

NDPERS BOARD MEETING

Agenda

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

January 21, 2010

Time: 8:30 AM

I. MINUTES

- A. November 18, 2009
- B. December 16, 2009

II. GROUP INSURANCE

- A. BCBS Update – Mr. von Ebers (Information)
- B. Contracts: (Board Action)
 - 1. PBM Audit - Tricast
 - 2. Health Consultant - Deloitte
- C. COBRA Subsidy – Kathy (Information)
- D. Surplus/Affordability Update – Bryan (Information)
- E. Heart of America Contract – Kathy (Board Action)
- F. Sanford Health Plan Representatives (Information)
- G. Retiree Concern – Sparb/Kathy (Information)

III. RETIREMENT

- A. Segal Contract – Sparb (Board Action)
- B. Retiree Health Plan – Sparb (Board Action)
- C. Communication Efforts – Sparb (Information)

IV. FLEX COMP

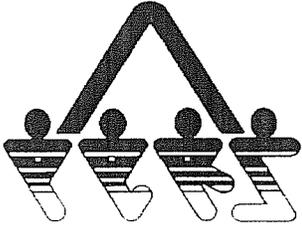
- A. Enrollment Update – Kathy (Information)

V. DEFERRED COMPENSATION – 3RD Qtr. 2009 401(a) and 457 Reports - Information

VI. MISCELLANEOUS

- A. 2010 Business Plan – Sparb (Board Action)
- B. 2009 Comprehensive Annual Financial Report – (Information)
- C. Public Pension Coordinating Council Award – (Information)
- D. IFEBP – Sparb (Board Action)
- E. Quarterly Consultant Fees – (Information)
- F. SIB Agenda
- G. Hardship Withdrawal #2010-001DC – 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.



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Public Employees Retirement System
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Memorandum

TO: PERS Board

FROM: Sparb Collins

DATE: January 11, 2010

SUBJECT: BCBS Update

Mr. Paul von Ebers, Chief Executive Officer of BCBS, will attend the January meeting in Bismarck. He will discuss BCBS efforts as it relates to our previous letters, health care in North Dakota and health care reform.

Attachment #1 is our letter to BCBS from this last spring.
Attachment #2 is the response from Mr. von Ebers.
Attachment #3 is our recent letter sent after our December meeting.
Attachment #4 is Mr. von Ebers recent response.



April 21, 2009

Mr. Dennis Elbert, Chair
BCBSND Board

Mr. Tim Huckle, Interim CEO
BCBSND
4510 13th Avenue SW
Fargo, ND 58121

Thank you for attending our March NDPERS Board meeting. Pursuant to your invitation we are sending this letter. The PERS Board appreciates this opportunity to share its thoughts with the BCBS Board concerning our relationship. In this letter we would like to discuss our expectations and our assessment of BCBS's performance.

Expectations

PERS expectations are:

- 1) Affordable health insurance premiums that increase at a reasonable rate.
- 2) Staff incentives aligned with the needs of the employers/members.
- 3) Quality customer service.
- 4) Effective and affordable program administration.
- 5) PERS investments in BCBS should be matched with results.
- 6) A synergistic partnership.

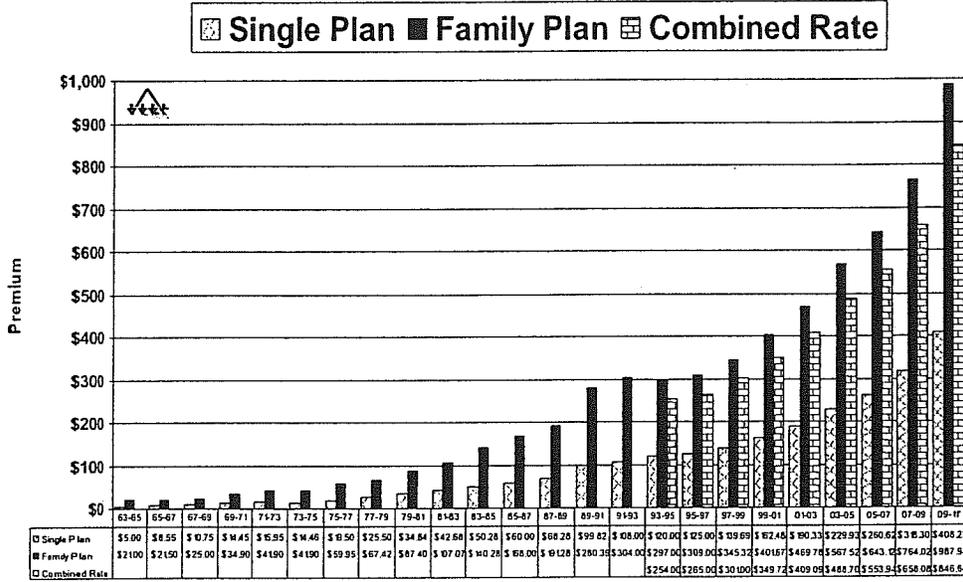
Performance Assessment

The following is our assessment of BCBS's performance as it relates to each expectation.

- 1) **Affordable health insurance premiums that increase at a reasonable rate.**

BCBS has failed in this area in recent years. We would note the following results:

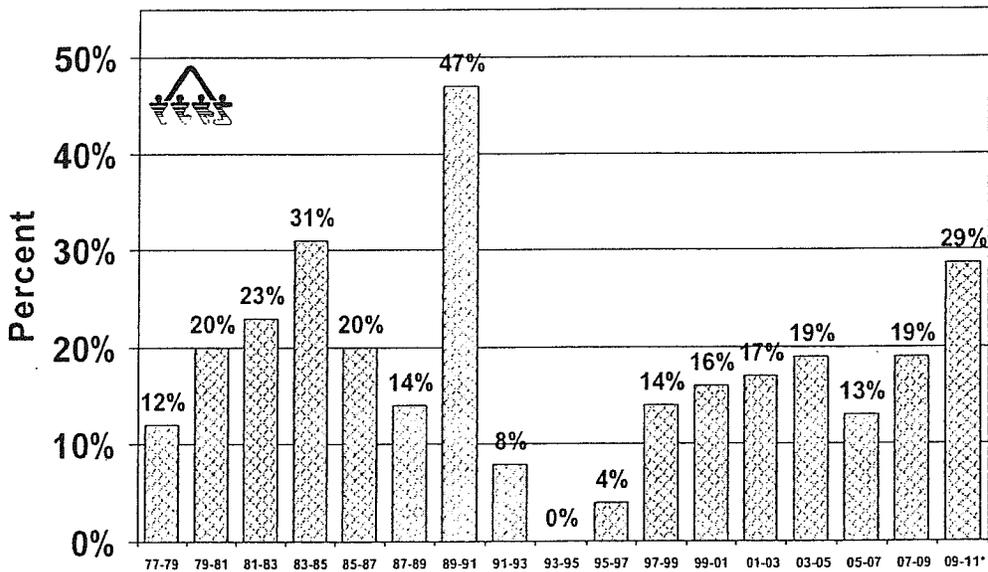
Active State Billed Health Insurance Premium



* - Proposed

State Health Premium Percentage Increase From Previous Biennium

(Excludes Plan Design Changes)

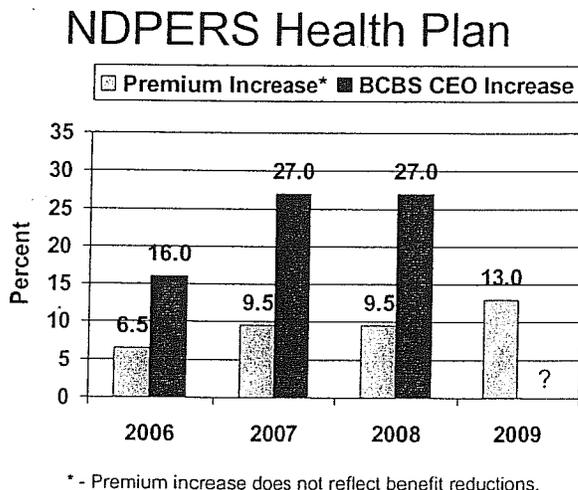


* - Proposed

As the above shows, the rates of increase in the PERS plan have been substantial (77-91 and 96-11). We also note that the coverage provided has decreased substantially – that is deductible's, co-insurance and co-payments have all increased. Clearly these are not reasonable increases. BCBS needs to be more effective in this area.

2) Staff incentives that support affordable health care

BCBS compensation and incentives are not aligned with the members' needs. While there are many reasons for the above increases, we believe that BCBS should align its business' goals, objectives and incentives to providing its clients affordable premiums. We believe this may not be the case. Recently, the Fargo Forum reported that the BCBS board authorized the following compensation increases for the CEO:



As you will also note from the above graph, the PERS health insurance premiums went up 19% in the 2007- 2009 biennium (9.5+9.5). This increase was a serious hardship for our participating employers and members. In addition, benefits were reduced. Finally, the graph shows (as reported by the Fargo Forum) that the BCBS board increased CEO compensation 54% during this same period. We would observe that the performance rewarded by the BCBS board was not providing affordable health coverage to your clients, but rather your organization's success in passing along high premium increases. PERS would suggest that affordable health coverage should be the primary performance reward.

In addition to the above, it was also reported in the Fargo Forum that the BCBS board paid a \$2.2 million severance package as part of its dismissal of its CEO. PERS member premiums contributed to this arrangement (at 15% of your business, it requires

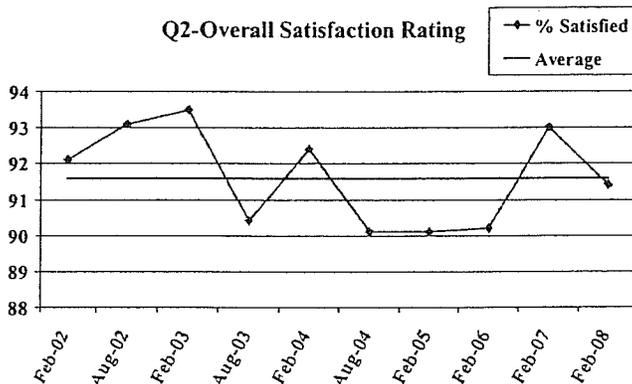
our members to pay on average \$2 in premiums each month for one year to pay this expense). We would note that any personnel action should be a process of clearly defining expectations over time and setting compensation arrangements in a manner consistent with those expectations. If expectations are not met, then compensation and compensation arrangements should be adjusted accordingly. It does not appear that these basic steps were followed since the above and the payout shows a compensation process that rewarded the existing business practices of the organization during the years preceding the dismissal and that were subsequently used as the basis for the dismissal. A sequence of events that appears to be contradictory. If a process as described earlier was followed, BCBS would not have placed its members in the legal position of having to pay out such a substantial sum. We would encourage you to use generally accepted principals so our members are not exposed to such risk in the future and these funds can be allocated to uses directly related to the members needs.

As a result of the above actions, PERS feels there is a significant disconnect between the BCBS board's compensation/incentive system and the needs of PERS and its members. Maintaining affordable health insurance coverage should be the primary goal of BCBS and around which corporate compensation/incentives are built. In so doing, BCBS would align itself with the needs of its clients.

3) Quality customer service

BCBS has successfully met this expectation. PERS regularly reviews the performance of BCBS in meeting our customer's expectations. We would note the following:

NDPERS Member Satisfaction Survey



Clearly your organization has been successful in this area. We would also like to acknowledge the work of the BCBS staff that supports PERS. They are dedicated, hard working and very responsive to our requests and needs.

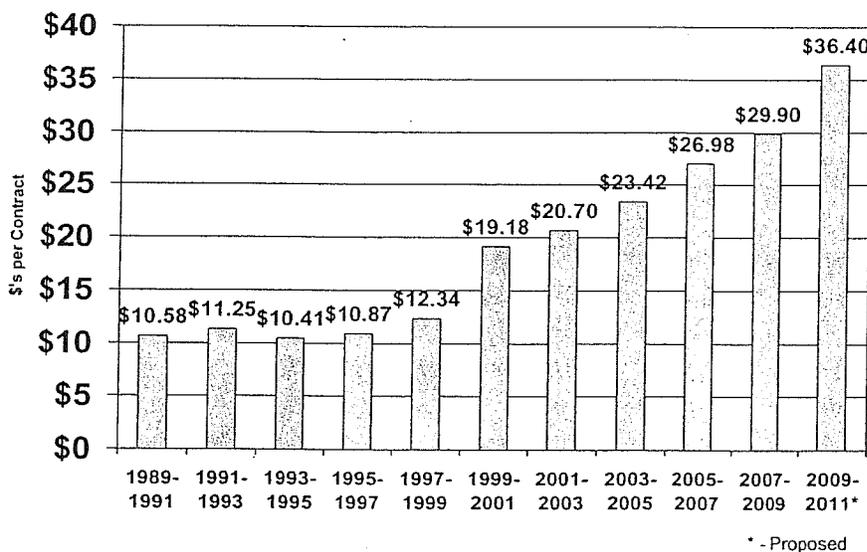
4) Effective and affordable program administration

BCBS has provided effective program administration but PERS administrative costs have been going up at an unsustainable rate.

First of all, PERS believes that BCBS does an effective job in administering the PERS plan. Our review of your claims payment procedures has been positive; your technical capabilities are sound and your recordkeeping accurate. In this regard, BCBS is doing a good job.

Concerning the second area, PERS notes that your organization's administrative fees have grown at a rate equal to or greater than health costs. PERS notes the following history of administrative/retention charges:

BCBS Administration NDPERS Health Plan



This table shows:

- BCBS administrative/retention expenses were stable from 1989-1999.
- Since 1999, BCBS has aggressively increased administrative/retention expenses.

- From 1999 to 2007 administrative/retention expenses have increased 242%.
- As proposed for 2009-2011, BCBS administrative/retention expenses would increase by 21.7%.
- As proposed, the administrative expenses will increase from 1999 to 2009 by 295%.
- PERS has not requested any major new initiatives in terms of workload over the above period.
- Staffing levels assigned to PERS by BCBS have not changed dramatically over any of the above periods.
- HIPAA compliance was paid with earlier increases.

In recognition of the above, the following observations can be drawn:

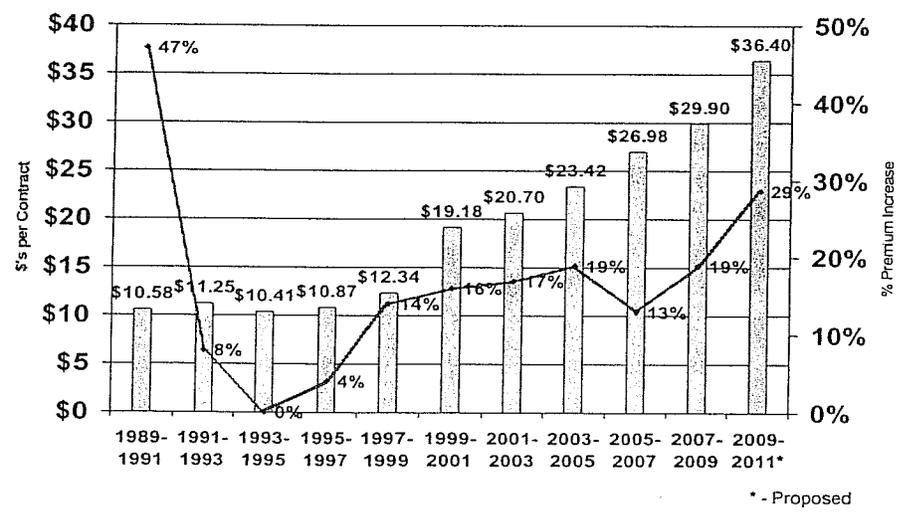
- The BCBS increases have not been based upon workload.
- BCBS appears to be implementing a business decision relating to PERS administrative fees that is unrelated to costs.
- We continue to question where BCBS intends to go with administrative expenses.

Our conclusion is that your administrative fee increases are not sustainable for our participating employers or members, and BCBS needs to address with us its intentions for the future.

5) PERS investments in the BCBS organization should produce results

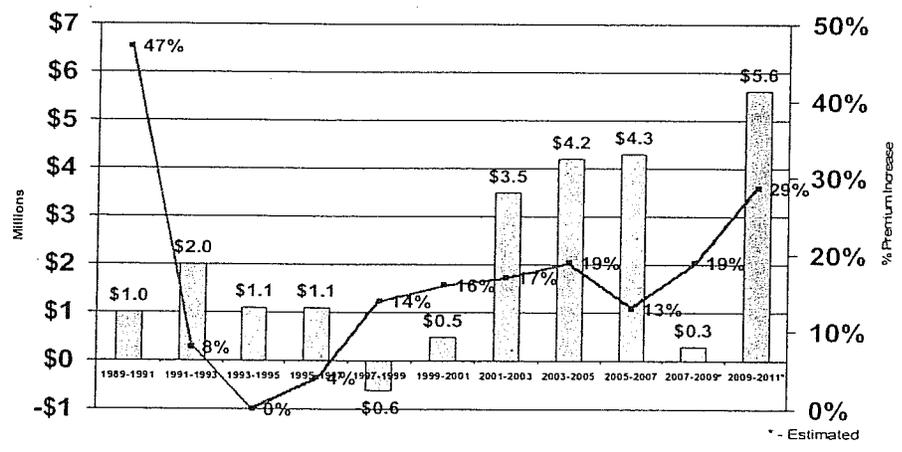
PERS investment in BCBS is not returning a positive result for our members in terms of premiums. PERS has observed the following relationship between our investments in BCBS administrative/retention expenses, gains and premium increases (please note the bars are the administrative expenses and the line is the health premium increase):

BCBS Administration NDPERS Health Plan



BCBS Gain

Includes: Risk Charge, Gain Sharing, Interest, and Losses
 NDPERS Health Plan



The above tables show:

1. That health premiums have increased substantially as we have been asked to invest more in BCBS administration and while your gains on our contract have gone up (2001 to 2008 vs. 1991 to 1998).

2. That the increased investment by PERS in BCBS administrative/retention costs has not resulted in any positive ROI as premiums have continued to rise (2001 to 2008 vs. 1991 to 1998)..
3. BCBS gains or profits appear to increase more dramatically with higher premium increases and in fact the present system seems to reward BCBS with larger gains for large increases in PERS premiums (2001 to 2008 vs. 1991 to 1998).
4. In addition to the above, increases in the coverage or scope of benefits has diminished in the last several biennium's as a result of increased out of pocket costs that were incurred to reduce the increase in premiums.

The following observations can be drawn from the above:

1. It seems there is a negative relationship between PERS investments in BCBS administration/retention and premiums. Specifically, the more PERS pays in administration/retention, results in higher premiums by BCBS rather than lower premiums.
2. Additional investments by PERS in BCBS have yielded no positive ROI in terms of premiums, and in fact it seems to be a negative ROI.
3. It appears that BCBS gains are larger with higher premium increases than lower increases which appear to be creating an incentive for BCBS not to control premium costs.
4. Based upon the above information, BCBS is not as effective at controlling employer costs as it was previously.
5. BCBS does not deliver the value it used to in terms of administrative/retention costs, gains and control of health care premiums.
6. BCBS must reverse this relationship so it is consistent with the employer's and client's needs.

6) A synergistic partnership

While there is synergy in administration, there is little in terms of overall costs.

PERS believes that together we have been able to provide our members sound administration and customer service. We further believe that our administrative resources complement each other and in so doing allow us to provide members services at an enhanced level.

PERS also believes that BCBS is vested with a unique responsibility to provide affordable health premiums. This occurs because your membership represents such a significant percent of the marketplace. PERS participation in BCBS adds to the market presence by adding our 54,000 members. PERS has awarded our business to BCBS

for many reasons. But, one reason is our desire to add our market share to BCBS's market share to provide you more leverage in the marketplace to insure our participating employers and members affordable health premiums with reasonable increases. Our experience does not seem to indicate any sort of synergistic benefit to our members in terms of health premiums or increases. PERS will need to continue to review our approach, and if there is no synergism with this model, we will need to identify and examine other models.

Summary

In summary we find:

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

Based upon the above, BCBS has, in our view, the following strengths:

- 1) You have a very good staff that is very competent, good to work with and are very responsive.
- 2) You deliver good customer service in terms in of responding to questions and to our members' administrative needs.
- 3) Your administrative systems (claims processing, payment, etc) are efficient, accurate and timely.

Your organization is not meeting our needs in the following areas:

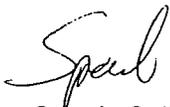
- 1) You are not delivering affordable health care premiums.
- 2) Your rates of increase for premiums are high and unsustainable.
- 3) Your administrative fees are increasing at a rate that is also unsustainable.
- 4) Your organization's incentives do not align with the needs for affordable health care.

We would suggest the following:

- 1) BCBS needs to maintain its strengths in customer service and administration.
- 2) BCBS needs to further align its organizational goals with the needs of its members.
- 3) BCBS needs to align its internal incentives with the members' needs and not just the organization's needs.
- 4) BCBS must direct its organizational resources and market share to insure that its premiums will not increase at the same high rates in the future as they have in the past.

Thank you for providing us this opportunity to share our thoughts with you. We would welcome the opportunity to discuss this further if you so desire.

On behalf of the PERS Board,



Sparb Collins
Executive Director
NDPERS

c: BCBS Board of Directors

BlueCross BlueShield of North Dakota

An independent licensee of the
Blue Cross & Blue Shield Association

November 11, 2009



4510 13th Avenue South
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PAUL VON EBERS
President and
Chief Executive Officer

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NOV 16 2009

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ND PERS

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

Attachment 2

COPY

Dear Mr. Collins:

Thank you for the opportunity to meet with you on October 14 and with the NDPERS Board on October 22. The NDPERS account is very important to Blue Cross Blue Shield of North Dakota and we appreciate the opportunity to serve your members. I am writing to give my commitment to a strong, communicative partnership with you and the North Dakota PERS organization and to specifically address the questions and issues you raised in your April 21, 2009 letter.

First, we appreciate your affirmation of our customer service to your members and organization. We are committed to continue to maintain high standards for the delivery of our services. Please let me know, at any time, if we do not meet your expectations in this area.

