

# NDPERS BOARD MEETING

## Agenda

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

**June 29, 2006**

**Time: 1:30 PM**

### **I. MINUTES**

- A. May 18, 2006

### **II. MONTHLY TOPICS**

- A. IT Project Feasibility Study – Sparb and Wechsler (Board Action Requested)
- B. Project Charter – Sparb (Board Action Requested)

### **III. GROUP INSURANCE**

- A. BCBSND Health Dialog Update – (Information)
- B. Coordination of Benefits – BCBS (Board Action Requested)
- C. Health Plan Renewal – Sparb (Board Action Requested)
- D. Wellness Benefit Program – Kathy (Board Action Requested)
- E. Vision Plan Renewal – Kathy (Board Action Requested)
- F. Group Medical Plan Surplus/Affordability Update – Bryan (Information)
- G. HIPAA Security Update – Bryan (Information)
- H. Dental/LTC Insurance Update – Sparb (Information)

### **IV. DEFERRED COMP**

- A. Ameriprise – Scott Miller (Information)
- B. First Quarter 2006 Investment Report – Bryan (Information)

### **V. MISCELLANEOUS**

- A. Board Meeting Schedule – Sparb (Board Action Requested)
- B. IT Strategic Plan – Ron (Information)
- C. Board Web Information – Sparb (Information)
- D. Audit Committee Charter – Jamie (Board Action Requested)
- E. Audit Committee and Internal Audit Activity Year 2005 – Jamie (Information)
- F. February 15, 2006 PERS Audit Committee Minutes – Jamie (Information)
- G. Retiree Conference – Sparb (Information)
- H. SIB Minutes – (Information)
- I. NAGDCA Conference – Sparb (Information)

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

# MINUTES

## North Dakota Public Employees Retirement System

Thursday, May 18, 2006  
ND Association of Counties, Bismarck  
BCBS, 4510 13<sup>th</sup> Ave SW, Fargo  
8:30 A.M.

Members Present: Ms. Joan Ehrhardt  
Mr. Ron Leingang  
Mr. Howard Sage  
Ms. Rosey Sand  
Ms. Arvy Smith

Member Absent: Ms. Sandi Tabor

Via Video Conference: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, Executive Director, NDPERS  
Ms. Cheryl Stockert, NDPERS  
Ms. Deb Knudsen, NDPERS  
Ms. Kathy Allen, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Cheryle Masset-Martz, NDPERS  
Ms. Diane Heck, NDPERS  
Mr. Scott Miller, Attorney General's Office  
Mr. Kevin Schoenborn, BCBS  
Ms. Jodee Buhr, NDPEA  
Mr. Bill Kalanek, AFPE  
Mr. Tom Tupa, APT  
Ms. Jodi Buhr, NDPEA  
Ms. Patricia Hill, ND Pharmacists Association  
Mr. David Peske, ND Medical Association  
Mr. Weldee Baetsch

Via Video Conference: Mr. Larry Brooks, BCBS  
Mr. Brad Bartle, BCBS  
Mr. Michael Potts, BCBS  
Mr. Tom Christensen, BCBS  
Dr. Jon R, Rice, BCBS  
Ms. Jodi Carlisle, BCBS  
Ms. Shamayne Gerlach, BCBS  
Ms. Cheryl Wigginton, BCBS

Chairman Jon Strinden called the meeting to order at 8:30 a.m.

## **MINUTES**

Chairman Strinden called for any questions or comments regarding the minutes of the April 20, 2006 Board meeting.

**THERE BEING NONE, MR. LEINGANG MOVED APPROVAL OF THE APRIL 20, 2006 BOARD MEETING MINUTES. MS. SAND SECONDED THE MOTION. THE MINUTES WERE APPROVED.**

## **RETIREMENT**

### **Segal Renewal**

Mr. Collins indicated that two years ago we contracted with Segal for actuarial valuation and consulting services for retirement, deferred compensation, retiree health credit, and flexible compensation. Segal has submitted, in their May 16, 2006 letter to PERS, the proposed fee increases for a two year period, July 1, 2006 through June 30, 2008. The increase is approximately 13% per year overall. Segal was the lowest at the general bid, so even if we rejected this proposal and went to bid they are not out of line with what the market was at the last bid. Mr. Collins indicated Segal has been very responsive and excellent to work with. It is staff recommendation that we renew with Segal for the two year period.

**MR. LEINGANG MOVED TO RENEW THE SEGAL CONTRACT FOR TWO YEARS (JULY 1, 2006 THROUGH JUNE 30, 2008). THE MOTION WAS SECONDED BY MR. SAGE.**

**Ayes:** Leingang, Sage, Sand, Smith, Ehrhardt, and Strinden.

**Nays:** None

**Absent:** Tabor

**PASSED**

### **Mid Dakota Clinic Renewal**

Ms. Allen stated our contract with Mid Dakota Clinic for disability consulting services expires on June 30, 2006. The current contract rate of \$150 per hour has been in effect since July 1, 2004. Mid Dakota wishes to continue to perform these services for PERS at a rate of \$160 per hour for the period July 1, 2006 through June 30, 2007. The amount paid to date since July 1, 2005 for their services is \$4,312.50. Staff has been satisfied with the services provided; they have been responsive and timely.

**MS. SAND MOVED TO RENEW THE CONTRACT WITH MID DAKOTA CLINIC FOR DISABILITY CONSULTING SERVICES FOR THE TWO YEAR PERIOD. THE MOTION WAS SECONDED BY MS. SMITH.**

**Ayes:** Leingang, Sage, Sand, Smith, Ehrhardt, and Strinden.

**Nays:** None

**Absent:** Tabor

**PASSED**

### **GROUP INSURANCE**

#### **Dental-Long Term Care RFP**

Mr. Collins indicated that the final draft of the Dental and Long Term Care RFP will be released on Monday, May 22, pending Board approval. A public notice will be included in the newspapers. If the board approves the RFP, it will be posted to the website and letters will go out on Monday. Mr. Bill Robinson from Gallagher Benefit Services stated they have been working diligently with PERS staff to put this RFP together. There are 7 sections to the RFP; Section I is the procurement document which is the contractual language approved by the state of North Dakota; Section II is the description of the plans and questionnaires and cost exhibits; Section III is the administrative requirements that PERS has for voluntary plans. There is also a section of dental data request and dental claims data as well as a section on long term care questions. Mr. Collins indicated there are two ways in which this dental plan could be bid: fully insured or self-funded and one way for the long term care which is fully insured.

**MR. LEINGANG MOVED TO APPROVE THE RFP FOR DENTAL AND LONG TERM CARE INSURANCE. THE MOTION WAS SECONDED BY MS. SAND.**

**Ayes:** Leingang, Sage, Sand, Smith, Ehrhardt, and Strinden.

**Nays:** None

**Absent:** Ms. Tabor

**PASSED**

#### **Coordination of Benefits**

Mr. Brooks from BCBS stated that at the April Board meeting there were questions raised regarding how many employees used the COB banking benefit as represented in the 2005 figures. The total dollars banked of \$5,416,286 represents 3,315 members and the total dollars used of \$160,654 represents 2,158 members. The percentage of members banking dollars represents 3.92%, whereas those members with banked dollars using the banked dollars is 65.1%. There were only 4 members who used greater than \$1,000 banked dollars. About 70% of the members used less than \$100. As noted, total banked dollars used would be the savings to the group if the banking process is discontinued. Mr. Collins indicated BCBS is discontinuing banking on all lines of their business and they

desire the Board's concurrence for the PERS plan. Mr. Brooks indicated that a decision should be made at least by August. A benefit to the PERS plan would be a savings of \$160,000 a year, which results in 55 cents per contract per month. If PERS would decide to keep this benefit, there may be additional administrative fees to maintain the banking provision.

Board action was delayed until either the June or July Board meeting. More information was requested regarding what service(s) could be provided to members for 55 cents per contract per month, recognizing the fact that next biennium costs will be significantly higher and any service we give members today might not be cost effective for the next biennium. The Board requested that if COB banking was eliminated the members should be informed of the fact in a newsletter. This will also assist employees in planning for their flexcomp dollars for the next calendar year. Mr. Brooks indicated that BCBS would issue a Summary of Material Modifications regarding this benefit change. Prior to the next Board meeting, staff will get a list of areas where we differ with the other BCBS plans and what the cost of the change of bringing us up to standard plan design would be for those, will determine if there are additional administrative costs that might come up relating to maintaining this in the next biennium, and include a summary in the newsletter advising members that BCBS is discontinuing this benefit for the members and it has been brought before the Board.

#### **Prenatal Plus Program Prenatal Vitamins**

Mr. Brooks reported, based on a request at the previous Board meeting, a total of 1,194 scripts at a cost of \$11,205 were erroneously paid during the biennium.

#### **BCBSND Updates**

Mr. Brooks indicated that Mr. Collins had requested BCBS come before the Board and share with the Board information prior to the renewal process. Mr. Kevin Schoenborn covered the current claims situation incurred through December 31, 2005 relating to active members. The data shows a 14% increase. High dollar claims over \$50,000 went from just under \$18 million in 2004 to \$23.4 million in 2005; average costs went from \$92,000 in 2004 to \$103,000 in 2005. Mr. Wigginton, BCBS Medical Management, presented information relating to calendar year 2003, 2004 and 2005 medical management services for both non retirees and retirees. There were 419 referrals of non-retirees to case management and that involved 367 members. Estimated savings was \$254,000. There were 53 referrals of retirees to case management that involved 38 members; no cost savings for this group for 2005. Mr. Collins indicated there are new services being provided to members where there have been no changes in the plan design. Mr. Carlisle presented information relating to the sleep study analysis and gastric bypass surgery analysis. For the period 1999 to 2005 NDPERS represented approximately 16% of the total gastric bypass surgeries performed. The total charges consumed by NDPERS over the past seven years was \$5,887,466 for the 260 members. Total expenditures for NDPERS members with a diagnosis of sleep apnea and associated costs excluding surgeries in 2005 was \$1,527,187 (average of \$1,993 per member). Dr. Rice indicated for all North Dakota members, there is an increase in sleep

studies by about 21%. Mr. Christensen gave an overview of drug program trends. The most significant trend at present is the migration of members greater than 65 years of age into Medicare Part D. The prescription drug program in general saw a 3% decrease in claims per member per month. Looking forward the greatest impact will be created with generic utilization which is increasing. Mr. Potts addressed issues relating to the providers across North Dakota. As BCBS focus's on its relationship with providers, and partners with providers, they focus on access, cost, and quality of care. It is important to maintain a balance between all of those in order to best serve members. There is excellent access for PERS members. There are over 3,800 professionals under contract with BCBS and 1,450 physicians. The EPO enrollment has increased to 21,000 members. Mr. Potts indicated they do not know what the provider rate increase will be in 2007; a final recommendation will be presented to their Board of Directors in September. Mr. Brad Bartle, actuary, presented a review of the 2005-2007 biennium rating. Currently there is a paid claims trend of about 10%, while allowed charges are at about 9%. In 2005, claims trends peaked in July at about 16% for paid claims and about 14% for allowed charges. Mr. Collins indicated that in June or July there will be presentations relating to the Health Dialog and Clinical Pharmacy Update. There is a schedule included in the Board materials regarding how we will be proceeding with the renewal.

### **Gallagher Benefit Services Renewal**

Mr. Robinson stated GBS is proposing to provide continuation of the technical and legislative consulting services to PERS for a two year period. This would also include the medical plan renewal project not to exceed fee of \$7,965. The time charges will increase by 5% for the period July 1, 2006 through June 30, 2007 as summarized in their May 9, 2006 correspondence.

**MS. SAND MOVED TO APPROVE GALLAGHER BENEFIT SERVICES RENEWAL FOR TWO YEARS. THE MOTION WAS SECONDED BY MR. SAGE.**

**Ayes:** Leingang, Sage, Sand, Smith, Ehrhardt, and Strinden.

**Nays:** None

**Absent:** Tabor

**PASSED**

### **Prudential Life Insurance Policy Rider**

Ms. Masset-Martz reported that PERS received notice from Prudential there is a rider that will need the Board Chairman's signature. This rider provides for continued coverage for an incapacitated child. This coverage was included with the previous provider and is being included in the Prudential policy as of July 1, 2005.

**MR. SAGE MOVED TO APPROVE THE PRUDENTIAL LIFE INSURANCE RIDER. THE MOTION WAS SECONDED BY MS. SAND.**

**Ayes:** Leingang, Sage, Sand, Smith, Ehrhardt, and Strinden.

**Nays:** None

**Absent:** Tabor

**PASSED**

**Employer Based Wellness Program**

Mr. Collins stated that staff was seeking Board direction relating to the new employer-based wellness program. PERS is in the process of moving into the second year and those agencies and employers that have decided to participate in the second year have submitted their programming plans. There are 49 employers that did not renew. The question staff is seeking advice on is when the new year begins in July, if one of those employers decides they want to participate, do we let them come in during the year or do we only allow employers to start in the program on an annual basis? Staff recommendation is to have an annual enrollment.

**MS. SAND MOVED TO APPROVE ANNUAL ELECTIONS TO PARTICIPATE IN THE EMPLOYER BASED WELLNESS PROGRAM. THE MOTION WAS SECONDED BY MR. LEINGANG.**

**Ayes:** Leingang, Sand, Smith, Ehrhardt, and Strinden.

**Nays:** Sage

**Absent:** Tabor

**PASSED**

**DEFERRED COMP**

**Fidelity Review**

Mr. Collins reported that in 2004 Fidelity was awarded the contract for the 457 plan and defined contribution plan for 6 years subject to two year reviews. In anticipation of this review, we began discussions with Fidelity regarding reducing the administration fee for the 457 plan which is at \$39 per year. In the 401(a) plan the administrative fee is \$8. The reason for this differential is because of the size of the account balances. Fidelity has agreed to drop this administrative fee from \$39 to \$30 a month for the 457 plan, if PERS implements a de minimus cash out of terminated plan participants who have a balance below \$1,000 and pursues an automatic enrollment process, pending legislative approval.

Mr. Collins further stated that we have indicated to Fidelity, that while the reduction in the administrative fee is positive, it is still a goal to see that 457 plan administrative fee continue to decrease.

**MS. SMITH MOVED TO EXTEND THE FIDELITY CONTRACT FOR THE 457 AND DEFINED CONTRIBUTION PLAN FOR TWO YEARS. THE MOTION WAS SECONDED BY MR. SAGE.**

**Ayes:** Leingang, Sage, Sand, Smith, Ehrhardt, and Strinden.

**Nays:** None

**Absent:** Tabor

**PASSED**

### **MONTHLY TOPICS**

#### **Critical Success Factors**

Mr. Collins indicated that included in the board book is the draft critical success factors (CSF) for the IT project. The CSF's are what makes the project a success and are tied to the organizations' vision (PERS' drivers). They are also the measures that PERS would use at the end of a project to measure its success. Mr. Collins asked that the board review the factors and share with him any additions or deletions.

#### **IT Project Update**

Mr. Collins provided an update to the Board relating to the Business System Replacement Project, specifically how we can accommodate the additional workload associated with this project. The assessment included information regarding PERS available resources, ability to reduce workload and overview of which work efforts can be reduced or deferred.

#### **Proposed Legislation**

Mr. Collins reported that included in the board book is the other legislation submitted relating to PERS. The Legislative Employee Benefits Committee met on May 17 and assumed jurisdiction over all of the bills. The bills will be referred back to the respective actuaries (Segal or Gallagher Benefit Services).

#### **PERS Budget**

Mr. Collins asked the Board, for budgeting purposes, how many Board education sessions should be budgets for the next biennium (2007-2009). In the past three or four per year was budgeted for (seven for the biennium, approximately \$11,200). The Board suggested budgeting at one per board member per year.

## **SIB Agenda**

Agenda was distributed to the Board for information.

### **Deferred Compensation Hardships**

#### **Financial Hardship #2006-001DC**

Mr. Allen brought a financial hardship #2006-001DC before the Board for an amount of \$2,000 to cover expenses incurred as a result of personal loans used to cover expenses due to the spouse's disability. Expenses cited include travel to and from medical appointments and for medical treatment.

**MR. SAGE MOVED TO APPROVE HARDSHIP REQUEST #2006-001DC. MS. SAND SECONDED THE MOTION.**

Further Board discussion related to the lack of documentation to support the travel expenses and the need for this documentation prior to any Board action.

**Ayes:** Sage, and Strinden

**Nays:** Leingang, Sand, Smith, Ehrhardt

**Absent:** Tabor

**FAILED**

**MS. SAND MOVED TO REQUEST ADDITIONAL DOCUMENTATION RELATING TO INCURRED TRAVEL EXPENSES FOR HARDSHIP REQUEST #2006-001DC AND TO BRING THIS INFORMATION BEFORE THE BOARD. THE MOTION WAS SECONDED BY MS. SMITH.**

**Ayes:** Leingang, Sage, Sand, Smith, Ehrhardt, and Strinden

**Nays:** None

**Absent:** Tabor

**PASSED**

#### **Financial Hardship #2006-002DC**

Ms. Allen brought a financial hardship #2006-002DC before the Board for an amount of \$12,206.26 to cover expenses incurred as a result of the spouse's disability. The hardship is the result of expenses related to treatment that was not covered by insurance and expenses that arose as a result of a lawsuit regarding the spouse's medical condition that contributed to the current disability. Expenses cited include those incurred for the lawsuit and an outstanding balance owed to a credit union.

**MR. SAGE MOVED TO DENY THE HARDSHIP REQUEST #2006-002DC. THE MOTION WAS SECONDED BY MS. SAND.**

**Ayes:** Leingang, Sage, Sand, Smith, Ehrhardt, and Strinden.

**Nays:** None

**Absent:** Tabor

**PASSED**

**Executive Director's Annual Performance Review**

Chairman Strinden stated that the annual review of the executive director will need to be conducted. Mr. Leingang and Ms. Ehrhardt volunteered to assist Chairman Strinden with this review. There was a discussion regarding hiring the Hay Group to assist with the review of the salary for the Executive Director. The State Investment Board will be conducting a review of the RIO Director's salary. Mr. Collins indicated that NASRA has done a similar study of all PERS directors for all states.

**MR. SAGE MOVED TO LOOK INTO POSSIBLY HIRING THE HAY GROUP TO PERFORM A SALARY STUDY FOR THE EXECUTIVE DIRECTOR POSITION IF THE STUDY COSTS LESS THAN \$5,000. THE MOTION WAS SECONDED BY MR. LEINGANG.**

**Ayes:** Leingang, Sage, and Strinden.

**Nays:** Smith and Ehrhardt

**Absent:** Sand and Tabor

**PASSED**

The meeting adjourned at 11:05 a.m.

Prepared by,

Cheryl Stockert  
Secretary to the NDPERS Board



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# Memorandum

**TO:** PERS Board

**FROM:** Sparb

**DATE:** June 21, 2006

**SUBJECT:** Business System Replacement Project

Attached for your review is the feasibility study prepared by L. R. Wechsler. Please note an executive summary of the report is at the beginning. Representatives will be at the Board meeting to review the report with you. Basically their recommendation is:

*LRWL recommends that the NDPERS Board proceed with system replacement. Based on our experience with more than twenty similar public benefit re-systemization projects, should the NDPERS Board decide to proceed with system replacement, LRWL recommends the comprehensive, all-inclusive acquisition of a new Line of Business benefit solution (LOB) – out of a concern for both cost and project risk. Further, although it extends the implementation timeframe and places additional requirements on staff, we believe that mandating a phased cutover approach will mitigate project risk.*

The estimated cost is:

*Given these cost components, the funding level necessary to put in place a modern, integrated benefit and benefit record keeping system that addresses needs that NDPERS staff and management have identified, falls in the range of \$8.0 to \$9.0 million.*

Concerning PERS staff:

*PERS estimates that it will take 4 FTE's to backfill positions during the project at a cost of about \$161,000 per year (4 year project timeline)) for two bienniums. At the conclusion of the project, they also estimate they may need to retain 1-2 of the positions.*

At this meeting we will need to determine if we should proceed with this project. If so, we will bring to the July meeting a funding plan and budget with these costs incorporated for your consideration and the consultant will start work on the RFP.

**Board Action Requested**

To determine if we should continue with this project.

**Staff Recommendation**

To move forward with the project.



## North Dakota Public Employees Retirement System

### Legacy Application System Review (LASR) Project Feasibility Study

Prepared by

**L. R. Wechsler, Ltd.**

**10394 Democracy Lane**

**Fairfax, VA 22030**



**Contact: Andy Flewelling, PMP**

**Project Director**

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**E-Mail: [info@lrwl.com](mailto:info@lrwl.com)**

**June 22, 2006**

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## 1 EXECUTIVE SUMMARY

The **North Dakota Public Employees Retirement System (NDPERS)** engaged **L. R. Wechsler, Ltd. (LRWL)** to conduct a feasibility study. The objective of this report is to examine the present benefits administration system and its strengths and weaknesses to determine whether it will sustain NDPERS' business in the future, or whether it is advisable to seek an alternate solution. In the event an alternate solution is deemed essential, it will be necessary to utilize the information provided in this study to present a business case to the NDPERS Board of Trustees for moving forward with the development of a Request for Proposal (RFP) for the implementation of a replacement benefits administration solution. The results of our study and analysis are embodied in this report, the "Legacy Application System Review (LASR) Project Feasibility Study."

This report examines and summarizes the current operating environment, identifies business and technology challenges as well as documents the required operating environment. In addition, it presents the options available to NDPERS for replacing the current legacy application system, the pros and cons of each option and approach, and LRWL's recommendations.

### Current Status

NDPERS presently administers a wide range of benefits programs (see 3.1 & 4.2.1). These include:

- Six defined benefit programs
- Two defined contribution programs
- The retiree health credit program.
- Five group insurance programs including the health plan
- The Employee Assistance Program
- The FlexComp Program

The addition of these programs to the agency over time has resulted in significant growth as described in Section 4.2.1 of this report:

- Since 1966, the number of programs that NDPERS administers has grown from 1 to 20
- Since 1988, the number of members served has grown 165% from almost 40,000 to over 120,000 (this is the number of relationships with employers for each program)
- In 1995, the number of employers that NDPERS served was almost 1,000 and today the number has grown to over 1,700; an increase of 70% (again this is the number of relationships with employers for each program)

While the scope of responsibilities for the agency has grown over time, the application system that NDPERS utilizes now has been in use for over thirty (30) years (3.4). Consequently as that system has had to adapt to the changes it has become increasingly complex and very difficult to change.

We also note this growth has challenged the agency to keep up with its current business process documentation and metrics (3.2 & 3.3). While the agency has accomplished much in these areas, the pressures of having to always implement new processes with the resulting complexities associated with those implementations has limited the time available to enhance documentation and collect operating





metrics. As the agency moves forward with reducing the complexities associated with its existing business processes it should consider allocating more efforts to documentation and metrics.

In section 3.5 of the report the classification and condition of data collected by NDPERS was assessed. NDPERS' largest system resides on the mainframe; however, it was noted that a number of Microsoft Access, dBase databases, and Excel spreadsheets have been developed to supplement the functionality of the mainframe. Ten of these systems are identified on Table 7. Clearly these additional databases only add to the complexity and risk for the agency in administering its existing programs.

### **Business Issues and Challenges**

A review of the current organizational dynamics of PERS identifies three key points (4.1):

- NDPERS' staff is approaching retirement eligibility and will begin to leave employment in the next several years, decreasing NDPERS' ability to handle additional complex business procedures while maintaining customer satisfaction. In nine years NDPERS could lose 50% of its staff with 60% of today's institutional knowledge and in 15 years this rises to 72% of the staff with 87% of today's institutional knowledge. See Section 4.1.1.
- A significant amount of work is performed outside of the primary mainframe computer system using either Excel spreadsheets or of database programs. This practice increases the risk that business rules will be applied inconsistently or data transferred incorrectly. As shown on the table in section 4.1.2 there are a significant number of non-integrated processes and workarounds in NDPERS current operations.
- The current technology at NDPERS has made it difficult to keep up with the agency's growth. To the extent changes have occurred they have exponentially complicated the systems and made it more difficult to continue to maintain (4.1.3, 4.2.2, 4.2.4, 4.3.1).

These organizational dynamics have raised some major business issues for the agency including:

- How is the agency going to handle future growth (4.2.1)? While it is impossible to speculate what new duties could be assigned to PERS legislatively, it is clear that just the existing responsibilities will result in increased workload in the future. As noted in 4.2.1, if existing trends are predictive of the future, the number of retirements could increase by 60% in the next five years. This increases the workload for all programs as people retire and sign up for the other programs. Additional staffing to accommodate these new clients, based upon existing business practices, would be 7 more FTEs at a cost of \$600,000 or more per biennium (4.2.1).
- Is it reasonable to maintain the current legacy system (4.2.2)? It is problematic and will inevitably become more so to maintain this system with the increasing number of retirees (4.2.1) and the near obsolescence of the technology (4.3.4, 4.3.5). This issue was discussed with ITD who also indicated that it would be difficult to maintain this system over time since the language is old, the application has key programs that need to be changed with most maintenance requests, the complexity of the system makes it more difficult to enhance the system, the current system runs on an old technology infrastructure that ITD would like to replace, the current system is not a relational database and the pool of developers is getting smaller.
- Is it prudent to continue to do many functions outside of the business application system? In order to accommodate the workload growth over the years and the limitations of the existing system, PERS has had to develop many workarounds (4.1.2). This lack of integration creates opportunities for errors (4.2.3, 4.3.3).
- Should the limitations of the existing system determine NDPERS' business systems? The current system results in: difficulty integrating new applications into the existing system such as





program enhancements (4.3.1 & 4.3.11), limitations in adding new programs (4.3.2), limitations on retention of history (4.3.6 & 4.3.8), difficulty with production operations (4.3.7), limitations on edits (4.3.10) and integration of accounting systems (4.3.12).

- Should we have employers do more direct reporting? Modern systems would have employers do more entering and verifying of data (4.2.5 & 4.3.9).

### **Required Operating Environment**

In recognition of the above business issues and challenges section 5 of the report reviews the required operating environment for NDPERS. The requirements for the retirement plans relating to account maintenance (5.2.1), account processing (5.2.2) and retiree payroll (5.2.4) are detailed. In addition the needs of the group insurance program are identified (5.2.3). Administration needs are also discussed relating to accounting (5.2.5), auditing (5.2.6), program support (5.2.7) and research (5.2.8).

### **Possible Approaches, Replacement Options and Solutions**

As noted in the above discussion, NDPERS needs to decide what to do about its aging legacy system. Our opinion and the opinion of the State's ITD is the system is old, outdated and will need to be replaced, if not now then in the near future (3-7 years). Continued investment in this system is not cost effective since it will need to be replaced. Consequently if the decision to replace were delayed, NDPERS would need to continue to do many processes manually or on spreadsheets. As new aspects are added to the existing programs, NDPERS would need to do those manually or on spreadsheets as well to avoid unnecessary investment in the existing system. The consequence is the number of workarounds and spreadsheets would grow, complexity would increase, errors could increase and financial, compliance and operational controls would weaken. The other implication of waiting is the experienced NDPERS staff may start to leave the agency as they become eligible for retirement only making the complexity of the workarounds and spreadsheets harder to manage. In recognition of these issues we recommend that NDPERS move forward with replacing its business system (6.2). The following options are suggested for replacing the system:

- Build a new system through ITD or an outside vendor (6.2.2.). Based upon an estimate from ITD we estimate the ten-year cost of this implementation to be \$10,800,000 for ITD to rewrite and \$7.1 million just for the rewrite effort by ITD to update the existing system. To hire an outside vendor would cost approximately \$15,000,000. To build a solution also carries with it additional risk that is associated with development of a new system versus modification of an already developed system.
- Buy the solution (6.2.1). Pursuant to this approach NDPERS would buy the system from a vendor. There are approximately 6-7 vendors in the marketplace that offer such products that are presently being used by other retirement plans. We estimate the ten-year cost of this option to be approximately \$11 million.

An adjunct decision to the "buy the solution" system replacement question, selecting the appropriate implementation strategy is also of great importance (7.1). The alternatives are:

1. A comprehensive, all-inclusive purchase (in which NDPERS would look to a single provider for all solution components and services).
2. A best of breed purchase in which NDPERS would seek to acquire and integrate a solution in each broad area of benefits functionality – e.g., a membership tracking system, a benefit payment and contribution system, an insurance billing and receivables system, a financial accounting application, a workflow management system, a Customer Relationship Management (CRM)





solution, etc. The purchase and integration could be done by NDPERS or through a system integration contractor.

3. Identification and selection of an Application Service Provider (ASP) who would host its own solution, customized and configured to NDPERS' requirements, but make access to that solution available to NDPERS staff.

In section 5.4 we outline the critical success factors (CSFs) for the project. These are the measures you will use to look back on this project when completed (should you decide to proceed) to access how the project turned out. In section 5.5 we outline some the concerns relating to a system replacement project: staff time, resources, training, contracting, warranty, vendor support and vendor staffing. These issues are also addressed in more detail in section 8.

In section 7 of the report, we identify the three approaches for implementation of a project. These are the big bang (implement the entire project at once), phased approach (implement over time) or reproduce current environment then expand.

### **Recommendation**

LRWL recommends that the NDPERS Board proceed with system replacement. Based on our experience with more than twenty similar public benefit re-systemization projects, should the NDPERS Board decide to proceed with system replacement, LRWL recommends buying the comprehensive, all-inclusive Line of Business (LOB) benefit solution – out of a concern for both cost and project risk. Further, although it extends the implementation timeframe and places additional requirements on staff, we believe that mandating a phased cutover approach will mitigate project risks.

Turning to the implementation effort, LRWL points out that replacing a benefits administration solution is a resource-intensive undertaking. Commitment on the part of agency management and executives to providing all of the necessary resources is critical. In that vein, LRWL recommends that a Project Management Office (PMO) with appropriately equipped space be established and dedicated for use by the entire NDPERS project team, including solution vendor personnel. The PMO, which should report to the Executive Director, would be responsible for the new benefits solution project and all supporting projects, such as workflow definition. Headed by a dedicated project manager and adequately staffed with the right NDPERS staff members (encompassing planning disciplines, technology knowledge, and subject matter expertise), the PMO would also coordinate the efforts of the NDPERS LASR Steering Committee. NDPERS estimates that it will take 4 FTEs to backfill positions during the project, at a cost of about \$161,000 per year (4-year project timeline)) for two biennium. At the conclusion of the project, they also estimate they may need to retain 1-2 of the positions. We also recommend that NDPERS seek assistance from professionals with expertise and experience in Oversight Project Management (OPM), Quality Assurance (QA) support, and Independent Validation and Verification (IVV) to assist the NDPERS project manager during the new benefits solution implementation – primarily to shoulder the work load and to reduce risk.

A summary of all recommendations contained in this report can be found in Appendix E.

### **Anticipated Timeline**

We estimate that NDPERS will be able to select a vendor and begin the new benefits solution implementation approximately eight to ten months following initiation of the RFP development effort – that is, February to April 2007 - assuming a start date for the RFP development in early July. The solution should be complete and entering the warranty period 30 to 36 months from the project start date – November 2009 to May 2010 - assuming an implementation start in May 2007. Anticipated costs for





such an endeavor will vary based on the specific requirements of NDPERS and can only be determined with the release of an RFP.

In conclusion, implementation of a replacement system will:

- Provide integrated business functionality necessary to administer NDPERS' numerous benefit plans.
- Enable NDPERS to address the expected increasing workload from the aging and retiring North Dakota workforce.
- Meet its customers' ever-expanding expectations for improved services in terms of accuracy, efficiency and convenience.

The remaining portions of the report identify and discuss the issues associated with system replacement projects.

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## 2 OVERVIEW

In addition to examining feasibility issues, this document presents a business case for replacing NDPERS' current legacy benefits administration system with a pre-existing, vendor developed, comprehensive administrative system<sup>1</sup>. It does so by reviewing characteristics of the current environment, discussing the challenges presented to NDPERS staff by the various disparate and disjointed administrative systems, enumerating the implementation options available for system replacement, estimating the costs anticipated for replacement of a system of this size, and identifying the vendors who provide solutions potentially appropriate for an organization like NDPERS. Finally, we provide specific recommendations for NDPERS to move forward with the replacement project.

The report is divided into three major sections. The first major section (report Sections 3 to 5), addresses the current environment, challenges it presents and a high-level description of required functionality. The second major section (report Sections 6 to 9) presents solution options, components of the solutions, the RFP development process, and project considerations and costs. Finally, in the third major section (report Sections 10 and 11), we present a budget estimate, an estimated timeline and our final recommendation. Supporting Appendices are also provided.

### 2.1 Purpose and Scope

The purpose of the report is to review the current operating environment of NDPERS, identify its business issues and challenges, determine needed system enhancements to meet those challenges and identify the options to meet those challenges along with a recommendation. The final sections of the report discuss considerations relating to moving forward with our recommendation.

The scope of this report includes an assessment of NDPERS' current operating environment and the various systems it uses to conduct and complete its day-to-day business processes. The scope also includes an assessment of the challenges NDPERS faces in completing these processes using the current technology.

The scope does not include development of additional process documentation, recommendations for any processes or "reengineering" of current business processes, or recommendations on reallocation of resources in light of a potential system replacement.

### 2.2 Objective

The objective of this document is to present NDPERS with the needed information that will enable the agency to make the decisions necessary for the agency to meet its business challenges in the most efficient manner.

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<sup>1</sup> Whether it is called a package, a template or an architecture is moot for any discussions.





## 2.3 Methodology

The methodology used to develop this document is outlined below. The tasks, which began in early-April and culminated with delivery of this document, were as follows:

1. Met and discussed with some of the NDPERS staff and management on the current business environment, including: vision and success factors, organizational challenges, data stores, current system environment, major business issues and challenges, and operating metrics.
2. Reviewed reports and documentation provided by NDPERS for material pertinent to the feasibility study.
3. Researched LRWL project archives for material relevant to replacement options, implementation approaches, component technologies, project considerations, historic costs and vendor solutions.
4. Developed material gathered through these activities into a preliminary draft document.
5. Submitted the preliminary draft to NDPERS for review.
6. Met with NDPERS to review comments, questions and changes and modified the preliminary draft as appropriate.
7. Submitted this document to NDPERS as a final deliverable for review by the Board of Trustees, management and staff.

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## 3 CURRENT OPERATING ENVIRONMENT

This section contains a description of the business components of NDPERS. During our engagement with NDPERS, LRWL held several meetings with the executive director and the managers of the NDPERS organization. During these meetings, we discussed the current state of each division and the IT systems that support those business areas.

### 3.1 Summary of Plans/Programs Administered

The retirement plans NDPERS administers include Defined Benefit, Defined Contribution and Retiree Health Insurance Credit plans. Other benefit plans that NDPERS administers include group insurance (life, health, dental, vision and long term care). In addition to the above, NDPERS administers an Employee Assistance Plan and a Flexible Compensation plan. Each of these plans is described below. Appendix A includes statistics related to the group benefits managed by NDPERS. Appendix B includes statistics related to the retirement systems managed and administered by NDPERS.

#### 3.1.1 Defined Benefit Retirement Plans

NDPERS administers six (6) defined benefit retirement plans. The NDPERS system includes the main (PERS) plan, judges, National Guard, and law enforcement plans and is administered in accordance with Chapter 54-52 of the North Dakota Century Code (NDCC). The Highway Patrolmen Retirement Plan is administered in accordance with NDCC 39-03.1. The Job Service Retirement Plan is established under NDCC 52-11-01 with its benefit provisions established through the plan document. Each retirement system has different contribution rates and different benefit formulas. A summary of the plan provisions for all plans is found on the NDPERS Web site at:

<http://www.state.nd.us/ndpers/active-members/index.html>

#### Main System for Public Employees

The NDPERS main system covers substantially all employees of the state of North Dakota, its agencies and various participating political subdivisions. This is the largest plan administered by NDPERS with the greatest number of active and retired members. It does not cover employees of the Board of Higher Education eligible for TIAA/CREF or teachers covered by the North Dakota Teachers Fund for Retirement.

#### Judges

The NDPERS Judges Retirement System covers the Supreme Court and District Court Judges in North Dakota.

#### National Guard

The NDPERS National Guard System covers National Guard Security Officers and Firefighters.

#### Law Enforcement

The NDPERS Law Enforcement Plan covers peace officers and correctional officers employed by political subdivisions, which have elected to offer this plan. There are two plans: one plan for participants with previous main system service and another plan for participants without main system service.





## **Highway Patrol**

The Highway Patrolmen's Retirement plan covers substantially all sworn officers of the North Dakota Highway Patrol.

## **Job Service Retirement Plan**

The Job Service Retirement Plan is limited to employees of Job Service North Dakota who were participating in the plan as of September 30, 1980. This is a closed retirement plan.

### **3.1.2 Defined Contribution Plans**

NDPERS administers two defined contribution plans. The optional Defined Contribution Retirement Plan is established under NDCC 54-52.6. This plan is available to non-classified state employees as an alternate plan to the defined benefit plan discussed above. The record-keeper for this plan is Fidelity Investments. Appendix A provides statistics on the defined contribution plan relating to participation, contributions and assets. Additional information on the plan is available at:

<http://www.state.nd.us/ndpers/retirement-plans/dc-plan.html>

The Deferred Compensation Plan is established under NDCC 54-52.2. This is a voluntary, supplemental retirement plan provided in accordance with Section 457 of the Internal Revenue Code. This plan is available to employees of the State of North Dakota and participating political subdivisions. There are currently sixteen companies providing investment services for this plan. Appendix A provides statistics on the Deferred Compensation Plan relating to participation, contributions and assets. Additional information on this plan is available at:

<http://www.state.nd.us/ndpers/deferred-comp/index.html>

### **3.1.3 Retiree Health Insurance Credit Program**

The Retiree Health Insurance Credit Program is designed to provide members with a benefit that can be used to offset the cost of their health insurance premiums during their retirement years. It is available to all members of the above retirement plans who purchase their insurance through the NDPERS Group Insurance Plan. Appendix A provides statistics on the plan relating to participation, contributions and assets. Additional information on the plan is available at:

<http://www.state.nd.us/ndpers/health-credit/index.html>

### **3.1.4 Group Insurance**

The NDPERS administers the health, life, dental, vision, long term care, and employee assistance plans for the State of North Dakota and participating political subdivisions. The Group Insurance plans are administered according to NDCC 54-52.1.

## **Group Health**

The Uniform Group Health Insurance Plan is a fully insured plan with BCBSND, effective July 1, 2005 and ending June 30, 2007. All state employees are covered under the plan, including the staff at colleges and universities. Political subdivisions may also participate in the health plan at their option. In addition, retirees, receiving a retirement allowance from NDPERS, ND Highway Patrol, Job Service, Teachers Fund for Retirement and TIAA/CREF can participate in the group health plan. Also, members of a political subdivision, if enrolled in the plan as an active employee and receiving a retirement allowance





from an approved employer sponsored retirement plan are eligible. A surviving spouse is eligible if receiving a beneficiary benefit from one of the above retirement plans or are on the plan as a covered dependent at the time of member's death. Appendix A provides statistics on the plan relating to participation and premiums. Additional information on the plan is available at:

<http://www.state.nd.us/ndpers/insurance-plans/group-health.html>

### **Group Life**

The Uniform Group Life Insurance Plan is a fully insured plan underwritten by Prudential, effective July 1, 2005 and ending June 30, 2007. All state employees are covered under the plan, including the staff at colleges and universities. Political subdivisions may participate in the life plan at their option. In addition, retirees receiving a retirement allowance from NDPERS, ND Highway Patrol, Job Service, Teachers Fund for Retirement and TIAA/CREF can participate in the group life plan. Appendix A provides statistics on the plan relating to participation and premiums. Additional information on the plan is available at:

<http://www.state.nd.us/ndpers/insurance-plans/group-life.html>

### **Dental**

The Uniform Group Dental Plan is fully insured by ReliaStar, effective January 1, 2006 and ending December 31, 2006. This plan is available to employees of state agencies and higher education, as well as retirees receiving an allowance from an eligible retirement system. Appendix A provides statistics on the plan relating to participation and premiums. Additional information on the plan is available at:

<http://www.state.nd.us/ndpers/insurance-plans/dental-plan.html>

### **Vision Plan**

The Uniform Group Vision Plan is fully insured by Ameritas, effective January 1, 2006 and ending December 31, 2006. This plan is available to employees of state agencies and higher education, as well as retirees receiving an allowance from an eligible retirement system. Appendix A provides statistics on the plan relating to participation and premiums. Additional information on the plan is available at:

<http://www.state.nd.us/ndpers/insurance-plans/vision-plan.html>

### **Long Term Care Plan**

The Uniform Long Term Care Plan is fully insured by UNUM. There are approximately 50 participants in this plan. This plan is available to employees of state agencies and higher education and their spouses, as well as retirees and their spouses. Additional information on the plan is available at:

<http://w3.unumprovident.com/enroll/NDPERS/index.htm>

## **3.1.5 Employee Assistance Plan**

The Employee Assistance Program, or EAP, covers employees of state agencies and higher education. This program allows employees to receive confidential assistance in many areas without accessing the health care system. NDPERS has contracted with three EAP vendors to provide services to employees and their families. Appendix A provides statistics on the plan relating to participation and premiums. Additional information on the plan is available at:

<http://www.state.nd.us/ndpers/eap/index.html>





### 3.1.6 Flexible Compensation (FlexComp) Plan

The FlexComp plan is established under NDCC 54-52.3. This plan is available to state employees. District health units may participate in the FlexComp plan at their own option. The plan allows participants to elect to reduce their salaries to pay for qualified insurance premiums, medical expenses, and dependent care expenses on a pretax basis. Appendix A provides statistics on the plan relating to participation and deferrals. Additional information on the plan is available at

<http://www.state.nd.us/ndpers/flexcomp/index.html>

## 3.2 Current Business Process Documentation

As part of the feasibility assessment, LRWL performed a high level review of the process documentation available at NDPERS. The objective of the review was to determine what documentation exists and how valuable it would be in the following circumstances:

- Operationally, as used by NDPERS:
  - ✓ For new employee training
  - ✓ For new employer training
  - ✓ As material to facilitate staff training and resumption of operations in the event of a disaster.
- During an RFP and system development process:
  - ✓ Providing an outside vendor an adequate understanding of the NDPERS business processes in order to accurately scope the project
  - ✓ Provide a source of 'as-is' documentation.

LRWL used the following criteria to evaluate the existing documentation:

- **Readability** – Does the documentation provide clear and simple directions for how to perform processes necessary to accomplish the business function? Does the documentation actually describe the process rather than just duplicating tables, spreadsheets, forms, letters, and reports?
- **Thoroughness** – Does the documentation cover the entire process and include user directions, examples of input and output forms, letters and reports, and how the process fits into the overall scheme of the business function?
- **Format** – Is all process documentation created consistently? Is the format of each document well organized, easy to follow, consistent in depth of information provided?

The NDPERS documentation that LRWL reviewed was found on the LAN. The documentation was organized in folders named with each employee's LAN User ID. Each folder contained the documentation the particular employee developed for the functions he/she performs. Using the three (3) criteria defined above, LRWL ranked the documentation for each business function with a value from 1 – 5, with 1 being the least useful and 5 being the most useful. The following table presents our assessment of the business process documentation at NDPERS.





**Table 1 - Usefulness of Existing NDPERS Documentation**

<b>Business Area within NDPERS</b>	<b>Business Function Name Used by LRWL</b>	<b>Documentation Exists? (Yes or No)</b>	<b>LRWL Valuation of Usefulness</b>
Accounting	Employer Reporting (Transmittals)	Yes	3
Accounting	Tax Reporting	Yes	2
Accounting	Vendor Payments	No	1
Accounting	Funds Management	Yes	2
Accounting	Member Account Maintenance	Yes	3
Accounting	Group Insurance	Yes	3
Accounting	Group Insurance Billing	Yes	3
Accounting	Individual Insurance Billing	Yes	3
Accounting/IT	Actuarial/Statistical	Yes	3
Administrative Services	Imaging	Yes	3
Benefit Programs	Employer Maintenance	Yes	3
Benefit Programs	Member Enrollment	Yes	3
Benefit Programs	Member Counseling	Yes	3
Benefit Programs	Refunds/Rollovers/TIAACREF	Yes	3
Benefit Programs	Purchase of Service Credit	Yes	4
Benefit Programs	Benefit Estimates	Yes	3
Benefit Programs	Retirement Application & Processes	Yes	3
Benefit Programs	Disability Application/Appeals	Yes	3





Business Area within NDPERS	Business Function Name Used by LRWL	Documentation Exists? (Yes or No)	LRWL Valuation of Usefulness
Benefit Programs	Dual Membership Retirements	Yes	3
Benefit Programs	Death Benefits	Yes	3
Benefit Programs	Power of Attorney	Yes	3
Benefit Programs	QDRO	Yes	3
Benefit Programs	Deferred Compensation	Yes	3
Benefit Programs	Benefit Division Procedures	Yes	3
Benefit Programs	FlexComp	Yes	3
Benefit Programs	Job Service Retirement	Yes	2
Benefit Programs	Return to Work	Yes	3
Benefit Programs	Retiree Health Insurance Credit	Yes	3
Benefit Programs	Wellness Program (New Program)	No	1
Benefit Programs/IT	Benefit Payroll (Crossover and Check-write)	Yes	3
IT	Member Statements	Yes	2
Development/Research	General/Ad hoc Reporting	Yes	4
Member Services	Member Activity Tracking / Contact Management (CRM)/ Training Manuals	Yes	3

In summary (although the ranking is certainly subjective), there are 2 areas where no documentation was found during the review, 4 with a value of 2, 25 with a value of 3, and 2 with a value of 4. While this points to documentation that is not perfect, the documentation available is above average for organizations the LRWL has reviewed.





Documentation of the current system is needed for several reasons including training staff and inclusion in the system replacement RFP of current business processes. In the former case, its value is self-evident. In the latter case it can help the vendor understand the current system better and sets a bar or level of expectation of the vendor for functionality to be delivered within the application. It can essentially work as a safety net for the functionality delivered. In addition, if it is developed well, it can be a good resource for any workflow development effort included in the system replacement effort.

At the same time, developing the documentation can be a resource intensive task and become a low priority for an organization with limited resources.

### **3.3 Operating Metrics**

One of the most effective ways to determine whether an organization's goals and objectives are being attained is to define a set of metrics and measure against them. In the following sections, we discuss the metrics available and collected in the current system, as well as those which NDPERS might consider including for use before and after the implementation of a new line of business (LOB) benefit solution to measure the improvement attained.

#### **3.3.1 Current State of Operating Metrics**

During our review of NDPERS' operations, we have seen only one periodic management report which can be used to gauge the status of operations to determine whether the workload is static, increasing or decreasing. The reports we have seen provide monthly counts and the annual summaries of various tasks performed within each functional area of the organization. The types of tasks counted include:

- Telephone calls (by plan)
- Interviews (appointments and walk-ins by plan)
- Group Insurance functions (by task)
- Retirement functions (by task)
- Deferred Compensation functions (by task)
- FlexComp functions (by task)
- Administrative operations (by task)
- Records Center functions (by task)
- Member Services functions (by task).

The metrics have been collected since 1993. In communications with the Board of Directors and the Legislature, NDPERS management uses this data to present trends in workloads experienced by NDPERS. This is important when submitting and justifying budget and personnel requests.

#### **3.3.2 Recommendation Related to Operating Metrics**

LRWL recommends that more statistical information be collected (e.g., number of tasks performed by staff member, time required to perform like tasks and number of tasks left undone at month-end – i.e., backlog). We believe that such measurements and reports are essential for three reasons:

- To measure the current health of the organization,
- To provide employees with a quantifiable means of measuring their efforts, and
- To serve as a baseline against which the new LOB solution can be measured.

Metrics should be collected at several levels. First, metrics should be collected over time to demonstrate any trends that are evident or later become evident. Second, metrics should be collected at the specific process level to measure efficiency of group and/or individual performance. Examples of some typical





metrics are shown in Figure 1 and Figure 2 on the following pages. Note that no one client has ever implemented all of the metrics included in the sample tables. They represent a compendium. Most clients select a few in each area that are the most important to them to start – often refining the selection of appropriate metrics as more is learned from the review of the data initially collected.

**Figure 1. Examples of Production Metrics Used to Gauge Project Success**

<b>PRODUCTION METRICS</b>						
	<b>Current Period</b>	<b>Same Period Last Year</b>	<b>% Change</b>	<b>Year-to-Date</b>	<b>Year-to-Date Last Year</b>	<b>% Change</b>
<b>Completed Activities</b>						
Service Retirements						
Disability Retirements						
Service Credit Purchases						
Adjustments						
Membership applications						
Refunds						
Member Inquiries						
Reprint Member Annual Statements						
Reprint 1099s						
<b>Totals</b>						
<b>Backlog</b>						
Number of Service Retirements						
Number of Disability Cases						
Number of Service Credit Purchases						
Number of Adjustments						
Number of Membership Applications						
Number of Refunds						
Number of Member Inquiries						
Reprint Member Annual Statements						
Reprint 1099s						
<b>Totals</b>						
<b>Statistics</b>						
New Members						
Death Claims						
Total Membership						
<b>Miscellaneous</b>						
Wage and Contribution Reports Completed						
Wage and Contribution Reports in Process						
<b>Other</b>						





**Figure 2. Examples of Efficiency Metrics Used to Gauge Project Success**

<b>EFFICIENCY METRICS</b>			
	<b># In Queue at Start of Period</b>	<b># In Queue at End of Period</b>	<b># Completed This Period</b>
Service Retirements			
Disability Retirements			
Service Credit Purchases			
Adjustments			
Membership applications			
Refunds			
Member Inquiries			
Reprint Member Annual Statements			
Reprint 1099s			
<b>Totals</b>			

<b>WORKFLOW METRICS</b>				
	<b>Target Cycle Times</b>	<b>Actual Cycle Times</b>		
		<b>Minimum</b>	<b>Maximum</b>	<b>Average</b>
Service Retirements				
Disability Retirements				
Service Credit Purchases				
Adjustments				
Membership applications				
Refunds				
Member Inquiries				
Reprint Member Annual Statements				
Reprint 1099s				

LRWL recommends that NDPERS develop and maintain customer service metrics to measure their level of service for both active members and retirees, if only for those processes that have the greatest impact on the largest population of members/retirees. While changes in the actual quantities of transactions to be processed are not under the control of NDPERS, the throughput metrics for those transactions will provide a measure of how the new system compares with the current one. At a minimum, we believe that NDPERS should select suitable metrics to assess the time required for the following processes and to provide a count of transactions in these categories not processed at the end of a processing period (i.e., the backlog; NDPERS does not currently have a backlog in any of these areas, but this type of metric would identify a backlog if one does occur):

- Retirement applications
- Refund applications
- Disability applications
- Requests for benefit estimates





- Purchase of service requests
- Enrollment and dis-enrollment

In contrast to production and efficiency metrics (discussed above), accuracy metrics are difficult to measure - manually or automatically. However, they are perhaps the best measure available of the *quality* of the service provided by NDPERS. For example, the Member Services worker who closes the most calls per period may not do the highest quality job – when quality is defined as the call resulting in a satisfied member who does not come back for an answer to the question originally asked, but will happily come back for the answer to a new question in the future.

Figure 3 below provides a relatively simple measurement of accuracy in the processes being counted and measured in the tables above.

**Figure 3. Sample Accuracy Metrics**

<b>ACCURACY METRICS</b>		<b># Completed This Period</b>	<b># Completed in One Pass</b>	<b># Requiring Rework</b>	<b>% Correct in Single Pass</b>
	Service Retirements				
	Disability Retirements				
	Service Credit Purchases				
	Adjustments				
	Membership applications				
	Refunds				
	Member Inquiries				
	Reprint Member Annual Statements				
	Reprint 1099s				

NDPERS is already accustomed to the process of collecting instances of specific identified work processes and storing these counts in an Excel spreadsheet. A replacement LOB solution could integrate the collection of such information for workflow reporting, loading “data cubes” and “automatically” generate informative reports and trend graphs. A reporting tool such as Crystal Reports can be used to provide additional ad-hoc reports via the data cube.

One benefit of installing a new LOB solution is that NDPERS can specify that the system include the production and efficiency data metrics mentioned above. In addition, the new system can be designed to supply measurements which can be used to characterize the accuracy of staff member’s work.

The distinction between those metrics available initially and those that NDPERS may eventually wish to obtain is important. Often clients, when installing a new LOB solution, start with a relatively simple set of metrics – and only after a year or two of operation do they begin to understand what other metrics they want to gather. Some have gone so far as to implement a data warehouse, data cube, or repository in which they collect all the data pertinent to the system as well as all the data they can about the operation of the solution. With all the power of analysis which this brings to bear, clients can later mine their data for insights not previously considered. Note that the key is, first, that the new system has the ‘instrumentation’ tools available – and, second, that standards for instrumentation of all processes be defined and identified in the RFP and the proposed solution – and, third, that appropriate representative metrics be collected and presented.





## 3.4 Current System Environment

This section describes NDPERS' current IT environment.

### 3.4.1 Overview of Organization and Functions

The direct responsibility for steering and implementing Information Technology functions lies with the IT Steering Committee. The IT Steering Committee consists of:

- Executive Director
- Program Development and Research Manager
- Employee Benefit Programs and Human Resource Manager
- Accounting Manager
- Administrative Services Manager
- IT Coordinators
- Benefit Services Specialist
- Three (3) Benefit Programs Administrators.
- Internal Audit

NDPERS utilizes hardware and legacy software housed and maintained by the ND Information Technology Department (ITD). In addition, NDPERS uses PeopleSoft HR/Payroll and Financials. The legacy system components housed by ITD are supplemented by several in-house database and spreadsheet applications supported by NDPERS staff. NDPERS maintains and supports its own local area network servers. When the need arises, NDPERS calls the appropriate manufacturer, vendor or business partner for technical assistance and/or troubleshooting.

### 3.4.2 Technical Environment

This section documents the technical environment by categorizing the system and application environment into five (5) sub-systems hosted by ITD

- Legacy System Application Software housed at ITD
- Hardware and System Software
- Security and Privacy
- Email and Calendaring
- Electronic Document Management

#### 3.4.2.1 Legacy System Housed at ITD

NDPERS' benefits application was developed using the COBOL and Natural programming languages for interfacing with the Adabas database and running batch processes. The application now resides on an IBM mainframe. However, ITD is in the process of moving these mainframe applications to a cluster of Linux servers that will also be housed and supported by ITD.

The function of the benefits application is to collect and manage member and employer information so benefits can be properly disbursed. As new program responsibilities have been assumed by NDPERS, they have been handled with changes made to the legacy application system or additional applications that have been developed to run on the NDPERS LAN.

#### Database





Following a review of the database structures and interviews with NDPERS personnel, it was determined that the current mainframe applications do not consistently take advantage of typical Relational Database Management System (RDBMS) features such as data normalization. As an illustration, fields are duplicated across tables and related data fields are not always grouped together appropriately in a single table. The result is an inefficient database and table design. Consequently, absent a redesign of much if not all of the database structure, staff members are forced to develop more complex program code and implement workarounds to accomplish modest operating goals. In doing so, data integrity is compromised. Even more problematic, after twenty plus years of changes and enhancements being made to the legacy system, every additional enhancement makes the application more difficult to maintain and enhance in the future, restricting the options available as future needs change.

In addition, in our experience, locating and retaining knowledgeable, experienced Adabas programmers is equally as challenging as retaining COBOL programmers (see below).

### **Language**

The application's underlying programming languages are COBOL and Natural. These languages, while powerful and still in use in many mainframe-based applications, were developed over thirty years ago for use primarily in transactional systems. They do not support the constructs of today's more object-oriented languages, nor are they the languages of choice in the highly interactive application world of the early twenty-first century, i.e., Web-facing. ITD has difficulty recruiting and retaining staff proficient in using the COBOL and Natural languages. As a consequence, modifications or enhancements to the legacy applications often result in errors in seemingly unrelated areas of the application and require inordinate amounts of NDPERS staff time for testing and remediation.

### **Analysis**

NDPERS IT Coordinators analyze each new maintenance effort required in the legacy solution. After completing the analysis, the assigned IT Coordinator explains to an ITD resource what is needed to accomplish the required change. Any misunderstandings between the NDPERS managers or users and the IT Coordinator, or between the NDPERS IT Coordinator and ITD staff, may not be identified until testing. This problem can prolong the time needed to accomplish a given task, as well as making the task very difficult and expensive to complete, since correcting problems is more difficult and time consuming when they are identified during testing, rather than during analysis or design. (As a requirement of the system replacement process, best practices would have NDPERS require a design document from the vendor and a walk-thru of same in order to confirm the requirements prior to any coding. Doing so would reduce the risk of receiving functionality that does not address business requirements.)

### **Testing**

NDPERS staff tests all changes or enhancements to the legacy solution. NDPERS has determined that, with inexperienced programmers making the changes, errors are often introduced as a result of misunderstandings about the change needed or errors in programming. As described earlier, because of the complexity of the system, minor changes in one place often result in errors in another. This makes testing, and particularly regression testing, of changes excessively time-consuming.

Current problems relating to the four topics presented above (database, language, analysis, and testing) present serious roadblocks to:

- Significant enhancement of member and retiree service capabilities
- Increasing the efficiency of processing member and employer contribution data
- Minimal response to on-going legislative changes.





### **3.4.2.2 Hardware and System Software**

NDPERS utilizes hardware and software that are housed at the statewide facility (ITD) and at the NDPERS offices. The sections presented below outline the capabilities of both locations.

#### **3.4.2.2.1 HOUSED AT ITD**

North Dakota's technical environment consists of Windows-based desktops and a variety of server platforms connected via an IP based network. Desktop support is provided by the individual state agencies with the ITD providing the statewide network and support for the majority of the server platforms. Brief descriptions of each component are provided below.

##### **Network Services**

ITD provides both local and wide area network services for state government. All LAN segments are switched 100-megabit Ethernet networks. The Fargo and Bismarck metropolitan area networks are gigabit fiber based, while the majority of WAN connectivity is obtained via ATM T1s. The core of the WAN consists of a SONET ring. End user support is provided through a central help desk. The help desk service is available 24x7x365 (with on-call support during non-business hours).

##### **Directory Services**

ITD provides a single Active Directory network domain that in sum provides agencies with a single network sign on. This capability offers “push” technology for the distribution of applications to user workstations, while allowing for ready management of the network and local control. ITD uses Active Directory to provide security and authenticate users of the State’s Wide Area Network. Each agency comprises an Organizational Unit (OU) within NDGOV. ITD provides the necessary Domain controllers and Global Catalog servers for authentication services.

In addition, ITD provides Lightweight Directory Access Protocol (LDAP) directory service using the IBM SecureWay product to provide authentication and authorization for Web applications. This LDAP directory is also used to provide authentication for the ITD-managed file transfer protocol (FTP) server.

##### **Hosting Services**

The majority of state agencies receive hosting services from ITD, as this is a requirement of the North Dakota Century Code. ITD and the Office of Management and Budget (OMB) must approve any official waiver. These services are provided through the following platforms:

- An IBM z800 mainframe running zOS version 1.4
- An IBM iSeries, model 820 running OS version 5.2
- Windows servers with Windows 2000 Server being the preferred OS (Windows 2003 will be deployed gradually over time)
- Sun Solaris servers
- Intel RedHat Linux servers.

End user support is provided through a central help desk. The z800 mainframe provides CICS for transaction management. (ITD is phasing out the mainframe, and NDPERS mainframe applications will be ported to Linux servers. This will be a straight port, rather than a code change or rewrite.)

##### **Database Services**

The majority of state agencies receive database services from ITD. The following databases are supported:





- Software AG's Adabas which is hosted on the z800 mainframe
- IBM DB2, version 7.2 which is hosted on the z800 mainframe
- Oracle 9i which is hosted on a Sun Solaris cluster
- Microsoft SQLServer 2000 which is hosted on a Windows 2000 Server cluster.

ITD provides both test and production database environments. Dedicated, or stand-alone, installations of these databases are actively discouraged.

### Web Environment

ITD provides both clustered .NET and J2EE Web application environments. Test and production environments are provided. The J2EE platform consists of IBM WebSphere version 5.1 running on RedHat Linux. Load testing of any Web application is required prior to production deployment and is highly recommended during application development. ITD uses Mercury Interactive's LoadRunner software to perform load testing and Segue for automated application testing.

### Data Backup

IBM's Tivoli Storage Manager provides backup services.

#### 3.4.2.2.2 HOUSED AT NDPERS

An inventory of workstations indicates there are approximately 32 clients of which thirty are running Windows XP and 2 running Windows 2000. Thirty of the 32 are HP/Compaq Model DC7100CMT with a P4 3.20GHz processor, 1 GB of memory and a 40GB hard disk with the exception of IT Coordinators and Research Analyst which have 80GB hard disk. The other two workstations are Gateway-brand systems with 1.0GH processors, 256MB memory and 19GB hard disk. All 32 workstations have Workstation IDs sequentially numbered from ERN01001 to ERN01032. There is an additional computer in the mailroom not on the LAN. It is a Gateway M1000 with 1.0GH processor, 256MB memory 19GB hard disk. In addition, there are five laptop computers. Three of the laptops run Windows 2000 and two run Windows XP.

An inventory of servers is provided in Table 2:

**Table 2 - Inventory of NDPERS Servers**

OS	Workstation ID	Model	Location/Function
W2000	ERSERVER1	Gateway A7400	Computer Room
W2000	ERSERVER2: 28.8 Ex. Modem (Boca) Smart UPS UPS (BC 750)	Gateway E4200	Computer Room

The replacement strategy for the computer equipment residing at NDPERS is:

- Desktop PCs/ Laptops – replace every four (4) years
- Windows Servers – replace every four (4) years

NDPERS current inventory of printers is provided in Table 3:

**Table 3 - NDPERS Current Printer Inventory**

MAKE	MODEL
Cannon	3300





MAKE	MODEL
Cannon	8500
HP Color	LaserJet 4550
HP	8100DN
HP	8150DN
Epson	8500
HP	DeskJet (3)
Epson	Dot matrix
Cannon FilePrint 250	250
HP Deskjet	3820

Some of the applications currently installed on or accessible through the NDPERS workstations are presented in Table 4:

**Table 4 - Major Applications Supporting NDPERS Current Operations**

Application	Purpose	Category	Platform/Language/Database
Retirement	Track member, employer and retiree information and perform all critical functions for the administration of the retirement plans, including that for benefit payroll.	Custom	IBM z800/COBOL-Natural/Adabas
PeopleSoft Financials	GL, vendor payments, fixed assets, and purchasing	Package	IBM z800/COBOL-Natural/Adabas
PeopleSoft Human Resources Management System	Employee payroll	Package	IBM z800/COBOL-Natural/Adabas
PeopleSoft FSA	FlexComp	Package	IBM z800/COBOL-Natural/Adabas
Group Insurance	Track member, employer and retiree information and perform all critical functions for the administration of the Group health & life Insurance Programs	Custom	IBM z800/COBOL-Natural/Adabas
Deferred Compensation	Track member, employer, retiree and provider information and perform critically functions for the administration of the Deferred Compensation Program	Custom	IBM z800/COBOL-Natural/Adabas
Dental ACH Tracking	Tracking of ACH debits for Dental insurance	Custom	Windows XP VDM/ dBase/dBase
Vision ACH Tracking	Tracking of ACH debits for Vision insurance	Custom	Windows XP VDM/ dBase/dBase





Application	Purpose	Category	Platform/Language/Database
Deferred Comp Provider Reporting	Employee contributions are downloaded from the mainframe; then formatted and submitted to the various providers	Custom	Windows XP/VBA/Microsoft Access
Print 1099Rs	Tax information for disbursements is downloaded and the 1099-Rs are printed and data is sent to the IRS	Custom	Windows XP/Visual Basic/Access
Job Service Retirement System	The system supports contribution reporting, refunds, annual member statements, benefit estimates and actuary census data for the Job Service Retirement System	Custom	Windows XP/VBA/Microsoft Excel
Monthly Zero Beneficiary Reporting	This dBase application performs a download from the mainframe of member information on an ad hoc basis. The application produces a list of members of retirement plans or group insurance plans who have not designated a beneficiary. The list of members is sorted by employer. The lists are then sent to the employers.	Custom	Windows XP VDM/ dBase/dBase
Internal Audit Test of Benefits	This dBase application produces a download from the monthly benefit payment system. The download consists of a random sampling of the monthly benefit payments produced by the retirement system. The NDPERS internal auditor then audits the benefit payments for accuracy.	Custom	Windows XP VDM/ dBase/dBase

Other software tools in use are presented in Table 5:

**Table 5 - Additional NDPERS Software Tools**

Application	Purpose	Developer	Platform
IBM Host Ondemand	Remote access/ with supervisor permissions	IBM	Desktop (Windows 2000/XP)
Visio 2002/XP	Diagramming	Microsoft	Desktop (Windows





Application	Purpose	Developer	Platform
			2000/XP)
MS Office 2003	Word Processing, spreadsheet, database, email, calendar, etc	Microsoft	Desktop (Windows/XP)
Macromedia Dreamweaver Studio	Web Design and Development	Adobe	Desktop (Windows/XP)
Adobe Acrobat	Create PDF Documents for the Web	Adobe	Desktop/Windows
SAS	Statistical analysis	SAS	Desktop/Windows
ACL	Auditor tool	ACL	Desktop/Windows
AllClear	Flow Charting Software	AllClear	Desktop/Windows
Attachmate Extra	Mainframe Emulation	Attachmate	Desktop/Windows
Entire Network	ODBC Connection to Adabas	SoftwareAG	Desktop/Windows
Oracle Client	Connection to ND Login Data	Oracle	Desktop/Windows

### 3.4.2.3 Security and Privacy

NDPERS has a high sensitivity to data security issues, especially those related to personally identifiable information, such as Social Security numbers and overall privacy and identity security. Due to this sensitivity NDPERS is continually updating and enhancing security efforts.

While providing more robust, richer, and more user-friendly applications, using the Internet for communication with employers and members increases the potential exposure of member data. NDPERS continues to be concerned about the security of data exchanged during the use of Web-based applications. For that reason, NDPERS supports a secure Web site for the transfer of employer and employee data, ensuring the confidentiality of all data transmitted via the application.

However, data transmitted via email remains vulnerable. The design of any future Web-based applications must address this concern in a comprehensive fashion. To overcome this security issue, other agencies have restricted the use of email to announcing the publication of information at a secure site to which the user or employer must log in.

In addition, the use of the member Social Security number in any published communication – either hardcopy or electronic – may soon be prohibited by federal law. NDPERS has taken steps to help ensure that members' Social Security numbers are not visible in postal mailings and are never provided in electronic communications. This effort will continue and should be enhanced and periodically reviewed at the highest levels in NDPERS.

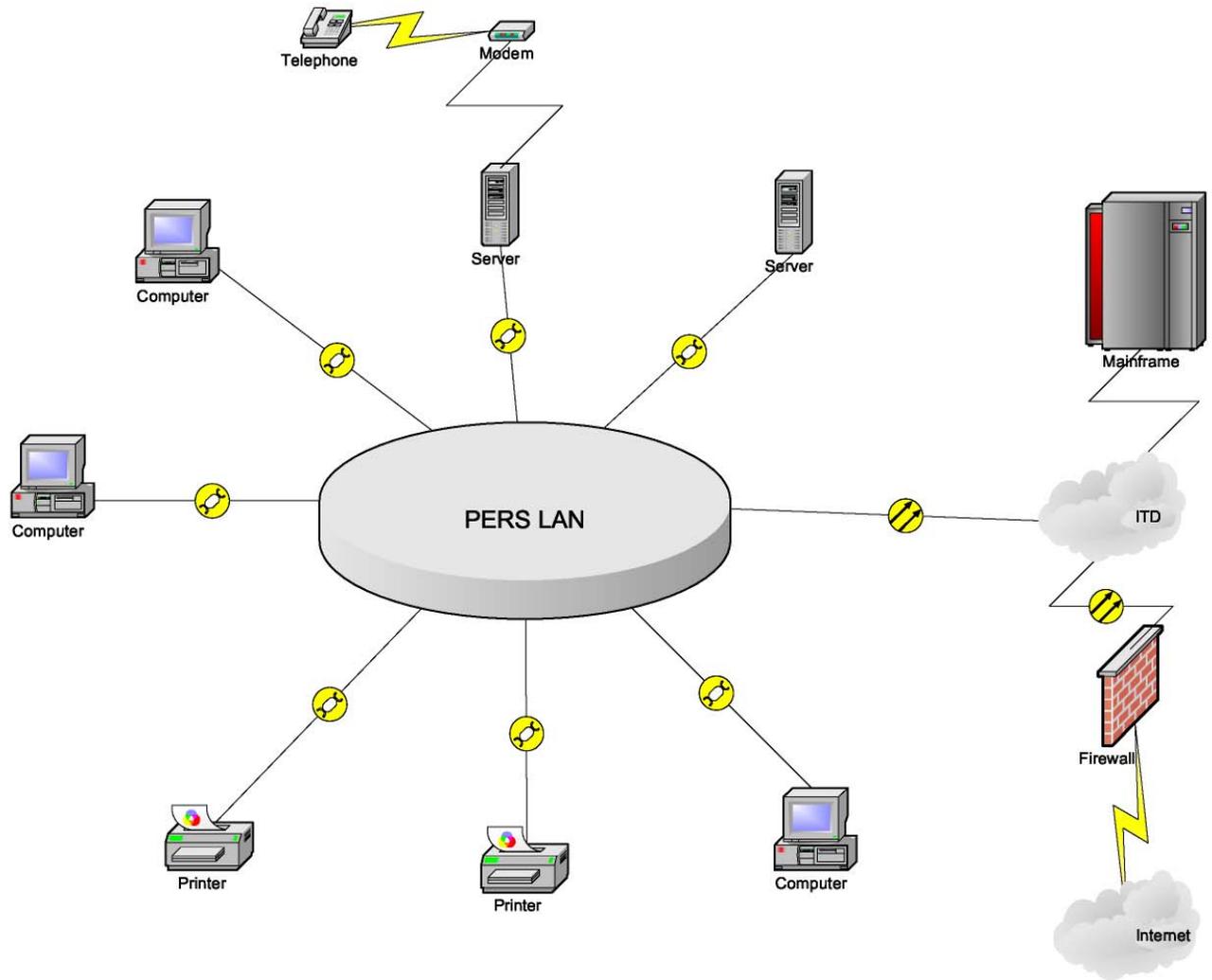
The State of North Dakota Login ID allows access to public Web sites and applications. NDPERS uses the ND Login ID as well as other credentials to allow access to member information. The NDPERS Web site also allows employers and members to establish user IDs and passwords to access the secure information available through the Web.

The diagram on the following page (Figure 4) provides a view of the NDPERS LAN Environment.





**Figure 4. NDPERS Network Diagram**





#### **3.4.2.4 Email and Calendaring**

NDPERS currently uses Microsoft Exchange and Outlook for email and calendars. ND ITD administers Microsoft Exchange, while Outlook is administered by NDPERS.

#### **3.4.2.5 Electronic Document Management (EDM)**

Until the mid-70's, NDPERS maintained all of its records on paper, physically retrieving the member file whenever it was needed for processing. Paper documents were added to the file as they were received and processed, or as they were internally generated. In the mid-70's, NDPERS began using microfiche to maintain the member and employer files, as well as historical copies of some Retirement System reports.

In 2002, NDPERS adopted FileNet (maintained by ITD) to support electronic filing. NDPERS continued to process from paper documents, which were imaged and indexed to the member folder after processing was completed (i.e., backend processing). Currently, NDPERS is confident that the critical information for each member is stored on either the microfiche or the imaging system. The paper files for FlexComp claims (dating prior to 2002) are stored off site for record retention purposes.

NDPERS intends to consider integrating the FileNet imaging system with the future benefit application and utilizing the workflow component of FileNet (also maintained by ITD), thus largely eliminating the need to refer to or handle paper documents.

#### **3.4.2.6 Conclusion**

Our review of the technical environment provided us with an understanding of what operating capabilities NDPERS currently has – in terms of hardware, software, security and connectivity – and some of the challenges it currently faces. Our concern is not so much with the hardware itself but, rather, with the fragility and difficulty of maintaining the collection of legacy applications that make up NDPERS' line-of-business solution.

In addition, maintenance of the legacy applications via the COBOL and Natural languages and the Adabas database, on which the applications are based, has become increasingly more difficult. This is not only because of the challenge of finding quality COBOL and Natural programmers, but also because of the age, complexity, and amount of maintenance and changes made. This introduces the challenge of confidently modifying program code without precipitating some undesired effect within the application. Changing a line of code, unbeknownst to the programmer, often introduces flaws in some other remote and tangentially related process. As the code is continuously altered to address requested enhancements, it becomes more difficult to change without significant risk to program failure. This poses a serious impediment to NDPERS and their requirement to have much of the functionality needed to administer their various benefit plans under one umbrella application.

### **3.5 Data**

This section reviews the classification and condition of data collected by NDPERS in an effort to assess what challenges it presents to NDPERS and how an integrated system hosted within a modern database structure might eliminate or minimize these challenges.

NDPERS' largest systems reside on the mainframe and consist of the database and major business applications for the retirement, group insurance, retiree health credit, and deferred compensation programs. These programs include the online system as well as batch jobs and have been developed using the COBOL and NATURAL programming languages. Software AG's Adabas is used as the data store. Batch job setup and scheduling is also performed via the mainframe in the TSO environment.





NDPERS IT staff uses the mainframe for development of ad-hoc reports and queries using the NATURAL programming language.

### 3.5.1 Current LOB File Groups

Files in the current LOB solution generally fall into one of four groups:

- Employer files
- Retirement system files (including Defined Benefit, Defined Contribution, Deferred Compensation, Group Insurance and outstanding check files)
- Tax files
- Account and actuarial files.

All current LOB files will require conversion to the new benefit solution environment.

During our review we observed a number of concerns that generally fall under the category of “database normalization.” Database normalization refers specifically to eliminating redundancy in a database, but can be interpreted more broadly to include the efficient and effective storage of an organization’s data. A normalized database is arguably easier for developers to manipulate and maintain and provides more predictable results than a database that is not normalized. Adabas tables residing on the mainframe are presented in Table 6.

**Table 6 - NDPERS Mainframe Adabas Tables**

Adabas Table Number	Adabas Table Name	Brief Description
57	Imaging System Index File	Indexes to member and employer images
58	State Retirement Table Master	Stores Table Information, including that for: Group Insurance rates, Tax table information, Alternate Keys, actuarial factors for benefit options.
59	State Retirement Master File	Member/Retiree information, including that for: Demographic, Family, Employment, Salary, Contribution, Interest, Benefit (for retirees), Beneficiary, Benefit Payment History, Group Insurance, Dual Service, Reduced Benefit, and Alternate keys.
60	State Retirement Dept. Master	Employer (Department) Information
61	Benefit Letters Temp. File	Temporary file used to print benefit letters
65	State Retirement Deferred Comp Master File	Deferred Compensation Participant Information, including that for: Demographic, Provider, Termination, Beneficiary (Prime), Beneficiary (Contingent), Contribution history and Alternate Keys.
66	State Retirement Defer Comp Provider File	Provider information for all Deferred Compensation providers
69	State Retirement Deferred Comp Agent File	Information for all authorized agents of the Deferred Compensation providers
114	Checkbook Accounting Master	Monthly retirement benefit payment information





Adabas Table Number	Adabas Table Name	Brief Description
122	Utility Systems Data	Retiree and Group Insurance rate information

In our review of the files and tables with NDPERS staff, it appeared that in some cases the same data item is stored in more than one file and under more than one application. Storing the same data item in multiple locations introduces the opportunity for the data to fall out of synchronization and for the database to lose its integrity.

Observations made during the review of each of the four file groups are identified in the following subsections.

### **3.5.1.1 Employer Files**

Files in this group are used to store and process payroll data, deferred compensation contributions and insurance premium information submitted by employers and other reporting entities. The files contain member-level wage and contribution detail, as well as payroll dollar amounts due from the employer. Our general observations are as follows:

1. Currently, four alternatives are used to collect payroll data from reporting entities:
  - PERS secure File Transfer Protocol (FTP) – available on the NDPERS Web site
  - Transmittal Reports (paper)
  - An interface file produced from PeopleSoft (for employees of the State, Bank of ND and Higher Education, whose data exists on the mainframe)
  - Diskette files.

Wage and contribution reports submitted via file (FTP, PeopleSoft or diskette) are processed through the legacy wage reporting system. Wage and contribution reports submitted on paper are first sent through data entry at NDPERS, and then processed through the legacy system. When the legacy system encounters a new SSN:

- An error message is printed for that SSN
  - PERS staff calls the employer
  - The new employee is added
  - The employee report for the new member is processed again.
2. Accounts Receivables (employer and individual) are not supported as part of the legacy retirement system; they are handled separately in Excel.

### **3.5.1.2 Retirement System Files (Member and Retirement)**

The files in this group store demographic data, wage and contribution data, and related transactions, and adjusting entries for members (the most recent year in detail and then YTD and LTD summary information).

- Demographic data, especially addresses, at times do not consistently conform to the standards set by the United States Postal Service (the address fields in the current database are not long enough to contain the full 911 address format).





### 3.5.1.3 Tax Files

Our observations here were limited primarily to the process of creating the 1099-R files. In producing the 1099-R forms, information is downloaded from the mainframe Retirement database and the 1099-Rs are printed at NDPERS. The 1099-R file is also sent to the Internal Revenue Service. IRS files used to export data to the IRS raised no issues during our review.

### 3.5.1.4 Account and Actuarial Files

Files in this group are used primarily to export information to the actuary. Member information is downloaded from the mainframe to the NDPERS Server, formatted per the actuary's requests, and then sent to the actuary for processing. Files used to export data to the actuary raised no issues during our review.

## 3.5.2 Microsoft Access and dBase Databases

A number of Microsoft Access and dBase databases have been developed to supplement functionality in the current LOB application. Ten (10) of them were identified by NDPERS for examination in our database review and are presented in Table 7 below. The function and information life cycle of each database were reviewed. It was determined that, of the ten databases, only four contained data warranting conversion to the new LOB solution. The remaining six databases consist of data that has been downloaded from the mainframe legacy database. NDPERS should consider archiving those databases that do not need to be converted to a read-only database for possible future reference.

**Table 7 - Access and dBase Databases on NDPERS LAN**

Application Name / Function	Programming Language / Tool	Conversion Required
Service Purchase System	dBase (DOS)	Yes
Dental ACH Tracking	dBase (DOS)	Yes
Vision ACH Tracking	dBase (DOS)	Yes
Deferred Comp Provider Reporting	Microsoft Access	No
Defined Contribution Provider Reporting	Microsoft Visual Basic	No
Data Entry for Batch Processing of Retirement contributions, Deferred Comp contributions and Group Insurance payments (IBS)	dBase (DOS)	No
Print Monthly 1099s	ACCESS and Microsoft Visual Basic	No
Job Service Retirement System	Microsoft Excel	Yes
Monthly Zero Beneficiary Reporting	NATURAL/dBase(DOS)	No
Internal Audit Test of Benefits	NATURAL/dBase(DOS)	No

The Access and dBase databases listed above are discussed in the following subsections.

### 3.5.2.1 Service Purchase System

Calculations for the costs to purchase service are performed in an Excel spreadsheet. If a member decides to purchase the service credit, the contract and payments are tracked in this dBase application. After the contract is completed, the service credit is updated on the mainframe retirement system manually.





### ***3.5.2.2 Dental ACH Tracking***

A retiree often pays for dental insurance by automatic bank draft. In these cases, the retiree identification and payment information are tracked (stored) on this dBase database. Changes are updated on this database using the dBase application. At month-end, an extract of the data is sent to the Bank of North Dakota for processing the payments.

### ***3.5.2.3 Vision ACH Tracking***

Similar to the dental plan, a retiree may pay for vision insurance by automatic bank draft. In such cases, the retiree identification and payment information are tracked (stored) on this database. Changes are updated on this database using the dBase application. At month-end, an extract of the data is sent to the Bank of North Dakota for processing the payments.

### ***3.5.2.4 Deferred Compensation Provider Reporting***

Member contributions for Deferred Compensation are downloaded from the mainframe on a daily basis, if contributions were received. This Access application formats these contribution records into separate files for each of the Deferred Compensation providers. The files are then sent to the appropriate providers to update each member's account.

### ***3.5.2.5 Defined Contribution Provider Reporting***

This Visual Basic application has a purpose similar to the Deferred Compensation application described above. Member contributions for the Defined Contribution Plan are downloaded from the mainframe on a daily basis, if contributions were received. The program prints a report used for verification by the Accounting Division. When the contribution totals have been verified, the file is sent to the Defined Contribution provider. Currently, Fidelity is the only provider for the Defined Contribution Plan. (However, providers are selected by competitive bid every six (6) years.) The file is then sent to Fidelity for update of each member account.

### ***3.5.2.6 Data Entry for Batch Processing of Retirement Contributions, Deferred Comp Contributions and Group Insurance Payments Individual Billing System (IBS)***

This dBase application is used for data entry of information sent from employers or individuals on paper reports. The application handles data for Employer Payroll Contribution reports (Retirement Plan contributions), for Deferred Compensation Plan contribution reports, and for payments received from individuals (members or retirees) for payment of group insurance premiums (Individual Billing System). After entry, these transactions are merged with other transactions on the mainframe to update the system.

### ***3.5.2.7 Print 1099Rs***

This Access and Visual Basic application is used to print 1099-R forms for refund and retirement checks issued from the retirement system. The application is run each month for refunds and annually for annuitants and performs the following functions:

- Downloads refund information from the mainframe
- Prints the 1099-Rs.

### ***3.5.2.8 Job Service Retirement System***

This system is a group of over 200 linked Excel spreadsheets that NDPERS inherited from the ND Job Service. The system supports the Job Service Retirement Plan, which is a closed system. Approximately





270 members remain in the system which includes 114 retiree records under the Travelers annuity fund and 45 active and 107 retired members under the closed Job Service system. The system supports member demographic data, contribution reporting, refunds, annual member statements, benefit estimates, and COLA history. Once a member retires, the member is transferred to the mainframe retirement system where the member record is maintained and a retirement benefit is produced.

#### **3.5.2.9 Monthly Zero Beneficiary Reporting**

This dBase application performs a download from the mainframe of member information on an ad hoc basis. The application produces a list of members of retirement plans or group insurance plans who have not designated a beneficiary. The list of members is sorted by employer. The lists are then sent to the employers.

#### **3.5.2.10 Internal Audit Test of Benefits**

This dBase application produces a download from the monthly benefit payment system. The download consists of a random sampling of the monthly benefit payments produced by the retirement system. The NDPERS internal auditor then audits the benefit payments for accuracy.

### **3.5.3 Microsoft Excel Spreadsheets**

Some of the functions that NDPERS administers are not handled in the legacy retirement system due to cost constraints of enhancing the mainframe system. To accommodate these responsibilities, NDPERS IT staff has developed several database applications which are housed on the NDPERS Server (see “Microsoft Access and dBase Databases,” above). In addition to these applications, NDPERS staff uses various Excel spreadsheets at their workstations. Often, the staff using them developed the spreadsheets for their own specific purposes. These PC-based work-arounds, in Microsoft Excel and other tools, have added complexity to the processes required to perform the daily functions of NDPERS. Appendix C provides a list of these spreadsheets as identified to LRWL by NDPERS staff.

### **3.5.4 Recommendation**

As a result of this data review, LRWL developed the following recommendations and conclusions in the broad area of addressing the quality of the data stores of the legacy system. Our understanding from IT is that the two recommendations listed below are not new to NDPERS – that both have already been the focus of some level of effort and that both, according to IT, are in one form or another at the point of completion or enforcement. To the extent that demonstrable progress has been made toward them, the recommendations listed below may be viewed as “reaffirming” current priorities or policies. With that acknowledgement, LRWL recommends that NDPERS undertake (continue to pursue) the following initiatives to bring more structure to its current LOB application and peripheral supporting applications (e.g., Access and dBase databases) and better position NDPERS for the conversion of data to the new system:

- Affirm data and software quality as organizational priorities
- Develop and maintain a data dictionary.

The following sections present additional information on each of these recommendations.

#### **3.5.4.1 Affirm Data and Software Quality as Organizational Priorities**

The NDPERS’ management team needs to affirm data quality as an organizational priority.





Both staff and management appreciate that the replacement LOB solution may not be fully in place for another three to four years – and the implementation period may be further prolonged by the need to clean up data problems that could have been resolved, or even avoided, prior to conversion. And, clearly, day-to-day business processes using the legacy system remain to be completed over that time.

We would recommend that NDPERS continue the effort to verify all data entered and, to the extent possible, ensure that data is consistent among the multiple, non-integrated systems in use at NDPERS.

#### **3.5.4.2 Develop and Maintain a Data Dictionary**

NDPERS should develop and maintain a comprehensive dictionary of all data elements, structures, flows, stores, processes, and external entities.

Ideally, NDPERS would have the time and resources to develop a comprehensive data dictionary of all the components listed above. However, in light of a new LOB implementation on the horizon, we would limit the scope of this recommendation to the data stores, data structures (files and tables) and data elements of the current LOB solution and the Microsoft Access databases. The nature of the repository for this information is not as important as the comprehensiveness and accuracy of the entries developed. NDPERS should first consult with ITD in an attempt to get comprehensive and usable data on the legacy database housed at ITD.

### **3.5.5 Conclusion**

Our review of the data model provided us – both NDPERS and LRWL staff – with a glimpse of the challenge that lies ahead for NDPERS in organizing, cleansing its legacy data, and converting it to a new environment. Efforts to verify the accuracy of the data in the database, to cleanse the existing legacy data stores, and to prevent future data errors will be both labor-intensive and time-intensive. Much of the analysis and effort will, by necessity, be performed by NDPERS staff members who are already busy conducting NDPERS' business operations and will soon be even busier as they begin to participate in the evaluation, selection, and implementation of a new benefit solution.

Nevertheless, a critical success factor in any LOB benefit solution implementation is to provide the new environment with clean, accurate data. LRWL has witnessed the difficulties encountered by agencies that converted “dirty” data and attempted to cleanse it in the new environment. Failing to cleanse the data prior to its conversion to the new LOB solution has two undesirable consequences:

- First, it leaves the organization unable to distinguish new benefit application errors from data errors, thus needlessly complicating the testing and rollout of the new solution.
- Second, it undermines user acceptance of and confidence in the new system – users cannot be expected to “excuse” poor application performance of the new benefit application even though the real problem is not the application but rather the poor quality of the data converted.

With these two sobering consequences in mind – and appreciating the effort involved, the limited amount of time available to NDPERS staff to support additional work, and the anticipated timeframe when the cleansed data will be required by the new LOB system – we encourage NDPERS to develop the data dictionary and include data cleansing as an option for any future development process. See Section 8.5.3 for a discussion of utilizing the LOB vendor with the responsibility for data cleansing.





## 4 BUSINESS ISSUES AND CHALLENGES

The operating environment currently used presents issues and challenges for NDPERS. The following sections capture those issues and challenges as identified by staff and management during data gathering sessions and through our observation of the current environment.

### 4.1 Organizational Dynamics

This section describes findings related to the strengths and weaknesses of the NDPERS organization. NDPERS staff has exceptional strengths in both their commitment to the organization and service to its members. However, staff appears to be working at maximum capacity. Therefore, the primary weakness of NDPERS is the likelihood that the organization will be unable to maintain the current level of member service in the future, absent a major improvement in its operations – or a major increase in staff. This conclusion is based on known projects that are currently scheduled, potential legislative changes, and the expected growth in the number of North Dakotans retiring in the near future. Other specifics are discussed in the following subsections.

#### 4.1.1 People

NDPERS is in the enviable position of having many competent, knowledgeable, long-term employees. The staff consists of 30 people who fill 29 FTE positions. In total the staff has 313 years of experience at NDPERS or on average almost 11 years each of NDPERS experience. This wealth of experience and NDPERS capabilities has given the agency the opportunity to develop an institutional knowledge level that is extremely high and has also provided the expertise for the agency to meet many of its challenges in the past without having to add significantly to the staffing level or doing extensive modifications to the existing legacy system. However, in the next nine years NDPERS could lose to retirement 48% of its staff representing 60% of this institutional knowledge. In 15 years the agency could lose to retirement 72% of its staff that represents 87% of today's institutional knowledge. This turnover will have significant implications for the agency in terms of its existing business operations. As discussed in the following sections, the extensive use of Excel spreadsheets and manual processes will become even more risky when less experienced staff are integrated into the organization. Secondly, the high level of testing that is associated with modifications to the existing system to insure that unintended changes do not occur will be less effective as less experienced staff assume these duties which will also increase the risk of unintended errors in the processing of benefits.

NDPERS has been attempting to ameliorate this risk recently by updating, producing, and organizing process documentation in all of their business areas (see Section 3.2). The documentation, in its current state, would be difficult for a new employee or someone unfamiliar with particular processes to use. As such, it does not adequately protect NDPERS. At this point, the documentation varies considerably in quality:

- How the documentation is organized
- The level of detail provided
- The inclusion of step by step instructions on how to do each function
- Examples provided of input information and output products for each function.

During this engagement, LRWL reviewed the duties of each NDPERS staff member. The current systems require that data be entered separately into multiple systems. With much of the work being performed manually or in non-integrated spreadsheet or database programs, data and the results of computations must be manually transferred to processes that will use the data. Reducing / eliminating the





manual work and the manual transfer of data from one system to another will reduce the workload on the NDPERS staff, will mitigate the risk inherent to a lack of staff members cross-trained in such activities, and reduce the opportunity for manual errors as the data is re-entered.

#### 4.1.2 Processes

Much of the work of NDPERS is performed outside of the primary mainframe computer system, using Excel spreadsheets, Word documents, or database programs. This practice increases the risk that business rules will be applied inconsistently or data transferred incorrectly (e.g., in order to calculate the cost for a member to purchase service credit, information from the mainframe is entered manually into an Excel spreadsheet which calculates the cost).

Tables 8 and 9 quantifies the number of processes in each program and administration area that are:

1. Fully integrated with mainframe system
2. Not fully integrated with mainframe system

**Table 8 - Program Processes: Fully integrated or not fully integrated**

Function Performed	Fully Integrated	Not Integrated
<b>Defined Benefit Plans (Main, Judges, National Guard, Law Enforcement, Highway Patrol &amp; Job Service) - 6</b>	<b>79</b>	<b>168</b>
Member enrollment	5	1
Member maintenance	5	1
Beneficiary maintenance	5	1
Deaths	5	1
Refunds/Rollovers	5	1
TIAA transfers (Main)		1
MRD		6
QDRO tracking		6
Power of Attorney	5	1
Service credit calculations	5	1
Benefit Estimates	5	1
Counseling - Kits		6
Dual Membership		6
Seminar Preparation		6
Off-site presentations		6
On-site presentations		6
New service retirees		6
New disability retirees		6
Account setup (1 <sup>st</sup> Check)		6
Beneficiary payments – LS		6
Monthly	6	
Monthly benefits	6	
Deferred terminations	5	1
Adjustments		6
Tax deductions		6





Function Performed	Fully Integrated	Not Integrated
Deduction changes		6
Vendor payments		6
Tax withholding payments		6
Tax reporting (1099-R)	6	
ACH – Set Up	6	
Transmittals		6
Service purchase cost calculations		6
Service purchase agreement tracking		6
Service purchase payment schedules		6
Employer maintenance		6
Authorized agent maintenance	6	
Data verification		6
Correspondence		6
Employer wage & contribution reporting	4	2
Cash receipts journal		6
Accounts receivable/payable tracking		6
NSF checks/voided checks		6
<b>Defined Contribution Plans (Optional Defined Contribution and 457 Deferred Comp) - 2</b>	<b>9</b>	<b>35</b>
Member enrollment	1	1
Member maintenance	2	
Beneficiary maintenance	1	1
Deaths	1	1
Refunds/Rollovers	1	1
QDRO tracking		2
Power of Attorney	1	1
Service credit calculations	1	1
Counseling		2
Seminar Preparation		2
Off-site presentations		2
On-site presentations		2
Employer maintenance		2
Authorized agent maintenance		2
Data verification		2
Correspondence		2
Employer wage & contribution reporting		2
Cash receipts journal		2
Accounts receivable/payable tracking		2
Provider contribution reporting		2
457 Provider training		2
Authorized 457 agents	1	1
<b>Group Insurance (Health, life, dental, vision, LTC) - 5</b>	<b>14</b>	<b>76</b>
Member enrollment	2	3
Member maintenance	2	3
Beneficiary maintenance	2	3





Function Performed	Fully Integrated	Not Integrated
Deaths	2	3
Eligibility		5
COBRA		5
Group Billings		5
Individual Billings	2	3
ACH setup	2	3
Adjustments		5
NSF checks/voided checks		5
Vendor payments		5
Employer maintenance		5
Authorized agent maintenance	2	3
Data verification		5
Correspondence		5
Cash receipts journal		5
Accounts receivable/payable tracking		5
<b>Retiree Health Insurance Credit - 1</b>	<b>1</b>	<b>8</b>
Employer wage & contribution reporting		1
Cash receipts journal		1
Accounts receivable/payable tracking		1
Adjustments		1
New retiree setup		1
Beneficiary setup		1
Individual billings	1	
Vendor payments		1
Correspondence		1
<b>Employee Assistance Program - 1</b>	<b>4</b>	<b>5</b>
Eligibility	1	
Member enrollment	1	
Member maintenance	1	
Employer maintenance		1
Authorized agent maintenance	1	
Vendor payments		1
Correspondence		1
Cash receipts journal		1
Accounts receivable/payable tracking		1
<b>FlexComp - 1</b>	<b>1</b>	<b>9</b>
Member enrollment – New Hire	1	
Open Enrollment		1
Member maintenance		1
Employer maintenance		1
Employer contribution reporting		1
Cash receipts journal		1
Accounts receivable/payable tracking		1





Function Performed	Fully Integrated	Not Integrated
Reimbursement Vouchers		1
Correspondence		1
Data verification		1
<b>Totals</b>	<b>108</b>	<b>301</b>
<b>Percentage of Total Work</b>	<b>26%</b>	<b>74%</b>

**Table 9 - Administration Processes: Fully integrated or not fully integrated**

Function Performed	Fully Integrated	Not Integrated
<b>Accounting</b>	<b>0</b>	<b>2</b>
Interface with G/L	0	1
Bank reconcilements	0	1
<b>Administrative Services</b>	<b>0</b>	<b>3</b>
Correspondence	0	1
Imaging	0	1
Telecommunications	0	1
<b>Development and Research</b>	<b>0</b>	<b>3</b>
Ad hoc reporting	0	1
Death updates	0	1
Insurance testing	0	1
<b>Information Technology</b>	<b>6</b>	<b>13</b>
User access/security	1	
Table updates	1	
Order batch job processing	1	
Setup for batch processing	1	
Ad-hoc reporting/queries		1
Program development	1	
Upload daily batches		1
Deferred Comp Provider Reporting		1
Dental/Vision Exception Reporting		1
DC Reporting		1
BC/BS HIPAA File	1	
1099R Reporting		1
Fidelity Demographics File		1
Zero Beneficiary Reporting		1
FlexComp New Employee Reporting		1





Function Performed	Fully Integrated	Not Integrated
PeopleSoft Queries/Ad-hoc Reporting (for Group Insurance, Job Service, etc.)		1
FlexComp File Creation for Annual Statements		1
Dental & Vision File Creation for Retiree Annual Statements		1
Employer Electronic Reporting		1
<b>Internal Audit</b>	<b>0</b>	<b>6</b>
Ad hoc reporting		1
Open Audits Tracking		1
Audit Project Time Management		1
Test file creation		1
Benefit Testing		1
Sample Selection		1
<b>Totals</b>	<b>6</b>	<b>27</b>
<b>Percentages of Total Work</b>	<b>17%</b>	<b>83%</b>

### 4.1.3 Technologies

The technological foundation on which the primary system and its components are built is in excess of 20 years old. These computer systems have been modified many times to handle changes in NDPERS' business requirements. Changes over the years have exponentially complicated these systems and made it difficult to continue to maintain them efficiently or effectively. Many of the recent program's options could not be automated within the current computer systems for fear of rendering parts of the system inoperable.

