

NDPERS BOARD MEETING

Agenda

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

December 16, 2008

Time: 8:30 AM

I. MINUTES

- A. October 16, 2008
- B. November 7, 2008

II. MISCELLANEOUS

- A. Audit Report – Brady Martz (Information)
- B. PERSLink Quarterly Report – Bryan (Information)
- C. Audit Committee Minutes – Sparb (Information)
- D. Executive Budget Update – Sparb (Information)
- E. NDPERS 2009 Meeting Schedule – (Information)
- F. SIB Agenda

III. RETIREMENT

- A. Annual Investment Update – Steve Cochrane (Information)
- B. Segal Compliance Review of PERS Hybrid Plan and Highway Patrol Retirement Plan – Deb (Board Action)
- C. Retirement/Legislation Update - Sparb (Board Action)
- D. Proposed Legislation LC90118 – Sparb (Information)
- E. Law Enforcement Plan Transfer Policy – Sparb (Board Action)
- F. Retiree Health – Sparb (Confidential) (Board Action)

IV. GROUP INSURANCE

- A. 2009 Group PDP Contract – Kathy (Board Action)
- B. Part D Rates – Kathy (Board Action)
- C. Surplus/Affordability Update – Bryan (Information)

V. DEFERRED COMPENSATION

- A. 405(a) and 457 Companion Plan 3rd Quarter Reports – Bryan (Information)
- B. AUL Contract – Sparb & Kathy (Board Action)
- C. Hardship Withdrawal – Kathy (Board Action)

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

Memorandum

DATE: November 21, 2008
TO: NDPERS Board
FROM: Jamie
SUBJECT: 2008 Audit Report Presentation

Included is the 2008 audit report for the PERS agency. John Mongeon and Patrick Brown from Brady Martz & Associates will be at the Board meeting to review the report with you and answer any questions you may have. This report was reviewed by the Audit Committee at its November meeting.



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Memorandum

TO: PERS Board

FROM: Bryan and Sharon

DATE: December 8, 2008

SUBJECT: **PERSLink Project Quarterly Report**

Quarterly Report

Attached is the third quarter 2008 PERSLink status report. NDPERS is required to file this report with ITD throughout the duration of our system replacement project. This is the third progress report in the execution stage. Note that the planning phase went well and the project is on time and on budget.

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

Project Status Report

Project Name *PERSLink*

Project Phase *EXECUTION*

For period:	<i>July 1, 2008 – September 30, 2008</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 continues to produce 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 new variance in scope. A process to track enhancements and new or purged requirements using a Scope Management Register in Sharepoint was developed. Guidelines were also developed for when the NDPERS Project Manager can approve a Change Order and when Steering Committee approval is required..</i>
Schedule	Green	Green	<i>There is a schedule variance of 2 months on the completion of UCS documentation creation and review tasks for Pilot 2.1. Despite applying an action plan to correct these variances, the cumulative variances in the development of UCS documents has caused a variance on the Baseline Finish Date for Pilot 2.1 UAT beyond the schedule contingency buffer. This variance is not expected to propagate to the other Pilots and to the final implementation because of additional process improvement actions being taken. The scheduled implementation date of October 1, 2010 will be maintained.</i>
Cost	Green	Green	<i>Actual costs are 5.06% 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. No new High Priority risks and no changes to risks have been identified during this period.</i>

Accomplishments:

During this reporting period of the Execution phase the PERSLink Project Team completed User Acceptance testing, system documentation, user training and deployment planning and execution culminating with the implementation of PERSLink Release 1.0 into production. Production cut-over was October 1, 2008.

In parallel, the project team also completed all JAD sessions planned for Pilot 2.1, and completed, reviewed and approved all the UCS documentation packages for the Pilot. They also completed technical design, construction and unit testing for 11 of 14 UCS's, completed system test for 6 of 14 UCS and started User Acceptance Testing. The Project team also continued to work on the data conversion and interfaces with PeopleSoft and vendors.

The backfile conversion task is in progress. A statement of work and project schedule was developed and started execution. A sample of microfiche was converted by the document conversion vendor, FNTI, as a proof of concept and is currently under QA review by NDPERS. The NDPERS team also completed the boxing of all the fiche to be converted and the resulting 36 boxes will be shipped to FNTI upon successful completion of the QA review for the Proof of Concept.

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

The following team building events occurred:

1. The PERSLink Team held several meetings to review the project plan and address challenges impacting the schedule. Specific action plans were developed and put into execution. Lessons learned and action plans are available on the SharePoint PERSLink Project Portal.
2. The PERSLink project team held a series of meetings to review the team process and the UCS development process. Lessons learned and action plans are available on the SharePoint PERSLink Project Portal.
3. Sagitec provided a series of Training Sessions to NDPERS core project team and certain subject matter experts who will be involved with UAT for Pilot 2.1 and conducted a training analysis at the completion of the training that was shared with the team.
4. Sagitec also provided a demonstration of Pilot 2.1 to the NDPERS core project team.

The following project communications events occurred:

1. The July 2008 PERSLink Newsletter was published
2. NDPERS Project Manager made periodic updates to the NDPERS Management Team, staff and NDPERS Board

Expected Accomplishments:

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

1. Complete the following tasks and deliverables:
 - a. Technical Design, Construction and Unit Testing, Conversion, System Testing for Pilot 2.1
 - b. Execution of Pilot 2.1
 - c. User Acceptance Testing for Pilot 2.1
 - d. Planning for Pilots 2.2 and 2.3
 - e. Scope Definition for Pilots 2.2 and 2.3

RISK MANAGEMENT

Status Item	Current Status	Prior Status	Summary
Project Risk	Green	Green	No new risks have been added.

Risk Management Log Summary

Risk #	Description	Response Plan	Owner

Comments:

A complete Risk Log is available on PERSLink Project Portal in SharePoint. A total of 17 risks have been identified, prioritized and are being monitored by the PERSLink Project Team.

Issues Log Summary

Issue #	Description	Required Action	Owner
4	Sagitec lost their data conversion manager on 5/20. They will need to hire a new manager and bring them up to speed on the project. While this may not impact Pilot 1.1, it may have an impact on planning for data conversion of Pilot 2.1 which was scheduled to begin in April and continue through October 2008,	A new resource to replace the data conversion manager is in place and data conversion is in progress. Issue is CLOSED.	Sagitec Project Manager

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. The team continues to monitor Issue #3 relating to NDPERS staffing. At this time, this is the only outstanding issue.

SCOPE MANAGEMENT

Status Item	Current Status	Prior Status	Summary
Scope	Green	Green	<i>No change control log entries.</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 developed and is being executed by the Project Management Team with approval from the Steering Committee as needed.			
Deliverable Acceptance Log Summary			
Deliverable #	Deliverable Name	Action Accept / Reject	Action Date
	Phase 4 Release 1.0 Transition Plan	Accept	9/10/08
	Phase 4 Release 1.0 User Training	Accept	9/30/08
	Phase 4 Release 1.0 Deployment/Rollout Plan	Accept	8/26/08
	Phase 4 Release 1.0 Conversion Certification of Completion	Accept	8/26/08
	Phase 4 Release 1.0 Software Certification of Completion	Accept	8/28/08
	Phase 4 Release 1.0 Source Code	Accept	8/28/08
	Phase 4 Release 1.0 Acceptance of the System	Accept	9/30/08
	Phase 5 Pilot 2.1 Use Case Scenarios	Accept	9/30/08
	Phase 5 Pilot 2.1 Activity Diagrams	Accept	9/30/08
	Phase 5 Pilot 2.1 Data Definitions	Accept	9/30/08
	Phase 5 Pilot 2.1 Business Rules	Accept	9/30/08
	Phase 5 Pilot 2.1 Correspondence Definitions	Accept (with exception of UCS-022 addendum)	9/30/08
	Phase 5 Pilot 2.1 Report Definitions	Accept (with exception of UCS-022 addendum)	9/30/08
	Phase 5 Pilot 2.1 Updated RTM	Accept	9/30/08
	Phase 5 Pilot 2.1 Interface Definitions	Accept (with exception of UCS-022 addendum)	9/30/08
	Phase 5 Pilot 2.1 Conversion Specifications	Accept (with exception of UCS-022 addendum)	9/30/08
	Phase 5 Pilot 2.1 Integration Specifications	Accept	9/30/08
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.</i>
Project Budget	Revised Budget (if applicable)		Expenditures to Date
\$10,502,214	10,502,214		3,452,435
			Estimated Cost at Completion
			\$9,970,392

	Original Budget	Actual Costs	Expected Costs	Actual vs Expected Variance	Remaining Budget
Sagitec	7,678,360	3,011,467	3,034,058	(22,591)	4,666,893
LRWL	1,000,000	240,197	270,831	(30,635)	759,803
Hardware/Software	185,000	12,430	12,430	0	172,570
Contingency	730,640	0	0	0	730,640
Total Appropriation	9,594,000	3,264,094	3,317,319	(53,226)	6,329,906
PERS Staffing	908,214	188,341	319,269	(130,928)	719,873
hours	24,000	4,977	8,437	(3,460)	19,023
Total Budget	10,502,214	3,452,435	3,636,588	(184,153)	7,049,780



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MEMORANDUM

TO: NDPERS Board

FROM: Jamie Kinsella *Jamie*

DATE: November 12, 2008

SUBJECT: **August 20, 2008 PERS Audit Committee Minutes**

Attached are the approved minutes from the August 20, 2008 meeting. Those who attended the meeting are available to answer any questions you may have.

These minutes may also be viewed on the NDPERS web site at www.nd.gov/ndpers.

The next audit committee meeting is scheduled for February 18, 2009, 10:00 a.m., in the NDPERS Conference Room.

Attachment

-
- | | | |
|------------------------------------|----------------------------------|-----------------------------------|
| • FlexComp Program | • Retirement Programs | • Retiree Health Insurance Credit |
| • Employee Health & Life Insurance | - Public Employees | • Deferred Compensation Program |
| • Dental | - Highway Patrol | • Long Term Care Program |
| • Vision | - National Guard/Law Enforcement | |
| | - Judges | |
| | - Prior Service | |
| | - Job Service | |



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MEMORANDUM

TO: Audit Committee
Jon Strinden
Ron Leingang

FROM: Jamie Kinsella, Internal Auditor *Jamie*

DATE: September 2, 2008

SUBJECT: August 20, 2008 Audit Committee Meeting

In Attendance:

Jon Strinden, via conference call
Ron Leingang
Rebecca Dorwart
Jamie Kinsella
Sparb Collins
Leon Heick
Deb Knudsen

The meeting was called to order at 10:05 a.m.

I. May 21, 2008 Audit Committee Minutes

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

II. Internal Audit Quarterly Report

- A. Internal Audit Quarterly Report – The Internal Audit quarterly report listed all of the projects that are in active status as of July 31, 2008. There were 2 projects completed this quarter.

Quarterly Audit Recommendation Status Report – As stated in the Audit Policy #103, the Internal Audit Division is to report quarterly to management and the audit committee the status of the audit recommendations of the external auditors, as well as any found by the internal auditor.

During the past year efforts have been made to ensure that management continues to work on these recommendations. As part of this process, staff reviews these recommendations and their progress at the quarterly Loss Control Committee meetings. Ms. Kinsella report that in the past quarter there was one recommendation completed, progress made on three, and no change for seven of the recommendations.

III. Administrative

-
- | | | |
|------------------------------------|----------------------------------|-----------------------------------|
| • FlexComp Program | • Retirement Programs | • Retiree Health Insurance Credit |
| • Employee Health & Life Insurance | - Public Employees | - Judges |
| • Dental | - Highway Patrol | - Prior Service |
| • Vision | - National Guard/Law Enforcement | - Job Service |
| | | • Deferred Compensation Program |
| | | • Long Term Care Program |

- A. Request for Quality Assurance Review – At the May meeting the audit committee approved having a quality assurance review conducted on the NDPERS internal audit division. The approval included having an internal self-assessment conducted, with an external validation conducted by an outside party.

Ms. Kinsella indicated she contacted the Association of Public Pension Fund Auditors on July 28 of her desire to have someone from the organization conduct an external validation. Included with the audit materials were the responses received to date. Ms. Kinsella conveyed after discussion with Sparb, it has become apparent with that with the upcoming work required of staff due to the PERSLink project and the potential issues with the insurance carrier, staff can not accomplish this task in a timely manner. Staff recommended to postpone conducting a quality assurance review on the internal audit division to a later date. Mr. Leingang approved staff's recommendation. Ms. Dorwart seconded the motion.

- B. Audit Committee Charter Revision – Included with the audit committee minutes was a draft of the Audit Committee Charter. Ms. Kinsella conveyed staff entered the change that was discussed at the last audit committee meeting. Staff recommended approving the changes to the Audit Committee Charter and approving the revised Audit Committee Charter before the Board of Directors for their approval the next Board meeting. Mr. Leingang approved staff's recommendation. Ms. Dorwart seconded the motion.

- C. Audit Committee Meeting Date & Time – The November audit committee meeting is scheduled for November 19, 2008 at 10:00 am.

IV. **Miscellaneous**

- A. Pharmacy Benefits Manager (PBM) Project – A meeting was held with Blue Cross Blue Shield and Prime Therapeutics on Tuesday, August 19, 2008 to discuss the following:

- 1) Rebate process
- 2) RFP to third party
- 3) General discussion
- 4) Time frames

Prime Therapeutics agreed to provide NDPERS with appropriate language for an RFP, as well as their methodology. They will provide their terms and conditions, language regarding confidentiality, what can be done offsite versus onsite, what will be proprietary information as well as any other restrictions, such as nondisclosures, background checks, etc. They will also draft an audit agreement. They also requested that they are given an opportunity to review findings before they go into a report. The timeframe will be historical, probably for the last quarter that is closed.

Discussion was held how to select the sample, whether it be the top 10 in drug volume or drug cost. Prime Therapeutics will provide a report of manufacturers and the statistics. This information will be provided by September 12.

- B. Risk Management Report – At the May audit committee meeting, it was determined that a Risk Management Policy for PERS would not be necessary since a Loss Control Committee is in place to manage risk for the agency. At that time It was suggested that the Loss Control Committee provide a copy of the last meeting agenda and the approved minutes. Deb Knudsen, who oversees the Loss Control Committee, presented an overview of the Committee.
- C. PERSLink Quarterly Report – Included with the audit committee minutes was the PERSLink quarterly status report. NDPERS is required to file this report with ITD throughout the duration of the system replacement project. Ms. Kinsella conveyed the project is on target to go live on October 1 with Pilot 1.1, which consists of contact management, scheduling appointments and seminars, and some workflow, which will require scanning documents as they come in the mail.
- D. Report on Consultant Fees - According to the Audit Committee Charter, the audit committee should “Periodically review a report of all costs of and payments to the external financial statement auditor. The listing should separately disclose the costs of the financial statement audit, other attest projects, agreed-upon-procedures and any non-audit services provided.” Included with the audit committee materials was a copy of the report showing the consulting, investment and administrative fees paid during the quarter ended June 30, 2008.
- E. Publications – Included with the audit committee materials were publications and/or articles from the Institute of Internal Auditors.

The meeting adjourned at 11:10 a.m.



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: December 8, 2008
SUBJECT: Executive Budget Update

On December 3rd Governor Hoeven release his proposed budget for 2009-2011. The following are his actions relating to PERS programs:

PERS Program area	Governors Action
Administrative Budget	Approved as proposed
Retiree Health Increase	Approved and funded a contribution increase of .14%
Health Insurance	Approved our recommended priority #2 (see attached priority list previously approved by the Board – the grey shaded column is approved)

Current Rate: \$658.08

	Existing Plan	Existing Plan	Existing Plan	Existing - EPO	Option A	Alt 1	Alt 1 - A	Alt 2	Alt 2 - A	Alt 3 HDHP
BCBS bid	\$846.64	\$846.64	\$846.64	\$829.76	\$839.00	\$837.88	\$830.64	\$810.56	\$803.70	\$751.90
Deductions										
Remove 1% Contingency	(\$8.44)	(\$8.44)	(\$8.44)	(\$8.27)	(\$8.36)	(\$8.36)	(\$8.28)	(\$8.08)	(\$8.02)	(\$7.50)
Sub total	\$838.20	\$838.20	\$838.20	\$821.49	\$830.64	\$829.52	\$822.36	\$802.48	\$795.68	\$744.40
	27.37%	27.37%	27.37%	24.83%	26.22%	26.05%	24.96%	21.94%	20.91%	13.12%
Biennium Cost										
Increase:	FTE's									
State 11,500	\$49,713,120	\$49,713,120	\$49,713,120	\$45,101,160	\$47,626,560	\$47,317,440	\$45,341,280	\$39,854,400	\$37,977,600	\$23,824,320
General Fund 60%	\$29,827,872	\$29,827,872	\$29,827,872	\$27,060,696	\$28,575,936	\$28,390,464	\$27,204,768	\$23,912,640	\$22,786,560	\$14,294,592
Other Funds 40%	\$19,885,248	\$19,885,248	\$19,885,248	\$18,040,464	\$19,050,624	\$18,926,976	\$18,136,512	\$15,941,760	\$15,191,040	\$9,529,728
Wellness Package	With EPO + Ben	W/O EPO +/-Ben		W/O EPO -Ben	W/O EPO +/-Ben					
EPO	\$0.00	(\$16.71)		Inc. above	(\$16.56)	(\$16.53)	(\$16.39)	(\$15.99)	(\$15.85)	
Benefit Standard	\$0.00	(\$3.40)		(\$3.40)	(\$3.40)	(\$3.40)	(\$3.40)	(\$3.40)	(\$3.40)	
Wellness Benefits	\$7.88	\$7.88		\$0.00	\$7.88	\$7.88	\$7.88	\$7.88	\$7.88	
Subtotal	\$7.88	(\$12.23)		(\$3.40)	(\$12.08)	(\$12.05)	(\$11.91)	(\$11.51)	(\$11.37)	
Sub Total	\$846.08	\$825.97	\$838.20	\$818.09	\$818.56	\$817.47	\$810.45	\$790.97	\$784.31	\$744.40
Increase \$'s	\$188.00	\$167.89	\$180.12	\$160.01	\$160.48	\$159.39	\$152.37	\$132.89	\$126.23	\$86.32
Increase %	28.57%	25.51%	27.37%	24.31%	24.39%	24.22%	23.15%	20.19%	19.18%	13.12%
PERS Benefits Committee Priority:	1	3	2	7	4	5	6	8	9	10
NDPERS Priority:	1	2	3	4	5	6	7	8	9	10
Biennium Cost										
Increase:	FTE's									
State 11,500	\$51,888,000	\$46,337,640	\$49,713,120	\$44,162,760	\$44,292,480	\$43,991,640	\$42,054,120	\$36,677,640	\$34,839,480	\$23,824,320
General Fund 60%	\$31,132,800	\$27,802,584	\$29,827,872	\$26,497,656	\$26,575,488	\$26,394,984	\$25,232,472	\$22,006,584	\$20,903,688	\$14,294,592
Other Funds 40%	\$20,755,200	\$18,535,056	\$19,885,248	\$17,665,104	\$17,716,992	\$17,596,656	\$16,821,648	\$14,671,056	\$13,935,792	\$9,529,728

* - No longer funding Health Dialog at \$4.18 because Disease Management is included in BCBS Administration.

Option A	Increase individual coinsurance by \$250 and family by \$500
Alternative 1	Increase individual deductibles by \$50 on EPO and \$100 on PPO and Basic plans. Increase family deductible by \$150 on EPO and \$300 on PPO and Basic Plans
Alternative 1.A	Both Alternative 1 and Option A
Alternative 2	Increase individual deductibles by \$300 on EPO and \$350 on PPO and Basic plans. Increase family deductible by \$900 on EPO and \$1050 on PPO and Basic Plans
Alternative 2.a	Both Alternative 2 and Option A
Alternative 3	HDHP with \$1250 individual deductible and \$2,500 family deductible

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
7 Well Child Care Visits	\$0.12
Subtotal	\$7.88
* Circumcisions	\$0.18
* My Health Center	\$0.72
Total	\$8.78

* Last two are included in BCBS Adm fee

NDPERS Health Plan 2009-2011 Benefit Reductions:

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



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: December 3, 2008

PROPOSED 2009 NDPERS BOARD MEETING DATES

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

- **January 22**
- **February 19**
- **March 19**
- **April 16**
- **May 21**
- **June 18**
- **July 16**
- **August 20**
- **September 17**
- **October 22**
- **November 19**
- **December 17**

