

NDPERS BOARD MEETING

Agenda

Bismarck Location:
ND Association of Counties
1661 Capitol Way
Fargo Location:
Sanford Health Plan
1749 38th Street South

March 17, 2016

Time: 8:30 AM

I. MINUTES

- A. January 21, 2016
- B. February 18, 2016

II. PRESENTATIONS

- A. Asset Liability Study – Callan (Information)
- B. TIAA Annual Update – TIAA (Information)

III. RETIREMENT

- A. Retirement Consultant – Bryan (Information) * Executive Session
- B. Investment Policies – Bryan (Board Action)
- C. 4th Quarter Investment Report – Bryan (Board Action)
- D. Defined Contribution to Defined Benefit Plan Update – MaryJo (Information)
- E. Financial Essentials Workshop Update – MaryJo (Information)
- F. IRS Cycle C Filing Update – Sparb (Information)

IV. GROUP INSURANCE

- A. Claims Review - Bryan (Information)
- B. OPEB Request for Proposal – Bryan (Board Action)
- C. Employee Assistance Program Update – Bryan (Information)
- D. Sanford Heart of America HMO – Kathy (Board Action)
- E. Infertility Amendment to Sanford Health Plan Contract – Jan (Board Action)
- F. Non Payment of Premium and Cancellation Policy – Rebecca (Board Action)
- G. Implementation Update – Sharon and Rebecca (Information)

V. MISCELLANEOUS

- A. Legislation – Sparb (Board Action)
- B. Board Action Items – Sparb (Board Action)

*Executive Session pursuant to N.D.C.C. §§ 44-04-17.1(2) and (5), 44-04-18.4(6), and 44-04-19.2(1) to reviews bids or proposals received by a public entity in response to a request for proposal. (Motion is necessary)

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 & Bryan
DATE: March 17th 2016
SUBJECT: Asset Liability Study

Representatives from Callan will call in to give an overview and discuss the Asset Liability Study for the Main and Retiree Health Insurance Credit (RHIC) Systems. Callan met with the NDPERS Investment Subcommittee at the February 23rd quarterly meeting to work out the details of the studies.

For the Main System the asset mixes will include the current asset classes plus another set with an allocation that includes hedge funds. The study will include an analysis with a constant active population and one that includes growth. The study will model the current contribution of 14.12% and also look at the addition of a 2% contribution increase for the final step in the recovery plan. The RHIC study will include the current asset classes and assumptions.

The plan is to have preliminary and final results to you at the May - June Board meetings.



March 17, 2016

North Dakota Public Employees Retirement System and RHIC Fund

2016 Asset Allocation and
Liability Study Update

Paul Erlendson

Senior Vice President

Julia Moriarty, CFA

Senior Vice President

Agenda

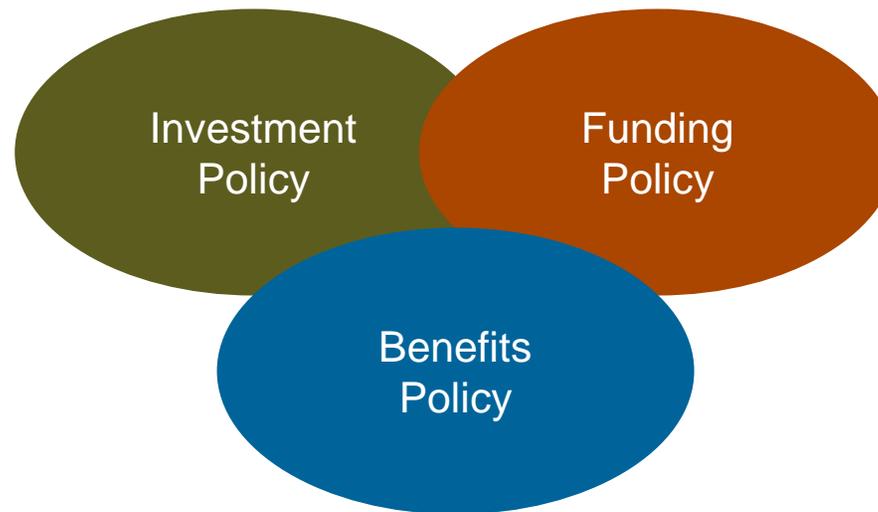
- Overview of Callan's asset-liability process
- Capital market expectations
- Asset mix alternatives
- Liability models and assumptions
- Simulation analysis
- Making a decision
- Recap and timeline
- Appendix

Where Does Asset Allocation Fit In?

We evaluate the interaction of the three key policies that govern the Funds with the goal of establishing the best investment policy.

Investment Policy

- How will the assets supporting the benefits be invested?
- What risk and return objectives?
- How to manage cash flows?



Funding Policy

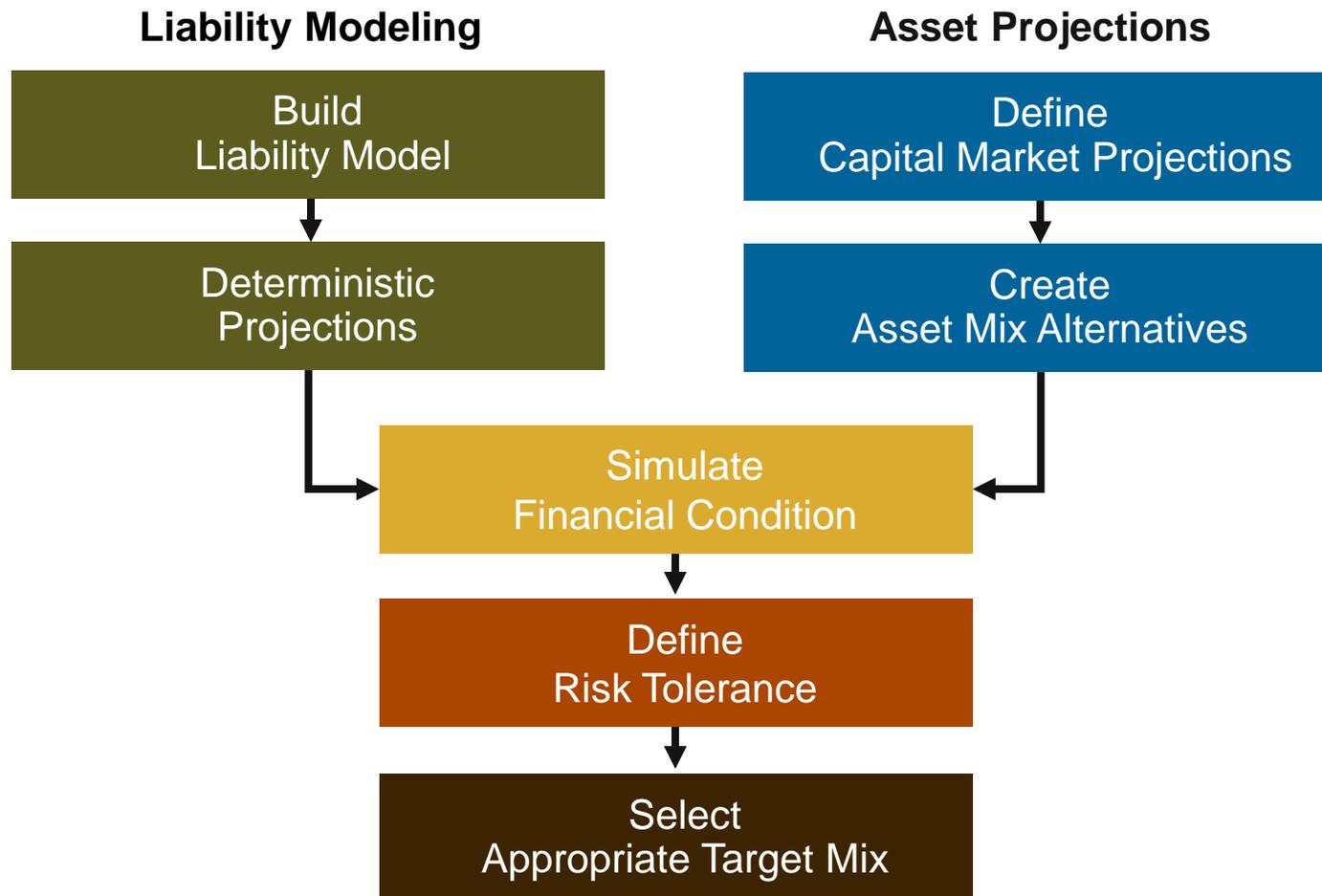
- How will the benefits be paid for (funded)?
- What actuarial assumptions?
- How are unfunded liabilities amortized/recognized?
- What are expected inflows (contributions)?

Benefits Policy

- What type/kind of benefits?
- What level of benefit?
- When and to whom are they payable?

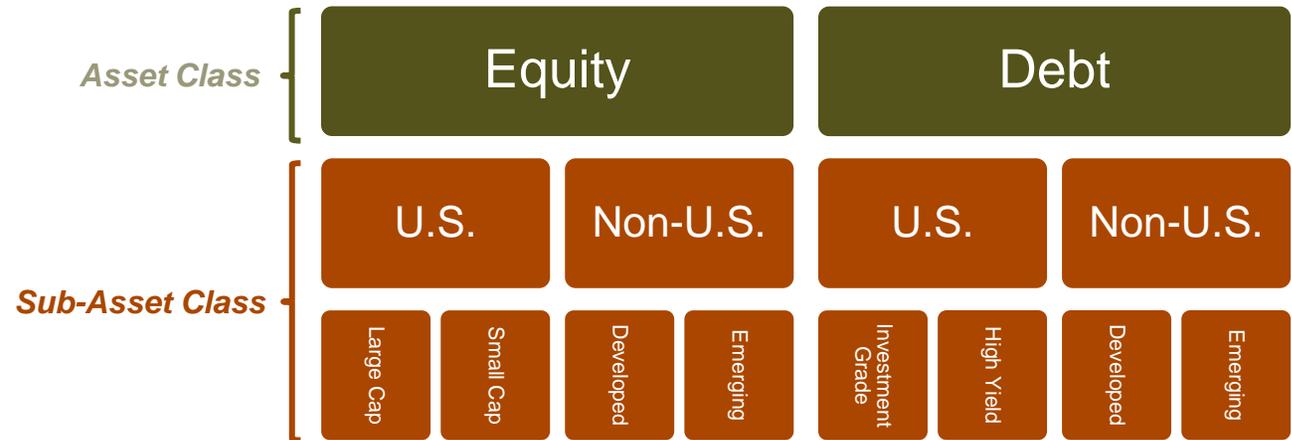
Asset Allocation and Liability Process

- Liabilities and assets are evaluated and tested separately, then integrated into a single model.



The Focus is on Broad Asset Classes

- Breakdowns between investment styles within asset classes (growth vs. value, large cap vs. small cap) are best addressed in a manager structure analysis.
- Primary asset classes and important sub-asset classes include:
 - U.S. stocks
 - U.S. bonds
 - Non-U.S. stocks
 - Non-U.S. bonds
 - Alternative investments
 - Real estate
 - Private equity
 - Hedge funds
 - Cash



2016 Capital Market Expectations

Return and Risk

- Most capital market expectations represent passive exposure (beta only); however, return expectations for private investments reflect active management premiums.
 - Return expectations are net of fees.
- Two sets of asset mixes will be modeled in the NDPERS analysis to gauge the impact an allocation to hedge funds would have on the Fund.
- One set of asset mixes will be modeled in the RHIC Fund analysis.
 - Current asset classes include U.S. equity, Non-U.S. equity, and U.S. fixed income.

Summary of Callan's Long-Term Capital Market Projections (2016 - 2025)

Asset Class	Index	Projected Return*	Projected Risk
Equities			
Broad Domestic Equity	Russell 3000	7.35%	18.70%
Large Cap	S&P 500	7.25%	17.95%
Small/Mid Cap	Russell 2500	7.55%	22.75%
Global ex-US Equity	MSCI ACWI ex USA	7.55%	21.30%
International Equity	MSCI World ex USA	7.25%	20.05%
Emerging Markets Equity	MSCI Emerging Markets	7.60%	27.85%
Fixed Income			
Domestic Fixed	Barclays Aggregate	3.00%	3.75%
TIPS	Barclays TIPS	3.00%	5.30%
High Yield	Barclays High Yield	5.00%	10.50%
Non-US Fixed	Barclays Global Aggregate ex-USD	1.40%	9.20%
Emerging Market Debt	EMBI Global Diversified	4.60%	9.90%
Other			
Real Estate	Callan Real Estate Database	6.00%	16.45%
Timberland**	NCREIF Timberland	6.30%	17.50%
Infrastructure**	S&P Global Infr / JPM Infr	6.65%	19.00%
Private Equity	TR Post Venture Capital	8.15%	32.80%
Hedge Funds	Callan Hedge FoF Database	5.25%	9.30%
Commodities	Bloomberg Commodity	2.75%	18.50%
Cash Equivalentents	90-Day T-Bill	2.25%	0.90%
Inflation	CPI-U	2.25%	1.50%

* Geometric returns are derived from arithmetic returns and the associated risk (standard deviation).

** 2015 projections as 2016 have not been finalized.

Create Asset Mix Alternatives

Mean-Variance Optimization



- Mean-variance optimization is a standard quantitative tool used to identify a series of efficient portfolios ranging from conservative to aggressive (represented by the “**efficient frontier**”).
- The mixes along this frontier are deemed efficient because they generate the maximum expected return for their expected level of risk.
- The efficient mixes take optimal advantage of less-than-perfect correlation between asset classes.

Asset Class	Target	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5
US Broad Equity	25%	24%	26%	29%	31%	34%
Global Ex-US Equity	20%	19%	21%	23%	25%	27%
Domestic Fixed	25%	33%	27%	21%	14%	7%
Real Estate	10%	9%	10%	11%	12%	13%
Private Equity	10%	6%	7%	7%	8%	9%
Hedge Funds	10%	9%	9%	9%	10%	10%
Totals	100%	100%	100%	100%	100%	100%
Expected Geometric Return	6.91%	6.50%	6.75%	7.00%	7.25%	7.50%
Expected Standard Deviation	13.90%	11.99%	13.13%	14.34%	15.64%	17.05%

Build Actuarial Liability Model

NDPERS

- Investor or sponsor liabilities are a key driver of the asset allocation process.
- The liability model reflects the benefit and funding policies of the Plan – two of the three policies that govern the Plan.
- For purposes of asset-liability modeling, Callan will build an actuarial liability model which matches actuarial liabilities within 5%.
 - Results are then scaled to match the actuarial report exactly.
- Liability model will be based on the July 1, 2015 actuarial valuation report provided by Segal Consulting.
- Additional scenarios involving contribution rates and the active population projection will be analyzed and are described on the following pages.

July 1, 2015 Financial Position

Actuarial Accrued Liability	\$3,052 Million
Market Value of Assets	\$2,372 Million
Actuarial Value of Assets	\$2,094 Million
Funded Status (MVA/AL)	77.7%
Funded Status (AVA/AL)	68.6%

Key Actuarial Assumptions

Investment Return	8.0%
Price Inflation	3.5%

Contribution Rates

NDPERS

- Contributions (employer and employee) are set by statute.
- Current contribution rates are shown below for the various plan populations.
- The Main System’s contribution rates could rise as early as 2017 as shown in the bottom row in the table below. The impact on the Fund of a 1% increase in both the employer and employee contribution rates will be analyzed in the study.

Statutory Contribution Rates	Employer	Employee	Total
Law Enforcement with prior Main System service*	9.81%	5.58%	15.39%
Law Enforcement without prior Main System service	7.93%	5.50%	13.43%
Judges	17.52%	8.00%	25.52%
Main System	7.12%	7.00%	14.12%
<i>Main System (Alternative Scenario)</i>	<i>8.12%</i>	<i>8.00%</i>	<i>16.12%</i>

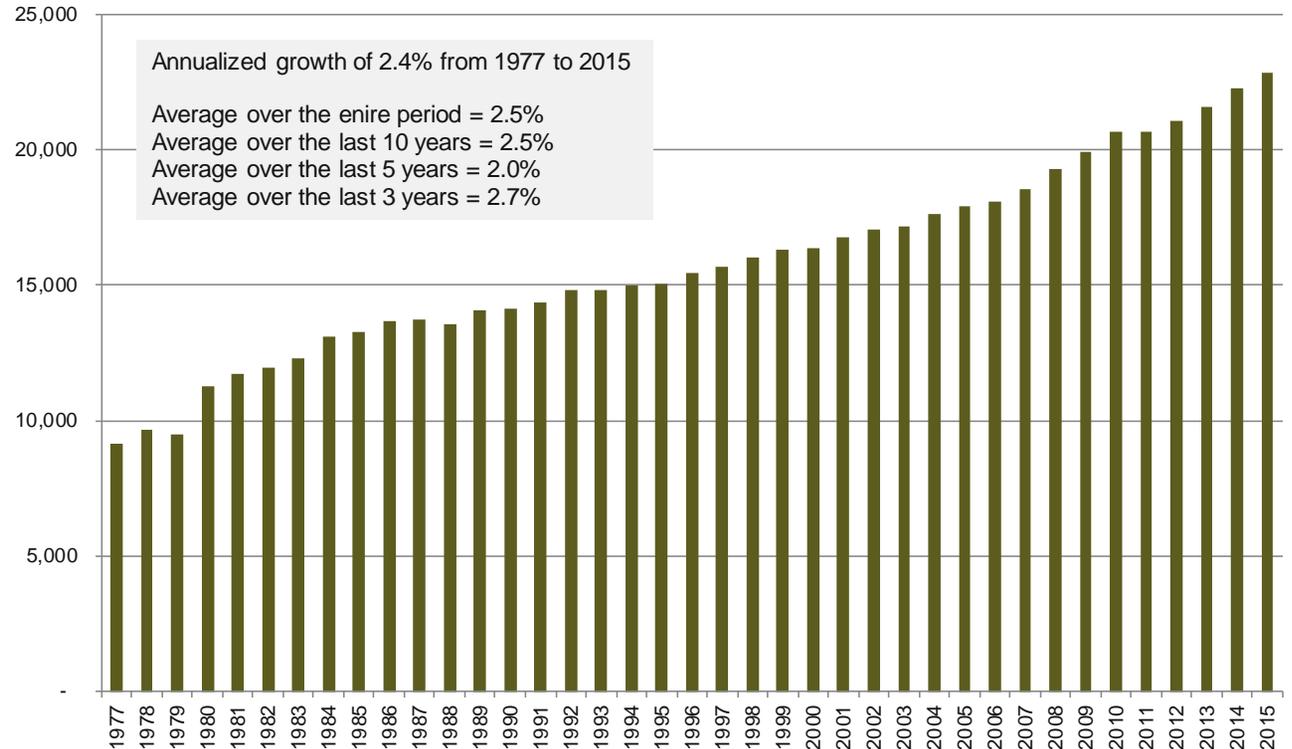
*5.50% employee contribution rate (6.00% for Bureau of Criminal Investigation)

Active Population Projection

NDPERS

- The base-case assumption to be employed in the asset-liability study is that the plan's active population remains constant (0% growth) at 22,845 individuals.
- An alternative projection will be analyzed in which the active population grows 2.5% per year.
 - 10 years = 29,244
 - 20 years = 37,434
- We will evaluate the impact of an increasing active population on variables such as contributions, funded status, etc.

NDPERS Active Population
Main System, Judges, Law Enforcement



Build Actuarial Liability Model

NDPERS RHIC Fund

- The RHIC Fund covers employees of the Public Employees Retirement System, the Highway Patrolmen's Retirement System, and the Defined Contribution Retirement Plan.
- Liability model will be based on the July 1, 2015 actuarial valuation report provided by Segal Consulting.
- No additional scenarios will be analyzed.

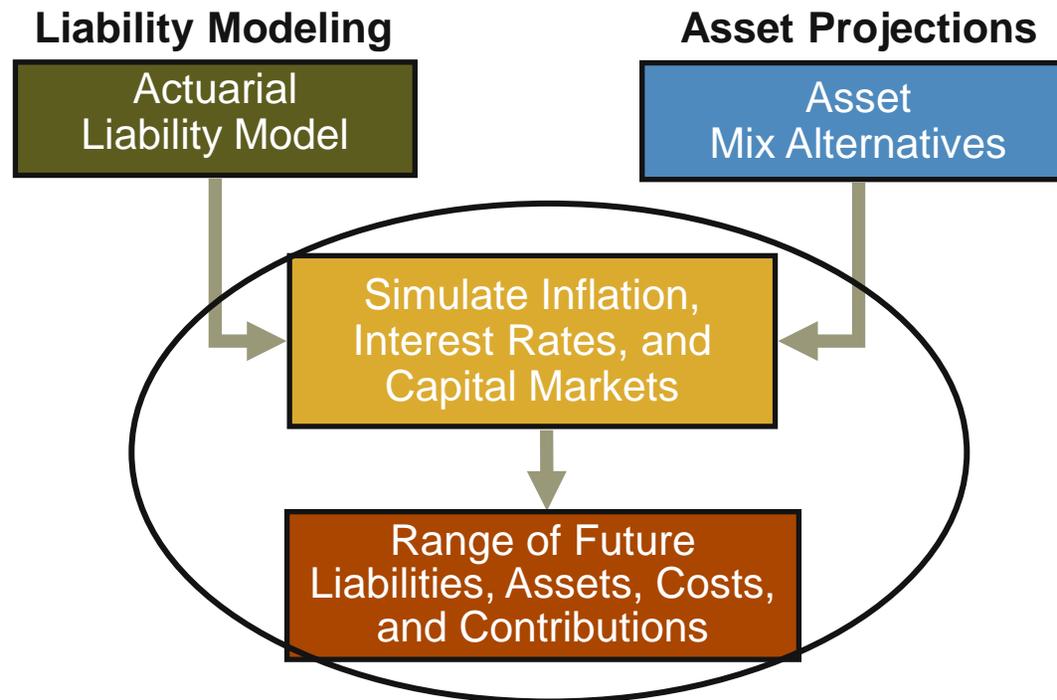
July 1, 2015 Financial Position

Actuarial Accrued Liability	\$129 Million
Market Value of Assets	\$99 Million
Actuarial Value of Assets	\$89 Million
Funded Status (MVA/AL)	76.9%
Funded Status (AVA/AL)	69.4%

Key Actuarial Assumptions

Investment Return	8.0%
Price Inflation	3.5%

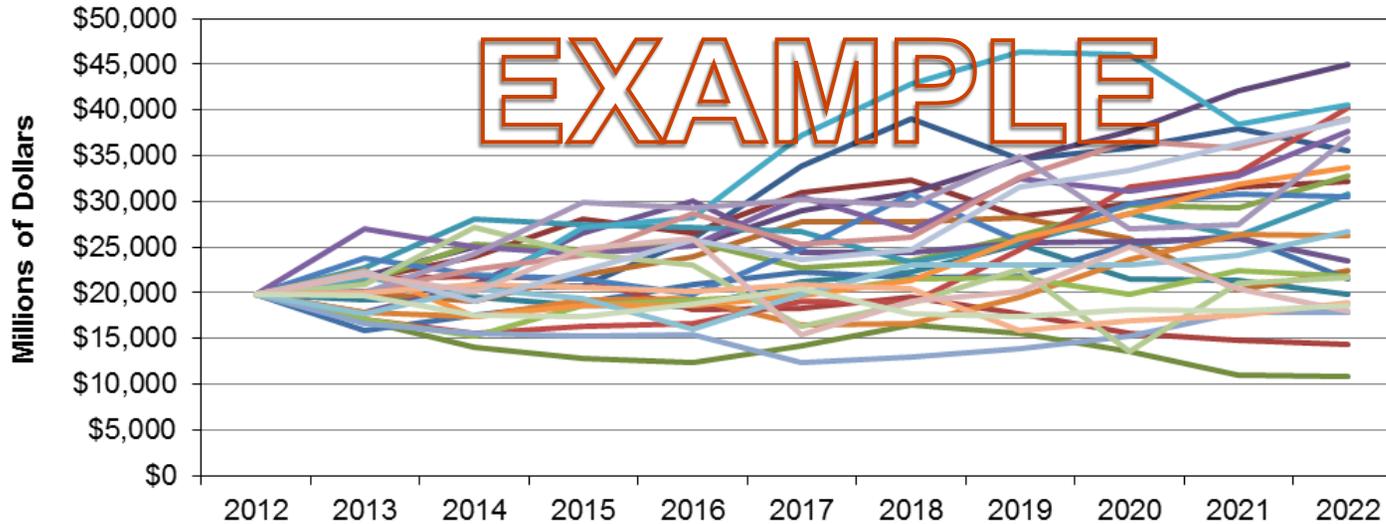
Simulate Financial Condition



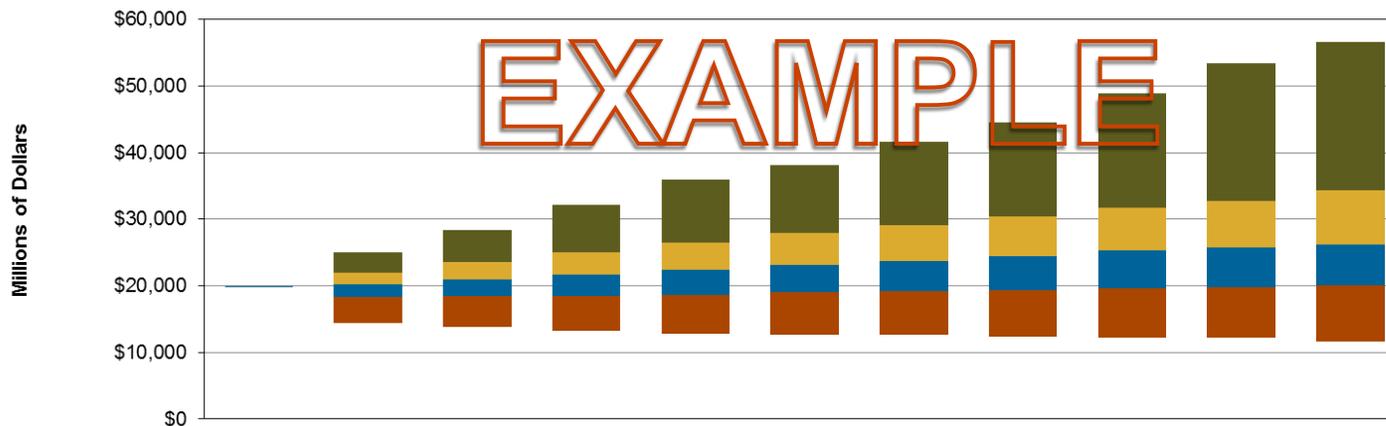
- Simulation analysis will be used to assess risk tolerance.
- **What is simulation analysis (also called stochastic forecasting)?** The modeling of uncertainty associated with the capital markets.
- Simulate three key variables: inflation rate, interest rate, and asset class returns.
- Develop a range of outcomes and the likelihood of their occurrence (probability distribution).

Risk Tolerance

What is Simulation Analysis? Market Value of Assets – Current Target Mix



- Simulate 2,000 different capital market environments (trials).
- Conduct a valuation at the end of every year for each trail.
- Rank the simulated results from highest to lowest, or 2.5th percentile to 97.5th percentile (two standard deviations).



← 2.5th Percentile (Best-Case)

← 50th Percentile (Expected)

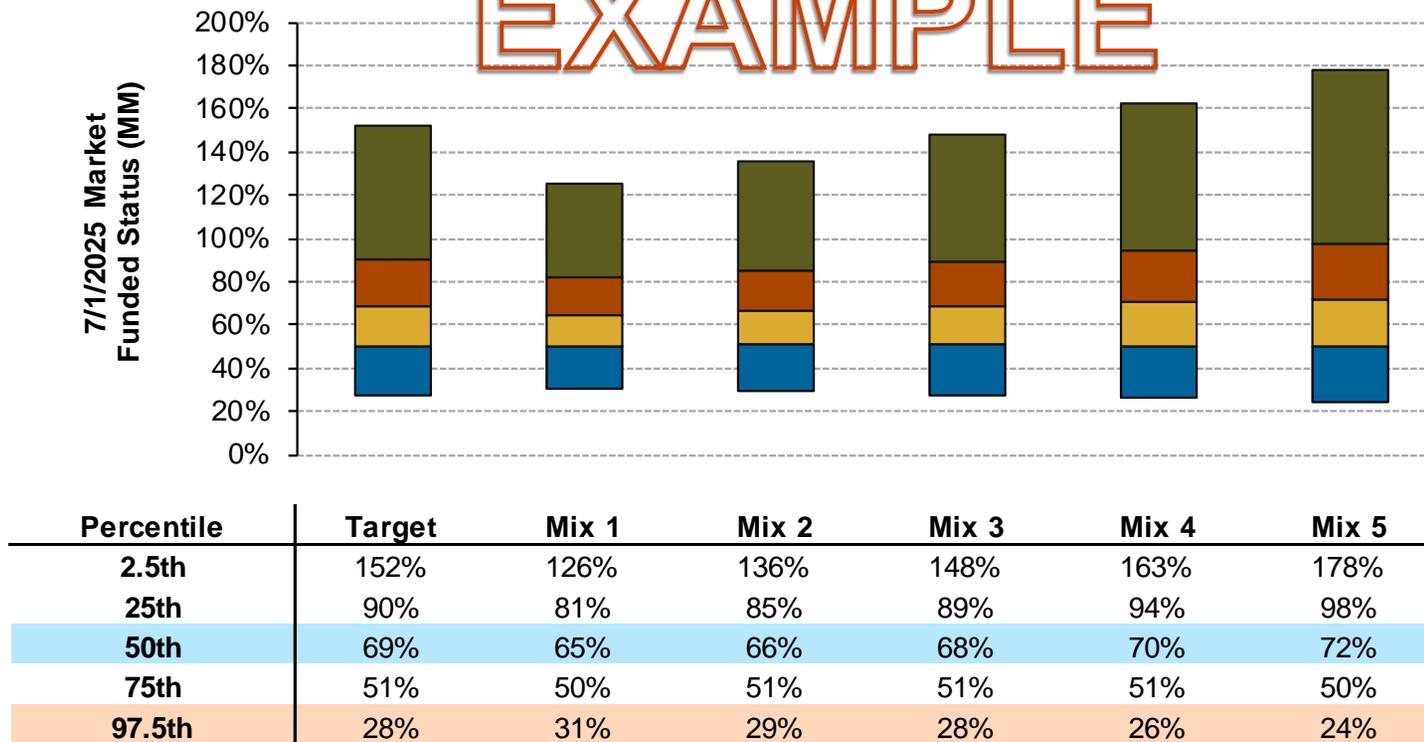
← 97.5th Percentile (Worse-Case)

Risk Tolerance

Range of Funded Status

- Simulation analysis allows us to compare outcomes across the range of alternative asset mixes.
- Asset mixes with more return-generating strategies, like Mix 5:
 - Have a higher median or expected outcome.
 - Have a lower funded status in a worse-case scenario.
 - Have a wider range of outcomes.

EXAMPLE



Select Appropriate Target Allocation

Decision Variable(s) Should Lead to Selection of the Optimal Asset Mix

- Simulation generates a range of potential outcomes for the financial condition of the Fund.
 - Plan assets, liabilities, benefit payments, contributions, funded status, etc.
- There are many key metrics PERS can focus on.
 - Maintaining contribution stability, reduce funded status volatility, minimize magnitude of worse-case investment and/or funded status scenarios, increase funded status through investment returns, maintaining required liquidity levels to meet benefit payments, etc.
- The PERS Board's primary investment objectives will lead to an appropriate strategic asset allocation policy.
- The following page highlights some of the factors that can be employed in the decision making process.

Making a Decision

Factor	Description
Return Objective	<ul style="list-style-type: none"> Meet or exceed a liability return of approximately 7.65% over the next 10 years (8.00% over the next 30 years)
Time Horizon	<ul style="list-style-type: none"> Indefinite (plan is open)
Liquidity Needs	<ul style="list-style-type: none"> Liquidity needs are low under the current funding policy which allows for a meaningful allocation to illiquid investments
Actuarial Methodology	<ul style="list-style-type: none"> Fixed contribution rate Assets are smoothed over 5 years 20 year open amortization of the unfunded liability
Contribution Risk	<ul style="list-style-type: none"> Contribution variability across asset mixes is muted due to the contribution policy
Risk Tolerance	<ul style="list-style-type: none"> Risk tolerance is the ability and willingness to take risk What is comfort level in taking more risk? Consider worse-case funded status and/or worse-case deficit at the end of 10 years
Liability Growth	<ul style="list-style-type: none"> Liabilities are growing At 2.25% inflation, liability return is approximately 7.65% (At 2.75% inflation, liability return is 8.00%)
Funded Status*	<ul style="list-style-type: none"> Plan is underfunded but funded status is expected to gradually improve going forward 1/1/2015 funded status (MVA) = 62%

EXAMPLE

* Many plan sponsors select a more aggressive asset allocation to assist with closing a plan deficit over the long run. However, a more aggressive asset allocation can make the financial situation worse, if investment performance is below average.

Recap and Timeline

- The NDPERS and NDPERS RHIC Fund will be modeled using the assumptions and participant data set forth in the July 1, 2015 actuarial valuation reports provided by Segal Consulting.
 - Additional contribution and active population projections will be analyzed for the NDPERS Plan.
- Two sets of asset mixes will be modeled in the NDPERS analysis to gauge the impact an allocation to hedge funds would have on the Fund.
 - One set of mixes containing only the current asset classes.
 - *U.S. equity, Non-U.S. equity, U.S. fixed income, Non-U.S. fixed income, real estate, private equity, timberland, infrastructure, and cash equivalents.*
 - A second set of mixes containing the current asset classes plus hedge funds.
- One set of asset mixes will be modeled in the RHIC Fund analysis.
 - Mixes containing only the current asset classes.
 - *U.S. equity, Non-U.S. equity, and U.S. fixed income.*
- Asset and liability modeling has begun.
- Preliminary/final results to be presented on Thursday May 19.



Appendix

Hedge Fund Overview

Hedge Funds

Overview

- Hedge funds focus around a trading strategy (or multiple strategies) and can employ various asset-class exposures and risk/return profiles.
- Hedge fund strategies may employ a variety of assets, leverage, derivatives, and/or other thinly traded instruments.
- Typically, hedge funds are private placement limited partnerships or limited liability companies, which are not widely available to the public.
 - Dodd-Frank has now required most hedge funds to register as '40 Act Investment Advisers.

Hedge Funds

What is the Opportunity?

- Why hedge funds?
 - Higher risk-adjusted return.
 - Manager and/or strategy diversification.
 - Less sensitive to equity market risk.
 - Alternative to lower expected returns from stocks and bonds.
- Do you believe all of the following?
 - A portfolio of stocks and bonds benefits from additional diversification to smooth a fund's path to meet long-term return objectives.
 - Given manager skills and investment tools not available to traditional portfolio management, hedge funds can provide value-added returns from inefficiencies in public capital markets.
 - The various risks of hedge funds, including concerns of liquidity and capacity constraints, are manageable with proper due diligence and oversight given available resources.

