

# NDPERS BOARD MEETING

## Agenda

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

**March 20, 2008**

**Time: 8:30 AM**

### **I. MINUTES**

A. February 21, 2008

### **II. GROUP INSURANCE**

- A. Health Dialog Update – BCBSND (Information)
- B. UND Wellness Update – Nancy Vogeltanz-Holm (Information)
- C. EPO Survey Comprehensive Report December 2007 – BCBSND (Information)
- D. Life Insurance Plan Renewal– Sparb & Kathy (Board Action)
- E. CIGNA Performance Guarantee Agreement – Sparb (Board Action)
- F. Surplus/Affordability Update – Bryan (Information)
- G. 2007 BCBS Claims Review – Bryan (Information)
- H. 2007 EAP Utilization –Bryan (Information)

### **III. RETIREMENT**

- A. Fidelity Renewal – Sparb and Kathy (Board Action)
- B. Segal Information
  - 1. Gain Loss Information
  - 2. Funding Status projections

### **IV. DEFERRED COMPENSATION**

- A. Provider Training Compliance – Kathy (Board Action)
- B. New Provider Addition – Kathy (Information)
- C. 4<sup>th</sup> Quarter 2007 Investment Report – Bryan (Information)

### **V. MISCELLANEOUS**

- A. Legislation – Sparb (Board Action)
- B. Personnel Policy Manual Update – Sparb and Kathy (Board Action)
- C. HIPAA Privacy and Security Policies – Kathy and Bryan (Information)
- D. Audit Committee Minutes – Sparb (Information)
- E. SIB Agenda

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



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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** March 13, 2008  
**SUBJECT:** Health Dialog

Representatives from Health Dialog will be at the March meeting to provide the annual update on the disease management program.



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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** March 13, 2008  
**SUBJECT:** Wellness Pilot

Attached is information from Nancy Vogeltanz-Holm relating to the wellness pilot program. As you may recall we generally reviewed this material at the Board planning meeting in December. At this meeting we will hear directly from Nancy on the attached. She will also be available to answer any questions you may have. This project will be complete later this year and at that time we will receive a final report.

***Summary of Two-Year Findings and Recommendations:  
North Dakota Worksite Health Promotion Program***

**November 21, 2007**

**Report to NDPERS Executive Director and Board Members**

**Prepared by Nancy Vogeltanz-Holm, Director and Professor**

**UNDSMHS Center for Health Promotion and Prevention Research**

*Part A* of this report provides worksite health council (HC) members' responses to a survey conducted November 12-16, 2007. The survey summarized the HC members' views about their pilot health promotion program including their suggestions for improvements and future directions for the program. These summary views were originally provided by worksite HC members on October 18, 2007 at a summit to discuss their health promotion programs.

This current survey provided the HCs with another opportunity to support or disagree with the views expressed at the summit meeting. The survey also asked HC members to comment on services provided by the Center for Health Promotion and Prevention Research as these services, e.g., health risk assessments and health coaching, were not discussed at the summit.

*Part B* provides Dr. Vogeltanz-Holm's data-based conclusions and recommendations for future worksite health promotion programming for PERS-enrolled agencies.

**Part A**

**Post-Summit Survey of Health Councils in North Dakota Worksite Health Promotion Program  
November 2007**

Post-Summit Questions	Agencies receiving additional services of health coaching and health screenings	
Evaluating Current Components of Worksite Health Promotion Program	Tax	Commerce
<p>1. <b>Health Coaching</b> – The services on a health coach have been available by telephone to some of your employees, and while the feedback we have received has been very positive, we are interested in whether your health council thinks these services should be a component of future worksite health promotion programs. Does your health council think that health coaching services should be a part of future worksite health promotion programs?</p>	YES	YES (4/4)*
<p>2. <b>Health Screenings</b> – Employees at your worksite have been able to participate in free, on-site, bi-annual screenings for blood pressure, blood glucose levels, cholesterol levels, and body mass index (BMI). These screenings make it easy for employees to monitor important health indicators. Does your health council think that health screenings should be a part of future worksite health promotion programs?</p>	YES	YES (4/4)
	<p><b>Comment – Tax</b> – This is a must. How else can it be determined if someone is at risk?  <b>Comment – Commerce</b> – This is a great benefit.</p>	

\* Four Health Council members from Dept. Commerce responded individually to the survey. All other worksite HCs provided a single response.

Evaluating Current Components of Worksite Health Promotion Program	Agencies receiving all of the following services			
	Tax	Commerce	State Historical Society	Office of Management and Budget
<p>3. <b>The Personal Behavior Health Profile (PBHP)</b> – Employees at your worksite have been able to complete the PBHP on-line and receive a \$25 stipend annually. The PBHP provides employees with information about their current behavioral health risks, while also creating a personal health library for them containing useful resources for improving their health. Employees have commented as part of the PBHP assessment that this tool has been an important part of changes they have made to improve their health. The PBHP is also the foundation for the annual health status report your worksite receives summarizing the effectiveness of your health promotion program. <b>Does your health council think that the PBHP should be a part of future health promotion programs?</b></p>	YES	YES (4/4)	YES	YES
<p>4. <b>Tobacco Cessation Programs</b> – CHPPR developed a worksite tobacco cessation program that has been available to your employees during the workday at the Capitol building. This program has helped several employees stop smoking. <b>Does your health council think that a tobacco cessation program should be part of future worksite health promotion programs?</b></p>	YES	YES (4/4)	YES	YES
	<p><b>Comment – Commerce</b> – Would recommend offering some type of incentive to employees who complete the course.</p>			

Evaluating Current Components of Worksite Health Promotion Program	Agencies receiving all of the following services			
	Tax	Commerce	State Historical Society	Office of Management and Budget
<p>5. <b>Periodic Formal and Informal Consultation Services from CHPPR to Health Council</b> – The Director of CHPPR, Dr. Nancy Vogeltanz-Holm, and other CHPPR personnel have been available to provide periodic consultation and reports to your worksite health promotion council. These consultation services have included formal meetings and informal telephone contacts. <b>Does your health council think that consultation services such as these should be a part of future worksite health promotion programs?</b></p>	YES	YES (4/4)	YES	YES
<p>6. <b>Employer Toolkit with Monthly Planner</b> – Your worksite health promotion council received an electronic employer toolkit and associated monthly wellness event planner (provided on CD-ROM). This toolkit and planner was designed to assist the health council in planning and implementing health promotion events at your worksite. <b>Does your health council think that an employer toolkit and planner should be available to assist other health councils as they plan and implement health promotion events at their worksite?</b></p>	YES	YES (4/4)	YES	YES
	<p><b>Comment – Tax</b> – The Employer Toolkit is very helpful. Could it be expanded to include even more subjects per month to choose a monthly health focus?</p>			
<p>7. <b>Presentation to Introduce the Program (i.e., Program Kick-Off Meeting)</b> – CHPPR personnel designed and coordinated a presentation to all your employees as a way to “kick off” your worksite health promotion program. This presentation provided employees with information about the services provided by CHPPR and set the stage for your health promotion program to be effective. <b>Does your health council think that a “kick off” meeting to introduce the program to employees should be a part of future worksite health promotion programs?</b></p>	YES	YES (3/4) NO (1/4)	YES	YES
	<p><b>Comment – Tax</b> – We think it important to have a special kick-off event with a little fanfare.</p>			

	Tax	Commerce	State Historical Society	Office of Management & Budget
<b>Improving the Worksite Health Promotion Program</b>				
1. <b>Availability of Discretionary Funds – Discretionary funds should be available to support important program components such as a fruit and vegetable program, participation incentives, and agency-level coordination duties.</b>	YES	YES (4/4)	YES	NO
	<p><b>Comment – Tax</b> – This is crucial. We have been charged with creating a wellness program with no resources. We need assistance.</p> <p><b>Comment – Commerce</b> – Quite a bit of the program can be self funded through employee participation. However, a small pool of discretionary funds each year would be helpful.</p>			
2. <b>Designated Worksite Coordinators – Worksites should have designated coordinators whose duties should be incorporated into their regular job descriptions. Worksites should consider compensating coordinators with additional pay or reduced duties in other areas.</b>	YES	YES (3/4) NO (1/4)	YES	NO
	<p><b>Comment – Tax</b> – Wellness Coordinators must be given the time to do an adequate job.</p> <p><b>Comment – Commerce (YES)</b> – This is a must! Most important thing to make the program a success.</p>			
3. <b>Reward Employees for Making Healthy Choice – Systems changes should be implemented to reward employees for participating in worksite health promotion programs and adopting healthy lifestyles.</b>	YES	YES (4/4)	YES	NO
	<p><b>Comment – Tax</b> – We feel this would help entice employees into starting down the road to wellness.</p>			
4. <b>Lower Health Insurance Deductibles/Co-Pays – Employees meeting healthy lifestyle criteria and/or participating in worksite health promotion activities should have lower health insurance deductible rates and/or co-pays.</b>	YES	YES (4/4)	YES	NO
	<p><b>Comment – Commerce</b> – WOW! This would be great.</p>			

	Tax	Commerce	State Historical Society	Office of Management & Budget
<b>Improving the Worksite Health Promotion Program</b>				
<b>5. Converting Some Portion of Unused Sick Leave – Worksite supervisors should be permitted to award employees meeting healthy lifestyle criteria and/or participating in worksite health promotion activities additional leave time by converting a portion of employee’s unused sick leave.</b>	YES	YES (3/4) NO (1/4)	YES	NO
	<b>Comment – Commerce (YES) – Another great idea!</b>			

## **Part B**

### ***Data-based Recommendations***

These recommendations are based on both existing evidence and from new evidence gathered during the previous two years of work with the North Dakota Worksite Health Promotion Program.

#### **Highest Confidence Recommendation:**

Existing evidence indicates that comprehensive programs provide the greatest potential for positive health changes as well as cost reductions. All effective programs to date have included providing employees with the opportunity to complete a yearly Health Risk Assessment (HRA) and receive individualized feedback and recommendations for improving or maintaining health. Most comprehensive programs also include telephone- or email-based health coaching for at-risk employees. Although starting a worksite HP program generally assumes a minimum level of employer support, strong employer support and involved employees form the foundation for sustained improvements in positive worksite health activities and culture. Most successful programs have specific employees dedicated at least in part to administering their health promotion programs. Most worksites typically require some services and assistance from worksite wellness or other population health professional groups.

Evidence from the Pilot Program indicates approximately 70% of employees completed the Personal Behavioral Health Profiles (PBHP) as part of their worksite programs. This allowed the majority of employees to gain greater awareness of their health status and learn ways to reduce reported health risks. On the PBHP, employees reported several areas of change due to their worksite HP program including that over 90% of employees completing the PBHP reported they believed other state employees should receive the same pilot program. Although there are important additional components of the overall program including worksite activities and changes, the PBHP administration with incentive had the 2<sup>nd</sup> highest level of participation (first was the Fruit & Vegetable Program in which essentially all employees consumed F&Vs from their worksites).

In summary, an evidence-based, centralized, comprehensive program such as the current pilot program should be made available for all PERS worksites. It is important to note that all results to date from the NDWHPP are based on a centralized program that includes several components including the PBHP for all sites and health coaching and onsite screenings for two of the four sites. Therefore, the successful portability of the Pilot Program to other PERS worksites depends on using the same centralized set of procedures, materials, and components used in the Pilot Program.

An HRA delivered annually with high employee participation forms the foundation for health behavior change data. This data is essential for employee awareness and motivation; for targeting the highest risk problems in a worksite; and for providing crucial overall program evaluation data. Although the PBHP was used in the current pilot program, a similarly well-constructed HRA with similarly constructed feedback materials, a similar incentive, and using similar state-based health professionals should achieve similar results.

Although we have not yet analyzed employee health utilization outcomes between the two pilot groups (high versus medium levels of services), our PBHP data indicate that the two sites receiving health coaching and onsite health screening (high level) have higher levels of PBHP participation, greater health changes, and higher program satisfaction compared to employees from the two worksites that have not received health coaching or onsite screenings (medium level). Therefore, we preliminarily recommend that both health coaching and screening be included in an effective comprehensive program for other PERS worksites.

**Additional Important Considerations:**

A no smoking policy should be required and enforced. Evidence of the policy, its dissemination, and a plan for enforcement should be documented. Onsite group and/or individual tobacco dependence treatment should be available and free including pharmacotherapy/medical intervention. Worksite cafeterias and vending machines should include healthy foods. Large agencies with cafeterias and restaurants should provide information about the nutritional content of food. Agencies should determine the feasibility of, and implement if possible, physical activity breaks for employees and provide a reasonable place to engage in physical activity. Every agency should have an employee assistance program or referral network for employees needing assistance with psychosocial problems (and provide depression screenings when possible). Additional workshops, seminars, and trainings should be provided for educating employees about topics that ongoing assessments indicate are high prevalence problems within the agency.

To improve on the current pilot program, worksite health councils have recommended that worksites receive additional discretionary funds and/or incentives for conducting worksite health promotion programs. Evidence from the pilot program suggests moderately high variability across worksites in terms of level of worksite-wide activities, innovation of health council ideas, and overall engagement of health council members. This suggests that discretionary funds might be used variably across worksites. We would agree that being able to provide small incentives is a highly cost-effective method for increasing employee participation and health changes. And that many worksites will require discretionary dollars to provide cost-based HP activities such as fruits and vegetables programs. However, incentive programs should be standardized and based on evidence; likewise, health councils should provide only evidence-based activities before funding can be accessed. Incentives should include an array of desired items including cash, time-off, and services (e.g., wellness center/gym membership reductions). Many worksites administering incentive-based programs will require assistance in tracking employee health behaviors and/or in delivering and evaluating incentives.



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# Memorandum

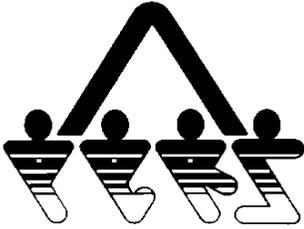
**TO:** PERS Board

**FROM:** Sparb

**DATE:** March 13, 2008

**SUBJECT:** EPO SURVEY COMPREHENSIVE REPORT

A representative from BCBSND will be at the board meeting to review the annual EPO Survey Report, December 2007, with the Board.



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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb & Kathy  
**DATE:** March 13, 2008  
**SUBJECT:** Life Insurance Plan Renewal

Attachment #1 is the proposed renewal from Prudential dated January 24, 2008. Highlights of that letter are:

- The new proposed rates would be guaranteed for three years
- The optional life rates are proposed to decrease by 10%
- The basic life rate would decrease by 5%

Attachment #2 is a memo from Gallagher with their comments on the renewal.

Attachment #3 is a subsequent letter dated March 10 from Prudential with some additional pricing information:

- They agreed to reduce the optional rates an additional 5% for a total of 15%
- The basic life rate would remain the same
- The dependent rate would decrease by 10%

Since the March 10 letter they have agreed to further reduce the dependent care rate by another 2% to a total reduction of 12%

The following table show the total monthly premium we presently pay and the new premium if we accept proposal 1 or proposal 2.

## NDPERS Life Insurance Monthly Premiums - Feb/2008

	Employee Basic	Employee Supplemental	Dependent Optional	Total
Current Premiums	\$17,931.20	\$197,506.17	\$41,406.12	\$256,843.49
Proposal 1				
5%/10%/0% Premium	\$896.56	\$19,750.62	\$0.00	\$20,647.18
	\$17,034.64	\$177,755.55	\$41,406.12	\$236,196.31
Proposal 2				
0%/15%/12% Premium	\$0.00	\$29,625.93	\$4,968.73	\$34,594.66
	\$17,931.20	\$167,880.24	\$36,437.39	\$222,248.83

The above analysis shows that proposal 2 results in the lowest overall premium.

We also asked Prudential to review some additional options. The following are the options and their comments (in italic)

- 1. Eliminate the 5 percent rate decrease for the basic life and apply to the optional life.**  
*5% of the basic premium only amounts to about \$10K which is 1/2 of 1% of the Optional Life premium. To adjust the Optional rates less than 1% is not really meaningful, so I suggest we just leave optional rates at the 10% reduction level and continue the existing basic rate.*
- 2. Increase the \$1,300 basic coverage and fund it by not reducing the optional premium.**  
*We discussed this option with our legal team and actuarial team and have concluded that this is not a feasible option. Because we are dealing with Employee paid coverage's on the Optional and Employer paid coverage's for the Basic, our opinion is that we should not be using employee money to pay for employer paid coverages. We are open to discuss more but cannot see how this would be a viable option.*
- 3. Increase basic coverage from \$1,300 to \$10,000 with the requirement that all employees pay the cost of the difference.**  
*We could implement this option if EVERY active employee participated in the employee paid portion of the basic plan. This way, we avoid any selection issues. With this plan, the rates for the Basic life are the same as present rates (ER & EE pay \$0.199 per thousand for active Basic Life) and the Optional rates decrease 10%. Staff notes that at this level the cost of the additional \$7,700 in coverage would be more expensive for people under 50 and less expensive for those over.*
- 4. Increase the employer paid basic life coverage to \$10,000.**  
*The basic rates will not change for this option (\$0.199 active & \$3.30 retiree). The Optional Rate decrease continues at 10%.*
- 5. Apply the 10% premium reduction in basic coverage to increase the amount of the coverage from \$1,300 to \$1,500.**  
*This could be done with proposal #1*

As you will note none of the above options seem viable at this point in time.

After exploring the above options and the alternative proposals (1 & 2) staff would recommend Option 2.

The next option to consider is the renewal timeframe, 1 year, 2 years or 3 years. Prudential has offered to guarantee the rates for 3 years. GBS has also recommended the 3 year

period. Prudential has also said that they would accept a 1 or 2 year renewal and then review the rates at that time. The advantage of a shorter renewal is that if our experience improves we could get a lower rate. However the disadvantage is that if our experience gets worse our rates could increase. If we accept option 2 this will lower our optional rate by 15%. When we selected Prudential 3 years ago our rates went down 15%. This means that in 3 years we will have reduced our premiums about 30%. The probability of further substantial reductions cannot be assumed to occur; therefore it seems the position with the least risk would be to accept the three year renewal. At the end of the 3 years it will be time to put the book of business out to bid again.

### **Board Action Requested**

To determine if the life contract with Prudential should be renewed and if so for 1, 2, or 3 years.

### **Staff Recommendation**

To renew with Prudential for three years.



**Prudential**

RECEIVED

JAN 24 2008

ND PERS

**Richard W. Benn**  
Group Insurance  
Account Executive - National Accounts

**The Prudential Insurance Company of America**  
4643 S. Ulster Street, Suite 930, Denver CO 80237  
Tel 720 529-2403 Fax 720 529-2414  
richard2.benn@prudential.com

January 24, 2008

Ms. Kathy M. Allen  
Benefit Programs Manager  
NDPERS  
400 E. Broadway, Suite 505  
Bismarck, ND 58502

Re: July 1, 2008 Group Life Renewal

Dear Kathy:

The Group Life plans for the North Dakota Public Employees Retirement System were effective January 1, 2005 and are on rate guarantee until July 1, 2008. This is the first renewal since the plan effective date. When coverage was effective in 2005, the Basic Life coverages were subsidized by the Optional Life coverages. This renewal for 2008 continues that methodology of applying some of the surplus from the Optional Life rating to the Basic Life renewal rate.

We are recommending that the Active and Retired Basic Life rate be reduced 5% and that the Employee Optional Life rates be reduced 10%. The Rates for the Dependent Spouse and Child would be continued. The new rates effective July 1, 2008 would be guaranteed for three years, making the next renewal July 1, 2011. I've attached a new rate exhibits that shows the rates to be effective July 1, 2008. Also attached is the claims experience by plan type.

Here is our renewal methodology:

**Basic Life**

The combined loss ratio for the active and retiree plan over the last 30 months is 94.6%. Because the premiums for this coverage are relatively small when compared to the entire case premium, we elected to use some of the surplus from the Optional Life rating to offer a rate reduction of 5%. If we renewed this coverage on a stand-alone basis, our formulas would generate a 14% increase, which we viewed as not acceptable to NDPERS.

**Optional Life**

The loss ratio for this coverage over the last 30 months was 51.9%. The claims experience has steadily improved year over year, going from a loss ratio for plan year 2005 of 85.6% to a loss ratio of 29.3% for the six months of plan year experience in 2007. These ratios are significantly better than the 30 month of experience with the prior carrier that began on 7/01/2000. During this period of time, the Optional Life plan had a loss ratio of 102.9%. Because our underwriters do not believe this experience trend will continue, and because waiver of premium claim submissions are below are book of business estimates, we recommend that the rates be reduced 10%.

Ms. Kathy Allen  
Page 2

We do not believe it would be prudent to reduce these rates further, as that would possibly generate the need for an increase in later years. Any time Optional Life rates are increased, the younger employees are the first to leave the plan. When this happens, experience gets worse and the plan suffers.

**Dependent Life**

The loss ratio for this program was 67.1% over the 30-month period ending 12/31/2007. The claims experience has fluctuated greatly year over year, from a low of 45% for the 2005 plan year, to a high of 94% in 2006. We compared the current rates in force to our manual calculations and determined that the current rates are correct going forward. Insuring dependents is very different from insuring employees, because with dependents we never know if they are actively at work or what type of occupation they have. Because of this factor, we recommend a conservative approach to rate setting for dependents.

**AD&D- Basic and Optional Plans**

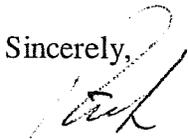
These coverages are not credible from an experience standpoint and are being renewed at the current rates of \$0.016 per \$1,000 for Basic and \$0.016 per \$1,000 for Optional AD&D.

**Renewal conditions:**

No plan changes during the renewal period. Enrollment/Covered lives will not change by more than 10% from current levels indicated. No commissions are paid. Current administrative arrangements remain in effect. **We reserve the right to take immediate action, including, but not limited to, revising rates or terminating coverage if these conditions are not met.**

Kathy, we sincerely appreciate the opportunity to serve you and the employees covered by NDPERS and look forward to continuing our relationship. Please let me know if a question and if we can set a date for a meeting to review this renewal.

Sincerely,



Richard W. Benn  
Account Executive- National Accounts

CC Sparb Collins- NDPERS  
Bill Robinson- Gallagher Benefit Services - Denver

**North Dakota Public Employees Retirement System  
44374  
2008 Group Life Renewal Rates  
Effective 7/01/2008**

<u>Coverage</u>	<u>Current Rates</u>	<u>Rate Action</u>	<u>Lives</u>	<u>Rates Effective 7/1/2008</u>	<u>Rate Basis</u>	<u>Annualized Premium</u>	<u>Volume</u>
Basic Life	\$0.199	-5%	17,923	\$0.189	/1000	\$52,844	23,299,900
Retiree	\$3.300	-5%	2,984	\$3.135	/1000	\$145,928	3,879,200
Opt Life			10,433			\$1,824,960	824,282,000
<25	\$0.044	-10%		\$0.040	/1000	-	-
25-29	\$0.044	-10%		\$0.040	/1000	-	-
30-34	\$0.064	-10%		\$0.058	/1000	-	-
35-39	\$0.084	-10%		\$0.076	/1000	-	-
40-44	\$0.124	-10%		\$0.112	/1000	-	-
45-49	\$0.164	-10%		\$0.148	/1000	-	-
50-54	\$0.244	-10%		\$0.220	/1000	-	-
55-59	\$0.484	-10%		\$0.436	/1000	-	-
60-64	\$0.744	-10%		\$0.670	/1000	-	-
65-69	\$1.424	-10%		\$1.282	/1000	-	-
70+	\$2.324	-10%		\$2.092	/1000	-	-
Dep Spouse			10,196			\$452,615	174,620,000
<25	\$0.060	continue		\$0.060	/1000	-	-
25-29	\$0.080	continue		\$0.080	/1000	-	-
30-34	\$0.100	continue		\$0.100	/1000	-	-
35-39	\$0.100	continue		\$0.100	/1000	-	-
40-44	\$0.120	continue		\$0.120	/1000	-	-
45-49	\$0.180	continue		\$0.180	/1000	-	-
50-54	\$0.260	continue		\$0.260	/1000	-	-
55-59	\$0.500	continue		\$0.500	/1000	-	-
60-64	\$0.760	continue		\$0.760	/1000	-	-
65-69	\$1.440	continue		\$1.440	/1000	-	-
70+	\$2.360	continue		\$2.360	/1000	-	-
Dep \$2K	\$0.240	continue		\$0.240	Per unit	-	-
Dep \$5K	\$0.600	continue		\$0.600	Per unit	-	-

**North Dakota PERS**

Control #:44374

**COMBINED Rating**

Renewal Effective Date: 7/1/2008

**Experience Analysis**

Reported

PERIOD		# MONTHS	AVERAGE LIVES	ADJ'D DUE PREMIUM	NONPOOLED PAID CLAIMS (w/ Interest)	POOLED CLAIMS	CONV CHARGES	Change in Waiver RESERVE	Change in IBNR RES.	BENEFIT CHARGES	LOSS RATIO
FROM	TO										
7/1/2005	6/30/2006	12	20,579	\$ 210,716	\$ 130,617	\$ -	\$ 780	\$ 3,011	\$ 40,794	\$ 175,202	83.1%
7/1/2006	6/30/2007	12	20,670	\$ 209,523	\$ 209,217	\$ -	\$ 3,101	\$ 438	\$ (139)	\$ 212,617	101.5%
7/1/2007	12/31/2007	6	20,839	\$ 104,759	\$ 103,332	\$ -	\$ 780	\$ (200)	\$ 15	\$ 103,927	99.2%

Loss Ratio to Due Premium used in rate evaluation: LAST 30 MONTHS 94.6%

## North Dakota PERS

Control #:44374

OPTIONAL Life

Renewal Effective Date: 7/1/2008

**Experience Analysis**

Reported

PERIOD		#	AVERAGE	ADJ'D DUE	NONPOOLED	POOLED	CONV	Change in Waiver	Change in	BENEFIT	LOSS
<u>FROM</u>	<u>TO</u>	<u>MONTHS</u>	<u>LIVES</u>	<u>PREMIUM</u>	<u>PAID CLAIMS</u>	<u>CLAIMS</u>	<u>CHARGES</u>	<u>RESERVE</u>	<u>IBNR RES.</u>	<u>CHARGES</u>	<u>RATIO</u>
7/1/2005	6/30/2006	12	10,029	\$ 1,770,956	\$ 899,767	\$ -	\$ 3,420	\$ 99,055	\$ 513,577	\$ 1,515,820	85.6%
7/1/2006	6/30/2007	12	10,185	\$ 1,920,343	\$ 616,549	\$ -	\$ 71,079	\$ 53,493	\$ 43,322	\$ 784,443	40.8%
7/1/2007	12/31/2007	6	10,367	\$ 1,001,482	\$ 254,617	\$ -	\$ 41,220	\$ (26,353)	\$ 23,960	\$ 293,444	29.3%

Loss Ratio to Due Premium used in rate evaluation: LAST 30 MONTHS 51.9%

## North Dakota PERS

Control #:44374

DEPENDENT Life

Renewal Effective Date: 7/1/2008

**Experience Analysis**

Reported

PERIOD		# MONTHS	AVERAGE LIVES	ADJ'D DUE PREMIUM	NONPOOLED PAID CLAIMS (w/ Interest)	POOLED CLAIMS	CONV CHARGES	Change in Waiver RESERVE	Change in IBNR RES.	BENEFIT CHARGES	LOSS RATIO
FROM	TO										
7/1/2005	6/30/2006	12	9,600	\$ 384,491	\$ 150,461	-	\$ -	\$ -	\$ 24,074	\$ 174,534	45.4%
7/1/2006	6/30/2007	12	9,880	\$ 422,369	\$ 385,718	-	\$ 6,000	\$ -	\$ 6,060	\$ 397,778	94.2%
7/1/2007	12/31/2007	6	10,142	\$ 222,942	\$ 120,498	-	\$ 13,500	\$ -	\$ 3,762	\$ 137,760	61.8%

Loss Ratio to Due Premium used in rate evaluation: LAST 30 MONTHS 67.1%

# GALLAGHER BENEFIT SERVICES, INC. Memo

---

**To:** Sparb Collins, NDPERS  
**From:** Bill Robinson, Denver Office  
**Date:** March 7, 2008  
**Re:** Prudential Life Insurance Renewal Proposal

---

## Introduction

NDPERS' current Basic and Optional Life Insurance coverages have been with Prudential since January 1, 2005. The current rate guarantee period expires June 30, 2008. Prudential has submitted a renewal proposal and NDPERS has asked GBS to analyze the renewal and make recommendations on whether it should be accepted.

Prudential's renewal proposal is as follows:

- Basic Life rates reduce by 5%
- Optional Life rates reduce by 10%
- Dependent Life rates remain unchanged
- AD&D rates remain unchanged
- Rates are guaranteed for three years through June 30, 2011

The renewal proposal assumes a continuation of the past practice of subsidizing employer paid Basic with employee paid Optional Life.

## Analysis

GBS examined thirty months of experience under the Prudential plan. Our findings are:

- **Basic Life:** The paid loss ratio (including waiver of premium) was approximately 95%. If rated on its own, this loss ratio would warrant a rate increase. Prudential estimated that it would need a 14% increase on a stand-alone basis. We reviewed Prudential's methodology and found it to be reasonable, but conservative.
- **Optional Life:** The paid loss ratio for this coverage (including waiver of premium) was approximately 52%. We believe that the proposed 10% rate reduction is relatively conservative and asked Prudential to address this finding. Their response was that the experience for this coverage has been significantly lower than under previous carrier, including waiver of premium claims. They are reluctant to commit to a lower rate reduction with a three

year rate guarantee due to the potential that claims will revert to their previous level. We believe that this is a reasonable position given the volatility and natural adverse selection inherent in this voluntary coverage.

- **Dependent Life:** The paid loss ratio for this coverage was approximately 67%. This coverage is often manually rated due to its volatility, which can cause dramatic fluctuations from year to year. For this reason, we support Prudential's decision to keep rates at the current level.
- **AD&D Coverages:** These coverages for the Basic and Optional Life plans are not actuarially creditable and are usually manually rated. Consequently, we agree with Prudential's proposal to maintain the current rate levels.

### Conclusions and Recommendations

In general, we find Prudential's renewal proposal to be reasonable and defensible based on claims history. They possibly could be more aggressive on the Optional Life rate reduction, but the concerns they raise about the possibility of death and waiver claims returning to previous levels are legitimate. If they occur, rates will need to be increased the next period potentially causing younger employees to leave the plan in favor of lower cost individual coverages. Rate stability over time is preferred.

We have identified previously the practice of using employee paid coverages to subsidize employer paid coverages. As indicated above, Prudential has continued this practice in its rate proposal. We suggest that the Board reconfirm that it wants this practice to continue with the next renewal.

At your request, we asked Prudential if it would be willing to allow NDPERS to take the proposed Basic and Optional Life rate reductions for one year and then have the experience re-evaluated to determine if further rate reductions could occur. Prudential did not agree to this request because of the possibility of incurring unexpected losses next year that it could not recover in subsequent years.

Given Prudential's response noted above, we recommend that NDPERS accept the proposed renewal with the three year rate guarantee. If NDPERS only accepted the proposed rates for one year, then there is the possibility that rates would have to be increased the next year or the coverages put out to competitive bid. If they increased, NDPERS would have to go through all the resulting administrative and payroll procedures required with the possibility that these activities would have to occur again the following year if experience changed again. For these reasons, we recommend that NDPERS accept the proposed three year rate guarantees as presented to achieve stability to the life insurance program.

### Alternative Rate Scenarios

Prudential was asked to present alternative rate renewal scenarios for NDPERS' consideration. Four were provided on February 29, 2008. We have reviewed them and have the following brief comments:

1. Option One: We agree that lowering the Optional Life rate by less than .005% does not achieve any meaningful savings to employees. Therefore, this option does not appear to be viable.
2. Option Two: This option increases the subsidization of the employer paid Basic Life plan by the Optional Life coverage. Although possible, NDPERS would need to decide whether to expand a practice that already may be of questionable merit, as Prudential legal staff has pointed out.
3. Options Three and Four: Both of these are policy decisions for NDPERS. If the decision is to pursue one or both, we would ask Prudential to readdress their conclusions that the Basic Life rate would remain unchanged. Under either of these options, we believe that there would be actuarial justification for lowering the Basic life rate if the total premium volume increased materially.

In summary, we recommend that NDPERS accept the three year guaranteed renewal premium rates for the life insurance program. Regarding the options that Prudential provided, if NDPERS wants to pursue the number three or four, we would contact Prudential to attempt to lower the Basic Life rates as a result of increased premium volume.

Please let me know if we can provide any additional information at this time.

cc: Shawn Adkins, CPA, Underwriting Manager



**Prudential**

RECEIVED

MAR 11 2008

ND PERS

**Richard W. Benn**

Group Insurance

Account Executive - National Accounts

**The Prudential Insurance Company of America**

4643 S. Ulster Street, Suite 930, Denver CO 80237

Tel 720 529-2403 Fax 720 529-2414

richard2.benn@prudential.com

March 10, 2008

Ms. Kathy M. Allen  
Benefit Programs Manager  
NDPERS  
400 E. Broadway, Suite 505  
Bismarck, ND 58502

Re: July 1, 2008 Group Life Renewal- Revised Pricing

Dear Kathy:

Confirming our phone conference today, we have reviewed the experience data again based on the concerns that you and Sparb expressed and are prepared to offer additional reductions above those proposed in my renewal letter of January 24.

We are recommending that the Basic Life and AD&D rates for both active and retired employees remain unchanged. We will agree to reduce the Employee Optional Rates by 15%. This is an additional 5% reduction above our prior offer. We will also agree to reduce the Dependent Life rates by 10%. Previously we recommended no change to these rates.

All revised rates would be guaranteed for another three years, making the next renewal July 1, 2011.

We appreciate the opportunity to work with you and NDPERS. Please let me know that this is an acceptable offer.

Sincerely,

Richard W. Benn  
Account Executive- National Accounts

CC Sparb Collins- NDPERS  
Bill Robinson- Gallagher Benefit Services - Denver



**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](mailto:ndpers-info@nd.gov) • [www.nd.gov/ndpers](http://www.nd.gov/ndpers)

# Memorandum

**TO: PERS Board**

**FROM: Kathy**

**DATE: March 20, 2008**

**SUBJECT: CIGNA Performance Guarantee Agreement**

Included is the CIGNA Service Performance Guarantee Agreement for the group dental plan. This agreement is renewed annually. It has been reviewed for compliance by our legal counsel Aaron Webb and by PERS staff and no issues are noted. Also included for your information is the performance summary report for 2007. The report indicates that CIGNA is operating in compliance with its performance commitments as set forth in Exhibit A of the agreement.

## **Board Action Requested**

Approve the CIGNA Performance Guarantee Agreement.

**CIGNA HealthCare  
Service Performance Guarantee Agreement**

**By and Between**

**North Dakota Public Employees Retirement Systems (NDPERS)  
“Employer”**

**And**

**Connecticut General Life Insurance Company  
“Connecticut General”**

**Effective Date: January 1, 2008**

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Exhibit A – Performance Commitments and Penalties –Dental Benefits Plan

*Projected Enrollment as of Effective Date: 20,000 enrolled employees*

<i>Performance Category</i>	<i>Performance Commitment</i>	<i>Results Measured At</i>	<i>Penalty Amount</i>
<b>Claim Time-to-Process (TTP)</b>			
Type of Plan: Dental	Measured for the Term of the Agreement, results will meet or exceed: <ul style="list-style-type: none"> <li>• 90% of Claims processed w/in 10 Business Days</li> <li>• 98% of Claims processed w/in 20 Business Days</li> </ul>	Account Level Account Level	\$3,000.00 \$3,000.00
<b>Claim Quality</b>			
<b>Financial Accuracy</b>			
Type of Plan: Dental	Measured for the Term of the Agreement, results will meet or exceed: <ul style="list-style-type: none"> <li>• 99% of total audited Claim/claim dollars are correctly paid</li> </ul>	Office Level	\$3,625.00
<b>Payment Accuracy</b>			
Type of Plan: Dental	Measured for the Term of the Agreement, results will meet or exceed: <ul style="list-style-type: none"> <li>• 97% of total audited Claims/claims are correctly paid</li> </ul>	Office Level	\$3,625.00
<b>Inquiry</b>			
<b>Average Speed of Answer (ASA)</b>			
Type of Plan: Dental	Measured for the Term of the Agreement, results will not exceed: <ul style="list-style-type: none"> <li>• 30 seconds to answer a phone call</li> </ul>	Special Account Queue	\$3,625.00
<b>Call Abandonment Rate</b>			
Type of Plan: Dental	Measured for the Term of the Agreement, results will not exceed: <ul style="list-style-type: none"> <li>• 3% of calls received by Call Center(s) terminated</li> </ul>	Special Account Queue	\$3,375.00

CIGNA HealthCare Service Performance Guarantee Agreement  
 Customer: North Dakota Public Employees Retirement Systems (NDPERS)  
 Effective Date: January 1, 2008  
 Account Number(s) involved in Service Performance Guarantee(s): 3330456



<i>Performance Category</i>	<i>Performance Commitment</i>	<i>Results Measured At</i>	<i>Penalty Amount</i>
<b>Employer Service</b>			
<b>Appeals</b>			
Type of Plan: Dental	Measured for the Term of the Agreement, results will meet or exceed: <ul style="list-style-type: none"> <li>• 95% of all appeals and grievances resolved within 30 days</li> <li>• 98% of all appeals and grievances inquiries resolved within 60 days</li> </ul>	Account Level	<b>\$7,875.00</b>
<b>Report Delivery</b>			
Type of Plan: Dental	Measured for the Term of the Agreement, results will meet or exceed: <ul style="list-style-type: none"> <li>• Report Delivery – annually with renewal at 180 days prior to renewal</li> </ul>	Account Level	<b>\$1,875.00 per report</b>
<b>Maximum Penalty Amount – \$30,000.00</b>			

**CIGNA HealthCare Service Performance Guarantee Agreement**  
**Customer: North Dakota Public Employees Retirement Systems (NDPERS)**  
**Effective Date: January 1, 2008**  
**Account Number(s) involved in Service Performance Guarantee(s): 3330456**

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THIS AGREEMENT is between Connecticut General Life Insurance Company, a CIGNA Company (“Connecticut General”), and North Dakota Public Employees Retirement Systems (NDPERS) (“Employer”).

In connection with the services Connecticut General will provide to the Employer with respect to the employee welfare benefit plan(s) sponsored by the Employer (the “Plan(s)”), Connecticut General and the Employer desire to implement service performance guarantees according to the terms set forth below, for the products listed in Exhibit A.

**Section 1. Definitions**

- 1.1 Account Level – the performance commitment is measured with respect to Claims (that is, Employer’s claims; see definition below) processed during the Guarantee Period. Claim Quality performance commitments are measured at either the Account Level or the Office Level.
- 1.2 Benefit Profile – the benefits offered under Plan(s), including plan design and structure.
- 1.3 Business Days – mean the days of the week that Service Centers and Call Centers are open to the public for conducting business, which excludes Saturdays, Sundays and holidays observed by Connecticut General.
- 1.4 Call Center – member service center of Connecticut General that receives and responds to Plan Participant telephone calls.
- 1.5 Claim – refers to claims received by Connecticut General under the Plan(s). If the term “claim” is used without a capital c, it refers to claims received by Connecticut General, whether under the Employer’s Plan(s) or under other plans.
- 1.6 Customer Service Representative – or “CSA” is a person responding to callers at a Call Center.
- 1.7 Effective Date – for new Plan(s), the first date that Plan benefits are payable. For renewing Plan(s), the Effective Date is the renewal date. For the purposes of this Agreement, that date is January 1, 2008.
- 1.8 Employee – a person who is employed by Employer and covered under the Plan.
- 1.9 Guarantee Period – the Guarantee Period is the ONLY period for which penalty payments will be made. The Guarantee Period is twelve months or less; see Section 2 below for the factors determining the length of the Guarantee Period under this Agreement.
- 1.10 Inquiry – an answered call, received at a Call Center, about the services Connecticut General provides to the Plan(s).
- 1.11 Maintenance Eligibility – means additions, deletions and changes in eligibility that are processed during the Guarantee Period. Maintenance Eligibility does not include any eligibility loads that are done at or before the beginning of the plan year to prepare for Plan administration.
- 1.12 Maintenance ID Cards – means ID Cards issued during the Guarantee Period for changes in member address, changes in enrollment, etc. Maintenance ID Cards does not include the initial issuance of ID cards at the beginning of the Plan year.
- 1.13 Maximum Penalty Amount – the maximum amount that Connecticut General shall be obligated to pay Employer under this Agreement. This Maximum Penalty Amount is given in Exhibit A, is subject to adjustment under Section 5 and is subject to offset under Section 7. Because the Maximum Penalty Amount is set with reference to the total amount of fees expected to be paid by Employer to Connecticut General for administration of the Plan(s), the Maximum Penalty Amount is also subject to change by Connecticut General if the total amount of administrative fees to be paid by Employer during the Term changes.

- 1.14 Office Level – the performance commitment is measured using a random sample of all the claims processed at the Service Center(s) on the same claim engine that processes Employer’s Claims.
- 1.15 Plan Participants – employees, retirees (if any), and dependents enrolled in the Plan(s).
- 1.16 Processed – A Claim/claim shall be considered “processed” when Connecticut General has made a determination as to whether the billed services are covered and, if covered, determined the amount of reimbursement.
- 1.17 Service Center – a claim processing office of Connecticut General that processes Claims.
- 1.18 Service Termination Date – the date on which Connecticut General ceases to administer the Plan(s), not including any run-out periods or the date in which the Administrative Service Agreement and/or Policy is terminated, whichever is earliest.
- 1.19 Signature Date – the date this Agreement is executed by Employer.

**Section 2. Term and Guarantee Period**

- 2.1 The term of this Agreement shall be from the Effective Date through the last day of the twelfth (12th) consecutive month following the Effective Date (the “Term”) unless earlier terminated in accordance with Section 9 (Termination of Agreement) below.
- 2.2 This Agreement shall not renew automatically or otherwise after the Term ends.
- 2.3 If this Agreement is fully executed prior to the Effective Date, the Guarantee Period shall be equal to the Term, except:
- 2.3.1 If this Agreement is terminated sooner than twelve (12) months from the Effective Date in accordance with Section 9 (Termination of Agreement), there is no Guarantee Period under this Agreement and no payment of penalties shall be due

pursuant to this Agreement.

- 2.4 If this Agreement is executed on or after the Effective Date, Connecticut General’s performance will be measured from the effective date, except:
- 2.4.1 If this Agreement is executed more than four (4) months following the Effective Date, there is no Guarantee Period under this Agreement.
- 2.4.2 If this Agreement is terminated sooner than twelve (12) months from the Effective Date in accordance with Section 9 (Termination of Agreement), there is no Guarantee Period under this Agreement and no payment of penalties shall be due pursuant to this Agreement.

**Section 3. Conditions Precedent**

- 3.1 The Employer acknowledges and agrees that the conditions precedent to the effectiveness of this Agreement are as follows:
- 3.2 Both parties must sign this Agreement no later than four (4) months following the Effective Date.
- 3.3 The Benefit Profile must be finalized and agreed to by both parties before the Effective Date.
- 3.4 Where the Employer or a third party is responsible for providing eligibility information or data of any kind to Connecticut General, including but not limited to electronic data, tapes or software, the data is accurate, accessible and received by Connecticut General within the predetermined timelines.
- 3.5 Connecticut General must continue to administer the Plan(s) (not counting any run-out period) throughout the Term of this Agreement.
- 3.6 There can be conditions precedent related to specific Performance Guarantees; these are described in Exhibit B.

**Section 4. Performance Commitments and Penalty Amounts**

4.1 In connection with the services Connecticut General will provide to the Employer with respect to the Plan(s), Connecticut General guarantees its performance as summarized in the attached Exhibit A, including corresponding penalty amounts. A more detailed description of the service performance guarantees is provided in the attached Exhibit B. If there is any perceived conflict between Exhibit A and Exhibit B, Exhibit B controls.

**Section 5. Evaluation of Services and Payment of Penalties**

- 5.1 Within four (4) months after the end of the Term, Connecticut General shall compile the necessary documentation and perform the necessary calculations to evaluate its fulfillment of each performance commitment set forth in this Agreement and make this information available to Employer.
- 5.2 Any dispute concerning the amount Connecticut General determines to be owed under this Agreement must be raised in writing within sixty (60) days of the date that Connecticut General notifies Employer in writing of its determination.
- 5.3 If Connecticut General fails to meet any of the performance commitments set forth in Exhibit A, Connecticut General shall pay or credit to Employer the appropriate penalty set forth in Exhibit A. Such amounts are subject to adjustment under this Section 5 and are subject to the offset provisions of Section 7.
- 5.4 In the event that, in accordance with Section 2, the Guarantee Period is less than twelve (12) consecutive months, the penalty amounts set forth in Exhibit A shall be pro-rated to correspond to the length of the Guarantee Period unless this Agreement is terminated in accordance with Section 9 (Termination of Agreement), in which case there is no Guarantee Period under this Agreement and no payment of penalties shall be due pursuant to

this Agreement.

- 5.5 The penalty amounts in Exhibit A have been established in relationship to the number of employees that the Employer has projected will be enrolled on the Effective Date. That number is stated in Exhibit A. In the event that the actual number of employees enrolled on the Effective Date is greater than one-hundred and fifteen percent (115%) of the projected number, the Employer reserves the right to increase the penalty amounts in proportion to the variation between the actual and projected number of enrolled employees. Correspondingly, Connecticut General reserves the right to decrease the penalty amounts in proportion to the variation between the actual and projected number of enrolled employees in the event that the actual number of employees enrolled on the Effective Date is less than eighty-five percent (85%) of the projected number.
- 5.6 The total amount payable by Connecticut General during the Term for failure to meet the performance commitments set forth in this Agreement shall not exceed the Maximum Penalty Amount.
- 5.7 No third party audit results will be used to measure Connecticut General's performance under this Agreement.
- 5.8 Connecticut General's obligation to pay any amount to Employer pursuant to this Agreement is conditioned upon the Administrative Services Agreement and/or Policy to which this Agreement relates in full force and effect at the time a penalty payment is due. No amount, otherwise payable to Employer, shall be payable to Employer pursuant to this Agreement following termination of the Administrative Services Agreement and/or Policy to which this Agreement relates regardless of whether the Guarantee Period specified herein ended prior to or at the same time as termination of such Administrative Services Agreement and/or Policy.