FY 2008

NDSIB Investment Program

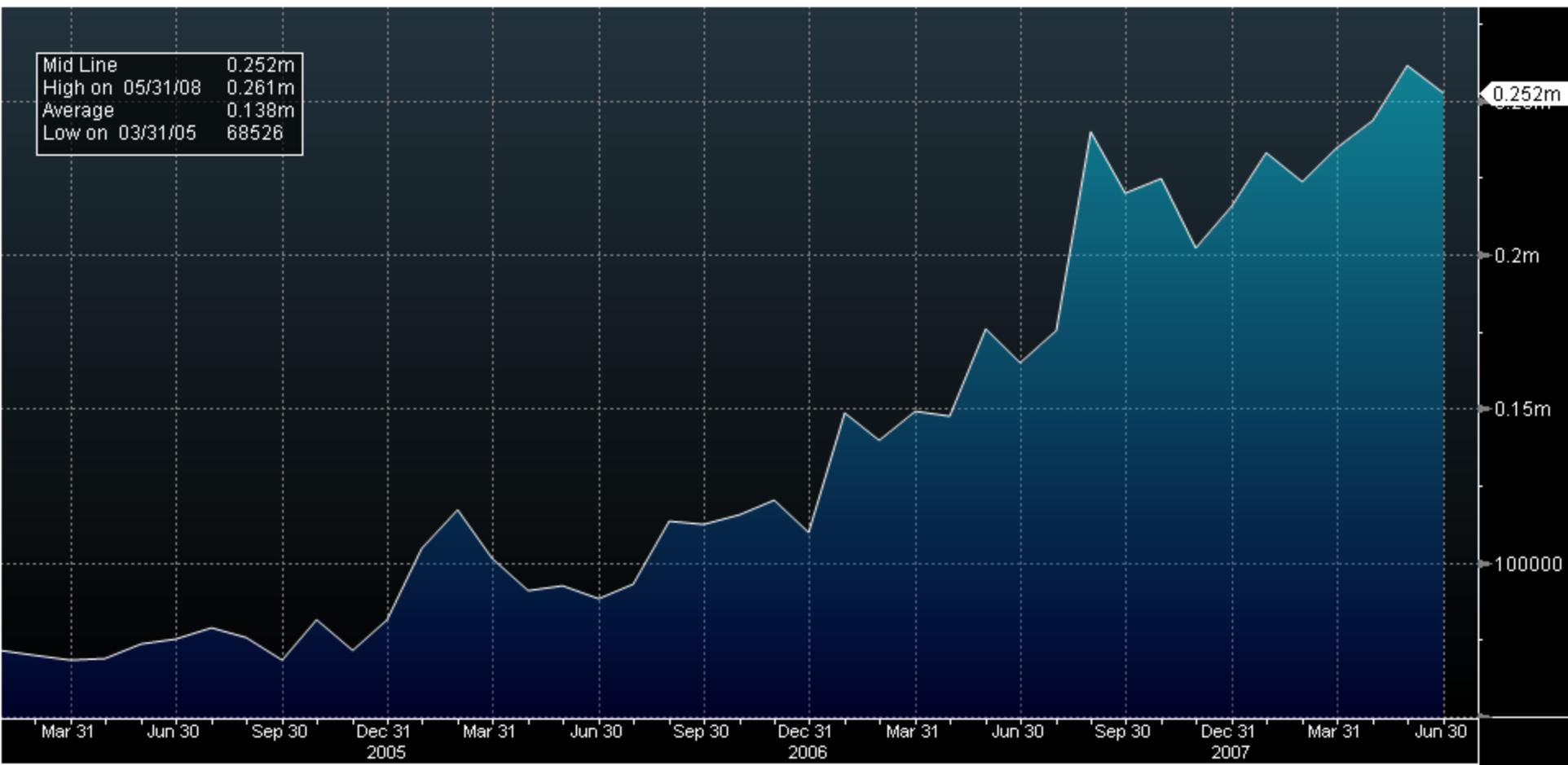
PERS Annual Review

December 16, 2008



Housing Crisis

U.S. Home Foreclosure Filings – 3.5 Years





Inflation

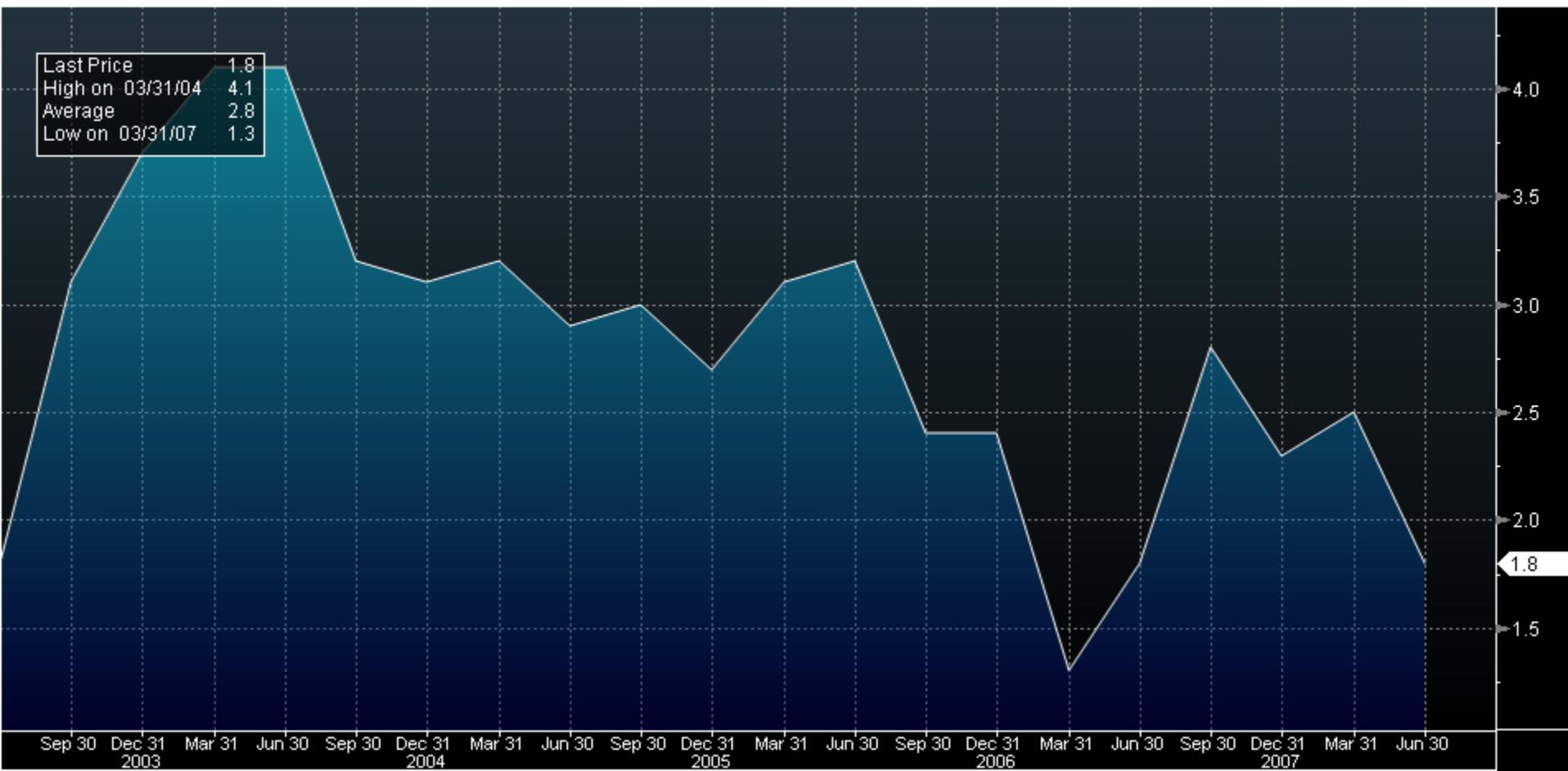
CPI Y-O-Y – 5 Years





Slower Growth

Real GDP Growth – 5 Years





High Oil Prices

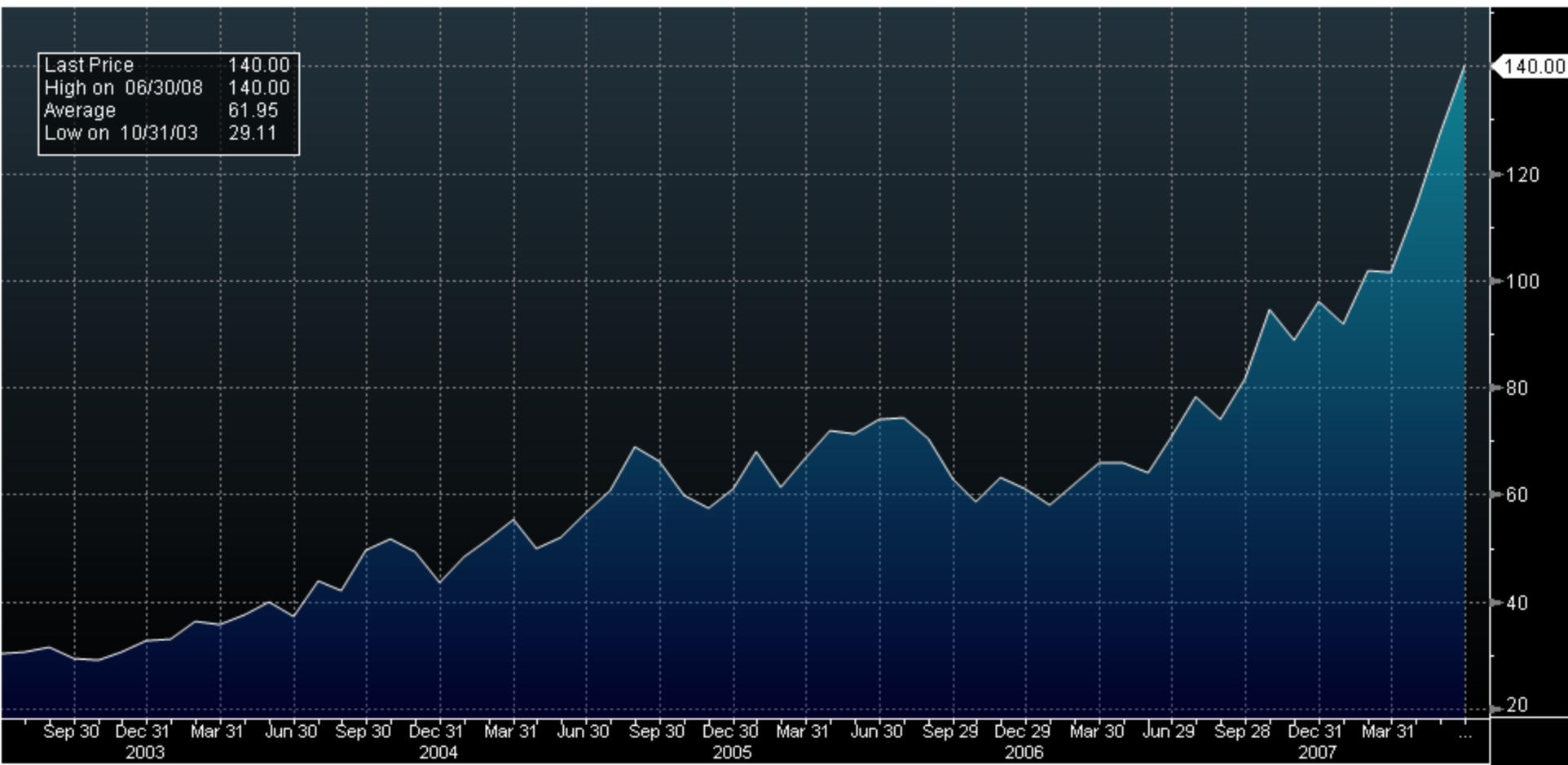
Oil Price Futures – 1 Year





High Oil Prices

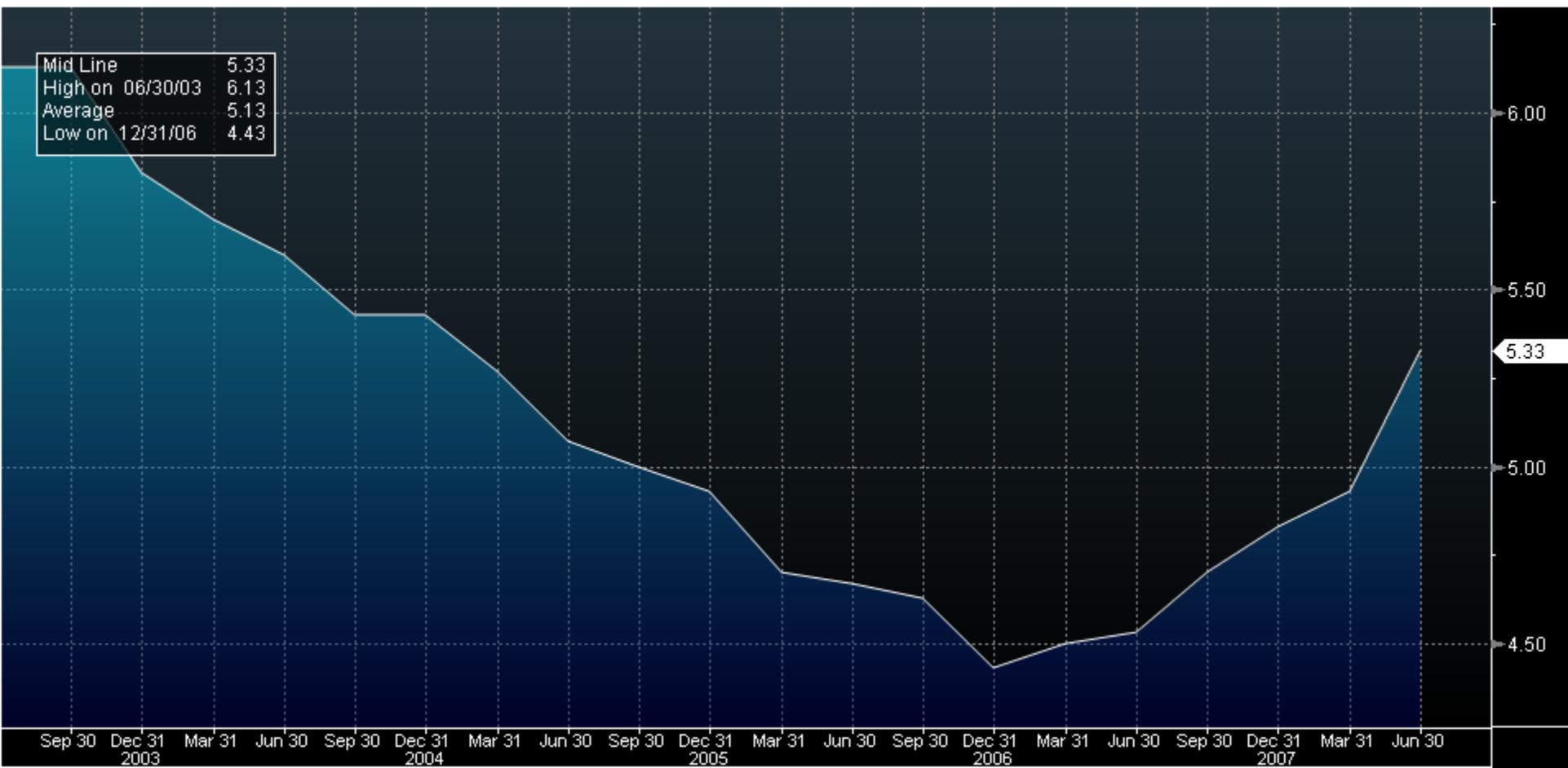
Oil Price Futures – 5 Years





Rising Unemployment

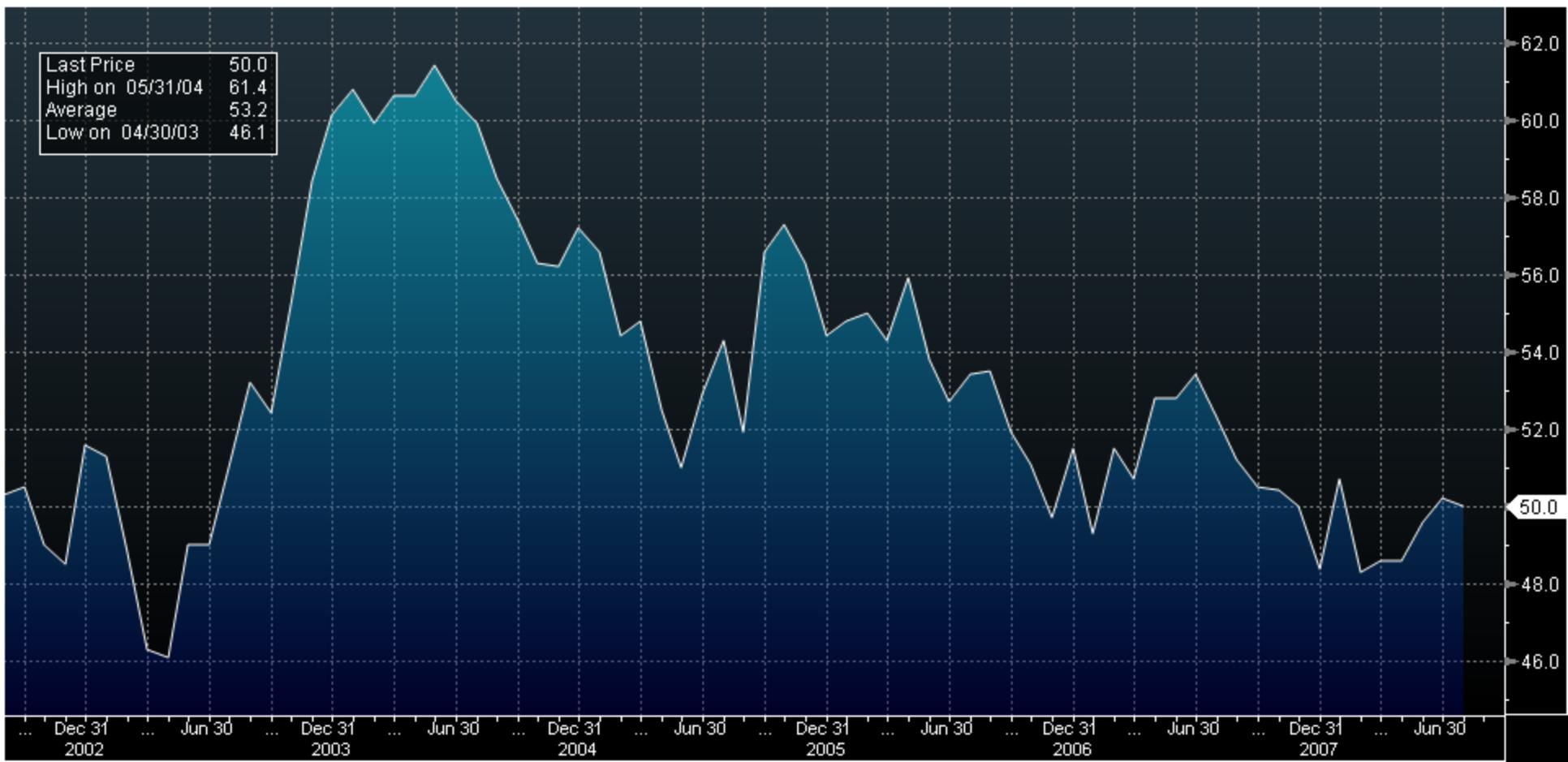
U.S. Unemployment Rate – 5 Years





Manufacturing Slowdown

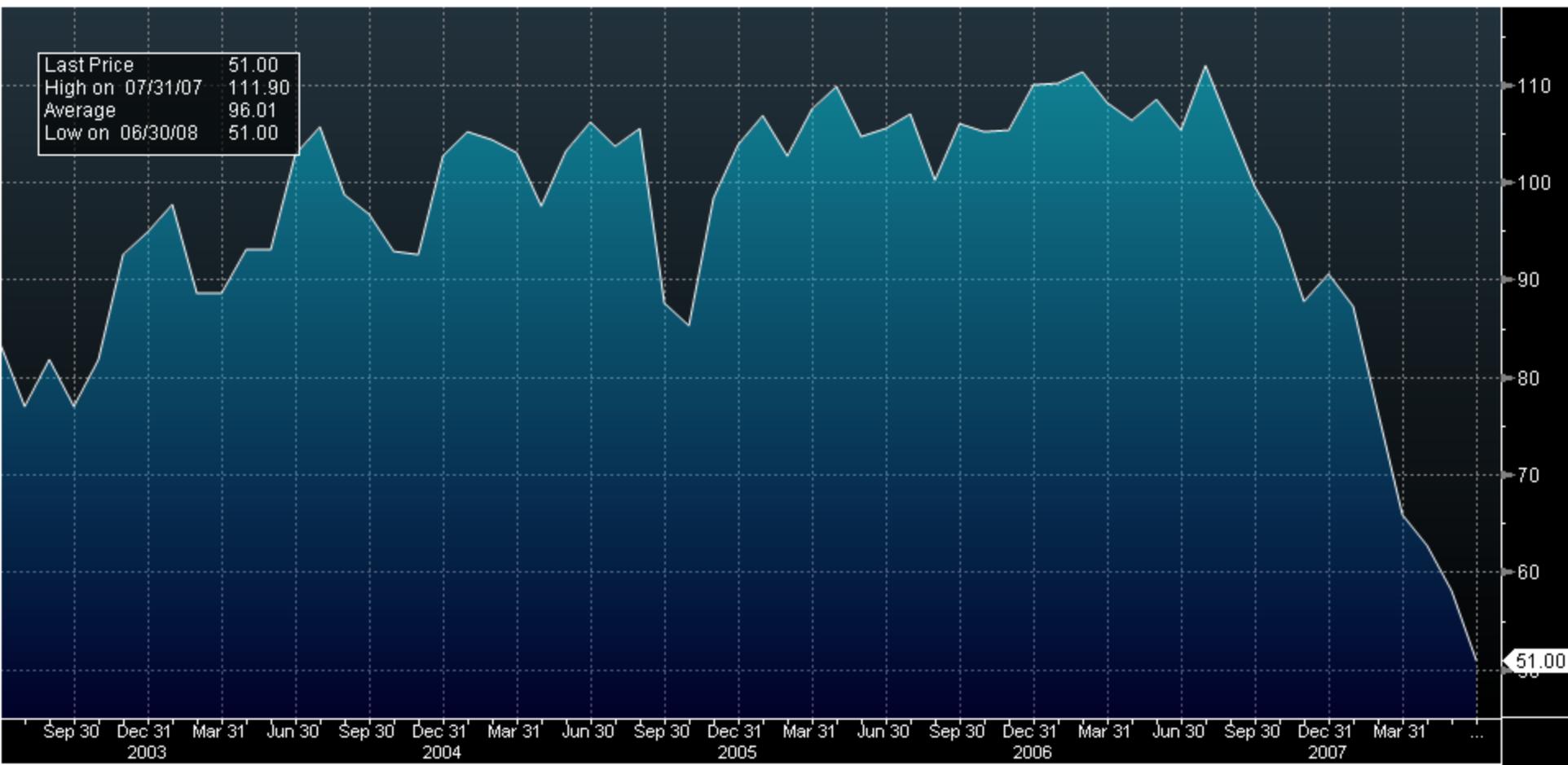
ISM Manufacturing – 6 Years





Consumer Confidence Collapse

Consumer Confidence – 5 Years





Bear Market

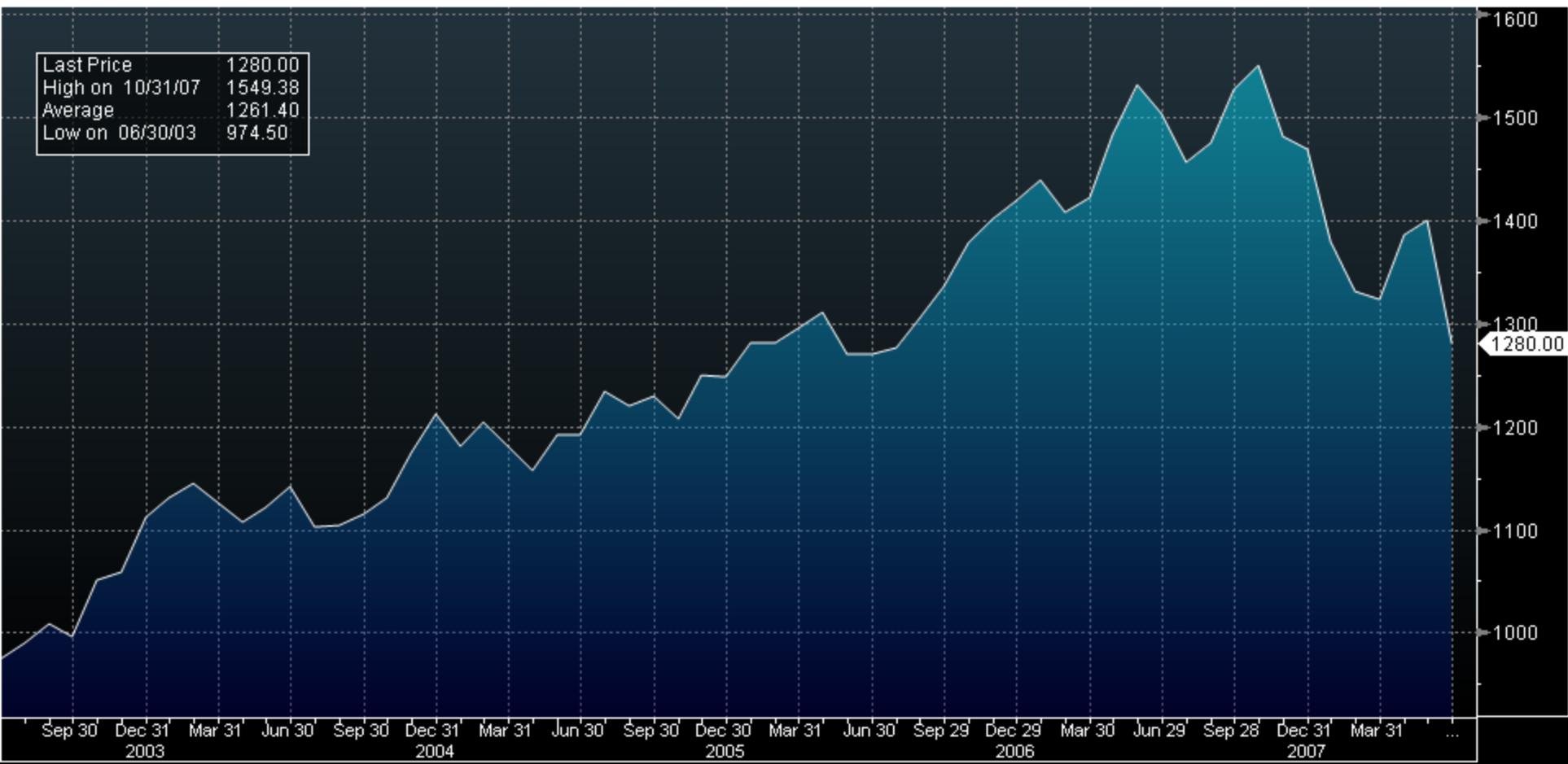
S&P 500 – 1 Year





Bear Market

S&P 500 – 5 Years





Consumers Are Hurting

Retail Sector – 1 Year





Banking Crisis

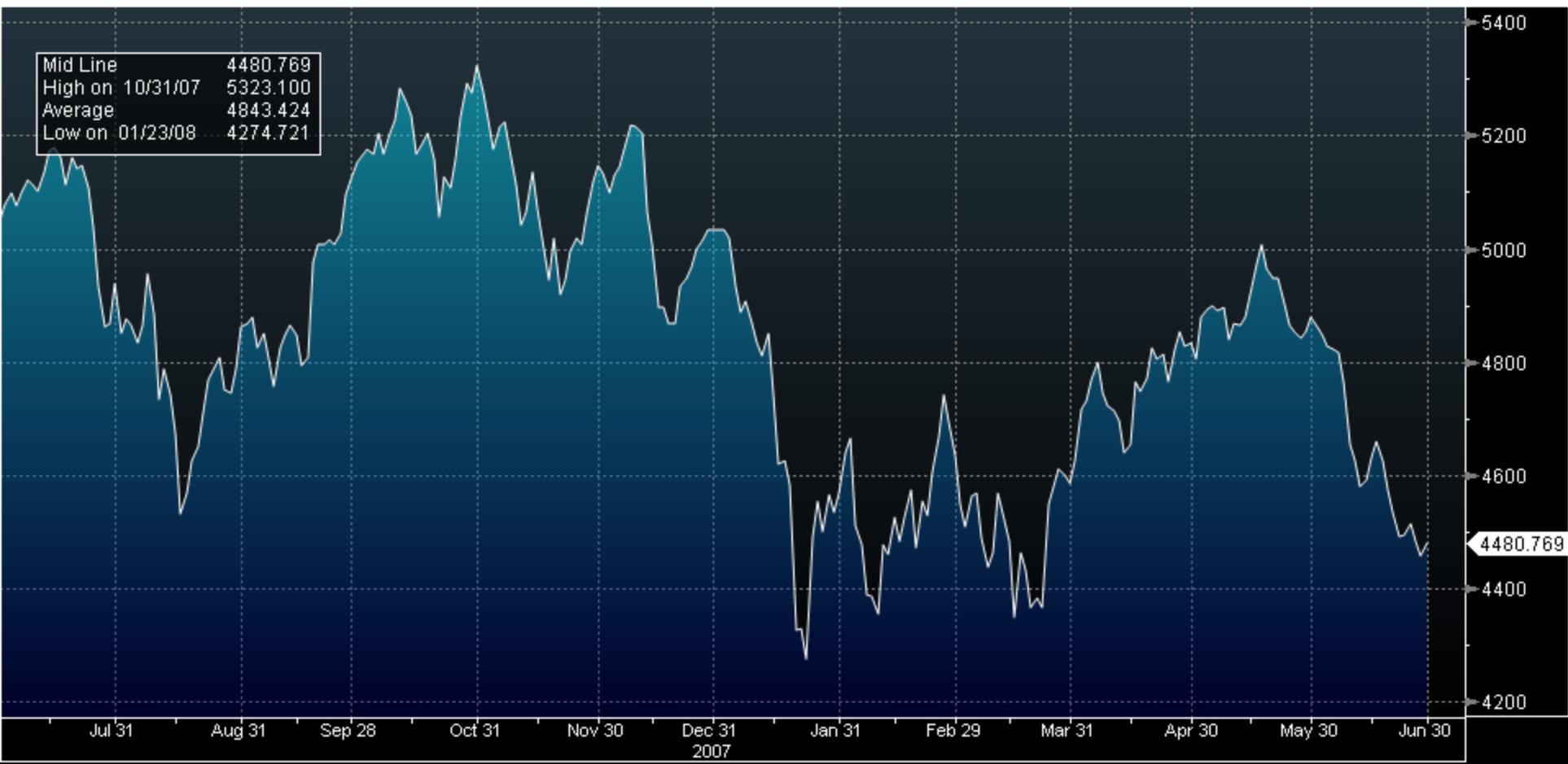
Financial Sector – 1 Year





It's Not Just the USA

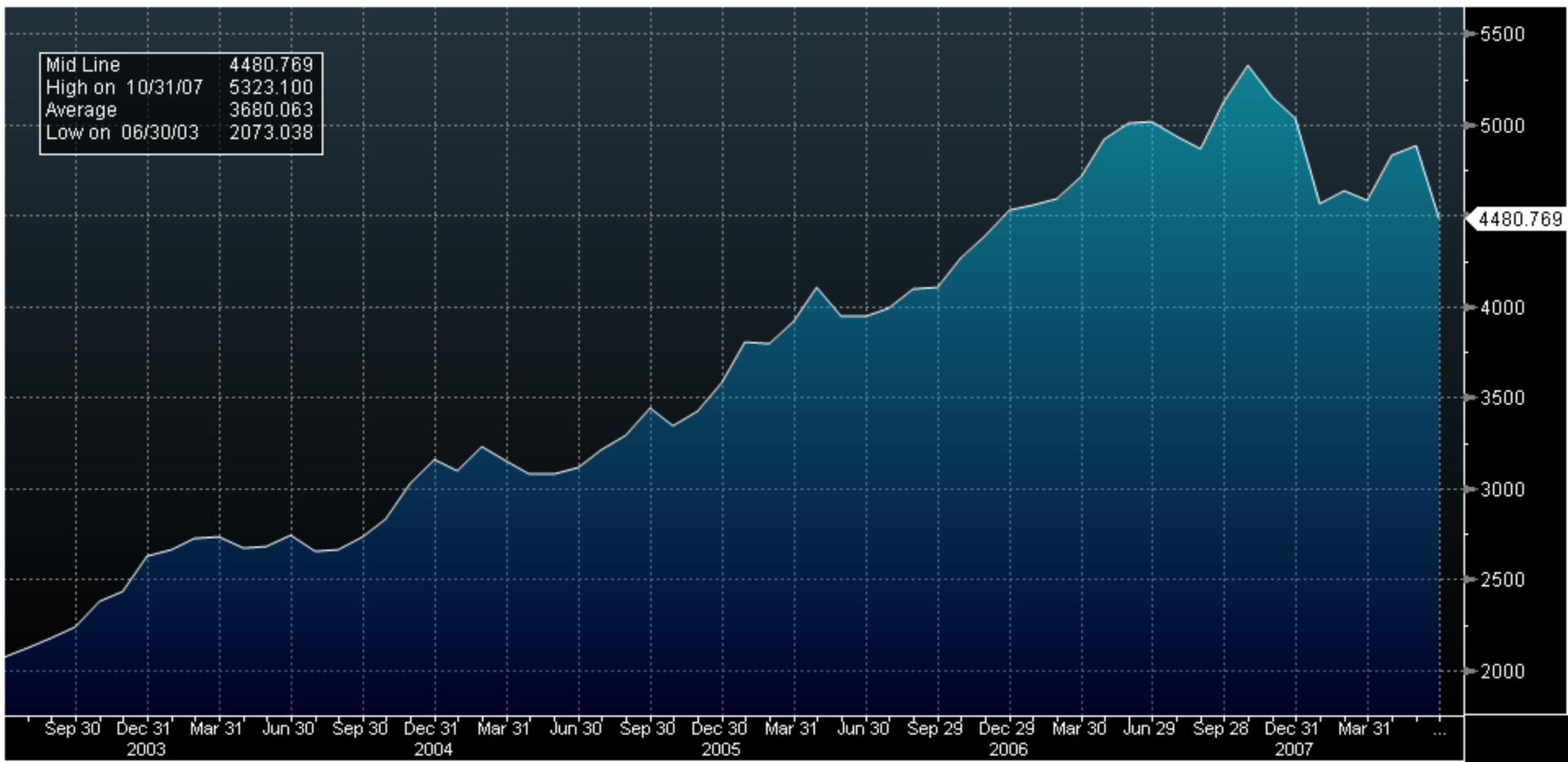
EAFE Index – 1 Year





It's Not Just the USA

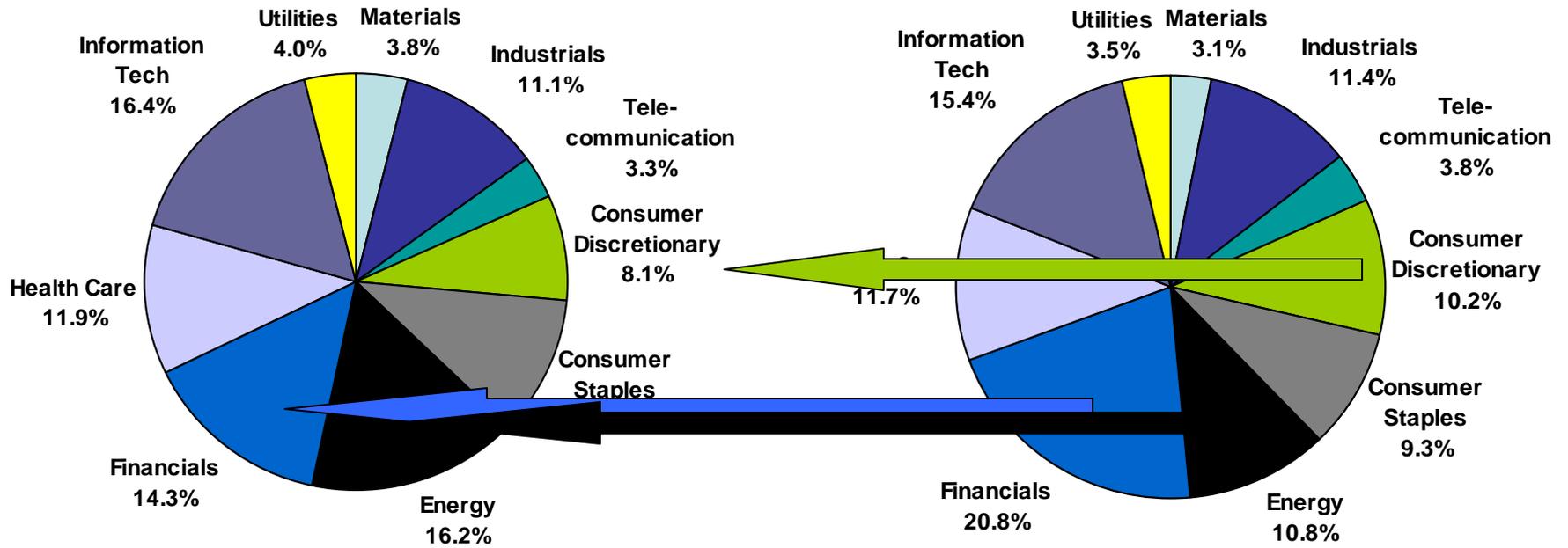
EAFE Index – 5 Years



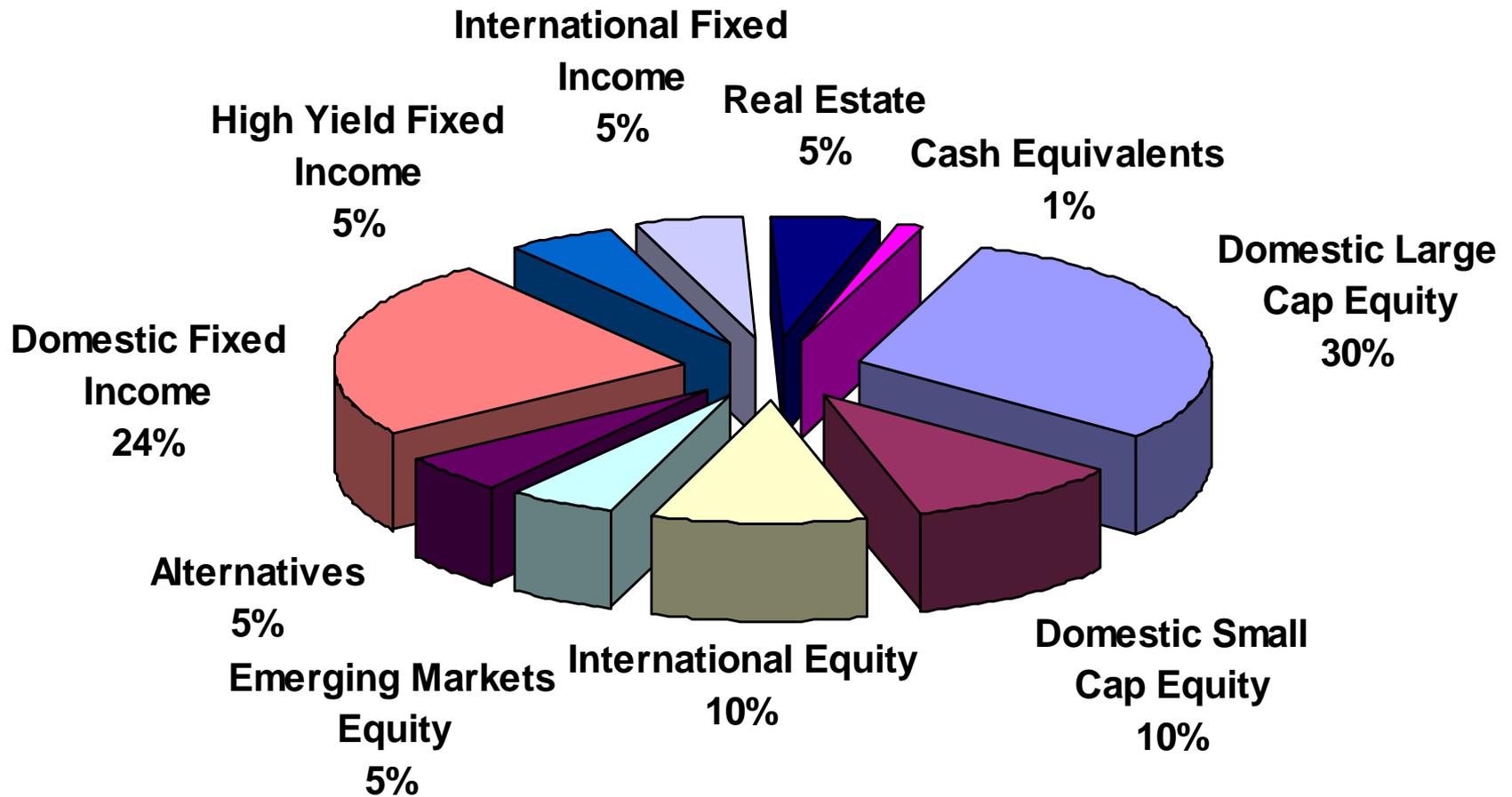
S&P 500 Sector Weights

June 30, 2008

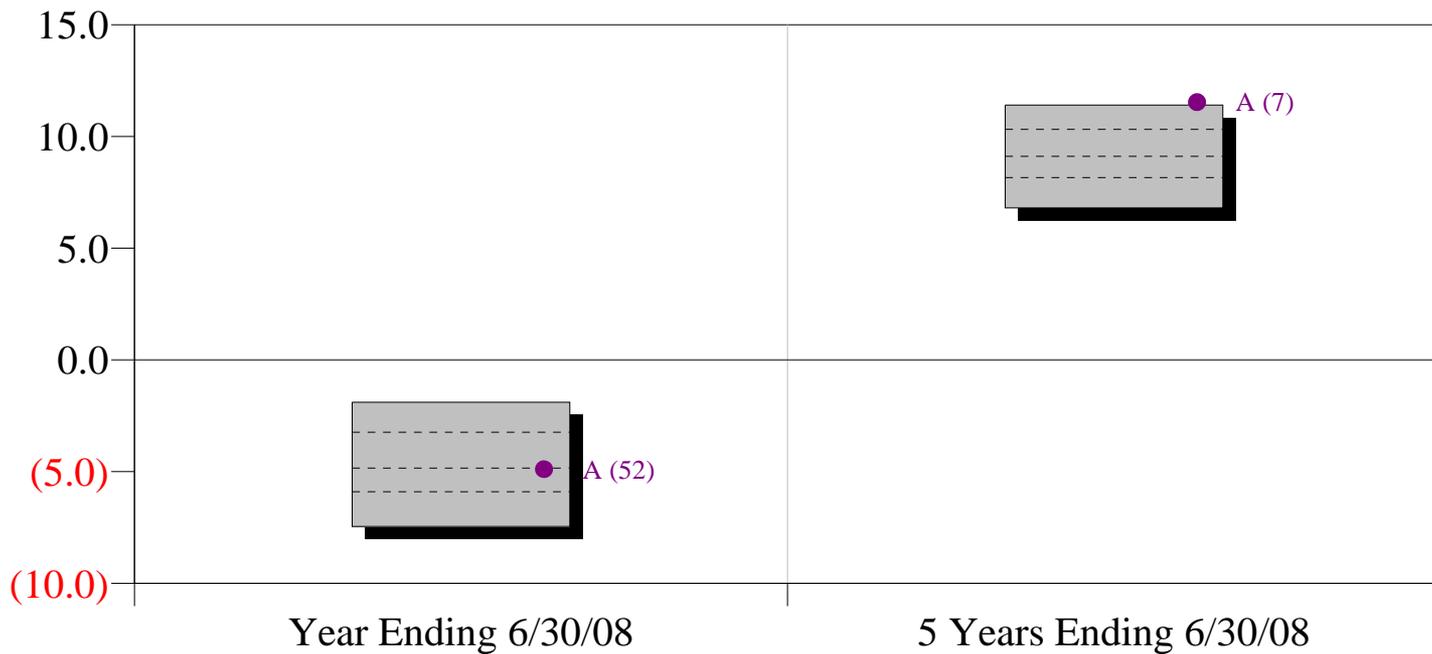
June 30, 2007



PERS Asset Allocation – FY08

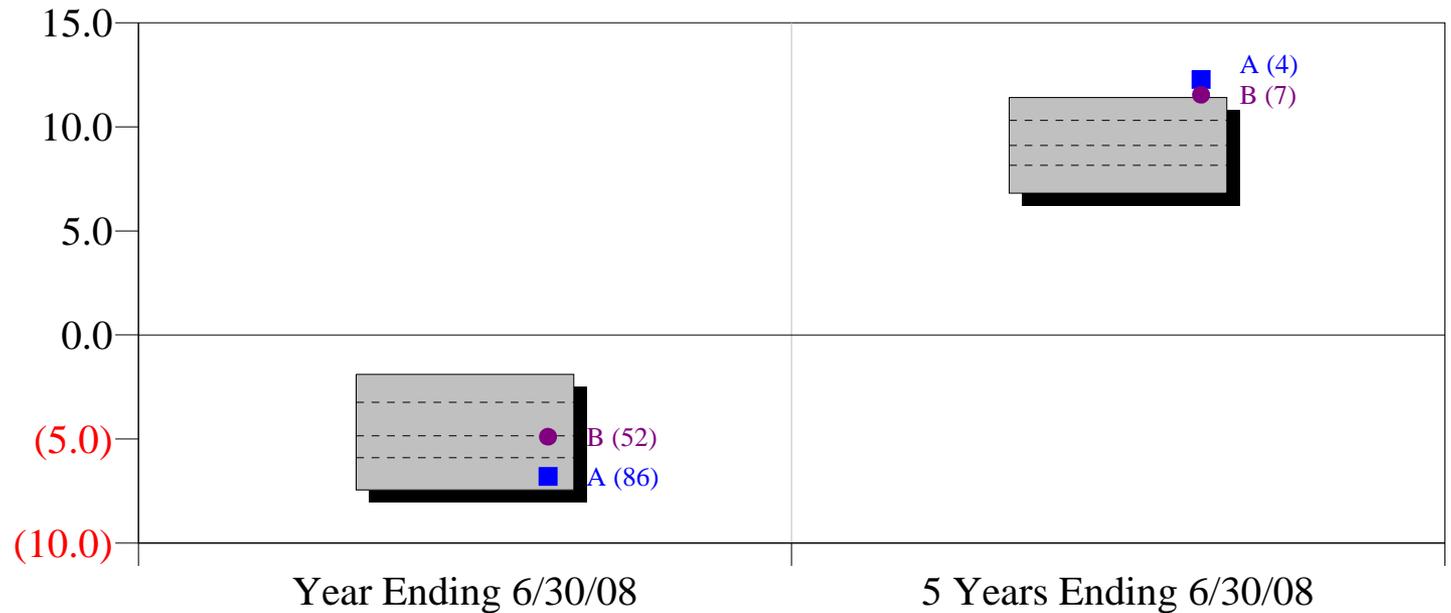


Returns
for Periods Ended June 30, 2008
Group: CAI Public Fund Sponsor Database



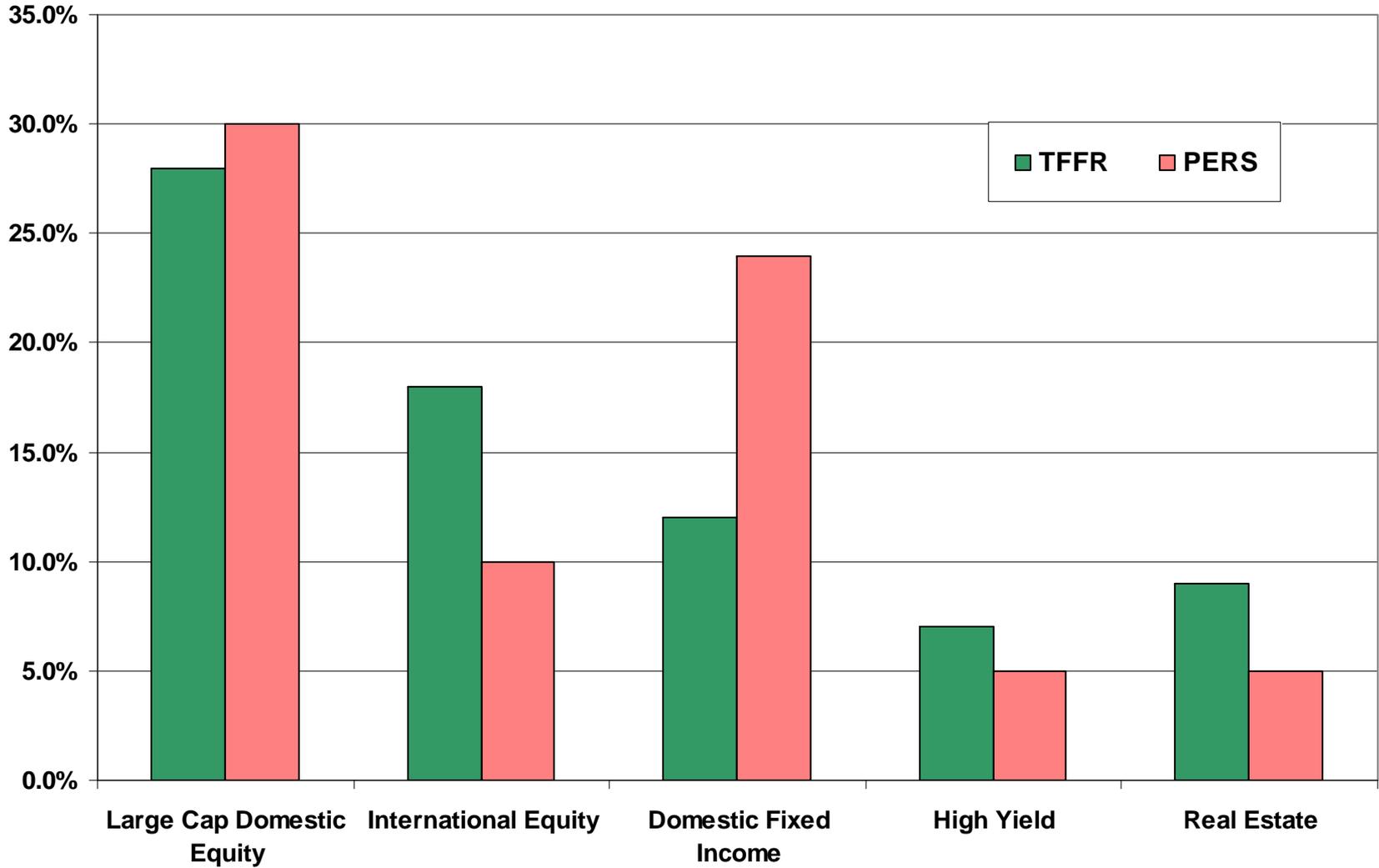
10th Percentile	(1.90)	11.42
25th Percentile	(3.24)	10.32
Median	(4.84)	9.12
75th Percentile	(5.89)	8.16
90th Percentile	(7.44)	6.81
Member Count	91	84
PERS Total Fund-Gross ● A	(4.88)	11.55

Returns
for Periods Ended June 30, 2008
Group: CAI Public Fund Sponsor Database

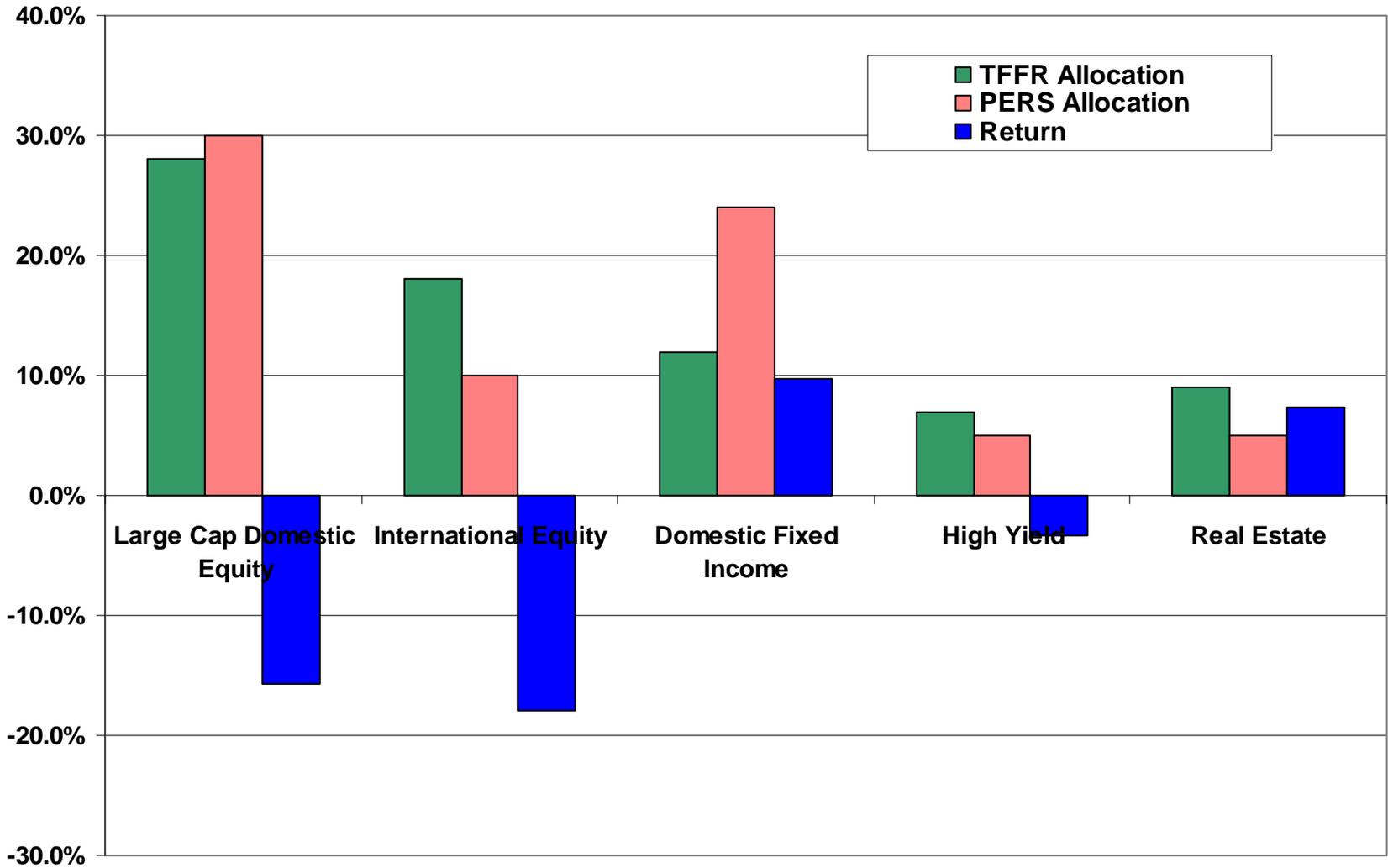


10th Percentile	(1.90)	11.42
25th Percentile	(3.24)	10.32
Median	(4.84)	9.12
75th Percentile	(5.89)	8.16
90th Percentile	(7.44)	6.81
Member Count	91	84
TFFR Total Fund-Gross	■ A (6.80)	12.28
PERS Total Fund-Gross	● B (4.88)	11.55

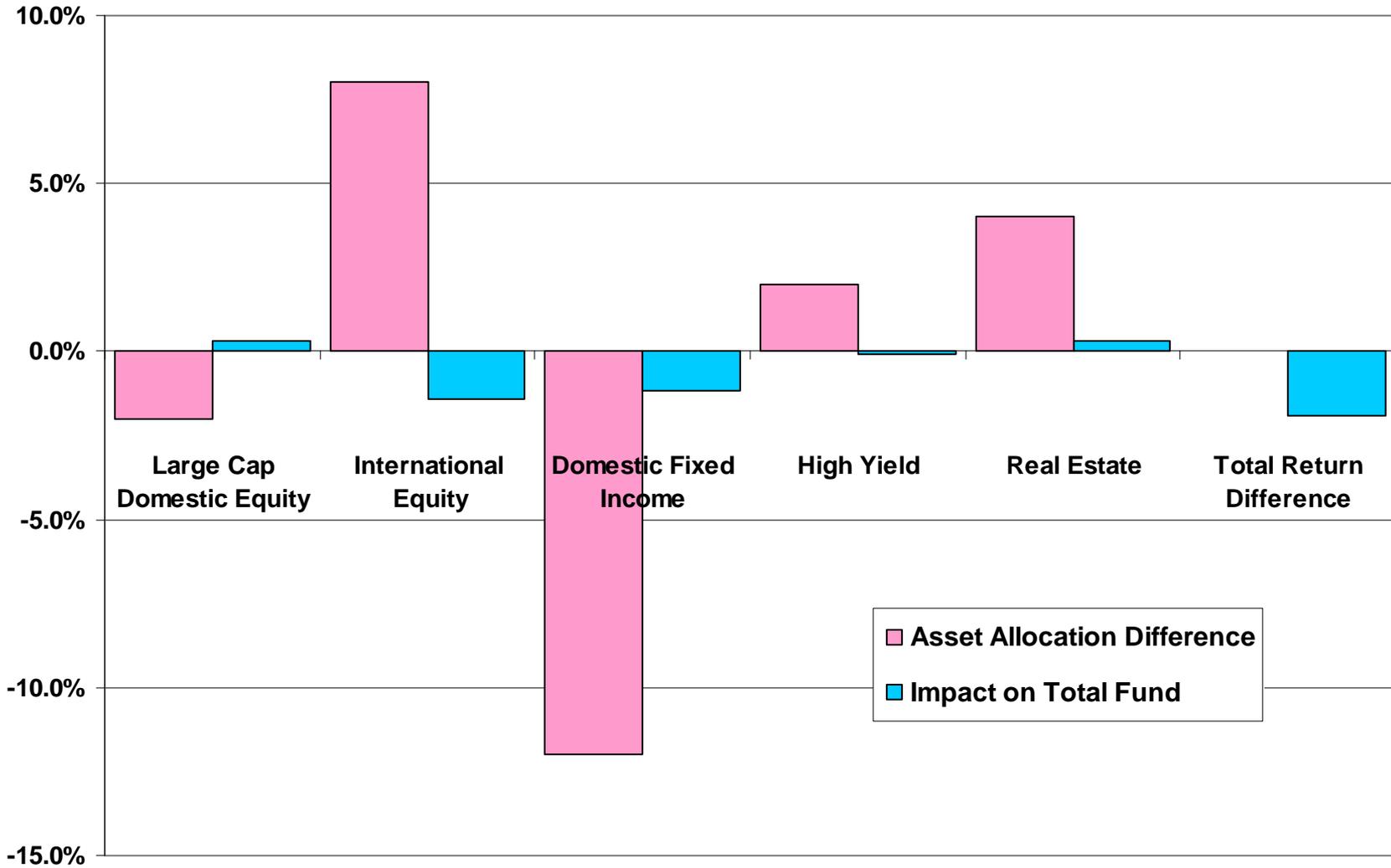
TFFR vs PERS - Asset Allocation



TFFR vs PERS - Asset Class Results



TFFR vs PERS Asset Allocation Impact on Total Fund

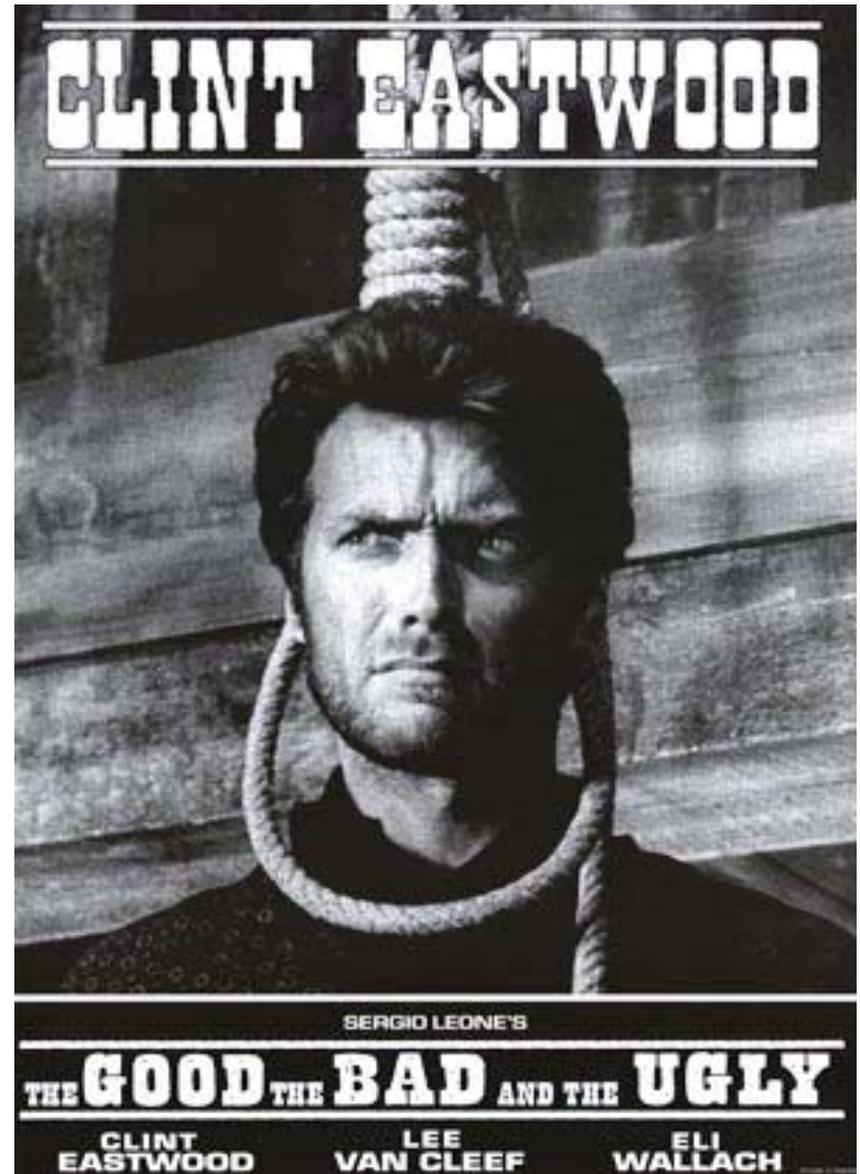


	Allocations				
	TFFR	PERS	Difference	Returns	Impact
Large Cap Domestic Eq	28.0%	30.0%	(2.0)%	(15.66)%	0.31%
Int'l Eq	18.0%	10.0%	8.0 %	(17.92)%	(1.43)%
Domestic Fixed	12.0%	24.0%	(12.0)%	9.78%	(1.17)%
High Yield	7.0%	5.0%	2.0 %	(3.29)%	(0.07)%
Real Estate	9.0%	5.0%	4.0 %	7.31%	0.29 %
Total					(1.92)%

FY 2008 Performance Review



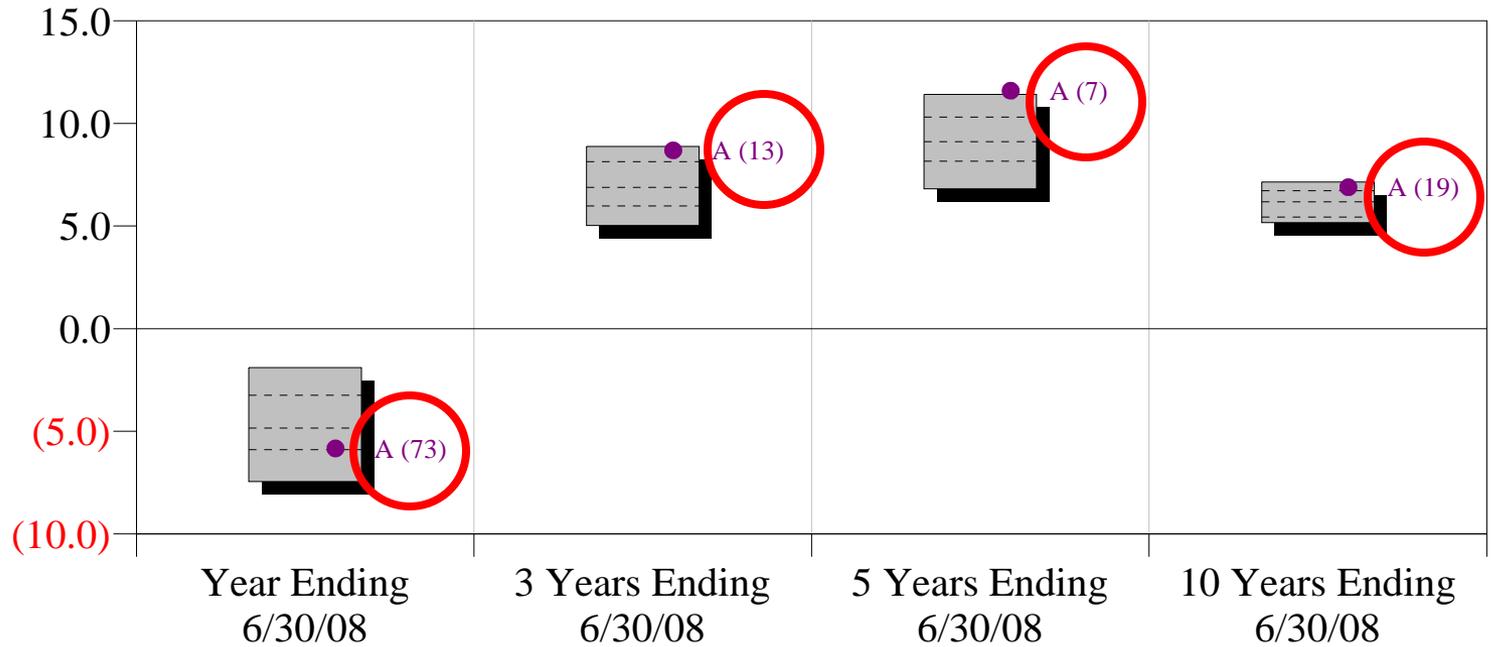
**The GOOD,
The BAD And
The UGLY**



PERS

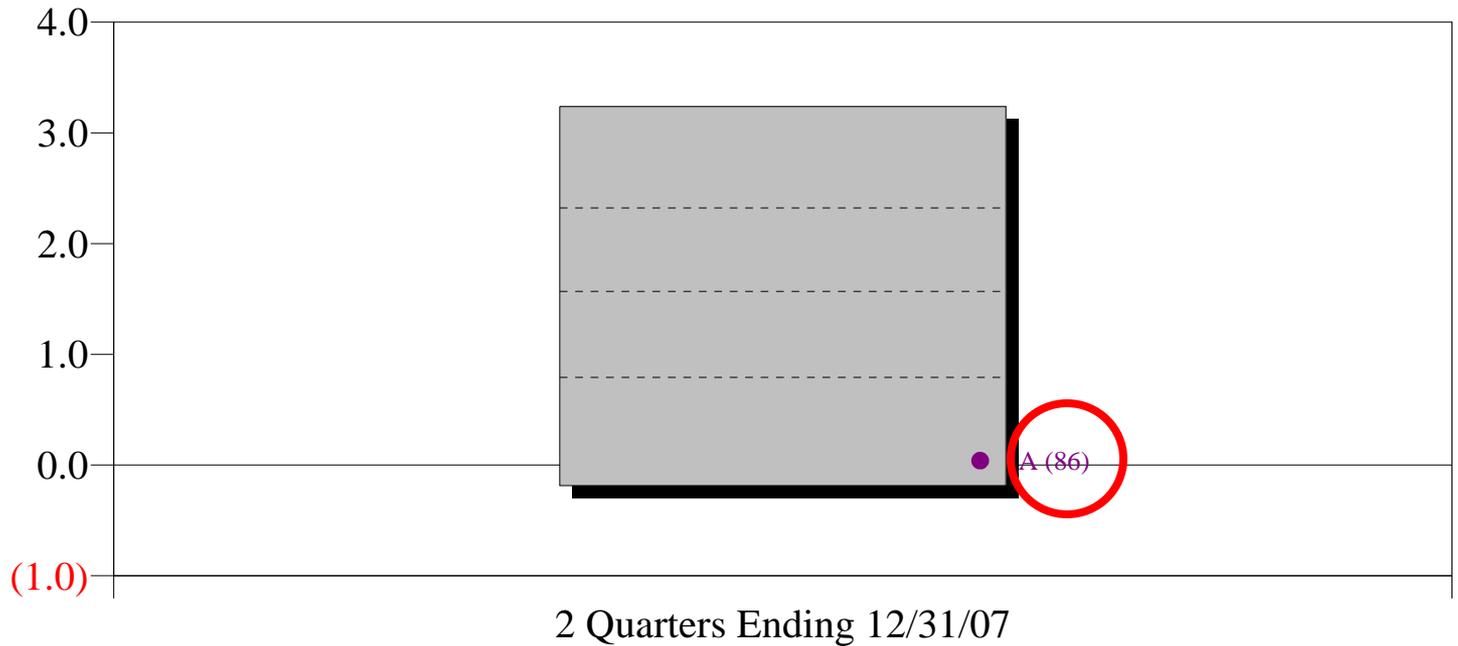
December 16, 2008

Returns
for Periods Ended June 30, 2008
Group: CAI Public Fund Sponsor Database



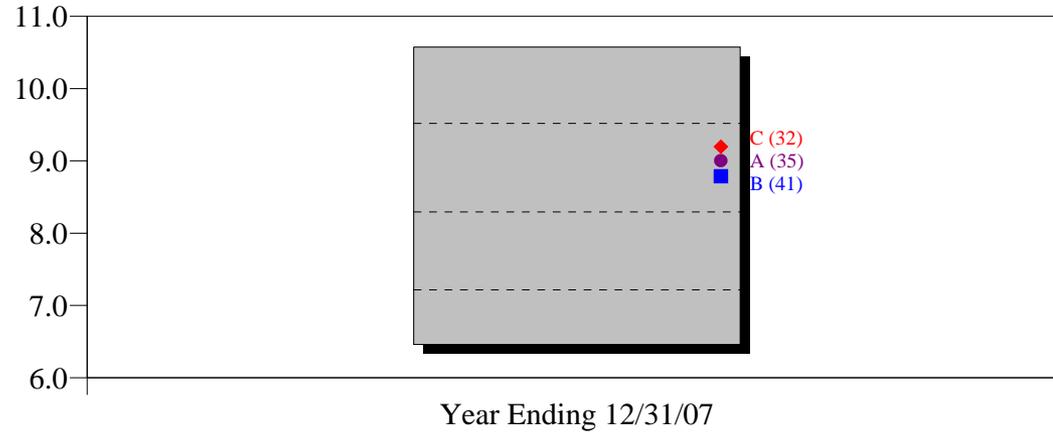
10th Percentile	(1.90)	8.88	11.42	7.15
25th Percentile	(3.24)	8.14	10.32	6.73
Median	(4.84)	6.90	9.12	6.19
75th Percentile	(5.89)	5.99	8.16	5.44
90th Percentile	(7.44)	5.03	6.81	5.17
Member Count	91	86	84	71
ND Pen - Total Fund ● A	(5.82)	8.70	11.60	6.91

Returns
 for Periods Ended December 31, 2007
 Group: CAI Public Fund Sponsor Database



10th Percentile	3.24
25th Percentile	2.32
Median	1.57
75th Percentile	0.79
90th Percentile	(0.19)
Member Count	119
ND Pen - Total Fund ● A	0.04

Returns
for Periods Ended December 31, 2007
Group: CAI Public Fund Sponsor Database

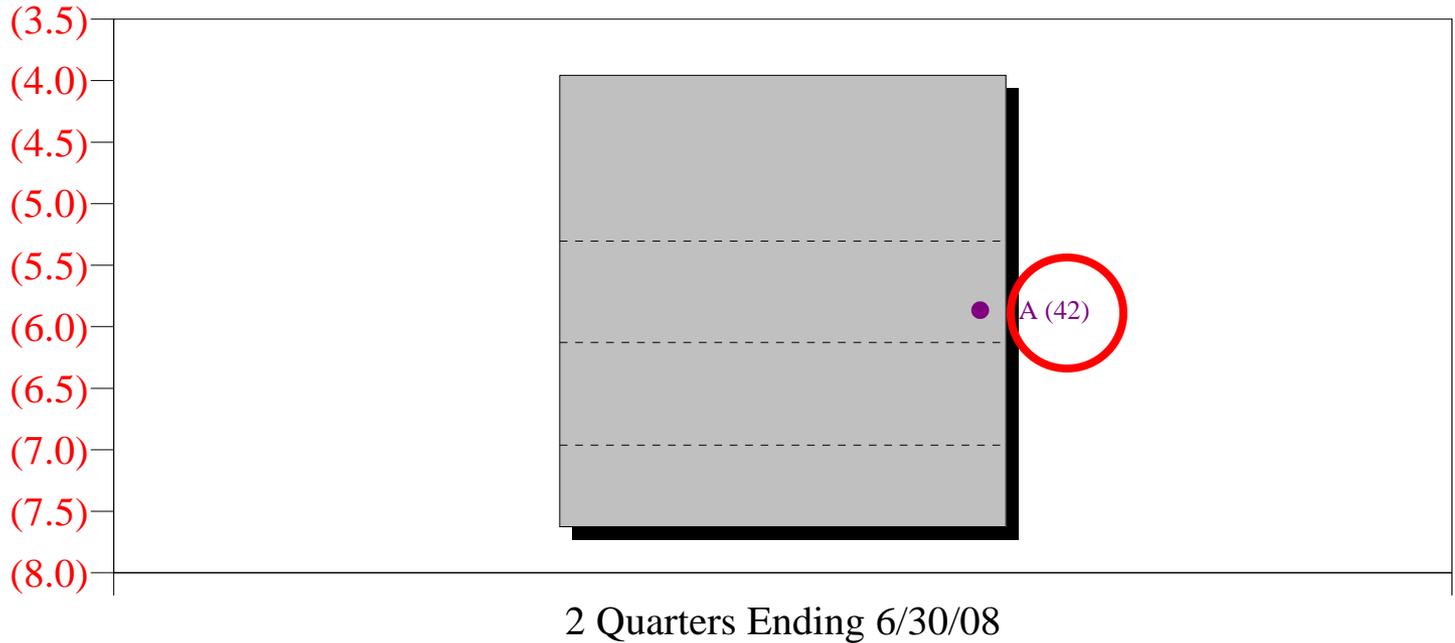


10th Percentile	10.58
25th Percentile	9.52
Median	8.30
75th Percentile	7.22
90th Percentile	6.46

Member Count 115

ND Pen - Total Fund	● A	9.01
TFFR Total Fund-Gross	■ B	8.79
PERS Total Fund-Gross	◆ C	9.20

Returns
for Periods Ended June 30, 2008
Group: CAI Public Fund Sponsor Database

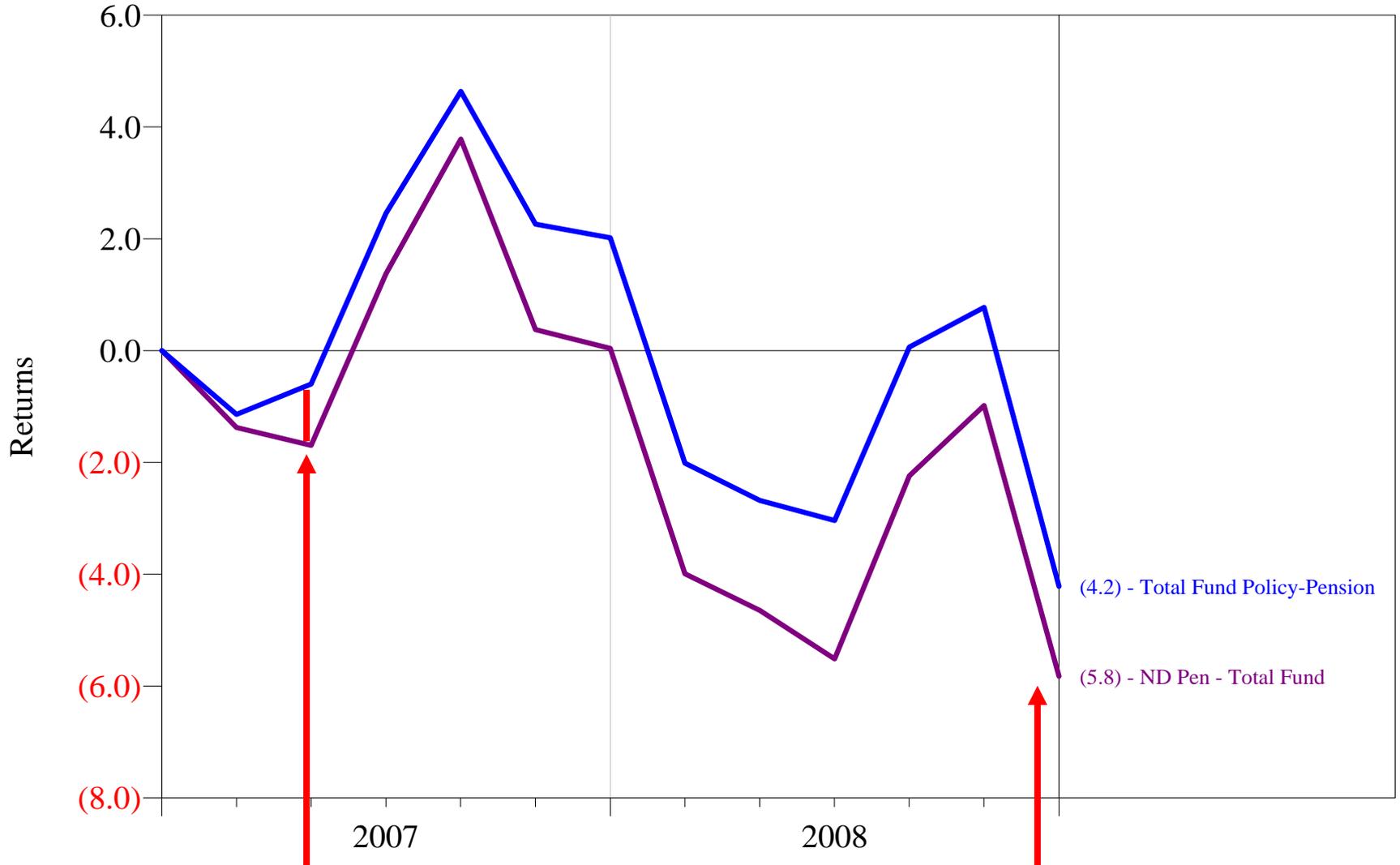


10th Percentile	(3.96)
25th Percentile	(5.30)
Median	(6.13)
75th Percentile	(6.96)
90th Percentile	(7.62)

Member Count 91

ND Pen - Total Fund ● A (5.86)

Cumulative Returns for Year Ended June 30, 2008



The GOOD,
The BAD And
The UGLY

It's Over!

Three hole-punch marks are scattered around the 3D text. One is located above the 'O' in 'Over', another is to the left of the 'I' in 'It's', and the third is below the 's' in 'It's'.

