NDPERS BOARD MEETING

Agenda

Bismarck Location:
ND Association of Counties
1661 Capitol Way
Fargo Location:
BCBS, 4510 13th Ave SW

June 28, 2012 **Time: 8:30 AM**

I. MINUTES
A. May 17, 2012

II. RETIREMENT
A. Job Service Liability Driven Investments – Callan (Board Action)
B. Disability Consultant Contract – Kathy (Board Action)
C. Retirement Brochure – Sparb & Kathy (Information)
D. Federal Regulation Update – Segal (Information)

III. GROUP INSURANCE
A. OPEB Valuation – Sparb (Board Action)
B. Diabetes Program Update – (Information)
C. Wellness Program Update – Sparb (Information)
D. Dental RFP Considerations– Sparb (Board Action)
E. Special Dependent Enrollment Update – Kathy (Information)

IV. DEFERRED COMPENSATION
A. Quarterly Investment Report – Bryan (Board Action)
B. Hartford Update – Sparb (Information)

V. MISCELLANEOUS
A. PERS 2013-15 Budget – Sharon (Board Action)
B. Board Election – Kathy (Board Action)
C. Legislative Employee Benefits Committee – Sparb (Information)
D. Audit Committee Minutes and Charter Activity Review – (Information)
E. Executive Director Evaluation – Chairman Strinden (Board Action)
F. RIO Update (SIB Agenda) – Mike Sandal (Information)

VI. FLEX COMP
A. Flex Comp RFP – Kathy and Sparb (Board Action)
B. Flex Comp Annual Limit – Kathy (Information)
C. Flex Comp Appeal Case ID 68 – Kathy (Board Action)

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

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

Memorandum

TO: PERS Board

FROM: Sparb

DATE: June 18, 2012

SUBJECT: Job Service Retirement Plan

At the January Planning meeting we discussed the following slides:

2010 Actuarial Valuation - Job Service

- Frozen plan; declining membership
- Investment Return assumption is 7.5%
  - PERS reduced it several years ago – goal was to reduce it further so we could move to a fixed income investment strategy
- Was not part of our recent asset/liability study
- Should we consider a new asset/liability study or should we consider a study a immunization strategy

Agreement with DOL

To resolve this issue Job Service and the United States Department of Labor agreed to the following:

1. Commencing with the 1999 payment the United States Department of Labor will suspend the unfunded liability payments.
2. The unfunded liability payments will be reactivated and resumed by the Untied States Department of Labor at any time when the actuarial valuation indicates the Plan is in an under funded status.
3. The trigger mechanism for determining when the Plan goes into an underfunded status is when the actuarial value of assets is less than the actuarial present value of benefits. This information will be made available in the annual Plan actuarial valuation report.

Job Service

- If we are to do another Asset Liability Study should it be a traditional study or should we consider a Liability Driven Investment Strategy?
  – Liability driven investing (LDI) is a popular idea because it can limit the volatility of contributions, expense and funded status.
  – Callan observes that the typical plans that are moving in the direction of de-risking are closed and frozen

Funds Associated with Agreement

- Fifteen years remain on the 30-year amortization schedule with a remaining balance for the unfunded liability of the North Dakota Plan in the amount of $9.7 million as of July 1998.

Job Service

- If we are to do another Asset Liability Study should it be a traditional study or should we consider a Liability Driven Investment Strategy?
  – Liability driven investing (LDI) is a popular idea because it can limit the volatility of contributions, expense and funded status.
  – Callan observes that the typical plans that are moving in the direction of de-risking are closed and frozen

This discussion noted that the Job Service Retirement Plan is a closed plan and that it may be beneficial for us to consider an investment strategy for the plan that is a liability driven approach that would attempt to de-risk the plan. We also noted in the above discussion the agreement with the federal government relating to this plan and that an implementation of a de-risking strategy for the plan could require us to discuss with them additional funds.

In follow-up to our discussion in January, representatives of Callan will be at the meeting to provide you more information on this approach and to answer any questions you may have. If, after this presentation, it is felt that we should move forward with this approach, the next step would be:

1. To seek a proposal to provide this service for your consideration.
2. To ask Callan to develop such a proposal for your consideration since this type of strategy is an asset allocation strategy and NDCC 21-10-02.1 states “The governing body of each fund shall use the staff and consultants of the retirement and investment office in developing asset allocation and investment policies”.

Callan

June 28, 2012

Job Service North Dakota

Introduction to De-Risking

Paul Erlendson
Senior Vice President
Denver Consulting Office

Eugene Podkaminer, CFA
Vice President
Capital Markets Research

Introduction to De-Risking

- Volatile markets have focused attention on the mismatch between assets and liabilities
  - “Reaching for returns” was a successful strategy when realized returns were high…
  - …but reducing risk can help shield the plan from poor market conditions
- Interest rate and equity risk have real long-term cost impacts such as potentially higher contributions and uncertainty around funding levels
- De-risking and liability driven investing (LDI) help highlight pension risks and encourage the alignment of asset and liability characteristics
  - Assets and liabilities can react together to changes in interest rates, thereby protecting funding status
  - Reducing interest rate and equity risk allows Boards to make better, more informed, plan management decisions
- In an LDI framework the focus shifts to surplus (the difference between assets and liabilities) rather than the traditional asset-only view which largely ignores the liabilities

Sources of Risk for a Pension Plan

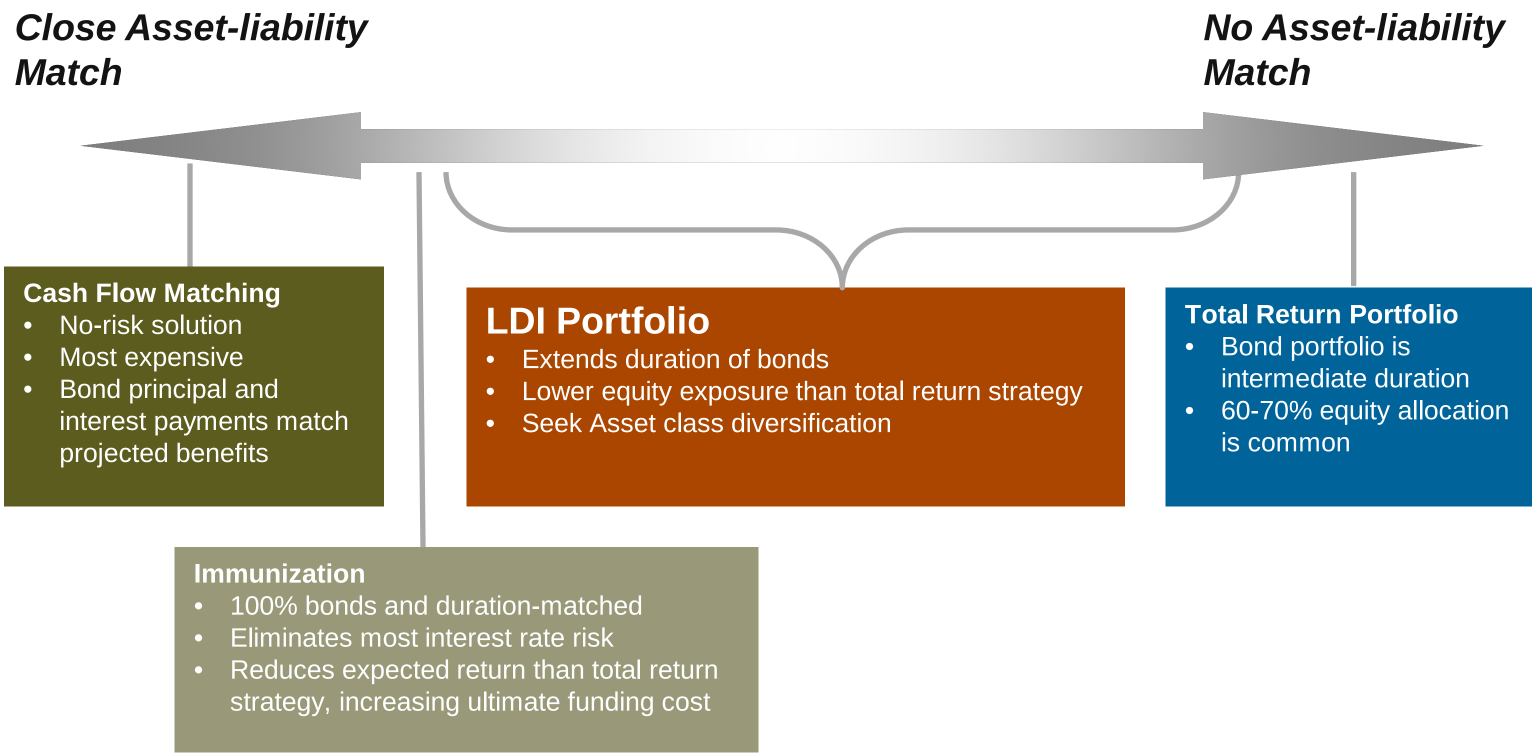
- Pension plans adopt de-risking strategies to hedge interest rate and equity risk

Typically accounts for 80% - 90% of funded status volatility

Risk	Description
Equity Risk	Equity is weakly correlated with liabilities, but pursuit of equity risk premium can produce higher investment returns and improve funded status
Interest Rate Risk	A typical pension investment program has much shorter duration than pension liability Extending duration reduces funded status volatility, but doesn’t improve funded status
Inflation Risk	Could be hedged with inflation sensitive assets such as real estate or inflation linked bonds
Demographic Risks	Cannot be hedged with financial instruments
Other…	Regulatory risk – change in funding rules, accounting standards, and compliance burden

The Spectrum of Liability Driven Investing Approaches

- The term “Liability Driven Investing” refers to strategies that partially hedge interest rate risk while seeking excess return



- Most plan sponsors have historically considered liabilities in setting asset allocation, but choose to assume asset-liability mismatch risk in order improve return
- New regulation and changes in retirement plans have already led many plans sponsors to alter their view of risk and consider strategies that at least partially match assets and liabilities

LDI Decision Factors

Funded Status	Weak	Strong
Overfunded	• Establish role and use of future surplus • May wish to put surplus at risk • If plan is frozen, a close asset liability match is compelling	• Establish role and use of future surplus • If plan is frozen, a close asset liability match is compelling • Overfunded position and financial strength can support aggressive investment strategy
Underfunded	• Close asset-liability match may be prudent given weak financial strength • Securing promised benefits is paramount	• Have financial ability to express view that rates will rise in the future • May wish to pursue aggressive investment strategy (mismatch strategy) to close funding gap

Financial Strength of Sponsor

- Corporate pension plans have used LDI because interest rates are more volatile in corporate accounting, making the mismatch between assets and liabilities clearer
  – The same concepts can be applied to public plans interested in reducing volatility
- Asset liability matching is appealing when plans are well funded and closed or frozen
- Strategies that continue to grow surplus can reduce plan costs

Current Characteristics and Potential De-Risking Impacts

Current Characteristics

- The plan is 126% funded based on the latest Segal Actuarial Report (as of 7/1/2011)
  - Market Value Assets = $85.7M MVA / L = 125.7%
  - Actuarial Value of Assets = $74.2M AVA / L = 108.8%
  - Liability = $68.2M
- 240 total participants (23 active, 217 inactive), no contribution required since 1999

Potential de-risking impact

- The plan's asset allocation policy would have less equity and more fixed income
  - Instead of the current 40% equity, 60% fixed income mix, a de-risked portfolio may have 20% equity with 80% fixed income (invested in a liability-matching portfolio)
- An assumed rate of return closer to 5% would be consistent with a de-risked portfolio, vs. the current 7.5% rate
  - This change causes the funded ratio to fall, perhaps by as much as 15-25% (based on liability duration)
- A top-up contribution *may* be required to maintain fully funded status
  - Future contributions, if any, would be far more predictable given low surplus risk

De-risking Considerations

- Next steps include a formal asset liability analysis which quantifies the risk/return tradeoffs from various degrees of de-risking
  - Selecting a liability-relative benchmark for management and performance purposes entails using a lower discount rate for funding
- A gradual approach to Implementing a de-risking strategy includes changing the asset allocation in phases over time with consideration for funding sources
- A clear understanding of the costs and benefits inherent in a de-risking approach is necessary

Disclaimers

This report is for informational purposes only and should not be construed as legal or tax advice on any matter. Any decision you make on the basis of this content is your sole responsibility. You should consult with legal and tax advisers before applying any of this information to your particular situation.

This report may consist of statements of opinion, which are made as of the date they are expressed and are not statements of fact.

Reference to or inclusion in this report of any product, service or entity should not be construed as a recommendation, approval, affiliation or endorsement of such product, service or entity by Callan.

Past performance is no guarantee of future results.

The statements made herein may include forward-looking statements regarding future results. The forward-looking statements herein: (i) are best estimations consistent with the information available as of the date hereof and (ii) involve known and unknown risks and uncertainties such that actual results may differ materially from these statements. There is no obligation to update or alter any forward-looking statement, whether as a result of new information, future events or otherwise. Undue reliance should not be placed on forward-looking statements.

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Memorandum

TO: **NDPERS Board**

FROM: **Kathy**

DATE: **June 14, 2012**

SUBJECT: **Disability Consultant Contract**

The contract with Mid Dakota Clinic for disability consulting services expires June 30, 2012. The Board must determine whether to renew the current contract or go out for bid. Mid Dakota Clinic has indicated they wish to continue to perform these services for NDPERS at the rate of $200 an hour for the July 1, 2012 through June 30, 2013 contract period. This represents no increase in the hourly rate from the current contract period. This is the fifth year wherein no increase was requested. A copy of the clinic's proposal is included for your information.

The amount paid in consulting fees for this contract period beginning on July 2011 through May 2012 is $7,000 involving 35 hours and 49 cases. Staff is satisfied with the service provided by Mid Dakota Clinic and recommends that we renew the disability consulting contract for the period July 1, 2012 through June 30, 2013 at the rate of $200 an hour.

Board Action Requested

Approve staff's recommendation.

Mid Dakota Clinic
PrimeCare

RECEIVED
MAY 15 2012
ND PERS

May 14, 2012

Kathy M. Allen
NDPERS
400 East Broadway, Suite 505
Bismarck, ND 58502-1657

RE: North Dakota Public Employees Retirement System (NDPERS)
Disability Contract Renewal

Dear Kathy,

Per your request, Mid Dakota Clinic respectfully submits the following proposal for the disability determination services contract for the period of July 1, 2012 through June 30, 2013.

1. Mid Dakota expresses a desire to continue to perform theses services for NDPERS, and
2. The proposed rate is to remain the same at $200 per hour for the upcoming contract period.

Thank you for your assistance.

Respectfully,

Greg Cagle, MPT
WorkLife Manager

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Memorandum

TO: PERS Board

FROM: Sparb & Kathy

DATE: June, 2012

SUBJECT: Retirement Brochure

Attached is a draft of the new section that is going to be added to our retirement brochure that is given to each member interested in retiring. The purpose of this additional information is to clearly advise each new retiree that the PERS plan does not have a cost of living provision. This will help to insure our members fully consider this when doing their retirement planning. Since PERS does not have a COLA, members need to have sufficient supplemental retirement savings to offset the effect of inflation on their PERS benefit in retirement and hopefully providing this information will help our members to plan accordingly.

The second purpose of this new section to the brochure is to make sure that our members are also aware of the graduated benefit option. If a member wants to have their PERS benefit increase over time to offset the cost of inflation the graduated benefit option is available to them. This option provides that a member's benefit can increase 1% or 2% each year in retirement. Their normal retirement benefit is actuarially reduced to provide this option.

Hopefully this addition will help our members plan for inflation in considering when to retire and in planning for their years in retirement.

Cost of Living Adjustments

The NDPERS defined benefit hybrid plan does not provide for an automatic annual cost of living adjustment (COLA). Therefore, as you plan for your retirement you need to consider that your PERS benefit is fixed and based upon the existing plan provisions and will not increase to offset the effects of inflation. However, a plan feature called a "graduated benefit" option provides you with a way to fund your own future benefit increases as described below.

Graduated Benefit Option

The "graduated benefit" option allows members to select the graduated benefit as either a one percent or two percent annual benefit increase. If you elect this option, your monthly annuity is actuarially reduced. The amount of the reduction will depend on your age at retirement. You will still be permitted to choose one of the optional forms of payment for your annuity benefit as described in this brochure.

Below are the rules that apply to this option:

1. It is limited to members retiring on or after their Normal Retirement Date as set by statute.
2. It is not available to disability or early retirees, or beneficiaries of deceased members.
3. It is a one-time, irrevocable election that is made at the time of the member's retirement.
4. It cannot be used in combination with a PLSO, DNRO or level social security income option.

Participating in a supplemental retirement savings plan is also important as a proactive approach to augmenting your retirement income in order to ensure a secure financial future.

The Deferred Compensation Plan is a voluntary supplemental retirement savings plan available to employees of participating governmental agencies. This program permits you to make pretax deductions from your salary that is invested in an account in your name. The amount deferred to your account and the income or gains on those investments are not taxable until you begin to withdraw money from the account which is usually at retirement. Information on this plan is available at www.nd.gov/ndpers.

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Memorandum

TO: PERS Board

FROM: Sparb

DATE: June 19, 2012

SUBJECT: Federal Regulation Update

At our February meeting we discussed proposed regulations by the federal government concerning the definition of normal retirement date. At that time the federal government had issued proposed rules that would be effective for plan years starting after January 1, 2013 that would not allow a normal age based solely on years of service. However, it did allow for an unreduced retirement based upon the "Rule".

Attached is an update from Segal.

SEGAL

MEMORANDUM

To: Sparb Collins, Executive Director

North Dakota Public Employees Retirement System

From: Melanie Walker

Date: June 18, 2012

Re: IRS Guidance on Normal Retirement Age Rules for Public Sector Plans

On April 18, 2012, the IRS and Treasury Department issued Notice 2012-29, announcing their intent to modify regulations regarding the definition of normal retirement age for public sector pension plans. The Notice provides substantial relief to public sector plans in complying with normal retirement age rules, as well as extends the deadline for such plans to comply with the modified rules.

Background

In 2007, the IRS issued final regulations regarding permissible normal retirement age definitions for qualified pension plans. Since then, the IRS has twice extended the deadline for public sector plans to comply with these regulations. The extensions were provided to give the IRS additional time to address comments on the application of the regulations to public sector plans.

In the 2007 regulations, the IRS required that a qualified plan's normal retirement age must not be "earlier than the earliest age that is reasonably representative of the typical retirement age for the industry in which the covered workforce is employed." In addition, the regulations established age 62 for general employees and age 50 for public safety employees as safe harbor normal retirement ages and indicated that ages 55-62 can be used if the employer demonstrates through facts and circumstances that the age is reasonable. Thus, the regulations do not permit a normal retirement age that is based solely on years of service or based on a combination of service and age, where the age may be below the ages cited above (*e.g.*, Rule of 85). Public sector plans commonly defined normal retirement age using a component of years of service. Some public sector plans do not specifically define a normal retirement age in their plan documents. Since such plans may not be able to change their normal retirement age under state law requirements, even if required by the IRS, the regulations presented a challenge to the public sector.

Notice 2012-29

According to Notice 2012-29, the IRS is considering guidance that would:

(1) clarify that public sector pension plans are not required to have a definition of normal retirement age if they do not provide for in-service distributions before age 62, and

(2) expand the age 50 safe harbor for public safety employees so that a plan could use a normal retirement age as low as 50 for a group of employees within the larger public sector plan if "substantially all" of such group of employees are qualified public safety employees.

Public sector plans may rely on the guidance described in the Notice until the 2007 final regulations are modified. The Notice also invites public comment on these proposed changes by July 30, 2012.

