

NDPERS BOARD MEETING

Agenda

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

June 20, 2013

Time: 8:30 AM

I. MINUTES

- A. May 16, 2013

II. GROUP INSURANCE

- A. Long Term Care Insurance – Schmidt Insurance Agency (Information)
- B. Group Insurance Eligibility – Sparb (Board Action)
- C. Explanation of Benefits (EOB) Bundling – Sparb (Board Action)
- D. Affordable Care Act Implementation – Sparb (Information)
- E. Wellness Update – Rebecca (Information)
- F. Annual Claims Review – Bryan (Information)
- G. Tobacco Cessation Grant Renewal – Kathy (Board Action)
- H. Political Subdivision Participation – Kathy (Board Action)

III. RETIREMENT

- A. Defined Contribution Plan Implementation – Deb (Board Action)
- B. Law Enforcement and National Guard Employer Contributions – Sparb (Board Action)
- C. Disability Consulting Contract – Kathy (Board Action)
- D. Legislation Update – Sparb (Information)
- E. Defined Contribution Review – Sparb (Information)
- F. Job Service Retirement Plan – Sparb (Information)
- G. Investments – Sparb (Information)

IV. DEFERRED COMP

- A. TIAA-CREF Service Level Agreement – Deb (Board Action)
- B. TIAA-CREF Contract Extension – Sparb (Board Action)
- C. 1st Quarter Investment Report – Bryan (Information)
- D. Provider Compliance Update – Kathy (Board Action)

V. FLEX COMP

- A. Flex Comp Review – Sparb (Information)
- B. FlexComp Appeal Case ID 129 – Kathy (Board Action)

VI. MISCELLANEOUS

- A. Board Election Process – Kathy (Information)
- B. Sagitec Maintenance Agreement – Sharon (Board Action)
- C. IFEBP – Sparb (Board Action)
- D. PERS Audit Committee Minutes – (Information)
- E. PERS Events – Sparb (Information)
- F. Executive Director Review – (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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Memorandum

TO: PERS Board
FROM: Sparb
DATE: June 13, 2013
SUBJECT: Long Term Care

At the March Board meeting the Board heard from Bill Hickman from GRS. The following are the minutes of that meeting:

Long Term Care Insurance

Ms. Allen reported that Mr. Hickman with Gabriel Roeder Smith was attending via conference call to present information regarding long term care insurance products and the RFP they recently prepared for PERS. Mr. Hickman reported that nationwide there are only a few companies in the market that offer group long term care insurance products. The policy presently offered by PERS is not a group product since there was not sufficient interest generated to meet the minimum participation requirement and it is not partnership qualified. An observation is that any product offered by PERS can be purchased by members as effectively directly from the market.

The Board discussed this and concluded that Schmidt Insurance Agency be invited to present additional information on long term care insurance for further consideration before the decision is made to do a request for proposal for our members. Chairman Strinden indicated that this will be put on a future agenda for further review and discussion.

In follow-up to the Board's request, I have invited Gene and Pamela Schmidt from Schmidt Insurance Agency (SIA) and they will be at this meeting. In inviting him I did share with him one the issues we have been struggling with:

As I mentioned we are having a difficult time determining what value we can bring to our members by offering a PERS sponsored LTC plan. That is a group plan, if available, seems to be more expensive for a majority of our members compared to what they can buy on their own in the marketplace. If that is the case it may be better for our members to purchase the product through the existing distribution system than us. Your perspective will be very helpful so thanks again for coming to our meeting.

Gene is CEO of SIA Insurance here in Bismarck. Their firm specializes in Long Term Care products nationally and they have been active in this area for many years. As you may recall, they shared a presentation with us on LTC at our April 2012 meeting. Attached is copy of the presentation Mr. Schmidt will be going over with us.

Changes in the LTCi Market

and how it affects you

Gene G Schmidt, CEO

The SIA Companies



Gene G Schmidt

CEO, The SIA Companies

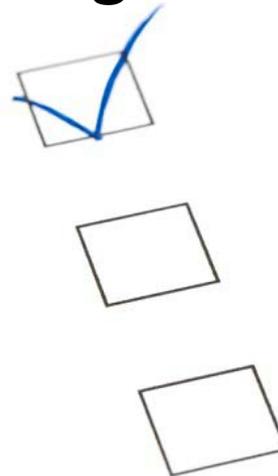


- Licensed since 1976
- Personally writing LTCi since 1976
- Started Schmidt Insurance: 1979
- Founded SIA in 1986
- SIA serves **14,000+** insurance professionals nationwide
- Nationally recognized expert on LTCi
who regularly contributes to the design of new benefits
for the industry's top companies

Today's Topics

- Gender Pricing Entering the Market**
 - **Claims on Women vs. Men**

- Updated Underwriting Requirements**
 - **Why the change in underwriting**



Topic #1

Gender Pricing Entering the Market

- **Claims on Women vs. Men**



Utilization is up

➤ Claims utilization continues to increase

A 2012 survey* indicates that claims payments increased by 13% over apples to apples 2011 payments

- Total claims paid in 2012 increased 18% over 2010 paid claims
- In force premiums increased only 7% in 2012

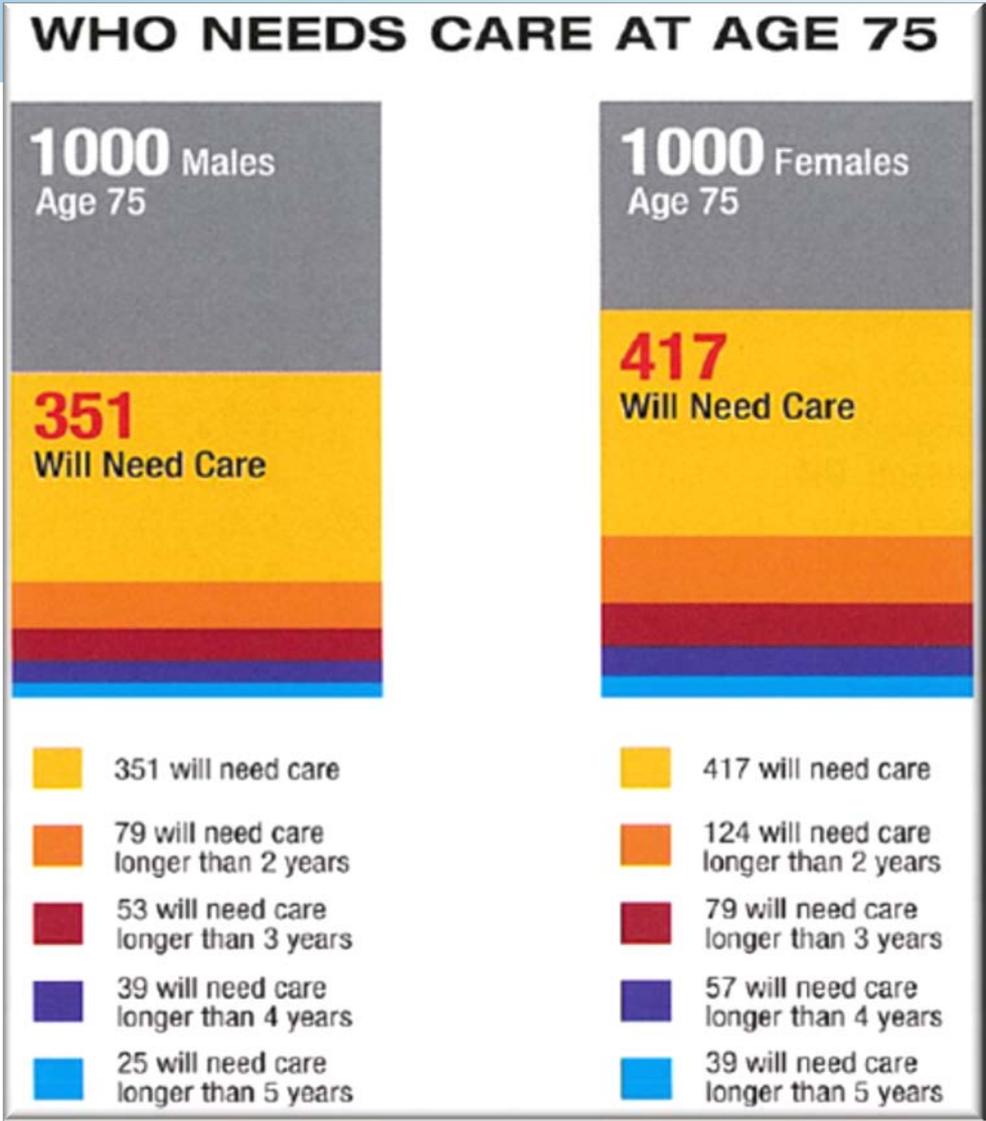


* LTC Insurance Survey, Brokers World, PO Box 11310, Overland Park, KS 66207-1010.

Who's on Claim



Who's on Claim



Who's has the most claims

New Claims Opened By Attained Age (2011)

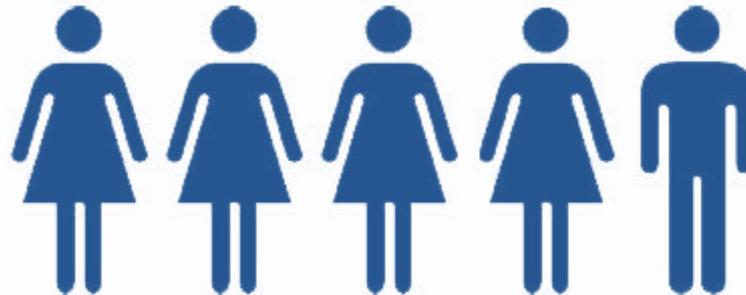
	Men	Women	Total
Under 50	0.1 %	0.2 %	0.3 %
50 - 59	0.8 %	0.9 %	1.7 %
60 - 69	3.5 %	4.9 %	8.4 %
70 - 79	8.6 %	15.5 %	24.1 %
80 and over	22.0 %	43.5 %	65.5 %

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

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Longer & Larger Claims

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



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

Cost of Care Increasing

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

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

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

Current Environment

Utilization:

- Greater for Females
- 35% of new claims paid for Home care

**Cost of Care
Continues to
Increase!**

Lapse Rates

- Continue to decrease

Industry Response

Introduce Gender Specific rates
with new product design for Individual market

John Hancock's Product

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

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



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

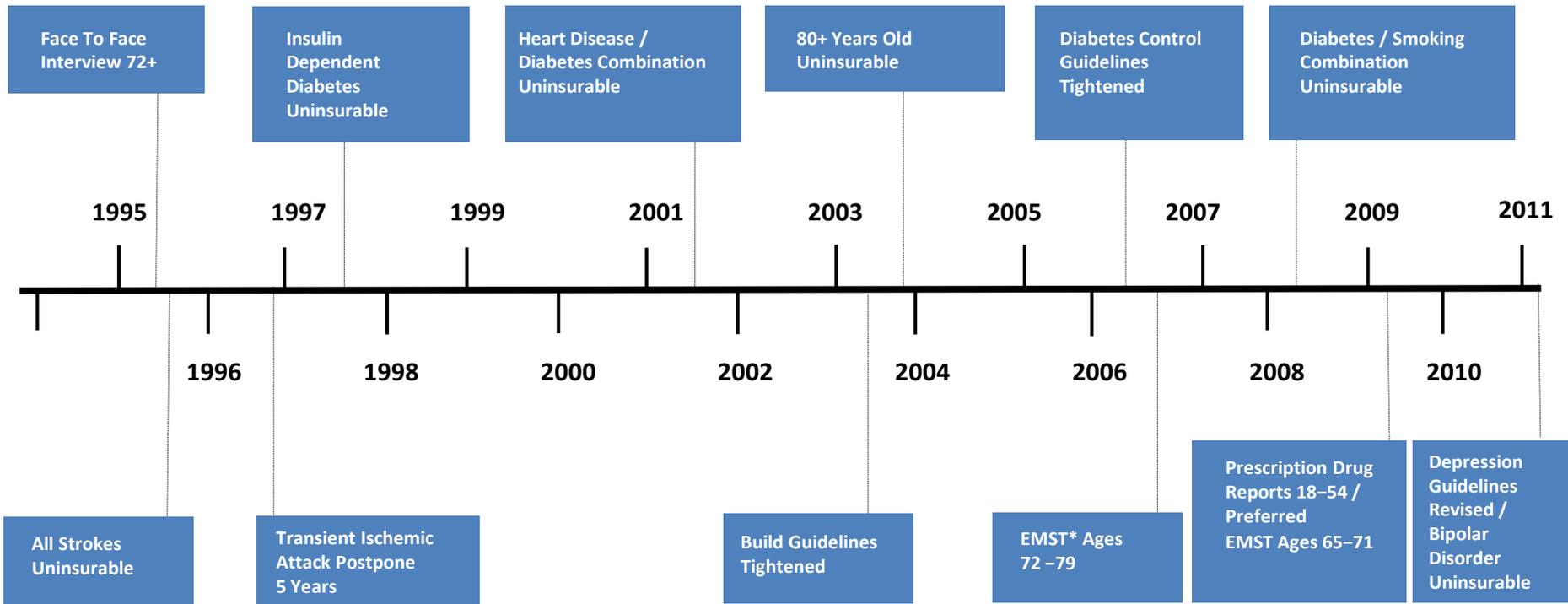
Topic #2

Updated Underwriting Requirements

- Why the change in underwriting



The Evolution



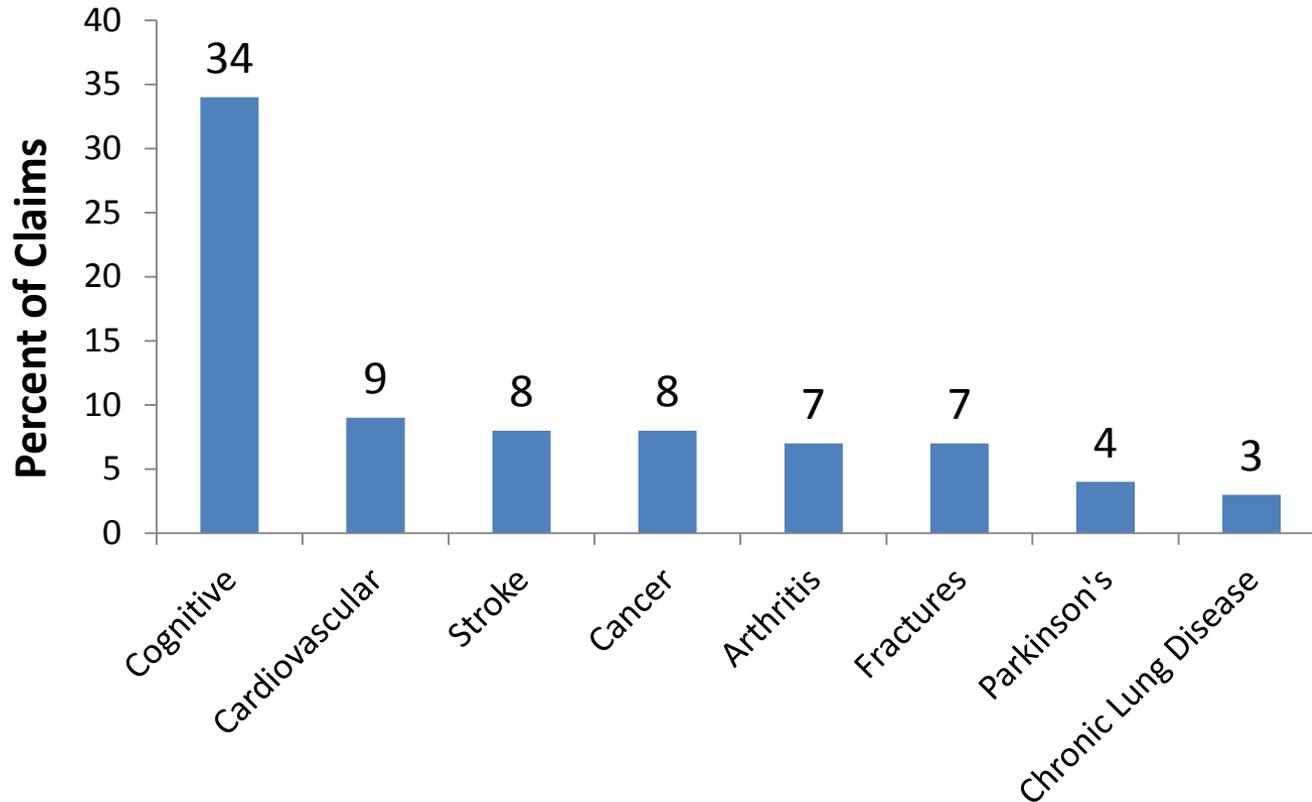
* EMST = Enhanced Mental Skills Test – Cognitive Screening Tool

*Source: Genworth The Next Generation Long Term Care Underwriting 154625

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The Risk

Claims Distribution by Cause



Stroke and All Other Cardiovascular Disorders Account for 17% of All Genworth LTC Claims

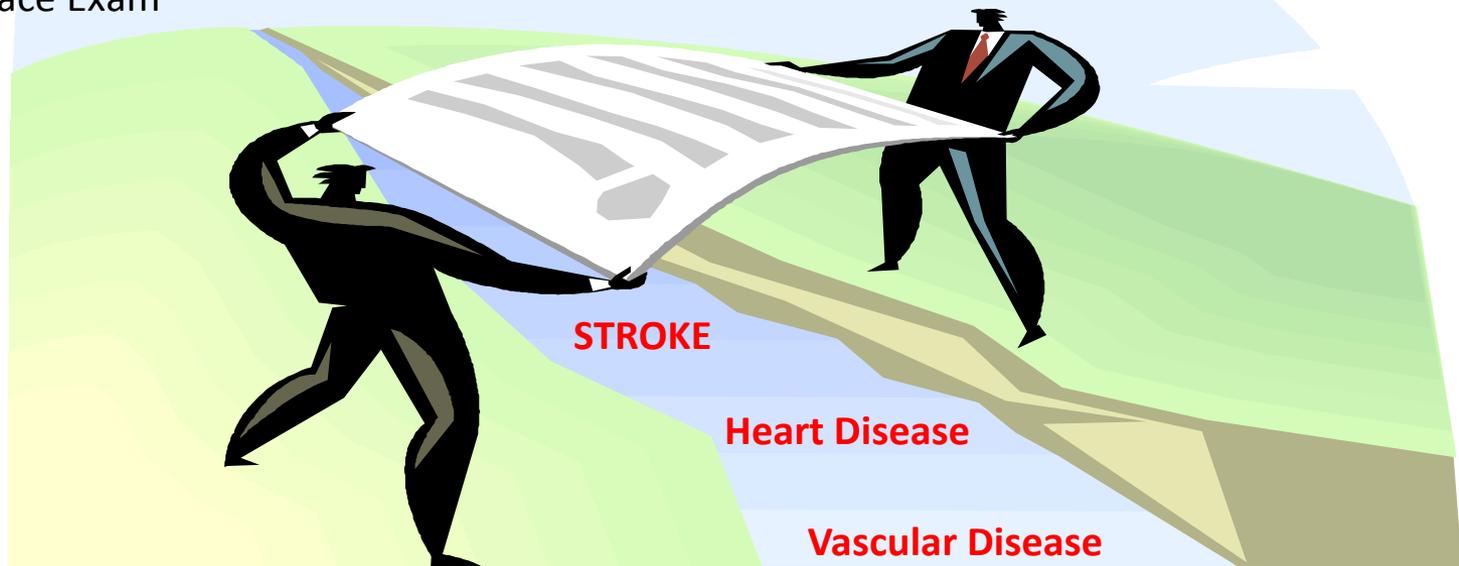
The Underwriting Gap

Functionality

- Medical History
- Employment
- Activities
- Face-to-Face Exam

Cognitive Ability

- Medical History
- Face-to-Face Exam
- Cognitive Screening Test



*Source: Genworth The Next Generation Long Term Care Underwriting 154625

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Assessment of Cardiovascular Risk

Risk Factors

- General Cardiovascular Disease
 - Age, Gender, Diabetes, Smoking, Blood Pressure, Cholesterol, HDL, Build
- Coronary Artery Disease
 - Age, Gender, LDL (Cholesterol), HDL, Blood Pressure, Diabetes, Smoking
- Stroke
 - Age, Gender, Blood Pressure, Diabetes, Smoking, History Cardiovascular Disease, Atrial Fibrillation, Heart Enlargement
- Dementia
 - Alzheimer's Disease
 - Age and Possibly Blood Pressure, Cholesterol, Diabetes, Build, Brain Injury
 - Vascular Dementia
 - Similar to general cardiovascular disease

New Application - Components

- **Part I**

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

- **Part II (Paramed Exam)**

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

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

Blood and Urine Testing

- Blood

- Glucose (Diabetes)
- Fructosamine (Diabetes)
- BUN (Kidney)
- Creatinine (Kidney)
- Alkaline Phosphatase (Liver/Bone)
- Total Bilirubin (Liver)
- AST (SGOT) (Liver)
- ALT (SGPT) (Liver)
- GGT (Liver)
- Total Protein (Blood Disorders)
- Albumin (Liver/Nutrition)
- Globulin (Blood Disorders)
- Triglycerides (CV Risk)
- Cholesterol (CV Risk)
- HDL (CV Risk)
- LDL (CV Risk)
- Hemoglobin A1C (Diabetes)
- HIV Screening
- Hepatitis B/C Screens (If Liver Tests Abnormal)

- Urine

- Glucose (Diabetes)
- pH
- Leukocyte Esterase (Urinary Tract Infection)
- Blood (Kidney Disorders)
- Protein (Kidney Disorders)
- Creatinine
- Cotinine (Nicotine Metabolite)
- Cocaine

Requirements Grid

Underwriting Requirements: Privileged Choice Flex 2 and My Future, My Plan 3	
18-59	RX, Paramed/Lab, MIB
60-75*	APS, Paramed/Lab, Functional/Cognitive Assessment, MIB

*60+: If no physician visit in past 2 years, RX

Benefits

Better, sharper risk classification – *Preferred Best, Preferred, Select, Standard*

Improved matching of risk to pricing

Expansion of allowable build

Detection of undiagnosed diabetes, kidney and liver disease

Stabilization of morbidity

Potential reduction in medical record ordering

Potential cross-selling opportunities



*Source: Genworth The Next Generation Long Term Care Underwriting 154625

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Underwriting Questions

MODIFIED GUARANTEE ISSUE – Answer Questions in SECTION A only.

SIMPLIFIED ISSUE- Answer Questions in SECTIONS A & B.

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

A

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

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

B

- Have you EVER had, or been diagnosed, treated or had symptoms of any of the following conditions? Yes No
If Yes, please check the applicable condition(s):

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

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

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

- Are you currently taking or been prescribed any prescription drugs or medications? Yes No
If Yes, please list all: _____

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

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

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

C

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

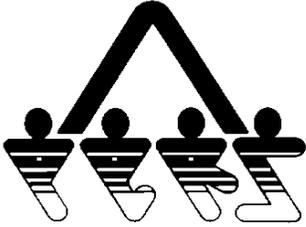
Question #	Nature of Condition/Medication	Date Last Treated/ Medication Taken	Name of Physician Seen/ Physician's Address





National Leaders in Long Term Care Insurance





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Memorandum

TO: PERS Board
FROM: Sparb
DATE: June 13, 2013
SUBJECT: Group Insurance Eligibility

We have been getting more questions lately about eligibility for the PERS group insurance programs by domestic partners or same sex spouses where a marriage has occurred outside of North Dakota (i.e. Minnesota). I have asked Jan to review this and attached is a memo from her. She will be at the Board meeting to review the attached and answer any questions you may have.