Hedge Funds

Types of Hedge Fund Strategies

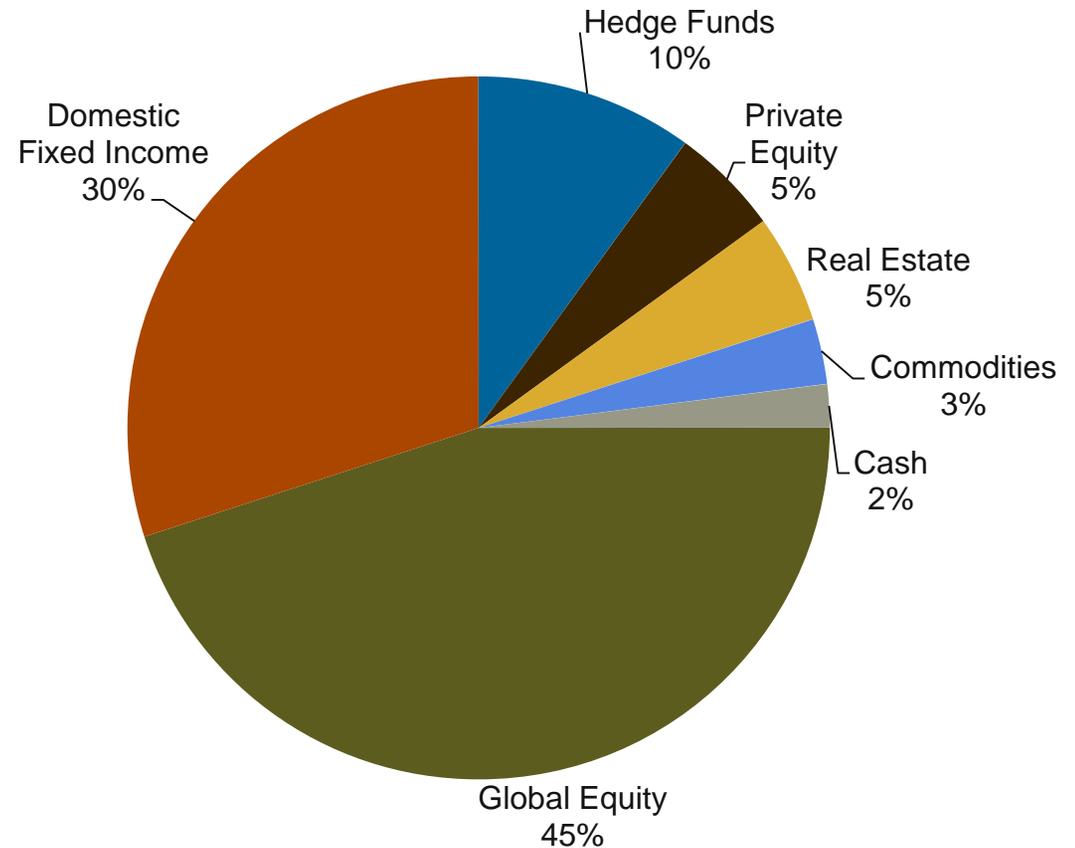
Hedge Fund Strategy Classifications			
Equity Hedge	Event Driven	Macro	Relative Value
Long / Short Equity	Activist	Global Macro	Fixed Income Arbitrage
Short-Biased	Distressed / Restructuring	Managed Futures	Convertible Arbitrage
Emerging Markets	Merger Arbitrage		Capital Structure Arbitrage
	Credit Arbitrage / Special Situations		Equity Market Neutral
Multi-Strategy			

Hedge Funds

Strategic Role in Target Allocation and Considerations

- Typically 5%-10% of portfolio.
- Expected return between stocks and bonds.
- Good diversifier (low correlation with stocks and bonds).
- Considerations:
 - More costly (higher fees) and less liquid than public stocks and bonds.
 - Implementation risk is high, as performance is primarily reliant on manager skill.
 - Requires greater oversight than is generally required by public market investments and is more difficult to value and monitor.

Example Target Allocation



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: March 10, 2016
SUBJECT: TIAA

Representatives from TIAA will be at the next Board meeting to give you an annual update on their efforts and to answer any questions you may have. We will send you the TIAA presentation via email prior to the Board meeting.



NDPERS Board Meeting

Presented by: Paul Krajcir

March 17, 2016



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Plan Statistics



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401(a) – Plan 405545, Defined Contribution Plan



	2014	2015	% Difference +/-
AUM	\$34,068,700.00	\$27,044,453.00	-21%
Contributions	\$2,361,530.00	\$2,490,380.00	5%
Avg. Contribution	\$9,600.00	\$9,292.00	-3%
Avg. Account Balance	\$112,790.00	\$91,929.00	-18%
Enrollments	39	45	15%
Active members	242	221	-9%
Total members	302	294	-3%
Average. Age	49	47	-4%

457(b) – Plan 405546, Companion Plan



	2014	2015	% Difference +/-
AUM	\$67,258,125.00	\$74,067,445.00	10%
Contributions	\$6,927,381.00	\$ 8,314,223.00	20%
Avg. Contribution	\$1,628.00	\$1,749.00	7%
Avg. Account Balance	\$12,207.00	\$11,688.00	-4%
Enrollments	823	1,050	28%
Active members	4,177	4,686	12%
Total members	5,510	6,337	15%
Average Age	43	44	2%

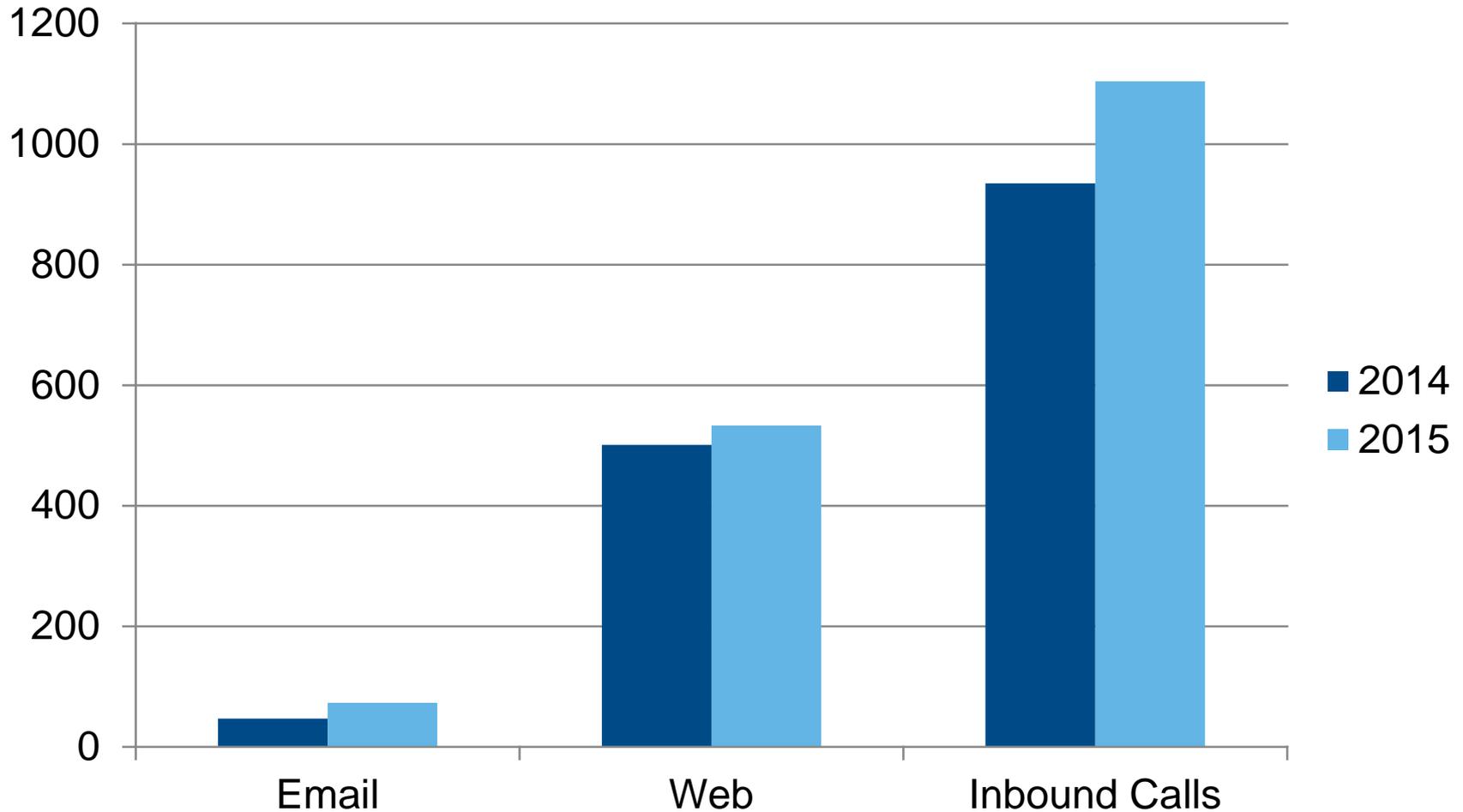
Employee Engagement



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North Dakota Public Employees 2014 and 2015 Interactions



Individual consulting available to NDPERS members



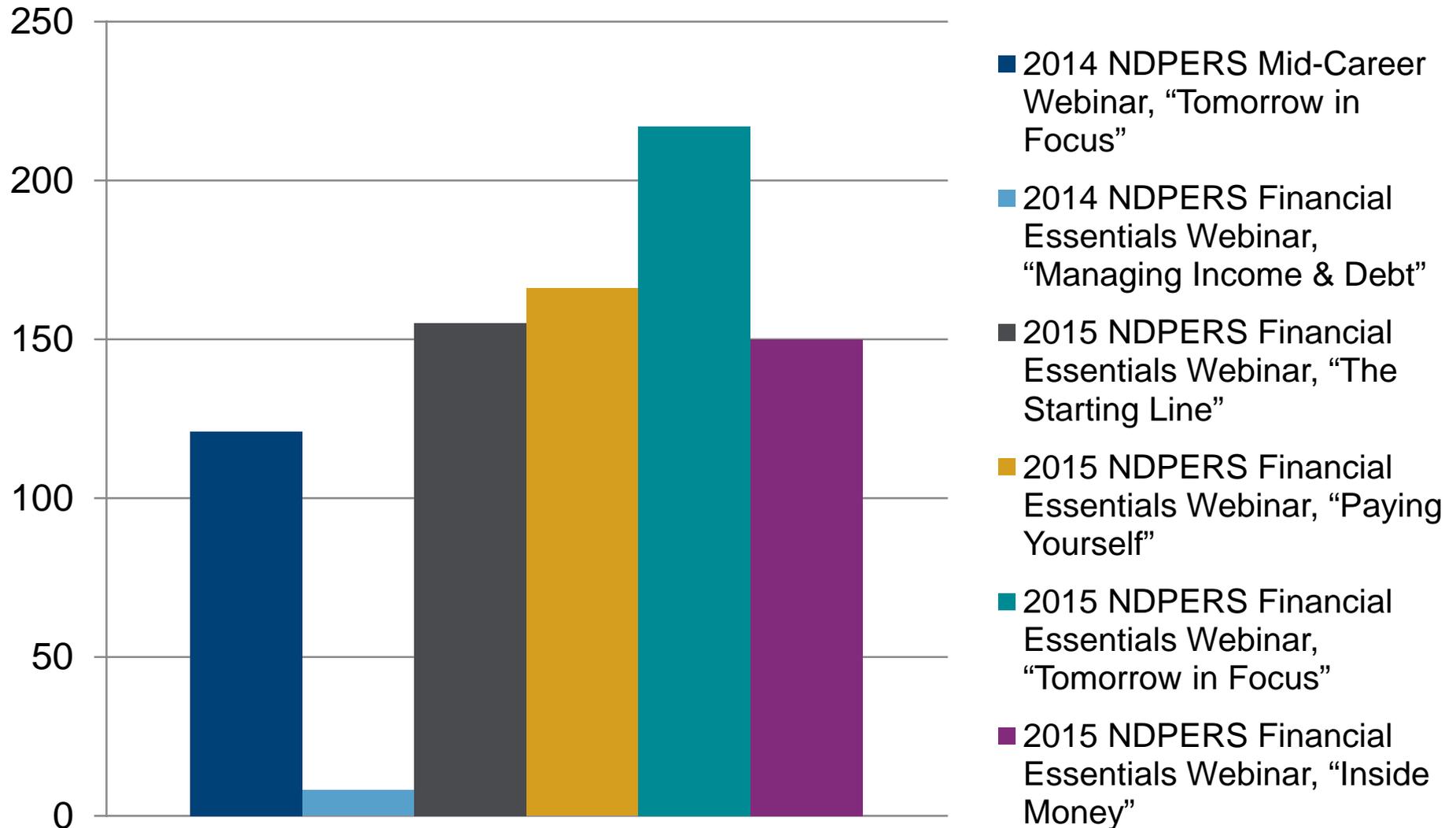
	2014	2015
Total days of individual meetings YTD	265	288
Number of days at NDPERS sites YTD	84	108
Number of days at other ND sites YTD	181	180

NDPERS on-site presentations conducted in 2014: 5

- NDPERS Pre-Retiree Workshop, Bismarck – 4/16/2014
- NDPERS Pre-Retiree Workshop, Fargo – 9/10/2014
- NDPERS Pre-Retiree Workshop, Jamestown – 9/11/2014
- NDPERS Mid-Career Workshop, Bismarck – 10/8/2014
- NDPERS Pre-Retiree Workshop, Bismarck – 10/15/2014

NDPERS on-site presentations conducted in 2015: 5

- NDPERS Pre-Retiree Workshop, Fargo – 2/18/2015
- NDPERS Pre-Retiree Workshop, Bismarck – 5/13/2015
- NDPERS Payroll Conference, Bismarck – 6/17/2015
- NDPERS Pre-Retiree Workshop, Killdeer – 10/8/2015
- NDPERS Pre-Retiree Workshop, Grand Forks – 10/14/2015



Communication and Education



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■ 2014 Communication Engagement Review

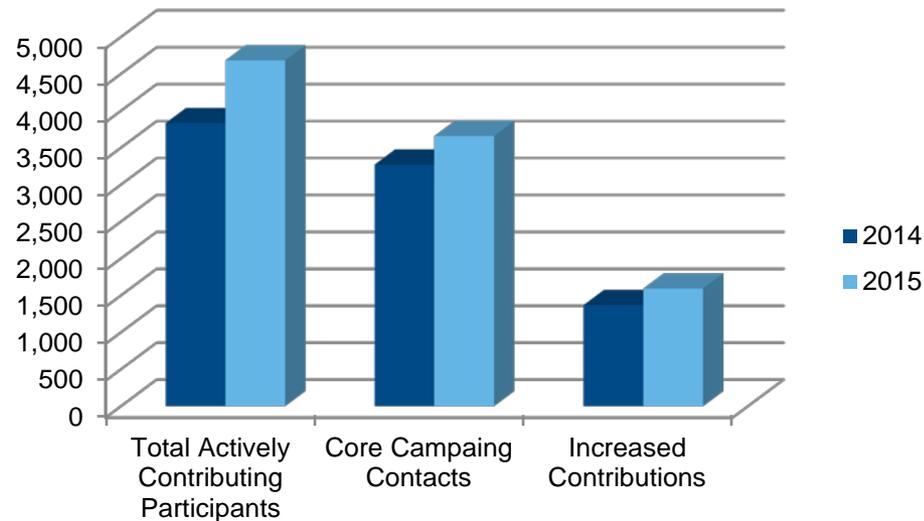
	Dollar Stretcher	Life Builder	Accumulator	Transitioner	Established
Count	1801	1111	531	317	74
Core Campaign Contacts	1448	997	482	275	69
eNewsletter Marketing Contacts	226	228	135	106	18
Early Engagement	4	14	4	1	1
Complex Needs Campaign	4	3	157	91	10
# Secure Web ID	406	412	285	186	31
Secure Web Logins	204	252	187	135	19
Inbound Phone Calls: Advice	18	23	15	9	2
Inbound Phone Calls: Transactional	23	17	15	14	5
In Person Advice	7	13	13	11	3
Online Advice	16	9	13	10	0
Increased Contributions	527	429	242	148	23
Started Employee Contributions	462	181	69	28	6
Reallocated/Rebalanced	209	93	49	36	8
Consolidated	24	23	21	8	0

2015 Communication Engagement Review

	Dollar Stretcher	Life Builder	Accumulator	Transitioner	Established
Count	2067	1224	819	463	109
Core Campaign Contacts	1505	1041	691	384	37
eNewsletter Marketing Contacts	393	372	244	174	37
Early Engagement	350	107	67	17	5
Complex Needs Campaign	3	2	100	146	32
# Secure Web ID	509	483	419	271	49
Secure Web Logins	278	270	252	180	33
Inbound Phone Calls: Advice	5	6	6	5	2
Inbound Phone Calls: Transactional	37	20	12	15	12
In Person Advice	17	24	23	21	1
Online Advice	18	22	21	16	1
Increased Contributions	553	478	344	187	31
Started Employee Contributions	531	221	134	46	13
Reallocated/Rebalanced	297	149	126	59	16
Consolidated Balances	40	34	30	7	4

- Communication Engagement Comparison

	2014	2015
Total Actively Contributing Participants	3,834	4,682
Core Campaign Contacts	3,271	3,658
Increased Contributions	1,369	1,593





SB2015



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- 401(a) - Plan 405545
 - 225 transfers
 - Totaling \$24,485,397.68
- 457(b) - Plan 405546
 - 183 withdrawals
 - Totaling \$2,999,256.45

The 457 withdrawal activity is typical and has not hurt the growth of that plan. As you can see, SB2015 has severely impacted the 401(a) plan.



You should consider the investment objectives, risks, charges and expenses carefully before investing. Go to TIAA.org for a prospectus that contains this and other information. Please read the prospectus carefully before investing.

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Memorandum

TO: PERS Board

FROM: Bryan

DATE: March 17, 2016

SUBJECT: Investment Policies Annual Review

Attached are the current NDPERS investment policies and asset class definitions. Annually the Investment Subcommittee and Board review the policies. The only changes from the latest approved policies is the addition of the Vanguard Bond Index fund to the DC 401(a) and 457 Companion Plan documents. Note that the Vanguard Bond Index Fund (VBTLX) was added to the core lineup of these two plans at the December 2015 Board meeting.

The current Asset Liability Study could suggest some changes to the Main System and RHIC policies, but the Investment Subcommittee felt it was important to bring the policies to the full NDPERS Board for review.

BOARD ACTION

Suggest any changes to the investment policies.

Adopt the investment policies.

NDPERS Investment Policies:

1. Main & HP System
2. 457 Companion Plan
3. DC 401(a) Plan
4. RHIC fund
5. Job Service Plan
6. Group Insurance fund
7. Asset Class Definitions

STATEMENT OF INVESTMENT GOALS, OBJECTIVES AND POLICIES FOR THE NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

1. PLAN CHARACTERISTICS AND FUND CONSTRAINTS

The North Dakota Public Employees Retirement System (NDPERS) and the Highway Patrol Retirement System (HPRS) are pension benefit plans established to provide retirement income to state employees and employees of participating political subdivisions. The plans are administered by a seven member Board of Trustees (the Board). The Chair is appointed by the governor, three members are elected by the active members of the plans, one member is elected by the retired members, one is appointed by the Attorney General and the seventh member is the State Health Officer or their designee.

The NDPERS plan is a multi-employer hybrid benefit public pension plan that provides retirement benefits, disability retirement benefits, and survivor benefits, in accordance with Chapter 54-52 of the North Dakota Century Code (NDCC). Monthly retirement benefits for the Main, National Guard and Law Enforcement Plans are based on the formula: number of Years of Service times 2.0% times the final average salary. For the NDPERS Judges Plan the retirement formula is: for the first ten years of service of the formula is final average salary times 3.5%, for the second ten years of service the formula is final average salary times 2.80% and for all remaining years of service the formula is final average salary times 1.25%.

The Highway Patrol plan is a single employer plan that provides retirement benefits, disability benefits, and survivor benefits in accordance with Chapter 39-03.1 of the North Dakota Century Code. Monthly retirement benefits are based upon on the formula: first 25 years of credit service times 3.25% and all remaining years of service times 1.75%.

Funding for the NDPERS plan is provided by monthly employee contributions and employer contributions with the amount varying based upon which NDPERS plan the member participates in. For the Main NDPERS plan the employee contribution is 4% and the employer contribution is 4.12%, for the Judges Plan the employee contribution is 5% and employer contribution is 14.52%, for the National Guard Plan the employee contribution is 4% and employer contribution is 6.5%, for the Law Enforcement Plan with prior service the employee contribution is 4% and the employer contribution is 8.31% and for the Law Enforcement Plan without prior service the employee contribution rate is 4% and the employer rate is 6.43%.

Funding for the Highway Patrol plan is provided by a monthly employee contribution of 10.3% and an employer contribution of 16.7%

Each year the Board has an actuarial valuation performed. The current actuarial assumed rate of return on assets for all plans is 8%.

2. RESPONSIBILITIES AND DISCRETION OF THE STATE INVESTMENT BOARD (SIB)

Aggregate plan contributions plus earnings, minus allowable expenses constitute the Fund. The Board is charged by NDCC chapters 54-52, 21-10-01, and 39-03.1 to establish policies for the investment goals and asset allocation of the Fund. The State Investment Board (SIB) is charged with implementing the asset allocation as promptly and prudently as possible in accordance with the Board's policies by investing the assets of the Fund in the manner provided in the prudent investor rule, which provides:

Fund fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The retirement funds belonging to the teachers'

fund for retirement and the public employees retirement system must be invested exclusively for the benefit of their members and in accordance with the respective funds' investment goals and objectives. (NDCC 21-10-07)

The SIB may delegate investment responsibility of the Fund or any portion of the Fund to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy is supervisory not advisory.

The SIB may at its discretion, pool the assets of the Fund with another fund or funds having similar investment objectives and time horizons in order to maximize returns and minimize costs. In pooling fund assets the SIB will establish asset class pools it deems necessary to achieve the specific quality, diversification, restrictions, and performance objectives subject to the prudent investor rule and the objectives of the funds participating in the pools.

The SIB is responsible for establishing the selection criteria, determining the performance measures, and retaining all fund money managers. SIB is also responsible for the selection and retention of any investment consultants that may be employed in the investment of the Fund assets.

3. DELEGATION OF AUTHORITY

Management responsibility for NDPERS funds not assigned to the North Dakota State Investment Board (SIB) in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, which must establish written policies and procedures for the operation of the NDPERS funds, consistent with this investment policy.

Such procedures must provide for:

1. The definition and assignment of duties and responsibilities to advisory services and persons employed by the SIB pursuant to NDCC 21-10-02.1(1) (a).
2. Investment diversification, investment quality, qualification of money managers, and amounts to be invested by money managers pursuant to NDCC 21-10-02.1(1)(e). In developing these policies it is understood:
 - a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
 - b. The use of derivatives will be monitored to ensure that undue risks are not taken by the money managers.
 - c. All assets must be held in custody by the SIB's master custodian or such other custodians as are selected by the SIB.
3. Guidelines for selection and redemption of investments will be in accordance with NDCC 21-10-02.1(1) (d).
4. The criteria for making decisions with respect to hiring, retention, and termination of money managers will be clearly defined. This also includes selecting performance measurement standards, consultants, report formats, and frequency of meetings with money managers.

All participants in the investment process must seek to act responsibly as custodians of the public trust.

4. INVESTMENT GOALS

The investment goals of the Fund have been established by the NDPERS Board based upon consideration of the Board's strategic objectives and a comprehensive review of the current and projected financial requirements. These goals are to be viewed over the long term.

Goal # 1 Accumulate sufficient wealth through a diversified portfolio of investments which will enable the State of North Dakota to pay all current and future retirement benefits and expense obligations of the Fund.

Goal # 2 To obtain an investment return in excess of that needed to allow for increases in a retiree's annuity to maintain the purchasing power of their retirement benefit.

The Board acknowledges the material impact that funding the pension plan has on the State's financial performance. To enable the State to continue offering secure pension benefits to plan participants, the Board believes that the Fund should pursue the following **secondary goals**:

1. Stabilize the employee and employer contributions needed to fund the Plan over the long term.
2. Avoid both substantial volatility in contributions and sizable fluctuations in the funding status of the Plan.

These two secondary goals affect the Fund's investment strategies and often represent conflicting goals. That is, minimizing the long-term funding costs implies a less conservative investment program, whereas dampening the volatility of contributions and avoiding large swings in the funding status implies a more conservative investment program. The Board places greater emphasis on the strategy of stabilizing the employee and employer contribution needed to fund the plan over the long term as it assists our participating employers by having a predictable contribution for budgeting.

5. INVESTMENT PERFORMANCE OBJECTIVE

The Board's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

1. The fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
2. The fund's risk, measured by the standard deviation of net returns, should not exceed 115% of the policy benchmark over a minimum evaluation period of five years.
3. The risk-adjusted performance of the fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

6. ASSET ALLOCATION

In recognition of the plan's performance objectives, benefit projections, and capital market expectations, the NDPERS Board has established the following asset allocation:

<u>Asset Class</u>	<u>Policy Target (%)</u>	<u>Rebalancing Range (%)</u>
Global Equity	57	46-65
Domestic Equity	31	26-36
International Equity	21	16-26
Developed	16	
Emerging	5	
Private Equity	5	4-8
Global Fixed Income	22	16-28
Domestic Fixed	17	13-21
Investment Grade	12	10-18
Non-Investment Grade	5	3-7
International Fixed	5	3-7
Developed	5	3-7
Emerging		0-3
Global Real Assets	20	12-28
Global Real Estate	10	5-15
Other	10	0-15
Infrastructure	5	0-10
Timber	5	0-7
Commodities		
Inflation Linked Bonds		
Other Inflation Sensitive Strategies		
Global Alternatives		0-10
Cash	1	0-2

The Board does not endorse tactical asset allocation, therefore, it is anticipated the portfolio be managed as close to the policy target as is prudent and practicable while minimizing re-balancing costs. Any allocation to Global Alternatives shall not increase the expected volatility of the portfolio as measured in Section #5, and all other targets will be adjusted pro-rata.

PERS requires that in implementing this asset allocation that the State Investment Board seek to maximize return within the scope of these policies while limiting investment costs.

7. RESTRICTIONS

- A. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
- B. Use of derivatives will be monitored to ensure that undue risks are not taken by the money managers
- C. No transaction may be made which threatens the tax exempt status of the Fund.
- D. No unhedged short sales or speculative margin purchases may be made.

Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

- E. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

Economically targeted investing is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

- F. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

The Exclusive Benefit Rule is met if the following four conditions are satisfied:

- (1) The cost does not exceed the fair market value at the time of investment.
- (2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
- (3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.
- (4) The safeguards and diversity that a prudent investor would adhere to are present.

Where investment characteristics, including yield, risk, and liquidity are equivalent, the Board's policy favors investments which will have a positive impact on the economy of North Dakota.

- G. Publicly Traded REITs may not be used in the Real Estate asset allocation.

Where investment characteristics, including yield, risk, and liquidity are equivalent, the Board's policy favors investments which will have a positive impact on the economy of North Dakota.

8. INTERNAL CONTROLS

The SIB must have a system of internal controls to prevent losses of public funds arising from fraud or employee error. The controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

9. EVALUATION

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards.

An annual performance report must be provided to the Board by the State Investment Officer at a regularly scheduled NDPERS Board meeting. The annual performance report must include asset returns and allocation data as well as information regarding all significant or material matters and changes pertaining to the investment of the Fund, including:

- Changes in asset class portfolio structures, tactical approaches and market values;
- All pertinent legal or legislative proceedings affecting the SIB.
- Compliance with these investment goals, objectives and policies.

- A general market overview and market expectations.
- A review of fund progress and its asset allocation strategy.
- A report on investment fees and the SIB's effort relating to Section 6. To measure investment cost PERS requires as part of the annual review information from Callan, CEM or other acceptable source showing the value added versus the cost.
- Changes/additions to benchmarks utilized to monitor the funds.

In addition, the State Investment Officer shall review with the Board the procedures and policies established by the SIB relating to this statement of investment goals, objectives, and policies.



J. Spahr Collins
 Executive Director
 North Dakota Public Employees Retirement System



David Hunter
 Executive Director
 North Dakota Retirement and Investment Office

Date: 1-12-15

Date: 1-14-15

Approved by the NDSIB 11-21-2014
 Approved by the NDPERS Board 10-23-2014
 Reviewed by NDPERS Investment Subcommittee 5-14-2014

STATE OF NORTH DAKOTA
DEFERRED COMPENSATION
PROGRAM

PUBLIC EMPLOYEES
RETIREMENT SYSTEM
COMPANION PLAN

Statement of Investment Policy

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

INTRODUCTION

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

Objectives of the Plan

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

This Statement of Investment Policy:

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

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

SELECTION OF INVESTMENT OPTIONS

Each investment option offered under the Plan must:

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

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

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

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

INVESTMENT CATEGORIES:

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

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

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

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

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

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

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

REPORTING AND MONITORING PROCEDURES

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

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

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INVESTMENT FUND EVALUATION

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

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

- A. Funds rated as not meeting performance standards and policy objectives will, at the Board's discretion, either be placed in a closed status or on a "formal fund review list".
- B. The Board, at its discretion, may remove funds from the "formal fund review list" should the fund's performance recover sufficiently to meet performance standards.
- C. Funds that do not meet performance standards and/or policy objectives may be placed in the "Closed" status.
- D. Failure by a fund to comply with these policy objectives and guidelines is cause for the Board to place the fund under formal fund review or close the fund.

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

- A. The fund has made significant changes in its investment management, or such change appears imminent;
- B. The fund has had a significant change in ownership or control;
- C. The fund has significantly changed investment focus or has experienced style drift, departing from the investment objectives;

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

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

FORMAL FUND REVIEW

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

CLOSED FUNDS

When the Board closes a fund it may direct that:

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

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

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

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

- A. Promptly notify the Plan provider;
- B. Promptly notify plan participants who are currently investing in the fund or who have assets in the closed fund that the Board has terminated the fund as an investment option under the Plan and that:
 - New investment monies must be redirected to another fund option under the Plan within a time specified by the Board and
 - After 90 days notice to an affected member by the Board, all assets remaining in the terminated fund will be transferred to the default option designated by the Board.

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APPENDIX 1

Companion Plan Investment Options by Investment Category

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

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

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2050 Fund Benchmark

2055 Fund Benchmark

2060 Fund Benchmark

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STATE OF NORTH DAKOTA
DEFINED CONTRIBUTION
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PUBLIC EMPLOYEES
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STATE OF NORTH DAKOTA DEFINED CONTRIBUTION PLAN STATEMENT OF INVESTMENT POLICY

INTRODUCTION

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

Objectives of the Plan

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

This Statement of Investment Policy:

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

STATE OF NORTH DAKOTA DEFINED CONTRIBUTION PLAN STATEMENT OF INVESTMENT POLICY

SELECTION OF INVESTMENT OPTIONS

Each investment option offered under the Plan must:

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

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

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

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

INVESTMENT CATEGORIES:

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

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

STATE OF NORTH DAKOTA DEFINED CONTRIBUTION PLAN STATEMENT OF INVESTMENT POLICY

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

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

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

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

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

REPORTING AND MONITORING PROCEDURES

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

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

STATE OF NORTH DAKOTA DEFINED CONTRIBUTION PLAN STATEMENT OF INVESTMENT POLICY

INVESTMENT FUND EVALUATION

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

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

- A. Funds rated as not meeting performance standards and policy objectives will, at the Board's discretion, either be placed in a closed status or on a "formal fund review list".
- B. The Board, at its discretion, may remove funds from the "formal fund review list" should the fund's performance recover sufficiently to meet performance standards.
- C. Funds that do not meet performance standards and/or policy objectives may be placed in the "Closed" status.
- D. Failure by a fund to comply with these policy objectives and guidelines is cause for the Board to place the fund under formal fund review or close the fund.

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

- A. The fund has made significant changes in its investment management, or such change appears imminent;
- B. The fund has had a significant change in ownership or control;
- C. The fund has significantly changed investment focus or has experienced style drift, departing from the investment objectives;

STATE OF NORTH DAKOTA DEFINED CONTRIBUTION PLAN STATEMENT OF INVESTMENT POLICY

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

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

FORMAL FUND REVIEW

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

CLOSED FUNDS

When the Board closes a fund it may direct that:

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

STATE OF NORTH DAKOTA DEFINED CONTRIBUTION PLAN STATEMENT OF INVESTMENT POLICY

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

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

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

- A. Promptly notify the Plan provider;
- B. Promptly notify plan participants who are currently investing in the fund or who have assets in the closed fund that the Board has terminated the fund as an investment option under the Plan and that:
 - New investment monies must be redirected to another fund option under the Plan within a time specified by the Board and
 - After 90 days notice to an affected member by the Board, all assets remaining in the terminated fund will be transferred to the default option designated by the Board.

STATE OF NORTH DAKOTA DEFINED CONTRIBUTION PLAN STATEMENT OF INVESTMENT POLICY

APPENDIX 1

Defined Contribution Plan Investment Options by Investment Category

Asset Class	Sector	Fund(s)	Benchmark(s)
Balanced	Balanced	T.Rowe Price Capital Appreciation	60% Large Cap Value Fund Universe and 40% Taxable Bond Fund Universe 60% Russell 1000 Value and 40% Barclays Aggregate Bond Index
Large Cap Equities	Value	Hartford Dividend & Growth	Russell 1000 Value Large Cap Value Fund Universe
		T.Rowe Price Equity Income	Russell 1000 Value Large Cap Value Fund Universe
	Blend	Vanguard 500 Index Signal	S&P 500 Large Cap Blend Fund Universe
		Vanguard Dividend Growth	S&P 500 Large Cap Blend Fund Universe
	Growth	Wells Fargo Adv Growth Adm	Russell 3000 growth Large Cap Growth Fund Universe
		Franklin Growth Adv	Russell 1000 growth Large Cap Growth Fund Universe
Mid Cap Equities	Value	RidgeWorth Mid Cap Value Equity I	Mid Cap Value Universe Russell Mid Cap Value
	Blend	Columbia Mid Cap Index A	Mid Cap Blend Universe S & P Mid Cap 400
		ASTON/Fairpointe Mid Cap I	Mid Cap Blend Universe Wilshire 4500 Index
Growth	Prudential Jennison Mid Cap Growth Z	Mid Cap Growth Universe Russell Mid Cap Growth	
Small Cap Equities	Value	Allianz NFJ Small Cap Value	Small Value Universe Russel 2000 Value
	Blend	DFA US Small Cap	Small Cap Blend Universe Russel 2000 Index
	Growth	Brown Capital Mgmt Small Co Inv	Small Cap Growth Universe Russel 2000 Growth

STATE OF NORTH DAKOTA DEFINED CONTRIBUTION PLAN STATEMENT OF INVESTMENT POLICY

Fixed Income	Wells Fargo Stable Return Fund J Vanguard Prime Money Market Fund	3-Month T-Bill Index 3-Month T-Bill Index
<hr/>		<hr/>
	<u>Vanguard Total Bond Fund</u>	<u>Barclays Aggregate Bond Index</u> <u>Taxable Bond Fund Universe</u>
<hr/>		<hr/>
	PIMCO Real Return Admin	Barclays Aggregate Bond Index Taxable Bond Fund Universe
	PIMCO Total Return Bond Fund	Barclays Aggregate Bond Index Taxable Bond Fund Universe
	Prudential High Yield Z	ML High Yield Bond Index High Yield Bond Fund Universe
	Templeton Global Bond Adv	Citi World Govt Bond Index World Bond Fund Universe
Real Estate	Cohen & Steers Realty Shares	FTSE NAREIT All Equity REIT Index Real Estate Fund Universe
International Equities	Mutual Global Discovery Z Vanguard Total Intl Stock Index Inv Oppenheimer Developing Markets Y	MSCI EAFE Index International Stock Fund Universe MSCI EAFE Index International Stock Fund Universe MSCI Emerging Markets Index Diversified Emerging Markets Universe
Asset Allocation	<u>TIAA-CREF Lifecycle Funds</u> Retirement Income Fund 2010 Fund Benchmark 2015 Fund Benchmark 2020 Fund Benchmark 2025 Fund Benchmark 2030 Fund Benchmark 2035 Fund Benchmark 2040 Fund Benchmark 2045 Fund Benchmark 2050 Fund Benchmark 2055 Fund Benchmark 2060 Fund Benchmark	The TIAA-CREF Lifecycle Funds will be benchmarked using the Wilshire 5000 Index, EAFE Index, Aggregate Bond Index, High Yield Index, and 3-Month T-Bill Index. Each fund benchmark will be based on the fund allocation in Domestic Equity, International Equity, Fixed-Income, Inflation Protected Assets, and Short-term Fixed Income stated in the fund prospectus.

NDPERS RETIREE HEALTH INSURANCE CREDIT FUND

STATEMENT OF INVESTMENT GOALS, OBJECTIVES AND POLICIES

1. PLAN CHARACTERISTICS AND FUND CONSTRAINTS

The North Dakota Public Employees Retirement System (NDPERS) Retiree Health Insurance Credit Fund was established in 1989 to provide for prefunding of premiums for medical coverage to state employees and employees of participating political subdivisions in accordance with Chapter 54-52.1 of the North Dakota Century Code. The plan is administered by a seven member Board of Trustees (the Board). The Chair is appointed by the governor, three members are elected by the active members of the plans, one member is elected by the retired members, one is appointed by the Attorney General and the seventh member is the State Health Officer or their designee.

The NDPERS plan is a defined benefit program that provides for a partial payment of a retiree's medical insurance premium based on the number of years of service.

Funding for the NDPERS plan is provided by a monthly employer contribution of one percent of payroll. On a monthly basis, benefit payments are netted out against contributions and the balance forwarded to the trust's custodian for investment.

Each year the NDPERS Board has an actuarial valuation performed. The current actuarial assumed rate of return on assets for the plan is 8.0%.

2. RESPONSIBILITIES AND DISCRETION OF THE STATE INVESTMENT BOARD (SIB)

Aggregate plan contributions plus earnings, minus allowable expenses constitute the Fund. The Board is charged by NDCC chapters 54-52, 21-10-02, and 39-03.1 to establish policies for the investment goals and asset allocation of the Fund. The State Investment Board (SIB) is charged with implementing the asset allocation as promptly and prudently as possible in accordance with Board's policies by investing the assets of the Fund in the manner provided in the prudent investor rule, which provides:

Fund fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The retirement funds belonging to the teachers' fund for retirement and the public employees retirement system must be invested exclusively for the benefit of their members and in accordance with the respective funds' investment goals and objectives. (NDCC 21-10-07)

The SIB may delegate investment responsibility of the Fund or any portion of the Fund to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy is supervisory not advisory.