Effective Date

The Notice extends the effective date of normal retirement age regulations for public sector plans from January 1, 2013 to annuity starting dates that occur in plan years beginning on or after the later of: (1) January 1, 2015 or (2) the close of the first regular legislative session of the legislative body with the authority to amend the plan that begins on or after the date that is three months after the final regulations are published in the *Federal Register*.

Implications for Plan Sponsors

Based on the guidance set forth in Notice 2012-29, public sector pension plans that do not permit in-service distributions will not be required to define a normal retirement age in their plans. Public sector plans that do permit in-service distributions upon attainment of normal retirement age, must still ensure that their plan's definition of normal retirement age complies with the 2007 regulations, as modified under the Notice, by the new effective date. Such plans which include a subset of public safety employees may permit a lower normal retirement age for those employees, compared to the normal retirement age for general employees, so long as normal retirement ages of the different group separately comply with final regulations and guidance under the Notice.

It is also possible the large volume of determination letter applications by public sector pension plans that were being held up by the IRS for normal retirement age issues, particularly plans with public safety employees, can now begin to be approved and issued to public sector plan sponsors.

/cz

cc: Brad Ramirez

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Memorandum

TO: PERS Board

FROM: Sparb

DATE: June 19, 2012

SUBJECT: OPEB Valuation

Attachment #1 is the draft OPEB Valuation that was recently completed by Van Iwaarden Associates. This report is prepared in compliance with the Government Accounting Standards Board (GASB) requirements. Their requirements provide for reporting standards for state and local governments related to post-employment benefits other than pensions (OPEB). NDPERS must follow these reporting standards and therefore the attached report. Mark Meyer will be at the next Board meeting to review the report with you and to answer any questions you may have.

Attachment #2 is a letter from Van Iwaarden requesting additional payment of fees due to unanticipated expenses for the project not anticipated in their proposal. Attachment #3 is the original proposal as well as staff memo for your reference.

Board Action Requested

To approve or deny the request for additional payment.

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

July 1, 2011 Actuarial Valuation of
Retiree Health Plans
Under GASB Statement No. 45
For Fiscal Years Ending 2012 and 2013

May 23, 2012

VAN IWAARDEN

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NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

July 1, 2011 Actuarial Valuation of Retiree Health Plans

Table of Contents

Introduction and Actuarial Certification

Introduction

The North Dakota Public Employees Retirement System (the NDPERS) has hired Van Iwaarden Associates to perform an actuarial valuation of the NDPERS's Other Postemployment Benefits (OPEB). The 'Other' refers to postemployment benefits other than pensions. Accounting for OPEB is required under Government Accounting Standards Board Statement No. 45 (GASB 45).

This valuation has been prepared to present information for financial reporting purposes. It is important to recognize that calculations performed for other purposes may yield significantly different results.

In conducting the valuation, we have used the following information as of July 1, 2011:

- the provisions of the substantive OPEB for the medical plan
- census data
- premium and claims information

All premium, claims, and census data were provided by the NDPERS. The premiums and census data used were reviewed and considered to be reasonable, but not formally audited. The health care claims analysis was performed by Van Iwaarden Associates.

Commentary

NDPERS previously measured its retiree health insurance implicit subsidy liability under GASB 45 as of July 1, 2007 and July 1, 2009. There have been several changes in actuarial assumptions and plan experience since the July 1, 2009 valuation. However, the net effect of these changes did not have a significant impact on the plan's accrued liability. The increase in implicit subsidy liability is in-line with the additional benefit accruals earned by participants over the past two years and there were no material actuarial gains or losses.

Certification

The valuation has been conducted in accordance with generally accepted actuarial principles and practices.

In our opinion, the actuarial assumptions represent reasonable expectations of anticipated plan experience. To fulfill the applicable accounting requirements, each actuarial assumption should be the NDPERS's best estimate solely with respect to that individual assumption.

Introduction and Actuarial Certification

Certification (continued)

The undersigned actuaries are members of the American Academy of Actuaries and meet the Qualification Standards of the Academy to render the actuarial opinion contained herein. We are available to answer questions on the material contained in the report or to provide explanations or further detail, as may be appropriate. We are not aware of any material direct or indirect financial interest or relationship that could create a conflict of interest or impair the objectivity of our work.

Mark W. Schulte, FSA, EA, MAAA
Consulting Actuary

Christopher L. Grabrian, ASA, EA, MAAA
(Health claims and assumptions)

Mark D. Meyer, JD, FSA
Consulting Actuary

May 23, 2012
L/D/C/R: 4/ek/ms/mm

Summary of Results

	FYE 2010	FYE 2012
A. Participants as of July 1		
1. Actives electing coverage	N/A	20,118
2. Actives waiving coverage	N/A	7,997
3. Total actives	26,575	28,115
4. Retirees	5,907	4,362
5. Total	32,482	32,477
B. Funded Status as of July 1		
1. Actuarial Accrued Liability	$ 53,690,020	$ 65,195,904
2. Market value of assets	0	0
3. Unfunded Actuarial Accrued Liability (1. - 2.)	53,690,020	65,195,904
C. Annual Required Contribution and Annual OPEB Cost		
1. Annual Required Contribution	$ 6,938,000	$ 7,854,425
2. Annual OPEB Cost	6,969,000	7,961,185
D. Reconciliation of Net OPEB Obligation		
1. Net OPEB Obligation as of beginning of fiscal year	$ 3,485,000	$ 11,856,000
2. Annual OPEB Cost	6,969,000	7,961,185
3. Estimated employer contributions	1,994,000	2,552,416
4. Net OPEB Obligation as of end of fiscal year (1. + 2. - 3.)(1)	$ 8,460,000	$ 17,264,769

(1) GASB accounting rules require this liability to be disclosed on the NDPERS' balance sheet.

Benefit Obligations, Assets and Funded Status

		7/1/2009		7/1/2011
A. Benefit Obligations				
1. Present value of benefits paid by retiree and employer	$	2,736,716,856	$	3,100,247,694
2. Present value of benefits paid by retiree (contributions)		2,631,982,820		2,978,106,233
3. Present value of benefits paid by employer (1. - 2.)		104,734,036		122,141,461
4. Present value of obligation attributed to future service		51,044,016		56,945,557
5. Actuarial Accrued Liability (3. - 4.)	$	53,690,020	$	65,195,904
B. Actuarial Value of Assets	$	0	$	0
C. Funded Status				
1. Actuarial Accrued Liability	$	53,690,020	$	65,195,904
2. Actuarial Value of Assets		0		0
3. Unfunded Actuarial Accrued Liability	$	53,690,020	$	65,195,904
D. By Status and Per Capita Liability				
1. Actives				
a. Active AAL	$	49,427,932	$	61,079,360
b. Participants with implicit subsidy liability		25,648		28,115
c. Active per capita liability (a. / b.)	$	1,927	$	2,172
2. Retirees				
a. Retiree AAL	$	4,262,088		4,116,544
b. Participants with implicit subsidy liability		951		910
c. Retiree per capita liability (a. / b.)	$	4,482	$	4,524
3. All participants		53,690,020		65,195,904

Annual Required Contribution and Annual OPEB Cost

	FYE 2012	Projected [1] FYE 2013
A. Annual Required Contribution		
1. Normal Cost	$ 4,820,407	$ 4,820,407
2. Amortization of the UAAL	2,659,998	3,001,447
3. Interest to end of fiscal year on 1. and 2.	374,020	391,093
4. Annual Required Contribution	$ 7,854,425	$ 8,212,947
B. Annual OPEB Cost		
1. Annual Required Contribution (ARC)	$ 7,854,425	$ 8,212,947
2. Interest on the Net OPEB Obligation (NOO)	592,800	863,238
3. Adjustment to the ARC (NOO amortization)	(486,040)	(734,366)
4. Annual OPEB Cost (1. + 2. + 3.)	$ 7,961,185	$ 8,341,819

(1) FYE 2013 results are projected using current plan provisions, census data and funding presented in this valuation. If significant changes in provisions, census or funding occur, then an updated valuation is required under GASB accounting rules.

Change in Unfunded Actuarial Accrued Liability

A. Liability (gain) or loss		
1. Expected Actuarial Accrued Liability as of July 1, 2011		
a. AAL as of July 1, 2009		$ 53,690,020
b. Normal costs for fiscal years ending 2010 and 2011		8,865,710
c. Benefit payments for fiscal years ending 2010 and 2011		5,959,000
d. Interest on a., b. and c.		5,928,070
e. Expected AAL as of July 1, 2011 (a. + b. - c. + d.)		62,524,800
2. (Gains)/losses		
a. Due to experience different than expected		
i. Census	$ 566,130	
ii. Per capita claims costs and premiums	2,753,455	
b. Due to changes in actuarial assumptions		
i. Discount rate	0	
ii. Healthcare trend rates	0	
iii. Termination, retirement, disability and mortality rates	(272,506)	
iv. Participation election rates	(375,975)	
c. Total (gains)/losses		2,671,104
3. Change in actuarial methods		0
4. Plan amendments		0
5. Actual AAL as of July 1, 2011 (1.e. + 2.c. + 3. + 4.)		$ 65,195,904
B. Change in Unfunded Actuarial Accrued Liability (UAAL)		
1. UAAL as of July 1, 2009 (A.1.a.)		$ 53,690,020
2. Expected change in the UAAL		8,834,780
3. Expected UAAL as of July 1, 2011 (A.1.e.)		62,524,800
4. Change in UAAL due to (gains)/losses (A.2.c.)		2,671,104
5. Change in UAAL due to plan amendments		0
6. UAAL as of July 1, 2011 (3. + 4. + 5.)		$ 65,195,904

Projected Benefit Payments

(a) Fiscal Year Ending	(b) Retiree Claims and admin Costs	(c) Retiree Paid Premiums	(d) Employer Paid Premiums Direct Subsidy	(e)=(b)-(c)-(d) Implicit Subsidy
2012	$ 29,726,145	$ 27,173,729	$ 0	$ 2,552,416
2013	36,871,865	33,557,810	0	3,314,055
2014	45,300,254	41,201,071	0	4,099,183
2015	54,241,582	49,304,897	0	4,936,685
2016	63,747,104	57,962,741	0	5,784,363
2017	73,462,367	66,935,228	0	6,527,139
2018	83,171,953	75,980,667	0	7,191,286
2019	92,474,374	84,787,925	0	7,686,449
2020	102,076,132	93,859,972	0	8,216,160
2021	111,475,746	102,972,046	0	8,503,700
2022	121,220,996	112,451,963	0	8,769,033
2023	131,112,160	122,137,749	0	8,974,411
2024	141,100,794	131,981,992	0	9,118,802
2025	150,670,292	141,634,556	0	9,035,736
2026	160,291,565	151,409,546	0	8,882,019
2027	170,475,728	161,620,488	0	8,855,240
2028	180,045,172	171,447,671	0	8,597,501
2029	189,960,602	181,520,231	0	8,440,371
2030	199,615,940	191,452,530	0	8,163,410
2031	209,996,696	201,866,374	0	8,130,322
2032	220,558,647	212,378,115	0	8,180,532
2033	231,827,389	223,370,930	0	8,456,459
2034	242,232,671	233,787,878	0	8,444,793
2035	251,909,397	243,654,419	0	8,254,978
2036	261,211,053	253,175,468	0	8,035,585
2037	270,374,976	262,503,278	0	7,871,698
2038	279,024,310	271,324,464	0	7,699,846
2039	287,404,357	279,819,832	0	7,584,525
2040	295,083,441	287,654,481	0	7,428,960
2041	301,716,394	294,563,607	0	7,152,787
2042	308,004,430	300,983,955	0	7,020,475

Notes: The projections are based on current participants and do not include any future entrants (closed group projections).

Notes to Financial Statements

		FYE 2012		Projected [1] FYE 2013
A. Net OPEB Obligation (NOO)				
1. Annual Required Contribution	$	7,854,425	$	8,212,947
2. Interest on NOO		592,800		863,238
3. Adjustment to ARC		(486,040)		(734,366)
4. Annual OPEB Cost		7,961,185		8,341,819
5. Estimated Employer contributions [2]				
a. OPEB trust		N/A		N/A
b. Implicit subsidy benefits		2,552,416		3,314,055
c. Direct subsidy benefits		0		0
d. Total		2,552,416		3,314,055
6. Increase (decrease) in NOO (4. - 5.d.)		5,408,769		5,027,764
7. Net OPEB Obligation at beginning of fiscal year		11,856,000		17,264,769
8. Net OPEB Obligation at end of fiscal year	$	17,264,769	$	22,292,533

B. Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost	Estimated Employer Contribution	% of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	$ 7,961,185	$ 2,552,416	32.1%	$ 17,264,769
2013	8,341,819	3,314,055	39.7%	22,292,533

Required Supplementary Information

(a)	(b)	(c)	(d)=(c)-(b)	(e)=(b)/(c)	(f)	(g)=(d)/(f)
Actuarial Valuation Date[1]	**Actuarial Value of Assets**	**Actuarial Accrued Liability**	**Unfunded Actuarial Accrued Liability**	**Funded Ratio**	**Estimated Covered Payroll[2]**	**UAAL as a % of Payroll**
7/1/2011	$ 0	$ 65,195,904	$ 65,195,904	0.0%	$ TBD	TBD

(1) FYE 2013 results are projected using current plan provisions, census data and funding presented in this valuation. If significant changes in provisions, census or funding occur, then an updated valuation is required under GASB accounting rules.

(2) NDPERS needs to disclose the UAAL as a percent of payroll.

Historical Financial Statement Disclosure Information

A. Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost	Annual Employer Contribution[1]	% of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	$ 6,969,000	$ 1,994,000	28.6%	$ 8,460,000
2011	7,361,000	3,965,000	53.9%	11,856,000

B. Funded Status

(a)	(b)	(c)	(d)=(c)-(b)	(e)=(b)/(c)	(f)	(g)=(d)/(f)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Estimated Covered Payroll	UAAL as a % of Payroll
7/1/2009	$ 0	$ 53,690,020	$ 53,690,020	0.0%	$ N/A	N/A
7/1/2011	$ 0	$ 65,195,904	$ 65,195,904	0.0%	$ N/A	N/A

[1] NDPERS contribution is equal to net implicit subsidy "payments." This amount would also include contributions to a qualified OPEB trust and direct subsidy benefit payments, if they ever occurred.

Summary of Plan Participants

This section presents the demographic information for the active employees and retired participants included in the OPEB valuation. The actuarial valuation was based on July 1, 2011 census data provided by the NDPERS. The following exhibits summarize the personnel characteristics of the data used for the valuation.

A. Medical

1. Active employees	Single	Family	Total
a. Dakota Plan, under 65	5,657	13,871	19,528
b. Dakota Retiree Plan, over 65	212	378	590
c. Total with coverage	5,869	14,249	20,118
d. Total without coverage*			7,997
e. Total active employees			28,115
f. Average age			46.4

2. Retirees	Single	Family	Total
a. Dakota Plan, under 65	528	382	910
b. Dakota Retiree Plan, over 65	2,170	1,282	3,452
c. Total with coverage	2,698	1,664	4,362
d. Total without coverage			3,252
e. Total retirees			7,614
f. Average age with coverage			71.6
g. Average age with coverage - not Medicare eligible			61.4
h. Average age with coverage - Medicare eligible			75.1

* Included in liabilites using participation assumptions outlined on page 12.

Summary of Plan Provisions

A. Health Benefits

Eligibility for Participation — An employee of the North Dakota Public Employees Retirement System that is covered by an employment contract which provides for post-retirement benefits.

Employee Type	Eligibility Requirements
Main System	Employee must be at least 55 years of age with 3 years of service.
Judges	Employee must be at least 55 years of age with 5 years of service.
National Guard	Employee must be at least 50 years of age with 3 years of service.
Law Enforcement	Employee must be at least 50 years of age with 3 years of service.
Highway Patrol	Employee must be at least 50 years of age with 10 years of service.

Members receiving retirement benefits from NDTFFR or TIAA-CREF are also eligible for retiree medical coverage.

Premium paid by NDPERS — There is no direct subsidy paid by NDPERS for retiree coverage. Retirees pay premiums established by North Dakota state law. The difference between these premiums and the actual cost of coverage results in an implicit subsidy to retirees.

Members are eligible for COBRA coverage when enrolled in the Dakota Plan as an active employee and not eligible for Medicare. The member is eligible for COBRA premiums for 18 months or until eligible for Medicare.

Total monthly premium

	Dakota Plan (Non-Medicare Retiree)			Dakota Plan (Medicare Retiree)		
	7/1/2009	7/1/2011	Percent	7/1/2009	7/1/2011	Percent
Coverage	Premium	Premium	Increase	Premium	Premium	Increase
Single	$600.08	$640.44	6.7%	$231.86	$242.08	4.4%
Employee plus Spouse	1,200.16	1,280.88	6.7%	460.92	481.36	4.4%
Family (3+)	1,500.20	1,601.10	6.7%			

	Non-Medicare COBRA Rates		
	7/1/2009	7/1/2011	Percent
State Agencies	Premium	Premium	Increase
Single	$408.06	$435.50	6.7%
Married	982.10	1,049.58	6.9%
Political Subdivisions			
Single	$433.46	$465.28	7.3%
Married	1,047.14	1,124.12	7.4%

Summary of Actuarial Assumptions and Methods

A. Changes Since Last Valuation

Since the last valuation, NDPERS updated the demographic assumptions used in the NDPERS pension and retiree health credit plan valuations. In order to maintain consistency with those assumptions, we updated the demographic assumptions in this report also. They include:

- Retirement rates
- Withdrawal rates
- Disability incidence
- Mortality (healthy and disabled) for groups other than Highway Patrol
- Participation rates
- Marriage assumption
- Payroll growth rate

The only economic assumptions changed were that the assumed premiums and medical claims costs were updated to reflect recent plan experience.

B. General Information

Valuation Date	July 1, 2011
Benefits Valued	Implicit subsidy cost for Medical coverage until eligible for Medicare
Census Date	The census data was collected in March, 2012. Although not the valuation date, GASB allows the use of data as of a different date as long as the census reasonably reflects the data on the valuation date.
Actuarial Cost Method	OPEB benefits were calculated under the Projected Unit Credit cost method. OPEB benefits were attributed linearly to each assumed decrement age based on the ratio of a participant's accrued service on the valuation date to their projected service at each decrement age.
Amortization Method	The unfunded actuarial accrued liability was amortized as a level percent of payroll over a closed 30-year period beginning July 1, 2007. As of July 1, 2011, there were 26 years remaining.
Funding Policy	Pay-as-you-go method under which the contributions to the plan are generally made at the same time and in the same amount as retiree benefits and expenses become due.

C. Economic Assumptions

Discount Rate	5.00%
Inflation Rate	3.00%
Payroll Growth Rate	4.50%
Trend Rates	Annual increase in health benefits, premiums and participant contributions are as follows:

	Medical
Initial year:	9.00%
Ultimate year:	6.00%
Years to ultimate year:	6

Summary of Actuarial Assumptions and Methods (continued)

D. Medical Elections

Participation rates

Main System, National Guard and Law Enforcement		Judges and Highway Patrol	
Years of Service	Participation Rate	Years of Service	Participation Rate
Under 3	0%	Under 5	0%
3-4	30%	5-9	50%
5-9	50%	10-14	65%
10-14	65%	15-19	80%
15-19	80%	20-24	85%
20-24	85%	25 & Over	90%
25 & Over	90%		

Current and future retirees are assumed to participate for life at the rates shown above.
No active employees are assumed to participate if they withdraw for reasons other than retirement.
Spouses are assumed to continue coverage until their age 65, even if the participant is over age 65.

Spouse participation

Current retirees are assumed to continue on the coverage type they are currently electing (single or family).

