit agreement. They also requested that they are given an opportunity to review findings before they go into a report. The timeframe will be historical, probably for the last quarter that is closed.

Discussion was held how to select the sample, whether it be the top 10 in drug volume or drug cost. Prime Therapeutics will provide a report of manufacturers and the statistics. This information will be provided by September 12.

- B. Risk Management Report – At the May audit committee meeting, it was determined that a Risk Management Policy for PERS would not be necessary since a Loss Control Committee is in place to manage risk for the agency. At that time It was suggested that the Loss Control Committee provide a copy of the last meeting agenda and the approved minutes. Deb Knudsen, who oversees the Loss Control Committee, presented an overview of the Committee.
- C. PERSLink Quarterly Report – Included with the audit committee minutes was the PERSLink quarterly status report. NDPERS is required to file this report with ITD throughout the duration of the system replacement project. Ms. Kinsella conveyed the project is on target to go live on October 1 with Pilot 1.1, which consists of contact management, scheduling appointments and seminars, and some workflow, which will require scanning documents as they come in the mail.
- D. Report on Consultant Fees - According to the Audit Committee Charter, the audit committee should “Periodically review a report of all costs of and payments to the external financial statement auditor. The listing should separately disclose the costs of the financial statement audit, other attest projects, agreed-upon-procedures and any non-audit services provided.” Included with the audit committee materials was a copy of the report showing the consulting, investment and administrative fees paid during the quarter ended June 30, 2008.
- E. Publications – Included with the audit committee materials were publications and/or articles from the Institute of Internal Auditors.

The meeting adjourned at 11:10 a.m.



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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** December 8, 2008  
**SUBJECT:** Executive Budget Update

On December 3<sup>rd</sup> Governor Hoeven release his proposed budget for 2009-2011. The following are his actions relating to PERS programs:

<b>PERS Program area</b>	<b>Governors Action</b>
Administrative Budget	Approved as proposed
Retiree Health Increase	Approved and funded a contribution increase of .14%
Health Insurance	Approved our recommended priority #2 (see attached priority list previously approved by the Board – the grey shaded column is approved)

\* - No longer funding Health Dialog at \$4.18 because Disease Management is included in BCBS Administration.

<b>Option A</b>	<b>Increase individual coinsurance by \$250 and family by \$500</b>
<b>Alternative 1</b>	<b>Increase individual deductibles by \$50 on EPO and \$100 on PPO and Basic plans. Increase family deductible by \$150 on EPO and \$300 on PPO and Basic Plans</b>
<b>Alternative 1.A</b>	<b>Both Alternative 1 and Option A</b>
<b>Alternative 2</b>	<b>Increase individual deductibles by \$300 on EPO and \$350 on PPO and Basic plans. Increase family deductible by \$900 on EPO and \$1050 on PPO and Basic Plans</b>
<b>Alternative 2.a</b>	<b>Both Alternative 2 and Option A</b>
<b>Alternative 3</b>	<b>HDHP with \$1250 individual deductible and \$2,500 family deductible</b>

**NDPERS Health Plan 2009-2011 Wellness Additions:**

\$200 Screening Benefit	\$5.84
HPV Vaccine	\$0.36
Zoster Vaccine	\$0.30
Tetanus Vaccine	\$0.20
Influenza Vaccine	\$0.10
Chiropractic Copay Standardization	\$0.24
LRD Obesity Visit	\$0.72
7 Well Child Care Visits	<u>\$0.12</u>
Subtotal	\$7.88

* Circumcisions	\$0.18
* My Health Center	<u>\$0.72</u>
Total	\$8.78
* Last two are included in BCBS Adm fee	

**NDPERS Health Plan 2009-2011 Benefit Reductions:**

Well Child Care Copays	\$1.02
PT/OT/ST Copays	\$1.06
Maintenance Drug Copays	<u>\$1.32</u>
Total	\$3.40