

NDPERS BOARD MEETING

Agenda

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

August 20, 2009

Time: 8:30 AM

I. MINUTES

- A. July 16, 2009

II. RETIREMENT

- A. Highway Patrol Indexing – Kathy (Board Action)
- B. DC Plan Valuation – Sparb (Board Action)
- C. Investment/Retirement Update – Sparb (Board Action)
- D. Purchases – Rebecca (Board Action)

III. GROUP INSURANCE

- A. BCBS Health Care Review – BCBS (Information)
- B. BCBS Plan – BCBS (Information)
- C. Memorandums of Understanding – Sparb (Board Action)
- D. Transfer Procedures – Kathy (Board Action)
- E. Medicare Secondary Payer Update – Bryan (Information)
- F. Active Health Report 2008 – Bryan (Information)

IV. DEFERRED COMPENSATION & DC PLAN

- A. Request For Proposal – Sparb (Information)

V. FLEX COMP

- A. Flex Payments – Kathy (Information)

VI. MISCELLANEOUS

- A. Legislative Employee Benefits Committee – Sparb (Information)
- B. RFP for Experience Study – Sparb (Board Action)
- C. Board Planning Meeting – Sparb (Board Action)
- D. Personnel Policies Update – Kathy (Board Action)
- E. Administrative Rules – Deb (Information)
- F. PERSLink Quarterly Report – Bryan (Information)
- G. Hardship Withdrawal #2009-002DC
- H. SIB Agenda

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@state.nd.us • discovernd.com/NDPERS

Memorandum

TO: NDPERS Board

FROM: Kathy & Sparb

DATE: August 12, 2009

SUBJECT: Final Average Salary Indexing for Highway Patrol

North Dakota Century Code 39-03.1-11(5) provides:

"...The final average salary used for calculating a deferred vested retirement benefit must be increased annually from the later of the date of termination of employment or July 1, 1991, until the date the contributor begins to receive retirement benefits from the fund, at a rate as determined by the board not to exceed a rate that would be approximately equal to annual salary increases provided state employees pursuant to action by the legislative assembly."

As indicated above, it is necessary for the NDPERS Board to determine the rate to be used in establishing the index factor for deferred members of the highway patrol. It has been PERS policy to solicit input and a recommendation from the Highway Patrol leadership.

The sixty-first assembly increased each agencies budget by 5% for the first year of the 2009-10 biennium. Employees are to receive a minimum monthly increase of \$100 effective July 1, 2009 to be paid August 1, 2009. The North Dakota Highway Patrol leadership is recommending that deferred members in its system have their final average salary indexed by 5%. Currently there are six members in the system that are in a deferred status. Included for your information is the Highway Patrol's recommendation.

We requested that our consultant, The Segal Company, review this recommendation and provide any observations for the Board's consideration. Segal indicated that since the current assumption for indexing of deferred members is 5%, an increase of that amount will not result in an actuarial gain or loss to the plan. In other words, the plan's actuarially recommended contribution will not change as a result of this increase.

For your convenience, listed below are the legislative increases granted, as well as the increase percentages set for indexing purposes by the board since 1993 when it first became necessary to establish a factor.

	Legislative Increase %	Board Approved Index %
1993	3.00	3.57
1994	2.00	3.00
1995	2.00	2.00
1996	2.00+ 1.00 discretionary	2.00
1997	Average 3.00	3.00
1998	Average 3.00	1.80
1999	2.00 (min \$35)	1.26
2000	2.00 (min \$35)	2.00
2001	3.00 (min \$35)	1.81
2002	3.00 (min \$35)	1.73
2003	None authorized	-0-
2004	None authorized	-0-
2005	4.00	4.00
2006	4.00	4.00
2007	4.00	4.00
2008	4.00	4.00

As illustrated above, the Board has generally set an indexing percentage that is the same or slightly lower than the salary increases granted to state employees.

Board Action Requested:

Accept or reject the Highway Patrol's recommendation.



North Dakota Highway Patrol



Colonel Mark A. Nelson, Superintendent
State Capitol, 600 E Boulevard Ave. Dept. 504
Bismarck, ND 58505-0240
Telephone: 701-328-2455

John Hoeven
Governor
State of North Dakota

July 16, 2009

RECEIVED

JUL 17 2009

ND PERS

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

Dear Kathy:

We recommend that the members of the North Dakota Highway Patrol Retirement System who participate in the Deferred Vested Benefit provision should have their final average salary indexed by five percent.

Sincerely,

A handwritten signature in cursive script that reads "Lori R. Malafa".

LORI R. MALAFA
Captain, NDHP
Administrative Services Commander

lrm/blc



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: August 13, 2009
SUBJECT: Defined Contribution Plan Valuation

Each year we do an actuarial valuation of our defined benefit (DB) plans to gauge how we are doing in funding the plans commitments. Based upon this review we determine what will need to do going forward.

We also administer the optional defined contribution plan for nonclassified employees. Unlike the DB plans we do not do any assessment of this plan in terms of how it is doing in providing an adequate retirement for its members. If we had such information, it may highlight for us actions we may want to consider on behalf of those members who we have a similar fiduciary responsibility. Like the DB plan this plan has also had significant losses during the last couple of years.

In order for us to get a perspective on the funding progress for the DC plan, I am suggesting that we should do a type of valuation of that plan as well. I asked Segal, our DC plan consultant, to prepare a proposal for your consideration (attached). You will note that the cost of this would be \$12,500. They also outline the methodology that would be used.

Staff is suggesting that we do this effort and have it completed in the same time frame as our valuations for the DB plans. This would allow adequate time to review the information and develop any appropriate legislation if necessary. We could also report this information to the Legislative Employee Benefits Committee as well when we review the other valuations.

Staff recommendation

Approve the attached study.

Board Action Requested

Approve the attached study.



THE SEGAL COMPANY
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August 7, 2009

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

RE: Proposal for Deferred Compensation Plan Analysis

Dear Sparb:

Based upon our recent conversations regarding the NDPERS Deferred Compensation Plan, Segal would like to propose a detailed analysis of the benefits that the plan currently provides.

The objective of the plan is to supply a "comparable benefit" to the benefits provided by the NDPERS Defined Benefit Plan. To determine whether or not this is the case, we propose analyzing the plan on a participant-by-participant basis.

For each member, we would project their expected benefits under the Deferred Compensation plan and compare them to the benefits that would have been earned in the Defined Benefit plan. This would provide a Deferred Compensation "benefit level" for each participant in comparison to the Defined Benefit plan. A benefit level of 100% or more would indicate that the Defined Contribution plan is expected to provide benefits at least equal to benefits under the Defined Benefit plan. A benefit level of less than 100% would indicate that the Defined Contribution plan falls short of the Defined Benefit plan. Using these results, we would be able to provide detailed analysis of how the plan is meeting its goals.

The cost of this study would be \$12,500, payable upon delivery of the results. Upon acceptance, we will develop a detailed schedule for delivery of the results with you and your staff.

Benefits, Compensation and HR Consulting ATLANTA BOSTON CALGARY CHICAGO CLEVELAND DENVER HARTFORD HOUSTON LOS ANGELES
MINNEAPOLIS MONTREAL NEW ORLEANS NEW YORK PHILADELPHIA PHOENIX PRINCETON RALEIGH SAN FRANCISCO TORONTO WASHINGTON, DC

Multinational Group of Actuaries and Consultants BARCELONA BRUSSELS DUBLIN GENEVA HAMBURG JOHANNESBURG LONDON MELBOURNE
MEXICO CITY OSLO PARIS



Mr. Sparb Collins
August 7, 2009
Page 2

Please let me know if you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Brad Ramirez", with a long horizontal flourish extending to the right.

Brad Ramirez
Consulting Actuary

/dqm

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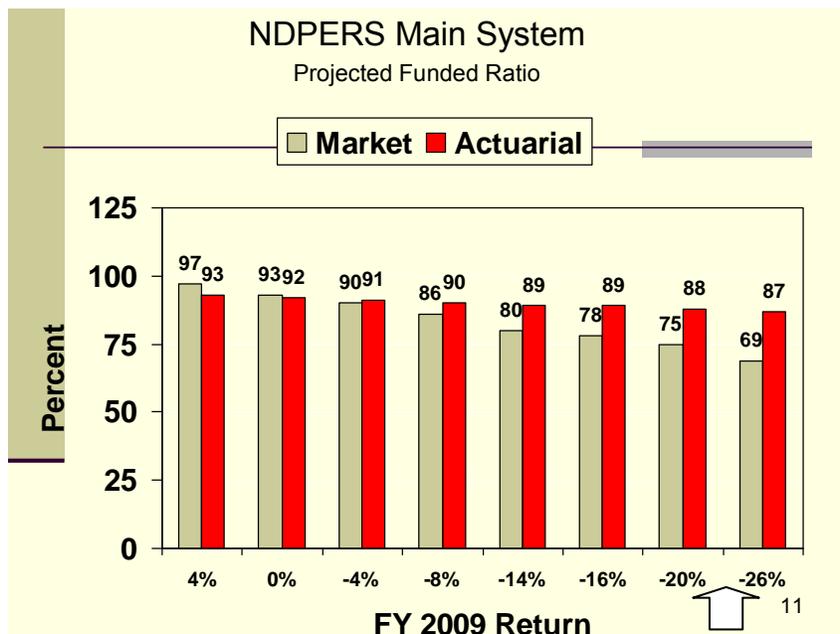
Memorandum

TO: PERS Board
FROM: Sparb
DATE: August 12, 2009
SUBJECT: Investment/Retirement Update

As you will note in reviewing Steve's presentation to the Legislative Employee Benefits Committee, the estimated return on our investments for the year ending June 30, 2009 is a negative 23.52% return for the PERS and HP retirement plans. Based upon the projections we put together at the end of last year and shared with the Legislature, the following is a perspective of what to expect in this years valuation.

Main PERS Retirement Plan

The following table shows our funded status at market and actuarial value:



As the above shows we can expect our funded status to drop to about 87% at actuarial value and about 72% at market with a 23.5% loss. In the next several years if we make 8%, our actuarial funding status will drop to about 72% as well.

The following table shows what we can expect relating to our required contribution rate:

Near term - Actuarial required contributions – Near Term

**North Dakota Main System
Projected Margins
(Market Return After FY 2009 Always 8.0%)**

If Market Return for FY 2009 is	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013
-26%	-3.19%	-4.51%	-5.93%	-7.67%	-8.96%
-20%	-2.97%	-4.06%	-5.25%	-6.77%	-7.84%
-16%	-2.83%	-3.76%	-4.80%	-6.16%	-7.09%
-14%	-2.75%	-3.61%	-4.57%	-5.86%	-6.72%
-8%	-2.54%	-3.15%	-3.89%	-4.96%	-5.59%
-4%	-2.39%	-2.85%	-3.44%	-4.35%	-4.84%
0%	-2.25%	-2.55%	-2.98%	-3.75%	-4.09%
4%	-2.10%	-2.25%	-2.53%	-3.15%	-3.35%

Note: Projection reflects only investment return effects.
Assumes constant normal cost rate of 8.71% for Main.
The 2008 valuation margin is -2.14%.

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By our next valuation, we can expect that our contribution rate should be about 3% higher and it will rise to about 8% more in 2013. This means our rate will need to double from its existing level of 8.12% to 16.12%.

Judges Retirement Plan

The following is the funded ratio for Judges based upon actuarial value of assets:

**Exhibit 2
North Dakota PERS Judges Segment
Projected Funded Ratio
Actuarial Value of Assets to the Actuarial Accrued Liability
Assumes Contributions of 19.52% of Payroll
(Market Return After FY 2009 Always 8.0%)**

If Market Return for FY 2009 is	July 1, 2009	July 1, 2010	July 1, 2011	July 1, 2012	July 1, 2013
-36%	108.2%	98.1%	87.7%	75.5%	66.3%
-32%	109.1%	100.1%	90.6%	79.3%	71.0%
-28%	110.1%	102.0%	93.4%	83.1%	75.7%
-24%	111.0%	103.9%	96.3%	86.8%	80.4%
-20%	111.9%	105.8%	99.2%	90.6%	85.1%
-16%	112.9%	107.7%	102.1%	94.4%	89.8%
-12%	113.8%	109.7%	105.0%	98.3%	94.4%
-8%	114.7%	111.6%	107.8%	102.1%	99.1%

The July 1, 2008 funded ratio is 116.6% at Actuarial Value.

At the -24 level funded status drops at actuarial value to 111% in our next valuation and then 80% by 2013. The following table shows the effect on market value:

Exhibit 3
North Dakota PERS Judges Segment
Projected Funded Ratio
Market Value of Assets to the Actuarial Accrued Liability
Assumes Contributions of 19.52% of Payroll
(Market Return After FY 2009 Always 8.0%)

If Market Return for FY 2009 is	July 1, 2009	July 1, 2010	July 1, 2011	July 1, 2012	July 1, 2013
-36%	75.6%	75.2%	74.7%	74.2%	73.5%
-32%	80.4%	80.0%	79.7%	79.2%	78.7%
-28%	85.1%	84.9%	84.6%	84.3%	83.9%
-24%	89.9%	89.7%	89.6%	89.4%	89.1%
-20%	94.7%	94.6%	94.5%	94.4%	94.3%
-16%	99.4%	99.5%	99.5%	99.5%	99.5%
-12%	104.2%	104.3%	104.4%	104.5%	104.7%
-8%	109.0%	109.2%	109.4%	109.6%	109.8%

The July 1, 2008 funded ratio is 127.5% at Market Value.

This last table shows the needed contributions over time:

Exhibit 1
North Dakota PERS Judges Segment
Projected Margins
Assumes Contributions of 19.52% of Payroll
(Market Return After FY 2009 Always 8.0%)

If Market Return for FY 2009 is	July 1, 2009	July 1, 2010	July 1, 2011	July 1, 2012	July 1, 2013
-36%	2.72%	-0.82%	-4.63%	-9.23%	-12.80%
-32%	3.05%	-0.14%	-3.59%	-7.83%	-11.04%
-28%	3.37%	0.55%	-2.54%	-6.42%	-9.28%
-24%	3.70%	1.24%	-1.50%	-5.02%	-7.51%
-20%	4.03%	1.93%	-0.45%	-3.61%	-5.75%
-16%	4.36%	2.62%	0.60%	-2.20%	-3.99%
-12%	4.69%	3.31%	1.65%	-0.79%	-2.23%
-8%	5.02%	4.00%	2.70%	0.61%	-0.47%

The July 1, 2008 margin is 5.53%.

Contributions for this system will need to increase by about 7.5% between now and 2013 from a level of 19.52% today to 26.02%.

Highway Patrol Plan

The following is the funded ratio for the HP plan based upon actuarial value of assets:

Exhibit 2
North Dakota Highway Patrolmen's Retirement System
Projected Funded Ratio
Actuarial Value of Assets to the Actuarial Accrued Liability
Assumes Contributions of 27% of Payroll
(Market Return After FY 2009 Always 8.0%)

If Market Return for FY 2009 is	July 1, 2009	July 1, 2010	July 1, 2011	July 1, 2012	July 1, 2013
-36%	86.3%	77.8%	69.2%	59.4%	52.1%
-32%	87.1%	79.5%	71.7%	62.6%	56.0%
-28%	87.9%	81.2%	74.2%	65.8%	60.0%
-24%	88.7%	82.8%	76.7%	69.1%	63.9%
-20%	89.5%	84.5%	79.1%	72.3%	67.9%
-16%	90.3%	86.2%	81.6%	75.5%	71.9%
-12%	91.1%	87.8%	84.1%	78.8%	75.8%
-8%	91.9%	89.4%	86.5%	82.0%	79.8%

The July 1, 2008 funded ratio is 93.1% at Actuarial Value.

At the -24 level it drops to 88.7% in our next valuation and then 63.9% by 2013. The following table shows the effect on market value:

Exhibit 3
North Dakota Highway Patrolmen's Retirement System
Projected Funded Ratio
Market Value of Assets to the Actuarial Accrued Liability
Assumes Contributions of 27% of Payroll
(Market Return After FY 2009 Always 8.0%)

If Market Return for FY 2009 is	July 1, 2009	July 1, 2010	July 1, 2011	July 1, 2012	July 1, 2013
-36%	60.3%	59.6%	59.0%	58.3%	57.8%
-32%	64.1%	63.6%	63.1%	62.6%	62.2%
-28%	68.0%	67.6%	67.2%	66.8%	66.5%
-24%	71.8%	71.6%	71.3%	71.1%	70.9%
-20%	75.7%	75.5%	75.4%	75.3%	75.3%
-16%	79.5%	79.5%	79.5%	79.6%	79.6%
-12%	83.4%	83.5%	83.6%	83.8%	84.0%
-8%	87.2%	87.5%	87.8%	88.1%	88.4%

The July 1, 2008 funded ratio is 101.9% at Market Value.

This last table shows the needed contributions over time:

Exhibit 1
North Dakota Highway Patrolmen's Retirement System
Projected Margins
Assumes Contributions of 27% of Payroll
(Market Return After FY 2009 Always 8.0%)

If Market Return for FY 2009 is	July 1, 2009	July 1, 2010	July 1, 2011	July 1, 2012	July 1, 2013
-36%	-3.05%	-7.97%	-13.00%	-18.78%	-23.14%
-32%	-2.57%	-6.99%	-11.54%	-16.89%	-20.82%
-28%	-2.10%	-6.02%	-10.09%	-14.99%	-18.50%
-24%	-1.64%	-5.04%	-8.65%	-13.10%	-16.17%
-20%	-1.17%	-4.07%	-7.20%	-11.21%	-13.85%
-16%	-0.71%	-3.11%	-5.76%	-9.32%	-11.52%
-12%	-0.24%	-2.14%	-4.33%	-7.43%	-9.20%
-8%	0.22%	-1.18%	-2.89%	-5.55%	-6.87%

The July 1, 2008 margin is 0.94%.

Contributions for this system will need to increase 16.7% between now and 2013 from a level of 27% today to 43.7%.

Job Service Retirement Plan

The incurred investment loss by the Job Service retirement plan was -16.79%. The following is the funded ratio for the Job Service plan based upon actuarial value of assets with a 7.5% return assumption and an 8% assumption. As you will note, it makes a significant difference if you use a 7.5% return assumption or an 8%. With an 8% return assumption the plan remains fairly well funded over the period.

**North Dakota Job Service
Projected Funded Ratio
Valuation Interest Rate Equals 7.5%
Actuarial Value of Assets to the Present Value of Benefits
(Market Return After FY 2009 Always 7.5%)**



Valuation Year	Fiscal Year 2009 Market Value Return										
	-36.0%	-34.0%	-32.0%	-30.0%	-28.0%	-24.0%	-20.0%	-16.0%	-12.0%	-8.0%	-4.0%
2009	89%	92%	94%	97%	97%	98%	99%	100%	101%	103%	104%
2010	81%	84%	87%	89%	90%	92%	94%	96%	98%	100%	102%
2011	75%	78%	80%	83%	84%	87%	90%	92%	95%	97%	100%
2012	70%	72%	75%	78%	79%	83%	86%	89%	93%	96%	99%
2013	65%	68%	71%	73%	75%	79%	83%	87%	91%	95%	99%
2014	61%	64%	67%	69%	72%	76%	81%	85%	90%	94%	99%
2015	57%	60%	63%	66%	68%	73%	78%	83%	89%	94%	99%
2016	53%	56%	59%	62%	65%	71%	76%	82%	88%	93%	99%
2017	49%	52%	56%	59%	62%	68%	75%	81%	87%	93%	100%
2018	44%	48%	52%	55%	59%	66%	73%	80%	87%	94%	101%
2019	40%	44%	48%	52%	56%	63%	71%	79%	86%	94%	102%
2020	36%	40%	44%	48%	53%	61%	69%	78%	86%	95%	103%
2021	32%	36%	41%	45%	50%	59%	68%	77%	86%	96%	105%
2022	27%	32%	37%	42%	47%	57%	67%	77%	87%	97%	107%
2023	21%	27%	32%	38%	43%	54%	66%	77%	88%	99%	110%
2024	15%	21%	27%	33%	39%	52%	64%	76%	89%	101%	113%
2025	7%	14%	21%	28%	35%	49%	62%	76%	90%	104%	117%
2026	-1%	7%	14%	22%	30%	45%	60%	76%	91%	106%	122%
2027	-16%	-3%	6%	15%	24%	41%	58%	75%	93%	110%	127%
2028	-33%	-19%	-4%	7%	17%	36%	55%	75%	94%	114%	133%
Surplus/(deficit) in millions as of 7/1/2028	(\$76.1)	(\$67.8)	(\$59.5)	(\$53.2)	(\$47.7)	(\$36.6)	(\$25.5)	(\$14.4)	(\$3.3)	\$7.8	\$19.0

**Exhibit 4
North Dakota Job Service
Projected Funded Ratio
Valuation Interest Rate Equals 8.0%
Actuarial Value of Assets to the Present Value of Benefits
(Market Return After FY 2009 Always 8.0%)**



Valuation Year	Fiscal Year 2009 Market Value Return										
	-36.0%	-34.0%	-32.0%	-30.0%	-28.0%	-24.0%	-20.0%	-16.0%	-12.0%	-8.0%	-4.0%
2009	94%	97%	100%	102%	103%	104%	105%	106%	107%	108%	109%
2010	86%	89%	91%	94%	95%	97%	99%	101%	103%	105%	107%
2011	79%	82%	85%	87%	89%	92%	94%	97%	100%	103%	106%
2012	73%	76%	79%	82%	84%	87%	91%	94%	98%	101%	105%
2013	69%	72%	75%	78%	80%	84%	88%	92%	96%	100%	104%
2014	64%	68%	71%	74%	76%	81%	86%	90%	95%	100%	105%
2015	60%	64%	67%	70%	73%	78%	84%	89%	94%	100%	105%
2016	57%	60%	63%	67%	70%	76%	82%	88%	94%	100%	106%
2017	53%	56%	60%	64%	67%	74%	81%	87%	94%	101%	107%
2018	49%	53%	57%	61%	64%	72%	79%	87%	94%	102%	109%
2019	45%	49%	53%	58%	62%	70%	78%	86%	95%	103%	111%
2020	42%	46%	51%	55%	60%	69%	78%	87%	96%	105%	114%
2021	38%	43%	48%	53%	58%	68%	78%	88%	98%	108%	118%
2022	34%	39%	45%	50%	56%	67%	78%	89%	100%	111%	122%
2023	28%	35%	41%	47%	53%	65%	77%	90%	102%	114%	126%
2024	23%	29%	36%	43%	50%	64%	77%	91%	105%	118%	132%
2025	16%	24%	31%	39%	46%	62%	77%	92%	108%	123%	138%
2026	8%	17%	25%	34%	42%	60%	77%	94%	111%	128%	145%
2027	-1%	9%	19%	28%	38%	57%	76%	96%	115%	134%	154%
2028	-17%	0%	11%	22%	32%	54%	76%	98%	120%	142%	164%
Surplus/(deficit) in millions as of 7/1/2028	(\$64.8)	(\$55.7)	(\$49.6)	(\$43.6)	(\$37.5)	(\$25.4)	(\$13.3)	(\$1.1)	\$11.0	\$23.1	\$35.3

The next two tables show the same information except at market value:

North Dakota Job Service
Projected Funded Ratio
Valuation Interest Rate Equals 7.5%
Market Value of Assets to the Present Value of Benefits
(Market Return After FY 2009 Always 7.5%)

Valuation Year	Fiscal Year 2009 Market Value Return										
	-36.0%	-34.0%	-32.0%	-30.0%	-28.0%	-24.0%	-20.0%	-16.0%	-12.0%	-8.0%	-4.0%
2009	74%	76%	79%	81%	83%	88%	93%	98%	102%	107%	112%
2010	73%	75%	78%	80%	83%	88%	93%	98%	103%	108%	113%
2011	71%	74%	76%	79%	82%	87%	92%	98%	103%	108%	114%
2012	70%	72%	75%	78%	81%	86%	92%	98%	103%	109%	115%
2013	68%	71%	74%	77%	80%	86%	92%	98%	104%	110%	116%
2014	66%	69%	72%	75%	78%	85%	91%	98%	104%	110%	117%
2015	63%	67%	70%	74%	77%	84%	91%	98%	104%	111%	118%
2016	61%	64%	68%	72%	75%	83%	90%	97%	105%	112%	120%
2017	57%	61%	65%	69%	73%	81%	89%	97%	105%	113%	121%
2018	54%	58%	62%	67%	71%	80%	88%	97%	106%	114%	123%
2019	50%	54%	59%	64%	69%	78%	87%	97%	106%	116%	125%
2020	45%	50%	55%	60%	66%	76%	86%	97%	107%	117%	128%
2021	40%	45%	51%	57%	62%	74%	85%	96%	108%	119%	131%
2022	34%	40%	46%	52%	59%	71%	84%	96%	109%	121%	134%
2023	27%	33%	40%	47%	54%	68%	82%	96%	110%	124%	137%
2024	19%	26%	34%	42%	49%	65%	80%	95%	111%	126%	142%
2025	9%	18%	26%	35%	44%	61%	78%	95%	112%	129%	147%
2026	-1%	8%	18%	28%	37%	56%	75%	95%	114%	133%	152%
2027	-13%	-3%	8%	19%	30%	51%	73%	94%	116%	137%	159%
2028	-28%	-16%	-3%	9%	21%	45%	69%	94%	118%	142%	166%
Surplus/(deficit) in millions as of 7/1/2028	(\$73.0)	(\$66.1)	(\$59.1)	(\$52.2)	(\$45.3)	(\$31.4)	(\$17.6)	(\$3.7)	\$10.2	\$24.1	\$38.0

Exhibit 2
North Dakota Job Service
Projected Funded Ratio
Valuation Interest Rate Equals 8.0%
Market Value of Assets to the Present Value of Benefits
(Market Return After FY 2009 Always 8.0%)

Valuation Year	Fiscal Year 2009 Market Value Return										
	-36.0%	-34.0%	-32.0%	-30.0%	-28.0%	-24.0%	-20.0%	-16.0%	-12.0%	-8.0%	-4.0%
2009	78%	80%	83%	85%	88%	93%	98%	103%	108%	113%	118%
2010	77%	79%	82%	85%	87%	93%	98%	103%	109%	114%	119%
2011	76%	78%	81%	84%	87%	92%	98%	104%	109%	115%	121%
2012	74%	77%	80%	83%	86%	92%	98%	104%	110%	116%	122%
2013	73%	76%	79%	82%	85%	92%	98%	104%	111%	117%	124%
2014	71%	74%	78%	81%	84%	91%	98%	105%	112%	119%	125%
2015	69%	72%	76%	80%	83%	91%	98%	105%	113%	120%	127%
2016	66%	70%	74%	78%	82%	90%	98%	106%	114%	122%	130%
2017	63%	68%	72%	76%	81%	89%	98%	106%	115%	124%	132%
2018	60%	65%	70%	74%	79%	88%	98%	107%	117%	126%	135%
2019	56%	62%	67%	72%	77%	87%	98%	108%	118%	128%	139%
2020	52%	58%	64%	69%	75%	86%	97%	109%	120%	131%	143%
2021	47%	54%	60%	66%	72%	85%	97%	110%	122%	135%	147%
2022	42%	49%	56%	63%	69%	83%	97%	111%	125%	138%	152%
2023	36%	43%	51%	58%	66%	81%	97%	112%	127%	143%	158%
2024	28%	37%	45%	54%	62%	79%	96%	114%	131%	148%	165%
2025	20%	29%	39%	49%	58%	77%	96%	115%	134%	153%	173%
2026	10%	21%	32%	42%	53%	74%	96%	117%	139%	160%	182%
2027	-1%	11%	23%	35%	47%	71%	96%	120%	144%	168%	192%
2028	-14%	0%	13%	27%	41%	68%	95%	122%	150%	177%	204%
Surplus/(deficit) in millions as of 7/1/2028	(\$63.2)	(\$55.7)	(\$48.1)	(\$40.6)	(\$33.0)	(\$17.9)	(\$2.7)	\$12.4	\$27.6	\$42.8	\$58.0

As you will note in all the scenerio's except the last the system, we will need additional funding. ***Also please note that we changed the return assumption several years to aid in planning for future COLA's for this system. However, if we need to begin discussion with the federal government about again starting contributions, we may want to do so based upon the 8% assumption since that is what it was originally. Therefore, staff is recommending that we ask Segal to prepare a second valuation of this system with the 8% return assumption.***

Law Enforcement and National Guard Plans

We do not have the projections completed for these plans at this point in time. However, we know they will be affected similarly. Also concerning the Law Enforcement Plan with past service credit, you will note that this last session state employees from the Attorney General's Office were moved to this system. When the proposed bill was reviewed the legislature reviewed the following information:

	July 1, 2008 Before Transfer	July 1, 2008 After Transfer
Law Enforcement with Prior Main Service		
Actuarial accrued liability	\$10,557,744	\$14,291,243
Assets at market value	8,301,444	11,534,405
Assets at actuarial value	7,587,767	10,542,790
Unfunded liability	2,969,977	3,748,453
Amortization payment	207,275	261,605
Normal cost	448,849	612,756
Administrative expense	3,214	5,000
Total cost	659,338	879,361
Payroll	5,057,594	6,854,462
Total cost as percent of pay	13.04%	12.83%
Member cost as percent of pay	4.00%	4.00%
Employer cost as percent of pay	9.04%	8.83%

The present contribution rate is 8.31%. The legislature funded the bill at the 8.83% level. Please note that in addition to the Attorney General's employees in this system, there are 136 other members all with political subdivisions. At our next valuation we will need to consider the contribution to this system, but as the above shows we do have some room to consider an increase. For these systems the Board sets the rate.

Retiree Health Plan

The retiree health plan lost about 17%. The following is the funded ratio for the HP plan based upon actuarial value of assets:

Exhibit 2
North Dakota Retiree Health Insurance Credit Fund
Projected Funded Ratio
Actuarial Value of Assets to the Actuarial Accrued Liability
Assumes Contributions of 1.14% of Payroll
(Market Return After FY 2009 Always 8.0%)

If Market Return for FY 2009 is	July 1, 2009	July 1, 2010	July 1, 2011	July 1, 2012	July 1, 2013
-36%	47.0%	44.8%	42.9%	40.7%	40.6%
-32%	47.3%	45.5%	44.0%	42.2%	42.5%
-28%	47.7%	46.3%	45.2%	43.7%	44.4%
-24%	48.0%	47.1%	46.3%	45.2%	46.2%
-20%	48.4%	47.8%	47.4%	46.7%	48.1%
-16%	48.8%	48.6%	48.6%	48.2%	49.9%
-12%	49.1%	49.3%	49.7%	49.7%	51.8%
-8%	49.5%	50.1%	50.8%	51.2%	53.7%

The July 1, 2008 funded ratio is 48.6% at Actuarial Value.

At the -16% level the funded status remains about the same over time. The following table shows the effect on market value:

North Dakota Retiree Health Insurance Credit Fund
 Projected Funded Ratio
 Market Value of Assets to the Actuarial Accrued Liability
 Assumes Contributions of 1.14% of Payroll
 (Market Return After FY 2009 Always 8.0%)

If Market Return for FY 2009 is	July 1, 2009	July 1, 2010	July 1, 2011	July 1, 2012	July 1, 2013
-36%	30.5%	34.0%	37.5%	41.0%	44.6%
-32%	32.3%	35.9%	39.4%	43.0%	46.7%
-28%	34.1%	37.7%	41.4%	45.0%	48.7%
-24%	36.0%	39.6%	43.3%	47.0%	50.8%
-20%	37.8%	41.5%	45.2%	49.0%	52.8%
-16%	39.6%	43.3%	47.1%	51.0%	54.9%
-12%	41.4%	45.2%	49.1%	53.0%	56.9%
-8%	43.2%	47.1%	51.0%	55.0%	59.0%

The July 1, 2008 funded ratio is 46.1% at Market Value.

This last table shows the needed contributions over time:

Exhibit I
 North Dakota Retiree Health Insurance Credit Fund
 Projected Margins
 Assumes Contributions of 1.14% of Payroll
 (Market Return After FY 2009 Always 8.0%)

If Market Return for FY 2009 is	July 1, 2009	July 1, 2010	July 1, 2011	July 1, 2012	July 1, 2013
-36%	0.23%	0.19%	0.15%	0.11%	0.08%
-32%	0.23%	0.20%	0.17%	0.12%	0.10%
-28%	0.24%	0.21%	0.18%	0.14%	0.12%
-24%	0.24%	0.21%	0.19%	0.16%	0.14%
-20%	0.24%	0.22%	0.20%	0.17%	0.16%
-16%	0.25%	0.23%	0.21%	0.19%	0.18%
-12%	0.25%	0.24%	0.22%	0.20%	0.20%
-8%	0.25%	0.24%	0.23%	0.22%	0.22%

The July 1, 2008 margin is 0.12% based on the current statutory rate of 1.00% of payroll.

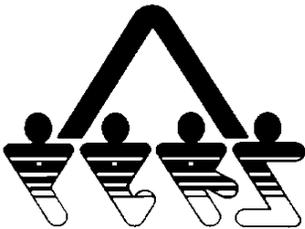
This plan appears to be able to handle loss without an increase being needed. Please note this does not include the increase in benefits and contributions provided this last session.

Conclusion

As the above shows, we have a significant challenge in front of us. Staff is beginning its meetings with our Benefits Committee this fall and we plan to report back to you in October/November.

Board Action Requested

Approve preparing the Job Service valuation at 8% in addition to 7.5% return assumptions.



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Memorandum

TO: PERS Board

FROM: Rebecca

DATE: August 7, 2009

SUBJECT: **Procedural Changes Related to Purchases,
Administrative Rules and New Business System**

Through the process of developing the new business system, NDPERS staff has been able to determine areas related to the purchase of service credit that will allow us to implement changes in how we process the payments and award purchased credit to a member's record. The purpose of this memo is to review our current process and the suggested changes, as well as its implication for our proposed rules and policies. We have developed our proposed rules (agenda item VI.E) to include these changes. If you elect not to make the changes outlined in this memo, we will change the proposed rules accordingly.

Current Processes:

Individuals are able to make a minimum monthly payment of \$50.00 and are permitted to keep a purchase contract open for as long as they are an active, contributing employee in the plan. However, this has caused problems as a number of individuals that utilize this minimum payment amount have their entire payment amount applied towards interest on the contract and never buy down the principal. Staff contacts individuals in this situation, but if they do not change the amount, they are not ever able to complete the purchase. In addition, our current administrative rules indicate that NDPERS will not update the member's record with the purchased service credit until the purchase contract has been paid in full or closed. Current rules outline how purchased service credit is pro-rated if the contract is closed before all payments are received. Due to limitations of our current mainframe system, the process of updating a record with purchased service credit is a manual process which is only done at the time payment is made in full or when an account is closed.

Recommended Changes:

Through discussions in our planning and design meetings, staff addressed these issues and would like to make recommendations for changing the way we process payments and

award the purchased service credit. Our new business system will allow us to incorporate the recommendations in a more efficient manner than our current system could. The recommendations are:

- 1) Require that the purchase period for a contract be no longer than a 10 year period. This allows the system to create an amortization schedule for the member with payments sufficient to pay off the purchase contract by the end of the contract term.
- 2) Require that the payment be a minimum of \$50.00, large enough to pay the current interest plus a portion of principal and an amount necessary to complete the payment contract within the 10 year period. Again, this will allow the system to create an amortization schedule with payments sufficient to pay off the purchase contract by the end of the contract term.
- 3) Allow NDPERS to award purchased service credit each time a payment is received. This means that credit would be pro-rated and applied throughout the payment period.

Staff has incorporated items 1 and 2 into the proposed administrative rules as they can be implemented through internal processes once the rules are promulgated in the spring of 2010, which is prior to the transition to the new business system.

Item 3 cannot be implemented until the new business system is available. Staff recommends removing specific references to the crediting of service credit in our existing rules, adding more general language, and also having the Board approve policy that will allow NDPERS to continue to award the purchased service credit once the purchase contract is paid in full or closed until the new business system is available. Once the new system is available, purchased service credit will be awarded each time a payment is received as follows:

[Remaining service credit to be posted multiplied by (payment amount divided by payoff amount)]

For example: 8 months left to purchase, paying \$300 with \$10,000 left to pay would be calculated as $[8(300/10000)] = .24$ months

- ❖ The system would make sure that the proportional service credit awarded does not exceed the total service credit in the purchase contract
- ❖ The system will make sure that when the final payment is made, the total proportional service credit awarded equals the service credit in the purchase contract.
- ❖ The system will make sure that if a contract is closed before it is paid in full, it will round up the proportional service credit awarded to the next nearest month, to eliminate any fractions of a month of service credit.

Once the new system is available, we will include these as updates in the next cycle of administrative rule changes.

Staff Recommendation:

Adopt administrative rule changes, including the removal of rules relating to the crediting of service credit. Adopt board policy that allows us to continue our current processes for the crediting and proration of service credit until the new business system becomes available. Once the new system is available, the policy would change based upon the criteria established above until new administrative rules can be promulgated.

Policy until new business system available:

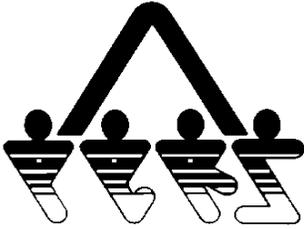
NDPERS to award the purchased service credit once the purchase contract is paid in full or closed.

Policy once new business system available:

Purchased service credit will be awarded each time a payment is received.

Board Action Requested:

Determine if administrative rules are to be modified as outlined, and if so, adopt policy for handling the crediting and proration of service credit for the time period beginning with the adoption of the new administrative rules in the spring of 2010 and continuing with the implementation of the new business system.



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: August 12, 2009
SUBJECT: BCBS Health Care Review

BCBS will present information from a recent study they helped to sponsor on health care in North Dakota. Attachment #1 is copy of the slides they will be going through with us.



2009 Reimbursement Update

- 2009 Reimbursement
- 2008 Year in Review
- The Milliman Report
- Immediate Challenges

Presented by:

Don Schott, AVP Provider Reimbursement



2009 Rate Increase – Net Effect

- Institutional Services
 - Inpatient ----- 4.5%
 - Outpatient ----- 4.3%
- Net Institutional ----- 4.4%
- Professional Services ----- 4.3%
- Total Increase ----- 4.3%



2009 Rate Increase

- Institutional Services
 - Inpatient ----- \$10,534,000
 - Outpatient ----- \$ 8,735,000
- Net Institutional ----- \$19,269,000
- Professional Services ----- \$21,139,000
- Total Increase ----- **\$40,408,000**

Every 1% fee schedule increase yields an additional \$9.4 million dollars to ND providers.

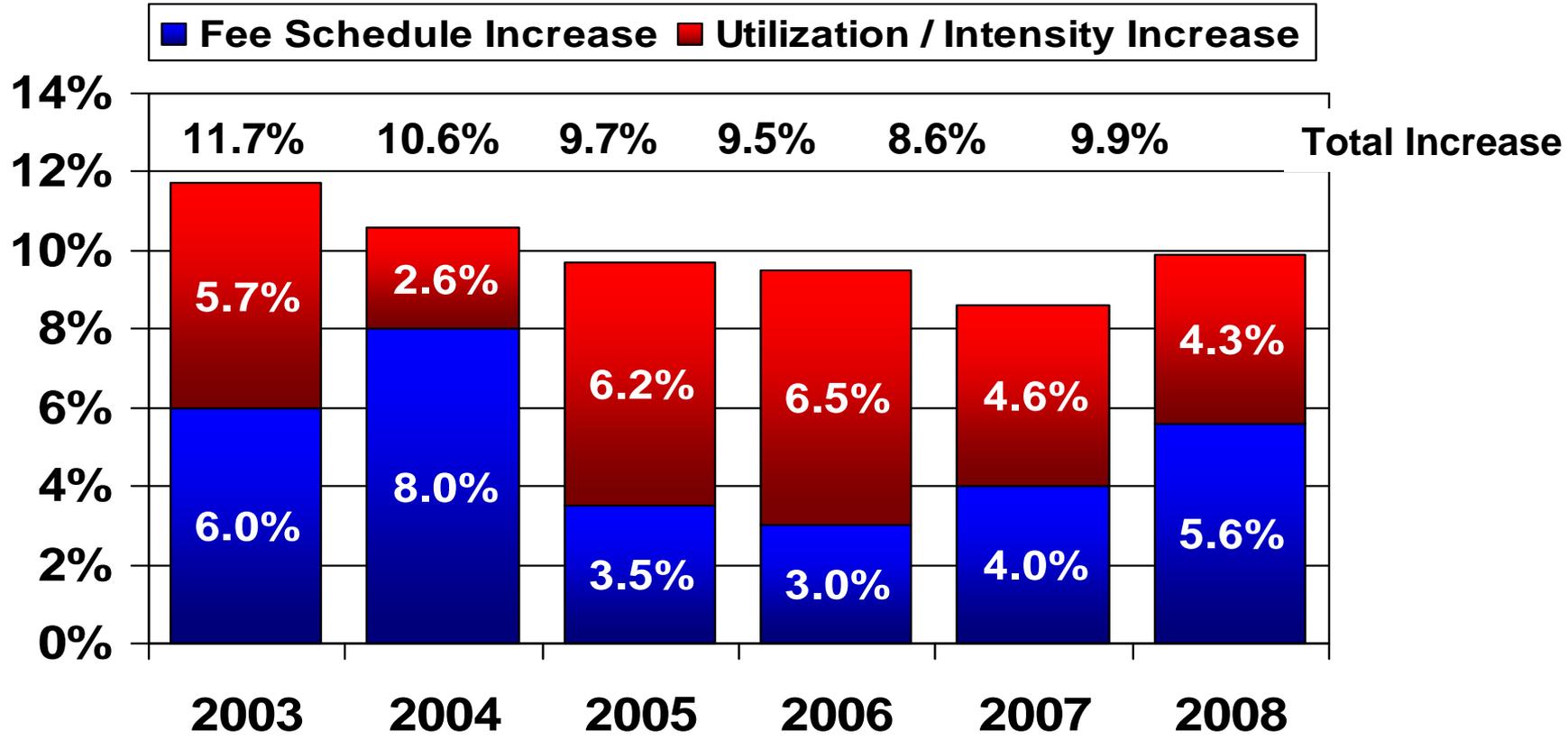


2008 Year in Review

Annual Change to ND Providers

Rate Increase + Utilization = Total Impact

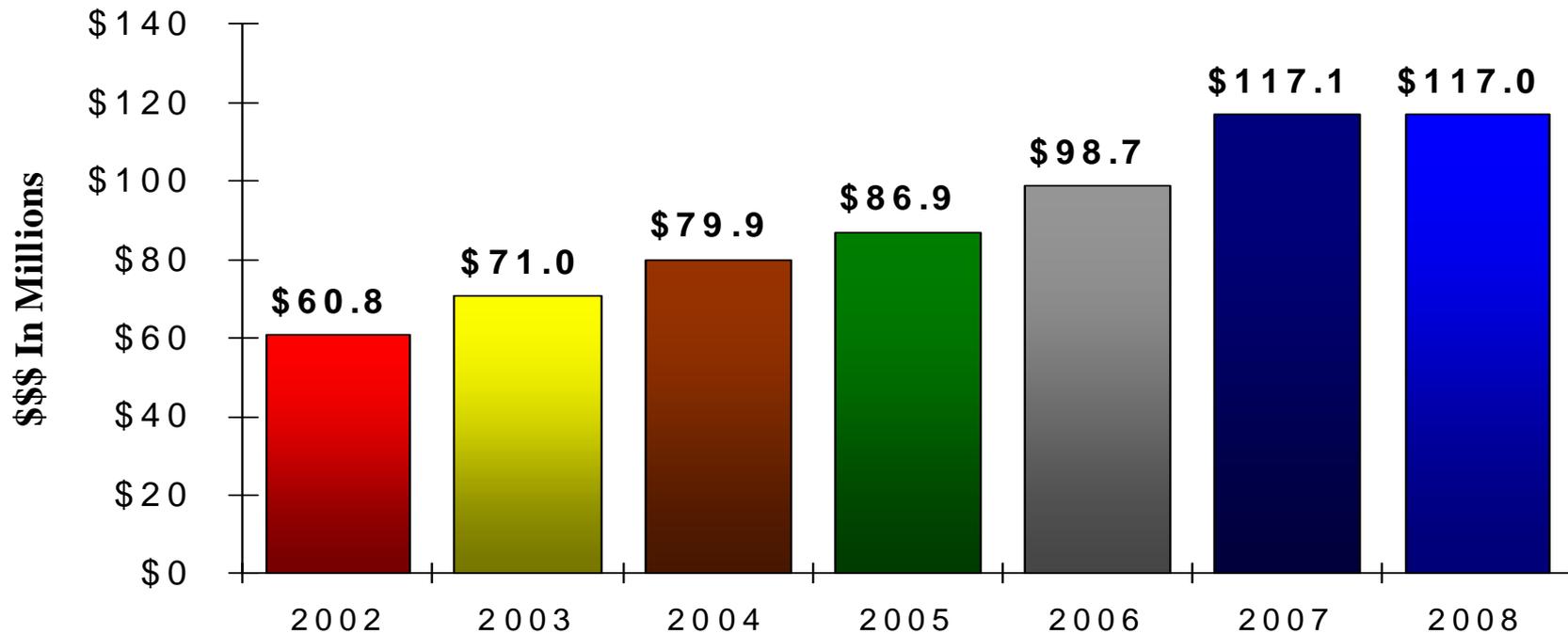
PMPM changes for BCBSND members residing in North Dakota.





Out of State Medical Expenses Incurred by North Dakota Residents

Annual Allowed Dollars Paid to Out of State Providers



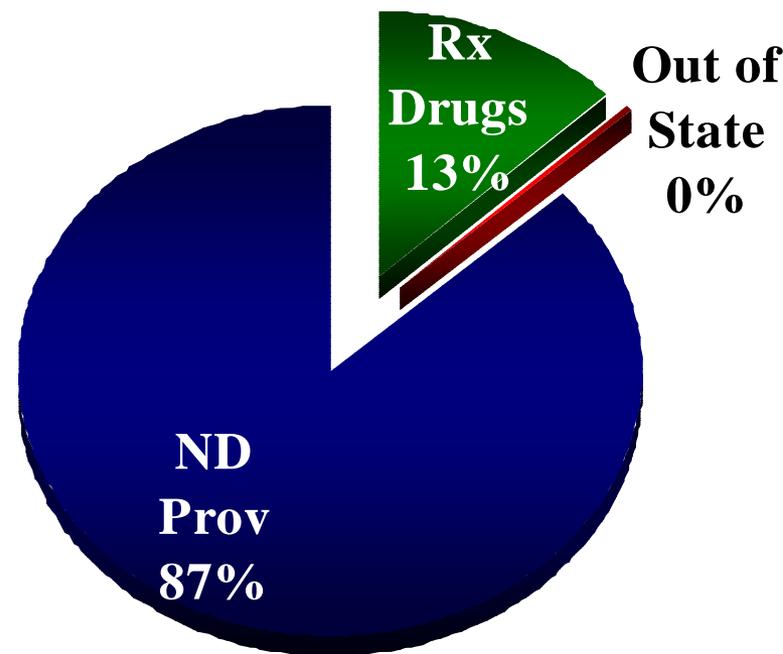


2008 Year in Review

2008 Additional Health Care Expenditure

7.8% \simeq \$69 million

- Rx Drugs.....\$ 9.1m \simeq +5.5%
- Out of State...**\$(.03)m \simeq -0.3%**
- ND Providers..\$60.0 \simeq +9.9%
 - Inpatient -----18.5m \simeq +12.7%
 - Outpatient ----15.2m \simeq + 10.9%
 - Professional -26.3m \simeq + 8.2%





- Evaluation of Health Insurance Premiums and Provider Reimbursement Levels
 - **Sponsored by the ND Medical Association**
 - Funded by:
 - Altru Health System
 - Innovis Health
 - MeritCare Health System
 - St. Alexius Medical Center
 - Medcenter One
 - Trinity Health
 - Blue Cross Blue Shield of North Dakota

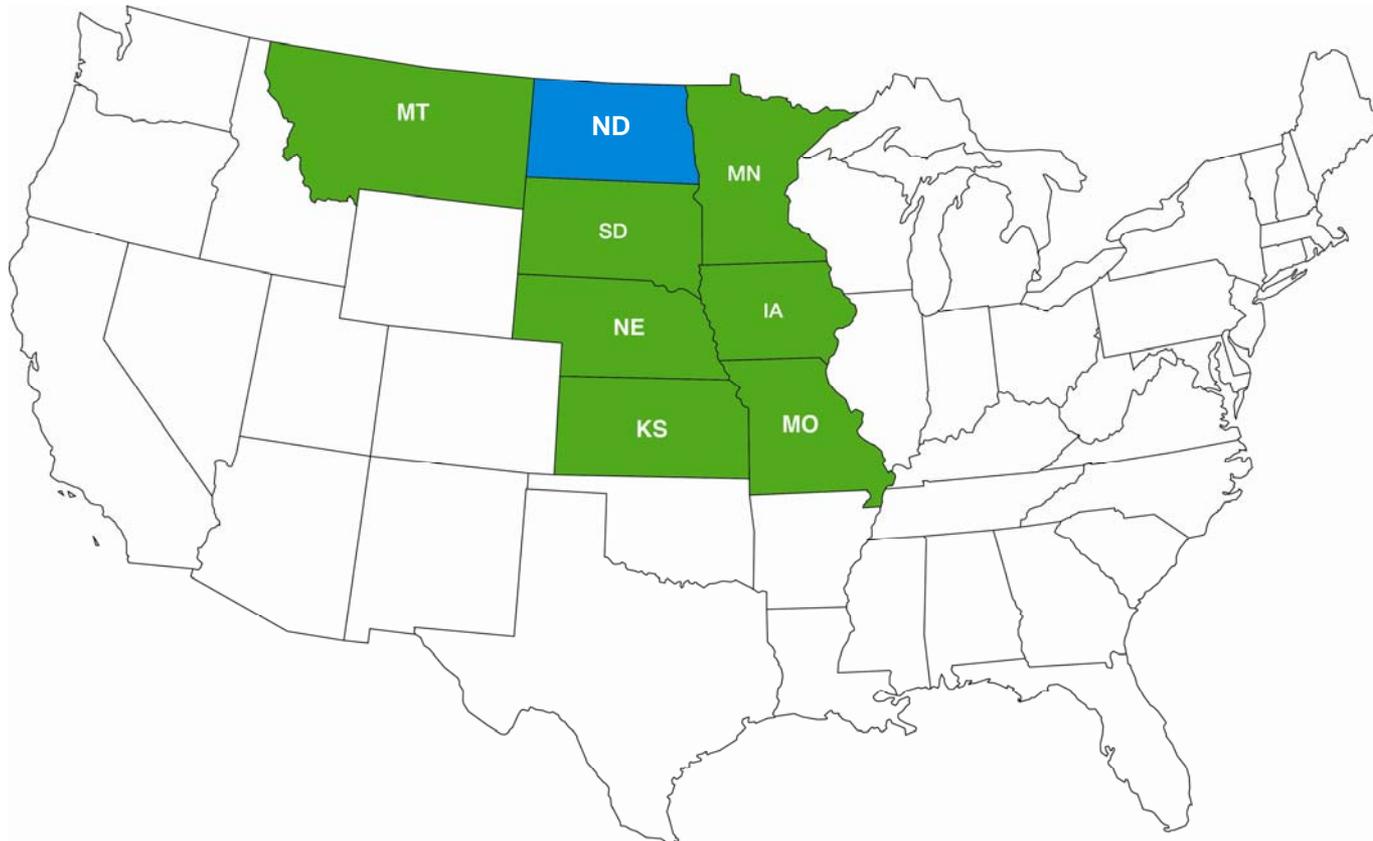


- **Comparison consists of five separate components:**
 1. Health insurance premiums
 2. Private payer hospital reimbursement
 3. Private payer physician reimbursement
 4. Hospital operating costs
 5. Hospital operating margins



Comparison States

CMS' West North Central Region + Montana





Summary of Key Results

Measure	North Dakota	Comparison States' Average	North Dakota vs Other States
I. Average Premium	\$322	\$399	83%
II. Private Payer Hospital Reimbursement per RVU - Geog. Adjusted	\$66	\$96	69%
III. Private Payer Physician Reimbursement as a % of Medicare - Geog. Adjusted	152%	164%	93%
IV. Hospital Costs per RVU - Geog. Adjusted	\$44	\$49	91%
V. FY 2007 Total Hospital Operating Margin	1.8%	6.9%	-5.1%



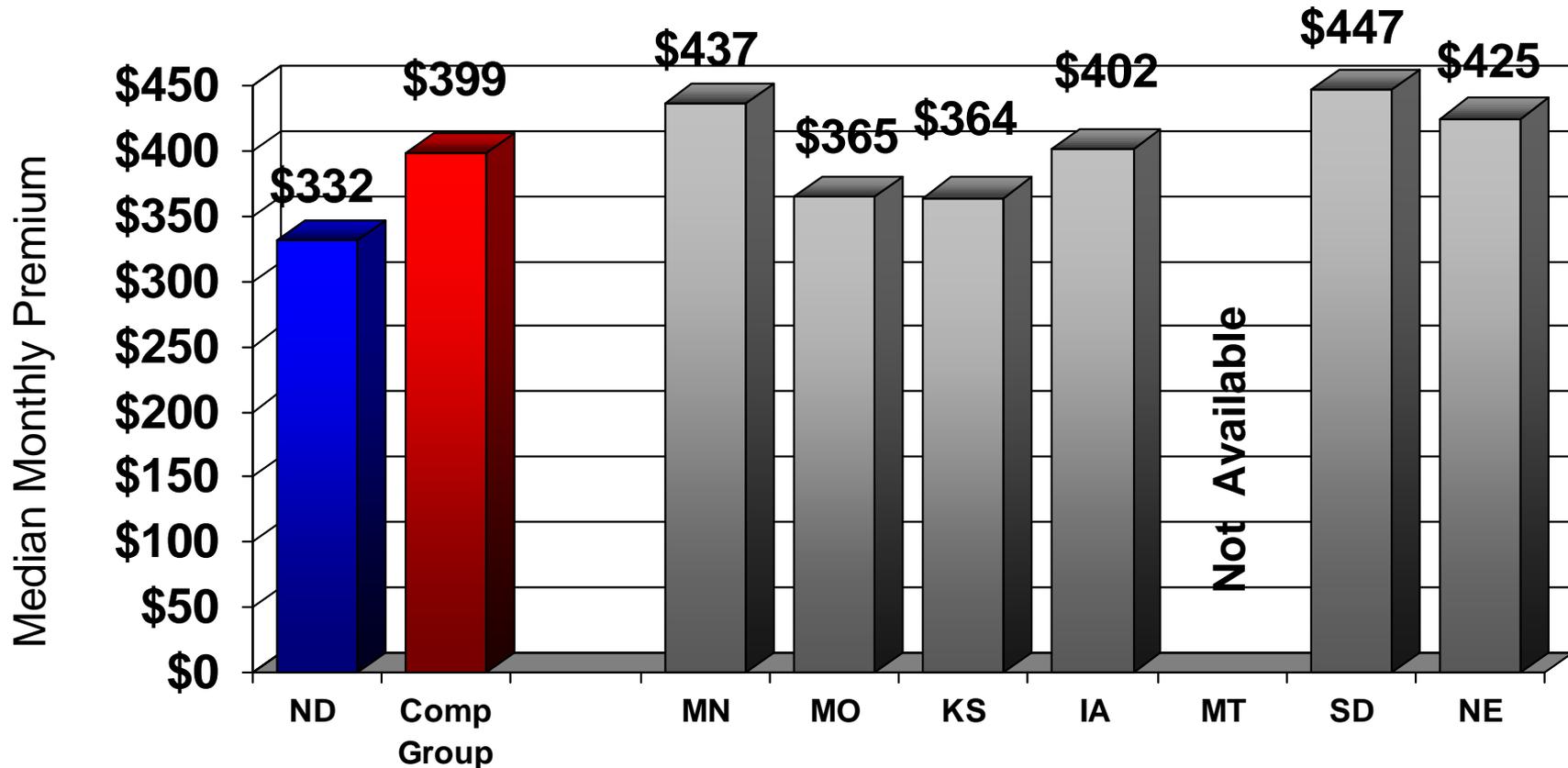
Premium aligns with Reimbursement

Measure	North Dakota vs Other States	Ratio of Healthcare Expenditure	Weighted Average Reimbursement
I. Average Premium	83%		
II. Private Payer Hospital Reimbursement per RVU - Geog. Adjusted	69%	50%	35%
III. Private Payer Physician Reimbursement as a % of Medicare - Geog. Adjusted	93%	50%	47%
Overall Average Percent of Reimb.			81%

Approximately 15% of BCBSND's provider payments are paid to out of state providers at other plans' rates. Those payments are accounted for in average premium. That is a contributing factor to the couple of percent difference between premium and reimbursement.

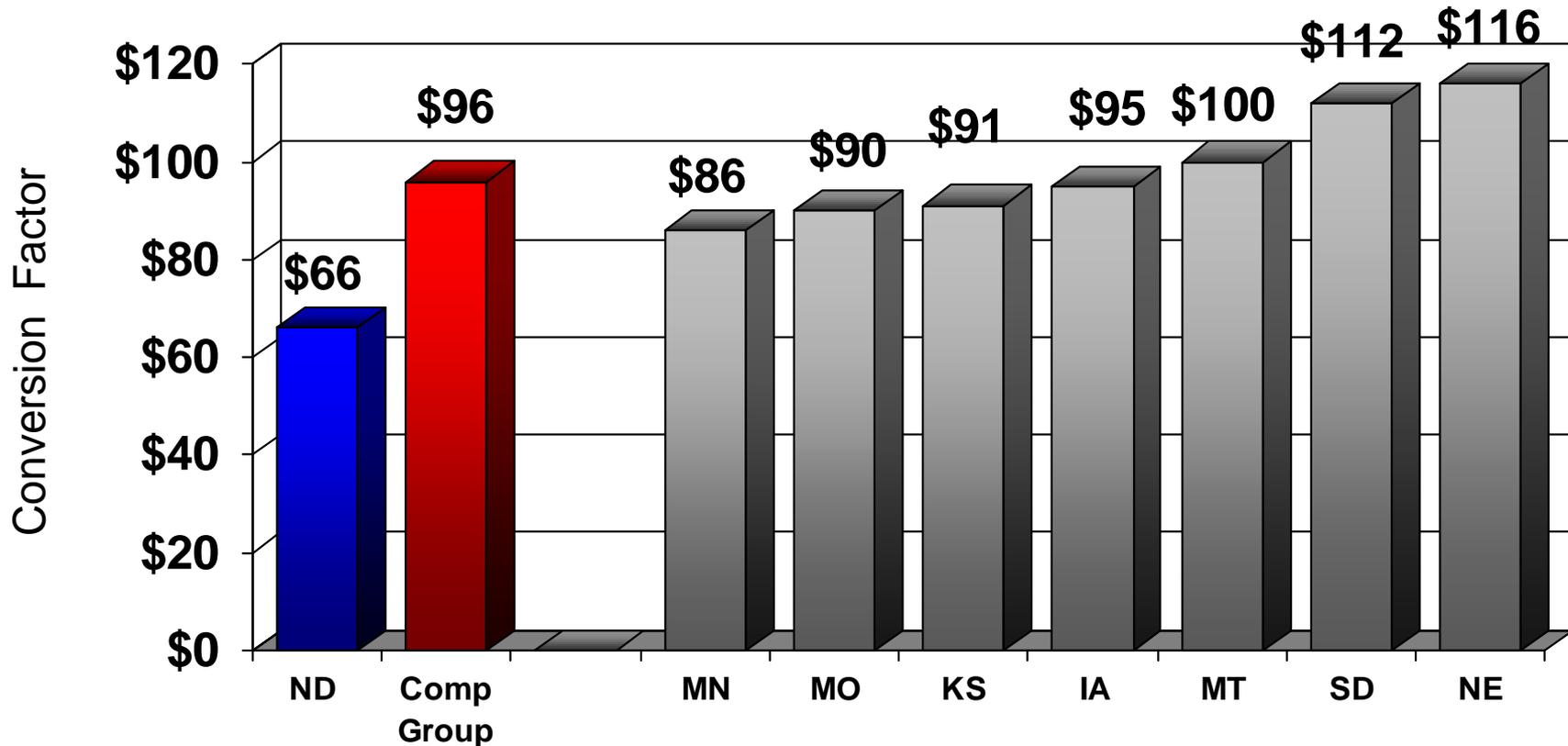


Statewide Premiums - Single Enrollees July 1, 2008



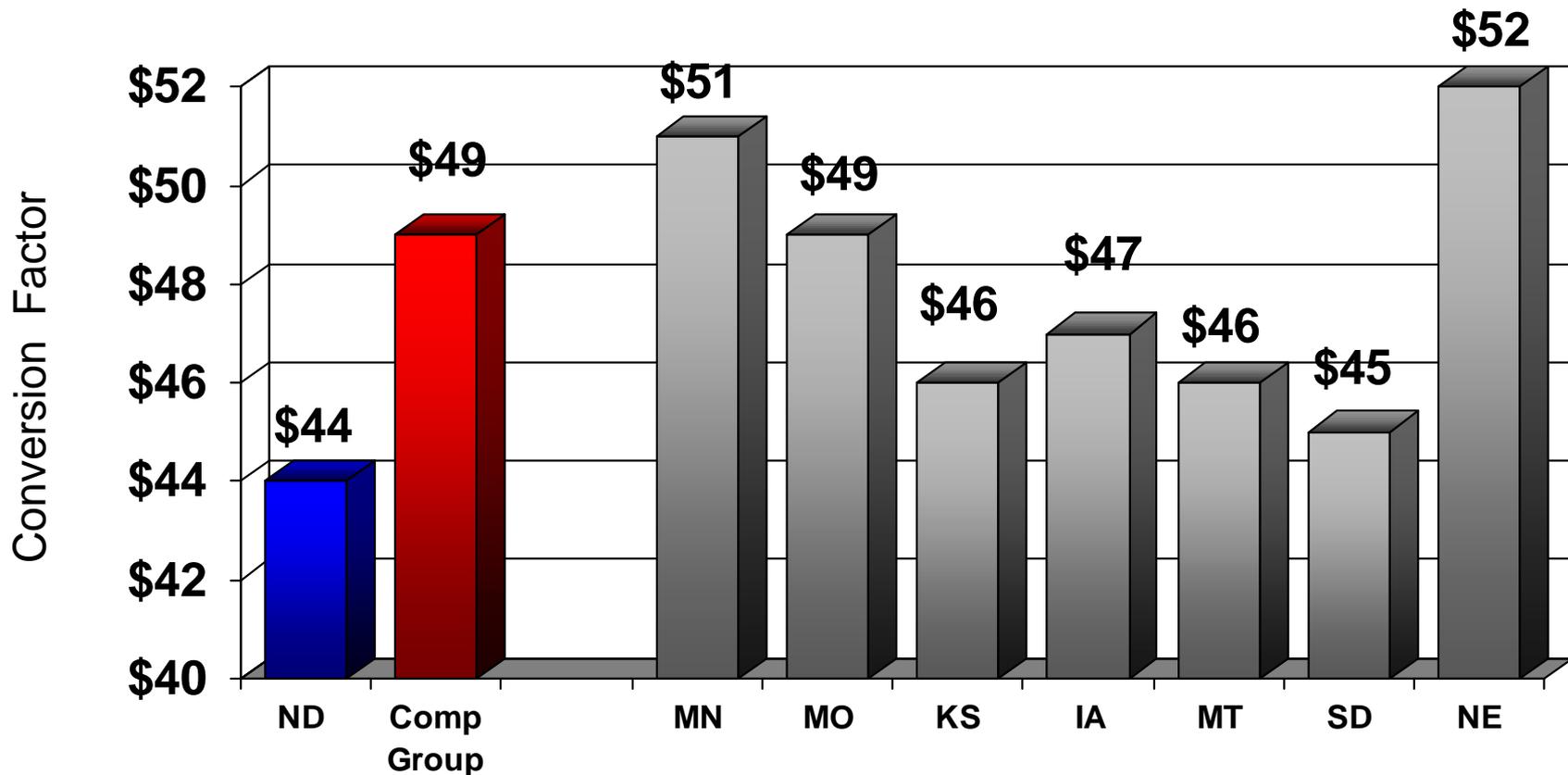


Total 2006 Hospital Payments Geographically Adjusted



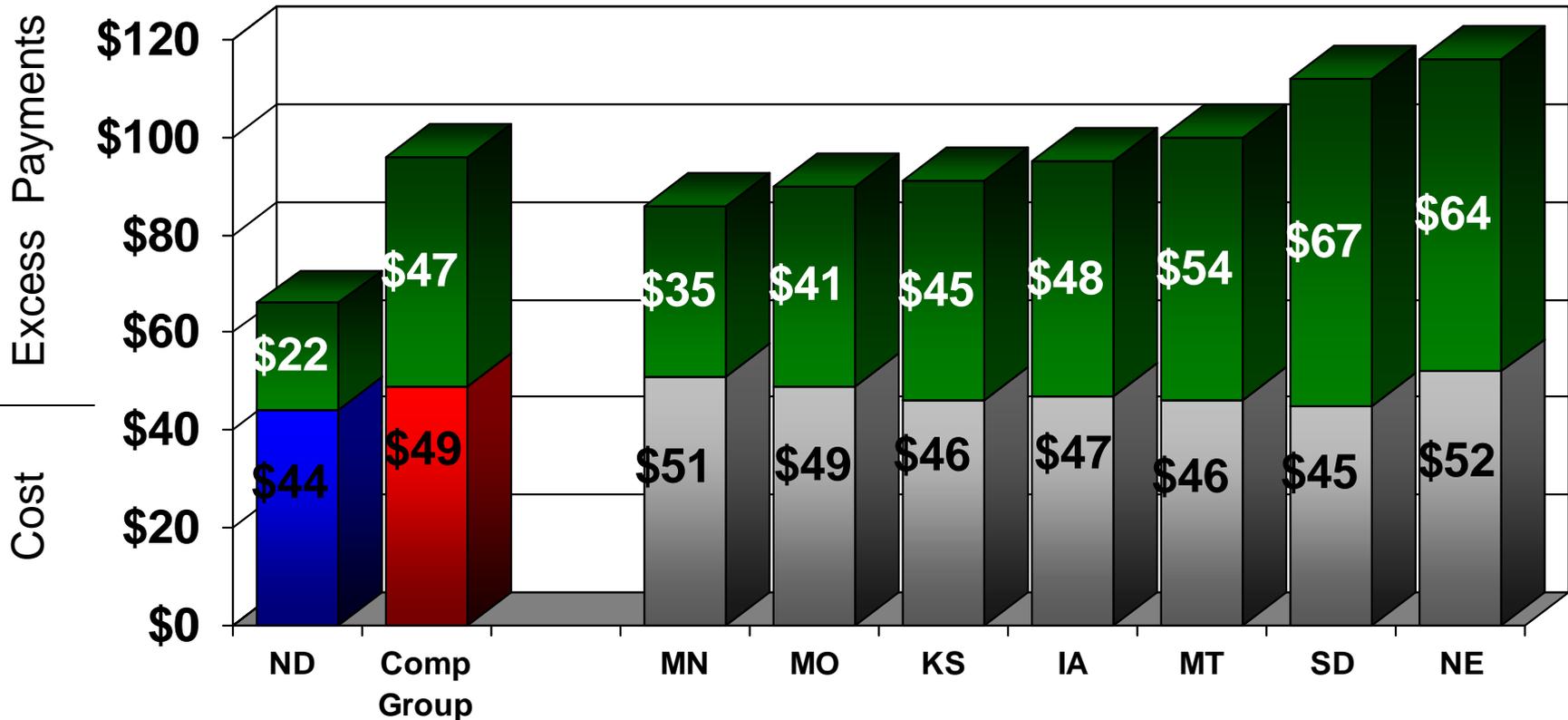


Total 2006 Hospital Costs Geographically Adjusted



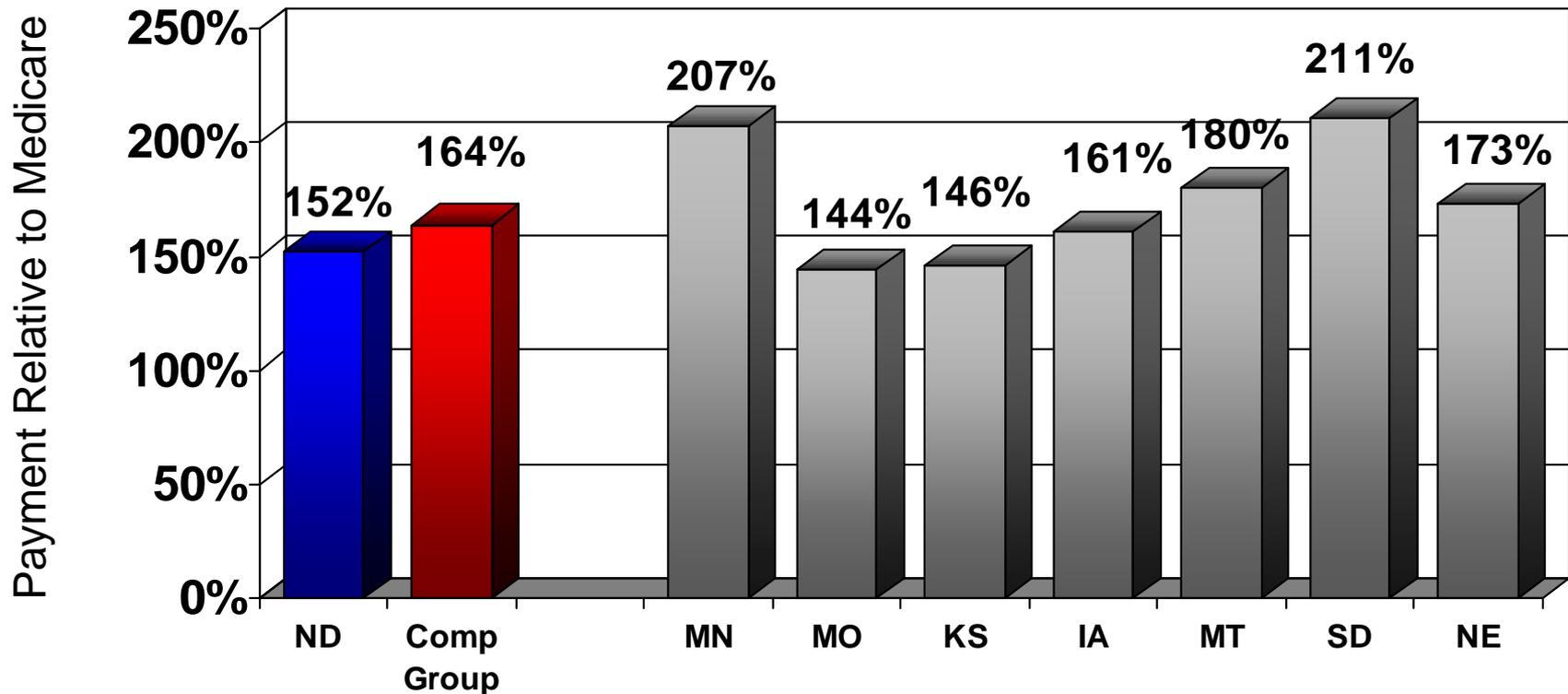


Total 2006 Hospital Payments above Hospital Costs per RVU Geographically Adjusted



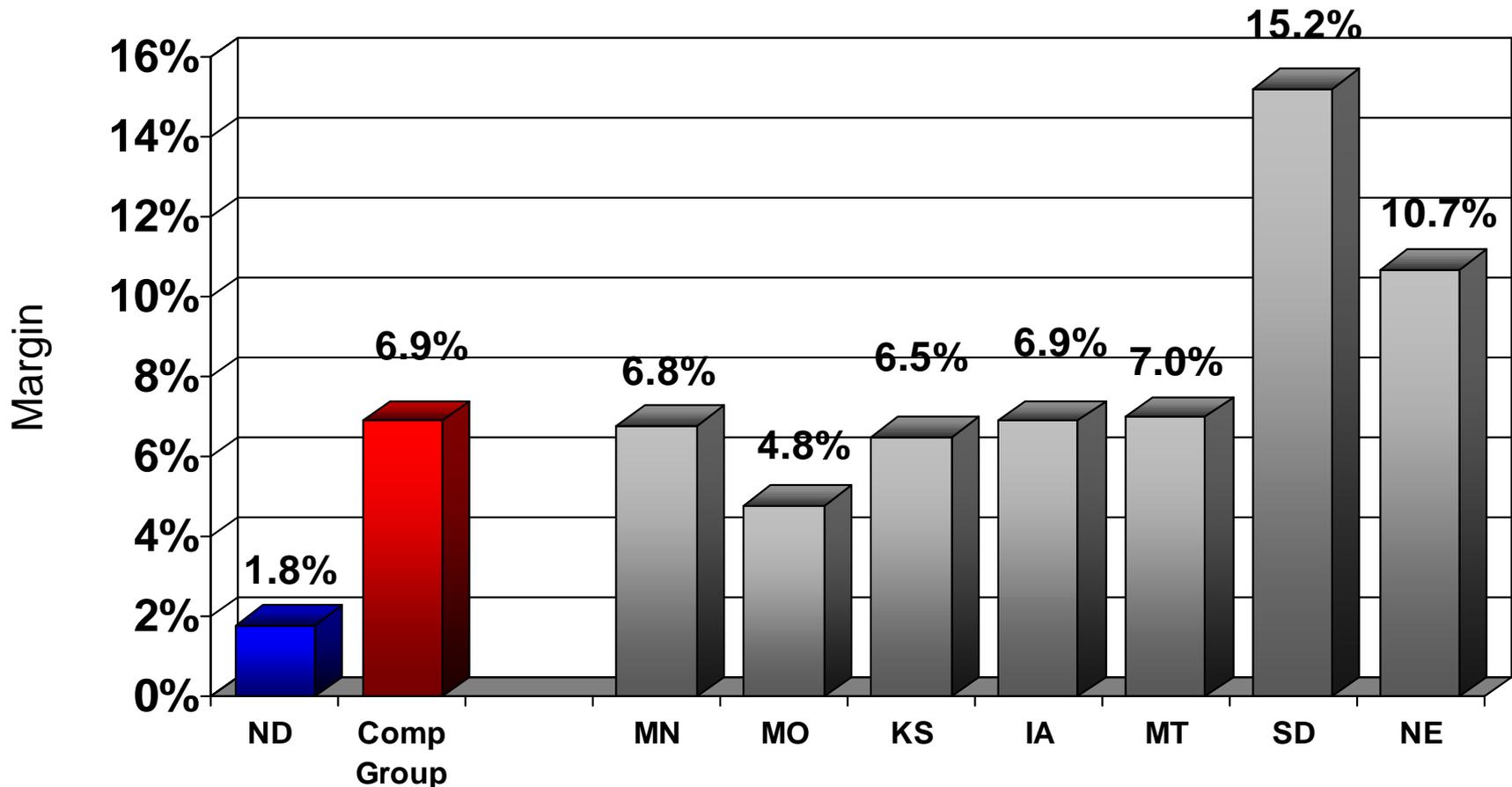


2006 Physician Payments as % Medicare Fee Schedule Geographically Adjusted





Total 2007 Hospital Margins





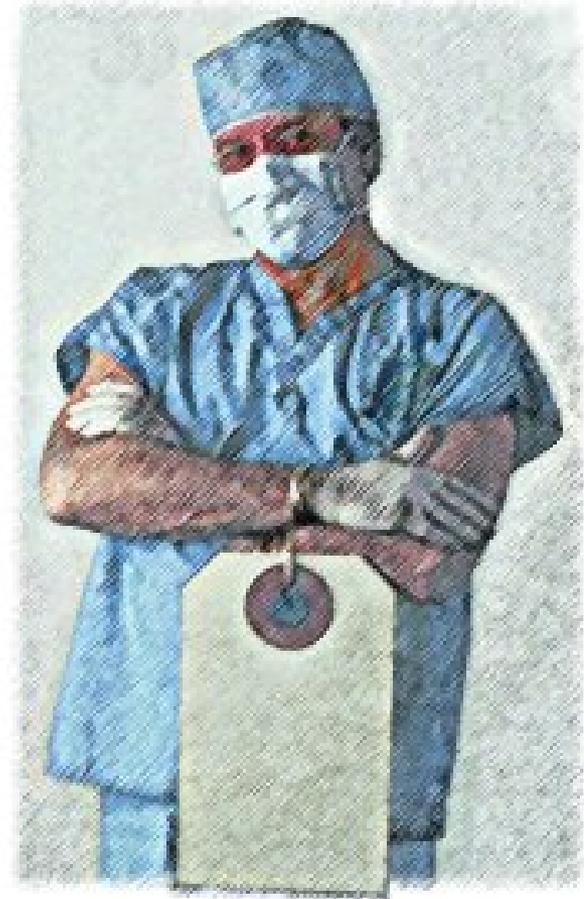
Immediate Challenges to North Dakota Health Care



Immediate Challenges

1. An Underfunded Statewide Health Care System

1. Low Medicare Payments
2. Low Medicaid Payments
3. Relatively low commercial payer payments





2. Health Care Reform

Public Insurance Option

- Estimated **Reduction** to North Dakota Providers
- If 1/3 of BCBSND members move to Medicare ----- **(\$131 Million)**
- If 1/2 of BCBSND members move to Medicare – **(\$197 Million)**





Immediate Challenges

3. Balancing Affordability with Sustainability

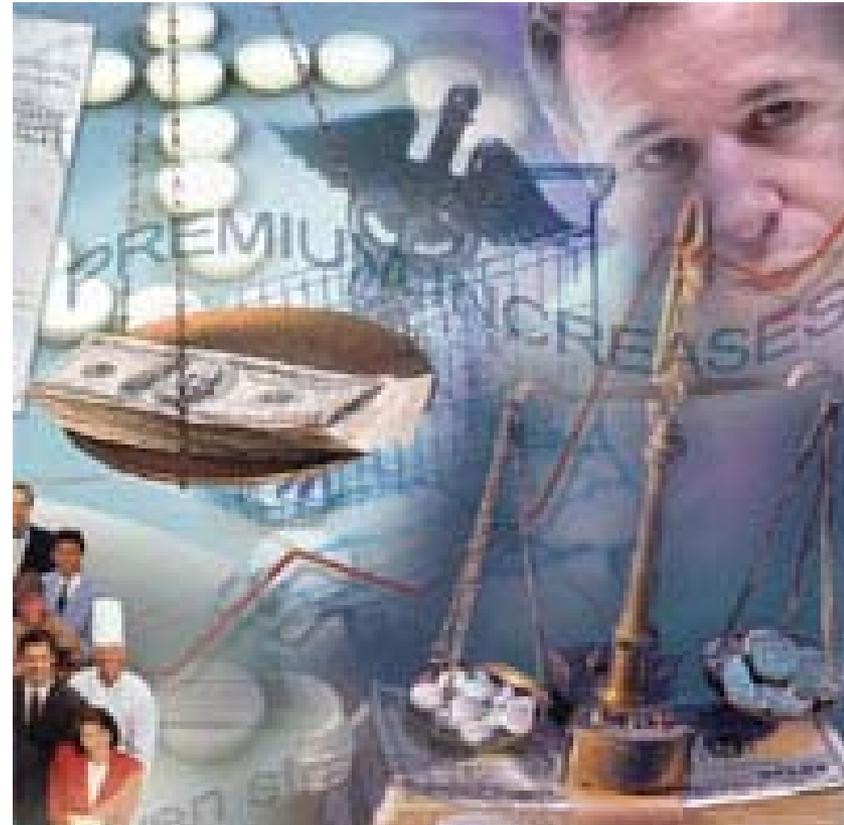
Milliman Study

BCBSND as a percent of Comparison States

Premiums ----- 83%

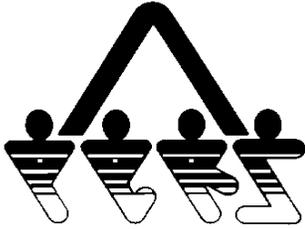
Reimbursement -- 81%

(does not include payments to out of state providers)





Thank you.



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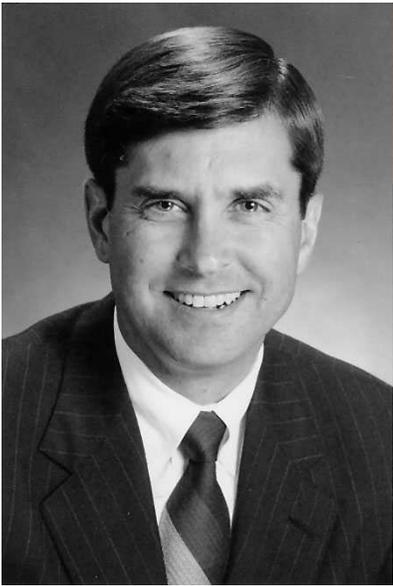
Memorandum

TO: PERS Board
FROM: Sparb
DATE: August 12, 2009
SUBJECT: BCBS Plan

Attached for your information and reference is information from BCBS on their new CEO and their Seven Point Plan.

Attachment #1 is the bio for their new CEO Paul von Ebers. He will attend an upcoming meeting to get acquainted.

Attachment #2 is a copy of a brochure that BCBS mailed to all members entitled "Seven Point Plan for Board of Directors Oversight Strategy".



Paul von Ebers, biography

Extensive health insurance industry experience

Effective leadership

Midwestern values

Summary

Deeply rooted in the Midwest, Paul von Ebers holds an MBA in finance and hospital administration from the University of Chicago. He's done extensive work with entities of the Blue Cross and Blue Shield organization, both in senior management positions and as a private consultant.

Paul wants to make a difference by helping create an affordable, high quality health care system. "I went into this industry because helping people with their health care needs seemed more important than anything else I could do," he says. He has a reputation for building effective teams and creating collaborative relationships with employees, members and insurance regulators.

Paul and his wife, Jill, have five children.

Professional Experience

Excellus Health Plan, Inc., Rochester, NY

From 2005 to 2009, von Ebers helped run Excellus Health Blue Cross Blue Shield and Univera health plans in New York, first as senior vice president of Marketing and then as executive vice president and chief operating officer. There he was responsible for a \$5 billion health plan with 1.9 million members.

Von Ebers took the lead role of the company in 2007, when Excellus faced serious operational, financial and marketplace problems caused by a number of historical problems. His leadership led to increased operating efficiencies, effective medical management strategies and a positive cultural change program.

von Ebers & Associates, Des Moines, IA

In 1995, von Ebers founded a health care strategic planning and consulting firm which he ran for 10 years. While in that practice, he consulted with many Blue Cross Blue Shield plans and provided services to other health plans, health care providers and health IT companies.

Wellmark Blue Cross and Blue Shield, Des Moines, IA

From 1984-1995, von Ebers held three senior vice president positions at Blue Cross Blue Shield of Iowa in Health Information Technology, Health Care Management and External Affairs. In addition to leading sweeping changes in technological efficiencies, his legacy there is having designed and implemented the largest preferred provider organization in the state and incorporating accredited Utilization Review and Quality Management programs.

Blue Cross and Blue Shield Association, Chicago, IL

Von Ebers worked in Business Strategy Services at the Blue Cross and Blue Shield Association of Illinois from 1979-1984, first as a senior management consultant and later as executive director. There he built a successful consulting practice improving performance for plans with severe financial or service problems.

Hospital Systems in Chicago, IL and Lansing, MI

Prior to his executive career, between 1971 and 1979, von Ebers held staff positions within the Blue Cross and Blue Shield organization, American Hospital Association, Michigan Hospital Association, and American Medical Association.

Education

MBA, Graduate School of Business, University of Chicago

Undergraduate studies, University of Chicago and Northwestern University

Community Involvement

Paul recently served on the boards of directors for:

- United Way of Greater Rochester
- Rochester YMCA
- Lifespan
- Outcome Pharmaceutical Care, LLC



The Noridian Mutual Insurance family of companies, including Blue Cross Blue Shield of North Dakota, is directed by a board of 13 men and women who represent business, government, health care and education. We are all committed to improving the quality of life and health in North Dakota.

The Board typically meets six times a year; however, during the last several tumultuous months, we've met more frequently to conduct a thorough examination of how we govern the company. The result is a Seven Point Plan that tightens up some policies and procedures and establishes a new gold standard of corporate oversight.

The vigorous nature of the plan demonstrates our commitment to serving our members. It's outlined here, along with progress to date in each area.



www.BCBSND.com

Noridian Mutual Insurance Company

Seven Point Plan

for Board of Directors' Oversight Strategy



An independent licensee of the Blue Cross & Blue Shield Association

July 2009

Seven Point Plan for Board of Directors' Oversight Strategy

1. Executive Leadership Change

On March 9, 2009 the Noridian Board terminated the employment relationship of the then-serving president and CEO.

Actions:

1. Assigned Tim Huckle as interim president and CEO;
2. Hired PACE Group to execute and manage a national CEO search;
3. Proceeding with hiring a new CEO.

2. Governance Counsel

To assist the Board in the self-examination process and related governance best practices, the Board will enlist the services of a reputable, outside firm with governance expertise.

Actions:

1. Contracted with McDermott Will & Emery, a nationally-recognized board and non-profit governance expert;
2. Incorporated recommendations and strategy of McDermott Will & Emery.

3. Internal Review

Evaluate the ways in which we demonstrate our respect for the North Dakota Department of Insurance (DOI) and its system of checks and balances, thereby proving our common commitment to representing the best interest of North Dakota health care consumers.

Actions:

1. Cooperated with the DOI's targeted market exam conducted April 7 through July 10, 2009;
2. Implemented policy that required consistent and complete updates on Noridian/DOI communications from appropriate Noridian staff to Board.

4. Administrative/Operational Policies

Implement specific self-corrective action through the adoption of operational and administrative policies designed to prevent future occurrences of the type that led to the termination of the former president and CEO.

Actions:

1. Incorporated policy requiring Board, executive, management and divisional meetings be held in North Dakota or border cities;
2. Discontinued marketing-incentive trips;
3. Revised corporate policy on donations;
4. Revised corporate travel policies:
 - Implemented government-based per diem policy for meals and related travel expenses;
 - Banned reimbursement for alcohol at employee and Board events;
 - Require executive approval for all out-of-state travel;
5. Established new policy of uniform events for all employee retirements;
6. Evaluating internal purchasing policy;
7. Evaluating internal investment policy.

5. Governance Policies

Adoption of revised governance policies intended to enhance the board's oversight capabilities;

Actions:

1. Established preference for expert and tailored training at Board meetings;
2. Established Board conference attendance guidelines;
3. Clarified reporting relationships for the general counsel, chief financial officer and compliance officer, including revisions to the company organizational chart;
4. Implemented requirement of Board approval for CEO recommendations of executive staff hiring, promotions, separations and severance;
5. Revise Board communication strategies based on transparency;
6. Review director evaluation process.

6. Executive Compensation

Review CEO/executive compensation structure to see if it incentivizes appropriate executive behavior in the areas of corporate compliance, customer satisfaction, operational oversight, workplace environment and constituent goals and objectives.

Actions:

1. Completed review with assistance from outside consultants, Schuster-Zingheim and Associates;
2. Distributed compensation report to management for evaluation and implementation.