Active employees are assumed to elect spouse coverage based on the following percentages (consistent with those used in the July 1, 2010 Retiree Health Credit Plan valuation):

	Male	Female
Main System, National Guard, and Law Enforcement	80%	65%
Judges	100%	100%
Highway Patrol	90%	90%

Spouse ages

If spouse birthdate was provided for current retirees, then actual spouse age was used. For current retirees without a spouse birthdate and all future retirees, the assumptions below were used.
Males are assumed to be four years older than female spouses for Main System employees.
Males are assumed to be three years older than female spouses for Highway Patrol Employees and Judges.
Males are assumed to be five years older than female spouses for all others.

Summary of Actuarial Assumptions and Methods (continued)

E. Demographic Assumptions

Retirement Rates

Main System:

Age	Unreduced*	All other Retirements	Age	Unreduced*	All other Retirements
51-54	8%	0%	63	25%	15%
55	8%	2%	64	30%	10%
56-59	10%	2%	65	30%	30%
60	10%	4%	66-74	20%	N/A
61	20%	10%	75	100%	N/A
62	35%	20%			

*Age 65 or Rule of 85

Highway Patrol:

Age 50 and over:

Early retirement*: 25%

First year eligible for unreduced retirement**: 75%

After first year eligible for unreduced retirement**: 100%

*Age 50 and 10 years of service.

**Age 55 and 10 years of service or Rule of 80.

Judges:

Age	Rate
60-61	10%
62-64	20%
65-69	50%
70	100%

National Guard and Law Enforcement:

Age	Rate
55-63	20%
64	50%
65	100%

Disability

Sample rates as follows:

Age	Male	Female
30	0.04%	0.02%
40	0.07%	0.04%
50	0.20%	0.12%
60	0.54%	0.33%

Sample rates for Highway Patrol as follows:

Age	Male	Female
30	0.12%	0.12%
40	0.30%	0.30%
50	0.38%	0.38%

Summary of Actuarial Assumptions and Methods (continued)

E. Demographic Assumptions (continued)

Withdrawal

Main System:

	Year of Employment					After 5 Years	
Age	1	2	3	4	5	Age	Rate
29 & Under	22%	18%	16%	14%	14%	20-24	8.8%
30-39	16%	14%	12%	12%	11%	25-29	8.8%
40 & Over	12%	10%	10%	8%	7%	30-34	5.5%
						35-39	4.7%
						40-44	3.9%
						45-49	3.7%
						50-54	3.4%
						55-59	0.1%
						60+	0.2%

National Guard and Law Enforcement:

	Year of Employment					After 5 Years	
Age	1	2	3	4	5	Age	Rate
29 & Under	25%	23%	20%	17%	15%	20-24	8.8%
30-39	20%	17%	15%	13%	11%	25-29	8.8%
40 & Over	17%	15%	12%	10%	7%	30-34	5.5%
						35-39	4.7%
						40-44	3.9%
						45-49	3.7%
						50-54	3.4%
						55-59	0.1%
						60+	0.2%

Judges

Age	Rate
20-24	2.2%
25-29	2.2%
30-34	1.4%
35-39	1.2%
40-44	1.0%
45-49	0.9%
50-54	0.8%
55-59	0.0%
60+	0.1%

Highway Patrol:

First 5 years of service: 10%

After 5 years of employment:

Age	Rate
Under 35	2.5%
35 & over	1.0%

Withdrawal decrements are assumed to cease once a participant is eligible to retire.

Summary of Actuarial Assumptions and Methods (continued)

E. Demographic Assumptions (continued)

Mortality

Healthy: RP-2000 Combined Healthy Mortality Table, set back three years for males and females.
Disabled: RP-2000 Disabled Retiree Mortality Table, set back one year for males (not set back for females).

	Healthy Mortality Rates		Disabled Mortality Rates	
Age	Male	Female	Male	Female
20	0.0301%	0.0184%	2.2571%	0.7450%
25	0.0366%	0.0194%	2.2571%	0.7450%
30	0.0382%	0.0223%	2.2571%	0.7450%
35	0.0562%	0.0350%	2.2571%	0.7450%
40	0.0904%	0.0554%	2.2571%	0.7450%
45	0.1215%	0.0852%	2.2571%	0.7450%
50	0.1734%	0.1326%	2.7687%	1.1535%
55	0.2667%	0.2018%	3.4152%	1.6544%
60	0.4693%	0.3478%	4.0668%	2.1839%
65	0.8757%	0.6657%	4.8307%	2.8026%
70	1.6075%	1.2163%	5.9613%	3.7635%
75	2.7281%	2.0665%	7.7512%	5.2230%

Highway patrol

Healthy: RP-2000 Combined Healthy Mortality Table, set back one year for males and females.
Disabled: RP-2000 Disabled Retiree Mortality Table, set back one year for males (not set back for females).

	Healthy Mortality Rates		Disabled Mortality Rates	
Age	Male	Female	Male	Female
20	0.0331%	0.0190%	2.2571%	0.7450%
25	0.0376%	0.0201%	2.2571%	0.7450%
30	0.0412%	0.0248%	2.2571%	0.7450%
35	0.0702%	0.0435%	2.2571%	0.7450%
40	0.1021%	0.0648%	2.2571%	0.7450%
45	0.1397%	0.1029%	2.2571%	0.7450%
50	0.1995%	0.1550%	2.7687%	1.1535%
55	0.3196%	0.2424%	3.4152%	1.6544%
60	0.5945%	0.4441%	4.0668%	2.1839%
65	1.1280%	0.8619%	4.8307%	2.8026%
70	1.9802%	1.4860%	5.9613%	3.7635%
75	3.3900%	2.5458%	7.7512%	5.2230%

Summary of Actuarial Assumptions and Methods (continued)

F. Data assumptions

- We assumed a hire date of age 36 or current age (which ever occurred earlier) for actives listed in the data without a hire date.
- We excluded retirees not currently covered under the health plan.
- We have assumed that participants paying Medicare premium amounts are covered under the Dakota Retiree health plan and are not valued in the implicit subsidy calculations.
- We have assumed that actives becoming disabled will be covered under Medicare and are not valued in the implicit subsidy calculations.
- Records in the data missing employee group designations (law enforcement, highway patrol, judges, etc.) are valued as "Main System."
- Current terminated vested participants are assumed to not elect coverage at retirement.

G. Per Capita Claims Costs

- Medical — Per capita claims costs were developed using claims, premiums, fees and enrollment information provided by North Dakota Public Employees Retirement System. The results contained herein are highly dependent on the accuracy and credibility of the data provided to us. The claims experience was adjusted for aging, plan values, participant status and coordination with Medicare, if applicable. Sample monthly costs by plan and age are below:

Age	Dakota Plan
40	$ 346
45	403
50	470
55	563
60	679
64	794
65	N/A

Age 65 claims cost:

	7/1/2009	7/1/2011	Percent Increase
Per member	753.76	825.69	9.54%

Accounting Requirements and Valuation Considerations

This section summarizes the applicable accounting requirements for the plan and describes important considerations and methods used to complete the valuation.

Accounting Information under GASB 43 and GASB 45

The Governmental Accounting Standards Board (GASB) finalized Statements No. 43 (GASB 43 for funded OPEB plans) and 45 (GASB 45 for employers) in 2004. The statements' objectives are to establish uniform standards of financial reporting by state and local governmental entities for postemployment benefit plans other than pension benefits (OPEB plans). This includes benefits such as postemployment healthcare benefits, dental insurance and life insurance.

For OPEB plans sponsored by governmental entities, these GASB Statements require certain standards and disclosures of plan and fund information including financial reporting of plan assets, liabilities of plan, changes in net assets, funded status and funding progress of the plan, and contributions to the plan in comparison to the annual required contributions of the employer (ARC).

Valuing Postretirement Health Benefits

Determining the value of future health care benefits is challenged by the fact that assumptions must be made about many future events that are especially hard to predict. Future increases in health care costs are affected by many factors, including:

- OPEB inflation
- Technological advances
- Cost shifting (i.e., increases in private plans' costs in non-managed programs due to uninsured claims, changes in the Medicare payment structure, and increased emphasis on managed care programs)
- Cost leveraging (i.e., erosion of fixed deductibles and out-of-pocket maximums)

OPEB obligations are also heavily influenced by demographic assumptions such as:

- Withdrawal rates (i.e., employees terminating before receiving benefits)
- Retirement rates (i.e., employees retiring at various ages and subsidy levels)
- Mortality rates (i.e., how long employees and spouses will receive benefits)
- Participation (i.e., retirees electing coverage, the percentage married, and elections to contribute for coverage of spouses)

The Summary of Actuarial Assumptions and Methods section outlines the assumptions used in this valuation.

Accounting Requirements and Valuation Considerations (continued)

This section summarizes the applicable accounting requirements for the plan and describes important considerations and methods used to complete the valuation.

Estimating Health Care Costs

In addition to estimating future increases in health care claims costs, it is necessary to develop a starting claims cost value on a per covered individual basis for self-insured plans and even some insured plans.

For insured plans, the premiums represent a blended average cost of both active and retired individuals. Since older, pre-65 retirees generally incur higher claims than younger active employees, GASB requires employers to value retiree liability based on estimated retiree costs rather than premiums. Age-adjusted claims are developed and used to value the OPEB liability.

Impact of Legislative Changes

The legislative and regulatory environment have many implications for OPEB plans. Changes to current rules and implementation of new legislation are difficult to predict but could have a dramatic impact on the value of future plan benefits. These include:

- Changes to government medical programs, such as Medicare, when applicable. Under the Medicare Modernization Act of 2003 (MMA), a new prescription drug program called Medicare Part D was established. GASB requirements state that the determination of the actuarial accrued liabilities, the annual required contribution, and the annual OPEB cost should be done without reduction for Medicare Part D payments.

- Effect of the Patient Protection Affordable Care Act. Many of the Act's provisions and methods of implementation have not yet been clarified or provided. As a result, effectively estimating specific provisions of the Act at this time is not feasible. However, we have considered the relevant provisions of the Act and will reflect any potential impact as guidance is released and plan experience occurs.

Glossary of Selected Terms

This section provides the definitions of applicable terminology in the actuarial valuation, with references to both the Governmental Accounting Standards Nos. 43 (GASB 43) and 45(GASB 45).

Actuarial Cost Method - a procedure for determining the actuarial present value of benefits and for developing an allocation of such value to time periods.

Actuarial Present Value of Benefits - the value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a set of actuarial assumptions.

Actuarial Accrued Liability (AAL) - the portion of the actuarial present value which is not provided for by future normal costs, determined under the actuarial cost method.

Annual OPEB Cost - the OPEB expense recognized in the employer's financial statements.

Annual Required Contribution (ARC) - the basis for the annual OPEB cost shown in the employer's financial statements. This term is misleading: no annual cash contribution is actually required to fund OPEB benefits.

Discount Rate - the interest rate used to adjust liabilities and obligations for the time value of money.

GASB Statement No. 43 - the Governmental Accounting Standards Statement Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

GASB Statement No. 45 - the Governmental Accounting Standards Statement Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

Implicit Subsidy or Implicit Rate Subsidy - the difference between the actual and apparent cost of OPEB coverage. The actual cost for early retirees is higher than the average per-person premium for the active/retiree group. Plans in which retirees pay the average active/retiree rate (the apparent cost) give rise to an implicit rate subsidy: the employer pays the difference between the actual and apparent cost.

Net OPEB Obligation (NOO) - the OPEB liability (asset) at transition, if any and the cumulative difference since the effective date of Statement No. 45 between annual OPEB cost and the employer's contributions.

Normal Cost - the portion of the actuarial present value which is allocated to the valuation year by the actuarial cost method.

Valuation Date - the date as of which assets and liabilities are measured in determining the OPEB liability of the plan.

VANIWAARDEN

Retirement planning for employers

June 15, 2012

Mr. Sparb Collins
Executive Director
North Dakota Public Employees Retirement System
400 E. Broadway, Suite 505
Bismarck, ND 58501

Re: **Request for Additional Out-of-Scope GASB 45 Actuarial Fees**

Dear Sparb:

This letter is our formal request for additional fees for out-of-scope work completed on the July 1, 2011 GASB 43/45 actuarial valuation of NDPERS' retiree health benefits for FYEs 2012 and 2013. As described in detail below, we believe this work falls outside the scope of our original agreement, and request that NDPERS approve the additional fees.

Background

NDPERS has contracted with Van Iwaarden Associates to prepare actuarial valuations of your retiree health plan under GASB statements 43 and 45 as of July 1 for both 2009 and 2011. Our not-to-exceed fee for both valuations was $8,900.

During the 2011 valuation we encountered some data issues that led to work we believe is outside the scope of our original engagement. Our quoted fee of $8,900 was developed assuming we would receive the same data in the same format as the prior actuarial study. However, NDPERS changed its data systems in the interim and the files we received were significantly different from those provided for the prior study. For example:

- Data was supplied on multiple files, so additional work was required to reconcile and match-up records from the different sources.
- Several data items were missing in the original data files, which required additional work to conduct multiple iterations of data processing from different sources.

Additional Fees Requested

Based on the time spent reviewing the data files, compiling and cross-referencing, and analyzing for errors/question our actual time charges were approximately $1,200 higher than budgeted due to the multiple data files and incomplete content.

We anticipate that this is a one-time occurrence since it was the first time NDPERS used their new data system to provide GASB 43/45 data. I'd also like to emphasize that NDPERS staff were very helpful and responsive in addressing this matter, and that it is the newness of the data system that caused the issues not any staff members.

We appreciate your business very much, but our quoted low fee does not allow us to absorb the additional data-related work. If you'd like more detail about these out-of-scope data charges, please let me or Mark Meyer know and we'd be glad to discuss them with you.

We respectfully request authorization to include this additional fee on our invoice for services rendered under our current agreement.

Sincerely,

Mark Schulte

Mark W. Schulte, FSA, EA
Consulting Actuary

Cc: Mark Meyer

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

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

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

Memorandum

TO: PERS Board

FROM: Sparb

DATE: December 13, 2011

SUBJECT: OPEB Valuation

The Government Accounting Standards Board (GASB) released Statement No. 43 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (GASB 43) in April 2004 and Statement No. 45 – Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans (GASB 45) in June 2004. These two statements establish uniform accounting and financial reporting standards for state and local governments related to post-employment benefits other than pensions (OPEB). NDPERS must follow these reporting standards for our fiscal year ended June 30, 2009. This requires an actuarial valuation for the implicit subsidy applicable to our pre-Medicare retirees who are participating in our health plan.

This requires:

1. Calculate the implicit subsidy for the fiscal year
2. Prepare an actuarial valuation following GASB 43 and GASB 45 standards
3. Prepare the necessary material for the Comprehensive Annual Financial Report to comply with GASB OPEB reporting and disclosure requirements
4. Provide general consulting on GASB 43 and GASB 45 compliance

Van Iwaarden did our previous valuation.

At this time we need to determine if we should again ask Van Iwaarden to do this work or if we should bid this out. They have indicated they would do it for the same price as last time (see Attachment #1). They were awarded the job last time as a result of a bid. The following shows how they rated compared to the other bidders:

Retiree Valuation	VanIWaa	AON	Segal	GRS	GBS
Technical Understanding	26.5	28.5		24.5	29.25
Qualification & Product Delivery	24.75	26.5		27.25	27.25
3. Approach to Valuations & Timeline					
5. Actuaries & Consultants & Staff					
6. Computer Equipment					
7. Staffing Statement					
8. Specific & Unique Qualifications					
9. Service Office					
10. Previous Retiree Health Valuation					
11. Public Sector Experience					
12. Client References					
13. Actuary Resumes/Hours					
14. Other Staff Resumes/Hours					
15. Identify Subcontractors					
Price $					
Retiree Health	$8,900	$16,000		$45,000	$10,500
Hours	48	57		180	45
Price	40.0	22.3	0.0	7.9	33.9
TOTAL POINTS	91.3	77.3	0.0	59.7	90.4

As you will note they were the lowest in terms of price and rated very well. In recognition of the above and their pricing, staff would recommend they be approved to again conduct this valuation and that for the next one we bid it.

Board Action Requested

To determine if the OPEB valuation should be done by Van Iwaarden or bid.

VANIWAARDEN
Retirement planning for employers

December 2, 2011

Mr. Sparb Collins
Executive Director
North Dakota Public Employees Retirement System
400 E. Broadway, Suite 505
Bismarck, ND 58501

Re: **Proposal to Provide GASB 45 Consulting and Actuarial Services**

Dear Sparb:

Van Iwaarden Associates is pleased to provide you with this letter which is our proposal to complete an actuarial valuation of the NDPERS retiree health plan per the requirements of GASB statements 43 and 45. We will complete the same work covered under the terms of our original 2009 engagement, and we are happy to offer our services for the same price as two years ago.

Scope of Project and Fees

We will prepare a full GASB 45 actuarial valuation of NDPERS' retiree health program for a not-to-exceed fee of $8,900. The only additional costs would be for out-of-scope work requested by NDPERS and for expenses related to meetings to discuss the results. Per the original contract, these expenses may be reimbursed with prior approval from the NDPERS Executive Director.

Project Background

Accounting for Other Post-Employment Benefits (OPEB) under GASB Statements 43 and 45 requires that NDPERS complete a full actuarial valuation of its retiree health benefit program every two years. Van Iwaarden Associates completed a full actuarial valuation for the plan year beginning July 1, 2009 so another study must be completed for the plan year beginning July 1, 2011.

The new report will contain all of the required GASB 45 accounting information for your FY12 and FY13 financial statements. It will measure the "implicit subsidy" that NDPERS incurs because your retirees do not pay an actuarially equivalent premium that fully covers the true cost of their health benefits.

VAN IWAARDEN ASSOCIATES 840 LUMBER EXCHANGE BUILDING TEN SOUTH FIFTH STREET MINNEAPOLIS, MN 55402-1010
TOLL FREE: 1.888.596.5960 612.596.5960 *f:* 612. 596.5999 WWW.VANIWAARDEN.COM

Conclusion

Van Iwaarden Associates is excited to continue our strong relationship with NDPERS by providing you with the highest quality GASB 45 services for a fair price. Once we receive notice of your acceptance of our proposal, we will quickly provide you with a data request so that we can complete the study in a timely manner.

If you have any questions about our proposal, please feel free to call us toll free at 1.888.596.5960.

Sincerely,

Mark Meyer

Mark D. Meyer, JD, FSA, EA
Consulting Actuary

Mark Schulte

Mark W. Schulte, FSA, EA
Consulting Actuary

North Dakota
Public Employees Retirement System
400 East Broadway, Suite 505 ● Box 1657
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Sparb Collins
Executive Director
(701) 328-3900
1-800-803-7377

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

Memorandum

TO: PERS Board

FROM: Sparb

DATE: June 19, 2012

SUBJECT: Diabetes Program

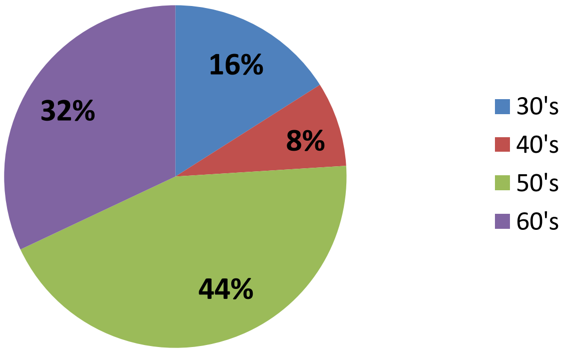
Dr. Wendy Brown is going to be with us at the next meeting to provide you with an update on the diabetes program (see attachment). Dr. Brown has replaced Jayme Steig who took a new job around the first year.

Dr. Brown is a licensed pharmacist, a certified asthma educator and certified tobacco treatment specialist. She has completed her Masters of Physician Assistant Studies and is a certified physician assistant.