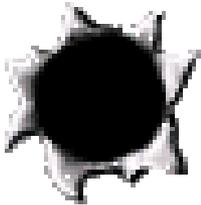
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No Margin Calls



No Defaults



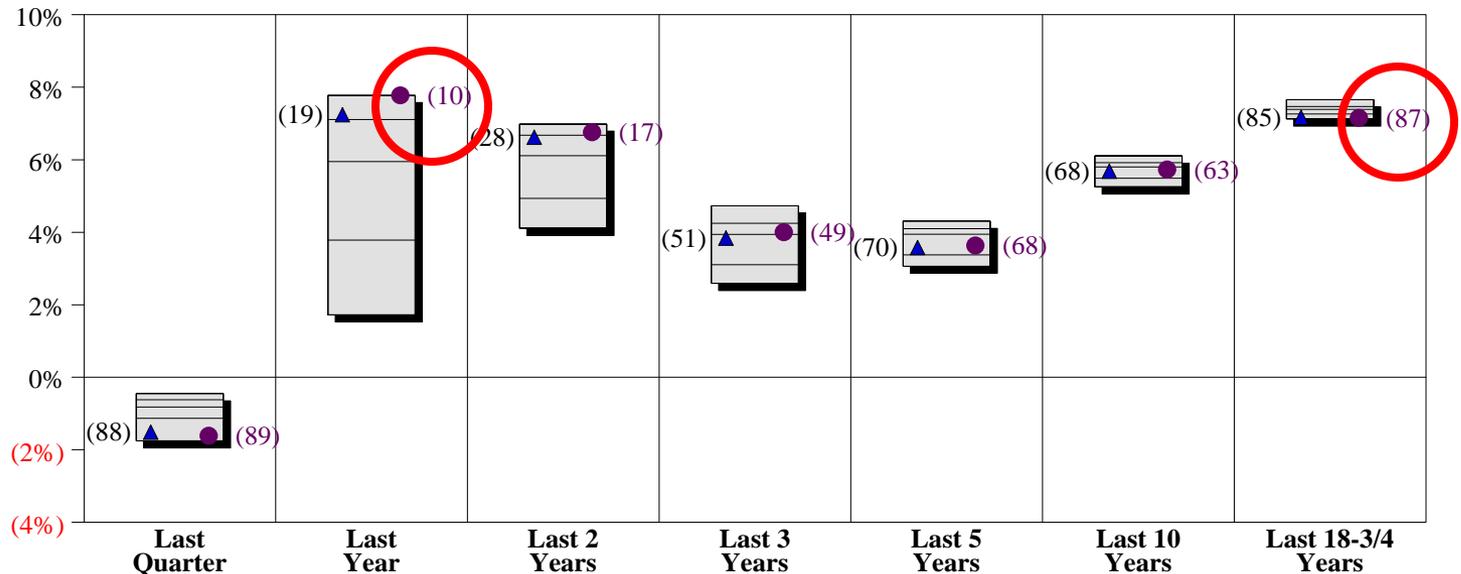
No Manager “Blow-Ups”

The GOOD, The BAD And The UGLY



Callan Performance Report – June 30, 2008

Performance vs CAI Core Bond Fixed-Inc Style



10th Percentile
25th Percentile
Median
75th Percentile
90th Percentile

**Bank of
North Dakota**

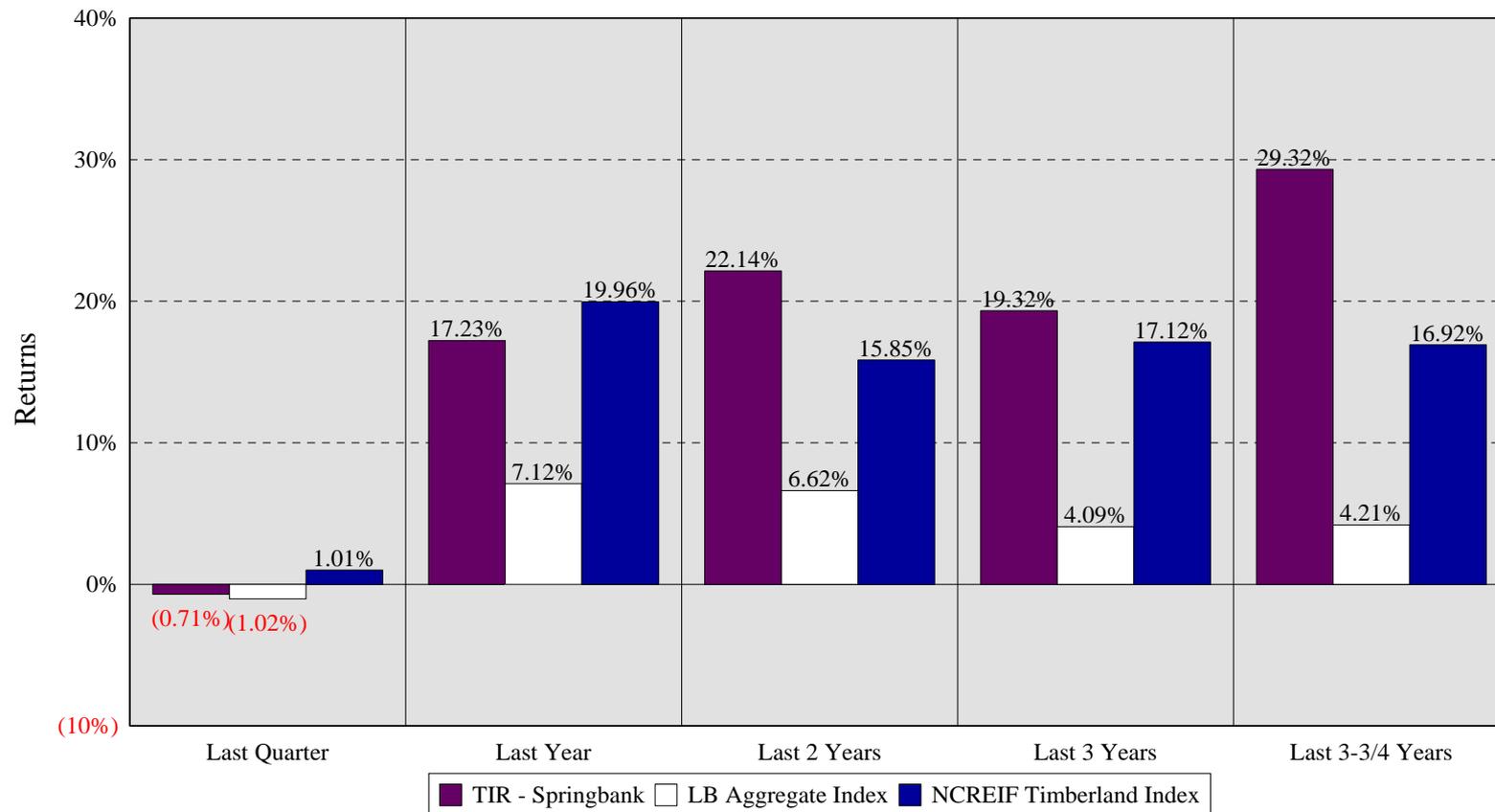
LB Govt/Credit Bd

The GOOD, The BAD And The UGLY



TIMBERLAND
INVESTMENT RESOURCES_{L.P.}

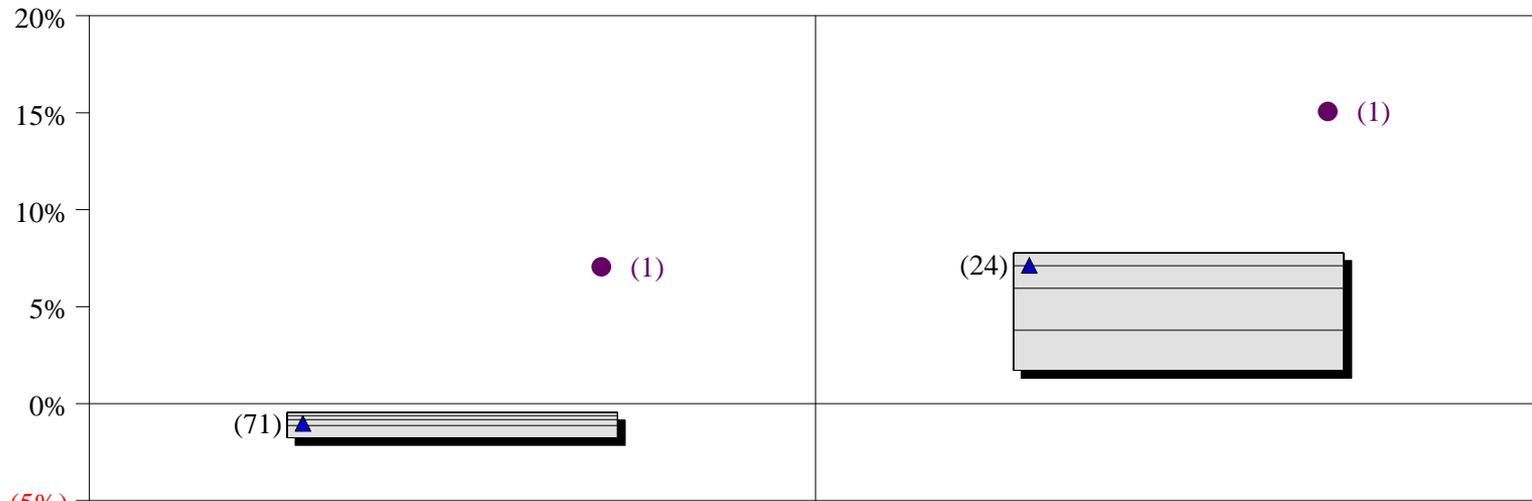
Callan Performance Report – June 30, 2008



The GOOD, The BAD And The UGLY

Callan Performance Report – June 30, 2008

Performance vs CAI Core Bond Fixed-Inc Style



(5%)

Last Quarter

Last Year

10th Percentile
25th Percentile
Median
75th Percentile
90th Percentile

(0.45)
(0.62)
(0.82)
(1.13)
(1.75)

7.77
7.11
5.95
3.78
1.72

**JP Morgan
Infrastructure Fund** ●

7.05

15.05

LB Aggregate Index ▲

(1.02)

7.12

The GOOD,

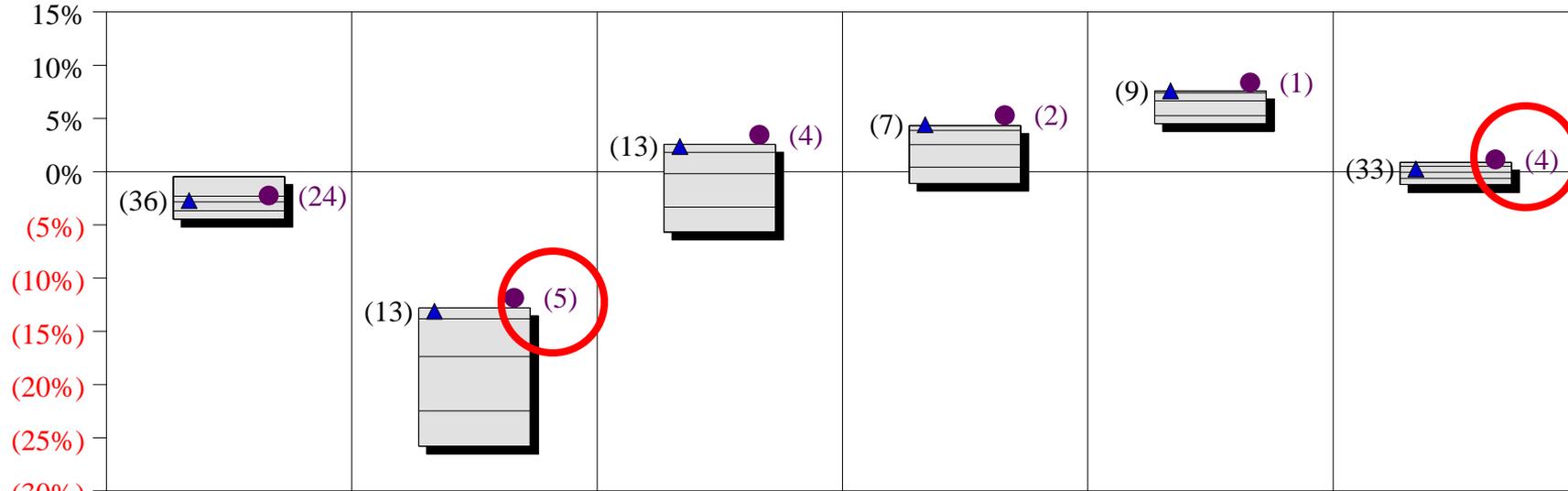
The BAD And

The UGLY

Westridge Capital

Callan Performance Report – June 30, 2008

Performance vs CAI Derivative Enhanced Index Style



	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 7-3/4 Years
10th Percentile	(0.46)	(12.80)	2.57	4.33	7.58	0.89
25th Percentile	(2.32)	(13.82)	1.83	3.88	7.41	0.51
Median	(2.85)	(17.37)	(0.19)	2.54	6.64	(0.05)
75th Percentile	(3.67)	(22.48)	(3.33)	0.42	5.25	(0.63)
90th Percentile	(4.47)	(25.80)	(5.68)	(1.10)	4.51	(1.21)

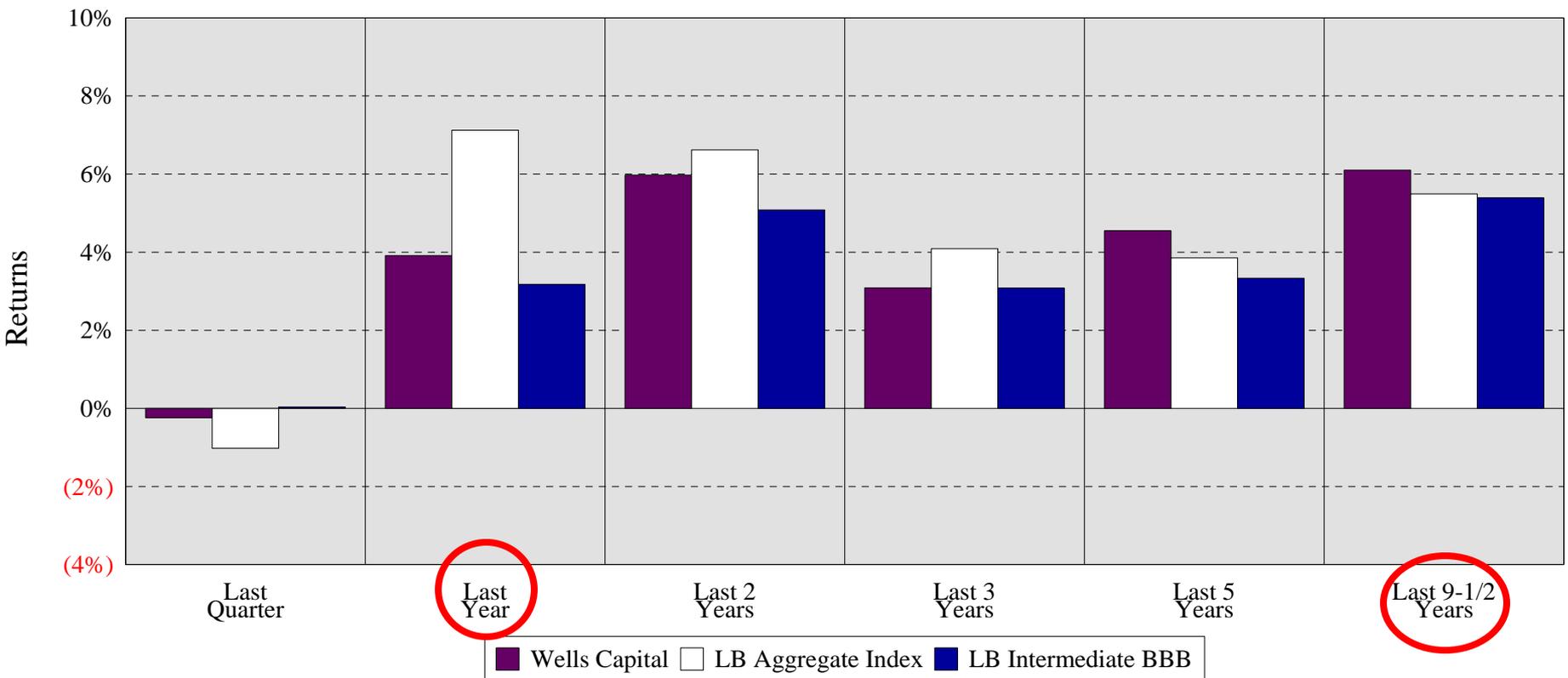
Westridge Capital ●	(2.27)	(11.87)	3.44	5.29	8.36	1.14
S&P 500 Index ▲	(2.73)	(13.12)	2.36	4.41	7.58	0.24

The GOOD, The BAD And The UGLY

WELLS CAPITAL MANAGEMENT



Callan Performance Report – June 30, 2008



The GOOD,
The BAD And
The UGLY



Credit Crisis

The central text 'Credit Crisis' is rendered in a large, 3D, white serif font with a dark shadow, tilted diagonally. Three black, jagged bullet hole graphics are scattered around the text: one above the 'C', one to the left of the 'C', and one below the 'C'.

The GOOD, The BAD And The UGLY

High Correlation Among 10 Major Markets

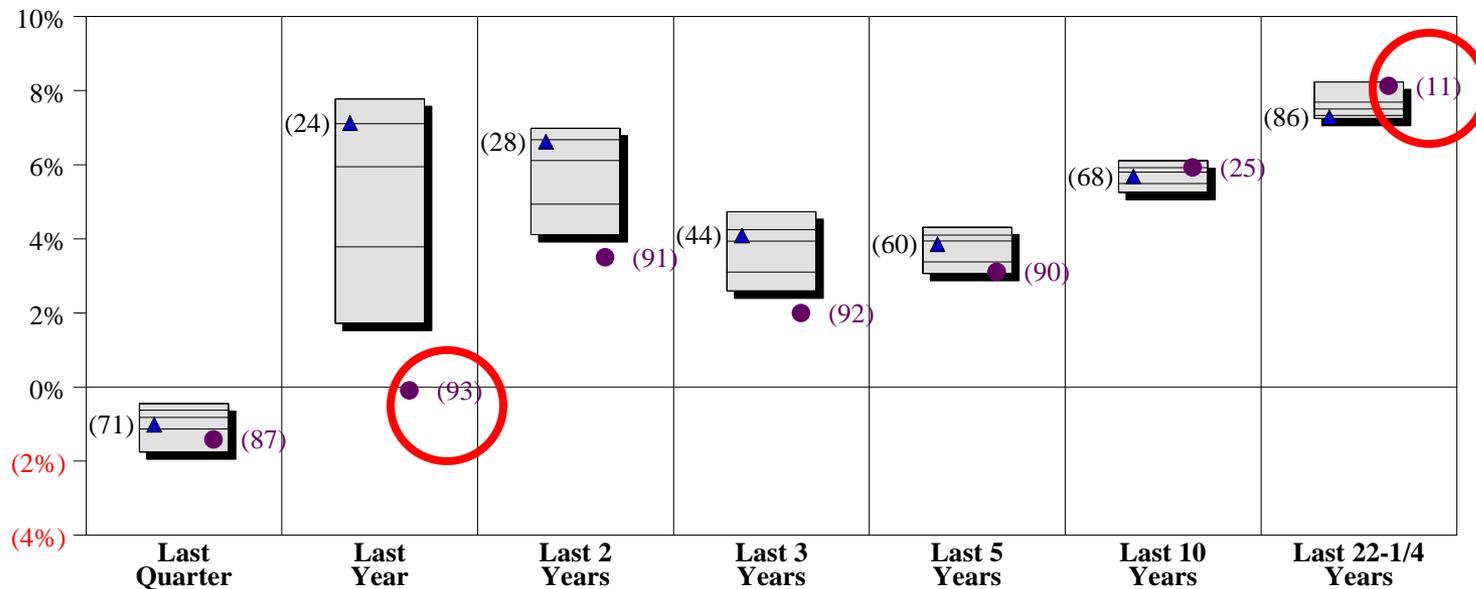


All of the 23 developed nations in the MSCI World Index except for Canada have experienced bear-market plunges of 20 percent or more since September as credit losses surged and record commodity prices stoked inflation. Brazil recently became the 23rd out of 25 developing countries in the MSCI Emerging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

The GOOD, The BAD And The UGLY

Callan Performance Report – June 30, 2008

Performance vs CAI Core Bond Fixed-Inc Style



10th Percentile	(0.45)	7.77	6.98	4.73	4.31	6.11	8.23
25th Percentile	(0.62)	7.11	6.67	4.25	4.10	5.92	7.69
Median	(0.82)	5.95	6.11	3.94	3.95	5.80	7.50
75th Percentile	(1.13)	3.78	4.94	3.10	3.38	5.49	7.33
90th Percentile	(1.75)	1.72	4.11	2.59	3.06	5.25	7.25

Western Asset ● (1.42) (0.10) 3.49 1.99 3.11 5.92 8.13

LB Aggregate Index ▲ (1.02) 7.12 6.62 4.09 3.85 5.68 7.28



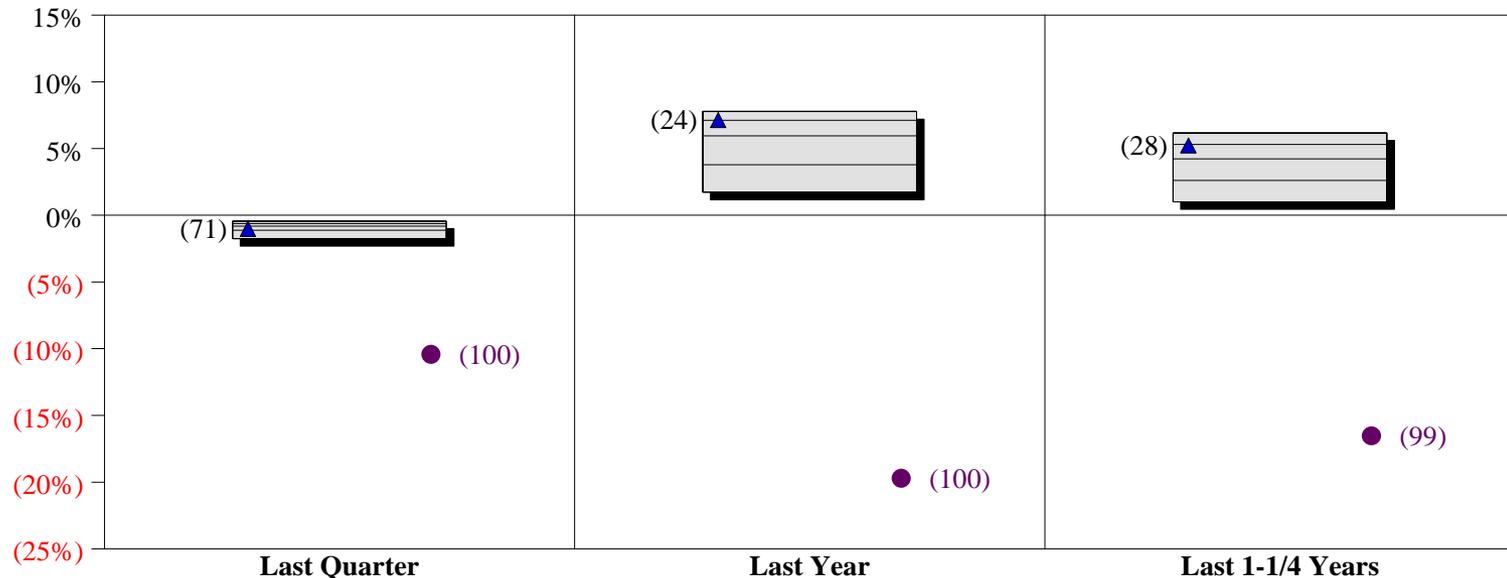
The GOOD,
The BAD And
The UGLY



The GOOD, The BAD And The UGLY

Callan Performance Report – June 30, 2008

Performance vs CAI Core Bond Fixed-Inc Style



	Last Quarter	Last Year	Last 1-1/4 Years
10th Percentile	(0.45)	7.77	6.16
25th Percentile	(0.62)	7.11	5.32
Median	(0.82)	5.95	4.23
75th Percentile	(1.13)	3.78	2.61
90th Percentile	(1.75)	1.72	1.01
Hyperion ●	(10.44)	(19.73)	(16.54)
LB Aggregate Index ▲	(1.02)	7.12	5.22



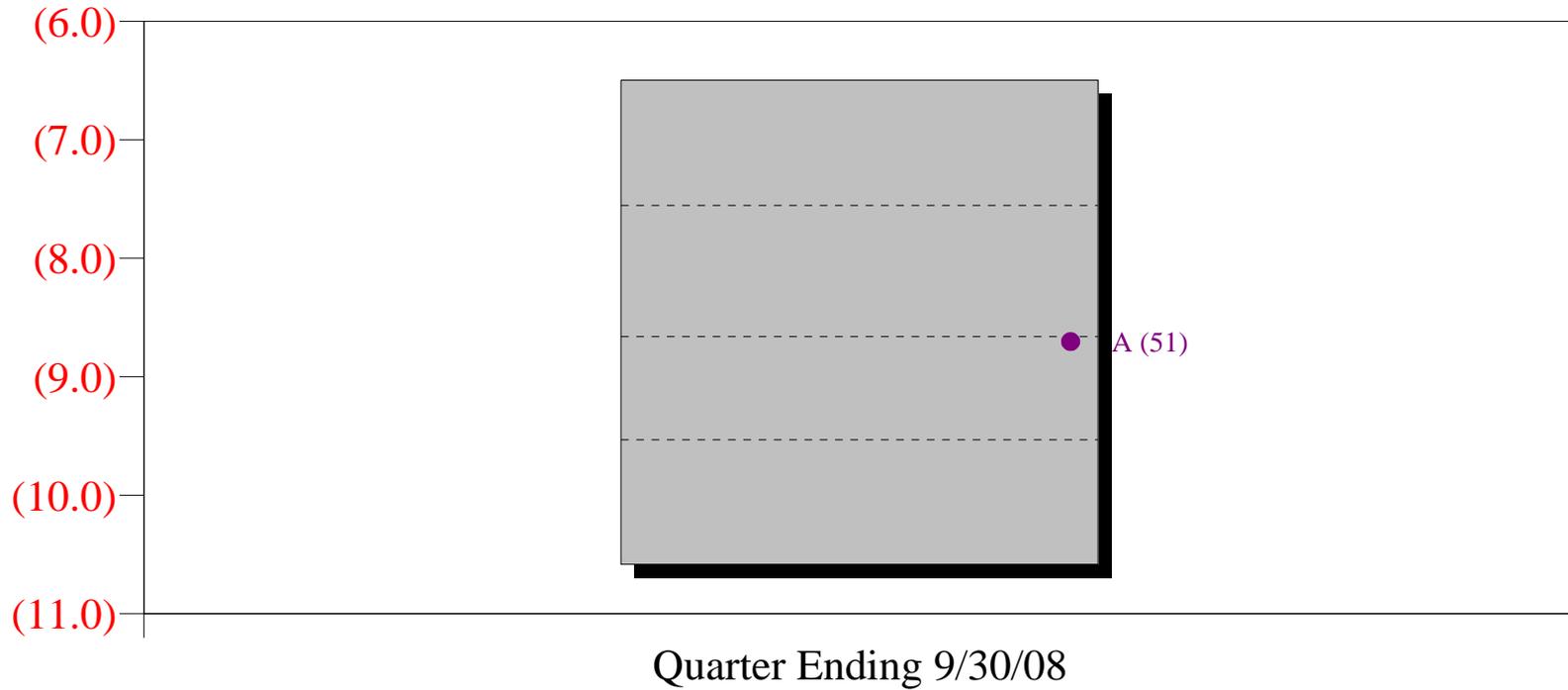
FY2009

NDSIB Investment Program

Update

December 16, 2008

Returns
for Periods Ended September 30, 2008
Group: CAI Public Fund Sponsor Database

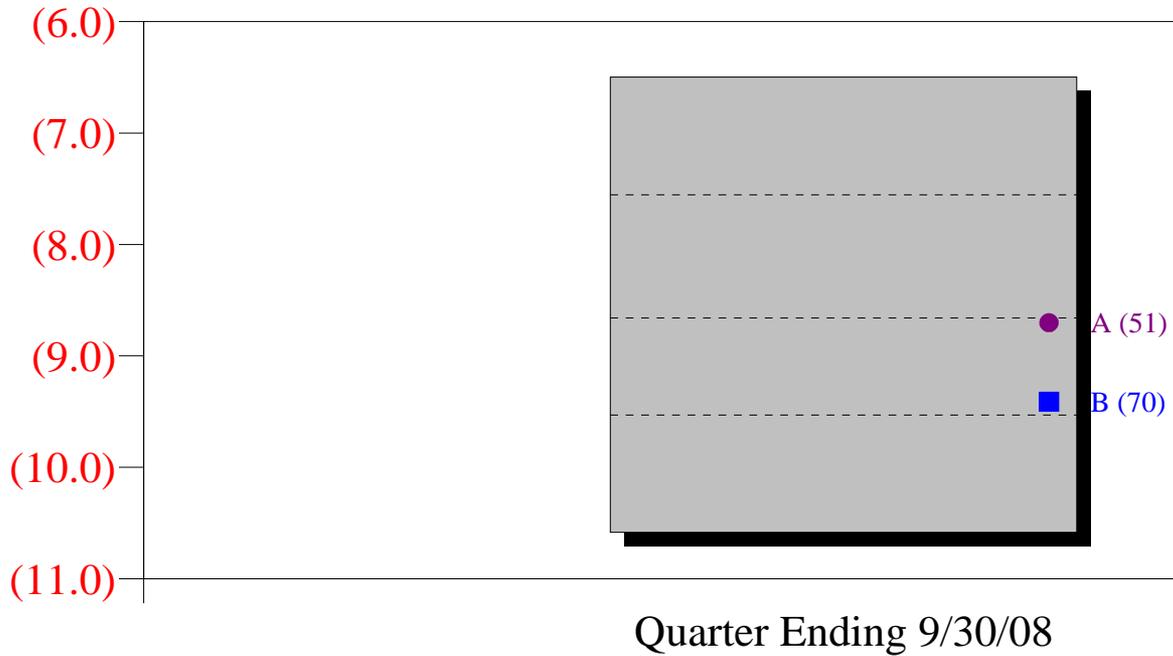


10th Percentile	(6.50)
25th Percentile	(7.55)
Median	(8.66)
75th Percentile	(9.53)
90th Percentile	(10.58)

Member Count	108
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ND Pen - Total Fund	● A	(8.70)
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Returns
for Periods Ended September 30, 2008
Group: CAI Public Fund Sponsor Database

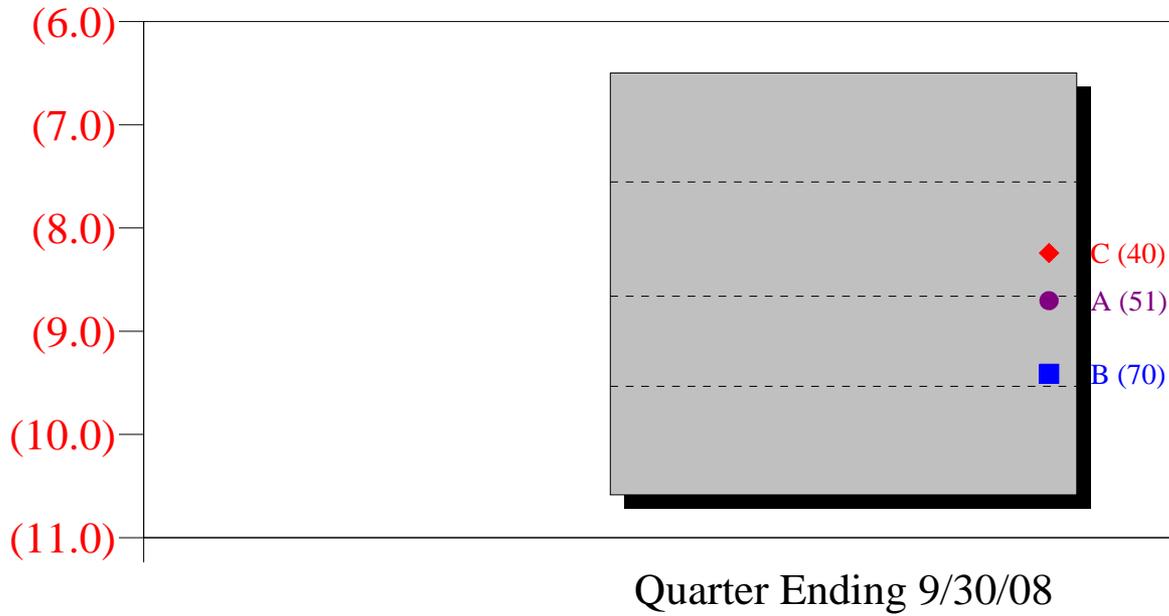


10th Percentile	(6.50)
25th Percentile	(7.55)
Median	(8.66)
75th Percentile	(9.53)
90th Percentile	(10.58)

Member Count 108

ND Pen - Total Fund	● A	(8.70)
TFFR Total Fund-Gross	■ B	(9.41)

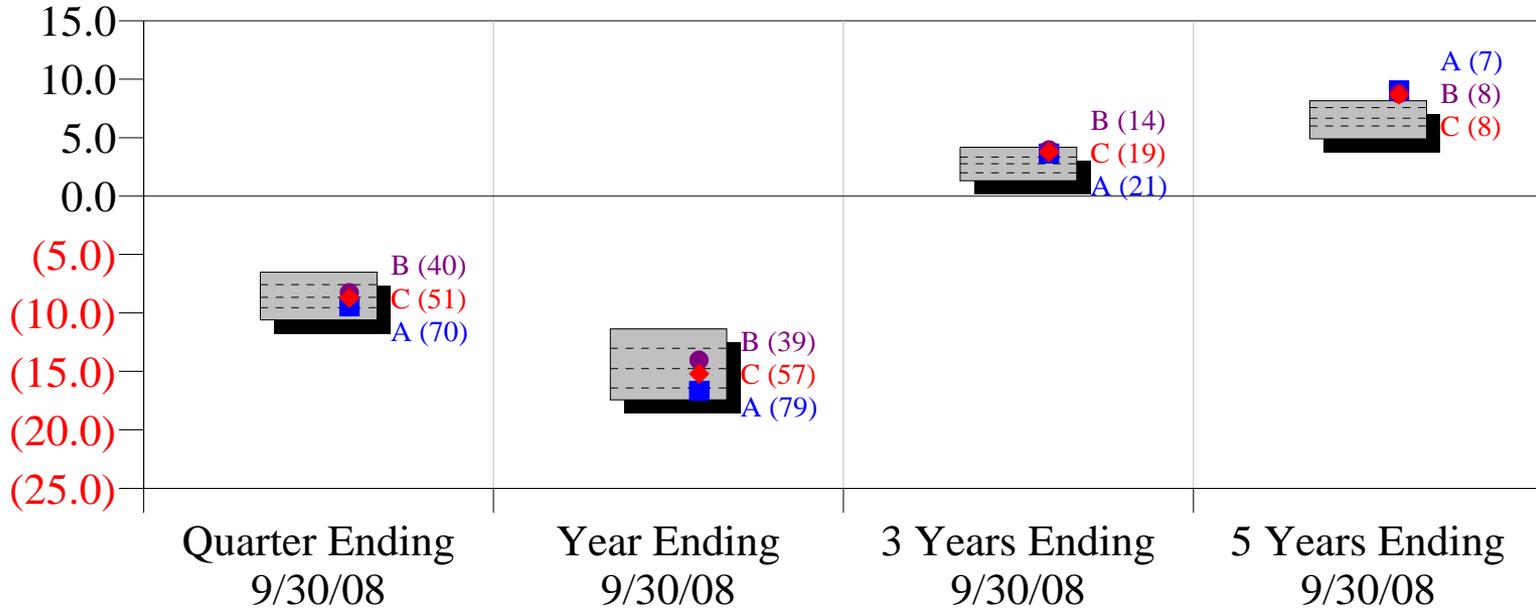
Returns
for Periods Ended September 30, 2008
Group: CAI Public Fund Sponsor Database



10th Percentile	(6.50)
25th Percentile	(7.55)
Median	(8.66)
75th Percentile	(9.53)
90th Percentile	(10.58)
Member Count	108

ND Pen - Total Fund	● A	(8.70)
TFFR Total Fund-Gross	■ B	(9.41)
PERS Total Fund-Gross	◆ C	(8.24)

Returns
for Periods Ended September 30, 2008
Group: CAI Public Fund Sponsor Database



10th Percentile	(6.50)	(11.35)	4.19	8.18
25th Percentile	(7.55)	(13.01)	3.35	7.60
Median	(8.66)	(14.76)	2.78	6.67
75th Percentile	(9.53)	(16.41)	2.01	6.02
90th Percentile	(10.58)	(17.42)	1.33	4.90
Member Count	108	107	101	99
TFFR Total Fund-Gross	■ A (9.41)	(16.65)	3.65	9.04
PERS Total Fund-Gross	● B (8.24)	(14.01)	3.97	8.79
ND Pen - Total Fund	◆ C (8.70)	(15.19)	3.74	8.68

FY YTD Estimate

YTD through October 31: -20.08%

PERS estimated YTD (12-8-08): -22%



**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: Deb & Sparb

DATE: December 8, 2008

SUBJECT: **Compliance Review Performed by Segal Company**

Attached, for your review, are the results of the compliance review that was conducted by Segal Company at the end of November. Melanie Walker from the Segal Company will be available for questions at the Board meeting via telephone.

The next step is to decide whether or not to submit the NDPERS plans to the IRS for a determination ruling. Melanie has explained to us that if we were to decide to submit the plan for a determination, we have the opportunity to submit it under Schedule C or Schedule E. Regardless of whether we submit under Schedule C or E, pursuant to automatic rollovers (see item #12 in her letter) it will be necessary for NDPERS to submit to the Voluntary Compliance Program (VCP). This would entail the plan proposing a corrective action and being subject to a fine. Melanie indicates that this would most likely be a small fine.

If we elect to submit under Schedule C, there will likely be a large number of submissions from other governmental plans, as the IRS has encouraged voluntary submissions from that sector. This would most likely result in an extended time period before NDPERS would receive a determination because there would be many similar requests coming in at the same time and IRS staff may not be familiar with governmental plans. The determination would also take place based on current regulations, requirements, etc. covered in Melanie's compliance review. Therefore, item #14 would not have to be addressed prior to the submission of the plan. The deadline for submission under this schedule is January 31, 2009.

If we elect to submit the plan under Schedule E, the deadline for submission moves to January 1, 2011. It is possible we might benefit by submitting after the schedule C group, as the IRS would better understand governmental plans. However, it could also result in new requirements, which would not have been covered in our compliance review and which we would be required to address before submitting our plans for a determination.

Once a plan has received a determination, it is customary to re-submit the plan periodically for review, although this is not a required activity.

Melanie also recommended that we submit the plan on behalf of the State of North Dakota, indicating that the rest of the employers will follow the state's plan rather than submitting it on behalf of all the employers participating in the plan. She noted she believed that this would be the most cost effective method of applying for the determination.

Staff recommendation: Submit the plans under schedule C and submit the automatic rollover item in #12 to the Voluntary Compliance Program.

We have asked Melanie for a bid on what Segal's services would be for submitting the Plans under Schedule C and have included her response as an attachment for your review as well.

Board Action Required: Determine whether to submit the state's Hybrid and Highway Patrol retirement plans for a determination letter under schedule C or E .



DIRECT DIAL NUMBER
(303) 714-9942

THE SEGAL COMPANY
5670 Greenwood Plaza Blvd., Suite 425 Greenwood Village, CO 80111-2499
T 303.714.9900 F 303.714.9990 www.segalco.com

E-MAIL ADDRESS
mwalker@segalco.com

December 1, 2008

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

Re: **North Dakota PERS – Compliance review of Highway Patrol Retirement System**

Dear Sparb:

At your request, we reviewed statutory provisions governing the Highway Patrol Retirement System (mainly North Dakota Century Code Title 39, Chapter 03.1), as well as applicable sections of the North Dakota Administrative Code, Title 71. Our review focused on written plan requirements for qualified defined benefit plans under Internal Revenue Code section 401(a), as applicable for governmental plans, and the IRS cumulative list of required modifications for governmental plans, as set forth in IRS Notice 2007-94. Following is brief description of the written plan requirements and our findings with respect to each requirement:

1. The written plan must include trust provisions (See Code section 401(a) and Treasury Regulations section 1.401-1(a)(2)). This requirement appears to be satisfied by the language in North Dakota Century Code (NDCC) §54-52-14.1, which states “*Investment of the fund is under the supervision of the state investment board in accordance with chapter 21-10. Such moneys must be placed for investment only with a firm ... only after trust agreement or contract has been executed.*” NDCC §§21-10-02 and -06 describe the state investment board’s authority to invest the assets of the Highway Patrol Retirement System. Therefore, the trust language in NDCC §54-52-14.1 applies to the Highway Patrol Retirement System (“Highway Patrol Plan”). In addition, NDCC §39-03.1-06 describes the retirement board’s authority to govern the Highway Patrol Plan.
2. Plan contributions must be made to a trust by the employer, employees or both for the purpose of distributing benefits from the principal and income of the trust (See Code section 401(a)(1)). NDCC §39-03.1-09, subsection 1 and §39-03.1-10 describe the employee and employer contributions that are required to be made to the retirement fund,

Benefits, Compensation and HR Consulting ATLANTA BOSTON CALGARY CHICAGO CLEVELAND DENVER HARTFORD HOUSTON LOS ANGELES
MINNEAPOLIS 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

respectively. NDCC §39-03.1-05 indicates that retirement benefits are payable from the retirement fund with the following language: “*All moneys of the fund, including employers’ contributions, contributors’ contributions ... must be deposited in the public employees retirement fund ... [and] are appropriated for the purpose of ... to make payments to beneficiaries under the program.*”

In addition, governmental plans that provide for employer pick-up of mandatory employee contributions under Code section 414(h)(2), must satisfy the following requirements (See Rev. Rul. 2006-43):

- (a) specify that the contributions, although designated as employee contributions are being paid by the employer;
- (b) the employing unit must take formal action (memorialized in writing) to provide that contributions on behalf of a specific class of employees will be paid by the employing unit in lieu of employee contributions; and
- (c) not permit a participating employee to have the right to opt out of the pick-up or receive the contributed amounts directly.

NDCC §39-03.1-09, subsection 2 indicates that the State (as an employer) may elect to pick-up employee contributions. This subsection 2 states “*The amount paid must be paid by the state in lieu of contributions by the member. A member may not receive the contributed amounts directly once the employer has elected to pay the employee contributions. ... If contributions are paid by the state, they must be treated as employer contributions in determining tax treatment ...*.” Therefore, it appears that the requirements set forth in (a) and (c) above are satisfied. However, unlike the Hybrid Plan, the Highway Patrol Plan’s governing documents do not contain language that requires employers to make a written election to pick-up employee contributions, as described in (b) above. To the extent written proof of a formal action by the State to pick-up employee contributions on behalf of a specific class of employees exists outside the applicable statutes and/or administrative code, then the requirement described in (b) above would still be satisfied.

3. A qualified plan must be maintained for the exclusive benefit of employees and their beneficiaries, and under the plan’s trust instrument, assets must not be diverted for any other purpose (See Code section 401(a)(2)). Since the Highway Patrol Plan is a fund under the public employee retirement system, this requirement appears to be satisfied by the language in NDCC §54-52-14.3, which states “*All moneys from any source paid into any public employee retirement system fund ... must be used and invested only for the exclusive benefit of the members, retirees, and beneficiaries of that system ...*.”
4. Although governmental plans generally are not subject to the vesting rules set forth in Code section 411, they must satisfy pre-ERISA vesting rules set forth in Code section 401(a)(7) in effect on September 1, 1974 (See Code section 411(e)(2)). Pre-ERISA vesting rules require governmental plans to provide for 100% vesting at plan termination.

The Highway Patrol Plan governing documents do not mention plan termination, and therefore do not provide for 100% vesting at plan termination.

The IRS may consider the lack of language requiring 100% vesting at plan termination a written plan qualification failure that must be corrected. However, it may be acceptable to the IRS to demonstrate that the written plan does not permit termination, and thus there is no need to provide for 100% vesting at such occurrence. In addition, it is our understanding that for current employees, the Highway Patrol Plan provisions are part of the employment contract with the employer, and therefore the Plan could not be terminated for such employees. Finally, it is useful to note that the governing documents for the Teachers' Fund for Retirement do not contain the required provision and yet received a favorable determination letter several years ago.

If it is determined that correction is necessary, the appropriate method of correction is to file the Highway Patrol Plan documents under the IRS' Voluntary Compliance Program (VCP) at the same time as a determination letter filing. VCP requires that the plan adopt a corrective amendment and pay a specified penalty.

5. A qualified plan must prohibit the use of forfeitures to increase the benefits of employees (See Code section 401(a)(8)). The Highway Patrol Plan governing documents do not specifically prohibit or permit the use of forfeitures to increase benefits under the Plan. The IRS may consider the lack of such language a written plan qualification failure that must be corrected. However, it may be acceptable to the IRS to demonstrate that the written plan does not specifically provide for the use of forfeitures to increase benefits under the Plan and that operationally the Plan does not use forfeitures to increase benefits. In addition, this position is strengthened by the fact that mandatory employee contributions to the Plan are not forfeited. That is, employees are guaranteed a benefit equal to at least a return of employee contribution amounts. Finally, it is useful to note that the governing documents for the Teachers' Fund for Retirement do not contain the required provision and yet received a favorable determination letter several years ago.

If it is determined that correction is necessary, the appropriate method of correction is to file the Highway Patrol Plan documents under the VCP at the same time as a determination letter filing.

6. A qualified defined benefit plan must provide for benefits that are "definitely determinable", as described in Treasury Regulations section 1.401-1(b). Generally, this means that the written plan must describe who is eligible to participate, how benefits may become vested and how benefits are calculated in a manner that employees can determine what benefits they are entitled to based on the written plan. In addition, in order for benefits to be definitely determinable, there must not be any plan provisions that provide for benefits or contributions that are dependent upon the profits of the employer or benefits that are dependent upon the plan receiving the required contributions. Definitely determinable rules also prohibit the use of forfeitures to increase benefits under the plan (see item 5 above) and require defined benefit plans to specify actuarial assumptions (see item 10 below).

Various sections of the NDCC, Chapter 39-03.1 describe who is eligible to participate, how benefits may become vested and how benefits are calculated under the Highway Patrol Plan, and in this way appear to satisfy requirements for definitely determinable benefits. In addition, the NDCC does not contain any of the provisions that are prohibited.

7. Qualified plans must comply with minimum distribution requirements under Code section 401(a)(9), including incidental death benefit rules under paragraph (G) and the definition of required beginning date under paragraph (C). Treasury Regulations section 1.401(a)(9)-1 describes the provisions that a plan must contain in order to satisfy Code section 401(a)(9), including a description of the statutory rules under that Code section. However, Section 823 of the Pension Protection Act of 2006 (PPA) directed the Treasury to issue regulations under which a governmental plan is treated as satisfying the minimum distribution requirements if the plan satisfies a reasonable, good faith interpretation of the statutory requirements. This means that so long as a governmental plan complies with a reasonable, good faith interpretation of the statutory requirements under Code section 401(a)(9), they do not have to comply with the detailed rules of the regulations.

NDCC §39-03.1-11.2 states that “*The board shall administer the plan in compliance with ... section 401(a)(9) ... of the Internal Revenue Code in effect on August 1, 2007, as it applies for governmental plans.*” In light of Section 823 of the PPA, it appears that this language satisfies written plan requirements under Code section 401(a)(9).

8. Qualified defined benefit plans must comply with benefit limitations under Code section 415 and related regulations (See Code section 401(a)(16)). Recently finalized Treasury Regulations indicate that a defined benefit plan may generally incorporate the provisions of Code section 415 by reference in the written plan document, but a few rules must be specifically included in plan language to the extent applicable. For example, if the Highway Patrol Plan would like the dollar limitation to increase automatically when that amount is indexed under Code section 415(d), then the written plan must specify that the increase applies automatically. Also, if the Highway Patrol Plan would like to apply the indexed limit to individuals who have had a separation from employment, then the written plan must specify that the indexed limit applies to those individuals. Finally, if the Highway Patrol Plan may be required to be aggregated with another defined benefit plan under Code section 415, then the written plan must specify how benefits will be limited between the two plans.

NDCC §39-03.1-11.2 states that “*The board shall administer the plan in compliance with section 415 ... of the Internal Revenue Code in effect on August 1, 2007, as it applies for governmental plans.*” Therefore, the general rules under Code section 415 have been incorporated by reference. In addition, we reviewed the revisions to NDCC §39-03.1-11.2 made by draft bill number 90111.0100, and the language in that bill appears to specify the default rules under Code section 415 regulations, as described above. We do not believe additional revisions would be required under in order to comply with Code section 415 regulations.

9. A qualified plan must comply with compensation limitations under Code section 401(a)(17). Governmental plans may also provide for a higher, grandfathered compensation limit for participants in the plan prior to the plan year beginning in 1996, if the written plan is timely amended to provide for the grandfather rules. NDCC §39-03.1-11.2 states that “*The board shall administer the plan in compliance with ... section 401(a)(17) ... of the Internal Revenue Code in effect on August 1, 2007, as it applies for governmental plans.*” Therefore, it appears that this language satisfies written plan requirements regarding compensation limitations under Code section 401(a)(17). However, it does not appear that the Highway Patrol Plan has been timely amended to provide for the grandfathered limit for governmental plans.
10. In order to satisfy definitely determinable requirements, a qualified defined benefit plan must specify the actuarial assumptions utilized under the plan for purposes of actuarial adjustments of benefits under the plan in a way that precludes discretion by the employer, plan administrator or other fiduciary (See Code section 401(a)(25)). IRS Revenue Ruling 79-90 provides acceptable standards which satisfy this requirement, including specifying the actuarial assumptions in the written plan document or providing a table of adjustment factors to be used. Administrative Code section 71-05-05-07 describes the actuarial reduction factors for early retirement as part of the written plan. In addition, it is our understanding that the Highway Patrol Plan produces tables of adjustment factors for various optional forms of benefits under the Plan. Thus, it appears that the written plan requirements under Code section 401(a)(25) are satisfied by the Administrative Code provisions and the adjustment factor tables.
11. A qualified plan must provide for direct transfer of an eligible rollover distribution (as defined in Code section 402(c)(4)) to an eligible retirement plan (as defined in Code section 402(c)(8)) by a distributee (See Code section 401(a)(31)). In the case of a mandatory distribution made without the employee’s consent that is more than \$1,000, such distribution must be automatically rolled over into an individual retirement plan (IRA), unless the employee affirmatively elects otherwise (See Code section 401(a)(31)(B), as amended by the Economic Growth and Tax Relief Reconciliation Act of 2001).

NDCC §39-03.1-11.2 states that “*The board shall administer the plan in compliance with ... section 401(a)(31) of the Internal Revenue Code in effect on August 1, 2007, as it applies for governmental plans.*” Therefore, it appears that this language satisfies written plan requirements regarding direct rollovers under Code section 401(a)(31). However, NDCC §39-03.1-10.1 and Administrative Code section 71-05-06-01 indicate that the Highway Patrol Plan will automatically cashout accumulated member contributions if the employee terminates employment prior to completing at least ten years of eligible employment. The Highway Patrol Plan’s governing documents do not contain specific language requiring automatic rollover to an IRA under such circumstances.

The IRS may consider the lack of such language a written plan qualification failure that must be corrected. It is our understanding that proposed legislation for the 2008 session would add statutory language to the Plan complying with the automatic rollover rules by

reducing the amount of mandatory distributions below the \$1,000 threshold. However, since this language would be adopted after the IRS deadline (as described in item 12 below), it would be advisable to utilize the IRS' Voluntary Compliance Program for correction. The appropriate method of correction is to file the Highway Patrol Plan documents under the VCP at the same time as a determination letter filing.

12. The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) amended several plan qualification requirements described in this letter, including increasing Code section 415 limitations, increasing Code section 401(a)(17) compensation limitations and provided additional, mandatory rules for direct rollovers under Code section 401(a)(31). A qualified plan who files a request for determination letter from the IRS under the appropriate cycle (for governmental plans it is Cycle C or Cycle E), may correct an EGTRRA provision as directed by the IRS during the determination letter process without a qualification failure, so long as the plan adopted an interim, good faith EGTRRA amended on a timely basis. A good faith EGTRRA plan amendment is timely if it is adopted no later than the end of the plan year in which a qualification change is required to be made or is optionally made under the plan. Governmental plans are afforded an extended deadline for adoption until the close of the first legislative session that begins after the effective date of any mandatory amendment. However, for the changes related to an automatic rollover of a mandatory distribution (as described in item 11 above), governmental plans do not have to be amended until the close of the first legislative session that begins on or after January 1, 2006. Therefore, if the Highway Patrol Plan is submitted to the IRS for a determination letter, it may be important to demonstrate that NDCC §39-03.1-11.2, which references Code sections 415, 401(a)(17) and 401(a)(31), was updated in a timely manner for EGTRRA purposes.

Since the mandatory changes for direct rollover rules were effective for distributions after December 31, 2001, the Highway Patrol Plan should have adopted these changes by the end of the 2004 legislative session. Assuming NDCC §39-03.1-11.2, which references Code section 401(a)(31) regarding direct rollover rules, was updated by the end of the 2002 legislative session to reflect Code section 401(a)(31) in effect on August 1, 2003, it appears the statutes were timely amended for mandatory EGTRRA changes.

13. In connection with a governmental plan that has never received a determination letter, the IRS has indicated they will only review written plan documentation back to the GUST amendments. The term "GUST" refers to a group of laws that required plan qualification amendments by the end of the plan year beginning in 2001, including GATT (Uruguay Round Agreements Act), USERRA (Uniformed Services Employment and Reemployment Rights Act), SBJPA (Small Business Job Protection Act), TRA (Taxpayer Relief Act of 1997) and CRA (Community Renewal Tax Relief Act of 2000). Based on our review of the Highway Patrol Plan, it appears that the written plan documentation is in compliance with the applicable GUST requirements, mainly by incorporating affected Code sections in NDCC §39-03.1-11.2 and including USERRA provisions in NDCC §39-03.1-10.3.

14. Treasury Regulations section 1.401(a)-1(b) provide rules regarding permissible normal retirement ages, and such Regulations do not provide for a permissible normal retirement age that is based on a combination of age and service, such as the Highway Patrol Plan's definition of normal retirement date in NDCC §39-03.1-11, subsection 3. Therefore, it may be necessary to amend the Plan's normal retirement age in the future in order to comply with these Regulations. However, the IRS has indicated that although the requirements under these Regulations are included on cumulative list of required modifications for governmental plans, as set forth in IRS Notice 2007-94, they are not applicable for governmental plans until the plan year beginning on or after January 1, 2011. Thus, the IRS will not review governmental plan submissions for a determination letter under Cycle C for compliance with the normal retirement age regulations.

We hope this discussion is helpful. Once you have had an opportunity to review this information, it may be useful to set up a conference call to discuss your questions and comments. Please let us know if that is desirable.

As always, the information contained in this letter is provide within our role as your benefits consultant and is not intended to provide tax or legal advice.

Sincerely,



Melanie Walker, JD
Vice President

cc: Kathy Allen
Deb Knudsen
Cathie Eitelberg
Brad Ramirez, FSA, MAAA, EA



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December 1, 2008

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

Re: **North Dakota PERS – Compliance review of the Hybrid Plan**

Dear Sparb:

At your request, we reviewed statutory provisions governing the Hybrid Plan (mainly North Dakota Century Code Title 54, Chapter 52), as well as applicable sections of the North Dakota Administrative Code, Title 71. Our review focused on written plan requirements for qualified defined benefit plans under Internal Revenue Code section 401(a), as applicable to governmental plans, and the IRS cumulative list of required modifications for governmental plans, as set forth in IRS Notice 2007-94. Following is brief description of the written plan requirements and our findings with respect to each requirement:

1. The written plan must include trust provisions (See Code section 401(a) and Treasury Regulations section 1.401-1(a)(2)). This requirement appears to be satisfied by the language in North Dakota Century Code (NDCC) §54-52-14.1, which states “*Such moneys must be placed for investment only with a firm ... only after trust agreement or contract has been executed.*”

In addition, NDCC §§21-10-02 and -06 describe the state investment board’s authority to invest the assets of the retirement system, and NDCC §§54-52-03 and -04 describe the retirement board’s authority to govern the Hybrid Plan.