7. Board Compensation

Evaluate compensation structure of the Board to determine whether, in both format and amount, it is consistent with best practices in terms of fairly and reasonably compensating the directors for effective organizational oversight and pursuit of the health care mission of the organization on behalf of its constituents.

Actions:

1. Board completed extensive internal review of Board compensation levels;
2. Contracted with Mercer to complete an external review and recommendations of Board compensation by July 31, 2009.



**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: August 12, 2009
SUBJECT: Memorandums of Understanding

Attached for your approval are four Memorandums of Understanding relating to work efforts and programs that BCBS provides assistance to us with. These are:

1. Wellness Benefit Program
2. Pharmacy Disease Management Program
3. Tobacco Cessation Program
4. BCBS Wellness Program

Staff Recommendation

Approve the MOU's

Board Action Requested

Approve MOU's

NDPERS WELLNESS BENEFIT PROGRAM AGREEMENT

THIS NDPERS WELLNESS BENEFIT PROGRAM AGREEMENT (Wellness Agreement), is entered into this first day of July, 2009, by and between the North Dakota Public Employees Retirement System (NDPERS), a public agency created under North Dakota state law, and Blue Cross Blue Shield of North Dakota (BCBSND), a North Dakota nonprofit mutual insurance company, located at 4510 13th Avenue South, Fargo, North Dakota.

RECITATIONS:

WHEREAS, the state of North Dakota, acting through NDPERS, and BCBSND, in an effort to create healthier lifestyles for NDPERS Members (as defined by the Administrative Services Agreement between the parties) (ASA Agreement) and to help contain health care costs, desire to promote, support and sponsor health and wellness initiatives; and

WHEREAS, pursuant to this Wellness Agreement, NDPERS and BCBSND have agreed to establish a Wellness Benefit Program related to health and wellness promotion for NDPERS Members subject to this Wellness Agreement; and

WHEREAS, the Wellness Benefit Program created through this Wellness Agreement between BCBSND and NDPERS anticipates there will be costs and fees associated with supporting such health and wellness programs provided to NDPERS Members and to be administered through this agreement with BCBSND.

NOW, WHEREFORE, in recognition of the mutual promises herein contained and for other good and valuable consideration hereby acknowledged by the parties hereto, NDPERS and BCBSND agree to the following.

I. TERM.

The Wellness Benefit Program shall be effective from July 1, 2009 through June 30, 2011.

II. FUNDING.

The parties acknowledge, understand and agree that funding for the benefits and services extended through this Wellness Agreement shall be taken from the NDPERS cash reserve account maintained by BCBSND.

NDPERS agrees to pay costs associated with the benefits and services extended under this Wellness Agreement to BCBSND, as they are submitted to BCBSND.

The parties acknowledge, understand and agree that the fees and charges provisions of the ASA Agreement currently existing between the parties, including fees set forth for various wellness programs as approved and funded, are subject to specific funding provisions as set forth between the parties and as available, and are not subject to the final accounting provisions contained in the Administrative Services Agreement.

IV. OTHER TERMS AND CONDITIONS.

Applications for approval of benefits and services under the Wellness Benefit Program shall be submitted to the Bismarck NDPERS office to the attention of the Wellness Benefit Program Manager by each agency interested in establishing such a program.

A Wellness Committee shall be established to review any such applications submitted. The Wellness Committee shall be comprised of: two (2) NDPERS staff members and one (1) BCBSND staff member. Upon appointment, the Wellness Committee shall establish criteria to ensure a uniform basis upon which it may grant or deny each agency application. Wellness benefits or healthy lifestyle programs, such as smoking cessation, nutrition, exercise, stress management, weight control, wellness education and the number of people affected by each program will be taken into consideration and shall be part of the criteria established by the Wellness Committee.

The applying agency will be notified by the Wellness Committee within sixty (60) days of application of the approval or denial of the proposed program.

Funds may either be distributed directly to the applying agency or, preferably, paid directly to the vendor providing said service or facilitating said Wellness Benefit Program.

All funds distributed shall be for Wellness Benefit Programs completed within the current 2009-2011 biennium budget.

Funds are available for agency group activities only and will not be available to specific individuals or to fund any of the following:

- Food items or services, bottled water or water dispensers
- Incentives, prizes or gift certificates
- Services for massages
- Individual memberships in diet programs, health, athletic or fitness clubs
- Exercise equipment or health monitoring equipment
- Printing expenses
- Expenses for mailing or office supplies

Applying agencies that receive funds for a Wellness Benefit Program are required to submit to the Wellness Committee an evaluation of the sponsored program after its completion. The Wellness Committee will communicate an outline of the program funded and an evaluation of said program to all state agencies and encourage participation in those programs showing positive results in wellness and healthy lifestyle habits.

V. GENERAL PROVISIONS.

The following general conditions, covenants and obligations apply equally to both NDPERS and BCBSND under the terms of this Wellness Agreement.

Time is of the Essence. Time is of the essence of each provision of this entire Wellness Agreement and all of its terms and conditions.

Notice. Any notice required or permitted under the terms of this Wellness Agreement shall, in all cases, be construed under the notice provision in the ASA Agreement.

Assignment. No party may assign this Wellness Agreement, or any of the obligations or duties mandated under the terms of this Wellness Agreement, without the prior written consent of the other parties hereto.

Waiver. No delay or omission by any party to exercise any right or power under the terms of this Wellness Agreement shall preclude the exercise of such right or power in subsequent instances or be construed to be a waiver thereof. A waiver by any party hereto of any of the covenants to be performed by any other party shall not be construed to be a waiver of any covenant herein contained, and the waiver of any breach of covenant shall not be construed to be a waiver of any succeeding breach thereof.

Modification. Any modification of this Wellness Agreement or additional obligations assumed by any party in connection with this Wellness Agreement shall be binding only if evidenced in writing and signed by each party or an authorized representative of each party hereto.

Counterparts. This Wellness Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument.

Recitals and Paragraph Headings. The recitals to this Wellness Agreement are deemed to be an expression of the intent of the parties hereto, and to the extent the recitals create any duties for or obligations on the parties to this Wellness Agreement, such recitals are deemed to be a part of the Wellness Agreement. The titles to the paragraphs of this Wellness Agreement are solely for the convenience of the parties and shall not be used to explain, modify, simplify or aid in the interpretation of this Wellness Agreement.

Binding Effect. This Wellness Agreement is binding on the parties hereto, and to their successors and assigns, including any parent or subsidiary corporation.

IN WITNESS WHEREOF, the parties hereto by their duly authorized representatives have executed this Wellness Agreement as of the date first written above.

NORTH DAKOTA PUBLIC EMPLOYEES
RETIREMENT SYSTEM (NDPERS)
PO Box 1657
Bismarck, ND 55416

BLUE CROSS BLUE SHIELD OF NORTH
DAKOTA (BCBSND)
4510 13th Avenue South
Fargo, ND 58121-0001

Name Date

Tim Huckle Date

Interim President and CEO

Title

PHARMACY DISEASE MANAGEMENT PROGRAM AGREEMENT

THIS PHARMACY DISEASE MANAGEMENT PROGRAM AGREEMENT (PDM Agreement), is entered into this first day of July, 2009, by and between the North Dakota Public Employees Retirement System (NDPERS), a public agency created under North Dakota state law, and Blue Cross Blue Shield of North Dakota (BCBSND), a North Dakota nonprofit mutual insurance company, located at 4510 13th Avenue South, Fargo, North Dakota.

RECITATIONS:

WHEREAS, during the 2007 North Dakota legislative session, House Bill 1433 was passed and enacted into law. House Bill 1433 allows pharmacists and other qualified North Dakota health care providers to provide “disease state management” (DSM) to North Dakota public employees that suffer from chronic diseases and specifically have diabetes; and

WHEREAS, The North Dakota Pharmacy Service Corporation wants to offer a disease state management program of diabetes through delivery of services and support to individual North Dakota public employees (NDPERS Members) that have a chronic disease identified as diabetes (Type 1 or Type 2). To this end, the North Dakota Pharmacy Service Corporation desires to implement a program to increase access to health care, redefine how services are delivered, increase the participants’ knowledgebase regarding their disease, increase the quality of life for participants, improve overall health status and medication adherence for their participants, and reduce health care costs on multiple levels for numerous interest groups; and

WHEREAS, the North Dakota Pharmacy Service Corporation in collaboration with the North Dakota Pharmacists Association, the North Dakota Society of Health-System Pharmacists, and North Dakota State University College of Pharmacy, Nursing and Allied Sciences, proposed an acting model to extend such disease management program to NDPERS Members; and

WHEREAS, NDPERS is interested in offering the services proposed by the acting model to NDPERS Members and reimbursing the North Dakota Pharmacy Service Corporation for the costs of administering this program out of the NDPERS reserve fund currently held in trust by BCBSND; and

WHEREAS, as it relates to this acting model diabetes disease management program, NDPERS is desirous of entering into this PDM Agreement to sponsor the disease management program with BCBSND to administer certain facets of the program on behalf of NDPERS, including certain reporting requirements, program promotion, and cost reconciliation for the administration of the program based on the responsibilities of BCBSND in relation to its management of the NDPERS group health plan and the program objectives for monitoring and containing health care; and

WHEREAS, because BCBSND is contracted with NDPERS to provide health care benefits to NDPERS Members (as defined by the Administrative Services Agreement between NDPERS and BCBSND) (ASA Agreement), NDPERS has determined that BCBSND is best positioned to act as its agent in the administration of the diabetes disease management program.

NOW, WHEREFORE, in recognition of the mutual promises herein contained and for other good and valuable consideration hereby acknowledged by the parties hereto, NDPERS and BCBSND agree to the following.

I. RECOGNIZING THE PHARMACY DISEASE MANAGEMENT PROGRAM.

BCBSND acknowledges and agrees that it has reviewed the diabetes disease management program established through the enactment of House Bill 1433 and that the program as outlined provides services consistent with the wellness initiative reflected in the Administrative Services Agreement between BCBSND and NDPERS.

II. TERM.

This PDM Agreement shall begin on July 1, 2009, and shall extend to June 30, 2011.

III. SCOPE OF PROGRAM.

The duties and responsibilities of BCBSND in furtherance of the diabetes disease management program as outlined in this PDM Agreement shall be limited in nature as specifically set forth herein.

IV. FEES.

As a result of the responsibilities assigned to BCBSND under the terms of this PDM Agreement, BCBSND shall be paid a program promotion fee equal to its actual costs for its development and delivery of promotional material for the diabetes disease management program contemplated through this PDM Agreement.

V. REPORTING. BCBSND agrees to provide the following reports:

- A. Covered Drug List. Develop and provide a covered drug list with established criteria related to drugs by class.
- B. NDPERS Member Eligibility List. Develop a database to identify those NDPERS Members who appear to be eligible for the diabetes disease management program based on criteria developed and provided by NDPERS and/or its vendor, and on a monthly basis track those NDPERS Members eligible for the diabetes disease management program during the term of this PDM Agreement.
- C. Co-Pay Report. Develop a quarterly co-pay report that NDPERS and/or its vendor can use to reconcile appropriate co-pays incurred by eligible NDPERS Members to facilitate incentive payments under the diabetes disease management program. BCBSND agrees to work with NDPERS to develop a reporting format that can be used by NDPERS and/or its vendor in administering the diabetes disease management program.

VI. PROMOTION.

Upon request BCBSND will provide promotional support for the diabetes disease management program services which may include but not be limited to agency notes, paycheck stuffers, e-mail

notices, posters, and notices to home addresses to be distributed at periodic intervals throughout the term of this PDM Agreement. BCBSND shall be reimbursed its costs for these promotional activities and materials.

VII. PAYMENT RECONCILIATION.

Program costs such as provider payments, copay reimbursements and promotional charges are funded through the NDPERS cash reserve account maintained by BCBSND after authorization from NDPERS.

VIII. OTHER TERMS AND CONDITIONS.

The parties to this PDM Agreement acknowledge, understand and agree that the terms of the Administrative Services Agreement in place between NDPERS and BCBSND, including but not limited to terms that specifically relate to the administration, cancellation, termination and payment terms, are hereby incorporated into this PDM Agreement and applicable to this PDM Agreement related to the diabetes disease management program as if fully incorporated herein.

IX. GENERAL PROVISIONS.

The following general conditions, covenants and obligations apply equally to both NDPERS and BCBSND under the terms of this PDM Agreement.

Time is of the Essence. Time is of the essence of each provision of this entire PDM Agreement and all of its terms and conditions.

Notice. Any notice required or permitted under the terms of this PDM Agreement shall, in all cases, be construed under the notice provision in the ASA Agreement.

Assignment. No party may assign this PDM Agreement, or any of the obligations or duties mandated under the terms of this PDM Agreement, without the prior written consent of the other parties hereto.

Waiver. No delay or omission by any party to exercise any right or power under the terms of this PDM Agreement shall preclude the exercise of such right or power in subsequent instances or be construed to be a waiver thereof. A waiver by any party hereto of any of the covenants to be performed by any other party shall not be construed to be a waiver of any covenant herein contained, and the waiver of any breach of covenant shall not be construed to be a waiver of any succeeding breach thereof.

Modification. Any modification of this PDM Agreement or additional obligations assumed by any party in connection with this PDM Agreement shall be binding only if evidenced in writing and signed by each party or an authorized representative of each party hereto.

Counterparts. This PDM Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument.

Recitals and Paragraph Headings. The recitals to this PDM Agreement are deemed to be an expression of the intent of the parties hereto, and to the extent the recitals create any duties for or obligations on

the parties to this PDM Agreement, such recitals are deemed to be a part of the PDM Agreement. The titles to the paragraphs of this PDM Agreement are solely for the convenience of the parties and shall not be used to explain, modify, simplify or aid in the interpretation of this PDM Agreement.

Binding Effect. This PDM Agreement is binding on the parties hereto, and to their successors and assigns, including any parent or subsidiary corporation.

IN WITNESS WHEREOF, the parties hereto by their duly authorized representatives have executed this PDM Agreement as of the date first written above.

NORTH DAKOTA PUBLIC EMPLOYEES
RETIREMENT SYSTEM (NDPERS)
PO Box 1657
Bismarck, ND 55416

BLUE CROSS BLUE SHIELD OF NORTH
DAKOTA (BCBSND)
4510 13th Avenue South
Fargo, ND 58121-0001

Name Date

Tim Huckle Date
Interim President and CEO

Title

TOBACCO CESSATION PROGRAM AGREEMENT

THIS TOBACCO CESSATION PROGRAM AGREEMENT (TCP Agreement), is entered into this first day of July, 2009, by and between the North Dakota Public Employees Retirement System (NDPERS), a public agency created under North Dakota state law, and Blue Cross Blue Shield of North Dakota (BCBSND), a North Dakota nonprofit mutual insurance company, located at 4510 13th Avenue South, Fargo, North Dakota.

RECITATIONS:

WHEREAS, the state of North Dakota, acting through the Department of Health, has received an appropriation from the state legislature in the amount of \$150,000 for the purpose of funding employee tobacco education and cessation programs for state employees; and

WHEREAS, as it relates to this appropriation, the Department of Health has determined that NDPERS is to sponsor this tobacco cessation program based on its responsibilities related to the management of the group health plan and the program objectives for monitoring and containing health care; and

WHEREAS, because BCBSND is contracted with NDPERS to provide health care benefits to NDPERS Members (as defined by the Administrative Services Agreement between NDPERS and BCBSND) (ASA Agreement), NDPERS has determined that BCBSND is to act as the administrator of the tobacco cessation program.

NOW, WHEREFORE, in recognition of the mutual promises herein contained and for other good and valuable consideration hereby acknowledged by the parties hereto, NDPERS and BCBSND agree to the following.

I. RECOGNIZING THE TOBACCO CESSATION PROGRAM.

BCBSND acknowledges and agrees that it has reviewed the tobacco cessation program grant documents and that the program as outlined in the grant documents provides services consistent with the wellness initiative reflected in the Administrative Services Agreement between BCBSND and NDPERS.

II. TERM.

This TCP Agreement shall begin on July 1, 2009, and shall extend to June 30, 2011.

III. SCOPE OF PROGRAM.

The tobacco cessation program as outlined in this TCP Agreement shall be made available to state employees and their eligible family members that are at least 18 years of age. An estimate of the total number of eligible employees and family members and those anticipated will participate are outlined in the grant documents.

IV. BENEFITS AVAILABLE.

Tobacco Cessation Benefits pursuant to this TCP Agreement are as follows:

- \$200.00 per Member/per Benefit Period for counseling services if the provider charges for these services.
- \$500.00 per Member/per Benefit Period for office visit, prescription drugs and over-the-counter drugs prescribed for tobacco cessation.
- \$700.00 is the total amount of expenses available per Member/per Benefit Period under the program.

Each participant is eligible to participate in the tobacco cessation program for a maximum benefit of \$700.00 for each 6-month period under the term of this TCP Agreement.

All funds shall be billed by and paid directly to BCBSND. NDPERS will not charge any fees to the tobacco cessation program nor will it administer any funds for the program.

BCBSND shall reimburse providers monthly based on the paper billings submitted by those providers participating in the program. BCBSND will then submit the total claims received for reimbursement to the Department of Health on a monthly basis. The final invoice for services shall be submitted to the Department of Health no later than July 15, 2011. Funds shall be allocated on a first come first serve basis until all available funds are exhausted. Reimbursement shall be made to BCBSND on a monthly basis based on actual costs accrued by local providers participating in the tobacco cessation program for services provided to eligible state employees and family members plus the administrative fee paid to BCBSND up to a total maximum amount of \$150,000.00.

A Member is eligible to participate in the tobacco cessation program during each of four separate benefit periods as follows:

- 07/01/2009 through 12/31/2009
- 01/01/2010 through 06/30/2010
- 07/01/2010 through 12/31/2010
- 01/01/2011 through 06/30/2011

The tobacco cessation program shall provide a combination of counseling to include initial assessment, physician office visit, nicotine replacement therapy, and prescription medication, if indicated, and follow-up support counseling as necessary by individual, group or telephone. Follow-up support must be conducted at 6 and 12-month intervals after the Member's "quit date." Local cessation programs will be strongly encouraged to develop incentives to complete counseling.

Re-treatment shall be made available within 6 months and will be the responsibility of the counseling program with reimbursement available on the same basis as during any initial treatment phase.

V. PROVIDERS PARTICIPATING IN THE TOBACCO CESSATION PROGRAM.

BCBSND is required to contract with providers interested in providing tobacco cessation services pursuant to the program outlined in this TCP Agreement. Providers of health care services under the tobacco cessation program shall participate in the program pursuant to a contract as established between BCBSND and each provider.

Providers participating in the tobacco cessation program shall be responsible for providing the following to BCBSND.

- Reporting admission and follow-up to BCBSND as well as medication recommendations and prescriptions.
- Reporting the number of counseling sessions and whether the sessions are group or individual.
- Reporting outgoing telephone call results as well as any telephone counseling sessions.
- Arrange for the physician office visit, if necessary, and collect receipts.
- Reporting prescriptions and receipts collected.
- Reporting over-the-counter recommendations and receipts.
- Producing and submitting a monthly paper roster bill to BCBSND.
- Submitting encounter and follow-up data monthly to BCBSND.
- Verifying participant eligibility through BCBSND.
- Disburse reimbursement funds for nicotine replacement therapy, prescription drugs and physician visits based on receipts from the Member.

VI. FEES.

As a result of the responsibilities assigned to BCBSND under the terms of the grant documents and this TCP Agreement, BCBSND shall be paid an administrative fee for administering the tobacco cessation program that shall be equal to ten percent (10%) of claims paid to providers to pay costs incurred by BCBSND as program administrator and granting entity. For example, if total claims submitted by the providers are \$60,000.00, BCBSND will add a 10% administration fee for a total of \$6,000.00. This administration fee shall not include any amounts payable to BCBSND for preparing promotional materials (postcard mailings of an Introductory Postcard and Last Chance to Enroll Postcard) supporting the smoking cessation program as set forth in this TCP Agreement.

VII. REPORTING.

BCBSND agrees to provide the following reports:

- Track each patient receiving therapy and level of therapy based on data received from the Department of Health.
- Report quit rates by counseling program at 6 and 12 months.

- Report every six months to the NDPERS and Department of Health program results and participation rates.

VIII. PROMOTION.

BCBSND shall prepare and mail two postcard mailings (Introductory Postcard and Last Chance to Enroll Postcard) to the home addresses of NDPERS members to be distributed at periodic intervals throughout the term of this TCP Agreement. The proposed promotion schedule for the term of this TCP Agreement is set forth in detail in the grant documents. BCBSND shall be reimbursed a total of \$9,800 for the costs of these promotional activities.

IX. OTHER TERMS AND CONDITIONS.

The parties to this TCP Agreement acknowledge, understand and agree that the terms of the grant award and grant documents in place between the Department of Health, NDPERS and BCBSND, including but not limited to terms that specifically relate to the administration, cancellation, termination and payment terms, are hereby incorporated into this TCP Agreement and applicable to this TCP Agreement related to the tobacco cessation program as if fully incorporated herein.

Moreover, the parties acknowledge, understand and agree that the fees and charges provisions of the Administrative Services Agreement currently existing between the parties, including fees set forth for various wellness programs as approved and funded, are subject to specific funding provisions as set forth between the parties and as available, and are not subject to the final accounting provisions contained in the Administrative Services Agreement.

X. GENERAL PROVISIONS.

The following general conditions, covenants and obligations apply equally to both NDPERS and BCBSND under the terms of this TCP Agreement.

Time is of the Essence. Time is of the essence of each provision of this entire TCP Agreement and all of its terms and conditions.

Notice. Any notice required or permitted under the terms of this TCP Agreement shall, in all cases, be construed under the notice provision in the ASA Agreement.

Assignment. No party may assign this TCP Agreement, or any of the obligations or duties mandated under the terms of this TCP Agreement, without the prior written consent of the other parties hereto.

Waiver. No delay or omission by any party to exercise any right or power under the terms of this TCP Agreement shall preclude the exercise of such right or power in subsequent instances or be construed to be a waiver thereof. A waiver by any party hereto of any of the covenants to be performed by any other party shall not be construed to be a waiver of any covenant herein contained, and the waiver of any breach of covenant shall not be construed to be a waiver of any succeeding breach thereof.

Modification. Any modification of this TCP Agreement or additional obligations assumed by any party in connection with this TCP Agreement shall be binding only if evidenced in writing and signed

by each party or an authorized representative of each party hereto.

Counterparts. This TCP Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument.

Recitals and Paragraph Headings. The recitals to this TCP Agreement are deemed to be an expression of the intent of the parties hereto, and to the extent the recitals create any duties for or obligations on the parties to this TCP Agreement, such recitals are deemed to be a part of the TCP Agreement. The titles to the paragraphs of this TCP Agreement are solely for the convenience of the parties and shall not be used to explain, modify, simplify or aid in the interpretation of this TCP Agreement.

Binding Effect. This TCP Agreement is binding on the parties hereto, and to their successors and assigns, including any parent or subsidiary corporation.

IN WITNESS WHEREOF, the parties hereto by their duly authorized representatives have executed this TCP Agreement as of the date first written above.

NORTH DAKOTA PUBLIC EMPLOYEES
RETIREMENT SYSTEM (NDPERS)
PO Box 1657
Bismarck, ND 55416

BLUE CROSS BLUE SHIELD OF NORTH
DAKOTA (BCBSND)
4510 13th Avenue South
Fargo, ND 58121-0001

Name Date

Tim Huckle Date
Interim President and CEO

Title

BCBSND VALUE-ADDED WELLNESS PROGRAM AGREEMENT

THIS BCBSND VALUE-ADDED WELLNESS PROGRAM AGREEMENT (BCBSND Wellness Agreement), is entered into this first day of July, 2009, by and between the North Dakota Public Employees Retirement System (NDPERS), a public agency created under North Dakota state law, and Blue Cross Blue Shield of North Dakota (BCBSND), a North Dakota nonprofit mutual insurance company, located at 4510 13th Avenue South, Fargo, North Dakota.

RECITATIONS:

WHEREAS, the state of North Dakota, acting through NDPERS, and BCBSND, in an effort to create healthier lifestyles for NDPERS Members (as defined by the Administrative Services Agreement between the parties) (ASA Agreement) and to help contain health care costs, desire to promote, support and sponsor health and wellness initiatives; and

WHEREAS, pursuant to this BCBSND Wellness Agreement, BCBSND has agreed to extend current BCBSND wellness initiatives being provided to BCBSND members related to health and wellness promotion, hereinafter referred to as the Value-Added Wellness Programs, to eligible NDPERS members subject to this BCBSND Wellness Agreement; and

WHEREAS, the Value-Added Wellness Programs created through this BCBSND Wellness Agreement between BCBSND and NDPERS anticipates there will be costs associated with supporting such health and wellness programs provided to eligible NDPERS members and to be administered through this agreement with BCBSND.

NOW, WHEREFORE, in recognition of the mutual promises herein contained and for other good and valuable consideration hereby acknowledged by the parties hereto, NDPERS and BCBSND agree to the following.

I. TERM.

The BCBSND Value-Added Wellness Program shall be effective from July 1, 2009 through June 30, 2011.

This BCBSND Wellness Program shall be terminated by either party to the agreement upon giving 60-day notice pursuant to the notification requirements contained in this BCBSND Wellness Program." – are we comfortable with this? If the usage is significant – does this allow them to cancel the program prior to the June 30, 2011 date?

II. FUNDING.

The parties acknowledge, understand and agree that funding for the services extended through this BCBSND Wellness Agreement shall be the responsibility of BCBSND.

The parties acknowledge, understand and agree that the fees and charges provisions of the ASA Agreement currently existing between the parties, including fees set forth for various wellness programs as approved and funded, are subject to specific funding provisions as set forth between the

parties and as available, and are not subject to the final accounting provisions contained in the Administrative Services Agreement.

III. VALUE-ADDED WELLNESS PROGRAM.

The BCBSND Value-Added Wellness Program shall consist of the following:

- A. Health Club Credit Program. BCBSND shall extend to eligible NDPERS members a monthly health club credit to NDPERS members completing 12 daily workout sessions during any calendar month at a health club location with a valid participation agreement with the National Independent Health Club Association (NIHCA). NDPERS acknowledges, understands and agrees that the extension of this program to eligible NDPERS members is subject to the discretion of BCBSND. Moreover, NDPERS acknowledges, understands and agrees that this program and the parameters for extending it to eligible NDPERS members is subject to the terms of the Wellness Services Agreement currently effective and in place between BCBSND and NIHCA, including but not limited to terms that specifically relate to the administration, cancellation, termination and payment terms, and that these terms are hereby incorporated into this BCBSND Wellness Agreement by reference, and are applicable to this BCBSND Wellness Agreement as if fully incorporated herein.

- B. MyHealthCenter Program. BCBSND shall extend to eligible NDPERS members access to internet-based software, content and fitness-related services and programs through MyHealthCenter including on-line tools, on-line incentive and reward tracking services, on-line tobacco cessation tools, a health assessment form and a complementary and alternative medicine affinity program. BCBSND will load points into the MyHealthCenter programs for eligible NDPERS members attending NDPERS employer-based wellness activities (to a maximum of 1,000 points) as follows: 250 points for attending a 1-point wellness program, 500 points for attending a 2-point wellness program, 1,000 points for attending a 4-point wellness program, with “wellness coordinators” receiving an additional 1,000 points. NDPERS acknowledges, understands and agrees that the extension of this program and services to eligible NDPERS members is subject to the discretion of BCBSND. Moreover, NDPERS acknowledges, understands and agrees that this program and services, as well as the parameters for extending it to eligible NDPERS members, is subject to the terms of the Wellness Services Agreement currently effective and in place between BCBSND and American Healthways Services, Inc., including but not limited to terms that specifically relate to the administration, cancellation, termination and payment terms, along with licensed use of the MyHealthCenter website use, and that these terms are hereby incorporated into this BCBSND Wellness Agreement by reference, and are applicable to this BCBSND Wellness Agreement as if fully incorporated herein.

IV. GENERAL PROVISIONS.

The following general conditions, covenants and obligations apply equally to both NDPERS and BCBSND under the terms of this BCBSND Wellness Agreement.

Time is of the Essence. Time is of the essence of each provision of this entire BCBSND Wellness Agreement and all of its terms and conditions.

Notice. Any notice required or permitted under the terms of this BCBSND Wellness Agreement shall, in all cases, be construed under the notice provision in the Wellness Services Agreement.

Assignment. No party may assign this BCBSND Wellness Agreement, or any of the obligations or duties mandated under the terms of this BCBSND Wellness Agreement, without the prior written consent of the other parties hereto.

Waiver. No delay or omission by any party to exercise any right or power under the terms of this BCBSND Wellness Agreement shall preclude the exercise of such right or power in subsequent instances or be construed to be a waiver thereof. A waiver by any party hereto of any of the covenants to be performed by any other party shall not be construed to be a waiver of any covenant herein contained, and the waiver of any breach of covenant shall not be construed to be a waiver of any succeeding breach thereof.

Modification. Any modification of this BCBSND Wellness Agreement or additional obligations assumed by any party in connection with this Wellness Agreement shall be binding only if evidenced in writing and signed by each party or an authorized representative of each party hereto.

Counterparts. This BCBSND Wellness Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument.

Recitals and Paragraph Headings. The recitals to this BCBSND Wellness Agreement are deemed to be an expression of the intent of the parties hereto, and to the extent the recitals create any duties for or obligations on the parties to this BCBSND Wellness Agreement, such recitals are deemed to be a part of the BCBSND Wellness Agreement. The titles to the paragraphs of this BCBSND Wellness Agreement are solely for the convenience of the parties and shall not be used to explain, modify, simplify or aid in the interpretation of this BCBSND Wellness Agreement.

Binding Effect. This BCBSND Wellness Agreement is binding on the parties hereto, and to their successors and assigns, including any parent or subsidiary corporation.

IN WITNESS WHEREOF, the parties hereto by their duly authorized representatives have executed this BCBSND Wellness Agreement as of the date first written above.

NORTH DAKOTA PUBLIC EMPLOYEES
RETIREMENT SYSTEM (NDPERS)
PO Box 1657
Bismarck, ND 55416

BLUE CROSS BLUE SHIELD OF NORTH
DAKOTA (BCBSND)
4510 13th Avenue South
Fargo, ND 58121-0001

Name Date

Tim Huckle Date
Interim President and CEO

Title



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

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

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

Memorandum

TO: NDPERS Board

FROM: Kathy & Sparb

DATE: August 12, 2009

SUBJECT: Transfer Procedures – Group Health Insurance

The transfer procedures refer to the ability of covered employees to change employment among participating employers and retain continuity of their health insurance coverage. Our current policy was approved by the Board in 2002 and states that changing employers does not constitute a qualifying event to change the level of coverage. This only applies to individuals that do not incur a “termination of employment” as set forth in Chapter 71-02-01-01(24) which states that a severance of employment means not being on the payroll of a covered employer for minimum of one month.

The policy has generally worked well. However, we have recently experienced some situations wherein, due to variances in premium contribution policies, we have had requests to consider an exception to the policy. In these instances, the individuals were employed by a political subdivision and accepted a position with a state agency. The previous employer required an employee premium contribution for family coverage; therefore, the individual only enrolled for single coverage. Since the state agency pays the full cost of the premium, they now wish to enroll for family coverage.

Staff has reviewed this issue and recommends that the Board consider allowing an exception to the policy whereby if a premium variance is experienced as described above that upon request of the employee and subject to review and approval by PERS staff, we allow an employee to change their coverage level.

Board Action Requested

Accept or reject staff recommendation.



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Memorandum

TO: PERS Board
FROM: Bryan Reinhardt
DATE: August 13, 2009
SUBJECT: Medicare Secondary Payer Update

For many years the Centers for Medicare & Medicaid Services (CMS) has had a program in place to query employers and health plans to find claims that Medicare might have paid that they did not have primary responsibility. This is due to the rule that an employer / health plan of an actively employed person with health coverage (no matter what age) is primary and Medicare is secondary. The process basically goes like this:

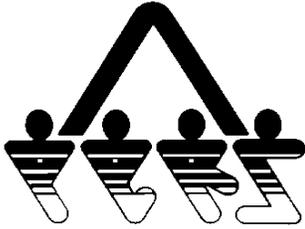
- Medicare sends a query list of people to the employer asking for employment and health coverage information.
- With the information Medicare checks their claims history and if there are any matches they send a demand letter for payment.
- We double check the information for errors and send the demand to BCBS.
- BCBS investigates and adjudicates the claim with Medicare.

Due to HIPAA regulations and other 'red tape' issues this process can take a long time to get a claim resolved.

Recently it came to our attention that the U.S. Treasury has started to deduct claim amounts from the grants of government entities. The State of ND is having problems with this issue mainly because the deducted amounts are from cases that were actually resolved, but the communications between the Federal agencies is not timely.

OMB is working to get these withheld funds and we've notified BCBS of the issue. We will continue to turn around these claims on our end as soon as they arrive.

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



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Memorandum

TO: PERS Board
FROM: Bryan Reinhardt
DATE: August 21, 2009
SUBJECT: 2008 Active Health Report

Attached is the NDPERS Active Health Report for 2008. Both average charge and average paid amounts increased over 10% from 2007. The volume of services appears to be fairly stable. Generic drug use is up from previous reports and the drug trend has leveled off.

I will produce a similar report for each active group with over 100 employees and should have that information out to them soon.

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

NDPERS Health Care Analysis



2008

PHYSICIAN/CLINIC

NDPERS health plan members had 854,323 physician/clinic services from January to December 2008. These services had 114,626,876.81 in total charges. The NDPERS health plan paid \$55,181,149.79 toward these charges.

PHYSICIAN/CLINIC UTILIZATION
SERVICE DATE: 01/2008 - 12/2008

TYPE OF SERVICE	SURGERY-IP	SURGERY-OP	SURGERY-OFFICE	ANESTHESIA	MATERNITY	ANCILLARY ROOMS	IP VISITS	OP / ER VISITS	OFFICE CALLS	OPTICAL	CHEM/PSYCH	THERAPIES	EKG/EEG	DIAGNOSTIC LAB	DIAGNOSTIC X-RAY	RX/INJECTIBLES	SPECIAL SERVICES	SUPPLIES	HME	TOTAL
	4312	7746	19746	10393	7201	2735	10599	12878	150316	12673	29697	117026	23647	192749	76910	104966	51378	5285	14066	854323
	1	1	2	1	1	0	1	2	17	2	4	14	3	22	9	12	6	1	2	100
	\$6,805,529	\$6,014,838	\$6,476,613	\$6,101,518	\$2,761,511	\$3,887,100	\$2,264,690	\$2,225,370	\$18,256,972	\$1,136,975	\$4,499,043	\$13,668,345	\$3,508,209	\$11,557,005	\$9,529,707	\$8,933,134	\$3,740,667	\$571,230	\$2,688,421	\$114,626,877
	\$3,407,956	\$2,378,160	\$2,456,381	\$2,597,325	\$1,475,876	\$1,990,422	\$1,513,667	\$1,118,857	\$10,692,858	\$460,217	\$2,860,932	\$6,579,522	\$1,408,627	\$4,419,546	\$4,430,977	\$3,597,313	\$2,018,978	\$314,345	\$1,459,193	\$55,181,150

PRESCRIPTION DRUGS

NDPERS health plan members had 430,268 pharmacy claims from January to December 2008. These claims had \$46,394,642.02 in total charges. The NDPERS health plan paid \$20,807,960.29 toward these charges.

PRESCRIPTION DRUG UTILIZATION
FILL DATE: 01/2008 - 12/2008

„ffffffffffffffffffff...ffffffffffff...fff...ffffffffffff...fffffffffffff†
, , CLAIMS , % , CHARGES , PAID ,
‡ffffffffffffffffffff^ffffffffffff^fff^ffffffffffff^fffffffffffff%
, PRESCRIPTION DRUGS, , , , ,
‡ffffffffffffffffffff% , , , , ,
, NON-GENERIC , 148633, 35, \$29,636,115, \$15,882,397,
‡ffffffffffffffffffff^ffffffffffff^fff^ffffffffffff^fffffffffffff%
, GENERIC , 281635, 65, \$16,758,527, \$4,925,564,
‡ffffffffffffffffffff^ffffffffffff^fff^ffffffffffff^fffffffffffff%
, TOTAL , 430268,100, \$46,394,642, \$20,807,960,
Šffffffffffffffffffff<ffffffffffff<fff<ffffffffffff<fffffffffffff€

Generic drug use is at 65%, higher than the 60% reported in 2007, 56% reported in 2006, 52% reported in 2005, 48% reported in 2004, 44% reported in 2003, 41% reported in 2002, 40% in 2001 and 2000, 41% reported in 1999, 43% reported in 1998 and 44% 1997.

PERCENTAGES

EMPLOYEES, SPOUSES, & CHILDREN
BY MEMBERSHIP & CLAIM TYPE
01/2008 - 12/2008

„ffffffffffffffffffff...ffffffffffff...ffffffffffff...ffffffffffff...ffffffffffff†
, , HOSPITAL , PHYSICIAN , PHARMACY ,
, , MEMBERSHIP , CLAIMS , SERVICES , CLAIMS ,
, ‡fffff...fffff^fffff...fffff^fffff...fffff^fffff...fffff%
, , Sum , % , Sum , % , Sum , % , Sum , % ,
‡ffffffffffffffffffff^fffff^fffff^fffff^fffff^fffff^fffff^fffff^fffff^fffff%
, CHILDREN , 17871, 37, 13784, 25,221087, 26, 76576, 18,
‡ffffffffffffffffffff^fffff^fffff^fffff^fffff^fffff^fffff^fffff^fffff^fffff%
, EMPLOYEE , 18711, 39, 25398, 46,382704, 45,229988, 53,
‡ffffffffffffffffffff^fffff^fffff^fffff^fffff^fffff^fffff^fffff^fffff^fffff%
, SPOUSE , 11130, 23, 16505, 30,250532, 29,123704, 29,
‡ffffffffffffffffffff^fffff^fffff^fffff^fffff^fffff^fffff^fffff^fffff^fffff%
, TOTAL , 47712, 100, 55687, 100,854323, 100,430268, 100,
Šffffffffffffffffffff<fffff<fffff<fffff<fffff<fffff<fffff<fffff<fffff<fffff€

SUMMARY

EPO membership among the actives was at 48% in 2008. This is up from 47% in 2007, 45% in 2006, 37% in 2005, 31% in 2004, 35% in 2003, 39% in 2002, 38% in 2001, 37% in 2000, 33% in 1999, 29% in 1998 and 24% in 1997. Diagnostic x-ray and lab services make up 31% of the professional services for 1/2008 - 12/2008 (31% in 2007, 32% in 2006 & 2005, 33% in 2004, 32% in 2003 & 2002, 31% in 2001 & 2000). Employees made up 39% of the active membership, but were responsible for 45 - 53 percent of the claims / services in 2008. This is the same as in 2007.

The following graph shows that per capita charges increased 10.7% and per capita costs increased about 10.2% from 2007 to 2008. The average charge per active member per month was \$124 in 1994, \$134 in 1995, \$143 in 1996, \$155 in 1997, \$171 in 1998, \$189 in 1999, \$207 in 2000, \$224 in 2001, \$256 in 2002, \$300 in 2003, \$318 in 2004, \$363 in 2005, \$396 in 2006, \$437 in 2007, and \$484 in 2008. The average amount paid by the NDPERS health plan per capita was \$84 in 1994, \$92 in 1995, \$96 in 1996, \$100 in 1997, \$110 in 1998, \$114 in 1999, \$117 in 2000, \$122 in 2001, \$134 in 2002, \$153 in 2003, \$163 in 2004, \$185 in 2005, \$206 in 2006, \$226 in 2007, and \$249 in 2008.

The second graph shows that the number of active claims per month remained about the same throughout 2008.

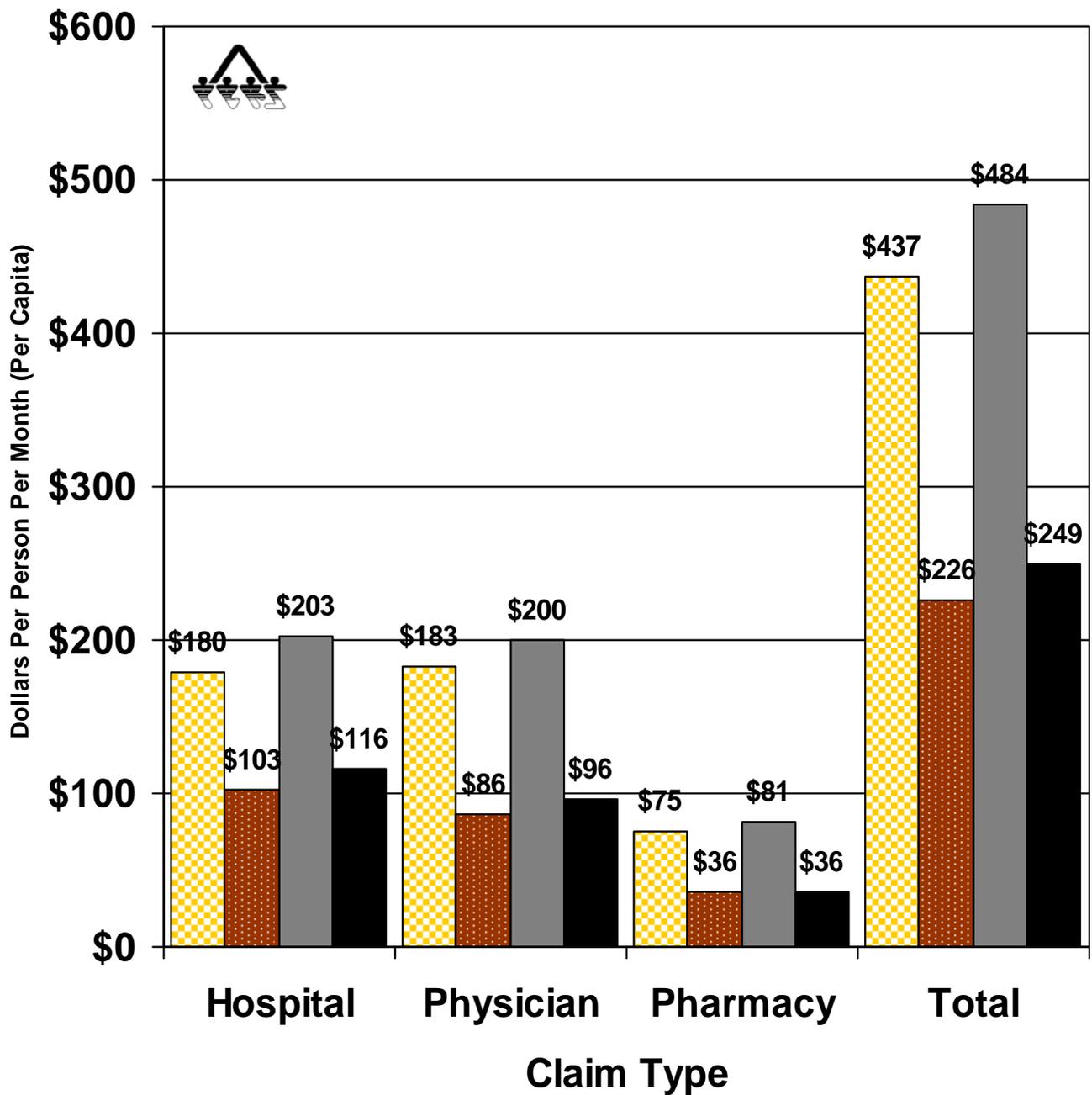
The last page shows that 2008 overall per capita costs increased for the NDPERS health plan, but the trend line appears to be leveling out.

NDPERS Health Plan

Active Contracts

2007-2008

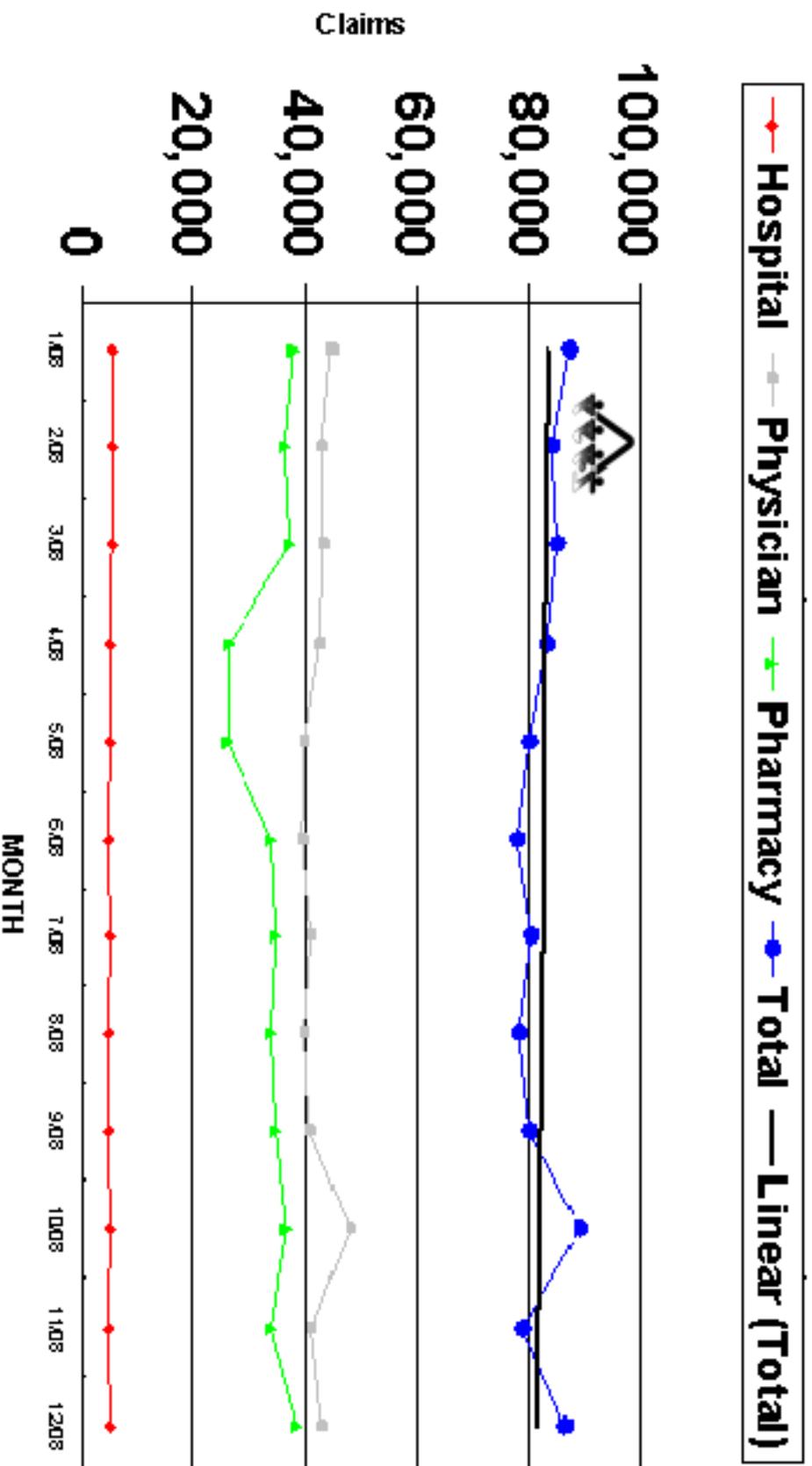
2007 Charge 2007 Paid 2008 Charge 2008 Paid



North Dakota Public Employees Retirement System

Health Insurance Claims

Jan-Dec 2008



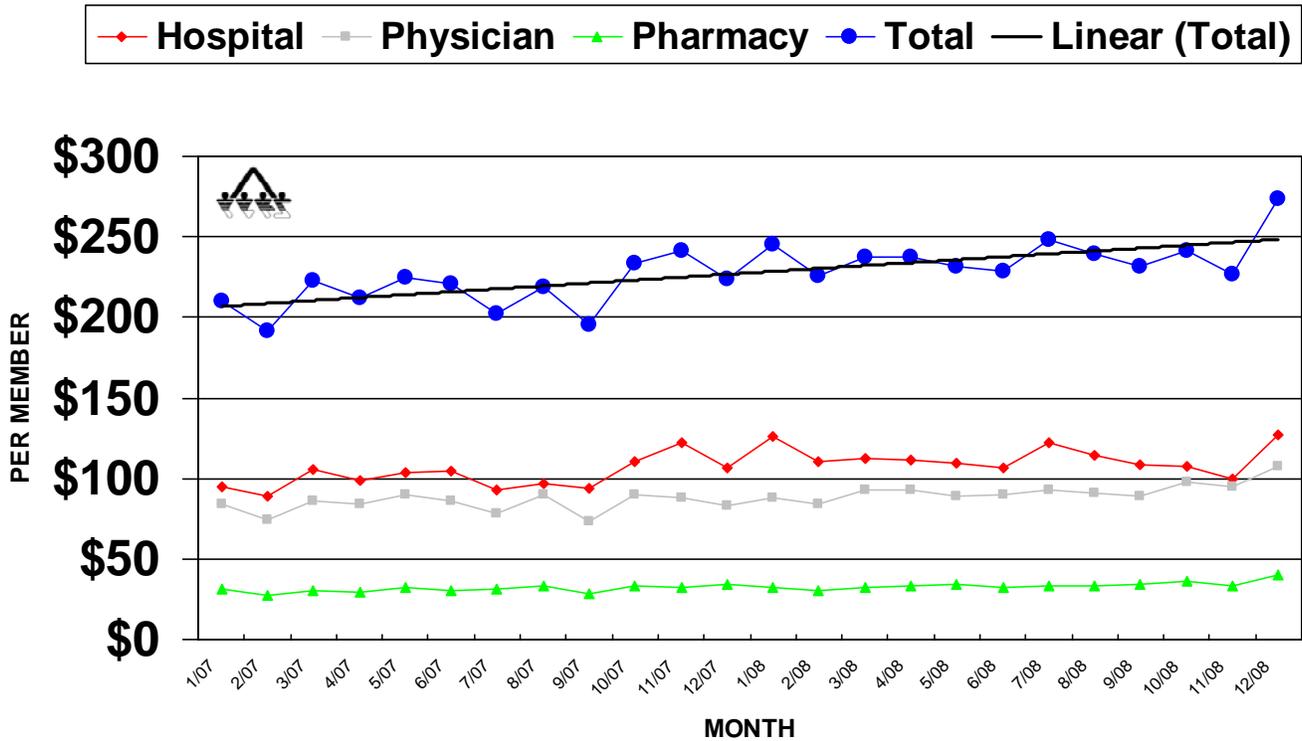
TOTAL NDPERS HEALTH PLAN

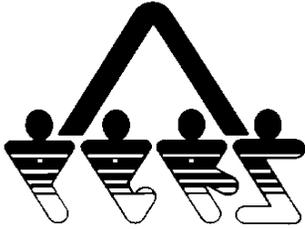
The graph below is for the total NDPERS health plan. It shows the average amount the NDPERS health plan paid per member per month (per capita). The graph depicts the latest two years of NDPERS data.

The active employees are at the \$310 per capita level. Their dependents cost the plan around \$210 per person per month. The retired membership's per capita costs are around \$175 per member. As the graph below shows, overall, the NDPERS health plan is approaching \$250 per person per month in medical claims. This is up from \$225 in the 2007 report, \$205 in the 2006 report, \$200 in the 2005 report, \$175 in the 2004 report, \$160 in the 2003 report and \$140 in the 2002 report. In addition to this, the NDPERS health plan pays \$32.70 per month per contract in administration costs.

NDPERS HEALTH INSURANCE PLAN

TOTAL MEMBERSHIP





**North Dakota
Public Employees Retirement System**
400 East Broadway, Suite 505 • Box 1657
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Sparb Collins
Executive Director
(701) 328-3900
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FAX: (701) 328-3920 • EMAIL: NDPERS-info@nd.gov • www.nd.gov/ndpers

Memorandum

TO: PERS Board
FROM: Sparb
DATE: August 12, 2009
SUBJECT: RFP for DC/Deferred Comp

At the last meeting we discussed the schedule for Request for Proposals for the next year. The first one is the Request for Proposal to provide technical assistance to prepare and analyze a request for proposal for recordkeeping and investment services for PERS 457 plan and 401(a) defined contribution plan. Attachment #1 is a copy of this RFP. We were able to get this out a little ahead of the schedule we discussed. This is basically the RFP we issued last time updated for this point in time. Please review, and if you note any items that you feel need to be changed, modified or clarified, we will be issuing a statement to all those interested just after the Board meeting which is the timeframe for us to answer their questions.

RFP was directly issued to the list of consultants (Attachment #2) and posted to our website.

In addition, the following was put in newspapers in North Dakota:

PUBLIC NOTICE

REQUEST FOR PROPOSAL

**TECHNICAL ASSISTANCE TO PREPARE AND ANALYZE
A REQUEST FOR PROPOSAL FOR RECORDKEEPING
AND INVESTMENT SERVICES FOR
NDPERS 457 PLAN AND 401(A) DEFINED CONTRIBUTION PLAN**

The North Dakota Public Employees Retirement System is seeking proposal for technical assistance to prepare and analyze a request for proposal for recordkeeping and investment services for NDPERS 457 Plan and 401(a) defined contribution plan. Copies of the Request for Proposal (RFP) may be obtained from the NDPERS website at:

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

This website will contain the RFP and other important information. Bidders should check these electronic pages regularly.

Proposals **MUST** be submitted no later than 5:00 p.m. (CST) on Friday, September 4, 2009 as indicated in the RFP. Questions concerning the RFP shall be directed, in writing or by e-mail to Mr. Sparb Collins at scollins@nd.gov by 5:00 p.m. (CST) August 19, 2009.

REQUEST FOR PROPOSAL

**TECHNICAL ASSISTANCE
TO PREPARE AND ANALYZE
A REQUEST FOR PROPOSAL
FOR RECORDKEEPING AND
INVESTMENT SERVICES
FOR NDPERS 457 PLAN AND 401(A)
DEFINED CONTRIBUTION PLAN**

Prepared by:

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

**Request for Proposal
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Section 4 – Proposal Review15

Section 5 – Agreement for Services16

SECTION 1- PROCEDURES FOR SUBMITTAL

1.1 Overview

This Request for Proposal is to provide technical assistance to prepare and analyze a request for proposal for recordkeeping and investment services for its 457 plan and 401(a) defined contribution plan.

This Request for Proposal (RFP) is divided into three sections. Section 1 gives general information and requirements. Section 2 specifically describes the services requested. Section 3 details the specific information that bidders are required to submit in response to this RFP.

1.2 Governing Authority

PERS is managed by a Board comprised of seven members:

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

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

1.3 Defined Contribution Programs Administered by PERS

PERS IRC Section 457 Deferred Compensation Plan:

The administration of the deferred compensation plan for public employees was given to the Retirement Board 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 7,200 employees have accounts with fifteen investment providers. Presently there are eleven active providers. Assets are over \$115 million. The PERS 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. PERS does not select or monitor the investment products offered by these vendors, and does not act as a trustee for their products.

In 1998 the PERS Board decided that an additional product should be added that would be: 1) selected by the Board based upon a competitive RFP process, 2) that the Board would act as the trustee for, 3) that the Board would select and monitor the investment products, and 4) the investment products would be mutual funds. This product is called the PERS Companion Plan. The Board developed a Statement of Investment Policies for this plan. This policy may be viewed at our website www.nd.gov/ndpers . Just click on “Active Members” then click on “Deferred Compensation Plan” and then on “PERS Companion Plan”. The Board also has been monitoring the investment products for this plan. This report can also be found on our website at www.nd.gov/ndpers . Again click on “Active Members” then click on “Deferred Compensation Plan” and then on “PERS Companion Plan”.

The Companion Plan has over \$18.0 million in assets with approximately \$280,000 in monthly contributions. Fidelity is the present provider for these services.

PERS 401(a) Defined Contribution Plan:

The state of North Dakota approved the establishment of a defined contribution plan for certain state employees, effective January 1, 2000. This program is offered as an option 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. Approximately 258 employees selected the DC plan. The estimated value of contributions to this plan is approximately \$12,000,000. Monthly contributions in the amount of 8.12% of salary (\$100,000) are added to the plan for each month for each participant. Similar to the Deferred Comp plan the “Statement of Investment Policy” and “Quarterly Report” are available on the PERS Web site under Defined Contribution Retirement Plan. Fidelity is the present provider for these services.

1.4 Proposal Schedule

RFP Issued:	August 3, 2009
Vendor Questions Due:	5:00 p.m., CST, August 19, 2009
Responses to Questions Issued:	August 24, 2009
Proposals Due:	5:00 p.m., CST, September 4, 2009
PERS Board Review:	September 2009
Vendor Interviews:	October 2009 (if necessary)
Vendor Selection:	No later then October 26, 2009

1.5 Vendor Questions About The RFP

A pre-bid meeting is not scheduled. Questions concerning the specifications contained herein are to be submitted, in writing, no later than 5:00 p.m., CST, on August 19, 2009 to:

Sparb Collins
Executive Director
North Dakota Public Employees Retirement System
P O Box 1657
Bismarck, ND 58502-1657
FAX: (701) 328-3920

All questions are to be put in writing and PERS, or its representative, will respond in writing to all interested parties who have been notified of this RFP. Questions may be submitted via facsimile or emailed to scollins@nd.gov. All responses will be mailed back to the person you identify in your proposal. Please clearly state who that should be in your cover letter. If you would also like the information emailed, please so indicate and provide us the address.

1.6 Proposals

To be considered, each bidder must submit a COMPLETE response to this RFP in writing. The respondent must include a statement as to the period during which the proposal remains valid. This period must be at least 120 days from the due date for responses to this RFP. However, the rates quoted in the PRICE PROPOSAL remain firm for the duration of the prospective contract.

1.7 Oral Presentation

Bidders who submit proposals may be required to make oral presentations of their proposals to PERS if a decision is not clear based upon the written material submitted. The date for oral presentations is expected to be in October 2009. However, since PERS will likely award this work effort based solely upon the written material, we encourage all respondents to prepare a clear, comprehensive and responsive proposal and not anticipate or plan on the opportunity to clarify/elaborate on their offering during an oral presentation.

1.8 Acceptance Of Proposal Interpretations

The contents of this RFP and the proposal will become contractual obligations. Please note PERS has provided a proposed contract. Please sign and include a copy with your cost proposal. If your proposal is accepted, we will sign it and send it back to you as the award. If you desire to propose any changes to the contract, please clearly identify those changes in the cost proposal as well. Failure of the successful bidder to accept these obligations may result in cancellation of the award.

PERS further reserves the right to interview the key personnel assigned by the successful bidder to this project and to recommend reassignment of personnel deemed unsatisfactory by PERS.

1.9 Proposal Interpretations And Addenda

Any change or substantive interpretation of this RFP will be sent by PERS to each firm to whom an RFP has been sent or to those who responded, and any such changes or interpretations shall become a part of the RFP for incorporation into any contract awarded pursuant to this RFP. If you desire that such information should be directed to someone's attention other than to whom the proposal was sent, please advise Cheryl Stockert at 701-328-3903.

1.10 Economy Of Preparation

Each proposal should be prepared simply and economically, providing a straightforward concise description of the bidder's ability to meet the requirements of the RFP. Fancy bindings, colored displays, promotional material, etc., will receive no evaluation credit. Emphasis should be on completeness and clarity of content.

1.11 Cost Liability

PERS assumes no responsibility or liability for costs incurred by the contractor prior to the signing of any contract resulting from this Request. Total liability of PERS is limited to the terms and conditions of this RFP and any resulting contract.

1.12 Minimum Qualifications

Offeror of services sought will have substantial experience in performing said services in the public and private environment for large pension plans, preferably contributory plans. Substantial experience will be defined and evaluated with regards to the type of plan [457, 401(k), 401(a) and 403(b)], size of the plan [assets and number of participants in the plan] and public or private plan experience. Offerors are required to provide a listing of such engagements over the past five years which includes data on plan type, size, number of participants covered and other pertinent data such as number of investment options, number of participants on payout, and frequency of asset transfers permitted. The offeror shall also offer a multi-disciplinary team with experience in development of RFP's, analysis of offers and review investment products. Offerors shall not have any conflicts of interests.

The minimum mandatory experience required of offerors shall consist of comparable assignments with at least two plans of the types indicated above.

1.13 Selection Criteria (also see section 4)

Responses to this RFP will be evaluated based upon the following factors as presented in the bidder's response to this RFP:

- < The ability of the organization to meet the terms of the RFP and the technical approach.
- < Qualifications of the staff assigned to the PERS account. PERS may require that the appropriate individuals be interviewed.
- < Ability to meet the minimum qualifications.
- < Fees and other compensation.

Fees and compensation will be an important factor in the evaluation process. PERS, however, is not required to select the lowest cost bidder.

1.14 Bid Receipt

Proposals must be received on or before:

**5:00 p.m., Central Time
Friday, September 4, 2009**

Fifteen copies of your proposal must be sent to:

Sparb Collins
Executive Director
North Dakota Public Employees Retirement System
P O Box 1657
400 East Broadway Avenue, Suite 505
Bismarck, ND 58502-1657

Bidders are responsible for timely receipt of their proposal. PROPOSALS RECEIVED AFTER THE SPECIFIED DUE DATE AND TIME WILL NOT BE CONSIDERED, unless otherwise determined by the PERS Board.

1.15 Right Of Rejection Or Acceptance

Notwithstanding any other provisions of this RFP, PERS reserves the right to reject any or all proposals, to waive any irregularity or informality in a proposal, and to accept or reject any item or a combination of items. It is further within the right of PERS to reject proposals that do not contain all elements and information requested in this document. The failure to meet all procurement policy requirements shall not automatically invalidate a proposal or procurement. The final decision rests with the PERS Board.

1.16 Additional Information

PERS reserves the right to request additional information from any or all proposers to assist it in its evaluation process.

1.17 Conflict Of Interest

The vendor and its agents are prohibited from directly soliciting employees of the state, or using any information obtained under its contract for services, to directly solicit employees with respect to any product or service of the company that is not part of the services contracted for. The offeror shall also disclose any potential conflicts of interest they may have in reviewing proposals from any vendor. In addition, the offeror shall disclose if it has any agreements, contracts or any other arrangements with any vendor/investment products that could be solicited or be a part of the consideration relating to this process. Such arrangements could be viewed as a conflict of interest.

1.18 Contract Term

The services sought in Section 2 will be provided beginning October, 2009 through July 30, 2010.

1.19 Accounting Records

The vendor will be required to maintain all pertinent financial and accounting records and evidence pertaining to the contract in accordance with generally accepted principles of accounting. Financial and accounting records, including individual account balance records and information concerning the State's plan, shall be made available, upon request, to PERS, its designees, or the State Auditor at any time during the contract period and any extension thereof, and for three (3) years from expiration date and final payment on the contract or extension thereof.

1.20 Confidentiality

The contractor shall instruct its employees, and the employees of any subcontractor, to keep as confidential information concerning the State's employees as well as any other information which may be specifically classified as confidential by the State. Please refer to PERS statutes under chapter 54-52 and please note that violations of this statute are a felony under North Dakota law.

All copies of information developed by the contractor in connection with the contract are the property of the State. The contractor will not reveal or disclose either information or findings concerning this contract with anyone who does not have a substantial need-to-know and who has not been expressly authorized in writing by the State to receive the information/findings. Contractors must ensure that all safeguards and proper procedures are implemented to protect confidential information.

1.21 Cancellation

Cancellation of the contract by PERS may be for any reason upon written notice to the contractor. The contract may also be canceled due to default by the contractor. Default is defined as the failure of the contractor to fulfill the obligations of this contract. In case of cancellation due to default by the contractor, the State may procure the articles or services from other sources and hold the contractor responsible for any excess costs occasioned thereby.

1.22 Delegation And/Or Assignment

The contractor shall not delegate any duties under this contract to a subcontractor other than a subcontractor named in the bid unless PERS has given written consent to the delegation. The primary contractor may not assign the right to receive money due under the contract without the prior written consent of PERS.

SECTION 2 - BACKGROUND AND SCOPE OF SERVICES

2.1 Background

The North Dakota Public Employees Retirement System is seeking technical assistance relating to its two defined contribution plans discussed in Section 1 of the proposal. The Board is seeking technical assistance in three areas:

1. Development of an RFP to solicit interest of vendors in providing recordkeeping and investment management services. PERS is interested in having a bundled provider.
2. Review of the proposals submitted.
3. Assistance with implementation.

2.2 Develop Request for Proposal

PERS is seeking technical assistance to prepare a request for proposal for investment services for its 457 plan and 401(a) defined contribution plan. PERS may award both plans to a single vendor or based upon the result, it may award one plan to one vendor and the other to another vendor. Therefore, the proposal should be prepared accordingly. It is the Board's intent that the award will be for a six-year period subject to renewals that will occur every two years. If, during the renewal period, acceptable terms are not agreed to, the six-year period will be cut short and the plan will go back out to bid. The consultant is expected:

- To draft the RFP for the staffs review in late October/November and for the Board's review at the November/December PERS Board meeting.
- To develop and suggest a proposed list of vendors to solicit directly and to place advertisements in North Dakota papers giving notice of the solicitation. The goal would be to issue the RFP in early December/January with responses due by mid January or February.
- All requests for proposals will be distributed by the consultant.
- The consultant will be listed as the point of contact for questions.
- The consultant will prepare a list of all questions asked and the answers and distribute it to all firms getting a copy of the RFP.

The consultant is asked to bid this portion of the work effort on a fixed fee basis. No on-site meetings with staff or Board are anticipated during this phase.

2.3 Analysis of Proposals

PERS is seeking a consultant to analyze the proposals received in response to the RFP. This analysis will be in two phases. The first phase will be to do a general assessment of all proposals received and recommend to the Board three responses that would be reviewed in detail. The consultant should be prepared to make this recommendation at the February or March 2010 PERS Board meeting. The second phase would be to conduct a detailed review of the three proposals selected by the Board and to provide a recommendation to the Board on which proposal to accept. The detailed evaluation should be presented to the Board at the March or April 2010 meeting. If necessary, the Board may elect to interview one or more of the three. Such an interview would be conducted at a special meeting in April. The consultant is asked to bid this portion of the work effort on a

fixed fee basis. The consultant should include in the fixed fee one on-site meeting with the PERS Board to review the results. If the Board elects to do vendor interviews or conduct any on-site meetings, the consultant will be reimbursed for that time on a fee for service basis. Please note that travel costs will not be a part of the fixed fee and will be paid based upon expenses incurred and will be subject to prior approval by the PERS Executive Director.

2.4 Implementation Assistance

The PERS Board is seeking assistance with implementation of the vendor contracts. This will include assistance with reviewing the proposed contract(s) help with changing vendors if that is what is decided by the Board, and any other implementation issues. Since efforts relating to implementation will be defined later, the consultant will be reimbursed for efforts relating to this phase on a fee for service basis.

SECTION 3 – PROPOSAL

3.1 Technical Proposal – This Shall be Labeled “Technical Proposal”

The proposal shall be formatted as identified in this section and contain specific responses to the information requested.

1. **Management Summary.** This section should include a brief synopsis of the offeror’s understanding of the Board’s needs and services. It should also describe the resources that will be used to fulfill the requirements of this RFP and how it is projected that those resources will be consistently available to the Board.

2. **Technical Approach - Proposed Services.** This Section should present a detailed description of the offeror’s services. The sequence should follow the order described in Section 2. This Section must clearly indicate whether the offeror’s proposal satisfies each specification of the RFP. The offeror’s refusal or inability to accept all the terms and conditions of this RFP and meet each requirement must be clearly noted and explained. Offerors are advised, however, that any such exception may result in its proposal being deemed unacceptable.

The offeror shall identify in this Section each task that will be performed in response to this RFP and a timeline for each. The detailing of the scope of work by the offeror is critical in demonstrating an understanding of the effort.

3. **Prior Experience/References.** This Section should describe up to five selected engagements involving services similar to those required that were successfully performed for other clients. These clients must be identified by name, address, telephone number, and contract reference. Each engagement should be described with the rationale presented indicating its relevance to the services required in this RFP. PERS may contact any one or more of these references and, in addition, may contact any other reference of their choosing.

4. **Copy of previous similar work.** In this Section the offeror shall provide a copy of a similar project that NDPERS can view to determine the type of report it will receive pursuant to the RFP.

5. **Personnel.** This Section should include individual resumes for the personnel who are to be assigned to the project if the offeror is awarded the contract, and should indicate the proposed project role or assignment of each individual. The offeror shall provide a table at the beginning of this Section that shows the number of hours they are assigned to the project. The project team should include staff with experience in developing RFP’s of the type requested herein, evaluating responses and assisting with implementation. The team should also include investment professionals that can evaluate the proposed products being offered.

6. **Organization.** This Section must document the overall structure of the offeror's organization, including any parent companies, affiliates and subsidiaries. Description and reported resolution of any potential/apparent conflict of interest must be presented here.

7. **Additional Information.** This Section, which is optional, should include any additional information the offeror deems relevant to this procurement and the satisfaction of the Board's objectives.

8. **Conflicts of interest.** In this Section the offeror shall discuss any potential conflicts of interest as discussed in the RFP or that the contractor believes may exist. The contractor cannot receive any other compensation relating to this work effort except that in the cost proposal. Any other arrangements/relationships/contracts the offeror may have with vendors that could be a part of this solicitation must be identified herein and may disqualify the offeror.

9. **Company Literature.** (If applicable) If company literature or other material is intended to respond to any RFP requirement, it must be included in this section. The offeror's responses in previous sections of the proposal must include reference to the document by name and page citation. Proposals submitted without these citations will be considered complete without need to refer to documents in this section for the offeror's responses to the RFP requirements.

3.2 Financial Proposal – This Shall Be Labeled “Price Proposal” and bound separately from the Technical Proposal.

It must contain the Pricing Proposal of the work efforts identified under Section 2.

3.2.1 Pricing

This Section shall contain information on the pricing for the work efforts in Section 2. The bid shall be on a not to exceed basis with actual hours charged to the project as incurred, up to the maximum of the fixed fee. The consultant shall use the following format for presenting pricing information

Development of RFP (2.2)

Fixed Fee: \$ _____

Staff Assigned	Estimated Hours	Rate

Evaluation of Responses (2.3)

Fixed Fee \$ _____

Staff Assigned	Estimated Hours	Rate

Implementation (the consultant shall identify the fee for service rates that will be used for services pursuant to this Section and any supplemental work needed associated with this contract)

Staff Assigned	Rate

NOTE: Travel expenses will be paid on an incurred basis and are not to be a part of the above fixed fee. However, the PERS Executive Director shall give prior approval for all travel and fee for service costs for each person pursuant to this contract. PERS is under no obligation to reimburse the consultant if no prior approval was given.

3.2.2 Agreement

The consultant must sign the attached agreement and send it as part of the proposal. If PERS accepts your offer, we will sign the agreement and return a copy to you. If the consultant wishes to propose amendments, they must be offered in the response so that PERS can determine if they can be accepted. It is our intent not to consider any other amendments to the proposed contract once the proposal has been submitted.

SECTION 4 - PROPOSAL REVIEW

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

The proposals that pass the initial screening will then be reviewed by the same review team. Each individual will review the proposal for all areas but price. Every proposal will be awarded points for specified areas by the reviewers. Points for price are awarded automatically. Following is the weighting factor for each area:

- | | |
|----------------------|-----------|
| • Technical Approach | 25 Point |
| • Prior Experience | 10 points |
| • Staffing | 15 Points |
| • Sample product | 15 points |
| • Organization | 5 points |
| • Pricing | 30 points |

The final step will be a review by the PERS Board. The PERS Board will use any and all information in making its determination and will use the staff's review as a guide but is not bound by that review.

SECTION 5 - AGREEMENT FOR SERVICES

Contractor's proposal constitutes a formal offer to provide services to the North Dakota Public Employees Retirement System (NDPERS). The terms of this Contract, the RFP and the proposal shall constitute the consulting services agreement ("Agreement").

Contractor and NDPERS agree to the following:

- 1) **SCOPE OF SERVICES:** Contractor agrees to provide the above-accepted service(s) as specified in the RFP and proposal. The terms and conditions of the RFP and the proposal are hereby incorporated as part of the Contract.
- 2) **TERM:** The term of this contract shall commence in October 2009 and continue through July 30, 2010.
- 3) **FEES:** NDPERS shall only pay pursuant to the terms in the proposal and RFP.
- 4) **BILLINGS:** The Contractor shall receive payment from NDPERS upon the completion of the services identified under this Agreement.
- 5) **TERMINATION:** Either party may terminate this agreement with respect to tasks yet to be performed with thirty (30) days written notice mailed to the other party.
- 6) **EMPLOYMENT STATUS:** The Contractor acknowledges that any services performed in connection with the Contractor's duties and obligations, as created and provided for in this agreement, are performed in the capacity of an independent contractor. At no time during the performing of services as required by this contract will the Contractor be considered an employee of the State of North Dakota.
- 7) **SUBCONTRACTS:** Subcontractors to the Contractor shall be considered agents of the Contractor and agree to provide services as specified in the proposal and RFP.
- 8) **ACCESS TO RECORDS:** PERS agrees that all participation by its members and their dependents in programs hereunder is confidential. The Contractor shall not disclose any individual employee or dependent information to the covered agency or its' representatives without the prior written consent of the employee or family member. The Contractor will have exclusive control over the direction and guidance of the persons rendering services under this agreement. The Contractor agrees to keep confidential all PERS information obtained in the course of delivering services.
- 9) **OWNERSHIP OF WORK PRODUCT:** All work products of the Contractor, including but not limited to, data, documents, drawings, estimates and actuarial calculations which are provided to NDPERS under this agreement are the exclusive property of NDPERS.
- 10) **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 brought in the District Court of Burleigh County, North Dakota.

- 11) **MERGER AND MODIFICATION:** This contract, the RFP and the proposal 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 Contract, as may be amended and Second - the state’s Request for Proposal and Third – Contractor’s Proposal. 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.
- 12) **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. 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.
- 13) **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, authorized to do business in North Dakota, 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, including a three year “tail coverage endorsement,” with minimum liability limits of \$1,000,000 per occurrence and in the aggregate.
 - 3) Automobile liability, including Owned (if any), Hired, and Non-Owned automobiles, with minimum liability limits of \$250,000 per person and \$500,000 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. The policies shall be in form and terms approved by the State.

- 3) The insurance required in this agreement, through a policy or endorsement, shall include a provision that the policy and endorsements may not be canceled or modified without thirty (30) days' prior written notice to the undersigned State representative.
- 4) The Contractor shall furnish a certificate of insurance to the undersigned State representative prior to commencement of this agreement.
- 5) Failure to provide insurance as required in this agreement is a material breach of contract entitling State to terminate this agreement immediately.

14) **SEVERABILITY:** If any term in this contract 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 contract did not contain that term.

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

**NORTH DAKOTA PUBLIC
EMPLOYEES RETIREMENT SYSTEM**

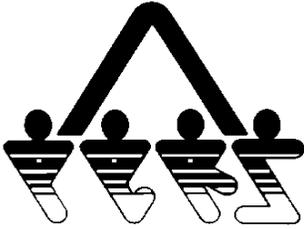
CONTRACTOR

By: _____

By: _____

WITNESS:

WITNESS:



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

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

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

Memorandum

TO: NDPERS Board

FROM: Kathy

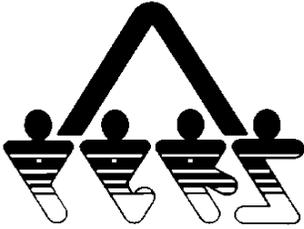
DATE: August 12, 2009

SUBJECT: FlexComp Payment Issue - Update

At the June meeting we reported an error we discovered with regard to a software upgrade to the PeopleSoft FlexComp claims 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:

- In concurrence with advice from Segal, if the check amount had a tax implication of \$1.00 or less, a correction to the account was not required. This involved 3 accounts.
- Seven accounts received payments that were valid, the required adjustments were made and no further action is necessary.
- Certified letters were sent to 45 members on June 12, 2009 notifying them of the error and that we had issued a stop payment on the check.
- Certified letters were sent to 23 members on July 7, 2009, who had cashed the checks prior to the stop payment issue, notifying them of the error and requesting repayment. To date we have received repayments from 9 members. They have 60 days to repay the amount or to make payment arrangements.
- There are 28 members that cashed the check and are in a pending status. These accounts were identified as having claims incurred during the 'grace period' (January 1 through March 15) that were submitted by the April 30 deadline. The claims may be eligible for reprocessing according to the grace period rules and applied against the 2008 balance to offset the erroneous payment. This approach was reviewed with Segal as a feasible option to correct the erroneous payment for these individuals.

We are available for any questions.



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: August 12, 2009
SUBJECT: Legislative Employee Benefits Committee

Our Legislative oversight (Employee Benefits Committee) has been appointed and had its first meeting on August 6th. The Committee members are:

Chairman: Representative Bette B. Grande
Vice Chairman: Senator Ralph L. Kilzer
Legislative Council Staff: Jeffrey N. Nelson

Representatives			
Drovdal, David	2802 131 st Avenue NW	Arnegard	58835-9127
Grande, Bette B.	3510 42 nd Avenue South	Fargo	58104-6669
Metcalf, Ralph	11819 33 rd Street SE	Valley City	58072-9404
Wald, Francis J.	P.O. Box 926	Dickinson	58601-0926
*Wolf, Lisa	1420 78 th Street SE	Minot	58701-9357
Senators			
*Holmberg, Ray	621 High Plains Court	Grand Forks	58201-7717
Kilzer, Ralph L.	1982 Mesquite Loop	Bismarck	58503-0198
Krebsbach, Karen K.	P.O. Box 1767	Minot	58702-1767
Nelson, Carolyn	1 Second Street South #5-402	Fargo	58103-1959

The committee's assigned responsibilities this interim are:

- 1341 § 1 Study the feasibility and desirability of an appropriation to the Office of Management and Budget for a state employee tuition reimbursement pool program
- 1562 § 1 Study the feasibility and desirability of an administrative leave program for use by executive branch agencies to allow employees to attend legislative hearings or meetings, grievance meetings, disciplinary hearings, labor and management meetings, negotiating sessions, or other meetings or activities jointly agreed upon by the chief administrative officer of the employing agency
- Receive annual report from the Board of Trustees of the Teachers' Fund for Retirement regarding annual test of actuarial adequacy of statutory contribution rate (NDCC § 15-39.1-10.11)
- Receive notice from a firefighters relief association concerning service benefits paid under a special schedule (NDCC § 18-11-15)
- Receive periodic reports from Human Resource Management Services on the implementation, progress, and bonuses provided by state agency programs to provide bonuses to recruit or retain employees in hard-to-fill positions (NDCC § 54-06-31)
- Receive biennial report from the Office of Management and Budget summarizing reports of state agencies providing service awards to employees in the classified service (NDCC § 54-06-32)
- Receive biennial report from the Office of Management and Budget summarizing reports of state agencies providing employer-paid costs of training or educational courses to employees in the classified service (NDCC § 54-06-33)
- Receive biennial report from the Office of Management and Budget summarizing reports of executive branch state agencies paying employee membership dues for professional organizations and membership dues for service clubs when required to do business or if the membership is primarily for the benefit of the state (NDCC § 54-06-34)
- Review legislative measures and proposals affecting public employees retirement programs and health and retiree health plans (NDCC § 54-35-02.4)
- Approve terminology adopted by the Public Employees Retirement System Board to comply with federal requirements (NDCC § 54-52.1-08.2)
- Receive report from Human Resource Management Services before July 1, 2010, on the outcome of its study and evaluation of steps the state could take to recruit and retain state employees in state government employment as those state employees reach retirement (2009 S.L., ch. 509, § 1)

Following was the agenda for the first meeting:

EMPLOYEE BENEFITS PROGRAMS COMMITTEE

Thursday, August 6, 2009
Harvest Room, State Capitol
Bismarck, North Dakota

- 9:00 a.m. Call to order
Roll call
Review of Legislative Council rules of operation and procedure
- 9:05 a.m. Presentation by the Legislative Council staff of a background memorandum relating to the statutory duties, past procedures, and assigned studies of the Employee Benefits Programs Committee
- 9:10 a.m. Comments by interested persons in attendance and committee discussion concerning general requirements for submission and review of legislative retirement, insurance, and retiree health insurance proposals
- OVERVIEW OF RETIREMENT, INSURANCE, AND RETIREE HEALTH INSURANCE PROGRAMS**
- 9:15 a.m. Presentation by Mr. Steve Cochrane, Executive Director, Retirement and Investment Office, of an overview of the state's investment program and the current investment climate
- 10:00 a.m. Break
- 10:15 a.m. Presentation by Ms. Fay Kopp, Deputy Executive Director, Retirement and Investment Office, of an overview of the Teachers' Fund for Retirement
- 11:00 a.m. Presentation by Mr. Sparb Collins, Executive Director, Public Employees Retirement System, of an overview of the Public Employees Retirement System, including:
- Structure of the Public Employees Retirement System Board
 - Structure of the Public Employees Retirement System office
 - Retirement programs, including the Public Employees Retirement System main system, Highway Patrolmen's retirement system, judges' retirement system, National Guard security police and firefighters' retirement system, law enforcement retirement systems, prior service retiree system, higher education system, defined contribution plan, Job Service North Dakota retirement plan, and the Old-Age and Survivor Insurance System
 - Retiree health insurance program
 - Health insurance program
 - Life insurance program
 - Employee assistance program
 - Deferred compensation program
 - Dental, vision, and long-term care insurance programs
 - Flexcomp program
- 12:00 noon Luncheon recess
- TUITION REIMBURSEMENT POOL PROGRAM STUDY**
- 1:00 p.m. Presentation by a representative of Human Resource Management Services, Office of Management and Budget, regarding the tuition reimbursement pool program study
- 1:15 p.m. Comments by other interested persons in attendance and committee discussion concerning the study
- ADMINISTRATIVE LEAVE PROGRAM STUDY**
- 1:30 p.m. Presentation by a representative of Human Resource Management Services, Office of Management and Budget, regarding the administrative leave program study
- 1:45 p.m. Comments by other interested persons in attendance and committee discussion regarding the study
- 2:00 p.m. Committee discussion and staff directives
- 2:15 p.m. Adjourn

Attachments #1, # 2, and #3 are copies of the PowerPoint presentations that Steve, Fay and I presented to the committee.

The committee set the following tentative dates for its upcoming meetings:

1. October 26th – This date is fairly firm and is to review the actuarial valuations
2. December 17th – This date is dependent on the agenda. Please note that this is the same date as our Board meeting. As we get closer we may need to review this closer.