**Section 6. Change in Reporting Format or Measurement**

6.1 Notwithstanding anything to the contrary contained in Section 8, Connecticut General reserves the right to replace or modify any performance commitment if necessitated by a change in the way Connecticut General tracks or measures the applicable performance metric. In formulating any such substitute commitment, Connecticut General shall, to the extent possible, attempt to reflect the same performance level reflected in the original commitment, consistent with its new measurement/tracking methodology. Connecticut General shall explain the reasons for the change of any performance commitment pursuant to this Section 6 when it notifies the Employer of the substitute commitment. Connecticut General shall provide no less than thirty (30) days advance notice of such modification.

**Section 7. Offset**

7.1 Connecticut General shall be entitled to offset any amount owed by Connecticut General to the Employer under this Agreement against any debt owed by the Employer to Connecticut General (including but not limited to amounts required to fund the claim bank account, if any, or deficits), whether now existing or hereafter arising.

**Section 8. Modification of Agreement**

8.1 This Agreement constitutes the entire contract between the parties relating to the subject matter herein, and no modification or amendment hereto shall be valid unless in writing and signed by an officer of the Employer and Connecticut General's Regional Financial Officer.

**Section 9. Termination of Agreement**

9.1 This Agreement shall terminate upon the earliest of the following dates:

9.1.1 the end of the Term;

- 9.1.2 the effective date on which any state or other applicable jurisdiction prohibits the activities of the parties under this Agreement;
- 9.1.3 the date upon which Employer either fails to meet its obligation to sufficiently fund the bank account from which claims are paid (if applicable), or fails to pay any premium charges, fees or other charges within the time frame specified in the applicable contract in which case no payment of penalties shall be due pursuant to this Agreement;
- 9.1.4 the Service Termination Date in which case no payment of penalties shall be due pursuant to this Agreement;
- 9.1.5 the date upon which any condition precedent set forth in Section 3 is not fulfilled in which case no payment of penalties shall be due pursuant to this Agreement, or
- 9.1.6 at the option of either party, on the date specified in a written notice to the other of its intention to terminate this Agreement, said notice to be given at least thirty (30) days prior to the specified termination date in which case no payment of penalties shall be due pursuant to this Agreement, or
- 9.1.7 any other date mutually agreeable to Employer and to Connecticut General.

**Section 10. Laws Governing Contract**

10.1 This Agreement shall be construed in accordance with the laws of the State of North Dakota without regard to conflict of law rules, and both parties consent to the venue and jurisdiction of its courts.

**Section 11. Resolution of Disputes**

11.1 Any dispute between the Parties arising from or relating to the performance or interpretation of this Agreement ("**Controversy**") shall be resolved exclusively pursuant to the following

mandatory dispute resolution procedures:

11.1.1 Any Controversy shall first be referred for “**Executive Review**”. The disputing party shall give the other party written notice of the Controversy and request Executive Review. Within twenty (20) days of such written request, the receiving Party shall respond to the other in writing. The notice and the response shall each include a summary of and support for the Party’s position. Within thirty (30) days of the request for Executive Review, an employee of each party, with full authority to resolve the dispute, shall meet and attempt to resolve the dispute.

11.1.2 If the Controversy has not been resolved within thirty-five (35) calendar days of the request of Executive Review under Section 11.1.1 above, the parties agree to mediate Controversy in accordance with the American Health Lawyers Association Alternative Dispute Resolution Service Rules of Procedure for Mediation (“**Mediation**”). The mediation shall be conducted in Burleigh County, North Dakota. Each party shall assume its own costs and attorneys fees. The Mediator’s compensation and expenses of the mediator and any administrative fees or costs associated with the mediation proceeding shall be borne equally by the parties.

11.1.3 If the Controversy has not been resolved by Executive Review or Mediation, the Controversy may be submitted by either party to any court in Burleigh County, North Dakota having jurisdiction over both the parties and the matter.

11.2 This provision shall survive the termination of this Agreement.

**Section 12. Third Party Beneficiaries**

12.1 This Agreement is for the benefit of the Employer and Connecticut General. It shall not be construed to create any legal

relationship between Connecticut General and any other party.

**Section 13. Assignment and Subcontracting**

13.1 No assignment of rights or interests hereunder shall be binding unless approved in writing by a duly authorized officer of each of the parties hereto.

**Section 14. Waivers**

14.1 No course of dealing or failure of either party to strictly enforce any term, right or condition of this Agreement shall be construed as a waiver of such term, right or condition. Waiver by either party of any default shall not be deemed a waiver of any other default.

**Section 15. Headings**

15.1 Article, section or paragraph headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

**Section 16. Survival**

16.1 Provisions contained in this Agreement that by their sense and context are intended to survive completion of performance, termination or cancellation of this Agreement shall so survive.

**Section 17. Force Majeure**

17.1 Connecticut General shall not be liable for any failure to meet any of the obligations required under this Agreement where such failure to perform is due to any contingency beyond the reasonable control of Connecticut General, its employees, officers, or directors. Such contingencies include, but are not limited to, acts or omissions of any person or entity not employed or reasonably controlled by Connecticut General, its employees, officers, or directors, acts of God, fires, wars, accidents, labor disputes or shortages, and governmental laws, ordinances, rules or regulations.

**CIGNA HealthCare Service Performance Guarantee Agreement**  
**Customer: North Dakota Public Employees Retirement Systems (NDPERS)**  
**Effective Date: January 1, 2008**  
**Account Number(s) involved in Service Performance Guarantee(s): 3330456**

**Section 18. Notices**

18.1 Except as otherwise provided in this Agreement, all notices or other communications hereunder shall be deemed to have been duly given when made in writing and either a) delivered in person, b) delivered to an agent, such as an overnight or similar delivery service, or c) deposited in the United States mail, postage prepaid, and addressed as follows:

To Connecticut General:  
Connecticut General Life Insurance Company  
11001 N. Black Canyon Hwy  
Phoenix, AZ 85029  
John Kratchman, Regional Director

To the Employer:  
North Dakota Public Employees Retirement Systems (NDPERS)  
400 E. Broadway, Suite 505  
Bismarck, ND 58502  
Attention: Kathy M. Allen  
Benefit Programs Manager

The address to which notices or communications may be given by either party may be changed by written notice given by such party to the other pursuant to this section titled "Notices."

**Section 19. Entire Agreement**

This Agreement constitutes the entire agreement between the parties on the subject matter herein. Any and all other service performance guarantee agreements between the parties (if any), if not already terminated, are terminated as of the Effective Date of this Agreement.

**Signatures**

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed in duplicate and signed by their respective officers duly authorized to do so as of the dates given below.

*Connecticut General Life Insurance Company*

By: Suzanne Bielinski

Printed Name: Suzanne Bielinski

Title: Contractual Agreement Lead,  
CIGNA HealthCare

Date: 1-7-2008

*North Dakota Public Employees Retirement Systems (NDPERS)*

By: \_\_\_\_\_

Printed Name: Kathy M. Allen

Title:

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

## Exhibit B – Service Performance Metric Descriptions

### Claim Time-to-Process (TTP)

20.1.1 Claim Time-to-Process Performance Commitment – Connecticut General shall process a designated percentage of Claims received during the Guarantee Period within the specified calendar days or Business Days. The designated percentage and the unit of measure (calendar days or Business Days) are shown in Exhibit A.

20.1.2 Time-to-Process Measurement - The calculation of the time to process (“Time-to-Process”) will be based on Claims processed (Account Level) or claims processed in the Service Center(s) (Office Level) during the Guarantee Period. The level of measurement is listed in Exhibit A.

Time-to-Process will be calculated by counting the number of Business Days or calendar days (as appropriate) from the day that a Claim/claim is received by Connecticut General to and including the day the Claim/claim is processed. The day that the Claim/claim is received will not be included in this calculation.

### Claim Quality

#### 21.1 Financial Accuracy

21.1.1 Financial Accuracy Commitment – “Financial Accuracy” measures accuracy of total claim dollars paid. If measured at the Account Level, the service performance commitment is that a designated percentage of total audited dollars paid under the Plan(s) will be paid correctly during the Guarantee Period. If measured at the Office Level, the service performance commitment is that a designated percentage of total audited dollars paid by the Service Center(s) shall

be paid correctly during the Guarantee Period. The designated percentage and the level of measurement for Employer are given in Exhibit A.

21.1.2 Financial Accuracy Measurement - The fulfillment of the Financial Accuracy Performance Commitment set forth above will be determined by applying Connecticut General’s standard quality assurance audit methodology to a statistically valid sample of Claims (Account Level) or claims (Office Level) processed during the Guarantee Period. *No third party audit results will be used to measure Connecticut General’s performance under this Agreement.*

Financial Accuracy represents the sum of the absolute value of total dollars overpaid and the total dollars underpaid subtracted from the total dollars paid, divided by the total dollars paid, expressed as a percent. Overpayments and underpayments are determined from auditing a statistically valid sample of claims paid during the period.

21.1.3 If the amount of claims (processed/paid) by a service center comprises five (5%) per cent or less of the total amount of claims (process/paid), then those claims shall not be included in measuring performance under this section.

#### 21.2 Claim Payment Accuracy

21.2.1 Claim Payment Accuracy Commitment – “Claim Payment Accuracy” measures the dollar accuracy of claims paid. If measured at the Account Level, the service performance commitment is that a designated percentage of the total audited Claims paid (correct dollar amount) will be paid correctly during the Guarantee

Period. If measured at the Office Level, the service performance commitment is that a designated percentage of the total audited claims paid (correct dollar amount) by the Service Center(s) will be paid correctly during the Guarantee Period. The designated percentage and the level of measurement for Employer are given in Exhibit A.

- 21.2.2 Claim Payment Accuracy Measurement - Fulfillment of the Claim Payment Accuracy Performance Commitment will be determined by applying Connecticut General's standard quality assurance methodology to a statistically valid sample of paid Claims (Account Level) or claims (Office Level) processed during the Guarantee Period. *No third party audit results will be used to measure Connecticut General's performance under this Agreement.*

Claim Payment Accuracy represents the total number of claims processed without any payment errors, divided by the total claims processed, expressed as a percent. The calculation of claims paid with financial error is determined from auditing a statistically valid sample of claims paid during the period.

- 21.3.4. If the amount of claims (processed/paid) by a service center comprises five (5%) per cent or less of the total amount of claims (process/paid), then those claims shall not be included in measuring performance under this section.

### Inquiry

#### 22.1 Average Speed of Answer (ASA)

- 22.1.1 Average Speed of Answer Commitment - The average speed of answer for a phone call to the Call Center(s) during the Guarantee Period ("ASA") shall be no longer than the number of seconds designed in Exhibit A.

- 22.1.2 ASA Measurement - The ASA will be determined by measuring the sum of the total elapsed time between the moment when a telephone call is queued to the Call Center(s) and the time the call is responded to for all answered calls to the Call Center(s), and then dividing that number by the total number of telephone calls answered in the Call Center(s) during the Guarantee Period.

The calculation of ASA is either based on all Inquiries (Account Level) or on all calls received by the Call Center(s) that are serviced in the Special Account Queue ("Special Account Queue"). The level of measurement under this Agreement is specified in Exhibit A.

#### 22.2 Call Abandonment Rate

- 22.2.1 Call Abandonment Rate Commitment - The percentage of calls received by the Call Center(s) resulting in the caller terminating the call before speaking with a CSA ("Abandonment Rate") shall, on average, be no greater than the percentage designated in Exhibit A.
- 22.2.2 Call Abandonment Rate Measurement - The Abandonment Rate will be calculated using the total number of calls received during the Guarantee Period that result in the caller terminating the call after it is queued to a CSA, divided by the total number of telephone calls received by the Call Center(s) during the Guarantee Period, expressed as a percent.

The calculation of Abandonment Rate is based on all Inquiries (Account Level) or on all calls received by the Call Center(s) during the Guarantee Period that are serviced in the Special Account Queue ("Special Account Queue"). The level of measurement under this Agreement is specified in Exhibit A.

Employer Service

23.1 Appeals

23.1.1 Appeals Commitment – A designated percentage of all appeals and grievances resolved within a designated number of Days. The designated number of Days and the designated percentage are shown in Exhibit A.

23.2 Report Delivery

23.2.1 Report Delivery Commitment – annually with renewal at 180 days prior to renewal.



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M E M O R A N D U M

**TO:** NDPERS BOARD  
SPARB COLLINS, NDPERS  
KATHY ALLEN, NDPERS

**FROM:** *BTR*  
BRYAN T. REINHARDT

**DATE:** March 13, 2008

**SUBJECT:** GROUP MEDICAL PLAN - SURPLUS/AFFORDABILITY UPDATE

Here is the February surplus projection and affordability analysis for the NDPERS group medical plan. The plan made it through the 2005-2007 biennium and is eight months into the 2007-2009 biennium.

Net premium sent to BCBS in July 2007 was \$13,406,858. In July 2005 it was \$10,853,370. There are now 24,653 contracts on the NDPERS Health Plan. The NDPERS health plan ended up with 23,580 contracts in June, 2005. There were 22,947 contracts in June, 2003, and 21,792 in July 2001.

The 2003 - 2005 biennium settlement is on account at BCBS with a balance of over \$2 million. The remaining \$14.3 million was used to buy down premiums for the 05-07 biennium. These amounts are at BCBS and receiving interest.

The projection for the 2005 - 2007 biennium shows total surplus at \$4.8 million. We share 50/50 in the first \$3.0 million surplus with BCBS, so the June 30, 2007 NDPERS estimated gain is \$3.3 million. BCBS has the IBNR estimate for this projection at \$30,000.

The projection for the 2007 - 2009 biennium shows total surplus at -\$1.7 million. If there is a surplus, we share 50/50 in the first \$3.0 million surplus with BCBS. The plan is fully insured by BCBS, so the June 30, 2009 NDPERS estimated gain is \$0. BCBS has the IBNR estimate for this projection at just under \$18 million.

If you have any questions or you should need anymore information, please contact me.

- FlexComp Program
- Employee Health & Life Insurance
- Dental
- Vision

• Retirement Programs

- Public Employees
- Highway Patrol
- National Guard/Law Enforcement
- Judges
- Prior Service
- Job Service

- Retiree Health Insurance Credit
- Deferred Compensation Program
- Long Term Care Program

# NDPERS - ESTIMATED SURPLUS PROJECTION: 2007-2009 BIENNIUM

February, 2008

The following exhibit summarizes the estimated surplus for the NDPERS group medical plan at the end of the 2007-2009 biennium. The estimate has been updated to include account activity through February, 2008.

1) Preliminary Underwriting Gain/Loss for the 2007-2009 Biennium		(\$3,823,200)
2) Wellness Program Expenses		\$0
3) Estimated Underwriting Gain/Loss for the 2007-2009 Biennium		(\$3,823,200)
4) Projected Interest Accumulation (adjusted for usage as premium)		\$0
5) Refunds and Settlements		
11/30/07 Perform Rebate	(Included as claim rebates)	\$340,034
02/29/08 Perform Rebate	(Included as claim rebates)	\$385,151
04/30/08 Perform Rebate		\$350,000
08/31/08 Perform Rebate		\$350,000
10/31/08 Perform Rebate		\$350,000
01/31/09 Perform Rebate		\$350,000
04/30/09 Perform Rebate		\$350,000
06/30/09 Perform Rebate		\$350,000
EPO Settlement Payments 7/06 - 6/07	(Included as claim rebates)	\$1,412,085
EPO Settlement Payments 7/07 - 6/08	(No target settlements)	\$0
6) Total Estimated Surplus Held by BCBS		(\$1,723,200)
7) BCBS Portion of Surplus (Half upto \$1,500,000)		\$0
8) PERS Portion of Surplus Held by BCBS		(\$1,723,200)
9) Cash Reserve Account Balance		\$0
Future Contributions:		\$0
Future Interest:		\$0
Total		\$0
10) NDPERS Wellness Accounts		
My Health Connection		\$274,786
Employer Based Wellness		\$9,008
Wellness Benefit Program		\$59,639
SubTotal		\$343,433
Total Adjusted for Usage		\$0
11) Total Estimated Funds Available to PERS on June 30, 2009		\$0

NDPERS - Projected Underwritten Experience for the 2007-2009 Biennium

February, 2008

MONTH	PREMIUM COLLECTED	PREMIUM ADJUSTMENT	TOTAL PREMIUM INCOME	ADMIN EXPENSE \$29.90/Con	NET PREMIUM	INTEREST ON CASH	CLAIMS INCURRED & PAID TO DATE	ESTIMATED IBNR CLAIMS	TOTAL INCURRED CLAIMS(1)	ESTIMATED GAIN / LOSS
Jul-07	\$13,406,857	\$0	\$13,406,857	\$725,404	\$12,681,453	\$0	\$11,141,506	\$280,000	\$11,421,506	\$1,259,947
Aug-07	\$13,465,027	\$308	\$13,465,336	\$728,334	\$12,737,002	\$8,720	\$12,052,679	\$290,000	\$12,342,679	\$403,043
Sep-07	\$13,608,834	\$6,878	\$13,615,713	\$736,018	\$12,879,695	\$32,149	\$10,835,445	\$400,000	\$11,235,445	\$1,676,399
Oct-07	\$13,577,219	\$7,321	\$13,584,540	\$734,822	\$12,849,718	\$44,159	\$12,638,527	\$550,000	\$13,188,527	(\$294,650)
Nov-07	\$13,584,631	(\$6,547)	\$13,578,084	\$735,480	\$12,842,604	\$38,392	\$12,511,975	\$1,000,000	\$13,511,975	(\$630,979)
Dec-07	\$13,568,728	\$5,601	\$13,574,329	\$734,553	\$12,839,776	\$40,841	\$11,493,040	\$1,700,000	\$13,193,040	(\$312,423)
Jan-08	\$13,582,515	\$3,071	\$13,585,586	\$735,121	\$12,850,465	\$39,733	\$9,460,935	\$4,100,000	\$13,560,935	(\$670,737)
Feb-08	\$13,622,093	\$1,733	\$13,623,826	\$737,155	\$12,886,671	\$33,024	\$3,039,806	\$9,650,000	\$12,689,806	\$229,889
Mar-08	\$13,622,093	\$0	\$13,622,093	\$734,404	\$12,887,689	\$33,806	\$0	\$0	\$12,798,388	\$123,106
Apr-08	\$13,622,093	\$0	\$13,622,093	\$734,404	\$12,887,689	\$34,231	\$0	\$0	\$12,860,428	\$61,492
May-08	\$13,622,093	\$0	\$13,622,093	\$734,404	\$12,887,689	\$34,550	\$0	\$0	\$12,922,467	(\$228)
Jun-08	\$13,622,093	\$0	\$13,622,093	\$734,404	\$12,887,689	\$34,763	\$0	\$0	\$12,984,507	(\$62,054)
Jul-08	\$13,622,093	\$0	\$13,622,093	\$734,404	\$12,887,689	\$34,870	\$0	\$0	\$13,046,546	(\$123,987)
Aug-08	\$13,622,093	\$0	\$13,622,093	\$734,404	\$12,887,689	\$34,870	\$0	\$0	\$13,108,585	(\$186,027)
Sep-08	\$13,622,093	\$0	\$13,622,093	\$734,404	\$12,887,689	\$34,763	\$0	\$0	\$13,170,625	(\$248,173)
Oct-08	\$13,622,093	\$0	\$13,622,093	\$734,404	\$12,887,689	\$34,549	\$0	\$0	\$13,232,664	(\$310,426)
Nov-08	\$13,622,093	\$0	\$13,622,093	\$734,404	\$12,887,689	\$34,228	\$0	\$0	\$13,294,704	(\$372,787)
Dec-08	\$13,622,093	\$0	\$13,622,093	\$734,404	\$12,887,689	\$33,799	\$0	\$0	\$13,356,743	(\$435,255)
Jan-09	\$13,622,093	\$0	\$13,622,093	\$734,404	\$12,887,689	\$33,263	\$0	\$0	\$13,418,783	(\$497,830)
Feb-09	\$13,622,093	\$0	\$13,622,093	\$734,404	\$12,887,689	\$32,620	\$0	\$0	\$13,480,822	(\$560,513)
Mar-09	\$13,622,093	\$0	\$13,622,093	\$734,404	\$12,887,689	\$31,868	\$0	\$0	\$13,542,861	(\$623,304)
Apr-09	\$13,622,093	\$0	\$13,622,093	\$734,404	\$12,887,689	\$31,008	\$0	\$0	\$13,604,901	(\$686,204)
May-09	\$13,622,093	\$0	\$13,622,093	\$734,404	\$12,887,689	\$30,040	\$0	\$0	\$13,666,940	(\$749,211)
Jun-09	\$13,622,093	\$0	\$13,622,093	\$734,404	\$12,887,689	\$28,963	\$0	\$0	\$13,728,980	(\$812,327)
BIENNIAL										
TOTAL	\$326,369,391	\$18,366	\$326,387,757	\$17,617,348	\$308,770,409	\$769,208	\$83,173,913	\$17,970,000	\$313,362,857	(\$3,823,239)

(1) Future Months are Estimated based on Projection from NDPERS.

# NDPERS - ESTIMATED SURPLUS PROJECTION: 2005-2007 BIENNIUM

February, 2008

The following exhibit summarizes the estimated surplus for the NDPERS group medical plan at the end of the 2005-2007 biennium. The estimate has been updated to include account activity through February, 2008.

1) Preliminary Underwriting Gain for the 2005-2007 Biennium	(\$10,861,300)
2) Cash Balance Interest Accumulation	\$1,395,833
3) Estimated Underwriting Gain for the 2005-2007 Biennium	(\$9,465,467)
5) Refunds and Settlements	
07/01/05 - 6/30/07 Perform Rebates (Included as claim rebates)	\$3,310,733
EPO Settlement Payments 7/05 - 6/06 (Included as rebates & paid)	\$1,277,000
EPO Settlement Payments 7/06 - 6/07 (Included as rebates & paid)	\$1,412,085
6) Cash Reserve Account Balance	\$15,666,912
2003-2005 Settlement Cash Out:	(\$1,439,151)
Future Interest:	\$0
Total	\$14,227,761
7) Total Estimated Surplus Held by BCBS	\$4,762,294
8) BCBS Portion of Surplus (50% upto \$1,500,000)	\$1,500,000
9) PERS Portion of Surplus Held by BCBS	\$3,262,294
10) NDPERS Wellness Accounts	
My Health Connection	\$0
Employer Based Wellness	\$0
Wellness Benefit Program	\$0
SubTotal	\$0
Total Adjusted for Usage	\$0
11) Total Estimated Funds Available to PERS on June 30, 2007	\$3,262,294

NDPERS - Projected Underwritten Experience for the 2005-2007 Biennium

February, 2008

MONTH	NET PREMIUM COLLECTED	PREMIUM ADJUSTMENT	TOTAL PREMIUM INCOME	ADMIN EXPENSE \$26.98/CON	NET PREMIUM	CLAIMS INCURRED & PAID TO DATE	ESTIMATED IBNR CLAIMS	TOTAL INCURRED CLAIMS (1)	ESTIMATED GAIN / LOSS
Jul-05	\$11,491,070	(\$2,387)	\$11,488,683	\$637,699	\$10,850,984	\$10,937,229	\$0	\$10,937,229	(\$86,245)
Aug-05	\$11,486,984	\$0	\$11,486,984	\$635,676	\$10,851,308	\$10,786,640	\$0	\$10,786,640	\$64,668
Sep-05	\$11,592,130	\$0	\$11,592,130	\$641,396	\$10,950,735	\$9,699,745	\$0	\$9,699,745	\$1,250,990
Oct-05	\$11,564,639	(\$995)	\$11,563,644	\$640,748	\$10,922,896	\$10,047,774	\$0	\$10,047,774	\$875,122
Nov-05	\$11,565,139	\$1,417	\$11,566,556	\$640,478	\$10,926,078	\$11,385,166	\$0	\$11,385,166	(\$459,088)
Dec-05	\$11,575,731	\$7,675	\$11,583,406	\$640,829	\$10,942,577	\$11,753,753	\$0	\$11,753,753	(\$811,176)
Jan-06	\$11,053,969	\$332	\$11,054,300	\$644,606	\$10,409,694	\$10,007,516	\$0	\$10,007,516	\$402,178
Feb-06	\$11,053,628	\$0	\$11,053,628	\$645,308	\$10,408,320	\$9,713,221	\$0	\$9,713,221	\$695,099
Mar-06	\$11,049,994	(\$26,775)	\$11,023,218	\$645,146	\$10,378,073	\$12,100,089	\$0	\$12,100,089	(\$1,722,016)
Apr-06	\$11,066,004	(\$36,321)	\$11,029,683	\$645,820	\$10,383,862	\$10,978,537	\$0	\$10,978,537	(\$594,675)
May-06	\$11,064,390	\$3,501	\$11,067,891	\$646,198	\$10,421,693	\$11,086,255	\$0	\$11,086,255	(\$664,562)
Jun-06	\$11,076,821	\$0	\$11,076,821	\$647,385	\$10,429,436	\$11,679,135	\$0	\$11,679,135	(\$1,249,699)
Jul-06	\$11,056,557	\$0	\$11,056,557	\$646,495	\$10,410,063	\$10,362,845	\$0	\$10,362,845	\$47,218
Aug-06	\$11,052,995	\$0	\$11,052,995	\$646,414	\$10,406,581	\$11,481,014	\$0	\$11,481,014	(\$1,074,433)
Sep-06	\$11,153,014	\$0	\$11,153,014	\$650,785	\$10,502,229	\$10,118,907	\$0	\$10,118,907	\$383,322
Oct-06	\$11,116,487	\$6,351	\$11,122,838	\$650,515	\$10,472,323	\$11,317,432	\$0	\$11,317,432	(\$845,109)
Nov-06	\$11,146,017	(\$8,222)	\$11,137,795	\$652,916	\$10,484,879	\$11,271,686	\$0	\$11,271,686	(\$786,807)
Dec-06	\$11,130,343	(\$12,813)	\$11,117,530	\$651,972	\$10,465,558	\$11,528,280	\$0	\$11,528,280	(\$1,062,722)
Jan-07	\$11,173,395	(\$5,016)	\$11,168,379	\$654,643	\$10,513,737	\$11,636,043	\$0	\$11,636,043	(\$1,122,306)
Feb-07	\$11,192,661	\$1,098	\$11,193,759	\$658,177	\$10,535,582	\$9,865,982	\$0	\$9,865,982	\$669,600
Mar-07	\$11,192,066	\$4,290	\$11,196,356	\$656,154	\$10,540,202	\$12,101,832	\$0	\$12,101,832	(\$1,561,630)
Apr-07	\$11,212,566	\$6,117	\$11,218,683	\$657,017	\$10,561,666	\$11,200,362	\$0	\$11,200,362	(\$638,696)
May-07	\$11,213,832	\$6,568	\$11,220,400	\$656,909	\$10,563,491	\$12,195,855	\$0	\$12,195,855	(\$1,632,364)
Jun-07	\$11,210,872	\$4,950	\$11,215,822	\$657,125	\$10,558,697	\$11,466,640	\$30,000	\$11,496,640	(\$937,943)
BIENNIAL									
TOTAL	\$269,491,302	(\$50,231)	\$269,441,072	\$15,550,409	\$253,890,663	\$264,721,938	\$30,000	\$264,751,938	(\$10,861,275)

(1) Future Months are Estimated based on Projection from NDPERS.



# Memo

To: NDPERS Board  
From: Bryan T. Reinhardt  
Date: 2/29/2008  
Re: 2007 BCBS Claims Review

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Each year we conduct a claims review to check the accuracy of BCBS claims processing. In February, I traveled to 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 2007. 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 BCBS claim selection process is attached.

## Review Findings:

- A Medicare high charge was not applied resulting in a member's deductible being slightly higher than it should have been.
- A provider's high charge was not applied resulting in a plan overpayment.
- Coinsurance was not applied to a claim resulting in a plan overpayment.

Mammograms are processed so the first occurrence is treated as preventative (paid 100%) and the rest are treated as medical, regardless of the diagnosis codes. The other preventative screenings are not processed in this manner. All five of the PAP screenings and four out of five of the mammograms in the review were processed at 100%. All five Fecal Occult tests, three of the five cholesterol tests, two of the five Blood Sugar tests, and three of the five PSA tests were paid at 100%. These tests are not covered in full under the wellness benefit unless there is a 'routine' or 'preventative' diagnosis. Note that if there is a 'routine' diagnosis, other tests are not covered at all. If a member does go to a doctor for an annual physical or some other service that is 'not allowed', they do not receive the benefits of any BCBS or NDPERS fee schedule or discounts. This is true even if the provider is a PPO or EPO provider. Three of the five HPV vaccine claims for Gardasil were covered. The other two were for members over age 19.

A general observation is that a lot of the claims resulted in no plan payment because the amount went toward the member's deductible and/or coinsurance.

On July 1, 2007 the NDPERS Health plan increased deductibles, office visit copayments, and brand drug copayments. BCBS appears to have the plan design changes for the current biennium in place and being properly applied.

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



# Memo

To: NDPERS Board  
 From: Bryan T. Reinhardt  
 CC: Sparb, Kathy  
 Date: 3/14/2008  
 Re: 2007 EAP Utilization

The following table shows the self-reported 2007 utilization from the NDPERS Employee Assistance Program (EAP) providers. The overall EAP utilization rate is about 9.0%. This is about the same rate as in prior years.

## NDPERS Employee Assistance Program – 2007

	NDPERS TOTAL	Medcenter One	Deer Oaks	The Village	St. Alexius
Contracts	14823	822	62	3479	10460
Cases*	1331	46	2	410	873
%	9.0%	5.6%	3.2%	11.8%	8.3%
Sessions**	2165	127	5	1160	873
%	14.6%	15.5%	8.1%	33.3%	8.3%
Case Types:					
Psychiatric	448	14	0	97	337
Family/Personal	549	23	2	136	388
Work Problems	76	2	0	25	49
Financial/Legal	83	0	0	71	12
Drugs/Alcohol	52	5	0	19	28
Other/Unknown	123	2	0	62	59

\* - Note that family members are also eligible for the EAP.

\*\* - Per Session information was not available from St. Alexius.

If you have any questions or need anymore information, please contact me.



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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** March 13, 2008  
**SUBJECT:** Fidelity Renewal

Attached is the proposed renewal for Fidelity. This is the last of their biennial renewals before a general bid is done. As you will note they are proposing to maintain the current service levels and they are offering the same pricing structure. Also attached is a letter from Shawn Cosgrove providing a further explanation of the proposed fees (not received at the time Board book was prepared, will forward).

Two years ago we were offered and accepted the following:

On Friday, May 12, 2006, I received approval from the Fidelity Investments Finance committee to reduce by 23% the annual NDPERS 457(b) Companion Plan participant recordkeeping fee from \$39 to \$30. This fee reduction is made in good faith based on your willingness to implement Deminimus cash out of terminated plan participants who have a balance below \$1,000 and pursue an automatic enrollment process, pending legislative approval.

The good news with the last renewal is rates went down for the 457 plan and rates for the 401(a) plan stayed the same at \$8.

The following is the history of the 457 participation, fees and assets:

NDPERS 457 Deferred Compensation Companion Plan

	12/31/2007	12/31/2006	12/31/2005	12/31/2004
Assets	\$24.02 Mil	\$20.91 Mil	\$16.48 Mil	\$13.50 Mil
Participants	2,019	1,555	1,130	1,076
Quarterly Fee	\$7.50	\$7.50	\$9.75	\$9.75
Total Quarterly Fee	\$15,142.50	\$11,662.50	\$11,017.50	\$10,491.00
Avg acct balance	\$11,887	\$13,505	\$14,602	\$12,546
Year End Reported Fees:	\$51,290	\$46,648	\$41,779	

Note the quarterly fee changed 3rd Quarter 2006.

As the above shows the number of members has doubled, total fees have increased about 50% and the average account value has decreased.

The question at this point is if we should renew with Fidelity? Staff notes they have been good to work with, participation in the plan has increased, we have not received any complaints from members about their service and they have maintained or reduced fees over the term of our relationship. We also note that we would have preferred further fee concessions on the 457 plan this time. Therefore we would recommend that before we renew with Fidelity we should further discuss with them the fees for the 457 plan and ask them to identify for us a plan that would provide further fee concessions. Specifically they say that because of the number of small accounts they need a higher fee for the 457 product than the 401(a) product. Given that explanation what is the average account size the 457 plan needs in order for fees to be reduced? If the average account sizes were the same in the 457 and 401(a) plan would the fees be the same? Why in the last renewal did they encourage us to submit legislation for automatic enrollment when that would have produced more small accounts? These are some of the questions that could be more fully discussed before renewing. Staff would suggest referring this to the Investment Subcommittee to review, discuss and prepare a recommendation for the board's consideration at the April meeting.

**Board Action Requested**

To determine if the Fidelity renewal should be accepted.



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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** March 13, 2008  
**SUBJECT:** Segal Information

Previously the Board had requested a more detailed gain loss analysis and funding projections that recognized the possibility of loss for this year. Attachment #1 is the gain loss analysis and Attachment #2 is the updated funding projections.

*Main System*  
*Explanation of Change in Employer Cost Rate*

	<b>Percent of Payroll</b>
<b>Employer Cost Rate as of July 1, 2006</b>	<b>6.90%</b>
<i>Retired Life Mortality</i>	(0.10)%
The release of liability due to deaths among retirees and beneficiaries was more than expected, decreasing the employer cost rate.	
<i>Active Life Mortality</i>	0.01%
The release of liability due to deaths among active members was less than expected, increasing the employer cost rate.	
<i>Disability Incidence</i>	0.00%
The net change in liability due to disability retirements was nearly equal to that expected.	
<i>Withdrawals</i>	(0.04%)
The release of liability due to withdrawals prior to retirement was more than expected, decreasing the employer cost rate.	
<i>Retirement</i>	0.11%
The actual liability due to non-disabled retirements was more than expected, increasing the employer cost rate.	
<i>Investments</i>	(1.27)%
On an actuarial value basis, the rate of return on assets was more than the assumed rate of return, decreasing the employer cost rate.	
<i>Salary Scale</i>	0.03%
Salaries increased more than expected, increasing the employer cost rate.	
<i>Contributions</i>	0.15%
Actual contributions received by the System were less than the actuarially determined amount, increasing the required contributions in future years.	

*Main System*

*Explanation of Change in Employer Cost Rate (continued)*

	<b>Percent of Payroll</b>
<i>Administrative Expenses</i>	0.01%
Actual expenses were more than expected, increasing the employer cost rate.	
<i>New and Reinstated Members</i>	0.11%
The addition of new and reinstated members increases the employer cost rate.	
<i>Part-Time Experience</i>	(0.09%)
Some continuing active members earned less than one year of service during the current year, decreasing the employer cost rate.	
<i>Change in Size and Composition of Active Membership and Miscellaneous Experience</i>	0.31%
The demographic characteristics of the active membership changed during the year, increasing the employer cost rate.	
<i>Plan Provision Changes</i>	0.00%
There were no changes in plan provisions.	
<i>Assumption Changes</i>	0.00%
There were no changes in actuarial assumptions.	
<i>Funding Schedule</i>	(0.05)%
The effect of maintaining a 20-year funding schedule results in small decrease in cost.	
<i>Employer Cost Rate as of July 1, 2007</i>	<b>6.08%</b>



# North Dakota Public Employees Retirement System

*2007 Projections*

Brad Ramirez, FSA, MAAA, EA  
Consulting Actuary  
March, 2008

4027133v3

## North Dakota Main System Projected Margins (Market Return After FY 2008 Always 8%)

If Market Return for FY 2008 Is	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012
-8%	-1.80%	-1.68%	-1.75%	-1.97%	-2.56%
-6%	-1.71%	-1.50%	-1.48%	-1.61%	-2.11%
-4%	-1.63%	-1.32%	-1.20%	-1.25%	-1.66%
-2%	-1.54%	-1.14%	-0.93%	-0.89%	-1.22%
0%	-1.45%	-0.96%	-0.66%	-0.53%	-0.77%

Note: Projection reflects only investment return effects.  
Assumes constant normal cost rate of 8.67% for Main.  
The 2007 valuation margin is -1.96%.

## North Dakota Main System Projected Funded Ratio Market Value of Assets to the Actuarial Accrued Liability (Market Return After FY 2008 Always 8%)

If Market Return for FY 2008 Is	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012
-8%	99.51%	99.56%	99.60%	99.65%	99.69%
-6%	101.69%	101.77%	101.86%	101.95%	102.04%
-4%	103.87%	103.98%	104.11%	104.24%	104.39%
-2%	106.05%	106.20%	106.36%	106.54%	106.74%
0%	108.22%	108.41%	108.61%	108.84%	109.09%

Note: Projection reflects only investment return effects.  
The 2007 funded ratio is 116.7% at Market Value.

## North Dakota Main System Projected Funded Ratio

### Actuarial Value of Assets to the Actuarial Accrued Liability (Market Return After FY 2008 Always 8%)

If Market Return for FY 2008 Is	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012
-8%	94.27%	94.96%	94.69%	93.69%	90.92%
-6%	94.70%	95.86%	96.03%	95.44%	93.07%
-4%	95.14%	96.76%	97.37%	97.19%	95.22%
-2%	95.57%	97.66%	98.71%	98.94%	97.36%
0%	96.01%	98.56%	100.04%	100.70%	99.51%

Note: Projection reflects only investment return effects.

The 2007 funded ratio is 93.3% at Actuarial Value.

## North Dakota Main System Projected Margins (Market Return After FY 2008 Always 9.3%)

If Market Return for FY 2008 Is	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012
-8%	-1.80%	-1.63%	-1.60%	-1.66%	-2.04%
-6%	-1.71%	-1.45%	-1.32%	-1.29%	-1.58%
-4%	-1.63%	-1.27%	-1.05%	-0.92%	-1.12%
-2%	-1.54%	-1.09%	-0.77%	-0.56%	-0.66%
0%	-1.45%	-0.90%	-0.50%	-0.19%	-0.20%

Note: Projection reflects only investment return effects.  
Assumes constant normal cost rate of 8.67% for Main.  
The 2007 valuation margin is -1.96%.

## North Dakota Main System Projected Funded Ratio

### Market Value of Assets to the Actuarial Accrued Liability (Market Return After FY 2008 Always 9.3%)

If Market Return for FY 2008 Is	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012
-8%	99.51%	100.77%	102.06%	103.39%	104.78%
-6%	101.69%	103.01%	104.36%	105.77%	107.25%
-4%	103.87%	105.25%	106.67%	108.16%	109.71%
-2%	106.05%	107.48%	108.98%	110.54%	112.18%
0%	108.22%	109.72%	111.29%	112.92%	114.64%

Note: Projection reflects only investment return effects.  
The 2007 funded ratio is 116.7% at Market Value.

**North Dakota Main System  
Projected Funded Ratio  
Actuarial Value of Assets to the Actuarial Accrued Liability  
(Market Return After FY 2008 Always 9.3%)**

If Market Return for FY 2008 Is	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012
-8%	94.27%	95.20%	95.44%	95.19%	93.43%
-6%	94.70%	96.11%	96.79%	96.98%	95.63%
-4%	95.14%	97.01%	98.15%	98.76%	97.83%
-2%	95.57%	97.92%	99.50%	100.55%	100.04%
0%	96.01%	98.83%	100.86%	102.33%	102.24%

Note: Projection reflects only investment return effects.  
The 2007 funded ratio is 93.3% at Actuarial Value.



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# Memorandum

**TO: NDPRS Board**

**FROM: Kathy Allen**

**DATE: March 13, 2008**

**SUBJECT: Provider Training Compliance**

At the February 21<sup>st</sup> meeting, you were notified that Chase and Symetra were out of compliance with our training requirements. Based on this noncompliance, the Board approved a recommendation to issue both providers a notice of intent to suspend participation in the deferred compensation program. On February 22, 2008 both companies were sent a notice of intent to suspend. The notice included a request that they submit by March 10, any information they would like the Board to review and further stated that no response will be interpreted by the Board as their desire to discontinue provider status in the deferred compensation plan.

As of March 10, neither company has responded to our request. Therefore, pursuant to NDCC 71-04-04-09, the Board may apply either of the following two types of suspension with respect to these two companies:

1. *Loss of active provider status. Under this type of suspension, the provider may not enroll any new participants. The provider may continue to receive contributions from existing members.*
2. *Loss of provider status. Under this type of suspension, the provider may not enroll any new participants nor receive any further contributions from existing members.*

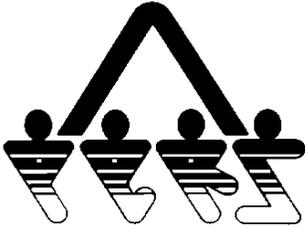
Symetra has 36 participants and assets of \$854,975.80. Chase has 296 participants and assets of \$6,692,899.92

## **Staff Recommendation:**

Staff recommends that the Board apply a 'loss of active provider status'.

## **Board Action Requested**

Approve or reject staff's recommendation.



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# Memorandum

**TO:** NDPERS Board

**FROM:** Kathy

**DATE:** March 12, 2008

**SUBJECT:** Deferred Compensation – New Provider

A new provider has met the requirements to provide services under the State's deferred compensation plan. American United Life in conjunction with OneAmerica Financial Partners, Inc. has submitted a signed Provider Administrative Agreement along with the 50 minimum required applications. They are offering a group variable product. Included is information regarding the company, list of investment options, and historical rates of return.

At this time staff is working out the details to add this provider to our database and payroll systems. The effective date of participation is expected to be May 1, 2008.



# Memo

**To:** NDPERS Board  
**From:** *BR*  
Bryan T. Reinhardt  
**Date:** 3/11/2008  
**Re:** 457 Companion Plan & 401(a) plan 4th Quarter 2007 Reports

---

Here is the 4th quarter 2007 investment report for the 401(a) & 457 Companion Plan. The reports are available separately on the NDPERS web site. The NDPERS Investment Subcommittee reviewed the 4th quarter report and has no Board action.

Assets in the 401(a) plan decreased slightly to \$18.0 million as of December 31, 2007. The number of participants is at 295, about the same as when the plan started. The largest funds are Fidelity Growth Company with 15% and the Fidelity Managed Income Portfolio with 12% of the assets.

Assets in the 457 Companion Plan increased to about \$24.0 million as of December 31, 2007. This is up from \$12.1 million on 12/31/03 (98% increase). The number of participants dropped from 1,319 after the transition to Fidelity, but is increasing and is now at 2,019. The largest funds are the Fidelity Freedom 2020 Fund and the Fidelity Diversified International Fund with 12% of the assets each.

#### Benchmarks:

Fund returns for the quarter were mostly negative. **Fidelity Equity-Income, Fidelity US Equity Index, Fidelity Dividend Growth, Dreyfus Mid Cap Index, and Fidelity Freedom Income and Freedom 2000** were the only funds that performed lower than their benchmarks for all periods (QTR, Y-T-D, 1-year, 3-year, and 5-year). Note that index funds are expected to slightly underperform their benchmarks because of fund administration fees.

#### Fund / Investment News:

Representatives from Fidelity attended the Investment Sub-Committee meeting and presented an annual plan review and a 4th Quarter market perspective. Fidelity presented information on using a brokerage link in place of the mutual fund window. Staff will work out more details with Fidelity. They also presented their new Retirement Income Advantage product that will likely roll out in September. The committee will begin studying additional investment options in the international area at the next meeting. The Investment Subcommittee marked **Dividend Growth (FDGFX), Blue Chip Growth (FBGRX), Fidelity Freedom Income (FFFAX)** and the **Fidelity Freedom 2000 Fund (FFFBX)** as underperforming for the quarter.