The SIB may at its discretion, pool the assets of the Fund with another fund or funds having similar investment objectives and time horizons in order to maximize returns and minimize costs. In pooling fund assets the SIB will establish asset class pools it deems necessary to achieve the specific quality, diversification, restrictions, and performance objectives subject to the prudent investor rule and the objectives of the funds participating in the pools.

The SIB is responsible for establishing the selection criteria, determining the performance measures, and retaining all fund money managers. SIB is also responsible for the selection and retention of any investment consultants that may be employed in the investment of the Fund assets.

3. DELEGATION OF AUTHORITY

Management responsibility for NDPERS funds not assigned to the North Dakota State Investment Board (SIB) in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, which must establish written policies and procedures for the operation of the NDPERS funds, consistent with this investment policy.

Such procedures must provide for:

1. The definition and assignment of duties and responsibilities to advisory services and persons employed by the SIB pursuant to NDCC 21-10-02.1(1) (a).
2. Investment diversification, investment quality, qualification of money managers, and amounts to be invested by money managers pursuant to NDCC 21-10-02.1(1)(e). In developing these policies it is understood:
 - a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
 - b. The use of derivatives will be monitored to ensure that undue risks are not taken by the money managers.
 - c. All assets must be held in custody by the SIB's master custodian or such other custodians as are selected by the SIB.
3. Guidelines for the selection and redemption of investments will be in accordance with NDCC 21-10-02.1(1) (d).
4. The criteria for making decisions with respect to hiring, retention, and termination of money managers will be clearly defined. This also includes selecting performance measurement standards, consultants, report formats, and frequency of meetings with money managers.

All participants in the investment process must seek to act responsibly as custodians of the public trust.

4. INVESTMENT GOALS

The investment goals of the Fund have been established by the NDPERS Board based upon consideration of the Board's strategic objectives and a comprehensive review of the current and projected financial requirements. These goals are to be viewed over the long term.

Goal # 1 Accumulate sufficient wealth through a diversified portfolio of investments which will enable the State of North Dakota to pay all current and future retirement benefits and expense obligations of the Fund.

Goal # 2 To obtain an investment return in excess of that needed to allow for increases in a retiree's credit to maintain the purchasing power of their benefit.

5. INVESTMENT PERFORMANCE OBJECTIVE

The NDPERS Board will seek to make investments that generate sufficient return to meet the goals outlined in this policy. The objectives established in this section are in accordance with the fiduciary requirement in federal and state law.

It is in the best interest of NDPERS and its beneficiaries that performance objectives be established for the total Fund. It is clearly understood these objectives are to be viewed over the long term and have been established after full consideration of all factors set forth in this Statement of Investment Goals, Objectives and Policies.

- a. The funds rate of return, over the long term should equal that of the policy portfolio which is comprised of policy weights of appropriate asset class benchmarks as set by the SIB.
- b. The annual standard deviation of total returns for the Fund should not materially exceed that of the policy portfolio.
- c. Over 5-year and longer periods the fund should match or exceed the expected rate of return projected in the most recent asset/liability study without exceeding the expected risk for the period by more than 15% as measured by standard deviation.

6. ASSET ALLOCATION

In recognition of the plan's performance objectives, benefit projections, and capital market expectations, the NDPERS Board has established the following asset allocation:

Date of Last Asset Allocation Study: NDPERS Board Approved February 2009 – SEI Corporation

Domestic Equities - Large Cap	37%
Domestic Equities – Small Cap	9%
International Equities	14%
Core Plus Fixed Income	40%
Expected Return	8.4%
Standard Deviation of Returns	11.7%

Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy, but not less than annually.

PERS requires that in implementing this asset allocation that the State Investment Board seek to maximize return within the scope of these policies while limiting investment costs.

7. RESTRICTIONS

- A. No transaction may be made which threatens the tax exempt status of the Fund.

Social Investing is defined as "The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."

- B. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

Economically targeted investing is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

C. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

The Exclusive Benefit Rule is met if the following four conditions are satisfied:

- (1) The cost does not exceed the fair market value at the time of investment.
- (2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
- (3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.
- (4) The safeguards and diversity that a prudent investor would adhere to are present.

Where investment characteristics, including yield, risk, and liquidity are equivalent, the Board's policy favors investments which will have a positive impact on the economy of North Dakota.

8. INTERNAL CONTROLS

The SIB must have a system of internal controls to prevent losses of public funds arising from fraud or employee error. The controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

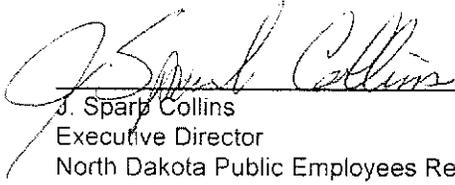
9. EVALUATION

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards.

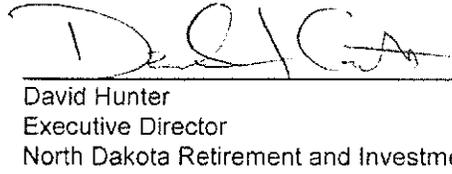
An annual performance report must be provided to the Board by the State Investment Officer at a regularly scheduled NDPERS Board meeting. The annual performance report must include asset returns and allocation data as well as information regarding all significant or material matters and changes pertaining to the investment of the Fund, including:

- Changes in asset class portfolio structures, tactical approaches and market values;
- All pertinent legal or legislative proceedings affecting the SIB.
- Compliance with these investment goals, objectives and policies.
- A general market overview and market expectations.
- A Review of fund progress and its asset allocation strategy.
- A report on investment fees and the SIB's effort relating to Section 6. To measure investment cost PERS requires as part of the annual review information from Callan, CEM or other acceptable source showing the value added versus the cost.

In addition, the State Investment Officer shall review with the Board the procedures and policies established by the SIB relating to this statement of investment goals, objectives, and policies.



J. Sparr Collins
Executive Director
North Dakota Public Employees Retirement System



David Hunter
Executive Director
North Dakota Retirement and Investment Office

Date: 1-12-15

Date: 1-14-15

Approved by NDSIB 11-21-2014
Approved by NDPERS Board 10-23-2014
Reviewed by NDPERS Investment Subcommittee 8-23-2014

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RETIREMENT PLAN FOR EMPLOYEES OF JOB SERVICE NORTH DAKOTA INVESTMENT POLICY STATEMENT

1. PLAN CHARACTERISTICS AND FUND CONSTRAINTS

The Retirement Plan for the Employees of Job Service North Dakota (Plan) is a defined benefit retirement plan for the eligible employees hired before October 1, 1980. There have been no new entrants to the plan since October 1, 1980. The plan provides retirement benefits, disability benefits and survivor benefits consistent with the written Plan document. Until October 1, 1993, annuities were purchased from the Travelers for retirees, since that date retiree benefits are paid from Plan assets. Annual cost of living adjustments for all Plan pensioners including annuitants with the Travelers are paid from Plan assets. The NDPERS Board (the Board) is the Plan Administrator and administers the Plan in accord with Chapter 52-11 of the North Dakota Century Code.

Job Service North Dakota as the employer contributes 4% of the active participant's salary as a contribution 'on behalf of the employee' and the active participants pay 3% of their salary into Plan assets.

Each year the Plan has an actuarial valuation performed. The current actuarial assumed rate of return on assets is 7.0%.

2. RESPONSIBILITIES AND DISCRETION OF THE STATE INVESTMENT BOARD (SIB)

Aggregate plan contributions plus earnings, minus allowable expenses constitute the Fund. The Board is charged by NDCC chapters 54-52, 21-10-01, and 39-03.1 to establish policies for the investment goals and asset allocation of the Fund. The State Investment Board (SIB) is charged with implementing the asset allocation as promptly and prudently as possible in accordance with the Board's policies by investing the assets of the Fund in the manner provided in the prudent investor rule, which provides:

Fund fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The retirement funds belonging to the teachers' fund for retirement and the public employees retirement system must be invested exclusively for the benefit of their members and in accordance with the respective funds' investment goals and objectives. (NDCC 21-10-07)

The SIB may delegate investment responsibility of the Fund or any portion of the Fund to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy is supervisory not advisory.

The SIB may at its discretion, pool the assets of the Fund with another fund or funds having similar investment objectives and time horizons in order to maximize returns and minimize costs. In pooling fund assets the SIB will establish asset class pools it deems necessary to achieve the specific quality, diversification, restrictions, and performance objectives subject to the prudent investor rule and the objectives of the funds participating in the pools.

The SIB is responsible for establishing the selection criteria, determining the performance measures, and retaining all fund money managers. SIB is also responsible for the selection and retention of any investment consultants that may be employed in the investment of the Fund assets.



DELEGATION OF AUTHORITY

Management responsibility for NDPERS funds not assigned to the North Dakota State Investment Board (SIB) in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, which must establish written policies and procedures for the operation of the NDPERS funds, consistent with this investment policy.

Such procedures must provide for:

1. The definition and assignment of duties and responsibilities to advisory services and persons employed by the SIB pursuant to NDCC 21-10-02.1(1) (a).
2. Investment diversification, investment quality, qualification of money managers, and amounts to be invested by money managers pursuant to NDCC 21-10-02.1(1)(e). In developing these policies it is understood:
 - a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
 - b. The use of derivatives will be monitored to ensure that undue risks are not taken by the money managers.
 - c. All assets must be held in custody by the SIB's master custodian or such other custodians as are selected by the SIB.
3. Guidelines for the selection and redemption of investments will be in accordance with NDCC 21-10-02.1(1) (d).
4. The criteria for making decisions with respect to hiring, retention, and termination of money managers will be clearly defined. This also includes selecting performance measurement standards, consultants, report formats, and frequency of meetings with money managers.

All participants in the investment process must seek to act responsibly as custodians of the public trust.

4. INVESTMENT GOALS

The investment objectives of the Plan have been established by the Plan's Administrator upon consideration of its strategic objectives and a comprehensive review of current and projected financial requirements.

Objective #1: To maintain a level of surplus sufficient to eliminate the need for future contributions;

Objective #2: To achieve a rate of return which exceeds the rate of inflation, as measured by the Consumer Price index (CPI), by 3.0 or more percentage points per year (based on current actuarial assumptions of 7.0% return and 2-to-3% inflation), over a complete market cycle; and

Objective #3: As a secondary objective, to maximize the Plan's surplus to increase future benefit payments.

5. INVESTMENT PERFORMANCE OBJECTIVE

The NDPERS Board will seek to make investments that generate sufficient return to meet the goals outlined in this policy. The objectives established in this section are in accordance with the fiduciary requirement in federal and state law.

It is in the best interest of NDPERS and its beneficiaries that performance objectives be established for the total Fund. It is clearly understood these objectives are to be viewed over the long term and have been established after full consideration of all factors set forth in this Statement of Investment Goals, Objectives and Policies.

- a) The funds rate of return, over the long term should equal that of the policy portfolio which is comprised of policy weights of appropriate asset class benchmarks as set by the SIB.

- b) The annual standard deviation of total returns for the Fund should not materially exceed that of the policy portfolio by more than 15%.
- c) Over 5-year and longer periods the fund should match or exceed the expected rate of return projected in the most recent asset/liability study without exceeding the expected risk for the period as measured by standard deviation by more than 15%.

6. ASSET ALLOCATION

The NDPERS Board as plan Administrator establishes the asset allocation of the Fund, with input from consultants and SIB staff. The current asset allocation is based upon the asset/liability study completed by SEI Consultants in December 2014. That study provided an appraisal of current cash flow projections and estimates of the investment returns likely to be achieved by the various asset classes.

In recognition of the Plan's objectives, projected financial status, and capital market expectations, the following asset allocation options were deemed appropriate for the Fund:

Domestic Equity --24%
 Global Equity --16%
 U.S. High Yield Bonds --3%
 Emerging Markets Debt --3%
 Core Fixed Income --19%
 Limited Duration Fixed Income --19%
 Diversified Short Term Fixed Income --10%
 Short Term Corporate Fixed Income --6%

Rebalancing of the Fund to this target allocation will be done in accordance with the SIB's rebalancing policy, but not less than annually.

7. RESTRICTIONS

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that:

- a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
- b. Derivatives use will be monitored to ensure that undue risks are not taken by the money managers.
- c. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.

Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

- d. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

Economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

- e. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

The Exclusive Benefit Rule is met if the following four conditions are satisfied:

- (1) The cost does not exceed the fair market value at the time of investment.
- (2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
- (3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.
- (4) The safeguards and diversity that a prudent investor would adhere to are present.

8. INTERNAL CONTROLS

The SIB must have a system of internal controls to prevent losses of public funds arising from fraud or employee error. The controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

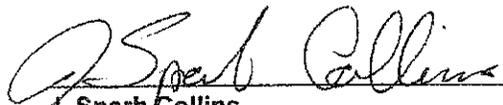
9. EVALUATION

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards.

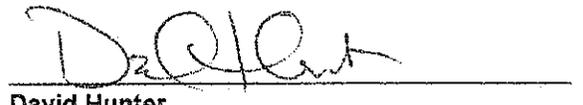
An annual performance report must be provided to the Board by the State Investment Officer at a regularly scheduled NDPERS Board meeting. The annual performance report must include asset returns and allocation data as well as information regarding all significant or material matters and changes pertaining to the investment of the Fund, including:

- Changes in asset class portfolio structures, tactical approaches and market values;
- All pertinent legal or legislative proceedings affecting the SIB.
- Compliance with these investment goals, objectives and policies.
- A general market overview and market expectations.
- A review of fund progress and its asset allocation strategy.

In addition, the State Investment Officer shall review with the Board the procedures and policies established by the SIB relating to this statement of investment goals, objectives, and policies.


 J. Sparb Collins
 Plan Administrator and Trustee
 Retirement Plan for Employees of
 Job Service North Dakota

Date: January 28, 2015


 David Hunter
 Executive Director
 North Dakota Retirement and Investment Office

Date: January 23, 2015

**NDPERS GROUP INSURANCE ACCOUNT
INVESTMENT OBJECTIVES AND POLICY GUIDELINES**

1. FUND CHARACTERISTICS AND CONSTRAINTS.

The ND Public Employees Retirement System (PERS) Group Insurance Account (Fund) was established to hold insurance premiums collected from employers until paid to the insurance carrier.

2. RESPONSIBILITIES AND DISCRETION OF THE STATE INVESTMENT BOARD (SIB).

PERS has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. It is the responsibility of PERS to establish policies on investment goals and asset allocation of the Funds. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Funds in a manner consistent with the prudent investor rule as provided in NDCC 21-10-07.

At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, performance objectives appropriate to the prudent investor rule and objectives of the funds participating in the pools.

The SIB may delegate investment responsibility to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory, not advisory.

The SIB is responsible for establishing criteria and procedures and making decisions with respect to hiring, maintaining, and terminating money managers. This responsibility includes selecting performance measurement services, consultants and report formats and determining the frequency of meetings with managers.

The SIB will implement changes to this policy as promptly as is prudent.

3. INVESTMENT OBJECTIVES.

Premiums are collected throughout the month at PERS and will be forwarded to the Fund investment account on the 1st and 15th of each month. The premiums transferred into the investment account will be transferred back to PERS on approximately the 22nd of each month so they may be remitted to the insurance carrier. The investment objective of the Fund is to maximize the return on the deposits within the short-term time-frame involved.

4. STANDARDS OF INVESTMENT PERFORMANCE.

The Fund's investment objectives and liquidity constraints give rise to an asset allocation that is considered the most likely to achieve the results desired. For evaluation purposes, the following performance targets will apply:

- a. The Fund should produce a rate of return that meets or exceeds the portfolio policy index defined as the 90-day Treasury bill.
- b. The Fund annual standard deviation of total returns should not materially exceed that of the policy portfolio.

5. POLICY AND GUIDELINES.

The asset allocation of the Fund is established by PERS, with input from the SIB. Asset allocation is based upon the appraisal of projected liquidity and income requirements, and estimates of the investment returns likely to be achieved by the various asset classes over the next five years.

In recognition of these factors, the following allocation is deemed appropriate for the fund:

Cash Equivalents 100%

This cash will be held in an enhanced money market account at the Fund's custodian.

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that:

- a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
- b. Derivatives use will be monitored to ensure that undue risks are not taken by managers.
- c. No transaction shall be made which threatens the tax exempt status of the Fund.
- d. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
- e. No unhedged short sales or speculative margin purchases shall be made.
- f. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

For the purpose of this document, Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

- g. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

Also, for the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

- (1) The cost does not exceed the fair market value at the time of investment.
- (2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
- (3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.
- (4) The safeguards and diversity that a prudent investor would adhere to are present.

Where investment characteristics, including yield, risk, and liquidity are equivalent, the Board's policy favors investments which will have a positive impact on the economy of North Dakota.

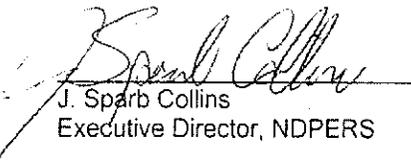
6. **EVALUATION AND REVIEW.**

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Evaluation will be conducted quarterly by the SIB through its review of funds participating in the Insurance Trust.

Money managers will be evaluated by the SIB quarterly. In-state meetings will be held with the money managers at least annually.

Approved by:

NDPERS


J. Sparb Collins
Executive Director, NDPERS

STATE INVESTMENT BOARD


David Hunter
Executive Director/CIO, RIO

Date: 1-12-15

Date: 1-14-15

Approved by NDSIB 11-21-2014
Approved by NDPERS Board 10-23-2014
Reviewed by NDPERS Investment Subcommittee 8-23-2014

Overview of Asset Class Definitions (Revised August 18, 2015)

AGENDA ITEM IV.B.

There are three major asset classes:

1. Equity
2. Debt
3. Real Assets (or Other)

Alternative Investments are often cited as the fourth major asset class, but can frequently be re-classified into one of the other three categories with some exceptions (i.e. total return strategies using debt and equity).

Equity investments represent an ownership claim on the residual assets of a company after paying off debt.

Equities should be segregated into two major sectors, Public and Private, given major differences in liquidity:

1. Public equities are generally highly liquid and *valued on a daily basis* in the financial markets. Examples include common stock (Apple, Coca-Cola or McDonalds), options and futures.
2. Private equities are generally less liquid and often *valued on a less frequent basis* (monthly or quarterly). Major private equity firms include Apollo, Bain, Blackstone, Carlyle, KKR and TPG.

Public equity markets are often sub-classified by geographic region (U.S., International or Global), market capitalization (Large, Medium or Small), investment style (core, growth or value) and level of economic development (developed or emerging markets). The top U.S. and global equity benchmarks are discussed below.

Five major U.S. equity benchmarks include the **S&P 500, Russell 1000, 2000 and 3000, and Dow Jones Industrial Average ("Dow")**. The **S&P 500** is based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ. The **Russell 1000** represents the highest-ranking 1,000 stocks in the Russell 3000 Index, and represents about 90% of the total market capitalization of that index. The **Russell 1000** has a weighted average market capitalization of over \$100 billion with a median of approximately \$8 billion. The **Russell 2000 Index** is a small-cap index and represents the bottom 2,000 stocks in the Russell 3000 Index. The **Russell 2000** has a weighted average market capitalization of less than \$2 billion with a median of less than \$1 billion. The **Russell 2000** is the most common benchmark for funds that identify themselves as "small-cap", while the **S&P 500** index is used primarily for large capitalization stocks. The **Dow** is a price-weighted measure of 30 U.S. blue-chip companies. The **Dow** covers all industries with the exception of transportation and utilities, which are covered by the Dow Jones Transportation Average and Dow Jones Utility Average. While stock selection is not governed by quantitative rules, a stock typically is added to The Dow only if the company has an excellent reputation, demonstrates sustained growth and is of interest to a large number of investors. Maintaining adequate sector representation within the indices is also a consideration in the selection process.

The **MSCI All Country World Index** (or "ACWI") measures the equity market performance of developed and emerging markets and consists of 46 country indexes comprising 23 developed and 23 emerging market country indexes. The developed market countries are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging market countries are listed below. The **MSCI EAFE Index (Europe, Australasia, Far East)** measures the equity market performance of the developed market countries, excluding the US & Canada. The **MSCI Emerging Markets Index** measures equity market performance of emerging markets and consists of the following 24 countries: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey, and United Arab Emirates.

Public equity has historically provided **high investment returns with high volatility and high liquidity when compared to Bonds or Real Assets**. Currently, many investment consultants believe that Private Equity will provide an even higher investment return than Public Equity, albeit with higher volatility and less liquidity.

Debt represents a legal obligation between a borrower and a lender for a stated period of time and rate.

Debt or "Bonds" are classified as fixed or floating depending upon whether the interest rate is derived using a fixed rate (i.e. 5%) or a floating rate (i.e. Prime + 1.00%). Duration risk within fixed income is a major driver of investment risk and return particularly for longer term securities, including U.S. Treasury bonds.

Debt is often sub-classified into investment grade (rated BBB- or better) or non-investment grade (rated less than BBB- or non-rated) or by geographic region (U.S., International, Developed Markets or Emerging Markets). Debt can be issued by governments, agencies or companies and represent general obligations of the issuer or be backed by a specified pool of assets (i.e. mortgage backed securities). Bonds serve to diversify a portfolio by offering **lower volatility** than equities along with a **lower expected return and generally high liquidity**.

Real Assets represent an ownership interest in physical assets such as real estate, infrastructure (airports, toll roads), timberland and commodities (gold, oil, wheat). Real assets are expected to provide inflation hedging characteristics in periods of unanticipated inflation and diversify a portfolio consisting of debt and equity.

Alternative Investments can include precious metals, art, antiques, and financial assets such as derivatives, commodities, private equity, distressed debt and hedge funds. Real estate and forestry are also often termed alternative. Alternatives are sometimes used as a tool to reduce overall investment risk through diversification and may offer lower correlation with traditional financial investments such as stocks and bonds, although it may be difficult to determine the current market value of the asset, may be illiquid, purchase and sales costs may be high, and there may be limited historical risk and return data, all of which makes analysis complex.

Callan's 2015 Capital Markets Expectations for Return and Risk by major asset class and sector are summarized below and helpful when comparing the projected benefits and risks of each investment class.

Asset Class	Index	PROJECTED RETURN			PROJECTED RISK		Projected Yield	2014 - 2023		Geometric* Delta
		1-Year Arithmetic	10-Year Geometric*	Real	Standard Deviation	Sharpe Ratio		10-Year Geometric*	Standard Deviation	
Equities										
Broad Domestic Equity	Russell 3000	9.15%	7.60%	5.35%	19.00%	0.363	2.40%	7.60%	19.00%	0.00%
Large Cap	S&P 500	8.90%	7.50%	5.25%	18.30%	0.363	2.50%	7.50%	18.30%	0.00%
Small/Mid Cap	Russell 2500	10.15%	7.85%	5.60%	22.95%	0.344	1.90%	7.85%	22.95%	0.00%
Global ex-US Equity	MSCI ACWI ex USA	9.80%	7.80%	5.55%	21.45%	0.352	2.70%	7.80%	21.45%	0.00%
International Equity	MSCI World ex USA	9.25%	7.50%	5.25%	20.20%	0.347	3.00%	7.50%	20.20%	0.00%
Emerging Markets Equity	MSCI Emerging Markets	11.45%	7.90%	5.65%	27.95%	0.329	1.70%	7.90%	27.95%	0.00%
Fixed Income										
Short Duration	Barclays G/C 1-3	2.40%	2.40%	0.15%	2.25%	0.067	2.80%	2.75%	2.25%	-0.35%
Domestic Fixed	Barclays Aggregate	3.05%	3.00%	0.75%	3.75%	0.213	4.60%	3.00%	3.75%	0.00%
Long Duration	Barclays Long G/C	3.75%	3.20%	0.95%	11.40%	0.132	5.30%	4.10%	11.40%	-0.90%
TIPS	Barclays TIPS	3.10%	3.00%	0.75%	5.30%	0.160	4.20%	3.00%	5.30%	0.00%
High Yield	Barclays High Yield	5.50%	5.00%	2.75%	11.10%	0.293	8.00%	5.05%	11.45%	-0.05%
Non-US Fixed	Barclays Global Aggregate ex US	2.70%	2.30%	0.05%	9.40%	0.048	4.00%	2.75%	9.40%	-0.45%
Emerging Market Debt	EMBI Global Diversified	5.10%	4.70%	2.45%	10.00%	0.285	6.50%	4.90%	10.65%	-0.20%
Other										
Real Estate	Callan Real Estate	7.35%	6.15%	3.90%	16.50%	0.309	5.00%	6.15%	16.50%	0.00%
Private Equity	TR Post Venture Cap	13.55%	8.50%	6.25%	33.05%	0.342	0.00%	8.50%	33.05%	0.00%
Hedge Funds	Callan Hedge FoF Database	5.55%	5.25%	3.00%	9.30%	0.355	2.25%	5.10%	8.85%	0.15%
Commodities	Bloomberg Commodity	4.40%	2.75%	0.50%	18.50%	0.116	2.25%	3.05%	18.25%	-0.30%
Cash Equivalents	90-Day T-Bill	2.25%	2.25%	0.00%	0.90%	0.000	2.25%	2.00%	0.90%	0.25%
Inflation	CPI-U		2.25%		1.50%			2.25%	1.50%	0.00%

* Geometric returns are derived from arithmetic returns and the associated risk (standard deviation).

The Callan Periodic Table of Investment Returns

Annual Returns for Key Indices Ranked in Order of Performance (1995–2014)

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
S&P 500 Growth	S&P 500 Growth	S&P 500 Growth	S&P 500 Growth		Russell 2000	Russell 2000	Barclays Corp High Yield		Russell 2000	Russell 2000		Russell 2000	Barclays Agg			Barclays High Yield			S&P 500 Growth
33.15%	23.97%	36.32%	42.18%		22.65%	18.62%	8.29%		15.71%	12.12%		30.27%	3.24%	10.07%		1.84%	10.73%		14.89%
S&P 500	S&P 500	S&P 500	S&P 500		Russell 2000	Barclays Agg	Barclays Corp High Yield		Russell 2000	Russell 2000		Russell 2000	Barclays Corp High Yield	Barclays Corp High Yield	Russell 2000	Barclays Corp High Yield	Russell 2000	Russell 2000	S&P 500
37.58%	22.56%	21.55%	28.58%		17.15%	9.25%	3.41%		17.25%	11.17%	13.36%	11.17%	26.15%	26.21%	26.85%	4.99%	20.73%	38.82%	13.65%
S&P 500 Value	S&P 500 Value			S&P 500 Growth	S&P 500 Value	Barclays Corp High Yield		Russell 2000		S&P 500 Value	Russell 2000	S&P 500 Growth	Russell 2000 Value			S&P 500 Growth	S&P 500 Value	Russell 2000 Value	S&P 500 Value
36.59%	22.10%			28.24%	6.88%	8.25%		47.23%		3.92%	23.82%	3.13%	26.57%			2.65%	17.58%	6.58%	12.38%
		S&P 500 Value	S&P 500 Value		Russell 2000	Russell 2000			Russell 2000	S&P 500	S&P 500 Value		Russell 2000			S&P 500		S&P 500 Growth	Russell 2000
		23.58%	14.65%		-3.62%	2.48%			18.33%	4.51%	26.81%		31.79%			2.11%		22.75%	21.15%
Russell 2000	Russell 2000	Russell 2000		Russell 2000	Barclays Corp High Yield				S&P 500 Value	Russell 2000	Russell 2000	Barclays Agg	S&P 500 Growth	S&P 500 Growth	Barclays Corp High Yield	S&P 500 Value	Russell 2000	S&P 500	
28.45%	16.49%	22.38%		21.25%	3.86%				15.71%	10.33%	18.37%	18.7%	34.82%	31.37%	13.12%	-0.48%	16.35%	32.38%	
	Barclays Corp High Yield		Barclays Corp High Yield	S&P 500	S&P 500		Russell 2000	S&P 500 Value	Russell 2000	Russell 2000	S&P 500	S&P 500	S&P 500	Russell 2000	S&P 500 Value		S&P 500	S&P 500 Value	Russell 2000
	13.18%		13.6%	21.84%	8.91%		20.48%	31.75%	10.33%	4.55%	13.75%	3.45%	37.00%	27.17%	15.18%		18.30%	31.39%	4.83%
Barclays Corp High Yield		Barclays Corp High Yield		S&P 500 Value	S&P 500 Value	S&P 500 Value	S&P 500 Value	Barclays Corp High Yield	Barclays Corp High Yield			S&P 500 Value		S&P 500	S&P 500	Russell 2000	Barclays Corp High Yield	S&P 500	Russell 2000
12.18%		12.75%		12.75%	11.71%	-11.71%	20.85%	28.97%	11.13%			1.39%		26.47%	15.96%	-4.18%	13.11%	22.91%	1.2%
			Russell 2000	Barclays Corp High Yield	S&P 500 Growth	S&P 500	S&P 500	S&P 500	S&P 500	S&P 500 Growth	Barclays Corp High Yield	Barclays Corp High Yield	S&P 500 Value	S&P 500 Value	S&P 500 Growth		S&P 500 Growth	Barclays Corp High Yield	Barclays Corp High Yield
			-2.55%	2.9%	22.8%	-11.55%	-22.0%	21.6%	18.8%	4.8%	11.55%	3.7%	38.22%	21.17%	15.89%		14.81%	23.2%	2.8%
						S&P 500 Growth	S&P 500 Growth	S&P 500 Growth	S&P 500 Growth	Barclays Corp High Yield	S&P 500 Growth	Russell 2000							
					17.26%	24.58%	25.8%	6.13%	27.4%	11.61%	-1.57%								
	Barclays Agg			Barclays Agg		Barclays Agg		Barclays Agg		Barclays Agg	Barclays Agg		Barclays Agg		Barclays Agg				
	3.8%			5.78%		10.2%		5.1%	4.3%	2.2%	4.32%	3.73%		5.95%	5.49%		4.2%		4.5%

The Callan Periodic Table of Investment Returns conveys the strong *case for diversification* across asset classes (stocks vs. bonds), investment styles (growth vs. value), capitalizations (large vs. small), and equity markets (U.S. vs. international). The Table highlights the uncertainty inherent in all capital markets. Rankings change every year. Also noteworthy is the difference between absolute and relative performance, as returns for the top-performing asset class span a wide range over the past 20 years.

A printable copy of *The Callan Periodic Table of Investment Returns* is available on our website at www.callan.com

The Callan Periodic Table of Investment Returns 1995–2014

Callan's Periodic Table of Investment Returns depicts annual returns for 10 asset classes, ranked from best to worst performance for each calendar year. The asset classes are color-coded to enable easy tracking over time. We describe the well-known, industry-standard market indices that we use as proxies for each asset class in the text below.

-
- **Barclays Aggregate Bond Index** (formerly the Lehman Brothers Aggregate Bond Index) includes U.S. government, corporate, and mortgage-backed securities with maturities of at least one year.
-
- **Barclays High Yield Bond Index** measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt.
-
- **MSCI EAFE** is a Morgan Stanley Capital International Index that is designed to measure the performance of the developed stock markets of Europe, Australasia, and the Far East.
-
- **MSCI Emerging Markets** is a Morgan Stanley Capital International Index that is designed to measure the performance of equity markets in 21 emerging countries around the world.
-
- **Russell 2000** measures the performance of small capitalization U.S. stocks. The Russell 2000 is a market-value-weighted index of the 2,000 smallest stocks in the broad-market Russell 3000 Index. These securities are traded on the NYSE, AMEX, and NASDAQ.
-
- **Russell 2000 Value** and ● **Russell 2000 Growth** measure the performance of the growth and value styles of investing in small cap U.S. stocks. The indices are constructed by dividing the market capitalization of the Russell 2000 Index into Growth and Value indices, using style "factors" to make the assignment. The Value Index contains those Russell 2000 securities with a greater-than-average value orientation, while the Growth Index contains those securities with a greater-than-average growth orientation. Securities in the Value Index generally have lower price-to-book and price-earnings ratios than those in the Growth Index. The indices are market-capitalization-weighted. The constituent securities are not mutually exclusive.
-
- **S&P 500** measures the performance of large capitalization U.S. stocks. The S&P 500 is a market-value-weighted index of 500 stocks that are traded on the NYSE, AMEX, and NASDAQ. The weightings make each company's influence on the Index performance directly proportional to that company's market value.
-
- **S&P 500 Growth** and ● **S&P 500 Value** measure the performance of the growth and value styles of investing in large cap U.S. stocks. The indices are constructed by dividing the market capitalization of the S&P 500 Index into Growth and Value indices, using style "factors" to make the assignment. The Value Index contains those S&P 500 securities with a greater-than-average value orientation, while the Growth Index contains those securities with a greater-than-average growth orientation. The indices are market-capitalization-weighted. The constituent securities are not mutually exclusive.
-

Callan

Callan was founded as an employee-owned investment consulting firm in 1973. Ever since, we have empowered institutional clients with creative, customized investment solutions that are uniquely backed by proprietary research, exclusive data, ongoing education and decision support. Today, Callan advises on more than \$1.8 trillion in total assets, which makes us among the largest independently owned investment consulting firms in the U.S. We use a client-focused consulting model to serve public and private pension plan sponsors, endowments, foundations, operating funds, smaller investment consulting firms, investment managers, and financial intermediaries. For more information, please visit www.callan.com.

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Asset Class Definitions (previously distributed to SIB, TFFR and PERS board members and/or their investment sub-committees)

Global Equity

Definition

Investment represents an ownership claim on the residual assets of a company after the discharge of all senior claims such as secured and unsecured debt.

Public Equity

Public equity is traded on a national exchange. Includes common stock, preferred stock, convertible to stock, options, warrants, futures and other derivatives on equities or composites of equities, exchange-traded funds and equity-linked notes, units and partnership shares representing ownership interests in an underlying equity investment.

Private Equity

Private equity represents equity or equity linked securities in operating companies that are not publicly traded on a stock exchange.

Types of investment strategies

- *Leveraged buyout (LBO)* – Acquisition of a company with the use of financial leverage
- *Growth capital* – Investment in mature companies looking for capital to expand, restructure, enter new markets
- *Venture capital* – Investment in typically less mature companies, for launch, early development, or expansion
- *Mezzanine* – Subordinated debt/preferred equity used to reduce amount of equity capital required to finance LBOs
- *Distressed* – Equity securities of financially stressed companies
- *Secondaries* – Investment in existing private equity assets

Types of structures

- *Direct investment* – Direct purchase of equity securities of a private company
- *Co-investments* – Investments in equity securities of a private company alongside the manager of a direct fund
- *Direct fund* – Pool of capital formed to make direct investments
- *Fund-of-funds* – Pool of capital formed to make investments in direct funds

Strategic Role

- High long-term real returns
- Hedge against active (pre-retirement) liabilities
- Private equity enhances total portfolio return as a tradeoff for illiquidity

Characteristics

Public Developed Markets

- Relatively high returns (long-term) as compared to fixed income and real assets
- Relatively high volatility (standard deviation of returns) as compared to fixed income and real assets
- Relatively high liquidity
- Diversification
- Historically, public developed equities exhibit high correlation with private equity and high yield bonds, moderate correlation with investment grade corporate bonds and real assets, and negative correlation with sovereign debt.
- Currency adds to volatility but can be hedged, which mutes the diversification benefits

Public Emerging Markets

- Higher expected returns due to economic growth potential
- Liquidity risk is significant, particularly in frontier markets
- High volatility, particularly in frontier markets
- Historically, public emerging equities exhibit high correlation with high yield bonds, moderate correlation with investment grade corporate bonds and real assets, and negative correlation with sovereign debt.
- FX markets not sufficiently developed to hedge currency risk
- Limited access to markets
- Market information less abundant than for developed markets
- Counterparty risk and settlement delays pronounced in frontier markets

Private Equity

- Illiquid, long-term time horizon (7-12 year closed-end partnerships)
- Quality of the managers selected is the key determinant of success
- High volatility of returns compensated by higher expected returns
- Historically, public emerging equities exhibit high correlation with high yield bonds, moderate correlation with investment grade corporate bonds and real assets, and negative correlation with sovereign debt.
- Encompasses three stages: fundraising, portfolio construction and investment, exit and return realization

Risks

Public Equity

- *Absolute risk* – Possible magnitude of price decline
- *Liability hedging risk* – Risk that assets will not increase when liabilities increase
- *Regulatory risk* – Changes may adversely affect markets

- *Tax risk* – Changes may adversely affect markets
- *Liquidity risk* – Difficulty trading securities under adverse market conditions
- *Firm specific risk* – Unique risks associated with a specific firm
- *Tracking risk* – Magnitude of performance deterioration from a benchmark
- *Time horizon* – Horizon too short to weather cycles
- *Benchmark risk* – Benchmark not appropriate proxy
- *Market risks* – Price decline
- *Currency risk* – Unanticipated changes in exchange rate between two currencies
- *Counterparty risk* – Counterparty does not live up to its contractual obligations

Private Equity

- *Liquidity risk* – Absence of liquidity and appropriate exits could significantly increase time horizon
- *Firm specific risk* – Unique risks associated with a specific firm
- *Leverage risk* – Historical excess use of leverage and current inability to secure financing may adversely affect LBOs
- *Manager selection risk* – Selecting managers that fail to deliver top performance results
- *Diversification risk* – Inability to properly diversify the portfolio by vintage year, industry groups, geography
- *Tax risk* – Changes may adversely affect markets
- *Regulatory risk* – Changes may adversely affect markets
- *Strategy risk* – Continuing applicability of investment strategy in context of capital flows
- *Market risks* – Price decline

Global Fixed Income

Definition

Investment represents a legal obligation between a borrower and the lender with a maturity in excess of one year. Evidence of indebtedness and securities that evidence an ownership interest in debt obligations that are issued, insured, guaranteed by, or based on the credit of the following: companies, governmental entities or agencies, banks and insurance companies. Includes agency and non-agency mortgage-backed securities, collateralized mortgage obligations, commercial mortgage-backed securities, asset-backed securities, private placements, and options, futures or other derivatives on fixed income securities or components of fixed income.