State Investment Board

Program Review

August 6, 2009

Steve Cochrane, CFA

Executive Director

ND Retirement and Investment Office



Returns
for Periods Ended June 30, 2007
Group: CAI Public Fund Sponsor Database



10th Percentile		18.80	14.49	13.05
25th Percentile		18.31	13.54	12.32
Median		17.17	12.57	11.49
75th Percentile		15.83	11.28	10.55
90th Percentile		14.33	9.51	9.02
Member Count		119	113	109
Total Fund- Pension Gross	● A	20.15	16.15	14.18

ND State Investment Board (SIB)



Lt. Governor



Treasurer



Insurance Commissioner



Land Commissioner



WSI Designee



PERS



PERS



PERS



TFFR



TFFR



TFFR

The Retirement and Investment Office (RIO)

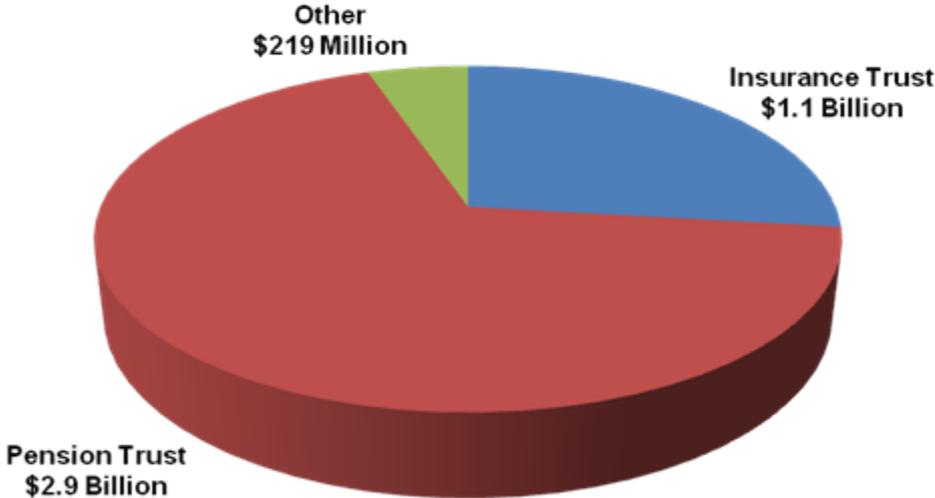
RIO is Overseen by the SIB

- 17 Total FTE's
- 4.5 State Investment Board FTE's

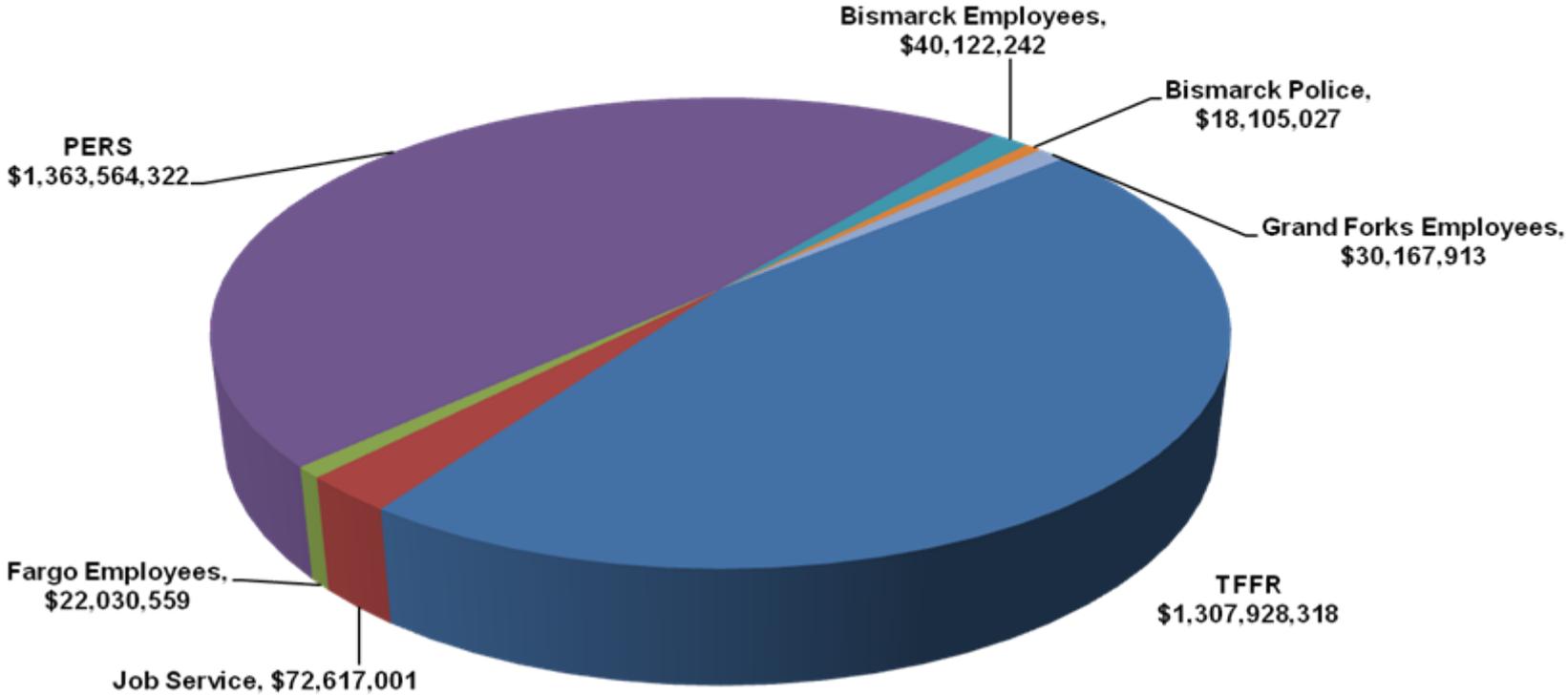


<u>Fund Name</u>	Preliminary Market Values <u>as of 6/30/09</u>
Pension Trust Fund	
Teachers' Fund for Retirement (TFFR)	1,307,928,318
Public Employees Retirement System (PERS)	1,363,564,322
City of Bismarck Employees Pension	40,122,242
City of Bismarck Police Pension	18,105,027
Job Service of North Dakota Pension	72,617,001
City of Fargo Employees Pension	22,030,559
City of Grand Forks Employees Pension	30,167,913
Subtotal Pension Trust Fund	<u>2,854,535,383</u>
Insurance Trust Fund	
Worforce Safety & Insurance	1,078,795,745
State Fire and Tornado Fund	22,369,431
State Bonding Fund	2,150,940
Petroleum Tank Release Compensation Fund	6,301,447
Insurance Regulatory Trust Fund	3,241,241
ND Health Trust Fund	2,309,050
State Risk Management Fund	3,260,899
State Risk Management Workers Comp Fund	1,870,284
Cultural Endowment Fund	205,002
Budget Stabilization Fund	190,135,335
ND Association of Counties (NDACo) Fund	933,056
NDACo Program Savings Fund	691,625
Bismarck Deferred Sick Leave Account	730,905
PERS Group Insurance Account	3,996,667
City of Fargo FargoDome Permanent Fund	17,649,377
Subtotal Insurance Trust Fund	<u>1,334,641,004</u>
PERS Retiree Insurance Credit Fund	<u>35,555,393</u>
Total Assets Under SIB Management	<u><u>4,227,040,829</u></u>

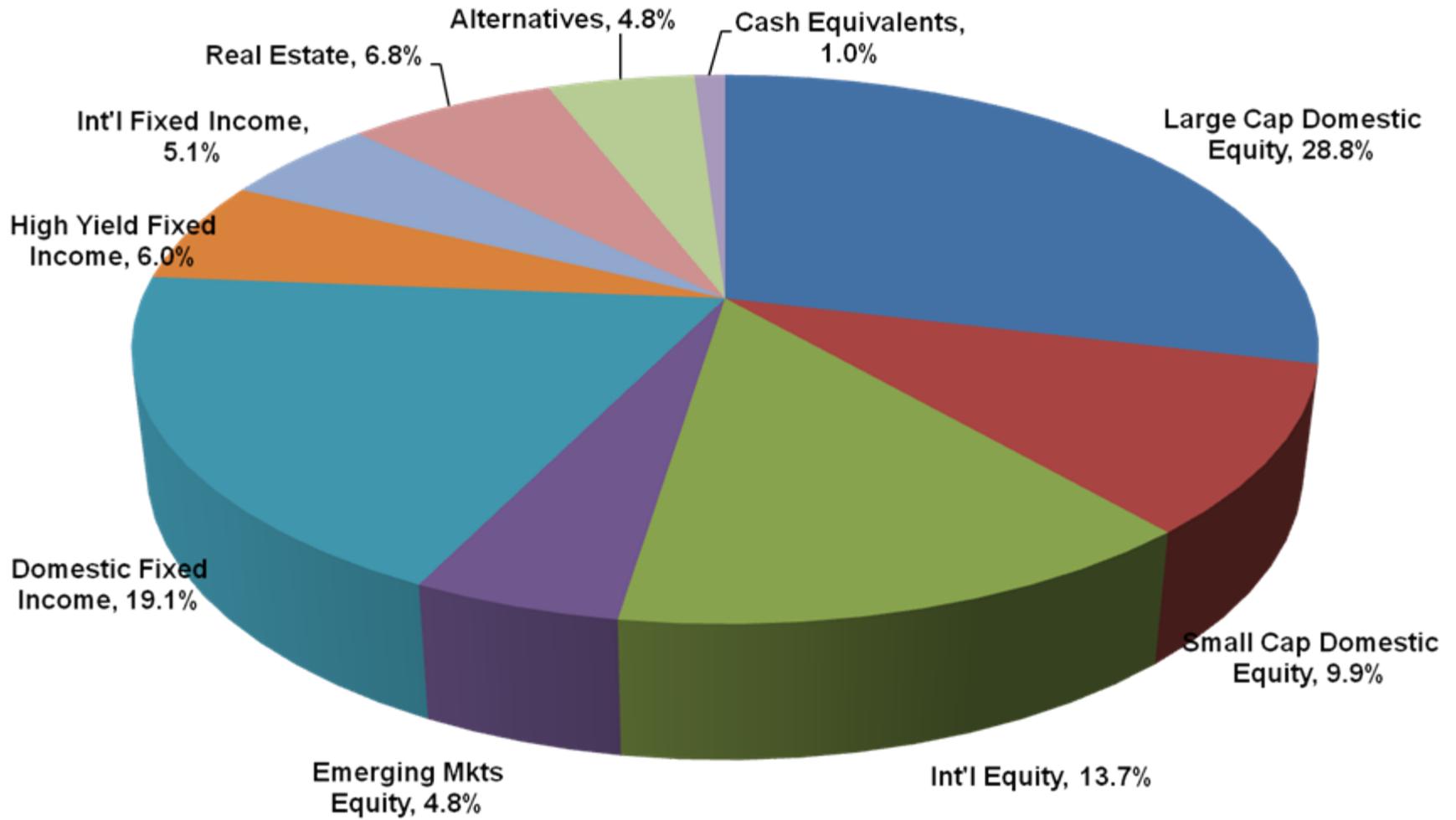
**State Investment Board
\$4.2 Billion**



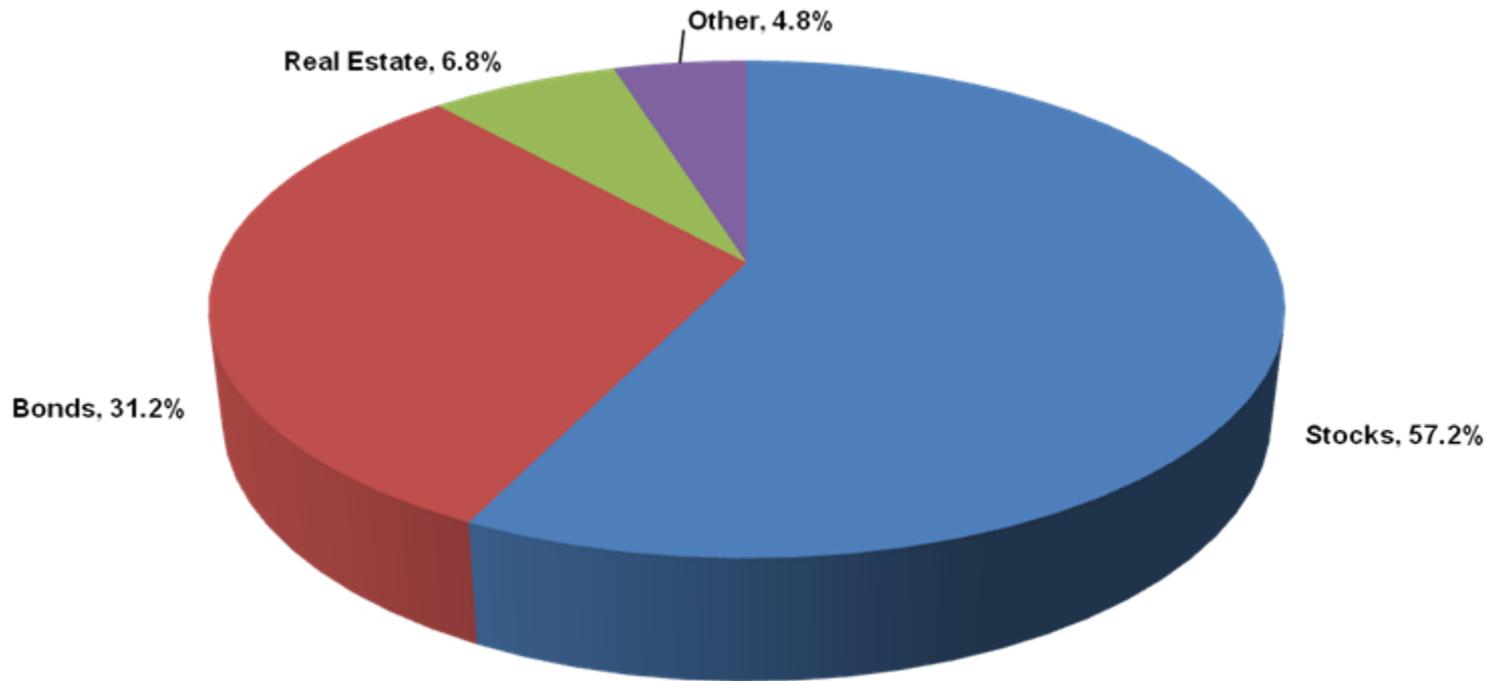
Pension Trust Participants \$2.9 Billion



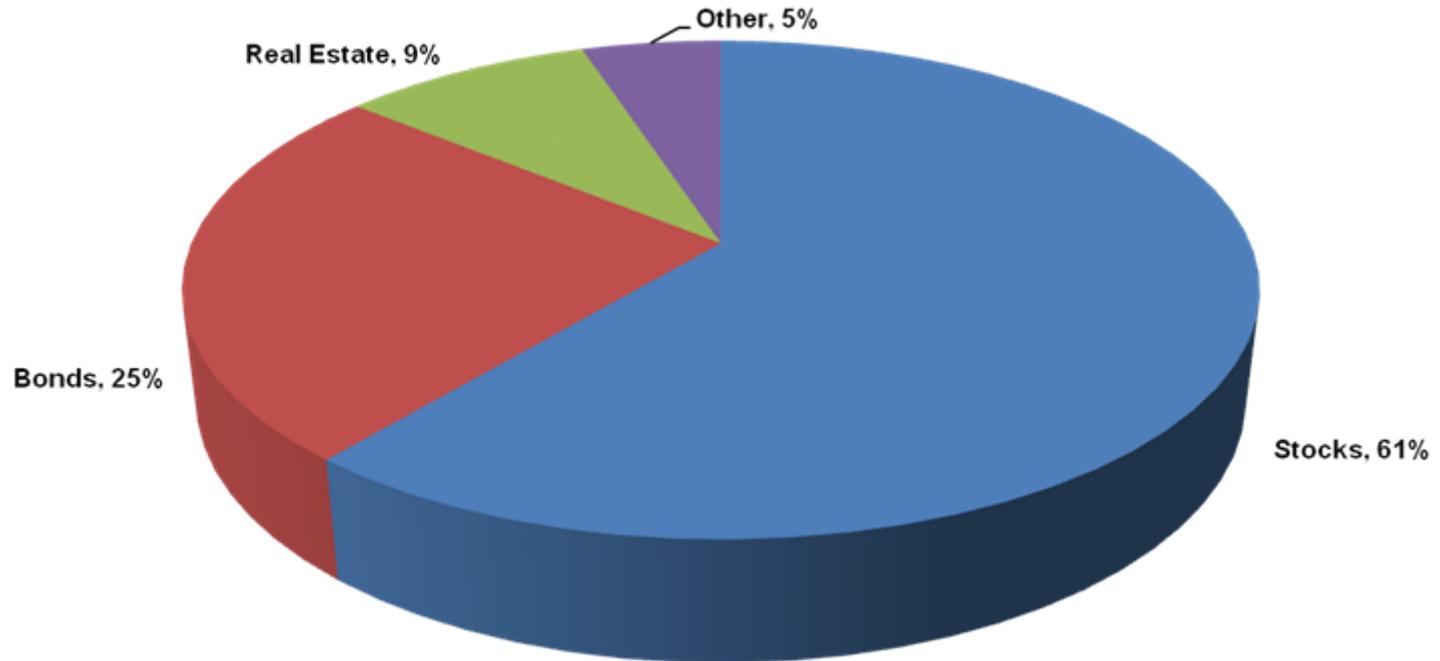
Pension Trust Asset Allocation - Policy



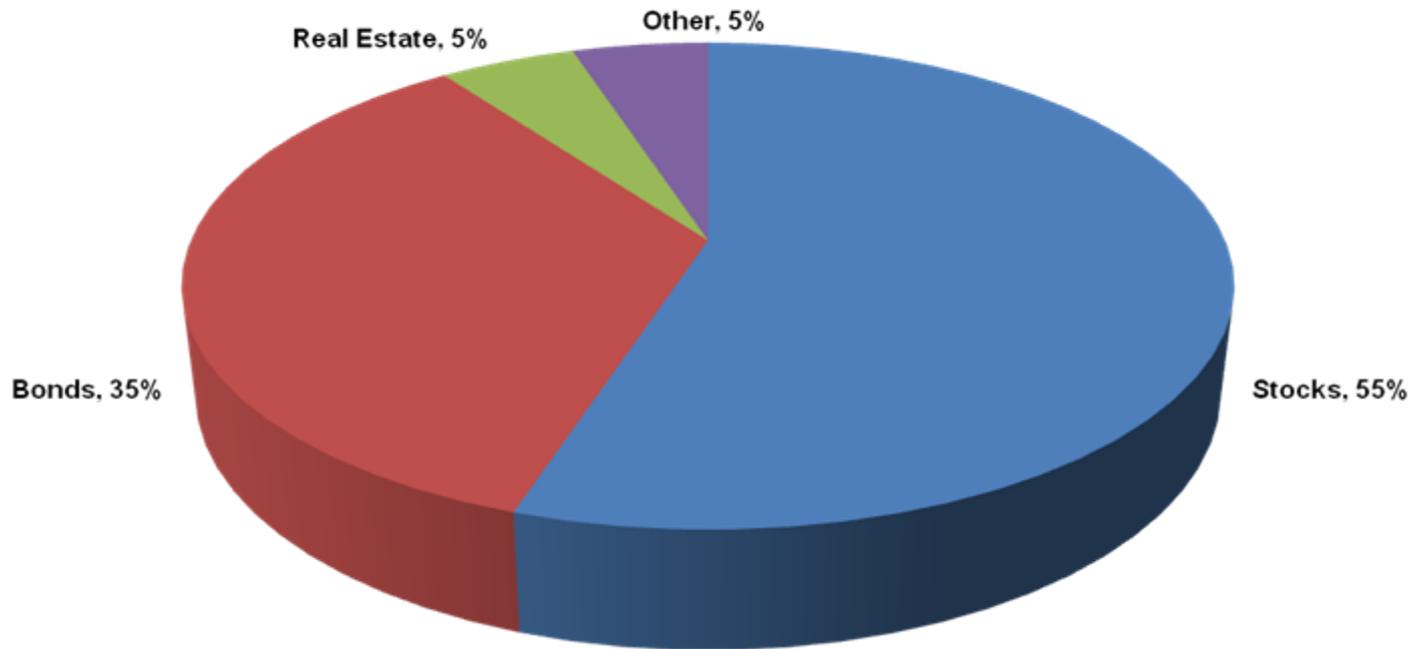
Pension Trust Asset Allocation



TFFR Asset Allocation



PERS Asset Allocation



FY 2009 Investment Losses

- TFFR: \$475.5 million (25.76% est.)
- PERS: \$424.5 million (23.52% est.)
- Total \$900.0 million

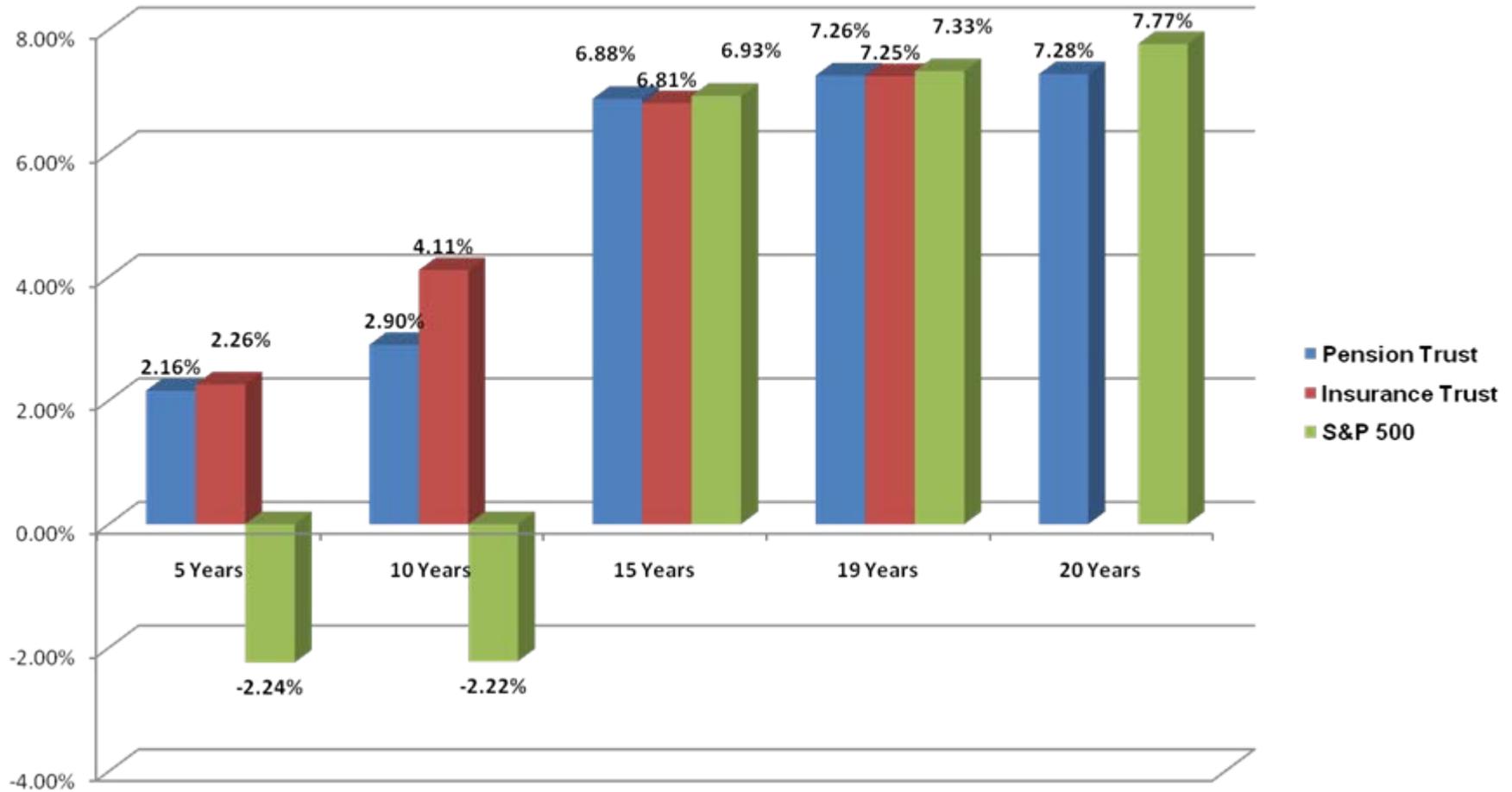
- Pension Trust total (24.37% est.)

- WSI \$125.5 million (9.76 est.)

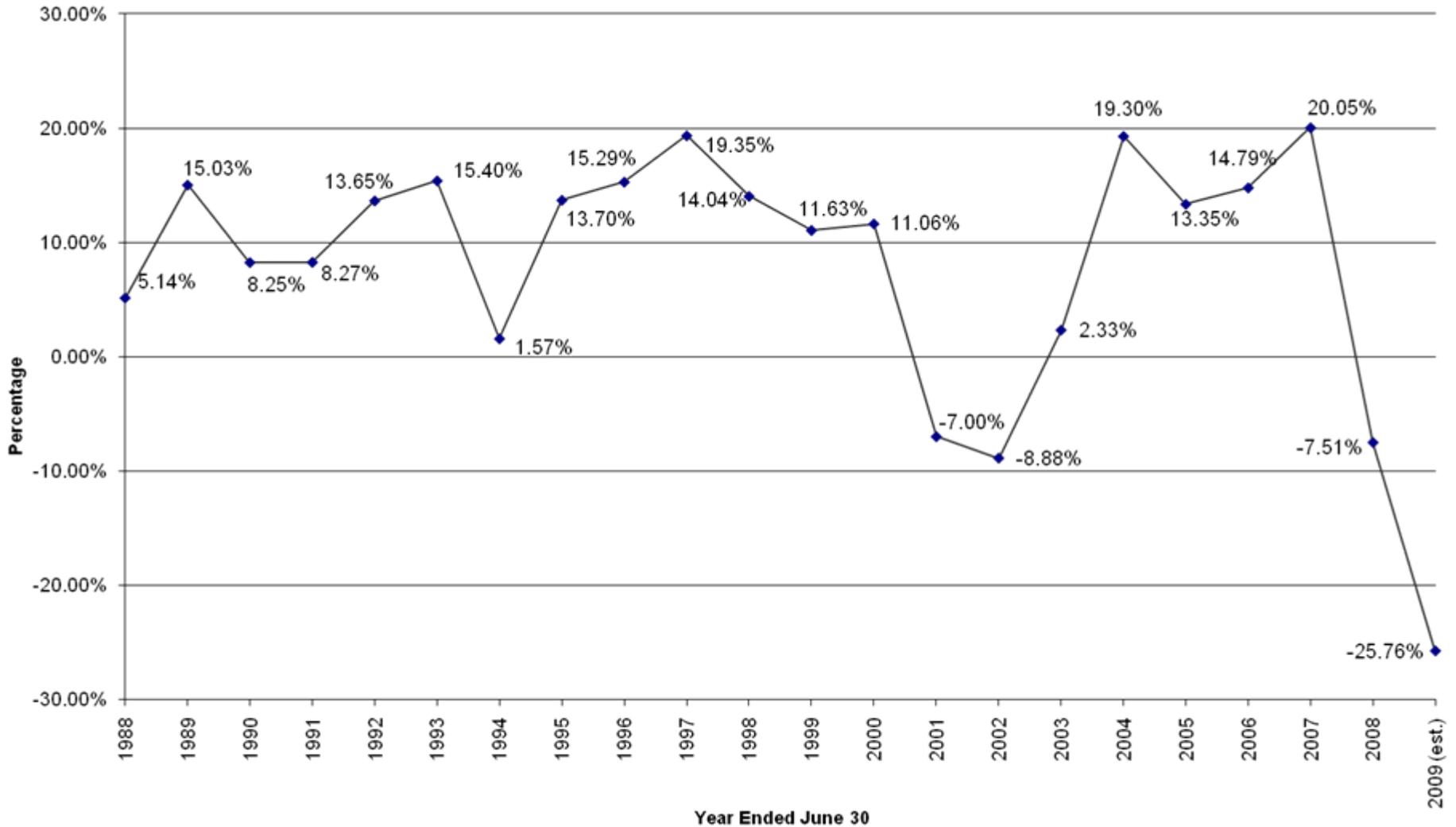
If there is “good news”, it’s this:

- On the pension side it looks like about 82% of that total loss is unrealized.
- For WSI it’s more like 95% unrealized.
- Note that the total dollar loss includes all forms of income/loss including investment expenses, etc... not just gains/losses).

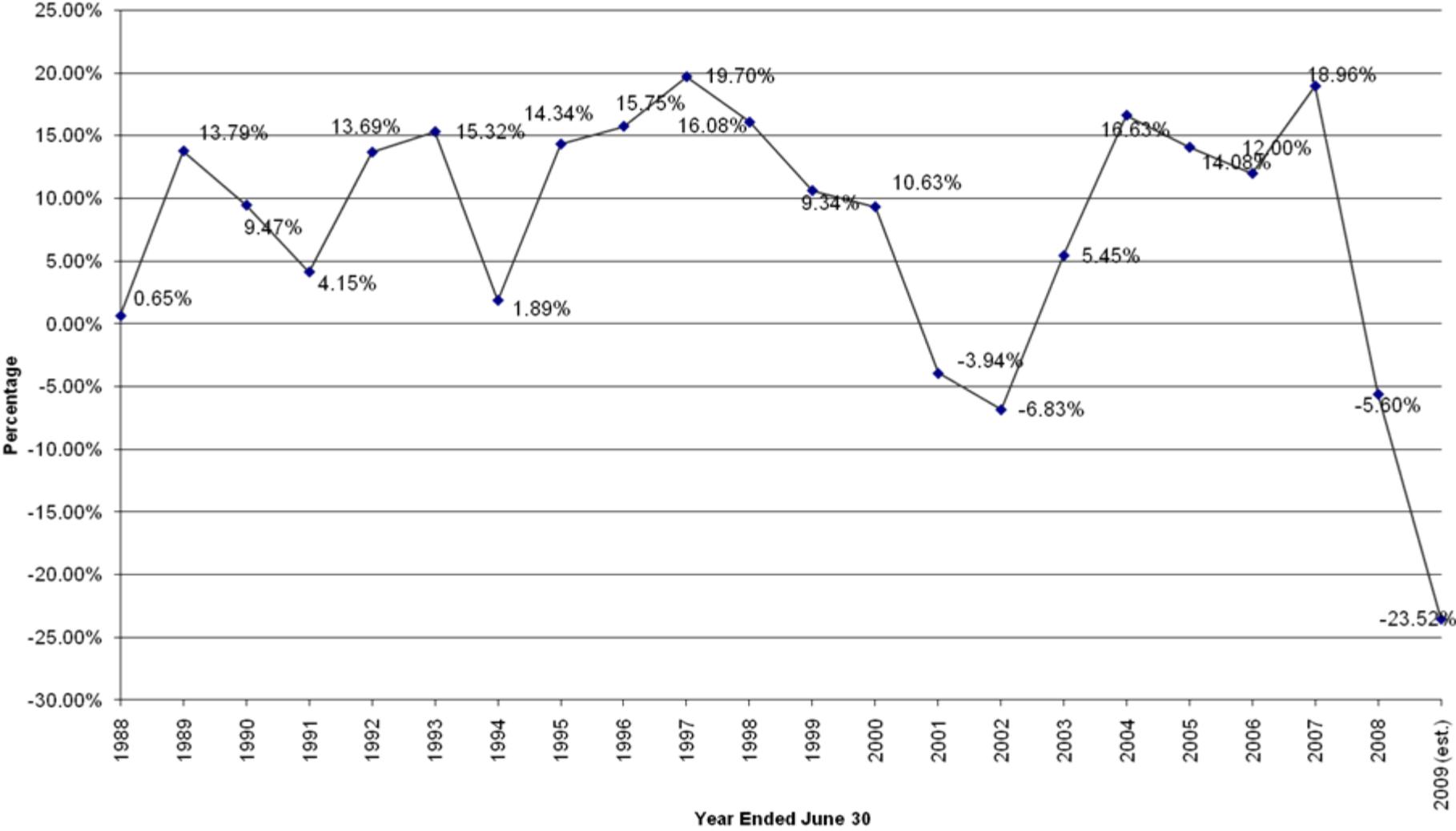
Annualized Returns for periods ended 6/30/09



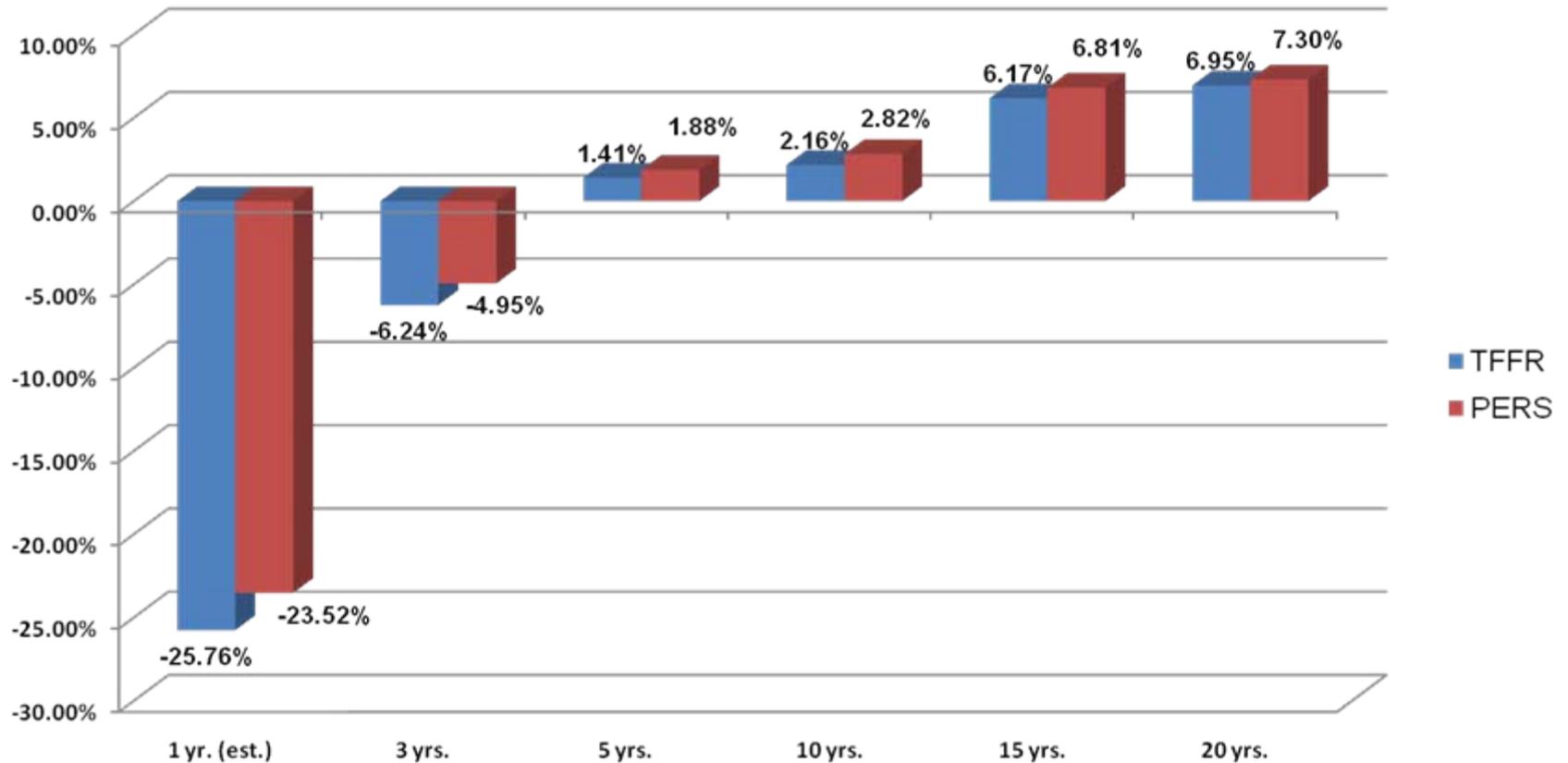
TFFR Annual Investment Performance



PERS Annual Investment Performance



TFFR and PERS Historical Investment Performance



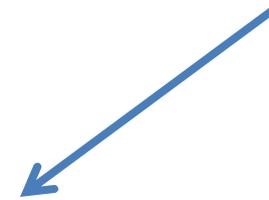
Returns
for Periods Ended December 31, 2008
Group: CAI Public Fund Sponsor Database



10th Percentile	(12.90)	3.69	4.49	7.34	8.53
25th Percentile	(15.27)	2.81	3.89	7.01	8.34
Median	(17.76)	2.14	3.36	6.72	8.00
75th Percentile	(18.83)	1.15	2.67	6.22	7.67
90th Percentile	(20.61)	0.36	2.26	5.64	7.37
Member Count	109	100	82	71	44
ND Pen - Total Fund ● A	(20.02)	2.83	3.66	6.64	7.81

Capital Market Assumptions

Callan's 2005-2009 Projected Return, Risk & Correlation



	Broad	Int'l Eq	Emerg	Dom Fix	Defensive	TIPS	Hi Yield	NUS Fix	Real Est	Pvt Equity	Abs Ret	T-Bill
Broad Dom Eq	1.00											
Int'l Equity	0.73	1.00										
Emerging Mkts	0.50	0.43	1.00									
Domestic Fixed	0.25	0.21	0.15	1.00								
Defensive	0.27	0.20	0.00	0.94	1.00							
TIPS	0.01	-0.09	-0.14	0.40	0.36	1.00						
High Yield	0.65	0.50	0.30	0.41	0.44	0.15	1.00					
Non \$US Fixed	0.01	0.22	-0.02	0.32	0.40	0.11	0.05	1.00				
Real Estate	0.62	0.47	0.35	0.20	0.30	0.00	0.53	0.03	1.00			
Private Equity	0.64	0.63	0.55	0.20	0.20	-0.03	0.45	0.10	0.45	1.00		
Absolute Return	0.65	0.58	0.33	0.45	0.44	0.00	0.50	0.15	0.45	0.46	1.00	
T-Bills	-0.12	-0.25	-0.15	0.30	0.28	0.29	0.07	-0.05	-0.06	0.07	0.50	1.00

High Correlation Among 10 Major Markets



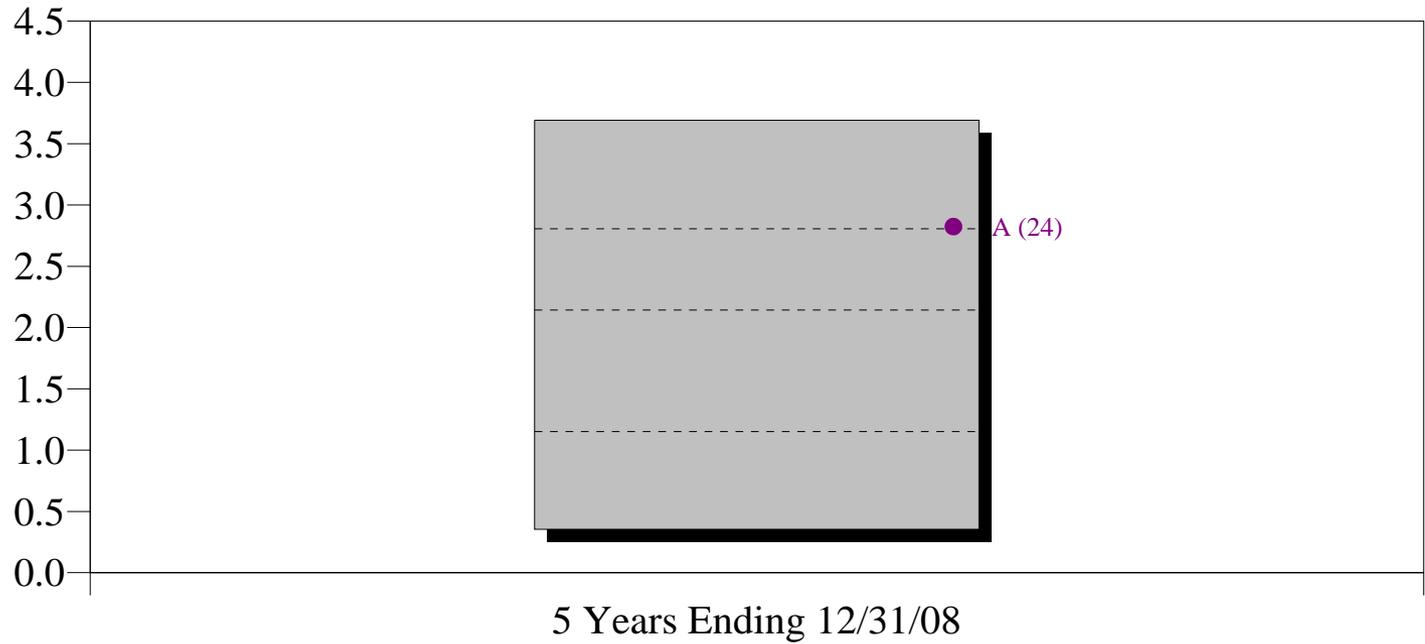
All of the 23 developed nations in the MSCI World Index except for Canada have experienced bear-market plunges of 20 percent or more since September as credit losses surged and record commodity prices stoked inflation. Brazil recently became the 23rd out of 25 developing countries in the MSCI Emerging Markets Index to enter a bear market. Only Jordan and Morocco avoided such slumps.

Capital Market Assumptions

Callan's 2005-2009 Projected Return, Risk & Correlation

Asset Class	Index	Projected Annual Return	Projected Standard Deviation (Risk)	Projected Yield	2004 Projections	
Equities						
Broad Domestic Equity	Russell 3000	9.00%	16.90	2.10	9.00%	16.90
Large Cap	S&P 500	8.85%	16.40	2.20	8.80%	16.20
Small/Mid Cap	Russell 2500	9.85%	22.70	1.20	10.10%	23.50
International Equity	MSCI EAFE	9.25%	20.10	2.20	9.30%	20.30
Emerging Markets Equity	MSCI EMF	9.80%	33.00	0.00	9.80%	33.00
Fixed Income						
Domestic Fixed	LB Aggregate	4.75%	4.50	4.75	4.75%	4.50
Defensive	LB Gov't 1-3 Year	3.75%	2.30	3.75	3.75%	2.30
TIPS	LB TIPS	4.40%	6.00	4.40	4.40%	6.00
High Yield	CSFB High Yield	6.75%	12.10	6.75	6.75%	12.30
Non US\$ Fixed	Citi Non-US Gov't	4.65%	9.60	4.65	4.65%	9.60
Other						
Real Estate	Callan Real Estate	7.60%	16.50	7.00	7.60%	16.50
Private Equity	VE Post Venture Cap	12.00%	34.00	0.00	12.00%	34.00
Absolute Return	*	6.50%	10.50	0.00	6.50%	10.50
Cash Equivalents	90-Day T-Bill	3.00%	0.80	3.00	2.70%	0.70
Inflation	CPI-U	2.60%	1.40		2.60%	1.40

Returns
for Periods Ended December 31, 2008
Group: CAI Public Fund Sponsor Database



10th Percentile	3.69
25th Percentile	2.81
Median	2.14
75th Percentile	1.15
90th Percentile	0.36

Member Count 100

ND Pen - Total Fund ● A 2.83

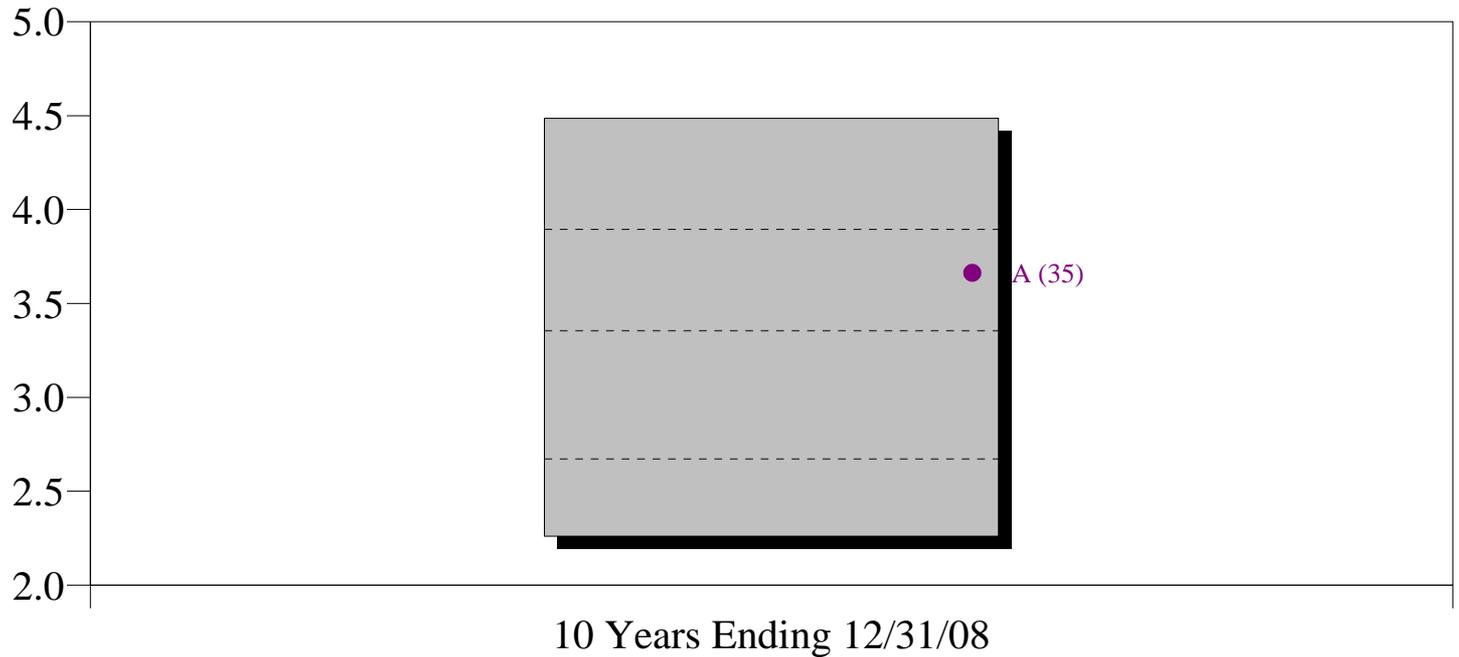
Asset Assumptions

Watson Wyatt 2000 Asset Model

Expected Return and Volatility Assumptions

	<u>Average Return</u>	<u>Compound Average Return</u>	<u>Standard Deviation</u>
Large Cap Stocks	10.1%	9.0%	16.0%
Mid Cap Stocks	10.5%	9.1%	18.0%
Small Cap Stocks	11.0%	9.1%	21.0%
International Equity	10.1%	8.6%	18.0%
Real Estate (Direct)	7.5%	7.0%	10.0%
Alternative Investments (General)	14.0%	10.2%	30.0%
Emerging Markets	14.0%	9.0%	35.0%
US Fixed Income	7.1%	6.9%	6.1%
International Fixed Income (Hedged)	6.5%	6.4%	4.6%
International Fixed Income (Unhedged)	6.7%	6.1%	11.0%
High Yield Bonds	9.6%	8.9%	12.4%
Cash Equivalents	5.1%	5.0%	2.5%
Inflation	2.5%	2.5%	2.9%

Returns
for Periods Ended December 31, 2008
Group: CAI Public Fund Sponsor Database



10th Percentile	4.49
25th Percentile	3.89
Median	3.36
75th Percentile	2.67
90th Percentile	2.26

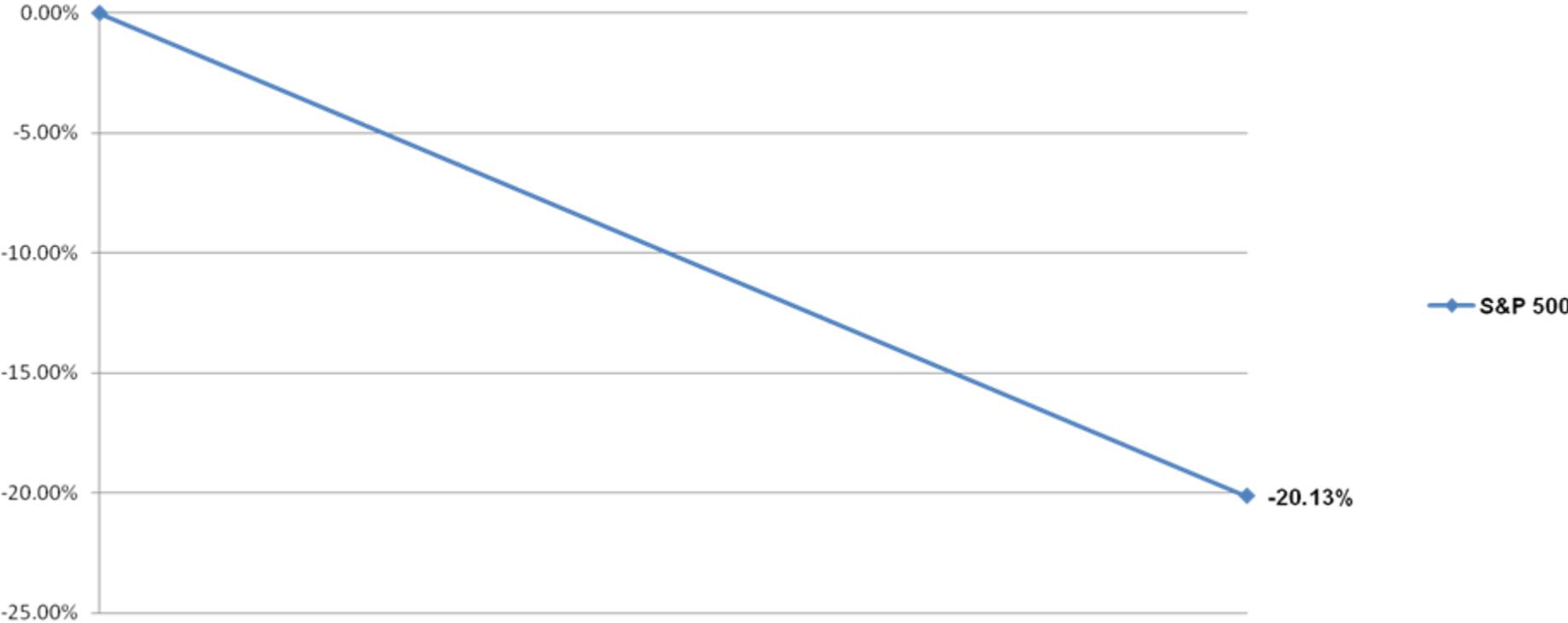
Member Count	82
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ND Pen - Total Fund	● A	3.66
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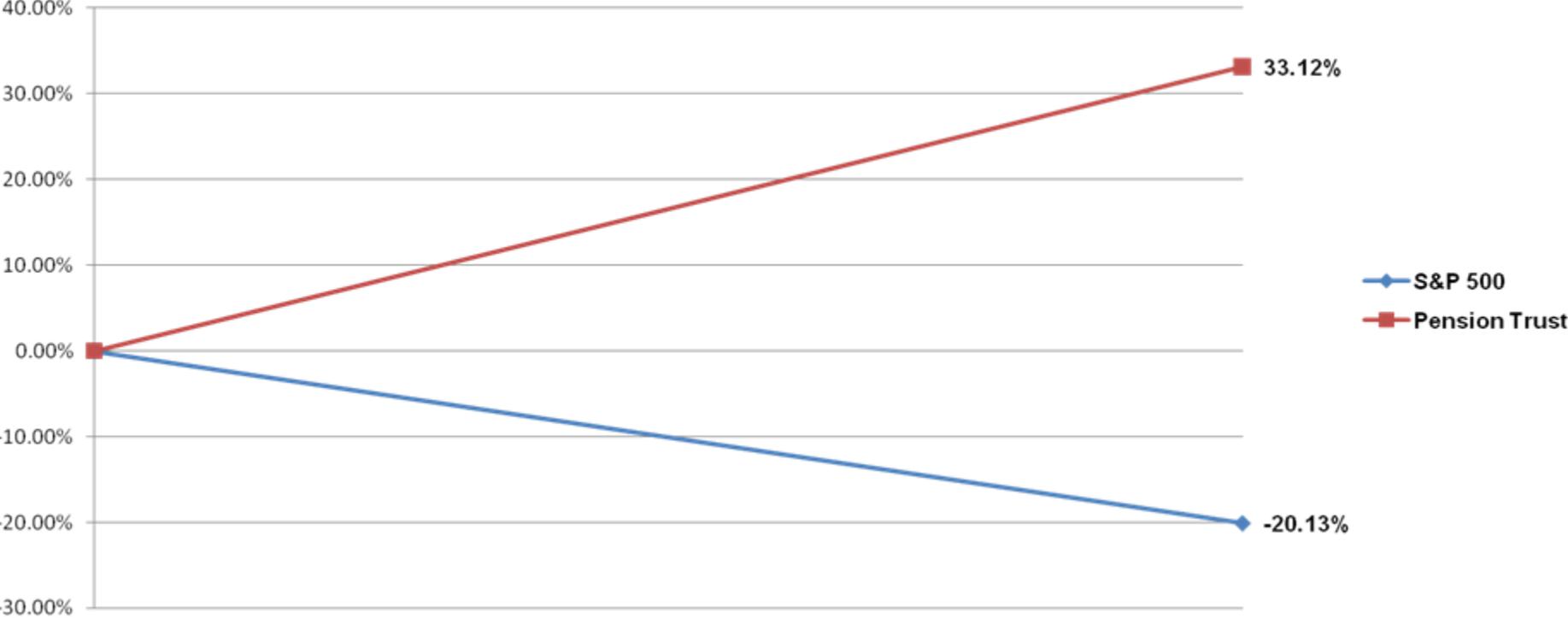
So, consultants figured about 9% per year in US stocks during each of the last 10 years

- Compounded over a 10 year time span, that's a 10 year return in stocks of *101%*!
- So...what did the stock market do?
- (You don't have to look at the next slide!)

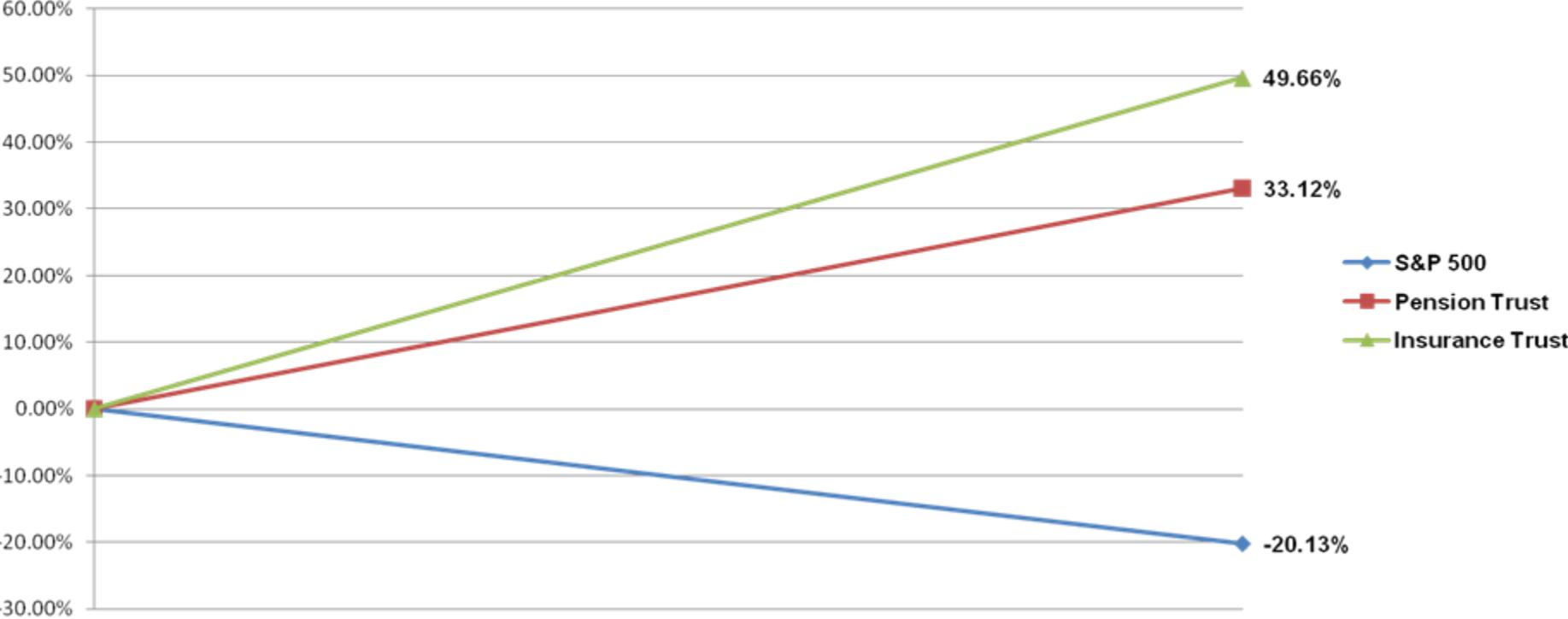
Cumulative Returns for 10 Years Ended 6/30/09



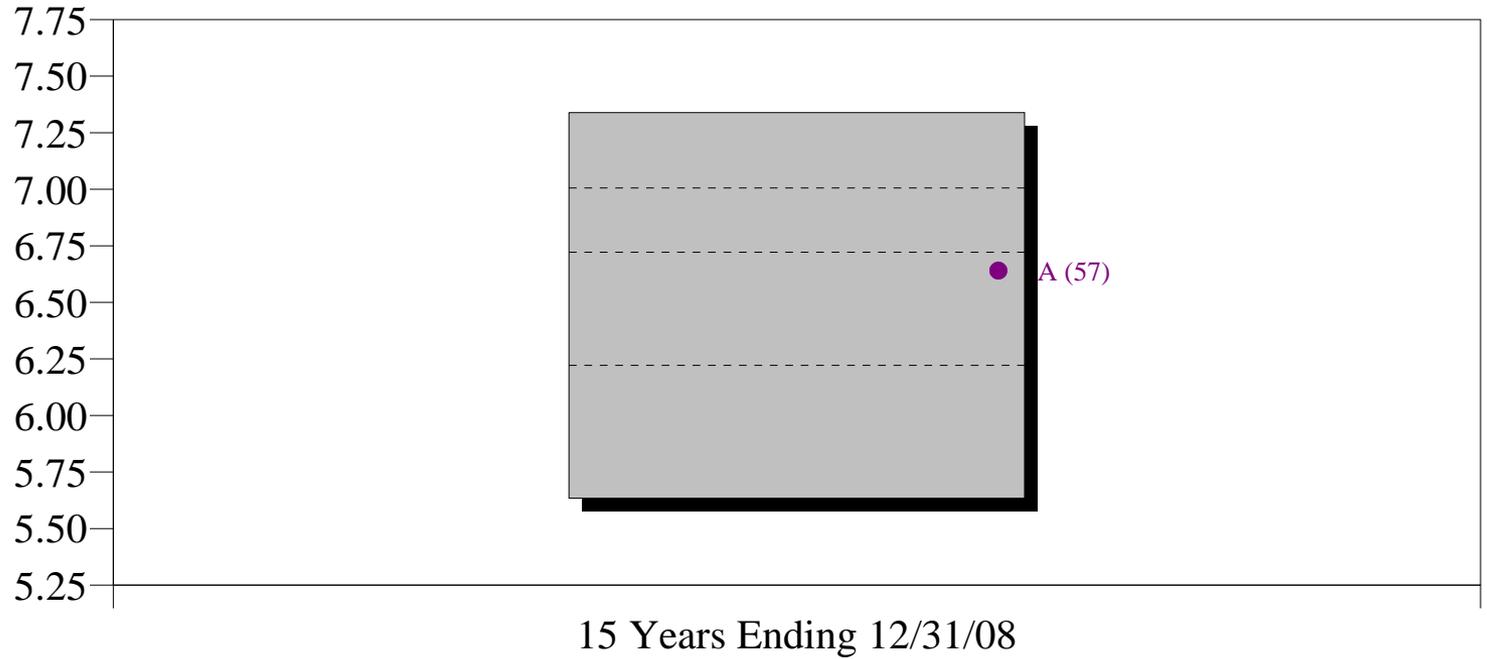
Cumulative Returns for 10 Years Ended 6/30/09



Cumulative Returns for 10 Years Ended 6/30/09



Returns
for Periods Ended December 31, 2008
Group: CAI Public Fund Sponsor Database

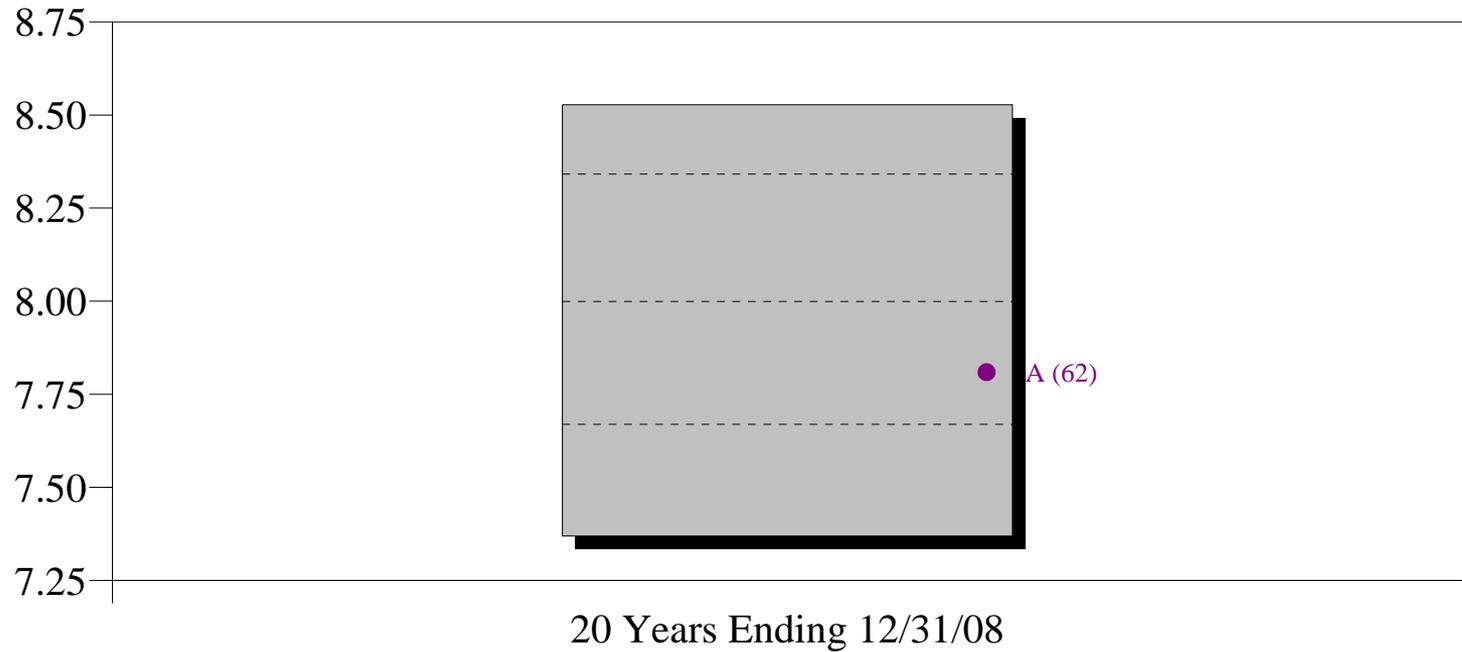


10th Percentile	7.34
25th Percentile	7.01
Median	6.72
75th Percentile	6.22
90th Percentile	5.64

Member Count 71

ND Pen - Total Fund ● A 6.64

Returns
for Periods Ended December 31, 2008
Group: CAI Public Fund Sponsor Database



10th Percentile	8.53
25th Percentile	8.34
Median	8.00
75th Percentile	7.67
90th Percentile	7.37
Member Count	44
ND Pen - Total Fund ● A	7.81

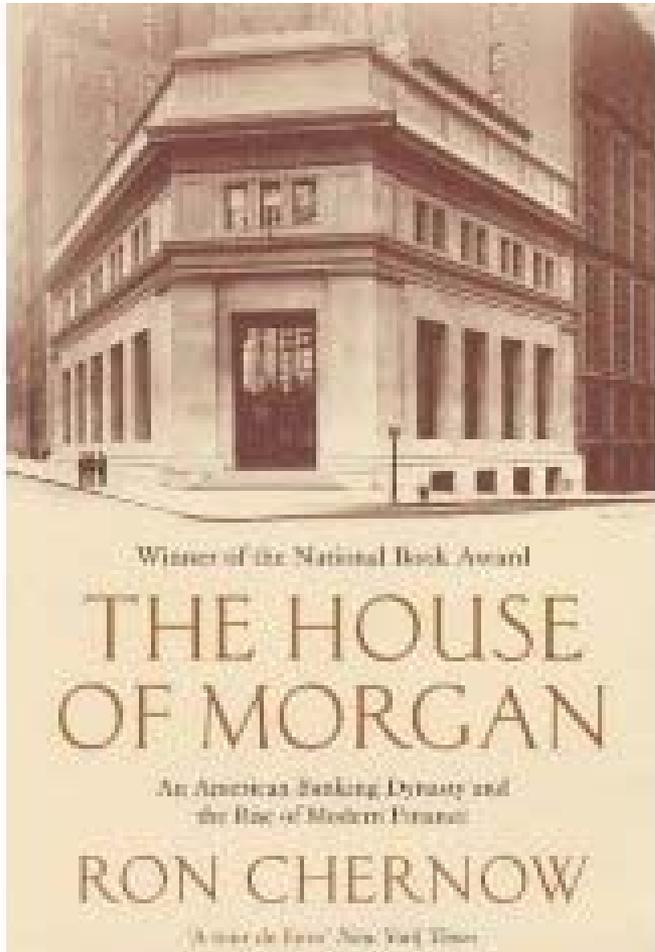
2009 Capital Market Expectations

Return and Risk

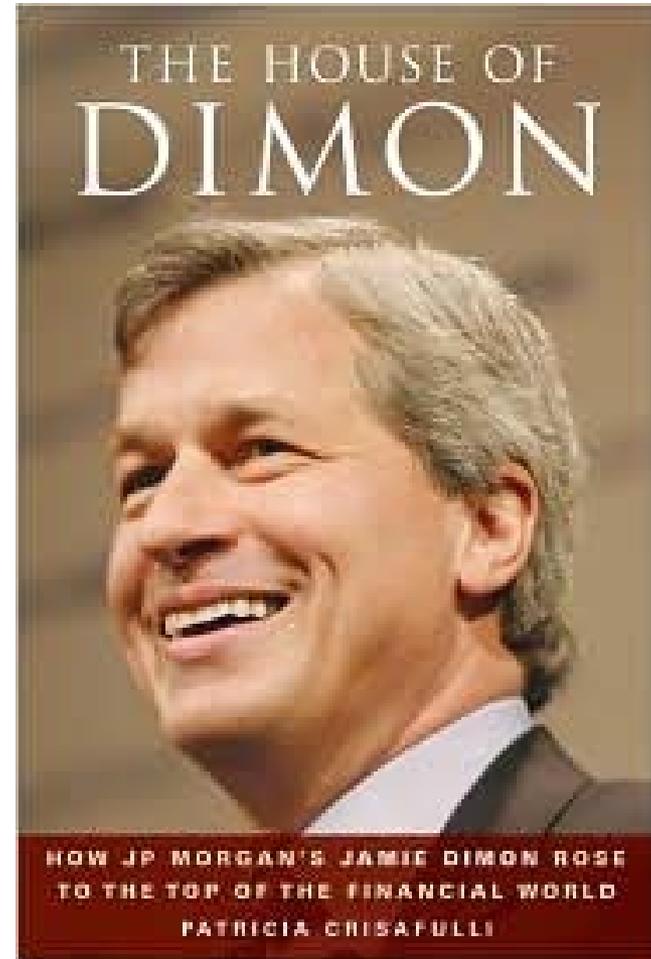
Summary of Callan's Long-Term Capital Market Projections

Asset Class	Index	Projected Return			Projected Standard Deviation (Risk)	Projected Yield	2008 Projections	
		1-Year Arithmetic	Geometric	Real				
Equities								
Broad Domestic Equity	Russell 3000	10.35%	9.50%	6.75%	16.40	2.10	9.00%	16.90
Large Cap	S&P 500	9.95%	9.20%	6.45%	15.25	2.20	8.85%	16.40
Small/Mid Cap	Russell 2500	11.95%	10.00%	7.25%	22.60	1.20	9.85%	22.70
International Equity	MSCI EAFE	10.60%	9.25%	6.50%	19.30	2.00	9.00%	19.20
Emerging Markets Equity	MSCI EMF	13.00%	10.10%	7.35%	27.00	0.00	9.60%	31.20
Non-US Equity	MSCI ACWI (ex-US)	10.96%	9.60%	6.85%	19.60	1.80	9.10%	18.90
Fixed Income								
Domestic Fixed	BC Aggregate	5.25%	5.25%	2.50%	5.00	5.25	5.25%	4.50
Defensive	BC Gov't 1-3 Year	4.00%	4.00%	1.25%	2.30	4.00	4.00%	2.30
TIPS	BC TIPS	4.90%	4.90%	2.15%	6.00	4.90	4.90%	6.00
High Yield	CSFB High Yield	7.45%	7.00%	4.25%	11.70	7.45	7.00%	11.50
Non US\$ Fixed	Citi Non-US Gov't	5.15%	4.85%	2.10%	9.60	5.15	5.15%	9.60
Other								
Real Estate	Callan Real Estate	8.55%	7.60%	4.85%	16.10	6.00	7.60%	16.50
Private Equity	VE Post Venture Cap	17.25%	11.60%	8.85%	37.00	0.00	12.00%	34.00
Absolute Return	Callan Hedge FoF	7.20%	6.90%	4.15%	10.00	0.00	6.50%	9.70
Cash Equivalents	90-Day T-Bill	3.00%	3.00%	0.25%	0.80	3.50	3.50%	0.80
Inflation	CPI-U	2.75%	2.75%		1.40		2.75%	1.40

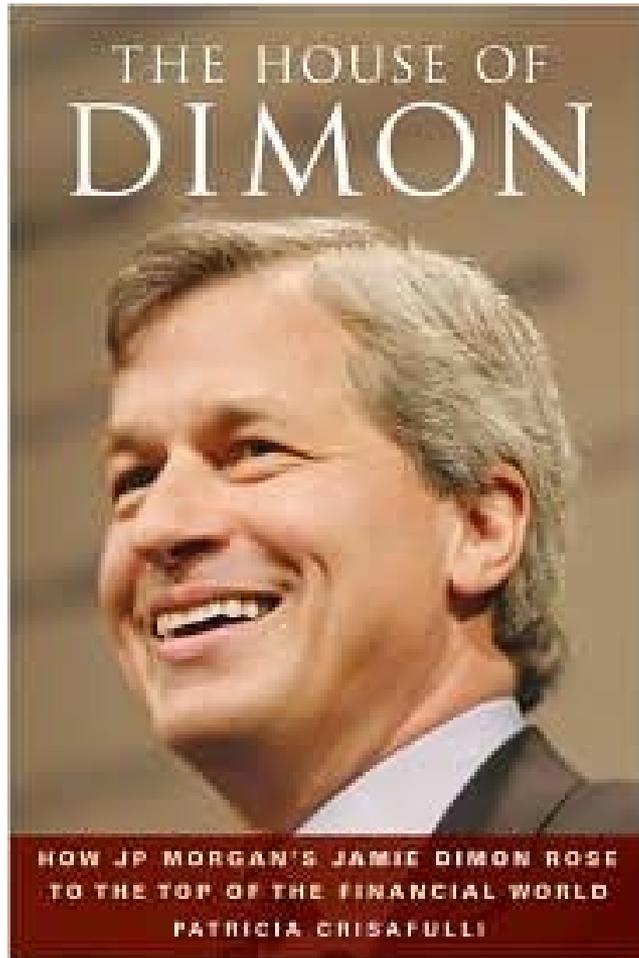
Source: Callan Associates Inc.



2001



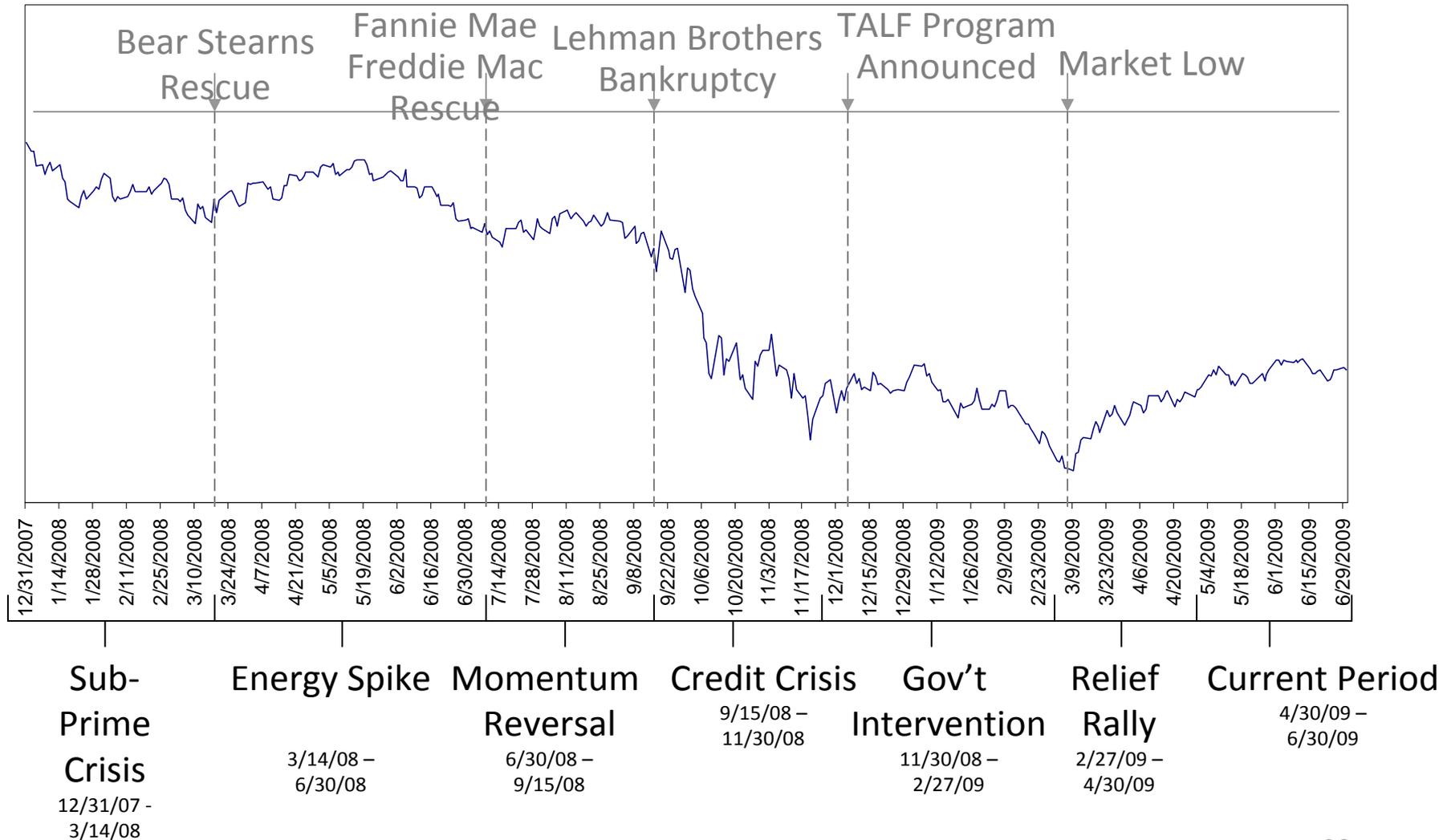
2009



“I feel like I am riding a bronco and hanging on for dear life”

Markets Environment Review - 2008 through June 2009

S&P 500®



Madoff With the Money



- Massachusetts Mutual Life Insurance
- Swiss Reinsurance Co
- Man Group PLC

- New Mexico Educational Retirement Board, Santa Fe
- New Orleans City Employees' Retirement System
- \$41 million by the Fairfield (Conn.) Town Retirement Fund. The \$233 million plan had 17.6%, or \$41 million, invested as of Nov. 30 in the MAXAM Absolute Return Fund, managed by Madoff Investment Securities.

NYU	\$24 million
Yeshiva University	\$110 million
Tufts	\$20 million

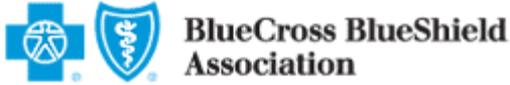


Would you buy a used car from this man?

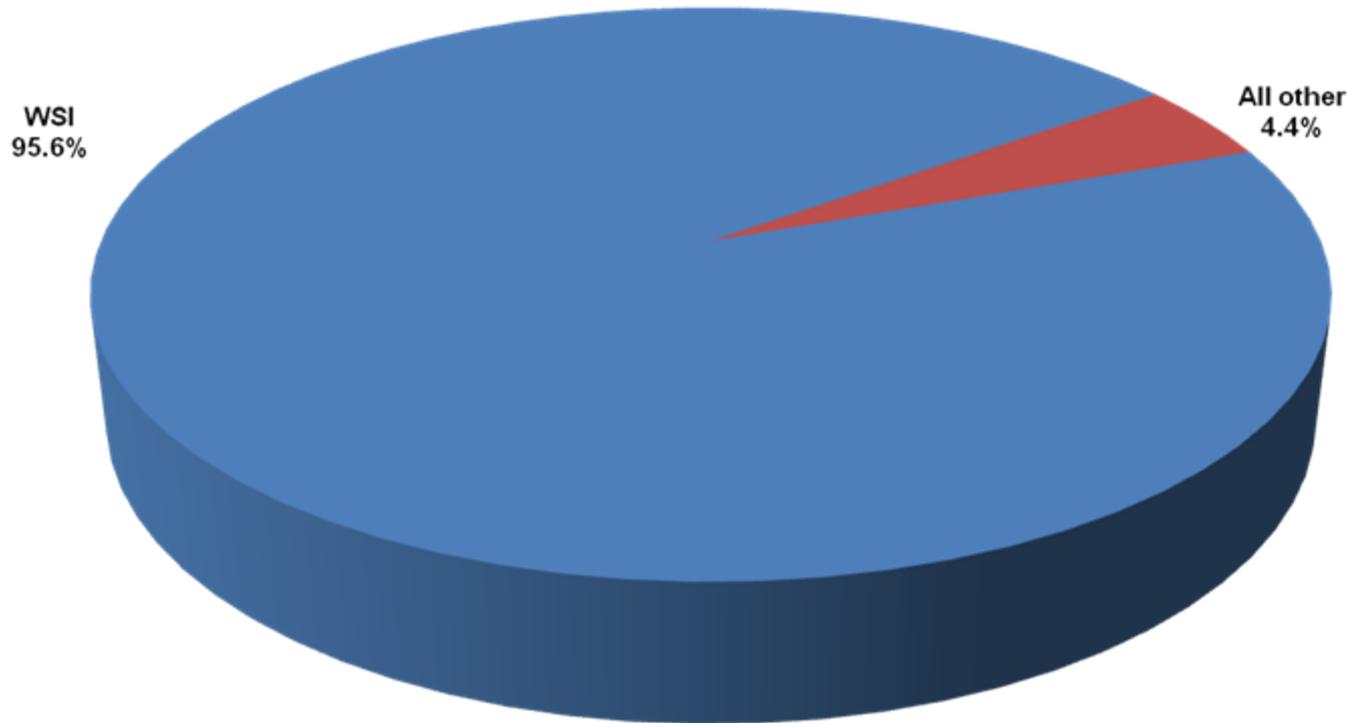


Or this dapper fellow in the sweater?

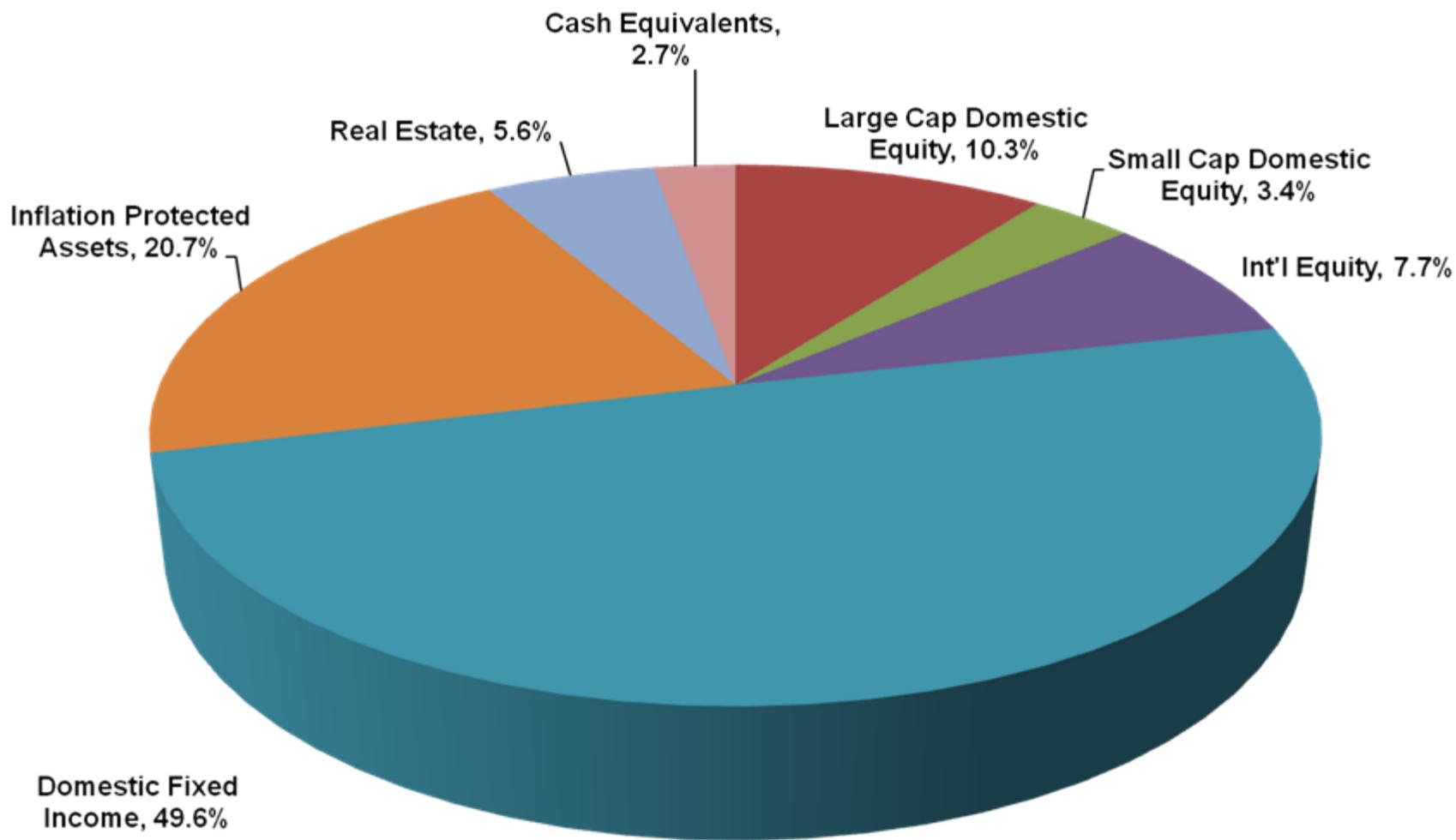




Insurance Trust



Insurance Trust Asset Allocation - Policy



ND Teachers' Fund for Retirement (TFFR) Program Overview

Fay Kopp

Deputy Director - Retirement Officer

NDRIO – TFFR

August 6, 2009

ND TFFR Background

- TFFR was established in 1913 to provide retirement benefits for all ND public school teachers and administrators.
- State statutes govern plan - NDCC 15-39.1
- TFFR program is managed by a 7-member board of trustees made up of 5 active and retired members appointed by the Governor and 2 state officials.

TFFR Board of Trustees



TFFR Board of Trustees

- Active School Teachers
 - Mike Gessner, Minot – President
 - Kim Franz, Mandan
- Active School Administrator
 - Bob Toso, Jamestown
- Retired Members
 - Clarence Corneil, Dickinson
 - Lowell Latimer, Minot – Vice President
- State Officials – Ex officio members
 - Kelly Schmidt, State Treasurer
 - Wayne Sanstead, State Superintendent

TFFR Mission Statement

- The mission of TFFR, a trust fund, is to advocate for, develop, and administer a comprehensive retirement program for all trust fund members within the resources available.

TFFR Plan Summary

Membership

- Mandatory Membership
 - Includes teachers, special teachers, superintendents, principals, directors, and other positions required by state law.
 - Licensed by Education Standards and Practices Board (ESPB).
 - Contracted with participating employer to provide teaching, supervisory, administrative, or extracurricular services.
- Note: 2007 Legislation – Created two membership tiers
 - Tier 1 – All current active, inactive, and retired members who have TFFR service credit on 7/1/08.
 - Tier 2 – All new members and returning refunded members employed on or after 7/1/08.

Contribution Rates

- Current Statutory Contribution Rates
 - Member – 7.75%
 - Employer – 8.25%
- Note: 2007 and 2009 Legislation
 - Effec. 7/1/08 employer contribution rate - 8.25%
 - Effec. 7/1/10 employer contribution rate - 8.75%

Vesting Period

- Minimum service required to be eligible to receive retirement benefit at eligibility date.
- Note: 2007 Legislation – Eff. 7/1/08
 - Tier 1 – 3 years
 - Tier 2 – 5 years

Benefits Available

- Retirement Benefits
- Disability Benefits
- Survivor/Death Benefits
- Refund/Rollover of employee contributions plus interest

Retirement Benefit Eligibility

- Unreduced benefits
 - Tier 1:
 - Normal - Age 65 with 3 years, OR
 - Early - Rule of 85 (age + service = 85+)
 - Tier 2:
 - Normal - Age 65 with 5 years, OR
 - Early - Rule of 90 (age + service = 90+)
- Reduced benefits
 - Tier 1
 - Age 55, benefits reduced 6% year from Rule of 85 or age 65
 - Tier 2
 - Age 55, benefits reduced 6% year from Rule of 90 or age 65

Retirement Formula

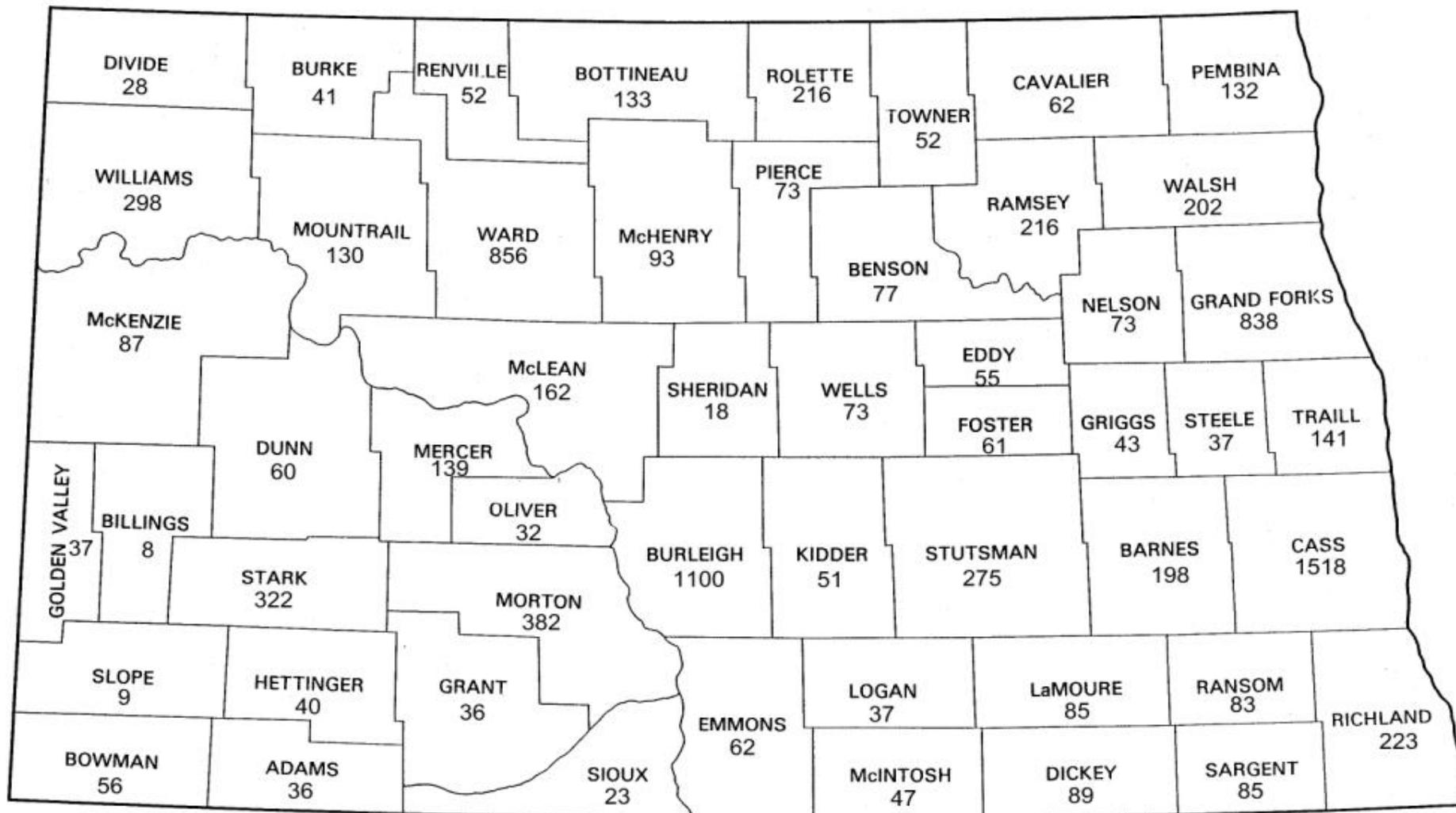
- Final Average Salary X 2.0% X years of service credit
 - Example: \$3,000 X 2.0% X 30 years = \$1,800 per mo.
- Note: 2007 Legislation – Eff. 7/1/08
 - Tier 1 – High 3 years final average salary
 - Tier 2 – High 5 years final average salary
- Benefit Options: single life annuity, 100% and 50% joint and survivor, 10 and 20 year term certain, level income with Social Security, and partial lump sum option.