NDPERS  
Quarterly Investment Report  
4<sup>th</sup> Quarter  
10/1/2007 – 12/31/2007



North Dakota Public Employees Retirement System  
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# NDPERS 401(a) Defined Contribution Plan & 457 Companion Plan - Fidelity

**INITIAL OFFERING:**

Fidelity Equity-Income Mutual Shares A	Fidelity Spartan US Equity Index Fidelity Dividend Growth	Fidelity Growth Company Fidelity Blue Chip Growth	LARGE
Goldman Sachs Mid Cap Value	Dreyfus Mid Cap Index Fidelity Spartan Ext Mkt Index	Fidelity Mid Cap Stock	MEDIUM
Allianz NFJ Small Cap Value	Dreyfus Small Cap Index	MSIF Small Co Growth B	SMALL
VALUE	BLEND	GROWTH	

BALANCED FUND: Fidelity Puritan Fund  
 INCOME FUNDS: Fidelity Managed Income Portfolio  
 BOND FUNDS: PIMCO Total Return Bond Fund  
 INTERNATIONAL FUNDS: Fidelity Diversified International (Blend Bias)

LIFESTYLE FUNDS: Fidelity Freedom Income  
 Fidelity Freedom 2000  
 Fidelity Freedom 2005  
 Fidelity Freedom 2010  
 Fidelity Freedom 2015  
 Fidelity Freedom 2020  
 Fidelity Freedom 2025  
 Fidelity Freedom 2030  
 Fidelity Freedom 2035  
 Fidelity Freedom 2040, 2045 & 2050

**FUND STYLE CHANGES:**

	Mutual Shares A →		LARGE
		Fidelity Spartan Ext Mkt Index →	MEDIUM
			SMALL
VALUE	BLEND	GROWTH	

INCOME FUNDS:  
 BOND FUNDS:  
 INTERNATIONAL FUNDS: Fidelity Diversified International (Growth Bias)  
 BALANCED FUNDS:  
 LIFESTYLE FUNDS:

**CURRENT LINEUP:**

Fidelity Equity-Income	Fidelity Spartan US Equity Index Fidelity Dividend Growth Mutual Shares A	Fidelity Growth Company Fidelity Blue Chip Growth	LARGE
Goldman Sachs Mid Cap Value	Dreyfus Mid Cap Index	Fidelity Mid Cap Stock Fidelity Spartan Ext Mkt Index	MEDIUM
Allianz NFJ Small Cap Value	Dreyfus Small Cap Index	MSIF Small Co Growth B	SMALL
VALUE	BLEND	GROWTH	

BALANCED FUND: Fidelity Puritan Fund  
 INCOME FUNDS: Fidelity Managed Income Portfolio  
 BOND FUNDS: PIMCO Total Return Bond Fund  
 INTERNATIONAL FUNDS: Fidelity Diversified International (Growth Bias)

LIFESTYLE FUNDS: Fidelity Freedom Income  
 Fidelity Freedom 2000  
 Fidelity Freedom 2005  
 Fidelity Freedom 2010  
 Fidelity Freedom 2015  
 Fidelity Freedom 2020  
 Fidelity Freedom 2025  
 Fidelity Freedom 2030  
 Fidelity Freedom 2035  
 Fidelity Freedom 2040, 2045 & 2050

## NDPERS Investment Benchmarks - 4th Quarter 2007

	<u>Quarter</u>	<u>Y-T-D</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>
<u>Stable Value Fund</u>					
<b>Fidelity Managed Income Portfolio</b>	1.11%	4.37%	4.37%	4.08%	4.15%
GIC 5 Year	0.97%	3.89%	3.89%	4.03%	4.49%
<u>Fixed Income Fund</u>					
<b>PIMCO Total Return Bond Fund - PTRAX</b>	3.86%	8.81%	8.81%	5.03%	5.05%
Lehman Aggregate Bond Index	3.00%	6.97%	6.97%	4.56%	4.42%
Taxable Bond Fund Universe	1.24%	4.58%	4.58%	3.86%	5.16%
<u>Balanced Fund</u>					
<b>Fidelity Puritan - FPURX</b>	-1.14%	6.17%	6.17%	8.45%	11.24%
60% Large Cap Value Univ & 40% Taxable Bond Universe	-2.55%	2.68%	2.68%	6.52%	9.96%
60% Russell 3000 Value & 40% Lehman Agg Bond Index	-2.35%	2.18%	2.18%	7.21%	10.58%
<u>Large Cap Equities - Value</u>					
<b>Fidelity Equity-Income - FEQIX</b>	-6.12%	1.40%	1.40%	8.70%	13.19%
<b>Franklin Mutual Shares A - TESIX</b>	-2.41%	2.97%	2.97%	10.14%	13.86%
Russell 1000 Value Index	-5.80%	-0.17%	-0.17%	9.32%	14.63%
Large Cap Value Fund Universe	-5.08%	1.42%	1.42%	8.29%	13.16%
<u>Large Cap Equities - Blend</u>					
<b>Fidelity Spartan US Equity Index - FUSEX</b>	-3.36%	5.43%	5.43%	8.55%	12.72%
<b>Fidelity Dividend Growth - FDGFX &lt; Under Review 3/2007 &gt;</b>	-5.81%	1.11%	1.11%	6.27%	9.39%
S&P 500 Index	-3.33%	5.49%	5.49%	8.62%	12.83%
Large Cap Blend Fund Universe	-2.82%	6.16%	6.16%	8.71%	12.63%
<u>Large Cap Equities - Growth</u>					
<b>Fidelity Growth Company - FDGRX</b>	0.84%	19.89%	19.89%	14.24%	18.77%
Russell 3000 Growth Index	-0.88%	11.40%	11.40%	8.64%	12.42%
<b>Fidelity Blue Chip Growth - FBGRX &lt; Under Review 3/2007 &gt;</b>	-0.64%	11.83%	11.83%	7.08%	10.24%
Russell 1000 Growth Index	-0.77%	11.81%	11.81%	8.68%	12.11%
Large Cap Growth Fund Universe	-0.68%	13.35%	13.35%	9.11%	12.75%
<u>Mid Cap Equities - Value</u>					
<b>Goldman Sachs Mid Cap Value - GCMAX</b>	-3.14%	2.91%	2.91%	10.18%	16.42%
Russell Mid Cap Value	-5.97%	-1.42%	-1.42%	10.11%	17.92%
Mid Cap Value Fund Universe	-5.07%	0.83%	0.83%	8.44%	15.55%
<u>Mid Cap Equities - Blend</u>					
<b>Dreyfus Mid Cap Index - PESPX</b>	-2.77%	7.56%	7.56%	9.81%	15.68%
S&P Mid Cap 400	-2.73%	7.98%	7.98%	10.27%	16.20%
<b>Fidelity Spartan Extended Mkt Index - FSEMXX</b>	-3.23%	5.38%	5.38%	10.17%	17.62%
Wilshire 4500 Index	-3.28%	5.39%	5.39%	10.16%	17.83%
Mid Cap Blend Fund Universe	-4.14%	4.85%	4.85%	8.84%	15.64%
<u>Mid Cap Equities - Growth</u>					
<b>Fidelity Mid Cap Stock - FMCSX</b>	-5.54%	8.20%	8.20%	12.96%	15.94%
Russell Mid Cap Growth	-1.70%	11.43%	11.43%	11.39%	17.90%
Mid Cap Growth Fund Universe	-1.44%	15.09%	15.09%	11.23%	16.33%

Fund Returns in RED do not meet both benchmarks.

Fund Returns in BLACK meet both benchmarks.

## NDPERS Investment Benchmarks - 4th Quarter 2007

	<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>					
<b>Allianz NFJ Small Cap Value - PVADX</b>	<b>-3.72%</b>	<b>6.32%</b>	<b>6.32%</b>	<b>11.72%</b>	<b>17.32%</b>
Russell 2000 Value Index	-7.28%	-9.78%	-9.78%	5.27%	15.80%
Small Value Fund Universe	-6.84%	-6.08%	-6.08%	5.02%	14.58%
<u>Small Cap Equities - Blend</u>					
<b>Dreyfus Small Cap Index - DISSX</b>	<b>-6.50%</b>	<b>-0.62%</b>	<b>-0.62%</b>	<b>6.94%</b>	<b>15.54%</b>
Russell 2000 Index	-4.58%	-1.57%	-1.57%	6.80%	16.25%
S & P 600 Index	0.00%	0.00%	0.00%	0.00%	0.00%
Small Blend Fund Universe	-5.65%	-1.10%	-1.10%	6.93%	15.72%
<u>Small Cap Equities - Growth</u>					
<b>MSI Small Co Growth B - MSSMX</b>	<b>-5.01%</b>	<b>2.81%</b>	<b>2.81%</b>	<b>9.14%</b>	<b>17.30%</b>
Russell 2000 Growth Index	-2.10%	7.05%	7.05%	8.11%	16.50%
Small Growth Fund Universe	-3.61%	7.59%	7.59%	7.94%	15.63%
<u>International Equity Funds</u>					
<b>Fidelity Diversified International - FDIVX</b>	<b>-0.41%</b>	<b>16.03%</b>	<b>16.03%</b>	<b>18.56%</b>	<b>23.21%</b>
MSCI EAFE	-1.74%	11.33%	11.33%	17.01%	21.83%
International Stock Fund Universe	-1.19%	16.01%	16.01%	19.44%	23.01%
<u>Asset Allocation Funds:</u>					
<b>Fidelity Freedom Income - FFFAX</b>	<b>0.08%</b>	<b>4.83%</b>	<b>4.83%</b>	<b>4.99%</b>	<b>5.23%</b>
Income Benchmark	0.74%	5.57%	5.57%	5.37%	6.07%
<b>Fidelity Freedom 2000 - FFFBX</b>	<b>-0.08%</b>	<b>5.32%</b>	<b>5.32%</b>	<b>5.35%</b>	<b>5.95%</b>
2000 Benchmark	0.28%	5.59%	5.59%	5.87%	7.07%
<b>Fidelity Freedom 2005 - FFFVX</b>	<b>-0.58%</b>	<b>7.27%</b>	<b>7.27%</b>	<b>7.38%</b>	<b>N/A</b>
2005 Benchmark	-0.39%	6.38%	6.38%	7.65%	10.15%
<b>Fidelity Freedom 2010 - FFFCX</b>	<b>-0.59%</b>	<b>7.43%</b>	<b>7.43%</b>	<b>7.59%</b>	<b>9.36%</b>
2010 Benchmark	-0.48%	6.40%	6.40%	7.75%	10.37%
<b>Fidelity Freedom 2015 - FFFVX</b>	<b>-0.78%</b>	<b>7.82%</b>	<b>7.82%</b>	<b>8.39%</b>	<b>N/A</b>
2015 Benchmark	-0.78%	6.47%	6.47%	8.21%	11.23%
<b>Fidelity Freedom 2020 - FFFDX</b>	<b>-1.22%</b>	<b>8.54%</b>	<b>9.29%</b>	<b>12.30%</b>	<b>7.56%</b>
2020 Benchmark	-1.44%	6.49%	6.49%	8.94%	12.67%
<b>Fidelity Freedom 2025 - FFTWX</b>	<b>-1.32%</b>	<b>8.64%</b>	<b>8.64%</b>	<b>9.55%</b>	<b>N/A</b>
2025 Benchmark	-1.55%	6.52%	6.52%	9.11%	12.94%
<b>Fidelity Freedom 2030 - FFFEX</b>	<b>-1.69%</b>	<b>9.27%</b>	<b>9.27%</b>	<b>10.32%</b>	<b>13.75%</b>
2030 Benchmark	-2.22%	6.43%	6.43%	9.70%	14.07%
<b>Fidelity Freedom 2035 - FFTHX</b>	<b>-1.83%</b>	<b>9.27%</b>	<b>9.27%</b>	<b>10.40%</b>	<b>N/A</b>
2035 Benchmark	-2.24%	6.44%	6.44%	9.79%	14.22%
<b>Fidelity Freedom 2040 - FFFFX</b>	<b>-1.87%</b>	<b>9.31%</b>	<b>9.31%</b>	<b>10.60%</b>	<b>14.59%</b>
2040 Benchmark	-2.45%	6.32%	6.32%	9.90%	14.53%
<b>Fidelity Freedom 2045 - FFFGX</b>	<b>-2.03%</b>	<b>9.50%</b>	<b>9.50%</b>	<b>N/A</b>	<b>N/A</b>
2040 Benchmark	-2.61%	6.39%	6.39%	10.19%	14.98%
<b>Fidelity Freedom 2050 - FFFHX</b>	<b>-2.11%</b>	<b>9.77%</b>	<b>9.77%</b>	<b>N/A</b>	<b>N/A</b>
2040 Benchmark	-2.72%	6.42%	6.42%	10.36%	15.25%

Income Benchmark is comprised of 20% Wilshire 5000, 35% LB Agg, 5% ML HY Bond, 40% 3 Month T-Bill

2000 Benchmark is comprised of 28% Wilshire 5000, 1% MSCI EAFE, 30% LB Agg, 5% ML HY Bond, 36% 3 Month T-Bill

2005 Benchmark is comprised of 40% Wilshire 5000, 10% MSCI EAFE, 34% LB Agg, 5% ML HY Bond, 11% 3 Month T-Bill

2010 Benchmark is comprised of 42% Wilshire 5000, 10% MSCI EAFE, 34% LB Agg, 5% ML HY Bond, 9% 3 Month T-Bill

2015 Benchmark is comprised of 46% Wilshire 5000, 12% MSCI EAFE, 31% LB Agg, 6% ML HY Bond, 5% 3 Month T-Bill

2020 Benchmark is comprised of 56% Wilshire 5000, 14% MSCI EAFE, 23% LB Agg, 7% ML HY Bond

2025 Benchmark is comprised of 57% Wilshire 5000, 15% MSCI EAFE, 21% LB Agg, 7% ML HY Bond

2030 Benchmark is comprised of 67% Wilshire 5000, 16% MSCI EAFE, 10% LB Agg, 7% ML HY Bond

2035 Benchmark is comprised of 66% Wilshire 5000, 17% MSCI EAFE, 9% LB Agg, 8% ML HY Bond

2040 Benchmark is comprised of 68% Wilshire 5000, 17% MSCI EAFE, 5% LB Agg, 10% ML HY Bond

2045 Benchmark is comprised of 69% Wilshire 5000, 19% MSCI EAFE, 2% LB Agg, 10% ML HY Bond

2050 Benchmark is comprised of 70% Wilshire 5000, 20% MSCI EAFE, 0% LB Agg, 10% ML HY Bond

Wilshire 5000 Index	-3.22%	5.62%	5.62%	9.16%	14.01%
MSCI EAFE	-1.74%	11.33%	11.33%	17.01%	21.83%
Lehman Aggregate Bond Index	3.00%	6.97%	6.97%	4.56%	4.42%
ML High Yield Bond Fund Index	-1.16%	2.19%	2.19%	5.48%	10.76%
3 Month T-Bill Index	0.99%	4.74%	4.74%	4.16%	2.95%
Russell 3000 Value Index	-5.91%	-1.01%	-1.01%	8.97%	14.69%

Fund Returns in RED do not meet both benchmarks.

Fund Returns in BLACK meet both benchmarks.

## NDPERS Mutual Fund Research - 12/31/2007

### Large Value

Fund	Symbol	Assets	Inception	Manager		Expense Ratio	Stocks	Turnover	P/E	Median Mkt Cap	Morn-Star Rating	Category Rank			Average Return				Standard=S&P 500 Index			Standard Deviation	Sharpe Ratio
				Tenure	Ratio							3-Year	5-Year	3-month	1-Year	3-Year	5-Year	10-Year	R-Squared	Beta	Alpha		
Fidelity Puritan	FPURX	25.4 Billion	4/16/1947	7 Years		0.59%	3010	70%	13.7	38.0 Bil	4-Stars	31	26	-1.14	6.17	8.45	11.24	7.21	94	0.69	1.04	5.54	0.73
Fidelity Equity-Income	FEQIX	30.5 Billion	5/16/1966	14 Years		0.67%	278	24%	11.6	53.7 Bil	3-Stars	46	46	-6.12	1.40	8.70	13.19	6.70	93	1.03	0.00	8.30	0.54
Franklin Mutual Shares A	TESIX	25.3Billion	11/11/1996	Team		1.10%	301	33%	16.1	29.7 Bil	3-Stars	19	37	-2.41	2.97	10.14	13.86	8.88	75	0.77	2.32	6.92	0.82

### Large Blend

Fund	Symbol	Assets	Inception	Manager		Expense Ratio	Stocks	Turnover	P/E	Median Mkt Cap	Morn-Star Rating	Category Rank			Average Return				Standard=S&P 500 Index			Standard Deviation	Sharpe Ratio
				Tenure	Ratio							3-Year	5-Year	3-month	1-Year	3-Year	5-Year	10-Year	R-Squared	Beta	Alpha		
Fidelity Spartan US Equity Index	FUSEX	29.2 Billion	3/6/1990	Team		0.09%	503	7%	16.0	56.4 Bil	3-Stars	44	39	-3.36	5.43	8.55	12.72	5.78	100	1.00	-0.06	7.78	0.55
Fidelity Dividend Growth <Under Review>	FDGFX	14.5 Billion	4/27/1993	10 Years		0.60%	96	36%	14.8	74.5 Bil	3-Stars	87	93	-5.81	1.11	6.27	9.39	7.13	89	0.95	-1.97	7.85	0.27
Fidelity Diversified International	FDIVX	56.8 Billion	12/27/1991	6 Years		0.97%	396	59%	17.4	41.2 Bil	4-Stars	37	25	-0.41	16.03	18.56	23.21	13.39				10.73	1.25

### Large Growth

Fund	Symbol	Assets	Inception	Manager		Expense Ratio	Stocks	Turnover	P/E	Median Mkt Cap	Morn-Star Rating	Category Rank			Average Return				Standard=S&P 500 Index			Standard Deviation	Sharpe Ratio
				Tenure	Ratio							3-Year	5-Year	3-month	1-Year	3-Year	5-Year	10-Year	R-Squared	Beta	Alpha		
Fidelity Growth Company	FDGRX	37.1 Billion	1/17/1993	10 Years		0.96%	325	54%	25.3	24.2 Bil	5-Stars	5	4	0.84	19.89	14.24	18.77	9.65	72	1.29	4.21	11.84	0.82
Fidelity Blue Chip Growth <Under Review>	FBGRX	16.5 Billion	12/31/1987	1 Years		0.59%	134	87%	21.5	60.3 Bil	3-Stars	79	80	-0.64	11.83	7.08	10.24	4.28	86	1.01	-1.43	8.48	0.34

### Medium Value

Fund	Symbol	Assets	Inception	Manager		Expense Ratio	Stocks	Turnover	P/E	Median Mkt Cap	Morn-Star Rating	Category Rank			Average Return				Standard=S&P 500 Index			Standard Deviation	Sharpe Ratio
				Tenure	Ratio							3-Year	5-Year	3-month	1-Year	3-Year	5-Year	10-Year	R-Squared	Beta	Alpha		
Goldman Sachs Mid Cap Value	GCMAX	7.4 Billion	8/15/1997	Team		1.16%	117	74%	15.6	7.9 Bil	3-Stars	25	30	-3.14	2.91	10.18	16.42	10.85	75	1.09	1.23	9.73	0.61

### Medium Blend

Fund	Symbol	Assets	Inception	Manager		Expense Ratio	Stocks	Turnover	P/E	Median Mkt Cap	Morn-Star Rating	Category Rank			Average Return				Standard=S&P 500 Index			Standard Deviation	Sharpe Ratio
				Tenure	Ratio							3-Year	5-Year	3-month	1-Year	3-Year	5-Year	10-Year	R-Squared	Beta	Alpha		
Dreyfus Mid Cap Index	PESPX	2.3 Billion	6/19/1991	7 Years		0.50%	403	16%	15.5	3.6 Bil	4-Stars	36	39	-2.77	7.56	9.81	15.68	10.63	76	1.18	0.56	10.49	0.54
Fidelity Spartan Extended Mkt Index	FSEMX	3.3 Billion	11/5/1997	Team		0.09%	3489	16%	17.4	3.0 Bil	3-Stars	25	19	-3.23	5.38	10.17	17.62	7.48	77	1.24	0.68	11.01	0.55

### Medium Growth

Fund	Symbol	Assets	Inception	Manager		Expense Ratio	Stocks	Turnover	P/E	Median Mkt Cap	Morn-Star Rating	Category Rank			Average Return				Standard=S&P 500 Index			Standard Deviation	Sharpe Ratio
				Tenure	Ratio							3-Year	5-Year	3-month	1-Year	3-Year	5-Year	10-Year	R-Squared	Beta	Alpha		
Fidelity Mid-Cap Stock	FMCSX	15.1 Billion	3/29/1994	2 Years		0.82%	155	52%	20.1	7.0 Bil	4-Stars	31	58	-5.54	8.20	12.96	15.94	10.90	69	1.34	2.97	12.45	0.70

### Small Value

Fund	Symbol	Assets	Inception	Manager		Expense Ratio	Stocks	Turnover	P/E	Median Mkt Cap	Morn-Star Rating	Category Rank			Average Return				Standard=S&P 500 Index			Standard Deviation	Sharpe Ratio
				Tenure	Ratio							3-Year	5-Year	3-month	1-Year	3-Year	5-Year	10-Year	R-Squared	Beta	Alpha		
Allianz NFJ Small Cap Value Admin	PVADX	4.3 Billion	11/1/1995	Team		1.07%	123	27%	15.0	2.0 Bil	5-Stars	2	8	-3.72	6.32	11.72	17.32	10.78	67	1.11	2.60	10.58	0.70

### Small Blend

Fund	Symbol	Assets	Inception	Manager		Expense Ratio	Stocks	Turnover	P/E	Median Mkt Cap	Morn-Star Rating	Category Rank			Average Return				Standard=S&P 500 Index			Standard Deviation	Sharpe Ratio
				Tenure	Ratio							3-Year	5-Year	3-month	1-Year	3-Year	5-Year	10-Year	R-Squared	Beta	Alpha		
Dreyfus Small Cap Index	DISSX	956 Million	6/30/1997	7 Years		0.50%	602	25%	18.0	1.2 Bil	3-Stars	36	35	-6.50	-0.62	6.94	15.54	8.61	71	1.34	-2.60	12.36	0.26

### Small Growth

Fund	Symbol	Assets	Inception	Manager		Expense Ratio	Stocks	Turnover	P/E	Median Mkt Cap	Morn-Star Rating	Category Rank			Average Return				Standard=S&P 500 Index			Standard Deviation	Sharpe Ratio
				Tenure	Ratio							3-Year	5-Year	3-month	1-Year	3-Year	5-Year	10-Year	R-Squared	Beta	Alpha		
Morgan Stanley Small Cap Growth B	MSSMX	1.8 Billion	1/2/1996	Team		1.26%	66	76%	20.4	1.5 Bil	4-Stars	45	29	-5.01	2.81	9.14	17.30	13.33	67	1.41	-0.71	13.32	0.40

## Lifestyle / Others

Fund	Symbol	Assets	Inception	Manager Tenure	Expense Ratio	Holdings	Turnover	P/E	Median Mkt Cap	Morn-Star Rating	Category Rank			Average Return				Standard=S&P 500 Index			Standard Deviation	Sharpe Ratio
											3 - Year	5 - Year	3-month	1-Year	3-Year	5-Year	10-Year	R-Squared	Beta	Alpha		
Fidelity Managed Income Portfolio		8.1 Billion	9/7/1989	15 Years	0.55%								1.11	4.37	4.08	4.15	4.92	N/A	N/A	N/A		
PIMCO Total Return Bond Fund	PTRAX	112.7 Billion	9/8/1994	20 Years	0.68%	15208	257%			5-Stars	3	10	3.86	8.81	5.03	5.05	6.46	N/A	N/A	N/A	3.25	0.20
Fidelity Freedom Income	FFFAX	2.6 Billion	10/17/1996	10 Years	0.55%	21	26%	16.2	42.7 Bil	3-Stars	66	95	0.08	4.83	4.99	5.23	5.23	N/A	N/A	N/A	2.23	0.28
Fidelity Freedom 2000	FFFBX	1.8 Billion	10/17/1996	10 Years	0.57%	26	34%	16.2	37.7 Bil	4-Stars	59	85	-0.08	5.32	5.35	5.95	5.82	N/A	N/A	N/A	2.64	0.37
Fidelity Freedom 2005	FFVFX	1.1 Billion	11/6/2003	10 Years	0.68%	26	12%	16.7	35.1 Bil	4-Stars	10	N/A	-0.58	7.27	7.38	N/A	N/A	N/A	N/A	N/A	4.59	0.65
Fidelity Freedom 2010	FFFCX	14.7 Billion	10/17/1996	10 Years	0.68%	26	12%	16.3	35.1 Bil	5-Stars	7	15	-0.59	7.43	7.59	9.36	7.14	N/A	N/A	N/A	4.80	0.66
Fidelity Freedom 2015	FFVFX	7.0 Billion	11/6/2003	10 Years	0.72%	26	4%	16.7	35.1 Bil	3-Stars	29	N/A	-0.78	7.82	8.39	N/A	N/A	N/A	N/A	N/A	5.52	0.72
Fidelity Freedom 2020	FFFDX	21.3 Billion	10/17/1996	10 Years	0.76%	26	7%	16.3	25.4 Bil	4-Stars	11	5	-1.22	8.54	9.29	12.30	7.56	N/A	N/A	N/A	6.61	0.73
Fidelity Freedom 2025	FFTWX	6.4 Billion	11/6/2003	10 Years	0.78%	23	3%	16.0	35.1 Bil	5-Stars	4	N/A	-1.32	8.64	9.55	N/A	N/A	N/A	N/A	N/A	6.93	0.74
Fidelity Freedom 2030	FFFEX	14.4 Billion	10/17/1996	10 Years	0.80%	23	6%	16.2	25.2 Bil	4-Stars	12	14	-1.69	9.27	10.32	13.75	7.55	N/A	N/A	N/A	7.77	0.76
Fidelity Freedom 2035	FFTHX	3.8 Billion	11/6/2003	10 Years	0.81%	23	3%	16.6	35.1 Bil	4-Stars	11	N/A	-1.83	9.27	10.40	N/A	N/A	N/A	N/A	N/A	7.88	0.76
Fidelity Freedom 2040	FFFFX	7.4 Billion	9/6/2000	10 Years	0.82%	23	4%	16.3	26.8 Bil	4-Stars	8	6	-1.87	9.31	10.60	14.59	N/A	N/A	N/A	N/A	8.15	0.76
Fidelity Freedom 2045	FFFGX	0.5 Billion	9/6/2006	10 Years	0.83%	23	4%	16.4	26.8 Bil	N/A	N/A	N/A	-2.03	9.50	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fidelity Freedom 2050	FFFHX	0.5 Billion	9/6/2006	10 Years	0.84%	23	4%	16.4	26.8 Bil	N/A	N/A	N/A	-2.11	9.77	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

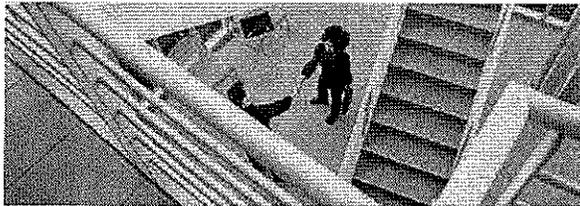
**R-squared** - This compares a fund's performance to a given index. If R-squared is 100, the fund moves in lockstep with the index to which it is being compared. Generally, a higher R-squared will indicate a more useful beta figure. If the R-squared is lower, then the beta is less relevant to the fund's performance.

**Beta** - This compares a fund's volatility to a given index. If beta is greater than 1, the fund is more volatile than the index to which it is being compared. If beta is lower than 1, the fund is less volatile than the index. If a fund's R-squared is low, beta is less reliable as a predictor of volatility.

**Alpha** - This is a measure of risk-adjusted performance. The higher a fund's alpha, the better it has done. A fund's alpha is only reliable when its R-squared is relatively high.

**Standard Deviation** - The higher this number is, the more volatile the fund's returns have been. It indicates how much the fund has deviated from its mean total return over the past three years.

**Sharpe Ratio** - This measure combines standard deviation and mean total return to show a risk-adjusted measure of the fund's performance. The higher this number is, the better. As a rule of thumb, a Sharpe ratio of more than 1.00 is very good.



# FIDELITY® PERFORMANCE UPDATE



Understanding investment performance: As you review this update, please remember that the performance data stated represents past performance, which does not guarantee future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your shares. Current performance may be higher or lower than the performance stated. To learn more or to obtain the most recent month-end performance, call Fidelity or visit [www.401k.com](http://www.401k.com) (log in, choose plan, select "Investment Choices & Research", and then pick investment option.).

Fund No.	Fund Name	Cumulative Total Returns % Periods Ending December 31, 2007			Average Annual Total Returns % Periods Ending December 31, 2007					Date of Inception	Short-term Trading Fee (% / days)	Gross Expense Ratio
		1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	LOF			
<b>LIFECYCLE FUNDS +</b>												
369	Fidelity Freedom Income Fund®	0.17	0.08	4.83	4.83	4.99	5.23	5.23	5.79	10/17/1996	N/A	0.55
370	Fidelity Freedom 2000 Fund®	0.08	-0.08	5.32	5.32	5.35	5.95	5.82	6.74	10/17/1996	N/A	0.57
1312	Fidelity Freedom 2005 Fund®	-0.17	-0.58	7.27	7.27	7.38	N/A	N/A	7.76	11/06/2003	N/A	0.68
371	Fidelity Freedom 2010 Fund®	-0.14	-0.59	7.43	7.43	7.59	9.36	7.14	8.32	10/17/1996	N/A	0.68
1313	Fidelity Freedom 2015 Fund®	-0.24	-0.78	7.82	7.82	8.39	N/A	N/A	9.04	11/06/2003	N/A	0.72
372	Fidelity Freedom 2020 Fund®	-0.25	-1.22	8.54	8.54	9.29	12.30	7.56	8.88	10/17/1996	N/A	0.76
1314	Fidelity Freedom 2025 Fund®	-0.30	-1.32	8.64	8.64	9.55	N/A	N/A	10.41	11/06/2003	N/A	0.78
373	Fidelity Freedom 2030 Fund®	-0.36	-1.69	9.27	9.27	10.32	13.75	7.55	8.89	10/17/1996	N/A	0.80
1315	Fidelity Freedom 2035 Fund®	-0.44	-1.83	9.27	9.27	10.40	N/A	N/A	11.37	11/06/2003	N/A	0.81
718	Fidelity Freedom 2040 Fund®	-0.41	-1.87	9.31	9.31	10.60	14.59	N/A	2.63	09/06/2000	N/A	0.82
1617	Fidelity Freedom 2045 Fund®	-0.44	-2.03	9.50	9.50	N/A	N/A	N/A	11.81	06/01/2006	N/A	0.83
1618	Fidelity Freedom 2050 Fund®	-0.52	-2.11	9.77	9.77	N/A	N/A	N/A	11.99	06/01/2006	N/A	0.84
<b>ASSET ALLOCATION FUNDS</b>												
328	Fidelity Asset Manager® 20%	0.01	0.03	4.77	4.77	6.09	7.77	5.88	7.26	10/01/1992	N/A	0.57
314	Fidelity Asset Manager® 50%	-0.33	-1.20	6.33	6.33	6.49	8.32	5.93	9.55	12/28/1988	N/A	0.71
321	Fidelity Asset Manager® 70%	-0.52	-2.03	7.20	7.20	7.06	9.68	5.09	9.23	12/30/1991	N/A	0.80
347	Fidelity Asset Manager® 85%	-0.69	-2.70	7.94	7.94	9.20	16.54	N/A	6.11	09/24/1999	N/A	0.90
<b>MONEY MARKET FUNDS</b>												
55	Fidelity Cash Reserves	0.40	1.22	5.06	5.06	4.24	2.92	3.67	6.36	05/10/1979	N/A	0.45
	7-Day Yield* % as of 12/31/2007: 5.06											
631	Fidelity Retirement Government Money Market Portfolio	0.37	1.14	4.93	4.93	4.18	2.87	3.62	4.52	12/16/1988	N/A	0.42
	7-Day Yield* % as of 12/31/2007: 4.74											
630	Fidelity Retirement Money Market Portfolio	0.41	1.23	5.12	5.12	4.29	2.96	3.70	4.61	12/02/1988	N/A	0.42
	7-Day Yield* % as of 12/31/2007: 5.17											
50	Fidelity U.S. Government Reserves	0.38	1.15	4.97	4.97	4.22	2.92	3.65	5.45	11/03/1981	N/A	0.38
	7-Day Yield* % as of 12/31/2007: 4.77											
<i>An investment in a money market fund is not insured or guaranteed by the FDIC or any other government agency. Although money market funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in these funds.</i>												
<b>MANAGED INCOME PORTFOLIOS ▼</b>												
632	Managed Income Portfolio	0.37	1.11	4.37	4.37	4.08	4.15	4.92	5.66	09/07/1989	N/A	N/A
	7-Day Yield* % as of 12/31/2007: 4.38											
633	Managed Income Portfolio II - Class 1	0.38	1.14	4.42	4.42	4.07	4.07	4.91	5.26	04/20/1993	N/A	N/A
	7-Day Yield* % as of 12/31/2007: 4.49											
768	Managed Income Portfolio II - Class 2	-0.39	1.16	4.52	4.52	4.17	4.17	5.01	5.36	04/20/1993	N/A	N/A
	7-Day Yield* % as of 12/31/2007: 4.60											
769	Managed Income Portfolio II - Class 3	0.40	1.20	4.68	4.68	4.32	4.32	5.14	5.48	04/20/1993	N/A	N/A
	7-Day Yield* % as of 12/31/2007: 4.71											

\* The current 7-day yield reflects the current earnings of the fund, while the total return refers to a specific past holding period.

30-day yield as of 12/31/07 for Managed Income Portfolio is 4.38%.

30-day yields as of 12/31/07 for Managed Income Portfolio II Class 1, Class 2 and Class 3 are 4.49%, 4.60% and 4.75%, respectively.

Fund No.	Name	Cumulative Total Returns %			Average Annual Total Returns %					Date of Inception	Short-term Trading Fee (% / days)	Gross Expense Ratio
		Periods Ending December 31, 2007			Periods Ending December 31, 2007							
		1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	LOF			
<b>BOND FUNDS</b>												
15	Fidelity Ginnie Mae Fund	-0.05	3.12	6.76	6.76	4.51	3.98	5.38	7.15	11/08/1985	N/A	0.45
54	Fidelity Government Income Fund	0.18	3.42	7.91	7.91	4.59	3.92	5.54	8.29	04/04/1979	N/A	0.45
662	Fidelity Institutional Short-Intermediate Government Fund	0.40	2.53	7.16	7.16	4.06	3.04	4.92	6.12	11/10/1986	N/A	0.45
32	Fidelity Intermediate Bond Fund	0.24	1.33	3.96	3.96	3.32	3.62	5.37	8.24	05/23/1975	N/A	0.45
452	Fidelity Intermediate Government Income Fund	0.47	3.21	7.91	7.91	4.30	3.44	5.33	6.32	05/02/1988	N/A	0.45
26	Fidelity Investment Grade Bond Fund	0.10	0.93	2.59	2.59	3.38	3.87	5.45	7.65	08/06/1971	N/A	0.45
40	Fidelity Mortgage Securities FundΔ	-0.14	-0.47	-0.39	-0.39	2.29	2.97	5.01	7.46	12/31/1984	N/A	0.45
450	Fidelity Short-Term Bond Fund	0.17	0.05	1.65	1.65	2.79	2.76	4.52	5.59	09/15/1986	N/A	0.45
368	Fidelity Strategic Income Fund❖	0.20	1.31	5.44	5.44	5.55	8.83	N/A	7.27	05/01/1998	N/A	0.75
820	Fidelity Total Bond Fund	0.29	1.64	4.16	4.16	3.91	4.61	N/A	5.09	10/15/2002	N/A	0.45
651	Fidelity U.S. Bond Index Fund*	0.19	2.21	5.40	5.40	3.99	4.25	5.83	7.27	03/08/1990	N/A	0.50
812	Fidelity Ultra-Short Bond Fund	0.44	-4.13	-5.09	-5.09	0.83	1.13	N/A	1.24	08/29/2002	0.25/60	0.45
1564	Spartan® Intermediate Treasury Bond Index Fund - Adv	0.16	4.77	10.20	10.20	N/A	N/A	N/A	6.57	12/20/2005	N/A	0.10
1561	Spartan® Intermediate Treasury Bond Index Fund - Inv	0.15	4.75	10.09	10.09	N/A	N/A	N/A	6.46	12/20/2005	N/A	0.20
1565	Spartan® Long Term Treasury Bond Index Fund - Adv	-0.40	5.58	9.65	9.65	N/A	N/A	N/A	6.19	12/20/2005	N/A	0.10
1562	Spartan® Long Term Treasury Bond Index Fund - Inv	-0.41	5.55	9.54	9.54	N/A	N/A	N/A	6.09	12/20/2005	N/A	0.20
1563	Spartan® Short-Term Treasury Bond Index Fund - Adv	0.28	2.94	8.10	8.10	N/A	N/A	N/A	5.87	12/20/2005	N/A	0.10
1560	Spartan® Short-Term Treasury Bond Index Fund - Inv	0.17	2.82	7.89	7.89	N/A	N/A	N/A	5.71	12/20/2005	N/A	0.20
<b>HIGH YIELD†</b>												
38	Fidelity Capital & Income Fund	0.12	-1.14	3.82	3.82	7.22	14.06	7.02	10.41	11/01/1977	1.00/90	0.76
814	Fidelity Floating Rate High Income Fund	0.44	-0.03	2.67	2.67	4.41	4.83	N/A	4.42	08/16/2000	1.00/60	0.71
1366	Fidelity Focused High Income Fund*	0.73	0.48	3.09	3.09	4.77	N/A	N/A	5.53	09/08/2004	1.00/90	1.00
455	Fidelity High Income Fund	0.65	-0.79	2.36	2.36	5.45	10.40	4.35	9.59	08/29/1990	1.00/90	0.75
<b>INFLATION-PROTECTEDΩ</b>												
794	Fidelity Inflation-Protected Bond Fund	-0.20	3.92	9.07	9.07	3.75	5.43	N/A	6.37	06/26/2002	N/A	0.45
<b>INTERNATIONAL/GLOBAL❖</b>												
331	Fidelity New Markets Income Fund	0.68	2.09	5.71	5.71	9.53	14.15	10.95	12.83	05/04/1993	1.00/90	0.91
<b>BALANCED/HYBRID FUNDS</b>												
304	Fidelity Balanced Fund†	0.15	-1.49	8.99	8.99	10.43	13.89	9.47	10.62	11/06/1986	N/A	0.61
1960	Fidelity Dynamic Strategies Fund	-0.01	N/A	N/A	N/A	N/A	N/A	N/A	N/A	10/31/2007	N/A	N/A
4	Fidelity Puritan® Fund†	0.10	-1.14	6.17	6.17	8.45	11.24	7.21	11.65	04/16/1947	N/A	0.60
1329	Fidelity Strategic Dividend & Income® Fund	-0.90	-4.88	3.14	3.14	8.87	N/A	N/A	10.51	12/23/2003	N/A	0.80
1505	Fidelity Strategic Real Return Fund	0.77	0.29	3.76	3.76	N/A	N/A	N/A	4.30	09/07/2005	0.75/60	0.74
<b>CONVERTIBLES</b>												
308	Fidelity Convertible Securities Fund	1.22	-1.34	16.24	16.24	12.34	14.93	12.04	12.98	01/05/1987	N/A	0.83
<b>INTERNATIONAL/GLOBAL❖</b>												
334	Fidelity Global Balanced Fund	-0.13	1.14	13.77	13.77	12.13	15.80	9.35	9.77	02/01/1993	1.00/30	1.14
<b>DOMESTIC EQUITY FUNDS</b>												
<b>LARGE VALUE</b>												
23	Fidelity Equity-Income Fund	-0.92	-6.12	1.40	1.40	8.70	13.19	6.70	12.86	05/16/1966	N/A	0.68
319	Fidelity Equity-Income II Fund	-0.68	-4.12	4.47	4.47	7.52	12.61	6.97	13.01	08/21/1990	N/A	0.67
1828	Fidelity Large Cap Value Enhanced Index Fund	-1.03	-5.43	N/A	N/A	N/A	N/A	N/A	N/A	04/19/2007	N/A	0.45
708	Fidelity Large Cap Value Fund	-0.36	-3.94	3.74	3.74	10.55	14.91	N/A	9.11	11/15/2001	N/A	0.90
<b>LARGE BLEND</b>												
1271	Fidelity Blue Chip Value Fund	-0.12	-4.68	4.36	4.36	9.83	N/A	N/A	12.33	06/17/2003	N/A	0.87
315	Fidelity Disciplined Equity Fund	0.49	0.30	10.84	10.84	11.88	14.82	7.21	12.76	12/28/1988	N/A	0.91
330	Fidelity Dividend Growth Fund	-1.73	-5.81	1.11	1.11	6.27	9.39	7.13	12.69	04/27/1993	N/A	0.61
333	Fidelity Focused Stock Fund*	2.09	0.34	17.03	17.03	13.30	15.65	4.95	6.30	11/12/1996	N/A	1.20
355	Fidelity Four-in-One Index Fund*	-0.84	-2.39	6.16	6.16	9.27	13.46	N/A	4.60	06/29/1999	N/A	0.23

Fund No.	Fund Name	Cumulative Total Returns %			Average Annual Total Returns %					Date of Inception	Short-term Trading Fee (% / days)	Gross Expense Ratio
		1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	LOF			
<b>LARGE BLEND continued</b>												
3	Fidelity Fund	0.40	2.51	16.81	16.81	12.60	14.40	6.96	10.53	04/30/1930	N/A	0.57
27	Fidelity Growth & Income Portfolio	-1.27	-5.28	0.74	0.74	4.64	8.41	4.44	12.51	12/30/1985	N/A	0.68
1827	Fidelity Large Cap Core Enhanced Index Fund	-0.34	-2.06	N/A	N/A	N/A	N/A	N/A	N/A	04/19/2007	N/A	0.45
361	Fidelity Mega Cap Stock Fund <sup>1</sup>	-0.76	-1.84	11.05	11.05	10.44	11.89	N/A	3.69	12/28/1998	N/A	0.81
832	Fidelity Value Discovery Fund	0.29	-3.21	9.71	9.71	14.61	17.45	N/A	16.94	12/10/2002	N/A	0.87
1519	Spartan® 500 Index Fund - Adv	-0.70	-3.35	5.46	5.46	8.58	12.74	5.79	10.71	03/06/1990	N/A	0.07
317	Spartan® 500 Index Fund - Inv	-0.70	-3.35	5.43	5.43	8.55	12.72	5.78	10.71	03/06/1990	N/A	0.10
1520	Spartan® Total Market Index Fund - Adv	-0.60	-3.23	5.60	5.60	9.17	13.87	6.27	6.50	11/05/1997	0.50/90	0.07
397	Spartan® Total Market Index Fund - Inv	-0.59	-3.25	5.57	5.57	9.14	13.85	6.26	6.49	11/05/1997	0.50/90	0.10
1523	Spartan® U.S. Equity Index Fund - Adv	-0.70	-3.35	5.46	5.46	8.58	12.74	5.78	11.36	02/17/1988	N/A	0.07
650	Spartan® U.S. Equity Index Fund - Inv	-0.71	-3.36	5.43	5.43	8.55	12.72	5.78	11.36	02/17/1988	N/A	0.10
782	U.S. Equity Index Commingled Pool	-0.71	-3.35	5.44	5.44	8.56	12.76	5.87	10.28	12/31/1992	N/A	0.10
<b>LARGE GROWTH</b>												
312	Fidelity Blue Chip Growth Fund	0.50	-0.64	11.83	11.83	7.08	10.24	4.28	11.97	12/31/1987	N/A	0.60
307	Fidelity Capital Appreciation Fund	-4.67	-5.73	6.86	6.86	8.76	16.77	8.24	12.12	11/26/1986	N/A	0.83
22	Fidelity Contrafund®	0.37	2.53	19.78	19.78	15.80	17.99	10.72	13.47	05/17/1967	N/A	0.90
332	Fidelity Export and Multinational Fund	0.80	0.35	15.29	15.29	12.95	16.77	12.10	16.17	10/04/1994	0.75/30	0.82
500	Fidelity Fifty®	-0.72	-4.64	12.63	12.63	11.58	12.44	9.77	12.33	09/17/1993	N/A	0.84
25	Fidelity Growth Company Fund	-0.15	0.84	19.89	19.89	14.24	18.77	9.65	14.45	01/17/1983	N/A	0.97
339	Fidelity Growth Discovery Fund	0.56	2.78	26.84	26.84	13.86	14.38	N/A	8.24	03/31/1998	N/A	0.81
73	Fidelity Independence Fund	3.07	4.47	29.54	29.54	17.15	17.29	10.70	13.78	03/25/1983	N/A	0.87
1829	Fidelity Large Cap Growth Enhanced Index Fund	-0.86	-1.90	N/A	N/A	N/A	N/A	N/A	N/A	04/19/2007	N/A	0.45
763	Fidelity Large Cap Growth Fund	-0.11	-1.12	2.06	2.06	6.83	11.93	N/A	3.72	11/15/2001	N/A	1.10
338	Fidelity Large Cap Stock Fund	0.42	-1.48	13.09	13.09	11.15	12.82	5.80	9.02	06/22/1995	N/A	0.82
21	Fidelity Magellan® Fund	0.35	1.68	18.83	18.83	10.68	12.71	6.31	18.42	05/02/1963	N/A	0.54
1282	Fidelity Nasdaq Composite® Index Fund	-0.28	-1.70	10.50	10.50	7.40	N/A	N/A	9.65	09/25/2003	0.75/90	0.58
93	Fidelity OTC Portfolio	0.38	2.05	26.14	26.14	14.57	17.17	8.59	14.51	12/31/1984	N/A	0.96
320	Fidelity Stock Selector	-0.16	-1.24	11.79	11.79	11.29	14.04	5.76	12.63	09/28/1990	N/A	0.87
5	Fidelity Trend Fund	1.17	3.17	18.87	18.87	13.04	15.33	6.63	12.34	06/16/1958	N/A	0.81
<b>MID VALUE</b>												
762	Fidelity Mid Cap Value Fund	-0.10	-4.21	2.66	2.66	10.14	16.80	N/A	11.91	11/15/2001	0.75/30	0.84
39	Fidelity Value Fund	-1.75	-6.78	2.21	2.21	10.36	16.98	10.12	14.01	12/01/1978	N/A	0.70
<b>MID BLEND</b>												
122	Fidelity Leveraged Company Stock Fund	1.44	-2.20	17.90	17.90	17.65	31.81	N/A	22.05	12/19/2000	1.50/90	0.83
316	Fidelity Low-Priced Stock Fund	0.53	-2.94	3.16	3.16	9.70	17.84	12.99	16.63	12/27/1989	1.50/90	0.97
14	Fidelity Value Strategies Fund	-0.54	-5.81	5.61	5.61	7.99	18.43	10.17	13.57	12/31/1983	N/A	0.93
1521	Spartan® Extended Market Index Fund - Adv	-0.40	-3.21	5.41	5.41	10.20	17.64	7.49	7.48	11/05/1997	0.75/90	0.07
398	Spartan® Extended Market Index Fund - Inv	-0.42	-3.23	5.38	5.38	10.17	17.62	7.48	7.47	11/05/1997	0.75/90	0.10
<b>MID GROWTH</b>												
324	Fidelity Aggressive Growth Fund	1.19	-2.75	18.78	18.78	11.53	15.53	3.07	10.59	12/28/1990	1.50/90	0.77
793	Fidelity Mid Cap Growth Fund	-0.34	-1.64	2.44	2.44	7.89	15.46	N/A	6.91	11/15/2001	0.75/30	1.02
337	Fidelity Mid-Cap Stock Fund	0.59	-5.54	8.20	8.20	12.96	15.94	10.90	14.08	03/29/1994	0.75/30	0.83
300	Fidelity New Millennium Fund	0.42	0.93	16.48	16.48	13.34	15.83	13.10	16.68	12/28/1992	N/A	0.93
<b>SMALL BLEND</b>												
384	Fidelity Small Cap Retirement Fund	2.80	-3.73	-2.65	-2.65	5.17	12.46	N/A	9.22	09/26/2000	1.50/90	1.04
340	Fidelity Small Cap Stock Fund	0.30	-3.30	7.70	7.70	9.37	16.80	N/A	10.98	03/12/1998	2.00/90	0.96
1389	Fidelity Small Cap Value Fund	-0.25	-3.26	1.10	1.10	11.20	N/A	N/A	14.53	11/03/2004	1.50/90	1.11
<b>SMALL GROWTH</b>												
1388	Fidelity Small Cap Growth Fund	0.89	0.64	16.81	16.81	14.76	N/A	N/A	18.82	11/03/2004	1.50/90	1.10
336	Fidelity Small Cap Independence Fund	-0.63	-3.97	7.30	7.30	10.91	16.18	7.13	9.70	06/28/1993	1.50/90	1.01