A significant backlog exists of requested enhancements. As of this report date, approximately 13 of 111 projects were being worked on by ITD for NDPERS. Allocation of enhancement requests made by NDPERS of ITD along four priority levels results in the following (1 being the most important; 4 being the least important):

- Priority 1: 32 projects (29 due to critical due date and 3 required by legislation)
- Priority 2: 35 projects
- Priority 3: 17 projects
- Priority 4: 27 projects

A combination of factors has caused the backlog to build to this level including budgetary, availability of ITD and NDPERS staff, complexity of required changes, and ITD staffing changes.





Efficiencies and flexibility could be realized by procuring new, more comprehensive, date-effective, business-rules driven, and integrated administrative system. Doing so could also address many of the business problems and challenges presented by this aging technology.

## 4.2 Major Business Issues

Based on our review of the current business environment at NDPERS, there are several areas of concern that we would classify as “Major Business Issues.” The sections that follow provide additional detail on these issues.

### 4.2.1 Absorption of New Programs and Future Growth

NDPERS became an agency in 1966 with one responsibility, the administration of the NDPERS defined contribution plan. Since then the range and complexity of programs administered by the agency has grown. The following demonstrates this growth:

**Table 10 - Growth in Plans Administered**

Year	Number of Programs	Program Name
1977	4	Defined Benefit Plan
		Prior service Plan
		Health Plan
		Life Plan
1983	6	Judges Retirement
		Highway Patrol Retirement
1987	7	Deferred Comp Program
1988	8	Judges 27-17 Retirement
1989	10	Retiree Health Plan
		FlexComp Program
1991	11	National Guard Retirement Plan
1996	13	Dental Plan
		Long Term Care Plan
1997	14	Employee Assistance Plan
1999	15	Optional Defined Contribution Plan
		Portability Enhancement Provision
2003	20	Vision Plan
		Job Service Retirement Plan
		OASIS
		Law Enforcement Plan

Both the number of members served and the number of employers participating has increased with the number of programs administered. Figure 5, below, presents the total number of members served by NDPERS between 1988 and 2007<sup>2</sup>:

<sup>2</sup> Members served in 2007, as estimated.





**Figure 5 Increase in Members Served**

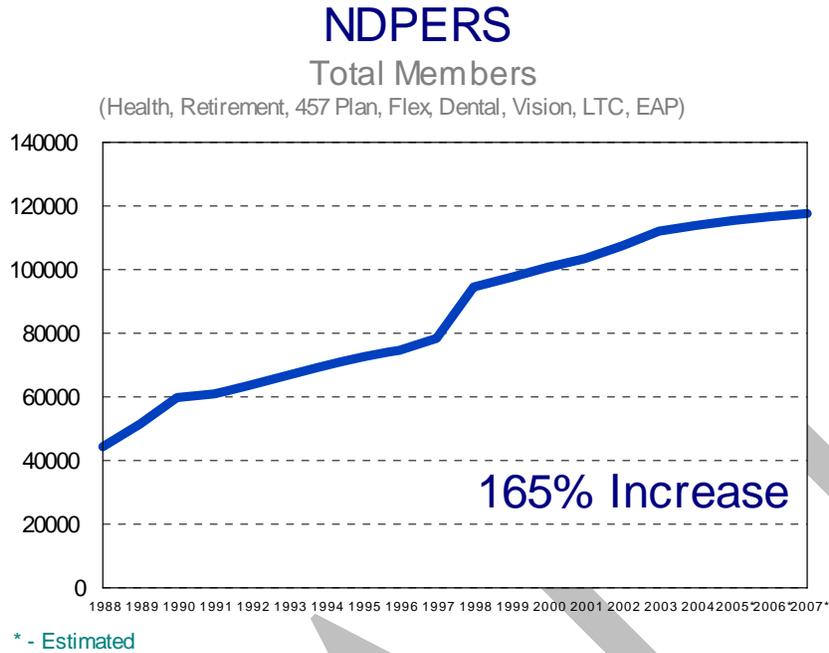
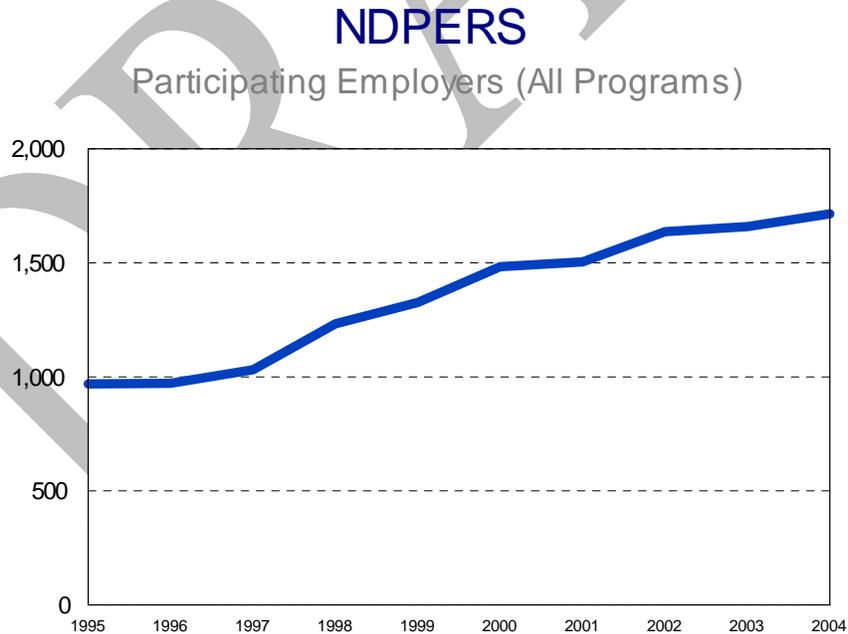


Figure 6, below, presents the total number of employers served by NDPERS between 1995 and 2004:

**Figure 6 - Number of Employers Served**



Consequently it is clear the agency has changed dramatically over the last 40 years. As all of this change has occurred, modifications have been made to the legacy system. Stand-alone PC-based systems and Excel spreadsheets have been added to do some of the functions as well as new manual processes.





While future new programs that may be assigned to NDPERS is unpredictable, it is clear that the demand for NDPERS services will grow even if no new programs are assigned, no new employers join and no additional employees are hired. This growth will come from the growing number of members who will become eligible for retirement. Retirement means that not only will they begin retirement status, but also they will begin participation in the health insurance plan, retiree health credit program and other NDPERS optional plans available at retirement (dental, vision, life, etc). Table 11 provided below presents projected retirements through 2010 using existing rates:

**Table 11 - Projected Retirements**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Retirements</b>						Projected	Projected	Projected	Projected	Projected
Normal	92	89	114	110	91	117	127	132	155	188
Rule of 85	95	92	145	122	143	168	192	216	236	238
Early	109	100	106	82	116	118	122	133	143	153
Disability	23	24	34	25	24	27	27	26	26	25
<b>Total</b>	<b>319</b>	<b>305</b>	<b>399</b>	<b>339</b>	<b>374</b>	<b>430</b>	<b>468</b>	<b>507</b>	<b>560</b>	<b>604</b>

Based on this analysis, the number of retirements will grow by 61% in the next 5 years. Without a change in its existing methods, PERS projects it would need an increase in staff of 7 FTE, at an estimated cost of \$610,000 per biennium.

#### 4.2.2 Maintainability of Legacy System

In conducting this study we also reviewed the existing system with ITD and ITD pointed out that:

- The longer an application exists, the more difficult enhancements are to make and each one adds complexity that was not built in during the initial analysis. In addition, with as many years as this applications has be maintained, the code becomes difficult to understand and requires more time for developers to code and implement enhancements.
- The application has key programs that need to be changed with most maintenance requests. As a result, they hold up downstream maintenance work because one change has to be completed in order for another to start.
- The current NDPERS applications run on an old technology infrastructure that ITD would like to replace. Most state agencies are submitting cost estimates for Natural application replacement now and ITD envisions seeing most Natural applications in state government being replaced by 2011.
- Natural is a proprietary development language. ITD has not built a new natural system in the past 8 years.
- The Adabas database is not a relational database. ITD currently designs new applications using relational databases such as Oracle and Microsoft SQL Server. As more state ITD customers migrate away from Adabas, the infrastructure will no longer be shared and could become prohibitively costly for each remaining customer to support.
- The Natural developer pool is getting smaller as those with knowledge of it leave the workplace or transition to more modern languages.





- Most new applications are being developed with Service Oriented Architecture (SOA) with the objective of providing greater agility for an application to be changed in order to meet current and future business needs.

Based upon the information from ITD and our assessment we conclude that maintainability of the current system is problematic and will inevitably become more so for many reasons previously cited – the unavoidable increase in workload that will result from expected retirements, the near obsolescence of technology currently employed, the numerous modifications that have been made to current applications over the years resulting in a fragile piecemeal system, and the dated programming languages and the database management system in use. Furthermore, benefit programs more recently taken on by NDPERS are now typically administered using applications developed by NDPERS IT staff on their local network. While these “stand-alone” applications may address the immediate need, they are not integrated with other functionality and data in the legacy system. While these functions were not added to the legacy application systems because of cost and complexity, these workarounds have added complexity to the processes required to accomplish daily work. As a result, NDPERS faces significant risk of corrupt, contradictory, and inconsistent data and incomplete or incorrect decisions and activities on the part of staff.

### **4.2.3 Manual Processing**

In many cases, work cannot be performed programmatically by the existing Legacy application system and must therefore be completed manually or on the individual staff member’s desktop, and the results manually entered into the system. For the program related processes performed by NDPERS staff, 301 of 409 processes (74%) are not integrated with the mainframe legacy benefit administration system. Of the processes performed by administrative staff, 27 of 33 (83%) are not integrated with the mainframe legacy benefit administration system. As a practical matter, no integration exists and opportunities for errors abound.

### **4.2.4 Built-in Limitations**

It is axiomatic: the world was different 20 years ago. This is true nowhere more than in the area of technology. Hard disk space, an expensive commodity in that era, influenced design decisions. For example, numeric fields were defined that are inadequate to store today’s values. Similarly, text fields for addresses, notes, comments, etc. were not set long enough to allow other than abbreviations for actual values in some instances.

Integration among the various tools used to complete the day-to-day work of the system is an issue. Even some recent enhancements to the legacy application system are not integrated. For example, the partial lump sum option for retirement must be computed manually and then entered into the legacy system.

### **4.2.5 Employer Reporting**

As with most systems of its vintage, NDPERS’ legacy system was designed with little if any capability for online, remote access. Data was to be submitted on paper forms, manually entered and then verified or corrected by staff. Of course, the reduced cost of desktop computer power and the advent of the Internet and Web browser have invalidated this archaic data entry paradigm. In modern pension solutions, employer (i.e., member wage, contribution, service credit) information is sourced from and owned by the employers who are responsible for entering, verifying, and correcting their data.





## 4.3 Business and Technology Challenges

The following subsections describe in detail several challenges that NDPERS currently faces.

### 4.3.1 Implementation of Enhancements

The addition of provisions and options having complex rules that arise due to new legislation are often not automated within the current system. Because of the complexity and fragility of the existing code, NDPERS and ITD have learned that only simple changes are feasible within the current system. Those legislative changes that require involved modifications are at times handled manually or in a quasi-automated, but stand-alone fashion outside of the application system. Both of these non-integrated approaches are undesirable for reasons previously explained. In addition this legacy application system is very large, as well as complex, consisting of 360 computer programs that ITD maintains and over 700 computer programs that NDPERS maintains.

### 4.3.2 Non-Integration of New Plans

A variation of the challenges cited above is that entire new plans, not just functional enhancement, are not integrated within the legacy system. This includes Job Service Retirement, Dental Insurance, Vision Insurance, and the Long-term Care insurance programs. Employer reporting for a variety of plans (e.g., Deferred Compensation), and even the entry of employer reporting data from paper reports in the “main” Retirement System, are maintained on stand-alone systems. Similarly, reconciling and accounts receivable processing for the Group Insurance billing is done manually, outside of the mainframe system. While individual billing is handled on the legacy system, exceptional conditions (such as a check returned for non-sufficient funds) are not handled programmatically.

This fundamental lack of integration presents opportunities for systems that should otherwise be integrated and synchronized to diverge. As a result, there is substantial risk that an incomplete or incorrect decision will be made by NDPERS relative to a member, a retiree or an employer.

### 4.3.3 Resource Intensive System

NDPERS staff is responsible for testing application changes after ITD has done the programming and initial testing. Based on recent past experience, NDPERS staff knows that even simple changes can cause unexpected problems in unanticipated areas of the system. Therefore, NDPERS staff expends an inordinate amount of time in identifying every option and permutation that might be possible in the changed application and generating test data to verify every possibility; and we believe because of this many valid requests by users are not made.

### 4.3.4 Retaining Competent Programmers

NDPERS and ITD have indicated that retaining competent COBOL and Natural/Adabas programmers has become a challenge. The inability or challenge in keeping senior programmers (who, too, are approaching retirement age) and the learning curve and unfamiliarity of new programmers with the complex, interwoven program code creates an opportunity for errors to be systematically introduced or for modifications to existing functionality to regress. Any attempt to procure these programming resources from an outside vendor would increase programming costs by at least 60%. The inability to retain programmers introduces an ongoing risk to NDPERS that possibly may not be mitigated other than through a system replacement.





#### **4.3.5 Threatened end to the Support of DOS Programs**

Currently, six of the stand-alone PC-based systems utilize dBase programs running under DOS. The systems are running successfully now under the Windows-XP operating system, but Microsoft has stated that it will be discontinuing the support of DOS programs under a future Windows system. Microsoft has not stated when this change will be made. In addition the number of programmers familiar with and competent in dBase is dwindling.

#### **4.3.6 Retention of Contribution History**

Only the current fiscal year of detail contribution information is kept in the legacy system. Each year, the prior year's detail is added to the Life to Date total, and then deleted from the file. The staff believes the contribution history to be accurate. However, the internal auditor would like to see more detail history for prior years with explanations for any exceptional changes in salary.

#### **4.3.7 Difficulty with Production Operations**

After many years of changes, the application has become fragile; behavior sometimes is unpredictable, as modifications have been made over time. Regardless of the effort expended in testing changes, NDPERS still encounter difficulties while attempting to run production programs. A specific example involves running the monthly retiree benefit payroll to produce the retiree benefit payments. NDPERS discovered that a program aborted, and after NDPERS and ITD researched the problem and made corrections, ITD had to reset the system and restore the files to their original state prior to restarting the job. At times, not everything is reset or restored correctly. When this happens, the program still aborts, and NDPERS and ITD must try again to reset, restore, and restart. It may take several times to complete the entire job correctly. Historically, these interruptions during production processing were minimal. However, recently, they have been occurring with increasing frequency.

#### **4.3.8 Historical Insurance Coverage Not Available**

The legacy system maintains only the current insurance coverage information on the member's record. Staff often must know what coverage the member had during a prior period, when researching prior period adjustments. Keeping an accurate and complete history of insurance coverage, with effective dates and end dates, could be easily accomplished in a new integrated benefit solution.

#### **4.3.9 Employer Reporting for Defined Benefit and Deferred Compensation Plan Input by NDPERS**

Keying or uploading wage and contribution information is a task that should be done by the employer. Approximately 200 political subdivisions report on paper, with NDPERS staff left to enter the data – despite the fact that the employer is the source of the information and in the best position to correct any errors. When the legacy system was developed, offering remote capability to small employers was not economically feasible. With the development of the Internet, this can now be accomplished with reasonable cost and effort.

#### **4.3.10 No Upfront Edit Checks**

Several problems exist in the current method of wage and contribution reporting, e.g.:

- Employers may not report pre-tax versus post-tax contributions correctly, and NDPERS may never know if the report is correct or incorrect in this regard.





- Reported salary often contains non-reportable income and is sometimes missing reportable wages. NDPERS currently has no way to know about or control this issue.
- The current system identifies members whose salary has increased by more than 50% from one month to the next and reports this fact to NDPERS. However, the hard-coded 50% factor should instead be a parameter that can be adjusted based on organizational preference without the need for a programming change and redeployment of the application. This feature, commonly available in modern pension solutions would improve NDPERS' ability to verify that service credit is being awarded correctly and look for various degrees of salary spiking.

#### **4.3.11 Non-Integrated Systems**

Several functions of the NDPERS systems are not integrated with other parts of the NDPERS system:

- Group Insurance – Group Insurance is integrated with Retiree Health Credit to get the correct premium. However, it is not integrated with the retirement system to establish or maintain deductions.
- Reconciliation of the Group billing for health/life/EAP insurance is an entirely manual process.
- The accounting functions of billing, accounts receivable and accounts payable to employers and members are not integrated with the legacy systems.

#### **4.3.12 Non-Integration with the Accounting System**

NDPERS uses the statewide PeopleSoft accounting system that ITD hosts and maintains. The retirement system applications are not integrated in any way with the PeopleSoft accounting system. This means that the accounting transactions that are generated within each of the retirement systems, as well as the accounting transactions generated within each of the employee benefit plans, must be summarized manually. The summary totals are then input into the PeopleSoft accounting system as manual journal entries.

In addition to the day-to-day accounting transactions generated by the plans, the cash receipts and accounts receivable and payable are handled manually, outside of the systems.

#### **4.3.13 Customer Relationship Management**

Tracking member contacts in Outlook shows that NDPERS is aware of the importance of this function. However, using Outlook for this purpose is cumbersome at best. This also complicates communication with the members regarding any contacts made and actions taken on their account. The Member Services staff must have multiple systems up on the workstation in order to gather all of the information needed to answer member inquiries. A single contact management or CRM-like capability would support this.





## 5 REQUIRED OPERATING ENVIRONMENT

The following sections describe the business environment required by NDPERS management and staff.

### 5.1 Vision

NDPERS has had an agency mission statement, goals, and strategic plans since the early 1990s. Approximately seven years ago, ITD began using a more structured format for strategic planning which involved developing agency drivers. Taken together, these drivers make up NDPERS' vision. NDPERS developed philosophies, goals and objectives associated with each agency driver. The goals and objectives show, at a more detailed level, what NDPERS plans to accomplish through daily tasks in support of the established drivers and philosophies.

NDPERS management presented the drivers, philosophies, goals and objectives to the NDPERS Board of Directors. The Board provided their input and approved them. NDPERS has been basing its strategic plans on this structure since Board approval. Within the strategic plan, projects can be associated with goals and objectives to help ITD ensure that the IT dollars spent by NDPERS actually support the NDPERS vision.

The NDPERS vision consists of the following agency drivers:

- Provide an employee benefit package that is among the best available from public and private employers in the upper Midwest
- Research and evaluate benefit products and services
- Ensure the efficient and accurate administration of member benefits
- Educate members, employers and the public on the value of NDPERS policies and programs
- Earn the respect and trust of our clients
- Attract and retain a competent and highly motivated work force
- Maintain actuarial and financial soundness of the funds.

### 5.2 Capabilities Required

During meetings and interviews with NDPERS management and staff, LRWL noted the following brief descriptions of capabilities required the existing PERS operating environment. LRWL does not intend this section to be a complete detailed system requirements definition. The information is intended to provide examples of general expectations of a needed operating environment within the agency. Many of the comments made during these discussions related to problems in the existing system.

All NDPERS management and staff stated the operating environment must be updated to reduce the use of manual workarounds and off system worksheets to meet the expanded program responsibilities and members. There may be some exceptions to this rule that NDPERS will agree do not justify automation. Examples could be processes that are performed with very low frequency and/or require only minor manual efforts. Other than these exception conditions, NDPERS would expect a new system to be integrated and comprehensive, handling all aspects of the NDPERS business for all plans administered.

The capabilities required in a new operating environment, as expressed by management and staff, have been organized into ten subsections as provided below.





## 5.2.1 Account Maintenance

An updated operating environment must integrate all plans and programs, utilizing a single account (entry point) for an individual member. When accessing the member's account, NDPERS must have access to information and update capability regarding all plans and programs in which the member participates. Specific comments included:

- A change to a member account would automatically notify the member of the change
- A new application system must handle all plans and programs administered by NDPERS (see list below) in an integrated fashion. That is to say, there must be a single point of entry (an all inclusive database) for all data related to a member, organization or retiree. An update to data (entered once) will be reflected in all plans or programs that utilize that data. The handling of all transactions related to all plans and programs will be automated within the application system, unless the automation cannot be justified due to the infrequency of occurrence.
  - Defined Benefit
    - Main System/Public Employees
    - Judges
    - National Guard
    - Law Enforcement
    - Highway Patrol
    - Job Service Retirement (a closed plan)
  - Defined Contribution
  - Deferred Compensation
  - Health Credit
  - FlexComp interface to PeopleSoft FSA
  - Group Insurance
    - Health
    - Life
    - Long-term Care
    - Vision
    - Dental
  - Employee Assistance Program

## 5.2.2 Account Processing

The processing capabilities must cover all of the plans, programs, functions and requirements of NDPERS. Information must be available for view and update for staff internal to NDPERS. Information must also be available for view and update to members, where appropriate, via Web access. NDPERS staff specifically mentioned the following capabilities:

- For Retirement
  - On-line enrollment
  - Dual membership within plans administered by NDPERS
  - RIO – dual membership (including access to RIO inquiry)
  - Beneficiaries information available on-line
  - Domestic Relation Orders and Power of Attorney
  - Expanded on-line services (more than available currently)
    - Expand Active and Retiree options to view and retrieve “real time” account information





- Add a purchase of service feature to on-line services
- Long-term disability retirement applications, reviews and appeals (including reports and letters, approval, re-certification/re-qualify, and return to work.)
- Comprehensive Benefit Estimate Calculator (including salary increases, dual membership, Level Social Security Option)
- Retiree return to work
- Reduced retirement benefit tracking
- Multiple retirement and retiree health credit contribution levels
- Partial Lump Sum options
- Secure on-line service for missing participant search (MIA's)
- Adjustments for retro-active salary increases or corrections (bonuses, late contributions, missed deposits, erroneous salary) (currently all manual)
- Integrated purchase of service credit
- Military purchases – employer reemployment assurance (USERRA) must be handled
- Ad hoc termination notice letters to members leaving employment (vested and non-vested)
- Reports from provider companies and employer reporting
- Enhanced process to identify and correct member addresses – database fields too small, still has rural route addresses on file, member must sign a change of address.
- Ad hoc reporting (both business system and workflow systems)
- Statements redesigned to be more useful and user friendly (active and retiree)
- Member Service Call Center Technology to include integrated call and logging and reporting
- Call and client tracking must be integrated and available for utilization by all staff (for sharing of information on problem accounts and special conditions)

### 5.2.3 Group Insurance

The processing capabilities must include integrated processing for all of the group insurance plans, functions, and requirements of NDPERS. Information must be available for view and update for staff internal to NDPERS. Information must be available for view and update to members, where appropriate, via Web access. NDPERS staff specifically mentioned the following capabilities:

- Administer insurance benefits for:
  - All employees of the state and higher education
  - All retirees electing continuing coverage for health, life, dental and vision
  - Employees of political subdivisions that choose to be covered by NDPERS
  - All health plans available:
    - Exclusive Provider Organization
    - Preferred Provide Organization
  - Dental
  - Vision
  - Long Term Care
  - Employee Assistance Program
  - Life
- General requirements for group insurance
  - On-line enrollment (EPO and annual enrollment, new hires, new group)
  - Handle all service levels
  - Meet all HIPAA requirements
  - Must handle federally mandated notifications (such as COBRA letters at termination of employment and Medicare related letters upon turning age 65)





- Insurance levels of coverage must be available on-line
- Life insurance (on-line services)
- Produce confirmations of coverage changes
- Maintain coverage history
- Maintain premium history, including adjustment records
- Ability to process automatic premium refund
- Notification for dependents reaching 23 or 26 for health, dental or vision (does not automatically suspend, but produces letters and option to take COBRA)
- On-line access to information; such as
  - Level of coverage
  - Covered individuals
  - Effective date
- Sharing of information for different carriers
- Ad hoc reporting capabilities.

#### 5.2.4 Retiree Payroll

The required operating environment must handle the monthly retiree payroll. While the process of producing benefit payments must be secure and include appropriate audits, the process must also be automated and efficient. The following specifications were mentioned during meetings with NDPERS staff:

- A user friendly first check setup
- Complete handling of deductions (including taxes, group insurance, other retiree benefits programs, child support payments, IRS liens, union dues)
- Supplemental retiree benefit payments (e.g., ad hoc increases, replacement payments, disability lump sum payouts)
- Automated health credit payments for all retirement options, including lump-sum benefits
- Ad hoc reporting
- Automatic payroll and deduction notices to eliminate quarterly statements
- Automatic calculation of the tax deposit required after checks are produced.

#### 5.2.5 Accounting

NDPERS utilizes the state's PeopleSoft accounting package, hosted by ITD. The required operating environment must interface with PeopleSoft to provide accurate accounting for all funds, plans and programs administered by NDPERS. Several specific requirements were mentioned during meetings with NDPERS staff and the NDPERS internal auditor:

- Integrate cash receipts, receivables, and payables for all programs and plans
- Produce automated reports for all information that feeds the CAFR
- Automate employer reporting for Deferred Comp and Defined Contribution, as well as Defined Benefit and Group Insurance
  - Defined Contribution is currently reported in the transmittal with Defined Benefit, but NDPERS needs better validation that enrollment and contributions are accurate by plan (plans may have different contribution rates) referring to the correct retirement system
  - Deferred Compensation contribution reporting is handled separately from transmittals; the State and Higher Education submit electronic reports but approximately 100 political subdivisions report on paper
- All plans need to maintain detailed history on employer contributions and transactions





- Group billing and individual billing for Group Insurance must be integrated and automated, including receivables and payables (tracked by individual).

### 5.2.6 Auditing and General Requirements

During discussions with the NDPERS internal auditor, the following general requirements were noted:

- Controlled and secure access to the system
- Data extraction capability for testing all plans
- Adequate ad hoc reporting capabilities
- Real-time updating (where appropriate), rather than overnight batch processing
- Adequate real-time validation of data and exception reporting (but the system must be flexible enough to handle all types of transactions)
- Adequate logs and system audit trails (logging all changes to the database – user ID, date/time, before images)
- Integration of all programs and plans that NDPERS administers.

### 5.2.7 Administrative

The following requirements were noted during discussions with the Administrative Services Manager:

- Integrated scheduling for travel and registration/payment for seminars
- Front-end imaging which uses workflow to ‘push’ work (appropriately) through NDPERS’ office
- Include performance metrics to provide assistance in managing workload, allocating and scheduling resources, and identifying backlogs or choke points as they are starting to occur – rather than after they have appeared
- Continue to use the Smart Mailing facility.

### 5.2.8 Program Development and Research

The Program Development and Research staff expects and needs the following:

- Continued access to:
  - Some monthly files, as needed (e.g., Health, Retirement, Defined Contribution)
  - Quarterly membership updates (currently using three sources to provide death information)
    - A private vendor
    - State Vital Records
    - The Social Security Office
  - Member and retiree dependent information
  - Exclusive Provider Organization (EPO) data (used for testing program requirements)
- Advanced ad hoc reporting capabilities.

### 5.2.9 Change Management and Training

Several requirements related to training for staff were mentioned, including:

- Training must be adequate for all levels of computer skills
- Change management must be adequate and consider all staff
- NDPERS must consider moving away from using Social Security number (SSN) as a key (currently SSN is used and printed on many reports, letters, notices, checks and other documents).





### 5.2.10 Technical

Technical requirements mentioned included:

- All plans, programs and functions must be integrated
- NDPERS must be trained to perform system maintenance
- System must be table driven (nothing hard-coded in the programs) – rules based, date effective
- We must consider a paperless environment utilizing Electronic Document Management (workflow must be considered as an option)
- A full test environment must be available after implementation
- The system must utilize newer, state of the art technology
- The system must incorporate on-line validation and updating (where appropriate), rather than batch/over-night updates
- Any imaging capabilities must integrate with and use existing licenses for FileNet as made available through ITD
- A browser-based solution would facilitate remote access (e.g., from staff working remote) as well as simplify maintenance of a single set of programs – both those that support NDPERS internally and those that are Web-facing for members and retirees to use
- Equipment (other than the NDPERS LAN servers) must be housed at ITD.

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## 6 POSSIBLE APPROACHES

As the previous discussion highlights, NDPERS has grown dramatically over the last 20 years in terms of the programs it administers, the number of employers it serves and the number of members enrolled in its programs. This growth has taken place while the basic NDPERS applications system has remained essentially the same. The resulting consequence of this is that both the complexity and the fragility of the application system have increased with each presenting NDPERS with numerous challenges. The primary means by which the organization has met this challenge has been through the experience of its staff in understanding this complexity and making it work. However, as NDPERS looks to the future, it could lose almost half its staff. In 15 years this increases to 72%. Secondly, agency workload is projected to increase in this same period as more members become eligible for retirement – a 61% increase in the next five years alone. Consequently, NDPERS needs to reduce the complexity of its administrative operations to handle the increase in workload and to prepare for the transition of the agency to new, less-experienced staff.

The following sections discuss the options available to NDPERS in the face of these challenges. The options fall into two categories: first, continue investing in the existing application system or, second, to replace the existing business system.

### 6.1 Maintain the Legacy Application System

In this approach, NDPERS would continue to use its legacy mainframe-based solution supported by ITD. However, it would make a concerted effort with significant investment to include all the currently requested enhancements in the system as well as incorporate all the various work-arounds (automated or manual) within the system.

In the course of gathering data for this report, NDPERS approached ITD for an estimate of the cost of enhancing the legacy application with these changes – the current requested enhancements and the work-arounds. ITD effectively concluded that it was a poor investment of money and time and recommend against this approach.

With the foregoing in mind, we are in agreement with ITD. The option of maintaining and enhancing the current system is not one that NDPERS should even consider.

### 6.2 Replace the Legacy Application System

This section presents a discussion of the three alternatives available to NDPERS for replacing the legacy application system. The three alternatives are:

- Buy the new solution
- Build the new solution
- Commercial Off-The-Shelf (COTS).

In the following sections, we describe each solution delivery alternative and discuss the advantages and disadvantages of each. Appropriate recommendations are provided.

#### 6.2.1 Buy

Within the “buy” alternative, there are three possible approaches:





- A comprehensive all-inclusive purchase
- A best of breed purchase
- Application service provider (ASP).

### **6.2.1.1 Comprehensive and All-Inclusive (COTS)**

In this delivery model, NDPERS would engage, via a competitive procurement, and charge a single vendor with overall responsibility for delivering the new solution. NDPERS could reasonably view these solutions as commercial, off-the-shelf solutions or COTS. Unless prohibited by the terms of the contract, the selected vendor may elect to subcontract portions of the job (e.g., hardware purchase and installation, training services, etc.), but NDPERS would look to only the single prime contractor as the source of all support and for the resolution of all issues that arise.

Several viable benefit solutions exist in the marketplace and have been successfully implemented at multiple public retirement systems. The benefit application provider implements some of these solutions. Below is a limited list of such providers:

- BearingPoint's BPAS
- Saber's Clarity<sup>3</sup>
- Levi Ray & Shoup's PensionGold®
- Sagitec's NeoSpin™
- Vitech's V3.

Other packages such as PeopleSoft's public pension product or CPAS' product are often implemented by a partner (e.g., Deloitte or Cedar in the case of PeopleSoft and Tier Technologies in the case of CPAS). In either case, the client deals with a single vendor (i.e., the implementation firm) throughout the project, greatly simplifying contract and project management relative to the "best of breed" delivery model discussed below.

Within this delivery model are various implementation models, depending on the benefit application product that is selected:

- **Package/Configurable** – A package solution is one that is delivered "out of the box." Minimal program code customization is performed. Instead, parameters are adjusted (configured) to accommodate the client's particular rules, calculations, etc. The advantage of the package solution is that it is advertised as being relatively economical and quick to implement (when compared to the other three implementation models). The risk of failure is claimed to be reduced, as there is less customization required. In addition, so long as license fees are paid, when a new version of the package is released, the client will receive periodic upgrades. The primary disadvantage of a package solution is that often the retirement system client must adapt its processes to fit those defined by the new package solution. If a retirement system does not have a flexible organizational culture, there is a measurable risk of dissatisfaction or failure. The package implementation model is more popular with smaller public retirement systems whose limited staff size is arguably more open to change and whose funding limitations preclude more costly implementation models. Often third party implementation firms (rather than the package developer) perform the actual installation and

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<sup>3</sup> Covansys Corp. completed the sale of its state and local government practice to Saber Consulting Inc. on June 1, 2006.





implementation. In several cases, this has resulted in limited best practices input because the implementation firms are not specialists in the retirement environment.

- **Template / Architecture** – This is a vendor-developed, base solution. For each client, the vendor performs a gap analysis identifying the gaps between the base solution and the retirement system’s specific business requirements. The vendor then modifies the base solution to close the gaps. The base solution continues to evolve, commonly being updated after every new pension system implementation. Template solutions are virtually always implemented by the solution developer using a “proprietary” methodology for tailoring its base solution to the next client. As to advantages, starting with a base template that is modified for each customer site offers lower costs than a custom installation (discussed below) while still permitting the solution to be tailored to meet the client’s unique requirements. The solution becomes the “property,” in some form, of the client, so annual license fees and new version releases may not be applicable – but all vendors who follow this model have been open to providing out-year support services in a variety of forms as defined by the client’s RFP. Most vendors that implement a template-based solution have done it before and have a track record of such implementations. However, each implementation is a “one-of-a-kind” solution. If the vendor updates the base template, previous clients usually have no “rights” to acquire the upgrade. While contracts can be designed to afford the client future upgrade “rights,” all such upgrades will typically require customization services at some additional cost.
- **Framework** – Some vendors have developed applications for individual public pension systems and then reuse parts of them to implement solutions for new clients. For example, they may reuse the conceptual design documents, object models, window or page layouts, and/or database designs. Since these vendors have typically developed several applications prior to reusing the product, they also have developed a reasonably good, repeatable implementation methodology. This model affords the client many of the benefits of a custom package while not incurring the risk inherent in “starting from scratch.” However, the framework implementation model is sometimes more expensive than a template based implementation and may require more time and support from the client.
- **Custom** – In the custom implementation model, the vendor builds the system “from scratch” according to the specifications and desires of the client’s user community – often with input from client IT staff as to architecture and standards to be followed. The obvious advantage is that the solution provides an ideal, completely customized fit to the client’s organization and business practices. The obvious disadvantages are risk and cost. Since custom development requires continuous involvement, review, and approval by the user community, there is a significant risk (as with most first-time software development endeavors) that the project will not meet original cost and schedule targets. The customer owns the solution, so there are no recurring license fees to be paid. However, any application upgrades must be performed using vendor application support personnel or client IT staff extensively trained in the new environment. In general, compared to the other implementation models, a custom solution implies the greatest risk, cost, and project duration. Further, custom solutions (if not provided by a firm well versed in the retirement industry and appropriate best practices) may only provide a technically upgraded solution – without comprehensive incorporation of industry best practices and far reaching process improvements.

At times, the distinction among the implementation models is blurred – sometimes deliberately and sometimes by happenstance. When viewed side by side, all of the implementation models are comparable – with the exception of the custom model. In each (short of the custom approach), the vendor arrives with a baseline product that meets a substantial percentage of the client’s requirements and the balance of the requirements is met through code changes, parameter adjustments, and/or configuration efforts.





Table 12 below presents where we believe the most often encountered vendors rests along a spectrum of solution delivery alternatives:

**Table 12 - Spectrum of Comprehensive Solution Providers**

PACKAGED SOLUTION	CONFIGURABLE SOLUTION	TEMPLATE	FRAMEWORK	CUSTOM DEVELOPMENT
PeopleSoft H/R Oracle Financials (as examples)	LRS Vitech CPAS/Tier	Saber	BearingPoint Sagitec	Tata Infotech OptData (as examples)

### 6.2.1.2 Best of Breed

In the best of breed purchase model, the client conducts multiple procurements in an attempt to acquire the optimum solution in each broad functional area. For example, a retirement system might issue separate RFPs to acquire a membership tracking system, a payroll system, a financial accounting application, a workflow management system, a disability tracking system, a Customer Relationship Management solution, etc. The advantage to this approach is that the client implements in each functional area the solution that best meets its needs (in that area) or can best be customized to do so. The client is under little pressure either to compromise in defining the new solution's requirements or to change the way it conducts business to conform to each sub-solution's characteristics.

However, the disadvantages of this approach are numerous:

- **Procurement** – The number of procurements to be supported is problematic. Most retirement system clients are “stretched” just to support single comprehensive solution procurement in addition to completing their day-to-day activities. The best of breed approach demands several procurements and several projects. Phased procurements would be required due to the challenges presented in simultaneously supporting several procurements. Therefore, for several years, client staff would be required to support the implementation of numerous solution components while still supporting members and retirees. This situation would prove untenable in virtually any public retirement system setting.
- **Integration** – The biggest issue perhaps is integration. All of the disparate pieces will need to be integrated into a single, seamless solution. In addition, because of the plethora of choices available in each functional area, the integration problem will be unique, in that the particular combination of solutions has probably never before been fully integrated in a public retirement solution. There are only two choices as to who will perform the integration: the client or another vendor. At the risk of generalizing, there is probably no public retirement system having the necessary skills and available staff hours to accomplish the integration. Seeking a vendor to perform the integration adds yet one more procurement stream to an already over-extended staff. And the bids for integration services will be very high, as system integrators will quickly recognize the project's enormous risk and therefore price the effort accordingly.
- **Validation** – Validating the integrated solution will be extremely challenging. The number and intricacy of interfaces among components, their bi-directionality, and the volume, complexity, and interrelatedness of the retirement system data imply enormous difficulty in identifying all possible test scenarios and in testing and validating them.





- **Responsibility** – When something goes wrong, identifying which vendor is responsible will be a conundrum. Each vendor will hold one or more other vendors accountable as the source of the problem and therefore the appropriate party to resolve the problem.

While a best of breed approach is appropriate for some businesses (e.g., manufacturers or distributors who require an order entry system, an inventory system, a payroll system, a logistics package, and a financial accounting application – all suitably integrated), it is not well suited to a public retirement system. For clients like NDPERS, a best of breed delivery model implies a much longer project schedule, substantially higher cost, and undue project risk relative to an all-inclusive purchase.

### **6.2.1.3 Application Service Provider (ASP)**

Another alternative that might be considered is an emerging solution approach – use of an application service provider or third party administrator. We are not aware of any multi-employer; statewide, defined benefits plans (similar to NDPERS) that are currently utilizing such solutions. However, we do know that Hewitt Associates, TIAA-CREF and Towers/Perrin-EDS have explored this strategy with a number of NDPERS’ peers. The offering may go by names other than ASP such as “third party administrators,” “co-sourcing,” “in-sourcing,” etc. This approach is reported to have been successful for city, county and private sector DB plans – especially in the automobile-manufacturing sector for Taft-Hartley administrators.

We understand from discussions with potential ASPs that entry into this market is driven by a number of factors, including:

- Sufficient critical mass
- Economies of scale
- Liabilities related to data (and derivative) issues.

This approach could be considered similar to 457 and 401 plan administration – albeit with wage and contribution reporting, service credit tracking, average final wage computation, refunds, refund buy backs, etc. included.

Although there has been some discussion in the marketplace about this approach, LRWL is not aware of any ASPs who are currently providing the service to NDPERS’ true peers. And if there were, NDPERS would have to look closely at the actual services provided, the options available in terms of business processes provided, and the amount of configuration available. NDPERS would be the first to our knowledge. In selecting this approach, NDPERS would need to be comfortable with venturing into relatively uncharted waters.

## **6.2.2 Build**

Cost estimates for the “build” option were arrived at in two ways: first, based on LRWL project archives from several prior system development proposals and, second, from a request submitted to ITD. The magnitude of both estimates is large but each is materially different (i.e., they are both large and costly, but they are not the same). The assumptions used by ITD in arriving at their estimate, and the scope of functionality they envision, may have been different from that that LRWL used for its analysis – which we believe represents the full functionality we would expect to be delivered within a modern benefit administration system.

With that in mind, we present both estimates in the following sections. We also provide commentary on what may contribute to the difference.





### **6.2.2.1 Cost Estimate for Build based on Prior Proposals and LRWL Archives**

NDPERS could elect to build the new benefit solution in-house. This would likely require additional staffing at NDPERS and/or ITD or the use of contract services or a combination of the two.

To evaluate this alternative, the first question to be addressed is the estimated cost of the effort. Estimating the cost to build a benefits solution requires some educated assumptions:

- Based on data in our project archives from several proposals from the solution vendors mentioned above (i.e. those who already have a package, template, a framework, an architecture, or a solution) for similarly sized projects, the number of staff hours to be devoted to configuring and customizing their solutions averages approximately 130,000 hours. However, as we pointed out, that effort was to do the customization and configuration of their existing core product. We would (conservatively) suggest that the creation of the base would require at least an additional 65,000 hours. Therefore, we assume the total number of person-hours for the project to be 195,000 hours. As we explained, this assumption reflects our knowledge of the time devoted by pension solution vendors to building their base solution combined with a reasonable estimate of the effort required to deliver it to an individual client roughly the size of NDPERS.
- The average time available per staff member (whether internal or contractor) to devote to the effort is roughly 1,500 hours per year taking into consideration two weeks of vacation, two weeks of sick leave, ten holidays and 1.5 hours of “down time” each day.
- Let us further assume that the average salary<sup>4</sup> of staff members (whether internal or contractor) assigned to the project is \$75,000 plus an overhead factor of 35% and an operations support cost for supplies, etc. of 5%.

Based on these (conservative) assumptions, the estimated staffing requirement is at least 130 person years at a cost of just under \$14 million. To accomplish the task within a four-year period would require 33 staff positions. This cost estimate is for staff only. It does not include the cost of any additional facilities to house the additional staff nor licenses for operating systems, databases, development tools, or other software that might be required. Nor does it include any funding for additional equipment such as servers to provide for three environments – development, testing and deployment – nor PCs for the development team. It does not include training. If we add a million dollars to cover such items, the rough cost of completing the project in house comes to over \$15 million, conservatively speaking.

We believe this figure is greater than, but on the same order of magnitude of, the cost associated with the procurement of a vendor-supplied solution. However, the following issues also need to be factored into the analysis:

- The addition of a large number of staff members (or contract programmers) to the IT department will require time for recruitment, deployment and training. All of these steps will take time and extend the project’s timeframe. A benefit solution vendor, on the other hand, should come to the project with a built-in and experienced staff – already accustomed to working together and utilizing the vendor’s existing development methodology – which can be productive immediately.
- The addition of a large number of staff members (or contract programmers) will mandate a significant increase in office space that, upon the completion of the project, will no longer be required. A

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<sup>4</sup> This assumes an average across a range of skills – journeymen analysts and programmers; specialists in database design and administration, infrastructure architecture, complex tool suites; managers skilled in technology and retirement knowledge, etc.





pension solution vendor, on the other hand, would house many of its programming staff at its own development facility, augmented by temporary local office space during the project, thus exerting minimal impact upon the space requirements of the client.

- In these fiscally challenging times, it would be extremely difficult for a public agency to justify the hiring of so many additional staff members. If temporary/contract staff was to be used instead, another suite of challenges would be introduced, e.g., higher costs, staff continuity challenges, management burdens, responsibility and accountability, and the retention of contract staff during the last phases of the project (even with completion bonuses).
- At the end of the project, ITD would be faced with a decision of staff reductions to return to a normal work force associated with maintenance of the new system or the retention of a core development staff to keep pace with new developments and technologies. On the other hand, a benefit solution vendor “goes away” at the end of the project. Development and maintenance of in-line improvements are usually covered under annual license / maintenance agreements so that the client will not incur these costs (or retain the necessary staff) to stay current with technology changes.
- Development via an in-house approach will likely result in the codification of existing business rules and practices. The selection of an outside product brings with it certain built-in “best practices” and “business process reengineering” opportunities that have been gained over years of development and refinement in support of other public retirement system clients. While there is no guarantee that all such vendor-supplied best practices will be immediately applicable to the next client, their availability certainly offers the potential for introducing new and improved procedures along with more efficient transaction processing.

#### **6.2.2.2 Cost Estimate for Build from ITD**

As a result of feedback provided by ITD with respect to the cost of enhancing the legacy applications system, NDPERS submitted a request to ITD for a full legacy application system rewrite resulting in a browser-based application using a relational database.

ITD provided an estimate for replacing the system with current technology including J2EE development, Service Oriented Architecture (SOA), rules-based processing and workflow. The estimate included the existing system functionality, functionality enhancements and additional new functionality.

ITD arrived at an estimate of \$7,565,475. This figure represents \$6,052,380 for the system itself and a 25 percent contingency (\$1,513,095). The contingency rate is based on ITD’s experience with scope changes in projects this size. Refer to Appendix D for an estimation of ITD project costs over a 10-year timeline. ITD indicated that a more accurate estimate would be prepared once the project was started and the analysis phase completed.

In Appendix D, the costs of option 1 and option 2 consists of several components:

- a) Option 1 - system replacement costs of \$6,100,00 are based on the preliminary estimate from ITD, while Option 2 system replacement costs of \$7,000,000 are based on LRWL experience with comparable system replacement projects.
- b) The procurement option will include the development of an RFP (with a cost of \$316,720) to define the detailed requirements used by the vendors as the basis of their bid.
- c) IV&V/QA/OPM estimated costs for an OPM vendor during the implementation phase (requirements definition, build, test, conversion and implementation) are





included in both options 1 and 2; the number for the ITD build option is increased over the procure benefit system replacement option amount because of the additional 4 months in the ITD estimate.

- d) The backfile conversion (loading the images on micro-fiche to FileNet) cost will be \$200,000, no matter which system replacement option is chosen.
- e) ITD chose 25% as their contingency, based on the lack of detailed requirements; while the contingency for the procurement option is 10%, based on LRWL experience with other system replacement projects.
- f) Both options will include \$160,500 per year to backfill the positions of NDPERS staff assigned to the project.
- g) Both options will include costs for ITD to host the hardware and benefit administration system.
- h) Out-year support will be part of either option, to provide on-going support for the benefit administration system.
- i) The column on the far right of the table shows that the total estimated 10-year costs for the ITD build option would be \$10,845,151, while the total estimated 10-year costs for the procurement option would be \$11,126,840. This is a difference of only \$281,689 or 3%.

ITD would undertake the project using internal and external resources and estimated 40 months to complete the system rewrite.

#### **6.2.2.2.1 ANALYSIS OF ITD ESTIMATE**

In general, the assumptions used by ITD were comparable to those used by LRWL. While the scope of functionality requested included all current functionality, that in the enhancements queue and that included in manual and automated work-arounds, we are generally concerned about “build” projects since development of a system of this size, with the complex business rules and operating characteristics that a benefit administrative system employs, is a significant endeavor. There are numerous opportunities for failure along the way including development of a system that does not employ best practices in development or in the administrative tools that result from that development process. Build solutions also have a greater risk of overruns and failures.

ITD is estimating a 40-month duration for the project. This also presents a risk in the ability for the project team to maintain focus over that duration and for the project team, in general, to remain intact. Project team members may leave and an incentive would need to be created for them to stay and commit to the project.

In summary, the option for ITD to build a solution in a modern technical environment will not be considered further for the following reasons:

- The costs estimated by ITD to build the solution are comparable to the costs of similar system developed by outside vendors.
- ITD can build a technically good system, but ITD is not in the retirement business, and would not be aware of industry best practices.
- Packages built by the outside vendors have retirement best practices built in.





- Outside vendor staff will have retirement industry expertise.

## 6.3 Recommended Approach

Appendix D provides a comparison of project costs, over a 10-year timeline, to develop a benefit system through ITD or to buy a benefit system from a vendor. The projected cost to develop a system through ITD is \$10,845,151. The projected cost to buy a system from a vendor is 2.6% more, or \$281,689, for a total of \$11,126,840. Developing a system involves greater risk of cost overruns, missed opportunities for business process reengineering (ITD staff do not possess retirement industry expertise) and meeting project deadlines. Buying a system provides less risk, presents the agency with industry best practices and a better opportunity for business process reengineering. Based upon this analysis, we recommend that NDPERS pursue replacement of the legacy application system and not maintain and enhance the current system.

## 6.4 Critical Success Factors

NDPERS management used its existing agency drivers and philosophies (as described above) as a basis for developing Critical Success Factors (CSF) for this feasibility study. CSFs are issues, tasks, or characteristics that must turn out favorably for the system replacement project to be considered a success. The CSFs related directly to the agency's vision and goals. Several CSFs that have been identified relate to a potential IT system replacement project. In this report, the CSFs are categorized as relating to the period of transition to a new system or to the actual required new operating environment.

### 6.4.1 Transition CSFs

The following Critical Success Factors were identified as relating to the current operating environment during the period of transition – when a new system would be studied, justified, designed and implemented:

- Allow no retreat from the current level of operational member services – LRWL must insert a caveat at this time. NDPERS staff is limited and already working at near capacity. We respectfully point out that, like virtually any other public retirement agency undertaking a system replacement, NDPERS should anticipate service levels dropping during the implementation period. This risk can be mitigated, but not completely eliminated, by backfilling positions with staff hired on a temporary basis and managing the process.
- Continue to provide timely reporting of member contribution data
- Continue to provide timely, accurate data to actuaries
- Continue to provide timely, accurate data to external auditors, state auditors and the Office of Management and Budget.

### 6.4.2 Required New Operating Environment CSFs

The Critical Success Factors related to the required new operating environment are divided into three categories: development, implementation and continuing operation of the new LOB system.

- “Development” is defined as the period covering analysis, design and building of the new system.
- “Implementation” covers the period beginning when the new system – in whole or in part – is placed in production.





- “Continuing operation” is defined as the time beginning when the entire system has been put into production.

During “development,” the following must be accomplished in order to call the project a success:

- Deliver feasibility study that thoroughly highlights NDPERS situation and facilitates decision making on whether to proceed with an RFP.
- If a decision to proceed is arrived at, develop and publish a well-crafted RFP with effective evaluation criteria
- Develop understanding of the significance of and difference among: lowest price, best value, and low risk within the context of the needs of our programs
- Ensure commitment and participation of the Legislature, Governor, ITD, NDPERS Board, senior management and other decision makers
- Foster support and commitment to project success among operational staff, management, NDPERS Board, ITD, the legislature, and NDPERS’ employers and members
- Actively pursue a business solution and not a technical masterpiece
- Maintain an environment that supports prompt decision-making, in both the RFP development / vendor selection process and the implementation process
- Use sound project management processes and meet the requirements of North Dakota ITD Enterprise Architecture/Enterprise Project Management Standard STD009-05
- Ensure risks have been identified and adequate risk management techniques utilized
- Ensure the ability to post transactions with an effective date and the ability to audit same
- Ensure the ability to process any transaction at any time of the month through the business application systems (including the 13<sup>th</sup> check)
- Ensure adequate appropriate internal financial controls in the systems
- Provide a system to allow for an automated testing environment
- Ensure thorough testing is performed at appropriate stages
- Provide a system that will automate and integrate all current manual and stand-alone processes
- Ensure that staff has buy-in in the solution and the change process
- Develop a project implementation methodology that recognizes the additional workload and responsibility associated with developing and implementing a new business system and minimizes the associated stress on NDPERS staff
- Allow no retreat from the current level of operational member services (see caveat stated above for “Transition” CSFs).

During “implementation,” the following must be accomplished in order to call the project a success:

- Ensure that the cost of the new business system is equitably allocated to all programs





- Ensure the intended purpose and objectives of the system implementation have been met
- Provide as smooth a transition as possible from old to new with great attention paid to training and change management
- Allow no retreat from the current level of operational member services (see caveat state above for “Transition” CSFs).

During “continuing operation”, the following must be accomplished in order to call the project a success:

- Ensure new business system will not limit the benefits provided by existing programs
- Provide ability to set up and run standard reports in publishable format (html, Excel, PDF)
- Provide ability to extract pertinent management and operational information and metrics
- Provide continued timely reporting of member contribution data
- Ensure that all business transactions are identified and recorded in the General Ledger
- Ensure that all changes to member account balances are recorded in the G/L and to Accounts Receivable
- Provide accurate tax and compliance reporting to members and tax authorities
- Deliver a correct retirement check or EFT the first time it is paid and successively thereafter
- Provide sufficient real-time validation to prevent incorrect data from entering the system
- Apply business rules to consistently enforce standardized processing and eliminate manual and individualized application of rules
- Provide a workflow system to automate work processes, enforce processing consistency, enable automated measurement of work efficiency, backlog, etc., and allow flexibility to change and modify processes when appropriate
- Ensure adequate controls are incorporated to provide efficient and accurate administration of member benefits
- Provide a system that is flexible enough to allow internal IT staff to make minimal modifications when necessary (i.e. legislative changes, rate changes, etc.)
- Provide on demand, complete, user friendly logs and audit reports to track adjustments and changes to data, especially when there are special conditions or when the use of override procedures is available
- Allow no retreat from the current level of operational member services
- Deliver information to members and users through a variety of means including the Web, IVR, PC desktop and printed media
- Continue to achieve high marks from members when asked their opinion of the service they receive from the organization
- Maintain a positive working relationship with our participating employers





- Maintain system security to protect the privacy and confidentiality of personal member information in compliance with federal and state laws
- Continue to provide timely, accurate data to actuaries
- Continue to provide timely, accurate data to external auditors, state auditors and the Office of Management and Budget.

The most effective way of determining whether an organization's Critical Success Factors have been attained is to define and measure against a set of metrics or measurable goals. Improved or shortened work time for daily tasks is only one way to document improvement in services based on the use of the replacement system. NDPERS should also define metrics for those customer service tasks that cannot be accomplished currently. Metrics in these areas can prove increased services are being offered based on use of the replacement system. Please refer to the discussion of operating metrics in Section 3.3.

## **6.5 Concerns Regarding a System Replacement Project**

Many of the concerns mentioned by management and staff related to the availability of time for NDPERS subject matter experts (SMEs) to devote to a project of this magnitude. Management does understand that NDPERS has reached a critical point where the current legacy system will not allow NDPERS to maintain the current level of customer service in the future. Specific concerns mentioned by management and staff include:

- Time required of staff, when staff is already stretched to the apparent maximum level
- Comprehensive and adequate training must be provided for all staff, including IT in the development and implementation process as well as the use of the new system
- Adequate resources must be devoted to change management, to assist in the transition for staff
- NDPERS must have the capability to add screens, reports and simple functionality after the implementation is completed, rather than depending on the vendor for all changes
- The contract must include performance and warranty requirements
- The vendor must provide adequate support both during and after the development and implementation
- NDPERS must have protection against key vendor people leaving the project.





## 7 REPLACEMENT OPTIONS AND AVAILABLE SOLUTIONS

This section explores NDPERS' options for moving forward with its legacy application system replacement project and describes the solutions that are available in the marketplace.

### 7.1 Implementation Alternatives

Implementing a system of the magnitude of the system replacement envisioned by NDPERS requires that we address the implementation strategy carefully with the goal of risk minimization. Below, we present three alternative approaches, each with its pros and cons.

There are three major strategic alternatives for implementing a new LOB benefit solution:

- Phased implementation
- “Big Bang” approach
- Reproduce current environment and expand.

#### 7.1.1 Phased Approach

This is the approach most often selected. Depending on the number of components chosen, the number of phases may range from three to five. Typically, the vendor has significant input in recommending the number of phases, but NDPERS would make the final decision. In addition, since there are offsetting cost effects per the pros and cons below, the actual overall cost impact of embracing a phased approach is probably roughly the same independent of whether 3, 4 or 5 phases are selected.

- Pros – Allows the organization to “eat the elephant one bite at a time”; it also allows for a learning curve for both the vendor and the client. The implementation team can see what they did well in the first phase and make course corrections in the subsequent phases. The operations team gets a chance to learn to use one piece of the solution at a time – as well as suggest to the vendor ways that subsequent phases can be improved. And, possibly most significant, there is less risk that the operations could be “paralyzed” by an un-successful big bang implementation.
- Cons – This approach extends the implementation timeframe by anywhere from thirty to forty percent. Since an extended implementation schedule also directly corresponds to the cost of the project, the longer the time, the greater the cost. The extended duration also means correspondingly more effort required of the project team. Bridging programs (that permit the system to share data between the old and the new solution) must also be developed, tested, and maintained during the “dual cohabitation” period – but are eventually discarded.

#### 7.1.2 “Big Bang” Approach

Vendors may suggest that new system functionality be brought up all at once via a single phase cutover (e.g., in a “big bang”). This approach has significant shortcomings. It puts a considerably increased burden on the user acceptance testing, conversion testing and understanding of reconciliation procedures. Possibly the most significant risk introduced by this method is the introduction of functionality new to NDPERS personnel – including workflow processes, member and employer service processes, benefit estimate routines, etc. – all at the same time. The potential risk of failure at that point is significant. For that reason, the agency might feel compelled to run the legacy and new systems in parallel for a period of time (e.g., 3 to 6 months). Unfortunately, doing so introduces a significant additional administrative burden on the agency, one that, under these circumstances, would already be taxing a thin staff.





- Pros – It is unnecessary to develop programs that must bridge data between the new application and the legacy application. The new system can be implemented in a (marginally) shorter time frame. Although the “shock” and impact of a new system implementation via a big bang approach may be more intense, it is over sooner.
- Cons – Stress of the cutover is felt across the organization not simply in one business area. It requires an extremely focused management team to maintain the project vision throughout the organization and keep users from getting discouraged. Running the legacy and new system in parallel, to mitigate the impact of a failure on cutover, would likely be required and doing so would require frequent and regular reconciliation between the two systems. No “learning curves” are available to “fine tune” later phase rollouts. Note that vendors are able to deliver solutions more rapidly than clients can accept, absorb, and integrate them.

### **7.1.3 Reproduce Current Environment and Expand**

This implementation method might be characterized as “Do a technology transfer first; then provide best practices and enhancements later.” It provides some of the advantages of the big bang approach discussed above, but because most of the potential improvements are implemented in later releases, this approach requires extraordinary commitment to the project’s vision from the client – both management and staff – for a long time before significant improvement is experienced.

- Pros – The initial cost is lower since, while the solution architecture must support future enhancement of features, those features are not a part of the initial phase. However, the new platform is positioned for future enhancements and functionality/technology enablers. All current system data is converted or integrated as part of the initial rollout so no bridging of that data is necessary. The initial phase of the solution can be implemented in a shorter time frame.
- Cons – Best practice changes to the current environment are limited in the initial solution rollout. The strategy requires a strong management team to maintain the vision and keep users from getting discouraged. There is a danger that the initial foundation architecture is incomplete or does not foresee capabilities required in subsequent releases – a problem detected only later (perhaps much later) when the subsequent phase is designed or implemented. Most important, this approach has not been previously widely completed and evaluated.





## 8 TECHNOLOGIES AND SUPPORT COMPONENTS FOR ALL PLANS AND PROGRAMS

Below we discuss the various technologies that comprise a comprehensive integrated benefit solution, as well as the support components that are required for the successful implementation of the project.

### 8.1 Line-of-Business (LOB) Benefit Administration Application

This may be viewed as the core component of the replacement effort. The line-of-business functions include the applications that permit a retirement agency to perform its operations, e.g., wage and contribution reporting, generating benefit estimates, calculating the cost of purchased service, retirement processing, issuing payroll, 1099 processing, etc. All of the agency's core "processes" should be contained in the line-of-business application. Whether they are available "out of the box" depends on which vendor is selected, which vendor product is chosen and what delivery model is used (see related discussion in Section 6.2). In NDPERS' case, additional functionality for the Group Insurance Plans (life, health, dental, vision and long term care), Deferred Compensation, Defined Contribution and an interface to FlexComp would also be required.

Most of the major benefit administration solution providers offer comprehensive LOB capability, which typically includes at least some of the following business functionality:

<ul style="list-style-type: none"> <li>▪ Membership Eligibility</li> <li>▪ Contributions</li> <li>▪ Reciprocity</li> <li>▪ General Ledger</li> <li>▪ Purchasing and Reinstating Service</li> <li>▪ Membership Status</li> <li>▪ Statement of Account</li> <li>▪ Benefit Estimate</li> <li>▪ Disability Retirement</li> <li>▪ Withdrawal of Contributions</li> <li>▪ Administering the impact of divorce on a member's account</li> <li>▪ Appeal Processing</li> <li>▪ Income Tax Processing</li> </ul>	<ul style="list-style-type: none"> <li>▪ Payment of Benefits</li> <li>▪ Employer Health Insurance Coverage</li> <li>▪ Service Retirement</li> <li>▪ Death Before Retirement</li> <li>▪ Durable Power of Attorney</li> <li>▪ Cost-of-Living Adjustments</li> <li>▪ Customer Service / Activity Tracking</li> <li>▪ Plan Information</li> <li>▪ Working After Retirement</li> <li>▪ Audit / Security</li> <li>▪ Imaging / Workflow</li> <li>▪ General Reporting / Query</li> <li>▪ Call Center</li> <li>▪ Member Education</li> </ul>
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A preliminary decision involving LOB functionality relates to the solution's delivery model. As discussed in Section 6, there are various delivery models available from the major vendors (e.g., package, template, configurable architecture, and even custom development), which imply varying degrees of configuration and customization of the base solution to the customer's specific requirements. LRWL's recommendation is that either a package- or template-model is most applicable to NDPERS.

An additional factor revolves around the degree of integration between the LOB application and the imaging and workflow management components. When implemented correctly, tight integration may promote work efficiency and system security and control. However, when it is implemented without benefit of a thoughtful and detailed requirements analysis, it can actually impede work. In addition, any implementation must be strongly influenced by knowledge and application of industry best practices.





Finally NDPERS relatively small size suggests not tightly coupling the workflow, but rather allowing some flexibility.

Our recommendation is to pursue a level of integration that will allow NDPERS to put most work processes under workflow management control but retain the ability to process work outside of the workflow management system on an exception-only basis. Doing so will ensure, for example, that steps are not “skipped,” data integrity is preserved, transactions are not completed until all necessary forms are received, etc.). NDPERS must also ensure that the development of each workflow process is developed with awareness of best practices.

## 8.2 Customer Relationship Management (CRM)

The Customer Relationship Management (CRM) capability incorporated into the best LOB solutions includes maintaining information on all contacts with members, retirees, and employers. The degree of robustness and functionality may vary greatly:

- From minimal capabilities that track interaction in a formalized “notes” capability,
- Through logging all interfaces in a semi-automated manner,
- To a totally integrated and fully functional CRM or call center capability.

CRM functionality allows the retirement system to record, track, and analyze all contact a member, retiree or beneficiary (or even an employer) has with the retirement system. Thus at a high level all dealings with an individual “customer” can be viewed centrally assuring a member-centric approach to problems and issues. This is useful, for example, when a member is “shopping” for answers, when informing a member that a certain form was received, when telling a member when an application was processed, and when answering questions related to information previously supplied by phone or correspondence previously sent by mail or email.

CRM may be viewed as a superset solution encompassing:

- Contact management, in which all contact with a member, retiree, beneficiary, or employer is recorded with the mode of contact, who performed it, when it occurred, and the subject discussed in a structured mode including free form notes describing the interaction.
- Call center capability, by which all incoming telephone calls from members, retirees, beneficiaries, or employers are directed to the correct dedicated call center staff for service. In the best CRM solutions, Automated (AVR) or Integrated (IVR) Voice Response functionality is provided so that callers are guided through a series of menu choices to access the service or information they are seeking. Many AVR and IVR solutions facilitate member self-service by phone for the most common requests (e.g., “Has my retirement application form been received?” or “What will be the date of my first retirement check?”). This is similar to the service provided by many banks or credit card processors when a customer calls to request current account balance information. Inquiries that cannot be satisfied in this automated fashion are routed to the proper staff via caller responses via telephone keypad to a series of questions.
- Computer Telephony Interface (CTI), wherein a customer service-oriented screen, viewed by the NDPERS staff member, is primed based on a caller-ID provided telephone number or entering a unique identifier via a telephone keypad and connectivity to the LOB software. Through such an interface, the caller’s demographic and other relevant information is presented and available to the staff member when they answer the call.





## 8.3 Web Enablement

The following sections review Web enablement or Web-based access in the implementation of a new benefits solution for each of three “constituencies:”

- Members (and retirees)
- Employers
- NDPERS staff.

### 8.3.1 Retirement System Member

An important benefit (and challenge) to providing member services via the Web is that the service window available to the member expands (for those activities available over the Web) from eight hours a day, five days a week to a near 24 hours a day, 365 days a year. Potential capabilities of a member-accessible Web-based interface with NDPERS are summarized below:

- A benefit estimator which provides an accurate estimate of the member’s retirement benefit using live member data rather than requiring the member to input his or her work history and assumptions. In addition, such an estimator could facilitate an exploration of retirement options (e.g., “How much would my benefit increase with the purchase of three years of service?”). This is available in NDPERS’ current implementation of a Web-based estimator.
- Access to electronic versions of all the paper forms currently in use within the system similar to NDPERS current capability but auto-populated with appropriate member data (e.g., name, SSN, DOB, current address) and bar-coded to assist in recognition when the member-completed form is returned to NDPERS.
- Web-based member data collection which, when submitted through the Web browser, initiates a workflow and is captured in the document archive as if it had been initiated on a bar-coded paper form. Such a capability would present a populated form that the user could print but would simultaneously be saved in the NDPERS member document archive as a record of the transaction.
- Web-based member, retiree and employer communications would permit NDPERS to reduce paper-based communications with their members. If a member elects to receive correspondence and communication via email, the Web-enabled solution would notify the member of such a document and direct the member to a Web location to view on-line, download and/or print the document. Alternatively, since member service, wage, and contribution data will be available on a close to 24/7, any member with Web access could produce a statement at any time.

We believe there are three major risks to be managed in the implementation of a Web-based interface such as the one described above:

- **Correctness of member data** – In a recent survey of public retirement systems and their plans for the use of the Web to provide greatly enhanced member self-service, the remark that most impressed us was one that warned of providing members access to inaccurate data. Before opening the data up to member review, NDPERS must ensure its completeness and accuracy, possibly by involving the members in an interactive review of their data.
- **Updating data** – NDPERS currently member contributions and interest is posted on a monthly cycle. All of the potential replacement systems allow for contributions to be posted when received and do not require queuing data for monthly posting. If elected, frequent posting of contributions – or of other transactions, such as refunds – will add an increased workload on the NDPERS staff responsible for reviewing and reconciling the data.





- **Design of Web site to take best advantage of technology** – The tools and practices available to create the best, most interactive and productive Web experience for members change and improve daily it would seem. While usage of the site may initially be low, we believe members will quickly make it their preferred means of interacting with NDPERS if the site is well implemented and updated regularly, the value members and employers place on the Web site will be a product of the creativity of the Web designers and their understanding of what potentially draws members and employers to the site.

While Web enablement offers the greatest promise of all technology enablers for providing a high degree of customer self-service, there are a number of important caveats to be kept in mind when considering its implementation.

- First, security is a critical concern. All member data, if not confidential, is certainly personal. It must be safeguarded from view by unauthorized persons. NDPERS will have to issue members their own user PIN (personal identification number) and password. PIN management and appropriate security controls have to be designed to prevent unauthorized access. Furthermore, PIN management can prove to be a resource intensive – but necessary – endeavor. We suggest that before NDPERS opens up its data to member access, the entire security issue be thoroughly addressed.
- Second, Web-based service must be strictly limited to those functions that are truly subject to automation – i.e., functions that do not require human intervention or decision making to complete. Although the overall recommendation of this report is to implement a highly automated, fully integrated solution, most such public retirement solutions nevertheless retain human decision-making responsibility in a number of processes. An example might be determining the amount of service credit available for purchase by a member. Often, the retirement system counselor must first ask a series of questions of the member and/or request documentation. Then the counselor subjectively applies “business rules” that may or may not completely and consistently reflect all rules or rules as others interpret them within the organization. Any such process that is known to vary or suspected of varying from one case to another should be reviewed critically before being considered for publication or posting to the Web site. It is imperative that any interactive functionality providing a derived value provide the same answer that would be supplied to any other member or retiree having the same information in the database, and the same answer they would have received from retirement system staff.
- Third, both technological tools and staff resources must be allocated to supporting the Web capability – at least in the short-term. Once members are able to see their own data, and are compelled by NDPERS to visit the Web site and review their data, the agency should expect to receive numerous phone calls seeking assistance and questioning the data. While the long-term benefit of Web-enabled customer self-service is a reduction in member inquiries of staff, the short-term effect will likely be an increase in the number of calls received. Members will need to have a response to their calls or they will not view the Web site as a viable and reliable alternative and will migrate back to the path of least resistance – calling NDPERS with inquiries.

With these in mind, Web-based services should be rolled out in phases, limiting the scope of any single phase to that which can be adequately supported by retirement system staff. For example, Web-based service could be rolled out function-by-function – e.g., first forms submittal, then demographic updates, then data-driven calculators, etc. NDPERS may want to consider reviewing a history of member services call counts and time release of new Web functionality to correspond with anticipated lulls in call volume.





### 8.3.2 Employer

NDPERS' current employer reporting capability consists of employers submitting wage and contribution reports via FTP. The reports are then read into a PC-based validation program. If no validation errors are found, the file is moved up to the mainframe for processing. If file format errors are found, the employer is contacted and told of the errors with a request that they be corrected and a new file submitted. There currently is no Web-based interaction with the employer with respect to submitting or entering and correcting wage and contribution data. Similarly, no capability currently exists which allows employers to enroll new members over the web or for members to change beneficiary data.

NDPERS has expressed a keen interest in Web-based employer reporting. Such a capability should (and can), at a minimum, allow an employer to:

- Submit wage and contribution data or insurance premium or other plan contribution data by file or by keyboard entry into the Web site pages
- Run the data through a validation process and identify data errors
- Correct errors in submitted data online or reject the data and resubmit entirely new replacement data for the filing period
- Finalize the reported data and either post the data online/real-time or submit it to some controlled posting process initiated and monitored by an NDPERS staff member
- Update current member demographic data based on the data submitted and posted through this process
- Take advantage of workflow processes that are “spun off” as a result of posting employer data (e.g., new member enrollment form for member submitted through the payroll stream for the first time)
- Produce an “invoice” or receivable amount derived directly from the submitted data and the rates currently in place for the plan or program.

For those plans and programs that involve an additional third party (e.g., defined contribution process and Fidelity or health insurance and a specific health insurance carrier), consideration will need to be given to the nature of data collected and what level of integration needs to exist between the employer reporting system and the other third party administrative (TPA) systems. For example, should defined contribution plan contributions automatically be transmitted to the TPA once posted to the system or should some manual intervention be required prior to transmitting to the TPA?

### 8.3.3 NDPERS Staff Member

Implementation of workflow capabilities in a new replacement system has the potential to diminish the need for all staff to be in one location. Implementing a browser-based solution would bring the benefits of essentially allowing staff and management to regularly work from home or other remote locations, including field sites while providing counseling sessions. Management should consider the organizational benefits and challenges posed by this new approach. Web enablement of daily business functions offers advantages, including:

- Providing a work environment more attractive to and supportive of part-time and stay-at-home workers
- Taking the first step (by providing alternative or distributed work locations) in supporting disaster recovery capability.





The challenge associated with staff member Web-based access to the system lies not in the method of implementation nor with whether the system is bought or built. The challenge stems from a necessary review of personnel policies and possible change in management attitudes toward where work is done. In assessing this challenge, management should not overlook the reporting capabilities of workflow tools. In addition, NDPERS should ensure that explicit requirements are included within the RFP for extracting operating metrics of interest to management to monitor employee processes and throughput – whether staff performs their work at NDPERS’ offices, at home or elsewhere.

### 8.3.4 Data

The quality of data converted from the legacy system to the replacement system will significantly impact how well staff; management, members, employers, and other stakeholders adopt and embrace the replacement system. Data cleansing and data conversion will require thorough planning and a significant investment of resources.

### 8.3.5 Data Cleansing

The cleanliness or integrity of the data maintained by retirement systems can vary. The data we have encountered in some of our engagements has been cleaner than in others. In some cases, only certain of the data may present problems (e.g., service purchase history). We found during our interviews with NDPERS staff that known data issues involve data such as demographic information, address and marital status (data that is entered in multiple places). This type of data can be out of sync or incomplete. Marital status may be correct in the Group Insurance System, but it may be missing or inaccurate in the Retirement System, making tax calculations incorrect.

NDPERS program staff believes that historical salary and service credit is accurate. Members seldom question benefit calculations performed based on this data. However, NDPERS’ IT staff has a concern that all data may be less than complete, less than perfectly accurate, or less than totally consistent. This may be for a number of reasons, including:

- The sheer volumes of data maintained
- The source of the data – those submitting the data may not be motivated to provide data completely and accurately
- The number of disparate databases maintained
- The differing modes and media for submitting data, and
- The number of system conversions that may have occurred during the system’s lifetime.

A data-cleansing project entails a vendor taking the data and cleansing it by applying defined sets of logical rules. Some cleansing can be done programmatically, and other cleansing activities will require research, (possibly) correspondence with employers, and/or manual correction.

With the implementation of the new retirement solution, future “contamination” of the data resource will be avoided. Modern relational database technology and intelligent application design and implementation will ensure a single, unambiguous source for each data value. A well-designed data model and comprehensive data validation within the front-end application and through stored procedures and triggers in the database will guarantee the quality of data entering the system going forward. The LOB vendor will assist NDPERS in defining all the edits required to ensure the continued integrity of the database after rollout.

However, any errors that already exist in the database must be corrected.





In Section 3.5, LRWL recommended that NDPERS begin work promptly on developing a data dictionary and, further, on verifying the accuracy and integrity of data maintained within the various systems it administers. In the event NDPERS decides the effort is larger than it can handle with existing resources, we would encourage it to consider including responsibility for a data cleansing effort within the scope of activities included in the system replacement RFP. Under such an arrangement, the vendor should be requested to include within their proposal a data quality assessment to determine overall data quality and what specific data elements require remediation, and develop and execute a plan to cleanse the data in preparation for converting it to the new system. The selected vendor should be made responsible for developing a systematic approach to:

- Identify all existing types of errors
- Isolate those accounts, records or data elements containing one or more instances of each error type
- Design automated tools for correcting all errors that lend themselves to an automated solution
- Design alternative procedures for correcting all remaining errors that are not suited to an automated correction process.

Intensive involvement of retirement system staff in this effort cannot be avoided. Subject Matter Experts and IT staff must be available to the LOB vendor to assist in the analysis. The SMEs also need to be available to determine the processes and criteria by which the cleansing effort will be verified. By necessity, some data cleansing activities will involve manual efforts. To the extent possible, such manual efforts should be manned by outside resources – possibly the LOB vendor, a third party vendor, or temporary hires. But all data cleansing initiatives must be controlled by and placed within the overall responsibilities of the LOB vendor. Obviously, wherever possible, automated procedures should be used.

Finally, it must be acknowledged that, no matter how conscientiously NDPERS staff and LOB vendor consultants address these data cleansing activities, some data errors will go undetected. Such errors will be identified only when a user first discovers them when reviewing the account, for example, to generate a retirement benefit estimate either in testing or in production. The new solution must provide an account audit function by which a user can flag (with a date and time stamp) the account as audited and corrected. From that point forward, the record is assumed to be correct unless challenged by the member.

The data-related issues and requirements discussed above should be included in the system replacement RFP; again, if NDPERS concludes the effort is one larger than it can take on with existing resources. Furthermore, if such is the case, the RFP should establish data cleansing as a deliverable to be completed (if possible) prior to the first functional rollout of the new benefit application.

The data remediation process should include providing a detailed audit history report of all data changes and adjustments made – including before and after states of the data, how the data was changed and why, what erroneous condition was corrected, and how the change was effected. We also suggest that an internal auditor determine how such changes should be documented to assure an adequate audit trail of all data cleansing activities.

### **8.3.6 Data Conversion and Bridging**

A critical component of the implementation project is the accurate and complete conversion of legacy system data to the new solution environment. LRWL recommends that the LOB vendor be assigned primary responsibility for data conversion. The major vendors have experience in the conversion process and possess the tools required to expedite the process. The LOB vendor should be required to create a data conversion plan that establishes the conversion environment and outlines strategies for the automated





and (if necessary) manual conversion of data to the new solution. The LOB vendor's data conversion plan should:

- Identify how the conversion requirements will be confirmed and refined
- Describe how the data elements in the legacy system will be analyzed
- Prepare a data conversion specification
- Identify the approach for manual data conversion, including the design of data collection forms and creation procedures for unreliable legacy system data
- Develop data conversion test scripts
- Create the schedule for conversion activities
- Ensure the compatibility and coordination of the data conversion effort with the overall system implementation plan.

The LOB vendor should also be required to conduct multiple tests of the conversion process including providing detailed reconciliation and balancing procedures for ensuring that all legacy system data was correctly converted and loaded. The conversion process must protect the integrity and confidentiality of the data.

As stated earlier, we recommend that a new solution be implemented in distinct phases. However, the benefits of a phased implementation require either or both of forward and backward data bridging (i.e., the regular, periodic "synchronizing" of data between the old and new environments when both environments are in use). We recommend that the LOB vendor be charged with responsibility for planning an appropriately phased conversion of data with phased bridging of data between the two environments until the final cutover to the new solution is achieved. A detailed, written conversion and bridging plan should be required of and prepared by the LOB vendor for each functional phase cutover. The significance of the bridging requirement may warrant NDPERS requiring prior experience in data conversion and data bridging in a phased implementation as a pre-condition for bidding on the implementation.

In addition, we recommend that the LOB vendor be assigned responsibility for the development of written procedures, methods, and checklists for balancing and reconciling the conversion and bridging of data between the legacy environment and the new environment. These procedures should include providing a detailed written audit history of all data changes and adjustments made – including "before" and "after" states of the data, how and why the data was changed, and how the correction was made.

### **8.3.7 Hardware**

In our experience, every public benefit modernization project entails the addition or replacement of hardware. The advent of browser-based solutions usually makes unnecessary a wholesale replacement of the client PC workstations. Any PC adequate to provide internet-browsing capabilities can support a browser-based benefit application. However, inevitably numerous additional servers and supporting equipment are required – not only to run the application and house its database, but also to provide fail-over and disaster recovery protection. If a browser-based solution is not required of the vendor or if NDPERS prefers a client/server, thick-client solution, replacement of PC workstations may be an issue. At a minimum, an inventory of the workstations and printers and their capabilities would need to be provided in the RFP. Material related to NDPERS current hardware has been gathered and is presented in Section 3.4.2.2, Hardware and System Software.





Regardless of whether the system is a browser-based solution or thick client solution, a decision is required as to who will provide the necessary hardware components. Typically, there are two choices:

- Having the solution provider include all the hardware specifications and configuration information in its proposal along with a quote to supply that required hardware (albeit typically through a third party subcontractor that is transparent to the client).
- Having the solution provider include all the hardware specifications and configuration information in its proposal along with a quote on that required hardware, but reserving to the client the option to procure it directly or require the vendor to do so.

Our recommendation is to require the LOB vendor to provide the hardware. NDPERS may also instruct the vendor to provide detailed specifications of all required hardware, so that ITD may cost the hardware from their procurement sources, as well as ensure that the hardware meets ND ITD standards. Issues that enter into the discussion and decision making process in this regard include:

- Problems that can be avoided by “one stop shopping”
- Problems that can be avoided if the delivery of the ordered items is late (finger pointing)
- Problems that can be avoided if there are problems with the items delivered (incorrect, malfunctions, etc.)
- Issues related to the vendor possibly wanting to stage the hardware at its site prior to final delivery to NDPERS.

Most public retirement systems seek a “bundled” solution from the LOB vendor that includes, in addition to the benefit application, the required hardware – all delivered, uncrated, installed, loaded, tested, configured, etc. by the vendor. Retirement systems that choose to acquire the additional hardware under separate procurements frequently experience problems in assessing accountability and culpability when something goes wrong. When a scheduled milestone cannot be met, the implementation vendor tends to blame the client, offering excuses like “the servers were not configured in time to load the application.” The “one-stop shopping” approach we recommend eliminates all such finger pointing.

Nevertheless, some clients are strongly encouraged, even required, by their procurement policies to pursue separate procurements for hardware. In these situations, the client’s goal is always one of economics and it is well served by separate procurement vehicles in some cases. However, when the project is as large, as time-consuming, as complex, as integrated, and as highly customized as a new benefit administration system implementation, this quest for economy is generally counterproductive. Unless NDPERS is absolutely required to procure hardware separately, this approach should be avoided. Even aside from the primary accountability issue, we recommend against trying to support yet another resource intensive and time-critical procurement. It would only add to the significant stress that will be placed on agency staff.

### **8.3.8 Commodity Software**

All new benefit solutions incorporate several commodity software products, including items such as operating systems, relational database management systems, query and report writers, development tools, office suite applications, etc. As in the case for hardware, a decision has to be made as to who supplies the commodity software products. All of the same issues apply to this situation as were discussed under hardware in the preceding section. Our recommendation relating to commodity software purchase is analogous. Unless precluded from doing so by policy or statute, NDPERS should bundle the purchase of commodity software with the benefit application procurement, making the LOB vendor responsible for





acquiring, installing, and appropriately configuring the software to support the overall solution. The vendor should provide detailed specifications on commodity software to NDPERS, so that ND ITD could provide costs for comparison and ensure that state standards are met.

### 8.3.9 Reports and Queries

A number of components related to reports and queries are included in vendor-supplied benefit solutions:

- First, the RFP will define the requirement that all current report and query functionality must be provided – albeit perhaps in a different number of and differently formatted queries and reports. This requirement is defined in a number of ways in the RFP – primarily by listing existing reports and queries in the RFP itself and providing samples of them in the Appendices.
- Second, the vendor is required to provide not just an ad hoc query and reporting tool, but also priming its use by providing required tool definitions (i.e., schema definitions, mappings, etc.) and samples of various representative types of reports and queries that NDPERS staff (both IT staff and designated “super-users”) can use as models and templates. In this same vein, comprehensive training – and IT setup and maintenance of the tools and their use – should be required for an appropriate number of NDPERS staff.
- Third, delivery of such ad hoc reporting and query tools should be required early in the project so they may be used by not only vendor staff, but also by NDPERS staff (both IT and “super-users”) to assist in data conversion and data cleansing analysis, balancing, and reconciliation.

The use of increased automation within an LOB solution permits far greater detail in the variety of reports that the system produces. Furthermore, because of the integrated nature of the solution, the reporting has the potential to be far more thorough, providing access to areas (and the interrelationships among those areas) that previously went unmeasured and unreported.

Of particular interest in most new benefit solutions are automated reporting capabilities relating to work status, work throughput measurement and user processing efficiency which one would expect to obtain from the typical workflow implementation. Work-item status reports enhance customer service in that member queries for status can be answered by the person on the phone – or even by the member themselves via a Web-based query. Work processing reports help management identify business-processing areas offering the potential for process improvement (though not necessarily just how best to make those improvements). Measurement of staff productivity, which was previously unavailable, will now, be made available via throughput metric reports (see 3.3 Operating Metrics).

Increased Web-access to the system, whether for member self-service or remote staff member access (from home or on the road during remote counseling), provides the potential for increased Web-based intrusion or misuse. Security audit alerts and reports become increasingly important in this environment. In addition, such reports enable ready exploration of fraudulent activities, postings, etc.

The use of a centralized data repository opens a new universe of “what-if” inquiries and reports that were not previously readily available or within the domain of the end user. Such reports will increase NDPERS’ ability to respond quickly and accurately to requests from legislators and Board Members.

### 8.3.10 Data Warehouse

A number of public retirement system clients consider a Data Warehouse as an alternative to a separate ad hoc reporting and query environment.





In the latter case, a truly separate environment is established for ad hoc query and reporting; the environment is defined as a separate database instance (i.e., a copy) from the production instance so that queries and reports will have no negative impact on production activities. Ideally, the database used for ad hoc query and reporting is on a server separate from the production server. However, depending on the client site's philosophy and budget, the ad hoc reporting and query environment may not be separate from the development and test or the quality assurance environments. In some cases, it may be the 'hot' backup site – or even the test environment.

Several of our clients have considered the implementation of a separate Data Warehouse. As is to be expected, approaches to the Data Warehouse vary – ranging from a so-called Executive Information Solution to a Data Cube. Some of these solutions are already crafted; others are developed on a case-by-case basis. In concept, the production instance of the database is post-processed on a periodic basis and a so-called data warehouse or data cube is constructed. Its purpose is to support both (historically) known and prospectively expected ad hoc reports and queries. The same training and preparation (for set-up and use) as described in the previous section must be provided.

### 8.3.11 Warranty

The RFP should require LOB vendors to provide a warranty on the delivered solution, ensuring that it will operate, in its entirety, in accordance with specifications approved by NDPERS, for a fixed period of time after final turnover and acceptance of the last phase of the project. In a phased implementation, such a warranty should apply to each set of program deliverables commencing with the point they are accepted on through to the end of the warranty for the last phase (i.e., the effective warranty for the first phase would be markedly longer than that for the last phase). Like any other warranty, the longer the warranty period, the greater it would cost. Generally, LOB vendors are required to warranty their solutions for a minimum of six to twelve months.

During the warranty period, should a problem develop in the solution, the vendor must provide support as necessary to correct it. Frequently, a "trouble report protocol" is established in advance. This protocol categorizes the severity of the problems and mandates the type and level of response required depending on severity: the more severe the problem, the faster the required response. For example, a critical problem that prevents the issuance of benefit payroll EFTs (or checks) may require two-hour telephone response, with an escalation to mandatory on-site support if the problem is not corrected within four hours.

LRWL recommends that the RFP for the LOB benefit solution specify warranty requirements in detail. We further recommend that, in addition to the LOB application, two other areas of warranty support be required:

- Federal regulatory changes (most commonly, tax rate and bracket adjustments) should be provided by the LOB vendor under the warranty (i.e., at no additional charge)
- A special warranty for certain functionality that may not be executed within the warranty period should be provided. For example, if the final cutover occurs in April and the warranty period is six months, then member annual statements and 1099s will not be generated on the production system within the warranty period. The LOB RFP should require that the warranty period for such (typically annual) jobs will not begin until the first time the process is run live in the production environment.

We point out that if warranty parameters are left undefined as a requirement, vendors will provide their "standard" warranty and warranty response times – which may not be appropriate or acceptable to NDPERS.





### 8.3.12 Post-Warranty Support

In the previous section we discussed the warranty requirements that NDPERS might include in the RFP for a LOB solution. Once the warranty period is over, NDPERS can choose one of several approaches to long-term support. The only requirement is that there has to be agreement on what is defined in the RFP and responded to in the proposals. Below we present several models that have been used successfully by other LRWL clients:

- **Fully Outsourced Support** – Beyond the implementation warranty period, outsourcing the support of the new benefit system after it has been rolled out is not uncommon. Systems developed in the modern environments normally use more numerous and varied components than development required for the older legacy systems. Therefore, maintenance and support require knowledge of and experience with more software components and system tools. Many retirement system IT departments do not have the experience or skill sets necessary to immediately begin supporting the new infrastructure along with the new application upon final rollout and acceptance. Thus, the implementation vendor often continues to provide infrastructure and applications support in the post-warranty period.
- **Decreasing, Partial Outsourcing** – A variation on the full outsourcing approach is to gradually phase in client support at the same time vendor support is gradually phased out. This phased transition can typically be accomplished over a period of two to four years. It serves to reduce the risk to the client in the short-term and provides a clear path for the organization to support itself in the long-term.
- **Full In-House Support** – This approach is feasible only if NDPERS has played a major role in the design and development of the LOB solution. Should that be the case, NDPERS IT staff will be sufficiently knowledgeable that they will not need to transition into the role of providing post-warranty support.

Earlier in this document, LRWL recommended that NDPERS select an approach in which an outside vendor be selected as the entity primarily responsible for design and implementation of the new LOB solution. Given the limited IT resources available to NDPERS, we view Full Outsourced Support by the system vendor as the most practical Post Warranty Support alternative. However, with that being said, we recommend that the RFP require each vendor, regardless of the option required by NDPERS, to provide an estimate of both hours (broken down by skill level) and cost of the post-warranty operations and IT support, if for no other reason than such an estimate provides a data point against which to plan NDPERS' support options.

Finally, we point out that should NDPERS choose the in-house post-warranty support model (either starting immediately or transitioning to it over time), the RFP should require the vendor to include and cost a proposed transition plan that will include the training of NDPERS personnel on any special tools or procedures. The transition plan would also cover the handover of all appropriate and/or necessary design tools, development tools, test and documentation tools as well as scripts, documentation, and any other technologies or knowledge that would be required by any reasonable support agent.

### 8.3.13 Data Center, Facilities and DRP

ITD is currently or soon will be hosting the legacy business application system on a series of Linux servers. It is anticipated that ITD will continue to provide hosting services for the new benefit applications. We assume that NDPERS and ITD will want to retain hosting control over the new solution. Nonetheless, a number of questions remain to be addressed:





- A separate “hot site” is not presently required to provide necessary information processing services in the event of a disaster at NDPERS’ primary site. A “ghost server” situation is available through ITD in the event of a disaster rendering the primary site inaccessible. ITD itself has a “hot site” to ensure that it can provide critical services to its clients. It is not known whether the environment will have the flexibility and capacity of any new equipment brought into the mix by the implementation vendor. In general, LRWL recommends a hot site capability exist due to the critical need to run pension payroll—every month, on time, without fail.
- NDPERS is required to keep a current Continuum of Government (COG) plan on web-based software provided by the Risk Management Division (Strohl Systems). This software contains a directory of critical tasks and addresses staff notification, alternate sites, ITD contacts, Team assignments and information processing needs when a business interruption occurs. In conjunction with the ghost server previously listed, the COG plan facilitates retrieval of system backups and critical information processing needs until the disaster can be resolved and normal operations can resume. Under the umbrella of the current effort, LRWL would recommend that NDPERS choose to utilize the COG plan as a starting point to implement a Disaster Recovery Plan, with hot site capability.
- If the decision is made to proceed with an RFP, the successful vendor must be able to document restoration of the system in a manner that is compatible with the State’s COG software and also provide recommended business continuity documentation.

### 8.3.14 Staff Augmentation

The success of the project will depend to a significant degree on NDPERS’ enduring commitment to provide the Subject Matter Expert (SME) support necessary to help define and design the new solution in detail, to review and evaluate project deliverables, to participate in acceptance testing activities, etc. Making this necessary commitment will be painful because the right people to commit to the project are the very people on whom day-to-day retirement system processing most relies. Further, these very critical human resources must be available to the project from its inception and remain dedicated to it for a period of years. Thus the most critical requirement in preparing for a successful implementation is to take the necessary steps to **augment NDPERS staff** to replace those current staff members who will be dedicated to supporting project activities and decision-making.

In this regard, there are three decision areas to be addressed:

- First, from what organizational units will SMEs have to be drawn to provide all of the necessary disciplines *and* the subject matter knowledge required by the project?
- Second, how many resources from each area will be required and who specifically will be recruited to support the project as SMEs, thus leaving a “vacancy?”
- Third, how will new resources be identified to backfill those who leave vacancies?

LRWL recommends that the RFP for the LOB benefit solution be drafted to require the vendors to specify the level of NDPERS participation (in person hours) that will be required to support the implementation and the disciplines from which these resources should be drawn. In general, however, it can already be anticipated that SMEs will be required from most, if not all, of the following functional areas:

- Employer Services
- Member Services
- Financial Services





- Information Technology
- General Counsel (as needed)
- Internal Auditor (as needed)
- Executive Management (as needed).

Some, if not all, of these functional areas will also have to participate in the pre-implementation phases of the project (i.e., needs analysis, RFP preparation, review and evaluation of vendor proposals, etc.). Project demands during this discovery process will be part-time, and some members of the team will not be wholly removed from their normal duties.

Once the new benefit system implementation begins, however, project demands on the many of the designated representatives from the organizational areas identified above may approach a full-time effort. Balancing project responsibilities and day-to-day responsibilities will be a challenge. In addition, as has been stressed previously in this report, the strongest and most knowledgeable NDPERS staff members should be assigned to the project team – in a familiar model that entails “short-term pain for long-term gain.”

Therefore, at the project’s very beginning, decisions need to be made regarding how to backfill the positions that are going to be vacated so that the SMEs are available as soon as they are needed. We recommend that part-time and/or temporary employees be recruited to fill the vacancies. If this model of temporary staff additions is not feasible due to policy, then procurement will have to be undertaken to solicit contractor backfill support.

A word of caution is in order: Both significant effort and time will be required. Replacements or supplemental resources will have to be identified, recruited, hired, oriented, and trained in their job duties before the project team candidates are removed from their current positions. All of these activities must be incorporated into the original project plan to ensure that all necessary organizational elements are in place to support benefit processing at the time the project team members transition to project duties. And the amount of time needed to have these new staff members come up to speed must not be overlooked: identify needs, procure/obtain individuals, educate them, and have them become knowledgeable.

