

NDPERS BOARD MEETING

Agenda

Updated on 11-15-2016

Bismarck Location:
ND Association of Counties
1661 Capitol Way

Fargo Location:
Sanford Health Plan
1749 38th Street South

November 17, 2016

Time: 8:30 AM

I. MINUTES

A. October 20, 2016

II. PRESENTATION/EDUCATION

- A. Annual Investment Report – Dave Hunter, RIO
- B. Quarterly Executive Summary – Sanford

III. RETIREMENT

A. Actuarial Tables – Sparb (Information)

IV. GROUP INSURANCE

- A. Medicare Part D Contract Addendum – Kathy (Board Action)
- B. ACA Fees for 2013-2015 Biennium – Sparb/Sharon (informational)

V. DEFERRED COMPENSATION

A. 401(a) and 457 Plans RFP – Bryan (Board Action)

VI. MISCELLANEOUS

- A. 2017 Board Meeting Schedule – Sparb (Board Action)
- B. Legislative Update – Sparb (Informational)
- C. Facebook – Election – Aime (Board Action)
- D. Budget – Sharon (Board Action)

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



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

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

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

Memorandum

TO: PERS Board
FROM: Sparb
DATE: November 10, 2016
SUBJECT: Investment Update

The *Statement of Investment Objectives and Policies*, adopted by the Board, states the following:

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 an investment consultant showing the value added versus the cost.*

David Hunter will be at the next meeting to provide the annual report to the PERS Board. Attached is his presentation

PERS Annual Investment Report

Periods ended June 30 and September 30, 2016

November 8, 2016

Dave Hunter, Executive Director/CIO

Darren Schulz, Deputy Chief Investment Officer

ND Retirement & Investment Office (RIO)

State Investment Board (SIB)

Executive Summary for periods ended June 30, 2016

Investment Performance and Risk Update –

- **For the fiscal year ended June 30, 2016, PERS generated a net investment return of 0.28% versus a policy benchmark of 0.56%.** Disappointing absolute and relative returns in World Equity (down 7.3% actual vs down 2.8% index) and Fixed Income (+4.5% actual vs +6.2% index) were partially offset by above benchmark results in U.S. Equity (+1.9% actual vs +0.7% index) and International Equity (down 8% actual vs down 10.5% index). Global Real Assets consistently outperformed benchmarks (+8% actual vs +6.3% index) and included Real Estate (+11.3% actual vs +10.6% index), Timber (+4.3% actual vs +3.5% index) and Infrastructure (+2.9% actual vs +0.6% index).
- **Asset allocation is the primary driver of returns over the long-term.** PERS generated a net return of 6.5% for the 5-years ended June 30, 2016, which exceeded the policy benchmark (of 6.1%) by just over 0.40%. During the last 5-years, asset allocation and active management generated over \$670 million (94%) and \$45 million¹ (6%) of PERS net investment income, respectively.
- **PERS's investment returns have consistently ranked in the second quartile of the Callan Public Fund Sponsor Database over the last five years.** On an unadjusted basis, PERS returns ranked in the 33rd percentile for the 3- and 5-years ended June 30, 2016 (thereby outperforming 67% of other U.S. public pension plans).
- **Since 2008, PERS risk (as measured by actual standard deviation divided by the policy benchmark) has declined from over 115% to approximately 105% on a rolling 3- and 5-years basis.**
- **PERS net investment returns have approximated long-term assumptions over the last 30-years.**

Active Management Enhanced Returns by \$45 million in the last 5-years

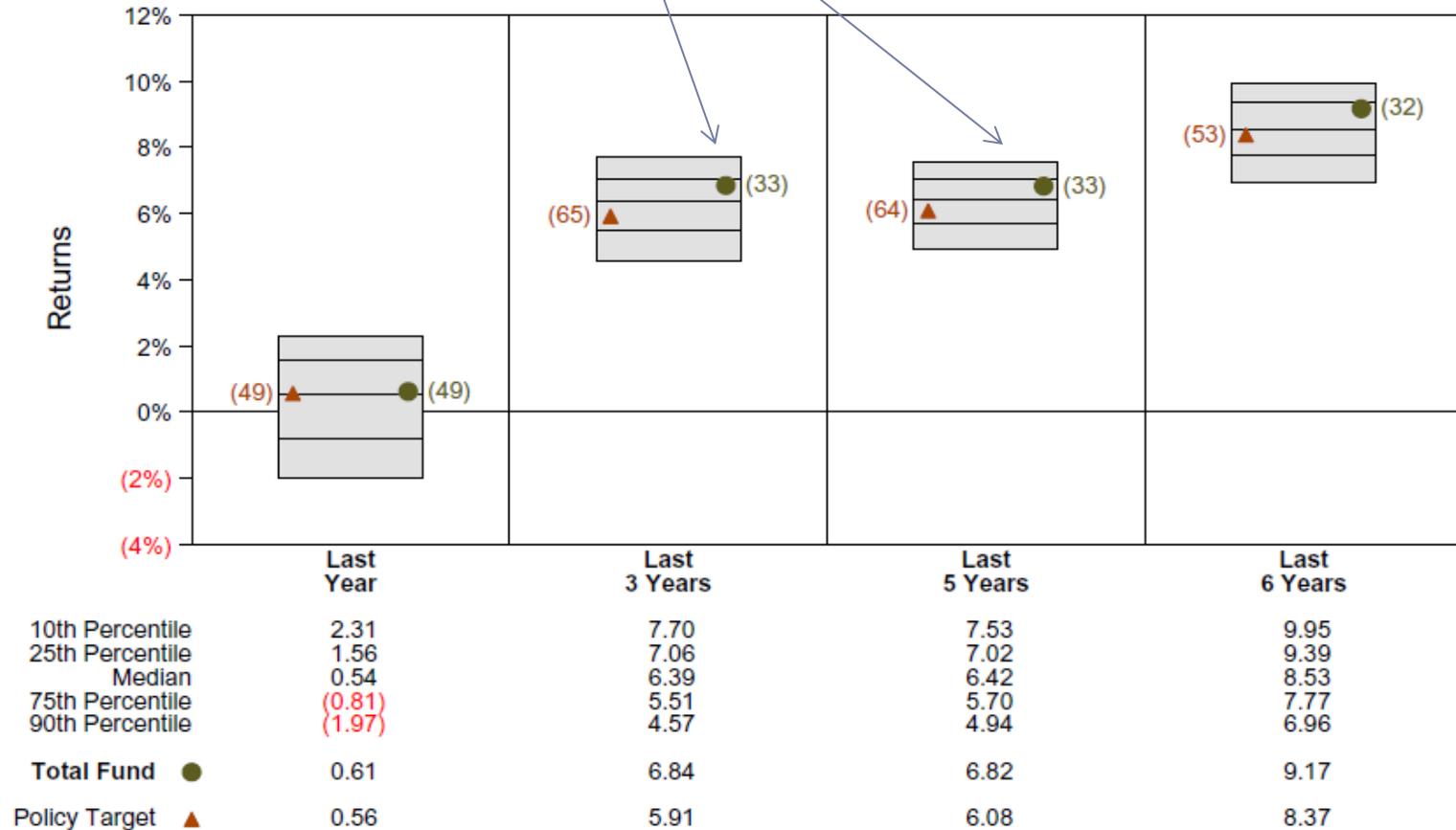
	<u>1 Yr Ended 6/30/2016</u>	<u>3 Yrs Ended 6/30/2016</u>	<u>5 Yrs Ended 6/30/2016</u>	Risk 5 Yrs Ended 6/30/2016	Risk Adj Excess Return 5 Yrs Ended 6/30/2016
PERS (Main Plan)					
\$ 2,459,388,086					
Total Fund Return - Net	0.28%	6.51%	6.49%	7.7%	0.09%
Policy Benchmark Return	0.56%	5.92%	6.08%	7.4%	
Excess Return	-0.28%	0.59%	0.41%	105%	

One-Year Returns: PERS Main Plan posted a net investment return of **0.28%** for the year ended June 30, 2016, which trailed its performance benchmark of 0.56% (by 0.28%). Two large global equity managers, LSV and Epoch which represent \$400 million of investments, were responsible for 0.75% (or 75 bps) of negative attribution. Fixed Income was responsible for an additional 0.40% (or 40 bps) of negative attribution as the portfolio was positioned for a gradual rise in interest rates. In contrast, 10-year U.S. Treasury rates fell from 2.35% to less than 1.50% during the year.

Five-Year Returns: PERS Main Plan posted a net investment return of **6.49%** for the 5-years ended June 30, 2016, largely due to strong results in real estate (up 13%) and U.S. public equities (up 11%). **Despite disappointing absolute and relative returns last year, active management generated \$45 million of incremental income for PERS for the 5-year period ended June 30, 2016.**

PERS Main Plan – 33rd Percentile “Gross Returns” For the 3- and 5-Year Periods Ended June 30, 2016

CAI Public Fund Sponsor Database

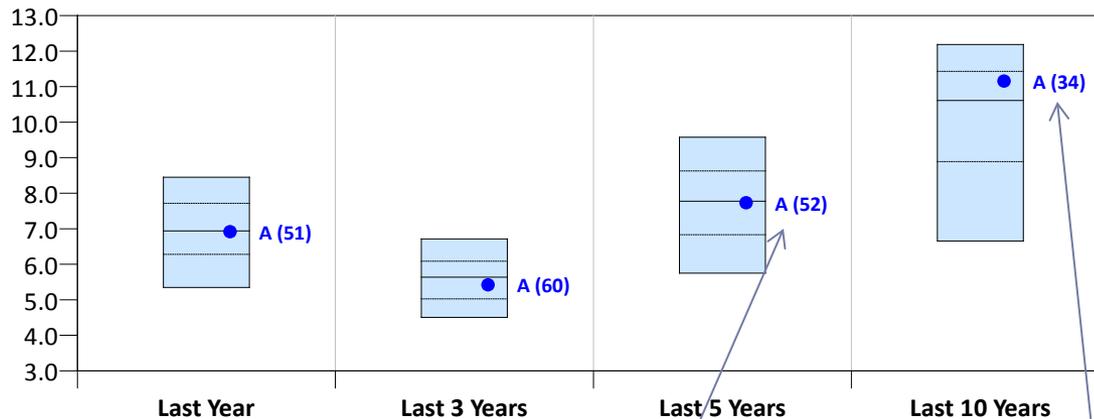


PERS posted returns in the 33rd percentile for the 5-years ended June 30, 2016.

PERS Risk Profile has Migrated Downward over the Last 5-Years

Standard deviation is used to measure investment (or portfolio) volatility whereas a lower standard deviation is generally preferred over a higher standard deviation.

Standard Deviation
for Periods Ended June 30, 2016
Group: CAI Public Fund Sponsor Database



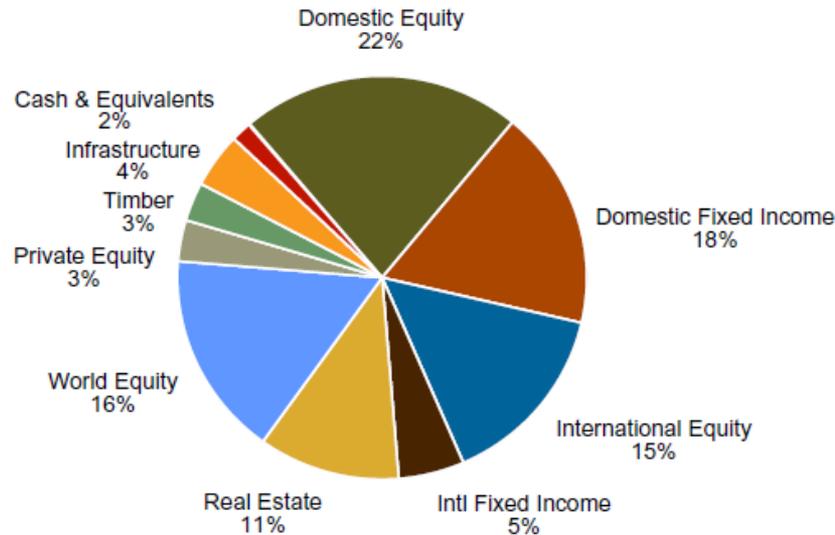
	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
10th Percentile	8.5	6.7	9.6	12.2
25th Percentile	7.7	6.1	8.6	11.4
Median	6.9	5.6	7.8	10.6
75th Percentile	6.3	5.0	6.8	8.9
90th Percentile	5.4	4.5	5.8	6.7
Member Count	252	237	219	188
Total Fund-PERS ● A	6.9	5.4	7.7	11.2

Risk, as measured by standard deviation, has declined from the 34th percentile in the “Last 10 Years” down to the 52nd percentile in the “Last 5 Years”.

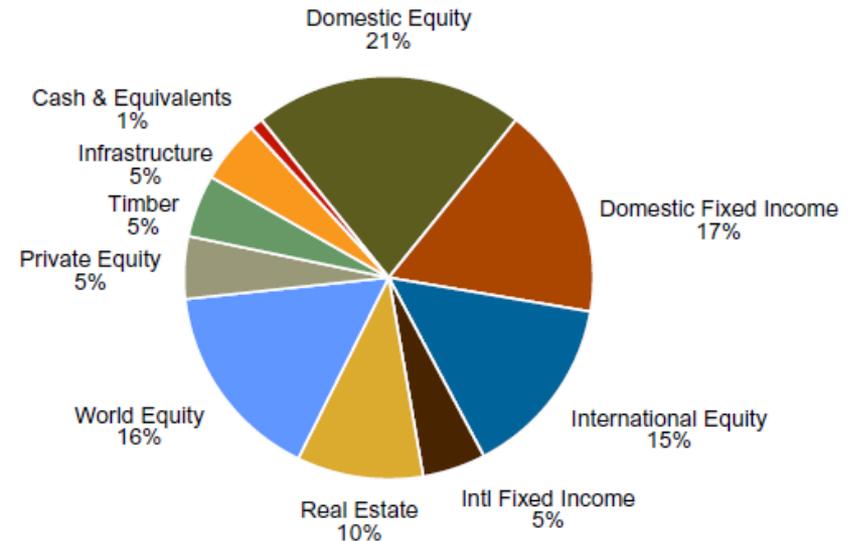
PERS Actual Asset Allocations within 1% to 2% of Target

As of June 30, 2016

Actual Asset Allocation



Target Asset Allocation



Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Domestic Equity	546,892	22.2%	21.4%	0.8%	20,609
Domestic Fixed Income	433,307	17.6%	17.0%	0.6%	15,232
International Equity	367,297	14.9%	14.6%	0.3%	8,244
Intl Fixed Income	128,666	5.2%	5.0%	0.2%	5,702
Real Estate	275,539	11.2%	10.0%	1.2%	29,612
World Equity	402,558	16.4%	16.0%	0.4%	9,075
Private Equity	79,938	3.3%	5.0%	(1.7%)	(43,025)
Timber	77,460	3.1%	5.0%	(1.9%)	(45,504)
Infrastructure	108,994	4.4%	5.0%	(0.6%)	(13,969)
Cash & Equivalents	38,615	1.6%	1.0%	0.6%	14,023
Total	2,459,266	100.0%	100.0%		

Unaudited amounts subject to change

PERS – Gross Return Attribution

One Year Ended June 30, 2016

One Year Relative Attribution Effects

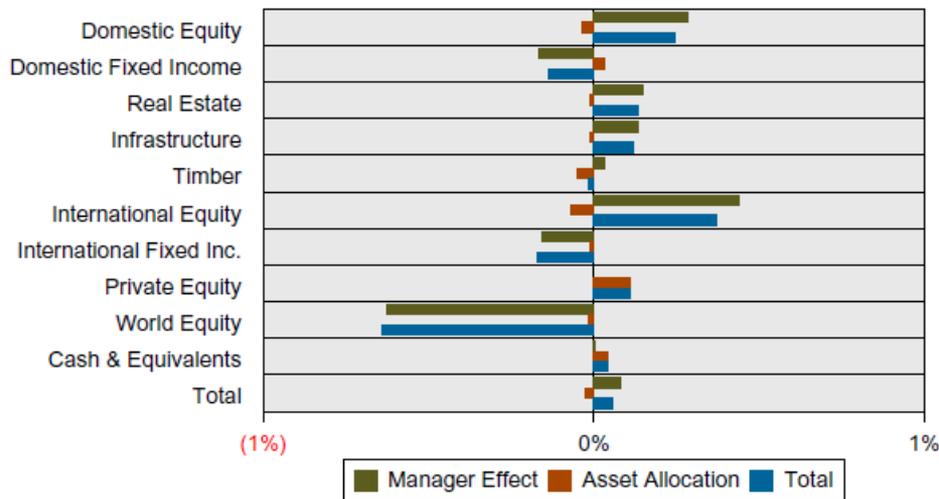
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	23%	21%	2.03%	0.73%	0.28%	(0.03%)	0.25%
Domestic Fixed Income	18%	17%	3.85%	4.77%	(0.17%)	0.03%	(0.14%)
Real Estate	11%	10%	11.96%	10.64%	0.15%	(0.01%)	0.13%
Infrastructure	5%	5%	3.65%	0.64%	0.13%	(0.01%)	0.12%
Timber	3%	5%	4.34%	3.49%	0.03%	(0.05%)	(0.02%)
International Equity	15%	15%	(7.76%)	(10.45%)	0.44%	(0.07%)	0.37%
International Fixed Inc.	5%	5%	7.88%	11.24%	(0.16%)	(0.01%)	(0.17%)
Private Equity	4%	5%	(7.19%)	(7.19%)	0.00%	0.11%	0.11%
World Equity	16%	16%	(6.53%)	(2.78%)	(0.63%)	(0.01%)	(0.64%)
Cash & Equivalents	1%	1%	0.29%	0.19%	0.00%	0.04%	0.04%

Total

0.61% = 0.56% + 0.08% + (0.02%)

0.06%

One Year Relative Attribution Effects



- ▶ **One Year Manager Selection added little value (based on Callan “Gross Return”) during the past year with World Equity (down 0.63%) and Fixed Income (down 0.16% to 0.17%) offsetting favorable manager selection results in US Equity (+0.28%), Real Estate (+0.15%), Infrastructure (+0.13%) and Int’l. Equity (+ 0.44%).**

Source: Callan, gross returns

PERS – Gross Return Attribution

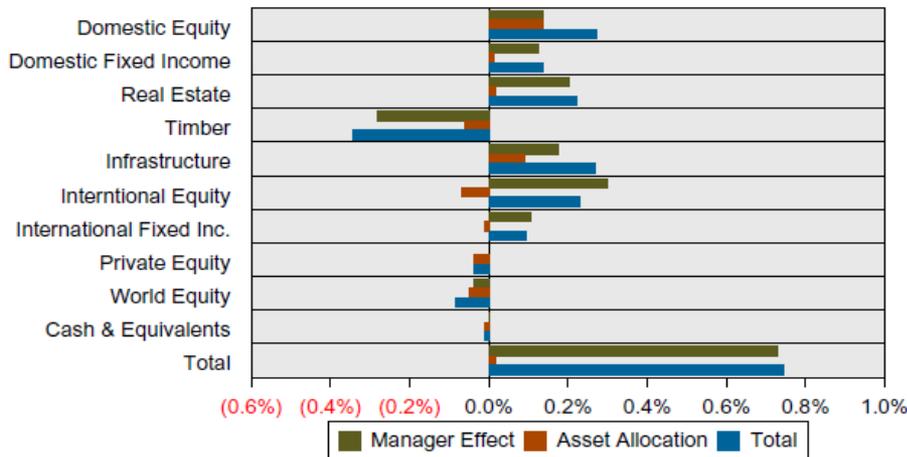
Five- Years Ended June 30, 2016

Five Year Annualized Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	25%	24%	12.03%	11.24%	0.14%	0.14%	0.27%
Domestic Fixed Income	18%	18%	5.80%	4.67%	0.12%	0.01%	0.14%
Real Estate	10%	10%	13.68%	11.51%	0.20%	0.02%	0.22%
Timber	4%	5%	-	-	(0.28%)	(0.06%)	(0.34%)
Infrastructure	4%	5%	-	-	0.18%	0.09%	0.27%
International Equity	16%	16%	2.30%	0.37%	0.30%	(0.07%)	0.23%
International Fixed Inc.	5%	5%	2.29%	0.35%	0.10%	(0.01%)	0.09%
Private Equity	5%	5%	0.46%	0.46%	0.00%	(0.04%)	(0.04%)
World Equity	12%	12%	-	-	(0.04%)	(0.05%)	(0.09%)
Cash & Equivalents	1%	1%	0.11%	0.09%	0.00%	(0.01%)	(0.01%)

Total **6.82% = 6.08% + 0.73% + 0.02%** **0.75%**

Five Year Annualized Relative Attribution Effects



- ▶ **Manager Selection for the last 5 years was 0.75%** (based on Callan’s “Gross Returns”). International Equity generated the most excess return (of 0.30%) followed by Real Estate (0.20%) and Infrastructure (up 0.18%). U.S. Equity and Fixed Income (up 0.14% and 0.12%, respectively) also performed well. **Timber impaired results by 0.28% over the last 5-years.**

Source: Callan, gross returns

TO: State Investment Board (“SIB”) Clients
FROM: Retirement and Investment Office – Dave Hunter, Darren Schulz and Eric Chin
DATE: October 28, 2016
SUBJECT: **SIB Client Watch List Update**

RIO routinely reviews manager performance, organizational structure, investing philosophy/style and fund flows of specific strategies and the firms overall operations. These reviews serve as the basis for Staff recommendations to add, maintain or remove managers from our Watch List.

There are three firms currently on our Watch List including PIMCO (2 strategies), JPMorgan and UBS, all within the Pension Trust’s fixed income allocation.

PIMCO	MBS	\$184 million	JPMorgan	MBS	\$123 million
PIMCO	Unconstrained	64 million	UBS	International	116 million

PIMCO has been on Watch since October of 2014 largely due to significant organizational changes including the departure of PIMCO’s founder, Bill Gross, in late-September of 2014, and the prior departure of Mohamed El-Arian, PIMCO’s former CEO. Since then, there have been additional turnover including the latest announcement that Douglas Hodge, who served as PIMCO’s CEO since Mohamed El-Arian left in early-2014, will now step aside so as to allow Emmanuel Roman to become its next CEO on November 1, 2016. Mr. Roman was previously CEO of Man Group Plc, the world’s largest publicly traded hedge fund manager, since February 2013.

Despite of the above senior management turnover, PIMCO has generally performed in a satisfactory manner with strong results in less liquid strategies (e.g. DiSCO and Bravo) and moderately weak results in the public sector mandates. As a result, RIO has advised the SIB to keep PIMCO’s public mandates on Watch the last two years. During this time, the MBS strategy (\$184 million) has generally provided benchmark returns (after fees), while the Unconstrained Bond mandate has underperformed expectations (generated net returns of approximately 1.9% per annum) although recent performance has been encouraging with a 5.6% net return for the 1-year ended 9/30/2016. Given this mixed performance, **Staff recommends that both PIMCO strategies remain on Watch until RIO completes its fixed income manager review in the Pension Trust in the next few months.**

The JPMorgan Mortgage Backed Securities (MBS) mandate was placed on Watch at the April 22, 2016, board meeting following the departure Henry Song as Co-Portfolio Manager. This event followed the earlier departure of Doug Swanson as Portfolio Manager in September 2015. Although JPMorgan generally maintains strong bench strength across the board, the departure of two highly tenured portfolio managers within eight months is highly unusual. Since April, RIO has met with the new JPMorgan MBS portfolio management team in addition to Henry Song at his successor firm. Staff continues to believe there is no immediate risk to the overall management of this strategy given JPM's bench strength and relatively conservative risk profile of this specific mandate. As such, **RIO recommends that JPMorgan MBS strategy remain on Watch until Staff completes its fixed income manager review in the next few months.** The JPMorgan MBS strategy has generally provided benchmark performance since inception although recent returns trailed the MBS index by approximately 10 bps over the last year.

UBS International Debt strategy was placed on Watch in early-2015 when trailing 1-, 3-, and 5-year returns were over 30 bps below benchmark. During the last year, UBS performance has significantly improved such that inception to date results are now flat to the index (after fees) and 1-year returns (of 12%) beat the benchmark by 25 bps (after fees). **RIO continues to recommend that UBS remain on Watch until Staff completes its fixed income manager review in the next few months.**

Private Equity Update – Watch List Action

October 28, 2016

As a result of increasing concerns over the transparency provided by Adams Street, **the SIB placed Adams Street Partners on Watch** and confirmed Staff's recommendation to pause future investments with ASP until further notice.

Pension Trust Private Equity

As of June 30, 2016
(\$ in millions)

	Vintage Year	Unfunded Commitment	Net Asset Value	% Total Pension	Internal Rates of Return (IRR)				
					Net Returns				
	Commitment	Value		1-year	3-years	5-years	10-years	Inception	
Adams Street Partnerships (ASP)									
Total ASP Private Equity	\$ 213.7	\$ 67.9	\$ 37.5	0.8%	5.8%	13.6%	9.4%	10.4%	10.9%

NDSIB Watch List

Data as of 09/30/2016

PIMCO MBS (Pen.)		\$184,437,522	
	Returns	Index ¹	Excess
1 Year	3.82	3.61	0.21
3 Year	3.59	3.61	(0.02)
Inception*	2.66	2.62	0.04

*Funded 3/31/2012

PIMCO Unconstrained (Pen.)		\$63,625,363	
	Returns	Index ²	Excess
1 Year	5.93	0.61	5.32
3 Year	1.90	0.37	1.53
Inception*	2.53	0.36	2.17

*Funded 3/12/2012

JP Morgan MBS (Pen.)		\$123,474,049	
	Returns	Index ¹	Excess
1 Year	3.65	3.61	0.03
Inception*	3.68	3.52	0.16

*Funded 09/30/2014

UBS International Fixed (Pen.)		\$111,580,334	
	Returns	Index ³	Excess
1 Year	12.22	11.67	0.55
3 Year	0.66	0.75	(0.09)
Inception*	6.30	5.99	0.30

*Funded 07/01/1989

- ¹ Barclays Mortgage Index
- ² Libor 3-Month
- ³ Barclays Global Aggregate ex-US

Note: Return data is gross of fee due to data availability

PERS Long Term Results are Near Long-Term Expectations

The PERS Pension Plan is a Long Term Investor

Net investment returns for PERS Main Plan approximated 6.5% over the past 3-to-5 year periods and **7.9% over the past 25-to-30 year periods** despite challenging conditions in the international equity markets last year (down 10%) and negative rates in many international debt markets.

Fund Name	Market Values as of 6/30/16	FYTD 2016	Fiscal Years ended June 30					Periods ended 6/30/16 (annualized)					
			2015	2014	2013	2012	2011	3 Years	5 Years	15 Years	20 Years	25 Years	30 Years
PERS (Main Plan)	2,459,388,086	0.28%	3.53%	16.38%	13.44%	-0.12%	21.27%	6.51%	6.48%	5.84%	6.88%	7.86%	7.89%
Job Service	96,588,333	5.45%	3.30%	13.54%	11.71%	3.09%	16.39%	7.34%	7.33%	6.11%	7.57%	*	*
Group Insurance	37,715,356	1.49%	0.01%	0.06%	0.27%	0.24%	0.31%	0.52%	0.41%	1.64%	*	*	*
Retiree Insurance	101,623,224	0.72%	3.06%	16.53%	12.71%	2.62%	21.65%	6.55%	6.95%	5.23%	6.40%	7.17%	*

* These funds do not have the specified periods of history under SIB management.

Note: Asset allocation largely drives investment performance. Each fund has a unique allocation that takes into consideration return objectives, risk tolerance, liquidity constraints, and unique circumstances. Such considerations must be taken into account when comparing investment returns. **All figures are preliminary and subject to revision.**

PERS Activity from June 30, 2015 to June 30, 2016

		<u>PERS</u>	
Net Investment Position - June 30, 2015		\$2,419	a
Net Contributions (over Benefit Payments & Admin. Exp.)		\$26	b
Investment Earnings	c	\$24	
Investment Expenses	d	<u>(\$12)</u>	
Net Investment Earnings	(c - d)	\$12	e
Net Investment Position - June 30, 2016		<u><u>\$2,457</u></u>	f
Change in Net Investment Position	(f - a)	<u><u>\$38</u></u>	g

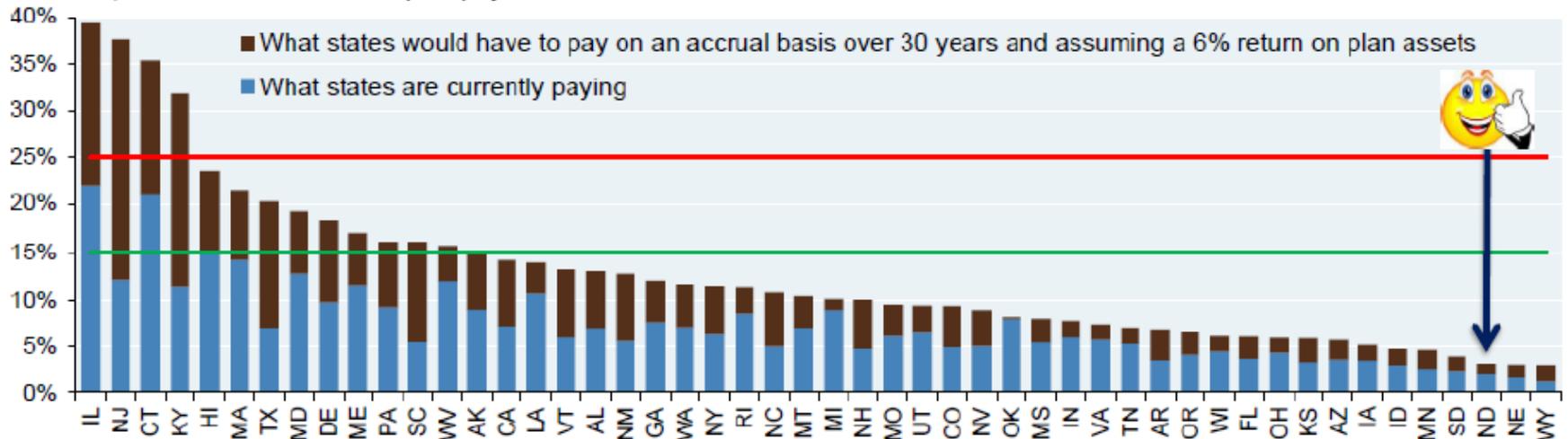
PERS Net Position increased by \$38 million (g) last year as Contributions exceeded Benefit Payments and Administrative Expenses by \$26 million (b), while Net Investment Earnings (e) were only \$12 million (after investment expenses).

How big is the post-retirement bill?

A relative comparison of the 50 states' payment obligations

The state of the states: how much states spend on debt, pensions and retiree healthcare

% of state revenue collections required to pay the sum of interest on bonds, the state's share of unfunded pension and retiree healthcare liabilities, and defined contribution plan payments



Source: J.P. Morgan Asset Management, state/pension plan Comprehensive Annual Financial Reports, Census, Loop Capital Markets. FY 2015.

- Bars that appear above the **red line** indicate a level at which states face critical challenges in meeting an ability to service their debt and post-retirement benefit obligations.
- Bars that appear below the **green line** identify states that one might view not requiring “a disproportionate share of revenues to service their debts.”
- Note that North Dakota’s overall funding obligations are comparatively low (third from the right).

	June-16	Current Fiscal YTD		Prior Year FY15		3 Years Ended 6/30/2016		5 Years Ended 6/30/2016	
	Market Value	Gross ⁽⁷⁾	Net	Gross ⁽⁷⁾	Net	Gross ⁽⁵⁾	Net	Gross ⁽⁵⁾	Net
TOTAL FUND	2,459,388,086	0.61%	0.28%	3.86%	3.53%	6.84%	6.51%	6.82%	6.49%
<i>POLICY TARGET BENCHMARK</i>		0.56%	0.56%	2.16%	2.16%	5.92%	5.92%	6.08%	6.08%
TOTAL RELATIVE RETURN		0.05%	-0.28%	1.71%	1.38%	0.92%	0.59%	0.74%	0.41%
GLOBAL EQUITIES	1,396,685,126	-3.59%	-3.90%	3.58%	3.24%	6.89%	6.53%	7.79%	7.50%
<i>Benchmark</i>		-3.86%	-3.86%	1.54%	1.54%	5.98%	5.98%	7.00%	7.00%
Epoch (1)	177,644,686	-5.93%	-6.53%	8.58%	7.85%	6.49%	5.78%	7.57%	6.80%
LSV	224,913,378	-7.05%	-7.85%	1.94%	1.03%	6.58%	5.84%	N/A	N/A
Total Global Equities	402,558,064	-6.53%	-7.27%	4.67%	3.83%	6.44%	5.70%	7.14%	6.55%
<i>MSCI World</i>		-2.78%	-2.78%	1.43%	1.43%	6.95%	6.95%	7.72%	7.72%
Domestic - broad	546,891,977	2.03%	1.90%	8.64%	8.46%	11.55%	11.33%	11.47%	11.28%
<i>Benchmark</i>		0.72%	0.72%	7.26%	7.26%	10.54%	10.54%	10.49%	10.49%
Large Cap Domestic									
LA Capital	158,610,932	5.17%	4.95%	12.76%	12.52%	14.27%	14.03%	13.62%	13.40%
<i>Russell 1000 Growth</i>		3.02%	3.02%	10.56%	10.56%	13.07%	13.07%	12.35%	12.35%
LA Capital	98,390,650	6.04%	5.92%	8.26%	8.12%	12.62%	12.48%	13.07%	12.90%
<i>Russell 1000</i>		2.94%	2.94%	7.37%	7.37%	11.48%	11.48%	11.88%	11.88%
Northern Trust	73,847,274	1.76%	1.76%	6.26%	5.89%	11.10%	10.70%	12.55%	12.16%
Clifton	88,640,704	4.60%	4.60%	7.43%	7.41%	11.89%	11.88%	12.45%	12.39%
<i>S&P 500</i>		3.99%	3.99%	7.42%	7.42%	11.66%	11.66%	12.10%	12.10%
Total Large Cap Domestic	419,489,561	4.63%	4.52%	9.48%	9.30%	12.77%	12.60%	12.86%	12.64%
<i>Russell 1000 (2)</i>		2.94%	2.94%	7.37%	7.37%	11.48%	11.48%	12.09%	12.09%
Small Cap Domestic									
Atlanta Capital	58,383,178	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Callan (5) (6)	-	N/A	N/A	3.98%	3.98%	N/A	N/A	N/A	N/A
Clifton	69,019,238	-5.49%	-5.85%	7.58%	7.17%	8.31%	7.84%	9.61%	9.13%
Total Small Cap Domestic	127,402,416	-6.86%	-7.04%	5.77%	5.57%	7.22%	6.86%	9.40%	8.95%
<i>Russell 2000</i>		-6.73%	-6.73%	6.49%	6.49%	7.09%	7.09%	8.35%	8.35%

PERS Main Plan underperformed by 0.28% last year

in part due to the fixed income portfolio being positioned for a gradual rise in interest rates.

Epoch and LSV posted sharply disappointing results as Epoch lost 6.53% and LSV lost 7.85%, while the MSCI World Index was only down 2.78%.

Despite the very poor performance by Epoch and LSV, the Global Equity portfolio still created 0.50% (7.50% vs 7.00%) of positive excess return the last 5-yrs.

	June-16	Current Fiscal YTD		Prior Year FY15		3 Years Ended 6/30/2016		5 Years Ended 6/30/2016	
	Market Value	Gross ⁽⁷⁾	Net	Gross ⁽⁷⁾	Net	Gross ⁽⁵⁾	Net	Gross ⁽⁵⁾	Net
International - broad Benchmark	367,296,626	-7.76%	-7.95%	-2.53%	-2.71%	3.46%	3.20%	5.30%	5.01%
		-10.46%	-10.46%	-4.37%	-4.37%	1.29%	1.29%	3.58%	3.58%
Developed International Capital Group (7) MSCI EAFE (3)	47,576	N/A	N/A	-1.78%	-2.20%	N/A	N/A	N/A	N/A
				-4.22%	-4.22%				
NTGI MSCI World Ex US	129,390,499	-9.50%	-9.54%	-4.98%	-5.01%	N/A	N/A	N/A	N/A
		-9.84%	-9.84%	-5.28%	-5.28%				
William Blair MSCI ACWI ex-US (Net)	61,876,297	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
DFA (5)	36,469,074	-9.28%	-9.28%	-3.27%	-3.27%	6.24%	6.01%	4.42%	3.99%
Wellington	41,342,082	1.90%	1.06%	0.53%	-0.31%	9.80%	8.90%	9.09%	8.18%
S&P/Citigroup BMI EPAC < \$2BN		-3.37%	-3.37%	1.14%	1.14%	7.29%	7.29%	4.37%	4.37%
Total Developed International MSCI EAFE (3)	269,125,528	-7.66%	-7.92%	-3.10%	-3.34%	4.16%	3.87%	3.11%	2.71%
		-10.16%	-10.16%	-4.22%	-4.22%	2.06%	2.06%	1.68%	1.68%
Emerging Markets									
Axiom	72,803,238	-10.32%	-10.32%	N/A	N/A	N/A	N/A	N/A	N/A
DFA (5)	25,367,860	-5.64%	-5.64%	-1.73%	-1.73%	2.65%	2.43%	-0.21%	-0.66%
Total Emerging Markets MSCI Emerging Markets	98,171,098	-9.26%	-9.26%	-0.86%	-0.88%	0.46%	0.28%	-0.77%	-1.17%
		-12.06%	-12.06%	-5.13%	-5.13%	-1.56%	-1.56%	-3.78%	-3.78%
Private Equity									
Total Private Equity (5)	79,938,460	-7.19%	-7.20%	-5.37%	-5.39%	-2.96%	-2.98%	0.49%	0.48%

International Equity returns have surpassed benchmarks, but underperformed versus long-term expectations. **Private Equity** has consistently underperformed in recent years which led to a major restructuring 2016.

	June-16	Current Fiscal YTD		Prior Year FY15		3 Years Ended 6/30/2016		5 Years Ended 6/30/2016		
		Market Value	Gross ⁽⁷⁾	Net	Gross ⁽⁷⁾	Net	Gross ⁽⁵⁾	Net	Gross ⁽⁵⁾	Net
GLOBAL FIXED INCOME Benchmark	562,072,624	4.76%	4.50%	0.65%	0.40%	4.44%	4.19%	3.83%	3.63%	
		6.21%	6.21%	-2.22%	-2.22%	3.63%	3.63%	2.35%	2.35%	
Domestic Fixed Income Benchmark	433,307,321	3.85%	3.63%	3.40%	3.17%	5.02%	4.80%	4.49%	4.33%	
		4.77%	4.77%	1.21%	1.21%	4.14%	4.14%	2.91%	2.91%	
Investment Grade Fixed PIMCO (DiSCO II) (5) BC Aggregate	45,551,535	4.39%	4.39%	4.32%	4.32%	6.84%	6.84%	N/A	N/A	
		6.00%	6.00%	1.85%	1.85%	4.06%	4.06%			
State Street BC Long Treasuries	33,297,688	19.28%	19.23%	6.31%	6.28%	10.44%	10.40%	N/A	N/A	
		19.30%	19.30%	6.32%	6.32%	10.46%	10.46%			
PIMCO Unconstrained 3m LIBOR	30,632,861	-0.64%	-0.95%	1.34%	0.93%	N/A	N/A	N/A	N/A	
		0.49%	0.49%	0.26%	0.26%					
Declaration (Total Return) (3m LIBOR)	42,992,248	2.59%	2.59%	3.63%	3.63%	4.30%	4.30%	N/A	N/A	
		0.49%	0.49%	0.26%	0.26%	0.33%	0.33%			
JP Morgan PIMCO BC Mortgage Backed Securities Index	56,570,641 90,984,090	4.60% 4.42%	4.32% 4.24%	N/A 2.33%	N/A 2.15%	N/A 3.60%	N/A 3.42%	N/A N/A	N/A N/A	
		4.34%	4.34%	2.28%	2.28%	3.76%	3.76%			
Total Investment Grade BC Aggregate	300,029,063	5.15%	5.01%	3.66%	3.53%	4.81%	4.69%	5.16%	5.02%	
		6.00%	6.00%	1.85%	1.85%	4.06%	4.06%	3.76%	3.76%	
Below Investment Grade Loomis Sayles PIMCO (BRAVO II) (5) Goldman Sachs 2006 Fund Goldman Sachs Fund V (5) Total Below Investment BC High Yield 2% Issuer Constrained Inde	104,681,154 26,520,830 619,615 1,456,659	-0.25% 7.02% 3.00% -5.12%	-0.75% 7.02% 3.00% -5.12%	1.33% 10.36% 25.65% 14.43%	0.83% 10.36% 25.65% 14.43%	4.61% N/A 17.57% 6.11%	4.10% N/A 17.57% 6.11%	5.77% N/A 8.95% 8.41%	5.27% N/A 8.95% 8.41%	
	133,278,258	0.69%	0.28%	2.53%	2.09%	5.43%	4.98%	6.70%	6.26%	
		1.65%	1.65%	-0.39%	-0.39%	4.20%	4.20%	5.84%	5.84%	
International Fixed Income Benchmark	128,765,303	7.88%	7.50%	-9.37%	-9.73%	2.01%	1.65%	1.37%	1.09%	
		11.24%	11.24%	-13.19%	-13.19%	1.85%	1.85%	0.41%	0.41%	
Developed Investment G UBS Global (Brinson) BC Global Aggregate ex-US (4)	55,102,330	11.43%	11.07%	-13.46%	-13.82%	1.52%	1.20%	0.03%	-0.28%	
		11.24%	11.24%	-13.19%	-13.19%	1.85%	1.85%	0.28%	0.28%	
Brandywine BC Global Aggregate (ex-US)	73,662,972	5.12%	4.73%	-5.38%	-5.74%	2.66%	2.26%	4.50%	4.09%	
		8.87%	8.87%	-7.10%	-7.10%	2.79%	2.79%	1.77%	1.77%	
Total Developed Investm BC Global Aggregate ex-US	128,765,303	7.88%	7.50%	-9.37%	-9.73%	2.01%	1.65%	2.29%	1.93%	
		11.24%	11.24%	-13.19%	-13.19%	1.85%	1.85%	0.28%	0.28%	

Global Fixed Income has performed well over the last 5-years generating **1.28%** of excess return and a **3.63%** per annum return the last 5-years.

Current fiscal year returns were adversely impacted by the portfolio being positioned for a gradual rise in interest rates. **In contrast, interest rates fell sharply during the year** with the 10-year U.S. Treasury declining from **2.35%** at June 30, 2015 to **1.49%** at June 30, 2016.

U.S. Fixed Income underperformed by **1.14%** last year, but **outperformed** by **1.42%** per annum the last 5-years.

International Debt underperformed by **3.74%** last year, although **absolute returns were strong (7.5%)**.