Fund No.	Name	Cumulative Total Returns %			Average Annual Total Returns %					Date of Inception	Short-term Trading Fee (% / days)	Gross Expense Ratio
		1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	LOF			
<b>INTERNATIONAL/GLOBAL FUNDS</b>												
335	Fidelity Aggressive International Fund	-2.28	-5.68	5.20	5.20	11.42	16.83	8.02	8.28	11/01/1994	1.00/30	0.85
309	Fidelity Canada Fund	2.80	1.78	35.02	35.02	25.71	30.18	15.82	13.34	11/17/1987	1.50/90	0.96
352	Fidelity China Region Fund	-2.49	-2.31	46.26	46.26	29.48	28.64	14.47	12.84	11/01/1995	1.50/90	1.08
325	Fidelity Diversified International Fund	-1.26	-0.41	16.03	16.03	18.56	23.21	13.39	12.68	12/27/1991	1.00/30	0.93
341	Fidelity Europe Capital Appreciation Fund	-0.48	0.25	14.76	14.76	21.78	23.54	11.67	13.39	12/21/1993	1.00/30	1.05
301	Fidelity Europe Fund	-0.80	2.85	16.41	16.41	19.86	26.68	10.28	11.99	10/01/1986	1.00/30	1.06
305	Fidelity International Discovery Fund	-1.15	0.62	18.98	18.98	20.56	24.49	12.45	10.64	12/31/1986	1.00/30	1.04
818	Fidelity International Small Cap Fund	-2.78	-3.84	13.21	13.21	18.74	31.32	N/A	30.75	09/18/2002	2.00/90	1.19
1504	Fidelity International Small Cap Opportunities Fund	-4.66	-9.54	2.95	2.95	N/A	N/A	N/A	22.31	08/02/2005	2.00/90	1.30
1597	Fidelity International Value Fund	-2.56	-3.34	9.50	9.50	N/A	N/A	N/A	13.50	05/18/2006	1.00/30	1.03
350	Fidelity Japan Fund	-5.66	-7.03	-2.68	-2.68	9.67	14.92	8.07	5.76	09/15/1992	1.50/90	1.08
360	Fidelity Japan Smaller Companies Fund	-7.52	-8.87	-12.35	-12.35	-0.94	13.85	13.02	5.36	11/01/1995	1.50/90	1.02
349	Fidelity Latin America Fund	0.88	5.03	43.71	43.71	47.64	49.74	16.00	15.16	04/19/1993	1.50/90	1.00
342	Fidelity Nordic Fund	-0.89	-2.77	23.22	23.22	25.90	29.75	15.15	16.49	11/01/1995	1.50/90	1.06
94	Fidelity Overseas Fund	-1.42	0.36	21.82	21.82	20.53	23.46	9.27	13.79	12/04/1984	1.00/30	0.95
302	Fidelity Pacific Basin Fund	-1.19	0.35	25.23	25.23	24.46	24.99	13.22	8.30	10/01/1986	1.50/90	1.19
351	Fidelity Southeast Asia Fund	-2.21	-2.01	55.39	55.39	41.74	37.57	18.11	11.78	04/19/1993	1.50/90	1.09
1978	Fidelity Total International Equity Fund	-1.72	N/A	N/A	N/A	N/A	N/A	N/A	N/A	11/01/2007	1.00/30	N/A
318	Fidelity Worldwide Fund	0.12	0.71	18.49	18.49	16.47	19.67	9.20	9.48	05/30/1990	1.00/30	1.04
1522	Spartan® International Index Fund - Adv	-2.59	-2.23	10.75	10.75	16.71	21.39	8.70	8.53	11/05/1997	1.00/90	0.17
399	Spartan® International Index Fund - Inv	-2.59	-2.23	10.72	10.72	16.68	21.37	8.69	8.52	11/05/1997	1.00/90	0.20
<b>EMERGING MARKETS</b>												
322	Fidelity Emerging Markets Fund	1.03	6.56	45.06	45.06	40.81	38.56	14.56	8.67	11/01/1990	1.50/90	1.05
<b>SPECIALTY FUNDS</b>												
1368	Fidelity International Real Estate Fund	-5.94	-10.21	-8.25	-8.25	14.64	N/A	N/A	19.16	09/08/2004	1.50/90	1.07
833	Fidelity Real Estate Income Fund	-0.75	-2.68	-6.45	-6.45	3.17	N/A	N/A	7.81	02/04/2003	0.75/90	0.88
303	Fidelity Real Estate Investment Portfolio	-7.00	-15.19	-21.34	-21.34	6.27	16.59	10.20	11.37	11/17/1986	0.75/90	0.83
34	Fidelity Select Air Transportation Portfolio	-8.49	-12.59	-1.92	-1.92	13.56	17.82	11.03	11.16	12/16/1985	0.75/30	1.00
502	Fidelity Select Automotive Portfolio	-5.98	-12.54	0.01	0.01	3.65	11.35	5.17	9.47	06/30/1986	0.75/30	1.42
507	Fidelity Select Banking Portfolio	-6.25	-16.03	-21.18	-21.18	-3.79	5.64	3.79	12.29	06/30/1986	0.75/30	0.93
42	Fidelity Select Biotechnology Portfolio	-6.74	-5.18	2.65	2.65	4.97	11.48	8.93	12.56	12/16/1985	0.75/30	0.93
68	Fidelity Select Brokerage & Investment Management	-1.05	0.29	-0.15	-0.15	16.29	19.38	12.42	13.92	07/29/1985	0.75/30	0.90
69	Fidelity Select Chemicals Portfolio	1.37	0.72	28.42	28.42	14.90	22.17	11.05	15.11	07/29/1985	0.75/30	0.99
518	Fidelity Select Communications Equipment Portfolio	-1.49	-8.33	9.78	9.78	5.13	17.87	7.27	12.16	06/29/1990	0.75/30	0.94
7	Fidelity Select Computers Portfolio	0.33	1.38	22.44	22.44	11.21	17.01	8.63	13.03	07/29/1985	0.75/30	0.95
511	Fidelity Select Construction and Housing Portfolio	-1.45	-7.58	-13.87	-13.87	0.30	13.32	9.16	11.93	09/29/1986	0.75/30	0.95
517	Fidelity Select Consumer Discretionary Portfolio	-4.85	-9.15	-8.31	-8.31	2.15	7.60	3.97	9.75	06/29/1990	0.75/30	1.14
9	Fidelity Select Consumer Staples Portfolio	-0.61	3.60	21.49	21.49	15.62	15.35	8.53	14.75	07/29/1985	0.75/30	1.01
67	Fidelity Select Defense and Aerospace Portfolio	-2.87	-4.35	17.81	17.81	18.78	22.57	13.73	12.79	05/08/1984	0.75/30	0.92
8	Fidelity Select Electronics Portfolio	0.07	-9.68	4.67	4.67	6.71	13.50	7.42	11.79	07/29/1985	0.75/30	0.91
60	Fidelity Select Energy Portfolio	9.04	9.10	45.53	45.53	36.19	32.52	16.99	11.80	07/14/1981	0.75/30	0.89
43	Fidelity Select Energy Service Portfolio	6.53	1.51	55.21	55.21	37.49	30.42	14.44	12.87	12/16/1985	0.75/30	0.88
516	Fidelity Select Environmental Portfolio	1.46	2.15	12.44	12.44	10.76	13.49	1.69	4.39	06/29/1989	0.75/30	1.11
66	Fidelity Select Financial Services Portfolio	-4.27	-11.63	-13.59	-13.59	2.55	9.38	6.50	14.91	12/10/1981	0.75/30	0.93
41	Fidelity Select Gold Portfolio	0.17	2.53	24.93	24.93	30.10	21.28	15.89	9.32	12/16/1985	0.75/30	0.90
63	Fidelity Select Health Care Portfolio	-1.31	1.07	12.45	12.45	11.33	11.69	8.54	16.78	07/14/1981	0.75/30	0.88
98	Fidelity Select Home Finance Portfolio	-3.91	-25.20	-37.96	-37.96	-13.54	0.04	0.78	12.95	12/16/1985	0.75/30	0.93
510	Fidelity Select Industrial Equipment Portfolio	1.27	0.13	23.18	23.18	15.69	19.83	9.10	11.25	09/29/1986	0.75/30	0.99

Fund No.	Name	Cumulative Total Returns %			Average Annual Total Returns %					Date of Inception	Short-term Trading Fee (% / days)	Gross Expense Ratio
		Periods Ending December 31, 2007			Periods Ending December 31, 2007							
		1	3	YTD	1	3	5	10	LOF			
<b>SPECIALTY FUNDS</b> <i>continued</i>												
515	Fidelity Select Industrials Portfolio <sup>6</sup>	0.08	-1.40	17.70	17.70	14.92	20.87	11.04	11.55	03/03/1997	0.75/30	1.03
45	Fidelity Select Insurance Portfolio	-1.39	-6.95	-4.35	-4.35	6.61	11.74	10.49	13.51	12/16/1985	0.75/30	0.98
353	Fidelity Select IT Services Portfolio <sup>7</sup>	3.90	1.17	11.54	11.54	10.71	14.42	N/A	10.70	02/04/1998	0.75/30	1.19
62	Fidelity Select Leisure Portfolio	-3.32	-3.74	4.19	4.19	8.00	16.00	9.00	14.95	05/08/1984	0.75/30	0.96
509	Fidelity Select Materials Portfolio <sup>8</sup>	1.88	0.83	29.21	29.21	20.85	24.56	12.34	11.46	09/29/1986	0.75/30	1.01
505	Fidelity Select Medical Delivery Portfolio	1.99	7.20	16.86	16.86	14.04	22.94	10.33	13.09	06/30/1986	0.75/30	0.95
354	Fidelity Select Medical Equipment and Systems Portfolio	1.13	-0.16	17.87	17.87	9.63	15.60	N/A	15.28	04/28/1998	0.75/30	0.93
503	Fidelity Select Multimedia Portfolio	-3.73	-8.37	-9.28	-9.28	3.56	10.49	7.89	12.76	06/30/1986	0.75/30	1.04
513	Fidelity Select Natural Gas Portfolio	8.24	10.73	40.91	40.91	29.28	31.29	17.83	14.53	04/21/1993	0.75/30	0.90
514	Fidelity Select Natural Resources Portfolio	8.47	9.34	50.08	50.08	37.67	33.08	17.30	16.54	03/03/1997	0.75/30	0.93
912	Fidelity Select Networking and Infrastructure Portfolio	-3.13	-9.49	0.40	0.40	1.81	10.73	N/A	-17.43	09/21/2000	0.75/30	1.00
506	Fidelity Select Paper and Forest Products Portfolio	-0.63	-4.02	0.76	0.76	1.05	5.82	5.31	8.49	06/30/1986	0.75/30	1.16
580	Fidelity Select Pharmaceuticals Portfolio	-2.56	2.00	13.40	13.40	11.87	11.72	N/A	3.68	06/18/2001	0.75/30	1.02
46	Fidelity Select Retailing Portfolio	-4.09	-8.18	-7.97	-7.97	4.31	11.55	6.40	12.68	12/16/1985	0.75/30	1.06
28	Fidelity Select Software and Computer Services Portfolio	3.95	9.53	23.88	23.88	15.68	17.61	13.67	16.89	07/29/1985	0.75/30	0.92
64	Fidelity Select Technology Portfolio	-0.74	-2.53	19.78	19.78	10.55	16.68	9.64	13.23	07/14/1981	0.75/30	0.95
96	Fidelity Select Telecommunications Portfolio	-1.86	-11.86	8.20	8.20	12.99	16.30	4.77	12.37	07/29/1985	0.75/30	0.99
512	Fidelity Select Transportation Portfolio	-5.39	-7.30	-0.59	-0.59	6.79	16.40	10.56	13.16	09/29/1986	0.75/30	1.03
65	Fidelity Select Utilities Growth Portfolio <sup>9</sup>	0.21	6.42	18.13	18.13	18.89	21.42	8.38	13.29	12/10/1981	0.75/30	0.93
963	Fidelity Select Wireless Portfolio	-2.17	-8.02	27.46	27.46	17.57	31.28	N/A	-0.72	09/21/2000	0.75/30	0.97
311	Fidelity Utilities Fund	0.97	-1.49	10.83	10.83	16.71	18.41	6.50	10.78	11/27/1987	N/A	0.85
<b>EQUITY BENCHMARKS</b>												
	Dow Jones Industrial Average	-0.66	-3.91	8.88	8.88	9.66	12.24	7.43				
	Dow Jones Wilshire 4500 Completion	-0.48	-3.28	5.39	5.39	10.16	17.83	7.69				
	Dow Jones Wilshire 5000 Composite	-0.61	-3.22	5.62	5.62	9.16	14.01	6.31				
	NASDAQ Composite <sup>10</sup>	-0.27	-1.62	10.66	10.66	7.65	15.47	5.90				
	Russell 1000 <sup>11</sup>	-0.65	-3.23	5.77	5.77	9.08	13.43	6.20				
	Russell 1000 <sup>12</sup> Growth	-0.36	-0.77	11.81	11.81	8.68	12.11	3.83				
	Russell 1000 <sup>13</sup> Value	-0.97	-5.80	-0.17	-0.17	9.32	14.63	7.68				
	Russell 2000 <sup>14</sup>	-0.06	-4.58	-1.57	-1.57	6.80	16.25	7.08				
	Russell 2000 <sup>15</sup> Growth	0.63	-2.10	7.05	7.05	8.11	16.50	4.32				
	Russell 2000 <sup>16</sup> Value	-0.85	-7.28	-9.78	-9.78	5.27	15.80	9.06				
	Russell 3000 <sup>17</sup>	-0.61	-3.34	5.14	5.14	8.89	13.63	6.22				
	Russell 3000 <sup>18</sup> Growth	-0.28	-0.88	11.40	11.40	8.64	12.42	3.83				
	Russell 3000 <sup>19</sup> Value	-0.96	-5.91	-1.01	-1.01	8.97	14.69	7.73				
	Russell MidCap <sup>20</sup> ™	-0.32	-3.55	5.60	5.60	11.09	18.21	9.91				
	Russell Midcap <sup>21</sup> ™ Growth	0.27	-1.70	11.43	11.43	11.39	17.90	7.59				
	Russell Midcap <sup>22</sup> ™ Value	-1.11	-5.97	-1.42	-1.42	10.11	17.92	10.18				
	S&P 500 <sup>23</sup>	-0.69	-3.33	5.49	5.49	8.62	12.83	5.91				
	S&P MidCap <sup>24</sup> 400	-0.19	-2.73	7.98	7.98	10.27	16.20	11.20				
<b>BLENDED BENCHMARKS</b>												
	Fidelity Asset Manager 20% Composite	0.10	1.18	6.23	6.23	5.32	5.71	5.50				
	Fidelity Asset Manager 50% Composite	-0.25	-0.22	6.53	6.53	6.69	8.56	6.06				
	Fidelity Asset Manager 70% Composite	-0.51	-1.29	6.62	6.62	7.60	10.36	6.14				
	Fidelity Asset Manager 85% Composite	-0.72	-2.06	6.76	6.76	8.31	11.75	6.17				
	Fidelity Balanced Hybrid Composite	-0.36	-1.59	4.13	4.13	7.27	10.30	6.91				
	Fidelity Four-in-One Composite	-0.75	-2.13	6.67	6.67	9.55	13.68	6.95				
	Fidelity Freedom Income Composite	0.11	0.80	5.80	5.80	5.42	5.80	5.38				

Fund No. Name	Cumulative Total Returns % Periods Ending December 31, 2007			Average Annual Total Returns % Periods Ending December 31, 2007				Date of Inception	Short-term Trading Fee (% / days)	Gross Expense Ratio
	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year			
<b>BLENDED BENCHMARKS <i>continued</i></b>										
Fidelity Freedom 2000 Composite	0.03	0.42	5.83	5.83	5.70	6.31	5.70			
Fidelity Freedom 2005 Composite	-0.31	-0.32	6.53	6.53	7.29	N/A	N/A			
Fidelity Freedom 2010 Composite	-0.34	-0.39	6.53	6.53	7.42	9.54	6.70			
Fidelity Freedom 2015 Composite	-0.41	-0.71	6.67	6.67	8.15	N/A	N/A			
Fidelity Freedom 2020 Composite	-0.55	-1.35	6.62	6.62	8.83	12.47	6.89			
Fidelity Freedom 2025 Composite	-0.59	-1.51	6.62	6.62	9.05	N/A	N/A			
Fidelity Freedom 2030 Composite	-0.72	-2.16	6.53	6.53	9.59	13.88	6.76			
Fidelity Freedom 2035 Composite	-0.73	-2.21	6.52	6.52	9.67	N/A	N/A			
Fidelity Freedom 2040 Composite	-0.75	-2.42	6.39	6.39	9.85	14.76	N/A			
Fidelity Freedom 2045 Composite	-0.80	-2.54	6.51	6.51	N/A	N/A	N/A			
Fidelity Freedom 2050 Composite	-0.85	-2.68	6.48	6.48	N/A	N/A	N/A			
Fidelity Global Balanced Composite	-0.96	0.17	10.20	10.20	9.08	13.03	7.08			
<b>INTERNATIONAL/GLOBAL BENCHMARKS</b>										
MSCI AC World xU.S. (Net MA Tax)	-1.45	-0.65	16.80	16.80	20.05	24.25	9.96			
MSCI EAFE® (Net MA Tax)	-2.25	-1.74	11.33	11.33	17.01	21.83	8.90			
MSCI Emerging Markets (Net Luxembourg Tax)	0.35	3.64	39.39	39.39	35.15	37.02	N/A			
MSCI Europe (Net MA Tax)	-1.75	-0.45	14.08	14.08	18.77	23.09	9.80			
MSCI World® (Net MA Tax)	-1.27	-2.34	9.40	9.40	13.14	17.40	7.24			
<b>FIXED INCOME BENCHMARKS</b>										
CitiGroup 3-Month Treasury Bill	0.31	0.99	4.74	4.74	4.16	2.95	3.62			
Fidelity Strategic Income Composite	0.23	1.69	6.52	6.52	5.74	8.90	6.84			
LB 1-3 Year Government/Credit Bond	0.29	2.17	6.83	6.83	4.27	3.38	4.99			
LB Aggregate Bond	0.28	3.00	6.97	6.97	4.56	4.42	5.97			
LB GNMA	0.08	3.22	6.98	6.98	4.92	4.39	5.85			
LB Government/Credit Bond	0.19	3.10	7.23	7.23	4.44	4.44	6.01			
LB Int Government/Credit Bond	0.26	2.90	7.39	7.39	4.32	4.06	5.76			
LB U.S. Treasury 1-5 Year	0.25	2.95	8.16	8.16	4.38	3.30	5.09			
LB U.S. Treasury 5-10 Year	0.12	4.79	10.21	10.21	5.01	4.20	6.25			
ML U.S. High Yield Master II	0.29	-1.16	2.19	2.19	5.48	10.76	5.52			

Total returns are historical and include change in share value and reinvestment of dividends and capital gains, if any. Cumulative total returns are reported as of the period indicated. Life of Fund figures are reported as of the inception date to the period indicated. These figures do not include the effect of sales charges, if any, as these charges are waived for contributions made through your company's employee benefit plans. If sales charges were included, returns would have been lower.

Although the information contained in this report has been carefully verified, its accuracy cannot be guaranteed. All numbers are unaudited.

The funds are arranged according to Morningstar categories. Categories for some equity funds may change over time. For details, please consult the fund's prospectus at [fidelity.com](http://fidelity.com).

For a mutual fund, the expense ratio is the total annual fund or class operating expenses (before waivers or reimbursements) paid by the fund and stated as a percent of the fund's total net assets. Where the investment option is not a mutual fund, the figure displayed in the expense ratio field is intended to reflect similar information. However, it may have been calculated using methodologies that differ from those used for mutual funds. Mutual fund data has been drawn from the most recent prospectus. For non-mutual fund investment options, the information has been provided by the trustee or plan sponsor. When no ratio is shown for these options it is due to the fact that none was available. Nevertheless, there may be fees and expenses associated with the investment option.

### Specific Funds

@ Prior to 10/1/06, the fund operated under certain different investment policies, and compared its performance to a different benchmark. The fund's historical performance may not represent its current investment policies.

● On 10/1/06, most Fidelity Select Portfolios began comparing their performance to different benchmarks and adjusted their investments. Please see the prospectus for details.

<sup>1</sup> Formerly known as Fidelity Growth & Income II Portfolio.

<sup>2</sup> Formerly known as Fidelity Discovery Fund.

<sup>3</sup> Formerly known as Select Developing Communications Portfolio.

<sup>4</sup> Formerly known as Select Consumer Industries Portfolio.

<sup>5</sup> Formerly known as Select Food & Agriculture Portfolio.

<sup>6</sup> Formerly known as Select Cyclical Industries Portfolio.

<sup>7</sup> Formerly known as Select Business Services and Outsourcing Portfolio.

<sup>8</sup> Formerly known as Select Industrial Materials Portfolio.

\* The fund's investment adviser voluntarily reimbursed a portion of the fund's expenses for the period ending 11/30/2007. Please consult the fund's current prospectus for complete details. Absent reimbursement, the returns for these funds would have been lower.

⊙ Closed to most new plans/accounts. Please consult the prospectuses for more details.

✕ Spartan® 500 Index Fund is not offered to new plans; Spartan® U.S. Equity Index Fund is offered to new plans.

€ U.S. Equity Index Commingled Pool is not a mutual fund, it is a commingled pool managed by Fidelity Management Trust Company. Minimum plan assets apply

▼ Managed Income Portfolio and Managed Income Portfolio II are not mutual funds. They are commingled pools managed by Fidelity Management Trust Company.

### Investment Risk

+ The Fidelity Freedom Funds are subject to the volatility of the financial markets in the U.S. and abroad and may be subject to the additional risks associated with investing in high yield, small cap and foreign securities.

□ In general bond prices rise when interest rates fall, and vice versa. The effect is usually more pronounced for larger-term securities.

△ Investments in mortgage securities are subject to prepayment risk, which can limit the potential for gain during a declining interest rate environment and increase the potential for loss in a rising interest rate environment.

† Lower-quality debt securities involve greater risk of default and/or price changes due to changes in the credit quality of the issuer.

Ω The value of inflation-protected debt securities tends to change less due to changes in inflation than other types of bonds but may decrease with decreases in inflation or, as other debt securities, with increases in interest rates.

◆ Investments in smaller companies may involve greater risks than those of larger, more well-known companies.

❖ Foreign investments, especially those in emerging markets involve greater risks and may offer greater potential returns than U.S. investments. These risks include political and economic uncertainties of foreign countries, as well as the risk of currency fluctuations.

■ Because of their narrow focus, sector funds may be more volatile than funds that diversify across many sectors.

Indices are unmanaged and you cannot invest directly in an index.

Not all funds may be available for your plan.

For Plan Sponsor Use Only.

**Before investing in any mutual fund, please carefully consider the investment objectives, risks, charges and expenses. For this and other information, call or write Fidelity for a free prospectus. Read it carefully before you invest.**

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459774.3.0



# FUNDSNET FUNDS PERFORMANCE

## PERFORMANCE UPDATE

AS OF DECEMBER 31, 2007

### UNDERSTANDING INVESTMENT PERFORMANCE

As you review this update, please remember that the performance data stated represents past performance, which does not guarantee future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your shares. Current performance may be higher or lower than the performance stated. To learn more or to obtain the most recent month-end performance, call Fidelity at 1-800-343-0860 or visit <https://www.mysavingsatwork.com> (log in, choose plan, select "Investment Choices & Research," and then pick investment option).

Fund ID	Name	Cumulative Total Returns % Period Ending December 31, 2007		Average Annual Total Returns % Period Ending December 31, 2007					Fund Inception	Short-Term Trading Fee (%/Days)	Expense Ratio◇
		3 Month	YTD	1 Year	5 Year	10 Year	Life of Fund				
<b>BOND FUNDS&gt;</b>											
CSIBX	Calvert Social Investment Bond - A Class	2.46	6.66	6.66	5.90	6.14	7.47	8/24/87	n/a	1.14	
LBCNX	Lehman Brothers Core Bond - NB Investor Class	1.46	3.88	3.88	3.72	5.04	5.37	2/01/97	n/a	1.46	
MGFIX	Managers Bond	2.79	7.06	7.06	6.58	6.97	9.58	6/01/84	n/a	1.03	
MFXAX	MSIF Trust Core Plus Fixed Income - Adviser Class	1.45	4.88	4.88	4.59	5.53	5.85	11/07/96	2.00/7	0.69	
PLGBX	PIMCO Long-Term U.S. Government - Administrative Class	5.45	8.94	8.94	4.95	7.08	7.48	9/23/97	2.00/30	0.73	
PLDAX	PIMCO Low Duration - Administrative Class	2.64	7.66	7.66	3.44	4.92	5.73	1/03/95	n/a	0.68	
PARRX	PIMCO Real Return - Administrative Class	5.17	11.32	11.32	6.09	n/a	8.13	4/28/00	n/a	0.70	
PTRAX	PIMCO Total Return - Administrative Class	3.86	8.81	8.81	5.05	6.46	7.24	9/08/94	n/a	0.68	
WAPIX	Western Asset Core Bond - FI Class	-0.12	1.58	1.58	4.32	n/a	6.04	7/21/99	n/a	0.72	
WACIX	Western Asset Core Plus Bond - FI Class	0.41	2.32	2.32	5.41	n/a	5.81	1/07/02	n/a	0.69	
<b>BOND FUNDS - HIGH YIELD&gt;*</b>											
CMHYX	Columbia Conservative High Yield - Class Z	-0.69	2.35	2.35	5.97	5.08	6.38	10/01/93	n/a	0.76	
LBHBX	Lehman Brothers High Income Bond - Investor Class	-1.76	1.61	1.61	6.09	5.86	6.72	4/01/96	n/a	0.90	
MAHYX	MSIF Trust High Yield Portfolio - Adviser Class	-0.35	2.84	2.84	9.76	2.74	3.69	1/31/97	2.00/30	0.86	
PHYAX	PIMCO High Yield - Administrative Class	0.24	3.48	3.48	9.69	5.94	7.89	1/16/95	2.00/30	0.75	
<b>BOND FUNDS - INTERNATIONAL/GLOBAL††&gt;</b>											
PADMX	PIMCO Global Bond - Administrative Class	3.70	8.99	8.99	6.84	6.35	6.13	7/31/96	2.00/30	0.80	
TPINX	Templeton Global Bond - A Class	1.34	10.86	10.86	11.14	8.14	8.13	9/18/86	2.00/7	0.99	
<b>BALANCED/HYBRID FUNDS</b>											
AABPX	American Beacon Balanced - Plan Ahead Class	-3.24	1.78	1.78	11.37	6.68	9.24	8/01/94	n/a	0.88	
CSIFX	Calvert Social Investment Balanced - A Class	-1.14	3.23	3.23	8.33	4.23	8.75	10/21/82	n/a	1.34	
OAKBX	Oakmark Equity and Income - Class I	1.08	11.97	11.97	12.88	11.89	13.36	11/01/95	n/a	0.86	
ACEIX	Van Kampen Equity & Income - Class A	-2.08	3.26	3.26	11.33	9.02	10.97	8/03/60	2.00/7	0.78	

For explanations of symbols and important disclosures, please see last page(s) of this report.

continued



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AS OF DECEMBER 31, 2007

Fund ID	Name	Cumulative Total Returns % Period Ending December 31, 2007		Average Annual Total Returns % Period Ending December 31, 2007				Fund Inception	Short-Term Trading Fee (%/Days)	Expense Ratio↔
		3 Month	YTD	1 Year	5 Year	10 Year	Life of Fund			
<b>DOMESTIC EQUITY FUNDS - LARGE-CAP VALUE</b>										
AAGPX	American Beacon Large Cap Value - Plan Ahead Class	-4.94	2.95	2.95	16.66	7.52	11.14	8/01/94	n/a	0.87
ALVIX	American Century Large Company Value - Investor Class	-6.05	-0.95	-0.95	12.75	n/a	6.85	7/23/99	n/a	0.83
WFGIX	Credit Suisse Large Cap Value - Class A	-4.13	1.31	1.31	12.69	7.32	11.20	7/10/92	n/a	1.08
KDHAX	DWS Dreman High Return Equity - Class A	-5.87	-1.14	-1.14	13.26	7.75	13.53	3/18/88	2.00/15	1.14
LAFX	Lord Abbett Affiliated - Class A	-3.56	3.66	3.66	13.17	7.90	11.19	5/14/34	n/a	0.80
MGIEX	Managers Value	-10.96	-7.77	-7.77	10.76	5.26	11.07	10/31/84	n/a	1.23
MPVAX	MSIF Trust Value Portfolio - Adviser Class	-6.25	-2.37	-2.37	13.51	5.86	9.03	7/17/96	2.00/7	0.87
TESIX	Mutual Shares - A Class	-2.41	2.97	2.97	13.86	8.88	10.81	11/01/96	2.00/7	1.18
ACGIX	Van Kampen Growth & Income - Class A	-3.05	2.55	2.55	13.70	9.23	9.98	8/01/46	2.00/7	0.79
<b>DOMESTIC EQUITY FUNDS - LARGE-CAP BLEND</b>										
GTVLX	AIM Basic Value - A Class	-3.07	1.07	1.07	12.35	8.88	11.63	10/18/95	n/a	1.15
DSEFX	Domini Social Equity	-3.28	1.46	1.46	10.11	4.49	9.47	6/03/91	2.00/60	1.24
LMVFX	Legg Mason Value Trust - FI Class	-9.14	-6.05	-6.05	11.57	n/a	4.81	3/23/01	n/a	1.03
NBFCX	Neuberger Berman Focus - Trust Class	-2.11	6.35	6.35	15.49	6.86	10.41	8/30/93	n/a	1.09
NBGTx	Neuberger Berman Guardian - Trust Class	-1.92	7.38	7.38	15.57	5.00	8.48	8/03/93	n/a	1.06
NBPTX	Neuberger Berman Partners - Trust Class	1.19	9.84	9.84	18.76	7.02	10.82	8/30/93	n/a	1.00
NBSTX	Neuberger Berman Socially Responsive - Trust Class	-2.04	7.31	7.31	14.90	7.30	8.52	3/03/97	n/a	1.10
OAKMX	Oakmark Fund	-6.41	-3.64	-3.64	9.51	5.17	14.30	8/05/91	n/a	1.05
OAKLX	Oakmark Select***	-12.92	-14.04	-14.04	7.70	10.35	14.96	11/01/96	n/a	0.99
<b>DOMESTIC EQUITY FUNDS - LARGE-CAP GROWTH</b>										
CSTGX	AIM Constellation - A Class	-2.03	12.01	12.01	12.05	4.56	14.03	4/30/76	n/a	1.24
PICAX	Allianz CCM Capital Appreciation - Administrative Class	0.87	17.28	17.28	14.24	6.99	10.58	7/31/96	n/a	0.93
TWCUX	American Century Ultra - Investor Class	4.42	21.83	21.83	10.88	5.30	12.87	11/02/81	n/a	0.99
CSIEX	Calvert Social Investment: Equity - A Class	-0.11	9.94	9.94	10.48	7.95	8.56	8/24/87	n/a	1.23
CUCAX	Credit Suisse Large Cap Growth - Common Shares	-0.70	10.26	10.26	10.04	3.89	9.09	8/17/87	n/a	1.00
HGWYX	Hartford Growth - Class Y	1.77	17.05	17.05	13.94	n/a	7.92	2/15/02	n/a	0.83
SHRAX	Legg Mason Partners Aggressive Growth - Class A	-2.72	1.22	1.22	13.19	12.08	13.41	11/21/83	n/a	1.14
SBLGX	Legg Mason Partners Large Cap Growth - Class A	-4.60	4.63	4.63	11.02	7.38	7.68	8/29/97	n/a	1.11
LGRRX	Loomis Sayles Growth - Class A	5.71	21.88	21.88	14.72	4.42	6.17	12/31/96	n/a	1.17
MGCAX	Managers AMG Essex Large Cap Growth	-0.98	14.36	14.36	10.39	6.84	11.74	6/01/84	n/a	1.32
MSEGX	MSIF U.S. Large Cap Growth - B Class	0.97	21.93	21.93	14.65	6.09	9.68	1/02/96	2.00/7	0.88
TGCNX	TCW Select Equities - Class N	-0.42	13.42	13.42	13.34	n/a	4.00	3/01/99	n/a	1.17
PTSGX	Touchstone Sands Capital Select Growth - Class Z	1.43	18.53	18.53	14.65	n/a	-1.10	8/11/00	n/a	1.45
<b>DOMESTIC EQUITY FUNDS - MID-CAP VALUE</b>										
ABASX	Alliance Bernstein Small-Mid Cap Value - Class A	-5.81	2.32	2.32	16.19	n/a	13.38	3/29/01	n/a	1.32
ARTOX	Artisan Mid Cap Value	-5.47	1.65	1.65	18.27	n/a	13.68	3/28/01	n/a	1.20
LAVLX	Lord Abbett Mid-Cap Value - Class A	-6.16	0.53	0.53	13.63	11.38	12.76	6/28/83	n/a	1.03
LMCPX	Lord Abbett Mid-Cap Value - Class P	-6.13	0.42	0.42	13.52	11.16	9.80	11/24/97	n/a	1.18
NBREG	Neuberger Berman Regency - Trust Class	-1.22	4.90	4.90	16.87	n/a	12.36	6/10/99	n/a	1.33
FMIVX	Phoenix Mid Cap Value - Class A	-7.32	-2.41	-2.41	17.07	10.17	10.20	12/30/97	n/a	1.31
SMCDX	Wells Fargo Advantage Mid Cap Disciplined - Investor Class	-7.01	-4.89	-4.89	15.66	n/a	14.59	12/31/98	n/a	1.54

For explanations of symbols and important disclosures, please see last page(s) of this report.

continued

AS OF DECEMBER 31, 2007

Fund ID	Name	Cumulative Total Returns % Period Ending December 31, 2007		Average Annual Total Returns % Period Ending December 31, 2007			Fund Inception	Short-Term Trading Fee (%/Days)	Expense Ratio↕	
		3 Month	YTD	1 Year	5 Year	10 Year				Life of Fund
<b>DOMESTIC EQUITY FUNDS - MID-CAP BLEND</b> Ⓢ										
GTAGX	AIM Mid Cap Core Equity - Class A	0.93	9.90	9.90	13.67	10.17	12.61	6/09/87	n/a	1.30
CAAPX	Ariel Appreciation	-5.91	-1.40	-1.40	10.77	9.04	11.73	12/01/89	n/a	1.14
ARGFX	Ariel Fund	-6.73	-1.70	-1.70	11.32	9.46	12.78	11/06/86	n/a	1.03
CUEGX	Credit Suisse Mid Cap Core - Common Shares	-0.66	11.58	11.58	14.91	3.34	10.31	1/21/88	n/a	1.18
CRMMX	CRM Mid Cap Value - Investor Class	-1.95	10.21	10.21	19.63	n/a	15.20	9/19/00	n/a	1.04
RSVAX	RS Value	-1.82	3.76	3.76	23.68	10.70	8.53	6/30/93	n/a	1.34
CBMDX	Wells Fargo Advantage C&B Mid Cap Value - Class D	-11.68	-8.90	-8.90	13.40	n/a	11.82	2/18/98	n/a	1.40
<b>DOMESTIC EQUITY FUNDS - MID-CAP GROWTH</b> Ⓢ										
PMCGX	Allianz CCM Mid-Cap - Administrative Class	1.68	21.78	21.78	17.24	8.25	13.26	11/30/94	n/a	0.94
TWCVX	American Century Vista - Investor Class	3.76	38.70	38.70	22.19	11.24	11.62	11/25/83	n/a	1.00
ARTMX	Artisan Mid Cap - Investor Class	-0.38	21.20	21.20	16.99	15.74	17.67	6/27/97	n/a	1.18
BARAX	Baron Asset	-1.07	10.13	10.13	18.11	7.24	13.16	6/12/87	n/a	1.33
CCAFX	Calvert Capital Accumulation - A Class	-1.59	9.56	9.56	10.41	4.41	8.35	10/31/94	n/a	1.71
ACTWX	Columbia Acorn Select - Class Z	-5.24	9.20	9.20	17.59	n/a	14.62	11/22/98	n/a	0.98
FRSGX	Franklin Small-Mid Cap Growth - Class A	-6.21	11.67	11.67	15.61	7.47	12.35	2/14/92	2.00/7	1.00
MACGX	MSIF Trust Mid Cap Growth - Adviser Class	-0.60	22.59	22.59	22.45	10.98	12.64	1/31/97	2.00/7	0.88
PKSFX	Phoenix Small-Mid Cap - Class X	-5.50	-0.11	-0.11	10.71	7.97	9.19	10/18/96	n/a	1.22
RIMSX	Rainier Small/Mid Cap Equity - Investor Class	-2.94	21.46	21.46	22.95	10.84	15.45	5/11/94	n/a	1.18
<b>DOMESTIC EQUITY FUNDS - SMALL-CAP VALUE</b> ◆										
PVADX	Allianz NFJ Small Cap Value - Administrative Class	-3.72	6.32	6.32	17.32	10.78	14.10	11/01/95	n/a	1.07
RYOFX	Royce Opportunity - Service Class	-7.69	-2.22	-2.22	19.66	n/a	12.91	5/23/00	n/a	1.40
RYTFX	Royce Total Return - Service Class	-3.52	2.20	2.20	13.97	n/a	11.03	1/03/02	n/a	1.34
SCVIX	Wells Fargo Advantage Small Company Value - Administrator Class	-12.31	-13.80	-13.80	13.70	n/a	10.00	1/31/02	n/a	1.39
<b>DOMESTIC EQUITY FUNDS - SMALL-CAP BLEND</b> ◆										
ASQIX	American Century Small Company - Investor Class	-7.06	-5.72	-5.72	16.13	n/a	10.36	7/31/98	n/a	0.87
FMACX	FMA Small Company - Institutional Class	-6.85	0.61	0.61	15.28	7.85	12.33	7/31/91	n/a	1.29
MGSEX	Managers Special Equity	-7.00	-0.59	-0.59	13.56	7.38	12.97	6/01/84	n/a	1.48
NBGEX	Neuberger Berman Genesis - Trust Class**	4.58	21.80	21.80	18.88	12.71	15.25	8/26/93	n/a	1.12
RYLPX	Royce Low Priced Stock - Service Class	-3.69	2.32	2.32	16.92	14.18	14.85	12/15/93	n/a	1.51
RSPFX	RS Partners	-4.62	-3.78	-3.78	21.20	11.85	14.45	7/12/95	n/a	1.50
SSMVX	Wells Fargo Advantage Small Cap Value - Z Class	-4.20	10.32	10.32	20.69	17.15	17.15	12/31/97	n/a	1.61
<b>DOMESTIC EQUITY FUNDS - SMALL-CAP GROWTH</b> ◆										
ARTSX	Artisan Small Cap - Investor Class	-5.47	3.31	3.31	15.67	5.36	9.19	3/28/95	n/a	1.15
BGRFX	Baron Growth	-2.53	6.59	6.59	16.77	11.48	16.85	1/03/95	n/a	1.31
BSCFX	Baron Small Cap	0.12	11.69	11.69	18.07	12.12	12.14	10/01/97	n/a	1.33
CNVAX	Calvert New Vision Small Cap - A Class	-5.79	-0.42	-0.42	6.26	3.53	3.23	1/31/97	n/a	1.74
HSLYX	Hartford Small Cap Growth - Class Y	-5.92	-2.00	-2.00	14.67	n/a	7.99	2/15/02	n/a	0.90
LSBAX	Lord Abbett Small-Cap Blend - Class A	-2.86	9.75	9.75	19.31	n/a	13.09	6/29/01	n/a	1.36
MSSMX	MSIF Small Company Growth - B Class	-5.01	2.81	2.81	17.30	13.33	12.46	1/02/96	2.00/30	1.26
NBFSX	Neuberger Berman Fasciano - Investor Class	-3.70	0.25	0.25	9.51	5.69	10.70	8/03/87	n/a	1.30

For explanations of symbols and important disclosures, please see last page(s) of this report.

continued

AS OF DECEMBER 31, 2007

Fund ID	Name	Cumulative Total Returns % Period Ending December 31, 2007		Average Annual Total Returns % Period Ending December 31, 2007			Life of Fund	Fund Inception	Short-Term Trading Fee (%/Days)	Expense Ratio
		3 Month	YTD	1 Year	5 Year	10 Year				
<b>DOMESTIC EQUITY FUNDS - SMALL-CAP GROWTH ♦ (CONTINUED)</b>										
RYVPX	Royce Value Plus - Service Class	-6.70	3.24	3.24	26.32	n/a	20.18	6/14/01	n/a	1.40
RSEGX	RS Emerging Growth	-4.20	13.97	13.97	16.24	9.61	15.38	11/30/87	n/a	1.49
RSSGX	RS Smaller Company Growth	-4.87	4.64	4.64	16.75	8.82	11.19	8/15/96	n/a	1.51

**INTERNATIONAL/GLOBAL FUNDS ††**

AGAAX	AIM Global Aggressive Growth - A Class	0.51	18.61	18.61	24.92	10.08	11.92	9/15/94	2.00/30	1.51
AAIPX	American Beacon International Equity - Plan Ahead Class	-0.51	9.46	9.46	21.79	10.10	10.71	8/01/94	2.00/90	0.97
ARTIX	Artisan International - Investor Class	2.84	19.73	19.73	21.59	14.54	15.08	12/28/95	2.00/90	1.20
SGSCX	DWS Global Opportunities - Class S	-0.60	8.75	8.75	23.82	12.25	12.26	9/10/91	2.00/30	1.34
SCINX	DWS International - Class S	-1.51	14.60	14.60	20.23	8.80	n/a	1/16/57	2.00/30	0.92
HNCYX	Hartford International Growth - Class Y †	2.50	22.89	22.89	24.42	n/a	11.54	4/30/01	n/a	1.06
MIGEX	MSIF Global Value Equity - B Class	-2.03	6.37	6.37	14.73	7.06	9.52	1/02/96	2.00/30	1.16
MIQBX	MSIF International Equity - B Class	-0.91	9.58	9.58	17.64	11.32	12.10	1/02/96	2.00/30	1.19
TEDIX	Mutual Discovery - A Class	-0.73	10.96	10.96	19.68	12.01	13.20	11/01/96	2.00/7	1.36
NBITX	Neuberger Berman International - Trust Class	-5.18	2.83	2.83	24.33	n/a	9.51	6/29/98	n/a	1.35
TEMPX	Templeton Foreign - A Class	2.38	17.24	17.24	19.12	9.91	13.76	10/05/82	2.00/7	1.16
FINEX	Templeton Foreign Smaller Companies - A Class	-9.42	8.10	8.10	21.21	10.30	10.71	9/20/91	2.00/7	1.50
TEPLX	Templeton Growth - A Class	-2.67	2.19	2.19	15.91	9.44	13.82	11/29/54	2.00/7	1.05
TEMWX	Templeton World - A Class	-0.75	8.50	8.50	17.70	9.05	13.95	1/17/78	2.00/7	1.06

**INTERNATIONAL/GLOBAL FUNDS - EMERGING MARKETS ††**

MMKBX	MSIF Emerging Markets - B Class	5.25	41.34	41.34	37.91	15.14	13.33	1/02/96	2.00/30	1.66
TEDMX	Templeton Developing Markets Trust - A Class	1.45	28.77	28.77	32.40	12.59	10.79	10/16/91	2.00/7	1.86

**MARKET INDICATORS ^^**

For comparison purposes only. It is not possible to invest directly in these indicators.

Dow Jones Industrial Average	-3.91	8.88	8.88	12.24	7.43
Lehman Brothers Intermediate U.S. Government/ Credit Index	2.90	7.39	7.39	4.06	5.76
MSCI EAFE® Index	-1.74	-11.33	11.33	21.83	8.90
Standard & Poor's 500 <sup>SM</sup> Index	-3.33	5.49	5.49	12.83	5.91

Total returns are historical and include change in share value and reinvestment of dividends and capital gains, if any. Cumulative total returns are reported as of the period indicated. Life of fund figures are reported as of the inception date to the period indicated. The figures do not include the effects of sales charges, if any, as these charges are waived for contributions made through your company's employee benefit plan. If sales charges were included, returns would have been lower.

With the exception of domestic equity mutual funds, investment options have been assigned to investment categories based on Fidelity's analysis. Fidelity has verified the accuracy of the placement of certain third party non-mutual funds with either the plan sponsor or the plan sponsor's consultant. Within Domestic Equities, mutual funds are listed according to their actual Morningstar categories as of the date indicated. Morningstar categories are based on a fund's style as measured by its underlying portfolio holdings over the past 3 years and may change at any time. These style calculations do not represent the funds' objectives and do not predict the funds' future styles.

**SPECIFIC FUNDS**

Morningstar, Inc., provided data on the non-Fidelity mutual funds. Although the data is gathered from reliable sources, accuracy and completeness cannot be guaranteed by Morningstar.

♦ Expense Ratio is the total annual fund operating expense ratio from the fund's most recent prospectus. For a mutual fund, the expense ratio is the total annual fund or class operating expenses (before waivers or reimbursements) paid by the fund and stated as a percent of the fund's total net assets. Where the investment option is not a mutual fund, the figure displayed in the expense ratio field is intended to reflect similar information. However, it may have been calculated using methodologies that differ from those used for mutual funds. Mutual fund data has been drawn from the most recent prospectus. For non-mutual fund investment options, the information has been provided by the trustee or plan sponsor. When no ratio is shown for these options it is due to the fact that none was available. Nevertheless, there may be fees and expenses associated with the investment option.

† Formerly known as Hartford International Capital Appreciation - Class Y (6/29/07).

\*\* Effective December 17, 2001, Neuberger Berman Genesis Fund - Trust Class was closed to new accounts.