2. Plan contributions must be made to a trust by the employer, employees or both for the purpose of distributing benefits from the principal and income of the trust (See Code section 401(a)(1)). NDCC §54-52-05, subsection 2 and §54-52-06 describe the employee and employer contributions that are required to be made to the retirement fund, respectively. NDCC §54-52-04, subsection 6 indicates that retirement benefits are

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payable from the retirement fund with the following language: *“The funds necessary for paying prior service and service benefits ... and making withdrawal payments and refunds are hereby appropriate from the retirement fund for those purposes.”*

In addition, governmental plans that provide for employer pick-up of mandatory employee contributions under Code section 414(h)(2), must satisfy the following requirements (See Rev. Rul. 2006-43):

- (a) specify that the contributions, although designated as employee contributions are being paid by the employer;
- (b) the employing unit must take formal action (memorialized in writing) to provide that contributions on behalf of a specific class of employees will be paid by the employing unit in lieu of employee contributions; and
- (c) not permit a participating employee to have the right to opt out of the pick-up or receive the contributed amounts directly.

NDCC §54-52-05, subsection 3 indicates that employers may elect to pick-up employee contributions. This subsection 3 states *“Employees may not receive the contributed amounts directly once the employer has elected to pay the employee contributions. The amount paid must be paid by the employer in lieu of contributions by the employee. ... If contributions are paid by the employer, they must be treated as employer contributions in determining tax treatment”* Therefore, it appears that the requirements set forth in (a) and (c) above are satisfied. In addition, Administrative Code section 71-02-06-06 requires employers to make a written election to pick-up employee contributions, and therefore, the requirement set forth in (b) above is satisfied.

- 3. A qualified plan must be maintained for the exclusive benefit of employees and their beneficiaries, and under the plan’s trust instrument, assets must not be diverted for any other purpose (See Code section 401(a)(2)). This requirement appears to be satisfied by the language in NDCC §54-52-14.3, which states *“All moneys from any source paid into any public employee retirement system fund ... must be used and invested only for the exclusive benefit of the members, retirees, and beneficiaries of that system”*
- 4. Although governmental plans generally are not subject to the vesting rules set forth in Code section 411, they must satisfy pre-ERISA vesting rules set forth in Code section 401(a)(7) in effect on September 1, 1974 (See Code section 411(e)(2)). Pre-ERISA vesting rules require governmental plans to provide for 100% vesting at plan termination. The Hybrid Plan governing documents do not mention plan termination, and therefore do not provide for 100% vesting at plan termination.

The IRS may consider the lack of language requiring 100% vesting at plan termination a written plan qualification failure that must be corrected. However, it may be acceptable to the IRS to demonstrate that the written plan does not permit termination, and thus there is no need to provide for 100% vesting at such occurrence. In addition, it is our

understanding that for current employees, the Hybrid Plan benefits are part of the employment contract with the employer, and therefore the Hybrid Plan could not be terminated for such employees. Finally, it is useful to note that the governing documents for the Teachers' Fund for Retirement does not contain the required provision and yet received a favorable determination letter several years ago.

If it is determined that correction is necessary, the appropriate method of correction is to file the Hybrid Plan documents under the IRS' Voluntary Compliance Program (VCP) at the same time as a determination letter filing. VCP requires that the plan adopt a corrective amendment and pay a specified penalty.

5. A qualified plan must prohibit the use of forfeitures to increase the benefits of employees (See Code section 401(a)(8)). The Hybrid Plan governing documents do not specifically prohibit or permit the use of forfeitures to increase benefits under the Plan. The IRS may consider the lack of such language a written plan qualification failure that must be corrected. However, it may be acceptable to the IRS to demonstrate that the written plan does not specifically provide for the use of forfeitures to increase benefits under the Plan and that operationally the Plan does not use forfeitures to increase benefits. In addition, this position is strengthened by the fact that mandatory employee contributions to the Plan are not forfeited. That is, employees are guaranteed a benefit equal to at least a return of employee contribution amounts. Finally, it is useful to note that the governing documents for the Teachers' Fund for Retirement does not contain the required provision and yet received a favorable determination letter several years ago.

If it is determined that correction is necessary, the appropriate method of correction is to file the Hybrid Plan documents under the VCP at the same time as a determination letter filing.

6. A qualified defined benefit plan must provide for benefits that are "definitely determinable", as described in Treasury Regulations section 1.401-1(b). Generally, this means that the written plan must describe who is eligible to participate, how benefits may become vested and how benefits are calculated in a manner that employees can determine what benefits they are entitled to based on the written plan. In addition, in order for benefits to be definitely determinable, there must not be any plan provisions that provide for benefits or contributions that are dependent upon the profits of the employer or benefits that are dependent upon the plan receiving the required contributions. Definitely determinable rules also prohibit the use of forfeitures to increase benefits under the plan (see item 5 above) and require defined benefit plans to specify actuarial assumptions (see item 10 below).

Various sections of the NDCC, Chapter 54-52 describe who is eligible to participate, how benefits may become vested and how benefits are calculated under the Hybrid Plan, and in this way appear to satisfy requirements for definitely determinable benefits. In addition, the NDCC does not contain any of the provisions that are prohibited.

7. Qualified plans must comply with minimum distribution requirements under Code section 401(a)(9), including incidental death benefit rules under paragraph (G) and the definition of required beginning date under paragraph (C). Treasury Regulations section 1.401(a)(9)-1 describes the provisions that a plan must contain in order to satisfy Code section 401(a)(9), including a description of the statutory rules under that Code section. However, Section 823 of the Pension Protection Act of 2006 (PPA) directed the Treasury to issue regulations under which a governmental plan is treated as satisfying the minimum distribution requirements if the plan satisfies a reasonable, good faith interpretation of the statutory requirements. This means that so long as a governmental plan complies with a reasonable, good faith interpretation of the statutory requirements under Code section 401(a)(9), they do not have to comply with the detailed rules of regulations.

NDCC §54-52-28 states that “*The board shall administer the plan in compliance with ... section 401(a)(9) ... of the Internal Revenue Code in effect on August 1, 2007, as it applies for governmental plans.*” In light of Section 823 of the PPA, it appears that this language satisfies written plan requirements under Code section 401(a)(9).

8. Qualified defined benefit plans must comply with benefit limitations under Code section 415 and related regulations (See Code section 401(a)(16)). Recently finalized Treasury Regulations indicate that a defined benefit plan may generally incorporate the provisions of Code section 415 by reference in the written plan document, but a few rules must be specifically included in plan language to the extent applicable. For example, if the Hybrid Plan would like the dollar limitation to increase automatically when that amount is indexed under Code section 415(d), then the written plan must specify that the increase applies automatically. Also, if the Hybrid Plan would like to apply the indexed limit to individuals who have had a separation from employment, then the written plan must specify that the indexed limit applies to those individuals. Finally, if the Hybrid Plan may be required to be aggregated with another defined benefit plan under Code section 415, then the written plan must specify how benefits will be limited between the two plans.

NDCC §54-52-28 states that “*The board shall administer the plan in compliance with section 415 ... of the Internal Revenue Code in effect on August 1, 2007, as it applies for governmental plans.*” Therefore, the general rules under Code section 415 have been incorporated by reference. In addition, we reviewed the revisions to NDCC §54-52-28 made by draft bill number 90111.0100, and the language in that bill appears to specify the default rules under Code section 415 regulations, as described above. We do not believe additional revisions would be required in order to comply with Code section 415 regulations.

9. A qualified plan must comply with compensation limitations under Code section 401(a)(17). Governmental plans may also provide for a higher, grandfathered compensation limit for participants in the plan prior to the plan year beginning in 1996, if the written plan is timely amended to provide for the grandfather rules. NDCC §54-52-28 states that “*The board shall administer the plan in compliance with ... section*

401(a)(17) ...of the Internal Revenue Code in effect on August 1, 2007, as it applies for governmental plans.” Therefore, it appears that this language satisfies written plan requirements regarding compensation limitations under Code section 401(a)(17).

However, it does not appear that the Hybrid Plan has been timely amended to provide for the grandfathered limit for governmental plans.

10. In order to satisfy definitely determinable requirements, a qualified defined benefit plan must specify the actuarial assumptions utilized under the plan for purposes of actuarial adjustments of benefits under the plan in a way that precludes discretion by the employer, plan administrator or other fiduciary (See Code section 401(a)(25)). IRS Revenue Ruling 79-90 provides acceptable standards which satisfy this requirement, including specifying the actuarial assumptions in the written plan document or providing a table of adjustment factors to be used. Administrative Code section 71-02-04-07 describes the actuarial reduction factors for early retirement as part of the written plan. In addition, it is our understanding that the Hybrid Plan produces tables of adjustment factors for various optional forms of benefits under the Plan. Thus, it appears that the written plan requirements under Code section 401(a)(25) are satisfied by the Administrative Code provisions and the adjustment factor tables.
11. A qualified plan must provide for direct transfer of an eligible rollover distribution (as defined in Code section 402(c)(4)) to an eligible retirement plan (as defined in Code section 402(c)(8)) by a distributee (See Code section 401(a)(31)). In the case of a mandatory distribution made without the employee’s consent that is more than \$1,000, such distribution must be automatically rolled over into an individual retirement plan (IRA) unless the employee affirmatively elects otherwise (See Code section 401(a)(31)(B), as amended by the Economic Growth and Tax Relief Reconciliation Act of 2001).

NDCC §54-52-28 states that “*The board shall administer the plan in compliance with ... section 401(a)(31) of the Internal Revenue Code in effect on August 1, 2007, as it applies for governmental plans.*” Therefore, it appears that this language satisfies written plan requirements regarding direct rollovers under Code section 401(a)(31). However, NDCC §54-52-17, subsection 7 indicates that the Hybrid Plan will automatically cashout an employee’s account balance (member contributions and any vested employer contributions) if the employee terminates employment prior to completing at least three years of eligible employment. The Hybrid Plan’s governing documents do not contain specific language requiring automatic rollover to an IRA under such circumstances.

The IRS may consider the lack of such language a written plan qualification failure that must be corrected. It is our understanding that proposed legislation for the 2008 session would add statutory language to the Plan complying with the automatic rollover rules by reducing the amount of mandatory distributions below the \$1,000 threshold. However, since this language would be adopted after the IRS deadline (as described in item 12 below), it would be advisable to utilize the IRS’ Voluntary Compliance Program for correction. The appropriate method of correction is to file the Hybrid Plan documents under the VCP at the same time as a determination letter filing.

12. The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) amended several plan qualification requirements described in this letter, including increasing Code section 415 limitations, increasing Code section 401(a)(17) compensation limitations and provided additional, mandatory rules for direct rollovers under Code section 401(a)(31). A qualified plan who files a request for determination letter from the IRS under the appropriate cycle (for governmental plans it is Cycle C or Cycle E), may correct an EGTRRA provision as directed by the IRS during the determination letter process without a qualification failure, so long as the plan adopted an interim, good faith EGTRRA amended on a timely basis. A good faith EGTRRA plan amendment is timely if it is adopted no later than the end of the plan year in which a qualification change is required to be made or is optionally made under the plan. Governmental plans are afforded an extended deadline for adoption until the close of the first legislative session that begins after the effective date of any mandatory amendment. However, for the changes related to an automatic rollover of a mandatory distribution (as described in item 11 above), governmental plans do not have to be amended until the close of the first legislative session that begins on or after January 1, 2006. Therefore, if the Hybrid Plan is submitted to the IRS for a determination letter, it may be important to demonstrate that NDCC §54-52-28, which references Code sections 415, 401(a)(17) and 401(a)(31), was updated in a timely manner for EGTRRA purposes.

Since the mandatory changes for direct rollover rules were effective for distributions after December 31, 2001, the Hybrid Plan should have adopted these changes by the end of the 2004 legislative session. Assuming NDCC §54-52-28, which references Code section 401(a)(31) regarding direct rollover rules, was updated by the end of the 2002 legislative session to reflect Code section 401(a)(31) in effect on August 1, 2003, it appears the statutes were timely amended for mandatory EGTRRA changes.

13. In connection with a governmental plan that has never received a determination letter, the IRS has indicated they will only review written plan documentation back to the GUST amendments. The term "GUST" refers to a group of laws that required plan qualification amendments by the end of the plan year beginning in 2001, including GATT (Uruguay Round Agreements Act), USERRA (Uniformed Services Employment and Reemployment Rights Act), SBJPA (Small Business Job Protection Act), TRA (Taxpayer Relief Act of 1997) and CRA (Community Renewal Tax Relief Act of 2000). Based on our review of the Hybrid Plan, it appears that the written plan documentation is in compliance with the applicable GUST requirements, mainly by incorporating affected Code sections and including USERRA provisions in NDCC §54-52-17.14.
14. Treasury Regulations section 1.401(a)-1(b) provide rules regarding permissible normal retirement ages, and such Regulations do not provide for a permissible normal retirement age that is based on a combination of age and service, such as the Hybrid Plan's rule of 85 provisions in NDCC §54-52-17, subsection 3. Therefore, it may be necessary to amend the Plan's normal retirement age in the future in order to comply with these Regulations. However, the IRS has indicated that although the requirements under these Regulations are included on cumulative list of required modifications for governmental plans, as set forth in IRS Notice 2007-94, they are not applicable for governmental plans

Mr. Sparb Collins
December 1, 2008
Page 7

until the plan year beginning on or after January 1, 2011. Thus, the IRS will not review governmental plan submissions for a determination letter under Cycle C for compliance with these Regulations.

We hope this discussion is helpful. Once you have had an opportunity to review this information, it may be useful to set up a conference call to discuss your questions and comments. Please let us know if that is desirable.

As always, the information contained in this letter is provide within our role as your benefits consultant and is not intended to provide tax or legal advice.

Sincerely,

A handwritten signature in cursive script that reads "Melanie Walker".

Melanie Walker, JD
Vice President

cc: Kathy Allen
Deb Knudsen
Cathie Eitelberg
Brad Ramirez, FSA, MAAA, EA



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December 8, 2008

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

Re: North Dakota PERS – proposal to prepare IRS determination letter filing

Dear Sparb:

The purpose of this letter is to submit our written proposal to provide compliance services related to filing a determination letter request to the IRS for the North Dakota Public Employees' Retirement System (PERS) in connection with PERS' two defined benefit plans, the Hybrid Plan and the Highway Patrol Retirement System, as described below. Our understanding of the desired scope of services, as well as our proposed timeline and fees, are as follows:

SCOPE OF SERVICES

With respect to requested compliance services, the scope of services provided will include:

- Preparing a packet of materials for PERS to review and submit to the IRS in order to request favorable determination letters for both plans on behalf of one employer only for each plan, presumably the State of North Dakota. The completed forms will include Form 5300 (application), Form 8717 (user fee) and Form 2848 (power of attorney), as well as any required attachments and a draft notice to interested parties. The forms will be completed based on data that you provide to us. PERS will be responsible for signing the forms, attaching a check for the user fee and distributing the notice to interested parties, as well as sending the final packet of materials to the IRS.
- Completing forms and materials for PERS to review and submit to the IRS under the Voluntary Compliance Program (VCP) for correcting a plan amendment failure, if desired.

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- Assisting PERS in preparing any requested response to the IRS regarding particular compliance issues related to the IRS filing.

PROPOSED TIMELINE

We are able to complete the necessary forms, attachments and notice so that PERS can complete and send the filing by the IRS deadline for Cycle C Plan filings, January 30, 2009.

FEES

We propose that fees for preparing the packet of material to be filed with the IRS be charged on an hourly basis up to a maximum dollar amount of \$5,000 each for the Hybrid Plan and Highway Patrol Retirement System (\$10,000 total), to be billed to PERS upon completion of the project. In addition, we propose that, to the extent requested, fees for completing VCP forms and materials be charged on an hourly basis estimated at \$2,000 each for the Hybrid Plan and Highway Patrol Retirement System (\$4,000 total), to be billed to PERS upon completion of the project. Finally, we propose that fees for assisting PERS in responding to IRS requests relating to the filing be charged on an hourly basis. We are unable to provide an estimate of those charges due to the unknown scope of such services and likely unpredictable nature of the process for filing determination letter requests to the IRS.

We appreciate the opportunity to submit this proposal to PERS for compliance services related to IRS determination letter filings. Please let us know if we can provide any additional information.

Sincerely,



Melanie Walker, JD
Vice President

cc: Kathy Allen
Deb Knudsen
Cathie Eitelberg
Brad Ramirez, FSA, MAAA, EA



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: December 9, 2008
SUBJECT: PERS Retirement Plan

At this meeting we will have an update from Steve Cochrane on the investments and performance year to date. At the date of this memo the plan's estimated year to date performance is -23% for PERS. In this memo I want to: update you on what this means to the PERS plan, identify possible options/actions and discuss the implications to our proposed legislative agenda.

PERS RETIREMENT PLAN

2008 ACTUARIAL VALUATION

In October we reviewed the following information relating to our funded status and the projected margin.

Main - Funded Ratio

Year	Actuarial Accrued Liabilities (millions)	Actuarial Value of Assets (millions)	Funded Ratio
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%

Funded Ratio at market value is 101% in 2008

2



North Dakota Main System Projected Margins (Market Return After FY 2009 Always 9.3%)

If Market Return for FY 2009 is	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013
-8%	-2.46%	-3.00%	-3.61%	-4.49%	-4.89%
-6%	-2.39%	-2.85%	-3.38%	-4.18%	-4.50%
-4%	-2.32%	-2.70%	-3.14%	-3.87%	-4.12%
-2%	-2.25%	-2.54%	-2.91%	-3.56%	-3.73%
0%	-2.17%	-2.39%	-2.68%	-3.25%	-3.34%
2%	-2.10%	-2.24%	-2.45%	-2.94%	-2.96%
4%	-2.03%	-2.09%	-2.22%	-2.64%	-2.57%
6%	-1.95%	-1.93%	-1.99%	-2.33%	-2.19%
8%	-1.88%	-1.78%	-1.76%	-2.02%	-1.80%

Note: Projection reflects only investment return effects.
Assumes constant normal cost rate of 8.71% for Main.
The 2008 valuation margin is -2.11%.

North Dakota Public Employees
Retirement System

5

The funded status on July 1, 2008 was 92% at actuarial value but even more importantly it was 101% at market value. Therefore, at that time we were well funded especially as you look at it from a market perspective. Secondly, as we looked at the projected margin being negative, the concern was mitigated since our funded status at market was 101% and if this calculation was done on market value the margin requirement would come down substantially almost to 0. As is noted in the next section our market value of assets has turned negative and therefore these projections need to be viewed differently (please note that is we took the 2009 to a -20 return the projected margin would be about a -3.3%)

LOW RETURNS – EFFECT ON PERS

Since our meeting in October, there has been a seismic shift in our perspective on the economy. With that in mind, I asked Segal to project the funded status of the plan at market value (the actuarial value will only recognize 20% of the loss; the market value perspective provides us the fullest assessment of the effect on the plan). The following is that table based upon varying levels of returns (as noted by the arrow).

Exhibit 1
North Dakota PERS Main Segment
Projected Funded Ratio
Market Value of Assets to the Actuarial Accrued Liability
Assumes No Contribution Increase
(Market Return After FY 2009 Always 8.0%)

Valuation Year	Fiscal Year 2009 Market Value Return							
	-26.0%	-20.0%	-16.0%	-14.0%	-8.0%	-4.0%	0.0%	4.0%
2009	69%	75%	78%	80%	86%	90%	93%	97%
2010	68%	74%	78%	80%	86%	89%	93%	97%
2011	68%	74%	77%	79%	85%	89%	93%	97%
2012	67%	73%	77%	79%	85%	89%	93%	97%
2013	66%	72%	76%	78%	84%	88%	92%	96%
2014	65%	72%	76%	78%	84%	88%	92%	96%
2015	65%	71%	75%	77%	83%	88%	92%	96%
2016	64%	70%	74%	76%	83%	87%	91%	96%
2017	63%	69%	74%	76%	82%	87%	91%	96%
2018	61%	68%	73%	75%	82%	86%	91%	95%
2019	60%	67%	72%	74%	81%	86%	90%	95%
2020	59%	66%	71%	73%	80%	85%	90%	95%
2021	58%	65%	70%	72%	80%	85%	90%	95%
2022	56%	64%	69%	71%	79%	84%	89%	94%
2023	55%	62%	68%	70%	78%	83%	89%	94%
2024	53%	61%	67%	69%	77%	83%	88%	94%
2025	51%	60%	65%	68%	77%	82%	88%	93%
2026	50%	58%	64%	67%	76%	81%	87%	93%
2027	48%	57%	63%	66%	75%	81%	87%	93%
2028	46%	55%	62%	65%	74%	80%	86%	92%

As the above notes that as the projected loss for this year gets greater, the potential effect on the plan gets progressively more significant. Again please note this is at market value but as it demonstrates that in the -20% to -26% return range the plan's funded status at market drops from 101% to between 75% to 69%. With 8% returns thereafter the plans funded status will only decrease.

CONSIDERATIONS

In recognition of the above potential, I asked Segal to examine this from the following perspectives:

- What if we relied solely on a contribution increase to get back to 100% funded status?
- What if we relied on investment returns to get back to 100% funded status?
- What if we relied on both a contribution increase and investments to get back to 100% funded status?

I also asked them to look at this from the additional perspective of trying to recover in 10 years or 20 years.

What if we rely solely on a contribution to get back to 100% funded status?

Exhibit 6
North Dakota PERS Main Segment
Projected Funded Ratio
Market Value of Assets to the Actuarial Accrued Liability
Contribution Increase Needed to Achieve 100% Funded Ratio on July 1, 2019
(Market Return After FY 2009 Always 8.0%)

Valuation Year	Fiscal Year 2009 Market Value Return							
	-26.0%	-20.0%	-16.0%	-14.0%	-8.0%	-4.0%	0.0%	4.0%
	Contribution Increase From July 1, 2009 to June 30, 2019							
	10.7%	8.9%	7.6%	7.0%	5.1%	3.9%	2.6%	1.4%
2009	69%	75%	78%	80%	86%	90%	93%	97%
2010	72%	77%	81%	82%	87%	91%	94%	97%
2011	75%	80%	83%	84%	89%	92%	95%	98%
2012	78%	82%	85%	86%	90%	93%	95%	98%
2013	81%	85%	87%	88%	92%	94%	96%	98%
2014	84%	87%	89%	90%	93%	95%	97%	99%
2015	88%	90%	91%	92%	94%	96%	97%	99%
2016	91%	93%	94%	94%	96%	97%	98%	99%
2017	94%	95%	96%	96%	97%	98%	99%	100%
2018	97%	98%	98%	98%	99%	99%	99%	100%
2019	100%	100%	100%	100%	100%	100%	100%	100%
2020	100%	100%	100%	100%	100%	100%	100%	100%
2021	100%	100%	100%	100%	100%	100%	100%	100%
2022	100%	100%	100%	100%	100%	100%	100%	100%
2023	100%	100%	100%	100%	100%	100%	100%	100%
2024	100%	100%	100%	100%	100%	100%	100%	100%
2025	99%	100%	99%	100%	99%	100%	99%	100%
2026	99%	100%	99%	99%	99%	100%	99%	99%
2027	99%	99%	99%	99%	99%	99%	99%	99%
2028	99%	99%	99%	99%	99%	99%	99%	99%

The above table shows:

1. That if we had a -26% loss at the end of this year we would need a 10.7% increase in contributions to return to 100% funded status in 10 years
2. That if we had a -20% loss at the end of this year we would need a 8.9% increase in contributions to return to 100% funded status in 10 years

A related question is what if we do nothing at this time, wait, and make 8% investment return in the year following our loss?

Exhibit 7
North Dakota PERS Main Segment
Projected Funded Ratio
Market Value of Assets to the Actuarial Accrued Liability
Contribution Increase Needed, Effective July 1, 2011, to Achieve 100% Funded Ratio on July 1, 2019
(Market Return After FY 2009 Always 8.0%)

Valuation Year	Fiscal Year 2009 Market Value Return							
	-26.0%	-20.0%	-16.0%	-14.0%	-8.0%	-4.0%	0.0%	4.0%
	Contribution Increase From July 1, 2011 to June 30, 2019							
	13.9%	11.4%	9.8%	9.0%	6.6%	5.0%	3.4%	1.8%
2009	69%	75%	78%	80%	86%	90%	93%	97%
2010	68%	74%	78%	80%	86%	89%	93%	97%
2011	68%	74%	77%	79%	85%	89%	93%	97%
2012	72%	77%	80%	82%	87%	90%	94%	97%
2013	76%	80%	83%	84%	89%	92%	95%	98%
2014	80%	83%	86%	87%	91%	93%	96%	98%
2015	84%	87%	89%	90%	93%	95%	97%	98%
2016	88%	90%	91%	92%	94%	96%	97%	99%
2017	92%	93%	94%	95%	96%	97%	98%	99%
2018	96%	97%	97%	97%	98%	99%	99%	100%
2019	100%	100%	100%	100%	100%	100%	100%	100%
2020	100%	100%	100%	100%	100%	100%	100%	100%
2021	100%	100%	100%	100%	100%	100%	100%	100%
2022	100%	100%	100%	100%	100%	100%	100%	100%
2023	100%	100%	100%	100%	100%	100%	100%	100%
2024	100%	99%	99%	99%	100%	100%	100%	100%
2025	100%	99%	99%	99%	99%	99%	100%	100%
2026	99%	99%	99%	99%	99%	99%	99%	99%
2027	99%	99%	99%	99%	99%	99%	99%	99%
2028	99%	99%	99%	99%	99%	99%	99%	99%

This table shows:

1. By waiting 2 years the contribution required increases from 10.8% to 13.9% with a -26% loss
2. By waiting 2 years the contribution required increases from 10.2% to 11.4% with a -20% loss

The above table shows that if we rely solely upon a contribution increase for recovery it is very costly. The second table shows that there is cost to waiting to take action.

What if we rely solely on investment earnings to get back to 100% funded status?

The following table shows the level of earnings we would need over the next tens year to return to 100% funded status after various levels of loss this year.

Exhibit 10
North Dakota PERS Main Segment
Projected Funded Ratio
Market Value of Assets to the Actuarial Accrued Liability
Assumes No Contribution Increase
Market Return Needed Each Year to Achieve 100% Funded Ratio on July 1, 2019
(Market Return After FY 2019 Always 8.0%)

Valuation Year	Fiscal Year 2009 Market Value Return							
	-26.0%	-20.0%	-16.0%	-14.0%	-8.0%	-4.0%	0.0%	4.0%
	Market Return Each Year From July 1, 2009 to June 30, 2019							
	12.8%	11.8%	11.2%	10.9%	10.0%	9.5%	9.0%	8.5%
2009	69%	75%	78%	80%	86%	90%	93%	97%
2010	71%	77%	80%	82%	87%	91%	94%	97%
2011	74%	79%	82%	84%	88%	92%	95%	98%
2012	77%	81%	84%	86%	90%	93%	95%	98%
2013	80%	84%	86%	87%	91%	94%	96%	98%
2014	83%	86%	88%	89%	92%	95%	97%	99%
2015	86%	89%	91%	92%	94%	96%	97%	99%
2016	89%	91%	93%	94%	95%	97%	98%	99%
2017	93%	94%	95%	96%	97%	98%	99%	100%
2018	97%	97%	98%	98%	99%	99%	100%	100%
2019	101%	101%	101%	101%	100%	100%	100%	100%
2020	101%	101%	101%	101%	100%	100%	100%	100%
2021	101%	101%	101%	101%	100%	100%	100%	100%
2022	100%	100%	101%	101%	100%	100%	100%	100%
2023	100%	100%	101%	100%	100%	100%	100%	100%
2024	100%	100%	100%	100%	100%	100%	100%	100%
2025	100%	100%	100%	100%	100%	100%	100%	99%
2026	100%	100%	100%	100%	99%	100%	100%	99%
2027	100%	100%	100%	100%	99%	100%	100%	99%
2028	100%	100%	100%	100%	99%	99%	99%	99%

The above shows that:

1. With a -26% loss this year we would need to get an average return of 12.8% for the next ten years to return to 100%
2. With a -20% loss this year we would need to get an average return of 11.8% for the next ten years to return to 100%

The next table shows the average return we would need if wanted to get back to 100% in the next 20 years:

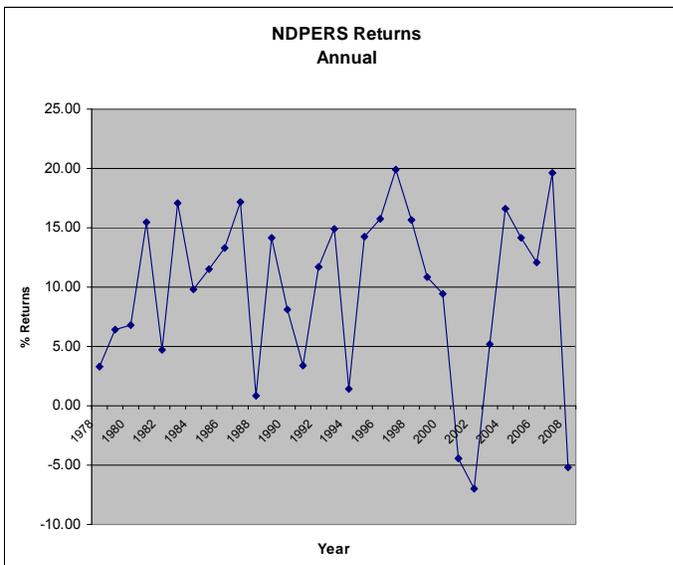
Exhibit 13
North Dakota PERS Main Segment
Projected Funded Ratio
Market Value of Assets to the Actuarial Accrued Liability
Assumes No Contribution Increase
Market Return Needed Each Year to Achieve 100% Funded Ratio on July 1, 2029

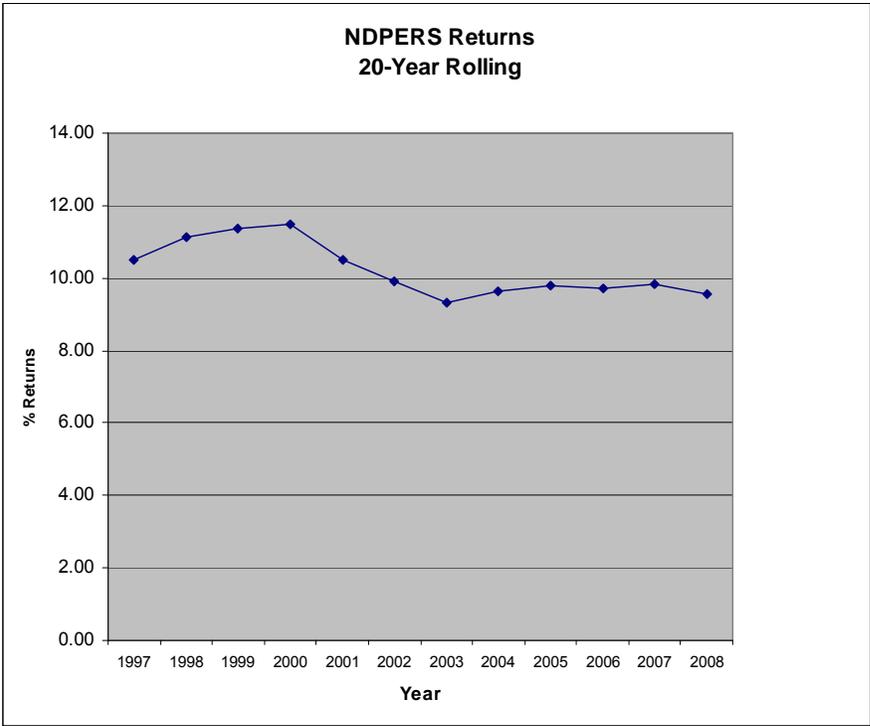
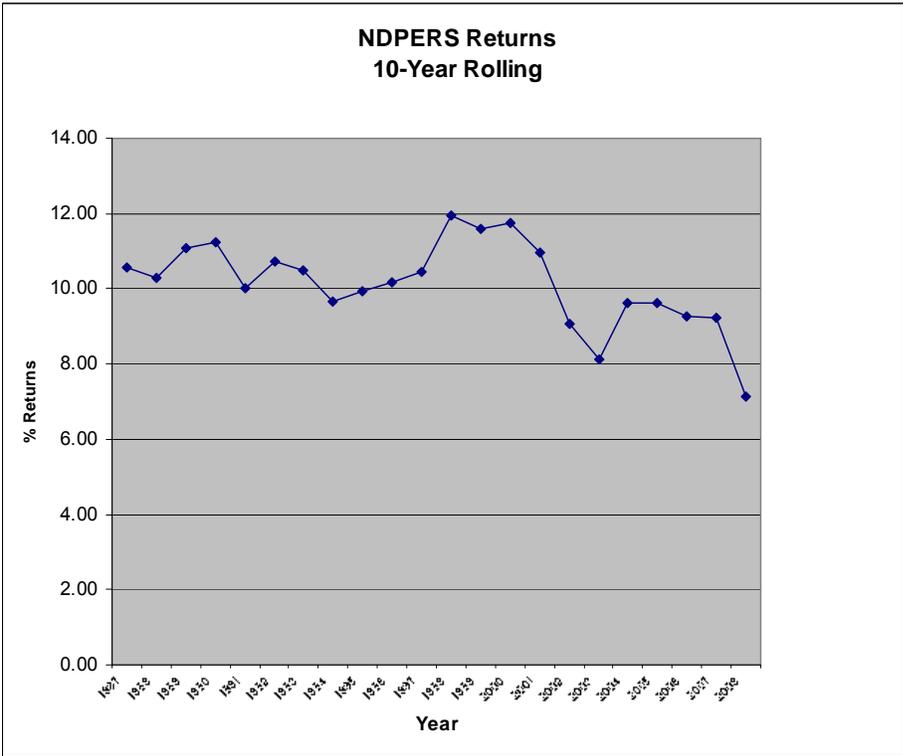
Valuation Year	Fiscal Year 2009 Market Value Return							
	-26.0%	-20.0%	-16.0%	-14.0%	-8.0%	-4.0%	0.0%	4.0%
	Market Return Each Year From July 1, 2009 to June 30, 2029							
	10.8%	10.2%	9.9%	9.7%	9.2%	8.9%	8.6%	8.4%
2009	69%	75%	78%	80%	86%	90%	93%	97%
2010	70%	76%	79%	81%	86%	90%	94%	97%
2011	71%	77%	80%	82%	87%	91%	94%	98%
2012	73%	78%	81%	83%	88%	91%	94%	98%
2013	74%	79%	82%	84%	88%	91%	95%	98%
2014	75%	80%	83%	84%	89%	92%	95%	98%
2015	76%	81%	84%	85%	90%	92%	95%	98%
2016	78%	82%	85%	86%	90%	93%	95%	98%
2017	79%	83%	86%	87%	91%	93%	96%	99%
2018	80%	84%	87%	88%	92%	94%	96%	99%
2019	82%	85%	88%	89%	92%	94%	96%	99%
2020	83%	86%	89%	90%	93%	95%	97%	99%
2021	85%	88%	90%	91%	94%	95%	97%	100%
2022	86%	89%	92%	92%	94%	96%	97%	100%
2023	88%	90%	93%	93%	95%	97%	98%	100%
2024	90%	92%	94%	94%	96%	97%	98%	100%
2025	92%	93%	95%	95%	97%	98%	98%	101%
2026	94%	95%	97%	97%	98%	98%	99%	101%
2027	96%	97%	98%	98%	99%	99%	99%	101%
2028	98%	98%	100%	99%	99%	100%	100%	102%
2029	101%	100%	102%	101%	100%	100%	100%	102%

The above shows that:

1. With a -26% loss this year we would need to get an average return of 10.8% for the next ten years to return to 100%
2. With a -20% loss this year we would need to get an average return of 10.2% for the next ten years to return to 100%

Given these return requirements, it raises the question as to what our historical returns have been since the plan's inception. Bryan looked back and found the following actual returns, the 10 year rolling average and the 20 year rolling average:





The statistics for the above tables are:

	<i>Average</i>	<i>Median</i>	<i>Standard Deviation</i>
Actual returns	9.59%	11.63%	7.25
10 year rolling average	10.13%	10.25%	1.16
20 year rolling average	10.22%	9.87%	.75

The above shows that our historical returns have been, depending on how you measure it, between 9.5% to 10.25%,

Based upon the above perspectives:

1. Over the 10 year time frame investment returns at the historical level will not return the plan to 10% funded status if the loss this year is more than about -8%
2. Over the 20 year time frame investment returns could return the plan to 100% if the loss in -20% or less.
3. At a -26% loss the plan would need a 10.8% annual return to get back to 100% in 20 years

What if we rely solely on a contribution increase and investments to get back to 100% funded status?

Segal examined this by assessing the effect of a 1.3% contribution increase for 10 years and 20 years to determine the return required at varying levels of losses. The following is the tables:

Exhibit 11
North Dakota PERS Main Segment
Projected Funded Ratio
Market Value of Assets to the Actuarial Accrued Liability
Contributions Increased by 1.3% Effective July 1, 2009
Market Return Needed Each Year to Achieve 100% Funded Ratio on July 1, 2019
(Market Return After FY 2019 Always 8.0%)

Valuation Year	Fiscal Year 2009 Market Value Return							
	-26.0%	-20.0%	-16.0%	-14.0%	-8.0%	-4.0%	0.0%	4.0%
	Market Return Each Year From July 1, 2009 to June 30, 2019							
	12.2%	11.2%	10.6%	10.3%	9.5%	9.0%	8.5%	8.1%
2009	69%	75%	78%	80%	86%	90%	93%	97%
2010	71%	77%	80%	82%	87%	91%	94%	98%
2011	74%	79%	82%	84%	89%	92%	95%	98%
2012	77%	81%	84%	86%	90%	93%	95%	98%
2013	80%	84%	86%	87%	91%	94%	96%	99%
2014	83%	86%	88%	89%	93%	95%	97%	99%
2015	86%	89%	91%	91%	94%	96%	97%	99%
2016	89%	91%	93%	93%	96%	97%	98%	100%
2017	93%	94%	95%	96%	97%	98%	99%	100%
2018	97%	97%	98%	98%	99%	99%	100%	101%
2019	101%	100%	100%	100%	100%	100%	100%	101%
2020	101%	100%	100%	100%	100%	100%	100%	101%
2021	100%	100%	100%	100%	100%	100%	100%	101%
2022	100%	100%	100%	100%	100%	100%	100%	101%
2023	100%	100%	100%	100%	100%	100%	100%	101%
2024	100%	100%	100%	100%	100%	100%	100%	100%
2025	100%	100%	100%	99%	100%	100%	100%	100%
2026	100%	100%	100%	99%	100%	100%	99%	100%
2027	100%	99%	99%	99%	99%	100%	99%	100%
2028	100%	99%	99%	99%	99%	99%	99%	100%

Exhibit 14
North Dakota PERS Main Segment
Projected Funded Ratio
Market Value of Assets to the Actuarial Accrued Liability
Contributions Increased by 1.3% Effective July 1, 2009
Market Return Needed Each Year to Achieve 100% Funded Ratio on July 1, 2029

Valuation Year	Fiscal Year 2009 Market Value Return							
	-26.0%	-20.0%	-16.0%	-14.0%	-8.0%	-4.0%	0.0%	4.0%
	Market Return Each Year From July 1, 2009 to June 30, 2029							
	10.2%	9.7%	9.4%	9.2%	8.7%	8.4%	8.2%	7.9%
2009	69%	75%	78%	80%	86%	90%	93%	97%
2010	70%	76%	79%	81%	87%	90%	94%	97%
2011	71%	77%	80%	82%	87%	91%	94%	98%
2012	73%	78%	81%	83%	88%	91%	95%	98%
2013	74%	79%	82%	84%	89%	92%	95%	98%
2014	75%	80%	83%	85%	89%	92%	95%	98%
2015	77%	81%	84%	86%	90%	93%	96%	98%
2016	78%	83%	86%	87%	90%	93%	96%	98%
2017	79%	84%	87%	88%	91%	93%	96%	99%
2018	81%	85%	88%	89%	92%	94%	97%	99%
2019	82%	86%	89%	90%	92%	94%	97%	99%
2020	84%	87%	90%	91%	93%	95%	98%	99%
2021	85%	89%	91%	92%	94%	95%	98%	99%
2022	87%	90%	92%	93%	95%	96%	98%	99%
2023	88%	91%	94%	94%	95%	96%	99%	100%
2024	90%	93%	95%	95%	96%	97%	99%	100%
2025	92%	94%	96%	96%	97%	98%	100%	100%
2026	94%	96%	98%	97%	98%	98%	100%	100%
2027	96%	98%	99%	99%	99%	99%	101%	100%
2028	98%	100%	101%	100%	99%	99%	101%	101%
2029	100%	102%	102%	101%	100%	100%	102%	101%

The above shows:

1. Over 20 years a 1.3% increase and an investment return within our historical range (9.5% to 10.25%) will get us a 100% funded level with a -20% to 26% loss this year/.
2. Over 10 years we cannot return to 100% funded status if our returns are within our historical range (9.5% to 10.25%) and loss level on investments -20% to 26% this year.

Similar to the above, Segal assessed the effect of a 2.3% contribution increase over a 10 and 20 year period.

Exhibit 12
North Dakota PERS Main Segment
Projected Funded Ratio
Market Value of Assets to the Actuarial Accrued Liability
Contributions Increased by 2.3% Effective July 1, 2009
Market Return Needed Each Year to Achieve 100% Funded Ratio on July 1, 2019
(Market Return After FY 2019 Always 8.0%)

Valuation Year	Fiscal Year 2009 Market Value Return							
	-26.0%	-20.0%	-16.0%	-14.0%	-8.0%	-4.0%	0.0%	4.0%
	Market Return Each Year From July 1, 2009 to June 30, 2019							
	11.7%	10.8%	10.2%	9.9%	9.1%	8.6%	8.2%	7.7%
2009	69%	75%	78%	80%	86%	90%	93%	97%
2010	72%	77%	80%	82%	87%	91%	94%	98%
2011	74%	79%	82%	84%	89%	92%	95%	98%
2012	77%	81%	84%	86%	90%	93%	96%	98%
2013	80%	84%	86%	88%	91%	94%	96%	99%
2014	83%	86%	89%	90%	93%	95%	97%	99%
2015	86%	89%	91%	92%	94%	96%	98%	99%
2016	89%	92%	93%	94%	96%	97%	99%	100%
2017	93%	95%	95%	96%	97%	98%	99%	100%
2018	96%	98%	98%	98%	99%	99%	100%	100%
2019	100%	101%	100%	100%	100%	100%	101%	101%
2020	100%	101%	100%	100%	100%	100%	101%	100%
2021	100%	100%	100%	100%	100%	100%	101%	100%
2022	100%	100%	100%	100%	100%	100%	101%	100%
2023	100%	100%	100%	100%	100%	100%	101%	100%
2024	100%	100%	100%	100%	100%	100%	101%	100%
2025	100%	100%	100%	100%	100%	100%	100%	100%
2026	99%	100%	100%	99%	99%	99%	100%	100%
2027	99%	100%	100%	99%	99%	99%	100%	100%
2028	99%	100%	100%	99%	99%	99%	100%	100%

Exhibit 15
North Dakota PERS Main Segment
Projected Funded Ratio
Market Value of Assets to the Actuarial Accrued Liability
Contributions Increased by 2.3% Effective July 1, 2009
Market Return Needed Each Year to Achieve 100% Funded Ratio on July 1, 2029

Valuation Year	Fiscal Year 2009 Market Value Return							
	-26.0%	-20.0%	-16.0%	-14.0%	-8.0%	-4.0%	0.0%	4.0%
	Market Return Each Year From July 1, 2009 to June 30, 2029							
	9.5%	9.3%	8.9%	8.8%	8.4%	8.1%	7.8%	7.6%
2009	69%	75%	78%	80%	86%	90%	93%	97%
2010	70%	76%	79%	81%	87%	90%	94%	97%
2011	72%	77%	80%	82%	87%	91%	94%	98%
2012	73%	78%	81%	83%	88%	91%	95%	98%
2013	74%	79%	82%	84%	89%	92%	95%	98%
2014	76%	81%	83%	85%	90%	93%	95%	98%
2015	77%	82%	84%	86%	90%	93%	96%	99%
2016	79%	83%	85%	87%	91%	94%	96%	99%
2017	80%	84%	86%	88%	92%	94%	96%	99%
2018	81%	85%	87%	89%	93%	95%	97%	99%
2019	83%	87%	88%	90%	93%	95%	97%	100%
2020	84%	88%	89%	91%	94%	96%	97%	100%
2021	86%	89%	90%	92%	95%	96%	98%	100%
2022	88%	91%	91%	93%	96%	97%	98%	100%
2023	89%	92%	92%	94%	97%	98%	98%	100%
2024	91%	93%	94%	95%	98%	98%	99%	101%
2025	93%	95%	95%	96%	98%	99%	99%	101%
2026	95%	97%	96%	97%	99%	100%	100%	101%
2027	97%	98%	97%	99%	100%	100%	100%	102%
2028	99%	100%	99%	100%	101%	101%	100%	102%
2029	101%	102%	100%	101%	102%	102%	101%	102%

The above shows:

1. Over 20 years a 2.3% contribution increase with investment returns within our historical range (9.5% to 10.25%) will return us to 100% funded with a loss level of -20% to 26% on investments this year.
2. Over 10 years we cannot return to 100% funded status if our returns are within our historical range (9.5% to 10.25%) after a loss of -20% to 26% on investments this year.
3. It would likely take about a 3% increase and historical returns to get back to 100% in 10 years.

OPTIONS

The above information from Segal provides us many insights and a range of options emerge all of which are likely prudent actions at this time. The major reason we need to consider what action we want to take at this time, if any, is the legislative session. If any action is to be taken relating to contributions it must be approved by the Legislature/Governor. The session starts this January and the only scheduled meeting of the Legislative Employee Benefits Committee to which any action would have to be submitted is set for January 6, 2009.

The range of options can be arrayed for discussion purposes from most conservative to least conservative based upon the above data.

Most conservative (rely solely on contributions for recovery)

- Increase contributions by 10.7% on July 1, 2009 (assumes a -26% loss and a 10 year recovery)

Conservative (take action immediately based upon a 10 year recovery with a contribution increase and assumed investment returns in the 10% range)

- Increase contributions by 3% on July 1, 2009 (consistent with a market return recovery in 10 years and the actuarial contribution requirement)

Moderately Conservative (take action immediately based upon a 20 year recovery with a contribution increase and assumed investment returns in the 10% range)

- Increase contribution by about 1.3% to 2% on July 1, 2009

Least conservative (rely solely on investments for recovery at this time)

- Do nothing at this time and monitor the situation
- Returns would need to average 12.8% over the next 10 years to recover from -26% this year
- Returns would need to average 10.8% over the next 20 years to recover from -26% this year

UPCOMING MEETINGS

Between the time you get this memo and the Board meeting, staff will be meeting with the PERS Benefits Committee and the PERS Retiree Committee. We will review with them the above information and options and bring to the Board meeting their thoughts and conclusions for your consideration.

Proposed Plan of Action

At this point, staff would recommend that the Board review this information, the options and the suggestions of the PERS Benefits Committee and Retiree Committee at the December 16th meeting. At that time staff would suggest that the Board identify its preferred option for consideration. Once identified, we would further suggest the following:

1. Chair and Executive Director should meet with chair of LEBC before December 29th
2. Interest groups, employers and employer organizations should be contacted to solicit input on the options and the preferred option
3. Send newsletter to authorized agents
4. PERS staff should solicit comments from OMB
5. A special meeting of the PERS Board should be scheduled for December 29 or 30 to determine if the preferred option or other option should be pursued
6. Present legislation, if needed, to the LEBC at the January 6th meeting.
7. Inform members of Board's considerations

Please note that the above considerations also need to be addressed for the other plans administered by PERS including the Judges and the HP. For the Law Enforcement plans and the National Guard, the Board has the authority to address contribution increases.

Staffs Consideration

At this point staffs preferred option would be:

1. The conservative option with an increase in contribution of about 3%
2. Any increase that would be proposed would only be for a two year period and therefore would require legislative approval and the Governors approval at each subsequent session.
3. Any increase in contributions should also apply to the DC plan since their situation is equally as difficult and likely more so.
4. That in addition during the upcoming 2 years we would review:
 - a. The benefit structure including:
 - i. The rate of interest we pay on member accounts
 - ii. Possible changes and creation of tier 2 benefits level like TFFR
 - b. Our annual expenses (97% of our annual expenses are for investments and this project is presently being worked by the PERS Investment Committee. They will present their findings and recommendations this spring.)
 - c. Consider doing an asset/liability study after the session when we know what our contributions are going to be. Based upon the above, we know that if contributions do not go up, we will need to more aggressively pursue returns.

PERS LEGISLATIVE AGENDA

At the November meeting the Board approved filing four proposed bills, two have actuarial, funding and contribution implications. These bills are:

90112 – this bill provides for a 13th check if funded status of the plan at market value is at least 105% and secondly provides for a 2% increase to retirees if contributions are increased for two years as follows:

Plan Provision	Additional Liability	Cost	Statutory/ Approved Rate	Total
Main System	\$15,998,120	1.30%*	4.12%	5.42%
National Guard	\$21,419	0.49%	6.50%	6.99%
Law Enforcement with prior Main service	\$90,027	0.80%	8.31%	9.11%
Law Enforcement without prior Main service	\$593	0.03%	6.43%	6.46%
Highway Patrol	\$772,124	5.34%	16.70%	22.04%

In addition to increasing contribution, it will require investment returns to fund the bill as identified in the following:

	8.00% (Valuation Rate)
Total additional benefit payments	\$35,286,077
Additional Contributions	<u>18,262,842</u>
Expected earnings on additional contributions	\$17,023,235

As the above notes, the total additional liability is about \$35 million with about \$18 million coming from contribution and the remaining \$17 million from earnings. If earnings fall short, then this will add to our unfunded liability.

Given the above discussion about the PERS plan, it raises the following questions:

1. If PERS needs a contribution increase to fund the existing plan, is it still appropriate to pursue this contribution increase as well?
2. Should we take on the added liability risk when our investment portfolio is already challenged with the existing benefit obligations?
3. Should we continue to maintain the 13th check part of this bill when the above information shows that it is almost impossible to achieve? Removing it may allow our retirees to understand that this is not possible and pursue other options if they feel it appropriate.

90114 – this bill provides for an increase in the retiree health credit of .50 cents and requires an increase in contributions of .14% to fund the benefit (the Governor did fund this in the executive budget). Segal is running some projections on the status of this fund for your review at the meeting. Given those results the questions will be similar to the above:

1. Should we continue with the bill?
2. Should we consider allocating the contribution to funding the plan instead of the benefit increase?



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: December 8, 2008
SUBJECT: LC90118

Attached is a copy of the most recent review of the proposed supplemental savings plan for state law enforcement personnel. The Legislative Employee Benefits Committee had a meeting during the organizational session to review the report. Also the Attorney General's office reviewed the bill to determine if it was in violation of the Age Discrimination Act. Since the bill proposed to discontinue this benefit based upon the age of the member, it was determined that was a violation. The sponsor is going to prepare amendments to the bill and the committee is going to meet again on January 6.



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November 24, 2008

Representative Bette Grande, Chair
Employee Benefits Programs Committee
State of North Dakota
Bismarck, North Dakota

Re: **Technical Comments – Bill Draft No. 90118.0300**

The following presents our analysis of the proposed changes found in Bill Draft No. 90118.0500:

Systems Affected: North Dakota Public Employees Retirement System

Summary: The proposed legislation will establish a new, supplemental defined contribution plan only for peace officers and correctional officers employed by the State of North Dakota with the following major design elements:

- Eligible employees may elect to participate in the plan and may elect to cease participation in the plan.
- Participating members will be required to contribute 2% of covered salary and the employer would be required to contribute 3% of covered salary of participating members to the new plan.
- Employer contributions become 100% vested upon completion of four years of service, or upon attainment of age 65 or a combined total of years of service and years of age equal to 85; 75% vested upon completion of three years of service and 50% vested upon completion of two years of service.
- Participating members may elect a distribution of their account balance upon death, disability or once they are no longer a participating member in various forms permitted by the PERS Board including a lump sum, rollover and periodic payments.

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- The new plan will be administered and governed by the PERS Board.
- Participating members will direct the investment of their accounts among choices made available by the PERS Board
- Participating members who elect to participate in this plan by making the employee contribution to the North Dakota 457 Deferred Compensation Plan will vest in PEP contributions in the Hybrid Plan.