	June-16	Current Fiscal YTD		Prior Year FY15		3 Years Ended 6/30/2016		5 Years Ended 6/30/2016	
	Market Value	Gross ⁽⁷⁾	Net	Gross ⁽⁷⁾	Net	Gross ⁽⁵⁾	Net	Gross ⁽⁵⁾	Net
GLOBAL REAL ASSETS Benchmark	462,014,998	8.53%	7.99%	9.48%	9.07%	9.80%	9.34%	7.46%	7.11%
		6.28%	6.28%	8.78%	8.78%	7.86%	7.86%	6.28%	6.28%
Global Real Estate									
INVESCO - Core	123,754,987	10.96%	10.59%	16.38%	15.97%	12.72%	12.32%	12.09%	11.65%
INVESCO - Fund II (5)	4,594,312	6.65%	6.65%	6.23%	6.23%	9.06%	9.06%	15.56%	15.56%
INVESCO - Fund III (5)	15,542,118	14.25%	14.25%	18.70%	18.70%	17.06%	17.06%	N/A	N/A
INVESCO - Fund IV (6)	10,713,159	4.66%	4.66%	N/A	N/A	N/A	N/A	N/A	N/A
INVESCO - Asia Real Estate	948,688	121.40%	121.40%	16.19%	16.19%	43.66%	43.66%	23.12%	23.12%
INVESCO - Asia Real Estate	4,675,018	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
J.P. Morgan Strategic & Sp	103,261,920	12.25%	10.95%	14.71%	13.64%	14.01%	12.87%	14.00%	12.93%
J.P. Morgan Alternative Pro	172,924	2.80%	2.80%	-33.28%	-33.28%	-10.60%	-10.60%	1.01%	0.94%
J.P. Morgan Greater Europ	5,550,934	24.44%	24.44%	16.90%	16.90%	34.32%	34.32%	N/A	N/A
J.P. Morgan Greater China	6,346,954	16.24%	16.24%	16.74%	16.74%	32.27%	32.27%	16.18%	16.18%
Total Global Real Estate	275,561,014	11.96%	11.34%	15.79%	15.25%	14.82%	14.26%	13.68%	13.15%
NCREIF TOTAL INDEX		10.64%	10.64%	12.98%	12.98%	11.60%	11.60%	11.51%	11.51%
Timber									
TIR - Teredo	17,083,529	9.29%	9.29%	15.52%	15.52%	10.42%	10.42%	6.70%	6.70%
TIR - Springbank	60,376,094	2.97%	2.97%	-1.98%	-1.98%	0.38%	0.38%	-1.38%	-1.38%
Total Timber (5)	77,459,623	4.34%	4.34%	3.94%	3.94%	3.63%	3.63%	2.28%	2.28%
NCREIF Timberland Index		3.49%	3.49%	10.02%	10.02%	7.77%	7.77%	6.72%	6.72%
Infrastructure									
JP Morgan (Asian) (5)	14,184,664	-9.66%	-9.66%	-2.58%	-2.58%	-3.00%	-3.00%	1.61%	1.61%
JP Morgan (IIF)	71,935,420	5.11%	3.93%	1.06%	0.23%	5.27%	4.26%	6.17%	5.09%
Grosvenor (formerly Credit	20,927,239	8.42%	8.42%	5.37%	5.37%	8.85%	8.85%	N/A	N/A
Grosvenor CIS II (6)	1,947,038	6.10%	6.10%	N/A	N/A	N/A	N/A	N/A	N/A
Total Infrastructure	108,994,361	3.66%	2.89%	1.23%	0.72%	4.74%	4.09%	5.24%	4.71%
CPI		0.64%	0.64%	-0.38%	-0.38%	0.76%	0.76%	0.81%	0.81%
Cash Equivalents									
Northern Trust STIF	38,615,338	0.29%	0.29%	0.06%	0.06%	0.13%	0.13%	0.12%	0.12%
Total Cash Equivalents	38,615,338	0.29%	0.29%	0.06%	0.06%	0.13%	0.13%	0.12%	0.12%
90 Day T-Bill		0.19%	0.19%	0.02%	0.02%	0.09%	0.09%	0.09%	0.09%

Global Real Assets have

consistently performed above benchmark with 1- and 5-year excess returns ranging from 1.71% to 0.83%, respectively.

Real Estate was the best performing sector up 11% last year and up 13% p.a. the last 5 years.

Timber returns benefitted from a one-time \$3 million fee reversal in fiscal 2016.

Infrastructure has also performed well with a 5-year net annual return of 4.71%.

Job Service, Retiree Health and Group Insurance - June 30, 2016

	1 Yr Ended 6/30/2016	3 Yrs Ended 6/30/2016	5 Yrs Ended 6/30/2016	Risk 5 Yrs Ended 6/30/2016	Risk Adj Excess Return 5 Yrs Ended 6/30/2016
JOB SERVICE PENSION PLAN					
\$	96,588,333				
Total Fund Return - Net	5.45%	7.35%	7.33%	6.0%	1.01%
Policy Benchmark Return	2.20%	5.48%	5.70%	5.5%	
Excess Return	3.24%	1.87%	1.63%	109%	
PERS RETIREE HEALTH					
\$	101,623,224				
Total Fund Return - Net	0.72%	6.55%	6.94%	8.6%	-0.80%
Policy Benchmark Return	1.60%	6.97%	7.11%	7.8%	
Excess Return	-0.88%	-0.42%	-0.17%		
PERS GROUP INSURANCE					
\$	37,715,356				
Total Fund Return - Net	1.49%	0.51%	0.41%	0.5%	0.04%
Policy Benchmark Return	1.56%	0.54%	0.36%	0.5%	
Excess Return	-0.07%	-0.03%	0.05%		

Asset Allocation:

Job Service (40% Equity / 60% Bonds) performed well due to its de-risking strategy which included low-volatility equities and core fixed income.

Retiree Health (60% Equity / 40% Bonds) had underperformed its benchmarks, but generated reasonable absolute returns due to large cap tilt and no private equity.

Group Insurance (90% short-term bonds and 10% cash) has generally met expectations.

Investment Fee Update

As of June 30, 2016

Investment Fees and Expenses – Overview

During the last three-years, investment management fees and expenses as a % of average assets under management declined from **0.65%** in fiscal 2013 to **0.51%** in fiscal 2014 to **0.48%** in fiscal 2015 and to less than **0.45%** in fiscal 2016.

<u>All State Investment Board Clients</u>	<u>Investment Fees and Expenses</u> a	<u>Average "Assets Under Management"</u> b	<u>% of "AUM"</u> a / b
Fiscal Year Ended June 30, 2013	\$45 million	\$6.9 billion	0.65%
Fiscal Year Ended June 30, 2014	\$44 million	\$8.6 billion	0.51%
Fiscal Year Ended June 30, 2015	\$48 million	\$10.1 billion	0.48%
Fiscal Year Ended June 30, 2016	\$46 million	\$10.9 billion	0.42%

- Based on \$10 billion of average assets under management, this **20+ bps** decline between fiscal 2013 and fiscal 2016 translates into approximately \$20 million of annual incremental savings.
- RIO will diligently work to prudently manage all SIB client investment fees and expenses, but acknowledges it will be challenging to reduce fees and expenses below 45 bps (0.45%) per annum in future years. Current fiscal years results were materially impacted by low incentive performance fees.

A basis point (or "bp") is equal to one one-hundredth of one percent (or 0.01%) such that 100 basis points ("bps") is equivalent to 1%.

ND Public Employees Retirement System Schedule of Investment Expenses

	FY 2016				FY 2015			
	Average Market			Contribution	Average Market			Contribution
	Value	Fees in \$	Fees in %	to Total Fees	Value	Fees in \$	Fees in %	to Total Fees
Investment managers' fees:								
Global equity managers	381,723,510	1,463,105	0.38%	0.06%	367,748,943	2,847,819	0.77%	0.12%
Domestic large cap equity managers	415,066,060	1,042,600	0.25%	0.04%	424,019,221	610,866	0.14%	0.03%
Domestic small cap equity managers	117,678,274	661,525	0.56%	0.03%	121,601,493	550,418	0.45%	0.02%
Developed international equity managers	268,317,607	1,087,387	0.41%	0.05%	265,970,201	911,722	0.34%	0.04%
Emerging markets equity managers	88,000,359	717,641	0.82%	0.03%	83,685,353	692,265	0.83%	0.03%
Investment grade domestic fixed income managers	301,575,217	1,164,370	0.39%	0.05%	312,406,325	1,176,165	0.38%	0.05%
Below investment grade fixed income managers	128,662,524	1,349,888	1.05%	0.06%	128,164,584	1,440,432	1.12%	0.06%
Developed international fixed income managers	121,049,255	428,095	0.35%	0.02%	115,019,321	421,044	0.37%	0.02%
Real estate managers	256,587,200	2,470,029	0.96%	0.10%	226,488,804	2,631,744	1.16%	0.11%
Timber managers	80,540,706	(1,054,317)	-1.31%	-0.04%	93,271,813	351,187	0.38%	0.01%
Infrastructure managers	108,898,046	1,148,047	1.05%	0.05%	100,057,644	1,150,098	1.15%	0.05%
Private equity managers	84,636,554	1,524,925	1.80%	0.06%	97,531,474	1,579,453	1.62%	0.07%
Cash & equivalents managers	34,951,692	34,800	0.10%	0.00%	33,606,169	36,755	0.11%	0.00%
Total investment managers' fees	2,387,687,004	12,038,095	0.50%		2,369,571,345	14,399,967	0.61%	
Custodian fees		227,822	0.01%	0.01%		238,481	0.01%	0.01%
Investment consultant fees		150,745	0.01%	0.01%		189,876	0.01%	0.01%
Total investment expenses		12,416,661	0.52%			14,828,324	0.63%	

➤ **PERS fees declined to 52 bps from 63 bps in the last year due to various fee reduction initiatives which have benefitted from strong asset growth in North Dakota. SIB client assets under management have increased by 51% (or \$3.8 billion) in the last three years.**

Note: All amounts are deemed to be materially accurate, but are unaudited and subject to change.



Investment Performance Update

As of September 30, 2016

Returns improved sharply from the 1-year ended June 30, 2016, to the 1-year ended September 30, 2016.

PERS Performance for the 1-year ended June 30, 2016:

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	22%	21%	2.02%	0.73%	0.28%	(0.00%)	0.27%
Domestic Fixed Income	18%	17%	3.82%	4.83%	(0.18%)	0.03%	(0.15%)
Real Estate	11%	10%	11.96%	10.64%	0.12%	0.02%	0.14%
Infrastructure	5%	5%	3.65%	0.64%	0.14%	(0.02%)	0.12%
Timber	4%	5%	4.34%	3.49%	0.03%	(0.05%)	(0.01%)
International Equity	15%	15%	(7.71%)	(10.39%)	0.43%	(0.08%)	0.35%
International Fixed Inc.	5%	5%	7.88%	11.24%	(0.16%)	(0.04%)	(0.20%)
Private Equity	4%	5%	(7.19%)	(7.19%)	0.00%	0.08%	0.08%
World Equity	16%	16%	(6.53%)	(2.78%)	(0.62%)	(0.02%)	(0.64%)
Cash & Equivalents	1%	1%	0.29%	0.19%	0.00%	0.04%	0.05%

Total  **0.61% = 0.61% + 0.04% + (0.04%)** **(0.00%)**

PERS Performance for the 1-year ended September 30, 2016:

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	22%	21%	14.65%	15.11%	(0.11%)	0.04%	(0.07%)
Domestic Fixed Income	18%	17%	7.17%	7.41%	(0.06%)	(0.04%)	(0.09%)
Real Estate	11%	10%	10.81%	9.22%	0.18%	(0.03%)	0.15%
Infrastructure	5%	5%	2.14%	1.22%	0.05%	0.03%	0.08%
Timber	3%	5%	4.32%	3.28%	0.05%	0.07%	0.12%
International Equity	15%	15%	12.60%	8.90%	0.56%	(0.04%)	0.52%
International Fixed Inc.	5%	5%	11.91%	11.67%	0.01%	(0.01%)	(0.00%)
Private Equity	3%	5%	(5.77%)	(5.77%)	0.00%	0.20%	0.20%
World Equity	16%	16%	9.45%	11.36%	(0.30%)	(0.03%)	(0.33%)
Cash & Equivalents	1%	1%	0.39%	0.27%	0.00%	0.01%	0.01%

Total  **9.79% = 9.21% + 0.37% + 0.20%** **0.57%**

PERS Net Returns > 8% for 5-years ended 9/30/16

Returns for Periods Ended September 30, 2016

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 6-1/4 Years
Total Fund					
Gross	3.76%	9.79%	6.44%	9.80%	9.43%
Net	3.68%	9.49%	6.12%	9.45%	9.08%
Target*	3.61%	9.21%	5.46%	8.85%	8.63%

	September-16			Current Fiscal YTD		Prior Year FY16		3 Years Ended 6/30/2016		5 Years Ended 6/30/2016	
	<u>Allocation</u>			Gross ⁽⁴⁾	Net	Gross ⁽⁴⁾	Net	Gross ⁽⁴⁾	Net	Gross ⁽⁴⁾	Net
	Market Value	Actual	Policy								
TOTAL FUND	2,548,430,036	100.0%	100.0%	3.76%	3.68%	0.61%	0.28%	6.84%	6.51%	6.82%	6.49%
POLICY BENCHMARK				3.61%	3.61%	0.56%	0.56%	5.92%	5.92%	6.08%	6.08%
GLOBAL EQUITIES	1,473,368,642	57.8%	58.0%	5.42%	5.32%	-3.59%	-3.90%	6.89%	6.53%	7.79%	7.50%
<i>Benchmark</i>				5.27%	5.27%	-3.86%	-3.86%	5.98%	5.98%	7.00%	7.00%
GLOBAL FIXED INCOME	578,897,676	22.7%	23.0%	2.23%	2.16%	4.76%	4.50%	4.44%	4.19%	3.83%	3.63%
<i>Benchmark</i>				1.72%	1.72%	6.21%	6.21%	3.63%	3.63%	2.35%	2.35%
GLOBAL REAL ASSETS	474,876,466	18.6%	19.0%	0.89%	0.81%	8.53%	7.99%	9.80%	9.34%	7.46%	7.11%
<i>Benchmark</i>				1.07%	1.07%	6.25%	6.25%	7.85%	7.85%	6.28%	6.28%
GLOBAL CASH	21,287,252	0.8%	0.0%	0.12%	0.12%	0.29%	0.29%	0.13%	0.13%	0.12%	0.12%
<i>Benchmark</i>				0.10%	0.10%	0.19%	0.19%	0.09%	0.09%	0.09%	0.09%

PERS Asset Allocations – June 30 to Sep. 30, 2016

PERS “Total Fund” up \$89 million for the quarter ended Sep. 30, 2016

Asset Class Allocation

	September 30, 2016		Net New Inv.	Inv. Return	June 30, 2016	
	Market Value	Weight			Market Value	Weight
GLOBAL EQUITY	\$1,473,368,419	57.82%	\$906,320	\$75,776,976	\$1,396,685,124	56.79%
Domestic Equity	\$568,369,740	22.30%	\$(2,171,743)	\$23,649,509	\$546,891,974	22.24%
Large Cap	435,332,058	17.08%	76,432	15,766,067	419,489,559	17.06%
Small Cap	133,037,682	5.22%	(2,248,175)	7,883,442	127,402,415	5.18%
International Equity	\$403,486,478	15.83%	\$6,486,409	\$29,703,443	\$367,296,626	14.94%
Developed Intl Equity	296,054,467	11.62%	5,961,409	20,967,530	269,125,528	10.94%
Emerging Markets	107,432,011	4.22%	525,000	8,735,913	98,171,098	3.99%
World Equity	\$423,238,786	16.61%	\$(294,859)	\$20,975,580	\$402,558,064	16.37%
Private Equity	\$78,273,416	3.07%	\$(3,113,488)	\$1,448,444	\$79,938,460	3.25%
GLOBAL FIXED INCOME	\$578,885,727	22.72%	\$4,582,762	\$12,329,890	\$561,973,075	22.85%
Domestic Fixed Income	\$448,419,094	17.60%	\$4,670,382	\$10,441,391	\$433,307,321	17.62%
Inv. Grade Fixed Income	317,499,224	12.46%	12,797,431	4,672,730	300,029,063	12.20%
Below Inv. Grade Fixed Income	130,919,870	5.14%	(8,127,049)	5,768,662	133,278,258	5.42%
International Fixed Income	\$130,466,633	5.12%	\$(87,620)	\$1,888,499	\$128,665,754	5.23%
GLOBAL REAL ASSETS	\$474,874,827	18.63%	\$8,586,917	\$4,295,014	\$461,992,896	18.79%
Real Estate	289,571,257	11.36%	9,576,170	4,456,175	275,538,912	11.20%
Timber	77,075,733	3.02%	(383,891)	()	77,459,623	3.15%
Infrastructure	108,227,837	4.25%	(605,363)	(161,161)	108,994,361	4.43%
Cash & Equivalents	\$21,287,252	0.84%	\$(17,355,182)	\$27,096	\$38,615,338	1.57%
Securities Lending Income	\$0	0.00%	\$(69,197)	\$69,197	-	-
Total Fund	\$2,548,416,225	100.0%	\$(3,348,381)	\$92,498,174	\$2,459,266,432	100.0%

Callan Performance Attribution – Sep. 30, 2016

Callan “Actual Returns” used for 3- and 5-years ended 9/30/16

Three Year Annualized Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	23%	21%	10.61%	9.92%	0.15%	0.04%	0.19%
Domestic Fixed Income	18%	17%	5.55%	4.43%	0.20%	(0.01%)	0.19%
Real Estate	10%	10%	14.42%	11.31%	0.28%	(0.04%)	0.25%
Infrastructure	4%	5%	4.36%	0.71%	0.14%	0.04%	0.19%
Timber	4%	5%	3.62%	7.59%	(0.17%)	(0.02%)	(0.19%)
International Equity	15%	15%	2.56%	0.30%	0.35%	(0.03%)	0.32%
International Fixed Inc.	5%	5%	1.85%	0.75%	0.05%	0.00%	0.05%
Private Equity	4%	5%	(2.09%)	(2.09%)	0.00%	0.07%	0.07%
World Equity	16%	16%	5.38%	5.85%	(0.08%)	(0.00%)	(0.08%)
Cash & Equivalents	1%	1%	0.17%	0.11%	0.00%	0.01%	0.01%
Total			6.44%	5.46%	0.93%	0.06%	0.99%

Five Year Annualized Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	24%	23%	17.23%	16.33%	0.20%	0.13%	0.32%
Domestic Fixed Income	18%	17%	6.41%	4.64%	0.32%	(0.02%)	0.30%
Real Estate	10%	10%	13.55%	11.18%	0.22%	(0.02%)	0.20%
Timber	5%	5%	1.35%	6.91%	(0.29%)	(0.05%)	(0.34%)
Infrastructure	4%	5%	5.59%	1.03%	0.18%	0.10%	0.28%
International Equity	16%	16%	8.31%	6.40%	0.29%	(0.08%)	0.21%
International Fixed Inc.	5%	5%	2.44%	0.70%	0.09%	(0.01%)	0.08%
Private Equity	5%	5%	0.73%	0.73%	0.00%	(0.01%)	(0.01%)
World Equity	13%	13%	-	-	(0.02%)	(0.05%)	(0.08%)
Cash & Equivalents	1%	1%	0.13%	0.10%	0.00%	(0.02%)	(0.02%)
Total			9.80%	8.85%	0.98%	(0.03%)	0.95%

Economic and Capital Markets Update

As of June 30, 2016

Historical Asset Class Market Returns – June 30, 2016

		Period Ended June 30, 2016			
Asset Class	Benchmark	1-Year	3-Years	5-Years	10-Years
Large Cap US Stocks	Russell 1000	2.93%	11.48%	11.88%	7.51%
Small Cap US Stocks	Russell 2000	-6.73%	7.09%	8.35%	6.20%
Non-US Stocks (Developed)	MSCI EAFE	-10.16%	2.06%	1.68%	1.58%
Non-US Stocks (Emerging)	MSCI Emerging Markets	-12.05%	-1.56%	-3.78%	3.54%
US Bonds	Barclays Aggregate	6.00%	4.06%	3.76%	5.13%
High Yield Bonds	Barclays Corporate High Yield	1.62%	4.18%	5.84%	7.56%
International Debt	Barclays Global Aggregate Ex-US	11.24%	1.85%	0.34%	4.00%
Inflation Protected	Barclays Global Inflation Linked	2.55%	2.74%	2.27%	4.42%
Real Estate	NCREIF	10.64%	11.61%	11.51%	7.40%

Last 5-Years:

- **U.S. Large Cap Equity (up 11.88%)** has been one of the top performing asset classes in the last 5-years, followed by **Real Estate (up 11.51%)** and **U.S. Small Cap Equity (up 8.35%)**.
- During the last 5-years, **U.S. Bonds (up 3.76%)** and **High Yield (up 5.84%)** performed generally in line with long-term expectations (along with **Inflation Protected Debt, up 2.27%**).
- **Emerging Market Equity (down 3.78%)** and **International Equity (up 1.68%)** and **International Debt (up 0.34%)** performed poorly the last 5-years, although **International Debt surpassed most other major indices last year (up 11.24%)**.

Asset Class Performance

Periodic Table of Investment Returns
for Periods Ended June 30, 2016

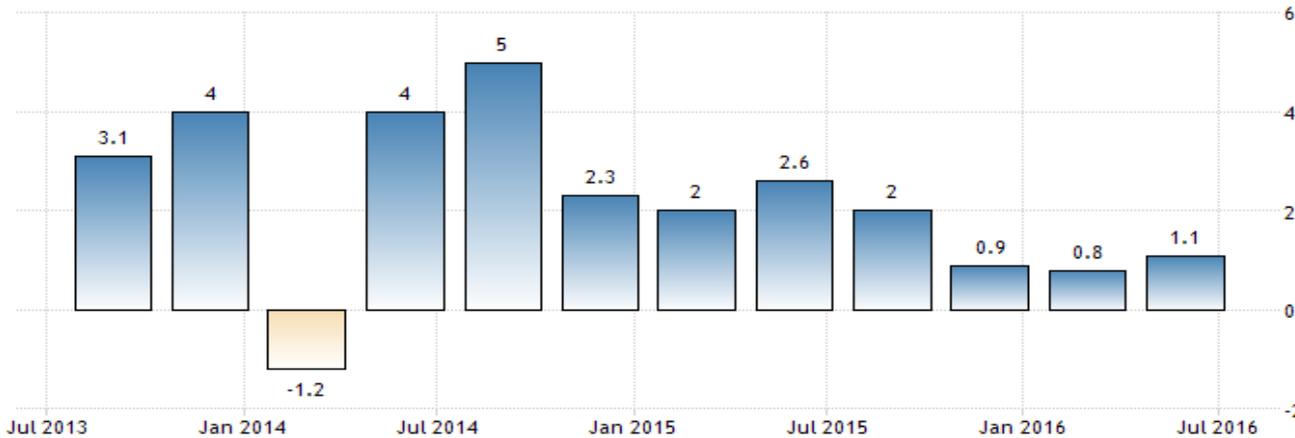


	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
	BLMBRG:Commdty Idx 12.7%	Barclays:Aggregate Index 6.0%	S&P:500 11.7%	S&P:500 12.1%	S&P:500 7.4%
	Russell:2000 Index 3.8%	S&P:500 4.0%	Russell:2000 Index 7.1%	Russell:2000 Index 8.4%	Russell:2000 Index 6.2%
	S&P:500 2.5%	3 Month T-Bill 0.2%	Barclays:Aggregate Index 4.1%	Barclays:Aggregate Index 3.8%	Barclays:Aggregate Index 5.1%
	Barclays:Aggregate Index 2.2%	Russell:2000 Index (6.7%)	MSCI:EAFE 2.1%	MSCI:EAFE 1.7%	MSCI:EM Gross 3.9%
	MSCI:EM Gross 0.8%	MSCI:EAFE (10.2%)	3 Month T-Bill 0.1%	3 Month T-Bill 0.1%	MSCI:EAFE 1.6%
	3 Month T-Bill 0.1%	MSCI:EM Gross (11.7%)	MSCI:EM Gross (1.2%)	MSCI:EM Gross (3.4%)	3 Month T-Bill 1.0%
	MSCI:EAFE (1.5%)	BLMBRG:Commdty Idx (13.5%)	BLMBRG:Commdty Idx (10.6%)	BLMBRG:Commdty Idx (10.9%)	BLMBRG:Commdty Idx (6.5%)

Last Year: U.S. Fixed Income (Barclays Aggregate) returned 6% and the S&P 500 returned 4% last year. In contrast, U.S. Small Cap Equity (Russel 2000) declined 6.7% and International Equity (MSCI EAFE) declined 10.2%. The Bloomberg Commodity Index declined 13.5% during the last fiscal year.

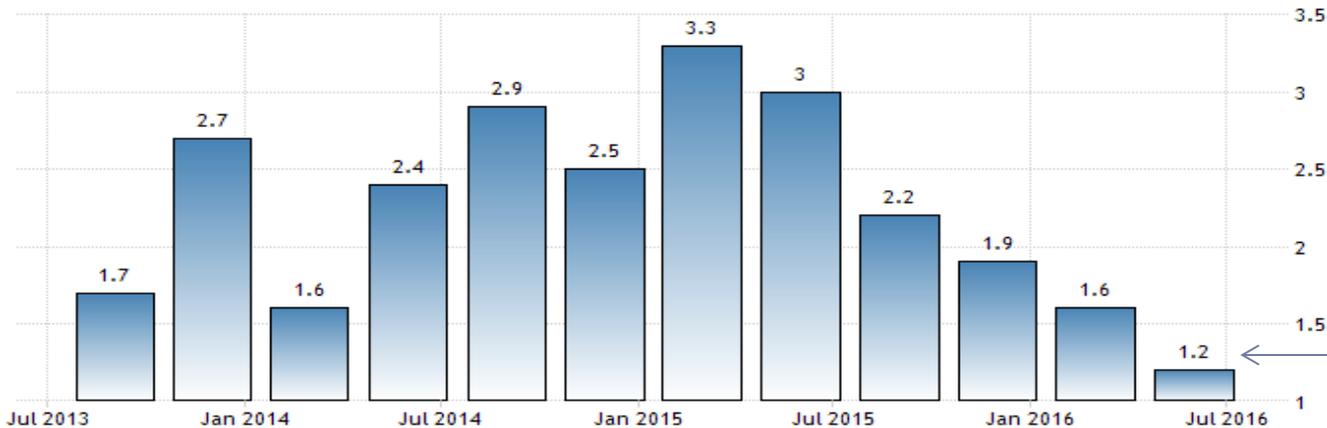
U.S Economy – GDP Growth Rates

US GDP GROWTH RATE



Quarterly GDP Growth Rates (top chart) have not exceeded 3% since the 4Q of 2014 and not exceeded 2% in the last year.

US GDP ANNUAL GROWTH RATE



Annual GDP Growth Rates (bottom chart) have trended down since peaking at 3.3% during the 1st quarter of 2015 and approximate 1.2% as of the 2nd quarter of 2016.

SOURCE: WWW.TRADINGECONOMICS.COM | U.S. BUREAU OF ECONOMIC ANALYSIS

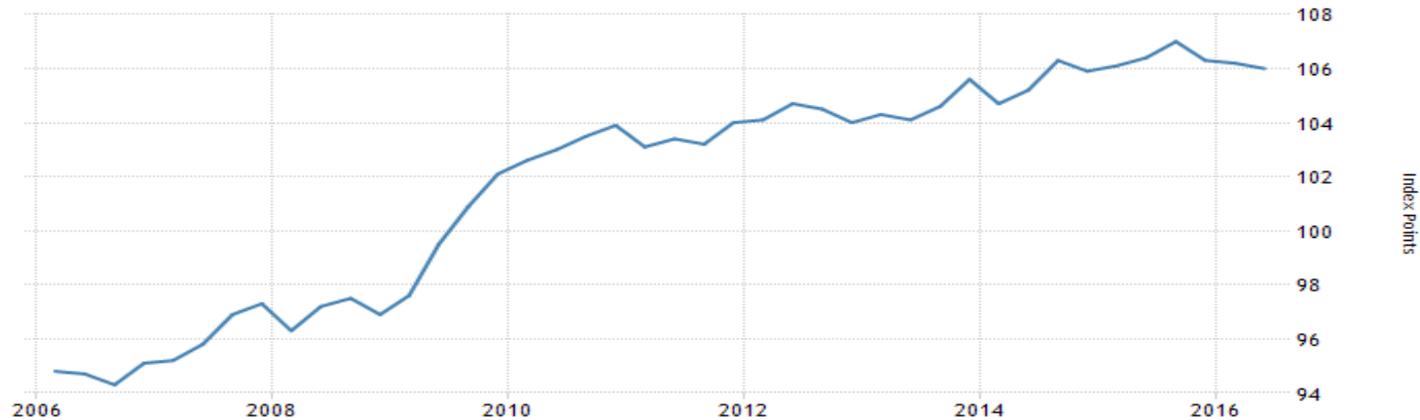
U.S Labor Market – Unemployment Rate and Productivity Index

US UNEMPLOYMENT RATE



SOURCE: WWW.TRADINGECONOMICS.COM | U.S. BUREAU OF LABOR STATISTICS

US NONFARM LABOUR PRODUCTIVITY



SOURCE: WWW.TRADINGECONOMICS.COM | U.S. BUREAU OF LABOR STATISTICS

U.S. labor markets appear to be improving as the “**Unemployment Rate**” is now **below 5%** since peaking at 10% in October of 2009.

The “**Labor Productivity Index**” has trended upward since 2006, but has declined four consecutive quarters (to 106) since hitting an all-time high of 107 in 3Q of 2015.

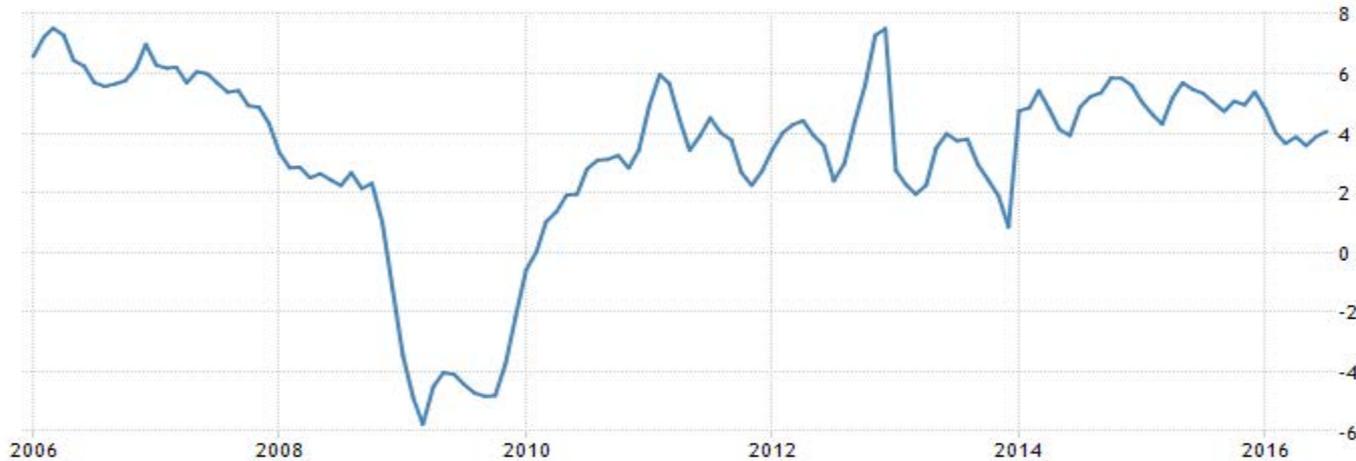
Index Points

Source: U.S. Dept. of Labor: Bureau of Labor Statistics



U.S. Labor Market – Wage Growth and Participation Rates

US WAGES AND SALARIES GROWTH



SOURCE: WWW.TRADINGECONOMICS.COM | U.S. BUREAU OF ECONOMIC ANALYSIS

U.S. labor markets appear to be improving as “**Wage Growth**” has been averaging **4%** or higher during the two years.

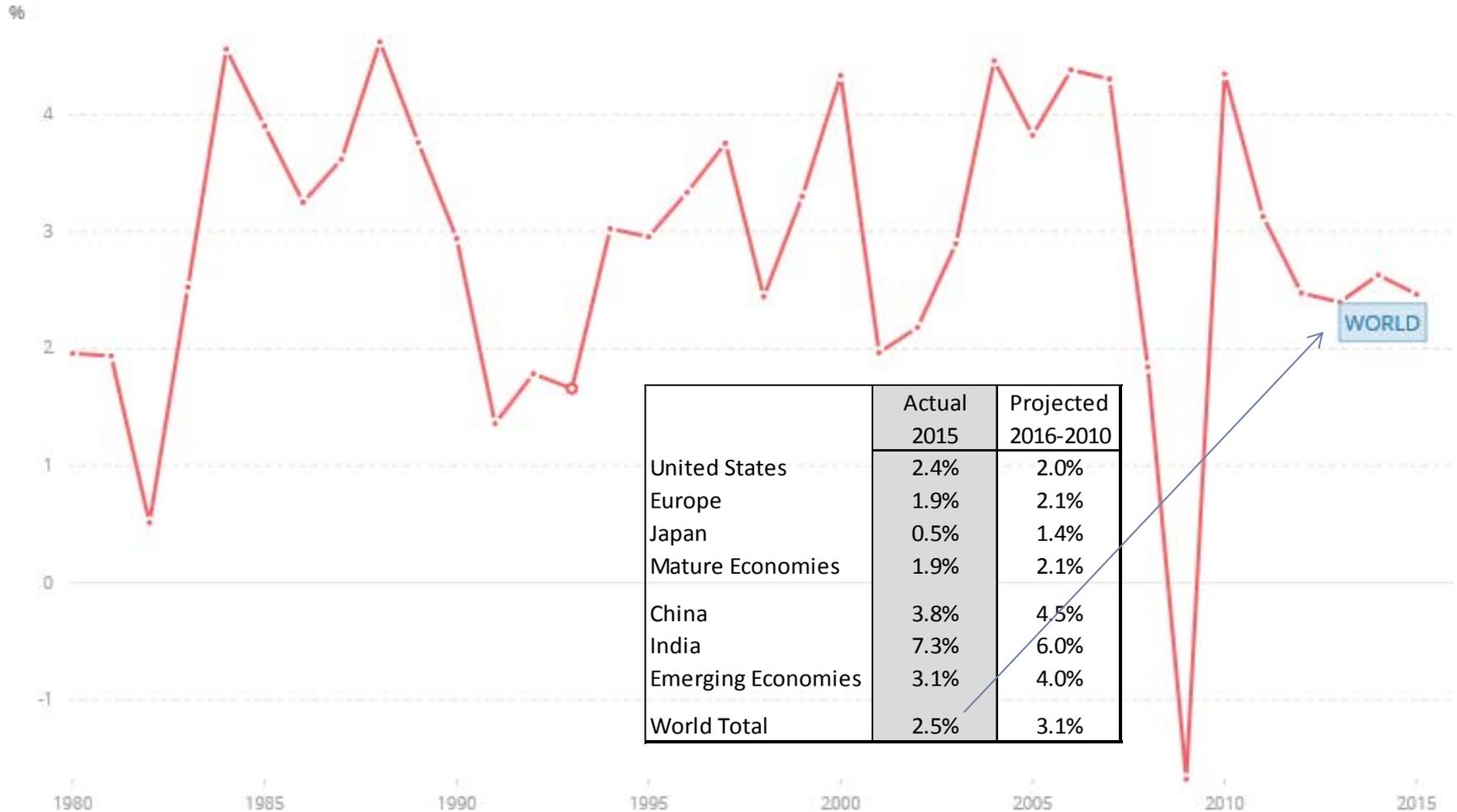
US LABOR FORCE PARTICIPATION RATE



SOURCE: WWW.TRADINGECONOMICS.COM | U.S. BUREAU OF LABOR STATISTICS

The “**Labor Participation Rate**” remains below long-term historical averages, but appears to have leveled out at slightly above **62.5%** over the last year.

“World GDP Growth Rates” have declined to 2.5% from 2012 to 2015, with some “Experts” projecting slightly higher future growth rates.



Appendix of Supporting Materials

For PERS Annual Investment Report - June 30, 2016

PERS related asset allocation policies effective July of 2016:

SIB Accepted July 22, 2016	PERS	Job Service	Retiree Health	Group Insurance
Global Equity	58%	40%	60%	0%
- Public	51%	40%	60%	0%
- Private	7%	0%	0%	0%
Global Fixed Income	23%	60%	40%	90%
- Investment Grade	18%	54%	32%	90%
- Other	5%	6%	8%	0%
Global Real Assets	19%	0%	0%	0%
- Real Estate	11%	0%	0%	0%
- Infrastructure/Timber	8%	0%	0%	0%
Cash	0%	0%	0%	10%
Total	100%	100%	100%	100%

Global Equity, Fixed Income and Real Asset Valuations

Asset Class Allocation

	June 30, 2016			Inv. Return	March 31, 2016	
	Market Value	Weight	Net New Inv.		Market Value	Weight
GLOBAL EQUITY	\$1,396,685,124	56.79%	\$(21,187,815)	\$12,555,687	\$1,405,317,251	58.02%
Domestic Equity	\$546,891,974	22.24%	\$(16,173,669)	\$13,100,658	\$549,964,985	22.71%
Large Cap	419,489,559	17.06%	(16,231,544)	8,079,788	427,641,315	17.66%
Small Cap	127,402,415	5.18%	57,875	5,020,871	122,323,669	5.05%
International Equity	\$367,296,626	14.94%	\$(8,418,997)	\$194,574	\$375,521,049	15.50%
Developed Intl Equity	269,125,528	10.94%	(7,323,997)	(2,700,860)	279,150,385	11.53%
Emerging Markets	98,171,098	3.99%	(1,095,000)	2,895,434	96,370,664	3.98%
World Equity	\$402,558,064	16.37%	\$5,321,484	\$(815,057)	\$398,051,637	16.43%
Private Equity	\$79,938,460	3.25%	\$(1,916,632)	\$75,512	\$81,779,580	3.38%
GLOBAL FIXED INCOME	\$561,973,075	22.85%	\$301,200	\$16,082,094	\$545,589,781	22.53%
Domestic Fixed Income	\$433,307,321	17.62%	\$288,939	\$12,861,980	\$420,156,402	17.35%
Inv. Grade Fixed Income	300,029,063	12.20%	372,576	6,588,287	293,068,200	12.10%
Below Inv. Grade Fixed Income	133,278,258	5.42%	(83,637)	6,273,693	127,088,202	5.25%
International Fixed Income	\$128,665,754	5.23%	\$12,262	\$3,220,113	\$125,433,379	5.18%
GLOBAL REAL ASSETS	\$461,992,896	18.79%	\$6,228,856	\$8,489,376	\$447,274,664	18.47%
Real Estate	275,538,912	11.20%	7,806,233	8,083,615	259,649,063	10.72%
Timber	77,459,623	3.15%	0	(1,388,349)	78,847,973	3.26%
Infrastructure	108,994,361	4.43%	(1,577,377)	1,794,110	108,777,628	4.49%
Cash & Equivalents	\$38,615,338	1.57%	\$14,776,628	\$33,278	\$23,805,431	0.98%
Securities Lending Income	\$0	0.00%	\$(119,687)	\$119,687	-	-
Total Fund	\$2,459,266,432	100.0%	\$(817)	\$37,280,122	\$2,421,987,127	100.0%

Actual versus Benchmark Return Comparisons – Equity

Returns for Periods Ended June 30, 2016

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 6 Years
Global Equity					
Gross	0.89%	(3.60%)	6.87%	-	-
Net	0.84%	(3.90%)	6.53%	-	-
Wtd Avg Global Equity Benchmark	1.10%	(3.86%)	5.93%	-	-
Domestic Equity					
Gross	2.41%	2.03%	11.52%	12.03%	15.13%
Net	2.39%	1.90%	11.33%	11.81%	14.88%
Wtd Avg Domestic Equity Benchmark	2.82%	0.73%	10.54%	11.24%	14.52%
Large Cap Equity					
Gross	1.93%	4.63%	12.77%	12.87%	15.65%
Net	1.91%	4.52%	12.60%	12.65%	15.39%
Benchmark(1)	2.54%	2.93%	11.48%	12.09%	15.00%
Small Cap Equity					
Gross	4.10%	(6.86%)	7.11%	9.28%	13.28%
Net	4.10%	(7.04%)	6.86%	9.03%	13.05%
Russell 2000 Index	3.79%	(6.73%)	7.09%	8.35%	12.73%
International Equity					
Gross	0.01%	(7.76%)	3.43%	2.30%	6.41%
Net	(0.04%)	(7.95%)	3.20%	2.01%	6.09%
Wtd Avg Intl Equity Benchmark	(0.90%)	(10.45%)	1.29%	0.37%	4.14%
Developed Intl Equity					
Gross	(1.09%)	(7.68%)	4.12%	2.94%	7.15%
Net	(1.15%)	(7.92%)	3.86%	2.65%	6.83%
Benchmark(2)	(1.46%)	(10.16%)	2.06%	1.68%	5.04%
Emerging Markets					
Gross	3.05%	(9.26%)	0.43%	(0.73%)	3.54%
Net	3.05%	(9.26%)	0.29%	(1.03%)	3.20%
Benchmark(3)	0.66%	(12.05%)	(1.56%)	(3.78%)	0.93%
World Equity					
Gross	(0.20%)	(6.53%)	6.44%	-	-
Net	(0.29%)	(7.27%)	5.70%	-	-
MSCI World Index	1.01%	(2.78%)	6.95%	6.63%	10.28%
Private Equity					
Net	0.12%	(7.20%)	(2.98%)	0.41%	2.67%

Overview:
Global Equity returns beat performance benchmarks over the last 3- and 5-year periods, but underperformed in the last year primarily due to LSV and Epoch in World Equity generating 0.63% of negative excess return.

Actual vs Benchmark Returns – Fixed Income and Real Assets

Overview:
Net returns for most fixed income and real asset classes exceed the stated policy benchmark for the 3- and 5-year periods ended June 30, 2016, except Timber and International Fixed Income.