Strategic Role

- Diversification within a multi-asset class, total return portfolio
- Hedge against a long duration accrued liability
- Current income
- Non-U.S. provides hedge against unanticipated domestic inflation and diversification to U.S. assets

Characteristics

- Medium volatility asset class
- Relatively high liquidity
- Broadly diversified by market sector, quality, and maturity
- Historically, developed sovereign debt exhibits low to negative correlation with real assets and negative correlation with equities; investment grade corporate bonds exhibit moderate correlation with equities and low correlation with real assets; high yield exhibits high correlation with equities and moderate correlation with real assets.
- A large currency component exists within international fixed income returns
- Developed markets are extremely liquid. Many issues of less developed markets are also relatively liquid.

Risks

- *Duration risk* – Price volatility from a change in overall interest rates
- *Convexity risk* – Negative convexity is the risk of price declines being greater than the price increase due to interest rates moving equally up versus down
- *Default or credit risk* – The uncertainty surrounding the borrower's ability to repay its obligations
- *Structure risk* – Risk that arises from the options implicit in bonds (like call ability and sinking funds) or the rules that govern cash flow differ from expectations
- *Sector risk* – Risk of holding sectors that are in different proportions than the benchmark
- *Liquidity risk* – Cost of trading in a security which is reflected in the bid-ask spread or the cost of selling due to cash flow needs
- *Reinvestment risk* – The uncertainty surrounding future yield opportunities to invest funds which come available due to call, maturities, or coupon payments
- *Benchmark risk* – Risk of the benchmark being inappropriate
- *Yield curve risk* – Price changes induced by changes in the slope of the yield curve
- *Currency risk* – The risk of currency movements vs. the dollar for each market. Currency may contribute greatly to return and lower correlation.

Global Real Assets

Definition

Investment represents an ownership interest in real return assets that provide inflation hedging characteristics in periods of unanticipated inflation. Includes inflation-linked securities, private or public real estate equity or equity-linked investments, private or public real estate debt, infrastructure, timber, real asset mezzanine debt or equity, non-fixed assets and other opportunistic investments in real assets.

Strategic Role

- Reduces risk of composite multi-asset portfolios through diversification
- Relatively low correlations to traditional asset classes
- Can serve as a possible inflation hedge during periods of high inflation
- Provides an attractive return relative to fixed income asset class in periods of low to moderate inflation
- Infrastructure provides inflation protection as the revenues of the underlying assets are typically linked to CPI
- Potential for high returns in niche opportunities

Characteristics

Real Estate

- *Risk* – Volatility of private real estate falls between publicly-traded debt and publicly-traded equities
- *Returns* – Nominal returns are expected to fall between equities and fixed income
- *Correlation* – Expected to exhibit low to no correlation with government and investment grade corporate bonds, and moderate correlation with high yield and equities.
- *Illiquidity* – Transactions require a significantly longer period to execute than other asset classes
- *Inefficient Market* – Information affecting real estate asset valuation and market trading is not rapidly, accurately, or efficiently reflected or interpreted in its pricing

Infrastructure

- *Long life assets* – Capital intensive assets with 25 to 99 year concessions, match for liability duration
- *Inflation protection* – Revenues typically linked to CPI
- *Monopoly or quasi monopoly* – High barriers to entry due to scale and capital cost
- *Steady and predictable cash flow* – Produce strong and predictable yields
- *Low correlation* – Provides portfolio diversification, low beta; expected to exhibit low to no correlation with fixed income and equities
- *Inelastic demand* – Predictable demand with little volatility, less susceptibility to economic downturns
- *Limited commodity risk* – Not subject to commodity pricing
- *Insensitive to changes in technology* – Low risk of redundancy or technology obsolescence
- Investments are usually illiquid and involve a long (10 to 20 year) holding period

Timberland

- *Return* – Low correlation with other asset classes, returns stem from four distinct sources: biological growth, timber prices, land values and management strategy
- *Income* – Driven almost entirely by the sale of harvested mature trees
- *Correlation* – Expected to exhibit low to no correlation with government and investment grade corporate bonds, and moderate correlation with high yield and equities.
- *Appreciation* – Driven by increased volume and value on timber and appreciation of underlying land
- Categorized by type of land (e.g. plantation, natural forest), type of tree (e.g., hardwood, softwood), country and region

Commodities

- *Real assets* – Raw materials that are the physical inputs of production, relatively homogenous in nature, lending itself to be traded via contracts with standardized terms
- *Inflation protection* – Storable commodities (such as energy) directly related to the intensity of economic activity exhibit positive correlation with unexpected inflation
- *Insurance risk premium* – Commodity futures prices tend to be priced at a discount to spot prices in order to induce speculators to bear volatile commodity price risk that inventory holders and producers wish to lay off

- *Positive event risk* – Surprises that occur in the commodities markets tend to be those that unexpectedly reduce the supply of the commodity to the market, resulting in price spikes
- *Negatively correlated with financial assets* – Unlike stocks and bonds, commodities are not as directly impacted by changes in discount rates as they are by the current supply and demand of the underlying commodity, thus they should be expected to have little or even negative correlation with capital assets.

Risks

Real Estate

- *Property type risks* – Negative changes in demand/supply conditions by property type (e.g., office, industrial, retail, lodging, mixed-use, multi-family)
- *Location risks* – Local market condition relative to the adverse changes surrounding a property, or in discovery of hazardous underlying conditions, such as toxic waste
- *Tenant credit risks* – Failure by a tenant to pay what is contractually owed
- *Physical/functional obsolescence* – Negative influences on buildings due to technological changes, outdated layout and design features, and physical depreciation
- *Interest rate risk* – Higher rates can negatively impact both sales strategies and leveraged properties at refinancing
- *Reinvestment risk* – In a declining rental rate market, cash flow received may not be reinvested at the same level
- *Business cycle risk* – As economies slow down, there may be less demand for space
- *Inflationary risk* – Rent levels may not always keep up with rising operating expense levels
- *Illiquidity* – Inability to effectively liquidate a property into cash
- *Natural disaster risk* – Weather, floods, earthquake
- Regulatory concerns are critical, especially in emerging markets
- Capital and managerial intensive

Infrastructure

- *Leverage* – Deals with leverage between 40% and 80% can transform low risk assets into risky investments. Changes in the credit environment alter refinancing risk.
- *Market inefficiencies* – Competitive auctions lead to overpaying. There is a limited history and track record in the U.S. infrastructure space.
- *Political and headline risk* – Public acceptance and understanding of infrastructure needs to expand. In addition, the political landscape in every state and municipality differs.
- *Regulatory risk* – Regulated assets are subject to government changes
- *Construction and development* – Project overruns and delays should be shared with construction partners. Volume/demand risk for new developments can vary.
- *Labor issues* – Greenfield projects could generate new jobs while the privatization of brownfield assets could eliminate skilled labor members
- *Asset control* – Stipulations via concession agreements limit some management control (pricing, growth, decision approvals, etc.). Asset control needs to be appropriately priced.
- *Firm specific risk* – Unique risks are associated with specific firm

Timberland

- *Liquidity risk* – Liquidity is thin, marketplace characterized by few buyers and sellers, transactions are complicated and can take many months to execute
- *Valuation risk* – Annual appraisal process can lead to disparities between carrying value and realized sales prices during downturns
- *Physical risk* – Subject to losses from natural and human-caused events such as fire, insect and vermin infestations, disease, inclement weather, and theft
- *Political and regulatory risk* – Environmental regulations can restrain or prohibit timberland management activities
- *Leverage* – Can amplify volatility and potentially lead to an inability to refinance properties or lead to a distressed sale, requires a minimum level of generated income
- *Location risks* – Real estate dispositions may also be impacted by weakness in local residential real estate markets

Commodities

- *Price risk* – Commodities with difficult or non-existent storage situations (heating oil, live cattle, live hogs, copper) coupled with a long-lead time between the production decision and the actual production of the commodity can lead to very volatile spot prices
- *Negative futures roll* – When the future contract's price is at a premium to the spot price, the cost to roll contracts forward is negative: an investor continuously locks in losses from the futures contracts converging to a lower spot price
- *Regulatory risk* – Concerns about the role played by investors in commodity markets could lead to new regulations impacting available investment opportunities, ultimately affecting investors' "license to invest".
- *Leverage* – A commodity futures program that is not fully collateralized (for every desired \$1 in commodity futures exposure, an investor sets aside \$1 in cash) can amplify volatility and potentially lead to greater losses
- *Implementation* – Because futures contracts are levered, cash management for the collateral is an important consideration due to the value

Global Alternatives

Definition

Investment has a distinct return/risk factor profile as compared to other specified broad asset class groupings. Examples: Low market exposure/absolute return strategies such as market neutral, and other niche strategies with low asset class beta such as insurance-linked investments, volatility, intellectual property, healthcare royalty, shipping, litigation finance and fine art.

Strategic Role

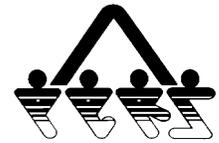
- More robust diversification achieved through the introduction of non-traditional return drivers/risk factors
- Low or negative correlations to other asset classes
- Return profile less dependent on economic growth and interest rates
- Potential for attractive risk-adjusted returns

Characteristics

- *Returns* – Exhibits lower correlations to broader equity and credit markets in periods of market distress
- *Illiquidity* – Transactions may require a longer period to execute than other asset classes
- *Inefficient Market* – Information affecting asset valuation and market trading may not be accurately or efficiently reflected or interpreted in its pricing

Risks

- *Market risk* – Cost of carry on being long volatility
- *Natural disaster risk* – Weather, floods, earthquake affect natural catastrophe-based insurance-linked products
- *Due diligence* – Complicated to evaluate and monitor
- *Illiquidity* – Transactions may require a longer period to execute than other asset classes
- *Implementation* – Complexity of implementation may be an impediment



Memo

To: NDPERS Board
From: Bryan T. Reinhardt
Date: 3/10/2016
Re: 457 Companion Plan & 401(a) Plan 4th Quarter 2015 Report

Here is the 4th quarter 2015 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 reports.

Assets in the 401(a) plan decreased to \$27.0 million as of December 31, 2015. The number of active participants is at 207. These numbers will continue to decline due to the DC to DB special transfer. The largest funds are the TIAA-CREF Lifecycle funds with 69% of assets.

Assets in the 457 Companion Plan decreased to \$74.1 million as of December 31, 2015. The number of active participants is now at 4,294. The largest funds are the TIAA-CREF Lifecycle funds with 74% of assets.

Benchmarks:

Fund returns for the quarter were mostly positive (except PIMCO Real Return and Prudential High Yield). Core fund performance was mixed when compared to their benchmarks and peer funds. Note that index funds are expected to slightly underperform their benchmarks because of fund administration fees.

Fund / Investment News:

The NDPERS Investment Subcommittee reviewed the 3rd quarter plan and investment overview with TIAA-CREF. The subcommittee heard an investment update from SEI on the RHIC and J.S. plans and got an update from RIO on the investment of the group insurance funds. The subcommittee met with Callan to start work on the Asset Liability Study and discussed the investment policies for the plans. It was noted that the study could result in some changes to the investment policies.

The Subcommittee marked the PIMCO Real Return Fund (PARRX), T.Rowe Price Equity Income Fund (PRFDX), Wells Fargo Growth Admin Fund (SGRKX), ASTON/Fairpointe Mid Cap Fund (ABMIX), Allianz NFJ Small Cap (PVADX), and Vanguard Total Intl Fund (VGTSX) as underperforming for the quarter.

The Vanguard Prime Money Market Fund (VMMXX) in the core lineup is changing status and will impose “fees & gates” later this year. Redemption fees and withdrawal limits may be a burden to members invested in this fund and TIAA-CREF is recommending it be replaced in all their client plans. The NDPERS Investment Subcommittee reviewed money market fund options for the plans and recommends the Vanguard Treasury Money Market Fund (VUSXX). I have included the latest report on this fund at the end of this report.

Board Action Requested:

Replace the Vanguard Prime Money Market Fund (VMMXX) in the core lineup with the Vanguard Treasury Money Market Fund (VUSXX) for the 401(a) and 457 Companion plans.

NDPERS
457 Companion Plan and
401(a) Defined Contribution Plan
Quarterly Report
4th Quarter
10/1/2015 – 12/31/2015



North Dakota Public Employees Retirement System
400 E Bdwy, Suite 505
Box 1657
Bismarck, ND 58502

NDPERS 401(a) Defined Contribution Plan & 457 Companion Plan - TIAA-CREF

INITIAL OFFERING:			
	Hartford Dividend & Growth T.Rowe Price Equity Income	Vanguard 500 Index Signal Vanguard Dividend Growth	Franklin Growth Adv Wells Fargo Adv Growth Adm
			LARGE
	RidgeWorth Mid Cap Value Equity I	ASTON/Fairpointe Mid Cap I Columbia Mid Cap Index A	Prudential Jennison Mid Cap Growth Z
			MEDIUM
	Allianz NFJ Small Cap Value	DFA US Small Cap	Brown Capital Mgmt Small Co Inv
			SMALL
	VALUE	BLEND	GROWTH
BALANCED FUND:	T.Rowe Price Capital Appreciation		
INCOME FUNDS:	Wells Fargo Stable Value Fund J	Vanguard Prime Money Market	
BOND FUNDS:	PIMCO Total Return Bond Fund PIMCO Real Return Admin Bond Fund	Prudential High Yield Z Templeton Global Bond	
REAL ESTATE:	Cohen & Steers Realty Shares		
INTERNATIONAL FUNDS:	Mutual Global Discovery Z	Vanguard Total Intl Stock Index	Oppenheimer Developing Markets Y
LIFESTYLE FUNDS:	TIAA-CREF Lifecycle Ret Income	TIAA-CREF Lifecycle 2025	TIAA-CREF Lifecycle 2045
	TIAA-CREF Lifecycle 2010	TIAA-CREF Lifecycle 2030	TIAA-CREF Lifecycle 2050
	TIAA-CREF Lifecycle 2015	TIAA-CREF Lifecycle 2035	TIAA-CREF Lifecycle 2055
	TIAA-CREF Lifecycle 2020	TIAA-CREF Lifecycle 2040	TIAA-CREF Lifecycle 2060
FUND STYLE CHANGES:			
			LARGE
	ASTON/Fairpointe Mid Cap I		
			MEDIUM
			SMALL
	VALUE	BLEND	GROWTH
OTHER FUNDS:			
CURRENT LINEUP:			
	Hartford Dividend & Growth T.Rowe Price Equity Income	Vanguard 500 Index Signal Vanguard Dividend Growth	Franklin Growth Adv Wells Fargo Adv Growth Adm
			LARGE
	ASTON/Fairpointe Mid Cap I RidgeWorth Mid Cap Value Equity	Columbia Mid Cap Index A	Prudential Jennison Mid Cap Growth Z
			MEDIUM
	Allianz NFJ Small Cap Value	DFA US Small Cap	Brown Capital Mgmt Small Co Inv
			SMALL
	VALUE	BLEND	GROWTH
BALANCED FUND:	T.Rowe Price Capital Appreciation		
INCOME FUNDS:	Wells Fargo Stable Value Fund J	Vanguard Prime Money Market	
BOND FUNDS:	PIMCO Total Return Bond Fund PIMCO Real Return Admin Bond Fund	Prudential High Yield Z Templeton Global Bond	
REAL ESTATE:	Cohen & Steers Realty Shares		
INTERNATIONAL FUNDS:	Mutual Global Discovery Z	Vanguard Total Intl Stock Index	Oppenheimer Developing Markets Y
LIFESTYLE FUNDS:	TIAA-CREF Lifecycle Ret Income	TIAA-CREF Lifecycle 2025	TIAA-CREF Lifecycle 2045
	TIAA-CREF Lifecycle 2010	TIAA-CREF Lifecycle 2030	TIAA-CREF Lifecycle 2050
	TIAA-CREF Lifecycle 2015	TIAA-CREF Lifecycle 2035	TIAA-CREF Lifecycle 2055
	TIAA-CREF Lifecycle 2020	TIAA-CREF Lifecycle 2040	TIAA-CREF Lifecycle 2060

NDPERS Investment Benchmarks - 4th Quarter 2015

	Quarter	Y-T-D	1-Year	3-Year	5-Year
Stable Value / Money Market Fund					
Vanguard Prime Money Market - VMMXX	0.03%	0.05%	0.05%	0.03%	0.03%
Wells Fargo Stable Return Fund J - WFSJ#	0.22%	0.83%	0.83%	0.81%	1.04%
3 Month T-Bill Index	0.01%	0.03%	0.03%	0.04%	0.05%
Fixed Income Fund					
PIMCO Real Return Admin - PARRX	-0.88%	-3.00%	-3.00%	-3.17%	1.94%
PIMCO Total Return Bond Fund - PTRAX <ON WATCH>	0.41%	0.46%	0.46%	0.88%	3.26%
Barclays Aggregate Bond Index	-0.57%	0.55%	0.55%	1.44%	3.25%
Taxable Bond Fund Universe	-0.59%	-1.39%	-1.39%	1.36%	4.30%
Prudential High Yield Z - PHYZX	-1.81%	-2.59%	-2.59%	2.41%	5.20%
ML High Yield Bond Fund Index	-2.17%	-4.64%	-4.64%	1.64%	4.84%
High Yield Bond Fund Universe	-1.98%	-4.03%	-4.03%	1.27%	4.10%
Templeton Global Bond Adv - TGBAX	2.26%	-4.03%	-4.03%	0.03%	2.60%
Citi World Govt Bond Index	-1.23%	-3.57%	-3.57%	-2.70%	0.08%
World Bond Fund Universe	-0.58%	-4.08%	-4.08%	-1.55%	1.28%
Real Estate Fund					
Cohen & Steers Realty Shares - CSRSX	7.84%	5.00%	5.00%	12.11%	11.60%
FTSE NAREIT All Equity REITs Index	7.26%	3.20%	3.20%	11.23%	11.96%
Real Estate Fund Universe	6.63%	2.44%	2.44%	10.15%	11.10%
Balanced Fund					
T.Rowe Price Capital Appreciation - PACLX	4.47%	5.12%	5.12%	12.82%	11.06%
60% Large Cap Value Univ & 40% Taxable Bond Universe	2.45%	-2.98%	-2.98%	7.52%	7.57%
60% Russell 1000 Value & 40% Agg Bond Index	3.13%	-2.84%	-2.84%	8.44%	8.08%
Large Cap Equities - Value					
Hartford Dividend & Growth - HDGTX	6.32%	-1.17%	-1.17%	13.50%	10.89%
T.Rowe Price Equity Income - PRFDX <On Watch>	5.67%	-6.66%	-6.66%	9.19%	8.67%
Russell 1000 Value Index	5.60%	-5.10%	-5.10%	13.10%	11.30%
Large Cap Value Fund Universe	4.47%	-4.04%	-4.04%	11.63%	9.75%
Large Cap Equities - Blend					
Vanguard 500 Index Signal - VIFSX	7.04%	1.36%	1.36%	15.09%	12.53%
Vanguard Dividend Growth Fund - VDIGX	6.83%	2.62%	2.62%	14.72%	12.77%
S&P 500 Index	7.04%	1.38%	1.38%	15.13%	12.57%
Large Cap Blend Fund Universe	5.57%	-1.06%	-1.06%	13.23%	10.75%
Large Cap Equities - Growth					
Wells Fargo Adv Growth Adm - SGRKX <ON WATCH>	6.44%	2.70%	2.70%	12.50%	12.50%
Russell 3000 Growth Index	7.09%	5.09%	5.09%	16.62%	13.30%
Franklin Growth Adv - FCGAX	5.23%	2.20%	2.20%	15.14%	11.91%
Russell 1000 Growth Index	7.30%	5.70%	5.70%	16.80%	13.50%
Large Cap Growth Fund Universe	6.73%	3.60%	3.60%	15.27%	11.70%
Mid Cap Equities - Value					
RidgeWorth Mid Cap Value Equity I - SMVTX	6.00%	-6.00%	-6.00%	11.04%	9.09%
Russell Mid Cap Value	3.12%	-4.78%	-4.78%	13.40%	11.25%
Mid Cap Value Fund Universe	2.69%	-5.40%	-5.40%	11.51%	9.06%
Mid Cap Equities - Blend					
Columbia Mid Cap Index A - NTIAX	2.49%	-2.55%	-2.55%	12.26%	10.18%
S&P Mid Cap 400	2.60%	-2.18%	-2.18%	12.76%	10.68%
ASTON/Fairpointe Mid Cap I - ABMIX	5.14%	-10.13%	-10.13%	12.71%	9.39%
Wilshire 4500 Index	3.10%	-2.65%	-2.65%	13.30%	10.48%
Mid Cap Blend Fund Universe	2.38%	-4.78%	-4.78%	11.44%	9.08%
Mid Cap Equities - Growth					
Prudential Jennison Mid Cap Growth Z - PEGZX	2.78%	-2.40%	-2.40%	11.01%	10.25%
Russell Mid Cap Growth	4.12%	-0.20%	-0.20%	14.88%	11.54%
Mid Cap Growth Fund Universe	3.31%	-0.95%	-0.95%	12.82%	9.59%
Fund Returns in RED do not meet both benchmarks. Fund Returns in BLACK meet both benchmarks.					

NDPERS Investment Benchmarks - 4th Quarter 2015					
	Quarter	Y-T-D	1-Year	3-Year	5-Year
Small Cap Equities - Value					
Allianz NFJ Small Cap Value - PVADX	0.72%	-8.18%	-8.18%	7.16%	6.82%
Russell 2000 Value Index	2.88%	-7.47%	-7.47%	9.06%	7.67%
Small Value Fund Universe	2.03%	-6.70%	-6.70%	9.43%	7.68%
Small Cap Equities - Blend					
DFA US Small Cap - DFSTX	2.71%	-3.29%	-3.29%	12.83%	10.49%
Russell 2000 Index	3.59%	-4.41%	-4.41%	11.65%	9.19%
Small Blend Fund Universe	2.69%	-5.38%	-5.38%	10.35%	8.22%
Small Cap Equities - Growth					
Brown Capital Mgmt Small Co Inv - BCSIX	9.21%	8.75%	8.75%	18.30%	14.26%
Russell 2000 Growth Index	4.30%	-1.40%	-1.40%	14.30%	10.70%
Small Growth Fund Universe	2.83%	-2.42%	-2.42%	12.19%	9.40%
International Equity Funds					
Mutual Global Discovery Z - MDISX	3.83%	-3.36%	-3.36%	8.54%	7.18%
Vanguard Total Intl Stock Index Inv - VGTSX	2.74%	-4.26%	-4.26%	1.84%	1.31%
MSCI EAFE	3.24%	-5.66%	-5.66%	1.50%	1.06%
International Stock Fund Universe	4.13%	-1.69%	-1.69%	8.25%	6.51%
Oppenheimer Developing Markets Y - ODVYX	4.67%	-13.84%	-13.84%	-3.68%	-2.29%
MSCI Emerging Markets Index	0.66%	-14.92%	-14.92%	-6.76%	-4.81%
Diversified Emerging Mkts Universe	0.71%	-13.78%	-13.78%	-5.69%	-4.45%
Asset Allocation Funds:					
TIAA-CREF Lifecycle Ret Income - TLIRX	1.77%	0.09%	0.09%	4.58%	5.44%
Income Benchmark	1.70%	-0.63%	-0.63%	4.88%	5.06%
TIAA-CREF Lifecycle 2010 - TCLEX	1.97%	0.07%	0.07%	5.30%	5.87%
2010 Benchmark	2.09%	-0.79%	-0.79%	5.59%	5.54%
TIAA-CREF Lifecycle 2015 - TCLIX	2.30%	0.18%	0.18%	5.95%	6.25%
2015 Benchmark	2.41%	-0.96%	-0.96%	6.18%	5.95%
TIAA-CREF Lifecycle 2020 - TCLTX	2.73%	0.17%	0.17%	6.78%	6.72%
2020 Benchmark	2.84%	-1.20%	-1.20%	6.94%	6.46%
TIAA-CREF Lifecycle 2025 - TCLFX	3.16%	0.12%	0.12%	7.64%	7.18%
2025 Benchmark	3.26%	-1.43%	-1.43%	7.69%	6.97%
TIAA-CREF Lifecycle 2030 - TCLNX	3.63%	0.05%	0.05%	8.41%	7.60%
2030 Benchmark	3.80%	-1.33%	-1.33%	8.44%	7.36%
TIAA-CREF Lifecycle 2035 - TCLRX	4.01%	-0.07%	-0.07%	9.08%	7.94%
2035 Benchmark	4.25%	-1.52%	-1.52%	9.17%	7.79%
TIAA-CREF Lifecycle 2040 - TCLOX	4.44%	-0.11%	-0.11%	9.48%	8.16%
2040 Benchmark	4.52%	-1.63%	-1.63%	9.60%	8.04%
TIAA-CREF Lifecycle 2045 - TTFRX	4.45%	-0.12%	-0.12%	9.48%	8.14%
2045 Benchmark	4.52%	-1.64%	-1.64%	9.60%	8.04%
TIAA-CREF Lifecycle 2050 - TLFrx	4.53%	-0.06%	-0.06%	9.49%	8.16%
2050 Benchmark	4.52%	-1.65%	-1.65%	9.59%	8.03%
TIAA-CREF Lifecycle 2055 - TTRLX	4.48%	-0.13%	-0.13%	9.49%	N/A
2055 Benchmark	4.52%	-1.65%	-1.65%	9.59%	8.03%
TIAA-CREF Lifecycle 2060 - TTRLX	4.52%	-0.03%	-0.03%	N/A	N/A
2060 Benchmark	4.52%	-1.65%	-1.65%	9.59%	8.03%
Income Benchmark is comprised of 27.5% Wilshire 5000, 12.5% MSCI EAFE, 47.4% Ag Bond, 2.5% ML HY Bond, 10.1% 3 Month T-Bill					
2010 Benchmark is comprised of 32.6% Wilshire 5000, 14.5% MSCI EAFE, 42.8% Ag Bond, 2.8% ML HY Bond, 7.3% 3 Month T-Bill					
2015 Benchmark is comprised of 36.9% Wilshire 5000, 16.4% MSCI EAFE, 38.1% Ag Bond, 3.4% ML HY Bond, 5.2% 3 Month T-Bill					
2020 Benchmark is comprised of 42.5% Wilshire 5000, 18.8% MSCI EAFE, 31.1% Ag Bond, 4.4% ML HY Bond, 3.2% 3 Month T-Bill					
2025 Benchmark is comprised of 48.1% Wilshire 5000, 21.1% MSCI EAFE, 24.2% Ag Bond, 5.4% ML HY Bond, 1.2% 3 Month T-Bill					
2030 Benchmark is comprised of 53.8% Wilshire 5000, 23.4% MSCI EAFE, 22.8% Ag Bond					
2035 Benchmark is comprised of 59.4% Wilshire 5000, 25.8% MSCI EAFE, 14.8% Ag Bond					
2040 Benchmark is comprised of 62.7% Wilshire 5000, 27.2% MSCI EAFE, 10.1% Ag Bond					
2045 Benchmark is comprised of 62.7% Wilshire 5000, 27.3% MSCI EAFE, 10.0% Ag Bond					
2050 Benchmark is comprised of 62.6% Wilshire 5000, 27.4% MSCI EAFE, 10.0% Ag Bond					
2055&2060 Benchmark is comprised of 62.6% Wilshire 5000, 27.4% MSCI EAFE, 10.0% Ag Bond					
Wilshire 5000 Index	5.89%	-0.24%	-0.24%	14.43%	11.84%
MSCI EAFE	3.24%	-5.66%	-5.66%	1.50%	1.06%
Barclays Aggregate Bond Index	-0.57%	0.55%	0.55%	1.44%	3.25%
ML High Yield Bond Fund Index	-2.17%	-4.64%	-4.64%	1.64%	4.84%
3 Month T-Bill Index	0.01%	0.03%	0.03%	0.04%	0.05%
Fund Returns in RED do not meet both benchmarks.	Fund Returns in BLACK meet both benchmarks.				

Plan Summary

As of 12/31/2015

457(b)	Assets	Pct
TIAA-CREF Lifecycle 2020 Fund Retirement	\$12,097,244	16.3%
TIAA-CREF Lifecycle 2025 Fund Retirement	\$11,785,656	15.9%
TIAA-CREF Lifecycle 2015 Fund Retirement	\$7,643,799	10.3%
TIAA-CREF Lifecycle 2030 Fund Retirement	\$7,633,089	10.3%
TIAA-CREF Lifecycle 2035 Fund Retirement	\$4,807,811	6.5%
TIAA-CREF Lifecycle 2040 Fund Retirement	\$3,647,079	4.9%
TIAA-CREF Lifecycle 2045 Fund Retirement	\$2,996,320	4.0%
Vanguard 500 Index Fund Admiral	\$2,671,274	3.6%
TIAA-CREF Lifecycle 2010 Fund Retirement	\$1,896,644	2.6%
TIAA-CREF Lifecycle 2050 Fund Retirement	\$1,842,281	2.5%
Vanguard Total International Stock Index Fund Admiral	\$1,562,552	2.1%
PIMCO Total Return Fund Admin	\$1,373,456	1.9%
AllianzGI NFJ Small Cap Value Fund Administrative	\$1,321,282	1.8%
Wells Fargo Stable Return Fund - J	\$1,245,133	1.7%
Vanguard Dividend Growth Fund Investor	\$1,103,413	1.5%
Columbia Mid Cap Index Fund A	\$984,775	1.3%
Franklin Growth Fund Advisor	\$900,144	1.2%
T. Rowe Price Equity Income Fund	\$833,343	1.1%
Wells Fargo Growth Fund Administrator	\$816,564	1.1%
Cohen & Steers Realty Shares	\$699,272	0.9%
T. Rowe Price Capital Appreciation Fund Advisor	\$688,403	0.9%
Vanguard Prime Money Market Fund Investor	\$660,763	0.9%
Templeton Global Bond Fund Advisor	\$575,253	0.8%
ASTON/Fairpointe Mid Cap Fund I	\$466,790	0.6%
Hartford Dividend and Growth Fund R5	\$429,316	0.6%
Oppenheimer Developing Markets Fund Y	\$423,175	0.6%
Prudential Jennison Mid-Cap Growth Fund Z	\$353,675	0.5%
TIAA-CREF Lifecycle Retirement Income Fund Retirement	\$348,454	0.5%
Prudential High Yield Fund Z	\$328,501	0.4%
Brown Capital Management Small Company Fund Institutional	\$317,365	0.4%
RidgeWorth Mid Cap Value Equity Fund I	\$313,719	0.4%
Franklin Mutual Global Discovery Fund Z	\$302,985	0.4%
Self Directed Brokerage Account	\$299,378	0.4%
PIMCO Real Return Fund Administrative	\$294,769	0.4%
TIAA-CREF Lifecycle 2055 Fund Retirement	\$256,005	0.3%
DFA U.S. Small Cap Portfolio Institutional	\$147,501	0.2%
TIAA-CREF Lifecycle 2060 Fund Retirement	\$261	0.0%
TIAA-CREF Money Market Fund Retirement	\$0	0.0%
Total	\$74,087,445	100.0%

401(a)	Assets	Pct
TIAA-CREF Lifecycle 2035 Fund Retirement	\$4,569,421	16.9%
TIAA-CREF Lifecycle 2030 Fund Retirement	\$4,205,332	15.5%
TIAA-CREF Lifecycle 2025 Fund Retirement	\$3,696,239	13.7%
TIAA-CREF Lifecycle 2020 Fund Retirement	\$2,641,994	9.8%
TIAA-CREF Lifecycle 2040 Fund Retirement	\$1,245,842	4.6%
TIAA-CREF Lifecycle 2010 Fund Retirement	\$916,377	3.4%
Wells Fargo Stable Return Fund - J	\$854,589	3.2%
Wells Fargo Growth Fund Administrator	\$761,740	2.8%
TIAA-CREF Lifecycle 2015 Fund Retirement	\$706,274	2.6%
Vanguard Total International Stock Index Fund Admiral	\$605,296	2.2%
Vanguard 500 Index Fund Admiral	\$594,429	2.2%
PIMCO Total Return Fund Admin	\$496,388	1.8%
Cohen & Steers Realty Shares	\$407,743	1.5%
AllianzGI NFJ Small Cap Value Fund Administrative	\$375,653	1.4%
Vanguard Prime Money Market Fund Investor	\$369,991	1.4%
T. Rowe Price Equity Income Fund	\$355,783	1.3%
T. Rowe Price Capital Appreciation Fund Advisor	\$346,680	1.3%
ASTON/Fairpointe Mid Cap Fund I	\$343,144	1.3%
Franklin Growth Fund Advisor	\$332,374	1.2%
Self Directed Brokerage Account	\$267,600	1.0%
TIAA-CREF Lifecycle 2045 Fund Retirement	\$265,429	1.0%
Franklin Mutual Global Discovery Fund Z	\$255,134	0.9%
Vanguard Dividend Growth Fund Investor	\$244,838	0.9%
Oppenheimer Developing Markets Fund Y	\$240,083	0.9%
Hartford Dividend and Growth Fund R5	\$229,316	0.8%
RidgeWorth Mid Cap Value Equity Fund I	\$227,234	0.8%
Prudential Jennison Mid-Cap Growth Fund Z	\$207,315	0.8%
Brown Capital Management Small Company Fund Institutional	\$193,478	0.7%
TIAA-CREF Lifecycle 2050 Fund Retirement	\$191,245	0.7%
Prudential High Yield Fund Z	\$182,627	0.7%
TIAA-CREF Lifecycle Retirement Income Fund Retirement	\$165,045	0.6%
Templeton Global Bond Fund Advisor	\$158,332	0.6%
Columbia Mid Cap Index Fund A	\$132,212	0.5%
PIMCO Real Return Fund Administrative	\$122,141	0.5%
TIAA-CREF Lifecycle 2055 Fund Retirement	\$90,578	0.3%
DFA U.S. Small Cap Portfolio Institutional	\$45,473	0.2%
TIAA-CREF Lifecycle 2060 Fund Retirement	\$1,086	0.0%
TIAA-CREF Money Market Fund Retirement	\$0	0.0%
Total	\$27,044,453	100.0%
Grand Total	\$101,111,898	

Vanguard Admiral Treasury Money Market Fund

Investor Class (VUSXX)

As of 12/31/15

Portfolio Strategies

The investment seeks to provide current income while maintaining liquidity and a stable share price of \$1. The fund invests solely in high-quality, short-term money market securities whose interest and principal payments are backed by the full faith and credit of the U.S. government. At least 80% of the fund's assets will be invested in U.S. Treasury securities; the remainder of the assets may be invested in securities issued by U.S. governmental agencies. The fund maintains a dollar-weighted average maturity of 60 days or less and a dollar-weighted average life of 120 days or less.

