NDPERS BOARD MEETING
Agenda

Bismarck Location:
ND Association of Counties
1661 Capitol Way
Fargo Location:
Sanford Health Plan
1749 38th Street South

June 16, 2016 **Time: 8:30 AM**

I. MINUTES
- A. May 19, 2016

II. GROUP INSURANCE
- A. Health Plan Renewal
  1. Contract Negotiations – Sparb *Executive Session
  2. Review Process – Sparb (Board Action)
  3. Special Board Meeting – Sparb (Board Action)
- B. Data Agreement with BCBS – Sparb (Board Action)
- C. Delta Dental Renewal – Kathy (Board Action)
- D. Tobacco Cessation Program – Kathy (Board Action)
- E. Disability Consultant Services Contract – Kathy (Board Action)
- F. Diabetes Report – Bryan (Information)
- G. Wellness Update – Rebecca (Information)
- H. Health Plan Update – Rebecca (Information)

III. RETIREMENT
- A. Asset Liability Study – Sparb/Bryan (Board Action)
- B. 1st Quarter Investment Report – Bryan (Information)

IV. MISCELLANEOUS
- A. Contract Approvals – Sparb (Board Action)
  1. Segal Addendum
  2. Pharmacy Benefit Consultants
- B. Budget – Sharon and Derrick (Board Action)
- C. Recruitment, Retention and Performance Bonus Policy – Kathy (Board Action)
- D. Policy on Receipt of Documents – Kathy (Board Action)
- E. Facebook – Sparb/Aime (Information)
- F. Audit Committee Minutes – (Information)
- G. Executive Director Annual Review (Board Action)

*Executive Session pursuant to NDCC §44-04-19.1(9) and §44-04-19.2 to discuss negotiating strategy or provide negotiating instructions to its attorney or other negotiator.

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

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

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

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

Memorandum

TO: PERS Board

FROM: Sparb

DATE: June 8, 2016

SUBJECT: Health Plan Renewal

As we approach the renewal, there are several additional items that staff seeks your guidance on.

1. Contact negotiations (Executive Session pursuant to NDCC §44-04-19.1(9) and §44-04-19.2 to discuss negotiating strategy or provide negotiating instructions to its attorney or other negotiator.)

Attached is memo from Jan relating to a contract item I asked her to look into for Board discussion. Jan will review this with you at the meeting.

2. Site Visit

Last time the Board and staff did a site visit to Sanford as part of the bid process. During our renewal considerations, would the Board like do a site visit again. Last time the site visit agenda was:

I. 10:45 a.m. to noon
Location: Sanford Health Plan
300 Cherapa Place, Suite 301, Sioux Falls, SD 57103

Group Health Plan Vendor Site Visit and Discussion Relating to Sanford Health Plan Relating to the Request for Proposal for NDPERS Group Health Insurance and Prescription Drug Coverage (* Possible Executive Session)

II. Noon to 1:30
Location: Sanford Center
Pheasant Room #1101
2301 E 60th St North, Sioux Falls, SD 57104

Continue Group Health Plan Vendor Site Visit and Discussion Relating to Sanford Health Plan Relating to the Request for Proposal for NDPERS Group Health Insurance and Prescription Drug Coverage (* Possible Executive Session)

III. 1:30 to close
Location: Sanford Health Plan
300 Cherapa Place, Suite 301, Sioux Falls, SD 57103

Continue Group Health Plan Vendor Site Visit and Discussion Relating to Sanford Health Plan Relating to the Request for Proposal for NDPERS Group Health Insurance and Prescription Drug Coverage (* Possible Executive Session)

3. Special Board Meeting

We may need to schedule a special Board meeting between the August and September regular meetings relating to the renewal. As we discussed, we need to have the renewal completed by the middle to end of September. Depending on the complexity it may take more that 2 meetings to complete our week. If so, we tentatively scheduled a special meeting for September 1 at 8:30 a.m. and have put this on your calendars.

Please let us know if this date works or if August 30 or August 31 would better for your schedule.

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Memorandum

TO: PERS Board

FROM: Sparb

DATE: June 8, 2016

SUBJECT: Memorandum of Understanding with BCBS

At the December meeting the Board discussed the following (also attached for your information is the Board memo and attachments from the December meeting):

> **BCBS Update**
> Mr. Collins reported that with the transfer to Sanford, previous health data is being retained by BCBS. They have indicated the need to retain the data in order to complete the final accounting for the 2013-15 biennium and to handle claims issues. He indicated that this data is owned by PERS and that PERS has a HIPAA business associate agreement with BCBS where federal standards must be maintained. Mr. Collins shared information provided by consultants Deloitte and IceMiller on this issue. He indicated that it would be prudent to enter into a supplemental agreement to determine how long the data will be maintained by BCBS and how it will be destroyed. Deloitte indicated that best practice may be to retain the data for at least seven years. Ms. Murtha agreed that pursuing return or destruction of the data is prudent and that any agreement that is developed will be what the Board finds reasonable. The Board discussed and concurred that staff move forward with developing a supplemental agreement relating to BCBS retention of data, that the BCBS retention policy and HIPAA provisions be taken into consideration.

Based upon the above direction, staff started discussions with BCBS. The first step was to get a copy of their retention policy. They supplied this and staff reviewed it internally. We had a follow-up discussion with BCBS about it and the possibility of executing a memorandum of understanding (MOU). Attached is a draft MOU Jan has developed to review with you. We have not begun discussions with BCBS on this draft, but rather wanted to first review it with you to insure that it met your expectations and was responsive to the discussions back in December. If this is consistent with the direction you wanted to go, we will begin discussions with BCBS on the attached.

With some of the other changes in firms, this will be a model for us in the future. The next one for us to work on is with Segal.

MEMORANDUM OF UNDERSTANDING BETWEEN THE NORTH DAKOTA PUBLIC EMPLOYESS RETIREMENT SYSTEM AND BLUE CROSS BLUE SHIELD OF NORTH DAKOTA RELATING TO MAINTAINNG CONFIDENTIAL INFORMATION

This Memorandum of Understanding is between the State of North Dakota acting through its North Dakota Public Employees Retirement System (NDPERS) and Blue Cross Blue Shield of North Dakota and its subsidiaries (BCBSND) relating to maintenance and destruction of NDPERS Confidential Information held by BCBSND and its subsidiaries.

WHEREAS, NDPERS has previously entered into contracts with BCBSND to provide services related to administration of the NDPERS uniform group insurance program, including the retiree prescription drug plan, the tobacco cessation program, the pharmacy disease management program, and the wellness benefit program (Contracts).

WHEREAS, the services provided by BCBSND under these Contracts required the exchange of information between the parties that is confidential under North Dakota Century Code §§ 54-52.1-11 and 54-52.1-12 (Confidential Information).

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

WHEREAS, these Contracts have terminated and BCBSND has asserted and NDPERS agrees that member service, applicable audit, and record keeping

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requirements make the return or destruction of all Confidential Information infeasible at this time.

WHEREAS, BCBSND has provided and NDPERS has reviewed the BCBSND records retention policy (Policy) applicable to the Confidential Information and BCBSND has affirmed that it will maintain the confidentiality of NDPERS information pursuant to this Policy until such time as the information is destroyed in a manner designated by this Policy.

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

1. BCBSND shall continue to maintain the confidentiality of Confidential Information which it still possesses, in accordance with its Policy in a manner that is at least as secure and diligent as was done during the term of the applicable Contract, until such time as the Confidential Information is destroyed or returned.
2. BCBSND shall provide NDPERS notice of the destruction or return of Confidential Information when it occurs under its Policy.
3. BCBSND shall provide NDPERS notice of any change to the copy of the Policy provided to NDPERS on April 12, 2016.
4. NDPERS agrees these actions are consistent with BCBSND obligations under these Contracts.
5. This Memorandum of Understanding will terminate upon notice to NDPERS by BCBSND that all Confidential Information has either been returned to NDPERS or destroyed, or earlier, upon thirty (30) days' notice

DRAFT

by NDPERS to BCBSND if NDPERS determines that the Policy has been modified in a manner that is inconsistent with state or federal law.

6. This Memorandum of Understanding shall be governed by, and construed in accordance with, the laws of the State of North Dakota.

Dated this _____ day of _____, 2016.

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

BY: _____
Sparb Collins
Executive Director

Dated this _____ day of _____, 2016.

BLUE CROSS BLUE SHIELD OF NORTH DAKOTA

BY: _____
Its:_____

DRAFT

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Bismarck, North Dakota 58502-1657

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

Memorandum

TO: PERS Board

FROM: Sparb

DATE: December 10, 2015

SUBJECT: BCBS Update

In this memo staff is seeking your guidance on how you want us to proceed relating to the PERS data that BCBS retains. Our HIPPA agreement with them states:

> d. Effect of Termination.
>
> 1. Except as provided in paragraph (2) of this subsection, upon termination of this Agreement, for any reason, Business Associate shall return or destroy all PHI received from Covered Entity, or created or received by Business Associate on behalf of Covered Entity. This provision shall apply to PHI and ePHI that is in the possession of subcontractors or agents of Business Associate. Business Associate shall retain no copies of the PHI or ePHI.
> 2. In the event that Business Associate determines that returning or destroying the PHI or ePHI is not feasible, Business Associate shall provide to Covered Entity notification of the conditions that make return or destruction infeasible. Business Associate shall extend the protections of this Agreement to that PHI and ePHI and limit further uses and disclosures of any such PHI and ePHI to those purposes that make the return or destruction infeasible, for so long as Business Associate maintains that PHI or ePHI.

In discussions with BCBS they indicated they would need to retain the data for several reasons:

1. For doing the final accounting for the 2013-15 biennium. Under our last contract with BCBS we have a close out period of two years for final closing based upon the final accounting. At the last meeting I reported to you the final accounting for the 2011-13

that was completed that biennium's arrangement with BCBS. This would be the similar process followed for the closing of the 2013-15 contract.

2. To handle issues with claims that arise.

To get a perspective on reasonable approaches to this issue we asked Deloitte and Ice Miller for their observations. Their responses are attached.

Based upon the consultant observations, it seems reasonable for BCBS to retain the data for some period, possibly up to 6 or 7 years. It would also seem reasonable for us to enter into an understanding with them as to how long that would be, what happens to the data at the end of that period and how this process would be coordinated between the parties.

Staff is seeking your advice on how you want to proceed.

IceMiller
LEGAL COUNSEL

One American Square | Suite 2900 | Indianapolis, IN 46282-0200

December 9, 2015

WRITER'S DIRECT NUMBER: (317) 236-5891
DIRECT FAX: (317) 592-4755
EMAIL: Christopher.Sears@icemiller.com

Via Electronic Mail

Privileged & Confidential

Ms. Janilyn Murtha
Assistant Attorney General
State of North Dakota
Office of Attorney General
State Capital
600 E. Boulevard Ave., Dept. 125
Bismarck, ND 58505

RE: Health Plan Carrier Transition and Protected Health Information

Dear Jan:

This letter is given to you in confidence and with the attorney-client privilege. We have not delivered or mailed any copies of this letter to anyone else, other than those individuals noted in this letter. You should disclose the contents of this letter only to those officers or directors who need to know the contents in order to make informed decisions on the matters discussed herein.

Background

This letter is in response to your e-mail of December 2 and also follows up on the call between you, Sparb Collins, and me on December 7. We understand that in 2015 the NDPERS Board voted to award the health insurance carrier bid for the fully-insured uniform group health plan to Sanford Health. Prior to that award Blue Cross/Blue Shield of North Dakota ("BCBS") had been the health insurance carrier for the NDPERS plan for over three decades. Consistent with the terms of the Business Associate Agreement between BCBS and NDPERS ("BAA"), NDPERS requested that BCBS return all protected health information ("PHI") or, if it was unable to do so, to explain the reasons making the return infeasible. BCBS responded in part that it would need to retain the data in order to respond to members about past coverage.