Effective June 30, 2002, Oakmark Select Fund was closed to new accounts.

Participants may continue to invest in these funds if they are already offered through their employer's plan. They are no longer available as new investment options.

NORTH DAKOTA PUBLIC EMPLOYEES'  
DEFINED CONTRIBUTION PLAN  
RETIREMENT BOARD OF PUBLIC EE

**Service Review for the Year Ended 12/31/2007**

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**Tax-Exempt Services Company**

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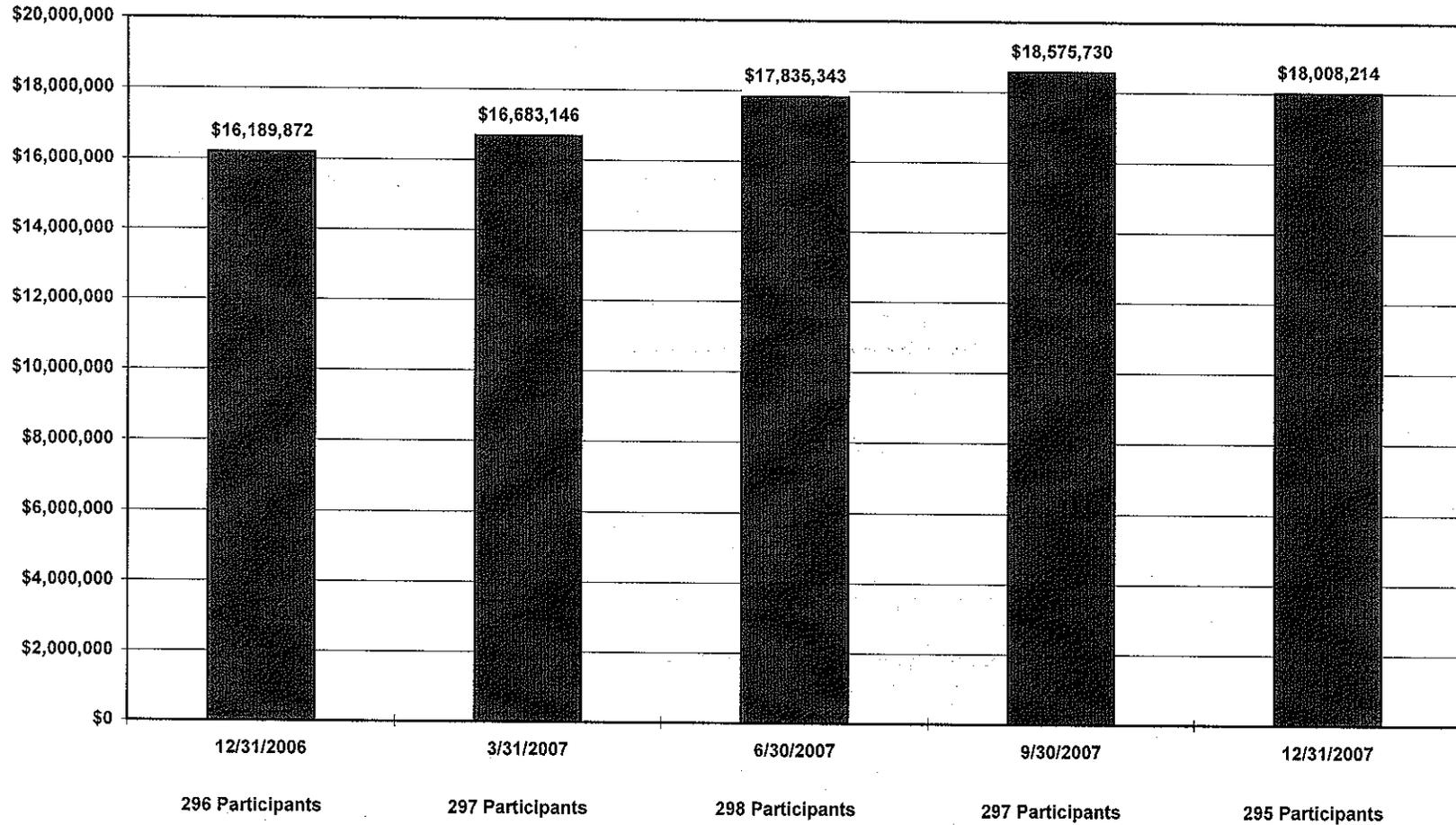
82 Devonshire Street, Boston, MA 02109



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# Plan Assets Under Management at Fidelity



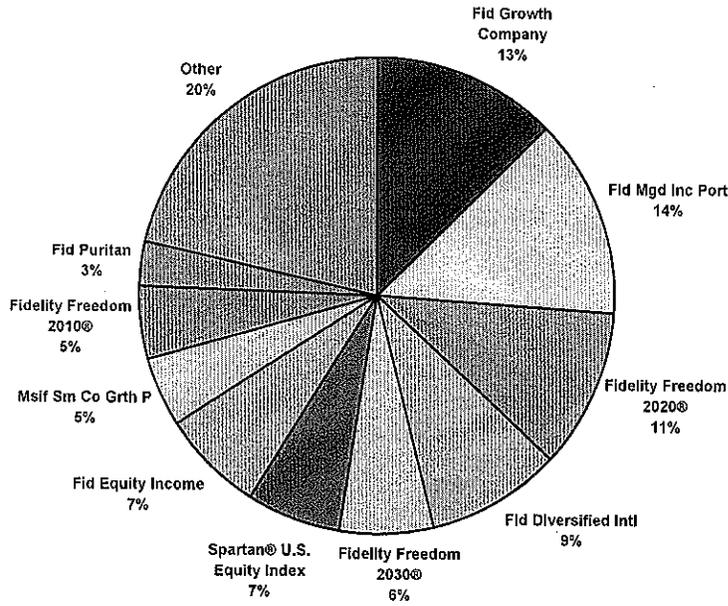
# Market Value by Fund

	11/1/2007	12/31/2007
Fid Growth Company	\$ 2,036,996	\$ 2,741,701
Fid Mgd Inc Port	\$ 2,200,903	\$ 2,218,449
Fidelity Freedom 2020®	\$ 1,749,216	\$ 1,906,922
Fid Diversified Intl	\$ 1,498,019	\$ 1,832,300
Fidelity Freedom 2030®	\$ 995,252	\$ 1,319,218
Spartan® U.S. Equity Index	\$ 1,064,786	\$ 1,071,272
Fid Equity Income	\$ 1,123,130	\$ 973,969
Msif Sm Co Grth P	\$ 769,249	\$ 811,469
Fidelity Freedom 2010®	\$ 785,791	\$ 731,074
Fid Puritan	\$ 514,430	\$ 586,375
Other	\$ 3,452,101	\$ 3,815,465
<b>Total Market Value:</b>	<b>\$ 16,189,872</b>	<b>\$ 18,008,214</b>

The information on this page is updated monthly on PSW.

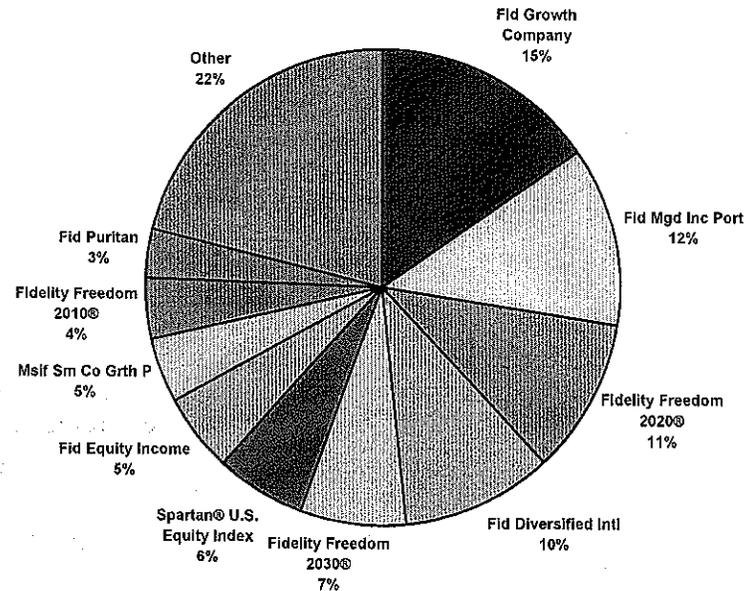
# Asset Allocation by Fund

as of 1/1/2007



Total Market Value: \$16,189,872

as of 12/31/2007



Total Market Value: \$18,008,214

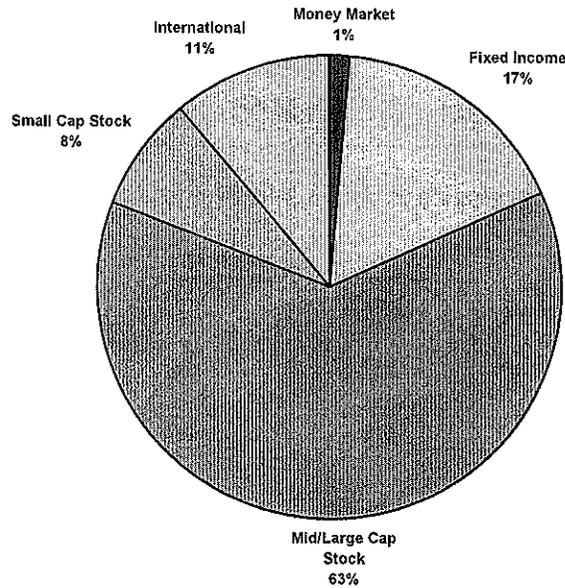
Fid Growth Company	Fid Mgd Inc Port	Fidelity Freedom 2020®	Fid Diversified Intl
Fidelity Freedom 2030®	Spartan® U.S. Equity Index	Fid Equity Income	Msif Sm Co Grth P
Fidelity Freedom 2010®	Fid Puritan	Other	

The information on this page is updated monthly on PSW.

# Comparative Asset Allocation

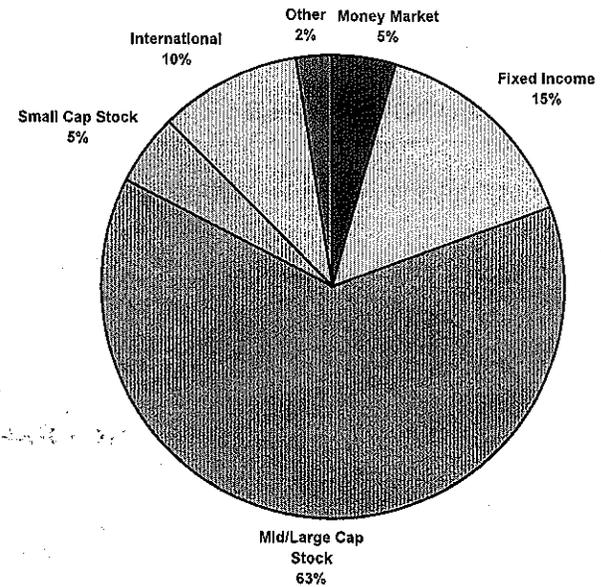
as of 12/31/2007

## NORTH DAKOTA PUBLIC EMPLOYEES' DEFINED CONTRIBUTION PLAN RETIREMENT BD OF PUBLIC EE

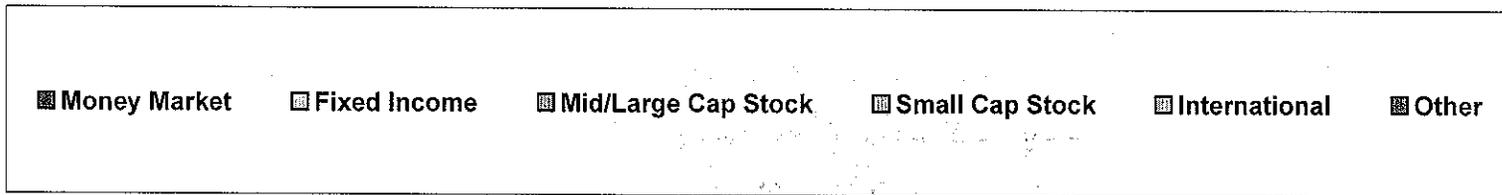


Total Market Value: \$18,008,214

## AVG. FITSCO PUBLIC SECTOR\*



Average Market Value: \$178,517,901



\* The values in this chart represent the sum of the balances in each fund class for a representative sample of retirement plans serviced by Fidelity Investments.

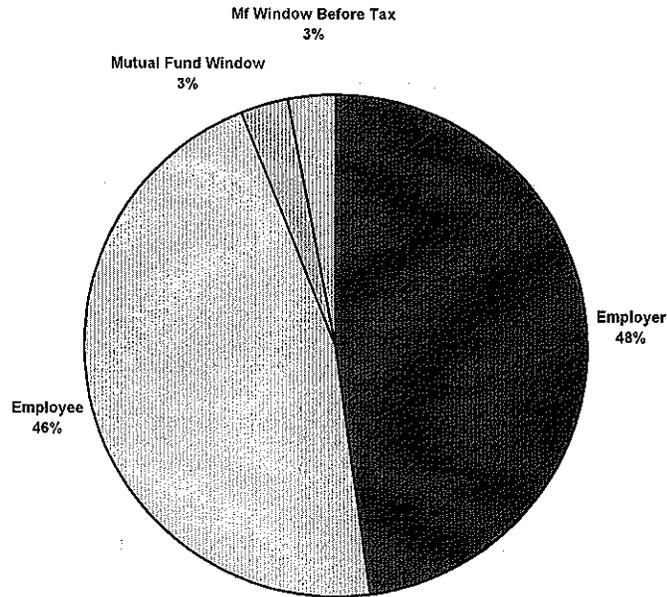
# Contributions by Source

1/1/2007 - 12/31/2007

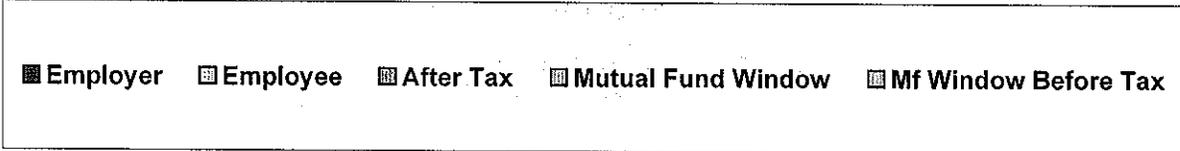
Source of Contributions	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	Total
EMPLOYEES	\$ 132,111	\$ 129,543	\$ 131,448	\$ 130,907	\$ 524,010
EMPLOYERS	\$ 128,113	\$ 125,795	\$ 127,620	\$ 127,095	\$ 508,623
INTEREST	\$ 154	\$ 0	\$ 0	\$ 0	\$ 154
NET INVESTMENT INCOME	\$ 7,688	\$ 8,437	\$ 8,673	\$ 8,862	\$ 33,660
NET INVESTMENT LOSS	\$ 7,464	\$ 8,191	\$ 8,421	\$ 8,604	\$ 32,680
TOTAL CONTRIBUTIONS	\$ 275,531	\$ 271,966	\$ 276,162	\$ 275,468	\$ 1,099,126

# Source Contributions

For the period 1/1/2007 - 12/31/2007

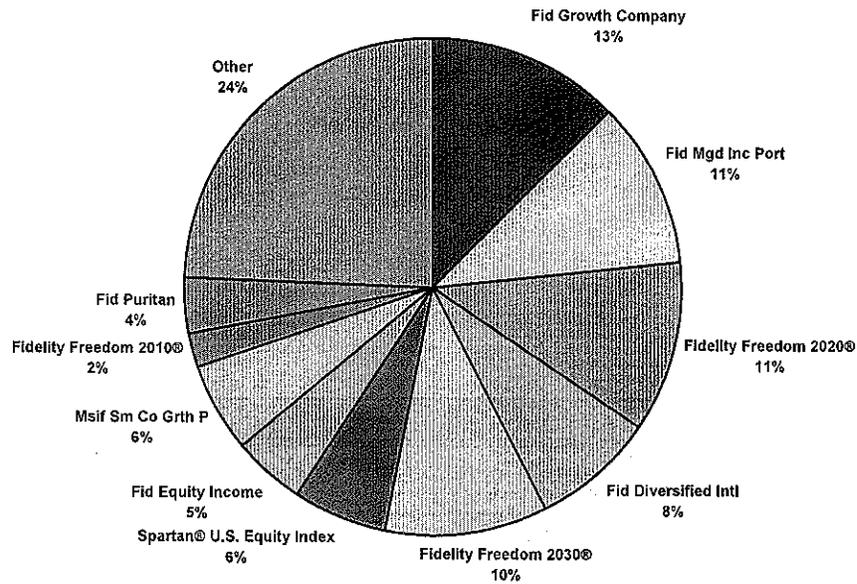


Total Contributions:
\$1,099,126



# Contribution Allocation

1/1/2007 - 12/31/2007



Total Contributions: \$1,099,126

Fid Growth Company	Fid Mgd Inc Port	Fidelity Freedom 2020®	Fid Diversified Intl
Fidelity Freedom 2030®	Spartan® U.S. Equity Index	Fid Equity Income	Msif Sm Co Grth P
Fidelity Freedom 2010®	Fid Puritan	Other	

The information on this page is updated monthly on PSW.

# Cash Flow Summary

<b>Cash Inflow</b>	<b>Year Ending 12/31/2006</b>	<b>Year Ending 12/31/2007</b>
Balance Forward(1)	\$50,933	\$26,596
Contributions	\$1,045,003	\$1,099,126
<b>Total Cash Inflow:</b>	<b>\$1,095,936</b>	<b>\$1,125,722</b>

<b>Cash Outflow</b>	<b>Year Ending 12/31/2006</b>	<b>Year Ending 12/31/2007</b>
Withdrawals	(\$788,945)	(\$763,559)
Fees	(\$11,291)	(\$12,888)
<b>Total Cash Outflow:</b>	<b>(\$800,236)</b>	<b>(\$776,447)</b>

<b>NET CASH FLOW:</b>	<b>\$295,700</b>	<b>\$349,275</b>
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**Definitions of Cash Flow Items:**

(1) Balance Forward - Conversion/Outside assets updated to participant accounts  
 The information on this page is updated monthly on PSW.

# Participant Overview

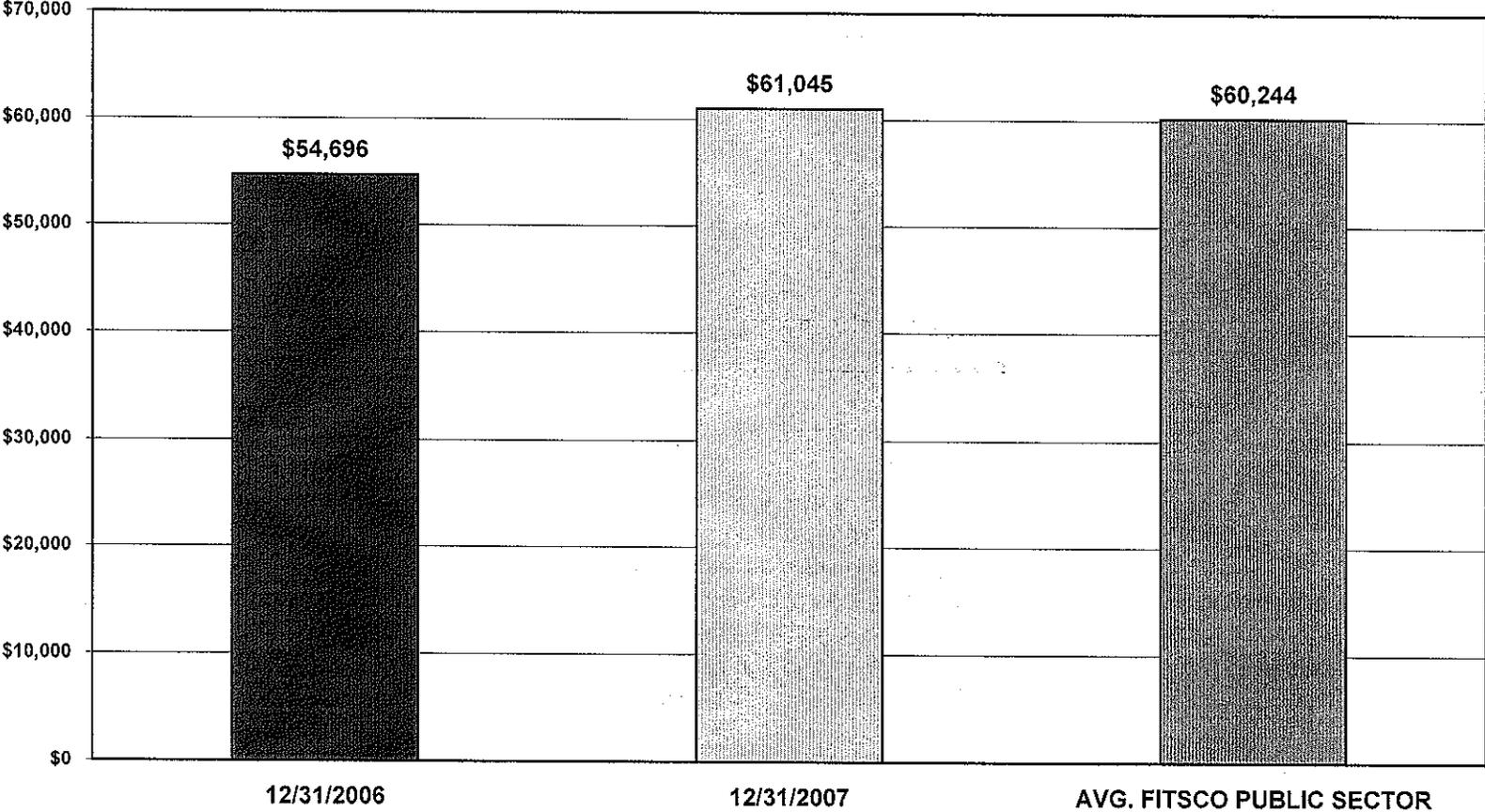
	2017	2016
	296	295
	0	0
	0	0
	5	5
	48	47
	243	242

## Definitions of Participant Totals

- (1) Participants: Number of Participants with Account Balances.
- (2) Inactive Participants: Number of Participants with Status Codes of 'I' or 'Q' with Balances (Example: Participants who have revoked their contribution deferral percent; however, are still employees).
- (3) Suspended w/Balances: Number of Participants with Status Code of 'S' with Balances (Example: Participants who have taken financial hardship withdrawals and are suspended for a period of time per the plan document).
- (4) Terminated w / Balances: Number of Participants with Status Codes of 'T', 'R', or 'D' with Balances.
- (5) Active Participants: Number of Participants with a Status Code of 'A' with Balances.

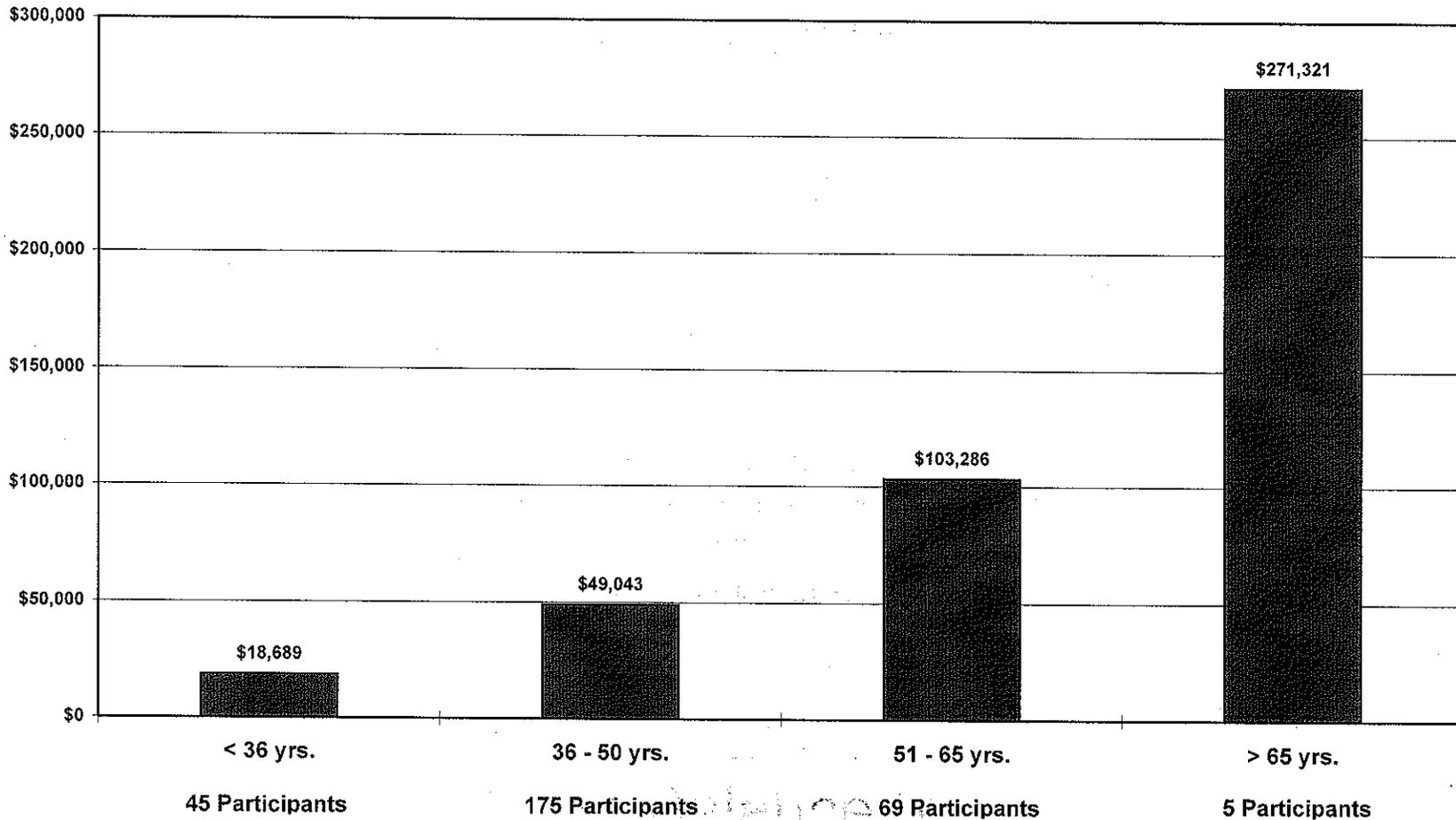
This data is not intended for IRS Form 5500 filing purposes.

# Average Participant Balance



# Average Balance by Age

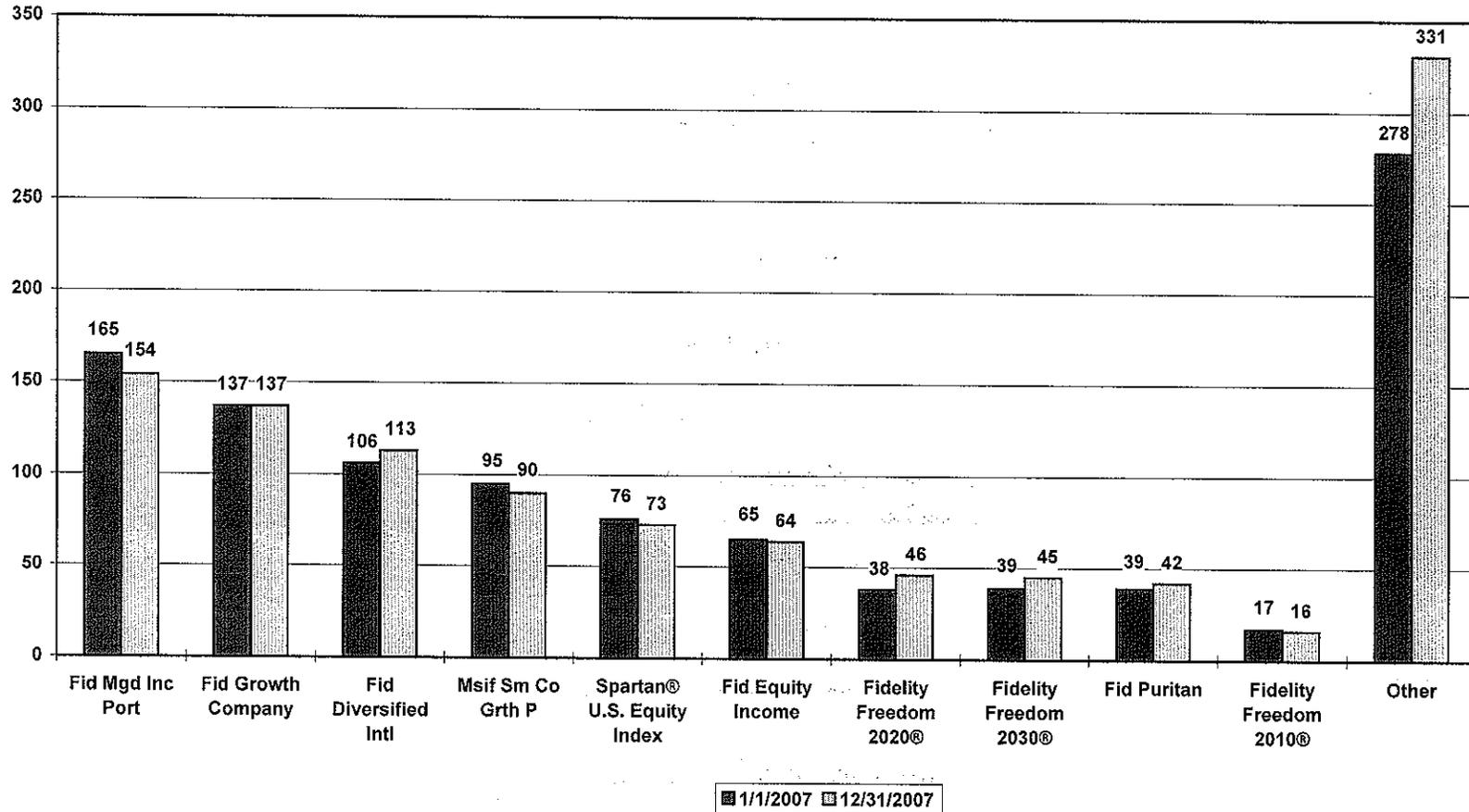
as of 12/31/2007



NOTE: The 'No birth date on record' category includes participants with unknown birth dates and any plan level accounts, such as the forfeiture account.

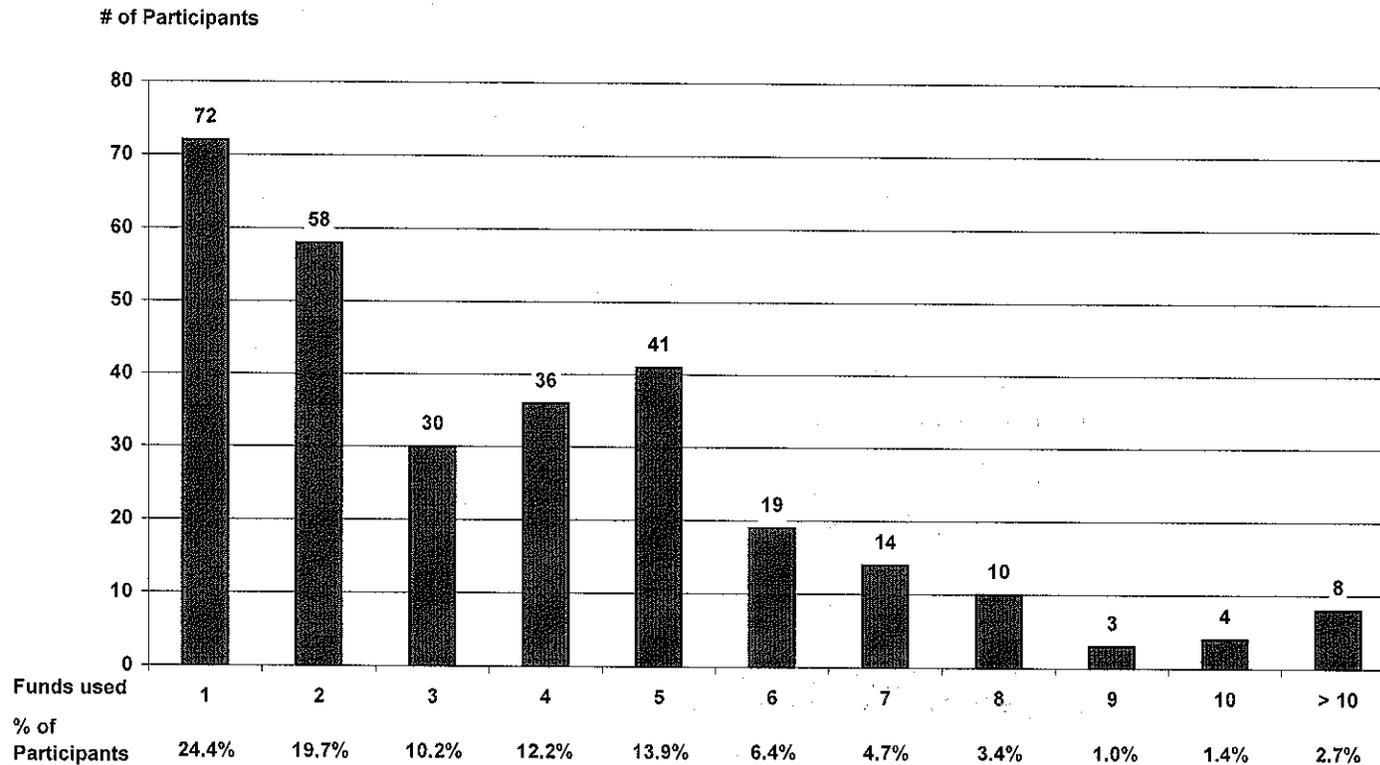
# Participants with a Balance by Fund

# of Participants



# Number of Funds per Participant

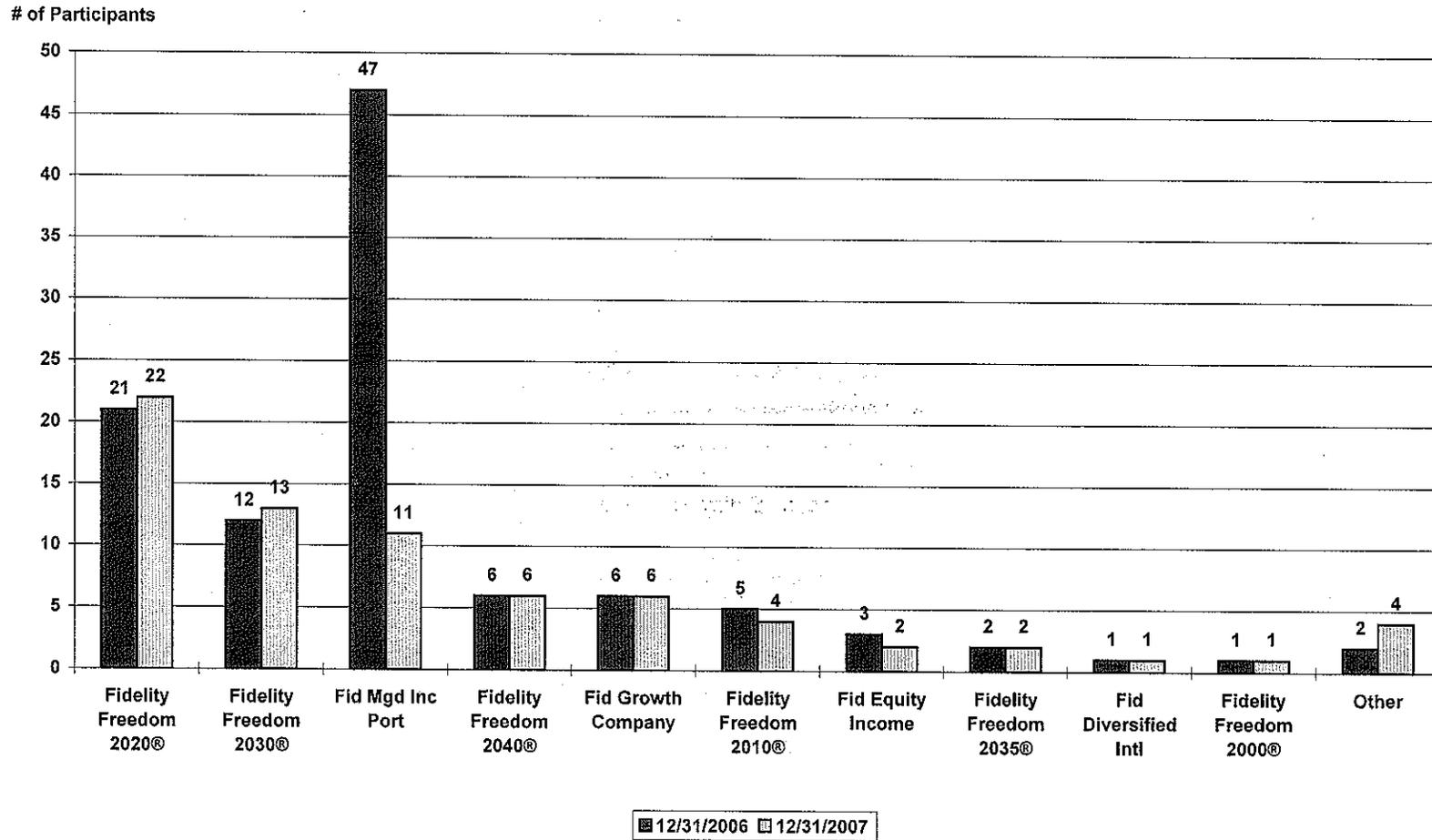
as of 12/31/2007



Average Investment  
options used in this plan:  
3.6

- **AVG. FITSCO PUBLIC SECTOR offers 63.8 funds.**
- **An AVG. FITSCO PUBLIC SECTOR participant uses 3.1 funds.**

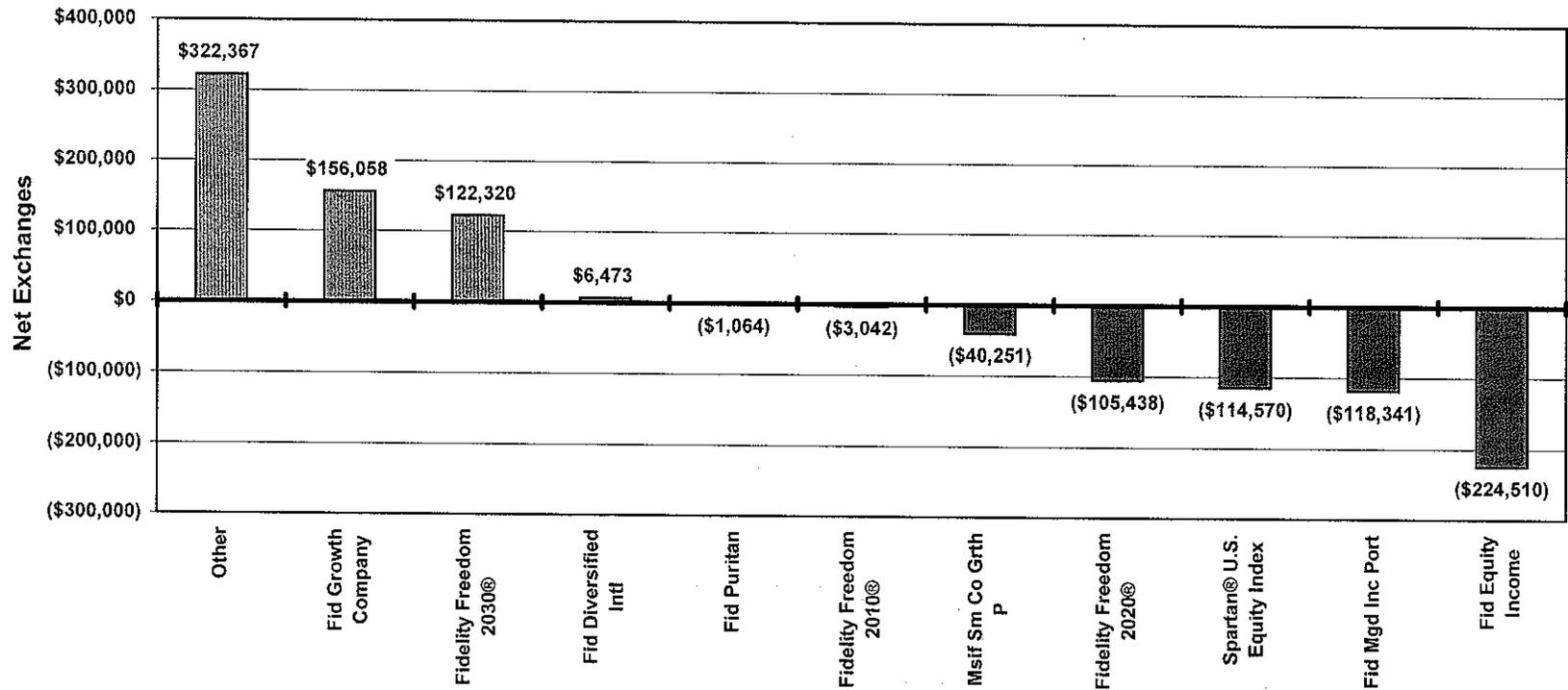
# Single Fund Balances



The values in this chart represent the number of participants whose balances are invested 100% in the indicated fund.

# Net Exchange Activity\*

1/1/2007 - 12/31/2007



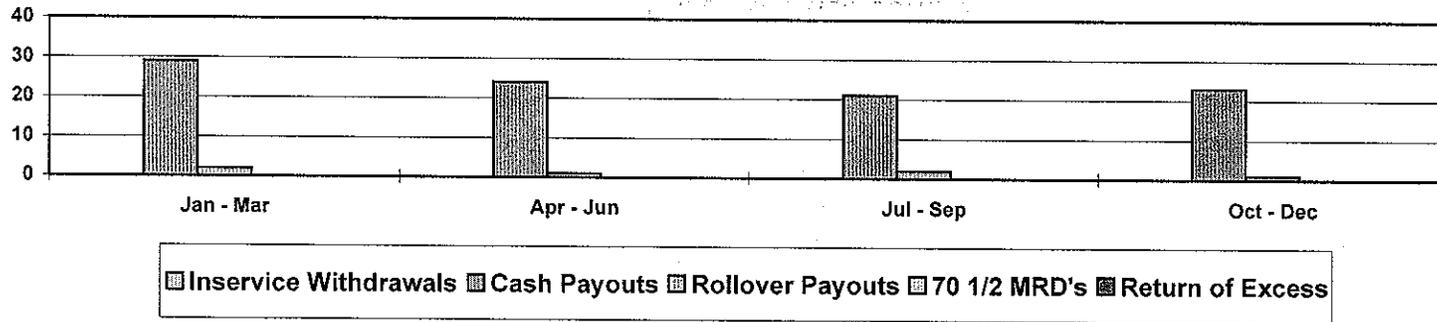
\* The Columns of the chart represent the net value of Exchanges into and out of the fund during the period. This chart does not reflect Contributions, Dividends, Withdrawals, or any other transactions that affect the fund balance.