Fund Name	Total Return		Average Annual Total Return				
	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	SI
Vanguard Admiral Treasury Money Market Fund	0.01%	0.02%	0.02%	0.01%	0.01%	1.17%	2.67%
BofA Merrill Lynch 3 Month LIBOR Constant Maturity Index	0.03%	0.23%	0.23%	0.25%	0.31%	1.72%	-
U.S. Treasury T-Bill Auction 3-Month Average	0.04%	0.05%	0.05%	0.05%	0.06%	1.18%	2.73%
Morningstar Peer Group: Money Market-Taxable							
Median Quintile	0.00%	0.01%	0.01%	0.01%	0.01%	1.16%	-

Fund Name	Calendar Year Performance									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Vanguard Admiral Treasury Money Market Fund	4.70%	4.78%	2.10%	0.25%	0.01%	0.02%	0.02%	0.01%	0.01%	0.02%
BofA Merrill Lynch 3 Month LIBOR Constant Maturity Index	5.09%	5.64%	3.82%	0.99%	0.33%	0.27%	0.51%	0.29%	0.23%	0.23%

Portfolio Characteristics	As of 08/31/15	
	Fund	Benchmark
# Holdings	28	-

Descriptive Information	
Ticker	VUSXX
CUSIP	921932109
Share Class	Investor Class
Portfolio Inception Date	12/14/1992
Fund Inception Date - Share Class	12/14/1992
Net Expense Ratio	0.09%
Revenue Share	0.00%
Portfolio Net Assets (As of 08/31/15)	\$9.39 billion
Manager Name	David Glocke
Manager Tenure	18.01 years

Yields	As of 12/31/15	
	Fund	Benchmark
7-Day Current Yield	0.14%	-

The current yield more closely reflects the earnings of this investment choice.



Financial Services

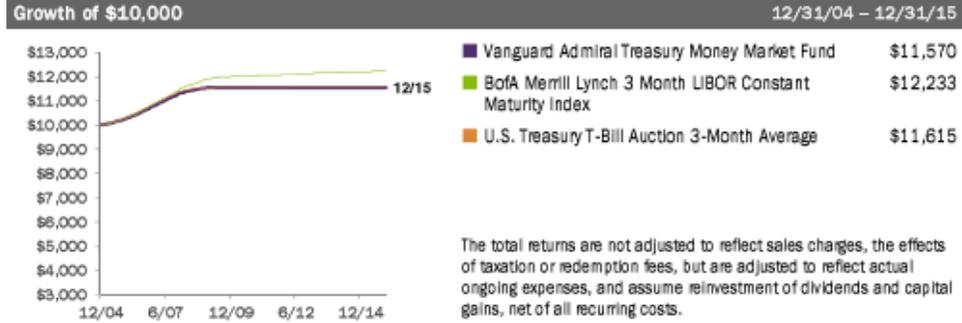
¹ The comparative indices used for this investment product have been provided by Morningstar Inc. and may not match those that appear in other websites or publications.

Vanguard Admiral Treasury Money Market Fund

Investor Class (VUSXX)

As of 12/31/15

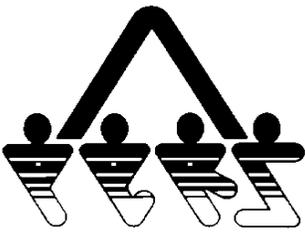
Top 10 Holdings	N/A
Data not available	



Sector Allocation	As of 08/31/15
	Fund
Cash And Equivalents	90.61%
Government	9.39%

An investment in a money market mutual fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other U.S. government agency. Money market mutual funds will attempt to maintain a stable net asset value of \$1.00 per share, but it is possible to lose money by investing in these funds.

Investment products, insurance and annuity products: are not FDIC insured, are not bank guaranteed, are not deposits, are not insured by any federal government agency, are not a condition to any banking service or activity, and may lose value.



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

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

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

Memorandum

TO: NDPERS Board
FROM: MaryJo
DATE: March 3, 2016
SUBJECT: DC to DB Special Election

Listed below are the results of the Defined Contribution (DC) plan special election period.

% members	# members	
	226	Eligible DC Participants 11/1/2015
	-3	Employment Status Change (Nov-Jan)
	223	Total Eligible DC Participants
19.52%	41	November Elections
28.57%	60	December Elections
49.05%	103	January Elections
2.86%	6	February Elections (DC plan only)
100.00%	210	Total Election Forms Received
	13	No Election Form Received
76.23%	170	Defined Benefit Plan Elections
17.94%	40	Defined Contribution Plan Elections
5.83%	13	Defined Contribution Plan - No election
100.00%	223	Total Participants

On February 5, 2016, the 13 eligible participants that did not complete an election form were mailed correspondence from NDPERS indicating they will remain in the Defined Contribution Plan. NDPERS has received all rollover funds from TIAA for each of the participants that have elected to transfer from the Defined Contribution Plan to the Defined Benefit Hybrid Plan.

NDPERS will be available to answer any questions.



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Memorandum

TO: NDPRS Board

FROM: MaryJo

DATE: March 8, 2016

SUBJECT: Financial Essentials Workshop (FEW) Update

The PERS Financial Essentials Workshop (FEW) is a half-day educational program intended for members in the early to mid-career stage and is promoted as a program to assist members with financial planning and retirement savings goals. A pilot workshop was conducted in October 2014. Due to the success of the pilot, PERS added it as a permanent program for its members. It was promoted in only the Bismarck-Mandan area and we had an overwhelming response. Within one day, over 93 members registered to attend. Due to room availability, the workshop size was limited to 70 attendees. The session was conducted on March 3, 2016 and there were 59 members in attendance which was down from those that registered due to no-shows and cancellations.

Based on the 35 evaluation responses completed by attendees, overall the presentations and topics were rated as being very useful. A summary of responses is below.

1 – How well did the seminar fulfill your expectations?

20 – Excellent 14 – Good 1 – Fair 0 – Poor

2 – Would you recommend this workshop to other employees?

34 – Yes 0 – No 1 – Undecided

3 – Do you feel more confident about your opportunity to set financial goals for retirement savings?

31 – Yes 0 – No 4 – Undecided

4 – What is the most important thing you learned from attending this workshop?

Comments:

1. Personal budgeting and financing.
2. Service purchasing and sick leave conversion and retirement benefit options.

3. Estate.
4. All of it was very informative.
5. The basic information on retirement planning and where to find the information and answers to more advance questions.
6. The sources for information given.
7. Enjoyed the legal concerns portion with Casey Chapman.
8. Pre-planning for retirement, I need to visit with PERS to determine when it is best to retire financially.
9. The stuff about school and buying out service.
10. How the state retirement and purchase of years of service can work.
11. College planning and additional savings.
12. How the NDPERS retirement plan works.
13. ND laws and probate should not be feared. Plan, plan, plan!
14. Great examples by Casey Chapman.
15. That you can buy service.
16. NDPERS retirement options.
17. Deferred comp 457 plan I need to increase my percentage. Also being 28, I should I look at purchasing service years sooner than later.

Following are the demographics of the audience.

Applicable age range:

(0) 20 or under	(0) 21-25	(3) 26-30	(3) 31-35	(0) 36-40	(3) 41-45
(12) 46-50	(10) 50+				

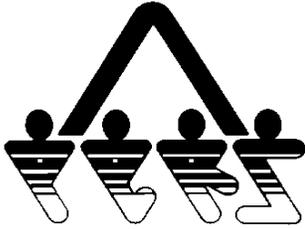
Applicable years of service:

(9) 5 or less	(7) 6-10	(1) 11-15	(5) 16-20	(4) 21-25	(3) 26-30
(2) 31+					

One observation about the above is that even though the majority of the attendees were in the 46 – 50 plus age range, the years of service were in the lower ranges of 5 to 10 years of service which is the opposite of what you would expect.

The next FEW is scheduled for August 10, 2016 and will include 2 half-day sessions.

We will be available to answer any questions.



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Executive Director
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Memorandum

TO: PERS Board

FROM: Sparb

DATE: March 9, 2016

SUBJECT: IRS Cycle C Filing Update

Attached, for your information, is the acknowledgement of your request documents received from the IRS relating to the filing for the Highway Patrol and PERS Hybrid retirement plans.



P.O. BOX 2508
CINCINNATI OH 45201

In reply refer to: 9999999999
Mar. 01, 2016 LTR 3336C S0
45-0309764 000000 00 001
00022513
BODC: TE

STATE OF NORTH DAKOTA
400 EAST BROADWAY STE 505
BISMARCK ND 58502

RECEIVED
MAR 08 2016
ND PER

043008

Employer Identification Number: 45-0309764
Plan Number: 001
Plan Name: HIGHWAY PATROLMENS
RETIREMENT SYSTEM
Application Form: 5300
Document Locator Number: 17007-030-72302-6
User Fee Paid: \$2500.00
For assistance, call: 1-877-829-5500

Dear Applicant,

Acknowledgement of Your Request

We received your application for a determination, notification, or advisory letter concerning the qualification of your plan and have assigned it the document locator number listed above. You should refer to this number in any communications with us concerning your application.

What Happens Next?

After data entry for your application is completed at the Processing Center in Covington, Kentucky, the application is sent to our Cincinnati office for review by one of our Employee Plans Specialists. Applications are processed in the order they are received.

Some applications are approved based on the information submitted. If this is the case, you will receive your favorable determination letter without further contact from us.

If additional information is required, or if other changes or plan amendments are needed, an Employee Plans Specialist will fax, telephone, or write you. The specialist may be from the Cincinnati office or from another office. You may typically expect to receive a determination letter after additional information and/or amendments are submitted. If we decide your plan is not qualified, we will discuss the findings with you. Furthermore, if an agreement cannot be reached, we will provide you with a complete explanation of your appeal rights.

9999999999
Mar. 01, 2016 LTR 3336C S0
45-0309764 000000 00 001
00022514

STATE OF NORTH DAKOTA
400 EAST BROADWAY STE 505
BISMARCK ND 58502

How Soon Will We Contact You?

You may normally expect to hear from us within 145 days. In any event, by law we may not issue a determination letter until at least 60 days after receipt of your application. This allows interested parties a period of time to submit comments to the Internal Revenue Service.

If you have any questions about your application, you may call our toll free number at 1-877-829-5500 Monday through Friday. Please have your document locator number at hand so we may identify your application more quickly. If you prefer to write, please include a copy of this letter with your correspondence.

You can also visit the "Retirement Plans Community" web page at www.irs.gov/ep. Questions and answers of general interest are featured at this web site location.

Sincerely yours,



Karen D. Truss
Director, EP Rulings & Agreement



P.O. BOX 2508
CINCINNATI OH 45201

In reply refer to: 9999999999
Mar. 01, 2016 LTR 3336C S0
45-0309764 000000 00 002
00022517
BODC: TE

STATE OF NORTH DAKOTA
400 EAST BROADWAY SUITE 505
BISMARCK ND 58502

RECEIVED
MAR 08 2016
ND PER



043007

Employer Identification Number: 45-0309764
Plan Number: 002
Plan Name: NORTH DAKOTA PUBLIC
EMPLOYEES RETIREMENT SYSTEM HYBRID P
Application Form: 5300
Document Locator Number: 17007-030-72102-6
User Fee Paid: \$2500.00
For assistance, call: 1-877-829-5500

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Sincerely yours,



Karen D. Truss
Director, EP Rulings & Agreement



Memo

To: NDPERS Board
From: Bryan T. Reinhardt
Date: 1/13/2015
Re: 2015 Sanford Claims Review

Each year we conduct an audit to check the accuracy of the health plan claims processing. On January 7-8th, I was at the Sanford 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 2015. Sanford did a good job of having everything ready for me and having staff available to answer my questions and explain the claims payment process.

These findings are detailed below:

Review Errors/Findings:

There is a new screening 77063 for digital breast tomosynthesis that creates a 3D image. While this technology overcomes the limitations of the flat images of a mammogram, the claims I reviewed had this procedure in addition to the G0202 mammogram and 77052 computer aided detection. All three are covered under the 100% wellness services. This will be an increased plan cost for this wellness benefit.

We are seeing the G0101 code a lot with the Routine Pap Smear wellness benefit. We are paying this service as part of the wellness services. Here is a definition of this code G0101: *Medicare does pay for a screening pelvic and breast exam, yearly for high risk patients and every two years for low risk patients. Bill for this service with code G0101. Medicare also pays for obtaining a screening pap smear, using code Q0091. G0101 is defined as: Cervical or vaginal cancer screening; pelvic and clinical breast examination*

A pap claim was denied and the claim was corrected by the provider with the proper coding to process under the wellness services.

There are seven other review findings detailed in the audit response attachment where we've asked Sanford to comment.

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

NDPERS 2015 Audit of 7/2015 – present Sanford Claims Processing

1. Professional Chiropractic (2 claims)
2. Institutional COB (1 claim)
3. Institutional COB (2 with Medicare Member age 65+)
4. Institutional COB (2 with Medicare Member age <65)
5. Institutional COB (5 with Workers Compensation)
6. Professional COB (3 claims Other Insurance Plan)
7. Professional COB (2 with Medicare)
8. Professional COB (5 with Workers Compensation)
9. Institutional Psych (2 claims)
10. Professional Psych (2 claims)
11. Institutional CDU (2 claims)
12. Professional CDU (2 claims)
13. Professional PAP (5 claims) (No COB)
14. Professional Mammograms (5 claims) (No COB)
15. Professional Fecal Occult Test (5 claims) (No COB)
16. Professional Cholesterol Screening (5 claims) (No COB)
17. Professional Blood Sugar Testing (5 claims) (No COB)
18. Professional PSA Testing (5 claims) (No COB)
19. Professional Colonoscopy (5 claims) (No COB)
20. Prescription Drug Formulary (2 claims)
21. Prescription Drug Non-Formulary (2 claims)
22. Prescription Drug for “Gardasil” (HPV drug) (5 claims)
23. Prescription Drug for Flu Vaccine (5 claims) (No COB)
24. Prescription Drug Medicare Part-D claims (4 claims)
25. Institutional 'Denied Experimental' (1 claims)
26. Professional Physical Therapy (2 claims) (No COB)
27. Claims for Durable Medical Equipment (2 claims)
28. Professional from HDHP member (3 claims)
29. Office Visit for Infertility (5 claims)
30. Adult Routine Diagnosis Physical Office Visit with Screenings (4 claims)

Total 100 Claims

Review Finding

#1

A claim was processed twice with different amounts. This resulted in two different EOB's being sent to the member. As we looked into what happened, we found this to be a contracting issue. The reason was a retro contract based on provider negotiations being executed by Sanford. Sanford must have agreed as part of the deal to process the prior claims under the newly agreed to rates. As Sanford gets the network contracts in place, this should become less of an issue.

#2

In our prior coverage, the plan would not pay anymore than if the plan was primary. When the plan was secondary to another plan, the primary calculation would be done first. Then this would be compared to the payment calculated as the secondary coverage. Payment would only go up to the primary amount. Sanford is paying based on the allowed amount of the primary coverage.

Typically, the plan pays less when there is dual coverage. When there is Coordination Of Benefits (COB) the secondary plan typically picks up what the primary plan doesn't pay.

NDPERS Comments

The member's cost for service should not increase with retro reprocessing of claims. If the contract in place at the time the member had the service had a lower cost, that should be the cost the member gets.

NDPERS would like to reduce claim costs by not paying above the Sanford fee schedule as if processed as the primary coverage for COB claims.

Sanford Comments

Contract negotiations were in progress with the provider during the incurred date of services. To incent the provider to remain in the NDPERS PPO network at fair market value rates, Sanford Health Plan agreed to a 7/1/15 effective date for the new contract terms and to reprocess claims that may have already been processed. The new provider contracted rate reflects a fair market value rate which we believe is comparable to the NDPERS rates of the past. This issue should be rare and limited to services incurred in the first month or so of the new NDPERS contracting year.

We coordinate to the highest allowed but he is wondering why we do that. He said BCBS would use their contracted allowed. I thought it was a state law in SD but not sure about ND. You're correct, it's NAIC rules, which ND adopted in administrative rules...i assume BCBSND was following the same way. We do preserve the deductible. However with classic COB once the deductible is met we coordinate accordingly and when combining dollars paid by the primary plan and ours we never pay more than the allowed.

Review Finding

NDPERS Comments

Sanford Comments

This is different than before. Sanford notes that this is in the NAIC rules and ND adopted COB rules. This excerpt follows what I described was previously being done.

History: Effective January 1, 2006.

General Authority: NDCC 26.1-36-38

Law Implemented: NDCC 26.1-36-10, 26.1-36-29, 26.1-41-13

45-08-01.2-05. Procedure to be followed by secondary plan to calculate benefits and pay a claim.

In determining the amount to be paid by the secondary plan on a claim, should the plan wish to coordinate benefits, the secondary plan shall calculate the benefits it would have paid on the claim in the absence of other health care coverage and apply that calculated amount to any allowable expense under its plan that is unpaid by the primary plan. The secondary plan may reduce its payment by the amount so that, when combined with the amount paid by the primary plan, the total benefits paid or provided by all plans for the claim do not exceed one hundred percent of the total allowable expense for that claim. In addition, the secondary plan shall credit to its plan deductible any amounts it would have credited to its deductible in the absence of other health care coverage.

History: Effective January 1, 2006.

General Authority: NDCC 26.1-36-38

Review Finding

NDPERS Comments

Sanford Comments

#3

A pap test was not billed to a patient (only the office visit), so the corresponding lab/pathology charges went to the member's deductible instead of being covered at 100% as a wellness service. We discussed this claims, and if the member would contact Sanford, the pathology services would be adjusted to 100% paid under the wellness services.

This situation should be covered under the wellness services and not penalize the member for a situation where the provider did not bill for a service (which actually reduced costs to the plan).

Agreed – Claim is adjusted and configuration changed.

#4

Sanford is processing wellness screenings as a 'tiered' benefit. This means that routine screenings are being processed first under the wellness services, but if subsequent claims come in for the same screens that are also a routine visit, they are being processed instead of being denied. First to the \$200 screening benefit, then to deductible/coinsurance.

Routine services should be processed according to the schedule set in the COI.

We pay the first one at 100% of allowed and apply the routine benefit configuration to it. Any subsequent ones that are billed are then sent to normal plan benefits subject to deductible and/or coinsurance and are not paid as routine.

There was a time when we did deny subsequent visits after the first routine one was paid. We had so many appeals that were always being overturned because of medical necessity that we made a decision to pay subsequent ones but not at 100% of allowed. They do go to normal plan benefits. The COI says that we should pay one as preventive. That is what we do and apply any others to normal plan benefits.

#5

A HDHP member had excessive amounts charged to their deductible. Since both medical and RX apply to deductible in the HDHP, it appears this had something to do with communicating this back and forth and updating the deductible accumulator.

A request was made to check all HDHP members for this error.

We configured the benefit according to our normal policy. If you want that changed just let me know and we will.
[ESI/Sanford discovered accumulator entry error from the 10/26 file that resulted with understating deductible dollars. On 1/15/16 ESI added back in the available dollars to the member deductibles to reconcile impacted members deductible accumulator buckets.](#)

Review Finding

NDPERS Comments

Sanford Comments

All members were audited and verified that accumulators are correct.

#6

Under the \$200 preventative screening benefit I noted that a cholesterol test or lipid panel did go to the benefit if there was a "High Cholesterol" diagnosis and no other diagnosis. In a similar situation, the 83036 A1c test for someone with a diagnosis of "250.0 Diabetes" is not going to the \$200 preventative screening benefit without a 'routine' screening diagnosis.

The A1c test should be allowed as a routine screening under the \$200 wellness benefit for a member with diabetes simply having their number monitored. The routine diagnosis was needed with BCBS.

Sanford noted they would be willing to do this.

#7

Another question is the ECG's and EKG's are not included in the services for the \$200 wellness benefit, even if a routine diagnosis is present.

If a member requests this test as a routine checkup or physical, it should be covered under the \$200 wellness benefit. The routine diagnosis was needed with BCBS.

Sanford noted they would be willing to do this.



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Memorandum

TO: PERS Board
FROM: Sparb & Bryan
DATE: March 17, 2016
SUBJECT: OPEB Valuation RFP

The Request for Proposal to conduct the actuarial valuation of the NDPERS other post employment benefits (OPEB) was issued on February 17. This effort is to satisfy the requirement for the Governmental Accounting Standards Board statement 45 for fiscal years ending June 30, 2016 and June 30, 2017. The following is a timeline of activities for this RFP:

February 17, 2016	RFP for consultant services issued
February 29, 2016	Questions to RFP due 5:00 p.m.
March 4, 2016	Responses to questions posted to NDPERS web site
March 11, 2016	Consultant proposals due at NDPERS office no later than 5:00 p.m. Central Standard Time.
March 17, 2016	NDPERS Board Meeting
April 21, 2016	NDPERS Board selects consultant no later than this date

The due dates for deliverables on this project are:

May 31, 2016	Draft of OPEB valuation report to NDPERS
June 16, 2016	Present draft OPEB valuation report to NDPERS Board
July 1, 2016	Final OPEB valuation report due

The RFP is attached. We expect to give an update at the Board meeting and answer any questions.

REQUEST FOR PROPOSAL

**Retiree Health Plan Valuation
(Other Post Employment Benefits)**

Prepared by:

**North Dakota Public Employees Retirement System
P.O. Box 1657
Bismarck, ND 58502-1657**

**Request for Proposals
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Section IV – Fees/Hours..... 7

Section V – Submission of Proposal..... 9

Section VIII – Review Procedures 10

Section I. Introduction

Request:

This Request for Proposal is soliciting offers to do the actuarial valuation of the North Dakota Public Employees Retirement System (NDPERS) other post employment benefit plan (OPEB) to satisfy the requirement for the Governmental Accounting Standards Board statement 45 for fiscal years ending June 30, 2016 and June 30, 2017.

The following is a sequence of activities for this RFP:

February 17, 2016	RFP for consultant services issued
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NDPERS:

NDPERS is a separate agency created under North Dakota state statute and, while subject to state budgetary controls and procedures as are all state agencies, is not a state agency subject to direct executive control.

NDPERS is managed by a Board comprised of seven members:

- (1) Chairman - appointed by the Governor
- (1) Member - appointed by the Attorney General
- (1) Member - elected by retirees
- (3) Members - elected by active employees
- (1) State Health Officer or designee
- (2) Members - appointed by Legislative Management

SECTION II. Retiree Health Plan Valuation

The North Dakota Public Employees System administers the group insurance program for the State of North Dakota. Retirees from state retirement systems may elect to continue their participation in the group insurance. For PreMedicare retirees their rate is set by state statute at NDCC 54-52.1-02 which states:

- The PreMedicare single rate shall be 150% of the active member single rate
- The PreMedicare family rate is 2 times the PreMedicare single rate
- The PreMedicare family rate for 3 or more is 2.5 times the PreMedicare single rate

The above rates do not meet the actuarially required rates for this group thereby creating an implicit subsidy by the group.

NDPERS needs to have an actuarial valuation completed that will fulfill the requirements for the Governmental Accounting Standards Board (GASB Statement No. 45).

In addition to the above, NDPERS administers an actuarially funded retiree health insurance credit plan which provides a monthly retiree health credit equal to \$5 times the years of service they have in the retirement plan which is applied towards eligible insurance premiums. The liability for this retiree health insurance credit program is actuarially determined each year along with the retirement plan valuations done by the Segal Company and is not part of the scope of this RFP

The valuation for the retiree health plan implicit subsidy is to be completed by May 31, 2016 and presented to the NDPERS Board on June 16, 2016.

Prior to beginning work on the valuations, the successful contractor must execute an Agreement for Services and a Business Associate Agreement with NDPERS (attached).

A copy of our last valuation can be viewed on our website under "Request for Proposals" at <http://www.nd.gov/ndpers/providers-consultants/consultants/rfp-index.html>

SECTION III – Information Requests

The proposal shall use the following format and contain your organization's response to the following requested information. Respond by restating the request with the response following. This format shall be used in the proposal (if the proposer elects to use an alternative format to respond points will be deducted in the evaluation).

A. Technical Understanding, Timelines and Report.

- a. Provide your understanding of the required work effort
- b. Discuss your understanding of the project timelines
- c. Provide a copy of similar report your firm has recently completed

B. Firm, Qualifications and Staffing:

- a. The firm's name, home office address, address of the office providing the services under the contract and telephone number.
- b. Detail your organization's approach to conducting retiree health plan valuation. Also provide a timeline for the work efforts in Section II.
- c. General description of the firm, including the size, number of employees, primary business (consulting, pension planning, insurance, etc.), other business or services, type of organization (franchise, corporation, partnership, etc.) and other descriptive material.
- d. Provide summary information regarding the professional and experience qualifications of actuaries and other consultants who shall perform work under the contract. Also for each staff member assigned to the project indicate who they have done project work for and a reference.
- e. Description of the computer equipment and a statement as to the ownership and location of this equipment to be utilized in the performance of the contract.
- f. Statement of the availability and location of staff (including actuaries) and other required resources for performing all services and providing deliverables within indicated time frames. Statement as to whether or not the services outlined in these specifications can be performed using only your present staff.
- g. Identify the specific and unique qualifications of your firm with regard to providing the requested work.
- h. Identify the offices from which services to the Fund will be provided.
- i. Include a copy of a previous experience doing a retiree health plan valuation

- j. Discuss your work experience with public sector retirement boards.
- k. Provide a listing of state public sector clients of similar nature and size for whom your organization provides similar services. References should identify the appropriate contact person(s), addresses and telephone numbers.
- l. Identify and provide a resume for each actuary that will be assigned to the project and the estimated number of hours they will work on the project.
- m. Provide a resume for each non-actuary professional assigned to this work effort and the number of hours they are assigned.
- n. Identify any subcontractors to be used.

C. Other Information:

In this section you may supply any other information about your firm, approach to the work effort, staff, etc., that you feel appropriate.

SECTION IV – Fees/Hours

We are requesting that you price this project on a fixed fee not to exceed price. All efforts will be billed by hours expended but cannot exceed the total fixed fee. Please note that for pricing proposed in the valuation, the not to exceed price will be used.

THE COST PROPOSAL SHALL BE UNDER SEPARATE COVER AND NOT PART OF THE RESPONSES TO THE OTHER INFORMATION REQUESTS.

We are also requesting the projected number of professional hours (actuarial or consultant) your firm estimates will be required to complete the identified work efforts.

Concerning expenses for travel, lodging, meals and other travel related out-of-pocket expenses, they will be reimbursed on an incurred basis if the Executive Director of NDPERS has given prior approval for NDPERS related efforts.

COST PROPOSAL

	Estimated Total Hours	Total Fixed Fee
Retiree Health Plan Implicit Subsidy Valuation (OPEB) Fixed Fee		\$
TOTAL FIXED FEE		\$

DETAILS FOR SERVICE:

Please list the type of consultants that would be used on the fee for service work, rate per hour and estimated hours on the project:

Retiree Health Valuation

Type of Consultant	Rate	# of Hours
---------------------------	-------------	-------------------

(Name and a resume needs to be provided for this individual in that section)

SECTION V - Submission and Acceptance of Proposals

- A. Proposals should be prepared in a straightforward manner to satisfy the requirements of this RFP. Emphasis should be on completeness and clarity of content. Costs for developing proposals are entirely the responsibility of the proposer and shall not be chargeable to NDPERS.
- B. Offer, must be signed by a partner or principal of the firm and included with your proposal.
- C. Address or deliver the proposal to: Mr. Bryan Reinhardt
North Dakota Public Employees Retirement System
400 E. Broadway, Suite 505
Bismarck, ND 58501
(701) 328-3900
- D. Ten (10) written copies and one (1) electronic copy of the technical and price proposals must be received at the above listed location by **5:00 p.m. Central Standard Time on March 11, 2016**. The package the proposal is delivered in must be plainly marked "**PROPOSAL TO PROVIDE RETIREE HEALTH VALUATION SERVICES**". A proposal shall be considered late and will be rejected if received at any time after the exact time specified for return of proposals.
- E. The policy of the NDPERS Board is to solicit proposals with a bona fide intention to award a contract. This policy will not affect the right of the NDPERS Board to reject any, or all, proposals.
- F. The NDPERS Board may request representatives of your organization to appear for interviewing purposes. Travel expenses and costs related to the interview will be the responsibility of the bidder.
- G. The NDPERS Board will award the contract for services no later than April 21, 2016 and no earlier than March 17, 2016.
- H. In evaluating the proposals, price will not be the sole factor. The Board may consider any factors it deems necessary and proper, including but not limited to, price; quality of service; response to this request; experience; staffing; and general reputation.
- I. The failure to meet all procurement policy requirements shall not automatically invalidate a proposal or procurement. The final decision rests with the Board.
- J. Questions concerning the RFP shall be directed by e-mail to both Mr. Reinhardt at breinhar@nd.gov and Ms. Stockert at cstocker@nd.gov by February 29, 2016. Responses will be posted on the NDPERS website no later than 5:00 p.m. Central Standard Time on March 4, 2016 under "Request for Proposals" at <http://www.nd.gov/ndpers/providers-consultants/consultants/rfp-index.html> If you would like a copy e-mailed to you, please notify Cheryl Stockert at cstocker@nd.gov

SECTION VIII - Review Procedures

Proposals will be evaluated in a three step approach. The first step will be done by a review team composed of NDPERS staff and will be an initial screening of each proposal to determine if it is sufficiently responsive to the RFP to permit a valid comparison and meets the minimum qualifications of having completed past projects similar to the efforts requested herein. The qualifying factor will be on a Yes/No basis. The proposal will be dropped from consideration if a majority of viewers respond "No".

The second step will be a review and rating of each proposal's technical, product delivery, qualifications and staffing by NDPERS staff. The purpose of this review is to assess the consultant's understanding of the work requirements, capabilities and resources. It is important that your proposal relates your understanding in order to be fully rated. Statements that you will comply with the RFP are not sufficient, nor is repeating the RFP requirements.

Each individual will review the proposal for all areas but price. Every proposal will be awarded points for specified areas by the reviewers. Points for price are awarded automatically. Following is the weighting factor for each area:

GENERAL	Points
Did Consultant follow required format?	5 Points

RETIREE HEALTH PLAN VALUATION	
Technical Understanding, Timelines and Report	30 Points
Firm, Qualifications and Staffing	25 Points
Price	40 Points

This third step of the review will be allocation of points for price. The findings will be reported to the NDPERS Board.

The Board retains the option to make the final selection based upon the totality of the information with staff's review being only one consideration.



Memo

To: NDPERS Board
 From: Bryan T. Reinhardt
 Date: 3/10/2016
 Re: 2015 EAP Utilization

The following table shows the self-reported 2015 utilization from the NDPERS Employee Assistance Program (EAP) providers. The overall EAP utilization rate is at 6.6%. This is lower than the 8-9% rate in prior years.

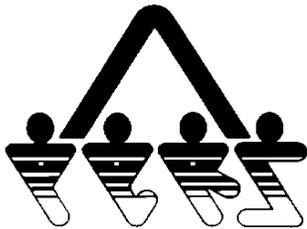
NDPERS Employee Assistance Program – 2015

	NDPERS TOTAL	Live Well	Deer Oaks	The Village	St. Alexius
Contracts	16428	139	379	8170	7740
Cases*	1186	12	23	448	703
%	7.2%	8.6%	6.1%	5.5%	9.1%
Sessions**	2364	64	23	1574	703
%	14.4%	46.0%	6.1%	19.3%	9.1%
Case Types:					
Psychiatric	587	3	10	166	408
Family/Personal	411	5	10	143	253
Work Problems	46	1	3	27	15
Financial/Legal	34	2	0	32	0
Drugs/Alcohol	32	1	0	12	19
Other/Unknown	76	0	0	68	8

* - 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.



**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@state.nd.us • discovernd.com/ndpers

Memorandum

TO: NDPERS Board

FROM: Kathy

DATE: March 9, 2016

SUBJECT: Sanford Heart of America Health Plan

Attached is the request from Sanford Heart of America Health Plan to continue to offer its health plan to state and participating political subdivision employees in its Rugby service area. The term of this renewal is from July 1, 2016 through June 30, 2017. The new rates are included in the materials provided by Sanford Heart of America. The premiums for all levels of coverage and plan options for the upcoming contract period have increased by approximately 3.4% over the current year. All other required information is attached and appears to be in order. The State Insurance Department has indicated that there have been no complaints or appeals filed against Sanford Heart of America over the past year.

The following outlines the current number of contracts for those employers in the Rugby service area:

Rolette County	1
Pierce County	17

Since we last reported, participation in the Sanford HOA plan between the two participating employers above has increased by 4 contracts.

BOARD ACTION REQUESTED

Accept or reject the Sanford Heart of America request to continue to offer its health plan to PERS membership in the Rugby service area.

NORTH DAKOTA INSURANCE DEPARTMENT



Certificate of Authority

This is to certify that pursuant to the Insurance Code of the State of North Dakota, Sanford Heart of America Health Plan organized under the laws of North Dakota subject to its Articles of Incorporation or other fundamental organizational documents is authorized to transact within the State of North Dakota, subject to provisions of this certificate, the following lines of insurance:

Accident & Health

as these lines are now or may be defined in Title 26.1, the insurance laws of the State of North Dakota.

This certificate is expressly conditioned upon the holder being in full compliance with all of the applicable laws and lawful requirements made under authority of the laws of the State of North Dakota as long as such laws or requirements are in effect and applicable, and as such laws and requirements now are or may be changed or amended.

This certificate is at all times the property of the State of North Dakota and shall continue in force as long as the Insurer is entitled to it under the laws of the State of North Dakota and until suspended or revoked or otherwise terminated, at which time the Insurer shall promptly deliver this Certificate to the Insurance Commissioner of the State of North Dakota.

IN WITNESS WHEREOF, I have hereunto set my hand at the City of Bismarck, on July 1, 2013.

Adam Hamm

A handwritten signature in black ink, appearing to read "Adam Hamm", written over a horizontal line.

Insurance Commissioner



U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
Public Health Service

This is to certify that
Heart of America
Health Maintenance Organization
has been found to be a qualified
Health Maintenance Organization
under the provisions of Title XIII of the
Public Health Service Act.

