

NDPERS BOARD MEETING

Agenda

Bismarck Location:
WSI Boardroom
1600 East Century Avenue
Fargo Location:
WSI Meeting Room
2601 12th Ave SW

October 22, 2009

Time: 8:30 AM

I. MINUTES

- A. September 17, 2009

II. GROUP INSURANCE

- A. Health Insurance Reform (Information)
- B. BCBS – Sparb (Informational)
- C. BCBS Review – Aaron (Information)
- D. Memorandum of Understanding (Wellness and Wellness Program) – Sparb
(Board Action)
- E. Health Consultant RFP – Sparb (Board Action)
- F. Surplus/Affordability Update – Bryan (Information)

III. RETIREMENT

- A. Actuarial Reports – Segal
 - 1. Main
 - 2. Judges
 - 3. Law Enforcement
 - 4. National Guard
 - 5. Job Service
 - 6. Highway Patrol
 - 7. Retiree Health Credit Program
- B. Defined Contribution Valuation – Segal
- C. Investment Policies – Sparb (Information)
- D. Job Service COLA – Kathy (Board Action)

IV. DEFERRED COMPENSATION

- A. Provider Education Fees – Sparb (Board Action)

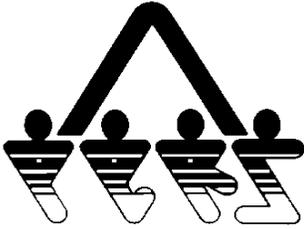
V. FLEX COMP

- A. Flex Changes – Sparb (Information)
- B. Flex Payments – Kathy (Information)

VI. MISCELLANEOUS

- A. State Auditor's Office Security Audit (Information)
- B. Quarterly Consultant Fees – Jim
- C. PERSLink Project Quarterly Report – Bryan (Information)
- D. Appeal #2009-001H – Group Health

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



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: October 15, 2009
SUBJECT: Health Insurance Reform

Attached, for your review and information, is a report from the Kaiser Foundation comparing the proposed legislation relating to health care. The next steps in the process according to a Deloitte update is:

- The Senate Finance Committee will vote on its bill —this is scheduled for the week before the Board meeting.
- Then the Senate Health Education, Labor, and Pensions bill will be merged with the Senate Finance bill per a specially appointed committee by Majority Leader Reid (D-NV) with a goal of putting a bill before the full Senate by the end of October. While a filibuster-proof 60 vote bill from the Senate is notably the goal for many, many believe it will be passed with 51-55 votes as a few key Democratic moderates vote against. NOTE: Senator Reid announced last week the Senate would forego its Columbus Day recess the week of 10/12 to debate the health bill.
- In October, a parallel process in the House will lead to a vote on its Tri Committee bill that will once-again feature drama about defections from 52 “Blue Dog” Democrats who fear the public option and prefer a bill under \$800 billion.
- As the two houses deliberate and vote, the process might stretch into November. Then a special committee of representatives from both chambers will be appointed to reconcile differences in the bills, craft a single bill for confirmation in their respective chambers, and then get the President’s signature before year end.

By the November/December meeting we should have a better idea where things are going at the national level.



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: October 15, 2009
SUBJECT: BCBS

At the last PERS Board meeting it was decided to delay our trip to BCBS in Fargo and instead invite the Insurance Department to attend our October meeting to review the recent audit report. I followed up with the Insurance Department and due to a combination of commitments they were unable to send someone on our October meeting date. We are working on the November date as an alternative.

BCBS has indicated that it would like to have its new CEO attend the October meeting to introduce himself to the Board, highlight some of the efforts going on within the company and share their perspective on national health reform. Therefore, Mr. Paul Von Ebers will be at the meeting via video conference. I did indicate to BCBS that we would still like to have another meeting with Mr. Von Ebers after the Board has had a full opportunity to hear from the Insurance Department and to discuss more specifically what BCBS is doing in response. This meeting could be early next year in Fargo or here in Bismarck.

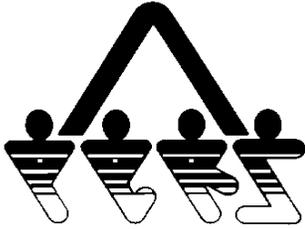
I also indicated to BCBS we are still interested in what they are doing in response to our letter from this last spring. I noted that at the staff level we have been very pleased with the additional efforts of BCBS; however, our letter did not express concerns with BCBS staff but rather efforts at the Board and executive level to which we have not seen any action or follow-up to date.

The following table is from our letter:

Expectation	Performance
Affordable health insurance premiums that increase at a reasonable rate.	BCBS has failed in this area in recent years.
Staff incentives that support affordable health care.	BCBS incentives are not aligned with the members' needs.
Quality customer service.	BCBS has successfully met this expectation.
Effective and affordable program administration.	1) BCBS has provided effective program administration. 2) PERS administrative costs have been going up at an unsustainable rate.
PERS investments in BCBS should be matched with results.	PERS investment in BCBS administrative capabilities is not returning a positive return on investment for our members in terms of premiums.
A synergistic partnership.	1) Administratively, we do find a benefit. 2) Our experience does not seem to indicate any sort of synergistic benefit to our members in terms of premiums or rates of increase.

Specifically, we have not had any response to our expectations of what they are going to do:

1. to implement new programs to insure that our premium increases are more reasonable
2. to insure that we do not continue to see large increases in administrative expenses
3. to align their incentives with the needs of our members and not just the company
4. to insure that our investments in their operation yield a positive return to our members
5. to develop a more synergistic partnership



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: October 15, 2009
SUBJECT: BCBS Review

At the last meeting the Board passed the following motion:

MR. SANDAL MOVED THAT PERS ASK LEGAL COUNSEL AND STAFF TO REVIEW THE PERS CONTRACT TO DETERMINE IF ANY POSSIBLE COURSE OF ACTION SHOULD BE CONSIDERED TO SEEK REIMBURSEMENT FOR ANY OVERCHARGES OR OTHER RECOVERIES AS A RESULT OF THE ACTIONS OF BCBS. THE MOTION WAS SECONDED BY MR. SAGE.

Aaron will be at the Board meeting to share his review of the above. The Board may want to consider going into executive session in order to discuss legal issues relating to BCBS. If you do decide to go into executive session the authority given for attorney consultation is under NDCC § 44-04-19.1(2)&(5). In order to enter into executive session, the Board would need to pass a motion. Once in executive session, Aaron would be able to advise the Board as to issues relating to BCBS. Once this discussion is over, the Board would move out of executive session with the instruction of the Chairman



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: October 15, 2009
SUBJECT: MOU on Wellness and Wellness Program

Work on the Memorandum of Understanding (MOU) for the wellness program is continuing. A conference call between the attorneys is scheduled before the next Board meeting and draft language is being discussed. We hope to be able to present to you a final draft at the next meeting for your consideration.

Also we had some good news on the wellness technical support assistance that we discussed at the last Board meeting (attached is the Board memo from the last meeting). This has been approved by Mr. Von Ebers on October 14. We will put together and forward to you by October 21 a final budget and position description for your consideration at the October 22 Board meeting.



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: September 9, 2009
SUBJECT: Wellness Program

At the May meeting we heard the final report from UND on the pilot wellness program. The result of that study was the four pilot sites had lower overall health costs than our control group. The conclusion was effective employer-based programs help to reduce costs. In recognition of this and the pilot, we have drawn out the following lessons learned relating to the success in the pilot agencies:

1. Support from top management
2. Incentives
3. Agency wellness committees and process
4. Technical assistance and support

In our negotiations with BCBS concerning the health plan renewal and our adoption of their wellness program we have addressed #2.

Concerning #3 and #4 we know these are interrelated. That is, agency-based wellness processes and committees were established in part, due to the support of UND. We also know that the technical support provided by UND helped to keep the committees and processes on track during the 36 month pilot. We have also identified this as an area that we do not presently provide support in our existing program. In the last couple of months

Wellness Program, Page 2

we have been working with BCBS about a concept of how to address these issues. What we have developed is the idea of having a position a BCBS that would work half-time exclusively on PERS wellness activities. The duties would include the following:

- Establish an inventory of current PERS worksite wellness efforts and identify and promote those programs that are successfully working towards and/or implementing comprehensive worksite wellness programs;
- Develop a toolbox of worksite wellness programs and methods to increase participation in existing programs;
- Identify/implement an appropriate approach for collecting PERS worksite wellness best practice information;
- Create and pilot replicable, cost-effective worksite wellness models for small/medium/large agencies.
- Work closely with NDPERS staff and agency wellness coordinators to drive member engagement into existing BCBSND wellness programs
- Be the expert in supporting our existing wellness tools for NDPERS
- Reporting and analytical support, including determining program outcomes
- Monitor engagement of NDPERS members within these programs by agency to determine opportunities for additional support
- Take advantage of new technology in working with wellness coordinators
- Coordinating ongoing promotion and member communication with wellness coordinators staff

BCBS has estimated the cost of this position to be about \$100,000 per year of which PERS would support half. If the Board agrees with moving forward with this concept, we will develop it further by refining the position description and cost for your consideration at the October meeting.

Staff Recommendation

Staff would recommend moving forward. We know from the UND report that comprehensive wellness efforts help to reduce trends. We also know from the GBS planning projections that health care costs are going to continue to be a major concern. Based upon this information, staff feels we need to move forward with all efforts that will help us to reduce this trend and the cost to our members/employers.

Board Action Requested

To determine if staff should continue to move forward with this effort.



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: October 15, 2009
SUBJECT: Health Consultant RFP

The next RFP we have scheduled to go out is for the group insurance program consultant. Presently Gallagher Benefit Services is that consultant. The consultant selected in response to this RFP will assist with the bids for our group insurance plans that will be occurring in the next couple of years. This will include:

1. The health plan. This bid will go out in May or June of 2010 for the 2011-13 biennium. The board will need to select the successful vendor by the September so we can send the pricing information to the Governor for his consideration in developing the 2011-2013 biennium budgets.
2. The vision plan. This bid will need to go out in the spring of 2010. The board will need to select the successful vendor by September. The effective date of this contract will be January 1, 2011
3. The dental plan. This bid will go in out in 2010.
4. The long term care Plan. This bid can go out in the summer or fall of 2010. The effective date of this contract would July of 2011.
5. The life plan. This can go out in the summer of fall of 2010. The effective date of this contract would be July of 2011.