### **8.3.15 Mandatory Options**

Though it may appear as a contradiction in terms, the use of “mandatory options” within the RFP has proven to be a value-add to our clients’ system replacement RFPs. The term refers to the practice of including in the RFP a specific set of business functionality, services or goods that must be priced by the vendor and included in their proposal. The client, NDPERS, would then have the option at the time the contract is signed or subsequently (as stipulated in the RFP) to select the option or not. By including mandatory options within the RFP, NDPERS gains commitment to provide a variety of goods and services within a single procurement structure. It also provides a means for NDPERS to gather cost and technical information for procurement components it might envision in the future but elect to conduct separate from the replacement procurement. The benefits to NDPERS are numerous and significant. The downside is limited to the additional time invested, during RFP development, for gathering specifics requirements or general descriptions associated with each option.

The range of mandatory options included in the RFP depends on NDPERS’ preferences. However, a number of the technologies and components listed above in earlier sections often are viewed as candidates. These include:

- Hardware
- Commodity Software





- Post-warranty Support (maintenance and out-year support from vendor)
- Post-warranty Support (maintenance and out-year support migrated to client resources)
- Staff augmentation
- Data Center Facilities
- Disaster Recovery Planning and Facilities

An illustrative list of other mandatory options occasionally seen would include:

- Bulk Printing and Outsourcing of Printing
- Defined Contribution Processing
- Deferred Retirement Option Plan (DROP) Processing
- Telephone System Replacement

### **Microfiche Conversion**

We believe that completing the back-file fiche conversion is an excellent candidate for a mandatory option in NDPERS' case. The scope of the activity is well bounded and limited and can be relatively, easily managed. Determining a cost by the vendor should be straight forward, whether the vendor itself performs the service or sub-contracts the effort. Converting the fiche for inclusion in the image archive would make processing workflows more efficient as all available images for a member would be readily at hand. According to NDPERS there are approximately 640,000 pages of member data on microfiche. Based on our past experience in procurements that involved image back-file conversion, we estimate conversion of these images would cost between \$150,000 and \$200,000.





## 9 PROJECT CONSIDERATIONS

Several different types of resources contribute to a project's success. In this section, we describe those resources in further detail.

### 9.1 Facilities

Building project *esprit de corps*, ensuring enhanced communications (both among NDPERS personnel and between NDPERS and the eventual solution vendor), providing a home-within-a-home for the people involved on the project – these are all reasons for providing a dedicated, sufficiently equipped work space large enough to accommodate all NDPERS' project team members partially or fully dedicated to the project, as well as necessary solution vendor personnel.

Demands for meeting room and office space will vary over the course of the project (e.g., sizable for requirements definition, joint design sessions, user acceptance testing and training). It is possible that no adequate contiguous space is available in NDPERS' current office location. If this is the case, then additional office facilities may need to be identified and leased – as close as possible in proximity to NDPERS' offices. Though a separate location implies some level of inconvenience (though removing people from their normal work environment can also have its benefits), the overriding objective is to ensure that all project-assigned NDPERS staff are convenient to the remainder of the NDPERS staff as necessary.

Wherever the facility is located, it needs to be furnished with adequate desk space, phones, PCs, printers, copying equipment, FAX machines, conference rooms, whiteboards, testing and training facilities, etc.

LOB benefit solution vendors will set forth in their proposals the specific office space and data center requirements for their particular solutions. However, it may be necessary for NDPERS to begin addressing these issues now.

### 9.2 Personnel

Committing an adequate number of the right staff members to the project is one of the most – and possibly the most – significant contributor to project success. This commitment must include:

- **A close to full-time project manager** – This needs to be a non-IT person, someone who projects “command presence” and is well respected throughout the organization. This key person must possess good verbal and written communications skills, as well as strong organizational, management, and administrative skills. The project manager must be someone who is “listened to” at all levels of NDPERS – i.e., able to inspire retirement counselors *and* to enlist sponsorship and support from the executive office. Ideally the project manager will be from NDPERS' ranks; alternately NDPERS could seek a contract project manager – one who knows the retirement business and offers strong project management skills.
- **A Steering Committee** – This group will provide strategic direction and senior management control to the project. It should consist of management level staff members representing all of NDPERS' organization – including an engaged Executive Director. The Steering Committee will meet at least once a month for the project's duration. It will provide decision-making support relating to major project issues. The Steering Committee will also actively “sponsor” the project, staunchly defending difficult decisions that perhaps cause short-term problems in the interests of a favorable long-term result. A key role is to remove impediments to the project's success as they arise (and they will arise). It is expected that, in an organization the size of NDPERS, there would be material overlap between the Steering Committee and the Project Management Team (see below). However, the





objectives and perspectives of the two are materially different – Steering Committee functions with a higher view whereas the Project Management Team gets into the day-to-day tasks and challenges of the project.

- **A project management team** – This is the leadership team that will provide tactical direction and support to the project. It should include the following areas of expertise:
  - ✓ Planning
  - ✓ Technical architecture and technology
  - ✓ Retirement system business knowledge
  - ✓ Oversight project management (to assist the dedicated Project Manager)
  - ✓ Quality assurance
  - ✓ Independent Validation and Verification (IVV)
  - ✓ Administrative.

The project management team will also eventually include the benefit solution provider’s dedicated project manager and perhaps one or more managers from any third party vendor(s) enlisted to support the project with expertise and previous experience with oversight project management, quality assurance and/or independent validation and verification in public retirement systems. In addition, NDPERS would likely enlist the assistance and guidance of a representative from ITD. Typically, the project management team will meet “formally” on a weekly basis to address overall project issues.

- **Subject Matter Experts (SMEs)** – NDPERS must be willing to dedicate between two to four users, managers or supervisors who, for periods of time during the project, may work close to full time on project tasks beginning with contract award. In addition, at times during the project, NDPERS should expect that another four to eight staff members will be involved anywhere from 50% - 75% of the time (to participate in detailed requirements definition, test planning and execution activities, training sessions, etc.). The number of hours required from the SMEs, and when in the project schedule they will be required, will be identified by the solution vendors in their proposals.

### 9.3 Planning and Management

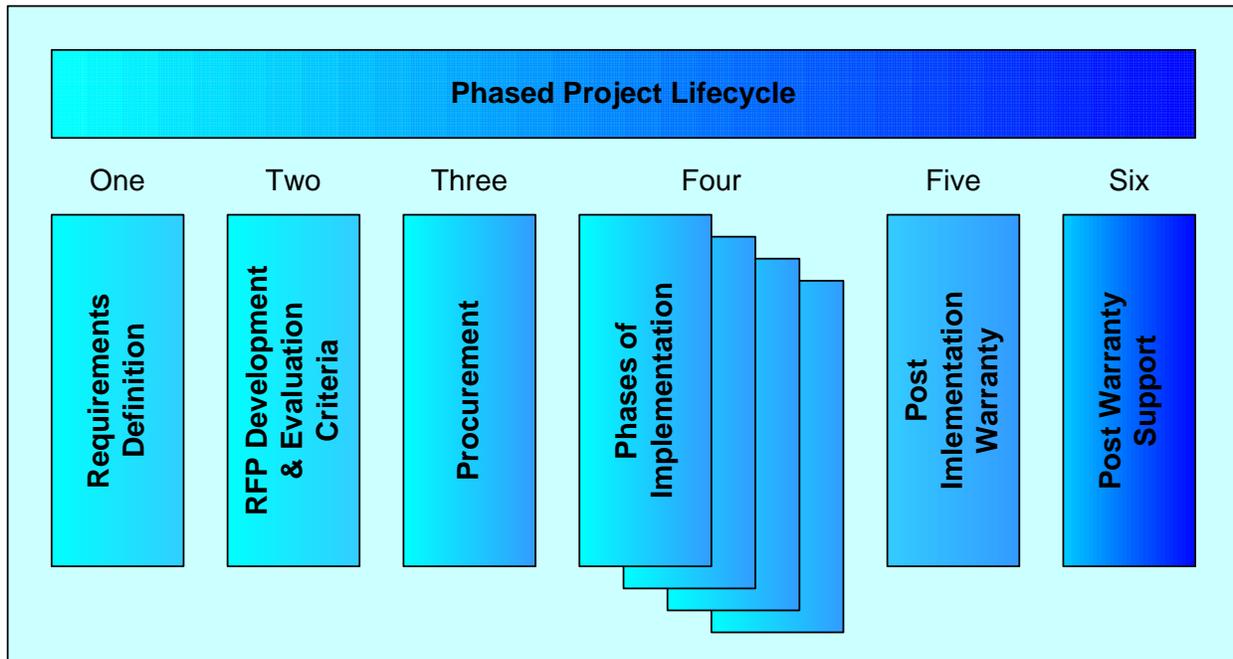
The first step in the project is the development of a comprehensive, integrated plan against which project activities can be executed and progress can be gauged. We believe a phased approach to solution implementation is best. Given such a phased approach, NDPERS can anticipate numerous phases including those phases leading up to the contract signing (i.e., those for RFP and procurement activities [Phases 1-3 in Figure 7 below]). As a backdrop for considering these proposals, we offer the following components based upon our experience in a number of similar projects (Figure 7).

We anticipate that the overall project will encompass six major phases. These phases are not to be confused with the benefit application functional rollout phases – e.g., membership accounting, benefit payment, employer reporting. The phases, which encompass all activities from the original definition of requirements through post warranty support, are summarized in Figure 7.





**FIGURE 7 - THE PHASED PROJECT LIFE CYCLE**



The first phase (Requirements Definition) began when NDPERS awarded LRWL the contract to develop this report (see Section 5.2 Capabilities Required in New System for high level requirements).

The second phase (RFP Development and Evaluation Criteria) will begin assuming Board approval for the project is forthcoming at the June meeting. When the second phase is completed, NDPERS will issue an RFP soliciting proposals from the vendor community and have in place the evaluation criteria necessary to review, rank and determine a preferred vendor.

Phase three (Procurement) will involve NDPERS staff in a number of steps leading to the execution of the contract. Procurement activity will include the following:

- Advertising the RFP itself in accordance with NDPERS procurement procedures and regulations.
- Conducting a bidders' conference to provide additional information, solicit questions and reply to those questions.
- Receiving the actual responses from the competing vendors.
- Conducting the first round of evaluations and preparation of any necessary questions or requests for clarifications.
- Conducting the second round of evaluations to examine the supplemental materials submitted by the vendors.
- Conducting the product demonstrations by selected vendors.
- Soliciting "Best and Final Offers" from selected vendors.
- Identifying the preferred vendor
- Conducting contract negotiations





- Awarding the contract to the successful vendor.

Phase four (Implementation) is the longest part of the project and can last for two or more years. Typically, this phase includes the following steps:

- Reviewing, confirming or reaffirming requirements as stated in the RFP.
- General design activities including a number of Joint Applications Design (JAD) sessions targeted at hammering out the specifics of the NDPERS business rules as they apply to the selected software application. It is not atypical to include some business process reengineering during this phase as well.
- Establishing the necessary infrastructure and environment to host and house the application development effort, the testing effort and the final work environment.
- Implementing the core line-of-business functionality – including user acceptance testing, training, data conversion and acceptance – for the following sets of functionality:
  - ✓ Member processing, employer contributions, wage posting, etc.
  - ✓ Benefit calculation including purchase of service, refunds and other sub processes.
  - ✓ Payroll and other disbursements
  - ✓ Web enablement.

Throughout this phase the vendor will be engaged in data conversion efforts, testing, training and rollout activities associated with each of the above sub steps. If NDPERS elects to have the vendor undertake the data cleansing effort, it often will occur at the beginning of phase four as well.

Phase Five (Warranty) will occur after the solution rollout and should be tied to the final release of the entire system. During this period any defects that have been identified by the users following roll out will be addressed and remedied by the vendor.

The final phase (Post Warranty Support) will depend upon the model selected by NDPERS as part of the development of the RFP.

## 9.4 Timeframe

The project's duration will depend to some extent on the solution selected. Our experience suggests that eight to ten months is required to develop the RFP, evaluate vendor proposals, and negotiate a contract for an effort of this magnitude. Based on our experience, most comprehensive phased public retirement system implementations of this size and complexity take from 30 to 36 months to go from contract execution to "go-live" of the final phase. The combination of the RFP development, procurement and the system implementation can be expected to take from three to four years, depending on the number of functional rollouts. None of the above timeframes include the warranty period.

Figure 8 below depicts the RFP development and procurement and implementation activities under a phased approach.





**Figure: 8 - Timeline for RFP Development, Procurement and Phased Implementation**

ID	Task Name	2006				2007				2008				2009				2010				2011							
		Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4				
1	Phase 0 - Startup	[Gantt bar]																											
12	Phase 1: Feasibility Study and Cost Benefit Analysis	[Gantt bar]																											
52	Phase 3: RFP Development	[Gantt bar]																											
53	RFP Development	[Gantt bar]																											
54	Publish RFP	[Gantt bar]																											
55	Vendors develop and submit proposals	[Gantt bar]																											
56	Evaluate proposals and select vendor	[Gantt bar]																											
57	Implementation	[Gantt bar]																											
58	Infrastructure, Requirements, Design	[Gantt bar]																											
59	Phase 1 Implementation	[Gantt bar]																											
60	Phase 2 Implementation	[Gantt bar]																											
61	Phase 3 Implementation	[Gantt bar]																											
62	Warranty (6 months)	[Gantt bar]																											
63	Post Implementation Support	[Gantt bar]																											
64		[Gantt bar]																											
65	Phase 4: Option - Project Management	[Gantt bar]																											

## 9.5 Oversight Project Management, Quality Assurance, and/or Independent Verification and Validation Resource

It goes without saying that managing the implementation of a new benefit solution – especially a solution as highly integrated and all-encompassing as the one being recommended herein – is a major challenge. The selected solution vendor will almost surely assign a full-time project manager. NDPERS will assign a close to full-time project manager. In addition to these indispensable resources, it is recommended that NDPERS also acquire the services of an outside oversight project manager to add to the PMO capabilities. Again, the objective is to enlist the support of a firm that is experienced in several previous public retirement system solution implementations.

The skills to be sought in the oversight project manager include:

- Organizational / staff assessment skills relating to retirement system LOB implementations – to gauge the effectiveness of the project organization and the individual team members (both NDPERS and vendor) and to make recommendations to improve the project organization if so indicated
- Scope management skills – to review change requests from several viewpoints (necessity of the requests, whether or not they are actually outside the project’s original scope, reasonableness of estimated cost, feasibility in terms of the project schedule, tracking of change requests over the course of the project, etc.)
- Deliverable evaluation skills – reviewing vendor submitted deliverables against RFP requirements and project specifications, assessing adequacy of test plans and examining test results, reporting deliverable deficiencies back to NDPERS and the implementation vendor, authorizing payments associated with submitted deliverables, etc.
- Issues resolution – identifying project issues, analyzing underlying causes, developing alternatives for resolution, achieving consensus on recommended course of action, follow-up, issues tracking, etc.

NDPERS identified this as an option in their recent RFP; it needs to be executed prior to the start of the implementation phase.





## 10 REVIEW OF COSTS

The following sections present information pertinent to NDPERS' decision to move forward with the benefit system replacement RFP. The first section presents historic data drawn from our familiarity with a number of implementations, either underway or completed, with solution characteristics comparable to those that NDPERS envisions. The second section presents a list of software vendors active in the public benefit systems space.

### 10.1 Cost Considerations

Tables 13 and 14, below provide information invaluable to determining comparable costs to the NDPERS system replacement.

Table 13 - Public Benefit System Demographic Data, provides statistics for member, agency employee, employer, etc. for similar retirement systems. Each entry in "Public Benefit System Demographic Data" provides the following information:

- Retirement System
- Portfolio Value (\$Billion)
- Active Members (000's)
- Retirees (000's)
- Total (000's)
- Number of Employers
- Multiple Plans
- Multiple Locations
- Number of Agency Employees

Table 14, - Public Benefit System Implementation Comparables, presents the overall solution implementation cost, hardware costs, imaging cost, and other noteworthy characteristics of the implementation. Each of the characteristics gathered is described briefly below:

- Retirement System – Indicates the retirement system being described
- Date of Contract – Indicates year when the implementation started
- Solution Implementation – Provides the overall cost of the solution, including hardware, software, customizations, installation, and configuration
- H/W – Presents separately the cost of any hardware procured to run the software, including upgrades to servers, network switches, etc.
- Total LOB Implementation – Presents total cost of the LOB implementation
- Back-file Conversion – Indicates the cost for any imaging back-file conversion effort and whether imaging was a capability elected by the client site
- Total Imaging Costs – Provides the total cost of any imaging related hardware, software (e.g., scanners, film readers, etc.) and services
- Warranty Duration – Indicates the length of time the solution was under warranty
- Post Warranty Support – PWS (Dollars) – Presents the cost and characteristics of the maintenance agreement entered into with the vendor
- Length of PWS – Indicates the length of the Post Warranty Support agreement
- Total - Excluding Post Warranty Support – Presents the total cost of implementation and imaging.





**Table 13 - Public Benefit System Demographic Data**

<b>Retirement System</b>	<b>Portfolio Value (\$Billion)</b>	<b>Active Members (000's)</b>	<b>Retirees (000's)</b>	<b>Total (000's)</b>	<b>Number of Employers</b>	<b>Multiple Plans</b>	<b>Multiple Locations</b>	<b>Number of Agency Employees</b>
<b>Milwaukee ERS</b>	3.8	13.8	9.7	23.5	8	Yes	No	27
<b>New Mexico PERA</b>	9.4	50.7	21.3	72.0	158	Yes	Yes	64
<b>Missouri PSRS / PEERS</b>	20.3	145.0	45.0	190.0	533	Yes	No	100
<b>Vermont OST/RD</b>	2.6	31.9	9.3	41.2	800	Yes	No	12
<b>Maine SRS</b>	8.5	55.0	39.0	94.0	654	Yes	No	137
<b>Idaho PERS</b>	6.9	60.5	23.0	83.5	670	Yes	Yes	56
<b>New Hampshire RS</b>	4.0	46.7	14.4	61.1	843	Yes	No	50
<b>Kansas PERS</b>	10.3	148.1	59.1	207.2	1,454	Yes	No	86
<b>San Bernardino County ERA</b>	3.3	15.9	5.5	21.4	18	Yes	No	24
<b>Colorado FPPA</b>	2.7	14.8	6.6	21.4	521	Yes	No	32
<b>Contra Costa County ERA</b>	3.5	9.5	6.0	15.5	18	Yes	No	37
<b>North Dakota RIO</b>	1.5	10.5	5.5	16.0	260	No	No	18
<b>North Dakota PERS</b>	1.6	22.5	6.3	28.8	360	Yes	No	30





**Table 14 - Public Benefit System Implementation Comparables**

Retirement System	Year of Contract	Solution Implementation (\$M)	H/W (\$M)	Total LOB Implementation (\$M)	Imaging H/W, S/W and Services (\$M)	Back-file Conversion (\$M)	Total Imaging Costs (\$M)	Warranty Duration	Post Warranty Support \$	Length of PWS	Total - Excluding Post Warranty Support (\$M)
Milwaukee ERS	2005	11.2	2.5	13.7	0.3	0.7	1.0	6 months	1.7	2 years	14.7
New Mexico PERA	2002	12.0	1.0	13.0	N/A	N/A	N/A	6 months	0.4	5,760 hours	13.0
Missouri PSRS / PEERS	2006	7.6	1.7	9.3	0.8	0.5	1.3	6 months	0.5	1 Year	10.6
Vermont OST/RD	2006	8.1	0.4	8.5	Sep	N/A	N/A	N/A	N/A	N/A	8.5
Maine SRS	2006	6.8	0.8	7.6	N/A	N/A	N/A	6 months	0.8	5 years	7.6
Idaho PERS	1997	6.2	0.8	7.0	0.8	N/A	N/A	3 months	N/A	-	7.0
New Hampshire RS	2001	4.7	0.8	5.5	N/A	N/A	N/A	6 months	3.2	5 years	5.5
Kansas PERS	2004	4.8	0.1	4.9	N/A	N/A	N/A	N/A	N/A	N/A	4.9
San Bernardino County ERA	2001	3.6	0.6	4.2	N/A	N/A	N/A	6 months	N/A	-	4.2
Colorado FPPA	2006	4.0	0.2	4.2	N/A	N/A	N/A	-	-	N/A	4.2
Contra Costa County ERA	2005	2.3	0.3	2.6	NA	N/A	N/A	6 months	N/A	-	2.6
North Dakota RIO	2004	1.8	0.0	1.8	0.1	N/A	0.1	1 Year	0.1	-	1.9





## 10.2 Specific Comparables

As can be seen by reviewing Table 14, the average cost for solution implementations varies from \$6.7M to \$7.1M depending on whether warranties are included or not and whether we eliminate the high and low costs before computing the average. We believe a conservative estimate for planning purposes would be \$6.5 to \$7 million for the application system alone. Additional costs would be required for the implementation (e.g. backfile conversion and Independent Validation and Verification, Quality Assurance and Oversight Project Management services).

But, we caution NDPERS that a number of market-driven factors affect the cost – some logical and able to be explained and others upon which we can only provide comment and not completely explain. These include issues such as:

- “How badly” vendors want business – sometimes they want to enter a new level of the market (and hence heavily discount one project), or they want to avoid having staff on overhead or be forced to “lay them off” for lack of work, etc.
- How badly certain vendors want to “beat” a competitor (and they are willing to lower their prices).
- In other instances, vendors have more work than they can effectively manage; thus while they want to not miss a business opportunity they may be less aggressive in their pricing model.
- The degree of complexity of plans to be administered and the number of benefits and plans that must be coordinated.

## 10.3 Current IT Operating Budget

It is important to point out that, if NDPERS were to elect to do nothing (i.e. not move forward with a legacy application system replacement effort), it would still incur significant annual IT operating costs for a system that is fragile, difficult to maintain, non-integrated and limited in scope and functionality.

Table 15 – IT Operating Costs ITD- and NDPERS-related IT operating costs. It is important to note that some level of NDPERS on-site support will still likely be required even if the legacy system is replaced. Nevertheless, choosing to do nothing (which we do not believe is a real option) carries a continuous and significant real cost.

**Table 15 - IT Operating Costs**

	Projected 2005-2007	Projected 2007-2009
<b>ITD Data Processing Costs</b>	487,788	519,323
<b>PERS IT Staff - 3 FTE (Salary and Benefits)</b>	324,421	350,374
<b>Total Projected Operating Costs</b>	812,209	869,698

## 10.4 Current LOB Implementation Vendors

LRWL has evaluated proposals from and overseen implementation of all of the major solutions available in the public benefit marketplace, including those from BearingPoint, Saber, CPAS, Levi Ray & Shoup, PeopleSoft, Sagitech, Tier, Vitech, and Watson Wyatt. We not only are familiar with their products and





methodologies, we know many of their staff members (and their respective strengths and weaknesses). And, we have evaluated the offerings of several other solution providers – CIBER, Deloitte, Hunter, James Evans & Associates, OptData, TaTa Infotech, etc.

Some of these vendors focus on the larger implementations, some on smaller ones and some on those in between. Several of them appear to have reached their zenith and are not as active (or successful in winning contract awards) as they once were. Others are “up and comers.” We point out that being in either of these positions comes with its own positives and negatives.

Table 16 presents a list of current LOB implementation vendors and the systems that they have implemented or are implementing.

**Table 16 - Current LOB Implementation Vendors**

NBR	COMPANY	PRODUCT NAME	COMMENT	RECENT PROJECTS
1	Accenture		Seem to always want to be a player, but to our knowledge does not have a product for public retirement systems	Recently awarded a \$220M contract with CalPERS with Covansys (now Saber) as a subcontractor
2	Acuent, Inc.		Often as a programming partner with PeopleSoft	We do not know current status
3	Athens Group			<ul style="list-style-type: none"> <li>• Texas Municipal Retirement System</li> <li>• Texas Teachers' Retirement System</li> <li>• Texas County &amp; District Retirement System</li> </ul>
4	Bearing Point (formerly KPMG Consulting) (BP)	POINT, BPAS	Large number of implementations; typically mid-range to large systems	<ul style="list-style-type: none"> <li>• Teachers Retirement System of Georgia</li> <li>• North Carolina Retirement System Division</li> <li>• Louisiana State Employees Retirement System</li> <li>• Employees Retirement System of Georgia</li> </ul>
5	CIBER		Often as a programming partner with PeopleSoft	We do not know current status
6	Saber Consulting, Inc.	jClarety	Large number of statewide implementations, typically mid-range to large systems	<ul style="list-style-type: none"> <li>• New Mexico Public Employees Retirement Association (PERA)</li> <li>• Milwaukee City Employees Retirement System</li> <li>• Indiana Public Employees and Teacher Retirement Fund</li> <li>• Michigan Office of Retirement Services</li> <li>• Employees Retirement System of Rhode Island</li> </ul>
7	CPA Systems, Inc. (CPAS)	CPAS	Canadian firm; to our knowledge only 1 or 2 small US implementations; 48% of the firm is owned by Tier; see below	<ul style="list-style-type: none"> <li>• North Dakota Retirement Investment Office (RIO)</li> <li>• PA Municipal Employees Retirement System being upgraded</li> </ul>





NBR	COMPANY	PRODUCT NAME	COMMENT	RECENT PROJECTS
8	Deloitte Consulting		As a system integrator with a number of package vendors	We do not know who they are teaming with now; in the past it was PeopleSoft and Vitech
9	Gabriel, Roeder Smith & Company (GRS)		Have been trying to get into this business	<ul style="list-style-type: none"> <li>Michigan Municipal Retirement System is the only implementation we know of</li> </ul>
10	Hunter, Inc. (also called Cedar group)			<ul style="list-style-type: none"> <li>New York State Teacher's Retirement System</li> </ul>
11	James Evans & Associates Ltd.	JEA	Canadian firm; to our knowledge no US (but multiple Canadian) clients but have indicated that they would like to break into the US market; seem to favor an Application Service Provider (ASP) approach	We do not know current status
12	Levi, Ray, and Shoup, Inc. (LRS)	PensionGold	Typically smaller implementations – counties, cities, two small statewide systems.	<ul style="list-style-type: none"> <li>New Hampshire Retirement System</li> <li>San Bernardino County Employees Retirement Association</li> <li>other California counties</li> </ul>
13	Mellon Human Resources & Investor Solutions (Buck Consultants) – about to become part of ACS		Bid Massachusetts Teachers Retirement Board with Oracle; have in-house Third Party Administrator (TPA) / service bureau capability	<ul style="list-style-type: none"> <li>Replaced as service bureau in NHRS; still support Virgin Islands Retirement System; have commercial clients</li> </ul>
14	Oracle		Bid Massachusetts Teachers Retirement Board with Buck	We do not know current status
15	PeopleSoft (P/S)	PeopleSoft	Partner with solution vendors; most recently with Cedar (Baltimore-based firm) on New York State Teachers Retirement System (NYSTRS)	<ul style="list-style-type: none"> <li>NYSTRS</li> <li>Delaware Public Employees Retirement System</li> <li>Georgia ERS (being replaced)</li> </ul>
16	Sagitec	NeoSpin Browser-Based Public Benefit Administration	New company; former BearingPoint group	<ul style="list-style-type: none"> <li>Started Kansas Public Employees Retirement System (KPERs) in December 2004</li> <li>Subcontractor consultant to prime at WI ETF</li> <li>About to sign a second statewide solution contract</li> </ul>
17	SAP		Seem to always want to be a player, but to our knowledge does not have a product for public retirement systems	We do not know current status
18	Standard Data Corporation		Claim to have “rights” to a good solution; were a subcontractor on the ill-fated Maryland State Retirement Agency (MSRA) – Syscom project.	We do not know current status





NBR	COMPANY	PRODUCT NAME	COMMENT	RECENT PROJECTS
19	TACS, Inc.		Very small New England cities and towns are their base; technology was not current when we last looked at them	We do not know current status
20	Tata InfoTech Limited		A large portion of their effort is done off-shore	More of a custom build; MA Teachers recently suspended their effort
21	Tier Technologies, Inc.	CPAS – see above	As the system integrator - partner with CPAS (Tier owns a large portion of CPAS)	<ul style="list-style-type: none"> <li>• New Mexico ERB</li> <li>• Pennsylvania Teachers</li> <li>• Pennsylvania Municipal (with CPAS)</li> </ul>
22	Vitech Systems Group, Inc.	V3	Company background is from Taft-Hartley plans	<ul style="list-style-type: none"> <li>• Ohio Police &amp; Fire Pension Fund</li> <li>• Pennsylvania School Employees Retirement System</li> <li>• New Mexico Educational Retirement Board</li> <li>• Employees Retirement System of Hawaii</li> </ul>
23	Watson Wyatt Worldwide		Appear to be “out of this business” – previously several California DB counties; only one small statewide system	We do not know current status
24	Chicago Consulting Actuaries	PenSmart	Appear to have a number of products that could possibly be integrated to provide a solution	We do not know current status
25	LynchVal	LVAdmin	Appear to be more oriented towards smaller clients and focused on valuation and actuarial areas	We do not know current status





## 11 OVERALL RECOMMENDATION

LRWL recommends that NDPERS move forward with the development of an RFP for a legacy application system replacement effort with the subsequent procurement processes.

In the development of this feasibility report, LRWL gathered a breadth of information through reviews of existing reports and documents and meetings with NDPERS management and staff. The following represents the most significant challenges NDPERS faces with their legacy application systems:

- Difficulty in absorbing and supporting new benefit programs
- Non-integrated systems requiring redundant and error-prone data entry
- Extensive manual processing and work-arounds
- Difficulty and uncertainty of outcome when implementing enhancements – application maintenance challenges and instability
- Inherent instability of system
- Significant maintenance required of legacy system
- Built-in functional limitations since the system was built many years ago
- Finding and retaining competent programmers
- System demanding of operational personnel resources (i.e. it is difficult to use rather than aiding users)
- Short retention window for plan history (e.g., defined benefit, health, etc.) – data deleted
- Lack of interactive Web site for employers
- Insufficient built in edit checks for many functions – employer reporting, wage and contribution, etc.
- Insufficient customer relationship tracking

By implementing a new benefit record keeping system, NDPERS will:

- Have functionality spanning plans integrated under one umbrella solution, thereby ensuring the efficient and accurate administration of member benefits
- Increase operating efficiency and ability to deliver timely, accurate services, thereby ensuring the efficient and accurate administration of member benefits
- Decrease training time for new hires through better documentation and workflows, thereby educating members, employers and the public on the value of NDPERS policies and programs, and earning the respect and trust of our clients
- Improve member communications, thereby providing an employee benefit package that is among the best available from public and private employers in the upper Midwest, and educating members, employers and the public on the value of NDPERS policies and programs
- Improve the accuracy of member data, thereby ensuring the efficient and accurate administration of member benefits, and earning the respect and trust of our clients
- Enable electronic interactions with employers, members, and retirees, thereby ensuring the efficient and accurate administration of member benefits, and maintaining the actuarial and financial soundness of the funds
- Eliminate the time lag associated with batch-oriented mainframe systems and replace such with interactive real-time processing, thereby providing an employee benefit package that is among the best available from public and private employers in the upper Midwest.





A high-level list of the benefits NDPERS' stakeholders can expect to see from a system replacement are identified below:

<b><u>Members and Retirees:</u></b>	<b><u>Employers:</u></b>
<ul style="list-style-type: none"> <li>▪ Faster response to inquiries</li> <li>▪ New services</li> </ul>	<ul style="list-style-type: none"> <li>▪ Streamlined reporting</li> <li>▪ Easier training</li> </ul>
<b><u>NDPERS:</u></b>	<b><u>NDPERS Employees:</u></b>
<ul style="list-style-type: none"> <li>▪ Support for increased retirements with minimal increase in staff</li> <li>▪ Support for increasing number of retirees wave with minimal increase in staff</li> <li>▪ Support for increasing number of retirees wave without corresponding increase in staff size</li> <li>▪ Easier training</li> <li>▪ Work managed automatically through the system Management information (metrics)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Flexibility in work schedules and locations</li> <li>▪ Improved job satisfaction</li> <li>▪ More focus on higher-value-add tasks and less on tedious, repetitive processes (which can be automated)</li> </ul>
<b><u>All NDPERS Stakeholders:</u></b>	
<ul style="list-style-type: none"> <li>▪ Improved audit capability</li> <li>▪ Ability to meet new and changing requirements more rapidly and more easily</li> </ul>	

Given the costs associated with comparable projects presented earlier in Section 10.1 and the breadth of functionality identified by management and staff during our review, we believe that NDPERS can anticipate cost proposals for a replacement system in the range of \$6.5 - \$7 million.

The project management demands of the implementation effort, following RFP development and procurement, are often more than a retirement system is prepared to shoulder with existing resources. With that in mind, we also recommend that NDPERS procure the services of a firm with extensive experience in Oversight Project Management, Quality Assurance and Independent Validation and Verification support in the public benefit fund sector specifically. Doing so will mitigate a number of the risks associated with an endeavor of this size and duration. NDPERS should anticipate such services, over a 3-year implementation timeframe, requiring additional funding in the area of \$750,000 to \$1 million.

As discussed earlier, the back-file image conversion should cost less than \$200,000.

Finally, NDPERS should anticipate some level of change orders during the implementation process. With this in mind, we recommend establishing a contingency fund of 10% of the estimated system replacement costs.

Given these cost components, the funding level necessary to put in place a modern, integrated benefit and benefit record keeping system that addresses needs that NDPERS staff and management have identified, falls in the range of \$8.0 to \$9.0 million.





## APPENDIX A – GROUP BENEFITS MANAGED AND ADMINISTERED

The table provided below lists group benefits managed and administered by NDPERS:

1/1/2006 Table 1

### STATE OF NORTH DAKOTA GROUP BENEFITS MANAGED AND ADMINISTERED BY NDPERS

PARTICIPATION	RETIREMENT	HEALTH	LIFE	DENTAL	VISION	EAP	DEFERRED COMP	FLEXCOMP	RETIREE HEALTH CREDIT
<b>AGENCY</b>									
State	92	92	92	92	92	92	92	83	92
Counties	44	38	28				40	-	44
School Dist	97	25	3				45	-	97
Cities	70	56	21				23	-	70
Others	55	60	22				22		55
	<b>358</b>	<b>271</b>	<b>166</b>	<b>92</b>	<b>92</b>	<b>92</b>	<b>222</b>	<b>83</b>	<b>358</b>
<b>EMPLOYEES</b>									
State	10,326	13,779	14,575	3,274	2,878	14,575	4,138	7,800	10,326
Counties	3,189	1,757	2,626				1,455	-	3,189
School Dist	4,386	1,150	63				602	-	4,386
Cities	527	1,011	159				350	-	527
Others	431	427	228				190		431
Legislators	0	129						-	
Retirees	6,473	5,208	3,042 (1)	1,083	539		1,100	-	3,745
COBRA		507						-	
	<b>25,332</b>	<b>23,968</b>	<b>20,693</b>	<b>4,357</b>	<b>3,417</b>	<b>14,575</b>	<b>7,835</b>	<b>7,800</b>	
<b>INCOME CONTRIBUTIONS</b>									
8.12% Gross Annual Payroll	\$260.62 Individual \$643.12 Family (Rates differ for retirees & political subdivisions)	\$1,300 @ .28/Month + Supplemental Contributions	Full cost of the Dental Plan is paid by the member.	Full cost of the Vision Plan is paid by the member.	Per Contract cost of \$1.42 per month.	Level of Parti- cipation Decided by Employees	Level of Parti- cipation Decided by Employees	1% of Gross Annual Payroll	
<b>FINANCIAL</b>									
Estimated Annual Receivables	\$44,000,000	\$140,000,000	\$2,400,000	\$1,900,000	\$300,000	\$250,000	\$11,550,000	\$5,142,000 + Pretax Amount \$1,100,000	\$5,250,000
Estimated Annual Payables	\$56,000,000	\$140,000,000 (4)	\$2,400,000 (2)	\$1,700,000 (5)	\$300,000	\$250,000	\$3,000,000	\$5,142,000 (3)	\$4,200,000
Total Assets	\$1,480,000,000 (6)						\$91,000,000		\$33,915,000

(1) Full cost paid by retiree @ \$1,300 limit  
(2) Estimated based on past experience

(3) Assumes all deferrals are claimed  
(4) Plan is fully insured by BCBS

(5) Plan is fully insured by ReliaStar  
(6) Excludes \$13 million in D.C. 401(a) assets





## APPENDIX B – RETIREMENT SYSTEMS MANAGED AND ADMINISTERED

The table provided below lists retirement systems managed and administered by NDPERS:

6/30/2005 Table 2

### STATE OF NORTH DAKOTA RETIREMENT SYSTEMS MANAGED AND ADMINISTERED BY NDPERS

PARTICIPATION	Main	Highway Patrol	Job Service	Judges	Guard	Law Enforce with Main Service	Law Enforce w/o Main Service	401(a) Defined Contribution	RETIREE HEALTH CREDIT
<b>AGENCY</b>									
State	92	1	1	1	1			92	92
Counties	44					6	1		44
School Dist	97								97
Cities	70					3			70
Others	55								55
<b>TOTAL</b>	<b>358</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>				<b>358</b>
<b>EMPLOYEES</b>									
State	9,762	125	52	46	14			252	9,762
Counties	3,083					88	13		3,083
School Dist	4,378								4,378
Cities	503					25			503
Others	427								427
Legislators	0								
Retirees	5,921	92	217	25	4	0	0	42	<b>3,682</b>
<b>TOTAL</b>	<b>24,074</b>	<b>217</b>	<b>269</b>	<b>71</b>	<b>18</b>	<b>113</b>	<b>13</b>	<b>294</b>	
<b>FINANCIAL</b>									
Contributions	8.12% Gross Annual Payroll	16.70% Gross Annual Payroll	7.00% Gross Annual Payroll	14.52% Gross Annual Payroll	8.33% Gross Annual Payroll	8.31% Gross Annual Payroll	6.43% Gross Annual Payroll	8.12% Gross Annual Payroll	1% of Gross Annual Payroll
Total Assets	\$1,403,066,411	\$47,179,197	\$81,508,999	\$25,165,175	\$1,693,912	\$3,032,184	\$48,711	\$13,047,045	\$33,915,161





## APPENDIX C – INVENTORY OF SPREADSHEETS USED BY NDPERS

The following table provides a list of Excel spreadsheets used by NDPERS staff and management to supplement functionality missing from the currently system:

<b>Name of Spreadsheet</b>	<b>Associated Plan or Program</b>	<b>Purpose</b>	<b>User</b>
FlexComp Reconciliation 2006	FlexComp	Where the central/supplemental payroll reports are placed to use in posting the deposit to the cash receipts journal, FlexComp CRJ FY 2006	Sharon E
FlexComp CRJ FY 2006	FlexComp	Used to list all deposits from Employers not on the Central Payroll system	Sharon E
FlexComp Disbursement Log 2006	FlexComp	List my daily check numbers and amount and advice numbers and amount off reports I receive once the claims payment process is completed	Sharon E
FlexComp Deposits by Employers	FlexComp	Used to list all deposits from Employers not on Central Payroll reporting	Sharon E
IBS Totaling	IBS Payments	List my daily check amounts and advice amounts off payments I receive	Michele
Deferred Comp - Transmittal Login	Deferred Comp Payments	List dates that transmittals are received for Deferred Comp, verify they're in by due date, ensures all have been received	Michele
Transmittal Batch Sheets	Deferred Comp Payments	Used to batch transmittals that are received in order to key and balance the transmittals daily	Michele
DC Plan – A new DC transfer & A new NG DC transfer	Defined Contributions	Used to estimate defined contribution option	Michele
Missed Contribution Master	Missed Contributions	Used to estimate interest and amount due from agencies that miss a member's contributions	Michele
Purchase of Service Deposits	Purchase of Service	Track monies received by date, amount, member name and type of purchase	Michele
Rollover Purchases	Purchase of Service	Track monies received for rollovers by amount received by type of rollover plan	Michele
Deposits	Purchase of Service	Track amount of deposit completed daily for input into Cash Receipts Journal	Michele
Gr 007 & 009 Insurance Worksheet	Group Insurance	Track changes for insurance deductions that are keyed by Kristi (Rebecca)	Michele





<b>Name of Spreadsheet</b>	<b>Associated Plan or Program</b>	<b>Purpose</b>	<b>User</b>
RIO Insurance Worksheet	Group Insurance	Track changes for insurance deductions that are sent to RIO	Michele
Adjustments	Food Stamp Bonus & other adjustments	Used to list multiple salary adjustments to a member's account	Michele
Travelers Monthly COLA Authorization - Reconciliation	Retirement	Basis for establishing amount of travelers benefit checks	Diane
PERS AUTH-PD-UP Annuity Check	Retirement	Basis for establishing amount of Job Service benefit checks (non-travelers)	Diane
Object codes	Peoplesoft	Peoplesoft Object Codes	Tammy
FlexComp.xls	FlexComp	Used to reconcile FlexComp bank statement	Tammy
Cash distribution	Retirement	Used to prepare audit confirmations of ret. Contrib. made by ers for fiscal year. Compiled from cash distribution reports	Tammy
Out of State Travel	All programs	Used to record travel for budgeting purposes	Tammy
Def Comp bank reconciliation	Deferred Comp	Used to reconcile deferred comp	Tammy
TAP123	FlexComp	FlexComp outstanding check list	Tammy
Data collection 2006	All programs	Data collection report	Tammy
Leave reports	Leave plans	Tracks leave accrued & taken	Tammy
Monthly Work Totals	Adm. Services	Track monthly totals of tasks performed	Cindy
Daily Time Spent on Mail	Adm. Services	Track daily time spent on processing incoming and outgoing mail	Cindy
Monthly Data Collection	Adm. Services	Track monthly time spent on correspondence	Cindy
Postal Account #37 (bulk mail account)	Adm. Services	Track postage dollars for bulk mailings	Cindy
Postal Account #540 (postage due account)	Adm. Services	Track dollars spent on postage due	Cindy
Postal Account #578 (business reply account)	Adm. Services	Track dollars spent on business reply mail	Cindy
Postage Balance	Adm. Services	Track money that we have at Pitney Bowes to process daily outgoing mail (breaks postage down by program/type of mail)	Cindy
New Retiree Spreadsheet	Adm. Services	Tracks paper processing of a new retiree	DB Plans





<b>Name of Spreadsheet</b>	<b>Associated Plan or Program</b>	<b>Purpose</b>	<b>User</b>
Health/Life Data Entry Verification	Adm. Services	Tracks data verification of health and life applications	Cheryl
Monthly Data Collection Summary Form	Adm. Services	Tracks tasks done in the retirement division by task	Barry
Log Sheets for Alternative Retirements	Adm. Services	Record the form received from alternative retirees and nearing age 65 letters	Geri
Medicare Part D Worksheets	Adm. Services	Collect information from MedicareBlue Rx applications for electronic mailing to BCBS	Geri
Health Monthly	Adm. Services	Information collected from Bryon for nearing age 65 members for merge letters	Geri
Drop dependent monthly files	Adm. Services	Monthly information collected for dependents nearing ages 23 & 26	Geri
Dental and Vision 2006	Adm. Services	Track individuals on COBRA dental and vision and the monies received (check numbers)	Geri
Life Claims Paid	Adm. Services	Track life insurance claims paid on a monthly basis	Kim
Def Comp Provider Rep Education List	Adm. Services	Track def comp provider reps continuing education	Kim
Disability Cases to Mid Dakota	Adm. Services	Track disability cases sent to Mid Dakota physician for review	DB Plans
Cash Receipts Journal	Group Insurance	Record daily deposits.	Vickie
Insurance Adjustment Worksheets	Group Insurance	Record of Health & Life Adjustments to be balanced with carriers.	Vickie
Pay Direct Worksheet	Group Insurance	Reconcile Monthly Health, Life, & EAP Ins premiums for pay-direct agencies.	Vickie
Central Payroll Worksheet	Group Insurance	Reconcile Monthly Health, Life, & EAP Ins premiums for Central Payroll and IBS groups.	Vickie
IBS Worksheets	Group Insurance	Worksheets to balance 18 individuals pay-direct groups.	Vickie
Fund Benchmarks Q12006	Research	Investment Fund Benchmarks	Bryan
Fund Research Q12006	Research	Investment Statistics	Bryan
Fund Style Box	Research	Investment Fund Movement	Bryan





<b>Name of Spreadsheet</b>	<b>Associated Plan or Program</b>	<b>Purpose</b>	<b>User</b>
Health Rates 05-07	Research	Health Plan Rates	Bryan
Lifetable05	Research	Life Plan Rates	Bryan
ICD2003	Research	Inpatient Utilization Comparison	Bryan
Quarter	Research	Health Plan Utilization for active/retiree employee/dependent breakdown – Used for quarterly graphs and much more	Bryan
Surp0406	Research	Monthly Health Plan Financial Surplus Projection	Bryan
Disability Listing	Defined Benefit	Disability listing to track for recertification	Sharmain
FAS worksheet	Defined Benefit	Recalculation final average salary	Sharmain
Health Credit recalculation worksheet	Defined Benefit	Recalculation of health credit	Sharmain
Joint & Survivor Exclusion Ratio	Defined Benefit	Calculate exclusion ratio	Sharmain
FAS Indexing Calculation	Defined Benefit	Final average salary calculation	Sharmain
Manual Checks_13 <sup>th</sup>	Defined Benefit	To generate 13 <sup>th</sup> check to annuitants 1/1/06	Sharmain
Hp Indexing Worksheet	Defined Benefit	Annual index to HP deferred retirees	Sharmain
Status 49 Master	Defined Benefit	Track lost members	Sharmain
Sick Leave Calculation Table	Defined Benefit	Sick leave conversion calculation	Sharmain
Benefit recalculation worksheet	Defined Benefit	Correct error in calculation or do J & S pop-up	Sharmain
Benefit Verification Worksheet	Defined Benefit	Provides detail of benefit amount upon request	Sharmain
Repayment Conversion Worksheet 100% J & S	Defined Benefit	Calculation for overpayment of J & S 100% benefit	Sharmain
Repayment Conversion Worksheet.2	Defined Benefit	Calculation for overpayment of Single Life benefit	Sharmain
Prior Service	Defined Benefit	Roster of prior service annuitants	Sharmain
Term Certain options 12-8-05	Defined Benefit	List of all term certain annuitants	Sharmain
Single Life Exclusion Ratio	Defined Benefit	Calculate single life ratio	Sharmain
415TEST with new limits effective 1-04	Defined Benefit	415 limit test	Rebecca
Sick leave worksheet calculation for National Guard	Defined Benefit	Sick leave conversion calculation	Rebecca
Purchase Highway Patrol Revised with New Factors	Defined Benefit	Purchase calculations for Highway Patrol	Rebecca
Sick leave worksheet calculation for HP	Defined Benefit	Sick leave conversion calculation	Rebecca
Sick leave worksheet calculation	Defined Benefit	Sick leave conversion calculation	Rebecca





<b>Name of Spreadsheet</b>	<b>Associated Plan or Program</b>	<b>Purpose</b>	<b>User</b>
Purchase Judges Revised with New Factors	Defined Benefit	Purchase calculations for Judges	Rebecca
Sick leave worksheet calculation for LE w/prior service	Defined Benefit	Sick leave conversion calculation for Law Enforcement with prior service	Rebecca
Purchase worksheet revised 6-02	Defined Benefit	Purchase calculations	Rebecca
Sick leave worksheet for LE w/o prior service	Defined Benefit	Sick leave conversion for Law Enforcement without prior service	Rebecca
Highway Patrol Employee Contribution Calculation	Defined Benefit	Calculate employee contribution under USERRA	Rebecca
National Guard Employer Contribution	Defined Benefit	Calculate employer contribution under USERRA	Rebecca
Employee Contribution Calculation Worksheet	Defined Benefit	Calculate employee contribution under USERRA	Rebecca
Highway Patrol Employer Contribution Calculation	Defined Benefit	Calculate employer contribution under USERRA	Rebecca
Employer Contribution Calculation Worksheet	Defined Benefit	Calculate employer contribution under USERRA	Rebecca
TIAASTMT	Defined Benefit	Annuity contribution statement	Rebecca
Account Balance Interest Computation	Defined Benefit	Interest calculation for underpayment	Rebecca
Addition adjustment to paid annuitants	Defined Benefit	Calculate year to date, life to date, due to additional benefits paid	Rebecca
Overpayment Test	Defined Benefit	Calculate interest for overpayment	Rebecca
Benefit	Defined Benefit	Benefit verification	Rebecca
Subtraction Adjustment to Paid Annuitants	Defined Benefit	Calculate year to date, life to date, due to benefits returned	Rebecca
Underpayment Test	Defined Benefit	Calculate interest for underpayment	Rebecca
Underpayment	Defined Benefit	Calculate underpayment amount	Rebecca
Interest for returned rollover	Defined Benefit	Calculate interest for returned refund/rollover	Rebecca
Alternate Payee Interest Calculation	Defined Benefit	Calculate interest for alternate payee account	Rebecca
Reduced Test Calculation on Member Account Balance w/QDRO for HP	Defined Benefit	Calculation to test reduced benefit	Rebecca
Reduced Test Calculation on Member Account Balance w/QDRO	Defined Benefit	Calculation to test reduced benefit	Rebecca





<b>Name of Spreadsheet</b>	<b>Associated Plan or Program</b>	<b>Purpose</b>	<b>User</b>
Unreduced Test Calculation on Member Account Balance HP Member	Defined Benefit	Calculation to test unreduced benefit	Rebecca
Unreduced Test Calculation on Member Account Balance	Defined Benefit	Calculation to test unreduced benefit	Rebecca
CCD	Cash Distribution	To daily reconcile retirement contributions processed by daily batches off files, or discs received by agencies.	Raleigh
CRJ	Cash receipts Journal	To reconcile batch processing of accounts against money received from agencies that are deposits in the bank on a daily basis.	Raleigh
Deposit	Money Deposited	To allocate on a daily basis the amount designated to be deposited in the Money Market account and the Prefunding bank account.	Raleigh
Checkwrite	Benefit Payment	To reconcile on a monthly basis the difference in total benefits paid each month to retirees.	Raleigh
1099R Reconciliation	Accumulation of Federal W/H and Taxable wages	To reconcile on a monthly basis the accumulation of refunds and annuitant's taxes and taxable income.	Raleigh
DC Plan	Defined Contribution Plan	To calculate projections and actual amounts to be transferred for people eligible for that retirement plan.	Raleigh
Defined Contributions	Defined Contribution Plan	To record on a monthly basis the contributions made to the member and balance transferred on behalf of the member.	Raleigh
Missed Contributions	Missed Deposits	To calculate billings for agencies who have missed paying contributions on eligible members including interest. This also includes refunds to agencies.	Raleigh
Missed Contributions	Missed Deposits	To calculate 7.5% interest due employee upon payment of missed deposit.	Raleigh
Voided Checks	Journal Entry	Monthly entry to void outstanding checks.	Raleigh
415 Spreadsheet	Purchase Limits	To verify purchaser of service time with the 95 limits does exceed his maximum payment amount.	Raleigh





<b>Name of Spreadsheet</b>	<b>Associated Plan or Program</b>	<b>Purpose</b>	<b>User</b>
Transmittal Log	Wage reporting	To track reporting and payment of member agencies on a daily basis during monthly accounting period.	Raleigh
TIAA CREF	Transfers to that plan	To calculate transfers of funds to TIAA CREF on behalf of members switching to that plan	Raleigh
State Treasurer's Deposit	Funding Bank Accounts	To calculate estimation of replenishing bank accounts on a monthly basis.	Raleigh
Fidelity	Verification of DC Plan Transfers	To record DC plan transfers to Fidelity to after wire is made.	Raleigh
Leave	Reconcile NDPERS Leave balances	To reconcile our worksheet to the people soft leave balance reports on a monthly balance for NDPERS employees.	Raleigh
Time Sheets	Reporting Leave	To track monthly usage and accumulation of annual leave, sick leave, and comp time.	Every body
Accounts receivable subsidiary ledger	Retirement/group insurance/deferred comp	Provides a detailed listing to support the accounts receivable balance in the general ledger	Accounting
Accounts payable subsidiary ledger	Retirement/group insurance/deferred comp	Provides a detailed listing to support the accounts payable balance in the general ledger	Accounting
Prepaid contributions subsidiary ledger	Retirement/group insurance	Provides a detailed listing to support the prepaid accounts balance in the general ledger	Accounting
Journal entry templates	all	Templates used to record information from various source documents into the necessary format to get posted to general ledger (there is no interface between any of our business systems and the G/L)	Accounting
Blue Cross Blue Shield Interest Calculation Reconciliation	Internal Audit (IA)	Reconcile health insurance activity	Internal Audit
Central Payroll Reconciliation	IA (should be Accounting)	Reconcile Central Payroll Contributions to the deposit posted on the CRJ	Internal Audit
Contributor Master Reconciliation	IA (should be Accounting)	Reconcile contribution activity on the mainframe	Internal Audit
Minimum Guarantee Reconciliation	IA (should be Accounting)	Reconcile benefit payments activity on the mainframe	Internal Audit





<b>Name of Spreadsheet</b>	<b>Associated Plan or Program</b>	<b>Purpose</b>	<b>User</b>
FlexComp Reconciliation	Accounting	Reconcile FlexComp activity to the GL	Michele
Deferred Comp Cash Receipts Journal	Accounting	Cash Receipts Journal for contributions received	Internal Audit
Deferred Comp Age 70 1/2 calculation	Accounting	Test to determine if participating member has reached age 70 1/2	Accounting
Deferred Comp Exception Reconciliation	Accounting	Reconcile Central Payroll Contributions to the mainframe	Internal Audit
Deferred Comp Fidelity Wire Transfer form	Accounting	Form to input amount to be wired to Fidelity	Internal Audit
Deferred Comp Replacement Transmittal	Accounting	Transmittal form used for corrections to data entry errors	Internal Audit
Deferred Comp Transmittal Batch Sheets	Accounting	Batch headers for posting contributions to mainframe (3 types)	Internal Audit
Deferred Comp Reconciliation Worksheets	Accounting	Worksheets to reconcile provider reports to employer transmittals	No staff to do this at this time
Political Sub survey statistics	Health Insurance	Track minimum contribution of health premium for participating political division groups to ensure compliance with policy	Cheryle
Project Time Management worksheet	Internal Audit	To track time spend on various audits and projects throughout the workday	Internal Audit
Audit Tracking worksheet	Internal Audit	To track various audits in progress and completion percentage	Internal Audit
Sample Selection worksheet	Internal Audit	To select sample for testing purposes	Internal Audit





## APPENDIX D – ALLOCATION OF PROJECT COSTS OVER 10-YEAR TIMELINE

The following table presents an allocation of project costs as estimated by ITD and LRWL.

Cost Comparison of Replacement Approach for NDPERS Legacy Application System													
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total	
1	Develop Benefit System through ITD	Estimated Cost	\$0	\$2,523,833	\$2,323,833	\$3,073,833	\$1,846,951	\$215,340	\$215,340	\$215,340	\$215,340	\$215,340	\$10,845,151
	a System Replacement (40 months)	\$6,100,000	\$0	\$1,830,000	\$1,830,000	\$1,830,000	\$610,000						\$6,100,000
	b IV&V/QA/OPM services	\$1,111,111	\$0	\$333,333	\$333,333	\$333,333	\$111,111						\$1,111,111
	c Backfile Conversion	\$200,000	\$0	\$200,000	\$0	\$0							\$200,000
	d Contingency Fund (25%)	\$1,500,000	\$0	\$0	\$0	\$750,000	\$750,000						\$1,500,000
	e Additional Staffing (4 FTE)	\$160,500	\$0	\$160,500	\$160,500	\$160,500	\$160,500						\$642,000
	f ITD Hosting	\$64,140	\$0	\$0	\$0	\$0	\$64,140	\$64,140	\$64,140	\$64,140	\$64,140	\$64,140	\$384,840
	g ITD Out-year Support	\$151,200	\$0	\$0	\$0	\$0	\$151,200	\$151,200	\$151,200	\$151,200	\$151,200	\$151,200	\$907,200
2	Procure Benefit System from Vendor	Estimated Cost	\$316,720	\$3,027,167	\$3,177,167	\$3,177,167	\$424,640	\$264,140	\$264,140	\$264,140	\$264,140	\$264,140	\$11,126,840
	a RFP development	\$316,720	\$316,720	\$0									\$0
	b System Replacement	\$7,000,000	\$0	\$2,333,333	\$2,333,333	\$2,333,333							\$7,000,000
	c IV&V/QA/OPM services	\$1,000,000	\$0	\$333,333	\$333,333	\$333,333							\$1,000,000
	d Backfile Conversion	\$200,000	\$0	\$200,000	\$0	\$0							\$200,000
	e Contingency Fund (10%)	\$700,000	\$0	\$0	\$350,000	\$350,000							\$700,000
	f Additional Staffing (4 FTE)	\$160,500	\$0	\$160,500	\$160,500	\$160,500	\$160,500						\$642,000
	g ITD Hosting	\$64,140	\$0	\$0	\$0	\$0	\$64,140	\$64,140	\$64,140	\$64,140	\$64,140	\$64,140	\$384,840
	h Vendor Out-year Support		\$0	\$0	\$0	\$0	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$1,200,000

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## APPENDIX E – SUMMARY OF RECOMMENDATIONS

The table provided below lists all of the recommendations made in the report:

Recommendation	Section of Report
Collect more efficiency, workflow, accuracy, and customer service metrics	3.3.2
Affirm data and software quality as organizational priorities	3.5.4
Develop and maintain a data dictionary.	3.5.5
Pursue replacement of the legacy application system and not maintain and enhance that system.	6.3
Pursue a level of integration that will allow NDPERS to put most work processes under workflow management control but retain the ability to process work outside of the workflow management system on an exception-only basis	8.1
Web-based services should be rolled out in phases, limiting the scope of any single phase to that which can be adequately supported by retirement system staff	8.3.1
Begin verifying the accuracy and integrity of data maintained within the various systems it administers, or consider including responsibility for a data cleansing effort within the scope of activities included in the system replacement RFP	8.3.5
Data remediation process should include providing a detailed audit history report of all data changes and adjustments	8.3.5
Assign primary responsibility for data conversion to the LOB vendor	8.3.6
The LOB vendor should also be required to conduct multiple tests of the conversion	8.3.6
The new solution should be implemented in distinct phases	8.3.6





Recommendation	Section of Report
Assign responsibility for the development of written procedures, methods, and checklists for balancing and reconciling the conversion and bridging of data between the legacy environment and the new environment to the LOB vendor	8.3.6
Require the LOB vendor to provide the hardware	8.3.7
Bundle the purchase of commodity software with the benefit application procurement	8.3.8
Require LOB vendors to provide a warranty on the delivered solution	8.3.11
Require each vendor, regardless of the option required by NDPERS, to provide an estimate of both hours (broken down by skill level) and cost of the post-warranty operations and IT support	8.3.12
Require the vendors to specify the level of NDPERS participation (in person hours) that will be required	8.3.14
Provide a dedicated, sufficiently equipped workspace large enough to accommodate all NDPERS' project team members and solution vendor personnel.	9.1
Commit an adequate number of the right staff members to the project: <ul style="list-style-type: none"><li>▪ A close to full-time project manager</li><li>▪ A Steering committee</li><li>▪ A project management team</li><li>▪ Subject Matter Experts (SMEs)</li></ul>	9.2
Acquire the services of an outside oversight project manager to add to the PMO capabilities	9.5
Move forward with the development of an RFP for a legacy application system replacement effort and with the subsequent procurement processes.	11
Establishing a contingency fund of 10% of the estimated system replacement costs	11





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# Memorandum

**TO:** PERS Board

**FROM:** Sparb

**DATE:** June 21, 2006

**SUBJECT:** Business System Replacement Project Charter

If the Board approves moving ahead with the Business System Replacement Project this item will need to be considered. The second phase of this project would fall under the project guidelines of ITD. One of the initial requirements of those guidelines is to develop and approve a project charter. Attached for your review and approval is a project charter for the second phase of the business system replacement project. The purpose of this charter is to establish and formalize the operating parameters, expectations and resources relating to the effort.

## **Board Action Requested**

To approve the operating charter for the Business System Replacement Project Phase II.



# North Dakota Public Employees Retirement System

## Legacy Application System Replacement (LASR) Project Charter

**June 22, 2006**



<b>Project Name</b>	Legacy Application System Replacement
<b>Agency</b>	North Dakota Public Employees Retirement System
<b>Business Unit/Program Area</b>	All program areas
<b>Project Sponsor</b>	Sparb Collins, Executive Director
<b>Project Manager</b>	Deb Knudsen, Program Development and Research Manager
<b>Project Coordinator</b>	Cheryl Stockert, Manager, Administrative Services



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# 1 INTRODUCTION

The following sections identify the purpose of this document, the project background, the project scope, and project objectives.

## 1.1 Purpose of Document

The purpose of this document is to establish the “Development of a Request for Proposal (RFP)” phase of the Legacy Application System Replacement (LASR) project being undertaken by the North Dakota Public Employees’ Retirement System (NDPERS). The document will also define the assumptions, constraints and limits of authority for various roles in the project.

## 1.2 Project Background

The North Dakota Public Employees Retirement System Board met in late 2005 and determined that a study needed to be conducted to determine if NDPERS should consider replacing the legacy business application systems. This decision gave rise to the LASR project. A deliverable of the LASR project was a Feasibility Study. The purpose of this study was to review the current operating environment of PERS, identify its business issues and challenges, determine needed system enhancements to meet those challenges and identify the options to meet those challenges along with a recommendation. Current issues and challenges of the legacy system include:

- The systems for many of the programs and functions that NDPERS administer are not integrated. This forces NDPERS staff to enter data multiple times and gives opportunity for data to be out of sync, missing and inaccurate and provides poor internal controls.
- The legacy systems are now between 8 and 33 years old. After going through many changes and enhancements over the years, the systems have become very complex and difficult to maintain or enhance.
- The State of North Dakota has also experienced difficulty in recruiting, training and retaining technical staff capable of maintaining the system.
- New programs and benefit options implemented by NDPERS have led to several stand alone systems being implemented to solve the immediate processing needs.
- The fragile nature of the application evidences itself when maintenance is performed on the system. Even seemingly simple changes often cause unanticipated problems in other areas of the application.

These and other challenges are documented in the [Legacy Application System Review \(LASR\) Feasibility Study](#).

All these shortcomings have brought NDPERS to an understanding that replacement of the legacy system with a comprehensive, all inclusive record keeping system that accommodates all the various benefit plans they administer would be the best course for the agency. The NDPERS Board of Trustees reviewed the Feasibility Study and has authorized expenditures for efforts to develop an RFP and the procurement of a replacement system.

## 1.3 Project Scope

The scope for the RFP Development phase of the LASR Project is defined in the [RFP for the Business Applications System Replacement Project](#) and includes the following:



1. Develop criteria to be included in the RFP
2. Develop a procurement strategy
3. Create draft RFP
4. Create final RFP
5. Manage pre-bid conferences
6. Evaluate RFP responses and provide an analysis to NDPERS
7. Manage post-bid sessions with finalists
8. Participate in and conduct on-site visits of finalists
9. Recommend top implementation vendors to NDPERS
10. Reference checks on vendor finalists
11. Assist in final contract negotiations
12. Provide NDPERS with estimated implementation timeframes and NDPERS staffing requirements
13. Present information to the Board as requested by the Executive Director

#### **1.4 Project Objectives**

The primary objectives of the RFP Development phase of the project are:

- Develop an RFP for the procurement and implementation phase of the LASR Project.
- Assist NDPERS in reviewing responses from vendors.
- Assist NDPERS in the selection process of a system solution.
- Assist in the contract negotiations with an implementation vendor that will ensure the best interests of NDPERS and the State of North Dakota.
- Develop an accurate projected cost for the implementation phase of the system replacement project for inclusion into the budget request to be presented to the Legislature in January 2007 session.



## 2 REQUIRED RESOURCES

The following resources will be required for the successful completion of this phase of the project:

- NDPERS Project Sponsor
- NDPERS Project Manager
- NDPERS Project Coordinator
- NDPERS management staff
- NDPERS subject matter experts
- NDPERS IT staff
- Contractor with experience in public employee benefits administration to facilitate and guide the RFP development effort and procurement process, details of which are identified in the “Legacy Application System Replacement Project” RFP.
- Resources provided by the selected vendor

Name	Area	Core Team <sup>1</sup>	Steering Committee	Subject Matter Expert	Percent of Time on Project
Sparb Collins	Exec Dir	X	X		10%
Deb Knudsen	R&D	X	X		70%
Dirk Huggett	ITD		X		10%
Ron Gilliam	IT	X	X	X	40%
Sharon Schiermeister	A	X	X	X	30%
Cheryl Stockert	ADM	X	X	X	25%
Kim Humann	ADM	X			5%
Jamie Kinsella	IA	X	X		30%
Kathy Allen	BEN	X	X		20%
Sharmain Dschaak	DB			X	35%
Diane Heck	DC			X	15%
Cheryle Massett	INS			X	25%
Leon Heick IA X 5.% Rebecca Fricke	BEN			X	25%
Raleigh Moore	ACCTG			X	20%
Tammy Becker	ACCTG			X	20%
Vickie Johnson	ACCTG			X	20%
Leon Heick	ACCTG			X	20%
Kevin Pfannsmith	IT			X	25%
Arnie Seitz	IT			X	25%
Julie Nagel	MEMSVC			X	20%
Steve McCollum or other appointed ITD representative	ITD			X	15%? As needed

The “Core Team” consists of individuals who oversee specific business functional areas within PERS. It is through them and through their staff that information will be gathered when developing the RFP. A definition of the Steering Committees roles and responsibilities may be found in Section 4, below.

<sup>1</sup> An “X” in any column within the table indicates that the person identified participates in the group identified in the column heading or fulfills the role along with their NDPERS responsibilities.



### 3 PROJECT ASSUMPTIONS AND CONSTRAINTS

The following sections outline assumptions made for the project and identify constraints that apply to the project.

#### **3.1 Assumptions**

The assumptions listed below will be used as the basis for project planning:

- The NDPERS Board will support the decision to procure a replacement system.
- The NDPERS Sponsor will allocate the necessary resources (budget and personnel) in order to make the RFP development and procurement phase a success.
- NDPERS management and staff will be available and engaged and will provide the appropriate and accurate information necessary to develop a thorough RFP.
- ITD will provide staff knowledgeable in areas of the RFP where their contribution is required (e.g., data structures, existing programs, project management requirements, infrastructure, administrative requirements, etc.).
- NDPERS and the selected vendor will negotiate in good faith to develop a contract that successfully meets the needs and serves the best interests of NDPERS and the State of North Dakota.
- NDPERS will continue to provide current level of services to members during implementation.

#### **3.2 Constraints**

Successful completion of this phase is constrained by schedule and resources. Specifically, the project is constrained by:

- **Schedule** – The completion date of this phase is June 1, 2007,.
- **Project Resources** – Participation by NDPERS staff and management in the RFP development process is constrained by the need to get their daily responsibilities done and by their familiarity with the RFP development process. Currently, staff is working at capacity. Their ability to participate in data gathering sessions, to collect and provide pertinent information and review and comment on document deliverables, all part of the RFP development process, will all materially impact the timely delivery of an RFP that reflects all NDPERS' requirements.
- **Affordability** – NDPERS is limited in amount of dollars available for this project and will need to amortize the amount over a period of time.



### **3.3 Project Timeline**

July 1, 2006	Project Kick-off
August 1, 2006	Project update, Review of Project documents developed to date
September 5, 2006	Project update, Review of Project documents developed to date
October 3, 2006	Project update, Review of Project documents developed to date
October 15, 2006	Submission of draft RFP to NDPERS
November 15, 2006	Final draft of RFP completed.
November 30, 2006	RFP released to solicit bids
January 15, 2007	RFP responses due
January 15 – March 15	Review RFP, develop recommendations
March 15, 2007	Review findings with NDPERS Board
April 15, 2007	Conduct interviews of final candidates
April 30, 2007	Conduct and participate in site visits of finalists
May 15, 2007	Final recommendation presented to NDPERS Board
June 1, 2007	Selection decision conveyed to finalists

### **3.4 Project Budget**

#### **2.3 PHASE III – RFP**

<b>Staff</b>	<b>Hours</b>	<b>Rate</b>	<b>Subtotal</b>
Leon Wechsler, Project Sponsor	180	\$200	\$36,000
Andy Flewelling, Project Director	244	\$180	\$43,920
Ron McCartney, Project Manager	1280	\$170	\$217,600
Cheryl Hutchins, Senior Consultant	120	\$160	\$19,200

Wechsler staff: 1824 hours (total for project) \$316,720.00  
 NDPERS Staff /SME 806 hours/month (during max. levels of effort during RFP development) variable

Site Visits – no more than 3 sites, 4 persons each @\$1600 \$ 19,200  
 ITD costs (26 hrs/month @\$75/hr) \$ 1,950

### **3.5 Initial Project Risks**

<b>Risk Area</b>	<b>Assessment</b>		<b>Impact</b>	<b>Mitigation</b>
	<b>Probability</b>	<b>Severity</b>		
Timeframe is aggressive, while trying to handle heavy workload.	High	High	Response times and availability could be impacted. Staff may become stressed due	Workload has been analyzed and prioritized. If necessary, some non-



			to workloads.	essential services will be suspended.
It is assumed that five or six vendors will be interested in bidding. It is possible there may be insufficient interest in the marketplace.	High	High	If there is insufficient interest in the project, pricing could exceed the proposed budget.	Project would have to be re-evaluated.
NDPERS is a smaller entity with limited back-up available. In the event atypical turnover or a key person leaves employment, significant impact would be felt.	Medium	Medium	Depending on turnover, project resources would be affected negatively.	<ul style="list-style-type: none"><li>• Project timelines may have to be extended.</li><li>• Project budget may have to be enhanced.</li></ul>



## **4 PROJECT AUTHORITY, ROLES AND RESPONSIBILITIES**

The following sections identify the parties involved in the RFP development and procurement effort along with their authority and responsibilities.

### **4.1 Project Sponsor**

The Project Sponsor has ultimate authority over the project. The project sponsor, through the Board of Trustees, provides project funding, resolves issues and scope changes, approves major deliverables, and provides high level direction. The project sponsor also acts as champion of the project from within the organization and outside the organization.

Sparb Collins, Executive Director, NDPERS, will fill the role of Project Sponsor. Sparb will:

- Provide guidance and support to the project team
- Provide resources needed to successfully complete the project
- Provide the final decision point for resolution of any issues not resolved by the Steering Committee
- Coordinate project activity with the NDPERS Board and other outside or oversight entities.

### **4.2 LASR Steering Committee**

The LASR Steering Committee is responsible for the business issues associated with the project that are essential to ensuring the attainment of project benefits. This includes defining and realizing benefits, monitoring risks, quality and timelines, making policy and resource decisions, and assessing requests for changes to the scope of the project.

Additionally, Steering Committee responsibilities include:

- Ensuring project's scope aligns with the agreed requirements of the key stakeholder groups
- Providing those directly involved in the project with guidance on project business issues
- Ensuring that strategies to address potential threats to the project's success have been identified and that the threats are regularly re-assessed
- Addressing any issue which has major implications for the project
- Keeping the project scope under control as emergent issues require changes to be considered
- Reconciling differences in opinion and approach as well as resolve disputes that may arise, and
- Reporting on project progress to those responsible at a high level such as the Board of Trustees and other oversight entities.

For the development of the RFP phase of the LASR project, the following will comprise the Steering Committee:

- Sparb Collins, NDPERS Executive Director
- Deb Knudsen, Program Development and Research Manager
- Dirk Huggett, ITD, IT Business Analyst
- Ron Gilliam, IT Coordinator
- Sharon Schiermeister, Accounting Manager
- Cheryl Stockert, Administrative Services Manager



- Jamie Kinsella, Internal Auditor
- Kathy Allen, Employee Benefit Programs and Human Resource Manager
- Representatives from LRWL.

### **4.3 Project Manager**

The project manager is responsible for seeing that the goals of the project are attained by the scheduled completion date of the project and within the budget set forth for the project. In addition, the Project Manager is responsible for:

- Integration – ensure that the various elements of the project are properly coordinated
- Scope – ensure that the project includes all the work required - and only the work required – to complete the project successfully
- Time – ensure timely completion of the project
- Cost – ensure that the project is completed within the approved budget
- Quality – ensure that the project will satisfy the needs for which it was undertaken
- Human resources – make the most effective use of the people involved in the project
- Communications – ensure timely and appropriate generation, collection, dissemination, storage, and ultimate disposition of project information
- Risk – identify, analyze, and appropriately respond to project risk including issue resolution, and

Deb Knudsen will fill the role of Project Manager.

### **4.4 Project Coordinator**

- Maintain record of meetings and related documents
- Set up and coordinate meetings for project
- Coordinate development of agency documents
- Procurement – acquire goods and services from outside the organization when needed.

Cheryl Stockert will fill the role of Project Coordinator.

### **4.5 Subject Matter Experts**

A Subject Matter Expert or SME is an individual who understands a business process or area well enough to answer questions from people in other groups. An SME is most commonly used to explain the current process to IT and then answer their questions as they try to build a technology system to automate or streamline a process. In this case, SMEs will be assisting the project team in identifying requirements of the replacement benefits administration system for inclusion in the RFP. An SME represents the interests and knowledge of the business area from which they are drawn.

A SME is responsible for:

- Requirements gathering and use case development (scripting a procedure)
- Review and comment on draft sections of the RFP related to their functional area
- Provide and explain documentation



- Communicating to co-workers regarding the project and bringing those co-workers ideas and comments back to the project manager and teams
- Evaluating RFP Responses, and
- Identifying issues and risks.

SMEs will be identified by business area representatives on the Steering Committee sufficiently in advance of data gathering sessions for the RFP development effort.



## 5 COMMUNICATIONS PLAN

The table below describes the communication methods to be employed on this project.

Deliverable/Description	Sender/organizer	Receiver Categories	Delivery Method	Delivery Frequency	Response Needed (Y/N)
Project Charter	NDPERS Project Mgr. LRW Project Mgr	NDPERS Board	Paper report emailed to Project Coordinator	Project Initiation	Y
Weekly LASR Steering Committee Meeting	Project Coordinator	LASR Steering Committee Members	Meeting	Weekly Wednesdays at 9:00 a.m.	N
Status Reports	LRW Project Manager	LASR Steering Committee Members	Via email	Weekly	N
Project Updates	LRW Project Manager	NDPERS Board	Paper report mailed to Project Coordinator	Monthly	N
Deliverable reviews	LRW Project Mgr & NDPERS Project Mgr	Team members	Meeting	As needed	Y
RFP Release	LRW Project Mgr	Venders	Hard copy letter containing link to RFP on web	Once at beginning of bidding process.	Y
Bidders Conference	LRW project mgr	Venders	Meeting	Once, in middle of bidding process	Y
Post project review	Project Coordinator	SME's, Steering Committee Members, Core members	Meeting & Paper report emailed.	Once when project closes out.	N



## 6 PROJECT CHARTER APPROVAL

**Project Sponsor Name:** Sparb Collins, Executive Director      Action: Approve \_\_\_ Reject \_\_\_

**Comments:**

**Project Sponsor Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_



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# Memorandum

**TO:** PERS Board

**FROM:** Sparb

**DATE:** June 21, 2006

**SUBJECT:** Health Dialog

Representatives from Health Dialog will be at the next meeting to give you an update of their program. This was added to the health plan last October. Attachment #1 for your review is the last report from them. As part of the renewal premiums we will need to decide if we should continue this program into the 2007-2009 bienniums. The present cost is \$2.98 per contract. Also please note Attachment #2, performance criteria, are a part of the agreement and will be measured at the end of the first year (October).

If the following criteria are not met for the NDPERS population, Health Dialog will refund to Blue Cross Blue Shield of North Dakota (BCBSND) the percentage of dollars in parenthesis of the dollars received for the purchase of services from Health Dialog.

During the initial 12 months of the program at the call center:

1. Average phone answer time is less than or equal to 40 sec (3% of fee)
2. Average phone hold time is less than or equal to 30 sec (3% of fee)
3. Average blockage rate on phone is less than or equal to 3% (3% of fee)

By the end of the initial 12 months of the program:

The savings achieved by the program (measured using the standard Health Dialog methodology for computing savings for both Preference Sensitive Conditions and Chronic Conditions) will equal the fees paid during the previous 12 months. (11% of fee).

A total of 20% of the program fee is at risk.

The second year of the contract will be guaranteed and measured on the same criteria for the call center, and the savings will increase to 1.3 times the fees paid during the second 12 months.

BCBSND will pass the entire amount of this guarantee through to the NDPERS plan.

# Health Dialog

*Understand. Collaborate. Advance.*



**BlueCross BlueShield  
of North Dakota**

## **Monthly Operational Service Activity Report**

**NDPERS**

**April 2006**



Health Dialog  
Sixty State Street, Suite 1100  
Boston, Massachusetts 02109

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The MyHealthConnection program continues to generate activity from the North Dakota Public Employees Retirement System (NDPERS) population. Although trends in overall call volume declined during the past month, reach rates and cumulative impacts within NDPERS continued to increase. The decrease in activity levels is partially in response to fewer mailers that were scheduled in April versus the number of mailers that were delivered in March; that is, fewer inbound calls were received by Health Coaches as a result of fewer targeted mail pieces.

April mail outreach campaigns included letters supporting members about their preference sensitive conditions as well as those members identified with chronic conditions. An asthma controller medication clinical gap campaign also was fielded to target asthmatics not filling their controller medication in the last several months. Health Coach outbound call campaigns loaded for the month of April consisted of chronic members identified as high or moderate financial risk, as well as members needing decision support for preference sensitive treatment options for back or joint pain, women's health issues, and those at-risk for cardiac revascularization surgery.

### **Call Volume, Impacts and Reach**

- Overall call volume during April declined somewhat from March's levels. In particular, inbound calls and outbound campaign or referral calls decreased from a month ago, while outbound follow-up calls were up slightly during the same time period. The overall change from March to April was due in part to a decrease in inbound call volume in response to fewer mailers, as well as fewer outbound calls. Although the same general magnitude of calls are planned for each month, more calls were cancelled in April by Health Coaches due to invalid phone numbers, leading to a lower number of outbound calls overall.
- With fewer members able to be contacted by phone, the total number of impacts recorded by Health Coaches declined as well. Of the six impact categories, chronic condition support was the only area experiencing an increase in recorded impacts from the prior month. In aggregate, general information support, chronic condition support, and prevention support comprise more than 78 percent of the total impacts for April.
- The reach into the high financial risk chronic population increased by 27 members over the past month, increasing the members contacted in this segment to 69 percent of total high risk chronic members – a very high reach rate among commercial health plan populations. Of those members reached, 66 percent had one or more impact, and 99 percent have received some form of mailed outreach since the program's inception. Members with chronic conditions who are not high risk, as well as non-chronic members, also were reached at a greater rate than a month ago. Reach rates for each of these groups increased by about one percent, with 29 members being reached for the first time by a Health Coach.

### **Literature and Video Distribution**

- Videotape distribution remained flat from March to April, with the most requested videos focusing on back conditions. Literature materials sent during April returned to levels experienced prior to March's overall program high. Newly added to the top 20 literature distribution list for April is "*Cat – Reply to Secure Message.*" This category designates when a member receives a return email from a Health Coach regarding care or treatment information. In April alone, 13 members received a return email from a Health Coach.

### **Dialog Center<sup>SM</sup>**

- Program to-date, over 680 NDPERS members have registered on The Dialog Center<sup>SM</sup>, with 395 registering during the month of April alone. Over the past month, 400-plus unique users logged hits to the website's homepage. Of the unique members who used The Dialog Center<sup>SM</sup> in April, more than 300 completed a "How's Your Health" health risk assessment survey.

### **Other Initiatives**

- Health Dialog will be presenting a summary of the first six months of program operations to NDPERS board members. Originally scheduled for May, the on-site meeting has been moved to June 29, 2006.

Summary of Program Activity For Eligible NDPERS Individuals Identified Program to Date

	Eligible Individuals With Chronic Conditions						Eligible Individuals Without Chronic Conditions		All Eligible Individuals	
	High Predicted Financial Risk		Not High Predicted Financial Risk		Total		Number of Eligible Individuals	Percent of Eligible Individuals	Number of Eligible Individuals	Percent of Eligible Individuals
	Number of Eligible Individuals	Percent of Eligible Individuals	Number of Eligible Individuals	Percent of Eligible Individuals	Number of Eligible Individuals	Percent of Eligible Individuals				
Total Individuals	426	0%	2,912	100%	3,338	100%	45,791	100%	49,129	100%
Unique Individuals Reached or Attempted	415	97%	265	9%	680	20%	387	1%	1,067	2%
Unique Individuals Reached	294	69%	179	6%	473	14%	387	1%	860	2%
Unique Individuals With One or More Impact	281	66%	175	6%	456	14%	375	1%	831	2%
Unique Individuals Mailed Videos	13	3%	11	<1%	24	1%	21	<1%	45	<1%
Unique Individuals Mailed Materials by a Health Coach	64	15%	40	1%	104	3%	76	<1%	180	<1%
Unique Individuals Receiving General Awareness Mailers and Chronic Condition Welcome Packets	423	99%	2,484	85%	2,907	87%	1,542	3%	4,449	9%
Unique Individuals Receiving Mailed Outreach (other than General Awareness Mailers and Chronic Condition Welcome Packets)	419	98%	2,026	70%	2,445	73%	16,471	36%	18,916	39%
Unique Individuals Declining Participation	9	2%	4	<1%	13	<1%	3	<1%	16	<1%

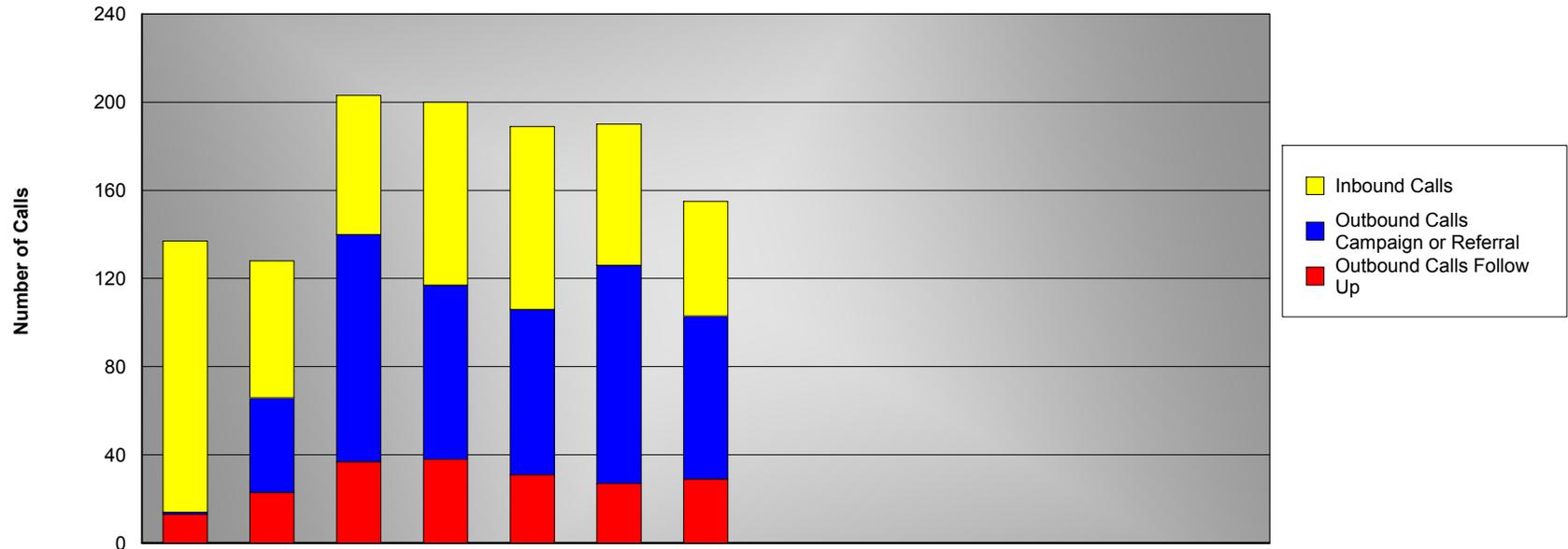
Notes:

This summary includes all eligible NDPERS individuals.

Eligible individuals includes all individuals who are eligible as of the last day of the reporting period.

Some individuals do not receive mailings because they have been identified as "Do not mail" or "Deceased". Depending upon the day of the month new individuals and/or new chronics are identified, General Awareness mailings and Chronic Condition mailings for these individuals may be sent in the following month.

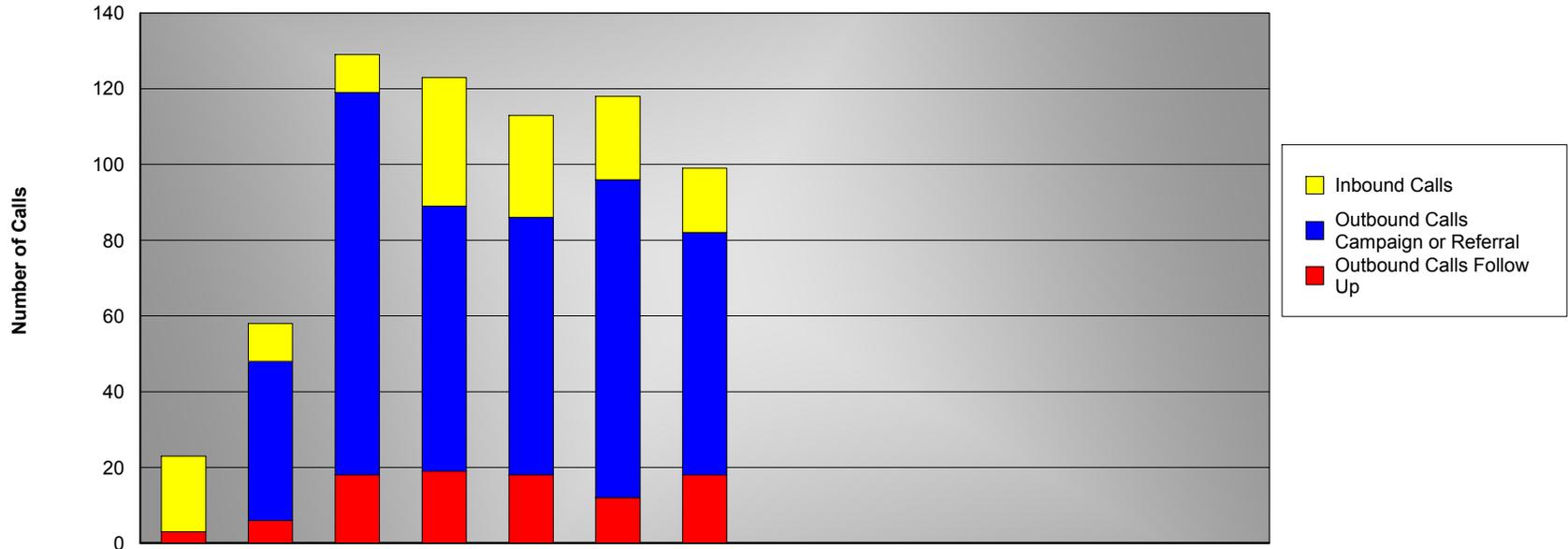
### Call Volume by Month: NDPERS - All Individuals



	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	13 Month Total	13 Month Percent of All Calls
<b>Inbound Calls</b>	123	62	63	83	83	64	52	0	0	0	0	0	0	<b>530</b>	<b>44.1%</b>
<b>Outbound Calls Campaign or Referral</b>	1	43	103	79	75	99	74	0	0	0	0	0	0	<b>474</b>	<b>39.4%</b>
<b>Outbound Calls Follow Up</b>	13	23	37	38	31	27	29	0	0	0	0	0	0	<b>198</b>	<b>16.5%</b>
<b>Total</b>	<b>137</b>	<b>128</b>	<b>203</b>	<b>200</b>	<b>189</b>	<b>190</b>	<b>155</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,202</b>	<b>100.0%</b>

Notes:  
 Calls reported in this chart include only connected calls for which information is recorded in HealthCAM2™.  
 Inbound Call: An individual dials Health Dialog, speaks with a Health Coach, and the Health Coach records information about the call in HealthCAM2™.  
 Outbound Call Follow Up: A Health Coach dials and speaks with an individual as follow up to prior conversation and records information about the call in HealthCAM2™.  
 Outbound Call Campaign or Referral: A Health Coach dials an individual as part of a specific outreach effort, speaks with the individual, and records information about the call in HealthCAM2™.  
 Campaign: An outreach process (mail, phone or both) that targets broad or specific segments of a client population with a particular goal (e.g., general awareness or clinical gaps).  
 Referral: Individual is referred to Health Dialog from client specific programs.  
 Due to rounding, percents may not sum to 100%.

### Call Volume by Month: NDPERS - Individuals with Chronic Conditions

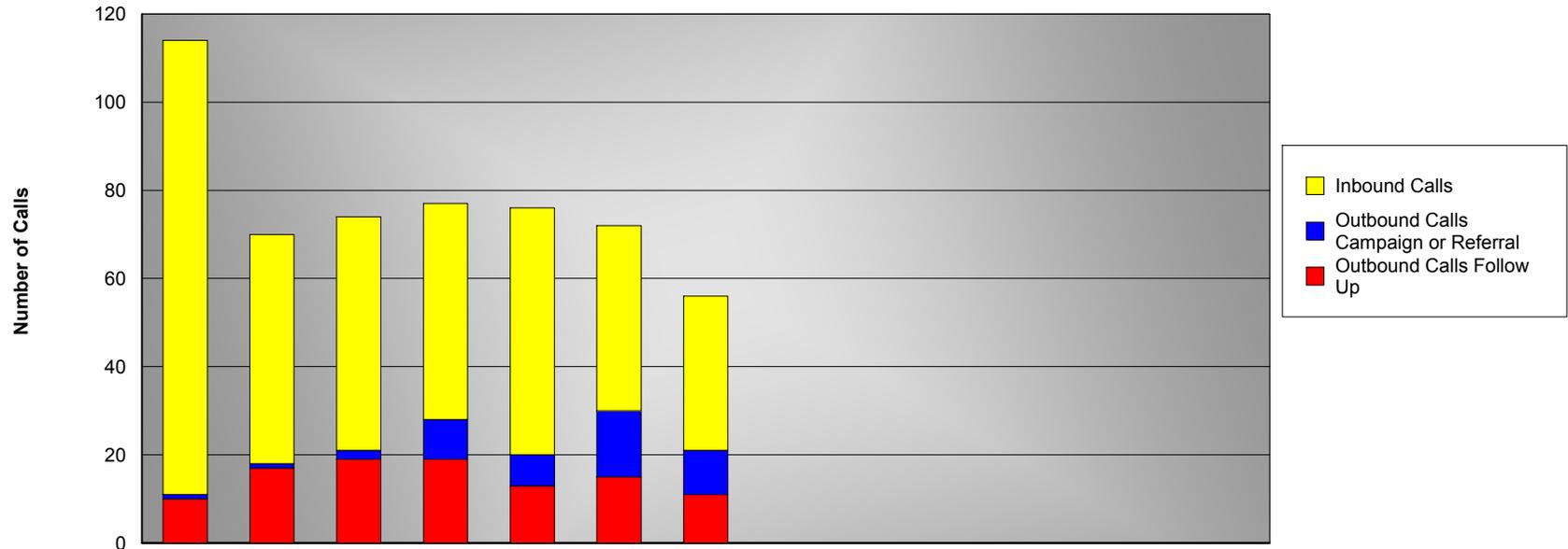


	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	13 Month Total	13 Month Percent of All Calls
<b>Inbound Calls</b>	20	10	10	34	27	22	17	0	0	0	0	0	0	140	21.1%
<b>Outbound Calls Campaign or Referral</b>	0	42	101	70	68	84	64	0	0	0	0	0	0	429	64.7%
<b>Outbound Calls Follow Up</b>	3	6	18	19	18	12	18	0	0	0	0	0	0	94	14.2%
<b>Total</b>	23	58	129	123	113	118	99	0	0	0	0	0	0	663	100.0%

Notes:  
 Calls reported in this chart include only connected calls for which information is recorded in HealthCAM2™.  
 Inbound Call: An individual dials Health Dialog, speaks with a Health Coach, and the Health Coach records information about the call in HealthCAM2™.  
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 Campaign: An outreach process (mail, phone or both) that targets broad or specific segments of a client population with a particular goal (e.g., general awareness or clinical gaps).  
 Referral: Individual is referred to Health Dialog from client specific programs.  
 Due to rounding, percents may not sum to 100%.

Individuals with Chronic Conditions: Individuals identified with chronic conditions through claims analysis and other agreed-upon means of identification. Includes individuals identified from the program start date through the 15th day of this reporting period.  
 Individuals are assigned into chronic and non-chronic groups based on as up-to-date information as possible. Because identification processes use as recent claims data as possible, some individuals who, in past months, were identified as non-chronic are identified as chronic in this report. All activities for these individuals for prior months and for the current month are now reported as activity for chronic individuals. This causes some fluctuations in the reported numbers for prior months on a month-to-month basis, but allows for reporting of accurate and current information.