We further understand that NDPERS finds the basis for the response reasonable and under the provisions of the BAA, BCBS would have to continue to maintain the confidentiality of the information. Nevertheless, NDPERS wants to ensure that it is meeting its responsibilities to ensure the appropriate return and confidentiality of this data.

From a statutory standpoint, NDPERS owns the PHI and data related to the group health plan and is obligated to keep it confidential. NDCC 54-52.1-11 and 54-52.1-12 provide statutory

authority regarding the confidentiality and ownership of the data which highlights NDPERS's responsibility in ensuring the data is shared and maintained appropriately. Those statutes read:

> **54-52.1-11. Confidentiality of employee records.** Information pertaining to an eligible employee's group medical records for claims, employee premium payments made, salary reduction amounts taken, history of any available insurance coverage purchased, and amounts and types of insurance applied for under the supplemental life insurance coverage under this chapter is confidential and is not a public record. The information and records may be disclosed, under rules adopted by the board, only to:
>
> 1. A person to whom the eligible employee has given written authorization to have the information disclosed.
> 2. A person legally representing the eligible employee, upon proper proof of representation, and unless the eligible employee specifically withholds authorization.
> 3. A person authorized by a court order.
> 4. A person or entity to which the board is required to disclose information pursuant to federal or state statutes or regulations.
> 5. Any person or entity if the purpose of the disclosure is for treatment, payment, or health care operations
>
> **54-52.1-12. Ownership and confidentiality of the uniform group health insurance medical records of employees, retirees, and dependents.** The medical records and related data of the employees, retirees, and dependents, obtained as the result of enrollment in the uniform group insurance program, are the property of the public employees retirement system. The records and data are confidential and are not public records. However, the board may allow administrators of administrative services only contracts or third-party administrators contracts access to the records and data where it is required in the performance of the administrator's duties pursuant to the contract. No administrator may be held liable for furnishing to the board information with respect to any patient, or any physician, hospital, or other health care provider.

You have asked us our perspective regarding industry standards and protocols consistent with the Health Insurance Portability and Accountability Act ("HIPPA") for retention of PHI following a change of carriers.

Discussion

In our experience, a plan sponsor of an insured group health plan generally retains no rights to PHI associated with the group health plan upon the termination of a relationship with an

insurance carrier. That PHI generally remains the property of the insurance carrier. The plan sponsor often makes arrangements with the prior carrier to receive claims information (commonly known as "summary health information" or "aggregate information") so that the plan sponsor can shop the coverage to other carriers; however, this information is usually de-identified. Indeed, the HIPAA privacy regulations exempt a plan sponsor from most privacy obligations under the regulations when the sponsor insures its health plan. In that case, the regulations require the insurer to comply with the privacy regulations because it is the insurer that actually maintains – and usually "owns" – the PHI. *See* 45 C.F.R. § 164.530(k).

NDPERS's relationship with BC/BS with respect to the PHI is made unique by virtue of NDCC 54-52.1-11 and 54-52.1-12 ("Records Statute") which vests ownership in data related to NDPERS's health plans in NDPERS. As we discussed, the Records Statute imposes a duty on NDPERS as owner of the records to ensure that they remain private and secure. We understand that NDPERS has, therefore, entered into a BAA with BC/BS asserting this ownership and ensuring that BC/BS maintains the privacy and security of the records. Also consistent with its privacy and security duties, NDPERS wishes to ensure that the records remain private and secure now that the relationship with BC/BS is terminating and wants to understand how long it should allow BC/BS to retain the records.

BC/BS certainly has legitimate interests in maintaining the records – at least for some amount of time – and it would be reasonable for NDPERS to accommodate BC/BS's reasonable interests in maintaining the records. The exercise is determining the amount of time that is reasonable given NDPERS's desire to mitigate its potential liability under the Records Statute. While we recommend that NDPERS engage in additional discussions with BC/BS to concretely determine the reasons for which BC/BS needs to maintain the data, we suspect that among those reasons are:

- Adjudication of run-out claims after NDPERS has moved to the new carrier;
- To do internal quality assurance on claims that have been adjudicated;
- To defend itself in the event that a member continues to appeal an adjudicated claim or otherwise makes legal claims against BC/BS;
- To have documentation of its actions and practices in the event that it becomes subject to an audit or investigation by the North Dakota Insurance Department or other agencies that might regulate aspects of BC/BS's business; or
- To make claims to excess insurers that might reinsure large claims for BC/BS.

We presume that BC/BS will have other reasons that it needs to maintain the records for some period into the future.

BC/BS's reasons for maintaining the records will be the critical factor in NDPERS's decision about how long it should allow the records to be maintained. Various legal periods could be used as measuring sticks:

- The statute of limitations for individuals to make legal claims against BC/BS for improper or bad faith adjudication of claims might be used. In North Dakota, the statute of limitations for common actions that might be brought against an insurer is six years.

- Although the NDPERS group health plan is not subject to the Employee Retirement Income Security Act of 1974 ("ERISA"), we note that Section 413 of ERISA has a six-year statute of limitations with respect to claims for breach of fiduciary duty. Furthermore, Section 107 of ERISA has a six-year document retention requirement for all records pertaining to agency filings or to participant or beneficiary disclosures. We do note, however, that Section 209 of ERISA contains an open-ended document retention requirement for all records required to determine the benefits due under an employee benefit plan. Under that standard, records must be maintained for as long as they may be relevant to a determination of benefits entitlement. However, if an individual is no longer entitled to a health benefit after the passage of a statute of limitations, then the statute of limitations may still be the controlling standard.

- The HIPAA privacy regulations require that documentation related to compliance with the HIPAA privacy regulations be maintained for at least six years from the date of the creation of the documentation.

- Reference could be made to the ability of a governmental agency (such as the North Dakota Insurance Department) to audit BC/BS for regulatory or licensure matters. For example, in the ERISA context, the U.S. Internal Revenue Service and Department of Labor will generally not audit more than the most recent three prior years.

We would strongly suggest that NDPERS consult with BC/BS and require BC/BS to provide each reason that requires it to maintain the records after the termination of the relationship with NDPERS. NDPERS should also require BC/BS to indicate the time it believes it must continue to maintain the records based on those stated reasons. NDPERS should also ask whether BC/BS has a document retention policy that already defines when records such as these would be destroyed. Indeed, given the lengthy relationship with NDPERS, BC/BS may have already destroyed information related to NDPERS's health plans over the years. NDPERS may very well find BC/BS's document retention policy adequate for purposes of determining how long BC/BS should be able to maintain the records in the future. This should be a collaborative process to ensure that members' health information is maintained for no longer than necessary and that, while it is maintained, the privacy and security of the records are observed. BC/BS should be reminded that this is not the typical situation given the Records Statute applicable to NDPERS's data cited above.

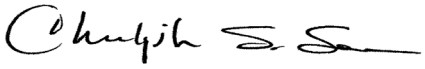
When consensus is reached with regard to the future maintenance of the records, we would recommend that an amendment be crafted to the BAA that reaffirms BC/BS responsibilities to maintain the privacy and security of the records and to notify NDPERS of any

breaches of privacy or security. The amendment should also clearly set forth the agreed upon period during which the records may be maintained by BC/BS and that the records will either be destroyed or returned to NDPERS at the end of the maintenance period.

We hope that this letter provides some perspective on how to approach the records issues as NDPERS transitions out of its relationship with BC/BS. We would be happy to discuss these matters with you at your convenience.

Very truly yours,

ICE MILLER LLP



Christopher S. Sears

cc: Mr. Sparb Collins

Deloitte Consulting LLP
50 South 6th Street
Minneapolis, MN 44402
USA

Tel: 612-659-2782
Fax: 612-659-2782
www.deloitte.com

Memo

Date: December 7, 2015

To: Sparb Collins

From: Robert Davis, Josh Johnson and Pat Pechacek

Subject: CARRIER RETENTION OF HEALTH CARE DATA

Deloitte was asked to comment on the standard industry practices and potential legal implications around the retention and handling of health care data by the prior NDPERS medical carrier Blue Cross Blue Shield of North Dakota (BCBS).

The following summarizes our findings and thoughts in this regard.

Insurance carriers typically own all data under fully insured arrangements and therefore have control over how it is handled (governed by federal privacy regulations like HIPAA). The fact that North Dakota law states that the data is owned by NDPERS regardless of the insurance contract type makes this a relatively unique situation.

LEGAL CONSIDERATIONS

There does not appear to be any question that, under North Dakota law, NDPERS owns the data at issue. However, because BCBS is a covered entity and much/all of the data likely is protected health information (PHI) for HIPAA purposes, there are significant limitations on BCBS's ability to give the data back to NDPERS. As a result, BCBS will need to continue to hold the data.

ERISA plans generally must maintain plan data for a minimum of six years. Other federal and state recordkeeping laws may require a longer period for data retention. At a minimum, other plans – both ERISA and non-ERISA plans – appear to maintain health plan data for a period of at least 7 years. Even though the NDPERS plan is not an ERISA plan, it is possible these other federal and state recordkeeping requirements could apply. Thus, the best practice may be to retain the data for at least 7 years. BCBS should already have procedures in place for doing this.

Once the data has been maintained for the appropriate time period, the typical practice is for it to be destroyed. Because NDPERS owns the data, it should be able to direct BCBS to destroy it if BCBS does not automatically do so. Again, to the extent the data includes PHI, it must be destroyed in a manner consistent with HIPAA's privacy standards.

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Memorandum

TO: **NDPERS Board**

FROM: **Kathy**

DATE: **June 9, 2016**

SUBJECT: **Delta Dental Plan Renewal**

Effective January 1, 2013, Delta Dental of Minnesota was awarded the bid for the group dental plan. The plan was renewed for a 2-year period effective January 1, 2014. That contract expires December 31, 2016. We have included the Delta Dental renewal proposal. Delta proposed the following options for the Board's consideration:

- A premium neutral proposal for a one-year period from January 1, through December 31, 2017.
- A proposal for a two-year period from January 1, through December 31, 2018 with a 3% premium increase for the period January 1, 2017 through December 31, 2018.

Following are the current rates and the proposed renewal rates for the 1 and 2-year options:

	Current	**Proposed 1/1/2017**	**Proposed 1/1/2017 - 1/31/2018**
Emp Only	$ 39.04	$ 39.04	$ 39.80
Emp + Spouse	$ 75.32	$ 75.32	$ 76.82
Emp + Child(ren)	$ 87.44	$ 87.44	$ 89.18
Emp + Family	$124.52	$124.52	$127.00

Staff requested that Deloitte provide its evaluation of the two-year renewal proposal. Following is the response:

> *Based on the experience data provided and the projection methodology illustrated, we have no concerns or questions with the quoted rate action options. We have seen network reimbursement increases below the 3.51% annual trend factor they used; however, this is within the acceptable range we have seen from Delta and other dental carriers recently. In addition, they are quoting rates slightly below what is required based on their methodology which offsets the potentially slightly high trend factor.*

To summarize, the proposed 3% increase would be considered acceptable given the current market trend of 3.51% and the fact that they are proposing an increase less than the required 5.24% actually required for the January 2017 through December 2018 contract period. A two-year renewal will complete six years and we will be required to go out to bid in 2018 for a new contract period beginning in 2019.

BOARD ACTION REQUESTED

- Accept the 1-year renewal with no increase in premium.
- Accept the 2-year renewal with a 3% increase in premium.
- Further negotiate with Delta Dental.
- Go out to bid for dental plan services.

DELTA DENTAL

Delta Dental of Minnesota

DELIVERED VIA EMAIL

May 26, 2016

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

Re: Group Dental Plan # 537482
North Dakota Public Employees Retirement System
Current Contract Term: January 1, 2013 – December 31, 2018
Proposed Renewal Rates: January 1, 2017 – December 31, 2017 (12-months)

Dear Sparb:

Delta Dental of Minnesota has been pleased to provide dental benefits to your employees under our Delta Dental contract. We look forward to the renewal of your dental program for the above noted Contract Term.