Staff is proposing that for the vision, dental, LTC and life we issue the traditional RFP for services and select a single vendor. This means that in selecting our group insurance consultant we can ask for fixed fee bids as we have in the past for the work relating to the dental, vision, life and LTC plans. These proposals would be rated as before:

Cost	30 points
Staffing	20 Points
Experience	20 point
Tech Approach	30 points

For the group health insurance program we are suggesting an alternative approach to the development of the group health insurance bid for 2011-2013. In the past we have issued the bid for a single vendor to be selected from responses to provide services on a fully insured basis or a self-insured basis. This time we may want to review alternative approaches to the bid. For example, on the retiree plan do we want to bid the medical separate from the Rx. On the active plan we may want to consider some additional options as well. These questions make it more difficult to issue the health insurance consultant RFP on a fixed fee basis as we have in the past since we are not able to clearly define the work effort. Therefore, staff is suggesting that we issue the health insurance portion for the consultant RFP on a fee for service basis and have the primary selection criteria based upon staffing and experience in providing technical assistance to public sector plans in designing RFP's for state level health plans. Pricing considerations for the cost proposal would be based on the billing rates instead of an overall cost. We would further suggest that the weighting would be:

Cost:	15%
Staff:	30%
Experience:	30%
Understanding	25%

In February and March the group insurance consultant will work with the Board to determine the type of bid to be issued. The consultant would identify the various options, considerations and implications. The Board would work through the options and provide direction to the consultant. Following this process the consultant would develop the bid document, issue it, review it and assist the Board in making its decision on selecting the vendor(s) for the health plans for 2011-2013.

Board Action Requested

1. Approve the above approach for the RFP for the group insurance consultant.
2. Authorize staff to develop and issue the RFP based upon the above.



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M E M O R A N D U M

TO: NDPERS BOARD
SPARB COLLINS, NDPERS

FROM: *BTR*
BRYAN T. REINHARDT

DATE: September 29, 2009

SUBJECT: GROUP MEDICAL PLAN - SURPLUS/AFFORDABILITY UPDATE

Here is the August surplus projection and affordability analysis for the NDPERS group medical plan. The plan made it through the 2007-2009 biennium. We will start to analyze the 2009-2011 biennium after about six months.

Premium sent to BCBS in July 2009 was \$17,331,488. In 2007 it was \$13,406,858 and in July 2005 it was \$10,853,370. There are now 25,183 contracts on the NDPERS Health Plan, covering 56,000 over people.

The first settlement for the 2005 - 2007 biennium transferred \$3,672,932 to the NDPERS account. Refunds came in greater than IBNR claims for the 2nd year, so there was an additional 7/1/09 settlement for \$375,673. The total was just under \$4.0 million.

The projection for the 2007 - 2009 biennium shows a loss of \$6.0 million. The plan is fully insured by BCBS, so the June 30, 2009 NDPERS estimated gain/loss is \$0.

\$3.0 million of the NDPERS cash was deposited for the 2009-2011. NDPERS still has about \$3.2 million on deposit at BCBS.

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

NDPERS - ESTIMATED SURPLUS PROJECTION: 2007-2009 BIENNIUM

August, 2009

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

1) Preliminary Underwriting Gain/Loss for the 2007-2009 Biennium		(\$6,036,800)
2) Wellness Program Expenses		\$0
3) Estimated Underwriting Gain/Loss for the 2007-2009 Biennium		(\$6,036,800)
4) Projected Interest Accumulation (adjusted for usage as premium)		\$0
5) Refunds and Settlements		
11/30/07 Perform Rebate	(Included as claim rebates)	\$340,034
02/29/08 Perform Rebate	(Included as claim rebates)	\$385,151
05/31/08 Perform Rebate	(Included as claim rebates)	\$328,973
08/31/08 Perform Rebate	(Included as claim rebates)	\$354,915
11/31/08 Perform Rebate	(Included as claim rebates)	\$395,601
02/28/09 Perform Rebate	(Included as claim rebates)	\$270,464
05/31/09 Perform Rebate	(Included as claim rebates)	\$257,188
08/31/09 Perform Rebate	(Included as claim rebates)	\$317,883
EPO Settlement Payments 7/07 - 6/08	(No target settlements)	\$0
6) Total Estimated Surplus Held by BCBS		(\$6,036,800)
7) BCBS Portion of Surplus (Half upto \$1,500,000)		\$0
8) PERS Portion of Surplus Held by BCBS		(\$6,036,800)
9) Cash Reserve Account Balance		\$0
Future Contributions:		\$0
Future Interest:		\$0
Total		\$0
10) NDPERS Wellness Accounts		
My Health Connection		\$0
Employer Based Wellness		\$0
Wellness Benefit Program		\$0
SubTotal		\$0
Total Adjusted for Usage		\$0
11) Total Estimated Funds Available to PERS on June 30, 2009		\$0

NDPERS - Projected Underwritten Experience for the 2007-2009 Biennium
 August, 2009

MONTH	PREMIUM COLLECTED	PREMIUM ADJUSTMENT	TOTAL PREMIUM INCOME	ADMIN EXPENSE \$29.90/Con	NET PREMIUM	INTEREST ON CASH	CLAIMS INCURRED & PAID TO DATE	ESTIMATED IBNR CLAIMS	TOTAL INCURRED CLAIMS(1)	ESTIMATED GAIN / LOSS
Jul-07	\$13,406,857	\$0	\$13,406,857	\$725,404	\$12,681,453	\$0	\$11,185,517	\$0	\$11,185,517	\$1,495,936
Aug-07	\$13,465,027	\$308	\$13,465,336	\$728,334	\$12,737,002	\$8,720	\$12,180,896	\$0	\$12,180,896	\$564,826
Sep-07	\$13,608,834	\$6,878	\$13,615,713	\$736,018	\$12,879,695	\$32,149	\$10,959,974	\$0	\$10,959,974	\$1,951,870
Oct-07	\$13,577,219	\$7,321	\$13,584,540	\$734,822	\$12,849,718	\$44,159	\$13,059,306	\$0	\$13,059,306	(\$165,429)
Nov-07	\$13,584,631	(\$6,547)	\$13,578,084	\$735,480	\$12,842,604	\$38,392	\$13,207,552	\$0	\$13,207,552	(\$326,556)
Dec-07	\$13,568,728	\$5,601	\$13,574,329	\$734,553	\$12,839,776	\$40,841	\$12,535,061	\$0	\$12,535,061	\$345,556
Jan-08	\$13,582,515	\$3,071	\$13,585,586	\$735,121	\$12,850,465	\$39,733	\$13,725,242	\$0	\$13,725,242	(\$835,044)
Feb-08	\$13,622,093	\$1,733	\$13,623,826	\$737,155	\$12,886,671	\$33,024	\$12,290,282	\$0	\$12,290,282	\$629,413
Mar-08	\$13,620,486	(\$2,685)	\$13,617,801	\$737,125	\$12,880,676	\$25,258	\$13,294,085	\$0	\$13,294,085	(\$388,151)
Apr-08	\$13,626,826	\$1,915	\$13,628,741	\$738,171	\$12,890,570	\$21,216	\$13,299,273	\$0	\$13,299,273	(\$387,487)
May-08	\$13,623,071	\$1,798	\$13,624,869	\$737,992	\$12,886,877	\$17,341	\$12,675,117	\$0	\$12,675,117	\$229,101
Jun-08	\$13,644,570	(\$2,237)	\$13,642,333	\$739,128	\$12,903,205	\$27,130	\$12,850,823	\$0	\$12,850,823	\$79,512
Jul-08	\$13,611,228	(\$4,554)	\$13,606,675	\$737,693	\$12,868,982	\$33,409	\$13,923,222	\$0	\$13,923,222	(\$1,020,832)
Aug-08	\$13,622,766	\$25,091	\$13,647,857	\$738,052	\$12,909,805	\$29,181	\$12,977,562	\$0	\$12,977,562	(\$38,576)
Sep-08	\$13,750,651	\$3,180	\$13,753,831	\$745,168	\$13,008,663	\$29,890	\$13,061,962	\$0	\$13,061,962	(\$23,409)
Oct-08	\$13,718,593	\$26,952	\$13,745,546	\$744,480	\$13,001,065	\$21,426	\$15,176,923	\$0	\$15,176,923	(\$2,154,431)
Nov-08	\$13,728,459	\$9,639	\$13,738,098	\$745,497	\$12,992,601	\$19,221	\$12,562,196	\$0	\$12,562,196	\$449,627
Dec-08	\$13,733,851	\$566	\$13,734,417	\$745,557	\$12,988,860	\$13,638	\$15,499,286	\$30,000	\$15,529,286	(\$2,526,787)
Jan-09	\$13,810,474	(\$5,691)	\$13,804,783	\$749,862	\$13,054,921	\$9,258	\$12,266,135	\$280,000	\$12,546,135	\$518,044
Feb-09	\$13,811,340	(\$5,048)	\$13,806,292	\$749,952	\$13,056,340	\$6,142	\$11,918,401	\$290,000	\$12,208,401	\$854,082
Mar-09	\$13,815,272	(\$6,974)	\$13,808,298	\$749,892	\$13,058,406	\$7,663	\$13,384,240	\$400,000	\$13,784,240	(\$718,171)
Apr-09	\$13,843,570	(\$6,718)	\$13,836,852	\$751,417	\$13,085,435	\$7,498	\$14,151,933	\$550,000	\$14,701,933	(\$1,608,999)
May-09	\$13,823,863	\$30,694	\$13,854,557	\$751,327	\$13,103,229	\$7,229	\$13,666,670	\$1,000,000	\$14,666,670	(\$1,556,212)
Jun-09	\$13,854,872	(\$7,670)	\$13,847,202	\$752,344	\$13,094,858	\$19,742	\$12,819,234	\$1,700,000	\$14,519,234	(\$1,404,634)
BIENNIAL										
TOTAL	\$328,055,797	\$76,623	\$328,132,421	\$17,780,542	\$310,351,879	\$532,261	\$312,670,892	\$4,250,000	\$316,920,892	(\$6,036,752)