Next, I'd like to address specific areas where you indicated we have fallen short of your expectations. I have taken the liberty to group the issues a little differently than they were listed in your letter, but I hope you will find this responsive to each of your points.

- 1) Affordable health insurance premiums that increase at a reasonable rate.

We agree that affordable health insurance premiums and reasonable increases are a central concern of all our customers, including NDPERS. We also agree that the rate of inflation in health insurance premiums has been higher than can be sustained by our customers. We recently paid for a study conducted by the actuarial firm Milliman that compared our premiums with premiums in seven nearby states. This study found that Blue Cross Blue Shield premiums in North Dakota are lower than premiums in other states. While we are happy to have been able to achieve lower premiums for North Dakota, we recognize that the year-after-year increases in premium represent a substantial problem for our customers. We are committed to finding solutions to the long-term inflation rate in health care costs. I would like to explain how we intend to go about this.

The Milliman study also found that BCBSND payment rates are about 19 percent lower than payment rates by private health plans in the nearby states. At the same time, our payment rates are 65 percent higher than payments by Medicare for the same services. Medicare payments in North Dakota are the 48th lowest out of 50 states. At these payment levels, hospitals lose money on every Medicare patient, and it is very difficult to recruit and retain physicians in North Dakota. Due to the importance of Medicare in our state, nearly all hospitals in North Dakota are losing money on patient revenue and most are losing money on total revenue.

Because our payment rates are already low compared to other health plans and because hospitals in the state are in financial trouble, we do not think the solution to the problem of health care costs will come through further cuts in payment levels. Rather, we believe long-term cost control will come from two places:

- a. Best practices in medical care. By this we mean getting the right care at the right time, the first time. North Dakota health care is already higher than average in quality, but we believe quality can still be improved. Improving quality will be the best way to reduce cost on the provider side without endangering the availability of health care services in the state.
- b. Engaging individuals on how to take care of their own health. We know NDPERS is committed to wellness and prevention activities, and we are too.

We are working on both of these fronts now. We have started a conversation with the major integrated health systems in the state about creating a sustainable health system. Characteristics of a sustainable system will be high quality, financially viable health care professionals and institutions and affordable health insurance premiums. The major systems have expressed an interest in finding such a sustainability formula. We will be proposing a collaborative process to work on a North Dakota sustainable health system shortly. We will seek NDPERS' input on this process and would be very happy to have your organization involved in the process. Our current MediQHome is an example of the type of solution that will come from this conversation. We expect to identify more win-win ideas to implement as well.

As you know, we have agreed to fund the wellness position requested by NDPERS. In the next few months, we will also come forward with additional ideas on how to engage NDPERS participants to be more engaged in their own health.

- 2) Effective and affordable program administration.

BCBSND has been justifiably proud of its record as one of the lowest cost health insurers in the country. However, NDPERS is correct that administrative costs should not be increasing at the rate of medical inflation. Blue Cross Blue Shield of North Dakota is committed to year-after-year productivity improvements and other efficiency gains. We are in the process of developing metrics on efficiency and will report back to NDPERS on our efforts on this issue. Any new programs that involve increased administrative costs will be proposed to NDPERS on the basis of a mutually agreed on ROI. We will also report on new regulatory requirements that may add to costs, and we will tell how we are working to use regulatory changes as opportunities to improve efficiency wherever possible.

- 3) NDPERS' investments in BCBSND should be matched with results.

We agree and will work with NDPERS to reach mutual agreement on goals for medical cost, administrative efficiency and high-quality service.

- 4) Staff incentives aligned with the needs of employers/members.

We agree. We will be redesigning management and staff incentive programs with goals related

to affordable premiums and effective and affordable program administration. As we draft new incentive programs, we will share these with NDPERS for input as a valued customer.

5) Quality customer service.

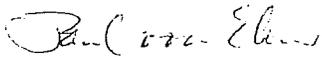
We are glad NDPERS is pleased with current service levels, but we will continue to bring new ideas to the table to further improve service.

6) A synergistic relationship.

We agree. We commit to both listening and responding to NDPERS issues, concerns and ideas and also to bringing creative ideas to the table for discussion and mutual agreement.

In closing, I would like to reiterate how much we value your business. We fully recognize that your comments and feedback will make us a better company delivering more value for our members. I sincerely invite you to contact me at any time. Thank you.

Respectfully yours,



Paul von Ebers
President and CEO



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

Attachment 3

Sparb Collins
Executive Director
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1-800-803-7377

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December 29, 2009

Mr. Paul von Ebers
President and CEO
Blue Cross Blue Shield
4510 13th Ave SW
Fargo ND 58121-0001

Thank you for your letter of Nov 11th. The PERS Board reviewed and discussed your response at its December Board meeting. We appreciated your commitment to move forward on each of the following areas:

- 1) Affordable health insurance premiums that increase at a reasonable rate.
- 2) Staff incentives aligned with the needs of the employers/members.
- 3) Quality customer service.
- 4) Effective and affordable program administration.
- 5) PERS investments in BCBS should be matched with results.
- 6) A synergistic partnership.

However, the Board noted that it has been almost 9 months since it wrote to the BCBS Board. While we welcomed your recent commitment, we have not observed a similar commitment by the BCBS Board in the form of any communication with PERS, development of new programs, statements to pursue any of the above initiatives or even an acknowledgement that they have merit or importance. The PERS Board also noted that we start our upcoming bid process for the 2011-2017 period in just a few months. In fact, in only 6 more months we will be asking for premium offers for the 2011-2013 biennium. The PERS Board found itself still struggling to understand how BCBS can make sure in the short time remaining that the unsustainable rate increases experienced during the last several bienniums will not be replicated.

PERS recognizes that accomplishing the above efforts is a major challenge for BCBS and it is possible that we do not fully understand what the BCBS Board has done in the last nine months to respond. Therefore, the PERS Board looks forward to hearing from you regarding what specific steps the BCBS Board has considered, initiated and is planning to initiate.

Mr. von Ebers
Page 2
December 29, 2009

We would also like you to address how we can improve communications between the PERS Board and the BCBS Board. Enhanced communication could help shorten the time between identification of issues and implementation of programs.

At its last meeting the PERS Board also started its planning process for the next bid solicitation. While we are asking BCBS to meet the above expectations, we recognize that we also need to review how our current process and existing business methods facilitate the above expectations. If you have any comments on our bid process, we would welcome your suggestions and observations. We recognize that we both face sizable challenges in the next year to make sure that the people we serve get increased value for their investment and that we do not continue to ask them for unaffordable premium increases.

I would again like to take this opportunity to note the great effort your staff is putting forth. While they have always gone the extra mile, they have even stepped up to a higher level since this last spring. You and the BCBS Board have much to be proud of relating to all they do for us and our members. They are truly your greatest asset and we feel confident that if they are given the necessary support and resources they have the expertise to develop the methods to get all of the above accomplished.

The PERS Board appreciates your response and looks forward to our upcoming meeting.

Sparb Collins
Executive Director

c: Mr. Dennis Elbert, BCBSND Board Chair

BlueCross BlueShield of North Dakota

*An independent licensee of the
Blue Cross & Blue Shield Association*



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PAUL VON EBERS
President and
Chief Executive Officer

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January 8, 2010

Attachment 4

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JAN 12 2010

ND PERS

Mr. Sparb Collins
Executive Director
North Dakota Public Employee Retirement System
400 East Broadway, Suite 505
PO Box 1657
Bismarck, ND 58502-1657

Dear Mr. Collins:

I have received your letter dated December 29, 2009, regarding recent NDPERS board discussions and observations of BCBSND performance. Your feedback is essential to our success in meeting the expectations of you and your board. Thank you for your continued efforts to strengthen the relationship between our organizations.

I've taken the liberty of summarizing the key points in your letter to ensure we are addressing these issues directly and in a timely manner.

First, there is a need to improve communication at the board of directors level of our respective organizations as currently a gap exists in terms of what is being expected of BCBSND and what is being done to meet these expectations. In short, you are concerned about increases in health care costs, its impact on insurance costs, and what can be done to better manage this inflation.

Secondly, establishing a more direct means to communicate on these important issues would allow each governing body to better understand the issues, and more importantly, what is being done at the governance, policymaking and finance levels of this organization to ensure initiatives are in place to achieve NDPERS's desired results.

And lastly, as the NDPERS board and staff are already working on the upcoming RFP, and the importance of this RFP in containing costs during the next six-year contract period, NDPERS is looking to review the current RFP process and existing business methods and would welcome any comments or suggestions from us regarding this process.

As a result of my conversation with Dennis Elbert, past chairman, and new chairman of the board, Bob Lamp, Bob and I offer to arrange a meeting with you and the NDPERS board. We could look to schedule such a meeting to coincide with one of your regularly scheduled meetings.

This meeting would allow each board the opportunity to better understand the expectations, issues and in our case, the business plan in place to address your concerns, and those of your board. If the meeting were held in Fargo, we could arrange a tour of our facility as part of the agenda to allow your board members a firsthand look at our operations. Sparb, you and I also discussed other methods of ongoing communication between our respective boards. I will discuss these various ideas with our board and get back to you about them.

Attached is a summary of several cost-containment initiatives currently in place. We have several other programs being discussed which have short-term and long-term implications for containing costs. These topics could serve as a starting point for discussions between our boards.

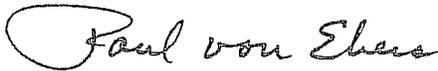
At the January NDPERS board meeting I will provide updates on actions taken regarding short-term and long-term ideas to control health care costs, 2010 budget, revisions to the executive compensation philosophy and other activities designed to contain administrative costs or align incentives with member needs.

With regard to suggestions on the RFP process, I have asked executive staff for their thoughts and will reply with our input in the near future.

I appreciate reading the comments on the high level of service being delivered to you, your staff and all NDPERS members. It is gratifying to know this level of service is recognized and appreciated.

Please let me know when I can be of further service too.

Respectfully yours,



Paul von Ebers
President and CEO

cc: Robert Lamp, BCBSND Board Chair
Dennis Elbert, BCBSND past Board Chair
Jon Strinden, NDPERS Board Chair

Attachment

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JAN 12 2010

ND PERS

Cost Containment Programs

Current Programs:

Medical & Disease Management

Case Management: The Case Management team, consisting of Registered Nurses, conducts assessments of a member's needs through on-site visits, telephone interviews and analysis of reports to determine if a member could benefit from case management intervention. Case managers help members to obtain effective alternative health care solutions that are medically appropriate and necessary.

Utilization Management: Utilization Management processes are designed to evaluate the medical necessity and appropriateness of services before treatment is initiated. Five of these activities are discussed below.

- **Pre-authorizations:** Registered Nurses complete reviews for the services that require pre-authorizations in accordance with established clinical criteria.
- **Concurrent Review/Discharge Planning:** Concurrent review may be conducted to ensure that ongoing treatment is appropriate and includes discharge planning.
- **Prior approvals:** In addition to pre-authorizations for admissions, approximately 20 services or procedures require pre-notification to assess for medical necessity and appropriateness. We define this as Prior Approval.
- **Benefit Inquiries:** The Medical Management staff provides assistance to members and health care providers with benefit coverage determinations.
- **Therapy Review Process:** BCBSND has Therapy Consultants for Occupational Therapy, Physical Therapy and Speech Therapy. These Consultants review therapy requests for medical necessity and collaborate with the providers to assist with the ongoing care of the member.

Disease Management Programs: These programs are designed to proactively manage a targeted population for a particular disease or condition in the least expensive and most clinically effective way. BCBSND's Disease Management programs encompass all aspects of care while placing heavy emphasis on prevention of complications and maintenance of health status for that condition. The program encourages the use of clinically proven treatment modalities instituted as early as practical in a member's course of disease.

- **North Dakota Diabetes Provider Awareness Program:** In collaboration with the N.D. Department of Health, BCBSND established the North Dakota Diabetes Provider Awareness Program. The program was designed to improve clinical outcomes for members with diabetes by encouraging regular diabetes office visits and testing.
- **MediQHome—Patient Centered Medical Home (PCMH):** Chronic diseases, such as diabetes, obesity, hypertension and coronary artery disease dominate as the morbidity drivers in health care. These diseases are also the most costly and have the biggest influence on long-term health care costs when managed effectively. The program also monitors screenings and pediatric/adult immunizations.

The Patient Centered Medical Home (PCMH) is a model of a physician practice that emphasizes readily accessible, comprehensive, coordinated care, and active involvement of the patient and family in health care access and outcomes.

- **Prenatal Plus Program:** Prenatal Plus is a voluntary screening program that identifies high-risk pregnancies and provides education and support to pregnant members.
- **Cough and Cold / Acute Otitis Media (AOM) Kits:** Doctor visits for earache and cold and flu symptoms often do not require an antibiotic prescription to resolve. The growing rates of microbial resistance means unneeded antibiotics pose health risks. BCBSND supplies participating providers with both Cough and Cold and Acute Otitis Media (AOM) Kits. The kits contain symptom relievers and educational materials on inappropriate antibiotic prescribing.

Quality Assurance Initiatives and Reporting: BCBSND Quality Management Program is designed to monitor the quality and appropriateness of care provided to its members. As part of this program, processes are in place to monitor and measure the practice patterns of health care providers. When significant variance in practice patterns from the norm are observed, BCBSND initiates measures to evaluate this behavior to ensure that our members receive medically necessary and appropriate care within accepted professional standards. The following are areas of reporting and mechanisms to ensure that these goals are met:

- **Fraud Detection:** The quality management program works closely with the BCBSND fraud/compliance department. As complaints arise regarding providers, these concerns are addressed and investigated by the quality management team. Often provider profiling, written correspondence and documentation requests are employed.
- **Corrective Action Plans:** BCBSND's quality management program strives to have a working, cooperative relationship with providers. When practice and billing patterns do not fall in line with BCBSND's standards, more formal corrective action plan (CAP) processes may be implemented.
- **Provider Profiling and Reporting:** As quality of care or quality of service concerns arise, the quality management program works directly with BCBSND's department of health informatics to profile a provider's practice in relation to their peers. Provider profiles include case mix index scores (complexity of patients) and performance mix index scores (cost of services), services per member, visits per member, costs, top diagnoses, top procedures, etc. These results are then compared to the provider's established peer group.

Provider reporting is a method of sharing physician and network utilization data for educational and trending purposes. Reports are individualized for each provider and contain comparative peer data.

Wellness Programs: BCBSND's wellness programs can help members meet their personal goals by providing customized wellness plans, informative resources and assistance in paying their health club fees—all designed to teach them how to make more informed choices about their health. The MyHealthCenter and Health Club Credit programs provide members the opportunity to earn up to \$250 in incentives. Spouses who are 18 or older and covered by your BCBSND health plan are also eligible to participate. BCBSND has tailored the MyHealthCenter program by developing a process for points to be earned by members participating in the NDPERS employer based wellness programs, as well as for NDPERS wellness coordinators for their efforts.

MyHealthCenter: MyHealthCenter, an online health tool, can help members reach their personal health goals, whether they want to lose weight, quit smoking, run a marathon or simply eat healthier. Through interaction on the MyHealthCenter web site, members will receive points redeemable for a variety of prizes. Below is a sample of the programs features:

- Health Assessment. Brief questionnaire taken annually helps define your current health status and identify your risk factors
- Get Fit. Customized exercise plan
- Eat Fit. Interactive meal-planning tools
- Live Fit. Life skills to help relieve stress and anxiety
- Family Fit. Interactive plans to engage kids in healthful behaviors
- QuitNet[®]. Online smoking cessation program
- Rewards. Earn valuable incentives and prizes for wellness program participation

Health Club Credit: BCBSND has partnered with the National Independent Health Club Association (NIHCA), a non-profit organization that represents independently owned health centers across the nation, to administer this program. Each eligible member can earn up to a \$20 health club credit per month when each member exercises at an NIHCA-affiliated health club 12 or more days out of the month.

Member Education and Engagement: The Member Education and Engagement Programs continue to be successful tools to provide knowledge, empower, and encourage members to live healthier lives and reduce their health care costs. Member engagement program are available for the Health Club Credit and MyHealthCenter programs previously mentioned to better engage your employees. The Member Education Consultants also have the following education programs available:

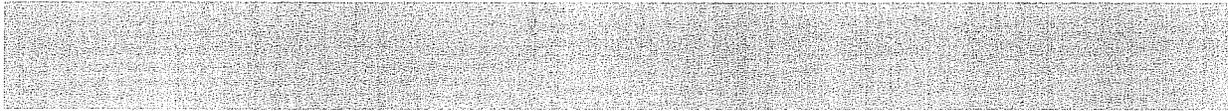
- **Take Care of Yourself:** Sometimes it's hard to know how concerned to be about a burn, neck pain or a cough. Member Education can help by providing each participant with a copy of the Take Care of Yourself book. This health reference book does not promote do-it-yourself surgery, but the book's easy to use "decision charts" quickly show how to treat many medical problems at home and, more importantly, help determine when to seek medical care.
- **Walking Works:** To encourage your employees to live healthier lives, BCBSND has a walking program called Walking Works. Research shows walking more each day can reduce the risk of developing heart disease, diabetes, cancer and other health problems. Walking Works encourages members to walk more by explaining the healthy benefits and providing tips on how to get started. Every member who participates in Walking Works receives a free pedometer to help them start counting steps.
- **Strength Training:** According to the Centers for Disease Control and Prevention, a combination of aerobic exercise, such as walking, swimming or riding bike, and strength training can have a "profound impact" on your health. Member Education consultants provide a long list of health benefits, and show your employees how they can work all of their muscle groups using a simple tube. When they participate in BCBSND's Strength Training Program, they receive a resistance tube that they can use at home or easily throw in a suitcase when they are traveling.

- **Beat the Bug:** Your employees don't have to spend the winter sniffing and coughing. BCBSND's Beat the Bug Program covers how employees can reduce the number of viral infections they pick up during cold and flu season, how to make themselves more comfortable if they do get sick, when to see a doctor and what they can do to prevent antibiotic resistance. Each participant receives a thermal cup filled with items, such as tissue, tea and hand sanitizer, to help them through cold and flu season.
- **Summer Safety:** Summer is time for fun in the sun but we also need to be safe. Learn important information on skin cancer, West Nile Virus and other summer-related activities. Each participant will receive a water bottle filled with items such as sunscreen and insect repellent wipes.
- **Stress Management:** Stress is a word that has a negative connotation but it's important to remember that some stress in our lives is actually good. With this program, learn about the differences and what you can do to stay motivated and not get overwhelmed with life's everyday stressors. Each participant receives a massager.

Group Communication Materials: As part of our Member Education programming, BCBSND offers you a monthly set of Group Communications Materials designed to provide your employees with timely, practical and relevant information on a variety of health-related topics. We've sorted through the clutter, confusion and conflicting information to present your employees with facts and figures on everything from child safety seats to secondhand smoke. Each set of materials may include posters, table tents, brochures and a newsletter article.

Prescription Drugs: BCBSND utilizes a Pharmacy Benefit Manager (PBM) to administer its prescription drug program. BCBSND provides employer groups with the unique advantage of medical and pharmacy benefit managers working together in ways that a typical "carve-out" program does not afford. We work with our pharmacy benefits manager, Prime Therapeutics LLC (Prime), to deliver a pharmacy program that is innovative and offers streamlined administrative support with considerable financial and administrative value. The BCBSND and Prime offering includes a full spectrum of PBM products and services. We work consultatively with you to evaluate and implement the benefit designs and pharmacy programs that most effectively meet your unique business needs.

- **Clinical programs:** Comprehensive clinical programs include concurrent Drug Utilization Review (DUR), retrospective DUR, prior authorization, step therapy, and quantity limits programs.
- **Mail Order:** Competitive discounts on brand-name and generic drugs with no dispensing fees.
- **Drug Formulary:** A drug formulary is a list of preferred prescription drugs chosen by a Pharmacy and Therapeutics Committee on the basis of quality and cost-effectiveness. Drugs are selected for the formulary based on safety, efficacy, side effects, ease of use, potential for interactions and cost-effectiveness.
- **Generic Programs:** The company reinforces the value of generic medications through provider and member education programs. During company-hosted provider and member education programs, pharmacists discuss generic drug options for treating various disease states. The generic toolkit offers employer groups messaging on the value of generic drugs in various mediums.

- 
- Academic Detailing: BCBSND pharmacists perform academic detailing addressing aberrant prescribing patterns. Two new programs include “Recent Findings of Hyperlipidemia Treatment Trials” and “NSAID Prescribing and Cardiovascular Disease.” Other programs target generic drug utilization and antibiotic resistance. The programs carry accreditation for continuing education and are delivered at the clinic sites of BCBSND network providers.
 - Administration of Member Rebate Accounts.

NDPERS Specific Programs:

- **NDPERS Wellness Benefit Program:** NDPERS has an employer based wellness program they offer state agencies. BCBSND is represented on the wellness committee to review applications for this program and also administers the reimbursement processes from the NDPERS cash reserve account.
- **Pharmacy Disease Management Program:** This diabetes disease management program established through the enactment of House Bill 1433 started in July of 2008. BCBSND provides promotional support, reporting and payment processes from the NDPERS cash reserve account for this program.
- **Tobacco Cessation Program:** Over the past several bienniums, NDPERS and BCBSND have submitted applications for grant dollars for a state employees and dependents tobacco cessation program. BCBSND provides administrative support for this program and requests reimbursement from the grant through the Department of Health.
- **Medicare Part D:** A group Medicare Part D retiree pharmacy product with a NDPERS specific benefit design was implemented for the group in 2006.

Upcoming Programs:

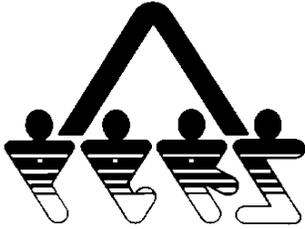
Wellness Specialist Position: We are currently in the process of filling this position, which has been jointly funded by NDPERS and BCBSND. The overall goal of this position is to improve the health status of employees and employers within NDPERS by implementing and supporting comprehensive worksite wellness methods and activities with NDPERS employers.