Payment of the renewal rates listed below constitutes acceptance of this renewal offer. If you wish to cancel the contract with Delta Dental or any reason, we must have notification 60 days prior to the renewal date. The proposed renewal rates are:

	Current Rates	Renewal Rates
Employee:	**$38.64**	**$38.64**
Employee + Sp:	**$74.58**	**$74.58**
Employee + Ch(n):	**$86.58**	**$86.58**
Family:	**$123.30**	**$123.30**

We thank you for your business and look forward to servicing your group. If you have any questions, please contact your Delta Dental representative, Mark Keller, at 612-224-3271.

Sincerely,

Valerie J. Sorenson

Valerie J. Sorenson
Vice President, Account Management

Copy: Mark Keller

Corporate Address

500 Washington Avenue South
Suite 2060
Minneapolis, MN 55415-1163

Telephone: 612-224-3300
Toll Free: 1-877-268-3384
DeltaDentalMN.org

Mailing Address

PO Box 9304
Minneapolis, MN 55440-9304

DELTA DENTAL®

RENEWAL CALCULATION

Group Name	North Dakota Public Employees Retirement System		
Group Number	537482		
Renewal Period:	January 1, 2017	through	December 31, 2017
Experience Period:	April 1, 2015	through	March 31, 2016

Paid Premium $7,857,382

Incurred Claims $6,725,630

Estimated Unpaid Claim Liability*: $108,222

* EUCL has already been added to the incurred claim total

Average Experience Period Enrollment:		
	Employee	3,860
	Ee + Sp	2,182
	Ee + Ch (n)	706
	Family	2,288
	Total	9,036

Trend Factor: 6.40%

Trend is calculated from the mid-point of the experience period to the midpoint of the renewal period. (10/1/15-7/1/17)

Average Annual Trend: 3.51%

Benefit Adjustment Factor (BAF): 0.00%

Benefit Adjustment Factor is needed if any benefit changes are proposed for the upcoming contract period.

Projected Incurred Claims: $7,155,820

Needed Increase: 1.52%

Proposed Increase: 0.00%

Rates:	Current Rates	New Rates
Employee	$38.64	$38.64
Employee+Sp	$74.58	$74.58
Employee+Ch(n)	$86.58	$86.58
Family	$123.30	$123.30

Delta reserves the right to re-evaluate the rates and restrict funding options if during the contract period:

**** the number of enrolled employees deviates from the above enrollment by 10% or more***

**** any changes are made to the plan design, contractual benefits or networks that are utilized.***

N/A Broker Commission

89.71% Target Loss Ratio

85.60% Experience Loss Ratio

BPM

5/20/16

Note: Our rates include all applicable taxes and fees

DELTA DENTAL®

RENEWAL CALCULATION
24 MONTH CONTRACT

Group Name	North Dakota Public Employees Retirement System		
Group Number	537482		
Renewal Period:	January 1, 2017	through	December 31, 2018
Experience Period:	April 1, 2015	through	March 31, 2016

Paid Premium $7,857,382

Incurred Claims $6,725,630

Estimated Unpaid Claim Liability*: $108,222

* EUCL has already been added to the incurred claim total

Average Experience Period Enrollment:		
	Employee	3,860
	Ee + Sp	2,182
	Ee + Ch (n)	706
	Family	2,288
	Total	9,036

Trend Factor: 8.25%

Trend is calculated from the mid-point of the experience period to the midpoint of the renewal period. (10/1/15-12/31/17)

Average Annual Trend: 3.51%

Benefit Adjustment Factor (BAF): 0.00%

Benefit Adjustment Factor is needed if any benefit changes are proposed for the upcoming contract period.

Projected Incurred Claims: $7,155,820

Needed Increase: 5.42%

Proposed Increase: 3.00%

See reverse side for rating information

N/A	Broker Commission	
87.89%	Target Loss Ratio	BPM
85.60%	Experience Loss Ratio	5/20/16

Note: Our rates include all applicable taxes and fees

DELTA DENTAL®

RENEWAL CALCULATION
24 MONTH CONTRACT

Group Name	North Dakota Public Employees Retirement System		
Group Number	537482		
Renewal Period:	January 1, 2017	through	December 31, 2018
Experience Period:	April 1, 2015	through	March 31, 2016

Rates:		Current Rates	New Rates
	Employee	$38.64	$39.80
	Employee+Sp	$74.58	$76.82
	Employee+Ch(n)	$86.58	$89.18
	Family	$123.30	$127.00

The following loss ratio conditional rate caps will apply to the 2019 and 2021 renewals. The loss ratio will be based on incurred claims(net of commission) on the experience period used to create the renewal. In the event of any new or increased taxes or assessments, Delta reserves the right to increase the rates by that amount.

Incurred Loss Ratio:	Rate Cap
< 89%	**0%**
89% - 90.9%	**4%**
91% - 93.9%	**8%**
94% - 97.9%	**10%**
> 98%	**TBD**

Delta reserves the right to re-evaluate the rates and restrict funding options if during the contract period:
**** the number of enrolled employees deviates from the above enrollment by 10% or more***
**** any changes are made to the plan design, contractual benefits or networks that are utilized.***

N/A	Broker Commission	
87.89%	Target Loss Ratio	BPM
85.60%	Experience Loss Ratio	5/20/16

Note: Our rates include all applicable taxes and fees

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

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

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

Memorandum

TO: **NDPERS Board**

FROM: **Kathy**

DATE: **June 9, 2016**

SUBJECT: **Tobacco Cessation Program**

As reported at the April Board meeting, the Department of Health (DoH) notified us that the Tobacco Cessation Program funding will be continued for the second year of the biennium from July 1, 2016 through June 30, 2017. Funding approved for the upcoming year is $25,000. The grant proposal has been signed Sanford Health Plan and at the time of this memo was pending signature by the DoH. If available, a copy will be provided at the meeting. Included is a copy of the agreement for the upcoming year.

Board Action Requested

Approve Tobacco Cessation program for 2016-2017 based on the DoH's budget recommendation.

NDPERS TOBACCO CESSATION PROGRAM FOR STATE EMPLOYEES

Contacts:

Katie Nermoe
Sanford Health Plan
(605) 328-7166
katie.nermoe@SanfordHealth.org

Kathy Allen, NDPERS
Benefit Programs Manager
(701) 328-3918
kallen@nd.gov

Rebecca Fricke
Benefit Programs Administrator
(701) 328-3978
rfricke@nd.gov

Address:

Sanford Health Plan
300 Cherapa Place, Suite 201
Sioux Falls, SD 57103

NDPERS
400 E. Broadway, Suite 505
Bismarck, ND 58502
(701) 328-3900
Fax: (701) 328-3920

Source of Funding:

Section 23-38 of the NDCC relating to the community health grant program, to provide for an appropriation to the State Department of Health, $25,000 or so much of the sum as may be necessary for the purpose of funding employee tobacco education and cessation programs for state employees beginning July 1, 2016 and ending June 30, 2017.

Program Sponsor and Administration:

NDPERS is proposing to sponsor a tobacco cessation program for its state employee members with Sanford Health Plan being the plan administrator and fiscal agent for the grant.

About NDPERS:

Based on its responsibilities related to management of the group health plan and the Board's objectives for monitoring and containing rising health care costs, NDPERS was selected as the plan sponsor for a tobacco cessation program for state employees.

NDPERS is a state agency responsible for the management and administration of the group employee benefit programs for state employees. The North Dakota Public Employees Retirement Board is the governing authority of NDPERS. One of the programs under its authority is the group health insurance plan. The Board supports wellness initiatives that may have a positive impact on containing rising health care costs. To further this objective, the Board submitted legislation during the 2003 session in SB 2060 that related to establishing an employer based wellness program that would provide an incentive for employers to establish these

programs in order to involve them as a mechanism to encourage employees to develop and maintain healthy lifestyle habits.

Smoking is the single most preventable cause of disease, disability, and death in the United States. Given the documented medical evidence related to the adverse health effects related to nicotine dependence, and the expense for treatment of this disease, implementing a program to assist individuals to quit could improve the overall health of these individuals and, thus contain rising health care costs both from a short and long-term perspective. Therefore, supporting a cessation program aligns with the Board's objectives.

About Sanford Health Plan:
Sanford Health Plan is a non-profit, taxable organization, and has been serving the Dakotas, Minnesota and Iowa for almost 20 years. Sanford Health Plan has office locations in Sioux Falls, SD, Fargo, ND and Bismarck, ND and was awarded the NDPERS health insurance contract for the 2015-2017 biennium. Sanford Health Plan is accredited by the National Committee for Quality Assurance.

Time Frame:

The NDPERS State Employee Tobacco Cessation Program is scheduled to begin July 1, 2016 and will be completed by June 30, 2017. Final invoice for services will be submitted to the Department of Health by July 15, 2017.

Estimated number of state employees this program will serve:

The program will be available to state employees and their eligible family members that are at least 18 years of age. Attached as Exhibit 1, is a breakdown by county of all health plan members that are age 18 or older. It includes an estimate of the total number of smokers and smokeless users in our group which is further refined to project the potential number of users that will access services through the cessation program. The estimated number of individuals that may qualify for the program is 9,510. Of this number, 5% or 476 individuals are expected to enroll in the program. The following outlines the methodology used to arrive at this figure:

Total members 31,595 X 21.9% (number of smokers) X 5% =	346
Total members X 8.2% (number of smokeless users) X 5% =	+130
Projected number of individuals expected to enroll in the program =	476

Included as Exhibit 2 are statewide maps that show by county the total active employee contracts, the total health plan members age 18 or older, and estimated tobacco cessation participants expected to enroll in a program.

Program Description:

The member is eligible for two separate benefit periods as follows:

7/1/2016– 12/31/2016
1/1/2017 – 4/30/2017

The program will be a combination of counseling to include initial assessment, physician office visit, nicotine replacement therapy and prescription medication, if indicated, and follow-up support counseling as necessary

by individual, group, or telephone. Re-treatment will be available within six months and will be the responsibility of the counseling program and reimbursement will be available on the same basis as during the initial treatment phase.

Program Services & Reimbursement:

Program services will be reimbursed as follows:

- $200 per Member/per Benefit Period for Department of Health approved counseling services and/or office visits, if the provider charges for these services.
- $500 per Member/per Benefit Period for prescription drugs and over-the-counter drugs prescribed for tobacco cessation.
- Total expenses reimbursed per Member/per Benefit Period shall not exceed $700 per Benefit period.

Funds will be allocated on a first-come first-served basis until all available funds are exhausted.

Monitoring and Evaluation:

Sanford Health Plan will produce the following reports:

- Track each patient receiving therapy and level of therapy based on claims data.
- Report every six months to the PERS and DoH about results and participation rates.
- Work with an independent outside evaluator to evaluate program. Any administrative costs associated with collaborating with the outside consultant in evaluating the program would be borne by the program.

Administration, Promotion & Budget:

Administration

All funds will be billed by and paid directly to Sanford Health Plan. Sanford Health Plan will be the contracting entity and will maintain all documentation relating to the projects costs. While PERS will sponsor the program it will not be charging any fees to the project nor will it be administering the funds for the program. As a result of the responsibilities assigned to Sanford Health Plan they will be charging an administrative fee for the project of 9% of claims paid to providers to pay its costs as program administrator and granting entity. Sanford Health Plan will reimburse providers monthly based upon the paper billings submitted. Sanford Health Plan will then submit to the Department of Health monthly the total claims for reimbursement. Final billing will be submitted no later than July 15, 2017.

Promotion

Sanford Health Plan will be responsible for the creation of all promotional materials. Sanford Health Plan will share the promotion schedule and obtain approval of all materials from DoH and NDPERS prior to printing. NDPERS will be responsible for the dissemination of materials.