Wayne Stenehjem
ATTORNEY GENERAL

STATE OF NORTH DAKOTA
OFFICE OF ATTORNEY GENERAL

STATE CAPITOL
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BISMARCK, ND 58505-0040
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June 13, 2013

Mr. Sparb Collins
Public Employees Retirement System
PO Box 1657
Bismarck, ND 58502-1657

RE: NDPERS Spousal Benefits

Mr. Collins:

Recently, the Minnesota Legislature passed and Governor Dayton signed H.F. 1054 into law. This law, effective August 1, 2013, makes Minnesota's marriage law gender neutral by defining a civil marriage as a contract between two persons without a gender qualifier. As a result of the passing of this legislation you indicated that you anticipate receiving and would like me to answer the following question: are NDPERS spousal benefits available to same-sex member spouses or domestic partners married or otherwise so qualified in another state?

The term "spouse" is used throughout the North Dakota Century Code chapters that provide for and describe NDPERS benefits, and is used to describe a class of persons eligible for certain NDPERS benefits (hereinafter "spousal benefits"). While the NDPERS plan chapters do not define the term "spouse"; this term is defined in N.D.C.C. § 14-03-01 which states that "A spouse refers only to a person of the opposite sex who is a husband or a wife." Therefore the term "spouse" implicates both the marital state and that the parties to the marriage are of the opposite sex. The term "domestic partner" is not used in the NDPERS chapters to describe a class of persons eligible to receive NDPERS benefits, nor is this term otherwise defined in the century code. The term "domestic partner" is, however, defined in the terminology section of the North Dakota Code of Judicial Conduct as "a person with whom another person maintains a household and an intimate relationship, other than a person to whom he or she is legally married." Therefore, under the current status of North Dakota law, NDPERS spousal benefits are available only to member spouses of the opposite sex. At this time, same-sex member spouses, or domestic partners, would not qualify for NDPERS spousal benefits under North Dakota law because they are not included in the definition of the class of persons to which these benefits are available.

Having established who is eligible to receive NDPERS spousal benefits under the current status of North Dakota law, the question then becomes whether NDPERS must

Mr. Sparb Collins
June 13, 2013
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recognize and give credit to the definition of "spouse" as determined by the state in which the member and member's spouse were married, or in which a domestic partner is recognized as being eligible for spousal benefits.

The establishment of laws regarding who may marry tends to be a function of individual state law pursuant to federalism. The full faith and credit clause of the U.S. Constitution generally provides that each state give credit to the laws of every other state. Specifically, Article IV, Section I of the U.S. Constitution states:

Full Faith and Credit shall be given in each State to the public Acts, Records, and Judicial Proceedings of every other State; And the Congress may by general Laws prescribe the Manner in which such Acts, Records and Proceedings shall be proved, and the Effect thereof.

This language appears again in 28 U.S.C. §1738 wherein Congress states generally how such laws are to be proved and given effect. This section was amended in 1996, however, when Congress passed the Defense of Marriage Act (hereinafter "DOMA"). DOMA amended federal law in two ways: by stating that one state need not give effect to a same-sex marriage authorized by another state and creating a federal definition of spouse that limited the designation to a person of the opposite sex who is a husband or a wife. With regards to the first change made by DOMA, the specific language is as follows:

No State, territory, or possession of the United States, or Indian tribe, shall be required to give effect to any public act, record, or judicial proceeding of any other State, territory, possession, or tribe respecting a relationship between persons of the same sex that is treated as a marriage under the laws of such other State, territory, possession, or tribe, or a right or claim arising from such relationship. 28 USC § 1738C.

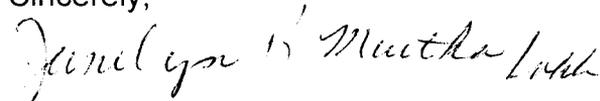
In 2005, this section of DOMA was challenged in the case of Wilson v. Ake, M.D.Fla.2005, 354 F.Supp.2d 1298. In upholding this section of DOMA the federal court stated "The legislatures of the individual states may decide to permit same-sex marriage or the Supreme Court may decide to overturn its precedent and strike down DOMA. But, until then, this Court is constrained to hold DOMA and Florida Statutes § 741.212 constitutionally valid." Id. at 1309. Since the time of this decision many other cases have been filed challenging DOMA (the challenges seem to have been directed at the federal definition of spouse); and while the Executive Branch has determined that it will not defend DOMA in court, its provisions continue to be enforced. Two of these cases were recently heard before the U.S. Supreme Court in March of this year (these are US v. Windsor and Hollingsworth v. Perry) and decisions on these are expected this month.

Mr. Sparb Collins
June 13, 2013
Page 3

Given the current status of North Dakota law and DOMA, and absent a change by the North Dakota Legislature, NDPERS spousal benefits are only available to member spouses of the opposite sex. This opinion will need to be updated upon the issuance of the U.S. Supreme Court's decisions in the aforementioned cases however, as the breadth and scope of those decisions could impact this analysis. Another case of possible interest to NDPERS is Dragovich v. U.S. Dept. of Treasury. This case involves a challenge to DOMA and an Internal Revenue Code provision by California public employees and their same-sex spouses or domestic partners for a denial of a benefit under the CalPERS plan. It is my understanding that this case has been appealed to the 9th Circuit Court of Appeals but is stayed pending the U.S. Supreme Court's review of DOMA.

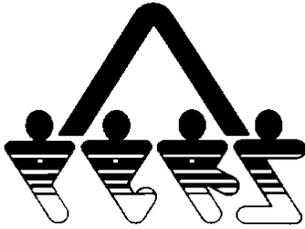
Please let me know if you have any questions or would like to discuss this further.

Sincerely,

A handwritten signature in cursive script that reads "Janilyn K. Murtha".

Janilyn K. Murtha
Assistant Attorney General

vkk



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Memorandum

TO: PERS Board
FROM: Sparb and Kathy
DATE: June 13, 2013
SUBJECT: Explanation of Benefits (EOB) Bundling

The following relates to a new process BCBS has implemented for their other lines of business and they are seeking your concurrence to use the same process for PERS.

EOBs to be bundled to reduce costs, increase efficiency

Posted by Ryan Schuster
5/15/12

Explanation of Benefits statements (EOBs), which members receive showing health care expenses, reimbursements by BCBSND and copays and coinsurance, will be bundled together for families.

The changes are being made to increase efficiency, reduce costs and make it easier for our members to track their health care expenses.

Instead of receiving separate EOBs for each member of a household whenever one of them receives health care services, EOB statements will be bundled up and mailed out for members of a household covered on the same insurance policy. This will allow members, especially parents with multiple dependent children, to better manage and track their family's medical spending and will avoid having to open, review and file multiple EOB letters for different family members within a short period of time.

EOBs will be bundled for children 11 and younger (if the child's address is not listed as confidential in the system) with the same policy number and address as the account subscriber. Federal Employees Program group members will not receive bundled EOBs. Approval will need to be received before North Dakota Public Employees Retirement System (NDPERS) and International Brotherhood Of Electrical Workers (IBEW) group members will receive bundled EOBs.

The move to bundled EOBs will help reduce costs for the organization, which will also lead to reduced costs for members. The change will also increase efficiency and save time and resources for the company. Bundled EOBs will also make it easier for members to compare and better manage their health care usage, by allowing for quick comparisons of multiple appointments and all family members. By helping provide more complete and easier to access health information, the company is also helping members to keep a closer eye on their health care usage.

Staff has reviewed the above and had the following questions (the print in ***bold italic*** is the answer).

-If a member and their entire family were to go to the doctor within the same week would all their EOB's come in the same envelope no matter what the age, for example a member, her spouse and her 3 kids ages 10, 12 and 13?

Answer: The only EOB's that will be bundled are the dependents age 11 and younger. The EOB's for the dependents age 11 and younger will be bundled at the subscriber level only if the subscriber had a service during the same time as the dependent.

-If more than one EOB comes, whose name shows in the window? Is it just how they are stuffed?

Answer: The EOB's will be bundled at the subscriber level therefore the subscriber's name would appear in the window.

PERS staff would recommend making the above change.

Board Action Requested

To approve or deny the above request



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: June 13, 2013
SUBJECT: Affordable Care Act (ACA) Implementation

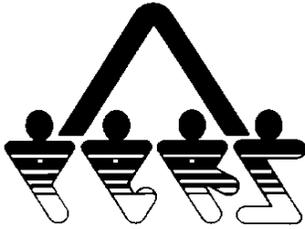
PERS staff has started work on the ACA implementation. Although this duty is primarily the responsibility of the employer, we have decided to take a proactive role in informing our participating employers of this responsibility and providing them training on some of the key responsibilities. Consequently, we have:

1. Started meeting with the Office of Management and Budget about this task and developing the necessary policies in state government relating to the eligibility and affordability requirements. Attached is a first draft of some tasks and timelines.
2. For our non-state employers, we are not only contacting them, but also meeting with their statewide organizations to highlight this effort.
3. We will be sponsoring an informational meeting at the Bismarck Civic Center for all our participating employers the afternoon of July 25th. PERS staff, BCBS and Deloitte will be presenting.

This is going to be a major task for all our participating employers in the coming months. By January, our employers must determine who is eligible, develop a payment methodology that does not charge those that are eligible more than 9.5% of their household income, assign these duties to staff, train the staff, complete all the necessary look back analysis, complete all required mailings to employees, enroll the new members and have them all on the plan by the end of December. Those employers that are unsuccessful with the above tasks will be subject to fines by the federal government.

There are some items that PERS will be responsible for and they include a review of our rates which will take place at the July meeting. Specifically, should we add a single plus dependent rate or rates to the plan?

Attached is a timeline/task chart for this effort.



**North Dakota
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Executive Director
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Memorandum

TO: PERS Board
FROM: Rebecca
DATE: June 10, 2013
SUBJECT: Wellness Program Update

NDPERS staff has completed the renewal of the Employer Based Wellness Program for the plan year July 1, 2013 to June 30, 2014. This renewal determines those employers that will qualify for the 1% health insurance premium discount during the plan year. Employers are given the opportunity to combine efforts with another NDPERS employer in order to qualify.

At this time, there are a total of 197 out of 290 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:

- 103 state agencies, universities and district health units
- 37 counties
- 18 schools
- 17 cities
- 22 political subdivisions

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



Memo

To: NDPERS Board
From: Bryan T. Reinhardt
Date: 6/10/2013
Re: 2012 BCBS Claims Review

Each year we conduct an audit to check the accuracy of BCBS claims processing. On March 19-20th, I was at the BCBS corporate office in Fargo to review a sample of 100 NDPERS claims. A list of the claim specifications is attached. Note that this is not a random sample of all claims, but a select sample from specific areas that we felt needed to be looked at. I focused on claims incurred in the year 2012. BCBS did a good job of having everything ready for me and having staff available to answer my questions and explain the claims payment process. The 2012 BCBS audit resulted in a small number of errors, similar to other recent reviews. These findings are detailed below:

Review Error Findings:

1. A WSI claim was processed incorrectly resulting in a wrong amount applied to a member's deductible (\$122.60 should have been \$68.88, the claim has been adjusted).
2. A claim did not process correctly. Programming logic for rated surgical codes billed with non-rated surgical codes is not working correctly. BCBS is working on this issue and will adjust the claim when the system is fixed.

All five out of five mammograms, Flu vaccinations, PAP tests, fecal occult tests, and HPV vaccine claims for Gardasil were paid 100% under the screening benefits. Two of the five cholesterol tests, one of the five blood sugar tests, and none of the five PSA tests, and were paid at 100% under the screening benefits. Note that the PSA tests are processed differently. The new screening benefits effective 7/1/09 need the 'routine' or 'preventative' diagnosis, but after the \$200 allowance diagnostic procedures will be covered subject to member cost sharing. Note that if an office visit is charged along with the screening benefits, the office visit is not included in the \$200 allowance and the member is charged the \$25 copayment.

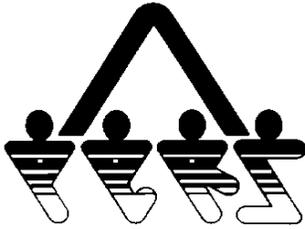
The HDHP claims reviewed had all costs go to deductible except for immunizations.

If you have any questions, I will be available at the Board meeting.

NDPERS 2012 Audit of 1/2012 – present BCBS Claims Processing

1. Blue Shield Chiropractic (2 claims)
2. Blue Cross COB (1 claim)
3. Blue Cross COB (3 with Medicare Member age 65+)
4. Blue Cross COB (3 with Medicare Member age <65)
5. Blue Cross COB (5 with Workers Compensation)
6. Blue Shield COB (3 claims)
7. Blue Shield COB (2 with Medicare)
8. Blue Shield COB (5 with Workers Compensation)
9. Blue Cross Psych (2 claims)
10. Blue Shield Psych (2 claims)
11. Blue Cross CDU (2 claims)
12. Blue Shield CDU (2 claims)
13. Blue Shield PAP (5 claims)
14. Blue Shield Mammograms (5 claims)
15. Blue Shield Fecal Occult Test (5 claims)
16. Blue Shield Cholesterol Screening (5 claims)
17. Blue Shield Blood Sugar Testing (5 claims)
18. Blue Shield PSA Testing (10 claims)
19. Blue Shield Colonoscopy (5 claims)
20. Prescription Drug Formulary (2 claims)
21. Prescription Drug Non-Formulary (2 claims)
22. Prescription Drug for “Gardasil” (HPV drug) (5 claims)
23. Prescription Drug for Flu Vaccine (5 claims)
24. Prescription Drug Medicare Part-D claims (4 claims)
25. Blue Cross 'Denied Experimental' (1 claims)
26. Blue Shield Physical Therapy (2 claims)
27. Claims for Durable Medical Equipment (2 claims)
28. Blue Shield from HDHP member (5 claims)

Total 100 Claims



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Memorandum

TO: NDPERS Board

FROM: Kathy

DATE: June 11, 2013

SUBJECT: Tobacco Cessation Program

The Department of Health (DoH) has notified us that the Smoking Cessation Program funding will be continued for the upcoming biennium. Funding approved for the previous biennium was \$100,000; funding for this biennium was reduced to \$80,000 due to decreased utilization during this past biennium. The DoH indicated that if it finds there is a bigger need for this program they can amend and request additional funds if necessary. A copy of the grant proposal is included for your information.

Neither BCBS nor NDPERS have any objections to this recommendation.

Board Action Requested

Approve Tobacco Cessation program for 2013-2015 biennium based on the DoH's budget recommendation.

NDPERS TOBACCO CESSATION PROGRAM FOR STATE EMPLOYEES

Contacts: Kevin Schoenborn
BCBS
(701) 282-1172
Kevin.Schoenborn@bcbsnd.com

Kathy Allen, NDPERS
Benefit Programs Manager
(701) 328-3918
kallen@nd.gov

Rebecca Fricke
Benefit Programs Administrator
(701) 328-3978
rfricke@nd.gov

Address: BCBS
4510 13th Ave S
Fargo, North Dakota 58121

NDPERS
400 E. Broadway, Suite 505
Bismarck, ND 58502
(701) 328-3900
Fax: (701) 328-3920

Source of Funding:

Section 23-38 of the NDCC relating to the community health grant program, to provide for an appropriation to the State Department of Health, \$80,000 or so much of the sum as may be necessary for the purpose of funding employee tobacco education and cessation programs for state employees for the biennium beginning July 1, 2013 and ending June 30, 2015.

Program Sponsor and Administration:

NDPERS is proposing to sponsor a tobacco cessation program for its state employee members with BCBS being the plan administrator and fiscal agent for the grant.

About NDPERS:

Based on its responsibilities related to management of the group health plan and the Board's objectives for monitoring and containing rising health care costs, NDPERS was selected as the plan sponsor for a tobacco cessation program for state employees.

NDPERS is a state agency responsible for the management and administration of the group employee benefit programs for state employees. The North Dakota Public Employees Retirement Board is the governing authority of NDPERS. One of the programs under its authority is the group health insurance plan. The Board supports wellness initiatives that may have a positive impact on containing rising health care costs. To further this objective, the Board submitted legislation during the 2003 session in SB 2060 that related to establishing an employer based wellness program that would provide an incentive for employers to establish these programs in order to involve them as a mechanism to encourage employees to develop and maintain healthy lifestyle habits.

Smoking is the single most preventable cause of disease, disability, and death in the United States. Given the documented medical evidence related to the adverse health effects related to nicotine dependence, and the expense for treatment of this disease, implementing a program to assist individuals to quit could improve the overall health of these individuals and, thus contain rising health care costs both from a short and long-term perspective. Therefore, supporting a cessation program aligns with the Board's objectives.

About BCBS:

BCBS is a nonprofit health care Corporation established pursuant to North Dakota state law. BCBS is the insurance company that PERS is contracted with on a fully insured basis to provide medical and hospital benefit coverage to its members. PERS and BCBS have been under the existing arrangement since 1989. Before that BCBS provided services to PERS on a self-insured basis.

Time Frame:

The NDPERS State Employee Tobacco Cessation Program is scheduled to begin July 1, 2013 and will be completed by June 30, 2015. Final invoice for services will be submitted to the Department of Health by July 15, 2015.

Estimated number of state employees this program will serve:

The program will be available to state employees and their eligible family members that are at least 18 years of age. Attached as Exhibit 1, is a breakdown by county of all health plan members that are age 18 or older. It includes an estimate of the total number of smokers and smokeless users in our group which is further refined to project the potential number of users that will access services through the cessation program. The estimated number of individuals that may qualify for the program is 9,506. Of this number, 5% or 475 individuals are expected to enroll in the program. The following outlines the methodology used to arrive at this figure:

Total members (31,580) X 21.9% (number of smokers) X 5% = 346

Total members X 8.2% (number of smokeless users) X 5% = +129

Projected number of individuals expected to enroll in the program = 475

Included as Exhibits 2 are statewide maps that show by county the total active employee contracts, the total health plan members age 18 or older, and estimated tobacco cessation participants expected to enroll in a program.

Program Description:

The member is eligible for four separate benefit periods as follows:

- 7/1/2013– 12/31/2013
- 1/1/2014 – 6/30/2014
- 7/1/2014 – 12/31/2014
- 1/1/2015 – 6/30/2015

The program will be a combination of counseling to include initial assessment, physician office visit, nicotine replacement therapy and prescription medication, if indicated, and follow-up support counseling as necessary by individual, group, or telephone. Re-treatment will be available within six months and will be the responsibility of the counseling program and reimbursement will be available on the same basis as during the initial treatment phase.

Program Services & Reimbursement:

Program services will be reimbursed as follows:

- \$200.00 per Member/ per Benefit Period for Department of Health approved counseling services, if the provider charges for these services.
- \$500 per Member/ per Benefit Period for office visit, prescription drugs and over-the-counter drugs prescribed for tobacco cessation.
- Total expenses reimbursed per Member/per Benefit Period shall not exceed \$700 per Benefit period.

Funds will be allocated on a first come first serve basis until all available funds are exhausted.

Monitoring and Evaluation:

BCBSND will produce the following reports:

- Track each patient receiving therapy and level of therapy based on claims data.

- Report every six months to the PERS and DoH about results and participation rates.
- Work with an independent outside evaluator to evaluate program. Any administrative costs associated with collaborating with the outside consultant in evaluating the program would be borne by the program.

Administration, Promotion & Budget:

Administration

All funds will be billed by and paid directly to BCBS. BCBS will be the contracting entity and will maintain all documentation relating to the projects costs. While PERS will sponsor the program it will not be charging any fees to the project nor will it be administering the funds for the program. As a result of the responsibilities assigned to BCBS they will be charging an administrative fee for the project of 10% of claims paid to providers to pay its costs as program administrator and granting entity. BCBS will reimburse providers monthly based upon the paper billings submitted. BCBS will then submit to the Department of Health monthly the total claims for reimbursement. Final billing will be submitted no later than July 15, 2015.

Promotion

NDDOH will be responsible for the creation of all promotional materials. NDDOH will share the promotion schedule and obtain approval of all materials from BCBSND and NDPERS prior to printing. NDPERS will be responsible for the dissemination of materials.

Budget

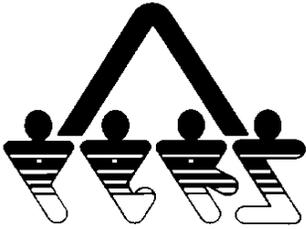
As noted above under “Program Services” each participant is eligible for a maximum benefit under this program of \$700 for each 6-month period. Also as noted above and in the attached there could be up to 475 people who could enroll in the program. Therefore, the potential costs of the program could be:

$$475 * \$700 = \$332,500$$

Services will be provided on a first come first serve basis contingent on available funding. We are requesting \$72,727 for the program services. In addition BCBS administrative fees will be approximately \$7,273 based upon this service level. Therefore, the total amount requested is:

Program Benefit Budget:	\$ 72,727
BCBS Administrative Costs (10%)	<u>7,273</u>
 Total Budget Request	 \$ 80,000

Reimbursement will be made to BCBS monthly based on actual costs accrued by local programs for services provided to state employees plus a 10% administrative fee up to a maximum of \$80,000 (July 1, 2013 through June 30, 2015).



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Memorandum

TO: NDPERS Board

FROM: Kathy

DATE: June 11, 2013

SUBJECT: Political Subdivision Participation

The NDPERS office and BCBS staff have received inquiries from participating political subdivisions about whether they can change their group coverage from the grandfathered PPO/Basic plan to the non-grandfathered PPO/Basic plan. The reasons given for requesting this change is the higher level of wellness benefits and coverage for birth control pills.

In reviewing whether this should be allowed, PERS staff could find no reason to not allow this option so long as the employer group was advised of the potential consequences of such an action. Therefore, it was determined that political subdivisions that want to make this change would be required to complete a Memorandum of Understanding that outlines the considerations they should take under advisement before making such a change. A copy is included for your information. Upon receipt of a signed authorization acknowledging their understanding of the provisions of the memorandum, a political subdivision would be transitioned from the grandfathered to the non-grandfathered plan.

Board Action Request

Approve staff proposal to implement the Memorandum of Understanding to allow participating subdivisions the option to transition from the grandfathered to the non-grandfathered plan.