### Call Volume by Month: NDPERS - Individuals without Chronic Conditions

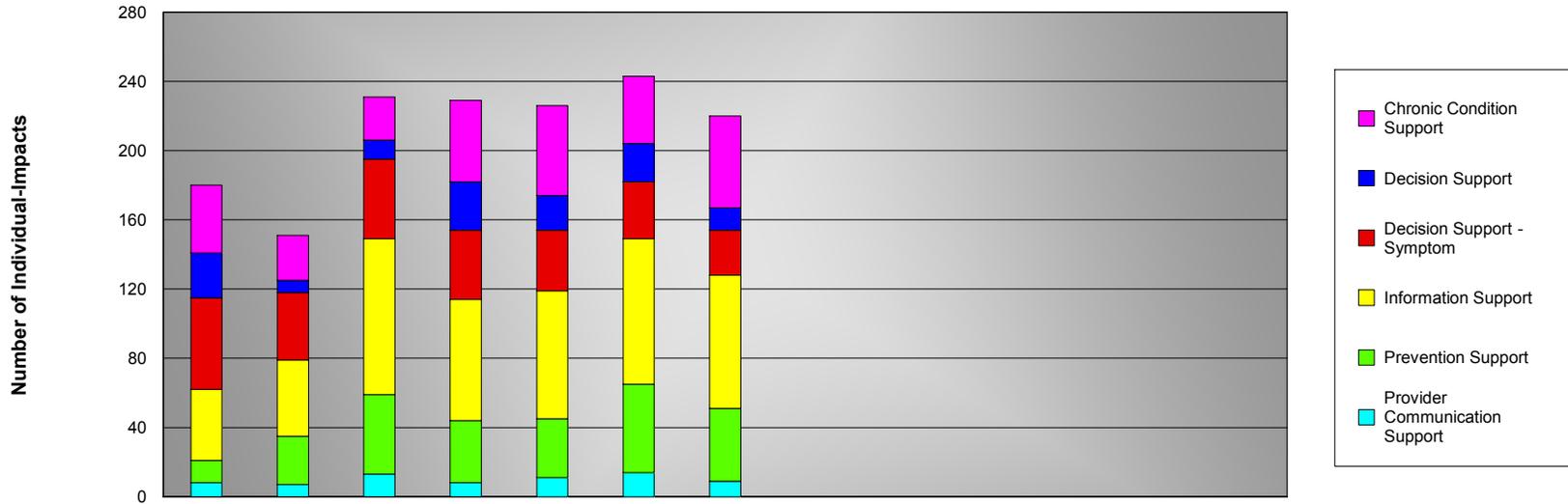


	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	13 Month Total	13 Month Percent of All Calls
<b>Inbound Calls</b>	103	52	53	49	56	42	35	0	0	0	0	0	0	390	72.4%
<b>Outbound Calls Campaign or Referral</b>	1	1	2	9	7	15	10	0	0	0	0	0	0	45	8.3%
<b>Outbound Calls Follow Up</b>	10	17	19	19	13	15	11	0	0	0	0	0	0	104	19.3%
<b>Total</b>	114	70	74	77	76	72	56	0	0	0	0	0	0	539	100.0%

Notes:  
 Calls reported in this chart include only connected calls for which information is recorded in HealthCAM2™.  
 Inbound Call: An individual dials Health Dialog, speaks with a Health Coach, and the Health Coach records information about the call in HealthCAM2™.  
 Outbound Call Follow Up: A Health Coach dials and speaks with an individual as follow up to prior conversation and records information about the call in HealthCAM2™.  
 Outbound Call Campaign or Referral: A Health Coach dials an individual as part of a specific outreach effort, speaks with the individual, and records information about the call in HealthCAM2™.  
 Campaign: An outreach process (mail, phone or both) that targets broad or specific segments of a client population with a particular goal (e.g., general awareness or clinical gaps).  
 Referral: Individual is referred to Health Dialog from client specific programs.  
 Due to rounding, percents may not sum to 100%.

Individuals are assigned into chronic and non-chronic groups based on as up-to-date information as possible. Because identification processes use as recent claims data as possible, some individuals who, in past months, were identified as non-chronic are identified as chronic in this report. All activities for these individuals for prior months and for the current month are now reported as activity for chronic individuals. This causes some fluctuations in the reported numbers for prior months on a month-to-month basis, but allows for reporting of accurate and current information.

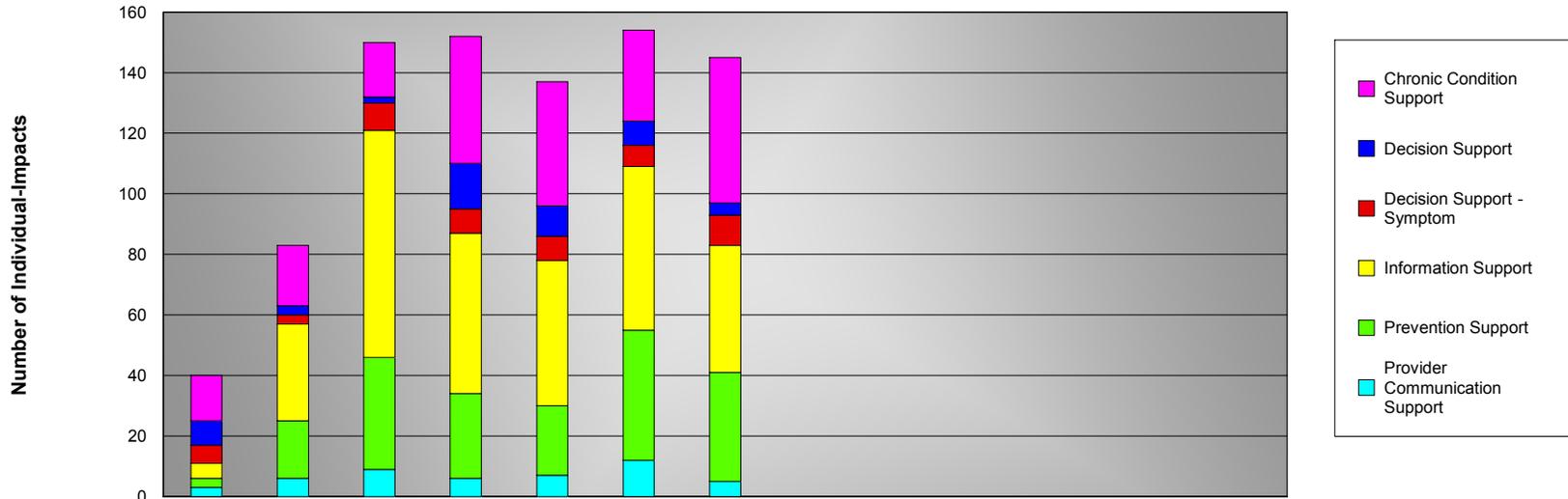
### Summary of Impacts: NDPERS - All Individuals



	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	13 Month Total	13 Month Percent of All Impacts
<b>Chronic Condition Support</b>	39	26	25	47	52	39	53	0	0	0	0	0	0	281	19.0%
<b>Decision Support</b>	26	7	11	28	20	22	13	0	0	0	0	0	0	127	8.6%
<b>Decision Support - Symptom</b>	53	39	46	40	35	33	26	0	0	0	0	0	0	272	18.4%
<b>Information Support</b>	41	44	90	70	74	84	77	0	0	0	0	0	0	480	32.4%
<b>Prevention Support</b>	13	28	46	36	34	51	42	0	0	0	0	0	0	250	16.9%
<b>Provider Communication Support</b>	8	7	13	8	11	14	9	0	0	0	0	0	0	70	4.7%
<b>Total</b>	<b>180</b>	<b>151</b>	<b>231</b>	<b>229</b>	<b>226</b>	<b>243</b>	<b>220</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,480</b>	<b>100.0%</b>

**Notes:**  
 Impacts represent the specific support that Health Coaches provide for individuals to facilitate improved behavior, motivation, confidence, decision-making skills, knowledge, and awareness. Impacts are documented by Health Coaches after each interaction with an individual. An individual may have one, more than one, or no impacts on a call. Impacts are counted only on the date they are initiated; impacts reviewed in follow up activities are not counted.  
 Chronic Condition Support: Health Coaches provide information and support to individuals with asthma, coronary artery disease (CAD), congestive heart failure (CHF), diabetes, and chronic obstructive pulmonary disease (COPD), as well as related comorbidities and other chronic illnesses.  
 Decision Support: Health Coaches support individuals through the decision-making process by providing unbiased information regarding treatment options and outcomes and helping them consider the pros and cons in the context of their values and preferences. Through the process, individuals learn the steps involved in making a good decision.  
 Decision Support-Symptom: Health Coaches support individuals by providing information about tests, medications, or medical procedures prescribed by a doctor; answering questions an individual may have following a doctor's visit; preparing an individual for a doctor's visit, and answering questions about acute medical symptoms. Also called Urgent Needs Support.  
 Information Support: Health Coaches provide general health and other information, not directly associated with decisions, to individuals.  
 Prevention Support: Health Coaches provide information about prevention (such as wellness and lifestyle changes).  
 Provider Communication Support: Health Coaches educate and support individuals having general communication difficulties with their providers.  
 Due to rounding, percents may not sum to 100%.

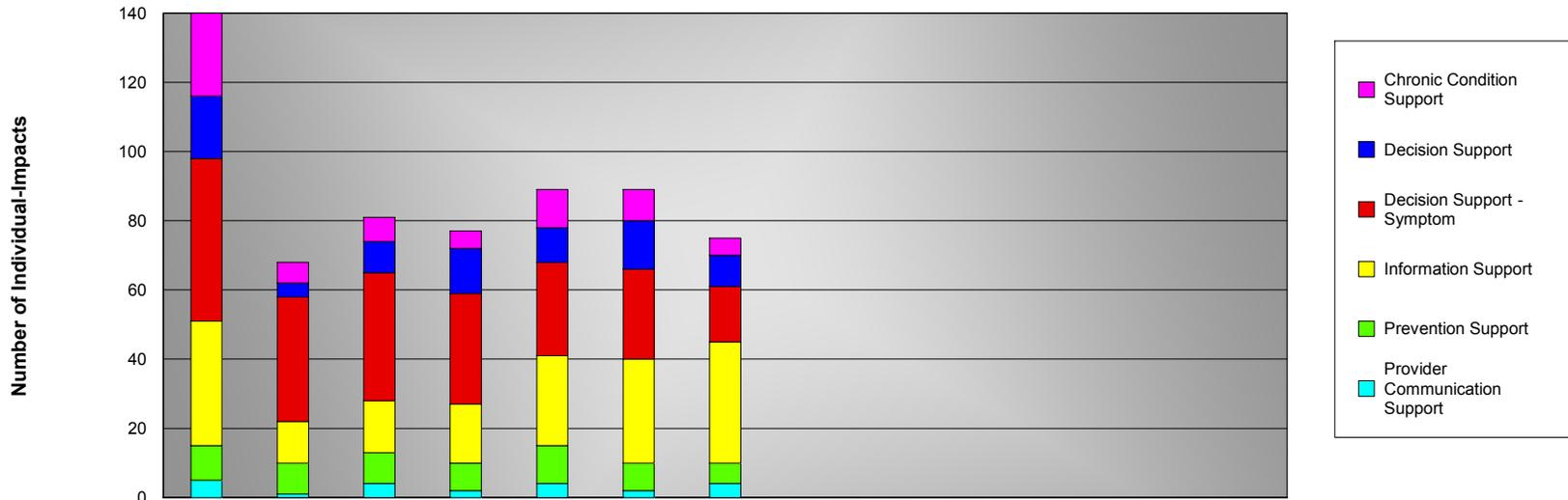
## Summary of Impacts: NDPERS - Individuals with Chronic Conditions



	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	13 Month Total	13 Month Percent of All Impacts
<b>Chronic Condition Support</b>	15	20	18	42	41	30	48	0	0	0	0	0	0	214	24.9%
<b>Decision Support</b>	8	3	2	15	10	8	4	0	0	0	0	0	0	50	5.8%
<b>Decision Support - Symptom</b>	6	3	9	8	8	7	10	0	0	0	0	0	0	51	5.9%
<b>Information Support</b>	5	32	75	53	48	54	42	0	0	0	0	0	0	309	35.9%
<b>Prevention Support</b>	3	19	37	28	23	43	36	0	0	0	0	0	0	189	22.0%
<b>Provider Communication Support</b>	3	6	9	6	7	12	5	0	0	0	0	0	0	48	5.6%
<b>Total</b>	<b>40</b>	<b>83</b>	<b>150</b>	<b>152</b>	<b>137</b>	<b>154</b>	<b>145</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>861</b>	<b>100.0%</b>

**Notes:**  
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 Chronic Condition Support: Health Coaches provide information and support to individuals with asthma, coronary artery disease (CAD), congestive heart failure (CHF), diabetes, and chronic obstructive pulmonary disease (COPD), as well as related comorbidities and other chronic illnesses.  
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 Provider Communication Support: Health Coaches educate and support individuals having general communication difficulties with their providers.  
 Due to rounding, percents may not sum to 100%.  
 Individuals with Chronic Conditions: Individuals identified with chronic conditions through claims analysis and other agreed-upon means of identification. Includes individuals identified from the program start date through the 15th day of this reporting period. Individuals are assigned into chronic and non-chronic groups based on as up-to-date information as possible. Because identification processes use as recent claims data as possible, some individuals who, in past months, were identified as non-chronic are identified as chronic in this report. All activities for these individuals for prior months and for the current month are now reported as activity for chronic individuals. This causes some fluctuations in the reported numbers for prior months on a month-to-month basis, but allows for reporting of accurate and current information.

## Summary of Impacts: NDPERS - Individuals without Chronic Conditions



	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	13 Month Total	13 Month Percent of All Impacts
<b>Chronic Condition Support</b>	24	6	7	5	11	9	5	0	0	0	0	0	0	67	10.8%
<b>Decision Support</b>	18	4	9	13	10	14	9	0	0	0	0	0	0	77	12.4%
<b>Decision Support - Symptom</b>	47	36	37	32	27	26	16	0	0	0	0	0	0	221	35.7%
<b>Information Support</b>	36	12	15	17	26	30	35	0	0	0	0	0	0	171	27.6%
<b>Prevention Support</b>	10	9	9	8	11	8	6	0	0	0	0	0	0	61	9.9%
<b>Provider Communication Support</b>	5	1	4	2	4	2	4	0	0	0	0	0	0	22	3.6%
<b>Total</b>	<b>140</b>	<b>68</b>	<b>81</b>	<b>77</b>	<b>89</b>	<b>89</b>	<b>75</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>619</b>	<b>100.0%</b>

**Notes:**

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Chronic Condition Support: Health Coaches provide information and support to individuals with asthma, coronary artery disease (CAD), congestive heart failure (CHF), diabetes, and chronic obstructive pulmonary disease (COPD), as well as related comorbidities and other chronic illnesses.

Decision Support: Health Coaches support individuals through the decision-making process by providing unbiased information regarding treatment options and outcomes and helping them consider the pros and cons in the context of their values and preferences.

Through the process, individuals learn the steps involved in making a good decision.

Decision Support-Symptom: Health Coaches support individuals by providing information about tests, medications, or medical procedures prescribed by a doctor; answering questions an individual may have following a doctor's visit; preparing an individual for a doctor's visit, and answering questions about acute medical symptoms. Also called Urgent Needs Support.

Information Support: Health Coaches provide general health and other information, not directly associated with decisions, to individuals.

Prevention Support: Health Coaches provide information about prevention (such as wellness and lifestyle changes).

Provider Communication Support: Health Coaches educate and support individuals having general communication difficulties with their providers.

Due to rounding, percents may not sum to 100%.

Individuals are assigned into chronic and non-chronic groups based on as up-to-date information as possible. Because identification processes use as recent claims data as possible, some individuals who, in past months, were identified as non-chronic are identified as chronic in this report. All activities for these individuals for prior months and for the current month are now reported as activity for chronic individuals. This causes some fluctuations in the reported numbers for prior months on a month-to-month basis, but allows for reporting of accurate and current information.

### Shared Decision-Making® Videotapes Distributed: NDPERS - All Individuals

Topic	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	13 Month Total	13 Month Percent of All Videotapes
Acute Low Back Pain	0	1	0	0	0	0	0	0	0	0	0	0	0	1	1.7%
Benign Prostatic Hyperplasia	1	0	0	2	1	0	0	0	0	0	0	0	0	4	6.8%
Chronic Low Back Pain	1	0	2	2	2	1	3	0	0	0	0	0	0	11	18.6%
Colon Cancer Screening: Deciding What's Right	0	0	0	0	0	0	1	0	0	0	0	0	0	1	1.7%
Coping with Symptoms of Depression	0	0	0	0	0	0	1	0	0	0	0	0	0	1	1.7%
Coronary Artery Disease	0	0	0	0	1	2	0	0	0	0	0	0	0	3	5.1%
DCIS: (Breast Cancer) Choosing Your Treatment	0	0	0	0	1	0	0	0	0	0	0	0	0	1	1.7%
Early Breast Cancer-Hormone Therapy and Chemo	0	0	0	0	1	0	0	0	0	0	0	0	0	1	1.7%
Early Stage Breast Cancer: Choosing Your Surgery	0	0	0	0	1	0	0	0	0	0	0	0	0	1	1.7%
Informed Health Care Consumer	0	0	1	0	1	0	1	0	0	0	0	0	0	3	5.1%
Knee Osteoarthritis	0	2	0	3	2	0	0	0	0	0	0	0	0	7	11.9%
Living With Coronary Artery Disease	2	0	2	3	1	2	0	0	0	0	0	0	0	10	16.9%
Low Back Pain: Herniated Disc	2	0	1	1	2	3	1	0	0	0	0	0	0	10	16.9%
Low Back Pain: Spinal Stenosis	0	0	0	0	1	0	0	0	0	0	0	0	0	1	1.7%
Prostate Cancer	0	0	0	1	0	0	0	0	0	0	0	0	0	1	1.7%
Treatment Choices For Hip Osteoarthritis	1	0	0	1	0	0	0	0	0	0	0	0	0	2	3.4%
Weight Loss Surgery: Is It Right For You?	0	0	0	0	0	0	1	0	0	0	0	0	0	1	1.7%
<b>Total</b>	<b>7</b>	<b>3</b>	<b>6</b>	<b>13</b>	<b>14</b>	<b>8</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>59</b>	<b>100.0%</b>

Notes:  
 Health Coaches distribute videotape materials to help educate individuals and to support specific health care decisions. Videotapes are counted in the month they are sent. Individuals may receive one or more videotapes depending on their needs.  
 Shared Decision-Making® videotapes are based on medical evidence researched and evaluated by the Foundation for Informed Medical Decision-Making.  
 Due to rounding, percents may not sum to 100%.

## Shared Decision-Making® Videotapes Distributed: NDPERS - Individuals with Chronic Conditions

Topic	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	13 Month Total	13 Month Percent of All Videotapes
Benign Prostatic Hyperplasia	0	0	0	1	1	0	0	0	0	0	0	0	0	2	6.5%
Chronic Low Back Pain	0	0	1	0	1	0	2	0	0	0	0	0	0	4	12.9%
Colon Cancer Screening: Deciding What's Right	0	0	0	0	0	0	1	0	0	0	0	0	0	1	3.2%
Coping with Symptoms of Depression	0	0	0	0	0	0	1	0	0	0	0	0	0	1	3.2%
Coronary Artery Disease	0	0	0	0	1	2	0	0	0	0	0	0	0	3	9.7%
Informed Health Care Consumer	0	0	1	0	1	0	1	0	0	0	0	0	0	3	9.7%
Knee Osteoarthritis	0	2	0	0	1	0	0	0	0	0	0	0	0	3	9.7%
Living With Coronary Artery Disease	1	0	1	3	1	2	0	0	0	0	0	0	0	8	25.8%
Low Back Pain: Herniated Disc	1	0	0	0	0	2	1	0	0	0	0	0	0	4	12.9%
Prostate Cancer	0	0	0	1	0	0	0	0	0	0	0	0	0	1	3.2%
Weight Loss Surgery: Is It Right For You?	0	0	0	0	0	0	1	0	0	0	0	0	0	1	3.2%
<b>Total</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>5</b>	<b>6</b>	<b>6</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>31</b>	<b>100.0%</b>

**Notes:**

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## Shared Decision-Making® Videotapes Distributed: NDPERS - Individuals without Chronic Conditions

Topic	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	13 Month Total	13 Month Percent of All Videotapes
Acute Low Back Pain	0	1	0	0	0	0	0	0	0	0	0	0	0	1	3.6%
Benign Prostatic Hyperplasia	1	0	0	1	0	0	0	0	0	0	0	0	0	2	7.1%
Chronic Low Back Pain	1	0	1	2	1	1	1	0	0	0	0	0	0	7	25.0%
DCIS: (Breast Cancer) Choosing Your Treatment	0	0	0	0	1	0	0	0	0	0	0	0	0	1	3.6%
Early Breast Cancer-Hormone Therapy and Chemo	0	0	0	0	1	0	0	0	0	0	0	0	0	1	3.6%
Early Stage Breast Cancer: Choosing Your Surgery	0	0	0	0	1	0	0	0	0	0	0	0	0	1	3.6%
Knee Osteoarthritis	0	0	0	3	1	0	0	0	0	0	0	0	0	4	14.3%
Living With Coronary Artery Disease	1	0	1	0	0	0	0	0	0	0	0	0	0	2	7.1%
Low Back Pain: Herniated Disc	1	0	1	1	2	1	0	0	0	0	0	0	0	6	21.4%
Low Back Pain: Spinal Stenosis	0	0	0	0	1	0	0	0	0	0	0	0	0	1	3.6%
Treatment Choices For Hip Osteoarthritis	1	0	0	1	0	0	0	0	0	0	0	0	0	2	7.1%
<b>Total</b>	<b>5</b>	<b>1</b>	<b>3</b>	<b>8</b>	<b>8</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>28</b>	<b>100.0%</b>

**Notes:**

Health Coaches distribute videotape materials to help educate individuals and to support specific health care decisions. Videotapes are counted in the month they are sent. Individuals may receive one or more videotapes depending on their needs. Shared Decision-Making® videotapes are based on medical evidence researched and evaluated by the Foundation for Informed Medical Decision-Making.

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### Top 20 Literature Materials Distributed: NDPERS - All Individuals

Topic	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	13 Month Total	13 Month Percent of All Materials
Healthwise® Knowledgebase Article	32	14	17	29	26	23	24	0	0	0	0	0	0	165	45.2%
Diabetes Healthy Living Guide	3	0	5	5	1	8	1	0	0	0	0	0	0	23	6.3%
Cat - Reply To Secure Message	0	0	0	0	0	1	13	0	0	0	0	0	0	14	3.8%
ADA Channel 9: A Guide To ADA Standards Of Care	2	1	4	3	0	1	1	0	0	0	0	0	0	12	3.3%
ADA Channel 3: A Guide To Eating And Diabetes	3	0	0	1	1	4	2	0	0	0	0	0	0	11	3.0%
High Blood Cholesterol: What You Need to Know	5	1	1	1	0	1	0	0	0	0	0	0	0	9	2.5%
What I Need To Know About Eating And Diabetes	2	0	1	1	1	2	0	0	0	0	0	0	0	7	1.9%
Ada Channel 16: A Guide For Men With Diabetes	0	0	0	0	0	6	0	0	0	0	0	0	0	6	1.6%
Ada Channel 23: Diabetes, Heart Disease, & Stroke	0	0	0	0	0	5	1	0	0	0	0	0	0	6	1.6%
Research Material	1	1	0	1	1	0	2	0	0	0	0	0	0	6	1.6%
Your Guide To Lowering Blood Pressure	2	0	0	2	1	0	1	0	0	0	0	0	0	6	1.6%
Heart Failure Symptom Response Plan	0	0	0	1	1	3	0	0	0	0	0	0	0	5	1.4%
Work In Partnership With Your Doctor	0	3	1	0	0	1	0	0	0	0	0	0	0	5	1.4%
ADA Channel 14: A Guide To Taking Care Of Feet	2	0	0	0	0	0	2	0	0	0	0	0	0	4	1.1%
Diet Therapy For High Cholesterol	0	0	0	1	0	2	1	0	0	0	0	0	0	4	1.1%
Food Pyramid 2005	1	0	1	2	0	0	0	0	0	0	0	0	0	4	1.1%
Managing Heart Failure	0	0	0	1	0	3	0	0	0	0	0	0	0	4	1.1%
Diabetes Day By Day: #35 Eye Care And Retinopathy	2	0	0	1	0	0	0	0	0	0	0	0	0	3	0.8%
Diabetes Response Plan	0	0	0	0	1	1	1	0	0	0	0	0	0	3	0.8%
HT- Preventing High Blood Sugar (Hyperglycemia) Emergencies	0	0	0	1	0	2	0	0	0	0	0	0	0	3	0.8%
<b>Total Including Other Materials Not In The Top 20</b>	<b>64</b>	<b>20</b>	<b>33</b>	<b>72</b>	<b>47</b>	<b>72</b>	<b>57</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>365</b>	<b>100.0%</b>

Notes:  
 Health Coaches distribute materials to individuals based on needs, requests, and, in any particular situation, the Health Coach's assessment of the usefulness of the material for the individual. All of the literature materials are delivered on paper to the individuals through the mail.  
 Individuals may receive multiple pieces of literature depending on their needs.  
 Healthwise® Knowledgebase Article: Articles printed from Healthwise® Knowledgebase. Specific topics and titles are not tracked.  
 Research Material: Material the Health Coach gathers from the medical literature and other sources as a result of researching specific concerns for individuals.  
 Top 20 based on 13 month total volume of materials sent for each topic.  
 Due to rounding, percents may not sum to 100%.

## Top 20 Literature Materials Distributed: NDPERS - Individuals with Chronic Conditions

Topic	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	13 Month Total	13 Month Percent of All Materials
Healthwise® Knowledgebase Article	11	7	9	16	17	12	15	0	0	0	0	0	0	87	36.9%
Diabetes Healthy Living Guide	1	0	5	5	0	8	1	0	0	0	0	0	0	20	8.5%
ADA Channel 9: A Guide To ADA Standards Of Care	1	1	4	3	0	1	1	0	0	0	0	0	0	11	4.7%
ADA Channel 3: A Guide To Eating And Diabetes	1	0	0	1	1	3	2	0	0	0	0	0	0	8	3.4%
Ada Channel 16: A Guide For Men With Diabetes	0	0	0	0	0	6	0	0	0	0	0	0	0	6	2.5%
Ada Channel 23: Diabetes, Heart Disease, & Stroke	0	0	0	0	0	5	1	0	0	0	0	0	0	6	2.5%
Heart Failure Symptom Response Plan	0	0	0	1	1	3	0	0	0	0	0	0	0	5	2.1%
Work In Partnership With Your Doctor	0	3	1	0	0	1	0	0	0	0	0	0	0	5	2.1%
Diet Therapy For High Cholesterol	0	0	0	1	0	2	1	0	0	0	0	0	0	4	1.7%
Managing Heart Failure	0	0	0	1	0	3	0	0	0	0	0	0	0	4	1.7%
What I Need To Know About Eating And Diabetes	0	0	1	1	1	1	0	0	0	0	0	0	0	4	1.7%
Your Guide To Lowering Blood Pressure	0	0	0	2	1	0	1	0	0	0	0	0	0	4	1.7%
Diabetes Response Plan	0	0	0	0	1	1	1	0	0	0	0	0	0	3	1.3%
High Blood Cholesterol: What You Need to Know	1	0	0	1	0	1	0	0	0	0	0	0	0	3	1.3%
HT- Preventing High Blood Sugar (Hyperglycemia) Emergencies	0	0	0	1	0	2	0	0	0	0	0	0	0	3	1.3%
ADA Channel 14: A Guide To Taking Care Of Feet	0	0	0	0	0	0	2	0	0	0	0	0	0	2	0.8%
Asthma Response Plan	0	0	0	0	1	1	0	0	0	0	0	0	0	2	0.8%
Controlling Asthma	0	0	0	0	1	1	0	0	0	0	0	0	0	2	0.8%
Food Pyramid 2005	0	0	0	2	0	0	0	0	0	0	0	0	0	2	0.8%
Foot Problems Card	0	0	0	0	1	0	1	0	0	0	0	0	0	2	0.8%
<b>Total Including Other Materials Not In The Top 20</b>	<b>16</b>	<b>11</b>	<b>21</b>	<b>58</b>	<b>37</b>	<b>58</b>	<b>35</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>236</b>	<b>100.0%</b>

Notes:  
 Health Coaches distribute materials to individuals based on needs, requests, and, in any particular situation, the Health Coach's assessment of the usefulness of the material for the individual. All of the literature materials are delivered on paper to the individuals through the mail.  
 Individuals may receive multiple pieces of literature depending on their needs.  
 Healthwise® Knowledgebase Article: Articles printed from Healthwise® Knowledgebase. Specific topics and titles are not tracked.  
 Research Material: Material the Health Coach gathers from the medical literature and other sources as a result of researching specific concerns for individuals.  
 Top 20 based on 13 month total volume of materials sent for each topic.  
 Due to rounding, percents may not sum to 100%.

Individuals with Chronic Conditions: Individuals identified with chronic conditions through claims analysis and other agreed-upon means of identification. Includes individuals identified from the program start date through the 15th day of this reporting period.  
 Individuals are assigned into chronic and non-chronic groups based on as up-to-date information as possible. Because identification processes use as recent claims data as possible, some individuals who, in past months, were identified as non-chronic are identified as chronic in this report. All activities for these individuals for prior months and for the current month are now reported as activity for chronic individuals. This causes some fluctuations in the reported numbers for prior months on a month-to-month basis, but allows for reporting of accurate and current information.

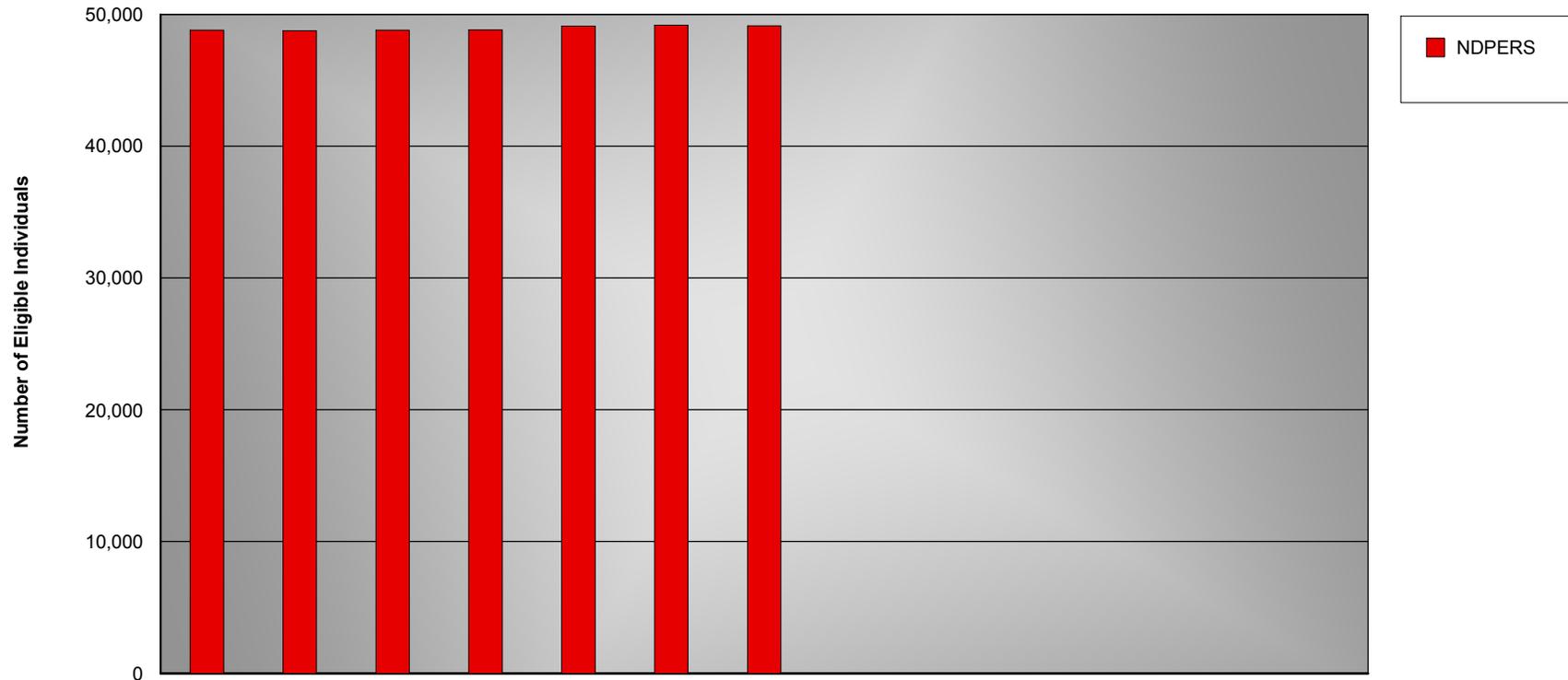
## Top 20 Literature Materials Distributed: NDPERS - Individuals without Chronic Conditions

Topic	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	13 Month Total	13 Month Percent of All Materials
Healthwise® Knowledgebase Article	21	7	8	13	9	11	9	0	0	0	0	0	0	78	60.5%
Cat - Reply To Secure Message	0	0	0	0	0	1	12	0	0	0	0	0	0	13	10.1%
High Blood Cholesterol: What You Need to Know	4	1	1	0	0	0	0	0	0	0	0	0	0	6	4.7%
Research Material	1	1	0	1	0	0	1	0	0	0	0	0	0	4	3.1%
ADA Channel 3: A Guide To Eating And Diabetes	2	0	0	0	0	1	0	0	0	0	0	0	0	3	2.3%
Diabetes Healthy Living Guide	2	0	0	0	1	0	0	0	0	0	0	0	0	3	2.3%
What I Need To Know About Eating And Diabetes	2	0	0	0	0	1	0	0	0	0	0	0	0	3	2.3%
ADA Channel 14: A Guide To Taking Care Of Feet	2	0	0	0	0	0	0	0	0	0	0	0	0	2	1.6%
ADA Channel 5: A Guide To Checking Blood Sugar	2	0	0	0	0	0	0	0	0	0	0	0	0	2	1.6%
Diabetes Day By Day: #30 Stress	2	0	0	0	0	0	0	0	0	0	0	0	0	2	1.6%
Diabetes Day By Day: #35 Eye Care And Retinopathy	2	0	0	0	0	0	0	0	0	0	0	0	0	2	1.6%
Food Pyramid 2005	1	0	1	0	0	0	0	0	0	0	0	0	0	2	1.6%
Medications For People With Diabetes	2	0	0	0	0	0	0	0	0	0	0	0	0	2	1.6%
Your Guide To Lowering Blood Pressure	2	0	0	0	0	0	0	0	0	0	0	0	0	2	1.6%
ADA Channel 9: A Guide To ADA Standards Of Care	1	0	0	0	0	0	0	0	0	0	0	0	0	1	0.8%
Diabetes Day By Day: #21 Men's Sexual Health	1	0	0	0	0	0	0	0	0	0	0	0	0	1	0.8%
Diabetes Day By Day: #9 20 Steps To Safe Exercise	1	0	0	0	0	0	0	0	0	0	0	0	0	1	0.8%
How Can I Overcome Barriers To Physical Activity?	0	0	1	0	0	0	0	0	0	0	0	0	0	1	0.8%
Video Booklet: Chronic Low Back Pain	0	0	1	0	0	0	0	0	0	0	0	0	0	1	0.8%
<b>Total Including Other Materials Not In The Top 20</b>	<b>48</b>	<b>9</b>	<b>12</b>	<b>14</b>	<b>10</b>	<b>14</b>	<b>22</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>129</b>	<b>100.0%</b>

Notes:  
 Health Coaches distribute materials to individuals based on needs, requests, and, in any particular situation, the Health Coach's assessment of the usefulness of the material for the individual. All of the literature materials are delivered on paper to the individuals through the mail. Individuals may receive multiple pieces of literature depending on their needs.  
 Healthwise® Knowledgebase Article: Articles printed from Healthwise® Knowledgebase. Specific topics and titles are not tracked.  
 Research Material: Material the Health Coach gathers from the medical literature and other sources as a result of researching specific concerns for individuals.  
 Top 20 based on 13 month total volume of materials sent for each topic.  
 Due to rounding, percents may not sum to 100%.

Individuals are assigned into chronic and non-chronic groups based on as up-to-date information as possible. Because identification processes use as recent claims data as possible, some individuals who, in past months, were identified as non-chronic are identified as chronic in this report. All activities for these individuals for prior months and for the current month are now reported as activity for chronic individuals. This causes some fluctuations in the reported numbers for prior months on a month-to-month basis, but allows for reporting of accurate and current information.

### Eligibility Summary



	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	13 Month Average Number of Individuals
<b>NDPERS</b>	48,792	48,752	48,800	48,828	49,113	49,181	49,129	0	0	0	0	0	0	48,942
Total	48,792	48,752	48,800	48,828	49,113	49,181	49,129	0	0	0	0	0	0	48,942

## Report on Dialog Center<sup>SM</sup> Activity for April, 2006

### *Dialog Center<sup>SM</sup> Membership*

Total number of individuals registered (program-to-date)	<b>685</b>
Newly registered in April	395
Unique individuals who have used the Dialog Center <sup>SM</sup> in April	426

### *How's Your Health Utilization*

Total number of unique individuals who have completed a survey (program-to-date)	<b>416</b>
Total number of unique individuals who have completed a survey in April	301

Notes:

Total number of individuals registered: The number of unique individuals who have registered with the Dialog Center<sup>SM</sup> from program begin date through the last day of the reporting period.

Newly registered individuals: The number of unique individuals who have registered with the Dialog Center<sup>SM</sup> within the reporting month.

Unique individuals who have used Dialog Center<sup>SM</sup>: The number of unique individuals who have used the Dialog Center<sup>SM</sup> within the reporting month.

Home Page Hits: The number of times an individual visits the home page within the reporting month. This number represents the number of visits and not the number of unique individuals.

Crossroad Hits: The number of times an individual visits a condition specific crossroad within the reporting month. This number represents the number of visits and not the number of unique individuals.

**Individual Participation and Activity Report  
Health Dialog  
UNIQUE INDIVIDUALS WITH CHRONIC CONDITIONS - NDPERS**

<b>ALL CHRONIC CONDITIONS</b>										
<b>Program to Date</b>		<b>High Risk</b>			<b>Other Risk</b>			<b>All Chronic Individuals</b>		
		<i>Unique Eligible Individuals</i>	<i>Phone Contacts</i>	<i>Percent of Eligible Individuals</i>	<i>Unique Eligible Individuals</i>	<i>Phone Contacts</i>	<i>Percent of Eligible Individuals</i>	<i>Unique Eligible Individuals</i>	<i>Phone Contacts</i>	<i>Percent of Eligible Individuals</i>
<b>Individual Contacts</b>										
<b>Phone Contact</b>	-one (1)	241	241	56.57%	139	139	4.77%	380	380	11.38%
	-two (2)	34	68	7.98%	27	54	0.93%	61	122	1.83%
	-three (3)	8	24	1.88%	8	24	0.27%	16	48	0.48%
	-four or more (4+)	11	49	2.58%	5	31	0.17%	16	80	0.48%
	Phone Contacts (Total)	<b>294</b>	<b>382</b>	<b>69.01%</b>	<b>179</b>	<b>248</b>	<b>6.15%</b>	<b>473</b>	<b>630</b>	<b>14.17%</b>
	Phone Attempts (Not Reached)	<b>121</b>			<b>86</b>			<b>207</b>		
	Phone Attempts Scheduled	<b>5</b>			<b>77</b>			<b>82</b>		
	Individual Received Mail/Message	<b>423</b>			<b>2,489</b>			<b>2,912</b>		
		<b>High Risk</b>			<b>Other Risk</b>			<b>All Chronic Individuals</b>		
<b>Individual Eligibility</b>		<i>Unique Eligible Individuals</i>			<i>Unique Eligible Individuals</i>			<i>Unique Eligible Individuals</i>		
	Individual Denies Condition		<b>0</b>			<b>0</b>			<b>0</b>	
	Deceased		<b>0</b>			<b>0</b>			<b>0</b>	
	Individual Declines		<b>9</b>			<b>4</b>			<b>13</b>	
	Identified Individuals (PTD)		<b>426</b>			<b>2,912</b>			<b>3,338</b>	
	% Participation		<b>97.89%</b>			<b>99.86%</b>			<b>99.61%</b>	

Notes:

High Risk: Eligible individual with the highest predicted risk of health care costs (uses Health Dialog's claims-based predictive models).

Phone Contacts: Eligible individual has had telephone interaction with a Health Coach.

Phone Attempts (Not Reached): Outbound call attempted to an eligible individual. After multiple attempts, individual is sent letter encouraging him/her to call.

Phone Attempts Scheduled: Outbound call attempt scheduled to be made to an eligible individual.

Deceased: Eligible individual identified as being deceased during the reporting period.

Individual Received Mail/Message: Eligible individual mailed information and/or sent electronic message. Includes material sent as part of the program pre-launch or launch.

Identified Individuals Program To Date: Eligible individuals identified with chronic conditions. Includes individuals identified from the program start date through the 15th of this reporting period.

Eligible: Individual identified by client as being eligible for the program. Individuals with eligibility at any time during the month of the reporting period are included and individuals who lost eligibility prior to the month reported are excluded.

Individual Denies Condition: Eligible individual denies having one or more chronic conditions.

Individual Declines: Eligible individual has requested no Health Coach or mailing intervention.

% Participation: All eligible individuals identified program to date, less those who decline Health Coaching or mailing intervention as a % of total eligible individuals identified for the program.

Data is derived from Health Dialog's HealthCAM2™ call management system, which contains event information including interventions by telephone and by mail. Individuals listed are those identified for participation and received at Health Dialog by the end of the reporting period. Risk stratification information displayed in this report is based on risk stratification conducted through the 15th of this reporting period. Individuals added during the month are, in this report, listed as "other" risk; a subset of these individuals will be stratified as high financial risk in next month's report.

**Individual Participation and Activity Report  
Health Dialog  
UNIQUE INDIVIDUALS WITH ASTHMA - NDPERS**

ASTHMA										
Program to Date		High Risk			Other Risk			All Chronic Individuals		
Individual Contacts		Unique Eligible Individuals	Phone Contacts	Percent of Eligible Individuals	Unique Eligible Individuals	Phone Contacts	Percent of Eligible Individuals	Unique Eligible Individuals	Phone Contacts	Percent of Eligible Individuals
Phone Contact	-one (1)	36	36	49.32%	48	48	3.52%	84	84	5.84%
	-two (2)	6	12	8.22%	7	14	0.51%	13	26	0.90%
	-three (3)	1	3	1.37%	3	9	0.22%	4	12	0.28%
	-four or more (4+)	4	19	5.48%	2	11	0.15%	6	30	0.42%
Phone Contacts (Total)		<b>47</b>	<b>70</b>	<b>64.38%</b>	<b>60</b>	<b>82</b>	<b>4.40%</b>	<b>107</b>	<b>152</b>	<b>7.44%</b>
Phone Attempts (Not Reached)		<b>22</b>			<b>27</b>			<b>49</b>		
Phone Attempts Scheduled		<b>1</b>			<b>21</b>			<b>22</b>		
Individual Received Mail/Message		<b>71</b>			<b>972</b>			<b>1,043</b>		
Individual Eligibility		High Risk			Other Risk			All Chronic Individuals		
		Unique Eligible Individuals			Unique Eligible Individuals			Unique Eligible Individuals		
Individual Denies Condition		<b>0</b>			<b>0</b>			<b>0</b>		
Deceased		<b>0</b>			<b>0</b>			<b>0</b>		
Individual Declines		<b>3</b>			<b>3</b>			<b>6</b>		
Identified Individuals (PTD)		<b>73</b>			<b>1,365</b>			<b>1,438</b>		
% Participation		<b>95.89%</b>			<b>99.78%</b>			<b>99.58%</b>		

Notes:

High Risk: Eligible individual with the highest predicted risk of health care costs (uses Health Dialog's claims-based predictive models).

Phone Contacts: Eligible individual has had telephone interaction with a Health Coach.

Phone Attempts (Not Reached): Outbound call attempted to an eligible individual. After multiple attempts, individual is sent letter encouraging him/her to call.

Phone Attempts Scheduled: Outbound call attempt scheduled to be made to an eligible individual.

Deceased: Eligible individual identified as being deceased during the reporting period.

Individual Received Mail/Message: Eligible individual mailed information and/or sent electronic message. Includes material sent as part of the program pre-launch or launch.

Identified Individuals Program To Date: Eligible individuals identified with chronic conditions. Includes individuals identified from the program start date through the 15th of this reporting period.

Eligible: Individual identified by client as being eligible for the program. Individuals with eligibility at any time during the month of the reporting period are included and individuals who lost eligibility prior to the month reported are excluded.

Individual Denies Condition: Eligible individual denies having one or more chronic conditions.

Individual Declines: Eligible individual has requested no Health Coach or mailing intervention.

% Participation: All eligible individuals identified program to date, less those who decline Health Coaching or mailing intervention as a % of total eligible individuals identified for the program.

Data is derived from Health Dialog's HealthCAM2™ call management system, which contains event information including interventions by telephone and by mail. Individuals listed are those identified for participation and received at Health Dialog by the end of the reporting period. Risk stratification information displayed in this report is based on risk stratification conducted through the 15th of this reporting period. Individuals added during the month are, in this report, listed as "other" risk; a subset of these individuals will be stratified as high financial risk in next month's report.

**Individual Participation and Activity Report  
Health Dialog  
UNIQUE INDIVIDUALS WITH CORONARY ARTERY DISEASE - NDPERS**

<b>CAD</b>										
<b>Program to Date</b>		<b>High Risk</b>			<b>Other Risk</b>			<b>All Chronic Individuals</b>		
<b>Individual Contacts</b>		<i>Unique Eligible Individuals</i>	<i>Phone Contacts</i>	<i>Percent of Eligible Individuals</i>	<i>Unique Eligible Individuals</i>	<i>Phone Contacts</i>	<i>Percent of Eligible Individuals</i>	<i>Unique Eligible Individuals</i>	<i>Phone Contacts</i>	<i>Percent of Eligible Individuals</i>
<b>Phone Contact</b>	-one (1)	96	96	56.14%	31	31	9.42%	127	127	25.40%
	-two (2)	15	30	8.77%	8	16	2.43%	23	46	4.60%
	-three (3)	5	15	2.92%	3	9	0.91%	8	24	1.60%
	-four or more (4+)	6	24	3.51%	2	13	0.61%	8	37	1.60%
	Phone Contacts (Total)	<b>122</b>	<b>165</b>	<b>71.35%</b>	<b>44</b>	<b>69</b>	<b>13.37%</b>	<b>166</b>	<b>234</b>	<b>33.20%</b>
	Phone Attempts (Not Reached)	<b>44</b>			<b>24</b>			<b>68</b>		
	Phone Attempts Scheduled	<b>2</b>			<b>31</b>			<b>33</b>		
	Individual Received Mail/Message	<b>171</b>			<b>327</b>			<b>498</b>		
<b>Individual Eligibility</b>		<b>High Risk</b>			<b>Other Risk</b>			<b>All Chronic Individuals</b>		
		<i>Unique Eligible Individuals</i>			<i>Unique Eligible Individuals</i>			<i>Unique Eligible Individuals</i>		
	Individual Denies Condition		<b>0</b>			<b>0</b>			<b>0</b>	
	Deceased		<b>0</b>			<b>0</b>			<b>0</b>	
	Individual Declines		<b>4</b>			<b>1</b>			<b>5</b>	
	Identified Individuals (PTD)		<b>171</b>			<b>329</b>			<b>500</b>	
	% Participation		<b>97.66%</b>			<b>99.70%</b>			<b>99.00%</b>	

Notes:

High Risk: Eligible individual with the highest predicted risk of health care costs (uses Health Dialog's claims-based predictive models).  
 Phone Contacts: Eligible individual has had telephone interaction with a Health Coach.  
 Phone Attempts (Not Reached): Outbound call attempted to an eligible individual. After multiple attempts, individual is sent letter encouraging him/her to call.  
 Phone Attempts Scheduled: Outbound call attempt scheduled to be made to an eligible individual.  
 Deceased: Eligible individual identified as being deceased during the reporting period.  
 Individual Received Mail/Message: Eligible individual mailed information and/or sent electronic message. Includes material sent as part of the program pre-launch or launch.  
 Identified Individuals Program To Date: Eligible individuals identified with chronic conditions. Includes individuals identified from the program start date through the 15th of this reporting period.  
 Eligible: Individual identified by client as being eligible for the program. Individuals with eligibility at any time during the month of the reporting period are included and individuals who lost eligibility prior to the month reported are excluded.  
 Individual Denies Condition: Eligible individual denies having one or more chronic conditions.  
 Individual Declines: Eligible individual has requested no Health Coach or mailing intervention.  
 % Participation: All eligible individuals identified program to date, less those who decline Health Coaching or mailing intervention as a % of total eligible individuals identified for the program.  
 Data is derived from Health Dialog's HealthCAM2™ call management system, which contains event information including interventions by telephone and by mail. Individuals listed are those identified for participation and received at Health Dialog by the end of the reporting period. Risk stratification information displayed in this report is based on risk stratification conducted through the 15th of this reporting period. Individuals added during the month are, in this report, listed as "other" risk; a subset of these individuals will be stratified as high financial risk in next month's report.

**Individual Participation and Activity Report  
Health Dialog  
UNIQUE INDIVIDUALS WITH CONGESTIVE HEART FAILURE - NDPERS**

<b>CHF</b>										
<b>Program to Date</b>		<b>High Risk</b>			<b>Other Risk</b>			<b>All Chronic Individuals</b>		
		<i>Unique Eligible Individuals</i>	<i>Phone Contacts</i>	<i>Percent of Eligible Individuals</i>	<i>Unique Eligible Individuals</i>	<i>Phone Contacts</i>	<i>Percent of Eligible Individuals</i>	<i>Unique Eligible Individuals</i>	<i>Phone Contacts</i>	<i>Percent of Eligible Individuals</i>
<b>Individual Contacts</b>										
<b>Phone Contact</b>	-one (1)	18	18	51.43%	2	2	18.18%	20	20	43.48%
	-two (2)	3	6	8.57%	0	0	0.00%	3	6	6.52%
	-three (3)	0	0	0.00%	0	0	0.00%	0	0	0.00%
	-four or more (4+)	2	8	5.71%	0	0	0.00%	2	8	4.35%
Phone Contacts (Total)		<b>23</b>	<b>32</b>	<b>65.71%</b>	<b>2</b>	<b>2</b>	<b>18.18%</b>	<b>25</b>	<b>34</b>	<b>54.35%</b>
Phone Attempts (Not Reached)		<b>10</b>			<b>1</b>			<b>11</b>		
Phone Attempts Scheduled		<b>1</b>			<b>0</b>			<b>1</b>		
Individual Received Mail/Message		<b>34</b>			<b>11</b>			<b>45</b>		
		<b>High Risk</b>			<b>Other Risk</b>			<b>All Chronic Individuals</b>		
<b>Individual Eligibility</b>		<i>Unique Eligible Individuals</i>			<i>Unique Eligible Individuals</i>			<i>Unique Eligible Individuals</i>		
Individual Denies Condition			<b>0</b>			<b>0</b>			<b>0</b>	
Deceased			<b>0</b>			<b>0</b>			<b>0</b>	
Individual Declines			<b>0</b>			<b>0</b>			<b>0</b>	
Identified Individuals (PTD)			<b>35</b>			<b>11</b>			<b>46</b>	
% Participation			<b>100.00%</b>			<b>100.00%</b>			<b>100.00%</b>	

Notes:

High Risk: Eligible individual with the highest predicted risk of health care costs (uses Health Dialog's claims-based predictive models).

Phone Contacts: Eligible individual has had telephone interaction with a Health Coach.

Phone Attempts (Not Reached): Outbound call attempted to an eligible individual. After multiple attempts, individual is sent letter encouraging him/her to call.

Phone Attempts Scheduled: Outbound call attempt scheduled to be made to an eligible individual.

Deceased: Eligible individual identified as being deceased during the reporting period.

Individual Received Mail/Message: Eligible individual mailed information and/or sent electronic message. Includes material sent as part of the program pre-launch or launch.

Identified Individuals Program To Date: Eligible individuals identified with chronic conditions. Includes individuals identified from the program start date through the 15th of this reporting period.

Eligible: Individual identified by client as being eligible for the program. Individuals with eligibility at any time during the month of the reporting period are included and individuals who lost eligibility prior to the month reported are excluded.

Individual Denies Condition: Eligible individual denies having one or more chronic conditions.

Individual Declines: Eligible individual has requested no Health Coach or mailing intervention.

% Participation: All eligible individuals identified program to date, less those who decline Health Coaching or mailing intervention as a % of total eligible individuals identified for the program.

Data is derived from Health Dialog's HealthCAM2™ call management system, which contains event information including interventions by telephone and by mail. Individuals listed are those identified for participation and received at Health Dialog by the end of the reporting period. Risk stratification information displayed in this report is based on risk stratification conducted through the 15th of this reporting period. Individuals added during the month are, in this report, listed as "other" risk; a subset of these individuals will be stratified as high financial risk in next month's report.

**Individual Participation and Activity Report  
Health Dialog  
UNIQUE INDIVIDUALS WITH CHRONIC OBSTRUCTIVE PULMONARY DISEASE - NDPERS**

<b>COPD</b>										
<b>Program to Date</b>		<b>High Risk</b>			<b>Other Risk</b>			<b>All Chronic Individuals</b>		
		<i>Unique Eligible Individuals</i>	<i>Phone Contacts</i>	<i>Percent of Eligible Individuals</i>	<i>Unique Eligible Individuals</i>	<i>Phone Contacts</i>	<i>Percent of Eligible Individuals</i>	<i>Unique Eligible Individuals</i>	<i>Phone Contacts</i>	<i>Percent of Eligible Individuals</i>
<b>Individual Contacts</b>										
<b>Phone Contact</b>	-one (1)	12	12	52.17%	6	6	11.11%	18	18	23.38%
	-two (2)	2	4	8.70%	0	0	0.00%	2	4	2.60%
	-three (3)	1	3	4.35%	1	3	1.85%	2	6	2.60%
	-four or more (4+)	0	0	0.00%	0	0	0.00%	0	0	0.00%
Phone Contacts (Total)		<b>15</b>	<b>19</b>	<b>65.22%</b>	<b>7</b>	<b>9</b>	<b>12.96%</b>	<b>22</b>	<b>28</b>	<b>28.57%</b>
Phone Attempts (Not Reached)		<b>8</b>			<b>0</b>			<b>8</b>		
Phone Attempts Scheduled		<b>0</b>			<b>1</b>			<b>1</b>		
Individual Received Mail/Message		<b>23</b>			<b>52</b>			<b>75</b>		
		<b>High Risk</b>			<b>Other Risk</b>			<b>All Chronic Individuals</b>		
<b>Individual Eligibility</b>		<i>Unique Eligible Individuals</i>			<i>Unique Eligible Individuals</i>			<i>Unique Eligible Individuals</i>		
Individual Denies Condition			<b>0</b>			<b>0</b>			<b>0</b>	
Deceased			<b>0</b>			<b>0</b>			<b>0</b>	
Individual Declines			<b>2</b>			<b>0</b>			<b>2</b>	
Identified Individuals (PTD)			<b>23</b>			<b>54</b>			<b>77</b>	
% Participation			<b>91.30%</b>			<b>100.00%</b>			<b>97.40%</b>	

Notes:

High Risk: Eligible individual with the highest predicted risk of health care costs (uses Health Dialog's claims-based predictive models).

Phone Contacts: Eligible individual has had telephone interaction with a Health Coach.

Phone Attempts (Not Reached): Outbound call attempted to an eligible individual. After multiple attempts, individual is sent letter encouraging him/her to call.

Phone Attempts Scheduled: Outbound call attempt scheduled to be made to an eligible individual.

Deceased: Eligible individual identified as being deceased during the reporting period.

Individual Received Mail/Message: Eligible individual mailed information and/or sent electronic message. Includes material sent as part of the program pre-launch or launch.

Identified Individuals Program To Date: Eligible individuals identified with chronic conditions. Includes individuals identified from the program start date through the 15th of this reporting period.

Eligible: Individual identified by client as being eligible for the program. Individuals with eligibility at any time during the month of the reporting period are included and individuals who lost eligibility prior to the month reported are excluded.

Individual Denies Condition: Eligible individual denies having one or more chronic conditions.

Individual Declines: Eligible individual has requested no Health Coach or mailing intervention.

% Participation: All eligible individuals identified program to date, less those who decline Health Coaching or mailing intervention as a % of total eligible individuals identified for the program.

Data is derived from Health Dialog's HealthCAM2™ call management system, which contains event information including interventions by telephone and by mail. Individuals listed are those identified for participation and received at Health Dialog by the end of the reporting period. Risk stratification information displayed in this report is based on risk stratification conducted through the 15th of this reporting period. Individuals added during the month are, in this report, listed as "other" risk; a subset of these individuals will be stratified as high financial risk in next month's report.

**Individual Participation and Activity Report  
Health Dialog  
UNIQUE INDIVIDUALS WITH DIABETES - NDPERS**

DIABETES										
Program to Date		High Risk			Other Risk			All Chronic Individuals		
Individual Contacts		Unique Eligible Individuals	Phone Contacts	Percent of Eligible Individuals	Unique Eligible Individuals	Phone Contacts	Percent of Eligible Individuals	Unique Eligible Individuals	Phone Contacts	Percent of Eligible Individuals
Phone Contact	-one (1)	167	167	58.19%	79	79	6.00%	246	246	15.35%
	-two (2)	24	48	8.36%	16	32	1.22%	40	80	2.50%
	-three (3)	3	9	1.05%	4	12	0.30%	7	21	0.44%
	-four or more (4+)	6	26	2.09%	3	18	0.23%	9	44	0.56%
Phone Contacts (Total)		<b>200</b>	<b>250</b>	<b>69.69%</b>	<b>102</b>	<b>141</b>	<b>7.75%</b>	<b>302</b>	<b>391</b>	<b>18.84%</b>
Phone Attempts (Not Reached)		<b>84</b>			<b>47</b>			<b>131</b>		
Phone Attempts Scheduled		<b>2</b>			<b>34</b>			<b>36</b>		
Individual Received Mail/Message		<b>286</b>			<b>1,288</b>			<b>1,574</b>		
Individual Eligibility		High Risk			Other Risk			All Chronic Individuals		
		Unique Eligible Individuals			Unique Eligible Individuals			Unique Eligible Individuals		
Individual Denies Condition		0			0			0		
Deceased		0			0			0		
Individual Declines		7			1			8		
Identified Individuals (PTD)		287			1,316			1,603		
% Participation		97.56%			99.92%			99.50%		

Notes:

High Risk: Eligible individual with the highest predicted risk of health care costs (uses Health Dialog's claims-based predictive models).

Phone Contacts: Eligible individual has had telephone interaction with a Health Coach.

Phone Attempts (Not Reached): Outbound call attempted to an eligible individual. After multiple attempts, individual is sent letter encouraging him/her to call.

Phone Attempts Scheduled: Outbound call attempt scheduled to be made to an eligible individual.

Deceased: Eligible individual identified as being deceased during the reporting period.

Individual Received Mail/Message: Eligible individual mailed information and/or sent electronic message. Includes material sent as part of the program pre-launch or launch.

Identified Individuals Program To Date: Eligible individuals identified with chronic conditions. Includes individuals identified from the program start date through the 15th of this reporting period.

Eligible: Individual identified by client as being eligible for the program. Individuals with eligibility at any time during the month of the reporting period are included and individuals who lost eligibility prior to the month reported are excluded.

Individual Denies Condition: Eligible individual denies having one or more chronic conditions.

Individual Declines: Eligible individual has requested no Health Coach or mailing intervention.

% Participation: All eligible individuals identified program to date, less those who decline Health Coaching or mailing intervention as a % of total eligible individuals identified for the program.

Data is derived from Health Dialog's HealthCAM2™ call management system, which contains event information including interventions by telephone and by mail. Individuals listed are those identified for participation and received at Health Dialog by the end of the reporting period. Risk stratification information displayed in this report is based on risk stratification conducted through the 15th of this reporting period. Individuals added during the month are, in this report, listed as "other" risk; a subset of these individuals will be stratified as high financial risk in next month's report.

**Individual Participation and Activity Report  
Health Dialog  
UNIQUE INDIVIDUALS - NDPERS**

<b>Contact Activity Summary</b>			
<b>Program to Date</b>	<b>Contact Activity Summary</b>		
<b>Individual Contacts</b>	<b>Unique Eligible Individuals</b>	<b>Phone Contacts</b>	<b>Percent of Eligible Identified</b>
<b>Phone Contact</b>			
-one (1)	298	298	0.65%
-two (2)	66	132	0.14%
-three (3)	15	45	0.03%
-four or more (4+)	8	40	0.02%
Phone Contacts (Total)	<b>387</b>	<b>515</b>	<b>0.85%</b>
Phone Attempts (Not Reached)	<b>0</b>		
Phone Attempts Scheduled	<b>26</b>		
	<b>Status</b>		
	<b>Unique Eligible Individuals</b>		
Deceased		<b>2</b>	
Individual Declines		<b>3</b>	
Identified Individuals (PTD)		<b>45,791</b>	
% Participation		<b>99.99%</b>	

**Notes:**

Phone Contacts: Eligible individual has had telephone interaction with a Health Coach.  
 Phone Attempts (Not Reached): Outbound call attempted to an eligible individual. After multiple attempts, individual is sent letter encouraging him/her to call.  
 Phone Attempts Scheduled: Outbound call attempt scheduled to be made to an eligible individual.  
 Deceased: Eligible individual identified as being deceased during the reporting period.  
 Identified Individuals Program To Date: Eligible individuals identified without a chronic condition.  
 Eligible: Individual identified by client as being eligible for the program. Individuals with eligibility at any time during the month of the reporting period are included and individuals who lost eligibility prior to the month reported are excluded.  
 Individual Declines: Eligible individual has requested no Health Coach or mailing intervention.  
 % Participation: All eligible individuals identified program to date, less those who decline Health Coaching or mailing intervention as a % of total eligible individuals identified for the program.

## Glossary of Terms

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**% Participation:** All eligible individuals identified program to date, less those who decline Health Coaching or mailing intervention as a % of total eligible individuals identified for the program.

**Abandonment Rate:** Percent of inbound calls on which the caller hangs up before reaching a Health Coach.

**Average Hold Time:** Average number of seconds the caller is on hold before speaking with a Health Coach after being transferred within Health Dialog.

**Average Speed of Answer:** Average number of seconds that it takes a Health Coach to answer a call in the queue.

**Blockage Rate:** Percent of inbound calls on which the caller gets a busy signal.

**Campaign:** An outreach process (mail, phone, both) that targets broad or specific segments of a client population with a particular goal (e.g., general awareness, clinical gaps).

**Chronic Condition Support:** Health Coaches provide information and support to individuals with asthma, coronary artery disease (CAD), congestive heart failure (CHF), diabetes, and chronic obstructive pulmonary disease (COPD), as well as related comorbidities and other chronic illnesses.

**Deceased:** Eligible individual identified as being deceased during the reporting period.

**Decision Support:** Health Coaches support individuals through the decision-making process by providing unbiased information regarding treatment options and outcomes and helping them consider the pros and cons in the context of their values and preferences. Through the process, individuals learn the steps involved in making a good decision.

**Decision Support-Symptom:** Health Coaches support individuals by providing information about tests, medications, or medical procedures prescribed by a doctor; answering questions an individual may have following a doctor's visit; preparing an individual for a doctor's visit; and answering questions about acute medical symptoms. Also called Urgent Needs Support.

**Eligible:** Individual identified by client as being eligible for the program. Individuals with eligibility at any time during the month of the reporting period are included and individuals who lost eligibility prior to the month reported are excluded.

**High Risk:** Eligible individual with the highest predicted risk of health care costs (uses Health Dialog's claims-based predictive models).

**Identified Individuals Program To Date (Activity for Individuals with Chronic Conditions):** Eligible individuals identified with chronic conditions. Includes individuals identified from program start date through the 15th of this reporting period.

**Identified Individuals Program To Date (Activity for Individuals without Chronic Conditions):** Eligible individuals identified without a chronic condition.

**Inbound Call:** An individual dials Health Dialog, speaks with a Health Coach, and the Health Coach records information about the call in HealthCAM2™.

**Information Support:** Health Coach provides medical information, not directly associated with a decision, to individual.

**Impact:** An impact represents the specific support that Health Coaches provide for individuals to facilitate improved behavior, motivation, confidence, decision-making skills, knowledge, and awareness. Impacts are documented by Health Coaches after each interaction with an individual. An individual may have more than one, or no impacts on a call.

**Individual Declines:** Eligible individual has requested no Health Coach or mailing intervention.

**Individual Denies Condition:** Eligible individual denies having one or more chronic conditions.

**Individual Received Mail/Message:** Eligible individual mailed information and/or sent electronic message. Includes material sent as part of the program pre-launch or launch.

**Outbound Call Campaign or Referral:** A Health Coach dials an individual as part of a specific outreach effort, speaks with the individual, and records information about the call in HealthCAM2™.

**Outbound Call Follow Up:** A Health Coach dials and speaks with an individual as follow up to prior conversation and records information about the call in HealthCAM2™.

**Phone Attempts (Not Reached):** Outbound call attempted to an eligible individual. After multiple attempts, individual is sent letter encouraging him/her to call.

**Phone Attempts Scheduled:** Outbound call attempt scheduled to be made to an eligible individual.



Phone Contacts: Eligible individual has had telephone interaction with a Health Coach.

Prevention Support: Health Coaches provide information about prevention (such as wellness and lifestyle changes) as well as general health information.

Provider Communication Support: Health Coach educates and supports an individual having general communication difficulties with their provider.

Referrals from Client Program to Health Dialog: Referrals from client specific programs to Health Dialog. Individuals may be referred to more than one program and may be referred more than once to the same program.

Referrals from Health Dialog to Client Program: Referrals from Health Dialog to client specific programs. Individuals may be referred to more than one program and may be referred more than once to the same program.

Research material: Material the Health Coach gathers from the medical literature and other sources as a result of researching a specific concern from individual.

If the following criteria are not met for the NDPERS population, Health Dialog will refund to Blue Cross Blue Shield of North Dakota (BCBSND) the percentage of dollars in parenthesis of the dollars received for the purchase of services from Health Dialog.

During the initial 12 months of the program at the call center:

1. Average phone answer time is less than or equal to 40 sec (3% of fee)
2. Average phone hold time is less than or equal to 30 sec (3% of fee)
3. Average blockage rate on phone is less than or equal to 3% (3% of fee)

By the end of the initial 12 months of the program:

The savings achieved by the program (measured using the standard Health Dialog methodology for computing savings for both Preference Sensitive Conditions and Chronic Conditions) will equal the fees paid during the previous 12 months. (11% of fee).

A total of 20% of the program fee is at risk.

The second year of the contract will be guaranteed and measured on the same criteria for the call center, and the savings will increase to 1.3 times the fees paid during the second 12 months.

BCBSND will pass the entire amount of this guarantee through to the NDPERS plan.



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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** June 21, 2006  
**SUBJECT:** Coordination of Benefits

Attachment #1 is a listing from BCBS with the plan differences that was requested at the last meeting. They will bring to the meeting the cost of those items that are \$1 or less and the cost of any administrative fee's for maintaining the COB. Also please note that if we do decide to make the change and add a benefit, it will increase our costs for next biennium. The following table shows the challenge we face in maintaining the existing plan design (additional benefits would increase the following estimate):

## Active State Renewal Rate

NDPERS 2005-2007 Allocation and 2007-2009 Projection	NDPERS 2007-2009 Funding Projections			
	9% Trend	7.5% Trend	10% Trend	13% Trend
2001-2002 reserve option rate	\$409.09	\$409.09	\$409.09	\$409.09
2003-2004 reserve option rate	\$409.70	\$409.70	\$409.70	\$409.70
2005-2007 ACERS full rate	\$579.46	\$579.46	\$579.46	\$579.46
2005-2007 reserve option rate	\$663.04	\$663.04	\$663.04	\$663.04
2005-2007 % increase	13.3%	13.3%	13.3%	13.3%
Expected 2005-2009 BCES rate	\$637.75	\$660.49	\$691.94	\$730.64
Expected available surplus in 2007-2009 (\$ million)*	\$0	\$0	\$0	\$0
Expected 2005-2009 buy down rate	\$637.75	\$660.49	\$691.94	\$730.64
2007-2008 \$ increase	\$93.91	\$114.64	\$148.00	\$194.78
2007-2008 % increase	15.1%	20.7%	28.1%	33.3%
Total additional funds**	\$16,838,000	\$21,843,000	\$27,697,000	\$34,800,000
Total additional general funds**	\$7,265,000	\$9,450,000	\$12,090,000	\$16,054,000

\* - For biennium assuming 7,873 FTE's (excludes -LE)  
\*\* - Assumed to be 48% of total funds

Attachment #2 is information from the last two meetings concerning this issue. Attachment #3 is a copy of the newsletter article that was in the last PERSpectives; members should have received this around June 17<sup>th</sup>. We will report to you any comments we have received at the Board meeting.

**Board Action Requested**

To approve or disapprove the proposed change.

## **2005-2007 NDPERS BENEFIT VARIANCES** **(UPDATED 6/19/06)**

NDPERS does not have a Single Plus Dependent (SPD) option

NDPERS has a non-student dependent age limit of 23 (end of month). Standard age is 22 (end of year). Full time student age limit is the same, age 26 (end of month). 1995 Legislation established the minimums we use.

NDPERS does not allow coordination of benefits between two state contracts. Standard contracts allow married couples to insure each other and their dependents on two family policies, even if they are on the same employer group plan.

NDPERS waives the copayment when paying secondary to Medicare. Deductible and coinsurance apply to the balance after Medicare's payment.

NDPERS has no waiting periods, except for late enrollees. Standard contracts enforce waiting periods if there is no qualifying previous coverage.

NDPERS requires prior approval for occupational therapy after the 90<sup>th</sup> day. However, if no prior approval is found, claims are held to check for medical necessity and appropriate care. Standard benefits do not allow after the 90<sup>th</sup> day.

NDPERS requires prior approval for speech therapy. If there is no approval, they are held and reviewed for medical appropriate and necessary care. There is no 90-day maximum. Standard contracts have a 90-day maximum.

NDPERS PPO has no referral process (EPO does). Standard products do have a referral process.

NDPERS waives the IP deductible for "initial" care for newborns. Standard policy waives the deductible for 30 days.

NDPERS waives the deductible for PPO/EPO providers for maternity related admissions (delivery claim) when the member is enrolled in the Prenatal Plus Program. Standard contracts have no cost sharing incentive.

NDPERS PPO/Basic has only one deductible level. EPO has varied deductible levels for in and out of network (self referred) services. Standard has separate deductibles for network and out-of-network services.

NDPERS waives the copayment for office visits for well child care and pap smears. Standard benefits apply the copayment and waive coinsurance.

NDPERS applies deductible to Physical therapy, Occupational therapy and Speech therapy services. Standard benefits apply a copayment and coinsurance per therapy service.

NDPERS (Basic/PPO/EPO) has varied copayments for office visits and no coinsurance. Standard contracts have a \$20 office call copayment and coinsurance.

NDPERS does have the formulary \$1000 coinsurance maximum for prescription drugs, but does not have the 50% sanction for non-formulary drugs. They do have a 50% reduction for non-formulary drugs & COB is all

NDPERS allows diabetic supplies to be paid at 85%. (Other drugs are allowed at 75% or 85% based on Generic/Brand). Standard applies a 20% coinsurance.

NDPERS allows one dietary nutritional counseling visit when related to pregnancy, waiving cost share. Standard contracts do not do this.

NDPERS waives the copayment for prenatal vitamins when the member is enrolled in the Prenatal Plus Program. Standard contracts do not do this. The applicable coinsurance should apply – generic, brand, non-formulary. This was confirmed at a meeting held with Larry B on 5/4/06.

NDPERS waives the deductible and coinsurance for routine mammograms/pap smears for PPO and Non-PPO providers. Standard contracts waive Cost share for in-network providers only.

NDPERS applies NON-PPO cost share to Detoxification services that are provided by Non-PPO providers. Standard benefits apply network cost share to out-of-network providers.

NDPERS does not allow for routine circumcisions. Standard contracts pay for all circumcisions.

NDPERS has Member Bill Audit Program. Standard contracts do not have this type of program, although some of our self-funded accounts have implemented similar programs.

NDPERS has many variances in the Preventive (PRE) category, please see the Benefit Matrix for more information.

NDPERS covers home infusion therapy subject to deductible and coinsurance. Standard benefits apply network deductible and coinsurance to self-referrals.

NDPERS waives the deductible for cardiac and pulmonary rehab services. Standard benefits only waive the deductible if they are in-network or have a referral.

NDPERS allows infertility at a 20% cost share for all providers. Standard has a 20% coinsurance for network/referral services and 30% coinsurance for out-of-network services.

NDPERS does not cover Oral Brush Biopsies. Standard contracts do cover this.

NDPERS did not take the 2001 Rewrite for Rehabilitative/Habilitative Therapy. NDPERS has the exclusion for electronic speech aids, which is included in the benefit for Rehabilitative therapy/Habilitative Therapy and they do allow for electronic speech aids through Case management under the Rehabilitative changes.

NDPERS does not apply a copayment to the professional visit for Emergency Room services. Standard does apply a copayment.

NDPERS applies the copayment, deductible & coinsurance to the Institutional Emergency Room services. Standard applies the copayment & coinsurance, but waives the deductible.

NDPE does not allow initial accident services (within 48 hours of an accident) at a Non-PPO provider at the PPO level. Standard does apply the PPO benefits for this period of time.

NDPE PPO products do not allow flu shots and diabetic eye exams at a Non-PPO provider at the PPO level. Standard does apply PPO benefits.

# Perspectives

FOR ACTIVE  
MEMBERS  
OF THE  
NORTH DAKOTA  
PUBLIC  
EMPLOYEES  
RETIREMENT  
SYSTEM

SUMMER 2006 • VOLUME 29, NUMBER 2

## In this issue...

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- **COB “Banking” Is No Longer Required**
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- **An Increase That Makes Sense**
- **Group Health Plan Highlights**
- **What’s On the Web?**
- **Summary of Primary Legislative Proposals**
- **Rural Route Address Update**



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### Board Members:

Jon Strinden

Chairman

Sandi Tabor

Attorney General Appointee

Arvy Smith

State Health Officer Designee

### Members Elected:

Rosey Sand, Howard G. Sage,

Joan Ehrhardt, Ron Leingang

Sparb Collins

Executive Director

Kathy M. Allen

Editor

## New “Use It or Lose It” Provisions for Flexcomp Plan

Last year the Internal Revenue Service issued notice 2005-42 which authorizes employees the opportunity to be reimbursed for expenses incurred in the current plan year out of unused contributions from the previous plan year. Referred to as the 2-1/2 Month Rule, it allows claims incurred between January 1 and March 15 (grace period) of the new plan year to be reimbursed out of any account balance remaining from the previous plan year. This means that rather than “LOSE” any remaining balance, you will have the option to “USE” it during the grace period. NDPERS has amended its FlexComp Plan Document to incorporate the “grace period” provisions effective for the 2006 plan year.

The “grace period” option is available to all employees participating in a medical spending reimbursement account and will work as follows:

If you have a balance in your medical spending account after December 31, 2006 that would otherwise be forfeited, you will have the option to have eligible

expenses incurred during the January 1, 2007 through March 15, 2007 “grace period,” reimbursed from that remaining balance. The deadline to submit claims incurred during the grace period for reimbursement from your 2006 account balance is April 30, 2007. Any amount remaining in your medical spending account after the filing deadline is forfeited.

In addition to the above, the deadline to file medical and dependent care claims has been changed from March 31 to April 30 allowing you an additional month to submit expenses incurred in 2006. Any unused amounts in a medical spending reimbursement account cannot be used for dependent care expenses or vice versa. As a reminder, any amounts remaining in these accounts after April 30 are forfeited.

We will be updating the FlexComp Program Guide, FlexComp Reimbursement Voucher, and claims filing procedures to incorporate these new provisions. We will also include this information in your 2007 annual enrollment materials that will be distributed this fall.

## Internet Health Information Made Easy

*The sheer volume of health information on the Web makes it hard to find reliable sources. If you have a medical condition that can be treated in different ways, learning about your options can get even more confusing. But if you’re in that situation, don’t worry.*

MyHealthConnection makes it easy to get reliable information by offering you the Health Crossroads<sup>SM</sup> Web site ([www.the-dialogcenter.com/bcbsnd](http://www.the-dialogcenter.com/bcbsnd)). You can find this tool by clicking on the “Health Information” tab and then click on

“Health Crossroads Web Modules.” For many medical conditions, research shows that more than one treatment option is acceptable. In fact, sometimes there is no proof that one treatment is

*Continued inside*

*As part of its fiduciary responsibility, the Board has put the following services out to bid:*

### **NDPERS Group Dental**

Last fall ING, our current dental plan carrier, notified the PERS Board that they are discontinuing their dental business and will no longer be providing dental plan coverage after December of 2006. Therefore, it is necessary for us to send out a Request for Proposals (RFP) for our dental plan. A RFP was sent out on May 22, 2006. The deadline for submitting proposals is July 6, 2006. The bids will be evaluated by our consultant, Gallagher Benefit Services and we expect to award the contract by September. Coverage will be effective January 1, 2007.

### **NDPERS Group Long Term Care Plan**

Our current contract with UNUM/Provident has been in effect since 1997. A Request for Proposals was sent out on May 22, 2006. The deadline for submitting proposals is July 6, 2006. The bids will be evaluated by our consultant, Gallagher Benefit Services and we expect to award the contract by September. Coverage will be effective January 1, 2007.

*Cover article continued...*

## **Internet Health Information Made Easy**

better than another. The most common medical conditions that fit this description include:

- Back pain;
- Benign prostatic hyperplasia (BPH), also known as enlarged prostate;
- Breast cancer;
- Coronary artery disease;
- Depression;
- Osteoarthritis, usually affecting the hips or knees;
- Prostate cancer;
- Abnormal uterine bleeding; and
- Uterine fibroids.

People with these conditions usually have to make a treatment choice based on their personal preferences. But before they can decide what they prefer, they need to understand the trade-offs involved with each option. The Health Crossroads<sup>SM</sup> Web site is designed with these people in mind.

### **At the Crossroads**

The Health Crossroads<sup>SM</sup> Web site provides up-to-date, unbiased information to help you work with your doctor to make the decisions that are best for you. The site does not promote any one treatment approach over another. Instead, it describes the treatment choices and then explains what the research says about the pros and cons of each choice. Because your preferences are important in decision-making, this site also lists questions to help you think about your decision.

*Health Crossroads<sup>SM</sup> is a service mark of Health Dialog Services Corporation. Used with permission. Shared Decision-Making<sup>®</sup> is a registered trademark of the Foundation for Informed Medical Decision Making. Used with permission.*

Plus, the site offers you a glimpse into the lives of real people who have made these decisions and have agreed to share their experiences with you.

### **Getting the Right Healthcare**

The Health Crossroads<sup>SM</sup> website also offers the "Getting the Right Healthcare" guide that teaches you how to get the best care possible. The guide explains how to develop a good working relationship with your doctor, how to evaluate medical information, and how to maintain your good health.

### **Don't Like Computers?**

#### **Just Pick Up the Phone**

If you would rather speak to a real person than go online, call a Health Coach. Health Coaches are specially trained healthcare professionals, such as nurses, dietitians, and respiratory therapists. They are available by phone, anytime, 24 hours a day, 7 days a week, at no charge to you. If appropriate, a Health Coach will send you a complimentary video about the decision you are facing.

To talk to a Health Coach, call 1-800-658-2750. To visit the Health Crossroads<sup>SM</sup> Web site go to [www.thedialogcenter.com/bcbsnd](http://www.thedialogcenter.com/bcbsnd). You can find this tool by clicking on the "Health Information" tab and then click on "Health Crossroads Web Modules".

## **COB "Banking" Is No Longer Required**

Under the Coordination of Benefits (COB) regulations previously adopted by the North Dakota Insurance Department and currently contained in the COB language in the PERS benefit plan, BCBSND was required to administer these regulations to account for the COB "banking" feature. This provision impacts those individuals who have dual insurance coverage. Based on the new model regulation drafted by the National

Association of Insurance Commissioners (NAIC) and adopted by the ND Insurance Department, the COB 'banking' provision is no longer a requirement. As such BCBSND intends to discontinue administering the "banking provision" currently in effect for the PERS plan.

BCBS has presented this proposal to the NDPERS Board for its review and action.

# An Increase That Makes Sense

There are some things you don't want to see increase such as: the price of gas, your weight, or the amount of income tax you pay. And there are some things you want to see increase such as your salary and your retirement benefits.

You may have already thought about how you might use your next salary increase. But you can take steps to make an increase that makes sense – increase your retirement savings through a pretax deduction to the deferred compensation plan.

There are several reasons this is a good move:

- You'll defer income tax. The deduction is pretax, therefore, your tax base is lower and thus the taxes you pay;
- You will automatically be enrolled in the Portability Enhancement Provision (PEP);
- By having a pretax deduction, you pay yourself first; and
- Since the money isn't coming out of your pocket, you may not even miss it!

And enrolling in the deferred compensation plan couldn't be easier. For a limited time we are offering a "special enrollment" period for employees that do not currently participate in the plan. Simply complete the form provided below and submit it to NDPERS or your payroll office. The minimum monthly amount is \$25; however, you may defer more than the minimum by specifying the amount in the blank provided. Your contributions

will be automatically invested in the NDPERS Companion Plan Fidelity Freedom Funds. To access information on the Companion Plan investment options and Freedom Funds, please visit the NDPERS web site at [www.nd.gov/ndpers](http://www.nd.gov/ndpers) and select Active Members from the menu, then Deferred Compensation Plan and then select Companion Plan.

Remember, deferred compensation is also your "PEP Connection;" the key to adding more dollars to your NDPERS retirement member account balance. PEP allows you to earn the employers' contribution to the retirement plan and have up to an additional 4% added to your NDPERS member account. This additional benefit is your reward for deferring a portion of your wages and is only available through participation in an approved employer sponsored deferred compensation plan. By enrolling in the deferred compensation plan, PEP is automatic. For information about PEP, access the PERS web site using the address listed above and select the PEP icon from our home page.

While visiting our website, you can also review the list of provider companies, associated agents and a summary of investment options, as well as links to some of the provider web sites. Take steps now to make an increase in your retirement savings that makes for a better future for you.

*Do Something Nice for Yourself!*



**EXPEDITED 457 DEFERRED COMPENSATION PLAN & PORTABILITY  
ENHANCEMENT PROVISION (PEP) ENROLLMENT — SPECIAL ENROLLMENT**  
NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM  
**THIS FORM EXPIRES ON SEPTEMBER 30, 2006**

In compliance with the Federal Privacy Act of 1974, the disclosure of the individual's social security number on this form is mandatory pursuant to 26 U.S.C. Sec. 3402. The individual's social security number will be used for tax reporting and as an identification number.

**NDPERS • PO Box 1657 • Bismarck • North Dakota 58502-1657  
(701) 328-3900 • 1-800-803-7377 • Fax 701-328-3920**

**COMPLETE THIS FORM ONLY IF YOUR EMPLOYER PARTICIPATES IN THE NDPERS DEFINED BENEFIT RETIREMENT PLAN**

**PART A EMPLOYEE INFORMATION**

Name (Last, First, MI)		Date of Birth	Social Security Number	
Address			Employee Hire Date	
City	State	Zip Code + 4	Department Name	Dept. #

**PART B EXPEDITED DEFERRED COMP PLAN & PEP ENROLLMENT**

I understand that by electing to begin participation in the 457 Deferred Compensation Plan, I will be automatically enrolled in the Defined Benefit Retirement Plan Portability Enhancement Provision (PEP). I further understand my contributions will be invested with Fidelity Investments in the NDPERS Companion Plan Freedom Funds.

Pay Period Amount (Minimum amount per month is \$25.00)

Pay Period Beginning Date

Participant Authorization

Date Signed

**PART C NDPERS AUTHORIZATION (For NDPERS Use Only)**

Authorized Signature

Date Signed

**ORIGINAL TO NDPERS**

**PLEASE RETAIN A PHOTOCOPY FOR YOUR RECORDS**

# Group Health Plan Highlights

## BCBSND enrollment up in EPO, slightly down in PPO

Fiscal year 2005 was the start of increased enrollment in the NDPERS Exclusive Provider Organization product, according to data presented by Blue Cross Blue Shield of North Dakota at the NDPERS board meeting April 20 in Bismarck.

The average number of members with EPO coverage increased 3 percent from 2004 to 2005, to 14,763. Enrollment in the Preferred Provider Organization plan remained relatively unchanged, with a 1 percent decline in membership to 32,491.

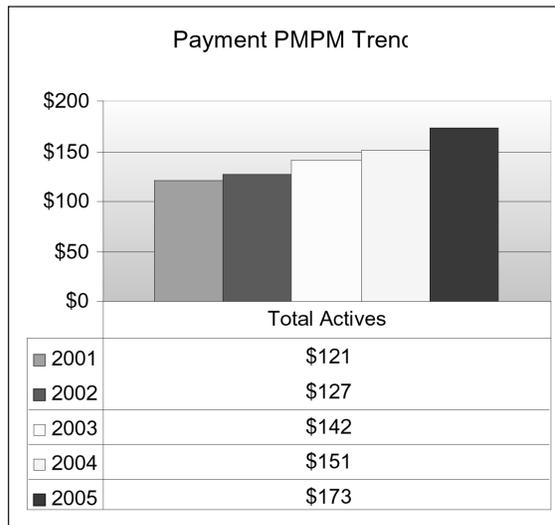
The cost of health care continues to rise for both individual plans and employer-sponsored group plans, and NDPERS was no exception. Plan payments per member per month increased 12 percent from 2004 to 2005.

## Case Benefits Management

BCBSND provides individual Case Benefits Management services to NDPERS members who may benefit from it. Intervention can include arranging for less expensive, alternative levels of care as well as negotiating reduced fees for medical equipment. However, case management is not just about saving money. Professional case managers, assigned exclusively to NDPERS members, help with health care needs across the entire continuum of care.

## Prenatal Plus

Prenatal Plus is a screening program provided free of charge by BCBSND. Through assessment, intervention and education, the program lowers the risk of premature birth. Members volunteer by contacting BCBSND after their first prenatal visit, preferably by the 12th week of pregnancy. In 2005, 502 NDPERS members were eligible for the program, and 36 percent, or 179, contacted BCBSND about Prenatal Plus.



## What's On the Web? [www.nd.gov/ndpers](http://www.nd.gov/ndpers)

There are many items at your fingertips. Forms, announcements, handbooks, newsletters, and more! This will be a feature article in future editions of this newsletter. Each article will focus on a certain aspect of our home page.

In this edition, we will focus on the retirement tools available to you on the NDPERS website. If you are an active member in the NDPERS Defined Benefit Hybrid Retirement Plan, you have access to your plan handbook, forms, on-line services, and much more. You may access these items through the menu option labeled "Active Members" located under Member Services on the left side of our web page.

When you enter the above menu option, the first menu option is titled "Defined Benefit Hybrid Retirement Plan"; through this option, you have access to the following items:

### Plan Handbook Table of Contents

Topics include:

- Introduction
- Contacting NDPERS
- On-Line Services
- Governing Authority
- Board Members
- Your Retirement Plan
  - Eligibility
  - Contributions
  - Vested Employer Contribution (PEP)
  - Service Credit
  - Purchase of Service Credit
  - Vesting
  - Dual Membership
- Benefits Available at Termination
- Disability Benefits Available
- Benefits Available at Retirement
- Benefits & Return to Work
- Retiree Health Insurance Credit Program
- Death Benefits
- Benefits Counseling
- Pre-retirement Education Program (PREP)
- Confidentiality Law
- Qualified Domestic Relations Orders
- Glossary
- Index of Forms
- Refund/Rollover Checklist
- Retirement Checklist

## Fidelity Reduces Fees for Deferred Comp Companion Plan

Fidelity Investments has notified NDPERS that effective July 1, 2006 it will reduce the annual NDPERS 457(b) Companion Plan participant recordkeeping fee from \$39 to \$30. Therefore, effective with your 3rd quarter statement, your quarterly fee will be reduced from \$9.75 to \$7.50. This is good news for Companion Plan participants as now the money you are saving in fees can work for you. This reduction does not apply to funds in the mutual fund window.

# Summary of Primary Legislative Proposals

*The following summarizes the bills submitted to date for the 2007 legislative session.  
For more information or to review copies of the bills, please refer to our web site at  
[www.nd.gov/ndpers](http://www.nd.gov/ndpers) and select NDPERS News from the menu.*

Bill No.	System	Sponsor	Description
76	PERS & Highway Patrol	PERS	Technical corrections to provisions of PERS and Highway Patrol relating to confidentiality, final average salary calculations, payment of delayed retirement benefits, conversion of sick leave, temporary employee purchase of service credit, compliance with the Internal Revenue Code, employee service credit purchases, and automatic refund of account balances.
77	Deferred Compensation	PERS	Provides that new state employees will be automatically enrolled in the deferred compensation program when first employed unless they elect to waive participation.
78	Uniform Group Insurance Program	PERS	Creates a new trust for pretax savings for health care expenses and prescription drug coverage under the uniform group insurance program; changes provisions relating to the employer payment for unused sick and annual leave; provides for an increase in the minimum basic life insurance benefits coverage from \$1,300 to \$5,000; allows spouses who both have earned retiree health insurance credit to combine the credits and apply to the policy of the contract holder; allows employer payments of a temporary employee's health insurance premium; defines eligibility for temporary employee eligibility; and allows board to bid out the Medicare retiree prescription drug coverage.
79	PERS & Highway Patrol	PERS	Increase the retiree health credit from \$4.50 to \$5.00 and changes the required employer contribution.
30	Uniform Group Insurance Program	Senator Mathern	Expands the uniform group insurance program to allow participation by members of the North Dakota National Guard.
31	Uniform Group Insurance Program	Senator Mathern	Expands the uniform group insurance program to allow participation by permanent employees of nonprofit organizations.
32	Uniform Group Insurance Program	Senator Mathern	Expands the uniform group insurance program to allow participation by employees of small private sector employers.
62	Uniform Group Insurance Program	Rep. Price	Allows public health districts to participate in the uniform group insurance program under the same conditions as a state agency.
71	PERS, Uniform Group Insurance & Deferred Comp Programs	Sen. Krebsbach	Authorizes employees of the North Dakota Association of Counties to participate in PERS, the uniform group insurance program, and the deferred compensation program.
100	Uniform Group Insurance Program	Senator Mathern	Expands the uniform group insurance program to allow participation by other North Dakota residents without health insurance coverage.
73	PERS	Board for Career & Technical Education	Allows employees of the State Board for Career and Technical Education currently participating in TFFR to participate in the Public Employees Retirement System.

## ***Address Change: Rural Route Address Update***

NDPERS wants to hear from you. We have numerous incorrect or insufficient addresses on file resulting in undeliverable mail. So we must update our mailing database. Many of these incorrect addresses are a Rural Route only. If you had a Rural Route address or an address change, please submit a Notice of Change form (form number SFN 10766) to PERS to update your address to the Emergency 911 and U.S. Postal Service approved address. An example of an undeliverable address would be "Rural Route 1"; an example of the correct address would be "28861 182nd Ave. West".

If you have an address change, a copy of the Notice of Change form is available on our website at <http://www.state.nd.us/ndpers/forms-and-publications/forms-pubs-db.html>. You may request the form by phone at 1-800-803-7377 or 328-3900. You may also submit your address change in writing to PERS (be sure to include your social security number and sign the letter).

### ***To complete the Notice of Change form for an address change:***

- Go to Part A, Member Information, and complete your name, social security number, department name, department number and daytime telephone number
- Go to Part C, Address Change
- Enter the effective date
- Enter your former address and new address
- Sign Part G, Authorization

*Thank you for your cooperation in this matter.*

*The articles and opinions in this publication are for general information only and are not intended to provide specific advice or recommendations for any individual. We suggest that you consult your attorney, accountant, financial or tax advisor with regard to your individual situation. This newsletter is available in alternate formats upon request. Printed on recycled paper.*



**North Dakota  
Public Employees Retirement System**  
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**Sparb Collins**  
Executive Director  
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1-800-803-7377

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# Memorandum

**TO:** PERS Board

**FROM:** Sparb & Kathy

**DATE:** June 20, 2006

**SUBJECT:** Health Plan Renewal

After this meeting we will begin the health plan renewal process. To begin the renewal we need to determine the plan designs for BCBS so they can prepare a premium estimate for your review in August.

As discussed at the last meeting, PERS staff met with the PERS Benefits Committee to develop some concepts for your consideration. Attachment #1 and #2 are the minutes of the May 16 and May 30 meetings. The focus of these meetings was to review the status of the health plan and assess issues related to *health plan design* and the *scope of benefits*. *Health plan design* refers to the deductibles, co-payments and co-insurance. *Scope of benefits* refers to the range of services covered and how they are reimbursed. The primary purpose of this effort is to assist the PERS Board with developing several alternative plan designs to demonstrate the effect funding reductions have on plan design. Second, we need to review the scope of benefits to determine if any changes are necessary and the effect of those changes on premiums.

As discussed at the last meeting, the reason we develop and submit a range of alternative plan designs is so the Governor and the Legislature can see the effect that various levels of funding and changes in employee out of pocket expenses (deductibles, co-payments & coinsurance) have on the benefits and premiums. Back in the 80's the process was different. The Board did not

address plan design until final funding was approved by the Legislature. Consequently, the Governor and Legislature considered and debated the percentage increase in health premiums and made a decision on the appropriate increase without considering the effect on plan design or scope of benefits. After this discussion and decision the PERS Board adjusted the benefits to align with the approved funding. The problem with this approach was that the effect on benefits could be greater than anyone may have anticipated, but by then the legislature had concluded its session. Therefore, since the 90's the Board has used this approach of showing the costs of maintaining the existing plan design and showing several alternative lower cost designs so everyone will have a clear concept of the effect on benefits/premiums that occurs as a result of a lower level of funding.

The general consensus of the PERS Benefits Committee was that the existing plan design should be maintained for the 07-09 biennium (Deductible = EPO-100, PPO-250, Basic-250; BRAND DRUGS-15; and COPAYMENTS = EPO 15; PPO-20, BASIC-25). In addition the following plan designs are offered. These designs are suggested since they show the effect of modifying the existing design (increase in deductible and copayments) and show the effect of a High Deductible Health Plan (HDHP) which is a highly discussed topic these days. The following are the alternatives:

**Alt #1** – Deductible = EPO-250, PPO-500, BASIC-750, BRAND DRUGS COPAY-\$20

- a. COPAYMENTS = EPO-\$20, PPO-\$25, BASIC-\$30
- b. COPAYMENTS = EPO-\$25, PPO-\$30, BASIC-\$35

**Alt #2** – Deductible = EPO-500, PPO-1000, BASIC-1500, BRAND DRUGS COPAY-\$20

- c. COPAYMENTS = EPO-\$20, PPO-\$25, BASIC-\$30
- d. COPAYMENTS = EPO-\$25, PPO-\$30, BASIC-\$35

**Alt #3** – Traditional Plan Design with a HDHP option with an employer contribution to an HSA/HRA. Contract holder elects plan they want to participate in every two years.