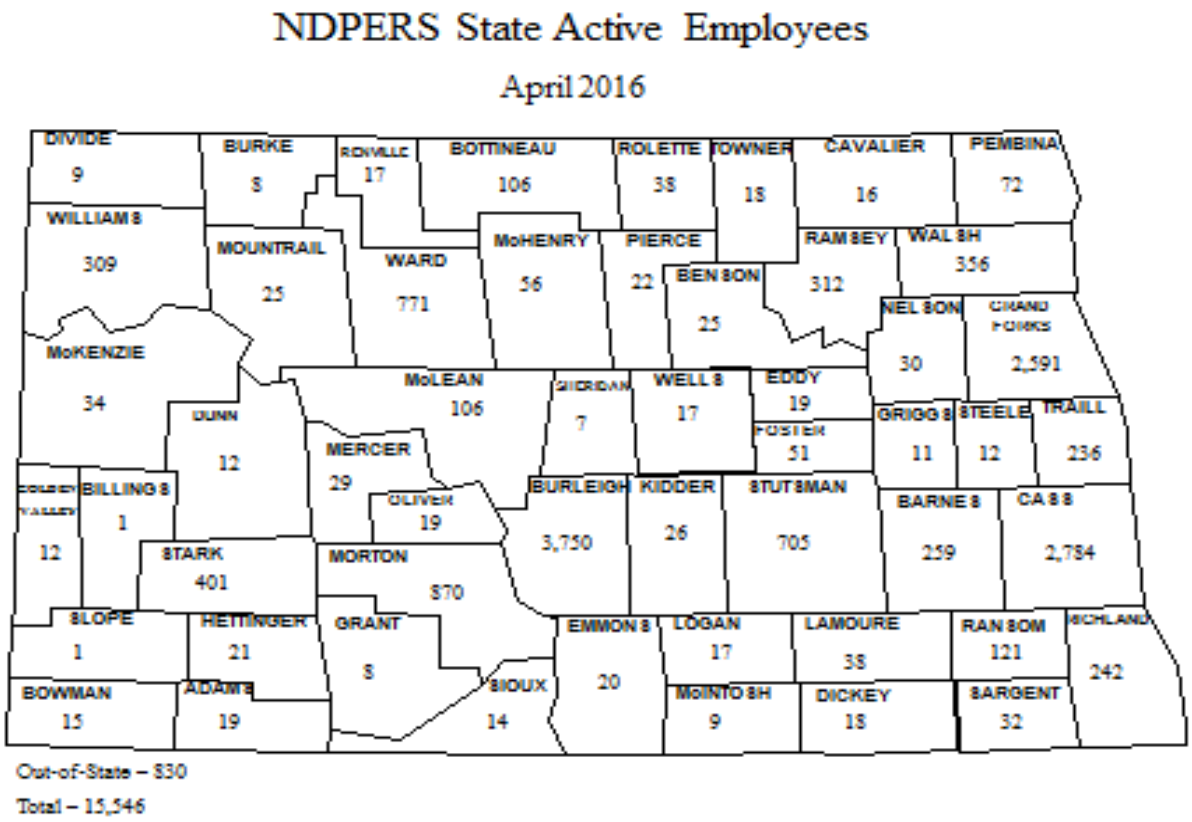
Budget

Program Benefit Budget:
Sanford Health Plan Administrative Costs (9%)

Total Budget Request $ 25,000

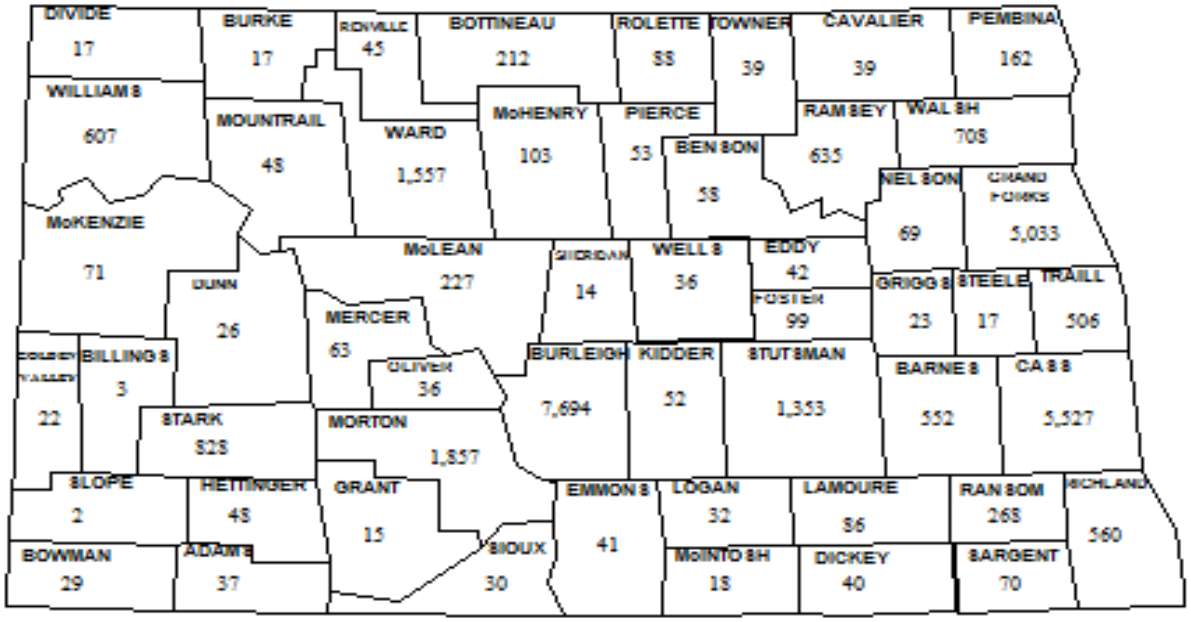
Reimbursement will be made to Sanford Health Plan monthly based on actual costs accrued by local programs for services provided to state employees plus a 9% administrative fee up to a maximum of $25,000 (July 1, 2016 through June 30, 2017).

EXHIBIT 2



NDPERS State Active Health Plan Members Age 18+

April 2016

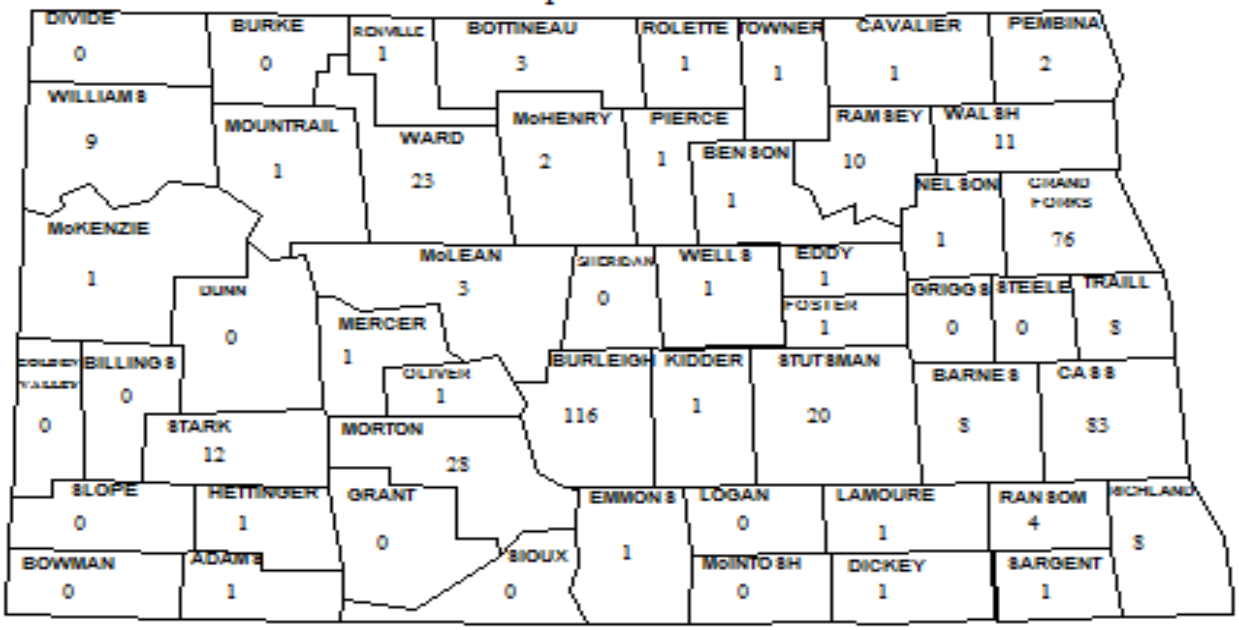


Out-of-State – 1,784

Total – 31,595

NDPERS State Active Health Plan Members Age 18+
Estimated Tobacco Cessation Participants

April 2016



Out-of-State – 27

Total – 476

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

Memorandum

TO: PERS Board

FROM: Kathy

DATE: June 3, 2016

SUBJECT: Disability Consultant Contract

The contract with Mid Dakota Clinic for disability consulting services expires June 30, 2016. The Board must determine whether to renew the current contract or go out for bid. Mid Dakota Clinic has indicated they wish to continue to perform these services for NDPERS at the rate of $200 an hour for the July 1, 2016 through June 30, 2017 contract period. This represents no increase in the hourly rate from the current contract period. This is the ninth year in which no increase was requested. A copy of the clinic's proposal is included for your information. The amount paid in consulting fees for this contract period beginning July 2015 through May 2016 is approximately $6,500 involving 32.5 hours and 56 cases.

In January a new procedure was implemented for transmitting disability records to Mid Dakota Clinic. Previously we sent them by mail and response was also received in this manner. We now send the records by secure e-mail to a designated contact at Mid Dakota who works directly with the physician. This has expedited the process resulting in quicker turn around time in receiving determinations from the consulting physician.

Staff is satisfied with the service provided by Mid Dakota and recommends that we renew the disability consulting contract for the period July 1, 2016 through June 30, 2017 at the rate of $200 an hour.

Board Action Requested

Approve staff's recommendation.

Mid Dakota Clinic
WorkLife Occupational Medicine
PrimeCare

May 27, 2016

Kathy M. Allen
Benefit Programs Manager

RE: North Dakota Public Employees Retirement System (NDPERS)
Disability Contract Renewal

Dear Kathy:

I am responding to the request of renewal proposal for the disability determination services contract for the period July 1, 2016 through June 30, 2017. WorkLife Occupational Medicine- Mid Dakota Clinic will renew this contact.

- The hourly rate of $200

If you have any questions please contact me by responding to this e-mail or you may call my direct line at 701-530-6495.

Thank you,

Wesley A. Woodbury, MBA
Clinic Manager

Mid Dakota Clinic- Worklife Occupational Medicine
401 N 9th St | Bismarck, ND 58501
Office: 701-530-6400
Fax: 701-530-5983

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Memorandum

TO: PERS Board

FROM: Bryan and Kathy

DATE: June 16, 2016

SUBJECT: Legislative Diabetes Report

Attached is the 2016 diabetes report to legislative management required by NDCC 23-01-40. This report is a collaborative effort between the Department of Health, Department of Human Services, Indian Affairs, and NDPERS.

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

Diabetes in North Dakota 2016

Report to the Legislative Management

North Dakota Century Code 23-01-40

Compiled by the North Dakota Diabetes Prevention and Control Program on behalf of the

North Dakota Department of Health
North Dakota Public Employee Retirement System
North Dakota Department of Human Services
North Dakota Indian Affairs Commission

Report to the Legislative Management

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This document is the second report generated to comply with the statute North Dakota Century Code 23-01-40, as established in 2013. As designated in the statute, this report provides the following information:

- The prevalence of diabetes
- Financial impact of diabetes as compared to other chronic diseases
- Status and benefits of current programs
- Funding sources for current programs
- Action plans and recommendations to improve health outcomes in North Dakota that relate to diabetes
- Collaborative efforts among agencies

Please see Appendix A on page 26 for a complete copy of Century Code 23-01-40.