Possible Short Term Enhancements or Programs to contain costs:

- We will be discussing strategic pharmacy approaches with NDPERS staff on January 14 including network management, mail order, generics and formulary options.
- Wellness program enhancements

Longer Range Options to contain costs:

- Expansion of MediQHome program
- Benefit design options encouraging members engaging in their health care



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

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

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

Memorandum

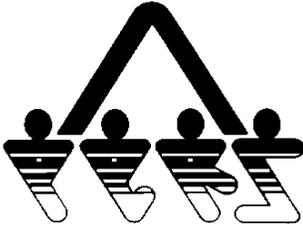
TO: PERS Board
FROM: Sparb Collins
DATE: January 13, 2010
SUBJECT: CONTRACTS

Attached is a contract for your final consideration and approval. It is with Deloitte for the fee for service work for the group insurance program. Deloitte is the firm selected at the last meeting. Aaron and staff have reviewed the contract and find it acceptable.

We are working on finalizing the contract with TriCast, the PBM firm selected at the last meeting to do the audit of Prime Therapeutics. If we receive the contract prior to the Board meeting, we will send it to you.

Board Action Requested

Approve the attached contracts.



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Memorandum

TO: NDPERS Board

FROM: Kathy

DATE: January 13, 2010

SUBJECT: COBRA Premium Subsidy Extended

On December 19, 2009, the Department of Defense Appropriations Act for fiscal year 2010 was signed into law. The act extends the COBRA premium assistance subsidy that was initially passed in February 2009 as part of the American Recovery and Reinvestment Act (ARRA). The ARRA provided for a 65% reduction in COBRA premiums for certain Assistance Eligible Individuals (AEIs) for up to 9 months if the involuntary termination and COBRA continuation start date occurred by December 31, 2009. The new law provides for the following:

- Extends the period during which individuals may qualify for the subsidy to February 28, 2010.
- Extends the length of the subsidy to a maximum of 15 months or the end of the COBRA qualifying period, whichever occurs first.
- AEIs who have exhausted the initial 9 months of subsidy (generally beginning in November) and dropped their COBRA coverage, are entitled to reinstate that coverage, receive the additional 6 months of subsidy, and allowed an extension on the premium due date to pay their December premium.
- AEIs that exhausted their initial 9-month subsidy period and continued their COBRA coverage by paying the full premium will receive a credit for those months and are entitled to the additional 6 months of subsidy.

Staff is presently working to implement the new provisions. Notice of the extension was sent to all participating employers the week of January 4th and staff is modifying our administrative procedures to comply with the act.



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M E M O R A N D U M

TO: NDPERS BOARD
SPARB COLLINS, NDPERS

FROM: *BTR*
BRYAN T. REINHARDT

DATE: December 18, 2009

SUBJECT: GROUP MEDICAL PLAN - SURPLUS/AFFORDABILITY UPDATE

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

Premium sent to BCBS in July 2009 was \$17,331,488. In 2007 it was \$13,406,858 and in July 2005 it was \$10,853,370. There are now 25,358 contracts on the NDPERS Health Plan, covering 56,000 over people.

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

The projection for the 2007 - 2009 biennium shows a loss of \$3.76 million. The plan is fully insured by BCBS, so the June 30, 2009 NDPERS estimated gain/loss is \$0.

\$3.0 million of the NDPERS cash was deposited for the 2009-2011 biennium. NDPERS still has about \$3.1 million on deposit at BCBS and another \$4.0 million at the SIB.

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

NDPERS - ESTIMATED SURPLUS PROJECTION: 2007-2009 BIENNIUM

November, 2009

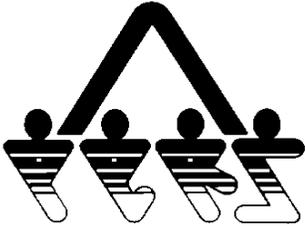
The following exhibit summarizes the estimated surplus for the NDPERS group medical plan at the end of the 2007-2009 biennium. The estimate has been updated to include account activity through November, 2009.

1) Preliminary Underwriting Gain/Loss for the 2007-2009 Biennium		(\$3,762,800)
2) Wellness Program Expenses		\$0
3) Estimated Underwriting Gain/Loss for the 2007-2009 Biennium		(\$3,762,800)
4) Projected Interest Accumulation (adjusted for usage as premium)		\$0
5) Refunds and Settlements		
11/30/07 Perform Rebate	(Included as claim rebates)	\$340,034
02/29/08 Perform Rebate	(Included as claim rebates)	\$385,151
05/31/08 Perform Rebate	(Included as claim rebates)	\$328,973
08/31/08 Perform Rebate	(Included as claim rebates)	\$354,915
11/31/08 Perform Rebate	(Included as claim rebates)	\$395,601
02/28/09 Perform Rebate	(Included as claim rebates)	\$270,464
05/31/09 Perform Rebate	(Included as claim rebates)	\$257,188
08/31/09 Perform Rebate	(Included as claim rebates)	\$317,883
EPO Settlement Payments 7/07 - 6/08	(No target settlements)	\$0
6) Total Estimated Surplus Held by BCBS		(\$3,762,800)
7) BCBS Portion of Surplus (Half upto \$1,500,000)		\$0
8) PERS Portion of Surplus Held by BCBS		(\$3,762,800)
9) Cash Reserve Account Balance		\$0
Future Contributions:		\$0
Future Interest:		\$0
Total		\$0
10) NDPERS Wellness Accounts		
My Health Connection		\$0
Employer Based Wellness		\$0
Wellness Benefit Program		\$0
SubTotal		\$0
Total Adjusted for Usage		\$0
11) Total Estimated Funds Available to PERS on June 30, 2009		\$0

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

MONTH	PREMIUM COLLECTED	PREMIUM ADJUSTMENT	TOTAL PREMIUM INCOME	ADMIN EXPENSE \$29.90/Con	NET PREMIUM	INTEREST ON CASH	CLAIMS INCURRED & PAID TO DATE	ESTIMATED IBNR CLAIMS	TOTAL INCURRED CLAIMS(1)	ESTIMATED GAIN / LOSS
Jul-07	\$13,406,857	\$0	\$13,406,857	\$725,404	\$12,681,453	\$0	\$11,185,517	\$0	\$11,185,517	\$1,495,936
Aug-07	\$13,465,027	\$308	\$13,465,336	\$728,334	\$12,737,002	\$8,720	\$12,181,298	\$0	\$12,181,298	\$564,424
Sep-07	\$13,608,834	\$6,878	\$13,615,713	\$736,018	\$12,879,695	\$32,149	\$10,960,996	\$0	\$10,960,996	\$1,950,848
Oct-07	\$13,577,219	\$7,321	\$13,584,540	\$734,822	\$12,849,718	\$44,159	\$13,060,505	\$0	\$13,060,505	(\$166,628)
Nov-07	\$13,584,631	(\$6,547)	\$13,578,084	\$735,480	\$12,842,604	\$38,392	\$13,207,645	\$0	\$13,207,645	(\$326,649)
Dec-07	\$13,568,728	\$5,601	\$13,574,329	\$734,553	\$12,839,776	\$40,841	\$12,535,984	\$0	\$12,535,984	\$344,633
Jan-08	\$13,582,515	\$3,071	\$13,585,586	\$735,121	\$12,850,465	\$39,733	\$13,721,083	\$0	\$13,721,083	(\$830,885)
Feb-08	\$13,622,093	\$1,733	\$13,623,826	\$737,155	\$12,886,671	\$33,024	\$12,292,143	\$0	\$12,292,143	\$627,552
Mar-08	\$13,620,486	(\$2,685)	\$13,617,801	\$737,125	\$12,880,676	\$25,258	\$13,292,687	\$0	\$13,292,687	(\$386,753)
Apr-08	\$13,626,826	\$1,915	\$13,628,741	\$738,171	\$12,890,570	\$21,216	\$13,325,590	\$0	\$13,325,590	(\$413,804)
May-08	\$13,623,071	\$1,798	\$13,624,869	\$737,992	\$12,886,877	\$17,341	\$12,684,390	\$0	\$12,684,390	\$219,828
Jun-08	\$13,644,570	(\$2,237)	\$13,642,333	\$739,128	\$12,903,205	\$27,130	\$12,851,927	\$0	\$12,851,927	\$78,408
Jul-08	\$13,611,228	(\$4,554)	\$13,606,675	\$737,693	\$12,868,982	\$33,409	\$13,901,671	\$0	\$13,901,671	(\$999,281)
Aug-08	\$13,622,766	\$25,091	\$13,647,857	\$738,052	\$12,909,805	\$29,181	\$13,007,692	\$0	\$13,007,692	(\$68,706)
Sep-08	\$13,750,651	\$3,180	\$13,753,831	\$745,168	\$13,008,663	\$29,890	\$13,063,150	\$0	\$13,063,150	(\$24,597)
Oct-08	\$13,718,593	\$26,952	\$13,745,546	\$744,480	\$13,001,065	\$21,426	\$14,962,468	\$0	\$14,962,468	(\$1,939,976)
Nov-08	\$13,728,459	\$9,639	\$13,738,098	\$745,497	\$12,992,601	\$19,221	\$12,632,601	\$0	\$12,632,601	\$379,222
Dec-08	\$13,733,851	\$566	\$13,734,417	\$745,557	\$12,988,860	\$13,638	\$15,480,072	\$0	\$15,480,072	(\$2,477,573)
Jan-09	\$13,810,474	(\$5,691)	\$13,804,783	\$749,862	\$13,054,921	\$9,258	\$12,284,623	\$0	\$12,284,623	\$779,556
Feb-09	\$13,811,340	(\$5,048)	\$13,806,292	\$749,952	\$13,056,340	\$6,142	\$11,951,750	\$0	\$11,951,750	\$1,110,733
Mar-09	\$13,815,272	(\$6,974)	\$13,808,298	\$749,892	\$13,058,406	\$7,663	\$13,534,320	\$30,000	\$13,564,320	(\$498,251)
Apr-09	\$13,843,570	(\$6,718)	\$13,836,852	\$751,417	\$13,085,435	\$7,498	\$14,447,082	\$280,000	\$14,727,082	(\$1,634,148)
May-09	\$13,823,863	\$30,694	\$13,854,557	\$751,327	\$13,103,229	\$7,229	\$13,981,452	\$290,000	\$14,271,452	(\$1,160,994)
Jun-09	\$13,854,872	(\$7,670)	\$13,847,202	\$752,344	\$13,094,858	\$19,787	\$13,100,296	\$400,000	\$13,500,296	(\$385,651)
BIENNIAL										
TOTAL	\$328,055,797	\$76,623	\$328,132,421	\$17,780,542	\$310,351,879	\$532,306	\$313,646,942	\$1,000,000	\$314,646,942	(\$3,762,757)

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



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Memorandum

TO: NDPERS Board

FROM: Kathy

DATE: January 13, 2010

SUBJECT: Heart of America Health Plan

Attached is the request from Heart of America Health Plan in Rugby to continue to offer its health plan to state employees in its Rugby service area. The term of this renewal is from July 1, 2010 through June 30, 2011. The new rates are included in the materials provided by Heart of America. The premiums for all coverage levels and plan options increased by approximately 4.7% over the previous year. All other required information is attached and appears to be in order. The State Insurance Department has indicated that it has not received any inquiries or appeals on Heart of America over the past year. The following outlines the current enrollment in the plan:

Last year the Board approved the plan for the Rugby service area.

Rolette County Contracts
2 Single

Game & Fish
1 SPD

Pierce County Contracts
2 Single
1 Family

BOARD ACTION REQUESTED

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



810 S. Main, Rugby, ND 58368
(701) 776-5848 or 800-525-5661

RECEIVED
JAN 04 2010
ND PERS

December 31, 2009

Sparb Collins
North Dakota Public Employees Retirement System
Box 1657
Bismarck, ND 58502

RE: Request to offer Heart of America Health Plan membership
to qualified North Dakota Public Employees

Dear Mr. Collins,

The Heart of America Health Plan is requesting its continued participation in the North Dakota Public Employees Retirement System. We are asking for the continued participation for eligible employees living in the Rugby service area. We are also enclosing the following information in compliance with Article 71-03-02 of the NDCC 54-52-1.

1. Copy of Certificate of Authority issued by the ND Commissioner of Insurance
2. Copy from the Secretary of Health and Human Services that shows Heart of America Health Plan is a federally qualified HMO
3. Rate sheets for 2010
4. Financial statements for Heart of America Health Plan
5. Benefit grids for Rugby service area plans (High, Low & Share Option)
6. Provider directory for the Rugby service area

In addition, Heart of America Health Plan agrees to hold open enrollment coinciding with the dates the board holds open enrollment for the program.

As in the past, we are submitting this information to assure our continued participation with NDPERS as a health carrier for our Rugby service area. Please consider this at your next meeting and let us know if any further information is needed. Thank you for your consideration of our request.

Sincerely,

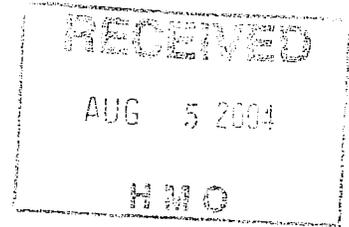
A handwritten signature in cursive script that reads "Mary Ann Jaeger".

Mary Ann Jaeger
Executive Director

Encl:

CC: Kathy Allen

STATE OF NORTH DAKOTA
Department of Insurance



Certificate of Authority

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

Accident & Health

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

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

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

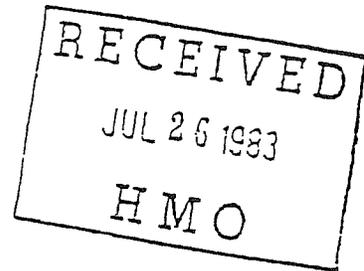
In Witness Whereof, I have hereunto set my hand at the City of Bismarck on August 1, 2004.

JIM POOLMAN



COMMISSIONER OF INSURANCE

July 22, 1983



Mr. Kenneth L. Ulmer
Executive Director
Heart of America Health Maintenance
Organization
Human Service Center
Rugby, North Dakota 58368

Dear Mr. Ulmer:

We are pleased to inform you that Heart of America Health Maintenance Organization meets the requirements of an operational group model qualified health maintenance organization in accordance with Title XIII of the Public Health Service Act and 42 CFR 110.603. This finding is based on a review of the qualification application, other submissions to the Department and on-site inspections. The service area shown in the enclosure has been approved.

Qualification will be effective on the date of the signature on the enclosed assurance document by which the HMO agrees to continue to abide by the requirements of the Act and applicable regulations. To assist us in verifying continued compliance with the requirements of the Act, Heart of America Health Maintenance Organization must comply with the National Data Reporting Requirements for a Type A HMO. These reporting requirements will be sent to you by the Division of Compliance upon receipt of your assurances.

Please sign, notarize, and return the assurances to the Division of Qualification, Room 9-21 Parklawn Building, 5600 Fishers Lane, Rockville, Maryland 20857 within 30 days of the date of this letter. If the assurances are not returned by this date, we will assume that Heart of America Health Maintenance Organization is declining designation as a federally qualified health maintenance organization.

My best wishes for success in your HMO endeavors.

Sincerely

A handwritten signature in cursive script that reads "Frank Seubold".

Frank H. Seubold, Ph.D.
Acting Associate Director for
Health Maintenance Organizations

Enclosures

cc: Chairman of the Board

HEART OF AMERICA HEALTH PLAN RATES - 2010

RUGBY PLAN

Group

CONTRACT

PLAN TYPE

	<u>HIGH OPTION</u>	<u>LOW OPTION</u>	<u>SHARE OPTION</u>
SINGLE	\$409.60	\$375.50	\$305.70
SINGLE PLUS DEPENDENT	\$703.70	\$647.50	\$527.60
FAMILY	\$961.40	\$891.40	\$726.80

EXCELLENT COVERAGE AND LESS CONFUSION!

- ~ GREAT CLINIC COVERAGE
- ~ EXCELLENT MATERNITY COV. (YOU PAY VIRTUALLY NOTHING - HIGH OPTION)
- ~ NO HOSPITAL DEDUCTIBLE (HIGH OPTION)
- ~ LESS OUT/POCKET COST (HIGH AND LOW OPTION)
- ~ COMPREHENSIVE COVERAGE, INCLUDING PREVENTIVE HEALTH SERVICES, REFERRAL SERVICES AND OUT-OF-AREA EMERGENCIES

HAHP'S BALANCE SHEET

As of 10-31-09

ASSETS	Current YTD	Previous YTD
General Checking	\$330,531	\$518,855
Money Market Accounts	\$179,488	\$160,017
Investors Real Estate Trust (IRET)	\$200,860	\$155,119
Bonds	\$112,876	\$114,964
CD's	\$1,157,583	\$1,221,805
Accrued Interest on Investments	\$16,309	\$21,193
Premium Income	\$44,410	\$43,592
A/R Reinsurance	\$209,905	\$0
A/R CMS Settlements	\$0	\$0
A/R Operations	\$0	\$0
Prepaid Insurance	\$0	\$0
Furniture, Equipment & Leasehold	\$817	\$4,766
TOTAL ASSETS	\$2,252,779	\$2,240,311
LIABILITIES		
Unearned Premium		
Rugby Non-Medicare	\$44,661	\$48,604
Minot Non-Medicare	\$1,699	\$1,092
Rugby Medicare	\$38,056	\$39,553
CMS Contribution	\$46,690	\$49,418
A/P Administrative Bills	\$0	\$0
A/P Premium Tax	(\$3,980)	(\$14,635)
A/P Payroll Taxes	\$583	\$774
Accrued Vacation	\$13,035	\$12,332
IRA's Payable	\$0	\$0
Claims Adjustment Payable	\$17,866	\$22,205
Reported But Unpaid Claims	\$229,519	\$191,456
Incurred But Not Reported	\$290,768	\$353,250
TOTAL LIABILITIES	\$678,897	\$704,049
Surplus Notes	\$320,000	\$401,000
Accumulated Surplus Funds	\$1,253,882	\$1,135,262
TOTAL SURPLUS	\$1,573,882	\$1,536,262
TOTAL LIABILITIES & SURPLUS	\$2,252,779	\$2,240,311

HAHP Income Statement

As of 10-31-09

REVENUE	Current Month	Current YTD	Previous YTD
Rugby Non-Medicare Premium	\$257,650	\$2,684,842	\$2,781,665
Minot Non-Medicare Premium	\$14,043	\$133,491	\$128,127
Medicare Premium	\$105,550	\$1,101,055	\$1,119,495
Rugby Reinsurance	\$13,551	\$259,967	\$80,205
Minot Reinsurance	\$0	\$140,359	\$0
Interest	\$2,942	\$35,026	\$36,564
CMS Settlement Reimbursement	\$36,391	\$36,391	\$33,330
TOTAL REVENUE	\$430,127	\$4,391,131	\$4,179,386
 EXPENSES			
Rugby			
Capitation Payments	\$92,907	\$886,399	\$896,765
In-Area Services	\$27,613	\$437,763	\$457,497
Referral Services	\$265,737	\$2,429,526	\$1,992,572
Out-Of-Area Services	\$13,007	\$140,765	\$78,665
Other Medical Services	\$5,054	\$71,369	\$55,596
 Minot			
In-Area Services	\$35,590	\$498,998	\$153,519
Out-Of-Area Services	\$0	\$59,541	(\$19,183)
Other Medical Services	\$0	\$2,632	\$1,013
Discounts from Providers	(\$48,773)	(\$729,365)	(\$578,348)
Reinsurance	\$22,203	\$244,328	\$299,993
Premium Tax	\$5,376	\$55,350	\$57,589
Plan Administration	\$26,498	\$308,006	\$304,771
TOTAL EXPENSES	\$445,212	\$4,405,312	\$3,700,449
 SURPLUS (DEFICIT)	 (\$15,085)	 (\$14,181)	 \$478,937
Unrealized Gain/Loss w/ Investments	\$0	\$0	\$0
Realized Gain/Loss w/ Investments	\$0	\$0	\$0
 NET SURPLUS / DEFICIT	 (\$15,085)	 (\$14,181)	 \$478,937

Heart of America Health Plan

"High Option Plan"

NO Annual Deductibles!!	COPAYMENT	HAHP	EXCEPTIONS/LIMITATIONS
DESCRIPTION OF BENEFITS	AMOUNT YOU PAY	BENEFIT AMOUNT	
Preventive Health Services Routine childhood and adult immunizations. Routine physicals, Gynecological exams, Prostate screenings, Mammograms, Pap smears, and other preventive health services.	\$0 \$15	100% 100%	No maximum benefit allowance.
Physician Services Hospital visits, including inpatient and skilled nursing facility visits. Office visits and/or house calls authorized by PCP. Specialist consultation and treatment when authorized by PCP.	\$0 \$15 \$25	100% 100% 100%	
Diagnostic / Therapeutic Services X-Rays, CT scans, MRI, Electrocardiograms, Laboratory Tests, Chemotherapy, Radiation, & other medically necessary services.	\$0	100%	
Inpatient Hospital Services Semi-private room, Physician services, General nursing services, Surgery and facilities, Intensive care, & other medically nec. services.	\$0	100%	
Outpatient Hospital Services at Heart of America Med. Center.	\$0	100%	
Maternity Services Prenatal care. Hospital services, Birthing/delivery, & Newborn nursery. Well-baby care.	\$15 \$0 \$15	100% 100% 100%	\$15 copay on first visit. Then 100% covered. Until 24 months old.
Emergency Services Emergency room, Physician/Nursing services, & Ambulance services.	\$30	100%	In or Out of Area Emergencies.
Mental Health Services Inpatient &/or Partial hospitalization. Outpatient Residential Treatment	\$0 \$0 \$0	100% 100%/80% 100%	Inpatient Max: 45 days per calendar year. Outpatient: 100% hours 1-5; hours 6-30 80% Up to 120 days per member per calendar year
Alcohol and Substance Abuse Services Inpatient &/or Partial hospitalization. Outpatient.	\$0	100% 100%/80%	Inpatient Max: 60 days per calendar year. Outpatient: 100% visits 1-5; visits 6-20 80%
Referral Services Authorized referral to a specialty physician or facility on the HAHP preferred physician referral list. Authorized referral to a specialty physician or facility NOT on the HAHP preferred physician referral list when services can NOT be provided by participating providers. Authorized referral to a specialty physician or facility NOT on the HAHP preferred physician referral list when services CAN be provided by participating providers.	\$25 \$25 \$25	100% 100% 80%	With prior authorization by PCP and HAHP With prior authorization by PCP and HAHP With prior authorization by PCP and HAHP \$5,000 coinsurance maximum per contract per calendar year.
Chiropractic Care	\$10	100%	With prior approval by PCP and HAHP
Physical, Speech, and Occupational Therapy	\$10		Short-term therapy is 1st two consecutive months. Long-term therapy is one PT and one OT visit/month following short term.
Durable Medical Equipment Orthopaedic and Prosthetic Devices.			80% coverage on items exceeding \$25. Coinsurance max. payable by the member is \$500/contract/year. Maximum benefit is \$3,500 member/year.
Skilled Nursing Facility Medical care and treatment including room and board, when prescribed by PCP and in participating provider facility.			100% coverage when authorized by primary care physician. (Up to 60 days per calendar year)
TMJ (Temporomandibular joint disorder) CMJ (Craniomandibular joint disorder)			Lifetime maximum of \$10,000 surgical, \$2,500 non-surgical/member.
Home Health Nursing Care			100% coverage when authorized by primary care physician.
Hospice Services			Covered in accordance with Medicare Guidelines.