Returns for Periods Ended June 30, 2016

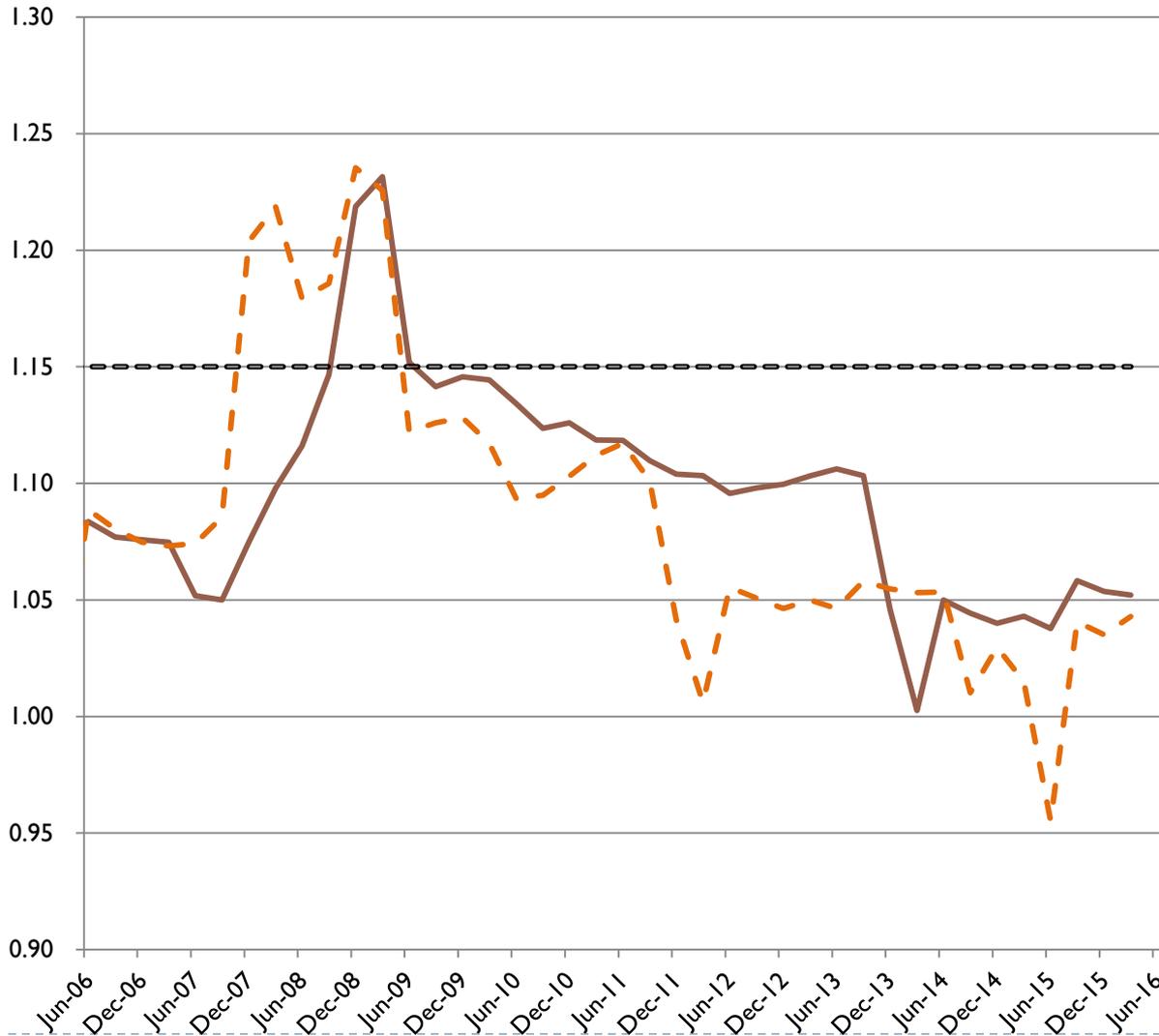
	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 6 Years
Global Fixed Income					
Gross	2.95%	4.76%	4.44%	-	-
Net	2.88%	4.50%	4.19%	-	-
Wtd Avg Global Fixed Income Benchmark	3.23%	6.22%	3.65%	-	-
Domestic Fixed Income					
Gross	3.06%	3.85%	5.03%	5.80%	6.18%
Net	3.00%	3.63%	4.81%	5.56%	5.93%
Wtd Avg Domestic FI Benchmark	3.19%	4.77%	4.14%	4.67%	4.86%
Inv. Grade Fixed Income					
Gross	2.25%	5.15%	4.81%	5.16%	5.32%
Net	2.21%	5.00%	4.69%	5.01%	5.15%
Barclays Aggregate Index	2.21%	6.00%	4.06%	3.76%	3.79%
Below Inv. Grade Fixed Income					
Gross	4.94%	0.69%	5.43%	6.70%	8.54%
Net	4.84%	0.28%	4.98%	6.26%	8.10%
Barclays HY Corp 2% Issue	5.52%	1.65%	4.20%	5.84%	7.39%
International Fixed Income					
Gross	2.57%	7.88%	2.02%	2.29%	4.43%
Net	2.48%	7.50%	1.65%	1.93%	4.06%
Wtd Avg Intl Fixed Income Benchmark	3.40%	11.24%	1.85%	0.35%	2.71%
Global Real Assets					
Gross	1.87%	8.53%	9.80%	-	-
Net	1.71%	7.99%	9.34%	-	-
Wtd Avg Global Real Assets Benchmark	1.62%	6.29%	7.89%	-	-
Real Estate					
Gross	3.00%	11.96%	14.82%	13.68%	15.46%
Net	2.87%	11.34%	14.26%	13.13%	14.89%
NCREIF Total Index	2.03%	10.64%	11.61%	11.51%	12.37%
Timber					
Net	(1.76%)	4.34%	3.63%	-	-
NCREIF Timberland Index	1.09%	3.49%	7.77%	6.72%	5.66%
Infrastructure					
Gross	1.67%	3.65%	4.74%	-	-
Net	1.34%	2.88%	4.09%	-	-
CPI-W	1.33%	0.64%	0.76%	1.12%	1.61%
Cash & Equivalents - Net	0.12%	0.29%	0.13%	0.11%	0.12%
3-month Treasury Bill	0.07%	0.19%	0.09%	0.09%	0.10%
Total Fund					
Gross	1.54%	0.61%	6.84%	6.82%	9.17%
Net	1.47%	0.28%	6.51%	6.49%	8.82%
Target*	1.69%	0.56%	5.91%	6.08%	8.37%

PERS Private Equity Performance – June 30, 2016

	June-16			Current Fiscal YTD		Prior Year FY15		3 Years Ended 6/30/2016		5 Years Ended 6/30/2016	
	Market Value	Allocation		Gross ⁽⁷⁾	Net	Gross ⁽⁷⁾	Net	Gross ⁽⁵⁾	Net	Gross ⁽⁵⁾	Net
		Actual	Policy								
Private Equity											
Brinson 1998 Partnership Fund	63,112	0.0%		4.14%	4.14%	-0.68%	-0.68%	1.77%	1.77%	0.95%	0.95%
Brinson 1999 Partnership Fund	169,561	0.0%		12.03%	12.03%	-17.94%	-17.94%	2.61%	2.61%	2.21%	2.21%
Brinson 2000 Partnership Fund	470,603	0.0%		-1.75%	-1.75%	-10.71%	-10.71%	-1.74%	-1.74%	1.43%	1.43%
Brinson 2001 Partnership Fund	760,798	0.0%		-10.11%	-10.11%	-0.25%	-0.25%	2.31%	2.31%	4.78%	4.78%
Brinson 2002 Partnership Fund	370,462	0.0%		9.43%	9.43%	-19.50%	-19.50%	1.65%	1.65%	4.69%	4.69%
Brinson 2003 Partnership Fund	179,919	0.0%		-2.55%	-2.55%	13.43%	13.43%	13.28%	13.28%	7.77%	7.77%
Total Brinson Partnership Funds	2,014,456	0.1%		-1.98%	-1.98%	-7.11%	-7.11%	1.87%	1.87%	3.69%	3.69%
Brinson 1999 Non-US Partnership Fund	201,255	0.0%		13.44%	13.44%	-13.15%	-13.15%	1.29%	1.29%	5.77%	5.77%
Brinson 2000 Non-US Partnership Fund	356,052	0.0%		-7.68%	-7.68%	-4.91%	-4.91%	-2.64%	-2.64%	-2.51%	-2.51%
Brinson 2001 Non-US Partnership Fund	85,249	0.0%		23.36%	23.36%	16.96%	16.96%	24.09%	24.09%	12.41%	12.41%
Brinson 2002 Non-US Partnership Fund	515,859	0.0%		29.09%	29.09%	-7.15%	-7.15%	8.10%	8.10%	5.92%	5.92%
Brinson 2003 Non-US Partnership Fund	283,492	0.0%		18.08%	18.08%	-2.02%	-2.02%	11.09%	11.09%	9.99%	9.99%
Brinson 2004 Non-US Partnership Fund	202,141	0.0%		-8.26%	-8.26%	-6.29%	-6.29%	5.80%	5.80%	3.35%	3.35%
Total Brinson Non-US Partnership Fund	1,644,048	0.1%		10.65%	10.65%	-4.47%	-4.47%	6.97%	6.97%	5.26%	5.26%
Adams Street 2008 Non-US Partnership Fd	3,746,686	0.2%		11.84%	11.84%	7.59%	7.59%	12.71%	12.71%	9.22%	9.22%
Brinson BVCF IV	1,888,686	0.1%		-1.65%	-1.65%	42.11%	42.11%	18.20%	18.20%	29.22%	29.22%
Adams Street Direct Co-investment Fund	2,796,519	0.1%		8.30%	8.04%	22.50%	22.23%	16.34%	15.92%	13.24%	13.00%
Adams Street 2010 Direct Fund	678,078	0.0%		7.48%	7.48%	4.61%	4.61%	15.27%	15.27%	13.88%	13.88%
Adams Street 2010 Non-US Emerging Mkts	647,480	0.0%		10.50%	10.50%	21.80%	21.80%	11.83%	11.83%	0.77%	0.77%
Adams Street 2010 Non-US Developed Mkts	1,319,772	0.1%		9.63%	9.63%	-2.43%	-2.43%	6.70%	6.70%	7.21%	7.21%
Adams Street 2010 Partnership Fund	2,765,892	0.1%		6.18%	6.18%	18.37%	18.37%	13.70%	13.70%	12.03%	12.03%
Total Adams Street 2010 Funds	5,411,222	0.2%		7.80%	7.80%	10.63%	10.63%	12.22%	12.22%	10.71%	10.71%
Adams Street 2015 Global Fund	759,021	0.0%		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Matlin Patterson Global Opportunities	1	0.0%		12.99%	12.99%	1.12%	1.12%	4.54%	4.54%	1.18%	1.18%
Matlin Patterson Global Opportunities II	815,701	0.0%		7.27%	7.27%	19.60%	19.60%	3.19%	3.19%	-27.34%	-27.34%
Matlin Patterson Global Opportunities III	13,531,512	0.6%		-5.66%	-5.66%	-2.43%	-2.43%	-1.30%	-1.30%	22.01%	22.01%
InvestAmerica (Lewis and Clark Fund)	667,195	0.0%		-51.19%	-51.19%	-32.09%	-32.09%	-35.55%	-35.55%	-19.67%	-19.67%
L&C II	4,822,765	0.2%		1.88%	1.88%	-14.35%	-14.35%	-6.77%	N/A	-5.56%	N/A
Hearthstone MSII	6,418	0.0%		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Hearthstone MSIII	2,218,171	0.1%		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	27.65%	27.65%
Corsair III	6,719,925	0.3%		34.22%	34.22%	-8.84%	-8.84%	7.06%	7.06%	1.57%	1.35%
Corsair III - ND Investors LLC	5,980,979	0.2%		6.41%	6.41%	-5.27%	-5.27%	-0.10%	-0.10%	2.58%	2.53%
Corsair IV	8,581,238	0.3%		-2.38%	-2.38%	29.73%	29.73%	13.58%	13.58%	6.12%	6.00%
Capital International (CIPEF V)	3,922,718	0.2%		-25.52%	-25.52%	-13.33%	-13.33%	-10.61%	-10.61%	-9.35%	-9.35%
Capital International (CIPEF VI)	8,970,450	0.4%		1.06%	1.06%	-21.71%	-21.71%	-9.32%	-9.32%	N/A	N/A
EIG (formerly TCW)	2,341,021	0.1%		-67.59%	-67.59%	-23.62%	-23.62%	-38.29%	-38.29%	-24.04%	-24.04%
Quantum Resources	25,905	0.0%		N/A	N/A	-42.83%	-42.83%	N/A	N/A	N/A	N/A
Quantum Energy Partners	3,073,824	0.1%		-22.63%	-22.63%	-19.31%	-19.31%	-6.45%	-6.45%	4.85%	4.85%
Total Private Equity (5)	79,938,460	3.3%	5.0%	-7.19%	-7.20%	-5.37%	-5.39%	-2.96%	-2.98%	0.49%	0.48%

Standard Deviation Relative to Policy Benchmark

10 Years Ended June 30, 2016



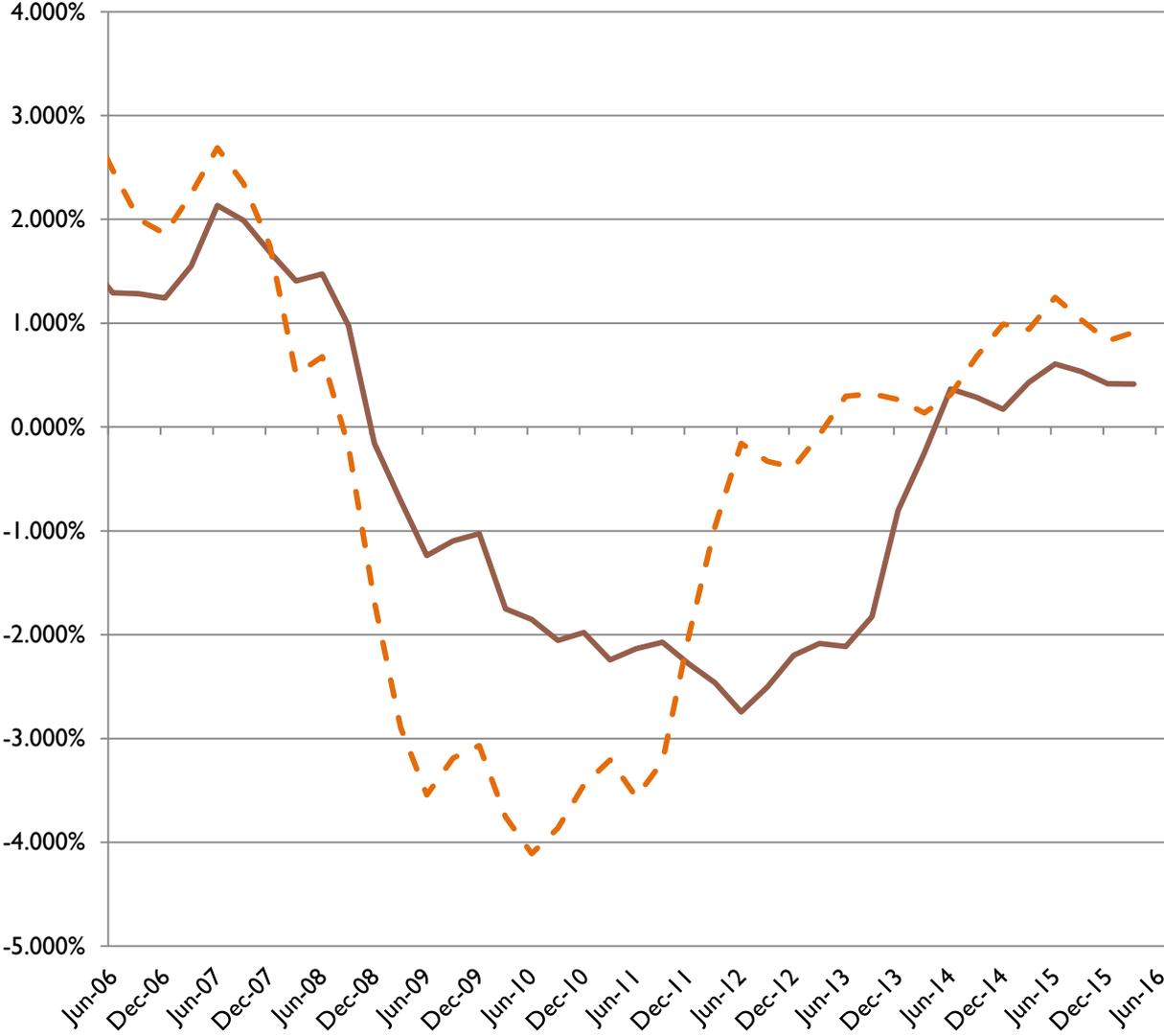
PERS risk, as measured by standard deviation, has declined from over 120% in 2008 to approximately 105% since 2014. Risk remains within board approved guidelines of 1.15 of the policy benchmark for the last 5 years.

— PERS Rolling 20 Quarters
 - - - PERS Rolling 12 Quarters
 - - - Reference

PERS standard deviation for the 5-years ended June 30, 2016 was 7.7% which exceeded the policy benchmark of 7.4% by 105%.

Excess Return Relative to Policy Benchmark

10 Years Ended June 30, 2016

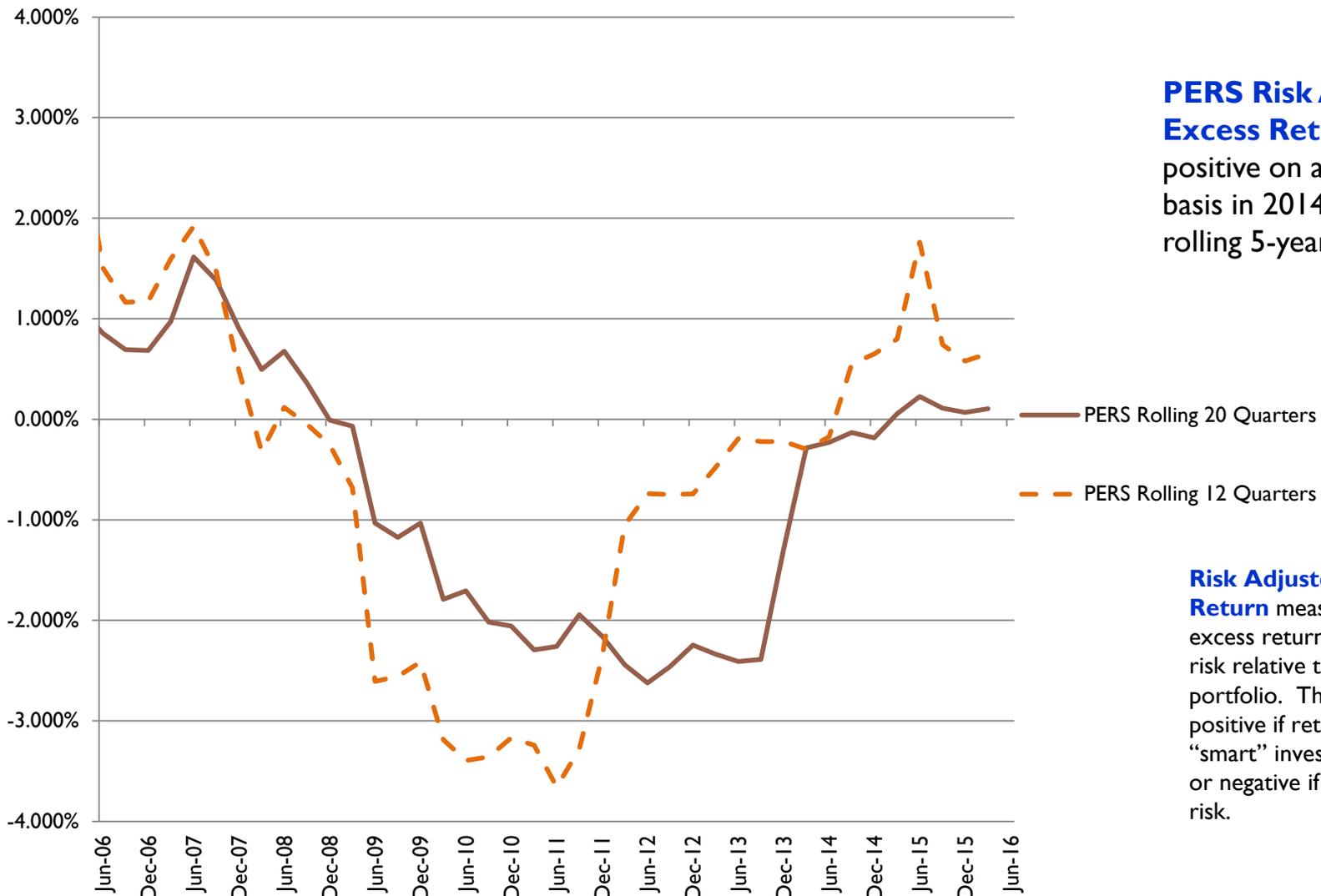


Excess Return for the 5-years ended June 30, 2016 was 0.41% and turned positive in 2014.

— PERS Rolling 20 Quarters
 - - - PERS Rolling 12 Quarters

Excess Return results when incremental income generated from active management exceeds investment management fees.

Risk Adjusted Excess Return 10 Years Ended June 30, 2016



PERS Risk Adjusted Excess Return turned positive on a rolling 3-year basis in 2014 and on a rolling 5-year basis in 2015.

Risk Adjusted Excess Return measures a portfolio's excess return adjusted by its risk relative to a benchmark portfolio. This metric is positive if returns are due to "smart" investment decisions or negative if driven by excess risk.



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

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

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

Memorandum

TO: PERS Board

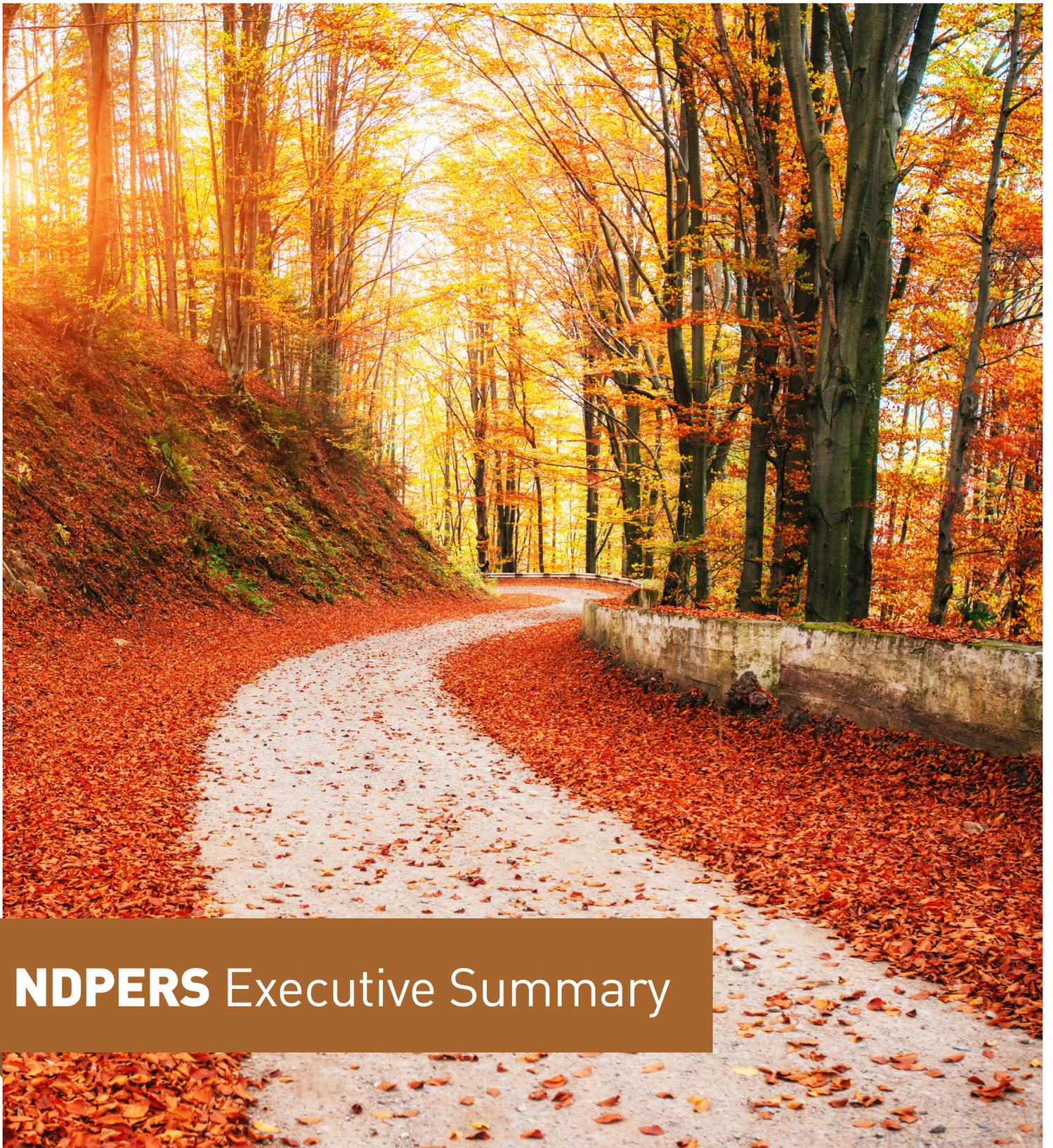
FROM: Sparb

DATE: November 10, 2016

SUBJECT: Quarterly Executive Summary

Representatives of Sanford will be at the next meeting to review with you Attachment 1 and answer any questions you may have.

In addition, Sanford will provide an update on the member reimbursement program (Attachment 2) and review with you some items relating to glucometers (Attachment 3).



NDPERS Executive Summary

Quarter 2 | 2016

Presented October 2016



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Summary & Claims Analysis

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Dakota Wellness Program

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Performance Standards & Guarantees

ANNUAL MEMBERSHIP SUMMARY

Stable year over year growth:

ACTIVES > **+1.1%**
 EARLY RETIREES > **-7.5%**
 MEDICARE RETIREES > **-1.4%**

MEMBERSHIP COMPARISON		
	Q3 2015	Q2 2016
Actives	56,782	57,428
Early Retirees	1,211	1,127
Medicare Retirees	8,648	8,525

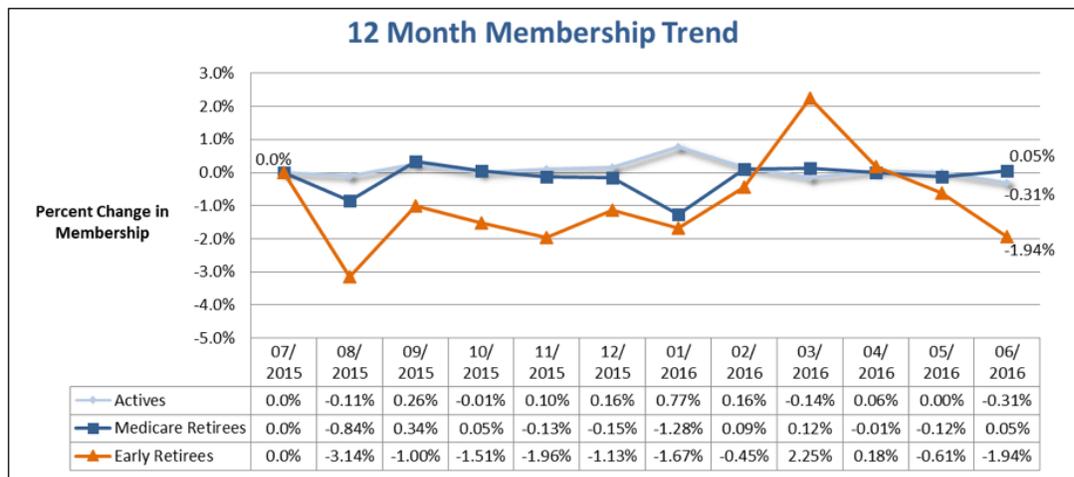
MEMBERSHIP TREND

LARGEST MEMBERSHIP INCREASE > **+2.25%**

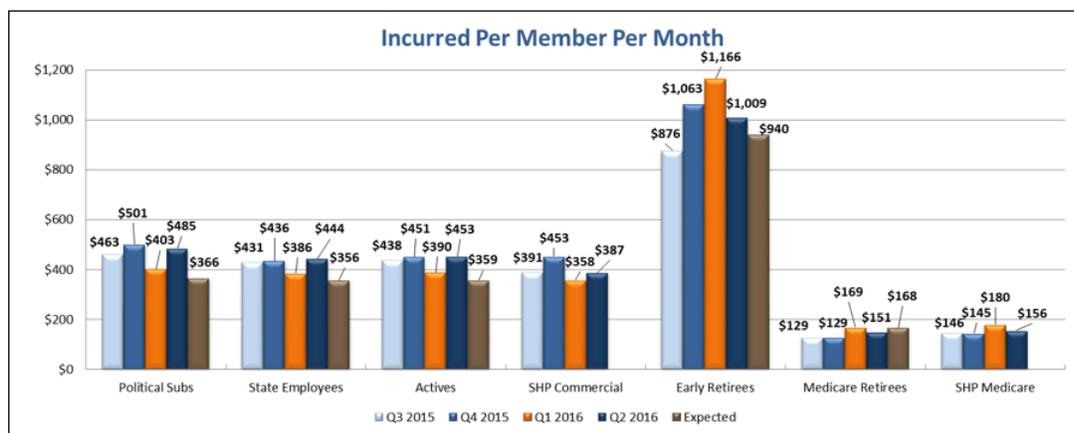
Early Retirees, March 2016

LARGEST MEMBERSHIP DECLINE > **-3.14%**

Early Retirees, August 2015



PMPM SUMMARY



***Incurred between July 1, 2015 and June 30, 2016 and paid through August 31, 2016.

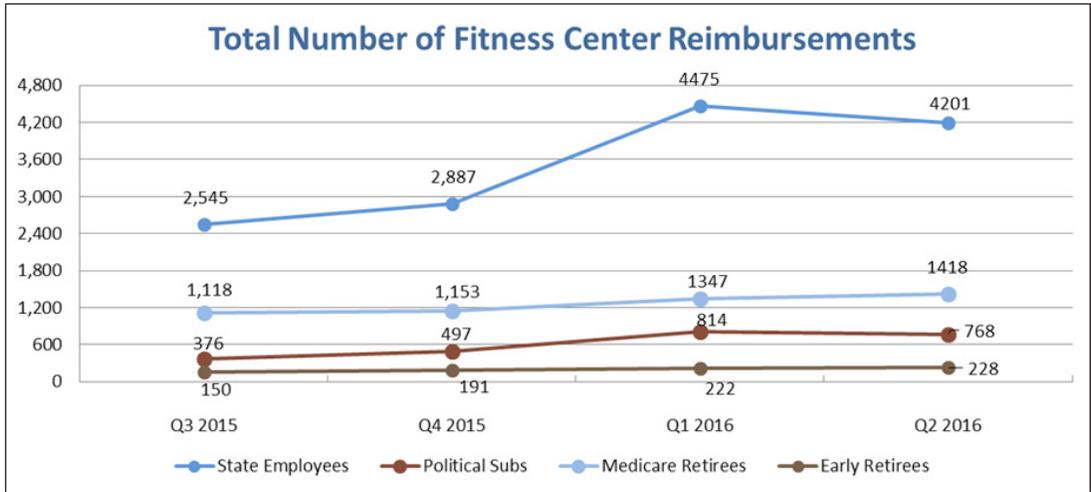
Includes IBNR for July 2015 through June 2016, as of August 31, 2016.

**Historically, 98% of claims will be accounted for within 90 days of the effective date.

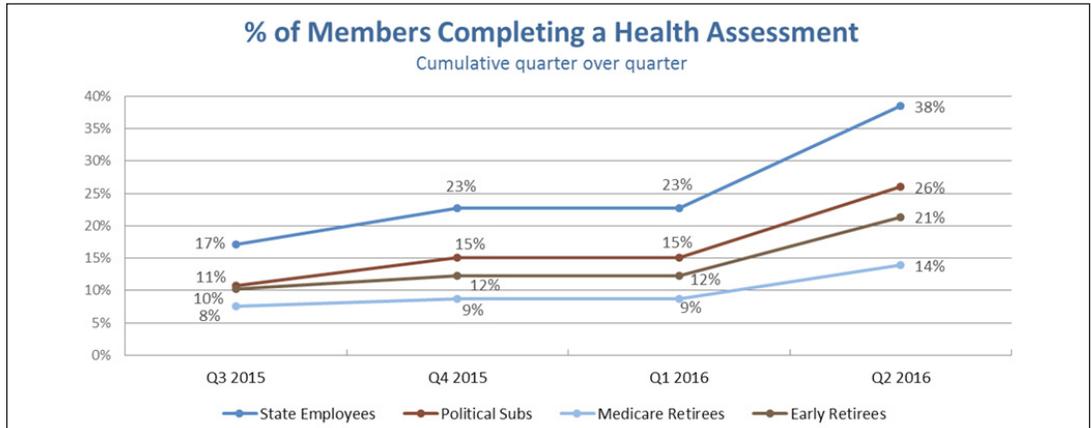
*Medicare Retirees PMPM excludes prescription drug coverage (Medicare Part D).

Summary

FITNESS CENTER REIMBURSEMENT

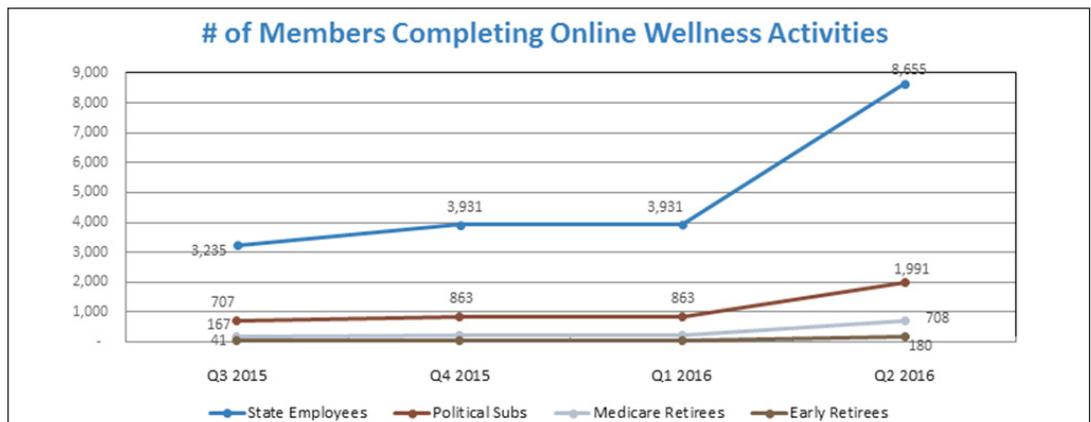


HEALTH ASSESSMENT



*Note: No health assessments or online activities were completed in Q1 2016 due to the new wellness portal being under development.

ONLINE WELLNESS ACTIVITIES



*Note: No health assessments or online activities were completed in Q1 2016 due to the new wellness portal being under development.

EGWP TOP LINE PERFORMANCE METRICS

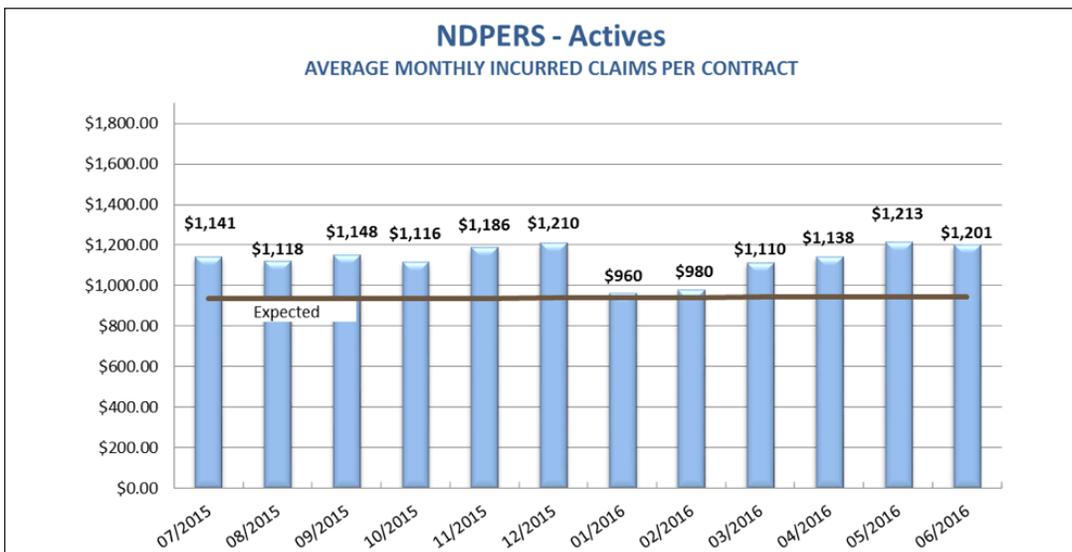
Summary

NDPERS EGWP	
Description	1-16 - 6-16
Avg Members per Month	8,526
Number of Unique Patients	8,067
Pct Members Utilizing Benefit	94.6%
Total Days	6,096,726
Total Rxs	135,250
Average Member Age	74.8
Nbr Rxs PMPM	2.64
Generic Fill Rate	87.6%
Home Delivery Utilization	1.0%
Member Cost %	23.3%
Specialty Percent of Plan Cost	26.4%
Formulary Compliance Rate	98.6%

*This data was prepared by Express Scripts Inc. (ESI)

PAID CLAIMS PER CONTRACT

Claims Analysis



***Incurred between July 1, 2015 and June 30, 2016 and paid through August 31, 2016.

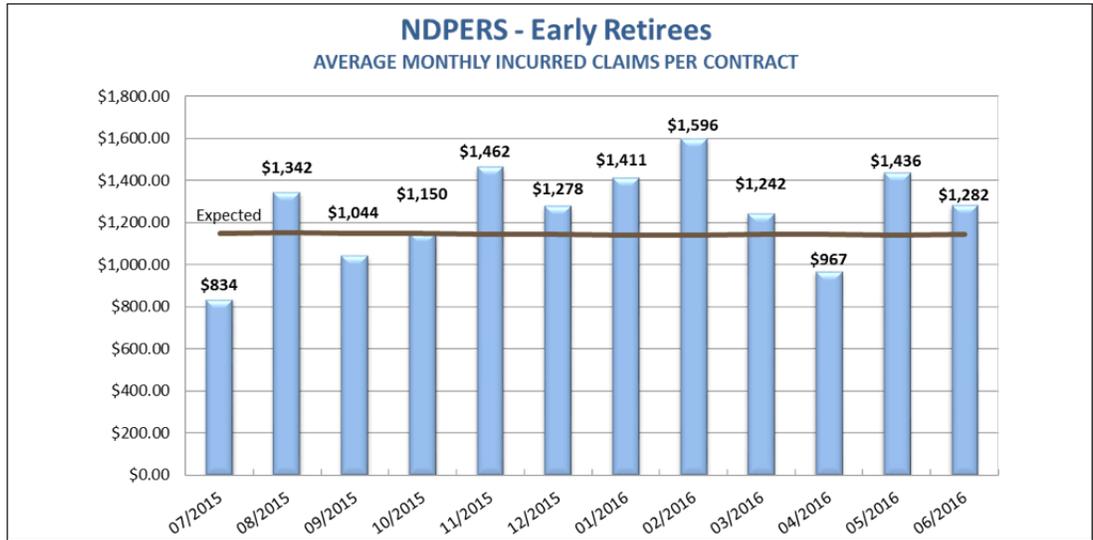
Includes IBNR for July 2015 through June 2016, as of August 31, 2016.

**Historically, 98% of claims will be accounted for within 90 days of the effective date.

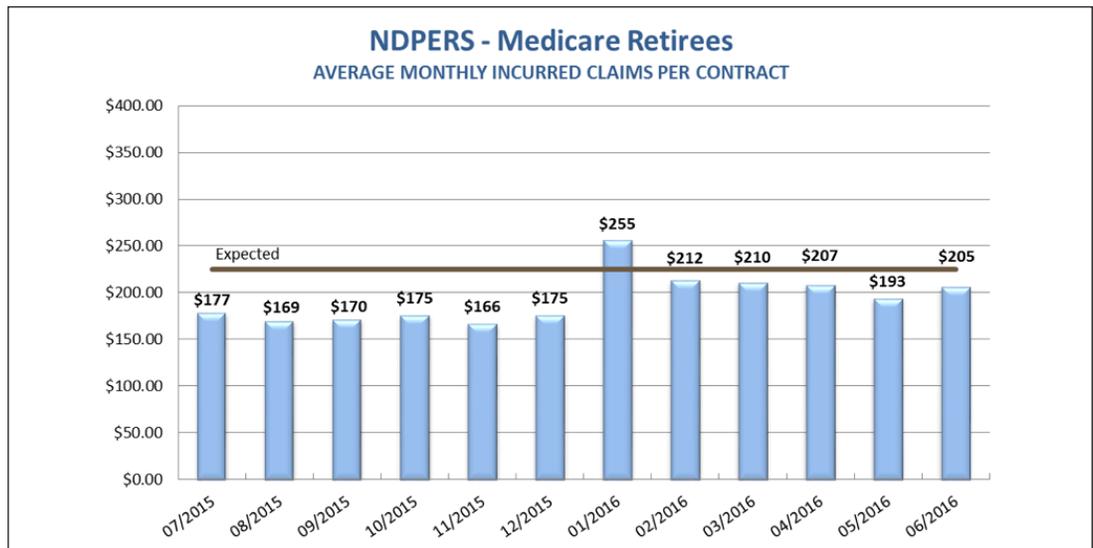
*NDPERS Active contracts have approximately 2.60 members per contract.

Claims Analysis

PAID CLAIMS PER CONTRACT

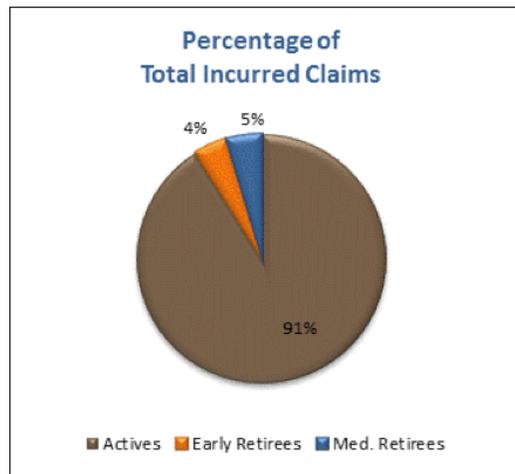
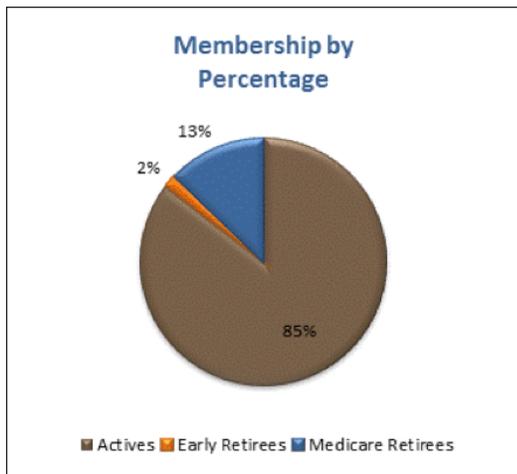
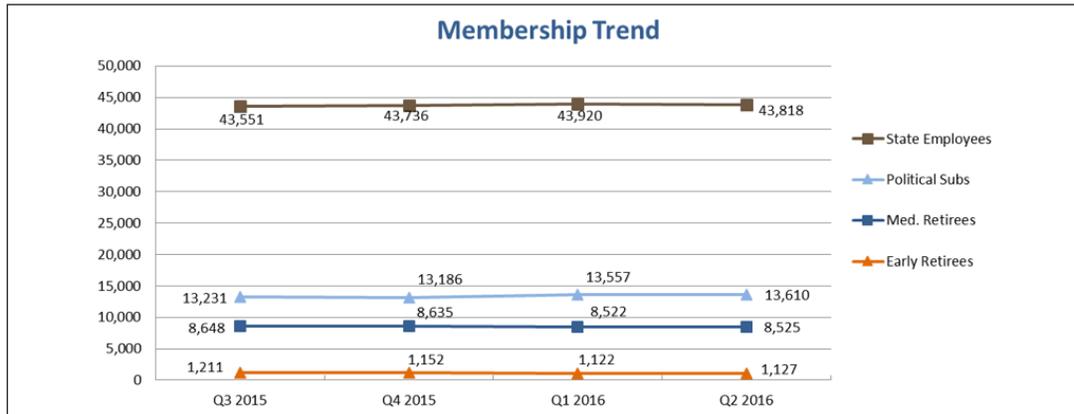


***Incurred between July 1, 2015 and June 30, 2016 and paid through August 31, 2016. Includes IBNR for July 2015 through June 2016, as of August 31, 2016.
 **Historically, 98% of claims will be accounted for within 90 days of the effective date.
 *NDPERS Early Retirees contracts have approximately 1.22 members per contract.

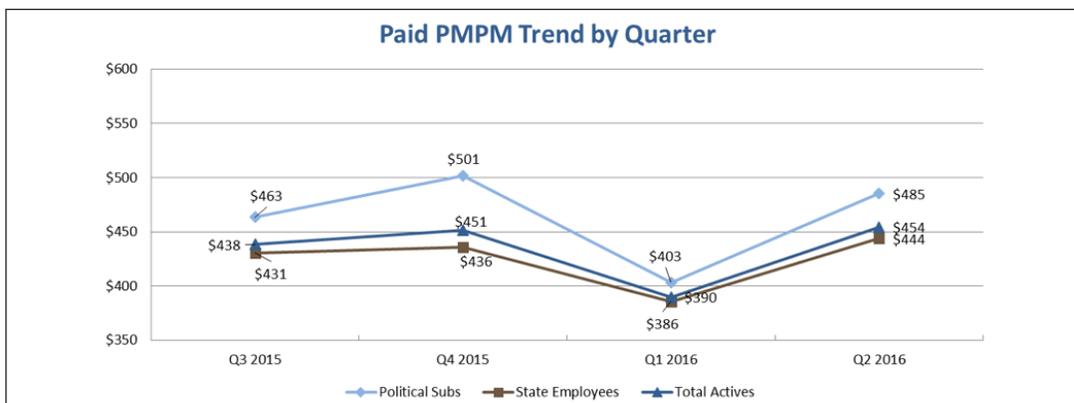


***Incurred between July 1, 2015 and June 30, 2016 and paid through August 31, 2016. Includes IBNR for July 2015 through June 2016, as of August 31, 2016.
 **Historically, 98% of claims will be accounted for within 90 days of the effective date.
 *NDPERS Medicare Retirees contracts have approximately 1.34 members per contract.