**Alt #4** – A HDHP with an employer contribution of 50% of the deductible to an HSA/HRA.

Alternative 1 & 2 show the effect of changes to the deductibles and copayments. Alternative 3 & 4 show what effect a High Deductible Health Plan (HDHP) option would be to premiums. This range of options will fully provide information relating to not only changes in the existing plan design but also information relating to adding an HDHP option or replacing the existing plan with an HDHP. Please note the committee is not in favor of having a HDHP plan or option. It is offered here only so the necessary actuarial information will be available so that any discussion of this approach will be based upon actual numbers.

The Committee reviewed the scope of benefits. No suggestions are made for alternatives to be considered in this area.

### **Board Action Requested**

Approve the above alternate plan designs and the existing plan design to begin the renewal process.

# NDPERS BENEFITS COMMITTEE

May 16, 2006

## MINUTES

\* - Present

### BOARD MEMBERS:

Sandi Tabor  
\*Arvy Smith  
\*Joan Ehrhardt

### STAFF:

\*Sparb Collins  
\*Bryan Reinhardt  
\*Kathy Allen  
\*Deb Knudsen  
\*Cheryle Masset-Martz

### INTEREST GROUPS:

\*Tom Tupa, \*Bill Kalanek - AFPE/NASW  
\*Jodee Buhr, Gisele Thorson - NDPEA  
Paul Aylward - AFSCME  
\*Gary Rath - NDEA  
Howard C. Anderson Jr. - ND Pharmaceutical Association

### Agency/Political Sub Representatives:

*Mike Sandal	- ND Supreme Court
Lori Laschkewitsch	- OMB
*Glenna Ellison	- Attorney General's Office
Laura Glatt	- ND University System (NDUS)
*Neil Johnson	- ND Highway Patrol
Jon Martinson	- ND School Board Association
Terry Traynor	- Association of Counties
Linda Houfek	- Dept of Corrections
*Mary Schwab	- Job Service North Dakota
*Jerry Hjelmstad	- League of Cities
Ivan Maas	- Council of College Faculties
Lynn Burgard	- Workforce Safety & Insurance
Brenda Schuler	- Career & Technical Education
*Linda Kuether	- Dept of Transportation
Ken Purdy	- Human Resource Mgmt
Lisa Kudelka	- Bismarck Public Schools
*Laurie Hammeren	- OMB / Human Resource Mgmt
*Dean Mattern	- Human Services
Bob Evans	- ND DOT
<b><u>Others Present:</u></b>	
*Sheila Vetter	- Job Service

## Minutes

### Missouri River Room

9:00 – Sparb Collins called the meeting to order at 9:00am.

9:00 – The purpose of this meeting was to overview and solicit comments/suggestions on the NDPERS Health Plan. Sparb covered the handouts of a presentation on the background, premium history, plan design, and future options of the NDPERS Health Plan. The group discussed the HSA and HRA plan options. NDPERS has cost estimates for some of the possible benefit changes. Allowing mammograms at a younger age and bone density scans were added to the list. Arvy noted that there are federal issues on the coverage of birth control. It was asked if the potential cost savings was figured into the coverage estimate. Sparb noted that typically BCBS figures the cost of coverage and any cost savings would then be later reflected in the trend for the next rate renewal.

The group is to think of plan designs to propose to the NDPERS Board. The next meeting will be in two weeks on 5/30/06 at 9:00 in the Ft Union room. At this meeting the group will finalize plan recommendations.

10:10 - Adjourn

# NDPERS BENEFITS COMMITTEE

May 30, 2006

## MINUTES

\* - Present

### BOARD MEMBERS:

Sandi Tabor  
\*Arvy Smith  
\*Joan Ehrhardt

### STAFF:

\*Sparb Collins  
\*Bryan Reinhardt  
\*Kathy Allen  
\*Deb Knudsen  
\*Cheryle Masset-Martz

### INTEREST GROUPS:

\*Tom Tupa, Bill Kalanek - AFPE/NASW  
\*Jodee Buhr, Gisele Thorson - NDPEA  
Paul Aylward - AFSCME  
\*Gary Rath - NDEA  
Howard C. Anderson Jr. - ND Pharmaceutical Association

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*Lori Laschkewitsch	- OMB
*Glenna Ellison	- Attorney General's Office
Laura Glatt	- ND University System (NDUS)
Neil Johnson	- ND Highway Patrol
Jon Martinson	- ND School Board Association
Terry Traynor	- Association of Counties
*Linda Houfek	- Dept of Corrections
*Mary Schwab	- Job Service North Dakota
Jerry Hjelmstad	- League of Cities
Ivan Maas	- Council of College Faculties
Brenda Schuler	- Career & Technical Education
*Linda Kuether	- Dept of Transportation
Ken Purdy	- Human Resource Mgmt
Lisa Kudelka	- Bismarck Public Schools
*Laurie Hammeren	- OMB / Human Resource Mgmt
*Dean Mattern	- Human Services
Bob Evans	- ND DOT

### Others Present:

\*Kerry Olson - Health Department

## Minutes

### Ft. Union Room

9:05 – Sparb Collins started the meeting and thanked everyone for coming. The purpose of this meeting was to come up with alternative plan designs for the NDPERS Health Plan. The health plan's trend is running about 10%, but the projected increase is about 26% due to limited surplus funds available to buydown the premium. Sparb noted that in August we will know what BCBS predicts for rates for the 2007-2009 biennium. The plan design and scope of benefits needs to be finalized for the NDPERS Board to review and send to BCBS.

9:15 – The group looked at the handout on future scope of benefits. A question was asked if these additional benefits could be purchased individually as a rider. Staff didn't think so, but the question could be asked of BCBS. It was noted that the cost estimates do not include any cost savings estimates. Staff explained how BCBS loads the costs based on expected experience and how any cost savings would then be reflected in the trend for future ratings. Bryan noted that circumcisions, brush biopsies, and waiving the deductible for ER services are three ways that the NDPERS plan differs from other BCBS plans. There was some discussion about birth control coverage. The group did not have any specific recommendations on benefits to add.

9:30 – Bryan covered the alternative plan design handouts and gave an explanation of how the costs would be shifting from the plan to the members. In addition, the effect of increasing the ER copayment was reviewed. Joan asked if there was any data on ER utilization or misuse. NDPERS didn't have any and would have to ask BCBS.

9:50 - The group came up with several plan designs with the first option being to keep the current plan design.

Alt #1 – Deductible = EPO-250, PPO-500, BASIC-750, BRAND DRUGS COPAY-\$20

- a. COPAYMENTS = EPO-\$20, PPO-\$25, BASIC-\$30
- b. COPAYMENTS = EPO-\$25, PPO-\$30, BASIC-\$35

Alt #2 – Deductible = EPO-500, PPO-1000, BASIC-1500, BRAND DRUGS COPAY-\$20

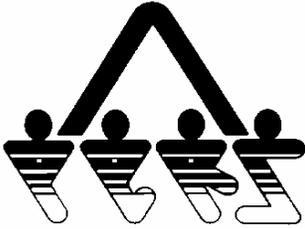
- c. COPAYMENTS = EPO-\$20, PPO-\$25, BASIC-\$30
- d. COPAYMENTS = EPO-\$25, PPO-\$30, BASIC-\$35

Alt #3 – Traditional Plan Design with a HDHP option with an employer contribution to an HSA/HRA. Contract holder elects plan they want to participate in, possibly every two years.

Alt #4 – A HDHP with an employer contribution of 50% of the deductible to an HSA/HRA.

A side item that could be priced out is increasing the ER copayment from \$50 to \$75. The group felt it is worth looking at the optional HDHP in Alt #3. Some discussion was related to the complexity of explaining the plan.

11:00 - Adjourn



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Public Employees Retirement System**  
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**Sparb Collins**  
Executive Director  
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# Memorandum

**TO: PERS Board**

**FROM: Wellness Benefit Committee**  
**Kathy Allen**  
**Arvy Smith**  
**Larry Brooks**

**DATE: June 19, 2006**

**SUBJECT: Wellness Benefit Program**

With the implementation of the Employer Based Wellness Program, we have experienced an increase in applications requesting funding to conduct on-site wellness programs. While this is good news, it has resulted in requests to fund items or activities that, while creative in nature on the part of the employer, present the committee with some challenges with regard to what is appropriate and eligible for reimbursement. Examples of some requests include reimbursement for incentive prizes that include gift certificates to golf pro shops, spas, garden centers, waterpark, zoo and restaurants and receipts to be reimbursed for food items for employee wellness meetings or kick-off lunches. Another issue requiring review is related to inquiries from larger employer groups about our reimbursement schedule and its limits as all employer groups, regardless of size, are subject to the same maximum limit which puts larger groups at a disadvantage on a per person cost basis.

The committee met on June 14, 2006 to discuss these issues and to develop guidelines with regard to these requests, to review our current reimbursement schedule and to develop some proposals for the Board's consideration.

In reviewing the issue of reimbursement for incentive prizes and food, the committee did recognize the value of providing these options to encourage employee participation. However, in discussing various issues associated with providing such reimbursement, it was determined that it would be difficult to develop a definitive policy as to what would be appropriate due to the variety of options available. Furthermore, it would likely still result in questions from employers about other options not specifically defined which would require the committee to be in the position of continually reviewing and adjusting the policy as new ideas are proposed. Therefore, the committee is recommending that employer's fund

incentive prizes and food through other means available based on their budget authority and that prizes and food not be eligible for reimbursement through the Wellness Benefit Program. The Wellness Benefit Program would focus its support to providing on- site programs or program related activities.

The current reimbursement schedule is as follows:

- The first \$500 will be funded at 100%, or actual cost, whichever is less.
- Costs above the first \$500 will be funded at 75% to a maximum benefit amount of \$1,000.

This means the employer is responsible for 25% of expenses that exceed \$500 up to the \$1,000 benefit allowance.

The committee did recognize that the above schedule does favor smaller employer groups and that a more equitable policy should be developed. Therefore, we are proposing the following schedule for the Board's consideration:

- 100% of the first \$500 or \$1 times the number of health contracts, or actual cost whichever is less, plus
- 75% up to \$1,000 or one times the number of health contracts, or actual cost whichever is less

The above schedule preserves the current schedule while allowing for a greater maximum benefit based on number of health contracts for larger employer groups.

The Committee is also requesting the Board's direction with regard to employer eligibility for wellness program funding. Since we now have the Employer Based Wellness Program in place, should employer groups that are not participating in the program be eligible to apply for funding through the Wellness Benefit Program? It is staff's recommendation that non-participating employer's not be eligible to apply for funds.

If approved, the above recommendations would be effective July 1, 2006.

### **Board Action Required**

- Approve or reject committee's recommendation to exclude funding for wellness program incentive prizes and food.
- Approve or reject committee's proposed reimbursement schedule.
- Approve or reject committee's recommendation to not allow wellness funds to employer groups not participating in the Employer Based Wellness Program.



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**Sparb Collins**  
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# Memorandum

**TO: PERS Board**

**FROM: Kathy & Sparb**

**DATE: June 21, 2006**

**SUBJECT: Vision Plan Renewal**

We have included the Ameritas vision plan renewal rate notification for the January 1, 2007 through December 31, 2008 plan years. Also included is a summary of the plan's experience and the renewal calculation.

Claims for the most recent 12 month period are somewhat below the target or expected level. Therefore, Ameritas is proposing no increase in rates for the renewal period. In addition, due to the improved experience, Ameritas is recommending that the annual eye exam benefit be increased from \$35 to \$40 effective January 1, 2007.

Staff recommends that we accept the Ameritas proposal to include the enhanced benefit for the January 1, 2007 through December 31, 2008 renewal period.

## **BOARD ACTION REQUESTED**

- Accept or reject staff's recommendation.

## Attachment 1

Kathy Allen  
North Dakota Public Employees Retirement System  
P.O. Box 1657  
Bismarck, ND 58502

Dear Kathy:

The renewal analysis of the voluntary vision plan has been completed.

As shown on the renewal data page, claims for the most recent 12 month period ran somewhat below the target or expected level. Combining current and past experience results in no rate change at this renewal. Thus, the current rates will remain in place through December 31, 2008.

The improved experience also allows us to increase the annual eye exam benefit from \$35 to \$40 effective January 1, 2007.

Kathy, please let us know if there are any questions or if we can be of any service.

We look forward to working with you in the future.

Sincerely,

Daniel J. Snyder CLU,FLMI  
Regional Group Manager

DJS:me

Encl.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM  
RENEWAL DATA**

	<u>CURRENT RATES</u>	<u>RENEWAL RATES*</u> Effective 1-1-2007 to 1-1-2009
EE	\$ 5.16	\$ 5.16
EE & SPOUSE	\$10.32	\$10.32
EE & CHILD(REN)	\$ 9.40	\$ 9.40
EE, SP & CH	\$14.56	\$14.56

\*Includes increasing the exam benefit from \$35 to \$40.

**EXPERIENCE**  
6/05 TO 6/06

<u>MONTH</u>	<u>PREMIUM</u>	<u>CLAIMS</u>
JUNE	\$31,382	\$21,834
JULY	\$31,705	\$16,527
AUGUST	\$31,591	\$20,976
SEPTEMBER	\$32,208	\$23,291
OCTOBER	\$32,683	\$17,968
NOVEMBER	\$32,547	\$19,027
DECEMBER	\$33,573	\$22,472
JANUARY	\$33,432	\$20,034
FEBRUARY	\$32,927	\$24,827
MARCH	\$34,045	\$29,784
APRIL	\$33,937	\$18,852
MAY	\$32,624	\$22,098
<b>TOTAL</b>	<b>\$392,654</b>	<b>\$257,240</b>

Incurred Loss Ratio 6-1-05 to 6-1-06:	66%
Target Loss Ratio 6-1-05 to 6-1-06:	72.6%
Actual Loss Ratio as % of Target:	91%

**CLAIMS ACTIVITY**  
6-1-05 through 6-1-06

Claims Processed	4934
------------------	------

**CURRENT PARTICIPATION**

3564 Employees of which 838 have Spouse coverage, 321 have Children coverage and 995 have Spouse & Children coverage.



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

Sparb Collins  
Executive Director  
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1-800-803-7377

FAX: (701) 328-3920 • EMAIL: NDPERS-INFO@ND.GOV • www.nd.gov/ndpers

M E M O R A N D U M

**TO:** NDPERS BOARD  
SPARB COLLINS, NDPERS  
KATHY ALLEN, NDPERS

**FROM:** *BR*  
BRYAN T. REINHARDT

**DATE:** June 14, 2006

**SUBJECT:** GROUP MEDICAL PLAN - SURPLUS/AFFORDABILITY UPDATE

Here is the May surplus projection and affordability analysis for the NDPERS group medical plan. The plan made it through the 2003-2005 biennium and is almost a half through 2005-2007.

Net premium sent to BCBS in July 2005 was \$10,853,370. For comparison, net premium sent to BCBS in June 2005 was \$9,821,731. The NDPERS health plan ended up with 23,580 contracts in June, 2005. There were 22,947 contracts in June, 2003, and 21,792 in July 2001. There are now 23,939 contracts.

The projection for the 2003 - 2005 biennium shows an ending balance of \$15.6 million. The amount we are targeting for the 2005-2007 buydown is \$14.3 million. BCBS has the IBNR amount at zero for this estimate. The \$14.3 million deposit date is July 1, 2006, after the first settlement.

The early projection for the 2005 - 2007 biennium shows a June 30, 2007 ending balance of only \$1.75 million. Note that this is a very early estimate and likely to change.

If you have any questions or you should need anymore information, please contact me.

# NDPERS - ESTIMATED SURPLUS PROJECTION: 2003-2005 BIENNIUM

May, 2006

The following exhibit summarizes the estimated surplus for the NDPERS group medical plan at the end of the 2003-2005 biennium. The estimate has been updated to include account activity through May, 2006.

1) Preliminary Underwriting Gain/Loss for the 2003-2005 Biennium	\$9,119,400
2) Wellness Program Expenses	\$0
3) Estimated Underwriting Gain/Loss for the 2003-2005 Biennium	\$9,119,400
4) Projected Interest Accumulation (adjusted for usage in buydown)	\$0
5) Refunds and Settlements	
07/08/03 Perform Rebate (Included as claim rebates)	\$305,403
10/07/03 Perform Rebate (Included as claim rebates)	\$303,930
01/07/04 Perform Rebate (Included as claim rebates)	\$263,748
04/01/04 Perform Rebate (Included as claim rebates)	\$336,833
07/01/04 Perform Rebate (Included as claim rebates)	\$302,417
10/03/04 Perform Rebate (Included as claim rebates)	\$372,605
01/04/05 Perform Rebate (Included as claim rebates)	\$382,606
04/10/05 Perform Rebate (Included as claim rebates)	\$413,428
 EPO Settlement Payments 7/03 - 6/04	 (\$205,840)
EPO Settlement Payments 7/04 - 6/05	(\$66,536)
6) Total Estimated Surplus Held by BCBS	\$9,119,400
7) BCBS Portion of Surplus (Half upto \$500,000)	\$500,000
8) PERS Portion of Surplus Held by BCBS	\$8,619,400
9) Cash Reserve Account Balance	\$6,963,027
Future Contributions:	\$0
NDPERS Wellness Account (\$136,199.25)	\$0
Future Interest:	\$28,839
Total	\$6,991,866
10) NDPERS Wellness Account (Transferred to Cash Reserve Account)	
Deposited with BCBS	\$0
Future Contributions:	\$0
Future Interest: (BCBS Not Crediting Interest)	\$0
Total	\$0
11) Total Estimated Funds Available to PERS on June 30, 2006	\$15,611,266

# NDPERS - ESTIMATED SURPLUS PROJECTION: 2005-2007 BIENNIUM

May, 2006

The following exhibit summarizes the estimated surplus for the NDPERS group medical plan at the end of the 2005-2007 biennium. The estimate has been updated to include account activity through May, 2006.

1) Preliminary Underwriting Gain for the 2005-2007 Biennium	(\$15,346,400)
2) Cash Balance Interest Accumulation	\$616,048
3) Estimated Underwriting Gain for the 2005-2007 Biennium	(\$14,730,352)
5) Refunds and Settlements	
07/05/05 Perform Rebate (Included as claim rebates)	\$418,453
10/04/05 Perform Rebate (Included as claim rebates)	\$425,316
12/01/05 Perform Rebate (Included as claim rebates)	\$8,716
01/01/06 Perform Rebate (Included as claim rebates)	\$350,907
03/01/06 Perform Rebate (Included as claim rebates)	\$15,236
04/01/06 Perform Rebate (Included as claim rebates)	\$384,639
07/01/06 Perform Rebate	\$400,000
10/01/06 Perform Rebate	\$400,000
01/01/07 Perform Rebate	\$400,000
04/01/07 Perform Rebate	\$400,000
EPO Settlement Payments 7/05 - 6/06 (Included as rebates & paid)	\$0
EPO Settlement Payments 7/06 - 6/07 (Included as rebates & paid)	\$0
6) Cash Reserve Account Balance	\$15,611,266
Future Contributions:	\$0
Future Interest:	\$772,574
Total	\$16,383,840
7) Total Estimated Surplus Held by BCBS	\$3,253,487
8) BCBS Portion of Surplus (50% upto \$1,500,000)	\$1,500,000
9) PERS Portion of Surplus Held by BCBS	\$1,753,487
10) NDPERS Wellness Accounts	
My Health Connection	\$160,476
Employer Based Wellness	\$59,607
Wellness Benefit Program	\$12,331
SubTotal	\$232,414
Total Adjusted for Usage	\$0
11) Total Estimated Funds Available to PERS on June 30, 2007	\$1,753,487

NDPERS - Projected Underwritten Experience for the 2005-2007 Biennium  
 May, 2006

MONTH	NET PREMIUM		PREMIUM ADJUSTMENT	TOTAL PREMIUM INCOME		ADMIN EXPENSE \$26.98/CON	NET PREMIUM	CLAIMS INCURRED & PAID TO DATE	ESTIMATED IBNR CLAIMS	TOTAL INCURRED CLAIMS (1)	ESTIMATED GAIN / LOSS
	COLLECTED			PREMIUM	INCOME						
Jul-05	\$11,491,070		(\$2,387)	\$11,488,683	\$637,699	\$10,850,984	\$10,911,741	\$0	\$10,911,741	(\$60,757)	
Aug-05	\$11,486,984	\$0		\$11,486,984	\$635,676	\$10,851,308	\$10,759,141	\$0	\$10,759,141	\$92,167	
Sep-05	\$11,592,130	\$0		\$11,592,130	\$641,396	\$10,950,735	\$9,652,975	\$0	\$9,652,975	\$1,297,760	
Oct-05	\$11,564,639		(\$995)	\$11,563,644	\$640,748	\$10,922,896	\$9,818,198	\$104,000	\$9,922,198	\$1,000,698	
Nov-05	\$11,565,139		\$1,417	\$11,566,556	\$640,478	\$10,926,078	\$11,396,041	\$159,000	\$11,555,041	(\$628,963)	
Dec-05	\$11,575,731		(\$7,675)	\$11,568,055	\$640,829	\$10,927,226	\$11,655,352	\$258,000	\$11,913,352	(\$986,126)	
Jan-06	\$11,053,969		\$332	\$11,054,300	\$644,606	\$10,409,694	\$9,729,270	\$564,000	\$10,293,270	\$116,424	
Feb-06	\$11,053,628		\$0	\$11,053,628	\$645,308	\$10,408,320	\$9,744,317	\$785,000	\$10,529,317	(\$120,997)	
Mar-06	\$11,049,994		(\$26,775)	\$11,023,218	\$645,146	\$10,378,073	\$10,366,568	\$1,399,000	\$11,765,568	(\$1,387,495)	
Apr-06	\$11,066,004		(\$36,321)	\$11,029,683	\$645,820	\$10,383,862	\$8,157,125	\$2,980,000	\$11,137,125	(\$753,263)	
May-06	\$11,064,390		\$0	\$11,064,390	\$646,198	\$10,418,192	\$3,828,046	\$7,751,000	\$11,579,046	(\$1,160,854)	
Jun-06	\$11,064,390		\$0	\$11,064,390	\$646,198	\$10,418,192	\$0	\$0	\$10,945,737	(\$527,545)	
Jul-06	\$11,064,390		\$0	\$11,064,390	\$646,198	\$10,418,192	\$0	\$0	\$11,021,339	(\$603,147)	
Aug-06	\$11,064,390		\$0	\$11,064,390	\$646,198	\$10,418,192	\$0	\$0	\$11,096,941	(\$678,749)	
Sep-06	\$11,064,390		\$0	\$11,064,390	\$646,198	\$10,418,192	\$0	\$0	\$11,172,543	(\$754,351)	
Oct-06	\$11,064,390		\$0	\$11,064,390	\$646,198	\$10,418,192	\$0	\$0	\$11,248,145	(\$829,953)	
Nov-06	\$11,064,390		\$0	\$11,064,390	\$646,198	\$10,418,192	\$0	\$0	\$11,323,747	(\$905,555)	
Dec-06	\$11,064,390		\$0	\$11,064,390	\$646,198	\$10,418,192	\$0	\$0	\$11,399,349	(\$981,157)	
Jan-07	\$11,064,390		\$0	\$11,064,390	\$646,198	\$10,418,192	\$0	\$0	\$11,474,951	(\$1,056,759)	
Feb-07	\$11,064,390		\$0	\$11,064,390	\$646,198	\$10,418,192	\$0	\$0	\$11,550,553	(\$1,132,361)	
Mar-07	\$11,064,390		\$0	\$11,064,390	\$646,198	\$10,418,192	\$0	\$0	\$11,626,155	(\$1,207,963)	
Apr-07	\$11,064,390		\$0	\$11,064,390	\$646,198	\$10,418,192	\$0	\$0	\$11,701,757	(\$1,283,565)	
May-07	\$11,064,390		\$0	\$11,064,390	\$646,198	\$10,418,192	\$0	\$0	\$11,777,359	(\$1,359,167)	
Jun-07	\$11,064,390		\$0	\$11,064,390	\$646,198	\$10,418,192	\$0	\$0	\$11,852,961	(\$1,434,769)	

BIENNIAL											
TOTAL	\$268,400,746		(\$72,405)	\$268,328,341	\$15,464,478	\$252,863,863	\$106,018,774	\$14,000,000	\$268,210,311	(\$15,346,447)	

(1) Future Months are Estimated based on Projection from NDPERS.



# Memo

To: NDPERS BOARD  
From: Bryan T. Reinhardt  
Date: 06/23/06  
Re: HIPAA Security Update

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The implementation deadline for HIPAA Security compliance passed last year (April 20, 2005). NDPERS implemented HIPAA Security policies & procedures over a year before the required deadline. I sent the NDPERS HIPAA Security Standards to Mike Mullen of the Attorney General's office for review and comment. His comments were, *"It appears that your security policies, which are very well drafted, cover all of the requirements of the HIPAA Security rule."*

During the past year, annual HIPAA Security and Privacy training was attended by all NDPERS staff. All new staff are also trained on the HIPAA standards as a part of new employee orientation. During the past year, the NDPERS IT staff and I reviewed the NDPERS HIPAA policies & procedures for compliance. The NDPERS Loss Control Committee recently reviewed and updated the policies & procedures.

I recently contacted employees of Human Services, ITD, and the Health Department that work with HIPAA security in their agencies. It appears that their compliance efforts are similar to ours.

During the next year, we plan to repeat the training and review processes mentioned above and again get Mike's feedback if there is anything we should change.

If you have any questions or comments, I will be available at the Board meeting.



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

**Sparb Collins**  
Executive Director  
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1-800-803-7377

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# Memorandum

**TO:** PERS Board

**FROM:** Sparb

**DATE:** June 23, 2006

**SUBJECT:** Dental/LTC Update

The Dental/LTC RFP was mailed out on May 22, 2006. The deadline for questions was June 19<sup>th</sup>. We did get questions and they are going to be responded to by June 23, 2006. If any of you would like a copy of the responses please let me know. In addition we have gotten some comments about the process and I will review them at the board meeting. The RFP are due on July 6<sup>th</sup> and then GBS will begin their analysis and we will review the results at the regular meeting in August.

June 23, 2006

Dear (client):

Earlier this year you received a letter from Ameriprise Financial regarding the theft of an Ameriprise Financial laptop computer containing a data file with names and some Ameriprise account information from some of our current and former clients. This file included your name and Ameriprise account numbers. No other personal identity information or data on accounts outside of Ameriprise were in the file.

When you were originally contacted, we indicated that our assessment of the risk to your information was extremely low. We still believe this to be the case. Name and account numbers alone are not enough information for someone to access or transact business in your accounts with Ameriprise. Nonetheless, after discussing the situation with the North Dakota Attorney General's office, Ameriprise would like to extend to you the opportunity to enroll, at Ameriprise's expense, in a one-year, independently operated credit monitoring program.

This program administered by Equifax, one of the three national credit reporting agencies, will provide you with an online solution which includes weekly credit monitoring of your Equifax credit file, one copy of your Equifax Credit Report™, and identity theft insurance\* in the amount of \$2,500 per consumer, with a \$250 deductible, to cover injuries arising from an occurrence of identity theft (subject to limitations and exclusions set forth in the Equifax agreement).

If you are interested in enrolling in the credit monitoring program, Equifax has a simple Internet-based verification and enrollment process.

Visit: [www.myservices.equifax.com/silver](http://www.myservices.equifax.com/silver)

Step 1 – Registration: complete the form with your contact information (name, address, telephone #, Social Security Number, date of birth, e-mail address). The information is provided in a secured environment.

Step 2 – Verify Your Identity: Equifax will verify your identity by asking you up to two security questions

Step 3 – Order Summary: During the "check out" process, provide the following promotional code: <XYZ-xxxxxxxx> in the "Enter Promotion Code" box. (case sensitive, no spaces, include dash. This code eliminates the need to provide a credit card number for payment.)

Step 4 - Go to the Member Center – Under "Product List" select Credit Watch to access the product features.

If you are still a client of Ameriprise or any of its affiliates, we encourage you to monitor activity in your Ameriprise Financial accounts and read your client account statements

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\* Insurance underwritten by Travelers Casualty and Surety Company of America and its property casualty affiliates, Hartford, CT 06183.

when you receive them to make sure your accounts are in order. If you have any concerns please contact your personal financial advisor or call the Service Delivery number listed on your most recent client statement.

Ameriprise would also like to remind you that under no circumstances will Ameriprise contact you by phone to request any personal information such as your financial account information, Social Security number or date of birth. If you receive a phone call from someone saying they represent Ameriprise, and the caller requests such information, please hang up. You may also report any such call to Ameriprise's Fraud Prevention department [contact number].

We apologize for any inconvenience this situation may have caused you. Since the theft has occurred, we have not received any reports of unusual or unauthorized account activity as a result of the incident.

Ameriprise Financial takes our responsibility to safeguard your personal information very seriously. We are committed to protecting that information now and in the future.

Sincerely,

Brian Heath, President, U.S. Advisor Group  
Ameriprise Financial Services, Inc.



Wayne Stenehjem  
ATTORNEY GENERAL

STATE OF NORTH DAKOTA  
OFFICE OF ATTORNEY GENERAL

STATE CAPITOL  
600 E BOULEVARD AVE DEPT 125  
BISMARCK, ND 58505-0040  
(701) 328-2210 FAX (701) 328-2226  
www.ag.state.nd.us



June 8, 2006

Mr. Sparb Collins  
Executive Director  
North Dakota Public Employees  
Retirement System  
400 East Broadway, Suite 505  
P.O. Box 1657  
Bismarck, ND 58502-1657

RE: Ameriprise

Dear Mr. Collins:

This letter is in response to your request that I provide PERS with a written update of a situation involving Ameriprise so that PERS can update the PERS board. Ameriprise is the latest incarnation of IDS/American Express, which was a deferred compensation service provider for NDPERS until 1998. I will use "Ameriprise" to refer to the company, regardless of the time frame referenced.

One of the former PERS members who used Ameriprise's services received a letter from Ameriprise advising the member that a laptop containing information on "some of" their customers was stolen. The member contacted Ameriprise, which advised the member that the member's name and account information was on the computer, but not the member's social security number. Ameriprise also agreed to provide the member with a credit monitoring service.

The member contacted PERS, and you asked me to contact Ameriprise to determine what, exactly, happened, including what information was on the computer, why Ameriprise continues to hold information on PERS members, why that information was on a laptop, and what Ameriprise is offering its former clients in the way of protective services. In my letter, I specifically asked Ameriprise to offer the credit monitoring service to all PERS members.

Ameriprise responded to the questions on what happened, what information was on the laptop and why it was on a laptop. Ameriprise was the subject of an SEC investigation, and one of Ameriprise's staff that was on the team working with the SEC had to review all of the customer information to ascertain certain facts. Unfortunately, the individual

Mr. Sparb Collins  
June 8, 2006  
Page 2

took it upon himself to download that information onto a laptop to work on at home, rather than leave it at his office. The individual made a further questionable decision to take the laptop along to an amusement park and leave it in full view on his front seat. The laptop was stolen, and the individual was terminated. The only PERS-member information on the laptop was the name, client ID and account numbers, advisor number, account value (if any) and details of the "assignment." Since Ameriprise is no longer a PERS provider, none of the PERS-member accounts had any balance.

Frustratingly, Ameriprise failed to advise why it continues to keep that information and what it is willing to offer PERS members. I sent Ameriprise a second letter specifically asking why they maintain information that is over seven years old and expressed my disappointment with their non-response to my request that they offer the credit monitoring service to all PERS members.

On May 25, 2006, I had a telephone conference with three of Ameriprise's attorneys. To make a long story short, let's say their customer relationship practices have not improved since we last worked with them in 1998. In response to my repeated questions on why they maintain the information, their repeated response was, "Because we do." They pointed out it is not illegal to maintain the information, and that they realize the risks inherent in doing so.

In any event, after I reminded them of their liability and the incredible customer service we have received in the past, as well as my specific request to provide PERS members with the credit monitoring service, they finally acquiesced and agreed to send all affected PERS members another letter offering them the credit monitoring service at no charge. They will run the letter by me prior to sending it out.

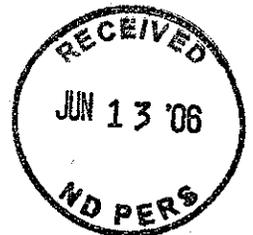
Please do not hesitate to call if you have any further questions or concerns.

Sincerely,



Scott A. Miller  
Assistant Attorney General

vkk



NDPERS  
Quarterly Investment Report  
1<sup>st</sup> Quarter  
1/1/2006 – 3/31/2006



North Dakota Public Employees Retirement System  
400 E Bdwy, Suite 505  
Box 1657  
Bismarck, ND 58502

# NDPERS 401(a) Defined Contribution Plan & 457 Companion Plan - Fidelity

**INITIAL OFFERING:**

Fidelity Equity-Income	Fidelity Spartan US Equity Index Fidelity Dividend Growth	Fidelity Growth Company Fidelity Blue Chip Growth	LARGE
Mutual Shares A	Dreyfus Mid Cap Index Fidelity Spartan Ext Mkt Index	Fidelity Mid Cap Stock	MEDIUM
Allianz NFJ Small Cap Value	Dreyfus Small Cap Index	MSIF Small Co Growth B	SMALL
VALUE	BLEND	GROWTH	

BALANCED FUND: Fidelity Puritan Fund  
 INCOME FUNDS: Fidelity Managed Income Portfolio  
 BOND FUNDS: PIMCO Total Return Bond Fund  
 INTERNATIONAL FUNDS: Fidelity Diversified International (Blend Bias)

LIFESTYLE FUNDS: Fidelity Freedom Income  
 Fidelity Freedom 2000  
 Fidelity Freedom 2005  
 Fidelity Freedom 2010  
 Fidelity Freedom 2015  
 Fidelity Freedom 2020  
 Fidelity Freedom 2025  
 Fidelity Freedom 2030  
 Fidelity Freedom 2035  
 Fidelity Freedom 2040

**FUND STYLE CHANGES:**

Mutual Shares A			LARGE
Allianz NFJ Small Cap Value		Fidelity Spartan Ext Mkt Index	MEDIUM
			SMALL
VALUE	BLEND	GROWTH	

INCOME FUNDS:  
 BOND FUNDS:  
 INTERNATIONAL FUNDS: Fidelity Diversified International (Growth Bias)  
 BALANCED FUNDS:  
 LIFESTYLE FUNDS:

**CURRENT LINEUP:**

Fidelity Equity-Income	Fidelity Spartan US Equity Index Fidelity Dividend Growth	Fidelity Growth Company Fidelity Blue Chip Growth	LARGE
Mutual Shares A			
Allianz NFJ Small Cap Value	Dreyfus Mid Cap Index	Fidelity Mid Cap Stock Fidelity Spartan Ext Mkt Index	MEDIUM
	Dreyfus Small Cap Index	MSIF Small Co Growth B	SMALL
VALUE	BLEND	GROWTH	

BALANCED FUND: Fidelity Puritan Fund  
 INCOME FUNDS: Fidelity Managed Income Portfolio  
 BOND FUNDS: PIMCO Total Return Bond Fund  
 INTERNATIONAL FUNDS: Fidelity Diversified International (Growth Bias)

LIFESTYLE FUNDS: Fidelity Freedom Income  
 Fidelity Freedom 2000  
 Fidelity Freedom 2005  
 Fidelity Freedom 2010  
 Fidelity Freedom 2015  
 Fidelity Freedom 2020  
 Fidelity Freedom 2025  
 Fidelity Freedom 2030  
 Fidelity Freedom 2035  
 Fidelity Freedom 2040

# NDPERS Mutual Fund Research - 03/31/2006

## Large Value

Fund	Symbol	Assets	Inception	Manager Tenure	Expense Ratio	Stocks	Turnover	P/E	Median Mkt Cap	Morn-Star Rating	Category Rank	3-Year	5-Year	10-Year	Average Return	Standard=S&P 500	Index	Standard	Sharpe	
												3-Year	5-Year	10-Year	1-Year	R-Squared	Beta	Alpha	Deviation	Ratio
Fidelity Puritan	FPURX	23.9 Billion	4/16/1947	6 Years	0.62%	1035	75%	14.4	38.0 Bll	4-Stars	34	18	3.36	8.67	9.69	14.26	6.37	8.67	6.75	1.67
Fidelity Equity-Income	FEQIX	26.3 Billion	5/16/1966	12 Years	0.67%	244	19%	14.5	42.6 Bll	3-Stars	44	47	5.21	9.40	13.35	19.75	6.13	9.40	9.76	1.67

## Large Blend

Fund	Symbol	Assets	Inception	Manager Tenure	Expense Ratio	Stocks	Turnover	P/E	Median Mkt Cap	Morn-Star Rating	Category Rank	3-Year	5-Year	10-Year	Average Return	Standard=S&P 500	Index	Standard	Sharpe	
												3-Year	5-Year	10-Year	1-Year	R-Squared	Beta	Alpha	Deviation	Ratio
Fidelity Spartan US Equity Index	FUSEX	24.3 Billion	3/16/1990	Team	0.14%	503	5%	16.0	47.6 Bll	3-Stars	44	44	4.19	8.78	11.66	17.10	3.83	8.78	8.78	1.59
Fidelity Dividend Growth	FDGFX	16.6 Billion	4/27/1993	9 Years	0.66%	89	26%	15.3	63.5 Bll	4-Stars	90	66	4.76	10.67	13.23	14.15	3.40	10.67	9.19	1.25
Fidelity Diversified International	FDIVX	39.3 Billion	12/27/1991	5 Years	1.07%	395	41%	15.6	20.8 Bll	5-Stars	19	3	9.65	13.40	28.36	32.46	14.37	13.40	10.96	2.44

## Large Growth

Fund	Symbol	Assets	Inception	Manager Tenure	Expense Ratio	Stocks	Turnover	P/E	Median Mkt Cap	Morn-Star Rating	Category Rank	3-Year	5-Year	10-Year	Average Return	Standard=S&P 500	Index	Standard	Sharpe	
												3-Year	5-Year	10-Year	1-Year	R-Squared	Beta	Alpha	Deviation	Ratio
Fidelity Growth Company	FDGRX	30.0 Billion	1/17/1983	9 Years	0.96%	266	50%	25.4	17.1 Bll	3-Stars	2	16	6.85	10.39	28.57	24.47	5.39	10.39	13.00	1.59
Fidelity Blue Chip Growth	FBGRX	21.7 Billion	12/31/1987	10 Years	0.64%	174	29%	19.1	46.9 Bll	3-Stars	80	56	2.34	6.62	10.88	12.87	1.09	6.62	8.75	1.17

## Medium Value

Fund	Symbol	Assets	Inception	Manager Tenure	Expense Ratio	Stocks	Turnover	P/E	Median Mkt Cap	Morn-Star Rating	Category Rank	3-Year	5-Year	10-Year	Average Return	Standard=S&P 500	Index	Standard	Sharpe		
												3-Year	5-Year	10-Year	1-Year	R-Squared	Beta	Alpha	Deviation	Ratio	
Franklin Mutual Shares A	TESIX	17.4 Billion	11/11/1996	3 Years	1.11%	314	22%	13.4	15.8 Bll	3-Stars	39	11	6.30	8.84	16.71	19.65	8.84	N/A	6.02	6.94	2.31

## Medium Blend

Fund	Symbol	Assets	Inception	Manager Tenure	Expense Ratio	Stocks	Turnover	P/E	Median Mkt Cap	Morn-Star Rating	Category Rank	3-Year	5-Year	10-Year	Average Return	Standard=S&P 500	Index	Standard	Sharpe	
												3-Year	5-Year	10-Year	1-Year	R-Squared	Beta	Alpha	Deviation	Ratio
Dreyfus Mid Cap Index	PESPX	2.4 Billion	6/19/1991	Team	0.50%	406	20%	18.6	3.5 Bll	3-Stars	32	32	7.59	12.22	21.19	25.47	12.22	13.90	11.40	1.86
Fidelity Spartan Extended Mkt Index	FSEMX	2.3 Billion	11/5/1997	Team	0.23%	3605	17%	18.9	2.5 Bll	3-Stars	19	28	9.56	N/A	24.82	28.11	12.50	N/A	12.68	1.86

## Medium Growth

Fund	Symbol	Assets	Inception	Manager Tenure	Expense Ratio	Stocks	Turnover	P/E	Median Mkt Cap	Morn-Star Rating	Category Rank	3-Year	5-Year	10-Year	Average Return	Standard=S&P 500	Index	Standard	Sharpe	
												3-Year	5-Year	10-Year	1-Year	R-Squared	Beta	Alpha	Deviation	Ratio
Fidelity Mid-Cap Stock	FMCSX	11.9 Billion	3/29/1994	1 Years	0.62%	177	186%	21.0	7.4 Bll	3-Stars	31	50	13.40	6.07	36.51	25.27	6.07	13.79	13.81	1.56

## Small Value

Fund	Symbol	Assets	Inception	Manager Tenure	Expense Ratio	Stocks	Turnover	P/E	Median Mkt Cap	Morn-Star Rating	Category Rank	3-Year	5-Year	10-Year	Average Return	Standard=S&P 500	Index	Standard	Sharpe	
												3-Year	5-Year	10-Year	1-Year	R-Squared	Beta	Alpha	Deviation	Ratio
Allianz NFJ Small Cap Value Admin	PVADX	4.1 Billion	11/1/1995	13 Years	1.11%	116	20%	13.5	1.6 Bll	4-Stars	67	21	9.30	17.62	19.55	26.35	17.62	14.72	11.56	1.90

## Small Blend

Fund	Symbol	Assets	Inception	Manager Tenure	Expense Ratio	Stocks	Turnover	P/E	Median Mkt Cap	Morn-Star Rating	Category Rank	3-Year	5-Year	10-Year	Average Return	Standard=S&P 500	Index	Standard	Sharpe	
												3-Year	5-Year	10-Year	1-Year	R-Squared	Beta	Alpha	Deviation	Ratio
Dreyfus Small Cap Index	DISSX	896 Million	6/30/1997	Team	0.50%	602	14%	16.6	1.2 Bll	3-Stars	38	43	12.68	14.53	23.51	29.27	14.53	N/A	13.89	1.77

## Small Growth

Fund	Symbol	Assets	Inception	Manager Tenure	Expense Ratio	Stocks	Turnover	P/E	Median Mkt Cap	Morn-Star Rating	Category Rank	3-Year	5-Year	10-Year	Average Return	Standard=S&P 500	Index	Standard	Sharpe	
												3-Year	5-Year	10-Year	1-Year	R-Squared	Beta	Alpha	Deviation	Ratio
Morgan Stanley Small Cap Growth B	MSSMX	2.0 Billion	1/27/1996	Team	1.29%	75	73%	27.9	1.2 Bll	4-Stars	10	16	12.43	13.26	29.81	31.25	13.26	14.29	14.04	1.87

# Lifestyle / Others

Fund	Symbol	Assets	Inception	Manager Tenure	Expense Ratio	Stocks	Turnover	P/E	Median Mkt Cap	Morn-Star Rating	3.-Year Rank	5.-Year Rank	Category Rank	1.-Year Return	3.-Year Return	5.-Year Return	10.-Year Return	R-Squared	Beta	Alpha	Standard Deviation	Sharpe Ratio
Fidelity Managed Income Portfolio		8.1 Billion	9/7/1989	15 Years	0.55%		470%		70.7 Bll	5-Stars	27	9		3.80	4.03	4.54	5.22				4.19	0.28
PIMCO Total Return Bond Fund	PTRAX	93.5 Billion	9/8/1994	18 Years	0.68%	19	0%	17.6	42.7 Bll	4-Stars	87	58		2.40	3.37	5.65	6.84				2.50	1.24
Fidelity Freedom Income	FFFAX	2.1 Billion	10/17/1996	9 Years	0.56%	24	0%	17.5	37.7 Bll	4-Stars	74	48		5.71	5.44	3.95	N/A				2.89	1.39
Fidelity Freedom 2000	FFFBX	1.6 Billion	10/17/1996	9 Years	0.58%	24	7%	17.2	35.1 Bll	N/A	N/A	N/A		6.40	6.46	4.10	N/A				N/A	N/A
Fidelity Freedom 2005	FFFBX	0.5 Billion	11/6/2003	9 Years	0.68%	24	0%	17.2	35.1 Bll	4-Stars	18	32		10.05	N/A	N/A	N/A				N/A	N/A
Fidelity Freedom 2010	FFFCX	10.5 Billion	10/17/1996	9 Years	0.69%	24	0%	17.2	35.1 Bll	4-Stars	18	32		10.54	11.22	5.50	N/A				4.95	1.72
Fidelity Freedom 2015	FFVFX	2.5 Billion	11/6/2003	9 Years	0.71%	24	0%	17.1	35.1 Bll	N/A	N/A	46		12.83	N/A	N/A	N/A				N/A	N/A
Fidelity Freedom 2020	FFTDX	13.7 Billion	10/17/1996	9 Years	0.75%	22	0%	17.0	25.4 Bll	4-Stars	7	46		14.64	16.01	6.07	N/A				7.08	1.82
Fidelity Freedom 2025	FFTDX	2.0 Billion	11/6/2003	9 Years	0.75%	22	0%	17.0	35.1 Bll	N/A	N/A	N/A		15.41	N/A	N/A	N/A				N/A	N/A
Fidelity Freedom 2030	FFFEH	8.5 Billion	10/17/1996	9 Years	0.77%	22	0%	17.1	25.2 Bll	4-Stars	33	54		16.86	18.36	6.12	N/A				8.20	1.83
Fidelity Freedom 2035	FFTHX	0.8 Billion	11/6/2003	9 Years	0.77%	22	0%	17.0	35.1 Bll	N/A	N/A	N/A		17.18	N/A	N/A	N/A				N/A	N/A
Fidelity Freedom 2040	FFFFX	3.8 Billion	9/6/2000	3 Years	0.79%	22	0%	17.0	26.8 Bll	4-Stars	9	57		17.65	19.90	6.07	N/A				8.91	1.84

**R-squared** - This compares a fund's performance to a given index. If R-squared is 100, the fund moves in lockstep with the index to which it is being compared. Generally, a higher R-squared will indicate a more useful beta figure. If the R-squared is lower, then the beta is less relevant to the fund's performance.

**Beta** - This compares a fund's volatility to a given index. If beta is greater than 1, the fund is more volatile than the index to which it is being compared. If beta is lower than 1, the fund is less volatile than the index. If a fund's R-squared is low, beta is less reliable as a predictor of volatility.

**Alpha** - This is a measure of risk-adjusted performance. The higher a fund's alpha, the better it has done. A fund's alpha is only reliable when its R-squared is relatively high.

**Standard Deviation** - The higher this number is, the more volatile the fund's returns have been. It indicates how much the fund has deviated from its mean total return over the past three years.

**Sharpe Ratio** - This measure combines standard deviation and mean total return to show a risk-adjusted measure of the fund's performance. The higher this number is, the better. As a rule of thumb, a Sharpe ratio of more than 1.00 is very good.

## NDPERS Investment Benchmarks - 1st Quarter 2006

	<u>Quarter</u>	<u>Y-T-D</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>
<u>Stable Value Fund</u>					
<b>Fidelity Managed Income Portfolio</b>	0.94%	0.94%	3.80%	4.03%	4.54%
GIC 5 Year	1.28%	1.28%	5.11%	5.14%	5.29%
<u>Fixed Income Fund</u>					
<b>PIMCO Total Return Bond Fund - PTRAX</b>	-0.59%	-0.59%	2.40%	3.37%	5.65%
Lehman Aggregate Bond Index	-0.65%	-0.65%	2.26%	2.92%	5.11%
Taxable Bond Fund Universe	0.05%	0.05%	3.36%	5.23%	5.98%
<u>Balanced Fund</u>					
<b>Fidelity Puritan - FPURX</b>	3.36%	3.36%	9.69%	14.26%	6.37%
60% Large Cap Value Univ & 40% Taxable Bond Universe	2.93%	2.93%	8.42%	13.77%	5.97%
60% Russell 3000 Value & 40% Lehman Agg Bond Index	3.69%	3.69%	9.42%	14.64%	7.10%
<u>Large Cap Equities - Value</u>					
<b>Fidelity Equity-Income - FEQIX</b>	5.21%	5.21%	13.35%	19.75%	6.13%
Russell 1000 Value Index	5.93%	5.93%	13.31%	21.77%	7.79%
Large Cap Value Fund Universe	4.85%	4.85%	11.80%	19.46%	5.97%
<u>Large Cap Equities - Blend</u>					
<b>Fidelity Spartan US Equity Index - FUSEX</b>	4.19%	4.19%	11.66%	17.10%	3.83%
<b>Fidelity Dividend Growth - FDGFX</b>	4.76%	4.76%	13.23%	14.15%	3.40%
S&P 500 Index	4.21%	4.21%	11.73%	17.22%	3.97%
Large Cap Blend Fund Universe	4.56%	4.56%	12.76%	17.09%	3.77%
<u>Large Cap Equities - Growth</u>					
<b>Fidelity Growth Company - FDGRX</b>	6.85%	6.85%	28.57%	24.47%	5.39%
Russell 3000 Growth Index	4.07%	4.07%	14.40%	15.78%	2.21%
<b>Fidelity Blue Chip Growth - FBGRX</b>	2.34%	2.34%	10.88%	12.87%	1.09%
Russell 1000 Growth Index	3.09%	3.09%	13.14%	14.80%	1.66%
Large Cap Growth Fund Universe	3.62%	3.62%	15.28%	15.73%	1.67%
<u>Mid Cap Equities - Value</u>					
<b>Franklin Mutual Shares A - TESIX</b>	6.30%	6.30%	16.71%	19.65%	8.84%
Russell Mid Cap Value	7.62%	7.62%	20.30%	29.23%	14.69%
Mid Cap Value Fund Universe	6.70%	6.70%	15.87%	25.17%	11.76%
<u>Mid Cap Equities - Blend</u>					
<b>Dreyfus Mid Cap Index - PESPX</b>	7.59%	7.59%	21.19%	25.47%	12.22%
S&P Mid Cap 400	7.63%	7.63%	21.62%	26.04%	12.75%
<b>Fidelity Spartan Extended Mkt Index - FSEMXX</b>	9.56%	9.56%	24.82%	28.11%	12.50%
Wilshire 4500 Index	9.53%	9.53%	24.76%	28.37%	12.65%
Mid Cap Blend Fund Universe	7.24%	7.24%	18.28%	24.73%	11.21%
<u>Mid Cap Equities - Growth</u>					
<b>Fidelity Mid Cap Stock - FMCSX</b>	13.40%	13.40%	36.51%	25.27%	6.07%
Russell Mid Cap Growth	7.61%	7.61%	22.68%	25.75%	8.99%
Mid Cap Growth Fund Universe	9.02%	9.02%	23.34%	23.44%	6.73%

Fund Returns in RED do not meet both benchmarks.

Fund Returns in BLACK meet both benchmarks.

## NDPERS Investment Benchmarks - 1st Quarter 2006

	<u>Quarter</u>	<u>Y-T-D</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>
<b>Small Cap Equities - Value</b>					
<b>Allianz NFJ Small Cap Value - PVADX</b>	<b>9.30%</b>	<b>9.30%</b>	<b>19.55%</b>	<b>26.35%</b>	<b>17.62%</b>
Russell 2000 Value Index	13.51%	13.51%	23.77%	30.75%	16.24%
Small Value Fund Universe	10.86%	10.86%	19.96%	28.81%	15.69%
<b>Small Cap Equities - Blend</b>					
<b>Dreyfus Small Cap Index - DISSX</b>	<b>12.68%</b>	<b>12.68%</b>	<b>23.51%</b>	<b>29.27%</b>	<b>14.53%</b>
Russell 2000 Index	13.94%	13.94%	25.85%	29.53%	12.59%
S & P 600 Index	12.84%	12.84%	24.07%	29.97%	15.02%
Small Blend Fund Universe	12.11%	12.11%	23.31%	28.70%	13.72%
<b>Small Cap Equities - Growth</b>					
<b>MSI Small Co Growth B - MSSMX</b>	<b>12.43%</b>	<b>12.43%</b>	<b>29.81%</b>	<b>31.25%</b>	<b>13.26%</b>
Russell 2000 Growth Index	14.36%	14.36%	27.84%	28.14%	8.59%
Small Growth Fund Universe	12.70%	12.70%	25.65%	26.26%	8.69%
<b>International Equity Funds</b>					
<b>Fidelity Diversified International - FDIVX</b>	<b>9.65%</b>	<b>9.65%</b>	<b>28.36%</b>	<b>32.46%</b>	<b>14.37%</b>
MSCI EAFE	9.42%	9.42%	24.62%	31.38%	9.86%
International Stock Fund Universe	11.81%	11.81%	38.22%	36.52%	15.84%
<b>Asset Allocation Funds:</b>					
<b>Fidelity Freedom Income - FFFAX</b>	<b>1.41%</b>	<b>1.41%</b>	<b>5.71%</b>	<b>5.44%</b>	<b>3.95%</b>
Income Benchmark	1.32%	1.32%	5.46%	6.26%	4.17%
<b>Fidelity Freedom 2000 - FFFBX</b>	<b>1.64%</b>	<b>1.64%</b>	<b>6.40%</b>	<b>6.46%</b>	<b>4.10%</b>
2000 Benchmark	1.54%	1.54%	6.04%	7.19%	4.44%
<b>Fidelity Freedom 2005 - FFFVX</b>	<b>2.88%</b>	<b>2.88%</b>	<b>10.05%</b>	<b>N/A</b>	<b>N/A</b>
2005 Benchmark	2.63%	2.63%	8.73%	11.40%	5.52%
<b>Fidelity Freedom 2010 - FFFCX</b>	<b>3.06%</b>	<b>3.06%</b>	<b>10.54%</b>	<b>11.22%</b>	<b>5.50%</b>
2010 Benchmark	2.84%	2.84%	9.19%	12.03%	5.61%
<b>Fidelity Freedom 2015 - FFFVX</b>	<b>3.72%</b>	<b>3.72%</b>	<b>12.83%</b>	<b>N/A</b>	<b>N/A</b>
2015 Benchmark	3.70%	3.70%	11.10%	14.69%	6.02%
<b>Fidelity Freedom 2020 - FFFDX</b>	<b>4.49%</b>	<b>4.49%</b>	<b>14.64%</b>	<b>16.01%</b>	<b>6.07%</b>
2020 Benchmark	4.39%	4.39%	12.59%	16.82%	6.35%
<b>Fidelity Freedom 2025 - FFTWX</b>	<b>4.68%</b>	<b>4.68%</b>	<b>15.41%</b>	<b>N/A</b>	<b>N/A</b>
2025 Benchmark	4.82%	4.82%	13.51%	18.02%	6.42%
<b>Fidelity Freedom 2030 - FFFEX</b>	<b>5.33%</b>	<b>5.33%</b>	<b>16.86%</b>	<b>18.36%</b>	<b>6.12%</b>
2030 Benchmark	5.20%	5.20%	14.29%	19.06%	6.53%
<b>Fidelity Freedom 2035 - FFFHX</b>	<b>5.40%</b>	<b>5.40%</b>	<b>17.18%</b>	<b>N/A</b>	<b>N/A</b>
2035 Benchmark	5.52%	5.52%	14.93%	19.93%	6.72%
<b>Fidelity Freedom 2040 - FFFFX</b>	<b>5.66%</b>	<b>5.66%</b>	<b>17.65%</b>	<b>19.90%</b>	<b>6.07%</b>
2040 Benchmark	5.82%	5.82%	15.56%	20.77%	6.76%

Income Benchmark is comprised of 22% Wilshire 5000, 40% LB Agg, 38% 3 Month T-Bill

2000 Benchmark is comprised of 25% Wilshire 5000, 1% MSCI EAFE, 41% LB Agg, 1% LB HY Bond, 32% 3 Month T-Bill

2005 Benchmark is comprised of 40% Wilshire 5000, 5% MSCI EAFE, 40% LB Agg, 5% LB HY Bond, 10% 3 Month T-Bill

2010 Benchmark is comprised of 42% Wilshire 5000, 6% MSCI EAFE, 38% LB Agg, 5% LB HY Bond, 9% 3 Month T-Bill

2015 Benchmark is comprised of 52% Wilshire 5000, 9% MSCI EAFE, 29% LB Agg, 6% LB HY Bond, 4% 3 Month T-Bill

2020 Benchmark is comprised of 60% Wilshire 5000, 11% MSCI EAFE, 21% LB Agg, 8% LB HY Bond

2025 Benchmark is comprised of 66% Wilshire 5000, 12% MSCI EAFE, 15% LB Agg, 7% LB HY Bond

2030 Benchmark is comprised of 70% Wilshire 5000, 13% MSCI EAFE, 9% LB Agg, 8% LB HY Bond

2035 Benchmark is comprised of 69% Wilshire 5000, 16% MSCI EAFE, 5% LB Agg, 10% LB HY Bond

2040 Benchmark is comprised of 74% Wilshire 5000, 16% MSCI EAFE, 10% LB HY Bond

Wilshire 5000 Index	5.44%	5.44%	14.72%	19.67%	5.95%
MSCI EAFE	9.42%	9.42%	24.62%	31.38%	9.86%
Lehman Aggregate Bond Index	-0.65%	-0.65%	2.26%	2.92%	5.11%
ML High Yield Bond Fund Index	2.87%	2.87%	7.23%	11.91%	7.79%
3 Month T-Bill Index	1.02%	1.02%	3.47%	2.01%	2.14%
Russell 3000 Value Index	6.59%	6.59%	14.20%	22.46%	8.42%

Fund Returns in RED do not meet both benchmarks.

Fund Returns in BLACK meet both benchmarks.

# North Dakota Public Employees Retirement

**Understanding investment performance:** As you review this update, please remember that the performance data stated represents past performance, which does not guarantee future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your shares. Current performance may be higher or lower than the performance stated. To learn more or to obtain the most recent month-end performance, call Fidelity or visit [www.f401k.com](http://www.f401k.com).

For the Fidelity Select Portfolios, unless you use one of Fidelity's automated exchange services, you may be required to pay a \$7.50 fee for each exchange out of any of the Select Portfolios.

Product Name:	Code	Ticker	Cumulative Total Returns % Period Ending March 31, 2006					Average Annual Total Returns % Quarter Ending March 31, 2006					Date of Inception	Short-term Trading Fee (% / days)	Expense Ratio	Exp. Ratio	Date
			Month	Year	1	3	5	10	Year	Year	Year	Year					
Allianz NFI Small-Cap Value Fund - Administrative Class	VRS	PVADP	9.3	19.55	26.35	17.62	14.72	15.06	11/01/1995	N/A	1.11	6/30/2005					
Dreyfus Mid Cap Index Fund	46224	PVADP	9.3	19.55	26.35	17.62	14.72	15.06	11/01/1995	N/A	1.11	6/30/2005					
Dreyfus Small Cap Stock Index Fund	45668	PESXP	7.59	21.19	25.47	12.22	13.9	14.42	06/19/1991	N/A	0.5	10/31/2005					
Fidelity Blue Chip Growth Fund	93982	DISSX	12.68	23.51	29.27	14.53	N/A	11.24	06/30/1997	N/A	0.5	10/31/2005					
Fidelity Diversified International Fund	312	FBGRX	2.34	10.88	12.87	1.09	6.62	12.31	12/31/1987	N/A	0.61	1/31/2006					
Fidelity Dividend Growth Fund	325	FDIVX	9.65	28.36	32.46	14.37	13.4	12.29	12/27/1991	1.00 / 30	1.07	10/31/2005					
Fidelity Equity-Income Fund	330	FDGFX	4.76	13.23	14.15	3.4	10.67	13.64	04/27/1993	N/A	0.58	1/31/2006					
Fidelity Freedom 2000 Fund®	23	FEQIX	5.21	13.35	19.75	6.13	9.4	13.05	05/16/1966	N/A	0.67	1/31/2006					
Fidelity Freedom 2005 Fund®	370	FFFBX	1.64	6.4	6.46	4.1	N/A	6.89	10/17/1996	N/A	0.58	3/31/2005					
Fidelity Freedom 2010 Fund®	1312	FFRVX	2.88	10.05	N/A	N/A	N/A	7.81	11/06/2003	N/A	0.68	3/31/2005					
Fidelity Freedom 2015 Fund®	371	FFFCX	3.06	10.54	11.22	5.5	N/A	8.42	10/17/1996	N/A	0.69	3/31/2005					
Fidelity Freedom 2020 Fund®	1313	FFVFX	3.72	12.83	N/A	N/A	N/A	9.7	11/06/2003	N/A	0.71	3/31/2005					
Fidelity Freedom 2025 Fund®	372	FFFDX	4.49	14.64	16.01	6.07	N/A	8.89	10/17/1996	N/A	0.75	3/31/2005					
Fidelity Freedom 2030 Fund®	1314	FFTWX	4.68	15.41	N/A	N/A	N/A	11.54	11/06/2003	N/A	0.75	3/31/2005					
Fidelity Freedom 2035 Fund®	373	FFEFX	5.33	16.86	18.36	6.12	N/A	8.79	10/17/1996	N/A	0.77	3/31/2005					
Fidelity Freedom 2040 Fund®	1315	FFTHX	5.4	17.18	N/A	N/A	N/A	12.82	11/06/2003	N/A	0.78	3/31/2005					
Fidelity Freedom Income Fund®	718	FFAFX	5.66	17.65	19.9	6.07	N/A	0.53	09/06/2000	N/A	0.79	3/31/2005					
Fidelity Growth Company Fund	369	FFAFX	1.41	5.71	5.44	3.95	N/A	5.83	10/17/1996	N/A	0.56	3/31/2005					
Fidelity Low-Priced Stock Fund	25	FDGRX	6.85	28.57	24.47	5.39	10.39	14.6	01/17/1983	N/A	0.94	11/30/2005					
Managed Income Portfolio	316	FLPSX	8.62	19.17	29.32	18.37	16.48	17.77	12/27/1989	1.50 / 90	0.84	1/31/2006					
Fidelity Mid-Cap Stock Fund	632	N/A	0.94	3.8	4.03	4.54	5.22	5.8	09/07/1989	N/A	N/A	N/A					
Fidelity Puritan® Fund	337	FMCSX	13.4	36.51	25.27	6.07	13.79	15.42	03/29/1994	0.75 / 30	0.66	10/31/2005					
Morgan Stanley Institutional Fund, Inc. Small Company Growth Portfolio - Class B	4	FPURX	3.36	9.69	14.26	6.37	8.67	11.7	04/16/1947	N/A	0.61	1/31/2006					
Mutual Shares Fund - Class A	93098	MSSMX	12.43	29.81	31.25	13.26	14.29	14.52	01/02/1996	2.00 / 30	1.29	12/31/2005					
PIMCO Total Return Fund - Administrative Class	93202	TESIX	6.3	16.71	19.65	8.84	N/A	11.36	07/01/1949	2.00 / 7	1.11	12/31/2005					
Spartan® Extended Market Index Fund - Investor Class	398	PTRAX	-0.59	2.4	3.37	5.65	6.84	7.19	09/08/1994	2.00 / 7	0.68	3/31/2005					
Spartan® U.S. Equity Index Fund - Investor Class 650	398	FSEMX	9.56	24.82	28.11	12.5	N/A	7.76	11/05/1997	0.75 / 90	0.1	8/31/2005					
		FUSEX	4.19	11.66	17.1	3.83	8.78	11.55	02/17/1988	N/A	0.1	8/31/2005					

# FIDELITY INVESTMENTS® MUTUAL FUNDS PERFORMANCE REPORT

## PERFORMANCE UPDATE

AS OF MARCH 31, 2006

### Understanding investment performance

As you review this update, please remember that the data stated represents past performance, which does not guarantee future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your shares. Current investment performance may be higher or lower than quoted in this table. To learn more or obtain the most recent month-end performance figures, call Fidelity at 1-800-343-0860 or visit [www.fidelity.com](http://www.fidelity.com).

Fund No.	Fund Name	Cumulative Total Returns % Period Ending March 31, 2006			Average Annual Total Returns % Period Ending March 31, 2006				Short-Term Trading Fee (%/Days)	Fund Inception	Expense Ratio↔
		7-Day Yield▲	3 Month	YTD	1 Year	5 Year	10 Year	Life of Fund			
<b>LIFE-CYCLE</b> →											
00370	Fidelity Freedom 2000++		1.56	1.56	6.32	4.09	n/a	6.88	n/a	10/17/96	0.58○
01312	Fidelity Freedom 2005++		2.88	2.88	10.05	n/a	n/a	7.81	n/a	11/06/03	0.68○
00371	Fidelity Freedom 2010++		2.99	2.99	10.46	5.48	n/a	8.41	n/a	10/17/96	0.69○
01313	Fidelity Freedom 2015++		3.72	3.72	12.83	n/a	n/a	9.70	n/a	11/06/03	0.71○
00372	Fidelity Freedom 2020++		4.49	4.49	14.64	6.07	n/a	8.89	n/a	10/17/96	0.75○
01314	Fidelity Freedom 2025++		4.68	4.68	15.41	n/a	n/a	11.54	n/a	11/06/03	0.75○
00373	Fidelity Freedom 2030++		5.33	5.33	16.86	6.12	n/a	8.79	n/a	10/17/96	0.77○
01315	Fidelity Freedom 2035++		5.40	5.40	17.18	n/a	n/a	12.82	n/a	11/06/03	0.78○
00718	Fidelity Freedom 2040++		5.66	5.66	17.65	6.07	n/a	0.53	n/a	9/06/00	0.79○
00369	Fidelity Freedom Income++		1.41	1.41	5.71	3.95	n/a	5.83	n/a	10/17/96	0.56○

### ASSET ALLOCATION

00314	Fidelity Asset Manager <sup>SM</sup>		2.80	2.80	9.37	4.38	7.88	9.79	n/a	12/28/88	0.73
00347	Fidelity Asset Manager: Aggressive <sup>®</sup>		4.30	4.30	17.35	3.25	n/a	5.34	n/a	9/24/99	0.92
00321	Fidelity Asset Manager: Growth <sup>®</sup>		3.85	3.85	11.29	4.07	7.57	9.42	n/a	12/30/91	0.82
00328	Fidelity Asset Manager: Income <sup>®</sup>		2.34	2.34	9.54	6.14	6.89	7.49	n/a	10/01/92	0.60

### MONEY MARKET (SHORT-TERM)\*

00055	Fidelity Cash Reserves	4.35	1.02	1.02	3.44	2.03	3.71	6.45	n/a	5/10/79	0.43
00458	Fidelity Government Money Market	4.40	1.01	1.01	3.39	1.99	3.66	4.18	n/a	2/05/90	0.42
00454	Fidelity Money Market	4.39	1.03	1.03	3.47	2.03	3.72	4.59	n/a	1/23/89	0.42
00631	Fidelity Retirement Gov't Money Market	4.43	1.02	1.02	3.41	1.99	3.69	4.48	n/a	12/16/88	0.42
00630	Fidelity Retirement Money Market	4.41	1.03	1.03	3.48	2.02	3.75	4.56	n/a	12/02/88	0.42
00085	Fidelity Select Money Market	4.43	1.04	1.04	3.49	2.03	3.67	4.76	n/a	8/30/85	0.40
00050	Fidelity U.S. Government Reserves	4.46	1.03	1.03	3.46	2.05	3.69	5.49	n/a	11/03/81	0.35
00415	Fidelity U.S. Treasury Money Market	4.11	0.95	0.95	3.13	1.84	3.43	4.38	n/a	1/05/88	0.42

Please see important disclosures on the last page(s).

continued

AS OF MARCH 31, 2006

Fund No.	Name	Cumulative Total Returns % Period Ending March 31, 2006		Average Annual Total Returns % Period Ending March 31, 2006			Life of Fund	Short-Term Trading Fee (%/Days)	Fund Inception	Expense Ratio↔
		3 Month	YTD	1 Year	5 Year	10 Year				
<b>BOND</b>										
00015	Fidelity Ginnie Mae	-0.42	-0.42	2.29	4.36	5.64	7.21	n/a	11/08/85	0.45◆
00054	Fidelity Government Income	-0.76	-0.76	1.98	4.52	5.67	8.37	n/a	4/04/79	0.45◆
00794	Fidelity Inflation-Protected Bond	-2.18	-2.18	0.43	n/a	n/a	6.29	n/a	6/26/02	0.48◆
00662	Fidelity Institutional Short-Int Gov't	0.13	0.13	2.08	3.57	5.01	6.12	n/a	11/10/86	0.45
00032	Fidelity Intermediate Bond	-0.25	-0.25	2.29	4.79	5.75	8.43	n/a	5/23/75	0.47◆
00452	Fidelity Intermediate Gov't Income	-0.30	-0.30	1.96	4.08	5.40	6.28	n/a	5/02/88	0.45◆
00026	Fidelity Investment Grade Bond	-0.39	-0.39	2.69	5.24	6.05	7.82	n/a	8/06/71	0.47◆
00040	Fidelity Mortgage Securities↔	-0.12	-0.12	2.64	4.86	6.04	7.88	n/a	12/31/84	0.55◆
00450	Fidelity Short-Term Bond	0.54	0.54	2.87	3.87	5.03	5.80	n/a	9/15/86	0.47◆
00368	Fidelity Strategic Income	1.35	1.35	5.66	9.07	n/a	7.33	n/a	5/01/98	0.75
01505	Fidelity Strategic Real Return++	-0.30	-0.30	n/a	n/a	n/a	n/a	0.75/60	9/07/05	0.85
00820	Fidelity Total Bond Fund	-0.18	-0.18	3.06	n/a	n/a	4.93	n/a	10/15/02	0.45◆
00651	Fidelity U.S. Bond Index++	-0.55	-0.55	2.25	5.22	6.28	7.42	n/a	3/08/90	0.32
00812	Fidelity Ultra-Short Bond	1.08	1.08	3.58	n/a	n/a	2.28	0.25/60	8/29/02	0.45◆
00453	Spartan® Gov't Income	-0.69	-0.69	2.07	4.79	5.95	7.21	n/a	12/20/88	0.60◆
01561	Spartan® Intermediate Treasury Bond Index - Investor Class	-1.82	-1.82	n/a	n/a	n/a	n/a	n/a	12/20/05	0.20
00448	Spartan® Investment Grade Bond	-0.38	-0.38	2.78	5.43	6.33	6.68	n/a	10/01/92	0.60◆
01562	Spartan® Long-Term Treasury Bond Index - Investor Class	-3.59	-3.59	n/a	n/a	n/a	n/a	n/a	12/20/05	0.20
01560	Spartan® Short-Term Treasury Bond Index - Investor Class	-0.11	-0.11	n/a	n/a	n/a	n/a	n/a	12/20/05	0.20
<b>BOND - HIGH YIELD⊙</b>										
00038	Fidelity Capital & Income	3.52	3.52	9.55	9.65	8.04	10.60	1.00/90	11/01/77	0.77
00814	Fidelity Floating Rate High Income▶	1.67	1.67	5.06	4.31	n/a	4.50	1.00/60	9/19/02	0.82
01366	Fidelity Focused High Income++	1.63	1.63	6.58	n/a	n/a	5.43	1.00/90	9/08/04	0.85
00455	Fidelity High Income	2.78	2.78	8.24	6.81	5.83	10.03	1.00/90	8/29/90	0.76
<b>BOND - INTERNATIONAL/GLOBAL††</b>										
00331	Fidelity New Markets Income	3.46	3.46	16.39	14.87	14.87	13.51	1.00/90	5/04/93	0.94
<b>BALANCED/HYBRID</b>										
00304	Fidelity Balanced	4.48	4.48	16.82	9.48	11.29	10.76	n/a	11/06/86	0.64
00004	Fidelity Puritan®	3.36	3.36	9.69	6.37	8.67	11.70	n/a	4/16/47	0.62
01329	Fidelity Strategic Dividend & Income®	5.92	5.92	17.63	n/a	n/a	14.03	n/a	12/23/03	0.82
<b>BALANCED/HYBRID - CONVERTIBLE</b>										
00308	Fidelity Convertible Securities	6.86	6.86	17.63	8.29	11.97	12.92	n/a	1/05/87	0.70
<b>BALANCED/HYBRID - INTERNATIONAL/GLOBAL††</b>										
00334	Fidelity Global Balanced	4.84	4.84	15.21	9.73	9.27	9.39	1.00/30	2/01/93	1.17
<b>DOMESTIC EQUITY - LARGE VALUE</b>										
01271	Fidelity Blue Chip Value	5.56	5.56	16.64	n/a	n/a	15.29	n/a	6/17/03	0.95
00023	Fidelity Equity-Income	5.21	5.21	13.35	6.13	9.40	13.05	n/a	5/16/66	0.69
00319	Fidelity Equity-Income II	4.52	4.52	11.77	6.22	9.31	13.64	n/a	8/21/90	0.68
00708	Fidelity Large Cap Value	5.88	5.88	17.63	n/a	n/a	9.49	0.75/30	11/15/01	0.89

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		3 Month	YTD	1 Year	5 Year	10 Year				
<b>DOMESTIC EQUITY - MID VALUE■</b>										
00762	Fidelity Mid Cap Value	5.46	5.46	20.33	n/a	n/a	14.21	0.75/30	11/15/01	0.86
00039	Fidelity Value	6.62	6.62	20.93	14.46	12.28	14.55	n/a	12/01/78	0.73
<b>DOMESTIC EQUITY - LARGE BLEND</b>										
00003	Fidelity	4.97	4.97	14.63	4.47	8.78	10.44	n/a	4/30/30	0.60
00315	Fidelity Disciplined Equity	4.62	4.62	14.86	5.73	9.39	12.87	n/a	12/28/88	0.89
00339	Fidelity Discovery	7.19	7.19	19.19	4.45	n/a	6.10	n/a	3/31/98	0.69
00330	Fidelity Dividend Growth	4.76	4.76	13.23	3.40	10.67	13.64	n/a	4/27/93	0.61
00332	Fidelity Export and Multinational	3.25	3.25	20.81	9.75	16.34	16.89	0.75/30	10/04/94	0.85
00333	Fidelity Focused Stock++	3.03	3.03	18.28	0.54	n/a	5.51	0.75/30	11/12/96	1.00
00355	Fidelity Four-in-One Index++	5.05	5.05	13.98	6.40	n/a	3.44	0.50/90	6/29/99	0.21○
00027	Fidelity Growth & Income	4.01	4.01	9.52	3.09	7.88	13.27	n/a	12/30/85	0.69
00361	Fidelity Growth & Income II	4.72	4.72	14.81	4.24	n/a	2.05	n/a	12/28/98	0.87
00021	Fidelity <i>Magellan</i> ***	5.98	5.98	15.89	3.10	7.86	18.73	n/a	5/02/63	0.57
00320	Fidelity Stock Selector	5.25	5.25	17.17	4.88	7.83	12.80	n/a	9/28/90	0.84
00005	Fidelity Trend	4.72	4.72	15.38	5.02	5.96	12.23	n/a	6/16/58	0.83
00317	Spartan® 500 Index - Investor Class	4.20	4.20	11.66	3.85	8.77	10.85	0.50/90	3/06/90	0.10
00397	Spartan® Total Market Index - Investor Class	5.45	5.45	14.76	5.82	n/a	6.02	0.50/90	11/05/97	0.10
00650	Spartan® U.S. Equity Index - Investor Class	4.19	4.19	11.66	3.83	8.78	11.55	n/a	2/17/88	0.10
<b>DOMESTIC EQUITY - MID BLEND■</b>										
00122	Fidelity Leveraged Company Stock	9.68	9.68	23.10	26.54	n/a	24.74	1.50/90	12/19/00	0.86
00316	Fidelity Low-Priced Stock†	8.62	8.62	19.17	18.37	16.48	17.77	1.50/90	12/27/89	0.85
00832	Fidelity Value Discovery	7.16	7.16	25.18	n/a	n/a	20.75	n/a	12/10/02	0.99
00014	Fidelity Value Strategies	7.29	7.29	17.19	10.60	12.13	14.02	n/a	12/31/83	0.89
00398	Spartan® Extended Market Index - Investor Class	9.56	9.56	24.82	12.50	n/a	7.76	0.75/90	11/05/97	0.10
<b>DOMESTIC EQUITY - SMALL BLEND**</b>										
00340	Fidelity Small Cap Stock	14.10	14.10	26.96	14.98	n/a	12.69	2.00/90	3/12/98	0.97
01389	Fidelity Small Cap Value	13.18	13.18	29.96	n/a	n/a	32.57	1.50/90	11/03/04	1.05
<b>DOMESTIC EQUITY - LARGE GROWTH</b>										
00312	Fidelity Blue Chip Growth	2.34	2.34	10.88	1.09	6.62	12.31	n/a	12/31/87	0.64
00307	Fidelity Capital Appreciation	8.84	8.84	20.77	9.64	10.67	12.64	n/a	11/26/86	0.94
00022	Fidelity <i>Contrafund</i> ®	4.75	4.75	21.35	10.28	11.90	13.41	n/a	5/17/67	0.91
00500	Fidelity <i>Fifty</i> ®	6.91	6.91	23.76	8.03	11.35	12.75	0.75/30	9/17/93	0.77
00025	Fidelity Growth Company	6.85	6.85	28.57	5.39	10.39	14.60	n/a	1/17/83	0.96
00073	Fidelity Independence	7.89	7.89	23.14	6.07	9.85	13.42	n/a	3/25/83	0.77
00763	Fidelity Large Cap Growth++	4.60	4.60	17.44	n/a	n/a	4.51	0.75/30	11/15/01	1.00
00338	Fidelity Large Cap Stock	5.06	5.06	17.08	2.08	7.61	8.57	n/a	6/22/95	0.74
01282	Fidelity® <i>NASDAQ Composite Index</i> ® Fund++	6.11	6.11	17.56	n/a	n/a	10.77	0.75/90	9/25/03	0.45
00093	Fidelity OTC	5.85	5.85	22.89	6.51	8.67	14.36	n/a	12/31/84	0.72
<b>DOMESTIC EQUITY - MID GROWTH■</b>										
00324	Fidelity Aggressive Growth	6.35	6.35	23.89	-4.07	3.65	10.45	1.50/90	12/28/90	0.79
00793	Fidelity Mid Cap Growth++	10.64	10.64	26.02	n/a	n/a	9.83	0.75/30	11/15/01	1.00

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<b>DOMESTIC EQUITY - MID GROWTH■ (CONTINUED)</b>										
00337	Fidelity Mid-Cap Stock	13.40	13.40	36.51	6.07	13.79	15.42	0.75/30	3/29/94	0.70
00300	Fidelity <i>New Millennium Fund</i> ***	11.75	11.75	29.32	9.34	15.27	17.58	n/a	12/28/92	0.86
<b>DOMESTIC EQUITY - SMALL GROWTH**</b>										
01388	Fidelity Small Cap Growth++	13.30	13.30	26.71	n/a	n/a	32.02	1.50/90	11/03/04	1.08
00336	Fidelity Small Cap Independence	10.69	10.69	24.27	13.07	9.72	10.19	1.50/90	6/28/93	0.78
00384	Fidelity Small Cap Retirement	9.30	9.30	20.85	13.19	n/a	12.85	1.50/90	9/26/00	1.07
<b>INTERNATIONAL/GLOBAL††</b>										
00335	Fidelity Aggressive International	5.30	5.30	21.22	11.48	7.93	8.25	1.00/30	11/01/94	0.97
00309	Fidelity Canada	6.68	6.68	30.35	21.03	13.43	12.38	1.50/90	11/17/87	1.08
00352	Fidelity China Region	7.93	7.93	24.33	10.73	8.33	9.09	1.50/90	11/01/95	1.16
00325	Fidelity Diversified International	9.65	9.65	28.36	14.37	13.40	12.29	1.00/30	12/27/91	1.10
00322	Fidelity Emerging Markets	14.43	14.43	60.41	23.87	3.20	6.03	1.50/90	11/01/90	1.16
00301	Fidelity Europe	11.01	11.01	28.58	12.58	11.37	11.57	1.00/30	10/01/86	1.15
00341	Fidelity Europe Capital Appreciation	16.21	16.21	32.94	12.85	12.95	12.74	1.00/30	12/21/93	0.95
00305	Fidelity International Discovery	9.76	9.76	30.54	13.70	11.04	9.95	1.00/30	12/31/86	1.08
01368	Fidelity International Real Estate++	14.27	14.27	36.80	n/a	n/a	32.89	1.50/90	9/08/04	1.10
00818	Fidelity International Small Cap Fund	13.31	13.31	38.83	n/a	n/a	43.88	2.00/90	9/18/02	1.28
01504	Fidelity International Small Cap Opportunities++	15.76	15.76	n/a	n/a	n/a	n/a	2.00/90	8/02/05	1.40
00350	Fidelity Japan	3.13	3.13	49.01	9.40	6.82	7.39	1.50/90	9/15/92	1.03
00360	Fidelity Japan Smaller Companies	-3.27	-3.27	36.19	18.39	9.64	9.83	1.50/90	11/01/95	1.02
00349	Fidelity Latin America	17.73	17.73	78.22	27.89	14.52	12.36	1.50/90	4/19/93	1.10
00342	Fidelity Nordic	15.67	15.67	35.45	14.06	15.24	15.29	1.50/90	11/01/95	1.17
00094	Fidelity Overseas	7.50	7.50	30.22	8.75	7.97	13.33	1.00/30	12/04/84	0.93
00302	Fidelity Pacific Basin	8.57	8.57	44.10	13.46	7.66	7.45	1.50/90	10/01/86	1.10
00351	Fidelity Southeast Asia	10.47	10.47	42.34	18.09	5.39	7.86	1.50/90	4/19/93	1.20
00318	Fidelity Worldwide	5.67	5.67	22.15	9.37	8.69	8.68	1.00/30	5/30/90	1.07
00399	Spartan® International Index - Investor Class++	9.15	9.15	24.65	9.48	n/a	7.20	1.00/90	11/05/97	0.10

**SPECIALTY▶**

For the Fidelity Select Portfolios, unless you use one of Fidelity's automated exchange services, you may be required to pay a \$7.50 fee for each exchange out of any of the Select Portfolios.

00833	Fidelity Real Estate Income	2.61	2.61	9.02	n/a	n/a	11.76	0.75/90	2/04/03	0.85
00303	Fidelity Real Estate Investment	13.62	13.62	38.15	22.64	16.60	12.95	0.75/90	11/17/86	0.84
00034	Fidelity Select Air Transportation	13.95	13.95	37.86	8.46	12.10	11.89	0.75/30	12/16/85	1.21
00502	Fidelity Select Automotive++	5.04	5.04	10.23	12.47	7.02	9.93	0.75/30	6/30/86	1.25
00507	Fidelity Select Banking	3.48	3.48	10.48	7.84	11.77	14.30	0.75/30	6/30/86	0.95
00042	Fidelity Select Biotechnology	6.06	6.06	37.40	3.28	10.69	13.70	0.75/30	12/16/85	0.99
00068	Fidelity Select Brokerage and Investment Mgmt	11.98	11.98	54.17	14.87	19.65	14.75	0.75/30	7/29/85	0.97
00353	Fidelity Select Business Services and Outsourcing	7.65	7.65	20.38	7.44	n/a	10.78	0.75/30	2/04/98	1.21
00069	Fidelity Select Chemicals	6.34	6.34	4.57	14.52	9.70	14.57	0.75/30	7/29/85	1.05
00007	Fidelity Select Computers	4.41	4.41	12.78	0.59	9.32	12.84	0.75/30	7/29/85	1.05
00511	Fidelity Select Construction and Housing	6.76	6.76	18.72	19.04	14.78	13.92	0.75/30	9/29/86	1.08
00517	Fidelity Select Consumer Industries	4.54	4.54	10.03	4.47	8.11	10.95	0.75/30	6/29/90	1.17
00515	Fidelity Select Cyclical Industries	12.06	12.06	25.20	13.34	n/a	11.60	0.75/30	3/03/97	1.12
00067	Fidelity Select Defense and Aerospace	13.13	13.13	27.00	17.45	15.03	12.70	0.75/30	5/08/84	0.99

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		3 Month	YTD	1 Year	5 Year	10 Year	Life of Fund			
00518	Fidelity Select Developing Communications	15.89	15.89	35.53	1.70	9.34	13.83	0.75/30	6/29/90	1.08
00008	Fidelity Select Electronics	5.95	5.95	23.55	0.68	12.44	12.90	0.75/30	7/29/85	0.96
00060	Fidelity Select Energy	11.70	11.70	44.42	17.89	15.90	10.89	0.75/30	7/14/81	0.96
00043	Fidelity Select Energy Service	12.38	12.38	50.56	15.42	17.64	11.80	0.75/30	12/16/85	0.94
00516	Fidelity Select Environmental++	17.77	17.77	38.50	7.32	3.62	4.53	0.75/30	6/29/89	1.25
00066	Fidelity Select Financial Services	4.91	4.91	20.82	7.85	13.18	16.28	0.75/30	12/10/81	0.98
00009	Fidelity Select Food and Agriculture	4.92	4.92	10.25	7.68	8.59	14.26	0.75/30	7/29/85	1.07
00041	Fidelity Select Gold	17.30	17.30	68.79	33.94	6.61	8.61	0.75/30	12/16/85	0.98
00063	Fidelity Select Health Care	1.83	1.83	20.41	5.01	11.11	17.37	0.75/30	7/14/81	0.92
00098	Fidelity Select Home Finance	2.26	2.26	7.77	8.40	11.46	16.33	0.75/30	12/16/85	0.98
00510	Fidelity Select Industrial Equipment	13.27	13.27	22.77	10.48	9.83	10.94	0.75/30	9/29/86	1.06
00509	Fidelity Select Industrial Materials	9.86	9.86	24.22	18.77	9.29	10.61	0.75/30	9/29/86	1.07
00045	Fidelity Select Insurance	-0.06	-0.06	17.30	10.00	16.02	14.40	0.75/30	12/16/85	1.05
00062	Fidelity Select Leisure	10.11	10.11	21.50	9.26	12.36	15.74	0.75/30	5/08/84	1.00
00505	Fidelity Select Medical Delivery	0.29	0.29	21.41	19.29	11.09	13.54	0.75/30	6/30/86	0.97
00354	Fidelity Select Medical Equipment and Systems	0.49	0.49	10.11	12.72	n/a	16.01	0.75/30	4/28/98	0.97
00503	Fidelity Select Multimedia	1.34	1.34	13.42	7.19	10.45	13.85	0.75/30	6/30/86	1.08
00513	Fidelity Select Natural Gas	5.87	5.87	34.81	15.53	15.78	13.65	0.75/30	4/21/93	0.96
00514	Fidelity Select Natural Resources	13.81	13.81	46.71	17.25	n/a	14.22	0.75/30	3/03/97	1.00
00912	Fidelity Select Networking & Infrastructure	18.30	18.30	36.27	-3.49	n/a	-20.68	0.75/30	9/21/00	1.14
00506	Fidelity Select Paper and Forest Products++	5.27	5.27	4.08	5.96	5.99	8.91	0.75/30	6/30/86	1.25
00580	Fidelity Select Pharmaceuticals	6.96	6.96	26.51	n/a	n/a	1.28	0.75/30	6/18/01	1.13
00046	Fidelity Select Retailing	7.34	7.34	14.17	7.04	11.17	13.92	0.75/30	12/16/85	1.08
00028	Fidelity Select Software and Computer Services	7.81	7.81	21.26	8.85	13.45	16.39	0.75/30	7/29/85	0.97
00064	Fidelity Select Technology	5.59	5.59	19.61	2.71	10.35	13.32	0.75/30	7/14/81	1.01
00096	Fidelity Select Telecommunications	14.27	14.27	30.71	2.14	5.95	12.49	0.75/30	7/29/85	1.07
00512	Fidelity Select Transportation	11.93	11.93	28.40	13.67	14.27	14.59	0.75/30	9/29/86	1.16
00065	Fidelity Select Utilities Growth	8.47	8.47	19.33	1.85	8.88	12.68	0.75/30	12/10/81	0.97
00963	Fidelity Select Wireless	8.63	8.63	30.81	3.75	n/a	-5.21	0.75/30	9/21/00	1.01
00311	Fidelity Utilities	6.82	6.82	16.96	2.41	7.55	10.04	n/a	11/27/87	0.87

MARKET INDICES^^

For comparison only. These are not Fidelity funds.

Dow Jones Industrial Average	4.25	4.25	8.30	4.61	9.21
Lehman Brothers Intermediate Gov't/Credit Bond Index	-0.38	-0.38	2.08	4.71	5.85
Morgan Stanley EAFE® Index	9.42	9.42	24.62	9.86	6.69
Standard & Poor's 500 <sup>SM</sup> Index	4.21	4.21	11.73	3.97	8.95

## AS OF MARCH 31, 2006

Total returns are historical and include change in share value and reinvestment of dividends and capital gains, if any. Cumulative total returns are reported as of the period indicated. Life of fund figures are reported as of the inception date to the period indicated. The figures do not include the effects of sales charges, if any, as these charges are waived for contributions made through your company's employee benefit plan. If sales charges were included, returns would have been lower.

With the exception of domestic equity mutual funds, investment options have been assigned to investment categories based on Fidelity's analysis. Fidelity has verified the accuracy of the placement of certain third party non-mutual funds with either the plan sponsor or the plan sponsor's consultant. Within Domestic Equities, mutual funds are listed according to their actual Morningstar categories as of the date indicated. Morningstar categories are based on a fund's style as measured by its underlying portfolio holdings over the past 3 years and may change at any time. These style calculations do not represent the funds' objectives and do not predict the funds' future styles.

### SPECIFIC FUNDS

- ▲ The current yield more closely reflects the current earnings of the fund, while total return refers to a specific past holding period.
- ◇ Mutual funds report expense ratios semi-annually in their shareholder reports. The expense ratios quoted here are from the most current fund shareholder reports that were available as of 12/31/05. The non-mutual fund expense ratios quoted here are from the most current investment option fact sheets that were available as of 12/31/05.
- ++ Fidelity is temporarily reimbursing a portion of the fund's expenses. Absent such reimbursement, returns and yield would have been lower and the expense ratio would have been higher. A fund's expense limitation may be terminated at any time, unless otherwise stated.
- The combined total expense ratio reflects expense reimbursements and reductions and is based on the total operating expense ratio of the fund plus a weighted average of the total operating expense ratios of the underlying Fidelity funds in which it was invested. This ratio may be higher or lower depending on the allocation of the fund's assets among the underlying Fidelity funds and the actual expenses of the underlying Fidelity funds. The expense cap may be terminated or revised at any time.
- ◆ Effective June 1, 2005, FMR has contractually limited the fund's total annual fund operating expenses (except interest, taxes, brokerage commissions, securities lending fees, or extraordinary expenses), as a percentage of average net assets, to be 0.45%. This expense limit may not be increased without approval of the fund's board of trustees.
- ▷ Total returns shown prior to September 19, 2002, are Fidelity Advisor Floating Rate High Income Fund Institutional Class, which commenced operations on August 12, 2000.
- \*\* Effective September 30, 1997, Fidelity *Magellan*<sup>®</sup> was closed to most new accounts.  
Effective May 15, 1996, Fidelity *New Millennium Fund*<sup>®</sup> was closed to most new accounts.  
Participants may continue to invest in these funds if they are already offered through their employer's plan. They are no longer available as new investment options.
- † Effective July 30, 2004, the Fidelity Low-Priced Stock Fund was closed to new accounts. Participants who have a balance in Low-Priced Stock in their retirement plan account on or after that date will be able to continue making and changing contributions, and they will also be able to make exchanges into the Fund. Participants who do not have a balance in Low-Priced Stock in their retirement plan account on or after July 30, 2004, will not be able to make contributions or exchanges into the fund.

### INDICES

- ^^ Performance of an index is not illustrative of any particular investment and an investment cannot be made directly in an index.  
**Dow Jones Industrial Average (DJIA)**, published by Dow Jones and Company, is an unmanaged average of 30 actively traded stocks (primarily industrial) and assumes reinvestment of dividends. It is not offered as a comparison for any investment option but rather as a general stock market indicator.  
**Lehman Brothers Intermediate Government/Credit Bond Index** is an unmanaged, market-value weighted index of government and investment-grade corporate fixed-rate debt issues with maturities between one and ten years.  
**EAFE<sup>®</sup> Index (Morgan Stanley Capital International Europe, Australasia, Far East Index)** is an unmanaged index of over 1,000 foreign common stock prices and includes the reinvestment of dividends. The EAFE<sup>®</sup> Index is a registered service mark of Morgan Stanley and has been licensed for use by FMR Corp. The investment options offered through the plan are neither sponsored by nor affiliated with Morgan Stanley.  
**The Standard & Poor's 500<sup>SM</sup> Index (S&P 500<sup>®</sup>)** is a registered service mark of the McGraw-Hill Companies, Inc., and has been licensed for use by Fidelity Distributors Corporation and its affiliates. It is an unmanaged index of the common stock prices of 500 widely held U.S. stocks.

### INVESTMENT RISK

- ⇒ These funds are subject to the volatility of the financial markets in the U.S. and abroad and may be subject to the additional risks associated with investing in high yield, small cap and foreign securities.
- \* An investment in a money market fund is not insured or guaranteed by the FDIC or any other government agency. Although money market funds seek to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in these funds.
- ⇒ Investments in mortgage securities are subject to prepayment risks, which can limit the potential for gain during a declining interest rate environment and increase the potential for loss in a rising interest rate environment.
- ⊗ Lower-quality debt securities involve greater risk of default or price changes due to potential changes in the credit quality of the issuer.
- †† Foreign investments, especially those in emerging markets, involve greater risk and may offer greater potential returns than U.S. investments. This risk includes political and economic uncertainties of foreign countries, as well as the risk of currency fluctuation.
- Investments in mid-sized companies may involve greater risks than those of larger, more well-known companies, but may be less volatile than investments in smaller companies.
- \*\* Investments in smaller companies may involve greater risks than those of larger, more well-known companies.
- Because of their narrow focus, sector funds may be more volatile than funds that diversify across many sectors.

**Before investing in any mutual fund, please carefully consider the investment objectives, risks, charges and expenses. For this and other information, call Fidelity at 1-800-343-0860 or visit [www.fidelity.com](http://www.fidelity.com) for a free mutual fund prospectus. Read it carefully before you invest.**

PERFORMANCE UPDATE

MARCH 31, 2006

**Understanding investment performance:** As you review this update, please remember that the performance data stated represents past performance, which does not guarantee future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your shares. Current performance may be higher or lower than the performance stated. To learn more or to obtain the most recent month-end performance, call Fidelity or visit [www.401k.com](http://www.401k.com).