**MEMORANDUM OF UNDERSTANDING
UNIFORM GROUP HEALTH INSURANCE PROGRAM
CHANGE IN HEALTH PLAN FROM GRANDFATHERED TO NON-GRANDFATHERED
COVERAGE**

This is a memorandum of understanding to provide notice to the North Dakota Public Employees Retirement System (NDPERS) that _____ elects to discontinue participation in the NDPERS Group Health Insurance Grandfathered PPO/Basic Plan and participate in the NDPERS Group Health Insurance Non-Grandfathered PPO/Basic Plan. As part of this election, _____ understands the following:

- When the employer is in the Non-Grandfathered PPO/Basic Plan, the employer will not be eligible to be in the Grandfathered PPO/Basic Plan in the future.
- The premium will increase due to the election to participate in the Non-Grandfathered PPO/Basic Plan.
- The Affordable Care Act (ACA) contains a mandate that requires small employers in non-grandfathered plans to participate in the healthcare exchanges. If your group should meet the definition of "small employer" you may be required to terminate your participation in the NDPERS Group Health Insurance plan.
- We agree to the provisions of the Affordable Care Act as they relate to Non-Grandfathered plans.
- NDPERS will process the election within 60 days of receipt by NDPERS.

Dated and effective this _____ day of _____, 20____.

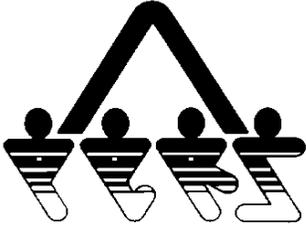
Sparb Collins, Executive Director
North Dakota Public Employees
Retirement System

Executive Personnel/Contracting Authority

Print Name

Employer Name

NDPERS Organization Id



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Memorandum

TO: PERS Board

FROM: Sparb and Deb

DATE: June 13, 2013

SUBJECT: Defined Contribution Plan Implementation

Attached is first draft of the defined contribution (DC) implementation task/timeline chart. All tasks are being defined at this time and the responsible party or parties are being identified. We know that we must be ready to go with the program by October 1.

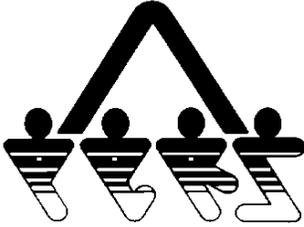
At the May meeting the Board approved using the existing plan provisions as the guide for developing the expanded program. We are doing that and our goal is to have a draft of the policy package for your approval by the July meeting. We will also include in that package the list of administrative rules that will be suspended during the 4 year period of this program.

One operating provision that has been highlighted in our initial review that we would suggest changing is the requirement that a member changing plans must have their form notarized. We no longer feel this is necessary and would suggest changing this requirement. If the form is signed then we would accept it as we do with many other member actions.

Another area of change we suggest is in the reminder mailing process. For the present program we send the member the initial mailing outlining the available election options and all the information required in the statute. In addition, we send them two other reminders to make their election during the six month election period. Given the expected increase in volume, we would suggest changing this operating process to one reminder.

Board action requested

To approve the above changes recommended by staff.



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: June 13, 2013
SUBJECT: Contribution Increases – HB 1452

As passed HB 1452 provides for the following employee contribution increases beginning in January of 2014:

- a half percent increase in employee contributions for members of national guard retirement plan in Section 9 of the bill
- a half percent increase in employee contribution for members of the law enforcement plans in section 10 of the bill

While the employee contributions are set in statute the PERS Board has the authority to set the employer contribution rates. In my testimony for SB 2059 which was later amended into HB 1452 I shared with the legislature the PERS Boards intent to adjust the employer contributions for the national guard plan and law enforcement plan by stating:

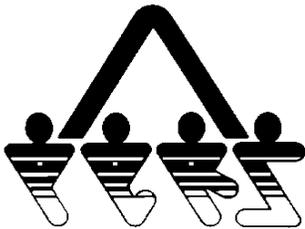
The employer contributions are set by the PERS Board and they have indicated that those contributions would rise as well based upon the legislative action for the other systems.

When we did our original work on preparing these proposals it was discussed by the board to increase the employer contributions for the above systems by a matching amount on the same date which would January 1, 2014. Consequently, I am seeking your approval to increase the employer contributions for:

1. The Law Enforcement plans by 1/2% beginning January 2014
2. The National Guard plan by 1/2% beginning January 2014.

Board Action Requested:

Approve the above increase in the employer retirement contribution rates for 2014.



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Memorandum

TO: NDPERS Board

FROM: Kathy

DATE: June 11, 2013

SUBJECT: Disability Consultant Contract

The contract with Mid Dakota Clinic for disability consulting services expires June 30, 2013. 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, 2013 through June 30, 2014 contract period. This represents no increase in the hourly rate from the current contract period. This is the sixth 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 July 2012 through April 2013 is \$8,900 involving 44.5 hours and 66 cases. Staff is satisfied with the service provided by Mid Dakota and recommends that we renew the disability consulting contract for the period July 1, 2013 through June 30, 2014 at the rate of \$200 an hour.

Board Action Requested

Approve staff's recommendation.

June 5, 2013

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

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

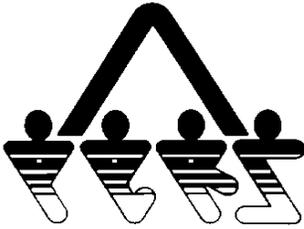
Dear Kathy,

Per your request, Mid Dakota Clinic respectfully submits the following proposal for the disability determination services contract for the period of July 1, 2013 through June 30, 2014.

1. Mid Dakota expresses a desire to continue to perform these 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
DATE: June 12, 2013
SUBJECT: Legislation Update

In previous memos I reported to you that the following two study resolutions were passed this last session.

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

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

SECTION 39. LEGISLATIVE MANAGEMENT STUDY - STATE EMPLOYEE HEALTH INSURANCE PREMIUMS. The legislative management shall consider studying, during the 2013-14 interim, the feasibility and desirability of establishing a maximum state contribution to the cost of state employee health insurance premiums. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-fourth legislative assembly.

The Legislative Management Committee met and did prioritize these studies for consideration during the 2013-15 interim. On June 10 the committee again met again and assigned the above two studies to the Government Finance Committee. Committee members are:

Chairman

- [Representative Jeff Delzer](#) **(R)**

Vice Chairman

- [Senator Terry M. Wanzek](#) **(R)**

Legislative Council Staff

- Brady A. Larson

Legislative Members

- [Representative Larry Bellew](#) **(R)**
- [Representative Joshua A. Boschee](#) **(D)**
- [Representative Bette Grande](#) **(R)**
- [Representative Craig Headland](#) **(R)**
- [Representative Rick Holman](#) **(D)**
- [Representative Lisa Meier](#) **(R)**
- [Representative Kylie Oversen](#) **(D)**
- [Representative Don Vigesaa](#) **(R)**
- [Representative Clark Williams](#) **(D)**
- [Senator Dwight Cook](#) **(R)**
- [Senator Gary A. Lee](#) **(R)**
- [Senator Donald Schaible](#) **(R)**
- [Senator Ronald Sorvaag](#) **(R)**
- [Senator Rich Wardner](#) **(R)**



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: June 12, 2013
SUBJECT: Defined Contribution Plan Review

With the continuing discussion relating to the defined contribution plan and to better assess how we are doing with our existing DC program we are going to do the following two activities and we are seeking your thoughts and suggestions. The activities are:

1. To conduct a survey of our existing DC members (attachment 1)
2. To update the Segal DC study to assess where members are at today after the improvement in the market (attachment 2)

With this information we can better deliver our DC services and better assess if the funding status of this program has improved with the improvements in the market.

NDPERS Defined Contribution 401(a) Plan Survey

1. Are you satisfied with the investment funds available?	___ Yes ___ No
2. Are you satisfied with the availability of plan information?	___ Yes ___ No
3. Are you confident that you are on the right track for retirement?	___ Yes ___ No
4. Do you feel that you made the right decision to move to the Defined Contribution 401(a) plan from the Defined Benefit Pension Plan?	___ Yes ___ No ___ Maybe
5. If given the option, would you select the Defined Contribution 401(a) plan again?	___ Yes ___ No
6. Have you ever met with a TIAA-CREF investment advisor?	___ Yes ___ No
7. Do you use an investment advisor or financial planner (other than TIAA-CREF) to help you with your investment decisions?	___ Yes ___ No

	Strongly disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree
8. I am happy with the decision to change providers to TIAA-CREF.	1	2	3	4	5	6
9. I am happy with the investment education and advice given by TIAA-CREF.	1	2	3	4	5	6
10. I am happy with the web services and quarterly statements provided by TIAA-CREF.	1	2	3	4	5	6
11. I am happy with the availability of counselors and advisors from TIAA-CREF.	1	2	3	4	5	6
12. I am satisfied with the availability of the brokerage window for investing in other mutual funds.	1	2	3	4	5	6
13. I would recommend TIAA-CREF to other employees.	1	2	3	4	5	6
14. I feel I made the right decision selecting the DC 401(a) plan over the Defined Benefit plan.	1	2	3	4	5	6
15. I am happy with the service provided by the NDPERS office.	1	2	3	4	5	6
16. I find selecting my own investments and asset allocation confusing.	1	2	3	4	5	6
17. I would recommend the PERS Defined Contribution 401(a) plan to other employees?	1	2	3	4	5	6
18. I am confident I will have enough money to retire.	1	2	3	4	5	6
19. I am confident my retirement savings will grow over time.	1	2	3	4	5	6
20. The PERS Defined Contribution 401(a) plan is better than the Defined Benefit pension plan.	1	2	3	4	5	6
21. The employer contributions to my retirement plan are adequate.	1	2	3	4	5	6
22. The employee contributions to my retirement plan are adequate.	1	2	3	4	5	6

23. Years of Service with the state _____ Years	24. Age at last birthday _____ Years	25. Marital Status ___ Single ___ Married
--	---	---

Additional Comments?

THANK YOU!
 Please return this survey in the postage-paid envelope by:
 July 15, 2013



THE SEGAL COMPANY
5670 Greenwood Plaza Boulevard Suite 425 Greenwood Village, CO 80111-2499
T 303.714.9952 F 303.714.9990 www.segalco.com

Brad Ramirez, FSA, MAAA, FCA, EA
Consulting Actuary
bramirez@segalco.com

December 7, 2011

Mr. Sparb Collins
Executive Director
North Dakota Public Employees Retirement System
400 East Broadway, Suite 505
Bismarck, ND 58502

**Re: North Dakota Public Employees Retirement System
Updated Analysis of Defined Contribution Plan**

Dear Sparb:

At your request, the Segal Company has performed a revised analysis of the NDPERS Defined Contribution Plan.

Background

The North Dakota Public Employees Retirement System Defined Contribution Plan (DC Plan) currently requires participants to contribute 4% of compensation to the DC Plan. Employers contribute 4.12% of compensation on each participant's behalf resulting in a total contribution rate of 8.12% of compensation. Based on the current statute (Chapter 54-52.6), the total contribution rates are scheduled to increase to 10.12% of compensation starting January 1, 2012 and to 12.12% of compensation starting January 1, 2013. DC Plan benefits grow with investment earnings and are distributed upon termination.

The objective of the DC plan is to provide a comparable benefit to the benefits provided under the North Dakota Public Employees Retirement System Defined Benefit Plan (DB Plan). In September 2010, Segal provided an analysis to evaluate whether or not the DC Plan is meeting that goal by comparing hypothetical benefit amounts under both plans. The purpose of this letter is to update that analysis using demographic data as of June 30, 2011 and asset information as of November 15, 2011.

Methodology/Assumptions

The September 2010 analysis was based upon individual data for 241 participants. The June 30, 2011 demographic data shows there have been twelve terminations and eight new members resulting in 237 active members. The November 2011 data includes asset information for those 237 participants. This analysis is based upon the data for those 237 participants. We projected



each participant's expected DC balance to their assumed retirement age. This amount was annuitized and compared to the PERS DB benefit that the participant would have received had they been a member of that program. This yielded a DC/DB percentage for each participant. For illustrative purposes, we then varied the employer and employee contribution rates to the DC Plan as detailed in the assumptions below.

The assumptions we used for this analysis are:

- Employer contributions: 4.12% of annual pay through December 31, 2011; 5.12% of annual pay from January 1, 2012 through December 31, 2012; and 6.12% of annual pay from January 1, 2013 and thereafter.
- Employee contributions: 4.00% of annual pay through December 31, 2011; 5.00% of annual pay from January 1, 2012 through December 31, 2012; and 6.00% of annual pay from January 1, 2013 and thereafter.
- For illustrative purposes, we also ran scenarios that assume total contributions of 16.12% and 20.00% of annual pay effective after July 1, 2013
- Retirement is assumed to occur at the earlier of age 65 or eligibility for the Rule of 85
- Salary increases: Same as the assumption adopted by the Board for the July 1, 2011 actuarial valuation
- DC balance rate of return: 8.00%* per year
- Conversion of DC account balance at retirement to annuity: 5% interest / 1994 GAM mortality**

* *The 8% return assumption was recommended by PERS. Please keep in mind that there are studies that indicate that individually managed DC accounts earn less than 8%.*

** *This assumption is intended to approximate the annuity that could be purchased by a retiring DC member from an insurance company. The 5% interest rate and the 1994 GAM mortality table are for illustrative purposes only and are likely to be less conservative than what are currently available from an insurance company.*

Note that while the demographic data used in this analysis is as of June 30, 2011, the account balances of the 237 members are as of November 15, 2011 to reflect the latest information available.

Results

- Exhibit I: Shows the age and service of the 237 active members included in this analysis.
- Exhibit II: Shows a distribution of the 237 members by age and account balance.

- Exhibit III: Shows the comparison of the DC and DB benefits by age under the current schedule of contribution rates that increase to a total of 12.12% starting January 1, 2013.
- Exhibit IV: Shows the comparison of the DC and DB benefits by age under current schedule of contribution rates as well as future increases to 16.12% and 20.00% starting July 1, 2013.
- Exhibit V: Shows the comparison of the DC and DB benefits by service under the current schedule of contribution rates that increase to a total of 12.12% starting January 1, 2013.
- Exhibit VI: Shows the comparison of the DC and DB benefits by service under current schedule of contribution rates as well as future increases to 16.12% and 20.00% starting July 1, 2013.

The results are summarized below:

Ratio of DC to DB	Future Contribution Rate		
	Current Plan 12.12% effective <u>1/1/2013</u>	Increase to 16.12% effective <u>7/1/2013</u>	Increase to 20.00% effective <u>7/1/2013</u>
Less than 50%	127	73	54
50% - 75%	104	130	117
75% - 100%	3	31	54
100% and Over	<u>3</u>	<u>3</u>	<u>12</u>
Total	237	237	237

Conclusions

The DB Plan and the DC Plan are fundamentally different, and as a result, it is difficult to compare the value of one type of benefit to the other. The DC Plan, for example, is more portable than the DB Plan, and it is difficult to quantify the value of that feature. However, when comparing the retirement income that the ND PERS DC Plan is projected to provide current members versus that which the ND PERS DB Plan would provide, this analysis shows that the majority of the current, active DC Plan members would receive significantly less retirement income under the DC Plan than they would under the DB Plan without an increase in the contribution rate or significant future favorable investment experience above the assumed 8% per annum.

Projections, by their nature, are not a guarantee of future results. The modeling projections are intended to serve as illustrations of future financial outcomes that are based on the information available to us at the time the modeling is undertaken and completed, and the agreed-upon assumptions and methodologies described herein. Emerging results may differ significantly if the actual experience proves to be different from these assumptions or if alternative methodologies are used. Actual experience may differ due to such variables as demographic experience, the economy, stock market performance and the regulatory environment.

These calculations were completed under the supervision of Mark Hamwee, FSA, MAAA, Enrolled Actuary and Kurt Schneider, ASA, MAAA, Enrolled Actuary.

The undersigned is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Sincerely,

A handwritten signature in blue ink, appearing to read "BRAMIREZ", with a stylized flourish at the end.

Brad Ramirez

AW/kek
Enclosures

Exhibit I

*Census of DC Plan Members in Active Service on June 30, 2011
by Attained Age and Years of Service*

Attained Age	Totals	Years of Service							
		Under 5	5-9	10-14	15-19	20-24	25-29	30-34	35-39
Totals	237	30	48	87	39	16	7	7	3
20-29	5	2	3	-	-	-	-	-	-
30-34	10	3	5	2	-	-	-	-	-
35-39	35	6	9	17	3	-	-	-	-
40-44	55	5	10	21	17	2	-	-	-
45-49	38	5	7	10	6	7	3	-	-
50-54	47	4	7	20	6	6	2	1	1
55-59	28	3	4	13	2	1	-	5	-
60-64	16	2	2	4	4	-	2	-	2
65 & Over	3	-	1	-	1	-	-	1	-

Exhibit II

*Census of DC Plan Members in Active Service on June 30, 2011
by Attained Age and Account Balance on November 15, 2011*

	Totals	Account Balance							
		Less than \$20,000	\$20,000- \$39,999	\$40,000- \$59,999	\$60,000- \$79,999	\$80,000- \$99,999	\$100,000- \$149,999	\$150,000- \$199,999	\$200,000- & Over
Totals	237	27	54	42	49	23	26	2	14
20-29	5	4	1	-	-	-	-	-	-
30-34	10	5	4	1	-	-	-	-	-
35-39	35	5	18	6	4	1	1	-	-
40-44	55	5	11	11	20	6	2	-	-
45-49	38	3	8	4	10	6	7	-	-
50-54	47	3	7	12	6	5	9	2	3
55-59	28	-	4	6	6	3	4	-	5
60-64	16	1	-	2	3	2	3	-	5
65 & Over	3	1	1	-	-	-	-	-	1

Exhibit III
Ratio of Projected DC Account (Converted to an Annuity) to DB Benefit
by Attained Age as of June 30, 2011
With Current Statutory Contribution Rates

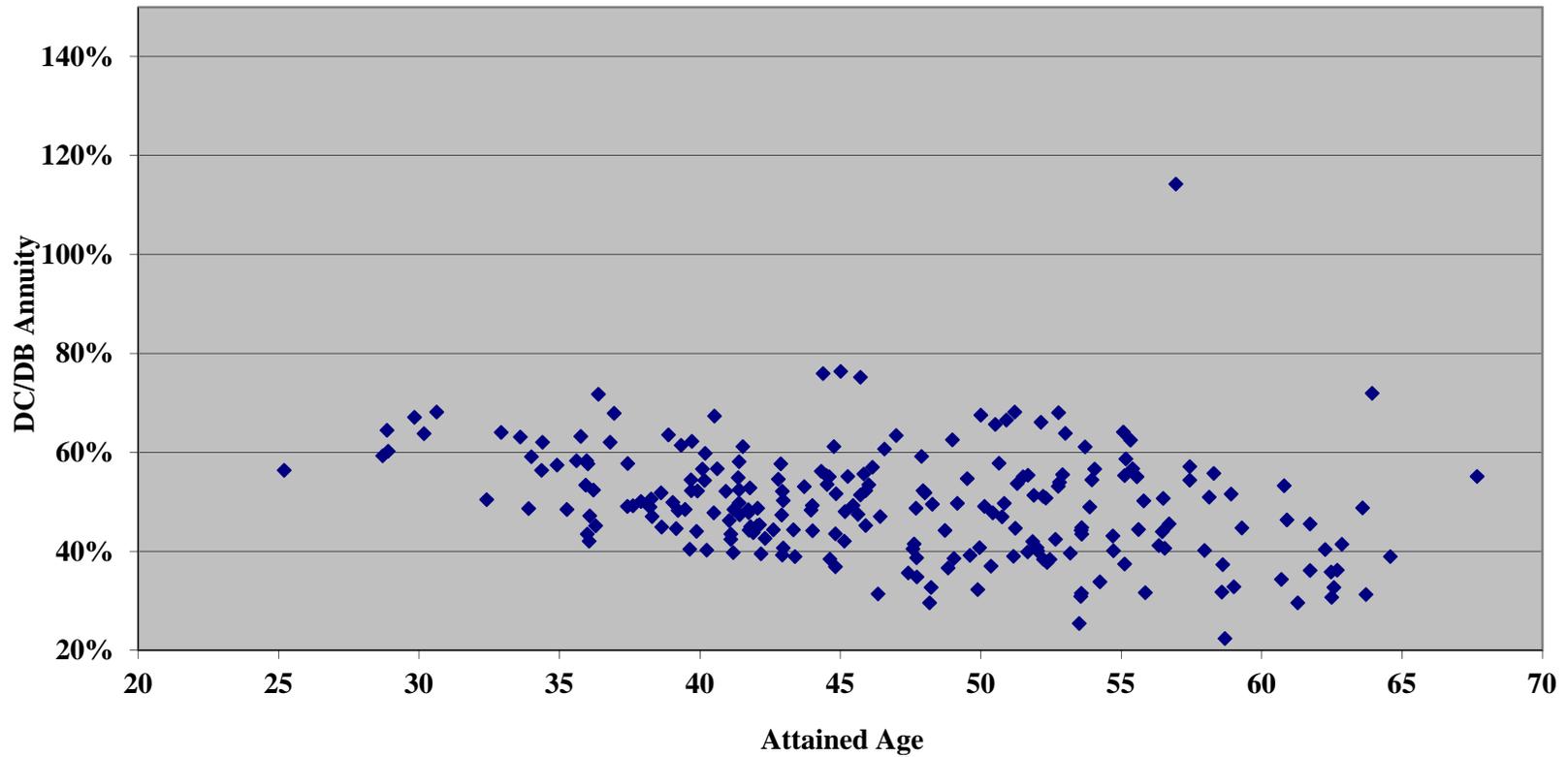


Exhibit IV
Ratio of Projected DC Account (Converted to an Annuity) to DB Benefit
by Attained Age as of June 30, 2011