MEMBERSHIP PERCENTAGE



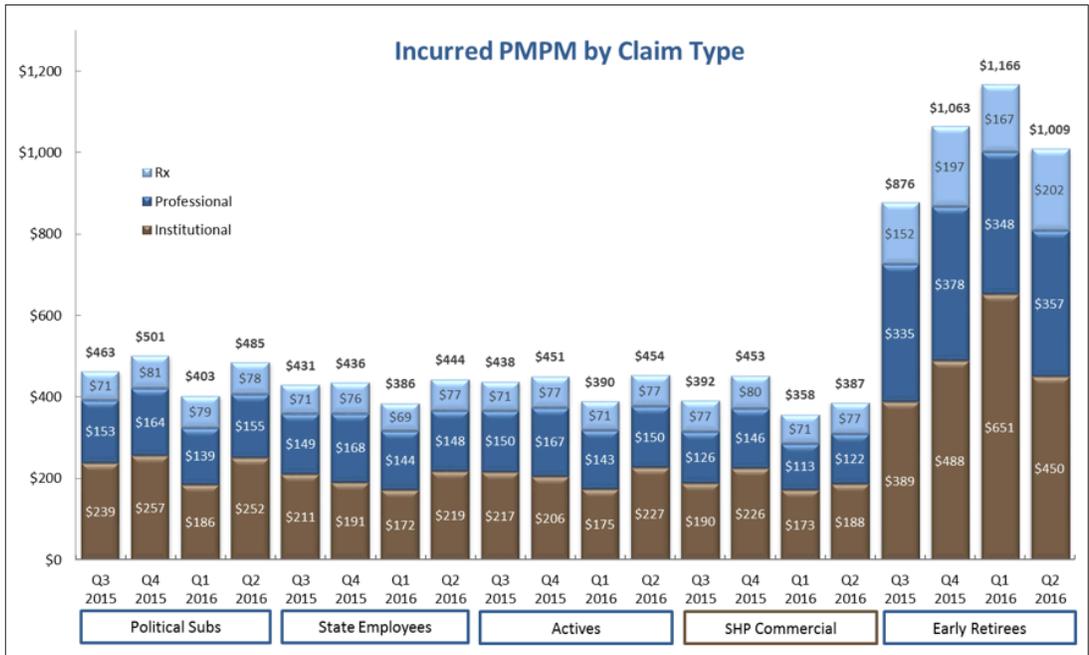
PAID PMPM TREND BY QUARTER



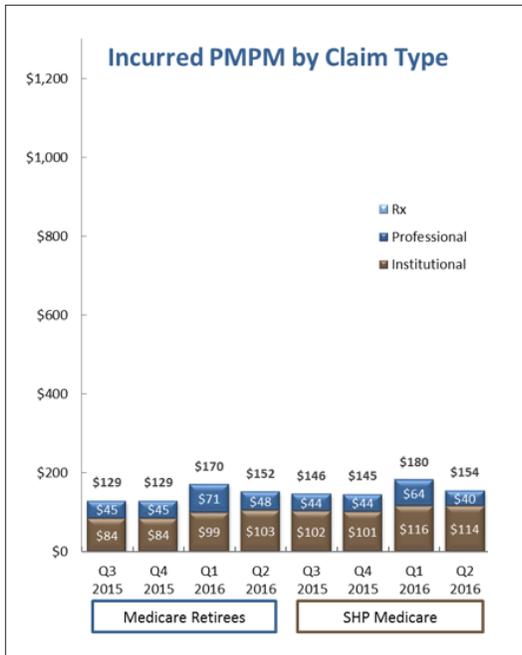
* Incurred between July 1, 2015 and June 30, 2016 and paid through August 31, 2016. Includes IBNR for July 2015 through June 2016, as of August 31, 2016.

Membership & Utilization

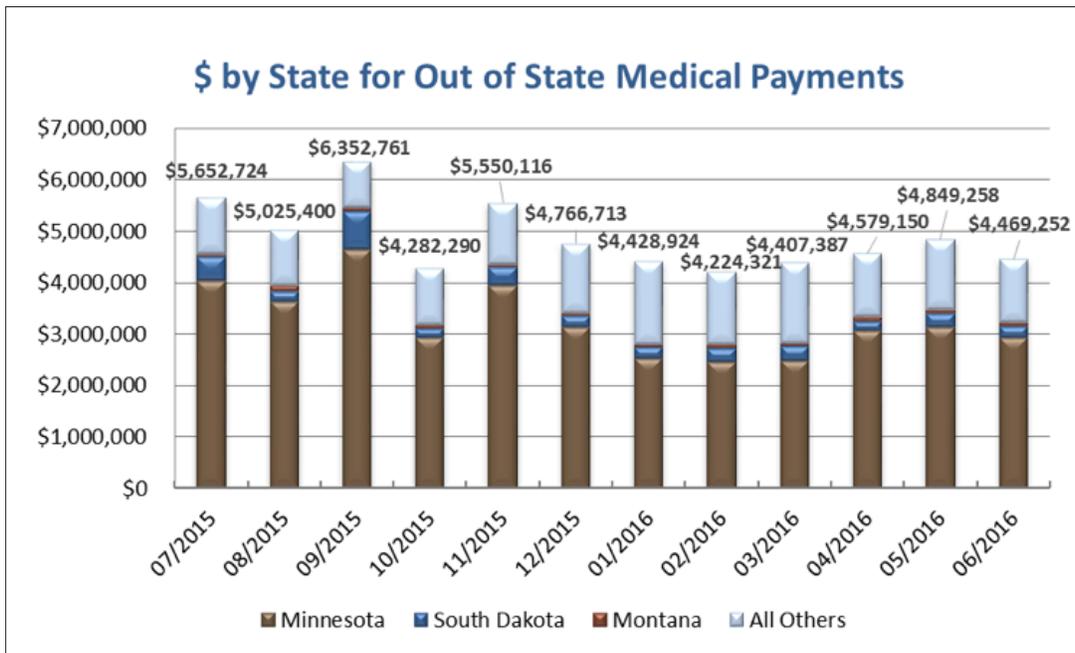
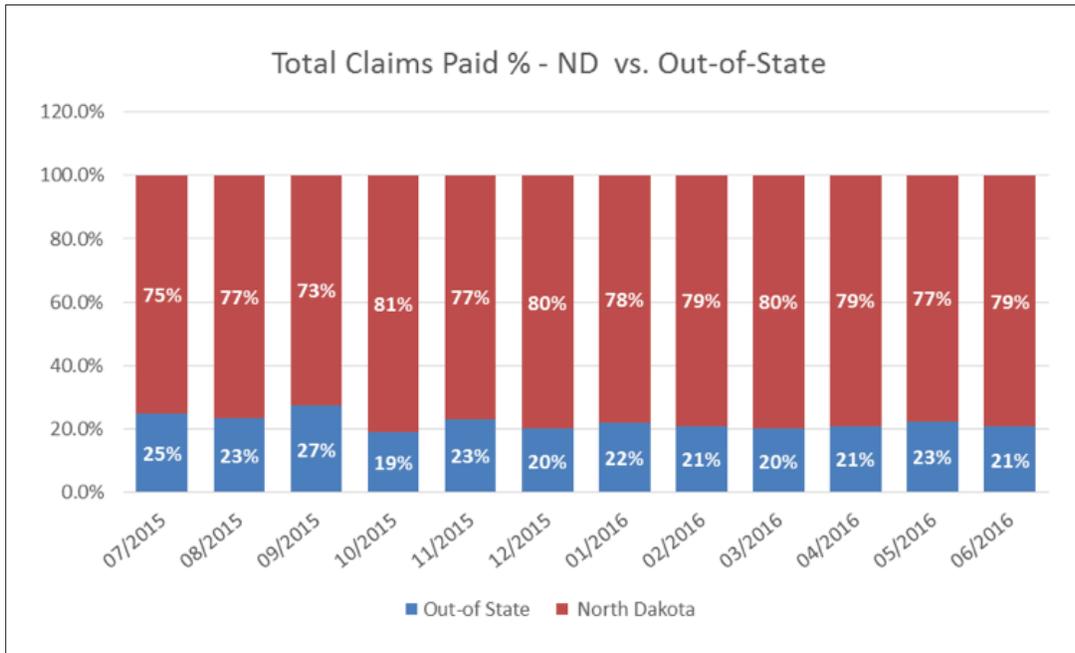
PMPM BY CLAIM TYPE



*Incurred between July 1, 2015 and June 30, 2016 and paid through August 31, 2016.
Includes IBNR for July 2015 through June 2016, as of August 31, 2016.



PAID CLAIMS BY STATE



*Paid Claims by State charts include both active and retiree membership.

Membership
& Utilization

MEMBER RISK PROFILE & UTILIZATION

	NDPERS	SHP BoB
Average Age	35.12	33.64
% Male (Current)	49.10	44.88
Average Risk Score	1.20	1.07
Average Care Gap Index	0.59	1.10
Inpatient Days Per 1000	270	280
Total Admissions Per 1000	63	71
ER Visits Per 1000	217	163
Total Office Visits Per 1000	4,248	4,052
Pharmacy Scripts Per 1000	9,036	9,963

*** Incurred between July 1, 2015 and June 30, 2016 and paid through August 31, 2016.

Includes IBNR for July 2015 through June 2016, as of August 31, 2016.

**All data was normalized using Verisk's methodologies and algorithms.

NDPERS includes Political subdivisions, Pre-Medicare Retirees and state employees.

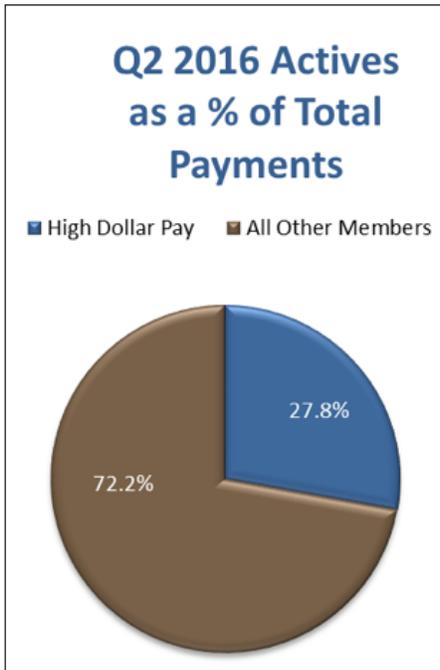
*Average Care Gap Index is understated for NDPERS due to lack of more historical claims data.

ACTIVES

High Dollar Cases



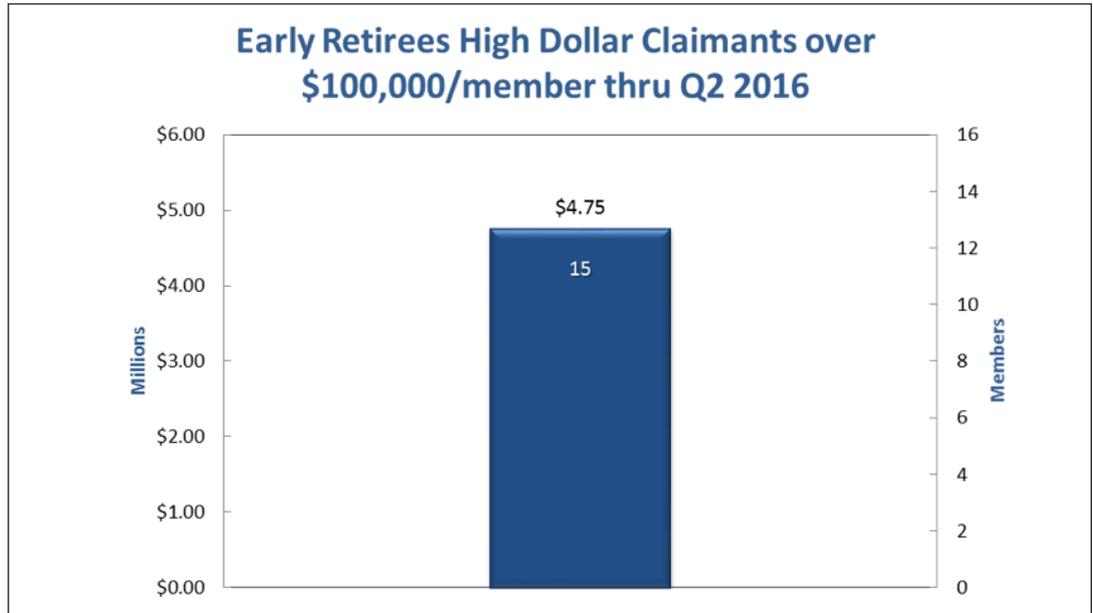
*Incurred between July 1, 2015 and June 30, 2016 and paid through August 31, 2016.



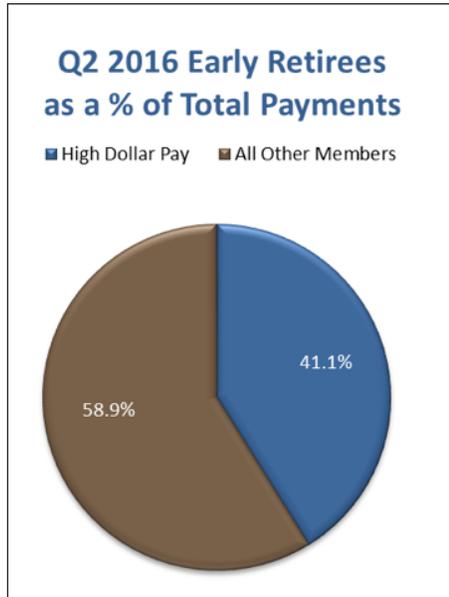
Avg. Paid/Case	\$226,962
% of Total Payments	27.8%

High Dollar Cases

EARLY RETIREES



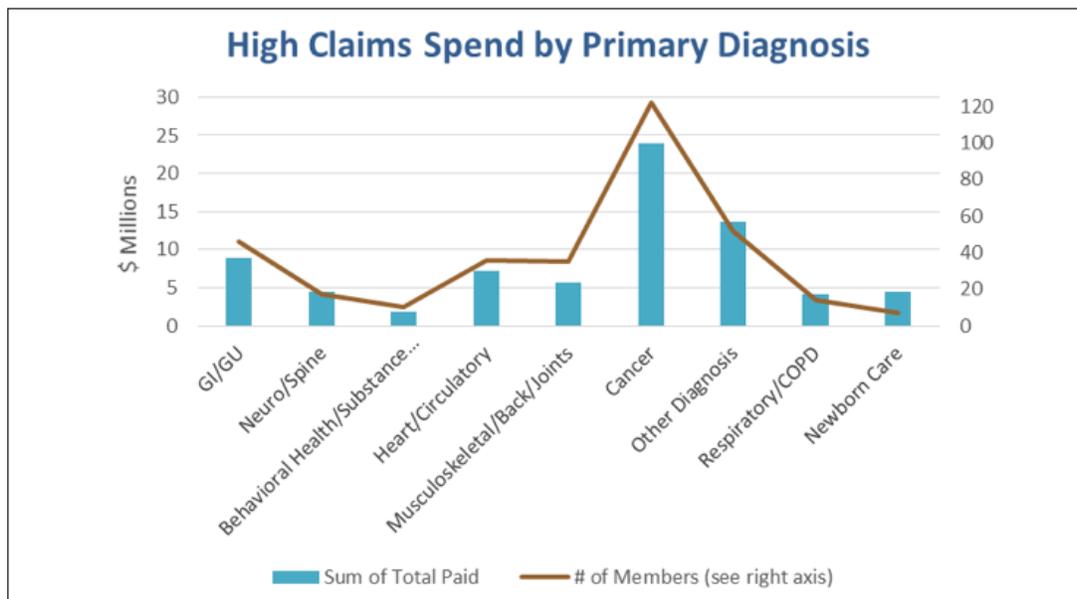
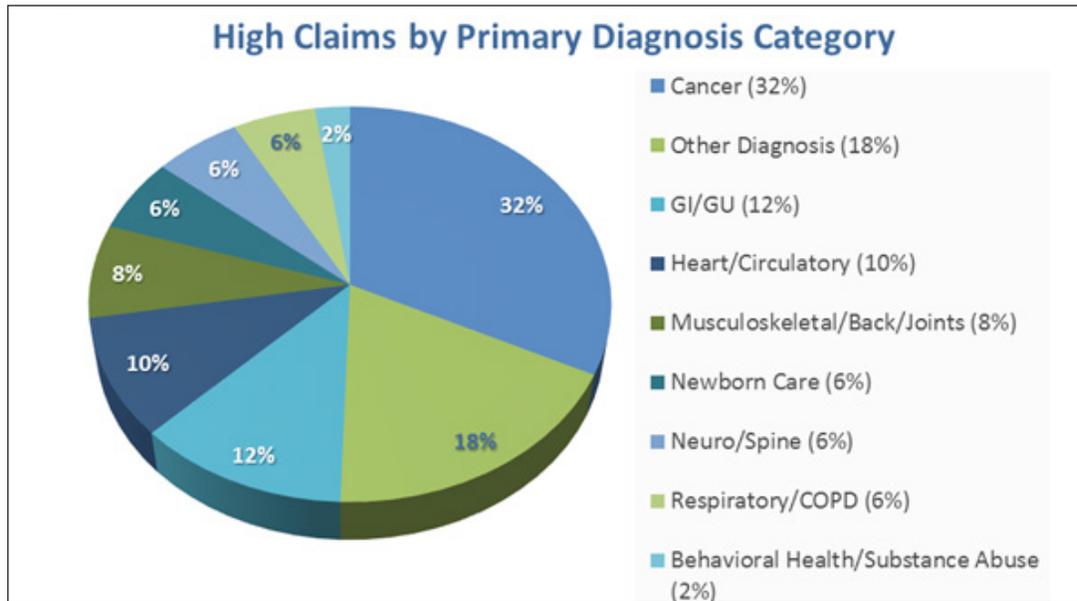
*Incurred between July 1, 2015 and June 30, 2016 and paid through August 31, 2016.



Avg. Paid/Case	\$316,600
% of Total Payments	41.1%

PRIMARY DIAGNOSIS

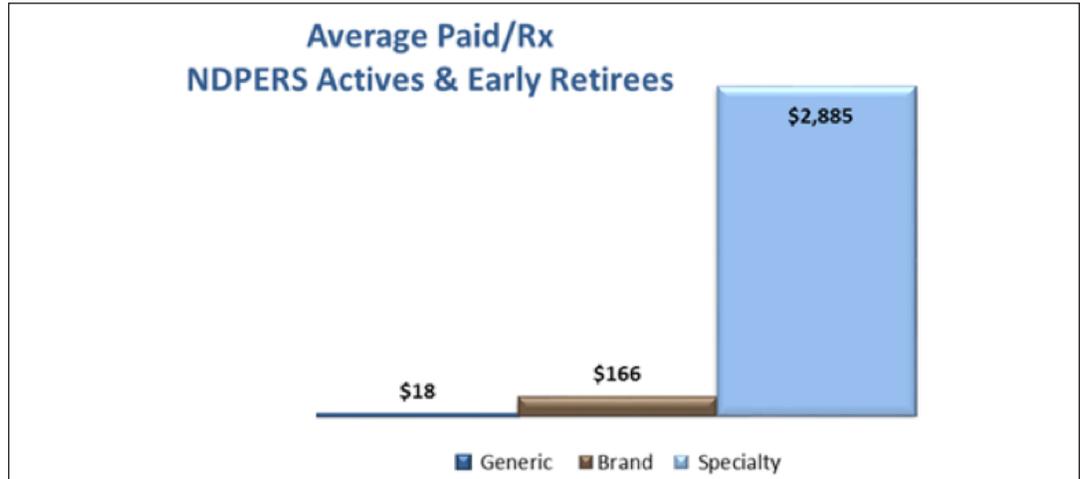
High Dollar Cases



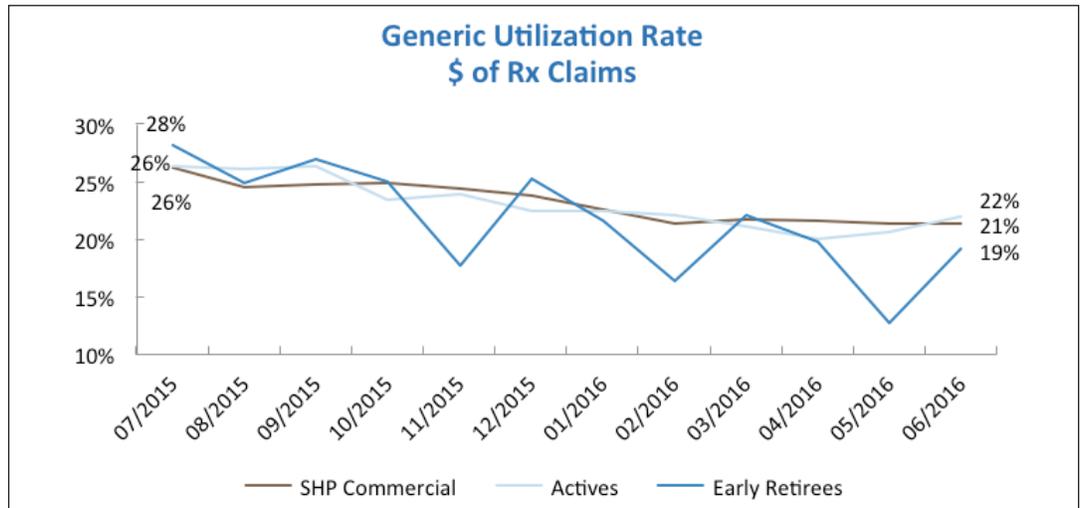
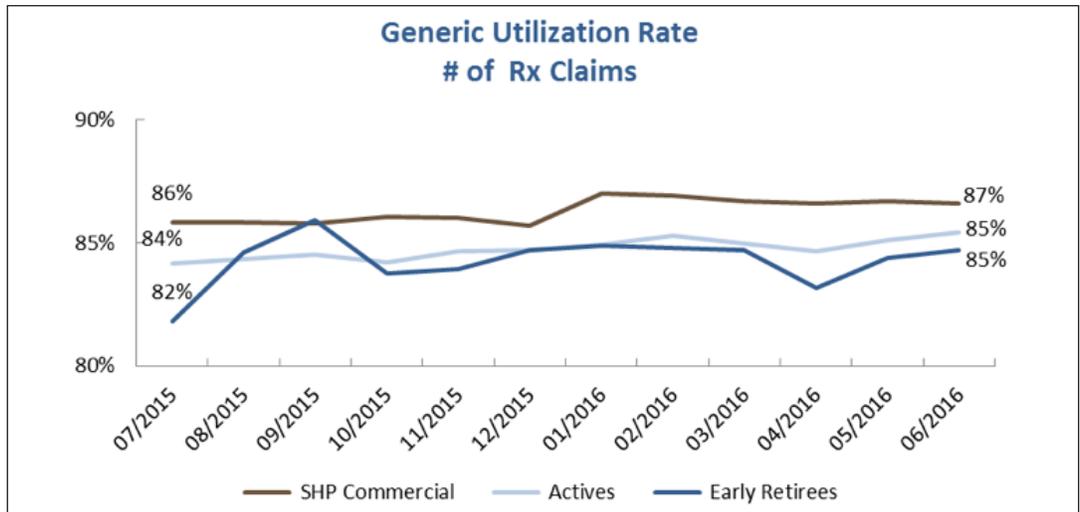
*High dollar cases consistent of claims with a total over \$100,000.

Prescription
Drugs

GENERIC UTILIZATION



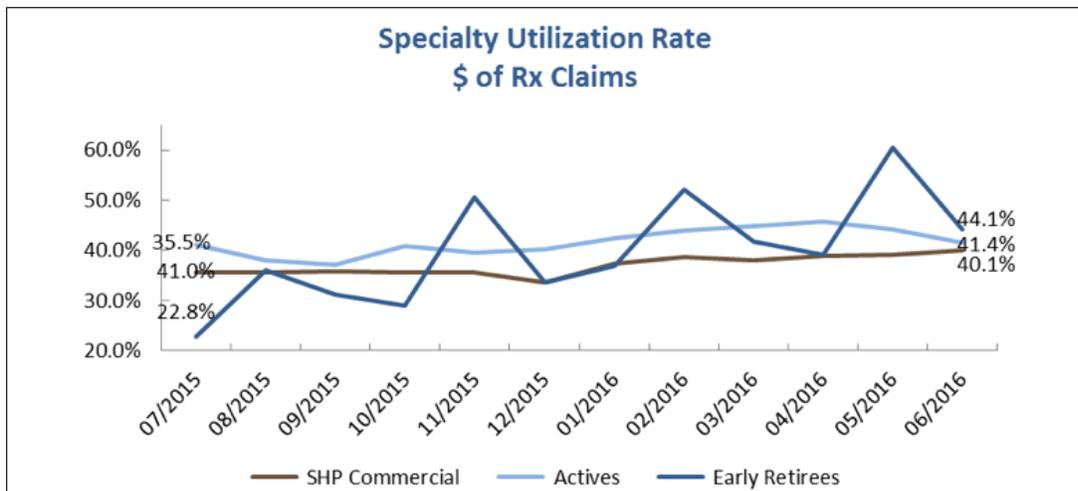
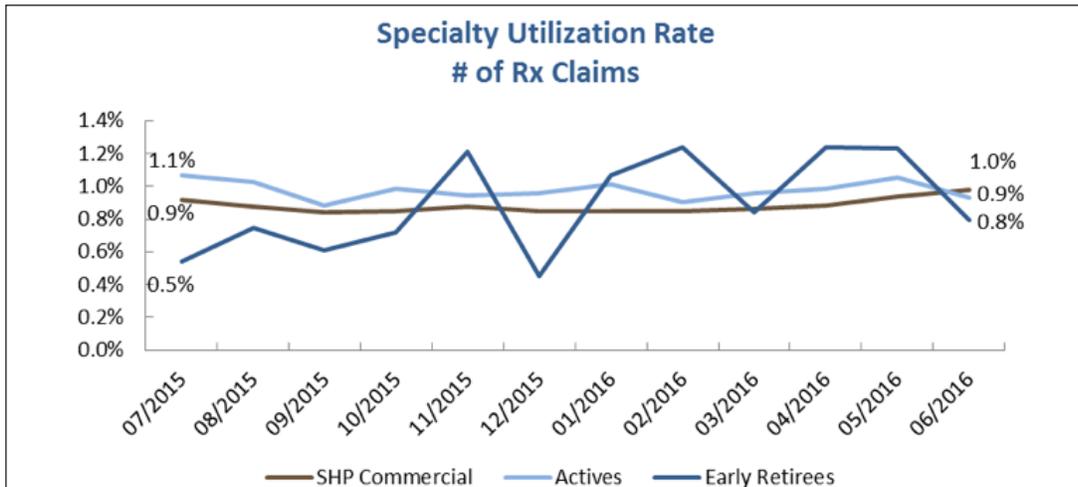
*Note: Updated chart to reflect utilization of generic, brand, or specialty.
Removed single-source brand for consistency.



*Incurred between July 1, 2015 and June 30, 2016 and paid through August 31, 2016.

SPECIALTY PHARMACY

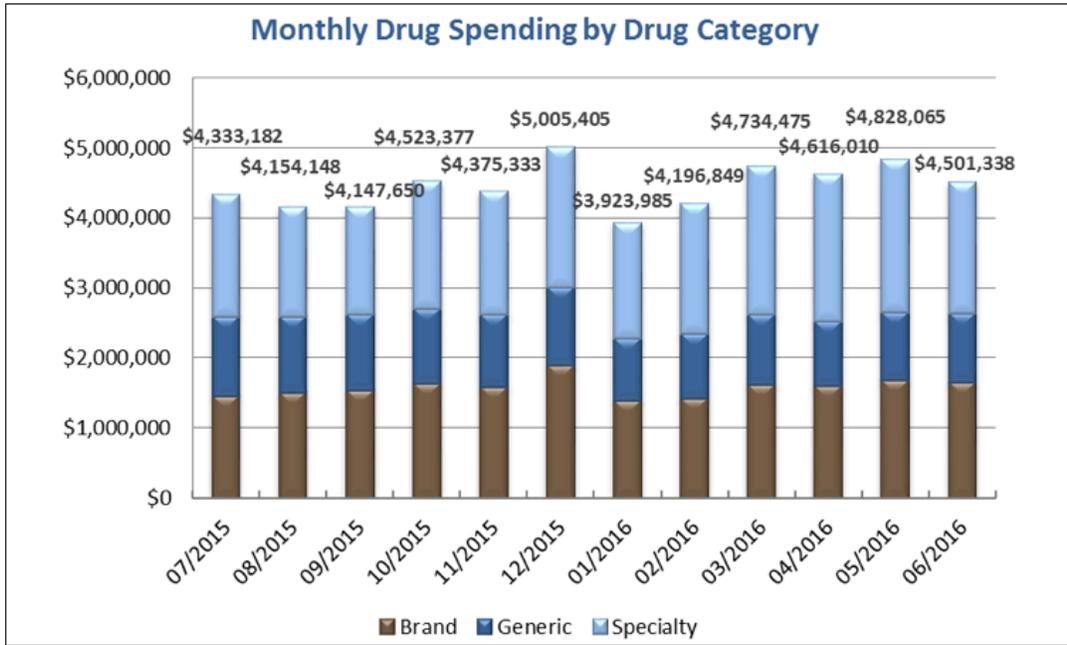
Prescription
Drugs



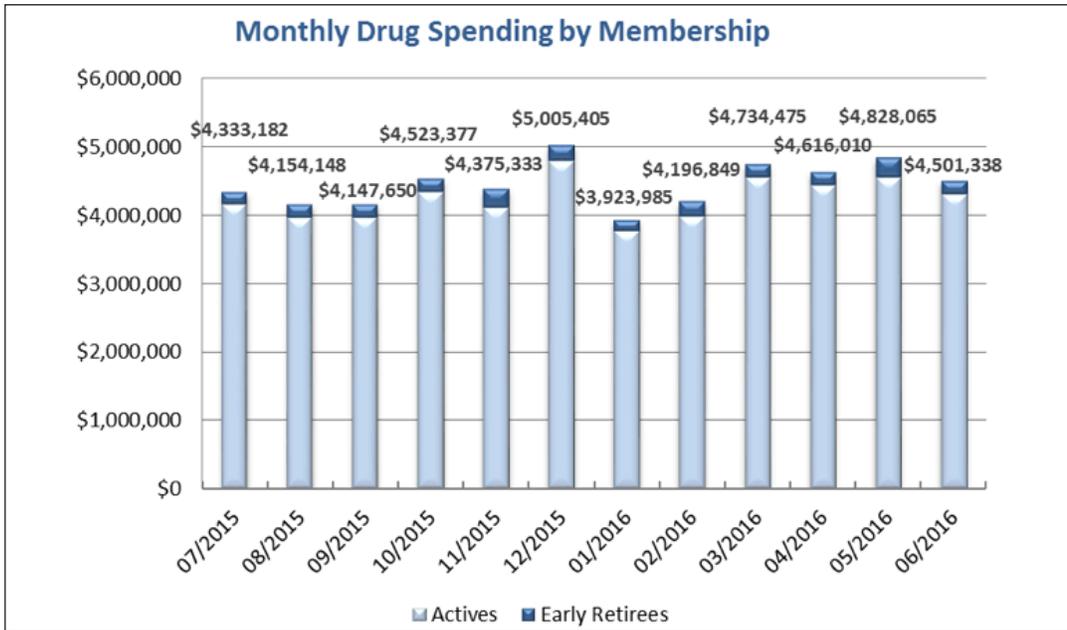
*Incurred between July 1, 2015 and June 30, 2016 and paid through August 31, 2016.

Prescription
Drugs

PHARMACY



*Incurred between July 1, 2015 and June 30, 2016 and paid through August 31, 2016.



*Incurred between July 1, 2015 and June 30, 2016 and paid through August 31, 2016.

MONTHLY WELLNESS THEMES

Monthly themes keep the wellness program fresh throughout the year and keeps members engaged in their individual wellness pursuit. Newsletters, e-blasts and worksite posters are used to introduce themes.

Dakota Wellness Program

MOVE MORE AT WORK

Ten ways to move more during the workday:

1. Participate in NDPERS Walk at Work Day on Thursday, May 19, 2016!
2. Take the stairs.
3. Hold a walking meeting.
4. Use your break time to take a walk.
5. Stand during a meeting or conference call.
6. Walk to your co-worker's desk instead of calling or emailing.
7. Park at the far end of the parking lot.
8. Walk or bike to and from work.
9. Create your own wellness portal challenge and invite co-workers.
10. Use the restroom on a different floor of the building.

Wellness Activities
Monthly Book Club: *How to Build Self-Discipline to Exercise: Practical Techniques and Strategies to Develop a Lifetime Habit of Exercise* by Martin Meadows

SANFORD HEALTH PLAN

SNVP-0603 4/16

Novu
Your New Online Wellness Portal
 Dakota Wellness Program

Your new wellness portal is now available! To get started, log on to your account at sanfordhealthplan.com/memberlogin. Select Wellness Portal under the NDPERS Dakota Wellness tab.

Now you're ready to take your LifeScore and earn points toward your \$250 wellness benefit. Take a tour of the portal and start your wellness journey!

Take A Tour

Home Button | **NOVU** | Features | Message Center

To-Do List
 Check your to-do list for reminders on important tasks.

Community
 See highlights from your buddies, groups and events.

Superfood
 Join the Nutrition program and see how your food choices affect your health!

Today's To-Do List

- 1. **Balance** Make your connection log on and check out your balance.
- 2. **Member** Update your contact information in the member profile.
- 3. **Checklist** Complete your goal for the day.
- 4. **Challenge** Check in to the 30 Day Kick Start Challenge.
- 5. **Wellness** Take your health, happiness and energy into the day.

Community

Support system
 See what's trending in your community.

Wellness
 See what's trending in your community.

SANFORD HEALTH PLAN

SNVP-0604 5/16

Dakota Wellness Program

A PURPOSE DRIVEN CAREER

One of the drivers of healthy career well-being is purpose. Purpose is seeking and creating meaning in your work by understanding the importance of your role and the tasks that you perform. No matter what the tasks are, approaching the work in a meaningful way develops your purpose.

Developing your purpose at work:

- Look for happiness and personal interest in your work throughout the day.
- Set one goal related to your work to strive toward.
- Learn a new skill or pursue a topic that interests you at work.
- Have an open dialogue with your supervisor about your goals and how your strengths fit with the organization's needs.
- Spend time with a person in your workplace that shares your mission and encourages you to grow.

Wellness Activities
Monthly Book Club: *Are You Fully Charged? The 3 Keys to Energizing Your Work and Life* by Tom Rath

SANFORD HEALTH PLAN

SNVP-0604 5/16

Dakota Wellness Program

ONLINE PLATFORM

The Novu platform allows members to engage in online wellness activities, including weekly and monthly challenges, and programs designed to help members reach their individual wellness goals.

Members can earn their wellness benefit through one or more the following three options:

1. **At work:** Participating in worksite activities and programs.
2. **Online:** Through the Novu portal.
3. **At the gym:** Using the Fitness Center Reimbursement Program.

The screenshot displays the user interface of the SANFORD HEALTH PLAN wellness platform. At the top, the logo for SANFORD HEALTH PLAN is visible on the left, and a search bar with the text "Buddies, Groups, Events, Challenges" is on the right. To the right of the search bar are links for "HEALTH WELLNESS", "Sign Out", and a notification icon with a red "2". Below the search bar is a navigation menu with tabs for "Programs", "Challenges", "Community", "Essential Care", and "Points". A green badge in the top right corner indicates "695 Points".

The main content area is divided into two columns. The left column features a "Today's To-Do List" for Monday, September 26th, 2016, with four items:

- Welcome** - Welcome to your new health journey!
- Nutrition** - Develop healthy eating habits that last a lifetime; join the Nutrition program today. *Recommended*
- Explore additional recommended programs
- Ready for something new? Join one of our many challenges.

 Below this is a "Community" section titled "A support system for better health" with the text: "You'll have an even better chance of meeting your goals with a little help on your side—make [buddies](#), [join groups](#) & [events](#)". A "Visit Community" link is at the bottom of this section.

The right column features a large promotional banner for the "Discover the Purpose Program". The banner includes the text "Achieve your personal goals" and a "Join Now" button. The background image shows a person standing on a stack of large, dark rocks, looking out over a green valley under a blue sky with white clouds. A circular icon with a yin-yang symbol is overlaid on the top left of the banner image.

TOP 10 ONLINE WELLNESS ACTIVITIES

These are the top 10 online Novu activities that were selected and completed by NDPERS members.

Dakota
Wellness
Program

#1



NUTRITION

#6



HEALTHY WEIGHT

#2



CARDIO

#7



BALANCE & MOBILITY

#3



SLEEP HEALTH

#8



PURPOSE

#4



STRESS

#9



YOGA & RELAXATION

#5



STRENGTH

#10

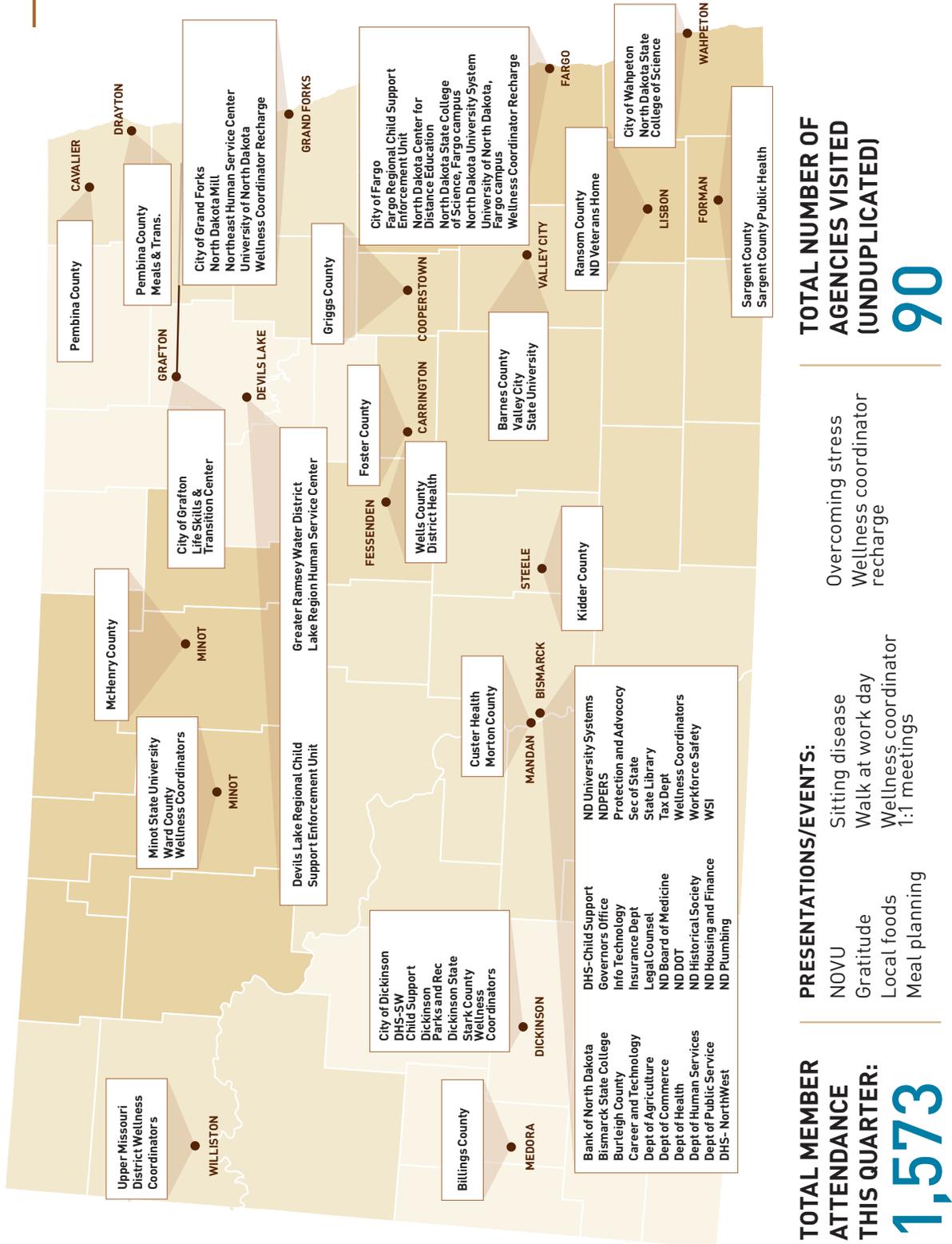


**DAILY HYDRATION
CHALLENGE**

Dakota Wellness Program

EVENT ATTENDANCE BY AGENCY

The Sanford Health Plan NDPERS wellness team engages members both offline and online. Wellness educators travel across the state to support agency wellness coordinators and provide worksite education and activities. This map shows where they've been over the last quarter.



WALK AT WORK EVENTS

A Walk at Work Day event was held in May at the Capitol to raise awareness surrounding the importance of exercise at work. State Health Officer Terry Dwelle, MD, addressed a group of over 90 at the Capitol, and an additional 55 worksites across the state held their own events during the month. Sites that participated were eligible to win a Fresh Fruit Friday from Sanford Health Plan, with the Public Service Commission and City of Medora winning.

Dakota Wellness Program

Dakota Wellness Program

North Dakota Public Employees Retirement System
Dakota Plan Health Benefits

WALK AT WORK DAY

**Thursday, May 19, 2016
11:30 a.m.**
Arrive early for check-in
State Capitol Building,
Memorial Hall
Bismarck, ND

Listen to North Dakota State Health Officer Dr. Terry Dwelle as he discusses the benefits of walking. Then, join Sanford Health Plan with a walk around the State Capitol Grounds.

Jump start your summer wellness goals by observing Global Employee Health & Fitness Month with a walk at work!

SANFORD HEALTH PLAN

SNHP-4675 5/16

WELLNESS COORDINATOR RECHARGE

Over 100 agency Wellness Coordinators from across the state attended the Recharge training event hosted by Sanford Health Plan.

REGISTER FOR THE WELLNESS COORDINATOR RECHARGE

If you could change one thing about your workplace to create a healthier environment for employees, what would it be? Creating a culture of wellness isn't easy, so Sanford Health Plan is here to help. This workshop will help you to reboot your organization's wellness program and recharge your role as a wellness coordinator.

Register by emailing the wellness educator show below. There is no cost to attend.