Summary

This report describes the scope, cost and complications of diabetes, and how four agencies in the North Dakota government address diabetes in North Dakota. The report also presents recommendations on how to improve the health of North Dakota residents with prediabetes and diabetes. Central points from this report include:

- Diabetes prevention efforts save money and make North Dakota healthier. Guiding North Dakota residents **at risk for diabetes** to adopt healthier lifestyles can **reduce the likelihood that they will develop diabetes**, preventing unnecessary expense and preventing a diminished quality of life. North Dakota policy makers can help make the right choice the easy choice for its residents.
- Diabetes is an expensive disease costing North Dakota over $700 million in 2014, affecting those who live with diabetes as well as their families, friends and their employers.
- Optimizing care and education for those with diabetes also improves the quality of life and saves money through the prevention of diabetes complications. Making the public aware of the standards of diabetes care and education as well as opportunities to access these services is another significant role that North Dakota government can help accomplish.

Diabetes Prevalence in North Dakota

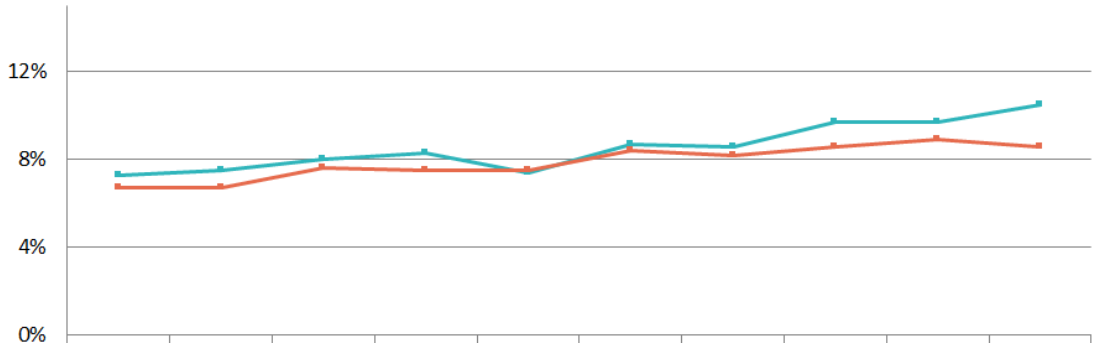
The prevalence of diagnosed diabetes among adults (18 and older) in North Dakota has increased over the past 10 years, from 5.9 percent in 2004 to 8.6 percent in 2014 as shown in Figure 1 below. North Dakota's rising prevalence has paralleled the national trend for diabetes.

In 2014

- An estimated 49,159 adults in North Dakota were living with diagnosed diabetes.
- An additional 18,961 adults had undiagnosed diabetes (5).
- An estimated thirty seven percent of the total population has prediabetes which translates to over 202,196 people in North Dakota (5).

The total North Dakota population affected by elevated glucose (diagnosed and undiagnosed diabetes + estimated prediabetes) = 270,316 people.

Prevalence of US and North Dakota Adults with Diabetes



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
United States	7.3%	7.5%	8.0%	8.3%	7.4%	8.7%	8.6%	9.7%	9.7%	10.5%
North Dakota	6.7%	6.7%	7.6%	7.5%	7.5%	8.4%	8.2%	8.6%	8.9%	8.6%

Figure 1. Percent of US and North Dakota Adults who were told they have diabetes from 2005 to 2014.

Diabetes in North Dakota American Indians

According to the Department of Health and Human Services, Indian Health Service Division of Diabetes Treatment and Prevention bulletin *Facts at a Glance*:

- American Indians have a diabetes prevalence 2.3 times higher than non-Hispanic whites.
- American Indian youths aged 10-19 are nine times more likely to be diagnosed with type 2 diabetes compared to non-Hispanic whites.
- The rate of kidney failure due to diabetes in American Indians compared with the general US population is 1.9 times higher (8).
- Fifteen percent of Native American adults in the state of North Dakota report ever having been told they have diabetes (4).

Diabetes Complications are Preventable

Established care practices for people with diabetes can prevent or delay the development of serious and costly health complications, such as lower limb amputation, blindness, kidney failure, and cardiovascular disease. These care practices are defined in *The Standards of Medical Care in Diabetes 2016* (2).

"Persons with diagnosed diabetes, undiagnosed diabetes and prediabetes are at a significantly elevated risk of hospitalization compared with those without diabetes." The excess rates of hospitalizations may be preventable with improved diabetes care (13).

Diabetes Self-Management Education (DSME) as defined in the *National Standards for Diabetes Self-Management Education and Support* (9) has been shown to be cost-effective by reducing hospital admissions and re-admissions, as well as estimated lifetime health care costs related to a lower risk for complications. DSME improves hemoglobin A1C, a measure of blood glucose control, by as much as 1 percent in type 2 diabetes (12).

"Each 1% absolute reduction in mean A1c levels was associated with a 37% decrease in the risk of microvascular complications and a 21% reduction in the risk of any diabetes-related complication or death" (14).

Diabetes Mortality

Diabetes was the seventh leading cause of death in the United States in 2010 based on the 69,071 death certificates in which diabetes was listed as the underlying cause of death. In 2010, diabetes was mentioned as a cause of death in a total of 234,051 certificates.

Diabetes may be underreported as a cause of death. "Studies have found that only about 35% to 40% of people with diabetes who died had diabetes listed anywhere on the death certificate and about 10% to 15% had it listed as the underlying cause of death" (4).

In 2003–2006, after adjusting for population age differences, **rates of death from all causes were about 1.5 times higher among adults aged 18 years or older with diagnosed diabetes than among adults without diagnosed diabetes** (5). The diabetes mortality rate for Native Americans is **1.6 times higher than** the rate for non-Native Americans in North Dakota (8). Although diabetes was listed as the eighth leading cause of death in North Dakota for 2014 (11), this number is also felt to be underreported.

Risk Factors

Non-modifiable and modifiable risk factors increase an individual's likelihood of developing diabetes.

Non-modifiable	Modifiable
Age Risk increases with age	**Overweight or Obese**
Race American Indian, African American, Hispanic, Asian American or Pacific Islander descent increases risk	**Low High Density Lipoprotein (HDL)**
Family History Those with a parent or sibling with diabetes are at an increased risk	**High Blood Pressure**
	Physical Inactivity
	High Triglycerides
	Smoking

Prevalence of Obese and Overweight Adults in North Dakota and the United States

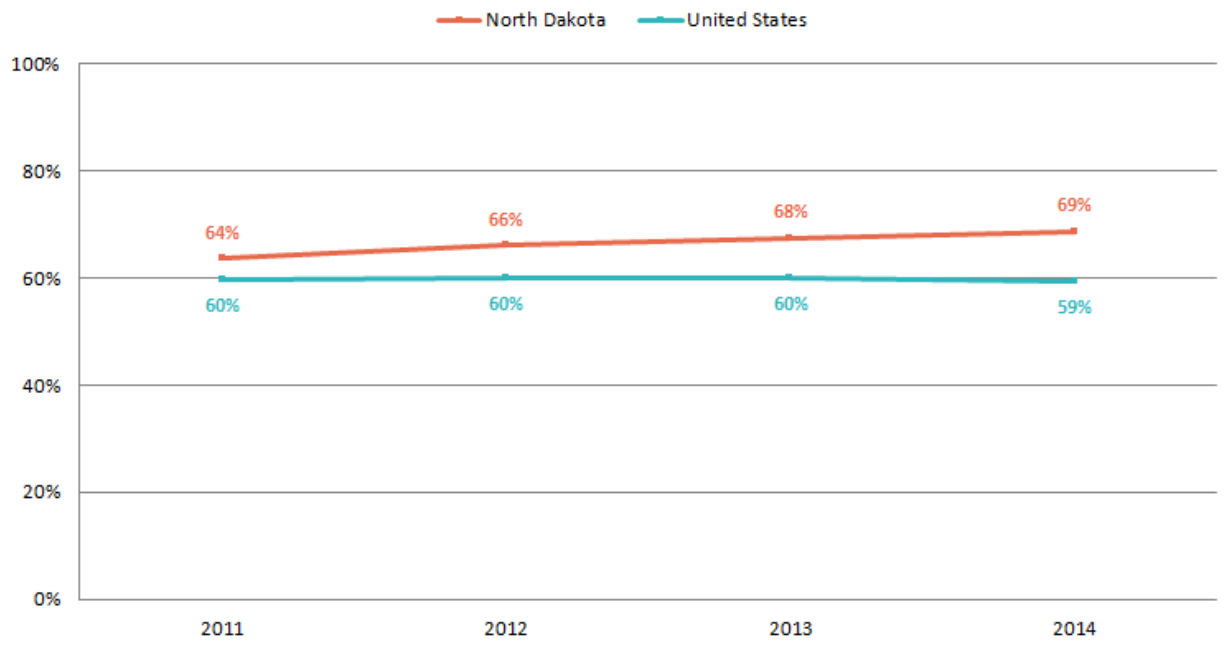


Figure 2. Percent of US and North Dakota Adults who reported being overweight and obese from 2011 to 2014. North Dakota is 10% higher than the national average.
Source: Behavioral Risk Factor Surveillance System, 2014

Modifiable Risk Factors Associated With Diabetes in North Dakota Adults

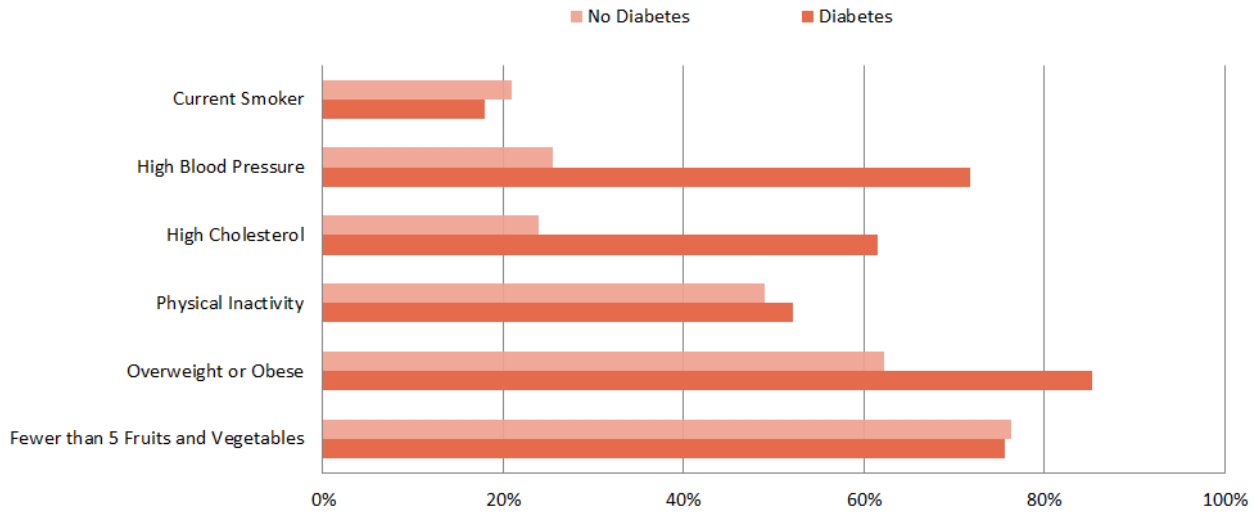


Figure 3. Percent of North Dakota adults told they have diabetes and those that don't have diabetes while reporting if they smoke, have high blood pressure, have high cholesterol, are physically inactive, are overweight or obese, and/or eating fewer than 5 fruits and vegetables.
Source: Behavioral Risk Factor Surveillance System, 2014

Prediabetes

Prediabetes is diagnosed when the blood glucose level is higher than normal, but not high enough to be classified as diabetes. The risk factors for prediabetes are the same as for type 2 diabetes. It is estimated that there are 202,196 cases of prediabetes in North Dakota (1 and 16). **Fifteen to 30 percent of people with prediabetes will develop type 2 diabetes within five years.** Some of the significant factors associated with progression of prediabetes to diabetes are being overweight and physically inactive (3).