Actuarial Cost Analysis: The bill will have no impact on the actuarial costs of the Hybrid Plan.

Technical Comments: Our comments on the bill are as follows:

General

The bill provides that employer contributions for participating members will cease when the member attains age 65 or has a combined total of years of service credit and years of age equal to 85.

Section 623(j) of the Age Discrimination in Employment Act (ADEA) prohibits cessation or reduction in allocation of contributions to an employee's account in a defined contribution plan, or other discrimination in benefits, because the employee has attained a certain age. One exception to this general rule of law is where a governmental employer imposes a mandatory retirement age for public safety officers under a bona fide retirement plan. We do not know if the eligible employees under the new plan are subject to a mandatory retirement age rule from their employers.

Benefits Policy Issues

➤ Adequacy of Retirement Benefits

The bill will enhance retirement benefits for those peace officers and correctional officers employed by the State that elect to participate in the new plan. However, since this new defined contribution plan permits a lump sum benefit payable at termination of employment, rather than a minimum retirement age, the amount of benefits available for retirement may be decreased because it can be used for current consumption.

➤ Benefits Equity and Group Integrity

Under the bill, peace officers and corrections officers employed by the State may elect to participate in the new plan, which would increase retirement benefits to those employees. However, additional analysis would be necessary to determine the extent to which the benefits provided under the new plan, combined with benefits under the Hybrid Plan for such employees, are equitable with the total benefits provided under the Hybrid Plan to their peers (peace officers and corrections officers in the State) who are employed by political subdivisions. This peer group is eligible to receive both reduced and unreduced retirement benefits from the Hybrid Plan at earlier ages than the officers employed by the State.

➤ Competitiveness

The bill may increase the benefits competitiveness of the System only for peace officers and correctional officers employed by the State who elect to participate in the new plan.

➤ Purchasing Power Retention

A defined contribution plan does not provide guaranteed purchasing power retention after benefits are distributed. The ability to maintain purchasing power will depend on the investment performance of the distributed amounts.

➤ Preservation of Benefits

No impact.

➤ Portability

The bill generally provides a high degree of portability of retirement benefits under the new plan after termination of employment. For participants in the new plan, PEP benefits under the Hybrid Plan may become vested to the extent employee contributions are made to the North Dakota 457 Deferred Compensation Plan, while benefits under the new defined contribution plan would not be 100% vested until after four years of service.

In addition, since only peace officers and correctional officers employed by the State are eligible for the supplemental defined contribution plan, if an officer moves from State employment to employment as a peace officer or correctional officer for a political subdivision, the supplemental defined contribution benefits are not portable to the retirement plan for political subdivision officers, because they participate only in a defined benefit plan. Likewise, if an officer of a political subdivision moves to employment with the State, the additional benefits under the defined benefit plan are not portable to the State retirement plans (defined benefit and supplemental defined contribution plans).

➤ Ancillary Benefits

- ◆ Pre-retirement death benefits and disability benefits provided under the new defined contribution plan would generally be less than similar benefits provided under a defined benefit plan structure because defined contribution plan benefits depend on the total amount of contributions made and investment performance of assets, while defined benefit plan benefits are not contingent upon such factors.
- ◆ Social Security: No impact.

Funding Policy Issues

➤ Actuarial Impacts

As previously noted, the bill will not have an actuarial impact on the Hybrid Plan.

➤ Investment Impacts

- ◆ Investment of the new plan assets will be participant directed among choices made available by the PERS Board. These choices could be established in a manner similar to the existing PERS Defined Contribution Plan.
- ◆ Asset Allocation: The bill does not create new investment asset allocation issues for the Hybrid Plan.
- ◆ Cash Flow Impacts: The bill creates new cash flow needs for the Hybrid Plan, since PEP benefits will be vested for participants in the new plan. However, this impact is expected to be minor.

Administration Issues

➤ Implementation Issues

A written plan document should be established for the new plan that incorporates all applicable federal law compliance requirements, including those under the Internal Revenue Code.

➤ Administrative Costs

The bill will require PERS to incur start-up costs and on-going expenses related to the administration, recordkeeping, investment and employee communication services provided for the new plan. The bill provides that all such costs and expenses shall be paid from the account balances of participating members. In addition, employer contributions for the State will increase by 3% of the covered salary of eligible employees who elect to participate in the new plan.

➤ Needed Authority

The bill appears to provide appropriate levels of administrative and governance authority to the PERS Board to operate the new plan.

➤ Integration

For employees who participate in a defined benefit plan, adding a defined contribution plan can be an effective addition to retirement benefits. Because the defined benefit amount is calculated and known before retirement, it provides a "backstop" for retirement income. The defined contribution benefit, which fluctuates with market returns, adds to this income. In order to achieve this cooperation between the plans, care must be taken in the design.

The current Main system defined benefit plan provides for unreduced benefits at age 65 or attainment of age plus service equal to 85. The proposed defined contribution plan provides for benefits at the same ages. Since the commencement ages are the same, the new plan appears to be a reasonable supplement to the current plan.

➤ Employee Communications

The bill will require employee communications to the peace officers and correctional officers employed by the State to describe the new, supplemental defined contribution plan available to them, including when and how election to participate may occur, major plan design elements (such as vesting, contribution levels and distribution rules), and investment options available.

➤ Goals

Retirement plans are mainly put into place to provide retirement income for participants. The way that they are structured can also serve to achieve certain employer goals. For example, subsidies paid at earlier ages can help to encourage earlier retirement.

It is unclear what the goals of the proposed plan are. If the goal is to encourage early retirement from active service, it is unclear if that goal will be accomplished. While the proposed defined contribution plan will serve to encourage retirements at or before age 65, the existing defined benefit plan will still reduce benefits until age 65 (barring eligibility for rule of 85). To the extent that participants choose to receive an unreduced defined benefit payment, the defined contribution plan will not affect behavior. This will especially be true of participants with small accumulated balances.

A previous version of the Draft Bill (No. 90118.0100) provided for full retirement benefits at age 55 as the affected participants were transferred to the PERS Hybrid Plan. The current version of the Draft Bill would likely provide less encouragement for these participants to retire at age 55 since the corresponding Hybrid Plan benefit would be reduced from age 65.

If the goal is simply to provide supplemental savings to current defined benefit participants, the goal will be achieved since the ages at commencement between the new plan and the existing plan match well. However, it is also likely that some time would have to pass before the benefits earned from the defined contribution plan would be meaningful enough to provide significant savings for a large number of participants.

➤ Miscellaneous and Drafting Issues

The bill does not specify the type of plan to be established, but presumably the PERS Board will have the discretion to establish the plan as a tax-qualified plan under Internal Revenue Code section 401(a). If the new plan is established under Code section 401(a), it must be designated as a profit sharing or money purchase defined contribution plan.

It appears that under the provisions of the bill eligible employees may change their election to participate in and contribute to the plan or cease participation in and contributions to the plan at any time. If eligible employees may change their elections under the plan at any time, employee contributions cannot be made to Code section 401(a) plan because this would constitute an impermissible cash or deferred arrangement for a governmental plan under Code section 401(k). However, employee contributions under this plan design could be

made to an eligible governmental deferred compensation plan under Code section 457(b), while the employer contributions could be made to a Code section 401(a) plan. In such case, all eligible employees who elect to participate in the plan would be required to make the employee contributions to a section 457(b) plan. To the extent those contributions were made to the North Dakota 457 Deferred Compensation Plan, the employees would vest in PEP contributions to the Hybrid Plan.

In addition, it is unclear under the provisions of the bill whether a participating member must terminate employment to be eligible for a distribution from the plan or can receive a distribution when the member changes from an eligible position to an ineligible position with the employer.

Please call if you have any questions or comments.

Sincerely,



Brad Ramirez, FSA, MAAA, EA
Consulting Actuary



Melanie Walker, JD
Vice President



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: December 9, 2008
SUBJECT: Law Enforcement Transfer Policy

Attached is a memo from Segal concerning establishing a policy for the transfer assets from PERS to the PERS Law Enforcement Plan when a new political subdivision joins with past service. As you may recall when the 2007 actuarial report was done, we initiated a review of these transfers. Part of the outcome of that review was the suggestion to establish a formal policy for the actuary. Attached is that suggestion from Segal.

Board Action Requested

Adopt the attached policy for transfers.



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December 3, 2008

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

**Re: Asset Transfers for Law Enforcement Members With Prior Main Service
North Dakota Public Employees Retirement System**

Dear Sparb:

The North Dakota PERS assets are currently subdivided for five groups: the Main System, Judges, National Guard, Law Enforcement Without Prior Main Service, and Law Enforcement With Prior Main Service. As members transfer from Main to Law Enforcement With Prior Main Service, associated assets are transferred to fund the plan. In 2004 an initial asset transfer was made from the Main to Law Enforcement With Prior Main Service reflecting the transfer of liability that took place when the plan began. An additional transfer was made as of March 1, 2008 to reflect all transfers that occurred before July 1, 2007.

Asset transfers that are not timely may cause the Law Enforcement With Prior Main Service actuarially determined cost rate to increase. We feel that these transfers should be performed at least annually. This letter outlines an annual process for making these transfers. The methodology provides that the asset transfer for all participants transferring plans in a plan year is made at the middle of the following plan year (January 1) but could take place at any date that is convenient, the only adjustment being the amount of interest applied.

The proposed methodology is as follows:

1. After completion of the annual actuarial valuation, Segal verifies the identity of those transferring from Main to Law Enforcement With Prior Main Service with North Dakota PERS staff. The group being valued will be those transferring before July 1 of the valuation year.

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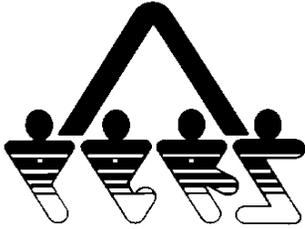
2. Segal requests and receives additional information from North Dakota PERS staff needed for the calculations, including the participants' dates of transfer, amount of service in the Main plan prior to transfer, and salary at the time of transfer.
3. Segal calculates the amount of liability for service in the Main System for the transferring group based upon the most recent (July 1) valuation assumptions and methods.
4. Interest is applied from the date of the liability calculation (July 1) to the date of the asset transfer (January 1) at the valuation rate of return. Segal will provide the amount to North Dakota PERS staff as close to the end of the year as possible so that the transfer can be made near January 1.

If this methodology is satisfactory, we will begin the process immediately for an asset transfer on December 31, 2008. Please let us know your comments.

Thanks,

Brad Ramirez, FSA, MAAA, EA
Consulting Actuary

/dqm



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Memorandum

TO: NDERS Board

FROM: Kathy & Sparb

DATE: December 9, 2008

SUBJECT: Medicare Blue Rx Contract

Included for your review is the BCBS MedicareBlue Rx Retiree Prescription Drug Plan master contract. This contract is renewed annually. It has been reviewed for compliance by our legal counsel, Aaron Webb, and by PERS staff and no issues are noted. Staff recommends approval of the contract for the January 1 through December 31, 2009 contract period.

Board Action Requested

Approve staff recommendation.

Group MedicareBlue Rx Retiree Prescription Drug Plan

Master Contract

Issued to: *North Dakota Public Employees Retirement System, hereinafter “Group.”*

Address: *400 East Broadway
Suite 505
Box 1657
Bismarck, North Dakota 58502*

Effective Date: *01/01/2009*

Issued By: *Blue Cross Blue Shield of North Dakota**

RECITALS

WHEREAS Group MedicareBlue Rx is a Medicare Prescription Drug Plan providing prescription drug coverage through only one of the following plans: Wellmark Blue Cross and Blue Shield of Iowa*, Blue Cross and Blue Shield of Minnesota*, Blue Cross and Blue Shield of Montana*, Blue Cross and Blue Shield of Nebraska*, Blue Cross Blue Shield of North Dakota*, Wellmark Blue Cross and Blue Shield of South Dakota*, and Blue Cross Blue Shield of Wyoming;* and

WHEREAS Group wants to offer Medicare Part D prescription drug coverage to its eligible Medicare beneficiaries under the terms of this Group MedicareBlue Rx Retiree Prescription Drug Plan Contract, and

WHEREAS Group must comply with Medicare restrictions in order to obtain Medicare Part D Group prescription drug coverage; and

WHEREAS BCBS offers Medicare Part D prescription drug coverage through Group MedicareBlue Rx and is willing to provide Group’s eligible Medicare beneficiaries Part D coverage;

NOW THEREFORE it is hereby agreed as follows:

ARTICLE I

DEFINITIONS

1.1 Defined Terms. Capitalized terms used in this Contract are defined herein or have the meaning set forth in the Medicare Part D Rules (42 C.F.R. Part 423).

* Independent licensees of the Blue Cross and Blue Shield Association.

- 1.2 **“BCBS”** is the independent licensee of the Blue Cross and Blue Shield Association, named above, that insurance coverage under this Addendum is **Issued by**.
- 1.3 **“CMS”** is the Centers for Medicare and Medicaid Services, the Federal Agency responsible for the Medicare program.
- 1.4 **“CMS Contract”** is the Contract between BCBS and CMS pursuant to which BCBS offers Group MedicareBlue Rx coverage.
- 1.5 **“Enrollee”** is a retired person (not an active employee) who (a) is eligible for Group’s retiree benefit plan, (b) is entitled to Medicare benefits under Medicare Part A or enrolled in Medicare Part B, (c) lives in the United States, and (d) is enrolled in MedicareBlue Rx under the procedures established in this Contract. “Enrollee” may also be a dependent of an Enrollee described above, provided that the dependent (a) is eligible for Group’s retiree benefit plan, (b) is entitled to Medicare benefits under Medicare Part A or enrolled in Medicare Part B, (c) lives in the United States, and (d) is enrolled in MedicareBlue Rx under the procedures established in this Contract.
- 1.6 **“Group”** is the employer, union, or other plan sponsor, named above, that insurance coverage under this Contract is Issued to.
- 1.7 **“Medicare Low Income Subsidy”** is the Medicare Part D subsidy for which low-income Medicare beneficiaries are eligible under Subpart P of 42 C.F.R. Part 423.
- 1.8 **“Accretion”** is the confirmation by CMS that the retiree meets the federal requirements to be enrolled the specified plan.
- 1.9 **“Involuntary Termination”** is a termination that is requested by the Group rather than the Enrollee. For example, the Group may terminate an Enrollee who no longer meets the Group’s eligibility criteria or who fails to pay premium.

ARTICLE II

PROVISION OF PRESCRIPTION DRUG COVERAGE

- 2.1 **Insurance Coverage.** BCBS shall provide Enrollees insurance coverage for prescription drugs in accordance with the Evidence of Coverage and Schedule of Copays and Limitations. Group and BCBS shall comply with the terms of this Contract with respect to this coverage, except as otherwise required by rules or guidance issued by CMS, or as otherwise required by the CMS Contract.
- 2.2 **Evidence of Coverage.** BCBS shall provide Enrollees an Evidence of Coverage describing benefits, exclusions, and appeal rights.
- 2.3 **Plan Effective Date.** The effective date of this Contract is 12:00 a.m. Central Time of the Effective Date listed on page 1. Each Contract month thereafter will begin on the first day of each calendar month and end on the first day of the next succeeding calendar month. This Contract must be renewed annually by January 1.

ARTICLE III

GROUP RESPONSIBILITIES

3.1 Billing of Premium. Under this Contract, the billing arrangements are as follows:

Group Billing. The Group will be responsible for payment of the “Premium Amount” for each Enrollee. The first Contract charge is payable on the effective date of this Contract. Monthly charges are payable on the first day of the each following month during the time this Contract is in effect.

3.2 Premium Amount. Under this Contract, all Premium Amounts are for a full month. Regardless of what day an Enrollee’s coverage under this Contract starts, the coverage, and the monthly premiums for their coverage, will start on the first of that month. The “Premium Amount” as agreed to by the Group and BCBS for each Enrollee is determined as follows:

Total Monthly Premium per Enrollee: \$63.70;

Less any **Low Income Subsidy** applicable to the Enrollee, as determined by CMS;

Plus any **Late Enrollment Penalty** applicable to the Enrollee, as determined by CMS.

3.3 Retroactive Premium Adjustments. The monthly charge will be determined from our record by the number of Enrollees who have been confirmed through the CMS Accretion process. Retroactive adjustments will be made for additions and terminations of Enrollees and for Enrollees who have been confirmed through the CMS Accretion process after the initial billing statement. For Groups that use the Group Billing option, any refund that is owed to an Enrollee must come from the Group. BCBS will only adjust the amount due of a Group and will not refund premium(s) paid to an Enrollee.

3.4 Uniform Premium Requirement. Group may determine how much, if any, of an Enrollee’s premium it will subsidize. Group may subsidize different amounts for different classes of Enrollees, provided that classes are reasonable and based on objective business criteria, such as years of service, business location, job category, and nature of compensation (e.g. salaried versus hourly). Classes may not be based on eligibility for the Medicare Low Income Subsidy. Group’s subsidy may not vary for Enrollees within a class of Enrollees. Group may not require any Enrollee to pay more each month than the Total Per Enrollee Per Month Premium, listed above.

3.5 Benefit of Medicare Low Income Subsidy Premium. Any premium received through the Medicare Low Income Subsidy must be applied first to the eligible Enrollee’s share of premium. Group may not benefit from any premium received through the Medicare Low Income Subsidy until the eligible Enrollee’s premium is reduced to zero (\$0.00).

3.6 Verification of Residency. The Group is responsible to verify residency for any Enrollee who has a residential address consisting of a Post Office Box. The Group must

maintain this verification in accordance with records retention requirements. In the case of an audit, the Group must be able to produce all applicable documentation.

ARTICLE IV

CANCELLATION

4.1 BCBS Initiated Cancellation. This Contract is guaranteed renewable and cannot be cancelled as a result of the claims experience or health status of your Group. BCBS can, however, cancel or fail to renew this Contract for the following reasons:

1. for nonpayment of the Group bill;
2. for fraud or misrepresentation by the Group with respect to eligibility for coverage or any other material fact;
3. when the Group has failed to comply with a material plan provision relating to employer contribution or Group participation rules.
4. BCBS discontinues offering this product or all products in its service area;
5. termination or non-renewal of the CMS Contract (BCBS will provide at least 90 days notice);
6. there is no longer any Enrollee who lives or resides in the service area.

4.2 CMS-Initiated Cancellation. CMS requires BCBS to terminate this Contract upon termination or non-renewal of the CMS Contract. BCBS will provide the Group ninety (90) days notice before BCBS non-renews the CMS Contract and thereby terminates this Contract. BCBS will provide the Group as much notice as reasonably practical of CMS's termination or non-renewal of the CMS Contract. The notice will include the termination date for this Contract.

4.3 Group Initiated Cancellation. The Group may cancel this Contract at the end of any Contract month by written notice received by BCBS at least 60 days prior to the effective date of cancellation, unless we have initiated Contract cancellation. In the event of a Group-initiated cancellation, the Group must comply with the enrollee notification requirements for Involuntary Termination of Enrollee Coverage, described in Section 5.4, below.

ARTICLE V

GROUP RESPONSIBILITIES

5.1 Timeliness of Enrollment Transactions. The Group must provide enrollment and disenrollment requests within 7 calendar days of the date the request is made by an individual.

5.2 Residency Requirement for Retirees . Retirees' permanent residence must be in the United States in order to be eligible for MedicareBlue Rx.

5.3 Involuntary Termination of Enrollee Coverage.

1. **BCBS Notification:** The Group agrees to report to BCBS any involuntary termination of an Enrollee's coverage (*e.g.* if the Group determines an Enrollee is no longer eligible to participate in the plan). The notification must be at least prior to the effective date of termination and include information used to identify the correct Enrollee, the requested date of disenrollment, the designation that the disenrollment is involuntary, and the contact information and signature of the Group administrator sending the request. Groups that use the electronic enrollment process must ensure that disenrollments (a) are sent on the electronic file prior to termination date, (b) explain the disenrollment is involuntary, and (c) include any other required file information.

2. **Enrollee Notification:** The Group must provide an involuntarily terminated Enrollee with advance notice of the termination at a minimum twenty-one (21) calendar days prior to the effective date of disenrollment. The Enrollee's notification must include all of the following components:
 - A. notification of the Involuntary Termination;
 - B. notice of other insurance options through the Group;
 - C. reason for the termination;
 - D. information on other individual plan options the beneficiary may choose and how to request enrollment;
 - E. notification that the disenrollment means that the individual will not have Medicare drug coverage and the potential for late-enrollment penalties in the future;
 - F. explanation on how to contact Medicare for more information about other Medicare Part D plan options that might be available to the individual.

5.4 Voluntary Enrollee Disenrollment. For Groups that use the electronic enrollment process, the Group must notify the plan of employees who wish to voluntarily disenroll from coverage. The disenrollment information must accurately reflect the Group's record of disenrollment made by each individual according the process the Group has in place.>

5.5 Group Enrollment. The Group is responsible for maintaining all enrollment records in a manner that can be easily, accurately and quickly reproduced. The Group must provide BCBS all required data elements for each Enrollee, including retirees who become eligible for coverage under the Group after the Plan Effective Date.

ARTICLE VI

MISCELLANEOUS PROVISIONS

- 6.1 Application of State Insurance Law.** State Insurance laws, such as laws guaranteeing renewability of insurance Contracts, generally do not apply to this Contract. Such laws are preempted by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, Pub. L. 108-173, 117 Stat. 2066. *See* Social Security Act § 1860D-12(g) (42 U.S.C. § 1395w-112(g)); *accord*, 42 C.F.R. §§ 422.402, 423.440(a). The terms of this Contract and Group MedicareBlue Rx coverage are therefore regulated primarily by Federal law.
- 6.2 Medicare Secondary Payer.** Federal law requires BCBS to identify other payers that are responsible for Enrollees' medical, prescription drug, and other costs covered by the plan and that are primary to Medicare, identify amounts payable by those payers, and coordinate benefits with those payers. BCBS may bill these payers or authorize providers to bill these payers and, to the extent an Enrollee has been paid for MedicareBlue Rx-covered goods or services by another payer, BCBS may bill the Enrollee. Upon request, Group shall provide BCBS and CMS information that Group has on Enrollees' other insurance coverage for purposes of this coordination of benefits. Federal law preempts State laws and Contractual provisions that interfere with Group MedicareBlue Rx's ability to coordinate benefits in accordance with CMS guidelines. *See* 42 C.F.R. §§ 422.108(f), 422.402, 423.462, 423.440(a).
- 6.3 Enrollee Communications.** BCBS may send CMS required Enrollee communications without the consent of the Group. Samples of all required materials can be made available to Group for informational purposes.
- 6.4 Contract Interpretation.** BCBS has discretionary authority to determine Enrollees' eligibility for benefits and to construe the provisions of the Group Evidence of Coverage and this Contract.
- 6.5 Prohibited Claim Payments.** BCBS does not pay claims to providers or to members for services received in countries that are sanctioned by the United States Department of Treasury's Office of Foreign Assets Control (OFAC), except for medical emergency services when payment of such services is authorized by OFAC. Countries currently sanctioned by OFAC include Cuba, Iran, and Syria. OFAC may add or remove countries from time to time.
- 6.6 Acceptance of the Contract.** Payment to BCBS by Group (either by direct check or EFT) or by any Enrollee (under Direct Billing) will signify Group's acceptance of all terms, conditions, and obligations of this Contract. Acceptance will be effective on the effective date of this Contract.

Note:

This Contract and Evidence of Coverage (EOC) make up the entire Contract of coverage. The Group on behalf of itself and its Enrollees hereby expressly acknowledges its understanding that this agreement constitutes a Contract solely between [Group Name], in its capacities as Plan Sponsor, Plan Administrator, and as agent on behalf of the Plan and BCBS, that BCBS is an independent corporation operating under a license from the Blue Cross and Blue Shield Association, an association of independent Blue Cross and Blue Shield Plans, (the "Association") permitting BCBS to use the Blue Cross and/or Blue Shield Service Marks, and that BCBS is not Contracting as the agent of the Association. The Group further acknowledges and agrees that it has not entered into this agreement based upon representations by any person other than BCBS and that no person, entity, or organization other than BCBS shall be held accountable or liable to the Group for any of BCBS's obligations to the Group created under this agreement. This paragraph shall not create any additional obligations whatsoever on the part of BCBS other than those obligations created under other provisions of this agreement.

IN WITNESS WHEREOF:

**NORTH DAKOTA PUBLIC EMPLOYEES
RETIREMENT SYSTEM (PLAN SPONSOR)**
PO Box 1657
Bismarck, North Dakota 58502

**BLUE CROSS BLUE SHIELD OF
NORTH DAKOTA***
4510 13th Avenue South
Fargo, North Dakota 58121

By: _____

Title: Chairman, NDPERS Board

Its President and CEO

Date: _____

Date: _____

*An Independent Licensee of the Blue Cross and Blue Shield Association.



**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: December 8, 2008

SUBJECT: Dakota Retiree Plan – Amendment and Rate Structure Update

Attached is the amendment to the Dakota Retiree Plan Administrative Services Agreement for update to the premium structure for the MedicareBlue RX Part D prescription drug plan. The rate increased from \$56.40 to \$63.70 per member which is a 12.94% increase. The rate update is effective January 1, 2009. The rates have been reviewed and verified by staff. Staff recommends approval of the amendment for the rate adjustment.

Board Action Requested

Approve the amendment for the update to the Medicare Part D rates.

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM DAKOTA PLAN

DAKOTA RETIREE PLAN

AMENDMENT

This amendment is to be effective January 1, 2009 through June 30, 2009. Please read this amendment carefully and keep it with your Benefit Plan document for future reference.

Section 6.0, FEES AND CHARGES, of the Administrative Service Agreement is amended as outlined in the attached table of contract rates.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed, in their names by their undersigned officers, the same being duly authorized to do so.

**NORTH DAKOTA PUBLIC EMPLOYEES
RETIREMENT SYSTEM**
(PLAN SPONSOR)
400 East Broadway, Suite 505
Box 1657
Bismarck, North Dakota 58502

BLUE CROSS BLUE SHIELD OF NORTH DAKOTA*
4510 13th Avenue South
Fargo, North Dakota 58121-0001

By: _____



Title: _____

Its President and CEO

Date: _____

Date: December 1, 2008

**NORTH DAKOTA PUBLIC EMPLOYEES
RETIREMENT SYSTEM**
(PLAN ADMINISTRATOR)
400 East Broadway, Suite 505
Box 1657
Bismarck, North Dakota 58502

By: _____

Title: _____

Date: _____

Effective Dates: 01/01/2009 – 06/30/2009
Amendment

* An Independent Licensee of the Blue Cross and Blue Shield Association.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2007-2009 BIENNIUM**

Rate Structure A			(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
July 1, 2007 - December 31, 2007								(3)+(4)+(5)		
Code	Description		Total BCBSND Bid	Less NDPERS Retention	(1)-(2) Total Premium to BCBSND	Wellness Programs & Disease Mgmt	Medicare Part D Premium	Total Monthly Paid to BCBSND	Plus NDPERS Retention	(6)+(7) NDPERS Billing Rate
Political Subdivision Rates with Wellness Program										
Active EPO/PPO/Basic										
1	4	Single	\$335.31	\$2.80	\$332.51	\$4.25		\$336.76	\$2.80	\$339.56
2	4	Family	\$813.33	\$2.80	\$810.53	\$4.25		\$814.78	\$2.80	\$817.58
COBRA										
4	4	Single	\$335.31	\$2.80	\$332.51	\$4.25		\$336.76	\$9.51	\$346.27
5	4	Family	\$813.33	\$2.80	\$810.53	\$4.25		\$814.78	\$19.07	\$833.85
Active EPO/Basic										
1	6	Single	\$312.05	\$2.80	\$309.25	\$4.25		\$313.50	\$2.80	\$316.30
2	6	Family	\$756.61	\$2.80	\$753.81	\$4.25		\$758.06	\$2.80	\$760.86
COBRA										
4	6	Single	\$312.05	\$2.80	\$309.25	\$4.25		\$313.50	\$9.04	\$322.54
5	6	Family	\$756.61	\$2.80	\$753.81	\$4.25		\$758.06	\$17.93	\$775.99
Political Subdivision Rates w/o Wellness Program										
Active EPO/PPO/Basic										
1	3	Single	\$335.31	\$2.80	\$332.51	\$4.25		\$336.76	\$6.20	\$342.96
2	3	Family	\$813.33	\$2.80	\$810.53	\$4.25		\$814.78	\$10.98	\$825.76
COBRA										
4	3	Single	\$335.31	\$2.80	\$332.51	\$4.25		\$336.76	\$9.51	\$346.27
5	3	Family	\$813.33	\$2.80	\$810.53	\$4.25		\$814.78	\$19.07	\$833.85
Active EPO/Basic										
1	5	Single	\$312.05	\$2.80	\$309.25	\$4.25		\$313.50	\$5.96	\$319.46
2	5	Family	\$756.61	\$2.80	\$753.81	\$4.25		\$758.06	\$10.41	\$768.47
COBRA										
4	5	Single	\$312.05	\$2.80	\$309.25	\$4.25		\$313.50	\$9.04	\$322.54
5	5	Family	\$756.61	\$2.80	\$753.81	\$4.25		\$758.06	\$17.93	\$775.99
State Contracts with Wellness Program										
Active										
1-3	2	S/F/Dual	\$653.83	\$2.80	\$651.03	\$4.25		\$655.28	\$2.80	\$658.08
COBRA										
4	2	Single	\$314.05	\$2.80	\$311.25	\$4.25		\$315.50	\$9.08	\$324.58
5	2	Family	\$759.77	\$2.80	\$756.97	\$4.25		\$761.22	\$18.00	\$779.22
Part-Time/Temporary/LOA										
6	2	Single	\$314.05	\$2.80	\$311.25	\$4.25		\$315.50	\$2.80	\$318.30
7	2	Family	\$759.77	\$2.80	\$756.97	\$4.25		\$761.22	\$2.80	\$764.02
State Contracts w/o Wellness Program										
Active										
1-3	1	S/F/Dual	\$653.83	\$2.80	\$651.03	\$4.25		\$655.28	\$9.38	\$664.66
COBRA										
4	1	Single	\$314.05	\$2.80	\$311.25	\$4.25		\$315.50	\$9.08	\$324.58
5	1	Family	\$759.77	\$2.80	\$756.97	\$4.25		\$761.22	\$18.00	\$779.22
Part-Time/Temporary/LOA										
6	1	Single	\$314.05	\$2.80	\$311.25	\$4.25		\$315.50	\$5.98	\$321.48
7	1	Family	\$759.77	\$2.80	\$756.97	\$4.25		\$761.22	\$10.44	\$771.66

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2007-2009 BIENNIUM**

Rate Structure A (cont'd)			(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
July 1, 2007 - December 31, 2007								(3)+(4)+(5)		(6)+(7)
Code	Description	Total BCBSND Bid	Less NDPERS Retention	(1)-(2) Total Premium to BCBSND	Wellness Programs & Disease Mgmt	Medicare Part D Premium	Medicare Part D Premium	Total Monthly Paid to BCBSND	Plus NDPERS Retention	NDPERS Billing Rate
Non-Medicare Retiree										
21	11 Single	\$471.09	\$2.80	\$468.29	\$4.25			\$472.54	\$2.80	\$475.34
22	11 Family	\$942.17	\$2.80	\$939.37	\$4.25			\$943.62	\$2.80	\$946.42
23	11 Family (3+)	\$1,177.73	\$2.80	\$1,174.93	\$4.25			\$1,179.18	\$2.80	\$1,181.98
COBRA										
24	11 Single	\$471.09	\$2.80	\$468.29	\$4.25			\$472.54	\$7.97	\$480.51
25	11 Family	\$942.17	\$2.80	\$939.37	\$4.25			\$943.62	\$17.38	\$961.00
26	11 Family (3+)	\$1,177.73	\$2.80	\$1,174.93	\$4.25			\$1,179.18	\$22.09	\$1,201.27
Medicare Retiree										
41	11 1 Medicare only	\$154.06	\$2.80	\$151.26	\$0.00	\$60.14		\$211.40	\$2.80	\$214.20
42	11 2 Medicare only	\$298.18	\$2.80	\$295.38	\$0.00	\$120.28		\$415.66	\$2.80	\$418.46
50	11 3 Medicare only	\$317.02	\$2.80	\$314.22	\$0.00	\$180.42		\$494.64	\$2.80	\$497.44
51	11 4 Medicare only	\$194.66	\$2.80	\$191.86	\$0.00	\$240.56		\$432.42	\$2.80	\$435.22
43	11 1 Medicare+Others	\$561.74	\$2.80	\$558.94	\$0.00	\$60.14		\$619.08	\$2.80	\$621.88
49	11 2 Medicare+Others	\$439.38	\$2.80	\$436.58	\$0.00	\$120.28		\$556.86	\$2.80	\$559.66
55	11 3 Medicare+Others	\$317.02	\$2.80	\$314.22	\$0.00	\$180.42		\$494.64	\$2.80	\$497.44
44	11 Part A Single	\$424.32	\$2.80	\$421.52	\$0.00	\$60.14		\$481.66	\$2.80	\$484.46
COBRA										
46	11 1 Medicare only	\$154.06	\$2.80	\$151.26	\$0.00	\$60.14		\$211.40	\$7.08	\$218.48
47	11 2 Medicare only	\$298.18	\$2.80	\$295.38	\$0.00	\$120.28		\$415.66	\$11.16	\$426.82
53	11 3 Medicare only	\$317.02	\$2.80	\$314.22	\$0.00	\$180.42		\$494.64	\$12.74	\$507.38
54	11 4 Medicare only	\$194.66	\$2.80	\$191.86	\$0.00	\$240.56		\$432.42	\$11.50	\$443.92
48	11 1 Medicare+Others	\$561.74	\$2.80	\$558.94	\$0.00	\$60.14		\$619.08	\$15.24	\$634.32
52	11 2 Medicare+Others	\$439.38	\$2.80	\$436.58	\$0.00	\$120.28		\$556.86	\$13.98	\$570.84
56	11 3 Medicare+Others	\$317.02	\$2.80	\$314.22	\$0.00	\$180.42		\$494.64	\$12.74	\$507.38
Medicare Low Income Subsidy										
41	13 1 Medicare only (1cr)	\$154.06	\$2.80	\$151.26	\$0.00	\$32.79		\$184.05	\$2.80	\$186.85
42	13 2 Medicare only (2cr)	\$298.18	\$2.80	\$295.38	\$0.00	\$65.58		\$360.96	\$2.80	\$363.76
50	13 3 Medicare only (1cr)	\$317.02	\$2.80	\$314.22	\$0.00	\$153.07		\$467.29	\$2.80	\$470.09
43	13 1 Medicare+Others (1cr)	\$561.74	\$2.80	\$558.94	\$0.00	\$32.79		\$591.73	\$2.80	\$594.53
49	13 2 Medicare+Others (1cr)	\$439.38	\$2.80	\$436.58	\$0.00	\$92.93		\$529.51	\$2.80	\$532.31
61	13 1 Medicare only (.75cr)	\$154.06	\$2.80	\$151.26	\$0.00	\$39.63		\$190.89	\$2.80	\$193.69
71	13 1 Medicare only (.5cr)	\$154.06	\$2.80	\$151.26	\$0.00	\$46.46		\$197.72	\$2.80	\$200.52
72	13 2 Medicare only (1cr)	\$298.18	\$2.80	\$295.38	\$0.00	\$92.93		\$388.31	\$2.80	\$391.11

- (1) - BCBSND premium rates, per bid.
- (2) - Per contract charge retained by NDPERS
- (3) - Total premium paid to BCBSND.
- (4) - Wellness Programs and Disease Management submitted to BCBSND.
- (5) - Medicare Part D Premium submitted to BCBSND.
- (6) - Amount of premium NDPERS will send to BCBSND.
- (7) - Per contract charge retained by NDPERS.
- (8) - Premium amount NDPERS will bill its contract holders.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2007-2009 BIENNIUM**

Rate Structure A			(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
January 1, 2008 - December 31, 2008								(3)+(4)+(5)		
Code	Description	Total BCBSND Bid	Less NDPERS Retention	(1)-(2) Total Premium to BCBSND	Wellness Programs & Disease Mgmt	Medicare Part D Premium	Total Monthly Paid to BCBSND	Plus NDPERS Retention	(6)+(7) NDPERS Billing Rate	
Political Subdivision Rates with Wellness Program										
Active EPO/PPO/Basic										
1	4	Single	\$335.31	\$2.80	\$332.51	\$4.25	\$336.76	\$2.80	\$339.56	
2	4	Family	\$813.33	\$2.80	\$810.53	\$4.25	\$814.78	\$2.80	\$817.58	
COBRA										
4	4	Single	\$335.31	\$2.80	\$332.51	\$4.25	\$336.76	\$9.51	\$346.27	
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Political Subdivision Rates w/o Wellness Program										
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**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2007-2009 BIENNIUM**

Rate Structure A (cont'd)			(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
January 1, 2008 - December 31, 2008					(1)-(2)	Wellness Programs & Disease Mgmt	Medicare Part D Premium	(3)+(4)+(5) Total Monthly Paid to BCBSND	Plus NDPERS Retention	(6)+(7) NDPERS Billing Rate
Code	Description	Total BCBSND Bid	Less NDPERS Retention	Total Premium to BCBSND						
Non-Medicare Retiree										
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22	11 Family	\$942.17	\$2.80	\$939.37	\$4.25			\$943.62	\$2.80	\$946.42
23	11 Family (3+)	\$1,177.73	\$2.80	\$1,174.93	\$4.25			\$1,179.18	\$2.80	\$1,181.98
COBRA										
24	11 Single	\$471.09	\$2.80	\$468.29	\$4.25			\$472.54	\$7.97	\$480.51
25	11 Family	\$942.17	\$2.80	\$939.37	\$4.25			\$943.62	\$17.38	\$961.00
26	11 Family (3+)	\$1,177.73	\$2.80	\$1,174.93	\$4.25			\$1,179.18	\$22.09	\$1,201.27
Medicare Retiree										
41	11 1 Medicare only	\$154.06	\$2.80	\$151.26	\$0.00	\$56.40		\$207.66	\$2.80	\$210.46
42	11 2 Medicare only	\$298.18	\$2.80	\$295.38	\$0.00	\$112.80		\$408.18	\$2.80	\$410.98
50	11 3 Medicare only	\$317.02	\$2.80	\$314.22	\$0.00	\$169.20		\$483.42	\$2.80	\$486.22
51	11 4 Medicare only	\$194.66	\$2.80	\$191.86	\$0.00	\$225.60		\$417.46	\$2.80	\$420.26
43	11 1 Medicare+Others	\$561.74	\$2.80	\$558.94	\$0.00	\$56.40		\$615.34	\$2.80	\$618.14
49	11 2 Medicare+Others	\$439.38	\$2.80	\$436.58	\$0.00	\$112.80		\$549.38	\$2.80	\$552.18
55	11 3 Medicare+Others	\$317.02	\$2.80	\$314.22	\$0.00	\$169.20		\$483.42	\$2.80	\$486.22
44	11 Part A Single	\$424.32	\$2.80	\$421.52	\$0.00	\$56.40		\$477.92	\$2.80	\$480.72
COBRA										
46	11 1 Medicare only	\$154.06	\$2.80	\$151.26	\$0.00	\$56.40		\$207.66	\$7.00	\$214.66
47	11 2 Medicare only	\$298.18	\$2.80	\$295.38	\$0.00	\$112.80		\$408.18	\$11.02	\$419.20
53	11 3 Medicare only	\$317.02	\$2.80	\$314.22	\$0.00	\$169.20		\$483.42	\$12.52	\$495.94
54	11 4 Medicare only	\$194.66	\$2.80	\$191.86	\$0.00	\$225.60		\$417.46	\$11.20	\$428.66
48	11 1 Medicare+Others	\$561.74	\$2.80	\$558.94	\$0.00	\$56.40		\$615.34	\$15.16	\$630.50
52	11 2 Medicare+Others	\$439.38	\$2.80	\$436.58	\$0.00	\$112.80		\$549.38	\$13.84	\$563.22
56	11 3 Medicare+Others	\$317.02	\$2.80	\$314.22	\$0.00	\$169.20		\$483.42	\$12.52	\$495.94
Medicare Low Income Subsidy										
41	13 1 Medicare only (1cr)	\$154.06	\$2.80	\$151.26	\$0.00	\$28.50		\$179.76	\$2.80	\$182.56
42	13 2 Medicare only (2cr)	\$298.18	\$2.80	\$295.38	\$0.00	\$57.00		\$352.38	\$2.80	\$355.18
50	13 3 Medicare only (1cr)	\$317.02	\$2.80	\$314.22	\$0.00	\$141.30		\$455.52	\$2.80	\$458.32
43	13 1 Medicare+Others (1cr)	\$561.74	\$2.80	\$558.94	\$0.00	\$28.50		\$587.44	\$2.80	\$590.24
49	13 2 Medicare+Others (1cr)	\$439.38	\$2.80	\$436.58	\$0.00	\$84.90		\$521.48	\$2.80	\$524.28
61	13 1 Medicare only (.75cr)	\$154.06	\$2.80	\$151.26	\$0.00	\$35.50		\$186.76	\$2.80	\$189.56
71	13 1 Medicare only (.5cr)	\$154.06	\$2.80	\$151.26	\$0.00	\$42.40		\$193.66	\$2.80	\$196.46
72	13 2 Medicare only (1cr)	\$298.18	\$2.80	\$295.38	\$0.00	\$84.90		\$380.28	\$2.80	\$383.08
	13 4 Medicare only (1cr)	\$194.66	\$2.80	\$191.86	\$0.00	\$197.70		\$389.56	\$2.80	\$392.36

- (1) - BCBSND premium rates, per bid.
- (2) - Per contract charge retained by NDPERS
- (3) - Total premium paid to BCBSND.
- (4) - Wellness Programs and Disease Management submitted to BCBSND.
- (5) - Medicare Part D Premium submitted to BCBSND.
- (6) - Amount of premium NDPERS will send to BCBSND.
- (7) - Per contract charge retained by NDPERS.
- (8) - Premium amount NDPERS will bill its contract holders.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2007-2009 BIENNIUM**

Rate Structure A			(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
January 1, 2009 - June 30, 2009								(3)+(4)+(5)		
Code	Description		Total BCBSND Bid	Less NDPERS Retention	(1)-(2) Total Premium to BCBSND	Wellness Programs & Disease Mgmt	Medicare Part D Premium	Total Monthly Paid to BCBSND	Plus NDPERS Retention	(6)+(7) NDPERS Billing Rate
Political Subdivision Rates with Wellness Program										
Active EPO/PPO/Basic										
1	4	Single	\$335.31	\$2.80	\$332.51	\$4.25		\$336.76	\$2.80	\$339.56
2	4	Family	\$813.33	\$2.80	\$810.53	\$4.25		\$814.78	\$2.80	\$817.58
COBRA										
4	4	Single	\$335.31	\$2.80	\$332.51	\$4.25		\$336.76	\$9.51	\$346.27
5	4	Family	\$813.33	\$2.80	\$810.53	\$4.25		\$814.78	\$19.07	\$833.85
Active EPO/Basic										
1	6	Single	\$312.05	\$2.80	\$309.25	\$4.25		\$313.50	\$2.80	\$316.30
2	6	Family	\$756.61	\$2.80	\$753.81	\$4.25		\$758.06	\$2.80	\$760.86
COBRA										
4	6	Single	\$312.05	\$2.80	\$309.25	\$4.25		\$313.50	\$9.04	\$322.54
5	6	Family	\$756.61	\$2.80	\$753.81	\$4.25		\$758.06	\$17.93	\$775.99
Political Subdivision Rates w/o Wellness Program										
Active EPO/PPO/Basic										
1	3	Single	\$335.31	\$2.80	\$332.51	\$4.25		\$336.76	\$6.20	\$342.96
2	3	Family	\$813.33	\$2.80	\$810.53	\$4.25		\$814.78	\$10.98	\$825.76
COBRA										
4	3	Single	\$335.31	\$2.80	\$332.51	\$4.25		\$336.76	\$9.51	\$346.27
5	3	Family	\$813.33	\$2.80	\$810.53	\$4.25		\$814.78	\$19.07	\$833.85
Active EPO/Basic										
1	5	Single	\$312.05	\$2.80	\$309.25	\$4.25		\$313.50	\$5.96	\$319.46
2	5	Family	\$756.61	\$2.80	\$753.81	\$4.25		\$758.06	\$10.41	\$768.47
COBRA										
4	5	Single	\$312.05	\$2.80	\$309.25	\$4.25		\$313.50	\$9.04	\$322.54
5	5	Family	\$756.61	\$2.80	\$753.81	\$4.25		\$758.06	\$17.93	\$775.99
State Contracts with Wellness Program										
Active										
1-3	2	S/F/Dual	\$653.83	\$2.80	\$651.03	\$4.25		\$655.28	\$2.80	\$658.08
COBRA										
4	2	Single	\$314.05	\$2.80	\$311.25	\$4.25		\$315.50	\$9.08	\$324.58
5	2	Family	\$759.77	\$2.80	\$756.97	\$4.25		\$761.22	\$18.00	\$779.22
Part-Time/Temporary/LOA										
6	2	Single	\$314.05	\$2.80	\$311.25	\$4.25		\$315.50	\$2.80	\$318.30
7	2	Family	\$759.77	\$2.80	\$756.97	\$4.25		\$761.22	\$2.80	\$764.02
State Contracts w/o Wellness Program										
Active										
1-3	1	S/F/Dual	\$653.83	\$2.80	\$651.03	\$4.25		\$655.28	\$9.38	\$664.66
COBRA										
4	1	Single	\$314.05	\$2.80	\$311.25	\$4.25		\$315.50	\$9.08	\$324.58
5	1	Family	\$759.77	\$2.80	\$756.97	\$4.25		\$761.22	\$18.00	\$779.22
Part-Time/Temporary/LOA										
6	1	Single	\$314.05	\$2.80	\$311.25	\$4.25		\$315.50	\$5.98	\$321.48
7	1	Family	\$759.77	\$2.80	\$756.97	\$4.25		\$761.22	\$10.44	\$771.66

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2007-2009 BIENNIUM**

Rate Structure A (cont'd)			(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
January 1, 2009 - June 30, 2009					(1)-(2)	Wellness		(3)+(4)+(5)		(6)+(7)
Code	Description	Total BCBSND Bid	Less NDPERS Retention	Total Premium to BCBSND	Programs & Disease Mgmt	Medicare Part D Premium	Monthly Paid to BCBSND	Plus NDPERS Retention	NDPERS Billing Rate	
Non-Medicare Retiree										
21	11 Single	\$471.09	\$2.80	\$468.29	\$4.25		\$472.54	\$2.80	\$475.34	
22	11 Family	\$942.17	\$2.80	\$939.37	\$4.25		\$943.62	\$2.80	\$946.42	
23	11 Family (3+)	\$1,177.73	\$2.80	\$1,174.93	\$4.25		\$1,179.18	\$2.80	\$1,181.98	
COBRA										
24	11 Single	\$471.09	\$2.80	\$468.29	\$4.25		\$472.54	\$7.97	\$480.51	
25	11 Family	\$942.17	\$2.80	\$939.37	\$4.25		\$943.62	\$17.38	\$961.00	
26	11 Family (3+)	\$1,177.73	\$2.80	\$1,174.93	\$4.25		\$1,179.18	\$22.09	\$1,201.27	
Medicare Retiree										
41	11 1 Medicare only	\$154.06	\$2.80	\$151.26	\$0.00	\$63.70	\$214.96	\$2.80	\$217.76	
42	11 2 Medicare only	\$298.18	\$2.80	\$295.38	\$0.00	\$127.40	\$422.78	\$2.80	\$425.58	
50	11 3 Medicare only	\$317.02	\$2.80	\$314.22	\$0.00	\$191.10	\$505.32	\$2.80	\$508.12	
51	11 4 Medicare only	\$194.66	\$2.80	\$191.86	\$0.00	\$254.80	\$446.66	\$2.80	\$449.46	
43	11 1 Medicare+Others	\$561.74	\$2.80	\$558.94	\$0.00	\$63.70	\$622.64	\$2.80	\$625.44	
49	11 2 Medicare+Others	\$439.38	\$2.80	\$436.58	\$0.00	\$127.40	\$563.98	\$2.80	\$566.78	
55	11 3 Medicare+Others	\$317.02	\$2.80	\$314.22	\$0.00	\$191.10	\$505.32	\$2.80	\$508.12	
44	11 Part A Single	\$424.32	\$2.80	\$421.52	\$0.00	\$63.70	\$485.22	\$2.80	\$488.02	
COBRA										
46	11 1 Medicare only	\$154.06	\$2.80	\$151.26	\$0.00	\$63.70	\$214.96	\$7.16	\$222.12	
47	11 2 Medicare only	\$298.18	\$2.80	\$295.38	\$0.00	\$127.40	\$422.78	\$11.30	\$434.08	
53	11 3 Medicare only	\$317.02	\$2.80	\$314.22	\$0.00	\$191.10	\$505.32	\$12.96	\$518.28	
54	11 4 Medicare only	\$194.66	\$2.80	\$191.86	\$0.00	\$254.80	\$446.66	\$11.78	\$458.44	
48	11 1 Medicare+Others	\$561.74	\$2.80	\$558.94	\$0.00	\$63.70	\$622.64	\$15.30	\$637.94	
52	11 2 Medicare+Others	\$439.38	\$2.80	\$436.58	\$0.00	\$127.40	\$563.98	\$14.14	\$578.12	
56	11 3 Medicare+Others	\$317.02	\$2.80	\$314.22	\$0.00	\$191.10	\$505.32	\$12.96	\$518.28	
Medicare Low Income Subsidy										
41	13 1 Medicare only (1cr)	\$154.06	\$2.80	\$151.26	\$0.00	\$33.30	\$184.56	\$2.80	\$187.36	
61	13 1 Medicare only (.75cr)	\$154.06	\$2.80	\$151.26	\$0.00	\$40.90	\$192.16	\$2.80	\$194.96	
71	13 1 Medicare only (.5cr)	\$154.06	\$2.80	\$151.26	\$0.00	\$48.50	\$199.76	\$2.80	\$202.56	
81	13 1 Medicare only (.25cr)	\$154.06	\$2.80	\$151.26	\$0.00	\$56.10	\$207.36	\$2.80	\$210.16	
42	13 2 Medicare only (2cr)	\$298.18	\$2.80	\$295.38	\$0.00	\$66.60	\$361.98	\$2.80	\$364.78	
72	13 2 Medicare only (1cr)	\$298.18	\$2.80	\$295.38	\$0.00	\$97.00	\$392.38	\$2.80	\$395.18	
50	13 3 Medicare only (1cr)	\$317.02	\$2.80	\$314.22	\$0.00	\$160.70	\$474.92	\$2.80	\$477.72	
51	13 4 Medicare only (1cr)	\$194.66	\$2.80	\$191.86	\$0.00	\$224.40	\$416.26	\$2.80	\$419.06	
52	13 4 Medicare only (2cr)	\$194.66	\$2.80	\$191.86	\$0.00	\$194.00	\$385.86	\$2.80	\$388.66	
43	13 1 Medicare+Others (1cr)	\$561.74	\$2.80	\$558.94	\$0.00	\$33.30	\$592.24	\$2.80	\$595.04	
49	13 2 Medicare+Others (1cr)	\$439.38	\$2.80	\$436.58	\$0.00	\$97.00	\$533.58	\$2.80	\$536.38	
55	13 3 Medicare+Others (2cr)	\$317.02	\$2.80	\$314.22	\$0.00	\$130.30	\$444.52	\$2.80	\$447.32	

- (1) - BCBSND premium rates, per bid.
- (2) - Per contract charge retained by NDPERS
- (3) - Total premium paid to BCBSND.
- (4) - Wellness Programs and Disease Management submitted to BCBSND.
- (5) - Medicare Part D Premium submitted to BCBSND.
- (6) - Amount of premium NDPERS will send to BCBSND.
- (7) - Per contract charge retained by NDPERS.
- (8) - Premium amount NDPERS will bill its contract holders.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2007-2009 BIENNIUM**