Retiree Re-employment

- General Rule
 - Retirees may return to covered employment after 30 day waiting period.
 - Employment is limited to a maximum number of hours in a fiscal year based on length of contract:
 - 9 mo. 700 hours
 - 10 mo. 800 hours
 - 11 mo. 900 hours
 - 12 mo. 1,000 hours
 - Retiree continues receiving monthly TFFR retirement benefit.
 - Employer contributions are paid on retiree salary.
- Exceptions to General Rule
 - Critical Shortage Areas
 - Benefit Suspension and Benefit Recalculation

TFFR Statistics

TFFR Active Members

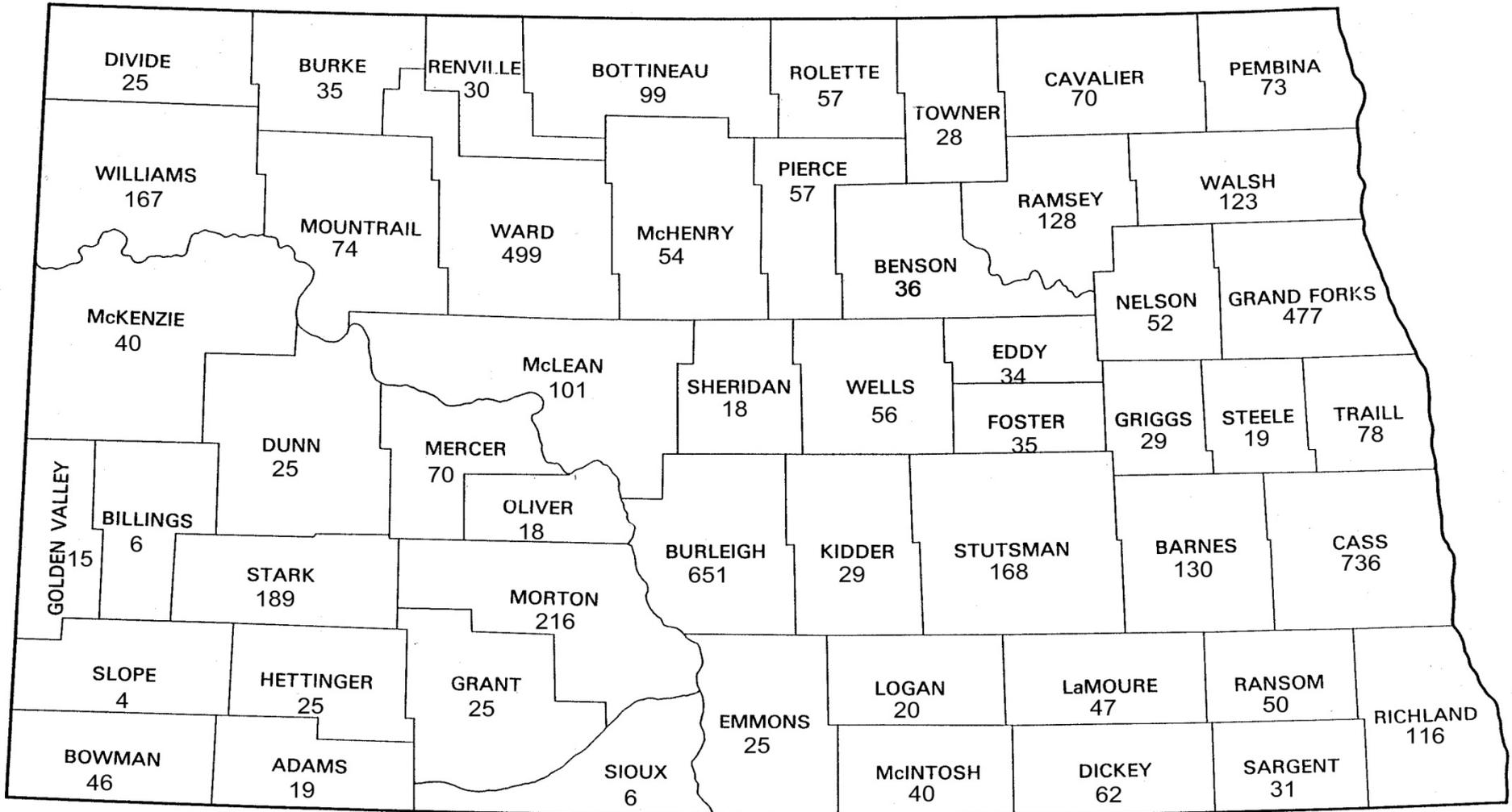


In-state 9,282
 Out-of-state 420
 Total 9,702

Tier 1 8,996
 Tier 2 706
 Total 9,702

*Preliminary 2009 data

TFFR Retired Members



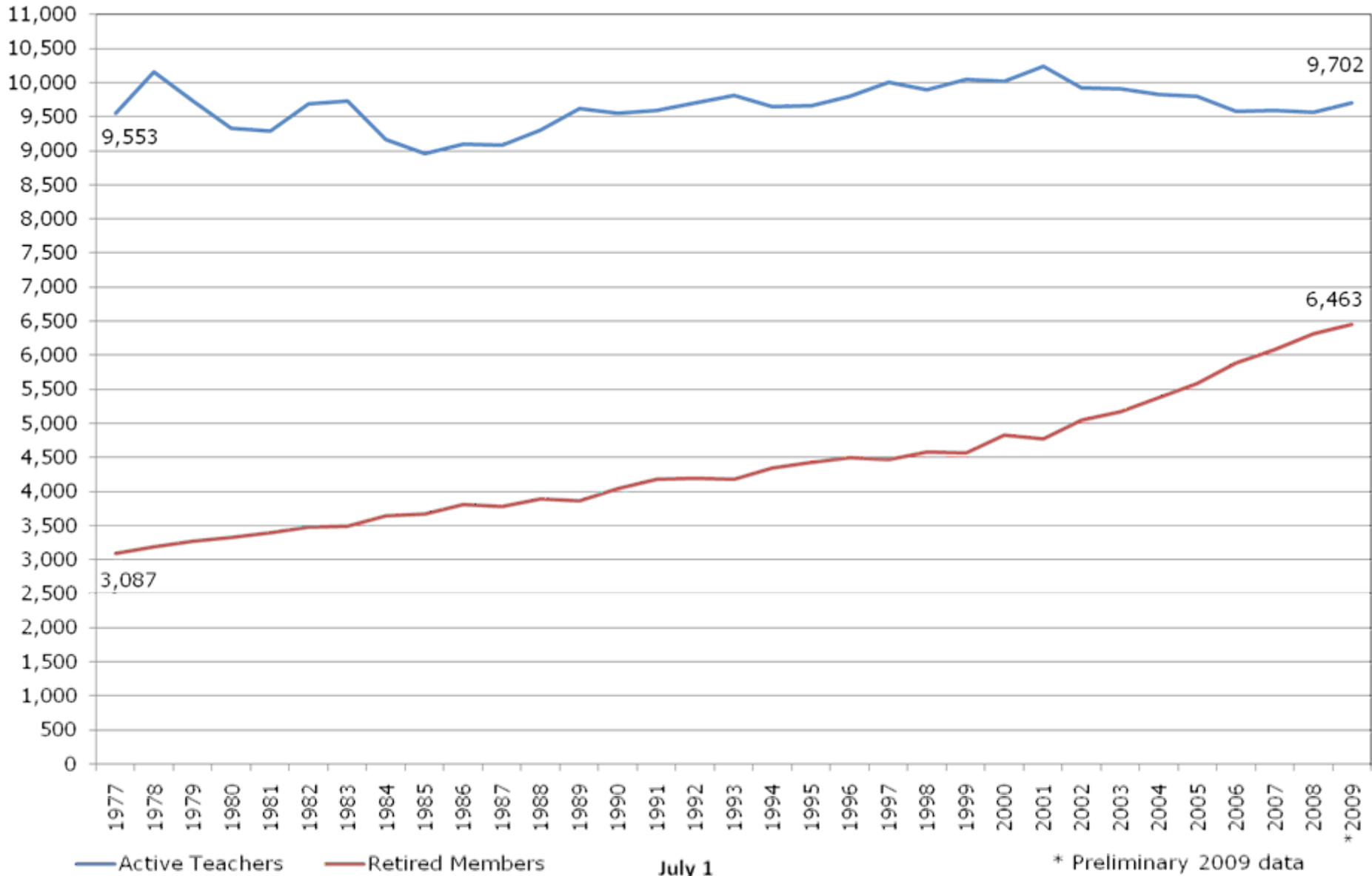
In-state	5,263
Out-of-state	1,200
Total	6,463

*Preliminary 2009 data

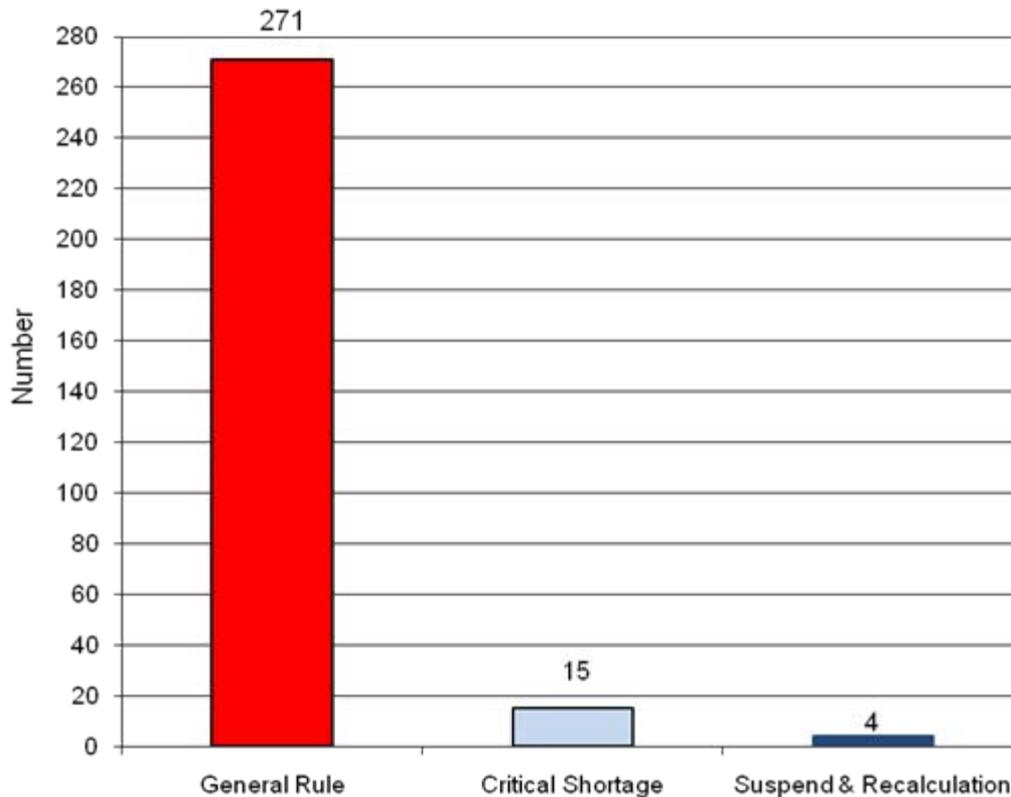
Population Changes

- Number of active TFFR members is declining
 - Student population declines
 - School closings, consolidations, budget reductions
 - Teachers are retiring earlier and returning to teach part time
- Number of retired TFFR members is increasing
 - People are living longer
 - Teachers are retiring earlier and returning to teach part time

Active and Retired TFFR Members 1977-2009



TFFR Retiree Re-employment Statistics



Re-employed TFFR Retirees: 289

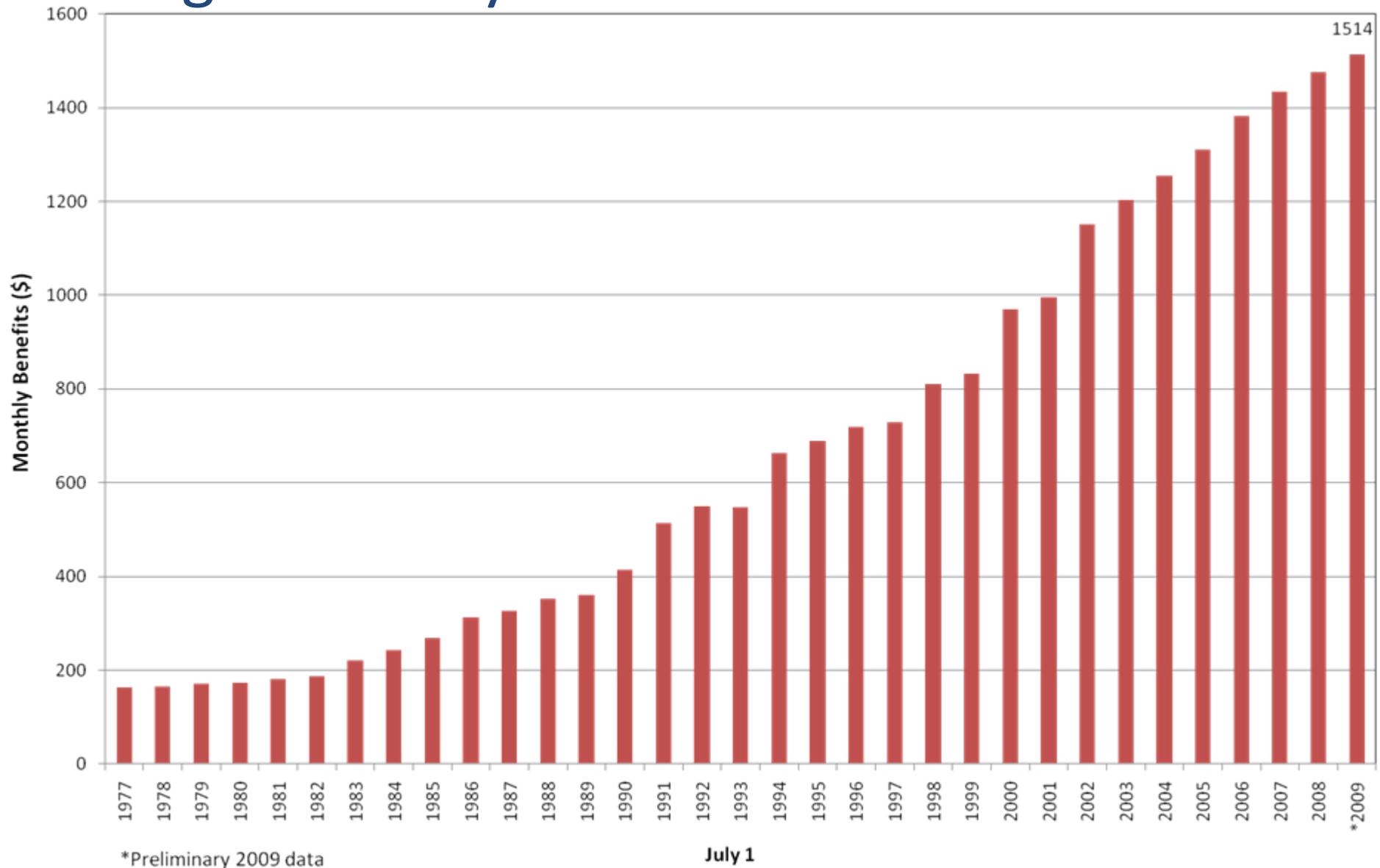
Average Age: 60

Average Salary: \$22,000

Employers of TFFR Retirees: 130

*Preliminary 2009 data

Average Monthly TFFR Benefits 1977-Present

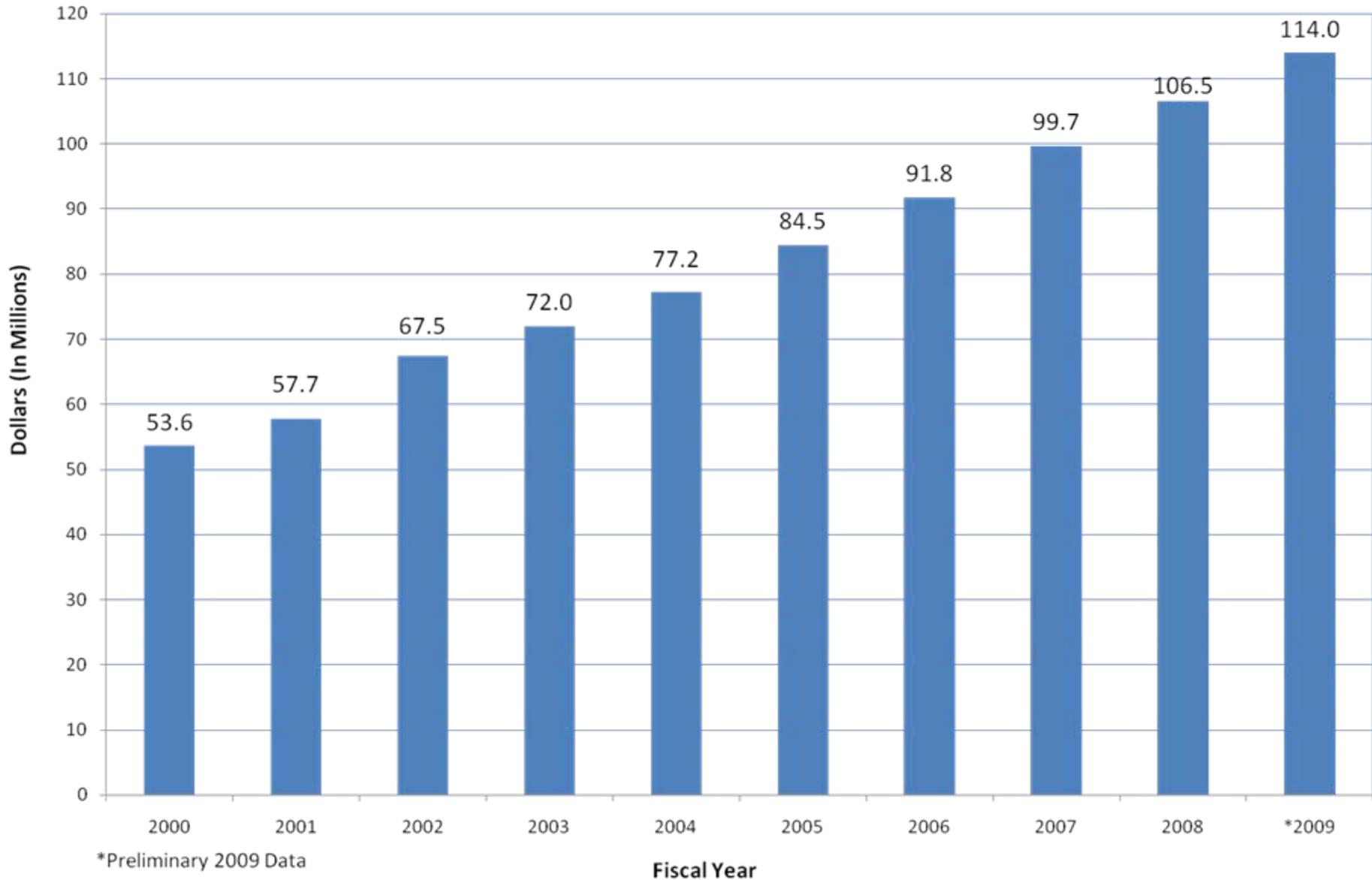


Average Monthly TFFR Benefits by County

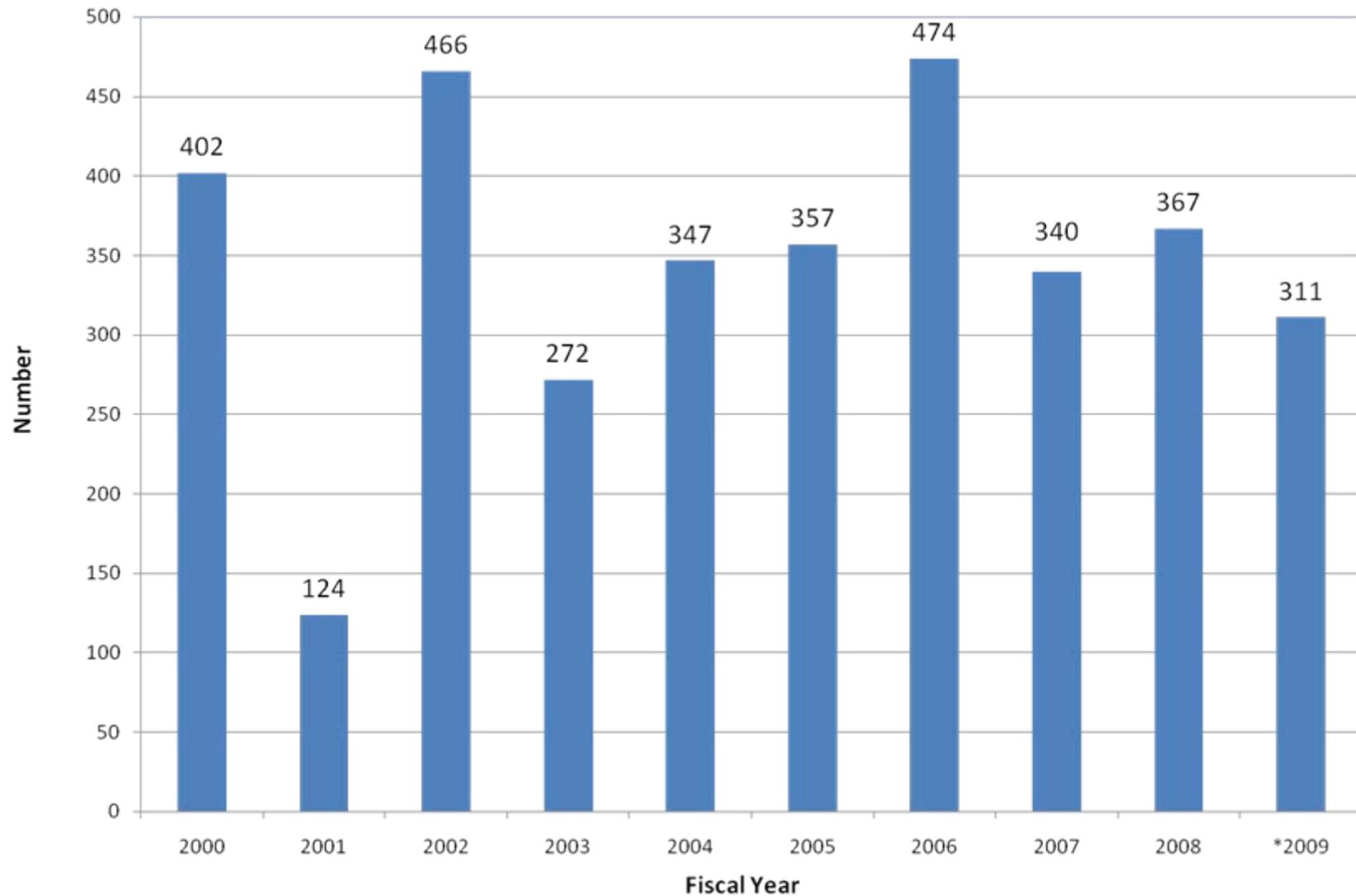
County	Ret Cnt	Avg Ben	Tot Ben	County	Ret Cnt	Avg Ben	Tot Ben
Adams	19	1,448	27,512	Mercer	70	1,658	116,040
Barnes	130	1,536	199,742	Morton	216	1,702	367,634
Benson	36	1,630	58,695	Mountrail	74	1,336	98,864
Billings	6	1,038	6,230	Nelson	52	1,355	70,459
Bottineau	99	1,415	140,113	Oliver	18	1,798	32,360
Bowman	46	1,551	71,337	Pembina	73	1,602	116,970
Burke	35	1,396	48,843	Pierce	57	1,501	85,537
Burleigh	651	1,629	1,060,423	Ramsey	128	1,416	181,225
Cass	736	1,735	1,277,069	Ransom	50	1,402	70,105
Cavalier	70	1,361	95,266	Renville	30	1,560	46,813
Dickey	62	1,110	68,823	Richland	116	1,569	182,047
Divide	25	1,840	45,989	Rolette	57	1,363	77,697
Dunn	25	1,540	38,495	Sargent	31	1,191	36,935
Eddy	34	1,288	43,801	Sheridan	18	1,286	23,155
Emmons	25	1,347	33,668	Sioux	6	793	4,759
Foster	35	1,505	52,666	Slope	4	722	2,888
Golden Valley	15	1,286	19,284	Stark	189	1,534	289,961
Grand Forks	477	1,829	872,433	Steele	19	1,218	23,139
Grant	25	1,101	27,516	Stutsman	168	1,482	248,948
Griggs	29	1,100	31,897	Towner	28	1,353	37,882
Hettinger	25	1,680	42,009	Traill	78	1,470	114,632
Kidder	29	1,293	37,489	Walsh	123	1,518	186,765
LaMoure	47	1,437	67,519	Ward	499	1,626	811,228
Logan	20	1,432	28,639	Wells	56	1,474	82,523
McHenry	54	1,223	66,051	Williams	167	1,508	251,789
McIntosh	40	1,541	61,628	Totals	5,263	1,576	8,294,621
McKenzie	40	1,605	64,188	Out of State	1,200	1,242	1,490,860
McLean	101	1,455	146,941	Grand Totals	6,463	1,514	9,785,481

*Preliminary 2009 data

Annual TFFR Pension Benefits Paid



New Service and Disability Retirees



*Preliminary 2009 Data

Summary Retirement Projections

Based on ratios of 30% and 40% of actual retirements to eligible retirements, approximately 3,800 to 4,200 active members are projected to retire in the next 10 years which averages about 400 per year.

	Members	# Retire		Avg/Yr	
		30%	40%	30%	40%
Teachers and Special Teachers	9,167	3,523	3,884	352	388
Superintendents	126	78	84	8	8
Other Administrators	479	215	236	22	24
Total Active Members	9,772	3,816	4,204	382	420

Note: All retirement projections are estimates only.

TFFR Participating Employers 2008-09

▫ School Districts	184
▫ Special Ed Units	19
▫ Counties	11
▫ State Agencies/Institutions	4
▫ Other	<u>13</u>
2008-09 TOTAL	231

2009 Legislation

SB 2277 and HB 1022

- Provides one-time supplemental retiree payment.
 - All TFFR retirees and beneficiaries who retired before 1/1/09 and are receiving annuity benefits on 12/1/09 . Payment will be made in December 2009.
- Supplemental Payment Formula:
 - \$20 per year of service credit plus \$15 per year since member's retirement. Payment cannot exceed the greater of 10% of member's annual annuity or \$750.
- Average supplemental payment amount is about \$723.
- Total cost of supplemental payment is about \$4.6 million.
- Supplemental payment will be paid from the TFFR trust, but funded by 0.5% increase in school district/employer contributions beginning 7/1/10 (from 8.25% to 8.75%). The employer contribution increase is intended to offset the cost of the one-time supplemental retiree payment and begin to improve TFFR funding levels.

Other 2009 Legislation

- HB 1080 – minor technical and administrative changes to TFFR program
- HB 1360 – Regional Education Association (REA) clarification language for TFFR

Benefits Funding

Retirement Funding Equation

$$C + I = B + E$$

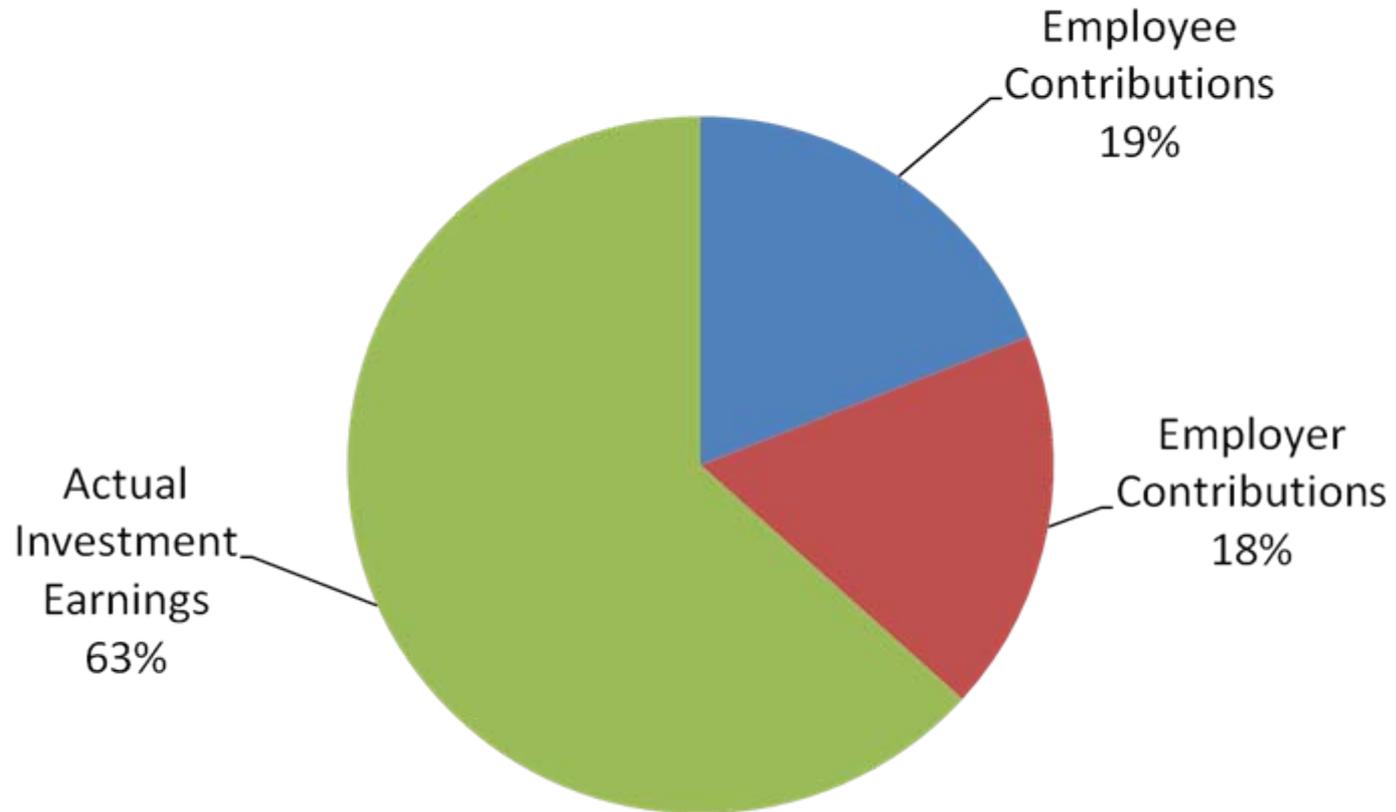
- Contributions + Investments = Benefits + Expenses
- Not just for today, but for the long term.



Benefits Funding

- Nearly 2/3 of TFFR pension benefits are funded through investment earnings.
 - Over the past 19 years, aggregate earnings from investment income comprised nearly 63% of revenue.
- Investments are fueled by contributions from employees and employers.
 - Employee contributions (including service purchases) comprised 19%.
 - Employer contributions comprised 18%.
- Every additional dollar in contributions counts and is invested to grow with time.
- Funding gap develops when investment earnings decline.

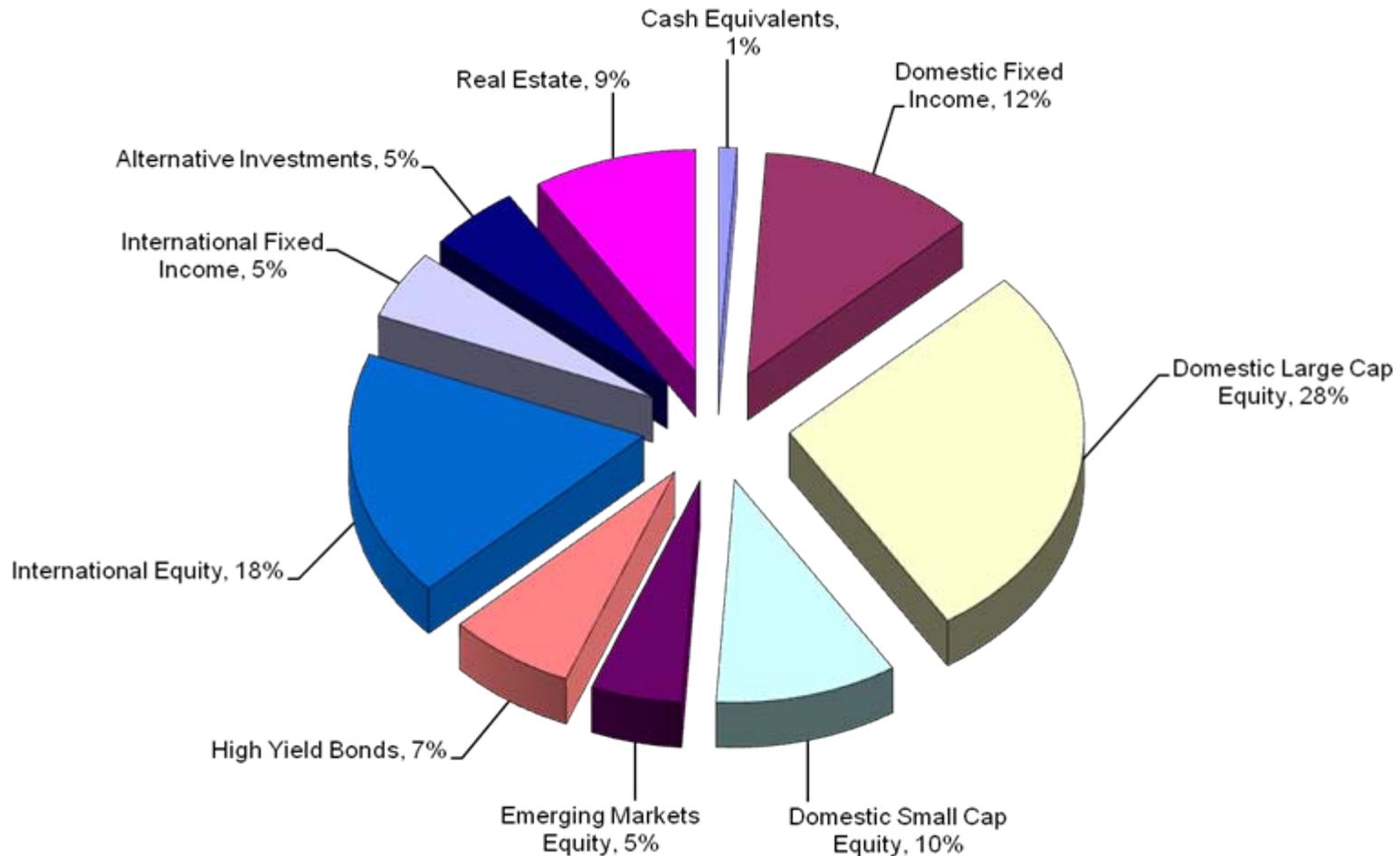
Sources of TFFR Revenue 1990-2008



Investments

- Asset allocation and investment policy is determined by TFFR Board
- Current investment return assumption is 8%.
- Asset Liability Modeling (ALM) Study is conducted every 5 years to consider appropriate asset mix for funding pension liabilities of TFFR.
- Next ALM study in 2010.

TFFR Asset Allocation



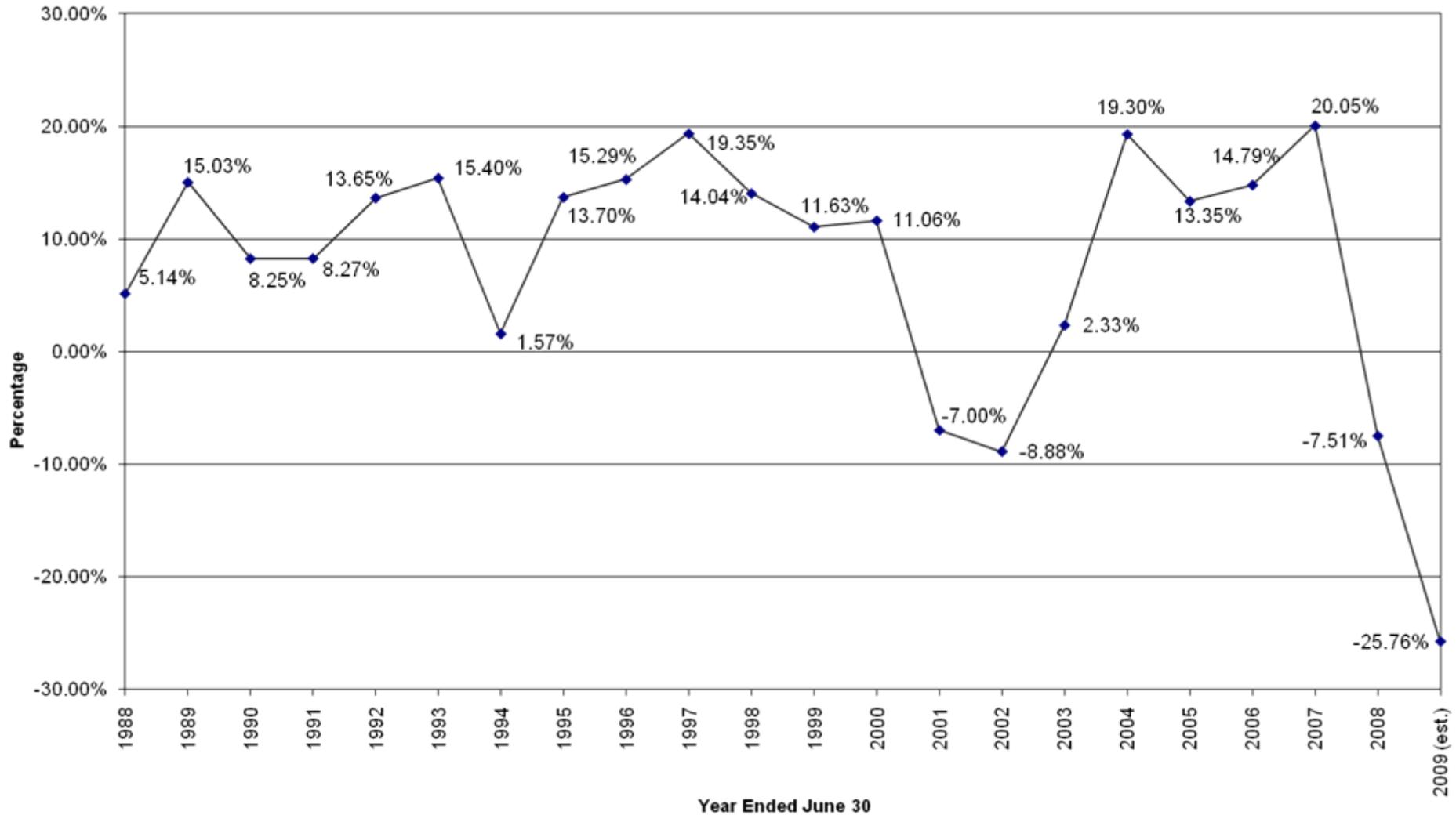
State Investment Board

- TFFR investment program is administered by State Investment Board (SIB) as part of pension trust.
- Steve Cochrane overview of SIB.

Today's Investment Environment

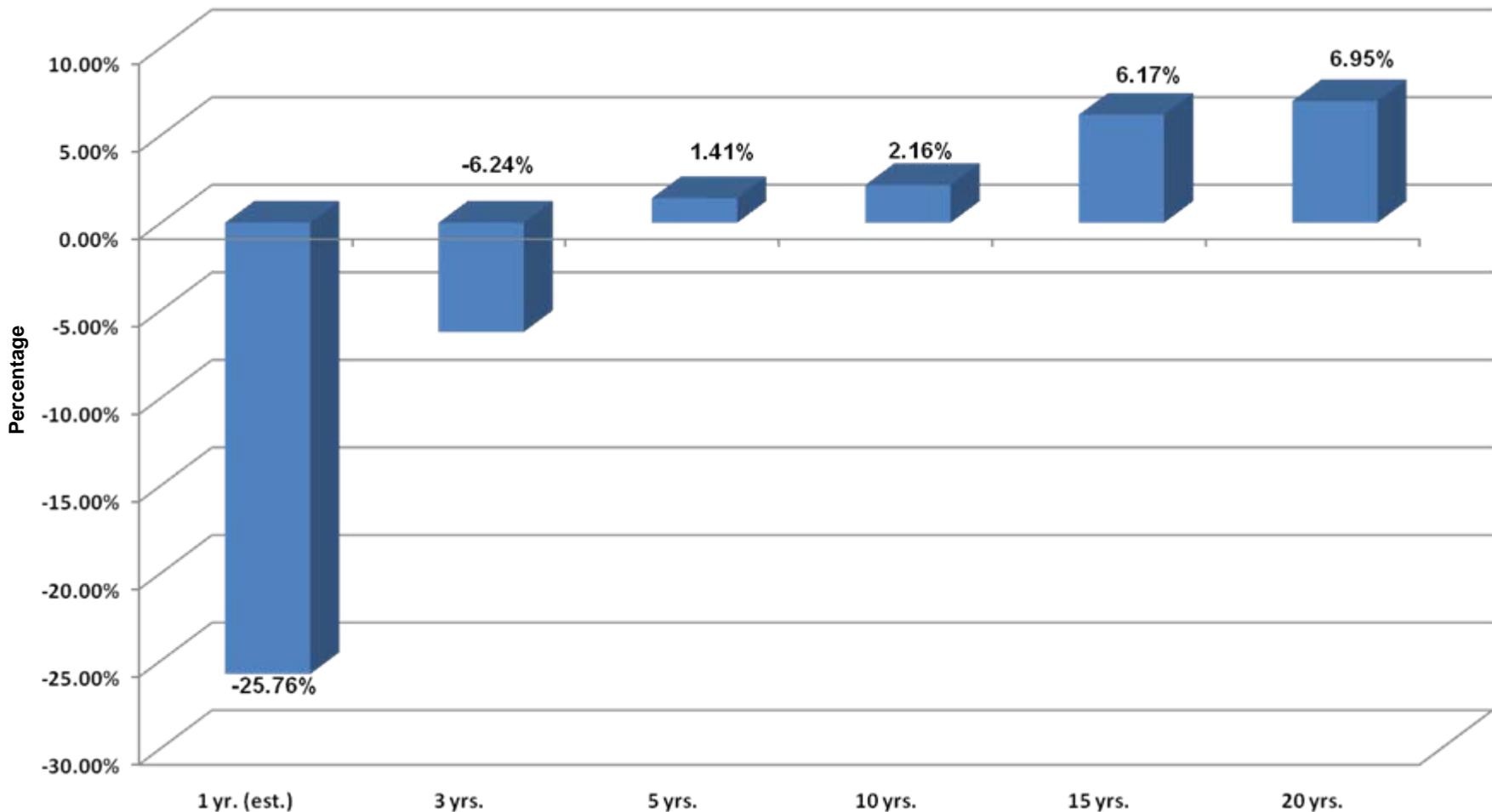
- 2008-09 worst time period in financial markets since the Great Depression.
- 2008-09 investment returns are well below the 8% assumed rate needed to fund the plan. For FY end 6/30/09:
 - Estimated decline in market value of about -25.76%.
 - Estimated dollar losses of about \$475.5 million.

TFFR Investment Performance – Annual



*Preliminary 2009 data

TFFR Investment Performance – Average



Year Ended June 30, 2009

*Preliminary 2009 data

Actuarial Review

- TFFR contracts with an actuary to perform actuarial studies and provide technical consulting services to TFFR Board, RIO staff, and Legislature.

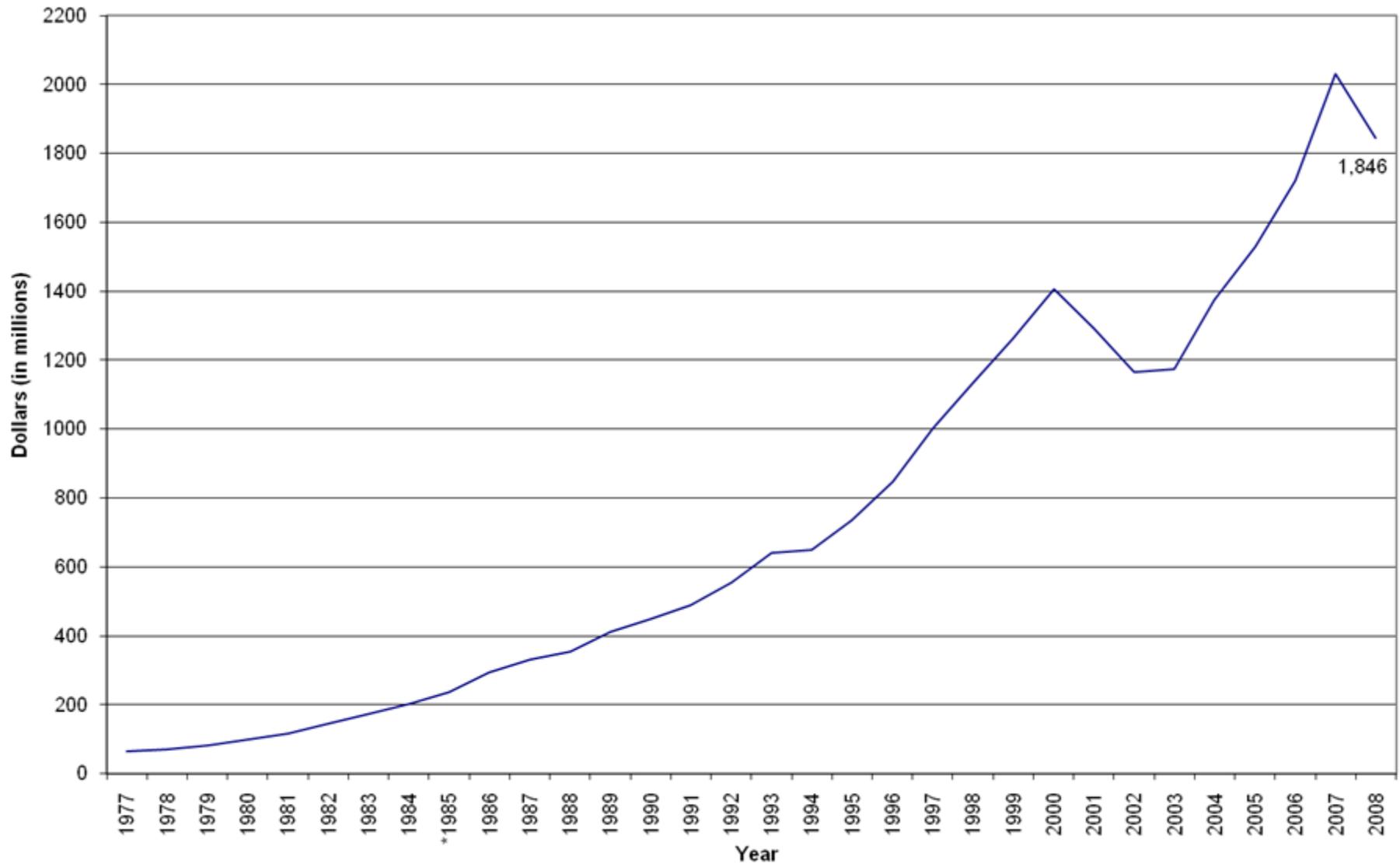
Actuarial Experience Study

- Experience Study is conducted every 5 years to review assumptions used to determine a pension fund's liabilities and funding period.
- 2004-05 Experience Study recommended changes to assumptions for salary increases, mortality, termination, and retirement rates.
- Next Experience Study 2009-10.

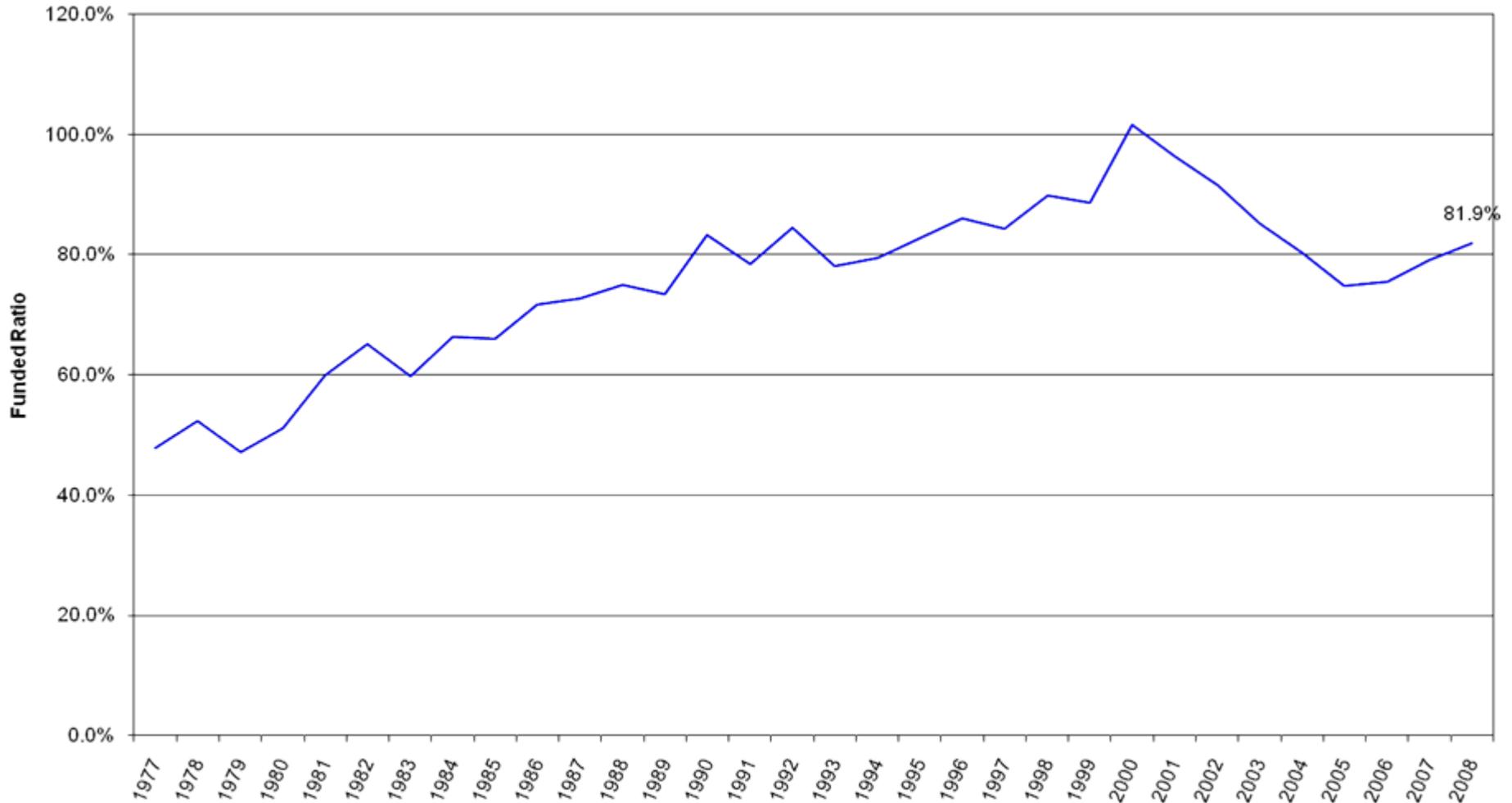
Actuarial Valuation Report

- Actuarial valuation report is conducted annually to determine funding position and adequacy of contribution rates.
- 2008 report showed:
 - Funded ratio: 81.9% (actuarial) or 79.2% (market)
 - Funding period: 57 years
 - Negative contribution margin: -0.99%
 - Value of assets: \$1.9 billion (actuarial) or \$1.8 billion (market)
 - Actuarial accrued liability: \$2.3 billion
 - Unfunded actuarial accrued liability: \$421.2 million
- 2009 actuarial report presented in October - November.

Market Value of TFFR Assets 1977-2008



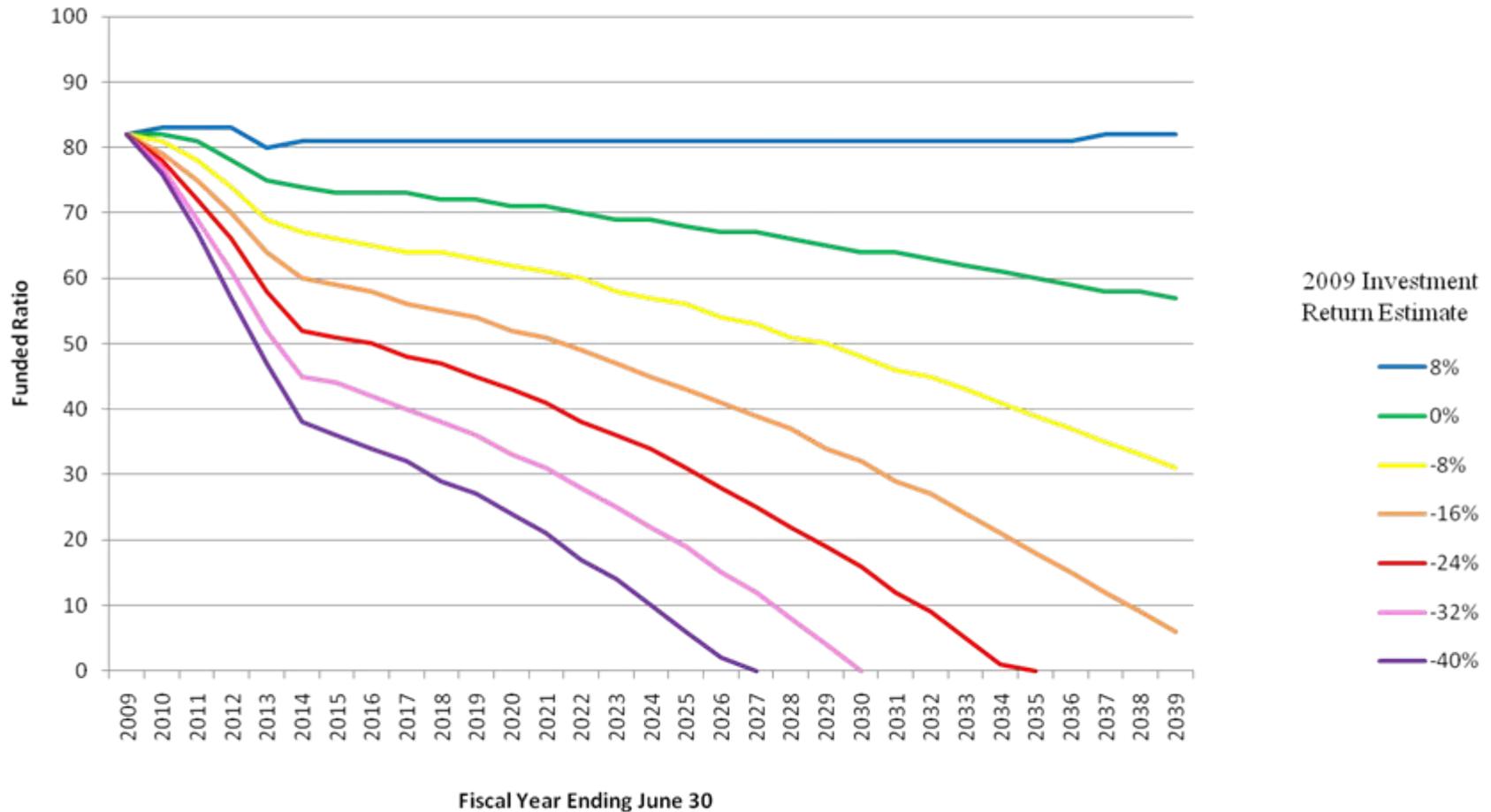
TFFR Funded Ratio (AVA) 1977-2008



Decline in TFFR Funding Level Expected

- Lower investment returns will have a dramatic impact on TFFR.
- TFFR asset value and funding levels will decline quickly and significantly.

Projected TFFR Funding Levels (AVA) based on variable investment returns for FY 2009



NOTE: Funded ratio estimates using actuarial value of assets (AVA) are based on following assumptions: Variable investment returns for 2009 (8%, 0%, -8%, -16%, -24%, -32%, -40%) and 8% investment returns for 2010 and all future years.

Projected TFFR Assets (MVA)

Year	Before	After
2008	\$ 1,846.1	\$ 1,846.1
2009	1,942.2	1,322.9
2010	2,032.5	1,358.9
2011	2,117.3	1,392.1
2012	2,197.4	1,416.7
2013	2,272.6	1,431.9
2018	2,611.9	1,392.4
2023	2,935.1	1,161.5
2028	3,293.4	708.7
2033	3,740.9	0.0
2038	4,381.2	0.0

Note: Projections done by GRS based on 7/1/08 valuation data and assumptions.
 BEFORE assumes 8% return in FY 2009 and 8% all future years.
 AFTER assumes -26% return in FY 2009 and 8% all future years.

Projected TFFR Funded Ratio (AVA)

Year	Before	After
2008	81.9%	81.9%
2009	82.9%	77.6%
2010	83.1%	71.2%
2011	82.5%	64.4%
2012	80.4%	56.4%
2013	80.5%	50.7%
2018	80.7%	43.0%
2023	80.5%	31.9%
2028	80.5%	17.3%
2033	80.9%	0.0%
2038	82.1%	0.0%

Note: Projections done by GRS based on 7/1/08 valuation data and assumptions.
 BEFORE assumes 8% return in FY 2009 and 8% all future years.
 AFTER assumes -26% return in FY 2009 and 8% all future years.

Market Recovery

- Historically, extreme downturns have usually been followed by significant recoveries.
- Consider the size recovery needed to get back to 82% funded level by 2038 (30 years):
 - 58% in FY 2010, followed by constant 8% return thereafter.
 - OR 17.25% for each of the next 5 years, followed by constant 8% return thereafter.
 - OR 10.85% return for every year from FY 2010 through FY 2038.
- Unlikely we'll be able to “invest” our way out of this.

Projected Funded Ratios under Alternative Employer Contribution Rates Increase Assumed Effective at July 1, 2011

Employer Contribution Rate	Increase	Actuarial Funded Ratio				Funding Period in 2038
		2008	2018	2028	2038	
8.75%	0.00%	82%	43%	17%	0%	Infinite
9.75%	1.00%	82%	44%	22%	0%	Infinite
10.75%	2.00%	82%	46%	27%	0%	Infinite
11.75%	3.00%	82%	47%	32%	10%	Infinite
12.75%	4.00%	82%	49%	37%	21%	Infinite
13.75%	5.00%	82%	50%	41%	31%	Infinite
14.75%	6.00%	82%	52%	46%	41%	Infinite
15.75%	7.00%	82%	53%	51%	52%	Infinite
16.75%	8.00%	82%	55%	56%	62%	25 years
17.75%	9.00%	82%	56%	61%	73%	13 years
18.75%	10.00%	82%	57%	65%	83%	6 years

Assumptions:

- (1) -26% Net investment return for FY 2009
- (2) 8% Net investment returns for FY 2010 and later years
- (3) No change in member contribution rate (7.75%) or benefit provisions
- (4) 0.5%/year decrease in number of active members
- (5) No actuarial gains or losses except as due to investment returns
- (6) Based on 2008 actuarial valuation, adjusted for 2009 legislation

TFFR Funding Improvement Study

Funding Improvements Will Be Needed

- As a result of market declines in the past 1-2 years, most public pension plans around the country are expected to experience higher required contributions to offset investment losses.
- Predicting the magnitude of increased costs is difficult and depends on factors unique to the TFFR plan, as well as performance of investment markets over the next few years.
- TFFR Board is studying funding improvement options and anticipates proposing legislation in 2011.

TFFR Funding Improvement Study Group

- TFFR Board
 - 7 board members
- Member and Employer Interest Groups
 - NDCEL, NDEA, NDRTA, NDSBA
- RIO Staff
 - Fay, Steve
- Legal Counsel from ND Attorney General's Office
- Actuarial Consultant from GRS

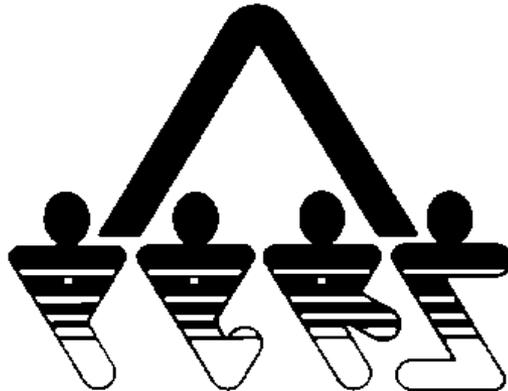
2009-10 Study

- Comprehensive Review of TFFR plan
 - Contributions
 - Investments
 - Benefits
 - Expenses
 - Legal issues
 - Actuarial studies and projections
 - Demographic information
 - Other

2009-10 Study

- Plan to submit funding improvement legislation
 - File study bill with Employee Benefits Program Committee by April 1, 2010
 - 2011 Legislative Assembly

Overview of NDPERS 2009



PERS BOARD

- *SEVEN MEMBERS*
 - *CHAIR - APPOINTED BY GOVERNOR*
 - *THREE ELECTED BY ACTIVE MEMBERS*
 - *ONE ELECTED BY RETIRED MEMBERS*
 - *STATE HEALTH OFFICER*
 - *ONE APPOINTED BY ATTORNEY GENERAL*

PERS BOARD

- *Jon Strinden* *Chair*
- *Levi Erdmann* *Elected - Actives*
- *Joan Ehrhardt* *Elected - Actives*
- *Mike Sandal* *Elected - Actives*
- *Howard Sage* *Elected - Retirees*
- *Arvy Smith* *Health Officer*
- *Tom Trenbeath* *Attorney General*

PROGRAMS

- *RETIREMENT*
- *GROUP INSURANCE*
- *FLEX COMP*
- *EMPLOYEE ASSISTANCE*

RETIREMENT PROGRAMS



RETIREMENT

- *DEFINED BENEFIT PLANS – 5*
 - *Main*
 - *Judges*
 - *National Guard*
 - *Law Enforcement*
 - *Highway Patrol*
 - *Job Service*
 - *OASIS*
- *DEFINED CONTRIBUTION PLANS – 2*
 - *457*
 - *401(a)*
- *RETIREE HEALTH CREDIT*
- *ADMINISTRATIVE SERVICES*
 - *PRIOR JUDGES*
 - *JOB SERVICE RETIREE HEALTH CREDIT*

Retirement Terms

- **Actuarial Valuation** — annual evaluation done by the systems actuary which determines and compares the actuarial value of assets to the accrued liabilities and determines the actuarial required employer contribution
- **Actuarial value of assets** — is a method for valuing assets over a five year period which provides more stability for planning purposes.
- **Market value of assets** — the actual value of assets on a given day
- **Statutory Rate** — the employer and employee contribution set in the North Dakota Century Code
- **Actuarial Rate** — the employer contribution for the upcoming year as determined by the actuary based upon the annual valuation
- **Margin** — The difference between the statutory rate and the actuarial rate
 - $4.12 - 6.26 = -2.14$
 - $4.12 - 3.61 = .51$

Retirement Equation

■ Contributions + Investment = Benefits + Expenses

↓
Economic
• Plan return
• Salary increases

↓
Demographic
• Retirement rates
• Disabilities
• Mortality

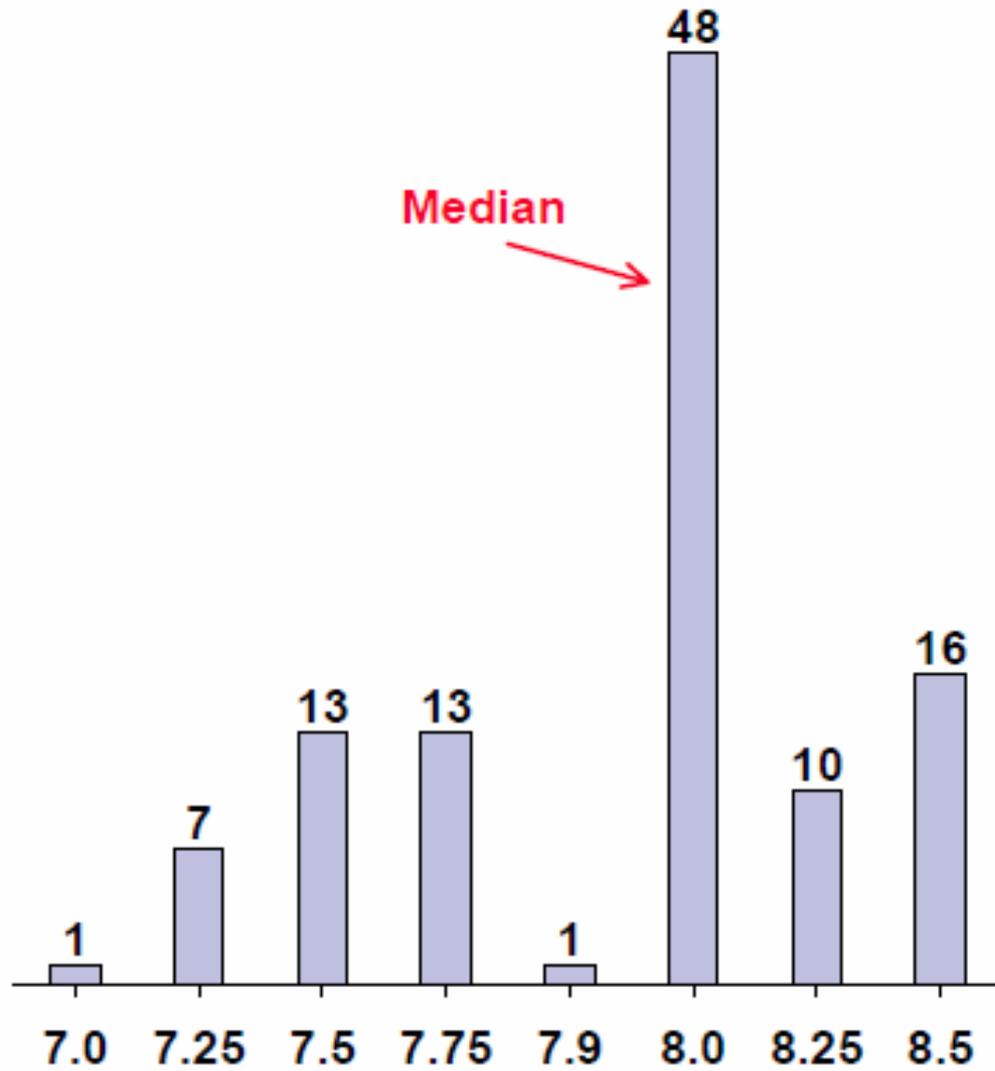
- Experience Study
- Asset Liability Study

KEY ASSUMPTION

■ INVESTMENT RETURN

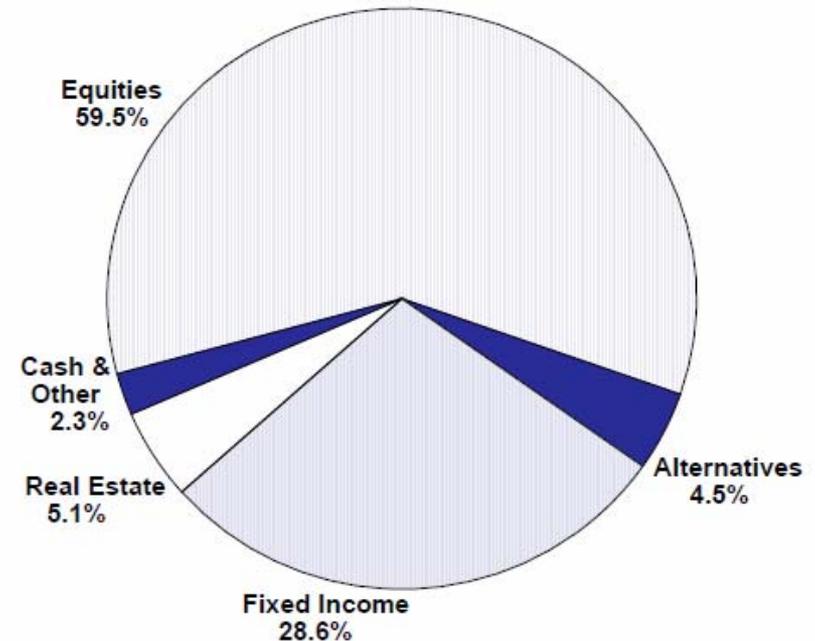
Average return assumption for 127 public plans is 8%

8%



NDPERS COMPARED TO OTHER STATE RETIREMENT PLANS

<i>Asset class</i>	<i>PERS</i>
Domestic Equities	40
International Equities	15
Domestic Fixed Income	29
International Fixed Income	5
Real Estate	5
Alternatives	5
Other	1



NDPERS and RIO

■ NDPERS

- Investment Policies
- Asset Allocation
 - Major asset classes

■ RIO

- Hire money managers
- Monitor money managers
- Refine the asset classes

SIB membership: Lt Governor, Chair

3 PERS Bd members

State Treasurer

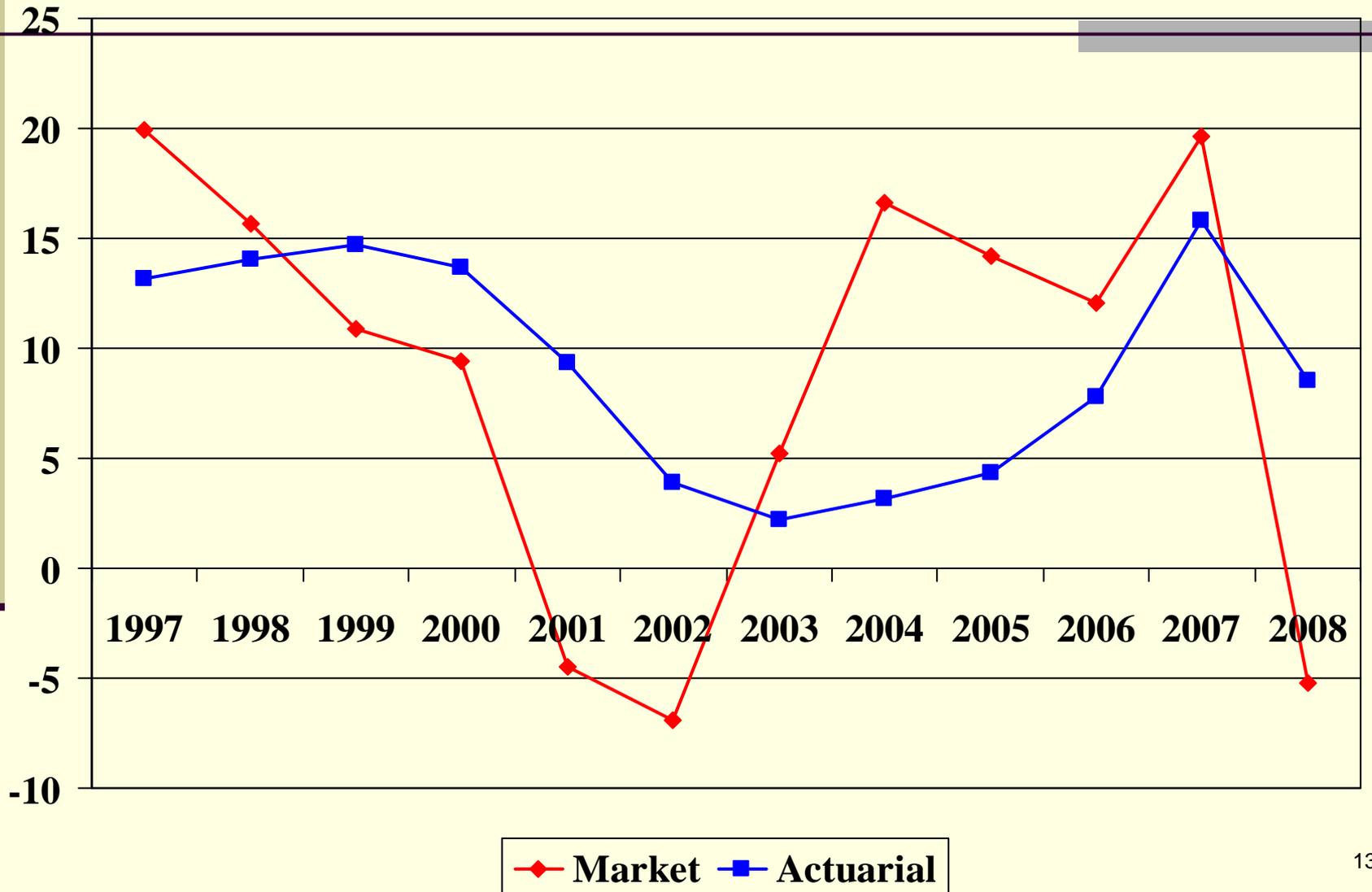
3 TFFR Bd members

Insurance Commissioner

Land Dept Rep

WSI Representative

NDPERS Returns – (Year Ended 6/30)



BACKGROUND DATA

RETIREMENT SYSTEM

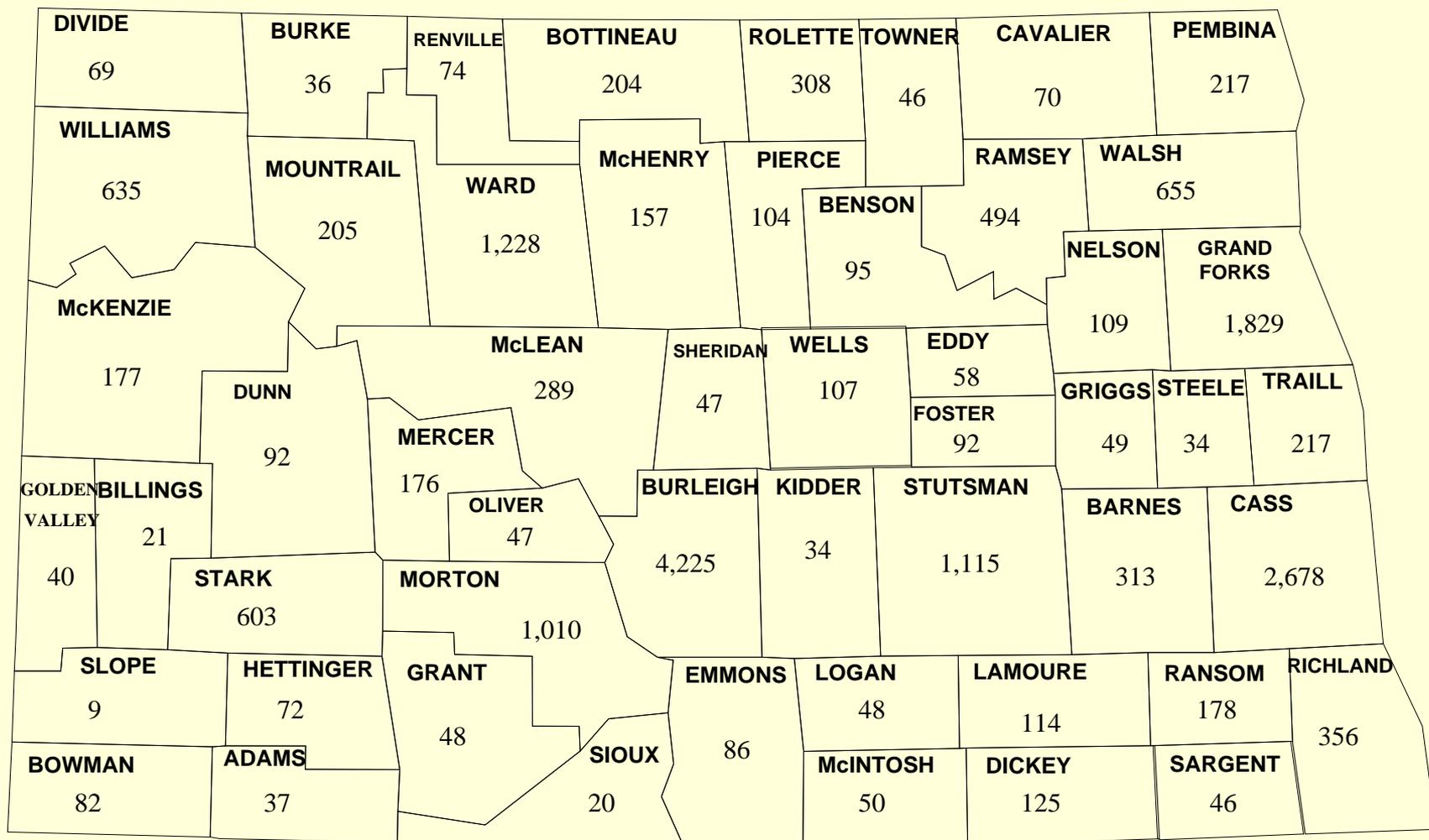
**TOTAL
CONTRIBUTIONS:
\$847,000,000**

**TOTAL PAYMENTS:
\$694,000,000**

**FUND BALANCE:
\$1,761,000,000**

NDPERS Active Retirement Members

July 2009

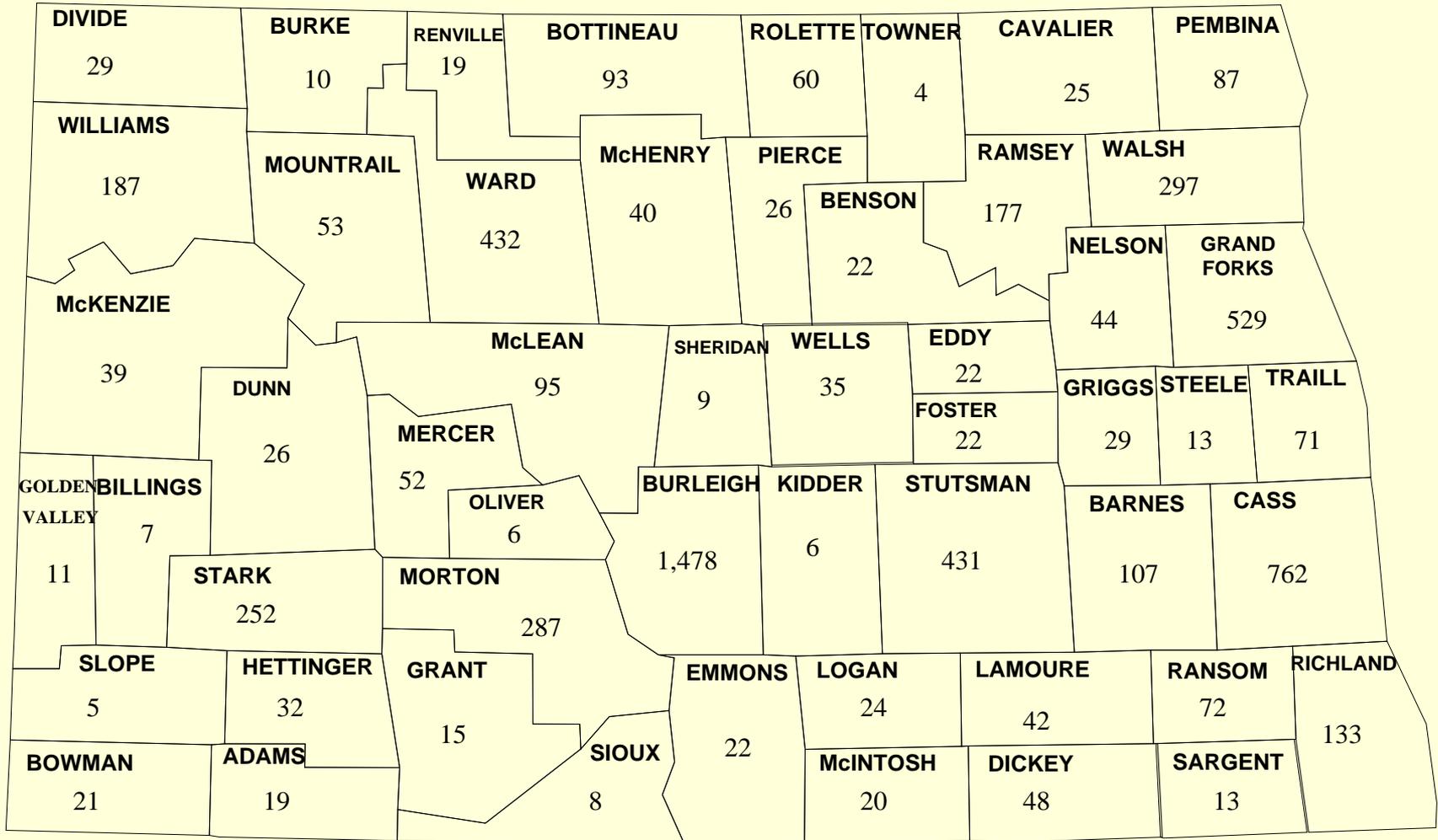


Out-of-State – 944

Total – 20,174

NDPERS Retirees

June 2009

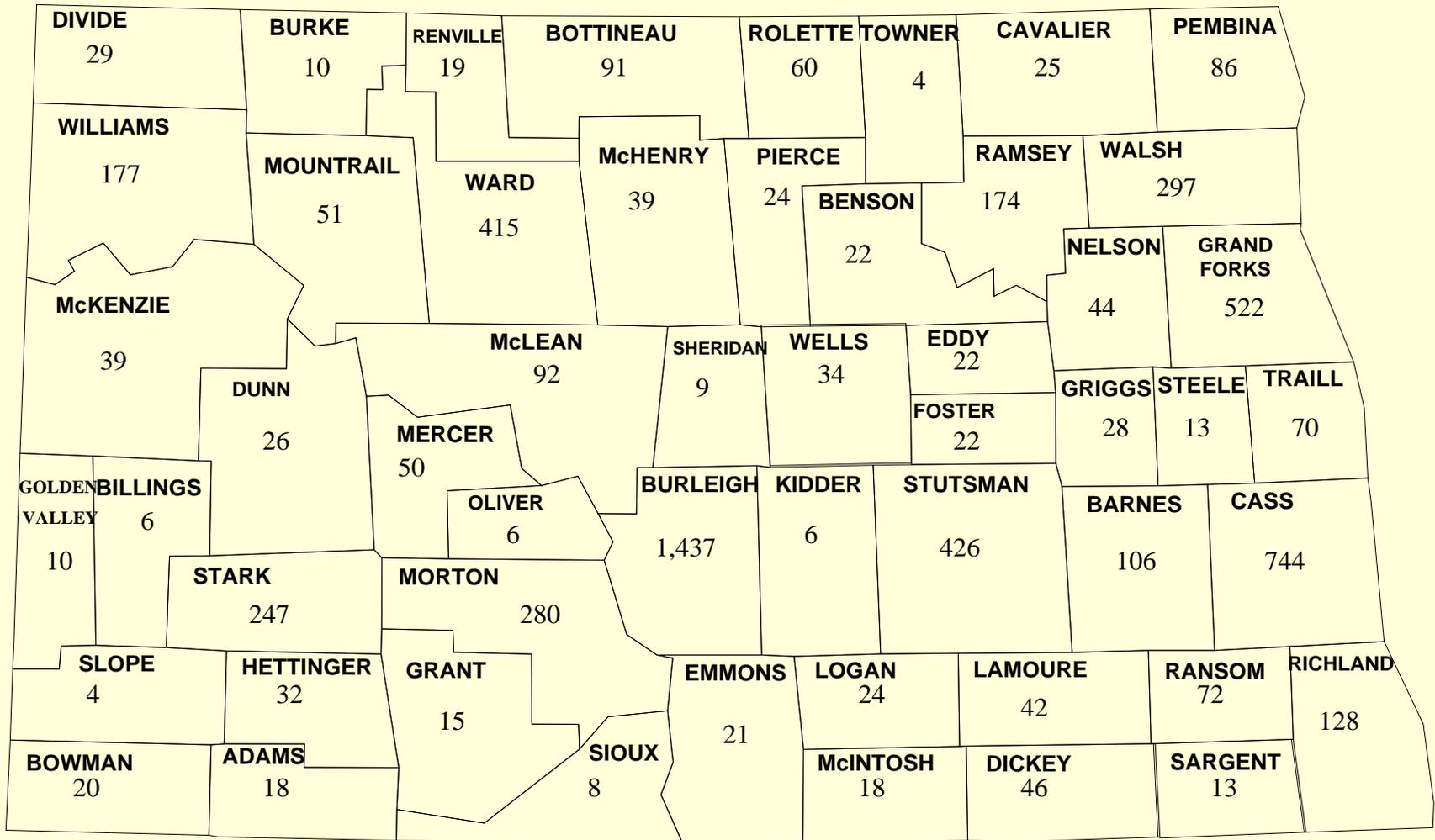


Out-of-State – 1,015

Total – 7,383

NDPERS Main System Retirees

June 2009

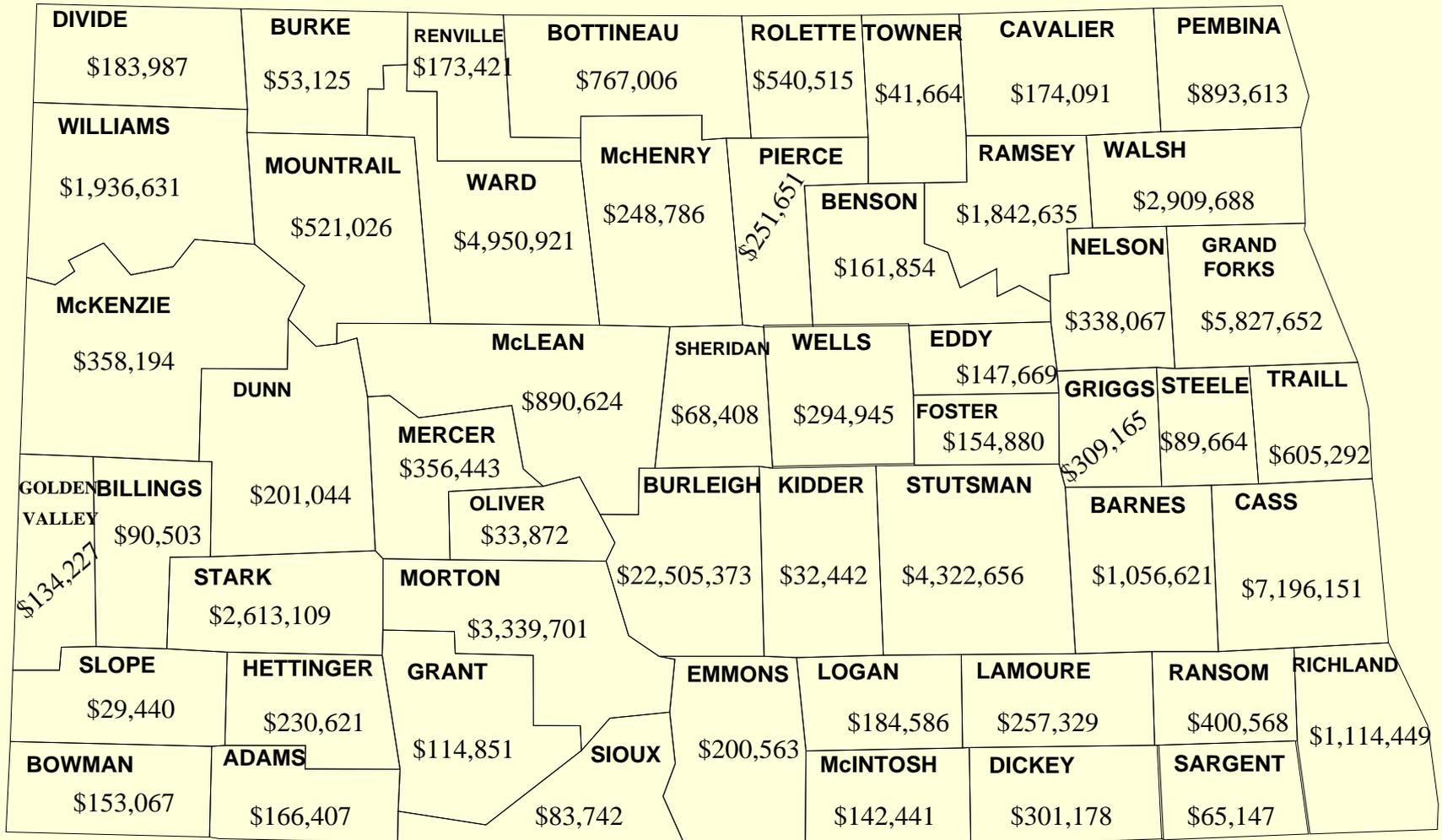


Out-of-State - 986

Total - 7,209

NDPERS Retirees

Annual Benefits 2009



Out-of-State - \$9,783,540

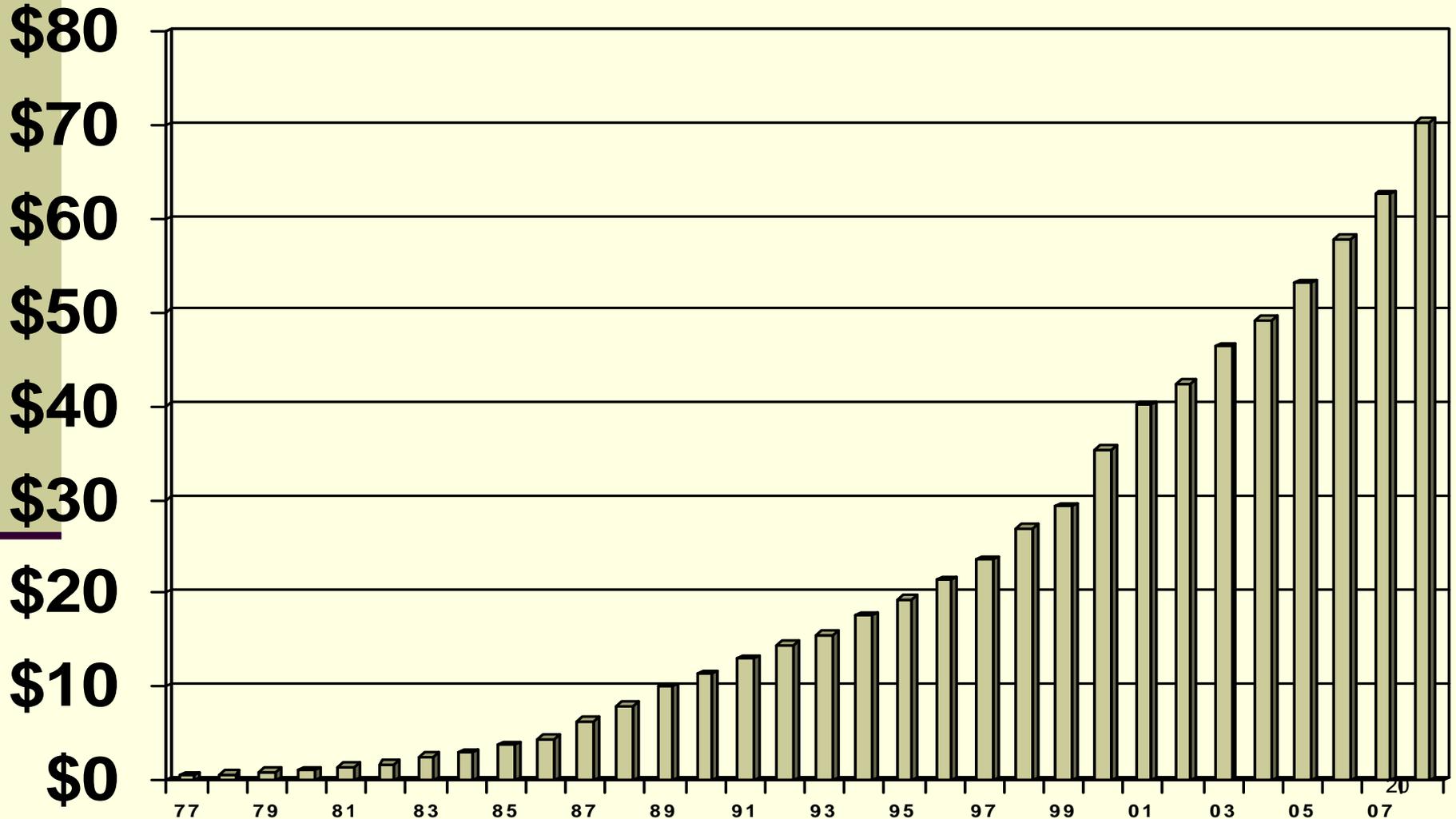
Total - \$79,845,245

NDPERS Retiree Benefits

(Main, Judges, Guard, and Law Enforcement Systems)