Director, Office of Health Maintenance Organizations

July 28, 1983

Date

ANNUAL STATEMENT FOR THE YEAR 2015 OF THE Sanford Heart of America Health Plan

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D)	2,121,318.05		2,121,318.05	1,405,621.79
2. Stocks (Schedule D):				
2.1 Preferred stocks	0.00		0.00	0.00
2.2 Common stocks	0.00		0.00	0.00
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0.00	0.00
3.2 Other than first liens			0.00	0.00
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances)			0.00	0.00
4.2 Properties held for the production of income (less \$ encumbrances)			0.00	0.00
4.3 Properties held for sale (less \$ encumbrances)			0.00	0.00
5. Cash (\$ 746,296.88 , Schedule E-Part 1), cash equivalents (\$ 0.00 , Schedule E-Part 2) and short-term investments (\$ 17,217.21 , Schedule DA)	763,514.09		763,514.09	84,068.28
6. Contract loans (including \$ premium notes)			0.00	0.00
7. Derivatives (Schedule DB)	0.00		0.00	0.00
8. Other invested assets (Schedule BA)	0.00		0.00	0.00
9. Receivables for securities			0.00	0.00
10. Securities lending reinvested collateral assets (Schedule DL)			0.00	0.00
11. Aggregate write-ins for invested assets	0.00	0.00	0.00	0.00
12. Subtotals, cash and invested assets (Lines 1 to 11)	2,884,832.14	0.00	2,884,832.14	1,489,690.07
13. Title plants less \$ charged off (for Title insurers only)			0.00	0.00
14. Investment income due and accrued	8,071.12		8,071.12	5,817.20
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	50,621.02		50,621.02	48,594.82
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums)			0.00	0.00
15.3 Accrued retrospective premiums (\$) and contracts subject to redetermination (\$)			0.00	0.00
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers			0.00	0.00
16.2 Funds held by or deposited with reinsured companies			0.00	0.00
16.3 Other amounts receivable under reinsurance contracts			0.00	0.00
17. Amounts receivable relating to uninsured plans			0.00	0.00
18.1 Current federal and foreign income tax recoverable and interest thereon			0.00	0.00
18.2 Net deferred tax asset			0.00	0.00
19. Guaranty funds receivable or on deposit			0.00	0.00
20. Electronic data processing equipment and software			0.00	0.00
21. Furniture and equipment, including health care delivery assets (\$)			0.00	0.00
22. Net adjustment in assets and liabilities due to foreign exchange rates			0.00	0.00
23. Receivables from parent, subsidiaries and affiliates			0.00	0.00
24. Health care (\$ 141,179.00) and other amounts receivable	141,179.00		141,179.00	5,572.45
25. Aggregate write-ins for other-than-invested assets	11,891.03	11,891.03	0.00	0.00
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	3,096,594.31	11,891.03	3,084,703.28	1,549,674.54
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0.00	0.00
28. Total (Lines 26 and 27)	3,096,594.31	11,891.03	3,084,703.28	1,549,674.54
DETAILS OF WRITE-INS				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page	0.00	0.00	0.00	0.00
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	0.00	0.00	0.00	0.00
2501. Prepaid Insurance	11,891.03	11,891.03	0.00	0.00
2502.				
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page	0.00	0.00	0.00	0.00
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	11,891.03	11,891.03	0.00	0.00

ANNUAL STATEMENT FOR THE YEAR 2015 OF THE Sanford Heart of America Health Plan

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ reinsurance ceded)	453,555.94	33,412.14	486,968.08	569,974.18
2. Accrued medical incentive pool and bonus amounts			0.00	0.00
3. Unpaid claims adjustment expenses	16,000.00		16,000.00	15,000.00
4. Aggregate health policy reserves, including the liability of \$ for medical loss ratio rebate per the Public Health Service Act	390,000.00		390,000.00	239,851.00
5. Aggregate life policy reserves			0.00	0.00
6. Property/casualty unearned premium reserves			0.00	0.00
7. Aggregate health claim reserves			0.00	0.00
8. Premiums received in advance	70,188.60		70,188.60	17,213.27
9. General expenses due or accrued	146,106.30		146,106.30	111,818.37
10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized capital gains (losses))			0.00	0.00
10.2 Net deferred tax liability			0.00	0.00
11. Ceded reinsurance premiums payable			0.00	0.00
12. Amounts withheld or retained for the account of others			0.00	0.00
13. Remittances and items not allocated			0.00	0.00
14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current)			0.00	0.00
15. Amounts due to parent, subsidiaries and affiliates	40,854.50		40,854.50	66,283.12
16. Derivatives		0.00	0.00	0.00
17. Payable for securities			0.00	0.00
18. Payable for securities lending			0.00	0.00
19. Funds held under reinsurance treaties (with \$ authorized reinsurers, \$ unauthorized reinsurers and \$ certified reinsurers)			0.00	0.00
20. Reinsurance in unauthorized and certified (\$) companies			0.00	0.00
21. Net adjustments in assets and liabilities due to foreign exchange rates			0.00	0.00
22. Liability for amounts held under uninsured plans			0.00	0.00
23. Aggregate write-ins for other liabilities (including \$ current)	0.00	0.00	0.00	0.00
24. Total liabilities (Lines 1 to 23)	1,116,705.34	33,412.14	1,150,117.48	1,020,139.94
25. Aggregate write-ins for special surplus funds	XXX	XXX	0.00	0.00
26. Common capital stock	XXX	XXX		0.00
27. Preferred capital stock	XXX	XXX		0.00
28. Gross paid in and contributed surplus	XXX	XXX	3,000,000.00	1,000,000.00
29. Surplus notes	XXX	XXX		0.00
30. Aggregate write-ins for other-than-special surplus funds	XXX	XXX	0.00	0.00
31. Unassigned funds (surplus)	XXX	XXX	(1,065,414.20)	(470,465.40)
32. Less treasury stock, at cost:				
32.1 shares common (value included in Line 26 \$)	XXX	XXX		0.00
32.2 shares preferred (value included in Line 27 \$)	XXX	XXX		0.00
33. Total capital and surplus (Lines 25 to 31 minus Line 32)	XXX	XXX	1,934,585.80	529,534.60
34. Total liabilities, capital and surplus (Lines 24 and 33)	XXX	XXX	3,084,703.28	1,549,674.54
DETAILS OF WRITE-INS				
2301.				
2302.				
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page	0.00	0.00	0.00	0.00
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	0.00	0.00	0.00	0.00
2501.	XXX	XXX		
2502.	XXX	XXX		
2503.	XXX	XXX		
2598. Summary of remaining write-ins for Line 25 from overflow page	XXX	XXX	0.00	0.00
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	XXX	XXX	0.00	0.00
3001.	XXX	XXX		
3002.	XXX	XXX		
3003.	XXX	XXX		
3098. Summary of remaining write-ins for Line 30 from overflow page	XXX	XXX	0.00	0.00
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)	XXX	XXX	0.00	0.00

ANNUAL STATEMENT FOR THE YEAR 2015 OF THE Sanford Heart of America Health Plan

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months	XXX	9,449.00	10,927.00
2. Net premium income (including \$ 0.00 non-health premium income)	XXX	3,499,074.66	3,733,625.84
3. Change in unearned premium reserves and reserve for rate credits	XXX		0.00
4. Fee-for-service (net of \$ medical expenses)	XXX		0.00
5. Risk revenue	XXX		0.00
6. Aggregate write-ins for other health care related revenues	XXX	0.00	0.00
7. Aggregate write-ins for other non-health revenues	XXX	0.00	0.00
8. Total revenues (Lines 2 to 7)	XXX	3,499,074.66	3,733,625.84
Hospital and Medical:			
9. Hospital/medical benefits		1,692,180.10	2,145,277.82
10. Other professional services		1,479,974.96	1,292,215.25
11. Outside referrals	244,502.39	244,502.39	188,159.68
12. Emergency room and out-of-area		146,863.08	165,755.59
13. Prescription drugs		0.00	0.00
14. Aggregate write-ins for other hospital and medical	0.00	0.00	0.00
15. Incentive pool, withhold adjustments and bonus amounts			0.00
16. Subtotal (Lines 9 to 15)	244,502.39	3,563,520.53	3,791,408.34
Less:			
17. Net reinsurance recoveries		60,754.47	0.00
18. Total hospital and medical (Lines 16 minus 17)	244,502.39	3,502,766.06	3,791,408.34
19. Non-health claims (net)			0.00
20. Claims adjustment expenses, including \$ 34,927.60 cost containment expenses		112,782.40	98,115.72
21. General administrative expenses		337,401.21	358,024.65
22. Increase in reserves for life and accident and health contracts (including \$ increase in reserves for life only)		173,000.00	217,000.00
23. Total underwriting deductions (Lines 18 through 22)	244,502.39	4,125,949.67	4,464,548.71
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	(626,875.01)	(730,922.87)
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		29,151.92	21,756.41
26. Net realized capital gains (losses) less capital gains tax of \$		(747.68)	(1,841.29)
27. Net investment gains (losses) (Lines 25 plus 26)	0.00	28,404.24	19,915.12
28. Net gain or (loss) from agents' or premium balances charged off ((amount recovered \$) (amount charged off \$))		0.00	0.00
29. Aggregate write-ins for other income or expenses	0.00	0.00	0.00
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	XXX	(598,470.77)	(711,007.75)
31. Federal and foreign income taxes incurred	XXX		606.60
32. Net income (loss) (Lines 30 minus 31)	XXX	(598,470.77)	(711,614.35)
DETAILS OF WRITE-INS			
0601.	XXX		
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0.00	0.00
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	XXX	0.00	0.00
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0.00	0.00
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above)	XXX	0.00	0.00
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0.00	0.00	0.00
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	0.00	0.00	0.00
2901. Contributions Expense			0.00
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page	0.00	0.00	0.00
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	0.00	0.00	0.00

ANNUAL STATEMENT FOR THE YEAR 2015 OF THE Sanford Heart of America Health Plan

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL & SURPLUS ACCOUNT		
33. Capital and surplus prior reporting year	529,534.60	1,232,508.65
34. Net income or (loss) from Line 32	(598,470.77)	(711,614.35)
35. Change in valuation basis of aggregate policy and claim reserves		0.00
36. Change in net unrealized capital gains (losses) less capital gains tax of \$		0.00
37. Change in net unrealized foreign exchange capital gain or (loss)		0.00
38. Change in net deferred income tax		0.00
39. Change in nonadmitted assets	3,521.97	8,640.30
40. Change in unauthorized and certified reinsurance		0.00
41. Change in treasury stock	0.00	0.00
42. Change in surplus notes	0.00	0.00
43. Cumulative effect of changes in accounting principles		0.00
44. Capital Changes:		
44.1 Paid in	0.00	0.00
44.2 Transferred from surplus (Stock Dividend)		0.00
44.3 Transferred to surplus		0.00
45. Surplus adjustments:		
45.1 Paid in	2,000,000.00	0.00
45.2 Transferred to capital (Stock Dividend)	0.00	0.00
45.3 Transferred from capital		0.00
46. Dividends to stockholders		0.00
47. Aggregate write-ins for gains or (losses) in surplus	0.00	0.00
48. Net change in capital and surplus (Lines 34 to 47)	1,405,051.20	(702,974.05)
49. Capital and surplus end of reporting year (Line 33 plus 48)	1,934,585.80	529,534.60
DETAILS OF WRITE-INS		
4701.		
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page	0.00	0.00
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)	0.00	0.00

**Heart of America
2016 Premium Rates**

RUGBY GROUP MEMBERSHIP

	High	Low	Share
Employee	\$ 688.90	\$ 631.50	\$ 514.50
Employee + Child(ren)	\$ 1,181.80	\$ 1,087.70	\$ 886.60
Family	\$ 1,614.00	\$ 1,496.50	\$ 1,220.70

MINOT GROUP MEMBERSHIP

	Elite	Assurance	Preferred
Employee	\$ 693.90	\$ 656.20	\$ 494.10
Employee + Spouse	\$ 1,645.20	\$ 1,555.50	\$ 1,172.90
Employee + Child(ren)	\$ 1,225.20	\$ 1,158.00	\$ 873.30
Family	\$ 1,737.40	\$ 1,642.60	\$ 1,238.90



Group Health Insurance Quote

Client Information

Client Name: Rolette County

Effective Date: July 1, 2016

Benefits Being Quoted

High Option

\$0 Deductible

20% Coinsurance

\$15 Office Visit Copay

\$25 Specialty Copay

\$30 Emergency Room Copay

No Drug Coverage

Health Rates

	<i>Employee Covered</i>	<i>2015 Rates</i>	<i>2016 Rates</i>
Single	1	\$ 665.50	\$ 688.90
Employee + Child(ren)	0	\$ 1,141.70	\$ 1,181.80
Family	0	\$ 1,559.30	\$ 1,614.00
Monthly Premium	1	\$ 665.50	\$ 688.90
Overall Renewal Increase		3.52%	



Group Health Insurance Quote

Client Information

Client Name: Pierce County

Effective Date: July 1, 2016

Benefits Being Quoted

High Option

\$0 Deductible

20% Coinsurance

\$15 Office Visit Copay

\$25 Specialty Copay

\$30 Emergency Room Copay

No Drug Coverage

Health Rates

	<i>Employee Covered</i>	<i>2015 Rates</i>	<i>2016 Rates</i>
Single	4	\$ 665.50	\$ 688.90
Employee + Child(ren)	2	\$ 1,141.70	\$ 1,181.80
Family	11	\$ 1,559.30	\$ 1,614.00
Monthly Premium	17	\$ 22,097.70	\$ 22,873.20
Overall Renewal Increase		3.51%	

2/23/2016

This listing includes health care providers in the Sanford Health Plan network based on the criteria you selected during your online search.

In Network Coverage means Covered Services that are either received:

- a. from a Sanford Health Plan Participating Provider within the Sanford Health Plan Service Area; or
- b. from a Participating Provider outside of the Sanford Health Plan Service Area if:
 - a Participating Provider has recommended the referral; and
 - the Plan has authorized the referral to a Participating Provider outside of the Plan's Service Area; or
 - the Plan has authorized the referral from a Participating Provider to a Non-Participating Provider; or
- c. in an Emergency Medical Condition or an urgent care situation; or
- d. when the Member does not have appropriate access to a Participating Provider

Personalized Provider Directory

Personalized Provider Directory for:

Search Radius: 50 Miles

Categories: Facility, Hospital, Physician

Ancillary

DURABLE MEDICAL EQUIPMENT

HEART OF AMERICA DME

800 S MAIN AVE
RUGBY, ND 58368
(701) 776-5261

0.4 Miles

Accepting new patients: Yes

HOSPICE

HEART OF AMERICA HOSPICE

800 S MAIN AVE
RUGBY, ND 58368
(701) 776-5261

0.4 Miles

Accepting new patients: Yes

NUCLEAR MEDICINE

DAVID A SWANSON

HEART OF AMERICA MEDICAL
CENTER

800 S MAIN AVE
RUGBY, ND 58368
(701) 776-5235

0.4 Miles

Accepting new patients: Yes

PUBLIC HEALTH

TOWNER COUNTY PUBLIC HEALTH DISTRICT

404 5TH AVE STE 3
CANDO, ND 58324
(701) 968-4353

37.3 Miles

Accepting new patients: Yes

SKILLED NURSING FACILITY

HEART OF AMERICA CARE CENTER

800 S MAIN AVE
RUGBY, ND 58368
(701) 776-5261

0.4 Miles

Accepting new patients: Yes

HEART OF AMERICA SWING BED

800 S MAIN AVE
RUGBY, ND 58368
(701) 776-5261

0.4 Miles

Accepting new patients: Yes

Hospital

ACUTE CARE FACILITY

HEART OF AMERICA MEDICAL CENTER

800 S MAIN AVE
RUGBY, ND 58368
(701) 776-5261

0.4 Miles
Accepting new patients: Yes

PRESENTATION MEDICAL CENTER

213 2ND AVE NE
ROLLA, ND 58367
(701) 477-3161

38.2 Miles
Accepting new patients: Yes

ST. ANDREWS HEALTH CENTER

316 OHMER ST
BOTTINEAU, ND 58318
(701) 228-9300

38 Miles
Accepting new patients: Yes

Practitioner

CERTIFIED NURSE ANESTHETIST

RONALD J BEARE
HEART OF AMERICA MEDICAL CENTER
800 S MAIN AVE
RUGBY, ND 58368
(701) 776-5235
0.4 Miles
Accepting new patients: Yes

KRAIG W BRANDT
HEART OF AMERICA MEDICAL CENTER
800 S MAIN AVE
RUGBY, ND 58368
(701) 776-5235
0.4 Miles
Accepting new patients: Yes

AMBER L JOHNSON
HEART OF AMERICA MEDICAL CENTER
800 S MAIN AVE
RUGBY, ND 58368
(701) 776-5235
0.4 Miles
Accepting new patients: Yes

CERTIFIED NURSE PRACTITIONER

MIRIAM L ANDERSON
ST. ANDREWS BOTTINEAU CLINIC, LLC
314 OHMER ST
BOTTINEAU, ND 58318
(701) 228-9400
38 Miles
Accepting new patients: Yes

STEVEN F ARNOLD
HEART OF AMERICA JOHNSON CLINIC RUGBY
800 S MAIN AVE
RUGBY, ND 58368
(701) 776-5235
0.4 Miles
Accepting new patients: Yes

STEVEN F ARNOLD
HEART OF AMERICA JOHNSON CLINIC DUNSEITH
215 MAIN ST SE
DUNSEITH, ND 58329
(701) 224-5694
30.8 Miles
Accepting new patients: Yes

STEVEN F ARNOLD
HEART OF AMERICA JOHNSON CLINIC MADDOCK
301 ROOSEVELT AVE
MADDOCK, ND 58348
(701) 438-2555
35.7 Miles
Accepting new patients: Yes

CASSIE F BUSCH
NORTHLAND COMMUNITY HEALTH CENTER
114 3RD ST NE
ROLLA, ND 58367
(701) 448-9225
38.3 Miles
Accepting new patients: Yes

CASSIE F BUSCH
NORTHLAND COMMUNITY HEALTH CENTER - ROLETTE
401 2ND AVE
ROLETTE, ND 58366
(701) 448-9225
21.4 Miles
Accepting new patients: Yes

THOMAS COOPER
HEART OF AMERICA JOHNSON CLINIC RUGBY
800 S MAIN AVE
RUGBY, ND 58368
(701) 776-5235
0.4 Miles
Accepting new patients: Yes

DAVID S COSTNER
HEART OF AMERICA JOHNSON CLINIC RUGBY
800 S MAIN AVE
RUGBY, ND 58368
(701) 776-5235
0.4 Miles
Accepting new patients: Yes

DAVID S COSTNER
HEART OF AMERICA JOHNSON CLINIC DUNSEITH
215 MAIN ST SE
DUNSEITH, ND 58329
(701) 224-5694
30.8 Miles
Accepting new patients: Yes

ROSANN L GOTTBREHT
ST. ANDREWS BOTTINEAU CLINIC, LLC
314 OHMER ST
BOTTINEAU, ND 58318
(701) 228-9400
38 Miles
Accepting new patients: Yes

ROSANN L GOTTBREHT
TURTLE MOUNTAIN FAMILY MEDICINE, LLC
115 MAIN ST NE
DUNSEITH, ND 58329
(701) 244-5800
30.7 Miles
Accepting new patients: Yes

ALAIN M GREEN
NORTHLAND COMMUNITY HEALTH CENTER
114 3RD ST NE
ROLLA, ND 58367
(701) 448-9225
38.3 Miles
Accepting new patients: Yes

ALAIN M GREEN
NORTHLAND COMMUNITY HEALTH CENTER - ROLETTE
401 2ND AVE
ROLETTE, ND 58366
(701) 448-9225
21.4 Miles
Accepting new patients: Yes

TAMMIE J HARDER
HEART OF AMERICA JOHNSON CLINIC RUGBY
800 S MAIN AVE
RUGBY, ND 58368
(701) 776-5235
0.4 Miles
Accepting new patients: Yes

TAMMIE J HARDER
HEART OF AMERICA JOHNSON CLINIC DUNSEITH
215 MAIN ST SE
DUNSEITH, ND 58329
(701) 224-5694
30.8 Miles
Accepting new patients: Yes

TAMMIE J HARDER
HEART OF AMERICA JOHNSON CLINIC MADDOCK
301 ROOSEVELT AVE
MADDOCK, ND 58348
(701) 438-2555
35.7 Miles
Accepting new patients: Yes

JENNA M HERMAN
HEART OF AMERICA JOHNSON CLINIC RUGBY
800 S MAIN AVE
RUGBY, ND 58368
(701) 776-5235
0.4 Miles
Accepting new patients: Yes

JENNA M HERMAN
HEART OF AMERICA MEDICAL CENTER
800 S MAIN AVE
RUGBY, ND 58368
(701) 776-5235
0.4 Miles
Accepting new patients: Yes

JENNA M HERMAN
NORTHLAND COMMUNITY HEALTH CENTER
114 3RD ST NE
ROLLA, ND 58367
(701) 448-9225
38.3 Miles
Accepting new patients: Yes

JENNA M HERMAN
NORTHLAND COMMUNITY HEALTH CENTER - ROLETTE
401 2ND AVE
ROLETTE, ND 58366
(701) 448-9225
21.4 Miles
Accepting new patients: Yes

BRENDA L KOCH
ST. ANDREWS BOTTINEAU CLINIC, LLC
314 OHMER ST
BOTTINEAU, ND 58318
(701) 228-9400
38 Miles
Accepting new patients: Yes

RICHARD P LAKSONEN JR
HEART OF AMERICA MEDICAL CENTER
800 S MAIN AVE
RUGBY, ND 58368
(701) 776-5235
0.4 Miles
Accepting new patients: Yes

KENDRA L LARSEN
TRINITY MEDICAL GROUP
111 W 1ST ST
VELVA, ND 58790
(701) 338-2066
48.1 Miles
Accepting new patients: Yes

TRACY L LARSON
NORTHLAND COMMUNITY HEALTH CENTER
114 3RD ST NE
ROLLA, ND 58367
(701) 448-9225
38.3 Miles
Accepting new patients: Yes

TRACY L LARSON
NORTHLAND COMMUNITY HEALTH CENTER - ROLETTE
401 2ND AVE
ROLETTE, ND 58366
(701) 448-9225
21.4 Miles
Accepting new patients: Yes

STACEY R PFENNING
NORTHLAND COMMUNITY HEALTH CENTER
114 3RD ST NE
ROLLA, ND 58367
(701) 448-9225
38.3 Miles
Accepting new patients: Yes

STACEY R PFENNING
NORTHLAND COMMUNITY HEALTH CENTER - ROLETTE
401 2ND AVE
ROLETTE, ND 58366
(701) 448-9225
21.4 Miles
Accepting new patients: Yes

CHASSIDY L SHARP
ST. ANDREWS BOTTINEAU CLINIC, LLC
314 OHMER ST
BOTTINEAU, ND 58318
(701) 228-9400
38 Miles
Accepting new patients: Yes

Practitioner

CERTIFIED NURSE PRACTITIONER-Continued

SUSAN L STABO
ST. ANDREWS BOTTINEAU CLINIC,
LLC
314 OHMER ST
BOTTINEAU, ND 58318
(701) 228-9400
38 Miles
Accepting new patients: Yes

ANDREA L STAHL
HEART OF AMERICA JOHNSON
CLINIC RUGBY
800 S MAIN AVE
RUGBY, ND 58368
(701) 776-5235
0.4 Miles
Accepting new patients: Yes

ANDREA L STAHL
HEART OF AMERICA JOHNSON
CLINIC DUNSEITH
215 MAIN ST SE
DUNSEITH, ND 58329
(701) 224-5694
30.8 Miles
Accepting new patients: Yes

ANDREA L STAHL
HEART OF AMERICA JOHNSON
CLINIC MADDOCK
301 ROOSEVELT AVE
MADDOCK, ND 58348
(701) 438-2555
35.7 Miles
Accepting new patients: Yes

KIM A THORSON
NORTHLAND COMMUNITY HEALTH
CENTER
114 3RD ST NE
ROLLA, ND 58367
(701) 448-9225
38.3 Miles
Accepting new patients: Yes

KIM A THORSON
NORTHLAND COMMUNITY HEALTH
CENTER - ROLETTE
401 2ND AVE
ROLETTE, ND 58366
(701) 448-9225
21.4 Miles
Accepting new patients: Yes

CAMMY K TOWNSEND
HEART OF AMERICA JOHNSON
CLINIC RUGBY
800 S MAIN AVE
RUGBY, ND 58368
(701) 776-5235
0.4 Miles
Accepting new patients: Yes

BOBBIE M TRANA-PAGEL
HEART OF AMERICA JOHNSON
CLINIC RUGBY
800 S MAIN AVE
RUGBY, ND 58368
(701) 776-5235
0.4 Miles
Accepting new patients: Yes

BOBBIE M TRANA-PAGEL
HEART OF AMERICA MEDICAL
CENTER
800 S MAIN AVE
RUGBY, ND 58368
(701) 776-5235
0.4 Miles
Accepting new patients: Yes

PAMELA L VALLIE-MERRIFIELD
NORTHLAND COMMUNITY HEALTH
CENTER
114 3RD ST NE
ROLLA, ND 58367
(701) 448-9225
38.3 Miles
Accepting new patients: Yes

PAMELA L VALLIE-MERRIFIELD
NORTHLAND COMMUNITY HEALTH
CENTER - ROLETTE
401 2ND AVE
ROLETTE, ND 58366
(701) 448-9225
21.4 Miles
Accepting new patients: Yes

ROBERT J VOLK
NORTHLAND COMMUNITY HEALTH
CENTER
114 3RD ST NE
ROLLA, ND 58367
(701) 448-9225
38.3 Miles
Accepting new patients: Yes

ROBERT J VOLK
NORTHLAND COMMUNITY HEALTH
CENTER - ROLETTE
401 2ND AVE
ROLETTE, ND 58366
(701) 448-9225
21.4 Miles
Accepting new patients: Yes

DONNA M WACKER
NORTHLAND COMMUNITY HEALTH
CENTER
114 3RD ST NE
ROLLA, ND 58367
(701) 448-9225
38.3 Miles
Accepting new patients: Yes

DONNA M WACKER
NORTHLAND COMMUNITY HEALTH
CENTER - ROLETTE
401 2ND AVE
ROLETTE, ND 58366
(701) 448-9225
21.4 Miles
Accepting new patients: Yes

CHIROPRACTIC

JADIAN S MACK
HEALTHSOURCE OF BOTTINEAU
909 11TH ST E
BOTTINEAU, ND 58313
(701) 228-2275
37.2 Miles
Accepting new patients: Yes

MICHAEL G MACK
HEALTHSOURCE OF BOTTINEAU
909 11TH ST E
BOTTINEAU, ND 58313
(701) 228-2275
37.2 Miles
Accepting new patients: Yes

COUNSELING

MELISSA M GARTNER
NORTHLAND COMMUNITY HEALTH
CENTER
114 3RD ST NE
ROLLA, ND 58367
(701) 448-9225
38.3 Miles
Accepting new patients: Yes

MELISSA M GARTNER
NORTHLAND COMMUNITY HEALTH
CENTER - ROLETTE
401 2ND AVE
ROLETTE, ND 58366
(701) 448-9225
21.4 Miles
Accepting new patients: Yes

TALESA M HEGER
NORTHLAND COMMUNITY HEALTH
CENTER
114 3RD ST NE
ROLLA, ND 58367
(701) 448-9225
38.3 Miles
Accepting new patients: Yes

TALESA M HEGER
NORTHLAND COMMUNITY HEALTH
CENTER - ROLETTE
401 2ND AVE
ROLETTE, ND 58366
(701) 448-9225
21.4 Miles
Accepting new patients: Yes

LAURA S LARSON
NORTHLAND COMMUNITY HEALTH
CENTER
114 3RD ST NE
ROLLA, ND 58367
(701) 448-9225
38.3 Miles
Accepting new patients: Yes

LAURA S LARSON
NORTHLAND COMMUNITY HEALTH
CENTER - ROLETTE
401 2ND AVE
ROLETTE, ND 58366
(701) 448-9225
21.4 Miles
Accepting new patients: Yes

DIETICIAN / NUTRITIONIST

KATHY J BRANDT
HEART OF AMERICA MEDICAL
CENTER
800 S MAIN AVE
RUGBY, ND 58368
(701) 776-5235
0.4 Miles
Accepting new patients: Yes

EMERGENCY MEDICINE

JEFFREY A SATHER
HEART OF AMERICA MEDICAL
CENTER
800 S MAIN AVE
RUGBY, ND 58368
(701) 776-5235
0.4 Miles
Accepting new patients: Yes

FAMILY PRACTICE / GENERAL PRACTICE

RYLAN J BRANTL
HEART OF AMERICA MEDICAL
CENTER
800 S MAIN AVE
RUGBY, ND 58368
(701) 776-5235
0.4 Miles
Accepting new patients: Yes

OSCAR O FERNANDEZ
HEART OF AMERICA JOHNSON
CLINIC RUGBY
800 S MAIN AVE
RUGBY, ND 58368
(701) 776-5235
0.4 Miles
Accepting new patients: Yes

ROBERT A HAMILTON
ST. ANDREWS BOTTINEAU CLINIC,
LLC
314 OHMER ST
BOTTINEAU, ND 58318
(701) 228-9400
38 Miles
Accepting new patients: Yes

KENNETH W KIHLE
ST. ANDREWS BOTTINEAU CLINIC,
LLC
314 OHMER ST
BOTTINEAU, ND 58318
(701) 228-9300
38 Miles
Accepting new patients: Yes

ASHLEY J KREMER
HEART OF AMERICA JOHNSON
CLINIC RUGBY
800 S MAIN AVE
RUGBY, ND 58368
(701) 776-5235
0.4 Miles
Accepting new patients: Yes

ASHLEY J KREMER
HEART OF AMERICA JOHNSON
CLINIC DUNSEITH
215 MAIN ST SE
DUNSEITH, ND 58329
(701) 224-5694
30.8 Miles
Accepting new patients: Yes

Practitioner

FAMILY PRACTICE / GENERAL PRACTICE-Continued

ASHLEY J KREMER
HEART OF AMERICA JOHNSON
CLINIC MADDOCK
301 ROOSEVELT AVE
MADDOCK, ND 58348
(701) 438-2555
35.7 Miles
Accepting new patients: Yes

EDGAR K OLIVEIRA
ST. ANDREWS BOTTINEAU CLINIC,
LLC
314 OHMER ST
BOTTINEAU, ND 58318
(701) 228-9400
38 Miles
Accepting new patients: Yes
Languages Spoken: Portugese,
Spanish

STEVEN B SCHONEBERG
HEART OF AMERICA JOHNSON
CLINIC RUGBY
800 S MAIN AVE
RUGBY, ND 58368
(701) 776-5235
0.4 Miles
Accepting new patients: Yes

STEVEN B SCHONEBERG
HEART OF AMERICA JOHNSON
CLINIC DUNSEITH
215 MAIN ST SE
DUNSEITH, ND 58329
(701) 224-5694
30.8 Miles
Accepting new patients: Yes

STEVEN B SCHONEBERG
HEART OF AMERICA JOHNSON
CLINIC MADDOCK
301 ROOSEVELT AVE
MADDOCK, ND 58348
(701) 438-2555
35.7 Miles
Accepting new patients: Yes

HUBERT J SEILER
HEART OF AMERICA JOHNSON
CLINIC RUGBY
800 S MAIN AVE
RUGBY, ND 58368
(701) 776-5235
0.4 Miles
Accepting new patients: Yes

HUBERT J SEILER
HEART OF AMERICA JOHNSON
CLINIC DUNSEITH
215 MAIN ST SE
DUNSEITH, ND 58329
(701) 224-5694
30.8 Miles
Accepting new patients: Yes

HUBERT L SEILER
HEART OF AMERICA JOHNSON
CLINIC MADDOCK
301 ROOSEVELT AVE
MADDOCK, ND 58348
(701) 438-2555
35.7 Miles
Accepting new patients: Yes

BRIAN L SELLAND
TURTLE MOUNTAIN FAMILY
MEDICINE, LLC
115 MAIN ST NE
DUNSEITH, ND 58329
(701) 244-5800
30.7 Miles
Accepting new patients: Yes

JESSICA A SKJOLDEN
ST. ANDREWS BOTTINEAU CLINIC,
LLC
314 OHMER ST
BOTTINEAU, ND 58318
(701) 228-9400
38 Miles
Accepting new patients: Yes

JEFFREY L VAAGEN
NORTHLAND COMMUNITY HEALTH
CENTER
114 3RD ST NE
ROLLA, ND 58367
(701) 448-9225
38.3 Miles
Accepting new patients: Yes

AMY ZIMMERMAN
NORTHLAND COMMUNITY HEALTH
CENTER
114 3RD ST NE
ROLLA, ND 58367
(701) 448-9225
38.3 Miles
Accepting new patients: Yes

AMY ZIMMERMAN
NORTHLAND COMMUNITY HEALTH
CENTER - ROLETTE
401 2ND AVE
ROLETTE, ND 58366
(701) 448-9225
21.4 Miles
Accepting new patients: Yes

GENERAL SURGERY

RONALD P SKIPPER
HEART OF AMERICA MEDICAL
CENTER
800 S MAIN AVE
RUGBY, ND 58368
(701) 776-5235
0.4 Miles
Accepting new patients: Yes

INTERNAL MEDICINE

CORY R MILLER
ST. ANDREWS BOTTINEAU CLINIC,
LLC
314 OHMER ST
BOTTINEAU, ND 58318
(701) 228-9400
38 Miles
Accepting new patients: Yes

CORY R MILLER
TURTLE MOUNTAIN FAMILY
MEDICINE, LLC
115 MAIN ST NE
DUNSEITH, ND 58329
(701) 244-5800
30.7 Miles
Accepting new patients: Yes

OPHTHALMOLOGY

ELENA R RADUCU
DAKOTA EYE INSTITUTE, PC
201 SW 7TH ST STE 2
RUGBY, ND 58368
(701) 776-5242
0.4 Miles
Accepting new patients: Yes

OPTOMETRY

PAUL A BALLIET
DAKOTA EYE INSTITUTE, PC
201 SW 7TH ST STE 2
RUGBY, ND 58368
(701) 776-5242
0.4 Miles
Accepting new patients: Yes

BRIANA M BOHN
DAKOTA EYE INSTITUTE, PC
201 SW 7TH ST STE 2
RUGBY, ND 58368
(701) 776-5242
0.4 Miles
Accepting new patients: Yes

PAUL D DUNDERLAND
FAMILY VISION CENTER
522 MAIN ST
BOTTINEAU, ND 58318
(701) 228-2219
37.7 Miles
Accepting new patients: Yes

KYLE M OTTESON
DAKOTA EYE INSTITUTE, PC
201 SW 7TH ST STE 2
RUGBY, ND 58368
(701) 776-5242
0.4 Miles
Accepting new patients: Yes

MICHAEL R RANUM
DAKOTA EYE INSTITUTE, PC
201 SW 7TH ST STE 2
RUGBY, ND 58368
(701) 776-5242
0.4 Miles
Accepting new patients: Yes

THOMAS J SAMSON
DAKOTA EYE INSTITUTE, PC
201 SW 7TH ST STE 2
RUGBY, ND 58368
(701) 776-5242
0.4 Miles
Accepting new patients: Yes

PHYSICAL THERAPY

JORDAN A BACKSTROM
HEART OF AMERICA JOHNSON
CLINIC RUGBY
800 S MAIN AVE
RUGBY, ND 58368
(701) 776-5235
0.4 Miles
Accepting new patients: Yes

JOHN M BRANDT
HEART OF AMERICA JOHNSON
CLINIC MADDOCK
301 ROOSEVELT AVE
MADDOCK, ND 58348
(701) 438-2555
35.7 Miles
Accepting new patients: Yes

MARIE E FRAGODT
HEART OF AMERICA JOHNSON
CLINIC MADDOCK
301 ROOSEVELT AVE
MADDOCK, ND 58348
(701) 438-2555
35.7 Miles
Accepting new patients: Yes

PHYSICIAN ASSISTANT

PHYLLIS M ABRAHAMSON
NORTHLAND COMMUNITY HEALTH
CENTER
114 3RD ST NE
ROLLA, ND 58367
(701) 448-9225
38.3 Miles
Accepting new patients: Yes

PHYLLIS M ABRAHAMSON
NORTHLAND COMMUNITY HEALTH
CENTER - ROLETTE
401 2ND AVE
ROLETTE, ND 58366
(701) 448-9225
21.4 Miles
Accepting new patients: Yes

PHYLLIS M ABRAHAMSON
TURTLE MOUNTAIN FAMILY
MEDICINE, LLC
115 MAIN ST NE
DUNSEITH, ND 58329
(701) 244-5800
30.7 Miles
Accepting new patients: Yes

DEAN A CHAPEL
NORTHLAND COMMUNITY HEALTH
CENTER
114 3RD ST NE
ROLLA, ND 58367
(701) 448-9225
38.3 Miles
Accepting new patients: Yes

Practitioner

PHYSICIAN ASSISTANT- Continued

DEAN A CHAPEL
NORTHLAND COMMUNITY HEALTH
CENTER - ROLETTE
401 2ND AVE
ROLETTE, ND 58366
(701) 448-9225
21.4 Miles
Accepting new patients: Yes

GAIL L DANIELSON
HEART OF AMERICA JOHNSON
CLINIC RUGBY
800 S MAIN AVE
RUGBY, ND 58368
(701) 776-5235
0.4 Miles
Accepting new patients: Yes

DUSTIN T HAGER
HEART OF AMERICA JOHNSON
CLINIC RUGBY
800 S MAIN AVE
RUGBY, ND 58368
(701) 776-5235
0.4 Miles
Accepting new patients: Yes

DUSTIN T HAGER
HEART OF AMERICA JOHNSON
CLINIC DUNSEITH
215 MAIN ST SE
DUNSEITH, ND 58329
(701) 224-5694
30.8 Miles
Accepting new patients: Yes

DUSTIN T HAGER
HEART OF AMERICA JOHNSON
CLINIC MADDOCK
301 ROOSEVELT AVE
MADDOCK, ND 58348
(701) 438-2555
35.7 Miles
Accepting new patients: Yes

BRIAN T JENSEN
NORTHLAND COMMUNITY HEALTH
CENTER
114 3RD ST NE
ROLLA, ND 58367
(701) 448-9225
38.3 Miles
Accepting new patients: Yes

BRIAN T JENSEN
NORTHLAND COMMUNITY HEALTH
CENTER - ROLETTE
401 2ND AVE
ROLETTE, ND 58366
(701) 448-9225
21.4 Miles
Accepting new patients: Yes

BRENNA L KERR
NORTHLAND COMMUNITY HEALTH
CENTER
114 3RD ST NE
ROLLA, ND 58367
(701) 448-9225
38.3 Miles
Accepting new patients: Yes

BRENNA L KERR
NORTHLAND COMMUNITY HEALTH
CENTER - ROLETTE
401 2ND AVE
ROLETTE, ND 58366
(701) 448-9225
21.4 Miles
Accepting new patients: Yes

MARK W KLABO
NORTHLAND COMMUNITY HEALTH
CENTER
114 3RD ST NE
ROLLA, ND 58367
(701) 448-9225
38.3 Miles
Accepting new patients: Yes

MARK W KLABO
NORTHLAND COMMUNITY HEALTH
CENTER - ROLETTE
401 2ND AVE
ROLETTE, ND 58366
(701) 448-9225
21.4 Miles
Accepting new patients: Yes

STACEY L KONZAK
NORTHLAND COMMUNITY HEALTH
CENTER
114 3RD ST NE
ROLLA, ND 58367
(701) 448-9225
38.3 Miles
Accepting new patients: Yes

STACEY L KONZAK
NORTHLAND COMMUNITY HEALTH
CENTER - ROLETTE
401 2ND AVE
ROLETTE, ND 58366
(701) 448-9225
21.4 Miles
Accepting new patients: Yes

SHEILA M LINDGREN
NORTHLAND COMMUNITY HEALTH
CENTER
114 3RD ST NE
ROLLA, ND 58367
(701) 448-9225
38.3 Miles
Accepting new patients: Yes

SHEILA M LINDGREN
NORTHLAND COMMUNITY HEALTH
CENTER - ROLETTE
401 2ND AVE
ROLETTE, ND 58366
(701) 448-9225
21.4 Miles
Accepting new patients: Yes

PAMELA J LORENZ
NORTHLAND COMMUNITY HEALTH
CENTER - ROLETTE
401 2ND AVE
ROLETTE, ND 58366
(701) 448-9225
21.4 Miles
Accepting new patients: Yes

MICHAEL T MCQUEENEY
NORTHLAND COMMUNITY HEALTH
CENTER
114 3RD ST NE
ROLLA, ND 58367
(701) 448-9225
38.3 Miles
Accepting new patients: Yes

MICHAEL T MCQUEENEY
NORTHLAND COMMUNITY HEALTH
CENTER - ROLETTE
401 2ND AVE
ROLETTE, ND 58366
(701) 448-9225
21.4 Miles
Accepting new patients: Yes

CHRISTINE M SAUTER
NORTHLAND COMMUNITY HEALTH
CENTER
114 3RD ST NE
ROLLA, ND 58367
(701) 448-9225
38.3 Miles
Accepting new patients: Yes

CHRISTINE M SAUTER
NORTHLAND COMMUNITY HEALTH
CENTER - ROLETTE
401 2ND AVE
ROLETTE, ND 58366
(701) 448-9225
21.4 Miles
Accepting new patients: Yes

JOHN R SMETANA
NORTHLAND COMMUNITY HEALTH
CENTER
114 3RD ST NE
ROLLA, ND 58367
(701) 448-9225
38.3 Miles
Accepting new patients: Yes

JOHN R SMETANA
NORTHLAND COMMUNITY HEALTH
CENTER - ROLETTE
401 2ND AVE
ROLETTE, ND 58366
(701) 448-9225
21.4 Miles
Accepting new patients: Yes

KERI L WEICK
HEART OF AMERICA JOHNSON
CLINIC RUGBY
800 S MAIN AVE
RUGBY, ND 58368
(701) 776-5235
0.4 Miles
Accepting new patients: Yes

KERI L WEICK
HEART OF AMERICA JOHNSON
CLINIC MADDOCK
301 ROOSEVELT AVE
MADDOCK, ND 58348
(701) 438-2555
35.7 Miles
Accepting new patients: Yes

KERI L WEICK
TURTLE MOUNTAIN FAMILY
MEDICINE, LLC
115 MAIN ST NE
DUNSEITH, ND 58329
(701) 244-5800
30.7 Miles
Accepting new patients: Yes

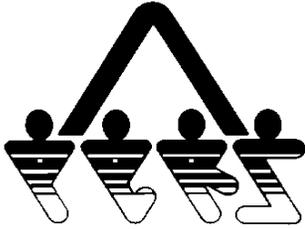
PODIATRY

JOSHUA W BRITTEN
PRESENTATION MEDICAL CENTER
213 E 3RD AVE NE
ROLLA, ND 58367
(701) 477-3161
38.2 Miles
Accepting new patients: Yes
Languages Spoken: Arabic

ALISHA L JOHNSTON
HEART OF AMERICA MEDICAL
CENTER
800 S MAIN AVE
RUGBY, ND 58368
(701) 776-5235
0.4 Miles
Accepting new patients: Yes

UROLOGY

ALAN F LIM
HEART OF AMERICA MEDICAL
CENTER
800 S MAIN AVE
RUGBY, ND 58368
(701) 776-5235
0.4 Miles
Accepting new patients: Yes



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: March 10, 2016
SUBJECT: Infertility Benefit Change

Attached for review and approval is change in our contract for the infertility benefit as previously approved by the Board. Jan has worked with Sanford on the change and she will be at the Board meeting to answer questions you may have. Also attached for your reference are the Board memos from November and December on this issue.