Rate Structure B			(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
First Year								(3)+(4)+(5)		
July 1, 2007 - December 31, 2007					(1)-(2)	Wellness	Medicare	Total	Plus	(6)+(7)
Code	Description	Total BCBSND Bid	Less NDPERS Retention	Premium to BCBSND	& Disease Mgmt	Part D Premium	Monthly Paid to BCBSND	NDPERS Retention	Billing Rate	
Political Subdivision Rates with Wellness Program										
Active EPO/PPO/Basic										
1	8 Single	\$320.11	\$2.80	\$317.31	\$4.25		\$321.56	\$2.80	\$324.36	
2	8 Family	\$776.45	\$2.80	\$773.65	\$4.25		\$777.90	\$2.80	\$780.70	
COBRA										
4	8 Single	\$320.11	\$2.80	\$317.31	\$4.25		\$321.56	\$9.20	\$330.76	
5	8 Family	\$776.45	\$2.80	\$773.65	\$4.25		\$777.90	\$18.33	\$796.23	
Active EPO/Basic										
1	10 Single	\$297.91	\$2.80	\$295.11	\$4.25		\$299.36	\$2.80	\$302.16	
2	10 Family	\$722.31	\$2.80	\$719.51	\$4.25		\$723.76	\$2.80	\$726.56	
COBRA										
4	10 Single	\$297.91	\$2.80	\$295.11	\$4.25		\$299.36	\$8.76	\$308.12	
5	10 Family	\$722.31	\$2.80	\$719.51	\$4.25		\$723.76	\$17.25	\$741.01	
Political Subdivision Rates w/o Wellness Program										
Active EPO/PPO/Basic										
1	7 Single	\$320.11	\$2.80	\$317.31	\$4.25		\$321.56	\$6.04	\$327.60	
2	7 Family	\$776.45	\$2.80	\$773.65	\$4.25		\$777.90	\$10.61	\$788.51	
COBRA										
4	7 Single	\$320.11	\$2.80	\$317.31	\$4.25		\$321.56	\$9.20	\$330.76	
5	7 Family	\$776.45	\$2.80	\$773.65	\$4.25		\$777.90	\$18.33	\$796.23	
Active EPO/Basic										
1	9 Single	\$297.91	\$2.80	\$295.11	\$4.25		\$299.36	\$5.82	\$305.18	
2	9 Family	\$722.31	\$2.80	\$719.51	\$4.25		\$723.76	\$10.07	\$733.83	
COBRA										
4	9 Single	\$297.91	\$2.80	\$295.11	\$4.25		\$299.36	\$8.76	\$308.12	
5	9 Family	\$722.31	\$2.80	\$719.51	\$4.25		\$723.76	\$17.25	\$741.01	
State Contracts with Wellness Program (see Rate Structure 'A')										
Active										
1-3	2 S/F/Dual	\$653.83	\$2.80	\$651.03	\$4.25		\$655.28	\$2.80	\$658.08	
COBRA										
4	2 Single	\$314.05	\$2.80	\$311.25	\$4.25		\$315.50	\$9.08	\$324.58	
5	2 Family	\$759.77	\$2.80	\$756.97	\$4.25		\$761.22	\$18.00	\$779.22	
Part-Time/Temporary/LOA										
6	2 Single	\$314.05	\$2.80	\$311.25	\$4.25		\$315.50	\$2.80	\$318.30	
7	2 Family	\$759.77	\$2.80	\$756.97	\$4.25		\$761.22	\$2.80	\$764.02	
State Contracts w/o Wellness Program (see Rate Structure 'A')										
Active										
1-3	1 S/F/Dual	\$653.83	\$2.80	\$651.03	\$4.25		\$655.28	\$9.38	\$664.66	
COBRA										
4	1 Single	\$314.05	\$2.80	\$311.25	\$4.25		\$315.50	\$9.08	\$324.58	
5	1 Family	\$759.77	\$2.80	\$756.97	\$4.25		\$761.22	\$18.00	\$779.22	
Part-Time/Temporary/LOA										
6	1 Single	\$314.05	\$2.80	\$311.25	\$4.25		\$315.50	\$5.98	\$321.48	
7	1 Family	\$759.77	\$2.80	\$756.97	\$4.25		\$761.22	\$10.44	\$771.66	

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2007-2009 BIENNIUM**

Rate Structure B			(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
First Year (cont'd)								(3)+(4)+(5)		
July 1, 2007 - December 31, 2007					(1)-(2)	Wellness	Medicare	Total	Plus	(6)+(7)
Code	Description	Total BCBSND Bid	Less NDPERS Retention	Premium to BCBSND	& Disease Mgmt	Part D Premium	Monthly Paid to BCBSND	NDPERS Retention	NDPERS Billing Rate	
Non-Medicare Retiree (see Rate Structure 'A')										
21	12 Single	\$471.09	\$2.80	\$468.29	\$4.25		\$472.54	\$2.80	\$475.34	
22	12 Family	\$942.17	\$2.80	\$939.37	\$4.25		\$943.62	\$2.80	\$946.42	
23	12 Family (3+)	\$1,177.73	\$2.80	\$1,174.93	\$4.25		\$1,179.18	\$2.80	\$1,181.98	
COBRA										
24	12 Single	\$471.09	\$2.80	\$468.29	\$4.25		\$472.54	\$7.97	\$480.51	
25	12 Family	\$942.17	\$2.80	\$939.37	\$4.25		\$943.62	\$17.38	\$961.00	
26	12 Family (3+)	\$1,177.73	\$2.80	\$1,174.93	\$4.25		\$1,179.18	\$22.09	\$1,201.27	
Medicare Retiree										
41	12 1 Medicare only	\$147.08	\$2.80	\$144.28	\$0.00	\$60.14	\$204.42	\$2.80	\$207.22	
42	12 2 Medicare only	\$284.66	\$2.80	\$281.86	\$0.00	\$120.28	\$402.14	\$2.80	\$404.94	
50	12 3 Medicare only	\$302.66	\$2.80	\$299.86	\$0.00	\$180.42	\$480.28	\$2.80	\$483.08	
51	12 4 Medicare only	\$185.84	\$2.80	\$183.04	\$0.00	\$240.56	\$423.60	\$2.80	\$426.40	
43	12 1 Medicare+Others	\$536.28	\$2.80	\$533.48	\$0.00	\$60.14	\$593.62	\$2.80	\$596.42	
49	12 2 Medicare+Others	\$419.46	\$2.80	\$416.66	\$0.00	\$120.28	\$536.94	\$2.80	\$539.74	
55	12 3 Medicare+Others	\$302.66	\$2.80	\$299.86	\$0.00	\$180.42	\$480.28	\$2.80	\$483.08	
COBRA										
46	12 1 Medicare only	\$147.08	\$2.80	\$144.28	\$0.00	\$60.14	\$204.42	\$6.95	\$211.37	
47	12 2 Medicare only	\$284.66	\$2.80	\$281.86	\$0.00	\$120.28	\$402.14	\$10.91	\$413.05	
53	12 3 Medicare only	\$302.66	\$2.80	\$299.86	\$0.00	\$180.42	\$480.28	\$12.47	\$492.75	
54	12 4 Medicare only	\$185.84	\$2.80	\$183.04	\$0.00	\$240.56	\$423.60	\$11.33	\$434.93	
48	12 1 Medicare+Others	\$536.28	\$2.80	\$533.48	\$0.00	\$60.14	\$593.62	\$14.73	\$608.35	
52	12 2 Medicare+Others	\$419.46	\$2.80	\$416.66	\$0.00	\$120.28	\$536.94	\$13.60	\$550.54	
56	12 3 Medicare+Others	\$302.66	\$2.80	\$299.86	\$0.00	\$180.42	\$480.28	\$12.47	\$492.75	

- (1) - BCBSND premium rates, per bid.
- (2) - Per contract charge retained by NDPERS
- (3) - Total premium paid to BCBSND.
- (4) - Wellness Programs and Disease Management submitted to BCBSND.
- (5) - Medicare Part D Premium submitted to BCBSND.
- (6) - Amount of premium NDPERS will send to BCBSND.
- (7) - Per contract charge retained by NDPERS.
- (8) - Premium amount NDPERS will bill its contract holders.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2007-2009 BIENNIUM**

Rate Structure B			(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
First Year								(3)+(4)+(5)		
January 1, 2008 - June 30, 2008					(1)-(2)	Wellness Programs & Disease Mgmt	Medicare Part D Premium	Total Monthly Paid to BCBSND	Plus NDPERS Retention	(6)+(7) NDPERS Billing Rate
Code	Description	Total BCBSND Bid	Less NDPERS Retention	Premium to BCBSND						
Political Subdivision Rates with Wellness Program										
Active EPO/PPO/Basic										
1	8	Single	\$320.11	\$2.80	\$317.31	\$4.25		\$321.56	\$2.80	\$324.36
2	8	Family	\$776.45	\$2.80	\$773.65	\$4.25		\$777.90	\$2.80	\$780.70
COBRA										
4	8	Single	\$320.11	\$2.80	\$317.31	\$4.25		\$321.56	\$9.20	\$330.76
5	8	Family	\$776.45	\$2.80	\$773.65	\$4.25		\$777.90	\$18.33	\$796.23
Active EPO/Basic										
1	10	Single	\$297.91	\$2.80	\$295.11	\$4.25		\$299.36	\$2.80	\$302.16
2	10	Family	\$722.31	\$2.80	\$719.51	\$4.25		\$723.76	\$2.80	\$726.56
COBRA										
4	10	Single	\$297.91	\$2.80	\$295.11	\$4.25		\$299.36	\$8.76	\$308.12
5	10	Family	\$722.31	\$2.80	\$719.51	\$4.25		\$723.76	\$17.25	\$741.01
Political Subdivision Rates w/o Wellness Program										
Active EPO/PPO/Basic										
1	7	Single	\$320.11	\$2.80	\$317.31	\$4.25		\$321.56	\$6.04	\$327.60
2	7	Family	\$776.45	\$2.80	\$773.65	\$4.25		\$777.90	\$10.61	\$788.51
COBRA										
4	7	Single	\$320.11	\$2.80	\$317.31	\$4.25		\$321.56	\$9.20	\$330.76
5	7	Family	\$776.45	\$2.80	\$773.65	\$4.25		\$777.90	\$18.33	\$796.23
Active EPO/Basic										
1	9	Single	\$297.91	\$2.80	\$295.11	\$4.25		\$299.36	\$5.82	\$305.18
2	9	Family	\$722.31	\$2.80	\$719.51	\$4.25		\$723.76	\$10.07	\$733.83
COBRA										
4	9	Single	\$297.91	\$2.80	\$295.11	\$4.25		\$299.36	\$8.76	\$308.12
5	9	Family	\$722.31	\$2.80	\$719.51	\$4.25		\$723.76	\$17.25	\$741.01
State Contracts with Wellness Program (see Rate Structure 'A')										
Active										
1-3	2	S/F/Dual	\$653.83	\$2.80	\$651.03	\$4.25		\$655.28	\$2.80	\$658.08
COBRA										
4	2	Single	\$314.05	\$2.80	\$311.25	\$4.25		\$315.50	\$9.08	\$324.58
5	2	Family	\$759.77	\$2.80	\$756.97	\$4.25		\$761.22	\$18.00	\$779.22
Part-Time/Temporary/LOA										
6	2	Single	\$314.05	\$2.80	\$311.25	\$4.25		\$315.50	\$2.80	\$318.30
7	2	Family	\$759.77	\$2.80	\$756.97	\$4.25		\$761.22	\$2.80	\$764.02
State Contracts w/o Wellness Program (see Rate Structure 'A')										
Active										
1-3	1	S/F/Dual	\$653.83	\$2.80	\$651.03	\$4.25		\$655.28	\$9.38	\$664.66
COBRA										
4	1	Single	\$314.05	\$2.80	\$311.25	\$4.25		\$315.50	\$9.08	\$324.58
5	1	Family	\$759.77	\$2.80	\$756.97	\$4.25		\$761.22	\$18.00	\$779.22
Part-Time/Temporary/LOA										
6	1	Single	\$314.05	\$2.80	\$311.25	\$4.25		\$315.50	\$5.98	\$321.48
7	1	Family	\$759.77	\$2.80	\$756.97	\$4.25		\$761.22	\$10.44	\$771.66

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2007-2009 BIENNIUM**

Rate Structure B			(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
First Year (cont'd)								(3)+(4)+(5)		
January 1, 2008 - June 30, 2008					(1)-(2)	Wellness Programs & Disease Mgmt	Medicare Part D Premium	Total Monthly Paid to BCBSND	Plus NDPERS Retention	(6)+(7) NDPERS Billing Rate
Code	Description		Total BCBSND Bid	Less NDPERS Retention	Total Premium to BCBSND					
Non-Medicare Retiree (see Rate Structure 'A')										
21	12	Single	\$471.09	\$2.80	\$468.29	\$4.25		\$472.54	\$2.80	\$475.34
22	12	Family	\$942.17	\$2.80	\$939.37	\$4.25		\$943.62	\$2.80	\$946.42
23	12	Family (3+)	\$1,177.73	\$2.80	\$1,174.93	\$4.25		\$1,179.18	\$2.80	\$1,181.98
COBRA										
24	12	Single	\$471.09	\$2.80	\$468.29	\$4.25		\$472.54	\$7.97	\$480.51
25	12	Family	\$942.17	\$2.80	\$939.37	\$4.25		\$943.62	\$17.38	\$961.00
26	12	Family (3+)	\$1,177.73	\$2.80	\$1,174.93	\$4.25		\$1,179.18	\$22.09	\$1,201.27
Medicare Retiree										
41	12	1 Medicare only	\$147.08	\$2.80	\$144.28	\$0.00	\$56.40	\$200.68	\$2.80	\$203.48
42	12	2 Medicare only	\$284.66	\$2.80	\$281.86	\$0.00	\$112.80	\$394.66	\$2.80	\$397.46
50	12	3 Medicare only	\$302.66	\$2.80	\$299.86	\$0.00	\$169.20	\$469.06	\$2.80	\$471.86
51	12	4 Medicare only	\$185.84	\$2.80	\$183.04	\$0.00	\$225.60	\$408.64	\$2.80	\$411.44
43	12	1 Medicare+Others	\$536.28	\$2.80	\$533.48	\$0.00	\$56.40	\$589.88	\$2.80	\$592.68
49	12	2 Medicare+Others	\$419.46	\$2.80	\$416.66	\$0.00	\$112.80	\$529.46	\$2.80	\$532.26
55	12	3 Medicare+Others	\$302.66	\$2.80	\$299.86	\$0.00	\$169.20	\$469.06	\$2.80	\$471.86
COBRA										
46	12	1 Medicare only	\$147.08	\$2.80	\$144.28	\$0.00	\$56.40	\$200.68	\$6.88	\$207.56
47	12	2 Medicare only	\$284.66	\$2.80	\$281.86	\$0.00	\$112.80	\$394.66	\$10.76	\$405.42
53	12	3 Medicare only	\$302.66	\$2.80	\$299.86	\$0.00	\$169.20	\$469.06	\$12.24	\$481.30
54	12	4 Medicare only	\$185.84	\$2.80	\$183.04	\$0.00	\$225.60	\$408.64	\$11.04	\$419.68
48	12	1 Medicare+Others	\$536.28	\$2.80	\$533.48	\$0.00	\$56.40	\$589.88	\$14.66	\$604.54
52	12	2 Medicare+Others	\$419.46	\$2.80	\$416.66	\$0.00	\$112.80	\$529.46	\$13.46	\$542.92
56	12	3 Medicare+Others	\$302.66	\$2.80	\$299.86	\$0.00	\$169.20	\$469.06	\$12.24	\$481.30

- (1) - BCBSND premium rates, per bid.
- (2) - Per contract charge retained by NDPERS
- (3) - Total premium paid to BCBSND.
- (4) - Wellness Programs and Disease Management submitted to BCBSND.
- (5) - Medicare Part D Premium submitted to BCBSND.
- (6) - Amount of premium NDPERS will send to BCBSND.
- (7) - Per contract charge retained by NDPERS.
- (8) - Premium amount NDPERS will bill its contract holders.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2007-2009 BIENNIUM**

Rate Structure B			(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Second Year								(3)+(4)+(5)		
July 1, 2008 - December 31, 2008					(1)-(2)	Wellness	Medicare	Total	Plus	(6)+(7)
Code	Description		Total BCBSND Bid	Less NDPERS Retention	Premium to BCBSND	Programs & Disease Mgmt	Part D Premium	Monthly Paid to BCBSND	NDPERS Retention	NDPERS Billing Rate
Political Subdivision Rates with Wellness Program										
Active EPO/PPO/Basic										
1	8	Single	\$350.51	\$2.80	\$347.71	\$4.25		\$351.96	\$2.80	\$354.76
2	8	Family	\$850.21	\$2.80	\$847.41	\$4.25		\$851.66	\$2.80	\$854.46
COBRA										
4	8	Single	\$350.51	\$2.80	\$347.71	\$4.25		\$351.96	\$9.81	\$361.77
5	8	Family	\$850.21	\$2.80	\$847.41	\$4.25		\$851.66	\$19.80	\$871.46
Active EPO/Basic										
1	10	Single	\$326.19	\$2.80	\$323.39	\$4.25		\$327.64	\$2.80	\$330.44
2	10	Family	\$790.91	\$2.80	\$788.11	\$4.25		\$792.36	\$2.80	\$795.16
COBRA										
4	10	Single	\$326.19	\$2.80	\$323.39	\$4.25		\$327.64	\$9.32	\$336.96
5	10	Family	\$790.91	\$2.80	\$788.11	\$4.25		\$792.36	\$18.62	\$810.98
Political Subdivision Rates w/o Wellness Program										
Active EPO/PPO/Basic										
1	7	Single	\$350.51	\$2.80	\$347.71	\$4.25		\$351.96	\$6.35	\$358.31
2	7	Family	\$850.21	\$2.80	\$847.41	\$4.25		\$851.66	\$11.34	\$863.00
COBRA										
4	7	Single	\$350.51	\$2.80	\$347.71	\$4.25		\$351.96	\$9.81	\$361.77
5	7	Family	\$850.21	\$2.80	\$847.41	\$4.25		\$851.66	\$19.80	\$871.46
Active EPO/Basic										
1	9	Single	\$326.19	\$2.80	\$323.39	\$4.25		\$327.64	\$6.10	\$333.74
2	9	Family	\$790.91	\$2.80	\$788.11	\$4.25		\$792.36	\$10.75	\$803.11
COBRA										
4	9	Single	\$326.19	\$2.80	\$323.39	\$4.25		\$327.64	\$9.32	\$336.96
5	9	Family	\$790.91	\$2.80	\$788.11	\$4.25		\$792.36	\$18.62	\$810.98
State Contracts with Wellness Program (see Rate Structure 'A')										
Active										
1-3	2	S/F/Dual	\$653.83	\$2.80	\$651.03	\$4.25		\$655.28	\$2.80	\$658.08
COBRA										
4	2	Single	\$314.05	\$2.80	\$311.25	\$4.25		\$315.50	\$9.08	\$324.58
5	2	Family	\$759.77	\$2.80	\$756.97	\$4.25		\$761.22	\$18.00	\$779.22
Part-Time/Temporary/LOA										
6	2	Single	\$314.05	\$2.80	\$311.25	\$4.25		\$315.50	\$2.80	\$318.30
7	2	Family	\$759.77	\$2.80	\$756.97	\$4.25		\$761.22	\$2.80	\$764.02
State Contracts w/o Wellness Program (see Rate Structure 'A')										
Active										
1-3	1	S/F/Dual	\$653.83	\$2.80	\$651.03	\$4.25		\$655.28	\$9.38	\$664.66
COBRA										
4	1	Single	\$314.05	\$2.80	\$311.25	\$4.25		\$315.50	\$9.08	\$324.58
5	1	Family	\$759.77	\$2.80	\$756.97	\$4.25		\$761.22	\$18.00	\$779.22
Part-Time/Temporary/LOA										
6	1	Single	\$314.05	\$2.80	\$311.25	\$4.25		\$315.50	\$5.98	\$321.48
7	1	Family	\$759.77	\$2.80	\$756.97	\$4.25		\$761.22	\$10.44	\$771.66

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2007-2009 BIENNIUM**

Rate Structure B			(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Second Year (cont'd)								(3)+(4)+(5)		
July 1, 2008 - December 31, 2008					(1)-(2)	Wellness Programs & Disease Mgmt	Medicare Part D Premium	Total Monthly Paid to BCBSND	Plus NDPERS Retention	(6)+(7) NDPERS Billing Rate
Code	Description		Total BCBSND Bid	Less NDPERS Retention	Total Premium to BCBSND					
Non-Medicare Retiree (see Rate Structure 'A')										
21	12	Single	\$471.09	\$2.80	\$468.29	\$4.25		\$472.54	\$2.80	\$475.34
22	12	Family	\$942.17	\$2.80	\$939.37	\$4.25		\$943.62	\$2.80	\$946.42
23	12	Family (3+)	\$1,177.73	\$2.80	\$1,174.93	\$4.25		\$1,179.18	\$2.80	\$1,181.98
COBRA										
24	12	Single	\$471.09	\$2.80	\$468.29	\$4.25		\$472.54	\$7.97	\$480.51
25	12	Family	\$942.17	\$2.80	\$939.37	\$4.25		\$943.62	\$17.38	\$961.00
26	12	Family (3+)	\$1,177.73	\$2.80	\$1,174.93	\$4.25		\$1,179.18	\$22.09	\$1,201.27
Medicare Retiree										
41	12	1 Medicare only	\$161.04	\$2.80	\$158.24	\$0.00	\$56.40	\$214.64	\$2.80	\$217.44
42	12	2 Medicare only	\$311.70	\$2.80	\$308.90	\$0.00	\$112.80	\$421.70	\$2.80	\$424.50
50	12	3 Medicare only	\$331.38	\$2.80	\$328.58	\$0.00	\$169.20	\$497.78	\$2.80	\$500.58
51	12	4 Medicare only	\$203.48	\$2.80	\$200.68	\$0.00	\$225.60	\$426.28	\$2.80	\$429.08
43	12	1 Medicare+Others	\$587.20	\$2.80	\$584.40	\$0.00	\$56.40	\$640.80	\$2.80	\$643.60
49	12	2 Medicare+Others	\$459.30	\$2.80	\$456.50	\$0.00	\$112.80	\$569.30	\$2.80	\$572.10
55	12	3 Medicare+Others	\$331.38	\$2.80	\$328.58	\$0.00	\$169.20	\$497.78	\$2.80	\$500.58
COBRA										
46	12	1 Medicare only	\$161.04	\$2.80	\$158.24	\$0.00	\$56.40	\$214.64	\$7.14	\$221.78
47	12	2 Medicare only	\$311.70	\$2.80	\$308.90	\$0.00	\$112.80	\$421.70	\$11.28	\$432.98
53	12	3 Medicare only	\$331.38	\$2.80	\$328.58	\$0.00	\$169.20	\$497.78	\$12.80	\$510.58
54	12	4 Medicare only	\$203.48	\$2.80	\$200.68	\$0.00	\$225.60	\$426.28	\$11.38	\$437.66
48	12	1 Medicare+Others	\$587.20	\$2.80	\$584.40	\$0.00	\$56.40	\$640.80	\$15.66	\$656.46
52	12	2 Medicare+Others	\$459.30	\$2.80	\$456.50	\$0.00	\$112.80	\$569.30	\$14.24	\$583.54
56	12	3 Medicare+Others	\$331.38	\$2.80	\$328.58	\$0.00	\$169.20	\$497.78	\$12.80	\$510.58

- (1) - BCBSND premium rates, per bid.
- (2) - Per contract charge retained by NDPERS
- (3) - Total premium paid to BCBSND.
- (4) - Wellness Programs and Disease Management submitted to BCBSND.
- (5) - Medicare Part D Premium submitted to BCBSND.
- (6) - Amount of premium NDPERS will send to BCBSND.
- (7) - Per contract charge retained by NDPERS.
- (8) - Premium amount NDPERS will bill its contract holders.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2007-2009 BIENNIUM**

Rate Structure B			(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Second Year								(3)+(4)+(5)		
January 1, 2009 - June 30, 2009					(1)-(2)	Wellness Programs & Disease Mgmt	Medicare Part D Premium	Total Monthly Paid to BCBSND	Plus NDPERS Retention	(6)+(7) NDPERS Billing Rate
Code	Description	Total BCBSND Bid	Less NDPERS Retention	Premium to BCBSND						
Political Subdivision Rates with Wellness Program										
Active EPO/PPO/Basic										
1	8	Single	\$350.51	\$2.80	\$347.71	\$4.25		\$351.96	\$2.80	\$354.76
2	8	Family	\$850.21	\$2.80	\$847.41	\$4.25		\$851.66	\$2.80	\$854.46
COBRA										
4	8	Single	\$350.51	\$2.80	\$347.71	\$4.25		\$351.96	\$9.81	\$361.77
5	8	Family	\$850.21	\$2.80	\$847.41	\$4.25		\$851.66	\$19.80	\$871.46
Active EPO/Basic										
1	10	Single	\$326.19	\$2.80	\$323.39	\$4.25		\$327.64	\$2.80	\$330.44
2	10	Family	\$790.91	\$2.80	\$788.11	\$4.25		\$792.36	\$2.80	\$795.16
COBRA										
4	10	Single	\$326.19	\$2.80	\$323.39	\$4.25		\$327.64	\$9.32	\$336.96
5	10	Family	\$790.91	\$2.80	\$788.11	\$4.25		\$792.36	\$18.62	\$810.98
Political Subdivision Rates w/o Wellness Program										
Active EPO/PPO/Basic										
1	7	Single	\$350.51	\$2.80	\$347.71	\$4.25		\$351.96	\$6.35	\$358.31
2	7	Family	\$850.21	\$2.80	\$847.41	\$4.25		\$851.66	\$11.34	\$863.00
COBRA										
4	7	Single	\$350.51	\$2.80	\$347.71	\$4.25		\$351.96	\$9.81	\$361.77
5	7	Family	\$850.21	\$2.80	\$847.41	\$4.25		\$851.66	\$19.80	\$871.46
Active EPO/Basic										
1	9	Single	\$326.19	\$2.80	\$323.39	\$4.25		\$327.64	\$6.10	\$333.74
2	9	Family	\$790.91	\$2.80	\$788.11	\$4.25		\$792.36	\$10.75	\$803.11
COBRA										
4	9	Single	\$326.19	\$2.80	\$323.39	\$4.25		\$327.64	\$9.32	\$336.96
5	9	Family	\$790.91	\$2.80	\$788.11	\$4.25		\$792.36	\$18.62	\$810.98
State Contracts with Wellness Program (see Rate Structure 'A')										
Active										
1-3	2	S/F/Dual	\$653.83	\$2.80	\$651.03	\$4.25		\$655.28	\$2.80	\$658.08
COBRA										
4	2	Single	\$314.05	\$2.80	\$311.25	\$4.25		\$315.50	\$9.08	\$324.58
5	2	Family	\$759.77	\$2.80	\$756.97	\$4.25		\$761.22	\$18.00	\$779.22
Part-Time/Temporary/LOA										
6	2	Single	\$314.05	\$2.80	\$311.25	\$4.25		\$315.50	\$2.80	\$318.30
7	2	Family	\$759.77	\$2.80	\$756.97	\$4.25		\$761.22	\$2.80	\$764.02
State Contracts w/o Wellness Program (see Rate Structure 'A')										
Active										
1-3	1	S/F/Dual	\$653.83	\$2.80	\$651.03	\$4.25		\$655.28	\$9.38	\$664.66
COBRA										
4	1	Single	\$314.05	\$2.80	\$311.25	\$4.25		\$315.50	\$9.08	\$324.58
5	1	Family	\$759.77	\$2.80	\$756.97	\$4.25		\$761.22	\$18.00	\$779.22
Part-Time/Temporary/LOA										
6	1	Single	\$314.05	\$2.80	\$311.25	\$4.25		\$315.50	\$5.98	\$321.48
7	1	Family	\$759.77	\$2.80	\$756.97	\$4.25		\$761.22	\$10.44	\$771.66

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2007-2009 BIENNIUM**

Rate Structure B			(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Second Year (cont'd)								(3)+(4)+(5)		
January 1, 2009 - June 30, 2009					(1)-(2)	Wellness Programs & Disease Mgmt	Medicare Part D Premium	Total Monthly Paid to BCBSND	Plus NDPERS Retention	(6)+(7) NDPERS Billing Rate
Code	Description		Total BCBSND Bid	Less NDPERS Retention	Total Premium to BCBSND					
Non-Medicare Retiree (see Rate Structure 'A')										
21	12	Single	\$471.09	\$2.80	\$468.29	\$4.25		\$472.54	\$2.80	\$475.34
22	12	Family	\$942.17	\$2.80	\$939.37	\$4.25		\$943.62	\$2.80	\$946.42
23	12	Family (3+)	\$1,177.73	\$2.80	\$1,174.93	\$4.25		\$1,179.18	\$2.80	\$1,181.98
COBRA										
24	12	Single	\$471.09	\$2.80	\$468.29	\$4.25		\$472.54	\$7.97	\$480.51
25	12	Family	\$942.17	\$2.80	\$939.37	\$4.25		\$943.62	\$17.38	\$961.00
26	12	Family (3+)	\$1,177.73	\$2.80	\$1,174.93	\$4.25		\$1,179.18	\$22.09	\$1,201.27
Medicare Retiree										
41	12	1 Medicare only	\$161.04	\$2.80	\$158.24	\$0.00	\$63.70	\$221.94	\$2.80	\$224.74
42	12	2 Medicare only	\$311.70	\$2.80	\$308.90	\$0.00	\$127.40	\$436.30	\$2.80	\$439.10
50	12	3 Medicare only	\$331.38	\$2.80	\$328.58	\$0.00	\$191.10	\$519.68	\$2.80	\$522.48
51	12	4 Medicare only	\$203.48	\$2.80	\$200.68	\$0.00	\$254.80	\$455.48	\$2.80	\$458.28
43	12	1 Medicare+Others	\$587.20	\$2.80	\$584.40	\$0.00	\$63.70	\$648.10	\$2.80	\$650.90
49	12	2 Medicare+Others	\$459.30	\$2.80	\$456.50	\$0.00	\$127.40	\$583.90	\$2.80	\$586.70
55	12	3 Medicare+Others	\$331.38	\$2.80	\$328.58	\$0.00	\$191.10	\$519.68	\$2.80	\$522.48
COBRA										
46	12	1 Medicare only	\$161.04	\$2.80	\$158.24	\$0.00	\$63.70	\$221.94	\$7.28	\$229.22
47	12	2 Medicare only	\$311.70	\$2.80	\$308.90	\$0.00	\$127.40	\$436.30	\$11.58	\$447.88
53	12	3 Medicare only	\$331.38	\$2.80	\$328.58	\$0.00	\$191.10	\$519.68	\$13.24	\$532.92
54	12	4 Medicare only	\$203.48	\$2.80	\$200.68	\$0.00	\$254.80	\$455.48	\$11.96	\$467.44
48	12	1 Medicare+Others	\$587.20	\$2.80	\$584.40	\$0.00	\$63.70	\$648.10	\$15.82	\$663.92
52	12	2 Medicare+Others	\$459.30	\$2.80	\$456.50	\$0.00	\$127.40	\$583.90	\$14.52	\$598.42
56	12	3 Medicare+Others	\$331.38	\$2.80	\$328.58	\$0.00	\$191.10	\$519.68	\$13.24	\$532.92

- (1) - BCBSND premium rates, per bid.
- (2) - Per contract charge retained by NDPERS
- (3) - Total premium paid to BCBSND.
- (4) - Wellness Programs and Disease Management submitted to BCBSND.
- (5) - Medicare Part D Premium submitted to BCBSND.
- (6) - Amount of premium NDPERS will send to BCBSND.
- (7) - Per contract charge retained by NDPERS.
- (8) - Premium amount NDPERS will bill its contract holders.



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

Sparb Collins
Executive Director
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M E M O R A N D U M

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

FROM: *BTR*
BRYAN T. REINHARDT

DATE: November 25, 2008

SUBJECT: GROUP MEDICAL PLAN - SURPLUS/AFFORDABILITY UPDATE

Here is the October surplus projection and affordability analysis for the NDPERS group medical plan. The plan made it through the 2005-2007 biennium and is over halfway through the 2007-2009 biennium.

Net premium sent to BCBS in July 2007 was \$13,406,858. In July 2005 it was \$10,853,370. There are now 24,897 contracts on the NDPERS Health Plan, covering 56,000 people. The NDPERS health plan ended up with 23,580 contracts in June, 2005. There were 22,947 contracts in June, 2003, and 21,792 in July 2001.

The 2003 - 2005 biennium settlement is on account at BCBS with a balance of over \$2,051,000. The remaining \$14.3 million was used to buy down premiums for the 05-07 biennium. This amount is at BCBS and receiving interest.

The first settlement for the 2005 - 2007 biennium transferred \$3,672,932 to the NDPERS account. In addition refunds came in greater than IBNR claims, so this biennium has a cash balance of \$214,543. The final settlement for this biennium is June 2009.

The projection for the 2007 - 2009 biennium shows total surplus at -\$4.69 million. If there is a surplus, we share 50/50 in the first \$3.0 million surplus with BCBS. This will make future growth in the gain for NDPERS difficult. The plan is fully insured by BCBS, so the June 30, 2009 NDPERS estimated gain is \$0.

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

-
- | | | |
|------------------------------------|----------------------------------|-----------------------------------|
| • FlexComp Program | • Retirement Programs | • Retiree Health Insurance Credit |
| • Employee Health & Life Insurance | - Public Employees | - Judges |
| • Dental | - Highway Patrol | - Prior Service |
| • Vision | - National Guard/Law Enforcement | - Job Service |
| | | • Deferred Compensation Program |
| | | • Long Term Care Program |

NDPERS - ESTIMATED SURPLUS PROJECTION: 2007-2009 BIENNIUM

October, 2008

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

1) Preliminary Underwriting Gain/Loss for the 2007-2009 Biennium		(\$5,802,900)
2) Wellness Program Expenses		\$0
3) Estimated Underwriting Gain/Loss for the 2007-2009 Biennium		(\$5,802,900)
4) Projected Interest Accumulation (adjusted for usage as premium)		\$0
5) Refunds and Settlements		
11/30/07 Perform Rebate	(Included as claim rebates)	\$340,034
02/29/08 Perform Rebate	(Included as claim rebates)	\$385,151
05/31/08 Perform Rebate	(Included as claim rebates)	\$328,973
08/31/08 Perform Rebate	(Included as claim rebates)	\$354,915
10/31/08 Perform Rebate		\$58,803
01/31/09 Perform Rebate		\$350,000
04/30/09 Perform Rebate		\$350,000
06/30/09 Perform Rebate		\$350,000
EPO Settlement Payments 7/07 - 6/08	(No target settlements)	\$0
6) Total Estimated Surplus Held by BCBS		(\$4,694,097)
7) BCBS Portion of Surplus (Half upto \$1,500,000)		\$0
8) PERS Portion of Surplus Held by BCBS		(\$4,694,097)
9) Cash Reserve Account Balance		\$0
Future Contributions:		\$0
Future Interest:		\$0
Total		\$0
10) NDPERS Wellness Accounts		
My Health Connection		\$217,619
Employer Based Wellness		(\$7,875)
Wellness Benefit Program		\$18,910
SubTotal		\$228,653
Total Adjusted for Usage		\$0
11) Total Estimated Funds Available to PERS on June 30, 2009		\$0

NDPERS - Projected Underwritten Experience for the 2007-2009 Biennium

October, 2008

MONTH	PREMIUM COLLECTED	PREMIUM ADJUSTMENT	TOTAL PREMIUM INCOME	ADMIN EXPENSE \$29.90/Con	NET PREMIUM	INTEREST ON CASH	CLAIMS INCURRED & PAID TO DATE	ESTIMATED IBNR CLAIMS	TOTAL INCURRED CLAIMS(1)	ESTIMATED GAIN / LOSS
Jul-07	\$13,406,857	\$0	\$13,406,857	\$725,404	\$12,681,453	\$0	\$11,174,848	\$0	\$11,174,848	\$1,506,605
Aug-07	\$13,465,027	\$308	\$13,465,336	\$728,334	\$12,737,002	\$8,720	\$12,157,720	\$0	\$12,157,720	\$588,002
Sep-07	\$13,608,834	\$6,878	\$13,615,713	\$736,018	\$12,879,695	\$32,149	\$10,934,361	\$0	\$10,934,361	\$1,977,483
Oct-07	\$13,577,219	\$7,321	\$13,584,540	\$734,822	\$12,849,718	\$44,159	\$13,048,925	\$0	\$13,048,925	(\$155,048)
Nov-07	\$13,584,631	(\$6,547)	\$13,578,084	\$735,480	\$12,842,604	\$38,392	\$13,164,296	\$0	\$13,164,296	(\$283,300)
Dec-07	\$13,568,728	\$5,601	\$13,574,329	\$734,553	\$12,839,776	\$40,841	\$12,493,932	\$0	\$12,493,932	\$386,685
Jan-08	\$13,582,515	\$3,071	\$13,585,586	\$735,121	\$12,850,465	\$39,733	\$13,696,602	\$0	\$13,696,602	(\$806,404)
Feb-08	\$13,622,093	\$1,733	\$13,623,826	\$737,155	\$12,886,671	\$33,024	\$12,162,751	\$30,000	\$12,192,751	\$726,944
Mar-08	\$13,620,486	(\$2,685)	\$13,617,801	\$737,125	\$12,880,676	\$25,258	\$13,185,050	\$280,000	\$13,465,050	(\$559,116)
Apr-08	\$13,626,826	\$1,915	\$13,628,741	\$738,171	\$12,890,570	\$21,216	\$13,167,851	\$290,000	\$13,457,851	(\$546,065)
May-08	\$13,623,071	\$1,798	\$13,624,869	\$737,992	\$12,886,877	\$17,341	\$12,355,699	\$400,000	\$12,755,699	\$148,519
Jun-08	\$13,644,570	(\$2,237)	\$13,642,333	\$739,128	\$12,903,205	\$27,130	\$12,644,423	\$550,000	\$13,194,423	(\$264,088)
Jul-08	\$13,611,228	(\$4,554)	\$13,606,675	\$737,693	\$12,868,982	\$33,409	\$13,306,534	\$1,000,000	\$14,306,534	(\$1,404,144)
Aug-08	\$13,622,766	\$25,091	\$13,647,857	\$738,052	\$12,909,805	\$29,181	\$11,592,114	\$1,700,000	\$13,292,114	(\$353,128)
Sep-08	\$13,750,651	\$3,180	\$13,753,831	\$745,168	\$13,008,663	\$29,890	\$10,113,248	\$4,100,000	\$14,213,248	(\$1,174,695)
Oct-08	\$13,718,593	\$26,952	\$13,745,546	\$744,480	\$13,001,065	\$21,426	\$4,378,203	\$8,650,000	\$13,028,203	(\$5,711)
Nov-08	\$13,718,593	\$0	\$13,718,593	\$744,420	\$12,974,173	\$19,221	\$0	\$0	\$13,480,505	(\$487,110)
Dec-08	\$13,718,593	\$0	\$13,718,593	\$744,420	\$12,974,173	\$32,804	\$0	\$0	\$13,543,427	(\$536,450)
Jan-09	\$13,718,593	\$0	\$13,718,593	\$744,420	\$12,974,173	\$31,956	\$0	\$0	\$13,606,349	(\$600,220)
Feb-09	\$13,718,593	\$0	\$13,718,593	\$744,420	\$12,974,173	\$31,009	\$0	\$0	\$13,669,271	(\$664,090)
Mar-09	\$13,718,593	\$0	\$13,718,593	\$744,420	\$12,974,173	\$29,934	\$0	\$0	\$13,732,193	(\$728,086)
Apr-09	\$13,718,593	\$0	\$13,718,593	\$744,420	\$12,974,173	\$28,732	\$0	\$0	\$13,795,116	(\$792,211)
May-09	\$13,718,593	\$0	\$13,718,593	\$744,420	\$12,974,173	\$27,401	\$0	\$0	\$13,858,038	(\$856,463)
Jun-09	\$13,718,593	\$0	\$13,718,593	\$744,420	\$12,974,173	\$25,943	\$0	\$0	\$13,920,960	(\$920,844)
BIENNIAL										
TOTAL	\$327,382,843	\$67,825	\$327,450,668	\$17,740,057	\$309,710,611	\$668,868	\$189,576,557	\$17,000,000	\$316,182,415	(\$5,802,936)

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



Memo

To: NDPERS Board
From: ^{BTR} Bryan T. Reinhardt
Date: 12/2/2008
Re: 457 Companion Plan & 401(a) plan 3rd Quarter 2008 Reports

Here is the 3rd quarter 2008 investment report for the 401(a) & 457 Companion Plan. The reports are available separately on the NDPERS web site. The NDPERS Investment Sub-committee reviewed the 3rd quarter report and has no Board action.

Assets in the 401(a) plan decreased to \$15.3 million as of September 30, 2008. This is down about 18% from the same period in 2007. The number of participants is at 293, about the same as when the plan started. The largest funds are Fidelity Growth Company and the Managed Income Portfolio each with 14% of the assets.

Assets in the 457 Companion Plan decreased to \$21.5 million as of September 30, 2008. The number of participants dropped from 1,319 after the transition to Fidelity, but is increasing and is now at 2,328. The largest funds are the Fidelity Freedom 2020 Fund (13% of assets) and the Fidelity Diversified International Fund and Allianz Small Cap Fund each with 10% of the assets.

Benchmarks:

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

Fund / Investment News:

Representatives from Fidelity attended the Investment Sub-Committee meeting and presented a 3rd Quarter market perspective. Fidelity presented alternative international and large blend funds. The committee will review the international options again next quarter. The committee will continue to work on the plan goals and fees at the next meeting. The Investment Sub-Committee marked **Dividend Growth (FDGFX), Fidelity Equity-Income (FEQIX),** and the **Fidelity Freedom Funds** as underperforming for the quarter.

NDPERS
Quarterly Investment Report
3rd Quarter
7/1/2008 – 9/30/2008



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

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

INITIAL OFFERING:

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

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

LIFESTYLE FUNDS: Fidelity Freedom Income
 Fidelity Freedom 2000
 Fidelity Freedom 2005
 Fidelity Freedom 2010

Fidelity Freedom 2015
 Fidelity Freedom 2020
 Fidelity Freedom 2025

Fidelity Freedom 2030
 Fidelity Freedom 2035
 Fidelity Freedom 2040, 2045 & 2050

FUND STYLE CHANGES:

Fidelity Dividend Growth ←			LARGE
	Goldman Sachs Mid Cap Value →	Fidelity Spartan Ext Mkt Index →	
VALUE	BLEND	GROWTH	

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

CURRENT LINEUP:

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

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

LIFESTYLE FUNDS: Fidelity Freedom Income
 Fidelity Freedom 2000
 Fidelity Freedom 2005
 Fidelity Freedom 2010

Fidelity Freedom 2015
 Fidelity Freedom 2020
 Fidelity Freedom 2025

Fidelity Freedom 2030
 Fidelity Freedom 2035
 Fidelity Freedom 2040, 2045 & 2050

NDPERS Investment Benchmarks - 3rd Quarter 2008

	<u>Quarter</u>	<u>Y-T-D</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>
<u>Stable Value Fund</u>					
Fidelity Managed Income Portfolio	0.83%	2.99%	4.14%	4.13%	4.08%
GIC 5 Year	0.98%	2.93%	3.91%	4.62%	5.46%
<u>Fixed Income Fund</u>					
PIMCO Total Return Bond Fund - PTRAX	-2.13%	-0.33%	3.51%	4.15%	4.05%
Lehman Aggregate Bond Index	-0.49%	0.63%	3.65%	4.15%	3.78%
Taxable Bond Fund Universe	-2.20%	-2.55%	-1.44%	1.94%	1.72%
<u>Balanced Fund</u>					
Fidelity Puritan - FPURX	-9.09%	-16.17%	-17.13%	1.44%	5.18%
60% Large Cap Value Univ & 40% Taxable Bond Universe	-5.81%	-13.04%	-15.61%	0.21%	3.72%
60% Russell 3000 Value & 40% Lehman Agg Bond Index	-3.35%	-10.45%	-12.16%	1.80%	5.89%
<u>Large Cap Equities - Value</u>					
Fidelity Equity-Income - FEQIX	-10.92%	-23.81%	-28.47%	-1.57%	4.49%
Franklin Mutual Shares A - TESIX	-6.82%	-20.35%	-22.27%	-0.20%	6.17%
Russell 1000 Value Index	-6.11%	-18.85%	-23.56%	0.09%	7.12%
Large Cap Value Fund Universe	-8.22%	-20.03%	-25.05%	-0.94%	5.06%
<u>Large Cap Equities - Blend</u>					
Fidelity Spartan US Equity Index - FUSEX	-8.39%	-19.32%	-22.04%	0.16%	5.08%
Fidelity Dividend Growth - FDGFX < Under Review 3/2007 >	-10.68%	-22.14%	-26.66%	-2.28%	1.73%
S&P 500 Index	-8.37%	-19.29%	-21.98%	0.22%	5.17%
Large Cap Blend Fund Universe	-10.82%	-20.63%	-23.81%	-0.63%	4.28%
<u>Large Cap Equities - Growth</u>					
Fidelity Growth Company - FDGRX	-18.31%	-22.78%	-22.14%	2.47%	7.17%
Russell 3000 Growth Index	-11.93%	-19.90%	-20.60%	0.15%	3.96%
Fidelity Blue Chip Growth - FBGRX < Under Review 3/2007 >	-9.22%	-18.41%	-18.93%	-0.34%	3.13%
Russell 1000 Growth Index	-12.33%	-20.27%	-20.88%	0.04%	3.74%
Large Cap Growth Fund Universe	-15.03%	-23.60%	-25.02%	-1.28%	3.25%
<u>Mid Cap Equities - Value</u>					
Goldman Sachs Mid Cap Value - GCMAX	-13.78%	-16.97%	-19.58%	-0.19%	9.67%
Russell Mid Cap Value	-7.52%	-15.46%	-20.50%	0.51%	9.97%
Mid Cap Value Fund Universe	-9.33%	-17.47%	-22.98%	-0.87%	6.79%
<u>Mid Cap Equities - Blend</u>					
Dreyfus Mid Cap Index - PESPX	-10.96%	-14.57%	-16.94%	1.38%	8.20%
S&P Mid Cap 400	-10.87%	-14.34%	-16.68%	1.78%	8.65%
Fidelity Spartan Extended Mkt Index - FSEMXX	-9.42%	-16.43%	-19.12%	1.42%	8.41%
Wilshire 4500 Index	-9.99%	-17.05%	-19.77%	1.15%	8.28%
Mid Cap Blend Fund Universe	-12.25%	-19.11%	-23.38%	-0.60%	6.13%
<u>Mid Cap Equities - Growth</u>					
Fidelity Mid Cap Stock - FMCSX	-24.05%	-26.41%	-30.48%	-1.40%	5.37%
Russell Mid Cap Growth	-17.75%	-23.35%	-24.65%	-0.75%	6.53%
Mid Cap Growth Fund Universe	-17.55%	-24.91%	-27.04%	-0.95%	5.19%

Fund Returns in RED do not meet both benchmarks.

Fund Returns in BLACK meet both benchmarks.

NDPERS Investment Benchmarks - 3rd Quarter 2008

	<u>Quarter</u>	<u>Y-T-D</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>
<u>Small Cap Equities - Value</u>					
Allianz NFJ Small Cap Value - PVADX	-4.57%	-6.79%	-10.26%	4.92%	12.86%
Russell 2000 Value Index	-4.96%	-5.37%	-12.25%	2.00%	9.45%
Small Value Fund Universe	-2.34%	-10.42%	-18.30%	-0.44%	7.23%
<u>Small Cap Equities - Blend</u>					
Dreyfus Small Cap Index - DISSX	-0.66%	-7.92%	-13.90%	1.71%	9.54%
Russell 2000 Index	-1.11%	-10.38%	-14.48%	1.83%	8.15%
S & P 600 Index	-0.85%	-7.88%	-13.82%	2.00%	9.89%
Small Blend Fund Universe	-6.79%	-15.07%	-21.41%	-0.56%	6.91%
<u>Small Cap Equities - Growth</u>					
MSI Small Co Growth B - MSSMX	-12.94%	-24.54%	-28.32%	-3.27%	5.43%
Russell 2000 Growth Index	-6.99%	-15.29%	-17.07%	1.45%	6.64%
Small Growth Fund Universe	-11.33%	-21.50%	-25.66%	-1.56%	4.50%
<u>International Equity Funds</u>					
Fidelity Diversified International - FDIVX	-20.84%	-28.50%	-28.79%	2.25%	10.43%
MSCI EAFE	-20.56%	-29.16%	-30.39%	1.28%	9.91%
International Stock Fund Universe	-20.22%	-29.60%	-31.43%	1.20%	8.71%
<u>Asset Allocation Funds:</u>					
Fidelity Freedom Income - FFFAX	-3.92%	-5.29%	-5.21%	2.29%	3.13%
Income Benchmark	-2.21%	-3.42%	-2.54%	3.20%	3.97%
Fidelity Freedom 2000 - FFFBX	-4.38%	-6.35%	-6.43%	2.23%	3.37%
2000 Benchmark	-2.75%	-4.51%	-3.85%	3.03%	4.14%
Fidelity Freedom 2005 - FFFVX	-8.22%	-12.69%	-13.19%	1.48%	N/A
2005 Benchmark	-5.73%	-9.82%	-9.79%	2.34%	5.11%
Fidelity Freedom 2010 - FFFCX	-8.62%	-13.09%	-13.60%	1.46%	4.23%
2010 Benchmark	-6.13%	-10.53%	-10.59%	2.25%	5.24%
Fidelity Freedom 2015 - FFFVX	-9.15%	-14.30%	-14.97%	1.55%	N/A
2015 Benchmark	-6.69%	-11.55%	-11.80%	2.08%	5.39%
Fidelity Freedom 2020 - FFFDX	-10.77%	-17.07%	-18.08%	1.15%	5.27%
2020 Benchmark	-8.26%	-14.45%	-15.31%	1.62%	5.82%
Fidelity Freedom 2025 - FFTWX	-11.24%	-17.92%	-19.01%	0.97%	N/A
2025 Benchmark	-8.72%	-15.34%	-16.38%	1.49%	5.96%
Fidelity Freedom 2030 - FFFEX	-12.36%	-20.12%	-21.47%	0.65%	5.53%
2030 Benchmark	-9.77%	-17.48%	-19.06%	1.14%	6.26%
Fidelity Freedom 2035 - FFTHX	-12.65%	-20.55%	-22.01%	0.51%	N/A
2035 Benchmark	-10.05%	-18.05%	-19.74%	1.07%	6.36%
Fidelity Freedom 2040 - FFFFX	-13.09%	-21.21%	-22.69%	0.41%	N/A
2040 Benchmark	-10.48%	-18.77%	-20.70%	0.90%	6.42%
Fidelity Freedom 2045 - FFFGX	-13.03%	-21.46%	-23.06%	N/A	N/A
2040 Benchmark	-10.68%	-19.07%	-21.04%	0.88%	6.48%
Fidelity Freedom 2050 - FFFHX	-13.73%	-22.47%	-24.10%	N/A	N/A
2040 Benchmark	-11.17%	-19.86%	-21.97%	0.78%	6.62%

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

2000 Benchmark is comprised of 24% Wilshire 5000, 1% MSCI EAFE, 32% LB Agg, 5% ML HY Bond, 38% 3 Month T-Bill

2005 Benchmark is comprised of 38% Wilshire 5000, 9% MSCI EAFE, 35% LB Agg, 5% ML HY Bond, 13% 3 Month T-Bill

2010 Benchmark is comprised of 40% Wilshire 5000, 10% MSCI EAFE, 35% LB Agg, 5% ML HY Bond, 10% 3 Month T-Bill

2015 Benchmark is comprised of 43% Wilshire 5000, 11% MSCI EAFE, 33% LB Agg, 6% ML HY Bond, 7% 3 Month T-Bill

2020 Benchmark is comprised of 52% Wilshire 5000, 14% MSCI EAFE, 25% LB Agg, 8% ML HY Bond, 1% 3 Month T-Bill

2025 Benchmark is comprised of 55% Wilshire 5000, 15% MSCI EAFE, 22% LB Agg, 8% ML HY Bond

2030 Benchmark is comprised of 63% Wilshire 5000, 17% MSCI EAFE, 12% LB Agg, 8% ML HY Bond

2035 Benchmark is comprised of 65% Wilshire 5000, 18% MSCI EAFE, 10% LB Agg, 7% ML HY Bond

2040 Benchmark is comprised of 67% Wilshire 5000, 18% MSCI EAFE, 5% LB Agg, 10% ML HY Bond

2045 Benchmark is comprised of 67% Wilshire 5000, 19% MSCI EAFE, 4% LB Agg, 10% ML HY Bond

2050 Benchmark is comprised of 68% Wilshire 5000, 21% MSCI EAFE, 1% LB Agg, 10% ML HY Bond

Wilshire 5000 Index	-8.67%	-18.64%	-21.26%	0.56%	6.00%
MSCI EAFE	-20.56%	-29.16%	-30.39%	1.28%	9.91%
Lehman Aggregate Bond Index	-0.49%	0.63%	3.65%	4.15%	3.78%
ML High Yield Bond Fund Index	-9.48%	-10.64%	-11.68%	0.91%	4.26%
3 Month T-Bill Index	0.43%	1.54%	2.55%	3.98%	3.09%
Russell 3000 Value Index	-5.26%	-17.84%	-22.70%	0.24%	7.29%

Fund Returns in RED do not meet both benchmarks.