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



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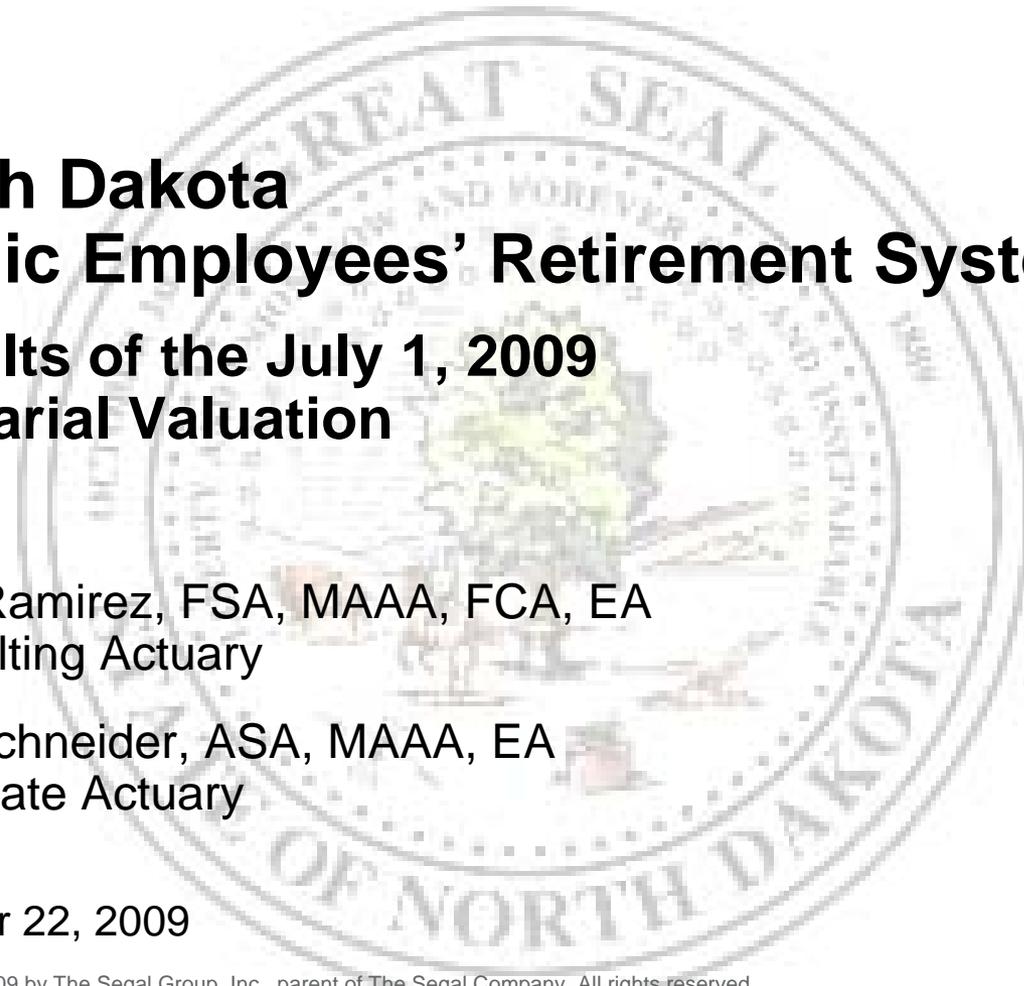
Memorandum

TO: PERS Board
FROM: Sparb
DATE: October 15, 2009
SUBJECT: Actuarial Valuations

Brad Ramirez from the Segal Company will be at the next Board meeting to go over the annual actuarial valuations for each of the retirement plans and the retiree health credit program. Included with the Board materials are the draft valuations for your review and information. In summary, the following is the results:

<u>System</u>	<u>Actuarial Rate for 2009</u>	<u>Statutory Rate</u>	<u>2009 Margin</u>	<u>2008 Margin</u>
Main	7.74	4.12	(3.62)	(2.14)
Judges	10.48	14.52	4.04	5.53
Guard	3.71	6.50	2.79	3.06
HP	18.73	16.70	(2.03)	0.94
Law Enf (w serv)	9.11	8.31	(0.80)	(0.73)
Law Enf (n serv)	6.83	6.43	(0.40)	(0.72)
Retiree Health Credit	1.00	1.14	0.14	0.12

Please refer to the Job Service valuation for those results.



North Dakota Public Employees' Retirement System

Results of the July 1, 2009 Actuarial Valuation

Brad Ramirez, FSA, MAAA, FCA, EA
Consulting Actuary

Kurt Schneider, ASA, MAAA, EA
Associate Actuary

October 22, 2009

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Purposes of the Actuarial Valuation

- Report the Plan's assets
- Estimate the Plan's liabilities
- Determine the recommended contribution for 2009
- Provide information for annual financial statements
- Identify emerging trends

How is an Actuarial Valuation Performed?

The Actuaries will:

- Gather data as of the valuation date
- Project a benefit for each member, for each possible benefit
- Apply assumptions about:
 - ❖ Economics (investment return, CPI, pay raises)
 - ❖ People (death, disablement, retirement, turnover)
- Apply assumptions to benefits to determine a total liability and assign liabilities to service
- Apply the funding policy to determine recommended contribution

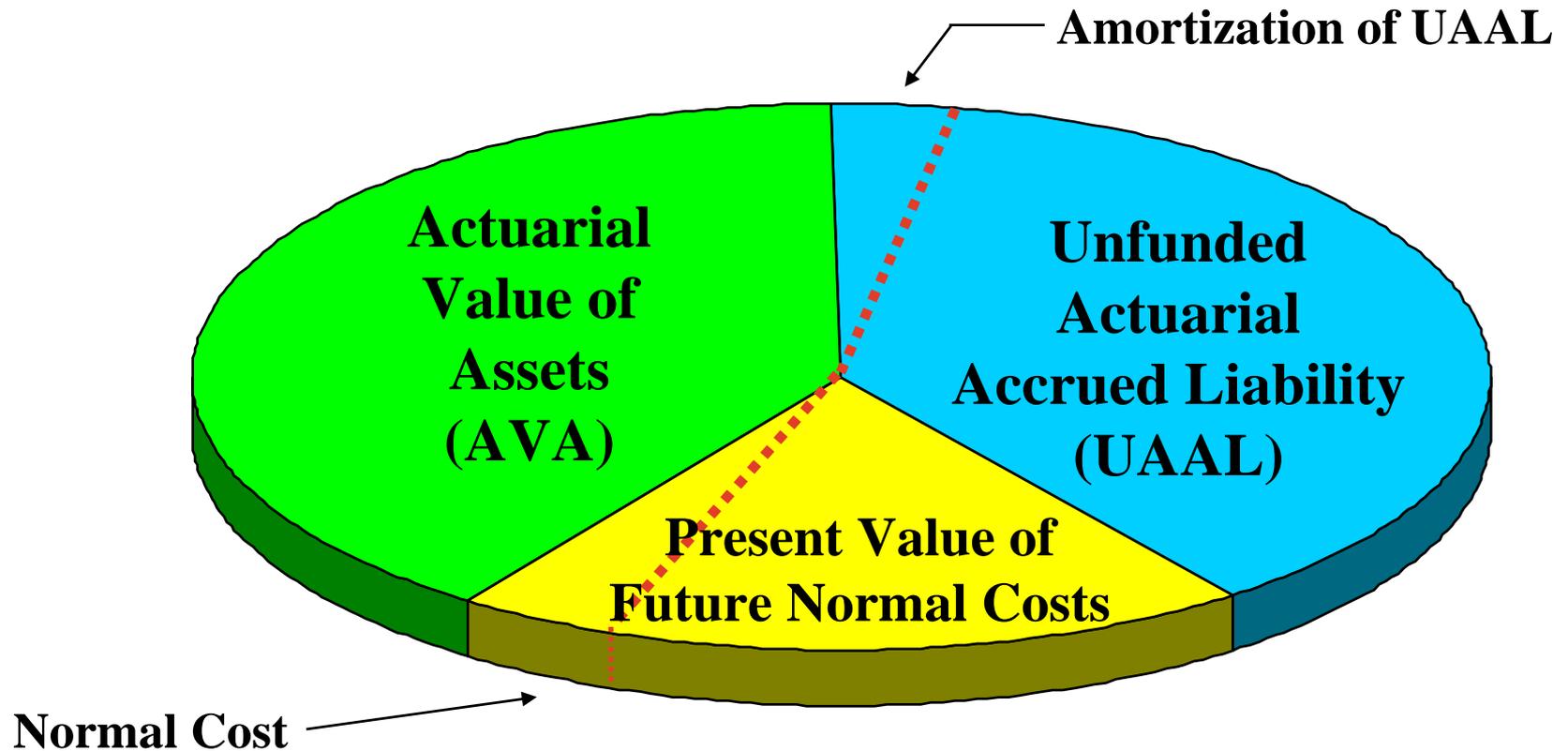
What is the Current Funding Policy?

- Funding method – “entry age normal”
 - ❖ Allocates benefits earned to periods of employment
 - ❖ Normal cost = benefits earned in next year
 - ❖ Most stable contribution rate as a percent of payroll
- Amortization Method – level percent of payroll
 - ❖ Most stable contribution rate as a percent of payroll
- Amortization Period – 20-year open
 - ❖ Does this pay off UAL?

Each year's contribution is the Plan's normal cost plus the amortization of the unfunded liability of the Plan.

Annual Contribution

Present Value of Future Benefits



Review of 2008-2009

- Significant (Historic, Epic, . . .) drop in assets in the fourth quarter of 2008
- Changes to contribution rates and funded ratios were dampened by asset smoothing methods, but the drop in assets still had a significant effect

July 1, 2009 Valuation Results

➤ Recommended contribution

	2009-2010 Percent of Pay	2008-2009 Percent of Pay	Statutory/ Approved Percent of Pay
Main	7.74%	6.26%	4.12%
Judges	10.48%	8.99%	14.52%
National Guard	3.71%	3.44%	6.50%
Law Enforcement (with Prior Service)	9.11%	9.04%	8.31%
Law Enforcement (without Prior Service)	6.83%	7.15%	6.43%
Highway Patrol	18.73%	15.76%	16.70%
Retiree Health	1.00%	0.88%	1.14%
Job Service	0.00%	0.00%	0.00%

➤ Funded Ratio (AVA)

	July 1, 2009	July 1, 2008
PERS	85.1%	92.6%
HPRS	87.2%	93.1%
Retiree Health	43.9%	48.6%
Job Service	104.7%	108.8%

July 1, 2009 Valuation Results

- Market value of combined assets for PERS and HPRS was \$1.361 billion vs. \$1.817 billion last year
- Combined actuarial value of assets for PERS and HPRS was \$1.667 billion vs. \$1.661 billion last year
- Total actuarial value of assets is 122.5% of market value of assets
- Significant unrecognized losses will be recognized in subsequent valuations and yield increases in required contributions, unless offset by future gains

Active Membership - PERS

	Number of Actives	Average Age	Average Service	Total Payroll	Average Payroll
Main	19,686 (+3%)	47.0 (---)	10.4 (-0.1)	\$684m (+9%)	\$34,762 (+5%)
Judges	47 (---)	57.0 (+1.0)	16.8 (+0.9)	\$5.44m (+4%)	\$115,741 (+4%)
National Guard	36 (-12%)	34.4 (+0.4)	3.6 (+0.1)	\$1.34m (-32%)	\$37,114 (-23%)
Law Enforcement (with Prior Service)	144 (+6%)	41.2 (-0.4)	8.7 (-0.4)	\$5.68m (+12%)	\$39,428 (+6%)
Law Enforcement (without Prior Service)	30 (---)	35.2 (+1.1)	2.5 (+0.5)	\$950K (+15%)	\$31,660 (+15%)
Total	19,943 (+3%)	47.0 (+0.1)	10.4 (---)	\$698m (+9%)	\$34,987 (+5%)

Inactive Membership - PERS

	Number of Pensions in Force	Average Age	Total Monthly Benefits	Average Monthly Benefits
Main	6,416	72.0	\$5,648,031	\$880
Judges	22	73.1	\$78,607	\$3,573
National Guard	7	63.6	\$10,752	\$1,536
Law Enforcement (with Prior Service)	16	60.4	\$21,863	\$1,366
Law Enforcement (w/o Prior Service)	<u>0</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total	6,461	71.9	\$5,759,253	\$891

Financial Information - PERS

- Market value of assets decreased from \$1.761 billion to \$1.320 billion
- Actuarial value of assets increased from \$1.610 billion to \$1.617 billion
- Ratio of actuarial value to market value is 122.5% (a \$297 million difference)
- Approximate returns:
 - ❖ Market Value: -24.1% (ten-year average: 2.8%)
 - ❖ Actuarial Value: 1.7% (ten-year average: 6.9%)
- Benefits and Expenses: \$77,847,622 in 2008-2009
- Contributions: \$57,675,622 in 2008-2009

Asset Smoothing Method

Market Value of assets as of June 30, 2009		\$1,360,977,213
	Original Amount	Unrecognized Amount
Year ended June 30, 2009	(\$463,523,678)	(\$370,818,942)
Year ended June 30, 2008	(\$133,303,450)	(\$ 79,982,070)
Year ended June 30, 2007	\$285,031,438	\$114,012,575
Year ended June 30, 2006	\$152,103,565	\$ 30,420,713
Year ended June 30, 2005	\$154,870,262	0
Total unrecognized return		(\$306,367,724)
Actuarial value of assets		\$1,667,344,937
Actuarial value as a percentage of market value		122.5%

Conclusions: The smoothing method was overwhelmed by the unprecedented returns of 2008.