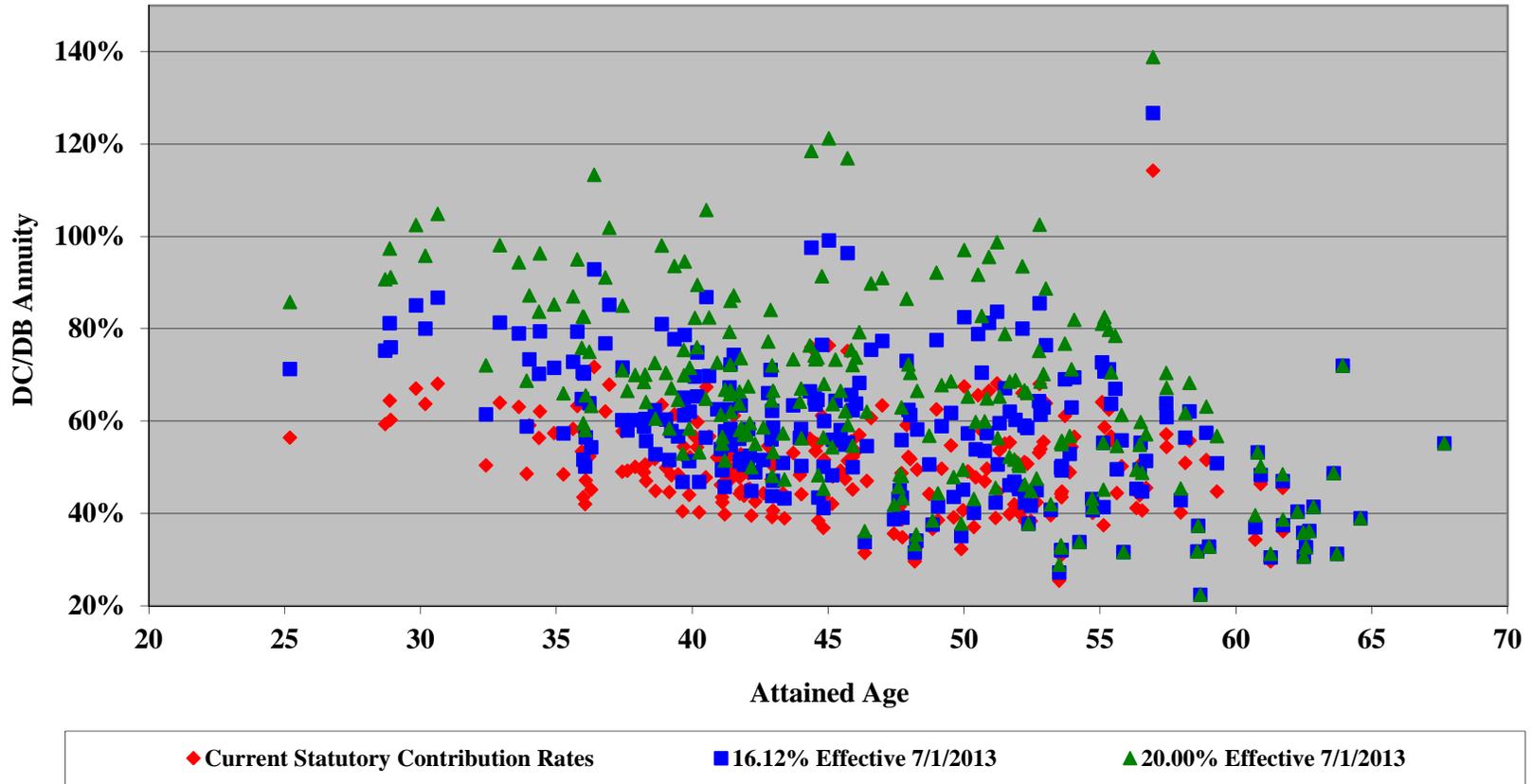


Exhibit V
Ratio of Projected DC Account (Converted to an Annuity) to DB Benefit
by Years of Service as of June 30, 2011
With Current Statutory Contribution Rates

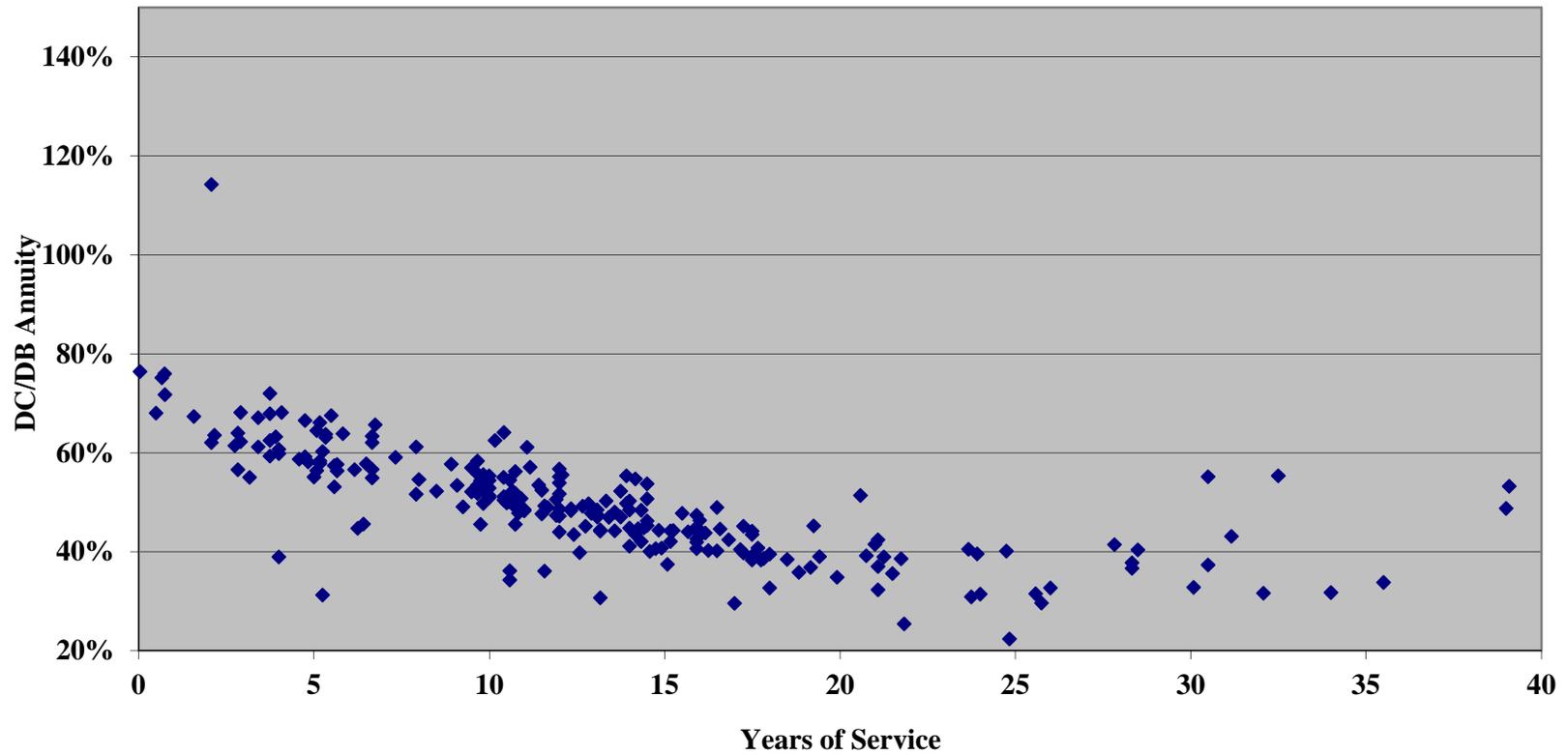
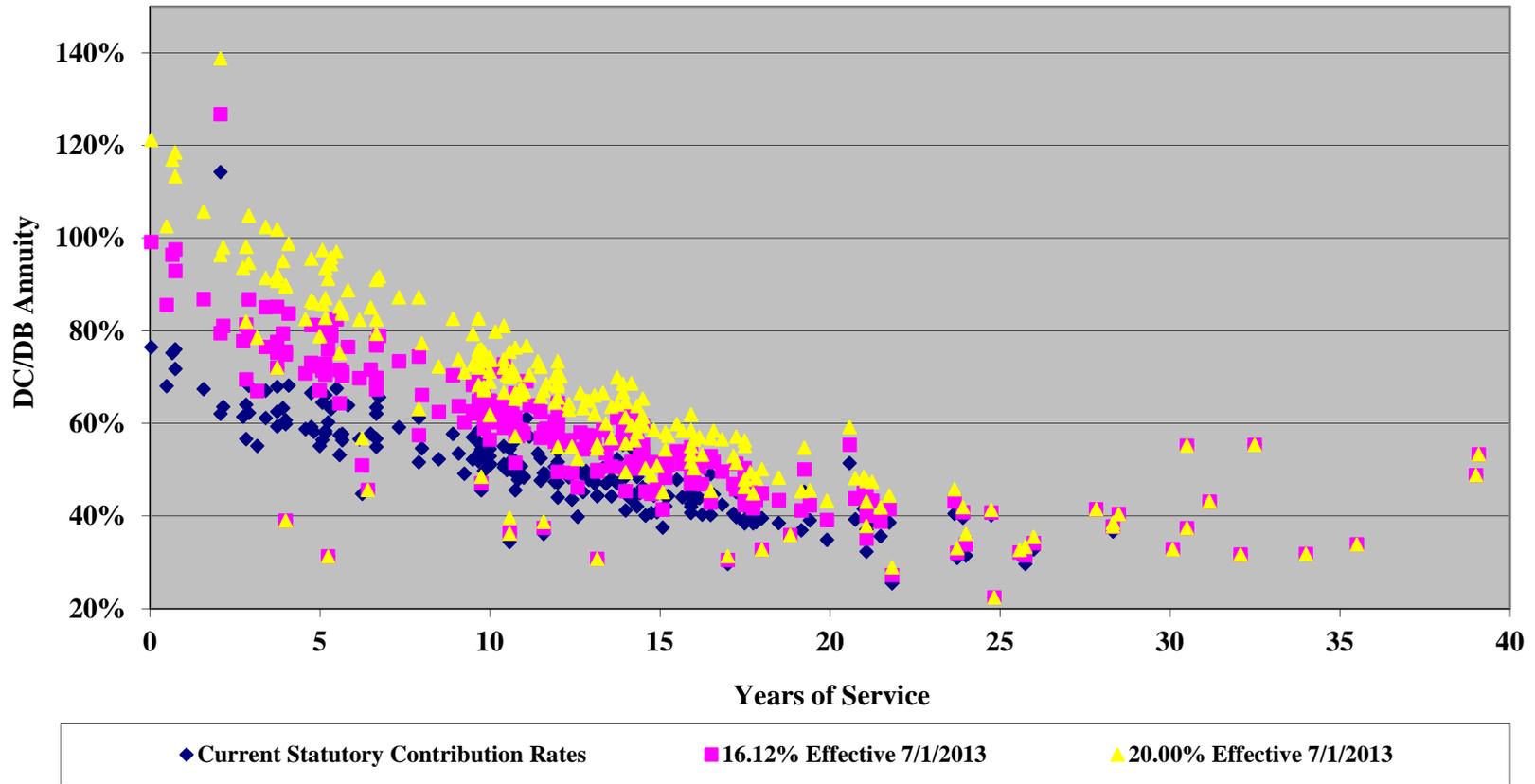
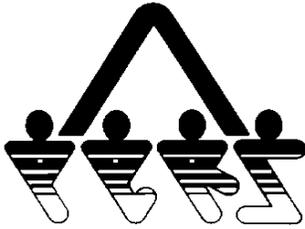


Exhibit VI
Ratio of Projected DC Account (Converted to an Annuity) to DB Benefit
by Years of Service as of June 30, 2011





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: June 14, 2013
SUBJECT: Job Service Retirement Plan

Attached please find a letter received from Maren Daley relating to the Job Service Retirement Plan. As you will note, that letter refers to a 1980 agreement between the state and DOL which indicates that the 30 year agreement has expired and “no new requests for funding will be accepted by the Department”. We have looked through the material we received from Job Service when we took over the plan, and we have not found the 1980 agreement. However, we do have an agreement between the state and DOL from 1999 which states:

IV. Agreement

To resolve the issue of payment of the unfunded liability for the Job Service North Dakota Retirement Plan the United States Department of Labor and Job Service North Dakota agree as follows:

- (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 United 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 under funded 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.
- (4) If the trigger mechanism in IV(3) is indicated then the outstanding balance of the initial actuarial accrued liability as of July 1, 1998 (July 1, 1998 actuarial valuation report) adjusted by adding interest at the plan actuarial earnings rate assumption will be amortized over the remaining years on the amortization schedule, 15 years as of the amortization suspension date.
- (5) The amortization payments will be suspended when the annual actuarial valuation report indicates that the actuarial value of assets exceeds the actuarial present value of benefits.

This later agreement indicates DOL continues to have responsibilities relating to the plan. I will be meeting with Maren about the attached letter. I have also forwarded the information we do have to Jan for her review. It is likely that we will be responding to the letter to Maren pointing out the 1999 agreement and the ongoing responsibilities of the DOL.

For your information the following narrative is the history of the Job Service Retirement Plan:

The Job Service Plan (Plan) was established in 1960 with the support of the U. S. Department of Labor (US DOL) because at that time there was not a state Plan for public employees. Job Service and the USDOL decided to enhance Plan benefits and freeze the Plan to new entrants as of October 1, 1980 because the State of North Dakota had since established a statewide public employee's retirement program. All Job Service new hires since that time are participants in PERS. Until 1980 the Plan maintained a deposit administration fund with The Travelers and annuities were purchase for retirees from that fund. In October 1993, the Plan selected the North Dakota Investment Board to be the Plan investment manager and contracted with PERS for administrative services only to make the monthly payments to its members that retired beginning October 1, 1993. In addition, since that time, annual cost-of-living adjustments are paid from Plan assets for these pensioners as well as annuitants with The Travelers. In 2003 the legislature transferred responsibility for the Plan from Job Service to NDPERS.

PERS administers benefits for two groups of Job Service retirees:

Travelers Annuitants: NDPERS assumed the administrative and recordkeeping services for the Job Service Travelers Plan on August 1, 2003. This group is comprised of those individuals for whom annuities were purchased through The Travelers. Job Service staff performed all benefit calculations, record maintenance, benefit adjustments and administration of the COLA for this group prior to August 1.

There are 99 retirees which represents the entire eligible group for this Plan. Travelers' pays the monthly base annuity benefit. PERS pays the accumulated COLA amount from Plan assets. In 2006 MetLife purchased The Travelers. Each month, PERS transfers a lump sum payment to MetLife from the Plan assets to pay the accumulated COLA adjustments for these pensioners. This means the members receive one benefit payment rather than a separate payment from MetLife and a separate payment from PERS. MetLife maintained the same fees of \$3.25 per payee/per benefit payment made by check, and the fee of \$2.50 per payee/per benefit payment made by electronic funds transfer (EFT). This equates to a monthly expense of approximately \$252.00 (6 by check and 93 EFT).

JSND Annuitants: PERS pays this group from the Plan assets per our ASO agreement with Job Service dated October 1, 1993. Since August 1, 2003 we are now also responsible for the administration and record keeping to include benefit calculations, record maintenance, benefit adjustments and administration of the annual COLA increase. At this time there are 98 members in this group. It was the Plans understanding that when the annuity contract with The Travelers was terminated, all dollars were transferred to the Plan. However, in 2002 Travelers notified Job Service it had retained an amount that is referred to as the "paid

up annuity" which includes contributions made during the period 1960 to 1971. Of the 120 retirees, 47 have a "paid up annuity" and there are 3 active participants eligible for these benefits. When this was discovered, Job Service and Travelers agreed that the retirees in the "paid up" group are receiving the correct monthly retirement benefit and that Travelers should pay the funds to the Plan so that the these participants could continue to receive one benefit payment.

Agreement on Unfunded Liability

In 1975, the Department of Labor negotiated a package of benefits designed to upgrade the independent retirement Plans. Improvements to the Plans were adopted and employee contributions were increased. The Department of Labor chose to amortize the unfunded liability created by these improvements over a period of 20 years.

In 1980, discussion began between states which still maintained independent retirement Plans, and the Department of Labor. As a result of those discussions, the Department of Labor agreed to allow cost of living and military service credit provisions in 1980 while the states agreed to close enrollments in the independent Plans as of October 1, 1980. The Department of Labor chose to amortized the unfunded liability created by these changes over a period of 30 years.

From 1983 to 1998, the United States Department of Labor has paid the required amortization of the unfunded liability of the Job Service North Dakota independent retirement Plan. 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. Also at this time, the funded status of the Plan had reached a point where the actuarial value of the benefits was \$50.6 million and the actuarial value of assets was \$61.7 million. The funded status of the Plan was 119%. Based upon this funded status, the United States Department of Labor question why it should continue to make the amortization payments.

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.

U.S. Department of Labor

Assistant Secretary for
Employment and Training
Washington, D.C. 20210

RECEIVED

JUN 04 2013

ND PERS



MAY 24 2013

Ms. Maren L. Daley
Executive Director
Job Service North Dakota
P.O. Box 5507
Bismarck, North Dakota 58506-5507

Dear Ms. Daley:

This letter is in regards to the State of North Dakota and U.S. Department of Labor Memorandum of Understanding developed to support the state agency's retirement plan.

The U.S. Department of Labor's (the Department) Employment and Training Administration (ETA) entered into a 30-year agreement to fund a number of state employment security agency retirement plans. The agreement between the Department and State of North Dakota was executed in October 1980. Subsequently, ETA made payments to North Dakota to fund the annual amortization costs of the state employment service retirement plan using Employment Service (Wagner-Peyser) and Unemployment Insurance (UI) program funding. Based on the Department's records, North Dakota has not made a request for Wagner-Peyser or UI program funds to support the state's retirement plan in more than three years.

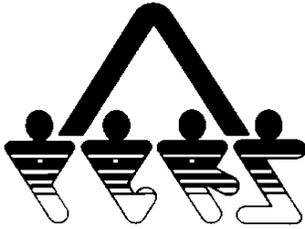
This letter is to notify you that the 30-year agreement between the State of North Dakota and the Department has been satisfied. To that end, no new requests for funding will be accepted by the Department. While ETA administers the Wagner-Peyser and UI programs, any changes to SESA retirement plans are under the purview of the state and should be made in accordance with applicable state laws.

If there are questions regarding this matter, please feel free to contact me at (202) 693-2700.

Sincerely,


Jane Oates
Assistant Secretary

cc: Donna Kelly, Grant Officer
Thomas Martin, Grant Officer
Nick Lalpui, Acting Regional Administrator



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

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Memorandum

TO: PERS Board
FROM: Sparb
DATE: June 13, 2013
SUBJECT: Investments

At the May meeting the Board approved the waiver for Invesco and requested a letter be sent to them discussing the situation. For your information attached is that letter.



ND Retirement and Investment Office

*Teachers' Fund for Retirement
State Investment Board*

1930 Burnt Boat Drive
P.O. Box 7100
Bismarck, ND 58507-7100
Telephone 701-328-9885
Toll Free 800-952-2970
Fax 701-328-9897
www.nd.gov/rio

24 May 2013

Max Swango
Managing Director
Invesco Real Estate
13155 Noel Road, Suite 500
Dallas, TX 75240

Dear Max:

I am writing you regarding Invesco's ownership interest in a public REIT listed on the Toronto Stock Exchange as part of the liquidation process of the Milestone apartment portfolio in which Invesco held a 25% ownership interest prior to the Canadian IPO.

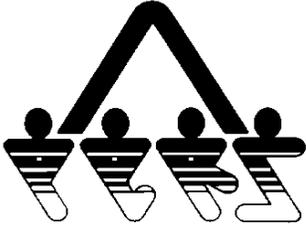
As you are aware, the State Investment Board pools the assets of its eight pension funds into a Pension Trust to achieve economies of scale and operational efficiency. As a result, each pension client has a pro-rata ownership interest in the Invesco Core Real Estate LP in which the State Investment Board currently subscribes.

As provided to all of the managers in which we invest, the Investment Policy Statement of one of our pension clients, the Public Employees Retirement System (PERS), has a restriction that prohibits the use of publicly traded REITs in its real estate allocation. Therefore, the ownership interest in the Milestone public REIT is currently in violation of the PERS investment policy statement.

At its May 16 Board meeting, the PERS Board voted in favor of granting a waiver allowing the inclusion of the Milestone public REIT with the expectation that the position will be liquidated within the next 24 months. While State Investment Board staff and the PERS Board recognize that a public market exit is one avenue of disposition of direct real estate holdings, we ask that Invesco minimize, to the extent possible, the size and holding period of public REIT exposure within all of the Invesco funds in which the State Investment Board invests so as to abide by the goal of obtaining direct private real estate exposure within our client's real estate allocation.

Sincerely,

Darren Schulz
Interim CIO



North Dakota
Public Employees Retirement System
400 East Broadway, Suite 505 • Box 1657
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Memorandum

TO: PERS Board

FROM: Deb

DATE: June 12, 2013

SUBJECT: TIAA-CREF Plan Service Level Agreement

At a previous meeting we provided you with a draft of the Service Level Agreement we have been working on with TIAA-CREF for your review. The attached document has been reviewed and found acceptable by both TIAA-CREF and NDPERS staff. There were a few recommendations by NDPERS legal counsel that TIAA-CREF is still reviewing. However, they expect to have their legal review completed and a final, executable copy for the Board meeting on 6/20. I have included the clean copy of the draft along with Jan's comments for your review. Provided there is no objection from the Board, this will become an addendum to our contract with TIAA-CREF once it is signed by both parties.

If you have any questions or concerns, please let us know before the meeting so we can address them. Thank you.

Legal Qualifiers

TIAA shall be entitled to a grace period to cure any matter of noncompliance identified by the client as a part of this SLA such that the grace period shall be equal to the period of time noted in the applicable quantifier above. . If after the expiration of any such cure period TIAA remains in noncompliance the penalties will be paid as appropriate.

Notwithstanding the foregoing, TIAA's obligations ~~and liabilities~~ shall be limited to the following ~~limitations~~:

- (a) The National Contact Center (NCC) shall be available to respond to telephone calls Monday through Friday (excluding holidays observed by TIAA) from 8 a.m. to 10 p.m. Eastern Time and Saturdays from 9 a.m. to 5 p.m. Eastern Time. All calls to the NCC will be recorded to help ensure they are handled properly. Calls may be monitored for training, review and other business purposes. TIAA shall also provide Plan participants toll-free access to the Automated Telephone Service (ATS) modules. The ATS shall be available seven days a week and 24 hours a day, except during maintenance downtime and except at other times due to a failure of telecommunication, electrical, and/or computer systems, or other similar situations. TIAA shall use its best efforts to remedy any such failure. TIAA shall provide [Name of institution] with at least 24 hours' advance notice in the event of a scheduled material maintenance of the ATS expected to result in the unavailability of the ATS to [Name of institution] participants for any material period of time, and to the extent reasonably feasible, TIAA shall facilitate notification to participants in the plans of such unavailability via the web site.
- (b) To the extent any penalty specified within this SLA for noncompliance under the SLA shall otherwise become due and owing, TIAA shall ~~incur liability for~~ be responsible for the payment of such penalty if and only if payment shall be requested in writing by [Name of institution] within a reasonable period of time following the later of: (i) the expiration of the applicable cure period ~~and~~ or (ii) the period during which [Name of institution] knew or reasonably should have known of TIAA's noncompliance.
- (c) ~~NDPERS TIAA~~ shall ~~assume~~ be excused its own ~~from~~ liability for any errors, omissions or inaccuracies arising as a result of the failure to ~~provide~~ receive accurate and complete records ~~from [Name of institution] to TIAA and TIAA shall not be responsible for any errors, omissions or inaccuracies arising as a result of the failure of NDPERS or any current or prior service provider(s) to provide accurate and complete records to TIAA~~; provided, however, TIAA shall not be excused from liability to the extent that TIAA has actual knowledge that such data is erroneous or, in the exercise of ordinary business prudence, would have such actual knowledge. In the event TIAA agrees to calculate a participant's required minimum distribution under IRC section 401(a)(9) and is

Comment [WU1]: Grace/cure period needs some clarification for example how do you measure the grace period for item 1 hold time or 2 hold time? Perhaps the applicable grace/cure period for each item should be added as a separate column above?

Comment [WU2]: This sentence requires clarification. Generally when you are asking for an action to occur following 1 of 2 triggering events you use "or" not "and". With regards to "ii" is TIAA CREF asking that the request for payment come after the cure period following when PERS knew or should have known?

not supplied with all information necessary to accurately compute the minimum distribution for any individual(s), TIAA shall, to the extent permissible under law and the underlying funding options, calculate the payment using single life and recalculated annually options in the initial year and all subsequent years for that individual(s).