Fund Returns in BLACK meet both benchmarks.

NDPERS Mutual Fund Research - 9/30/2008

Large Value

Fund	Symbol	Assets	Inception	Manager Tenure	Expense Ratio	Stocks	Turnover	P/E	Median Mkt Cap	Morn-Star Rating	Category Rank			Average Return				Standard=S&P 500 Index			Standard Deviation	Sharpe Ratio
											3 - Year	5 - Year	3-month	1-Year	3-Year	5-Year	10-Year	R-Squared	Beta	Alpha		
Fidelity Puritan	FPURX	19.6 Billion	4/16/1947	3 Years	0.59%	3010	70%	15.4	38.0 Bil	4-Stars	30	29	-9.09	-17.13	1.44	5.18	4.98				8.62	-0.26
Fidelity Equity-Income	FEQIX	23.5 Billion	5/16/1966	14 Years	0.66%	278	23%	11.9	43.1 Bil	3-Stars	66	73	-10.92	-28.47	-1.57	4.49	4.17	96	1.08	-1.38	12.62	-0.38
Franklin Mutual Shares A	TESIX	18.6 Billion	11/11/1996	Team	1.06%	301	41%	11.2	23.9 Bil	4-Stars	48	30	-6.82	-22.27	-0.20	6.17	7.76	84	0.91	-0.62	10.12	0.00

Large Blend

Fund	Symbol	Assets	Inception	Manager Tenure	Expense Ratio	Stocks	Turnover	P/E	Median Mkt Cap	Morn-Star Rating	Category Rank			Average Return				Standard=S&P 500 Index			Standard Deviation	Sharpe Ratio
											3 - Year	5 - Year	3-month	1-Year	3-Year	5-Year	10-Year	R-Squared	Beta	Alpha		
Fidelity Spartan US Equity Index	FUSEX	23.6 Billion	3/6/1990	Team	0.09%	503	7%	13.5	47.7 Bil	3-Stars	35	39	-8.39	-22.04	0.16	5.08	2.94	100	1.00	-0.06	11.39	-0.28
Fidelity Dividend Growth <Under Review>	FDGFX	8.0 Billion	4/27/1993	11 Years	0.60%	96	36%	13.0	42.0 Bil	2-Stars	91	95	-10.68	-26.66	-2.28	1.73	3.15	92	1.03	-2.30	12.29	-0.46
Fidelity Diversified International	FDIVX	38.6 Billion	12/27/1991	7 Years	0.91%	396	51%	13.1	30.4 Bil	4-Stars	38	21	-20.84	-28.79	2.25	10.43	9.73				15.99	-0.03

Large Growth

Fund	Symbol	Assets	Inception	Manager Tenure	Expense Ratio	Stocks	Turnover	P/E	Median Mkt Cap	Morn-Star Rating	Category Rank			Average Return				Standard=S&P 500 Index			Standard Deviation	Sharpe Ratio
											3 - Year	5 - Year	3-month	1-Year	3-Year	5-Year	10-Year	R-Squared	Beta	Alpha		
Fidelity Growth Company	FDGRX	30.0 Billion	1/17/1983	11 Years	0.93%	325	49%	18.7	22.0 Bil	4-Stars	15	14	-18.31	-22.14	2.47	7.17	6.33	75	1.20	3.42	15.62	-0.02
Fidelity Blue Chip Growth <Under Review>	FBGRX	12.1 Billion	12/31/1987	1 Years	0.59%	134	87%	17.0	37.0 Bil	3-Stars	38	57	-9.22	-18.93	-0.34	3.13	1.28	90	1.00	-0.47	12.00	-0.30

Medium Value

Fund	Symbol	Assets	Inception	Manager Tenure	Expense Ratio	Stocks	Turnover	P/E	Median Mkt Cap	Morn-Star Rating	Category Rank			Average Return				Standard=S&P 500 Index			Standard Deviation	Sharpe Ratio
											3 - Year	5 - Year	3-month	1-Year	3-Year	5-Year	10-Year	R-Squared	Beta	Alpha		
Goldman Sachs Mid Cap Value	GCMAX	5.9 Billion	8/15/1997	Team	1.16%	117	74%	13.3	7.6 Bil	3-Stars	42	17	-13.78	-19.58	-0.19	9.67	10.60	83	1.07	0.02	13.24	-0.25

Medium Blend

Fund	Symbol	Assets	Inception	Manager Tenure	Expense Ratio	Stocks	Turnover	P/E	Median Mkt Cap	Morn-Star Rating	Category Rank			Average Return				Standard=S&P 500 Index			Standard Deviation	Sharpe Ratio
											3 - Year	5 - Year	3-month	1-Year	3-Year	5-Year	10-Year	R-Squared	Beta	Alpha		
Dreyfus Mid Cap Index	PESPX	2.0 Billion	6/19/1991	8 Years	0.50%	403	23%	15.4	3.3 Bil	4-Stars	32	33	-10.96	-16.94	1.38	8.20	9.74	83	1.10	1.74	13.64	-0.13
Fidelity Spartan Extended Mkt Index	FSEMX	3.0 Billion	11/5/1997	Team	0.09%	3489	17%	16.1	2.9 Bil	3-Stars	19	27	-9.42	-19.12	1.42	8.41	6.80	85	1.10	1.77	13.57	-0.12

Medium Growth

Fund	Symbol	Assets	Inception	Manager Tenure	Expense Ratio	Stocks	Turnover	P/E	Median Mkt Cap	Morn-Star Rating	Category Rank			Average Return				Standard=S&P 500 Index			Standard Deviation	Sharpe Ratio
											3 - Year	5 - Year	3-month	1-Year	3-Year	5-Year	10-Year	R-Squared	Beta	Alpha		
Fidelity Mid-Cap Stock	FMCSX	9.4 Billion	3/29/1994	3 Years	0.94%	155	45%	16.0	6.9 Bil	3-Stars	69	64	-24.04	-30.48	-1.40	5.37	8.33	68	1.30	0.26	17.80	-0.22

Small Value

Fund	Symbol	Assets	Inception	Manager Tenure	Expense Ratio	Stocks	Turnover	P/E	Median Mkt Cap	Morn-Star Rating	Category Rank			Average Return				Standard=S&P 500 Index			Standard Deviation	Sharpe Ratio
											3 - Year	5 - Year	3-month	1-Year	3-Year	5-Year	10-Year	R-Squared	Beta	Alpha		
Allianz NFJ Small Cap Value Admin	PVADX	4.7 Billion	11/1/1995	Team	1.07%	123	27%	12.9	1.7 Bil	5-Stars	6	2	-4.57	-10.26	4.92	12.86	12.29	75	0.93	4.44	12.09	0.13

Small Blend

Fund	Symbol	Assets	Inception	Manager Tenure	Expense Ratio	Stocks	Turnover	P/E	Median Mkt Cap	Morn-Star Rating	Category Rank			Average Return				Standard=S&P 500 Index			Standard Deviation	Sharpe Ratio
											3 - Year	5 - Year	3-month	1-Year	3-Year	5-Year	10-Year	R-Squared	Beta	Alpha		
Dreyfus Small Cap Index	DISSX	907 Million	6/30/1997	8 Years	0.50%	602	25%	16.3	1.1 Bil	4-Stars	25	22	-0.66	-13.90	1.71	9.54	9.62	72	0.99	1.66	13.20	-0.11

Small Growth

Fund	Symbol	Assets	Inception	Manager Tenure	Expense Ratio	Stocks	Turnover	P/E	Median Mkt Cap	Morn-Star Rating	Category Rank			Average Return				Standard=S&P 500 Index			Standard Deviation	Sharpe Ratio
											3 - Year	5 - Year	3-month	1-Year	3-Year	5-Year	10-Year	R-Squared	Beta	Alpha		
Morgan Stanley Small Cap Growth B	MSSMX	1.3 Billion	1/2/1996	Team	1.26%	66	76%	22.8	1.2 Bil	3-Stars	75	46	-12.94	-28.32	-3.27	5.43	9.73	77	1.19	-2.44	15.32	-0.41

Lifestyle / Others

Fund	Symbol	Assets	Inception	Manager		Expense Ratio	Holdings	Turnover	P/E	Median Mkt Cap	Morn-Star Rating	Category Rank			Average Return				Standard=S&P 500 Index			Standard Deviation	Sharpe Ratio
				Tenure	Ratio							3 - Year	5 - Year	3-month	1-Year	3-Year	5-Year	10-Year	R-Squared	Beta	Alpha		
Fidelity Managed Income Portfolio		8.1 Billion	9/7/1989	15 Years		0.55%								0.83	4.14	4.13	4.08	4.78	N/A	N/A	N/A		
PIMCO Total Return Bond Fund	PTRAX	130.0 Billion	9/8/1994	21 Years		0.68%	15208	257%			5-Stars	5	3	-2.13	3.51	4.15	4.05	5.49	N/A	N/A	N/A	4.09	0.04
Fidelity Freedom Income	FFFAX	2.5 Billion	10/17/1996	3 Years		0.49%	21	33%	16.2	42.7 Bil	3-Stars	14	44	-3.92	-5.21	2.29	3.13	4.06	N/A	N/A	N/A	3.45	-0.51
Fidelity Freedom 2000	FFFBX	1.7 Billion	10/17/1996	3 Years		0.51%	26	36%	16.2	37.7 Bil	4-Stars	20	38	-4.38	-6.43	2.23	3.37	4.53	N/A	N/A	N/A	4.02	-0.45
Fidelity Freedom 2005	FFVFX	1.0 Billion	11/6/2003	3 Years		0.64%	26	31%	16.6	35.1 Bil	3-Stars	50	N/A	-8.22	-13.19	1.48	N/A	N/A	N/A	N/A	N/A	7.07	-0.33
Fidelity Freedom 2010	FFFCX	12.6 Billion	10/17/1996	3 Years		0.65%	26	34%	16.5	35.1 Bil	4-Stars	52	33	-8.62	-13.60	1.46	4.23	5.12	N/A	N/A	N/A	7.31	-0.32
Fidelity Freedom 2015	FFVFX	7.2 Billion	11/6/2003	3 Years		0.67%	26	24%	16.6	35.1 Bil	4-Stars	14	N/A	-9.15	-14.97	1.55	N/A	N/A	N/A	N/A	N/A	8.08	-0.27
Fidelity Freedom 2020	FFFDX	18.5 Billion	10/17/1996	3 Years		0.72%	26	35%	16.6	25.4 Bil	4-Stars	30	10	-10.77	-18.08	1.15	5.27	5.17	N/A	N/A	N/A	9.65	-0.25
Fidelity Freedom 2025	FFTWX	6.8 Billion	11/6/2003	3 Years		0.73%	23	24%	16.5	35.1 Bil	5-Stars	38	N/A	-11.24	-19.01	0.97	N/A	N/A	N/A	N/A	N/A	10.09	-0.26
Fidelity Freedom 2030	FFFEX	12.5 Billion	10/17/1996	3 Years		0.76%	23	36%	16.6	25.2 Bil	4-Stars	9	14	-12.36	-21.47	0.65	5.53	4.84	N/A	N/A	N/A	11.36	-0.24
Fidelity Freedom 2035	FFTHX	4.0 Billion	11/6/2003	3 Years		0.77%	23	28%	16.5	35.1 Bil	4-Stars	14	N/A	-12.65	-22.01	0.51	N/A	N/A	N/A	N/A	N/A	11.54	-0.25
Fidelity Freedom 2040	FFFFX	6.6 Billion	9/6/2000	3 Years		0.78%	23	37%	16.6	26.8 Bil	4-Stars	17	10	-13.09	-22.69	0.41	5.76	N/A	N/A	N/A	N/A	11.97	-0.24
Fidelity Freedom 2045	FFFGX	0.8 Billion	9/6/2006	3 Years		0.78%	23	17%	16.3	26.8 Bil	N/A	N/A	N/A	-13.03	-23.06	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fidelity Freedom 2050	FFFHX	0.7 Billion	9/6/2006	3 Years		0.80%	23	16%	16.4	26.8 Bil	N/A	N/A	N/A	-13.73	-24.10	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

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

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

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

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

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM DEFINED CONTRIBUTION PLAN INVESTMENT OPTIONS

PERFORMANCE UPDATE

AS OF SEPTEMBER 30, 2008

UNDERSTANDING INVESTMENT PERFORMANCE

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

Fund ID	Fund Name	Cumulative Total Returns %		Average Annual Total Returns %				Fund Inception	Short-Term Trading Fee (%/Days)	Expense Ratio↕
		3 Month	YTD	1 Year	5 Year	10 Year	Life of Fund			
LIFE-CYCLE FUNDS ➡										
FFFBX	Fidelity Freedom 2000	-4.38	-6.35	-6.43	3.37	4.53	5.72	10/17/96	n/a	0.51
FFVFX	Fidelity Freedom 2005	-8.22	-12.69	-13.19	n/a	n/a	3.63	11/06/03	n/a	0.64
FFFCX	Fidelity Freedom 2010	-8.62	-13.09	-13.60	4.23	5.12	6.52	10/17/96	n/a	0.65
FFVFX	Fidelity Freedom 2015	-9.15	-14.30	-14.97	n/a	n/a	4.27	11/06/03	n/a	0.67
FFFDX	Fidelity Freedom 2020	-10.77	-17.07	-18.08	5.27	5.17	6.62	10/17/96	n/a	0.72
FFTWX	Fidelity Freedom 2025	-11.24	-17.92	-19.01	n/a	n/a	4.45	11/06/03	n/a	0.73
FFFEX	Fidelity Freedom 2030	-12.36	-20.12	-21.47	5.53	4.84	6.29	10/17/96	n/a	0.76
FFTHX	Fidelity Freedom 2035	-12.65	-20.55	-22.01	n/a	n/a	4.53	11/06/03	n/a	0.77
FFFFX	Fidelity Freedom 2040	-13.09	-21.21	-22.69	5.76	n/a	-0.60	9/06/00	n/a	0.78
FFFGX	Fidelity Freedom 2045	-13.03	-21.46	-23.06	n/a	n/a	-2.73	6/01/06	n/a	0.78
FFFHX	Fidelity Freedom 2050	-13.73	-22.47	-24.10	n/a	n/a	-3.17	6/01/06	n/a	0.80
FFFAX	Fidelity Freedom Income	-3.92	-5.29	-5.21	3.13	4.06	4.94	10/17/96	n/a	0.49
MANAGED INCOME / ANNUITIES / STABLE VALUE										
00632	Managed Income Portfolio ➡	0.83	2.99	4.14	4.08	4.78	5.59	9/07/89	n/a	n/a
BOND FUNDS ➤										
PTRAX	PIMCO Total Return - Administrative Class	-2.13	-0.33	3.51	4.05	5.49	6.81	9/08/94	n/a	0.68
BALANCED/HYBRID FUNDS										
FPURX	Fidelity Puritan®	-9.09	-16.17	-17.13	5.18	4.98	11.18	4/16/47	n/a	0.60
DOMESTIC EQUITY FUNDS - LARGE-CAP VALUE										
FEQIX	Fidelity Equity-Income	-10.92	-23.81	-28.47	4.49	4.17	11.90	5/16/66	n/a	0.66
TESIX	Mutual Shares - A Class	-6.82	-20.35	-22.27	6.17	7.76	8.02	11/01/96	n/a	1.07

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

continued

AS OF SEPTEMBER 30, 2008

Fund ID	Name	Cumulative Total Returns %		Average Annual Total Returns %			Fund Inception	Short-Term Trading Fee (%/Days)	Expense Ratio↔	
		3 Month	YTD	1 Year	5 Year	10 Year				Life of Fund
DOMESTIC EQUITY FUNDS - LARGE-CAP BLEND										
FDGFX	Fidelity Dividend Growth	-10.68	-22.14	-26.66	1.73	3.15	10.24	4/27/93	n/a	0.64
FUSEX	Spartan [®] U.S. Equity Index - Investor Class	-8.39	-19.32	-22.04	5.08	2.94	9.78	2/17/88	n/a	0.10
DOMESTIC EQUITY FUNDS - LARGE-CAP GROWTH										
FBGRX	Fidelity Blue Chip Growth	-9.22	-18.41	-18.93	3.13	1.28	10.43	12/31/87	n/a	0.58
FDGRX	Fidelity Growth Company	-18.31	-22.78	-22.14	7.17	6.33	12.86	1/17/83	n/a	0.94
DOMESTIC EQUITY FUNDS - MID-CAP VALUE Ⓢ										
GCMAX	Goldman Sachs Mid Cap Value - Class A	-13.78	-16.97	-19.58	9.67	10.60	8.13	8/15/97	n/a	1.16
DOMESTIC EQUITY FUNDS - MID-CAP BLEND Ⓢ										
PESPX	Dreyfus Mid Cap Index	-10.96	-14.57	-16.94	8.20	9.74	11.80	6/19/91	n/a	0.51
FSEMXX	Spartan [®] Extended Market Index - Investor Class	-9.42	-16.43	-19.12	8.41	6.80	5.20	11/05/97	0.75/90	0.10
DOMESTIC EQUITY FUNDS - MID-CAP GROWTH Ⓢ										
FMCSX	Fidelity Mid-Cap Stock	-24.04	-26.41	-30.48	5.37	8.33	10.94	3/29/94	0.75/30	0.95
DOMESTIC EQUITY FUNDS - SMALL-CAP VALUE ◆										
PVADX	Allianz NFJ Small Cap Value - Administrative Class	-4.57	-6.79	-10.26	12.86	12.29	12.61	11/01/95	n/a	1.07
DOMESTIC EQUITY FUNDS - SMALL-CAP BLEND ◆										
DISSX	Dreyfus Small Cap Stock Index	-0.66	-7.92	-13.90	9.54	9.62	7.95	6/30/97	n/a	0.51
DOMESTIC EQUITY FUNDS - SMALL-CAP GROWTH ◆										
MSSMX	MSIF Small Company Growth - P Class	-12.94	-24.54	-28.32	5.43	9.73	9.24	1/02/96	2.00/30	1.26
INTERNATIONAL/GLOBAL FUNDS ††										
FDIVX	Fidelity Diversified International	-20.84	-28.50	-28.79	10.43	9.73	9.86	12/27/91	1.00/30	0.93

MARKET INDICATORS^^

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

Dow Jones Industrial Average	-3.71	-16.59	-19.85	5.60	5.45
Lehman Brothers Intermediate U.S. Government/Credit Index	-1.19	0.22	3.13	3.25	4.96
MSCI EAFE [®] Index	-20.56	-29.16	-30.39	9.91	5.26
Standard & Poor's 500 [®] Index	-8.37	-19.29	-21.98	5.17	3.06

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

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

SPECIFIC FUNDS

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

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

⇒ Managed Income Portfolio is not a mutual fund but is a commingled pool of the Fidelity Group Trust for Employee Benefit plans. It is managed by Fidelity Management Trust Company.

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

Fund No.	Fund Name	Cumulative Total Returns % Periods Ending Sept. 30, 2008			Average Annual Total Returns % Periods Ending Sept. 30, 2008					Date of Inception	Short-term Trading Fee (% / days)	Gross Expense Ratio
		1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	LOF			
369	Fidelity Freedom Income Fund®	-3.49	-3.92	-5.29	-5.21	2.29	3.13	4.06	4.94	10/17/1996	N/A	0.49
370	Fidelity Freedom 2000 Fund®	-3.90	-4.38	-6.35	-6.43	2.23	3.37	4.53	5.72	10/17/1996	N/A	0.51
1312	Fidelity Freedom 2005 Fund®	-6.69	-8.22	-12.69	-13.19	1.48	N/A	N/A	3.63	11/06/2003	N/A	0.64
371	Fidelity Freedom 2010 Fund®	-6.92	-8.62	-13.09	-13.60	1.46	4.23	5.12	6.52	10/17/1996	N/A	0.65
1313	Fidelity Freedom 2015 Fund®	-7.30	-9.15	-14.30	-14.97	1.55	N/A	N/A	4.27	11/06/2003	N/A	0.67
372	Fidelity Freedom 2020 Fund®	-8.65	-10.77	-17.07	-18.08	1.15	5.27	5.17	6.62	10/17/1996	N/A	0.72
1314	Fidelity Freedom 2025 Fund®	-8.93	-11.24	-17.92	-19.01	0.97	N/A	N/A	4.45	11/06/2003	N/A	0.73
373	Fidelity Freedom 2030 Fund®	-9.87	-12.36	-20.12	-21.47	0.65	5.53	4.84	6.29	10/17/1996	N/A	0.76
1315	Fidelity Freedom 2035 Fund®	-10.03	-12.65	-20.55	-22.01	0.51	N/A	N/A	4.53	11/06/2003	N/A	0.77
718	Fidelity Freedom 2040 Fund®	-10.45	-13.09	-21.21	-22.69	0.41	5.76	N/A	-0.60	09/06/2000	N/A	0.78
1617	Fidelity Freedom 2045 Fund®	-10.42	-13.03	-21.46	-23.06	N/A	N/A	N/A	-2.73	06/01/2006	N/A	0.78
1618	Fidelity Freedom 2050 Fund®	-10.87	-13.73	-22.47	-24.10	N/A	N/A	N/A	-3.17	06/01/2006	N/A	0.80
328	Fidelity Asset Manager® 20%	-4.34	-4.45	-6.92	-6.90	2.16	4.19	4.58	6.43	10/01/1992	N/A	0.57
1957	Fidelity Asset Manager® 30%	-6.10	-6.44	-10.18	N/A	N/A	N/A	N/A	N/A	10/09/2007	N/A	0.96
1958	Fidelity Asset Manager® 40% ✕	-6.75	-7.44	-12.31	N/A	N/A	N/A	N/A	N/A	10/09/2007	N/A	1.36
314	Fidelity Asset Manager® 50%	-8.40	-9.15	-15.32	-16.34	0.25	2.73	4.00	8.26	12/28/1988	N/A	0.71
1959	Fidelity Asset Manager® 60% ✕	-8.72	-9.85	-17.08	N/A	N/A	N/A	N/A	N/A	10/09/2007	N/A	1.65
321	Fidelity Asset Manager® 70%	-10.51	-11.78	-19.78	-21.40	-0.78	2.50	2.62	7.38	12/30/1991	N/A	0.80
347	Fidelity Asset Manager® 85%	-11.66	-13.26	-22.33	-24.43	-0.72	4.55	N/A	2.67	09/24/1999	N/A	0.90
55	Fidelity Cash Reserves	0.21	0.62	2.26	3.51	4.34	3.24	3.50	6.28	05/10/1979	N/A	0.43
	7-Day Yield* % as of 09/30/2008: 2.60											
631	Fidelity Retirement Govt Money Market Portfolio	0.17	0.52	1.96	3.12	4.19	3.13	3.42	4.45	12/16/1988	N/A	0.42
	7-Day Yield* % as of 09/30/2008: 2.02											
630	Fidelity Retirement Money Market Portfolio	0.21	0.63	2.24	3.50	4.37	3.27	3.52	4.54	12/02/1988	N/A	0.42
	7-Day Yield* % as of 09/30/2008: 2.68											
50	Fidelity U.S. Government Reserves	0.18	0.55	2.02	3.20	4.24	3.19	3.45	5.38	11/03/1981	N/A	0.37
	7-Day Yield* % as of 09/30/2008: 2.06											
<p><i>An investment in a money market fund is not insured or guaranteed by the FDIC or any other government agency. Although money market funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in these funds.</i></p>												
632	Managed Income Portfolio	0.27	0.83	2.99	4.14	4.13	4.08	4.78	5.59	09/07/1989	N/A	N/A
	7-Day Yield* % as of 09/30/2008: 3.29											
633	Managed Income Portfolio II - Class 1	0.28	0.88	2.91	4.08	4.12	4.00	4.74	5.19	04/20/1993	N/A	N/A
	7-Day Yield* % as of 09/30/2008: 3.47											
768	Managed Income Portfolio II - Class 2	0.29	0.90	2.99	4.19	4.22	4.10	4.84	5.29	04/20/1993	N/A	N/A
	7-Day Yield* % as of 09/30/2008: 3.54											
769	Managed Income Portfolio II - Class 3	0.31	0.94	3.10	4.34	4.37	4.25	4.98	5.42	04/20/1993	N/A	N/A
	7-Day Yield* % as of 09/30/2008: 3.69											

* The current 7-day yield reflects the current earnings of the fund, while the total return refers to a specific past holding period.
 30-day yield as of 09/30/2008 for Managed Income Portfolio is 3.32%.
 30-day yields as of 09/30/2008 for Managed Income Portfolio II Class 1, Class 2 and Class 3 are 3.47%, 3.54% and 3.72%, respectively.

Fund No.	Fund Name	Cumulative Total Returns % Periods Ending Sept. 30, 2008			Average Annual Total Returns % Periods Ending Sept. 30, 2008					Date of Inception	Short-term Trading Fee (% / days)	Gross Expense Ratio
		1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	LOF			
15	Fidelity Ginnie Mae Fund	0.21	1.24	3.27	6.49	4.99	4.23	5.14	7.06	11/08/1985	N/A	0.45
54	Fidelity Government Income Fund	0.32	1.74	3.99	7.54	5.33	4.24	5.06	8.21	04/04/1979	N/A	0.45
662	Fidelity Institutional Short-Intermediate Govt Fund	0.45	1.36	3.61	6.23	4.99	3.42	4.64	6.08	11/10/1986	N/A	0.45
32	Fidelity Intermediate Bond Fund	-3.19	-2.98	-3.30	-2.01	1.79	2.02	4.30	7.94	05/23/1975	N/A	0.45
452	Fidelity Intermediate Government Income Fund	0.27	1.49	3.90	7.24	5.28	3.78	4.98	6.28	05/02/1988	N/A	0.45
26	Fidelity Investment Grade Bond Fund	-2.67	-2.91	-3.84	-2.94	1.36	2.18	4.29	7.38	08/06/1971	N/A	0.45
40	Fidelity Mortgage Securities FundΔ	0.18	0.87	0.21	-0.26	1.72	2.41	4.46	7.23	12/31/1984	N/A	0.45
450	Fidelity Short-Term Bond Fund	-0.65	-0.37	-1.33	-1.28	1.85	1.86	3.81	5.33	09/15/1986	N/A	0.45
368	Fidelity Strategic Income Fund❖	-3.93	-4.24	-3.57	-2.31	3.49	5.31	7.05	6.35	05/01/1998	N/A	0.73
820	Fidelity Total Bond Fund	-3.16	-2.94	-2.48	-0.89	2.42	2.98	N/A	4.00	10/15/2002	N/A	0.45
651	Fidelity U.S. Bond Index Fund✕	-1.31	-0.65	0.23	2.44	3.50	3.41	5.00	6.98	03/08/1990	N/A	0.50
812	Fidelity Ultra-Short Bond Fund	-0.31	-0.35	-7.09	-10.92	-2.28	-0.62	N/A	-0.13	08/29/2002	0.25/60	0.45
1564	Spartan® Intermediate Treasury Bond Index Fund - Adv	0.31	2.40	5.25	10.27	N/A	N/A	N/A	6.70	12/20/2005	N/A	0.10
1561	Spartan® Intermediate Treasury Bond Index Fund - Inv	0.30	2.38	5.17	10.17	N/A	N/A	N/A	6.59	12/20/2005	N/A	0.20
1565	Spartan® Long Term Treasury Bond Index Fund - Adv	0.64	2.97	4.59	10.42	N/A	N/A	N/A	6.18	12/20/2005	N/A	0.10
1562	Spartan® Long Term Treasury Bond Index Fund - Inv	0.63	2.95	4.51	10.31	N/A	N/A	N/A	6.08	12/20/2005	N/A	0.20
1563	Spartan® Short-Term Treasury Bond Index Fund - Adv	0.82	2.02	4.16	7.23	N/A	N/A	N/A	5.79	12/20/2005	N/A	0.10
1560	Spartan® Short-Term Treasury Bond Index Fund - Inv	0.82	1.99	4.19	7.12	N/A	N/A	N/A	5.69	12/20/2005	N/A	0.20
38	Fidelity Capital & Income Fund	-8.52	-10.67	-11.46	-12.46	1.68	5.54	5.86	9.72	11/01/1977	1.00/90	0.75
814	Fidelity Floating Rate High Income Fund	-5.10	-4.84	-4.11	-4.15	1.92	2.91	N/A	3.47	08/16/2000	1.00/60	0.71
1366	Fidelity Focused High Income Fund✕	-5.47	-5.65	-6.90	-6.45	1.71	N/A	N/A	2.66	09/08/2004	1.00/90	0.97
455	Fidelity High Income Fund	-6.83	-7.35	-6.79	-7.53	2.35	4.94	3.82	8.75	08/29/1990	1.00/90	0.75
794	Fidelity Inflation-Protected Bond Fund	-3.78	-3.73	0.40	4.34	3.15	4.22	N/A	5.65	06/26/2002	N/A	0.45
331	Fidelity New Markets Income Fund	-7.34	-6.65	-6.54	-4.58	3.99	8.03	14.27	11.68	05/04/1993	1.00/90	0.89
304	Fidelity Balanced Fund†	-10.56	-12.63	-18.34	-19.56	0.78	6.05	6.58	9.22	11/06/1986	N/A	0.61
1960	Fidelity Dynamic Strategies Fund	-8.34	-11.45	-12.54	N/A	N/A	N/A	N/A	N/A	10/31/2007	N/A	1.12
4	Fidelity Puritan® Fund†	-7.85	-9.09	-16.17	-17.13	1.44	5.18	4.98	11.18	04/16/1947	N/A	0.60
1329	Fidelity Strategic Dividend & Income® Fund	-12.28	-14.64	-22.02	-25.82	-2.00	N/A	N/A	3.27	12/23/2003	N/A	0.79
1505	Fidelity Strategic Real Return Fund	-6.20	-10.31	-4.12	-3.84	1.36	N/A	N/A	1.83	09/07/2005	0.75/60	0.74
308	Fidelity Convertible Securities Fund	-21.70	-29.83	-27.30	-28.27	-0.83	4.42	8.49	10.87	01/05/1987	N/A	0.79
334	Fidelity Global Balanced Fund	-7.97	-12.35	-14.73	-13.76	4.19	8.72	7.20	8.18	02/01/1993	1.00/30	1.14
1271	Fidelity Blue Chip Value Fund	-11.44	-13.08	-26.30	-29.75	-2.81	4.86	N/A	4.30	06/17/2003	N/A	0.92
23	Fidelity Equity-Income Fund	-10.18	-10.92	-23.81	-28.47	-1.57	4.49	4.17	11.90	05/16/1966	N/A	0.66
319	Fidelity Equity-Income II Fund	-10.05	-9.47	-23.13	-26.29	-2.32	3.41	3.98	10.82	08/21/1990	N/A	0.65
1828	Fidelity Large Cap Value Enhanced Index Fund	-7.35	-7.47	-19.72	-24.08	N/A	N/A	N/A	-16.54	04/19/2007	N/A	0.45
708	Fidelity Large Cap Value Fund	-7.78	-8.89	-21.52	-24.61	-1.16	7.27	N/A	4.33	11/15/2001	N/A	0.86
315	Fidelity Disciplined Equity Fund	-8.89	-11.85	-21.88	-21.65	0.34	6.43	4.53	10.86	12/28/1988	N/A	0.91
330	Fidelity Dividend Growth Fund	-12.42	-10.68	-22.14	-26.66	-2.28	1.73	3.15	10.24	04/27/1993	N/A	0.64
333	Fidelity Focused Stock Fund✕	-10.93	-13.73	-15.35	-15.07	1.85	9.48	3.31	4.42	11/12/1996	N/A	1.20
355	Fidelity Four-in-One Index Fund✕	-8.57	-9.03	-17.39	-19.36	1.17	6.14	N/A	2.09	06/29/1999	N/A	0.23

Fund No.	Fund Name	Cumulative Total Returns % Periods Ending Sept. 30, 2008			Average Annual Total Returns % Periods Ending Sept. 30, 2008					Date of Inception	Short-term Trading Fee (% / days)	Gross Expense Ratio
		1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	LOF			
3	Fidelity Fund	-11.01	-14.14	-22.87	-20.93	2.08	5.98	3.62	10.06	04/30/1930	N/A	0.56
27	Fidelity Growth & Income Portfolio	-15.55	-14.30	-30.95	-34.59	-7.79	-1.02	0.02	10.26	12/30/1985	N/A	0.68
1827	Fidelity Large Cap Core Enhanced Index Fund	-8.92	-9.12	-19.40	-21.06	N/A	N/A	N/A	-12.53	04/19/2007	N/A	0.45
361	Fidelity Mega Cap Stock Fund ¹	-9.53	-9.31	-22.98	-24.40	-0.17	3.40	N/A	0.68	12/28/1998	N/A	0.75
832	Fidelity Value Discovery Fund	-9.83	-9.48	-22.90	-25.37	0.66	8.78	N/A	9.59	12/10/2002	N/A	0.94
1519	Spartan® 500 Index Fund - Adv	-8.91	-8.38	-19.31	-22.01	0.18	5.10	2.96	8.99	03/06/1990	N/A	0.07
317	Spartan® 500 Index Fund - Inv	-8.92	-8.39	-19.33	-22.04	0.15	5.08	2.95	8.99	03/06/1990	N/A	0.10
1520	Spartan® Total Market Index Fund - Adv	-9.21	-8.51	-18.52	-21.15	0.60	5.95	3.94	4.06	11/05/1997	0.50/90	0.07
397	Spartan® Total Market Index Fund - Inv	-9.23	-8.54	-18.55	-21.19	0.56	5.93	3.93	4.05	11/05/1997	0.50/90	0.10
1523	Spartan® U.S. Equity Index Fund - Adv	-8.90	-8.36	-19.29	-21.99	0.19	5.11	2.95	9.78	02/17/1988	N/A	0.07
650	Spartan® U.S. Equity Index Fund - Inv	-8.93	-8.39	-19.32	-22.04	0.16	5.08	2.94	9.78	02/17/1988	N/A	0.10
782	U.S. Equity Index Commingled Pool	-8.93	-8.39	-19.32	-22.02	0.16	5.11	3.02	8.40	12/31/1991	N/A	0.10
312	Fidelity Blue Chip Growth Fund	-9.27	-9.22	-18.41	-18.93	-0.34	3.13	1.28	10.43	12/31/1987	N/A	0.58
307	Fidelity Capital Appreciation Fund	-12.91	-17.77	-25.64	-29.89	-2.72	3.59	5.77	10.18	11/26/1986	N/A	0.83
22	Fidelity Contrafund®	-9.62	-14.02	-21.03	-19.04	3.07	9.46	7.47	12.57	05/17/1967	N/A	0.89
332	Fidelity Export and Multinational Fund	-11.82	-16.54	-24.87	-24.61	-0.09	6.84	8.67	12.91	10/04/1994	0.75/30	0.82
500	Fidelity Fifty®	-16.36	-23.21	-29.73	-32.99	-2.69	2.55	7.10	9.09	09/17/1993	N/A	0.99
25	Fidelity Growth Company Fund	-13.27	-18.31	-22.78	-22.14	2.47	7.17	6.33	12.86	01/17/1983	N/A	0.94
339	Fidelity Growth Discovery Fund ²	-12.77	-18.77	-27.02	-24.99	2.63	5.54	5.84	4.45	03/31/1998	N/A	0.91
73	Fidelity Independence Fund	-20.66	-31.87	-27.50	-24.26	3.07	7.41	6.03	11.93	03/25/1983	N/A	0.90
1829	Fidelity Large Cap Growth Enhanced Index Fund	-11.12	-11.51	-19.93	-21.45	N/A	N/A	N/A	-12.20	04/19/2007	N/A	0.46
763	Fidelity Large Cap Growth Fund	-8.80	-9.48	-20.63	-21.52	-3.83	3.90	N/A	-0.11	11/15/2001	N/A	1.03
338	Fidelity Large Cap Stock Fund	-12.33	-12.88	-28.15	-29.22	-1.37	3.05	1.34	5.82	06/22/1995	N/A	0.98
21	Fidelity Magellan® Fund	-17.97	-21.26	-30.60	-29.44	-2.75	2.31	2.00	17.14	05/02/1963	N/A	0.73
1282	Fidelity Nasdaq Composite® Index Fund	-11.65	-8.63	-20.73	-22.09	-0.38	3.61	N/A	3.26	09/25/2003	0.75/90	0.60
93	Fidelity OTC Portfolio	-16.66	-18.49	-28.77	-27.31	1.08	5.00	4.07	12.40	12/31/1984	N/A	1.06
320	Fidelity Stock Selector	-11.34	-12.50	-22.85	-23.80	0.38	5.33	3.49	10.47	09/28/1990	N/A	0.87
5	Fidelity Trend Fund	-14.26	-17.47	-27.63	-25.34	0.07	5.17	5.00	11.42	06/16/1958	N/A	0.83
762	Fidelity Mid Cap Value Fund	-11.67	-12.27	-20.95	-24.27	-1.89	7.98	N/A	6.83	11/15/2001	0.75/30	0.83
39	Fidelity Value Fund	-13.21	-11.78	-21.72	-27.02	-1.36	7.82	8.93	12.70	12/01/1978	N/A	0.70
122	Fidelity Leveraged Company Stock Fund	-23.07	-32.35	-27.52	-29.11	0.78	12.45	N/A	14.88	12/19/2000	1.50/90	0.83
316	Fidelity Low-Priced Stock Fund	-11.85	-12.17	-19.48	-21.84	-0.13	8.15	11.76	14.58	12/27/1989	1.50/90	0.99
14	Fidelity Value Strategies Fund	-14.14	-13.55	-26.16	-30.45	-1.77	4.06	8.55	11.75	12/31/1983	N/A	0.89
1521	Spartan® Extended Market Index Fund - Adv	-10.60	-9.42	-16.42	-19.10	1.44	8.43	6.81	5.20	11/05/1997	0.75/90	0.07
398	Spartan® Extended Market Index Fund - Inv	-10.57	-9.42	-16.43	-19.12	1.42	8.41	6.80	5.20	11/05/1997	0.75/90	0.10
324	Fidelity Aggressive Growth Fund	-13.33	-21.27	-32.80	-34.64	-3.77	2.80	-2.20	7.68	12/28/1990	1.50/90	0.79
793	Fidelity Mid Cap Growth Fund	-15.48	-18.72	-26.48	-27.69	-5.79	3.89	N/A	1.49	11/15/2001	0.75/30	0.83
337	Fidelity Mid-Cap Stock Fund	-17.36	-24.04	-26.41	-30.48	-1.40	5.37	8.33	10.94	03/29/1994	0.75/30	0.95
300	Fidelity New Millennium Fund®	-9.84	-9.70	-22.30	-21.58	1.96	5.98	10.69	13.98	12/28/1992	N/A	0.94
384	Fidelity Small Cap Retirement Fund	-4.00	4.58	-3.40	-7.00	0.86	8.20	N/A	7.86	09/26/2000	1.50/90	1.04
340	Fidelity Small Cap Stock Fund	-12.89	-11.24	-20.98	-23.59	-0.91	6.80	11.59	7.73	03/12/1998	2.00/90	1.08
1389	Fidelity Small Cap Value Fund	-3.08	6.86	-10.34	-13.27	2.75	N/A	N/A	8.51	11/03/2004	1.50/90	1.14
1388	Fidelity Small Cap Growth Fund	-12.15	-14.53	-23.95	-23.47	0.45	N/A	N/A	7.18	11/03/2004	1.50/90	1.11
336	Fidelity Small Cap Independence Fund	-11.94	-14.56	-26.32	-29.24	-2.90	5.86	6.09	7.04	06/28/1993	1.50/90	1.01

Fund No.	Fund Name	Cumulative Total Returns % Periods Ending Sept. 30, 2008			Average Annual Total Returns % Periods Ending Sept. 30, 2008					Date of Inception	Short-term Trading Fee (% / days)	Gross Expense Ratio
		1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	LOF			
335	Fidelity Aggressive International Fund	-16.85	-26.27	-33.77	-37.54	-4.80	2.71	4.35	4.67	11/01/1994	1.00/30	0.85
309	Fidelity Canada Fund	-13.64	-20.46	-17.52	-16.05	9.70	18.99	16.97	11.79	11/17/1987	1.50/90	0.96
352	Fidelity China Region Fund	-14.92	-21.87	-33.97	-35.50	9.06	12.40	12.60	8.51	11/01/1995	1.50/90	1.08
325	Fidelity Diversified International Fund	-13.73	-20.84	-28.50	-28.79	2.25	10.43	9.73	9.86	12/27/1991	1.00/30	0.93
341	Fidelity Europe Capital Appreciation Fund	-14.76	-22.03	-31.23	-31.06	3.46	11.28	7.25	9.85	12/21/1993	1.00/30	1.05
301	Fidelity Europe Fund	-13.86	-23.87	-30.69	-28.72	1.40	12.74	6.02	9.72	10/01/1986	1.00/30	1.06
305	Fidelity International Discovery Fund	-12.92	-21.17	-30.41	-29.98	2.77	11.16	9.07	8.43	12/31/1986	1.00/30	1.04
1979	Fidelity International Growth Fund	-14.52	-21.67	-28.56	N/A	N/A	N/A	N/A	N/A	11/01/2007	1.00/30	1.17
818	Fidelity International Small Cap Fund	-15.99	-25.82	-30.61	-33.27	-1.50	11.85	N/A	19.04	09/18/2002	2.00/90	1.19
1504	Fidelity International Small Cap Opportunities Fund	-18.84	-28.11	-36.69	-42.72	-1.67	N/A	N/A	0.92	08/02/2005	2.00/90	1.30
1597	Fidelity International Value Fund	-14.78	-22.09	-30.88	-33.19	N/A	N/A	N/A	-6.68	05/18/2006	1.00/30	1.03
350	Fidelity Japan Fund	-8.26	-18.62	-24.13	-29.46	-5.23	4.15	5.93	3.68	09/15/1992	1.50/90	1.08
360	Fidelity Japan Smaller Companies Fund	-7.60	-16.32	-26.11	-32.67	-13.56	0.07	9.95	2.61	11/01/1995	1.50/90	1.02
349	Fidelity Latin America Fund	-21.30	-34.97	-29.95	-26.42	15.86	31.17	18.56	11.77	04/19/1993	1.50/90	1.00
342	Fidelity Nordic Fund	-22.15	-30.46	-38.10	-39.81	1.07	14.08	9.03	11.26	11/01/1995	1.50/90	1.06
94	Fidelity Overseas Fund	-13.33	-21.30	-32.57	-32.33	2.56	9.30	5.51	11.47	12/04/1984	1.00/30	0.95
302	Fidelity Pacific Basin Fund	-15.79	-26.67	-41.72	-41.52	-1.18	7.19	8.52	5.38	10/01/1986	1.50/90	1.19
351	Fidelity Southeast Asia Fund	-12.94	-21.82	-40.47	-41.67	12.08	17.56	15.40	7.51	04/19/1993	1.50/90	1.09
1978	Fidelity Total International Equity Fund	-15.42	-23.52	-31.53	N/A	N/A	N/A	N/A	N/A	11/01/2007	1.00/30	1.12
318	Fidelity Worldwide Fund	-12.37	-18.31	-24.43	-23.89	3.78	8.79	7.10	7.43	05/30/1990	1.00/30	1.04
1522	Spartan International Index Fund - Adv	-12.45	-18.94	-27.63	-29.24	1.81	9.95	5.27	4.77	11/05/1997	1.00/90	0.17
399	Spartan International Index Fund - Inv	-12.45	-18.94	-27.63	-29.25	1.79	9.93	5.26	4.76	11/05/1997	1.00/90	0.20
322	Fidelity Emerging Markets Fund	-19.28	-32.19	-40.50	-36.60	8.77	19.16	13.82	5.20	11/01/1990	1.50/90	1.05
1368	Fidelity International Real Estate Fund	-12.40	-19.34	-34.63	-41.30	-3.08	N/A	N/A	3.90	09/08/2004	1.50/90	1.11
833	Fidelity Real Estate Income Fund	-4.60	-4.80	-10.20	-12.60	-1.84	2.77	N/A	4.73	02/04/2003	0.75/90	0.94
303	Fidelity Real Estate Investment Portfolio	-3.41	0.34	-1.24	-16.25	2.24	11.66	12.13	10.90	11/17/1986	0.75/90	0.88
34	Fidelity Select Air Transportation Portfolio	-12.49	-1.49	-33.09	-41.51	-3.92	3.62	7.73	8.84	12/16/1985	0.75/30	1.01
502	Fidelity Select Automotive Portfolio	-7.58	-7.28	-29.87	-38.67	-8.26	-0.46	2.89	7.41	06/30/1986	0.75/30	1.19
507	Fidelity Select Banking Portfolio	-1.92	9.26	-22.41	-34.85	-10.04	-2.72	1.80	10.58	06/30/1986	0.75/30	0.91
42	Fidelity Select Biotechnology Portfolio	-8.26	0.80	-1.42	-6.53	3.27	5.95	8.47	12.05	12/16/1985	0.75/30	0.89
68	Fidelity Select Brokerage & Investment Management	-9.77	-6.75	-27.90	-27.69	-0.96	7.02	11.01	11.85	07/29/1985	0.75/30	0.88
69	Fidelity Select Chemicals Portfolio	-18.08	-22.10	-16.80	-16.20	9.69	15.98	11.88	13.69	07/29/1985	0.75/30	0.93
518	Fidelity Select Communications Equipment Portfolio	-20.88	-16.97	-25.96	-32.12	-5.27	2.85	2.86	9.81	06/29/1990	0.75/30	0.93
7	Fidelity Select Computers Portfolio	-15.09	-14.24	-27.74	-26.74	-0.57	1.83	1.61	11.02	07/29/1985	0.75/30	0.92
511	Fidelity Select Construction and Housing Portfolio	-8.28	-0.90	-9.58	-16.44	-5.92	6.74	8.65	10.99	09/29/1986	0.75/30	0.98
517	Fidelity Select Consumer Discretionary Portfolio	-8.37	-0.67	-15.61	-23.33	-2.94	1.54	2.18	8.32	06/29/1990	0.75/30	1.12
9	Fidelity Select Consumer Staples Portfolio	-3.64	-1.07	-10.76	-7.54	9.91	11.61	7.41	13.68	07/29/1985	0.75/30	0.91
67	Fidelity Select Defense and Aerospace Portfolio	-12.96	-6.39	-26.54	-29.74	1.91	12.36	11.12	10.96	05/08/1984	0.75/30	0.87
8	Fidelity Select Electronics Portfolio	-17.54	-19.30	-31.97	-38.56	-9.63	-2.85	3.74	9.55	07/29/1985	0.75/30	0.87
60	Fidelity Select Energy Portfolio	-22.53	-37.94	-27.84	-21.27	5.25	22.42	14.47	10.13	07/14/1981	0.75/30	0.84
43	Fidelity Select Energy Service Portfolio	-24.55	-37.94	-25.27	-24.14	8.92	23.26	17.62	10.99	12/16/1985	0.75/30	0.83
516	Fidelity Select Environmental Portfolio	-10.58	-7.82	-16.58	-14.78	1.02	6.07	2.21	3.24	06/29/1989	0.75/30	1.08
66	Fidelity Select Financial Services Portfolio	-6.17	-2.75	-30.77	-38.82	-9.32	-1.36	3.19	12.90	12/10/1981	0.75/30	0.90
41	Fidelity Select Gold Portfolio	-8.50	-28.72	-21.90	-19.93	12.84	12.58	14.06	7.83	12/16/1985	0.75/30	0.23
63	Fidelity Select Health Care Portfolio	-8.15	-4.21	-17.52	-16.63	0.15	5.73	4.16	15.46	07/14/1981	0.75/30	0.85
98	Fidelity Select Home Finance Portfolio	-21.24	-24.66	-49.32	-62.09	-28.21	-15.56	-3.57	9.19	12/16/1985	0.75/30	0.93
510	Fidelity Select Industrial Equipment Portfolio	-15.91	-14.66	-25.50	-25.40	3.59	10.10	6.55	9.37	09/29/1986	0.75/30	0.88