Significant unrecognized losses remain and will be reflected in future valuations, unless offset by future gains.

Valuation Results - Main

	July 1, 2009		July 1, 2008	
Actuarial accrued liability	\$1,861,032,305		\$1,700,171,588	
Actuarial value of assets	\$1,577,552,012		\$1,571,159,912	
Unfunded accrued liability	\$283,480,293		\$129,011,676	
Recommended Contribution				
	2009 - 2010		2008 - 2009	
	Amount	% of Payroll	Amount	% of Payroll
Normal cost net of contributions	\$32,462,319	4.75%	\$29,558,792	4.71%
Expenses	\$710,000	0.10%	\$710,000	0.11%
20-Year UAL payment/(credit)	\$19,784,166	2.89%	\$9,003,760	1.44%
Actuarial recommended contribution	\$52,956,485	7.74%	\$39,272,552	6.26%
Projected payroll	\$684,333,238		\$627,601,090	
Statutory contribution rate		4.12%		4.12%
Contribution margin/(deficit)		(3.62%)		(2.14%)

Valuation Results - Judges

	July 1, 2009		July 1, 2008	
Actuarial accrued liability	\$26,345,343		\$24,732,254	
Actuarial value of assets	\$29,218,689		\$28,833,710	
Unfunded accrued liability	(\$2,873,346)		(\$4,101,456)	
Recommended Contribution				
	2009 - 2010		2008 - 2009	
	Amount	% of Payroll	Amount	% of Payroll
Normal cost net of contributions	\$773,568	14.22%	\$763,908	14.59%
Expenses	\$5,000	0.09%	\$5,000	0.10%
20-Year UAL payment/(credit)	(\$208,710)	(3.83%)	(\$297,916)	(5.70%)
Actuarial recommended contribution	\$569,858	10.48%	\$470,992	8.99%
Projected payroll	\$5,439,847		\$5,237,074	
Statutory contribution rate		14.52%		14.52%
Contribution margin/(deficit)		4.04%		5.53%

Valuation Results – National Guard

	July 1, 2009		July 1, 2008	
Actuarial accrued liability	\$1,847,643		\$1,797,107	
Actuarial value of assets	\$2,073,688		\$2,053,636	
Unfunded accrued liability	(\$226,045)		(\$256,529)	
Recommended Contribution				
	2009 - 2010		2008 - 2009	
	Amount	% of Payroll	Amount	% of Payroll
Normal cost net of contributions	\$64,226	4.81%	\$84,310	4.29%
Expenses	\$1,115	0.08%	\$1,131	0.06%
20-Year UAL payment/(credit)	(\$15,776)	(1.18%)	(\$17,903)	(0.91%)
Actuarial recommended contribution	\$49,565	3.71%	\$67,538	3.44%
Projected payroll	\$1,336,097		\$1,964,662	
Approved contribution rate		6.50%		6.50%
Contribution margin/(deficit)		2.79%		3.06%

Valuation Results – Law Enforcement with Prior Main Service

	July 1, 2009		July 1, 2008	
Actuarial accrued liability	\$11,537,085		\$10,557,744	
Actuarial value of assets	\$8,032,215		\$7,587,767	
Unfunded accrued liability	\$3,504,870		\$2,969,977	
Recommended Contribution				
	2009 - 2010		2008 - 2009	
	Amount	% of Payroll	Amount	% of Payroll
Normal cost net of contributions	\$269,203	4.74%	\$246,545	4.88%
Expenses	\$3,253	0.06%	\$3,214	0.06%
20-Year UAL payment/(credit)	\$244,606	4.31%	\$207,275	4.10%
Actuarial recommended contribution	\$517,062	9.11%	\$457,034	9.04%
Projected payroll	\$5,677,624		\$5,057,594	
Approved contribution rate		8.31%		8.31%
Contribution margin/(deficit)		(0.80%)		(0.73%)

Valuation Results – Law Enforcement without Prior Main Service

	July 1, 2009		July 1, 2008	
Actuarial accrued liability	\$438,380		\$368,306	
Actuarial value of assets	\$271,197		\$175,317	
Unfunded accrued liability	\$167,183		\$192,989	
Recommended Contribution				
	2009 - 2010		2008 - 2009	
	Amount	% of Payroll	Amount	% of Payroll
Normal cost net of contributions	\$52,596	5.53%	\$44,827	5.44%
Expenses	\$632	0.07%	\$655	0.08%
20-Year UAL payment/(credit)	\$11,668	1.23%	\$13,469	1.63%
Actuarial recommended contribution	\$64,896	6.83%	\$58,951	7.15%
Projected payroll	\$949,790		\$824,167	
Approved contribution rate		6.43%		6.43%
Contribution margin/(deficit)		(0.40%)		(0.72%)

Funded Ratio History - Main

Year	Actuarial Accrued Liability (millions)	Actuarial Value of Assets (millions)	Funded Ratio
2000	\$879	\$1,010	115%
2001	994	1,096	110%
2002	1,087	1,130	104%
2003	1,170	1,145	98%
2004	1,251	1,172	94%
2005	1,333	1,210	91%
2006	1,450	1,286	89%
2007	1,576	1,470	93%
2008	1,700	1,571	92%
2009	1,861	1,578	85%

Funded Ratio History - Judges

Year	Actuarial Accrued Liability (millions)	Actuarial Value of Assets (millions)	Funded Ratio
2000	\$11.8	\$16.1	136%
2001	13.9	17.9	130%
2002	15.5	19.0	122%
2003	17.3	19.8	115%
2004	18.4	20.8	113%
2005	19.8	21.7	109%
2006	21.7	23.3	108%
2007	23.1	26.8	116%
2008	24.7	28.8	117%
2009	26.3	29.2	111%

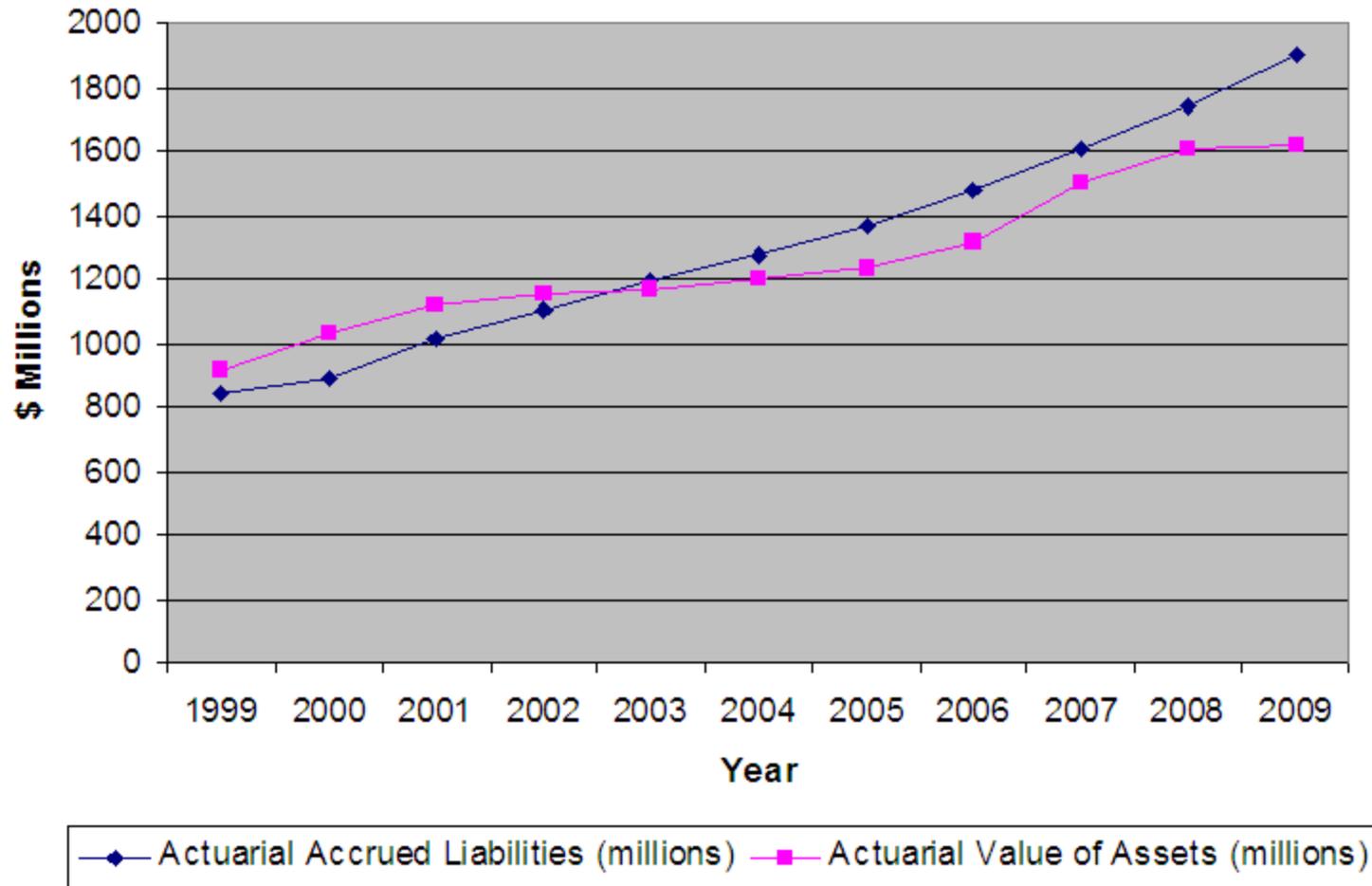
Funded Ratio History – National Guard

Year	Actuarial Accrued Liability (millions)	Actuarial Value of Assets (millions)	Funded Ratio
2000	\$0.85	\$1.16	135%
2001	1.02	1.27	125%
2002	0.94	1.31	139%
2003	1.05	1.32	126%
2004	1.15	1.38	120%
2005	1.36	1.46	108%
2006	1.56	1.58	101%
2007	1.73	1.89	109%
2008	1.80	2.05	114%
2009	1.85	2.07	112%