- (d) **[Name of institution]** shall be solely responsible for the timeliness, accuracy and completeness of the data that it (or its agent) submits to TIAA, and for any adverse consequences that may result from errors or inaccuracies caused by the inaccuracy or incompleteness of such data; provided, however, TIAA shall not be excused from liability to the extent that TIAA has actual knowledge that such data is erroneous and does not take reasonable action to notify **[Name of institution]** to obtain corrected data. Subject to the foregoing, TIAA may fully rely on data received, and shall have no obligation beyond the exercise of ordinary business prudence to review it or verify its accuracy.
- (e) **[Name of institution]** agrees to promptly provide any information reasonably requested by TIAA to enable the fulfillment of its responsibilities under this Agreement, and to sign miscellaneous certifications and other documentation related to the purposes expressed herein. TIAA shall have no obligation to perform any of the services described in or contemplated under this Agreement, unless and until a reasonable period of time after all information it reasonably may request has been provided by **[Name of institution]**.
- (f) **[Name of institution]** agrees that TIAA's performance may deviate from the established expectations from time to time due to causes beyond TIAA's reasonable control, e.g., TIAA's receipt of poor or incomplete data, the periodic failure of information or communications systems (except where such failures are solely attributable to TIAA's negligence), the operation of the capital markets, computer or operational system failures (except where such system failures are solely attributable to TIAA's negligence in maintaining such systems), "Acts of God," fire, flood, civil or labor disturbance, war, terrorism, act of any governmental authority or other act or threat of any authority (de jure or de facto), legal constraint, fraud or forgery, inability to obtain or interruption of external communications facilities, or any cause beyond the reasonable control of TIAA or other unusual circumstances.



**Amendment No. 3 to the
Record Keeping Services Agreement
Between Teachers Insurance and Annuity Association of America (TIAA)
And North Dakota Public Employees Retirement System
Dated October 1, 2011**

Effective as of **July 1, 2013**, or such later date as the parties shall agree by Notice, the Record Keeping Services Agreement (Agreement), dated **October 1, 2011**, between Teachers Insurance and Annuity Association of America (“TIAA”) and **North Dakota Public Employees Retirement System** (“Employer”) as Sponsor of **North Dakota Defined Contribution Retirement Plan** and the **North Dakota State Deferred Compensation Plan** (the “Plans”), is hereby amended as follows:

1. A new section Schedule C (Service Level Guarantees) is hereby added to the Agreement and reads as follows:

SCHEDULE C

SERVICE LEVEL GUARANTEES

TIAA will guarantee the services described and will pay the penalties for noncompliance, as set forth below. The services, quantifiers and plan penalties for non-compliance referenced below apply shall be measured solely with respect to the Employer plans that shall be the subject of the Agreement such that each of the referenced services and quantifiers and plan penalties for non-compliance referenced shall not be aggregated with measurements attributable to plans other than such plans of the Employer.

	Service Category	SLA	Measurement Criteria	Penalty for Noncompliance
Channel Availability	<i>Quality standard for number of seconds on hold while call transfers to CSR</i>	80% of calls answered within 30 seconds	This measurement is calculated as the number of calls answered within the standard divided by the total number of telephone calls.	\$300 per quarter



Financial Services

	Service Category	SLA	Measurement Criteria	Penalty for Noncompliance
	<i>Abandonment Rate</i>	3%	This measurement is calculated as the number of abandoned calls divided by the total number of telephone calls.	\$300 per quarter
	<i>Individual/Administrator Web Availability</i>	99% (excluding regularly scheduled maintenance)	Availability is calculated as a percentage of time per quarter functions are available excluding reserved maintenance windows and scheduled application update activities.	\$300 per quarter
	<i>VRS Availability</i>	99% (excluding regularly scheduled maintenance)	Availability is calculated as a percentage of time per quarter functions are available excluding reserved maintenance windows and scheduled application update activities.	\$300 per quarter
	<i>National Call Center Availability</i>	Call center is available 100% of scheduled hours	Availability is calculated as a percentage of time per month customer service representatives are available to receive calls.	\$300 per quarter



Financial Services

	Service Category	SLA	Measurement Criteria	Penalty for Noncompliance
Transaction Timeliness	<i>Contribution Remittances</i>	Same business day as receipt of funds as of 4:00 PM ET or earlier market close; assumes prior receipt of payroll data in good order.	Total number of contribution files received and processed on the same business day compared to the total number of files received within the reporting period.	Provide economic equivalent of investment experience from appropriate trade date through actual processing date
	<i>Termination distributions, lump sum payments, in-service distributions and Purchase Credits.</i>	99% processed within 5 business days after receipt of approved request received within good order.	This measurement is calculated as the number of distribution processed within 5 business days divided by the total number of distribution processed	\$350 per quarter
	<i>Fund to Fund Transfers</i>	99% processed within the same business day the request is received within good order by 4:00p.m. ET or earlier market close.	This measurement is calculated as the number of fund transfers processed within the same day divided by the total number of transfer requests received.	\$350 per quarter
	<i>Transfers between plans</i>	99% of requests to transfer between like registered plans under the Employer are processed within 3 business days of the request being received in good order by 4:00p.m. ET or earlier market close.	This measurement is calculated as the number of fund transfers between plans processed within 3 days divided by the total number of transfer requests received.	\$350 per quarter



Financial Services

	Service Category	SLA	Measurement Criteria	Penalty for Noncompliance
	<i>Beneficiary Service (Survivor Benefits Payments)</i>	98% of claims processed within 3 business days of receipt of approved request received in good order.	This measurement is calculated as the total number of claims processed within the standard divided by the total number of claims processed.	\$300 per quarter
	<i>QDRO Processing</i>	90% of transactions processed within 15 business days of request received in good order.	This measurement is calculated as the total number of transactions processed the standard divided by the total number of transactions processed.	\$300 per quarter
Issue Resolution	<i>Issue Resolution – Time to Resolve w/member</i>	95% of verbal customer issues closed within 5 business days. Next, 98% of verbal customer issues closed within 10 business days. 90% of written customer issues closed within 18 business days.	This measurement is calculated as the total number of verbal customer issues closed to within the standard divided by the total number of escalated customer issues received.	\$350 per quarter
	<i>Issue resolution – Time to Resolve w/NDPERS</i>	NDPERS issues raised by the plans sponsor will be resolved within the agreed upon timeframe. Items will be reviewed and action plan will be implemented.	This measurement is calculated as the total number of NDPERS issues closed to within the agreed upon schedule divided by the total number of escalated issues received.	\$300 per quarter



Financial Services

	Service Category	SLA	Measurement Criteria	Penalty for Noncompliance
Reporting	<i>Administrative Reporting-Timeliness</i>	<p>Reporting for the preceding quarter is available on the Plan Sponsor website within 3 business days after the end of the reporting period.</p> <p>~ Monthly Reporting Package – these reports will be available 15 days after month end, 90% of the time. Due to peak volume, the December and June reporting package will be available within 45 days after month end.</p>	<p>This measurement is calculated by the availability of the applicable data on TIAA-CREF's reporting systems within 3 business days following the quarter end.</p>	\$300 per quarter
	<i>Investment Review and Plan Review</i>	<p>Reporting will be delivered within and agreed upon schedule.</p>	<p>This measurement is calculated as the total number of NDPERS reviews delivered within the agreed upon schedule divided by the total number of reviews delivered.</p>	\$300 per quarter



Financial Services

	Service Category	SLA	Measurement Criteria	Penalty for Noncompliance
	<i>Benefit Election Confirms–Timeliness</i>	<p>99% of Welcome Confirmations mailed within 2 business days of contract issuance (paper).</p> <p>99% of Financial Confirmations mailed within 1 business day of transaction posting (paper).</p> <p>99% of Financial Confirmations available within 1 business day of transaction posting (online).</p>	<p>This measurement is calculated as the number of confirmation statements mailed within the standard divided by the total number of confirmations mailed (paper).</p> <p>This measurement is calculated as a percentage of time confirmations are available within the standard excluding reserved maintenance windows and scheduled application update activities (online).</p>	\$300 per quarter
	<i>Participant Statement-Timelines</i>	<p>99% mailed within 5 business days after end of quarter (paper).</p> <p>99% available within 5 business days after end of quarter (online).</p>	<p>This measurement is calculated as the number of statements mailed within the standard divided by the total number of statements mailed (paper).</p> <p>This measurement is calculated as a percentage of time confirmations are available within the standard excluding reserved maintenance windows and scheduled application update activities (online).</p>	\$300 per quarter



Financial Services

	Service Category	SLA	Measurement Criteria	Penalty for Noncompliance
Satisfaction	<i>Participant Satisfaction</i>	85% satisfaction rating (7 or higher on a 10 point scale)	Based on annual results from TIAA-CREF's current SQMP survey gathered from a random sampling of TIAA-CREF's participant base. Results are reported annually.	\$1,200 annually
	<i>Plan Sponsor Satisfaction</i>	85% satisfaction rating (7 or higher on a 10 point scale)	Based on annual results from TIAA-CREF's current SQMP survey gathered from a random sampling of our total plan sponsor base. Results are reported at the end of the calendar year.	\$1,200 annually
Transition Services	<i>Implementation Timeliness</i>	TIAA-CREF warrants that services will be implemented on the agreed upon date and will include a financial penalty. The implementation is guaranteed contingent upon the plan sponsor meeting prerequisites to the implementation of the service as outlined in a detailed transition plan.	Measured against Transition plan and agreed to dates.	\$350 per quarter



	Service Category	SLA	Measurement Criteria	Penalty for Noncompliance
Consulting/Financial Planning Service	<i>Individual and Group Meetings</i>	<p>Delivered within the agreed upon schedule and number of days</p> <p>The composite score from 5 client survey questions must produce the result that at least 86% of responding attendees rate the Financial Consultant they met with as "Excellent" or "Very Good" on the following characteristics:</p> <ul style="list-style-type: none"> • Providing quality Advice • Understanding your needs and goals • Having the expertise required to handle your financial needs • Anticipating additional financial issues and bringing them to your attention; and • Whether the client Agreed or Strongly Agreed that "The Consultant put your interests first." 	<p>Report ratings sheet periodically through the year and submit to subcommittee.</p> <p>Based on meeting surveys with a minimum of 15 responses per quarter.</p>	\$300 per quarter

Legal Qualifiers

TIAA shall be entitled to a grace period to cure any matter of noncompliance identified by the client as a part of this SLA such that the grace period shall be equal to the period of time noted in the applicable quantifier above. If after the expiration of any such cure period TIAA remains in noncompliance the penalties will be paid as appropriate.



Financial Services

Notwithstanding the foregoing, TIAA's obligations and liabilities shall be limited to the following limitations:

- (a) The National Contact Center (NCC) shall be available to respond to telephone calls Monday through Friday (excluding holidays observed by TIAA) from 8 a.m. to 10 p.m. Eastern Time and Saturdays from 9 a.m. to 5 p.m. Eastern Time. All calls to the NCC will be recorded to help ensure they are handled properly. Calls may be monitored for training, review and other business purposes. TIAA shall also provide Plan participants toll-free access to the Automated Telephone Service (ATS) modules. The ATS shall be available seven days a week and 24 hours a day, except during maintenance downtime and except at other times due to a failure of telecommunication, electrical, and/or computer systems, or other similar situations. TIAA shall use its best efforts to remedy any such failure. TIAA shall provide North Dakota Public Employees Retirement System with at least 24 hours' advance notice in the event of a scheduled material maintenance of the ATS expected to result in the unavailability of the ATS to North Dakota Public Employees Retirement System participants for any material period of time, and to the extent reasonably feasible, TIAA shall facilitate notification to participants in the plans of such unavailability via the web site.
- (b) To the extent any penalty for noncompliance shall otherwise become due and owing, TIAA shall incur liability for such penalty if and only if payment shall be requested in writing by North Dakota Public Employees Retirement System within a reasonable period of time following the later of: (i) the expiration of the applicable cure period and (ii) the period during which North Dakota Public Employees Retirement System knew or reasonably should have known of TIAA's noncompliance.
- (c) TIAA shall be excused from liability for any errors, omissions or inaccuracies arising as a result of the failure to receive accurate and complete records from North Dakota Public Employees Retirement System or any current or prior service provider(s); provided, however, TIAA shall not be excused from liability to the extent that TIAA has actual knowledge that such data is erroneous or, in the exercise of ordinary business prudence, would have such actual knowledge. In the event TIAA agrees to calculate a participant's required minimum distribution under IRC section 401(a)(9) and is not supplied with all information necessary to accurately compute the minimum distribution for any individual(s), TIAA shall, to the extent permissible under law and the underlying funding options, calculate the payment using single life and recalculated annually options in the initial year and all subsequent years for that individual(s).
- (d) North Dakota Public Employees Retirement System shall be solely responsible for the timeliness, accuracy and completeness of the data that it (or its agent) submits to TIAA, and



Financial Services

for any adverse consequences that may result from errors or inaccuracies caused by the inaccuracy or incompleteness of such data; provided, however, TIAA shall not be excused from liability to the extent that TIAA has actual knowledge that such data is erroneous and does not take reasonable action to notify North Dakota Public Employees Retirement System to obtain corrected data. Subject to the foregoing, TIAA may fully rely on data received, and shall have no obligation to review it or verify its accuracy.

- (e) North Dakota Public Employees Retirement System agrees to promptly provide any information reasonably requested by TIAA to enable the fulfillment of its responsibilities under this Agreement, and to sign miscellaneous certifications and other documentation related to the purposes expressed herein. TIAA shall have no obligation to perform any of the services described in or contemplated under this Agreement, unless and until a reasonable period of time after all information it reasonably may request has been provided by North Dakota Public Employees Retirement System.
- (f) North Dakota Public Employees Retirement System agrees that TIAA's performance may deviate from the established expectations from time to time due to causes beyond TIAA's reasonable control, e.g., TIAA's receipt of poor or incomplete data, the periodic failure of information or communications systems (except where such failures are solely attributable to TIAA's negligence), the operation of the capital markets, computer or operational system failures (except where such system failures are solely attributable to TIAA's negligence in maintaining such systems), "Acts of God," fire, flood, civil or labor disturbance, war, terrorism, act of any governmental authority or other act or threat of any authority (de jure or de facto), legal constraint, fraud or forgery, inability to obtain or interruption of external communications facilities, or any cause beyond the reasonable control of TIAA or other unusual circumstances.



Financial Services

Teachers Insurance and Annuity Association of America

By: _____

Print Name:

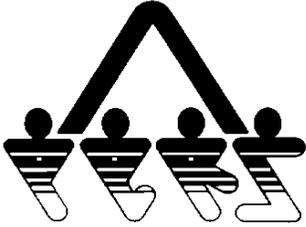
Title:

North Dakota Public Employees Retirement System

By: _____

Print Name:

Title:



**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: June 13, 2013
SUBJECT: TIAA-CREF Extension

Pursuant to our agreement with TIAA-CREF we may elect not to extend our contract with them at the end of the first 24 months and again at the end of 48 month otherwise our agreement is for 6 years. However, as you may recall we did not actually transfer from Fidelity to TIAA-CREF until November instead of July 1. Therefore, our first extension is for a period less than 24 months.

The reason for not extending our contract is if the vendor is not meeting the requirement in our RFP. PERS staff believes that TIAA-CREF has met all our contractual requirements and that our contract should be extended.

Board Action Requested

Approve continuing the contract with TIAA-CREF.



Memo

To: NDPERS Board
From: Bryan T. Reinhardt
Date: 6/14/2013
Re: 457 Companion Plan & 401(a) plan 1st Quarter 2013 Reports

Here is the 1st quarter 2013 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 \$26.2 million as of Mar 31, 2013. The number of participants is at 277, about the same as when the plan started. The largest funds are the TIAA-CREF Lifecycle funds with 70% of assets and the Stable Value fund with 4%.

Assets in the 457 Companion Plan increased to \$48.2 million as of Mar 31, 2013. The number of participants is increasing and is now at 4,349. The largest funds are the TIAA-CREF Lifecycle funds with 74% of assets and the PIMCO Total Return fund with 3%.

Benchmarks:

Fund returns for the quarter were all positive. The markets have rebounded and all the funds in the core lineup have positive returns across all periods (Qtr, YTD, 1-year, 3-year, and 5-year). 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.

Fund / Investment News:

The NDPERS Investment Sub-Committee reviewed a 1st quarter plan and investment overview with TIAA-CREF. TIAA-CREF rolled out a new PlanFocus web site this quarter and is planning for more tools in 2013. There were 183 new participant enrollments for the quarter. The Investment Sub-Committee marked the Parnassus Small Cap Fund (PARSX) as underperforming for the quarter.

The Sub-Committee met with SEI on the Job Service and RHIC plans and worked with RIO to develop asset class definitions. This work will continue and a review of the investment policy statements will start next quarter.

NDPERS
Quarterly Investment Report
1st Quarter
1/1/2013 – 3/31/2013



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:			
	Hartford Dividend & Growth T.Rowe Price Equity Income	Vanguard 500 Index Signal Vanguard Dividend Growth	Franklin Growth Adv Wells Fargo Adv Growth Adm
			LARGE
	RidgeWorth Mid Cap Value Equity I	ASTON/Fairpointe Mid Cap I Columbia Mid Cap Index A	Prudential Jennison Mid Cap Growth Z
			MEDIUM
	Allianz NFJ Small Cap Value	Parnassus Small Cap	Brown Capital Mgmt Small Co Inv
			SMALL
	VALUE	BLEND	GROWTH
BALANCED FUND:	T.Rowe Price Capital Appreciation		
INCOME FUNDS:	Wells Fargo Stable Value Fund J	Vanguard Prime Money Market	
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:			
			
			LARGE
	ASTON/Fairpointe Mid Cap I		
			MEDIUM
			SMALL
	VALUE	BLEND	GROWTH
OTHER FUNDS:			
CURRENT LINEUP:			
	Hartford Dividend & Growth T.Rowe Price Equity Income	Vanguard 500 Index Signal Vanguard Dividend Growth	Franklin Growth Adv Wells Fargo Adv Growth Adm
			LARGE
	RidgeWorth Mid Cap Value Equity I ASTON/Fairpointe Mid Cap I	Columbia Mid Cap Index A	Prudential Jennison Mid Cap Growth Z
			MEDIUM
	Allianz NFJ Small Cap Value	Parnassus Small Cap	Brown Capital Mgmt Small Co Inv
			SMALL
	VALUE	BLEND	GROWTH
BALANCED FUND:	T.Rowe Price Capital Appreciation		
INCOME FUNDS:	Wells Fargo Stable Value Fund J	Vanguard Prime Money Market	
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 2013

	<u>Quarter</u>	<u>Y-T-D</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>
<u>Stable Value / Money Market Fund</u>					
Vanguard Prime Money Market - VMMXX	0.00%	0.00%	0.03%	0.05%	0.49%
Wells Fargo Stable Return Fund J - WFSJ#	0.25%	0.25%	1.14%	1.57%	2.12%
3 Month T-Bill Index	0.02%	0.02%	0.08%	0.09%	0.31%
<u>Fixed Income Fund</u>					
PIMCO Real Return Admin - PARRX	0.06%	0.06%	7.34%	8.85%	6.51%
PIMCO Total Return Bond Fund - PTRAX	0.54%	0.54%	7.65%	6.65%	7.50%
Barclays Aggregate Bond Index	-0.12%	-0.12%	3.77%	5.52%	5.47%
Taxable Bond Fund Universe	0.63%	0.63%	6.22%	6.32%	5.95%
Prudential High Yield Z - PHYZX	2.74%	2.74%	11.80%	10.72%	10.89%
ML High Yield Bond Fund Index	2.85%	2.85%	13.06%	10.89%	11.32%
High Yield Bond Fund Universe	2.79%	2.79%	11.80%	9.94%	9.36%
Templeton Global Bond Adv - TGBAX	1.41%	1.41%	9.88%	6.94%	9.12%
Citi World Govt Bond Index	-2.77%	-2.77%	-0.67%	3.86%	2.77%
World Bond Fund Universe	-1.09%	-1.09%	4.44%	5.25%	4.42%
<u>Real Estate Fund</u>					
Cohen & Steers Realty Shares - CSRSX	7.61%	7.61%	12.80%	15.28%	7.31%
FTSE NAREIT All Equity REITs Index	8.10%	8.10%	17.11%	17.67%	7.10%
Real Estate Fund Universe	6.79%	6.79%	13.62%	16.28%	5.96%
<u>Balanced Fund</u>					
T.Rowe Price Capital Appreciation - PACLX	7.55%	7.55%	12.40%	10.82%	7.63%
60% Large Cap Value Univ & 40% Taxable Bond Universe	6.99%	6.99%	11.44%	9.11%	5.07%
60% Russell 1000 Value & 40% Agg Bond Index	7.34%	7.34%	12.77%	9.85%	5.10%
<u>Large Cap Equities - Value</u>					
Hartford Dividend & Growth - HDGTX	10.71%	10.71%	13.91%	11.04%	5.52%
T.Rowe Price Equity Income - PRFDX	11.19%	11.19%	17.20%	11.84%	5.53%
Russell 1000 Value Index	12.31%	12.31%	18.77%	12.74%	4.85%
Large Cap Value Fund Universe	11.23%	11.23%	14.92%	10.97%	4.49%
<u>Large Cap Equities - Blend</u>					
Vanguard 500 Index Signal - VIFSX	10.60%	10.60%	13.93%	12.65%	5.83%
Vanguard Dividend Growth Fund - VDIGX	11.00%	11.00%	13.82%	13.13%	7.56%
S&P 500 Index	10.61%	10.61%	13.96%	12.67%	5.81%
Large Cap Blend Fund Universe	10.40%	10.40%	12.98%	10.84%	4.80%
<u>Large Cap Equities - Growth</u>					
Wells Fargo Adv Growth Adm - SGRKX	6.83%	6.83%	4.53%	17.09%	12.05%
Russell 3000 Growth Index	9.82%	9.82%	10.42%	13.19%	7.44%
Franklin Growth Adv - FCGAX	8.03%	8.03%	8.94%	10.29%	7.19%
Russell 1000 Growth Index	9.54%	9.54%	10.09%	13.06%	7.30%
Large Cap Growth Fund Universe	8.79%	8.79%	8.43%	10.82%	5.42%
<u>Mid Cap Equities - Value</u>					
RidgeWorth Mid Cap Value Equity I - SMVTX	11.15%	11.15%	19.73%	12.54%	11.37%
Russell Mid Cap Value	14.21%	14.21%	21.49%	14.96%	8.53%
Mid Cap Value Fund Universe	12.89%	12.89%	17.18%	12.22%	7.48%
<u>Mid Cap Equities - Blend</u>					
Columbia Mid Cap Index A - NTIAX	13.33%	13.33%	17.29%	14.61%	9.44%
S&P Mid Cap 400	13.45%	13.45%	17.83%	15.12%	9.85%
ASTON/Fairpointe Mid Cap I - ABMIX	14.95%	14.95%	18.65%	12.70%	10.14%
Wilshire 4500 Index	12.93%	12.93%	16.67%	14.36%	8.74%
Mid Cap Blend Fund Universe	12.34%	12.34%	15.79%	12.25%	6.81%
<u>Mid Cap Equities - Growth</u>					
Prudential Jennison Mid Cap Growth Z - PEGZX	8.48%	8.48%	10.21%	13.44%	9.39%
Russell Mid Cap Growth	11.51%	11.51%	12.76%	14.23%	7.98%
Mid Cap Growth Fund Universe	10.74%	10.74%	10.40%	12.54%	6.62%
Fund Returns in RED do not meet both benchmarks. Fund Returns in BLACK meet both benchmarks.					