Millions

Year Ended June 30

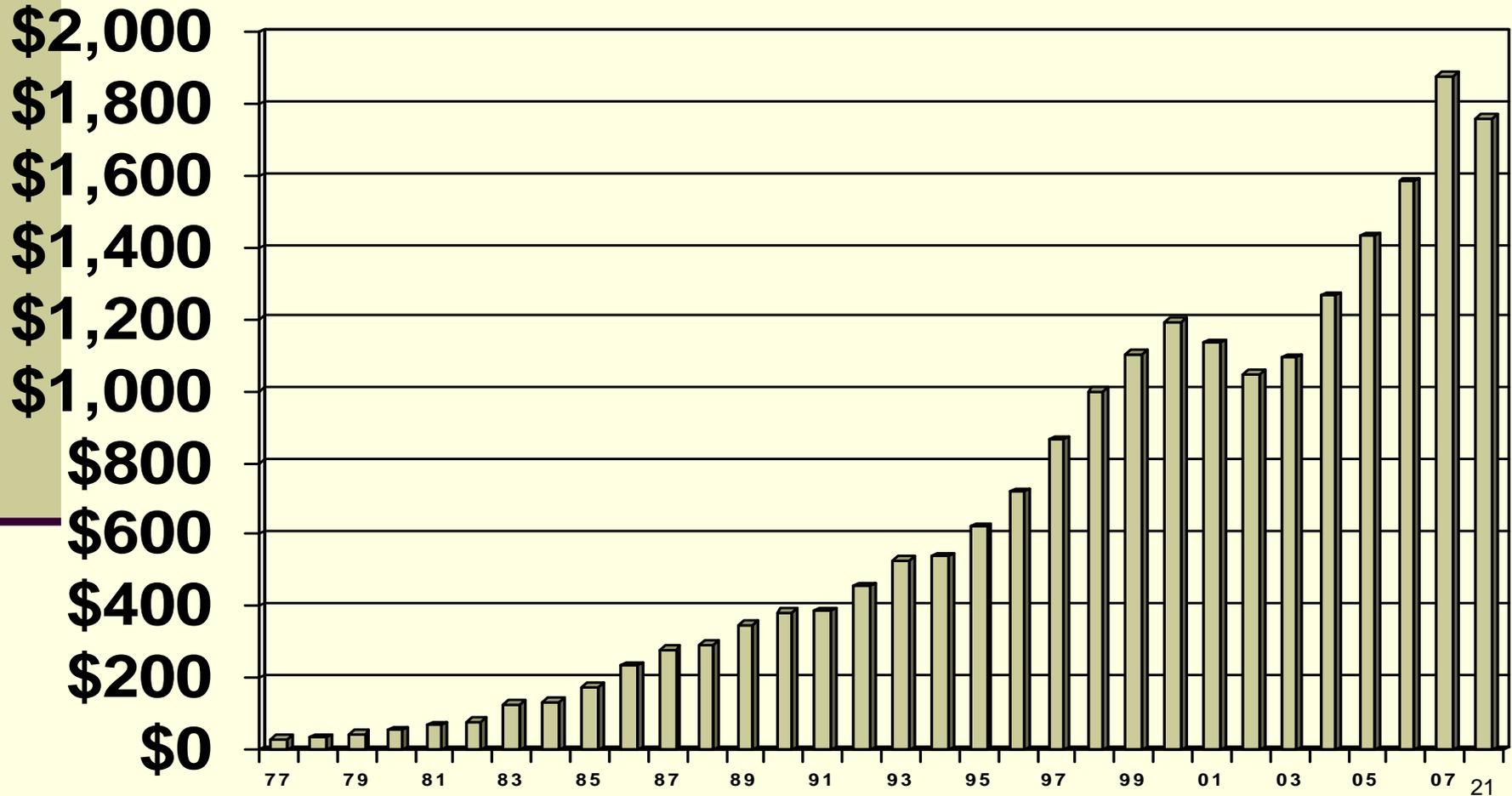


NDPERS Retirement Systems Assets

(Main, Judges, Guard, and Law Enforcement Systems)

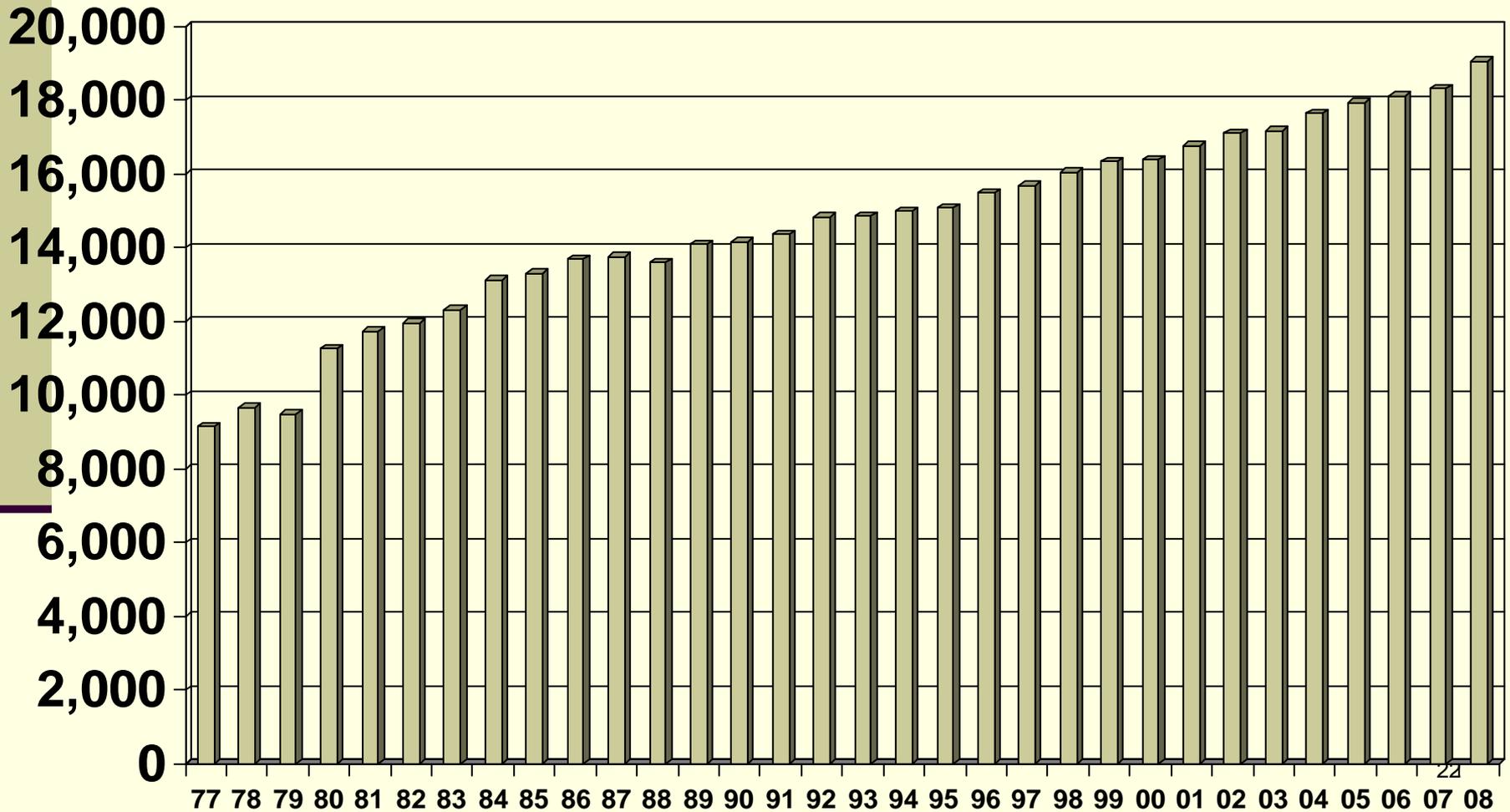
Millions

Market Value – Year Ended June 30



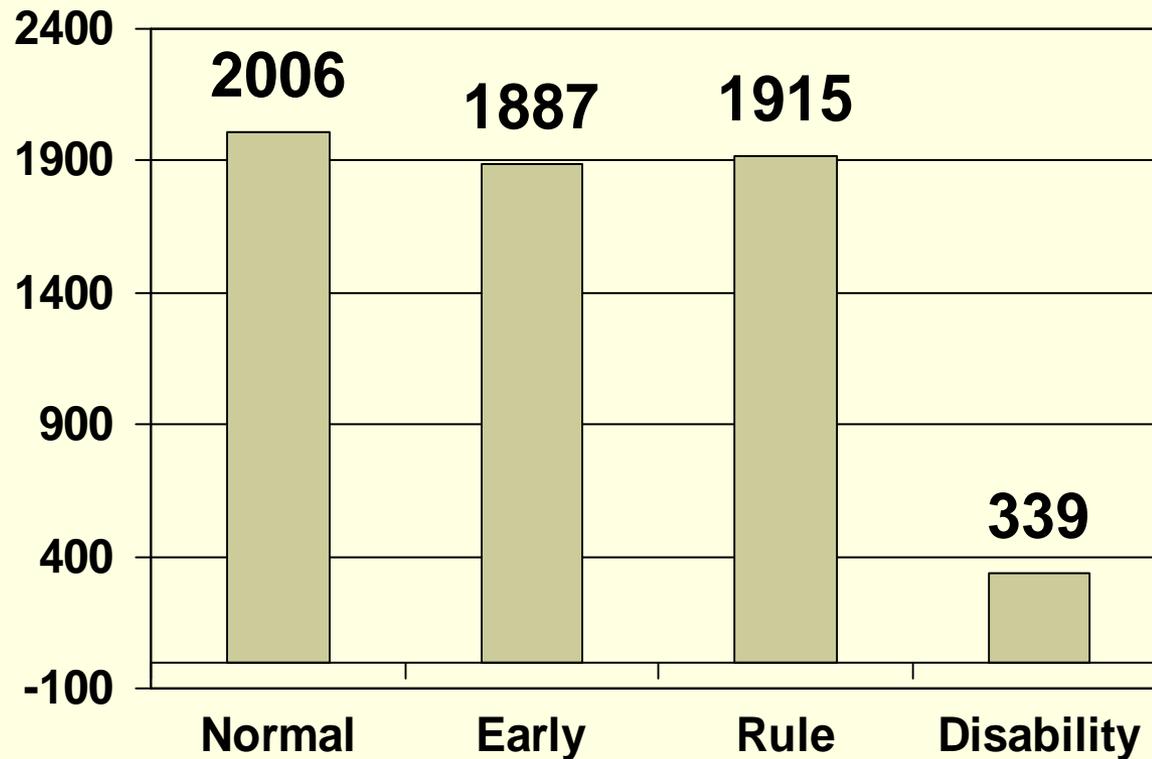
NDPERS

Main System Active Members



NDPERS Pensions In Force

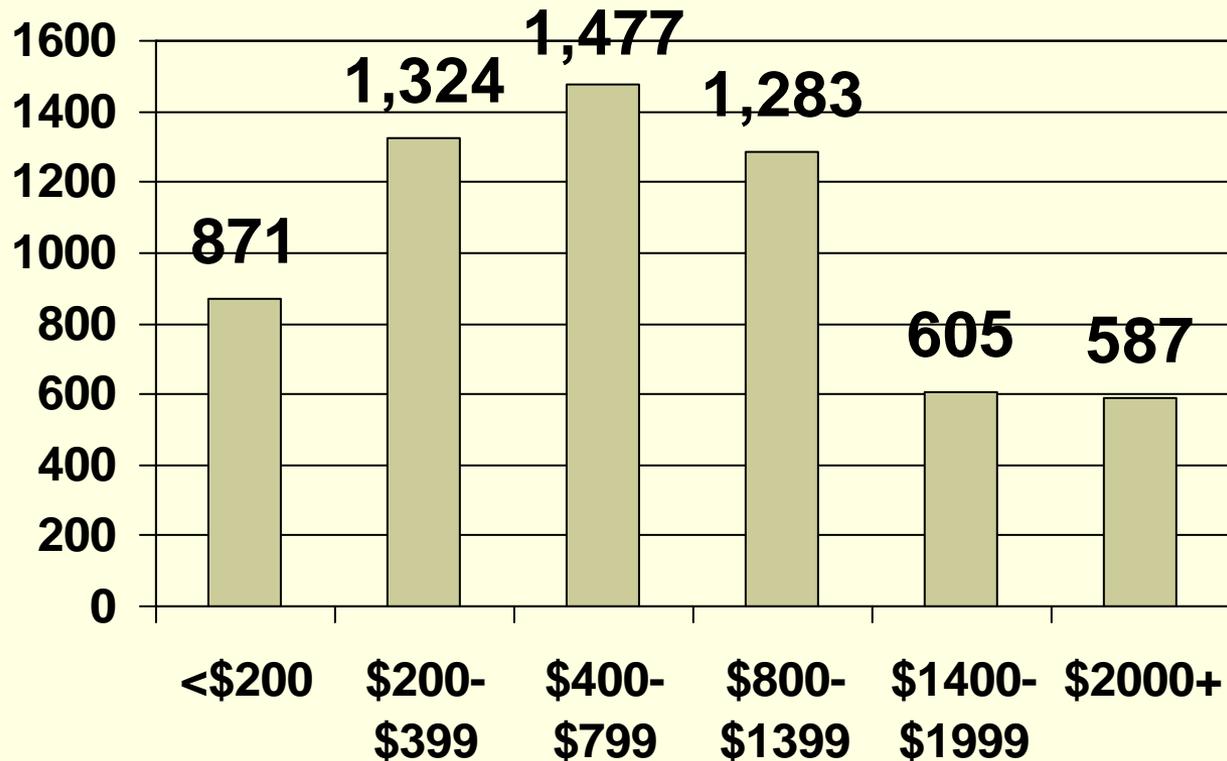
July 1, 2008



Main System, Judges, Guard, and Law Enforcement Plans

NDPERS Pensions In Force

Monthly Benefit - July 1, 2008



Main System, Judges, Guard, and Law Enforcement Plans

Retirement

Main System



RETIREMENT - MAIN

Public Employees Retirement Plan

Chapter 54-52, NDCC

Employer Contribution: 4.12%

Employee Contribution: 4.00%

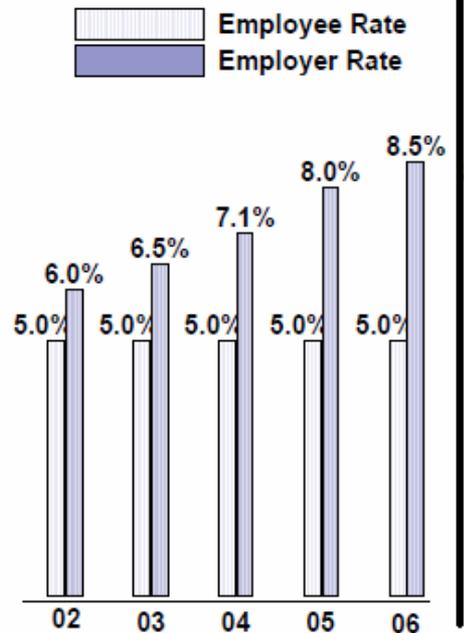
Total Retirement Contributions: 8.12%

Vesting in Disability Benefit: 180 days

Vesting in Retirement Benefit: 36 months

Normal Retirement: Age 65 or Rule of 85

Social Security-Eligible



Retirement – Main System

Assets as of 06/30/2008:

Market	\$1,718,937,287
Actuarial	\$1,571,159,912

Members:

Active	19,042
Retired	6,103
Beneficiaries	682

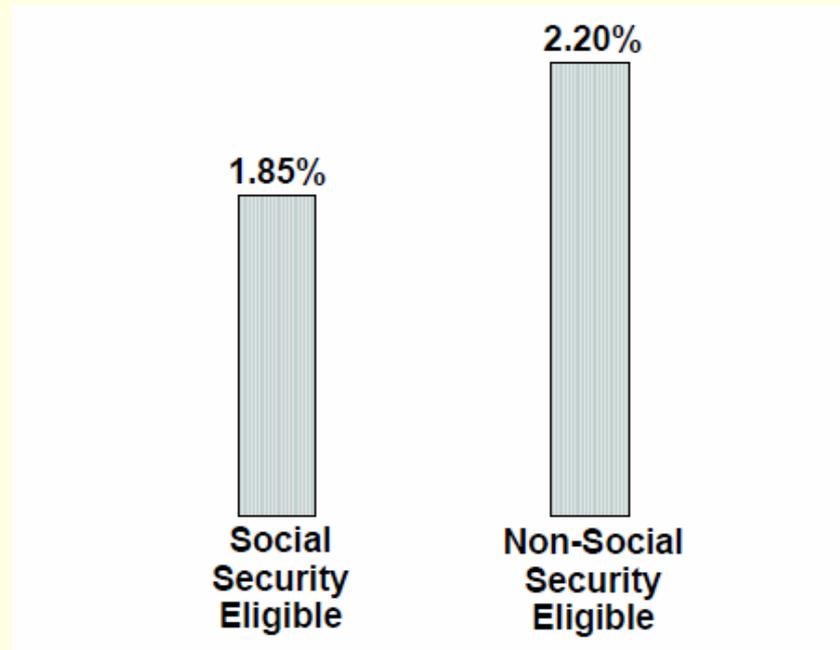
RETIREMENT - Main

Retirement Formula:

Final Average Salary x 2% x Years of Credited Service

Example:

$$\$2000 \times 2\% \times 20 = \$800$$



PERS – Hybrid Plan

- PEP – Portability Enhancement Provision
- PEP allows the member the option to vest in up to 4.00% of the employer contribution paid into the retirement pool of funds and have this vesting percentage credited to their member account.
- For every dollar you put in a Deferred Compensation plan, NDPERS will transfer one dollar from the retirement pool of funds to your member account balance.



Contribution Rate

- Has not increased since inception of plan, in 1989 was decreased by 1% for RHC program
- Is below average for public sector plans
- Effective rate is about 3.80% assuming:
 - 87% of retiree payments go to ND mailing addresses
 - Taxes generated are about \$1,000,000

MAINTAIN PURCHASING POWER OF RETIREMENT BENEFITS BY PROVIDING COLA - AD HOC RETIREE ADJUSTMENTS

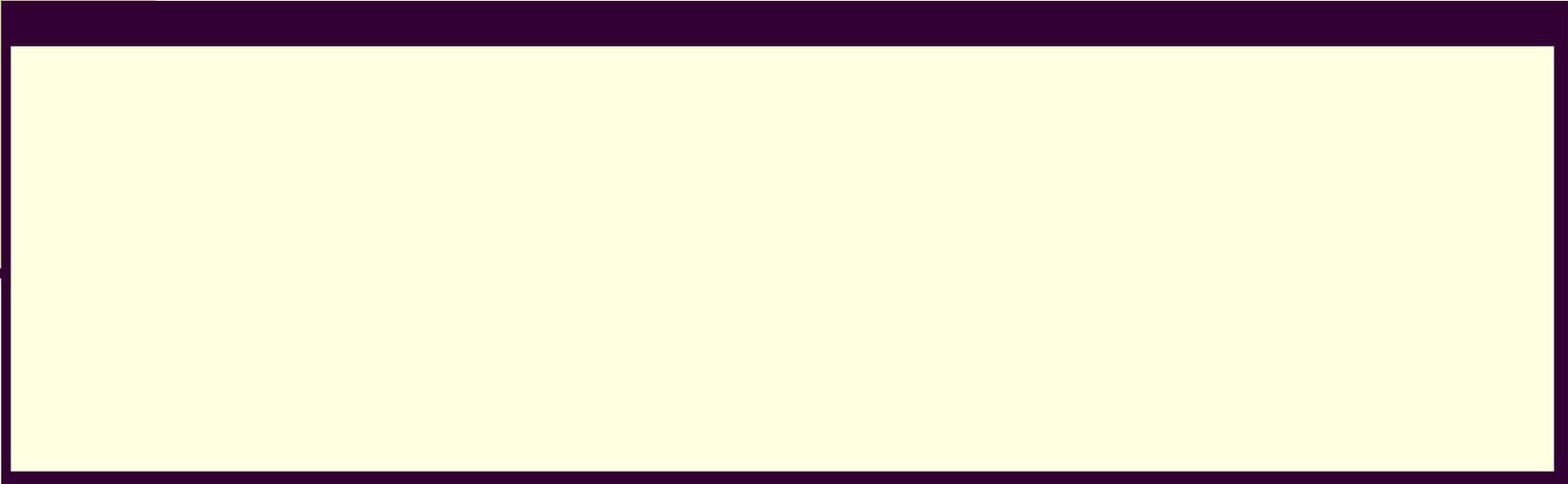
Date	Multiplier	Retiree Adjustment	<u>1980 Retiree with</u> <u>\$500 Benefit</u>
7/77	1.04%	1.04%	\$500
7/83	1.20%	15.38%	\$577
7/85	1.30%	8.33%	\$625
7/87	1.50%	15.38%	\$721
7/89	1.65%	15.76%	\$835
7/91	1.69%	2.42%	\$855
8/93	1.725%	2.00%	\$872
1/94	1.74%	1.00%	\$881
8/97	1.77%	5.00%	\$925
8/99	1.89%	8.00%	\$999
8/01	2.00%	6.00%	\$1,059

In 2006 there was a 13th check equal to half the monthly payment.

In 2008 there was a 13th check equal to $\frac{3}{4}$ the monthly payment.



2008 Actuarial Valuation

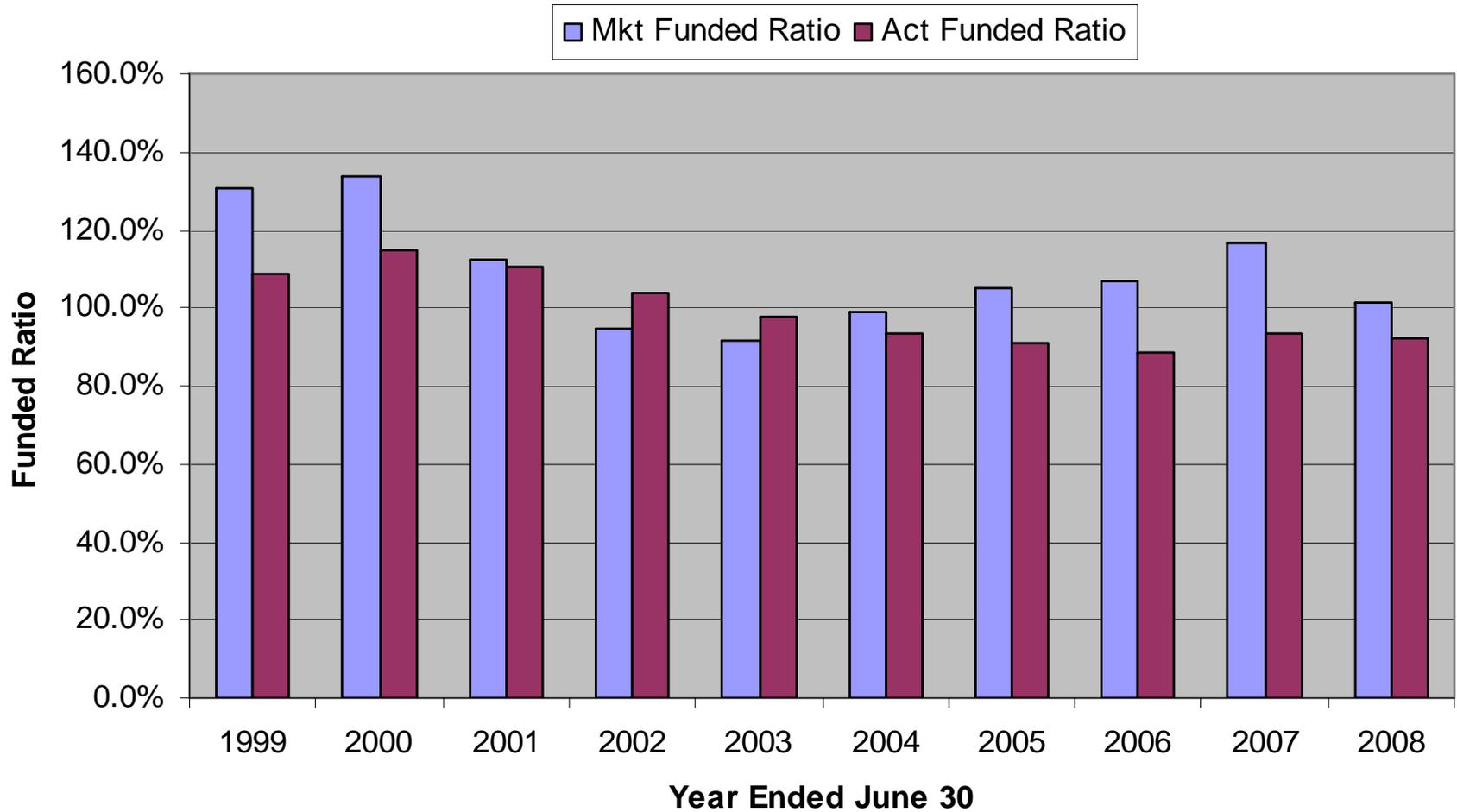


Main - Funded Ratio

<u>Year</u>	<u>Actuarial Accrued Liabilities (millions)</u>	<u>Actuarial Value of Assets (millions)</u>	<u>Funded Ratio</u>
1999	\$831	\$901	109%
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%

1. The 2008 actuarial employer contribution rate 6.23% compared with the statutory rate of 4.12% (-2.11)
2. In 2008 was Funded Ratio at market value is 101% in 2008

NDPERS Main System



Where is PERS at?

- Based upon RIO estimates YTD returns



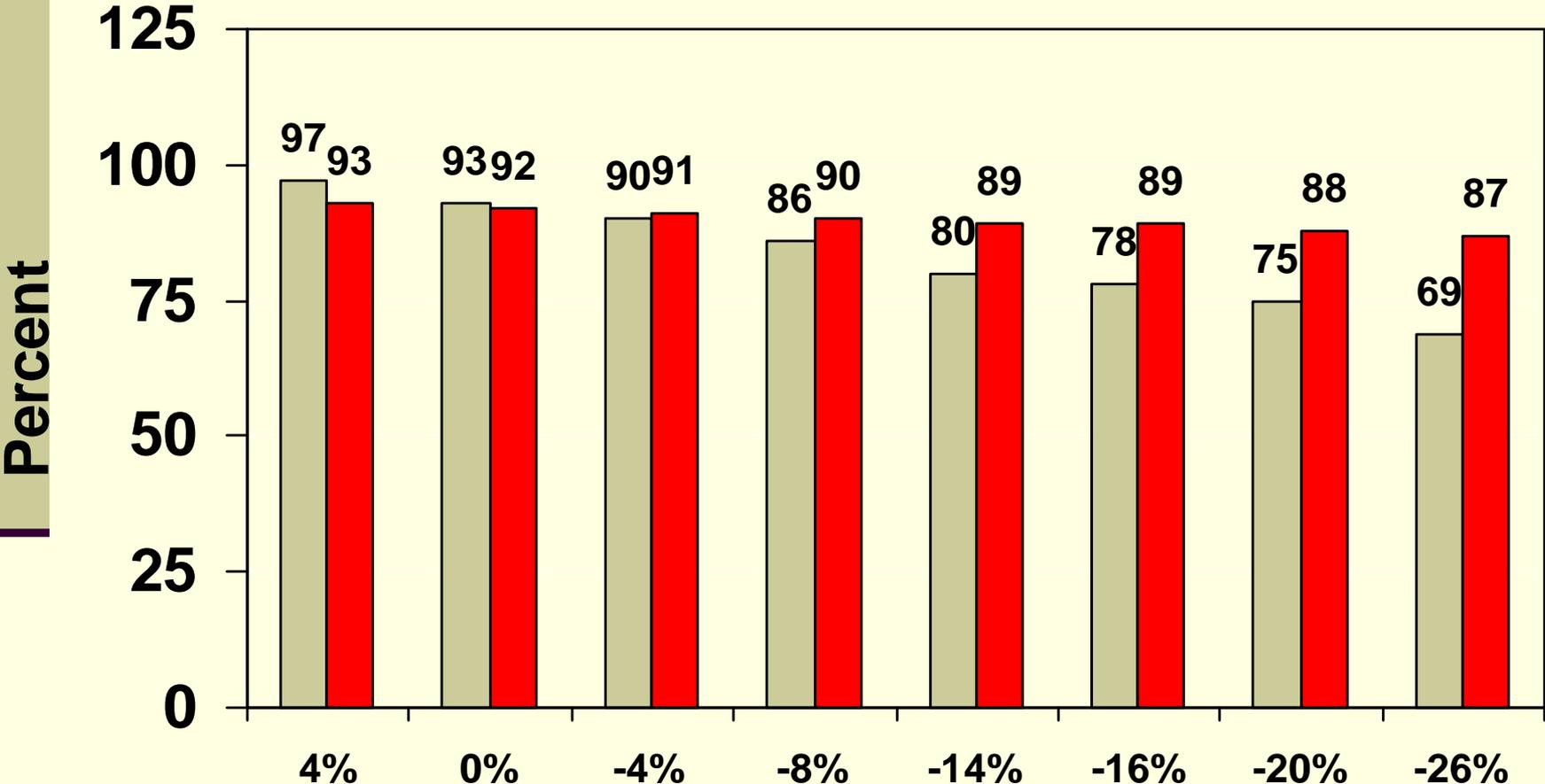
-23.50%

In March we were as low as -34%

NDPERS Main System

Projected Funded Ratio

Market Actuarial

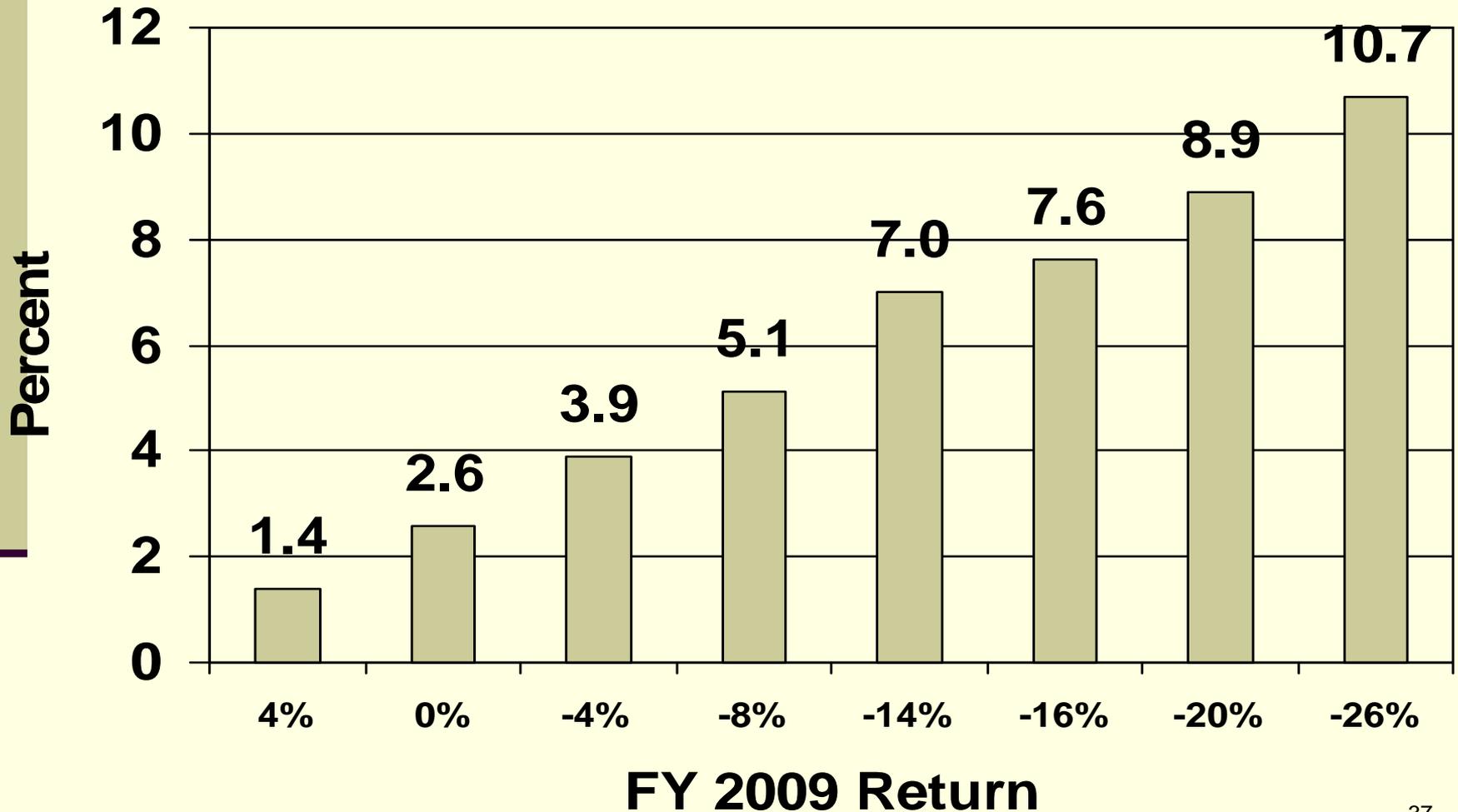


FY 2009 Return

What if we rely solely on contribution increases

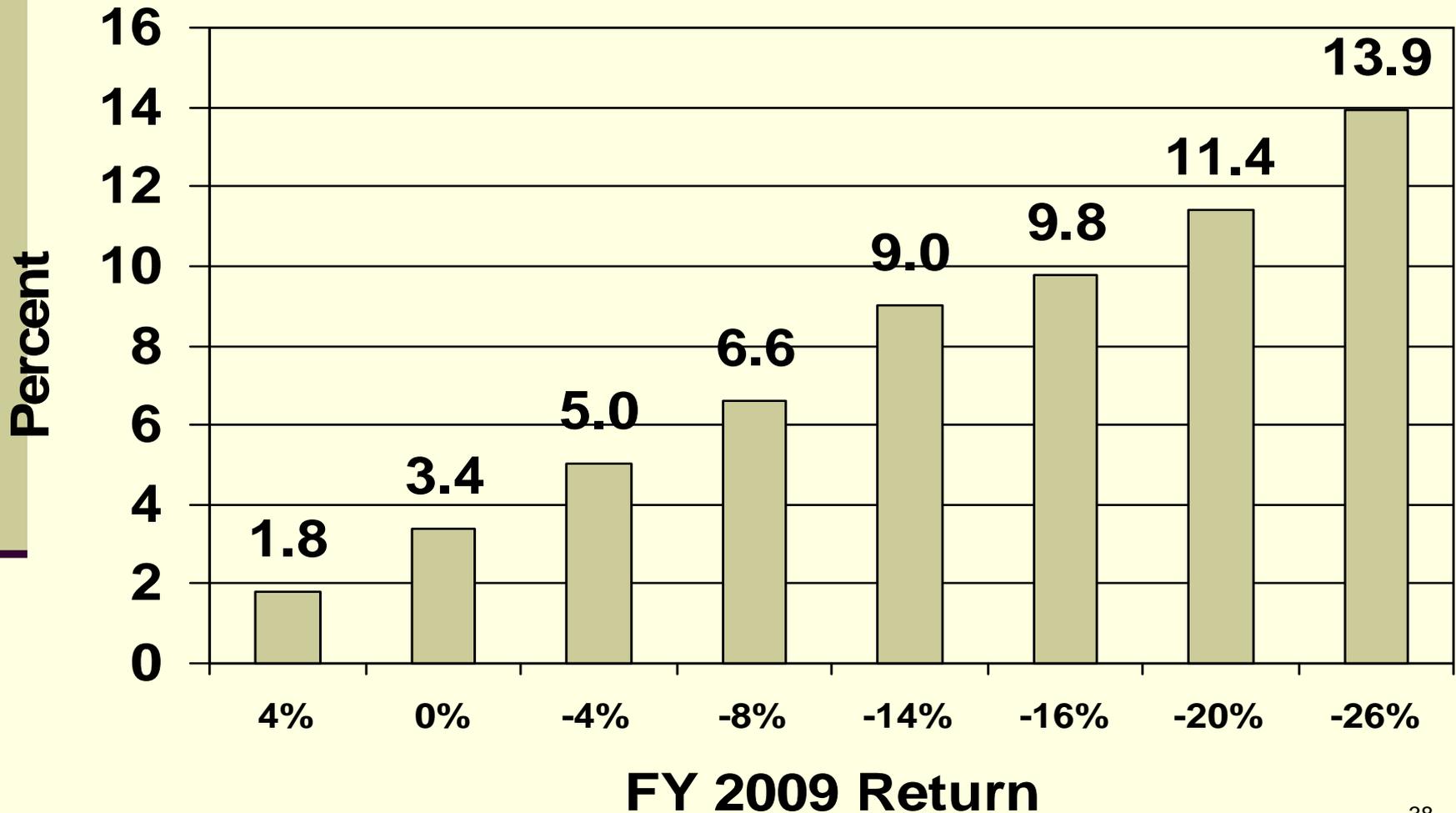
NDPERS Main System

Required Contribution Increase Based on 8% Market Return for next 10 years



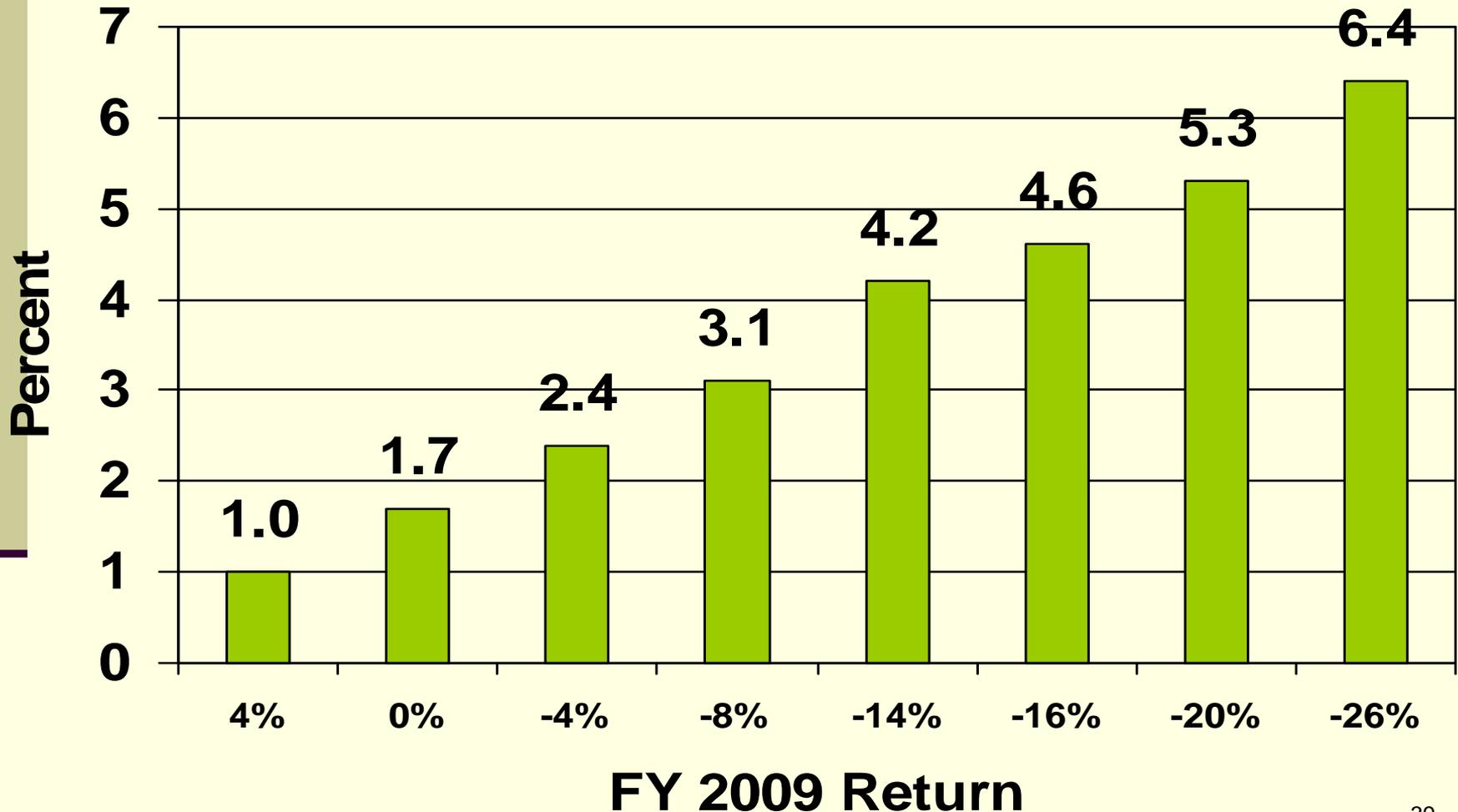
NDPERS Main System

Required Contribution Increase Based on
8% Market Return for 10 Years Starting in 2011



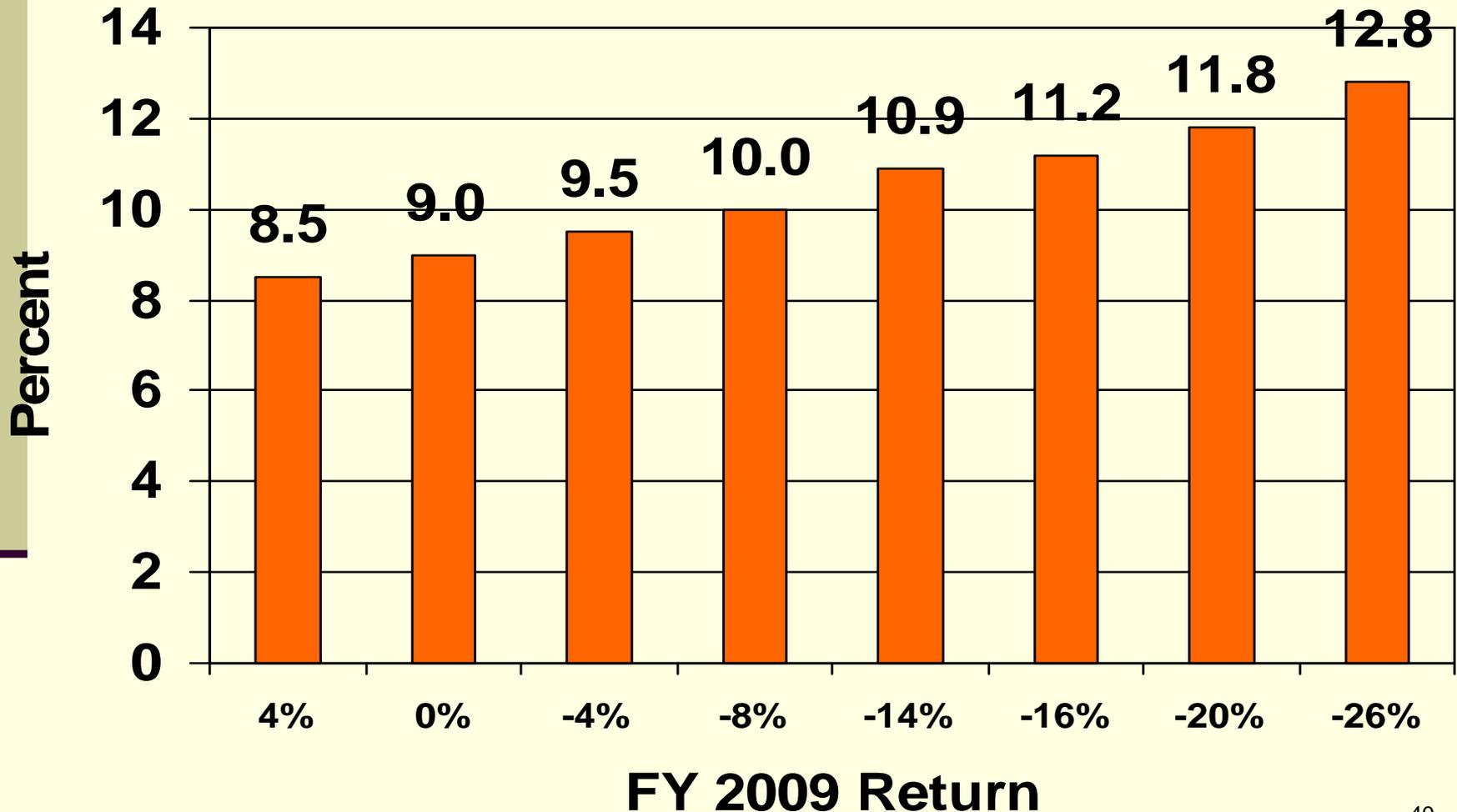
NDPERS Main System

What if we rely on contributions - Required Contribution Increase Based 8% Market Return for next 20 years



NDPERS Main System

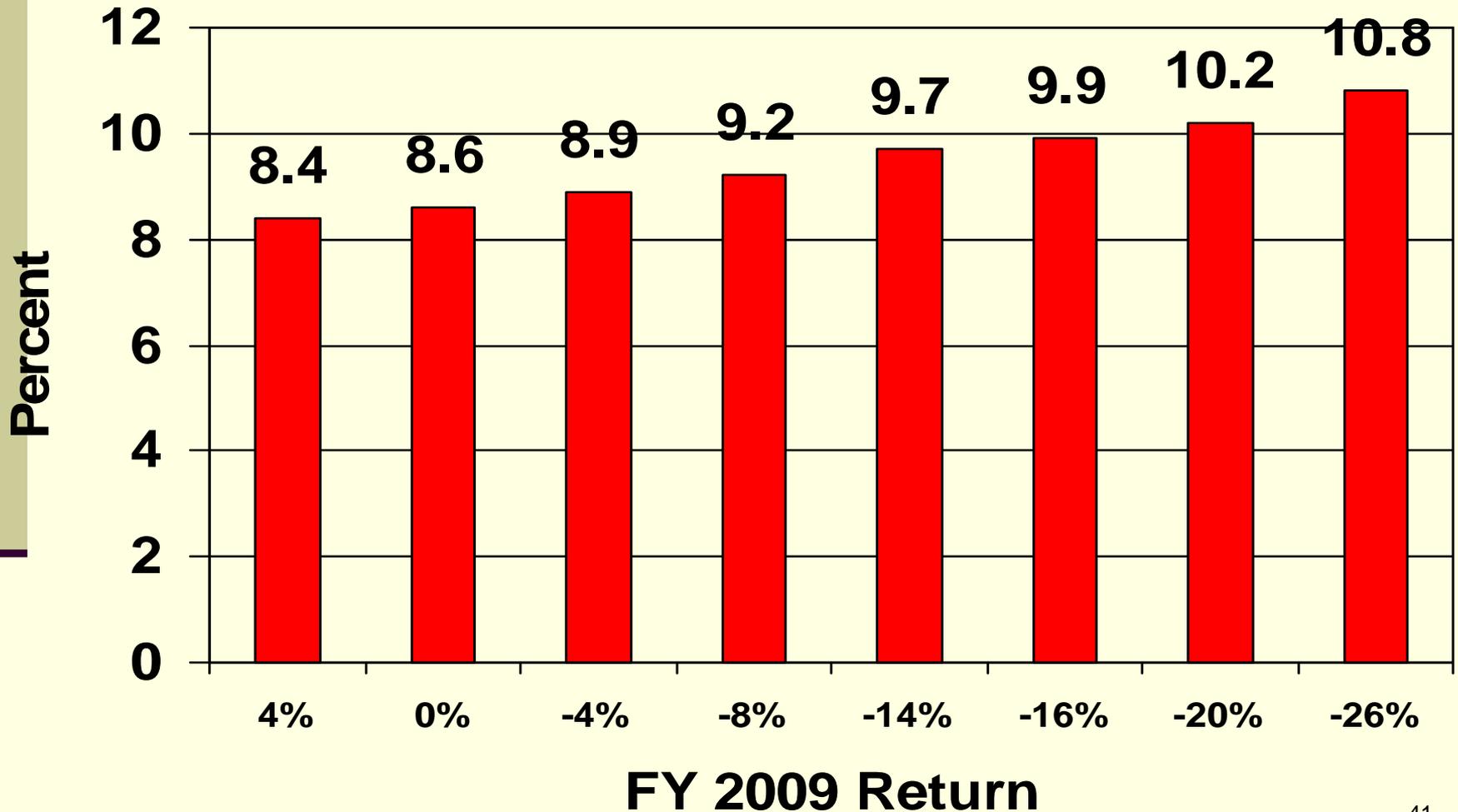
What if we rely on Market Return -Market Return Needed to Achieve 100% Funded Ratio with No Increase in 10 years



What if we rely solely on investment returns

NDPERS Main System

What if we rely on Market Return -Market Return Needed to Achieve 100%
Funded Ratio with No Increase in 20 years



Retirement

■ Judges System



Retirement - Judges

Public Employees Retirement Plan-Judge's Chapter 54-52, NDCC

Employer Contribution: 14.52%

Employee Contribution: 5.00%

Total Retirement Contributions: 19.52%

Vesting in Disability Benefit: 180 days

Vesting In Retirement Benefit: 60 months

Normal Retirement: Age 65 or Rule of 85

RETIREMENT - JUDGES

Retirement Formula:

First Ten Years:

Final Average Salary x 3.5% x First 10 Years of Credited Service

Second Ten Years:

Final Average Salary x 2.80% x Second 10 Years of Credited Service

Remaining Years:

Final Average Salary x 1.25% x Remaining Years of Credited Service

Example: $\$6861 \times 3.50\% \times 10 = \2401.35

$\$6861 \times 2.80\% \times 10 = \1921.08

$\$6861 \times 1.25\% \times 5 = \underline{\$428.80}$

$\$4751.23$

RETIREMENT - JUDGES

Assets as of 06/30/2008:

Market - \$31,545,700

Actuarial - \$28,833,710

Members:

Active 47

Retired 23

Beneficiaries 7

77

Judges - 2007 to 2008

Employer Cost Rate, 2007	9.31%
Plan Experience	(0.22)%
Effect of maintaining 20-year amortization	0.19%
Contribution gain	<u>0.29%</u>
Employer Cost Rate, 2008	8.99%
Statutory Rate, 2008	14.52%
Contribution Margin	5.53%

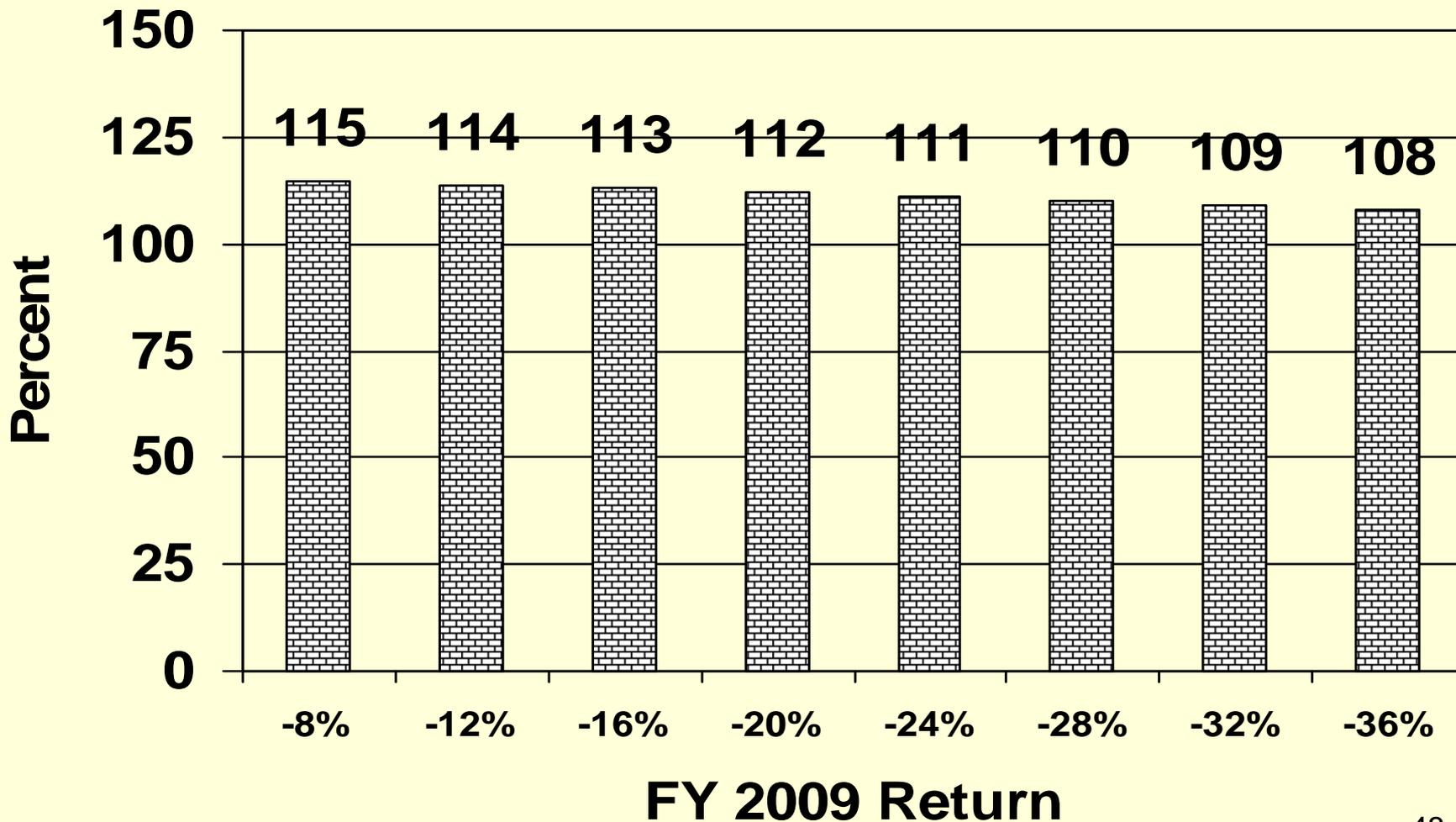
Judges - Funded Ratio

<u>Year</u>	<u>Actuarial Accrued Liabilities (millions)</u>	<u>Actuarial Value of Assets (millions)</u>	<u>Funded Ratio</u>
1998	\$9	\$12	130%
1999	10	14	134%
2000	12	16	136%
2001	14	18	130%
2002	16	19	122%
2003	17	20	115%
2004	18	21	113%
2005	20	22	109%
2006	21	23	107%
2007	23	28	116%
2008	25	29	117%

NDPERS Judges Plan

Projected Funded Ratio at Actuarial Value 7/1/09

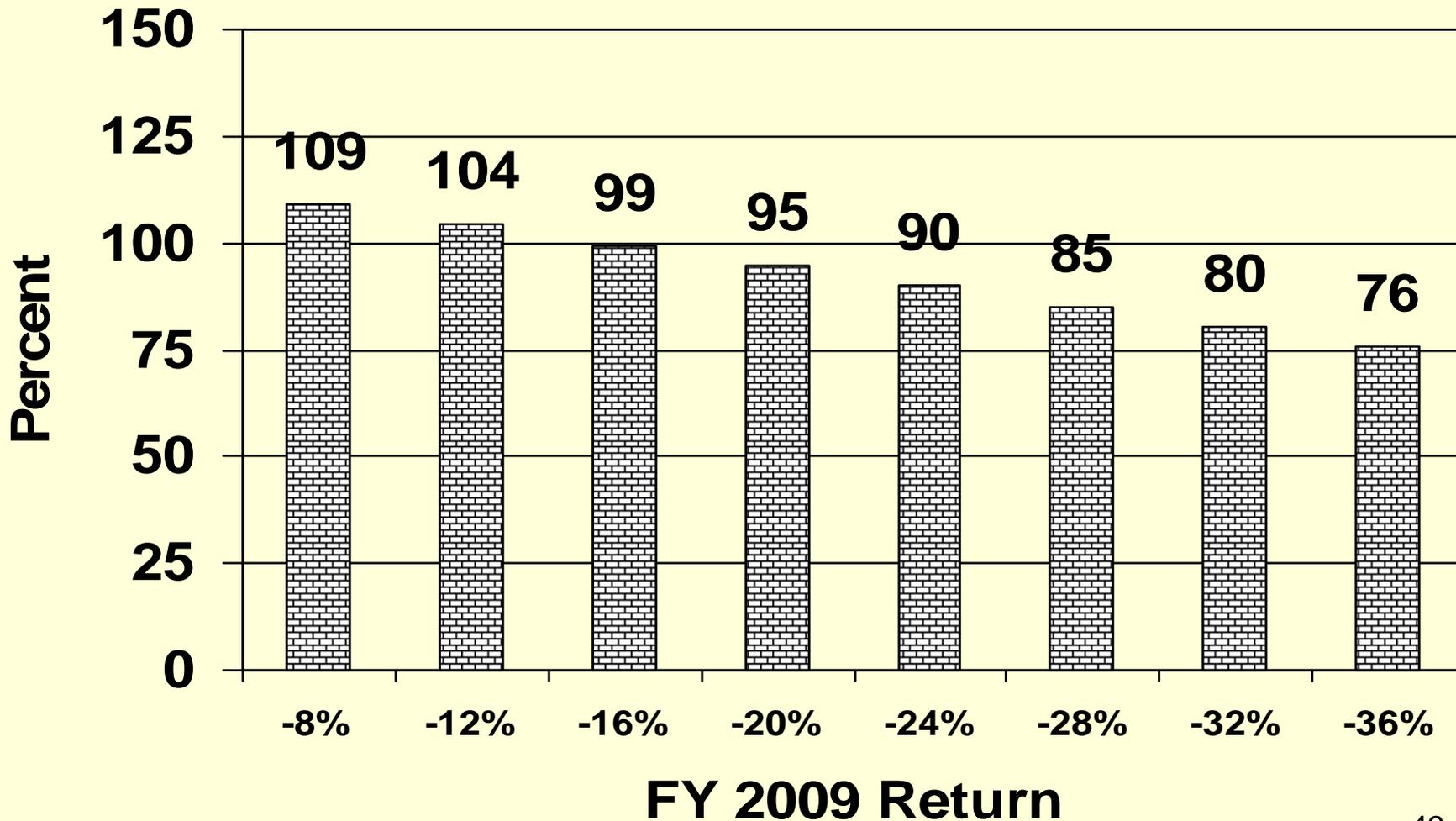
Currently 117%



NDPERS Judges Plan

Projected Funded Ratio at Market Value 7/1/09

Currently 128%

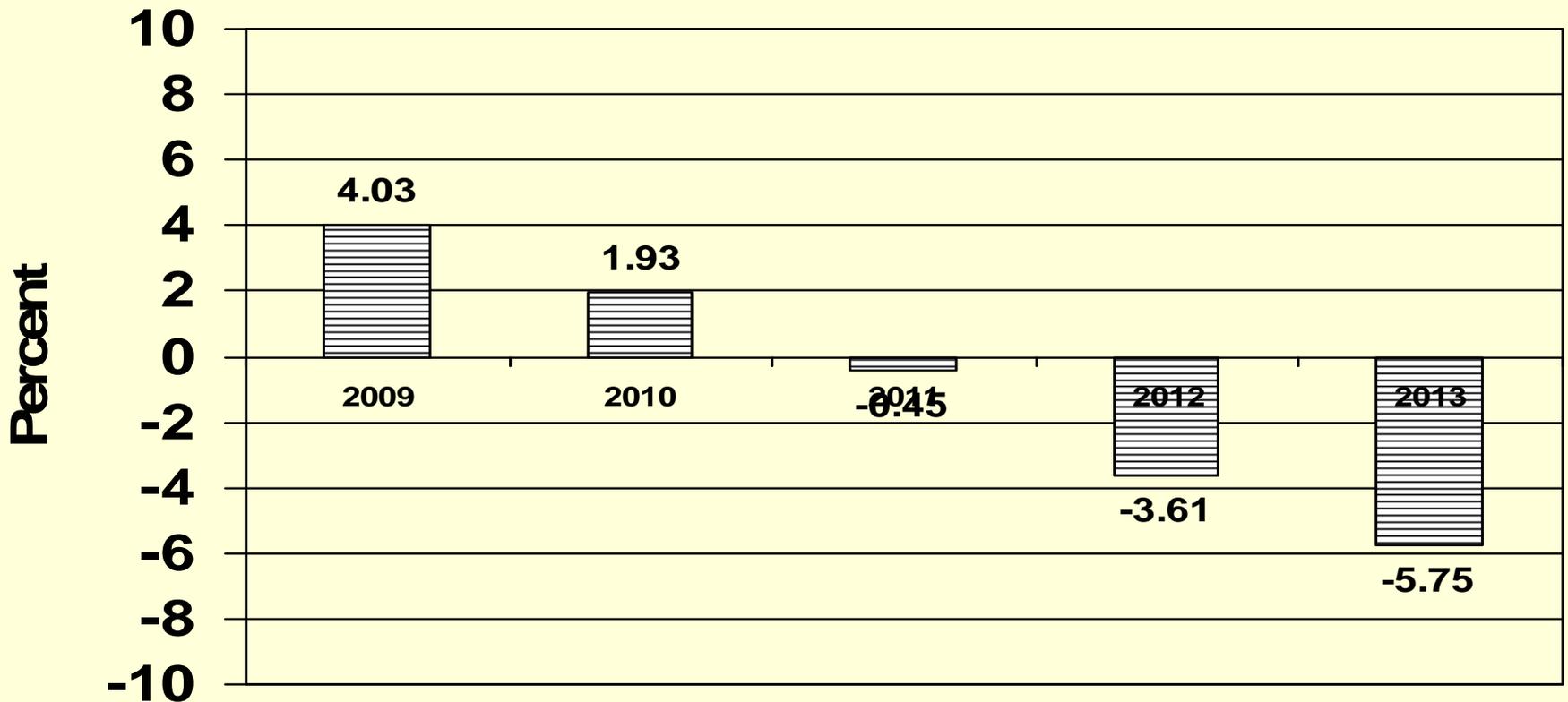


NDPERS Judges Plan

Projected Margins

2009 -20.0% Return and 8.0% Future Returns

July 1, 2008 Margin : 5.53%



FY 2009 Return

Retirement

- National Guard and Law Enforcement Plans



RETIREMENT - NATL. GRD.

Public Employees Retirement Plan

National Guard

Chapter 54-52, NDCC

Employer Contribution: 6.50% of covered payroll

Employee Contribution: 4.00% of salary

Total Retirement Contribution: 10.50%

Vesting In Disability Benefit: 180 days

Vesting In Retirement Benefit: 36 months

Normal Retirement:

Age 55 with 3 years consecutive service

as Firefighter or Security Police Officer

National Guard - 2005 to 2006

Employer Cost Rate, 2007	3.53%
Plan Experience	(0.13)%
Effect of maintaining 20-year amortization	<u>0.04%</u>
Employer Cost Rate, 2008	3.44%
Statutory Rate, 2008	6.50%
Contribution Margin	3.06%

National Guard- Funded Ratio

<u>Year</u>	<u>Actuarial Accrued Liabilities (millions)</u>	<u>Actuarial Value of Assets (millions)</u>	<u>Funded Ratio</u>
1998	\$1.34	\$1.51	113%
1999	1.61	1.81	112%
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%

Law Enforcement Plan

- Employee Contribution
 - 4.00%
- Current Employer Groups
 - 8.31% Employer Contribution
 - Contribution based on Normal Cost and past service credit liability
- New Employer Groups
 - 6.43%
 - Contribution based on Normal Cost and no past service credit liability

New Law Enforcement Plan

- Provides for an earlier normal retirement date – age 55
- Set up as two systems
 - With past service
 - Without past service

New Law Enforcement Plan

- Number of employer groups:
 - With 9
 - Without 1
- Number of members:
 - With 136
 - Without 30

Eligibility

■ Peace Officers

- A public servant authorized by law or government agency or branch to enforce the law and to conduct or engage in investigations of violations of the law.

■ Correctional Officers

- A person who has completed a correctional officer course approved/certified by the North Dakota department of corrections and rehabilitation and is employed by a correctional facility as defined in the North Dakota Century Code section 12-44.1.

Law Enforcement without prior Main Service - 2007 to 2008

Employer Cost Rate, 2007	8.50%
Plan Experience	(1.29)%
Effect of maintaining 20-year amortization	<u>(0.06)%</u>
Employer Cost Rate, 2008	7.15%
Statutory Rate, 2008	6.43%
Contribution Margin	(0.72)%

Law Enforcement without prior Main Service

<u>Year</u>	<u>Actuarial Accrued Liabilities</u>	<u>Actuarial Value of Assets</u>	<u>Funded Ratio</u>
2004	\$10,430	\$11,388	109%
2005	\$86,899	\$42,018	48%
2006	\$123,034	\$73,167	59%
2007	\$367,263	\$127,450	35%
2008	\$368,306	\$175,317	48%

Law Enforcement with prior Main Service - 2007 to 2008

Employer Cost Rate, 2007	12.39%
Plan Experience	0.94%
Effect of maintaining 20-year amortization	(0.15)%
Asset transfer from Main system	<u>(4.14%)</u>
Employer Cost Rate, 2008	9.04%
Statutory Rate, 2008	8.31%
Contribution Margin	0.73%

Law Enforcement with prior Main Service

<u>Year</u>	<u>Actuarial Accrued Liabilities</u>	<u>Actuarial Value of Assets</u>	<u>Funded Ratio</u>
2006	\$7.0	\$3.1	45%
2007	\$9.3	\$4.0	43%
2008	\$10.6	\$7.6	72%

RETIREMENT



HIGHWAY PATROL RETIREMENT SYSTEM

Retirement - Highway Patrol

Chapter 39-03.1, NDCC

Employer Contribution: 16.7% of covered payroll

Employee Contribution: 10.3% of salary

Total Retirement Contribution: 27.0%

Vesting In Disability Benefit: 180 days

Vesting in Retirement Benefit: 120 months

Normal Retirement: Age 55 or Rule of 80

Retirement - Highway Patrol

Retirement Formula:

First 25 Years:

Final Average Salary x 3.60% x First 25 Years

Remaining Years:

Final Average Salary x 1.75% x Remaining Years

Example: $\$3000.92 \times 3.60\% \times 25 = \$2,700.83^*$

*Not eligible for Social Security Benefits

Retirement - Highway Patrol

Assets as of 06/30/2008:

Market	\$55,587,776
Actuarial	\$50,808,884

Members:

Active	130
Retired	83
Beneficiaries	21

Highway Patrol Retirement System 2007 to 2008

Employer Cost Rate, 2007	15.08%
Plan Experience	1.00%
Effect of maintaining 20-year amortization	(0.15)%
Contribution Gain	<u>(0.17)%</u>
Employer Cost Rate, 2008	15.76%
Statutory Rate, 2008	16.70%
Contribution Margin	0.94%

Highway Patrol Retirement System

- Funded Ratio

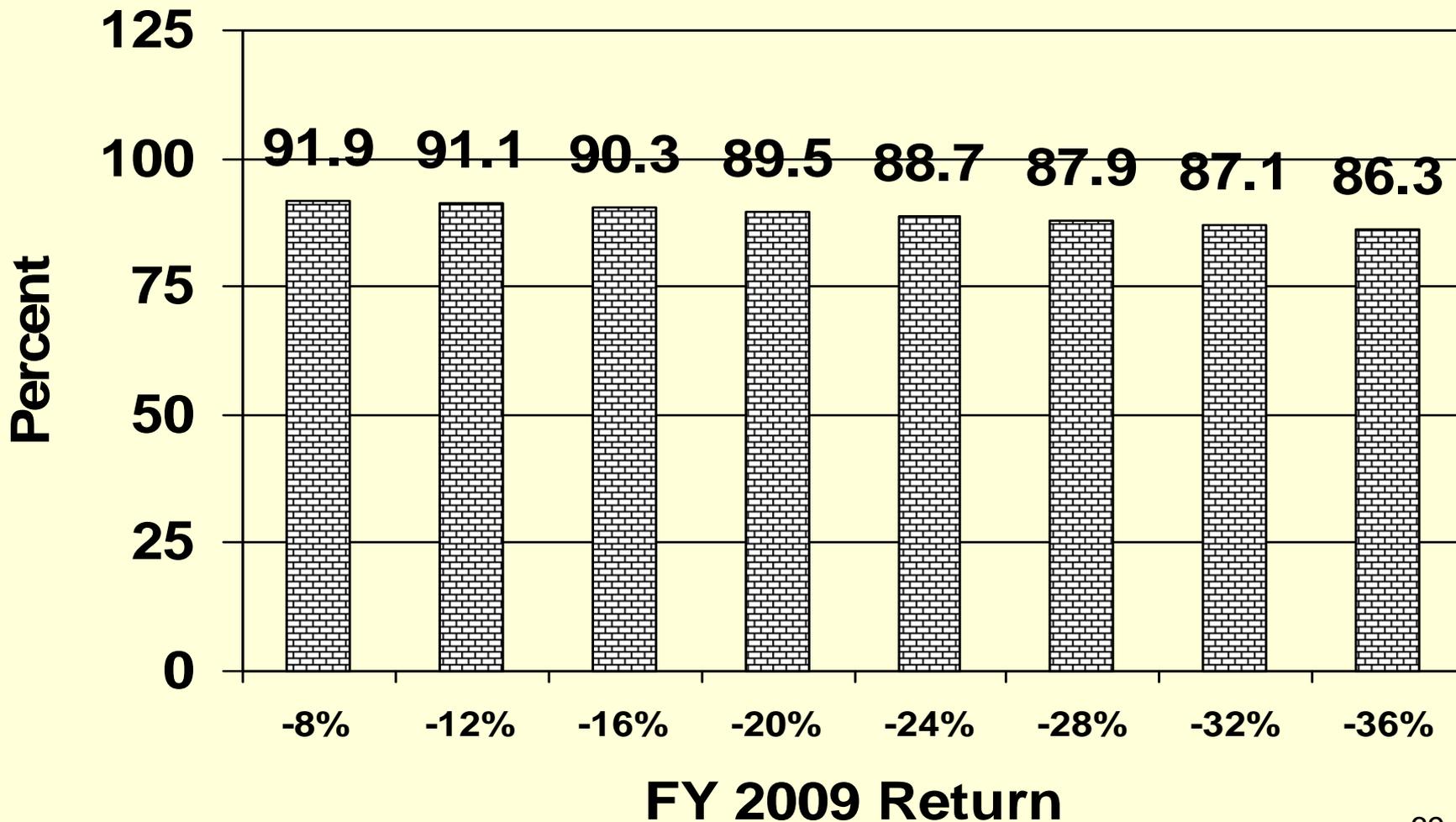
<u>Year</u> <u>Ratio</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liabilities</u> <u>(millions)</u>	<u>Actuarial Value</u> <u>of Assets</u> <u>(millions)</u>	<u>Funded</u>
1996	\$23.8	\$22.2	93%
1997	27.5	24.9	90%
1998	28.9	28.1	97%
1999	32.2	32.0	99%
2000	34.0	35.9	105%
2001	38.1	38.8	102%
2002	40.5	39.5	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%

At Market – 102% Funded

NDPERS H.P. Plan

Projected Funded Ratio at Actuarial Value 7/1/09

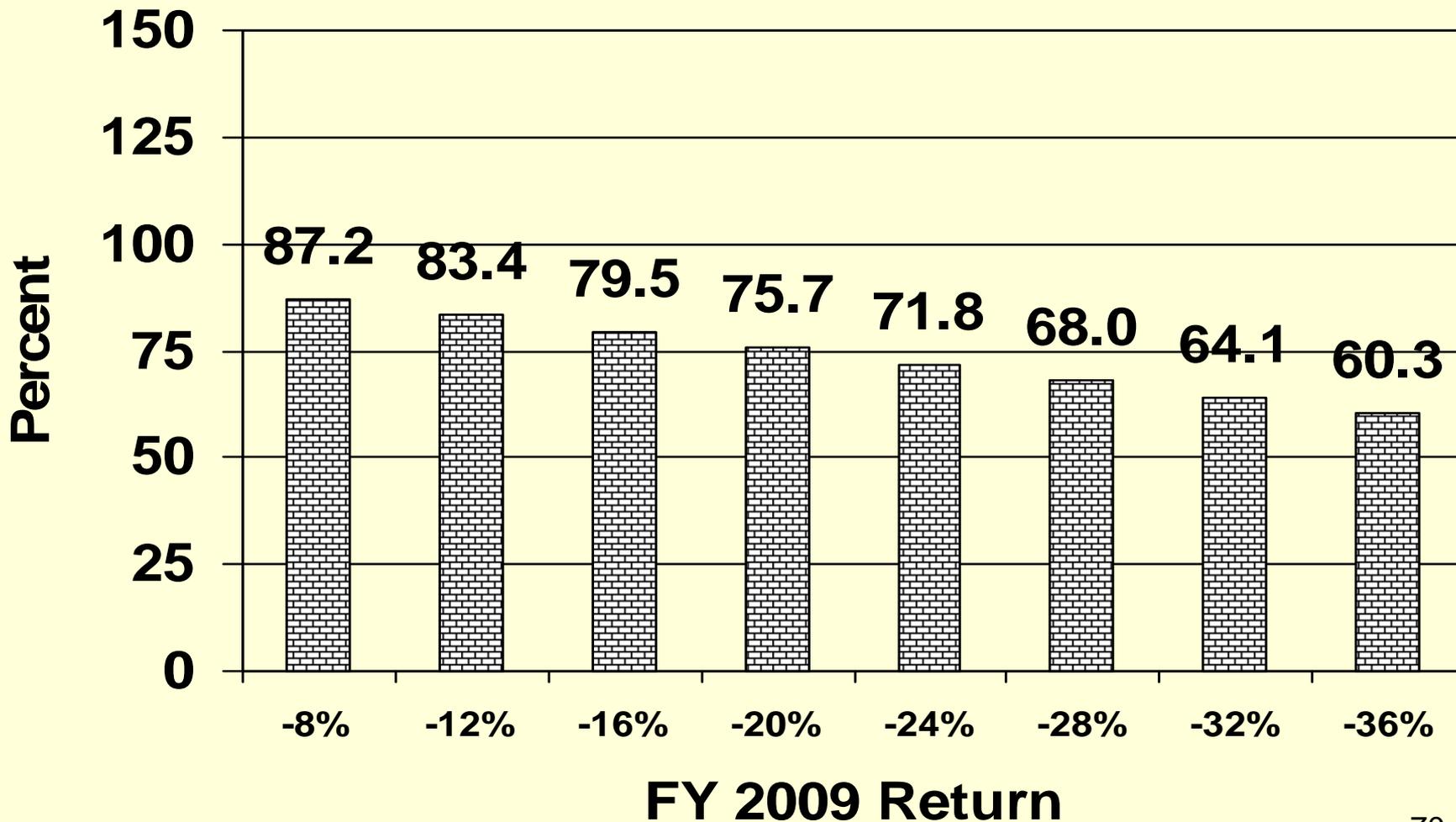
Currently 93.1%



NDPERS H.P. Plan

Projected Funded Ratio at Market Value 7/1/09

Currently 101.9%

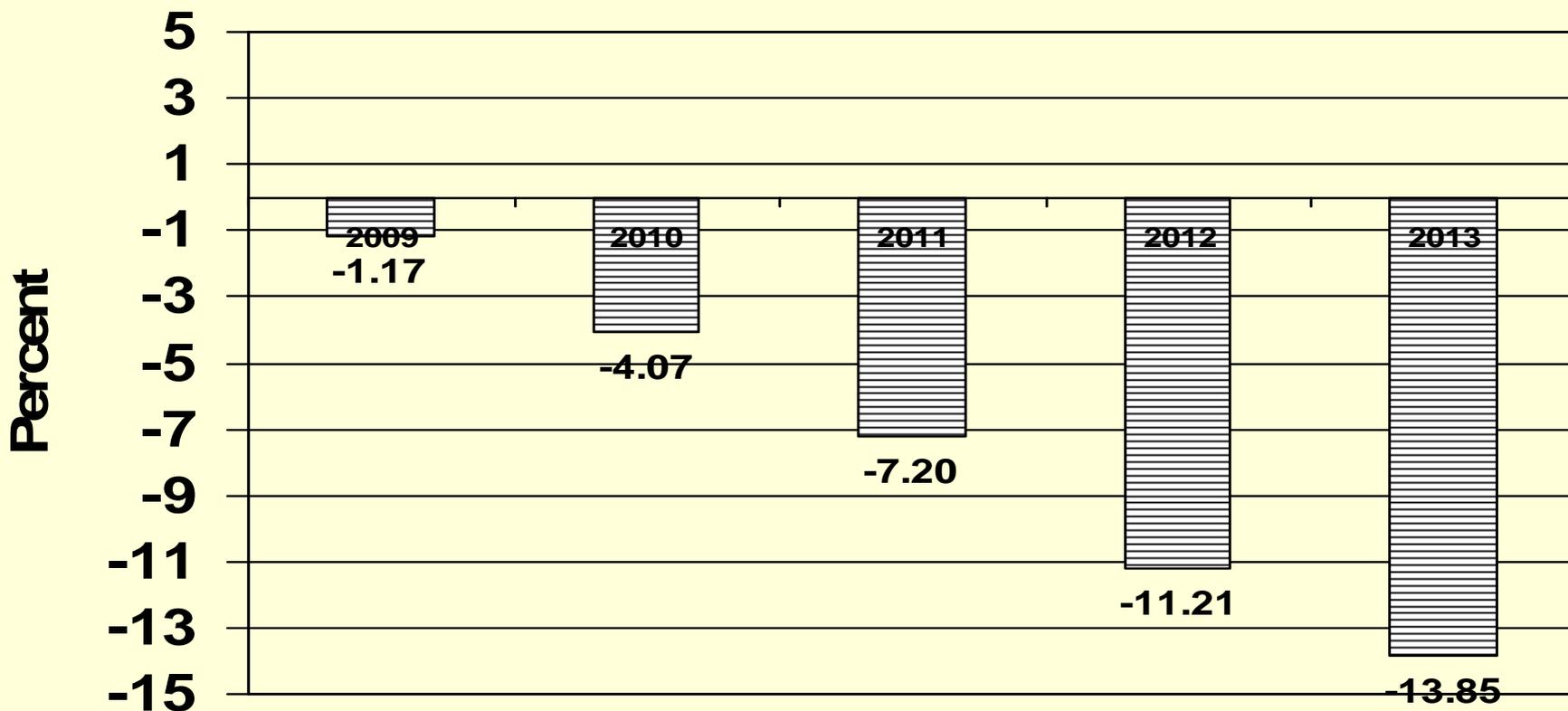


NDPERS H.P. Plan

Projected Margins

2009 -20.0% Return and 8.0% Future Returns

July 1, 2008 Margin : 0.94%



FY 2009 Return

Retirement

Job Service



Retirement – Job Service

Employer Contribution: 0% of covered payroll

Employee Contribution: 7% of salary

Total Retirement Contribution: 7%

Vesting In Disability Benefit: 5 years

Vesting in Retirement Benefit: 5 years

Normal Retirement: Age 65

Age 62 with 5 years

Age 60 with 20 years

Age 55 with 30 years

Retirement - Job Service

Retirement Formula:

First 5 Years:

Final Average Salary x 1.50% x First 25 Years

Next 5 Years:

Final Average Salary x 1.75% x next 5 Years

Remaining Years

Final Average Salary x 2% x Remaining Years

Retirement – Job Service

Assets as of 06/30/2008:

Market	\$89,913,883
Actuarial	\$77,020,934

Members:

Active	38
Inactive	4
Retired	216

Job Service - Funded Ratio

<u>Year</u>	<u>Present Value of Projected Benefits (millions)</u>	<u>Actuarial Value of Assets (millions)</u>	<u>Funded Ratio</u>
2000	\$57	\$71	125%
2001	59	71	121%
2002	60	68	113%
2003	61	66	109%
2004	62	68	109%
2005	63	69	109%
2006	70	71	101%
2007	72	76	105%
2008	72	77	107%

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NDPERS Job Service Plan – Exhibit 1

Projected Funded Ratio at Market Value 6/30/09

Currently 125%

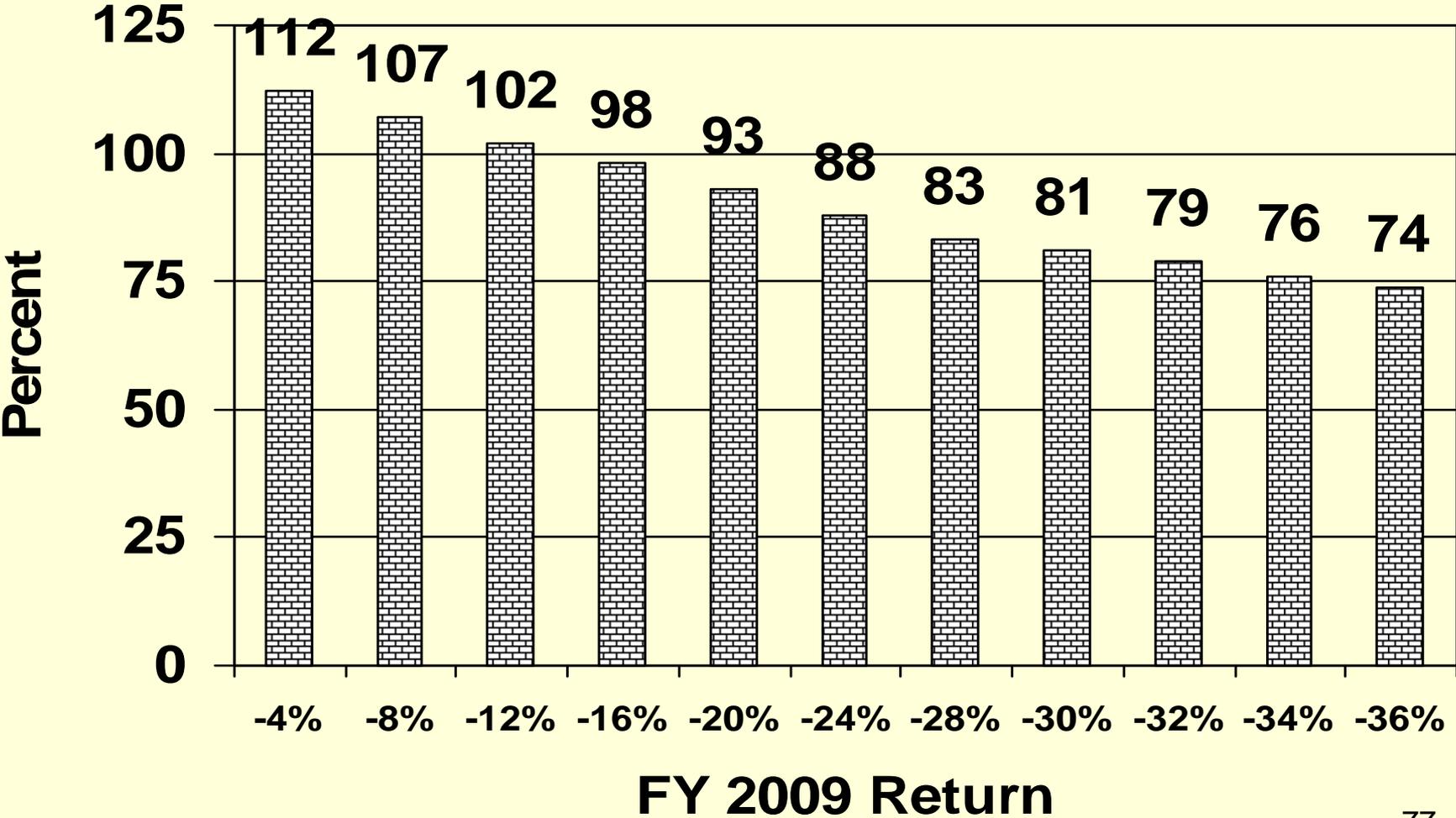


Exhibit 1
North Dakota Job Service
Projected Funded Ratio
Valuation Interest Rate Equals 7.5%
Market Value of Assets to the Present Value of Benefits
(Market Return After FY 2009 Always 7.5%)

Valuation Year	Fiscal Year 2009 Market Value Return										
	-36.0%	-34.0%	-32.0%	-30.0%	-28.0%	-24.0%	-20.0%	-16.0%	-12.0%	-8.0%	-4.0%
2009	74%	76%	79%	81%	83%	88%	93%	98%	102%	107%	112%
2010	73%	75%	78%	80%	83%	88%	93%	98%	103%	108%	113%
2011	71%	74%	76%	79%	82%	87%	92%	98%	103%	108%	114%
2012	70%	72%	75%	78%	81%	86%	92%	98%	103%	109%	115%
2013	68%	71%	74%	77%	80%	86%	92%	98%	104%	110%	116%
2014	66%	69%	72%	75%	78%	85%	91%	98%	104%	110%	117%
2015	63%	67%	70%	74%	77%	84%	91%	98%	104%	111%	118%
2016	61%	64%	68%	72%	75%	83%	90%	97%	105%	112%	120%
2017	57%	61%	65%	69%	73%	81%	89%	97%	105%	113%	121%
2018	54%	58%	62%	67%	71%	80%	88%	97%	106%	114%	123%
2019	50%	54%	59%	64%	69%	78%	87%	97%	106%	116%	125%
2020	45%	50%	55%	60%	66%	76%	86%	97%	107%	117%	128%
2021	40%	45%	51%	57%	62%	74%	85%	96%	108%	119%	131%
2022	34%	40%	46%	52%	59%	71%	84%	96%	109%	121%	134%
2023	27%	33%	40%	47%	54%	68%	82%	96%	110%	124%	137%
2024	19%	26%	34%	42%	49%	65%	80%	95%	111%	126%	142%
2025	9%	18%	26%	35%	44%	61%	78%	95%	112%	129%	147%
2026	-1%	8%	18%	28%	37%	56%	75%	95%	114%	133%	152%
2027	-13%	-3%	8%	19%	30%	51%	73%	94%	116%	137%	159%
2028	-28%	-16%	-3%	9%	21%	45%	69%	94%	118%	142%	166%
Surplus/(deficit) in millions as of 7/1/2028	(\$73.0)	(\$66.1)	(\$59.1)	(\$52.2)	(\$45.3)	(\$31.4)	(\$17.6)	(\$3.7)	\$10.2	\$24.1	\$38.0

RETIREMENT

Defined Contribution Plans

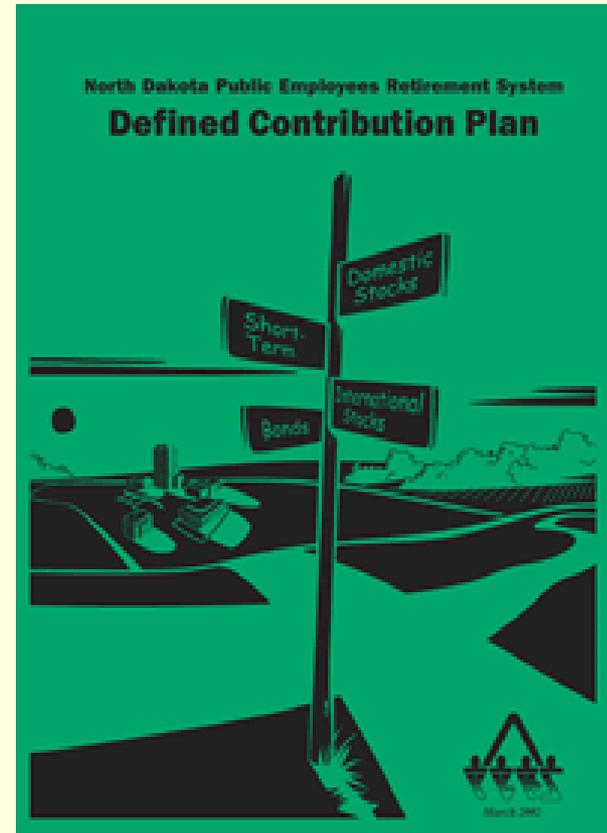
457 plan

401(a) plan

DC Plans



Deferred Comp Plan



Defined Contribution Plan

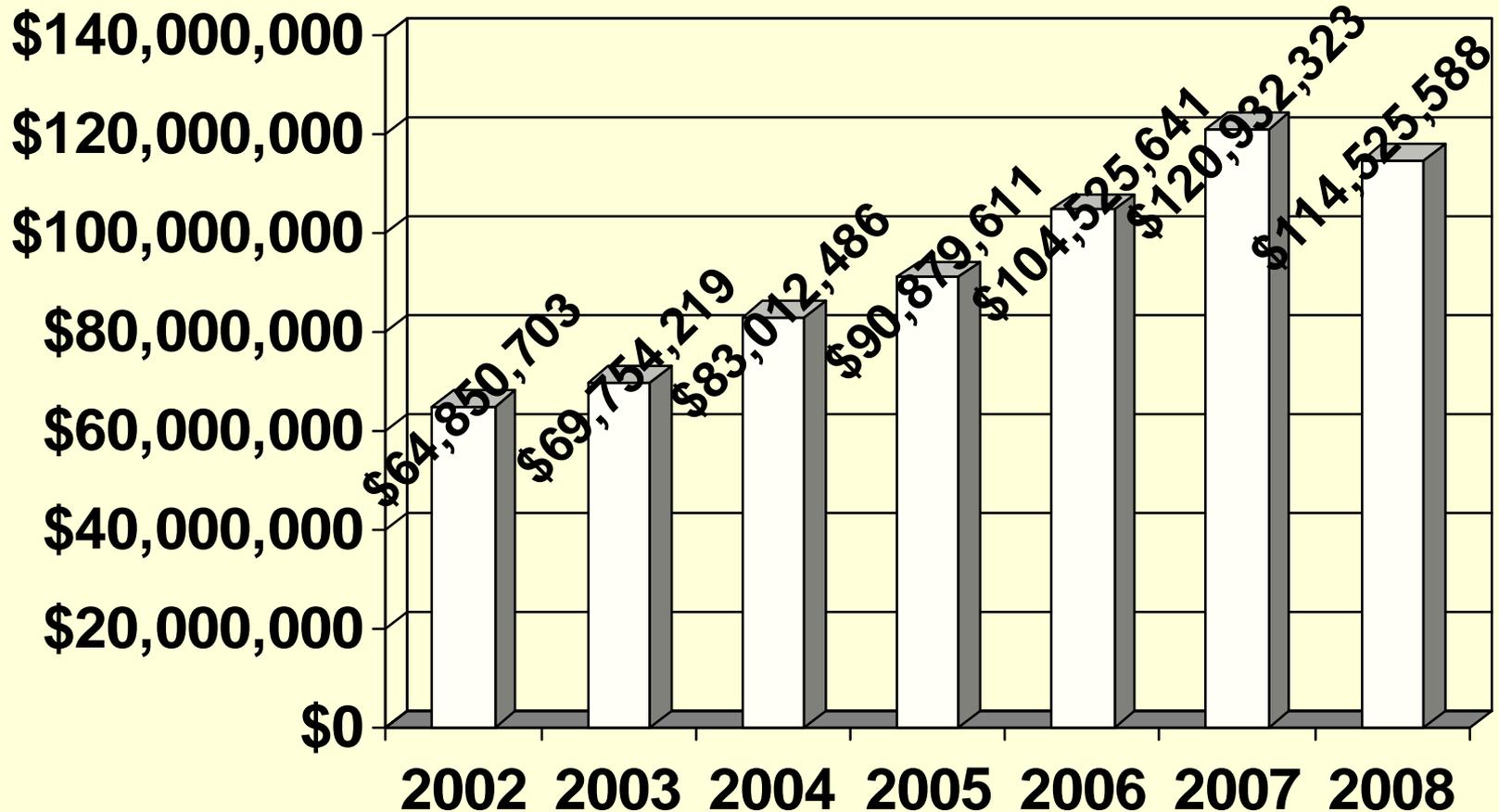
Deferred Comp Plan



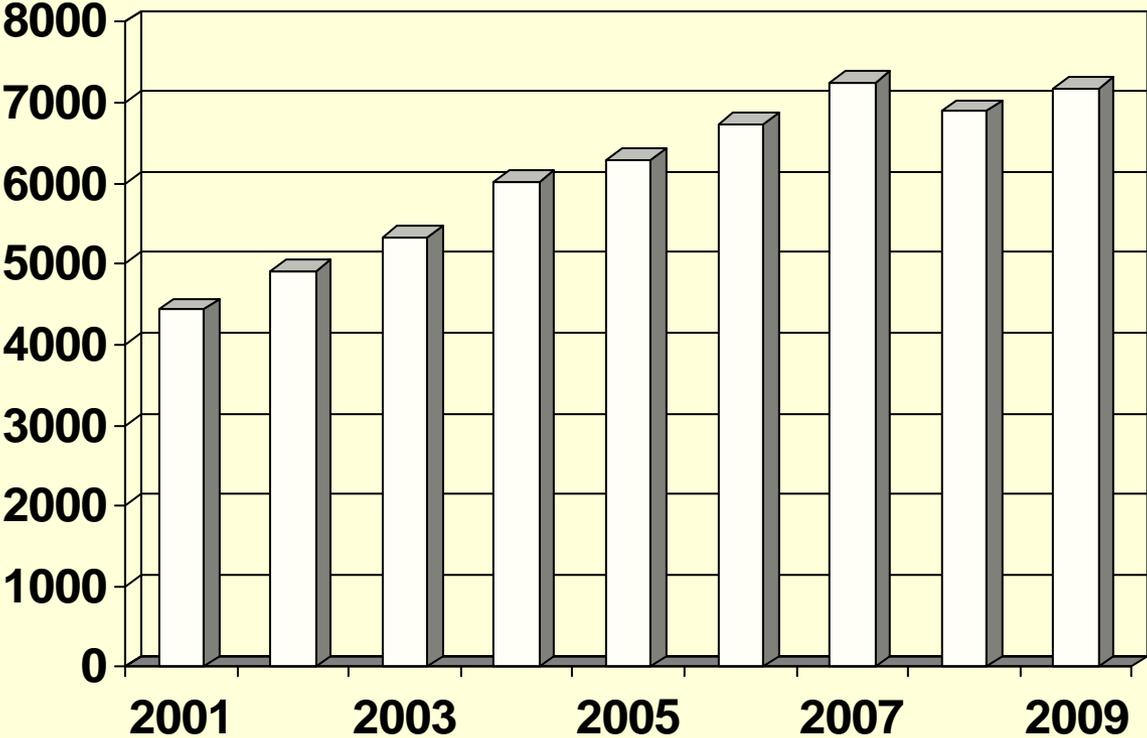
DEFINED CONTRIBUTION PLAN - DEFERRED COMP PROGRAM

The deferred compensation plan is a voluntary, supplemental retirement plan which allows a member to make pretax deductions from their salary with the intent to receive the deferred amount at a later date, such as retirement.