Funded Ratio History – Law Enforcement

WITH PRIOR SERVICE			
Year	Actuarial Accrued Liability (millions)	Actuarial Value of Assets (millions)	Funded Ratio
2004	\$2.43	\$2.11	87%
2005	6.40	2.62	41%
2006	7.00	3.12	45%
2007	9.28	3.97	43%
2008	10.56	7.59	72%
2009	11.54	8.03	70%
WITHOUT PRIOR SERVICE			
Year	Actuarial Accrued Liability	Actuarial Value of Assets	Funded Ratio
2004	\$10,000	\$11,000	109%
2005	87,000	42,000	48%
2006	123,000	73,000	59%
2007	367,000	127,000	35%
2008	368,000	175,000	48%
2009	438,000	271,000	62%

Funded Ratio History – PERS



Membership – Highway Patrol

	2009	2008	Change
Number of actives	133	130	+ 2.3%
Average age	37.0	37.0	---
Average service	10.6	10.7	- 0.1
Total payroll	\$7,009,297	\$6,508,644	+ 7.7%
Average payroll	\$52,701	\$50,066	+ 5.3%
Number of pensioners and beneficiaries	109*	105	+ 3.8%
Average age	65.9	65.9	---
Total annual benefits	\$3,324,423	\$3,171,170	+ 4.8%
Average monthly benefit	\$2,542	\$2,517	+ 1.0%

* Excludes 1 suspended retiree

Financial Information – Highway Patrol

- Market value of assets decreased from \$55.6 million to \$41.0 million.
- Actuarial value of assets decreased from \$50.8 million to \$50.2 million.
- Ratio of actuarial value to market value is 123% (a \$9.2 million difference).
- Approximate returns:
 - ❖ Market Value: - 24.1% (ten-year average: 2.8%)
 - ❖ Actuarial Value: 1.6% (ten-year average: 7.0%)
- Benefits and Expenses: \$3,213,310 in 2008 - 2009.
- Contributions: \$1,815,040 in 2008 - 2009.

Valuation Results – Highway Patrol

	July 1, 2009		July 1, 2008	
Actuarial accrued liability	\$57,555,716		\$54,558,943	
Actuarial value of assets	\$50,197,136		\$50,808,884	
Unfunded accrued liability	\$7,358,580		\$3,750,059	
Recommended Contribution				
	2009 - 2010		2008 - 2009	
	Amount	% of Payroll	Amount	% of Payroll
Normal cost net of contributions	\$783,034	11.17%	\$748,019	11.49%
Expenses	\$16,000	0.23%	\$16,000	0.25%
20-Year UAL payment/(credit)	\$513,557	7.33%	\$261,718	4.02%
Actuarial recommended contribution	\$1,312,591	18.73%	\$1,025,737	15.76%
Projected payroll	\$7,009,297		\$6,508,644	
Statutory contribution rate		16.70%		16.70%
Contribution margin/(deficit)		(2.03%)		0.94%

Funded Ratio History – Highway Patrol

Year	Actuarial Accrued Liability (millions)	Actuarial Value of Assets (millions)	Funded Ratio
2000	\$34.0	\$35.9	105%
2001	38.1	38.8	102%
2002	40.5	39.5	97%
2003	42.4	39.6	93%
2004	44.5	40.0	90%
2005	46.3	40.7	88%
2006	49.1	42.8	87%
2007	51.5	48.2	94%
2008	54.6	50.8	93%
2009	57.6	50.2	87%

Membership – Retiree Health Insurance Credit Fund

	2009	2008	Change
Number of actives	20,317	19,659	+ 3.3%
Average age	46.9	46.8	+ 0.1
Average service	10.4	10.4	---
Total payroll	\$719,811,815	\$660,875,428	+ 8.9%
Average payroll	\$35,429	\$33,617	+ 5.4%
Number of pensioners and beneficiaries	4,030	3,935	+ 2.4%
Average age	73.0	72.8	+ 0.2
Total annual benefits	\$5,464,680	\$4,722,000	+ 15.7%
Average monthly benefit	\$113	\$100	+ 13.0%

Financial Information – Retiree Health Insurance Credit Fund

- Market value of assets decreased from \$40.4 million to \$36.1 million.
- Actuarial value of assets increased from \$42.5 million to \$44.8 million.
- Ratio of actuarial value to market value is 124.0% (a \$8.7 million difference).
- Approximate returns:
 - ❖ Market Value: - 15.1% (ten-year average: 1.0%)
 - ❖ Actuarial Value: 0.7% (ten-year average: 5.1%)
- Benefits and Expenses: \$10,815,390 in 2008 - 2009.
- Contributions: \$12,792,648 in 2008 - 2009.

Valuation Results – Retiree Health Insurance Credit Fund

	July 1, 2009		July 1, 2008	
Actuarial accrued liability	\$102,191,552		\$87,592,818	
Actuarial value of assets	\$44,829,007		\$42,543,140	
Unfunded accrued liability	\$57,362,545		\$45,049,678	
Recommended Contribution				
	2009 - 2010		2008 - 2009	
	Amount	% of Payroll	Amount	% of Payroll
Normal cost	\$3,265,124	0.45%	\$2,796,833	0.42%
Expenses	\$65,000	0.01%	\$65,000	0.01%
UAL payment*	\$3,868,909	0.54%	\$2,942,827	0.45%
Actuarial recommended contribution	\$7,199,033	1.00%	\$5,804,660	0.88%
Projected payroll	\$719,811,815		\$660,875,428	
Statutory contribution rate		1.14%		1.00%
Contribution margin/(deficit)		0.14%		0.12%

*Closed amortization ending July 1, 2030

Funded Ratio History – Retiree Health Insurance Credit Fund

Year	Actuarial Accrued Liability (millions)	Actuarial Value of Assets (millions)	Funded Ratio
2000	\$61.9	\$22.6	37%
2001	65.5	24.8	38%
2002	69.0	26.4	38%
2003	72.0	27.5	38%
2004	74.6	28.9	39%
2005	78.1	30.9	40%
2006	82.6	34.0	41%
2007	85.3	38.9	46%
2008	87.6	42.5	49%
2009	102.2	44.8	44%

Membership – Job Service

	2009	2008	Change
Number of actives	35	38	- 7.9%
Average age	57.3	56.4	+ 0.9
Average service	33.4	32.6	+ 0.8
Total projected compensation	\$1,709,424	\$1,762,644	- 3.0%
Average payroll	\$48,841	\$46,385	+ 5.3%
Number of pensioners and beneficiaries*	120	118	+ 1.7%
Average age			
Total annual benefits*	\$3,176,263	\$2,987,764	+ 6.3%
Average monthly benefit*	\$2,206	\$2,110	+ 4.5%

* Not including annuities paid by Travelers

Financial Information – Job Service

- Market value of assets decreased from \$89.9 million to \$72.2 million.
- Actuarial value of assets decreased from \$77.0 million to \$74.5 million.
- Ratio of actuarial value to market value is 103% (a \$2.3 million difference).
- Approximate returns:
 - ❖ Market Value: - 16.0% (eight-year average: 3.8%)
 - ❖ Actuarial Value: 1.5% (eight-year average: 4.6%)
- Benefits and Expenses: \$3,784,719 in 2008 - 2009.
- Contributions: \$119,115 in 2008 - 2009.

Valuation Results – Job Service

	July 1, 2009	July 1, 2008
Actuarial present value of benefits	\$72,043,372	\$71,828,872
Actuarial value of assets	\$74,472,806	\$77,020,934
Unfunded present value of benefits	\$0	\$0

If the actuarial present value of benefits is greater than the actuarial value of assets, a required contribution is triggered under the current funding method.

Funded Ratio History – Job Service

Year	Actuarial Present Value of Benefits (millions)	Actuarial Value of Assets (millions)	Funded Ratio
2000	\$56.6	\$71.0	125%
2001	58.7	70.8	121%
2002	59.9	67.6	113%
2003	60.7	66.0	109%
2004	61.8	67.5	109%
2005	63.3	69.3	109%
2006	70.0	70.6	101%
2007	71.7	75.7	106%
2008	71.8	77.0	107%
2009	72.0	74.5	103%

Conclusions

- Asset smoothing and amortization method have dampened effects of last year's losses (as intended)
- Significant asset losses will be recognized over the next five years, potentially leading to increased contribution requirements

Recommended contribution

	2009-2010 (AVA) Percent of Pay	2009-2010 (MVA) Percent of Pay
Main	7.74%	10.69%
Judges	10.48%	17.64%
National Guard	3.71%	5.70%
Law Enforcement (with Prior Service)	9.11%	10.92%
Law Enforcement (without Prior Service)	6.83%	7.20%
Highway Patrol	18.73%	27.91%
Retiree Health	1.00%	1.08%
Job Service	0.00%	0.00%

Conclusions

- Potential risks to the system:
 - Continued aging of population
 - Unforeseen demographic “shocks”
 - Change in asset return environment
- Board should consider projections, studies, etc., to help quantify these risks, and make changes to the system, if appropriate
- The asset valuation method should be reviewed



North Dakota Public Employees Retirement System

2009 Projections

Presented by

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October 22, 2009

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North Dakota Main System Projected Margins (Market Return After FY 2010 Always 8.0%)

If Market Return for FY 2010 is	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014
24%	-4.43%	-5.31%	-6.51%	-7.29%	-7.18%
16%	-4.63%	-5.73%	-7.13%	-8.11%	-8.21%
8%	-4.83%	-6.15%	-7.76%	-8.94%	-9.24%
0%	-5.03%	-6.56%	-8.38%	-9.77%	-10.26%
-8%	-5.23%	-6.98%	-9.01%	-10.60%	-11.29%
-16%	-5.43%	-7.39%	-9.63%	-11.43%	-12.32%
-24%	-5.63%	-7.81%	-10.26%	-12.26%	-13.35%

Note: Projection reflects only investment return effects.
Assumes constant normal cost rate of 8.75% for Main.
The 2009 valuation margin is -3.62%.