Ticker/Name	Cumulative Total Returns % Periods Ending March 31, 2006							Average Annual Total Returns % Periods Ending March 31, 2006					Short-Term Trading Fee %/Days	Date of Inception
	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	1 Year	3 Year	5 Year	10 Year	Life of Fund		
<b>BOND FUNDS</b>														
CSIBX Calvert Social Investment Fund - Bond Portfolio - A	-0.51	-0.42	-0.42	3.08	17.80	33.31	87.12	3.08	5.61	5.92	6.47	7.56	n/a	8/24/87
NBCNX Lehman Brothers Core Bond Fund - Inv	-1.07	-0.59	-0.59	2.11	8.52	25.23	N/A	2.11	2.76	4.60	N/A	5.39	n/a	2/1/97
MGFX Managers Bond Fund	-0.85	0.08	0.08	2.94	16.47	39.95	104.36	2.94	5.21	6.95	7.41	9.65	n/a	6/1/84
MFAX MSIF Trust Core Plus Fixed Income Port. - Adv	-0.78	-0.61	-0.61	3.65	12.70	29.00	N/A	3.65	4.07	5.23	N/A	5.94	2/7	11/7/96
PLGBX PIMCO Long-Term U.S. Gov't Fund - Admin	-3.36	-3.76	-3.76	0.95	9.88	36.45	N/A	0.95	3.19	6.41	N/A	7.40	2/30	9/23/97
PLDAX PIMCO Low Duration Fund - Admin	-0.23	0.09	0.09	1.76	4.97	19.56	65.96	1.76	1.63	3.64	5.20	5.64	2/7	1/3/95
PTRAX PIMCO Total Return Fund - Admin	-1.04	-0.59	-0.59	2.40	10.46	31.60	93.82	2.40	3.37	5.65	6.84	7.19	2/7	9/8/94
WACIX Western Asset Core Bond Portfolio - FI	-1.13	-0.45	-0.45	2.19	11.27	30.55	N/A	2.19	3.62	5.48	N/A	6.43	n/a	7/21/99
WAPIX Western Asset Core Plus Bond Portfolio - FI	-1.15	-0.28	-0.28	2.31	15.56	N/A	N/A	2.31	4.94	N/A	N/A	6.05	n/a	1/7/02
<b>HIGH YIELD *</b>														
CMHYX Columbia Conservative High Yield Fund - Z	-0.27	1.30	1.30	5.90	20.32	29.54	87.52	5.90	6.36	5.31	6.49	6.71	n/a	10/1/93
MAHYX MSIF Trust High Yield Portfolio - Adv	0.00	1.73	1.73	5.38	34.10	16.43	N/A	5.38	10.27	3.09	N/A	3.29	2/30	1/31/97
NBHX Neuberger Berman High Income Bond Fund - Inv	-0.02	1.18	1.18	4.44	21.80	37.79	N/A	4.44	6.80	6.62	N/A	7.07	n/a	4/1/96
PHYAX PIMCO High Yield Fund - Admin	0.09	2.42	2.42	8.11	35.15	43.54	101.47	8.11	10.56	7.50	7.26	8.27	2/30	1/16/95
n/a Promark High Yield Bond Fund ▲	0.65	2.87	2.87	7.78	7.78	41.31	N/A	7.78	11.77	7.16	N/A	5.44	n/a	1/1/99
<b>INFLATION-PROTECTED BOND*</b>														
PARFX PIMCO Real Return Fund - Admin	-2.26	-2.12	-2.12	0.55	15.67	42.10	N/A	0.55	4.97	7.28	N/A	8.28	2/7	1/29/97
<b>INTERNATIONAL/GLOBAL ✦</b>														
PADMX PIMCO Global Bond Fund (Unhedged) - Admin	-0.80	0.11	0.11	-3.97	16.67	52.52	N/A	-3.97	5.27	8.81	N/A	5.74	2/30	7/31/96
TPINX Templeton Global Bond Fund - A	-0.38	3.40	3.40	2.25	33.33	78.83	103.65	2.25	10.06	12.33	7.37	7.80	2/7	9/18/86
<b>BALANCED/HYBRID FUNDS</b>														
AABPX American Beacon Balanced Fund - PlanAhead	0.51	2.58	2.58	8.93	56.89	48.05	123.77	8.93	16.20	8.16	8.39	9.57	n/a	8/1/94
CSIFX Calvert Social Investment Fund-Balanced Port - A	0.33	2.01	2.01	8.22	38.19	19.33	78.22	8.22	11.38	3.60	5.95	8.87	n/a	10/21/82
OAKBX The Oakmark Equity and Income Fund - I	1.55	2.00	2.00	11.49	54.13	67.04	259.84	11.49	15.51	10.81	13.66	13.62	n/a	11/11/95
ACEIX Van Kampen Equity and Income Fund - A	0.41	2.26	2.26	10.68	54.70	43.18	189.15	10.68	15.66	7.44	11.20	11.10	2/7	8/3/60
<b>DOMESTIC EQUITY FUNDS</b>														
<b>LARGE VALUE</b>														
AAGPX American Beacon Large Cap Value Fund - PlanAhead	1.51	4.61	4.61	14.14	95.78	60.32	155.24	14.14	25.10	9.90	9.82	11.42	n/a	7/17/87
ALVIX American Century Large Company Value Fund - Inv	0.89	3.84	3.84	9.44	68.84	46.64	N/A	9.44	19.08	7.96	N/A	6.57	n/a	7/30/99
WFGIX Credit Suisse Large Cap Value Fund - A	1.05	3.20	3.20	10.16	61.95	30.48	166.26	10.16	17.43	5.47	10.29	N/A	n/a	7/9/92
KDHAX DWS-Dreman High Return Equity Fund - A <sup>3</sup>	0.38	2.95	2.95	9.96	75.83	37.62	202.63	9.96	20.70	6.60	11.71	14.18	2/15	3/18/88
LAFFX Lord Abbett Affiliated Fund - A	1.23	5.88	5.88	12.33	70.55	33.14	164.80	12.33	19.48	5.89	10.23	N/A	n/a	5/14/34
MGIEX Managers Value Fund	1.84	4.72	4.72	9.88	69.05	26.33	130.68	9.88	19.13	4.79	8.72	11.83	n/a	10/31/84
MPVAX MSIF Trust Value Portfolio - Adv	0.69	2.87	2.87	8.93	82.44	37.90	N/A	8.93	22.19	6.64	N/A	9.58	2/7	7/17/96
TESIX Mutual Shares Fund - A	3.05	6.30	6.30	16.71	71.31	52.71	N/A	16.71	19.85	8.84	N/A	11.36	2/7	11/1/96
OAKMX The Oakmark Fund - I	1.85	3.82	3.82	4.76	49.56	35.26	124.30	4.76	14.36	6.23	8.41	15.40	n/a	8/5/91
OAKLX The Oakmark Select Fund - I	1.32	2.52	2.52	7.36	52.92	51.56	N/A	7.36	15.21	8.67	N/A	18.59	n/a	11/1/96
ACGIX Van Kampen Growth and Income Fund - A	0.83	2.90	2.90	13.16	72.96	43.64	192.60	13.16	20.04	7.51	11.33	10.02	2/7	8/1/46



Please see important disclosures on the back page.

continued

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<b>LARGE BLEND</b>															
GTVLX	AIM Basic Value Fund - A	1.81	4.97	4.97	12.60	75.39	28.45	199.26	12.60	20.60	5.14	11.58	12.78	n/a	10/18/95
DSEFX	Domini Social Equity Fund - Inv	0.42	3.31	3.31	10.73	51.82	15.42	122.34	10.73	14.93	2.91	8.32	9.90	2/60	6/3/91
LMVFX	Legg Mason Value Trust - FI	1.68	0.81	0.81	13.43	78.95	33.73	N/A	13.43	21.41	5.99	N/A	6.69	n/a	3/23/01
NBFCX	Neuberger Berman Focus Fund - Trust	3.35	10.11	10.11	15.57	97.19	21.78	150.01	15.57	25.40	4.02	9.60	11.23	n/a	8/30/93
NBGTX	Neuberger Berman Guardian Fund - Trust	1.61	3.42	3.42	13.61	77.78	32.54	85.52	13.61	21.14	5.80	6.37	8.31	n/a	8/3/93
NBPTX	Neuberger Berman Partners Fund - Trust	1.61	4.90	4.90	21.19	103.25	55.16	151.22	21.19	26.67	9.18	9.65	10.92	n/a	8/30/93
NBSTX	Neuberger Berman Socially Responsive Fund - Trust	1.63	3.11	3.11	12.81	65.67	50.83	N/A	12.81	18.33	8.57	N/A	8.16	n/a	3/3/97
<b>LARGE GROWTH</b>															
CSTGX	AIM Constellation Fund - A	2.34	5.98	5.98	18.99	60.85	15.33	73.42	18.99	17.17	2.69	5.66	14.48	n/a	4/30/76
PICAX	Allianz CCM Capital Appreciation Fund - Admin	1.68	6.25	6.25	16.49	65.54	20.75	N/A	16.49	18.30	3.84	N/A	10.71	n/a	7/31/96
TWCUX	American Century Ultra Fund - Inv	0.67	0.27	0.27	7.68	44.38	13.42	96.62	7.68	13.02	2.55	6.99	13.11	n/a	11/2/81
CSIEX	Calvert Social Investment Fund - Equity Port - A	1.55	3.80	3.80	10.55	47.39	31.75	153.18	10.55	13.80	5.67	9.73	8.50	n/a	8/24/87
PISGX	Constellation Sands Capital Select Growth Fund - II	0.62	-1.93	-1.93	18.29	69.09	34.05	N/A	18.29	19.13	6.04	N/A	-3.56	n/a	8/11/00
CUCAX	Credit Suisse Capital Appreciation Fund - Common	0.45	2.20	2.20	12.80	47.76	-10.53	97.62	12.80	13.90	-2.20	7.05	9.38	n/a	8/17/87
HGWYX	Hartford Growth Fund - Y	1.17	2.31	2.31	15.77	61.38	N/A	N/A	15.77	17.29	N/A	N/A	6.69	n/a	4/19/02
SHRAX	Legg Mason Partners Aggressive Growth Fund - A <sup>2</sup>	-0.14	4.72	4.72	23.43	74.23	26.85	296.93	23.43	20.33	4.87	14.78	14.31	2/7	10/24/93
SBLGX	Legg Mason Partners Large Cap Growth Fund - A <sup>2</sup>	1.37	0.00	0.00	13.87	52.35	16.94	N/A	13.87	15.07	3.18	N/A	8.22	n/a	8/29/97
LGRFX	Loomis Sayles Growth Fund - A	-0.16	1.59	1.59	18.74	70.21	27.13	N/A	18.74	19.40	4.92	N/A	5.70	n/a	5/16/91
MGCAX	Managers Capital Appreciation Fund	1.81	4.96	4.96	15.15	48.95	-8.09	107.50	15.15	14.20	-1.67	7.57	12.05	n/a	6/1/84
MSEGX	MSIF U.S. Large Cap Growth Portfolio - B	0.89	0.47	0.47	22.57	57.65	17.77	120.16	22.57	16.39	3.33	8.21	8.92	2/7	1/2/96
TGCNX	TCW Select Equities Fund - N1	1.04	-1.86	-1.86	12.66	63.78	22.27	N/A	12.66	17.88	4.10	N/A	2.84	n/a	3/1/99
<b>MID VALUE ♦</b>															
ABASX	Alliance Bernstein Small/Mid-Cap Value Fund - A	2.41	7.31	7.31	16.92	109.36	115.55	N/A	16.92	27.93	16.60	N/A	16.59		
ARTQX	Artisan Mid Cap Value Fund*	2.97	5.55	5.55	15.84	114.44	114.81	N/A	15.84	28.95	16.52	N/A	16.66	n/a	3/28/01
LAVLX	Lord Abbett Mid-Cap Value Fund - A †	1.86	3.65	3.65	12.28	88.63	72.97	302.68	12.28	23.56	11.58	14.95	13.37	n/a	11/24/97
NBREX	Neuberger Berman Regency Fund - Trust	2.31	5.24	5.24	17.63	101.80	82.51	N/A	17.63	26.37	12.79	N/A	14.01	n/a	6/1/99
FMVX	Phoenix Mid-Cap Value Fund - A	2.02	5.89	5.89	8.19	102.14	89.53	N/A	8.19	26.44	13.64	N/A	10.45	n/a	12/20/97
SMCDX	Wells Fargo Adv Mid Cap Disciplined Fund - Inv	2.16	6.05	6.05	16.12	107.08	115.89	N/A	16.12	27.46	16.64	N/A	17.47	n/a	12/31/98
<b>MID BLEND ♦</b>															
GTAGX	AIM Mid Cap Core Equity Fund - A	1.22	4.97	4.97	12.14	70.88	54.12	188.72	12.14	19.55	9.04	11.19	12.95	n/a	6/9/87
CAAPX	Ariel Appreciation Fund	0.11	1.86	1.86	7.73	67.08	58.88	286.39	7.73	18.66	9.70	13.87	12.58	n/a	12/1/89
ARGFX	Ariel Fund	2.71	8.11	8.11	9.46	80.32	81.12	303.28	9.46	21.72	12.61	14.96	13.99	n/a	11/6/86
CRMVX	CRM Mid Cap Value Fund - Inv†	2.57	7.79	7.79	16.52	109.47	98.68	N/A	16.52	27.95	14.72	N/A	16.65	n/a	9/20/00
RSVAX	RS Value Fund	1.10	4.52	4.52	15.77	134.53	134.95	69.85	15.77	32.86	18.63	5.43	8.53	n/a	6/30/93
CBMDX	Wells Fargo Adv C&B Mid Cap Value Fund - D	4.89	11.12	11.12	19.92	90.28	97.03	N/A	19.92	23.92	14.53	N/A	14.12	n/a	2/18/98
<b>MID GROWTH ♦</b>															
PMCGX	Allianz CCM Mid-Cap Fund - Admin	2.74	7.33	7.33	21.12	91.57	36.72	191.51	21.12	24.20	6.45	11.29	13.78	n/a	8/26/91
TWCVX	American Century Vista Fund - Inv	3.88	9.99	9.99	19.19	97.84	43.60	104.09	19.19	25.54	7.51	7.39	10.99	n/a	11/25/83
ARTMX	Artisan Mid Cap Fund - Inv	2.66	7.41	7.41	20.91	82.99	47.03	N/A	20.91	22.31	8.01	N/A	18.64	n/a	6/27/97
BARAX	Baron Asset Fund	6.12	9.33	9.33	23.71	114.23	71.57	147.76	23.71	28.91	11.40	9.50	13.59	n/a	6/12/87
CCAFX	Calvert Capital Accumulation Fund - A	2.20	9.46	9.46	11.76	57.44	12.69	92.64	11.76	16.33	2.42	6.78	9.11	n/a	10/31/94
ACTWX	Columbia Acorn Select Fund - Z	1.03	7.82	7.82	26.47	82.11	98.28	N/A	26.47	22.12	14.67	N/A	15.34	n/a	11/22/98
CUEGX	Credit Suisse Mid-Cap Growth Fund - Common	1.79	5.95	5.95	15.65	86.21	35.96	65.89	15.65	23.03	6.34	5.19	10.94	n/a	1/21/88
FRSGX	Franklin Small-Mid Cap Growth Fund - A	2.01	7.48	7.48	23.40	89.47	36.34	152.61	23.40	23.74	6.40	9.71	13.09	2/7	2/14/92
MACGX	MSIF Trust Mid Cap Growth Portfolio - Adv	3.89	9.03	9.03	31.89	119.88	43.41	N/A	31.89	30.04	7.48	N/A	12.60	2/7	1/31/97
PKSFX	Phoenix Small-Mid Cap Fund - X	3.63	7.04	7.04	16.32	72.54	42.94	N/A	16.32	19.94	7.41	N/A	10.46	2/7	10/18/96
RIMSX	Rainier Small/Mid Cap Equity Portfolio - Inv	5.30	13.97	13.97	34.04	134.85	103.65	251.55	34.04	32.92	15.29	13.40	15.95	n/a	5/10/94

Please see important disclosures on the back page.

continued

Ticker/Name	Cumulative Total Returns % Periods Ending March 31, 2006							Average Annual Total Returns % Periods Ending March 31, 2006					Short-Term Trading Fee %/Days	Date of Inception	
	1	3	YTD	1	3	5	10	1	3	5	10	Life of Fund			
	Month	Month		Year	Year	Year	Year	Year	Year	Year	Year	Year			Year
<b>SMALL VALUE ♦</b>															
PVADX	Allianz NFJ Small-Cap Value Fund - Admin †	3.20	9.30	9.30	19.55	101.71	125.15	294.78	19.55	26.35	17.62	14.72	15.06	n/a	11/1/95
AVPAX	American Beacon Small Cap Val Fund - PlanAhead †	2.93	8.89	8.89	17.73	126.37	143.35	N/A	17.73	31.30	19.47	N/A	17.54	n/a	3/1/99
RYOFX	Royce Opportunity Fund - FI	5.76	16.57	16.57	27.52	162.98	129.61	N/A	27.52	38.03	18.09	N/A	17.21	n/a	5/22/00
RYTFX	Royce Total Return Fund - FI	3.31	9.36	9.36	19.46	88.11	N/A	N/A	19.46	23.44	N/A	N/A	14.14	n/a	1/03/02
SCVIX	Wells Fargo Adv Small Company Value Fund - Admin †	3.91	10.08	10.08	23.42	132.39	N/A	N/A	23.42	32.46	N/A	N/A	17.85	n/a	1/31/02
<b>SMALL BLEND ♦</b>															
ASQIX	American Century Small Company Fund - Inv †	3.03	10.62	10.62	19.98	142.66	159.84	N/A	19.98	34.38	21.04	N/A	14.36	n/a	7/31/98
CNVAX	Calvert New Vision Small Cap Fund - A	2.34	8.61	8.61	9.44	61.10	32.18	N/A	9.44	17.23	5.74	N/A	4.85	n/a	1/31/97
FMACX	FMA Small Company Portfolio - Institutional	4.97	14.48	14.48	25.33	101.04	79.42	237.05	25.33	26.21	12.40	12.92	13.45	n/a	7/31/91
LSCRX	Loomis Sayles Small Cap Value Fund - Retail	3.98	12.74	12.74	22.88	104.02	98.63	N/A	22.88	26.83	14.71	N/A	12.29	n/a	1/1/97
LSBAX	Lord Abbett Small-Cap Blend Fund - A	4.62	10.54	10.54	23.60	145.41	N/A	N/A	23.60	34.88	N/A	N/A	17.08	n/a	6/26/01
NBGEK	Neuberger Berman Genesis Fund - Trust †	3.57	6.49	6.49	20.49	100.26	112.21	338.11	20.49	26.05	16.24	15.92	15.66	n/a	8/26/93
RYLPX	Royce Low-Priced Stock Fund - Inv †	6.84	15.71	15.71	32.96	126.24	115.83	359.93	32.96	31.28	16.63	16.48	16.66	n/a	12/15/93
RSPFX	RS Partners Fund	3.17	8.45	8.45	22.92	158.37	193.22	343.58	22.92	37.22	24.00	16.06	17.15	n/a	7/12/95
SSMVX	Wells Fargo Advantage Small Cap Value Fund - Z	4.16	8.72	8.72	25.34	139.32	126.24	N/A	25.34	33.76	17.74	N/A	19.17	n/a	12/31/97
<b>SMALL GROWTH ♦</b>															
ARTSX	Artisan Small Cap Fund - Inv †	4.99	12.73	12.73	26.39	117.26	76.65	122.95	26.39	29.52	12.05	8.35	10.94	n/a	10/1/97
BGRFX	Baron Growth Fund †	4.88	11.23	11.23	15.93	101.14	110.15	300.95	15.93	26.23	16.01	14.90	18.64	n/a	1/3/95
BSCFX	Baron Small Cap Fund	4.50	11.31	11.31	20.05	104.03	113.03	N/A	20.05	28.83	16.33	N/A	13.28	n/a	9/30/97
HSLYX	Hartford SmallCap Growth Fund - Y	2.93	8.99	8.99	23.77	122.79	N/A	N/A	23.77	30.61	N/A	N/A	12.95	n/a	4/19/02
MGSEX	Managers Special Equity Fund	4.09	10.28	10.28	18.95	101.07	56.09	194.54	18.95	26.22	9.31	11.41	14.07	n/a	6/1/84
MSSMX	MSIF Small Company Growth Portfolio - B †	4.69	12.43	12.43	29.81	126.10	86.40	280.16	29.81	31.25	13.26	14.29	14.52	2/30	1/2/96
NBFSX	Neuberger Berman Fasciano Fund - Inv	4.86	9.44	9.44	18.15	78.22	67.24	155.96	18.15	21.24	10.83	9.85	12.10	n/a	11/10/88
RYVPX	Royce Value Plus Fund - Inv	5.79	15.38	15.38	38.05	212.48	N/A	N/A	38.05	46.20	N/A	N/A	26.78	n/a	6/14/01
RSEGX	RS Emerging Growth Fund	4.14	11.30	11.30	22.54	96.21	17.16	211.11	22.54	25.19	3.22	12.02	16.24	n/a	11/30/87
RSSGX	RS Smaller Company Growth Fund	4.35	10.33	10.33	26.03	131.48	65.85	N/A	26.03	32.28	10.65	N/A	13.44	n/a	8/15/96
<b>INTERNATIONAL/GLOBAL EQUITY FUNDS ♦</b>															
AGAAX	AIM Global Aggressive Growth Fund - A	3.89	12.80	12.80	32.73	138.57	76.39	132.53	32.73	33.62	12.02	8.80	11.09	n/a	9/15/94
AAIPX	American Beacon International Equity Fund - PlanAhead	3.31	9.09	9.09	21.01	130.38	70.67	157.70	21.01	32.07	11.28	9.93	10.17	2/90	8/1/94
ARTIX	Artisan International Fund	3.93	10.63	10.63	29.32	127.79	53.13	264.45	29.32	31.58	8.90	13.81	14.41	2/90	12/28/95
SGSCX	DWS Global Opportunities Fund - S <sup>3</sup> ♦	4.13	11.62	11.62	30.29	153.25	84.12	233.82	30.29	36.31	12.98	12.81	12.49	2/30	9/10/91
SCINX	DWS International Fund - S <sup>3</sup>	4.06	10.89	10.89	29.93	111.85	40.26	110.91	29.93	28.43	7.00	7.75	N/A	2/30	6/18/53
HNCYX	Hartford International Capital Appreciation Fund - Y	3.06	9.35	9.35	25.55	124.44	N/A	N/A	25.55	30.93	N/A	N/A	8.50	n/a	4/30/01
MIGEX	MSIF Global Value Equity Portfolio - B	1.70	4.69	4.69	11.51	83.62	31.72	124.70	11.51	22.45	5.67	8.43	8.99	2/30	1/2/96
MIQBX	MSIF International Equity Portfolio - B	2.75	7.23	7.23	13.61	98.86	73.27	200.77	13.61	25.75	11.62	11.64	11.86	2/30	1/2/96
TEDIX	Mutual Discovery Fund - A	3.77	9.83	9.83	25.38	105.83	80.86	N/A	25.38	27.16	12.58	N/A	13.20	2/7	11/1/96
NBITX	Neuberger Berman International Fund - Trust	2.65	11.08	11.08	32.60	175.81	117.14	N/A	32.60	40.24	16.78	N/A	9.69	n/a	6/29/98
n/a	Promark International Equity Fund ▲	3.63	7.89	7.89	32.40	32.40	51.55	N/A	32.40	29.88	8.67	N/A	8.63	n/a	1/1/99
TEMFX	Templeton Foreign Fund - A	2.27	6.47	6.47	18.08	100.16	66.11	134.25	18.08	26.03	10.68	8.89	13.51	2/7	10/5/82
FINEX	Templeton Foreign Smaller Companies Fund - A ♦	3.18	10.28	10.28	21.05	133.73	108.89	159.67	21.05	32.71	15.87	10.01	10.59	2/7	9/20/91
TEPLX	Templeton Growth Fund, Inc. - A	1.68	5.54	5.54	13.79	91.72	69.38	178.37	13.79	24.23	11.12	10.78	13.96	2/7	11/29/54
TEMWX	Templeton World Fund - A	1.24	5.47	5.47	17.77	99.09	60.58	162.14	17.77	25.80	9.94	10.12	14.00	2/7	1/17/78
<b>EMERGING MARKETS ♦</b>															
MMKBX	MSIF Emerging Markets Portfolio - B	0.88	14.19	14.19	50.98	216.05	186.26	142.86	50.98	46.75	23.41	9.28	9.92	2/30	1/2/96
n/a	Promark Emerging Markets Equity Fund ▲	1.93	11.94	11.94	49.55	49.55	182.35	N/A	49.55	46.27	23.07	N/A	17.72	n/a	1/1/99
TEDMX	Templeton Developing Markets Trust - A	0.91	11.29	11.29	39.10	189.09	180.48	123.01	39.10	42.45	22.91	8.35	9.15	2/7	10/16/91
<b>SPECIALTY ■</b>															
n/a	Promark Real Estate Securities Fund ▲	5.62	15.18	15.18	40.57	40.52	170.54	N/A	40.57	33.40	22.02	N/A	18.16	n/a	1/1/99

Ticker/Name	Cumulative Total Returns % Periods Ending March 31, 2006							Average Annual Total Returns % Periods Ending March 31, 2006				
	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	1 Year	3 Year	5 Year	10 Year	Life of Fund
<b>EQUITY BENCHMARKS</b>												
Domini 400 Social Index	0.49	3.53	3.53	11.77	56.37	20.69	147.64	11.77	16.07	3.83	9.49	
Dow Jones Industrial Average	1.25	4.25	4.25	8.30	48.62	25.25	141.26	8.30	14.12	4.61	9.21	
Dow Jones Wilshire Real Estate	5.47	15.42	15.42	40.69	140.86	178.72	353.93	40.69	34.05	22.75	16.33	
NASDAQ Composite®	2.62	6.37	6.37	18.03	77.76	30.53	122.15	18.03	21.14	5.47	8.31	
Russell 1000®	1.42	4.49	4.49	13.20	65.54	26.05	140.65	13.20	18.30	4.74	9.18	
Russell 1000® Growth	1.48	3.09	3.09	13.14	51.29	8.59	87.65	13.14	14.80	1.66	6.50	
Russell 1000® Value	1.35	5.93	5.93	13.31	80.57	45.53	183.22	13.31	21.77	7.79	10.97	
Russell 2000®	4.85	13.94	13.94	25.85	117.34	80.93	162.92	25.85	29.53	12.59	10.15	
Russell 2000® Growth	4.86	14.36	14.36	27.84	110.40	50.98	70.95	27.84	28.14	8.59	5.51	
Russell 2000® Value	4.84	13.51	13.51	23.77	123.51	112.21	271.62	23.77	30.75	16.24	14.03	
Russell 2500™	3.89	11.14	11.14	24.05	115.64	88.42	212.69	24.05	29.19	13.51	12.08	
Russell 2500™ Growth	4.27	11.83	11.83	26.44	109.52	60.11	112.86	26.44	27.96	9.87	7.85	
Russell 2500™ Value	3.51	10.47	10.47	21.60	120.20	111.58	288.05	21.60	30.10	16.17	14.52	
Russell Midcap®	2.48	7.61	7.61	21.54	109.07	80.39	229.44	21.54	27.87	12.52	12.66	
Russell Midcap® Growth	2.79	7.61	7.61	22.68	98.83	53.82	145.25	22.68	25.75	8.99	9.39	
Russell Midcap® Value	2.18	7.62	7.62	20.30	115.81	98.45	266.51	20.30	29.23	14.69	13.87	
S&P 500®	1.25	4.21	4.21	11.73	61.06	21.48	135.74	11.73	17.22	3.97	8.95	
S&P® MidCap 400	2.50	7.63	7.63	21.62	100.25	82.24	287.74	21.62	26.04	12.75	14.51	
<b>BLENDED BENCHMARKS</b>												
60 S&P 500/40 LB Aggregate Bond	0.35	2.25	2.25	7.93	38.30	26.04	120.47	7.93	11.42	4.74	8.23	
<b>INTERNATIONAL/GLOBAL BENCHMARKS</b>												
MSCI EAFE® (Net MA tax)	3.31	9.42	9.42	24.62	128.76	60.02	91.07	24.62	31.38	9.86	6.69	
MSCI EAFE® (G)	3.34	9.47	9.47	24.94	128.20	61.36	93.60	24.94	31.66	10.04	6.83	
MS EM Index (G)	0.90	12.12	12.12	47.98	215.44	188.16	107.32	47.98	46.66	23.57	7.56	
MSCI World® (N)	2.23	6.69	6.69	18.46	89.81	38.52	105.54	18.46	23.81	6.73	7.47	
<b>FIXED INCOME BENCHMARKS</b>												
CG Broad Inv Grade Bond	-1.02	-0.67	-0.67	2.40	9.38	28.55	84.33	2.40	3.03	5.15	6.31	
CG World Government Bond	-1.16	-0.41	-0.41	-4.80	14.07	43.51	65.16	-4.80	4.48	7.49	5.15	
CSFB High Yield Index	0.77	3.09	3.09	6.61	41.25	56.98	101.02	6.61	12.20	9.44	7.23	
LB Aggregate Bond	-0.98	-0.65	-0.65	2.26	9.02	28.27	83.98	2.26	2.92	5.11	6.29	
LB Govt/Credit Bond	-1.10	-1.01	-1.01	2.02	8.72	29.01	84.49	2.02	2.83	5.23	6.32	
LB Int Govt/Credit Bond	-0.44	-0.38	-0.38	2.08	7.14	25.90	76.59	2.08	2.33	4.71	5.85	
LB Treasury Long Term	-3.41	-3.62	-3.62	2.12	11.75	36.03	110.14	2.12	3.77	6.35	7.71	
ML 1-3 Yr Treasury Bill	0.14	0.38	0.38	2.32	4.32	16.96	59.73	2.32	1.42	3.18	4.79	
ML HY Master Cash Pay	0.60	2.85	2.85	7.31	39.43	47.33	95.79	7.31	11.72	8.06	6.95	
ML HY US Corp -BB-B Rated	0.54	2.60	2.60	7.43	35.50	41.18	N/A	7.43	10.66	7.14	N/A	

The funds are arranged according to Morningstar categories. Categories for some equity funds may change over time. For details, please consult the fund's prospectus at [fidelity.com](http://fidelity.com).

#### Historical Performance

Total returns are historical and include change in share value and reinvestment of dividends and capital gains, if any. Cumulative total returns are reported as of the period indicated. Life of fund figures are reported as of the commencement date to the period indicated. The figures do not include the effect of sales charges, if any, as these charges are waived for contributions made through your company's employee benefit plan. If the sales charges were included, returns would have been lower.

#### Specific Funds

1 Formerly known as TCW Galileo Select Equities Fund.

2 Formerly known as Smith Barney Funds.

3 Formerly known as Scudder Funds.

▲ Promark funds are not mutual funds. They are commingled pools managed by General Motors Trust Bank.

† Closed to new retirement plans. Please refer to the fund's prospectus for more details.

Non-Fidelity mutual funds are managed by non-Fidelity entities. Please consult the prospectus for more information. If applicable, class of shares will vary. Please consult your enrollment materials for the specific class of shares available through your plan. Performance information for non-Fidelity mutual funds was provided by a third party. Although data is gathered from reliable sources, accuracy and completeness cannot be guaranteed by Morningstar.

#### Investment Risk

▼ In general, bond prices rise when interest rates fall, and vice versa. This effect is usually more pronounced for longer-term securities.

✦ The value of inflation-protected debt securities tends to change less due to changes in inflation than other types of bonds, but may decrease with decreases in inflation or, as with other debt securities, with increases in interest rates.

■ Because of their narrow focus, sector funds may be more volatile than funds that diversify across many sectors.

\* Lower-quality debt securities involve greater risk of default and/or price changes due to changes in the credit quality of the issuer.

◆ Investments in smaller companies may involve greater risks than those of larger, more well-known companies.

✦ Foreign investments, especially those in emerging markets involve greater risks and may offer greater potential returns than U.S. investments. These risks include political and economic uncertainties of foreign countries, as well as the risk of currency fluctuations.

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Before investing in any mutual fund, please carefully consider the investment objectives, risks, charges and expenses.

For this and other information, call or write Fidelity for a free prospectus. Read it carefully before you invest.

Fidelity Investments Institutional Services Company, Inc., 82 Devonshire Street, Boston, MA 02109.



NORTH DAKOTA STATE DEFERRED  
COMPENSATION COMPANION PLAN  
NORTH DAKOTA PERS

**Service Review for the Year Ended 3/31/2006**

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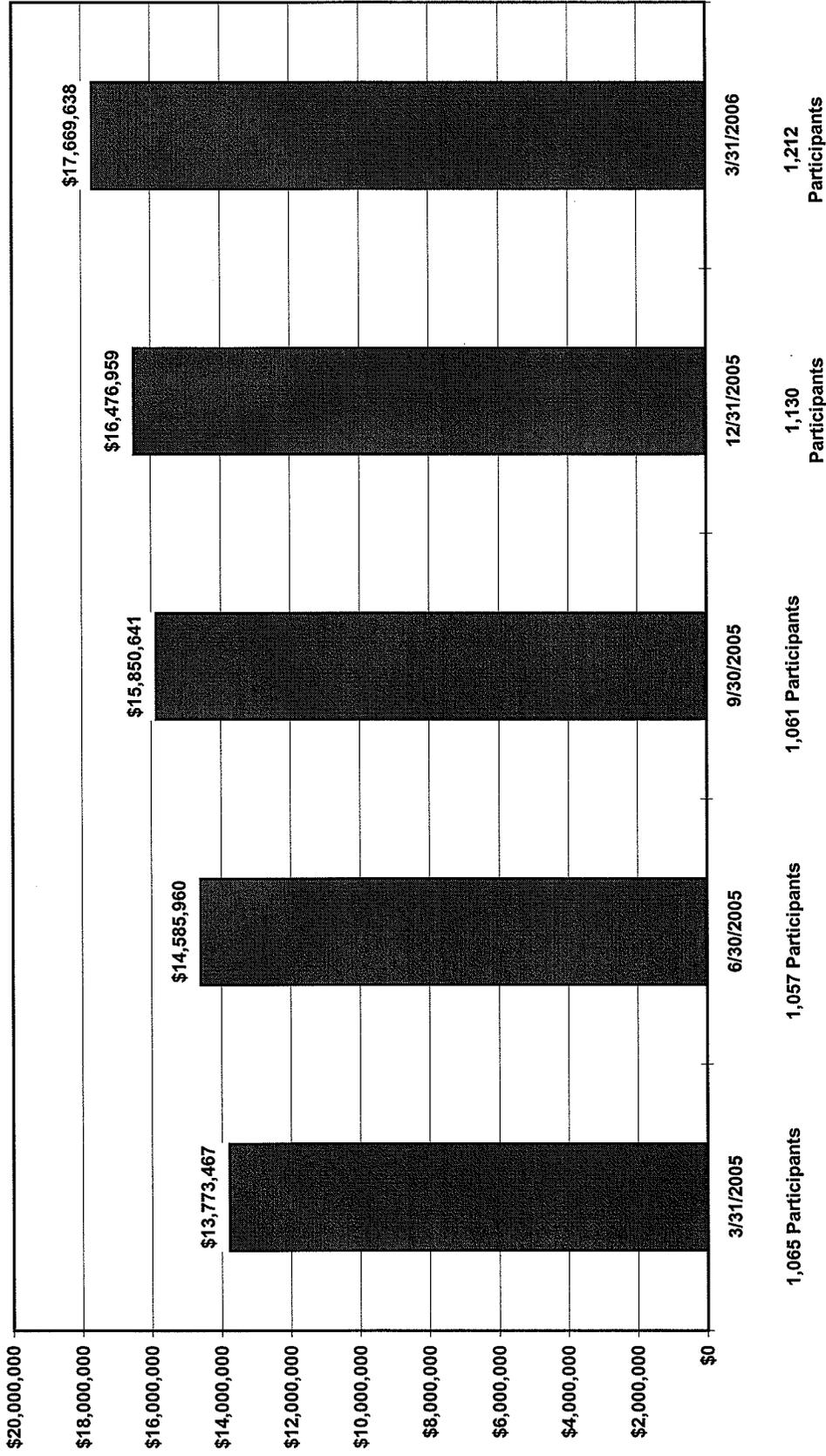
82 Devonshire Street, Boston, MA 02109



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# Plan Assets Under Management at Fidelity



# Investment Options

<b>More Conservative</b> Potentially less investment risk and more inflation risk	<b>Stable Value</b> Fid Mgd Inc Port	<b>Fixed Income</b> Pimco Tot Return Adm Vallc Unall Fix Inc	<b>Balanced</b> Fid Puritan	<b>Domestic Equity</b> Spartan@U.S. Equity Index Fid Blue Chip Growth Mutual Shares C/A Fid Mid Cap Stock Fid Dividend Growth Mid Sm Co Growth B Fid Equity Income Dreyfus Small Cap Index Dreyfus Mid-Cap Index Fid Growth Company Spartan Ext Market Index Alpaz Nij Smooyal Ad	<b>International</b> Fid Diversified Intl	<b>Specialty</b>	<b>More Aggressive</b> Potentially more investment risk and less inflation risk <b>Company Stock</b>

**Other Investment Options:**

Fidelity Freedom Income® Fidelity Freedom 2005® Fidelity Freedom 2010® Fidelity Freedom 2015® Fidelity Freedom 2020® Fidelity Freedom 2025® Fidelity Freedom 2030® Fidelity Freedom 2035®  
 Fidelity Freedom 2040®

This spectrum, with the exception of the Domestic Equity category, is based on Fidelity's analysis of the characteristics of the general investment categories and not on the actual investment options and their holdings, which can change frequently. Investment options in the Domestic Equity category are based on the options' Morningstar categories (Large Value, Mid-Cap Value, Small Value, Large Blend, Mid-Cap Blend, Small Blend, Large Growth, Mid-Cap Growth, Small Growth) as of 12/31/01. Morningstar categories are based on a fund's style as measured by its underlying portfolio holdings over the past three years and may change at any time. These style calculations do not represent the investment options' objectives and do not predict the investment options' future styles. For more information on the investment options in the Domestic Equity category, visit [www.Morningstar.com](http://www.Morningstar.com). Investment options are listed in alphabetical order within each investment category. Risk associated with the investment options can vary significantly within each particular investment category, and the relative risk of categories may change under certain economic conditions.

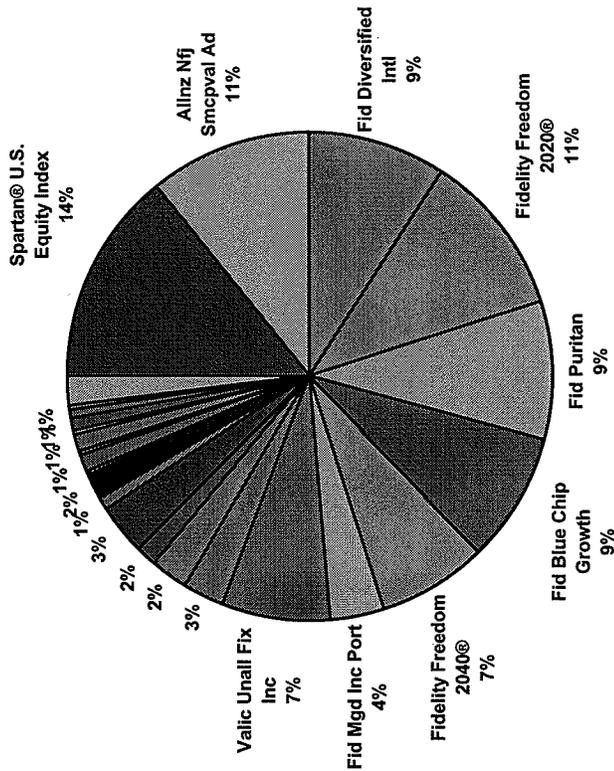
If your plan offers Asset Manager funds please note, the portfolio manager of each of the Asset Manager funds has the flexibility to periodically shift investments between the three asset classes, depending on the current outlook for the various markets. The risk level of the Asset Manager fund(s) cannot be portrayed as a single point on the objective spectrum along with the other investment options because it can change periodically according to how the assets are invested.

If your plan offers Fidelity Freedom Funds® please note, the Fidelity Freedom Funds are not represented on the above spectrum because each fund (except Fidelity Freedom Income) will gradually adjust the asset allocation to be more conservative as the funds approach their target dates. The risk level of the Fidelity Freedom Funds cannot be portrayed as a single point on the objective spectrum along with the other investment options because they can change periodically according to how the assets are invested.

For a more complete discussion of risk associated with the mutual fund options, please read the prospectus before making your investment decision. The spectrum does not represent actual or implied performance.

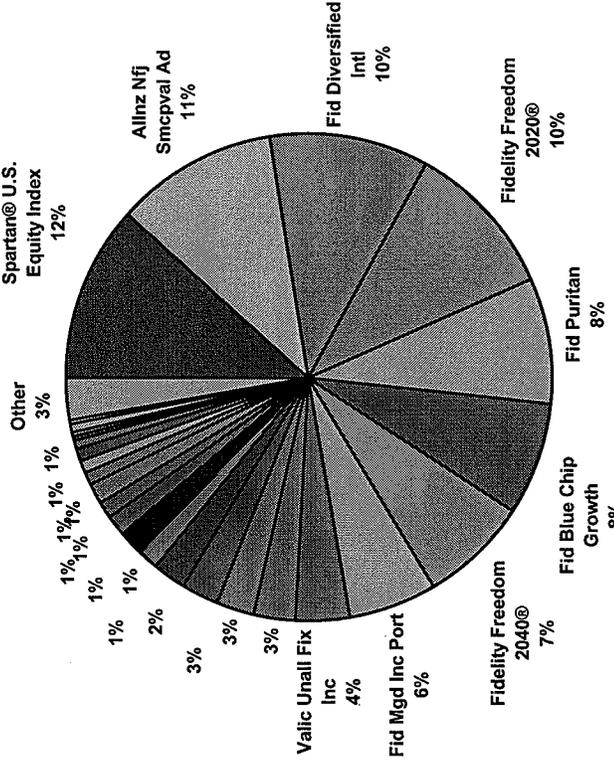
# Asset Allocation by Fund

as of 4/1/2005



Total Market Value: \$13,773,467

as of 3/31/2006



Total Market Value: \$17,669,638

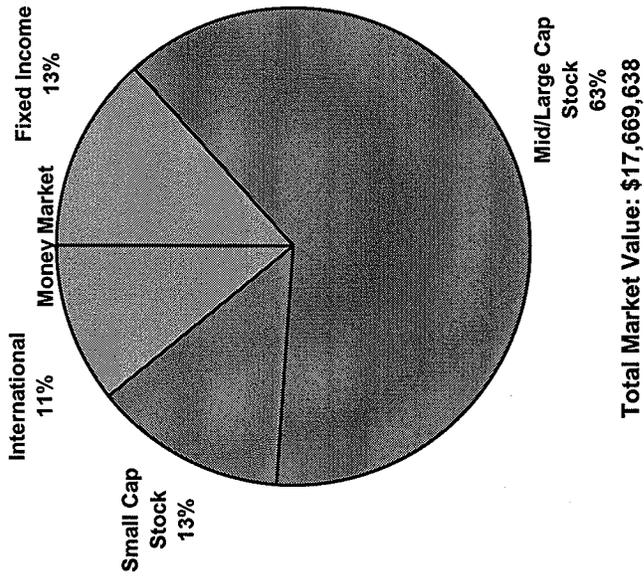
■ Spartan® U.S. Equity Index	■ Fid Diversified Intl	■ Fidelity Freedom 2020®
■ Fid Puritan	■ Fidelity Freedom 2040®	■ Fid Mgd Inc Port
■ Valic Unall Fix Inc	■ Mutual Shares CI A	■ Drey Mid Cap Index
■ Pimco Tot Return Adm	■ Fidelity Freedom Income®	■ Fid Dividend Growth
■ Msi Sm Co Growth B	■ Fidelity Freedom 2005®	■ Fidelity Freedom 2030®
■ Fid Equity Income	■ Spartan® Extended Market Index	■ Fid Growth Company
■ Fidelity Freedom 2035®	■ Other	
■ Allinz Nfi Smpval Ad		
■ Fid Blue Chip Growth		
■ Fidelity Freedom 2010®		
■ Fid Mid Cap Stock		
■ Fidelity Freedom 2025®		
■ Fidelity Freedom 2015®		
■ Dreyfus Sm Cap Stk		

The information on this page is updated monthly on PSW.

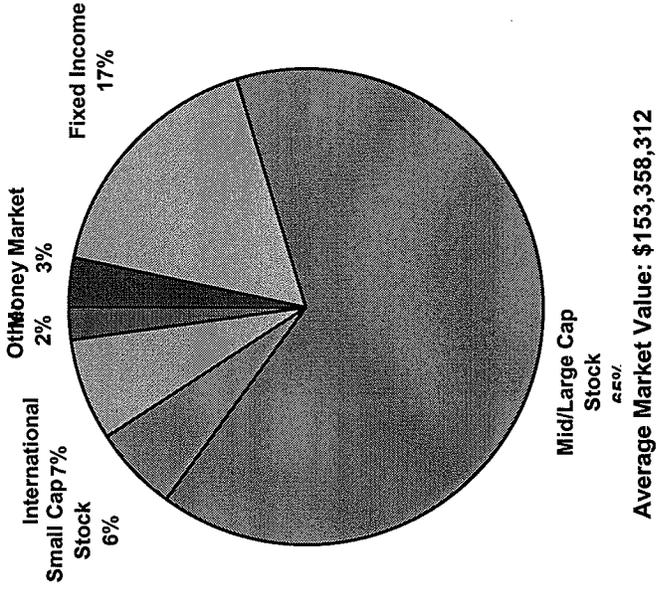
# Comparative Asset Allocation

as of 3/31/2006

**NORTH DAKOTA STATE DEFERRED  
COMPENSATION COMPANION PLAN  
NORTH DAKOTA PERS**



**AVG. FITSCO PUBLIC SECTOR\***



■ Money Market	■ Fixed Income	■ Mid/Large Cap Stock	■ Small Cap Stock	■ International	■ Other
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\* The values in this chart represent the sum of the balances in each fund class for a representative sample of retirement plans serviced by Fidelity Investments.



# Contributions by Source

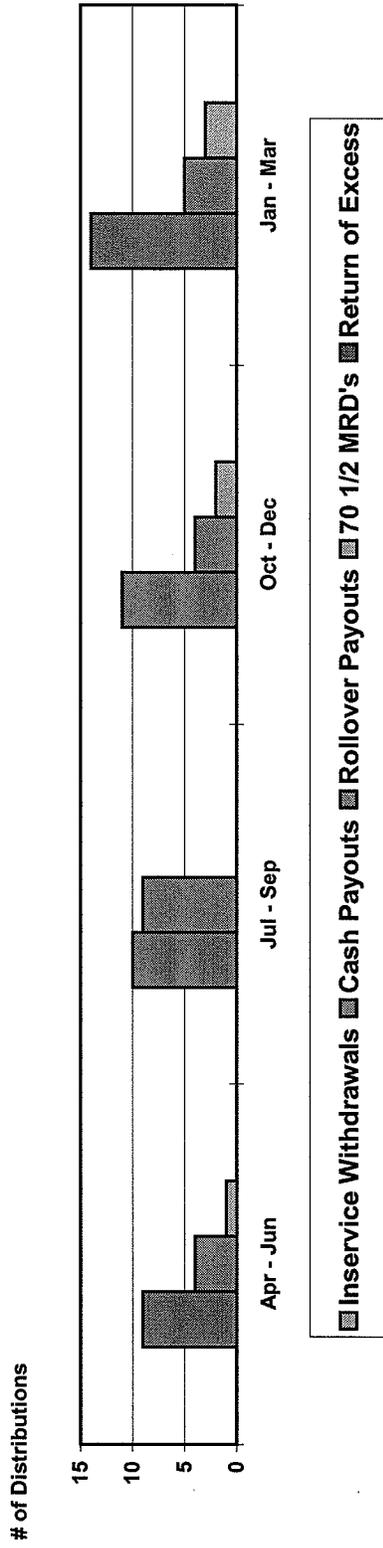
4/1/2005 - 3/31/2006

Sources of Contributions	Apr - Jun	Jul - Sep	Oct - Dec	Jan - Mar	Total
Employee Contribution	\$ 519,106	\$ 513,240	\$ 527,850	\$ 548,625	\$ 2,108,821
Mutual Funds Window	\$ 35,675	\$ 31,880	\$ 31,461	\$ 43,611	\$ 142,626
Rollover-401(A)	\$ 0	\$ 12,292	\$ 19,362	\$ 0	\$ 31,654
Rollover-403(B)	\$ 0	\$ 263	\$ 0	\$ 0	\$ 263
Rollover-Ira	\$ 0	\$ 0	\$ 0	\$ 13,488	\$ 13,488
<b>Total Contributions</b>	<b>\$ 554,781</b>	<b>\$ 557,675</b>	<b>\$ 578,673</b>	<b>\$ 605,723</b>	<b>\$ 2,296,853</b>

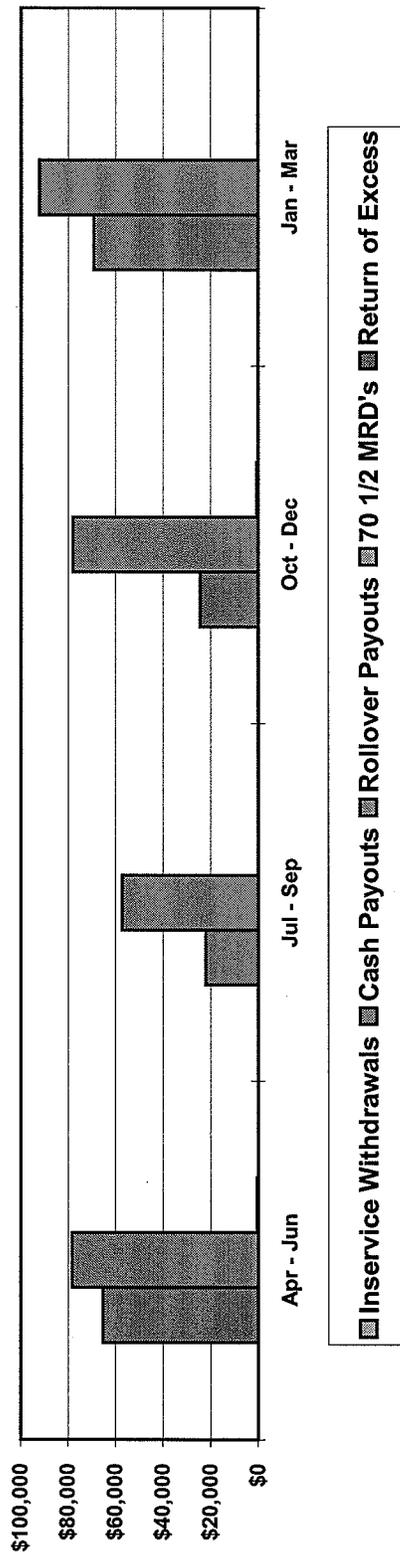
# Distribution Activity

4/1/2005 - 3/31/2006

Volumes



Dollars



# Cash Flow Summary

<b>Cash Inflow:</b>	<b>Year Ending 3/31/2005</b>	<b>Year Ending 3/31/2006</b>
Balance Forward(1)	\$13,451,836	\$746,263
Contributions	\$1,486,118	\$2,296,853
<b>Total Cash Inflow:</b>	<b>\$14,937,954</b>	<b>\$3,043,116</b>

<b>Cash Outflow:</b>	<b>Year Ending 3/31/2005</b>	<b>Year Ending 3/31/2006</b>
Withdrawals	(\$2,311,794)	(\$1,261,708)
Fees	(\$10,974)	(\$42,396)
<b>Total Cash Outflow:</b>	<b>(\$2,322,768)</b>	<b>(\$1,304,104)</b>

<b>NET CASH FLOW:</b>	<b>\$12,615,186</b>	<b>\$1,739,012</b>
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**Definitions of Cash Flow Items:**

(1) Balance Forward - Conversion/Outside assets updated to participant accounts  
 The information on this page is updated monthly on PSW.

# Participant Overview

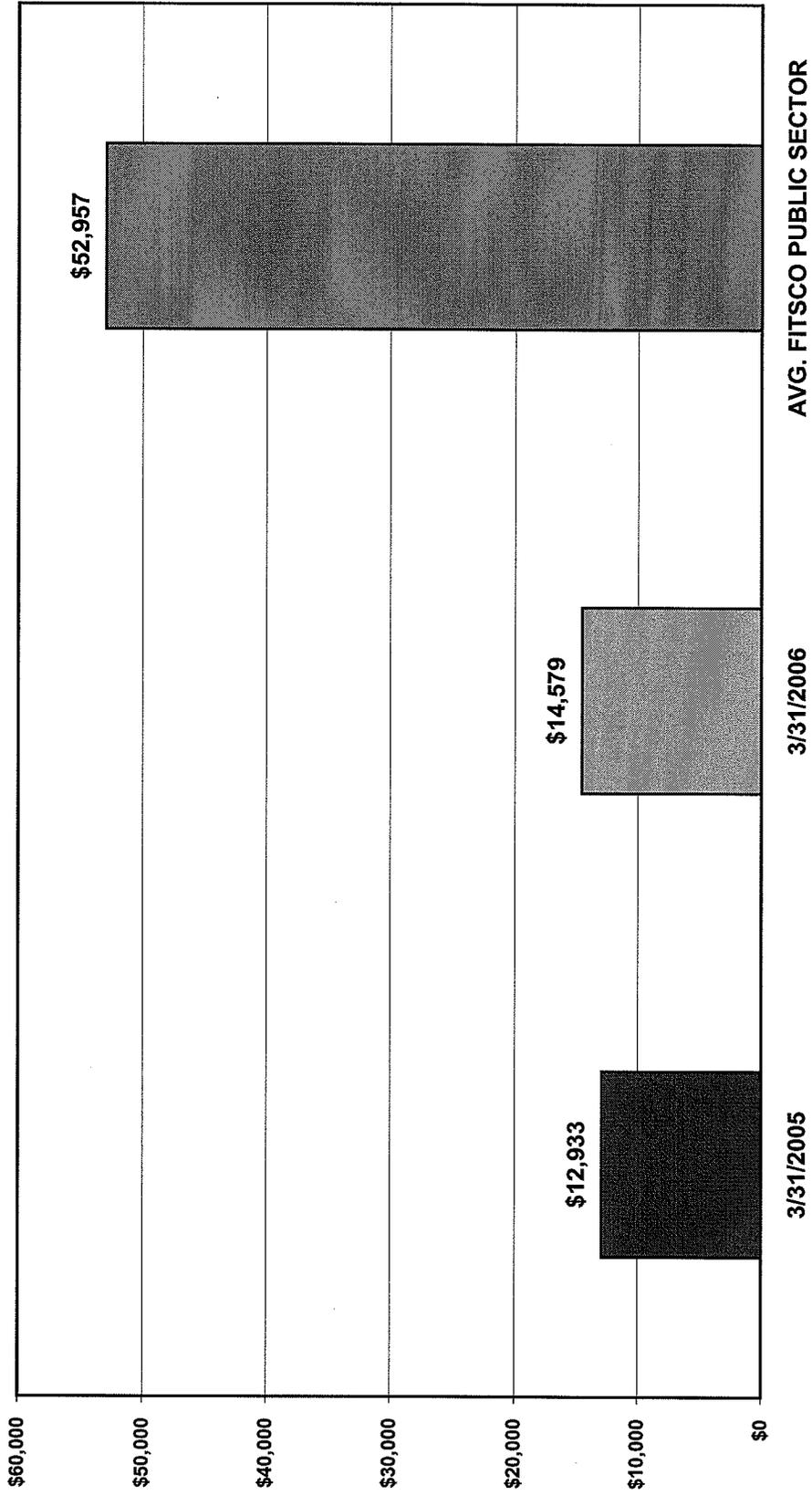
Total #	4/1/2005	3/31/2006
Participants (1)	1065	1212
Inactive Participants (2)	0	0
Suspended w/Balances (3)	0	0
Terminated w/ Balances (4)		
< \$5,000	69	58
> \$5,000	54	72
Active Participants (5)	941	1081

## Definitions of Participant Totals

- (1) Participants: Number of Participants with Account Balances.
- (2) Inactive Participants: Number of Participants with Status Codes of 'I' or 'Q' with Balances (Example: Participants who have revoked their contribution deferral percent; however, are still employees).
- (3) Suspended w/Balances: Number of Participants with Status Code of 'S' with Balances (Example: Participants who have taken financial hardship withdrawals and are suspended for a period of time per the plan document).
- (4) Terminated w / Balances: Number of Participants with Status Codes of 'T', 'R', or 'D' with Balances.
- (5) Active Participants: Number of Participants with a Status Code of 'A' with Balances.

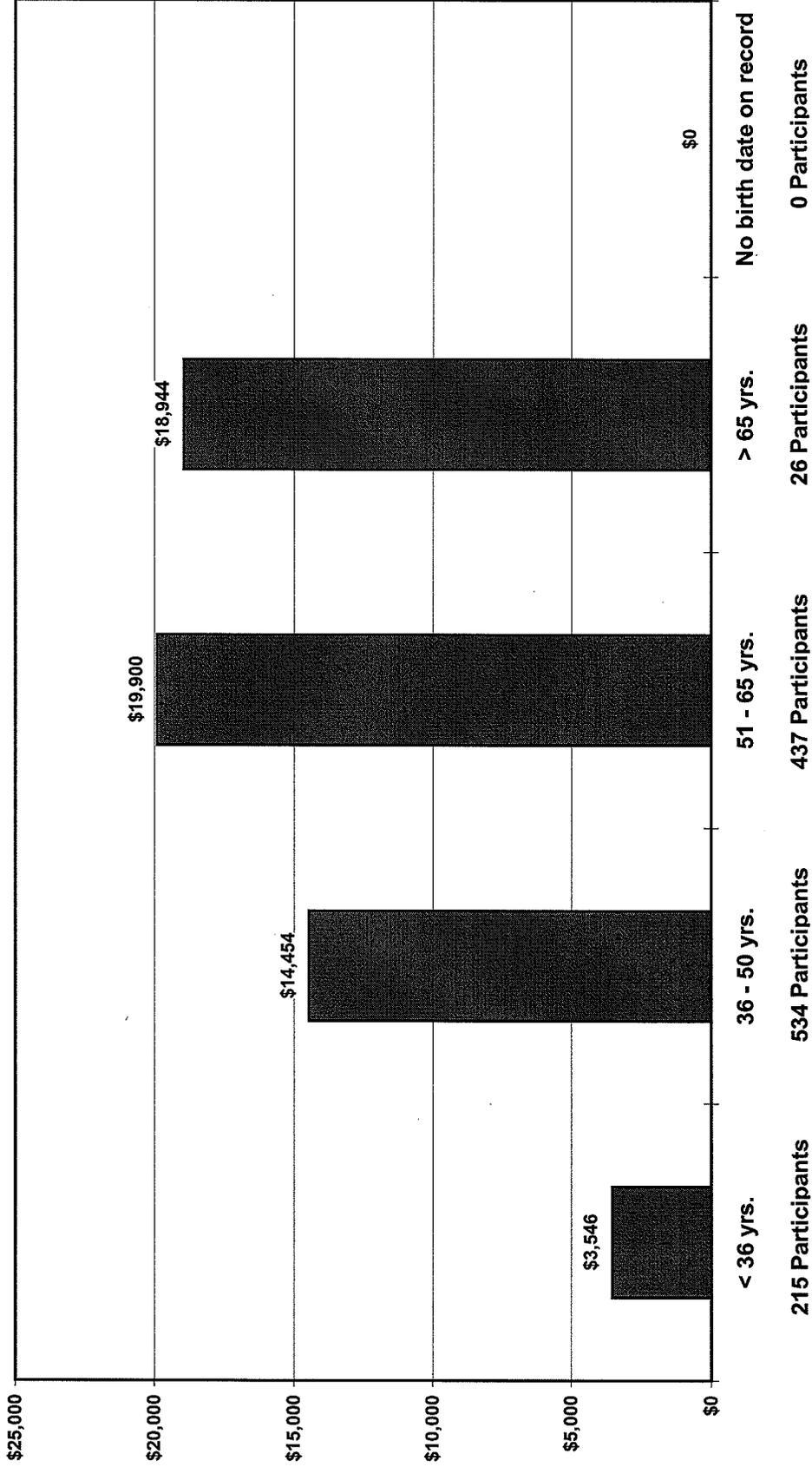
This data is not intended for IRS Form 5500 filing purposes.

# Average Participant Balance



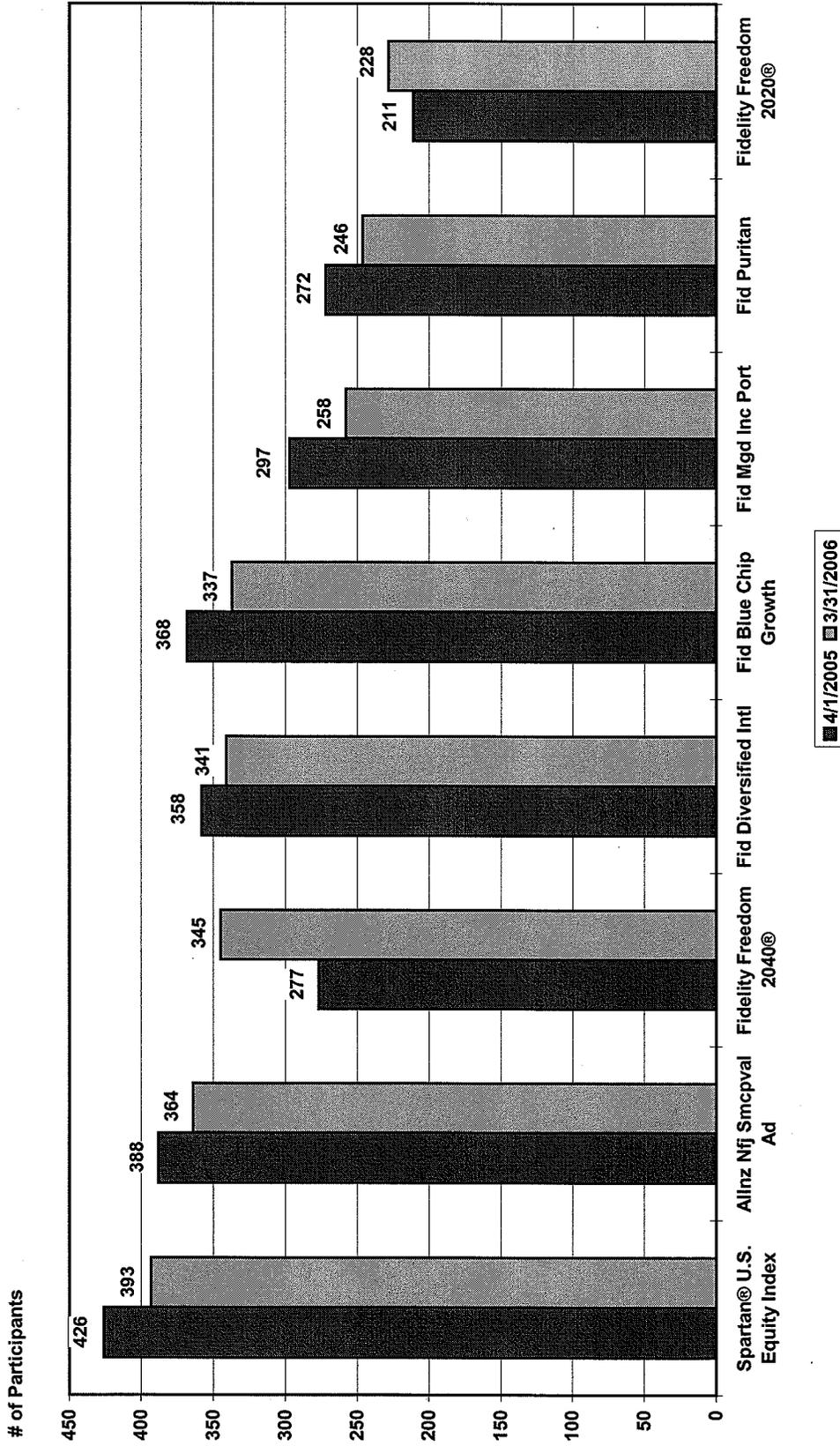
# Average Balance by Age

as of 3/31/2006



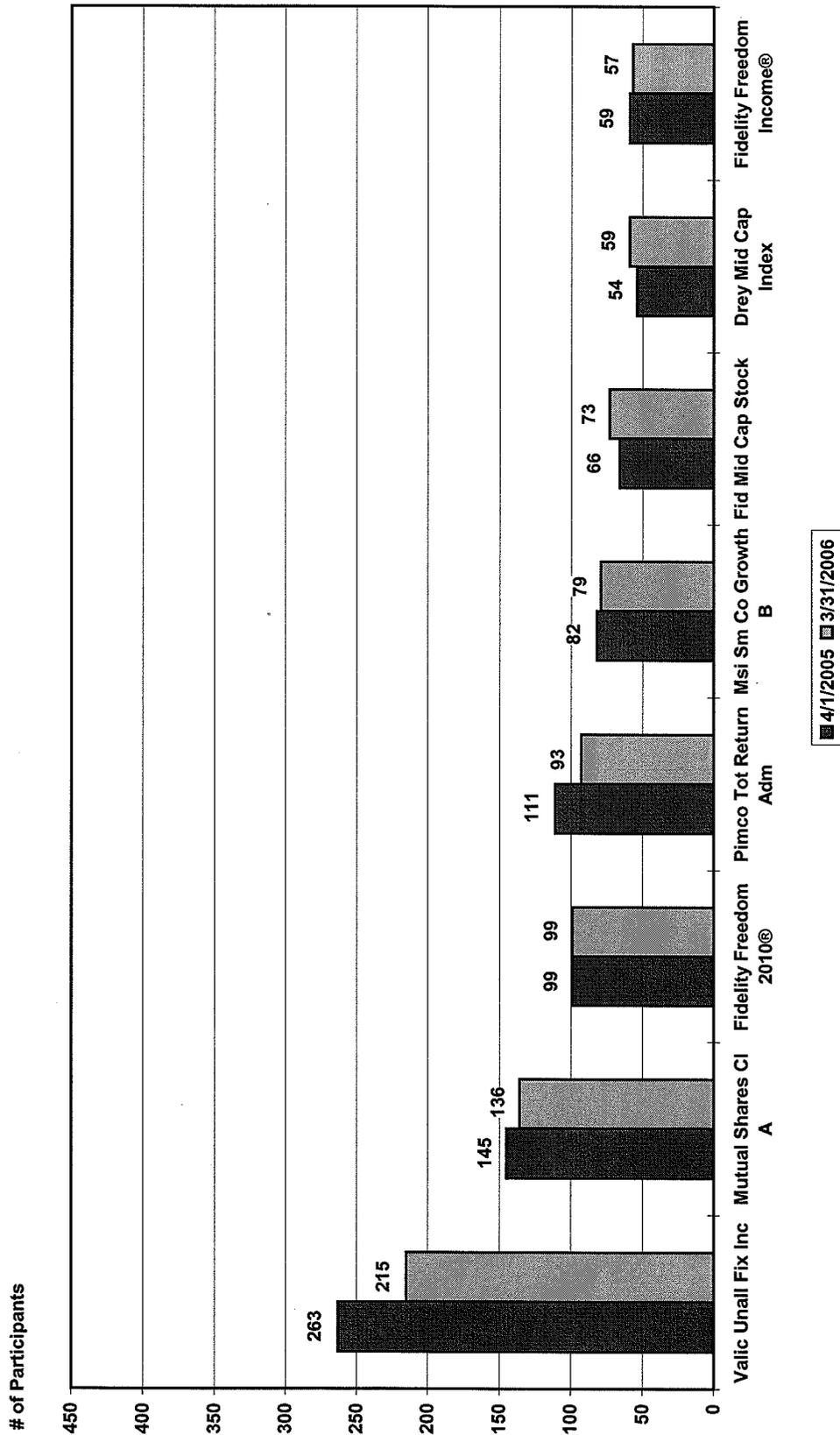
NOTE: The 'No birth date on record' category includes participants with unknown birth dates and any plan level accounts, such as the forfeiture account.

# Participants with a Balance by Fund

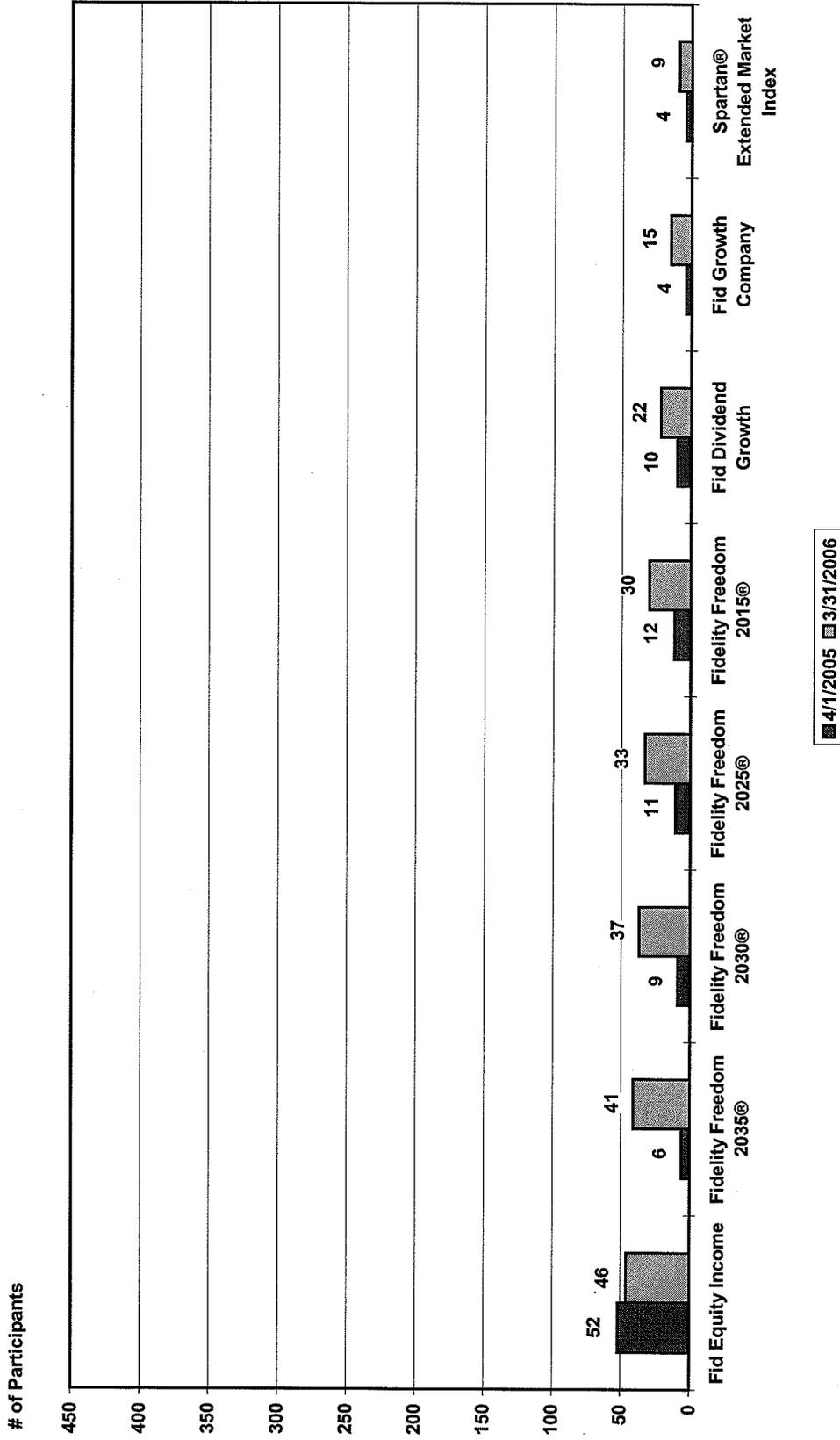


# Participants with a Balance by Fund

(Continued)

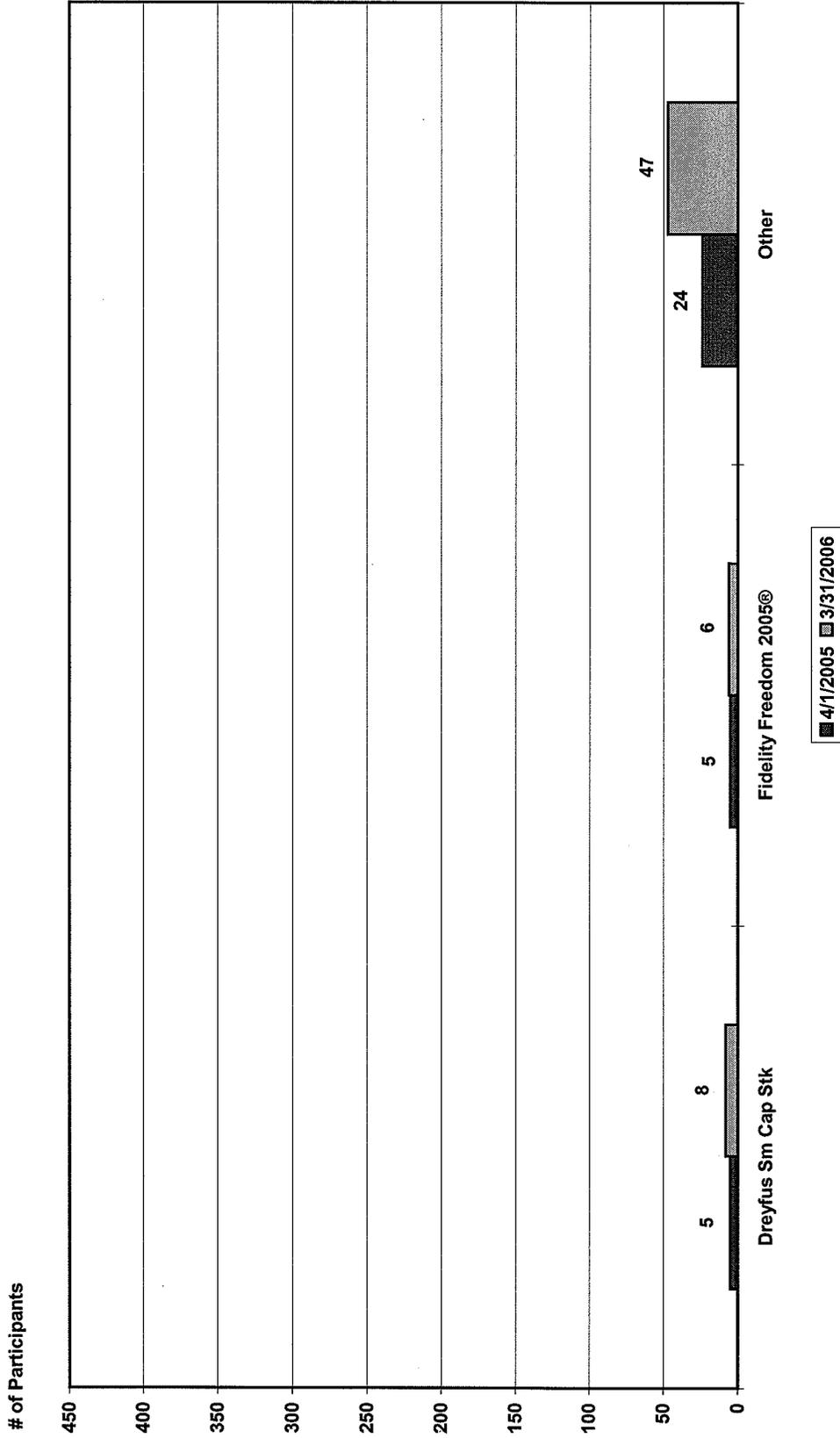


# Participants with a Balance by Fund (Continued)



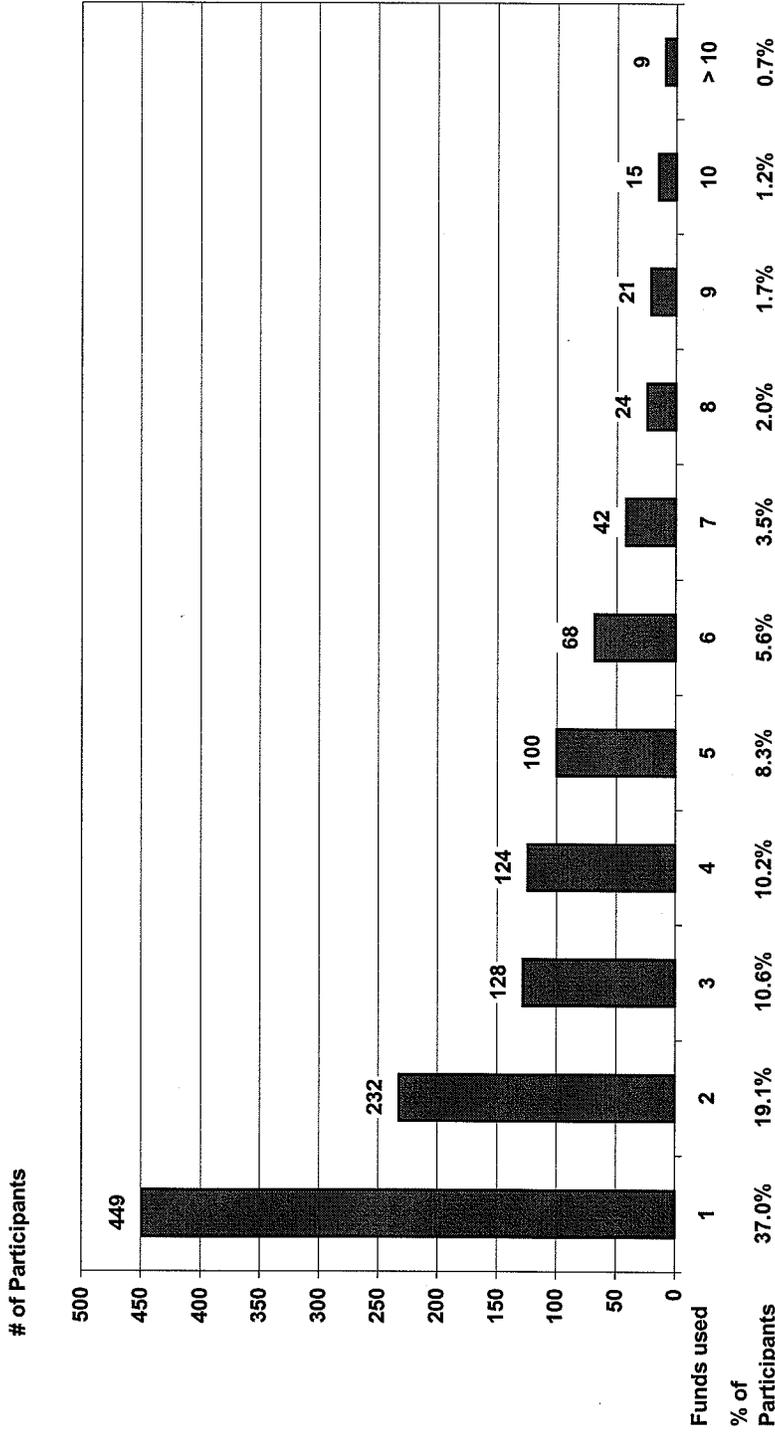
# Participants with a Balance by Fund

(Continued)



# Number of Funds per Participant

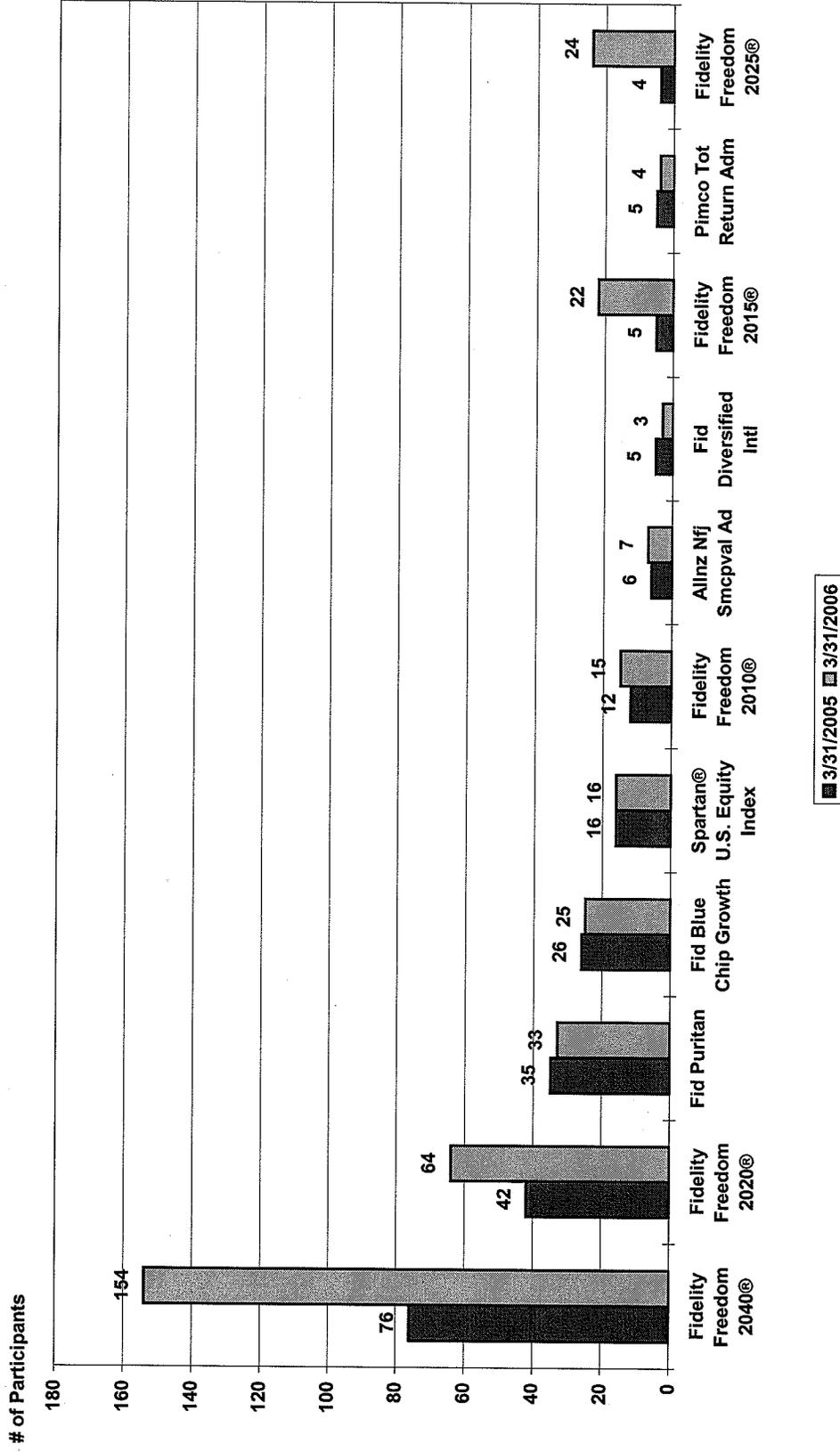
as of 3/31/2006



Average Investment options used in this plan:  
3.0

- **AVG. FITSCO PUBLIC SECTOR offers 57.6 funds.**
- **An AVG. FITSCO PUBLIC SECTOR participant uses 3.1 funds.**

# Single Fund Balances

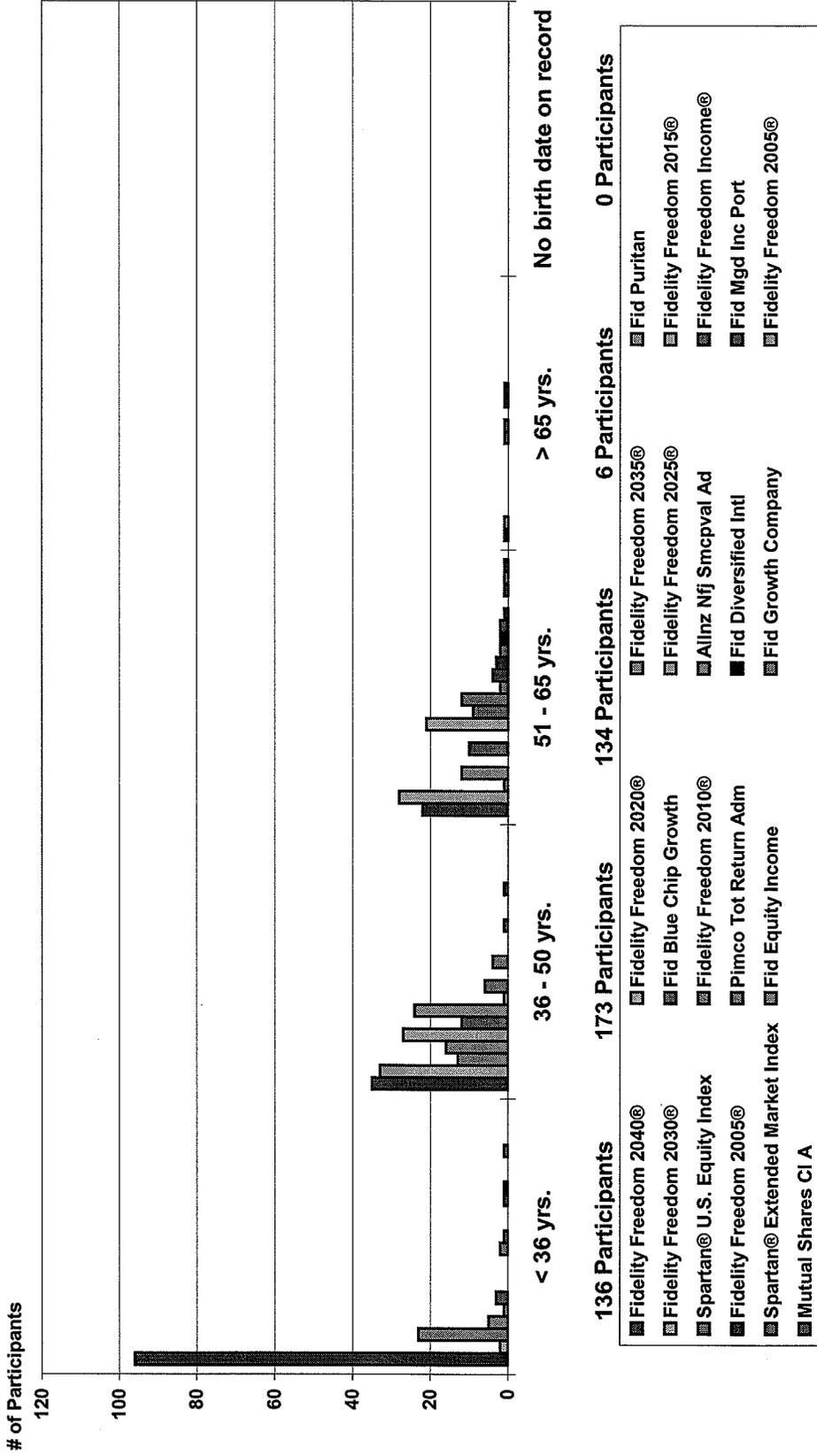


The values in this chart represent the number of participants whose balances are invested 100% in the indicated fund.



# Single Fund Balances by Age

as of 3/31/2006

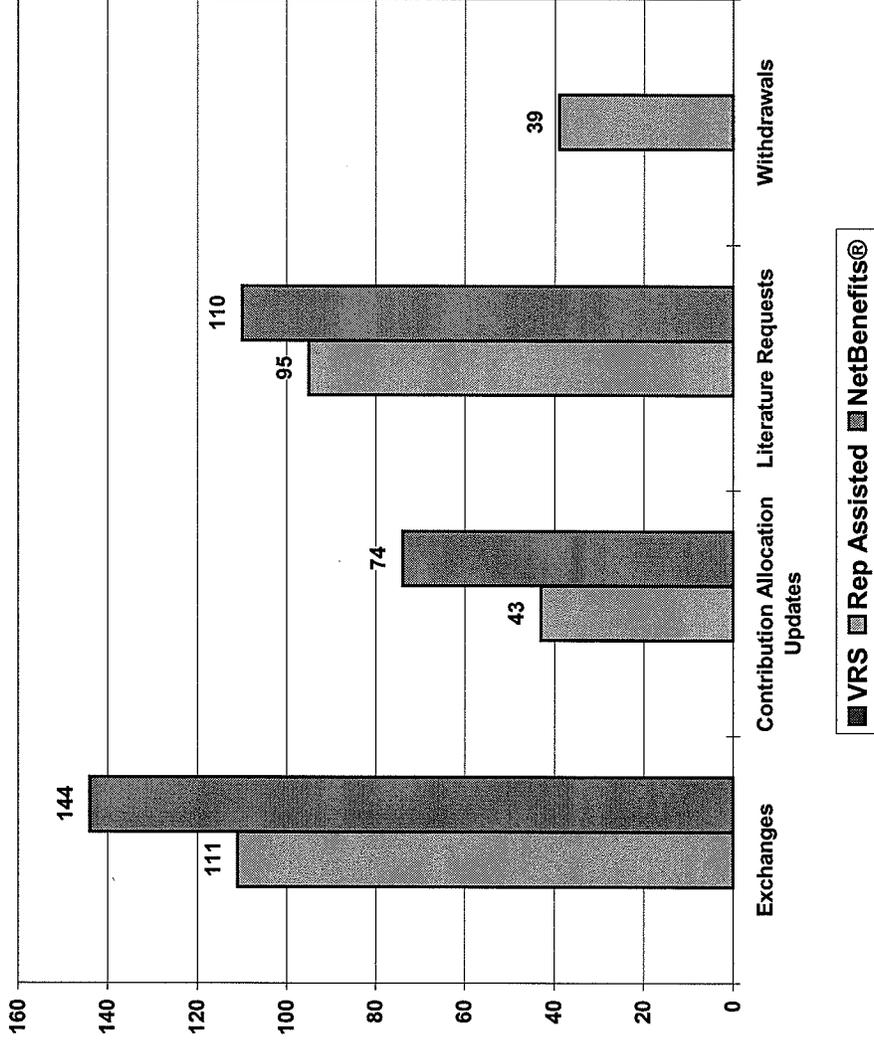


NOTE: The values in this chart represent the number of participants whose balances are invested 100% in the indicated fund. The 'No birth date on record' category includes participants with unknown birth dates and any plan level accounts, such as the forfeiture account.