NDPERS 457 Plan Assets
Year Ended



NDPERS PEP/457 Plan Participation



NDPERS 457 Plan

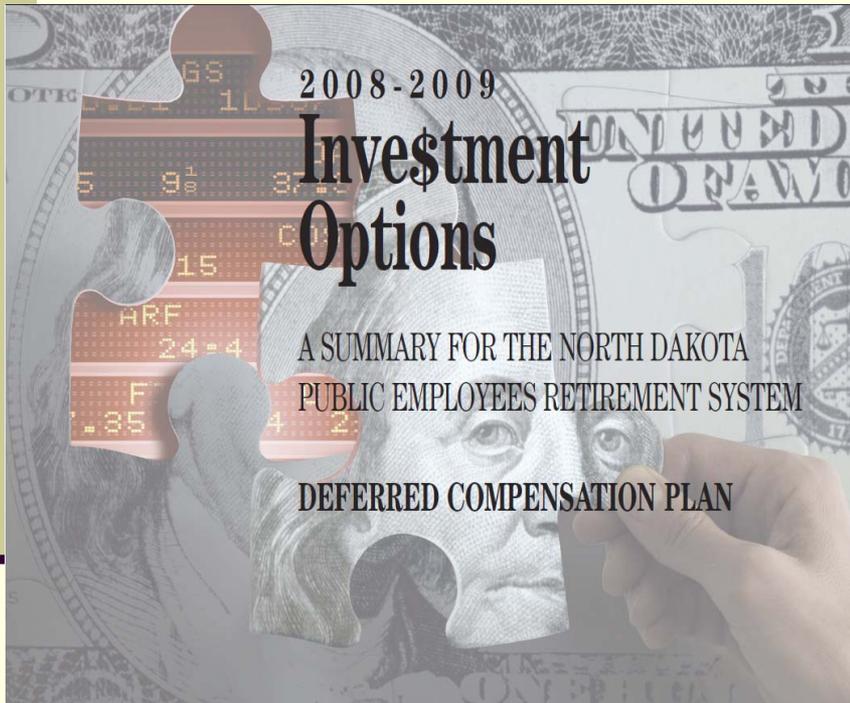
Average Monthly Contribution



DEFINED CONTRIBUTION PLAN - DEFERRED COMP PROGRAM

- ***11 ACTIVE PROVIDERS***
- ***250 INVESTMENT PRODUCTS***
- ***240 AGENTS***
- ***\$114 MILLION IN ASSETS***

Investment Firms Offered



SECTION I
Summary of Investment Options NDPERS Companion Plan 6

SECTION II
Summary of Investment Options NDPERS Section 457 Deferred Compensation Plan

Bank of North Dakota	9
AIG Valic	10
American Trust Center	15
AXA Equitable	17
Hartford Life Insurance Company	23
Jackson National Life	26
Nationwide Life Insurance	28
Symetra Life	31
Waddell & Reed Financial Services	38

PERS Companion Plan & DC Plan Provider



NDPERS DEFERRED COMPENSATION COMPANION PLAN INVESTMENT OPTIONS

For more information, call Fidelity at (800) 343-0860



Fund/Ticker Symbol	Type of Investment	Objective	Annual Expense	Other Fees (Y/N)	Return 6 Mos. Ended June 30, 2008	Net Historical Performance As of December 31, 2007			
						1 Year	3 Years	5 Years	10 Years
Managed Income Portfolio	Stable Value	Income	.55	N	2.14	4.37	4.08	4.15	4.92
PIMCO Total Return Fund - PTRAX	Mutual Fund	Bond	.68	Y	1.84	8.81	5.03	5.05	6.46
Fidelity Puritan - FPURX	Balanced	Bond/Stock	.60	N	-7.79	6.17	8.45	11.24	7.21
Fidelity Equity-Income - FEQIX	Mutual Fund	Large Cap	.66	N	-14.48	1.40	8.70	13.19	6.70
Fidelity Dividend Growth - FDGFX	Mutual Fund	Large Cap	.61	N	-12.82	1.11	6.27	9.39	7.13
Spartan US Equity Index - FUSEX	Mutual Fund	Large Cap	.10	N	-11.94	5.43	8.55	12.72	5.78
Fidelity Blue Chip Growth - FBGRX	Mutual Fund	Large Cap	.60	N	-10.12	11.83	7.08	10.24	4.28
Fidelity Growth Company - FDGRX	Mutual Fund	Large Cap	.94	N	-5.48	19.89	14.24	18.77	9.65
Goldman Sachs Mid Cap Value A - GCMAX	Mutual Fund	Mid Cap	1.16	N	-3.71	2.91	10.18	16.42	10.85
Mutual Shares A - TESIX	Mutual Fund	Mid Cap	1.07	Y	-14.51	2.97	10.14	13.86	8.88
Dreyfus Mid Cap Index - PESPX	Mutual Fund	Mid Cap	.51	Y	-4.06	7.56	9.81	15.68	10.63
Spartan Extended Market Index - FSEMXX	Mutual Fund	Mid Cap	.10	Y	-7.74	5.38	10.17	17.62	7.48
Fidelity Mid-Cap Stock - FMCSX	Mutual Fund	Mid Cap	.95	N	-3.12	8.20	12.96	15.94	10.90
Allianz NFJ Small Cap Value Admin - PVADX	Mutual Fund	Small Cap	1.07	N	-2.33	6.32	11.72	17.32	10.78
Dreyfus Small Cap Stock Index - DISSX	Mutual Fund	Small Cap	.51	N	-7.30	-0.62	6.94	15.54	8.61
MSIF Small Company Growth Class B - MSSMX	Mutual Fund	Small Cap	1.26	Y	-13.32	2.81	9.14	17.30	13.33
Fidelity Diversified International - FDIVX	Mutual Fund	Foreign	.93	Y	-9.67	16.03	18.56	23.21	13.39

Other Fees:

PIMCO Total Return OR Mutual Shares 2% if held less than 7 days

Spartan Extended Market .75% if held less than 90 days

Diversified International 1% if held less than 30 days

MSIF Small Company Growth Class B 2% if held less than 30 days

Withdrawal Provisions: None.

Note: Fund returns do not reflect the administration portion (\$30) of the

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

INITIAL OFFERING:

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

BALANCED FUND:

Fidelity Puritan Fund

INCOME FUNDS:

Fidelity Managed Income Portfolio

BOND FUNDS:

PIMCO Total Return Bond Fund

INTERNATIONAL FUNDS:

Fidelity Diversified International (Blend Bias)

LIFESTYLE FUNDS:

Fidelity Freedom Income

Fidelity Freedom 2000

Fidelity Freedom 2005

Fidelity Freedom 2010

Fidelity Freedom 2015

Fidelity Freedom 2020

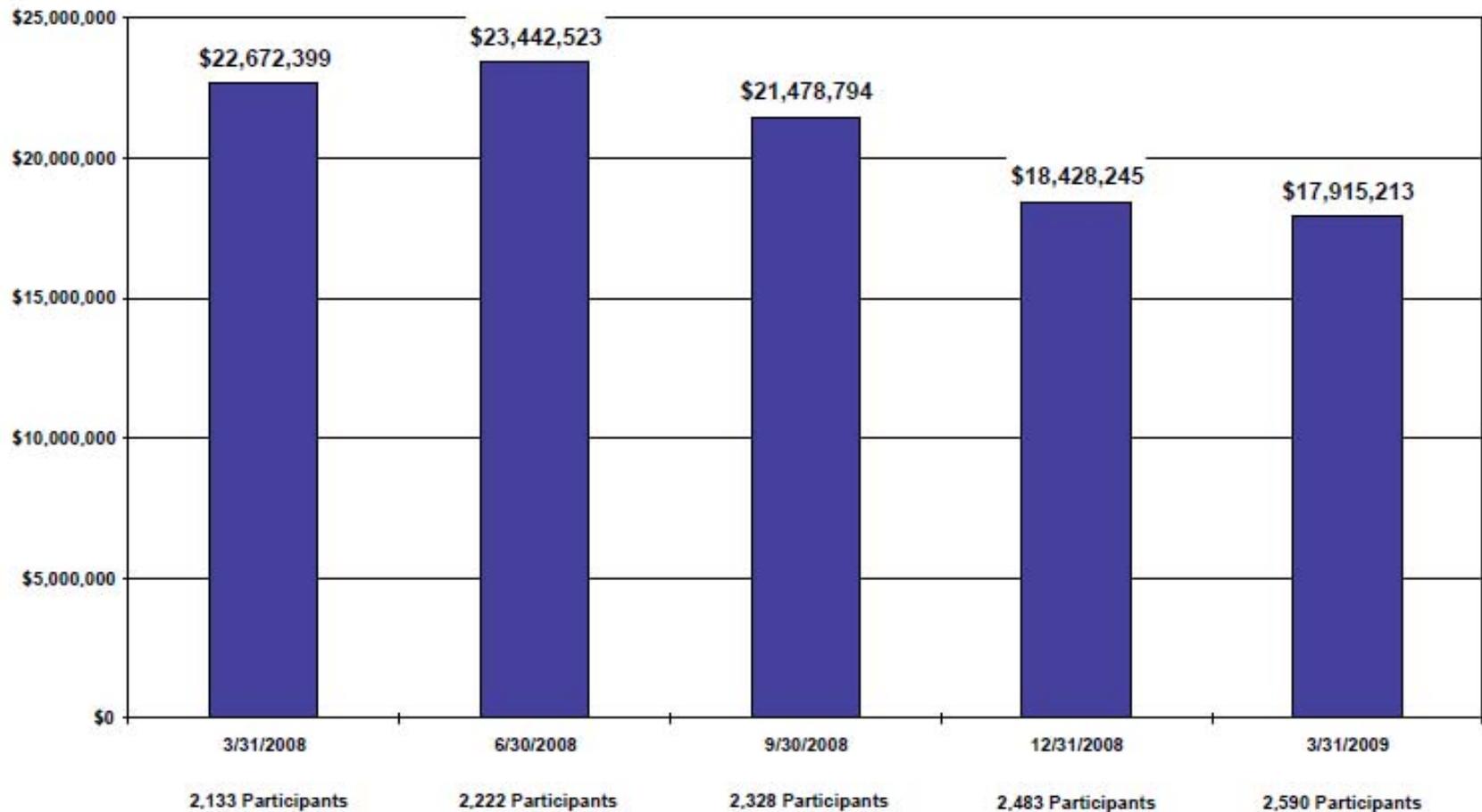
Fidelity Freedom 2025

Fidelity Freedom 2030

Fidelity Freedom 2035

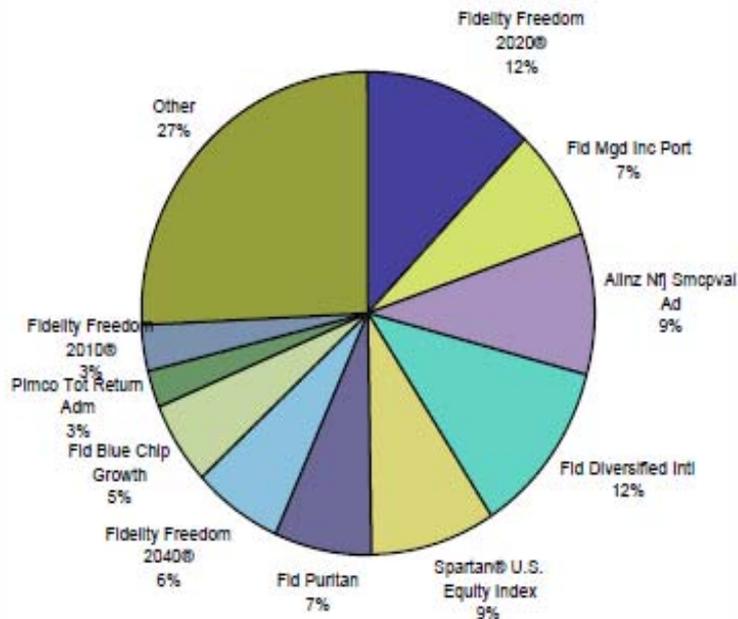
Fidelity Freedom 2040, 2045 & 2050

Plan Assets Under Management at Fidelity



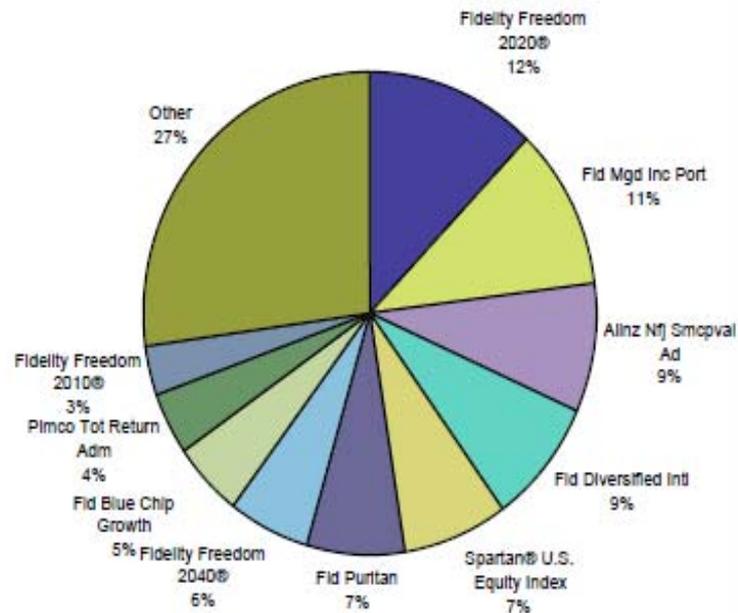
Asset Allocation by Fund

as of 4/1/2008



Total Market Value: \$22,672,399

as of 3/31/2009



Total Market Value: \$17,915,213

North Dakota Public Employees Retirement System

Defined Contribution Plan

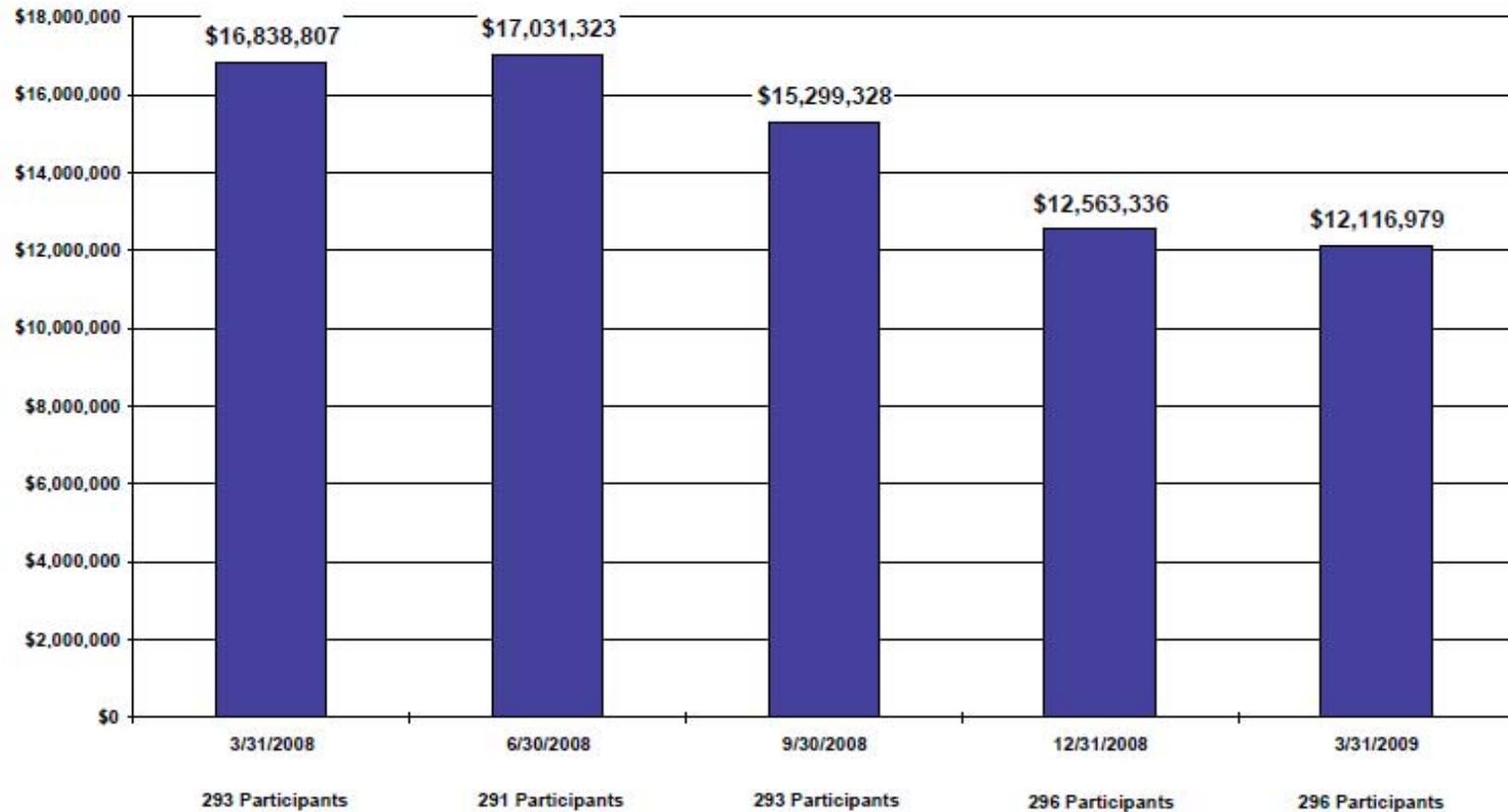


DEFINED CONTRIBUTION PLAN

DC Plan

■ Active participants:	240
■ Terminated:	56
■ Retired:	4

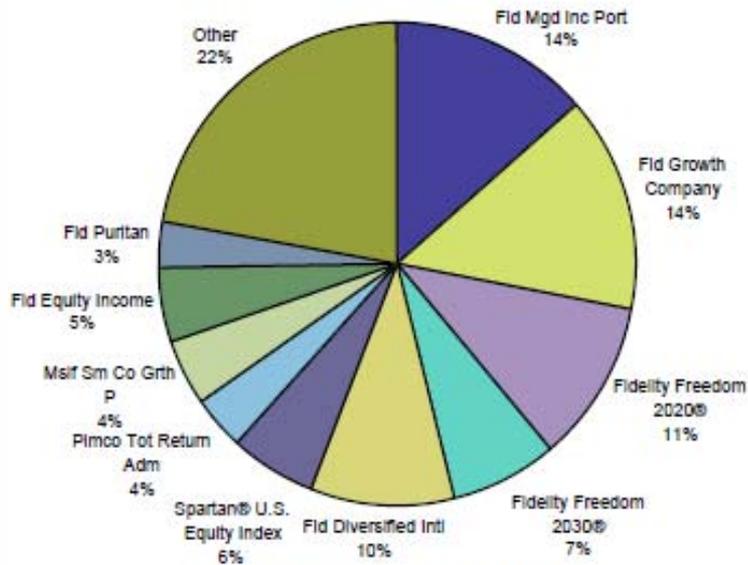
Plan Assets Under Management at Fidelity



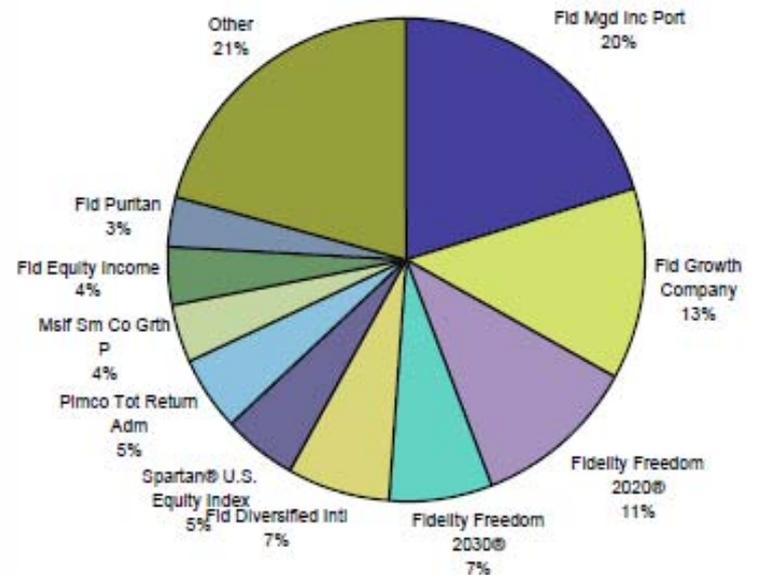
Asset Allocation by Fund

as of 4/1/2008

as of 3/31/2009



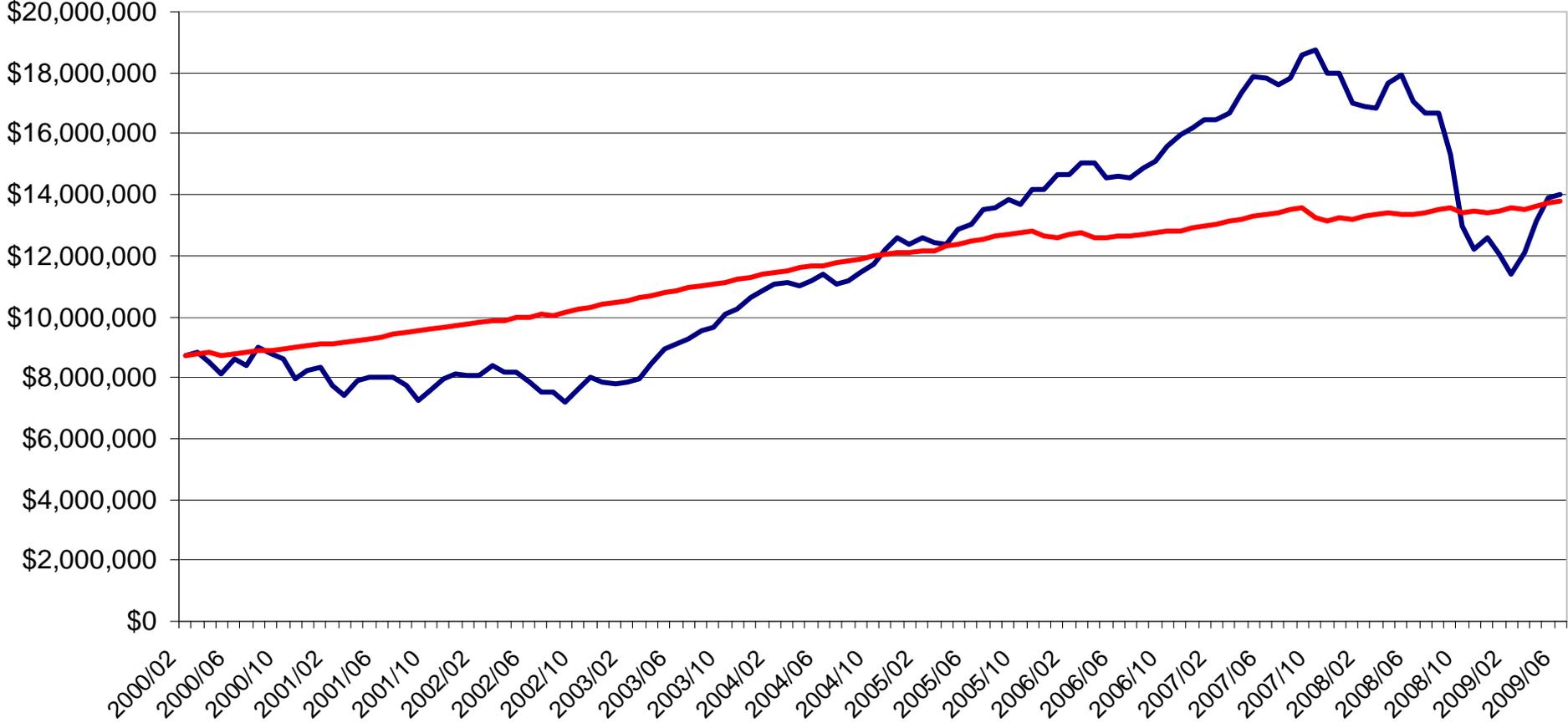
Total Market Value: \$16,838,807



Total Market Value: \$12,116,979

NDPERS DC 401(a) Plan

Market Value Contributions



RETIREE HEALTH

RETIREE HEALTH CREDIT PROGRAM

RETIREMENT - RETIREE HEALTH CREDIT PROGRAM

Main System

Highway Patrol

National Guard

Judges

Defined Contribution

RETIREMENT - RETIREE HEALTH CREDIT PROGRAM

BENEFIT FORMULA:

\$4.50 for each year of credited service

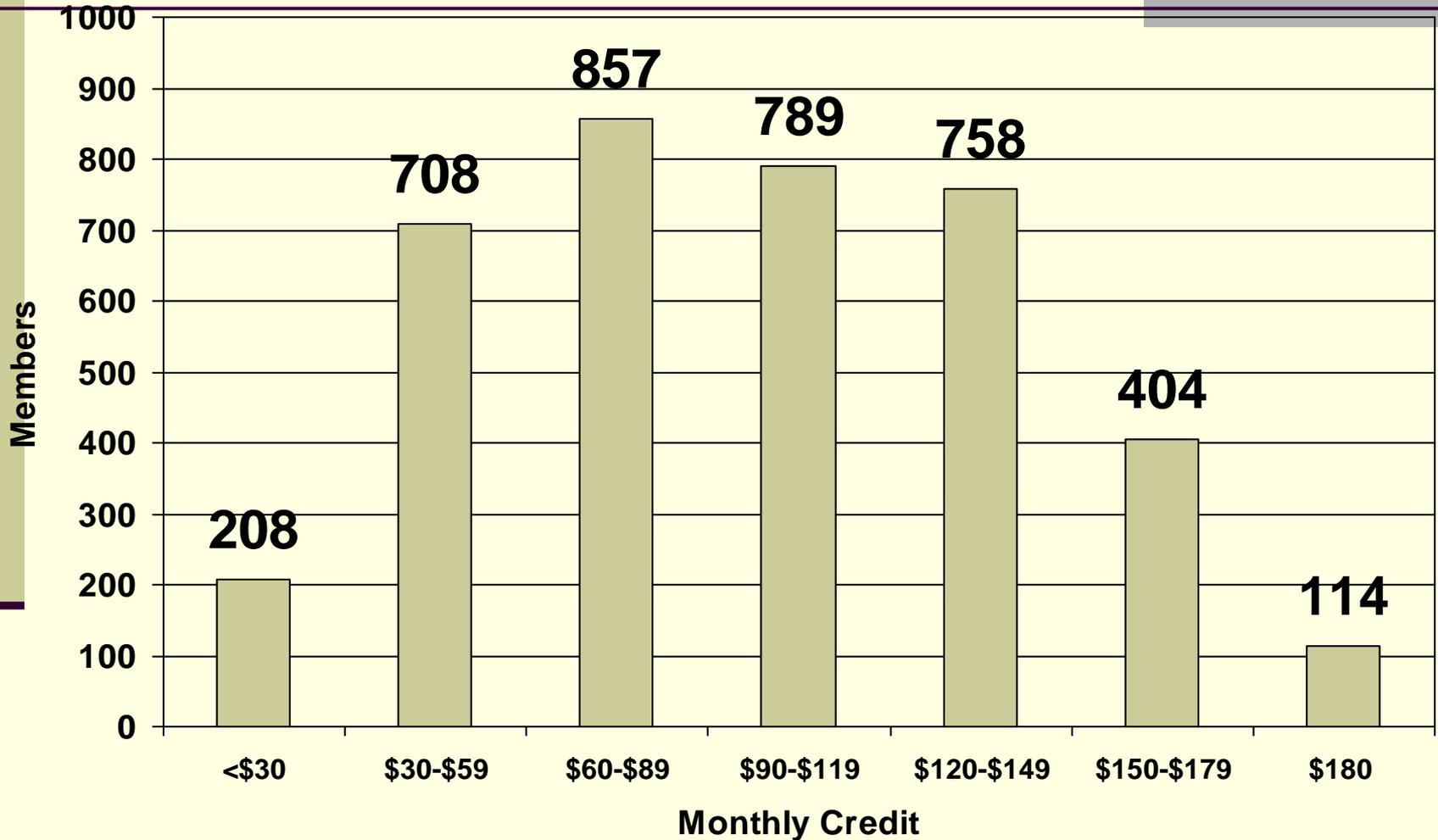
Example: $\$4.50 \times 25 = \112.50

CONTRIBUTION

1% of payroll

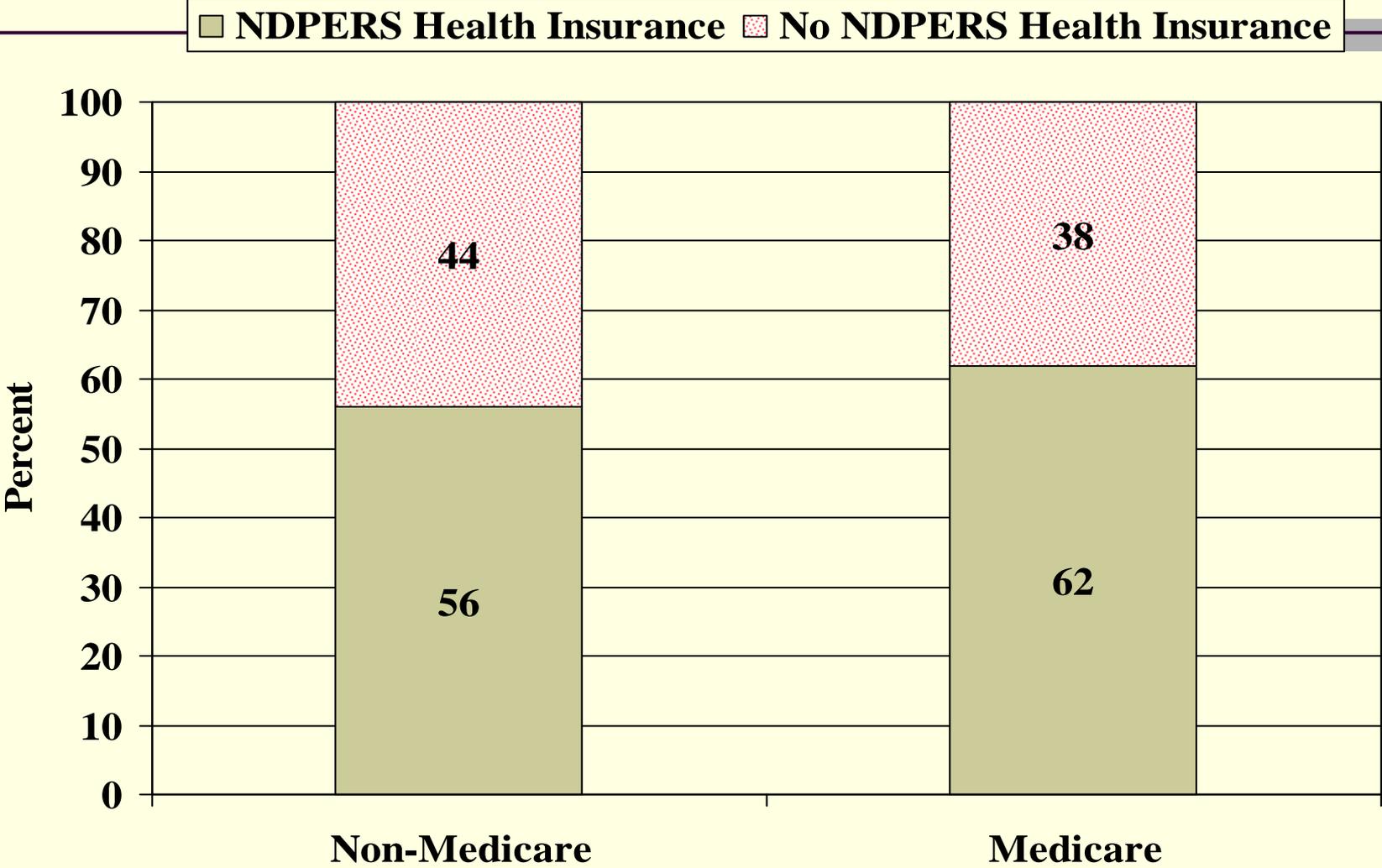
NDPERS Retiree Health Credit

July 1, 2006



NDPERS Retiree Health Credit

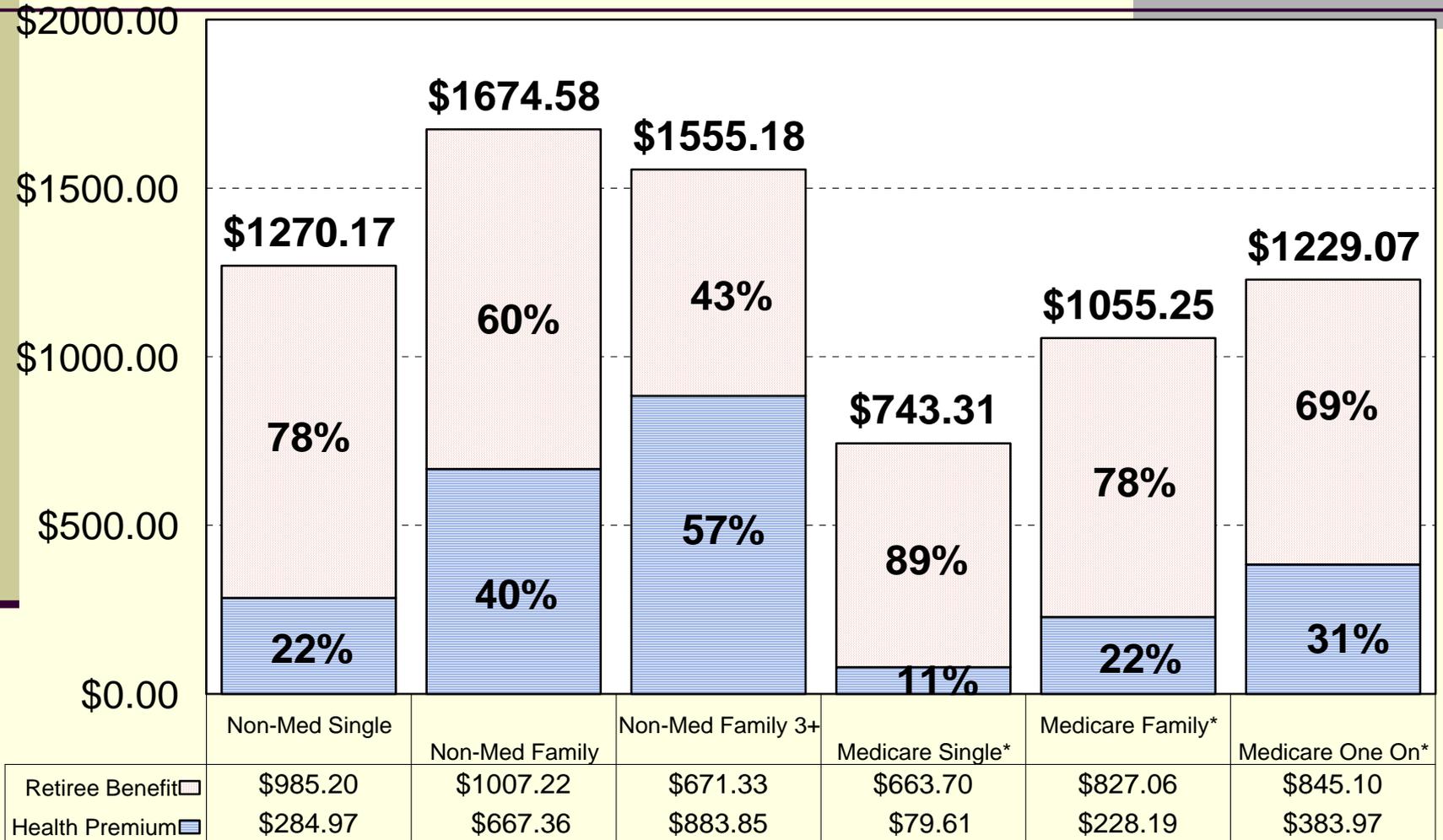
July 2007 NDPERS Retirees



In total 61% of the NDPERS retirees take the NDPERS Retiree Health Credit.

NDPERS Retirees with Health Credit

2006 Average Health Premium & Remaining Benefit
(Excludes COBRA Retirees)



Contracts: 283

83

5

2105

859

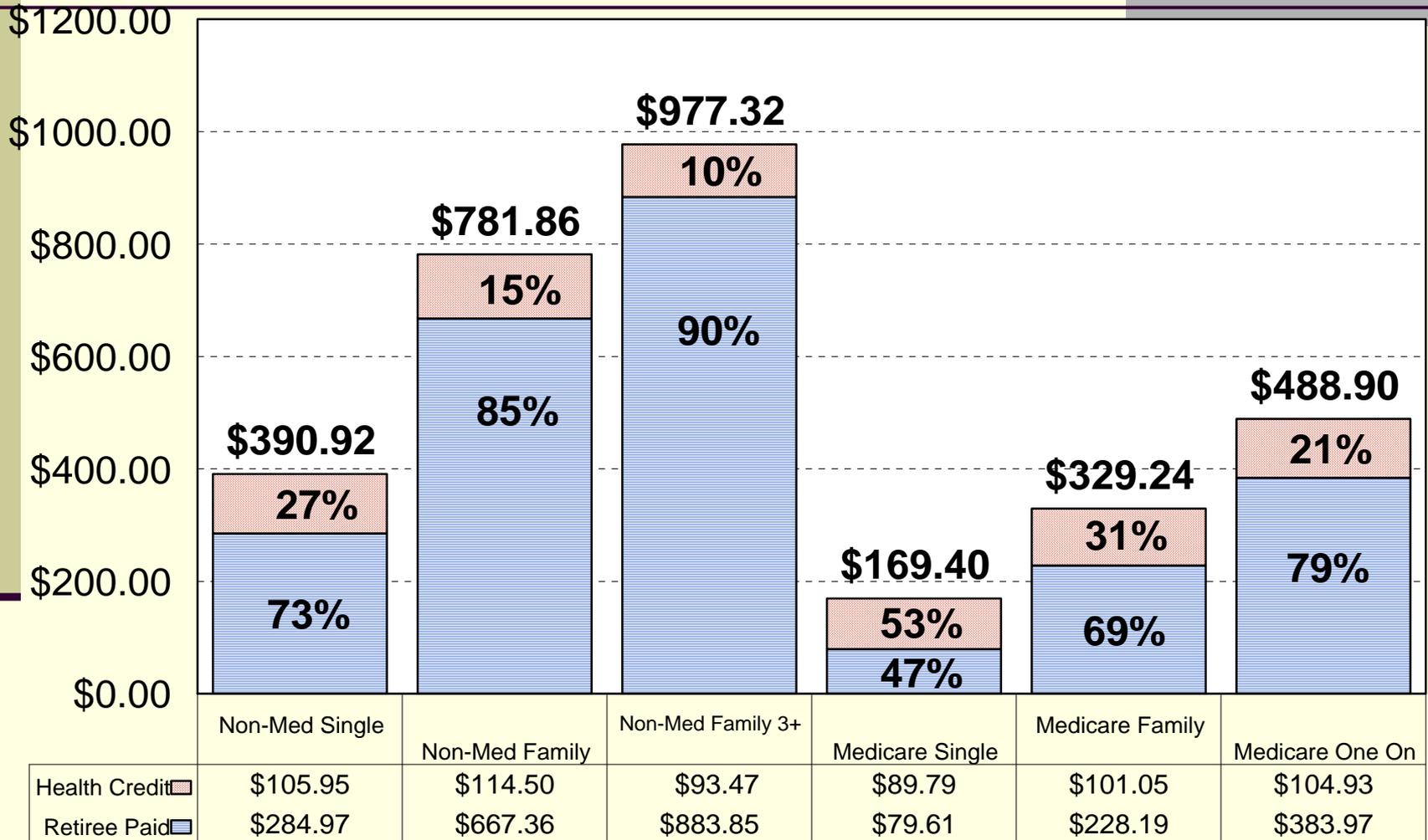
210

103

* - Medicare contracts must pay \$88.50 per person for Medicare coverage.

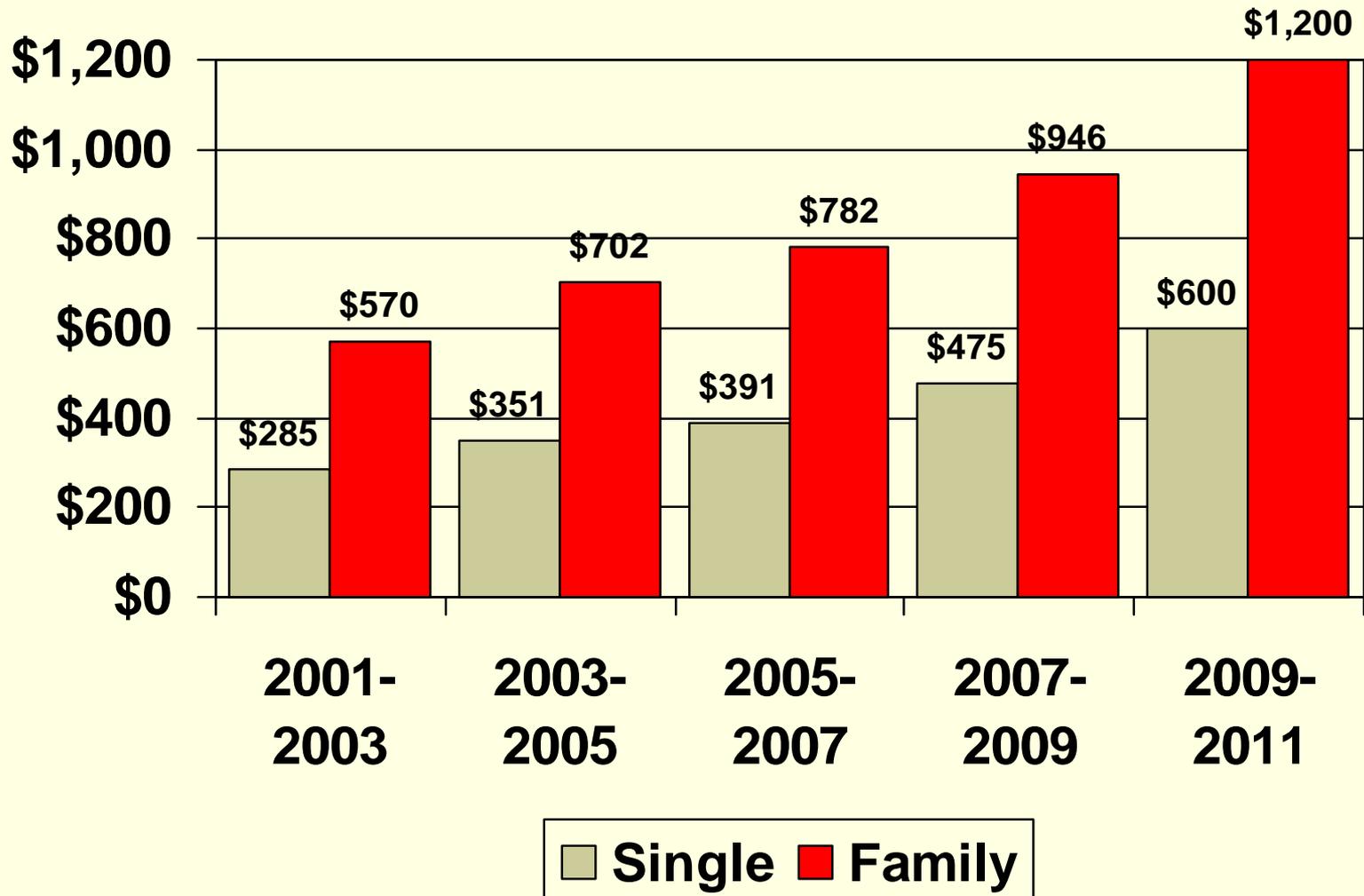
NDPERS Retiree Health Credit

2006 Average Premiums & Health Credit
(Excludes COBRA Retirees)

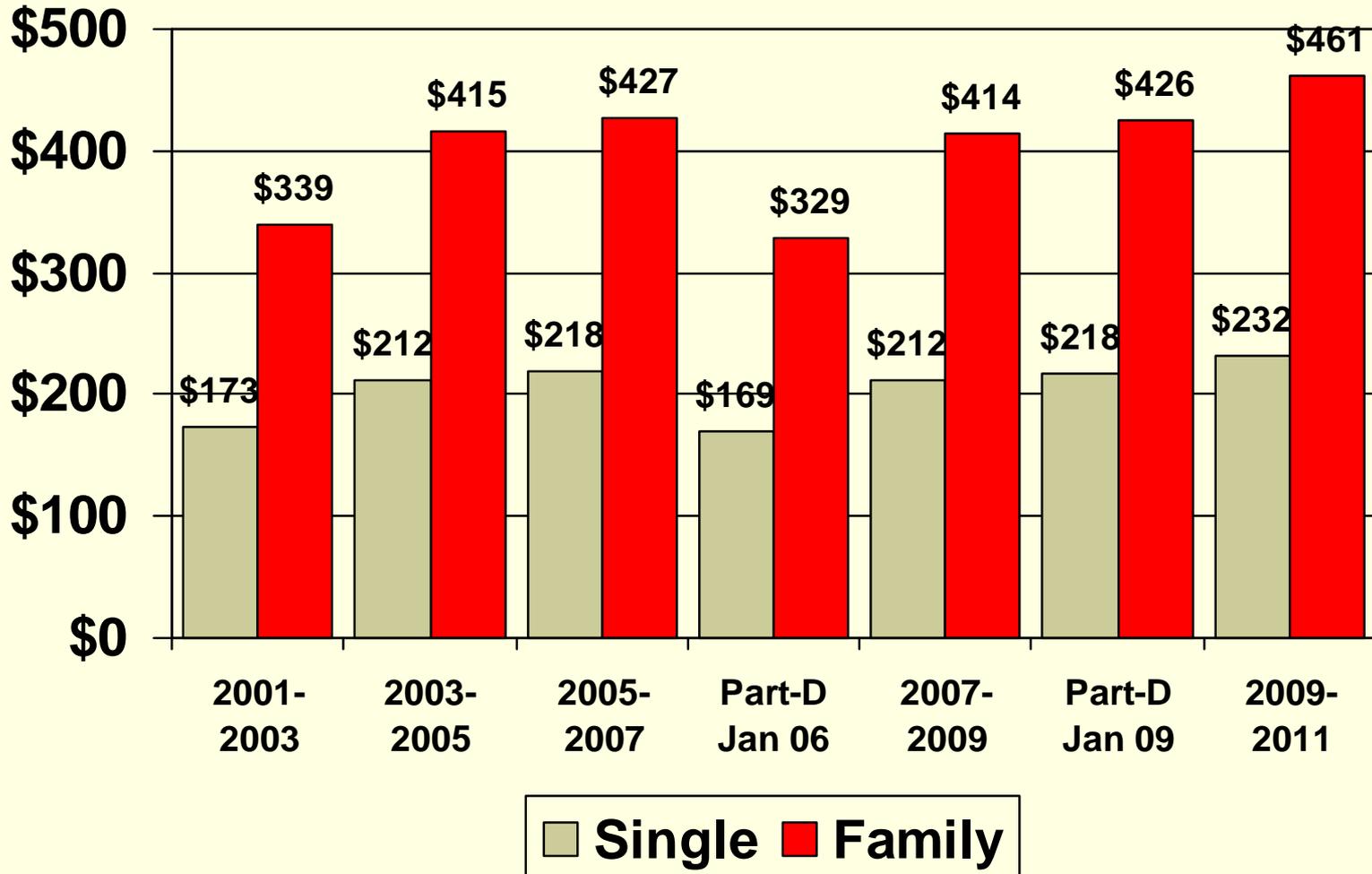


Contracts: 283 83 5 2105 859 210

NDPERS Non-Medicare Premiums

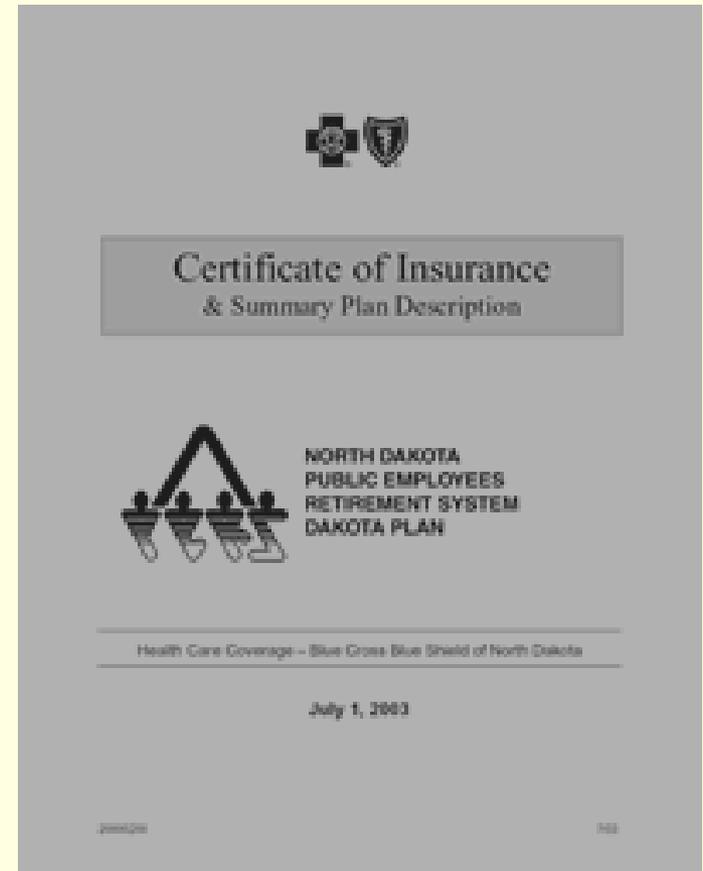


NDPERS Medicare Premiums



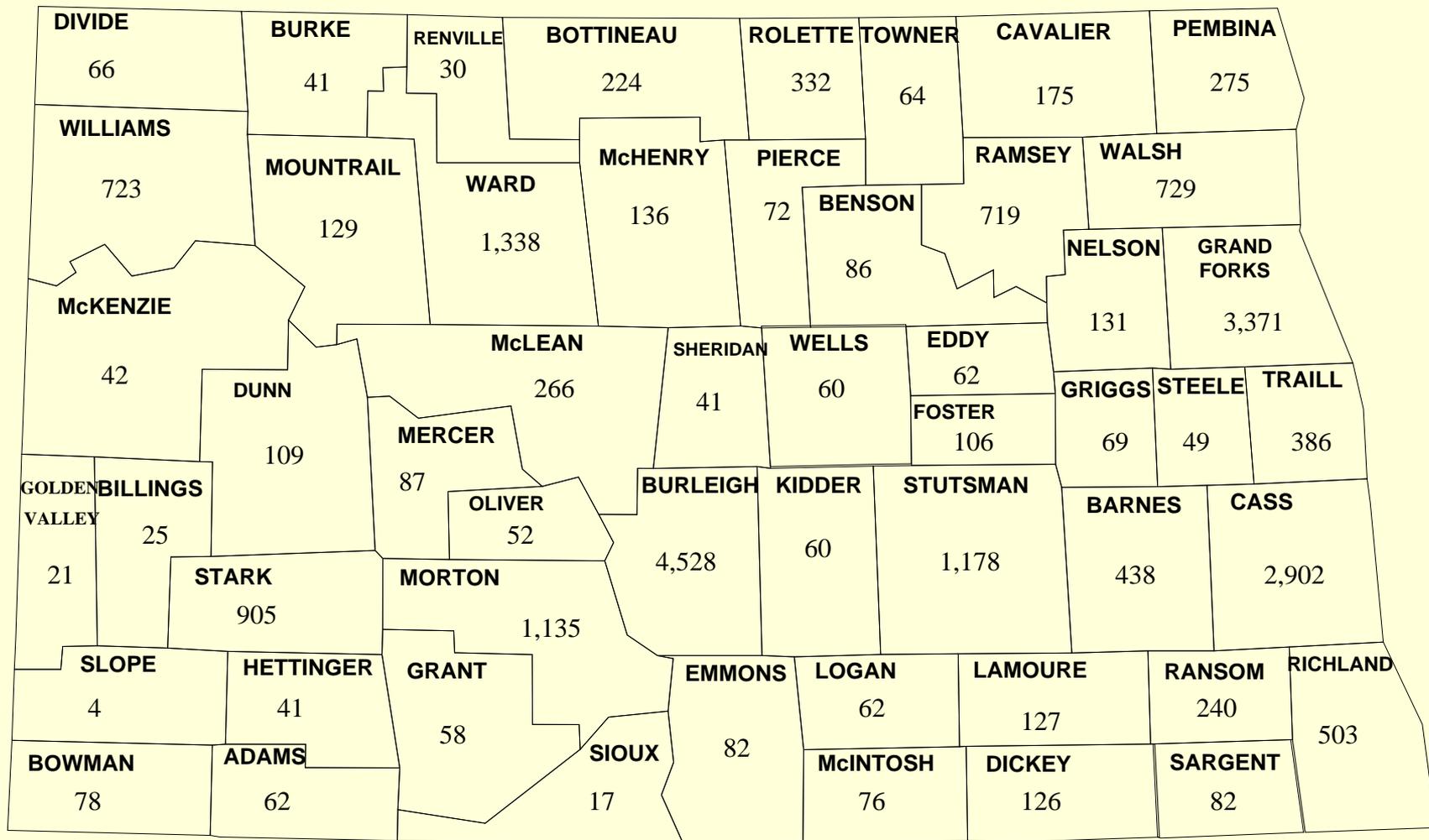
HEALTH PLAN

DAKOTA PLAN



NDPERS Health Contracts

July 2008

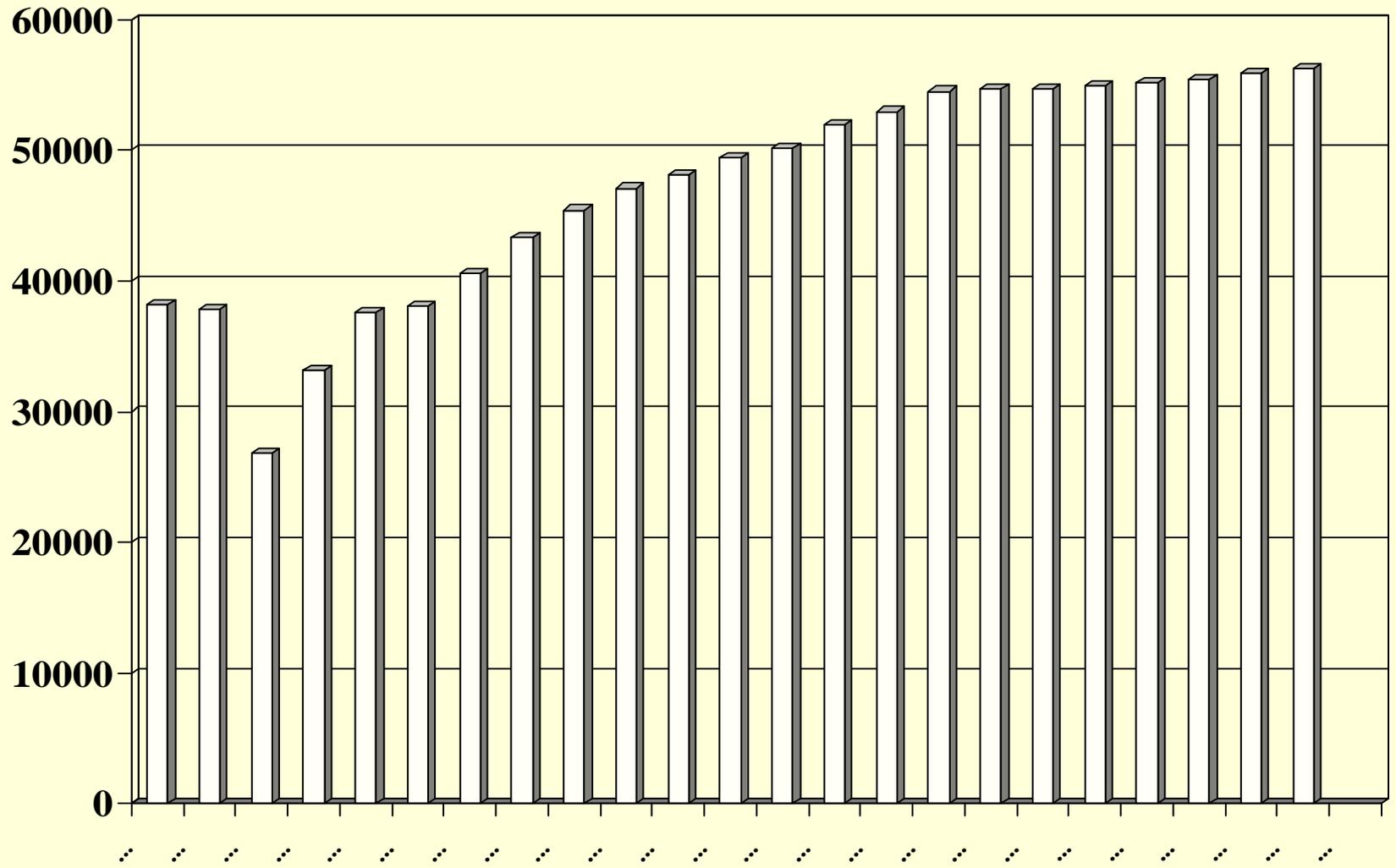


Out-of-State – 1,949

Total – 24,669

Average Contract Size = 2.27

NDPERS Health Plan Membership

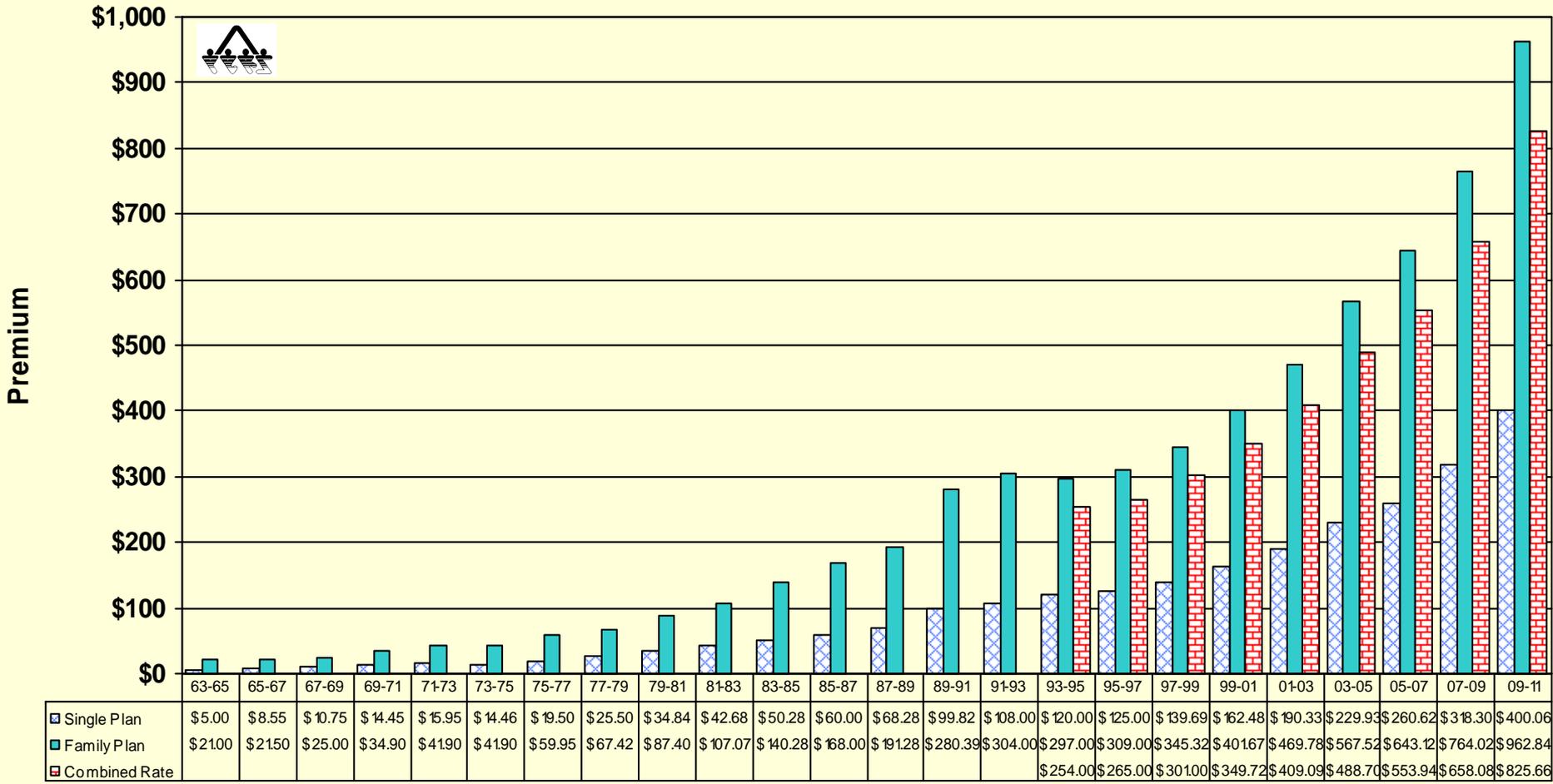


Active State Billed Health Insurance Premium

Single Plan

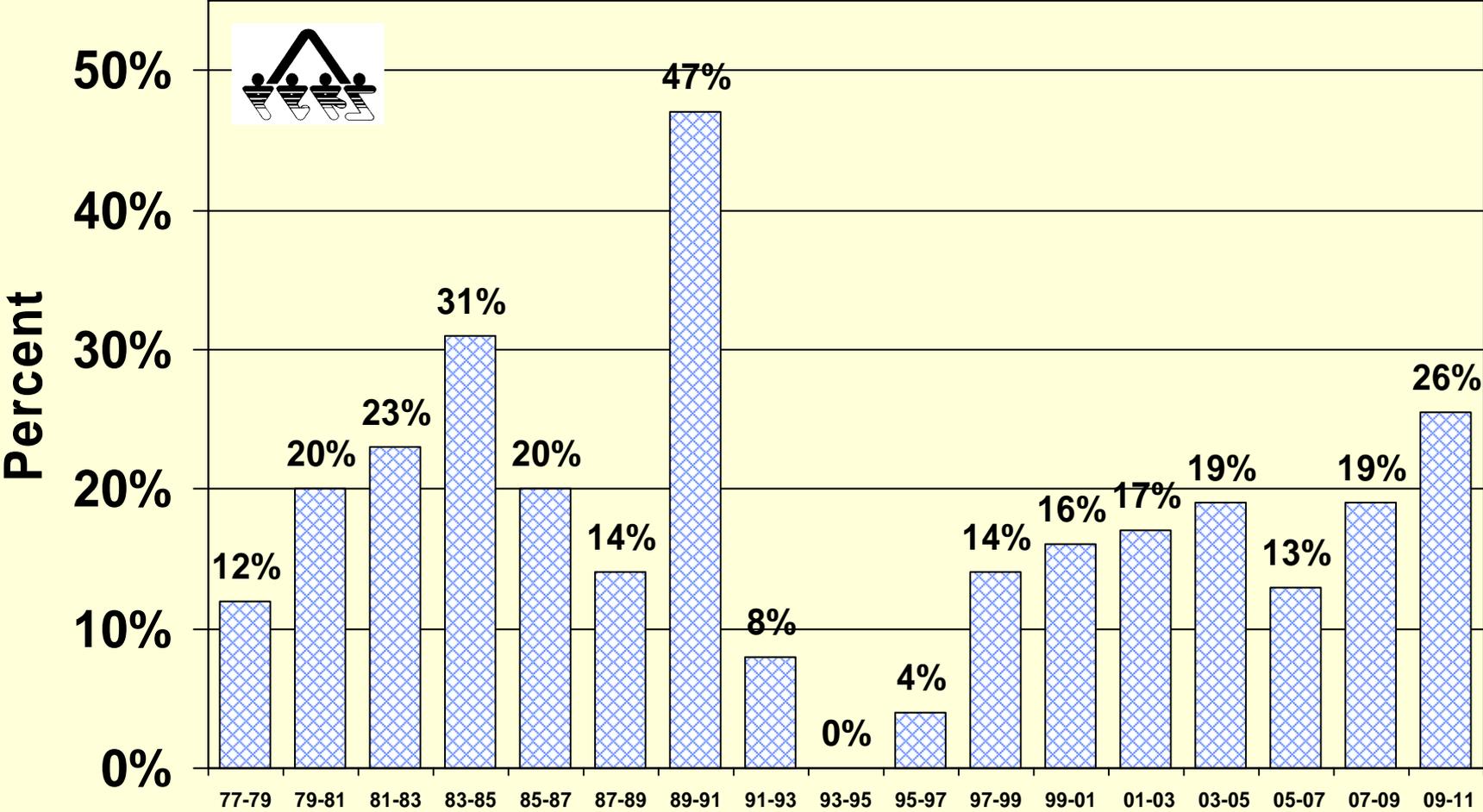
Family Plan

Combined Rate



State Health Premium Percentage Increase From Previous Biennium

(Excludes Plan Design Changes)



State of North Dakota Health Plan Appropriations (Excludes Higher Education)

	Total Budget Appropriation	FTE	Health Premium	Health Plan Appropriation	% of Total Appropriation s
1991-93	2,771,064,605	8,179	\$254.00	\$49,859,184	1.80%
1993-95	2,935,767,081	8,216	\$254.00	\$50,084,736	1.71%
1995-97	3,107,356,520	8,024	\$265.00	\$51,032,640	1.64%
1997-99	3,347,823,922	8,118	\$301.00	\$58,644,432	1.75%
1999-01	3,767,007,536	8,400	\$349.72	\$70,503,552	1.87%
2001-03	4,325,559,659	8,538	\$409.09	\$83,827,450	1.94%
2003-05	4,587,351,203	8,392	\$488.70	\$98,428,090	2.15%
2005-07	5,186,963,789	8,438	\$553.94	\$112,179,497	2.16%
2007-09	5,843,419,715	8,808	\$658.08	\$139,111,900	2.38%
2009-11*	6,930,935,156	8,987	\$825.66	\$178,080,198	2.57%

* - Executive Recommendation

NDPERS Active Health Insurance Out-Of-Pocket
 July-June Fiscal Year ending:

	2001	2002	2003	2004	2005	2006	2007	2008
Active Contracts	16,565	17,253	17,632	17,573	17,889	18,114	18,303	18,589
Deductibles	\$2,307,596	\$1,789,727	\$1,967,859	\$5,765,933	\$5,080,986	\$4,859,625	\$5,006,043	\$8,862,624
Coinsurance	\$6,427,972	\$7,340,161	\$8,424,109	\$9,315,964	\$11,044,560	\$11,358,692	\$11,932,003	\$10,519,042
RX Sanctions	\$0	\$0	\$0	\$795,964	\$0	\$0	\$0	\$1,443,755
Copayments	\$5,188,715	\$8,445,132	\$8,768,553	\$7,456,340	\$7,533,643	\$7,546,375	\$7,686,951	\$9,191,945
Exceed Max	\$247,044	\$361,158	\$672,490	\$378,841	\$550,479	\$744,321	\$549,843	\$2,727,629
Exclusions	\$1,560,268	\$1,702,808	\$1,847,570	\$2,322,307	\$2,516,646	\$2,919,717	\$3,112,107	\$3,900,148
TOTAL	\$15,731,595	\$19,638,986	\$21,680,581	\$26,035,349	\$26,726,314	\$27,428,730	\$28,286,947	\$36,645,143
Per Contract	\$950	\$1,138	\$1,230	\$1,482	\$1,494	\$1,514	\$1,545	\$1,971

Basic Health Equation

Units of service * Cost per unit - Out of pocket Contracts / Number of = Premium

- | | | | | |
|--------------------|------|--------------|------------------------|-----------|
| •Wellness Programs | •PPO | •Deductibles | Adverse Selection | Mix |
| •Disease Mgt | | •Coinsurance | •Minimum premiums | •Employer |
| •Medical Review | | •Copayments | •Minimum participation | •Employee |

$\$1,000,000(\text{cost}) / 166(\text{contracts} / 12(\text{months})) = \502 per Month

Members

Basic Utilization Equation

NDPERS PAID	% Members	% of			
		NDPERS Paid	Charges		
		Plan	Member*	Other**	
\$0	10.7%	0.0%	0%	11%	89%
\$1 - \$499	41.9%	3.5%	21%	10%	69%
\$500 - \$999	13.6%	4.2%	27%	11%	62%
\$1000 - \$2119	13.9%	8.7%	23%	8%	69%
\$2120+	20.0%	83.6%	45%	5%	50%

* - Includes Deductibles, Coinsurance, and Copayments

** - Includes Fee Schedule, UCR, Discounts, other payers, non-covered, etc.

20% of NDPERS members account for 84% of Health Plan medical expenses.
 80% of NDPERS members account for 16% of Health Plan medical expenses.

10% of NDPERS members account for 71% of Health Plan medical expenses.
 90% of NDPERS members account for 29% of Health Plan medical expenses.

Contracts

Basic Utilization Equation

NDPERS PAID	% Contracts	% of			
		NDPERS Paid	Charges		
		Plan	Contract*	Other**	
\$0	3.3%	0.0%	0%	7%	93%
\$1 - \$999	32.7%	2.4%	16%	8%	76%
\$1000 - \$1999	17.0%	4.5%	20%	7%	73%
\$2000 - \$2999	10.6%	4.7%	21%	7%	72%
\$3000 - \$3999	7.2%	4.5%	27%	8%	65%
\$4000 - \$4999	4.6%	3.7%	29%	8%	63%
\$5000+	24.7%	80.2%	48%	5%	47%

* - Includes Deductibles, Coinsurance, and Copayments

** - Includes Fee Schedule, UCR, Discounts, other payers, non-covered, etc.

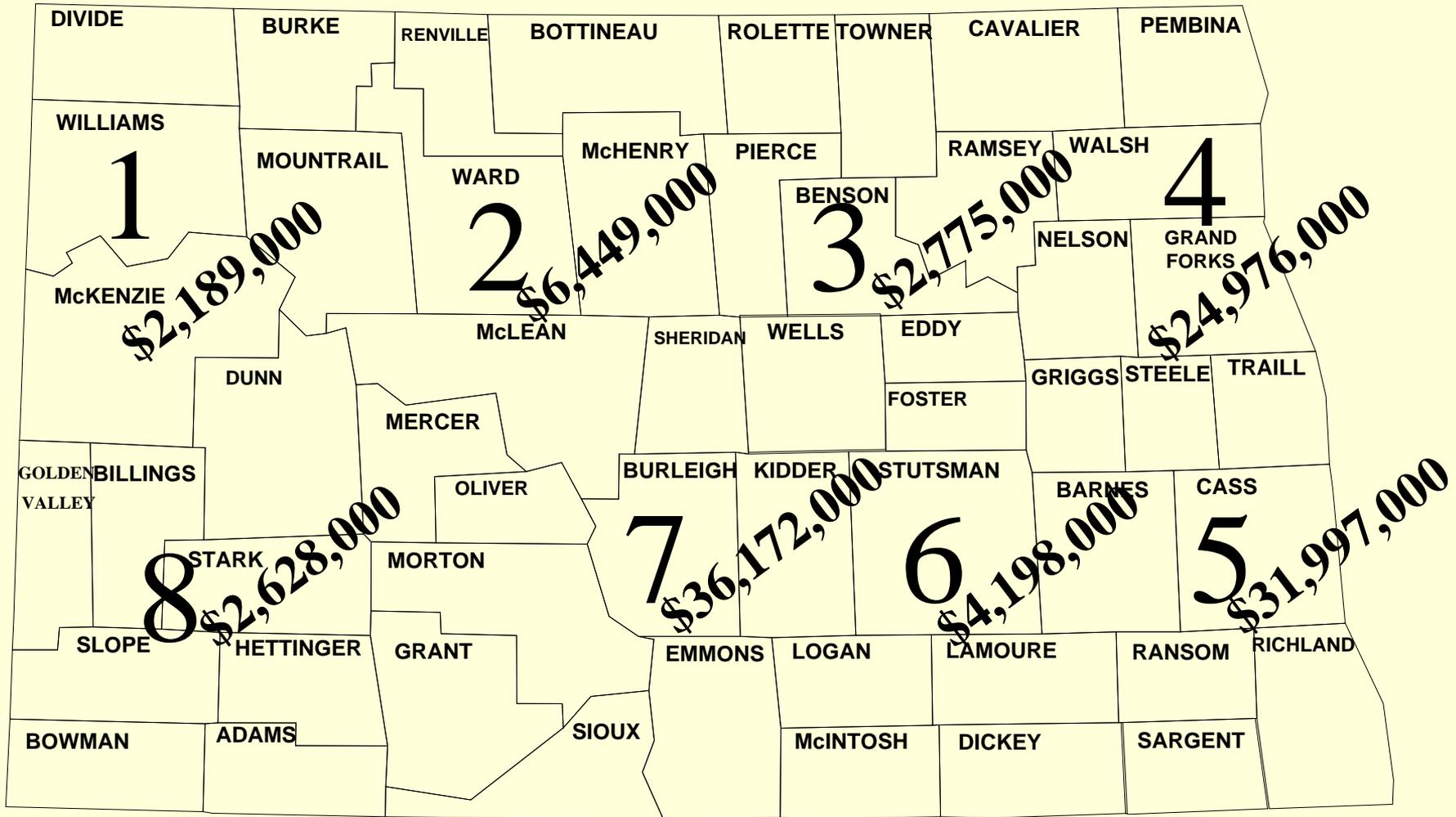
20% of NDPERS Contracts account for 75% of Health Plan medical expenses.

80% of NDPERS Contracts account for 25% of Health Plan medical expenses.

10% of NDPERS Contracts account for 60% of Health Plan medical expenses.

90% of NDPERS Contracts account for 40% of Health Plan medical expenses.

NDPERS Health Plan Paid by Region Hospital & Clinic Only 2008



Out-of-State – \$28,278,937

Total – \$139,663,087

Cost Sharing

- Is the dollar amount you are responsible for paying
- Three features:
 - Deductible
 - Coinsurance
 - Copayment

Definitions

- Deductible - specific dollar amount you are responsible to pay for services before your health plan begins to pay.
- Coinsurance - the percentage you pay for covered services after the deductible has been met.
- Copayment - the amount you pay each time you seek medical care.
- Total Out of Pocket Maximum – is the sum of your annual deductible and coinsurance maximum amounts.