North Dakota Main System Projected Margins (Market Return After FY 2010 Always 9.3%)

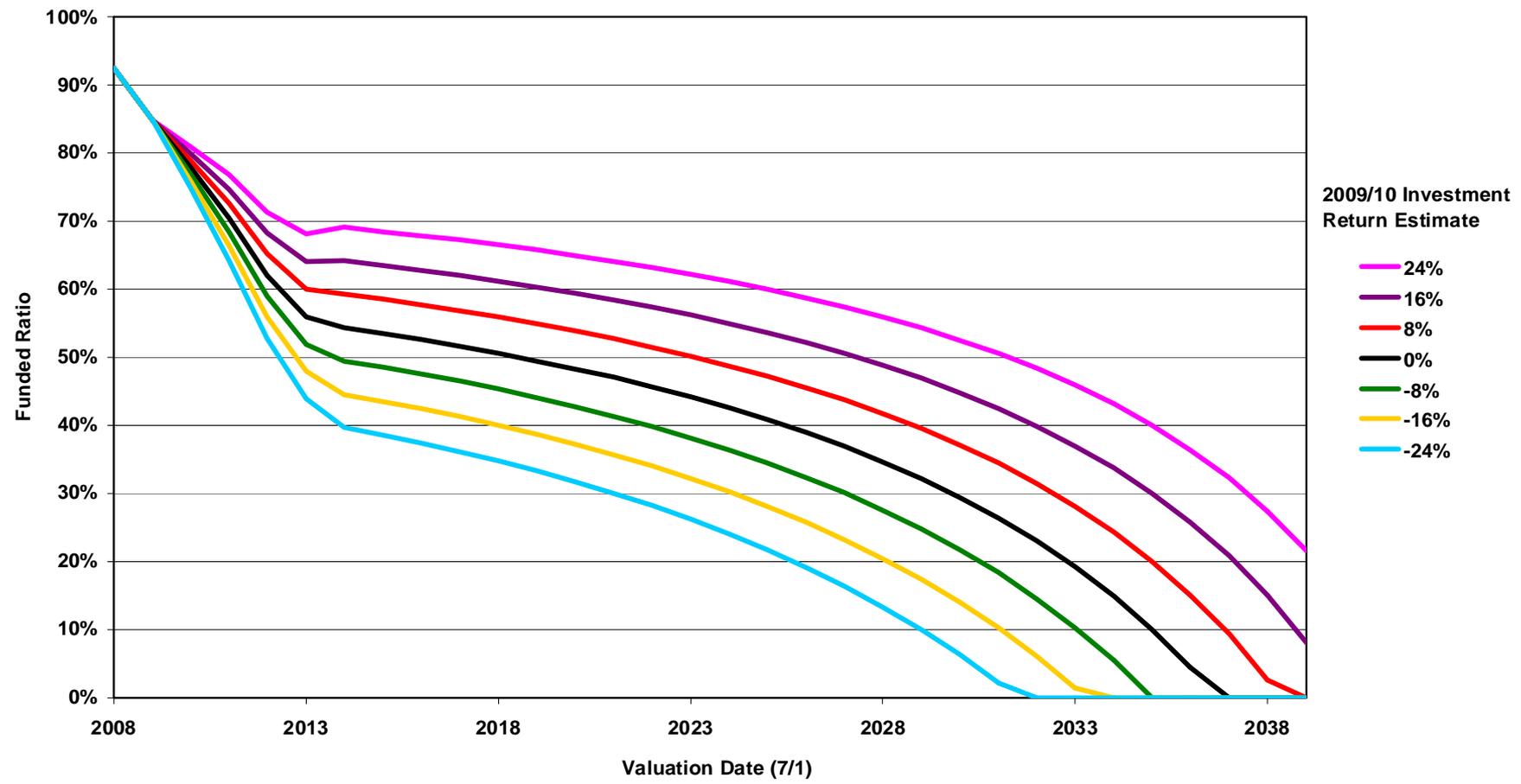
If Market Return for FY 2010 is	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014
24%	-4.43%	-5.28%	-6.39%	-7.05%	-6.78%
16%	-4.63%	-5.69%	-7.02%	-7.89%	-7.83%
8%	-4.83%	-6.11%	-7.66%	-8.74%	-8.89%
0%	-5.03%	-6.53%	-8.29%	-9.58%	-9.94%
-8%	-5.23%	-6.95%	-8.92%	-10.43%	-11.00%
-16%	-5.43%	-7.37%	-9.55%	-11.27%	-12.05%
-24%	-5.63%	-7.78%	-10.19%	-12.12%	-13.11%

Note: Projection reflects only investment return effects.
Assumes constant normal cost rate of 8.75% for Main.
The 2009 valuation margin is -3.62%.

**North Dakota Main System
Projected Funded Ratio
Actuarial Value of Assets to the Actuarial Accrued Liability
(Market Return After FY 2010 Always 8.0%)**

Valuation July 1,	2009/10 Investment Return Estimate						
	24%	16%	8%	0%	-8%	-16%	-24%
2009	85%	85%	85%	85%	85%	85%	85%
2010	81%	80%	79%	78%	77%	76%	75%
2011	77%	75%	73%	71%	68%	66%	64%
2012	71%	68%	65%	62%	59%	56%	53%
2013	68%	64%	60%	56%	52%	48%	44%
2014	69%	64%	59%	54%	49%	45%	40%
2019	66%	60%	55%	49%	44%	39%	33%
2024	61%	55%	49%	43%	36%	30%	24%
2029	54%	47%	40%	32%	25%	17%	10%
2034	43%	34%	24%	15%	5%	0%	0%
2039	22%	8%	0%	0%	0%	0%	0%

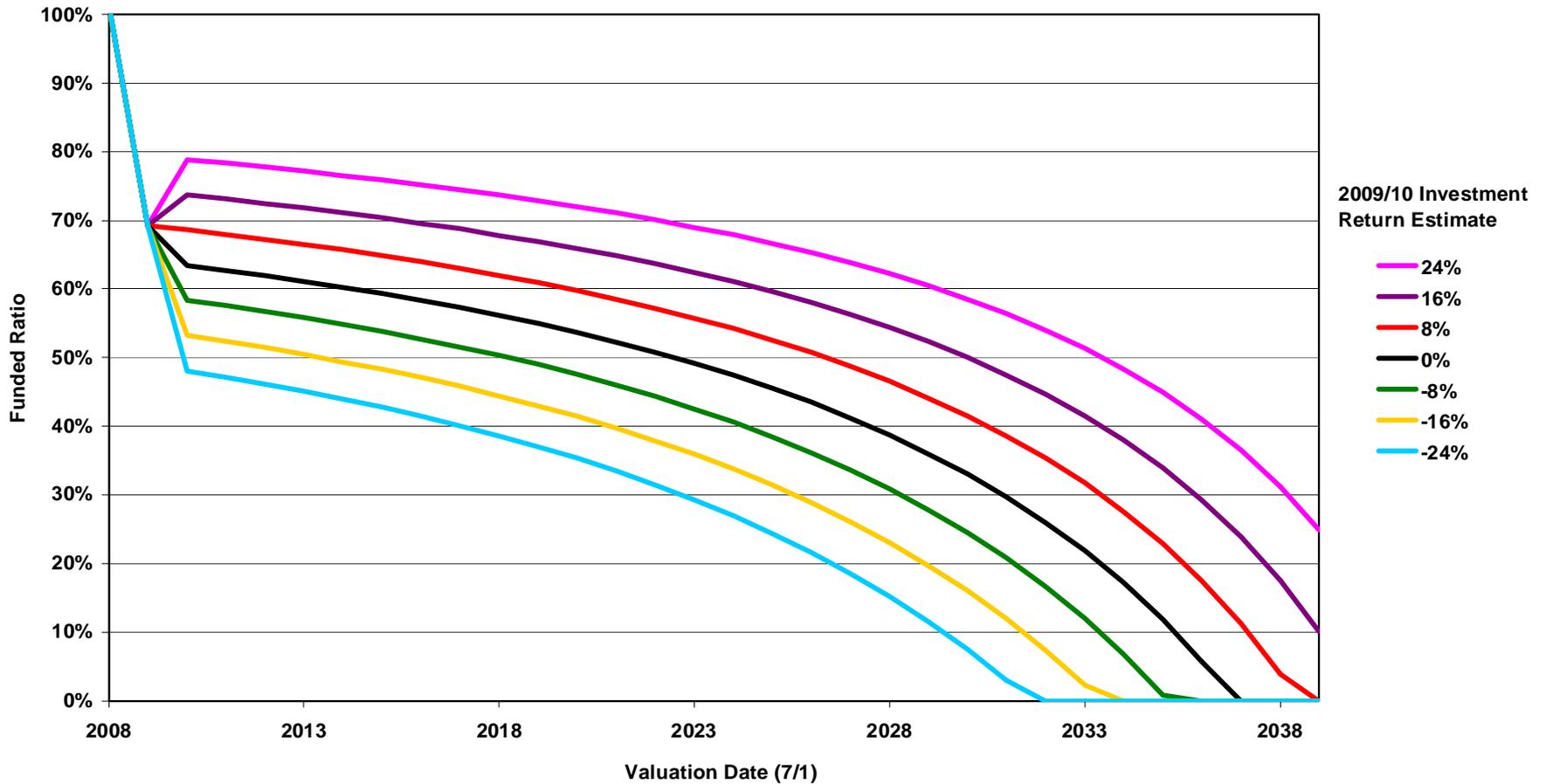
**North Dakota Main System
Projected Funded Ratio
Actuarial Value of Assets to the Actuarial Accrued Liability
(Market Return After FY 2010 Always 8.0%)**



**North Dakota Main System
Projected Funded Ratio
Market Value of Assets to the Actuarial Accrued Liability
(Market Return After FY 2010 Always 8.0%)**

Valuation July 1,	2009/10 Investment Return Estimate						
	24%	16%	8%	0%	-8%	-16%	-24%
2009	69%	69%	69%	69%	69%	69%	69%
2010	79%	74%	69%	63%	58%	53%	48%
2011	78%	73%	68%	63%	58%	52%	47%
2012	78%	72%	67%	62%	57%	51%	46%
2013	77%	72%	66%	61%	56%	50%	45%
2014	77%	71%	66%	60%	55%	49%	44%
2019	73%	67%	61%	55%	49%	43%	37%
2024	68%	61%	54%	47%	41%	34%	27%
2029	60%	52%	44%	36%	28%	20%	12%
2034	48%	38%	28%	17%	7%	0%	0%
2039	25%	10%	0%	0%	0%	0%	0%

**North Dakota Main System
Projected Funded Ratio
Market Value of Assets to the Actuarial Accrued Liability
(Market Return After FY 2010 Always 8.0%)**



North Dakota Main System Projected Return Required Each Year after FY 2010 to Achieve Given AVA Funded Ratio in 30 Years

Target Funded Ratio	2009/10 Investment Return Estimate						
	24.00%	16.00%	8.00%	0.00%	-8.00%	-16.00%	-24.00%
70%	9.23%	9.63%	10.08%	10.56%	11.11%	11.72%	12.42%
80%	9.44%	9.84%	10.28%	10.76%	11.30%	11.91%	12.60%
90%	9.63%	10.03%	10.47%	10.95%	11.48%	12.09%	12.77%
100%	9.82%	10.21%	10.65%	11.13%	11.66%	12.26%	12.94%



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: October 15, 2009
SUBJECT: DC Valuation

The DC plan valuation will be sent under separate cover. Segal will be at the Board meeting to review this and answer any questions you may have.