This sheet describes the essential features of the HAHP plan in general terms and is not intended to be a full description.

Heart of America Health Plan

"Low Option Plan"

NO Annual Deductibles!!	COPAYMENT	HAHP	EXCEPTIONS/LIMITATIONS
DESCRIPTION OF BENEFITS	AMOUNT YOU PAY	BENEFIT AMOUNT	
Preventive Health Services Routine childhood and adult immunizations. Routine physicals including prostate & breast exams, Gynecology exams, and other preventive health services. (See Diagnostic Services below for Mammograms, Pap smears & PSA's)	\$0 \$15	100% 100%	No maximum benefit allowance.
Physician Services Hospital visits, including inpatient and skilled nursing facility visits. Office visits and/or house calls authorized by PCP. Specialist consultation and treatment when authorized by PCP.	\$0 \$15 \$25	100% 100% 100%	
Diagnostic / Therapeutic Services Pap smears, Mammograms, PSA's, X-Rays, CT scans, MRI's, EKG's, Lab tests, Chemotherapy, Radiation, & other medically necessary services.	\$0	100%	20% Coinsurance will be applied to readings & interpretations for these services billed by an outside facility.
Inpatient Hospital Services Semi-private room, Physician services, General nursing services, Surgery and facilities, Intensive care, & other medically nec. services.	\$250 (1st/4th Day)	100%	\$1,000 copay maximum per contract per calendar year
Outpatient Hospital Services at Heart of America Med. Center.	\$0	100%	
Maternity Services Prenatal care. Hospital services, Birthing/delivery, & Newborn nursery. Well-baby care.	\$15 \$250 (1st/4th day) \$15	100% 100% 100%	\$15 copay on first visit. Then 100% covered. \$1,000 copay max per calendar year Until 24 months old.
Emergency Services Emergency room, Physician/Nursing services, & Ambulance services.	\$30	100%	In or Out of Area Emergencies.
Mental Health Services Inpatient &/or Partial hospitalization. Outpatient. Residential Treatment	\$250 (1st/4th day) \$250 (1st/4th day)	100% 100%/80% 100%	Inpatient Max: 45 days per calendar year. Outpatient: 100% hours 1-5; hours 6-30 80% Up to 120 days per member per calendar year
Alcohol and Substance Abuse Services Inpatient &/or Partial hospitalization. Outpatient.	\$250	100% 100%/80%	Inpatient Max: 60 days per calendar year. Outpatient: 100% visits 1-5; visits 6-20 80%
Referral Services Authorized referral to a specialty physician or facility on the HAHP preferred physician referral list. Authorized referral to a specialty physician or facility NOT on the HAHP preferred physician referral list when services can NOT be provided by participating providers. Authorized referral to a specialty physician or facility NOT on the HAHP preferred physician referral list when services CAN be provided by participating providers.	\$25 \$25 \$25	80% 80% 80%	\$500 coinsurance max. per calendar year \$500 coinsurance max. per calendar year With prior authorization by PCP and HAHP. \$5,000 coinsurance max. per calendar year
Chiropractic Care	\$10	80%	With prior approval by PCP and HAHP.
Physical, Speech, and Occupational Therapy	\$10		Short-term therapy is 1st two consecutive months. Long-term therapy is one PT and one OT visit/month following short term
Durable Medical Equipment Orthopaedic and Prosthetic Devices.			80% coverage on items exceeding \$25. Coinsurance max. payable by the member is \$500/contract/year. Maximum benefit is \$3,500/member/year.
Skilled Nursing Facility Medical care and treatment including room and board, when prescribed by PCP and in participating provider facility.			100% coverage when authorized by primary care physician. (Up to 60 days per calendar year)
CMJ (Craniomandibular joint disorder) TMJ (Temporomandibular joint disorder)			Lifetime maximum of \$10,000 surgical, \$2,500 non-surgical/member.
Home Health Nursing Care			100% coverage when authorized by primary care physician.
Hospice Services			Covered in accordance with Medicare Guidelines.

This sheet describes the essential features of the HAHP in general terms and is not intended to be a full description.

Heart of America Health Plan "Share Option Plan"

Deductibles= SNG-\$500 SPD-\$750 FAM-\$1000 Coinsurance Max/Yr= SNG-\$1000 SPD-\$1500 FAM-\$2000	COPAYMENT AMOUNT	BENEFIT AFTER	EXCEPTIONS/LIMITATIONS
DESCRIPTION OF BENEFITS	YOU PAY	DEDUCT.	
Preventive Health Services (By Primary Care Physician) Routine childhood and adult immunizations. Routine physical exam including Prostate & Breast exams, Gynecological exams, and other preventive health services.	\$0 \$15	100% 100%	No maximum benefit allowance. Deductible Waived
Physician Services (By Primary Care Physician) Hospital visits, including inpatient and skilled nursing facility visits. Office visits and/or house calls authorized by PCP.	\$0 \$15	100% 100%	Deductible Waived
Diagnostic Services Mammograms, Pap smears, PSA's, X-Rays, CT scans, MRI's, EKG's, Lab Tests & other medically necessary services provided at HAMC or other facility	\$0	80%	Deductible Applies
Chemotherapy & Radiation Therapy Services provided at JCPC Services provided at HAMC or contracted Referral Facility	\$0 \$0	100% 80%	Deductible Waived Deductible Applies
Inpatient Hospital Services Semi-private room, Physician services, General nursing services, Surgery and facilities, Intensive care, & other medically nec. services.	\$0	80%	
Outpatient Hospital Services <i>at Heart of America Medical Center or Referral Facility</i>	\$0	80%	
Maternity Services Prenatal care (at JCPC) Hospital services, Birthing/delivery, & Newborn nursery. Well-baby care (at JCPC)	\$15 \$0 \$15	100% 80% 100%	\$15 copay on first visit. Then 100% covered. Deductible applies Until 24 months old. Deductible Waived.
Emergency Services Emergency room, Physician/Nursing services.	\$30	80%	In or Out of Area Emergencies.
Ambulance Services	\$0	80%	When medically necessary
Mental Health Services Inpatient &/or Partial hospitalization. Outpatient. Residential Treatment	\$0 \$0 \$0	80% 80% 80%	Inpatient Max: 45 days per calendar year. 100% hours 1-5; (hours 6-30 80% after deductible) Up to 120 days per member per calendar year
Alcohol and Substance Abuse Services Inpatient &/or Partial hospitalization. Outpatient.	\$0 \$0	80% 80%	Inpatient Max: 60 days per calendar year. 100% visits 1-5;(visits 6-20; 80% after deduct.)
Referral Services Authorized referral to a specialty physician or facility on the HAHP preferred physician referral list. Authorized referral to a specialty physician or facility NOT on the HAHP preferred physician referral list when services can NOT be provided by participating providers. Authorized referral to a specialty physician or facility NOT on the HAHP preferred physician referral list when services CAN be provided by participating providers.	\$25 \$25 \$25	80% 80% 60%	With prior authorization by PCP and HAHP With prior authorization by PCP and HAHP With prior authorization by PCP and HAHP
Chiropractic Care	\$10	80%	With prior approval by PCP and HAHP
Physical, Speech, and Occupational Therapy Outpatient	\$10	80%	Short-term therapy: 1st two consecutive months Long-term therapy: one PT/ one OT visit/month
Durable Medical Equipment Orthopaedic and Prosthetic Devices.	\$0	80%	\$2,000 Maximum Benefit per member/year.
Skilled Nursing Facility Medical care and treatment including room and board, when prescribed by PCP and in participating provider facility.	\$0	80%	When authorized by primary care physician. (up to 60 days per calendar year)
TMJ/CMJ (Temporomandibular/Craniomandibular joint disorder)	\$0	80%	Lifetime max. of \$10,000 surg./\$2,500 non-surg.
Home Health Nursing Care	\$0	80%	when authorized by primary care physician.
Hospice Services	\$0	80%	Covered in accordance with Medicare Guidelines.

This sheet describes the essential features of the HAHP plan in general terms and is not intended to be a full description.

**A referral is required from your Plan Physician and authorized by the HAHP Medical Director for covered services to these specialists.

It is important to know that when you enroll in this Plan, services are provided through the Plan's delivery system, but the continued participation of any one doctor, hospital or other provider cannot be guaranteed.

If you have any questions regarding this provider directory, please call the Heart of America Health Plan at 701-776-5848 or 1-800-525-5661. Office hours are 8 a.m. – 5:00 p.m. Monday through Friday.



810 So. Main Avenue
Rugby, ND 58368
701-776-5848 or 800-525-5661

PROVIDER DIRECTORY

JOHNSON CLINIC PHYSICIANS

Hubert Seiler, M.D. Brian Selland, M.D.
Philip Sedo, M.D. Lyle Best, M.D.

PHYSICIAN ASSISTANTS

Available at all Johnson Clinic locations

Phyllis Abrahamson Carol Berg
Gail Danielson Linda Ellingson
Tammie Harder Deborah Schmitt

JOHNSON CLINIC LOCATIONS

Rugby – 800 3rd Ave. SW 776-5235
Towner-301-1st St. SW 537-5431
Maddock-301 Roosevelt Ave. 438-2555
Dunseith – 215 Main Street SE 244-5694

SANDHILLS COMMUNITY CENTER

2 3rd Ave. SW, Towner 537-2007

ST. ANDREW'S CLINIC

314 Ohmer St., Bottineau 228-9400

CENTRAL DAKOTA CLINIC

922 Lincoln Ave., Harvey 324-4856

HEART OF AMERICA MEDICAL CENTER

PHYSICIANS

SURGERY Susanne Levene, M.D.
EMERGENCY RM Jeffrey Vaagen, M.D.
Rodney Sigvaldson, PA-C

HAMC LOCATION & PHONE #

800 So. Main Ave., Rugby 776-5261

Emergency Services 24 hours a day

Emergency Services

Emergency Services In-Area

In-area emergencies are emergencies that occur within the Heart of America Health Plan market area. The procedures to follow for in-area emergencies are as follows:

Call 911 or go to the nearest emergency room if the emergency is life or limb threatening

During clinic hours, call the nearest clinic location if medically feasible or if a member is questioning if emergency care is needed.

After clinic hours call the Heart of America Medical Center in Rugby at 701-776-5261, St. Andrews Health Center in Bottineau at 701-228-9300, or St. Aloisius Medical Center in Harvey at 701-324-4651.

State that you have an emergency.

Give your name and identify yourself as an HAHP member. You will be directed as to what action to take.

Ambulance service will be authorized if necessary.

If it is medically unfeasible to call, go to the nearest medical facility.

Emergency Services Out of Area

Out-of-area emergencies are emergencies that occur outside the Heart of America health Plan market area. Benefits are available for the usual, customary and reasonable charges for physician and hospital services rendered to a Member for care and treatment of a medical emergency outside the HAHP Market Area.

Member shall give notification to the HAHP within forty-eight (48) hours, if medically feasible, for out-of-area emergency services. The procedures to follow for out-of-area emergencies are as follows:

Call 911 or go to the nearest physician or hospital

- Identify yourself as an HAHP member and present your ID card.
- If out-of-area hospitalization is required for an emergency, the hospital may telephone the Heart of America Health Plan at (701) 776-5848 or 1-800-525-5661 to verify HAHP's benefits and payment of necessary services.

HEART OF AMERICA HEALTH PLAN REFERRAL PHYSICIAN LIST

MINOT

Trinity Hospital	Hospital Services
Trinity Health Ctr.-Riverside	Mental Health Svcs.
Trinity Medical Group	Multi Specialty Physicians
Trinity Cancer Care Center	Oncology
Darveau, Eaton	Mental Health Svcs.

Independent Contracted Physicians:

L. Mark Bell, D.O.	Psychiatry
Paul Freiberg, M.D.	Hematology/Oncology
Alan F. Lim, M.D.	Urology

BISMARCK

Mid-Dakota Clinic	Multi-Specialty Physicians
MedCenterOne Clinic	Multi-Specialty Physicians
St. Alexius Heart & Lung Clinic	Heart & Lung
Dakota Eye Institute	Ophthalmology
Dakota ENT	Ear, Nose & Throat

FARGO

MeritCare Medical Grp.	Multi-Specialty Physicians
Orthopedic Associates	Orthopedics

GRAND FORKS

Altru Clinic	Multi-Specialty Physicians
Lipp, Carlson & Assoc.	Mental Health Services



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

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

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

Memorandum

TO: PERS Board
FROM: Sparb
DATE: January 13, 2010
SUBJECT: Sanford Health Plan

Representatives of Sanford Health Plan will be at the January Board meeting to give you an overview of their insurance plan in North Dakota. Attending from Sanford will be Ruth Krystopolski, President; Ryan Bohy, Chief Administrative Officer; and Lisa Carlson, Director of Regulation and Planning.



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

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

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

Memorandum

TO: PERS Board
FROM: Sparb
DATE: January 13, 2010
SUBJECT: RETIREE CONCERN

Attached is a recent letter from a retiree to the Board expressing a concern with the retiree benefit coordination with Medicare. Also attached is an additional letter the member received that provides further background on the issue.

BCBS will review this at the Board meeting.

January 1, 2010

RECEIVED

JAN 06 2010

ND PERS

I am writing in regard to Blue Cross / Blue Shield contract. In negotiation, please take into consideration: the inability to bill, except through Medicare.

My primary doctor, can no longer accept Medicare coverage, due to its inadequate reimbursement. The office is willing to assist me in billing secondary insurance. However, Blue Cross / Blue Shield inform me that they only accept billing from Medicare. Therefore, I pay Medicare premium, Blue Cross / Blue Shield premium and primary care out of pocket. In Mr Van Ebers words: "Blue Cross / Blue Shield can become more efficient than they are."

I would very much appreciate your consideration in working to rectify this!

Sincerely,

December 3, 2009

Changes have occurred at Mayo Clinic Family Medicine – Arrowhead that will affect your access to primary care physician services. Please review the following information carefully:

Mayo Clinic in Arizona incurs substantial financial losses each year because of the extremely low Medicare reimbursement level. We cannot, unfortunately, continue to sustain these losses, which are particularly acute for our primary care practices. Therefore Mayo Clinic leadership recently made some difficult decisions that will impact the Arrowhead practice.

Effective January 1, 2010, all physicians practicing at Mayo Clinic Family Medicine – Arrowhead will no longer accept Medicare as reimbursement for your primary care services. **This change will not impact any other medical services provided at Arrowhead or any other Mayo facilities. Medicare will still be accepted for laboratory, X-rays and specialty care at Mayo Clinic.**

Because of this change, as a current Medicare patient, should you choose to continue receiving your primary care at Mayo Clinic Family Medicine – Arrowhead, you will be required to pay for your care out-of-pocket.

~~Costs you should anticipate paying out-of-pocket include:~~

- An annual administrative fee of \$250. (This will cover the administrative expense of providing you with prescription refills and phone inquiries for minor needs as they arise.)
- Normal fee rates for office visits. (Depending on the type of exam, fees may range from \$175 to \$575 per visit.)
- Patients will be expected to come into the office for the number of visits appropriate to their medical conditions, which include a complete physical exam at appropriate intervals.

To continue receiving your primary care at Mayo Clinic Family Medicine – Arrowhead, please complete and sign the enclosed letter of agreement and bring it with you to your first appointment in 2010 along with the \$250 administrative fee. If you have questions and would like to speak to someone directly about this change, please call 623-376-8985 to talk over the phone or to set up an appointment to meet in person.

(over)

We are deeply sorry that we have had to make this decision in order to maintain access to primary care at Mayo Clinic in Arizona. At this time, Mayo Clinic is unable to continue to subsidize the care of patients under the Medicare program. While we know that change is difficult and can be disruptive, we hope that you will understand the challenges that have contributed to our need to make this decision. Throughout this and other changes we have made to our practice, we remain committed to being able to provide care to our patients.

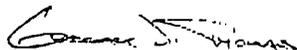
Also, please know that although this decision was driven by institutional financial considerations, as a not-for-profit group medical practice Mayo Clinic remains committed to its mission of providing the best care for its patients. Mayo Clinic physicians are paid a salary (with no incentives) in order to be certain that decisions are made in the best interest of the patient without regard for personal financial gain. The decision to stop accepting Medicare insurance at Arrowhead was an organizational decision, not a decision made by our Arrowhead physicians.

If you have questions regarding this transition or primary care at Mayo Clinic, please call 623-376-8985. We appreciate your understanding and we hope that you will choose to remain in our practice.

Sincerely,

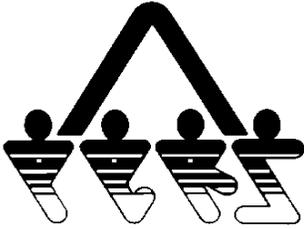


Victor F. Trastek, M.D.
Chief Executive Officer -
Mayo Clinic in Arizona



Gregory J. Thomas
Chief Administrative Officer
Mayo Clinic in Arizona

05-842-703 - ARR



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

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

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

Memorandum

TO: PERS Board

FROM: Sparb Collins

DATE: January 13, 2010

SUBJECT: RETIREMENT CONSULTANT RENEWAL

At the last meeting it was decided to renew the retirement consultant contract with Segal for one more year subject to a review of a cost proposal from them. Attached please find the renewal proposal from Segal. You will note that they are willing to renew for one more year with no increase in fees. Staff would recommend the renewal.

Board Action Requested

Approve the attached renewal for one year with Segal



THE SEGAL COMPANY
1920 N Street NW, Suite 400 Washington, DC 20036
T 202.833.6400 F 202.833.6490 www.segalco.com

DIRECT DIAL NUMBER
(202) 833-6437

E-MAIL ADDRESS
ceitelberg@segalco.com

January 7, 2010

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

Re: Proposed Contract for the Upcoming Biennium

Dear Sparb:

The current consulting services contract extension expires June 30, 2010. Based upon your request, we are proposing a one-year extension of the current contract. As you will note, all of the fees are being held at the current rates. The following table sets forth the proposed fee:

<u>Fixed Fee Rates</u>	<u>Existing Two Year Fee 7-1-2008 to 6-30-2010</u>	<u>Proposed One Year Fee 7-1-2010 to 6-30-2011</u>
Actuarial Valuation and Consulting Service		
- Main, et.al.	\$59,500 per year	\$59,500 per year
- Retiree Health Insurance Credit Fund	\$11,000 per year	\$11,000 per year
- Job Service North Dakota	\$16,000 per year	\$16,000 per year
Flexible Compensation	<u>\$12,000</u> per year (hourly at \$200)	<u>\$12,000</u> per year (hourly at \$200)
Total Fixed Fee Matters	\$98,500	\$98,500
<u>Time Charge Rates</u>		
QDRO, Compliance Consulting, General Consulting and Special Projects	Time Charges per schedule	Time Charges per schedule
Legislative Analysis	Time Charges per schedule	Time Charges per schedule
401(a) Defined Contribution Plans	Time Charges per schedule	Time Charges per schedule
457 Plan	Time Charges per schedule	Time Charges per schedule

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Mr. Sparb Collins
North Dakota Public Employees' Retirement System
January 7, 2010
Page 2

	<u>Existing</u> (effective 7-1-2008 to 6-30-2010)	<u>Proposed</u> (effective 7-1-2010 to 6-30-2011)
Consulting Actuary	\$365	\$365
Reviewing Actuary	\$395	\$395
Senior Actuarial Analyst	\$310	\$310
Actuarial Analyst	\$225	\$225
Compliance Consulting	\$345	\$345
Compliance Analyst	\$225	\$225

We have appreciated our long relationship with North Dakota PERS, and we respectfully submit this request for a one-year extension.

Please do not hesitate to call if I can answer any questions.

Sincerely,



Cathie Eitelberg
Senior Vice President
National Director, Public Sector Market

cc: John Coyle
Brad Ramirez
Dave Bergerson
Steve Ohanian

5064878v1/01640.001



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

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

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

Memorandum

TO: PERS Board
FROM: Sparb
DATE: January 12, 2010
SUBJECT: RETIREE HEALTH PLAN

At the meeting in December we discussed the possibility of allowing members to use the retiree health credit program credit for not only the PERS health insurance plan but also other non-PERS health products. In the 2005 session, HB1403 was submitted that would have provided a similar provision. Attached, for information and review, is a copy of our testimony on the bill and technical/actuarial report done by Segal. As you will note in reviewing the testimony at the time the change would have an actuarial cost (.12%), an administrative cost and an effect on PERS staffing levels.

The following is the information we reviewed concerning the long term funding for the retiree health plan:

★ SEGAL |

North Dakota Retiree Health Insurance Credit Fund Projected Margins (Market Return After FY 2010 Always 8.0%)

If Market Return for FY 2010 Is	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014
24%	0.12%	0.11%	0.09%	0.09%	0.11%
16%	0.12%	0.10%	0.07%	0.06%	0.07%
8%	0.11%	0.09%	0.05%	0.04%	0.04%
0%	0.11%	0.07%	0.03%	0.01%	0.01%
-8%	0.10%	0.06%	0.02%	-0.01%	-0.03%
-16%	0.10%	0.05%	0.00%	-0.04%	-0.06%
-24%	0.09%	0.04%	-0.02%	-0.07%	-0.09%

As of beginning of January our YTD returns in the retiree health plan were approximately 19.75%. Using the above table, if we ended between 24% and 16% we see that our margin in the upcoming years will go from .12 to about .09%.