Early Detection and Treatment of Prediabetes Prevents Diabetes

Research for the National Diabetes Prevention Program (NDPP) found that small steps produced big rewards. Moderate weight loss (seven percent of body weight) and increased physical activity (30 minutes five times per week):

- Reduced the incidence of type 2 diabetes by 58% during a three-year period.
- Reduced the incidence of type 2 diabetes by 71% among older subjects (those age 60+) (3).

Example: For a 225 pound person, this would mean losing and maintaining an approximate 16 pound weight loss.

Improving nutrition choices and physical activity habits among North Dakota residents helps prevent and manage prediabetes and type 2 diabetes.

Infographic

The *Diabetes in North Dakota* infographic shown on pages seven through eight describes data and information related to diabetes in a visual format using images and charts.

Diabetes in North Dakota

NORTH DAKOTA DEPARTMENT of HEALTH

DIABETES

49 THOUSAND

49 thousand North Dakota adults have diabetes

Thats about 1 out of every 11 people

About 19 thousand adults with diabetes are undiagnosed, thats

1 OUT OF 4

never having been told they have diabetes

PREDIABETES

202 THOUSAND

202 thousand North Dakota adults 20 years and older - about 4 out of 10 - have prediabetes

ONLY 1 OUT OF 10 → North Dakota adults 20 years and older with prediabetes have been told they have it

Without weight loss and moderate physical activity

15-30% OF PEOPLE WITH PREDIABETES will develop type 2 diabetes within 5 years. *

U.S COST*

$284 MILLION

Risk of death for adults with diabetes is **50% HIGHER** than for adults without diabetes

$$ → $

Medical costs for people with diabetes are TWICE AS HIGH as for people without diabetes

People who have diabetes are at higher risk of serious health complications:

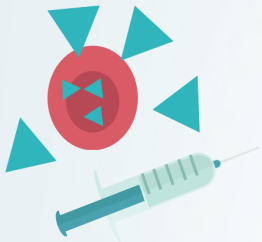
- BLINDNESS
- KIDNEY
- HEART DISEASE
- STROKE
- LOSS OF TOES, FEET, OR LEGS

*U.S National Data/Statistics was used to present this information

The Information Presented Below is Based on **U.S National Data/Statistics**

TYPES OF DIABETES

TYPE 1



BODY DOES NOT MAKE ENOUGH INSULIN

- Can develop at any age
- No known way to prevent it

MORE THAN 18,000 YOUTH DIAGNOSED each year in 2008 and 2009

In adults, type 1 diabetes accounts for approximately

5%

OF ALL DIAGNOSED CASES OF DIABETES

TYPE 2

BODY DOES NOT USE INSULIN PROPERLY OR IS PRODUCING INSUFFICIENT LEVELS OF INSULIN

- Can develop at any age

Currently, at least 1 out of 3 people will develop the disease in their lifetime

More than 5,000 youth diagnosed each year in 2008 and 2009

RISK FACTORS FOR TYPE 2 DIABETES

BEING OVERWEIGHT

HAVING A FAMILY HISTORY

HAVING DIABETES WHILE PREGNANT (Gestational Diabetes)

=

TAKE THE TEST: https://doihaveprediabetes.org/prediabetes-risk-test.html

WHAT CAN YOU DO?

You can PREVENT or DELAY type 2 diabetes

LOSE WEIGHT

EAT HEALTHY

BE MORE ACTIVE

You can MANAGE diabetes

WORK WITH A HEALTH CARE PROFESSIONAL

EAT HEALTHY

STAY ACTIVE

REFERENCES
Centers for Disease Control and Prevention. (2015, April 10). [A Snapshot: Diabetes in the United States] [Infographic] Retrieved from http://www.cdc.gov/diabetes/library/socialmedia/infographics.html
Centers for Disease Control and Prevention, Behavioral Risk Factor Surveillance System. (2014) North Dakota Core Questions Data Report, Section 6: chronic Health Conditions [Data File]. Retrieved from http://ndhealth.gov/brfss/image/cache/2014_Core_FullReport.pdf
American Diabetes Association. (2015, December). [Fast Facts Data and Statistics About Diabetes] [Fact Sheet] Retrieved from http://professional.diabetes.org/content/fast-facts-data-and-statistics-about-diabetes/?loc=dorg_statistics
U.S. Census Bureau, 2014 American Community Survey 1-Year Estimates

Economic Impact of Diabetes

Diabetes is Costly

Estimates of the cost of diabetes have been studied by the American Diabetes Association in 2002, 2007 and 2012, using consistent methodology, as reported in *Economic Costs of Diabetes in the U.S. in 2012* (18).

The total estimated cost of diagnosed diabetes in 2012 in the U.S. is $245 billion, including $176 billion in direct medical costs and $69 billion in reduced productivity. The largest components of medical expenditures are:

- Hospital inpatient care (43% of total medical cost)
- Prescription medications to treat the complications of diabetes (18%)
- Antidiabetic agents and diabetes supplies (12%)
- Physician office visits (9%)
- Nursing/residential facility stays (8%)

People with diagnosed diabetes:

- Incur average medical expenditures of approximately $13,700 per year
- On average have medical expenditures approximately 2.3 times higher than what expenditures would be in the absence of diabetes.

Care for people with diagnosed diabetes accounts for more than
1 in 5 health care dollars in the US.

Using North Dakota numbers, an estimate of the annual cost of diabetes in our state for 2014 was a minimum of approximately $700 million:
49,159 (ND residents diagnosed with diabetes in 2014) x $13,700 = $673,478,300

Diabetes imposes a significant cost to society. Intangibles from pain and suffering, resources from care provided by nonpaid caregivers, and the burden associated with undiagnosed diabetes are not included in the estimate above. The number of undiagnosed people with diabetes in North Dakota has been estimated at 18,961 (1 and 16).

Diabetes Among North Dakota Public Employees Retirement System Members

North Dakota Public Employee Retirement System

Prevalence

In 2013 seven percent or 4,859 NDPERS members had a diagnosis of diabetes based on claims filed. For the reporting period of July 1, 2015 – November 30, 2015 the number of members with diabetes claims was 1,564 (2.3% of NDPERS total membership) as shown on page 11 in Figure 4. Due to the change in the administration of the insurance plan from Blue Cross Blue Shield Company to Sanford Health Plan, limited claims data is available with which to generate this report. The information provided in this report is based on four months of complete paid claims data (November is not considered complete).

Cost

- The costs of all NDPERS members with diabetes in 2013 was close to $45 million.
- The NDPERS members identified with diabetes incurred a total of $18 million in paid medical expenses for a 4 month period. This amount includes all medical claims paid for these members, whether or not related to diabetes. $2.1 million was paid for claims with diabetes as the primary diagnosis.
- Members with diabetes claims had the **fourth** highest cost during this four month period as shown on page 11 in Figure 4.
- These numbers do not include costs that may be related to diabetes, yet are not directly coded as diabetes-related, such as hypertension, heart disease, kidney disease, influenza, and others may be made worse by diabetes, and may in turn make diabetes more difficult (and more expensive) to manage.

Cost of Claims by Disease State in Descending Order

Disease	Total Members	Total Paid	Average Paid Member
Back Pain	7,893	$31,492,444	$3,990
Hypertension	2,071	$27,136,831	$13,103
Cancer	740	$18,225,117	$24,629
Diabetes	1,564	$18,034,851	$11,531
Neck Pain	5,091	$17,619,839	$3,461
Hyperlipidemia	1,721	$16,985,794	$9,870
Congenital Anomalies	469	$10,718,409	$22,854
Coronary Artery Disease	364	$9,747,677	$26,779
Osteoarthritis	695	$9,672,672	$13,918
Headache	1,250	$8,056,467	$6,445

Figure 4. Cost of claims filed among NDPERS members by disease diagnosis. Above shows total number of members and their total payment in comparison to the average paid member.
Source: Centers for Disease Control and Prevention, National Diabetes Statistics Report, 2014.

Among NDPERS members, diabetes has moved from the fifth to the fourth most costly illness or disease.

Diabetes in Youth

According to the American Diabetes Association (ADA), there are 208,000 (or 0.25%) Americans under the age of 20 with a diabetes diagnosis (1). In comparison, based on December 2015 data, there are 65 NDPERS members with diabetes claims. This represents 0.39% of the NDPERS population under the age of 20, which in total is 16,374 members.

Number of NDPERS Youth with Diabetes Episode by Gender and Age*

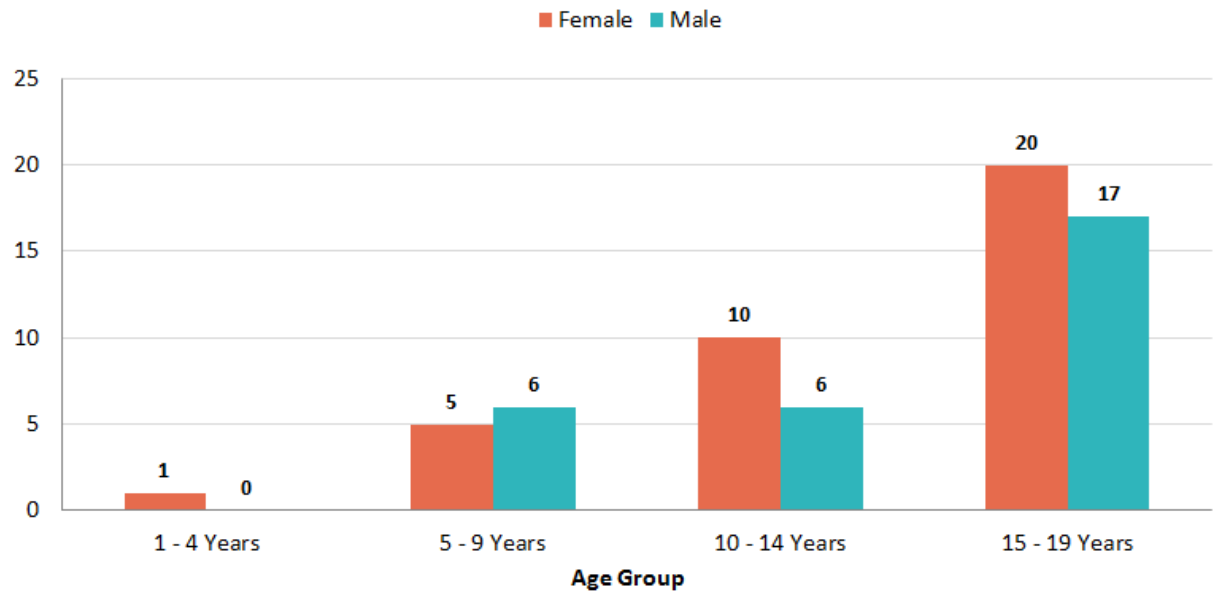


Figure 5. Number of female and male youth ages one to 19 years old with diabetes episode accounting for .39% of the NDPERS population under age 20.
*Data Incurred between July 2015 to October 2015