# Distribution Activity

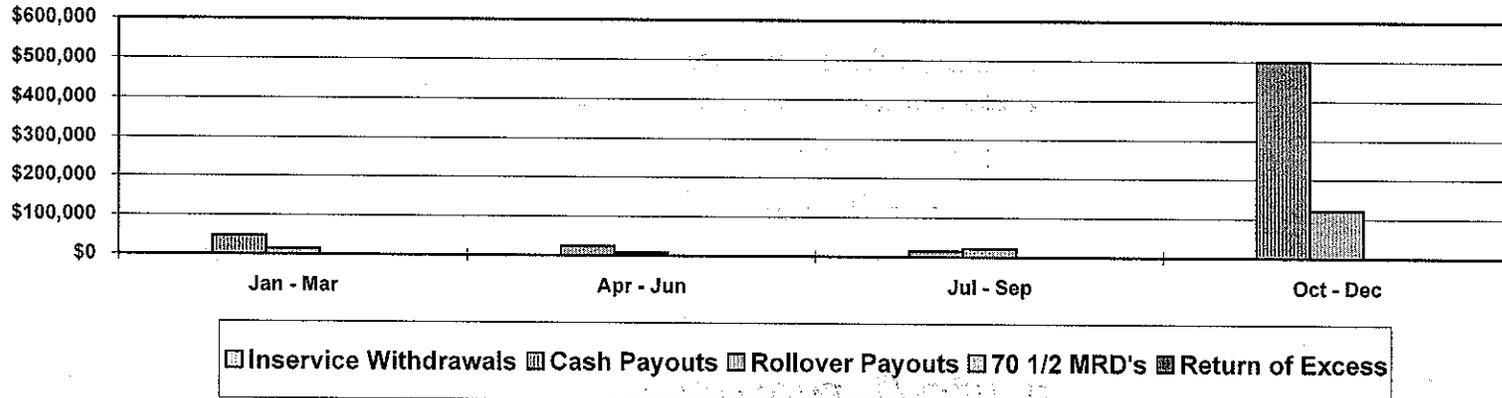
1/1/2007 - 12/31/2007

## Volumes

# of Distributions

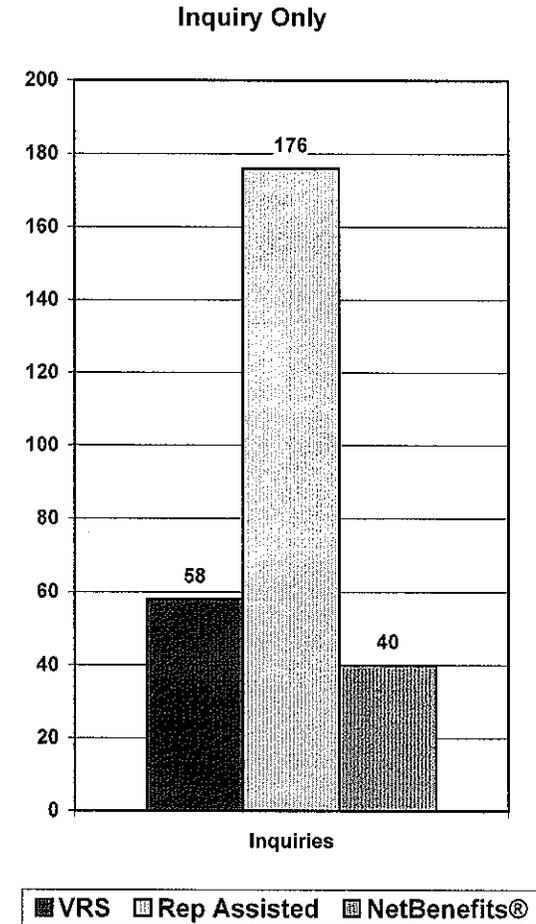
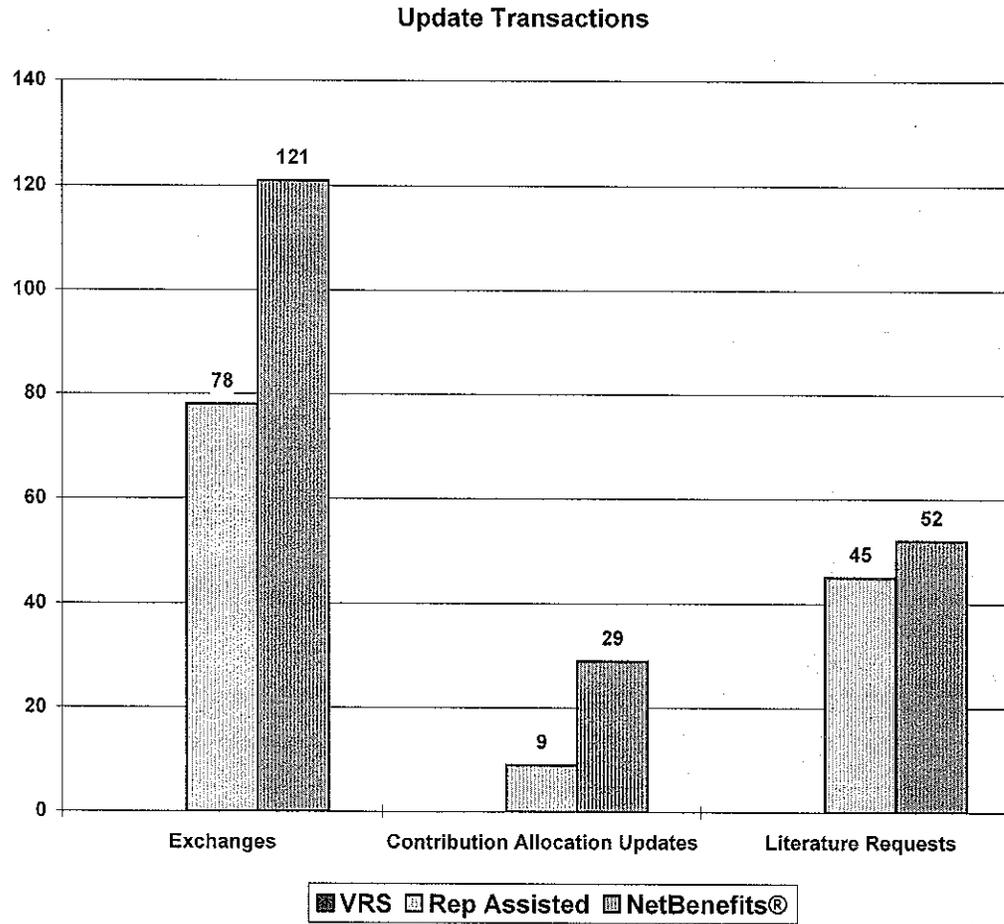


## Dollars



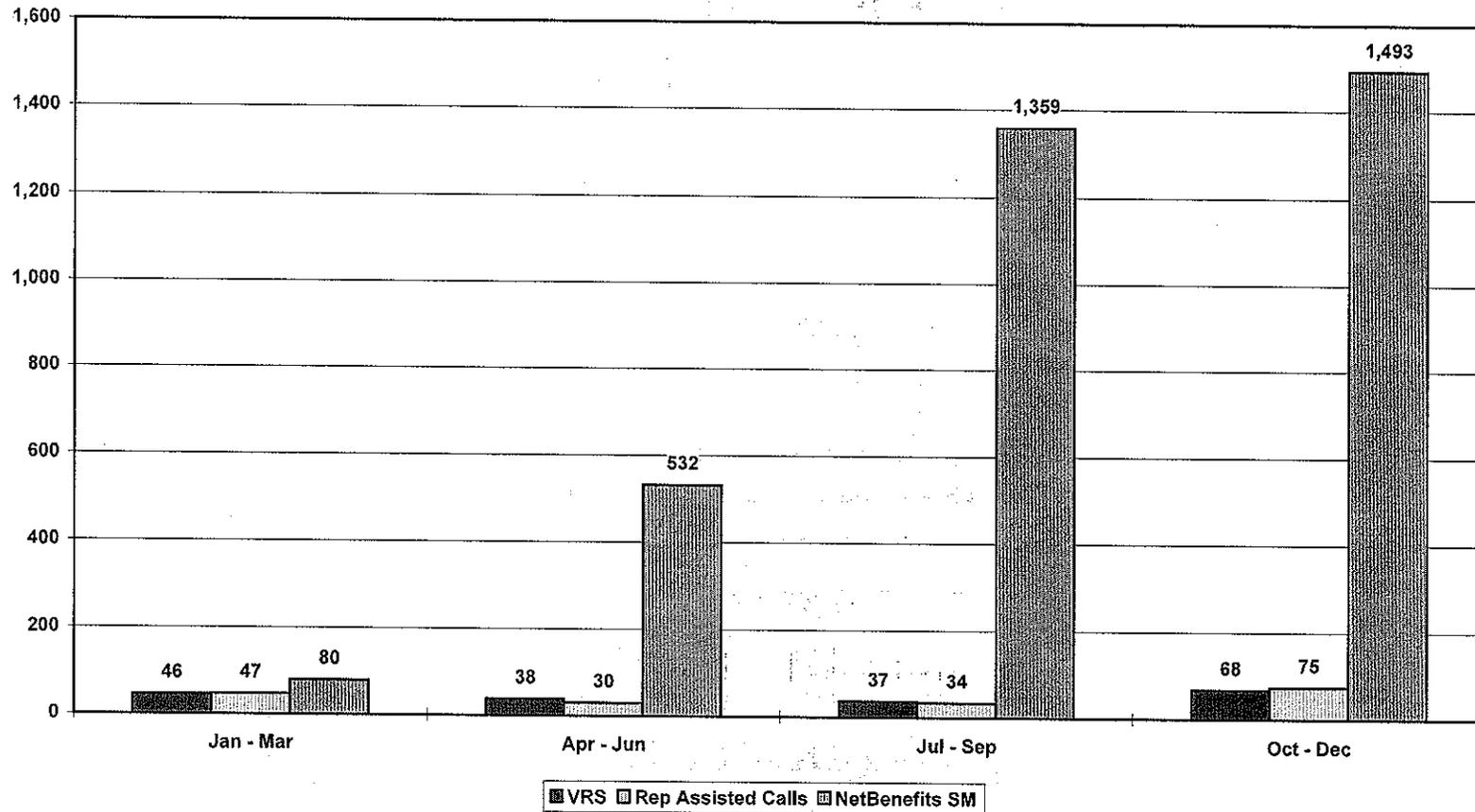
# Participant Account Activity by Type

1/1/2007 - 12/31/2007



# Participant Access Volumes

1/1/2007 - 12/31/2007

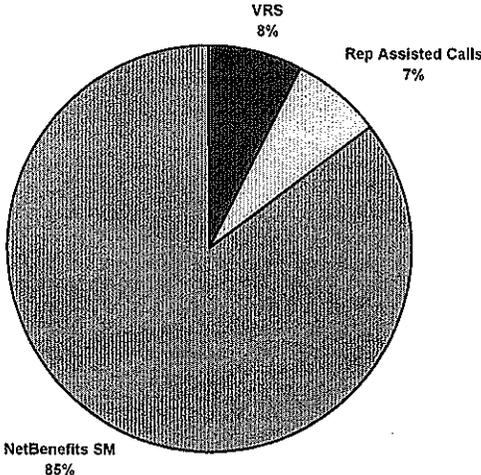
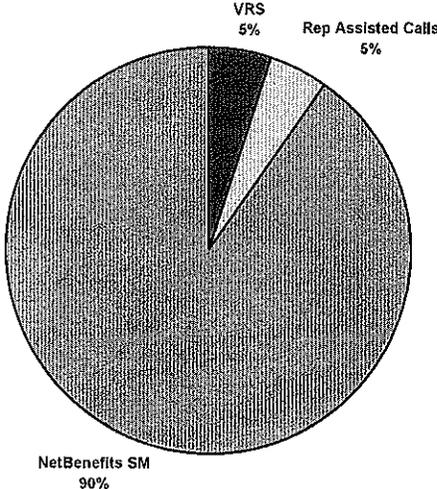


# Account Access Comparison

1/1/2007 - 12/31/2007

**NORTH DAKOTA PUBLIC EMPLOYEES'  
DEFINED CONTRIBUTION PLAN  
RETIREMENT BD OF PUBLIC EE**

**AVG. FITSCO PUBLIC SECTOR**



NORTH DAKOTA STATE DEFERRED  
COMPENSATION COMPANION PLAN  
NORTH DAKOTA PERS

**Service Review for the Year Ended 12/31/2007**

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**Fidelity Investments®**  
**Tax-Exempt Services Company**

A division of Fidelity Investments Institutional Services Company, Inc.

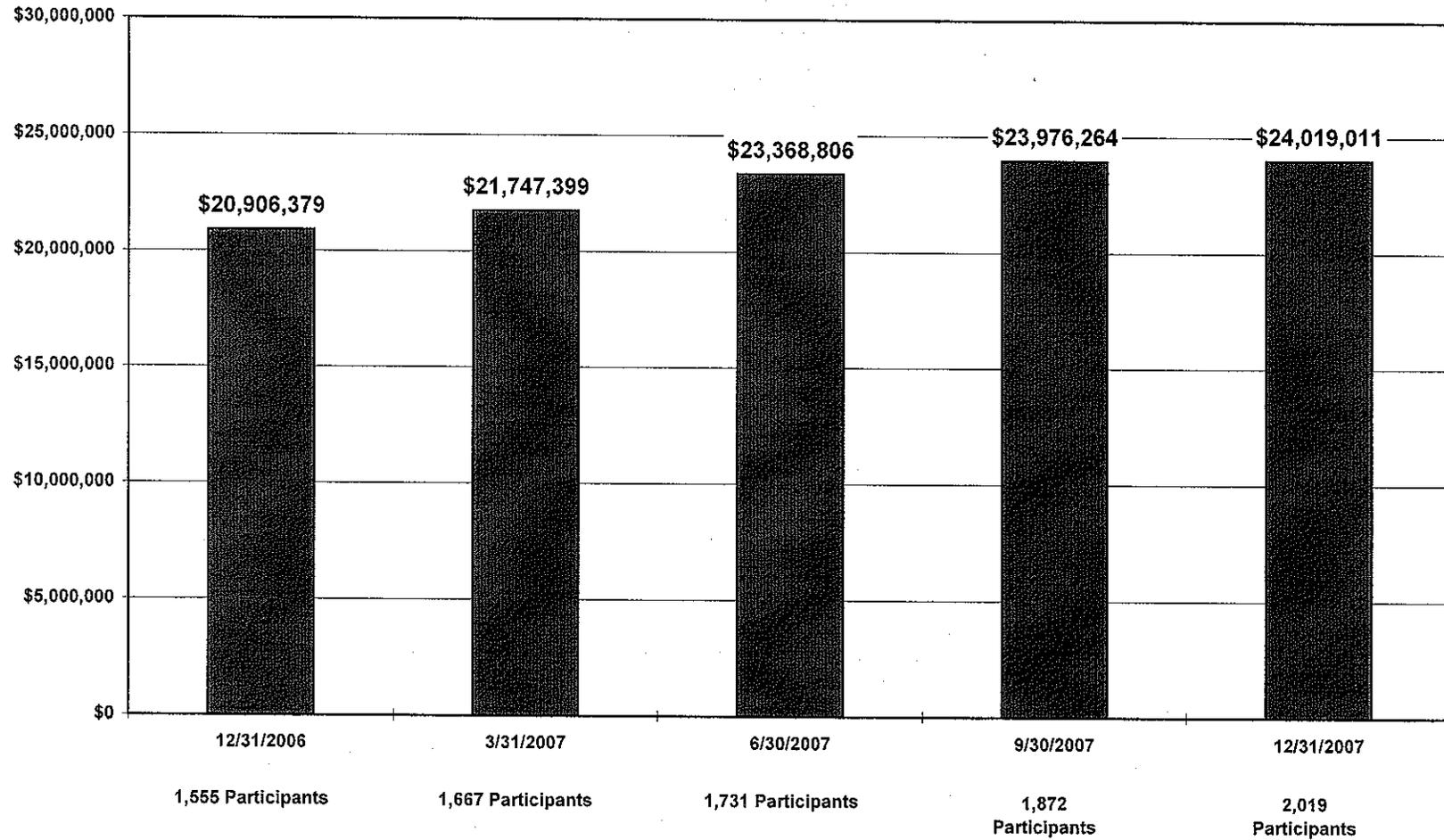
82 Devonshire Street, Boston, MA 02109



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# Plan Assets Under Management at Fidelity



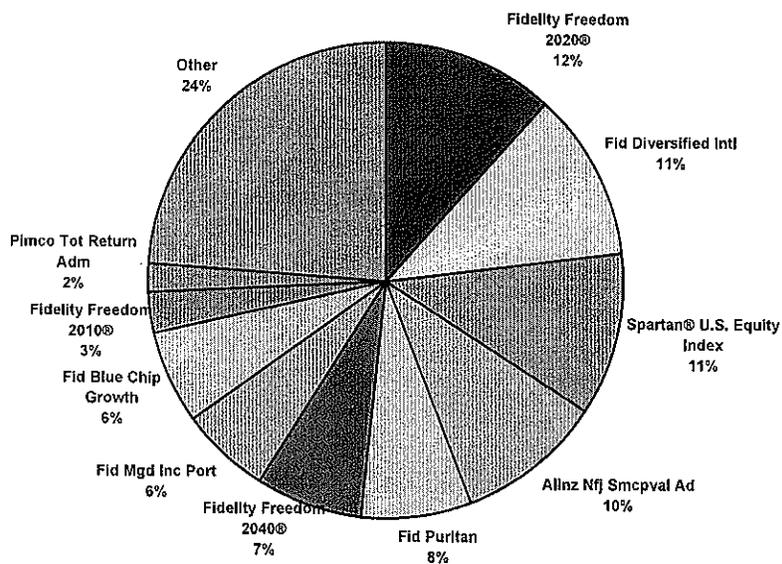
# Market Value by Fund

	1/1/2007	12/31/2007
Fidelity Freedom 2020®	\$ 2,433,810	\$ 2,926,502
Fid Diversified Intl	\$ 2,368,890	\$ 2,920,363
Spartan® U.S. Equity Index	\$ 2,322,411	\$ 2,301,782
Allnz Nfj Smcpval Ad	\$ 2,126,566	\$ 2,212,183
Fid Puritan	\$ 1,572,421	\$ 1,712,206
Fidelity Freedom 2040®	\$ 1,482,361	\$ 1,621,819
Fid Mgd Inc Port	\$ 1,278,205	\$ 1,524,061
Fid Blue Chip Growth	\$ 1,325,370	\$ 1,389,573
Fidelity Freedom 2010®	\$ 607,271	\$ 692,938
Pimco Tot Return Adm	\$ 405,381	\$ 534,534
Other	\$ 4,983,695	\$ 6,183,048
<b>Total Market Value:</b>	<b>\$ 20,906,379</b>	<b>\$ 24,019,011</b>

The information on this page is updated monthly on PSW.

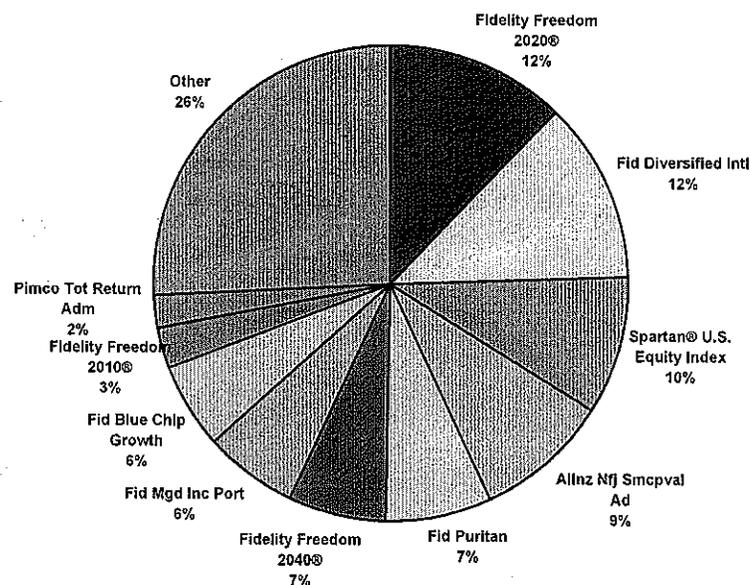
# Asset Allocation by Fund

as of 1/1/2007



Total Market Value: \$20,906,379

as of 12/31/2007



Total Market Value: \$24,019,011

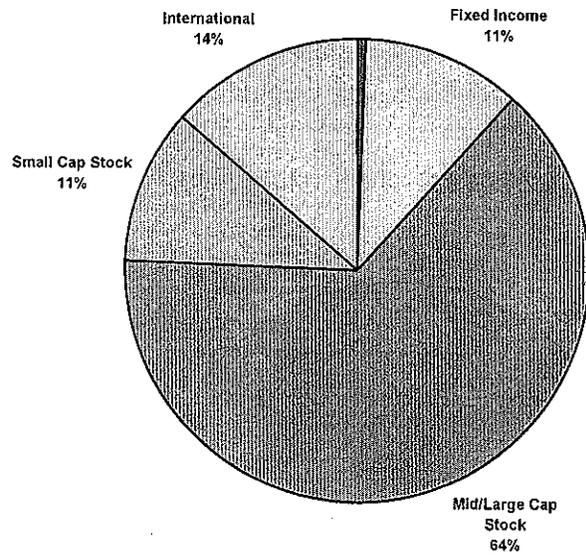
Fidelity Freedom 2020®	Fid Diversified Intl	Spartan® U.S. Equity Index	Allnz Nfj Smcpval Ad
Fid Puritan	Fidelity Freedom 2040®	Fid Mgd Inc Port	Fid Blue Chip Growth
Fidelity Freedom 2010®	Pimco Tot Return Adm	Other	

The information on this page is updated monthly on PSW.

# Comparative Asset Allocation

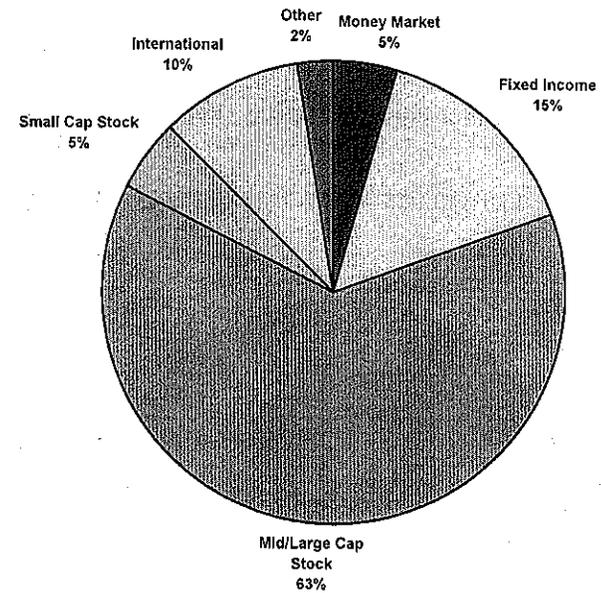
as of 12/31/2007

## NORTH DAKOTA STATE DEFERRED COMPENSATION COMPANION PLAN NORTH DAKOTA PERS

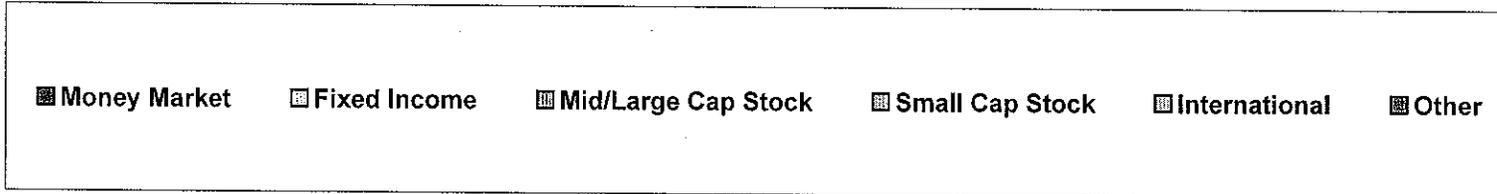


Total Market Value: \$24,019,011

## AVG. FITSCO PUBLIC SECTOR\*



Average Market Value: \$178,517,901



\* The values in this chart represent the sum of the balances in each fund class for a representative sample of retirement plans serviced by Fidelity Investments.

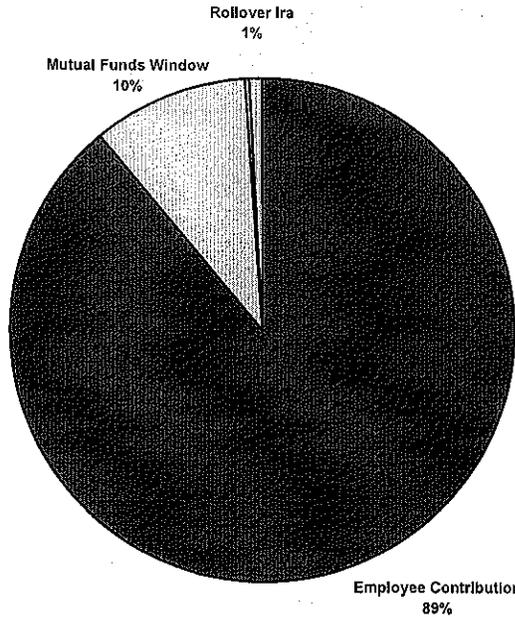
# Contributions by Source

1/1/2007 - 12/31/2007

Source of Contributions	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
	\$ 625,964	\$ 651,838	\$ 659,241	\$ 720,912	\$ 2,657,956
	\$ 77,857	\$ 78,644	\$ 70,773	\$ 74,406	\$ 301,680
	\$ 0	\$ 0	\$ 0	\$ 1,985	\$ 1,985
	\$ 0	\$ 0	\$ 641	\$ 3,304	\$ 3,945
	\$ 14,795	\$ 0	\$ 4,086	\$ 4,376	\$ 23,257
	\$ 718,616	\$ 730,482	\$ 734,741	\$ 804,984	\$ 2,988,824

# Source Contributions

For the period 1/1/2007 - 12/31/2007

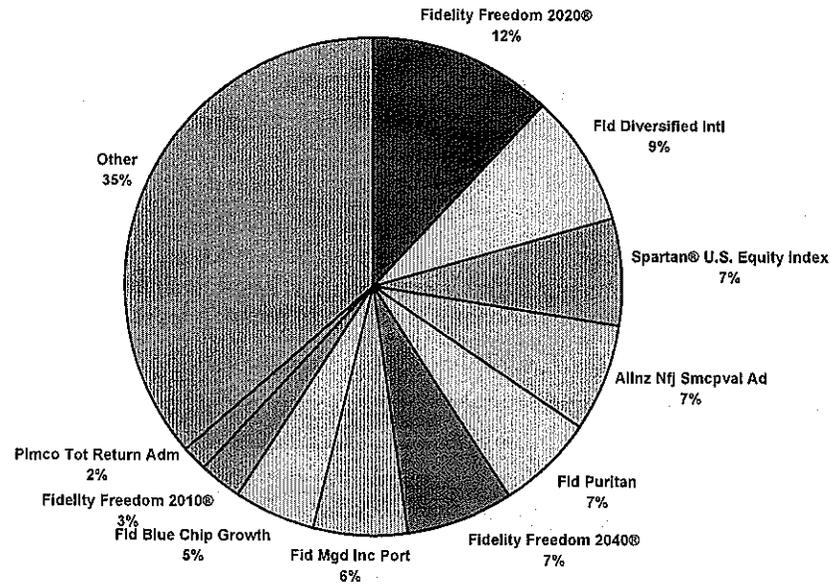


Total Contributions:
\$2,988,824

Employee Contribution	Mutual Funds Window	Rollover-457(B)
Rollover-401(A)	Rollover Ira	

# Contribution Allocation

1/1/2007 - 12/31/2007



Total Contributions: \$2,988,824

Fidelity Freedom 2020	Fid Diversified Intl	Spartan U.S. Equity Index	Allnz Nfj Smcpval Ad
Fid Puritan	Fidelity Freedom 2040	Fid Mgd Inc Port	Fid Blue Chip Growth
Fidelity Freedom 2010	Pimco Tot Return Adm	Other	

The information on this page is updated monthly on PSW.

# Cash Flow Summary

Cash Inflow	Year Ending 12/31/2006	Year Ending 12/31/2007
Balance Forward(1)	\$288,534	\$65,791
Contributions	\$3,016,732	\$2,988,824
<b>Total Cash Inflow:</b>	<b>\$3,305,266</b>	<b>\$3,054,615</b>

Cash Outflow	Year Ending 12/31/2006	Year Ending 12/31/2007
Withdrawals	(\$1,135,251)	(\$1,657,145)
Fees	(\$46,648)	(\$51,290)
<b>Total Cash Outflow:</b>	<b>(\$1,181,899)</b>	<b>(\$1,708,435)</b>

<b>NET CASH FLOW:</b>	<b>\$2,123,367</b>	<b>\$1,346,180</b>
-----------------------	--------------------	--------------------

**Definitions of Cash Flow Items:**

(1) Balance Forward - Conversion/Outside assets updated to participant accounts  
 The information on this page is updated monthly on PSW.

# Participant Overview

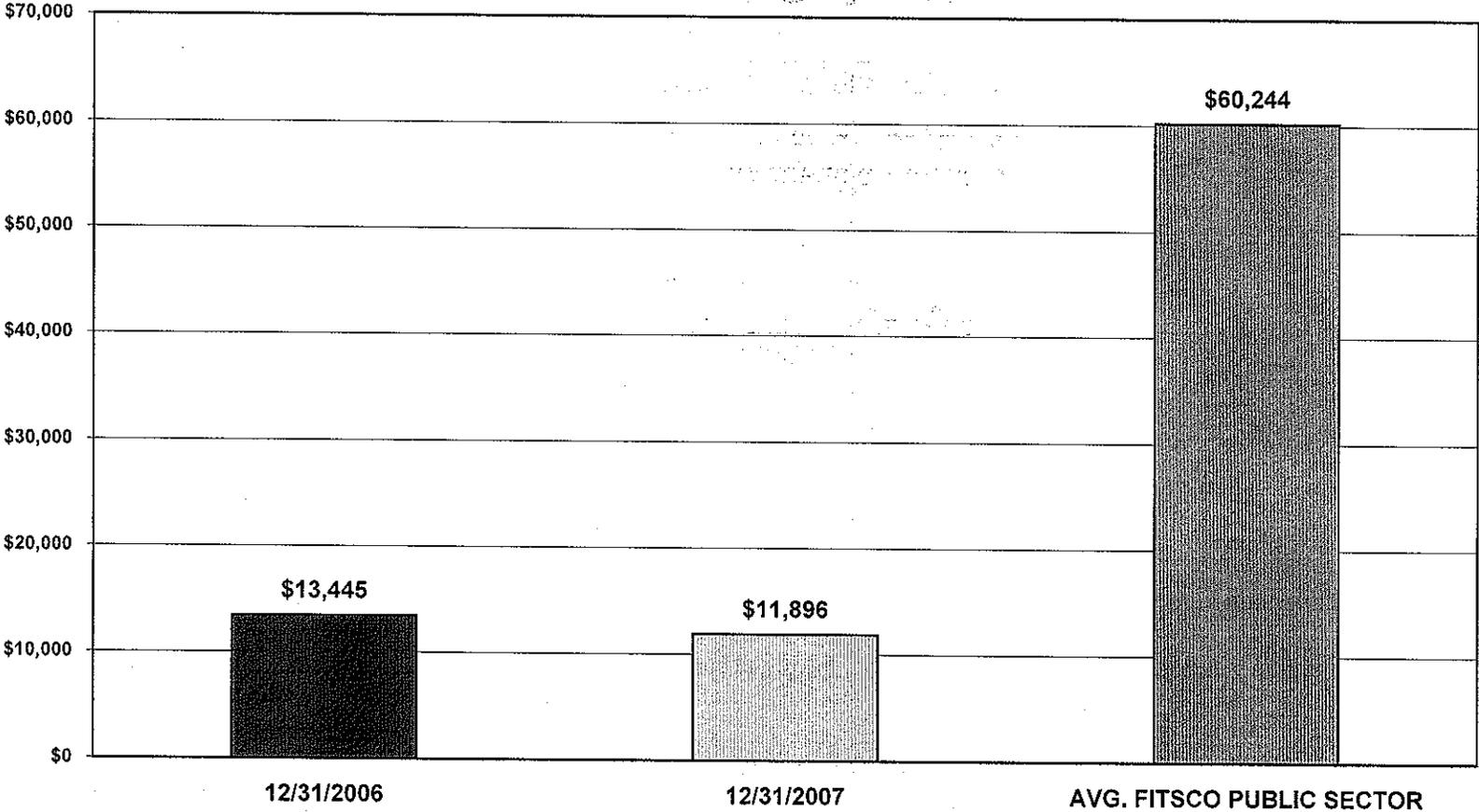
	2018	2019
	1555	2019
	0	0
	0	0
	89	142
	89	90
	1375	1784

## Definitions of Participant Totals

- (1) Participants: Number of Participants with Account Balances.
- (2) Inactive Participants: Number of Participants with Status Codes of 'I' or 'Q' with Balances (Example: Participants who have revoked their contribution deferral percent; however, are still employees).
- (3) Suspended w/Balances: Number of Participants with Status Code of 'S' with Balances (Example: Participants who have taken financial hardship withdrawals and are suspended for a period of time per the plan document).
- (4) Terminated w / Balances: Number of Participants with Status Codes of 'T', 'R', or 'D' with Balances.
- (5) Active Participants: Number of Participants with a Status Code of 'A' with Balances.

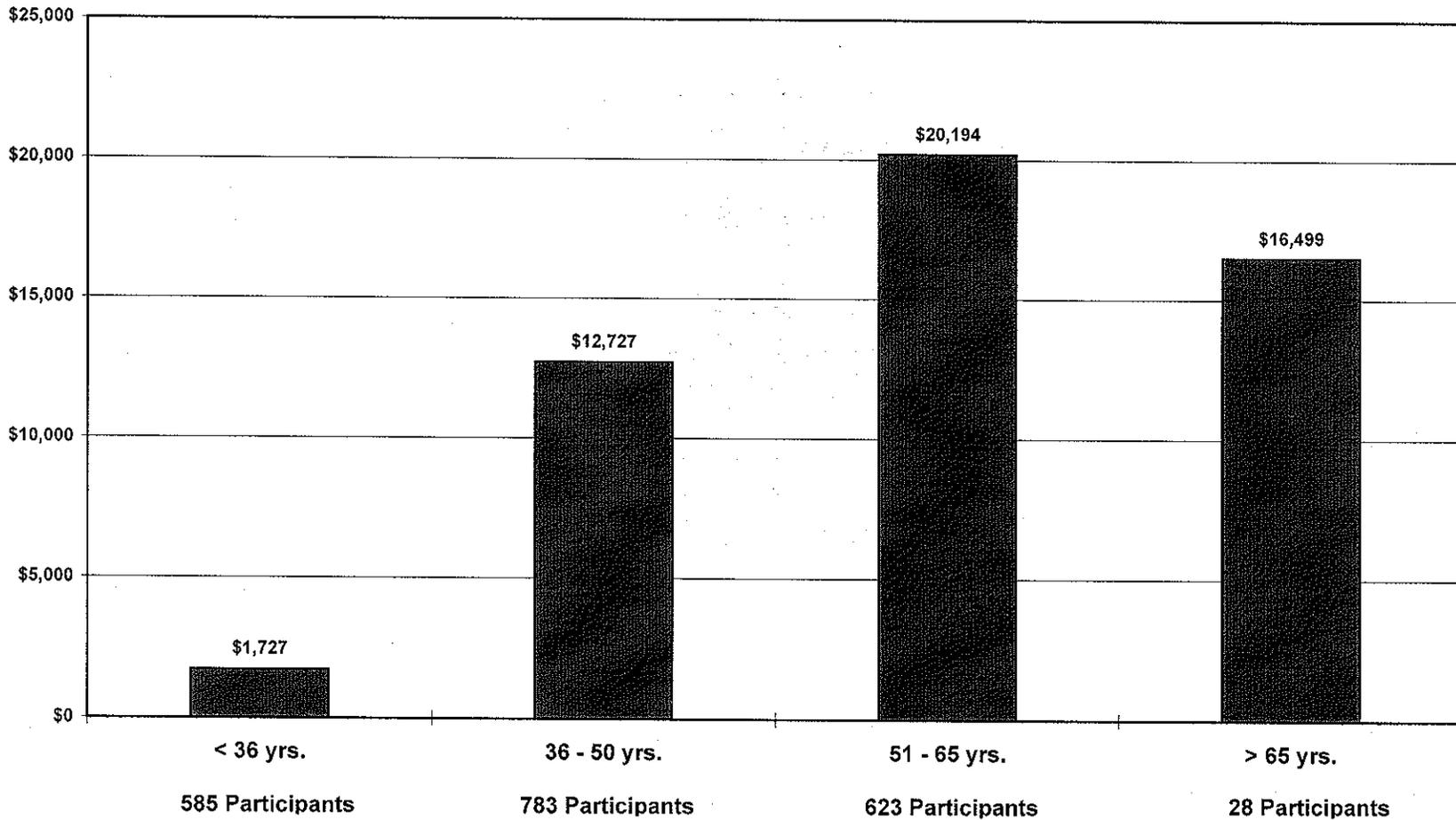
This data is not intended for IRS Form 5500 filing purposes.

# Average Participant Balance

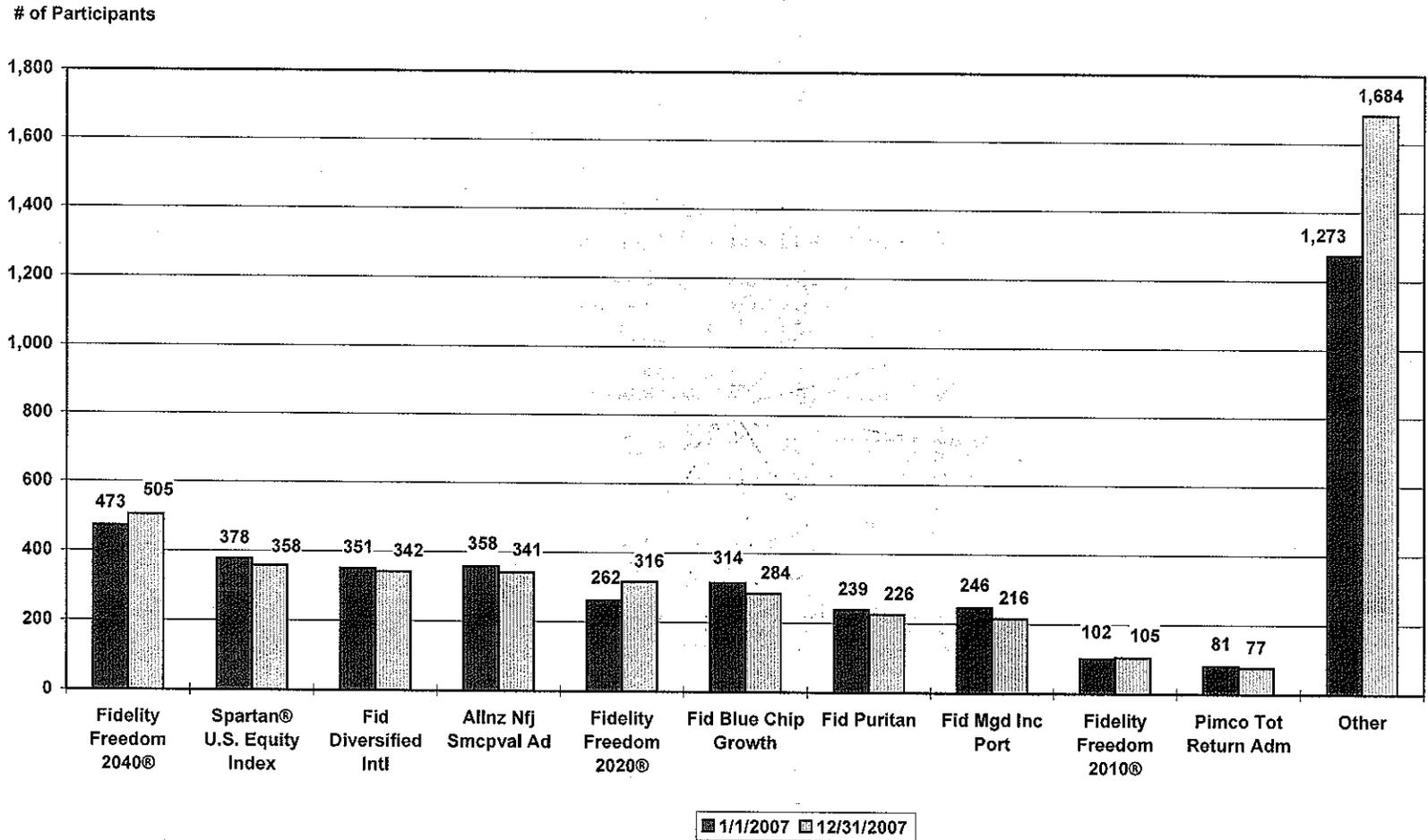


# Average Balance by Age

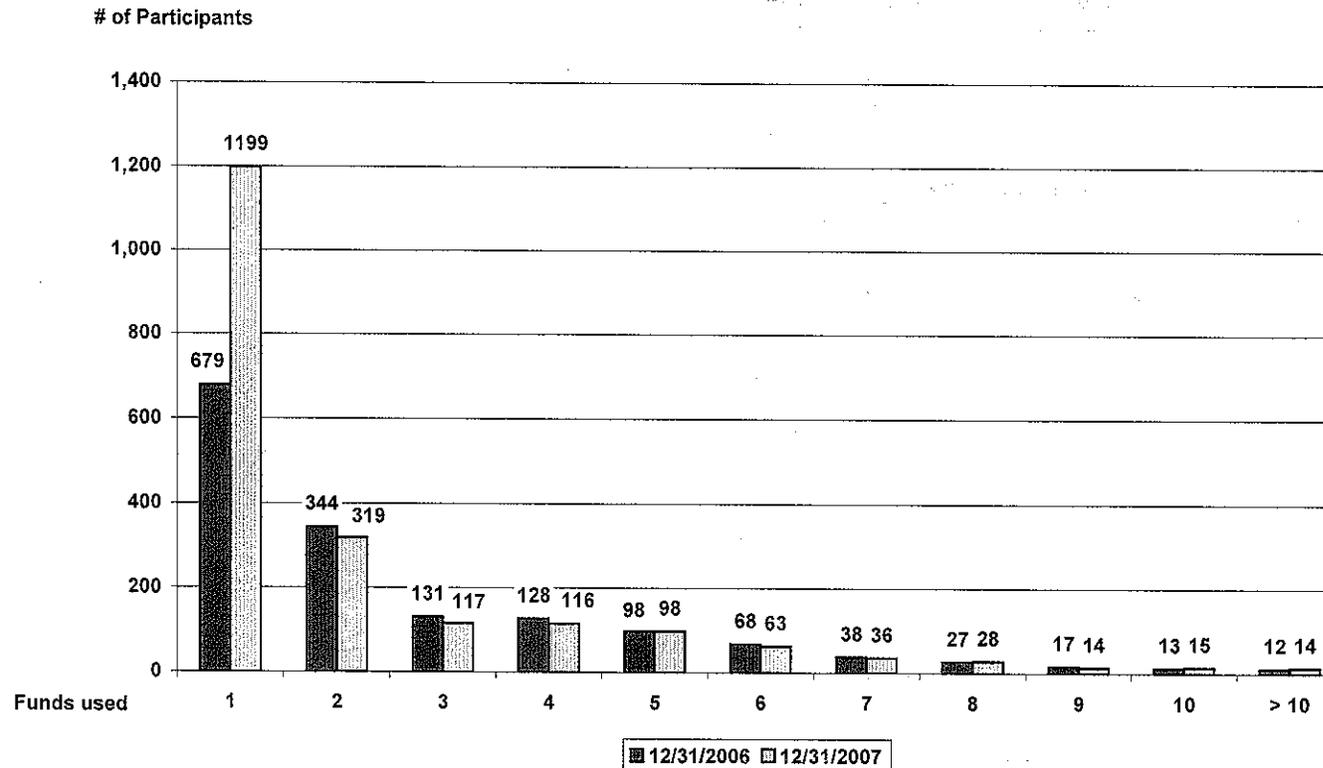
as of 12/31/2007



# Participants with a Balance by Fund



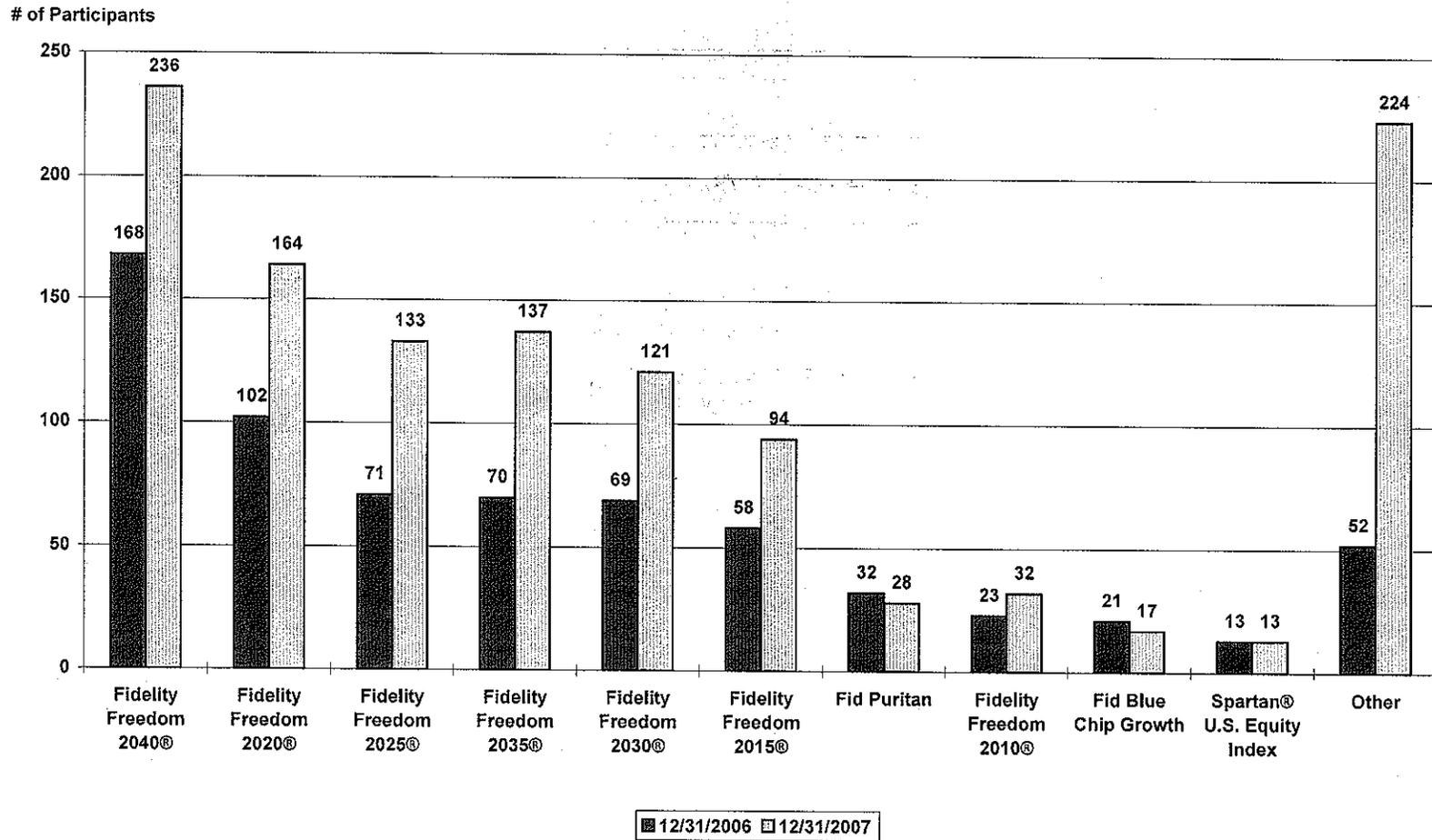
# Number of Funds per Participant



Average Investment  
options used in this plan  
as of 12/31/2006 - 2.6  
as of 12/31/2007 - 2.2

- **AVG. FITSCO PUBLIC SECTOR** offered 61.3 funds as of 12/31/2006 and 63.8 funds as of 12/31/2007
- An **AVG. FITSCO PUBLIC SECTOR** participant used 3.1 funds as of 12/31/2006 and 3.1 funds as of 12/31/2007

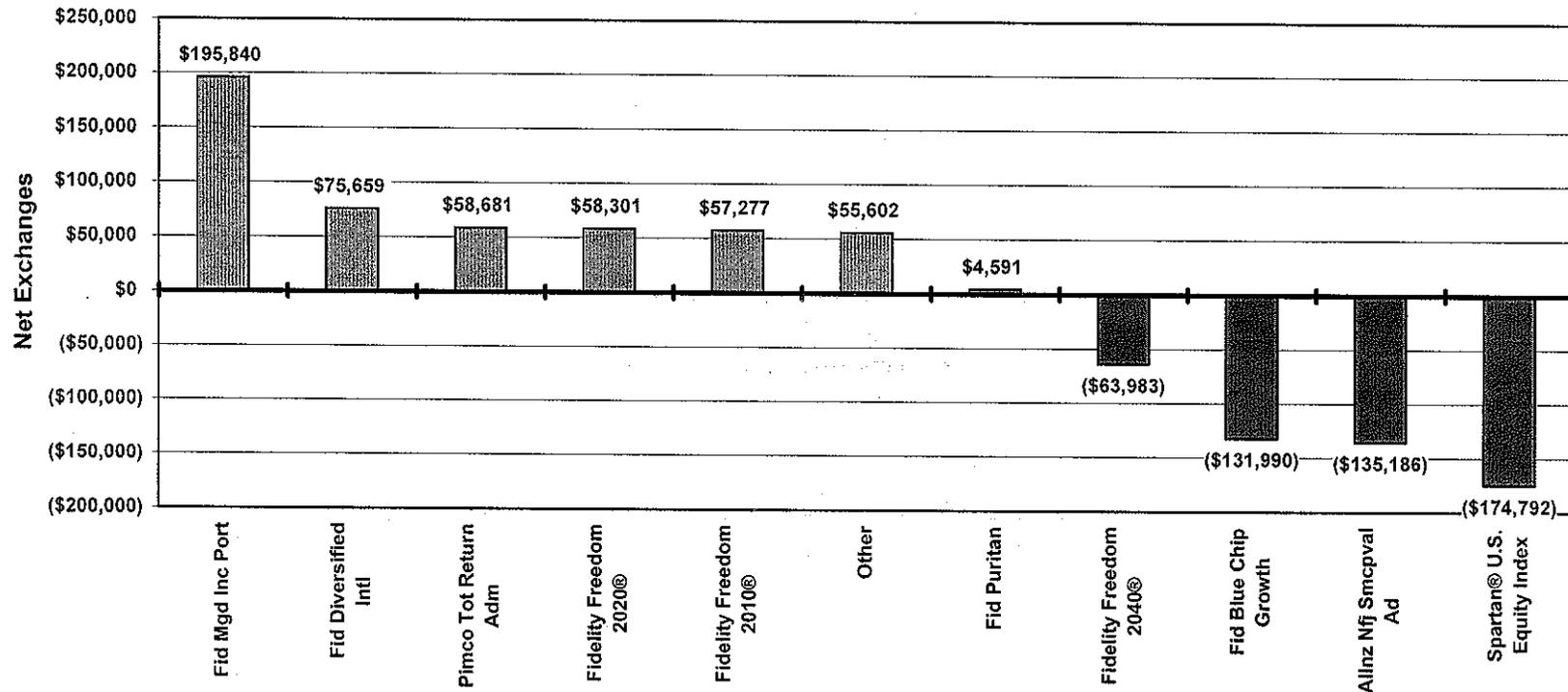
# Single Fund Balances



The values in this chart represent the number of participants whose balances are invested 100% in the indicated fund.