NDPERS Investment Benchmarks - 1st Quarter 2013

	<u>Quarter</u>	<u>Y-T-D</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>
<u>Small Cap Equities - Value</u>					
Allianz NFJ Small Cap Value - PVADX	12.30%	12.30%	16.10%	13.45%	8.54%
Russell 2000 Value Index	11.63%	11.63%	18.09%	12.12%	7.29%
Small Value Fund Universe	12.29%	12.29%	16.34%	11.93%	8.30%
<u>Small Cap Equities - Blend</u>					
Parnassus Small Cap - PARSX	4.86%	4.86%	6.14%	9.84%	11.58%
Russell 2000 Index	12.39%	12.39%	16.30%	13.45%	8.24%
Small Blend Fund Universe	12.43%	12.43%	15.68%	13.29%	7.67%
<u>Small Cap Equities - Growth</u>					
Brown Capital Mgmt Small Co Inv - BCSIX	14.45%	14.45%	19.34%	17.49%	13.64%
Russell 2000 Growth Index	13.21%	13.21%	14.52%	14.75%	9.04%
Small Growth Fund Universe	12.07%	12.07%	11.57%	13.42%	8.20%
<u>International Equity Funds</u>					
Mutual Global Discovery Z - MDISX	8.24%	8.24%	14.51%	8.40%	5.12%
Vanguard Total Intl Stock Index Inv - VGTSX	3.00%	3.00%	8.73%	N/A	N/A
MSCI EAFE	5.13%	5.13%	11.25%	5.00%	-0.89%
International Stock Fund Universe	3.83%	3.83%	8.86%	5.49%	0.33%
Oppenheimer Developing Markets Y - ODVYX	0.17%	0.17%	5.73%	7.29%	6.05%
MSCI Emerging Markets Index	-1.62%	-1.62%	1.96%	3.27%	1.09%
Diversified Emerging Mkts Universe	-0.27%	-0.27%	3.65%	3.05%	0.16%
<u>Asset Allocation Funds:</u>					
TIAA-CREF Lifecycle Ret Income - TLIRX	3.22%	3.22%	8.00%	8.09%	5.19%
Income Benchmark	4.03%	4.03%	8.19%	7.65%	5.14%
TIAA-CREF Lifecycle 2010 - TCLEX	3.85%	3.85%	8.61%	8.52%	4.90%
2010 Benchmark	4.62%	4.62%	8.72%	8.04%	5.05%
TIAA-CREF Lifecycle 2015 - TCLIX	4.36%	4.36%	9.08%	8.78%	4.79%
2015 Benchmark	5.18%	5.18%	9.23%	8.38%	4.97%
TIAA-CREF Lifecycle 2020 - TCLTX	5.06%	5.06%	9.78%	9.15%	4.64%
2020 Benchmark	5.88%	5.88%	9.89%	8.81%	4.88%
TIAA-CREF Lifecycle 2025 - TCLFX	5.73%	5.73%	10.33%	9.41%	4.44%
2025 Benchmark	6.59%	6.59%	10.55%	9.24%	4.79%
TIAA-CREF Lifecycle 2030 - TCLNX	6.50%	6.50%	10.97%	9.71%	4.18%
2030 Benchmark	7.32%	7.32%	11.26%	9.67%	4.70%
TIAA-CREF Lifecycle 2035 - TCLRX	7.09%	7.09%	11.33%	9.93%	4.16%
2035 Benchmark	8.08%	8.08%	12.03%	10.10%	4.62%
TIAA-CREF Lifecycle 2040 - TCLOX	7.42%	7.42%	11.72%	10.09%	4.29%
2040 Benchmark	8.51%	8.51%	12.46%	10.33%	4.58%
TIAA-CREF Lifecycle 2045 - TTFRX	7.49%	7.49%	11.74%	10.05%	3.99%
2045 Benchmark	8.51%	8.51%	12.46%	10.33%	4.58%
TIAA-CREF Lifecycle 2050 - TLFRX	7.41%	7.41%	11.58%	10.07%	3.93%
2050 Benchmark	8.51%	8.51%	12.46%	10.33%	4.58%
TIAA-CREF Lifecycle 2055 - TTRLX	7.46%	7.46%	11.73%	N/A	N/A
2055 Benchmark	8.51%	8.51%	12.46%	10.33%	4.58%
Income Benchmark is comprised of 30% Wilshire 5000, 10% MSCI EAFE, 40% Ag Bond, 10% ML HY Bond, 10% 3 Month T-Bill					
2010 Benchmark is comprised of 35.4% Wilshire 5000, 11.8% MSCI EAFE, 38.6% Ag Bond, 7.1% ML HY Bond, 7.1% 3 Month T-Bill					
2015 Benchmark is comprised of 40.2% Wilshire 5000, 13.4% MSCI EAFE, 36.2% Ag Bond, 5.1% ML HY Bond, 5.1% 3 Month T-Bill					
2020 Benchmark is comprised of 46.2% Wilshire 5000, 15.4% MSCI EAFE, 32.2% Ag Bond, 3.1% ML HY Bond, 3.1% 3 Month T-Bill					
2025 Benchmark is comprised of 52.2% Wilshire 5000, 17.4% MSCI EAFE, 28.2% Ag Bond, 1.1% ML HY Bond, 1.1% 3 Month T-Bill					
2030 Benchmark is comprised of 58.2% Wilshire 5000, 19.4% MSCI EAFE, 22.4% Ag Bond					
2035 Benchmark is comprised of 64.2% Wilshire 5000, 21.4% MSCI EAFE, 14.4% Ag Bond					
2040 Benchmark is comprised of 67.5% Wilshire 5000, 22.5% MSCI EAFE, 10% Ag Bond					
2045 Benchmark is comprised of 67.5% Wilshire 5000, 22.5% MSCI EAFE, 10% Ag Bond					
2050 Benchmark is comprised of 67.5% Wilshire 5000, 22.5% MSCI EAFE, 10% Ag Bond					
2055 Benchmark is comprised of 67.5% Wilshire 5000, 22.5% MSCI EAFE, 10% Ag Bond					
Wilshire 5000 Index	10.91%	10.91%	14.15%	12.82%	6.27%
MSCI EAFE	5.13%	5.13%	11.25%	5.00%	-0.89%
Barclays Aggregate Bond Index	-0.12%	-0.12%	3.77%	5.52%	5.47%
ML High Yield Bond Fund Index	2.85%	2.85%	13.06%	10.89%	11.32%
3 Month T-Bill Index	0.02%	0.02%	0.08%	0.09%	0.31%
Fund Returns in RED do not meet both benchmarks.					
Fund Returns in BLACK meet both benchmarks.					

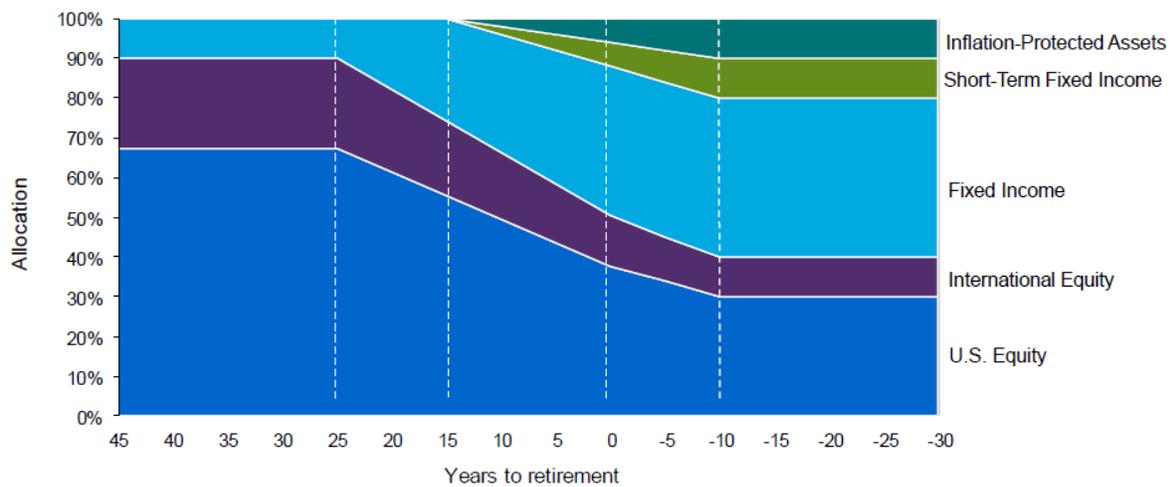
457(b)

	Assets
TIAA-CREF Lifecycle 2025 Fund Retirement	\$7,774,533
TIAA-CREF Lifecycle 2020 Fund Retirement	\$7,620,983
TIAA-CREF Lifecycle 2015 Fund Retirement	\$6,631,055
TIAA-CREF Lifecycle 2030 Fund Retirement	\$4,354,621
TIAA-CREF Lifecycle 2010 Fund Retirement	\$2,564,009
TIAA-CREF Lifecycle 2035 Fund Retirement	\$2,479,136
TIAA-CREF Lifecycle 2040 Fund Retirement	\$2,100,033
PIMCO Total Return Fund Admin	\$1,448,117
TIAA-CREF Lifecycle 2045 Fund Retirement	\$1,366,423
AllianzGI NFJ Small Cap Value Fund Administrative	\$1,119,590
Vanguard Total International Stock Index Fund Signal	\$1,100,892
Vanguard 500 Index Fund Signal	\$1,071,848
Wells Fargo Stable Return Fund - J	\$1,023,294
TIAA-CREF Lifecycle 2050 Fund Retirement	\$641,256
Columbia Mid Cap Index Fund A	\$583,571
Wells Fargo Advantage Growth Fund Administrator	\$548,794
T. Rowe Price Equity Income Fund	\$531,781
Franklin Growth Fund Advisor	\$526,828
Templeton Global Bond Fund Advisor	\$521,292
Cohen & Steers Realty Shares	\$446,113
PIMCO Real Return Fund Administrative	\$440,332
T. Rowe Price Capital Appreciation Fund Advisor	\$430,235
Self Directed Brokerage Account	\$422,362
Brown Capital Management Small Company Fund Institutional	\$374,596
Oppenheimer Developing Markets Fund Y	\$332,889
Hartford Dividend and Growth Fund R5	\$312,528
Prudential High Yield Fund Z	\$268,349
Prudential Jennison Mid-Cap Growth Fund Z	\$189,847
RidgeWorth Mid Cap Value Equity Fund I	\$182,054
Pamassus Small Cap Fund	\$162,307
Mutual Global Discovery Fund Z	\$146,419
Vanguard Dividend Growth Fund Investor	\$145,786
ASTON/Fairpointe Mid Cap Fund I	\$128,733
TIAA-CREF Lifecycle Retirement Income Fund Retirement	\$80,779
Vanguard Prime Money Market Fund Investor	\$59,166
TIAA-CREF Lifecycle 2055 Fund Retirement	\$44,230
TIAA-CREF Money Market Fund Retirement	\$0
Total	\$48,174,781

As of 03/31/2013

401(a)	Assets
TIAA-CREF Lifecycle 2025 Fund Retirement	\$4,147,780
TIAA-CREF Lifecycle 2030 Fund Retirement	\$3,608,245
TIAA-CREF Lifecycle 2035 Fund Retirement	\$3,211,091
TIAA-CREF Lifecycle 2020 Fund Retirement	\$3,019,046
TIAA-CREF Lifecycle 2015 Fund Retirement	\$1,902,307
TIAA-CREF Lifecycle 2010 Fund Retirement	\$1,081,297
TIAA-CREF Lifecycle 2040 Fund Retirement	\$1,064,273
Wells Fargo Stable Return Fund - J	\$926,979
PIMCO Total Return Fund Admin	\$829,618
Wells Fargo Advantage Growth Fund Administrator	\$763,314
Vanguard Total International Stock Index Fund Signal	\$501,197
AllianzGI NFJ Small Cap Value Fund Administrative	\$459,805
PIMCO Real Return Fund Administrative	\$426,631
Self Directed Brokerage Account	\$416,080
T. Rowe Price Equity Income Fund	\$341,814
RidgeWorth Mid Cap Value Equity Fund I	\$321,918
Cohen & Steers Realty Shares	\$313,892
Oppenheimer Developing Markets Fund Y	\$289,936
Vanguard Dividend Growth Fund Investor	\$275,664
Brown Capital Management Small Company Fund Institutional	\$267,732
Prudential Jennison Mid-Cap Growth Fund Z	\$259,997
Vanguard 500 Index Fund Signal	\$246,042
Hartford Dividend and Growth Fund R5	\$241,786
Franklin Growth Fund Advisor	\$201,575
Mutual Global Discovery Fund Z	\$166,796
T. Rowe Price Capital Appreciation Fund Advisor	\$161,395
Templeton Global Bond Fund Advisor	\$142,344
TIAA-CREF Lifecycle 2045 Fund Retirement	\$128,333
Columbia Mid Cap Index Fund A	\$116,997
Pamassus Small Cap Fund	\$94,219
ASTON/Fairpointe Mid Cap Fund I	\$89,221
Prudential High Yield Fund Z	\$79,166
TIAA-CREF Lifecycle Retirement Income Fund Retirement	\$29,674
TIAA-CREF Lifecycle 2050 Fund Retirement	\$29,598
TIAA-CREF Lifecycle 2055 Fund Retirement	\$6,336
Vanguard Prime Money Market Fund Investor	\$201
TIAA-CREF Money Market Fund Retirement	\$0
Total	\$26,162,300

TIAA-CREF Lifecycle Funds Glidepath profile



--- Represents significant change to the glidepath

Source: TIAA-CREF Asset Management

* The above chart represents the strategic asset allocation progression of one of a series of multi-asset class portfolios with target retirement dates at 5-year intervals. Asset allocations represent the exposures sought at the given number of years before the maturity of the fund and are not actual mutual fund exposures. Allocations are presented for information only and may not represent the actual allocation at the time of investment.

TIAA-CREF Lifecycle Funds: Asset allocation strategy

Equity

- U.S.
 - Allocation starts at 67.5% and ends at 30% in retirement.
 - Similar to the risk characteristics of the Russell 3000® Index.
 - Combines fundamental and quantitative management U.S. Large Cap exposure (60%/40% respectively).
- International and Emerging Markets
 - Allocation starts at 22.5% and ends at 10% in retirement.
 - Similar to risk characteristics of the MSCI® EAFE® + EM Index.
 - Combines fundamental and quantitative management for International EAFE exposure (equally weighted).

Fixed Income

- Fixed Income (Bond, Bond Plus, High Yield)
 - Portfolio allocation starts at 10% and ends at 40%.
 - Simulations and tail risk analysis drive overall allocations between TIAA-CREF Bond, Bond Plus (includes exposure to Emerging Markets Debt) and High Yield Funds.
- Inflation-Linked Bond Fund
 - Portfolio allocation starts 15 years from retirement and grows to 10% allocation in retirement.
 - Provides a hedge against inflation risk and enhances diversification.
- Short-Term Bond Fund
 - Portfolio allocation starts 15 years from retirement and grows to 10% allocation in retirement.
 - Provides a hedge against interest rate risk and reduces volatility.

TIAA-CREF Lifecycle Funds – Retirement

Fund Profile:

- Target-maturity, managed allocation strategy
- Invests in a diversified mix of actively managed TIAA-CREF equity and fixed income mutual funds
- Expenses: 64-74 bps
- Total fund assets: \$10.49 billion
- Inception dates: 10/15/2004 (LC 2010-2040); 11/30/2007 (LC 2045, 2050, Rtmt Inc); 4/29/2011 (LC 2055)

Performance for periods ending 3/31/2013*

	3 Months	1 Year	3 Year	5 Year	Since Inception
Lifecycle 2010 Fund	3.85%	8.61%	8.52%	4.90%	5.58%
Composite Benchmark	4.22%	8.32%	8.41%	5.15%	5.79%
Morningstar Target Date 2000-2010 Peer Group	3.11%	6.97%	7.06%	4.17%	N/A
Lifecycle 2015 Fund	4.36%	9.08%	8.78%	4.79%	5.63%
Composite Benchmark	4.82%	8.90%	8.75%	5.02%	5.83%
Morningstar Target Date 2011-2015 Peer Group	3.58%	7.88%	7.43%	3.99%	N/A
Lifecycle 2020 Fund	5.06%	9.78%	9.15%	4.64%	5.55%
Composite Benchmark	5.55%	9.65%	9.14%	4.91%	5.76%
Morningstar Target Date 2016-2020 Peer Group	4.14%	8.36%	8.09%	4.18%	N/A
Lifecycle 2025 Fund	5.73%	10.33%	9.43%	4.44%	5.47%
Composite Benchmark	6.30%	10.38%	9.52%	4.76%	5.70%
Morningstar Target Date 2021-2025 Peer Group	5.13%	9.31%	8.44%	4.05%	N/A
Lifecycle 2030 Fund	6.50%	10.97%	9.71%	4.18%	5.32%
Composite Benchmark	7.04%	11.12%	9.88%	4.58%	5.62%
Morningstar Target Date 2026-2030 Peer Group	5.51%	9.64%	8.71%	3.94%	N/A
Lifecycle 2035 Fund	7.09%	11.33%	9.93%	4.16%	5.46%
Composite Benchmark	7.79%	11.84%	10.23%	4.65%	5.79%
Morningstar Target Date 2031-2035 Peer Group	6.38%	10.33%	8.95%	3.91%	N/A
Lifecycle 2040 Fund	7.42%	11.72%	10.09%	4.29%	5.76%
Composite Benchmark	8.17%	12.27%	10.42%	4.76%	6.06%
Morningstar Target Date 2036-2040 Peer Group	6.43%	10.34%	9.06%	3.84%	N/A

* Performance is reported net of expenses.

TIAA-CREF Lifecycle Funds – Retirement

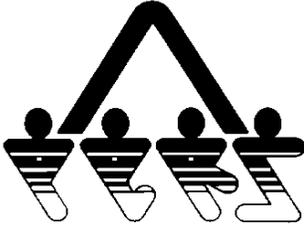
Fund Profile:

- Target-maturity, managed allocation strategy
- Invests in a diversified mix of actively managed TIAA-CREF equity and fixed income mutual funds
- Expenses: 64-74 bps
- Total fund assets: \$10.49 billion
- Inception dates: 10/15/2004 (LC 2010-2040); 11/30/2007 (LC 2045, 2050, Rtmt Inc); 4/29/2011 (LC 2055)

Performance for periods ending 3/31/2013*

	3 Months	1 Year	3 Year	5 Year	Since inception
Lifecycle 2045 Fund	7.49%	11.74%	10.05%	3.99%	1.64%
Composite Benchmark	8.17%	12.27%	10.42%	4.76%	2.60%
Morningstar Target Date 2041-2045 Peer Group	6.87%	10.77%	9.13%	3.83%	N/A
Lifecycle 2050 Fund	7.41%	11.58%	10.07%	3.93%	1.58%
Composite Benchmark	8.17%	12.27%	10.42%	4.76%	2.60%
Morningstar Target Date 2046-2050 Peer Group	6.73%	10.69%	9.16%	3.98%	N/A
Lifecycle 2055 Fund	7.46%	11.73%	N/A	N/A	5.81%
Composite Benchmark	8.17%	12.27%	N/A	N/A	6.69%
Morningstar Target Date 2051+ Peer Group	7.25%	10.99%	N/A	N/A	N/A
Lifecycle Retirement Income fund	3.22%	8.00%	8.09%	5.19%	4.18%
Retirement Income Composite Benchmark	3.54%	7.65%	8.02%	5.54%	4.66%
Morningstar Retirement Income Peer Group	2.92%	6.83%	6.86%	4.48%	N/A

* Performance is reported net of expenses.



**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: NDPERS Board

FROM: Kathy

DATE: June 11, 2013

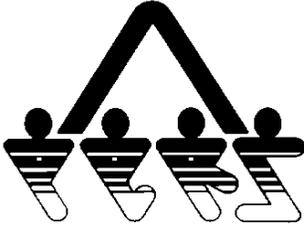
SUBJECT: Provider Compliance Update

At the May meeting, the Board was informed that the following companies still had agents out of compliance with our training requirements and had not responded to our request as to how they wanted to address this issue:

- AXA Equitable
- VALIC
- The Hartford (Mass Mutual)

The Board took action to put the companies on a “loss of active provider status” to be effective July 1, 2013. Staff indicated it would communicate this information to the companies and continue to work with them to resolve this issue prior to the effective date. Since the last meeting, The Hartford has responded and provided direction regarding the actions we should take for its agents that are out of compliance. Contact has been made with AXA and VALIC who each have one agent out of compliance, and to date, there is not yet a resolution.

Any further developments will be reported at the meeting.



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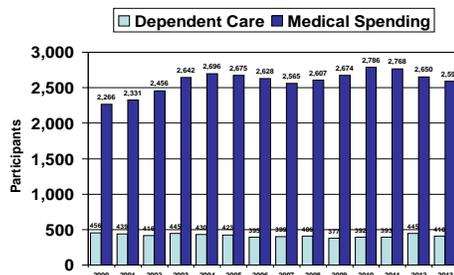
Memorandum

TO: PERS Board
FROM: Sparb
DATE: June 13, 2013
SUBJECT: Flex Comp Survey

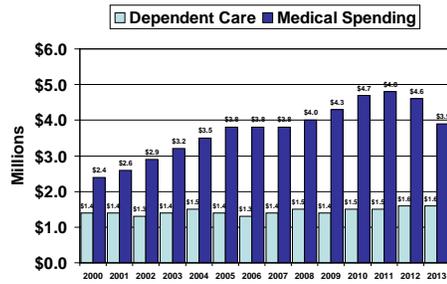
When we changed the method for our flex comp administration from paying on PeopleSoft to external payment, we considered the following as noted in my testimony concerning the appropriation for this change:

Attached are several charts that show the participation in this program. As they show, the number of members participating in the program has decreased slightly as well as the average and total deferrals. One of the reasons for this decline is the Affordable Care Act (ACA) which limited the total deferrals to the medical account to \$2,500 - the old limit was \$6,000. As we look to the future with the limitation in place, we believe that we will have to make it easier for members with smaller accounts to be in the plan. The primary reason they do not is the paper work. In recognition of this, we have changed the claims processing format this year from using PeopleSoft to hiring a new claims payment firm. This new format will add additional options for claims payment processing beyond the traditional paper process. The new options are a debit card, auto adjudication and mobile applications. This will make it easier for our members to use this program by reducing paperwork and will facilitate small accounts. As we look to the future, we expect to see the number of users increase as well as the deferrals that fund this program.