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: October 15, 2009
SUBJECT: Investment Policies

Attachment #1 is the Board memo and investment policies reviewed at the July 16th meeting. At that time the Board adopted the proposed changes presented in the memo and the Board directed the Investment Subcommittee and the Executive Director to meet with Lt. Governor to review the Board's considerations and changes. That meeting took place on September 3 and several suggestions were made by the Lt. Governor and Steve Cochrane. The committee met to discuss these changes on September 9 and is suggesting changes in Attachment #2 as the policy to be adopted instead of those approved in July.

If you approve Attachment #2 for the PERS Investment Policies the next question is would you also like to make the same change to the Retiree Health Policy and the Job Service Policy?

Board Action Requested

Adopt the policy as proposed in Attachment #2 and determine if it should also be added to the other policies.

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

1. PLAN CHARACTERISTICS AND FUND CONSTRAINTS

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

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

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

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

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

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

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

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

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

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

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

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

3. DELEGATION OF AUTHORITY

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

Such procedures must provide for:

1. The definition and assignment of duties and responsibilities to advisory services and persons employed by the SIB pursuant to NDCC 21-10-02.1(1) (a).
2. Investment diversification, investment quality, qualification of money managers, and amounts to be invested by money managers pursuant to NDCC 21-10-02.1(1)(e). In developing these policies it is understood:
 - a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.

- b. The use of derivatives will be monitored to ensure that undue risks are not taken by the money managers.
 - c. All assets must be held in custody by the SIB's master custodian or such other custodians as are selected by the SIB.
3. Guidelines for the selection and redemption of investments will be in accordance with NDCC 21-10-02.1(1) (d).
4. The criteria for making decisions with respect to hiring, retention, and termination of money managers will be clearly defined. This also includes selecting performance measurement standards, consultants, report formats, and frequency of meetings with money managers.

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

4. INVESTMENT GOALS

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

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

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

5. INVESTMENT PERFORMANCE OBJECTIVE

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

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

- a. The funds rate of return, over the long term should equal, that of the policy portfolio which is comprised of policy weights of appropriate asset class benchmarks as set by the SIB.
- b. The annual standard deviation of total returns for the Fund should not exceed that of the policy portfolio.
- c. Over 10-year and longer periods the fund should match or exceed the expected rate of return projected in the most recent asset/liability study without exceeding the expected risk for the period as measured by standard deviation.

6. ASSET ALLOCATION

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

Date of Last Asset Allocation Study: NDPERS Board Approved December 2005 – SEI Corporation

Domestic Equities - Large Cap	30%
Domestic Equities – Small Cap	10%
International Equities	10%
Emerging Markets Equities	5%
Domestic Fixed Income	24%
High Yield Fixed Income	5%
International Fixed Income	5%
Real Estate	5%
Private Equity	5%
Cash	1%
Expected Return	9.3%
Standard Deviation of Returns	10.5%

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

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

7. RESTRICTIONS

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

- D. No unhedged short sales or speculative margin purchases may be made.

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

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

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

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

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

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

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

- H.. Where timberland is used as part of the domestic fixed income portfolio, it may not make up more than 30% of the total asset class at the time of initial purchase. If timberland becomes 50% or more of the domestic fixed income portfolio through market appreciation, the SIB must review the situation and, with the goal of bringing the timberland portion of the domestic fixed income portfolio into line with this restriction and considering market conditions at the time take any action deemed prudent.

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

8. INTERNAL CONTROLS

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

9. EVALUATION

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

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

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

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

Date: _____

Date: _____

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

Steve Cochrane, CFA
Executive Director
North Dakota Retirement and Investment Office



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Memorandum

TO: NDPERS Board

FROM: Kathy

DATE: October 15, 2009

SUBJECT: Job Service COLA

According to Article VII(3) of the plan document for the Retirement Plan for Employees of Job Service North Dakota, “effective each December 1 of any year, the monthly amount of each retirement annuity, death benefit, or disability benefit then payable shall be increased by the percent increase, if any, in the Consumer Price Index.” It further states...”no increase in retirement allowance granted under the Plan, or the date for commencement of such increase, will become effective unless the same increase has been authorized for the Civil Service Retirement System, and unless the increase has been authorized by the NDPERS Board.” This provision for a COLA increase was authorized by the United States Department of Labor as part of a larger agreement reached with the USDOL in the late 1970’s. Since that time the Plan practice has been to provide COLA’s consistent with the Federal Civil Service Plan. The plan assumes a post-retirement COLA of 5%.

The annual COLA percentage adjustment for the Federal Civil Service Plan is not available until October 15th. Therefore, the increase and its effect on the system will be provided at the meeting.



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Memorandum

TO: NDPERS Board

FROM: Kathy & Sparb

DATE: October 16, 2009

SUBJECT: Job Service COLA

This year the Consumer Price Index (CPI-U) increased 0.2 percent. However, the Bureau of Labor Statistics has publicized that there will be no COLA increase for the Federal Civil Service Retirement Plan. According to Article VII(3) of the plan document for the Retirement Plan for Employees of Job Service North Dakota, ..."no increase in retirement allowance granted under the Plan, or the date for commencement of such increase, will become effective unless the same increase has been authorized for the Civil Service Retirement System. In compliance with this policy, no increase is indicated for the Job Service retirees paid by NDPERS or the Job Service retirees paid by The Travelers.

Board Action Requested

In consideration of the above stated policy, provide directive to staff regarding a COLA increase for members of the Job Service Retirement plan.



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: October 15, 2009
SUBJECT: Deferred Compensation Provider Training

In our deferred compensation contract we have the following training requirement for provider's representatives:

All sales representatives of the Provider who are authorized to solicit employees shall be fully qualified to explain the deferred compensation program as found under Section 457 of the Internal Revenue Code and shall be licensed by the North Dakota State Securities Commissioner for the sale of registered securities or the North Dakota State Insurance Commissioner for the sale of insurance products, or both, if applicable. All new sales representatives must complete an initial review of the Deferred Compensation Program and be certified by the Provider before the sales representative may enroll or recruit eligible participants. All sales representatives must complete an initial orientation of the deferred compensation program within one year of beginning service and all sales representatives must complete ongoing training orientation every two years as prescribed by the Retirement Board. This orientation may be obtained either through a program to be developed by the Retirement Board or through a program to be developed by the Provider and approved by the Retirement Board. Any sales representative who does not complete the required training under this provision or fails to comply with other provisions of this agreement may not enroll new participants.

PERS staff provides this training twice a year. We have gotten our training program approved for continuing education credit. Recently we received the attached notice from the Insurance Department. As you will note there is now a charge of \$1 charge per credit. We do not have a method of charging the providers for this cost.

Therefore, this leaves us two options:

1. Discontinue offering the program with education credits
2. PERS would pay the \$1 fee. We estimate the cost to be less than \$300 per year.

PERS Staff Recommendation

Continue to offer the training with education credit and have PERS pay the charge. The reason we have this education requirement is to help insure that our provider representatives are trained in the 457 plan. Offering this program with the credit encourages their participation.

Board Action Requested

Decide which approach PERS use going forward for provider education.



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: October 15, 2009
SUBJECT: Flex Program Changes– Health Reform

As noted previously legislation is moving through Congress relating to health care reform.

The following is several points relating to the flex program:

- Health care reform legislation pending in the House and Senate includes provisions that would restrict the use of flexible spending accounts (FSAs)
- In the Senate, Finance Committee Chairman Max Baucus (D-MT) has proposed to cap contributions to FSAs at \$2,000, lump FSAs together with major medical plans and include it in an excise tax on high-cost insurance plans, and limit the use of FSAs for over-the-counter medications unless participants have a doctor's prescription
- Legislation approved by the House Ways and Means Committee bans using FSAs for over-the-counter medications such as aspirin and allergy medication



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Memorandum

TO: NDPERS Board

FROM: Kathy

DATE: October 15, 2009

SUBJECT: FlexComp Payment Issue - Update

At the August meeting we reported an error we discovered with regard to a software upgrade to the PeopleSoft FlexComp claim processing system that was run by Oracle and ITD on May 15 and 16, 2009. The upgrade wrote over some customized code in the program and the effect was that the system generated checks to about 106 individuals that had a balance remaining in their 2008 medical spending account that would have been considered forfeited under the Section 125 regulations. The following is an update of actions that we have taken since that time:

- To date approximately 75% or 77 records have been corrected and no further action is necessary.
- The following is the status of the remaining 29 records:
 - Four members must repay the overpayment; 2nd request for payment has been sent.
 - Three members have made payment arrangements to repay the overpayment
 - The remaining 22 members have been sent notification of the overpayment and have been informed that it can be offset by submitting additional claims during the plan year.

Staff will continue to follow-up with the members regarding the status of their accounts.

PERS staff has met with ITD to ensure the appropriate protocols are in place to avoid the potential for a reoccurrence of this error during future software upgrades.

We are available for any questions.



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: October 15, 2009
SUBJECT: Security Audit

Mr. Don LaFleur from the State Auditors office will be at the next Board meeting to review with you the recent security test conducted by one of their contractors that involved PERS. Staff is very interested in the findings when they become available to help us learn what if anything we can add to our communications strategy to help our members better understand these types of threats.

Also, I should note that we have not had any additional concerns expressed to our office about the test. The number of calls that we had during the test period into our member services area was less than 15. As I previously wrote, information went out from this office within an hour of the first email being sent to our members as part of the test and within 45 minutes from ITD to their contacts. This may have been the reason for the limited number of calls.



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MEMORANDUM

TO: NDERS Board
FROM: Jim Smrcka
DATE: October 8, 2009
SUBJECT: **Consultant Fees**

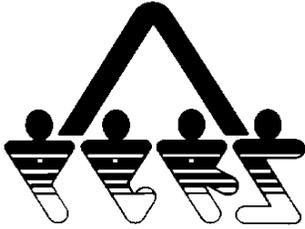
Attached is a report showing the consulting, investment and administrative fees paid during the quarter ended September 30, 2009 Please let me know if you have any questions on the report.