Location	Date	Time (CST)	Register by email
Dickinson Dickinson State University	Tues., June 7	8:30-11:30 a.m.	amy.mitschke@sanfordhealth.org
Williston Upper Missouri Valley Health Care	Tues., June 7	2-5 p.m.	amy.mitschke@sanfordhealth.org
Bismarck North Dakota State Capitol	Wed., June 8 Thurs., June 9 Wed., June 15	9 a.m.-noon 1-4 p.m. 2-5 p.m.	amy.mitschke@sanfordhealth.org
Minot Minot State University	Wed., June 8	2-5 p.m.	amy.mitschke@sanfordhealth.org
Grand Forks UND Wellness Center	Tues., June 14	1:30-4:30 p.m.	whitney.klinckworth@sanfordhealth.org
Fargo Fargo Case Public Health	Wed., June 15 Thurs., June 16	8-11 a.m. 2-5 p.m.	whitney.klinckworth@sanfordhealth.org

SNHP-4682 5/16

Performance
Standards &
Guarantees

MEASURE	GOAL	OUTCOME REPORTING DATES	OUTCOME
COST MANAGEMENT:			
Health Risk Assessment	10%	Dec. 31, 2015	17.9%
HEALTH OUTCOMES:			
Medical Home Enrollment	30%	July 1, 2016	36.5%
Breast Cancer Screening Rates	80%	June 30, 2017	-
Cervical Cancer Screening Rates	85%	June 30, 2017	-
Colorectal Cancer Screening Rates	60%	June 30, 2017	-
PROVIDER NETWORK/CONTRACTING:			
NDPERS PPO network - in-state hospitals, MDs and DOs that participate in the Company's Par Network.	Hospital = 85% MDs & DOs = 85%	Dec. 31, 2015	Hospital = 94% MDs & DOs = 87%
Minimum provider discount from in-network providers	30% for Non-Medicare contracts	June 30, 2017	-
Claims Financial Accuracy	99%	June 30, 2017	-
Claims Payment Incidence Accuracy	97%	June 30, 2017	-
Claim Timeliness	99%	June 30, 2017	-
Average Speed of Answer	45 seconds	June 30, 2017	-
Call Abandoned Rate	7% or less	June 30, 2017	-
ANCILLARY ITEMS:			
The interest rate utilized currently is based on the US Treasury Notes quoted by the Wall Street Journal	verification	June 30, 2017	-
Rx rebates passed-through to NDPERS	100%	June 30, 2017	-
HRA WELLNESS SCORE:			
HRA Wellness Score	5% point increase	Dec. 31, 2016	-
bWell Participation	10%	Dec. 31, 2015	10.8%
Health Club Credit	Goal = 1,950	July 1, 2016	1,879



NORTH DAKOTA
PUBLIC EMPLOYEES
RETIREMENT SYSTEM

SANFORD[®]
HEALTH PLAN

NDPERS Prescription Medication Rebate – Member Cost Share Project

In the current contract, Sanford Health Plan has agreed to replicate a program that was previously discontinued by the legacy carrier, where a proportionate share of medication rebates is distributed to the member. We can only speculate why this program was discontinued by the legacy carrier, but it is noteworthy that this program was discontinued prior to the transition to Sanford Health Plan on July 1, 2015.

Name brand manufacturers offer member coupons to help offset prescription copays for the majority of medications that are both name brand and have alternative options competing with their brand. A review of the top 25 medications (by total cost) for the first 6 months with Sanford Health Plan, supports this statement. In the top 25 medications, there were 23 brand name medications. Of these 23, all had coupons available to offset a large portion of the member cost share. Two of these coupons had no limit, the other 21 had an average copay offset of \$935 per month. The challenge with these offerings is that pharmacies submit a claim to the Pharmacy Benefit Manager, who replies with a member obligation (copay). The pharmacy then submits a secondary claim containing only the copay information to another processor for any coupon assistance. The coupon offsets the member obligation, and responds with a new reduced member cost share. The health plan as well as NDPERS has no access to this secondary transaction, nor does the plan have any right to this data since our involvement was completed during the primary transaction.

The concern this phenomenon raises is legitimate, how can any health plan accurately account for the member cost share, when these coupon programs offset the majority of member cost share already? Provided this challenge, we have multiple options to consider:

1. The health plan can administer the rebate sharing program as delineated in our contractual agreement. The NDPERS team would acknowledge the reality that some members would be rebated more than they actually contributed to their portion of the prescription medication (after coupon). This option is considered less favorable, because this set-up would encourage behavior that contributes to higher plan costs (utilization of brand medications).
2. Consider elimination of the rebate cost sharing. In the current agreement with Sanford Health, the NDPERS plan receives 100% of rebates received from the Pharmacy Benefit Manager. In challenging fiscal environments, this is a reasonable option.
3. Modify the rebate sharing program in such a way that the member portion, is redistributed in such a way to help “buy down” generic benefits, and encourage generic utilization.



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

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

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

Memorandum

TO: PERS Board

FROM: Sparb

DATE: November 9, 2016

SUBJECT: Actuarial Tables

Now that GRS has completed its work on the actuarial valuations, the next effort is to do the update on the Actuarial reduction tables. These tables are used in determining all the benefits except the single life benefit and for purchase of service. Therefore, they can have an affect on someone's planning for retirement. In reviewing this effort with GRS, we have agreed that they will start this project in March and it will take up to 90 days. They are going to use the time between now and then to review our assumptions to determine if they have any recommendations for us before starting on the tables.

With the above in mind, staff will develop for your consideration at the January or February meeting an implementation plan for the tables. Once we have adopted that plan, we can then communicate it to our members so they can understand the affect of this change before it takes place.



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400 East Broadway, Suite 505 • Box 1657
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Sparb Collins
Executive Director
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1-800-803-7377

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

Memorandum

TO: NDPERS Board

FROM: Kathy

DATE: November 9, 2016

SUBJECT: Medicare Part D Contract Addendum

At the September 8th meeting, the Board approved to renew our contract with ESI for the Medicare Part D plan for the period January 1, 2017 through December 31, 2017. ESI was notified of the Board's decision and a letter of intent was signed on September 15, 2016.

Included is an addendum to our Agreement in effect since January 1, 2015 that confirms all provisions of that Agreement will remain in full force and effect for the term 2017 calendar year. The addendum has been approved by our legal counsel. Staff recommends approval of the addendum.

BOARD ACTION REQUESTED

**ADDENDUM TO AGREEMENT FOR MEDICARE PART D EMPLOYER-ONLY
SPONSORED GROUP WAIVER PLAN
PRESCRIPTION DRUG SERVICES
BETWEEN
NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
AND
MEDCO CONTAINMENT LIFE INSURANCE COMPANY**

This Addendum is made and entered into this ____ day of _____, 2016, by and between the State of North Dakota, acting through its North Dakota Public Employees Retirement System (Client) and Medco Containment Life Insurance Company (MCLIC). This agreement is an Addendum to the Agreement for Medicare Part D Employer-Only Sponsored Group Waiver Plan Prescription Drug Services (Agreement) between the parties executed on December 30, 2015, and is made in accordance with Section 8.1 and Section 9.5 of the Agreement. All provisions of the Agreement remain in full force and effect except as otherwise noted in this Addendum.

Whereas, the Section 8.1 and Section 9.5 of the Agreement executed between the parties permit Client to renew the Agreement for the term of January 1, 2017 through December 31, 2017; and

Whereas, the Client expressed its intent to renew the Agreement by executing Document 192-2017-01 attached hereto as Exhibit A and dated September 15, 2016; now,

Therefore, the parties in consideration of the mutual agreements and undertakings set forth in the Agreement hereby agree as follows:

1. That the Agreement between the parties executed on December 30, 2015 shall continue to be effective for the term of January 1, 2017 through December 30, 2017; and,
2. That in the event a conflict exists between the terms of the Agreement and the terms of Exhibit A to this Addendum, Exhibit A shall control; and
3. That this Addendum shall not be effective until fully executed by both parties.

**MEDCO CONTAINMENT LIFE
INSURANCE COMPANY**

STATE OF NORTH DAKOTA
Acting through its ND Public Employees
Retirement System

By: _____
Title: _____
Date: _____

By: _____
Title: _____
Date: _____



Dear North Dakota Public Employees Retirement System,

Medco Containment Life Insurance Company and Medco Containment Insurance Company of New York (hereinafter referred to as "Express Scripts Medicare") is pleased to continue offering the Medicare Part D Employer Group Waiver Plan (EGWP) for 2017 as described below.

Please check mark your intention below, sign and return to Express Scripts Medicare by 9/15/2016.

Plan Design:

		Retail Pharmacy Network	Retail Maintenance Drug Program (MDP) Pharmacy	Express Scripts Home Delivery
Day Supply		Up to 31 day	Up to 90 day	Up to 90 day
Member Co-Pay	Generic	\$5 copay plus 15% coinsurance	\$5 copay plus 15% coinsurance	\$5 copay plus 15% coinsurance
	Preferred Brand	\$15 copay plus 25% coinsurance	\$15 copay plus 25% coinsurance	\$15 copay plus 25% coinsurance
	Non-Preferred	\$25 copay plus 50% coinsurance	\$25 copay plus 50% coinsurance	\$25 copay plus 50% coinsurance
	Specialty	\$15 copay plus 25% coinsurance	\$15 copay plus 25% coinsurance	\$15 copay plus 25% coinsurance
Deductible		No Deductible		
Coverage Gap		No Coverage Gap; Member Co-pays above apply.		
Member True Out of Pocket (TrOOP)		\$4,950		
Catastrophic Coverage		Member cost share post-TrOOP (\$4,950) is the greater of 5% or \$3.30 per generic or preferred multi-source drugs and the greater of 5% or \$8.25 per all other brands		
Formulary		Medicare Premier Access		
Non Part D Drugs¹		Mirror current coverage within CMS guidelines		
Part B Drugs¹		Not Covered		
Generics Policy		Voluntary		
Utilization Management Program		All Approved Standard Part D		
Federal Poverty Limits		Standard Federal Poverty Limit (FPL) guidelines apply		

¹Some states require coverage for certain Non Part D and Part B drugs. Express Scripts will comply with all state requirements on your behalf.

This group Medicare Part D plan has additional benefits to enhance the Medicare Part D coverage, as required by the Centers for Medicare and Medicaid Services (CMS). Per CMS regulations, the benefit enhancements are considered other health benefits and require filing with and approval by the state department of insurance. Express Scripts Medicare will offer this product in conjunction with Sanford Health Plan. The premium consists of two distinct components that will be outlined on your invoice as follows:

Employer Group Waiver Plan Premium - offered by Express Scripts Medicare through its contracts with the Centers for Medicare and Medicaid Services	\$73.67
Additional enhanced insurance - offered above and beyond the CMS defined standard benefit Premium	\$16.65
Total Premium Per Member Per Month* (PMPM)	\$90.32

These premiums are based on group enrollment with member option to opt out and a minimum enrollment of 3,000 in the selected plan by 1/1/2017. If minimum enrollment thresholds are not met, Express Scripts Medicare reserves the right to adjust the premium accordingly.

**The illustrated premium is subject to change in the event of CMS guidance and rate changes.*

- I elect to offer the plan design as described to my Members effective 01/01/2017 – 12/31/2017 pursuant to my agreement with Express Scripts Medicare.
- I do not elect the above EGWP and will notify Express Scripts Medicare of my intentions in accordance to our agreement by the timeframe required within our agreement.





Print Name Board Chair Signature Date

Please be aware that if you do not complete the above election and notify Express Scripts Medicare by 9/15/2016, attempts to confirm your intentions for the 2017 plan year will be made. If we are unable to confirm intentions for the 2017 plan year, the group disenrollment process may be initiated and your retirees will be notified that they need to seek coverage elsewhere or under alternative plans that you may offer.

Sincerely,

Express Scripts, Inc.
 Client Contracting Department
 One Express Way
 St. Louis, MO 63121
 FAX: 1-800-287-0359



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

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

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

Memorandum

TO: PERS Board
FROM: Sparb
DATE: November 10, 2016
SUBJECT: ACA Settlement

Several months ago we reviewed with you the BCBS settlement of the ACA for 2015-17 (shown on column 1 of the attached). Based upon this, we would have owed BCBS \$2,658,304.

Staff reviewed the calculation and come up with the one in column 2. We calculated differently in two ways;

1. We came up with a lower total ACA fee amount. Ours was approximately \$17 million and BCBS was approximately \$19 million.
2. We included our ACA fee amount in #1 above in the calculation of gain/loss methodology for the plan as a whole and they did not.

We discussed the two calculation methods with BCBS and agreed on method 3. In this method they agreed with our point #1 above and we agreed that #2 above was not specifically stated in the contract as the method and therefore BCBS approach was reasonable. The result of this is that instead of having a pay to BCBS \$2.6 million, it will be \$.5 million, a savings for us of about \$2 million.

Staff will proceed with the settlement as indicated above and the above interpretation of the contract.

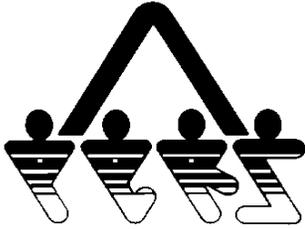
NDPERS - Initial Accounting Summary
July 1, 2013 through June 30, 2015 With Claims Paid Through June 30, 2016
Settlement Date: July 31, 2016

	(1)	(2)	(3)
	NMIC Calculation	NDPERS Calculation	Proposed Settlement
	<u>As of June 30, 2016</u>	<u>As of June 30, 2016</u>	<u>As of June 30, 2016</u>
Earned Premium Income	\$547,287,124.76	\$547,287,124.76	\$547,287,124.76
Interest Earned on Cash Flow	302,404.68	302,404.68	302,404.68
Interest Earned June 2016 on Cash Flow	4,794.70	4,794.70	4,794.70
Less Claims Incurred and Paid during the biennium			
Claims Paid (negative)	(520,430,613.50)	(520,430,613.50)	(520,430,613.50)
Claims Refunded (positive)	11,418,649.00	11,418,649.00	11,418,649.00
Pharmacy Rebate (positive)	9,620,897.52	9,620,897.52	9,620,897.52
Less Estimated Claims Incurred and Unpaid	-	-	-
Less Administrative Expense (\$36.18 / \$67.06 per contract per month)	(41,744,856.08)	(41,744,856.08)	(41,744,856.08)
Less 50% of First \$3.0 Million Excess	(1,500,000.00)	-	(1,500,000.00)
Initial 7/13-6/15 Biennium Settlement Payable to PERS	<u>\$4,958,401.08</u>	<u>\$6,458,401.08</u>	<u>\$4,958,401.08</u>
ACA FEES COLLECTED DURING THE BIENNIUM			
Estimated ACA Fees billed through contract premiums (\$21.54 * 541,442 Active contracts only)	\$11,662,660.68	\$11,662,660.68	\$11,662,660.68
ACA FEES PAID BY BCBSND FOR PERS BUSINESS			
TRANSITIONAL REINSURANCE	5,285,703.67	5,285,704.00	5,285,704.00
PCORI	232,722.30	232,722.00	232,722.00
HIT	13,760,939.77	11,606,629.00	11,606,629.00
Total Fees paid by BCBSND for PERS business	<u>19,279,365.74</u>	<u>17,125,055.00</u>	<u>17,125,055.00</u>
Initial 7/13-6/15 ACA Fee Settlement Due from PERS	<u>(\$7,616,705.06)</u>	<u>(\$5,462,394.32)</u>	<u>(\$5,462,394.32)</u>
Total		\$996,006.76	
Less 50% of First \$3.0 Million Excess		<u>(\$498,003.38)</u>	
Total Net BCBSND Payable/(Receivable) from NDPERS	<u>(\$2,658,303.98)</u>	<u>\$498,003.38</u>	<u>(\$503,993.24)</u>

(1) Calculation considers the biennium and ACA fee settlement as two separate calculations and includes 30 months of HIT fees

(2) Calculation considers the biennium and ACA fee as one settlement with 24 months of HIT fee

(3) Proposed settlement considers the biennium and ACA fee settlement as two separate calculations with 24 months of HIT fee



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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: Sparb & Bryan

DATE: November 9, 2016

SUBJECT: RFP for 401(a) Defined Contribution &
457(b) Deferred Compensation Companion Plan

We have included a copy of the 401(a) Defined Contribution and 457(b) Deferred Compensation Companion Plan RFP for your review. Staff and the NDPERS Investment Subcommittee has reviewed this document and provided its comments which are incorporated in this document to our consultant, The Segal Company. Proposers are required to submit a bid to provide for services and investment management for the plans.

Following are the key dates for the proposal process:

TASK	TARGET DATES
Release of Request for Proposal – RFP	11/28/2016
Receive pre-proposal questions from provider(s)	12/12/2016
Provide response to provider(s) proposal questions	12/19/2016
Deadline for proposal submission	01/09/2017
Finalists Presentations	March 2017
Commence Plan Implementation	April 2017
Asset Transfer	June 30, 2017
Begin New Contract	July 1, 2017

If you have any questions, additions or changes, we will be available at the NDPERS Board meeting.

**North Dakota Public Employees Retirement System
401(a) Defined Contribution Plan
IRC Section 457 Deferred Compensation Companion
Plan**

**Request for Proposal to Provide
Semi-Bundled
Deferred Compensation Services:
Recordkeeping/Administration,
Communication/Education,
Custodial Trustee Services and Investment
Management Services**

Issue Date:	11/28/2016
Deadline for Questions:	12/12/2016
Deadline for Submission:	01/09/2017

NOTICE TO PROPOSERS

There may be one or more amendments to this Request for Proposal (“RFP”). If your company desires to receive copies or notices of any such amendments, you **must** provide the information requested below to Craig Chaikin at Segal Rogerscasey by e-mail at cchaikin@segalrc.com. Additional information about the plans is available at <http://www.nd.gov/ndpers/>.

All inquiries regarding this RFP must be addressed to the individual listed above. The North Dakota Public Employees Retirement System (NDPERS) in consultation with Segal Rogerscasey will issue responses to inquiries and any other corrections or amendments it deems necessary in addenda issued prior to the Proposed Submission Deadline. Proposers should not rely on any representations, statements or explanations other than those made in this RFP or in a formal addendum. It is the proposer’s responsibility to ensure receipt of all addenda.

Amendments to the RFP will only be sent to those firms that complete and return this form via fax or provide the requested information by e-mail.

RFP Name	North Dakota Public Employees Retirement System 457 Deferred Compensation Companion Plan and 401(a) Defined Contribution Plan Recordkeeping and Investment Services
Company name	_____
Mailing address	_____ _____ _____
Phone number	_____
Fax number	_____
Contact person	_____
E-mail address	_____

All amendments will be sent via E-mail

Any alterations to this document made by the proposer may be grounds for rejection of the proposal, cancellation of any subsequent award, or any other legal remedies available to NDPERS

From the date this RFP is issued until the award of the contract, all communication related to this RFP shall be directed to Craig Chaikin of Segal Rogerscasey.

Projected Timetable

TASK	TARGET DATES
Release of Request for Proposal – RFP	11/28/2016
Receive pre-proposal questions from provider(s)	12/12/2016
Provide response to provider(s) proposal questions	12/19/2016
Deadline for proposal submission	01/09/2017
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Asset Transfer	June 30, 2017

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SECTION 3. Request for Proposal Questionnaire: Investment Management Services Questionnaire

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State of North Dakota Sample Contract.....	Attached
Current Service Guarantees	Attached
Master Data Agreement	Attached

SECTION 1

Introduction/Overview

Section 1: Introduction/Overview

Purpose/Objective

The North Dakota Public Employees Retirement System (NDPERS) is seeking competitive proposals from qualified companies to provide semi-bundled 401(a) Defined Contribution Plan and 457 Deferred Compensation Companion Plan services (i.e., recordkeeping/administration, communication/education, and custodial trustee services) and semi-bundled investment management services for the North Dakota Public Employees Retirement System 401(a) Defined Contribution and IRC Section 457 Deferred Compensation Plan

NDPERS has retained Segal Advisors, Inc. to assist in the evaluation and selection of a full service provider to administer the Plans

The purpose of this RFP is to solicit proposals from qualified vendors that can offer best-in-class investment choices, highest-quality services and favorable costs (i.e., the maximum value for the benefits proposed).

NDPERS is also requesting each proposer provide recommendations in alternative asset classes it believes will enhance the Plan. Each proposer should provide recommendations in its response to section 3: Investment Management Services, and include its reasoning.

NDPERS expects each proposer to clearly outline its best and most comprehensive resources because all services and responsibilities identified in this RFP, with the exception of Qualified Domestic Relations Orders and Hardship Withdrawals determinations, will be outsourced to the service provider.

Additionally, the successful bidder will actively work with NDPERS to meet the following key Plan objectives:

1. Increase the overall number of participants in the 457 Companion Plan 2. Increase the average contribution percentage rate, thus producing a higher average account balance in the 457 Companion Plan

These objectives for the 457 Companion Plan may be achieved by:

(a) Offering incentives, such as a buyout of surrender charges, allowing participants utilizing another deferred compensation service provider to transfer their balances to the plan

(b) Increasing the contribution rate of the 457 Companion Plan

(c) An alternative strategy suggested by the selected service provider

Background

NDPERS IRC Section 457 Deferred Compensation Companion Plan:

The administration of the deferred compensation plan for public employees was given to NDPERS on July 1, 1987. All state employees are eligible to participate, as well as political subdivision employees, if the governing authority of the political subdivision elects to offer the state plan.

Presently about 7,000 employees have accounts with fifteen investment providers. There are nine active providers. Assets are over \$200 million. The Board has developed a plan and contracts with investment providers (mainly insurance companies) to invest the contributions of employees.

The deferred compensation plan is found in Chapter 54-52.2 of the North Dakota Century Code (NDCC). State administrative code allows any provider company to participate in the program that has 50 or more eligible members willing to sign up for their product. NDPERS does not select or monitor the investment products offered by these vendors, and does not act as a trustee for their products.

In 1998 NDPERS decided that an additional product should be added that would be: 1) selected by NDPERS based upon a competitive RFP process, 2) that NDPERS would act as the trustee for, 3) that NDPERS would select and monitor the investment products, and 4) the investment products would be mutual funds. This product is called the NDPERS Companion Plan. NDPERS developed a Statement of Investment Policies for this plan. This policy may be viewed at:

<http://www.nd.gov/ndpers/forms-and-publications/publications/investment-policy-companion-plan.pdf>
 NDPERS also has been monitoring the investment products for this plan. This report can also be found on its website at www.nd.gov/ndpers.

The 457 Companion Plan has over \$83.0 million in assets with approximately \$800,000 in monthly contributions. TIAA is the present provider for these services. There has been a steady growth in Plan assets and participation.

Date	Assets	Number of Participants
September 2013	\$54.0 million	4,626
September 2014	\$64.3 million	5,293
September 2015	\$69.9 million	6,033
September 2016	\$83.0 million	6,728

NDPERS 401(a) Defined Contribution Plan:

The state approved the establishment of a defined contribution plan for certain state employees, effective January 1, 2000. This program is offered as an alternative to the State’s defined benefit plan. Eligible employees are not classified by Human Resource Management Services; however, this does not include employees of the University System and the Supreme Court.

In 2013 the legislature changed the eligibility provision to allow all new state employees the options to elect out of the DB plan and join the DC plan within the first six months of employment. This option as passed has a sunset clause on it for 2017. Unless legislation is passed in the 2017 session eligibility will revert back to non-classified employees on July 1, 2017.

Approximately 95 employees are enrolled in the 401(a) Defined Contribution plan. The estimated value of contributions to this plan is approximately \$75,000. Total assets are approximately \$11.3 million. Monthly contributions in the amount of 14.12% of salary are added to the plan for each month for each participant. Similar to the Companion Plan the “Statement of Investment Policy” and “Quarterly Report” are available on the NDPERS Web site under Defined Contribution Retirement Plan. TIAA is the present provider for these services.

<http://www.nd.gov/ndpers/forms-and-publications/forms-pubs-dc.html>
<http://www.nd.gov/ndpers/forms-and-publications/publications/investment-policy-defined-contribution-plan.pdf>

Both the 401(a) Defined Contribution Plan and the 457 Deferred Compensation Companion Plan utilize the same investment options. Additionally, a self-directed brokerage option is currently available.

Participants must complete and return a form to NDPERS for approval to utilize the self-directed brokerage option.

Scope of Services

Investment Management Services

The Plans currently offer participants a diverse array of investment options covering all major asset classes. NDPERS is looking for a provider that can offer participants a selective, highly competitive investment product for each asset class described in the RFP

While the final investment line-ups will be determined by NDPERS in its sole discretion, for purposes of submitting your firm's proposal you should assume that the investment structure would be exactly as described in the RFP. In addition, NDPERS is looking for the selected service provider to review the existing fund line up and asset classes and make any recommendation it deems appropriate for additional core options in the Plans.

The Stable Value Fund should be fully diversified, limit credit risk/exposure, provide competitive returns with no benefit payment limitations and provide attractive contract termination conditions such as transfer of book value with no market value adjustments or liquidation penalties. Investment options with any front-end or rear-end loads or other similar fees, charges or penalties will not be considered.

Administration and Recordkeeping Services

Proposers will be required to provide detailed information about their recordkeeping and administrative systems and use of technology. Important factors include ability to monitor compliance, process participant transactions, provide timely and accurate participant statements and financial statements for the plan sponsor. The service provider selected by NDPERS must have in place a toll-free customer service center, automated voice response system, and Internet service that allow participants access to their accounts.

Proposers will provide extensive capabilities to support employee self-service using a variety of media. As a baseline, the proposer must provide superior Internet, interactive voice response system (VRS), and customer and field service representative capabilities to support the needs of the Plans' participants. The services must include the following:

1. Support employee enrollment activities, initial and ongoing.
2. Provide participant education through onsite group presentations and webinars.
3. Answer employee inquiries related to eligibility, plan features, and investment offerings.
4. Allow employees to model retirement scenarios, request withdrawals from the Plans, change investment mix, change investment rates and percentages, request balances, and other similar activities.
5. Provide participant investment education materials to make informed investment decisions.
6. Provide participant investment advisory services.
7. Provide benefits literature, such as summary plan descriptions, forms, statements, and prospectuses.

8. Work with NDPERS staff to administer unforeseen emergency withdrawals, service purchases, transfers and Domestic Relations Orders.
9. For the DC 401(a) plan, must be able to provide a comparison tool to look at DB and DC plan projections.

NDPERS will be responsible for establishing qualification procedures and other distribution and savings options. In accordance with applicable federal statutes and regulations, NDPERS shall approve all unforeseeable emergency withdrawal requests and handle all appeals of that determination.

NDPERS expects the successful service provider to be able to accept daily/weekly data interfaces of enrollment/contribution data. The service provider will be held accountable for timely, accurate transmission and, as appropriate, editing and validation of data for processing enrollments and contribution activity.

Implementation Services

Proposers must provide a detailed transition strategy along with communication materials to explain any new plan changes and enhancements. The potential transition from the current plan provider to a new provider will require you to provide an explanation of the process, blackout period, and reconciliation of plan assets to the individual participant records.

Employee Communication/Education and Enrollment Services

The prospective service provider will be required to provide a comprehensive employee communication and investment education program that includes investment advice and pre-retirement planning services. Communication services are to be supported by customer service representatives and comprehensive Internet services that provide participants with interactive financial and retirement planning tools and software. A dual-high touch, high-tech approach will be required to provide the participants with all of the necessary financial information and data to make informed investment decisions related to their elections. An explanation that outlines your firm's capabilities in designing and implementing a communication/education strategy will be required for both the initial transition and ongoing process. The goal is to identify a service provider that offers a comprehensive communication/education services supported with field service representatives to accommodate the needs of the employees located throughout the State of North Dakota including one-on-one counseling and investment advisory services. Field service representatives' compensation cannot be structured for any bias towards any investment product or advisory services.

The service provider will participate in NDPERS enrollment efforts as determined by NDPERS. The service provider may be called upon to prepare enrollment packages, which may be distributed at group meetings and in response to an employee's request and will contain all information in a complete and concise manner so that an employee would be able to enroll in the Plans. The service provider may also be required to provide enrollment counseling to employees who wish to discuss the Plans and the investment offerings in person or over the telephone.

The service provider will be required to prepare, for NDPERS approval, an annual education plan. This plan should detail the approach that your organization will take in communicating the program to employees, including the plan for contacting existing participants, by mail/or email, by telephone or in person, to periodically re-evaluate their deferred compensation plan participation and review whether changes should be made. NDPERS will require a quarterly report from the service provider to monitor plan level activities, including Plan investments. This report shall include data on both the Plan and

participant level, as well as the status and resolution of any participant problems and developments in the delivery of plan services. NDPERS will also require monthly account balance reports for each Plan.

The Plans currently have two, local service provider representatives that provide onsite services. Participants also have access to a wealth group located in Minneapolis. These service representatives average about 85 days of individual member meetings per quarter. They also conduct 6 on-site workshops per year along with 10 financial webinars that are open to all members.

Trustee/Custodial Services

The proposer must provide trustee/custodial services for the Plans or arrange for trustee services with an outside party. Any additional costs for trustee/custodial services are to be fully disclosed in the fee section of this Request for Proposal.

Proposal Preparation

Fees

Each respondent must fully disclose fees based on the plan information provided in this RFP as both a flat total dollar amount and as a basis point fee.

Preparation Costs

All costs incurred during proposal preparation or in any way associated with the proposal's preparation, response, submission, presentation, or oral interviews shall be the sole responsibility of the proposer and will not be reimbursed by the Plans.

Term of Contract

The successful proposer must execute a contract providing the specified package of services in accordance with the State's requirements.

Once awarded, the contract will begin **July 1, 2017** for a period of **24-months** concluding on **June 30, 2019**. The fee structure proposed must be guaranteed for the initial contract term. In addition, NDPERS, at its discretion, may extend the contract for up to two, 24-month periods. The fee structure of these extensions will be subject to negotiations.

NDPERS is not bound by any oral or written information released prior to the issuance of this RFP. Any materials and documents developed during the engagement will become the property of NDPERS.

In submitting a proposal, the selected provider agrees that NDPERS has access to and the right to examine directly all pertinent documents, papers and records of the contractor and/or any subcontractor as related to any contract and/or sub-contract resulting from this RFP. NDPERS has the exclusive ownership and unlimited rights to use, disclose, or duplicate for any purpose whatsoever, all information, data, designs, work products, and materials developed by the provider under contract.

NDPERS reserves the right to refuse to do business with any proposer found to be non-responsive by NDPERS. NDPERS reserves the right to postpone or cancel this RFP and to reject all proposals.

If no agreement is reached with a proposer within a period of time considered reasonable by NDPERS, NDPERS may terminate negotiations and select another proposer, issue a new RFP, or take any other action consistent with the Plans' best interests. No proposer shall have any rights against the Plans,

NDPERS, or the State arising from such negotiations. By issuing this RFP, NDPERS is not obligated to award a contract. The contract between the Plans, acting through NDPERS, and the successful proposer shall contain provisions based on the specific requirements of this RFP, the successful proposer's proposal, and general provisions governing all Plans' contract. No elected or appointed member, agent, or employee of NDPERS and/or the State shall benefit financially or materially from any contract resulting from this procurement. NDPERS may terminate any contract resulting from this procurement if gratuities were offered or given by the contractor or his agent to any member, agent, or employee of NDPERS and/or the State.

The selected proposer is responsible for the entire contract performance. The proposer must indicate in the RFP if it intends to use a subcontractor for any part of the work. If so, the proposer shall identify each subcontractor by name, business address, and expertise, and must include the name(s) of the principal(s) of the subcontracting entity. A full description of the tasks to be performed by the subcontractor must be included.

The proposer understands that if any term or condition of this RFP or subsequent contract is determined to have been entered by an agent of NDPERS without the appropriate authority, said term or condition shall be void and unenforceable.

NDPERS reserves the right to accept or reject the account manager and other staff personnel designated for its programs, both initially and in future years. The successful contractor must notify NDPERS of all changes in the personnel assigned to this engagement.

The final award will be subject to the execution of a service contract acceptable to NDPERS.

Confidentiality

All materials submitted in response to this RFP will become property of NDPERS and upon receipt BY NDPERS are subject to the North Dakota public records law. If the Responder submits information in response to this RFP that it believes to be confidential financial, commercial, propriety or trade secret materials the Responder must:

- a. Clearly mark each provision that respondent believes to be confidential in its response at the time the response is submitted,
- b. Include a statement with its response justifying the confidential designation for each provision.
- c. Attest whether the information sought to be protected has ever been previously publicly disclosed, if not whether disclosure would cause the Responder competitive injury, and if so, how.

Responder is put on notice that, except for information that is determined by NDPERS to be confidential or otherwise exempt from the North Dakota public records law, NDPERS must disclose to the public upon request any records it receives from Responder. If NDPERS receives a request for information that Responder has requested be kept confidential, NDPERS will review the above information submitted by Responder and may also contact Responder for additional input regarding the nature of those records, but NDPERS will be solely responsible for making the ultimate determination of whether the materials submitted are open or exempt. All information that has not been clearly identified by Responder as being confidential and which NDPERS has determined constitutes confidential or exempt information under the North Dakota public records law will be disclosed as an open record. NDPERS will not consider the prices submitted by the Responder to be confidential.

Minimum Qualifications of Service Provider

The following is the criteria for a semi-bundled provider to be considered as an eligible candidate to bid on the requested services described in this RFP.

1. Proposers must certify that they are a qualified firm to provide administrative services pursuant to Sections 401(a) and 457 of the Internal Revenue Code, including all rules and regulations of the State of North Dakota.
2. Proposers must offer the following administrative services (i.e., recordkeeping/administration, communication/education, investment management, custodial trustee services, and investment advisory services) and submit a response to this proposal under all scenarios provided.
3. Proposers must comply with all RFP specifications. Unless otherwise noted by you, in your cover letter, it is assumed that, by submitting a response to this RFP, your response is intended to conform to the specifications in every way.
4. Proposers must be able to accommodate a **July 1, 2017** implementation date.
5. Proposer must have at least **five (5) years' experience** in providing the proposed services and products to the public sponsor defined contribution marketplace.
6. Proposer must have a minimum of **\$2 billion** under administration for public sector 401(a) and 457 plans.
7. Proposer must have at least **three (3)** public sector 401(a) and 457 plan accounts each with **10,000** or more participants.
8. Proposer must have at least **three (3)** public sector clients where you administer the 401(a) and/or 457 plans.

Service Provider Preferences

1. Proposer should have a Statement on Standards for Attestation Engagements (SSAE) 16 conducted at least annually and provide their most recent SSSAE 16 as part of their response to this proposal.
2. Proposers should have the capability to accept daily/weekly data interfaces from NDPERS with enrollment and contribution data for plan participants.
3. Proposers must provide resources to support the on-going consultation to NDPERS and all Plan participants located throughout the State. This includes the availability of customer and field service representatives to support employee meetings and new employee orientation programs. The selected vendor must have field service support available by **April 3, 2017** to commence the new plan roll out.
4. Proposers should be solely liable and responsible for any processing errors of the provider or its agents. In the event of a participant's loss of interest and/or dividend and/or principal due to an error by the selected proposer or its agent in processing transactions on behalf of the participant, the selected proposer agrees to adjust the participant's account to the same position as if the processing error had not occurred.

Any responses not meeting these specifications may be considered, at the sole discretion of NDPERS, as non-responsive.

Section 1: Introduction/Overview

Information Regarding the 401(a) Defined Contribution Retirement Plan <http://www.nd.gov/ndpers/forms-and-publications/publications/dc-plan-handbook.pdf>

Plan Name:	North Dakota Public Employee Retirement System Defined Contribution Plan
Plan Sponsor:	North Dakota Public Employees Retirement System 400 E Broadway, Suite 505 PO Box 1657 Bismarck, ND 58502-1657
Eligibility:	All permanent employees who meet the eligibility requirements set by chapter 54-52.6, except an employee who is eligible for the Highway Patrol Retirement System, an employee who is eligible for the Teachers Fund for Retirement, or an employee who is eligible for the alternate retirement program
Eligible Employees:	There are approximately 130/month newly eligible employees
Contribution Types:	
Mandatory Employee	▪ 7% of compensation
Employer	▪ 7.12% of compensation deposited each calendar month
Employer Payment of Employee	▪ The Employer, at its option, may pay for the employee contributions for all compensation earned after December 31, 1999
Vesting:	Less than 2 years of service 0% 2 years 50% 3 years 75% 4 years 100%
Benefit Payment Events:	The Plan allows for withdrawals for the following events: ▪ Termination of employment ▪ Less than \$1,000 force outs ▪ Minimum Required Distributions ▪ Retirement ▪ Death ▪ Disability ▪ Qualified Domestic Relations Orders.
Forms of Distribution:	▪ Lump Sum ▪ Periodic payments (monthly, quarterly or semi-annually)
Fees:	0.23%; all in revenue sharing

Information Regarding the 457 Plan

<http://www.nd.gov/ndpers/forms-and-publications/publications/defcomp.pdf>

- Plan Name:** State of North Dakota 457 Deferred Compensation Companion Plan
- Plan Sponsor:** North Dakota Public Employees Retirement System
400 E Broadway, Suite 505
PO Box 1657
Bismarck, ND 58502-1657
- Eligibility:** Employees of the State of North Dakota and employees of participating political subdivisions
- Permanent employees working a minimum of 20 hours per week for 20 or more weeks per year
 - 18 years of age filling a permanent position that is regularly funded and not of limited duration
 - Legislators
- Eligible Employees:** There are approximately **15,000** eligible State employees plus participating political subdivision employees
- Contribution Types:**
- Employee Pre-Tax:** ▪ Minimum of \$25.00 per month
 - Rollovers:** ▪ Rollover contributions from 401(a), 401(k), 401(c) Keogh, 403(b), 457(b), FERS and IRA
 - Catch-Up Contributions:** ▪ Age 50 and over and 3-Year
- In-Service Withdrawals:** Participants may withdraw their contributions plus interest for the following reason:
- Financial hardship in accordance with IRS regulations
 - Qualified Domestic Relations Orders
 - Purchase of Service Credits
 - One-time de minimus distribution of account balances less than \$5,000 and have not contributed in the previous 24 months
- Benefit Payment Events:** The Plan allows for withdrawals for the following events:
- Termination of employment
 - Retirement
 - Death
 - Required Minimum Distributions
- Forms of Distribution:**
- Lump Sum
 - Periodic payments
- Fees:** 0.23%; all in revenue sharing

NDPERS Participating Political Subdivisions/Employer Groups

Number	Agency	Employees
10100	Governor's Office	13
10800	Secretary Of State	34
11000	Office Of Management & Budget	40
11200	Information Technology Dept	315
11700	State Auditor's Office	55
11800	Central Services	25
12000	State Treasurer's Office	6
12500	Attorney General's Office	235
12700	Tax Department	125
13000	Facility Management	53
14000	Office Of Administrative Hearings	5
16000	Legislative Council	36
18000	ND Supreme Court	375
18800	Commission On Legal Counsel For Indigent	39
19000	Retirement & Investment Office	19
19200	ND Public Employees Retirement System	33
20100	Public Instruction	87
20200	Education Standards & Practice	7
21500	ND University System Office	10
22300	ND Youth Correctional Center	68
22400	Juvenile Services - DOCR	29
22600	Land Department	29
22700	Bismarck State College	144
22800	Lake Region State College	48
22900	Williston State College	35
23000	University Of North Dakota	1059
23500	North Dakota State University	866
23800	ND St College Of Science	161
23900	Dickinson State University	68
24000	Mayville State University	112
24100	Minot State University	178
24200	Valley City State University	62
25000	ND State Library	27
25200	SCHOOL FOR THE DEAF	36
25300	School For The Blind	17
26100	ND Board Of Nursing	8
27000	Career & Technical Education	24
30100	ND Department Of Health	357

30500	Tobacco Prevention/Control Committee	9
31000	Life Skills and Transition Center	352
31100	San Haven State Hospital	1
31200	North Dakota State Hospital	403
31300	ND Veterans Home	142
31600	Indian Affairs Commission	3
32100	Veterans Affairs Department	9
32500	Department Of Human Services	1336
36000	Protection & Advocacy Project	28
38000	Job Service North Dakota	162
40100	Insurance Department	42
40500	Industrial Commission	105
40600	ND Department Of Labor	14
40800	Public Service Commission	42
41200	Aeronautics Commission	6
41300	Department Of Financial Institutions	30
41400	ND Securities Department	8
42600	State Board Of Law Examiners	4
42700	ND State Board Of Cosmetology	1
42800	ND State Plumbing Board	6
47100	Bank Of North Dakota	172
47200	Public Finance Authority	2
47300	Housing Finance Agency	39
47500	Mill & Elevator Association	142
48500	Workforce Safety & Insurance	257
50200	Field Services Division	135
50400	Highway Patrol	196
51700	Department Of Corrections Transitional S	42
51800	James River Correctional Ctr	162
51900	State Penitentiary	229
52000	Rough Rider Industries	30
53000	Department Of Corrections And Rehabilita	107
54000	Adjutant General ND National Guard	212
60100	Department Of Commerce	66
60200	Dept Of Agriculture	70
60700	Milk Marketing Board	3
60800	ND Oilseed Council	1
61100	ND Soybean Council	6
61400	ND Corn Utilization Council	3
61600	State Seed Department	26
62400	Beef Commission	3
62500	ND Wheat Commission	5

62600	ND Barley Council	1
66500	State Fair Association	21
67000	Racing Commission	2
70100	Historical Society	75
70900	ND Council On The Arts	5
72000	Game & Fish Department	160
75000	Parks & Recreation Department	64
77000	Water Commission	92
80100	Department Of Transportation	1026
90000	ND State Board Of Accountancy	4
90100	Board Of Medical Examiners	4
90200	Board Of Pharmacy	3
90600	Real Estate Commission	3
90900	Electrical Board	19
99501	ND System Information Technology Service	31
100002	McIntosh District Health Unit	2
100003	Wells County Dist Health Unit	4
100004	Central Valley Health Unit	22
100005	Dickey County Health District	4
100006	Emmons County Public Health	6
100007	Rolette County Public Health	8
100008	Towner County Public Health Unit	2
100009	Nelson-Griggs District Health Unit	3
100010	First District Health Unit	48
100011	Lake Region District Health Unit	18
100012	Garrison Diversion Conservancy District	29
100013	Upper Missouri Health Unit	18
100014	Kidder County District Health Unit	2
100015	Southwestern District Health Unit	27
100017	City-County Health District	13
100018	Sargent County District Health Unit	2
100019	Traill District Health Unit	3
100021	Cavalier County Health Dist	2
100022	Walsh County Health District	5
100023	Custer Health Unit	30
200002	City Of Mcville	4
200003	City Of Drayton	6
200004	City Of Fessenden	1
200005	City Of Westhope	3
200006	City Of Belfield	9
200008	City Of Rolla	9
200009	City of New Town	21

200010	City Of Cavalier	15
200011	City Of Harvey	14
200012	City Of Napoleon	6
200014	City Of Grand Forks	376
200015	City Of Killdeer	14
200016	City Of Ellendale	9
200017	City Of Wishek	6
200018	City Of Granville	2
200019	City Of Linton	6
200020	City Of Finley	2
200021	City Of Wilton	3
200022	City Of Ray	4
200025	City Of Medora	7
200026	City of Velva	6
200027	City Of Mandan	32
200028	City Of Thompson	5
200029	City Of Williston	274
200030	City Of Bowman	19
200031	City Of Tioga	18
200033	City Of Rhame	1
200035	City Of Fargo	540
200036	City Of Jamestown	115
200037	City Of Beach	5
200038	City Of Glenburn	2
200040	City Of Kulm	4
200041	City Of Harwood	3
200045	City Of Mapleton	2
200046	City Of Wahpeton	51
200049	City Of Elgin	2
200050	City Of Rugby	16
200051	City Of New Salem	4
200052	City Of Walhalla	6
200053	City Of Gwinner	4
200054	City Of Kenmare	7
200055	City Of Watford City	53
200057	City Of Cooperstown	5
200058	City Of New England	2
200059	City Of Carrington	16
200060	City Of Mott	3
200061	City Of Larimore	4
200062	City Of Sherwood	1
200063	City Of Lamoure	4

200064	City Of Michigan	2
200065	City Of Park River	9
200067	City Of Hatton	2
200069	City Of Northwood	9
200070	City Of Powers Lake	3
200071	City Of Hillsboro	1
200072	City Of Towner	3
200073	City Of Pembina	2
200075	City Of Underwood	2
200076	City Of New Leipzig	1
200077	City Of Stanley	16
200080	City Of Crosby	5
200083	City Of Grafton	34
200084	City Of Emerado	2
200085	City Of Lincoln	8
200086	City Of Minto	2
200087	City Of Ashley	3
200088	City Of Neche	1
200089	City Of Surrey	10
200090	City Of Hankinson	6
200091	City Of New Rockford	6
200092	City Of Minot	1
200094	City Of West Fargo	144
200097	City Of Devils Lake	34
200098	City Of Oakes	15
200100	City Of Mohall	3
200101	City Of Lidgerwood	2
200102	City Of Mcclusky	1
200103	City Of Burlington	6
200104	City Of Lisbon	10
200110	City Of Halliday	3
200111	City Of Maddock	3
200114	City of Regent	2
200115	City of Lakota	5
200117	City of Alexander	3
200118	City of Berthold	3
200119	City of Carson	2
200120	City of Dodge	1
300001	Adams County	30
300002	Barnes County	96
300003	Benson County	51
300004	Billings County	44