BCBS Bid

Renewal Bid

\$846.64

—————→ \$188.56

Present Rate

28.65%

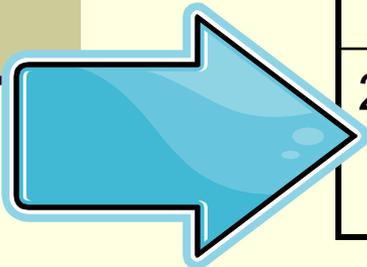
\$658.08

Expected

\$794.61 to \$831.21 —————→ \$15.43

PERS Review Conclusions

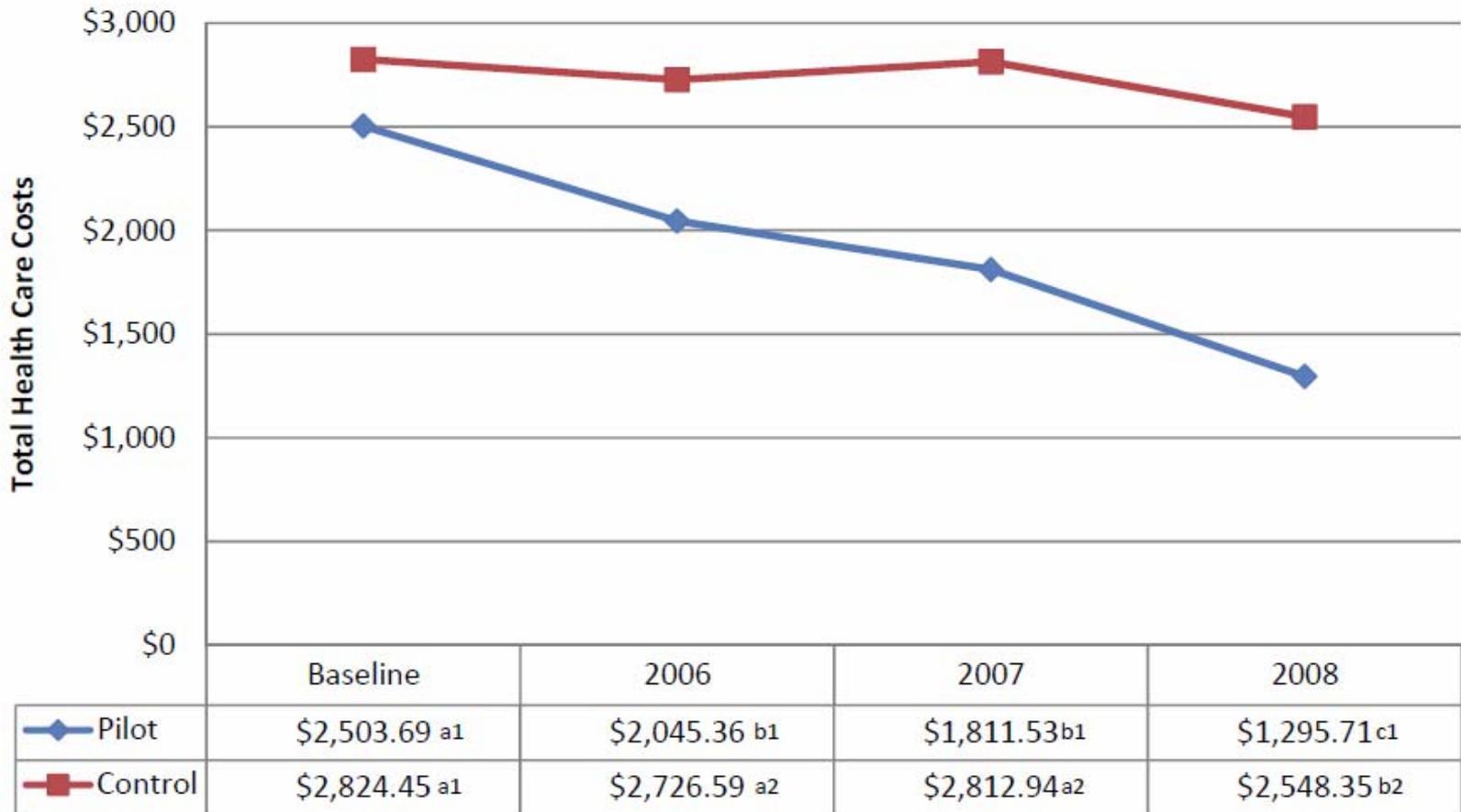
1% contingency	New
Adm	Increased by \$4.95 per contract
2007-2009 trend	Projected at 11% (expect to take a loss on state business)
2009-2011 trend	Projected at 10%



Future Increase

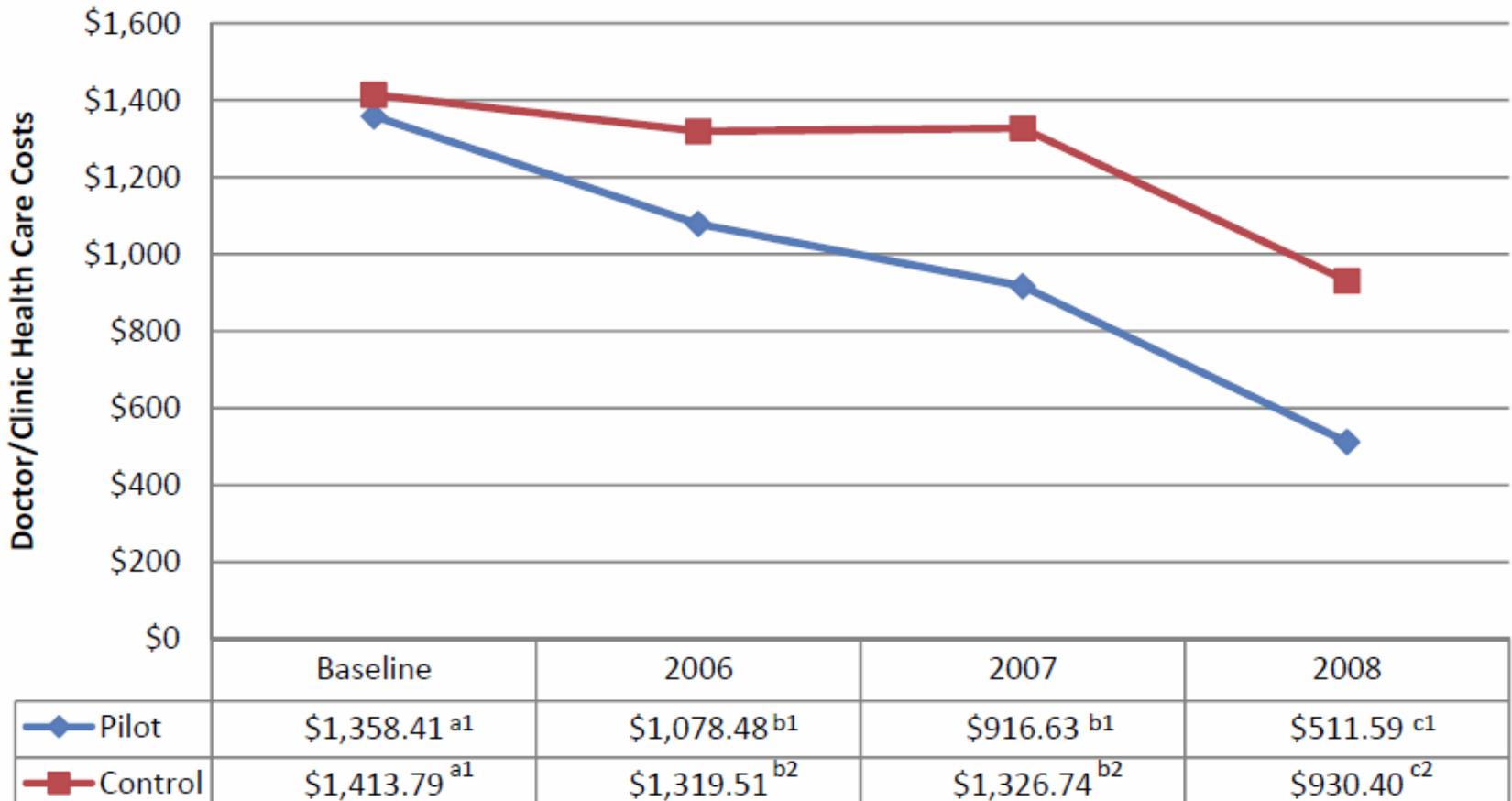
- 10% trend could mean a 20% to 25% increase again
- This would be a significant increase for our active group
- Combined with retirement this would be dramatic

Wellness Works?



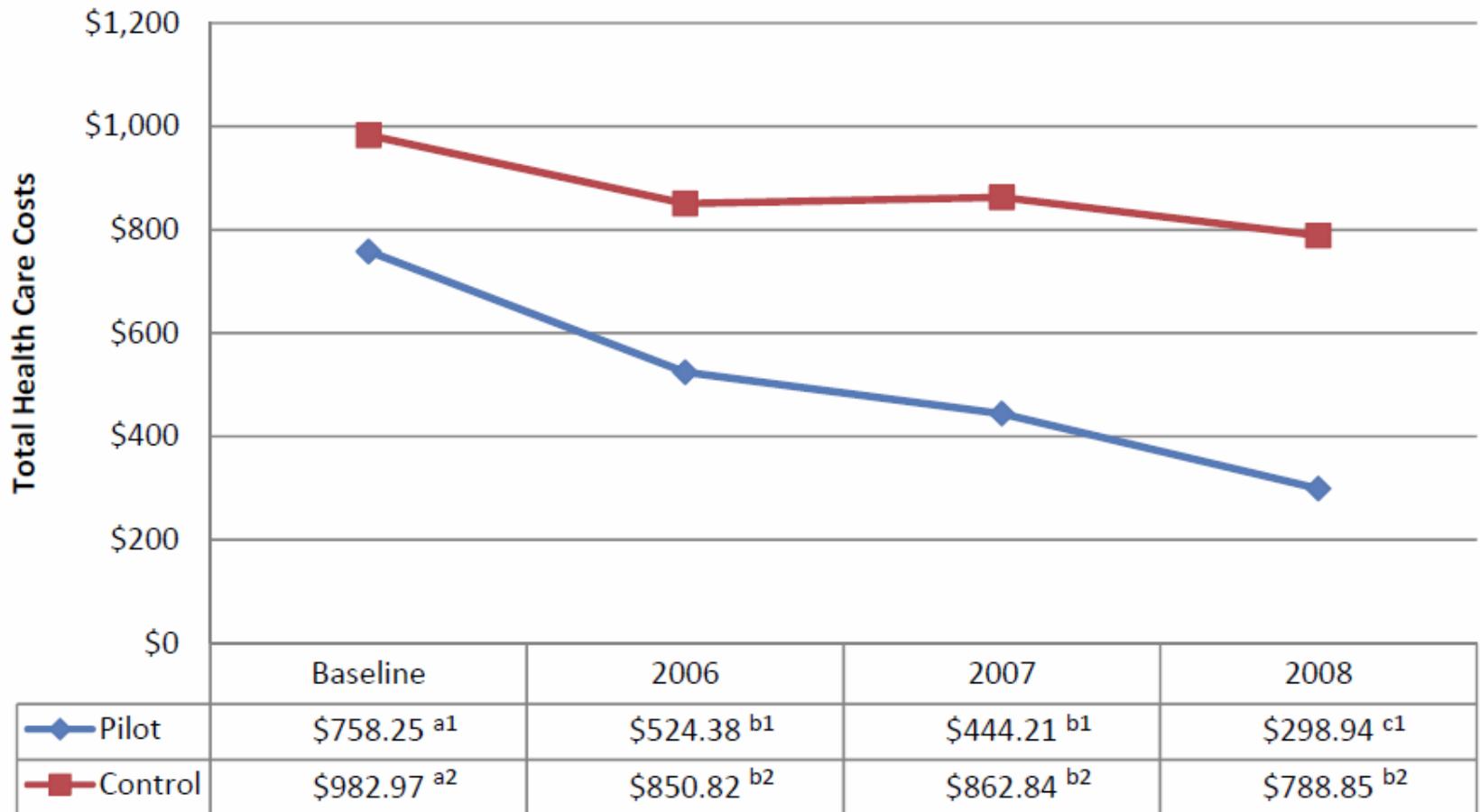
Results, Intervention vs. Control Groups *Total Health Care Costs.*

Wellness Works?



Doctor/Clinic Health Care Costs

Wellness Works?



Results, Intervention vs. Control Groups, *Employees Without High Health Care Costs*

Could also coordinate with PERS Employer Based Program

Activity	Points	Rules	Affected by weekly maximum?	Notes
INITIATION LEVEL				
Initial enrollment	1200	Once per enrollee	No	
HRA completion	1200	Once per year	No	Only one bonus per year
Setting up a fitness plan	400	Once per year	No	
Setting up a nutrition plan	400	Once per year	No	
Setting up a stress management plan	400	Once per year	No	
ACTIVITY LEVEL				
Smoking cessation - Login into program	25	Per login (Subject to weekly max of 125 pts.)	Yes	Multiple visits per day are possible but only one would receive points
Participate in community	25	Per message post in forums or club (Subject to weekly max of 125 pts.)	Yes	Unlimited message posts are possible, but only once per day will be rewarded.
Web login	25	Per login (Subject to weekly max of 125 pts.)	Yes	Multiple visits per day are possible but only one would receive points
Ask a web coaching question	25	Per question asked (Subject to weekly max of 125 pts.)	Yes	Multiple visits per day are possible but only one would receive points
Reporting on fitness plan	25	Restricted by plan, once per plan day (Subject to weekly max of 125 pts.)	Yes	Multiple visits per day are possible but only one would receive points
Reporting on nutrition plan	25	Restricted by plan, once per plan day (Subject to weekly max of 125 pts.)	Yes	Multiple visits per day are possible but only one would receive points
Reporting on stress management plan	25	Restricted by plan, once per plan day (Subject to weekly max of 125 pts.)	Yes	Multiple visits per day are possible but only one would receive points
Health tracking - weight	25	Restricted by plan, once per plan day (Subject to weekly max of 125 pts.)	Yes	Multiple visits per day are possible but only one would receive points
Health tracking - blood pressure	25	Weekly only (Subject to weekly max of 125 pts.)	Yes	Multiple visits per day are possible but only one would receive points
Health tracking - cholesterol	25	Quarterly only (Subject to weekly max of 125 pts.)	Yes	Multiple visits per day are possible but only one would receive points

Health Club program also included

Incentives

Redemption Center - Standard

- \$10 - 3,500 points**
- \$20 - 4,500 points**
- \$50 - 5,500 points**
- \$100 - 6,500 points**
- \$150 - 7,500 points**
- \$200 - 8,500 points**
- \$250 - 9,500 points**

Plan Design

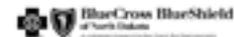
Certificate of Insurance
& Summary Plan Description



NORTH DAKOTA
PUBLIC EMPLOYEES
RETIREMENT SYSTEM
DAKOTA PLAN

July 1, 2007

Health Care Coverage



EPO Elimination

- **Reason to eliminate:**
 - Providers were enrolled who agreed to share risk sharing
 - In so doing the provider had an incentive to manage care
 - Members were encouraged to go to providers who agree to participate
 - Providers have withdrawn from all risk sharing
 - Funds could be used to provide benefits to all members such as immunization & preventive screening that could have a more direct benefit on plan health
- **Concerns with elimination**
 - 50% of active employees are in a EPO and will loss that benefit
 - EPO participation was contingent on being in the PPO. EPO was the reason some providers joined. Without EPO they could withdraw.

Deductible (*Non-Physician Services ONLY*)

	<u>Basic</u>	<u>PPO</u>	<u>EPO</u>
Individual	\$400	\$400	\$200
Family (3 or more)	\$1200	\$1200	\$600



Co-payment Amounts



	<u>Basic</u>	<u>PPO</u>	<u>EPO</u>
Office Visit (No limit)	\$30	\$25	\$20
Emergency Room (No limit)	\$50	\$50	\$50

Coinsurance Amounts



	<u>Basic</u>	<u>PPO</u>	<u>EPO</u>
Coinsurance All Services except office visits	75/25	80/20	85/15
Coinsurance Maximum			
Individual	\$1,250	\$ 750	\$ 500
Family	\$2,500	\$1,500	\$1,000

NDPERS Health Plan 2009-2011 Wellness Additions:

\$200 Screening Benefit	\$5.84
HPV Vaccine	\$0.36
Zoster Vaccine	\$0.30
Tetanus Vaccine	\$0.20
Influenza Vaccine	\$0.10
Chiropractic Copay Standardization	\$0.24
LRD Obesity Visit	\$0.72
<u>7 Well Child Care Visits</u>	<u>\$0.12</u>
Subtotal	\$7.88
Circumcisions	\$0.18
<u>My Health Center</u>	<u>\$0.72</u>
Total	\$8.78

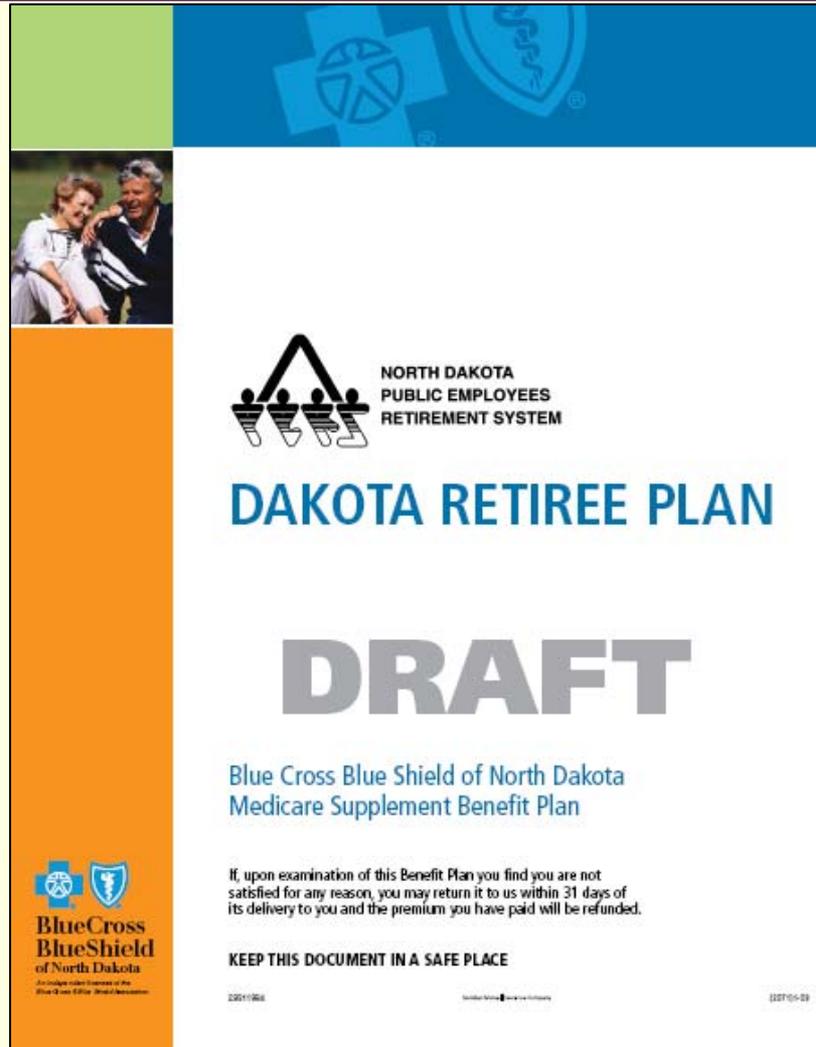
NDPERS Health Plan 2009-2011 Benefit Reductions:

Well Child Care Copays	\$1.02
PT/OT/ST Copays	\$1.06
<u>Maintenance Drug Copays</u>	<u>\$1.32</u>
Total	\$3.40

General Items

- Proposed Plan - mirrors Plan F benefit design with no variations [not a Qualified Plan F product]
- Medicare Retirees must have BOTH Part A & B
- Benefit structure is very different than current plan
 - Follows Medicare and Plan F guidelines for benefits
 - **IF Medicare denies, this plan will deny**
 - Medicare makes changes to benefits at the beginning of each CY
 - 01/01/10 changes would be incorporated
 - Does not automatically coordinate benefits
 - Member responsible to re-file claims for coordination
 - In 2008, COB was only \$7,492
 - Overall benefit design is richer than current plan

Draft Summary Plan Description



**NORTH DAKOTA
PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

DAKOTA RETIREE PLAN

DRAFT

Blue Cross Blue Shield of North Dakota
Medicare Supplement Benefit Plan

If, upon examination of this Benefit Plan you find you are not satisfied for any reason, you may return it to us within 31 days of its delivery to you and the premium you have paid will be refunded.

KEEP THIS DOCUMENT IN A SAFE PLACE

2011066 Member Access 03/10/11

Draft of Benefit Design Grid

Medicare and NDPERS Dakota Retiree Plan - 2009

PART A - HOSPITAL BENEFITS FOR MEDICARE APPROVED SERVICES

Services	Medicare Pays	NDPERS Dakota Retiree Pays	Member Pays
Hospitalization <i>Semiprivate room and board, general nursing and miscellaneous services and supplies</i>			
First 60 days	All but \$1,068	\$1,068 (Part A deductible)	\$0
61st thru 90th day	All but \$267 a day	\$267 a day	\$0
91st day and after: While using 60 lifetime reserve days	All but \$534 a day	\$534 a day	\$0
Once lifetime reserve days are used: Additional 365 days	\$0	100% of Medicare eligible expenses	\$0*
Beyond the additional 365 days	\$0	\$0	All costs
Skilled Nursing Facility Care <i>You must meet Medicare's requirements, including having been in a hospital for at least three days and entered a Medicare-approved facility within 30 days after leaving the hospital</i>			
First 20 days	All approved amounts	\$0	\$0
21st thru 100th day	All but \$133.50 a day	Up to \$133.50 a day	\$0
101st day and after	\$0	\$0	All costs
Blood			
First Three Pints	\$00	Three pints	\$0
Additional Amounts	100%	\$0	\$0
Hospice Care <i>Available as long as your doctor certifies you are terminally ill and you elect to receive these services</i>			
	All but very limited coinsurance for outpatient drugs and inpatient respite care	\$0	Balance

These Are Some Items Not Covered

- Services that are experimental or investigative in nature or that are not medically necessary as determined by Medicare.
- Services received prior to the effective date of your benefit plan.
- Services when benefits are provided by any governmental unit or social agency except Medicaid or when payment has been made under Medicare Part A or Part B.
- Outpatient prescription drugs, unless eligible under Medicare.
- Custodial care provided in a hospital or by a home health agency.
- Skilled nursing facility care costs beyond what is covered by Medicare and your benefit plan.
- Surgery to improve appearance.
- Services, treatments or supplies that are not a Medicare eligible expense.

PART B - HOSPITAL OUTPATIENT AND PHYSICIAN BENEFITS FOR MEDICARE APPROVED SERVICES

Services	Medicare Pays	NDPERS Dakota Retiree Pays	Member Pays
Medical Expenses <i>In or out of the hospital and outpatient hospital treatment, such as physician's services, inpatient and outpatient medical and surgical services and supplies, physical and speech therapy, diagnostic tests, and durable medical equipment</i>			
First \$135 of Medicare Approved Amounts**	\$0	\$135 (Part B deductible)	\$0
Remainder of Medicare Approved Amounts	Generally 80%	Generally 20%	\$0
Part B Excess Charges (Above Medicare Approved Amounts)	\$0	100%	\$0
Blood			
First Three Pints	\$0	All costs	\$0
Next \$135 of Medicare Approved Amounts**	\$0	\$135 (Part B deductible)	\$0
Remainder of Medicare Approved Amounts	80%	20%	\$0
Clinical Laboratory Services <i>Blood Tests For Diagnostic Services</i>			
	100%	\$0	\$0

PARTS A AND B - HOSPITAL AND PHYSICIAN BENEFITS FOR MEDICARE APPROVED SERVICES

Services	Medicare Pays	NDPERS Dakota Retiree Pays	Member Pays
Home Health Care			
Medically necessary skilled care services and medical supplies	100%	\$0	\$0
Durable medical equipment First \$135 of Medicare Approved Amounts**	\$0	\$135 (Part B deductible)	\$0
Remainder of Medicare Approved Amounts	80%	20%	\$0

OTHER BENEFITS NOT COVERED BY MEDICARE

Services	Medicare Pays	NDPERS Dakota Retiree Pays	Member Pays
Foreign Travel <i>Not Covered by Medicare - Medically necessary emergency care services beginning during the first 60 days of each trip outside the USA</i>			
First \$250 each calendar year	\$0	\$0	\$250
Remainder of Charges	\$0	80% to a lifetime maximum benefit of \$50,000	20% and amounts over the \$50,000 lifetime maximum

* NOTICE: When your Medicare Part A hospital benefits are exhausted, the insurer stands in the place of Medicare and will pay whatever amount Medicare would have paid for up to an additional 365 days as provided in the policy's "Core Benefits." During this time the hospital is prohibited from billing you for the balance based on any difference between its billed charges and the amount Medicare would have paid.

** Once you have been billed \$135 of Medicare-approved amounts for covered services, your Part B deductible will have been met for the calendar year.

DRAFT

Draft of Benefit Design Grid

- Benefit Structure extremely different than current plan
- Areas with Richer Benefits

Deductible/Coinsurance

- Proposed plan eliminates current deductible & coinsurance (2008= \$1,492,571 & \$932,380)

Lifetime Maximum

- No Lifetime max
 - current plan = \$2 million

Cardiac Rehab

- 18 visits for Cardiac Rehab
 - current plan = 12

Areas with limited benefits

■ Limited Services

- Wound vac
- Home infusion therapy
- Long hour nursing

- Chiropractic

Chiropractic Services (limited)	Helps correct a subluxation (when one or more of the bones of your spine move out of position) using manipulation of the spine. You pay 20% of the Medicare-approved amount, and the Part B deductible applies.
Current Plan	Office Visits/Manipulations – 80%/75%, deductible waived Therapy – 80%/75%, deductible applies.

*NORTH DAKOTA
PUBLIC EMPLOYEES
RETIREMENT*



VOLUNTARY DENTAL PLAN

Effective January 1, 2007

Dental Plan

DENTAL PLAN

- Started in 1997
- Fully insured with Reliastar
- Available to state employees and retirees
- Changed carriers in 2007
- Now fully insured with Cigna
 - Current rate expires December 2009
 - Renewed for 2010 - 7% increase

	TOTAL FOR ALL OF NDPERS	TOTAL RETIREE	TOTAL ACTIVE EMPLOYEES	RETIREEES AS PERCENTAGE OF PLAN
EMPLOYEE ONLY	2,259	794	1,465	18.8
EMPLOYEE AND SPOUSE	878	299	579	7.1
EMPLOYEE AND CHILDREN	276	3	273	.1
EMPLOYEE AND FAMILY	809	13	796	.3
TOTAL FOR ALL OF NDPERS	4,222	1,109	3,113	26.3

DENTAL RATES

The following monthly premiums apply January 1, 2009 through December 31, 2009:

Level of Coverage	<u>Active Premium</u>	<u>COBRA Premium</u>
Individual Only	\$35.10	\$35.80
Individual & Spouse	\$67.76	\$69.12
Individual & Child(ren)	\$78.64	\$80.21
Family	\$111.30	\$113.53

DENTAL PLAN



CIGNA HealthCare

BENEFIT HIGHLIGHTS	
Classes I, II, III Calendar Year Maximum	\$1,000
Class IV Lifetime Maximum	\$1,500
Calendar Year Deductible	
Individual	\$50
Family Maximum	Not Applicable
Class I	
Preventive Care	No charge
Class II	
Basic Restorative	80% after plan deductible
Class III	
Major Restorative	50% after plan deductible
Class IV	
Orthodontia	50%, no plan deductible

GROUP INSURANCE PROGRAMS

Life Insurance Plan

Basic Life

If your employer is participating in the NDPERS Life Insurance Program, you will receive basic life insurance coverage in the amount of \$1,300. The premium is \$0.28 a month and is paid by your employer.

Types of Coverage

- Supplemental Life
 - Pretax first \$50,000
- Dependent Life
 - \$2,000/\$5,000
- Spouse supplemental coverage
- AD&D coverage
- Accelerated Life Benefit

Amount of Coverage – June 2009

Basic	\$27,628,900
Supplemental	\$910,109,300
Dependent	\$26,836,000
Spouse	\$198,140,000

New Carrier

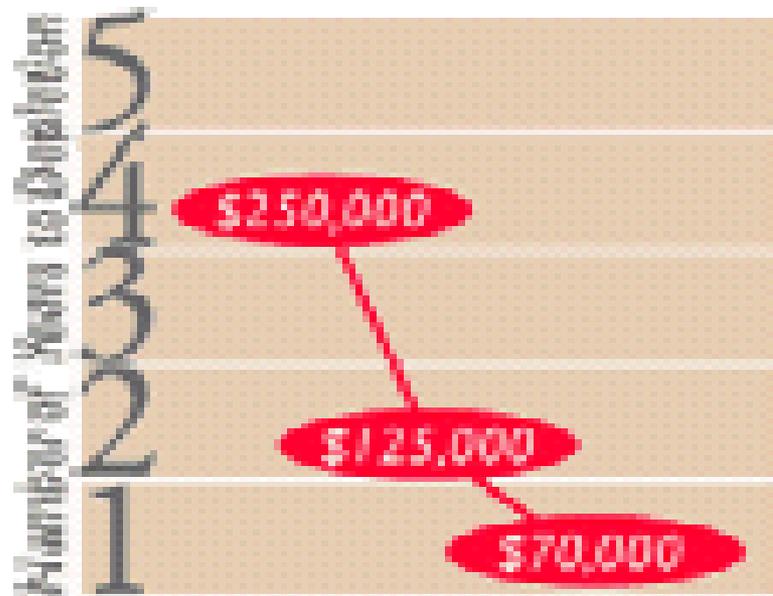
- ING since 1998
- Prudential is new carrier effective July 1, 2005
 - Prudential's price was about 10% lower overall.
- GASB –OPEB
 - Retiree rates were .28 cents for basic coverage
 - Implicit subsidy
 - Rates updated to eliminate subsidy

GROUP INSURANCE PROGRAMS

LONG TERM CARE

Long Term Care Insurance

How Long Would Your Assets Last?*



How quickly would your assets disappear without long term care insurance? Based on the average yearly cost of nursing home care,* a portfolio of \$250,000 would be depleted in less than five years

***"Most Americans Unprepared for Long-Term Care Costs." AARP News Release, December 20, 2001.**

Long Term Care Plan

LEVELS OF CARE

- Nursing Home/Long-term Care Facility
\$3,000 monthly benefit
- Assisted Living Facility
\$1,800 monthly benefit
- Professional Home Care
\$50 daily benefit
- Total Home Care
\$1,500 monthly benefit

BENEFIT DURATION

Lifetime Maximum*

3 years, \$108,000

5 years, \$180,000

**Bank of dollars depletes as you receive benefits.*

Additional Plan Features:

Paid-up Features

Protection for non-payment of premium.

- Coverage must be in force for 5 years.

Inflation Protection

Protects benefit from inflation.

- Increase equal to 5% of original benefit.

GROUP INSURANCE PROGRAMS

VISION PLAN

DENTAL PLAN

- Started in 1997
- Fully insured with Ameritas
- Available to state employees and retirees
- Current rate expires December 2009
- Renewed for 2010 – No increase in rates

Vision Plan

Enrollment

■ Retirees	474
■ Retiree only	268
Retiree + spouse	194
Retiree + Child/children	5
Retiree + Family	7
■ All	2,504
Employee Only	811
Employee+spouse	569
Employee + Children	270
Employee + Family	854

VISION RATES

The following monthly premiums apply January 1, 2009 through December 31, 2009:

<u>Level of Coverage</u>	<u>Active Premium</u>	<u>COBRA Premium</u>
Individual Only	\$ 5.16	\$ 5.26
Individual & Spouse	\$10.32	\$10.53
Individual & Child(ren)	\$ 9.40	\$ 9.59
Family	\$14.56	\$14.85

VISION PLAN

SCHEDULE OF EYE CARE SERVICES

The following is a complete list of eye care services for which benefits are payable. No benefits are payable for a service which is not listed.

SERVICE	MAXIMUM COVERED EXPENSE
Vision Examination May consist of, but not limited to, the following: case history; external examination of the eye and adnexa; ophthalmoscopic examination; determination of refractive status; binocular balance testing; tonometry test for glaucoma, when indicated; gross visual fields, when indicated; color vision testing when indicated; summary finding; prescribing of lenses.	Up to \$ 40.00
Frame	Up to \$ 40.00
Lenses	
Single Vision	Up to \$ 35.00
Bifocal	Up to \$ 50.00
Trifocal	Up to \$ 65.00
No line bifocal or progressive power	Up to \$ 70.00
Lenticular	Up to \$ 70.00
Contact Lenses	Up to \$ 75.00

***EMPLOYEE
ASSISTANCE
PROGRAM***

EMPLOYEE ASSISTANCE PROGRAM

The EAP is designed to provide special assistance in guidance and counseling and to determine appropriate diagnosis and/or course of treatment to employees and their eligible dependents in cases of alcoholism, drug abuse and personal problems. This assistance is rendered for a specified number of visits and the EAP is responsible for recommending further referrals to clinical or supportive organizations and medical professionals if necessary. They also conduct educational seminars and provide informational brochures.

EMPLOYEE ASSISTANCE PROGRAM

CURRENT EAP PROVIDERS

St. Alexius

Medcenter One

Village Family Services

Deer Oaks

Agency based selection process

- PERS bids the services
- PERS certifies those meeting the minimum requirements
- Agencies select vendors from list

FLEX COMP PROGRAM

FLEX COMP PROGRAM

The FlexComp Plan is administered in accordance with Internal Revenue Code Section 125. It is a voluntary benefit program that allows you to set aside a portion of your salary before state and federal taxes are deducted and have it credited to accounts from which you may draw Tax Free reimbursements to pay for eligible out-of-pocket medical and dependent care expenses. You may also have certain eligible payroll deducted insurance premiums deducted on a pre-tax basis. The Plan Year begins on January 1 and ends on December 31.

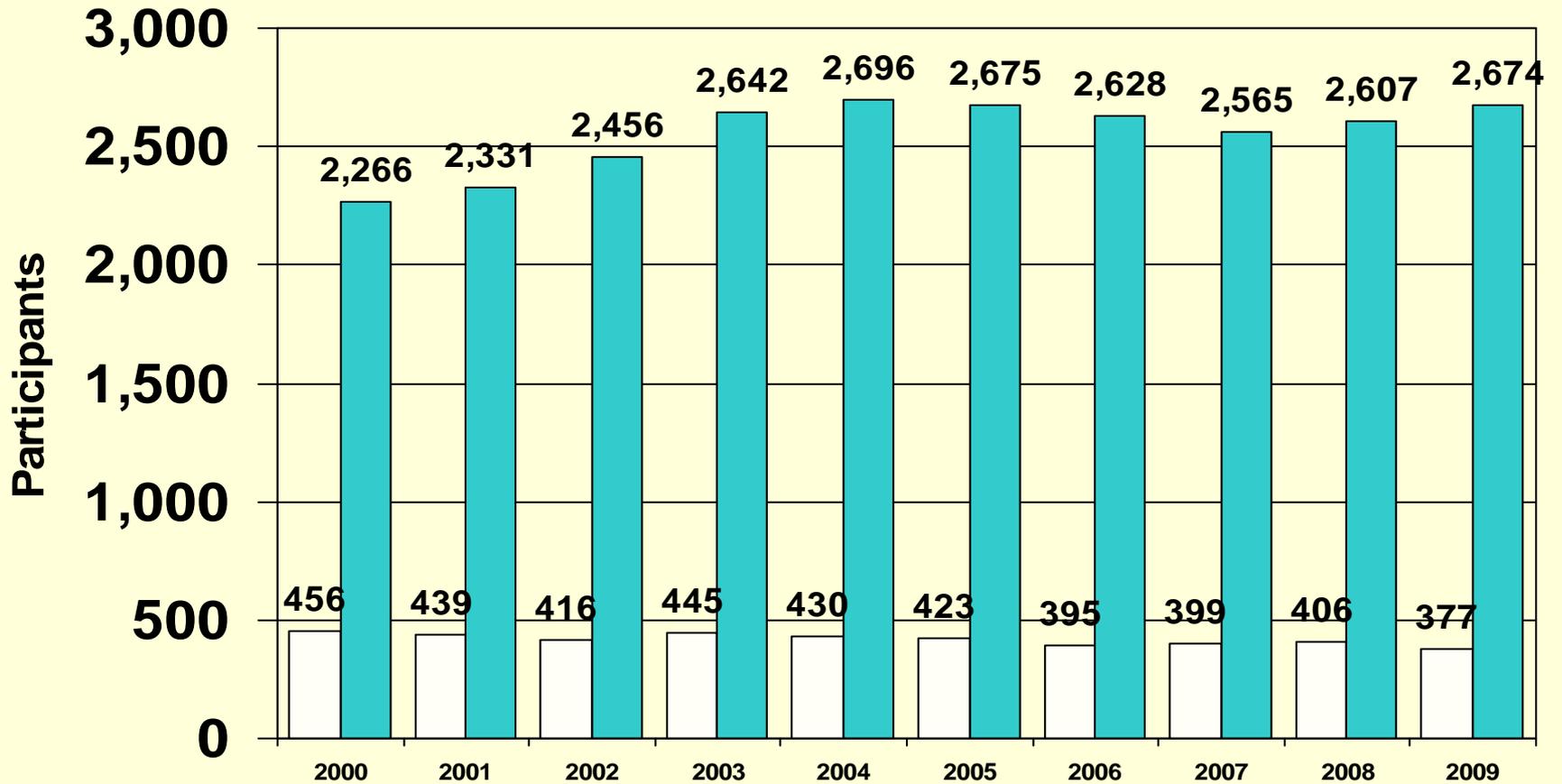
FLEX COMP PROGRAM

- *THREE TYPES OF ACCOUNTS*
 - *MEDICAL*
 - *DEPENDENT CARE*
 - *PREMIUM CONVERSION*

- *Use it or lose it*

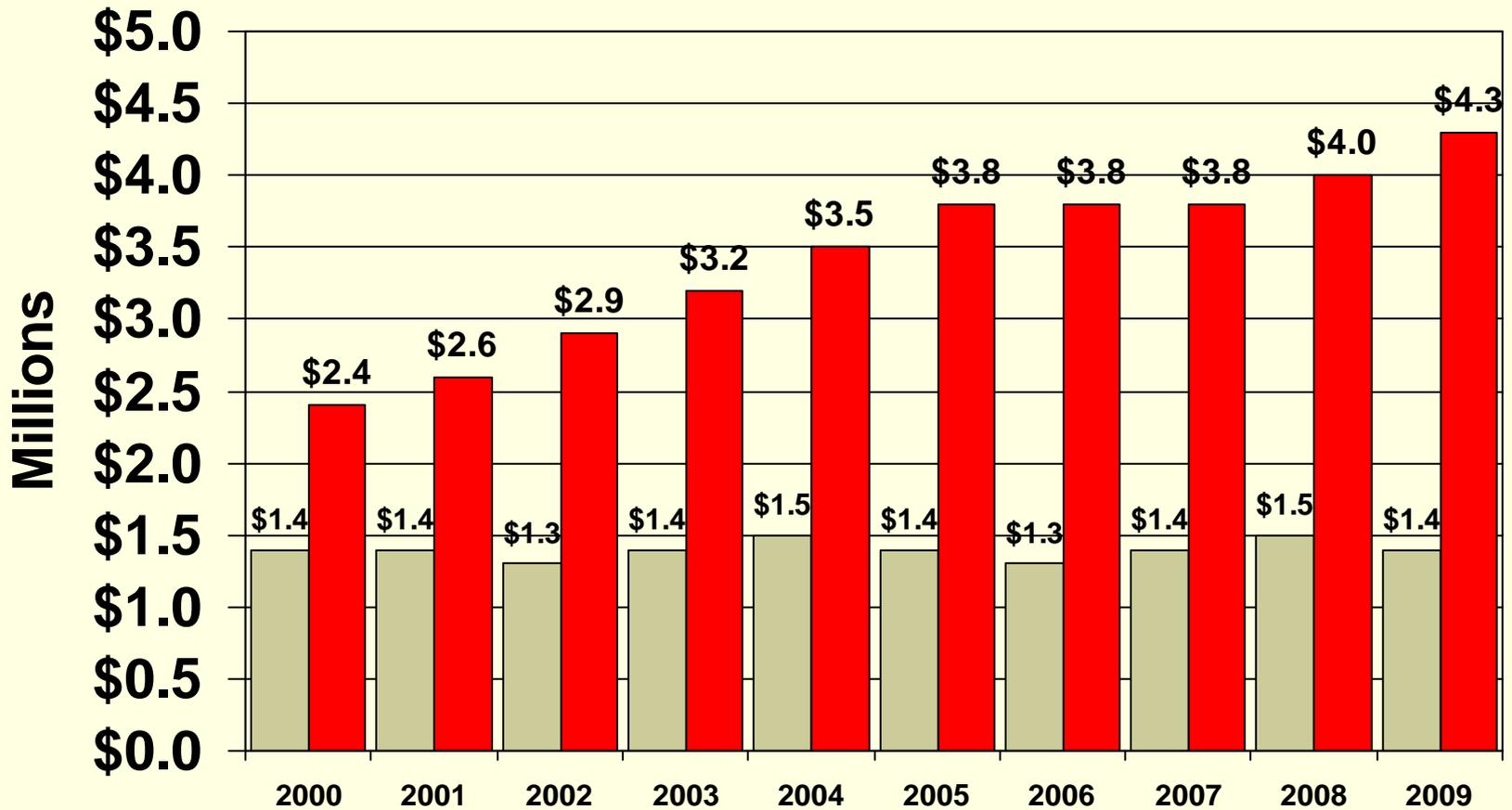
NDPERS Flexcomp Participation

□ Dependent Care ■ Medical Spending



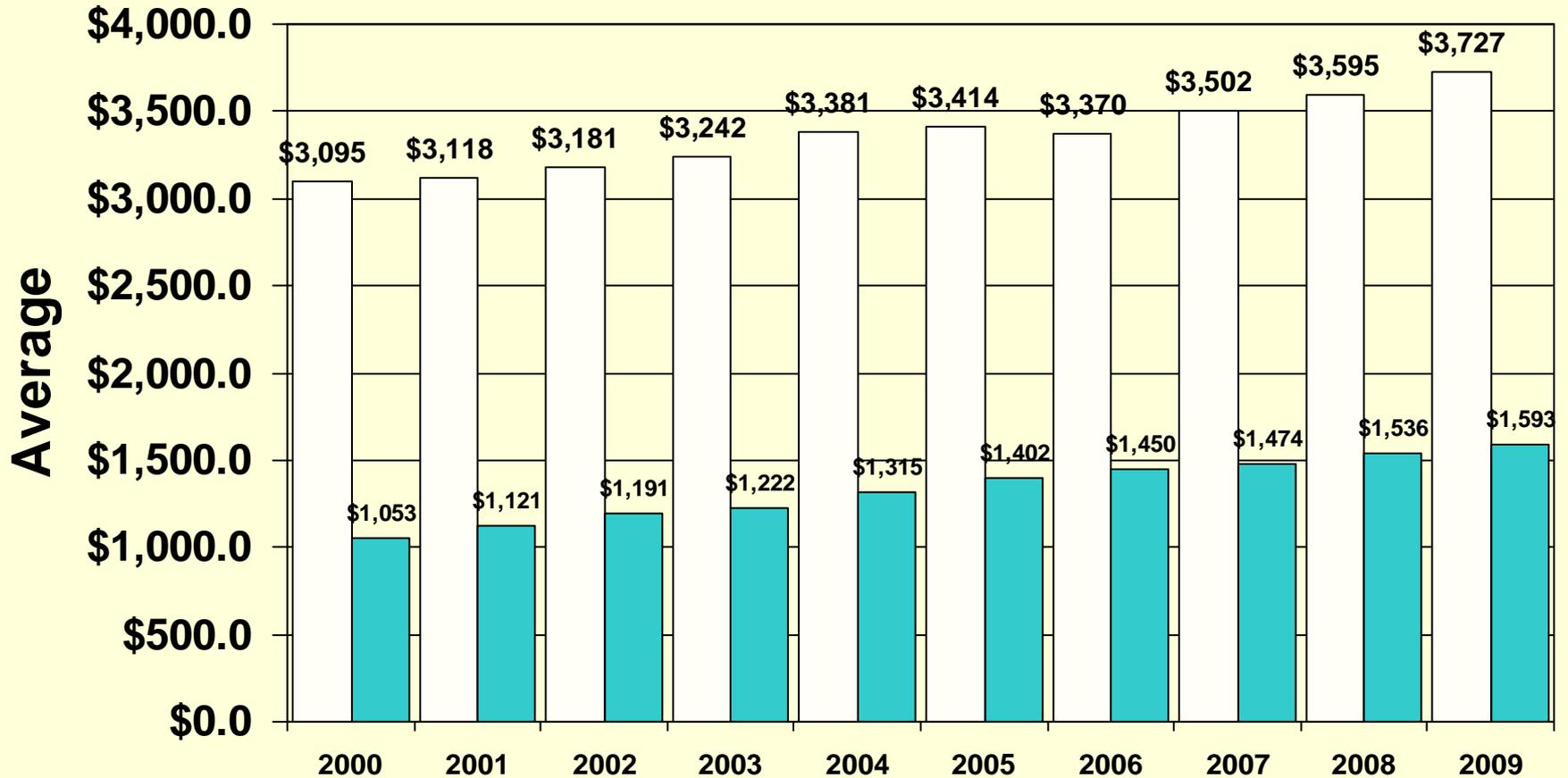
NDPERS Flexcomp Participation

■ Dependent Care ■ Medical Spending



NDPERS Flexcomp Participation

□ Dependent Care ■ Medical Spending



Legislation



SB 2150— This bill proposed numerous administrative and technical changes as well additional options for the PERS and HP retirement plans

- Graduated benefit option
- Eligibility for the PERS board
- Eligibility for SIB
- Update federal compliance

HB 1121 — This bill proposed a percentage increase and 13th check adjustment for PERS & HP retirees that is funded from earnings for the 13th check and from a one time 2 year increase in employer contributions

- 2% COLA in Jan of 2011 funded by an increase in employer contributions for 2 years
- 13 check if the following are meet:
 - 50% if 8% return and funded status at market is 105%
 - 75% if 9% return and funded status at market is 110%
 - 100% if 10% return and funded status at market is 115%
- Optional for Pol. Subs.
- Proposed an amendment to bill to increase employer contribution

HB 1120– This bill proposed to change the PreMedicare calculation method to reduce the cost for these retirees and members (PERS, TFFR, TIAA-Creff, HP, Job Service and former legislators)

Proposals
<p>1. State law presently sets the premedicare rate as:</p> <ul style="list-style-type: none">a. For single plans it is 150% of the state single rateb. For family plans of 2 it is 2 times the single rate (set in a)c. For family plans of 3 or more it is 2.5% times the single rate (set in a) <p>The proposed change in this section would change the 150% to 125% thereby reducing the premedicare rates. This will increase the active rates and have an effect on the OPEB liability that will be determined in the actuarial review.</p>
<p>2. Provides an expiration for the bill as July 1, 2011.</p>

NDPERS Non-Medicare Rates 2009-2011 biennium (Estimated)

NM Retirees	Active Single:			Biennium	Increase
			\$400.10		
150% Single	548	\$600.15		\$328,882	26.30%
Family	226	\$1,200.30		\$271,268	
Family 3+	6	\$1,500.38		\$9,002	
				<u>\$609,152</u>	\$14,619,654.00
140% Single	548	\$560.14		\$306,957	17.84%
Family	226	\$1,120.28		\$253,183	
Family 3+	6	\$1,400.35		\$8,402	
				<u>\$568,542</u>	\$13,645,010.40
					\$974,643.60
135% Single	548	\$540.14		\$295,994	13.63%
Family	226	\$1,080.27		\$244,141	
Family 3+	6	\$1,350.34		\$8,102	
				<u>\$548,237</u>	\$13,157,688.60
					\$1,461,965.40
130% Single	548	\$520.13		\$285,031	9.42%
Family	226	\$1,040.26		\$235,099	
Family 3+	6	\$1,300.33		\$7,802	
				<u>\$527,932</u>	\$12,670,366.80
					\$1,949,287.20
125% Single	548	\$500.13		\$274,069	5.22%
Family	226	\$1,000.25		\$226,057	
Family 3+	6	\$1,250.31		\$7,502	
				<u>\$507,627</u>	\$12,183,045.00
					\$2,436,609.00



SB 2154– This bill proposed to increase the retiree health credit from \$4.50 to \$5 and fund it with an increase in employer contributions.

Proposals
1. Increases the employer contribution by .15% to fund the increase in benefits. The amount of the increase is based on the actuarial work from last session and is subject to change.
2. Increases the health credit amount from \$4.50 to \$5. The increase in benefits would be effective August 1 unless an appropriation is added to the bill then it would be July 1, 2009.

HB 1173 — Health care savings

- Health Care Savings Plan
- For Judges
- Vote to establish
- Implementation
 - Developing plan document
 - Developing trust document
 - Setting program components

HB 1340

- Authorized metropolitan planning organizations to join PERS

HB 1575

- Authorized BCI law enforcement staff to be in law enforcement plan
- Implemented on July 1, 2009

Other PERS Efforts

Major Efforts This Biennium

- Develop legislative proposals for retirement plans
- Plan RFP's:
 - Defined contribution/deferred comp
 - Health Plan
 - Vision Plan
 - Plan consultants
 - PBM Audit
- Other Efforts
 - Experience Study
 - OPEB Valuation
 - Asset Liability Study
 - Part D Renewal



North Dakota Public Employees Retirement System

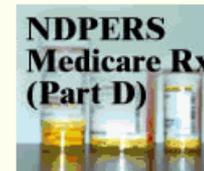
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Welcome to the North Dakota Public Employees Retirement System (NDPERS) on the Web

2007 -2009 Health Benefit Plan Changes



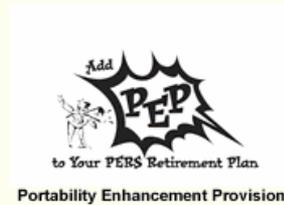
Retirees **Active Members**



NDPERS Employer Based Worksite Wellness Program



2006 Wellness Forum



Portability Enhancement Provision



NDPERS Election Results



www.nd.gov/ndpers



Pre-Retirement Education Webcast



Next NDPERS Board Meeting: August 16, 2007

- [agenda](#)
- [board materials](#)
- [Proposed Board Meeting Schedule](#)
- [Board Meeting Minutes](#)

Suggestions regarding our web site? [Tell us!](#)



North Dakota Public Employees Retirement System

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PERS Board Reference Site

North Dakota Century Code Statutes		North Dakota Administrative Code Statutes	
54-52	Public Employees Retirement System	71-01	General Administration
54-52.1	Uniform Group Insurance Program	71-02	Public Employees Retirement System
54-52.2	Deferred Compensation Plan	71-03	Uniform Group Insurance Program
54-52.3	Pretax Benefits Program	71-04	Deferred Compensation Plan
54-52.6	Defined Contribution Plan	71-05	Highway Patrol Retirement Plan
39-03.1	Highway Patrol Retirement Plan	71-06	Retiree Health Insurance Credit
52-11-01	Job Service Retirement Plan	71-07	Pretax Benefits Program
		71-08	Defined Contribution Plan

Plan Documents	PERS Board Material	Legislative Employee Benefits Programs Committee
PERS Plan	Board Member Contact Information*	Committee Members
Judges Plan	PERS Office Organization Chart*	Assigned Responsibilities
National Guard Plan	Meeting Schedule	Meeting Minutes & Agenda
Highway Patrol Plan	Meeting Minutes	Memorandums
Law Enforcement Plan	Board Book	Bill Drafts
Defined Contribution Plan	Ethics Policy	
Deferred Compensation Plan	Division of Responsibilities	Other Information
Group Health Plan	Board Committees	NDPERS Employer Guide
Group Life Plan		Annual Report
Group Dental Plan		NDPERS Staff
Group Vision Plan		NDPERS System Replacement Project (LASR)
Long Term Care Plan		
Employee Assistance Program		
Flex Comp Plan		
Retiree Health Credit Program		

Retirement and Investment Office	PERS Investment Office	Educational Opportunities
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**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: August 12, 2009
SUBJECT: RFP for Experience Study

As noted at the last meeting, there was some confusion in the proposals for the experience study concerning the task of providing detailed cost information on any proposed assumption changes. It was decided to clarify this point by informing all the proposers that it was the Board's intent that this task should be a part of the proposal and to allow all proposers the opportunity to update their cost proposal if necessary. The following was sent:

NDPERS EXPERIENCE STUDY REQUEST FOR PROPOSAL

The NDPERS Board appreciated your response to our recent RFP relating to the task of conducting an experience study for the retirement systems administered by PERS.

In reviewing the proposals, considered at the July 17, PERS Board meeting which is on the PERS website at <http://www.nd.gov/ndpers/about-ndpers/docs/board-book/july-2009-board-book.pdf> we noted some variance in responses relating to doing a detailed cost impact of any suggested assumption changes. The Board wanted to clarify this point by advising you that it is part of the requested work effort in the RFP and that the successful firm will need to do the detailed cost estimates to determine the effect that any suggested changes will have on the valuation. In recognition of this clarification, the Board decided to have this letter sent to all those responding to the RFP.

Please let us know in writing (via letter or email) by 5:00 p.m. (CST) on August 6th if your proposal included this effort or if you feel you need to update your cost proposal (due to this clarification or for any other reason). If you wish to update your cost proposal, please submit your updated costs on the attached form. If we do not hear from you by 5:00 p.m. on August 6th, to either confirm your existing proposal or providing us with an updated cost proposal, we will interpret that to mean that you are withdrawing your proposal from further consideration. Please submit the above information to the following address:

Mr. Sparb Collins, Executive Director
North Dakota Public Employees Retirement System
400 E. Broadway, Suite 505
P.O. Box 1657
Bismarck, ND 58502-1657

Also, please note the timeframes in the RFP for deliverables is moved back one month.

Again, and on behalf of the NDPERS Board, we truly appreciate your interest.

Experience Study – Page 2

We heard back from the following indicating that they did not need to update their cost numbers:

1. Segal
2. GRS
3. Aon
4. GBS

Attachment #1 is a response from Van Iwaarden. Their response indicates they do not have this cost as part of their proposal and therefore, staff would suggest it does not fully respond to the work requirements.

The following is the point scoring of the proposals by staff as forwarded to you in July:

Experience Study	VanIwaa	AON	Segal	GRS	GBS
General					
<i>Required Format</i>	10	10	10	10	10
1. Firm Demographics					
4. Firm Description					
<i>Signed Agreement</i>	10	0	0	0	0
Retirement					
<i>Technical Understanding</i>	28.5	23.75	28.75	30	27.25
<i>Product Delivery</i>	8	7.25	7.25	9.75	8.125
2. Approach to Analysis					
10. Previous Experience Study					
<i>Qualification & Staffing</i>	24.25	28.75	28.25	30	25.25
5. Actuaries & Consultants & Staff					
6. Computer Equipment					
7. Staffing Statement					
8. Specific & Unique Qualifications					
9. Service Office					
11. Public Sector Experience					
12. Client References					
13. Actuary Resumes/Hours					
14. Other Staff Resumes/Hours					
15. Identify Subcontractors					
Price \$					
Experience Study	\$19,900	\$31,000	\$27,000	\$34,900	\$27,400
Hours	131	101	84	135	118
Price	30.0	19.3	22.1	17.1	21.8
TOTAL POINTS	90.8	79.0	86.4	86.9	82.4

Dropping Van Iwaarden from further consideration the proposal with the most number of points is GRS with 86.9. Segal is second with 86.4. The difference between the two is .5. Breaking this out further you will note that in the non cost ratings Segal got 64.25 points and GRS got 69.75 points. GRS scored 5.5 points higher. Segal lost points due to their proposal being general and not as specific especially as it relates to the time line. In the cost rating Segal received 22.1 points and GRS received 17.1 the lowest number of points on cost when compared to the other proposals since the GRS proposal was the most expensive (GRS is 29% more than Segal).

Experience Study – Page 3

Attachment #2 is the RFP. Please note page 20 which states “The Board retains the option to make the final selection based upon the totality of the information with staff’s review being only one consideration.”

GRS and Segal are the two top proposals in total points. If, in awarding this proposal, the Board relies solely on staff’s review, GRS would be the successful bidder. Alternatively the Board could note that due to the small difference in total points between Segal and GRS (.5), but the large difference in price, it should be awarded to Segal.

Board Action Requested

Determine who should be awarded the Experience Study.

August 05, 2009

Mr. Sparb Collins, Executive Director
North Dakota Public Employees Retirement System
400 E. Broadway, Suite 505
P.O. Box 1657
Bismarck, ND 58502-1657

RE: Detailed Cost Impact of Any Suggested Assumption Changes

Dear Mr. Collins:

Thank you for the opportunity to clarify and revise our proposal to conduct an experience study for the retirement systems administered by NDPERS. We were very pleased that your evaluation of our original proposal showed Van Iwaarden Associates to have the most points according to your criteria.

We understand that, after reviewing the proposals considered at the July 17 NDPERS Board meeting, the Board decided to change the scope of the RFP by soliciting bids for providing detailed cost estimates to determine the effect that any suggested changes resulting from the experience study will have on the valuation.

We would recommend following the two-report approach used for your last experience study. The experience study results were shown in the July 13, 2005 report. The detailed cost estimates were prepared later by your valuation actuaries. As we discussed in our conference call on July 13, 2009, our original proposal will provide all of the information contained in the last experience study report - and also includes general cost information that would enable your Board to assess the effect of any assumption changes.

We believe that the best use of resources is to have Van Iwaarden Associates conduct the previously proposed actuarial experience study and provide general cost information. NDPERS will then ask the valuation actuary provide the detailed cost estimates, if any, that the Board may want in order to evaluate the appropriateness of any recommended choices.

We believe that it is in the best interest of the Board and NDPERS to treat these as two separate and independent projects for the following reasons:

1. The best firm with the lowest price will conduct the experience study.
 - a. Van Iwaarden received the highest number of total points.
 - b. Van Iwaarden was the lowest bidder.
2. The valuation actuary will provide the detailed cost estimates.
 - a. Segal has the data and methodology in place.
 - b. Segal is in the best position to provide on-going support.
3. An independent experience study project eliminates the potential for bias
 - a. A fresh look by another professional provides optimal independent analysis.
 - b. No bias to recommend or oppose changes.
4. Until the experience study is completed, it is difficult to estimate the fees, if any, for measuring the effect of potential, proposed assumption changes that are currently unknown.
5. The integrity of the original RFP is maintained; combining the two projects into one skews the RFP process toward the incumbent actuary

We believe that it is in the best interest of North Dakota PERS to keep the experience study separate from the detailed cost estimate. We therefore resubmit our original proposal in its entirety without change, except to clarify that general cost estimates are included. We recommend that you retain your current valuation actuary to provide detailed cost estimates, if any, that might be required by the Board after review of the experience study.

Thank you for the opportunity to clarify our proposal. We hope that the Board will agree with our analysis and retain Van Iwaarden Associates to conduct the proposed actuarial experience study.

Sincerely,



Mark D. Meyer, JD, FSA
Consulting Actuary

cc: Mark Schulte – Van Iwaarden
Jim Van Iwaarden – Van Iwaarden

REQUEST FOR PROPOSALS

Experience Study

Retiree Health Valuation (Other Post Employment Benefits)

Prepared by:

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

**Request for Proposals
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Section I. Introduction

Request:

This Request for Proposal is soliciting offers for two work efforts. The first is to conduct an experience study on the defined benefit plans administered by NDPERS and the retiree health credit plan. NDPERS administers two primary retirement trust funds. One is the Public Employees Retirement System (PERS) and the other is the Highway Patrol plan. The PERS plan has five subdivisions/plans which are: Main, judges, Law Enforcement with prior service, Law Enforcement without prior service and National Guard. The Retiree Health Credit Plan is a separate trust.

The second effort requested is to do the actuarial valuation of the PERS post retirement benefit plan to satisfy the requirement for the Governmental Standard Board statement 43 and 45.

The following is a sequence of activities for this RFP:

May 5, 2009	RFP for consultant services issued
May 21, 2009	Questions to RFP due
May 27, 2009	Responses to questions posted
June 5, 2009	Consultant proposals due at PERS office no later than 5:00 p.m. Central Standard Time.
July 16, 2009	PERS Board selects consultant no later than this date

The due dates for deliverables on this project are:

September 10, 2009	Draft of retiree valuation to NDPERS
September 17, 2009	Present draft report to NDPERS Board
September 24, 2009	Final OPEB report due
December 28, 2009	Draft of experience study to NDPERS
January 14, 2010	Second draft completed and to NDPERS
January 21, 2010	Meet with NDPERS Board and Present experience study

PERS:

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

PERS is managed by a Board comprised of seven members:

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

Section II. Experience Study

A. Background

North Dakota state law requires:

“...once every five years make a general investigation of the actuarial experience under the system including mortality, retirement, employment turnover, and other items required by the board, and recommend actuarial tables for use in valuations and in calculating actuarial equivalent values based on such investigation; “

Pursuant to this statute, the next study will be required for the 5 year period ending June 30, 2009. The Segal Company will be completing the 2008/09 evaluation by October 2009. The retirement system is requesting a not to exceed fixed fee bid to conduct an experience study for the retirement systems under its jurisdictions for the five year period ending June 30, 2009. PERS is also interested in a not to exceed fixed fee bid for an experience study for the same period for the Retiree Health Insurance Credit program. The results of the studies will be reported to the Board by January of 2010. The study will review and analyze, at a minimum, the following assumptions:

- ◀ Life Mortality
- ◀ Disabled Life Mortality
- ◀ Disability Incidence
- ◀ Retirement Rates
- ◀ Withdrawal
- ◀ Investment Return Rates
- ◀ Salary Increase Rates
- ◀ Inflation
- ◀ Actuarial Cost Method
- ◀ Asset Valuation Method

B. Plans:

The PERS system (includes the main system, judges, air guard, and law enforcement plans) and the Highway Patrol plan are defined benefit plans and provide benefits under two separate chapters of the North Dakota Century Code (NDCC). NDCC Chapter 54-52 provides the benefits under the PERS, Judges, and Air Guard retirement plans. NDCC Chapter 39-03.1 provides the benefits under the Highway Patrol retirement plan. In addition to the retirement funds, NDPERS is requesting an experience study on its retiree health credit program. This program provides members a fixed benefit of \$4.50 times the number of years of service credit in the retirement plan that can be used to purchase PERS health insurance. The program is funded with a 1% employer contribution.

1. Public Employees

The North Dakota Public Employees Retirement System (PERS) is the retirement plan for all state employees (excluding those in the Board of Higher Education eligible for TIAA/CREF), and employees of counties, cities and school districts (excluding teachers) which have elected to participate. The following statistics are from the systems last actuarial report performed by the Segal Company for the main system:

	2008	2007	Change
Total Number of Active Members	19,042	18,299	4.1% increase
Average Age of Active Members	47.0 years	47.0 years	No change
Average Annual Salary	\$32,959	\$31,169	5.7% increase
Total Payroll	\$628 million	\$570 million	10.0% increase
Employer Cost Rate, 2007			6.08%
Plan Experience			0.11%
Contribution Loss			0.12%
Effect of maintaining 20-year amortization			<u>(0.05)%</u>
Employer Cost Rate, 2008			6.26%
Statutory Rate, 2008			4.12%
Contribution Margin			(2.14)%

2. Judges

The Supreme and District Court Judges in North Dakota, although a part of the PERS system, have a separate benefit program. The following information relating to this system is from the systems last actuarial report:

	2008	2007	Change
Total Number of Active Members	47	47	No change
Average Age of Active Members	56.0 years	55.0 years	increase
Average Annual Salary	\$111,427	\$103,683	7.5% increase
Total Payroll	\$5,237,000	\$4,873,000	7.5% increase

The following information relates to the benefits and contributions for the system:

Employer Cost Rate, 2007	9.31%
Plan Experience	(0.22)%
Contribution Gain	(0.29)%
Effect of maintaining 20-year amortization	<u>0.19%</u>
Employer Cost Rate, 2008	8.99%
Statutory Rate, 2008	14.52%
Contribution Margin	5.53%

3. Air Guard

Like the Judge's plan, the Air Guard is also part of the PERS system but has a separate level of benefits. The following information on this system is from the systems last actuarial report:

	2008	2007	Change
Total Number of Active Members	41	40	2.5% increase
Average Age of Active Members	34.0 years	34.1 years	decrease
Average Annual Salary	\$47,919	\$36,983	29.6% increase
Total Payroll	\$1,965,000	\$1,479,000	32.8% increase

The following information relates to the benefits and contributions for this system:

Employer Cost Rate, 2007	3.53%
Plan Experience	(0.13)%
Effect of maintaining 20-year amortization	<u>0.04%</u>
Employer Cost Rate, 2008	3.44%
Statutory Rate, 2008	6.50%
Contribution Margin	3.06%

4. **Law Enforcement System**

The Law Enforcement Plan is divided into two sections those with prior service and those without. A separate valuation is done for each group. The following is from the last valuation for those with prior service:

	2008	2007	Change
Total Number of Active Members	136	138	1.5% decrease
Average Age of Active Members	41.6 years	41.6 years	No change
Average Annual Salary	\$37,188	\$35,292	5.4% increase
Total Payroll	\$5,058,000	\$4,870,000	3.8% increase

Employer Cost Rate, 2007	12.39%
Plan Experience	0.94%
Asset Transfer of \$3.3 Million	(4.14)%
Effect of maintaining 20-year amortization	<u>(0.15)%</u>
Employer Cost Rate, 2008	9.04%
Statutory Rate, 2008	8.31%
Contribution Margin	(0.73)%

The following is for the group without prior service:

	2008	2007	Change
Total Number of Active Members	30	28	7.1% increase
Average Age of Active Members	34.1 years	36.7 years	decrease
Average Annual Salary	\$27,472	\$25,327	8.5% increase
Total Payroll	\$824,000	\$709,000	16.2% increase

Employer Cost Rate, 2007	8.50%
Plan Experience	(1.29)%
Effect of maintaining 20-year amortization	<u>(0.06)%</u>
Employer Cost Rate, 2008	7.15%
Statutory Rate, 2008	6.43%
Contribution Margin	(0.72)%

5. Highway Patrol

The North Dakota Highway Patrol plan is administered by PERS as a separate plan of benefits. The following information is from the system last actuarial report performed by the Segal Company:

The following information relates to the benefits and contributions for this system.

	2008	2007	Change
Total Number of Active Members	130	133	2.3% decrease
Average Age of Active Members	37.0 years	37.2 years	decrease
Average Annual Salary	\$50,066	\$46,082	8.6% increase
Total Payroll	\$6,509,000	\$6,129,000	6.2% increase

Employer Cost Rate, 2007	15.08%
Plan Experience	1.00%
Contribution Gain	(0.17)%
Effect of maintaining 20-year amortization	<u>(0.15)%</u>
Employer Cost Rate, 2008	15.76%
Statutory Rate, 2008	16.70%
Contribution Margin	0.94%

6. Retiree Health Credit Program

This is separate trust fund that is administered by PERS to help retirees pay the cost of their health insurance. The following information is from the last actuarial valuations:

	2008	2007	Change
Total Number of Active Members	19,659	18,929	3.9% increase
Average Age of Active Members	46.8 years	46.8 years	No change
Average Annual Salary	\$33,617	\$31,848	5.6% increase
Total Payroll	\$661 million	\$603 million	9.6% increase
Employer Cost Rate, 2007			15.08%
Plan Experience			1.00%
Contribution Gain			(0.17)%
Effect of maintaining 20-year amortization			<u>(0.15)%</u>
Employer Cost Rate, 2008			15.76%
Statutory Rate, 2008			16.70%
Contribution Margin			0.94%

C. Time frame

Segal will complete the 2009 valuation in October of 2009. Demographic and economic information for the plan will be turned over to them in July and August with audit financial information in September.

A draft of the experience study is to be completed by December 28, 2009 for review with the PERS staff. A second draft is to be completed by January 14, 2010 for distribution to the NDPERS Board. The consultant shall attend the January 21, 2010 PERS Board meeting to present the report and recommendations.

D. Data

NDPERS will supply to the successful contractor five years of data for each of the plans.

E. Other Information

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

SECTION III. Retiree Health Valuation

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

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

NDPERS needs to have an actuarial valuation of this liability that will fulfill the requirement for the Governmental Accounting Standards Board (GASB) Statement No. 43 and Statement No. 45.

Concerning the liability for the retiree health program discussed above that is actuarial determined each year along with the retirement plan valuations done by the Segal Company.

The valuation is to be completed by September 24, 2009 with a draft to NDPERS by September 10, 2009. The valuation will be presented to the NDPERS Board on September 17, 2009.

Prior to beginning work on the valuations, the successful contractor must execute a Business Associate Agreement with NDPERS.

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

SECTION IV – Information Requests

The proposal shall use the following format and contain your organization's response to the following requested information. Respond by restating the request with the response following. This format shall be used in the proposal.

A. General Background:

1. The firm's name, home office address, address of the office providing the services under the contract and telephone number.
2. Detail your organization's approach to conducting an experience analysis. Include a discussion of your approach to reviewing the assumptions, determining their validity, making suggested changes and the resources your firm will assign to the project. What is your methodology relating to the economic versus non-economic assumptions? Also provide a timeline of the work efforts as required in Section II.
3. Detail your organization's approach to conducting retiree health valuations. Also provide a timeline for the work efforts in Section III.
4. General description of the firm, including the size, number of employees, primary business (consulting, pension planning, insurance, etc.), other business or services, type of organization (franchise, corporation, partnership, etc.) and other descriptive material.
5. Provide summary information regarding the professional and experience qualifications of actuaries and other consultants who shall perform work under the contract. Also for each staff member assigned to the project indicate who they have done project work for and a reference.
6. Description of the computer equipment and a statement as to the ownership and location of this equipment to be utilized in the performance of the contract.
7. Statement of the availability and location of staff (including actuaries) and other required resources for performing all services and providing deliverables within indicated time frames. Statement as to whether or not the services outlined in these specifications can be performed using only your present staff.
8. Identify the specific and unique qualifications of your firm with regard to providing the requested work.
9. Identify the offices from which services to the Fund will be provided.
10. Include a copy of a previous experience study and retiree health valuation
11. Discuss your work experience with public sector retirement boards.

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

B. Other Information:

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

SECTION V – Fees/Hours

We are requesting that you price this project individually for each effort and in total. Specifically, we are asking that you provide individually a fixed fee not to exceed price for the NDPERS experience study and for the Retiree Health Valuation. Again, this is to determine if there is any cost efficiency to awarding the entire project to a single consultant. All efforts will be billed by hours expended but cannot exceed the total fixed fee. Please note that for pricing proposed in the valuation, the not to exceed price will be used.

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

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

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

COST PROPOSAL

	Estimated Total Hours	Total Fixed Fee
Experience Study Fixed Fee*		\$
Retiree Health Valuation (OPEB) Fixed Fee		\$
TOTAL FIXED FEE		\$

* For the PERS Plans, Highway Patrol Plan and Retiree Health Credit Program

DETAILS FOR SERVICE:

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

Experience Study

Type of Consultant

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

Rate # of Hours

Retiree Health Valuation

Type of Consultant

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

Rate # of Hours

SECTION VI - Submission and Acceptance of Proposals

- A. Proposals should be prepared in a straightforward manner to satisfy the requirements of this RFP. Emphasis should be on completeness and clarity of content. Costs for developing proposals are entirely the responsibility of the proposer and shall not be chargeable to PERS.
- B. Offer, must be signed by a partner or principal of the firm and included with your proposal.
- C. Address or deliver the proposal to: Mr. Sparb Collins, Executive Director
North Dakota Public Employees Retirement System
400 E. Broadway, Suite 505
Bismarck, ND 58501
(701) 328-3900
- D. Twenty-five (25) copies of the technical and price proposals must be received at the above listed location by **5:00 p.m. Central Standard Time on June 5, 2009**. The package the proposal is delivered in must be plainly marked "**PROPOSAL TO PROVIDE CONSULTING AND ACTUARIAL SERVICES**". A proposal shall be considered late and will be rejected if received at any time after the exact time specified for return of proposals.
- E. The policy of the PERS Board is to solicit proposals with a bona fide intention to award a contract. This policy will not affect the right of the PERS Board to reject any, or all, proposals.
- F. The PERS Board may request representatives of your organization to appear for interviewing purposes. Travel expenses and costs related to the interview will be the responsibility of the bidder.
- G. The PERS Board will award the contract for services no later than July 16, 2009 and no earlier than June 18, 2009.
- H. In evaluating the proposals, price will not be the sole factor. The Board may consider any factors it deems necessary and proper, including but not limited to, price; quality of service; response to this request; experience; staffing; and general reputation.
- I. The failure to meet all procurement policy requirements shall not automatically invalidate a proposal or procurement. The final decision rests with the Board.
- J. Questions concerning the RFP shall be directed, in writing or by e-mail to Mr. Collins at scollins@nd.gov by May 21, 2009. Responses will be posted on the PERS website no later than 5:00 p.m. Central Standard Time on May 27, 2009 under "Request for Proposals" at <http://www.nd.gov/ndpers/providers-consultants/consultants/rfp-index.html>. If you would like a copy e-mailed to you, please notify Cheryl Stockert at cstocker@nd.gov
- K. NDPERS reserves the right to accept: (1) both the experience study and retiree health valuation work efforts or (2) the experience study work effort only or (3) the retiree health valuation work effort only.

SECTION VII - AGREEMENT FOR SERVICES

Contractor's proposal constitutes a formal offer to provide services to the North Dakota Public Employees Retirement System (NDPERS). The terms of this Contract, the RFP and the proposal shall constitute the consulting services agreement ("Agreement").

Contractor and NDPERS agree to the following:

- 1) **SCOPE OF SERVICES:** NDPERS will indicate by an "X" next to the list which services offered in this proposal they will accept:

Experience Study	
Retiree Health Valuation Study	

Contractor agrees to provide the above-accepted service(s) as specified in the RFP and proposal. The terms and conditions of the RFP and the proposal are hereby incorporated as part of the Contract.

- 2) **TERM:** The term of this contract shall commence on the date of award and continue until the completion of the services identified under this Agreement.
- 3) **FEES:** NDPERS shall only pay pursuant to the terms in the proposal and RFP.
- 4) **BILLINGS:** The Contractor shall receive payment from NDPERS upon the completion of the services identified under this Agreement.
- 5) **TERMINATION:** Either party may terminate this agreement with respect to tasks yet to be performed with thirty (30) days written notice mailed to the other party.
- 6) **EMPLOYMENT STATUS:** The Contractor acknowledges that any services performed in connection with the Contractor's duties and obligations, as created and provided for in this agreement, are performed in the capacity of an independent contractor. At no time during the performing of services as required by this contract will the Contractor be considered an employee of the State of North Dakota.
- 7) **SUBCONTRACTS:** Subcontractors to the Contractor shall be considered agents of the Contractor and agree to provide services as specified in the proposal and RFP.
- 8) **ACCESS TO RECORDS:** PERS agrees that all participation by its members and their dependents in programs hereunder is confidential. The Contractor shall not disclose any individual employee or dependent information to the covered agency or its' representatives without the prior written consent of the employee or family member. The Contractor will have exclusive control over the direction and guidance of the persons rendering services under this agreement. The Contractor agrees to keep confidential all PERS information obtained in the course of delivering services.

- 9) **OWNERSHIP OF WORK PRODUCT:** All work products of the Contractor, including but not limited to, data, documents, drawings, estimates and actuarial calculations which are provided to NDPERS under this agreement are the exclusive property of NDPERS.
- 10) **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 brought in the District Court of Burleigh County, North Dakota.
- 11) **MERGER AND MODIFICATION:** This contract, the RFP and the proposal 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 Contract, as may be amended and Second - the state’s Request for Proposal and Third – Contractor’s Proposal. 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.
- 12) **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. 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.
- 13) **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, authorized to do business in North Dakota, 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, including a three year “tail coverage endorsement,” with minimum liability limits of \$1,000,000 per occurrence and in the aggregate.
 - 3) Automobile liability, including Owned (if any), Hired, and Non-Owned automobiles, with minimum liability limits of \$250,000 per person and \$500,000 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. The policies shall be in form and terms approved by the State.
 - 3) The insurance required in this agreement, through a policy or endorsement, shall include a provision that the policy and endorsements may not be canceled or modified without thirty (30) days' prior written notice to the undersigned State representative.
 - 4) The Contractor shall furnish a certificate of insurance to the undersigned State representative prior to commencement of this agreement.
 - 5) Failure to provide insurance as required in this agreement is a material breach of contract entitling State to terminate this agreement immediately.
- 14) **SEVERABILITY:** If any term in this contract 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 contract did not contain that term.

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

**NORTH DAKOTA PUBLIC
EMPLOYEES RETIREMENT SYSTEM**

CONTRACTOR

By: _____

By: _____

WITNESS:

WITNESS:

SECTION VIII - Review Procedures

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

The proposals that pass the initial screening will then be reviewed by the same review team. Each individual will review the proposal for all areas but price. Every proposal will be awarded points for specified areas by the reviewers. Points for price are awarded automatically. Following is the weighting factor for each area:

GENERAL	Points
Did Consultant follow required format?	10 Points
Is a signed "Agreement for Services" included?	10 Points

RETIREMENT	
Technical Understanding	30 Points
Product Delivery	10 Points
Qualification & Staffing	30 Points
Price	30 points

RETIREE VALUATION	
Technical Understanding	30 Points
Qualifications and Product Delivery	30 Points
Price	40 Points

The second step will be a review and rating of each proposals technical, product delivery, qualifications and staffing by PERS staff. The purpose of this review is to assess the consultant's understanding of the work requirements, capabilities and resources. It is important that your proposal relates your understanding in order to be fully rated. Statements that you will comply with the RFP are not sufficient, nor is repeating the RFP requirements. This third step of the review will be allocation of points for price. In addition to the above points special consideration will be given to total pricing that is if there is an advantage to awarding both efforts to the same firm. The findings will be reported to the PERS Board.

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



**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: August 12, 2009
SUBJECT: PERS Board Planning Meeting/Retreat

Two years ago the Board held a one-day planning meeting at the University of Mary. At this meeting we reviewed topics relating to our programs and administrative operations. I found this to be very useful and the response I got back from many Board members was similar. Also, this will provide an opportunity to discuss the challenges facing our retirement plans in detail. Therefore, I am suggesting that we do this again in December. I offer this time frame since you will by then have had the opportunity to view the annual valuations in October, and the suggestions of the benefits committee and retiree committee should be ready for your consideration as well.

About 10 years ago we held a Board meeting in Fargo at BCBS. At this meeting we received an update from BCBS personnel, toured the facility and held our regular monthly meeting. This could also be an opportunity for all of you to meet the BCBS CEO if his schedule permits. I was wondering if you wanted to do this again, and if so, I would suggest this for our October meeting.

Board Action Requested

To determine if PERS should have a Board planning meeting, and if so when. Should the Board decide to schedule a planning meeting, we will send you a list of possible dates.



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Memorandum

TO: NDPERS Board

FROM: Kathy

DATE: July 28, 2009

SUBJECT: Personnel Policy Manual Revisions

We have revised our Personnel Policy Manual as a result of new Department of Labor amendments to the FMLA. The amendments provide two new leave entitlements related to military service which are included in section 12.3(e) & (f):

- Military Caregiver Leave
- Qualifying Exigency Leave

In addition to the above, the policy was also revised to include more detail regarding the application process for FMLA and forms required for the various types of eligible leave, deadlines for filing a request and response times for both the employee and the employer with regard to medical certification. These are included in new sections 12.5 through 12.8. The amended policy is included for your information.

Board Action Requested

Approve the revised FMLA policy to the NDPERS Personnel Policy Manual.

CHAPTER 12

FAMILY AND MEDICAL LEAVE

- 12.1 Family and medical leave is provided for by the state under NDCC 54-52.4-03 and the federal Family and Medical Leave Act (FMLA) of 1993 (Public Law 103.3).
- 12.2 Eligibility: You are eligible for family leave if you have been employed with the state for at least 12 months and have worked at least 1,250 hours in the previous 12 months.
- 12.3 Qualifying Events: The maximum family medical leave available to eligible employees is 12 weeks in a twelve-month period for the following qualifying events:
- a. To care for your newborn child if the leave concludes within twelve months of the child's birth;
 - b. To care for a newly adopted or foster child if the leave concludes within twelve months of the child's placement;
 - c. To care for your spouse, child or parent who has a serious health condition.
 - d. Your own serious health condition.
 - e. A qualifying exigency arising from the fact that the employee's spouse, child, or parent is a covered military member on active duty or has been notified of active duty in support of a contingency operation. "Qualifying exigency" includes short-notice deployment, military events and related activities, childcare and school activities, financial and legal arrangements, counseling, rest and recuperation, post-deployment activities, and additional activities that may arise out of active duty or call to active duty status and upon which NDPERS and you agree. Leave for a qualifying exigency applies when the covered military member is a member of the reserve components or a retired member of the regular armed forces or reserve. A member of the regular armed forces is not eligible to take leave because of a qualifying exigency.
 - f. Care for a military service member with a serious injury or illness. Note: If you are the spouse, parent, child, or next of kin of a current member of the armed forces (including National Guard or Reserves) who was injured in the line of duty or while on active duty you may be eligible for a combined total of 26 weeks of leave for any qualifying reason during the 12-month period.

For purposes of this policy, a serious health condition is defined as an illness, injury, or physical or mental condition involving in-patient care in a hospital, hospice, or residential medical care facility, continuing care by a health care provider or family member, or is a chronic or long-term illness which requires continuing medical treatment or supervision.

- 12.4 Paid Leave: You may request, and may be required to use paid leave by using a combination of sick leave, annual leave, comp time or donated leave as follows:
- a. If you request leave for the reasons specified in 12.3(a), you will be required to first use any accrued sick leave, then accrued annual leave, and last any accrued comp time. You will be allowed 6 weeks of sick leave without medical certification. Medical certification will be required for sick leave requested beyond the first 6 weeks or you may use accrued annual leave and comp time not to exceed 12

weeks or total leave.

- b. If you request leave for the reasons specified in 12.3(b) or (e), you will be required to first use any accrued annual leave then accrued comp time.
- c. If you request leave for the reasons specified in 12.3(c) or (f) you will be required to first use any accrued family leave*, then accrued annual leave, and last any accrued comp time. Donated leave may be used subject to the requirements set forth in Chapters 8 and 9.
- d. If you request leave for the reasons specified in 12.3(d), you will be required to first use any accrued sick leave, then accrued annual leave, and last any accrued comp time. Donated leave may be used subject to the requirements set forth in Chapters 8 and 9.

Leave under any of the above situations may be used consecutively or taken in intermittent or reduced work schedules. Leave under these conditions may be taken in no less than one-hour increments. Any paid leave, including donated leave, is considered part of the total available weeks for care of family members or for your own serious health condition. If you have exhausted the applicable types of paid leave, you will be provided unpaid leave to fulfill the authorized period of family and medical leave.

*The family leave referred to is the 40 hours of paid leave granted to eligible employees under NDCC 54-52.4-03 and referenced in Chapter 9 of this manual.

- 12.5 Notification and Determination of Qualifying Event: The Executive Director must approve all leave under this section. If it is determined there is a qualifying event that entitles you to leave under this section, the Director may initiate the process by providing you with a SFN 58548, Employee Request for Family Medical Leave form.

To apply for leave you must complete SFN 58548, Employee Request for Family Medical Leave, and submit it to your supervisor at least 30 days in advance of when the leave is to begin if the leave is foreseeable or as soon as is practicable for unforeseen leave. An employee requesting leave for a qualifying exigency must complete Form WH-384, Certification of Qualifying Exigency for Military Family Leave (www.dol.gov/esa/whd/forms/WH-384.pdf). An employee requesting leave to care for a military service member with a serious injury or illness must complete Form WH-385, Certification for Serious Injury or Illness of Covered Service member for Military Family Leave (www.dol.gov/esa/whd/forms/WH-385.pdf).

The Executive Director must provide you within five business days of the request for leave or of becoming aware of the leave, if feasible, with a copy of the Form WH-381, Notice of Eligibility and Rights & Responsibilities (www.dol.gov/esa/whd/forms/WH-381.pdf), which will detail your specific entitlements and responsibilities and explain any consequences of failure to meet those obligations. The division manager will decide whether a condition qualifies as a serious health condition. Upon approval of requested information, the division manager will provide you with Form WH-382, Designation Notice (www.dol.gov/esa/whd/forms/WH-382.pdf), and attach a list of the essential functions of your position if a fitness for duty to return to work is required.

- 12.6 Medical and Other Certification. The division manager must, within five business days of a request for family and medical leave, notify you of the requirement of a medical certification from a health care provider. This is required to verify that the family and medical leave request is necessary for your own serious health condition, to care for a

family member's serious health condition, or to care for a covered service member with a serious injury or illness.

You must provide the medical certification within 15 calendar days of NDPERS request unless it is not practicable under the particular circumstances in spite of your good faith efforts. The certification is required on either of the U.S. Department of Labor's forms: WH-380-E, Certification of Health Care Provider for Employee's Serious Health Condition (www.dol.gov/esa/whd/forms/WH-380-E.pdf), or WH-380-F, Certification of Health Care Provider for Family Member's Serious Health Condition (www.dol.gov/esa/whd/forms/WH-380-F.pdf), as applicable.

If an incomplete or insufficient certification is returned, the division manager will give you seven calendar days to correct any deficiency by notifying you in writing what additional information is necessary. If the deficiencies are not corrected, the division manager may deny the FMLA leave. The division manager must notify you at the time the certification is requested of the consequences of your failure to provide adequate certification.

A NDPERS representative may contact the health care provider, after written employee authorization, to clarify or authenticate the medical certification (whether initial or recertification) after you have been given an opportunity to cure any deficiencies. The NDPERS representative who contacts your health care provider must be a human resource professional or a management official. Under no circumstances may your direct supervisor contact your health care provider.

Failure to provide the requested certification in a timely manner or cooperate or release relevant information may result in denial of the leave until it is provided. If you refuse to provide a certification, the leave request may be denied and you may be disciplined.

You may also be required to submit to additional examinations by a physician selected and paid for by NDPERS. If the minimum duration of your incapacity specified on a certification furnished by the health care provider is more than 30 days, NDPERS will not request recertification until the minimum duration has passed unless:

- a. You request a leave extension;
- b. Circumstances described by the previous certification have changed significantly (e.g. duration of the illness, the nature of the illness, complications); or
- c. NDPERS receives information that casts doubt upon the continuing validity of the certification.

If family and medical leave is taken intermittently or on a reduced work schedule basis, NDPERS will not request recertification in less than the minimum period specified, on the certification as necessary for such leave unless conditions a, b, or c above are met.

Any recertification requested by NDPERS shall be at your expense. A division director may not require second or third opinions on recertification.

A division manager may require certification that your family member is on active military duty by requesting the covered military member's active duty orders the first time you request exigency leave.

If you request an extension of family medical leave due to the continuation, recurrence or onset of your own serious health condition or of the serious health condition of your spouse, child, or parent, you must, within two business days, submit a written request for an extension to your supervisor. This written request must be made as soon as you realizes that you will not be able to return at the expiration of the leave period.

- 12.7 Intermittent Leave. When medically necessary, you may take family and medical leave intermittently or on a reduced work schedule basis for your own serious health condition, the serious health condition of a family member, or to care for a covered service member with a serious injury or illness. Leave must be taken in no less than half-hour increments. You are required to cooperate with NDPERS to arrange reduced work schedules or intermittent leave to minimize disruption of business operations. To better serve you and the agency, intermittent leave may require you to go from full-time to part-time status or to be temporarily transferred to an alternative position for which you are qualified and is of equal pay and benefits. Once leave is no longer needed, you would return to the original or equivalent job.

Qualifying exigency leave may be taken intermittently or on a reduced leave schedule.

Leave for the birth of a healthy child or placement by adoption or foster care of a healthy child may be taken intermittently or on a reduced leave schedule if the division manager agrees.

- 12.8 Return from Leave. If you wish to return to work prior to the expiration of a family medical leave of absence, a notification must be given to your supervisor within two business days prior to your planned return. However, the supervisor, with your concurrence, may allow you to return to work immediately.

If you take leave for your own serious health condition you may be required to provide a fitness for duty certification signed by the health care provider; such notice must be included in the Designation Notice. If you fail to submit the required fitness for duty certification, your restoration to your position may be delayed or denied.

Upon return from leave, an employee who is not designated as a “key employee” will be restored to their original position or an equivalent position with equivalent pay, benefits, and any other employment rights that existed at commencement of the leave or that may have accrued during the leave period. Whether a position is an “equivalent position” is the decision of the division manager.