Board Action Requested

Based upon the attached information would the Board like us to update these numbers for your final consideration in March or would you prefer to table the concept at this time due to the estimated cost.

TESTIMONY OF
SPARB COLLINS
ON
HOUSE BILL 1403

Mr. Chairman, member of the committee my name is Sparb Collins. I am Executive Director of the North Dakota Public Employees Retirement System. I appear before you today in opposition to HB 1403 since it does not provide for the necessary funding to support the benefit enhancement proposed.

Specifically, this bill relates to the retiree health credit program. By way of background, in 1989 the North Dakota Legislature started this Program. The purpose was to help retirees pay the cost of health insurance. It was recognized at that time the cost of health insurance was becoming increasingly unaffordable. A solution was the creation of the Retiree Health Credit Program. This program provides the following benefit to PERS retirees:

BENEFIT FORMULA:

\$4.50 for each year of credited service

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

In addition to providing direct assistance to the members the program had another indirect goal to make health premiums more affordable. Pursuant to this second objective the direct assistance was only available to members who took the PERS health insurance. This provision was included in an attempt to draw a better cross section of retirees to the PERS health plan with better risks thereby creating a better actuarial pool and lower premiums. This bill would change this incentive.

However the boards concern with this bill is that it provides a benefit but does not fund it. Specifically, the PERS actuary has reviewed this bill and determined that it would

increase the required employer contribution from 1% to 1.12% to pay for the added benefit provided. This increase in cost is caused by an expected increase in the number of members who would now use the credit. Some members presently do not have their insurance with PERS and therefore do not use the credit. Under this bill they could use the credit for other insurance. Consequently more members would apply for this benefit thereby increasing the cost. I have attached an amendment that would provide for this increase. If this is not funded the retiree health fund would be required to pay for this benefit without a corresponding contribution and the fund would likely move into a deficit position. The cost of the additional contributions is about \$1,280,000 per biennium for all employers (state & political subdivisions) of which \$284,000 is general funds and \$996,000 is other funds. Please note the attached amendment does include increased appropriation authority for state agencies. This additional authority would need to be added into the final pay plans if this amended version of the bill was approved.

Our last area of concern with the bill is the additional administrative operations that would be required. Presently PERS staff does all the billing and collection of the premium for the PERS health plan, reducing the billed amount to the member by the amount of the credit and adding the total credit amount to the overall payment to the health insurance carrier. The carrier receives one payment from PERS for the entire premium amount for all covered retirees. This bill permits the credit to be applied to the premium for any health insurance selected by the retiree or beneficiary. It is unlikely that PERS would be able coordinate the retiree health insurance credit with premium payments in the same manner for all the carriers selected by retirees. Therefore, the retiree would have to pay the total premium amount and then periodically request partial reimbursement of the premium from PERS for the applicable retiree health insurance credit amount. In addition, PERS would have to require that the retiree provide documentation that an eligible expense had been incurred in order to make the reimbursement. Currently, the PERS benefits system is not set up to verify this documentation and make payments directly to the retiree. Therefore, the PERS system would need to be programmed to cut the checks to the retiree. ITD has indicated

the cost for programming changes would be approximately \$40,000. Secondly, in order to maintain the tax benefits of the retiree health insurance credit, PERS will need to review and authorize each direct payment to a member to insure that the necessary supporting information has been submitted before authorizing payment. The additional group of members for whom this work could need to be done is about 2,100 retirees and beneficiaries. Steps involved will be to review claims submitted, verify claims, approve or deny claims, authorize payment or return claims to the retirees indicating why a claim was denied. PERS would need additional staff in order to accomplish this effort and is projecting the need for a 50% full-time equivalent account tech to do the work. The cost of this additional position is approximately \$50,000. I have also included in the attached amendment funding for this additional effort.

Mr. Chairman PERS believes that if this bill is to pass it should be funded so that it can implemented without the fund going into deficit position and the necessary administrative operations can occur. This concludes my testimony.

PROPOSED AMENDMENTS TO HOUSE BILL 1403

Page 1, line 1, replace "subsection 2" with "subsections 1 and 2"

Page 1, line 3, after "insurance" insert "; and to provide an appropriation"

Page 1, line 5, replace "Subsection" with "Subsections 1 and"

Page 1, line 6, replace "is" with "are", and, after line 6, insert the following:

1. The board shall establish a retiree health benefits fund account with the Bank of North Dakota for the purpose of prefunding and providing hospital benefits coverage and medical benefits coverage under the uniform group insurance program for retired eligible employees or surviving spouses of retired eligible employees and their dependents as provided in this chapter. The state shall contribute monthly to the retiree health benefits fund an amount equal to one ~~and twelve one-hundredths~~ percent of the monthly salaries and wages of all participating members of the highway patrolmen's retirement system under chapter 39-03.1, and one ~~and twelve one-hundredths~~ percent of the monthly salaries of all supreme or district court judges who are participating members of the public employees retirement system under chapter 54-52. Each governmental unit that contributes to the public employees retirement system fund under section 54-52-06 or the retirement plan under chapter 54-52.6 shall contribute monthly to the retiree health benefits fund an amount equal to one ~~and twelve one-hundredths~~ percent of the monthly salaries or wages of all participating members of the public employees retirement system under chapter 54-52 or chapter 54-52.6, except for nonteaching employees of the superintendent of public instruction who elect to participate in the public employees retirement system pursuant to section 54-52-02.13. For nonteaching employees of the superintendent of public instruction who elect to participate in the public employees retirement system pursuant to section 54-52-02.13, the superintendent of public instruction shall contribute monthly to the retiree health benefits fund an amount equal to three and ~~one-tenth~~ ~~twenty-two one-hundredths~~ percent of the monthly salaries or wages of those nonteaching employee members, beginning on the first of the month following the transfer under section 54-52-02.13 and continuing thereafter for a period of eight years, after which time the superintendent of public instruction shall contribute one ~~and twelve one-hundredths~~ percent of the monthly salary or wages of those nonteaching employee members. The employer of a national guard security officer or firefighter shall contribute monthly to the retiree health benefits fund an amount

equal to one and twelve one-hundredths percent of the monthly salaries or wages of all national guard security officers or firefighters participating in the public employees retirement system under chapter 54-52. Job service North Dakota shall reimburse monthly the retiree health benefits fund for credit received under section 54-52.1-03.3 by members of the retirement program established by job service North Dakota under section 52-11- 01. The board, as trustee of the fund and in exclusive control of its administration, shall:

- a. Provide for the investment and disbursement of moneys of the retiree health benefits fund and administrative expenditures in the same manner as moneys of the public employees retirement system are invested, disbursed, or expended.
- b. Adopt rules necessary for the proper administration of the retiree health benefits fund, including enrollment procedures.

Page 1, after line 21, insert the following:

SECTION 3. APPROPRIATION. There is appropriated out of any moneys collected pursuant to chapter 54-52.1, not otherwise appropriated, the sum of \$89,329, or so much of the sum as may be necessary, to the public employees retirement system for the purpose of defraying the cost of implementing this Act, for the biennium beginning July 1, 2005, and ending June 30, 2007. The public employees retirement system is authorized one additional .5 FTE.

Renumber accordingly

LC 50248.01 – Proposed Amendments

<p>Page 1, line 1, replace “subsection 2” with “subsections 1 and 2”</p> <p>Page 1, line 3, after “insurance” insert “; and to provide an appropriation”</p> <p>Page 1, line 5, replace “Subsection” with “Subsections 1 and”</p>	<p>Indicates the bill has two subsections as a result of the proposed</p>
<p>Page 1, line 6, replace “is” with “are”, and, after line 6, insert the following:</p> <ol style="list-style-type: none"> 1. The board shall establish a retiree health benefits fund account with the Bank of North Dakota for the purpose of prefunding and providing hospital benefits coverage and medical benefits coverage under the uniform group insurance program for retired eligible employees or surviving spouses of retired eligible employees and their dependents as provided in this chapter. The state shall contribute monthly to the retiree health benefits fund an amount equal to one and twelve one-hundredths percent of the monthly salaries and wages of all participating members of the highway patrolmen’s retirement system under chapter 39-03.1, and one and twelve one-hundredths percent of the monthly salaries of all supreme or district court judges who are participating members of the public employees retirement system under chapter 54-52. Each governmental unit that contributes to the public employees retirement system fund under section 54-52-06 or the retirement plan under chapter 54-52.6 shall contribute monthly to the retiree health benefits fund an amount equal to one and twelve one-hundredths percent of the monthly salaries or wages of all participating members of the public employees retirement system under chapter 54-52 or chapter 54-52.6, except for nonteaching employees of the superintendent of public instruction who elect to participate in the public employees retirement system pursuant to section 54-52-02.13. For nonteaching employees of the superintendent of public instruction who elect to participate in the public employees retirement system pursuant to section 54-52-02.13, the superintendent of public instruction shall contribute monthly to the retiree health benefits fund an amount equal to three and one-tenth twenty-two one-hundredths percent of the monthly salaries or wages of those nonteaching employee members, beginning on the first of the month following the transfer under section 54-52-02.13 and continuing thereafter for a period of eight years, after which time the superintendent of public instruction shall contribute one and twelve one-hundredths percent of the monthly salary or wages of those nonteaching employee members. The employer of a national guard security officer or firefighter shall contribute monthly to the retiree health benefits fund an amount equal to one and twelve one-hundredths percent of the monthly salaries or wages of all national guard security officers or firefighters participating in the public 	<p>Increases the employer contribution rate from 1% to 1.12% pursuant to the actuarial report</p>

<p>employees retirement system under chapter 54-52. Job service North Dakota shall reimburse monthly the retiree health benefits fund for credit received under section 54-52.1-03.3 by members of the retirement program established by job service North Dakota under section 52-11-01. The board, as trustee of the fund and in exclusive control of its administration, shall:</p> <ul style="list-style-type: none"> a. Provide for the investment and disbursement of moneys of the retiree health benefits fund and administrative expenditures in the same manner as moneys of the public employees retirement system are invested, disbursed, or expended. b. Adopt rules necessary for the proper administration of the retiree health benefits fund, including enrollment procedures. 	
<p>Page 1, after line 21, insert the following:</p> <p>SECTION3.APPROPRIATION. There is appropriated out of any moneys collected pursuant to chapter 54-52.1, not otherwise appropriated, the sum of \$89,329, or so much of the sum as may be necessary, to the public employees retirement system for the purpose of defraying the cost of implementing this Act, for the biennium beginning July 1, 2005, and ending June 30, 2007. The public employees retirement system is authorized one additional .5 FTE.</p>	<p>Appropriates funds to PERS for implementation on operation of the new benefit. The amount is broken down to \$40,000 for IT modifications and \$49,329 for operations.</p>



THE SEGAL COMPANY
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December 3, 2004

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

Re: **Technical Comments - Senate Bill No. 50248.01**

Dear Sparb:

The following presents our analysis of the proposed changes found in Senate Bill No. 50248.01:

Systems Affected: Retiree Health Benefit Fund.

Summary: The proposed legislation would make the following important change:

Permits the retiree health insurance credit payment to be applied to premium payments for any health insurance coverage selected by the retiree, rather than just to the uniform group health insurance coverage program for retirees that is governed by the PERS Board.

Actuarial Cost Analysis: The cost to the Retiree Health Insurance Credit Fund is .12% of payroll.

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

Benefits Policy Issues

> **Adequacy of Benefits**

The bill would increase the adequacy of benefits to retirees who currently do not participate in the PERS health plan but would be eligible to receive the retiree health insurance credit under the provisions of the bill.

> **Benefits Equity and Group Integrity**

The bill creates equity among all PERS retirees with respect to eligibility to receive the retiree health insurance credit.

> **Competitiveness**

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CITY OSLO PARIS

No impact.

> Purchasing Power Retention

The bill would enhance purchasing power retention, since the retiree health insurance credit amount would be available to a larger group of retirees to help pay for health insurance.

> Preservation of Benefits

No impact.

> Portability

The bill makes the retiree health insurance credit available to all PERS retirees, regardless of their geographic location or choice of health care provider. This makes the benefit more "portable" to members and retirees.

> Ancillary Benefits or Issues

The bill could impact the PERS health plan. Whenever an element of choice is added to a health plan, adverse selection may occur and increase the costs to the health plan.

Funding Policy Issues

> Actuarial Impacts

The bill would have an actuarial impact on the Retiree Health Benefit Fund, as noted earlier.

Investment Impacts

- ◆ Asset Allocation: The bill does not create asset allocation issues.
- ◆ Cash Flow Impacts: The bill will create a higher cash flow out of the plan since more members will be eligible to receive benefits.

Administration Issues

> Implementation and Operation Issues

The proposed bill would substantially alter the administration of the Retiree Health Benefit Fund. Currently, the retiree health insurance credit is limited to payment of premiums for the PERS health plan. PERS staff does all the billing and collection of the premium for the PERS health plan, reducing the billed amount to the member by the amount of the credit and adding the total credit amount to the overall payment to the health insurance carrier. The carrier receives one payment from PERS for the entire premium amount for all covered retirees.

This bill permits the credit to be applied to the premium for any health insurance selected by the retiree or beneficiary. It is unlikely that PERS would be able coordinate the retiree health insurance credit with premium payments in the same manner for all the carriers selected by retirees. Therefore, the retiree would have to pay the total premium amount and then periodically request partial

reimbursement of the premium from PERS for the applicable retiree health insurance credit amount. In addition, PERS would have to require that the retiree provide documentation that an eligible expense had been incurred in order to make the reimbursement. Currently, the PERS benefits system is not set up to verify this documentation and make payments directly to the retiree. Therefore, PERS would need to be programmed to cut the checks to the retiree.

> Administrative Costs

- ◆ PERS has requested from ITD an estimate to do the necessary programming. ITD has indicated that the cost for programming changes would be approximately \$40,000.
- ◆ Also, in order to maintain the tax benefits of the retiree health insurance credit, PERS will need to review and authorize each direct payment to a member to insure that the necessary supporting information has been submitted before authorizing payment. The additional group of members for whom this work will need to be done is about 2,100 retirees and beneficiaries. Steps involved will be to review claims submitted, verify claims, approve or deny claims, authorize payment or return claims to the retirees indicating why a claim was denied. PERS would need additional staff in order to accomplish this effort and is projecting the need for a 50% full-time equivalent account tech to do the work. The cost of this additional position is approximately \$50,000.

> Needed Authority

The bill appears to provide sufficient levels of administrative and governance authority to the PERS Board to implement the changes made by the bill to the Retiree Health Benefit Fund.

> Cross Impact on Other Plans

When the Retiree Health Benefit Fund was originally established, the retiree health insurance credit was limited to only those members electing to participate in the PERS health plan in order to encourage participation in that plan. This resulted in a healthy cross section of individuals participating in the PERS health plan. If retirees are able to apply the retiree health insurance credit amount to health insurance premiums for any plan, as this bill proposes to do, there likely will be some adverse selection against the PERS health plan. That is, some healthy retirees may leave the PERS health plan to participate in a more cost-effective plan, when taking into account the amount of the retiree health insurance credit, leaving the PERS plan with a less healthy population of covered individuals. This could lead to an increase in claims cost, and consequently an increase in premiums, for the PERS health plan.

ND PERS own claim experience points out the added costs of early retirees and retirees that do not qualify for a retiree health credit. Of the 619 non-Medicare retirees on the plan in 2003, 305 (49%) had no retiree health credits. The average cost in 2003 for this group was 17% greater than the 314 (51%) of the member that had a retiree health credit. About 29% of the Medicare retirees on the NDPERS Health Plan for this period had no health credit. Their costs were 17.5% higher on average than those that have a health credit. Although not a sample size sufficient to draw any definite conclusions, it does support the general belief that retirees that are eligible for a credit are better risks than those that do not. To the extent this group grows and the costs increase due to adverse selection this would have an impact on the active employer rates since the premium for this group is set in Section 54-52.1-02 and any costs to this group beyond the premium become a cost to the active group.

> Employee Communications

Communications to employees and retirees will be needed to explain the ability of retirees to receive the retiree health insurance credit, regardless of health plan they participate in, and to explain the requirements for receipt of the credit, including that the retiree must pay first and then request reimbursement and what constitutes adequate documentation for reimbursement.

Miscellaneous Issues

> Taxability of Benefit

Currently, the retiree health insurance credit amount paid to the PERS' health plan carrier on behalf of retirees is not taxable income for those individuals since it is payment for "medical care" as defined in Internal Revenue Code Section 213 (d). Under this bill, where the retiree health insurance credit amount can be used to pay premiums for any health plan selected by the retiree, the nontaxable status of such payments can be maintained if: (1) the retiree pays for the premium up front and then requests reimbursement from the Retiree Health Benefit Fund; and (2) the Fund requires adequate documentation from the retiree that the expense was for the premium amount.

> Definition of Health Insurance

The proposed bill states that "hospital and benefits coverage and medical benefits coverage under an insurance program selected by the eligible person" would meet the requirements for getting the health credit. This brings up the question as to the eligibility of reimbursement for Medicare premiums.

Medicare premiums are an allowable expense under 213(d) and, if the bill allows could also be reimbursed as non-taxable income. The bill should clarify whether Medicare premiums are eligible for reimbursement from the Retiree Health Benefit Fund.

If you have any questions or comments, please contact our office.

Sincerely,

Leslie L. Thompson, FSA, MAAA, EA
Senior Vice President and Actuary

Melanie Walker, JD
West Region Compliance Practice Leader

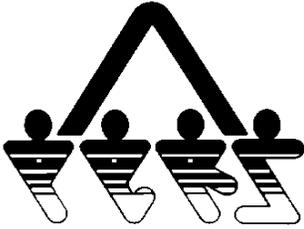
mew

cc: Wally Malles, ASA, MAAA, EA

State of North Dakota Retirement Adjustments - Bill 1403		Est 05-07					
Department	05-07 Salary Adjustment	Payroll with Adjustment	Monthly Inc Contribution	05-07 Funding General	Adj Sources Other	05-07 Funding General	Adjustments Other
101 Office of the Governor	\$102,453	\$1,669,461	0.12%	100.00%	0.00%	\$2,003	\$0
108 Office of the Secretary of State	\$100,821	\$1,574,157	0.12%	97.30%	2.70%	\$1,838	\$51
Office of Management and Budget	\$524,240	\$11,139,968	0.12%	79.90%	20.10%	\$10,681	\$2,687
112 Information Technology Department	\$1,517,444	\$21,500,780	0.12%	6.22%	93.78%	\$1,606	\$24,195
117 Office of the State Auditor	\$299,136	\$4,467,696	0.12%	68.87%	31.13%	\$3,692	\$1,669
120 Office of the State Treasurer	\$28,819	\$473,131	0.12%	100.00%	0.00%	\$568	\$0
125 Office of the Attorney General	\$884,073	\$13,811,481	0.12%	73.97%	26.03%	\$12,260	\$4,314
127 Office of the State Tax Commissioner	\$593,138	\$9,457,466	0.12%	100.00%	0.00%	\$11,349	\$0
140 Office of Administrative Hearings	\$47,907	\$784,035	0.12%	0.00%	100.00%	\$0	\$941
150 Legislative Assembly	\$0	\$0	0.12%	100.00%	0.00%	\$0	\$0
160 Legislative Council	\$208,080	\$3,362,328	0.12%	100.00%	0.00%	\$4,035	\$0
180 Judicial Branch	\$1,439,813	\$30,638,381	0.12%	97.20%	2.80%	\$35,736	\$1,030
190 Retirement and Investment Office	\$88,786	\$1,454,146	0.12%	0.00%	100.00%	\$0	\$1,745
192 Public Employees Retirement System	\$128,097	\$2,077,929	0.12%	0.00%	100.00%	\$0	\$2,494
201 Department of Public Instruction	\$449,657	\$6,983,033	0.12%	31.75%	68.25%	\$2,660	\$5,719
226 State Land Department	\$100,541	\$1,398,149	0.12%	0.00%	100.00%	\$0	\$1,678
250 State Library	\$97,953	\$1,535,121	0.12%	88.06%	11.94%	\$1,622	\$220
252 School for the Deaf	\$133,596	\$1,805,868	0.12%	95.33%	4.67%	\$2,066	\$101
253 N.D. Vision Services	\$57,605	\$719,693	0.12%	76.09%	23.91%	\$657	\$207
270 Dept of Career and Technical Ed	\$140,764	\$672,988	0.12%	66.91%	33.09%	\$540	\$267
301 North Dakota Department of Health	\$1,481,028	\$22,784,460	0.12%	32.65%	67.35%	\$8,927	\$18,414
313 Veterans Home	\$292,232	\$4,604,144	0.12%	64.95%	35.05%	\$3,589	\$1,936
316 Indian Affairs Commission	\$15,453	\$253,413	0.12%	100.00%	0.00%	\$304	\$0
321 Department of Veterans Affairs	\$22,263	\$359,823	0.12%	100.00%	0.00%	\$432	\$0
325 Department of Human Services	\$8,264,261	\$128,487,989	0.12%	57.44%	42.56%	\$88,569	\$65,617
360 Protection and Advocacy Project	\$116,828	\$1,753,004	0.12%	23.45%	76.55%	\$493	\$1,610
380 Job Service North Dakota	\$1,591,477	\$19,510,309	0.12%	0.26%	99.74%	\$61	\$23,351
401 Office of the Insurance Commissioner	\$232,305	\$3,341,385	0.12%	0.00%	100.00%	\$0	\$4,010
405 Industrial Commission	\$277,618	\$4,491,610	0.12%	86.14%	13.86%	\$4,643	\$747
406 Office of the Labor Commissioner	\$50,721	\$684,753	0.12%	75.18%	24.82%	\$618	\$204
408 Public Service Commission	\$232,996	\$3,834,724	0.12%	64.18%	35.82%	\$2,953	\$1,648
412 Aeronautics Commission	\$31,577	\$462,065	0.12%	0.00%	100.00%	\$0	\$554
413 Department of Financial Institutions	\$158,721	\$2,395,401	0.12%	0.00%	100.00%	\$0	\$2,874
414 Office of the Securities Commissioner	\$51,396	\$760,548	0.12%	100.00%	0.00%	\$913	\$0
471 Bank of North Dakota	\$812,929	\$12,905,329	0.12%	0.00%	100.00%	\$0	\$15,486
North Dakota Housing Finance Agency	\$197,533	\$2,888,941	0.12%	0.00%	100.00%	\$0	\$3,467
North Dakota Mill & Elevator Association	\$0	\$7,669,056	0.12%	0.00%	100.00%	\$0	\$9,203
485 Workforce Safety & Insurance	\$1,165,040	\$18,114,296	0.12%	0.00%	100.00%	\$0	\$21,737
504 Highway Patrol	\$950,355	\$14,284,632	0.12%	88.81%	11.19%	\$15,224	\$1,917
512 Division of Emergency Management	\$264,483	\$2,302,083	0.12%	53.11%	46.89%	\$1,467	\$1,295
530 Department of Corrections and Rehabilitation	\$2,659,801	\$38,857,609	0.12%	90.82%	9.18%	\$42,350	\$4,279
540 Adjutant General	\$635,766	\$9,571,182	0.12%	27.42%	72.58%	\$3,150	\$8,336
601 Department of Commerce	\$340,797	\$5,355,285	0.12%	69.26%	30.74%	\$4,451	\$1,975
602 Department of Agriculture	\$285,831	\$4,317,255	0.12%	56.28%	43.72%	\$2,915	\$2,265
616 State Seed Department	\$132,482	\$1,884,218	0.12%	0.00%	100.00%	\$0	\$2,261
627 Upper Great Plains Transportation Institute	\$371,314	\$104,978	0.12%	3.94%	96.06%	\$10	\$31
628 Branch Research Centers	\$418,791	\$1,479,263	0.12%	76.14%	23.86%	\$564	\$28
630 NDSU Extension Service	\$1,422,466	\$2,446,220	0.12%	52.33%	47.67%	\$745	\$234
638 Northern Crops Institute	\$53,033	\$0	0.12%	56.53%	43.47%	\$0	\$0
640 NDSU Main Research Center	\$2,227,891	\$3,056,721	0.12%	64.45%	35.55%	\$1,180	\$43
649 Agronomy Seed Farm	\$18,131	\$0	0.12%	0.00%	100.00%	\$0	\$0
701 State Historical Society	\$236,884	\$3,968,044	0.12%	89.06%	10.94%	\$4,241	\$521
709 Council on the Arts	\$20,273	\$323,105	0.12%	100.00%	0.00%	\$388	\$0
720 Game & Fish Department	\$779,948	\$12,253,700	0.12%	0.00%	100.00%	\$0	\$14,704
750 Department of Parks & Recreation	\$201,616	\$3,059,464	0.12%	91.52%	8.48%	\$3,360	\$311
770 State Water Commission	\$438,877	\$7,023,541	0.12%	13.85%	86.15%	\$1,168	\$7,261
801 Department Of Transportation	\$4,554,903	\$74,291,223	0.12%	0.00%	100.00%	\$0	\$89,149
Subtotal		\$535,405,584	0.12%	45.83%	54.17%	\$284,028	\$352,789
Higher Education	\$10,048,985	\$130,993,703	0.12%	0.00%	100.00%	\$0	\$157,192
State Total		\$666,399,287	0.12%			\$284,028	\$509,981
Political Sub Divisions							
Counties		\$174,231,960	0.12%	0.00%	100.00%	\$0	\$209,078
School Districts		\$176,934,120	0.12%	0.00%	100.00%	\$0	\$212,321
Cities		\$25,106,880	0.12%	0.00%	100.00%	\$0	\$30,128
Others		\$28,857,288	0.12%	0.00%	100.00%	\$0	\$34,629
P.S. Total		\$405,130,248				\$0	\$486,156
Grand Total		\$1,071,529,535				\$284,028	\$996,137