NDPERS Diabetes Management Program
2011 Summary

Demographic

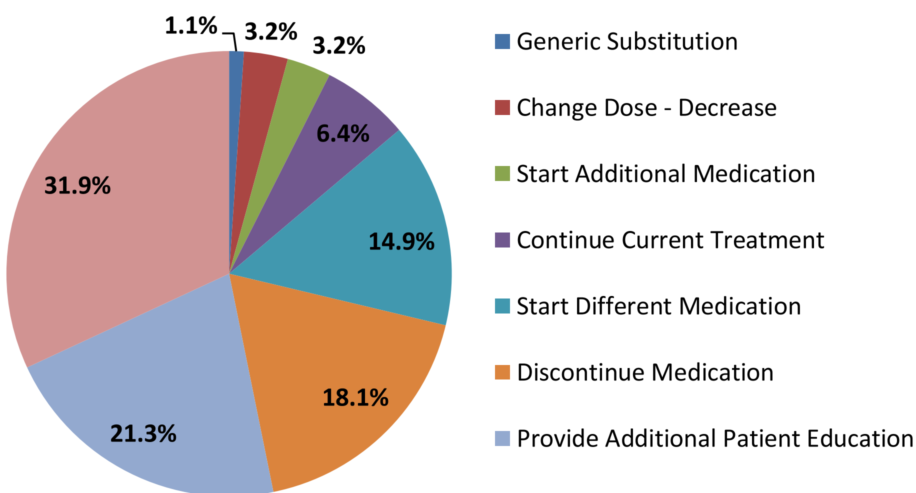
During 2011, 76% of the actively participating patients were female. Age distribution is demonstrated below:



Cities in which patient participated in management program: Bismarck, Dickinson, Fargo, Grafton, Grand Forks, Jamestown, and Minot.

Interventions

In 2011 there were 94 interventions made by the providers in collaboration with the patients in order to manage diabetes and prevent costly complication. Descriptions of intervention are listed below:



The most common medications where the provider recommended an increase in dose were insulin (both basal and rapid acting) and metformin. The most common reasons for providing additional patient education were to increase adherence and minimize common side effects associated with insulin use. Evaluating hemoglobin A1Cs of patients that were active in the program in 2011 enrollment A1C average was 7.3 (Range 6.1 – 8.9) or an estimated average glucose of <u>163mg/dl</u> and with pharmacist intervention improved to an average of 6.8 (Range 5.9-8.5) with an estimated average glucose of <u>148 mg/dl</u>.

Patient Satisfaction with Program

Based on a 5 point Likert scale where 5 is excellent and 1 is poor.

1.)	Professional appearance of the provider	4.7
2.)	Appearance of the meeting area	4.3
3.)	System for scheduling your appointment	4.7
4.)	The provider's interest in your health	4.7
5.)	How well the provider helps you manage your medications	4.3
6.)	How well the provider explains possible side effects	4.3
7.)	The provider's efforts to solve problems that you have with your medications	4.3
8.)	The responsibility that the provider assumes for your drug therapy	4.3
9.)	Ability of the provider to answer your questions about your medications	4.3
10.)	Ability of the provider to answer your questions about your health problems	4.3
11.)	The provider's efforts to help you improve your health or stay healthy	4.7
12.)	The program services overall	4.7
13.)	Ability of the provider to see you at your scheduled time	4.3
14.)	Courtesy and professionalism of the staff	4.7
15.)	Follow-up after the appointment	4.3
16.)	The educational materials provided	4.3
17.)	The program website	4.0

"As a newly diagnosed adult with type 1 diabetes, this has been a great program because it offered the opportunity to talk with a health care professional about diabetes in a relaxed atmosphere (not the clinic)." *38 year old Male Patient*

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Memorandum

TO: PERS Board

FROM: Rebecca & Tara

DATE: June 18, 2012

SUBJECT: Wellness Program Update

NDPERS staff has completed the renewal of the Employer Based Wellness Program for the plan year July 1, 2012 to June 30, 2013. This renewal determines those employers that will qualify for the 1% health insurance premium discount during the plan year.

At this time, there are a total of 194 out of 285 employers electing to participate in the wellness program. This is an employer participation rate of approximately 68%. However, 97% of employees covered on the insurance plan are working for employers that are offering wellness programs and activities to their employees.

The break-down of the participating employers is as follows:

- 100 state agencies, universities and district health units
- 36 counties
- 18 schools
- 16 cities
- 24 political subdivisions

Rebecca will be available at the Board meeting to answer any questions that you may have regarding the wellness program renewal process.

In addition, at the January Planning meeting, we discussed asking the Lt. Governor to be a part of promoting the PERS Wellness program. We are pleased to let you know that he has agreed and we have started those efforts. The following are some of the areas the Lt. Governor will assist with:

- **Wellness Communications**
  - A letter to agency heads & political subdivisions thanking them for their participation and promotion of wellness at their worksites
  - A thank you letter to Wellness Coordinators for their continued efforts and dedication to wellness at their worksites
  - Articles in the PERSpectives Newsletter
  - Introductions to a series of employee webinars on various wellness topics that will be hosted on HealthyBlue

- **Wellness Leadership Webinar**
  - One 3-5 minute video focusing on the importance of worksite wellness and why the support of leaders is so critical; this video would serve as the welcome for the webinar
  - Electronic or letter invitation to view the webinar (link to recorded webinar included)
  - Article/invite in NDPERS employer newsletter (link to recorded webinar included)

Tara and Rebecca will be at the next board meeting to provide you with an additional update.

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Memorandum

TO: PERS Board

FROM: Sparb

DATE: June, 2012

SUBJECT: RFP Update

Sparb will provide an update at the Board meeting on the dental and health requests for proposal

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Memorandum

TO: **NDPERS Board**

FROM: **Kathy**

DATE: **June 20, 2012**

SUBJECT: **Group Health – Special Dependent Enrollment**

At its February meeting, the Board approved a special dependent enrollment period for dependents. This was in response to new information we had received relating to the definition of dependent as provided in NDCC §26.1-36-22 which specifies that adult children up to age 26 are eligible regardless of whether the individual has or is eligible for other employer-sponsored coverage.

The special enrollment was conducted from May 21, through June 22, 2012. As of the date of this memo, we have received 165 applications.

We are available to answer any questions.

NDPERS

Memo

To: NDPERS Board

From: Bryan T. Reinhardt

Date: 6/26/2012

Re: 457 Companion Plan & 401(a) plan 1st Quarter 2012 Reports

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Here is the 4th quarter 2012 investment report for the 401(a) & 457 Companion Plan. The reports are available separately on the NDPERS web site. The NDPERS Investment Sub-committee reviewed the 1st quarter report.

Assets in the 401(a) plan increased to $23.0 million as of March 31, 2012. The number of participants is at 287, about the same as when the plan started. The largest funds are the TIAA-CREF Lifecycle funds with 65% of assets and the Fidelity Managed Income and Wells Fargo Stable Value funds with 10% of the assets.

Assets in the 457 Companion Plan increased to $40.3 million as of March 31, 2010. The number of participants is increasing and is now at 3,745. The largest funds are the TIAA-CREF Lifecycle funds with 72% of assets and the Fidelity Managed Income and Wells Fargo Stable Value funds with 6% of the assets.

<u>Benchmarks:</u>

Fund returns for the quarter were all positive. The difference between 3-year, and 5-year returns show the market volatility with a market downturn in 2008 and bull market in 2009. Most of the core funds performed well compared to their benchmarks and peer funds. Note that index funds are expected to slightly underperform their benchmarks because of fund administration fees.

<u>Fund / Investment News:</u>

The NDPERS Investment Sub-Committee reviewed a 1st quarter market overview with TIAA-CREF and plan statistics. The Investment Sub-Committee marked the Nuveen Tradewinds Value fund (NVORX) as underperforming for the quarter.

The Investment Sub-committee recommends the NDPERS Board put the Nuveen Tradewinds Value fund (NVORX) on Formal Fund Review and close it to new participants. This fund is losing its fund managers and has had poor recent performance. TIAA-CREF felt increased redemptions in this fund might continue to cause lower returns.

The Investment Sub-committee reviewed money market options for the plans. TIAA-CREF needs a money market fund to administer the revenue credit back to member accounts. The committee recommends adding the Vanguard Prime Money Market Fund to the 457 Companion Plan and 401(a) Plan core investment options. We would benchmark this fund with the 3-Month Treasury Bill Index.

Board Action Requested:

Put the Nuveen Tradewinds Value fund (NVORX) on formal fund review and close it to new participants.

Approve adding the Vanguard Prime Money Market Fund to the 457 Companion Plan and 401(a) Plan core investment options.

and

Approve the 457 Companion Plan and 401(a) Defined Contribution Plan Statement of Investment Policies with the fund/benchmark changes.

NDPERS
Quarterly Investment Report
1st Quarter
1/1/2012 – 3/31/2012

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 - TIAA-CREF

INITIAL OFFERING:

	VALUE	BLEND	GROWTH
LARGE	Hartford Dividend & Growth T.Rowe Price Equity Income	Vanguard 500 Index Signal Nuveen Tradewinds Value Oppt	Franklin Growth Adv Wells Fargo Adv Growth Adm
MEDIUM	RidgeWorth Mid Cap Value Equity I	ASTON/Fairpointe Mid Cap I Columbia Mid Cap Index A	Prudential Jennison Mid Cap Growth Z
SMALL	Allianz NFJ Small Cap Value	Parnassus Small Cap	Brown Capital Mgmt Small Co Inv

BALANCED FUND:	T.Rowe Price Capital Appreciation		
INCOME FUNDS:	Wells Fargo Stable Value Fund J		
BOND FUNDS:	PIMCO Total Return Bond Fund	Prudential High Yield Z	
	PIMCO Real Return Admin Bond Fund	Templeton Global Bond	
REAL ESTATE:	Cohen & Steers Realty Shares		
INTERNATIONAL FUNDS:	Mutual Global Discovery Z	Vanguard Total Intl Stock Index	Oppenheimer Developing Markets Y
LIFESTYLE FUNDS:	TIAA-CREF Lifecycle Ret Income	TIAA-CREF Lifecycle 2025	TIAA-CREF Lifecycle 2045
	TIAA-CREF Lifecycle 2010	TIAA-CREF Lifecycle 2030	TIAA-CREF Lifecycle 2050
	TIAA-CREF Lifecycle 2015	TIAA-CREF Lifecycle 2035	TIAA-CREF Lifecycle 2055
	TIAA-CREF Lifecycle 2020	TIAA-CREF Lifecycle 2040	

FUND STYLE CHANGES:

	VALUE	BLEND	GROWTH
LARGE	Nuveen Tradewinds Value Oppt ←	←	
MEDIUM			
SMALL			

OTHER FUNDS:

CURRENT LINEUP:

	VALUE	BLEND	GROWTH
LARGE	Hartford Dividend & Growth T.Rowe Price Equity Income Nuveen Tradewinds Value Oppt	Vanguard 500 Index Signal	Franklin Growth Adv Wells Fargo Adv Growth Adm
MEDIUM	RidgeWorth Mid Cap Value Equity I	ASTON/Fairpointe Mid Cap I Columbia Mid Cap Index A	Prudential Jennison Mid Cap Growth Z
SMALL	Allianz NFJ Small Cap Value	Parnassus Small Cap	Brown Capital Mgmt Small Co Inv

BALANCED FUND:	T.Rowe Price Capital Appreciation		
INCOME FUNDS:	Wells Fargo Stable Value Fund J		
BOND FUNDS:	PIMCO Total Return Bond Fund	Prudential High Yield Z	
	PIMCO Real Return Admin Bond Fund	Templeton Global Bond	
REAL ESTATE:	Cohen & Steers Realty Shares		
INTERNATIONAL FUNDS:	Mutual Global Discovery Z	Vanguard Total Intl Stock Index	Oppenheimer Developing Markets Y
LIFESTYLE FUNDS:	TIAA-CREF Lifecycle Ret Income	TIAA-CREF Lifecycle 2025	TIAA-CREF Lifecycle 2045
	TIAA-CREF Lifecycle 2010	TIAA-CREF Lifecycle 2030	TIAA-CREF Lifecycle 2050
	TIAA-CREF Lifecycle 2015	TIAA-CREF Lifecycle 2035	TIAA-CREF Lifecycle 2055
	TIAA-CREF Lifecycle 2020	TIAA-CREF Lifecycle 2040	

NDPERS Investment Benchmarks - 1st Quarter 2012

	Quarter	Y-T-D	1-Year	3-Year	5-Year
Stable Value Fund					
Wells Fargo Stable Return Fund J - WFSJ#	**0.33%**	**0.33%**	**1.50%**	**1.98%**	**2.71%**
GIC Index					
Fixed Income Fund					
PIMCO Real Return Admin - PARRX	**1.58%**	**1.58%**	**11.03%**	**10.80%**	**7.90%**
PIMCO Total Return Bond Fund - PTRAX	**2.81%**	**2.81%**	**5.73%**	**9.09%**	**8.07%**
Barclays Aggregate Bond Index	0.30%	0.30%	7.71%	6.83%	6.25%
Taxable Bond Fund Universe	2.45%	2.45%	5.57%	10.69%	5.26%
Prudential High Yield Z - PHYZX	**4.91%**	**4.91%**	**6.61%**	**20.80%**	**7.86%**
ML High Yield Bond Fund Index	5.15%	5.15%	5.63%	23.78%	7.84%
High Yield Bond Fund Universe	5.45%	5.45%	4.66%	20.55%	5.68%
Templeton Global Bond Adv - TGBAX	**7.20%**	**7.20%**	**2.62%**	**12.11%**	**10.41%**
Citi World Govt Bond Index	-0.51%	-0.51%	5.12%	6.23%	6.78%
World Bond Fund Universe	2.30%	2.30%	4.23%	9.66%	6.11%
Real Esate Fund					
Cohen & Steers Realty Shares - CSRSX	**10.40%**	**10.40%**	**9.77%**	**41.79%**	**0.49%**
FTSE NAREIT All Equity REITs Index	10.49%	10.49%	11.29%	42.21%	-0.12%
Real Estate Fund Universe	10.53%	10.53%	12.61%	44.98%	-0.72%
Balanced Fund					
T.Rowe Price Capital Appreciation - PACLX	**9.41%**	**9.41%**	**7.74%**	**20.89%**	**4.88%**
60% Large Cap Value Univ & 40% Taxable Bond Universe	7.61%	7.61%	4.48%	17.37%	1.96%
60% Russell 1000 Value & 40% Agg Bond Index	6.79%	6.79%	5.96%	16.42%	2.01%
Large Cap Equities - Value					
Hartford Dividend & Growth - HDGTX	**10.15%**	**10.15%**	**5.22%**	**20.81%**	**2.65%**
T.Rowe Price Equity Income - PRFDX	**11.23%**	**11.23%**	**4.51%**	**23.58%**	**0.92%**
Russell 1000 Value Index	11.12%	11.12%	4.79%	22.82%	-0.81%
Large Cap Value Fund Universe	11.05%	11.05%	3.75%	21.82%	-0.24%
Large Cap Equities - Blend					
Vanguard 500 Index Signal - VIFSX	**12.58%**	**12.58%**	**8.51%**	**23.43%**	**2.03%**
Nuveen Tradewinds Value Oppt I - NVORX	**4.53%**	**4.53%**	**-3.38%**	**22.09%**	**6.25%**
S&P 500 Index	12.59%	12.59%	8.54%	23.42%	2.01%
Large Cap Blend Fund Universe	12.48%	12.48%	4.93%	22.54%	1.13%
Large Cap Equities - Growth					
Wells Fargo Adv Growth Adm - SGRKX	**19.46%**	**19.46%**	**14.43%**	**35.77%**	**11.79%**
Russell 3000 Growth Index	14.58%	14.58%	10.14%	25.50%	5.02%
Franklin Growth Adv - FCGAX	**13.03%**	**13.03%**	**8.85%**	**24.62%**	**4.61%**
Russell 1000 Growth Index	14.69%	14.69%	11.02%	25.28%	5.10%
Large Cap Growth Fund Universe	15.79%	15.79%	6.93%	23.39%	3.52%
Mid Cap Equities - Value					
RidgeWorth Mid Cap Value Equity I - SMVTX	**13.06%**	**13.06%**	**-2.33%**	**27.81%**	**5.25%**
Russell Mid Cap Value	11.41%	11.41%	2.28%	29.18%	1.26%
Mid Cap Value Fund Universe	12.23%	12.23%	0.75%	26.61%	1.31%
Mid Cap Equities - Blend					
Columbia Mid Cap Index A - NTIAX	**13.35%**	**13.35%**	**1.61%**	**27.98%**	**4.42%**
S&P Mid Cap 400	13.50%	13.50%	1.98%	28.55%	4.78%
ASTON/Fairpointe Mid Cap I - ABMIX	**13.11%**	**13.11%**	**-1.17%**	**32.52%**	**6.41%**
Wilshire 4500 Index	14.21%	14.21%	1.56%	28.56%	3.53%
Mid Cap Blend Fund Universe	12.50%	12.50%	0.37%	26.48%	1.97%
Mid Cap Equities - Growth					
Prudential Jennison Mid Cap Growth Z - PEGZX	**14.41%**	**14.41%**	**8.74%**	**26.51%**	**7.38%**
Russell Mid Cap Growth	14.52%	14.52%	4.43%	29.16%	4.44%
Mid Cap Growth Fund Universe	14.60%	14.60%	2.21%	26.35%	3.93%

Fund Returns in RED do not meet both benchmarks. **Fund Returns in BLACK meet both benchmarks.**