# Net Exchange Activity\*

1/1/2007 - 12/31/2007



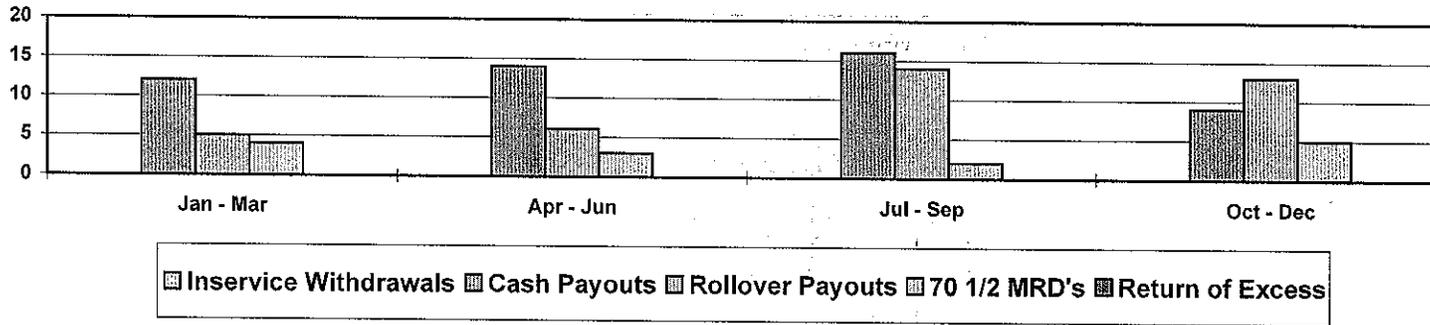
\* The Columns of the chart represent the net value of Exchanges into and out of the fund during the period. This chart does not reflect Contributions, Dividends, Withdrawals, or any other transactions that affect the fund balance.

# Distribution Activity

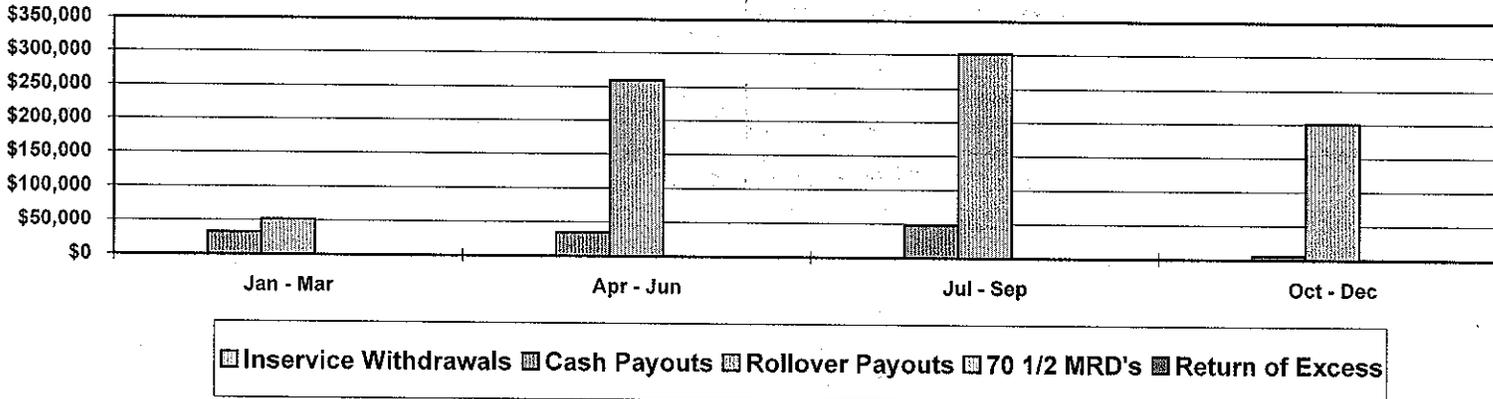
1/1/2007 - 12/31/2007

Volumes

# of Distributions



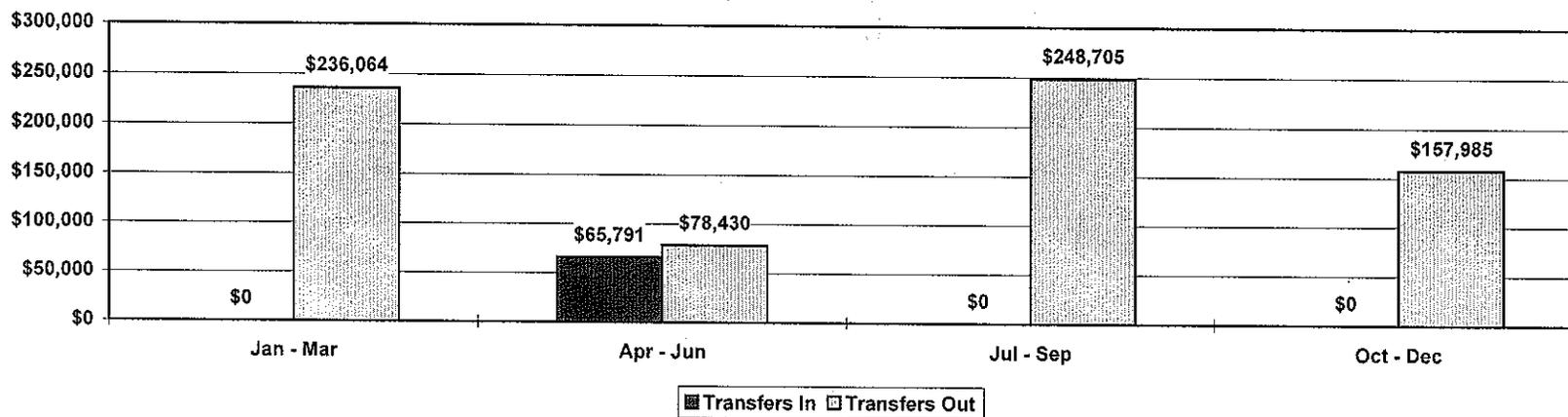
Dollars



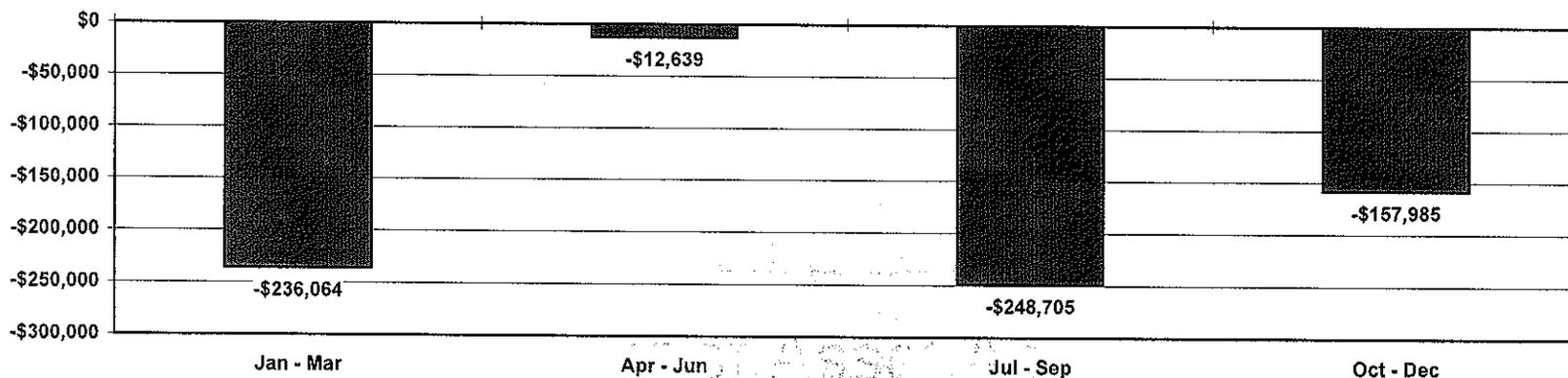
# Transfer of Asset Activity

1/1/2007 - 12/31/2007

Transfers In/Out



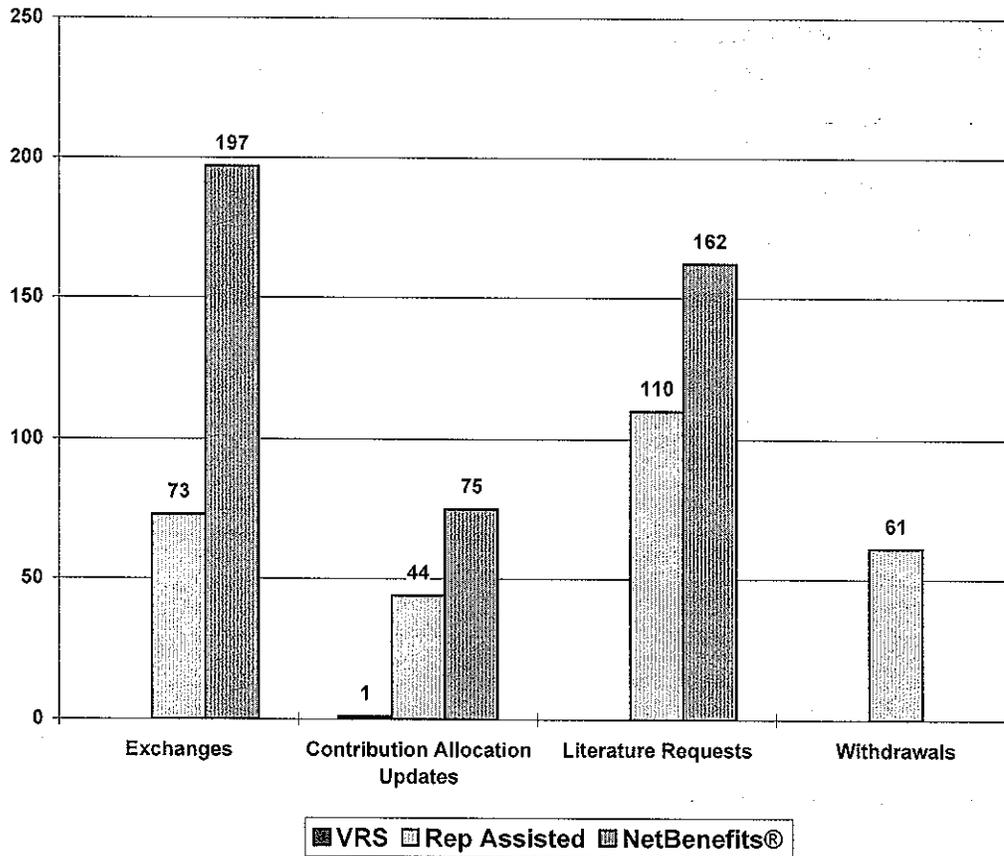
Net Transfers



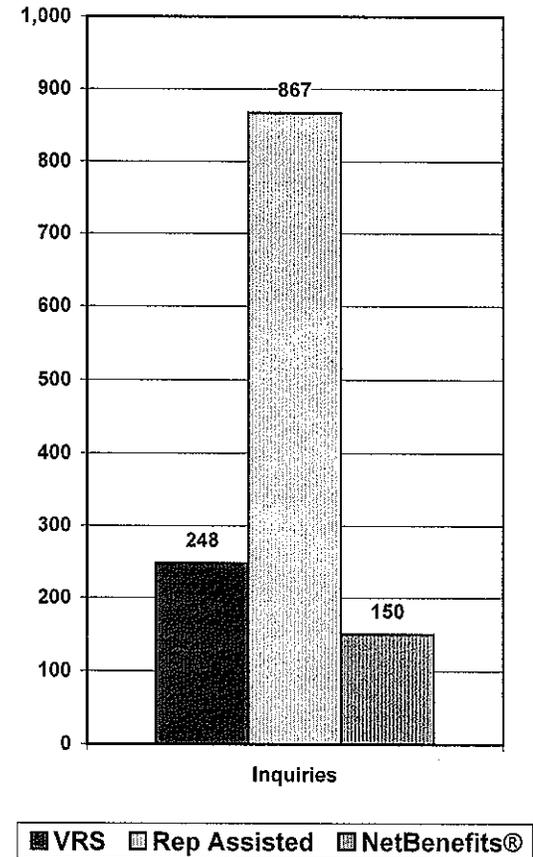
# Participant Account Activity by Type

1/1/2007 - 12/31/2007

Update Transactions

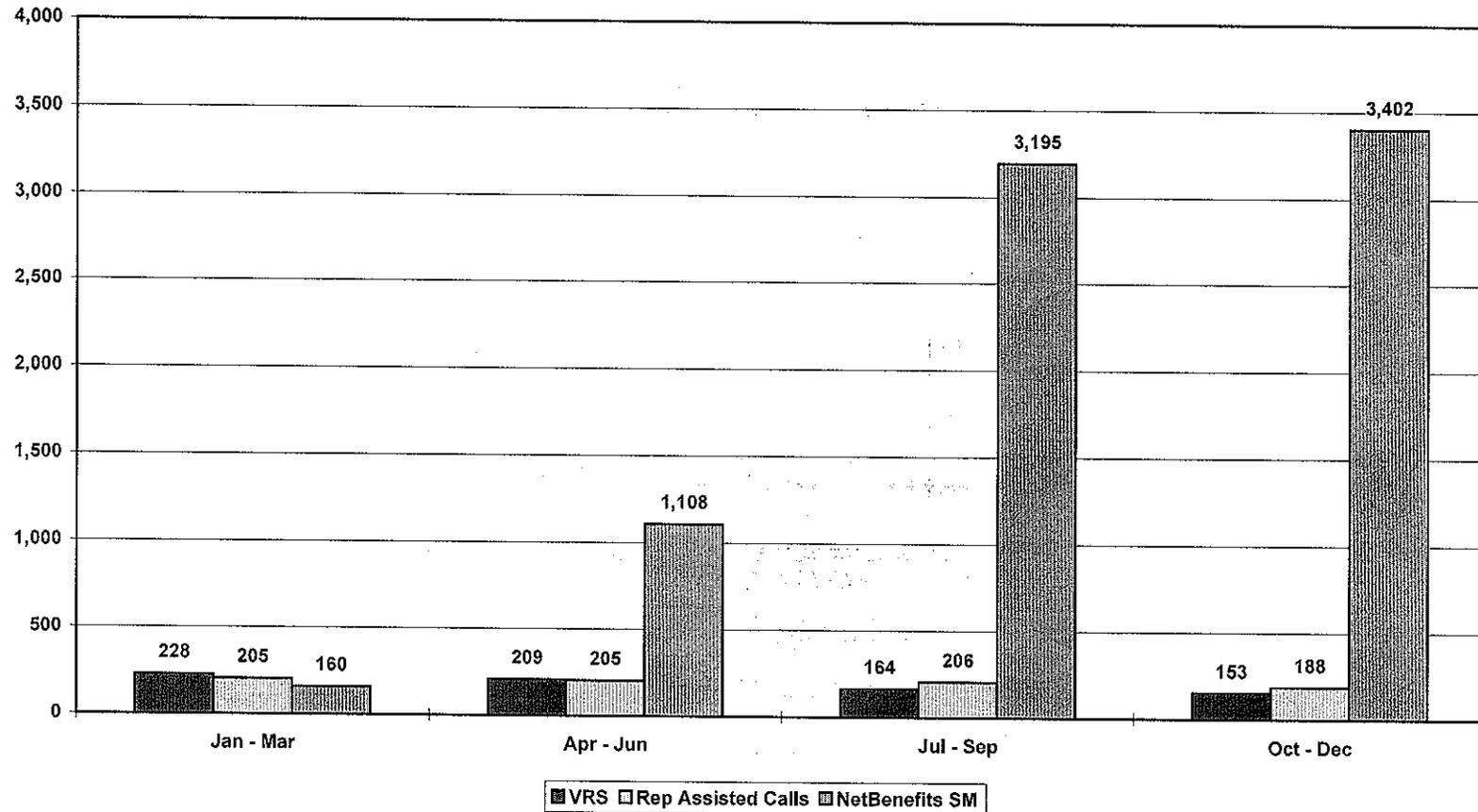


Inquiry Only



# Participant Access Volumes

1/1/2007 - 12/31/2007

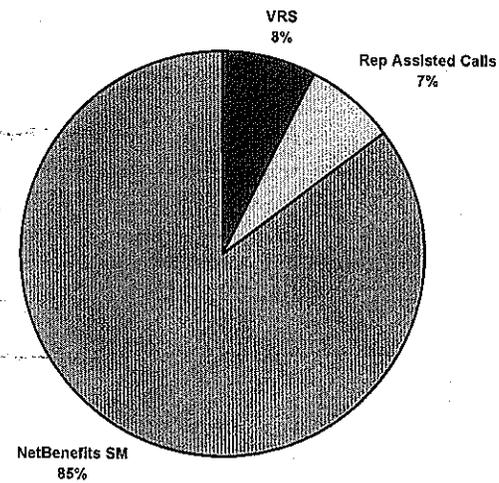
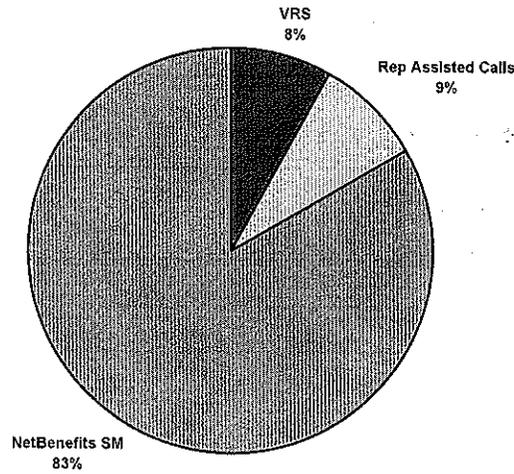


# Account Access Comparison

1/1/2007 - 12/31/2007

**NORTH DAKOTA STATE DEFERRED  
COMPENSATION COMPANION PLAN  
NORTH DAKOTA PERS**

**AVG. FITSCO PUBLIC SECTOR**





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

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

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FAX: (701) 328-3920 • EMAIL: [NDPERS-info@nd.gov](mailto:NDPERS-info@nd.gov) • [www.nd.gov/ndpers](http://www.nd.gov/ndpers)

# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** March 13, 2008  
**SUBJECT:** Legislation

Attached please find the draft of the proposed legislation for the next session to be submitted to the Legislative Employee Benefits committee by the end of this month. Also attached is the proposed legislative concepts matrix that we have been working off of for the last several months. An additional column has been added to the right that indicates were that concept, if approved, has been included in the attached bills. In addition to the concepts, the bill drafts also include the following:

- The last PERS election subcommittee noted that eligibility for the PERS board is limited in statute to PERS members in chapter 54-52 only. The committee recommends that eligibility should be expanded to the other retirement plans administered by PERS including members of the DC plan, Highway Patrol plan and Job Service Plan (Bill #2, Section 6).
- At the Board Planning meeting in December we discussed expanding the eligibility relating to PERS members on the SIB. This was referred to the investment subcommittee to develop the concept. Based upon that discussion proposed language is included (Bill #2, Section 1).

Several questions came up during the bill preparation:

- For the 13<sup>th</sup> check we previously approved language that it would be effective if the target rate of return is met and the market value to liabilities is 110%. Staff would suggest that we graduate the funded status in the same manner as the return assumption so it would be:
  - 50% if we get an 8% return and the funded status is 105%
  - 75% if we get 9% and the funded status is 110%
  - 100% if we get 10% and the funded status in 115%

Staff would recommend the change in the bill to the above language and has included it in the draft for your consideration.

- Should we have a trigger on the 2% retiree increase? The bill provides that employer contributions will increase to a new rate for two years to pay for the increase. In calculating this amount Segal assumes not only the contribution income but also the investment return income over the period. If investment return income is not as high as expected then liabilities will increase more than assets. If this is a concern especially in a falling market there are two ways we can address this issue. The first option would be add to the bill a trigger that would stop the increase if the market value of assets decreases or if the investment return for the previous year is less than 8%. The difficulty with this is that we would be receiving higher contributions to pay for the increase from some employers and then the question would be do we keep it, send it back or handle it some other way. The second option is to direct Segal to use a lower investment return assumption when calculating the required contribution increase. Staff would recommend the later option and that rate can be determined later. However if you would like to add a trigger that would need to be done at this point.

On Bill #4 the proposed reduction in the premedicare retiree rate differential from 150% to 125% of the state single rate will have the effect of increasing our GASB OPEB liability

substantially. Therefore staff has added to the bill a sunset clause for the end of the biennium. This could reduce or eliminate the OPEB liability increase, however, this is still under review. The advantage of this provision is that it could make the change more reasonable from an OPEB perspective. The disadvantage is that it would require renewal every two year. Staff seeks your direction if this provision should stay in or be removed. Staff would recommend maintaining it.

**Board Action Requested**

To approve the bill drafts for submission to the Legislative Employee Benefits Committee and to provide direction on the above issues.

Legislative Employee Benefits Committee  
Proposed Legislative Concepts

Proposed Legislation	Main/ Nat Gd/ Law Enf	Judges	Highway Patrol	Job Service	Bill Reference
<p><b>1.</b></p> <p>2% increase in January 2011</p> <ul style="list-style-type: none"> <li>• Fully paid for in 2009-2011</li> <li>• Estimated cost .91 or less</li> <li>• Make political subdivisions participation optional</li> </ul> <p>13th check in January of 2010</p> <ul style="list-style-type: none"> <li>• 50% if return is greater than 8% &amp; funding ratio at market is greater than 110%</li> <li>• 75% if return is greater than 9% &amp; funding ratio at market is greater than 110%</li> <li>• 100% if return is greater than 10% and funding ratio at market is greater than 110%</li> </ul>	Yes	Yes, based on available margin	Yes, 13 <sup>th</sup> check consistent with main system.		Bill #3 Sections 1, 3, 4, 6, 7, 8, 9
<p><b>2.</b></p> <p>Increase the Retiree Health Credit from \$4.50 to \$5</p>	Yes	Yes	Yes	Yes	Bill #1, Sections 1, 2

<b>Proposed Legislation</b>	<b>Main/ Nat Gd/ Law Enf</b>	<b>Judges</b>	<b>Highway Patrol</b>	<b>Job Service</b>	<b>Bill Reference</b>
<b>3.</b> HDHP for pre-Medicare Retirees	No	No	No	No	NA
<b>4.</b> Change NDCC 54-52.1 for pre-Medicare retirees single rate from 150% of active rate to 125%	Yes	Yes	Yes	Yes	Bill #4 Section 1
<b>5.</b> Amend the Joint and Survivor Option under the Hybrid Plan to allow a PERS retiree to designate a subsequent beneficiary, either after the death of the original beneficiary or upon a divorce, similar to other plans.	Approved	Yes	No, not necessary		Bill #2 Sections 4, 8
<b>6.</b> Allow PERS members to purchase service credit unrelated to other eligible service in excess of five years (up to an additional five years) However, such excess service would not be counted towards attaining normal retirement date under the Rule of 85 (80).	Approved	Yes	Yes		Bill #2 Sections 2, 9
<b>7.</b> Eliminate the benefit option for surviving spouses of active employees whereby	Approved	Yes	N/A		Bill #2 Section 8

Proposed Legislation	Main/ Nat Gd/ Law Enf	Judges	Highway Patrol	Job Service	Bill Reference
<p>unreduced normal retirement benefits are payable for 60 months. This is a concern for PERS because a 60-month certain form of payment is an eligible rollover distribution under IRC 402(c) and therefore each monthly payment is subject to an automatic 20% tax withholding, unless the surviving spouse elects to rollover each payment.</p>					
<p><b>8.</b> Permit members of the Hybrid Plan and HP to select a non-spouse annuitant for the joint and survivor annuity benefit options (50% and 100%) upon retirement.</p>	Approved	Yes	Yes		Bill #2 Sections 4, 8
<p><b>9.</b> Permit members of the Law Enforcement and National Guard Systems Plan to provide an unreduced 50% Joint and Survivor benefit as a normal form of benefit.</p>	Not approved	N/A	N/A		NA

Proposed Legislation	Main/ Nat Gd/ Law Enf	Judges	Highway Patrol	Job Service	Bill Reference
<p><b>10.</b> Allow participants in the 457 plan to purchase service credit via in-service transfer of their 457 plan account balance based on paying only the employee and employer contribution rate under the Hybrid Plan (9.12% of salary or wages), rather than full actuarial cost to the fund for providing the service credit. For example for each year a member participated in PEP they could purchase one month of service credit at 9.12%</p>	Approved	N/A	N/A		Bill #3 Section 5
<p><b>11.</b> Allow participants in the Hybrid Plan to purchase a graduated benefit. The monthly benefit would be actuarially reduced depending on the annual inflation increase the member would like to have.</p>	Approved	Yes	Yes		Bill #2 Section 8
<p><b>12.</b> Allow employers to contribute a “bonus” contribution to a participant’s 457 plan account.</p>	Not Approved				NA

Proposed Legislation	Main/ Nat Gd/ Law Enf	Judges	Highway Patrol	Job Service	Bill Reference
<b>13.</b> Change Rule of 85 to Rule of 90	No Action		No		NA
<b>14.</b> Add Legislators to the retiree health credit plan	Advise of option				NA
<b>15.</b> Allowing the Judges, Job Service and the HP members to pretax their employee contributions		Yes	Yes		Bill #2 Sections 3, 7
<b>16.</b> Other Changes: Allow the employer the option of paying health and life insurance premiums for permanent employees on unpaid LOA.  Consider eliminating the provision that allows non-eligible employees to join the health plan.  54-52.1-03.4 – update the wording to reflect term different then 9 months and	Yes	Yes	Yes	Yes	Bill #2 Section 12  Bill #2 Section 12  Bill #2 Section 11

<b>Proposed Legislation</b>	<b>Main/ Nat Gd/ Law Enf</b>	<b>Judges</b>	<b>Highway Patrol</b>	<b>Job Service</b>	<b>Bill Reference</b>
change "teacher" to "faculty"  Determine if the HP want to allow member to purchase other types of previous public employment including in-state, federal & out-of-state.			Yes, make consistent with main system purchase provisions.		Bill #2 Section 2
<b>17.</b>  Revise normal highway patrol retirement option from an automatic unreduced 50% Joint and Survivor provision to a 100% automatic unreduced joint and survivor provision for surviving spouses of retired HP		N/A	Yes		Bill #3 Section 2
<b>18.</b>  Increase employer paid life insurance from \$1,300 to \$10,000	Recommended by benefits committee. Staff recommends deferring this to next session.				NA
<b>19.</b>  Wellness Incentives	No	No	No	No	NA

Introduced by

1 A BILL for an Act to amend and reenact subsection 1 of section 54-52.1-03.2 and  
2 subsection 2 of section 54-52.1-03.3 of the North Dakota Century Code, relating to the  
3 retiree health benefits fund.

4 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

5 **SECTION 1. AMENDMENT.** Section 54-52.1-03.2 of the North Dakota Century  
6 Code is amended and reenacted as follows:

7 **54-52.1-03.2. Retiree health benefits fund - Appropriation.**

8 1. The board shall establish a retiree health benefits fund account with the  
9 Bank of North Dakota for the purpose of prefunding and providing hospital  
10 benefits coverage and medical benefits coverage under the uniform group  
11 insurance program for retired eligible employees or surviving spouses of  
12 retired eligible employees and their dependents as provided in this  
13 chapter. The state shall contribute monthly to the retiree health benefits  
14 fund an amount equal to one and fifteen hundredths percent of the  
15 monthly salaries and wages of all participating members of the highway  
16 patrolmen's retirement system under chapter 39-03.1, and one and fifteen  
17 hundredths percent of the monthly salaries of all supreme or district court  
18 judges who are participating members of the public employees retirement  
19 system under chapter 54-52. Each governmental unit that contributes to  
20 the public employees retirement system fund under section 54-52-06 or  
21 the retirement plan under chapter 54-52.6 shall contribute monthly to the  
22 retiree health benefits fund an amount equal to one and fifteen hundredths  
23 percent of the monthly salaries or wages of all participating members of

1 the public employees retirement system under chapter 54-52 or chapter  
2 54-52.6, except for nonteaching employees of the superintendent of public  
3 instruction who elect to participate in the public employees retirement  
4 system pursuant to section 54-52-02.13 and employees of the state board  
5 for career and technical education who elect to participate in the public  
6 employees retirement system pursuant to section 54-52-02.14. For  
7 nonteaching employees of the superintendent of public instruction who  
8 elect to participate in the public employees retirement system pursuant to  
9 section 54-52-02.13, the superintendent of public instruction shall  
10 contribute monthly to the retiree health benefits fund an amount equal to  
11 three and ~~one-tenth~~ one-quarter percent of the monthly salaries or wages  
12 of those nonteaching employee members, beginning on the first of the  
13 month following the transfer under section 54-52-02.13 and continuing  
14 thereafter for a period of eight years, after which time the superintendent  
15 of public instruction shall contribute one and fifteen hundredths percent of  
16 the monthly salary or wages of those nonteaching employee members.  
17 For employees of the state board for career and technical education who  
18 elect to participate in the public employees retirement system pursuant to  
19 section 54-52-02.14, the state board for career and technical education  
20 shall contribute monthly to the retiree health benefits fund an amount  
21 equal to ~~two and eighty-five hundredths~~ three percent of the monthly  
22 salary or wages of those employee members, beginning on the first of the  
23 month following the transfer under section 54-52-02.14 and continuing  
24 thereafter for a period of eight years, after which time the state board for  
25 career and technical education shall contribute one and fifteen hundredths  
26 percent of the monthly salary or wages of those employee members. The  
27 employer of a national guard security officer or firefighter shall contribute

1 monthly to the retiree health benefits fund an amount equal to one and  
2 fifteen hundredths percent of the monthly salaries or wages of all national  
3 guard security officers or firefighters participating in the public employees  
4 retirement system under chapter 54-52. Job service North Dakota shall  
5 reimburse monthly the retiree health benefits fund for credit received  
6 under section 54-52.1-03.3 by members of the retirement program  
7 established by job service North Dakota under section 52-11-01. The  
8 board, as trustee of the fund and in exclusive control of its administration,  
9 shall:

- 10 a. Provide for the investment and disbursement of moneys of the  
11 retiree health benefits fund and administrative expenditures in the  
12 same manner as moneys of the public employees retirement  
13 system are invested, disbursed, or expended.
- 14 b. Adopt rules necessary for the proper administration of the retiree  
15 health benefits fund, including enrollment procedures.

16 **SECTION 2. AMENDMENT.** Subsection 2 of section 54-52.1-03.3 of the North  
17 Dakota Century Code is amended and reenacted as follows:

- 18 2. The board shall calculate the allowable monthly credit toward hospital and  
19 medical benefits coverage for a person eligible under subsection 1 in an  
20 amount equal to ~~four~~ five dollars ~~and fifty cents~~ multiplied by the member's  
21 or deceased member's number of years of credited service under the  
22 highway patrolmen's retirement system, the public employees retirement  
23 system, the retirement program established by job service North Dakota  
24 under section 52-11-01, or the judges retirement program established  
25 under chapter 27-17. For a member of the public employees retirement  
26 system receiving an early retirement benefit or the surviving spouse of that  
27 member, or a former participating member of the defined contribution

1 retirement plan who is receiving a periodic distribution and would not meet  
2 the normal retirement provisions of the public employees retirement  
3 system, the allowable monthly credit must be reduced by three percent if  
4 the member terminates employment within one year prior to attaining the  
5 age of sixty-five and an additional reduction factor of six percent shall  
6 apply for each year the member terminates employment prior to attaining  
7 the age of sixty-four. For a member of the highway patrolmen's retirement  
8 system receiving an early retirement benefit or the surviving spouse of that  
9 member, the allowable monthly credit must be reduced by three percent if  
10 the member terminates employment within one year prior to attaining the  
11 age of fifty-five and an additional reduction factor of six percent shall apply  
12 for each year the member terminates employment prior to attaining the  
13 age of fifty-four. For a member of the retirement program established by  
14 job service North Dakota under section 52-11-01 receiving an early  
15 retirement benefit or a discontinued service annuity under the plan  
16 provisions of that retirement program or the surviving spouse of that  
17 member, the allowable monthly credit must be reduced by three percent if  
18 the member terminates employment within one year prior to attaining the  
19 age of sixty-five and an additional reduction factor of six percent applies  
20 for each year the member terminates employment prior to attaining the  
21 age of sixty-four.

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Legislative Assembly  
of North Dakota

Introduced by

1 A BILL for an Act to create and enact subsection 3 of section 39-03.1-09, and  
2 subsection 4 of section 54-52-05, of the North Dakota Century Code, relating to  
3 payment of employee contributions under the highway patrolmen's retirement plan and  
4 public employees retirement system; to amend and reenact subsection 1 of section 21-  
5 10-01, 39-03.1-08.2, subsections 8 and 9 of section 39-03.1-11, 39-03.1-11.2,  
6 subsections 6 and 9 of section 54-52-17, subsection 6 of section 54-52-17.4, 54-52-28,  
7 subsection 7 of section 54-52.1-03, and 54-52.1-03.4 of the North Dakota Century  
8 Code, relating to membership on state investment board, purchase of service credit,  
9 member benefit options, Internal Revenue Code compliance, and board elections under  
10 the highway patrolmen's retirement plan and public employees retirement system, and  
11 participation and employer payments under uniform group insurance program.

12 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

13 **SECTION 1. AMENDMENT.** Subsection 1 of section 21-10-01 of the North  
14 Dakota Century Code is amended and reenacted as follows:

15 1. The North Dakota state investment board consists of the governor, the  
16 state treasurer, the commissioner of university and school lands, the  
17 director of workforce safety and insurance, the insurance commissioner,  
18 three members of the teachers' fund for retirement board or the board's  
19 designees who need not be members of the fund as selected by that  
20 board, and three ~~of the elected~~ members of the public employees  
21 retirement system board as selected by that board. The director of  
22 workforce safety and insurance may appoint a designee, subject to  
23 approval by the workforce safety and insurance board of directors, to

1 attend the meetings, participate, and vote when the director is unable to  
2 attend. The teachers' fund for retirement board may appoint an alternate  
3 designee with full voting privileges to attend meetings of the state  
4 investment board when a selected member is unable to attend. The public  
5 employees retirement system board may appoint an alternate designee  
6 with full voting privileges from the public employees retirement system  
7 board to attend meetings of the state investment board when a selected  
8 member is unable to attend. The members of the state investment board,  
9 except elected and appointed officials and the director of workforce safety  
10 and insurance or the director's designee, are entitled to receive as  
11 compensation sixty-two dollars and fifty cents per day and necessary  
12 mileage and travel expenses as provided in sections 44-08-04 and  
13 54-06-09 for attending meetings of the state investment board.

14 **SECTION 2. AMENDMENT.** Section 39-03.1-08.2 of the North Dakota Century  
15 Code is amended and reenacted as follows:

- 16 1. The fund may accept rollovers from other eligible plans under rules  
17 adopted by the board for the purchase of additional service credit, but only  
18 to the extent the transfer is a rollover contribution that meets the  
19 requirement of section 408 of the Internal Revenue Code [26 U.S.C. 408].
- 20 ~~2. Except as provided in subsection 3 of section 39-03.1-10.1, a contributor~~  
21 ~~is entitled to purchase additional credit under this section for active~~  
22 ~~employment in the armed forces of the United States, for up to four years~~  
23 ~~of credit, if the contributor is not presently receiving credit for that service.~~  
24 ~~A contributor may not purchase credit under this subsection if the years~~  
25 ~~claimed also qualify for retirement benefits from another retirement~~  
26 ~~system.~~

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- 1           3.    ~~A contributor may elect to purchase credit for an employer-approved leave~~  
2                   ~~of absence if the contributor is not presently receiving credit for that~~  
3                   ~~absence.~~
- 4           4. 2. The board may accept trustee-to-trustee transfers as permitted by Internal  
5                   Revenue Code section 403(b)(13) and section 457(e)(17) from an Internal  
6                   Revenue Code section 403(b) annuity or Internal Revenue Code section  
7                   457 deferred compensation plan for the purchase of permissive service  
8                   credit, as defined in Internal Revenue Code section 415(n)(3)(A), or as  
9                   repayment of a cashout from a governmental plan under Internal Revenue  
10                  Code section 415(k)(3).
- 11          3.    A contributor may elect to purchase credit for years of service and prior  
12                  service for which the contributor is not presently receiving credit. A  
13                  contributor is entitled to purchase additional credit under this section for  
14                  the following service or prior service, except this service is not eligible for  
15                  credit if the years claimed also qualify for retirement benefits from another  
16                  retirement system:
- 17                  a.    Except as provided in subsection 3 of section 39-03.1-10.1, up to  
18                          four years of credit for active employment in the armed forces of the  
19                          United States.
- 20                  b.    Employment as a permanent employee by a public employer either  
21                          within or outside the state of North Dakota.
- 22                  c.    Employment as a permanent employee by the federal government.
- 23          4.    A contributor may elect to purchase credit for the following absences for  
24                  which the participating contributor is not receiving service credit:
- 25                  a.    Employer-approved leave of absence; or  
26                  b.    Months away from work while participating as a seasonal  
27                          employee.

- 1           5.     The contributor may purchase credit under this section by paying to the  
2                     board an amount equal to the actuarial cost to the fund of providing the  
3                     credit. The board shall adopt rules governing the purchase of additional  
4                     credit under this section.
- 5           6.     The board may establish individual retirement accounts and individual  
6                     retirement annuities as permitted under section 408(q) of the Internal  
7                     Revenue Code to allow employees to make voluntary employee  
8                     contributions. The board may adopt appropriate rules as may be  
9                     necessary to implement and administer the accounts and annuities under  
10                    this section.
- 11          7.     In addition to service credit identified in this section, a contributor may  
12                     purchase up to ~~five~~ ten years of service credit unrelated to any other  
13                     eligible service. Up to a maximum of five years of purchased service  
14                     credit under this subsection will be recognized as service credit for the  
15                     purpose of computing retirement dates under section 39-03.1-11.
- 16          8.     Pursuant to rules adopted by the board, the board may allow a contributor  
17                     to purchase service credit with either pretax or aftertax moneys, at the  
18                     board's discretion. If a contributor elects to purchase service credit using  
19                     pretax moneys, the requirements and restrictions in subsection 2 of  
20                     section 39-03.1-09 apply to the purchase arrangement.

21           **SECTION 3.** Subsection 3 to section 39-03.1-09 of the North Dakota Century  
22 Code is created and enacted as follows:

- 23           3.     For compensation earned after August 1, 2009, all employee contributions  
24                     required under subsection 1, and not otherwise paid under subsection 2,  
25                     shall be paid by the state in lieu of contributions by the member. All  
26                     contributions paid by the state under this subsection must be treated as  
27                     employer contributions in determining tax treatment under this code and

1           the federal Internal Revenue Code. Contributions paid by the state under  
2           this subsection must not be included as gross income of the member in  
3           determining tax treatment under this code and the Internal Revenue Code  
4           until they are distributed or made available. Contributions paid by the state  
5           in accordance with this subsection must be treated for the purposes of this  
6           chapter in the same manner and to the same extent as member  
7           contributions made prior to the date the contributions were assumed by  
8           the state. The state shall pay these member contributions from the same  
9           source of funds used in paying compensation to the members. The state  
10           shall pay these contributions by effecting an equal cash reduction in the  
11           gross salary of the employee. The state shall continue making payments  
12           under this section unless otherwise specifically provided for under the  
13           agency's biennial appropriation, or by amendment to law.

14           **SECTION 4. AMENDMENT.** Subsection 8 and 9 of section 39-03.1-11 of the  
15 North Dakota Century Code are amended and reenacted as follows:

- 16           8.     The surviving spouse of a member receiving retirement benefits must be  
17           the member's primary beneficiary unless there is no surviving spouse or  
18           the surviving spouse consents to the ~~designates~~ member's designation of  
19           an alternate beneficiary in writing. If a contributor receiving retirement  
20           benefits, or a contributor's surviving spouse receiving retirement benefits,  
21           dies before the total amount of benefits paid to them equals the amount of  
22           the contributor's accumulated deductions at retirement, the difference  
23           must be paid to the named beneficiary of the recipient or, if there is no  
24           named beneficiary, to the recipient's estate.
- 25           9.     The board shall adopt rules providing for the receipt of retirement benefits  
26           in the following optional forms:

- 1           a.     An actuarially equivalent joint and survivor one hundred percent  
2                     option. A member shall have the option to designate a subsequent  
3                     beneficiary upon the death of the original beneficiary or upon a  
4                     divorce from a spouse beneficiary. If the member elects to choose  
5                     a non-spouse beneficiary, subject to any limitation under  
6                     subsection 8, the non-spouse beneficiary must have a date of birth  
7                     within ten years of the member's date of birth. Any election made  
8                     under this subdivision is limited to one beneficiary, unless a  
9                     member is authorized to choose a subsequent beneficiary under  
10                    this subdivision.
- 11           b.     An actuarially equivalent life with ten-year or twenty-year certain  
12                     options.
- 13           c.     An actuarially equivalent partial lump sum distribution option with a  
14                     twelve-month maximum lump sum distribution.

15           Unless a contributor requests that the contributor receive benefits  
16           according to one of these options at the time of applying for retirement, all  
17           retirement benefits must be in the form of a lifetime monthly pension, with  
18           a fifty percent option to the surviving spouse.

19           **SECTION 5. AMENDMENT.** Section 39-03.1-11.2 of the North Dakota Century  
20           Code are amended and reenacted as follows:

21           **39-03.1-11.2. Internal Revenue Code compliance.** The board shall administer  
22           the plan in compliance with section 415, section 401(a)(9), section 401(a)(17), and  
23           section 401(a)(31) of the Internal Revenue Code in effect on August 1, 2007, as it  
24           applies for governmental plans. The defined benefit dollar limitation under section  
25           415(b)(1)(A) of the Internal Revenue Code, as approved by the legislature, shall be  
26           adjusted under section 415(d) of the Internal Revenue Code, effective January 1 of  
27           each year following a legislative session. The adjustment of the defined benefit dollar

1 limitation under section 415(d) shall apply to participating members who have had a  
2 separation from employment, but such member's benefit payments shall not reflect the  
3 adjusted limit prior to January 1 of the calendar year in which the adjustment applies. In  
4 the event a participating member's benefit is increased by plan amendment after the  
5 commencement of benefit payments, the member's annual benefit must not exceed the  
6 defined benefit dollar limitation under section 415(b)(1)(A) of the Internal Revenue  
7 Code, as adjusted under section 415(d) for the calendar year in which the increased  
8 benefit is payable.

9 If a participating member is, or ever has been, a participant in another defined benefit  
10 plan maintained by the employer, the sum of the participant's annual benefits from all  
11 such plans may not exceed the defined benefit dollar limitation under section  
12 415(b)(1)(A) of the Internal Revenue Code. Where the participating member's  
13 employer-provided benefits under all such defined benefit plans would exceed the  
14 defined benefit dollar limitation, the benefit must be reduced to comply with section 415  
15 of the Internal Revenue Code. Such reduction will be made pro rata between the plans,  
16 in proportion to the participating member's service in each plan.

17 **SECTION 6. AMENDMENT.** Subsection 4 of section 54-52-03 of the North  
18 Dakota Century Code is amended and reenacted as follows:

19 4) Three board members must be elected by and from among the active  
20 participating members, members of the retirement plan established under  
21 chapter 54-52.6, members of the retirement plan established under 39-  
22 03.1, and members of the job service North Dakota retirement plan.