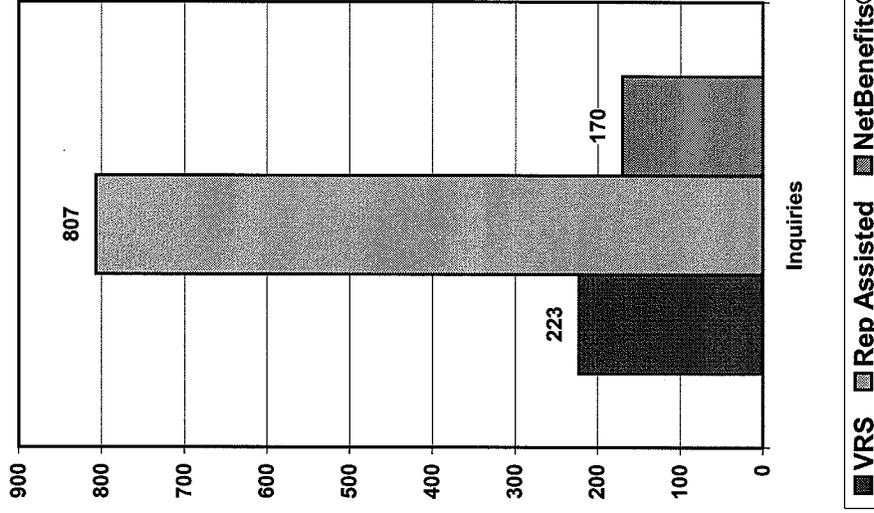
# Participant Account Activity by Type

4/1/2005 - 3/31/2006

Update Transactions



Inquiry Only

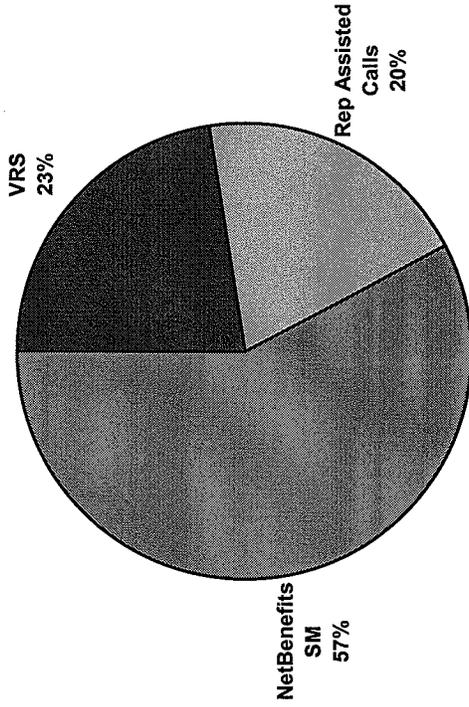
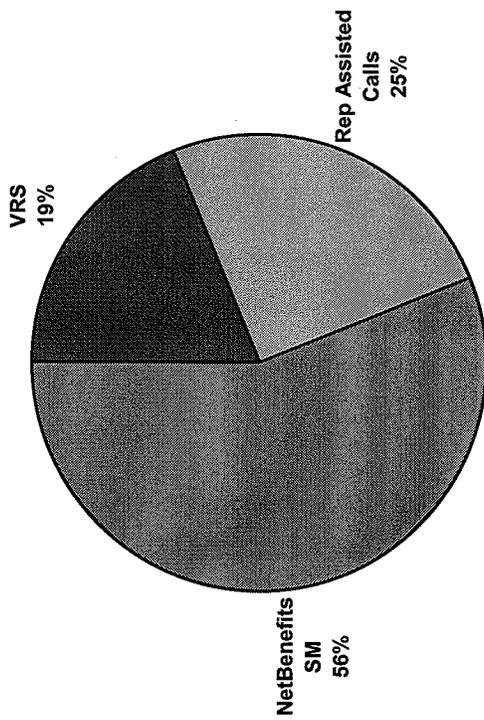


# Account Access Comparison

4/1/2005 - 3/31/2006

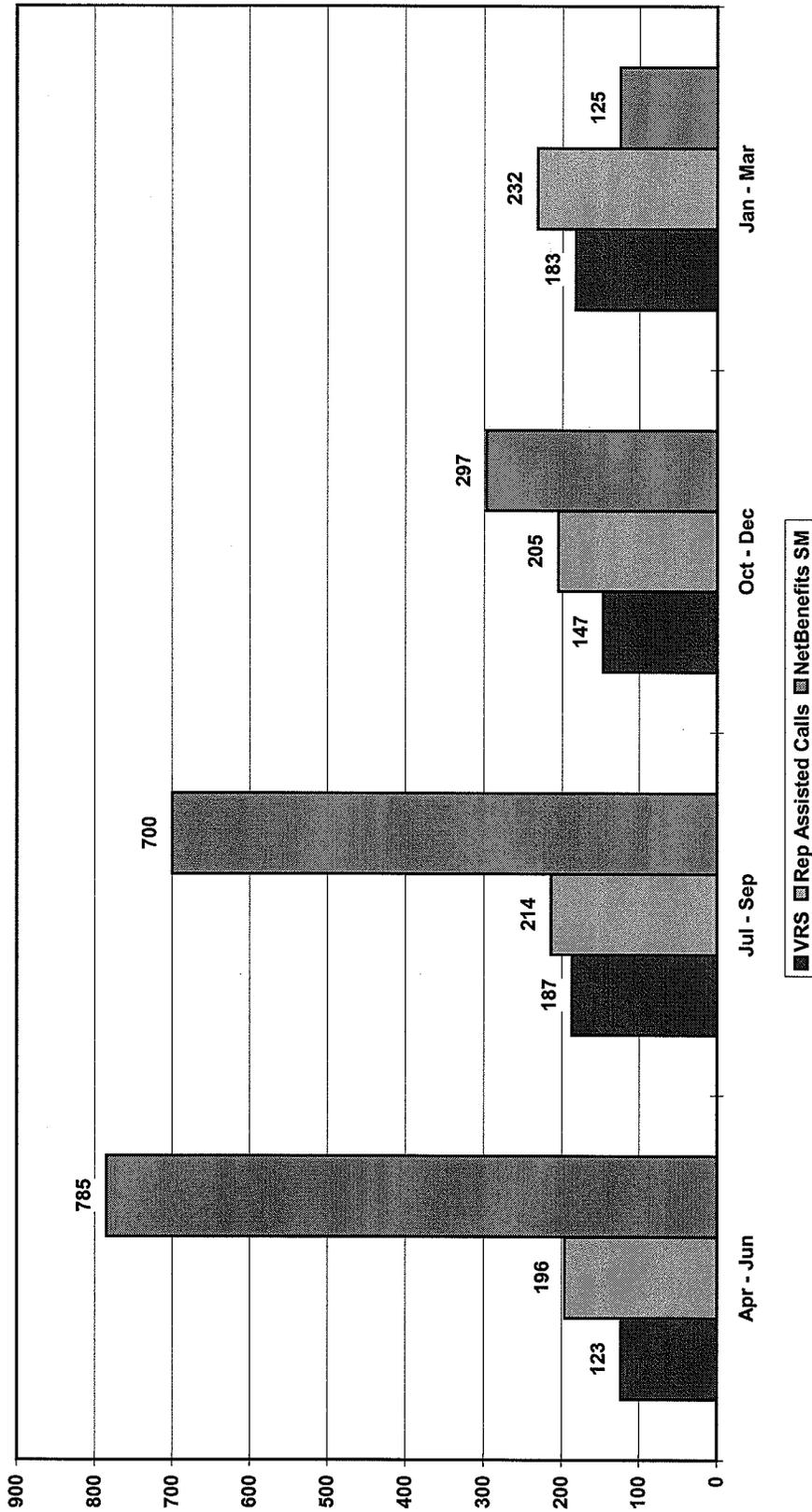
NORTH DAKOTA STATE DEFERRED  
COMPENSATION COMPANION PLAN  
NORTH DAKOTA PERS

AVG. FITSCO PUBLIC SECTOR



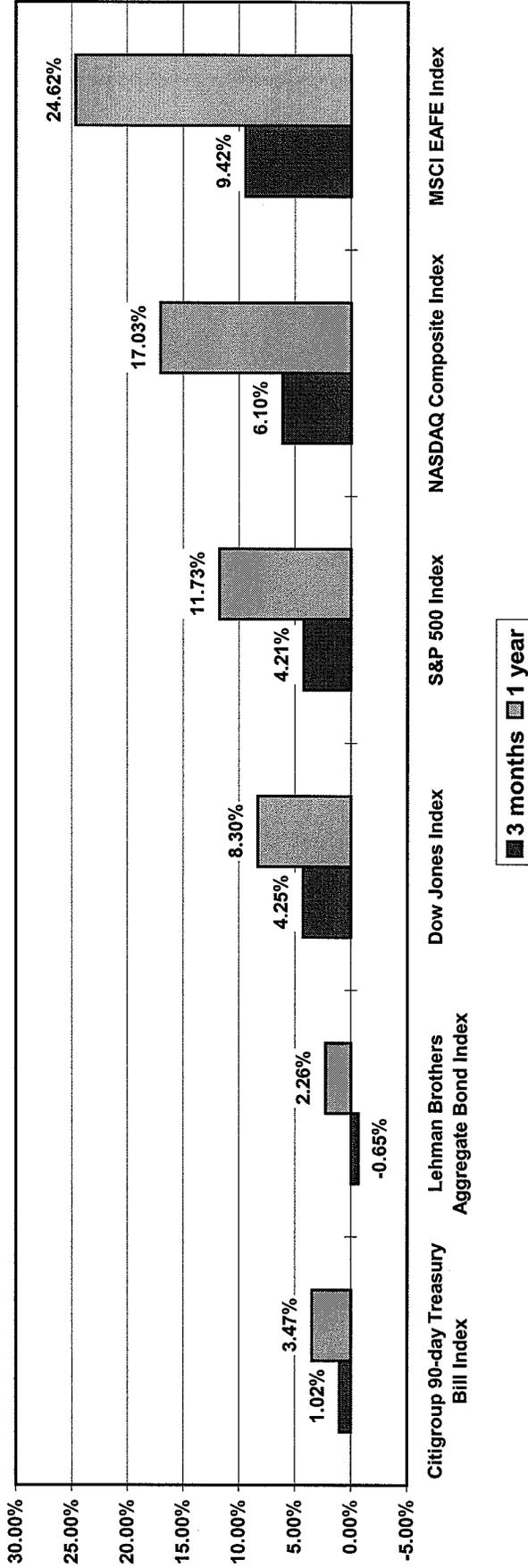
# Participant Access Volumes

4/1/2005 - 3/31/2006



# Major Market Indices

Cumulative Total Return %  
Period Ending 3/31/2006



Past performance is no guarantee of future results.

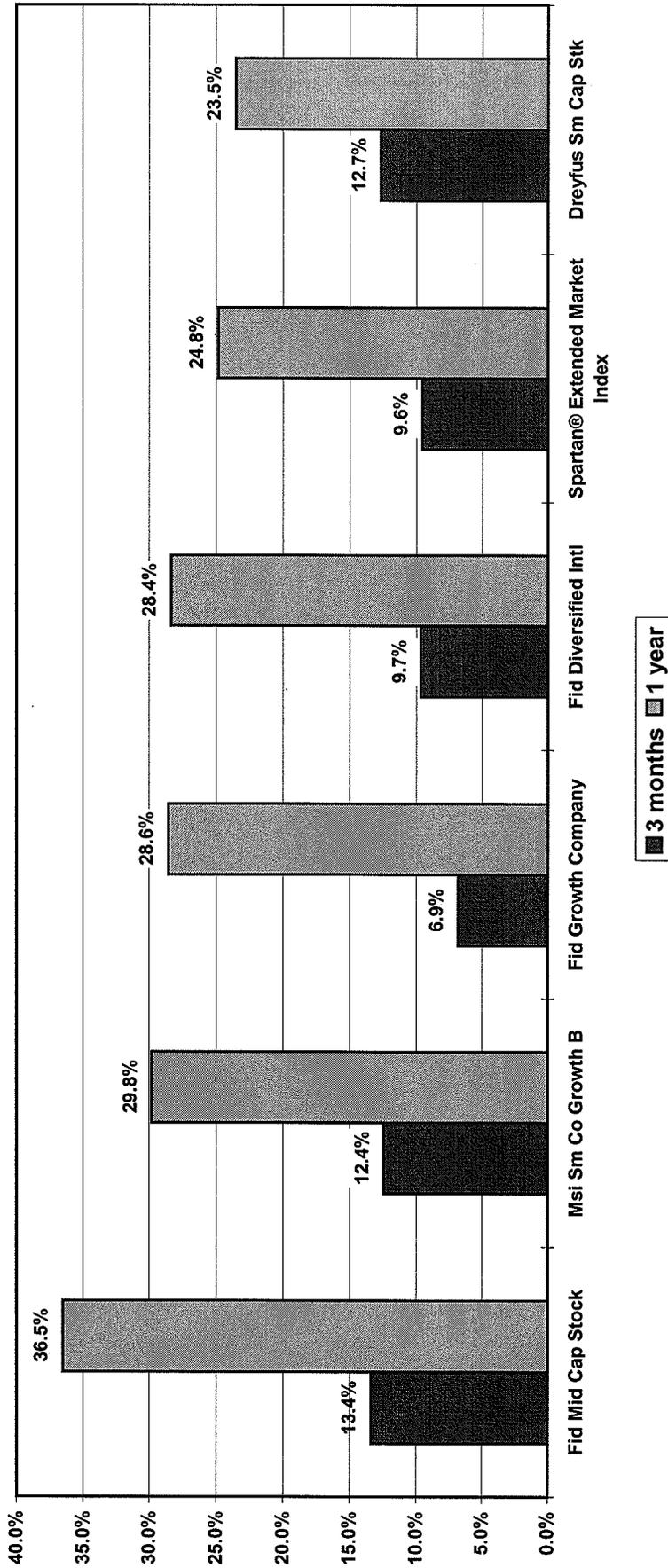
\*The Citigroup 90-day Treasury Bill Index represents the average of T-Bill rates for each of the prior three months, adjusted to bond equivalent yield basis.

\*The Lehman Brothers Aggregate Bond Index is an unmanaged market value-weighted index for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. \* The Dow Jones Industrial Average (Dow Jones) is an unmanaged index of common stocks of the 30 major industrial companies and assumes reinvestment of dividends.

\*The S&P 500 is a registered service mark of the McGraw-Hill Companies, Inc., and has been licensed for use by Fidelity Distributors Corporation and its affiliates. It is a widely recognized, unmanaged index of 500 U.S. common stocks. \* The NASDAQ Composite Index (NASDAQ), is an unmanaged index of over-the counter stock prices, does not assume reinvestment of dividends. \* The MSCI EAFE Index (Morgan Stanley Capital International Europe, Australasia, and Far East, Index) is an unmanaged index and includes the reinvestment of dividends. It is designed to represent the performance of developed stock markets outside the United States and Canada. The MSCI EAFE Index is a registered service mark of Morgan Stanley and has been licensed for use by FMR Corp.

# Individual Fund Performance

Cumulative Total Return %  
Period Ending 3/31/2006

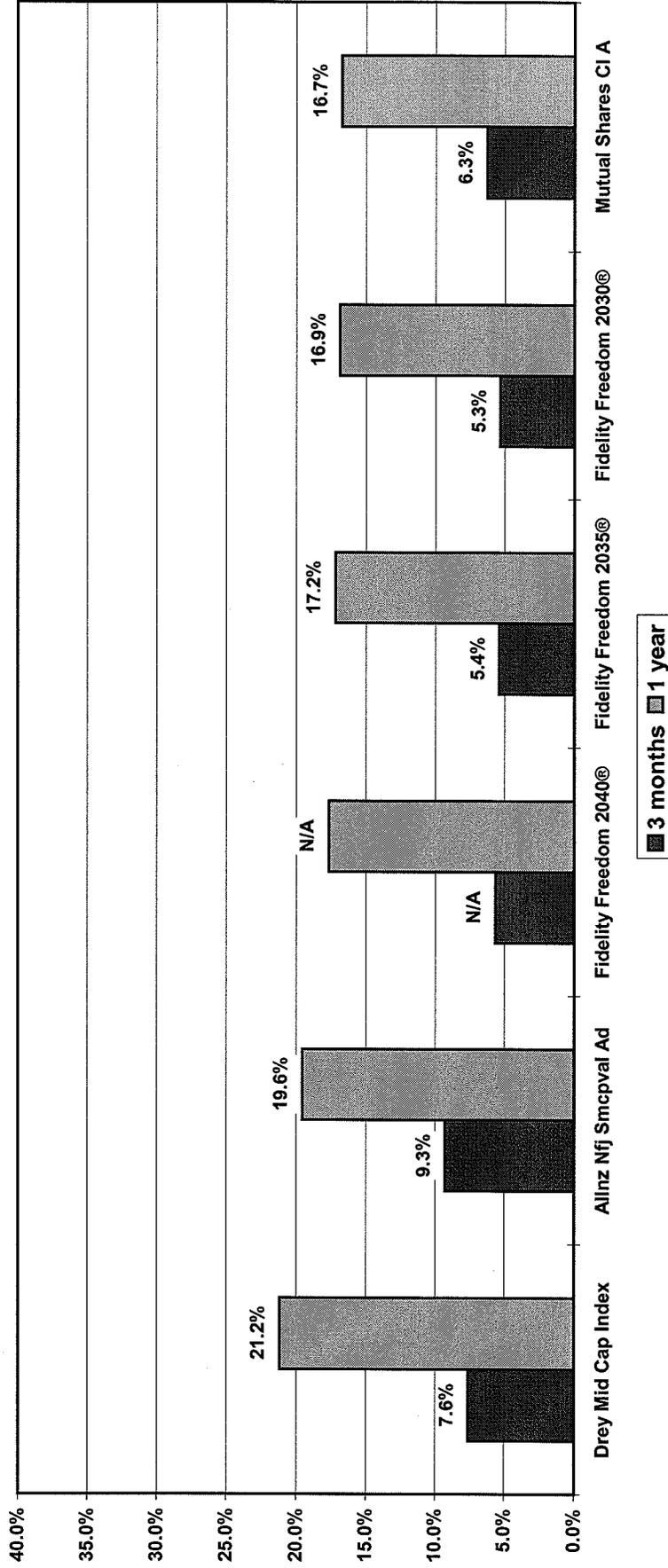


Past performance is no guarantee of future results.

# Individual Fund Performance

(Continued)

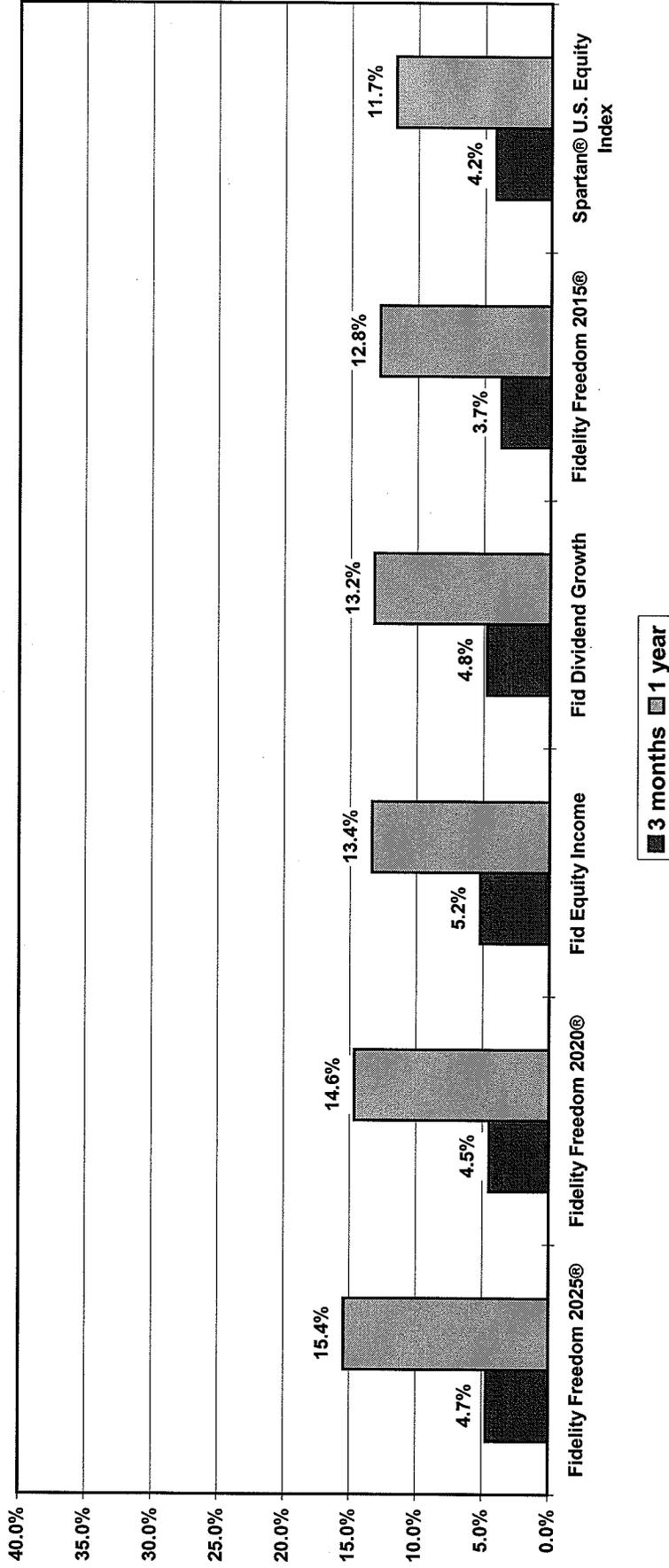
Cumulative Total Return %  
Period Ending 3/31/2006



Past performance is no guarantee of future results.

# Individual Fund Performance

(Continued)  
 Cumulative Total Return %  
 Period Ending 3/31/2006

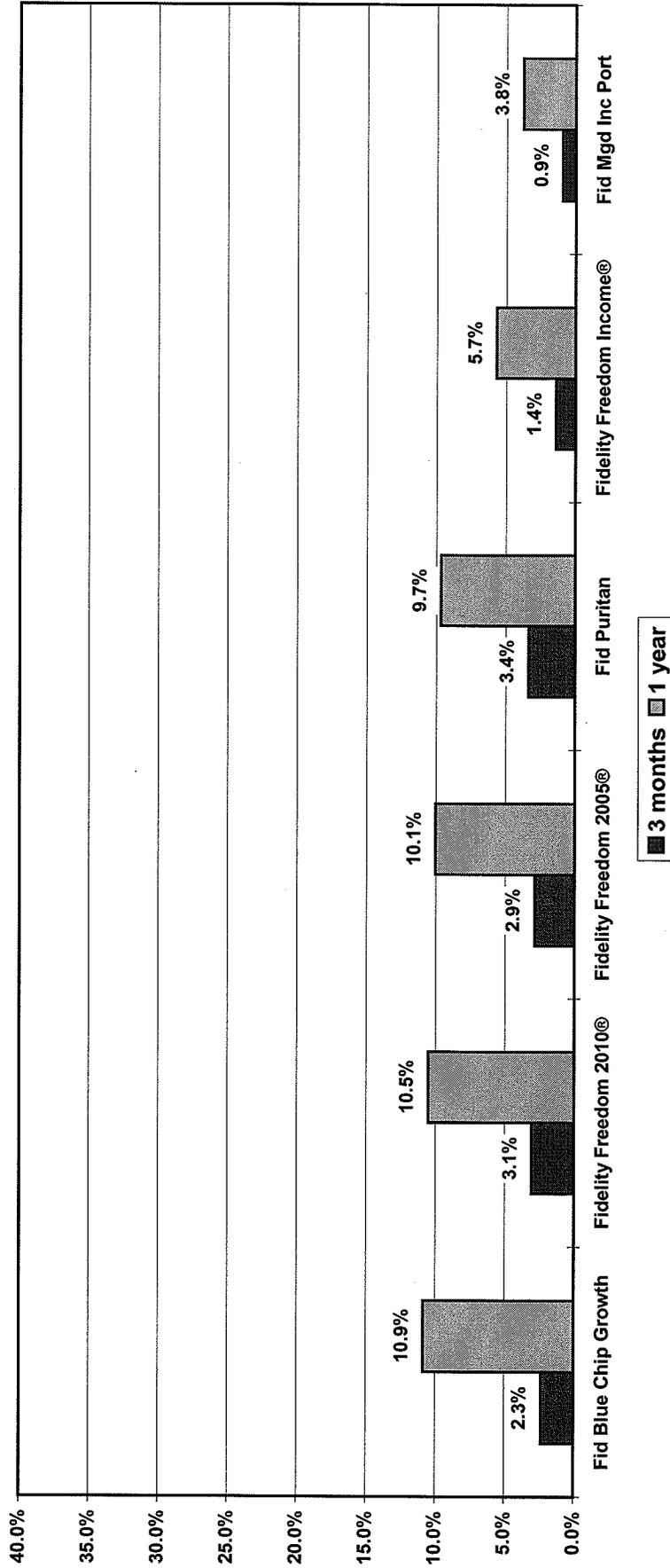


Past performance is no guarantee of future results.

# Individual Fund Performance

(Continued)

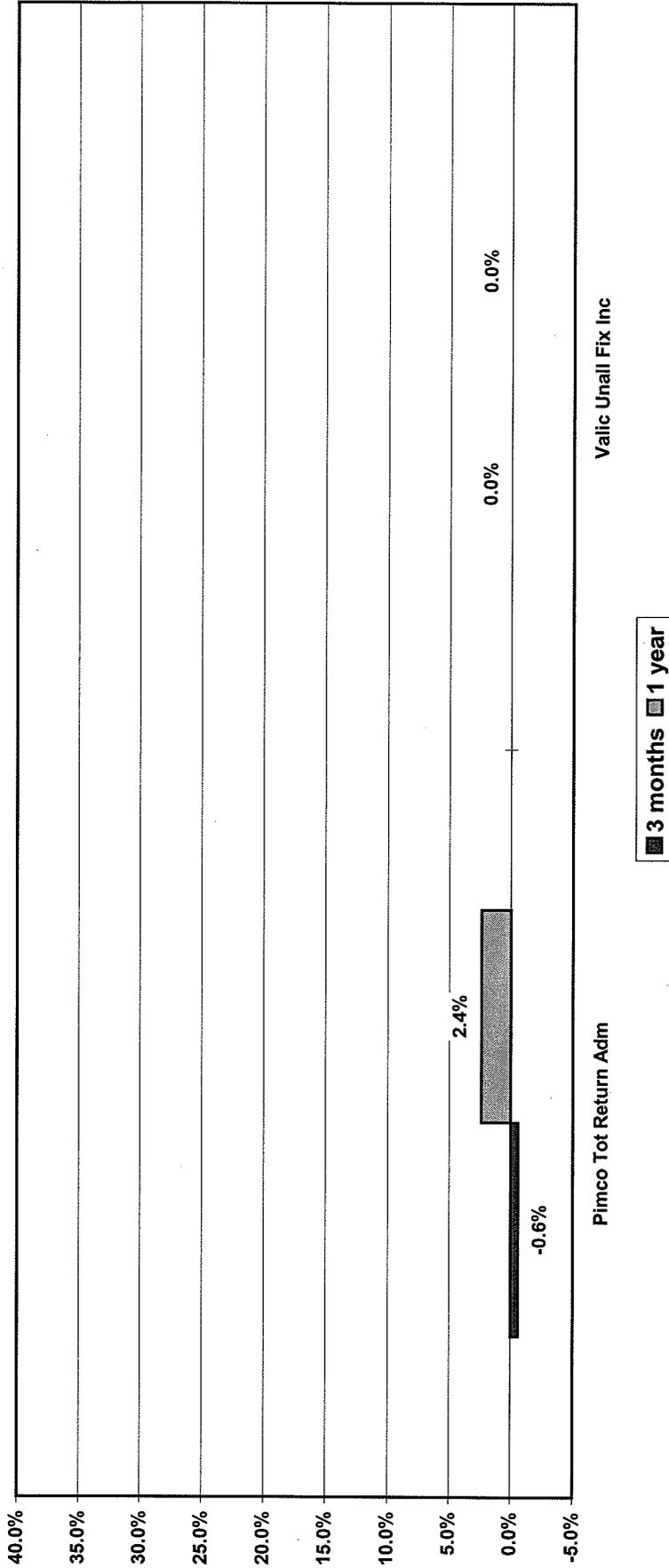
Cumulative Total Return %  
Period Ending 3/31/2006



Past performance is no guarantee of future results.

# Individual Fund Performance

(Continued)  
 Cumulative Total Return %  
 Period Ending 3/31/2006



Past performance is no guarantee of future results.

# Comparative Historical Performance

Fund Benchmark(s)	Average Annual Total Return % Period Ending 3/31/2006					Inception Date*	Short Term Trading Fee	Expense Ratio
	1 Year	5 Years	10 Years					
<b>Spartan® U.S. Equity Index</b>	<b>11.7%</b>	<b>3.8%</b>	<b>8.8%</b>					0.1
Lipper S&P 500 Funds Average	11.1%	3.4%	8.5%					
S&P 500 Index	11.7%	4.0%	9.0%					
<b>Allinz Nfj Smcpval Ad</b>	<b>19.6%</b>	<b>17.6%</b>	<b>14.7%</b>					1.11
<b>Fid Diversified Intl</b>	<b>28.4%</b>	<b>14.4%</b>	<b>13.4%</b>			29 Days / 1.0%		1.1
Lipper International Funds Average	26.3%	9.1%	7.5%					
MSCI EAFE Index	24.6%	9.9%	6.7%					
<b>Fidelity Freedom 2020®</b>	<b>14.6%</b>	<b>6.1%</b>	<b>8.9%</b>		* 10/17/1996			0.75
Lipper Multi-Cap Core Funds Average	14.6%	5.0%	8.8%					
S&P 500 Index	11.7%	4.0%	9.0%					
<b>Fid Puritan</b>	<b>9.7%</b>	<b>6.4%</b>	<b>8.7%</b>					0.63
<b>Fid Blue Chip Growth</b>	<b>10.9%</b>	<b>1.1%</b>	<b>6.6%</b>					0.66
Lipper Large Cap Growth Fund Avg	14.2%	0.9%	6.5%					
S&P 500 Index	11.7%	4.0%	9.0%					
<b>Fidelity Freedom 2040®</b>	<b>17.7%</b>	<b>6.1%</b>	<b>0.5%</b>		* 9/6/2000			0.79
Lipper Multi-Cap Core Funds Average	14.6%	5.0%	8.8%					
S&P 500 Index	11.7%	4.0%	9.0%					
<b>Fid Mgd Inc Port</b>	<b>3.8%</b>	<b>4.5%</b>	<b>5.2%</b>					
<b>Im First Tier Money Market</b>	<b>3.4%</b>	<b>2.0%</b>	<b>3.8%</b>					

recent average annual return data is published online each month end. Please visit PSW<sup>SM</sup> or call Fidelity for these most recent performance figures. Periods of market strength may not be repeated.

The performance data quoted represents past performance, which is no guarantee of future results. Share price, yield and return will vary and you may have a gain or loss when you sell your shares.

An investment in a money market fund is not insured or guaranteed by the FDIC or any other government agency. Although money market funds seek to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in these funds.

The current yield reflects the current earnings of the fund, while the total return refers to a specific past holding period. Please see Footnote pages for important legal information.

\*Return reflects life of fund from inception date shown.

# Comparative Historical Performance

(Continued)

Average Annual Total Return %  
Period Ending 3/31/2006

Fund Benchmark(s)

	1 Year	5 Years	10 Years	Inception Date*	Short Term Trading Fee	Expense Ratio
<b>Valic Unall Fix Inc</b>						
<b>Fidelity Freedom 2010®</b>	10.5%	5.5%	8.4%	* 10/17/1996		0.69
Lipper Balanced Funds Average	9.5%	4.4%	7.1%			
S&P 500 Index	11.7%	4.0%	9.0%			
<b>Mutual Shares CIA</b>	16.7%	8.8%	11.4%	* 11/1/1996	8 Days / 2.0%	1.16
Lipper Multi Cap Value Funds Avg	13.0%	7.5%	9.7%			
Russell 3000 Index	14.3%	5.3%	9.2%			
<b>Drey Mid Cap Index</b>	21.2%	12.2%	13.9%			
<b>Pimco Tot Return Adm</b>	2.4%	5.7%	6.8%		7 Days / 2.0%	0.5
Lipper Intermediate Investment Grade Debt Avg	1.9%	4.5%	5.6%			0.68
Lehman Brothers Aggregate Bond Index	2.3%	5.1%	6.3%			
<b>Fid Mid Cap Stock</b>	36.5%	6.1%	13.8%		29 Days / 0.75%	0.7
Lipper Multi-Cap Core Funds Average	14.6%	5.0%	8.8%			
S&P Midcap 400 Index	21.6%	12.8%	14.5%			
<b>Fidelity Freedom Income®</b>	5.7%	4.0%	5.8%	* 10/17/1996		0.56
Lipper Income Funds Avg	7.0%	5.1%	6.5%			
Lehman Brothers Aggregate Bond Index	2.3%	5.1%	6.3%			
<b>Fid Dividend Growth</b>	13.2%	3.4%	10.7%			0.68
Lipper Large-Cap Core Funds Average	11.6%	2.6%	7.3%			
S&P 500 Index	11.7%	4.0%	9.0%			

The current yield reflects the current earnings of the fund, while the total return refers to a specific past holding period.

\*Return reflects life of fund from inception date shown.

# Comparative Historical Performance

(Continued)

Average Annual Total Return %  
Period Ending 3/31/2006

Fund Benchmark(s)

	1 Year	5 Years	10 Years	Inception Date*	Short Term Trading Fee	Expense Ratio
<b>Msi Sm Co Growth B</b>	29.8%	13.3%	14.3%		30 Days / 2.0%	1.35
Lipper Mid-Cap Growth Funds Average	23.7%	6.5%	8.5%			
Russell 2000 Growth Index	27.8%	8.6%	5.5%			
<b>Dreyfus Sm Cap Stk</b>	23.5%	14.5%	11.2%	* 6/30/1997		0.5
Lipper Multi-Cap Core Funds Average	14.6%	5.0%	8.8%			
S&P 500 Index	11.7%	4.0%	9.0%			
<b>Fid Equity Income</b>	13.4%	6.1%	9.4%			0.69
Lipper Equity Income Funds Average	11.5%	5.8%	8.7%			
Russell 3000 Value Index	14.2%	8.4%	11.2%			
<b>Spartan® Extended Market Index</b>	24.8%	12.5%	7.8%	* 11/5/1997	89 Days / 0.75%	0.1
Lipper Mid Cap Core Funds Avg	20.2%	10.6%	11.5%			
Dow Jones Wilshire 4500 Completion Index	24.8%	12.7%	10.2%			
<b>Fid Growth Company</b>	28.6%	5.4%	10.4%			0.96
Lipper Multi-Cap Growth Funds Average	20.4%	3.7%	7.8%			
Russell 3000 Growth Index	14.4%	2.2%	6.4%			
<b>Fidelity Freedom 2005®</b>	10.1%	N/A	7.8%	* 11/6/2003		0.68
<b>Fidelity Freedom 2015®</b>	12.8%	N/A	9.7%	* 11/6/2003		0.71
<b>Fidelity Freedom 2025®</b>	15.4%	N/A	11.5%	* 11/6/2003		0.75
<b>Fidelity Freedom 2030®</b>	16.9%	6.1%	8.8%	* 10/17/1996		0.77
<b>Fidelity Freedom 2035®</b>	17.2%	N/A	12.8%	* 11/6/2003		0.78

The current yield reflects the current earnings of the fund, while the total return refers to a specific past holding period.

\*Return reflects life of fund from inception date shown.

NORTH DAKOTA PUBLIC EMPLOYEES'  
DEFINED CONTRIBUTION PLAN  
RETIREMENT BD OF PUBLIC EE

**Service Review for the Year Ended 3/31/2006**

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**Fidelity Investments®**  
**Tax-Exempt Services Company**

A division of Fidelity Investments Institutional Services Company, Inc.

82 Devonshire Street, Boston, MA 02109



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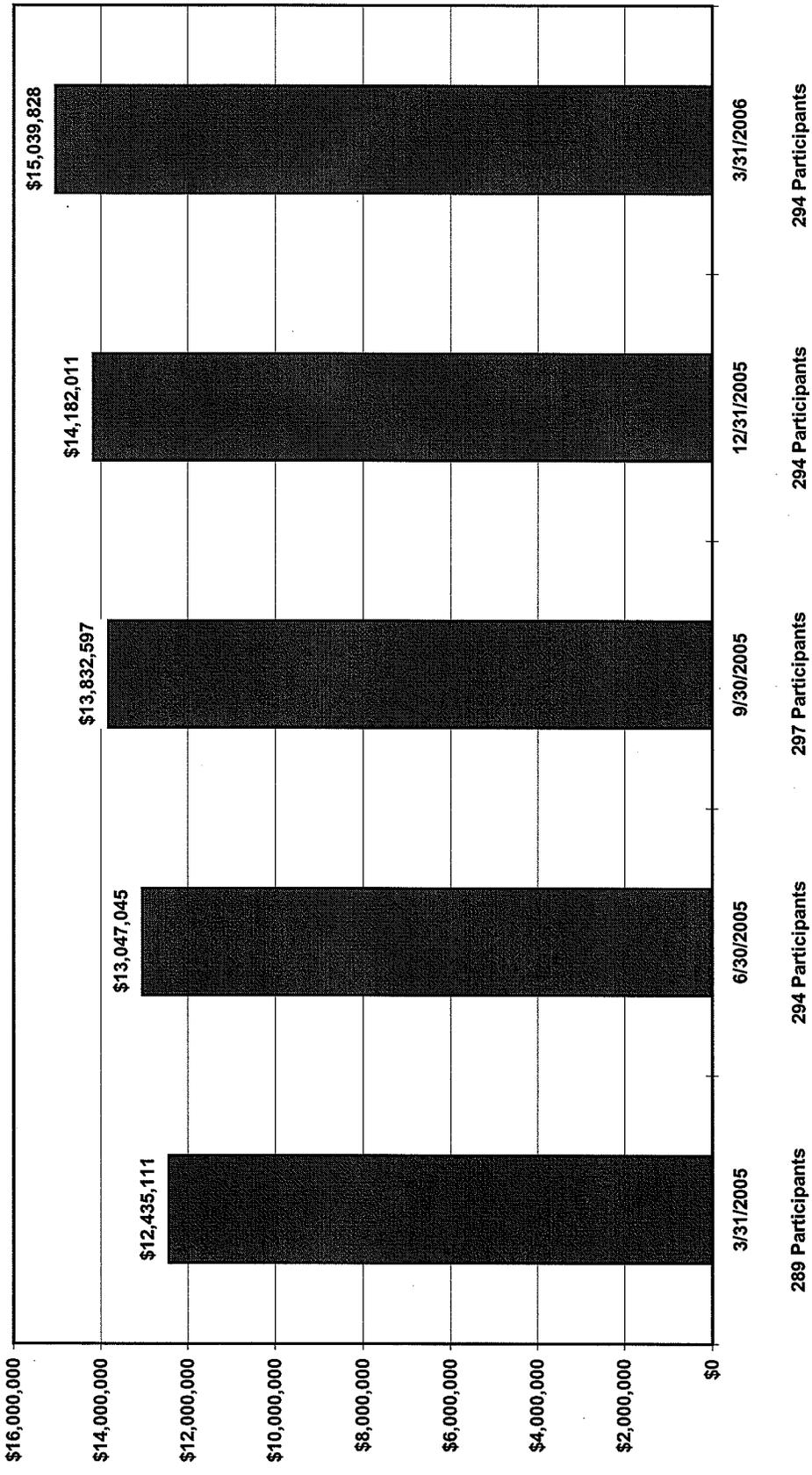
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# Plan Assets Under Management at Fidelity



# Investment Options

<b>More Conservative</b> Potentially less investment risk and more inflation risk	<b>Stable Value</b>	<b>Fixed Income</b>	<b>Balanced</b>	<b>Domestic Equity</b>	<b>International</b>	<b>Specialty</b>	<b>More Aggressive</b> Potentially more investment risk and less inflation risk
<b>Money Market</b>	Fid Mgd Inc Port	Pimco Tot Retum Adm	Fid Puritan	Fid Growth Company Fid Equity Income Spartan U.S. Equity Index M&I Sm Co Growth B Fidelity Low Pk Stk Fid Mid Cap Stock Fid Dividend Growth Fid Blue Chip Growth Drey Mid Cap Index Allinz Nfl Smcoval Ad Mutual Shares Drey Small Cap Index	Fid Diversified Intl		<b>Company Stock</b>

**Other Investment Options:**

Fidelity Freedom Income® Fidelity Freedom 2000® Fidelity Freedom 2005® Fidelity Freedom 2010® Fidelity Freedom 2015® Fidelity Freedom 2020® Fidelity Freedom 2025® Fidelity Freedom 2030®  
 Fidelity Freedom 2000® Fidelity Freedom 2040®

This spectrum, with the exception of the Domestic Equity category, is based on Fidelity's analysis of the characteristics of the general investment categories and not on the actual investment options and their holdings, which can change frequently. Investment options in the Domestic Equity category are based on the options' Morningstar categories (Large Value, Mid-Cap Value, Small Value, Large Blend, Mid-Cap Blend, Small Blend, Large Growth, Mid-Cap Growth, Small Growth) as of 12/31/01. Morningstar categories are based on a fund's style as measured by its underlying portfolio holdings over the past three years and may change at any time. These style calculations do not represent the investment options' objectives and do not predict the investment options' future styles. For more information on the investment options in the Domestic Equity category, visit [www.Morningstar.com](http://www.Morningstar.com). Investment options are listed in alphabetical order within each investment category. Risk associated with the investment options can vary significantly within each particular investment category, and the relative risk of categories may change under certain economic conditions.

If your plan offers Asset Manager funds please note, the portfolio manager of each of the Asset Manager funds has the flexibility to periodically shift investments between the three asset classes, depending on the current outlook for the various markets. The risk level of the Asset Manager fund(s) cannot be portrayed as a single point on the objective spectrum along with the other investment options because it can change periodically according to how the assets are invested.

If your plan offers Fidelity Freedom Funds® please note, the Fidelity Freedom Funds are not represented on the above spectrum because each fund (except Fidelity Freedom Income) will gradually adjust the asset allocation to be more conservative as the funds approach their target dates. The risk level of the Fidelity Freedom Funds cannot be portrayed as a single point on the objective spectrum along with the other investment options because they can change periodically according to how the assets are invested.

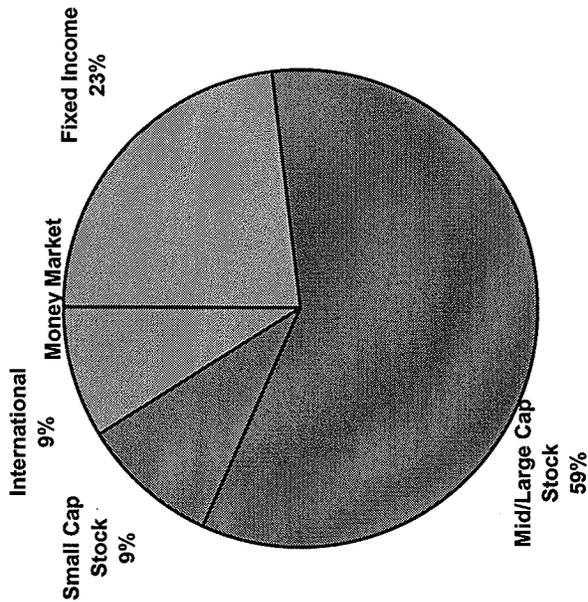
For a more complete discussion of risk associated with the mutual fund options, please read the prospectus before making your investment decision. The spectrum does not represent actual or implied performance.



# Comparative Asset Allocation

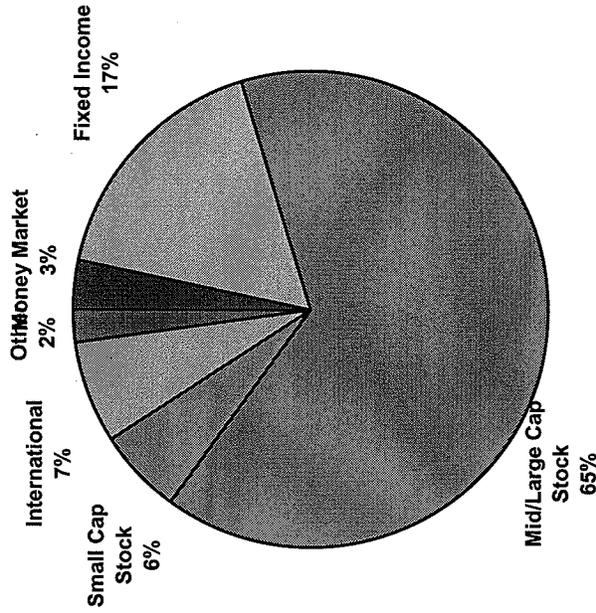
as of 3/31/2006

**NORTH DAKOTA PUBLIC EMPLOYEES' DEFINED CONTRIBUTION PLAN RETIREMENT BD OF PUBLIC EE**

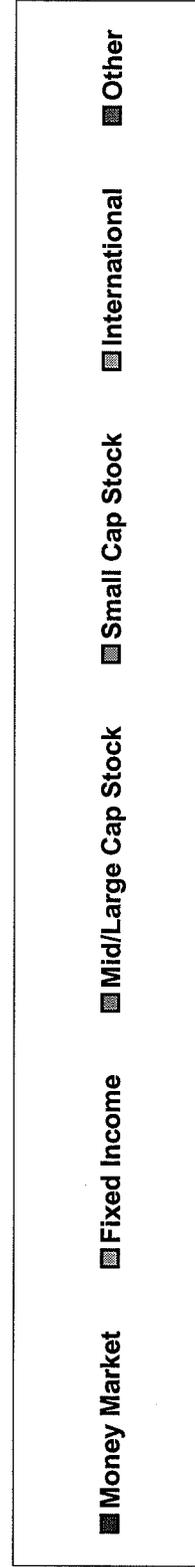


Total Market Value: \$15,039,828

**AVG. FITSCO PUBLIC SECTOR\***



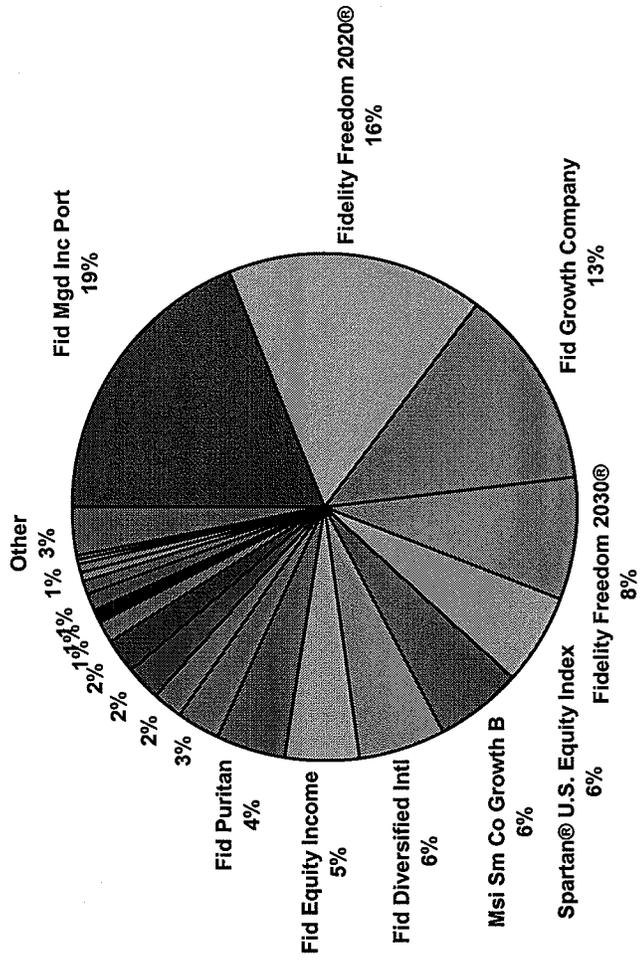
Average Market Value: \$153,358,312



\* The values in this chart represent the sum of the balances in each fund class for a representative sample of retirement plans serviced by Fidelity Investments.

# Contribution Allocation

4/1/2005 - 3/31/2006



Total Contributions: \$1,105,519

■ Fid Mgd Inc Port	■ Fidelity Freedom 2020®	■ Fid Growth Company	■ Fidelity Freedom 2030®	■ Spartan® U.S. Equity Index
■ Msi Sm Co Growth B	■ Fid Diversified Intl	■ Fid Equity Income	■ Fid Puritan	■ Fidelity Freedom 2010®
■ Fidelity Low Pr Stk	■ Pimco Tot Return Adm	■ Fidelity Freedom 2040®	■ Fid Blue Chip Growth	■ Fid Mid Cap Stock
■ Fidelity Freedom 2025®	■ Fid Dividend Growth	■ Drey Mid Cap Index	■ Allnz Nfj Smcpval Ad	■ Fidelity Freedom 2000®
■ Fidelity Freedom Income®	■ Other			

The information on this page is updated monthly on PSW.

# Contributions by Source

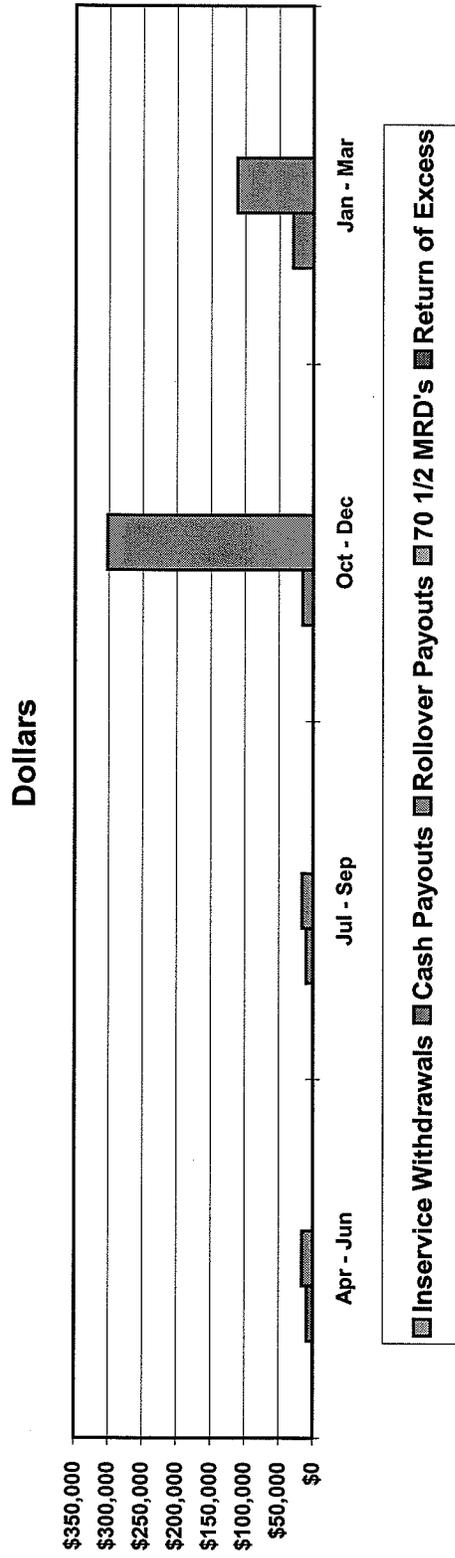
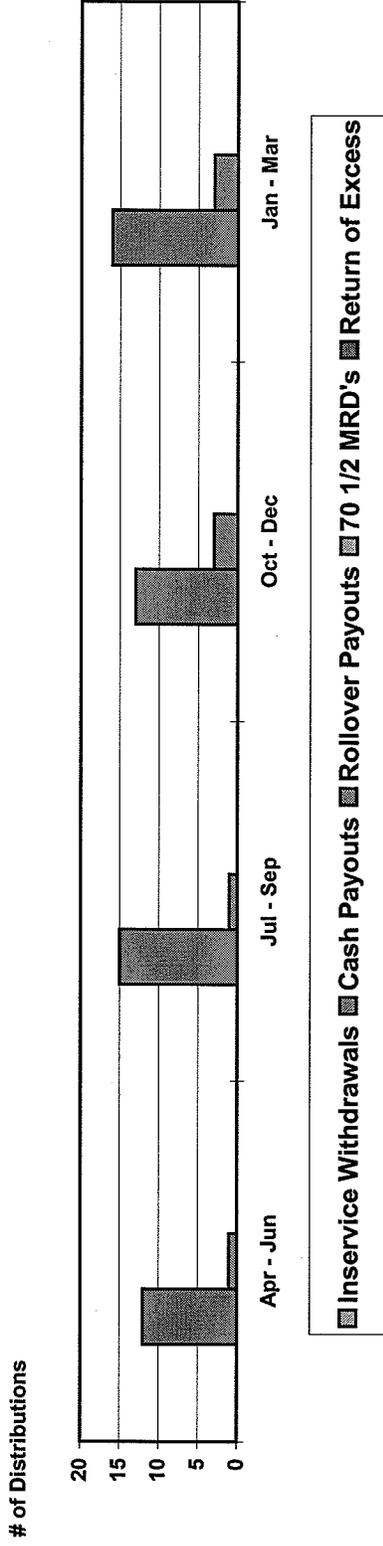
4/1/2005 - 3/31/2006

Sources of Contributions	Apr - Jun	Jul - Sep	Oct - Dec	Jan - Mar	Total
Employer	\$ 121,763	\$ 124,525	\$ 122,851	\$ 123,688	\$ 492,827
Employee	\$ 117,963	\$ 120,645	\$ 119,060	\$ 119,865	\$ 477,533
After Tax	\$ 253	\$ 253	\$ 217	\$ 221	\$ 944
Mutual Fund Window	\$ 5,617	\$ 5,468	\$ 5,895	\$ 5,923	\$ 22,903
Rollover-401(A)	\$ 72,426	\$ 14,131	\$ 2,519	\$ 0	\$ 89,076
Mt Window Before Tax	\$ 5,453	\$ 5,309	\$ 5,723	\$ 5,751	\$ 22,236
<b>Total Contributions</b>	<b>\$ 323,474</b>	<b>\$ 270,331</b>	<b>\$ 256,266</b>	<b>\$ 255,448</b>	<b>\$ 1,105,519</b>

# Distribution Activity

4/1/2005 - 3/31/2006

Volumes



# Cash Flow Summary

<b>Cash Inflow:</b>	<b>Year Ending 3/31/2005</b>	<b>Year Ending 3/31/2006</b>
Balance Forward(1)	\$14,701	\$45,962
Contributions	\$999,192	\$1,105,519
<b>Total Cash Inflow:</b>	<b>\$1,013,893</b>	<b>\$1,151,481</b>

<b>Cash Outflow:</b>	<b>Year Ending 3/31/2005</b>	<b>Year Ending 3/31/2006</b>
Withdrawals	(\$360,845)	(\$509,237)
Fees	(\$9,335)	(\$12,652)
<b>Total Cash Outflow:</b>	<b>(\$370,180)</b>	<b>(\$521,889)</b>

<b>NET CASH FLOW:</b>	<b>\$643,713</b>	<b>\$629,592</b>
-----------------------	------------------	------------------

**Definitions of Cash Flow Items:**

(1) Balance Forward - Conversion/Outside assets updated to participant accounts  
 The information on this page is updated monthly on PSW.

# Participant Overview

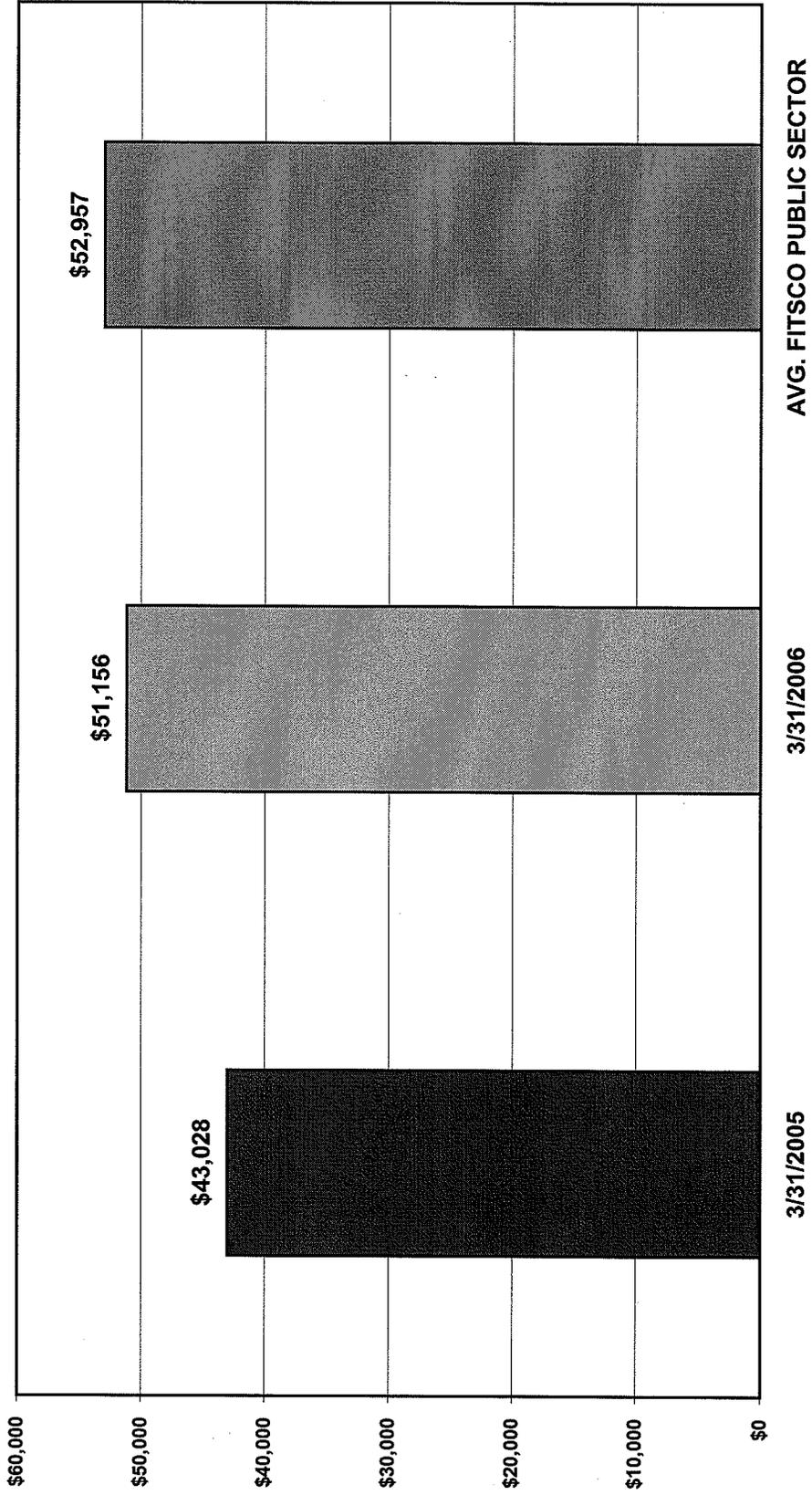
Total #	4/1/2005	3/31/2006
Participants (1)	289	294
Inactive Participants (2)	0	0
Suspended w/Balances (3)	0	0
Terminated w/ Balances (4)	4	4
< \$5,000	36	48
> \$5,000		
Active Participants (5)	249	242

## Definitions of Participant Totals

- (1) Participants: Number of Participants with Account Balances.
- (2) Inactive Participants: Number of Participants with Status Codes of 'I' or 'Q' with Balances (Example: Participants who have revoked their contribution deferral percent; however, are still employees).
- (3) Suspended w/Balances: Number of Participants with Status Code of 'S' with Balances (Example: Participants who have taken financial hardship withdrawals and are suspended for a period of time per the plan document).
- (4) Terminated w / Balances: Number of Participants with Status Codes of 'T', 'R', or 'D' with Balances.
- (5) Active Participants: Number of Participants with a Status Code of 'A' with Balances.

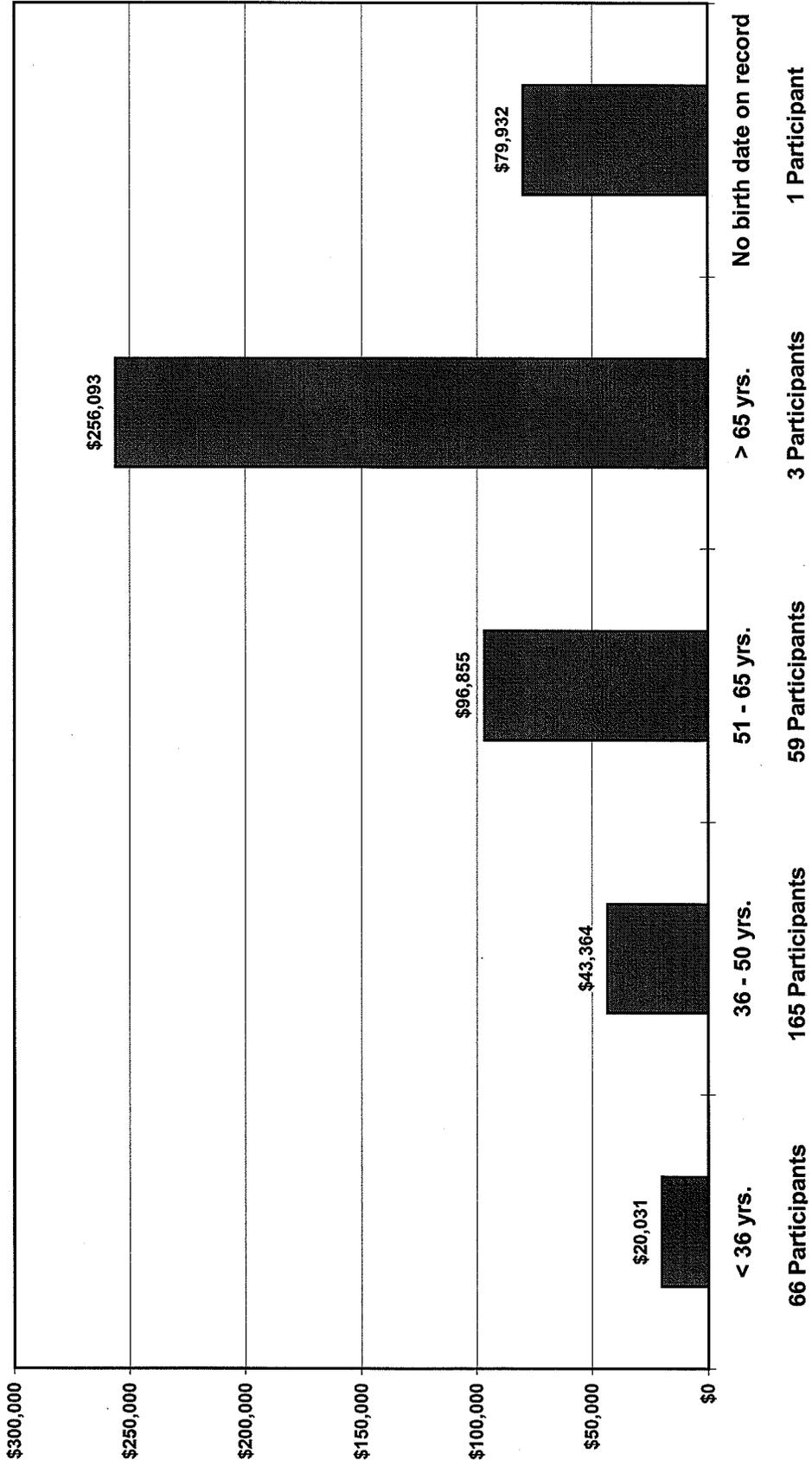
This data is not intended for IRS Form 5500 filing purposes.

# Average Participant Balance



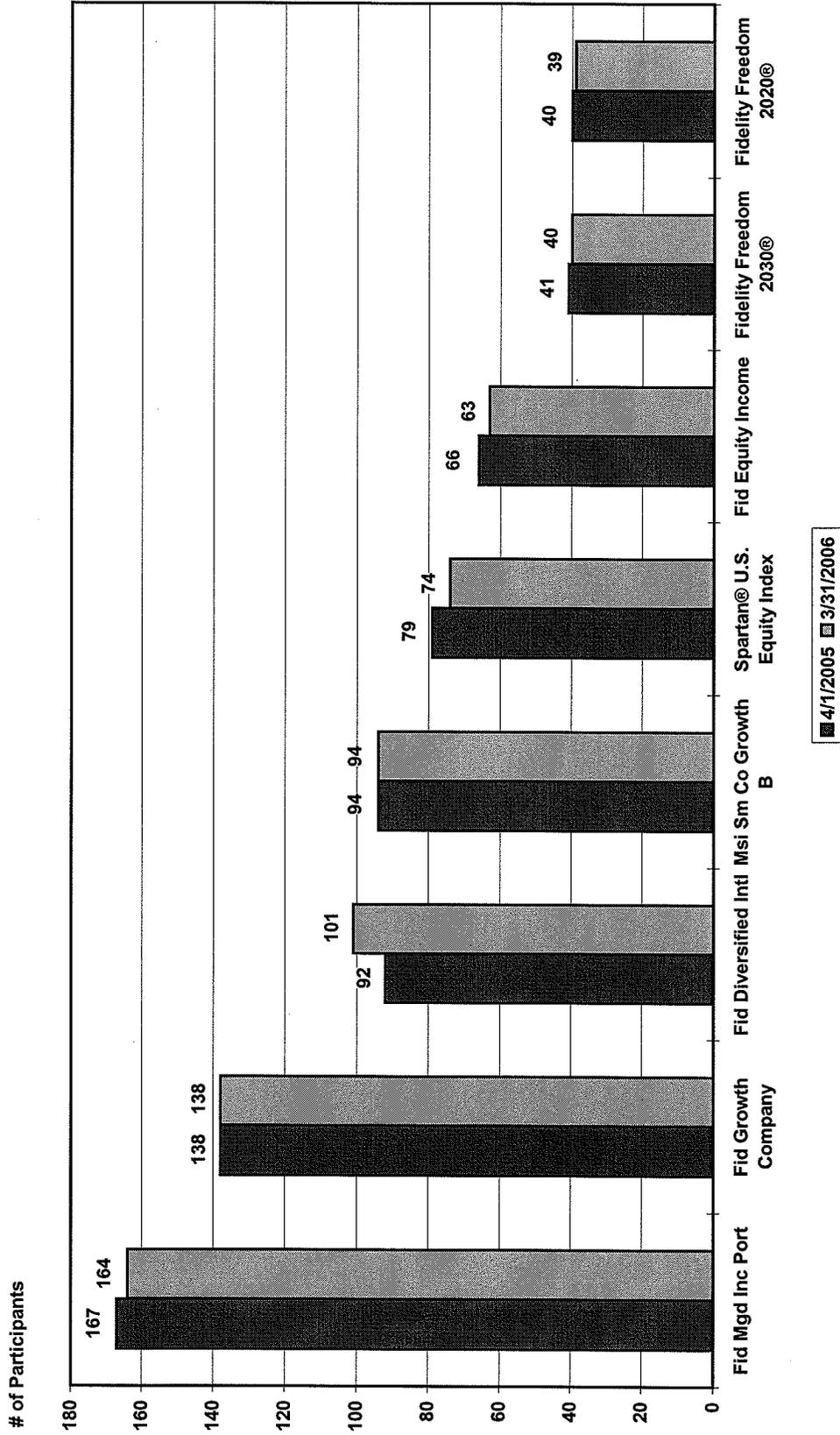
# Average Balance by Age

as of 3/31/2006



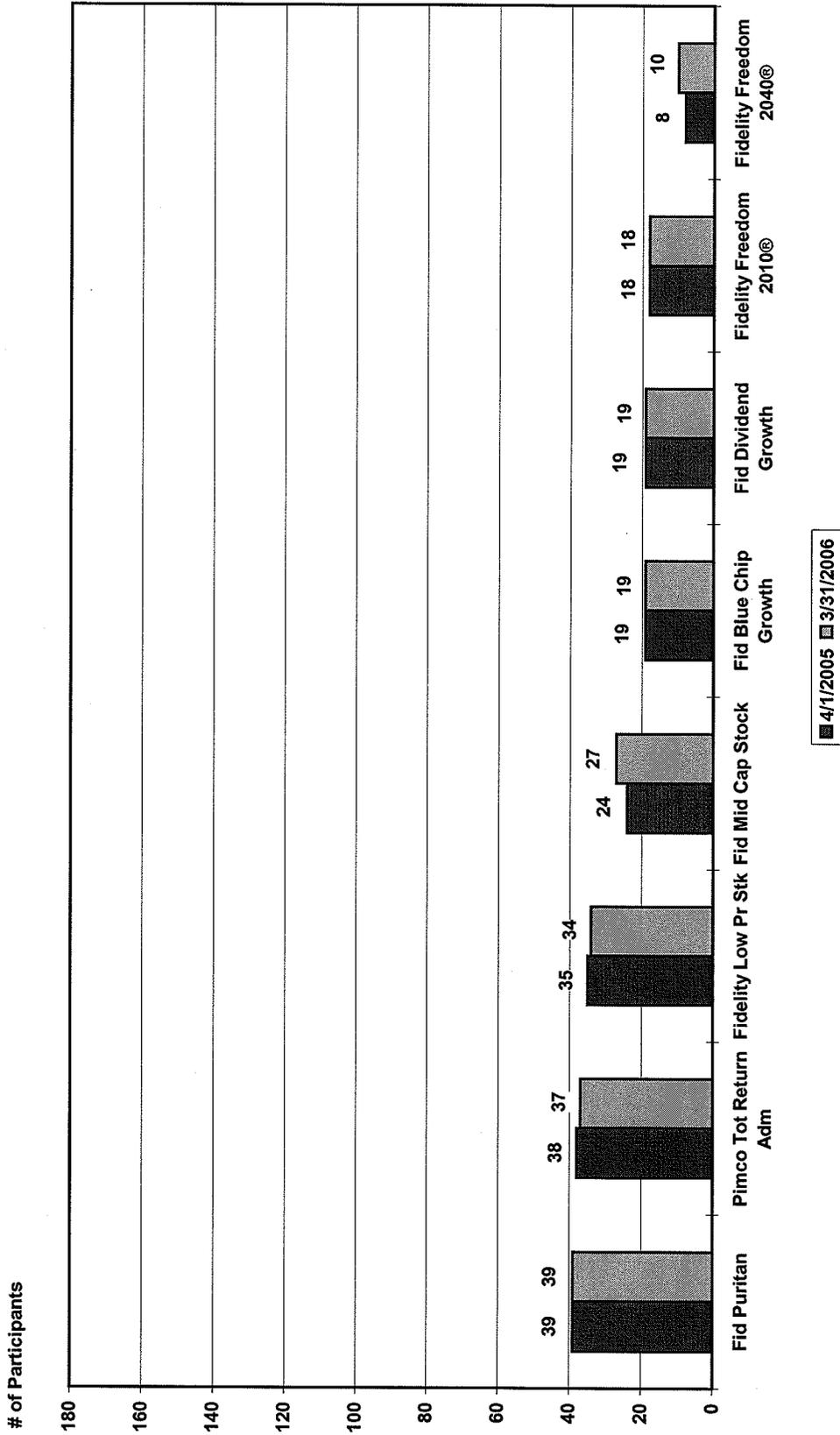
NOTE: The 'No birth date on record' category includes participants with unknown birth dates and any plan level accounts, such as the forfeiture account.

# Participants with a Balance by Fund



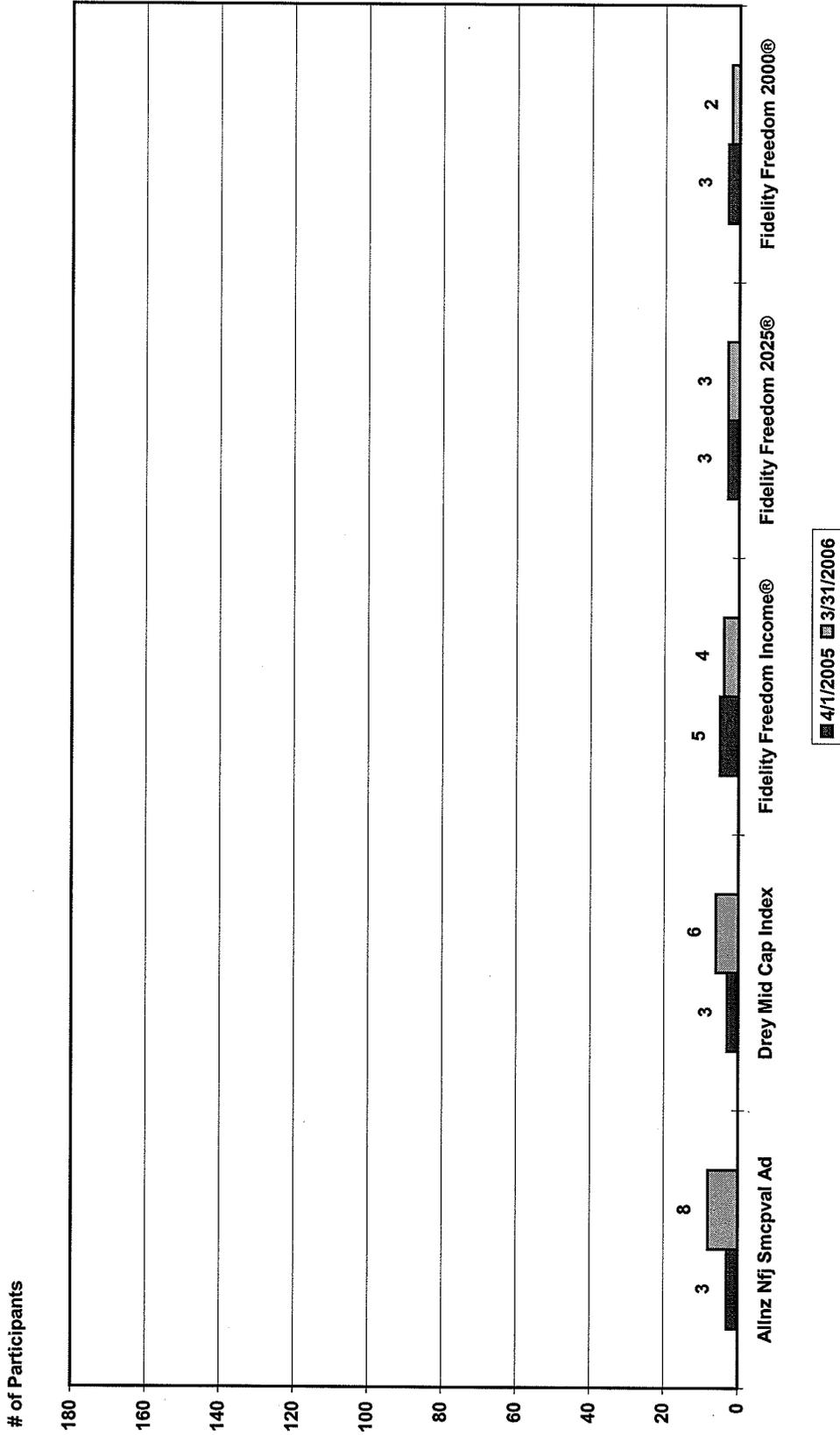
# Participants with a Balance by Fund

(Continued)



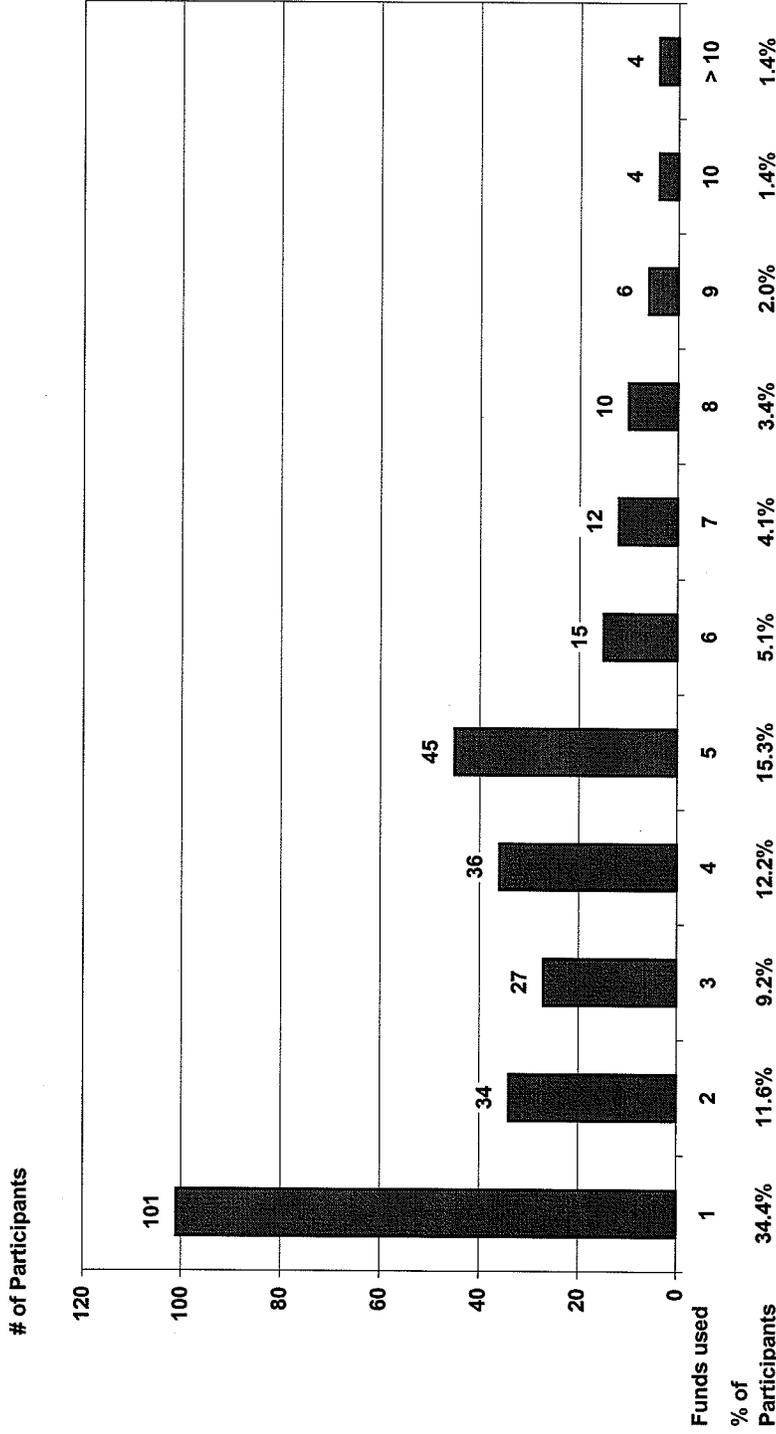
# Participants with a Balance by Fund

(Continued)



# Number of Funds per Participant

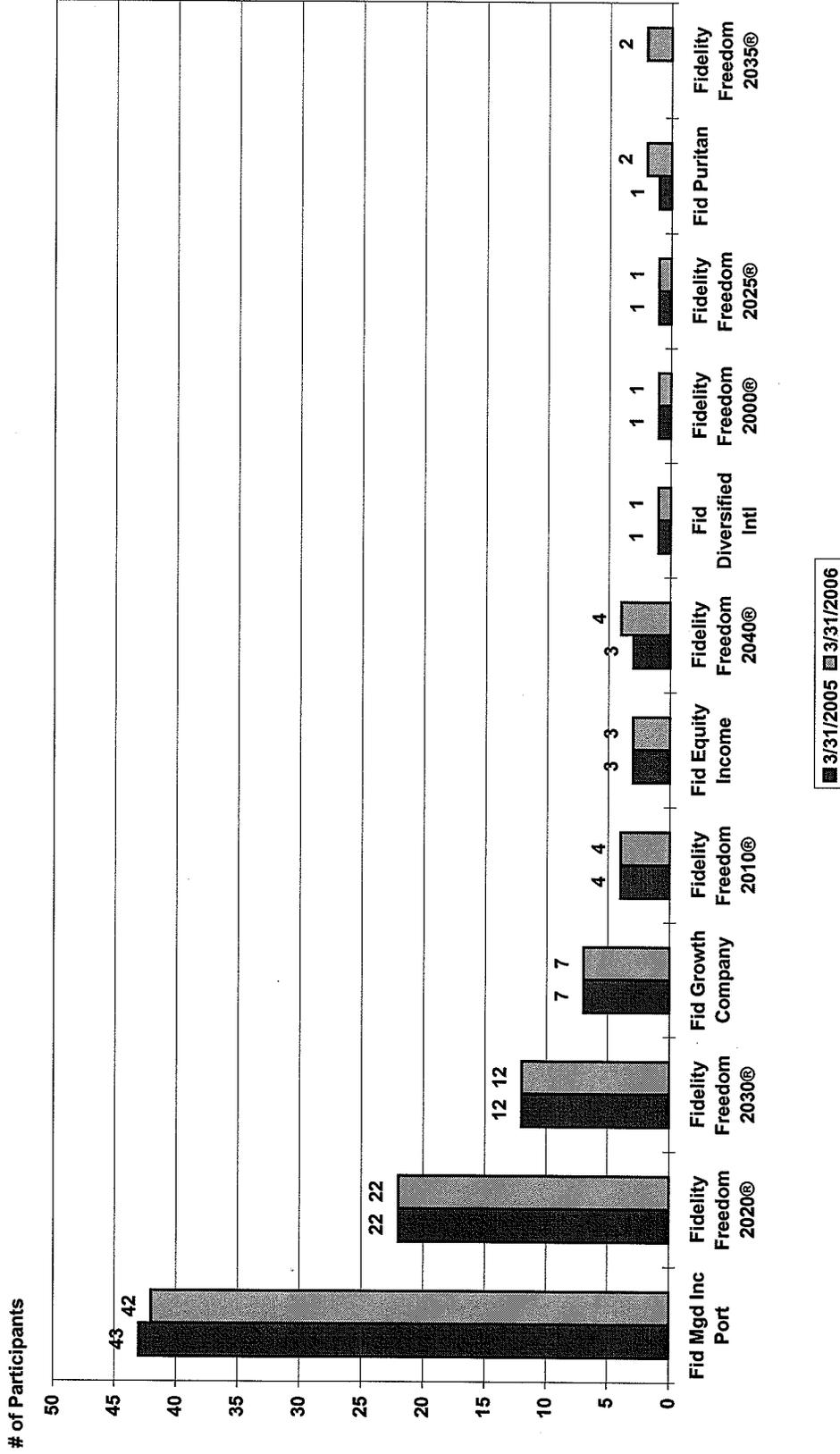
as of 3/31/2006



Average Investment options used in this plan:  
3.4

- AVG. FITSCO PUBLIC SECTOR offers 57.6 funds.
- An AVG. FITSCO PUBLIC SECTOR participant uses 3.1 funds.

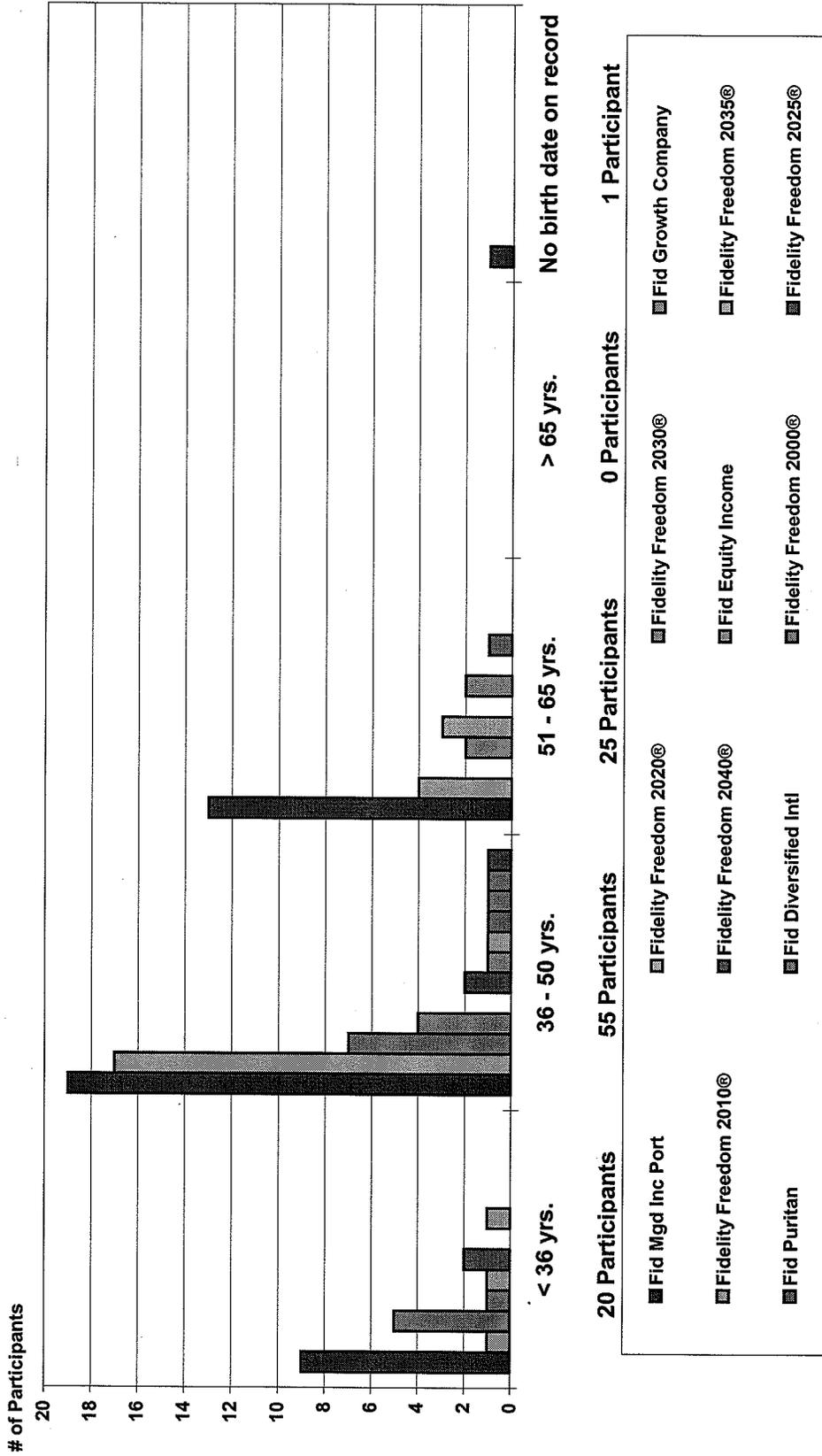
# Single Fund Balances



The values in this chart represent the number of participants whose balances are invested 100% in the indicated fund.

# Single Fund Balances by Age

as of 3/31/2006

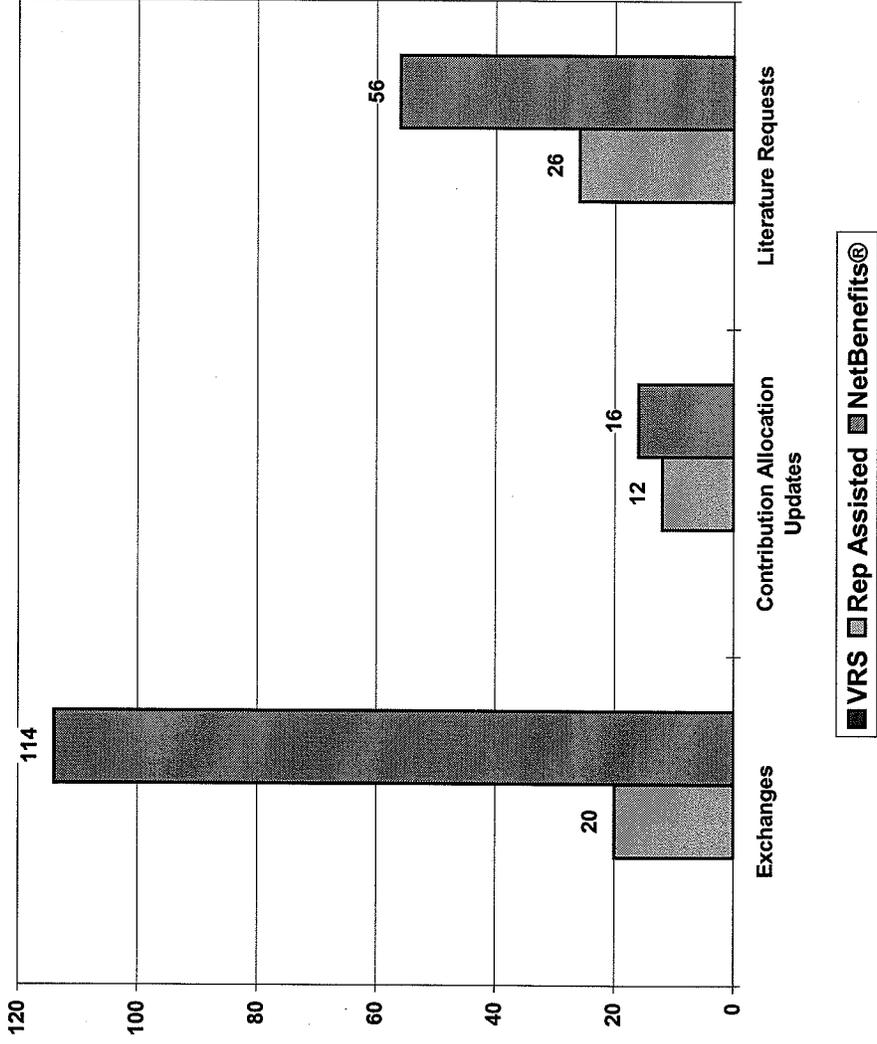


NOTE: The values in this chart represent the number of participants whose balances are invested 100% in the indicated fund. The 'No birth date on record' category includes participants with unknown birth dates and any plan level accounts, such as the forfeiture account.

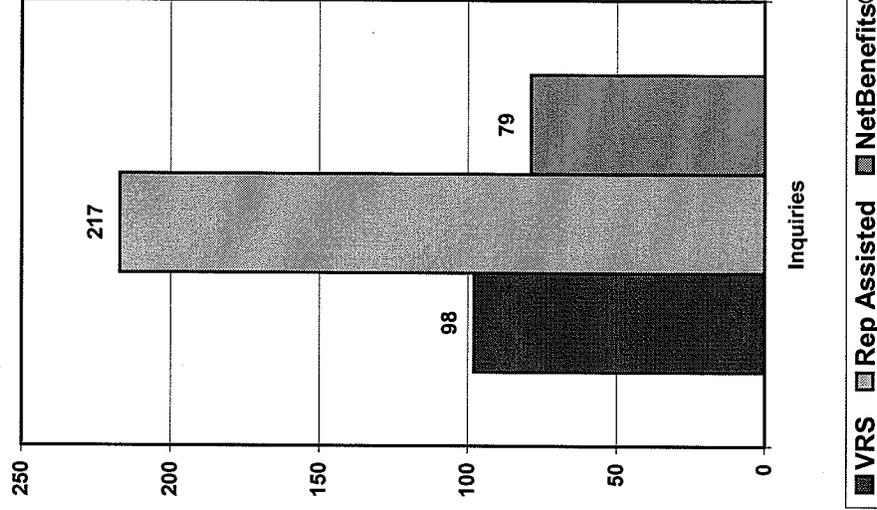
# Participant Account Activity by Type

4/1/2005 - 3/31/2006

Update Transactions



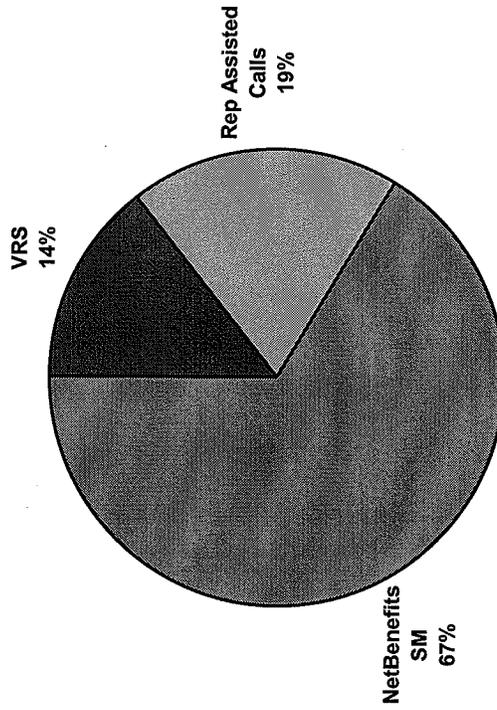
Inquiry Only



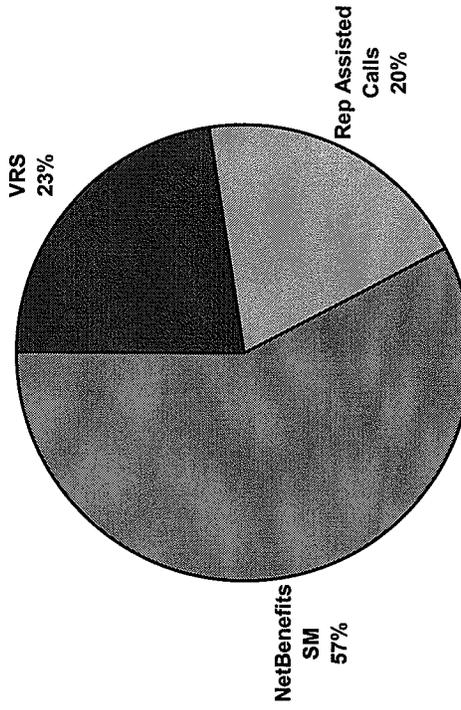
# Account Access Comparison

4/1/2005 - 3/31/2006

**NORTH DAKOTA PUBLIC EMPLOYEES'  
DEFINED CONTRIBUTION PLAN  
RETIREMENT BD OF PUBLIC EE**

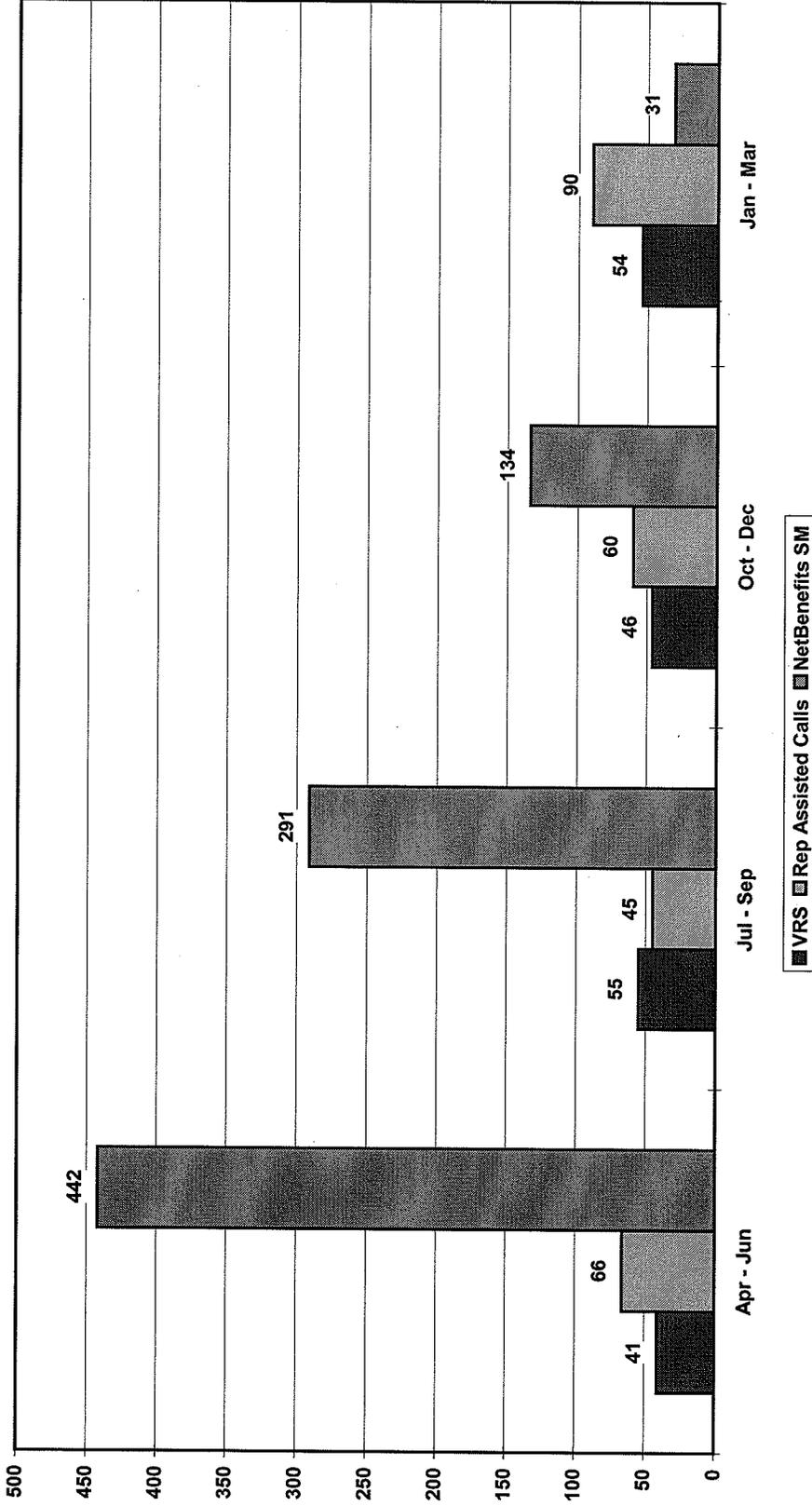


**AVG. FITSCO PUBLIC SECTOR**



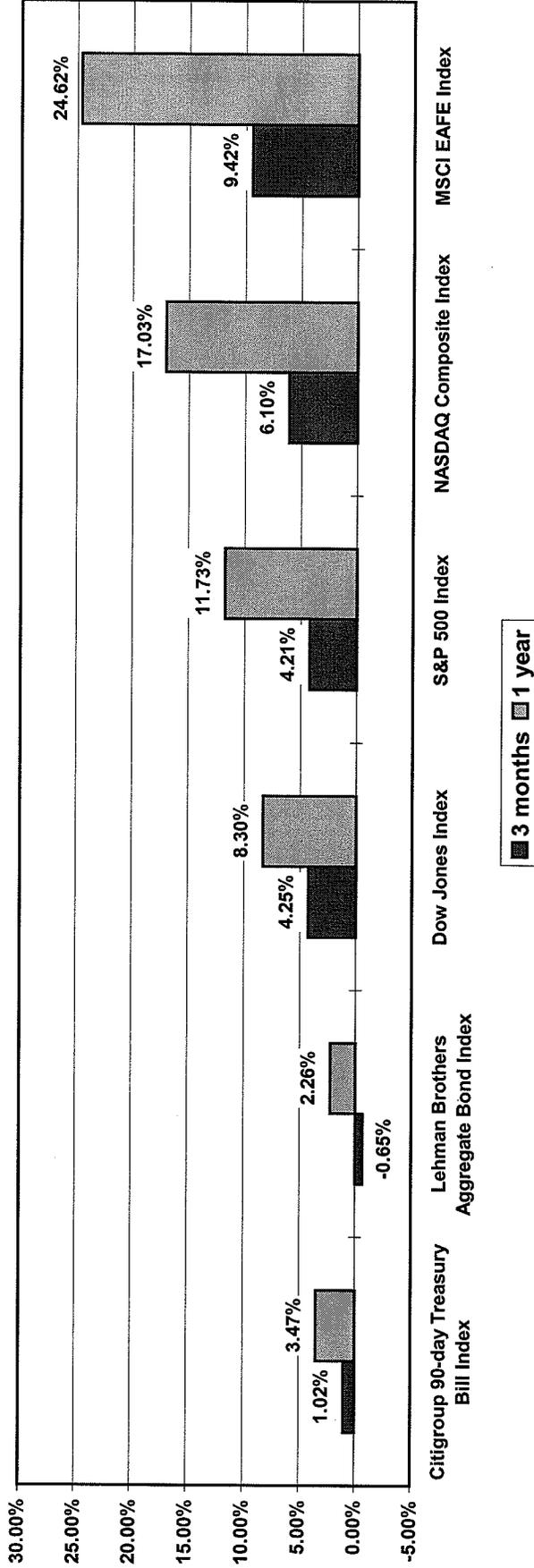
# Participant Access Volumes

4/1/2005 - 3/31/2006



# Major Market Indices

Cumulative Total Return %  
Period Ending 3/31/2006



Past performance is no guarantee of future results.