NDPERS Investment Benchmarks - 1st Quarter 2012

	Quarter	Y-T-D	1-Year	3-Year	5-Year
Small Cap Equities - Value					
Allianz NFJ Small Cap Value - PVADX	**6.91%**	**6.91%**	**0.75%**	**25.34%**	**4.87%**
Russell 2000 Value Index	11.59%	11.59%	-1.07%	25.36%	0.01%
Small Value Fund Universe	11.91%	11.91%	0.32%	29.40%	2.00%
Small Cap Equities - Blend					
Parnassus Small Cap - PARSX	**16.99%**	**16.99%**	**-4.69%**	**28.40%**	**7.37%**
Russell 2000 Index	12.44%	12.44%	-0.18%	26.90%	2.13%
Small Blend Fund Universe	12.29%	12.29%	0.11%	28.11%	1.90%
Small Cap Equities - Growth					
Brown Capital Mgmt Small Co Inv - BCSIX	**12.65%**	**12.65%**	**3.01%**	**27.84%**	**9.40%**
Russell 2000 Growth Index	13.28%	13.28%	0.68%	28.36%	4.15%
Small Growth Fund Universe	13.96%	13.96%	0.89%	27.91%	3.34%
International Equity Funds					
Mutual Global Discovery Z - MDISX	**7.43%**	**7.43%**	**0.82%**	**12.87%**	**1.91%**
Vanguard Total Intl Stock Index Inv - VGTSX	**11.94%**	**11.94%**	**-7.13%**	**18.64%**	**-2.01%**
MSCI EAFE	10.86%	10.86%	-5.77%	17.13%	-3.51%
International Stock Fund Universe	12.33%	12.33%	-4.89%	20.67%	-1.44%
Oppenheimer Developing Markets Y - ODVYX	**14.91%**	**14.91%**	**-4.97%**	**30.02%**	**8.54%**
MSCI Emerging Markets Index	14.07%	14.07%	-8.81%	25.06%	4.67%
Diversified Emerging Mkts Universe	13.55%	13.55%	-8.69%	25.01%	2.49%
Asset Allocation Funds:					
TIAA-CREF Lifecycle Ret Income - TLIRX	**6.35%**	**6.35%**	**6.09%**	**13.24%**	**N/A**
Income Benchmark	5.43%	5.43%	5.25%	13.91%	3.76%
TIAA-CREF Lifecycle 2010 - TCLEX	**7.35%**	**7.35%**	**5.58%**	**15.27%**	**3.32%**
2010 Benchmark	6.35%	6.35%	5.29%	14.97%	3.41%
TIAA-CREF Lifecycle 2015 - TCLIX	**8.40%**	**8.40%**	**5.18%**	**16.57%**	**2.91%**
2015 Benchmark	7.01%	7.01%	5.28%	15.78%	3.17%
TIAA-CREF Lifecycle 2020 - TCLTX	**9.37%**	**9.37%**	**4.69%**	**17.79%**	**2.33%**
2020 Benchmark	7.88%	7.88%	5.17%	16.82%	2.81%
TIAA-CREF Lifecycle 2025 - TCLFX	**10.43%**	**10.43%**	**4.19%**	**19.02%**	**1.77%**
2025 Benchmark	8.74%	8.74%	5.07%	17.86%	2.45%
TIAA-CREF Lifecycle 2030 - TCLNX	**11.53%**	**11.53%**	**3.67%**	**20.13%**	**1.19%**
2030 Benchmark	9.76%	9.76%	4.74%	19.11%	1.95%
TIAA-CREF Lifecycle 2035 - TCLRX	**12.55%**	**12.55%**	**3.17%**	**21.07%**	**1.03%**
2035 Benchmark	10.85%	10.85%	4.43%	20.53%	1.48%
TIAA-CREF Lifecycle 2040 - TCLOX	**12.86%**	**12.86%**	**3.12%**	**21.12%**	**1.13%**
2040 Benchmark	11.10%	11.10%	4.42%	20.87%	1.40%
TIAA-CREF Lifecycle 2045 - TTFRX	**12.80%**	**12.80%**	**3.09%**	**20.94%**	**N/A**
2045 Benchmark	11.08%	11.08%	4.29%	20.80%	1.34%
TIAA-CREF Lifecycle 2050 - TLFRX	**12.85%**	**12.85%**	**3.20%**	**21.02%**	**N/A**
2050 Benchmark	10.97%	10.97%	4.43%	20.70%	1.44%
TIAA-CREF Lifecycle 2055 - TTRLX	**12.82%**	**12.82%**	**N/A**	**N/A**	**N/A**
2055 Benchmark	10.97%	10.97%	4.43%	20.70%	1.44%

Income Benchmark is comprised of 29% Wilshire 5000, 10% MSCI EAFE, 41% LB Agg, 10% ML HY Bond, 10% 3 Month T-B
2010 Benchmark is comprised of 36% Wilshire 5000, 12% MSCI EAFE, 39% LB Agg, 6.5% ML HY Bond, 6.5% 3 Month T-Bil
2015 Benchmark is comprised of 41% Wilshire 5000, 13% MSCI EAFE, 36% LB Agg, 5% ML HY Bond, 5% 3 Month T-Bill
2020 Benchmark is comprised of 47% Wilshire 5000, 15% MSCI EAFE, 32% LB Agg, 3% ML HY Bond, 3% 3 Month T-Bill
2025 Benchmark is comprised of 53% Wilshire 5000, 17% MSCI EAFE, 28% LB Agg, 1% ML HY Bond, 1% 3 Month T-Bill
2030 Benchmark is comprised of 59% Wilshire 5000, 20% MSCI EAFE, 21% LB Agg
2035 Benchmark is comprised of 66% Wilshire 5000, 22% MSCI EAFE, 12% LB Agg
2040 Benchmark is comprised of 68% Wilshire 5000, 22% MSCI EAFE, 10% LB Agg
2045 Benchmark is comprised of 67% Wilshire 5000, 23% MSCI EAFE, 10% LB Agg
2050 Benchmark is comprised of 67% Wilshire 5000, 22% MSCI EAFE, 11% LB Agg
2055 Benchmark is comprised of 67% Wilshire 5000, 22% MSCI EAFE, 11% LB Agg

	Quarter	Y-T-D	1-Year	3-Year	5-Year
Wilshire 5000 Index	12.76%	12.76%	7.24%	24.15%	2.27%
MSCI EAFE	10.86%	10.86%	-5.77%	17.13%	-3.51%
Barclays Aggregate Bond Index	0.30%	0.30%	7.71%	6.83%	6.25%
ML High Yield Bond Fund Index	5.15%	5.15%	5.63%	23.78%	7.84%
3 Month T-Bill Index	0.02%	0.02%	0.04%	0.11%	1.05%

Fund Returns in RED do not meet both benchmarks. **Fund Returns in BLACK meet both benchmarks.**

VANGUARD

VANGUARD PRIME MONEY MARKET FUND

INVESTOR CLASS

MONEY MARKET **AS OF 3/31/2012**

Portfolio Net Assets	Inception Date	CUSIP	Symbol	Industry Average	Expense Ratio[1]
$114.79 Billion (As of 11/30/2011)	6/04/1975	922906201	VMMXX	Citi 3-Month Treasury Bill Index	**Gross** 0.20% | **Net** 0.20%

PORTFOLIO STRATEGIES

The investment seeks to provide current income while maintaining liquidity and a stable share price of $1.The fund invests primarily in high-quality, short-term money market instruments, including certificates of deposit, banker's acceptances, commercial paper, and other money market securities. To be considered high-quality, a security generally must be rated in one of the two highest credit-quality categories for short-term securities by at least two nationally recognized rating services (or by one, if only one rating service has rated the security). It invests more than 25% of assets in securities issued by companies in the financial services industry.

MORNINGSTAR CATEGORY

Money Market - Taxable

LEARN MORE ABOUT OUR INVESTMENTS

For more information please contact:
800 842-2888
Weekdays 8 a.m. to 10 p.m. ET,
Saturdays 9 a.m. to 6 p.m. ET,
or visit tiaa-cref.org

PERFORMANCE

	TOTAL RETURN		AVERAGE ANNUAL TOTAL RETURN				Net Annualized Yield[2] (7 days ended 3/31/2012)	
	3 Months	YTD	1 Year	5 Years	10 Years	Since Inception	Current	Effective
Vanguard Prime Money Market Fund	0.01%	0.01%	0.04%	1.44%	1.95%	5.78%	0.03%	0.03%
Citi 3-Month Treasury Bill Index	0.01%	0.01%	0.05%	1.12%	1.81%	-	-	-
Morningstar Money Market - Taxable	0.01%	0.01%	0.02%	1.13%	1.62%	-	-	-

The returns quoted represent past performance, which is no guarantee of future results. Returns and the principal value of your investment will fluctuate. Current performance may be higher or lower than that shown above, and you may have a gain or a loss when you redeem your mutual fund shares. For current performance information, including performance to the most recent month-end, call 800 842-2888. Performance may reflect waivers or reimbursements of certain expenses. Absent these waivers or reimbursement arrangements, performance may be lower.

[1] Accumulations in mutual funds not managed by TIAA-CREF may be subject to administrative charges. These charges are subject to change. Please review current documents related to your plan.

[2] The current yield more closely reflects current earnings than does the total return.

TIAA CREF
Financial Services

Please refer to the next page for important disclosure information.

NDPERS INVESTMENT COMMITTEE
May 24, 2012
MINUTES

* - Present

BOARD MEMBERS:	*Thomas Trenbeath
	*Howard Sage
	*Levi Erdmann
	*Mike Sandal
STAFF:	*Sparb Collins
	*Bryan Reinhardt
	Deb Knudsen
	*Kathy Allen
Others Present:	***Ann Yu, *Paul Hovelsrud – TIAA CREF
	***John Geissinger, *Darren Schulz - RIO

Minutes

8:30 – Bryan started the meeting by introducing Paul Hovelsrud of TIAA-CREF. Paul covered the NDPERS Plan Review handout. Paul will send the report in .pdf format to be sent to the members. There are only a few months of plan statistics. Paul noted that there will be an online reporting system coming soon that will provide more detailed info.

9:00 – Paul talked about the revenue credit account. TIAA-CREF uses 23 bp to administer the plan, but the mix of funds is projected to produce 30 bp in fees. NDPERS would like the excess amount to be credited back to the member accounts. TIAA-CREF will use two accounts (401(a) and 457) and then credit back to the member accounts. TIAA-CREF needs to change their forms from 'ERISA' to 'Revenue Credit' and this is taking a little time. The plan is to annually credit the member accounts. The 401(a) admin fee will be taken out quarterly. The first quarter has not been taken yet. Sparb noted that the 1st credit should be done when the first two fees are taken for the 401(a) participants. Mike asked if the fee could be reduced instead of issuing a credit. Sparb noted that the NDPERS Board wanted to do it this was to keep all the information transparent.

Money Market Options – TIAA-CREF would like a money market fund in the plan to make it easier to administer. There has also been some interest from the membership. A Bank of North Dakota option would not work. TIAA-CREF would not be able to add them to their platform. Ann covered some money market options in the handouts. All of these options would be ok since they all have an excess in revenue due to the revenue sharing. Levi felt the Vanguard fund would be best. It is low cost and the largest fund. The committee will suggest the Vanguard money market fund to the NDPERS Board. Bryan wondered what would be a good benchmark. 3-month T-bill?

9:30 – Ann covered the performance review handout. The Nuveen Tradewinds Value fund has a problem with their management team leaving. They also have had poor performance for the last quarter. Ann felt a lot of this was due to redemptions. This may continue. Mike and Howard felt the fund should be put on watch. The group agreed. TIAA-CREF will forward the press release on the management change and start to monitor possible replacement funds. Bryan will work on a Board memo and newsletter article. Howard felt it should also be frozen to new investors and allow those in the fund to continue. Paul will check to see if their system can accommodate this. Bryan will add this to the agenda.

10:10 – John and Darren from RIO joined the meeting. John covered the handouts on portfolio diversification. Managers look to outperform the market. Do they all outperform/underperform at the same time? Is there correlation between managers? When a new manager or strategy is looked at, the risk/effect is looked at for the entire portfolio. Howard asked the value of having money managers with small allocations. With the additional fees, is this worth it? John thought small groups with fees you need to ask is there value for that fee? Private equity is probably overdiversified. The resources to do due diligence on all these strategies is not available at RIO. It will take some time to consolidate these small investments.

The group looked at the quarterly performance information and marked Nuveen Tradewinds as underperforming. Mike asked about looking at the top funds. Sparb noted we could ask CREF to report on these at our quarterly meetings. Bryan noted we do not necessarily want to be adding and switching funds too much. The group agreed, but felt it would be good to see the top funds recommended by TIAA-CREF.

11:05 – Adjourn (Next meeting August 16th, 2012 @8:30am)

Nuveen Investments, Inc.
333 West Wacker Drive
Chicago, IL 60606
312.917.7700

NUVEEN
Investments

March 22, 2012

As part of Nuveen Investments' commitment to keep clients and partners aware of developments at our firm, we want to share with you an important leadership transition at our Tradewinds Global Investors affiliate.

Dave Iben, Tradewinds' Chief Investment Officer and Co-President, has decided to move into a new phase in his career. As a result of this transition, **Emily Alejos** and **Drew Thelen** will assume greater investment leadership and oversight responsibility, serving as Co-Chief Investment Officers effective immediately. We have enclosed their biographies.

Emily and Drew have more than 30 years of combined investment experience. They bring significant and complementary investment and leadership skills to what we believe will be an exciting new phase of Tradewinds' development. **Rowe Michels**, Director of Research, continues to provide strong leadership for the global research analysts. Rowe's 20 years of investment experience are grounded by his background as an experienced utilities analyst. As President of Tradewinds, **Constance Lawton** remains responsible for business leadership, development and operations of the firm.

As evidenced by Tradewinds' consistent One Philosophy, One Process, One Platform investment approach, sustained investment success for our clients is our primary goal. Independent thought and collaboration are essential to the process. Investment integrity with clear accountability is important to the team.

- Analysts are accountable for global sector research, recommending investment ideas for the Approved List and vetting proposed investment ideas in daily investment team meetings.

- Portfolio managers are accountable for vetting all proposed investment candidates, building portfolios from the Approved List and the performance of their strategies.

The transition of portfolio management responsibilities for the affected funds and managed accounts is progressing quickly, and a summary is shown on the following page. We highly value our relationship with you and appreciate the opportunity to serve your investment needs. Please feel free to contact us at 800.752.8700 if you have questions.

Nuveen Investments, Inc.
333 West Wacker Drive
Chicago, IL 60606
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NUVEEN Investments

SUMMARY OF PORTFOLIO MANAGER CHANGES*
EFFECTIVE APRIL 1, 2012

Mutual Fund	Current Portfolio Manager(s)	Portfolio Manager(s) As of April 1, 2012
Nuveen Tradewinds Global All-Cap Fund (NWGAX)	Dave Iben	Emily Alejos Drew Thelen
Nuveen Tradewinds Value Opportunities Fund (NVOAX)	Dave Iben	Joann Barry Rowe Michels
Nuveen Tradewinds International Value Fund (NAIGX)	Peter Boardman Alberto Jimenez Crespo	Peter Boardman
Nuveen Tradewinds Global Flexible Allocation Fund (NGEAX)	Dave Iben Isabel Satra Michael Hart	Michael Hart Ariane Mahler
Separately Managed Account	**Current Portfolio Manager(s)**	**Portfolio Manager(s) As of April 1, 2012**
Tradewinds International Value ADR	Peter Boardman Alberto Jimenez Crespo	Peter Boardman
Tradewinds Global ADR	Emily Alejos Dave Iben	Emily Alejos
Tradewinds Small/Mid-Cap Value	Dave Iben	Andrew Thelen
Tradewinds Multi-Cap Opportunities	Joann Barry Dave Iben Isabel Satra	Joann Barry

TRANSITIONS REMAINING*

Mutual Fund	Current Portfolio Manager(s)
Nuveen Tradewinds Global All-Cap Plus Fund (NPTAX)	Dave Iben
Nuveen Tradewinds Global Resources Fund (NTGAX)	Dave Iben Alberto Jimenez Crespo Greg Padilla

NO CHANGE IN PORTFOLIO MANAGEMENT

Mutual Fund	Current Portfolio Manager(s)
Nuveen Tradewinds Emerging Markets Fund (NTEAX)	Emily Alejos Michael Hart
Nuveen Tradewinds Small-Cap Opportunities Fund (NTSAX)	Drew Thelen
Nuveen Tradewinds Japan Fund (NTJAX)	Peter Boardman

*** Please note that David Iben, Alberto Jimenez Crespo, Greg Padilla and Isabel Satra have indicated their intention to depart Tradewinds. They will remain with Tradewinds through June 30, 2012, at the latest, to assist in the transition of portfolio responsibilities.**

NUVEEN TRADEWINDS VALUE OPPORTUNITIES FUND

SUPPLEMENT DATED MARCH 16, 2012
TO THE SUMMARY PROSPECTUS DATED
OCTOBER 31, 2011

Joann Barry, CFA, and F. Rowe Michels, CFA, have been named portfolio managers of the fund, effective April 1, 2012. Ms. Barry and Mr. Michels are each a Managing Director of Tradewinds Global Investors, LLC ("Tradewinds").

Effective April 1, 2012, David Iben will no longer serve as portfolio manager of the fund. Mr. Iben will depart from Tradewinds in the latter part of the second calendar quarter of 2012.

There have been no changes in the fund's investment objectives or policies.

PLEASE KEEP THIS WITH YOUR SUMMARY PROSPECTUS FOR FUTURE REFERENCE

MGN-TVOP2S-0312P

Nuveen

NUVEEN TRADEWINDS VALUE OPPORTUNITIES FUND

SUPPLEMENT DATED MAY 4, 2012
TO THE SUMMARY PROSPECTUS DATED
OCTOBER 31, 2011

Nuveen

Effective May 7, 2012, the fund, which is currently closed to most new investors, will re-open to all investors who meet the eligibility and minimum initial investment requirements described in the fund's prospectus.

PLEASE KEEP THIS WITH YOUR SUMMARY PROSPECTUS FOR FUTURE REFERENCE

MGN-TVOPS-0512P

NUVEEN Investments

Summary Prospectus | October 31, 2011, as supplemented May 4, 2012

Nuveen

Nuveen Tradewinds Value Opportunities Fund

Ticker: Class A–NVOAX, **Class B**–NVOBX, **Class C**–NVOCX, **Class R3**-NTVTX, **Class I**–NVORX

This summary prospectus is designed to provide investors with key fund information in a clear and concise format. Before you invest, you may want to review the fund's complete prospectus, which contains more information about the fund and its risks. You can find the fund's prospectus and other information about the fund online at www.nuveen.com/MF/resources/eReports.aspx. You can also get this information at no cost by calling (800) 257-8787 or by sending an e-mail request to mutualfunds@nuveen.com. If you purchase shares of the fund through a broker-dealer or other financial intermediary (such as a bank), the prospectus and other information will also be available from your financial intermediary. The fund's prospectus and statement of additional information, both dated October 31, 2011, are incorporated by reference into this summary prospectus and may be obtained, free of charge, at the website, phone number or e-mail address noted above.

Investment Objective

The investment objective of the fund is to provide investors with long-term capital appreciation.

Fees and Expenses of the Fund

This table describes the fees and expenses that you may pay if you buy and hold shares of the fund. You may qualify for sales charge discounts if you and your family invest, or agree to invest in the future, at least $50,000 in the fund or in other Nuveen Mutual Funds. More information about these and other discounts, as well as eligibility requirements for each share class, is available from your financial advisor and in "What Share Classes We Offer" on page 40 of the fund's prospectus, "How to Reduce Your Sales Charge" on page 42 of the prospectus and "Purchase and Redemption of Fund Shares" on page S-63 of the fund's statement of additional information.

Shareholder Fees (fees paid directly from your investment)

	Class A	Class B	Class C	Class R3	Class I
Maximum Sales Charge (Load) Imposed on Purchases (as a percentage of offering price)	5.75%	None	None	None	None
Maximum Deferred Sales Charge (Load) (as a percentage of the lesser of purchase price or redemption proceeds)[1]	None	5.00%	1.00%	None	None
Maximum Sales Charge (Load) Imposed on Reinvested Dividends	None	None	None	None	None
Exchange Fee	None	None	None	None	None
Annual Low Balance Account Fee (for accounts under $1,000)[2]	$ 15	$ 15	$ 15	None	$ 15

Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)

	Class A	Class B	Class C	Class R3	Class I
Management Fees	0.76%	0.76%	0.76%	0.76%	0.76%
Distribution and/or Service (12b-1) Fees	0.25%	1.00%	1.00%	0.50%	0.00%
Other Expenses	0.19%	0.19%	0.19%	0.19%	0.19%
Total Annual Fund Operating Expenses	1.20%	1.95%	1.95%	1.45%	0.95%

1 The CDSC on Class B shares declines over a six-year period from purchase. The CDSC on Class C shares applies only to redemptions within 12 months of purchase.

2 Fee applies to the following types of accounts held directly with the fund: individual retirement accounts (IRAs), Coverdell Education Savings Accounts, and accounts established pursuant to the Uniform Transfers to Minors Act (UTMA) or Uniform Gifts to Minors Act (UGMA).