300005	Bottineau County	75
300006	Bowman County	41
300007	Burke County	35
300008	Burleigh County	296
300009	Cass County	431
300010	Cavalier County	52
300011	Dickey County	48
300012	Divide County	53
300013	Dunn County	90
300014	Eddy County	24
300015	Emmons County	36
300016	Foster County	30
300018	Grand Forks County	297
300019	Grant County	35
300020	Griggs County	25
300021	Hettinger County	29
300023	Lamoure County	43
300024	Logan County	21
300025	Mchenry County	37
300026	Mcintosh County	31
300027	Mckenzie County	185
300028	Mclean County	113
300029	Mercer County	72
300030	Morton County	156
300031	Mountrail County	113
300032	Nelson County	40
300033	Oliver County	23
300034	Pembina County	66
300035	Pierce County	59
300036	Ramsey County	70
300037	Ransom County	44
300038	Renville County	30
300039	Richland County	124
300040	Rolette County	71
300041	Sargent County	1
300042	Sheridan County	23
300044	Slope County	17
300045	Stark County	130
300046	Steele County	26
300047	Stutsman County	137
300048	Towner County	26
300049	Traill County	66

300050	Walsh County	79
300051	Ward County	274
300052	Wells County	46
300053	Williams County	248
400002	Mcclusky Public Schools	7
400003	Lake Region Special Education Unit	17
400004	Lidgerwood Public School	17
400006	Halliday Public School	4
400007	Oliver-Mercer Special Education Unit	23
400008	Underwood School District #8	15
400010	New Town Public School District	78
400011	Bottineau Public School	65
400012	Peace Garden Special Services	10
400014	Beulah Public School #27	51
400016	St John School District #3	23
400017	Ellendale Public School District #40	25
400018	Rural Cass Special Education Unit	4
400019	Fargo Public Schools	729
400020	Surrey Schools	26
400021	Jamestown Public School District #1	164
400023	Warwick Public School	15
400024	Souris Valley Special Services	5
400025	Rugby Public School District #5	29
400026	Billings County School District	17
400027	Belcourt School District #7	110
400028	West Fargo Public School #6	657
400029	Minot Public School District #1	613
400030	Belfield Public School #13	15
400031	Minto Public School District #20	20
400033	Harvey Public School Dist #38	34
400034	Oakes Public Schools	24
400035	Larimore Public School District #44	28
400036	Hazen Public School District #3	28
400038	Park River Area School District	27
400039	Hillsboro Public School	26
400040	Lisbon Public School	31
400042	Northern Cass School District # 97	27
400043	Mandaree Public School #36	20
400044	Thompson Public School	16
400045	Northern Plains Special Ed Unit	2
400046	Bowman County School District #1	24
400047	Apple Creek Elementary School	2

400048	Burke Central School	8
400049	Washburn Public School	19
400050	Enderlin Area School District #24	32
400051	Midkota School	10
400052	Velva Public School	21
400053	Sheyenne Valley Special Education Unit	31
400054	Center Stanton Public School	13
400055	Burleigh County Special Education Unit	2
400056	New Rockford Sheyenne Public School	16
400057	James River Multidistrict Special Educat	9
400058	Newburg United Public School	7
400059	Napoleon Public School District #2	13
400060	Yellowstone School District # 14	7
400061	Cavalier Public Schools	26
400062	Richland School District # 44	26
400063	Fort Totten School District # 30	9
400064	Bismarck Public Schools	900
400065	Solen Public School Dist #3	14
400068	Lakota Public School District # 66	15
400069	Stanley Community Public School District	54
400070	Mandan Public School District #1	305
400072	Killdeer Public School #16	26
400073	Glenburn School District	22
400074	New Public School #8	29
400075	Williston Public School #1	248
400076	Valley City Public School	37
400077	Dickinson Public Schools	221
400078	Drayton Public School #19	10
400079	Mohall Lansford Sherwood School	17
400080	Westhope Public School #17	14
400081	Kindred Public School District #2	20
400082	Grafton Public School District #3	68
400083	Wilton Public School District	13
400084	Sheyenne Valley Career And Tech Center	4
400085	White Shield School Dist #85	35
400086	Tgu School District #60	79
400087	Turtle Lake Mercer School District #72	17
400088	Lamoure School District #8	23
400089	Divide County School Dist #1	25
400090	Mott/Regent School Dist #1	23
400091	United Public School District # 7	40
400092	Kulm Public School District #7	15

400093	Midway Public School District #128	20
400094	Dunseith School District #1	51
400095	Carrington School District #49	16
400096	Glen Ullin Public School #48	14
400099	Manvel Public School	8
400100	Maple Valley School District	19
400101	North Border School District # 100	27
400102	Mckenzie Cty Public School #1	99
400103	Devils Lake Public School	128
400104	Mt Pleasant School Dist #4	15
400105	Central Cass Public School District #7	39
400106	Milnor Public School District #2	16
400107	Mapleton Public School	5
400108	Linton Public School District #36	24
400109	Tioga Public School District #15	38
400114	Zeeland Public Schools	3
400117	Garrison Public School District #51	28
400118	Kenmare Public School District #28	20
400119	Lewis & Clark Public Schools	24
400120	Sw Special Education Unit	4
400121	North Valley Career & Technology Center	5
400122	Dakota Prairie Public School	31
400123	Beach Public School District #3	37
400124	Rolette Public School	9
400125	Drake Public School District	11
400137	New Salem Almont School District #49	21
400138	Max Public School	12
400139	East Central Special Education Unit	24
400140	North Sargent School District #3	19
400141	Wahpeton Public School District 37	66
400142	Medina Public School District #3	9
400143	Pingree-Buchanan School District	10
400144	West River Student Services	4
400145	Leeds Public School District 6	8
400147	Sawyer Public School	8
400148	Wilmac Multidistrict Special Education U	21
400149	Great Northwest Education Cooperative	3
400150	Anamoose Public School District #14	8
400151	South Prairie School District #70	28
400152	South East Education Cooperative	23
400153	South Heart Public School District #9	13
500002	Cass County Water Resource District	4

500003	Walsh County Water Resource District	3
500006	James River Soil Conservation District	3
500007	Burleigh County Soil Conservation Distri	3
500008	Traill County Water Resource District	2
500009	Grafton Park District	5
500010	Cass County Soil Conservation District	5
500013	Lake Metigoshe Recreation Service Distri	2
500016	Greater Ramsey Water District	6
500017	Carnegie Regional Library	2
500018	Griggs County Public Library	1
500019	R & T Water Supply Commerce Authority	7
500022	Consolidated Waste Ltd	4
500023	Walsh County Housing Authority	1
500024	Williams County Soil Conservation Distri	1
500025	Bowman City Park Board	2
500028	Williston Housing Authority	8
500030	Minot Rural Fire Department	3
500031	Central Plains Water District	4
500033	Ransom County Soil Cons Dist	1
500037	Mandan Park District	1
500038	Jamestown Regional Airport	3
500040	Fargo Park District	60
500041	Bismarck Rural Fire Protection	9
500045	Dunseith Community Nursing Home	39
500047	Mercer County Soil Conservation District	3
500049	West Fargo Park District	18
500053	Stutsman County Housing Authority	3
500054	Grand Forks County Water Resource Distri	1
500055	Southeast Region Career & Technology Cen	3
500056	Cavalier County Job Development Authorit	1
500057	Barnes County Soil Conservation District	3
500059	Traill Rural Water District	2
500060	Devils Lake Basin Joint Water Resource B	1
500061	Ward County Water Resource District	1
500063	Southwest Water Authority	51
500068	Burleigh County Council On Aging	16
500072	Watford City Park District	19
500080	Western & Central Stark Soil Conservatio	2
500081	Ramsey County Housing Authority	6
500082	Grand Forks Public Library	12
500084	Rolette County Soil Conservation Distric	1
500085	Jamestown Parks And Recreation District	5

500091	Ramsey County Water Resource District	1
500107	Grand Forks-E Grand Forks Metropolitan P	4
500108	North Dakota Firefighters Association	3
500109	James River Valley Library System	11
500110	Grand Forks Park District	41
500111	Mcintosh County Housing Authority	1
500113	Lonetree Special Education Unit	3
500114	Roughrider Education Services Program (R	2
500116	Western Area Water Supply Authority	15
500118	Crosby Park District	2
500120	Tri-Cities Joint Job Development Authori	4
500121	Devils Lake Park Board	8
500122	North Central Soil Conservation District	3
Total		24,428

Plan Demographic Information

1. Frequency of contributions (weekly/bi-weekly/monthly)	Daily
2. Medium used to remit contributions files (electronic, disk, magnet tape, etc.)	Electronic
3. Funding method (check, wire, ACH)	Wire
4. Number of payroll locations	1
5. Number of payroll files	1

Participant Breakdown

401(a)	YTD 2016	2015	2014	2013
Active	107	228	244	231
Inactive	84	67	59	53
Total Accounts	191	295	303	284

457(b)	YTD 2016	2015	2014	2013
Active	4,696	4,699	4,182	3,832
Inactive	1,982	1,639	1,328	1,094
Total Accounts	6,678	6,338	5,510	4,926

Total Plan Cash Flow

401(a)	YTD 2016	2015	2014	2013
Contributions	719,929.40	2,497,995.59	2,350,927.39	1,945,771.42
Withdrawals	(610,192.64)	(1,437,382.70)	(763,283.35)	(369,715.92)
Plan to Plan Transfer OUT	(15,698,850.48)	(8,010,158.92)		
Net Cash Flow	(15,589,113.72)	(6,949,546.03)	1,587,644.04	1,576,055.50

457(b)	YTD 2016	2015	2014	2013
Contributions	6,216,677.63	8,313,897.97	6,927,234.89	5,763,030.44
Withdrawals	(3,104,477.75)	(1,933,047.93)	(2,123,935.81)	(1,168,320.12)
Plan to Plan Transfer OUT	(1,457,033.24)	(1,082,413.72)	(1,039,930.11)	(767,847.72)
Net Cash Flow	1,655,166.64	5,298,436.32	3,763,368.97	3,826,862.60

Stable Value Cash Flow

401(a)	YTD 2016	2015	2014	2013
Contributions	1,452.75	46,727.94	35,310.85	28,290.28
Withdrawals				(26,220.00)

	(157,830.91)	(42,589.77)	(50,515.21)	
Plan to Plan Transfer OUT	(601,132.58)	(503,874.66)		
Net Cash Flow	(757,510.74)	(499,736.49)	(15,204.36)	2,070.28

<i>457(b)</i>	<i>YTD 2016</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>
Contributions	77,071.82	118,993.26	69,824.73	86,617.77
Withdrawals	(147,960.05)	(84,001.20)	(252,693.82)	(26,695.36)
Plan to Plan Transfer OUT	(73,789.28)	(56,828.06)		(10,986.78)
Net Cash Flow	(144,677.51)	(21,836.00)	(182,869.09)	48,935.63

Stable Value Participant Information

<i>401(a)</i>	<i>YTD 2016</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>
Under age 25	0	0	0	0
Age 26 - 35	0	0	0	0
Age 36 - 45	1	2	4	3
Age 46 - 55	1	2	1	1
Age 56 - 65	4	8	9	9
Age 65 - 70.5	4	4	5	5
Age 71 - 80	0	0	0	0
Age 80+	1	1	1	1

<i>401(a)</i>	<i>YTD 2016</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>
Under age 25	-	-	-	-
Age 26 - 35	-	-	-	-
Age 36 - 45	2,290.54	2,498.76	16,250.41	19,436.71
Age 46 - 55	3,275.47	9,676.49	10,512.57	13,439.75
Age 56 - 65	104,491.26	474,673.41	556,227.12	607,708.24
Age 65 - 70.5	98,806.61	238,426.08	334,831.13	258,834.70
Age 71 - 80	-	-	-	-
Age 80+	113,205.96	129,314.53	153,437.46	177,530.51

<i>457(b)</i>	<i>YTD 2016</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>
Under age 25	0	0	0	0
Age 26 - 35	5	6	4	3
Age 36 - 45	14	10	7	3
Age 46 - 55	23	18	7	9

Age 56 - 65	53	36	34	28
Age 65 - 70.5	9	11	7	6
Age 71 - 80	1	0	0	0
Age 80+	1	0	0	0

457(b)	YTD 2016	2015	2014	2013
Under age 25	-	-	-	-
Age 26 - 35	7,042.45	8,521.84	7,883.55	1,243.85
Age 36 - 45	14,567.77	8,479.67	6,204.32	1,912.31
Age 46 - 55	92,981.28	130,091.24	231,795.54	460,165.80
Age 56 - 65	1,081,584.31	865,835.52	889,044.49	838,906.88
Age 65 - 70.5	182,669.04	232,179.84	96,663.07	77,525.74
Age 71 - 80	9,229.38	-	-	-
Age 80+	108,873.71	-	-	-

Participant Information

401(a)	As of 08/31/16
Number of eligible employees	113
Number of participants active and contributing	235
Number of participants active, not contributing	
Number of terminated participants w/balances	85
Number of terminated participants w/balances less than \$5,000	4
Number of participants suspended due to hardship	0
Total account balances - participants active and contributing	4,450,465.16
Total account balances - terminated participants w/balances	6,740,668.80
Total account balances - suspended due to hardship	0
Total account balances – participants with loans	0
Average account balance	58,592.32
Participation rate	

457(b)	As of 08/31/16
Number of eligible employees	4,742
Number of participants active and contributing	4,746
Number of participants active, not contributing	
Number of terminated participants w/balances	2379
Number of terminated participants w/balances less than \$5,000	1713

Number of participants suspended due to hardship	0
Total account balances - participants active and contributing	64,916,388.95
Total account balances - terminated participants w/balances	17,109,852.09
Total account balances - suspended due to hardship	0
Total account balances – participants with loans	0
Average account balance	12,283.05
Participation rate	

Transaction Activity

401(a)	YTD 2016	2015	2014	2013
Number of new participants (year participant entered the plan)	29	42	27	8
Number of new loans	0	0	0	0
Number of outstanding loans	0	0	0	0
Number of hardship withdrawals	0	0	0	0
Number of in-service withdrawals not due to financial hardship	2	2	0	0
Number of lump sum distributions	5	16	8	5
Number of recordkeeper IRAs opened	0	0	0	0
Number of minimum required distributions	0	0	0	0
Number of QDROs	0	0	0	0
Number of rollovers <i>into</i> the plan	1	0	0	0

457(b)	YTD 2016	2015	2014	2013
Number of new participants (year participant entered the plan)	373	952	775	805
Number of new loans	0	0	0	0
Number of outstanding loans	0	0	0	0
Number of hardship withdrawals	0	0	0	0
Number of in-service withdrawals not due to financial hardship	1	1	1	0
Number of lump sum distributions	152	177	141	110
Number of recordkeeper IRAs opened	0	0	0	0
Number of minimum required distributions	0	0	0	0
Number of QDROs	0	0	0	0
Number of rollovers <i>into</i> the plan	45	57	46	48

Cash-in

401(a)	YTD 2016	2015	2014	2013
Employee Pre-tax (EE PRE MAND + EE PRE-TAX)	353,689.56	1,232,715.47	1,168,254.84	960,912.31
Age 50 catch-up	-	-	-	-
3-year catch-up	-	-	-	-

15-year catch-up	-	-	-	-
Roth	-	-	-	-
After-Tax	2,874.72	2,312.28	2,033.66	915.00
Employer Match	-	-	(9,949.21)	(690.67)
Employer Discretionary (Employer)	363,365.12	1,262,967.84	1,190,588.10	984,634.78
Rollover Contributions	57,208.03	-	-	-
90-24 Contract exchanges	-	-	-	-
Loan repayments	-	-	-	-

457(b)	YTD 2016	2015	2014	2013
Employee Pre-tax	6,216,677.63	8,313,897.97	6,927,234.89	5,763,030.44
Age 50 catch-up	-	-	-	-
3-year catch-up	-	-	-	-
15-year catch-up	-	-	-	-
Roth	-	-	-	-
After-Tax	-	-	-	-
Employer Match	-	-	-	-
Employer Discretionary	-	-	-	-
Rollover Contributions	1,258,465.68	1,584,667.61	1,299,397.09	1,039,361.80
90-24 Contract exchanges	-	-	-	-
Loan repayments	-	-	-	-

Cash-out

401(a)	YTD 2016	2015	2014	2013
Lump sum distributions – cash + rollover	(473,901.40)	(1,295,494.47)	(616,073.45)	(288,596.31)
De Minimum payments (less than \$5,000)	-	-	-	-
Installment payments	(96,416.00)	(125,301.00)	(90,020.00)	(77,920.00)
Unforeseeable/Hardship withdrawals	-	-	-	-
Inservice withdrawals (excluding hardship withdrawals)	(18,891.94)	(16,587.23)		
Loan withdrawals	-	-	-	-
Fees (ie: loans, self-directed brokerage)	-	-	-	-

457(b)	YTD 2016	2015	2014	2013
Lump sum distributions – cash + rollover	(3,048,034.29)	(1,481,169.55)	(1,853,660.23)	(991,535.74)
De Minimum payments (less than \$5,000)	-	-	-	-
Installment payments	(40,386.44)	(57,529.94)	(43,637.28)	(7,547.84)
Unforeseeable/Hardship withdrawals	-	-	-	-
Inservice withdrawals (excluding hardship withdrawals)	(10,625.00)	(7,450.50)	(7,721.57)	
Loan withdrawals	-	-	-	-
Fees (ie: loans, self-directed brokerage)	-	-	-	-

Investment Structure and Plan Assets as of September 30, 2016

NDPERS is looking for a semi-bundled service provider to fully support both of the Plans, offering an investment structure with competitive funds including a series of lifecycle funds. The investment options may be either proprietary or outside alliances, and shall offer broad diversification opportunities and competitive expense levels.

You may propose fund recommendations in each of the categories currently in the Plan line up. Your proposed funds can include mutual funds, separate accounts, and/or commingled funds. The proposed investment structure consists of **core funds plus a series of Lifecycle/Retirement Date funds**. NDPERS, upon selection of the services provided, will have complete flexibility and sole discretion to select the final investment options as well as to determine the actual number of investment options in the investment lineup to be offered to its plan participants.

NDPERS is also requesting each proposer provide recommendations in additional asset classes it believes will enhance the Plan. Each proposer should provide recommendations in its response to section 3: Investment Management Services, and include its reasoning.

Stable Value Fund

The Plan utilizes the Wells Fargo Stable Value Fund a collective investment trust. The Fund generally requires a 12-month put for a full Plan liquidation. However, the Fund may waive the notification period at the discretion of Wells Fargo.

401(a) Deferred Compensation Retirement Plan

401(a) Plan	Investment Category	Ticker	Account Value as of 9/30/2016	Percent of Assets
Wells Fargo	Stable Value	-	\$319,812	2.8%
Vanguard Treasury Money Market	Money Market	VUSXX	\$56,109	0.5%
Vanguard Total Bond Market	Fixed Income	VBTLX	\$36,811	0.3%
PIM CO Real Return Admin	Fixed Income	PARRX	\$64,055	0.6%
PIMCO Total Return Admin	Fixed Income	PTRAX	\$305,119	2.7%
Prudential High Yield Z	Fixed Income	PHYZX	\$202,037	1.8%
Templeton Global Bond Adv	Fixed Income	TGBAX	\$101,178	0.9%
Hartford Dividend & Growth	Large Value	HDGTX	\$126,532	1.1%
T.Rowe Price Equity Income	Large Value	PRFDX	\$116,587	1.0%
T.Rowe Price Capital Appreciation (Balanced)	Large Blend	PACLX	\$317,907	2.8%
Vanguard 500 Index Signal	Large Blend	VFIAX	\$508,453	4.5%
Vanguard Dividend Growth	Large Blend	VDIGX	\$62,049	0.5%
Wells Fargo Adv Growth Adm	Large Growth	SGRKX	\$373,890	3.3%
Franklin Growth Adv	Large Growth	FCGAX	\$169,259	1.5%
RidgeWorth Mid Cap Value Equity I	Mid-Cap Value	SMVTX	\$95,488	0.8%
Columbia Mid Cap Index A	Mid-Cap Blend	NTIAX	\$52,125	0.5%
ASTON/Fairpointe Mid Cap I	Mid-Cap Blend	ABMIX	\$89,278	0.8%
Prudential Jennison Mid Cap Growth Z	Mid-Cap Growth	PEGZX	\$72,855	0.6%
Allianz NFJ Small Cap Value Admin	Small Value	PVADX	\$217,024	1.9%
DFA Small Cap	Small Blend	DFSTX	\$57,174	0.5%
Brown Capital Mgmt Small Co Inv	Small Growth	BCSIX	\$181,452	1.6%
Franklin Mutual Global Discovery Z	International	MDISX	\$184,535	1.6%
Vanguard Total Intl Stock Index Inv	International	VTIAX	\$358,080	3.2%
Oppenheimer Developing Markets Y	International	ODVYX	\$72,398	0.6%
Cohen & Steers Realty Shares	Real Estate	CSRSX	\$211,951	1.9%
TIAA-CREF Lifecycle 2010	Target Date	TCLEX	\$796,382	7.0%
TIAA-CREF Lifecycle 2015	Target Date	TCLIX	\$161,576	1.4%
TIAA-CREF Lifecycle 2020	Target Date	TCLTX	\$1,036,880	9.2%
TIAA-CREF Lifecycle 2025	Target Date	TCLFX	\$1,389,517	12.3%
TIAA-CREF Lifecycle 2030	Target Date	TCLNX	\$1,210,641	10.7%
TIAA-CREF Lifecycle 2035	Target Date	TCLRX	\$965,302	8.5%
TIAA-CREF Lifecycle 2040	Target Date	TCLOX	\$418,572	3.7%
TIAA-CREF Lifecycle 2045	Target Date	TTFRX	\$272,436	2.4%
TIAA-CREF Lifecycle 2050	Target Date	TLFRX	\$281,336	2.5%
TIAA-CREF Lifecycle 2055	Target Date	TTRLX	\$141,354	1.2%
TIAA-CREF Lifecycle 2060	Target Date	TLXRX	\$5,400	0.0%
TIAA- CREF Self Directed Account	Self-Directed Brokerage		\$277,246	2.5%
Total			\$11,308,799	100.0%
Formal Fund Review				

457(b) Deferred Compensation Retirement Plan

407(b) Companion Plan	Investment Category	Ticker	Account Value as of 9/30/2016	Percent of Assets
Wells Fargo	Stable Value	-	\$1,343,224	1.6%
Vanguard Treasury Money Market	Money Market	VUSXX	\$536,627	0.6%
Vanguard Total Bond Market	Fixed Income	VBTLX	\$228,551	0.3%
PIMCO Real Return Admin	Fixed Income	PARRX	\$359,457	0.4%
PIMCO Total Return Admin	Fixed Income	PTRAX	\$1,293,388	1.6%
Prudential High Yield Z	Fixed Income	PHYZX	\$420,224	0.5%
Templeton Global Bond Adv	Fixed Income	TGBAX	\$557,636	0.7%
Hartford Dividend & Growth	Large Value	HDGTX	\$520,632	0.6%
T.Rowe Price Equity Income	Large Value	PRFDX	\$994,485	1.2%
T.Rowe Price Capital Appreciation (Balanced)	Large Blend	PACLX	\$980,168	1.2%
Vanguard 500 Index Signal	Large Blend	VFIAX	\$3,088,878	3.7%
Vanguard Dividend Growth	Large Blend	VDIGX	\$1,251,729	1.5%
Wells Fargo Adv Growth Adm	Large Growth	SGRXX	\$797,683	1.0%
Franklin Growth Adv	Large Growth	FCGAX	\$663,946	0.8%
RidgeWorth Mid Cap Value Equity I	Mid-Cap Value	SMVTX	\$439,522	0.5%
Columbia Mid Cap Index A	Mid-Cap Blend	NTIA	\$1,003,687	1.2%
ASTON/Fairpointe Mid Cap I	Mid-Cap Blend	ABMI	\$579,509	0.7%
Prudential Jennison Mid Cap Growth Z	Mid-Cap Growth	PEGZ	\$354,598	0.4%
Allianz NFJ Small Cap Value Admin	Small Value	PVADX	\$1,393,520	1.7%
DFA Small Cap	Small Blend	DFST	\$304,605	0.4%
Brown Capital Mgmt Small Co Inv	Small Growth	BCSI	\$356,144	0.4%
Franklin Mutual Global Discovery Z	International	MDISX	\$305,490	0.4%
Vanguard Total Intl Stock Index Inv	International	VTIAX	\$1,778,769	2.1%
Oppenheimer Developing Markets Y	International	ODVYX	\$533,651	0.6%
Cohen & Steers Realty Shares	Real Estate	CSRSX	\$851,583	1.0%
TIAA-CREF Lifecycle Ret. Income	Target Date	TLIRX	\$526,929	0.6%
TIAA-CREF Lifecycle 2010	Target Date	TCLEX	\$1,727,606	2.1%
TIAA-CREF Lifecycle 2015	Target Date	TCLIX	\$8,062,521	9.7%
TIAA-CREF Lifecycle 2020	Target Date	TCLTX	\$13,464,658	16.2%
TIAA-CREF Lifecycle 2025	Target Date	TCLFX	\$12,388,036	14.9%
TIAA-CREF Lifecycle 2030	Target Date	TCLNX	\$8,860,603	10.7%
TIAA-CREF Lifecycle 2035	Target Date	TCLRXX	\$5,426,153	6.5%
TIAA-CREF Lifecycle 2040	Target Date	TCLOX	\$4,581,959	5.5%
TIAA-CREF Lifecycle 2045	Target Date	TTFRX	\$3,788,752	4.6%
TIAA-CREF Lifecycle 2050	Target Date	TLFRX	\$2,426,149	2.9%
TIAA-CREF Lifecycle 2055	Target Date	TTRLX	\$396,828	0.5%
TIAA-CREF Lifecycle 2060	Target Date	TLXRX	\$10,511	0.0%
TIAA-CREF Self Directed Account	Self-Directed Brokerage		\$418,275	0.5%
Total			\$83,016,685	100.00%

Formal Fund Review

Goals and Objectives of the 401(a) Defined Contribution Retirement and 457(b) Deferred Compensation Companion Plans

As part of the selection criteria, NDPERS is looking for a semi-bundled service provider that has the capabilities of dealing directly with at least **15,000** eligible state employees plus participating political subdivisions.

For a program of this size to be a success, an administrative process must be in place to address the needs of all eligible employees, including assistance in the enrollment and education process. NDPERS is looking for a service provider who can actively manage all related enrollment activity and implement a program to ensure maximum participation.

Additionally, NDPERS wants to develop a relationship with a service provider(s) who will offer strong and competitive fund choices, accurate and timely recordkeeping services and administer the Plans within pre-described service standards. It places a high value on finding a service provider that meets the following qualifications.

1. Focus on Quality and Consistency of Service Delivery

- Adheres to successful quality assurance procedures;
- Follows a successful problem resolution methodology;
- Has a history of performing services on a timely basis;
- Performs services correctly and accurately every time;
- Provides accurate and consistent responses to inquiries;
- Develops a strategy with NDPERS to increase 457 Plan participation and assets including but not limited to:
 - (a) Offering incentives, such as a buyout of surrender charges, allowing participants utilizing another deferred compensation service provider to transfer their balances to the Plan
 - (b) Increasing the contribution rate of the Plan
 - (c) An alternative strategy suggested by the selected service provider
- Proactively provides NDPERS with opportunities to lower fund fees and Plan administrative costs; and
- Provides accurate and consistent modeling of participant scenarios for both the Defined Benefit Pension and Defined Contribution plans.

2. Proactive Approach

- Develops and implements a strategic plan that covers participant communication and education, enhancements to Plan sponsor and participant services and implementation of any substantive regulatory or legislative changes and includes clear and concise objectives, timetables and benchmarking methodology;
- Educates participants through participant friendly communications;
- Educates participants by providing informed customer service representatives;
- Provides comprehensive retirement planning and investment education services to participants; and

- Provides comprehensive education on an ongoing basis to NDPERS.

3. Commitment to Technology Development

- Keeps up to date on technological developments such as website development, Internet access and Mobile Apps;
- Continuously invests in enhanced technology; and
- Demonstrates improvement (accuracy, timeliness, etc.) in client service through technological enhancements.

4. Investment Vehicles

- Diversified array of investment offerings including investment vehicle

Pre-Bid Vendor Questions

Submission of questions related to this Request for Proposal must be made via email to Craig Chaikin at **cchaikin@segalrc.com** by **5:00 p.m. Eastern Time, December 12, 2016**. Your questions must simultaneously be submitted as a cc: to Mr. Bryan T. Reinhardt, Research & Planning Manager, North Dakota Public Employees Retirement System, at breinhar@nd.gov.

Written responses will be posted to the NDPERS site by **5:00 p.m. ET, December 19, 2016**.

<http://www.nd.gov/ndpers/providers-consultants/consultants/rfp-index.html>

Format of RFP Responses

Vendors must provide their proposal in the following format:

1. Transmittal Letter

A letter of transmittal shall accompany each proposal. Such letter must be signed by a person authorized to contractually obligate the vendor to the scope, terms, specifications, and pricing contained in the response. This letter should also clearly indicate the name, address, phone number and facsimile number of one contact person for the proposal.

The letter of transmittal should be no longer than two pages and should include the following:

- A. Certification that the proposer meets all of the minimum service qualifications. Reference to completion of certification of compliance with terms and conditions of the RFP.
- B. A brief statement of the services to be provided.
- C. A statement of commitment to provide the services requested within the times and manner specified.
- D. A brief summary of the vendor's qualifications to perform this type of engagement.
- E. A statement confirming that this proposal shall remain valid for six (6) months after the closing date for receipt of proposals.
- F. Certification that the individual signing this proposal has the authority to bind the proposer to the terms and conditions set out in the proposal document.

Name of Company _____
Signature _____
Position _____
Date ___/___/___

2. Table of Contents

The table of contents should include clear and complete identification of the materials submitted by section and page number.

3. Format Requirements

Responses must comply with the following:

- A. All questions in Sections 2, 3 and 4 must be answered in the manner and area stipulated after each question. Each RFP question must be restated before your response. If printed matter is supplied as supplemental information, please make sure that the supplemental information is appropriately marked with the corresponding question to which it applies.
- B. Please respond to every question in each section of the RFP. Failure to respond to all questions may lead to your elimination from consideration.
- C. All responses must be numbered and answered in the order asked.

- D. Neither Segal Rogerscasey nor NDPERS will be bound by oral explanations or instructions given at any time during the request for proposal process or after the award of the contract.

4. Fee Specifications

Fee quotes should be provided in the format outlined in the Fee section of the questionnaire (Section 4). Pricing offer must be good for six (6) months from the receipt date of the proposal.

Submission of RFP Responses

Each vendor must submit their RFP response in accordance with all stipulations listed below:

Each service provider must submit a total of thirteen (13) copies by **5:00 p.m. Eastern Time on January 9, 2017 to the North Dakota Public Employees Retirement System and to Segal Rogerscasey**, as follows:

Ten (10) bound copies, one (1) unbound copy, one (1) unbound redacted copy, plus an electronic copy to:

Mr. Bryan T. Reinhardt
Research & Planning Manager
North Dakota Public Employees Retirement System
400 E. Broadway, Suite 505
PO Box 1657
Bismarck , ND 58502
E-mail: breinhar@nd.gov

One (1) bound copy and one (1) electronic copy to:

Craig Chaikin
Vice President
Segal Rogerscasey
333 W 34th Street
New York, NY 10001
E-mail: cchaikin@segalrc.com

1. Proposals must be clearly labeled: **Request for Proposal/ 401(a) Defined Contribution Retirement Plan and 457 Deferred Compensation Companion Plan Services.**
2. Service providers must provide a copy of their proposal in an electronic format to Craig Chaikin (212-251-5486) at Segal Rogerscasey via e-mail: cchaikin@segalrc.com

Asset transfer to the new provider will be completed on **June 30, 2017**

Projected Timetable

TASK	TARGET DATES
Release of Request for Proposal – RFP	11/28/2016
Receive pre-proposal questions from provider(s)	12/12/2016
Provide response to provider(s) proposal questions	12/19/2016
Deadline for proposal submission	01/09/2017
Finalists Presentations	March 2017
Commence Plan Implementation	April 2017
Asset Transfer	June 30, 2017

If required, successful proposers will be notified as to the actual date and time of finalist presentations and will be provided with instructions regarding the presentation agenda and location.

Evaluation of the Proposals

NDPERS along with Segal Rogerscasey will first examine proposals to eliminate those that are non-responsive to the stated requirements. Therefore, proposers should exercise particular care in reviewing the proposal format required for this RFP.

NDPERS reserves the right to contact any and all references to obtain, without limitation, information regarding a proposer's performance on previous projects. A sample of references will be checked for each proposer.

An initial review will narrow the respondents to three finalists. While evaluation will review all aspects of the proposal total cost to the Plans, proposed servicing model, scope of communication and education capabilities, technology and ongoing investment support will be key factors in the decision.

In evaluating the finalist proposals, all aspects of the required services will be fully evaluated. NDPERS may consider any factors it deems necessary and proper for best value, including but not limited to:

1. Data-management services, including creation and maintenance of employee data, transaction data and history, interfaces with suppliers and payroll, and other recordkeeping and administrative functions, including compliance.
2. Overall cost structure, including member fees and credit allowances for plan level expenses
3. Size, structure, resources, and experience in providing deferred compensation services that are similar in size and scope to that of the North Dakota Public Employees Retirement System 401(a) Defined Contribution and 457 Deferred Compensation Companion Plans.
4. Qualifications of the personnel assigned to execute the services required by NDPERS.
5. Member services including one-on-one participant counseling and on-line system capabilities including voice response system, participant internet website and customer service center.
6. Plan for increasing overall plan participation and assets
7. Ongoing support for investment monitoring
8. Scope and value of performance guarantees.

The final award will be subject to the execution of a service contract acceptable to NDPERS.

Finalist Presentations

The purpose of the finalist presentations is to give each finalist an opportunity to further explain its qualifications, services and capabilities.

When finalist presentations are made to NDPERS, it is expected that each proposer will bring to the meeting those people who will work directly with NDPERS, if proposer is successful.

Travel expenses and costs related to the interview will be the responsibility of the proposer.

From the date this RFP is issued until the award of the contract, all communication related to this RFP shall be directed to Craig Chaikin of Segal Rogerscasey.

This RFP and the selected proposer's RFP response including exhibits and any addenda, will be incorporated into the final contract document.

Exceptions/Additions

Any language which differs from this RFP that is used or suggested by a proposer will be submitted for clarification only, and shall not affect the proposer's acceptance of the terms and conditions of this RFP and shall not be binding on NDPERS unless affirmatively accepted by NDPERS in writing. NDPERS assumes no obligation to accept, reject, or negotiate proposed replacement terms or conditions with the successful proposer.

Proposers will be required to sign a statement, as part of the proposal, that they are in agreement with all of the terms and conditions presented in the RFP, the exhibits, and the addendum to the RFP. (Transmittal Letter)

The proposer is responsible for clarifying any ambiguity, conflict, discrepancy, omission, or other error in the Request for Proposal before submitting the proposal; otherwise the right to raise such issues shall be waived.

SECTION 2

Request for Proposal

Administrative Services Questionnaire

Organization and History

1. **Proposer Information:** The proposer must include a narrative summary of the proposer's corporation and each subcontractor, if any. The narrative shall include the following:
 - (a) date established;
 - (b) ownership (public, partnership, subsidiary, etc.);
 - (c) years active in the deferred compensation market;
 - (d) years active in the 457 market;
 - (e) years active in the 401(a) market; and
 - (f) relationships with other entities relevant to or related to the subject matter of this RFP.
2. Provide the following information:
 - a. Total assets under administration
 - b. Total defined contribution assets under administration
 - c. Total deferred compensation assets under administration
 - d. Total public 457(b) deferred compensation assets under administration
 - e. Total public 401(a) assets under administration
3. How many proposals have you submitted in the last three years in response to public 457(b) deferred compensation plan service provider RFPs? How many for public 401(a) plans?
4. What are your client retention statistics for each of the last three years broken out by year? What percentage left due to issues pertaining to services provided by your organization?
5. How many public 457(b) deferred compensation plans have you lost in the last three years broken out by year? How many public 401(a) plans broken out by year?
6. How many public 457(b) deferred compensation plans have you gained in the last three years broken out by year? How many public 401(a) plans broken out by year?
7. What is the average client relationship duration? What is the average relationship duration for your public sector plans?
8. List the number and total assets of the public sector 401(a) plans that you currently administer in the following categories:

Number of Participants Public 401(a) Plans	Plans		Assets	
	Number	Percent	Amount	Percent
Under 1,000				
1,001 – 5,000				
5,001 – 10,000				
10,001 +				

Section 2: Administrative Questionnaire

Total				
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9. List the number and total assets of the 457(b) plans that you currently administer in the following categories:

Number of Participants 457 Plans	Plans		Assets	
	Number	Percent	Amount	Percent
Under 1,000				
1,001 – 5,000				
5,001 – 10,000				
10,001 +				
Total				

10. What is the total number of participants in all public sector deferred compensation plans currently being administered by your organization? Break out by 457(b) and 401(a) as well.
11. Describe your errors/omissions liability insurance and coverage. Describe the various types of insurance coverage and indemnification provided to protect clients.
12. Has your company, or any affiliates, been a party to any litigation during the last three years involving your deferred compensation recordkeeping and administration services? If yes, please provide: 1) the nature of the claim or action 2) the current status of the litigation, 3) any fines or settlements paid.
13. What is the last date when your organization had a change in its business structure, whether through an acquisition or divestiture or through an alliance arrangement? If applicable, how did this change in business affect the recordkeeping division?
14. Describe any pending or anticipated plans to re-organize your company within itself or as part of the larger organization of which your company is a part.
15. Please describe all outsourcing arrangements and any contemplated outsourcing arrangements that will be used by you to deliver any of the services you will be providing.

References

- Please provide references for three current 457 clients and three current 401(a) clients that have similar plan demographics (*i.e.*, size and plan design). If available, at least one of the three should have converted within the last year. For each reference, please provide client name, contact name, address, phone number, services provided, and year they became a client.
- Please provide references for three former clients who had similar plan demographics (*i.e.*, size and plan design). At least one of the three should have left within the last year. Please provide

Section 2: Administrative Questionnaire

former client name, contact name, address, phone number, services provided, year they ceased to be a client and the reason(s).

Client Service / Quality Assurance

1. How many of your employees work on DC plans? Is there staff dedicated specifically to public 457(b) and/or public 401(a) plans? If so, please provide the numbers in addition to completing the chart below on the number of full-time equivalent employees working on DC:

Personnel Type	Number
Management	
Call Center Mgmt./Supervisors	
Customer Service Reps	
Field Reps	
Systems Management	
Systems Staff: Development & Operating/Maintenance	
Website	
Other	

2. What is the average tenure (in years) of the following positions:
- Plan Administrator
 - Client Relationship Manager
 - Field Service Representatives
 - Conversion Project Manager
 - 800 Customer Service Center Representatives
3. Do you currently have staff located in North Dakota? If yes, where is your office located? If no, where is the closest office?
4. Describe the team that would deal directly with NDPERS on an ongoing basis. Indicate size, roles, experience, and turnover rates. In addition, provide a brief resume for each individual.
5. What location(s) would provide the services described in this RFP?
6. Briefly describe the training program and licensing requirements for your field service representatives. What are the licensing requirements?
7. Briefly describe the training program and licensing requirements for your 800 customer service representatives. What are the licensing requirements?
8. Will you need to hire any additional staff in order to service this account?
9. The current performance standards are included in the appendix. Confirm that you are able to meet or exceed the current standards. If you exceed the standard, provide your standard and the amount at risk.

Section 2: Administrative Questionnaire

10. What is the total, annual amount you are willing to put at risk?
11. How frequently do you conduct client and participant satisfaction surveys on your services and performance?
12. What are your procedures to insure that NDPERS participant information is only used for the administration of these plans and will not be used to solicit other products/business/education for non-NDPERS services?

Recordkeeping / Administration

1. What portion of your organization's expenses is related to recordkeeping and system technology development?
2. Briefly describe the level of customization available to the Plans on the administrative forms used by Plans' participants. Will NDPERS have input on content and not just look? (Yes/No)
3. Can you accept manual edits, adjustments, and indicative data changes to the contribution input file? (Yes/No)
4. Can you handle negative data from the payroll files? (Yes/No)
5. Describe how your payroll contribution reports identify participants contributing up to the current maximum contribution, and identify participants in catch-up status.
6. Are you able to fully administer hardship/unforeseen emergency distribution requests? (Yes/No) Are you able to handle first level appeals? (Yes/No) Note: Currently ND PERS administers these requests.
7. For systematic payment distributions, is payment made on a pro rata basis or can a participant elect systematic payment from specific fund(s)?
8. Describe your process for searching for participants who have not cashed their distribution payment checks.
9. NDPERS will continue to qualify QDROs. Briefly describe how you will work with NDPERS to ensure that accounts are segregated and assets distributed properly.
10. Are there any limits imposed on any participant initiated transactions (i.e.: mix changes, contribution rate changes, etc.). If yes, list them.
11. Describe the process you use to track and maintain employee beneficiary data.
12. How much historical plan information do you maintain on participants? List the type of information available. How much information is immediately available?
13. Are you able to provide a customized tool that provides comparison projections for the NDPERS defined benefit plan and defined contribution plan, for employees who have the option to join the DC plan?

Contracts

Section 2: Administrative Questionnaire

1. NDPERS standard contract and data agreement are included in the Appendix. Provide a redline version with any exceptions that you would require. Additional changes will not be considered if they are not included with this proposal.

Additionally, this RFP will be included as part of the contract. Provide copies of any additional contracts that would be required.

Systems Capabilities and Hardware

1. What system do you use to recordkeep and administer defined contribution plans? Do you have different systems for 457 and 401(a) plans? (Yes/No)
2. Was the software developed internally, leased, or purchased from another provider? Who has the ultimate responsibility/authority to make sure the software remains current to laws, regulations, client needs, etc.?
3. How long have you used these systems for recordkeeping?
4. Are you planning any major change in the software or hardware supporting your recordkeeping system in the next 24 months? If yes, please describe.
5. Describe your documented disaster recovery plan. How often do you test your recovery system?
6. Where is your main data processing center located?
7. Where is your back-up center located?
8. How often is data backed-up?
 - a. Describe any system outages within the last three years and how have they been handled?
 - b. Has any liability resulted from these outages and are there any pending claims related to these outages?
9. Describe in detail your procedures and safeguards used to guarantee:
 - a. Security for your hardware and facility
 - b. Authorized access to data
 - c. Confidentiality of data
 - d. Security for any hard copy of plan-related data or documents
 - e. Explain in detail your process in the event that participant data is compromised (types of member support, credit monitoring, etc.).
10. Provide a current SSAE16 audit of your recordkeeping system, or any other audit you have performed. Who completes the audit and how frequently?
11. Do you test IT security as part of the SSAE16 or separately? If separately, who performs and how frequently.

Custodial Trustee Services

1. For the custody/trustee services you propose, what is the name of the trust company, the total number of years that they have been in operation, and the assets under custody as of August 31, 2016?

Section 2: Administrative Questionnaire

2. What are the total public DC assets currently held by the custodian?
3. Are there any restrictions by investment type that pertain to your custodial services? (Yes/No) If yes, what?
4. Confirm that you will trustee outside investment funds.
5. Do you have a limit on the number of checks/wires available to participants? (Yes/No)
6. Do you have an electronic link with the investment managers for updating participants' accounts on the recordkeeping system? (Yes/No)
7. Will the Plans be required to execute a custodial agreement with your custodial trustee or will it be part of the contract with the Plans?