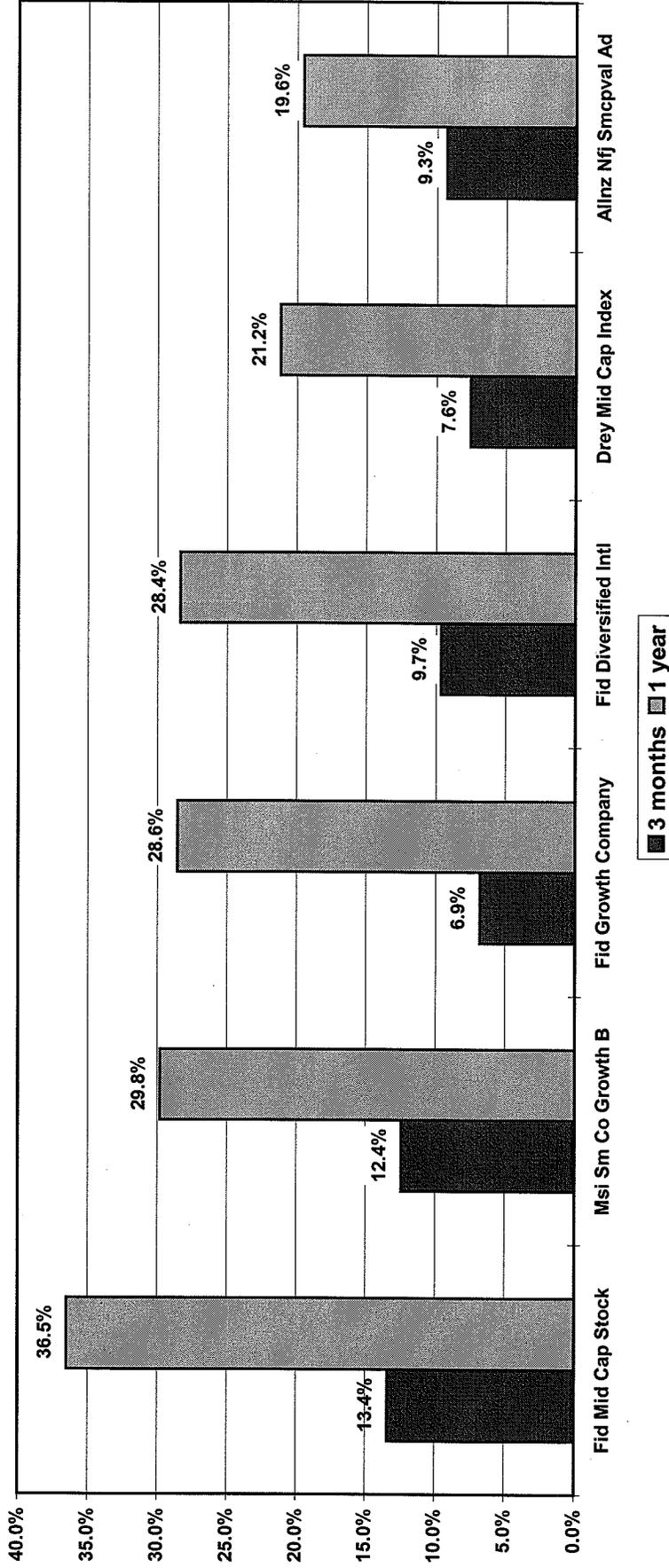
\*The Citigroup 90-day Treasury Bill Index represents the average of T-Bill rates for each of the prior three months, adjusted to bond equivalent yield basis.

\*The Lehman Brothers Aggregate Bond Index is an unmanaged market value-weighted index for investment-grade fixed-rate debt issues, including government, corpo rate, asset-backed, and mortgage-backed securities with maturities of at least one year. \* The Dow Jones Industrial Average (Dow Jones) is an unmanaged index of common stocks of the 30 major industrial companies and assumes reinvestment of dividends.

\*The S&P 500 is a registered service mark of the McGraw-Hill Companies, Inc., and has been licensed for use by Fidelity Distributors Corporation and its affiliates. It is a widely recognized, unmanaged index of 500 U.S. common stocks. \* The NASDAQ Composite Index (NASDAQ), is an unmanaged index of over-the counter stock prices, does not assume reinvestment of dividends. \* The MSCI EAFE Index (Morgan Stanley Capital International Europe, Australasia, and Far East, Index) is an unmanaged index and includes the reinvestment of dividends. It is designed to represent the performance of developed stock markets outside the United States and Canada. The MSCI EAFE Index is a registered service mark of Morgan Stanley and has been licensed for use by FMR Corp.

# Individual Fund Performance

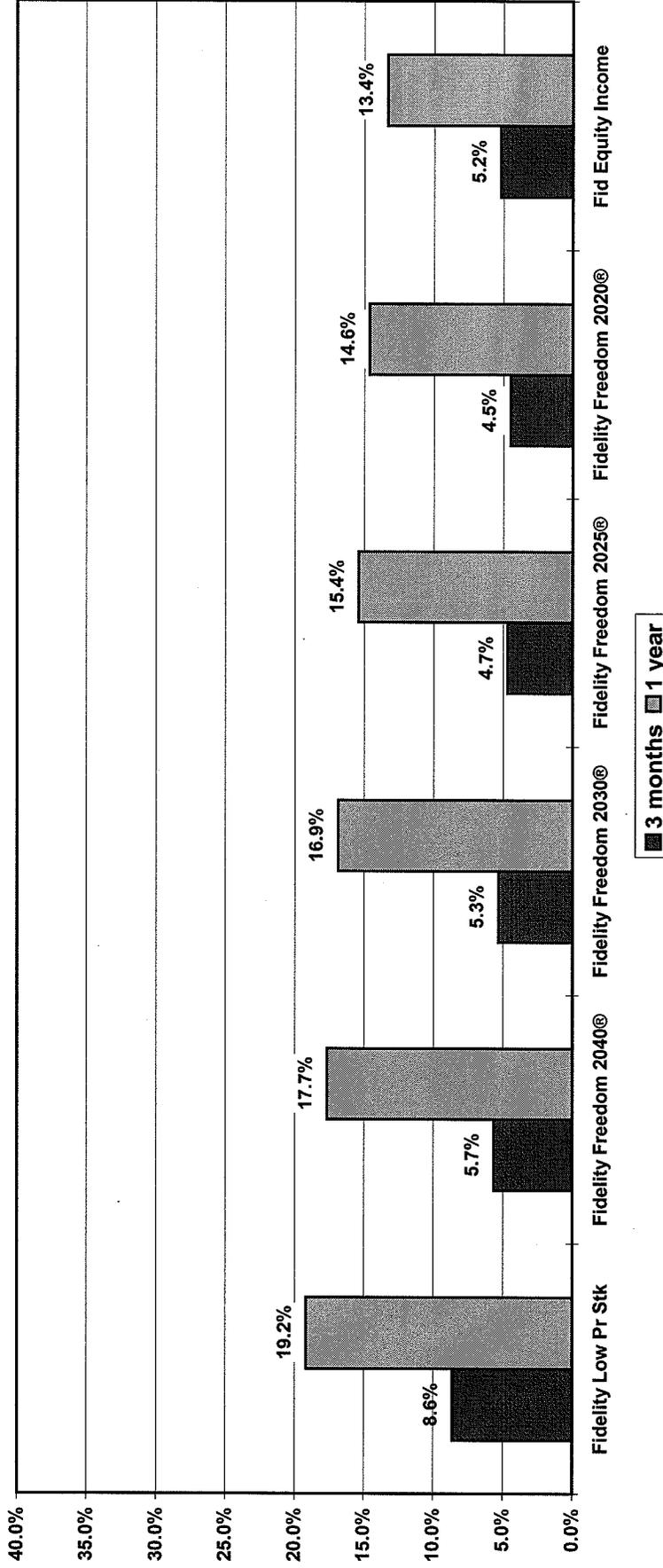
Cumulative Total Return %  
Period Ending 3/31/2006



Past performance is no guarantee of future results.

# Individual Fund Performance

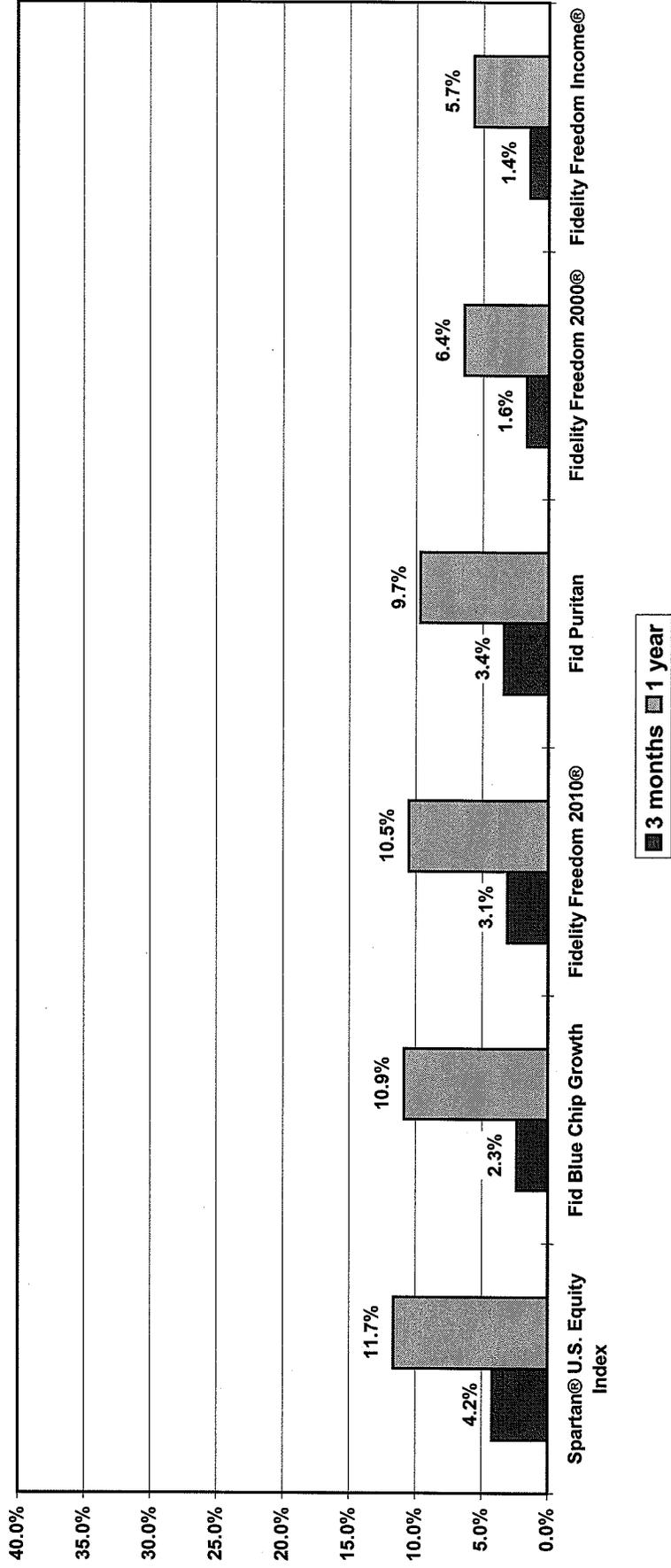
(Continued)  
 Cumulative Total Return %  
 Period Ending 3/31/2006



Past performance is no guarantee of future results.

# Individual Fund Performance

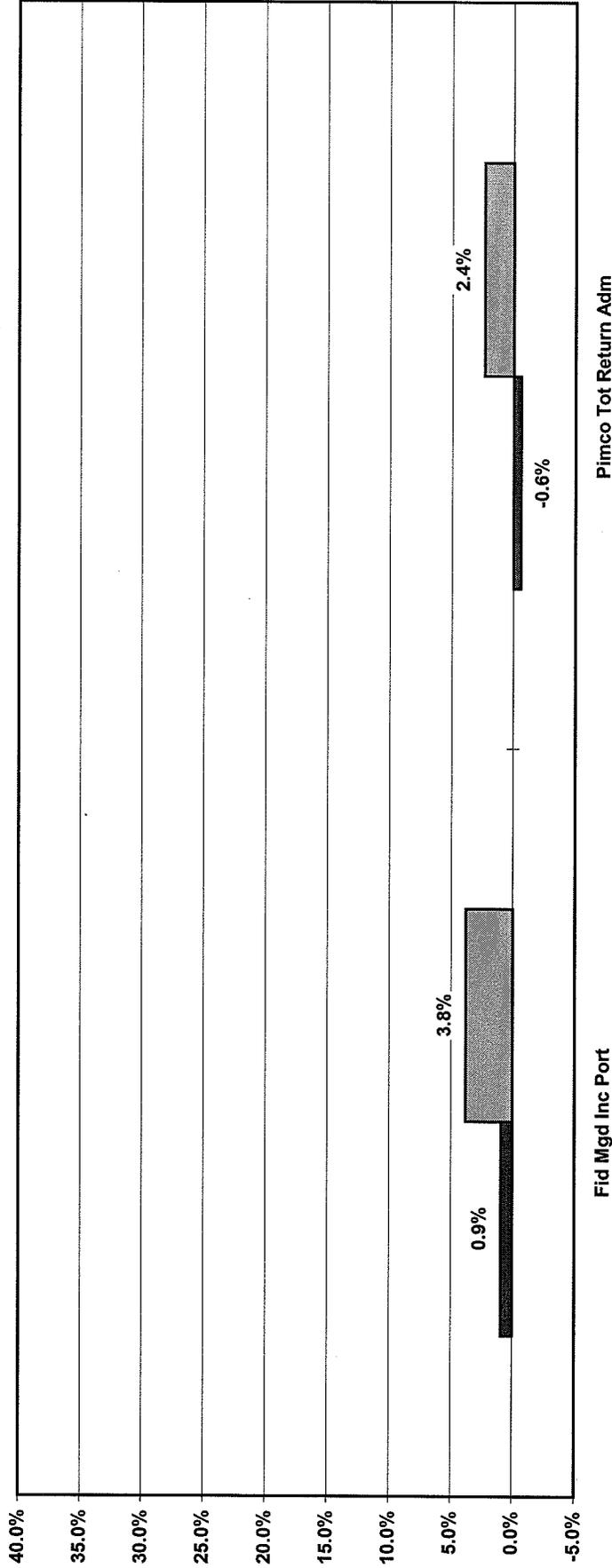
(Continued)  
 Cumulative Total Return %  
 Period Ending 3/31/2006



Past performance is no guarantee of future results.

# Individual Fund Performance

(Continued)  
 Cumulative Total Return %  
 Period Ending 3/31/2006



Past performance is no guarantee of future results.

# Comparative Historical Performance

Average Annual Total Return %  
Period Ending 3/31/2006

Fund Benchmark(s)

	1 Year	5 Years	10 Years	Inception Date*	Short Term Trading Fee	Expense Ratio
<b>Fid Mgd Inc Port</b>	<b>3.8%</b>	<b>4.5%</b>	<b>5.2%</b>			
<b>Fid Growth Company</b>	<b>28.6%</b>	<b>5.4%</b>	<b>10.4%</b>			<b>0.96</b>
Lipper Multi-Cap Growth Funds Average	20.4%	3.7%	7.8%			
Russell 3000 Growth Index	14.4%	2.2%	6.4%			
<b>Fidelity Freedom 2020®</b>	<b>14.6%</b>	<b>6.1%</b>	<b>8.9%</b>	* 10/17/1996		<b>0.75</b>
Lipper Multi-Cap Core Funds Average	14.6%	5.0%	8.8%			
S&P 500 Index	11.7%	4.0%	9.0%			
<b>Fid Diversified Intl</b>	<b>28.4%</b>	<b>14.4%</b>	<b>13.4%</b>		29 Days / 1.0%	<b>1.1</b>
Lipper International Funds Average	26.3%	9.1%	7.5%			
MSCI EAFE Index	24.6%	9.9%	6.7%			
<b>Fidelity Freedom 2030®</b>	<b>16.9%</b>	<b>6.1%</b>	<b>8.8%</b>	* 10/17/1996		<b>0.77</b>
Lipper Multi-Cap Core Funds Average	14.6%	5.0%	8.8%			
S&P 500 Index	11.7%	4.0%	9.0%			
<b>Fid Equity Income</b>	<b>13.4%</b>	<b>6.1%</b>	<b>9.4%</b>			<b>0.69</b>
Lipper Equity Income Funds Average	11.5%	5.8%	8.7%			
Russell 3000 Value Index	14.2%	8.4%	11.2%			
<b>Spartan® U.S. Equity Index</b>	<b>11.7%</b>	<b>3.8%</b>	<b>8.8%</b>			<b>0.1</b>
Lipper S&P 500 Funds Average	11.1%	3.4%	8.5%			
S&P 500 Index	11.7%	4.0%	9.0%			

*Mutual fund performance changes over time and currently may be significantly lower than stated. Most recent average annual return data is published online each month end. Please visit PSW<sup>SM</sup> or call Fidelity for these most recent performance figures. Periods of market strength may not be repeated.*

*The performance data quoted represents past performance, which is no guarantee of future results. Share price, yield and return will vary and you may have a gain or loss when you sell your shares.*

*An investment in a money market fund is not insured or guaranteed by the FDIC or any other government agency. Although money market funds seek to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in these funds.*

The current yield reflects the current earnings of the fund, while the total return refers to a specific past holding period. Please see Footnote pages for important legal information.

\*Return reflects life of fund from inception date shown.

# Comparative Historical Performance

(Continued)

Average Annual Total Return %  
Period Ending 3/31/2006

Fund Benchmark(s)

	1 Year	5 Years	10 Years	Inception Date*	Short Term Trading Fee	Expense Ratio
<b>Msi Sm Co Growth B</b>	<b>29.8%</b>	<b>13.3%</b>	<b>14.3%</b>		30 Days / 2.0%	1.35
Lipper Mid-Cap Growth Funds Average	23.7%	6.5%	8.5%			
Russell 2000 Growth Index	27.8%	8.6%	5.5%			
<b>Fidelity Freedom 2010®</b>	<b>10.5%</b>	<b>5.5%</b>	<b>8.4%</b>	* 10/17/1996		0.69
Lipper Balanced Funds Average	9.5%	4.4%	7.1%			
S&P 500 Index	11.7%	4.0%	9.0%			
<b>Pimco Tot Return Adm</b>	<b>2.4%</b>	<b>5.7%</b>	<b>6.8%</b>		7 Days / 2.0%	0.68
Lipper Intermediate Investment Grade Debt Avg	1.9%	4.5%	5.6%			
Lehman Brothers Aggregate Bond Index	2.3%	5.1%	6.3%			
<b>Fid Puritan</b>	<b>9.7%</b>	<b>6.4%</b>	<b>8.7%</b>			0.63
<b>Fidelity Low Pr Stk</b>	<b>19.2%</b>	<b>18.4%</b>	<b>16.5%</b>		89 Days / 1.5%	0.95
Lipper Small-Cap Value Funds Average	19.9%	15.7%	13.2%			
Russell 2000 Index	25.9%	12.6%	10.2%			
<b>Allinz Nfj Smcpval Ad</b>	<b>19.6%</b>	<b>17.6%</b>	<b>14.7%</b>			1.11
<b>Fidelity Freedom 2040®</b>	<b>17.7%</b>	<b>6.1%</b>	<b>0.5%</b>	* 9/6/2000		0.79
Lipper Multi-Cap Core Funds Average	14.6%	5.0%	8.8%			
S&P 500 Index	11.7%	4.0%	9.0%			
<b>Fid Mid Cap Stock</b>	<b>36.5%</b>	<b>6.1%</b>	<b>13.8%</b>		29 Days / 0.75%	0.7
Lipper Multi-Cap Core Funds Average	14.6%	5.0%	8.8%			
S&P Midcap 400 Index	21.6%	12.8%	14.5%			
<b>Drey Mid Cap Index</b>	<b>21.2%</b>	<b>12.2%</b>	<b>13.9%</b>			0.5

The current yield reflects the current earnings of the fund, while the total return refers to a specific past holding period.

\*Return reflects life of fund from inception date shown.

# Comparative Historical Performance

(Continued)

Average Annual Total Return %  
Period Ending 3/31/2006

Fund Benchmark(s)

	1 Year	5 Years	10 Years	Inception Date*	Short Term Trading Fee	Expense Ratio
<b>Fid Dividend Growth</b>	<b>13.2%</b>	<b>3.4%</b>	<b>10.7%</b>			0.68
Lipper Large- Cap Core Funds Average	11.6%	2.6%	7.3%			
S&P 500 Index	11.7%	4.0%	9.0%			
<b>Fidelity Freedom 2000®</b>	<b>6.4%</b>	<b>4.1%</b>	<b>6.9%</b>	* 10/17/1996		0.58
Lipper Income Funds Avg	7.0%	5.1%	6.5%			
S&P 500 Index	11.7%	4.0%	9.0%			
<b>Fid Blue Chip Growth</b>	<b>10.9%</b>	<b>1.1%</b>	<b>6.6%</b>			0.66
Lipper Large Cap Growth Fund Avg	14.2%	0.9%	6.5%			
S&P 500 Index	11.7%	4.0%	9.0%			
<b>Fidelity Freedom 2025®</b>	<b>15.4%</b>	<b>N/A</b>	<b>11.5%</b>	* 11/6/2003		0.75
<b>Fidelity Freedom Income®</b>	<b>5.7%</b>	<b>4.0%</b>	<b>5.8%</b>	* 10/17/1996		0.56
Lipper Income Funds Avg	7.0%	5.1%	6.5%			
Lehman Brothers Aggregate Bond Index	2.3%	5.1%	6.3%			

The current yield reflects the current earnings of the fund, while the total return refers to a specific past holding period.

\*Return reflects life of fund from inception date shown.



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

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

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FAX: (701) 328-3920 • EMAIL: [NDPERS@state.nd.us](mailto:NDPERS@state.nd.us) • [discovernd.com/NDPERS](http://discovernd.com/NDPERS)

# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** June 21, 2006  
**SUBJECT:** PERS Board Meeting Schedule

As we look to our work in August we have several major decisions to make. The first is to decide who should be awarded the Dental/LTC bids. Secondly, we need to review the health plan renewal and decide what premiums to propose to the Governor. Both of these efforts need to be completed in September. Based upon this effort, I am proposing that we have 3 meetings in August:

August 17	This is our regular Board meeting. We would review the Dental/LTC bids and determine which companies we would like to interview. (Morning meeting – 2 to 3 hours)
August 24	This meeting would be to review the health plan renewal from BCBS. (Morning meeting – 2 hours)
August 29	This meeting would to interview those companies selected on August 17 for the Dental/LTC programs. (Depending on the number of firms selected for interview, this meeting could go 3 to 6 hours)

Please review your schedules to see if the above dates will work.

## **Board Action Requested**

To determine the Board meeting schedule.



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

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

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FAX: (701) 328-3920 • EMAIL: [NDPERS@state.nd.us](mailto:NDPERS@state.nd.us) • [discovernd.com/NDPERS](http://discovernd.com/NDPERS)

# Memorandum

**TO:** PERS Board

**FROM:** Ron Gilliam

**DATE:** June 21, 2006

**SUBJECT:** Information Technology Strategic Plan

We are in the process of putting together our Information Technology Strategic Plan for the 2007-2009 biennium. We are required to submit our plan to the Information Technology Department by July 15, 2006.

In early May, we surveyed staff to determine potential IT projects that will assist PERS in achieving its business objectives. The list of the projects we identified (primarily proposed legislation) is enclosed. The list will be prioritized and timeframes for completing the projects will be established.

We would like to gather input from the Board on any IT projects you feel should be added to the list of projects that we will be considering for the IT Plan.

I will be available at the Board meeting to answer any questions you may have on the IT Plan.

Enclosure

**NDPERS IT STRATEGIC PLAN  
PROPOSED PROJECTS  
2007-2009 BIENNIUM**

	<b>Project</b>	<b>IT Contact</b>	<b>Staff Contact</b>
1	Proposed Legislation – Increase Percentage on Supplemental Retirement Benefit (13 <sup>th</sup> Check); 2% Benefit Increase for Judge Retirees; New Benefit Option for members who work beyond normal retirement age; Automatic Enrollment into Deferred Compensation 457 Plan for new employees; Prescription Drug Coverage; Increase Basic Life Insurance to \$5,000; Increase Retiree Health Credit from \$4.50 to \$5.00; Increase Contribution Rate for all plans; Effective 8/1/2009, Increase Annuitant checks by 2%; Participation by employees of the State Board for Career and Technical Education in the Public Employees Retirement System; Participation in Group Health Plan by National Guard members; Participation in Group Health Plan by Non-Profit Organizations; Participation in Group Health Plan by Private Sector Employees;	IT Staff	PERS Staff
2	Ongoing maintenance (data processing, telephone, micrographics)	IT Staff	IT Staff
3	Benefits System Replacement	IT Staff	PERS Staff

To navigate to the PERS Board Reference Site, do the following:

- Open your web browser to <http://www.nd.gov/ndpers>.
- Click the NDPERS Logo in the upper-left corner of the Home Page.

Home Page for NDPERS - North Dakota Public Employees Retirement System - Windows Internet Explorer

nd.gov Official Portal for North Dakota State Government

North Dakota nd.gov Official Portal for North Dakota State Government

Welcome to the North Dakota Public Employees Retirement System (NDPERS) on the Web

**Proposed Legislation**

**EPO Open Enrollment**  
May 22 through June 23, 2006  
Coverage effective July 1, 2006

**Retiree Conference**  
August 14-16, 2006  
Medora Community Center  
Medora, ND

**Spring Cleaning!**

**FlexComp Reimbursement Voucher**  
Notice of Change  
Group Health Application  
More Forms & Publications...

**NDPERS Medicare Rx (Part D)**

**Pre-Retirement Education**

Next NDPERS Board Meeting: June 29, 2006  
[Proposed Board Meeting Schedule](#) [Board Meeting Minutes](#)

Suggestions regarding our web site? [Tell us!](#)

Documents on this website require Adobe Acrobat Reader® for viewing/printing. The reader is available as a [free download](#) from Adobe. In addition, you may wish to consult our [pdf help page](#) for instructions on printing or saving an Adobe Acrobat (.pdf) document.

[Home] [News] [About NDPERS] [Contact Us] [Temporary/Part-Time Employees] [Active Members] [Retirees] [Employers]

# The PERS Board Reference Site

North Dakota Public Employees Retirement System - About NDPERS - Windows Internet Explorer

nd.gov http://www.state.nd.us/ndpers/about-ndpers/board-reference/index.html

North Dakota nd.gov Official Portal for North Dakota State Government

## North Dakota Public Employees Retirement System

About NDPERS

Sparb Collins  
Executive Director

**General Information**

- Home
- NDPERS News
- About NDPERS
- Contact NDPERS
- Forms & Publications

**Member Services**

- Active Members
- Temporary/Part-Time Employees
- Retirees

**Employer Services**

- Program Administration
- Program Enrollment

**Consultant/Provider Services**

- Deferred Comp Providers
- Request for Proposals

**Online Services**

- Logon
- Register for Logon ID
- Online Services FAQ
- Secure File Transfer (logon required)

**Other Information**

- Links
- Search
- Site Map

**Insurance Notices**

- NDPERS Privacy Policy
- ING Dental Privacy Policy
- Prescription Drug Credible Coverage

### PERS Board Reference Site

North Dakota Century Code Statutes		North Dakota Administrative Code Statutes	
<a href="#">54-52</a>	Public Employees Retirement System	<a href="#">71-01</a>	General Administration
<a href="#">54-52.1</a>	Uniform Group Insurance Program	<a href="#">71-02</a>	Public Employees Retirement System
<a href="#">54-52.2</a>	Deferred Compensation Plan	<a href="#">71-03</a>	Uniform Group Insurance Program
<a href="#">54-52.3</a>	Pretax Benefits Program	<a href="#">71-04</a>	Deferred Compensation Plan
<a href="#">54-52.6</a>	Defined Contribution Plan	<a href="#">71-05</a>	Highway Patrol Retirement Plan
<a href="#">39-03.1</a>	Highway Patrol Retirement Plan	<a href="#">71-06</a>	Retiree Health Insurance Credit
<a href="#">52-11-01</a>	Job Service Retirement Plan	<a href="#">71-07</a>	Pretax Benefits Program
		<a href="#">71-08</a>	Defined Contribution Plan

Plan Documents	PERS Board Material	Legislative Employee Benefits Programs Committee
<a href="#">PERS Plan</a>	<a href="#">Board Member Contact Information*</a>	<a href="#">Committee Members</a>
<a href="#">Judges Plan</a>	<a href="#">PERS Office Organization Chart*</a>	<a href="#">Assigned Responsibilities</a>
<a href="#">National Guard Plan</a>	<a href="#">Meeting Schedule</a>	<a href="#">Meeting Minutes &amp; Agenda</a>
<a href="#">Highway Patrol Plan</a>	<a href="#">Meeting Minutes</a>	<a href="#">Memorandums</a>
<a href="#">Law Enforcement Plan</a>	<a href="#">Ethics Policy</a>	<a href="#">Bill Drafts</a>
<a href="#">Defined Contribution Plan</a>	<a href="#">Division of Responsibilities</a>	<b>Other Information</b>
<a href="#">Deferred Compensation Plan</a>	<a href="#">Board Committees</a>	<a href="#">NDPERS Employer Guide</a>
<a href="#">Group Health Plan</a>		<a href="#">Annual Report</a>
<a href="#">Group Life Plan</a>		<a href="#">NDPERS Staff</a>
<a href="#">Group Dental Plan</a>		
<a href="#">Group Vision Plan</a>		
<a href="#">Long Term Care Plan</a>		
<a href="#">Employee Assistance Program</a>		
<a href="#">Flex Comp Plan</a>		
<a href="#">Retiree Health Credit Program</a>		

Retirement and Investment Office	PERS Investment Options
<a href="#">Performance Reports</a>	<a href="#">Defined Contribution Plan Investment Options Book</a>

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# Memorandum

**TO:** NDPERS Board

**FROM:** Jamie Kinsella, Internal Auditor

**DATE:** June 20, 2006

**SUBJECT:** **Audit Committee Charter Revision**

During the May Audit Committee meeting the Audit Committee discussed having a third member added to the Audit Committee, with this member being from outside the organization. Before we can consider doing this a revision will need to be made to the Audit Committee Charter.

Attached is the revised Audit Committee Charter for your review. The Audit Committee members will be available to answer any questions you may have.

## INTERNAL AUDIT POLICY

PUBLIC EMPLOYEES RETIREMENT SYSTEM INTERNAL AUDIT POLICY	Policy No. 101
	Effective Date: 8/26/93
	Revised: 6/29/06
Subject: Audit Committee Charter	Page 1 of 5

### **PURPOSE**

The audit committee is appointed by the board of directors of the agency to assist the board of directors in fulfilling its fiduciary oversight responsibilities for the (1) financial reporting process, (2) the system of risk management, (3) the system of internal controls, (4) the performance of the agency's internal audit process, (5) the external audit of the financial statements, (6) the engagements with other external audit firms, (7) the organization's processes for monitoring compliance with laws, regulations and the ethics policy, code of conduct and fraud policy, (8) the special investigations and whistleblower mechanism, and (9) the audit committee management and reporting responsibilities.

### **STRUCTURE**

The audit committee will consist of two to five members with the majority of the members selected from the Board of Directors, and one may be selected from outside the organization. The Board or its nominating committee will appoint committee members and the committee chair. The Board should attempt to appoint committee members who are knowledgeable and experienced in financial matters, including the review of financial statements.

### **MEETINGS**

The audit committee will meet as often as it determines is appropriate, but not less frequently than quarterly. All committee members are expected to attend each meeting, in person or via tele- or video-conference. The committee periodically will hold individual meetings with management, the internal auditor and the external auditor. The audit committee may invite any officer or employee of the agency, the external auditor, the agency's outside counsel, or others to attend meetings and provide pertinent information. Meeting agendas will be prepared by the Chief Audit Executive and provided in advance to members, along with appropriate briefing materials. Minutes will be kept by a member of the audit committee or a person designated by the audit committee.

### **AUTHORITY**

The audit committee has authority to conduct or authorize examinations into any matters within its scope of responsibility for the following functions:

- 1) Financial Reporting,
- 2) System of Risk Management,
- 3) System of Internal Control,
- 4) Internal Audit,
- 5) External Audit of the Financial Statements,
- 6) Engagements with Other External Audit Firms,
- 7) Monitoring Compliance with Laws and Regulations and the Ethics Policy, Code of Conduct and Fraud Policy,
- 8) Special Investigations and Whistleblower Process, and
- 9) Audit Committee Management and Reporting Responsibilities

## RESPONSIBILITIES

The audit committee will carry out the following responsibilities:

### 1) Financial Reporting:

- a. Obtain information and/or training to enhance the committee members' expertise in financial reporting standards and processes so that the committee may adequately oversee financial reporting.
- b. Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- c. Review with management, the external auditors, and the internal auditors the results of the audit, including any difficulties encountered.
- d. Review all significant adjustments proposed by the external financial statement auditor and by the internal auditor.
- e. Review all significant suggestions for improved financial reporting made by the external financial statement auditor and by the internal auditor.
- f. Review with the General Counsel the status of legal matters that may have an effect on the financial statements.
- g. Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- h. Review with management the external auditors all matters required to be communicated to the committee under generally accepted auditing *Standards*.
- i. Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.
- j. Review the statement of management responsibility for and the assessment of the effectiveness of the internal control structure and procedures of the organization for financial reporting. Review the attestation on this management assertion by the financial statement auditor as part of the financial statement audit engagement.

### 2) System of Risk Management

- a. Obtain information about, training in and an understanding of risk management in order to acquire the knowledge necessary to adequately oversee the risk management process.
- b. Periodically review that the organization has a comprehensive policy on risk management.
- c. Consider the effectiveness of the organization's risk management system, including risks of information technology systems.
- d. Consider the risks of business relationships with significant vendors and consultants.
- e. Review management's reports on management's self-assessment of risks and the mitigations of these risks.
- f. Understand the scope of internal auditor's and external auditor's review of risk management over financial reporting.
- g. Understand the scope of internal auditor's review of risk management over all other processes, and obtain reports on significant findings and recommendations, together with management's responses.
- h. Understand the scope of any other external auditor's or consultant's review of risk management.
- i. Hire outside experts and consultants in risk management as necessary subject to full board approval.

### 3) System of Internal Control

- a. Obtain information about, training in and an understanding of internal control in order to acquire the knowledge necessary to adequately oversee the internal control process.
- b. Ensure that the organization has a comprehensive policy on internal control and compliance.

- c. Review periodically the policy on ethics, code of conduct and fraud policy.
- d. Consider the effectiveness of the organization's internal control system, including information technology security and control.
- e. Consider any internal controls required because of business relationships with significant vendors and consultants.
- f. Understand the scope of internal auditor's and external auditor's review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
- g. Understand the scope of internal auditor's review of internal control over all other processes, and obtain reports on significant findings and recommendations, together with management's responses.
- h. Review the role of the internal auditor's involvement in the corporate governance process, including corporate governance documentation and training.
- i. Periodically review that contracts with external service providers contain appropriate record-keeping and audit language.

#### **4) Internal Audit**

- a. Obtain the information and training needed to enhance the committee members' understanding of the role of internal audits so that the committee may adequately oversee the internal audit function.
- b. Oversee the selection process for the Chief Audit Executive.
- c. Assure and maintain, through the organizational structure of the organization and by other means, the independence of the internal audit process.
- d. Review any difficulties encountered in the course of audit work, including any restrictions on the scope of activities or access to required information
- e. Review with management and the Chief Audit Executive the charter, objectives, plans, activities, staffing, budget, qualifications, and organizational structure of the internal audit function.
- f. Receive and review all internal audit reports and management letters.
- g. Review the responsiveness and timeliness of management's follow-up activities pertaining to any reported findings and recommendations.
- h. Receive periodic notices of advisory and consulting activities by internal auditors.
- i. Review and concur in the appointment, replacement, or dismissal of the Chief Audit Executive.
- j. Review the performance of the Chief Audit Executive periodically.
- k. Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing*.
- l. On a regular basis, meet separately with the Chief Audit Executive to discuss any matters that the committee or internal audit believes should be discussed privately (subject to open meeting laws).
- m. Designate the Chief Audit Executive as the lead coordinator for handling all matters related to audits, examinations, investigations or inquiries of the State Auditor and other appropriate State or Federal agencies.

#### **5) External Audit of the Financial Statements**

- a. Obtain the information and training needed to enhance the committee members' understanding of the purpose of the financial statements audit and the role of external financial statement auditor so that the committee may adequately oversee the financial statement audit function.
- b. Review the external auditor's proposed audit scope and approach, including coordination of audit effort with internal audit.
- c. Review the performance of the external financial statement audit firm, and review the State Auditor's recommendation for the final approval on the request for proposal for, and the appointment, retention or discharge of the audit firm. Obtain input from the Chief Audit Executive, management and other parties as appropriate.

- d. Review the independence of the external financial statement audit firm by obtaining statements from the auditors on relationships between the audit firm and the organization, including any non-audit services, and discussing these relationships with the audit firm. Obtain from management a listing of all services provided by the external audit firm. Obtain information from the Chief Audit Executive and other sources as necessary.
- e. Review the audited financial statements, associated management letter, attestation on the effectiveness of the internal control structure and procedures for financial reporting, other required auditor communications, and all other auditor reports and communications relating to the financial statements.
- f. Review all other reports and communications made by the external financial statement auditor.
- g. Review the responsiveness and timeliness of management's follow-up activities pertaining to any reported findings and recommendations.
- h. On a regular basis, meet separately with the external financial statement audit firm to discuss any matters that the committee or auditors believe should be discussed privately (subject to open meeting laws).
- i. Provide guidelines and mechanisms so that no member of the audit committee or organization staff shall improperly influence the auditors or the firm engaged to perform audit services.
- j. 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.

#### **6) Engagements with Other External Audit Firms**

- a. Obtain the information and training needed to enhance the committee members' understanding of the role of the other external audit firm(s) so that the committee may adequately oversee their function(s).
- b. Confirm coordination of efficient and effective audit activities between the internal and external auditors.
- c. Review the performance of the other external audit firm(s),
- d. Review the scope all services to be performed by the other external auditor.
- e. Review the reports of the audits and/or agreed-upon-procedures.
- f. Provide a forum for follow up of findings from the audit reports or agreed-upon-procedures.
- g. Meet separately with the other external audit firm(s) on a regular basis to discuss any matters that the committee or staff of the audit firm(s) believes should be discussed
- h. Review a report of all costs of and payments to other external audit firm(s). The listing should separately disclose the costs of any audit, other attest projects, agreed-upon-procedures and any non-audit services provided.

#### **7) Monitoring Compliance**

- a. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- b. Review the findings of any examinations by regulatory agencies, and any auditor observations, including investigations of misconduct and fraud.
- c. Review the process for communicating to all affected parties the ethics policy, code of conduct and fraud policy to organization personnel, and for monitoring compliance therewith.
- d. Obtain regular updates from management and organization legal counsel regarding compliance matters.
- e. Monitor changes and proposed changes in laws, regulations and rules affecting the organization.

**8) Special Investigations and Whistleblower Process**

- a. Institute and oversee special investigations as needed.
- b. Provide an appropriate confidential mechanism for whistleblowers to provide information on potentially fraudulent financial reporting or breaches of internal control to the audit committee.

**9) Audit Committee Management and Reporting Responsibilities**

- a. Regularly report to the Board of Directors about all committee activities, issues, and related recommendations.
- b. Perform other activities related to this charter as requested by the Board of Directors, and report to the Board
- c. Provide an open avenue of communication between internal audit, the external financial statement auditors, other external auditors, management and the Board of Directors.
- d. Review any other reports that the organization issues that relates to audit committee responsibilities.
- e. Confirm annually that all responsibilities outlined in this charter have been carried out. Report annually to the Board, members, retirees and beneficiaries, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.
- f. Review and assess the adequacy of the committee charter periodically, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.

Submitted by: Jamie Kinsella

Approved by: NDPERS Board June 29, 2006

# MEMORANDUM

**TO:** NDPERs Board

**FROM:** Jamie Kinsella, Internal Auditor

**DATE:** May 18, 2006

**SUBJECT:** **February 15, 2006 PERS Audit Committee Minutes**

Attached are the approved minutes from the February 15, 2006 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.state.nd.us/ndpers](http://www.state.nd.us/ndpers).

The next audit committee meeting is scheduled for August 16, 2006, 10:30 a.m., in the NDPERs Conference Room.

# MEMORANDUM

**TO:** NDPERs Board

**FROM:** Jamie Kinsella, Internal Auditor

**DATE:** May 18, 2006

**SUBJECT:** **Audit Committee and Internal Audit Activity for the year 2005**

Recently the Government Finance Officers Association (GFOA) revised their recommended practices guidance for Audit Committees. One of the recommendations is that the Audit Committee should publish a report on its work each year. This written report should indicate how the audit committee discharged its responsibilities.

During 2005 the Board of Directors approved revised copies of the Audit Committee Charter and the Internal Audit Charter. We've designed a way to report the performance of the Audit Committee and the Internal Audit Division to ensure they are meeting their objectives.

Attached are two matrixes that summarize the activity that occurred during the year 2005 for the Audit Committee and the Internal Audit. These matrixes list on the far left side the responsibilities set forth in the charters. In the subsequent columns, we have steps to accomplish the objective, adequate deliverables to meet the objective, when the objective should be met, and the date completed.

These matrixes were presented to the Audit Committee for their review and approval at the May Audit Committee meeting. We are now providing the Board of Directors the matrixes to inform you what the Audit Committee and the Internal Audit Division has accomplished during the past calendar year to meet their objectives as set forth in their respective Charter. These matrixes are considered to be the written report, as recommended by the GFOA. This report will be provided annually in the spring.

Those who attended the meeting are available to answer any questions you may have.

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM  
 Audit Committee Charter Review Matrix  
 For Year Ending December 31, 2005

J. Kinsella  
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Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
1. The audit committee will consist of at least two and no more than three members of the Board of Directors. The Board or its nominating committee will appoint committee members and the committee chair.	The Board of Directors determines who will serve on the audit committee when they are assigning committees.	Indicate in Audit Committee meeting minutes whenever a new member is appointed.	Whenever there is a change in board members.	7/31/04
2. The Board should attempt to appoint committee members who are knowledgeable and experienced in financial matters, including the review of financial statements.	Ascertain that at least one member of the audit committee is knowledgeable and experienced in financial matters, including the review of financial statements.	Indicate in Audit Committee meeting minutes which member of the audit committee is knowledgeable and experienced in financial matters, including the review of financial statements.	Whenever there is a change in board members.	New audit committee (AC) member was appointed in July 2004. It has not been noted in the minutes which member is knowledgeable and experienced in financial matters, including the review of financial statements.
3. The audit committee will meet as often as it determines is appropriate, but not less frequently than quarterly.	Hold meetings at least once each quarter.	Prepare minutes that document decisions made and action steps following meetings and review for approval.  Meeting minutes should be filed with the board of directors.	Quarterly, or more often if necessary, but no later than prior to the next meeting.	Meeting minutes for 1/11/05, 2/16/05, 5/18/05, 8/24/05 and 11/30/05 were prepared and presented for approval at the next quarterly meeting.  These minutes are made available on the NDPERS web site after approval.
4. All committee members are expected to attend each meeting, in person or via tele- or video-conference.	All members are expected to attend each meeting in person, via telephone conference or video conference.  Telephone conference meetings may be held more frequently.	Note in the audit committee meeting minutes the members who were in attendance at the meeting.	Quarterly, or more often if necessary, but no later than prior to the next meeting.	All AC members were in attendance at each quarterly meeting and are noted in the minutes.
5. The committee periodically will hold individual meetings with management, the internal auditor and the external auditor.	Establish these sessions in conjunction with quarterly meetings or as necessary.	Contact appropriate people to arrange time for meetings.	Annually, or more often if necessary.	An individual meeting with the Internal Auditor was held 2/16/05. The AC did not meet individually with the external auditors or management, but the external auditors presented

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM  
 Audit Committee Charter Review Matrix  
 For Year Ending December 31, 2005

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Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
				the audit report to the AC in January 2005.
6. The audit committee may invite any officer or employee of the agency, the external auditor, the agency's outside counsel, or others to attend meetings and provide pertinent information.	Establish these sessions in conjunction with quarterly meetings or as necessary	Contact appropriate people to arrange time for meetings.	Annually, or more often if necessary.	The external auditors were invited to present the audit report to the AC in January 2005 (FY 2004) and December 2005 (FY 2005).
7. Meeting agendas will be prepared by the Chief Audit Executive (CAE) and provided in advance to members, along with appropriate briefing materials.	The agendas for meetings should be prepared and provided to members in advance, along with appropriate briefing materials.	Prepare and provide meeting agenda, previous meeting minutes, and appropriate briefing materials to members in advance.	Quarterly, or more often if necessary	Meeting agendas were mailed to the AC on 12/8/04, 2/19/05, 5/11/05. 8/12/05 and 11/22/05.
8. Minutes will be kept by a member of the audit committee or a person designated by the audit committee.	Designate the appropriate person to keep the minutes of meetings.	Prepare minutes that document decisions made and action steps following meetings and review for approval at the following meeting.	Quarterly, or following each meeting.	The Internal Audit Manager provides meeting minutes to the administrative assistant to prepare for the next quarterly meeting. These minutes were provided to the AC at the next quarterly meeting. See #3.
9. The audit committee will: <ul style="list-style-type: none"> <li>• Obtain information and/or training to enhance the committee members' expertise in financial reporting standards and processes so that the committee may adequately oversee financial reporting.</li> <li>• Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.</li> </ul>	Provide information related to financial reporting standards and processes to the audit committee  Bring external auditors to explain new changes to accounting reporting and how they impact NDPERS.  Invite the external auditors to present the financial statements upon completion of their audit.  Review these plans with the independent auditor to understand their scope with	Articles, publications, external auditors, speakers with information regarding changes to accounting rules.  Report to the board on issues relating to internal controls, with emphasis on management's ability to override and related monitoring and testing.  Submit reports of audit findings and their status at each audit committee meeting.  Audited Financial Statements, including the Independent Auditor's Report, management	Quarterly, or as they become available.	Articles from the Institute of Internal Auditors are provided as they become available. Tone at the Top 3/05, 6/05, and 9/05 publications for management were included in the AC meeting materials. Also provided and article "Audit Committee Briefing...Internal Audit Standards: Why They Matter" at the 11/30/05 meeting.  External and internal audit findings are presented to the AC at each quarterly meeting with a status update.

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM  
 Audit Committee Charter Review Matrix  
 For Year Ending December 31, 2005

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Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
<ul style="list-style-type: none"> <li>• Review with management, the external auditors, and the internal auditors the results of the audit, including any difficulties encountered.</li> <li>• Review all significant adjustments proposed by the external financial statement auditor and by the internal auditor.</li> <li>• Review all significant suggestions for improved financial reporting made by the external financial statement auditor and by the internal auditor.</li> <li>• Review with the General Counsel the status of legal matters that may have an effect on the financial statements.</li> <li>• Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.</li> <li>• Review with management the external auditors all matters required to be communicated to the committee under generally accepted auditing <i>Standards</i>.</li> <li>• Understand how management develops interim financial information,</li> </ul>	<p>respect to key controls.</p> <p>Review with the CAE the plans for auditors of other elements of the control environment</p> <p>Determine that all internal control weaknesses are quantified, reviewed, and addressed.</p> <p>Bring to the General Counsel's attention any legal matters that may have an effect on the financial statements.</p> <p>Inquire of management and external auditors if there are any matters required to be communicated to the committee under generally accepted auditing <i>Standards</i>.</p> <p>Inquire of management their system of developing interim financial information and if the internal or external auditors were involved.</p> <p>Ascertain that the external auditors provided the statement of management responsibility and review with them.</p> <p>Review key internal controls</p>	<p>Discussion and Analysis, financial Statements, Required Supplementary Information, Supplementary Information, Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards, and Special Comments Requested by the Legislative Audit and Fiscal Review Committee.</p>		<p>Meetings are conducted with management to discuss the results of each audit upon completion of the audit. Management has been cooperative.</p> <p>External auditors presented the FY 2004 audit report to the AC and Board in January 2005, and the FY 2005 audit report to the AC 11/30/05 and to the Board 12/15/05.</p> <p>A system for interim financial information is not in place at this time.</p>

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM  
 Audit Committee Charter Review Matrix  
 For Year Ending December 31, 2005

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Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
<p>and the nature and extent of internal and external auditor involvement.</p> <ul style="list-style-type: none"> <li>Review the statement of management responsibility for and the assessment of the effectiveness of the internal control structure and procedures of the organization for financial reporting. Review the attestation on this management assertion by the financial statement auditor as part of the financial statement audit engagement.</li> </ul>	<p>with the CAE, and understand how these controls will be tested during the year.</p> <p>Discuss each matter, and others that may come to the attention of the audit committee through this process, with management (including the CAE) and the external auditors.</p> <p>Review with management the course of action to be taken for any action requiring follow-up.</p> <p>Monitor any follow-up action that requires continued audit committee intervention.</p>			
<p>10. The audit committee will:</p> <ul style="list-style-type: none"> <li>Obtain information about, training in and an understanding of risk management in order to acquire the knowledge necessary to adequately oversee the risk management process.</li> <li>Periodically review that the organization has a comprehensive policy on risk management.</li> <li>Consider the effectiveness of the organization's risk management system, including risks of information technology</li> </ul>	<p>Provide the audit committee members with information regarding risk management.</p> <p>Review risk management policy periodically.</p> <p>Create a portfolio that documents the material risks that the agency faces. Update as events occur. Review with management and the CAE quarterly to make sure it is up-to-date.</p>	<p>Articles, publications, etc. relating to risk management.</p> <p>Current risk management policy and most recent information relating to risk management.</p> <p>Submit a risk report including mitigation strategies and quantifiable risks and insurance to cover such risks, e.g., loss of business.</p>	<p>Quarterly.</p> <p>As necessary.</p>	<p>Articles, publications, etc. relating to risk management are provided as they become available.</p> <p>A risk management policy is not in place at this time.</p> <p>Risk assessment questionnaires are currently being developed for enterprise risk management, programs risks and accounting functions risks.</p>

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM  
 Audit Committee Charter Review Matrix  
 For Year Ending December 31, 2005

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Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
<p>systems.</p> <ul style="list-style-type: none"> <li>• Consider the risks of business relationships with significant vendors and consultants.</li> <li>• Reviews management's reports on management's self-assessment of risks and the mitigations of these risks.</li> <li>• Understand the scope of internal auditor's and external auditor's review of risk management over financial reporting.</li> <li>• Understand the scope of internal auditor's review of risk management over all other processes, and obtain reports on significant findings and recommendations, together with management's responses.</li> <li>• Understand the scope of any other external auditor's or consultant's review of risk management.</li> <li>• Hire outside experts and consultants in risk management as necessary subject to full board approval.</li> </ul>				
<p>11. The audit committee will:</p> <ul style="list-style-type: none"> <li>• Obtain information about, training in and an understanding of internal control in order to acquire the knowledge necessary to</li> </ul>	<p>Provide the audit committee members with information regarding internal control process.</p> <p>Review periodically the policy on internal controls,</p>	<p>Report to the board on issues relating to internal controls, with emphasis on management's ability to override and related monitoring and testing.</p>	<p>Quarterly.</p> <p>Submit a comprehensive report to the board at the second quarter meeting each year.</p>	<p>Information relating to internal control is provided as they become available.</p> <p>Internal periodic reviews on internal controls, ethics, code of conduct and fraud are not being</p>

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM  
 Audit Committee Charter Review Matrix  
 For Year Ending December 31, 2005

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Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
<p>adequately oversee the internal control process.</p> <ul style="list-style-type: none"> <li>• Ensure that the organization has a comprehensive policy on internal control and compliance.</li> <li>• Review periodically the policy on ethics, code of conduct and fraud policy.</li> <li>• Consider the effectiveness of the organization's internal control system, including information technology security and control.</li> <li>• Consider any internal controls required because of business relationships with significant vendors and consultants.</li> <li>• Understand the scope of internal auditor's and external auditor's review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.</li> <li>• Understand the scope of internal auditor's review of internal control over all other processes, and obtain reports on significant findings and recommendations, together with management's responses.</li> </ul>	<p>ethics, code of conduct and fraud.</p> <p>Review the reports of the internal audit team for all audits completed since the prior Audit Committee meeting.</p> <p>Review key internal controls with the CAE, and understand how these controls will be tested during the year.</p> <p>Review these plans with the independent auditor to understand their scope with respect to key controls.</p> <p>Review with the CAE the plans for audits of other elements of the control environment.</p> <p>Determine that all internal control weaknesses are quantified, reviewed, and addressed.</p>		<p>Update on anything new, or any changes to the internal control system, at every meeting.</p>	<p>conducted currently.</p> <p>External auditors conduct a review of internal controls annually. There have been no areas of concern as a result of these reviews.</p>

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM  
 Audit Committee Charter Review Matrix  
 For Year Ending December 31, 2005

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Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
<ul style="list-style-type: none"> <li>• Review the role of the internal auditor's involvement in the corporate governance process, including corporate governance documentation and training.</li> <li>• Periodically review contracts with external service providers which should contain appropriate record-keeping and audit language.</li> </ul>				
<p>12. The audit committee will:</p> <ul style="list-style-type: none"> <li>• Obtain the information and training needed to enhance the committee members' understanding of the role of internal audits so that the committee may adequately oversee the internal audit function.</li> <li>• Oversee the selection process for the Chief Audit Executive.</li> <li>• Assure and maintain, through the organizational structure of the organization and by other means, the independence of the internal audit process.</li> <li>• Review any difficulties encountered in the course of audit work, including any restrictions on the scope of activities or access to required information</li> <li>• Review with management and the Chief Audit</li> </ul>	<p>Review reports of all internal auditors from the preceding 12 months and planned for the upcoming six months along with the status of each planned audit.</p> <p>Review and discuss the findings for each audit completed since the prior meeting, and management's response to the report.</p> <p>Discuss internal audit division's budget and staffing with CAE.</p> <p>Discuss internal audit's compliance with IIA Standards, including the requirement for a peer review once every five years.</p> <p>Review the internal audit</p>	<p>Report on the status of all current internal audits and audits planned for the next quarter and/or year.</p> <p>Report to the full board on the performance of the CAE including the effectiveness of the internal audit function.</p>	<p>Review at each meeting.</p> <p>Conduct ongoing reviews, as changes can be made at any time during the year.</p>	<p>An updated quarterly status report is provided to the AC at each meeting.</p> <p>A performance review is written by the Executive Director and approved by the AC. Nothing is reported to the full board at this time.</p> <p>An internal peer review has been conducted. Currently IA needs to review and determine areas of weaknesses, and improve those weaknesses. A quality assurance review by external parties will be conducted by January 2007.</p> <p>A revised Internal Audit Charter was approved by the Board 9/1/05.</p> <p>Special meetings have not been necessary.</p> <p>AC Chair is available at all</p>

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM  
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Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
<p>Executive the charter, objectives, plans, activities, staffing, budget, qualifications, and organizational structure of the internal audit function.</p> <ul style="list-style-type: none"> <li>• Receive and review all internal audit reports and management letters.</li> <li>• Review the responsiveness and timeliness of management's follow-up activities pertaining to any reported findings and recommendations.</li> <li>• Receive periodic notices of advisory and consulting activities by internal auditors.</li> <li>• Review and concur in the appointment, replacement, or dismissal of the Chief Audit Executive.</li> <li>• Review the performance of the Chief Audit Executive periodically.</li> <li>• Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' <i>Standards for the Professional Practice of Internal Auditing</i>.</li> <li>• On a regular basis, meet separately with the Chief Audit Executive to discuss any matters that the committee or internal audit believes should be discussed privately (subject</li> </ul>	<p>charter periodically. Assess the appropriateness of each point in the charter in light of the past experience (since the last review). Assess the completeness of the charter in light of new best practices and new legal or regulatory requirement.</p> <p>Hold special meetings as may be necessary to address appointment, reassignment, or dismissal of CAE.</p> <p>The audit committee chair should be available if any unforeseen issues arise between meetings relating to the CAE.</p> <p>Meet periodically with other members of executive management and the external auditors to discuss the performance of CAE.</p> <p>Discuss job satisfaction and other employment issues with the CAE.</p>			<p>times if needed.</p> <p>The executive director discusses the internal audit manager's performance with the AC, and then writes an evaluation based on that conversation.</p> <p>Private meeting with the Internal Audit Manager was held in February 2005.</p> <p>The Internal Audit Division is the primary contact for the external auditors, and coordinates all matters relating to audits.</p>

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM  
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Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
to open meeting laws). • Designate the Chief Audit Executive as the lead coordinator for handling all matters related to audits, examinations, investigations or inquiries of the State Auditor and other appropriate State or Federal agencies.				
13. The audit committee will: • Obtain the information and training needed to enhance the committee members' understanding of the purpose of the financial statements audit and the role of external financial statement auditor so that the committee may adequately oversee the financial statement audit function. • Review the external auditor's proposed audit scope and approach, including coordination of audit effort with internal audit. • Review the performance of the external financial statement audit firm, and review the State Auditor's recommendation for the final approval on the request for proposal for, and the appointment, retention or discharge of the audit firm. Obtain input from the Chief Audit	Meet with independent audit partner, the controller and CAE to discuss scope of the previous year's audit, and lessons learned. Later, discuss planned scope for audit of current year.	Document the meeting in the Audit Committee meeting minutes.	At the third quarter meeting each year (February), review the scope of the previous year's audit, and the interrelationship between the internal and external auditors with respect to the scope of the independent auditors' work.  At the fourth quarter meeting each year (May), review the plans for the audit of the current year.	This process is not in place at this time.

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Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
<p>Executive, management and other parties as appropriate.</p> <ul style="list-style-type: none"> <li>• Review the independence of the external financial statement audit firm by obtaining statements from the auditors on relationships between the audit firm and the organization, including any non-audit services, and discussing these relationships with the audit firm. Obtain from management a listing of all services provided by the external audit firm. Obtain information from the Chief Audit Executive and other sources as necessary.</li> <li>• Review the audited financial statements, associated management letter, attestation on the effectiveness of the internal control structure and procedures for financial reporting, other required auditor communications, and all other auditor reports and communications relating to the financial statements.</li> <li>• Review all other reports and communications made by the external financial statement auditor.</li> <li>• Review the responsiveness and timeliness of</li> </ul>				

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Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
<p>management's follow-up activities pertaining to any reported findings and recommendations.</p> <ul style="list-style-type: none"> <li>• On a regular basis, meet separately with the external financial statement audit firm to discuss any matters that the committee or auditors believe should be discussed privately (subject to open meeting laws).</li> <li>• Provide guidelines and mechanisms so that no member of the audit committee or organization staff shall improperly influence the auditors or the firm engaged to perform audit services.</li> <li>• 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.</li> </ul>				
<p>14. The audit committee will:</p> <ul style="list-style-type: none"> <li>• Obtain the information and training needed to enhance the committee members' understanding of the role of the other external audit firm(s) so that the committee may adequately oversee their function(s).</li> </ul>	<p>Provide the audit committee members with information regarding the role of the other external audit firm(s).</p> <p>Meet with independent audit partner, the accounting manager and CAE to discuss scope of</p>	<p>Document the meeting in the Audit committee meeting minutes.</p>	<p>At the third quarter meeting each year (February), review the scope of the previous year's audit, and the interrelationship between the internal and external auditors with respect to the scope of the</p>	<p>Not applicable at this time.</p>

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 Audit Committee Charter Review Matrix  
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Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
<ul style="list-style-type: none"> <li>• Confirm coordination of efficient and effective audit activities between the internal and external auditors.</li> <li>• Review the performance of the other external audit firm(s),</li> <li>• Review the scope all services to be performed by the other external auditor.</li> <li>• Review the reports of the audits and/or agreed-upon-procedures.</li> <li>• Provide a forum for follow up of findings from the audit reports or agreed-upon-procedures.</li> <li>• Meet separately with the other external audit firm(s) on a regular basis to discuss any matters that the committee or staff of the audit firm(s) believes should be discussed</li> <li>• Review a report of all costs of and payments to other external audit firm(s). The listing should separately disclose the costs of any audit, other attest projects, agreed-upon-procedures and any non-audit services provided.</li> </ul>	<p>the previous year's audit, and lessons learned. Later, discuss planned scope for audit of current year.</p>		<p>independent auditors' work.</p> <p>At the fourth quarter meeting each year (May), review the plans for the audit of the current year</p>	
<p>15. The audit committee will:</p> <ul style="list-style-type: none"> <li>• Review the effectiveness of the system for monitoring compliance with laws and</li> </ul>	<p>Review the reports of compliance with laws and regulations.</p>	<p>Record discussion and any action steps in the Audit Committee meeting minutes.</p>	<p>Review as necessary.</p>	<p>This process is not in place at this time. However, compliance with laws and regulations are reviewed for each specific</p>

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Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
<p>regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.</p> <ul style="list-style-type: none"> <li>• Review the findings of any examinations by regulatory agencies, and any auditor observations, including investigations of misconduct and fraud.</li> <li>• Review the process for communicating to all affected parties the ethics policy, code of conduct and fraud policy to organization personnel, and for monitoring compliance therewith.</li> <li>• Obtain regular updates from management and organization legal counsel regarding compliance matters.</li> <li>• Monitor changes and proposed changes in laws, regulations and rules affecting the organization.</li> </ul>	<p>Discuss compliance issues and resolutions.</p>			<p>audit.</p>
<p>16. The audit committee will:</p> <ul style="list-style-type: none"> <li>• Institute and oversee special investigations as needed.</li> <li>• Provide an appropriate confidential mechanism for whistleblowers to provide information on potentially fraudulent financial reporting or breaches of internal control to the audit</li> </ul>	<p>Review procedures with CAE and the general counsel.</p> <p>Review all complaints that have been received and the status of resolution.</p> <p>Ensure that proper steps are taken to investigate complaints and resolve</p>	<p>Review an original of each complaint received, no matter the media used to submit. Discuss the status or resolution of each complaint.</p> <p>Review a cumulative list of complaints submitted to date to review for patterns or other observations.</p>	<p>Review at each meeting.</p>	<p>None during 2005.</p>

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Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
committee.	timely.			
17. The audit committee will: <ul style="list-style-type: none"> <li>• Regularly report to the Board of Directors about all committee activities, issues, and related recommendations.</li> <li>• Perform other activities related to this charter as requested by the Board of Directors, and report to the Board</li> <li>• Provide an open avenue of communication between internal audit, the external financial statement auditors, other external auditors, management and the Board of Directors.</li> <li>• Review any other reports that the organization issues that relates to audit committee responsibilities.</li> <li>• Confirm annually that all responsibilities outlined in this charter have been carried out. Report annually to the Board, members, retirees and beneficiaries, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.</li> <li>• Review and assess the adequacy of the committee charter periodically,</li> </ul>	Submit audit committee meeting minutes to the board after audit committee approval.  Have at minimum annual meeting with internal auditor, external auditor, management, and Board of Directors to discuss issues.  Utilize this matrix to determine if all responsibilities outlined in the charter are carried out.  Review charter periodically. Assess the appropriateness of each point in the charter in light of past experiences (since the last review). Assess the completeness of the charter in light of new best practices and new legal or regulatory requirements.  Revise charter as needed and obtain Audit Committee and Board approval for changes.	Submit audit committee meeting minutes after audit committee approval to the board for their next meeting.  Report to the board on the appropriateness of the Audit Committee charter and any revisions recommended.	Following each audit committee meeting provide the approved audit committee minutes to the Administrative Services Manager to include in the next board meeting materials.	A copy of the AC minutes are provided to the board after the AC's approval of the minutes.  An annual meeting was held with the Internal Audit Manager in 2/2005.  An AC Charter review matrix will be updated each year and presented to the AC in May to present a report to the Board for approval.  Charter was reviewed, updated, and approved by the board June 2005.

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM  
 Audit Committee Charter Review Matrix  
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Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.				

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Internal Audit Charter Review Matrix  
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Internal Audit Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
<b>RESPONSIBILITIES AND ACCOUNTABILITY</b>				
The Internal Audit Manager is responsible for the following in order to meet the mission, objectives and scope of this Charter and the Internal Audit Division:				
1. Select, train, develop and retain a competent internal audit staff that collectively has the abilities, knowledge, skills, experience, expertise and professional certifications necessary to accomplish the mission, objectives and scope of this Charter. Provide opportunity and support for staff obtaining professional training, professional examinations, and professional certifications.	Provide a minimum of 20 hours CPE annually or 120 hours CPE every 3 years for each certified staff member.	Seminars/ Conferences	Annually	Hired new Internal Auditor (IA) June 1, 2005.  Completed 18 hours CPE. The hours are short due to the change in reporting period by the AICPA. For the FY ending 6/30/06 I will have 40 hours.
2. Establish policies for conducting its activities and directing its technical and administrative functions according to the organization's policies and direction provided by the Audit Committee, and professional standards.	Develop and maintain Internal Audit Manual	Internal Audit Manual	Review annually for revisions in December	Reviewed, updated and obtained board approval for revised Policy 101, the Audit Committee Charter in June 2005 and Policy 102, the Internal Audit Charter in December 2005.  Reviewed and updated the IA Manual in December 2005.
3. Conduct an annual risk assessment and produce a flexible audit plan that will accomplish the mission, objectives and scope of this Charter. This plan will include some unassigned hours in order to provide flexibility for changing conditions. This plan shall in part be based upon risks and control concerns identified by Management. This plan will be periodically updated as necessary.	Conduct and evaluate risk assessment with management.  Develop audit plan.	Internal Audit Plan	Annually in October	Conducted a risk assessment on the benefit programs and finances in October 2005. Discussed risks with the Executive Director (ED) and developed potential audits for 2006. Due to unforeseen circumstances in the accounting staff there is a delay issuing the annual audit plan.
4. Prepare a time budget that is complementary to the implementation of the audit plan.	Estimate time needed to perform projects.	Internal Audit Plan	Annually in October	The audit plan is on hold until the accounting staffing situation is stable.

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Internal Audit Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
5. Implement the annual audit plan, as approved, including, as appropriate, any plan amendments, special tasks or projects requested by Management and the Audit Committee.	Conduct audits.  Provide updates to AC.	Audit Reports  Memos	As audits are completed.	Completed 6 audits in 2005 per audit plan. Three audits are on hold waiting for responses from management.  Special tasks were completed as requested during 2005.
6. Coordinate with audit clients to finalize recommendations for improvement and identify implementation timelines. Internal audit staff shall consider costs and benefits while formulating and discussing their recommendations.	Audit reports.	Audit Reports	As audits are completed.	Three audits are pending responses from management. The 6 audits that were completed had recommendations for improvement which were included on the quarterly audit findings report for the audit committee.
7. Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.	Audit reports.	Audit Reports	As audits are completed.	This was not implemented in 2005.
8. Conduct periodic follow-up reviews to evaluate the adequacy of Management's corrective actions.	Review quarterly with management status of audit findings	Quarterly Audit Findings Report	Quarterly	A quarterly audit findings report is updated by appropriate staff prior to the audit committee (AC) meetings.
9. Issue periodic reports to the Audit Committee and Management summarizing results of audit activities, and summarizing the status of follow-up activities.	Update reports to present at audit committee meetings	Audit/ Project Report, Findings Update Report	Quarterly	A quarterly audit findings report is updated prior to the AC meetings and provided in the AC agenda
10. Provide periodic summaries of consulting and advisory activities to the Audit Committee.	Write memos/Report	Memo/Report	Quarterly	There were no formal consulting engagements in 2005.
11. Attend all Audit Committee meetings, and ensure attendance of additional staff and attendance by auditees as appropriate.	Provide agenda for the AC, and others.	Audit Agenda	Quarterly	Quarterly meetings were scheduled, held, and attended by all appropriate personnel and the audit committee.
12. Obtain a peer review by other internal auditors as required by professional	Send out a Request for Proposal for a consultant	Report	Every 5 years, beginning in 2007	No work was done during this year.

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Internal Audit Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
standards, no less frequently than every five (5) years as mandated by the IIA's <i>International Standards for the Professional Practice of Internal Auditing</i> .	Select consultant			
13. Inform the Audit Committee of emerging trends and successful practices in internal auditing.	Read publications for emerging trends	Provide copies of publications/speakers	Quarterly	Publications are provided to the AC in the AC agenda when they become available.
14. Assist in the investigation of significant suspected fraudulent activities within the organization and notify the Audit Committee, the Executive Director and Management, as appropriate, of the results.	Determine concerns with management  Conduct review as determined	Report to management	As needed	There were none in 2005.
15. Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost.	Review selected external auditor's proposal for audit work, and discuss with external auditors how to provide optimal audit coverage	Memo to Audit committee	Annually	Worked with the external auditors from May through December, scheduling meetings and office space, and providing information as needed.  Reviewed the draft RFP in December for the 2006-2008 contract periods.
16. Evaluate annually the quality of the annual financial report and suggest improvements in the presentation and disclosures.	.			Reviewed the CAFR when it was completed in December 2005. Was not part of the review process for FY 2005 financial statements when the financial statements were compiled.
17. Report to the Audit Committee on all activities and associated costs of work performed by the external financial statement auditors.		Report	Quarterly	This was not implemented in 2005.
18. Consult with the organization's management, as requested, on potential policy and procedure changes.	Meet with management, review potential policy and procedure changes.	Report	As needed	This was not implemented in 2005.

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM  
Internal Audit Charter Review Matrix  
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Internal Audit Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
<p>19. Participate, in an advisory capacity, in the planning, design, development, and implementation and modification phases of major information related systems to determine whether:</p> <ul style="list-style-type: none"> <li>• Adequate controls are incorporated in the systems;</li> <li>• Adequate risk management techniques have been utilized;</li> <li>• Thorough systems testing is performed at appropriate stages;</li> <li>• Systems documentation is complete and accurate; and</li> <li>• The intended purpose and objectives of the system implementation or modifications have been met.</li> </ul>	<p>Educate management of the Internal Audit's responsibility in this area.</p> <p>Ensure Internal Audit is included in meetings related to this project.</p> <p>Participate in an advisory capacity only.</p>	<p>Provide report to audit committee</p>	<p>Quarterly</p>	<p>There were none in 2005.</p>
<p>20. Participate in professional audit organizations by attending meetings, joining the governing boards, presenting speeches and papers, and networking with other professionals. Network with internal audit staff of other public pension systems to learn and exchange best practices information. Participate in other professional organizations related to the mission of the organization.</p>	<p>Join organizations pertinent to Internal Auditing</p>	<p>Membership to APPFA and IIA</p>	<p>Annually</p>	<p>Renewed memberships to APPFA, IIA, and NDSCPA as they became due.</p> <p>Attended an APPFA conference in November 2005.</p> <p>Attended IIA luncheons where speakers are in attendance.</p> <p>Continued with Newsletter Editor for 2005-2006 year.</p>
<p>21. Act as the primary point of contact for handling all matter related to audits, examinations, investigations or inquiries of the State Auditor or other appropriate State or Federal Auditors.</p>	<p>Notify State Auditor's Office and External Auditor's of who is the primary contact</p>	<p>RFP/Contract</p>		<p>Included this information in the new contract for 2006-2008.</p>
<p>22. Review the organization's fraud policy and ethics policy periodically.</p>	<p>Review the fraud and ethics policy for current trends and propose</p>	<p>Report to AC</p>	<p>As needed</p>	<p>This was not implemented in 2005.</p>

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Internal Audit Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
	updates if needed.			
<b>STANDARDS OF AUDIT PRACTICE</b>				
The Internal Audit Division shall follow the professional standards of relevant professional organizations. These include, but are not limited to, the following:				
<ul style="list-style-type: none"> <li>➤ International Standards for the Professional Practice of Internal Auditing and the Code of Ethics of Institute of Internal Auditors (IIA).</li> </ul>	Comply with the <i>Standards</i> as applicable to the IA division.	Review the <i>Standards</i> to determine if in compliance.	Periodically.	Did not review in 2005, other than reviewing the Audit Committee Charter and the Internal Audit Charter to ensure they addressed applicable issues in the <i>Standards</i> .
<ul style="list-style-type: none"> <li>➤ American Institute of Certified Public Accountants (AICPA) Professional Standards and Code of Ethics, as applicable.</li> </ul>				
<ul style="list-style-type: none"> <li>➤ Generally Accepted Government Auditing Standards (GAGAS) from the United States General Accounting Office (GAO), as applicable.</li> </ul>				



**North Dakota  
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**Sparb Collins**  
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# Memorandum

**TO:** PERS Board

**FROM:** Sparb

**DATE:** June 21, 2006

**SUBJECT:** Update on Retiree Conference, Medora, ND

Attached is the conference brochure and registration form for the Retiree Conference to be held in Medora, North Dakota, August 14-16, 2006. They were mailed out to retirees on June 20.

If you are interested in attending this conference, please let Cheryl know.

STATE INVESTMENT BOARD  
MINUTES OF THE  
MAY 19, 2006, BOARD MEETING

**BOARD MEMBERS PRESENT:**

Lt. Governor Jack Dalrymple  
Howard Sage, Vice Chair  
Sandy Blunt, Workforce Safety & Insurance  
Clarence Corneil, TFFR Board  
Barb Evanson, TFFR Board  
Ron Leingang, PERS Board  
Gary Preszler, Land Commissioner  
Rosey Sand, PERS Board  
Mark Sanford, TFFR Board  
Kelly Schmidt, State Treasurer

**MEMBERS ABSENT:**

Jim Poolman, Insurance Commissioner

**STAFF PRESENT:**

Steve Cochrane, Executive Director  
Fay Kopp, Deputy Executive Director  
Connie Flanagan, Fiscal & Investment Officer  
Susan Gefroh, Investment Accountant  
Bonnie Heit, Office Manager  
Les Mason, Supervisor Internal Audit

**OTHERS PRESENT:**

Weldee Baetsch, former SIB trustee  
Lowell Latimer, TFFR/NDRTA  
Chuck Martin, State Street Global Advisors  
Scott Miller, Attorney General's Office  
Bryan Reinhardt, PERS  
Ken Rood, Insurance Dept.  
David Sandy, Workforce Safety & Insurance  
Joe Westby, NDEA  
LaDonna Whitmore, NDRTA  
George Primm, out-of-state visitor

**CALL TO ORDER:**

Lt. Governor Dalrymple, Chair of the State Investment Board (SIB), called the meeting to order at 8:30 a.m. on Friday, May 19, 2006, at the State Capitol, Ft. Union Room, Bismarck, ND.

THE FOLLOWING MEMBERS WERE PRESENT REPRESENTING A QUORUM: MR. BLUNT, MRS. EVANSON, MR. LEINGANG, MR. SAGE, TREASURER SCHMIDT, MS. SAND, MR. CORNEIL, DR. SANFORD, AND LT. GOVERNOR DALRYMPLE.

ABSENT: COMMISSIONER POOLMAN, COMMISSIONER PRESZLER

**MINUTES:**

The Board considered the minutes of the April 21, 2006, meeting,

TREASURER SCHMIDT MOVED AND DR. SANFORD SECONDED TO APPROVE THE APRIL 21, 2006, MEETING.

AYES: MR. BLUNT, MRS. EVANSON, MR. LEINGANG, LT. GOVERNOR DALRYMPLE, MR. SAGE, MS. SAND, DR. SANFORD, MR. CORNEIL, AND TREASURER SCHMIDT  
 NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER POOLMAN, COMMISSIONER PRESZLER

BOARD EDUCATION:

Enhanced Fixed Income - Mr. Ben Lazarus and Mr. Rick Ballsrud, The Clifton Group, Minneapolis, MN, reviewed the firm's Enhanced Fixed Income product with the Board.

A copy of their presentation is on file at the Retirement and Investment Office (RIO).

The Board recessed at 9:20 a.m. and reconvened at 9:43 a.m.

GOVERNANCE:

INVESTMENTS

Work on Fixed Income - Mr. Steve Cochrane, Executive Director, reviewed the concept of incorporating The Clifton Group's Enhanced Fixed Income product into the Insurance Trust. He recommended allocating \$50 million of the Insurance Trust's fixed income assets into The Clifton Group's Enhanced Fixed Income product.

MR. BLUNT MOVED AND MRS. EVANSON SECONDED TO ACCEPT STAFF RECOMMENDATION AND INVEST \$50 MILLION OF THE INSURANCE TRUST'S FIXED INCOME PORTFOLIO INTO THE CLIFTON GROUP'S ENHANCED FIXED INCOME PRODUCT. A ROLL CALL VOTE WAS TAKEN AS FOLLOWS:

AYES: DR. SANFORD, TREASURER SCHMIDT, MR. BLUNT, MR. LEINGANG, COMMISSIONER PRESZLER, MRS. EVANSON, MR. CORNEIL, MR. SAGE, LT. GOVERNOR DALRYMPLE, AND MS. SAND

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER POOLMAN

ADMINISTRATION

Appointment of Compensation Committee - Mr. Cochrane updated the Board on contracting with the Hay Group. He has been in contact with Mr. Neville Kenning of the Hay Group who will be analyzing the ED/CIO position. The Board felt it important to get a true independent market value of the position because one has never been done and also it is important to have good sound data to justify any decisions the Board should make regarding compensation.

MR. BLUNT MOVED AND MR. SAGE SECONDED TO HIRE THE HAY GROUP TO DO A STUDY ON THE ED/CIO POSITION AND TO CAP THE COST AT \$5,000. A ROLL CALL VOTE WAS TAKEN AS FOLLOWS:

AYES: MR. SAGE, LT. GOVERNOR DALRYMPLE, COMMISSIONER PRESZLER, TREASURER SCHMIDT, MR. BLUNT, MR. LEINGANG, MRS. EVANSON, AND MR. CORNEIL  
 NAYS: MS. SAND

MOTION CARRIED.

ABSENT: COMMISSIONER POOLMAN, DR. SANFORD

Lt. Governor Dalrymple will appoint a Compensation Committee after he receives nominations from the PERS/TFFR representatives.

MONITORING:

Included in the board member's packets were the following quarterly monitoring reports: Manager Review Status Report, Pension Trust Investment Report, and Insurance Trust Investment Report.

Trust Company of the West (TCW) and Bank of Ireland are currently on the review list. Mr. Cochrane will be bringing recommendations before the Board on TCW. Bank of Ireland's guidelines have been adjusted and they are responding well and staff will continue to monitor that firm.

OTHER:

Mr. Cochrane informed the Board the NDSIB has requested the appointment of a special assistant attorney general to represent it in an adversary proceeding in the United States Bankruptcy Court for the District of New Jersey. The Official Committee of Asbestos Claimants of G-1 Holdings commenced the proceeding against Building Materials Corporation of America and holders of notes issued by BMCA including the NDSIB. The Committee alleges that after G-1 Holdings' predecessor transferred all of its operating assets to its wholly owned subsidiary, BMCA, in order to reduce financial losses resulting from asbestos-related personal industry suits, BMCA granted liens on the acquired assets in favor of the noteholders through the issuance of notes. The Committee seeks to recover from the noteholders the property transferred or the value of such property. The NDSIB must file an answer to the complaint by June 1, 2006.

The New Jersey bankruptcy court rules require that all pleadings, briefs and other papers filed with the court be signed by local counsel of record who are members in good standing of the New Jersey Bar and who shall be responsible for the conduct of the case, therefore, the Board is unable to utilize North Dakota counsel.

The ND Attorney General's office has identified the law firm of Kaplan Fox & Kilsheimer, LLP, New York, NY as an appropriate counsel to represent it in the proceeding. Mr. Cochrane requested a consensus from the Board to proceed with representation.

TREASURER SCHMIDT MOVED AND MS. SAND SECONDED TO ALLOW STAFF TO WORK WITH THE OFFICE OF ATTORNEY GENERAL FOR PROPER REPRESENTATION.

AYES: TREASURER SCHMIDT, LT. GOVERNOR DALRYMPLE, MR. BLUNT, COMMISSIONER PRESZLER, MR. LEINGANG, MS. SAND, MR. SAGE, MR. CORNEIL, AND MRS. EVANSON  
NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER POOLMAN, DR. SANFORD

Mrs. Evanson will be retiring effective June 1, 2006. Lt. Governor Dalrymple on behalf of the Board, teachers, and the legislators thanked Mrs. Evanson for her service, time, support, and accomplishments for the State of North Dakota.

Lt. Governor Dalrymple also recognized Mr. Howard Snortland and his wife Adeline. Lt. Governor Dalrymple thanked Mr. Snortland for his support of the state education system and the teachers and his many interests in promoting North Dakota. He noted Mr. Snortland is truly one of the giants of North Dakota's history.

ADJOURNMENT:

With no further business to come before the Board, Lt. Governor Dalrymple adjourned the meeting at 11:00 a.m.

Respectfully Submitted:

  
Lt. Governor Dalrymple  
Chair, State Investment Board

  
Bonnie Heit  
Reporting Secretary

**STATE INVESTMENT BOARD  
MINUTES OF THE  
APRIL 21, 2006, BOARD MEETING**

**BOARD MEMBERS PRESENT:** Howard Sage, Vice Chair  
Sandy Blunt, Workforce Safety & Insurance  
Clarence Corneil, TFFR Board  
Barb Evanson, TFFR Board  
Ron Leingang, PERS Board  
Jim Poolman, Insurance Commissioner  
Gary Preszler, Land Commissioner  
Rosey Sand, PERS Board  
Mark Sanford, TFFR Board (Via teleconference)  
Kelly Schmidt, State Treasurer

**MEMBERS ABSENT:** Lt. Governor Jack Dalrymple

**STAFF PRESENT:** Steve Cochrane, Executive Director  
Fay Kopp, Deputy Executive Director  
Connie Flanagan, Fiscal & Investment Officer  
Susan Gefroh, Investment Accountant  
Bonnie Heit, Office Manager  
Les Mason, Supervisor Internal Audit

**OTHERS PRESENT:** Weldee Baetsch, former SIB trustee  
Paul Erlendson, Callan Associates, Inc.  
Bill Kalanek, AFPE/NDRTA  
Chuck Martin, State Street Global Advisors  
Scott Miller, Attorney General's Office  
Bryan Reinhardt, PERS  
David Sandy, Workforce Safety & Insurance  
Tobias Seggerman, State Street Global Advisors

**CALL TO ORDER:**

Mr. Howard Sage, Vice Chair of the State Investment Board (SIB), called the meeting to order at 8:35 a.m. on Friday, April 21, 2006, at the State Capitol, Ft. Union Room, Bismarck, ND.

**THE FOLLOWING MEMBERS WERE PRESENT REPRESENTING A QUORUM: MR. BLUNT, MRS. EVANSON, MR. LEINGANG, MR. SAGE, TREASURER SCHMIDT, COMMISSIONER POOLMAN, COMMISSIONER PRESZLER, MS. SAND, AND MR. CORNEIL.**

**ABSENT: DR. SANFORD, LT. GOVERNOR DALRYMPLE**

**MINUTES:**

The Board considered the minutes of the March 17, 2006, meeting,

**TREASURER SCHMIDT MOVED AND COMMISSIONER POOLMAN SECONDED TO APPROVE THE MARCH 17, 2006, MEETING.**

AYES: COMMISSIONER POOLMAN, MR. BLUNT, COMMISSIONER PRESZLER, MRS. EVANSON, MR. LEINGANG, MR. SAGE, MS. SAND, TREASURER SCHMIDT, AND MR. CORNEIL  
 NAYS: NONE

MOTION CARRIED

ABSENT: DR. SANFORD, LT. GOVERNOR DALRYMPLE

BOARD EDUCATION:

State Street Global Advisor's representatives, Mr. Toby Seggerman and Mr. Chuck Martin, reviewed State Street's 130% long/30% short enhanced large cap domestic equity product.

A copy of their presentation is on file at the Retirement and Investment Office (RIO).

GOVERNANCE:

INVESTMENTS

Work on Domestic Large Cap Equity - Mr. Steve Cochrane, Executive Director, reviewed State Street's 130/30 short enhanced large cap domestic equity product and how implementation of this product could upgrade the current index assignment within the Pension and Insurance Trusts. He recommended the Board approve implementing the upgrade.

MR. BLUNT MOVED AND MR. CORNEIL SECONDED TO ALLOW STATE STREET TO UTILIZE THE ENHANCED EQUITY PLUS STRATEGY ON THE ASSETS CURRENTLY HOUSED IN AN INDEX ACCOUNT CONTINGENT UPON SUCCESSFUL FEE NEGOTIATIONS FOR ALL FUNDS. A ROLL CALL VOTE WAS TAKEN AS FOLLOWS:

AYES: MR. BLUNT, TREASURER SCHMIDT, DR. SANFORD, MRS. EVANSON, COMMISSIONER PRESZLER, MR. LEINGANG, COMMISSIONER POOLMAN, MR. CORNEIL, MR. SAGE, AND MS. SAND  
 NAYS: NONE

MOTION CARRIED.

ABSENT: LT. GOVERNOR DALRYMPLE

The Board recessed at 10:00 a.m. and reconvened at 10:10 a.m.

RMK/TIR Timber Management - Mr. Cochrane discussed the recent meeting which took place between RMK, RIO staff, Mr. Paul Erlendson, and SIB members, Treasurer Kelly Schmidt and Mr. Sandy Blunt. He explained that given the real time observations of both timber managers running in parallel, it has become apparent that our interests would be best served by consolidating management with one firm, TIR. All those who had attended the previously referenced meeting agreed and shared their specific insights. Following discussion,

TREASURER SCHMIDT MOVED AND MR. BLUNT SECONDED TO TERMINATE THE SIB'S RELATIONSHIP WITH RMK AND TRANSFER THE TEREDO PROPERTIES TO TIMBERLAND INVESTMENT RESOURCES (TIR). A ROLL CALL VOTE WAS TAKEN AS FOLLOWS:

AYES: TREASURER SCHMIDT, MR. BLUNT, MR. LEINGANG, MS. SAND, MRS. EVANSON, MR. CORNEIL, COMMISSIONER POOLMAN, COMMISSIONER PRESZLER, MR. SAGE  
 NAYS: NONE

MOTION CARRIED.

ABSENT: LT. GOVERNOR DALRYMPLE, DR. SANFORD

ADMINISTRATION

City Of Bismarck - Mrs. Connie Flanagan, Fiscal & Investment Officer, presented revised investment guidelines for the City of Bismarck Employees and Police. The City had recently completed an actuarial audit and asset liability and experience study thus the reason for the revised versions.

COMMISSIONER POOLMAN MOVED AND MR. CORNEIL SECONDED TO APPROVE THE CITY OF BISMARCK EMPLOYEES AND POLICE INVESTMENT GUIDELINES. A ROLL CALL VOTE WAS TAKEN AS FOLLOWS:

AYES: MS. SAND, MR. SAGE, MR. CORNEIL, MRS. EVANSON, TREASURER SCHMIDT, COMMISSIONER POOLMAN, MR. BLUNT, COMMISSIONER PRESZLER, AND MR. LEINGANG  
 NAYS: NONE

MOTION CARRIED.

ABSENT: LT. GOVERNOR DALRYMPLE, DR. SANFORD

Legal/Legislative - Mr. Cochrane presented a legislative bill draft that would amend and reenact section 21-10-02 of the North Dakota Century Code, relating to the investment powers of the SIB. The following language would be inserted in section 21-10-02: The board may grant a security interest in securities held by the board on behalf of the various funds to third parties if necessary to comply with federal law.

Mr. Cochrane explained that the language as currently proposed is not optimal, but that revisions would be submitted over the course of bill study.

COMMISSIONER POOLMAN MOVED AND TREASURER SCHMIDT SECONDED TO ACCEPT THE LEGISLATIVE LANGUAGE CHANGE.

AYES: MR. LEINGANG, MS. SAND, MR. CORNEIL, MRS. EVANSON, MR. SAGE, MR. BLUNT, COMMISSIONER POOLMAN, COMMISSIONER PRESZLER, AND TREASURER SCHMIDT  
 NAYS: NONE

MOTION CARRIED.

ABSENT: LT. GOVERNOR DALRYMPLE, DR. SANFORD

Workplan Update - For informational purposes, Mr. Cochrane presented a revised workplan to the Board.

COMMISSIONER POOLMAN MOVED AND MR. LEINGANG SECONDED TO APPROVE THE REVISED WORKPLAN AS PRESENTED.

AYES: MR. SAGE, TREASURER SCHMIDT, MR. CORNEIL, COMMISSIONER PRESZLER, MS. SAND, COMMISSIONER POOLMAN, MRS. EVANSON, MR. LEINGANG, AND MR. BLUNT  
 NAYS: NONE

MOTION CARRIED.

ABSENT: LT. GOVERNOR DALRYMPLE, DR. MARK SANFORD

CEO/CIO Compensation Study by Hay Group - Mr. Cochrane updated the Board on contracting with the Hay Group. He has been in contact with the Hay Group and the individual who will actually be performing the analysis. This individual will provide a cost to Mr. Cochrane and if the Board concurs, this individual will be present at the June 16, 2006 board meeting to present his findings/recommendations.

MONITORING:

Included in the board member's packets were the following quarterly monitoring reports: Executive Limitations/Staff Relations, Investment Program, Retirement Program, and Budget/Financial Conditions.

TREASURER SCHMIDT MOVED AND MR. BLUNT SECONDED TO APPROVE THE QUARTERLY MONITORING REPORTS AS SUBMITTED.

AYES: MR. BLUNT, COMMISSIONER POOLMAN, TREASURER SCHMIDT, COMMISSIONER PRESZLER, MR. SAGE, MS. SAND, MR. LEINGANG, MR. CORNEIL, AND MRS. EVANSON  
NAYS: NONE

MOTION CARRIED.

ABSENT: LT. GOVERNOR DALRYMPLE, DR. SANFORD

OTHER:

Mr. Cochrane informed the Board Mr. Greg Allen, Callan Associates, Inc., informed him that he has reached the threshold of \$800 million for funding their small cap product. At the July 15, 2005 board meeting the Board approved committing \$100 million to the Callan Diversified Alpha Group Trust contingent upon Callan achieving \$900 million in commitments from other entities. Mr. Cochrane stated Callan has a firm commitment of \$800 million from the Utah Retirement System which is scheduled to be invested May 1, 2006. An additional \$25 million from Hallmark Corporation and \$200 million from Boeing will follow. Mr. Cochrane requested authorization to invest the \$100 million on May 1, 2006 because of cost savings that would be achieved rather than wait until the \$900 million is actually received and invested.

Mr. Scott Miller, Assistant Attorney General, questioned whether or not the Hallmark and Boeing contributions could participate in 81-100 trusts since the contributions would be considered non-governmental. He would investigate and get back to Mr. Cochrane.

MR. BLUNT MOVED AND TREASURER SCHMIDT SECONDED TO MODIFY THE ORIGINAL PROVISION AND INVEST THE SIB'S \$100 MILLION COMMITMENT AT THE \$800 MILLION THRESHOLD IN ORDER TO ACHIEVE COST SAVINGS CONTINGENT UPON REVIEW OF THE BOEING AND HALLMARK INVESTMENTS QUALIFYING. A ROLL CALL VOTE WAS TAKEN AS FOLLOWS:

AYES: MRS. EVANSON, MR. CORNEIL, MS. SAND, COMMISSIONER POOLMAN, MR. BLUNT, COMMISSIONER PRESZLER, MR. LEINGANG, TREASURER SCHMIDT  
NAYS: MR. SAGE

MOTION CARRIED.

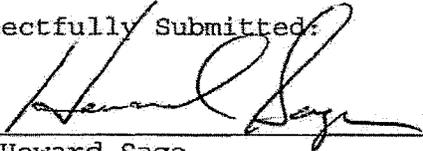
ABSENT: LT. GOVERNOR DALRYMPLE, DR. SANFORD

The next meeting of the SIB will be held on Friday, May 19, 2006, at 8:30 a.m., at the State Capitol's Ft. Union Room, Bismarck, ND.

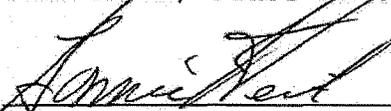
ADJOURNMENT:

With no further business to come before the Board, Mr. Sage adjourned the meeting at 11:05 a.m.

Respectfully Submitted:



Mr. Howard Sage  
Vice Chair, State Investment Board



Bonnie Heit  
Reporting Secretary