Fund No.	Name	Cumulative Total Returns % Periods Ending Sept. 30, 2008			Average Annual Total Returns % Periods Ending Sept. 30, 2008					Date of Inception	Short-term Trading Fee (% / days)	Gross Expense Ratio
		1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	LOF			
515	Fidelity Select Industrials Portfolio@ ⁵	-14.33	-11.43	-19.99	-21.11	4.23	12.64	9.43	8.65	03/03/1997	0.75/30	1.00
45	Fidelity Select Insurance Portfolio	-10.86	-8.67	-36.09	-40.53	-10.50	-0.33	5.37	10.84	12/16/1985	0.75/30	0.93
353	Fidelity Select IT Services Portfolio@ ⁷	-12.28	-9.70	-11.97	-10.94	5.89	9.10	8.37	8.60	02/04/1998	0.75/30	1.06
62	Fidelity Select Leisure Portfolio	-7.74	-0.33	-19.99	-22.99	0.99	5.84	6.14	13.42	05/08/1984	0.75/30	0.91
509	Fidelity Select Materials Portfolio@ ⁸	-21.24	-28.72	-24.93	-24.31	7.95	13.39	11.53	9.61	09/29/1986	0.75/30	0.91
505	Fidelity Select Medical Delivery Portfolio	-9.62	-3.53	-28.77	-23.64	-5.14	12.71	8.72	10.92	06/30/1986	0.75/30	0.92
354	Fidelity Select Medical Equipment and Systems Portfolio	-5.09	3.08	2.91	2.74	8.22	11.48	14.88	14.42	04/28/1998	0.75/30	0.88
503	Fidelity Select Multimedia Portfolio	-11.35	-8.03	-19.69	-26.41	-4.26	1.03	4.88	11.20	06/30/1986	0.75/30	0.99
513	Fidelity Select Natural Gas Portfolio	-22.57	-40.29	-27.96	-20.23	0.66	20.24	15.00	11.39	04/21/1993	0.75/30	0.85
514	Fidelity Select Natural Resources Portfolio	-22.45	-37.37	-27.51	-20.75	8.90	22.28	15.13	12.23	03/03/1997	0.75/30	0.85
912	Fidelity Select Networking and Infrastructure Portfolio	-18.57	-18.96	-31.05	-37.59	-9.14	-4.74	N/A	-19.74	09/21/2000	0.75/30	1.02
506	Fidelity Select Paper and Forest Products Portfoliox	-6.89	5.23	-17.20	-20.53	1.02	1.21	5.51	7.28	06/30/1986	0.75/30	1.11
580	Fidelity Select Pharmaceuticals Portfolio	-5.39	-1.31	-14.88	-13.18	3.40	5.22	N/A	1.04	06/18/2001	0.75/30	0.95
46	Fidelity Select Retailing Portfolio	-7.32	0.00	-12.12	-19.32	-0.73	4.72	4.22	11.60	12/16/1985	0.75/30	1.02
28	Fidelity Select Software and Computer Services Portfolio	-13.33	-16.06	-26.97	-20.01	4.64	6.13	8.26	14.73	07/29/1985	0.75/30	0.86
64	Fidelity Select Technology Portfolio	-20.37	-19.67	-32.37	-34.08	-3.67	0.51	3.59	11.23	07/14/1981	0.75/30	0.89
96	Fidelity Select Telecommunications Portfolio	-15.68	-14.38	-32.89	-40.84	-1.81	5.81	-0.09	10.04	07/29/1985	0.75/30	0.91
512	Fidelity Select Transportation Portfoliox	-10.80	-2.97	-9.48	-16.08	1.96	8.97	11.95	12.18	09/29/1986	0.75/30	0.99
65	Fidelity Select Utilities Growth Portfolio@	-15.51	-26.14	-28.49	-23.90	2.43	10.80	3.23	11.49	12/10/1981	0.75/30	0.88
963	Fidelity Select Wireless Portfolio	-17.43	-17.19	-33.10	-38.47	-2.17	12.93	N/A	-5.51	09/21/2000	0.75/30	0.91
311	Fidelity Utilities Fund	-13.54	-19.49	-27.21	-28.30	0.64	8.93	2.33	8.70	11/27/1987	N/A	0.82
	Dow Jones Industrial Average SM	-5.83	-3.71	-16.59	-19.85	3.34	5.60	5.45				
	Dow Jones Wilshire 4500 Completion	-10.87	-9.99	-17.05	-19.77	1.15	8.28	6.91				
	Dow Jones Wilshire 5000 Composite	-9.30	-8.67	-18.64	-21.26	0.56	6.00	3.98				
	NASDAQ Composite@	-11.60	-8.59	-20.64	-21.93	-0.14	3.95	2.66				
	Russell 1000@	-9.53	-9.35	-19.50	-22.10	0.13	5.49	3.49				
	Russell 1000@ Growth	-11.58	-12.33	-20.27	-20.88	0.04	3.74	0.59				
	Russell 1000@ Value	-7.35	-6.11	-18.85	-23.56	0.09	7.12	5.55				
	Russell 2000@	-7.97	-1.11	-10.38	-14.48	1.83	8.15	7.81				
	Russell 2000@ Growth	-11.30	-6.99	-15.29	-17.07	1.45	6.64	4.67				
	Russell 2000@ Value	-4.69	4.96	-5.37	-12.25	2.00	9.45	10.14				
	Russell 3000@	-9.40	-8.73	-18.81	-21.52	0.26	5.70	3.80				
	Russell 3000@ Growth	-11.56	-11.93	-19.90	-20.60	0.15	3.96	0.89				
	Russell 3000@ Value	-7.13	-5.26	-17.84	-22.70	0.24	7.29	5.86				
	Russell MidCap TM	-12.26	-12.91	-19.50	-22.36	0.09	8.62	8.34				
	Russell Midcap TM Growth	-15.28	-17.75	-23.35	-24.65	-0.75	6.53	5.51				
	Russell Midcap TM Value	-9.05	-7.52	-15.46	-20.50	0.51	9.97	9.19				
	S&P 500@	-8.91	-8.37	-19.29	-21.98	0.22	5.17	3.06				
	S&P MidCap@ 400	-10.71	-10.87	-14.34	-16.68	1.78	8.65	10.29				
	Fidelity Asset Manager 20% Composite	-2.44	-1.78	-2.98	-1.83	3.53	4.03	4.48				
	Fidelity Asset Manager 30% Composite	-3.40	-2.71	-5.08	-4.37	N/A	N/A	N/A				
	Fidelity Asset Manager 40% Composite	-4.54	-4.23	-7.71	-7.43	N/A	N/A	N/A				
	Fidelity Asset Manager 50% Composite	-5.41	-5.10	-9.70	-9.90	2.31	4.55	4.25				
	Fidelity Asset Manager 60% Composite	-6.55	-6.60	-12.25	-12.84	N/A	N/A	N/A				
	Fidelity Asset Manager 70% Composite	-7.35	-7.41	-14.13	-15.24	1.41	4.78	3.83				
	Fidelity Asset Manager 85% Composite	-8.88	-9.31	-17.53	-19.23	0.68	4.91	3.47				
	Fidelity Balanced Hybrid Composite	-5.50	-4.39	-10.96	-12.38	1.97	5.56	5.28				
	Fidelity Four-in-One Composite	-8.90	-9.34	-17.64	-19.39	1.25	6.27	4.57				

Fund No. Name	Cumulative Total Returns % Periods Ending Sept. 30, 2008			Average Annual Total Returns % Periods Ending Sept. 30, 2008			
	1	3	YTD	1	3	5	10
	Month	Month		Year	Year	Year	Year
Fidelity Freedom Income Composite	-2.61	-2.11	-3.39	-2.62	3.38	4.01	4.44
Fidelity Freedom 2000 Composite	-2.98	-2.51	-4.51	-4.11	3.22	4.13	4.68
Fidelity Freedom 2005 Composite	-5.70	-5.79	-10.32	-10.61	2.37	N/A	N/A
Fidelity Freedom 2010 Composite	-5.99	-6.15	-10.93	-11.28	2.23	4.95	5.07
Fidelity Freedom 2015 Composite	-6.47	-6.71	-11.97	-12.60	2.40	N/A	N/A
Fidelity Freedom 2020 Composite	-7.79	-8.23	-14.83	-15.98	1.80	6.02	4.92
Fidelity Freedom 2025 Composite	-8.19	-8.70	-15.52	-16.79	1.70	N/A	N/A
Fidelity Freedom 2030 Composite	-9.10	-9.77	-17.75	-19.52	1.20	6.27	4.50
Fidelity Freedom 2035 Composite	-9.31	-10.03	-18.08	-19.89	1.12	N/A	N/A
Fidelity Freedom 2040 Composite	-9.65	-10.44	-18.75	-20.72	0.97	6.55	N/A
Fidelity Freedom 2045 Composite	-9.76	-10.58	-19.02	-21.07	N/A	N/A	N/A
Fidelity Freedom 2050 Composite	-10.20	-11.21	-19.97	-22.11	N/A	N/A	N/A
Fidelity Global Balanced Composite	-7.60	-10.35	-14.06	-13.91	3.14	6.87	4.81
FTSE World Nordic	-22.48	-27.48	-35.69	-39.56	3.96	13.87	8.98
MS AC FE x Jpn (Net MA Tax)	-16.36	-23.93	-37.83	-38.87	5.97	12.38	11.44
MS AC Pac Fr (Net MA Tax)	-13.97	-21.23	-29.72	-32.67	-0.22	8.06	6.90
MSCI AC World x U.S. (Net MA Tax)	-15.03	-21.91	-29.77	-30.23	2.78	11.54	6.68
MSCI EAFE® (Net MA Tax)	-14.47	-20.56	-29.16	-30.39	1.28	9.91	5.26
MSCI EAFE Small Cap (Net MA Tax)	-17.16	-23.98	-31.88	-35.17	-3.77	9.45	N/A
MSCI EAFE Value (Net MA Tax)	-13.86	-19.14	-30.16	-32.45	0.18	10.26	N/A
MSCI Emerging Markets (Net Luxembourg Tax)	-19.58	-32.57	-26.22	-21.05	18.19	32.92	20.36
MSCI EM Latin America (G)	-17.50	-26.95	-35.54	-33.20	8.37	18.67	N/A
MSCI Europe (Net MA Tax)	-15.08	-20.76	-30.44	-30.75	2.72	11.26	5.03
MSCI Golden Dragon	-19.19	-24.49	-39.17	-40.57	6.32	10.20	7.76
MSCI World® (Net MA Tax)	-11.87	-15.19	-23.99	-25.77	1.11	7.73	4.07
Russell/Nom Small Cap	-9.29	-15.33	-18.82	-24.09	-9.70	2.72	7.68
S&P/TSX Composite Index	-14.72	-21.96	-19.53	-19.99	7.86	17.53	13.76
TOPIX	-10.69	-17.07	-21.01	-25.70	-4.98	3.70	4.07
CitiGroup 3-Month Treasury Bill	0.14	0.43	1.54	2.55	3.98	3.09	3.39
Fidelity Strategic Income Composite	-4.48	-4.69	-3.89	-2.26	3.61	5.24	6.22
JPM EMBI Global	-6.84	-5.05	-5.22	-2.72	4.08	7.47	12.07
LB 1-3 Year Government/Credit Bond	-0.59	0.16	2.23	4.45	4.66	3.31	4.60
LB 1-5 Year U.S. Government/Credit Bond	0.64	1.68	3.85	6.74	5.43	3.72	4.84
LB 6 Month Swap	-0.14	0.34	2.40	3.75	4.59	3.47	3.97
LB Aggregate Bond	0.48	1.73	3.60	6.94	5.41	4.75	5.61
LB GNMA	0.49	1.79	4.02	7.52	5.63	4.00	5.13
LB Government/Credit Bond	-2.53	-1.64	-0.67	2.41	3.60	3.34	5.00
LB Government Intermediate	-2.08	-1.19	0.22	3.13	4.03	3.25	4.96
LB Int Government/Credit Bond	0.40	2.82	4.52	10.43	5.72	5.80	6.16
LB Treasury Long Term	-1.34	-0.49	0.63	3.65	4.15	3.78	5.20
LB U.S. Mortgage Backed Sec	0.75	1.87	3.84	7.02	5.52	4.84	5.68
LB U.S. TIPS Index	-3.83	-3.54	1.17	6.20	4.32	5.15	7.12
LB U.S. Treasury 1-5 Year	0.85	2.07	4.28	7.35	5.60	3.74	4.79
LB U.S. Treasury 5-10 Year	0.27	2.38	5.27	10.32	6.27	4.69	5.56
ML U.S. High Yield Master II	-8.30	-9.48	-10.64	-11.68	0.91	4.26	4.32
ML U.S. High Yield Master II BB Const	-6.77	-6.96	-7.08	-7.05	1.42	4.03	5.24

Fund No. Name	Cumulative Total Returns % Periods Ending Sept. 30, 2008			Average Annual Total Returns % Periods Ending Sept. 30, 2008			
	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year
ML U.S. High Yield Master II Const	-8.11	-9.26	-10.23	-11.09	0.91	4.23	4.42
ML All conv. Sec. Index							

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

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

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

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

Specific Funds

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

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

¹ Prior to December 1, 2007, Mega Cap Stock operated under certain different investment policies. The fund's historical performance may not represent its current investment policies. It was formerly known as Fidelity Growth & Income II Portfolio.

² Formerly known as Fidelity Discovery Fund.

³ Formerly known as Select Developing Communications Portfolio.

⁴ Formerly known as Select Consumer Industries Portfolio.

⁵ Formerly known as Select Food & Agriculture Portfolio.

⁶ Formerly known as Select Cyclical Industries Portfolio.

⁷ Formerly known as Select Business Services and Outsourcing Portfolio.

⁸ Formerly known as Select Industrial Materials Portfolio.

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

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

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

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

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

Investment Risk

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

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

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

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

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

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

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

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

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

Not all funds may be available for your plan.

For Plan Sponsor Use Only.

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

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

Ticker	Name	Cumulative Total Returns %			Average Annual Total Returns %					Date of Inception	Short-term Trading Fee (% / days)	Gross Expense Ratio
		Periods Ending Sept. 30, 2008			Periods Ending Sept. 30, 2008							
		1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	LOF			
CSIBX	Calvert Social Investment Fund Bond Portfolio - A	-1.96	-1.84	-1.42	1.00	3.36	4.21	5.44	7.12	08/24/1987	N/A	1.12
MGFIX	Managers Bond Fund	-9.07	-10.31	-10.94	-8.46	1.10	2.48	5.58	8.76	06/01/1984	N/A	1.00
MFAX	MSIF Trust Core Plus Fixed Income Portfolio - P	-1.98	-7.17	-14.47	-13.23	-1.97	0.58	3.35	4.09	11/07/1996	2.00/7	N/A
LBCNX	Neuberger Berman Core Bond Fund - Inv ¹	-2.03	-2.96	-4.84	-3.46	1.31	1.97	3.80	4.57	02/03/1997	N/A	1.31
PLGBX	PIMCO Long-Term U.S. Government Fund - Adm	-1.41	-1.52	-0.17	5.27	3.40	4.08	5.54	6.94	09/23/1997	2.00/30	0.73
PLDAX	PIMCO Low Duration Fund - Adm	-3.88	-3.85	-2.93	-0.37	2.82	2.31	4.01	5.18	01/03/1995	N/A	0.71
PTRAX	PIMCO Total Return Fund - Adm	-3.20	-2.13	-0.33	3.51	4.15	4.05	5.49	6.81	09/08/1994	N/A	0.74
WAPIX	Western Asset Core Bond Portfolio - FI	-3.92	-5.48	-7.99	-8.10	-0.36	1.34	N/A	4.58	07/22/1999	N/A	N/A
WACIX	Western Asset Core Plus Bond Portfolio - FI	-2.84	-2.68	-6.45	-6.07	0.48	2.43	N/A	4.11	01/07/2002	N/A	0.79
CMHYX	Columbia Conservative High Yield Fund - Z	-5.33	-5.32	-6.62	-7.26	0.91	2.86	4.02	5.57	10/01/1993	N/A	0.78
MAHYX	MSIF Trust High Yield Portfolio - P	-7.73	-9.37	-12.86	-13.17	-0.58	2.81	1.55	2.24	01/31/1997	2.00/30	0.93
LBHBX	Neuberger Berman High Income Bond Fund - Inv ²	-5.76	-6.19	-6.91	-8.54	0.93	3.01	4.96	6.71	01/31/1992	N/A	0.93
PHYAX	PIMCO High Yield Fund - Adm	-9.52	-10.74	-12.38	-12.17	0.04	3.54	4.28	6.41	01/16/1995	2.00/30	0.81
PARRX	PIMCO Real Return Fund - Adm	-6.15	-5.82	-1.55	3.55	3.04	4.40	N/A	7.18	04/28/2000	N/A	0.70
PADMX	PIMCO Global Bond Fund (Unhedged) - Adm	-6.43	-8.92	-5.40	-1.90	2.29	3.55	4.78	5.26	07/31/1996	2.00/30	1.12
TPINX	Templeton Global Bond Fund - A†	-1.18	0.39	1.81	3.18	8.86	8.46	7.87	7.93	09/18/1986	N/A	N/A
AABPX	American Beacon Balanced Fund - PlanAhead	-7.26	-6.72	-15.62	-18.35	-0.50	5.20	4.78	7.43	08/01/1994	N/A	0.84
CSIFX	Calvert Social Investment Fund Balanced Portfolio - A	-6.90	-7.72	-13.14	-14.13	-0.44	3.32	2.32	7.90	10/21/1982	N/A	1.34
OAKBX	The Oakmark Equity and Income Fund - I	-5.01	-7.09	-4.87	-3.85	5.84	9.09	11.15	12.10	11/01/1995	N/A	0.83
ACEIX	Van Kampen Equity and Income Fund - A	-5.14	-4.66	-13.64	-15.44	0.49	5.76	7.00	10.45	08/03/1960	2.00/7	0.76
AAGPX	American Beacon Large Cap Value Fund - PlanAhead	-9.68	-9.63	-22.91	-26.72	-1.55	7.38	5.37	8.51	08/01/1994	N/A	0.84
ALVIX	American Century Large Company Value Fund - Inv	-7.76	-6.54	-20.46	-25.28	-1.39	5.07	N/A	3.65	07/30/1999	N/A	0.83
WFGIX	Credit Suisse Large Cap Value Fund - A	-7.30	-6.14	-20.09	-23.38	-0.87	5.60	4.71	9.13	07/09/1992	N/A	1.07
KDHAX	DWS-Dreman High Return Equity Fund - A	-12.06	-14.09	-29.02	-33.19	-5.67	3.00	4.33	11.13	03/18/1988	2.00/15	1.08
LAFFX	Lord Abbett Affiliated Fund - A	-5.77	-6.72	-20.87	-23.68	-0.44	5.01	5.65	10.73	05/01/1934	N/A	0.81
MGIEX	Managers Value Fund	-9.05	-8.49	-24.59	-32.85	-5.76	2.12	2.58	9.41	10/31/1984	N/A	N/A
MPVAX	MSIF Trust Value Portfolio - P	-5.55	-0.33	-17.49	-22.65	-0.69	5.71	5.51	6.76	07/17/1996	2.00/7	0.88
TESIX	Mutual Shares Fund - A	-8.40	-6.82	-20.35	-22.27	-0.20	6.17	7.76	8.02	11/01/1996	N/A	1.07
ACGIX	Van Kampen Growth and Income Fund - A	-4.59	-3.35	-15.42	-18.00	0.74	7.30	7.19	9.56	08/01/1946	2.00/7	0.77
GTVLX	AIM Basic Value Fund - A	-16.98	-16.09	-30.63	-32.76	-6.49	1.00	5.73	7.83	10/18/1995	N/A	1.14
DSEFX	Domini Social Equity Fund - Inv	-8.48	-8.19	-18.22	-20.91	-1.43	2.95	1.75	7.78	06/03/1991	2.00/30	1.24
LMVFX	Legg Mason Value Trust - FI	-11.67	-11.19	-36.38	-42.20	-12.21	-2.81	N/A	-1.76	03/23/2001	N/A	1.03
NBFCX	Neuberger Berman Focus Fund - Trust	-9.57	-8.87	-18.01	-19.73	-0.47	2.85	6.58	8.43	08/30/1993	N/A	1.09
NBGTX	Neuberger Berman Guardian Fund - Trust	-9.45	-7.60	-16.15	-17.76	1.29	7.63	5.10	6.80	08/03/1993	N/A	1.06
NBPTX	Neuberger Berman Partners Fund - Trust	-18.87	-25.25	-28.62	-27.76	-3.44	7.14	4.42	7.82	08/30/1993	N/A	1.00
NBSTX	Neuberger Berman Socially Responsive Fund - Trust	-9.34	-8.20	-16.68	-18.39	1.45	7.17	5.90	6.26	03/03/1997	N/A	1.10

Ticker	Name	Cumulative Total Returns %			Average Annual Total Returns %					Date of Inception	Short-term Trading Fee (% / days)	Gross Expense Ratio
		Periods Ending Sept. 30, 2008			Periods Ending Sept. 30, 2008							
		1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	LOF			
OAKMX	The Oakmark Fund - I	-7.25	-1.42	-12.53	-18.14	0.28	4.12	4.62	12.75	08/05/1991	2.00/90	1.01
OAKLX	The Oakmark Select Fund - I	-12.18	-7.08	-20.11	-30.43	-6.56	0.02	8.38	11.82	11/01/1996	2.00/90	0.97
CSTGX	AIM Constellation Fund - A	-12.30	-17.19	-26.69	-28.19	-3.64	2.26	1.86	12.60	04/30/1976	N/A	1.20
PICAX	Allianz CCM Capital Appreciation Fund - Adm	-12.46	-16.30	-26.08	-25.44	-1.94	4.43	4.01	7.20	07/31/1996	N/A	0.93
TWCUX	American Century Ultra Fund - Inv	-12.11	-14.50	-25.78	-22.50	-3.04	1.55	1.30	11.25	11/02/1981	N/A	1.00
CSIEX	Calvert Social Investment Fund Equity Portfolio - A	-8.86	-9.14	-14.74	-14.83	1.55	4.72	7.69	7.43	08/24/1987	N/A	1.21
CUCAX	Credit Suisse Large Cap Growth Fund - Common	-11.33	-11.75	-22.88	-23.42	-3.38	1.62	0.87	7.42	08/17/1987	N/A	1.00
HGWYX	Hartford Growth Fund - Y	-14.21	-20.14	-26.30	-25.00	-2.30	3.36	N/A	2.17	02/19/2002	N/A	0.80
SHRAX	Legg Mason Partners Aggressive Growth Fund - A ◆	-15.68	-16.07	-25.51	-27.54	-5.75	2.34	9.02	11.65	10/24/1983	N/A	1.14
SBLGX	Legg Mason Partners Large Cap Growth Fund - A	-11.12	-7.18	-20.61	-24.27	-3.97	0.50	3.73	4.94	08/29/1997	N/A	1.11
LGRRX	Loomis Sayles Growth Fund - A	-15.68	-20.76	-32.52	-28.67	-6.05	2.54	1.23	2.28	01/02/1997	N/A	1.14
MGCAX	Managers AMG Essex Large Cap Growth Fund	-15.14	-17.77	-22.75	-23.50	-1.64	2.03	2.25	10.18	06/01/1984	N/A	1.29
MSEGX	MSIF Capital Growth Fund - I ³	-15.24	-20.83	-28.86	-28.16	-0.95	4.20	2.69	6.06	01/02/1996	2.00/7	0.87
TGCNX	TCW Select Equities Fund - N	-12.30	-13.75	-23.29	-23.62	-4.67	1.29	N/A	0.85	03/01/1999	N/A	1.19
PTSGX	Touchstone Sands Capital Select Growth Fund - Z	-14.16	-16.89	-26.28	-25.22	-4.52	2.88	N/A	-4.64	08/11/2000	N/A	1.35
ABASX	AllianceBernstein Small/Mid-Cap Value Fund - A	-8.36	-5.24	-12.20	-17.31	1.42	9.06	N/A	10.04	03/29/2001	N/A	1.27
ARTQX	Artisan Mid Cap Value Fund - Inv	-8.00	-6.28	-6.02	-11.16	2.91	12.65	N/A	11.31	03/28/2001	N/A	1.20
LAVLX	Lord Abbett Mid-Cap Value Fund - A ⊙	-11.18	-11.53	-23.21	-27.95	-4.11	5.52	9.65	11.19	06/28/1983	N/A	1.10
FMIVX	Virtus Mid-Cap Value Fund - A ⁴	-10.93	-7.69	-14.50	-20.76	2.79	10.78	10.13	7.87	12/30/1997	N/A	1.39
SMCDX	Wells Fargo Advantage Mid Cap Disciplined Fund - Inv	-7.50	-5.96	-10.48	-16.76	0.39	8.19	N/A	12.12	12/31/1998	N/A	1.54
GTAGX	AIM Mid Cap Core Equity Fund - A	-7.35	-2.46	-7.70	-6.85	4.67	8.62	11.21	11.72	06/09/1987	N/A	1.24
CAAPX	Ariel Appreciation Fund	-7.33	-3.98	-15.49	-20.49	-2.09	3.63	7.55	10.25	12/01/1989	N/A	1.12
ARGFX	Ariel Fund	-6.60	-2.38	-21.25	-26.55	-5.64	3.04	7.83	11.09	11/06/1986	N/A	1.03
CUEGX	Credit Suisse Mid-Cap Core Fund - Common	-11.58	-11.91	-17.32	-17.86	-1.68	5.07	3.01	8.91	01/21/1988	N/A	1.23
CRMMX	CRM Mid Cap Value Fund - Inv ⊙	-10.69	-8.91	-16.57	-18.20	3.17	10.71	N/A	11.15	09/19/2000	N/A	1.04
NBREX	Neuberger Berman Regency Fund - Trust	-16.65	-21.45	-26.43	-27.33	-4.51	6.28	N/A	7.70	06/10/1999	N/A	1.33
RSVAX	RS Value Fund	-14.87	-18.69	-20.67	-22.12	-1.17	10.13	13.21	6.47	06/30/1993	N/A	1.33
CBMDX	Wells Fargo Advantage C&B Mid Cap Value Fund - D	-6.06	5.76	-13.35	-23.46	0.56	6.22	11.80	9.45	02/18/1998	N/A	1.48
PMCGX	Allianz CCM Mid-Cap Fund - Adm	-15.78	-20.22	-24.70	-23.44	-1.36	7.24	6.17	10.21	11/30/1994	N/A	0.94
TWCVX	American Century Vista Fund - Inv	-17.52	-24.36	-30.60	-27.99	1.78	8.42	10.25	9.63	11/25/1983	N/A	1.00
ARTMX	Artisan Mid Cap Fund - Inv ⊙	-13.07	-11.92	-22.17	-22.47	2.64	7.61	12.66	13.84	06/27/1997	N/A	1.22
BARAX	Baron Asset Fund	-8.69	-7.56	-18.27	-19.14	2.55	10.05	7.15	11.60	06/12/1987	N/A	1.34
CCAFX	Calvert Capital Accumulation Fund - A	-12.21	-16.45	-15.63	-16.97	-0.11	3.32	2.31	6.57	10/31/1994	N/A	1.66
ACTWX	Columbia Acorn Select Fund - Z	-20.46	-22.78	-27.25	-31.07	0.47	5.62	N/A	9.83	11/23/1998	N/A	0.91
FRSGX	Franklin Small-Mid Cap Growth Fund - A	-11.79	-12.74	-22.03	-26.87	-1.17	5.88	7.05	10.10	02/14/1992	N/A	1.04
MACGX	MSIF Trust Mid Cap Growth Portfolio - P	-14.85	-20.83	-28.16	-28.59	0.70	9.16	7.29	8.65	01/31/1997	2.00/7	0.88
RIMSX	Rainier Small/Mid Cap Equity Portfolio - Inv ⊙	-14.43	-15.86	-24.36	-26.59	2.78	10.87	9.66	12.39	05/10/1994	N/A	1.16
PKSFX	Virtus Small-Mid Cap Fund - I ⁵	-7.96	-0.30	-15.71	-20.35	-0.50	4.41	6.08	7.04	10/18/1996	N/A	1.38
PVADX	Allianz NFJ Small-Cap Value Fund - Adm	-7.29	-4.57	-6.79	-10.26	4.92	12.86	12.29	12.61	11/01/1995	N/A	1.07
AVPAX	American Beacon Small Cap Value Fund - PlanAhead ⊙	-7.14	-2.12	-8.65	-16.18	-0.59	8.35	N/A	11.40	03/01/1999	N/A	1.06
RYOFX	Royce Opportunity Fund - Svc ⊙	-9.89	-3.97	-14.81	-21.37	0.26	7.73	N/A	9.56	05/22/2000	N/A	1.39
RYTFX	Royce Total Return Fund - Svc	-7.18	-4.86	-10.62	-13.77	2.84	8.12	N/A	7.93	01/03/2002	N/A	1.39
SCVIX	Wells Fargo Adv. Small Company Value Fund - Adm ⊙	-5.74	3.49	-11.52	-22.40	-4.31	6.02	N/A	6.84	01/31/2002	N/A	1.33
SSMVX	Wells Fargo Adv. Small Cap Value Fund - Inv ⁶	-11.21	-17.00	-17.88	-21.33	0.81	11.27	16.28	13.76	12/31/1997	N/A	1.61
ASQIX	American Century Small Company Fund - Inv ⊙	-10.34	-9.54	-15.42	-21.39	-5.71	6.65	9.72	7.77	07/31/1998	N/A	0.87
FMACX	FMA Small Company Portfolio - Instl	-6.16	-1.15	-10.92	-17.03	2.31	9.19	8.19	11.01	07/31/1991	N/A	1.30
LSCRX	Loomis Sayles Small Cap Value Fund - Retail ⊙	-6.48	-1.09	-10.81	-15.21	3.15	9.80	10.35	9.20	12/31/1996	N/A	1.24

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		1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	LOF			
MGSEX	Managers Special Equity Fund	-10.59	-10.00	-21.60	-27.08	-3.86	3.63	6.68	11.43	06/01/1984	N/A	1.51
NBGEX	Neuberger Berman Genesis Fund - Trust ⁷ ⊙	-10.19	-11.99	-8.58	-4.40	5.87	13.26	13.83	13.76	08/26/1993	N/A	1.12
RYLPM	Royce Low-Priced Stock Fund - Svc ⊙	-11.50	-11.87	-13.60	-16.79	3.60	8.50	13.66	12.93	12/15/1993	N/A	1.53
RSPFX	RS Partners Fund	-10.99	-10.22	-13.27	-17.28	-2.77	9.86	13.49	12.36	07/12/1995	N/A	1.51
SSMVX	Wells Fargo Advantage Small Cap Value Fund - Z ⊙	-11.21	-17.00	-17.88	-21.33	0.81	11.27	16.28	13.76	12/31/1997	N/A	1.61
ARTSX	Artisan Small Cap Fund - Inv ⊙	-10.25	-4.79	-22.40	-26.64	-5.05	4.85	5.48	6.64	03/28/1995	N/A	1.21
BGRFX	Baron Growth Fund	-9.33	-9.42	-17.70	-19.78	1.50	8.04	11.57	14.23	12/30/1994	N/A	1.31
BSCFX	Baron Small Cap Fund	-10.27	-7.33	-21.53	-21.44	0.53	6.88	11.43	8.84	09/30/1997	N/A	1.31
CNVAX	Calvert New Vision Small Cap Fund - A	-11.30	-8.64	-16.37	-21.22	-5.77	-0.84	3.93	1.46	01/31/1997	N/A	1.76
HSLYX	Hartford SmallCap Growth Fund - Y	-12.00	-8.99	-15.53	-20.54	-3.43	4.53	N/A	4.36	02/19/2002	N/A	0.90
LSBAX	Lord Abbett Small-Cap Blend Fund - A	-9.47	-8.40	-10.03	-12.61	2.71	10.35	N/A	10.05	06/26/2001	N/A	1.36
MSSMX	MSIF Small Company Growth Portfolio - P ⊙	-10.27	-12.94	-24.54	-28.32	-3.27	5.43	9.73	9.24	01/02/1996	2.00/30	1.26
RYVPX	Royce Value Plus Fund - Svc	-12.32	-9.98	-17.02	-22.57	2.82	12.05	N/A	14.95	06/14/2001	N/A	1.40
RSEGX	RS Emerging Growth Fund	-11.87	-14.12	-27.10	-30.17	-2.59	3.14	7.03	13.05	11/30/1987	N/A	1.48
RSSGX	RS Smaller Company Growth Fund	-11.24	-13.31	-28.98	-32.44	-7.45	1.44	7.39	7.38	08/15/1996	N/A	1.53
AGAAX	AIM Global Small & Mid Cap Growth Fund - A ◆ ⁸	-13.58	-19.28	-31.82	-31.47	2.23	11.39	7.30	8.25	09/15/1994	2.00/31	1.43
AAIPX	American Beacon International Equity Fund - PlanAhead	-11.18	-16.74	-27.48	-27.85	1.33	9.79	6.96	7.64	08/01/1994	2.00/90	0.93
ARTIX	Artisan International Fund - Inv	-14.39	-22.13	-31.93	-29.99	2.59	10.10	9.59	10.75	12/28/1995	2.00/90	1.21
SGSCX	DWS Global Opportunities Fund - S ◆	-15.85	-21.15	-29.69	-30.11	-0.72	9.23	8.71	9.41	09/10/1991	2.00/15	1.34
SCINX	DWS International Fund - S	-15.64	-26.73	-31.76	-32.80	0.77	8.89	4.38	N/A	06/18/1953	2.00/15	0.92
HNCYX	Hartford International Growth Fund - Y	-20.29	-27.27	-40.70	-39.22	-1.90	6.45	N/A	2.81	04/30/2001	N/A	1.03
MIGEX	MSIF Global Value Equity Portfolio - P	-9.00	-12.43	-25.86	-27.36	-1.11	5.53	3.99	6.41	01/02/1996	2.00/30	1.16
MIQBX	MSIF International Equity Portfolio - P	-9.19	-15.49	-21.90	-22.61	1.96	8.88	8.30	9.21	01/02/1996	2.00/30	1.18
TEDIX	Mutual Discovery Fund - A ◆	-5.84	-7.21	-16.46	-17.07	5.67	12.03	11.19	10.64	11/01/1996	N/A	1.32
NBITX	Neuberger Berman International Fund - Trust ¹ ⊙	-17.60	-23.98	-30.51	-34.05	-2.61	11.10	8.35	5.00	06/29/1998	N/A	1.35
TEMTX	Templeton Foreign Fund - A ◆	-12.99	-16.34	-28.83	-27.14	0.66	7.90	7.99	11.87	10/05/1982	N/A	1.16
FINEX	Templeton Foreign Smaller Companies Fund - A ◆ ⊙	-14.97	-20.50	-30.65	-37.18	-1.76	7.14	7.77	7.87	09/20/1991	N/A	1.40
TEPLX	Templeton Growth Fund, Inc. - A	-11.65	-14.08	-27.25	-29.20	-2.66	5.45	7.30	12.95	11/29/1954	N/A	1.01
TEMWX	Templeton World Fund - A	-10.77	-13.19	-25.11	-25.67	-0.05	7.54	6.83	12.53	01/17/1978	N/A	1.05
MMKBX	MSIF Emerging Markets Portfolio - P	-16.04	-26.39	-38.00	-34.75	8.99	18.94	14.61	8.36	01/02/1996	2.00/30	1.62
TEDMX	Templeton Developing Markets Trust - A	-13.14	-21.15	-34.16	-33.20	4.92	15.83	12.64	7.61	10/16/1991	N/A	1.83
	Russell 1000®	-9.53	-9.35	-19.50	-22.10	0.13	5.49	3.49				
	Russell 1000® Growth	-11.58	-12.33	-20.27	-20.88	0.04	3.74	0.59				
	Russell 1000® Value	-7.35	-6.11	-18.85	-23.56	0.09	7.12	5.55				
	Russell 2000®	-7.97	-1.11	-10.38	-14.48	1.83	8.15	7.81				
	Russell 2000® Growth	-11.30	-6.99	-15.29	-17.07	1.45	6.64	4.67				
	Russell 2000® Value	-4.69	4.96	-5.37	-12.25	2.00	9.45	10.14				
	Russell 2500™	-9.94	-6.72	-14.29	-17.99	0.91	8.12	9.04				
	Russell 2500™ Value	-6.70	-1.22	-9.48	-15.79	0.60	9.00	9.95				
	Russell 3000 Growth	-11.56	-11.93	-19.90	-20.60	0.15	3.96	0.89				
	Russell MidCap®	-12.26	-12.91	-19.50	-22.36	0.09	8.62	8.34				
	Russell Midcap® Growth	-15.28	-17.75	-23.35	-24.65	-0.75	6.53	5.51				
	Russell Midcap® Value	-9.05	-7.52	-15.46	-20.50	0.51	9.97	9.19				
	S&P 400®/Citigroup Value	-8.54	-6.93	-13.01	-17.02	1.35	8.78	8.20				
	S&P 500®	-8.91	-8.37	-19.29	-21.98	0.22	5.17	3.06				
	S&P® 600 (Daily TR Value)	-6.75	-0.85	-7.88	-13.82	2.00	9.89	10.05				
	S&P® MidCap 400	-10.71	-10.87	-14.34	-16.68	1.78	8.65	10.29				
	60/40 RS 1000V/LB Aggreg.	-4.95	-3.86	-11.33	-13.38	1.87	5.92	5.67				
	LI Balanced Index	-7.56	-8.38	-14.15	-15.11	1.25	4.78	4.20				

Cumulative Total Returns % Average Annual Total Returns %
 Periods Ending Sept. 30, 2008 Periods Ending Sept. 30, 2008

Ticker	Name	Cumulative Total Returns %			Average Annual Total Returns %			
		1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year
	MSCI EAFE® (G)	-14.42	-20.50	-28.91	-30.13	1.58	10.16	5.42
	MSCI EAFE® (Net MA Tax)	-14.47	-20.56	-29.16	-30.39	1.28	9.91	5.26
	MSCI EAFE® Growth (G)	-15.03	-21.88	-28.01	-28.19	2.51	9.59	3.28
	MSCI Emerging Markets (G)	-17.49	-26.86	-35.37	-33.01	8.69	19.05	14.77
	MSCI Emerging Markets (N)	-17.50	-26.95	-35.54	-33.20	8.37	18.67	N/A
	MSCI World® (G)	-11.85	-15.15	-23.84	-25.62	1.27	7.86	4.26
	MSCI World® (Net MA Tax)	-11.87	-15.19	-23.99	-25.77	1.11	7.73	N/A
	SP/CG EMI World	-13.87	-17.59	-24.73	-28.01	0.62	9.87	8.80
	CitiGroup World Government Bond	-1.19	-2.97	1.91	5.90	5.58	5.34	5.38
	JPM GBI Unhedged US	0.60	2.39	4.69	9.01	5.89	4.60	5.47
	LB Government/Credit Bond	-2.53	-1.64	-0.67	2.41	3.60	3.34	5.00
	LB Intermediate Ba HY	-5.32	-4.76	-4.89	-5.67	2.32	4.32	5.13
	LB Treasury Long Term	0.40	2.82	4.52	10.43	5.72	5.80	6.16
	LB U.S. Aggregate Bond	-1.34	-0.49	0.63	3.65	4.15	3.78	5.20
	LB US Credit	-6.57	-6.38	-6.83	-4.79	0.86	1.94	4.50
	LB US HY 2% Issuer Cap	-7.68	-8.56	-9.54	-10.51	1.08	4.37	4.56
	LB US TIPS Index	-3.83	-3.54	1.17	6.20	4.32	5.15	7.12
	ML 1-3 Year Treasury Bill	0.79	1.68	3.82	6.27	5.26	3.54	4.52
	ML High Yield Master Cash Pay	-8.32	-9.48	-10.60	-11.62	0.88	4.22	4.54
	ML US HY BB-B Rated-Const	-7.55	-8.35	-8.94	-9.28	1.22	4.22	4.45

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

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

Non-Fidelity mutual funds are managed by non-Fidelity entities. Please consult the prospectus for more information. If applicable, class of shares will vary. Please consult your plan documents for the specific class of shares available through your plan. Morningstar, Inc., provided data on the non-Fidelity mutual funds. Although the data is gathered from reliable sources, accuracy and completeness cannot be guaranteed by Morningstar.

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

For a mutual fund, the Gross Expense Ratio is the total annual fund or class operating expenses (before waivers or reimbursements) paid by the fund and stated as a percent of the fund's total net assets. Mutual fund data has been drawn from the most recent prospectus.

Not all funds may be available for your plan.

Specific Funds

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

¹ Formerly known as MSIF U.S. Large Cap Growth Fund.

² Formerly known as Lehman Brothers High Income Bond Fund – Investor Class.

³ Formerly known as MSIF U.S. Large Cap Growth Fund.

⁴ Formerly known as Phoenix Mid-Cap Value Fund.

⁵ Formerly known as Phoenix Small-Mid Cap Value Fund.

⁶ Formerly known as Wells Fargo Adv. Small Cap Value Fund – Z Class.

⁷ Neuberger Berman merged Neuberger Berman Fasciano Fund into Neuberger Berman Genesis Fund, effective on or about August 15, 2008.

⁸ Prior to May 1, 2008, the fund was known as AIM Global Aggressive Growth Fund. Holding period changed from 30 days to 31 days, effective 6/16/08.

Investment Risk

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

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

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

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

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

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

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

For Plan Sponsor Use Only.

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

Fidelity Brokerage Services LLC, Member NYSE, SIPC, 300 Puritan Way, Marlborough, MA 01752





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Public Employees Retirement System**
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Sparb Collins
Executive Director
(701) 328-3900
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Memorandum

TO: NDPERS Board

FROM: Kathy & Sparb

DATE: December 8, 2008

SUBJECT: American United Life (AUL) Contract – Deferred Comp Plan

In March the Board was notified that a new plan provider had met the requirements to provide services under the State's deferred compensation plan. American United Life in conjunction with OneAmerica Financial Partners, Inc. had submitted a signed Provider Administrative Agreement along with the 50 minimum required applications. In the process of finalizing the details to add this provider, AUL sent us its contract for approval. The contract was referred to our legal counsel for review. It was determined that there were several articles in the AUL contract that contradicted the Provider Administrative Agreement on various administrative details. Due to these discrepancies, PERS was unable to sign the agreement. Over the next several months, PERS and the AUL legal representatives made several attempts to reconcile the differences. To resolve the issues, PERS revised its Provider Agreement by adding subsection "T" under Section II which specifies that the Board will not take on any additional responsibilities that are not provided for in our agreement. A copy of the amended agreement is included for your information.

AUL has reviewed and agreed to sign the amended agreement. Staff is requesting the Boards' approval to execute the revised Provider Agreement. Subject to the approval, staff will work out the details to add this provider to our database and payroll systems. The effective date of participation is expected to be March 1, 2009.

Board Action Requested

Approve or reject the revised Provider Administrative Agreement for AUL.

**PROVIDER ADMINISTRATIVE AGREEMENT
IN THE
NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
DEFERRED COMPENSATION PLAN**

This Provider Administrative Agreement (Agreement) is made and entered into this _____ day of _____, 200____, by and between the North Dakota Public Employees Retirement System Board, administrator of the North Dakota Deferred Compensation Plan, hereinafter referred to as the "Retirement Board", and, _____ hereinafter referred to as the "Provider".

I. Purpose and Scope of the Deferred Compensation Program

The purpose of this Agreement is to document specific areas of responsibility with respect to the administration of the North Dakota Deferred Compensation Plan. No later than January 1, 1999, all participant assets must be held in an insurance annuity contract or custodial account for the exclusive benefit of the participant and the participant's beneficiaries as required by section 457 of the Internal Revenue Code. No deferred compensation program assets are subject to execution, garnishment, attachment, the operation of bankruptcy or insolvency laws, or other process of law whatsoever. Neither the participant nor the participant's beneficiary has the right to commute, sell, assign, transfer, or otherwise convey the right to receive payments under the deferred compensation program. The Provider is authorized to make investments as specified by the participant. The participant is responsible for any loss which may result from investment of the deferred compensation.

II. Providers' Area of Responsibility

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

- B. The Provider must have a minimum of fifty participants enrolled before payroll

deductions may begin. However, if the Provider was providing deferred compensation services to NDPERS members under an existing provider agreement at the time the Provider signed this provider agreement, the fifty-participant requirement does not apply.

C. The Provider shall deliver to the Retirement Board at least semi-annual reports indicating the total assets allocated to the Provider for each participant. The report must include all participants from all payroll sources (Central Payroll, Bank of North Dakota, Political Subdivisions, etc.). The reports shall include the following information:

1. Alphabetical List of Participants.
2. Social Security Number.
3. Provider contract number.
4. Type of account.
5. Beginning account balance forwarded from previous reporting period.
6. Contributions during the reporting period.
7. Transfers and rollovers from other eligible plans during the reporting period.
8. Investment earnings or losses during the reporting period.
9. Withdrawals and charges made against the account during the reporting period.
10. Transfers and direct rollovers to other eligible plans during the reporting period.
11. Balance of the account at the end of the reporting period.
12. Other information required by the Retirement Board.

The Provider must include in its report all active accounts, inactive accounts, and accounts in payout status, with the exception of accounts which have been annuitized. The report columns must be totaled. The report must be submitted within thirty days of the end of each reporting period. Failure to submit a report within thirty days of the end of a reporting period will result in the Retirement Board sending the Provider a letter advising the Provider that, if the Retirement Board does not receive the report within thirty days of the date of the letter, the Retirement Board will automatically suspend the Provider's eligibility to enroll new members until the first day of the month following the date the Retirement Board receives the report. The Provider's failure to submit a report within ninety days after the end of a reporting period will be considered a material breach of this agreement. At that point, the Retirement Board will inform all members who are using the Provider's services that the Provider is in material breach of the agreement, that the Retirement Board is commencing termination of the agreement, as well as Provider's eligibility to supply services under the Deferred Compensation program, and that the members may no longer contribute to the Deferred Compensation program using the Provider. The Retirement Board will then terminate the agreement with the Provider as provided in subsection C of section IV of this agreement.

Effective January 1, 2004, the reports required to be submitted under this paragraph C must be submitted in one of the approved electronic formats noted below within 30 days of the end of each calendar quarter. The quarterly electronic

reports will be in lieu of the semi-annual reports. The Provider is encouraged to begin using the electronic format earlier than January 2004. If the Provider is unable to submit the reports in electronic format, a penalty of \$500 will be assessed for each reporting period that paper reports are received. Approved electronic formats include either Excel spreadsheets or an ASCII file using the record layout provided by the Retirement Board. If the Provider is unable to produce the file in the specified layout, the Provider may request approval from the Retirement Board to use an alternate layout.

- D. The Provider shall solicit and maintain beneficiary designations from each Participant.
- E. The Provider shall provide to all Participants at their home addresses, no less than quarterly, account statements detailing each Participant's account activity and account balance, with the exception of accounts that have been annuitized. However, if the Provider provides inactive participants with a toll-free number those participants may utilize to review their accounts, the Provider need only provide inactive participants with semi-annual account statements.
- F. No benefit payments will begin until the Provider receives the written documentation from the Retirement Board under Section III, paragraph G confirming that the plan participant has severed employment or is otherwise eligible for distribution of benefits from the Plan. Once such information has been given, the Provider will make benefit payments directly to the participant.
- G. The Provider shall ensure that distributions of a participant's benefits under the Plan for each separate account of the participant held by the Provider satisfy the minimum and required distributions of federal Internal Revenue Code Section 457(d)(2) and related provisions of Internal Revenue Code Section 401(a)(9).
- H. The Provider shall withhold federal and state taxes from the benefit payments and file the required reports of said withholdings with the appropriate federal and state agencies in accordance with applicable state and federal law, including the mandatory 20% withholding requirements as such apply to Section 457 plans under federal Internal Revenue Code Section 457(d)(1)(C) and any related regulations.
- I. The Provider shall comply with and administer the direct rollover requirements as such apply to Section 457 plans under federal Internal Revenue Code Section 457(d)(1)(C) and any related regulations and accept eligible rollover distributions from other eligible plans as may be permitted under Plan and federal Internal Revenue Code Section 457(e)(16). The Provider shall comply with and administer the reporting requirements of federal IRC Section 457(e)(16)(C). The Provider may require such documentation from the distributing plan as it deems necessary to administer the rollover in accordance with Code Section 402 and shall confirm that the distributing plan is an eligible retirement plan within the meaning set forth in Code Section 402(c)(8)(B). The Provider shall separately account for all eligible rollover distributions from other eligible retirement plans that the Plan accepts,

including separate accounting for rollovers from an eligible deferred compensation plan described in Code Section 457(b) that is maintained by a governmental entity described in Code Section 457(e)(1)(A) and separate accounting for rollovers from all other types of eligible retirement plans.

- J. The Provider shall provide the written explanation required by federal Internal Revenue Code Section 402(f) to participants and beneficiaries receiving distributions from the Plan. The Provider shall ensure that the written explanation required under this paragraph J. is provided within the time established under applicable federal regulations. The Provider must accept an application for benefits received more than 60 days before the requested benefit starting date. The Provider may accept an application for benefits received between 60 days and 30 days before the requested benefit starting date. The Provider shall not accept an application for benefits received less than 30 days before the requested benefit starting date unless the Provider has received a written waiver of the notice timing requirements established under Code section 402(f) and applicable federal regulations.
- K. The Provider shall deliver the appropriate tax reporting form as required under the IRC to all annuitants, separated employees and beneficiaries receiving distributions or other appropriate forms as required by federal and state law.
- L. The Provider shall allow the plan participant to "direct transfer" the participant's account to another provider and to a public sector defined benefit plan eligible to receive such transfers as permitted under the Plan pursuant to federal Internal Revenue Code Section 457(e)(17) after first receiving written consent from the Retirement Board or the Retirement Board's designated representative. All Requests for Transfer must be effected within thirty days after the Request for Transfer is signed by the Retirement Board and mailed to the Provider Contact Person or the Provider Contact Person's designee, or within such earlier time as prescribed by the National Association of Securities Dealers (NASD) Rules of Fair Practice or 15 U.S.C. § 80a-22(e). The Provider's failure to effect a transfer within the time prescribed by the NASD rules or 15 U.S.C. § 80a-22(e) will result in the Retirement Board reporting that violation to the applicable regulatory agency. The Provider's failure to effect a transfer within thirty days after the Request for Transfer is signed by the Retirement Board will require the Provider to pay to the Retirement Board liquidated damages of \$50.00 or .1% of the participant's transferable account balance, whichever is greater, for each day that passes until the transfer is accomplished. The Provider must also provide to the Retirement Board written confirmation within ten days that the transfer was accomplished. The confirmation must include the date of the transfer, the dollar amount of the transfer, and the entity to which you sent the funds. Provider and Retirement Board agree that the amount of damages in the event of a failure to timely effect a transfer is currently difficult to estimate, that the amount of liquidated damages has been reviewed, and that the stated amount is reasonable in light of the additional expense to the Retirement Board in the event of a breach and is not disproportionate to the damages reasonably to be anticipated in the event of a breach. Payment of liquidated damages to the Retirement Board shall not relieve the Provider of any

liability to the participant for the Provider's failure to effect a transfer as required in this paragraph.

- M. The Provider shall provide to the employee a list of all investment options offered by the provider under the program. A list of the options must also be attached to this agreement and updated whenever a new investment product is offered or whenever an existing investment option is discontinued.
- N. The Provider must report annually such information as the Board may require related to the Provider's investment products. In connection with this report, the Provider must also provide a list of fees and distribution options in a format as specified by the Retirement Board.
- O. The Provider understands and agrees that the maintenance of the North Dakota Deferred Compensation Program as an eligible program under section 457 of the Internal Revenue Code is of great importance, and that all of the Provider's functions are subject to a high standard of conduct in order to maintain the program's eligible status. The Provider agrees to indemnify and save and hold harmless the Retirement Board for any loss, damage, claim, or expense arising in connection with any actions taken or omitted by the Provider, specifically including, but not limited to, actions or omissions by the Provider that adversely affect the program's eligible status.
- P. The Provider agrees to abide by the Plan and the Rules adopted and amended from time to time by the Retirement Board for the administration of the Plan. Notice of the amendment of the Plan or Rules will be provided as required by North Dakota law. Additionally, the Provider shall comply in a timely manner with all reasonable direction that the Retirement Board may provide concerning the administration of the deferred compensation program, including any procedures established by the Retirement Board for processing contributions and distributions.
- Q. The Provider shall assume the risk associated with any distribution of participant assets not permitted under the plan or federal law. The Provider making an impermissible distribution must take appropriate corrective action including, but not limited to, restoring the funds to the participant's account, and holding the participant harmless for the unauthorized distribution.
- R. The Provider shall fully inform the participant of all standardized distribution options available from the Provider at the time of enrollment and prior to the participant electing a distribution option.
- S. The Provider must designate a Provider Contact Person who will assume, on behalf of the Provider, all administrative responsibilities associated with this agreement, including serving as liaison between the Retirement Board and the Provider's sales representatives, ensuring that all reports are correctly and timely filed, and serving as the Provider's reference person to handle all dispute resolutions. The Provider Contact Person must be a senior level manager with experience in handling large accounts. The Provider Contact Person or successor

must also serve, on behalf of the Provider, as the Retirement Board's "Employer Appointment of Agent" as set forth under section 3504 of the Internal Revenue Code. The Provider Contact Person, as the Retirement Board's appointed agent, must ensure that a letter request and Form 2678 is sent to the Director of the Internal Revenue Service Center pursuant to Form 2678 and that a copy of the request letter and form is also sent to the Retirement Board.

- T. The Provider hereby acknowledges that to the extent that any other agreements, documents or contracts between the parties (regardless of timing of execution of such agreements, documents or contracts) conflict with any portion of this Agreement, this Agreement will control. Any future agreements that are intended to modify this Agreement must specifically make reference to this provision. The Provider hereby acknowledges that the Retirement Board does not agree to take on any additional responsibilities (fiduciary or otherwise) that are not provided for under this Agreement.

III. Retirement Board's Areas of Responsibility

- A. The Retirement Board must administer a plan under Section 457 of the Internal Revenue Code.
- B. The Retirement Board will direct the participant's employer to make the proper payroll deductions.
- C. The Retirement Board will provide employers with Participant Agreements for salary reduction authorization.
- D. The Retirement Board will provide participants who separate from employment with written documentation to facilitate distribution of their accounts.
- E. The Retirement Board will promulgate rules regarding the administration of the Plan and provide a copy of these rules to the Provider.
- F. The Retirement Board will designate a contact person to serve as the recipient of all communications from the Provider.
- G. The Retirement Board will provide appropriate documentation to Providers regarding when a participant has separated from employment for distribution of benefits in a timely manner.

The Provider Contact Person information is updated to be as follows:

Provider Contact Person – Include name, mailing address, phone number, fax number and email address (please print):

To Retirement Board:

North Dakota Public Employees Retirement System
400 East Broadway, Suite 505
P.O. Box 1657
Bismarck, ND 58502-1657
(701) 328-3900

IN WITNESS WHEREOF, the undersigned have executed this Agreement this ___ day of _____, 20_____.

PROVIDER NAME:

Signature

Date

Name (please print)

RETIREMENT BOARD:

NORTH DAKOTA PUBLIC EMPLOYEES
RETIREMENT SYSTEM BOARD

Signature

Name (please print)

Title

Title

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