**Projected Costs for New FTE to administer Retiree Health Credit payments
05-07 Biennium**

SALARY & WAGES	
New .5 FTE (Grade 7)	38,000
TOTAL	38,000
OPERATING EXPENSE	
Data Processing	
Network Access Charge (\$29/person/month)	696
EDMS User Fee (\$22/person/month)	528
Telephone	
Basic phone service (\$28.00/person/month)+installation	722
Long distance (2% increase)	257
Office Rent (2% increase)	3,454
Office Supplies (2% increase)	672
Computer software	600
TOTAL	6,929
EQUIPMENT	
Office furniture	2,500
Chair	600
Computer	1,300
TOTAL	4,400
TOTAL COSTS	49,329



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

TO: PERS Board
FROM: Sparb
DATE: January 12, 2010
SUBJECT: Communication Efforts

This last fall the Board decided that staff should communicate the status of the retirement plans to our respective groups. At that time we discussed including in our upcoming newsletter an article on the status of the plans. Attached is a copy of the article.

The Board also requested that I do a series of web videos for members that discussed the status of the plan in detail. Thanks to the Health Department we did the first in December titled "The Challenge" and it is now on our website. The second one titled "The Considerations" was done on January 13th and should be on our website by the week of January 25th.

In addition, staff has been meeting with all our groups to review the status of our plans; these meetings have included the following:

- November 5 – Meeting on Judges Retirement Plan
- November 18th – NDPEA public forum at the Bismarck Public Library
- November 19th - Meeting with Job Service Retirees
- December 3 – Meeting with Highway Patrol
- December 10th – PERS Retiree Meeting
- January 7th – Meeting with Highway Patrol
- January 8th – Meeting with League of Cities
- January 11th – Meeting with Council of Educational Leaders
- January 12th – Meeting with Association of Counties
- January 13 – Meeting with OMB

Other meetings to be set up in January include the NDEA, School Boards Association and the fiscal staff of the Legislative Council.

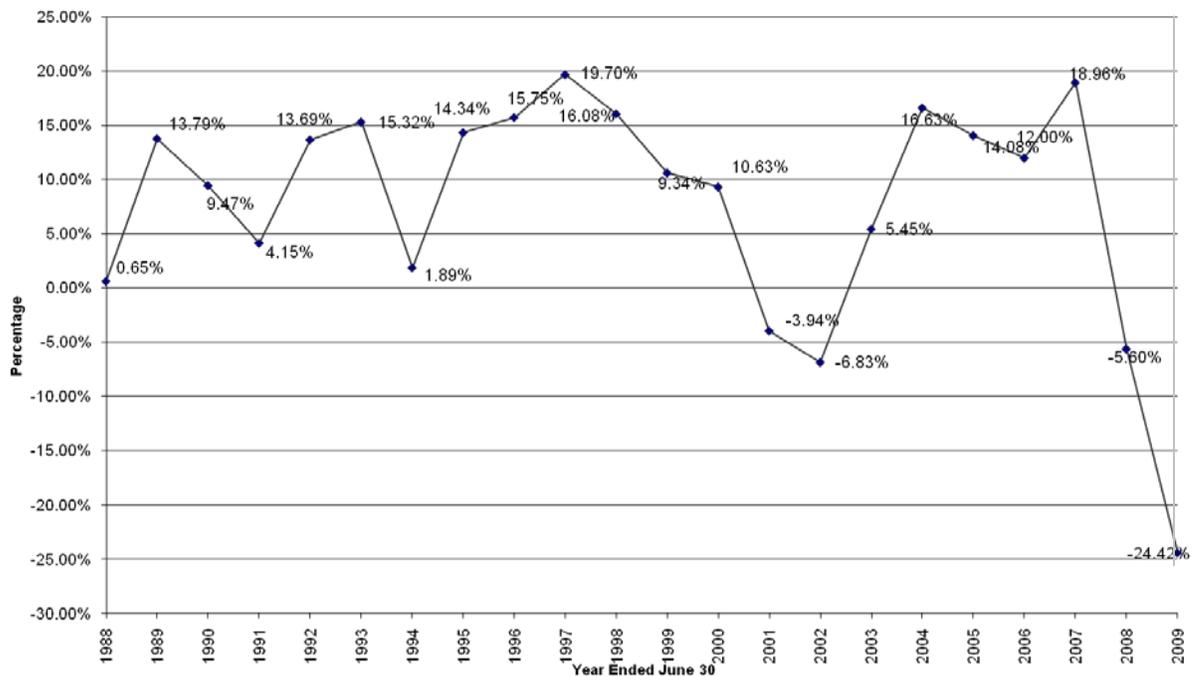
NDPERS RETIREMENT PLAN FINANCIAL UPDATE

Background

The PERS office has had numerous inquiries about how the retirement plan is doing as a result of the recent downturn in the financial markets. This article is the first in a series of educational updates that will keep you informed of our situation. In this article we will review for the PERS system the market return for our fiscal year ending June 30, 2009, its effect on the plan, its implications and the steps we will take going forward.

Investment Return

The State Investment Officer recently reported that the return for the PERS retirement plan for fiscal year ending June 30, 2009 was a negative 24.5%. The following graph shows this year's return and past years' actual returns:



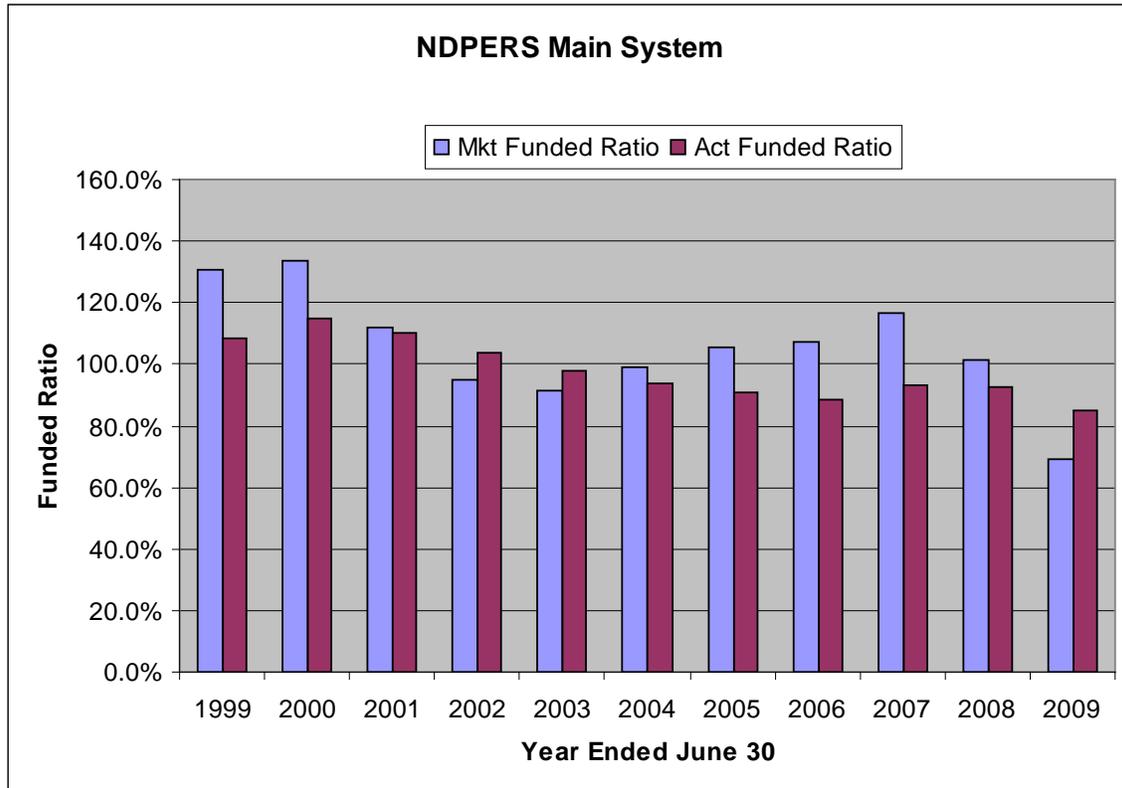
As you will note, PERS investments have generally been strong but this year's return is unlike any the plan has ever experienced.

Effect on the Plan

PERS has always had a strong funded position. Since the late 1980's our plan has always had a funded status of over 90% on both a market and actuarial value basis. Funded status refers to the amount of assets the plan has compared to the existing cost of the benefits earned. Market value is the actual value of assets at the end of the fiscal

year. Actuarial value is calculated by recognizing 20% of a gain or loss in any one year with the remaining 80% recognized in 20% increments over the next four years. Actuarial value is used because it provides a more stable value for planning purposes.

The following graph shows our status over the past 10 years:



With this year's negative 24.5% return, you will see that for the 2009 fiscal year our funded status is projected to drop to 85% at actuarial value and to about 69% at market value. Even if our fund earned 8% every year over the next 4 years, our actuarial funded status would continue to drop and would be approximately 60% at the end of that period.

Implications for the Plan

Employer contributions to the PERS plan are 4.12% and employee contributions are 4%. Some employers have "picked-up" the 4% contributions but these are still considered employee contributions by the plan. Unlike most plans, our contribution has remained level and has not changed since 1989 when the employer contribution was decreased by 1% and allocated to start and fund the Retiree Health Insurance Credit (RHIC) program. PERS has been able to maintain a level contribution for both the employers and employees due to the strong investment returns during the 1980's and 1990's. With the recent downturn in the markets and the dramatic drop this last year, we asked our actuary to estimate how much contributions would need to increase from the current

8.12% to fully fund the Plan in twenty years. These estimates assume that the assets will earn 8% every year going forward. The following is the estimate they provided to the PERS Board:

Year	Deficiency	Total Contribution
2009	3.62%	11.74%
2010	4.83%	12.95%
2011	6.15%	14.27%
2012	7.76%	15.88%
2013	8.94%	17.06%
2014	9.24%	17.36%

This table shows the estimated projected contribution deficiency for 2009 to 2014 and what the total contributions should be in order to fully fund the Plan in twenty years. Based upon these projections, employer/employee contributions could increase by about 9% in the next 5 to 6 years. This would mean total contributions may need to change from the present rate of 8.12% to about 17%.

Next Steps

As mentioned at the outset of this article, the above results are based upon our most recent actuarial report. The PERS Board has initiated a planning process to review this in detail and it will be ongoing through February 2010. At that time the board will need to determine what actions to propose to the next legislative session and the Governor for consideration. Pursuant to legislative guidelines, PERS must submit its proposed legislation to the Legislative Employee Benefits Committee (LEBC) by March 31, 2010. This starts a process of consideration and a series of hearings by that committee. In addition, the committee asks the actuaries to prepare detailed reports on each bill which assess its technical and actuarial effect. The LEBC will conclude its work in November of 2010 and will add a report to the proposed legislation that will outline its findings. If the proposed bill is submitted at the next session, this report is attached for the Legislature's consideration.

As the PERS Board moves forward it will:

1. Provide to you early next year in our newsletter information on proposals that are being considered to address the funding shortfall caused by the market's recent downturn.
2. Send to you next spring a letter with information on all the legislation submitted.

In addition, the following will be available on our web site as indicated:

December 2009 - webcast which will review the funding status of the plan in detail.

February 2010 - webcast on the proposals that are under consideration.

April 2010 - webcast on the proposed legislation.



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Memorandum

TO: NDPERS Board

FROM: Kathy

DATE: January 13, 2010

SUBJECT: FlexComp Annual Enrollment

The annual open enrollment for the 2010 FlexComp plan year concluded on November 6, 2009. Included is an update of the number of participants that enrolled and the dollars deferred for the medical spending and dependent care accounts, the comparative statistics with the 2009 plan year, and the participation, total pretax and average pretax statistics since we began tracking this data in 2000.

Enrollment Highlights

Dependent Care Accounts

- The minimum contribution amount increased by 50%
- Total deferrals increased by approximately 4%

Medical Spending Accounts

- Participation for 2010 increased by 4%.
- Average deferrals increased by 5%.
- Total deferrals increased by approximately 9%

We are available to answer any questions.



Memo

To: Sparb, Kathy, Sharon
 From: Bryan T. Reinhardt
 Date: 1/6/2010
 Re: Flexcomp 2010

Here is the Flexcomp Program enrollment for the 2010 plan year. The 2009 initial enrollment totals are included for comparison.

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

2010 PLAN YEAR INITIAL DEPENDANT CARE SPENDING

N	Minimum	Maximum	Mean	Sum
392	\$240.00	\$5,000.00	\$3,718.36	\$1,457,595.62

2009 PLAN YEAR INITIAL DEPENDANT CARE SPENDING

N	Minimum	Maximum	Mean	Sum
377	\$120.00	\$5,000.00	\$3,726.59	\$1,404,924.33

2010 PLAN YEAR INITIAL MEDICAL SPENDING

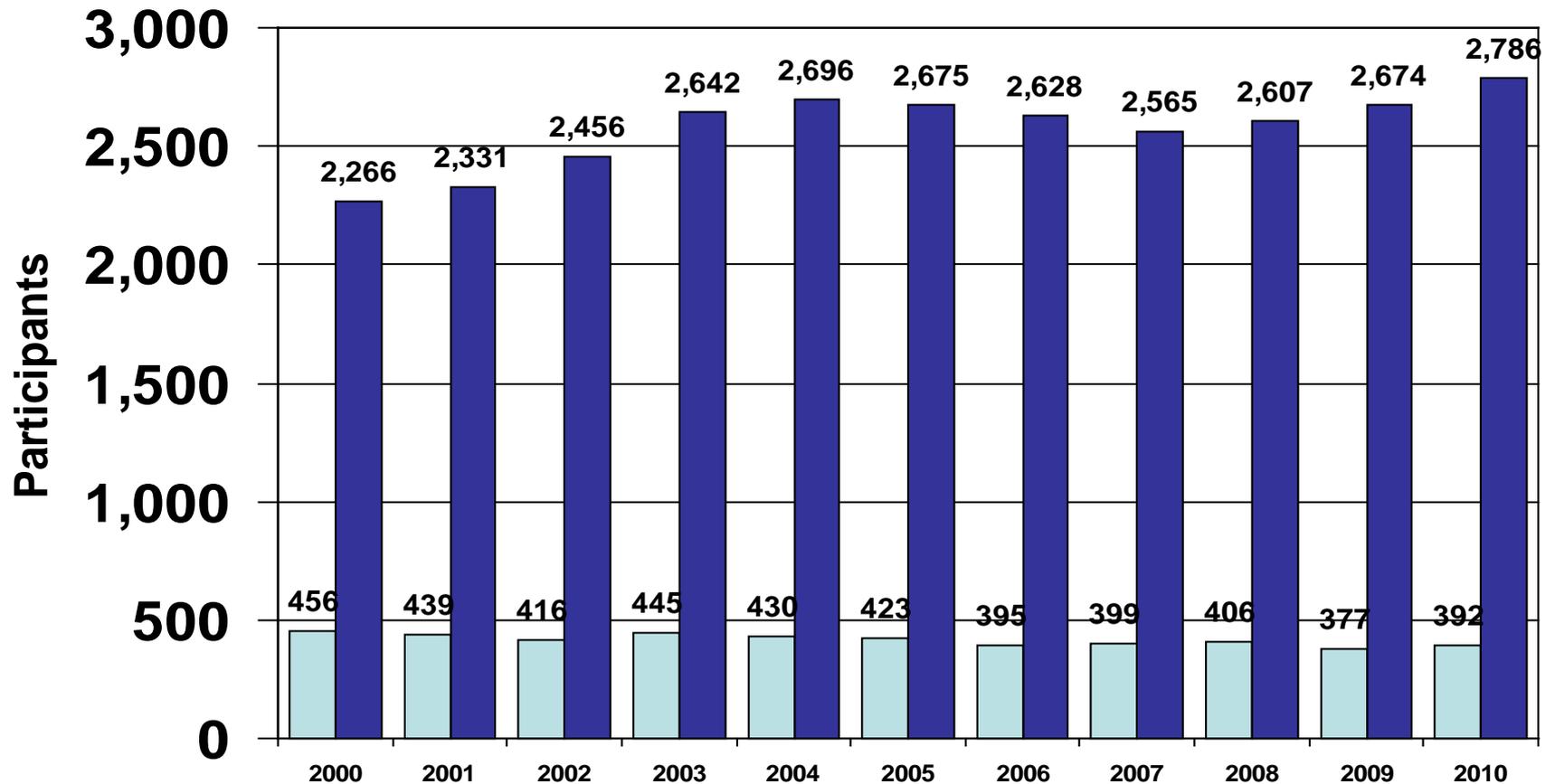
N	Minimum	Maximum	Mean	Sum
2786	\$60.00	\$6,000.00	\$1,677.61	\$4,673,820.76