North Dakota Public Employees Retirement System

July 1, 2015 through June 30, 2017

Amendment to Administrative Service Agreement

This Amendment to Administrative Service Agreement (this “Amendment”) is entered into effective as of July 1, 2015 (the “Effective Date”), by and among the State of North Dakota, acting through its Public Employees Retirement System (“the Plan Sponsor”), the North Dakota Public Employees Retirement System (NDPERS) (“the Plan Administrator”) and Sanford Health Plan, a South Dakota nonprofit corporation (“SHP”).

WHEREAS, the parties entered into an Administrative Services Agreement to administer a fully insured group health plan (hereinafter “Agreement”) effective July 1, 2015; and

WHEREAS, the parties now desire to amend the Agreement pursuant to Sections 6.7, 11.2, and 11.3 of the Agreement and N.D.C.C. §§54-52-04(7) and (12), and 54-52.1-08, as set forth below.

NOW, THEREFORE, it is mutually agreed by and among the parties that the Agreement is amended as follows:

1. Section 4 relating to NDPERS responsibilities, is amended to include the following section:

4.13 Direct Member appeals regarding the infertility services deductible to the attention of the Public Employees Retirement Board (the “Board”) to be resolved in a manner consistent with N.D.A.C. § 71-03-05-05, and removed from the Internal Appeal Procedure of SHP as set forth in Exhibit A to the Agreement. NDPERS must promptly report the result of an appeal process described herein to SHP and authorize SHP to reimburse the Member subject of the appeal in the amount authorized by the Board, if any.

2. Section 7.3, subparts 11 and 12, relating to the Final Accounting, are hereby deleted in their entirety and the following inserted in lieu thereof:

11. If $1+2-3-4-5-6-7-8-9(-/+10)$ of 7.3 is positive, the lesser of 50% of this amount or \$1.5 million is retained by SHP. The remainder equals Refund paid to NDPERS, less a credit for member benefit adjustments approved by the Board under Section 4.13, if any.

12. If $1+2-3-4-5-6-7-8-9(-/+10)$ of 7.3 is negative, the lesser of 50% of this amount or \$3.0 million will be refunded by NDPERS to SHP, plus a credit for member benefit adjustments approved by the Board under Section 4.13, if any.

3. Section 7.4, subparts 10 and 11, relating to the Final Accounting, are hereby deleted in their entirety and the following inserted in lieu thereof:

10. If $1+2-3-4-5-6-7-8(-/+9)$ of 7.4 is positive, the lesser of 50% of this amount or \$1.5 million is retained by SHP. The remainder equals Refund paid to NDPERS, reduced by

member benefit adjustments approved by the Board under Section 4.13, if any. If applicable, the final settlement amount will be net of initial settlement payments.

11. If 1+2-3-4-5-6-7-8(-/+9) of 7.4 is negative, the lesser of 50% of this amount or \$3.0 million will be refunded by NDPERS to SHP, reduced by member benefit adjustments approved by the Board under Section 4.13, if any. If applicable, the final settlement amount will be net of initial settlement payments.

4. Exhibit D is hereby replaced in its entirety with the attached Exhibit D.

5. Except as expressly modified by this Amendment, all other terms and conditions of the Agreement will remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Amendment as of March ____, 2016.

**NORTH DAKOTA PUBLIC EMPLOYEES
RETIREMENT SYSTEM (PLAN
ADMINISTRATOR)**

PO Box 1657
Bismarck, North Dakota 58502

By: _____

Title: _____

Date: _____

SANFORD HEALTH PLAN

300 Cherapa Place, Suite 201
Sioux Falls, SD 67103

By: _____

Title: _____

Date: _____

**NORTH DAKOTA PUBLIC EMPLOYEES
RETIREMENT SYSTEM (PLAN SPONSOR)**

PO Box 1657
Bismarck, North Dakota 58502

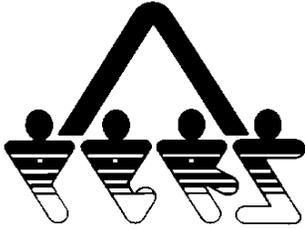
By: _____

Title: _____

Date: _____

ND PERS Settlement Illustration - No Settlement	Section 7.3		Section 7.4	
		Initial Settlement		Final Settlement
First Period of Biennium		7/1/15-6/30/16		7/1/15-6/30/16
Second Period of Biennium		7/1/16-6/30/17		7/1/16-6/30/17
Paid Through Date		6/30/2018		6/30/2019
Initial Settlement Due		7/31/2018		7/31/2019
Average Members (includes attrition of Non-Medicare retirees)		64,795		64,795
Average Non-Medicare Members		56,083		56,083
Earned Biennium Premium (which is net of NDPERS Admin Fee)	1 \$	614,809	1 \$	614,809
Plus Interest on Surplus	2 \$	-	2 \$	-
Less Claims Incurred for Biennium Paid through 6/30/18	3 \$	(565,548)	3 \$	(570,548)
Less Estimated Unpaid claims	4 \$	(5,000)	\$	-
Less Admin Expense (\$11.60 per member)	5 \$	(18,037)	4 \$	(18,037)
Less Service Charge (\$4.89 per member) Retention/Reinsurance	6 \$	(7,595)	5 \$	(7,595)
Less Disease Management Program (\$0.64 per member)	7 \$	(1,002)	6 \$	(1,002)
Less Health Club/Wellness Credit Program (\$1.96 per member)	8 \$	(3,047)	7 \$	(3,047)
Less Actual PPACA Fees Paid (per 7.2.2)	9 \$	(14,581)	8 \$	(14,581)
Less/Plus Refunded PPACA Fees to NDPERS/SHP (per 7.2.3)	10 \$	-	9 \$	-
Subtotal		\$ (0)		\$ (0)
<u>Initial Settlement Amount Due to NDPERS 7/31/18</u>		<u>\$ -</u>		<u>\$ -</u>
Less: Infertility Benefit Adjustment per Section 4.13	\$	(20)	\$	(25)
Initial Settlement Amount Due to NDPERS 7/31/18 after Benefit Adjustment	\$	-		N/A
Final Settlement Amount Due to NDPERS 7/31/18		N/A	\$	-
Net Due to Carrier		\$ 20		\$ 25

ND PERS Settlement Illustration - with Settlement	Section 7.3		Section 7.4	
		Initial Settlement		Final Settlement
First Period of Biennium		7/1/15-6/30/16		7/1/15-6/30/16
Second Period of Biennium		7/1/16-6/30/17		7/1/16-6/30/17
Paid Through Date		6/30/2018		6/30/2019
Initial Settlement Due		7/31/2018		7/31/2019
Average Members (includes attrition of Non-Medicare retirees)		64,795		64,795
Average Non-Medicare Members		56,083		56,083
Earned Biennium Premium (which is net of NDPERS Admin Fee)	1 \$	614,809	1 \$	614,809
Plus Interest on Surplus	2 \$	-	2 \$	-
Less Claims Incurred for Biennium Paid through 6/30/18	3 \$	(560,640)	3 \$	(565,640)
Less Estimated Unpaid claims	4 \$	(5,000)	\$	-
Less Admin Expense (\$11.60 per member)	5 \$	(19,945)	4 \$	(19,945)
Less Service Charge (\$4.89 per member) Retention/Reinsurance	6 \$	(7,595)	5 \$	(7,595)
Less Disease Management Program (\$0.64 per member)	7 \$	(1,002)	6 \$	(1,002)
Less Health Club/Wellness Credit Program (\$1.96 per member)	8 \$	(3,047)	7 \$	(3,047)
Less Actual PPACA Fees Paid (per 7.2.2)	9 \$	(14,581)	8 \$	(14,581)
Less/Plus Refunded PPACA Fees to NDPERS/SHP (per 7.2.3)	10 \$	-	9 \$	-
Subtotal		\$ 3,000		\$ 3,000
<u>Initial Settlement Amount Due to NDPERS 7/31/18</u>		<u>\$ 1,500</u>		<u>\$ 1,500</u>
Less: Member Infertility Benefit Adjustment per Section 4.13	\$	(20)	\$	(25)
Initial Settlement Amount Due to NDPERS 7/31/18 after Benefit Adjustment	\$	1,480		N/A
Final Settlement Amount Due to NDPERS 7/31/18		N/A	\$	1,475
Net Carrier Retained		\$ 1,520		\$ 1,525



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Memorandum

TO: PERS Board

FROM: Rebecca

DATE: March 9, 2016

SUBJECT: **Non-Payment of Premium & Cancellation Policy**

Prior to the passing of the Affordable Care Act (ACA), NDPERS had policy regarding how to handle insurance contracts that were delinquent in payment to determine when the contract could be cancelled. At that time, NDPERS retroactively cancelled coverage to the end of the month of last premium payment.

Based upon guidance received following the implementation of the Affordable Care Act (ACA), the policy was modified as there was language in the ACA that was interpreted to prohibit retroactive cancellations due to non-payment of premium. Therefore, contracts were only able to be cancelled prospectively. NDPERS has recently received new guidance from Deloitte that indicates that the ACA does not prohibit retroactive cancellations and therefore, staff has once again reviewed our policy on this topic.

Given this new guidance, staff would like to share with the board a revised policy regarding these delinquent contracts. Attachment 1 is the proposed revised policy. In developing the revised policy, staff discussed it with Sanford to determine if they had any concerns. We also requested input on how they handle their other lines of business related to delinquent payments. One item that they do in their other lines of business that we would also like to implement relates to "pending claims" during the grace period.

As you will note, an individual will receive notice of their delinquency and have a grace period in which they can make payment and continue coverage. During this grace period and near the 15th of the month, staff will run a report that will identify individuals who have not paid their health insurance premium for that month of coverage. Staff will provide this list to Sanford, who will then put the member in a "pend claims" status, which will keep claims from being processed. This will mitigate the risk of an individual using the insurance and accruing claims when they have not paid the premium for the coverage. Staff will then review the list at the end of the month and notify Sanford of any individuals that have paid their premium so that Sanford can change the individual's status and "unpend claims".

The additional changes to the policy relate to the guidance from Deloitte regarding the ability to retroactively cancel coverage for non-payment of premium. Given this guidance, staff proposes to return to previous policy, which is that if premium is not paid, NDPERS will retroactively cancel the medical, dental, vision and life insurance coverages (whichever are applicable) to the end of the month in which the last payment was made. The only plan that NDPERS cannot retroactively cancel is the Medicare Part D (PDP) as the Center for Medicaid & Medicare Services (CMS) prohibits retroactive cancellations for this reason. However, since we have split the medical plan from the PDP plan, we are now able to retroactively cancel the medical coverage and prospectively cancel the PDP to remain in compliance with CMS requirements. This reduces the amount

of outstanding premium that NDPERS would be requesting from a delinquent member whose coverage was cancelled.

Staff has shared the proposed revised policy with legal counsel to ensure there are not any legal concerns. Staff is sharing this revised policy with the board to determine if the board has any concerns with the revised policy, specifically the "pend claims" status since this is a new provision of the policy that was not part of previous policies of this nature.

I will be available at the board meeting to address any questions or concerns that the board may have.

Subject:

Non-Payment of Premium/Delinquent Contracts & Cancellation

Rev. 03/2016

Board policy applies to any delinquent IBS Insurance Policy (all plans) due to non-payment of premium.

- Premium is due the 1st of the month for that month of coverage.
- NDPERS is required to provide a 31 day grace period to members who do not provide payment.
 - Notice is sent to the member notifying them that we did not receive payment and that if premium due is not received, their coverage for health, dental, vision and/or life insurance will be cancelled retroactively to the end of the month premium was paid.
 - If the member is enrolled in the Medicare Part D (PDP), the notice will indicate this plan will be cancelled the month following the month of delinquency. The notice includes the 21 day CMS requirement for those on Medicare.
- On the 15th of the month, a report will be generated that will show any individuals with a past due **health insurance** balance on their account. Accounting will provide the report to Sanford Health Plan with guidance to suspend claims processing for those individuals on the report.
- Two days prior to the end of the month, accounting staff will review the report to determine if premiums were received by any of the individuals on the report. If premiums were paid, staff will notify Sanford Health Plan to unsuspend claims for those individuals that paid. If premiums were not paid, the individuals will appear on the cancellation report at the end of the month, at which time the coverage will be cancelled as follows:
 - Health, Dental, Vision & Life Insurance – retroactively to end of month in which premium paid
 - Medicare Part D (PDP) - prospectively (month following month of delinquency) due to CMS requirements. NDPERS staff should still make effort to collect premium for any outstanding premiums due. If NDPERS is unable to collect outstanding premium, the information will be forwarded to legal counsel at the Attorney General's Office to request payment.
 - Accounting staff will notify the BIS of any individuals that are on Medicare Part D (PDP). BIS will enter into PERSLink no earlier than the FIRST business day after the requested disenrollment date, but NO LATER than the third business day after the requested disenrollment date as stated in the past due/delinquent letter. BIS will also contact MSCA Team at ESI within this timeframe to notify them of cancellation.
- To be reinstated, member must speak to the Benefit Programs Manager, who will require payment in full.

See sample below:

Billing steps	Date	Sample date
Generate billing for following month	18th of the month or first business day after the 18 th of month	April 18 (for May premium)
Premium due date	1 st day of following month	May 1
Run past due report and send out delinquent letter (Individuals who were billed for the current month prior to the 8 th of the month and still owe premium for that month)	8 th of the current month	May 8 (for anyone who has not paid May premium in full)
Run past due report specific to health plan & notify Sanford Health Plan of individuals to be put into a suspended claims status	15 th of current month	May 15 (for anyone who has not paid May health premium in full)
Review past due health plan report to determine members who paid premium. Notify Sanford Health Plan of individuals who paid premium and should be removed from suspended claims status	2 days prior to end of month	May 29
Run delinquent cancellation report and cancellation letters (same criteria as past due report).	1 st working day of the next month	June 1 (for anyone who has not paid May premium in full)
Cancel coverage. Accounting division to notify BIS to enter coverage end date into PERSLink. For Medicare Part D plan, no earlier than the FIRST business day after the requested disenrollment date, but NO LATER than the third business day after the requested disenrollment date; BIS to contact ESI MSCA Team to notify them of cancellation.	2 nd working day of the next month	June 2 Coverage cancelled effective April 30 for health, dental, vision & life plans. Coverage cancelled effective May 31 for Medicare Part D plan (efforts would still need to be made to collect the May premium).



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Sparb Collins
Executive Director
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1-800-803-7377

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Memorandum

TO: PERS Board
FROM: Sharon & Rebecca
DATE: March 9, 2016
SUBJECT: Health Plan Implementation Update

Staff continues to work with the Sanford Health Plan (SHP) team. Below is an update in each of the areas we have teams working.

a. Operations

- i. Operational items continue to be reviewed and addressed as they arise.
- ii. We continue to work with SHP on the monthly files for claims data. SHP is working with ESI to get additional prescription drug claims data that NDPERS uses.
- iii. A team of NDPERS and SHP staff continue to meet monthly to discuss business processes and operational issues. This will be an ongoing working group.
- iv. Affordable Care Act – Minimum Contribution testing is being done by Sanford Health Plan to ensure that political sub-divisions have not increased their employee contribution amount by more than is permitted under the ACA.

b. Wellness

- i. The NDPERS and SHP wellness teams continue work on the development of the new portal, including activities and point structure. Staff anticipates having a demo of the new portal later in March. The April 1 launch date for the new portal is still on schedule.

c. Claims Processing Review – In January, Bryan conducted a second review of claims to ensure they are being processed correctly. This is a separate agenda item.

d. Medicare Part D – Weekly calls with ESI and SHP discontinued the end of January following implementation of the product January 1. Ongoing monthly

calls have been scheduled with staff from NDPERS, ESI & SHP. As part of these meetings, ESI will provide information regarding calls received by their call center and claims processing, including rejected and mail order claims.

Below is an update on this transition:

- i. **PERSLink Modifications** – System modifications have been implemented. We continue to resolve minor issues as they arise.
 - ii. **ESI Call Center** –NDPERS staff is continuing to track these issues to ensure they are resolved. There have not been a significant volume of complaints. The majority of calls received related to individuals who reside elsewhere in the winter and did not receive their ID card/welcome packet through mail forwarding. ESI did confirm that upon receiving a call from the member or notice from NDPERS, they will mail the ID card/welcome packet to the individual's temporary address.
 - iii. **Pharmacy Contracts** – NDPERS has posted the list of 90 day pharmacies within the ESI network to the NDPERS website. The list is attached (Attachment 1) for your reference. In addition, staff has received information from ESI regarding the 15 remaining pharmacies in their network who have not signed the 90 day contract. This list is also provided (Attachment 2) for your reference. ESI has indicated that they have had discussions with a number of these pharmacies, but in the end, they were unwilling to accept the ESI rates.
 - iv. **Weekly Eligibility Files & Reports** – the weekly eligibility files continue to run smoothly. Since implementation, NDPERS staff has begun a new process which is reconciling the weekly eligibility report provided by ESI (based on our weekly file feed) on their secure client website. Staff has not previously had to perform this reconciliation as BCBS did this function when we had MedicareBlue Rx for the PDP. BCBS then notified NDPERS of any errors or issues so that we could follow-up on them. Staff is in the process of developing internal procedures for the new process. However, we are finding the training and tools provided by ESI prior to implementation have made this change a positive one for NDPERS staff as we are able to identify and resolve issues faster. The report also helps us to identify individuals impacted by Low Income Subsidies (LIS) and Late Enrollment Penalties (LEP) so that their premium can be adjusted sooner.
 - v. **ESI Billing/Premium Payment** - We received the first premium billing from ESI in February and are working through the reconciliation process. The first premium payment to ESI was made in February.
- e. **Other Activities** – staff have been working with Sanford staff on additional activities that include:
- i. Video visits – NDPERS staff received a demo.
 - ii. Telemedicine legislation
 - iii. Legislative Diabetes report
 - iv. Member surveys/call center surveys

Staff continues to work with BCBS to facilitate the exit of the BCBS system. Below is an update on this transition:

- a. BCBS continues to provide deductible and co-insurance accumulator files to SHP. It is anticipated that we will continue to receive this file monthly for the next few months.
- b. Transition of the PDP – terminating the plan through MedicareBlue Rx
 - o Process for closing out and payment of the final billing is still being worked on.

In addition, staff continues to hold bi-weekly status meetings with the Sanford implementation team. Representatives from Sanford will be at the meeting to provide an operational update and answer any questions you may have.

We will be at the Board meeting if you have any further questions or concerns.

NDPERS MEDICARE PART D PRESCRIPTION DRUG PLAN (PDP)

As of 01/13/2016

NORTH DAKOTA PHARMACIES IN 90 DAY SUPPLY NETWORK

PHARMACY	ADDRESS	CITY
WHITE DRUG	109 W MAIN ST	ASHLEY
BEACH PHARMACY	180 S CENTRAL AVE	BEACH
BELCOURT DRUG	1110 HOSPITAL RD #1	BELCOURT
BEULAH DRUG	147 W MAIN ST	BEULAH
WHITE DRUG	117 N 5TH ST	BISMARCK
CVS	1225 E CALGARY AVE	BISMARCK
MEDICINE SHOPPE PHARMACY	1304 E BLVD AVE	BISMARCK
ARROWHEAD PLAZA DRUG	1116 N 3RD ST	BISMARCK
HOLIDAY PROFESSIONAL PHARMACY	1140 E BISMARCK EXPY	BISMARCK
SANFORD RETAIL PHARMACY	300 N 7TH ST	BISMARCK
CENTER FOR FAMILY MEDICINE	701 E ROSSER AVE	BISMARCK
CVS	525 S 3RD ST	BISMARCK
HERITAGE PHARMACY EAST	1000 E ROSSER AVE	BISMARCK
DAKOTA PHARMACY	705 E MAIN AVE	BISMARCK
ST ALEXIUS COMMUNITY PHARMACY	900 E BROADWAY AVE	BISMARCK
THRIFTY WHITE PHARMACY	1929 N WASHINGTON ST STE C	BISMARCK
HERITAGE PHARMACY	401 N 9TH ST	BISMARCK
GATEWAY HEALTH MART PHCY SOUTH	835 S WASHINGTON ST	BISMARCK
CHURCHILL PHARMACY	1190 W TURNPIKE AVE	BISMARCK
MAYO PHARMACY	303 N 4TH ST	BISMARCK
HERITAGE PHARMACY GATEWAY	2700 STATE ST STE F13	BISMARCK
GATEWAY HEALTH MART PHARMACY N	3101 N 11TH ST STE 2	BISMARCK
GATEWAY HM PHARMACY SUNRISE	3103 YORKTOWN DR STE 2	BISMARCK

THOMPSON DRUG	505 MAIN ST	BOTTINEAU
NEUMANN DRUG	412 MAIN ST	CANDO
CASSELTON HEALTH MART DRUG	622 FRONT ST	CASSELTON
THRIFTY WHITE PHARMACY	102 DIVISION AVE S	CAVALIER
J CO DRUG	30 N MAIN ST	CROSBY
BELL DRUG	323 5TH ST	DEVILS LAKE
CLINIC PHARMACY	1001 7TH ST NE	DEVILS LAKE
RAMSEY DRUG	401 COLLEGE DR S	DEVILS LAKE
WHITE DRUG	425 COLLEGE DR S STE 10	DEVILS LAKE
THRIFTY WHITE PHARMACY	2265 3RD AVE W	DICKINSON
GREENE DRUG	16 W VILLARD ST	DICKINSON
ST JOSEPHS HOSP AND HLTH CNTR	30 7TH ST W	DICKINSON
ND HEALTH MART PHARMACY	446 18TH ST W STE 2	DICKINSON
THRIFTY WHITE PHARMACY	352 1ST ST E STE C	DICKINSON
MEDICINE SHOPPE PHARMACY	1571 W VILLARD ST UNIT 1	DICKINSON
CLINIC PHARMACY	2615 FAIRWAY ST	DICKINSON
ND PHARMACY WEST	1283 ROUGHRIDER BLVD	DICKINSON
ECONOMY DRUG	201 N MAIN ST	ELGIN
NUCARA PHARMACY	308 RAILWAY ST	ENDERLIN
WHITE DRUG	708 38TH ST NW STE C	FARGO
WHITE DRUG	1401 33RD ST SW	FARGO
CVS	1321 19TH AVE N	FARGO
WHITE DRUG	712 38TH ST N STE A	FARGO
MEDICINE SHOPPE PHARMACY	1605 S UNIVERSITY DR	FARGO
WHITE DRUG	201 UNIVERSITY DR S	FARGO
CVS	2425 13TH AVE S	FARGO
SOUTHPOINTE PHARMACY	2400 32ND AVE S	FARGO
LINSON PHARMACY	3175 25TH ST S	FARGO
FAMILY HEALTHCARE PHCY NDSU	301 N P AVE	FARGO
PRESCRIPTION CENTER PHARMACY	2701 13TH AVE S	FARGO
M-D PHARMACY	4101 13TH AVE S STE S	FARGO
WEST ACRES PHARMACY	3902 13TH AVE S STE 3706	FARGO
DAKOTA CLINIC PHARMACY	1702 UNIVERSITY DR S	FARGO
7 DAY CLINIC	1100 19TH AVE N	FARGO

MEDICAL PHARMACY SOUTH	4151 45TH ST S	FARGO
7 DAY CLINIC	1517 32ND AVE S	FARGO
MEDICAL PHARMACY	100 S 4TH ST STE 104	FARGO
SANFORD PHARMACY MILLS AVENUE	801 BROADWAY N	FARGO
MEDICINE SHOPPE PHARMACY	2800 BROADWAY N	FARGO
NORTHPORT DRUG	2522 BROADWAY N	FARGO
PRAIRIE PHARMACY	4731 13TH AVE S	FARGO
SEIP PRESCRIPTION SHOPPE	5675 26TH AVE S STE 136 A	FARGO
SANFORD PHARMACY BROADWAY	737 BROADWAY N	FARGO
SANFORD PHARMACY S UNIVERSITY	1720 S UNIVERSITY DR	FARGO
THRIFTY DRUG SOUTHGATE	1532 32ND AVE S	FARGO
THRIFTY DRUG	1521 S UNIVERSITY DR	FARGO
7 DAY CLINIC	4622 40TH AVE S	FARGO
INNOVIS HEALTH	3000 32ND AVE SW	FARGO
NILLES DRUG	58 S MAIN ST	FESSENDEN
FORMAN DRUG	330 MAIN ST S	FORMAN
GLEN ULLIN PHARMACY	113 S MAIN ST	GLEN ULLIN
WHITE DRUG	544 HILL AVE	GRAFTON
GRAFTON DRUG	38 E 12TH ST	GRAFTON
WHITE DRUG	2475 32ND AVE S STE 1	GRAND FORKS
CVS	1950 32ND AVE S	GRAND FORKS
WALLS LTC PHARMACY	1020 S WASHINGTON ST	GRAND FORKS
ALTRU RETAIL PHARMACY	1200 S COLUMBIA RD	GRAND FORKS
VALLEY HEALTH	360 DIVISION AVE STE 200	GRAND FORKS
WALLS HEALTH MART PHARMACY	4440 S WASHINGTON ST STE 101D	GRAND FORKS
FAMILY MEDICINE RESIDENCY PHCY	725 HAMLINE ST	GRAND FORKS
THRIFTY WHITE PHARMACY	1395 S COLUMBIA RD STE C	GRAND FORKS
UNIV OF ND STUDENT HLTH PHCY	2891 2ND AVE STOP 9038	GRAND FORKS
ALTRU CLINIC PHARMACY	1000 S COLUMBIA RD	GRAND FORKS
WALLS MEDICINE CENTER	708 S WASHINGTON ST	GRAND FORKS
SKIP'S BUDGET DRUG	2015 LIBRARY CIR STE 102	GRAND FORKS
ALTRU CLINIC PHARMACY FMC	1380 S COLUMBIA RD	GRAND FORKS
ALTRU HEALTH SYSTEMS	1200 S COLUMBIA RD	GRAND FORKS
HANKINSON DRUG	323 S MAIN AVE	HANKINSON

SERVICE DRUG AND GIFT	815 LINCOLN AVE	HARVEY
MEDICINE SHOPPE PHARMACY	722 LINCOLN AVE	HARVEY
HAZEN DRUG	30 MAIN ST W	HAZEN
WHITE DRUG	112 S MAIN ST	HETTINGER
WHITE DRUG	320 10TH ST SE	JAMESTOWN
WHITE DRUG	213 1ST AVE N	JAMESTOWN
WHITE DRUG	310 1ST AVE S	JAMESTOWN
MEDICINE SHOPPE PHARMACY	703 1ST AVE S	JAMESTOWN
KILLDEER PHARMACY	14 CENTRAL AVE S	KILLDEER
LA MOURE DRUG STORE	100 1ST ST SW	LAMOURE
WHITE DRUG	121 N BROADWAY ST	LINTON
WHITE DRUG	404 MAIN ST	LISBON
NUCARA PHRAMACY	407 MAIN ST	LISBON
WHITE DRUG	108 CENTRAL AVE	MADDOCK
THRIFTY WHITE PHARMACY	2600 OVERLOOK LN NW	MANDAN
ST ALEXIUS MANDAN PHARMACY	2500 SUNSET DR STE 2	MANDAN
MEDICINE SHOPPE PHARMACY	116 2ND AVE NW	MANDAN
GATEWAY HEALTH MART PHARMACY	500 BURLINGTON ST SE	MANDAN
WHITE DRUG	2211 16TH ST NW STE B	MINOT
MEDICINE SHOPPE PHARMACY	1118 S BROADWAY	MINOT
CVS	1520 20TH AVE SW	MINOT
CNTR FOR FAMILY MEDICINE PHCY	1201 11TH AVE SW	MINOT
WHITE DRUG	1015 S BROADWAY STE 3	MINOT
B AND B NORTHWEST PHARMACY	20 BURDICK EXPY W	MINOT
KEYCARE PHARMACY	400 BURDICK EXPY E STE	MINOT
MARKET PHARMACY	1930 S BROADWAY	MINOT
TRINITY HOSPITAL PHARMACY	1 BURDICK EXPY W	MINOT
WHITE DRUG	115 MAIN ST W	MOHALL
ECONOMY DRUG MOTT	216 BROWN AVE	MOTT
NEW ENGLAND DRUG	713 MAIN ST	NEW ENGLAND
NEW SALEM PHARMACY	509 ASH AVE	NEW SALEM
LARSEN SERVICE DRUG	334 MAIN ST	NEW TOWN
PAUL BILDEN PHARMACY	10 N MAIN ST	NORTHWOOD
TARA'S THRIFTY WHITE PHARMACY	610 MAIN AVE	OAKES

OAKES DRUG	422 MAIN AVE	OAKES
COUNTRY DRUG STORE	116 NORTH AVE E	RICHARDTON
WHITE DRUG	208 MAIN ST	ROLETTE
ROLLA DRUG	117 MAIN AVE E	ROLLA
WHITE DRUG	107 2ND ST SE	RUGBY
HEART OF AMERICA CLINIC PHCY	800 S MAIN AVE	RUGBY
DAKOTA DRUG	107 S MAIN ST	STANLEY
STEELE DRUG	101 W BROADWAY	STEELE
TIOGA DRUG	106 N MAIN ST	TIOGA
VALLEY DRUG	239 2ND AVE NW	VALLEY CITY
CENTRAL AVENUE PHARMACY	323 CENTRAL AVE N STE 101	VALLEY CITY
NUCARA PHARMACY	234 CENTRAL AVE N	VALLEY CITY
VELVA DRUG COMPANY	16 MAIN ST N	VELVA
THRIFTY WHITE PHARMACY	387 11TH ST S OFC 2	WAHPETON
WAHPETON DRUG	508 DAKOTA AVE	WAHPETON
CORNER DRUG STORE	619 DAKOTA AVE	WAHPETON
WALHALLA PRESCRIPTION SHOP	1102 CENTRAL AVE	WALHALLA
LARSEN SERVICE DRUG	244 N MAIN ST	WATFORD CITY
BARRETT HEALTH MART PHARMACY	145 N MAIN ST	WATFORD CITY
THRIFY WHITE PHARMACY	1100 13TH AVE E	WEST FARGO
HEALTH CENTER PHARMACY	1401 13TH AVE E	WEST FARGO
SKRIPTS PHARMACY	750 23RD AVE E	WEST FARGO
THE PRESCRIPTION SHOP	1210 SHEYENNE ST	WEST FARGO
WHITE DRUG	300 W 11TH ST	WILLISTON
MERCY MEDICAL CENTER	1301 15TH AVE W	WILLISTON
ND HEALTH MART PHARMACY	20 26TH ST E	WILLISTON
G AND G PHARMACY	1500 14TH ST W STE 150	WILLISTON
SERVICE DRUG PHARMACY	317 MAIN ST	WILLISTON
WISHEK DRUG	9 S CENTENNIAL ST	WISHEK

PHARMACIES IN ESI NETWORK – DO NOT HAVE 90 DAY CONTRACT

Pharmacy	City
ARTHUR DRUG	ARTHUR
BOTTINEAU CLINIC PHARMACY	BOTTINEAU
CARRINGTON DRUG	CARRINGTON
CENTRAL PHARMACY	CARRINGTON
IRSFIELD PHARMACY	DICKINSON
EDGELEY PHARMACY	EDGELEY
ELLENDALE PHARMACY	ELLENDALE
INHEALTH SPECIALTY PHARMACY	FARGO
HILLSBORO DRUG	HILLSBORO
LAKOTA DRUG AND GIFT	LAKOTA
LANGDON COMMUNITY DRUG	LANGDON
AASEN DRUG	MAYVILLE
CENTRAL PHARMACY	NEW ROCKFORD
ROCKVIEW PHARMACY	PARSHALL
TURTLE LAKE REXALL DRUG	TURTLE LAKE
CHASE DRUG	WASHBURN



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: March 10, 2016
SUBJECT: Proposed Legislation

Attached please find three proposed bills for consideration by the Employee Benefits Committee. As you are aware we need to submit any legislation that we are considering for the next session to that committee by the end of March.

Three proposed bills are attached. The first is for the 4th year of the recovery plan. The second is our technical bill. The third is pursuant to legislative direction and would make the telemedicine benefit a requirement for all health plans.