Regulatory/Compliance Service

1. Describe how you monitor §401(a) (9) required minimum distributions including:
 - Identification of individuals
 - Determination of the amount of the minimum required payment
 - Payment within required deadlines.
2. Describe your capabilities and timeframes for monitoring maximum deferral limits and the catch-up provisions.
3. What resources do you have to obtain legal opinions, interpretations of laws, regulations, and other matters on issues pertaining to deferred compensation plans?
4. How do you ensure that your recordkeeping system is in compliance with all applicable rules and regulations?
5. How quickly are changes in the law reflected in the system?
6. Should NDPERS wish to comply with 408(b)(2) and 404(a)(5) regulations, will you provide 408(b)(2) disclosures to NDPERS and 404(a)(5) disclosures to participants? (Yes/No) If yes, is there an additional cost to provide either?

Communication and Education

1. Describe separately your initial and on-going communication and education program (including printed material, visits, training, etc.). Be sure to identify the key elements provided as part of a standard communication and education program package including the types marketing medium (e.g. print, e-mail, onsite, etc.).
2. Provide samples of initial enrollment and on-going communication and education materials.

Section 2: Administrative Questionnaire

3. Describe the services you offer in the enrollment process. Be sure to include such items as monitoring and tracking new hires. Outline any data requirements. Will you maintain and control the inventory of all related enrollment materials that are to be included in the enrollment kits?
4. Describe the communication and education process that you provide for non-active participants (i.e. retirees and terminated employees with assets in the Plan).
5. Will you provide participants with onsite, group education, and retirement planning sessions or financial/pre-retirement seminars on an on-going basis? (Yes/No). If yes, please list the titles of the subjects that are covered in your program. No description necessary.
6. Do you provide information to Plan participants regarding options on distributions? Describe any services or programs you provide for participants leaving the Plan.
7. Describe NDPERS role in the communication, education, and enrollment process.
8. To what extent can NDPERS customize communication and investment education materials (e.g., plan name, logos)? State if there would be additional charges for customizing or editing these communication materials.
9. Briefly describe how you measure the success of your education/communication programs.

Plan Sponsor Reporting

1. Describe the standard reporting package that you would provide to NDPERS (provide samples).
2. Are you able to comply with NDPERS' investment policies as provided? (Yes/No) If not, redline the specific updates that would need to be considered if you were selected.
3. Will NDPERS be able to generate these reports on-line?
4. What is the standard timeframe for providing each plan sponsor report, including investment asset reports, after the reporting period ends?
5. Confirm that you will be able to provide all quarterly reports within five weeks of quarter end. Specify any reports that would require a longer turnaround and explain why.
6. Confirm you will attend quarterly investment subcommittee meetings.
7. List the types of demographic participant data will you be able to provide?

Participant Reporting

1. Describe your standard participant statements (provide samples).
2. Are there any differences between your hard copy statements and the statements available online? (Yes/No) If yes, briefly describe the differences.
3. What time periods are illustrated for a participant's personalized rate-of-return?

Section 2: Administrative Questionnaire

4. Describe your customization capabilities for participant statements. Are these applied to both hard copy and electronic statements? (Yes/No)
5. Are participants able to additionally customize the statements they receive (hard copy or electronic)? (Yes/No)
6. How much space is there for customized messages from NDPERS on your quarterly participant statement? Is this included on both hard copy and electronic statements? (Yes/No) Is there an additional cost?
7. Can you include other printed information, prepared by NDPERS, with the mailing of statements to participants? (Yes/No) Is this included on both hard copy and electronic statements? (Yes/No) If so, please verify that this service is available at no additional cost.
8. Are fees disclosed to plan participants on the quarterly statements? (Yes/No) Do they comply with 404(a)(5)? (Yes/No) What additional fee disclosure, if any, do you provide?

Participant Services/Automated Voice Response System (VRS)

1. Are there any transactions that cannot be processed through the voice response system (i.e., PIN changes, address changes, etc.)?
2. How quickly is the VRS updated after transactions are performed?
3. Is the VRS fully capable of generating all the necessary administrative forms to handle enrollments, hardships, terminations, and beneficiary distribution requests?
4. In the situation whereby a participant calls the VRS but does not properly complete the transaction, is there any follow-up with the participant? (Yes/No)
5. Can participants request contribution deduction changes through the VRS? (Yes/No) Can you provide a feedback report back to NDPERS and each local subdivision to update their payroll records and contribution changes? (Yes/No) How frequently?
6. Does your VRS accommodate non-English speaking participants? What languages?
7. Does it accommodate the hearing/speech impaired participants?
8. Describe how data is secured within the system (i.e., PIN, audit trail, confirmations).
9. Describe any security breaches that resulted in improper access to one or more participant's accounts within the last three years and the steps you took to remedy the breach.

Participant Services/1-800 Customer Service Center

1. What are the standard hours of operation of your customer service center?
2. Where is your customer service center located?

Section 2: Administrative Questionnaire

3. Where is your back-up customer service center?
4. Are there any transactions that cannot be processed? If yes, what?
5. If allowed by the Plans, can employees enroll in the Plan through the customer service center?
6. Can participants change their PIN through a CSR? Can PINs be reset and immediately provided to a participant during the call? Can participants who misplace their PIN call the customer service center and have a new PIN sent directly to their home address?
7. Provide the following information on your customer service reps:
 - a. Licensing requirements in addition to your training program
 - b. Relationship: employees or outside contractors
 - i. If contractors or a combination, include the percentage of each & duration of subcontractor agreement
 - c. Average tenure
 - d. Total CSR agents employed year-round basis
 - e. Compensation structure
8. Do you dedicate CSR's to specific accounts? (Yes/No) If yes, how many would be dedicated to NDPERS?
9. Provide the information below on your service center standards:

	Performance Standard	3rd quarter 2016	2nd quarter 2016	1st quarter 2016
Number of calls				
Average length				
Average response time				
Percentage requiring follow-up				
Abandonment rate				
Percentage handled 100% via VRS versus 1-800				

Participant Services/Internet Services

1. Provide an Internet address and instructions on how to access a demonstration of your Internet capabilities for both the participant and plan sponsor.
2. Briefly highlight your participant website capabilities.
3. Specify any transactions that cannot be completed via your Internet site.
4. Do you have a mobile app or mobile optimized website? (Yes/No) Are the limitations to the functionality versus the full site? (Yes/No) If yes, what?
5. What communication materials or tools do you offer participants via the Internet?
6. Do you offer an automated enrollment process through the Internet? (Yes/No)

Section 2: Administrative Questionnaire

7. Do participants have the ability to implement auto escalation? (Yes/No)
8. Can participants e-mail account specific questions via the Internet site? (Yes/No) If yes, who receives the e-mail, researches the issue, and responds? What is the turnaround time?
9. Does your Internet site have the ability to download participant account information software programs (i.e. Quicken, Mint, etc.)? If yes, which programs?
10. Describe the security through which a participant passes to use your Internet system. What firewalls do you have in place for your Internet services?
11. What improvements to your Internet capabilities are designated to occur in the next two to three years?
12. Are the same improvements being made to your mobile capabilities? (Yes/No) If no, briefly describe what is being done to enhance your mobile capabilities.

Field Service Representatives

1. How many field service representatives are you dedicating to NDPERS? Will they be 100% full-time dedicated representatives?
2. How many hours per week do you expect your representatives to provide services?
3. Provide your rationale for determining the appropriate staffing for the Plan.
4. Describe the structure of how the field service representatives would be organized to service this relationship:
 - a. Location
 - b. Staffing (including functions to be performed)
 - c. Standard hours of operation
 - d. How you would handle pre-scheduled consultations?
 - e. How you would handle walk-ins?
5. What is your annual cost associated for each dedicated service representative?
6. Briefly describe the credentials and related experience of local service representatives who will be assigned to the Plan's account.
7. If the representative are responsible for additional accounts, how many?
8. Will the representatives assigned to the NDPERS Plans be employees of your firm?
9. Detail the compensation structure for the local representative (e.g. 85% salary, 15% bonus). Include an explanation of how any bonuses and incentives are determined. As indicated in the minimum service qualifications in Section 1, it is a requirement that your field service representatives that provide enrollment and education services are not compensated on a commissioned or incentive basis to promote any investment product or services.

Section 2: Administrative Questionnaire

10. Are field service representatives available to discuss the plan and investments with participants on a one-on-one basis? If so, how often? Will you provide local annual account reviews for participants?
11. How will these discussions be handled (e.g., in person, via telephone)?
12. Identify the annual number of group meetings and number of one-on-one consultations you have assumed will be provided by the field service representatives.
13. Will quarterly/annual field activity reports be provided to NDPERS? Provide a summary of the type of information included.

Investment Advisory Services

1. Describe the investment advisory services (i.e., Morningstar ClearFuture, Financial Engines, etc.), including managed accounts.
2. Describe your due diligence process for selecting the partner and what services are provided.
3. How long have you partnered with your current vendor for each of the services in your advisory program?
4. What are the costs associated with the advisory services? Is it based on total plan level or only charged to participants who elect these services?
5. Describe the difference between your Internet investment education tools and software from your investment advisory services.
6. Does your service produce asset allocation recommendations? (Yes/No) Does it provide recommendations of specific funds? (Yes/No)
7. Does your investment advisory service include savings rate recommendations? (Yes/No)
8. Does your investment advisory service take into account a participant's assets outside the Plans? If so, please list what assets.
9. Describe the generally accepted investment theories that form the basis for your advice model.
10. Briefly describe the type and level of indemnification you provide to NDPERS for your advisory services.
11. What is disclosed to participants regarding your fiduciary role and the provider's fiduciary role with respect to these investment advisory services?
12. How many of your existing public sector clients have subscribed for each level of service you offer?

Section 2: Administrative Questionnaire

13. Do you offer specific investment advice to participants on an in-person basis other than through the on-line advice provider? (Yes/No) If yes, briefly describe. How have the recent fiduciary regulations impacted your offering to participants?
14. For in-person investment advice, how do you manage conflicts of interest?
15. Will the Plans be required to execute a separate contract with your investment advisory provider or it be part of your service contract and agreements?

Plan Implementation

1. By what date would you need authority to proceed to accommodate the June 30, 2017 asset and recordkeeping transfer?
2. What involvement will be required from NDPERS during the implementation process?
3. Do you have any limitations as to the format/media of participant data received from the current recordkeeper?
4. How are investments handled during the conversion process? How are distributions handled to accommodate the continuity of payments to retirees during the conversion period?
5. Describe your procedures during the conversion period to communicate with non-active employees (*i.e.* retirees and terminated employees with value in the plan).
6. What assurances/guarantees do you provide with respect to a timely implementation?
7. What is the standard length of your blackout period?
8. Briefly describe your general methodology for mapping investment options.
9. Identify comparable plan conversions in which you have been involved. How many conversions and implementations has your company conducted during the past three years involving Plans of similar size?
10. How many similar conversions have you done where you have converted both 457(b) and 401(a) programs over the last three years?

SECTION 3

Investment Management Services

Self-Directed Brokerage Services

1. Briefly describe any third parties involved in offering of the self-directed brokerage account services and explain their role.
2. Fully describe the self-directed brokerage option features, program design requirements.
3. Does your self-directed brokerage account require any minimum balance? What happens if minimum balances are not maintained?
4. Can your brokerage account restrict a participant from investments that are ordinarily not permitted in retirement plans or a part of a “restricted list” established by the plan sponsor (e.g., no precious metals, futures, margin trading, options, commodities, collectibles, short sales, real estate, etc.)?
5. Describe the procedure you will use in monitoring and enforcing the limitations that are currently in place, such as investment in mutual funds only and maintaining a minimum percent of account balance outside the self-directed brokerage option.
6. Describe the rules for transferring from the core options into the brokerage accounts and vice-versa. Are there any restrictions with respect to the transfer of balances between your core defined contribution investment alliance funds and the self-directed brokerage account?
7. During what hours of the day are client service brokerage representatives available to respond to participant trading questions and inquiries?
8. Do participants receive a detailed account summary of all assets held in the brokerage account? When? How often?
9. What information from the self-directed brokerage account is reflected and reported on the core participant quarterly statement? On quarterly plan-level reports provided to the plan sponsor?
10. Will NDPERS be required to execute a separate contract for self-directed brokerage?
11. Currently participants interested in utilizing the Plan’s self-directed brokerage services must complete and return the “Mutual Fund Window Election” Form (<http://www.nd.gov/ndpers/forms-and-publications/forms/sfn-53082-mutual-fund-window.pdf>) to NDPERS for approval. Please outline how you will work with the NDPERS staff to establish participant access to this service.

Investment Management Services

1. Provide the number of outside fund family alliances with which you have relationships. Approximately how many investment options does this represent?
2. Describe the administrative, financial, and any other impact on the plan sponsor and the participants when a manager or fund offered to those participants ceases to be offered through your organization.

Section 2: Administrative Questionnaire

8. For the lifecycle/retirement investment vehicles, provide (in a separate excel spreadsheet) each portfolio's underlying funds and asset allocation breakdown for the period ending September 30, 2016. Additionally, if you are proposing customized lifecycle funds, describe how you would determine portfolio construction, asset allocation and re-balancing frequency. For custom funds, do you act as the investment manager?

Stable Value Fund (for information only)

- List the stable value products available on your platform.
- Provide your most recent ratings from A.M. Best, Moody's and S&P.
- What stable value product are you proposing for NDPERS and why?
- For the proposed product, does old money receive the same rate as new? If not, describe.
- Complete the following charts for the proposed product as of September 30, 2016:

Manager	
Vehicle	
Fund Name	
Class	
Fund Inception	
Fund Assets (\$B)	
Total Firm Stable Value Assets (\$B)	
Effective Duration	
Market-to-Book Value Ratio	
Gross Crediting Rate *	
Net Crediting Rate *	
Crediting Rate Reset Frequency	
Minimum Crediting Rate	
Recommended Benchmark	
Benchmark for Underlying Portfolio	
Expense Ratio	
Trustee	

* Gross of investment management fees, net of wrap fees, sub-advisory fees and other expenses

Book Value Structure

	<i>% allocation</i>
Liquidity Buffer	
Wrap Providers	
<i>Please list wrap providers below</i>	

Section 2: Administrative Questionnaire

Total	100%
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6. Is wrap capacity contingent on affiliated investment management? (Yes/No)

Fees	
Investment Management	
Wrap	
Revenue Share	
Other	
Total Expense Ratio	

** Specify Other*

7. Do you anticipate any changes in wrap fees that would impact the total expense ratio? (Yes/No) If yes, what is the expected impact?

Quality Allocation	%
Cash/cash equivalents	
AAA	
AA	
A	
BBB	
Below Inv Grade	
NR	
Sector Allocation	%
Cash/cash equivalents	
U.S. Treasury	
U.S. Govt-Related	
Corporate	
Agency MBS	
Non-agency MBS	
ABS	
CMBS	
Municipal	
Other	

8. Fully describe the withdrawal/transfer restrictions for both the Plan and participants.

SECTION 4

Request for Proposal

Fees

The initial contract term will be 24 months from the date on which a contract is awarded by NDPERS. The contract will be renewed based upon the discretion of NDPERS.

1. What are the factors you consider in determining future fee decreases and when they are to occur?
2. How are fees adjusted if a sizable number of participants are added or removed from the Plan?
3. If a participant has multiple accounts in the Plans, will they be charged for each account?
4. The Plans have a lot of small accounts. Describe any fee arrangements you have to help increase participation and not disincentivize participants with smaller balances.
5. Provide other alternatives not outlined in this proposal that could result in the lowering of participant fees. Be clear in your response and provide the condition and the result.
6. Are you able to return revenue directly to participant accounts from which it was generated? If no, are you working on this capability?
7. Briefly describe any additional fee leveling capabilities. What different arrangements are available?

Based upon the information supplied in the RFP, please complete the cost structure charts on the following pages. It is critical that you provide complete information so that fees can be compared on an equitable basis. If there are additional fees not listed, describe them, in detail, under “comments.”

If assumptions are necessary, please fully explain your assumptions and quote the related fees on a unit cost basis, if possible.

Fee Schedule Initial Contract

Both 457(b) & 401(a)	Amount	Assumptions underlying the amount
Total basis point administrative fee for all services described in the RFP (based on all assets)		
Total dollar administrative fee for all services described in the RFP (this is not per participant but the total administrative cost)		

- * Should not include any ongoing reimbursement or credit allowances in your required fee.
- * **Clearly note if there is a different fee arrangement for the 457(b) and 401(a) plans.**

**Fee Schedule
First 2-year Extension**

Both 457(b) & 401(a)	Amount	Assumptions underlying the amount
Total basis point administrative fee for all services described in the RFP (based on all assets)		
Total dollar administrative fee for all services described in the RFP (this is not per participant but the total administrative cost)		

- * Should not include any ongoing reimbursement or credit allowances in your required fee.
- * **Clearly note if there is a different fee arrangement for the 457(b) and 401(a) plans.**

Fee Schedule Second 2-year Extension

Both 457(b) & 401(a)	Amount	Assumptions underlying the amount
Total basis point administrative fee for all services described in the RFP (based on all assets)		
Total dollar administrative fee for all services described in the RFP (this is not per participant but the total administrative cost)		

- * Should not include any ongoing reimbursement or credit allowances in your required fee.
- * **Clearly note if there is a different fee arrangement for the 457(b) and 401(a) plans.**

Additional Fees

Plan Level

Services	Fee	Comments
Plan Set-up/Installation (one-time fee)		
Investment advisory services		
Managed accounts		
Plan documents (outside of prototype)		
Check processing		
1099-R forms		
Postage		
Custom website set-up		
Custom website ongoing		
Employee communication & education		
Customized enrollment materials		
Customized periodic newsletter		
Customized communications		
Annual notifications to eligible participants		
Other (be specific)		

Participant Level

Services	Fee	Comments
Investment advisory services		
Managed accounts		
Self-directed brokerage – Annual fee		
Self-directed brokerage – Transaction Fees		
Hardship Qualifications		
DRO Qualifications		
Wire Fees		
Other (be specific)		

SECTION 5

APPENDIX

Appendix A – Model State Agreement

AGREEMENT FOR SERVICES BETWEEN (Name of Contractor) AND NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

(Name of Contractor) (hereinafter CONTRACTOR) has offered to provide services to the State of North Dakota acting through its Public Employees Retirement System (hereinafter NDPERS). The terms of this Contract shall constitute the services agreement (“Agreement”).

CONTRACTOR and NDPERS agree to the following:

- 1) **SCOPE OF SERVICES:** CONTRACTOR agrees to provide the service(s) as specified in the 2016 RFP and proposal (attached hereto and incorporated by reference Exhibit A).
- 2) **TERM:** The term of this contract shall commence July 1, 2017.
- 3) **FEES:** NDPERS shall only pay pursuant to the terms in Exhibit A.
- 4) **BILLINGS:** NDPERS self- administers the plan which includes responsibility for determining eligibility, collecting and maintaining enrollment information, billing and premium collection. Each month, NDPERS pays the carrier the premiums for the current month on approximately the 20th and also provides the carrier with a Group Life Premium Report, Appendix F
- 5) **TERMINATION:** Either party may terminate this agreement with thirty (30) days written notice mailed to the other party, or as mutually agreed to by the parties. Upon any termination the CONTRACTOR shall be compensated as described in Exhibit A for services performed up to the date of termination.

In addition, PERS by written notice to CONTRACTOR, may terminate the whole or any part of this Agreement under any of the following conditions:

- 1) If funding from federal, state, or other sources is not obtained and continued at levels sufficient to allow for purchase of the services or supplies in the indicated quantities or term.
- 2) If federal or state laws or rules are modified or interpreted in a way that the services are no longer allowable or appropriate for purchase under this Agreement or are no longer eligible for the funding proposed for payments authorized by this Agreement.

- 3) If any license, permit, or certificate required by law or rule, or by the terms of this Agreement, is for any reason denied, revoked, suspended, or not renewed.

Termination of this Agreement under this subsection is without prejudice to any obligations or liabilities of either party already accrued prior to termination.

In addition, NDPERS may terminate this Agreement effective upon thirty (30) days prior written notice to CONTRACTOR, or any later date stated in the notice:

- 1) If CONTRACTOR fails to provide services required by this Agreement within the time specified or any extension agreed to by NDPERS; **or**
- 2) If CONTRACTOR fails to perform any of the other provisions of this Agreement, or so fails to pursue the work as to endanger performance of this Agreement in accordance with its terms.

The rights and remedies of NDPERS provided in this subsection are not exclusive and are in addition to any other rights and remedies provided by law or under this Agreement.

- 6) **ASSIGNMENT AND SUBCONTRACTS:** CONTRACTOR may not assign or otherwise transfer or delegate any right or duty without STATE'S express written consent. However, the State expressly consents to CONTRACTOR entering into (i) subcontracts with its affiliates located in the United States, and (ii) third-party subcontracts provided that any such third-party subcontract acknowledges the binding nature of this contract and incorporates this contract, including any attachments. CONTRACTOR is solely responsible for the performance of any subcontractor to the same extent as if such performance were done by CONTRACTOR. CONTRACTOR does not have authority to contract for or incur obligations on behalf of NDPERS.
- 7) **ACCESS TO RECORDS AND CONFIDENTIALITY:** The parties agree that all participation by NDPERS members and their dependents in programs administered by NDPERS is confidential under North Dakota law. CONTRACTOR may request and NDPERS shall provide directly to CONTRACTOR upon such request, confidential information necessary for CONTRACTOR to provide the services described in Exhibit A. CONTRACTOR shall keep confidential all NDPERS information obtained in the course of delivering services. Failure of CONTRACTOR to maintain the confidentiality of such information may be considered a material breach of the contract and may constitute the basis for additional civil and criminal penalties under North Dakota law. CONTRACTOR has exclusive control over the direction and guidance of the persons rendering services under this Agreement. Upon termination of this Agreement, for any reason, CONTRACTOR shall return or destroy all

confidential information received from NDPERS, or created or received by CONTRACTOR on behalf of NDPERS. This provision applies to confidential information that may be in the possession of subcontractors or agents of CONTRACTOR. CONTRACTOR shall retain no copies of the confidential information. In the event that CONTRACTOR asserts that returning or destroying the confidential information is not feasible, CONTRACTOR shall provide to NDPERS notification of the conditions that make return or destruction infeasible. Upon explicit written agreement of PERS that return or destruction of confidential information is not feasible, CONTRACTOR shall extend the protections of this Agreement to that confidential information and limit further uses and disclosures of any such confidential information to those purposes that make the return or destruction infeasible, for so long as CONTRACTOR maintains the confidential information.

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

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

- 8) **APPLICABLE LAW AND VENUE:** This agreement shall be governed by and construed in accordance with the laws of the State of North Dakota. Any action to enforce this contract must be adjudicated exclusively in the State District Court of Burleigh County, North Dakota.
- 9) **MERGER AND MODIFICATION:** This Agreement shall constitute the entire agreement between the parties. In the event of any inconsistency or conflict among the documents making up this agreement, the documents must control in this order of precedence: First – the terms of this Agreement, as may be amended and Second - the state's Request for Proposal (attached in Exhibit A)

and Third – CONTRACTOR’s Proposal (attached in Exhibit A). No waiver, consent, modification or change of terms of this Agreement shall bind either party unless in writing and signed by both parties. Such waiver, consent, modification or change, if made, shall be effective only in the specific instances and for the specific purpose given. There are no understandings, agreements, or representations, oral or written, not specified herein regarding this Agreement.

- 10) **INDEMNITY:** CONTRACTOR agrees to defend, indemnify, and hold harmless the state of North Dakota, its agencies, officers and employees (State), from and against claims based on the vicarious liability of the State or its agents, but not against claims based on the State's contributory negligence, comparative and/or contributory negligence or fault, sole negligence, or intentional misconduct. This obligation to defend, indemnify, and hold harmless does not extend to professional liability claims arising from professional errors and omissions. The legal defense provided by CONTRACTOR to the State under this provision must be free of any conflicts of interest, even if retention of separate legal counsel for the State is necessary. Any attorney appointed to represent the State must first qualify as and be appointed by the North Dakota Attorney General as a Special Assistant Attorney General as required under N.D.C.C. § 54-12-08. CONTRACTOR also agrees to defend, indemnify, and hold the State harmless for all costs, expenses and attorneys' fees incurred if the State prevails in an action against CONTRACTOR in establishing and litigating the indemnification coverage provided herein. This obligation shall continue after the termination of this Agreement.

- 11) **INSURANCE**
CONTRACTOR shall secure and keep in force during the term of this Agreement, from insurance companies, government self-insurance pools or government self-retention funds, the following insurance coverages:
- 1) Commercial general liability, including premises or operations, contractual, and products or completed operations coverages (if applicable), with minimum liability limits of \$250,000 per person and \$1,000,000 per occurrence.
 - 2) Professional errors and omissions with minimum liability limits of \$1,000,000 per occurrence and in the aggregate. CONTRACTOR shall continuously maintain such coverage during the contract period and for three years thereafter. In the event of a change or cancellation of coverage, CONTRACTOR shall purchase an extended reporting period to meet the time periods required in this section.
 - 3) Automobile liability, including Owned (if any), Hired, and Non-Owned automobiles, with minimum liability limits of \$250,000 per person and \$1,000,000 per occurrence.
 - 4) Workers compensation coverage meeting all statutory requirements.

The insurance coverages listed above must meet the following additional requirements:

- 1) Any deductible or self-insured retention amount or other similar obligation under the policies shall be the sole responsibility of the CONTRACTOR.
- 2) This insurance may be in policy or policies of insurance, primary and excess, including the so-called umbrella or catastrophe form and must be placed with insurers rated "A-" or better by A.M. Best Company, Inc., provided any excess policy follows form for coverage. Less than an "A-" rating must be approved by the State.
- 3) The duty to defend, indemnify, and hold harmless the State under this Agreement shall not be limited by the insurance required in this Agreement.
- 4) The state of North Dakota and its agencies, officers, and employees (State) shall be endorsed on the commercial general liability policy, including any excess policies (to the extent applicable), as additional insured. The State shall have all the benefits, rights, and coverages of an additional insured under these policies that shall not be limited to the minimum limits of insurance required by this Agreement or by the contractual indemnity obligations of CONTRACTOR.
- 5) The insurance required in this Agreement, through a policy or endorsement, shall include:
 - a) "Waiver of Subrogation" waiving any right to recovery the insurance company may have against the State;
 - b) a provision that CONTRACTOR's insurance coverage shall be primary (i.e. pay first) as respects any insurance, self-insurance or self-retention maintained by the State and that any insurance, self-insurance or self-retention maintained by the State shall be in excess of the CONTRACTOR's insurance and shall not contribute with it;
 - c) cross liability/severability of interest for all policies and endorsements;
 - d) The legal defense provided to the State under the policy and any endorsements must be free of any conflicts of interest, even if retention of separate legal counsel for the State is necessary;
 - e) The insolvency or bankruptcy of the insured CONTRACTOR shall not release the insurer from payment under the policy, even when such insolvency or bankruptcy prevents the insured CONTRACTOR from meeting the retention limit under the policy.
- 5) CONTRACTOR shall furnish a certificate of insurance to the undersigned State representative prior to commencement of this Agreement.
- 6) Failure to provide insurance as required in this Agreement is a material breach of contract entitling State to terminate this Agreement immediately.
- 7) CONTRACTOR shall provide at least 30 day notice of any cancellation or material change to the policies or endorsements.

- 12) **SEVERABILITY:** If any term in this Agreement is declared by a court having jurisdiction to be illegal or unenforceable, the validity of the remaining terms must not be affected, and, if possible, the rights and obligations of the parties are to be construed and enforced as if the Agreement did not contain that term.
- 13) **INDEPENDENT ENTITY:** CONTRACTOR is an independent entity under this Agreement and is not a State employee for any purpose, including the application of the Social Security Act, the Fair Labor Standards Act, the Federal Insurance Contribution Act, the North Dakota Unemployment Compensation Law and the North Dakota Workforce Safety and Insurance Act. CONTRACTOR retains sole and absolute discretion in the manner and means of carrying out CONTRACTOR'S activities and responsibilities under this Agreement, except to the extent specified in this Agreement.
- 14) **NDPERS RESPONSIBILITIES:** NDPERS shall cooperate with the CONTRACTOR hereunder, including, without limitation, providing the CONTRACTOR with reasonable and timely access to data, information and personnel of NDPERS. NDPERS shall be responsible for the performance of its personnel and agents and for the accuracy and completeness of data and information provided to the CONTRACTOR for purposes of the performance of the Services.
- 19) **FORCE MAJEURE:** Neither party shall be held responsible for delay or default caused by fire, riot, terrorism, acts of God or war if the event is beyond the party's reasonable control and the affected party gives notice to the other party immediately upon occurrence of the event causing the delay or default or that is reasonably expected to cause a delay or default.
- 15) **ALTERNATIVE DISPUTE RESOLUTION – JURY TRIAL:** NDPERS does not agree to any form of binding arbitration, mediation, or other forms of mandatory alternative dispute resolution. The parties have the right to enforce their rights and remedies in judicial proceedings. NDPERS does not waive any right to a jury trial.
- 16) **NOTICE:** All notices or other communications required under this contract must be given by registered or certified mail and are complete on the date mailed when addressed to the parties at the following addresses:

NDPERS:

Sparb Collins, Executive Director
ND Public Employees Retirement System
400 East Broadway, Suite 505

PO Box 1657
Bismarck, ND 58502-1657

CONTRACTOR:

Notice provided under this provision does not meet the notice requirements for monetary claims against the State found at N.D.C.C. § 32-12.2-04.

17) **NONDISCRIMINATION AND COMPLIANCE WITH LAWS:** CONTRACTOR agrees to comply with all laws, rules, and policies, including those relating to nondiscrimination, accessibility and civil rights, as are applicable to CONTRACTOR. CONTRACTOR agrees to timely file all legally required reports, make required payroll deductions, and timely pay all taxes and premiums owed, including unemployment compensation and workers' compensation premiums. CONTRACTOR shall have and keep current at all times during the term of this contract all licenses and permits required by law.

18) **STATE AUDIT:** All records, regardless of physical form, and the accounting practices and procedures of CONTRACTOR relevant to this Agreement are subject to examination by the North Dakota State Auditor, the Auditor's designee, or Federal auditors. CONTRACTOR shall maintain all of these records for at least three (3) years following completion of this Agreement and be able to provide them at any reasonable time. State, State Auditor, or Auditor's designee shall provide reasonable notice.

19) **TAXPAYER ID:** CONTRACTOR'S federal employer ID number is:_____.

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

21) **EFFECTIVENESS OF CONTRACT:** This Agreement is not effective until fully executed by both parties.

IN WITNESS WHEREOF, CONTRACTOR and NDPERS have executed this Agreement as of the date first written above.

**NORTH DAKOTA PUBLIC
EMPLOYEES RETIREMENT SYSTEM**

Sparb Collins, Executive Director
ND Public Employees Retirement System

Date

CONTRACTOR

Signature

Printed Name

Title

Date

**North Dakota Public Employees Retirement System
Service Agreement 2nd Quarter 2016**

Standard/Service	Service/Quantifier Standard	Percent Completed within Standard	Plan Penalties	SLA Met	Penalties this Quarter
Quality standard for number of seconds on hold while call transfers to CSR	80% of calls answered within 30 seconds	87.7%	\$300 per quarter	Yes	\$0.00
Abandonment Rate	3%	0.8%	\$300 per quarter	Yes	\$0.00
Individual/Administrator Web Availability	99% (excluding regularly scheduled maintenance)	99.9%	\$300 per quarter	Yes	\$0.00
VRS Availability	99% (excluding regularly scheduled maintenance)	100.0%	\$300 per quarter	Yes	\$0.00
National Call Center Availability	Call center is available 100% of scheduled hours	100.0%	\$300 per quarter	Yes	\$0.00
Contribution Remittances	Same business day as receipt of funds as of 4:00 PM ET or earlier market close; assumes prior receipt of payroll data in good order.	100.0%	Provide economic equivalent of investment experience from appropriate trade date through actual processing date.	Yes	\$0.00
Termination distributions, lump sum payments, in-service distributions and Purchase Credits	99% processed within 5 business days after receipt of approved request received within good order.	99.2%	\$350 per quarter	Yes	\$0.00
Fund to Fund Transfers	99% processed within the same business day the request is received within good order by 4:00p.m. ET or earlier market close.	100.0%	\$350 per quarter	Yes	\$0.00
Transfers between plans	99% of requests to transfer between like registered plans under the Employer are processed within 3 business days of the request being received in good order by 4:00p.m. ET or earlier market close.	No requests	\$350 per quarter	N/A	\$0.00



**North Dakota Public Employees Retirement System
Service Agreement 2nd Quarter 2016 (Continued)**

Standard/Service	Service/Quantifier Standard	Percent Completed within Standard	Plan Penalties	SLA Met	Penalties this Quarter
Beneficiary Service (Survivor Benefits Payments)	98% of claims processed within 3 business days of receipt of approved request received in good order.	100.0%	\$300 per quarter	Yes	\$0.00
QDRO Processing	90% of transactions processed within 15 business days of request received in good order.	No requests	\$300 per quarter	N/A	\$0.00
Issue Resolution - Time to Resolve w/member	95% of verbal customer issues closed within 5 business days. Next, 98% of verbal customer issues closed within 10 business days. 90% of written customer issues closed within 18 business days.	Verbal 5 day = N/A Verbal 10 day = N/A Written = 100%	\$350 per quarter	Yes	\$0.00
Issue Resolution - Time to Resolve w/NDPERS	NDPERS issues raised by the plans sponsor will be resolved within the agreed upon timeframe. Items will be reviewed and action plan will be implemented.	100.0%	\$300 per quarter	Yes	\$0.00
Administrative Reporting - Timeliness	Reporting for the preceding quarter is available on the Plan Sponsor website within 3 business days after the end of the reporting period. Monthly Reporting Package – these reports will be available 15 days after month end, 90% of the time. Due to peak volume, the December and June reporting package will be available within 45 days after month end.	100.0%	\$300 per quarter	Yes	\$0.00
Investment Review and Plan Review	Reporting will be delivered within an agreed upon schedule.	100.0%	\$300 per quarter	Yes	\$0.00



**North Dakota Public Employees Retirement System
Service Agreement 2nd Quarter 2016 (Continued)**

Standard/Service	Service/Quantifier Standard	Percent Completed within Standard	Plan Penalties	SLA Met	Penalties this Quarter
Benefit Election Confirms - Timeliness	99% of Welcome Confirmations mailed within 2 business days of contract issuance (paper). 99% of Financial Confirmations mailed within 1 business day of transaction posting (paper). 99% of Financial Confirmations available within 1 business day of transaction posting (online).	100.0%	\$300 per quarter	Yes	\$0.00
Participant Statement - Timeliness	99% mailed within 5 business days after end of quarter (paper). 99% available within 5 business days after end of quarter (online).	100.0%	\$300 per quarter	Yes	\$0.00
Participant Satisfaction	85% satisfaction rating (7 or higher on a 10 point scale)	Reviewed annually in Q4	\$1,200 annually	N/A	\$0.00
Plan Sponsor Satisfaction	85% satisfaction rating (7 or higher on a 10 point scale)	Reviewed annually in Q4	\$1,200 annually	N/A	\$0.00
Implementation Timeliness	TIAA-CREF warrants that services will be implemented on the agreed upon date and will include a financial penalty. The implementation is guaranteed contingent upon the plan sponsor meeting prerequisites to the implementation of the service as outlined in a detailed transition plan.	100.0%	\$350 per quarter	Yes	\$0.00



**North Dakota Public Employees Retirement System
Service Agreement 2nd Quarter 2016 (Continued)**

Standard/Service	Service/Quantifier Standard	Percent Completed within Standard	Plan Penalties	SLA Met	Penalties this Quarter
Individual and Group Meetings	<p>Delivered within the agreed upon schedule and number of days</p> <p>The composite score from 5 client survey questions must produce the result that at least 86% of responding attendees rate the Financial Consultant they met with as "Excellent" or "Very Good" on the following characteristics:</p> <ul style="list-style-type: none"> • Providing quality Advice • Understanding your needs and goals • Having the expertise required to handle your financial needs • Anticipating additional financial issues and bringing them to your attention; and • Whether the client Agreed or Strongly Agreed that "The Consultant put your interests first." 	100.0%	\$300 per quarter	Yes	\$0.00

MEMORANDUM OF UNDERSTANDING BETWEEN THE NORTH DAKOTA PUBLIC
EMPLOYEES RETIREMENT SYSTEM AND **NAME OF PROVIDER**
RELATING TO MAINTAINING CONFIDENTIAL INFORMATION

This Memorandum of Understanding is between the State of North Dakota acting through its North Dakota Public Employees Retirement System (NDPERS) and **NAME OF PROVIDER** relating to maintenance and destruction of NDPERS Confidential Information held by **NAME OF PROVIDER** and its subsidiaries.

WHEREAS, NDPERS has previously entered into contracts with **NAME OF PROVIDER** to provide services related to administration of the **NDPERS PUT THE PROGRAM SPECIFICS HERE** (Contracts).

WHEREAS, the services provided by **NAME OF PROVIDER** under these Contracts required the exchange of information between the parties that is confidential under North Dakota Century Code §§ **CHANGE ACCORDING TO PROGRAM** 54-52.1-11 and 54-52.1-12 (Confidential Information).

WHEREAS, the parties acknowledge that these Contracts, including the Business Associate Agreements between the parties, required **NAME OF PROVIDER** to return or destroy Confidential Information subsequent to the termination of the applicable Contract, or if return or destruction of this information was infeasible to maintain its confidentiality.

WHEREAS, these Contracts have terminated and **NAME OF PROVIDER** has asserted and NDPERS agrees that member service, applicable audit, record keeping, and other required functions make the return or destruction of all Confidential Information infeasible at this time.

WHEREAS, **NAME OF PROVIDER** has provided and NDPERS has reviewed the **NAME OF PROVIDER** records retention policy (Policy) applicable to the Confidential

Information and **NAME OF PROVIDER** has affirmed that it will maintain the confidentiality of NDPERS information pursuant to this Policy until such time as the information is destroyed in a manner designated by this Policy.

NOW THEREFORE, in consideration of the foregoing premises and in furtherance of the aforementioned contractual obligations, the parties agree as follows:

1. **NAME OF PROVIDER** shall continue to maintain the confidentiality of Confidential Information which it still possesses, in accordance with its Policy in a manner that is at least as secure and diligent as was done during the term of the applicable Contract, until such time as the Confidential Information is destroyed or returned.
2. Upon the request of NDPERS, **NAME OF PROVIDER** shall confirm the destruction of Confidential Information under its Policy.
3. Upon the request of NDPERS, **NAME OF PROVIDER** shall provide NDPERS a copy of any change to the Policy provided NDPERS on **DATE HERE**.
4. NDPERS agrees these actions are consistent with **NAME OF PROVIDER** obligations under these Contracts.
5. This Memorandum of Understanding will terminate upon notice to NDPERS by **NAME OF PROVIDER** that all Confidential Information has either been returned to NDPERS or destroyed, or earlier, upon thirty (30) days' notice by NDPERS to **NAME OF PROVIDER** if NDPERS determines that the Policy has been modified in a manner that is inconsistent with state or federal law.
6. This Memorandum of Understanding shall be governed by, and construed in accordance with, the laws of the State of North Dakota.

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

BY: _____
Sparb Collins
Executive Director

Date: _____

NAME OF PROVIDER

BY: _____

Its: _____

Date: _____

Attach Records Retention Policy



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

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

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

Memorandum

TO: PERS Board

FROM: Sparb

DATE: November 2016

SUBJECT: Proposed Board Meeting Schedule for 2017

Since the October meeting, we have checked with Senator Dever and Representative Anderson relating to how best to schedule the PERS Board meetings in relation to their legislative schedules.

All meetings are scheduled to be held at the North Dakota Association of Counties conference room located at 1661 Capitol Way, Bismarck, unless otherwise noted.

- January 26 (Bank of North Dakota)
- February 23
- March 16
- March 30 (for interviews of 401(a) & 457 vendors)
- April 27
- May 18
- June 22
- July 20
- August 17
- September 21
- October 19
- November 16
- December 21

Cheryl will set these meetings up on your Outlook calendars. Please review and let us know if one of the dates should be changed.



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

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

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

Memorandum

TO: PERS Board
FROM: Sparb
DATE: November 9, 2016
SUBJECT: Bill Reviews

Attached, for your information and reference, is the final bill review for LC 118 which is our technical bill. Also attached is LC 172 which would require the PERS plan to bid every two years and the review by Deloitte.

The Legislative Employee Benefits Programs Committee met on October 26th. They gave LC 118 a “favorable recommendation” and 172 a “unfavorable recommendation”

BILL NO.

Introduced by

(At the request of the Public Employees Retirement System)

1 A BILL for an Act to amend and reenact sections 54-52-01 and 54-52-06.4, subsections 3 and 4
2 of section 54-52-17, section 54-52.1-03, subsection 1 of section 54-52.1-03.3, subsection 2 of
3 section 54-52.1-18, section 54-52.6-06, and subsection 2 of section 54-52.6-09 of the North
4 Dakota Century Code, relating to the definitions of retirement and retirement board, decreased
5 employee contributions under the public employees retirement system for peace officers
6 employed by the bureau of criminal investigation, eligibility for disability retirement and early
7 retirement benefits under the public employees retirement system, employee enrollment, billing
8 for the retiree health insurance credit, failure to maintain a health savings account when the
9 high-deductible health plan is elected, payment of administrative expenses of the defined
10 contribution plan, and penalties for employers failing to pay contributions under the defined
11 contribution plan.

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

13 **SECTION 1. AMENDMENT.** Section 54-52-01 of the North Dakota Century Code is
14 amended and reenacted as follows:

15 **54-52-01. (Effective through July 31, 2017) Definition of terms.**

16 As used in this chapter, unless the context otherwise requires:

- 17 1. "Account balance" means the total contributions made by the employee, vested
18 employer contributions under section 54-52-11.1, the vested portion of the vesting
19 fund as of June 30, 1977, and interest credited thereon at the rate established by the
20 board.
- 21 2. "Beneficiary" means any person in receipt of a benefit provided by this plan or any
22 person designated by a participating member to receive benefits.
- 23 3. "Correctional officer" means a participating member who is employed as a correctional
24 officer by a political subdivision.

- 1 4. "Eligible employee" means all permanent employees who meet all of the eligibility
2 requirements set by this chapter and who are eighteen years or more of age, and
3 includes appointive and elective officials under sections 54-52-02.5, 54-52-02.11, and
4 54-52-02.12, and nonteaching employees of the superintendent of public instruction,
5 including the superintendent of public instruction, who elect to transfer from the
6 teachers' fund for retirement to the public employees retirement system under section
7 54-52-02.13, and employees of the state board for career and technical education who
8 elect to transfer from the teachers' fund for retirement to the public employees
9 retirement system under section 54-52-02.14. Eligible employee does not include state
10 employees who elect to become members of the retirement plan established under
11 chapter 54-52.6.
- 12 5. "Employee" means any person employed by a governmental unit, whose
13 compensation is paid out of the governmental unit's funds, or funds controlled or
14 administered by a governmental unit, or paid by the federal government through any of
15 its executive or administrative officials; licensed employees of a school district means
16 those employees eligible to participate in the teachers' fund for retirement who, except
17 under subsection 2 of section 54-52-17.2, are not eligible employees under this
18 chapter.
- 19 6. "Employer" means a governmental unit.
- 20 7. "Funding agent" or "agents" means an investment firm, trust bank, or other financial
21 institution which the retirement board may select to hold and invest the employers' and
22 members' contributions.
- 23 8. "Governmental unit" means the state of North Dakota, except the highway patrol for
24 members of the retirement plan created under chapter 39-03.1, or a participating
25 political subdivision thereof.
- 26 9. "National guard security officer or firefighter" means a participating member who is:
27 a. A security police employee of the North Dakota national guard; or
28 b. A firefighter employee of the North Dakota national guard.
- 29 10. "Participating member" means all eligible employees who through payment into the
30 plan have established a claim against the plan.