NDPERS Youth Diabetes Disease Payments by Gender and Age*

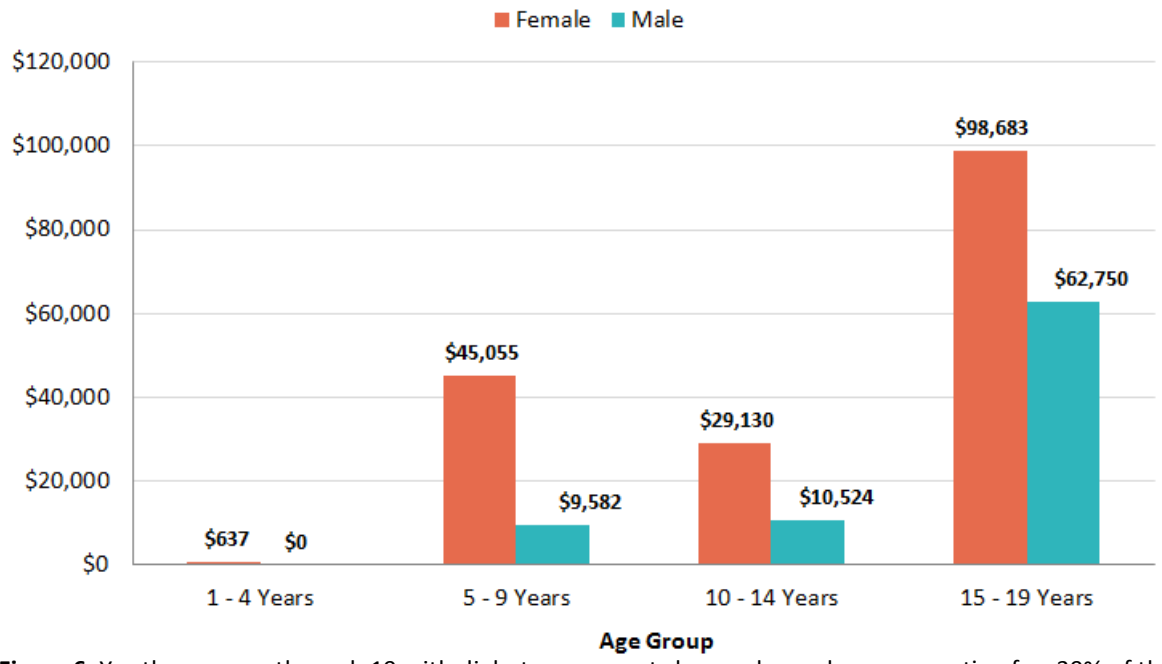


Figure 6. Youth ages one through 19 with diabetes payments by gender and age accounting for .39% of the NDPERS population under age 20.
*Data Incurred between July 2015 to October 2015

Diabetes and Complications

Diabetes increases the risk for many health conditions including heart disease, blindness, end stage kidney disease and amputations. By managing diabetes with routine testing and medical visits, members can prevent and delay the onset of complications. Figure 7 shows complications associated with diabetes and associated costs.

NDPERS July 2015 to October 2015 - Diabetes Payments				
Diabetes with:	Inpatient	Outpatient	Professional	Total Allowed
No Complications	-	$197,561	$1,000,193	$197,754
Neurological Manifestations	$68,345	$15332	$46,573	$130,251
Ketoacidosis	$49,955	$11,889	$45,288	$107,132
Ophthalmic Manifestation	-	$20,153	$82,768	$102,921
Other Manifestations	$64,657	$19,624	$17,677	$101,958
Hyper/Hypoglycemia	$20,602	$26,951	$50,529	$98,082
Peripheral Circulatory Disorder	$77,565	$1,710	$3,953	$83,228
Other Diabetic Complications	-	$20,796	$42,201	$62,997
Maternal/Pregnancy	$51,407	$2,808	$8,599	$62,815
Complications	-	$6,547	$40,179	$46,726
Retinopathy	-	$4,891	$41,780	$46,726
Renal Manifestations	-	$13,532	$27,481	$41,004
Grand Total	**$332,532**	**$341,787**	**$1,407,222**	**$2,081,540**

Figure 7. The figure above shows the first four months of incurred claims data related to diabetes and its complications. Payments paid through February 4, 2016.

Diabetes and North Dakota Medicaid

Medicaid was authorized in 1966 for the purpose of providing an effective base to provide comprehensive and uniform medical services that enable persons previously limited by their circumstances to receive needed medical care. It is within this broad concept that the Medicaid Program in North Dakota participates with the medical community in attempting to strengthen existing medical services in the state.

Funding is shared by federal and state governments, with eligibility determined at the county level. Traditional Medicaid pays for health services for qualifying families with children, pregnant women, and individuals who are elderly or disabled. Medicaid Expansion, implemented in 2014, provides coverage to adults under the age of 65 up to 138% of the Federal Poverty Level. Coverage is provided through a managed care contract.

Addressing Diabetes in North Dakota

North Dakota Department of Health
Diabetes Prevention and Control Program

Funding Source: Center for Disease Prevention and Control - 1305 Grant
Staffing Level: One full time equivalent
Mission: To reduce the sickness, disability, and death associated with diabetes and its complications, and to prevent new cases of type 2 diabetes

Current Priority Areas:

1. Diabetes Prevention

Over 200,000 North Dakotans have prediabetes and this makes diabetes prevention a top priority. We are addressing this through promotion of the **National Diabetes Prevention Program (NDPP),** which has been shown to be very effective in reducing type 2 diabetes. There are currently 12 sites in North Dakota that provide the program with potential for more sites, especially in central and western North Dakota.

Participants who complete this program reduce their risk for developing diabetes by 58%.

National Diabetes Prevention Program (NDPP) Characteristics & Results

This program is designed for people who have prediabetes or are at risk for type 2 diabetes but who do not already have diabetes. The program helps people lose 5% to 7% of their body weight through healthier eating and 150 minutes of physical activity per week.

Eligibility for the NDPP

To be eligible for the program, participants must meet the following requirements:

- Be at least 18 years old and
- Be overweight (body mass index >24; >22 if Asian) and
- Have no previous diagnosis of type 1 or type 2 diabetes and
- Have a blood test result in the prediabetes range within the past year:
  - ◊ Hemoglobin A1C: 5.7% - 6.4% or
  - ◊ Fasting plasma glucose: 100—125mg/dL or
  - ◊ Two-hour plasma glucose (after a 75 gm glucose load): 140 - 199 mg/dL or
- Be previously diagnosed with gestational diabetes

Take the Risk Test - Know Your Score

Assessing risk for prediabetes is easy. See the Risk Test in Appendix D on page 29. A diagnosis of prediabetes can be confirmed with a blood glucose (sugar) test and a check up at your doctors office.

NDPP Components:

- CDC-approved curriculum with lessons, handouts, and other resources to help participants make healthy changes.
- A lifestyle coach, specially trained to lead the program, to help participants learn new skills, encourage them to set and meet goals, and stay motivated. The coach will also facilitate discussions and help make the program fun and engaging.
- A support group of people with similar goals and challenges. Together, participants can share ideas, celebrate successes, and work to overcome obstacles.
- Optimal class size is up to 15 participants.

During the first half of the program participants will learn to:

- Eat healthy without giving up all the foods they love
- Add physical activity to their current lifestyle
- Deal with stress
- Cope with challenges that can derail their hard work—like how to choose healthy food when eating out
- Get back on track making healthy choices —because everyone slips now and then

In the second half of the program:

Participants enhance the skills learned to maintain the changes made. These sessions review key ideas:

- Tracking food and physical activity
- Setting goals
- Staying motivated
- Overcoming barriers

The lifestyle coach and small group continue to support the participants.

Time Commitment:

- The program runs for 1 year.
- During the first 6 months participants and lifestyle coaches will meet 16 times.
- During the second 6 months meetings will be held at least monthly.

Participants who complete this program reduce their risk of developing diabetes by 58%. The impact of this program can last for years to come. Research has found that even after 10 years, people who completed a diabetes prevention lifestyle change program were one third less likely to develop type 2 diabetes (3).

2. Diabetes Self-Management Education (DSME) and Support

For the nearly 70,000 people in North Dakota with diabetes, DSME is helping people manage their diabetes independently through:

- Developing qualified DSME programs in underserved areas. There are currently 42 sites in North Dakota where people with diabetes can access quality education.
- Working with health care providers to increase referrals of patients with diabetes into DSME programs.
- Promoting public awareness of the critical need for diabetes self-management.

Diabetes Self-Management Education (DSME) has been shown to be cost-effective by **reducing hospital admissions and re-admissions, as well as estimated lifetime health care costs related to a lower risk for complications.** DSME improves hemoglobin A1C, a measure of blood glucose control, by as much as 1% in type 2 Diabetes (12).

"Each one percent absolute reduction in mean A1c levels has been associated with a 37 percent decrease in the risk of microvascular complications and a 21% reduction in the risk of any diabetes-related complication or death" (14).

Please see Appendix C on page 28 for a map of NDPP and DSME programs in North Dakota.

3. Public Awareness Efforts

The program works to educate the public and promote healthy choices through press releases, a website at www.diabetesnd.org and through limited media campaigns. Messages promote:

- Self-assessment of the risk factors for prediabetes and diabetes.
- Diabetes prevention techniques related to increasing physical activity and making healthy food choices.
- Diabetes self-management strategies and resources.
- Accessing appropriate care for optimal health, including participation in NDPP and DSME programs in North Dakota.

4. Diabetes Care Provider Support

Educational support for diabetes educators and providers such as:

- Diabetes care webinars for health care providers.
- Diabetes Summit, a health professional education conference, held in conjunction with the Dakota Diabetes Coalition.
- Facilitation of best practices through networking among diabetes health care professionals.

5. Health System Assessment and Clinical Care Interventions

A Health System assessment has been developed by the North Dakota Department of Health to measure specific diabetes care parameters. Based on results of the assessment, clinical care interventions are suggested to elevate the level of diabetes care for patient populations.

6. Maintaining a Diabetes Care Network

The diabetes program relies on a network of national, state, regional, and local partners to expand the reach of diabetes prevention and control efforts and strengthen the safety net for people with diabetes in North Dakota. Partners include but are not limited to:

- Dakota Diabetes Coalition
- American Diabetes Association
- American Association of Diabetes Educators
- Hospitals and clinics
- North Dakota State University Extension
- Public Health Units

- Diabetes Self-Management Education sites
- National Diabetes Prevention Program sites
- School systems
- Quality Health Associates

Children's Special Health Services

Children's Special Health Services (CSHS) serves children with diabetes through three programs.

Specialty Care Diagnostic and Treatment Program

CSHS paid $49,593 in health care claims for 23 eligible children with Diabetes Mellitus Type 1 and 2 in fiscal year 2014. Examples of services covered include:

- Medications
- Diabetes care supplies
- Insulin pumps
- Inpatient and outpatient hospital services, office visits, and laboratory tests
- Dilated eye examination for children 10 and older
- Diabetes education provided by a Certified Diabetic Educator
- Care coordination services that help families access other needed services and resources provided for children who are eligible for CSHS treatment services

Multidisciplinary Clinics

- CSHS funds a pediatric diabetes clinic through the Coordinated Treatment Center at Sanford Health in Fargo, N.D. A contract for $41,912 is in effect for the period 7/1/13 - 6/30/16, which supports 13 diabetes clinics per year. Clinics provide multidisciplinary team evaluations and individualized care plans to support ongoing management for participating children and their families. There is no charge to families for the service. Families that travel more than 50 miles one way to attend the clinic are able to receive help to offset travel expenses (mileage and lodging), if needed.

- The clinic team is comprised of medical specialists (pediatric endocrinologist, pediatrician), diabetes nurse educator, social worker, nurse, reception staff, exercise physiologist, licensed registered dietitian, and psychologist who see the children at one place and time. This type of service enhances coordination and supports access to care.

Information Resource Center

CSHS provides health resource information on topics including child growth and development, parent-support (e.g., parent-to-parent programs), well-child care, specialty clinics, programs or doctors, financial assistance, and disease specific information.

Health and Human Services - North Dakota Medicaid

Medicaid of North Dakota offers the *Experience Health ND* program for people with diabetes. The program is voluntary, confidential and free to eligible recipients.