4th year of Recovery Plan – Bill #1

The bill is the same as we have submitted in the past. The last year of the recovery plan if the final increase in contributions of 2% in total with 1% coming from the employer and 1% coming from the employee. The proposed date in this bill for the increase is the same point in the biennium as the previous bill which would be January 2018 for the 2017-19 biennium. The total employer cost would be \$16 million for the biennium with about \$8.5 million coming from the state (about half would be general fund) and about \$7.5 million coming from the political subdivisions. Changing the effective date of the contribution increase would change the fiscal note. The following are some alternative dates and fiscal effect for the 2017-2019 biennium):

Effective Date of Contribution increase	total cost (In millions of \$)	State	Political Sub
½% Jan 2018 & ½% Jan 2019	\$10.6	\$5.5	\$5.0
½% Jan 2018 & ½% Jan 2020	\$7.9	\$4.1	\$3.8

½% Jan 2019
½% Jan 2021

\$2.6

\$1.4

\$1.2

As the above shows changing the effective date of the contribution increase has a dramatic effect on the fiscal note for the 2017-19 biennium. Attachment #4 shows the above numbers in fiscal note format. **Staff would recommend changing the effective date to January 2019 & 2021.**

Technical Bill – Bill #2

The following is summary of changes in section of the technical bill.

Section	Change
1	<ol style="list-style-type: none">1. Deletes normal retirement date to recognize “ruleage” and early retirement as well2. Updates statute for legislative change made in SB 2020 last session
2	<ol style="list-style-type: none">1. Reduces the BCI contribution increase by ½% to make the same as the other members in this system. We proposed this change last year in the recovery plan but since that bill did not pass this change was also not enacted
3	<ol style="list-style-type: none">1. Clarifies that a member can only get a disability benefit from the retirement plan they are presently an active member2. No change in effect to the member benefits just references the section instead of stating it (please note that last session the rule changed for new members and this will reference the section)
4	<ol style="list-style-type: none">1. Removes outdated language
5	<ol style="list-style-type: none">1. The retiree health credit is now reimbursed to the member and no longer applied to premium so this wording is now out of date
6	<ol style="list-style-type: none">1. Clarifies that if member has closed their account before a final deposit the system is not responsible for depositing the money. Federal law does not allow NDPERS to reopen the account so we have no account to send the funds.
7	<ol style="list-style-type: none">1. Adds to the DC plan the same method wording that is in the DB plan relating to late contributions thereby making our administrative remedied the same.

Telemedicine Bill – Bill #3

This last session HB 1038 passed which is a mandate bill.

Introduced by

Bill #1

A BILL for an Act to amend and reenact section 54-52-02.9, subsection 2 of section 54-52-05, section 54-52-06, subsection 6 of section 54-52.6-02, and section 54-52.6-09, of the North Dakota Century Code relating to increased employer and employee contributions under the public employees retirement system defined benefit and defined contribution plans.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 54-52-02.9 of the North Dakota Century is amended and reenacted as follows:

54-52-02.9. Participation by temporary employees.

A temporary employee may elect, within one hundred eighty days of beginning employment, to participate in the public employees retirement system and receive credit for service after enrollment. The temporary employee shall pay monthly to the fund an amount equal to eight and twelve-hundredths percent times the temporary employee's present monthly salary. The amount required to be paid by a temporary employee increases by two percent times the temporary employee's present monthly salary beginning with the monthly reporting period of January 2012, and with an additional two percent increase, beginning with the reporting period of January 2013, and with an additional increase of two percent, beginning with the monthly reporting period of January 2014, and with an additional increase of two percent, beginning with the monthly reporting period of January 2018. The temporary employee shall also pay the required monthly contribution to the retiree health benefit fund established under section 54-52.1-03.2. This contribution must be recorded as a member contribution pursuant to section 54-52.1-03.2. An employer may not pay the temporary employee's contributions.

A temporary employee may continue to participate as a temporary employee in the public employees retirement system until termination of employment or reclassification of the temporary employee as a permanent employee. A temporary employee may not purchase any additional credit, including additional credit under section 54-52-17.4 or past service under section 54-52-02.6.

SECTION 2. AMENDMENT. Subsection 2 of section 54-52-05 of the North Dakota Century Code is amended and reenacted as follows:

2. Each member must be assessed and required to pay monthly four percent of the monthly salary or wage paid to the member, and such assessment must be deducted and retained out of such salary in equal monthly installments commencing with the first month of employment. Member contributions increase by one percent of the monthly salary or wage paid to the member beginning with the monthly reporting period of January 2012, and with an additional increase of one percent, beginning with the monthly reporting period of January 2013, and with an additional increase of one percent, beginning with the monthly reporting period of January 2014, and with an additional increase of one percent, beginning with the monthly reporting period of January 2018.

SECTION 3. AMENDMENT. Section 54-52-06 of the North Dakota Century Code is amended and reenacted as follows:

54-52-06. Employer's contribution to retirement plan.

Each governmental unit shall contribute an amount equal to four and twelve-hundredths percent of the monthly salary or wage of a participating member. Governmental unit contributions increase by one percent of the monthly salary or wage of a participating member beginning with the monthly reporting period of January 2012, and with an additional increase of one percent, beginning with the reporting period of January 2013, and with an additional increase of one percent, beginning with the

monthly reporting period of January 2014, and with an additional increase of one percent, beginning with the monthly reporting period of January 2018. For those members who elect to exercise their rights under section 54-52-17.14, the employing governmental unit, or in the case of a member not presently under covered employment the most recent employing governmental unit, shall pay the associated employer contribution. If the employee's contribution is paid by the governmental unit under subsection 3 of section 54-52-05, the employer unit shall contribute, in addition, an amount equal to the required employee's contribution. Each governmental unit shall pay the contribution monthly, or in the case of an election made pursuant to section 54-52-17.14 a lump sum, into the retirement fund from its funds appropriated for payroll and salary or any other funds available for these purposes. Any governmental unit failing to pay the contributions monthly, or in the case of an election made pursuant to section 54-52-17.14 a lump sum, is subject to a civil penalty of fifty dollars and, as interest, one percent of the amount due for each month of delay or fraction thereof after the payment became due. In lieu of assessing a civil penalty or one percent per month, or both, interest at the actuarial rate of return may be assessed for each month the contributions are delinquent. If contributions are paid within ninety days of the date they became due, penalty and interest to be paid on delinquent contributions may be waived. An employer is required to submit contributions for any past eligible employee who was employed after July 1, 1977, for which contributions were not made if the employee would have been eligible to become vested had the employee participated and if the employee elects to join the public employees retirement system. Employer contributions may not be assessed for eligible service that an employee has waived pursuant to subsection 1 of section 54-52-05. The board shall report to each session of the legislative assembly the contributions necessary, as determined by the actuarial study, to maintain the fund's actuarial soundness.

SECTION. 4. AMENDMENT. Subsection 6 of section 54-52.6-02 of the North Dakota Century Code is amended and reenacted as follows:

54-52.6-02. (Effective after July 31, 2017) Election.

6. A participating member who becomes a temporary employee may still participate in the defined contribution retirement plan upon filing an election with the board within one hundred eighty days of transferring to temporary employee status. The participating member may not become a member of the defined benefit plan as a temporary employee. The temporary employee electing to participate in the defined contribution retirement plan shall pay monthly to the fund an amount equal to eight and twelve-hundredths percent times the temporary employee's present onthly salary. The amount required to be paid by a temporary employee increases by two percent times the temporary employee's present monthly salary beginning with the monthly reporting period of January 2012, and with an additional increase of two percent, beginning with the monthly reporting period of January 2013, and with an additional increase of two percent, beginning with the monthly reporting period of January 2014, and with an additional increase of two percent, beginning with the monthly reporting period of January 2018. The temporary employee shall also pay the required monthly contribution to the retiree health benefit fund established under section 54-52.1-03.2. This contribution must be recorded as a member contribution pursuant to section 54-52.1-03.2. An employer may not pay the temporary employee's contributions. A temporary employee may continue to participate as a temporary employee until termination of employment or reclassification of the temporary employee as a permanent employee.

SECTION 5. AMENDMENT. Section 54-52.6-09 of the North Dakota Century Code is amended and reenacted as follows:

54-52.6-09. Contributions - Penalty.

1. Each participating member shall contribute monthly four percent of the monthly salary or wage paid to the participant, and this assessment must be deducted from the participant's salary in equal monthly installments commencing with the first month of participation in the defined contribution retirement plan established under this chapter. Participating member contributions increase by one percent of the monthly salary or wage paid to the participant beginning with the monthly reporting period of January 2012, and with an additional increase of one percent, beginning with the reporting period of January 2013, and with an additional increase of one percent, beginning with the monthly reporting period of January 2014, and with an additional increase of one percent, beginning with the monthly reporting period of January 2018.
2. The employer shall contribute an amount equal to four and twelve-hundredths percent of the monthly salary or wage of a participating member. Employer contributions increase by one percent of the monthly salary or wage of a participating member beginning with the monthly reporting period of January 2012, and with an additional increase of one percent, beginning with the monthly reporting period of January 2013, and with an additional increase of one percent, beginning with the monthly reporting period of January 2014, and with an additional increase of one percent, beginning with the monthly reporting period of January 2018. If the employee's contribution is paid by the employer under subsection 3, the employer shall contribute, in addition, an amount equal to the required employee's contribution. The employer shall pay monthly such contribution

into the participating member's account from its funds appropriated for payroll and salary or any other funds available for such purposes. If the employer fails to pay the contributions monthly, it is subject to a civil penalty of fifty dollars and, as interest, one percent of the amount due for each month of delay or fraction thereof after the payment became due.

3. Each employer, at its option, may pay the employee contributions required by this section for all compensation earned after December 31, 1999. The amount paid must be paid by the employer in lieu of contributions by the employee. If the employer decides not to pay the contributions, the amount that would have been paid will continue to be deducted from the employee's compensation. If contributions are paid by the employer, they must be treated as employer contributions in determining tax treatment under this code and the federal Internal Revenue Code. Contributions paid by the employer may not be included as gross income of the employee in determining tax treatment under this code and the federal Internal Revenue Code until they are distributed or made available. The employer shall pay these employee contributions from the same source of funds used in paying compensation to the employee. The employer shall pay these contributions by effecting an equal cash reduction in the gross salary of the employee or by an offset against future salary increases or by a combination of a reduction in gross salary and offset against future salary increases. Employee contributions paid by the employer must be treated for the purposes of this chapter in the same manner and to the same extent as employee contributions made before the date on which employee contributions were assumed by the employer. An employer shall exercise its option under this subsection by reporting its choice to the board in writing.

Introduced by

Bill #2

A BILL for an Act to amend and reenact subsections 16 and 17 of section 54-52-01, section 54-52-06.4, subsections 3 and 4 of section 54-52-17, subsection 2 of section 54-52.1-03, subsection 1 of section 54-52.1-03.3, subsection 2 of section 54-52.1-18, subsection 2 of section 54-52.6-09, relating to the definitions of retirement and retirement board, decreased employee contributions under the public employees retirement system for peace officers employed by the bureau of criminal investigation, eligibility for disability retirement and early retirement benefits under the public employees retirement system, employee enrollment, billing for the retiree health insurance credit, failure to maintain a health savings account when the high deductible health plan is elected, and penalties for employers failing to pay contributions under the defined contribution plan.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Subsections 16 and 17 of section 54-52-01 of the North Dakota Century Code is amended and reenacted as follows:

16. "Retirement" means the acceptance of a retirement allowance under this chapter upon either termination of employment or termination of participation in the retirement plan ~~and meeting the normal retirement date.~~
17. "Retirement board" or "board" means the ~~seven~~nine persons designated by this chapter as the governing authority for the retirement system created.

SECTION 2. AMENDMENT. Section 54-52-06.4 of the North Dakota Century Code is amended and reenacted as follows:

54-52-06.4. Contribution by peace officers employed by the bureau of criminal investigation or security officers employed by the national guard - Employer contribution.

Each peace officer employed by the bureau of criminal investigation who is a member of the public employees retirement system is assessed and shall pay monthly four percent of the employee's monthly salary. Peace officer contributions increase by one percent of the member's monthly salary beginning with the monthly reporting period of January 2012, and with an additional increase of one percent, beginning with the reporting period of January 2013. Peace officer contributions shall decrease by one-half of one percent of the member's monthly salary beginning with the monthly reporting period of August 2017. Effective August 1, 2015, each national guard security officer who is a member of the public employee's retirement system is assessed and monthly shall pay six percent of the employee's monthly salary. National guard security officer contributions decrease by one-half of one percent of the member's monthly salary beginning with the monthly reporting period of January 2016. The assessment must be deducted and retained out of the employee's salary in equal monthly installments. The peace officer's or security officer's employer shall contribute an amount determined by the board to be actuarially required to support the level of benefits specified in section 54-52-17. The employer's contribution must be paid from funds appropriated for salary or from any other funds available for such purposes. If the peace officer's or security officer's assessment is paid by the employer under subsection 3 of section 54-52-05, the employer shall contribute, in addition, an amount equal to the required peace officer's or security officer's assessment.

SECTION 3. AMENDMENT. Subsections 3 and 4 of section 54-52-17 of the North Dakota Century Code is amended and reenacted as follows:

3. Retirement dates are defined as follows:

Sixty-fifth
Legislative Assembly

- a. Normal retirement date, except for a national guard security officer or firefighter or a peace officer or correctional officer employed by the bureau of criminal investigation or by a political subdivision, is:
 - (1) The first day of the month next following the month in which the member attains the age of sixty-five years; or
 - (2) When the member has a combined total of years of service credit and years of age equal to eighty-five and has not received a retirement benefit under this chapter.
- b. Normal retirement date for members first enrolled after December 31, 2015, except for a national guard security officer or firefighter, a peace officer or correctional officer employed by the bureau of criminal investigation or by a political subdivision, or a supreme court or district court judge, is:
 - (1) The first day of the month next following the month in which the member attains the age of sixty-five years; or
 - (2) When the member has a combined total of years of service credit and years of age equal to ninety and the member attains a minimum age of sixty and has not received a retirement benefit under this chapter.
- c. Normal retirement date for a national guard security officer or firefighter is:
 - (1) The first day of the month next following the month in which the national guard security officer or firefighter attains the age of fifty-five years and has completed at least three eligible years of employment; or
 - (2) When the national guard security officer or firefighter has a combined total of years of service credit and years of age

equal to eighty-five and has not received a retirement benefit under this chapter.

- d. Normal retirement date for a peace officer or correctional officer employed by a political subdivision is:
 - (1) The first day of the month next following the month in which the peace officer or correctional officer attains the age of fifty-five years and has completed at least three eligible years of employment; or
 - (2) When the peace officer or correctional officer has a combined total of years of service credit and years of age equal to eighty-five and has not received a retirement benefit under this chapter.
- e. Normal retirement date for a peace officer employed by the bureau of criminal investigation is:
 - (1) The first day of the month next following the month in which the peace officer attains the age of fifty-five years and has completed at least three eligible years of employment; or
 - (2) When the peace officer has a combined total of years of service credit and years of age equal to eighty-five and has not received a retirement benefit under this chapter.
- f. Postponed retirement date is the first day of the month next following the month in which the member, on or after July 1, 1977, actually severs or has severed the member's employment after reaching the normal retirement date.
- g. Early retirement date, except for a national guard security officer or firefighter or a peace officer or correctional officer employed by the bureau of criminal investigation or by a political subdivision, is the

first day of the month next following the month in which the member attains the age of fifty-five years and has completed three years of eligible employment. For a national guard security officer or firefighter, early retirement date is the first day of the month next following the month in which the national guard security officer or firefighter attains the age of fifty years and has completed at least three years of eligible employment. For a peace officer or correctional officer employed by the bureau of criminal investigation or by a political subdivision, early retirement date is the first day of the month next following the month in which the peace officer or correctional officer attains the age of fifty years and has completed at least three years of eligible employment.

- h. Disability retirement date is the first day of the month after a member becomes permanently and totally disabled, according to medical evidence called for under the rules of the board, and has completed at least one hundred eighty days of eligible employment. For supreme and district court judges, permanent and total disability is based solely on a judge's inability to perform judicial duties arising out of physical or mental impairment, as determined pursuant to rules adopted by the board or as provided by subdivision a of subsection 3 of section 27-23-03. A member is eligible to receive disability retirement benefits only if the member:
- (1) Became disabled during the period of eligible employment;
and
 - (2) Applies for disability retirement benefits within twelve months of the date the member terminates employment.

A member is eligible to continue to receive disability benefits as long as the permanent and total disability continues and the member submits the necessary documentation and undergoes medical testing required by the board, or for as long as the member participates in a rehabilitation program required by the board, or both. If the board determines that a member no longer meets the eligibility definition, the board may discontinue the disability retirement benefit. The board may pay the cost of any medical testing or rehabilitation services it deems necessary and these payments are appropriated from the retirement fund for those purposes. A member may only receive a disability benefit under this section from the plan the member was actively contributing to at the time the member became disabled.

4. The board shall calculate retirement benefits as follows:
 - a. Normal retirement benefits for all retirees, except supreme and district court judges, reaching normal retirement date equal an annual amount, payable monthly, comprised of a service benefit and a prior service benefit, as defined in this chapter, which is determined as follows:
 - (1) Service benefit equals two percent of final average salary multiplied by the number of years of service employment.
 - (2) Prior service benefit equals two percent of final average salary multiplied by the number of years of prior service employment.
 - b. Normal retirement benefits for all supreme and district court judges under the public employees retirement system reaching normal retirement date equal an annual amount, payable monthly,

comprised of a benefit as defined in this chapter, determined as follows:

- (1) Benefits must be calculated from the time of appointment or election to the bench and must equal three and one-half percent of final average salary multiplied by the first ten years of judicial service, two and eighty hundredths percent of final average salary multiplied by the second ten years of judicial service, and one and one-fourth percent of final average salary multiplied by the number of years of judicial service exceeding twenty years.
 - (2) Service benefits must include, in addition, an amount equal to the percent specified in subdivision a of final average salary multiplied by the number of years of nonjudicial employee service and employment.
- c. Postponed retirement benefits are calculated as for single life benefits for those members who retired on or after July 1, 1977.
 - d. Early retirement benefits are calculated as for single life benefits accrued to the date of termination of employment, but must be actuarially reduced to account for benefit payments beginning prior to the normal retirement date, as determined under subsection 3 of this section~~which is the earlier of age sixty-five or the age at which current service plus age equals eighty-five~~. Except for a national guard security officer or firefighter, a peace officer or correctional officer employed by the bureau of criminal investigation or by a political subdivision, or a supreme court or district court judge, early retirement benefits for members first enrolled after December 31, 2015, are calculated for single life benefits accrued to the date of

termination of employment, but must be reduced by fixed rate of eight percent per year to account for benefit payments beginning before the normal retirement date. A retiree, other than a supreme or district court judge, is eligible for early retirement benefits only after having completed three years of eligible employment. A supreme or district court judge retiree is eligible for early retirement benefits only after having completed five years of eligible employment

SECTION 4. AMENDMENT. Section 54-52.1-03 of the North Dakota Century Code is amended and reenacted as follows:

54-52.1-03. Employee participation in plan - Employee to furnish information - Benefits to continue upon retirement or termination.

1. Any eligible employee may be enrolled in the uniform group insurance program created by this chapter by requesting enrollment with the employing department. If an eligible employee does not enroll in the uniform group insurance program at the time of beginning employment, in order to enroll at a later time the eligible employee must meet minimum requirements established by the board. An employing department may not require an active eligible employee to request coverage under the uniform group insurance program as a prerequisite to receive the minimum employer-paid life insurance benefits coverage or employee assistance program benefits coverage.

2. ~~Within five days after the expiration of the payroll period during which enrollment was requested, the employing department shall enroll the employee with the board. The employee's insurance coverage becomes effective on the date of enrollment.~~

3. A retiree who has accepted a periodic distribution from the defined contribution retirement plan pursuant to section 54-52.6-13 who the board determines is eligible for participation in the uniform group insurance program or has accepted a retirement allowance from the public employees retirement system, the highway patrolmen's retirement system, the teachers' insurance and annuity association of America - college retirement equities fund for service credit earned while employed by North Dakota institutions of higher education, the retirement system established by jobservice North Dakota under section 52-11-01, the judges' retirement system established under chapter 27-17, or the teachers' fund for retirement may elect to participate in the uniform group under this chapter without meeting minimum requirements at age sixty-five, when the member's spouse reaches age sixty-five, upon the receipt of a benefit, or when the spouse terminates employment. If a retiree or surviving spouse does not elect to participate at the times specified in this subsection, the retiree or surviving spouse must meet the minimum requirements

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established by the board. Subject to sections 54-52.1-03.2 and 54-52.1-03.3, each retiree or surviving spouse shall pay directly to the board the premiums in effect for the coverage then being provided. A retiree or surviving spouse who has met the initial eligibility requirements of this subsection to begin participation in the uniform group insurance program remains eligible as long as the retiree maintains the retiree's participation in the program by paying the required premium pursuant to rules adopted by the board.

43. Upon the termination of employment when the employee is not eligible to participate under subsection 3 or 5 or applicable federal law, that employee cannot continue as a member of the uniform group.

54. A member or former member of the legislative assembly or that person's surviving spouse may elect to continue membership in the uniform group within the applicable time limitations after either termination of eligible employment as a member of the legislative assembly or termination of other eligible employment or, for a surviving spouse, upon the death of the member or former member of the legislative assembly. The member or former member of the legislative assembly or that person's surviving spouse shall pay the premiums in effect for the coverage provided directly to the board.

65. Each eligible employee requesting enrollment shall furnish the appropriate person in the employing department, board, or agency with such information and in such form as prescribed by the board to enable the enrollment of the employee, or employee and dependents, in the uniform group insurance program created by this chapter.

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

SECTION 5. AMENDMENT. Subsection 1 of section 54-52.1-03.3 of the North Dakota Century Code is amended and reenacted as follows:

1. The following persons are entitled to receive credit for hospital and medical benefits coverage and prescription drug coverage under any health insurance program and dental, vision, and long-term care benefits coverage under the uniform group insurance program under subsection 2:
 - a. A member or surviving spouse of the highway patrolmen's retirement system is eligible for the credit beginning on the date retirement benefits are effective ~~unless the premium is billed to the employer.~~

- b. A member or surviving spouse of the public employees retirement system is eligible for the credit beginning on the date retirement benefits are effective ~~unless the premium is billed to the employer.~~
- c. A member or surviving spouse of the retirement program established by job service North Dakota under section 52-11-01 receiving retirement benefits is eligible for the credit beginning on the date retirement benefits are effective ~~unless the premium is billed to the employer.~~
- d. A retired judge or surviving spouse receiving retirement benefits under the retirement program established under chapter 27-17 is eligible for the credit beginning on the date retirement benefits are effective ~~unless the premium is billed to the employer.~~
- e. A former participating member of the defined contribution retirement plan receiving retirement benefits, or the surviving spouse of a former participating member of that retirement plan who was eligible to receive or was receiving benefits, under section 54-52.6-13, is eligible as determined by the board pursuant to its rules.

SECTION 6. AMENDMENT. Subsection 2 of section 54-52.1-18 of the North Dakota Century Code is amended and reenacted as follows:

- 2. Health savings account fees for participating state employees must be paid by the employer.
 - a. Except as provided in subdivision b, subject to the limits of section 223(b) of the Internal Revenue Code [26 U.S.C. 233(b)], the difference between the cost of the single and family premium for eligible state employees under section 54-52.1-06 and the premium for those employees electing to participate under the

high-deductible health plan under this section must be deposited in a health savings account for the benefit of each participating employee.

- b. If the public employees retirement system is unable to establish a health savings account due to the employee's ineligibility under federal or state law or due to failure of the employee to provide necessary information in order to establish the account, the system is not responsible for depositing the health savings account contribution. The member will remain a participant in the high-deductible health plan regardless of whether a health savings account is established.
- c. If a member closes the health savings account established for them under this section, the system is not responsible for depositing the health savings account contribution subsequent to that closure.

SECTION 7. AMENDMENT. Subsection 2 of section 54-52.6-09 of the North Dakota Century Code is amended and reenacted as follows:

2. The employer shall contribute an amount equal to four and twelve-hundredths percent of the monthly salary or wage of a participating member. Employer contributions increase by one percent of the monthly salary or wage of a participating member beginning with the monthly reporting period of January 2012, and with an additional increase of one percent, beginning with the monthly reporting period of January 2013, and with an additional increase of one percent, beginning with the monthly reporting period of January 2014. If the employee's contribution is paid by the employer under subsection 3, the employer shall contribute, in addition, an amount equal to the required employee's contribution. The employer shall pay monthly such contribution into the participating

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member's account from its funds appropriated for payroll and salary or any other funds available for such purposes. If the employer fails to pay the contributions monthly, it is subject to a civil penalty of fifty dollars and, as interest, one percent of the amount due for each month of delay or fraction thereof after the payment became due. In lieu of assessing a civil penalty or one percent per month, or both, interest at the actuarial rate of return may be assessed for each month the contributions are delinquent. If contributions are paid within ninety days of the date they became due, penalty and interest to be paid on delinquent contributions may be waived.

Introduced by

Bill #3

A BILL for an Act to create and enact a new section to Chapter 26.1-36.4 of the North Dakota Century Code, relating to individual and group health insurance coverage of telehealth services, to amend and reenact section 54-52.1-04.13 of the North Dakota Century Code, relating to public employees retirement system uniform group insurance coverage of telehealth; and to repeal an expiration date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. A new section to Chapter 26.1-36.4 of the North Dakota Century Code is created and enacted as follows:

Insurance coverage of telehealth services.

1. As used in this section:
 - a. "Distant site" means a site at which a health care provider or health care facility is located while providing medical services by means of telehealth.
 - b. "Health care facility" means any office or institution at which health services are provided. The term includes hospitals; clinics; ambulatory surgery centers; outpatient care facilities; nursing homes; nursing, basic, long-term, or assisted living facilities; laboratories; and offices of any health care provider.
 - c. "Health care provider" includes an individual licensed under chapter 43-05, 43-06, 43-12.1 as a registered nurse or as an advanced practice registered nurse, 43-13, 43-15, 43-17, 43-26.1, 43-28, 43-32, 43-37, 43-40, 43-41, 43-42, 43-44, 43-45, 43-47, 43-58, or 43-60.

- d. "Originating site" means a site at which a patient is located at the time health services are provided to the patient by means of telehealth.
 - e. "Policy" means the definition of policy under section 26.1-36.4-02.
 - f. "Store-and-forward technology" means electronic information, imaging, and communication that is transferred, recorded, or otherwise stored in order to be reviewed at a distant site at a later date by a health care provider or health care facility without the patient present in real time. The term includes telehome monitoring and interactive audio, video, and data communication.
 - g. "Telehealth":
 - (1) Means the use of interactive audio, video, or other telecommunications technology that is used by a health care provider or health care facility at a distant site to deliver health services at an originating site; and that is delivered over a secure connection that complies with the requirements of state and federal laws.
 - (2) Includes the use of electronic media for consultation relating to the health care diagnosis or treatment of a patient in real time or through the use of store-and-forward technology.
 - (3) Does not include the use of audio-only telephone, email, or facsimile transmissions.
2. An insurer shall provide health benefits coverage under a policy that provides coverage for health services delivered by means of telehealth which is the same as the coverage for health services delivered by in-person means.

3. Payment or reimbursement of expenses for covered health services delivered by means of telehealth under this section may be established through negotiations conducted by the insurer with the health services providers in the same manner as the insurer establishes payment or reimbursement of expenses for covered health services that are delivered by in-person means.
4. Coverage under this section may be subject to deductible, coinsurance, and copayment provisions.
5. This section does not require:
 - a. A policy to provide coverage for health services that are not medically necessary, subject to the terms and conditions of the policy;
 - b. A policy to provide coverage for health services delivered by means of telehealth if the policy would not provide coverage for the health services if delivered by in-person means;
 - c. A policy to reimburse a health care provider or health care facility for expenses for health services delivered by means of telehealth if the policy would not reimburse that health care provider or health care facility if the health services had been delivered by in-person means; or
 - d. A health care provider to be physically present with a patient at the originating site unless the health care provider who is delivering health services by means of telehealth determines the presence of a health care provider is necessary.

SECTION 2. AMENDMENT. Section 54-52.1-04.13 of the North Dakota Century Code is amended and reenacted as follows:

**54-52.1-04.13. (~~Effective through July 31, 2017~~) Insurance coverage of
telehealth services.**

1. As used in this section:
 - a. "Distant site" means a site at which a health care provider or health care facility is located while providing medical services by means of telehealth.
 - b. "Health care facility" means any office or institution at which health services are provided. The term includes hospitals; clinics; ambulatory surgery centers; outpatient care facilities; nursing homes; nursing, basic, long-term, or assisted living facilities; laboratories; and offices of any health care provider.
 - c. "Health care provider" includes an individual licensed under chapter 43-05, 43-06, 43-12.1 as a registered nurse or as an advanced practice registered nurse, 43-13, 43-15, 43-17, 43-26.1, 43-28, 43-32, 43-37, 43-40, 43-41, 43-42, 43-44, 43-45, 43-47, 43-58, or 43-60.
 - d. "Originating site" means a site at which a patient is located at the time health services are provided to the patient by means of telehealth.
 - e. "Policy" means health benefits coverage under a contract for insurance pursuant to section 54-52.1-04 or under a self-insurance plan pursuant to section 54-52.1-04.2.
 - f. "Store-and-forward technology" means electronic information, imaging, and communication that is transferred, recorded, or otherwise stored in order to be reviewed at a distant site at a later date by a health care provider or health care facility without the

patient present in real time. The term includes telehome monitoring and interactive audio, video, and data communication.

g. "Telehealth":

(1) Means the use of interactive audio, video, or other telecommunications technology that is used by a health care provider or health care facility at a distant site to deliver health services at an originating site; and that is delivered over a secure connection that complies with the requirements of state and federal laws.

(2) Includes the use of electronic media for consultation relating to the health care diagnosis or treatment of a patient in real time or through the use of store-and-forward technology.

(3) Does not include the use of audio-only telephone, email, or facsimile transmissions.

2. ~~For all policies that become effective after June 30, 2015, and which do not extend past June 30, 2017, the~~The board shall provide health benefits coverage under a policy that provides coverage for health services delivered by means of telehealth which is the same as the coverage for health services delivered by in-person means.
3. Payment or reimbursement of expenses for covered health services delivered by means of telehealth under this section may be established through negotiations conducted by the board or the board's contractor with the health services providers in the same manner as the board establishes payment or reimbursement of expenses for covered health services that are delivered by in-person means.
4. Coverage under this section may be subject to deductible, coinsurance, and copayment provisions.

5. This section does not require:
 - a. A policy to provide coverage for health services that are not medically necessary, subject to the terms and conditions of the policy;
 - b. A policy to provide coverage for health services delivered by means of telehealth if the policy would not provide coverage for the health services if delivered by in-person means;
 - c. A policy to reimburse a health care provider or health care facility for expenses for health services delivered by means of telehealth if the policy would not reimburse that health care provider or health care facility if the health services had been delivered by in-person means; or
 - d. A health care provider to be physically present with a patient at the originating site unless the health care provider who is delivering health services by means of telehealth determines the presence of a health care provider is necessary.

SECTION 3. REPEAL. The expiration date of Section 54-52.1-04.13 of the North Dakota Century Code is repealed.

January 2018 ½% & January 2019 ½%

A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$3,307,000	\$2,205,000	\$6,614,000	\$4,409,000
Appropriations	\$0	\$0	\$3,307,000	\$2,205,000	\$6,614,000	\$4,409,000

General Fund is assumed 60%.

B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the political subdivision.*

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties	\$0	\$1,926,000	\$3,852,000
Cities	\$0	\$981,000	\$1,963,000
School Districts	\$0	\$1,854,000	\$3,709,000
Townships	\$0	\$0	\$0

January 2018 ½% & January 2020 ½%

A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$2,480,000	\$1,653,000	\$5,787,000	\$3,858,000
Appropriations	\$0	\$0	\$2,480,000	\$1,653,000	\$5,787,000	\$3,858,000

General Fund is assumed 60%.

B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the political subdivision.*

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties	\$0	\$1,445,000	\$3,371,000
Cities	\$0	\$736,000	\$1,717,000
School Districts	\$0	\$1,391,000	\$3,245,000
Townships	\$0	\$0	\$0

January 2019 ½% & January 2021 ½%

A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$827,000	\$551,000	\$4,134,000	\$2,756,000
Appropriations	\$0	\$0	\$827,000	\$551,000	\$4,134,000	\$2,756,000

General Fund is assumed 60%.

B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the political subdivision.*

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties	\$0	\$482,000	\$2,408,000
Cities	\$0	\$245,000	\$1,227,000
School Districts	\$0	\$464,000	\$2,318,000
Townships	\$0	\$0	\$0

A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$4,960,000	\$3,307,000	\$6,614,000	\$4,409,000
Appropriations	\$0	\$0	\$4,960,000	\$3,307,000	\$6,614,000	\$4,409,000

General Fund is assumed 60%.

B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the political subdivision.*

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties	\$0	\$2,889,000	\$3,852,000
Cities	\$0	\$1,472,000	\$1,963,000
School Districts	\$0	\$2,781,000	\$3,709,000
Townships	\$0	\$0	\$0



**North Dakota
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Memorandum

TO: PERS Board

FROM: Sparb

DATE: March 10, 2016

SUBJECT: Board Action Items and Discussion/Information Items

At the last February planning meeting we reviewed the PERS programs and administration. As part of that discussion we identified the following action items for 2016 & 2017. In addition other items were identified for further discussion at future meetings. Please review the following to insure we captured everything. The next step will be to set up a timeline for these items for future board meetings. Once we get your review of the following at this meeting we will develop the timeline and bring that to you at a future meeting.

2016 Board Planning Meeting Summary of Action Steps

PERS Administration

1. Office security remodel on hold, possibly looking at WSI office space to be vacated in 2017.
2. PERSLink: continue with the backlog of system refinements.
3. Obtain full actuarial review of the costs for the DC-DB special election.
4. Review data security policies, practices and action plan with the Board or the Audit Committee on a yearly basis.
5. Review Audit Committee findings and recommendations with the Board on a yearly basis.
6. Discuss the feasibility of bringing the retiree health credit reimbursement in-house.
7. Update the Board on the website project and have MABU attend Board meeting(s) to explain new concepts.
8. Explore additional features for benefit enrollment/annual enrollment, such as videos, avatars, expanded call center.

Retirement Plans

9. Submit legislation to include the 4th year of the recovery plan.
10. Submit legislation to reduce the BCI employee contribution
11. The board should review the BCI employer contribution
12. Update retirement mortality tables and develop plan for implementation.
13. Go out to bid on the PERS Companion Plan and 457 Deferred Compensation Plan administrator.
14. Begin the renewal process for TIAA this summer.
15. Continue to investigate adding annuities the companion plan.

Group Insurance, EAP, and Flex Comp Programs

16. Begin the bid process for a renewal of the dental plan summer of 2016.
17. Begin the bid process for the rebid of the life insurance plan summer of 2016.
18. Begin the bid process for a rebid of the vision insurance plan in the summer of 2017.
19. Determine whether to increase per employee per month amount for the EAP next biennium and include in the executive budget summer of 2016.
20. Begin the bid process for a renewal of the EAP's spring of 2017.
21. Conduct a survey of members in the summer of 2016.
22. Continue efforts to inform members of the benefits of participation in the deferred comp program.
23. Begin the bid process for a renewal of the flexcomp vendor January of 2018.
24. Review the health insurance plan performance including:
 - a. Review the numbers with Sanford to determine the implications in order to get a perspective on the effect for the 2017-2019 biennium.
 - b. Continue to work with Sanford to get the remaining providers on the PPO network.
25. Continue working on implementation of the wellness programs, chronic condition programs and high cost programs.
26. Review incorporating more outcome oriented employer based activities (partner with UND, Health Department).
27. Continue to investigate informational programs for the active and retiree members.
28. Enhance intermediate efforts by adding more medical home activities and investigate establishing provider based programs such as the EPO.
29. Consider a pharmacy benefit audit to ensure we are getting 100% of rebates.
30. Continue working with ND pharmacies on pricing issues with the next renewal.
31. Study specialty drug programs, pricing and growth
32. Have the dental, vision, life, EAP, flex, ASI and DC vendors provide annual updates to the Board.
33. Discuss continued use of the debit card for the flexcomp program.

Discussion or information items for future Board meetings:

1. How many people retire within 1 year of meeting the Rule?
2. How many years would it take for the retirement plan to become funded using the actuarial required contribution rate?
3. Could we use the health surplus to fund a 1% COLA for retirees?
4. Would the number of people who retire under the Rule of 85 increase if we increased the contribution rate by 1%?
5. Is there a way to incorporate behavioral health into EAP/Wellness programs – such as the “face it together” program for addiction issues?
6. Is there a way to look at Rx data to identify usage that may indicate prescription drug addiction?
7. Mandate participation in disease management programs.