2009 PLAN YEAR INITIAL MEDICAL SPENDING

N	Minimum	Maximum	Mean	Sum
2674	\$90.00	\$6,000.00	\$1,593.21	\$4,260,243.09

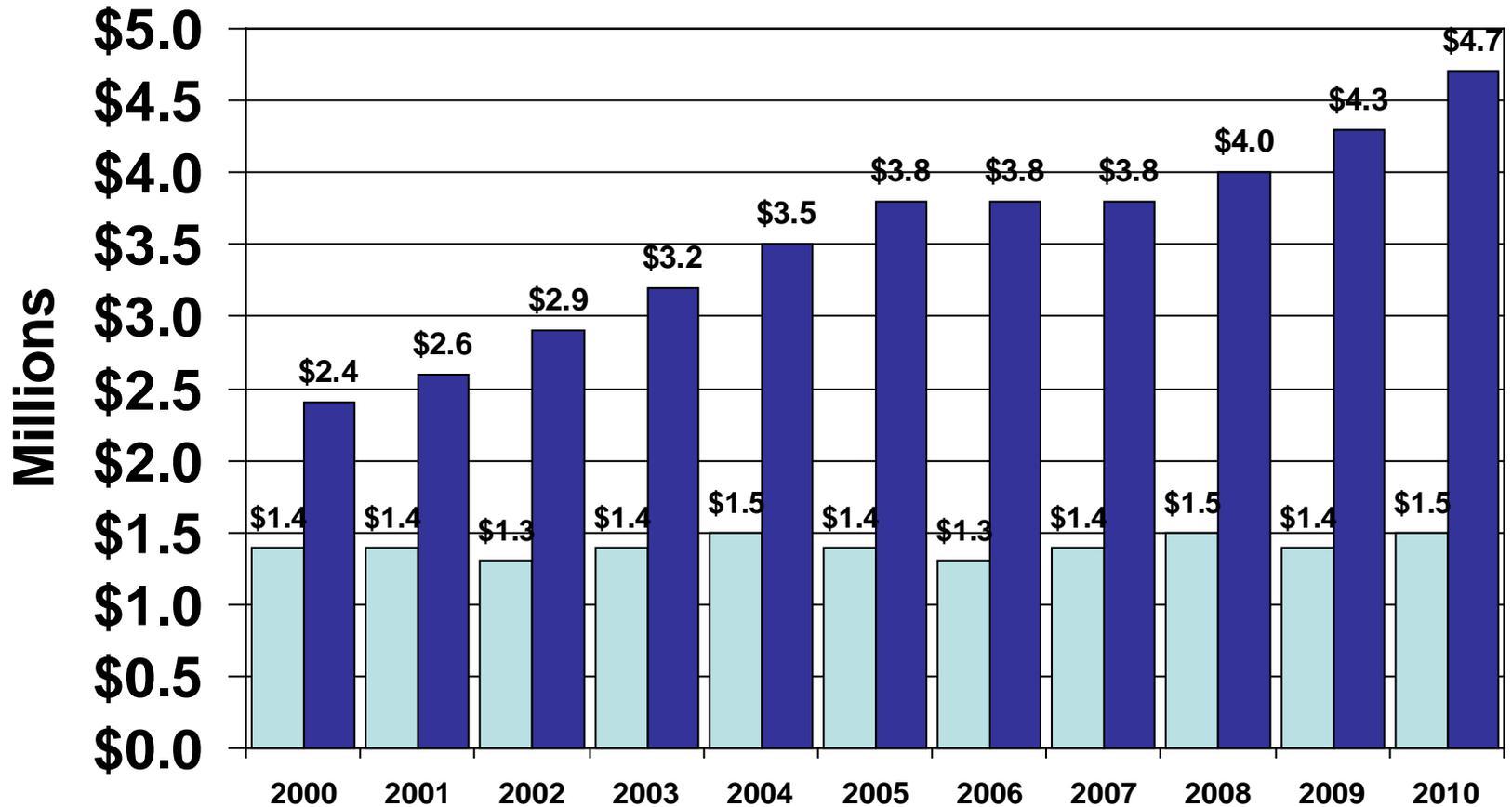
NDPERS Flexcomp Participation

Dependent Care Medical Spending



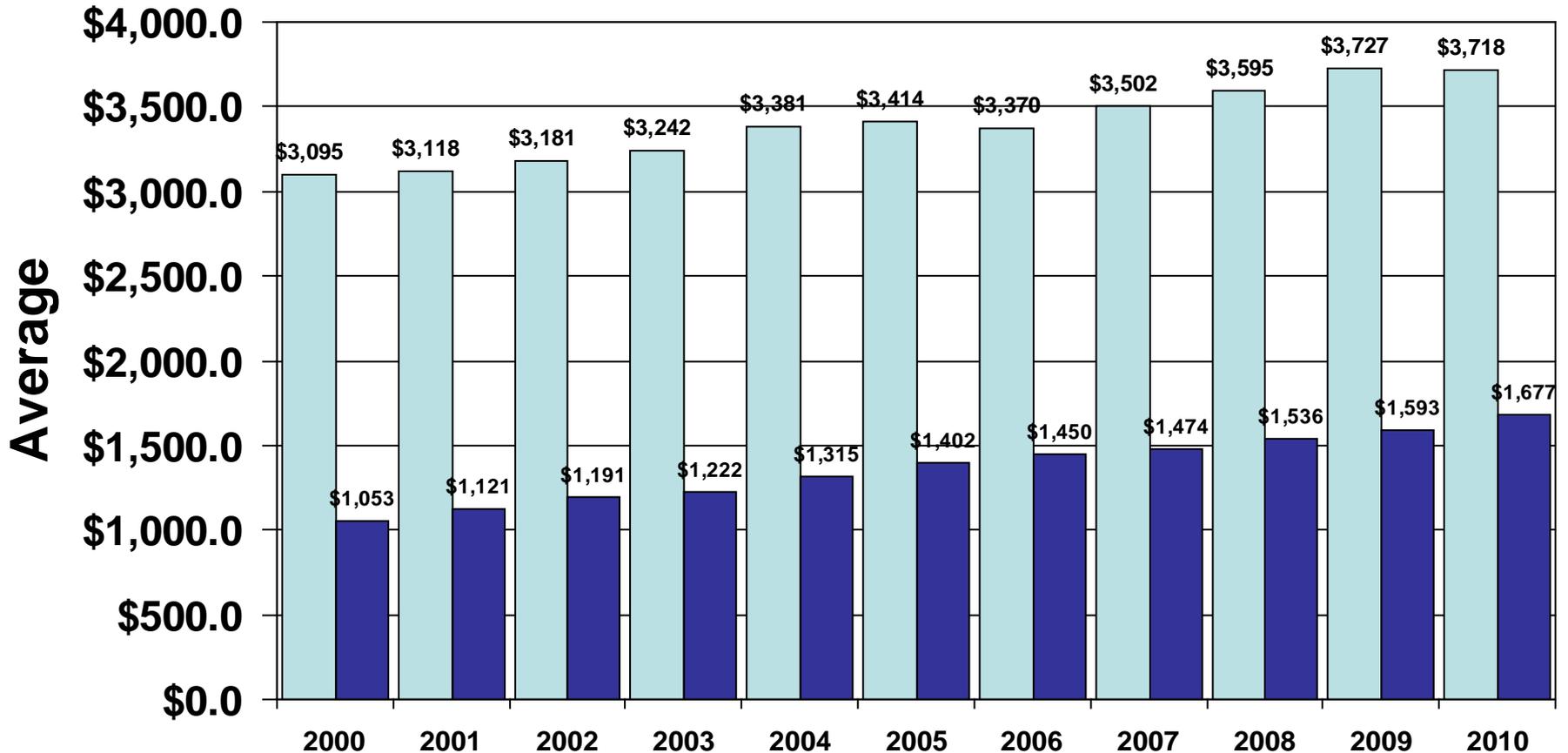
NDPERS Flexcomp Participation

Dependent Care Medical Spending



NDPERS Flexcomp Participation

Dependent Care Medical Spending





Memo

To: NDPERS Board
From: ^{BTR} Bryan T. Reinhardt
Date: 12/2/2009
Re: 457 Companion Plan & 401(a) plan 3rd Quarter 2009 Reports

Here is the 3rd quarter 2009 investment report for the 401(a) & 457 Companion Plan. The reports are available separately on the NDPERS web site. The NDPERS Investment Subcommittee reviewed the 3rd quarter report and requests the Board to add the Spartan International index fund to the core lineup. The Investment Committee reviewed many funds over the past year. This mutual fund is a low fee EAFE index fund and the only other foreign fund offered in the core lineup is actively managed.

Assets in the 401(a) plan increased to \$16.0 million as of Sept 30, 2009. The number of participants is at 294, about the same as when the plan started. The largest fund is the Fidelity Managed Income Portfolio with 15% of the assets.

Assets in the 457 Companion Plan increased to \$25.3 million as of Sept 30, 2009. The number of participants is increasing and is now at 2,768. The largest funds are the Fidelity Freedom 2020 Fund (13% of assets), Allianz Small Cap Fund and Fidelity Diversified International (each 9% of assets).

Benchmarks:

Fund returns for the quarter were all positive. Almost all the returns were in double digits and as high as 26%. These returns were enough to get positive YTD figures, but most of the 1-year and 3-year averages are still negative due to the market downturn in 2008. **Fidelity Diversified International** was the only fund that performed lower than its 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:

The Investment Sub-Committee marked **Fidelity Diversified International (FDIVX)** as underperforming for the quarter.

Board Action:

Approve adding the Fidelity Spartan International Index fun to the core lineup.

NDPERS
Quarterly Investment Report
3rd Quarter
7/1/2009 – 9/30/2009



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	MEDIUM
Allianz NFJ Small Cap Value	Dreyfus Small Cap Index	MSIF Small Co Growth B	SMALL
VALUE	BLEND	GROWTH	

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

LIFESTYLE FUNDS: Fidelity Freedom Income
 Fidelity Freedom 2000 Fidelity Freedom 2015 Fidelity Freedom 2030
 Fidelity Freedom 2005 Fidelity Freedom 2020 Fidelity Freedom 2035
 Fidelity Freedom 2010 Fidelity Freedom 2025 Fidelity Freedom 2040, 2045 & 2050

FUND STYLE CHANGES:

			LARGE
Allianz NFJ Small Cap Value			MEDIUM
	Fidelity Mid Cap Stock		SMALL
VALUE	BLEND	GROWTH	

Note: An upward arrow is shown in the VALUE column, and a horizontal arrow points from the GROWTH column to the BLEND column.

INCOME FUNDS:
 BOND FUNDS:
 INTERNATIONAL FUNDS:
 BALANCED FUNDS:
 LIFESTYLE FUNDS:

CURRENT LINEUP:

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

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

LIFESTYLE FUNDS: Fidelity Freedom Income
 Fidelity Freedom 2000 Fidelity Freedom 2015 Fidelity Freedom 2030
 Fidelity Freedom 2005 Fidelity Freedom 2020 Fidelity Freedom 2035
 Fidelity Freedom 2010 Fidelity Freedom 2025 Fidelity Freedom 2040, 2045 & 2050

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM DEFINED CONTRIBUTION PLAN INVESTMENT OPTIONS

PERFORMANCE UPDATE

AS OF SEPTEMBER 30, 2009

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 %			Life of Fund	Fund Inception	Short-Term Trading Fee (%/Days)	Expense Ratio↕
		3 Month	YTD	1 Year	5 Year	10 Year				
LIFE-CYCLE FUNDS ⇨										
FFFBX	Fidelity Freedom 2000	7.67	13.79	4.51	3.35	3.70	5.63	10/17/96	n/a	0.49
FFVFX	Fidelity Freedom 2005	11.38	19.64	3.42	3.34	n/a	3.61	11/06/03	n/a	0.63
FFFCX	Fidelity Freedom 2010	12.07	20.75	3.67	3.46	3.58	6.31	10/17/96	n/a	0.64
FFVFX	Fidelity Freedom 2015	12.50	21.46	3.24	3.81	n/a	4.10	11/06/03	n/a	0.67
FFDX	Fidelity Freedom 2020	14.39	23.98	1.48	3.51	2.92	6.21	10/17/96	n/a	0.72
FFTWX	Fidelity Freedom 2025	15.06	24.86	0.93	3.45	n/a	3.85	11/06/03	n/a	0.74
FFFEY	Fidelity Freedom 2030	15.92	25.09	-1.24	2.98	2.13	5.69	10/17/96	n/a	0.76
FFTHX	Fidelity Freedom 2035	16.32	25.54	-1.65	2.89	n/a	3.46	11/06/03	n/a	0.78
FFFFX	Fidelity Freedom 2040	16.81	26.02	-2.25	2.85	n/a	-0.76	9/06/00	n/a	0.79
FFFGX	Fidelity Freedom 2045	16.95	26.12	-2.29	n/a	n/a	-2.60	6/01/06	n/a	0.80
FFFHX	Fidelity Freedom 2050	17.58	26.60	-3.03	n/a	n/a	-3.12	6/01/06	n/a	0.82
FFFAX	Fidelity Freedom Income	7.22	13.45	5.25	3.39	3.83	4.96	10/17/96	n/a	0.48
MANAGED INCOME / ANNUITIES / STABLE VALUE ⊕										
00632	Managed Income Portfolio	0.28	1.36	2.10	3.67	4.42	5.42	9/07/89	n/a	n/a
BOND FUNDS >										
PTRAX	PIMCO Total Return - Administrative Class	5.98	12.51	18.03	6.66	7.28	7.52	9/08/94	n/a	0.89
BALANCED/HYBRID FUNDS										
FPURX	Fidelity Puritan®	12.31	20.97	2.23	3.09	4.06	11.03	4/16/47	n/a	0.61
DOMESTIC EQUITY FUNDS - LARGE-CAP VALUE										
FEQIX	Fidelity Equity-Income	19.64	25.01	-4.24	0.46	1.85	11.50	5/16/66	n/a	0.71
TESIX	Mutual Shares - A Class	15.90	21.99	-5.21	1.98	5.23	6.93	11/01/96	n/a	1.08

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

continued

Turn here™



AS OF SEPTEMBER 30, 2009

Fund ID	Name	Cumulative Total Returns %		Average Annual Total Returns %			Life of Fund	Fund Inception	Short-Term Trading Fee (%/Days)	Expense Ratio↔
		3 Month	YTD	1 Year	5 Year	10 Year				
DOMESTIC EQUITY FUNDS - LARGE-CAP BLEND										
FDGFX	Fidelity Dividend Growth	22.21	43.19	4.89	1.28	1.69	9.91	4/27/93	n/a	0.62
FUSEX	Spartan® U.S. Equity Index - Investor Class	15.60	19.34	-6.86	0.98	-0.24	8.95	2/17/88	n/a	0.10
DOMESTIC EQUITY FUNDS - LARGE-CAP GROWTH										
FBGRX	Fidelity Blue Chip Growth	20.46	33.51	0.46	1.74	-1.12	9.95	12/31/87	n/a	0.76
FDGRX	Fidelity Growth Company	16.49	31.56	0.70	5.65	2.15	12.38	1/17/83	n/a	0.97
DOMESTIC EQUITY FUNDS - MID-CAP VALUE ⓘ										
GCMAX	Goldman Sachs Mid Cap Value - Class A	19.51	25.52	-4.34	3.65	9.19	7.04	8/15/97	n/a	1.16
DOMESTIC EQUITY FUNDS - MID-CAP BLEND ⓘ										
PESPX	Dreyfus Mid Cap Index	19.81	29.94	-3.34	4.14	6.99	10.92	6/19/91	n/a	0.51
FSEMXX	Spartan® Extended Market Index - Investor Class	19.60	30.21	-4.10	4.01	3.74	4.38	11/05/97	0.75/90	0.10
DOMESTIC EQUITY FUNDS - MID-CAP GROWTH ⓘ										
FMCSX	Fidelity Mid-Cap Stock	25.99	44.07	5.79	4.53	5.74	10.60	3/29/94	0.75/30	0.73
DOMESTIC EQUITY FUNDS - SMALL-CAP VALUE ♦										
PVADX	Allianz NFJ Small Cap Value - Administrative Class	16.06	17.22	-7.41	6.19	10.79	11.04	11/01/95	n/a	1.07
DOMESTIC EQUITY FUNDS - SMALL-CAP BLEND ♦										
DISSX	Dreyfus Small Cap Stock Index	18.57	19.27	-10.33	2.65	6.74	6.33	6/30/97	n/a	0.51
DOMESTIC EQUITY FUNDS - SMALL-CAP GROWTH ♦										
MSSMX	MSIF Small Company Growth - P Class	18.58	42.00	9.20	3.96	5.59	9.24	1/02/96	2.00/30	1.30
INTERNATIONAL/GLOBAL FUNDS ††										
FDIVX	Fidelity Diversified International	17.73	27.52	-2.28	5.82	6.39	9.14	12/27/91	1.00/30	1.04

MARKET INDICATORS ^^

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

Barclays Capital U.S. Intermediate Government/ Credit Bond Index ⓘ	3.25	4.92	10.01	4.68	5.90
Dow Jones Industrial Average	15.82	13.49	-7.38	1.85	1.62
MSCI EAFE® Index (Net MA)	19.44	29.11	3.37	6.23	2.80
Standard & Poor's 500 SM Index	15.61	19.26	-6.91	1.02	-0.15

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.

AS OF SEPTEMBER 30, 2009

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.
- ⊕ These investment options are not mutual funds.
- ⓪ Formerly known as Lehman Brothers Intermediate U.S. Government/Credit Index.

MARKET INDICATORS

- ^^ Indices are unmanaged and you cannot invest directly in an index.
 - Barclays Capital U.S. Intermediate Government/Credit Bond Index** is a market value-weighted index of investment-grade fixed-rate debt securities with maturities from one up to (but not including) ten years from the U.S. Treasury, U.S. Government-Related, and U.S. Corporate Indices.
 - Dow Jones Industrial Average**, published by Dow Jones & Company, is a price-weighted index that serves as a measure of the entire U.S. market. The index comprises 30 actively traded stocks, covering such diverse industries as financial services, retail, entertainment, and consumer goods.
 - Morgan Stanley Capital International Europe, Australasia, and Far East (MSCI EAFE®) Index (Net MA)** is a market capitalization index that is designed to measure the investable equity market performance for global investors in developed markets, excluding the US & Canada. Index returns for periods after January 1, 1997, are adjusted for tax withholding rates applicable to U.S.-based mutual funds organized as Massachusetts business trusts.
 - The S&P 500® Index** is a registered service mark of The McGraw-Hill Companies, Inc., and has been licensed for use by Fidelity Distributors Corporation and its affiliates. It is an unmanaged index of the common stock prices of 500 widely held U.S. stocks that includes the reinvestment of dividends.

INVESTMENT RISK

- These target date funds are designed for investors expecting to retire around the year indicated in each target date fund. The target date funds are managed to gradually become more conservative over time. The investment risks of each target date fund changes over time as its asset allocation changes. They are subject to the volatility of the financial markets, including equity and fixed income investments in the U.S. and abroad and may be subject to risks associated with investing in high yield, small cap and foreign securities. Principal invested is not guaranteed at any time, including at or after their target dates.
- Although bonds generally present less short-term risk and volatility than stocks, the bond market is volatile and bond funds do entail interest rate risk (as interest rates rise, bond prices usually fall, and vice versa). This effect is usually more pronounced for longer-term securities. Bond funds also entail issuer credit risk, and the risk of default, or the risk that an issuer will be unable to make income or principal payments. Additionally, bond funds and short-term investments entail greater inflation risk, or the risk that the return of an investment will not keep up with increases in the prices of goods and services, than stocks. The fund may invest in lower-quality debt securities that generally offer higher yields, but also involve greater risk of default or price changes due to potential changes in the credit quality of the issuer.
- ⊕ Investments in mid-sized companies may involve greater risks than those of larger, more well-known companies, but may be less volatile than investments in smaller companies.
- ◆ 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 risk and may offer greater potential returns than U.S. investments. This risk includes political and economic uncertainties of foreign countries, as well as the risk of currency fluctuation.

Before investing in any investment option, please carefully consider the investment objectives, risks, charges and expenses. For this and other information, call Fidelity at 1-800-343-0860 or visit www.fidelity.com for a free mutual fund prospectus or variable annuity prospectus. For information on fixed annuities, contact Fidelity to request a fact sheet. Read them carefully before you invest.

NOTES:

NDPERS Investment Benchmarks - 3rd Quarter 2009

	<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	0.28%	1.36%	2.10%	3.52%	3.67%
GIC Index	0.39%	1.18%	1.57%	2.31%	3.16%
<u>Fixed Income Fund</u>					
PIMCO Total Return Bond Fund - PTRAX	4.67%	6.16%	8.99%	8.14%	6.10%
Barclays Aggregate Bond Index	3.74%	5.72%	10.56%	6.41%	5.13%
Taxable Bond Fund Universe	6.67%	16.21%	10.04%	4.12%	4.00%
<u>Balanced Fund</u>					
Fidelity Puritan - FPURX	12.31%	20.97%	2.23%	-1.34%	3.09%
60% Large Cap Value Univ & 40% Taxable Bond Universe	12.56%	17.56%	-0.29%	-2.38%	2.11%
60% Russell 3000 Value & 40% Lehman Agg Bond Index	12.65%	11.27%	-2.25%	-2.10%	2.63%
<u>Large Cap Equities - Value</u>					
Fidelity Equity-Income - FEQIX	19.64%	25.01%	-4.24%	-7.37%	0.46%
Franklin Mutual Shares A - TESIX	15.90%	21.99%	-5.21%	-5.70%	1.98%
Russell 1000 Value Index	18.24%	14.85%	-10.62%	-7.87%	0.90%
Large Cap Value Fund Universe	16.48%	18.46%	-7.18%	-6.72%	0.85%
<u>Large Cap Equities - Blend</u>					
Fidelity Spartan US Equity Index - FUSEX	15.60%	19.34%	-6.86%	-5.46%	0.98%
Fidelity Dividend Growth - FDGFX < Under Review 3/2007 >	22.21%	43.19%	4.89%	-4.39%	1.28%
S&P 500 Index	15.61%	19.26%	-6.91%	-5.43%	1.02%
Large Cap Blend Fund Universe	15.59%	21.28%	-5.46%	-5.13%	1.22%
<u>Large Cap Equities - Growth</u>					
Fidelity Growth Company - FDGRX	16.49%	31.56%	0.70%	0.37%	5.65%
Russell 3000 Growth Index	14.12%	27.27%	-2.19%	-2.51%	1.96%
Fidelity Blue Chip Growth - FBGRX < Under Review 3/2007 >	20.46%	33.51%	0.46%	-1.54%	1.74%
Russell 1000 Growth Index	13.97%	27.11%	-1.85%	-2.50%	1.86%
Large Cap Growth Fund Universe	14.76%	27.04%	-2.69%	-3.25%	1.77%
<u>Mid Cap Equities - Value</u>					
Goldman Sachs Mid Cap Value - GCMAX	19.51%	25.52%	-4.34%	-3.95%	3.65%
Russell Mid Cap Value	23.62%	27.57%	-7.12%	-5.65%	3.53%
Mid Cap Value Fund Universe	20.43%	27.96%	-2.80%	-4.34%	2.83%
<u>Mid Cap Equities - Blend</u>					
Dreyfus Mid Cap Index - PESPX	19.81%	29.94%	-3.34%	-1.73%	4.14%
S&P Mid Cap 400	19.98%	30.14%	-3.11%	-1.40%	4.53%
Fidelity Spartan Extended Mkt Index - FSEMXX	19.60%	30.21%	-4.10%	-2.71%	4.01%
Wilshire 4500 Index	19.39%	30.79%	-3.87%	-2.87%	3.91%
Mid Cap Blend Fund Universe	18.96%	31.10%	-3.19%	-3.87%	2.60%
<u>Mid Cap Equities - Growth</u>					
Fidelity Mid Cap Stock - FMCSX	25.99%	44.07%	5.79%	-4.02%	4.53%
Russell Mid Cap Growth	17.58%	37.12%	-0.40%	-3.10%	3.75%
Mid Cap Growth Fund Universe	17.13%	31.56%	-3.10%	-2.83%	3.14%

Fund Returns in RED do not meet both benchmarks.