- 1 11. "Peace officer" means a participating member who is a peace officer as defined in
2 section 12-63-01 and is employed as a peace officer by the bureau of criminal
3 investigation or by a political subdivision and, notwithstanding subsection 12, for
4 persons employed after August 1, 2005, is employed thirty-two hours or more per
5 week and at least twenty weeks each year of employment. Participating members of
6 the law enforcement retirement plan created by this chapter who begin employment
7 after August 1, 2005, are ineligible to participate concurrently in any other retirement
8 plan administered by the public employees retirement system.
- 9 12. "Permanent employee" means a governmental unit employee whose services are not
10 limited in duration and who is filling an approved and regularly funded position in an
11 eligible governmental unit, and is employed twenty hours or more per week and at
12 least twenty weeks each year of employment.
- 13 13. "Prior service" means service or employment prior to July 1, 1966.
- 14 14. "Prior service credit" means such credit toward a retirement benefit as the retirement
15 board may determine under the provisions of this chapter.
- 16 15. "Public employees retirement system" means the retirement plan and program
17 established by this chapter.
- 18 16. "Retirement" means the acceptance of a retirement allowance under this chapter upon
19 either termination of employment or termination of participation in the retirement plan
20 and meeting the normal retirement date.
- 21 17. "Retirement board" or "board" means the governing authority created under section
22 54-52-03.
- 23 18. "Seasonal employee" means a participating member who does not work twelve
24 months a year.
- 25 19. "Service" means employment on or after July 1, 1966.
- 26 20. "Service benefit" means the credit toward retirement benefits as determined by the
27 retirement board under the provisions of this chapter.
- 28 21. "Temporary employee" means a governmental unit employee who is not eligible to
29 participate as a permanent employee, who is at least eighteen years old and not
30 actively contributing to another employer-sponsored pension fund, and, if employed by
31 a school district, occupies a noncertified teacher's position.

1 22. "Wages" and "salaries" means the member's earnings in eligible employment under
2 this chapter reported as salary on the member's federal income tax withholding
3 statements plus any salary reduction or salary deferral amounts under 26 U.S.C. 125,
4 401(k), 403(b), 414(h), or 457. "Salary" does not include fringe benefits such as
5 payments for unused sick leave, personal leave, vacation leave paid in a lump sum,
6 overtime, housing allowances, transportation expenses, early retirement incentive pay,
7 severance pay, medical insurance, workforce safety and insurance benefits, disability
8 insurance premiums or benefits, or salary received by a member in lieu of previously
9 employer-provided fringe benefits under an agreement between the member and
10 participating employer. Bonuses may be considered as salary under this section if
11 reported and annualized pursuant to rules adopted by the board.

12 **(Effective after July 31, 2017) Definition of terms.** As used in this chapter, unless the
13 context otherwise requires:

- 14 1. "Account balance" means the total contributions made by the employee, vested
15 employer contributions under section 54-52-11.1, the vested portion of the vesting
16 fund as of June 30, 1977, and interest credited thereon at the rate established by the
17 board.
- 18 2. "Beneficiary" means any person in receipt of a benefit provided by this plan or any
19 person designated by a participating member to receive benefits.
- 20 3. "Correctional officer" means a participating member who is employed as a correctional
21 officer by a political subdivision.
- 22 4. "Eligible employee" means all permanent employees who meet all of the eligibility
23 requirements set by this chapter and who are eighteen years or more of age, and
24 includes appointive and elective officials under sections 54-52-02.5, 54-52-02.11, and
25 54-52-02.12, and nonteaching employees of the superintendent of public instruction,
26 including the superintendent of public instruction, who elect to transfer from the
27 teachers' fund for retirement to the public employees retirement system under section
28 54-52-02.13, and employees of the state board for career and technical education who
29 elect to transfer from the teachers' fund for retirement to the public employees
30 retirement system under section 54-52-02.14. Eligible employee does not include
31 nonclassified state employees who elect to become members of the retirement plan

1 established under chapter 54-52.6 but does include employees of the judicial branch
2 and employees of the board of higher education and state institutions under the
3 jurisdiction of the board.

4 5. "Employee" means any person employed by a governmental unit, whose
5 compensation is paid out of the governmental unit's funds, or funds controlled or
6 administered by a governmental unit, or paid by the federal government through any of
7 its executive or administrative officials; licensed employees of a school district means
8 those employees eligible to participate in the teachers' fund for retirement who, except
9 under subsection 2 of section 54-52-17.2, are not eligible employees under this
10 chapter.

11 6. "Employer" means a governmental unit.

12 7. "Funding agent" or "agents" means an investment firm, trust bank, or other financial
13 institution which the retirement board may select to hold and invest the employers' and
14 members' contributions.

15 8. "Governmental unit" means the state of North Dakota, except the highway patrol for
16 members of the retirement plan created under chapter 39-03.1, or a participating
17 political subdivision thereof.

18 9. "National guard security officer or firefighter" means a participating member who is:
19 a. A security police employee of the North Dakota national guard; or
20 b. A firefighter employee of the North Dakota national guard.

21 10. "Participating member" means all eligible employees who through payment into the
22 plan have established a claim against the plan.

23 11. "Peace officer" means a participating member who is a peace officer as defined in
24 section 12-63-01 and is employed as a peace officer by the bureau of criminal
25 investigation or by a political subdivision and, notwithstanding subsection 12, for
26 persons employed after August 1, 2005, is employed thirty-two hours or more per
27 week and at least twenty weeks each year of employment. Participating members of
28 the law enforcement retirement plan created by this chapter who begin employment
29 after August 1, 2005, are ineligible to participate concurrently in any other retirement
30 plan administered by the public employees retirement system.

- 1 12. "Permanent employee" means a governmental unit employee whose services are not
2 limited in duration and who is filling an approved and regularly funded position in an
3 eligible governmental unit, and is employed twenty hours or more per week and at
4 least twenty weeks each year of employment.
- 5 13. "Prior service" means service or employment prior to July 1, 1966.
- 6 14. "Prior service credit" means such credit toward a retirement benefit as the retirement
7 board may determine under the provisions of this chapter.
- 8 15. "Public employees retirement system" means the retirement plan and program
9 established by this chapter.
- 10 16. "Retirement" means the acceptance of a retirement allowance under this chapter upon
11 either termination of employment or termination of participation in the retirement plan
12 and meeting the normal retirement date.
- 13 17. "Retirement board" or "board" means ~~the seven persons designated by this chapter as~~
14 the governing authority for the retirement system created under section 54-52-03.
- 15 18. "Seasonal employee" means a participating member who does not work twelve
16 months a year.
- 17 19. "Service" means employment on or after July 1, 1966.
- 18 20. "Service benefit" means the credit toward retirement benefits as determined by the
19 retirement board under the provisions of this chapter.
- 20 21. "Temporary employee" means a governmental unit employee who is not eligible to
21 participate as a permanent employee, who is at least eighteen years old and not
22 actively contributing to another employer-sponsored pension fund, and, if employed by
23 a school district, occupies a noncertified teacher's position.
- 24 22. "Wages" and "salaries" means the member's earnings in eligible employment under
25 this chapter reported as salary on the member's federal income tax withholding
26 statements plus any salary reduction or salary deferral amounts under 26 U.S.C. 125,
27 401(k), 403(b), 414(h), or 457. "Salary" does not include fringe benefits such as
28 payments for unused sick leave, personal leave, vacation leave paid in a lump sum,
29 overtime, housing allowances, transportation expenses, early retirement incentive pay,
30 severance pay, medical insurance, workforce safety and insurance benefits, disability
31 insurance premiums or benefits, or salary received by a member in lieu of previously

1 employer-provided fringe benefits under an agreement between the member and
2 participating employer. Bonuses may be considered as salary under this section if
3 reported and annualized pursuant to rules adopted by the board.

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

6 **54-52-06.4. Contribution by peace officers employed by the bureau of criminal**
7 **investigation or security officers employed by the national guard - Employer**
8 **contribution.**

9 Each peace officer employed by the bureau of criminal investigation who is a member of the
10 public employees retirement system is assessed and shall pay monthly four percent of the
11 employee's monthly salary. Peace officer contributions increase by one percent of the member's
12 monthly salary beginning with the monthly reporting period of January 2012, ~~and~~ with an
13 additional increase of one percent, beginning with the reporting period of January 2013; and
14 thereafter peace officer contributions decrease by one-half of one percent of the member's
15 monthly salary beginning with the monthly reporting period of January 2018. Effective August 1,
16 2015, each national guard security officer who is a member of the public employee's retirement
17 system is assessed and monthly shall pay six percent of the employee's monthly salary.
18 National guard security officer contributions decrease by one-half of one percent of the
19 member's monthly salary beginning with the monthly reporting period of January 2016. The
20 assessment must be deducted and retained out of the employee's salary in equal monthly
21 installments. The peace officer's or security officer's employer shall contribute an amount
22 determined by the board to be actuarially required to support the level of benefits specified in
23 section 54-52-17. The employer's contribution must be paid from funds appropriated for salary
24 or from any other funds available for such purposes. If the peace officer's or security officer's
25 assessment is paid by the employer under subsection 3 of section 54-52-05, the employer shall
26 contribute, in addition, an amount equal to the required peace officer's or security officer's
27 assessment.

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

30 3. Retirement dates are defined as follows:

- 1 a. Normal retirement date, except for a national guard security officer or firefighter
2 or a peace officer or correctional officer employed by the bureau of criminal
3 investigation or by a political subdivision, is:
- 4 (1) The first day of the month next following the month in which the member
5 attains the age of sixty-five years; or
- 6 (2) When the member has a combined total of years of service credit and years
7 of age equal to eighty-five and has not received a retirement benefit under
8 this chapter.
- 9 b. Normal retirement date for members first enrolled after December 31, 2015,
10 except for a national guard security officer or firefighter, a peace officer or
11 correctional officer employed by the bureau of criminal investigation or by a
12 political subdivision, or a supreme court or district court judge, is:
- 13 (1) The first day of the month next following the month in which the member
14 attains the age of sixty-five years; or
- 15 (2) When the member has a combined total of years of service credit and years
16 of age equal to ninety and the member attains a minimum age of sixty and
17 has not received a retirement benefit under this chapter.
- 18 c. Normal retirement date for a national guard security officer or firefighter is:
- 19 (1) The first day of the month next following the month in which the national
20 guard security officer or firefighter attains the age of fifty-five years and has
21 completed at least three eligible years of employment; or
- 22 (2) When the national guard security officer or firefighter has a combined total
23 of years of service credit and years of age equal to eighty-five and has not
24 received a retirement benefit under this chapter.
- 25 d. Normal retirement date for a peace officer or correctional officer employed by a
26 political subdivision is:
- 27 (1) The first day of the month next following the month in which the peace
28 officer or correctional officer attains the age of fifty-five years and has
29 completed at least three eligible years of employment; or

- 1 (2) When the peace officer or correctional officer has a combined total of years
2 of service credit and years of age equal to eighty-five and has not received
3 a retirement benefit under this chapter.
- 4 e. Normal retirement date for a peace officer employed by the bureau of criminal
5 investigation is:
- 6 (1) The first day of the month next following the month in which the peace
7 officer attains the age of fifty-five years and has completed at least three
8 eligible years of employment; or
- 9 (2) When the peace officer has a combined total of years of service credit and
10 years of age equal to eighty-five and has not received a retirement benefit
11 under this chapter.
- 12 f. Postponed retirement date is the first day of the month next following the month
13 in which the member, on or after July 1, 1977, actually severs or has severed the
14 member's employment after reaching the normal retirement date.
- 15 g. Early retirement date, except for a national guard security officer or firefighter or a
16 peace officer or correctional officer employed by the bureau of criminal
17 investigation or by a political subdivision, is the first day of the month next
18 following the month in which the member attains the age of fifty-five years and
19 has completed three years of eligible employment. For a national guard security
20 officer or firefighter, early retirement date is the first day of the month next
21 following the month in which the national guard security officer or firefighter
22 attains the age of fifty years and has completed at least three years of eligible
23 employment. For a peace officer or correctional officer employed by the bureau of
24 criminal investigation or by a political subdivision, early retirement date is the first
25 day of the month next following the month in which the peace officer or
26 correctional officer attains the age of fifty years and has completed at least three
27 years of eligible employment.
- 28 h. Disability retirement date is the first day of the month after a member becomes
29 permanently and totally disabled, according to medical evidence called for under
30 the rules of the board, and has completed at least one hundred eighty days of
31 eligible employment. For supreme and district court judges, permanent and total

1 disability is based solely on a judge's inability to perform judicial duties arising out
2 of physical or mental impairment, as determined pursuant to rules adopted by the
3 board or as provided by subdivision a of subsection 3 of section 27-23-03.

4 (1) A member is eligible to receive disability retirement benefits only if the
5 member:

6 ~~(1)~~ Became ~~became~~ disabled during the period of eligible employment; and

7 ~~(2)~~ Applies ~~applies~~ for disability retirement benefits within twelve months of the
8 date the member terminates employment.

9 (2) A member is eligible to continue to receive disability benefits as long as the
10 permanent and total disability continues and the member submits the
11 necessary documentation and undergoes medical testing required by the
12 board, or for as long as the member participates in a rehabilitation program
13 required by the board, or both. If the board determines that a member no
14 longer meets the eligibility definition, the board may discontinue the
15 disability retirement benefit. The board may pay the cost of any medical
16 testing or rehabilitation services ~~if the board~~ deems necessary and these
17 payments are appropriated from the retirement fund for those purposes. A
18 member's receipt of disability benefits under this section is limited to receipt
19 from the fund to which the member was actively contributing at the time the
20 member became disabled.

21 4. The board shall calculate retirement benefits as follows:

22 a. Normal retirement benefits for all retirees, except supreme and district court
23 judges, reaching normal retirement date equal an annual amount, payable
24 monthly, comprised of a service benefit and a prior service benefit, as defined in
25 this chapter, which is determined as follows:

26 (1) Service benefit equals two percent of final average salary multiplied by the
27 number of years of service employment.

28 (2) Prior service benefit equals two percent of final average salary multiplied by
29 the number of years of prior service employment.

30 b. Normal retirement benefits for all supreme and district court judges under the
31 public employees retirement system reaching normal retirement date equal an

1 annual amount, payable monthly, comprised of a benefit as defined in this
2 chapter, determined as follows:

3 (1) Benefits must be calculated from the time of appointment or election to the
4 bench and must equal three and one-half percent of final average salary
5 multiplied by the first ten years of judicial service, two and eighty hundredths
6 percent of final average salary multiplied by the second ten years of judicial
7 service, and one and one-fourth percent of final average salary multiplied by
8 the number of years of judicial service exceeding twenty years.

9 (2) Service benefits must include, in addition, an amount equal to the percent
10 specified in subdivision a of final average salary multiplied by the number of
11 years of nonjudicial employee service and employment.

12 c. Postponed retirement benefits are calculated as for single life benefits for those
13 members who retired on or after July 1, 1977.

14 d. Early retirement benefits are calculated as for single life benefits accrued to the
15 date of termination of employment, but must be actuarially reduced to account for
16 benefit payments beginning ~~prior to~~before the normal retirement date, ~~which is~~
17 ~~the earlier of age sixty-five or the age at which current service plus age equals~~
18 ~~eighty-five~~as determined under subsection 3. Except for a national guard security
19 officer or firefighter, a peace officer or correctional officer employed by the bureau
20 of criminal investigation or by a political subdivision, or a supreme court or district
21 court judge, early retirement benefits for members first enrolled after December
22 31, 2015, are calculated for single life benefits accrued to the date of termination
23 of employment, but must be reduced by fixed rate of eight percent per year to
24 account for benefit payments beginning before the normal retirement date. A
25 retiree, other than a supreme or district court judge, is eligible for early retirement
26 benefits only after having completed three years of eligible employment. A
27 supreme or district court judge retiree is eligible for early retirement benefits only
28 after having completed five years of eligible employment.

29 e. Except for supreme and district court judges, disability retirement benefits are
30 twenty-five percent of the member's final average salary. Disability retirement
31 benefits for supreme and district court judges are seventy percent of final

1 average salary reduced by the member's primary social security benefits and by
2 any workforce safety and insurance benefits paid. The minimum monthly
3 disability retirement benefit under this section is one hundred dollars.

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

6 **54-52.1-03. Employee participation in plan - Employee to furnish information -**
7 **Benefits to continue upon retirement or termination.**

- 8 1. Any eligible employee may be enrolled in the uniform group insurance program
9 created by this chapter by requesting enrollment with the employing department. If an
10 eligible employee does not enroll in the uniform group insurance program at the time
11 of beginning employment, in order to enroll at a later time the eligible employee must
12 meet minimum requirements established by the board. An employing department may
13 not require an active eligible employee to request coverage under the uniform group
14 insurance program as a prerequisite to receive the minimum employer-paid life
15 insurance benefits coverage or employee assistance program benefits coverage.
- 16 2. ~~Within five days after the expiration of the payroll period during which enrollment was~~
17 ~~requested, the employing department shall enroll the employee with the board. The~~
18 ~~employee's insurance coverage becomes effective on the date of enrollment.~~
- 19 3. A retiree who has accepted a periodic distribution from the defined contribution
20 retirement plan pursuant to section 54-52.6-13 who the board determines is eligible for
21 participation in the uniform group insurance program or has accepted a retirement
22 allowance from the public employees retirement system, the highway patrolmen's
23 retirement system, the teachers' insurance and annuity association of America -
24 college retirement equities fund for service credit earned while employed by North
25 Dakota institutions of higher education, the retirement system established by job
26 service North Dakota under section 52-11-01, the judges' retirement system
27 established under chapter 27-17, or the teachers' fund for retirement may elect to
28 participate in the uniform group under this chapter without meeting minimum
29 requirements at age sixty-five, when the member's spouse reaches age sixty-five,
30 upon the receipt of a benefit, or when the spouse terminates employment. If a retiree
31 or surviving spouse does not elect to participate at the times specified in this

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

9 4.3. Upon the termination of employment when the employee is not eligible to participate
10 under subsection ~~32~~ or ~~54~~ or applicable federal law, that employee cannot continue as
11 a member of the uniform group.

12 5.4. A member or former member of the legislative assembly or that ~~person's~~individual's
13 surviving spouse may elect to continue membership in the uniform group within the
14 applicable time limitations after either termination of eligible employment as a member
15 of the legislative assembly or termination of other eligible employment or, for a
16 surviving spouse, upon the death of the member or former member of the legislative
17 assembly. The member or former member of the legislative assembly or that
18 ~~person's~~individual's surviving spouse shall pay the premiums in effect for the coverage
19 provided directly to the board.

20 6.5. Each eligible employee requesting enrollment shall furnish the appropriate
21 ~~person~~individual in the employing department, board, or agency with such information
22 and in such form as prescribed by the board to enable the enrollment of the employee,
23 or employee and dependents, in the uniform group insurance program created by this
24 chapter.

25 7.6. If the participating employee is a faculty member in a state charitable, penal, or
26 educational institution who receives a salary or wages on less than a twelve-month
27 basis and has signed a contract to teach for the next ensuing school year, the agency
28 shall make arrangements to include that employee in the insurance program on a
29 twelve-month basis and make the contribution authorized by this section for each
30 month of the twelve-month period.

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

3 1. The following ~~persons~~individuals are entitled to receive credit for hospital and medical
4 benefits coverage and prescription drug coverage under any health insurance program
5 and dental, vision, and long-term care benefits coverage under the uniform group
6 insurance program under subsection 2:

7 a. A member or surviving spouse of the highway patrolmen's retirement system is
8 eligible for the credit beginning on the date retirement benefits are effective
9 ~~unless the premium is billed to the employer.~~

10 b. A member or surviving spouse of the public employees retirement system is
11 eligible for the credit beginning on the date retirement benefits are effective
12 ~~unless the premium is billed to the employer.~~

13 c. A member or surviving spouse of the retirement program established by job
14 service North Dakota under section 52-11-01 receiving retirement benefits is
15 eligible for the credit beginning on the date retirement benefits are effective
16 ~~unless the premium is billed to the employer.~~

17 d. A retired judge or surviving spouse receiving retirement benefits under the
18 retirement program established under chapter 27-17 is eligible for the credit
19 beginning on the date retirement benefits are effective ~~unless the premium is~~
20 ~~billed to the employer.~~

21 e. A former participating member of the defined contribution retirement plan
22 receiving retirement benefits, or the surviving spouse of a former participating
23 member of that retirement plan who was eligible to receive or was receiving
24 benefits, under section 54-52.6-13, is eligible as determined by the board
25 pursuant to its rules.

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

28 2. Health savings account fees for participating state employees must be paid by the
29 employer.

30 a. Except as provided in subdivision b, subject to the limits of section 223(b) of the
31 Internal Revenue Code [26 U.S.C. 233(b)], the difference between the cost of the

1 single and family premium for eligible state employees under section 54-52.1-06
2 and the premium for those employees electing to participate under the
3 high-deductible health plan under this section must be deposited in a health
4 savings account for the benefit of each participating employee.

5 b. If the public employees retirement system is unable to establish a health savings
6 account due to the employee's ineligibility under federal or state law or due to
7 failure of the employee to provide necessary information in order to establish the
8 account, the system is not responsible for depositing the health savings account
9 contribution. The member will remain a participant in the high-deductible health
10 plan regardless of whether a health savings account is established.

11 c. If a member closes the health savings account established for that member
12 under this section, the system is not responsible for depositing the health savings
13 account contribution after that closure.

14 **SECTION 7. AMENDMENT.** Section 54-52.6-06 of the North Dakota Century Code is
15 amended and reenacted as follows:

16 **54-52.6-06. Administrative expenses - Continuing appropriation.**

17 ~~The Participating members shall pay the administrative expenses of the plan must be paid~~
18 ~~by the participating members~~ in a manner determined by the board. The board, or vendors
19 contracted for by the board, may charge reasonable administrative expenses and deduct those
20 expenses from a participating member's account in the defined contribution retirement plan
21 established under this chapter. The board may also pay the administrative expenses of the plan
22 from fines and fees collected from vendors in a manner determined by the board. The board
23 shall place vendor fines and fees and any money deducted from participating members'
24 accounts in an administrative expenses account with the state treasurer. The board may also
25 use funds from the payroll clearing account established pursuant to section 54-52.3-03 to pay
26 for consulting expenses. All moneys in the payroll clearing account, not otherwise appropriated,
27 or so much of the moneys as may be necessary, are appropriated to the board on a continuing
28 basis for the purpose of retaining a consultant as required for the administration of this chapter.

29 **SECTION 8. AMENDMENT.** Subsection 2 of section 54-52.6-09 of the North Dakota
30 Century Code is amended and reenacted as follows:

1 2. The employer shall contribute an amount equal to four and twelve-hundredths percent
2 of the monthly salary or wage of a participating member. Employer contributions
3 increase by one percent of the monthly salary or wage of a participating member
4 beginning with the monthly reporting period of January 2012, and with an additional
5 increase of one percent, beginning with the monthly reporting period of January 2013,
6 and with an additional increase of one percent, beginning with the monthly reporting
7 period of January 2014. If the employee's contribution is paid by the employer under
8 subsection 3, the employer shall contribute, in addition, an amount equal to the
9 required employee's contribution. ~~The~~Monthly, the employer shall pay monthly such
10 contribution into the participating member's account from ~~its~~the employer's funds
11 appropriated for payroll and salary or any other funds available for such purposes. If
12 the employer fails to pay the contributions monthly, ~~it~~the employer is subject to a civil
13 penalty of fifty dollars and, as interest, one percent of the amount due for each month
14 of delay or fraction thereof after the payment became due. In lieu of assessing a civil
15 penalty or one percent per month, or both, interest at the actuarial rate of return may
16 be assessed for each month the contributions are delinquent. If contributions are paid
17 within ninety days of the date the contributions became due, penalty and interest to be
18 paid on delinquent contributions may be waived.

Introduced by

Representative Carlson

1 A BILL for an Act to amend and reenact section 54-52.1-05 of the North Dakota Century Code,
2 relating to the term of the public employee uniform group insurance contract for health benefits
3 coverage; to provide for application; and to declare an emergency.

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

5 **SECTION 1. AMENDMENT.** Section 54-52.1-05 of the North Dakota Century Code is
6 amended and reenacted as follows:

7 **54-52.1-05. Provisions of contract - Term of fully insured uniform group insurance**
8 **contract for hospital benefits, medical benefits, or prescription drug coverage.**

- 9 1. Each uniform group insurance contract entered by the board must be consistent with
10 ~~the provisions of this chapter,~~ must be signed for the state of North Dakota by the
11 chairman of the board, and must include the following:
- 12 a. As many optional coverages as deemed feasible and advantageous by the
13 board.
 - 14 b. A detailed statement of benefits offered, including maximum limitations and
15 exclusions, and such other provisions as the board may deem necessary or
16 desirable.
- 17 2. ~~The initial term or the renewal term of a fully insured uniform group insurance contract~~
18 ~~for hospital benefits coverage, medical benefits coverage, or prescription drug~~
19 ~~coverage may not exceed two years.~~
- 20 a. The board may not renew a contract subject to this subsection ~~without soliciting a~~
21 ~~bid under section 54-52.1-04 if the board determines the carrier's performance~~
22 ~~under the existing contract meets the board's expectations and the proposed~~
23 ~~premium renewal amount does not exceed the board's expectations.~~
 - 24 b. ~~In making a determination under this subsection, the board shall:~~

- 1 (1) ~~Use the services of a consultant to concurrently and independently prepare~~
2 ~~a renewal estimate the board shall consider in determining the~~
3 ~~reasonableness of the proposed premium renewal amount.~~
- 4 (2) ~~Review the carrier's performance measures, including payment accuracy,~~
5 ~~claim processing time, member service center metrics, wellness or other~~
6 ~~special program participation levels, and any other measures the board~~
7 ~~determines relevant to making the determination and shall consider these~~
8 ~~measures in determining the board's satisfaction with the carrier's~~
9 ~~performance.~~
- 10 (3) ~~Consider any additional information the board determines relevant to~~
11 ~~making the determination.~~
- 12 e. ~~If the board determines the carrier's performance under the existing contract~~
13 ~~does not meet the board's expectations or the proposed premium renewal~~
14 ~~amount exceeds the board's expectations and the board determines to solicit a~~
15 ~~bid under section 54-52.1-04, the board shall specify its reasons for the~~
16 ~~determination to solicit a bid.~~

17 **SECTION 2. APPLICATION.** This Act applies to a fully insured uniform group insurance
18 contract for hospital benefits coverage, medical benefits coverage, or prescription drug
19 coverage in effect on or entered after the effective date of this Act.

20 **SECTION 3. EMERGENCY.** This Act is declared to be an emergency measure.

Memo

Date: October 24, 2016

To: Senator Krebsbach, Chair
Legislative Employee Benefits Programs Committee

From: Josh Johnson, Pat Pechacek, and Jon Herschbach, Deloitte Consulting LLP

Subject: REVIEW OF PROPOSED BILL 17.0172.01000 REGARDING THE CONTRACT TERM FOR HEALTH BENEFITS COVERAGE

The following summarizes our review of the proposed legislation.

OVERVIEW OF PROPOSED BILL

The proposed bill would amend Section 54-52.1-05 of the North Dakota Century Code mandating that the term of a fully insured uniform group insurance contract for hospital benefits coverage, medical benefits coverage, or prescription drug coverage may not exceed two years. This would require NDPERS to solicit bids for coverage after each biennium contract.

EXPECTED ACTUARIAL IMPACT

We would not anticipate any material actuarial impact due to this amendment.

TECHNICAL COMMENTS

Although we don't feel this amendment would cause any specific actuarial impact to the health insurance program we do feel that there are potential implications to the health plan marketplace in North Dakota which could impact the long term cost of coverage for NDPERS.

North Dakota is a relatively unique health plan market in that there has historically been one major health carrier. Without the leverage of the NDPERS group insurance program it is difficult for other carriers to negotiate competitive provider, facility and pharmacy contracts. As we have seen with the change to Sanford Health Plan in 2015, it takes time for a new carrier to negotiate improved discounts after being awarded the NDPERS business and many provider contract improvements are contingent upon continued coverage of the NDPERS program. Should a bid for the upcoming biennium result in NDPERS program returning to the prior carrier, the market may revert to a one carrier



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market. While requiring the program to solicit bids every biennium may seem to ensure the program is getting the most favorable financial terms due to frequent competition, it might actually result in the limitation or elimination of competition altogether. While having one major health carrier in the market may provide leverage to allow that carrier to negotiate favorable provider contracts, the lack of meaningful competition removes any pressure for that carrier to do so.

Another aspect to consider is the significant cost and effort of the carrier to implement a large client. We have found that health carriers are less likely to be aggressive with premium rates when they know that the program will go out to bid again in a short period of time. With the chance to retain the business assuming satisfactory performance and costs, carriers can be more willing to invest in the relationship i.e. be more aggressive on their rates and other guarantees. Through past experience we have found that groups who consistently bid out their coverage incur higher costs in the long run due to this. In addition, some carriers may be unwilling to bid at all knowing that the plan will go out to bid after two years.

In addition to our comments above we worked with NDPERS staff to develop additional comments relating to the statutory provisions of the bill, implementation timeframe, bid timeframe, mitigation options and history of the plan.

STATUTORY OBSERVATIONS

As presently drafted this bill has an emergency provision. In addition Section 2 of the bill specifies the Application of the bill. Read together they indicate that if the bill is passed with the emergency clause it would become effective immediately and the board could not sign an agreement to renew the existing contract, which it has already authorized, and instead require NDPERS to solicit bids. The following timeframes are required in the statute:

1. Solicitations must be made not later than ninety days before the expiration of an existing uniform group insurance contract (54-52.1-04 NDCC)
2. Bids for a self-insurance plan are due no later than January first, and must be awarded no later than March first, preceding the end of each biennium. All bids under this section must be opened at a public meeting of the board. (54-52.1-04.2 NDCC)
3. Bids must be solicited by advertisement in a manner selected by the board that will provide reasonable notice to prospective bidders (54-52.1-04 NDCC)

If this bill was to pass with the emergency clause NDPERS may not be able to meet the statutory requirements in #1 depending on the date the bill would be signed into law. In addition, regardless of when the bill would be passed in 2017 NDPERS would not be able to meet the requirements in #2 which could eliminate the possibility of bidding the plan on a self-insured basis for the 2017-2019 biennium.

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There may also be concerns with the interpretation and application of Section 2 of this bill given the restriction in Section 18 of Article I of the North Dakota Constitution relating to the impairment of contracts which states, "No bill of attainder, ex post facto law, or law impairing the obligations of contracts shall ever be passed".

IMPLEMENTATION TIMEFRAME

Given the size and complexity of the NDPERS plan, changing carriers is a significant effort. Attached is the implementation schedule from the recent transition. As this demonstrates, there are many variables that must be worked through to ensure that a transition does not create difficulties in the continuity of care or benefits for participating members. At a minimum, most carriers have indicated that 90 days is necessary, with the NDPERS preference being 120 days or longer, in order to ensure continuity of coverage during the course of the transition.

BID TIMEFRAME

An effective bid process must allow sufficient time for the following:

1. Preparation of the Request for Proposals (RFP)
2. Marketing the RFP
3. Allowing time for interested parties to review the RFP
4. Allowing interested parties to submit questions and receive responses
5. Allowing the interested parties sufficient time to prepare final proposals once questions have been answered
6. Time for review of the proposals by
 - a. Consultant
 - b. NDPERS Staff
 - c. NDPERS Board
7. Allowing time to interview the bidders and get best and final offers.
8. Time for unexpected contingencies. (For example in 2014/15, NDPERS rejected all fully insured bids and rebid it for a second time)

The timeline for the last bid is below. This demonstrates that the process can take over 6 months in the event there is a rebid (this does not include the time to prepare the bid).

- July 9, 2014 – Fully-insured Bid issued
- August 13th – Self-insured Bid issued for medical and prescription drug plans
- September 4th – Fully-insured Proposals Due
- October 10th – Self-Insured Proposals Due
- October 21st – Staff interview with BCBS and Sanford (Fully-insured)

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- October 23rd – Board Rejects Fully-insured Bids, and issues a new RFP.
- October 29th – Fully-insured RFP released
- November 19th – Fully-insured Proposals due
- November 24th – Staff interview with BCBS and Sanford (Self-Insured)
- November 25th – Staff interview of PBM vendors
- December 4th – approved sending PBM contracts
- December 18th – NDPERS Board reviewed the Health plan bids
- January 2, 2015 – Best and Final Offer (BAFO) responses due
- January 5th – NDPERS Board Interviews BCBS and Sanford (fully-insured)
- January 15th – NDPERS Board interviews PBM vendors
- January 19th – NDPERS Board members and staff conduct a site visit of Sanford Health Plan
- February 5th – NDPERS Board reviews proposals (fully-insured, self-insured, Rx)
- February 13th – NDPERS Board continues its review of proposals (fully-insured, self-insured, Rx)
- February 19th – NDPERS Board awards bid

FULL BIDS VS RENEWALS

Generally full bids occur later and are finalized by February after the development of the Executive Budget thereby allowing for several more recent months of claims data to be used in the premium projection. To the extent that the additional claims data is positive, it may reduce trend, and to the extent it is negative it can increase trend and premium. Also, since the final bid amount is not known until during the legislative session it may be higher or lower than the budget amount in the Executive budget thereby requiring adjustment during the session.

Renewals occur earlier and are finalized by September or October. As a result a final rate is included in the Executive Budget that is fixed as a maximum amount. However, since it is possible that claims data could result in a lower premium, the renewal agreements with BCBS (previous) and Sanford (current) provide(d) for a February re-projection and if the required premium is lower as a result of the additional months of experience, premiums can be reduced. If the amount needed is higher it stays as agreed in the September renewal.

MITIGATION OPTIONS RELATING TO IMPLEMENTATION AND BID TIMELINE

In recognition of the above timelines for implementation and bid process, if this bill did pass with the emergency clause, consideration should be given to providing for processes in order to meet the compressed timeline. For example the bill could provide:

1. An abbreviated bidding process
 - a. Changing the notification process

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- b. Recognition that not all vendors will have adequate time to respond
 - c. Automatic certification of existing carrier and previous carrier or closing the process to only existing and previous carrier
 - d. Recognition that not all options can be bid and specifying what options will not be included in the RFP.
2. A mechanism to deal with a late implementation if necessary, such as extending the contract with the existing carrier on a self-insured basis or fully insured if the option to negotiate is available.
3. Funding and funding authorization for a delayed implementation as well as the recognition of potential risk that the extension of the contract with the existing carrier may not be an option on a fully-insured basis. If the contract were extended on a self-insured basis, funding would need to be available to cover claims during this period, taking into consideration that it may not be possible to acquire stop loss insurance for such a short duration or have adequate reserves.

HISTORY OF PAST RENEWALS AND BIDS

Briefly, the history of NDPERS Bids/Renewals is as follows:

- 2016 – Renewal
- 2014 – Full bid
- 2012 – Fully insured bid only (partial)
- 2010 – Fully insured bid only (partial)
- 2008 – Renewal
- 2006 – Renewal
- 2004 – Full bid
- 2002 – Renewal
- 2000 – Renewal
- 1998 – Full bid
- 1996 – Renewal

The following table provides additional detail of the history of the health plan. Please note that since 1994 the plan has had three full bids, two partial bids and seven renewals. Six of the renewals were with BCBS and one is with Sanford. Additionally, note that most years (except the current and upcoming biennium contracts) there were plan design changes or rate buy downs from the NDPERS reserves to reduce the cost of premiums.

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History of Health Plan Bids/Renewals - fully insured	Consultant	State premium % increase	Plan Changes	Buydown*	Comments
Year					
2016 (2017-19) Renewal	Deloitte	17.40			Renewed with Sanford
2014 (2015-17) Full Bid	Deloitte	15.13			Self Insured Bid released August. Fully Insured bids released in July, decision in February (6-7 months). Received two fully insured bids. One from BCBS (19-20% increase and the other from Sanford (15% increase). Self funded bid estimated to cost 14.9%. Sanford selected
2012(2013-15) Partial bid - Fully Insured Only	Deloitte	10.72		\$5,772,000 (\$20.04 per active contract)	Bid was released in May, Award in Sept (4 months). Partial bid for fully insured product only due to ACA concerns. Received two bids. One from Sanford (25.49% Inc) and the other from BCBS (12.98% Inc). Selected BCBS
2010 (2011-2013) Partial Bid Fully Insured Only	Deloitte	7.40	Additional benefit requirements in the Health Care Reform Bill and the Mental Health Parity Act.		Bid was issued in June, award in Sept (2-3 months). Partial bid for fully insured product only due to ACA concerns. Received one bid from BCBS. Selected BCBS.
2008 (2009-2011) Renewal	GBS	25.50	Eliminated EPO	\$40,000 (\$14 per active contract)	Renewed with BCBS. Plan design changes reduced the carrier rate by about 2%.
2006 (2007-2009) Renewal	GBS	19.00	Increased Cost Sharing		The carrier rate was reduced from 22.9% by approximately 3% in cost shift to members through plan design changes. First \$3 million in risk deposit made.
2004 (2005-07) Full bid	GBS	13.00	Plan design changes added \$1,000 RX coinsurance maximum	\$7,062,000 (\$24.52 per active contract)	Bid was released in May and awarded in Oct (5 months). Approximately \$14.3 million was used to buy down the rate and the Feb reprojection reduced active state rates by about \$5.20 PCPM
2002 (2003-05) Renewal	Deloitte	19.00	Plan design changes	\$2,880,000 (\$10.00 per active contract)	Premium was reduced for two reasons: 1) a gain in the Feb reprojection, 2) changes in the plan design and 3) utilizing reserves to buydown the premium
2000 (2001-2003) Renewal	Deloitte	17.00	Increased Cost Sharing	See comments	Rate was reduced by approx \$7.47 as a result of setting up a reserve account with BCBS and changes in the plan design to increase member out of pocket expenses
1998(1999-2001) Full bid	Deloitte	16.00	Increased Cost Sharing	\$2,693,000 (\$9.35 per active contract)	Bid was released in October and the award was in Feb (5 months)
1996 (1997-1999) Renewal	Deloitte	14.00	Increased Benefits & Lifetime Maximum	\$5,965,000 (\$20.71 per active contract)	Rate was reduced by utilization of reserves

* - Estimated based on 12,000 State budgeted FTE's

EFFECT ON MEMBERSHIP

The effect on membership should be minimal as a result of bidding the plan more often. However if the result was changes in the carrier every two years this could have an effect on members since networks, formularies and other items may change even though there may not be any changes in the plan design.

OBSERVATIONS ON RENEWALS AND BIDS:

RFP Process (Full bids)

- RFP's for full bids were done in 1998, 2004 and 2014
- Full bid processes take about 5-7 months (after RFP's were developed). The last RFP took 7 months since more options are now requested in the NDCC.

RFP Process (Partial bids)

- Partial bids were done in 2010 & 2012.
- Partial bids were to continue the existing fully insured contract only and did not include any self-insured arrangements
- Partial bids were done due to the uncertainty of the regulatory environment due to the ACA
- Partial bids took about 3-4 months (after RFP's were developed)

Renewals

- Renewals were done in 1996, 2000, 2002, 2006, 2008 & 2016
- Renewals take about 2-3 months to complete.

NDPERS Reserves

- The existing fully insured contract has a return of premium provision if it is not needed to pay claims
- The existing contract structure with Sanford and previously with BCBS returns premium to NDPERS if expenses are less than premiums. These premium returns have contributed to the NDPERS reserves.
- These reserves have been used to buy down premiums in 97-99, 99-01, 03-05, 05-07 & 13-15 bienniums.
- Since the plan has no substantial risk of loss due to this type of contract, reserves can be used to buy down premiums. If the plan were self-insured the use of reserves would be limited by the requirements in NDCC 54-52.1-04.3 which requires maintaining a minimum reserve level between 2.5 & 4.5 months of claims for adverse risk. This would amount to approximately \$20 million for each month or between \$45 and \$85 million. To the extent this level of reserves is not

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available for a self-insured plan, the board would need to add this to the premium rates to establish the reserves at the required level.

OVERALL CONCLUSIONS AND OBSERVATIONS

- This bill would not have a material actuarial impact on the Health Plan
- This bill could affect the willingness of new carriers to bid on the plan and could have the unintentional effect of reducing future competition for the NDPERS plan
- Having a required two year bid process versus a six year process could result in carriers being less aggressive in the bids knowing that they would face another bid in two years. A six year process may encourage carriers to invest in the relationship by being more aggressive in pricing and other guarantees.
- The emergency provision is in conflict with other timelines in the statute.
- There may be concerns with Section 18 of Article I of the North Dakota Constitution relating to impairment of contract
- If the emergency provision is passed it may not be possible to bid and implement a new plan within the timeframes. Mitigating options may need to be considered and added to the bill.
- The history of the bid process shows that full bids, partial bids and renewals have been used during the past bienniums. It also shows the plan design has changed and NDPERS Reserves have been used to mitigate premium increases. As a result the history does not indicate if any one method is more effective than the others in achieving lower premiums.
- The modified fully insured method has allowed NDPERS reserves to be used to buy down premiums in past bienniums whereas if the plan were self-insured these funds may be needed to be maintained as plan reserves in compliance with the NDCC-54-52.1-04.3
- Timing of bids and renewals is different. Bids are generally not completed until February during the legislative session which can affect the budget process if premiums come in higher than projected. In the case of renewals the amount is determined in advance of the session and is a fixed maximum number. Consequently, renewals do not have an effect on increasing premiums during the budgeting process during the session whereas bids may.
- Since bids could benefit from additional months of claims data in determining the premium, the existing renewal process was modified several years ago to have a February re-projection to take advantage of any improvements due to additional months of actual claims data. If the data shows a need for additional funding the

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September agreed amount is the maximum. The modified process captures the benefit of a later projection but eliminates the risk of higher premiums.

- The effect on membership should be minimal as a result of bidding the plan more often. However if the result is changes in the carrier every two years this could have an effect on members since networks, formularies and other items may change even though there may not be any changes in the plan design. During the transfer to Sanford even though the plan design did not change some members had the above adjustments.



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

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

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

Memorandum

TO: PERS Board
FROM: Aime
DATE: November 15, 2016
SUBJECT: Facebook

NDPERS implemented Facebook as part of our communication efforts this August. A Comments Policy and Legal Disclaimer document was developed and published on Facebook establishing the purpose of this communication platform and strict guidelines regarding posts and comments.

Currently, the Comments Policy excludes posts and comments that campaign for or against the nomination or election of a candidate or the qualification, passage, or defeat of a ballot question. Facebook could create a new dynamic during the election process. Members and candidates would be able to post their opinions and profiles respectively as well as engage in public online interaction.

Board Action Requested: Appoint a subcommittee to discuss and provide guidance on the use of Facebook as part of the NDPERS Board election process.



**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: Sharon Schiermeister
DATE: November 15, 2016
SUBJECT: Budget Update

Last December, the Board approved moving forward with implementing a mobile app as part of our PERSLink business system. We went live with the mobile app in June 2016. The mobile app was also available to our members this year as an option to use when making their annual enrollment elections. To date, we have almost 600 users who have downloaded the app.

The costs for implementing the mobile app include:

One-time implementation cost	\$ 80,000
One-time authentication cost	\$ 5,000
Annual licensing fee	
2016 (6 months)	\$ 8,325
2017 (12 months)	<u>\$ 30,000</u>
 Total for 15-17 biennium	 \$123,325

The costs for implementing the mobile app were not included in our budget for the 2015-17 biennium. At the time the Board approved moving forward with this project, staff indicated that it may be necessary to do a line item transfer from contingency funds for this project. Based on a recent review of our budget status, it has been determined that we will require the line item transfer in order to remain within our appropriation authority for our operating expense line item. The Board has the authority to make this transfer if it deems it necessary.

Board Action Requested

Authorize the transfer of \$123,000 of appropriation authority from the Contingency line item to the Operating line item for the 2015-17 biennium.