Attachment

**North Dakota Public Employees Retirement System
Consulting/Investment/Administrative Fees
For the Quarter Ended Sept 30, 2009**

Program/Project	Fee Type	Jul-09	Aug-09	Sep-09	Fees Paid During The Quarter	Fees Paid Year-To-Date
Actuary/Consulting Fees:						
Gallagher Benefit Services, Inc	Insurance	Fixed Fee			-	-
Gallagher Benefit Services, Inc	Ongoing consulting	Time charges	3,900	-	-	3,900
Gallagher Benefit Services, Inc	Travel Expenses	Actual	-	-	-	-
Cem Benchmarking Inc	Cost effectiveness ranking charts		-	-	-	5,000
LR Wechsler, LTD	IT Project	Fixed Fee	37,691	13,528	14,633	65,853
LR Wechsler, LTD	Travel Expenses	Actual	3,539	3,136	3,045	9,720
Sagitec Solutions LLC	PERSLINK Project		533,170	-	-	533,170
Sagitec Solutions LLC	Back file conversion	Actual	-	-	-	43,534
Sagitec Solutions LLC	Enhancements	Actual				39,204
UND	Diabetes management consulting		3,328			3,328
Gabriel Roeder Smith & Company			-	-	-	1,100
Mid Dakota Clinic	Retirement Disability	Time charges	-	500	600	1,100
The Segal Company	Retirement (DB)	Fixed Fee	13,388	-	-	13,388
The Segal Company	Ret Health Credit	Fixed Fee	2,475	-	-	2,475
The Segal Company	FlexComp	Fixed Fee	2,700	-	-	2,700
The Segal Company	Job Service	Fixed Fee	3,600	-	-	3,600
The Segal Company	QDRO/Compliance	Time charges	-	1,941	-	1,941
The Segal Company	Legislation	Time charges	-	-	-	11,490
The Segal Company	Retirement (DC)	Time charges	-	-	-	-
The Segal Company	Deferred Comp	Time charges	-	-	-	911
The Segal Company	Travel Expenses	Actual	-	-	-	-
			\$ 603,791	\$ 19,105	\$ 18,278	\$ 641,174
						\$ 1,557,861
Audit Fees:						
Brady Martz	Annual audit	Fixed Fee	12,000	-	16,500	28,500
Brady Martz	Amended 1099R's		-	-	-	497
Legal Fees:						
ICEMILLER Ilp	IT Project	Time charges	-	-	- \$	-
ND Attorney General	Administrative	Time charges	\$ -	\$ -	\$ -	5,503
Calhoun Law Group	Administrative	Time charges			\$	-
Investment Fees:						
SIB - Investment Fees	Retirement (DB)	% Allocation	(359,610)	405,916	*	46,306
SIB - Investment Fees	Ret Health Credit	% Allocation	(2,804)	358	*	(2,446)
SIB - Investment Fees	Insurance	% Allocation	167	40	*	207
SIB - Administrative Fees	Retirement (DB)	% Allocation	46,290	14,534	*	60,824
					\$	\$ 104,891
						\$ 3,017,395
Administrative Fee:						
Blue Cross Blue Shield	Health Plan	Fixed fee	914,961	916,793	*	1,831,754

* fees not yet available



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Memorandum

TO: PERS Board

FROM: Bryan and Sharon

DATE: October 14, 2009

SUBJECT: **PERSLink Project Quarterly Report**

Quarterly Report

Attached is the third quarter 2009 PERSLink status report. NDPERS is required to file this report with ITD throughout the duration of our system replacement project. This is the seventh progress report in the execution stage and we are wrapping up year two of the three year project. Note that the planning phase went well and the project is on time and on budget.

Bryan will be available at the Board meeting if you have any questions on the report.

Project Status Report

Project Name PERSLink Project Phase EXECUTION

For period:	<i>July 1, 2009-September 30, 2009</i>
Submitted by:	Sharon Schiermeister, NDPERS Project Manager
Green	Strong probability the project will be delivered on time, within budget, and with acceptable quality.
Yellow	Good probability the project will be delivered on time, within budget, and with acceptable quality. Schedule, budget, resource, or scope changes may be needed.
Red	Probable that the project will NOT be delivered with acceptable quality without changes to schedule, budget, resources, and/or scope.

EXECUTIVE SUMMARY

Status Item	Current Status	Prior Status	Summary
Overall Project Status	Green	Green	<i>Overall, the project is on time, on budget and within scope. The vendor is producing deliverables that conform to the acceptance criteria included in the Request for Proposal and that adhere to the ITD Enterprise Project Management criteria. The project team exhibits a dedicated, cooperative, and professional approach to the project – focused on producing and accepting deliverables while meeting the project timetables.</i>
Scope	Green	Green	<i>No variance on scope. New requirements and enhancements are being tracked using a Scope Management Register. Additions and removals from scope are recorded and a process to dispose of additions in excess of removals was agreed to and is being executed by the Project Management Team with the approval from the Steering Committee as needed.</i>
Schedule	Green	Green	<i>Pilot 2.1 was closed and incomplete construction and data conversions tasks were carried over into Pilot 2.2. The revised schedule for Pilot 2.2 incorporated a one month delay resulting from Pilot 2.1. The revised plan is being followed on track. Pilot 2.3 is in progress. The scheduled implementation date of October 1 2010 could be extended by one month if the current schedule variance cannot be recovered.</i>
Cost	Green	Green	<i>Actual costs are 4.32% less than expected costs primarily due to actual NDPERS staff hours being less than projected.</i>
Project Risk	Green	Green	<i>The risk management log developed during the Planning Phase is maintained in SharePoint and is being reviewed periodically by the project management team. PERSLink Team held a Risk Assessment Session on 7/16/09</i>

Accomplishments:

During this reporting period of the Execution phase the PERSLink Project Team continued to provide post-implementation support for Release 1.0, focusing on critical PIRS.

In parallel, the project team also continued work on resolving and system testing remaining Pilot 2.1 functionality and “Unable to Test” Business Rules. The Project team also continued to work on the data conversion, interfaces with PeopleSoft and vendors, and online help documentation.

The project team also completed the execution of Pilot 2.2. A two-week walkthrough of the functionality was conducted during the last two weeks of July. Work is also in progress on data conversion and online documentation development. NDPERS completed the review and signoff of all Pilot 2.2 deliverables.

Pilot 2.3 execution is in progress and on track. The PERSLink team completed all JAD sessions for Pilot 2.3, produced documentation for 16 of 23 UCS, reviewed and signed off 8 UCS and started the review of System Test Cases. Construction, unit testing and system testing is in progress for the completed UCS. Deliverable signoff by NDPERS on published use cases has been slow due to competing priorities.

NDPERS hired ICON to help in the data remediation effort. ICON has been on site for the past few weeks and is working on obtaining the needed control totals from the legacy systems

The deliverables that were developed, reviewed and approved are listed in the Deliverable Acceptance Log Summary.

The following team building events occurred:

1. Sagitec conducted a Group Process Review on July 30, 2009.
- 2.

The following project communications events occurred:

1. The July 2009 PERSLink Newsletter was published
2. NDPERS Project Manager made periodic updates to the NDPERS Management Team and staff
3. PERSLink Project Management held the quarterly review of the contract terms and conditions.

Expected Accomplishments:

During the next reporting period the project team plans to accomplish the following:

1. Complete the following tasks and deliverables:
 - a. Release 1.0
 - i. Conduct training and transition the maintenance of online documentation to NDPERS staff
 - b. Continue work on Pilot 2.3
 - i. Complete review and signoff of all UCS
 - ii. Complete construction and unit testing for all UCS
 - iii. Continue system testing, data conversion and documentation
 - iv. Complete review of System Test cases and preparation for UAT
 - c. Start work on Pilot 2.4
 - i. Complete statement of work and revised project plan
 - ii. Start JAD sessions
 - d. Planning Release 2 transition
 - i. Complete data conversion verification and 95 % of data cleansing
 - ii. Test External interfaces
 - iii. Start communication with employers and vendors
 - iv. Develop UAT and Parallel Testing plan
 - v. Develop UAT test cases
 - vi. Finalize post-implementation IT staff recommendation
 - vii. Start preliminary planning for training requirements

RISK MANAGEMENT

Status Item	Current Status	Prior Status	Summary
Project Risk	Green	Green	No new high priority risks were added. A risk assessment session was conducted on 7/16/09 and the Risk Register was updated. One low priority risk was added.
Risk Management Log Summary			
Risk #	Description	Response Plan	Owner

Comments: A complete Risk Log is available on PERSLink Project Portal in SharePoint. A total of 20 active risks have been identified, prioritized and are being monitored by the PERSLink Project Team.			
Issues Log Summary			
Issue #	Description	Required Action	Owner
Comments: An Issue Management process document was developed and approved during the project planning phase. As areas of risk eventuate an issue is created in the Issue Register (PERSLink Project Portal in SharePoint) and assigned an owner for resolution. One open issue was closed before the end of the quarter. At this time, there are no issues outstanding.			

SCOPE MANAGEMENT

Status Item	Current Status	Prior Status	Summary
Scope	Green	Green	<i>No scope change this quarter.</i>
Change Control Log Summary			
Change #	Description	Action Accept / Reject	Action Date
Comments: A Change Management Process document was developed and approved by the PERSLink project team during the Planning Phase. There are no entries in the Change Management Log on the PERSLink Project Portal in SharePoint. New requirements and enhancements are being tracked using a Scope Management Register in SharePoint. Additions and removals from scope are recorded and a process to dispose of additions in excess of removals was agreed and is being executed by the Project Management Team and approval from the Steering Committee as needed.			
Deliverable Acceptance Log Summary			
Deliverable #	Deliverable Name	Action Accept / Reject	Action Date
	Phase 5 Pilot 2.2 P2.2 Analysis/Design Package P2.2 Technical Analysis/Design P2.2 Conversion Specifications/Maps P2.2 Integration Specifications P2.2 Object Model P2.2 UI Navigation Maps Pilot 2.2 execution	Accepted Accepted Accepted Accepted Accepted	8/20/09 7/30/09 7/30/09 7/30/09 7/31/09
Comments: All PERSLink deliverables are maintained on the PERSLink Project Portal in SharePoint. All accepted deliverables are maintained in the Acceptance Folder in word format and on the Archive folder in pdf format			

COST MANAGEMENT

Status Item	Current Status	Prior Status	Summary
Budget	Green	Green	<i>At the end of the quarter, actual costs were lower than expected costs. Actual payments made to Sagitec were less than expected payments. Expectation was that Pilot 2.2 and Pilot 2.3 would</i>

			<i>be run in parallel; decision was made to run them consecutively which results in deliverables and payments being delayed. This variation is a timing difference which will be resolved in the next 2 quarters. A revision was made to the Sagitec budget, removing the remaining budget for the backfile conversion effort to the ICON Integration budget for data remediation assistance.</i>	
Project Budget	Revised Budget (if applicable)		Expenditures to Date	Estimated Cost at Completion
\$10,502,214	\$0.00		\$5,841,238	\$10,048,399

	Original Budget	Revisions	Revised Budget	Actual Costs	Expected Costs	Actual vs Expected Variance	Remaining Budget	Cost Performance Index (CPI)	Estimated Completion
Sagitec	7,678,360	(120,017)	7,558,343	4,803,548	4,839,415	(35,867)	2,874,812	1.01	
LRWL	1,000,000		1,000,000	571,604	587,495	(15,891)	428,396	1.03	
ICON Integration	0	120,017	120,017	0	0	0	0	#DIV/0!	
Hardware/Software	185,000		185,000	12,430	12,430	0	172,570	1.00	
Contingency	730,640		730,640	39,204	39,204	0	691,436	1.00	
Total Appropriation	9,594,000	0	9,594,000	5,426,786	5,478,544	(51,759)	4,167,214	1.01	
PERS Staffing hours	908,214		908,214	414,452	626,501	(212,049)	493,762	1.51	
	24,000		24,000	10,580	16,556	(5,976)	13,420		
Total Budget	10,502,214	0	10,502,214	5,841,238	6,105,045	(263,807)	4,660,976	1.05	