Example

The following example is intended to help you compare the cost of investing in the fund with the cost of investing in other mutual funds. The example assumes that you invest $10,000 in the fund for the time periods indicated and then either redeem or do not redeem your shares at the end of a period. The example also assumes that your investment has a 5% return each year and that the fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

	Redemption					No Redemption				
	A	B	C	R3	I	A	B	C	R3	I
1 Year	$ 690	$ 598	$ 198	$ 148	$ 97	$ 690	$ 198	$ 198	$ 148	$ 97
3 Years	$ 934	$ 912	$ 612	$ 459	$ 303	$ 934	$ 612	$ 612	$ 459	$ 303
5 Years	$ 1,197	$ 1,152	$ 1,052	$ 792	$ 525	$ 1,197	$ 1,052	$ 1,052	$ 792	$ 525
10 Years	$ 1,946	$ 2,080	$ 2,275	$ 1,735	$ 1,166	$ 1,946	$ 2,080	$ 2,275	$ 1,735	$ 1,166

Portfolio Turnover

The fund pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the example, affect the fund's performance. During the most recent fiscal year, the fund's portfolio turnover rate was 77% of the average value of its portfolio.

Principal Investment Strategies

Under normal market conditions, the fund invests primarily in equity securities of companies with varying market capitalizations, which may include small-, mid- and large-capitalization companies. The fund's sub-adviser opportunistically seeks to identify under-valued companies considering absolute valuation and security pricing in the context of industry and market conditions. The sub-adviser's disciplined, value-oriented investment strategy focuses on rigorous financial statements and valuation analysis, qualitative factors and portfolio downside protection. The fund invests primarily in U.S. equity securities, but it may invest up to 35% of its net assets in non-U.S. equity securities, including up to 15% of its net assets in equity securities of companies located in emerging market countries.

Principal Risks

The value of your investment in this fund will change daily, which means you could lose money. An investment in the fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The principal risks of investing in this fund include:

Common Stock Risk—Stocks may decline significantly in price over short or extended periods of time, and such declines may occur in the market as a whole, or they may occur in only a particular country, company, industry, or sector of the market.

Market Risk—The market values of securities owned by the fund may decline, at times sharply and unpredictably.

Non-U.S. Investment Risk—Non-U.S. companies or U.S. companies with significant non-U.S. operations may be subject to risks in addition to those of companies that principally operate in the United States as a result of, among other things, political, social and economic developments abroad and different legal, regulatory and tax environments. These additional risks may be heightened for securities of companies located in, or with significant operations in, emerging market countries. Also, changes in currency exchange rates may affect the fund's net asset value, the value of dividends and interest earned, and gains and losses realized on the sale of securities.

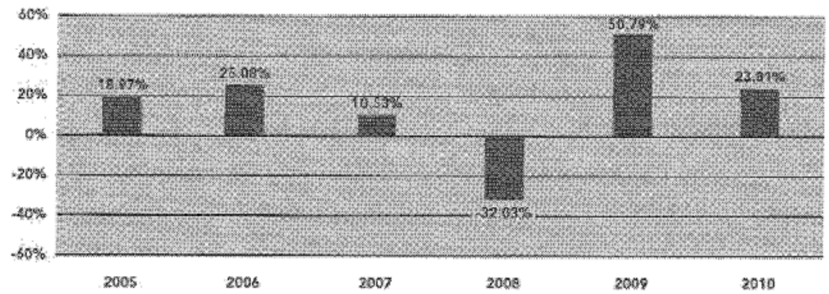
Smaller Company Risk—Small-cap stocks involve substantial risk. Prices of small-cap stocks may be subject to more abrupt or erratic movements, and to wider fluctuations, than stock prices of larger, more established companies or the market averages in general. It may be difficult to sell small-cap stocks at the desired time and price. While mid-cap stocks may be slightly less volatile than small-cap stocks, they still involve similar risks.

Fund Performance

The following bar chart and table provide some indication of the potential risks of investing in the fund. The fund's past performance (before and after taxes) is not necessarily an indication of how the fund will perform in the future. Updated performance information is available at www.nuveen.com/MF/products/performancesummary.aspx or by calling (800) 257-8787.

The bar chart below shows the variability of the fund's performance from year to year for Class A shares. The performance of the other share classes will differ due to their different expense structures. The bar chart and highest/lowest quarterly returns that follow do not reflect sales charges, and if these charges were reflected, the returns would be less than those shown.

Class A Annual Total Return*



* Class A year-to-date return as of September 30, 2011 was -10.24%.

During the six-year period ended December 31, 2010, the fund's highest and lowest quarterly returns were 22.01% and -16.11%, respectively, for the quarters ended June 30, 2009 and September 30, 2008.

The table below shows the variability of the fund's average annual returns and how they compare over the time periods indicated with those of a broad measure of market performance and an index of funds with similar investment objectives. Class R3 shares commenced operations on August 4, 2008. The 5 and 10 year returns for Class R3 shares shown below reflect Class I performance prior to August 4, 2008 adjusted for the difference in fees between the classes. All after-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. After-tax returns are shown for Class A shares only; after-tax returns for other share classes will vary. Your own actual after-tax returns will depend on your specific tax situation and may differ from what is shown here. After-tax returns are not relevant to investors who hold fund shares in tax-deferred accounts such as IRAs or employer-sponsored retirement plans.

Both the bar chart and the table assume that all distributions have been reinvested. Performance reflects fee waivers, if any, in effect during the periods presented. If any such waivers were not in place, returns would be reduced.

	Average Annual Total Returns for the Periods Ended December 31, 2010		
	1 Year	5 Year	Since Inception (December 9, 2004)
Class A (return before taxes)	16.69%	10.58%	12.34%
Class A (return after taxes on distributions)	15.40%	9.62%	11.45%
Class A (return after taxes on distributions and sale of fund shares)	11.43%	8.74%	10.41%
Class B (return before taxes)	18.85%	10.93%	12.59%
Class C (return before taxes)	22.89%	11.06%	12.59%
Class R3 (return before taxes)	23.47%	11.61%	13.15%
Class I (return before taxes)	24.13%	12.18%	13.72%
Russell 3000® Value Index (reflects no deduction for fees, expenses or taxes)	16.23%	1.45%	2.33%
Lipper Multi-Cap Core Classification Average (reflects no deduction for taxes or certain expenses)	15.91%	2.42%	3.66%

Management

Investment Adviser

Nuveen Fund Advisors, Inc.

Sub-Adviser

Tradewinds Global Investors, LLC

Portfolio Manager

Name	Title	Portfolio Manager of Fund Since
Joann Barry, CFA	Managing Director, Equity Analyst and Portfolio Manager	April 2012
F. Rowe Michels, CFA	Managing Director and Director, Research	April 2012

Purchase and Sale of Fund Shares

You may purchase, redeem or exchange shares of the fund on any business day, which is any day the New York Stock Exchange is open for business. You may purchase, redeem or exchange shares of the fund either through a financial advisor or other financial intermediary or directly from the fund. Class B shares are available only through exchanges and dividend reinvestments by current Class B shareholders. The fund's initial and subsequent investment minimums generally are as follows, although the fund may reduce or waive the minimums in some cases:

	Class A and Class C	Class R3	Class I
Eligibility and Minimum Initial Investment	$3,000 for all accounts except: • $2,500 for Traditional/Roth IRA accounts. • $2,000 for Coverdell Education Savings Accounts. • $250 for accounts opened through fee-based programs. • No minimum for retirement plans.	Available only through certain retirement plans. No minimum.	Available only through fee-based programs and certain retirement plans, and to other limited categories of investors as described in the prospectus. $100,000 for all accounts except: • $250 for clients of financial intermediaries and family offices that have accounts holding Class I shares with an aggregate value of at least $100,000 (or that are expected to reach this level). • No minimum for eligible retirement plans and certain other categories of eligible investors as described in the prospectus.
Minimum Additional Investment	$100	No minimum.	No minimum.

Tax Information

The fund's distributions are taxable and will generally be taxed as ordinary income or capital gains.

Payments to Broker-Dealers and Other Financial Intermediaries

If you purchase shares of the fund through a broker-dealer or other financial intermediary (such as a bank or financial advisor), the fund, its distributor or its investment adviser may pay the intermediary for the sale of fund shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other financial intermediary and your salesperson to recommend the fund over another investment. Ask your financial advisor or visit your financial intermediary's website for more information.

MPM-TWVOP-0512P

STATE OF NORTH DAKOTA
DEFERRED COMPENSATION PROGRAM

PUBLIC EMPLOYEES RETIREMENT SYSTEM COMPANION PLAN

Statement of Investment Policy

TABLE OF CONTENTS

STATE OF NORTH DAKOTA DEFERRED COMPENSATION PROGRAM
PUBLIC EMPLOYEE RETIREMENT SYSTEM COMPANION PLAN
STATEMENT OF INVESTMENT POLICY

INTRODUCTION

The Public Employees Retirement System Board (Board) hereby adopts this Statement of Investment Policy for the Deferred Compensation Companion Plan (Plan).

Objectives of the Plan

The Plan is a long-term retirement savings option intended as a source of retirement income for eligible participants. The investment options available from the Plan cover a broad range of investment risks and rewards typical of this kind of retirement savings program. Participants bear the risks and reap the rewards of investment returns that result from the investment options which they select.

This Statement of Investment Policy:

- Establishes the parameters of an investment program that will allow plan participants the opportunity to structure an investment strategy that meets their individual return objectives and risk tolerances.
- Defines the investment categories offered by the Plan;
- Establishes benchmarks and performance standards for each investment category by which to evaluate each fund’s performance;
- Establishes a procedure for reporting and evaluating the various funds and a methodology for monitoring their performance; and
- Defines the procedures for investment fund evaluation and formal fund review.

SELECTION OF INVESTMENT OPTIONS

Each investment option offered under the Plan must:

- Operate under its published prospectus;
- Have its performance results measured against the applicable performance standards described herein for that investment category.

The Board may add or replace investment options in any category using any or all of the following general criteria:

A. Historical performance over a reasonable time frame.
B. Investment manager performance and tenure.
C. Costs, including the expense ratio and any other fees.

Mutual fund options are selected through a comprehensive search process. Generally, the Board will first review the suitable offerings from the vendor's alliance family of funds. Absent a competitive offering from the vendor's list of alliance funds, the Board will select from qualified non-alliance funds.

INVESTMENT CATEGORIES:

The Board in its judgment selects the number, types, and status of individual investment offerings. In general, the Board will seek to offer a sufficient number of investment funds to allow each participant the ability to construct a diversified portfolio consistent with his/her reasonable investment objective. The selection and elimination of investment options will be guided by the following philosophies and principles:

A. The menu of offerings will be sufficient to allow each participant the ability to construct a diversified portfolio consistent with a reasonable investment goal. (See *Appendix 1* for a classification of the current offerings.) The menu will include at least one offering in each of the following asset categories:

- Stable Value Account
- Fixed Income
- Balanced
- Large Cap Equity
- Mid Cap Equity
- Small Cap Equity
- International Equity
- Asset Allocation

B. Within the domestic equity categories, the offerings may include funds that represent style subsets (value, growth, blend) of the broad market.

C. The offerings will include funds that offer pre-determined asset allocations of various risk tolerances or investment horizons.

D. The self-directed brokerage option is designed for a sophisticated, experienced and knowledgeable investor. Participants selecting this option will be required to sign an election form containing the following:

(a) The participant understands and accepts any and all risks associated with this selection;
(b) The participant understands and accepts that none of the mutual funds available in the self-directed brokerage option have been reviewed for suitability by the Board;
(c) The participant is solely responsible for determining the suitability or appropriateness of any selected mutual fund; and
(d) The participant agrees to hold the Plan and the Board harmless for any negative consequences resulting from use of the self-directed brokerage option.

REPORTING AND MONITORING PROCEDURES

The Board will designate the status of each investment fund offered as either open or closed:

- **Open –** Eligible for new investments.

- **Closed –** Not eligible for new contributions, not eligible for the establishment of new accounts, and may require the existing accounts be transferred.

INVESTMENT FUND EVALUATION

The Board will at least annually review the plan and its investment funds, including investment performance. The investment performance review will include comparisons against the appropriate benchmark indices and peer groups over relevant time frames. The focus of the review will be to ensure that the Board is offering funds with competitive (average or above) performance within each category over reasonable measurement periods, typically encompassing a market cycle (3 to 5 years). The Board will also review the fund's investment style relative to its mandate and the stability of the personnel responsible for investment results. As the investment funds are retail mutual funds, the Board may rely on ratings produced by recognized performance evaluation services to evaluate long-term risk-adjusted performance relative to peers. Except for the annual review, the Board may delegate these duties to its investment sub-committee. The NDPERS Board will make the performance review available for the membership.

For performance benchmarks on current offerings, see *Appendix 1*. Funds meeting performance standards and policy objectives will be designated as open.

A. Funds rated as not meeting performance standards and policy objectives will, at the Board's discretion, either be placed in a closed status or on a "formal fund review list".

B. The Board, at its discretion, may remove funds from the "formal fund review list" should the fund's performance recover sufficiently to meet performance standards.

C. Funds that do not meet performance standards and/or policy objectives may be placed in the "Closed" status.

D. Failure by a fund to comply with these policy objectives and guidelines is cause for the Board to place the fund under formal fund review or close the fund.

The Board may place a fund under formal fund review, or immediately close a fund, for any reason, including:

A. The fund has made significant changes in its investment management, or such change appears imminent;

B. The fund has had a significant change in ownership or control;

C. The fund has significantly changed investment focus or has experienced style drift, departing from the investment objectives;

D. The fund has violated a SEC rule or regulation;
E. The fund has experienced difficulty in transacting trades, fund transfers, or pricing;
F. The fund has experienced other changes or problems in its procedures, operations, investing, or reporting which, in the Board's view, has or could detract from the objectives of the Plan;
G. The fund has increased its fees or expenses.
H. Other reasons the NDPERS Board deems requires such action.

The Board retains the right to waive any of the above policies if it deems that such waiver is in the best interest of the plan and/or its participants.

FORMAL FUND REVIEW

When a fund has been placed under formal review, the Board shall monitor the fund, its operations, and its performance. During this period the Board may close the fund.

CLOSED FUNDS

When the Board closes a fund it may direct that:

A. No new contributions may be made to the fund after a specified date;
B. The fund is terminated and participant account balances must be transferred to another fund option.

If the Board closes a fund to new contributions it shall:

A. Promptly notify the Plan provider;

B. Promptly notify plan participants who are currently investing in the fund or who have assets in the closed fund of the Board's action and if applicable that new investment monies must be redirected to another fund option under the Plan within a time specified by the Board.

If the Board closes a fund by terminating its participation in the plan and requires all account balances to be transferred to another fund it shall:

A. Promptly notify the Plan provider;

B. Promptly notify plan participants who are currently investing in the fund or who have assets in the closed fund that the Board has terminated the fund as an investment option under the Plan and that:

- New investment monies must be redirected to another fund option under the Plan within a time specified by the Board and
- After 90 days notice to an affected member by the Board, all assets remaining in the terminated fund will be transferred to the default option designated by the Board.

APPENDIX 1

Companion Plan Investment Options by Investment Category

Asset Class	Sector	Fund(s)	Benchmark(s)
Balanced	Balanced	T.Rowe Price Capital Appreciation	60% Large Cap Value Fund Universe
			and 40% Taxable Bond Fund Universe
			60% Russell 1000 Value
			and 40% Barclays Aggregate Bond Index
Large Cap Equities	Value	Hartford Dividend & Growth	Large Cap Value Fund Universe
		T.Rowe Price Equity Income	Russell 1000 Value
	Blend	Vanguard 500 Index Signal	S&P 500
			Large Cap Blend Fund Universe
		Nuveen Tradewinds Value Oppt I	S&P 500
			Large Cap Blend Fund Universe
	Growth	Wells Fargo Adv Growth Adm	Russell 3000 growth
			Large Cap Growth Fund Universe
		Franklin Growth Adv	Russell 1000 growth
			Large Cap Growth Fund Universe
Mid Cap Equities	Value	RidgeWorth Mid Cap Value Equity I	Mid Cap Value Universe
			Russell Mid Cap Value
	Blend	Columbia Mid Cap Index A	Mid Cap Blend Universe
			S & P Mid Cap 400
		ASTON/Fairpointe Mid Cap I	Mid Cap Blend Universe
			Wilshire 4500 Index
	Growth	Prudential Jennison Mid Cap Growth Z	Mid Cap Growth Universe
			Russell Mid Cap Growth

STATE OF NORTH DAKOTA DEFERRED COMPENSATION PROGRAM
PUBLIC EMPLOYEE RETIREMENT SYSTEM COMPANION PLAN
STATEMENT OF INVESTMENT POLICY

Small Cap Equities	Value	Allianz NFJ Small Cap Value	Small Value Universe
			Russel 2000 Value
	Blend	Parnassus Small Cap	Small Cap Blend Universe
			Russel 2000 Index
	Growth	Brown Capital Mgmt Small Co Inv	Small Cap Growth Universe
			Russel 2000 Growth
Fixed Income		Wells Fargo Stable Return Fund J	3-Month T-Bill Index
		Vanguard Prime Money Market Fund	3-Month T-Bill Index
		PIMCO Real Return Admin	Barclays Aggregate Bond Index
			Taxable Bond Fund Universe
		PIMCO Total Return Bond Fund	Barclays Aggregate Bond Index
			Taxable Bond Fund Universe
		Prudential High Yield Z	ML High Yield Bond Index
			High Yield Bond Fund Universe
		Templeton Global Bond Adv	Citi World Govt Bond Index
			World Bond Fund Universe
Real Estate		Cohen & Steers Realty Shares	FTSE NAREIT All Equity REIT Index
			Real Estate Fund Universe
International Equities		Mutual Global Discovery Z	MSCI EAFE Index
			International Stock Fund Universe
		Vanguard Total Intl Stock Index Inv	MSCI EAFE Index
			International Stock Fund Universe
		Oppenheimer Developing Markets Y	MSCI Emerging Markets Index
			Diversified Emerging Markets Universe
Asset Allocation		<u>TIAA-CREF Lifecycle Funds</u>	The TIAA-CREF Lifecycle Funds will be benchmarked
		Retirement Income Fund	using the Wilshire 5000 Index, EAFE Index,
		2010 Fund Benchmark	Aggregate Bond Index, High Yield Index, and
		2015 Fund Benchmarck	3-Month T-Bill Index. Each fund benchmark will
		2020 Fund Benchmark	be based on the fund allocation in Domestic Equity,
		2025 Fund Benchmark	International Equity, Fixed-Income, Inflation Protected
		2030 Fund Benchmark	Assets, and Short-term Fixed Income stated in
		2035 Fund Benchmark	the fund prospectus.
		2040 Fund Benchmark	
		2045 Fund Benchmark	
		2050 Fund Benchmark	
		2055 Fund Benchmark	

STATE OF NORTH DAKOTA
DEFINED CONTRIBUTION
PROGRAM

PUBLIC EMPLOYEES
RETIREMENT SYSTEM

Statement of Investment Policy

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STATE OF NORTH DAKOTA DEFINED CONTRIBUTION PLAN
STATEMENT OF INVESTMENT POLICY

INTRODUCTION

The Public Employees Retirement System Board (Board) hereby adopts this Statement of Investment Policy for the Deferred Compensation Companion Plan (Plan).

Objectives of the Plan

The Plan is a long-term retirement savings option intended as a source of retirement income for eligible participants. The investment options available from the Plan cover a broad range of investment risks and rewards typical of this kind of retirement savings program. Participants bear the risks and reap the rewards of investment returns that result from the investment options which they select.

This Statement of Investment Policy:

- Establishes the parameters of an investment program that will allow plan participants the opportunity to structure an investment strategy that meets their individual return objectives and risk tolerances.
- Defines the investment categories offered by the Plan;
- Establishes benchmarks and performance standards for each investment category by which to evaluate each fund's performance;
- Establishes a procedure for reporting and evaluating the various funds and a methodology for monitoring their performance; and
- Defines the procedures for investment fund evaluation and formal fund review.

SELECTION OF INVESTMENT OPTIONS

Each investment option offered under the Plan must:

- Operate under its published prospectus;
- Have its performance results measured against the applicable performance standards described herein for that investment category.