An employee designated as a “key employee” may not be provided restoration rights upon return from leave. Individuals designated as “key employees” under FMLA will be notified of such designation at or before the time FMLA leave commences. If the restoration of a key employee causes “substantial and grievous economic injury” to the employing agency, reinstatement upon returning from leave may not occur.

An employee who fails to return at the end of the leave will be considered to have voluntarily resigned unless additional leave as a reasonable accommodation under the Americans with Disabilities Act is necessary. If an employee fails to return from an FMLA leave, NDPERS may recoup the cost of health plan premiums for any period of the FMLA leave which was taken as unpaid leave, unless the reason you do not return is due to:

- a. The continuation, recurrence, or onset of a serious health condition of you or your family member which would otherwise entitle you to leave under FMLA; or
- b. Other circumstances beyond your control such as staying home to care for a newborn with a serious health condition, the spouse is transferred to a location more than 75 miles from your worksite, you are laid off, etc.

If NDPERS experiences a reduction-in-force during your absence and you would have lost your position, you retain any rights under NDPERS's Reduction in Force policy (Chapter 25) but may not be eligible for reinstatement under the Family and Medical Leave Acts.

- 12.9 Determining Allowable Leave: The maximum allowable weeks for family or medical leave are measured using the "rolling" twelve months backward method. This means the year is counted backward from the time your leave begins. If you have not taken any leave under this section in the previous twelve-month period, you are entitled to the maximum family and medical leave available and consistent with your qualifying event. Any leave taken under this section within the previous twelve months is deducted from the maximum allowable leave.

If both spouses are employed by the same employer, the combined leave may not exceed 12 weeks if the leave is taken for the birth or placement of child or to care for the employee's parent with a serious health condition.

- 12.10 Benefits: During an unpaid leave PERS will continue to pay the health, basic life and Employee Assistance Program premiums. If you do not return from the unpaid leave, your coverage will terminate at the end of the month for which the last premium was paid. PERS has the right to recover any premium contributions paid to maintain your health insurance coverage during the unpaid leave. If you elect not to continue your health insurance during your leave, your coverage will be reinstated on the first day of the month following your return to active employment. No pre-existing or waiting periods will apply.

The following policies will apply to other benefits in which you may be enrolled at the time of your leave:

Supplemental Life Insurance: If you have employee, dependent, or spouse supplemental life coverage, the premium can continue to be deducted from your pay if you are on paid or donated leave. If you do not elect this option or if the leave is unpaid, you can keep your coverage in force by paying the premiums to NDPERS by personal check. If you elect not to continue coverage while you are on leave, your supplemental coverage can be reinstated on the first day of the month following your return to active employment. It will be at the same levels of coverage that were in effect before your leave and no evidence of insurability will be required.

Group Dental Insurance: You may continue your dental coverage while on leave. If you are on paid or donated leave the premium will continue to be deducted from your pay. If the leave is unpaid, you can keep your coverage in effect by paying the premium to NDPERS by personal check. If you elect not to continue coverage while you are on leave, upon return to active employment, you will be subject to a three-year restriction period before you can re-enroll in the plan.

Group Vision Insurance: You may continue your vision coverage while on leave. If you are on paid or donated leave the premium will continue to be deducted from your pay. If the leave is unpaid, you can keep your coverage in effect by paying the premium to NDPERS by personal check. If you elect not to continue coverage while you are on leave, upon return to active employment, you will be considered a late entrant.

Retirement: If the leave is paid or donated, the monthly contributions will continue to be paid by NDPERS. If the leave is unpaid, contributions will be discontinued. Upon return to active employment, contributions will be resumed.

FlexComp Plan: If the leave is paid or donated, the monthly contributions will continue to be deducted from your pay. Medical spending and dependent care contributions or pre-tax insurance premiums may be made as follows for an unpaid leave of absence, military leave, or a unpaid leave covered by the Family and Medical Leave Act (FMLA):

- Under the pre-pay option, you may pay the amounts due while on leave on a pre-tax basis by having the total amount due while on leave payroll deducted prior to the leave.
- Under the pay-as-you-go option, the contribution may also be made pre-tax from any taxable compensation, such as annual leave or sick leave during the leave period.
- Under the “catch-up option”, NDPERS will continue coverage during an unpaid leave. Upon return from leave, a participant will catch up with pre-tax payroll deductions.
- You may elect not to participate while on leave. If they elect not to participate while they are on a leave of absence, they will not be entitled to receive reimbursements for claims incurred beyond the last day of the month a contribution is received. Upon returning from leave, you may reinstate the coverage that was in effect prior to their leave or reinstate the coverage less the contributions that were missed during the leave.

If you elect to revoke your election, claims incurred while you are on leave are not eligible for reimbursement. Upon return to active employment, you may reinstate your participation at the same levels that were in effect prior to your leave.

Deferred Compensation Plan: If the leave is paid or donated, the monthly contributions can continue to be deducted from your pay. If you elect to suspend deductions during your leave you can resume them when you return to active employment. You cannot take distributions from your account during the leave period.

Long Term Care Insurance: If the leave is paid, the monthly contributions can continue to be deducted from your pay. If the leave is unpaid, you may pay your premium to NDPERS by personal check. If you elect not to continue your insurance, your coverage will lapse. Reinstatement will be at the discretion of the insurance carrier.

Annual and Sick Leave: You will not accrue annual or sick leave while on unpaid family and medical leave.

12.11 Whether you are on paid or unpaid leave, you may not perform work for another employer

during the leave period without prior notification and approval by the Executive Director. Working for another employer other than under the conditions approved may be cause for immediate cancellation of FMLA leave status or disciplinary action up to and including termination of employment.

- 12.12 This policy is not a comprehensive description of an employee's rights under the federal Family Medical Leave Act. You should contact your human resource department for specific questions.



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Memorandum

TO: PERS Board

FROM: Deb Knudsen

DATE: August 12, 2009

SUBJECT: Proposed Administrative Rules

Attached are the proposed administrative rules developed by staff for your review. The proposed rules are in response to legislation or are to update Board policy or clarify existing language. Per Aaron, based upon the content of the rules being proposed, NDPERS does not need to complete a Regulatory Analysis, Takings Assessment or a Small Entity Economic Impact Statement. However, we will need to conduct a Small Entity Regulatory Analysis. The results of this analysis will be brought to the next Board meeting.

As in the past, we are providing these rules to you at this time for your review and consideration. They will be brought back at the September meeting for your final approval along with the above referenced analysis. In addition, by the next meeting, we will have prepared a matrix with the proposed rule in one column and explanation in the other. A draft of the notice of hearing and summary of rules will also be included in September.

Please contact me if you have questions or concerns. Also, please let us know if there are other areas that you feel we should be developing or updating rules so they can be included for your consideration in September. Staff will also be available at the Board meeting to address any questions.

Summary of Proposed Rule Changes

71-01-02-03. Candidate eligibility. Adds members of the defined contribution , highway patrol and job service retirement systems and clarifies that terminated employees may not serve as an active elected member of the board.

71-01-02-09. Canvassing rules. Provides provisions for an invalid election, should one occur.

71-02-01-01(14). Definitions. Clarifies the definition for Normal Retirement Age as age 65 for all plans except National Guard and Law Enforcement which is age 55.

71-02-03-02.2.(6)Payment. Sets minimum payment amount pertaining to payments for service purchases and establishes maximum payment schedule of 10 years pursuant to board agenda item II.D.

71-02-03-02.4. Crediting purchased or repurchased service. Revises provisions for crediting service pursuant to board agenda item II.D.

71-02-03-07. Employer purchase of service credit or sick leave program. Clarifies deadline for employer paid purchases of service in the main retirement system.

71-02-04-02. Special retirement options - Application. Establishes process and timeframe for benefit change in the event the receiver has direct deposit.

71-02-04-03. Payment Date – Retirement benefits. Provides additional terminology for description of retirement benefits.

71-02-04-04. Optional Benefits. Provides additional terminology for description of optional retirement benefits and removes descriptive language for Level Social Security Option, Partial Lump Sum Option and Deferred Normal Retirement Option. Removes requirement that benefit payment be greater than \$100 to select Level Social Security Option.

71-02-04-04.1. Benefit Modifications. Establishes benefit modifications specific to the Level Social Security Option, Partial Lump Sum Option and the Deferred Normal Retirement Option.

71-02-04-10. (3)(4) Erroneous payment of Benefits – Overpayments. Modifies repayment provisions for collecting overpayment of benefits.

71-02-05-07.1(1) One hundred percent joint survivor benefit. Provides updated terminology for single life option.

71-02-05-09. Interest accrual on accumulated contributions for disabled annuitants. Provides further information regarding interest accrual after receiving a disability pension.

71-02-06-01. Conditions for return. Provides clarification for contributions to be returned to non-vested members upon termination if their account is less than \$1000, in compliance with federal requirements.

71-02-07-02. Return to service - Retired member. Revises provisions regarding benefit calculation procedure for when retired members return to work.

71-02-11-04. Payment. Modifies process for crediting purchased eligible military service credit.

71-03-03-01. Enrollment. Updates language for consistency purposes in the group health insurance plan.

71-03-04-01. Employer contribution. Adds language to clarify that employer contribution is not payable if employee terminates prior to effective date of coverage in the group insurance plan.

71-03-04-05. Premium for basic term life insurance. Removes language referring to political subdivisions regarding the payment of full premium for life insurance.

71-03-05-05. Appeal process. Corrects terminology.

71-03-05-08. Erroneous payment of premiums – Underpayments. Removes language pertaining to maximum repayment period.

71-03-06-01. Enrollment. Updates language for consistency purposes in the group health insurance plan. Also, removes language relating to eligibility of employees that are employed with a political subdivision that does not offer a group health insurance plan..

71-03-06-03. Open enrollment for certain qualifying events. Changes terminology from “open” enrollment to “special” enrollment.

71-03-06-05. Continuation of health benefits for dependents. Removes redundant language.

71-03-06-08. Employee contribution. Removes unnecessary language pertaining to payment of employee contributions.

71-03-07-01. Employer contribution. Clarifies terms for payment of employer contribution.

71-03-07-02. Information to employee. Provides that the employer will provide pertinent information to all employees regarding coverage rights, not just “eligible” employees.

71-03-07-03. Collecting employee contributions. Updates language to provide that the employer may specify the method for collection of any employer premium contribution.

71-03-07-05. Premium for basic term life insurance. Updates language for consistency purposes.

71-04-01-01. Definitions. Updates language regarding designating of beneficiaries in the 457 plan as well as clarifies terminology pertaining to the retirement board.

71-04-03-02. Effective date of deferrals. Updates language for consistency purposes.

71-04-03-05. Unforeseeable emergency. Eliminates the term “partial” regarding emergency withdrawals.

71-04-03-06. Termination of participation. Updates language for consistency purposes.

71-04-04. Retirement board responsibilities. Updates chapter terminology referring to retirement board for consistency purposes

71-04-04-04. Employer agreement. Updates language for consistency purposes

71-04-04-05. Payroll deduction authorization. Updates language for clarity and consistency purposes

71-04-06. Provider responsibilities. Updates chapter terminology referring to retirement board for consistency purposes

71-04-06-02. Administrative agreement. Updates language for clarity and consistency purposes

71-04-06-09. Benefit payments. Updates language for clarity and consistency purposes.

71-04-06-12. Provider suspension - Employee account transfers. Updates language for clarity and consistency purposes

71-05-02-05. Interest accrued on accumulated contributions for disabled annuitants. Provides further information regarding interest accrual after receiving a disability pension.

71-05-04-04. Payment. Provides for minimum payment provisions for service purchases in the highway patrol retirement system and establishes maximum payment schedule of 10 years pursuant to board agenda item II.D.

71-05-04-06. Crediting purchased or repurchased service. Revises provisions for crediting service in the highway patrol retirement fund pursuant to board agenda item II.D.

71-05-04-09. Employer purchase of service credit or sick leave program Clarifies payment deadline for employer paid purchases of service in the highway patrol retirement system.

71-05-05-02. Special retirement options - application. Establishes process and timeframe for benefit change in the event the receiver has direct deposit in the highway patrol fund.

71-05-05-04. Optional benefits. Removes descriptive language for Partial Lump sum option and deferred normal retirement option in the highway patrol fund.

71-05-05-04.1 Benefit Modifications. Establishes the benefit modifications specific to the Partial Lump Sum option, Deferred normal retirement option and graduated benefit option.

71-05-05-10. Erroneous payment of benefits – Overpayments. Provides additional guidance in the course of correcting overpayment of benefits in the highway patrol fund.

71-05-06-01. Return of contributions - Conditions for return. Provides clarification for contributions to be returned to non-vested members upon termination from the highway patrol fund if their account balance is less than \$1,000, in compliance with federal requirements.

71-05-07-01. Return to Service. Revises provisions regarding benefit calculation procedure for when retired members return to work in the highway patrol fund.

71-08-06-04. Cost. Modifies process for crediting of purchased eligible military service and clarifies that most recent employer will be billed.

71-08-07-01. Additional employer contributions. Clarifies deadline for employer paid purchases of service in the main retirement system in the defined contribution system.

Section 71-01-02-03 is amended as follows:

71-01-02-03. Candidate eligibility.

1. Any active participating member employee, members of the defined contribution retirement plan, the highway patrol retirement system and the job service retirement plan are eligible to serve as an elected member of the board in accordance with subsection 4 of North Dakota Century Code section 54-52-03, may become a candidate for election to the board. A department or political subdivision may not be represented by more than one elected member. Employees who have terminated their employment for whatever reason are not eligible to serve as an active elected member of the board.
2. Any person, as of April fifteenth of the election year, who has accepted a retirement allowance or who is eligible to receive deferred vested retirement benefits, may become a candidate for the retiree member to the board.

History: Effective April 1, 1992; amended effective July 1, 1994; July 1, 2000; April 1, 2008, _____, 2010

General Authority: NDCC 54-52-04, 54-52-17(5)

Law Implemented: NDCC 54-52-03

A new subsection 8 is added to Section 71-01-02-09 as follows:

71-01-02-09. Canvassing rules.

1. Ballot counting by election committee members or their authorized representatives will commence at nine a.m. on the third Monday of June and will continue until complete.
2. Each candidate may have one overseer present at the canvassing who may examine each ballot as to its sufficiency after the canvassers have completed the canvassing of all ballots. No overseer may possess a pen, pencil, or other device which could be considered capable of altering a ballot in any manner.
3. A candidate may act as his or her overseer. If a candidate wishes to designate a representative to act as his or her overseer, that candidate must provide a written authorization, duly witnessed, to the election committee at the canvassing. An overseer may act on behalf of more than one candidate; however, each person must show the required authorization from each candidate represented.
4. The overseer may question the decision of the canvassers regarding a ballot after completion of the canvassing. If questioned, the comments of an overseer will be heard. The canvassers will then vote regarding the acceptability of the ballot with the majority vote ruling.
5. A ballot is not valid where the number of votes on the ballot exceeds the number of vacancies in the election. A ballot that does not, in the opinion of a majority of the canvassers, show a clear indication of the voter's intention, may not be counted.

6. If the percentage of votes received by the candidate receiving the highest number of votes is less than one percent more than the votes received by the candidate receiving the next highest number of votes, the board shall order a recount.
7. Tie votes will be determined by a coin toss. If this procedure is necessary, the election committee will establish and notify the tied candidates of the procedure and location for resolving the tie.
8. If the committee should determine that the outcome of the election has been compromised for any reason, the committee may determine the election to be invalid. If the election is determined to be invalid, the committee shall call for a new election with a new election schedule.

History: Effective April 1, 1992; amended effective April 1, 2008, _____, 2010

General Authority: NDCC 54-52-04

Law Implemented: NDCC 54-52-03

Subsection 14 of Section 71-02-01-01 is amended as follows:

CHAPTER 71-02-01 DEFINITIONS

71-02-01-01. Definitions. As used in North Dakota Century Code chapter 54-52 and this article:

1. "Accumulated contributions" means the total of all of the following:
 - a. The employee account fund balance accumulated under the prior plan as of June 30, 1977.
 - b. The vested portion of the employee's "vesting fund" accumulated under the prior plan as of June 30, 1977.
 - c. The member's mandatory contributions made after July 1, 1977.
 - d. The member's vested employer contributions made after January 1, 2000, pursuant to North Dakota Century Code section 54-52-11.1.
 - e. The interest on the sums determined under subdivisions a, b, c, and d, compounded annually at the rate of five percent from July 1, 1977, to June 30, 1981, six percent from July 1, 1981, through June 30, 1986, and one-half of one percent less than the actuarial interest assumption from July 1, 1986, to the member's termination of employment or retirement.
 - f. The sum of any employee purchase or repurchase payments.
2. "Actuarial equivalent" means a benefit calculated to be of equal value to the benefit otherwise payable when computed on the basis of assumptions and methods adopted for this purpose by the board.
3. "Alternative retirement system" means the teachers' fund for retirement, the highway patrolmen's retirement system, and the teachers' insurance and annuity association of America.
4. "Beneficiary" means any person in receipt of a benefit provided by this plan or any person designated by a participating member to receive benefits.
5. "Bonus" means cash compensation for services performed in addition to base salary excluding commission and shift differentials. Bonus does not include lump sum payments of sick leave provided under North Dakota Century Code section 54-06-14 or lump sum payments of annual leave or vacation pay.
6. "Claim" means the right to receive a monthly retirement allowance, the receiving of a retirement allowance, or the receiving of a disability benefit.
7. "Continuously employed" means any period of employment uninterrupted by voluntary or involuntary termination or discharge. A member who has taken a leave of absence approved by

the member's employer, not to exceed a year unless approved by the executive director, and returns to employment shall be regarded as continuously employed for the period.

8. "Contribution" means the payment into the fund as a percentage of the salary of a member.

9. "Correctional officer" means a person who has completed a correctional officer course approved or certified by the North Dakota department of corrections and rehabilitation and is employed by a correctional facility as defined in North Dakota Century Code chapter 12-44.1.

10. "County judge" means a judge who was elected pursuant to North Dakota Century Code section 27-07.1-01 or an individual holding the position of county judge, county justice, or judge of county court prior to the general election in 1982, who meets all the eligibility requirements established under North Dakota Century Code chapter 54-52.

11. "Interruption of employment" is when an individual is inducted (enlists or is ordered or called to active duty into the armed forces of the United States) and leaves an employment position with a state agency or political subdivision, other than a temporary position. The individual must have left employment to enter active duty and must make application in accordance with the Uniformed Services Employment and Reemployment Rights Act.

12. "Leave of absence" means the period of time up to one year for which an individual may be absent from covered employment without being terminated. At the executive director's discretion, the leave of absence may be extended not to exceed two years, or indefinitely if the leave of absence is due to interruption of employment.

13. "Medical consultant" means a person or committee appointed by the board of the North Dakota public employees retirement system to evaluate medical information submitted in relation to disability applications, recertifications, and rehabilitation programs or other such duties as assigned by the board.

14. "Normal retirement age", except for members of the national guard and law enforcement, means age sixty-five ~~except as~~ unless otherwise provided. For members of the national guard and law enforcement, normal retirement age means age 55, unless other wise provided.

History: Amended effective September 1, 1982; November 1, 1990; September 1, 1991; January 1, 1992; September 1, 1992; June 1, 1993; July 1, 1994; June 1, 1996; July 1, 2000; April 1, 2002; May 1, 2004; July 1, 2006, _____, 2010

General Authority: NDCC 54-52-04

Law Implemented: NDCC 54-52

Subsections 2 and 6 of Section 71-02-03-02.2 are amended as follows:

71-02-03-02.2. Payment. The total dollar amount for the purchase or repurchase may be paid in a lump sum or on a monthly, quarterly, semiannual, or annual basis. Payments may be subject to contribution limitations established under 26 U.S.C. 415. Payments must begin within ninety days of the date the written cost confirmation is prepared. If the installment method is used, the following conditions apply:

1. Simple interest at the actuarial rate of return must accrue monthly on the unpaid balance. Interest is calculated from the fifteenth of each month.
2. The installment schedule may extend ~~for as long as~~ while the employee is employed by a participating employer but for no longer than a 10 year time period.
3. Installment payments may be made by a payroll deduction where available. However, it is the responsibility of the member to initiate and terminate the payroll deduction.

4. Payments may only be received until the fifteenth of the month following the month of the member's termination date with a participating employer.
5. Payments are due by the fifteenth of the month to be credited for the month.
6. Payments must be greater or equal to fifty dollars per month, large enough to pay the current interest plus a portion of principal and an amount necessary to complete the payment contract within the 10 year time period.

History: Effective November 1, 1990; amended effective July 1, 1994; June 1, 1996; May 1, 2004; July 1, 2006, _____, 2010.

General Authority: NDCC 54-52-02.6, 54-52-04, 54-52-17, 54-52-17.2, 54-52-17.4

Law Implemented: NDCC 54-52-02.6, 54-52-17, 54-52-17.2, 54-52-17.4

Section 71-02-03-02.4 is amended as follows:

71-02-03-02.4. Crediting purchased or repurchased service. Service purchased or repurchased will be credited in the following manner:

1. ~~The member's record must be updated with the additional service credit once the account is paid in full~~ For each month the system receives a payment towards a purchase contract, the member will earn a proportion of service credit.
2. ~~If the member takes a refund, retires, or the member's account is closed due to delinquency, service credit must be granted by taking the months of service credit being purchased times the percentage paid. The percentage is determined by taking the total payments made toward the purchase divided by the total amount to be paid over the term of the purchase. Service credit equal to a fraction is deemed to be a whole month of service credit.~~
3. For members converting service under the public employees retirement system to service under the judge's retirement system, each month of county judge service under the public employees retirement system will be converted to one month of judicial service credit. The account balance from the public employee's retirement system will be transferred to the judge's retirement system account once the contract is paid in full or closed.

History: Effective November 1, 1990; amended effective July 1, 1994; June 1, 1996; May 1, 2004, _____, 2010.

General Authority: NDCC 54-52-02.6, 54-52-04, 54-52-17, 54-52-17.2, 54-52-17.4

Law Implemented: NDCC 54-52-02.6, 54-52-17, 54-52-17.2, 54-52-17.4

Subsection 6 of section 71-02-03-07 is amended as follows:

71-02-03-07. Employer purchase of service credit or sick leave program. An employer may elect to purchase up to five years of service credit for an employee and purchase an employee's unused sick leave that meets the requirements of section 71-02-03-08. Before offering a purchase program to its employees, the employer must create a program and an employer must document the program in writing and submit a copy to the public employees retirement system.

The governing authority of the employer shall also submit to the executive director of the public employees retirement system a letter indicating:

1. The program meets all the requirements of the North Dakota Century Code.
2. The program meets all applicable federal requirements.
3. The employer agrees to remit to the public employees retirement system a lump sum payment of the cost of the purchase upon being billed.
4. The employer has not given the employee the option of a cash payment in lieu of the employer purchase.
5. The employer shall clearly specify who is eligible for the program and indicate if the program is intended to be permanent or will be for a specific time period only.
6. The employer agrees that all purchases for service credit will be based upon actuarial cost as determined by the public employees retirement system and all unused sick leave purchases will be based upon the computation specified in the North Dakota Century Code. The employer also agrees that all purchases will be completed no later than the 15th of the month following the month of the employee's retirement termination or sixty days from the date the employer and employee agree to the purchase, whichever comes first.

History: Effective May 1, 2004; amended effective July 1, 2006; April 1, 2008, _____, 2010 .

General Authority: NDCC 54-52-04

Law Implemented: NDCC 54-52-17.4, 54-52-29

Subsections 2 and 3 of section 71-02-04-02 are amended as follows:

71-02-04-02. Special retirement options - Application.

1. A member may elect a retirement option by filing an application with the office no less than thirty days prior to the beginning date of benefit payments. An application may be filed later than thirty days if approved by the executive director upon receiving sufficient evidence that the application was delayed by the member's employer.
2. A member may revoke the election of an optional benefit as provided in subsection 1 and make a new election, if such revocation is received in writing before the first retirement check is cashed but no later than fifteen days after the first retirement check has been issued. If the member changes the member's election less than fifteen days prior to the named beginning date of benefits, the first retirement payment may be delayed up to two months. Any delayed payment must be adjusted to include any deferred retirement payments. If the member's first retirement payment is paid by direct deposit and the member wishes to revoke the election of the benefit, then the member must immediately notify NDPERS of their election. The benefit will only be revoked if NDPERS is able to reverse the direct deposit paid to the bank within the bank reversal window.
3. A member may not revoke the elected benefit after receiving and cashing the first benefit check or if paid by direct deposit, after the bank reversal window has expired, unless, the member can provide sufficient evidence to the executive director that the factual basis by which the election was made later proved to be

incorrect and such was due in part to representation or misrepresentations made by the employer or the office.

History: Amended effective November 1, 1990; May 1, 2004, . _____, 2010

General Authority: NDCC 54-52-04, 54-52-17

Law Implemented: NDCC 54-52-17

Section 71-02-04-03 is amended as follows:

71-02-04-03. Payment date - Retirement benefits. Except for retirement options provided in section 71-02-04-02, a member's retirement benefit shall commence on the first day of the month which follows the member's eligibility for the benefit and which is at least thirty days after the date on which the member filed an application with the office. Notwithstanding any other provision in this article, benefits must begin no later than April first of the calendar year after the calendar year in which the member retires or attains the age of seventy and one-half years, whichever is later. If the member is employed but ineligible for active participation in the retirement plan, the member's benefits must begin no later than April first of the calendar year after the calendar year in which the member attains the age of seventy and one-half years. In the absence of a retirement application, benefits shall be paid based on a single life, or normal retirement for judges, payment option. Benefits must be sent to the member's last-known address. If the benefit checks are returned with no forwarding information, the benefits will remain in the fund, and will be distributed in a lump sum retroactive to the required beginning date upon location of the member.

History: Amended effective November 1, 1990; July 1, 1994; July 1, 2000, _____, 2010.

General Authority: NDCC 54-52-04, 54-52-17

Law Implemented: NDCC 54-52-17

Section 71-02-04-04 is amended as follows:

71-02-04-04. Optional benefits. A member may elect, as provided in section 71-02-04-02, to receive one of the following optional benefits in lieu of the regular single life, or normal for judges, retirement benefit.

1. **One hundred percent joint and survivor benefit.** A member shall receive an actuarially reduced retirement benefit during the member's lifetime and after the member's death the same amount will be continued to the member's surviving spouse during the spouse's lifetime. The designated beneficiary is limited to the member's spouse. Payments of benefits to a member's surviving spouse shall be made on the first day of each month commencing on the first day of the month following the member's death, providing the beneficiary has supplied a marriage certificate and death certificate and is still living. Benefits shall terminate in the month in which the death of the beneficiary occurs. In the event the designated beneficiary predeceases the member or, in the event of divorce, the option shall be canceled and the member's benefit shall be returned to the single life amount. Payment of the single life amount shall commence on the first day of the month following the spouse's death providing written notification of death and a death certificate has been submitted or, in the event of divorce, a photocopy of the divorce decree.

2. **Fifty percent joint and survivor benefit.** A member shall receive an actuarially reduced retirement benefit during the member's lifetime and after the member's death one-half the rate of the reduced benefit will be continued to the member's surviving spouse during the spouse's lifetime. The designated beneficiary is limited to the member's spouse. Payments of benefits to a member's surviving spouse shall be made on the first day of each month commencing on the first day of the month following the member's death, providing the beneficiary has supplied a marriage certificate and death certificate and is still living. Benefits shall terminate in the month in which the death of the beneficiary occurs. In the event the designated beneficiary predeceases the member or, in the event of divorce, the option shall be canceled and the member's benefit shall be returned to the single life amount. Payment of the single life amount shall commence on the first day of the month following the spouse's death providing written notification of death and a death certificate has been submitted or, in the event of divorce, a photocopy of the divorce decree.
3. ~~**Level social security option.** A member who retires prior to receiving social security benefits may elect the level social security option. Under this option, the member's monthly benefit is adjusted so the combined benefits received from the fund and social security remain level before, and after, the date social security benefits begin. The adjusted benefit payable from the fund must be determined on an actuarial equivalent based on an age no earlier than sixty-two and no later than full retirement age as specified by the social security administration as chosen in writing by the member. A member is not eligible for the level social security option if it results in a benefit payment of less than one hundred dollars per month. A member shall submit an estimated benefit from social security that was computed no more than six months before commencement of retirement benefits.~~
4. **Twenty-year or ten-year certain option.** A member may elect an option which is the actuarial equivalent of the member's normal, early, or deferred vested retirement pension payable for life with a twenty-year or ten-year certain feature, as designated by the member.
5. ~~**Partial lump sum option.** The partial lump sum option will only be available to members who retire on or after reaching normal retirement date. This option is an irrevocable election and made at initial application for retirement. The payment is equal to twelve monthly payments determined under the single life annuity option. The member is permitted to choose one of the optional forms of payment, excluding the level social security income option, for ongoing benefits. The ongoing benefits will be actuarially reduced to reflect the partial lump sum payment.~~
6. ~~**Deferred normal retirement option.** The deferred normal retirement option will only be available to members who retire after reaching normal retirement date. This option is an irrevocable election and made at initial application for retirement. The payment is in lieu of a lump sum equal to the amount of missed payments, without interest, retroactive to the member's normal~~

~~retirement date. The ongoing benefits will be actuarially increased to reflect the lump sum.~~

History: Amended effective September 1, 1982; November 1, 1990; July 1, 1994; May 1, 2004; July 1, 2006; April 1, 2008, _____, 2010.

General Authority: NDCC 54-52-04, 54-52-17

Law Implemented: NDCC 54-52-17

Section 71-02-04-04.1 is created as follows:

71-02-04-04.1. Benefit Modifications. A member may elect as provided in section 71-02-04-02, to receive one of the following benefit modifications.

- 1. Level social security option.** A member who retires prior to receiving social security benefits may elect the level social security option. Under this option, the member's monthly benefit is adjusted so the combined benefits received from the fund and social security remain level before, and after, the date social security benefits begin. The adjusted benefit payable from the fund must be determined on an actuarial equivalent based on an age no earlier than sixty-two and no later than full retirement age as specified by the social security administration as chosen in writing by the member. A member shall submit an estimated benefit from social security that was computed no more than six months before commencement of retirement benefits. A member may only select this option if they have selected to receive a single life/normal retirement option.
- 2. Partial lump sum option.** The partial lump sum option will only be available to members who retire on or after reaching normal retirement date. This option is an irrevocable election and made at initial application for retirement. The payment is equal to twelve monthly payments determined under the single life annuity option. The member is permitted to choose one of the optional forms of payment as defined in 71-02-04-04 for ongoing benefits. The ongoing benefits will be actuarially reduced to reflect the partial lump sum payment.
- 3. Deferred normal retirement option.** The deferred normal retirement option will only be available to members who retire after reaching normal retirement date. This option is an irrevocable election and made at initial application for retirement. The payment is in lieu of a lump sum equal to the amount of missed payments, without interest, retroactive to the member's normal retirement date. The member is permitted to choose one of the optional forms of payment as defined in 71-02-04-04. The ongoing benefits will be actuarially increased to reflect the lump sum.
- 4. Graduated benefit option.** The graduated benefit option will only be available to members who retire after reaching normal retirement date. This option is an irrevocable election and made at initial application for retirement. The member is permitted to choose one of the optional forms of payment for ongoing benefits as defined in 71-02-04-04. The ongoing benefits will be actuarially reduced to reflect the election of the graduated benefit option.

History: Created effective _____, 2010
General Authority: NDCC 54-52-04, 54-52-17
Law Implemented: NDCC 54-52-17

Section 71-02-04-10 is amended as follows:

71-02-04-10. Erroneous payment of benefits - Overpayments.

1. An "overpayment" means a payment of money by the public employees retirement system that results in a person receiving a higher payment than the person is entitled to under the provision of the retirement plan of membership.
2. A person who receives an overpayment is liable to refund those payments upon receiving a written explanation and request for the amount to be refunded. All overpayments must be collected using the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like gains. If the cost of recovering the amount of the overpayment is estimated to exceed the overpayment, the repayment is considered to be unrecoverable.
3. If the overpayment of benefits was not the result of any wrongdoing, negligence, misrepresentation, or omission by the recipient, the recipient may make repayment arrangements subject to the executive director's approval within sixty days of the written ~~request for refund~~ notice of overpayment with the minimum repayment amount no less than fifty dollars per month ~~with the total repayment period not to exceed thirty-six months~~. If repayment arrangements are not in place within sixty days of the date of the written notice of overpayment, the executive director shall offset the amount of the overpayment from the amount of future retirement benefit payments so that the actuarial equivalent of the overpayment is spread over the individual's benefit payment period.
4. If the overpayment of benefits was the result, in whole or in part, of the wrongdoing, negligence, misrepresentation, or omission of the recipient, the recipient is liable to pay interest charges at the rate of six percent on the outstanding balance ~~to compensate the fund for lost earnings~~, from the time the erroneous benefit was paid through the time it has been refunded in full, ~~plus applicable interest~~. Recovered funds are first applied to interest, and if any amount is left over, that amount is applied to principal. The recipient may make repayment arrangements, subject to the executive director's approval, within sixty days of the written request for refund with the minimum repayment amount no less than fifty dollars per month ~~with the total repayment period not to exceed thirty-six months~~. If repayment arrangements are not in place within sixty days of the date of the written notice of overpayment, the executive director shall offset the amount of the overpayment from the amount of future retirement benefit payments so that the actuarial equivalent of the overpayment is spread over the individual's benefit payment period.
5. If an individual dies prior to fully refunding an erroneous overpayment of benefits, the public employees retirement system must make application to the estate of the deceased to recover the remaining balance.

History: Effective June 1, 1996; amended effective April 1, 2002; July 1, 2006; April 1, 2008, _____, 2010.
General Authority: NDCC 54-52-04, 54-52-17

Law Implemented: NDCC 39-03.1-25, 54-52-17

Subsection 1 of section 71-02-05-07.1 is amended as follows:

71-02-05-07.1. Judges' retirement plan optional benefits. For the judges' retirement plan, an individual deemed eligible for a disability benefit may elect, as provided in this section, to receive one of the following optional benefits in lieu of the regular disability benefit. Under no circumstances is an option available if the calculation of the optional benefit to which the member is entitled results in an amount which is less than one hundred dollars.

1. **One hundred percent joint survivor benefit.** A member shall receive an actuarially reduced disability retirement benefit as long as the member remains eligible for benefits under subdivision e of subsection 3 of North Dakota Century Code section 54-52-17 and after the member's death the same amount will be continued to the member's surviving spouse during the spouse's lifetime. The designated beneficiary is limited to the member's spouse. Payments of benefits to a member's surviving spouse must be made on the first day of each month commencing on the first day of the month following the member's death, provided the beneficiary is still living and has supplied a marriage certificate and the member's death certificate. Benefits terminate in the month in which the death of the beneficiary occurs. In the event the designated beneficiary predeceases the member or, in the event of divorce, the option must be canceled and the member's benefit must be returned to the ~~single-life~~ normal retirement amount. Payment of the normal retirement amount must commence on the first day of the month following the spouse's death providing written notification of death and a death certificate has been submitted or, in the event of divorce, a photocopy of the divorce decree.

Section 71-02-05-09 is amended as follows:

71-02-05-09. Interest accrual on accumulated contributions for disabled annuitants. Effective January 1, 1998, interest must accrue on accumulated contributions as defined in article 71-02 until the disabled annuitant reaches that person's normal retirement ~~date~~ age, cancels benefit in accordance with 71-02-05-03, the account is closed, or until benefit payments commence to the member's beneficiary.

History: Effective July 1, 1998; amended effective May 1, 2004; July 1, 2006, _____, 2010, .

General Authority: NDCC 54-52-04

Law Implemented: NDCC 54-52-17

Subdivision a of subsection 1 of Section 71-02-06-01 is amended as follows:

71-02-06-01. Conditions for return.

1. The accumulated contributions of a member who terminates permanent employment:
 - a. Before accumulating three years of service credit and whose account balance is less than \$1000.00 shall be automatically refunded unless the member elects to remain in an inactive status.
 - b. After accumulating three years of service credit shall be refunded

- upon application filed with the executive director.
- c. The termination date for purposes of processing an application for refund or rollover must be the last date for which a member receives salary except for a member who is on an approved leave of absence. For members who are paid salary in any month following actual separation from employment if the salary is received after the normal processing date, the termination date for purposes of processing the application must be the same date as the date that the last paycheck was issued as salary.
2. Retirement contributions must be returned if a membership enrollment application form has not been filed with the office. Contributions will be returned until proper membership enrollment forms have been filed.

History: Amended effective November 1, 1990; June 1, 1996; July 1, 1998; July 1, 2000; May 1, 2004, _____, 2010

General Authority: NDCC 54-52-04

Law Implemented: NDCC 54-52-06, 54-52-17

Section 71-02-07-02 is amended as follows:

71-02-07-02. Return to service - Retired member. The benefits of a retired member who returns to permanent employment shall be suspended without interest accruing on the suspended account, except as provided in subsection 1 of North Dakota Century Code section 54-52-05. Upon subsequent termination, the member's benefit shall be recalculated as follows:

1. ~~If the period of subsequent employment is less than two years, the member may elect:~~
 - a. ~~A return of the member's contributions made after reemployment, and the suspended benefit restored, adjusted for the member's age at subsequent termination and for benefit payments received prior to reemployment; or~~
 - b. ~~A recalculation of the member's benefit based on the benefit provisions in effect at the member's initial retirement, but adjusted to take account of age at final retirement, benefit payments received prior to reemployment, salary and service credits, and any benefit increases accrued during the period of subsequent employment.~~
2. ~~1. If the period of subsequent employment is more than two years, the member's benefit shall be based on the benefit provisions in effect at final retirement and shall include the member's and spouse's age and salary earned during the period of reemployment, and together with total service credits earned before and after reemployment, adjusted to take account of benefit payments received prior to reemployment. If a different option is selected at the second retirement date, the member and office will submit information as required to make an actuarial determination of the elected benefit and the related payment of such.~~
3. ~~2. If a member dies during subsequent employment, the member's initial retirement benefit option election will apply. If a benefit election was an optional benefit under subsection 1 or 2 of section 71-02-04-04, then the member's benefit must be recalculated based on the benefit provisions in effect at the member's initial retirement, but adjusted to take account of age at death, benefit payments received prior to reemployment, salary and service credits, and any benefit increases accrued during the period of subsequent employment. The member's benefit shall be based on the benefit provisions in effect at final retirement and shall include the member and spouses's ages, salary earned during the period of reemployment, and total service credits earned before and after reemployment, adjusted to take account of benefit payments received prior to reemployment.~~

History: Amended effective November 1, 1990; July 1, 1998; May 1, 2004; July 1,

2006, _____, 2010 .

General Authority: NDCC 54-52-04, 54-52-17

Law Implemented: NDCC 54-52-17

Section 71-02-11-04 is amended as follows:

71-02-11-04. Payment. The cost for purchase of eligible military service in the North Dakota public employees retirement system and the North Dakota highway patrolmen's retirement system is as follows:

1. The cost for any required employee contributions to be paid by the member may be paid in a lump sum or in installments pursuant to the rules established for purchase or repurchase payment under subsection 1, 2, or 3 of section 71-02-03-02.2. ~~If retirement occurs before purchase is complete, service being purchased will not be credited to the account for retirement purposes until the payment is complete.~~ If no payments have been made, no credit will be awarded. To prevent any delay in issuing the employee's first retirement check, purchase must be completed at least thirty days prior to retirement date.
2. The employer cost will be assessed to the member's most recent participating employer. Upon being billed by the North Dakota public employees retirement system, the participating employer will have thirty days in which to make payment in full. If, after sixty days, the employer has not made payment in full, a civil penalty on fifty dollars will be assessed, and, as interest, one percent of the amount due for each month of delay or fraction thereof after the payment became due.
3. ~~If the employer contributions are paid and the member becomes delinquent for required employee contributions, then the public employees retirement system will prorate the credit the employee contributions have paid for by the member and this credit will be added to the member's file.~~

History: Effective September 1, 1991; amended effective May 1, 2004; July 1, 2006, _____, 2010 .

General Authority: NDCC 54-52-04

Law Implemented: NDCC 54-52-17.4(5), 54-52-17.14

Subsections 2 and 3 of Section 71-03-03-01 are amended as follows:

71-03-03-01. Enrollment. An eligible employee is entitled to coverage the first of the month following the month of employment, ~~provided if~~ the employee submits an application for coverage within the first thirty-one days of employment or eligibility for one of the following special enrollment periods:

1. Loss of coverage under any other health insurance plan.
2. ~~Addition of a spouse~~ Marriage. An employee who previously waived coverage must ~~is also eligible to~~ enroll for coverage at the time the employee's spouse is enrolled.

3. Addition of a dependent as a result of birth, adoption, placement for adoption, receiving legal guardianship, or receiving a court order to provide health coverage. An employee who previously waived coverage ~~must~~ is also eligible to enroll for coverage at the same time that the employee's eligible dependent is enrolled.

History: Effective October 1, 1986; amended effective July 1, 1994; June 1, 1996; July 1, 1998, _____, 2010 .

General Authority: NDCC 54-52.1-08

Law Implemented: NDCC 54-52.1-03

Section 71-03-04-01 is amended as follows:

71-03-04-01. Employer contribution. Each agency shall pay to the board the full amount of the employer contribution by the fifteenth of each month. The agency will verify the number of eligible employees and the level of coverage for each. An employee is eligible for an employer contribution for the month following the month of employment. If an eligible employee terminates employment prior to the effective date of coverage, no employer contribution is required. The employer contribution ends the month following the month of termination of employment. When an employee transfers from one state agency to another, the new agency is responsible for the payment of the premium for the first of the month following employment.

History: Effective October 1, 1986; amended effective November 1, 1990, _____, 2010 .

General Authority: NDCC 54-52.1-08

Law Implemented: NDCC 54-52.1-06

Section 71-03-04-05 is amended as follows:

71-03-04-05. Premium for basic term life insurance. All state departments ~~and those political subdivisions that elect to~~ participate in the group life insurance program must pay the board the full premium for the basic term life insurance for each of its eligible employees.

History: Effective October 1, 1986; amended effective July 1, 1994; July 1, 1998, _____, 2010 .

General Authority: NDCC 54-52.1-08

Law Implemented: NDCC 54-52.1-01(7)

Section 71-03-05-05 is amended as follows:

71-03-05-05. Appeal process. If an employee's application for benefits has been denied in whole or in part by the board or its agent, the employee will be notified in writing of the denial and the reasons. Within sixty days of the date shown on the denial notice, the employee may file a petition for review. The petition must be in writing, the reasons stated for disputing the denial and be accompanied by any documentary ~~written~~ material. Should the employee filing a petition for review, or should the board or its agent desire information which cannot be presented satisfactorily by correspondence, the board or its designated appeals committee may schedule a hearing. The person filing the appeal will be notified in writing at least fifteen days

prior to hearing of the time, date, and place.

The board or its agent will render a decision as soon as possible, but not later than one hundred twenty days after the receipt of the petition for review. The decision will be in writing.

History: Effective October 1, 1986; amended effective November 1, 1990, _____, 2010 .

General Authority: NDCC 54-52.1-08

Law Implemented: NDCC 54-52.1-08

Subdivision a of subsection 4 of Section 71-03-05-08 is amended as follows:

71-03-05-08. Erroneous payment of premiums - Underpayments.

1. An "underpayment" means a payment of money to the public employees retirement system for group insurance premiums that is less than the premiums due for the level of coverage that should have been in effect. Underpayment of premium is solely an error in the amount of premium billed to the individual.
2. An individual who underpays premiums is liable to pay those premiums upon receiving a request for repayment and an explanation of the amount due from the executive director. All underpayments must be collected using the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like gains. If the cost of recovering the underpayment is estimated to exceed the amount of the underpayment, the underpayment is considered to be unrecoverable.
3. If an underpayment is discovered in the first month it occurs, the individual must pay the amount due in a lump sum within thirty days of the discovery of the error.
4. If an underpayment is not discovered within the first month it occurs, the following will apply:
 - a. If not the result of any wrongdoing, negligence, misrepresentation, or omission by the individual, then the individual must make arrangements within sixty days of receiving written notification to either pay by lump sum or installments. The installment payment schedule is subject to approval by the executive director with the minimum repayment amount no less than fifty dollars a month. ~~with the total repayment period not to exceed thirty-six months.~~ If repayment arrangements are not in place within sixty days of the date of the written request for repayment, the executive director shall authorize payment to be made in three equal installments, using the same payment method the individual has authorized for paying current monthly premiums.
 - b. If underpayment is the result, in whole or in part, of the wrongdoing,

negligence, misrepresentation, or omission of the individual, underpayments must be made in full within sixty days of written notification.

5. If an underpayment occurs and the individual no longer participates in the group insurance, any premium amounts due are immediately payable.
6. If the individual dies prior to paying in full, then the public employees retirement system must make application to the estate of the deceased to recover the remaining balance.
7. If the individual refuses to repay the underpayment, or the underpayment is not paid in full, coverage will be canceled retroactive to the first day of the month following the month for which full premium payment was received. The public employees retirement system will provide written notice advising the individual that payment in full must be received within thirty days of the written notification to reinstate coverage retroactively to the date that coverage was canceled.

History: Effective April 1, 2002; amended effective April 1, 2008, _____, 2010.

General Authority: NDCC 54-52.1-08

Law Implemented: NDCC 54-52.1-08

Section 71-03-06-01 is amended as follows:

71-03-06-01. Enrollment. ~~4. New~~ An eligible employee of a participating political subdivision ~~are~~ is entitled to coverage the first of the month following the month of employment, if the employee submits an application for coverage within the first thirty-one days of employment, or eligibility for one of the following special enrollment periods:

1. Loss of coverage under any other health insurance plan.
2. Marriage. The enrollment of an employee's spouse. An employee who previously waived coverage must ~~is also eligible to~~ enroll for coverage at the time the employee's spouse is enrolled.
3. Addition of a dependent as a result of birth, adoption, placement for adoption receiving legal guardianship, or receiving a court order to provide health coverage. An employee who previously waived coverage must ~~is also eligible to enroll~~ for coverage at the same time that the employee's eligible dependent is enrolled.

~~2. Eligible employees of qualifying political subdivisions are entitled to individual coverage if the political subdivision for which the employee works does not offer its employees a group health insurance plan and the employee submits an application for coverage within the first thirty-one days of employment or eligibility for one of the special enrollment periods as follows:~~

- ~~— a. Loss of coverage under any other health insurance plan.~~
 - ~~— b. Marriage. The enrollment of an employee's spouse. An employee who previously waived coverage is also eligible to enroll for coverage at the time the employee's spouse is enrolled.~~
 - ~~— c. Addition of a dependent as a result of birth, adoption, receiving legal guardianship, or receiving a court order to provide health coverage. An employee who previously waived coverage is also~~
- 1
- ~~— eligible to enroll for coverage at the same time that the employee's~~
 - ~~— eligible dependent is enrolled.~~

History: Effective June 1, 1996; amended effective July 1, 1998, _____, 2010 .

General Authority: NDCC 54-52-04

Law Implemented: NDCC 54-52.1-03.1, 54-52.1-03.4

Section 71-03-06-03 is amended as follows:

71-03-06-03. Open Special enrollment for certain qualifying events. Political subdivisions must follow the same enrollment procedures as outlined in section 71-03-03-05.

History: Effective June 1, 1996, _____, 2010 .

General Authority: NDCC 54-52-04, 54-52.1-03.1

Law Implemented: NDCC 54-52.1-03, 54-52.1-03.1

Section 71-03-06-05 is amended as follows:

71-03-06-05. Continuation of health benefits for dependents. Political subdivisions must follow the same continuation procedure as outlined in section 71-03-03-07.

~~A dependent of an employee with family coverage may continue coverage with the group after the dependent's eligibility would ordinarily cease. An employee's dependent, including a divorced or widowed spouse or children no longer dependent on the employee, may continue with the group after the dependent's eligibility would ordinarily cease. Coverage is limited to a period of thirty-six months and must be discontinued if the payment of the premium is not made in a timely manner. Dependents must notify the retirement board within sixty days of the qualifying event and submit an application in a timely manner. An individual who fails to submit an application to the retirement board within the sixty days is not eligible for coverage.~~

History: Effective June 1, 1996, _____, 2010 .

General Authority: NDCC 54-52-04, 54-52.1-03.1

Law Implemented: NDCC 54-52.1-03, 54-52.1-03.1

Section 71-03-06-08 is amended as follows:

71-03-06-08. Employee contribution. An employee who is enrolled in the group insurance plan and required by the employing agency to pay a part of the

premium must pay the amount due to the employing agency in advance of the employer's payment to the public employees retirement system. ~~The employee's contribution may be paid by payroll deduction or any other method acceptable to the agency.~~

History: Effective June 1, 1996, _____, 2010 .

General Authority: NDCC 54-52-04, 54-52.1-03.1

Law Implemented: NDCC 54-52.1-02, 54-52.1-03.1

Section 71-03-07-01 is amended as follows:

71-03-07-01. Employer contribution. Each employer must submit to the board the full monthly premium amount for each eligible employee enrolled in the group insurance plan. The employer must verify the number of eligible employees and the level of coverage for each. An employee is eligible for an employer contribution for the month following the month of employment. If an eligible employee terminates employment prior to the effective date of coverage, no employer contribution is required. The employer contribution ends the month following the month of termination of employment. An employee's coverage must end the month after termination of employment. When an employee transfers from one participating ~~enrolled~~ employer to another, the new employer is responsible for the payment of the ~~submitting~~ premium for the first of the month following employment.

History: Effective June 1, 1996, _____, 2010.

General Authority: NDCC 54-52-04, 54-52.1-03.1

Law Implemented: NDCC 54-52.1-03.1

Section 71-03-07-02, 71-03-07-03 and 71-03-07-05 are amended as follows:

71-03-07-02. Information to employee. Each employer shall inform its each ~~eligible employees~~ of their employee's right to group insurance and the process necessary to enroll. The employer shall provide each eligible employee such forms as necessary to enroll in the group insurance program.

History: Effective June 1, 1996, _____, 2010.

General Authority: NDCC 54-52-04, 54-52.1-03.1

Law Implemented: NDCC 54-52.1-03, 54-52.1-03.1

71-03-07-03. Collecting employee contributions. Each employer shall collect any employee contribution due and submit it with ~~any~~ the employer contribution to the retirement board each month. When an employee on an approved leave of absence requests to continue in the group, the employer shall collect the full amount of the premium from the employee each month and remit it to the retirement board. The minimum employer contribution will be determined by the retirement board and must be consistently applied to all eligible employees.

History: Effective June 1, 1996; amended effective May 1, 2004, _____, 2010.

General Authority: NDCC 54-52-04, 54-52.1-03.1

Law Implemented: NDCC 54-52.1-03, 54-52.1-03.1

71-03-07-05. Premium for basic term life insurance. All political

subdivisions that elects to participate in the group life insurance program shall must pay to the retirement board the full premium for the basic term life insurance for each of its eligible employees.

History: Effective June 1, 1996, _____, 2010 .

General Authority: NDCC 54-52-04, 54-52.1-03.1

Law Implemented: NDCC 54-52.1-02, 54-52.1-03.1

Subsections 1 and 10 of Section 71-04-01-01 is amended as follows:

71-04-01-01. Definitions. The terms used throughout this title have the same meaning as in North Dakota Century Code section 54-52.2-04, except:

1. "Beneficiary" means an individual designated by the participant ~~in the participant agreement~~ to receive benefits under the plan in the event the participant dies.
2. "Compensation" means the total annual remuneration for employment or contracted services received by the participant from the employer.
3. "Deferred compensation" means the amount of compensation not yet earned which the participant and the employer shall mutually agree shall be deferred from current monthly salary in accordance with the provisions of the plan.
4. "Eligible state deferred compensation plan" means a plan established and maintained by this state that complies with the Internal Revenue Code (IRC) 457(b).
5. "Employer" means the state of North Dakota or any of its political subdivisions, institutions, departments, or agencies.
6. "Participant" is any employee of a participating employer who executes a participant agreement.
7. "Participant agreement" means a written agreement between the employer and a participant setting forth certain provisions and elections relative to the plan, incorporating the terms of the plan and establishing the participant's deferral and participation in the plan.
8. "Provider" means any insurance company, federally insured financial institutions, Bank of North Dakota, or registered dealer under North Dakota Century Code chapter 10-04 authorized by the retirement board to provide investment vehicles to employees.
9. "Retirement" means separation from service with the employer on a date coincidental with the normal, postponed, early, or disability retirement dates as described in North Dakota Century Code chapter 54-52-17.3.

10. "Retirement board" or "board" means the seven persons described in North Dakota Century Code chapter 54-52-03.
11. "Separation from service" means that term as defined under Internal Revenue Code section 402(d)(4)(A)(3i) and includes termination of employment with the employer by reason of death, disability, retirement, resignation, or discharge.
12. "State" means the state of North Dakota, or any department, institution, or separate agency thereof acting as an employer of the participant.
13. "Unforeseeable emergency" means a severe financial hardship to the participant resulting from a sudden and unexpected illness or accident of the participant, the participant's spouse or dependent of the participant, loss of the participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the participant.

History: Effective April 1, 1989; amended effective July 1, 1994; April 1, 2002; May 1, 2004, _____, 2010.

General Authority: NDCC 28-32-02, 54-52.2-03.2

Law Implemented: NDCC 54-52.2-03, 54-52.2-03.2, 54-52.2-04

Section 71-04-03-02 is amended as follows:

71-04-03-02. Effective date of deferrals. All deferrals are effective the payroll period ending in the month following the month in which the deferral is authorized. Deferrals cannot be requested or authorized during for the month in which income is being earned ~~and a deferral is being requested~~.

History: Effective April 1, 1989, _____, 2010.

General Authority: NDCC 28-32-02

Law Implemented: NDCC 54-52.2-03; IRC 457(b)(4)

Section 71-04-03-05 and 71-04-03-06 are amended as follows:

71-04-03-05. Unforeseeable emergency. A participant who, prior to separation from service, experiences an unforeseeable emergency as defined in section 71-04-01-01 may apply for a ~~partial~~ distribution of the participant's deferred compensation account to the extent reasonably needed to satisfy the financial need. The participant may make application by completing a financial hardship form and delivering it to the retirement board offices.

History: Effective April 1, 1989; amended effective July 1, 1994; April 1, 2002, _____, 2010.

General Authority: NDCC 28-32-02, 54-52.2-03.2

Law Implemented: NDCC 54-52.2-03, 54-52.2-03.2

71-04-03-06. Termination of participation. Participation in the plan may be terminated at any time by completion of a participant agreement indicating an

elimination suspension of monthly deferrals.

History: Effective April 1, 1989; amended effective July 1, 1994; April 1, 2002; May 1, 2004, _____, 2010.

General Authority: NDCC 28-32-02, 54-52.2-03.2

Law Implemented: NDCC 54-52.2-03, 54-52.2-03.2

Sections 71-04-04-01, 71-04-04-02, 71-04-04-03, 71-04-04-04, 71-04-04-05, 71-04-04-06, 71-04-04-07 and 71-04-04-10 are amended as follows:

71-04-04-01. Enrollment. The ~~retirement~~ board shall design and provide employees with a participant agreement to facilitate the enrollment in the plan. The participant agreement must provide for the collection of all information regarding identification of the employee, starting date of the deduction, the payroll period affected, name of the provider company, and the provider representative.

History: Effective April 1, 1989; amended effective September 1, 1997; May 1, 2004, _____, 2010.

General Authority: NDCC 28-32-02

Law Implemented: NDCC 54-52.2-01, 54-52.2-02, 54-52.2-05

71-04-04-02. Booklets. The ~~retirement~~ board shall, upon request of the employee, make available a descriptive booklet setting forth the enrollment requirements of the plan, explanation of the deferred compensation plan under section 457 of the Internal Revenue Code, and investment options under the plan.

History: Effective April 1, 1989; amended effective September 1, 1997; May 1, 2004, _____, 2010.

General Authority: NDCC 28-32-02

Law Implemented: NDCC 54-52.2-03

71-04-04-03. Provider agreement. The ~~retirement~~ board shall establish a written provider agreement for the authorization of companies or organizations who offer investment options to public employees. This agreement may include registration and reporting requirements, educational requirements of sales representatives, and limitations of investment options.

History: Effective April 1, 1989, _____, 2010 .

General Authority: NDCC 28-32-02

Law Implemented: NDCC 54-52.2-03

71-04-04-04. Employer agreement. The ~~retirement~~ board shall establish a written agreement for all employers, other than state departments, agencies, district health units, boards, or commissions, which appoint the state to administer their deferred compensation plan. This agreement includes requirement for the employer to adopt the retirement board's rules, employers to make the requested payroll deductions upon proper application by the employee, remit the deductions directly to the retirement board along with a listing of deferred compensation deductions for all employees participating in the plan, submit all provider participant contracts to the ~~retirement~~ board, hold all participant account information as confidential, and notify the retirement board within thirty days of participant's termination of

employment.

History: Effective April 1, 1989; amended effective April 1, 2002; July 1, 2006, _____, 2010.

General Authority: NDCC 28-32-02

Law Implemented: NDCC 54-52.2-03

71-04-04-05. Payroll deduction authorization. The ~~retirement~~ board shall deliver to the payroll division of each employer a copy of the signed participant agreement as the payroll division's authorization to begin deductions.

History: Effective April 1, 1989, _____, 2010.

General Authority: NDCC 28-32-02

Law Implemented: NDCC 54-52.2-02

71-04-04-06. Participant accounts. The ~~retirement~~ board shall have each provider of investment services establish individual accounts to record the participant's contributions, earnings, and other account activity.

History: Effective April 1, 1989, _____, 2010 .

General Authority: NDCC 28-32-02

Law Implemented: NDCC 54-52.2-03

71-04-04-07. Separation from service. The ~~retirement~~ board shall notify the participant, provider company, and provider representative of the employee's separation from service and eligibility for payment of benefits.

History: Effective April 1, 1989; amended effective July 1, 1994; May 1, 2004, _____, 2010.

General Authority: NDCC 28-32-02, 54-52.2-03.2

Law Implemented: NDCC 54-52.2-03, 54-52.2-03.2

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71-04-04-10. Processing deductions. The ~~retirement~~ board will process and remit employee deferred compensation deductions to the designated provider company within three business days following receipt in good order of all funds and documentation from the employer.

History: Effective July 1, 2006, _____, 2010 .

General Authority: NDCC 28-32-02

Law Implemented: NDCC 54-52.2-03

Sections 71-04-06-01, 71-04-06-02, 71-04-06-03, 71-04-06-06, 71-04-06-07, 71-04-06-08, 71-04-06-09, 71-04-06-11 and 71-04-06-12 are amended as follows:

71-04-06-01. Application. Those firms desiring to offer investment services for the deferred compensation plan shall first notify the ~~retirement~~ board, in writing, of the firms' willingness to become a provider.

History: Effective April 1, 1989, _____, 2010.

General Authority: NDCC 28-32-02

Law Implemented: NDCC 54-52.2-03

71-04-06-02. Administrative agreement. Firms expressing a desire to become a provider of investment services under the deferred compensation plan must agree to all provisions found in and sign the retirement boards' administrative agreement. The administrative agreement sets forth the responsibilities of the provider to the plan, the retirement board, and the employee and stipulates that the provider abide by the plan and rules and regulations adopted by the retirement board for the administration of the plan.

History: Effective April 1, 1989, _____, 2010 .

General Authority: NDCC 28-32-02

Law Implemented: NDCC 54-52.2-03

71-04-06-03. Sales representatives. All sales representatives of the provider approved by the retirement board to solicit employees must be fully trained to explain the various investment options available through the provider, be able to explain what the deferred compensation program is as found under section 457 of the Internal Revenue Code, and be licensed with the North Dakota state securities commissioner for the sale of registered or unregistered securities or the North Dakota state insurance commissioner for the sale of insurance contracts or policies, or both.

History: Effective April 1, 1989, _____, 2010 .

General Authority: NDCC 28-32-02

Law Implemented: NDCC 54-52.2-03

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71-04-06-06. Retirement board report. The provider shall deliver quarterly reports, in an approved electronic format, to the retirement board detailing the activity of each participant's account. The quarterly report must be delivered within thirty days of the end of each calendar quarter and must include an alphabetical listing of the participants, social security numbers of the participants, the provider's contract number for the participants (if any), type of account for each participant, beginning account balance forwarded from the previous reporting period, contributions made by the participants for the current reporting period, transfers and rollovers from other eligible plans during the reporting period, investment earnings or losses added to the account (if any for the reporting period), any withdrawals made during the reporting period, administrative charges assessed against the account during the reporting period, transfers and direct rollovers to other eligible plans during the reporting period, and the account balance at the end of the reporting period. The report columns must be totaled. The quarterly report must include active, inactive, and accounts in payout status, with the exception of accounts which have been annuitized, and be for all payroll divisions for the plan.

History: Effective April 1, 1989; amended effective November 1, 1990; July 1, 1994; May 1, 2004; July 1, 2006, _____, 2010.

General Authority: NDCC 28-32-02, 54-52.2-03.2

Law Implemented: NDCC 54-52.2-03, 54-52.2-03.2

71-04-06-07. Account transfer. The provider shall allow any participant who so requests, the ability to transfer the participant's account to another provider on a tax-free basis. The request to the provider must be made in writing by the ~~retirement~~ board or its designated representative. The transfer must be made within thirty days of the provider's receipt of the transfer request.

History: Effective April 1, 1989; amended effective July 1, 1994, _____, 2010.

General Authority: NDCC 28-32-02, 54-52.2-03.2

Law Implemented: NDCC 54-52.2-03

71-04-06-08. Benefit requests. The provider shall honor all requests for benefit or refund payments made upon notification of the employee's separation from service by the ~~retirement~~ board.

History: Effective April 1, 1989; amended effective May 1, 2004, _____, 2010.

General Authority: NDCC 28-32-02

Law Implemented: NDCC 54-52.2-03

71-04-06-09. Benefit payments. The provider shall make benefit payments to the participant in the manner designated by ~~at the participant's designated mailing address,~~ or, if requested, ~~make direct deposits of the benefits at the participant's bank, savings and loan, or credit union.~~

History: Effective April 1, 1989, _____, 2010 .

General Authority: NDCC 28-32-02

Law Implemented: NDCC 54-52.2-03

...

71-04-06-11. Provider reporting failure - Penalty. Should the provider fail to deliver the required report within a thirty-day period beyond the end of the reporting period, notice must be given by certified mail of the provider's failure to comply. The provider shall then have thirty days from the date of the certified letter to comply with the reporting requirement. If the provider fails to deliver the required report within the thirty-day period, the provider is in violation of the administrative agreement and shall lose active provider status as described under subsection 1 of section 71-04-04-09. If the provider has not filed the report within ninety days after the end of the reporting period, the provider shall lose provider status as described under subsection 2 of section 71-04-04-09. Loss of provider status results in all current contributions of active participants being suspended effective in the next payroll cycle. The ~~retirement~~ board will notify all participants of the company's failure to deliver the required reports. Current participants will be required to either select a new provider for future contributions, or have their account go into a dormant status with the company losing provider status. The ~~retirement~~ board will then terminate the agreement with the provider.

History: Effective April 1, 1989; amended effective November 1, 1990; July 1, 1994; May 1, 2004, _____, 2010 .

General Authority: NDCC 28-32-02, 54-52.2-03.2

Law Implemented: NDCC 54-52.2-03, 54-52.2-03.2

71-04-06-12. Provider suspension - Employee account transfers.

Should the provider be in violation of the administrative agreement, employees shall have the option of transferring their individual accounts to another qualified provider. The employee shall also have the option of leaving the account with the provider, ~~in a dormant status, to be dealt with by~~ until the employee is eligible for a distributable event upon separation from service.

History: Effective April 1, 1989; amended effective July 1, 1994, _____, 2010.

General Authority: NDCC 28-32-02, 54-52.2-03.2

Law Implemented: NDCC 54-52.2-03, 54-52.2-03.2

Section 71-05-02-05 is amended as follows:

71-05-02-05. Interest accrued on accumulated contributions for disabled annuitants.

Effective January 1, 1998, interest shall accrue on accumulated contributions as defined in article 71-01 until the disabled annuitant reaches normal retirement age, cancels benefit in accordance with 71-05-02-05, the account is closed, or until benefit payments commence to the member's beneficiary ~~or dies.~~

History: Effective July 1, 1998, _____, 2010 .

General Authority: NDCC 39-03.1-06, 39-03.1-11

Law Implemented: NDCC 39-03.1-11.4(d)

Subsection 2 is amended and a new subsection 6 is created in Section 71-04-04-04 as follows:

71-05-04-04. Payment. The total dollar amount for repurchase or purchase may be paid in a lump sum or on a monthly, quarterly, semiannual, or annual basis. Payments may be subject to contribution limitations established under 26 U.S.C. 415. Payments must begin within ninety days of the date the written cost confirmation is prepared. If the installment method is used, the following conditions apply:

1. Simple interest at the actuarial rate of return must accrue monthly on the unpaid balance. Interest is calculated from the fifteenth of each month.
2. The installment schedule may extend ~~for as long as~~ while the member is employed by the participating employer but for no longer than a 10 year time period.
3. Installment payments may be made by a payroll deduction where available. However, it is the responsibility of the contributor to initiate and terminate the payroll deduction.
4. Payments are due by the fifteenth of the month to be credited for the month.
5. Payments may only be received from a contributor until the fifteenth of the month following the month of the member's termination date with a participating employer.
6. Payments must be greater or equal to fifty dollars per month, large enough to pay the current interest plus a portion of the principal and an amount necessary to complete the payment contract within the 10 year time period.

History: Effective October 1, 1991; amended effective June 1, 1996; May 1, 2004; July 1, 2006, _____, 2010.

General Authority: NDCC 39-03.1-06, 39-03.1-08.1, 39-03.1-10.1, 39-03.1-14.1

Law Implemented: NDCC 39-03.1-08.1, 39-03.1-10.1, 39-03.1-14.1

Section 71-05-04-06 is amended as follows:

71-05-04-06. Crediting purchased or repurchased service. Service purchased or repurchased will be credited in the following manner:

1. ~~The contributor's record must be updated with the additional service credit once the account is paid in full. For each month the system receives a payment towards a purchase contract, the member will earn a proportion of service credit.~~
2. ~~If the contributor or member of an alternative retirement system terminates, retires, or the contributor's account is closed due to delinquency, service credit shall be granted by taking the months of service credit being purchased times the percentage paid. The percentage is determined by taking the total payments made toward the purchase divided by the total amount to be paid over the term of the purchase. Service credit equal to a fraction is deemed to be a whole month of service credit.~~

History: Effective October 1, 1991; amended effective June 1, 1996; May 1, 2004, _____, 2010 .

General Authority: NDCC 39-03.1-06, 39-03.1-10.1, 39-03.1-14.1

Law Implemented: NDCC 39-03.1-08.1, 39-03.1-10.1, 39-03.1-14.1

Subsection 6 of Section 71-05-04-09 is amended as follows:

71-05-04-09. Employer purchase of service credit or sick leave program. An employer may elect to purchase up to five years of service credit for an employee and purchase an employee's unused sick leave that meets the requirements of section 71-02-03-08. Before offering a purchase program to its employees the employer must create a program and document the program in writing and submit a copy to the public employees retirement system. The governing authority of the employer shall also submit to the executive director of the public employees retirement system a letter indicating:

1. The program meets all the requirements of the North Dakota Century Code.
2. The program meets all applicable federal requirements.
3. The employer agrees to remit to the public employees retirement system a lump sum payment of the cost of the purchase upon being billed.
4. The employer has not given the employee the option of a cash payment in lieu of the employer purchase.
5. The employer shall clearly specify who is eligible for the program and indicate if the program is intended to be permanent or will be for a specific time period only.

6. The employer agrees that all purchases for service credit will be based upon actuarial cost as determined by the public employees retirement system. The employer also agrees that all purchases will be completed no later than the 15th of the month following the month of the employee's retirement termination or sixty days from the date the employer and employee agree to the purchase, whichever comes first.
7. The employer agrees that in offering such a program the employer will direct each employee interested in the program to first apply to the employer's authorized agent who will then certify the eligibility of the member, the amount of service credit to be purchased, and send such certification to the public employees retirement system. The employer also agrees that the employer's authorized agent will coordinate the program, authorize all purchases in writing to the public employees retirement system, and be the focal point for communications between the public employees retirement system, the employer, and the employee.
8. The employer agrees that for each employee certified to be eligible to have service credit purchased, the employer will first obtain from the employee authorization for the public employees retirement system to share confidential information with the employer.
9. The employer certifies that in offering the program, the employer is making it available to all employees or a specified class of employees on a nondiscriminatory basis.
10. The employer agrees to provide information and policies pertaining to the employer purchase program pursuant to North Dakota Century Code section 39-03.1-28.

When an employer files the above letter with the public employees retirement system, it may offer the program to its employees. An employer may terminate this program at any time upon the governing authority of the employer sending to the executive director of the public employees retirement system a letter indicating when the program is to be canceled.

History: Effective May 1, 2004; amended effective July 1, 2006; April 1, 2008, _____, 2010 .

General Authority: NDCC 39-03.1-06

Law Implemented: NDCC 39-03.1-10.2

Subsection 2 and 3 of Section 71-05-05-02 are amended as follows:

71-05-05-02. Special retirement options - Application.

1. A member may elect a retirement option by filing an application with the office no less than thirty days prior to the beginning date of benefit payments. An application may be filed later than thirty days prior to the beginning date of benefit payments if approved by the plan administrator upon receiving sufficient evidence that the application was delayed by the member's employer.

2. A member may revoke the election of an optional benefit as provided in subsection 1 and make a new election if such revocation is received in writing before the first retirement check is cashed but no later than fifteen days after the first retirement check has been issued. If the member changes the member's election less than fifteen days prior to the named beginning date of benefits, the first retirement payment may be delayed up to two months. Any delayed payment must be adjusted to include any deferred retirement payments. If the member's first retirement payment is paid by direct deposit and the member wishes to revoke the election of the benefit, then the member must immediately notify NDPERS of their election. The benefit will only be revoked if NDPERS is able to reverse the direct deposit paid to the bank within the bank reversal window.

3. A member may not revoke the elected benefit after receiving and cashing the first benefit check or if paid by direct deposit, after the bank reversal window has expired, unless the member can provide sufficient evidence to the executive director that the factual basis by which the election was made later proved to be incorrect and such was due in part to representation or misrepresentations made by the employer or the retirement office.

History: Effective October 1, 1991; amended effective May 1, 2004, _____, 2010.

General Authority: NDCC 39-03.1-06

Law Implemented: NDCC 39-03.1-11

Subsections 3 and 4 of Section 71-05-05-04 are repealed in this section and a new section 71-05-05-04.1 is created.

71-05-05-04. Optional benefits. A member may elect, as provided in section 71-05-05-02, to receive one of the following optional benefits in lieu of the regular early or normal retirement benefit.

1. **One hundred percent joint and survivor benefit.** A member may receive an actuarially reduced retirement benefit during the member's lifetime and after the member's death the same amount will be continued to the member's surviving spouse during the spouse's lifetime. The designated beneficiary is limited to the member's spouse. In the event the member's spouse predeceases the member or, in the event of divorce, the option shall be canceled and the member's benefit shall be returned to the normal retirement amount. Payment of the normal retirement amount shall commence on the first day of the month following the spouse's death providing written notification of death and a death certificate has been submitted or, in the event of divorce, a photocopy of the divorce decree. Should the member remarry and wish to change such designation, a new actuarial retirement benefit will be calculated. Payments of benefits to a member's surviving spouse must be made on the first day of each month, commencing on the first day of the month following the member's death, providing the beneficiary has supplied a marriage certificate, death certificate, birth certificate verifying age, and is still living. Benefits must terminate in the month in which the death of the beneficiary occurs.

2. **Twenty-year or ten-year term certain.** A member may elect an option which is the actuarial equivalent of the member's normal, early, or deferred vested retirement pension payable for life with a twenty-year or ten-year certain feature, as designated by the member.
3. ~~**Partial lump sum option.** The partial lump sum option will only be available to members who retire on or after reaching their normal retirement date. This option is an irrevocable election and made at initial application for retirement. The payment is equal to twelve monthly payments determined under the normal annuity option. The member is permitted to choose one of the optional forms of payment for ongoing benefits. The ongoing benefits will be actuarially reduced to reflect the partial lump sum payment.~~
4. ~~**Deferred normal retirement option.** The deferred normal retirement option will only be available to members who retire after reaching their normal retirement date. This option is an irrevocable election and made at initial application for retirement. The payment is in lieu of a lump sum equal to the amount of missed payments, without interest, retroactive to the member's normal retirement date. The ongoing benefits will be actuarially increased to reflect the lump sum.~~

History: Effective October 1, 1991; amended effective July 1, 2006; April 1, 2008, _____, 2010.

General Authority: NDCC 39-03.1-06

Law Implemented: NDCC 39-03.1-11

71-05-05-04.1. Benefit Modifications. A member may elect as provided in section 71-05-05-02 to receive one of the following benefit modifications.

1. **Partial lump sum option.** The partial lump sum option will only be available to members who retire on or after reaching their normal retirement date. This option is an irrevocable election and made at initial application for retirement. The payment is equal to twelve monthly payments determined under the normal annuity option. The member is permitted to choose one of the optional forms of payment for ongoing benefits. The ongoing benefits will be actuarially reduced to reflect the partial lump sum payment.
2. **Deferred normal retirement option.** The deferred normal retirement option will only be available to members who retire after reaching their normal retirement date. This option is an irrevocable election and made at initial application for retirement. The payment is in lieu of a lump sum equal to the amount of missed payments, without interest, retroactive to the member's normal retirement date. The ongoing benefits will be actuarially increased to reflect the lump sum.
3. **Graduated benefit option.** The graduated benefit option will only be available to members who retire after reaching normal retirement date. This option is an irrevocable election and made at initial application for retirement. The member is

permitted to choose one of the optional forms of payment for ongoing benefits excluding the deferred normal retirement option or partial lump sum option. The ongoing benefits will be actuarially reduced to reflect the election of the graduated benefit.

History: Created effective _____, 2010

General Authority: NDCC 39-03.1-06

Law Implemented: NDCC 39-03.1-11

Subsection 3, 4 and 5 of Section 71-04-05-10 are amended as follows:

71-05-05-10. Erroneous payment of benefits - Overpayments.

1. An "overpayment" means a payment of money by the public employees retirement system that results in a person receiving a higher payment than the person is entitled to under the provision of the retirement plan of membership.
2. A person who receives an overpayment is liable to refund those payments upon receiving an explanation and a written request for the amount to be refunded from the executive director. All overpayments must be collected using the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like gains. If the cost of recovering the amount of the overpayment is estimated to exceed the overpayment, the repayment is considered to be unrecoverable.
3. If an overpayment of benefits was not the result of any wrongdoing, negligence, misrepresentation, or omission by the recipient, the recipient may make repayment arrangements subject to the executive director's approval within sixty days of the written notice of overpayment with the minimum repayment amount no less than fifty dollars per month. If repayment arrangements are not in place within sixty days of the date of the written notice of overpayment, the executive director shall offset the amount of the overpayment from the amount of future retirement benefit payments so that the actuarial equivalent of the overpayment is spread over the individual's benefit payment period.
4. If the overpayment was the result, in whole or in part, of the wrongdoing, negligence, misrepresentation, or omission of the recipient, the recipient is liable to pay interest charges at the rate of six percent on the outstanding balance to compensate the fund for lost earnings from the time the erroneous benefit was paid through the time it has been refunded in full. Recovered funds are first applied to interest, and if any amount is left over, that amount is applied to principal. The recipient may make repayment arrangements, subject to the executive director's approval, within sixty days of the written request for refund with the minimum repayment amount no less than fifty dollars per month. If repayment arrangements are not in place within sixty days of the date of the written notice of overpayment, the executive director shall offset the amount of the overpayment from the amount of future retirement benefit payments so that the actuarial equivalent of the overpayment is spread over the individual's benefit payment period.
5. If an individual dies prior to fully refunding an erroneous overpayment of benefits, the public employees retirement system must make application to the estate of the deceased to recover the remaining balance.

History: Effective April 1, 2002; amended effective July 1, 2006, _____, 2010 .

General Authority: NDCC 32-03-04, 39-03.1-06, 54-52-04(12), 54-52-14.2

Law Implemented: NDCC 39-03.1-25

Subsection 1 of section 71-05-06-01 is amended as follows:

71-05-06-01. Return of contributions - Conditions for return. The accumulated contributions of a member who terminates permanent employment:

1. Before accumulating ten years of service credit and whose account balance is less than \$1000.00 must be automatically refunded unless the member elects to remain in an inactive status.
2. After accumulating ten years of service credit, accumulated contributions must be refunded upon application filed with the retirement office.

History: Effective October 1, 1991, _____, 2010.

General Authority: NDCC 39-03.1-06

Law Implemented: NDCC 39-03.1-10.1

Section 71-05-07-01 is amended as follows:

71-05-07-01. Return to service – Retired member. The benefits of a retired member who returns to permanent employment must be suspended. Upon final retirement, the member's benefit must be recalculated as follows:

- ~~1. If the period of subsequent employment is less than two years, the member may elect:
 - a. A return of the member's contributions made after reemployment, and the suspended benefit restored, adjusted for the member's age at final retirement and for benefit payments received prior to reemployment; or
 - b. A recalculation of the member's benefit based on the benefit provisions in effect at the member's initial retirement, but adjusted to take account of age at final retirement, benefit payments received prior to reemployment, salary and service credits, and any benefit increases accrued during the period of subsequent employment.~~
- ~~21.~~ If the period of subsequent employment is more than two years, ~~t~~The member's benefit must be based on the benefit provisions in effect at final retirement and shall include the member's and spouse's age, and salary earned during the period of reemployment, and together with total service earned before and after reemployment, adjusted to take account of benefit payments received prior to reemployment. If a different option is selected at the second retirement date, the member and office will submit information as required to make an actuarial determination of the elected benefit and the related payment of such.
- ~~32.~~ If a member dies during subsequent employment, the member's initial retirement benefit option election will apply. If the benefit election was an optional benefit under section 71-05-02-04, then the member's benefit must be recalculated based on the benefit provisions in effect at the member's initial retirement, but adjusted to take account of age at death, benefit payments received prior to reemployment, salary and service credits, and any benefit increases accrued during the period of subsequent employment. The member's benefit shall be based on the benefit provisions in effect at final retirement and shall include the member and spouses's ages ,salary earned during the period of reemployment,

and total service credits earned before and after reemployment, adjusted to take account of benefit payments received prior to reemployment.

History: Effective October 1, 1991; amended effective May 1, 2004, _____, 2010.

General Authority: NDCC 39-03.1-06

Law Implemented: NDCC 39-03.1-11

Section 71-08-06-04 is amended as follows:

71-08-06-04. Cost. The cost for purchase of eligible military service in the defined contribution plan may be paid as follows:

- 1 The cost for any required employee contributions to be paid by the member may be paid in a lump sum or in installments pursuant to the rules established for purchase or repurchase payment under subsection 3, 4, or 5 of section 71-02-03-02.2. If no payments have been made, no credit will be awarded.
2. ~~If the member elects to make installment payments through payroll deduction, then the employer will be required to match the member contribution month by month. Upon completion of the member contributions, the employer will be required to make a final payment of all remaining employer contributions.~~
3. ~~If the member elects to make payments through any method other than payroll deductions, then upon the member completing full payment of the required member contributions, the employer cost will be assessed to the member's most recent participating employer.~~
4. The employer cost will be assessed to the member's most recent participating employer. Upon being billed by the public employees retirement system, the participating employer will have thirty days in which to make payment in full. If, after sixty days, the employer has not made payment in full, a civil penalty of fifty dollars will be assessed, and, as interest, one percent of the amount due for each month of delay or fraction thereof after the payment became due.

History: Effective May 1, 2004; amended effective July 1, 2006, _____, 2010.

General Authority: NDCC 54-52-04, 54-52.6-04

Law Implemented: NDCC 54-52.6-09.3, 54-52.6-09.4

Subsection 6 of Section 71-08-07-01 is amended as follows:

71-08-07-01. Additional employer contributions. An employer may elect to provide additional employer contributions to an employee's account in an amount not exceeding the equivalent of a purchase of up to five years of service credit for that employee and the purchase of an employee's unused sick leave that meets the requirements of section 71-08-07-02. Before offering such a program to its employees, an employer must create a program and document it in writing and submit a copy to the public employees retirement system. The governing authority of the employer shall also submit to the executive director of the public employees retirement system a letter indicating:

1. The program meets all the requirements of the North Dakota Century Code.
2. The program meets all applicable federal requirements.
3. The employer agrees to remit to the public employees retirement system a lump sum payment of the cost of the purchase upon being billed.
4. The employer has not given the employee the option of a cash payment in lieu of the employer purchase.
5. The employer shall clearly specify who is eligible for the program and indicate if the program is intended to be permanent or will be for a specific time period only.
6. The employer agrees that all additional employer contributions will not exceed the equivalent of a purchase of service credit as determined by the public employees retirement system and all unused sick leave purchases will be based upon the computation specified in the North Dakota Century Code. The employer also agrees that all purchases will be completed no later than the 15th of the month following the month of the employee's retirement termination or sixty days from the date the employer and employee agree to the purchase, whichever comes first.
7. The employer agrees that in offering such a program the employer will direct each employee interested in the program to first apply to the employer's authorized agent who will then certify the eligibility of the member and the amount of service credit to be purchased or sick leave to be converted and send such certification to the public employees retirement system. The employer also agrees that the employer's authorized agent will coordinate the program, authorize all purchases in writing to the public employees retirement system and be the focal point for communications between the public employees retirement system, the employer, and the employee.
8. The employer agrees that for each employee certified to be eligible to have service credit purchased or sick leave converted, the employer will first obtain from the employee authorization for the public employees retirement system to share confidential information with the employer.
9. The employer certifies that in offering the program, the employer is making it available to all employees or a specified class of employees on a nondiscriminatory basis.
10. The employer agrees to provide information and policies pertaining to the employer purchase program pursuant to North Dakota Century Code section 54-52-26.

When an employer files the above letter with the public employees retirement system, the employer may offer the program to its employees. An employer may terminate this program at any time upon the governing authority of the employer sending to the executive director of the public employees retirement system a letter indicating when the program is to be canceled.

History: Effective May 1, 2004; amended effective July 1, 2006; April 1, 2008, _____, 2010.

General Authority: NDCC 54-52-04, 54-52.6-04

Law Implemented: NDCC 54-52.6-09.2



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Memorandum

TO: PERS Board

FROM: Bryan and Sharon

DATE: August 12, 2009

SUBJECT: **PERSLink Project Quarterly Report**

Quarterly Report

Attached is the second 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 sixth progress report in the execution stage. 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>April 1, 2009-June 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 upon 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 one month delay resulting from Pilot 2.1. The revised plan is being followed on track. Pilot 2.3 was started during the quarter. 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 3.02 % 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.</i>

Accomplishments:

During this reporting period of the Execution phase the PERSLink Project Team deployed the final Warranty release into the PERSLink Release 1.0 production environment, resolving about 30 PIRs and bringing this phase to closure. Release 1.0 is now under post-implementation support and the PERSLink team will only focus on critical PIRS for this Release until Release 2.

In parallel, the project team also continued work on resolving and 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. Pilot 2.1 schedule is now closed and remaining tasks are being addressed as part of Pilots 2.2 and

2.3.

The project team also continued the execution of Pilot 2.2, completing JAD sessions, UCS documentation, construction and unit testing for all 12 UCS. System testing is currently 90% completed and a two-week walkthrough of the functionality is scheduled for the end of July. Work is also in progress on data conversion and online documentation development.

The backfile conversion sub-project is now formally closed. The contractor responsible for completing the image conversion also completed, as requested by NDPERS, the destruction of the microfiche used in the process and issued a certificate of destruction.

As Pilot 2.2 development was brought to closure, the Project team started JAD sessions for Pilot 2.3 during the month of June, completing JAD meetings for 5 of the 23 planned UCS for this pilot, and producing documentation for 2 UCS.

Meetings were held to analyze current IT activities, future activities and start discussing how to transition PERS IT staff to supporting PERSLink. Meetings will continue on a monthly basis until a transition plan has been developed.

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 Lessons Learned Session on the Pre-JAD/JAD process used for Pilot 2.2.

The following project communications events occurred:

1. The March 2009 PERSLink Newsletter was published
2. NDPERS Project Manager made periodic updates to the NDPERS Management Team and staff
3. PERSLink Project Management presented a project update to the NDPERS Board
4. NDPERS Project Manager presented a project update to employers during the June Payroll Conference

Expected Accomplishments:

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

1. Complete the following tasks and deliverables:
 - a. Bring closure to Pilot 2.2
 - i. Conduct a two-week walkthrough of the Pilot 2.2 functionality
 - b. Continue work on Pilot 2.3

RISK MANAGEMENT

Status Item	Current Status	Prior Status	Summary
Project Risk	Green	Green	No new high priority risks were added. A risk assessment session is scheduled for July 2009 to update and review all the items in the Risk Register.

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 19 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 new issue was added during the quarter and 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 Functional Analysis/Design		
	P2.2 Use Case Scenarios	Accepted	5/29/09
	P2.2 Activity Diagrams	Accepted	5/29/09
	P2.2 Data Definitions	Accepted	5/29/09
	P2.2 Business Rules	Accepted	5/29/09
	P2.2 Updated RTM	Accepted	5/29/09
	P2.2 Correspondence Definitions	Accepted	5/29/09
	P2.2 Report Definitions	Accepted	5/29/09
	P2.2 Interface Definitions (UID)	Accepted	5/29/09
	P2.2 Technical Analysis/Design		
	P2.2 Conversion Specifications/Maps	Under review	
	P2.2 Integration Specifications	Accepted	6/18/09
	P2.2 Data Model	Under review	
	P2.2 Object Model	Under review	
P2.2 UI Navigation Maps	Under review		
	Phase 5 Pilot 2.3		
	P2.3 Planning Package		
	P2.3 Statement of Work	Accepted	5/27/09
	P2.3 Fine Grained Phase WBS	Accepted	5/27/09
	P2.3 Scope Definition Package		
	P2.3 Updated RTM	Accepted	6/10/09
	Phase 4 Release 1.0		
	Completion of Warranty	Accepted	5/29/09

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 greater than expected payments as a result of the backfile conversion being completed ahead of schedule.</i>	
Project Budget	Revised Budget (if applicable)		Expenditures to Date	Estimated Cost at Completion
\$10,502,214	\$10,502,214		\$5,169,840	\$10,185,098

Budget Status
As of 6/30/09

	Original Budget	Actual Costs	Expected Costs	Actual vs Expected Variance	Remaining Budget	Cost Pe Index (C
Sagitec	7,678,360	4,270,378	4,242,922	27,456	3,407,982	
LRWL	1,000,000	496,032	508,329	(12,298)	503,968	
Hardware/Software	185,000	12,430	12,430	0	172,570	
Contingency	730,640	39,204	39,204	0	691,436	
Total Appropriation	9,594,000	4,818,043	4,802,885	15,158	4,775,957	
PERS Staffing hours	908,214 24,000	351,797 9,296	527,920 13,951	(176,123) (4,654)	556,417 14,704	
Total Budget	10,502,214	5,169,840	5,330,805	(160,965)	5,332,374	