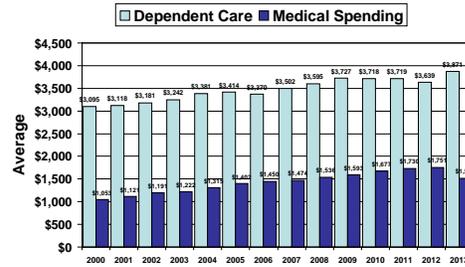
NDPERS Flexcomp Participation



NDPERS Flexcomp Participation



NDPERS Flexcomp Participation



As noted above, the primary reason for the change was to make it easier for our members to use this program. To determine if we are meeting that objective, staff is going to send out the following survey to the members in this program. The results of this survey will help us to determine what, if anything, we need to do to improve the program before the next open enrollment. Attached is the first draft of the survey. We would appreciate your comments and suggestions. Our goal is to send this out by the end of June.

NDPERS 2013 Flexcomp Plan Survey

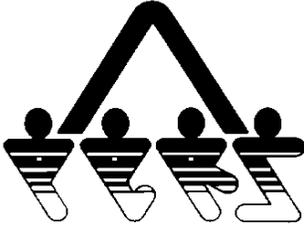
1. Which Flexcomp program(s) do you participate in?	<input type="checkbox"/> Medical <input type="checkbox"/> Dependent <input type="checkbox"/> Pre-Tax
2. Are you satisfied with the NDPERS Flexcomp enrollment process?	<input type="checkbox"/> Yes <input type="checkbox"/> No
3. Are you satisfied with the availability of Flexcomp plan information?	<input type="checkbox"/> Yes <input type="checkbox"/> No
4. Have you used the ADP claims processing yet?	<input type="checkbox"/> Yes <input type="checkbox"/> No
5. Have you participated in the Flexcomp program before this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
6. Do you plan to participate in the Flexcomp plan next year?	<input type="checkbox"/> Yes <input type="checkbox"/> No

Please mark the box with how much you agree/disagree with the following statements. Use "N/A" if you have not used the service or don't know.		Strongly disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree	N/A
7. I am happy with the decision to change to ADP for Flexcomp claims processing.	1	2	3	4	5	6	9	
8. I am satisfied with the claim submission options available from ADP.	1	2	3	4	5	6	9	
9. I am happy with the online Web Services available from ADP.	1	2	3	4	5	6	9	
10. I am happy with the Debit Card option available from ADP.	1	2	3	4	5	6	9	
11. I am happy with the Mobile App option available from ADP.	1	2	3	4	5	6	9	
12. I am happy with the Automatic Claim Reimbursement option available from ADP.	1	2	3	4	5	6	9	
13. I am satisfied with the customer service provided by ADP.	1	2	3	4	5	6	9	
14. I am happy with the Flexcomp service provided by the NDPERS office.	1	2	3	4	5	6	9	
15. I plan to enroll in the Flexcomp plan next year.	1	2	3	4	5	6	9	
16. I would recommend the NDPERS Flexcomp plan to other employees.	1	2	3	4	5	6	9	
17. I preferred the claims processing services provided by NDPERS.	1	2	3	4	5	6	9	

18. Years of Service with the state	19. Age at last birthday	20. Marital Status
_____ Years	_____ Years	_____ Single _____ Married

Additional Comments?

THANK YOU!
 Please return this survey in the postage-paid envelope by:
 July 15, 2013



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Memorandum

TO: NDPERS Board

FROM: Kathy

Election Committee: Howard Sage, Chair
Mike Sandal
Arvy Smith

DATE: June 11, 2013

SUBJECT: Board Election Process

The Board election information distributed to members contained a typographical error stating that the ballots must be returned to the NDPERS office by 5:00 p.m. on June 4, 2013. The ballots were actually due by 5:00 p.m. on June 14, 2013. In addition, the ballot did not provide space for a write-in candidate as required by NDPERS election rules. Upon discovery of these errors, the Election Committee met on June 5, 2013 to discuss its options. Included are the minutes of that meeting.

In summary, the Committee determined that the election had been compromised and directed staff to conduct a new election with a new schedule, include a space for a write-in candidate, and set a timeline to return the ballots at approximately two weeks from the mailing date. In addition, the material must contain an explanation regarding the error and that no old ballots received will be considered and to have a vote counted the member must use the new ballot. The new ballots and associated information were sent out to membership on June 12, 2013.

MINUTES

North Dakota Public Employees Retirement System Election Committee

**Wednesday, June 5, 2013
NDPERS Conference Room
400 E Broadway, Suite 505
Bismarck, ND 58502
12:00 P.M.**

Members Present: **Howard Sage – Chair
Mike Sandal
Arvy Smith**

Others Present: **Sparb Collins, NDPERS
Kathy Allen, NDPERS
Sharon Schiermeister, NDPERS
Jan Murtha, Legal Counsel – Ag’s Office**

Meeting convened at 12:00 p.m.

The board election information distributed to members contained a typographical error stating that the ballots must be returned to the NDPERS office by 5:00 p.m. on June 4, 2013. The ballots were actually due by 5:00 p.m. on June 14, 2013. In addition, the ballot did not provide space for a write-in candidate as required by NDPERS election rules.

The Committee met to determine if the errors had compromised the election process. In doing so, they relied on section 71-01-02-09.8 of the Election Rules which states:

“If the committee should determine that the outcome of the election has been compromised for any reason, the committee may determine the election to be invalid. If the election is determined to be invalid, the committee shall call for a new election with a new election schedule.”

The Committee inquired if either of the candidates, when notified of the error, had provided any feedback. One candidate felt a new election should be conducted and the other candidate requested that we not require them to again collect signatures for nomination.

Options to mitigate the error in lieu of conducting a new election were discussed. These included letter and e-mail notifications. It was determined that corrective action would not be feasible due to timing issues. There was discussion on the expense to conduct another election and how soon new ballots could be sent to the membership. It was shared that the printing and mailing vendor could provide the necessary services as early as the week of June 10th.

Howard Sage stated that the circumstances appeared to indicate that the election had been compromised. Arvy Smith and Mike Sandal concurred. The Committee further discussed whether a new nomination petition should be required of the candidates or if new petitioners should be allowed. The Committee determined that the nomination process had not been compromised by the errors.

Arvy Smith made a motion to set a new election schedule, issue new ballots to include a space for a write-in candidate, and not require new nomination petitions from the current candidates.

Mike Sandal seconded the motion.

Ayes: Howard Sage, Arvy Smith, Mike Sandal
Nays: None

Mike Sandal then made a motion that the timeline to return ballots for the new election be set at approximately two weeks from the mailing date and that it be communicated in the election information that no old ballots will be considered and that to have a vote counted the members must use the new ballot.

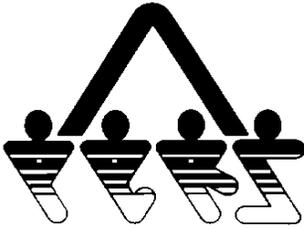
Arvy Smith seconded the motion.

Ayes: Howard Sage, Arvy Smith, Mike Sandal
Nays: None

The meeting Adjourned at 12:50 p.m.

Prepared by:

Kathy M. Allen
NDPERS Benefit Programs Manager



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Memorandum

TO: PERS Board
FROM: Sharon Schiermeister
DATE: June 13, 2013
SUBJECT: Software Maintenance and Support Agreement

Attached is the draft agreement with Sagitec Solutions, LLC for software maintenance and support for the 2013-15 biennium. Jan has reviewed the agreement and all recommended changes have been incorporated into this draft. We are still reviewing clarifications that were made by Sagitec to section 10.5 and 11.11 of the agreement which should be completed prior to the Board meeting on June 20. We will also be submitting the agreement to OMB Risk Management for their review and approval of the limitation of liability provisions. We are not expecting any significant changes as a result of this review, as this agreement is very similar to what was approved for the 2011-13 biennium.

The agreement is for licensing fees and application development services. The table below shows a comparison of the fees for the 2011-13 biennium and the 2013-15 biennium. The fees for the new biennium are consistent with what was approved by the Board last June to include in our budget request.

	July 2011-June 2013	July 2013-June 2015	Amount Increase	Percent Increase
Licensing	\$400,000	\$412,080	\$12,080	3.0%
Application Development	\$600,000	\$660,399	\$60,399	10.1%
Total	\$1,000,000	\$1,072,479	\$72,479	7.25%

Board Action Requested:

Approve maintenance and support agreement with Sagitec Solutions LLC.

MAINTENANCE AND SUPPORT AGREEMENT

This Agreement is made as of July 1, 2013 (the "Effective Date"), by and between Sagitec Solutions LLC, with its principal place of business at 422 County Rd D East, Little Canada, MN 55117 ("Sagitec") and the State of North Dakota, acting through its Public Employees Retirement System (NDPERS), 400 East Broadway Avenue, Suite 505, Bismarck, ND 58502 ("Customer").

RECITALS

Customer has licensed certain software products from Sagitec, Customer desires that Sagitec provide certain maintenance and support services with respect to those software products, and Sagitec desires to provide such services to Customer under the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the covenants set forth herein, it is agreed as follows:

1. DEFINITIONS. The following words, terms and phrases, where written with an initial capital letter will have the meanings assigned to them below:

1.1 "Documentation" will mean the documentation provided by Sagitec with respect to the Products.

1.2 "Product" or "Products" will mean the Sagitec Neospin™ Framework.

1.2.1 "Product Extensions" will mean Sagitec developed tools and accelerators that are made available to clients to support or enhance the Products or derivative products. This includes, but is not limited to, tools and accelerators code named Sagitec Studio, NeoFlow, and NeoCertify.

1.3 "Major Release" will mean a release of Products that contains substantial changes (e.g., an overhaul of the interface, change in compatibility). Major Releases are numbered as X.0

1.4 "Sagitec Point of Contact" will mean the Sagitec point of contact for support services that is identified in Exhibit D to this Agreement.

1.5 "System Requirements" will mean a Sagitec published list of minimum and recommended computer software and/or hardware components necessary for optimal performance of the Products.

1.6 "Statement of Work" means the description of services to be provided by Sagitec under this Agreement, a form of which is attached as Exhibit E to this Agreement.

2. MAINTENANCE AND SERVICES.

2.1 Sagitec will deliver to Customer all updates, modifications and enhancements to the Products and Product Extensions that Sagitec provides to Sagitec customers that receive similar maintenance services for the Products during the term of this Agreement. Upon delivery to Customer, all such updates, modifications and enhancements to the Products and Products Extensions will be deemed part of the Products and subject to the terms and conditions of the Customer's license agreement that is applicable to the Products.

2.2 Title to and ownership of all rights in and to the Products and Documentation, including copyright and all other intellectual property rights, will at all times remain with Sagitec. The Customer will acquire no right whatsoever to all or any part of the Products or Documentation except the rights granted to the Products and Documentation in accordance with terms and conditions of the licenses granted by Sagitec in its other agreements with Customer.

2.3 Products and Documentation may not be sold, leased, assigned, sublicensed or otherwise transferred, in whole or in part, directly or indirectly. Customer will not modify the Products, attempt to decompile, cross compile, disassemble, reverse engineer, or use any other means to decode the Products, or permit affiliates, contractors, users

or other third parties to do so. No license is granted to use any Products component in source code form. All proprietary and copyright notices must be retained in any copies made of the Products and Documentation.

2.5 As the parties develop projects to be governed by this Agreement, they shall enter into Statements of Work, a form of which is attached hereto as Exhibit E, which shall contain the detailed terms of each project. In the event of a conflict between the terms of this Agreement and any Statement of Work, the terms of this Agreement shall control unless the Statement of Work explicitly states that such conflicting terms in this Agreement shall not apply, but be superseded by the relevant provisions of that Statement of Work for purposes of that Statement of Work.

2.6 Subject to the terms and conditions of this Agreement, Sagitec will provide the services described in the applicable Statement of Work, at the times, in the manner, and at the prices described in the applicable Statement of Work.

2.7 Customer reserves the right to make changes in the Statement of Work at any time during the term of this Agreement. Within five (5) business days following written notice of such proposed changes, Sagitec will provide Customer with reasonable price and schedule changes, if any, resulting from Customer changes to the Statement of Work. Customer may accept or reject Sagitec's proposal to amend the Statement of Work or present a counter-proposal in Customer's sole discretion. Changes to a Statement of Work will be effective only when an authorized representative of each party executes a written amendment to the Statement of Work that sets forth the changes to the services and any related changes to the schedule and charges.

2.8 Sagitec will not subcontract any portion of the work to be performed without the prior written consent of Customer. Sagitec will be an independent contractor in the performance of this Agreement and will not be deemed an employee or agent of Customer for any purpose whatsoever.

2.7 At any time at Customer's request, Sagitec will, at no additional cost, promptly deliver to Customer work in progress and all related information and documentation with respect to the services provided by Sagitec under this Agreement then in Sagitec's possession or control.

2.8 Customer will have the right to interview and approve all Sagitec staff assigned or replaced to the applicable Statement of Work, and to require a criminal background check or proof of a previous criminal background check performed by Sagitec for any of Sagitec's staff members. Sagitec employees, temporary employees and contractors shall sign and be bound by Customer's Confidentiality Agreement.

2.10 Insurance Coverage: Sagitec shall secure and keep in force during the term of this agreement, from insurance companies authorized to do business in North Dakota, the following insurance coverages:

- 1) Commercial general liability, including contractual coverage, and products or completed operations coverage (if applicable), with minimum liability limits of \$250,000 per person and \$1,000,000 per occurrence.
- 2) Professional errors and omissions, with minimum liability limits of \$1,000,000 per occurrence and in the aggregate. Sagitec will ensure that this professional errors and omissions coverage remains in effect for a year after the expiration of this Agreement.
- 3) Automobile liability, with minimum liability limits of \$250,000 per person and \$1,000,000 per occurrence.
- 4) Workers compensation coverage meeting all statutory requirements. The policy shall provide coverage for all states of operation that apply to the performance of this contract.

2.10.1 General Insurance Requirements. The insurance coverages listed above must meet the following additional requirements:

- 1) Any deductible or self-insured retention amount or other similar obligation under the policies will be the sole responsibility of Sagitec. The amount of any deductible or self-retention is subject to approval by NDPERS.
- 2) This insurance may be in policy or policies of insurance, primary and excess, including the so-called umbrella or catastrophe form and must be placed with insurers rated "A" or better by A.M. Best Company, Inc., provided any excess policy follows form for coverage. Less than and "A" rating must be approved by NDPERS. The policies shall be in form and terms approved by NDPERS .

3. The State will be defended, indemnified, and held harmless to the full extent of any coverage actually secured by Sagitec in excess of the minimum requirements set forth above. The duty to indemnify the State under this agreement shall not be limited by the insurance required in this agreement.
4. The State of North Dakota and its agencies, officers, and employees (State) shall be endorsed on the commercial general liability policy, including any excess policies (to the extent applicable), as additional insured. State must have the same rights and coverages as Sagitec under said policies. The State shall have all the rights and coverages as Sagitec under said policies.
5. The insurance required in this agreement, through a policy or endorsement, shall include:
 - a) a "Waiver of Subrogation" waiving any right of recovery the insurance company may have against State;
 - b) a provision that the policy and endorsements may not be canceled or modified without thirty (30) days' prior written notice to the undersigned NDPERS representative;
 - c) a provision that any attorney who represents NDPERS under this policy must first qualify as and be appointed by the North Dakota Attorney General as a Special Assistant Attorney General as required under N.D.C.C. § 54-12-08;
 - d) a provision that Sagitec's insurance coverage shall be primary (i.e., pay first) as respects any insurance, self-insurance or self-retention maintained by State and that any insurance, self-insurance or self-retention maintained by State shall be excess of Sagitec's insurance and will not contribute with it;
 - e) cross liability/severability of interest coverage for all policies and endorsements.
6. The legal defense provided to NDPERS under the policy and any endorsements must be free of any conflicts of interest, even if retention of separate legal counsel for NDPERS is necessary.
7. Sagitec shall furnish a certificate of insurance to the undersigned NDPERS representative prior to commencement of this contract. All endorsements shall be provided as soon as practicable. If at any time it is determined necessary by NDPERS's representative/contract administrator, Sagitec shall deliver to NDPERS's representative upon demand a certified copy of any policy required hereunder for review.
8. Sagitec shall disclose to NDPERS insurance coverages of its subcontractors under this Agreement.
9. New insurance shall be promptly furnished in the event of insolvency, bankruptcy, or failure of any insurance company. Sagitec shall notify NDPERS thirty (30) days in advance of any cancellation, termination, or alteration of insurance policies required hereunder. A renewal policy or certificate shall be delivered to NDPERS at least thirty (30) days prior to the expiration date of each expiring policy.
- 10) If, at any time, any of the policies shall be or become unsatisfactory to NDPERS as to form or substance, or any of the carriers issuing such policies shall be or become unsatisfactory to NDPERS, Sagitec shall promptly obtain a new satisfactory policy in replacement.

3. Product Support Service Level Agreement.

3.1 Sagitec will provide Customer with the Sagitec support services for the Products that are made generally available by Sagitec to its customers that receive support services.

3.2 Sagitec's support staff will be available to assist Customer with general information regarding the configuration, installation and use of the Products during Sagitec's normal hours of technical assistance operation: Sagitec support hours are as described in Exhibit D.

3.3 Sagitec will provide a first level of response to reported Product defects with written acknowledgment of the report that is delivered to Customer by E-mail. Sagitec will provide a second level of response to Product defect reports with a patch, workaround or other temporary resolution to reported Product defects. Sagitec's final response to reported Product defects will be the provision of an update release or version release, an operations process revision, or another official problem resolution. Sagitec will provide Customer with a copy of their support services procedures.

The timing of Sagitec's responses will be based upon the classification of the reported error. Product errors will be classified as follows:

Classification	
----------------	--

P1	Fatal: Errors preventing critical, time-certain work from being done, or site outage.
P2	Severe Impact: Errors that disable major non-critical, non time-certain functions from being performed, or that have a severe site performance impact.
P3	Degraded Operations: Errors disabling or impacting performance only in certain non-essential functions.

Sagitec's responses to such errors will be provided within the following time periods:

Classification	Sagitec Response		
	First Level	Second Level	Third Level
P1	Within 1 hour when reported during Sagitec support hours. Within 2 hours when reported after Sagitec support hours.	Constant effort until relief provided ; resolution must be provided within 48 hours after reported	Within 15 days after reported
P2	Within 2 hours when reported during Sagitec support hours. Within 4 hours when reported after Sagitec support hours.	Within 7 days after reported	Within 30 days after reported
P3	Within 24 hours after reported	Within 14 days after reported	Within 180 days after reported or as agreed to by parties

3.4 Customer acknowledges and agrees that (i) Sagitec and Customer will jointly determine the appropriate level of severity for all reported errors, (ii) Sagitec has no obligation to correct any error that is caused by Customer fault or error, (iii) except as provided above, Sagitec will make reasonable efforts to correct errors that only minimally reduce efficiency or ease of use, and (iv) Sagitec will make reasonable efforts to assist customer to correct errors that result from changes in the operating environment in which the Products are installed.

3.5 Customer product support requests must be submitted to the Sagitec Point of Contact by Customer's individual support contacts.

4. CUSTOMER OBLIGATIONS.

Sagitec's obligations to provide Product support and remedial services under this Agreement are conditioned upon:

- (a) the installation and operation by Customer of the most current Major Release(s) of the Products within twelve (12) months of the date the Major Release is made available to Sagitec's Neospin™ client base, unless an alternative date is mutually accepted;
- (b) the Customer will provide information that Sagitec requests as deemed necessary to implement the Products and Product Extensions;
- (c) the maintenance of an operating environment for the Products that is consistent with the System Requirements associated with each Major Release of the Product as provided by Sagitec; and
- (d) Customer providing Sagitec with the access to the Products that is adequate for Sagitec to perform its obligations under this Agreement.

5. ADDITIONAL SERVICES. In addition to the services described in Sections 2 and 3 of this Agreement, Sagitec will provide the Customer selected services described in Exhibit B to this Agreement..

6. SERVICE LIMITATIONS. Maintenance and support services under this Agreement are limited to (i) those described in Exhibit A, and (ii) those described in Exhibit B. Sagitec has no obligation to address issues arising with respect to other products, or errors in the Products that are caused by other products.

7. FEES. Customer will pay the fees described in Exhibit A to this Agreement, at the times provided in that Exhibit A. The fees described in Exhibit A may be adjusted as described by the Credits in Exhibit C to this Agreement. The Credits will be included in the invoice process described in Exhibit A. Sagitec will not be obligated to perform services hereunder should an undisputed payment be more than thirty (30) days overdue. The foregoing will be in addition to, and not exclusive of Sagitec's right to terminate this Agreement in the event of any payment from Customer is overdue.

8. WARRANTY INDEMNIFICATION AND LIMITATION OF LIABILITY.

Limitation of Liability: EXCEPT FOR THE EXPRESS WARRANTIES AND UNDERTAKINGS SET FORTH IN THIS AGREEMENT OR REFERENCED HEREIN, EACH PARTY DISCLAIMS ALL WARRANTIES RESPECTING THE SYSTEM, ALL SERVICES PROVIDED UNDER THIS AGREEMENT, AND THE PARTY'S OBLIGATIONS, INCLUDING ALL IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. Except for direct loss that cannot be limited under NDCC 32-12.2-15, in no event shall Sagitec's liability hereunder exceed the amount paid to Sagitec in preceding twelve (12) months under this Agreement at the time of the claim.

SAGITEC HEREBY DISCLAIMS ALL EXPRESS OR IMPLIED WARRANTIES WITH RESPECT TO THE PRODUCTS AND SERVICES PROVIDED UNDER THIS AGREEMENT, INCLUDING WITHOUT LIMITATION ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM INFRINGEMENT OF ANY INTELLECTUAL PROPERTY RIGHTS OF A THIRD PARTY, OR ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE.

Indemnification: Contractor agrees to defend, indemnify, and hold harmless the state of North Dakota, its agencies, officers and employees (State), from and against claims based on the vicarious liability of the State or its agents, but not against claims based on the State's contributory negligence, comparative and/or contributory negligence or fault, sole negligence, or intentional misconduct. This obligation to defend, indemnify, and hold harmless does not extend to professional liability claims arising from professional errors and omissions. The legal defense provided by Contractor to the State under this provision must be free of any conflicts of interest, even if retention of separate legal counsel for the State is necessary. Contractor also agrees to defend, indemnify, and hold the State harmless for all costs, expenses and attorneys' fees incurred if the State prevails in an action against Contractor in establishing and litigating the indemnification coverage provided herein. This obligation shall continue after the termination of this agreement.

PRODUCT CONFORMITY: NDPERS has twelve (12) months following final acceptance of the Product(s) delivered by Sagitec pursuant to this Agreement to verify that the Product(s) conform to the requirements of this Agreement and perform according to Sagitec system design specifications. Upon recognition of an error, deficiency, or defect, by NDPERS, Sagitec shall be notified by NDPERS citing any specific deficiency (deficiency being defined as Sagitec having performed incorrectly with the information provided by NDPERS, not Sagitec having to modify a previous action due to additional and/or corrected information from NDPERS). Sagitec, at no additional charge to NDPERS, shall provide a correction or provide a mutually acceptable plan for correction within thirty-days following the receipt of NDPERS's notice to Sagitec. If Sagitec's correction is inadequate to correct the deficiency, or defect, or the error recurs, NDPERS may, at its option, act to correct the problem. Sagitec shall be required to reimburse NDPERS for any such costs incurred (not exceeding the cost paid to Sagitec) or NDPERS may consider this to be cause for breach of Agreement.