The Board may add or replace investment options in any category using any or all of the following general criteria:

A. Historical performance over a reasonable time frame.
B. Investment manager performance and tenure.
C. Costs, including the expense ratio and any other fees.

Mutual fund options are selected through a comprehensive search process. Generally, the Board will first review the suitable offerings from the vendor's alliance family of funds. Absent a competitive offering from the vendor's list of alliance funds, the Board will select from qualified non-alliance funds.

INVESTMENT CATEGORIES:

The Board in its judgment selects the number, types, and status of individual investment offerings. In general, the Board will seek to offer a sufficient number of investment funds to allow each participant the ability to construct a diversified portfolio consistent with his/her reasonable investment objective. The selection and elimination of investment options will be guided by the following philosophies and principles:

A. The menu of offerings will be sufficient to allow each participant the ability to construct a diversified portfolio consistent with a reasonable investment goal. (See *Appendix 1* for a classification of the current offerings.) The menu will include at least one offering in each of the following asset categories:

- Stable Value Account
- Fixed Income
- Balanced
- Large Cap Equity
- Mid Cap Equity
- Small Cap Equity
- International Equity
- Asset Allocation

B. Within the domestic equity categories, the offerings may include funds that represent style subsets (value, growth, blend) of the broad market.

C. The offerings will include funds that offer pre-determined asset allocations of various risk tolerances or investment horizons.

D. The self-directed brokerage option is designed for a sophisticated, experienced and knowledgeable investor. Participants selecting this option will be required to sign an election form containing the following:

(a) The participant understands and accepts any and all risks associated with this selection;
(b) The participant understands and accepts that none of the mutual funds available in the self-directed brokerage option have been reviewed for suitability by the Board;
(c) The participant is solely responsible for determining the suitability or appropriateness of any selected mutual fund; and
(d) The participant agrees to hold the Plan and the Board harmless for any negative consequences resulting from use of the self-directed brokerage option.

REPORTING AND MONITORING PROCEDURES

The Board will designate the status of each investment fund offered as either open or closed:

- **Open** – Eligible for new investments.

- **Closed** – Not eligible for new contributions, not eligible for the establishment of new accounts, and may require the existing accounts be transferred.

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Sparb Collins
Executive Director
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Memorandum

TO: PERS Board

FROM: Sparb

DATE: June 18, 2012

SUBJECT: Hartford Update

Attached please find a copy of the letter that was mailed to Hartford after our last Board meeting.

As of this date, we are awaiting a response.

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Memorandum

TO: PERS Board

FROM: Sharon Schiermeister

DATE: June 20, 2012

SUBJECT: 2013-2015 Biennium Budget Request

The Governor has asked general fund agencies to develop a hold even budget for the 2013-15 biennium and use optional budget requests for increases. The Governor and OMB recognize that our agency is funded with special funds; therefore we are not being asked to submit a restricted budget. However, we have been asked to examine our level of spending, to ensure the most efficient operation and effective use of resources.

Base Budget Request

The budget being presented to you today is for $7,229,157 which is a 4.68% increase over the hold even budget amount as shown below:

2011-13 appropriation	$ 7,465,228
Cost to continue FY 2013 3% salary increase	55,558
Cost to continue Hay below minimum salary increase	43,966
Cost to continue retirement contribution increase	29,698
Remove HDHP Implementation (HB 1364)	(91,000)
Remove PERSLink carryover appropriation	(597,338)
Hold even budget	$ 6,906,112
Increase for 2013-15	323,045
2013-15 Budget request	$ 7,229,157

Attached is a summary of the 2013-15 budget request. Here are the highlights:

1. The budget provides funding to maintain the existing level of services provided by the agency at a staffing level of 33 FTEs. It also assumes that if the decision is made to outsource the FlexComp claims processing, that the proposed legislative change is

also passed to allow for the fees for this to be paid through a continuing appropriation and not through our budget.

2. Salary and wages were increased by $27,534 to cover the increase in board per diem that was passed during the 2011 legislative session.

3. Operating expenses were increased by $281,130 for Information Technology activities which will be included in the agency's IT Strategic Plan for 2013-15. This includes:
   a. $212,759 to reflect 24 months of payments for the licensing fee paid to Sagitec for the PERSLink System - the current biennium only includes 13 months of payments. This increase also includes approximately $40,000 to cover rate increases projected by Sagitec.
   b. $21,471 to cover rate increases for services provided by ITD
   c. $46,900 to replace IT Equipment and software which is on a 4-year replacement cycle.

4. An increase of $54,581 was added to operating expenses for inflation. This impacted postage, printing, and office rent.

5. A decrease of $40,200 in operating expenses to remove one-time expenditures for office equipment that was purchased in the current biennium and also reduce the amount budgeted for temporary contract labor to assist with annual enrollment.

Optional Budget Request

At the May Board meeting, we reviewed the compression and equity issues that have arisen as a result of implementing the Hay Group salary ranges. We looked at each position in the agency and calculated their current C-ratio in the existing pay grades (current salary compared to current pay grade midpoint) and then calculated their C-ratio in the new Hay Group salary ranges. This analysis shows that there are 26 positions whose C-ratio decreased under the new salary ranges. In order to restore each position to their current C-ratio under the new pay ranges, the Board made the decision to submit an optional salary equity package with our 2013-15 budget request. The amount we are proposing to submit is $350,522 which is a 5.08% increase over the hold even budget amount.

Board Action Requested:

1. Approve the 2013-15 base budget request to be submitted to OMB.

2. Approve the optional salary equity package to be submitted with the 2013-15 budget request.

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Memorandum

TO: **NDPERS Board**

FROM: **Levi Erdmann – Chair**
Arvy Smith
Howard Sage

DATE: **June 18, 2012**

SUBJECT: **Election Results**

On June 18, 2012 the Election Committee met to review and validate the results of the election for the active opening on the PERS Board. Mike Sandal was elected as the active member. The term is from July 1, 2012 through June 30 2017. The following is a recap of the election results:

Mike Sandal	1,133
Write In Candidates:	11
Invalid:	8
Received after Deadline:	33
Total Ballots:	**1,185**

The Election Committee validated and approved the results of the election. A copy of the meeting minutes is attached.

Board Action Requested

The Committee requests the Board move to accept the elections results as presented.

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Memorandum

TO: **Record**

FROM: **Kathy Allen**

DATE: **June 18, 2012**

SUBJECT: **Canvassing of Election Ballots**

Present:
Levi Erdmann – Committee Chair
Howard Sage – Committee Member
Absent: Arvy Smith – Committee Member

Kathy Allen – NDPERS Benefit Programs Manager

The committee convened at 9:00 a.m. in the NDPERS Conference Room to review the ballots for the active member opening on the NDPERS Board. NDPERS staff had previously counted and tabulated the results for the Committee's review. The Committee members reviewed the ballots with the write-in candidates and verified the invalid ballots. Howard Sage moved to accept the election results as tabulated and Levi Erdmann seconded the motion. The Committee recognized Mike Sandal as the elected active member to the Board.

Howard Sage moved to adjourn and Levi Erdmann seconded the motion.

Meeting adjourned at 9:05 a.m.

Respectfully submitted,

Kathy M. Allen
NDPERS, Benefit Programs Manager

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MEMORANDUM

TO: NDPERS Board

FROM: Jamie Kinsella Jamie

DATE: May 23, 2012

SUBJECT: **February 22, 2012 PERS Audit Committee Minutes**

Attached are the approved minutes from the February 22, 2012 meeting. Those who attended the meeting are available to answer any questions you may have.

The minutes may also be viewed on the NDPERS web site at www.nd.gov/ndpers.

The next audit committee meeting is tentatively scheduled for August 22, 2012 10:00 a.m., in the NDPERS Conference Room.

Attachment

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MEMORANDUM

TO: Audit Committee
Jon Strinden
Arvy Smith
Rebecca Dorwart

FROM: Jamie Kinsella, Internal Auditor Jamie

DATE: March 19, 2012

SUBJECT: **February 22, 2012 Audit Committee Meeting**

In Attendance:
Jon Strinden, via conference call
Rebecca Dorwart, via conference call
Arvy Smith
Jamie Kinsella
Sparb Collins
Sharon Schiermeister
Stacey Jones

The meeting was called to order at 10:07 a.m.

I. November 30, 2011 Audit Committee Minutes

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

II. Internal Audit Reports

A. Quarterly Audit Plan Status Report – A summary of the past quarter audit staff time was included with the audit committee materials. Ms. Kinsella indicated staff is beginning work on the internal audit plan for 2012.

B. Audit Recommendation Status Report – As stated in the Audit Policy #103, the Internal Audit Division is to report quarterly to management and the audit committee the status of the audit recommendations of the external auditors, as well as any found by the internal auditor. A copy of the report was included with the audit committee materials. The report was updated to include the recommendations that were in Brady Martz's management letter issued with their FY 2011 audit report, as well as their oral audit recommendations. Discussion followed regarding whether goal to reach target implementation of June 30, 2012 is reachable. Staff felt that with PERSLink being stable and staff trained, we should meet that goal.

C. Benefit Adjustments Monitoring Proposal – Options were provided to the Audit Committee and discussion followed. The Audit Committee requested the staff to obtain cost estimates from Sagitec and bring those estimates to the May meeting.

D. Internal Audit Report for 2011.- Included with the audit committee agenda was a copy of the Internal Audit Report for 2011 calendar year for the Audit Committee's information.

E. Audit Committee Charter Activity review – To meet the Audit Committee Charter Activity review requirement a matrix as developed to review against current practices to ensure that the audit committee is meeting its responsibilities. Discussion followed, the audit committee agreed that going forward they should meet with external audit in private at the same meeting the audit report is presented.

III. Administrative

A. Audit Committee Meeting Date & Time – The next audit committee is scheduled for May 23, 2012 at 10:00 a.m.

B. Confidential Meeting between Internal Audit and Audit Committee – The meeting between the audit committee and the internal audit division was held at the end of the meeting.

IV. Miscellaneous

A. Brady Martz & Associates Presentation FY 2011 Audit Report – John Mongeon, Brady Martz & Associates, presented the FY 2011 audit report.

B. Travel Expenditures Update– Attached was a report incurred by the Board and/or Executive Director for out of state travel submitted from November 1, 2011 through January 31, 2012

C. Risk Management Report – At a previous audit committee meeting, it was determined that a Risk Management Policy for PERS would not be necessary since a Loss Control Committee is in place to manage risk for the agency. At that time It was suggested that the Loss Control Committee provide a copy of the last meeting agenda and the approved minutes. Included with the audit committee materials were the following: copy of the approved meeting minutes from the September 29, 2011 meeting, and agenda for the December 7, 2011 meeting.

D. PERSLink Update – An update was provided at the meeting on PERSLink from Ms. Schiermeister. Ms. Kinsella provided a copy of an update that was given to the Board at the November board meeting. The memo discussed the member self service portal and provided the ITD quarterly status report.

E. Report on Consultant Fees - According to the Audit Committee Charter, the audit committee should "Periodically review a report of all costs of and payments to the external financial statement auditor. The listing should separately disclose the costs of the financial statement audit, other attest projects, agreed-upon-procedures and any non-audit services provided." Attached was a copy of the report showing the actuary/consulting audit, legal, investment and administrative fees paid during the quarter ended December 31, 2011.

Meeting adjourned at 11:30 a.m.

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MEMORANDUM

TO: NDPERS Board

FROM: Jamie Kinsella Jamie

DATE: May 30, 2012

SUBJECT: Audit Committee Charter Activity Review

The Audit Committee Charter states that it will "17. 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."

To meet this requirement a matrix was developed to review against current practices to ensure that the audit committee is meeting its responsibilities. The attached copy of this matrix was provided to the audit committee at their February and May meeting for review. This is for your information.

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
Audit Committee Charter Review Matrix
For Year Ending December 31, 2011

J. Kinsella
05/30/2012
12:09 PM

Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
1. The audit committee (AC) 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 of Directors determines who will serve on the AC when they are assigning committees.	Indicate in AC meeting minutes whenever a new member is appointed.	Whenever there is a change in AC members.	Ron Leingang retired from the board in 2009; Arvy Smith took his place on the Audit Committee starting August 2009.
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 AC is knowledgeable and experienced in financial matters, including the review of financial statements.	Indicate in AC meeting minutes which member of the AC is knowledgeable and experienced in financial matters, including the review of financial statements.	Whenever there is a change in board members.	At the February 20, 2012 audit committee meeting Jon Strinden, Rebecca Dorwart and Arvy Smith were noted in the minutes as knowledgeable and experienced in financial matters.
3. The AC 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 2/23/11, 8/17/11 and 11/30/11 were prepared and presented for approval at the next quarterly meeting. These minutes are made available on the NDPERS web site after approval. The approved minutes are reported to the board at the next board meeting. The May meeting was not held due to scheduling conflicts, and minimal issues to discuss at that time.
4. All committee members are expected to attend each meeting, in person or via tele- or video-conference.	Accommodations should be made available to committee members to encourage attendance.	Note in the AC 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 the February and November meetings and there was a quorum at the August meeting, which is 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 2/23/11. The AC did not meet individually with the external auditors or management.
6. The AC may invite any officer or employee of the agency, the external auditor, the agency's	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.	Deb Knudsen, Manager, Benefit Program Development and Research was invited to speak at the August

Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
outside counsel, or others to attend meetings and provide pertinent information.				meeting, providing the committee an update on the Loss Control Committee activities.
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 2/16/11, 8/10/11, and 11/23/11.
8. Minutes will be kept by a member of the AC or a person designated by the AC.	Designate the appropriate person to keep the minutes of meetings.	Prepare minutes documenting decisions made and future action steps and review for approval at the next 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 AC will: • 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.	Provide information related to financial reporting standards and processes to the AC.	Articles, publications, external auditors, speakers with information regarding changes to accounting rules.	Quarterly, or as they become available.	Articles from the Institute of Internal Auditors are provided as they become available. External auditors discussed with the AC significant accounting and reporting issues as they develop.
• 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.	Bring external auditors to explain new changes to accounting reporting and how they impact NDPERS.	Report to the board on issues relating to internal controls, with emphasis on management's ability to override and related monitoring and testing.		External auditors provided the statement of management responsibility and reviewed with staff prior to commencement of audit. There were no legal matters relating to financial statements.
• Review with management, the external auditors, and the internal auditors the results of the audit, including any difficulties encountered.	Invite the external auditors to present the financial statements upon completion of their audit.	Submit reports of audit findings and their status at each AC meeting.		Staff reviewed the annual statements for completeness, consistency of information and accounting principles.
• Review all significant adjustments proposed by the external financial statement	Review with management and AC any proposed significant adjustments.	Audited Financial Statements, including the Independent Auditor's		

Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
auditor and by the internal auditor.		Report, management 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.		.A system for interim financial information is not in place at this time.
• Review all significant suggestions for improved financial reporting made by the external financial statement auditor and by the internal auditor.	Review management letter with management and AC.			External audit discussed with CAE and management the effectiveness of internal controls on 12/9/2011.
• Review with the General Counsel the status of legal matters that may have an effect on the financial statements.	Bring to the General Counsel's attention any legal matters that may have an effect on the financial statements.			
• Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.	AC should ask of management if the annual financial statements are complete.			
• Review with management and the external auditors all matters required to be communicated to the committee under generally accepted auditing *Standards*.	Inquire of management and external auditors if there are any matters required to be communicated to the committee under GAAS.			
• Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.	Inquire of management their system of developing interim financial information and if the internal or external auditors were involved.			
• 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	Ascertain that the external auditors provided the statement of management responsibility and review with them. Review key internal controls with the CAE, and understand how these controls will be tested during the year.			

Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
financial statement auditor as part of the financial statement audit engagement.				
10. The AC will: • 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. • Periodically review that the organization has a comprehensive policy on risk management. • Consider the effectiveness of the organization's risk management system, including risks of information technology systems. • Consider the risks of business relationships with significant vendors and consultants. • Review management's reports on management's self-assessment of risks and the mitigations of these risks. • Understand the scope of internal auditor's and external auditor's review of risk management over financial reporting. • 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.	Provide the AC members with information regarding risk management. Review risk management policy periodically. Create a portfolio that documents the material risks that the agency faces. Update as events occur. Review with management and the CAE periodically to make sure it is up-to-date. Provide AC a summary of results of self-assessment of risks, and how these risks are handled. Provide the AC information on how external and internal audit review risk management over financial reporting. Provide AC a summary of results of self-assessment of risks, and how these risks are handled. Provide the AC an	Articles, publications, etc. relating to risk management. Current risk management policy and most recent information relating to risk management. Submit a risk report including mitigation strategies and quantifiable risks and insurance to cover such risks, e.g., loss of business.	Quarterly. As necessary.	Articles, publications, etc. relating to risk management are provided as they become available. It is required by Risk Management of OMB to have a Loss Control Committee. The Chairperson presented an overview of the committee at the August 2011 meeting. This will be done every year in August, providing an update annually. In addition, quarterly agendas and minutes of the Loss Control Committee were provided to the Audit Committee at each meeting. Enterprise Risk Management assessment questionnaires will be developed with management's input. This assessment is conducted once every four years. The next scheduled assessment is 2012. The NDPERS self- assessment questionnaire is developed and in use specifically for benefit programs, business processes and accounting functions. This assessment is conducted every two years, following the legislative session, to include any legislative changes to the programs as part of the assessment process. An informal risk assessment was

Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
• Understand the scope of any other external auditor's or consultant's review of risk management. • Hire outside experts and consultants in risk management as necessary subject to full board approval.	explanation of other external auditor's review of risk management. Develop a request for proposal if an outside expert is deemed necessary.			completed in October. In addition to the above risk assessments, a separate assessment is made at the beginning of each audit, to ensure the audit focus is on high risk areas.
11. The AC will: • 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. • Ensure that the organization has a comprehensive policy on internal control and compliance. • Review periodically the policy on ethics, code of conduct and fraud policy. • Consider the effectiveness of the organization's internal control system, including information technology security and control. • Consider any internal controls required because of business relationships with significant vendors and consultants. • 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.	Provide the AC members with information regarding internal control process. Review periodically the policy on internal controls, ethics, code of conduct and fraud. Review the reports of the internal audit team for all audits completed since the prior AC meeting. Review key internal controls with the CAE, and understand how these controls will be tested during the year. Review with the CAE the plans for audits of other elements of the control environment.	Report to the board on issues relating to internal controls, with emphasis on management's ability to override and related monitoring and testing.	Quarterly. Update on anything new, or any changes to the internal control system, at every meeting.	Information relating to internal control is provided as they become available. Internal periodic reviews on ethics, code of conduct and fraud have not been conducted consistently. These issues are addressed during the benefit programs, business processes, accounting functions and enterprise risk management assessments. Internal controls are reviewed as part of each audit project and/or special examinations. External auditors conduct a review of internal accounting controls annually. There have been no areas of concern as a result of these reviews.

Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
• 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. • Review the role of the internal auditor's involvement in the corporate governance process, including corporate governance documentation and training. • Periodically review contracts with external service providers which should contain appropriate record-keeping and audit language.	Determine that all internal control weaknesses are quantified, reviewed, and addressed. Review these plans with the independent auditor to understand their scope with respect to key controls			Internal audit includes a review of internal controls as part of each audit and/or special examinations. At this time the role is to assist in the development of the enterprise risk management questionnaire. The results will be summarized into a report, and this will discuss corporate governance. The 2012 Internal Audit Plan includes developing process to review contracts.
12. The AC will: • 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. • Oversee the selection process for the Chief Audit Executive. • Assure and maintain, through the organizational structure of the organization and by other means, the independence of the internal audit process. • Review any difficulties encountered in the course of audit work, including any restrictions on the scope of activities or access to required	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. Hold special meetings as necessary to address appointment, reassignment, or dismissal of CAE.	Report on the status of all current internal audits and audits planned for the next quarter and/or year. Report to the full board on the performance of the CAE including the effectiveness of the internal audit function.	Review at each meeting. Conduct ongoing reviews, as changes can be made at any time during the year.	An updated quarterly status report is provided to the AC at each meeting. No change in internal auditors this period. No change in reporting structure this period. Structure is in accordance with best practices. No difficulties encountered.

Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
information • Review with management and the Chief Audit Executive the charter, objectives, plans, activities, staffing, budget, qualifications, and organizational structure of the internal audit function.	Discuss internal audit division's budget and staffing with CAE.			A revised Internal Audit Charter was approved by the Board 9/18/2008. No changes were made since.
• Receive and review all internal audit reports and management letters.	Maintain workload project management worksheet, audit recommendation worksheets	Internal Audit Activities Report Audit Recommendation Report	Quarterly Quarterly	The Internal Audit Activities report is presented at each audit committee meeting. However, there were no changes during 2011 due to PERSLink.
• Review the responsiveness and timeliness of management's follow-up activities pertaining to any reported findings and recommendations.	Review and discuss the findings for each audit completed since the prior meeting, and management's response to the report.	Annual Internal Audit Report	Annually	A report of all audit recommendations is provided to the AC quarterly, with a progress update for each audit. An annual report of the Internal Audit Division was presented in February 2011.
• Receive periodic notices of advisory and consulting activities by internal auditors.			As needed	
• Review and concur in the appointment, replacement, or dismissal of the Chief Audit Executive.			As needed	A quarterly report of audit activities is provided to the AC, which includes advisory and consulting activities. Internal audit staff member retired August 2011, replacement started November 2011.
• Review the performance of the Chief Audit Executive periodically.	Meet periodically with other members of executive management and the external auditors to discuss the performance of CAE.	Performance evaluation worksheet	Annually	A performance review is written by the Executive Director and approved by the AC. Nothing is reported to the full board at this time.
• Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing.*	Discuss internal audit's compliance with IIA Standards, including the requirement for a peer review once every five years.	Quality Assurance Review report	QAR every five years. Annual Internal Audit report	A Quality Assurance Review was not completed in 2011 to review the effectiveness of the internal audit function. AC approved delaying this process to 2012 due to the PERSLink project.

Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
	Review the internal audit charter periodically. Assess the appropriateness of each point in the charter from past experience (since the last review). Assess the completeness of the charter against new best practices and new legal or regulatory requirement.	Internal Audit Charter	Annually	Internal Audit Charter was not reviewed in 2011.
• 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). • 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.	The AC chair should be available if any unforeseen issues arise between meetings relating to the CAE. Discuss job satisfaction and other employment issues with the CAE.		Periodically	Private meeting with the Internal Audit Manager was held in February 2011. AC Chair is available at all times if needed. The Internal Audit Division is the primary contact for the external auditors, and coordinated all matters relating to the 2011 financial audits.
13. The AC 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.	Provide information and/or training.	Document the meeting in the AC meeting minutes.	Meet with new audit firm at the beginning of a new contract to review the scope of the upcoming audit; discuss audit results, lessons learned and scope for current year at the exit conference.	The contract is for the period 2009 through 2011; a meeting was not held because there was no change in the external audit firm.
• Review the external auditor's proposed audit scope and approach, including coordination of audit effort with internal 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		As requested	Nothing to review at this time.

Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
	year.			
• 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.	Provide input on the external audit performance to the State Auditor's Office. Provide input to the State Auditors Office on the request for proposal for the appointment of the next audit firm.		Every three years	No comments were requested by the State Auditor's Office. Input was provided in December 2011 to the State Auditor's Office on the RFP for the 2012-2014 contract period.
• 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.	Obtain from external audit firm and/or management any documentation of any activity or issues between the audit firm and organization if information should be provided to the AC.			This was not an issue for 2011.
• 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.	Review at the exit conference with management, and again with the AC.			External audit firm will present the financial statements and associated reports to the AC at the February 2012 meeting.
• Review all other reports and	Review as needed.			

Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
communications made by the external financial statement auditor.				
• Review the responsiveness and timeliness of management's follow-up activities pertaining to any reported findings and recommendations.	Provide a quarterly audit recommendation report to the AC.	Audit recommendation report	Quarterly	No reports to review during 2011 as there were no changes to findings.
• 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).	Provide opportunity at the time external auditors are at meeting to present audit report.	Annual audit report presentation	Annually	Beginning with the 2012 audit report presentation the audit committee will set aside time to meet with the external audit team separately.
• Provide guidelines and mechanisms so that no member of the AC or organization staff shall improperly influence the auditors or the firm engaged to perform audit services.	Need to draft guidelines.			Guidelines not needed at this time – State Auditor's Office selects external auditors.
• 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.	Provide a quarterly report to the board of all external audit costs.	External Audit costs report	Quarterly	Quarterly reports are generally provided to the full board and to the AC. However, this was not done the past few years due to PERSLink. As of the February 2012 meeting we are on track to provide this information again.
14. The AC will: • 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).	Provide the AC members with information regarding the role of the other external audit firm(s). Meet with independent audit partner, the accounting manager and	Document the meeting in the AC meeting minutes.	Provide information and training as needed.	Not applicable at this time as we have not had an "other" external audit firm in conjunction with the external audit firm.

Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
• Confirm coordination of efficient and effective audit activities between the internal and external auditors. • Review the performance of the other external audit firm(s), • Review the scope all services to be performed by the other external auditor. • Review the reports of the audits and/or agreed-upon-procedures. • Provide a forum for follow up of findings from the audit reports or agreed-upon-procedures. • 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 • 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.	CAE to discuss scope of the previous year's audit, and lessons learned. Later, discuss planned scope for audit of current year.			
15. The AC will: • 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. • Review the findings of any	Review the reports of compliance with laws and regulations. Discuss compliance issues and resolutions.	Record discussion and any action steps in the AC meeting minutes.	Review as necessary.	Compliance with laws and regulations are reviewed for each specific audit by both the external auditors and internal auditors. Any concerns will be brought before management, the AC and/or board as necessary.

Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
examinations by regulatory agencies, and any auditor observations, including investigations of misconduct and fraud.				
• 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.	Require staff to sign off on ethics/code of conduct and fraud policy annually during their performance reviews.	Review signed form stating the employee read the policies.	Annually.	An audit was not conducted on Human Resources this year due to shortage of staff. Therefore this process was not reviewed. However, it is our practice to have staff review and sign off annually during their annual evaluations.
• Obtain regular updates from management and organization legal counsel regarding compliance matters.	Report to AC as necessary.	Report to AC at meeting, if matters arise.	As they occur.	There were no compliance matters this year to report.
• Monitor changes and proposed changes in laws, regulations and rules affecting the organization.	Report to AC as needed.	Report to AC of changes in laws, regulations and rules.	As they occur.	During legislative years changes in laws, regulations and rules were monitored by management and reported to the board, but not to the Audit Committee. Legislative updates were provided at the 2/23/2011 meeting. Administrative rules were reported at the 11/30/2011 meeting.
16. The AC will: • Institute and oversee special investigations as needed. • Provide an appropriate confidential mechanism for whistleblowers to provide information on potentially fraudulent financial reporting or breaches of internal control to the AC.	Review procedures with CAE and the general counsel. Review all complaints that have been received and the status of resolution. Ensure proper steps are taken to investigate and resolve complaints timely.	Review an original of each complaint received, no matter the media used to submit. Discuss the status or resolution of each complaint. Review a cumulative list of complaints submitted to date to review for patterns or other observations.	Review at each meeting.	None during 2011.
17. The AC will: • Regularly report to the Board of Directors about all committee activities, issues, and related	Submit AC meeting minutes to the board after AC approval.	Submit AC meeting minutes after AC approval to the board for their next meeting.	Following each AC meeting provide the approved AC minutes	Copies of the AC minutes are provided to the board after the AC's approval of the minutes.

Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
recommendations. • Perform other activities related to this charter as requested by the Board of Directors, and report to the Board			to the Administrative Services Manager to include in the next board meeting materials.	
• Provide an open avenue of communication between internal audit, the external financial statement auditors, other external auditors, management and the Board of Directors. • Review any other reports that the organization issues that relates to AC responsibilities.	Have at minimum annual meeting with internal auditor, external auditor, management, and Board of Directors to discuss issues.			An annual meeting was held with the Internal Audit Manager in 2/2011. The external auditors will provide an overview of the financial statements during the February 2012 board meeting. The report will be was presented to the audit committee at the February 2012 meeting.
• 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.	Utilize a matrix to determine if all responsibilities outlined in the charter are carried out.	An AC Charter review matrix will be updated each year and presented to the AC to present a report to the Board for approval.	Annually.	An updated AC review matrix was provided to the AC at the February 2011 meeting.
• 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.	Review charter periodically. Assess the suitability of each point in the charter based on past experiences (since the last review). Evaluate completeness of the charter against best practices and legal or regulatory requirements. Revise charter as needed and obtain AC and Board approval for changes.	Report to the board on the appropriateness of the AC charter and any revisions recommended.	As needed.	AC Charter was reviewed, updated, and approved by the board September 2008. No change has been required since then.

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Memorandum

TO: PERS Board

FROM: Review Committee

DATE: June 19, 2012

SUBJECT: ANNUAL EVALUATION OF EXECUTIVE DIRECTOR

Mr. Sage, Ms. Smith, and Chairman Strinden were on the committee to conduct the performance review of the Executive Director.

Attached is the evaluation form with ratings. All six PERS Board members completed a performance review. The average rating of all Board members was 2.6 on a scale of 1 to 3, with 3 being the highest rating. The state legislatively authorized salary increase for state employees for the second year of the biennium is 3%.

Based upon committee review of the Board member evaluations and last year's Board action, it is recommended that the PERS Board grant Mr. Collins a 3% salary increase from his current salary of $14,447 per month to $14,880 per month effective July 1, 2012.

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Memorandum

TO: PERS Board

FROM: Sparb

DATE: June 19, 2012

SUBJECT: RIO Update

Mike Sandal will provide the Board an update on the recruitment efforts for the Retirement and Investment Office Executive Director.

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Memorandum

TO: PERS Board

FROM: Sparb

DATE: June 19, 2012

SUBJECT: Flex Comp Program

At the last meeting it was decided to:

1. Seek an amendment to our administrative bill to ask for continuing appropriation authority for claims payment for the flex comp program.
2. Issue an RFP for a third party vendor for flex comp claims payment services. Once the RFP was received and reviewed, the Board could make a determination as to having a third party vendor do the service or continue to do it on PeopleSoft.

I wanted to give you an update since our last meeting:

1. We did amend our administrative bill to include the continuing appropriation authority. Specifically, the following section with the underlined amendment was added to the bill:

> **54-52.3-03. Employer savings used to defray expenses of administering program - Continuing appropriation.**
>
> The office of management and budget shall transfer funds from the savings accruing to the agencies' salaries and wages line item, as a result of the diminution of the state's employer contribution for the Federal Insurance Contribution Act tax, to a payroll clearing account. The office of management and budget shall transfer funds from the payroll clearing account to the board as necessary to defray the reasonable expenses of administering the pretax benefits program established under this chapter, including expenses associated with the program's medical spending account. Any revenue collected by the board from participating district health units must be used, and is hereby appropriated, to defray the expenses of administering the program. The amount necessary to pay consultants retained by the board, <u>vendors retained by the board to provide claims administration services,</u> any insurance costs associated with the medical spending account, and medical reimbursements for the medical spending account if funds are insufficient to pay claims are hereby appropriated from the savings and revenue generated by the program. All other expenses of administering the program must be paid in accordance with the agency's appropriation authority as established by the legislative assembly. The director of the office of

management and budget may decrease or suspend the transfer of the savings accruing to the agencies' salaries and wages line item to the payroll clearing account upon determination that the funds deposited under this section are sufficient to offset anticipated obligations. Notwithstanding other provisions in this section, the public employees retirement system board, or any successor state agency, may not establish, enroll, or administer any pretax benefits program for a political subdivision or any other public or private business or entity, except for any program established specifically for employees of the state and employees of district health units.

2. Staff is working on the RFP. The tentative plan is to:

Issue RFP:	Between June 28 and July 2
Vendor Questions:	July 16
PERS Answers:	July 20
RFP's Due:	August 6

Attachment #1 is the draft statement of work.

3.0 SCOPE OF WORK

3.1 GENERAL REQUIREMENTS

The contractor shall handle all administrative and recordkeeping functions including processing enrollments, terminations and election changes, member correspondence, maintaining individual FSA accounts for participating employees, and processing reimbursement claims. Claim payments shall be from an account established in the contractor's name. Administrative services to be provided shall also include preparing informational plan materials and providing employer and employee training.

3.2 SPECIFIC REQUIREMENTS

The contractor shall be required to provide the following administrative services:

3.2.1 ENROLLMENT SERVICES

The Contractor shall participate in the open enrollment for the 2012 and 2013 plan years that will run from October 15 through November 15 of each year. All required enrollment services shall be in place prior to the start of the open enrollment period. The contractor shall meet with NDPERS staff to discuss and organize the annual open enrollment. The contractor shall conduct employer and employee training, as requested, during and around the annual open enrollment period. The contractor shall prepare communication/announcement materials for the flexible spending accounts.

At a minimum, the contractor must provide the following written materials:

- A pamphlet that provides a general description of the flexible spending account plans, lists the major expenses covered by the accounts, stresses the advantages of participating in the program, covers important enrollment and claim filing deadlines, and lists available IVR and internet services. The pamphlet will put on the NDPERS website
- A booklet containing a more detailed description of the plans, a comprehensive listing of eligible and ineligible expenses under each plan, use-it-or-lose-it rule, change in family status requirement for election changes, important plan deadlines and cutoffs, procedures for filing claims and using the debit card, a COBRA qualifying event, comprehensive listing of available services, and description of other important plan provisions. The pamphlet will put on the NDPERS website
- All required FSA forms with instructions. Please note the NDPERS enrollment forms should be used by the contractor (the contractor shall indicate what additional forms it proposes to use including an explanation for their use). If the contractor is unable to use the PERS enrollment forms it shall so specify and indicate why.

For those enrolling in the FSA plans, the contractor shall provide a welcome kit, which shall include the following information:

- An enrollment confirmation letter;
- An explanation of the debit card feature with instructions
- Reimbursement claim forms with instructions;
- Information regarding COBRA.

The contractor shall mail welcome kits to the participant's home address.

3.2.2 ADMINISTRATIVE SERVICES

The contractor shall administer a debit card program. At least two debit cards shall be provided to each participant prior to the start of the plan year and, for new hires and other newly eligible employees, upon enrolling in the plan. The contractor shall adhere to IRS substantiation rules applicable to the use of debit cards in FSA programs. Any fees associated with the issuance or use of debit cards should be included in the per member/per month base cost and no cost shall be charged to the participant.

The contractor shall establish a website for the State's FSA program that employees can access to obtain account information and to utilize on-line services. The web-site shall include general information regarding the FSA plans. Required internet services provided by the contractor shall include: (a) ability to download plan forms, (b) access to member account information, including claim payments, pending claims and account balances; and (d) ability to file reimbursement claim forms on-line.

The contractor shall provide a toll free number that employees can call for general account information or to speak to a representative. Customer service representatives shall be available

Monday through Friday, between the hours of 9:00 am and 5:00 pm central time.

3.2.3 CLAIMS PROCESSING SERVICES

Salary reduction amounts deducted by employers shall be forwarded to the contractor by NDPERS. The contractor shall post contributions received from participating employers to individual participant accounts. Reimbursements for incurred expenses shall be made to employees upon the submission of a properly completed reimbursement claim form with required documentation. The contractor shall establish and maintain controls to ensure that only valid claims are processed and that proper documentation to substantiate incurred expenses accompany submitted claims. Participants shall be permitted to mail or fax claim forms to the contractor, and to file claim forms electronically via the contractor's internet site. If a filed claim is deemed to be invalid or if additional information is required to process a claim, a letter must be sent to the claimant detailing the reason for the denial of the claim or the specific information needed in order to process the claim. The contractor shall process claim reimbursements on a daily basis. In accordance with federal rules and guidelines, the maximum amount of reimbursement shall be available at all times during the period of coverage under the PERS plan for the medical account. To ensure that DCSA participants have immediate access to funds deducted for their DCSA coverage, payroll deductions received from NDPERS shall be posted to the participant's account and available for reimbursement on the next business day.

For those employees participating in the MSA who are off payroll due to a leave of absence without pay, the contractor shall provide a letter to the participant detailing the options available during the period of unpaid leave under COBRA. The letter shall be sent by the contractor directly to the participant's home address.

If an employee elects to continue payments under the MSA after-tax during a period of unpaid leave, the contractor shall be responsible for billing the employee and collecting required contributions during the leave the absence. Upon return from leave, the employer shall be notified to resume payroll deductions.

3.2.4 ELECTRONIC FILE TRANSFER REQUIREMENTS:

The contractor shall provide a secure internet site from which enrollment and payroll deduction files can be safely transferred between the contractor and NDPERS.

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3.2.5 END OF YEAR SERVICES

The program's cut-off date for filing reimbursement claims following the end of the plan year is April 30th. The contractor shall be required to process reimbursement claims received from participants up through the April 30th cutoff date.

The NDPERS program adopted the grace period extension rule for both FSA accounts, which allows participants to be reimbursed for qualifying expenses incurred between January 1 and March 15 following the end of the plan year from the prior year's election. The contractor shall be required to treat reimbursement claims filed by participants during the grace period as first being applied toward any unused funds from the prior year. Debit card charges for MSA participants shall be applied toward any prior year unused amount before charging expenses to the current year's election.

The contractor shall prepare and send a final reconciliation report of the individual member accounts to NDPERS. The report shall be formatted in Microsoft Excel, Word or Access and shall be e-mailed to the Division of Pensions and Benefits. In addition, the contractor shall send a check made out to NDPERS with an amount equal to the amount of forfeited funds. Accompanying the check shall be a report listing those participants who forfeited funds. This listing shall include the participant's name, social security number and forfeiture amount. This must be accomplished within 120 days of the April 30th cutoff date.
The contractor shall provide limited services following the end of the contract term. For the plan year ending on the contract expiration date, the contractor shall continue to process reimbursement claims filed by participants for the prior year. After the run-off period for filing reimbursement claims has ended, the contractor shall account for any unused funds and return such funds to Pensions and Benefits along with the year-end forfeiture report.

3.3 REPORTS

The contractor shall compile on a periodic basis, reports that summarize the claims activity and provide detailed member account information. At a minimum, the following reports shall be prepared and forwarded to NDPERS:

1. A report prior to the start of the plan year that lists the plan participants and their election amount.
2. A quarterly activity report which includes a detailed listing of participants, deposits to date, claims submitted, claims paid and current account balances.
3. A preliminary forfeiture report prepared as of December 31st with member account detail.
4. A final forfeiture report with member account detail within 120 days following the close of the plan year.

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Memorandum

TO: **NDPERS Board**

FROM: **Kathy**

DATE: **June 18, 2012**

SUBJECT: **Flexible Spending Account Annual Limit**

Notice 2012-40, which is a provision of the Affordable Care Act (ACA), changes the annual contribution limit for flexible spending accounts under the Section 125 FlexComp Plan. Currently the annual limit is $6,000. Effective January 1, 2013, the annual limit will be reduced to $2,500. Therefore, this will be in effect for our annual enrollment that will be conducted this fall. To allow individuals time to plan accordingly for open enrollment l, we have included an article in the upcoming editions of the PERSpectives newsletter and the employer newsletter both scheduled to be distributed in July. The information will also be communicated in the open enrollment materials.