23 Employees who have terminated their employment for whatever reason  
24 are not eligible to serve as elected members of the board under this  
25 subsection. Board members must be elected to a five-year term pursuant  
26 to an election called by the board. Notice of board elections must be given  
27 to all active participating members. The time spent in performing duties as

1 a board member may not be charged against any employee's  
2 accumulated annual or any other type of leave.

3 **SECTION 7.** Subsection 4 to section 54-52-05 of the North Dakota Century  
4 Code is created and enacted as follows:

5 4. For compensation earned after August 1, 2009, all employee contributions  
6 required under sections 54-52-06.1 and the job service of North Dakota  
7 retirement plan, and not otherwise paid under subsection 3, shall be paid  
8 by the employer in lieu of contributions by the member. All contributions  
9 paid by the employer under this subsection must be treated as employer  
10 contributions in determining tax treatment under this code and the federal  
11 Internal Revenue Code. Contributions paid by the employer under this  
12 subsection must not be included as gross income of the member in  
13 determining tax treatment under this code and the Internal Revenue Code  
14 until they are distributed or made available. Contributions paid by the  
15 employer in accordance with this subsection must be treated for the  
16 purposes of this chapter in the same manner and to the same extent as  
17 member contributions made prior to the date the contributions were  
18 assumed by the employer. The employer shall pay these member  
19 contributions from the same source of funds used in paying compensation  
20 to the employee. The employer shall pay these contributions by effecting  
21 an equal cash reduction in the gross salary of the employee. The  
22 employer shall continue making payments under this section unless  
23 otherwise specifically provided for under the agency's biennial  
24 appropriation, or by amendment to law.

25 **SECTION 8. AMENDMENT.** Subsections 6, 8, and 9 of section 54-52-17 of the  
26 North Dakota Century Code is amended and reenacted as follows:

- 1           6.     If before retiring a member dies after completing three years of eligible  
2                    employment, except for supreme and district court judges, who must have  
3                    completed five years of eligible employment, the board shall pay the  
4                    member's account balance to the member's designated beneficiary as  
5                    provided in this subsection. If the member has designated an alternate  
6                    beneficiary with the surviving spouse's written consent, the board shall pay  
7                    the member's account balance to the named beneficiary. If the member  
8                    has named more than one primary beneficiary, the board shall pay the  
9                    member's account balance to the named primary beneficiaries in the  
10                   percentages designated by the member or, if the member has not  
11                   designated a percentage for the beneficiaries, in equal percentages. If one  
12                   or more of the primary beneficiaries has predeceased the member, the  
13                   board shall pay the predeceased beneficiary's share to the remaining  
14                   primary beneficiaries. If there are no remaining primary beneficiaries, the  
15                   board shall pay the member's account balance to the contingent  
16                   beneficiaries in the same manner. If there are no remaining designated  
17                   beneficiaries, the board shall pay the member's account balance to the  
18                   member's estate. If the member has not designated an alternate  
19                   beneficiary or the surviving spouse is the beneficiary, the surviving spouse  
20                   of the member may select a form of payment as follows:
- 21           a.     If the member was a supreme or district court judge, the surviving  
22                    spouse may select one of the following optional forms of payment:
- 23                    (1)     A lump sum payment of the member's retirement account as  
24                    of the date of death.
- 25                    (2)     Payments as calculated for the deceased member as if the  
26                    member was of normal retirement age at the date of death,  
27                    payable until the spouse dies.

- 1                   b.     The surviving spouse of all other members may select one of the  
2                   following options:
- 3                   (1)    A lump sum payment of the member's retirement account as  
4                   of the date of death.
- 5                   (2)    ~~Payments for sixty months as calculated for the deceased~~  
6                   ~~member as if the member was of normal retirement age at~~  
7                   ~~the date of death.~~
- 8                   (3)    Payment of a monthly retirement benefit equal to fifty  
9                   percent of the deceased member's accrued single life  
10                  retirement benefits until the spouse dies.
- 11                  (4) (3) If the member dies on or after the member's normal  
12                  retirement date, the payment of a monthly retirement benefit  
13                  equal to an amount that would have been paid to the  
14                  surviving spouse if the member had retired on the day of the  
15                  member's death and had selected a one hundred percent  
16                  joint and survivor annuity, payable until the spouse dies. A  
17                  surviving spouse who received a benefit under this  
18                  subsection as of July 31, 1995, is entitled to the higher of  
19                  that person's existing benefit or the equivalent of the accrued  
20                  benefit available under the one hundred percent joint and  
21                  survivor provision as if the deceased member were of  
22                  normal retirement age, with the increase payable beginning  
23                  August 1, 1995.
- 24                  8.     The surviving spouse of a member receiving retirement benefits must be  
25                  the member's primary beneficiary unless there is no surviving spouse or  
26                  the surviving spouse consents to the designates member's designation of  
27                  an alternate beneficiary in writing. If a member receiving retirement

1 benefits or the member's surviving spouse receiving retirement benefits  
2 dies before the total amount of benefits paid to either or both equals the  
3 amount of the member's account balance at retirement, the difference  
4 must be paid to the named beneficiary of the recipient or, if there is no  
5 named beneficiary, to the recipient's estate.

6 9. The board shall adopt rules providing for the receipt of retirement benefits  
7 in the following optional forms:

8 a. Single life.

9 b. An actuarially equivalent joint and survivor option, with fifty percent  
10 or one hundred percent options. A member shall have the option to  
11 designate a subsequent beneficiary upon the death of the original  
12 beneficiary or upon a divorce from a spouse beneficiary. If the  
13 member elects to choose a non-spouse beneficiary, subject to any  
14 limitation under subsection 8, the non-spouse beneficiary must  
15 have a date of birth within ten years of the member's date of birth.  
16 Any election made under this subdivision is limited to one  
17 beneficiary, unless a member is authorized to choose a subsequent  
18 beneficiary under this subdivision.

19 c. An actuarially equivalent level social security option, which is  
20 available only to members who retire prior to attaining the age at  
21 which they may begin to receive unreduced social security benefits.

22 d. Actuarially equivalent life with ten-year or twenty-year certain  
23 options.

24 e. An actuarially equivalent partial lump sum distribution option with a  
25 twelve-month maximum lump sum distribution.

26 f. An actuarial equivalent graduated benefit option with either a one or  
27 two percent increase.

1           **SECTION 9.** Subsection 6 of section 54-52-17.4 of the North Dakota Century  
2 Code is amended and reenacted as follows:

3           6.     In addition to service credit identified in this section, a vested participating  
4 member may purchase up to ~~five~~ ten years of service credit unrelated to  
5 any other eligible service. Up to a maximum of five years of purchased  
6 service credit under this subsection will be recognized as service credit for  
7 the purpose of computing retirement dates under section 54-52-17.

8           **SECTION 10. AMENDMENT.** Section 54-52-28 of the North Dakota Century  
9 Code is amended and reenacted as follows:

10           **54-52-28. Internal Revenue Code compliance.** The board shall administer the  
11 plan in compliance with section 415, section 401(a)(9), section 401(a)(17), and section  
12 401(a)(31) of the Internal Revenue Code in effect on August 1, 2007, as it applies for  
13 governmental plans. The defined benefit dollar limitation under section 415(b)(1)(A) of  
14 the Internal Revenue Code, as approved by the legislature, shall be adjusted under  
15 section 415(d) of the Internal Revenue Code, effective January 1 of each year following  
16 a legislative session. The adjustment of the defined benefit dollar limitation under  
17 section 415(d) shall apply to participating members who have had a separation from  
18 employment, but such member's benefit payments shall not reflect the adjusted limit  
19 prior to January 1 of the calendar year in which the adjustment applies. In the event a  
20 participating member's benefit is increased by plan amendment after the  
21 commencement of benefit payments, the member's annual benefit must not exceed the  
22 defined benefit dollar limitation under section 415(b)(1)(A) of the Internal Revenue  
23 Code, as adjusted under section 415(d) for the calendar year in which the increased  
24 benefit is payable.  
25 If a participating member is, or ever has been, a participant in another defined benefit  
26 plan maintained by the employer, the sum of the participant's annual benefits from all  
27 such plans may not exceed the defined benefit dollar limitation under section

1 415(b)(1)(A) of the Internal Revenue Code. Where the participating member's  
2 employer-provided benefits under all such defined benefit plans would exceed the  
3 defined benefit dollar limitation, the benefit must be reduced to comply with section 415  
4 of the Internal Revenue Code. Such reduction will be made pro rata between the plans,  
5 in proportion to the participating member's service in each plan.

6 **SECTION 11. AMENDMENT.** Subsection 7 of section 54-52.1-03 of the North  
7 Dakota Century Code is amended and reenacted as follows:

8 7. If the participating employee is a ~~teacher~~ faculty member in a state  
9 charitable, penal, or educational institution who receives a salary or wages  
10 on a ~~nine-month~~ less than a twelve-month basis and has signed a contract  
11 to teach for the next ensuing school year, the agency shall make  
12 arrangements to include that employee in the insurance program on a  
13 twelve-month basis and make the contribution authorized by this section  
14 for each month of the twelve-month period.

15 **SECTION 12. AMENDMENT.** Section 54-52.1-03.4 of the North Dakota  
16 Century Code is amended and reenacted as follows:

17 **~~54-52.1-03.4 Participation by employees of certain political subdivisions~~**  
18 **~~and temporary~~ Temporary employees and employees on unpaid leave of absence.**

19 An employee of a county, city, school district, district health unit, or park district that is  
20 not participating in the uniform group insurance program pursuant to section  
21 54-52.1-03.1 and is not eligible for any other employee group health plan may elect to  
22 participate in the uniform group insurance program by completing the necessary  
23 enrollment forms and qualifying under the medical underwriting requirements  
24 established by the board. The board may use risk-adjusted premiums for individual  
25 insurance contracts to implement the provisions of this section allowing employees of a  
26 county, city, school district, district health unit, or park district to participate in the  
27 uniform group insurance program. The county, city, school district, district health unit, or

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1 ~~park district employee participating in the uniform group insurance program under this~~  
2 ~~section shall pay monthly to the board the premiums in effect for the coverage being~~  
3 ~~provided.~~ A temporary employee employed before August 1, 2007, may elect to  
4 participate in the uniform group insurance program by completing the necessary  
5 enrollment forms and qualifying under the medical underwriting requirements of the  
6 program. A temporary employee employed on or after August 1, 2007, is only eligible to  
7 participate in the uniform group insurance program if the employee is employed at least  
8 twenty hours per week and at least twenty weeks each year of employment. The  
9 temporary employee or the temporary employee's employer shall pay monthly to the  
10 board the premiums in effect for the coverage being provided. An employer shall also  
11 have the option of paying health or life insurance premiums for a permanent employee  
12 on an unpaid leave of absence. A political subdivision, department, board, or agency  
13 may make a contribution for coverage under this section.

Sixty first  
Legislative Assembly  
of North Dakota

Introduced by

1 A BILL for an Act to create and enact subsection 7 of section 54-52-17.4 of the North  
2 Dakota Century Code, relating to purchase of service credit under the public employees  
3 retirement system; to amend and reenact section 39-03.1-10, subsection 9 of section  
4 39-03.1-11, sections 39-03.1-11.3, 54-52-06, 54-52-17.5, 54-52-17.11, 54-52-17.13,  
5 and subsection 2 of section 54-52.6-09 of the North Dakota Century Code, relating to  
6 employer contributions, cost of living adjustments and supplemental retiree payments  
7 under the highway patrolmen's retirement system and public employees retirement  
8 system.

9 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

10 **SECTION 1. AMENDMENT.** Section 39-03.1-10 of the North Dakota Century  
11 Code is amended and reenacted as follows:

12 **39-03.1-10. Contributions by the state.** The state shall contribute to the fund a  
13 sum equal to sixteen and seventy-hundredths percent of the monthly salary or wage of  
14 a participating member. State contributions set out under this section shall increase to  
15 an amount equal to \_\_\_\_\_ percent from July 1, 2009, through June 30, 2011.

16 If the member's contribution is paid by the state under subsection 2 of section  
17 39-03.1-09, the state shall contribute, in addition, an amount equal to the required  
18 member's contribution. The state shall pay the associated employer contribution for  
19 those members who elect to exercise their rights under subsection 3 of section  
20 39-03.1-10.1.

21 **SECTION 2. AMENDMENT.** Subsection 9 to section 39-03.1-11 of the North  
22 Dakota Century Code is amended and reenacted as follows:

- 1           9.     The board shall adopt rules providing for the receipt of retirement benefits  
2                 in the following optional forms:
- 3                 a.     An actuarially equivalent joint and survivor one hundred percent  
4                         option.
- 5                 b.     An actuarially equivalent life with ten-year or twenty-year certain  
6                         options.
- 7                 c.     An actuarially equivalent partial lump sum distribution option with a  
8                         twelve-month maximum lump sum distribution.

9                 Unless a contributor requests that the contributor receive benefits  
10                 according to one of these options at the time of applying for retirement, all  
11                 retirement benefits must be in the form of a lifetime monthly pension, with  
12                 a ~~fifty~~ one hundred percent option to the surviving spouse.

13                 **SECTION 3. AMENDMENT.** Section 39-03.1-11.3 of the North Dakota Century  
14                 Code is amended and reenacted as follows:

15                 **39-03.1-11.3. Supplemental retiree benefit payment.** ~~If the board determines~~  
16                 ~~that the fund has obtained a total return on investments of nine and six hundredths~~  
17                 ~~percent or higher for the fiscal year ending June 30, 2007, or June 30, 2008, the~~ The  
18                 ~~board shall authorize an additional~~ increase the monthly payment equal to seventy-five  
19                 ~~percent of the January retirement allowance following the fiscal yearend to each eligible~~  
20                 ~~retiree in pay status as of that January, including joint and survivor and term certain~~  
21                 ~~beneficiaries, under this chapter. The board may only make one payment under this~~  
22                 ~~section.~~ individual or the individual's beneficiary receiving benefit payments under this  
23                 chapter by two percent of the individual's present benefits with the increase payable  
24                 beginning January, 2011. The board shall also authorize a one time supplemental  
25                 retiree benefit to each eligible retiree in pay status as of January 1, 2010, including joint  
26                 and survivor and term certain beneficiaries, based on the one of the following options:

- 1           1. No additional payment if the board determines that the fund has obtained  
2                   a total return on investments equal to, or less than, eight percent for the  
3                   fiscal year ending June 30, 2009, or the public employees retirement  
4                   system funding ratio is equal to or less than a market value of one  
5                   hundred and ten percent.
- 6           2. An additional payment equal to fifty percent of the January retirement  
7                   allowance following the fiscal year end if the board determines that the  
8                   fund has obtained a total return on investments greater than eight percent  
9                   for the fiscal year ending June 30, 2009, and the public employees  
10                  retirement system funding ratio is greater than a market value of one  
11                  hundred and ten percent.
- 12          3. An additional payment equal to seventy-five percent of the January  
13                  retirement allowance following the fiscal year end if the board determines  
14                  that the fund has obtained a total return on investments greater than nine  
15                  percent for the fiscal year ending June 30, 2009, and the public  
16                  employees retirement system funding ratio is greater than a market value  
17                  of one hundred and ten percent.
- 18          4. An additional payment equal to one hundred percent of the January  
19                  retirement allowance following the fiscal year end if the board determines  
20                  that the fund has obtained a total return on investments greater than ten  
21                  percent for the fiscal year ending June 30, 2009, and the public  
22                  employees retirement system funding ratio is greater than a market value  
23                  of one hundred and ten percent.

24           **SECTION 4. AMENDMENT.** Section 54-52-06 of the North Dakota Century  
25 Code is amended and reenacted as follows:

26           **54-52-06. Employer's contribution to retirement plan.** Each governmental  
27 unit shall contribute an amount equal to four and twelve-hundredths percent of the

Sixty first  
Legislative Assembly

1 monthly salary or wage of a participating member. Employer contributions set out under  
2 this section shall increase to an amount equal to \_\_\_\_\_ percent from July 1,  
3 2009, through June 30, 2011. For those members who elect to exercise their rights  
4 under section 54-52-17.14, the employing governmental unit, or in the case of a  
5 member not presently under covered employment the most recent employing  
6 governmental unit, shall pay the associated employer contribution. If the employee's  
7 contribution is paid by the governmental unit under subsection 3 of section 54-52-05,  
8 the employer unit shall contribute, in addition, an amount equal to the required  
9 employee's contribution. Each governmental unit shall pay the contribution monthly, or  
10 in the case of an election made pursuant to section 54-52-17.14 a lump sum, into the  
11 retirement fund from its funds appropriated for payroll and salary or any other funds  
12 available for these purposes. ~~Any~~ A governmental unit failing to pay the contributions  
13 monthly, or in the case of an election made pursuant to section 54-52-17.14 a lump  
14 sum, is subject to a civil penalty of fifty dollars and, as interest, one percent of the  
15 amount due for each month of delay or fraction thereof after the payment became due.  
16 In lieu of assessing a civil penalty or one percent per month, or both, interest at the  
17 actuarial rate of return may be assessed for each month the contributions are  
18 delinquent. If contributions are paid within ninety days of the date they became due,  
19 penalty and interest to be paid on delinquent contributions may be waived. An employer  
20 is required to submit contributions for any past eligible employee who was employed  
21 after July 1, 1977, for which contributions were not made if the employee would have  
22 been eligible to become vested had the employee participated and if the employee  
23 elects to join the public employees retirement system. Employer contributions may not  
24 be assessed for eligible service that an employee has waived pursuant to subsection 1  
25 of section 54-52-05. The board shall report to each session of the legislative assembly  
26 the contributions necessary, as determined by the actuarial study, to maintain the fund's  
27 actuarial soundness.

1           **SECTION 5. AMENDMENT.** Subsection 7 to section 54-52-17.4 of the North  
2 Dakota Century Code is created and enacted as follows:

3           7. Any member who possesses vested employer contributions in accordance  
4           with 54-52-11.1 may purchase one month of service credit for each year of  
5           vested employer contributions at termination of employment. The  
6           employee shall pay nine and twelve hundredths percent of salary for a  
7           purchase made under this subsection. Purchases under this subsection  
8           shall be limited to two years of service credit. Service credit purchased  
9           under this subsection will not be recognized as service credit for the  
10           purpose of computing retirement dates under section 54-52-17.

11           **SECTION 6. AMENDMENT.** Section 54-52-17.5 of the North Dakota Century  
12 Code is amended and reenacted as follows:

13           **54-52-17.5. Postretirement adjustments.** An individual or the individual's  
14 beneficiary who, on ~~July 31, 2004~~ August 1, 2009, is receiving retirement benefits under  
15 subdivision a, c, d, or e of subsection 4 of section 54-52-17 is entitled to receive an  
16 increase in benefits equal to ~~six~~ two percent of the individual's present benefits with the  
17 increase payable beginning ~~August 1, 2004~~ January, 2011. Participation by political  
18 subdivision employers under this section shall be optional, at the discretion of each  
19 political subdivision. If a political subdivision employer chooses not to participate under  
20 this section, the employer contribution will not increase during the period from July 1,  
21 2009, through June 30, 2011, as provided under 54-52-06, and the employees of the  
22 political subdivision will not receive increased benefits under this section. A political  
23 subdivision employer election to participate under this section must be made on or  
24 before July 1, 2009, if no election is made by the above referenced date, the employer  
25 will be presumed to have made an election to not participate.

26           **SECTION 7. AMENDMENT.** Section 54-52-17.11 of the North Dakota Century  
27 Code is amended and reenacted as follows:

1           **54-52-17.11. Judges postretirement adjustments.** A supreme or district court  
2 judge or that person's beneficiary who, on ~~December 31, 2007~~ August 1, 2009, is  
3 receiving retirement benefits under subdivision b of subsection 4 of section 54-52-17, is  
4 entitled to receive an increase in benefits equal to two percent of the individual's present  
5 benefits with the increase payable beginning ~~January 1, 2008~~. A supreme or district  
6 court judge or that person's beneficiary who, on ~~December 31, 2008~~, is receiving  
7 retirement benefits under subdivision b of subsection 4 of section 54-52-17, is entitled to  
8 receive an increase in benefits equal to two percent of the individual's present benefits  
9 with the increase payable beginning ~~January 1, 2009~~ August 1, 2009. The increases  
10 allowed by this section may only be given if the public employees retirement board  
11 determines there is actuarial margin sufficient to pay the increases.

12           **SECTION 8. AMENDMENT.** Section 54-52-17.11 of the North Dakota Century  
13 Code is amended and reenacted as follows:

14           **54-52-17.13 Supplemental retiree benefit payment.** ~~If the board determines~~  
15 ~~that the fund has obtained a total return on investments of nine and six hundredths~~  
16 ~~percent or higher for the fiscal year ending June 30, 2007, or June 30, 2008, the board~~  
17 ~~shall authorize an additional payment equal to seventy-five percent of the January~~  
18 ~~retirement allowance following the fiscal yearend to each eligible retiree in pay status as~~  
19 ~~of that January, excluding judicial retirees and beneficiaries, but including joint and~~  
20 ~~survivor and term certain beneficiaries, under this chapter. The board may only make~~  
21 ~~one payment to each retiree under this section. The board shall authorize a one time~~  
22 ~~supplemental retiree benefit to each eligible retiree in pay status as of January 1, 2010,~~  
23 ~~including judicial retirees and beneficiaries, and also including joint and survivor and term~~  
24 ~~certain beneficiaries, based on the one of the following options:~~

25           1. No additional payment if the board determines that the fund has obtained  
26 a total return on investments equal to, or less than, eight percent for the  
27 fiscal year ending June 30, 2009, or the public employees retirement

1           system funding ratio is equal to or less than a market value of one  
2           hundred and ten percent.

3           2. An additional payment equal to fifty percent of the January retirement  
4           allowance following the fiscal yearend if the board determines that the  
5           fund has obtained a total return on investments greater than eight percent  
6           for the fiscal year ending June 30, 2009, and the public employees  
7           retirement system funding ratio is greater than a market value of one  
8           hundred and ten percent.

9           3. An additional payment equal to seventy-five percent of the January  
10           retirement allowance following the fiscal yearend if the board determines  
11           that the fund has obtained a total return on investments greater than nine  
12           percent for the fiscal year ending June 30, 2009, and the public  
13           employees retirement system funding ratio is greater than a market value  
14           of one hundred and ten percent.

15           4. An additional payment equal to one hundred percent of the January  
16           retirement allowance following the fiscal yearend if the board determines  
17           that the fund has obtained a total return on investments greater than ten  
18           percent for the fiscal year ending June 30, 2009, and the public  
19           employees retirement system funding ratio is greater than a market value  
20           of one hundred and ten percent.

21           **SECTION 9. AMENDMENT.** Subsection 2 of section 54-52.6-09 of the North  
22 Dakota Century Code is amended and reenacted as follows:

23           2. The employer shall contribute an amount equal to four and twelve  
24 hundredths percent of the monthly salary or wage of a participating  
25 member. Employer contributions set out under this section shall increase  
26 to an amount equal to \_\_\_\_\_ percent from July 1, 2009, through  
27 June 30, 2011. If the employee's contribution is paid by the employer

1                   under subsection 3, the employer shall contribute, in addition, an amount  
2                   equal to the required employee's contribution. The employer shall pay  
3                   monthly such contribution into the participating member's account from its  
4                   funds appropriated for payroll and salary or any other funds available for  
5                   such purposes. If the employer fails to pay the contributions monthly, it is  
6                   subject to a civil penalty of fifty dollars and, as interest, one percent of the  
7                   amount due for each month of delay or fraction thereof after the payment  
8                   became due.

Introduced by

1 A BILL for an Act to amend and reenact section 54-52.1-02 of the North Dakota Century  
2 Code, relating to non-Medicare retiree insurance rates.

3 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

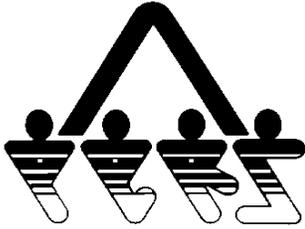
4 **SECTION 1. AMENDMENT.** Section 54-52.1-02 of the North Dakota Century  
5 Code is amended and reenacted as follows:

6 **54-52.1-02. Uniform group insurance program created – Formation into**  
7 **subgroups.** In order to promote the economy and efficiency of employment in the  
8 state's service, reduce personnel turnover, and offer an incentive to high-grade men and  
9 women to enter and remain in the service of state employment, there is hereby created  
10 a uniform group insurance program. The uniform group must be composed of eligible  
11 and retired employees and be formed to provide hospital benefits coverage, medical  
12 benefits coverage, and life insurance benefits coverage in the manner set forth in this  
13 chapter. The uniform group may be divided into the following subgroups at the  
14 discretion of the board:

15 1. Medical and hospital benefits coverage group consisting of active eligible  
16 employees and retired employees not eligible for medicare. In determining  
17 premiums for coverage under this subsection for retired employees not  
18 eligible for medicare, the rate for a non-medicare retiree single plan is one  
19 hundred ~~fifty~~ twenty-five percent of the active member single plan rate, the  
20 rate for a non-medicare retiree family plan of two people is twice the non-  
21 medicare retiree single plan rate, and the rate for a non-medicare retiree  
22 family plan of three or more persons is two and one-half times the non-  
23 medicare retiree single plan rate.

- 1           2.     Retired medicare-eligible employee group medical and hospital benefits
- 2                     coverage.
- 3           3.     Active eligible employee life insurance benefits coverage.
- 4           4.     Retired employee life insurance benefits coverage.
- 5           5.     Terminated employee continuation group medical and hospital benefits
- 6                     coverage.
- 7           6.     Terminated employee conversion group medical and hospital benefits
- 8                     coverage.
- 9           7.     Dental benefits coverage.
- 10          8.     Vision benefits coverage.
- 11          9.     Long-term care benefits coverage.
- 12          10.    Employee assistance benefits coverage.
- 13          11.    Retired medicare-eligible employee group prescription drug coverage.

14           **SECTION 2. EXPIRATION DATE - SUSPENSION.** This Act is effective through  
15 June 30, 2011, and after that date is ineffective. North Dakota Century Code section  
16 54-52.1-02 is suspended from the effective date of this act through June 30, 2011.  
17 Section 54-52.1-02 as it existed on the day before the effective date of this Act will  
18 become effective as of July 1, 2011.



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# Memorandum

**TO:** NDPERS Board

**FROM:** Kathy

**DATE:** March 10, 2008

**SUBJECT:** Personnel Policy Manual Revisions

We have revised our Personnel Policy Manual as a result of recommendations from our Internal Auditor and the Risk Management Division. There were two audit recommendations:

1. To develop a policy to address the security of remote connections to the mainframe application, and
2. To develop a policy to address the security of remote access to the NDPERS LAN.

The proposed policies for both the above recommendations were modeled in accordance with Enterprise Architecture standards and are included as attachment 1.

We have also added a Hostile Work Environment and a Substance Abuse policy to our manual upon the recommendation of the Risk Management Division as part of our compliance requirements for its discount program. The proposed policies are included as attachments 2 and 3 respectively. Both have been reviewed by the attorney general's office.

Staff recommends that the board approve the proposed policies.

**Board Action Requested**

- 2.14 Remote Access Policy – Mainframe - It is NDPERS' policy that no staff member will access the State's mainframe computer via the IBM OnDemand web client supplied by ITD or by using a TN3270/Telnet client on a remote computer except under the following circumstances:
- Such access is authorized by the staff member's supervisor, and
  - Such access becomes necessary due to implementation of the agency's disaster recovery plan

If a TN3270/Telnet client is required, the division supervisor will request that the IT Division acquire the software and install it on a laptop assigned to the staff member.

This policy is not intended to guarantee that hardware (i.e. laptop computer) for such a connection will be available. The decision to supply the hardware will be left to NDPERS Management.

Failure to comply with this policy will result in disciplinary action.

- 2.15 Remote Access Policy – LAN - It is NDPERS' policy that no staff member will access STAGEnet (state network) or the NDPERS LAN via remote connection without permission from his/her supervisor. In such case that permission is approved, such access to the LAN must be accessed via Virtual Private Network (VPN). The division supervisor will request that the IT Division acquire the VPN client and install it on a laptop assigned to the staff member.

This policy is not intended to guarantee that hardware (i.e. laptop computer) for such a connection will be available. The decision to supply the hardware will be left to NDPERS Management.

Failure to comply with this policy will result in disciplinary action.

- 2.16 Hostile Work Environment – It is NDPERS policy is to provide an environment free of age, gender, race, ethnicity, religion, and disability harassment. Such harassment may include any activity that creates fear, intimidates, ostracizes, psychologically or physically threatens, embarrasses, ridicules, or in some other way unreasonably overburdens or precludes an employee from reasonably performing his or her work.

Early reporting and intervention are critical and have proven to be the most effective method of resolving actual or perceived incidents of hostile work environment. Individuals experiencing any unwelcome behavior in the workplace or at any location, activity or event associated with NDPERS or NDPERS clients may advise the offender directly that the conduct is unwelcome and offensive and request the conduct be stopped. If the employee has confronted the offender and the offensive conduct has not stopped, or the employee feels uncomfortable confronting the offender, the employee must notify the supervisor or next level supervisor, the division director, or Human Resource Management Services (HRMS) who will then initiate appropriate action.

NDPERS will investigate complaints of hostile or inappropriate behavior in a timely, thorough, and discreet manner and will take appropriate corrective and disciplinary action.

Managers and supervisors responsibilities:

Managers and supervisors are responsible to make every effort to prevent a hostile work environment in their respective divisions or work areas and to take immediate action to deal effectively with allegations of hostile or inappropriate behavior once such behavior has been brought to their attention. This includes documenting the incident, reporting it to the agency's Human Resource Manager or the agency's assigned personnel analyst at Human Resource Management Services (HRMS) and initiating a workplace investigation when directed. Incidents must also be reported to the Risk Management Division of NDPERS.

If the alleged wrongdoer is a division manager, the NDPERS Executive Director, the agency's Human Resource Manager or the agency's assigned personnel analyst at HRMS must be notified. If the alleged wrongdoer is an appointed or elected official, the supervisor must notify HRMS or the Governor's Chief of Staff who will take appropriate action. Notice must also be filed with the Risk Management Division. Failure to report incidents of hostile or inappropriate behavior will subject the manager/supervisor to disciplinary action up to and including termination of employment.

Division manager's responsibilities:

Division managers or supervisors will make every effort to prevent a hostile work environment in their respective divisions or work areas and will take immediate action to resolve allegations of hostile or inappropriate behavior. Actions may include but may not

be limited to initiating a workplace investigation, consulting with HRMS and legal staff, or taking appropriate corrective and disciplinary action up to and including termination of employment. All incidents must be reported to the Risk Management Division of NDPERS.

Hostile work environment harassment will not be tolerated by NDPERS. Disciplinary action can and will be taken against any employee who engages in such behavior. In addition, an employee who is found to have intentionally made a false report of harassment or hostile work environment or who fails to cooperate in the investigation of a complaint will be subject to disciplinary action up to and including termination of employment.

- 2.17 Substance Abuse Policy – It is NDPERS policy to provide a drug and alcohol free, safe working environment. Employees are required to report to work in a condition to perform their jobs in a safe and satisfactory manner. The presence of alcohol and other drugs on the job and the influences of those substances on employees during working hours are inconsistent with the objectives of a drug and alcohol free workplace and will not be tolerated.

While at the NDPERS workplace and while conducting business-related activities of NDPERS, no employee may use, possess, manufacture, distribute, sell, or be under the influence of alcohol or illegal drugs or use legal drugs illegally. In addition, the legal use of prescribed drugs is permitted on the job only if it does not impair an employee's ability to meet standards and perform the essential functions of the job in a safe manner that does not endanger other individuals, equipment, or property in the workplace.

The use of alcohol and illegal use of drugs while operating a state vehicle is prohibited. The use of legal prescription or nonprescription drugs while operating a motor vehicle is also prohibited if the drugs impair your ability to drive.

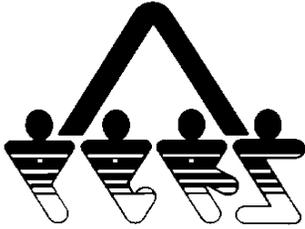
When participating in social activities sponsored by NDPERS or your division, or which are associated with workplace activities, you are expected to conduct yourself in such a manner so you do not represent a danger to yourself, other employees, or the general public, or damage the reputation of NDPERS.

A manager/supervisor may require you to leave the workplace if it is determined you have reported to work in an inappropriate condition and cannot perform the essential functions of the job effectively in a safe manner that does not endanger yourself or others. You may be required to use a day of annual leave or sick leave. If the manager/supervisor determines you should not operate a motor vehicle, transportation will be arranged. If you refuse to accept transportation and insist on operating a motor vehicle, you will be informed that law enforcement officials will be notified that the you appear unfit to operate a motor vehicle. Law enforcement officials will then be a notified.

Employees violating the drug and alcohol free workplace policy will be disciplined up to and including termination of employment for use of illegal drugs, illegal use of legal drugs, or use of legal drugs such as alcohol or other prescription/non-prescription drugs. Discipline may be imposed for use during official working hours, including mealtime or other work breaks, or during non-working hours when the effect of the legal drug inhibits your job performance or the agency's performance. In addition, discipline may be imposed when your behavior affects the agency's reputation, endangers others, or damages equipment or property. Off duty use of alcohol or other legal drugs is also cause for discipline if it results in an employee reporting to work "under the influence."

All NDPERS employees are required to annually read and sign a Drug-Free Workplace Acknowledgement (SFN 16769). The signed acknowledgement will be kept in your personnel file.

If you have questions or concerns about substance dependency or abuse you are encouraged to use the resources of the NDPERS Employee Assistance Program (EAP). Your manager/supervisor may also refer you to the EAP or any other treatment program as deemed appropriate. If you use the services of the EAP, you are guaranteed confidentiality. NDPERS will not have access to your record, nor will the EAP staff discuss your case with your supervisor without your permission. You may also wish to discuss these matters or this policy with your supervisor, agency human resource contact or agency's assigned personnel analyst at Human Resource Management Services to receive assistance or referrals to appropriate resources in the community.



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# Memorandum

**TO: NDPERS Board**

**FROM: Kathy**

**DATE: March 7, 2008**

**SUBJECT: HIPAA Privacy Update**

The following is an update of activities conducted in 2007 with regard to maintaining our compliance with the HIPAA Privacy regulations:

- BCBSND sends out our Privacy Notice with all new employees' group health summary descriptions, ID cards, and COBRA notices. This ensures our ongoing compliance with HIPAA notification requirements.
- NDPERS Privacy Policy is available on the PERS web site home page.
- Training of new staff on privacy requirements and NDPERS policy was completed consistent with requirements.

In addition to the above, BCBS requested PERS to sign a Certification for Compliance with Administrative Requirements of the Health Insurance Portability and Accountability Act of 1996 (HIPAA) in conjunction with our July 1, 2007 renewal. This document requires NDPERS as the plan administrator to certify that the NDPERS group health plan and its staff will comply with the requirements of the HIPAA privacy and security rules. The certification was referred to Mike Mullen with the Attorney General's office who verified that this document is a standard "boilerplate" certification that a health insurance company is required to obtain if the insurer discloses protected health information to a fully insured health plan and it is, therefore, acceptable for PERS to sign.

In compliance with the requirements of the certification, NDPERS identified in the health plan document the staff who are authorized to receive protected health information in order to carry out our plan's administrative functions, including utilization review, detection of fraud, identifying properly enrolled employees and properly covered dependents, proper payments to proper providers, etc.

NDPERS Board  
March 7, 2008  
Page 2

In April, 2007 we requested a review by Mike Mullen of the Attorney General's office as to whether the final HIPAA non-discrimination regulations required NDPERS to modify its Wellness Benefit Program. The regulations generally prohibit a plan... from charging similarly situated individuals different premiums or contributions based on a health factor. These final regulations also generally prohibit a plan... from requiring similarly situated individuals to satisfy differing deductible, copayment, or other cost-sharing requirements.

Based on a review of the current administrative guidelines of the Wellness Benefit Program, NDPERS is not required to modify its Wellness Benefit Program because no feature of the program conflicts with the HIPAA nondiscrimination regulations.

To date, no complaints have been filed against PERS with regard to violation of the HIPAA privacy regulations.



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# Memorandum

**TO:** PERS Board  
**FROM:** Bryan  
**DATE:** March 12, 2008  
**SUBJECT:** HIPAA Security Update

I completed the 2007 staff HIPAA security training last spring and started the annual training for 2008. The NDPERS staff Loss Control Committee annually reviews the HIPAA Security Policies and Procedures. There were no changes in the 2007 review. Mike Mullen at the AG's office said that he doesn't hear much about the HIPAA security rule. There are far fewer complaints or actions about security breaches as such then there are of privacy rule violations. Training of staff and following proper policies and procedures appears to be the most important thing.

Last summer Peidmont Hospital in Atlanta became the first institution in the country to be audited for compliance of the HIPAA security rules. I obtained a list of the audit requests and questions and this year will evaluate if we could comply with this type of review.

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



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## MEMORANDUM

**TO:** NDPERS Board  
**FROM:** Jamie Kinsella *Jamie*  
**DATE:** February 20, 2008  
**SUBJECT:** **November 21, 2007 PERS Audit Committee Minutes**

Attached are the approved minutes from the November 21, 2007 meeting. Those who attended the meeting are available to answer any questions you may have.

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

The next audit committee meeting is scheduled for May 21, 10:30 a.m., in the NDPERS Conference Room.

Attachment

• FlexComp Program  
• Employee Health & Life Insurance  
• Dental  
• Vision

• Retirement Programs  
- Public Employees  
- Highway Patrol  
- National Guard/Law Enforcement  
- Judges  
- Prior Service  
- Job Service

• Retiree Health Insurance Credit  
• Deferred Compensation Program  
• Long Term Care Program



MEMORANDUM

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

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

**DATE:** November 27, 2007

**SUBJECT:** November 21, 2007 Audit Committee Meeting

In Attendance:

Jon Strinden, via conference call  
Ron Leingang  
Rebecca Dorwart  
Jamie Kinsella  
Sharon Schiermeister  
Sparb Collins  
Pat Brown, Brady Martz  
John Schell, Brady Martz  
John Mongeon, Brady Martz  
Aaron Webb, Attorney General's Office

The meeting was called to order at 10:35 a.m.

**I. August 22, 2007 Audit Committee Minutes**

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

**II. Internal Audit Quarterly Report**

- A. Internal Audit Quarterly Report – Included with the audit committee minutes was the Internal Audit quarterly report which listed all of the projects that are in active status as of October 31, 2007.

Quarterly Audit Recommendation Status Report – As stated in the Audit Policy #103, the Internal Audit Division is to report quarterly to management and the audit committee the status of the audit recommendations of the external auditors, as well as any found by the internal auditor. The recommendations made by Brady Martz & Associates will be placed on the report once the final audit report is issued. A review of the report shows a total of twelve recommendations, of which none were 100% implemented this quarter, but progress was made on two.

### III. Administrative

- A. Audit Committee Self-Assessment Questionnaire – Included with the audit committee materials were the results of the self-assessment questionnaire the audit committee completed. Ms. Kinsella indicated she did not get a response from two of the committee members. In addition to the Yes/No/NA answers, each question was to be rated 1 to 5, or highly effective to not effective. Because the questionnaire was not revised prior to completing the questionnaire, this component was not filled in by the respondents. The audit committee may want to consider whether they would like to redo the questionnaire or leave it as it is for now and wait until next year. A review found the audit committee felt it is following most of the best practices. Of the 55 questions, 30 were answered yes, or 71%. However, there is room for improvement, one of which is helping the audit committee understand how they are meeting some of these requirements. Ms. Kinsella conveyed in this material she include the statements that had mixed responses, “No” response, or N/A. After each statement, there is a comment as to how she felt the audit committee was meeting the requirements or a proposed plan of action of which can be done to make sure the requirements are met. Discussion followed. The audit committee decided to eliminate this process, and only do the Charter Review Matrix annually.
- B. Audit Committee Charter Review Matrix – The Audit Committee charter was revised in June 2006, reflecting the best practices for audit committees at that time. The revised Audit Committee charter states that it will “17. Confirm annually that all responsibilities outlined in this charter have been carried out. Report annually to the Board, members, retirees and beneficiaries, describing the committee’s composition, responsibilities and how they were discharged and any other information require by rule, including approval of non-audit services.”

To meet this requirement a matrix was developed to review against current practices to ensure that the audit committee is meeting its responsibilities. Included with the audit committee materials was the matrix.

There were few issues the audit committee needed to review and take action on. The first was regarding item #2 “the audit committee attempt to appoint committee members who are knowledgeable and experienced in financial materials, including the review of financial statements”. Mr. Strinden and Ms. Dorwart were appointed.

The second item regarding bullet #9 “Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement”. Since interim financial information is not prepared, discussion followed. The audit committee decided to query other public pension fund auditors and ask them if they follow this practice. If not, then the audit committee will determine if they want to eliminate this from the charter.

The third item discussed was risk assessment. The second bullet for item #10 states that the audit committee will "Periodically review that the organization has a comprehensive policy on risk management". NDPERS does not have a formal risk assessment policy, but currently are following Risk Management's guidelines for a Loss Control Committee, and putting together a Continuum of Government (COG) plan. The audit committee decided to have Internal Audit contact Risk Management to discuss whether a policy is needed, or if they have one that all state agencies should follow. In addition, if OMB has a policy NDPERS can make it a policy to follow OMB's guidelines, much as it does for other policies, such as travel expenditures.

Finally, the last item under #13, ninth bullet states "Provide guidelines and mechanisms so that no member of the audit committee or organization staff shall improperly influence the auditors or the firm engaged to perform audit services." The audit committee decided to have internal audit investigate further by discussing with the State Auditor's Office and reviewing the RFP and contract with the current external auditors to determine if there is language regarding conflict of interest.

The last three items will be brought before the audit committee in February.

- C. NDPERS Risk Assessment Process - Included with the audit committee materials was an example of the risk assessment questionnaire that is given to the managers to fill out as part of their analysis of risk in their areas. Once management has filled out the questionnaire for each area for which they are responsible, Internal Audit reviews the responses and enter the data into a matrix by divisions to determine the level of risk as determined by a weighted formula. The previous matrix's weighted scores are entered for comparison purposes. Another report is generated, sorting the weighted score is descending order for the Executive Director to review. The original report is shared with management to ensure the output reflects their opinions. Once management agrees with the report, and the future audits agreed upon, the Internal Audit Plan for 2008 is developed.
- D. Annual Audit Plan for 2008 – Included with the audit committee materials was a copy of the Annual Internal Audit Plan for 2008 for review and approval. After the audit projects are decided upon these will be incorporated into the audit plan document. The final copy will be signed by Mr. Strinden and Ms. Kinsella. The audit committee approved the Annual Audit Plan for 2008.
- E. Audit Committee Meeting Date & Time - Ms. Kinsella compiled a schedule of the proposed 2008 audit committee meeting dates and times. The audit committee approved the 2008 meeting schedule.
- F. Internal Audit I Reclassification – Ms. Kinsella informed the audit committee that Mr. Heick's position was reclassified from a Audit I to an Auditor II effective September 1, 1007. This is a grade change from a Grade 9 to Grade 11.

#### IV. Miscellaneous

- A. Update on NDPERS Accounting Staff Status – Included with the audit committee materials was an update on the accounting staffing status since the last audit committee meeting.
- B. Report on Consultant Fees – According to the Audit Committee Charter, the Audit Committee should “periodically review a report of all costs and payments to the external financial statement auditor. The listing should separately disclose the costs of the financial statement audit, other attest projects, agreed upon procedures and any non-audit services provided.” Included with the audit committee materials was a copy of the report showing the consulting, investment and administrative fees paid during the quarter ended September 30, 2007. Ms. Kinsella indicated that at this time the fees paid to Brady Martz consist of financial statement audit fees only.
- C. Administrative Rule Changes - According to the Audit Committee Charter, the Audit Committee should “Monitor changes and proposed changes in laws, regulations and rules affecting the organization.” Administrative rule changes are provided to the board for their approval before putting out a notice of the hearing. Included with the audit committee materials was a report presented and approved by the board at the September 2007 meeting. The public hearing was held on November 21, 2007.
- D. Pharmacy Benefits Manager (PBM) Project – Attachments were provided to the audit committee, including BCBS’s letter from their attorney received the day before the audit committee meeting. Mr. Webb, Attorney General’s Office, was present at the meeting to provide information. Discussion followed. Mr. Webb explained that in order to obtain an Attorney General’s opinion of what BCBS documents NDPERS will keep confidential, that list must be a narrow, finite number of documents. Ms. Dorwart expressed concern over accepting the SAS 70, since there are two levels of reporting, one that is at a high level overview, and the second that is more in-depth. If we accept the SAS 70, and it is just a high level overview, then it will not provide enough information. The audit committee decided to draft a letter for an Attorney General’s opinion, and provide a report at the February meeting.
- E. LASR Project Status – The LASR project completed its Post-Implementation Report and submitted it to ITD at the end of Phase III of the LASR project. Ms. Kinsella conveyed staff has been very pleased with the results. Phase IV officially began on October 1, 2007. Ms. Schiermeister is the Project Manager for NDPERS. The Internal Audit Division will receive updates when Ms. Schiermeister updates the managers at the weekly manager’s meeting. There was a kickoff meeting on November 13, 2007 and a Development Methodology Overview will be conducted on November 26, 28 and December 4. This meeting will introduce to staff the methodology used to develop the software. It will also inform the staff what their role will be during this process. Ms. Schiermeister inquired how the audit committee would like to be kept informed of the project. By general consensus, the audit committee decided the same report to the Board presented at the next audit committee meeting is adequate.

- G. Brady Martz & Associates – Brady Martz presented their FY 2007 audit report to the audit committee. A copy of the audit report was included in the audit committee materials.

Brady Martz explained that they did not identify any deficiencies in internal control over financial reporting; however there were certain matters that were reported to NDPERS management. There was no audit adjustments proposed or made that had a material or significant impact on the financial statements. Finally Brady Martz explained that they had not come to a conclusion on how PERS should recognize the implicit subsidy for the retiree health credit, however, there has been an actuarial review and an actuarial figure has been provided, which is good for two years for GASB 45. Discussion followed. Ms. Dorwart asked if the auditors could prioritize the six items in the management letter. It was determined that items #2, 3 and 4 were higher risk than the others.

The meeting adjourned at 12:05 p.m.