LIQUIDATED DAMAGES: The parties agree that NDPERS may suffer damages due to a failure by Sagitec to provide deliverables or services according to the Agreement. Since it is difficult to fix the actual damages sustained in the event of such failure, NDPERS and Sagitec agree that the amount of damages will be determined as per this section. In the event of any non-performance Sagitec shall pay that amount as liquidated damages and not as a penalty. Amounts due to NDPERS as liquidated damages may be deducted by NDPERS from any fees payable to

Sagitec and any amount outstanding over and above the amounts deducted from the invoice will be promptly tendered by check from Sagitec to NDPERS.

1. If Sagitec fails to complete a Deliverable identified in the Statement of Work or in this Agreement, Sagitec shall pay liquidated damages to the NDPERS in the amount of \$250 per calendar day for each day the Deliverable is delayed or services fail to perform as per the Agreement. Notwithstanding the foregoing, the amount of liquidated damages charged against the Sagitec for a specific Deliverable shall in no event exceed the total price for such Deliverable. Liquidated damages actually paid by Sagitec to NDPERS are offset against any damages awarded to NDPERS for claims arising from the the Deliverable. Notwithstanding the forgoing, liquidated damages will be limited to the delays caused solely by the actions/inactions of Sagitec.
2. Sagitec shall not be charged with liquidated damages when the delay in delivery or performance is beyond the control and without the fault or gross negligence of Sagitec.
3. NDPERS shall notify Sagitec, in writing, of any claim for liquidated damages no later than 15 days prior to the date NDPERS deducts such sums from money payable to Sagitec and, in any case, within 15 days after Sagitec's failure to perform in accordance with the terms of the Agreement.
4. Amounts due to NDPERS as liquidated damage may be deducted by NDPERS from any fees payable to Sagitec and any amount outstanding over and above the amounts deducted from the invoice will be promptly tendered by check from Sagitec to NDPERS.
5. The liquidated damages called for in this section are based upon the inherent uncertainty in determining loss arising from performance of Sagitec and therefore reflect an estimated foreseeable loss to NDPERS arising from Sagitec's performance under this agreement.

9. CONFIDENTIALITY.

Sagitec shall not use or disclose any information it receives from NDPERS under this Agreement that NDPERS has previously identified as confidential or exempt from mandatory public disclosure except as necessary to carry out the purposes of this contract or as authorized in advance by NDPERS. NDPERS shall not disclose any information it receives from Sagitec that Sagitec has previously identified as confidential and that NDPERS determines in its sole discretion is protected from mandatory public disclosure under a specific exception to the North Dakota open records law, N.D.C.C. ch. 44-04. The duty of NDPERS and Sagitec to maintain confidentiality of information under this section continues beyond the term of this contract.

9.1 Compliance With Public Records Law.

Sagitec understands that, except for information that is confidential or otherwise exempt from the North Dakota open records law, NDPERS must disclose to the public upon request any records it receives from Sagitec. Sagitec further understands that any records that are obtained or generated by Sagitec under this contract, except for records that are confidential or exempt may, under certain circumstances, be open to the public upon request under the North Dakota open records law. Sagitec agrees to contact NDPERS immediately upon receiving a request for information under the open records law and to comply with NDPERS instructions on how to respond to the request.

10. TERM AND TERMINATION.

10.1 This Agreement will take effect on the date first written above and will remain in effect for an initial term provided in Exhibit A to this Agreement or until terminated as provided in this Section 10.

10.2 Sagitec may terminate this Agreement, without cause, at any time upon ninety (90) days notice to Customer. Customer may terminate this Agreement, without cause, at any time upon thirty (30) days notice to Sagitec. If Customer terminates this agreement after a Major Release has been successfully implemented, Customer will pay Sagitec the balance of the annual amount (see Exhibit A) minus any credits, within 30 days after termination becomes effective.

10.3 Either party hereto may terminate this Agreement at any time by giving notice in writing to the other party, which notice will be effective upon dispatch, should the other party file a petition of any type as to its bankruptcy, be declared bankrupt, become insolvent, make an assignment for the benefit of creditors, go into liquidation or receivership, or otherwise lose legal control of its business, or should the other party or a substantial part of its business come under the control of a third party.

10.4 Either party may terminate this Agreement by giving notice in writing to the other party in the event the other party is in material breach of this Agreement and fails to cure such breach within thirty (30) days of receipt of written notice thereof from the first. Termination will be in addition to, and not exclusive of other remedies available with respect to the breach.

10.5 Upon the expiration or termination of this Agreement for any reason, (i) subject to any surviving right to use such Confidential Information, and subject to the requirements of the North Dakota open records laws, each party will promptly return all copies of any Confidential Information of the other party then in its possession, or destroy that Confidential Information as mutually discussed and agreed and certify the destruction to the other party, and (ii) the provisions of Sections 1, 2.2, 2.3, 7, 8, 9 and 11 of this Agreement will remain in effect in accordance with their terms. In addition, upon the termination of this Agreement by Customer as provided in Section 10.2 above, within thirty days after the effective date of termination Customer will pay Sagitec all of the fees due for services performed prior to the date of termination, that would be payable under this Agreement if this Agreement was not terminated. Nothing in this paragraph shall prohibit Customer from complying with its obligations under any applicable open records law(s).

10.6 Termination for lack of funding or authority. NDPERS may terminate this contract effective upon delivery of written notice to Sagitec, or on any later date stated in the notice, under any of the following conditions:

- 1) If funding from federal, state, or other sources is not obtained and continued at levels sufficient to allow for purchase of the services or supplies in the indicated quantities or term. The contract may be modified by agreement of the parties in writing to accommodate a reduction in funds.
- 2) If federal or state laws or rules are modified or interpreted in a way that the services are no longer allowable or appropriate for purchase under this contract or are no longer eligible for the funding proposed for payments authorized by this contract.
- 3) If any license, permit or certificate required by law or rule, or by the terms of this contract, is for any reason denied, revoked, suspended or not renewed.
- 4) Termination of this contract under this subsection is without prejudice to any obligations or liabilities of either party already accrued prior to termination.

11. GENERAL.

11.1 This Agreement does not make either party the employee, agent or legal representative of the other for any purpose whatsoever, including the application of the Social Security Act, the Fair Labor Standards Act, the Federal Insurance Contribution Act, the North Dakota Unemployment Compensation Law and the North Dakota Workforce Safety and Insurance Act. Neither party is granted any right or authority to assume or to create any obligation or responsibility, express or implied, on behalf of or in the name of the other party. In fulfilling its obligations under this Agreement, each party will be acting as an independent contractor and retains sole and absolute discretion in the manner and means of carrying out the respective activities and responsibilities under this contract, except to the extent specified in this contract.

11.2 Neither party may assign or transfer its rights and obligations under this Agreement except with the prior written consent of the other party. Sagitec may assign or otherwise transfer its rights and obligations under this Agreement to another entity under direct control of Sagitec without prior notice to or the consent of Customer. Any prohibited assignment will be null and void. Sagitec may subcontract all, or any portion of the services provided under this Agreement, but will remain responsible for the Services subcontracted.

11.3 Notices permitted or required to be given hereunder will be deemed sufficient if given by (i) registered or certified mail, postage prepaid, return receipt requested, addressed to the respective addresses of the parties that are set forth below, (ii) fax to the respective fax numbers of the parties that are set forth below, or (iii) email to the

Comment [WU1]: Did we discuss this provision the first time? What are the circumstances under which it would need to be destroyed? We should put that in the contract because I believe this provision could be interpreted to run contrary to the records retention requirements that any info held by NDPERS or any state info held by Sagitec are bound to, if its read too broadly.

Comment [WU2]: I do not recall this issue being discussed earlier. This clause is as is in current agreement as well as standard in almost all our contracts. In any case, I am open to suggestions.

I tweaked the language. Let me know if this is OK.

respective addresses of the parties that are set forth below. Notices given by mail will be effective upon the earlier to occur of receipt by the party to which notice is given, or on the fifth (5th) business day following the date such notice was posted. Notices by fax will be effective on the day a confirming communication is received from the recipient of the notice. Notices by email will be effective on the second (2d) business day after dispatch.

Notices to Sagitec will be sent to:

Sagitec Solutions LLC
422 County Rd D East
Little Canada, MN 55117

Attn: Rick Deshler

Fax Number: _____
Email Address: rick.deshler@sagitec.com

Notices to Customer will be sent to:

Attn: _____

Fax Number: _____
Email Address: _____

With a copy to:

Timothy Keller
Lindquist & Vennum PLLP
4200 IDS Center
80 South Eighth Street
Minneapolis, MN 55402

Attn: Timothy Keller

Fax Number: 612-371-3207
Email Address: tkeller@lindquist.com

With a copy to:

Attn: _____

Fax Number: _____
Email Address: _____

11.4 This Agreement together with Exhibits attached to this Agreement, (i) constitutes the entire agreement between the parties with respect to the subject matter hereof, (ii) supersedes any and all other agreements between the parties related thereto, as well as all proposals, oral or written, and all negotiations, conversations or discussions between the parties related to this Agreement, except the agreements noted in Section 2.2 and 2.3 above,, (iii) may not be altered, amended or otherwise modified without the written agreement signed by the parties hereto, and (iv) may be executed in two or more counterparts, each of which will be deemed an original hereof. No product or service specifications, or terms and conditions that are additional or contrary to the terms of this Agreement, whether contained in any purchase order or other communication from Customer or any third party, will be construed as, or constitute a waiver of these terms and conditions, or acceptance of any such additional terms, conditions or specifications. Sagitec hereby rejects and objects to such additional or contrary terms, conditions or specifications.

11.5 No failure by either party to take any action or assert any right hereunder will be deemed to be a waiver of such right.

11.6 If any of the terms of this Agreement are in conflict with any rule of law or statutory provision or otherwise unenforceable under the laws or regulations of any government or subdivision thereof, such terms will be deemed stricken from this Agreement, but such invalidity or unenforceability will not invalidate any of the other terms of this Agreement and this Agreement will continue in force, unless the invalid or unenforceable provisions comprise an integral part of, or are otherwise inseparable from, the remainder of this Agreement.

11.7 This Agreement will be governed by, and interpreted and construed in accordance with, the laws of the State of North Dakota, excluding its conflicts of law provisions. Any action to enforce this contract must be adjudicated exclusively in the State District Court of Burleigh County, North Dakota.

11.8 ALTERNATIVE DISPUTE RESOLUTION – JURY TRIAL: NDPERS does not agree to any form of binding arbitration, mediation, or other forms of mandatory alternative dispute resolution. The parties have the right to enforce their rights and remedies in judicial proceedings. NDPERS does not waive any right to a jury trial

11.9 FORCE MAJEURE - Sagitec shall not be held responsible for delay or default caused by fire, flood, riot, acts of God or war if the event is beyond Sagitec's reasonable control and Sagitec gives notice to NDPERS immediately upon occurrence of the event causing the delay or default or that is reasonably expected to cause a delay or default.

11.10 NONDISCRIMINATION AND COMPLIANCE WITH LAWS - Sagitec agrees to comply with all laws, rules, and policies, including those relating to nondiscrimination, accessibility and civil rights. Sagitec agrees to timely file all required reports, make required payroll deductions, and timely pay all taxes and premiums owed, including sales and use taxes and unemployment compensation and workers' compensation premiums. Sagitec shall have and keep current at all times during the term of this contract all licenses and permits required by law.

11.11 NDPERS AUDIT - All records, regardless of physical form, and the accounting practices and procedures of Sagitec relevant to this contract are subject to examination by the North Dakota State Auditor or the Auditor's designee. Sagitec shall maintain all such records for at least three years following completion of this contract.

11.12 TAXPAYER ID - CONTRACTOR'S federal employer ID number is: 20-0970684

11.13 EFFECTIVENESS OF CONTRACT - This Agreement is not effective until fully executed by both parties.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed.

SAGITEC SOLUTIONS, LLC

CUSTOMER

By _____

By _____

Name _____

Name _____

Title _____

Title _____

Date _____

Date _____

Comment [WU3]: A Taxpayer Id and Payment of taxes clause could be added if you like:

TAXPAYER ID
CONTRACTOR'S federal employer ID number is: _____

PAYMENT OF TAXES BY STATE
State is not responsible for and will not pay local, state, or federal taxes. State sales tax exemption number is E-2001, and certificates will be furnished upon request by the purchasing agency.

Comment [WU4]: I would not like to include tax exclusion clause now. It is our assumption that state is exempt from sales and other local taxes. Our pricing is exclusive of all taxes other than that of income tax on Sagitec income. I suggest we leave this out.

NDPERS EXHIBIT A

FEES AND PAYMENT

PRODUCT SERVICES FEE

Customer will pay Sagitec \$412,080 for "NDPERS License" as described in Exhibit B. Services fees will be due and payable within thirty (30) days after the date of Sagitec's invoice.

The license fee shall be divided into 24 equal monthly installments of \$17,170. Services fees will be due and payable within thirty (30) days after the date of Sagitec's invoice.

This fee is effective starting on July 1, 2013 and shall continue through June 30, 2015, unless terminated earlier. If Customer terminates this agreement during mid-year, Customer will pay Sagitec the balance of the annual amount (see above) minus any credits, within 30 days after termination becomes effective. Sagitec may increase the fee upon the annual renewal process with the Customer. Sagitec shall notify Customer of any proposed annual increase no later than 90 days prior to the renewal of this agreement for the following year.

FEE FOR APPLICATION DEVELOPMENT OUTSOURCING

Customer will pay Sagitec the fixed amount of \$660,399 for Application Development Services for the period July 1, 2013 through June 30, 2015. Sagitec shall provide one (1) onsite resource for up to 1,800 hours, and three (3) offsite full-time equivalent (FTE/1800 hours) for corrective, adaptive, preventative and perfective support activities to be directed by NDPERS. Sagitec will invoice NDPERS \$27,516.63 per month for the period above.

FEE FOR APPLICATION DEVELOPMENT OUTSOURCING

Should Customer decide to purchase additional ADO services on a cost-plus basis, the following hourly rates shall apply:

	2013	2014	2015
On Site Resources	\$208.35	\$223.97	\$240.77
Off Site Resources	\$ 121.00	\$ 133.10	\$ 140.41

Hourly rates do not include travel and expenses and are subject to change depending on prevailing market conditions. Sagitec will provide discounted rates for blocks of hours over 1,000.

NDPERS EXHIBIT B – PRODUCT SERVICES

For this agreement, NDPERS shall receive services as follows:

- All major and minor Product releases
- Product installation and configuration services
- Enrollment as Beneficiary to Standard Escrow Agreement
- A technical and business overview of the new features of the Product and Product Extensions and implementation pre-requisites prior to the implementation of the Product.
- Enterprise licenses to Product Extensions
- Product Service Desk (e.g. Help Desk) –Non-dispatched service assistance or resolution delivered via phone, e-mail and/or on-line communication.
- Dedicated service desk and account manager

NDPERS EXHIBIT C

CREDITS

1. Failure to meet P1 level response times - credit equal to one hundred percent (100%) of the fees due for the calendar month in which the failure occurs.
2. Failure to meet P2 level response times - credit equal to twenty-five percent (25%) of the fees due for the calendar month in which the failure occurs.
3. Failure to meet P3 level response times -a credit equal to ten percent (10%) of the fees due for the calendar month in which the failure occurs.
4. Failure to fulfill Sagitec's agreed upon implementation responsibilities within the Product implementation timeline as stated within the Statement of Work for that project – credit equal to one hundred percent (100%) of the fees due for the calendar month in which the failure occurs. This credit will continue to be applied on a monthly basis until the Product is successfully implemented.
5. Failure to provide complete Documentation to the Customer within 1 month after completion of the Product implementation, or an alternate date as mutually agreed upon – credit equal to one hundred percent (100%) of the fees due for the calendar month in which the failure occurs. This credit will continue to be applied on a monthly basis until the complete Documentation is provided to the Customer.
6. The maximum credit with respect to each calendar month will be the fees due with respect to that calendar month.
7. Customer will receive a credit only once with respect to any reported error, without regard to additional response time failures with respect to that error.

NDPERS SLA EXHIBIT D

POINT OF CONTACT

Vasudevan Sridharan is assigned as the Sagitec Point of Contact to the Customer. All costs for work performed by this person are included in this Agreement.

Support Hours: 8:00a to 5:00p Central Time, Monday through Friday, exclusive of United States Federal holidays as published by the U.S. Office of Personnel Management

NDPERS SLA EXHIBIT E

FORM OF STATEMENT OF WORK

[This form to be completed and executed for each services engagement.]

Introduction

This Statement of Work No. _____ (“SOW”) is delivered in accordance with that certain Service Level Agreement (the “Agreement”) dated _____, by and between Sagitec and Customer. This SOW is subject to all the terms and conditions of the Agreement.

Objectives

[Describe the project objectives]

Staffing

[Describe who will be involved in the project]

Statement of Tasks

[Describe the services to be performed including Start Criteria, Deliverable Descriptions, Acceptance Criteria, Work Scheduling and Tracking, Post Implementation, Roles and Responsibilities, Confidentiality, Project Plan and implementation timeline, etc.)

System Requirements

[Describe the system requirements for the project]

Assumptions and Dependencies

[List any applicable assumptions and dependencies for this project]

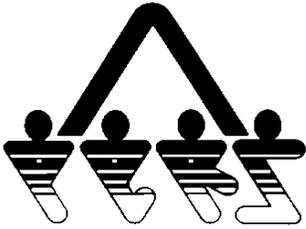
Statement of Cost

[Specify the project cost, payment schedule, and/or fees, if applicable]

Additional Terms and Conditions

[List any additional terms and conditions that are applicable for this project]

Acceptance and Authorization



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

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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 11, 2013
SUBJECT: IFEBP

The 59th Annual Conference of the IFEBP is scheduled for October 20-23. Information on the conference can be found at <http://www.ifebp.org/Education/UsAnnual/> . In the past the Board has approved several members attendance at the meeting. Mike Sandal has indicated his interested in attending.

Board Action Requested

Approve attendance for PERS Board members.



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MEMORANDUM

TO: NDPERS Board
FROM: Jamie Kinsella *Jamie*
DATE: May 15, 2013
SUBJECT: February 20, 2013 PERS Audit Committee Minutes

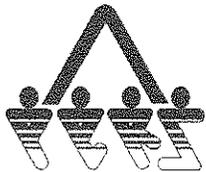
Attached are the approved minutes from the February 20, 2013 meeting. Those who attended the meeting are available to answer any questions you may have.

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 21, 2013 10:00 a.m., in the NDPERS Conference Room.

Attachment

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



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MEMORANDUM

TO: Audit Committee
Jon Strinden
Arvy Smith
Rebecca Dorwart

FROM: Jamie Kinsella, Internal Auditor *Jamie*

DATE: March 27, 2013

SUBJECT: February 20, 2013 Audit Committee Meeting

In Attendance:

Jon Strinden
Rebecca Dorwart,
Arvy Smith
Jamie Kinsella
Sparb Collins
Sharon Schiermeister
Julie McCabe

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

I. November 21, 2012 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 audit staff time for the past quarter was included with the audit committee materials. Staff is almost caught up with refunds and will do benefits next. The fixed asset inventory was completed in a timely fashion with results reported to management. To date there are four universities done with the Group Insurance Aging Accounts Receivable Reconciliation Project and there are 10 more universities remaining.
- 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. There were five new recommendations from Brady Martz; two are carryovers, which were already on the report, and three new recommendations were added.

- C. Benefit/Premium Adjustments Report – The quarterly benefit adjustment report was provided to the audit committee. The report is in two sections, Retirement and Insurance. The forms have been combined into one report and sorted by PERSLink IDs, so if a member had multiple forms they will be together.

This report has 1 retirement and 3 health adjustments.

- D. Internal Audit 2012 Report – The Internal Audit Report for 2012 was brought to the board for review and approval. The report was approved and signed by Jon Strinden and Jamie Kinsella.
- E. Audit Committee Charter Activity Review – There is one item we added at the last review (page 10) that we did not accomplish this year. Ms. Kinsella put a reminder on her calendar and agenda to remember this item next year. There was discussion that followed and two changes will be made and then the report will be provided to the board for their information.

III. Administrative

- A. Audit Committee Meeting Date & Time – The next audit committee meeting is scheduled for May 15, 2013 at 10:00 a.m.
- B. Internal Auditor II Position – An offer of employment was made and accepted by Julie McCabe. Ms. McCabe worked at the Bank of North Dakota for 23 years in their Internal Audit Division. She is a certified internal auditor and brings with her a wealth of auditing knowledge that will benefit NDPERS. Ms. McCabe started her employment with NDPERS on January 1, 2013.
- C. Confidential Meeting between Internal Audit and Audit Committee – The standards for the Professional Practice of Internal Auditors Practice Advisory 1110-1 on Independence and Objectivity states, in part: "...involves the board...Receiving communications from the CAE...including private meetings with the CAE without management present..." Also, the charter states "The Audit Committee shall have direct communication with the Internal Auditor, have the Internal Auditor attend all meetings...and meet privately with the Internal Auditor at least annually."

The meeting scheduled to take place in February of each year between the audit committee and the internal audit division was held.

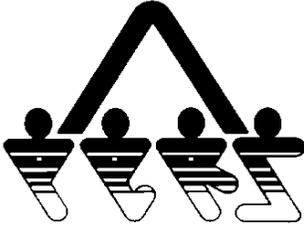
IV. Miscellaneous

- A. Travel Expenditures Update – Attached was a report incurred by the Board and/or Executive Director for out of state travel submitted from November 1, 2012 through January 31, 2013. This was for informational purposes.
- B. Risk Management Report – The Loss Control Committee will provide quarterly to

the Audit Committee a copy of the Loss Control Committee's agenda from their last meeting as well as the approved minutes. Copies of the September 12, 2012 meeting and the agenda for the December 5, 2012 meeting were provided to the audit committee.

- C. 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, 2012.

Meeting adjourned at 10:40 a.m.



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: June 10, 2013
SUBJECT: PERS Sponsored Events

Here is an update on some of the events the PERS staff has been involved with:

- May Pre-Retirement Education Program (PREP) held at Bismarck Civic Center, Exhibit Hall with 410 in attendance.
- June 2013 Payroll Conference held at Bismarck Civic Center, Exhibit Hall with 370 registered to attend.
- June 2013 Authorized Agent Training held at Bismarck Civic Center meeting rooms with 250 registered to attend.
- Affordable Care Act meeting for all employer staff who will be assigned this duty. Estimated attendance 240 to 400. Meeting is scheduled for the afternoon of July 25.
- July 25 – Briefing for state agency executive staff on the ACA and their responsibilities.

Future events:

- September 2013 Pre-Retirement Education Program (PREP), Minot
- October 2013 Pre-Retirement Education Program (PREP), Bismarck, geared to younger employees.