Fund Returns in BLACK meet both benchmarks.

NDPERS Investment Benchmarks - 3rd Quarter 2009

	<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	16.06%	17.22%	-7.41%	-0.14%	6.19%
Russell 2000 Value Index	22.70%	16.36%	-12.61%	-6.65%	1.78%
Small Value Fund Universe	21.32%	25.83%	-6.39%	-4.72%	2.30%
<u>Small Cap Equities - Blend</u>					
Dreyfus Small Cap Index - DISSX	18.57%	19.27%	-10.33%	-4.01%	2.65%
Russell 2000 Index	19.28%	22.43%	-9.55%	-4.57%	2.41%
S & P 600 Index	18.66%	19.46%	-10.61%	-3.98%	2.83%
Small Blend Fund Universe	19.04%	26.20%	-6.97%	-5.19%	2.02%
<u>Small Cap Equities - Growth</u>					
MSI Small Co Growth B - MSSMX	18.58%	42.00%	9.20%	-1.96%	3.96%
Russell 2000 Growth Index	15.95%	29.12%	-6.32%	-2.60%	2.91%
Small Growth Fund Universe	16.50%	29.27%	-5.25%	-4.00%	1.94%
<u>International Equity Funds</u>					
Fidelity Diversified International - FDIVX	17.73%	27.52%	-2.28%	-3.80%	5.82%
MSCI EAFE	19.44%	29.11%	3.37%	-3.46%	6.23%
International Stock Fund Universe	18.43%	34.33%	2.89%	-2.44%	6.94%
<u>Asset Allocation Funds:</u>					
Fidelity Freedom Income - FFFAX	7.22%	13.45%	5.25%	2.33%	3.39%
Income Benchmark	5.29%	8.77%	3.70%	2.61%	3.64%
Fidelity Freedom 2000 - FFFBX	7.58%	13.69%	4.41%	1.97%	3.33%
2000 Benchmark	5.66%	9.24%	3.19%	2.27%	3.53%
Fidelity Freedom 2005 - FFFVX	11.38%	19.64%	3.42%	0.42%	3.34%
2005 Benchmark	9.86%	15.05%	2.54%	0.67%	3.65%
Fidelity Freedom 2010 - FFFCX	12.07%	20.75%	3.67%	0.42%	3.46%
2010 Benchmark	10.45%	15.89%	2.64%	0.51%	3.72%
Fidelity Freedom 2015 - FFFVX	12.50%	21.46%	3.24%	0.06%	3.81%
2015 Benchmark	11.05%	16.71%	2.26%	0.15%	3.68%
Fidelity Freedom 2020 - FFFDX	14.39%	23.98%	1.48%	-1.14%	3.51%
2020 Benchmark	13.07%	20.27%	1.66%	-0.82%	3.58%
Fidelity Freedom 2025 - FFTWX	15.06%	24.86%	0.93%	-1.58%	3.45%
2025 Benchmark	13.76%	21.18%	1.01%	-1.33%	3.47%
Fidelity Freedom 2030 - FFFEX	15.92%	25.09%	-1.24%	-2.78%	2.98%
2030 Benchmark	14.94%	22.74%	-0.32%	-2.32%	3.26%
Fidelity Freedom 2035 - FFTHX	16.32%	25.54%	-1.65%	-3.10%	2.89%
2035 Benchmark	15.31%	23.20%	-0.83%	-2.66%	3.16%
Fidelity Freedom 2040 - FFFFX	16.81%	26.02%	-2.25%	-3.43%	2.85%
2040 Benchmark	15.81%	24.46%	-0.83%	-2.88%	3.16%
Fidelity Freedom 2045 - FFFGX	16.95%	26.12%	-2.29%	-3.46%	N/A
2040 Benchmark	15.81%	24.46%	-0.83%	-2.88%	3.16%
Fidelity Freedom 2050 - FFFHX	17.58%	26.60%	-3.03%	-4.01%	N/A
2040 Benchmark	16.53%	25.47%	-1.38%	-3.40%	3.12%

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 23% Wilshire 5000, 32% LB Agg, 5% ML HY Bond, 40% 3 Month T-Bill

2005 Benchmark is comprised of 39% Wilshire 5000, 8% MSCI EAFE, 34% LB Agg, 5% ML HY Bond, 14% 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, 5% ML HY Bond, 8% 3 Month T-Bill

2020 Benchmark is comprised of 52% Wilshire 5000, 13% MSCI EAFE, 26% LB Agg, 8% ML HY Bond, 1% 3 Month T-Bill

2025 Benchmark is comprised of 56% Wilshire 5000, 14% MSCI EAFE, 22% LB Agg, 8% ML HY Bond

2030 Benchmark is comprised of 63% Wilshire 5000, 16% MSCI EAFE, 13% LB Agg, 8% ML HY Bond

2035 Benchmark is comprised of 66% Wilshire 5000, 16% MSCI EAFE, 10% LB Agg, 8% ML HY Bond

2040 Benchmark is comprised of 67% Wilshire 5000, 17% MSCI EAFE, 6% LB Agg, 10% ML HY Bond

2045 Benchmark is comprised of 67% Wilshire 5000, 17% MSCI EAFE, 6% LB Agg, 10% ML HY Bond

2050 Benchmark is comprised of 69% Wilshire 5000, 20% MSCI EAFE, 1% LB Agg, 10% ML HY Bond

Wilshire 5000 Index	16.12%	21.28%	-6.43%	-4.83%	1.76%
MSCI EAFE	19.44%	29.11%	3.37%	-3.46%	6.23%
Lehman Aggregate Bond Index	3.74%	5.72%	10.56%	6.41%	5.13%
ML High Yield Bond Fund Index	14.80%	49.10%	22.73%	5.56%	6.09%
3 Month T-Bill Index	0.04%	0.14%	0.39%	2.63%	2.96%
Russell 3000 Value Index	18.59%	14.97%	-10.79%	-7.78%	0.96%

Fund Returns in RED do not meet both benchmarks.

Fund Returns in BLACK meet both benchmarks.

Spainan® International Index Fund - Investor Class

Fund Information as of 9/30/09

Inception Date: 11/05/97
 Total Net Assets (\$Millions): \$4,836.38
 Short-term Trading Fee / Holding Period: 1.00% / 90 Days
 Number of Holdings: 1002
 Annual Turnover Rate (02/28/09): 4%
 Morningstar Category: Foreign Large Blend
 NAV: \$33.54

Fund Manager (Tenure on Fund):
 Geode Capital Management (08/03)

Performance as of 9/30/09

	CUMULATIVE RET. (%)		AVERAGE ANNUAL RET. (%)				
	3 Mo.	YTD	1 Year	3 Year	5 Year	10 Year	LOF
Fund	19.32	25.79	1.80	-3.44	6.11	2.46	4.51
MSCI EAFE (Net MA)	19.44	29.11	3.37	-3.46	6.23	2.80	
Mstar Cat Avg: Foreign Large Blend	18.75	27.72	1.06	-3.95	5.78	2.52	
Morningstar % rank in Cat			39%	42%	41%	41%	
# of funds in Morningstar Cat			807	600	462	246	

	Gross Exp. Ratio	CALENDAR YEAR RET. (%)				
		2008	2007	2006	2005	2004
Fund	0.20	-41.43	10.72	26.15	13.73	19.86
MSCI EAFE (Net MA)		-43.28	11.33	26.53	13.72	20.42
Mstar Cat Avg: Foreign Large Blend	2.11	-43.99	12.71	24.77	14.72	17.39
Morningstar % rank in Cat		21%	64%	33%	55%	18%
# of funds in Morningstar Cat		778	743	657	608	551

The performance data shown 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).

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.

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

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. For mutual funds, the values were drawn from their respective prospectuses.

The returns of funds with reimbursed expenses would be lower if their expenses had not been reimbursed.

The Morningstar Category Average is the average return for the peer group based on the returns of each individual fund within the group. It assumes reinvestment of dividends and capital gains, if any, and excludes sales charges.

Morningstar Category Average Gross Expense Ratio: This figure is calculated by Morningstar and represents the mean average of the gross expense ratio paid by each fund in the Morningstar category. Each share class of a fund is treated as a separate fund. Morningstar uses each fund's most current, publicly available prospectus at the time the average is calculated.

% Rank in Category is the fund's total-return percentile rank relative to all funds that have the same Morningstar Category. The highest (or most favorable) percentile rank is one and the lowest (or least favorable) percentile rank is 100. The top-performing fund in a category will always receive a rank of one. The number in parentheses represents the number of funds in the category. % Rank in Category is based on total returns, which include reinvested dividends and capital gains, if any, and exclude sales charges.

Morningstar Rating as of 9/30/09		
Morningstar Category: Foreign Large Blend		
★★★ Overall Out of 600		
★★★ 3-Yr Out of 600	★★★ 5-Year Out of 462	★★★ 10-Year Out of 246

Portfolio Characteristics as of 9/30/09		
Avg Wgt Mkt Cap (\$B)	52.00	-
Med Wgt Mkt Cap (\$B)	34.70	-
P/E Ratio (12 Mo Trailing)	26.0x	-
P/B Ratio	1.6x	-
5 Year Hist EPS Growth	11.50	-
Portfolio Statistics (3-Yr) as of 9/30/09		
R ²	0.98	1.00
Beta	1.02	1.00
Alpha	0.23	0.00
Standard Deviation	24.97	24.15
Sharpe Ratio	-0.12	-0.13
Information Ratio	0.06	0.00

The Overall Morningstar Rating™ for a fund is derived from a weighted average of the performance figures associated with its three-, five- and ten-year (if applicable) Morningstar Rating metrics, calculated as of the date shown. Past performance is no guarantee of future results.

Please refer to Glossary of Terms for definitions of terms used in Portfolio Statistics and elsewhere.

* The benchmark shown in the performance section was used in calculating measures and ratios. If more than one benchmark is shown, the first (primary) benchmark was used.

GOAL and WHAT IT INVESTS IN are derived from the fund's prospectus.

GOAL: Seeks to provide investment results that correspond to the total returns of foreign stock markets.

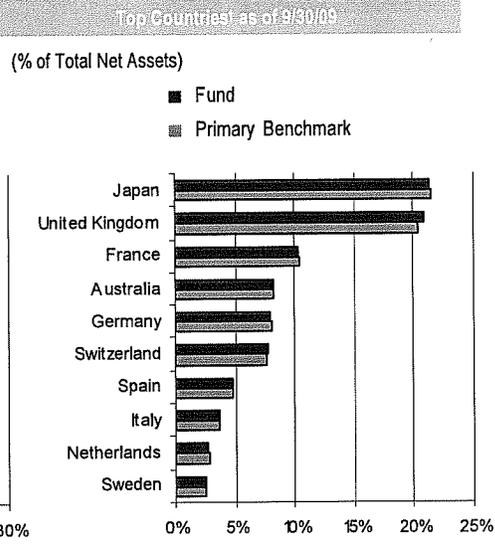
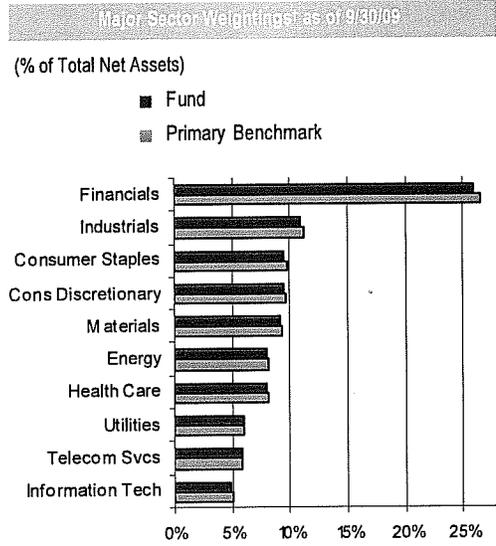
WHAT IT INVESTS IN: Normally invests at least 80% of its assets in common stocks included in the Morgan Stanley Capital International Europe, Australasia, Far East Index (MSCI EAFE® Index), which represents the performance of developed stock markets outside the United States and Canada. Foreign investments, especially those in emerging markets, involve greater risk and may offer greater potential returns than U.S. investments. This risk includes political and economic uncertainties of foreign countries, as well as the risk of currency fluctuation. If you sell any of your shares after holding them for less than 90 days, the fund will deduct a short-term trading fee from your account equal to 1% of the value of the shares sold. Share price and return will vary.

Top Holdings† as of 9/30/09	
1.	HSBC HOLDINGS PLC (UK REG)
2.	BP PLC
3.	NESTLE SA (REG)
4.	BANCO SANTANDER SA (SPAIN)
5.	TOTAL SA (FRAN)
6.	VODAFONE GROUP PLC
7.	TELEFONICA SA
8.	ROCHE HLDGS GENUSSSCHEINE
9.	BHP BILLITON LTD
10.	TOYOTA MOTOR CORP

% of TNA: 13.3

Asset Allocation as of 9/30/09	
Equities	100.0%
Convertible	0.0%
Bonds	0.0%
Cash & Other	0.0%
<hr/>	
Foreign:	99.7%

Allocations were determined by Fidelity. If the allocations without the foreign component equal (or round to) 100%, then "foreign" is a subset of the equity and bond percentage shown. "Cash & Other" or "Cash & Net Other Assets" may include notional assets/liabilities of certain derivative instruments in addition to fund receivables and payables.



Data shown is based on information available at the time of publication. Certain data (in particular, holding related data) may lag performance information. More current information may be available on a fund company's own website.

†Top holdings, asset allocation, major sector weightings and top countries are as of the date indicated and may not be representative of the fund's current or future investments. Top holdings for stock funds do not include money market investments or futures contracts.

The Morgan Stanley Capital International Europe, Australasia and Far East (MSCI EAFE) Index (net MA tax) is an unmanaged market capitalization-weighted index of equity securities of companies domiciled in various countries. The index is designed to represent performance of developed stock markets outside the United States and Canada and excludes certain market segments unavailable to U.S.-based investors. The index returns for periods after 1/1/1997 are adjusted for tax withholding rates applicable to U.S.-based mutual funds organized as Massachusetts business trusts.

‡For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating (based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance, including the effects of sales charges, loads, and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. Each share class is counted as a fraction of one fund within this scale and is rated separately, which may cause slight variations in the distribution percentages. If the fund has multiple share classes, the Morningstar Rating is for the share class specified only; other classes may have different performance characteristics.

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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.

All numbers are unaudited.
516703.2.0 1.777147.240





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

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

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

Memorandum

TO: PERS Board
FROM: Sparb
DATE: January 13, 2010
SUBJECT: BUSINESS PLAN

Each year we have done a business plan for the agency. Development of the plan takes time by the managers and myself. This year, due to the time requirements for the PERSLink project, I suggest that the managers not update the plan. Instead we will use last years plan for all the annual work and we understand that this year our new requirements will be:

1. Successful completion of the PERSLink project
2. Group insurance renewals
3. Retirement plan funding status

Attached is a copy of last year's plan and I am seeking your concurrence with this exception for this year only.

MEMORANDUM

TO: NDPERS Board
FROM: Sharon Schiermeister
DATE: December 24, 2009
SUBJECT: **2009 Annual Report**

The 2009 comprehensive annual financial report has been included in your board materials. The report is also available on the NDPERS website under Forms and Publications.

Instead of mailing a copy of the report to each participating employer, an email notice was sent notifying them that the annual report is available on the NDPERS website. The report was submitted to the Government Finance Officers Association with an application for the GFOA Certificate of Excellence in Financial Reporting.

Please let me know if you have any questions on the report.

Enclosure



North Dakota
Public Employees Retirement System
400 East Broadway, Suite 505 • Box 1657
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Memorandum

TO: PERS Board

FROM: Deb Knudsen

DATE: January 13, 2010

SUBJECT: Public Pension Coordinating Council Certificate of Recognition
For Administration

As in past years, staff completed and submitted an application to the Public Pension Coordinating Council.

The Public Pension Coordinating Council (PPCC) is a coalition of three associations that represent public pension funds who cover the vast majority of public employees in the US. The associations are:

- National Association of State Retirement Administrators (NASRA)
- National Council on Teacher Retirement (NCTR)
- National Conference on Public Employee Retirement Systems (NCPERS)

The Public Pension Standards are intended to reflect minimum expectations for public retirement system management and administration, as well as serve as a benchmark by which all defined benefit public plans should be measured. The retirement systems and the state and local governments that sponsor them are encouraged to meet these standards.

Although we did not qualify for the full award due to our funding status, we did qualify for the PPCC Recognition Award for Administration. A copy of the award is attached for your information.



Public Pension Coordinating Council

Recognition Award for Administration 2009

Presented to

North Dakota Public Employees Retirement System

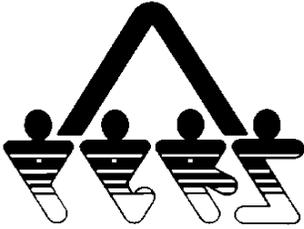
In recognition of meeting professional standards for
plan administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

A handwritten signature in black ink that reads "Alan H. Winkle". The signature is written in a cursive style with a large, prominent 'A' and 'W'.

Alan H. Winkle
Program Administrator



**North Dakota
Public Employees Retirement System**
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Memorandum

TO: PERS Board
FROM: Sparb
DATE: January 13, 2010
SUBJECT: IFEBP

The IFEBP will be having their annual Public Funds Conference this April in Arizona. Several Board members (2) have expressed an interest in attending. This year the Public Funds Conference is co-located with the IFEBP Investment Institute Conference. As part of the registration, Public Funds Conference attendees can also sit in on the Investment Conference.

Board Action Requested

Approve 2 positions for attending the IFEBP annual conference.



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MEMORANDUM

TO: NDERS Board
FROM: Jim Smrcka
DATE: January 6, 2010
SUBJECT: Consultant Fees

Attached is a report showing the consulting, investment and administrative fees paid during the quarter ended December 31, 2009 Please let me know if you have any questions on the report.

Attachment

**North Dakota Public Employees Retirement System
Consulting/Investment/Administrative Fees
For the Quarter Ended DECEMBER 31, 2009**

Program/Project		Fee Type	Oct-09	Nov-09	Dec-09	Fees Paid During The Quarter	Fees Paid Year-To-Date
Actuary/Consulting Fees:							
Gallagher Benefit Services, Inc	Insurance	Fixed Fee	-	-	-	-	-
Gallagher Benefit Services, Inc	Ongoing consulting	Time charges	-	4,667	-	4,667	14,928
LR Wechsler, LTD	Phase IV	Contract	42,224	16,435	-	58,658	58,658
Cem Benchmarking Inc	Cost effectiveness ranking charts		-	-	-	-	5,000
LR Wechsler, LTD	IT Project	Fixed Fee	-	-	-	-	225,402
LR Wechsler, LTD	Travel Expenses	Actual	-	-	-	-	32,759
Sagitec Solutions LLC	PERSLINK Project		89,378	-	-	89,378	1,178,001
Sagitec Solutions LLC	Back file conversion	Actual	-	-	-	-	43,534
Sagitec Solutions LLC	Enhancements	Actual	-	-	-	-	39,204
ICON INTEGRATION & DESIGN	PERSLINK Project			38,513	5,900	44,413	44,413
UND	Diabetes management consulting		3,029			3,029	16,438
Vanlwaarden	RHIC actuarial valuation	Contract	8,900			8,900	8,900
Vanlwaarden	Travel Expenses	Actual	974			974	974
Gabriel Roeder Smith & Company			-	-	-	-	1,100
Mid Dakota Clinic	Retirement Disability	Time charges	-	-	-	-	3,550
The Segal Company	Retirement (DB)	Fixed Fee	13,388	5,950	-	19,338	59,500
The Segal Company	Ret Health Credit	Fixed Fee	2,475	1,100	-	3,575	11,000
The Segal Company	FlexComp	Fixed Fee	2,700	1,200	-	3,900	12,000
The Segal Company	Job Service	Fixed Fee	3,600	1,600	-	5,200	16,000
The Segal Company	QDRO/Compliance	Time charges	-	1,135	8,519	9,654	25,785
The Segal Company	Legislation	Time charges	-	2,489	-	2,489	13,979
The Segal Company	Group Ins	Time charges	-	375	11,799	12,174	12,174
The Segal Company	Deferred Comp	Time charges	-	96	-	96	1,007
The Segal Company	Travel Expenses	Actual	-	-	-	-	-
			\$ 166,667	\$ 73,559	\$ 26,218	\$ 266,444	\$ 1,824,305
Audit Fees:							
Brady Martz	Annual audit	Fixed Fee	-	10,650	-	10,650	39,150
Brady Martz	Amended 1099R's		-	-	-	-	497
Legal Fees:							
ICEMILLER Ilp	IT Project	Time charges				\$ -	-
ND Attorney General	Administrative	Time charges				\$ -	5,503
Calhoun Law Group	Administrative	Time charges				\$ -	-
Investment Fees:							
SIB - Investment Fees	Retirement (DB)	% Allocation	81,943	839,491	*	921,434	5,189,370
SIB - Investment Fees	Ret Health Credit	% Allocation	338	662	*	1,000	71,414
SIB - Investment Fees	Insurance	% Allocation	170	65	*	235	990
SIB - Administrative Fees	Retirement (DB)	% Allocation	13,334	34,825	*	48,159	220,277
						\$ 970,828	\$ 5,482,051
Administrative Fee:							
Blue Cross Blue Shield	Health Plan	Fixed fee	\$ 922,364	\$ 923,119		\$ 1,845,483	9,105,031

* fees not yet available