Enrolled participants in *Experience Health ND* can call a nurse for information or assistance 24 hours per day. A registered nurse calls or meets with enrollees to learn what their needs are and prepares an individualized care plan for them. Working with enrollees and their health care provider, the nurse will provide information and education that enrollees can use to manage their health condition, as well as giving assistance in finding services and other support that helps them follow their doctor's treatment plan.

Enrollees and their nurse work together to use these beneficial *Experience Health ND* services:

- A toll-free number enrollees can call 24 hours a day, seven days a week to speak with a nurse about their health concerns
- Help in finding a doctor or coordinating with their doctor and other health care providers to get the most from their care
- Education about choices they can make to improve their health
- Information sources and education about how medicines, exercise, nutrition, recreation, rest, and other factors affect their health and how well they feel

NDPERS

Diabetes Health Management Program

Sanford Health Plan offers a diabetes health management program to all members. Members are identified by claims data and are automatically enrolled in the program. Members receive the following information:

- Diabetes toolkit
- Periodic mailings regarding diabetes
- Tips on how to manage their diabetes to reduce the risk of complications

Currently, 4% of the total NDPERS population or 2,444 members have been automatically enrolled in the diabetes health management program.

Additionally, members identified at increased risk with diabetes are contacted by a nurse case manager. The case manager helps the member develop a self-management plan to support their physician's plan of care. Support and assistance is provided to the member, including education, recommended diabetes care and suggestions on healthy lifestyle changes.

Agency Based Wellness Program

NDPERS offers a program to encourage participating employers to develop employer-based wellness programs to encourage a healthy lifestyle. Pursuant to NDCC 54-52.1-14, employers are offered incentives through their health insurance premium. Last year 197 out of 290

employers elected to participate in the wellness program. This is an employer participation rate of approximately 68%. However, 97% of employees covered on the insurance plan are working for employers that offer wellness programs and activities to their employees.

About the Patient Program

The *About the Patient** program is an opt-in program for North Dakota Public Employee Retirement System beneficiaries with diabetes. On a monthly basis, newly eligible patients are sent a letter explaining the program and a wellness enrollment form. The wellness enrollment form allows patients to choose one of 50 community pharmacy locations across North Dakota for face-to-face program participation.

- Patients are eligible for three visits within the first year and two visits per year thereafter. By actively participating in the program, patients receive reimbursement of co-pays on diabetes medications, ACE inhibitors, and testing supplies on a quarterly basis.
- The patient curriculum is based on the seven self-care behaviors identified by the American Association of Diabetes Educators and principles of medication therapy management as outlined by the American Pharmacist Association.
- Patients are seen by a health professional, currently a community pharmacist, who has completed additional training in diabetes management outside of their terminal degree and must document continuing education in this area on an annual basis.
- All patient clinical encounters are documented and billed using the North Dakota Pharmacy Services Corporation electronic medical record software MTM Express™.
- **Return on investment calculations demonstrated a health cost savings of $2.34 for every $1.00 spent for the program.**

Funding*:* Funding for the above programs is provided from the health premiums paid.

*See Appendix E on page 30 for more information on *About the Patient.*

Indian Affairs Commission

The Indian Affairs Commission does not administer a program that specifically targets diabetes, but collaborates with the agencies on diabetes-related activities in American Indian communities and with American Indian populations. The commission plays an important role as a liaison between the departments and the tribes.

Collaborative Efforts

Representatives of the North Dakota Department of Health, the North Dakota Public Employees Retirement System (NDPERS), the Department of Human Services and the Indian Affairs Commission meet twice a year to share information and identify opportunities to work together. Collaboration is occurring among the departments through the Epidemiology and Evaluation Team, Chronic Disease Coordination Team and through discussion of a pilot program to offer the National Diabetes Prevention Program to some employees as a benefit through the wellness fund.

Health Department Chronic Disease Coordination Team

The North Dakota Department of Health (NDDoH) has an internal team called the Chronic Disease Coordination Team which meets monthly to share upcoming activities and collaboration opportunities across a variety of chronic disease and risk factor related programs. The team includes staff from heart disease and stroke, diabetes, cancer, tobacco, nutrition and physical activity, school health, maternal and child health, and injury/violence prevention. The NDDoH diabetes program director attends these meetings regularly and keeps the team aware of diabetes and prediabetes issues and grant activities as well as opportunities for collabtion. This team led the effort to develop a chronic disease state plan and formed the statewide chronic disease partnership to aid in that process and its implementation.

Epidemiology and Evaluation Team

The agencies working together on this report meet and share data compiled by the North Dakota Department of Health epidemiology staff including burden reports, fact sheets, presentations, and grant applications.

National Diabetes Prevention Program (NDPP) Pilot Study

Discussions are being held at this time to develop a pilot study in which a limited number of NDPP sites would receive reimbursement from an employer wellness fund for employees who are completing the NDPP. A small scale study of this type would provide an opportunity to replicate program effectiveness, demonstrate the return on investment and substantiate the case for reimbursing the program on a broader scale in North Dakota. As previously mentioned, national results have shown that people with prediabetes who complete the NDPP reduce their risk for developing diabetes by 58%.

Goals

1. Reduce the prevalence and cost of diabetes in North Dakota.

Objectives:

A. Make the North Dakota Diabetes Prevention Program (NDPP) accessible to North Dakota residents who have or are at risk for diabetes.
B. Increase the number of at-risk North Dakotans who participate in the NDPP lifestyle change program.
C. Increase the number of sites that offer the NDPP in North Dakota.
D. Support training for additional staff (Lifestyle Coaches) for NDPPs.
E. Communicate the NDPP's return on investment to health plans which do not cover the cost at this time to develop a sustainable framework.
F. Work with health systems to identify prediabetes and referral mechanisms to lifestyle intervention programs such as the NDPP.
G. Work with employers to identify prediabetes and develop wellness policies to support lifestyle intervention programs such as the NDPP.
H. Monitor data on program outcomes that measure NDPP participant success.

2. Improve the quality of life for people with diabetes in North Dakota.

Objectives:

A. Promote awareness of accredited or recognized Diabetes Self-Management Education (DSME) programs in North Dakota.
B. Increase the number of people with diabetes who participate in education through DSME programs in North Dakota.
C. Facilitate DSME programming for disparate populations in North Dakota.
D. Continue to build awareness about the Standards of Medical Care in Diabetes to optimize medical management visits for people with diabetes.
E. Support diabetes care professional development to facilitate quality of care and education for people with diabetes.
F. Promote the use of self-management programs available through health plans that improve patient outcomes, such as *About the Patient.*
G. Work with employers to identify wellness policies to support diabetes management.

3. Leverage chronic disease initiatives through partnerships and coalition building.

Objectives:

A. Promote collaboration among state agencies to optimize benefits for those with diabetes and other chronic diseases in North Dakota.
B. Provide information to coalitions working for the benefit of those with chronic diseases in North Dakota.

Recommendations to Legislative Management

1. **Fund coverage of the National Diabetes Prevention Program** through NDPERS, reimbursing the program similar to the proposed payment guidelines stated in the Centers for Medicare and Medicaid Services March 14, 2016 memo *Certification of Medicare Diabetes Prevention Program* as shown in Figure 8 below (6) for their payment of the

Services Provided	Payment
Core Sessions	
1 Session Attended	$25
4 Session Attended	+$50
9 Session Attended	+100
5 Percent Weight Loss from Baseline	+$160
9 Percent Weight Loss from Baseline	+$25
Maximum Total for Core Sessions in Year 1	$360
Maintenance Sessions (Maximum of 6 Monthly Sessions Over 6 Months in Year 1)	
3 Maintenance Sessions Attended With Maintenance of 5 percent Weight Loss	$45
6 Maintenance Session Attended With Maintenance of 5 Percent Weight Loss	+$45
Maximum Total for Maintenance Sessions in Year 1	$90
Maximum Total for Year 1	**$450**
Maintenance Sessions After Year 1 (Minimum of 3 sessions attended per quarter with no maximum)	
3 Maintenance Sessions Attended Plus Maintenance of 5 percent Weight Loss	$45
6 Maintenance Sessions Attended Plus Maintenance of 5 percent Weight Loss	+$45
9 Maintenance Sessions Plus Maintenance of 5 percent Weight Loss	+$45
12 Maintenance Sessions Attended Plus Maintenance of 5 percent Weight Loss	+$45
Maximum Annual Total After Year 1	**$180**

Figure 8. The figure above shows the summary of payments recommended for the proposed National Diabetes Prevention Program, the same as those made on behalf of Medicare participants in the YMCA Diabetes Prevention Program. Source: Centers for Medicare & Medicaid Services, Office of the Actuary, Certification of Medicare Diabetes Prevention Program, March 14, 2016.

Medicare estimated savings of $2,650 for each enrollee in the Diabetes Prevention Program.

Recommendations Continued

2. **Support efforts to educate the public through targeted public awareness marketing about**:
   A. Risk factors for prediabetes and diabetes
   B. Diabetes prevention strategies
   C. Educational opportunities for people with prediabetes and diabetes
   D. Components of optimal medical care of diabetes and prediabetes

   Suggested Initiative:
   - Professional advertising campaign with messages targeting the adult population with **prediabetes**
   - Additional campaign with messages that target people with **diabetes**, engaging and motivating them as well as informing them of steps to properly self-manage diabetes, including opportunities for education at qualified DSME programs.

   Suggested funding level: $200,000 per biennium.

3. **Support policies that improve outcomes for persons with and at risk for diabetes and other chronic diseases.** Systems and policy change is a cost effective way for states to improve a population's health:
   - Policy makers can support the enrollment of eligible people in insurance plans, so that more people with diabetes will be able to receive appropriate medical care and avoid costly hospitalizations or emergency department visits.
   - Reimbursement for diabetes education by Certified Diabetes Educators can ensure that people can learn how to manage their diabetes and prevent complications.
   - Support policies for Medicaid, NDPERS, and other insurers to provide reimbursement for evidence based diabetes prevention classes.
   - Policy makers can also support policies that increase physical activity in schools and early childhood centers and sponsor or support legislation and funding that promotes chronic disease prevention and control.
   - Raise constituents' awareness about chronic disease prevention and control programs in communities and they can help establish new programs as needed, to ensure that all North Dakotans have access to health care, screenings and early detection services.

4. **Support local communities in their efforts to improve the health of their residents**. North Dakota communities are assessing their health in an effort to address their specific health issues. These assessments have included focus groups, key informant interviews and community-wide surveys from which the community members ranked the most pressing community health needs.

The majority of the communities have identified chronic disease management or obesity and physical activity as significant health needs in their community. And while some communities are able to move forward to implement the polices, or initiatives that will favorably impact the health of their community, a majority lack the necessary resources.

Providing grants to communities that have identified chronic disease or obesity and physical activity as a priority will enable North Dakota to make strides toward improving the health of its citizens.

Suggested Initiatives:

Conduct a pilot study with six community partners that have identified chronic disease or obesity and physical activity as a priority.

- Provide each partner with a community grant to address chronic disease or obesity and physical activity in their community.
- Community partners would apply for the grants indicating their degree of readiness. The grants would range from $3,000 to 5,000 for capacity building to $25,000 for implementation grants for each of two years.
- The application would include a list of evidence-based items to select from and require an evaluation element.

Suggested Funding Level: $300,000

Appendices

Appendix A: North Dakota Century Code 23-01-40

Diabetes goals and plans - Report to legislative management.

1. The department of human services, state department of health, Indian affairs commission, and public employees retirement system shall collaborate to identify goals and benchmarks while also developing individual agency plans to reduce the incidence of diabetes in the state, improve diabetes care, and control complications associated with diabetes.
2. Before June first of each even-numbered year the department of human services, state department of health, Indian affairs commission, and public employees retirement system shall submit a report to the legislative management on the following:

   a. The financial impact and reach diabetes is having on the agency, the state, and localities. Items included in this assessment must include the number of lives with diabetes impacted or covered by the agency, the number of lives with diabetes and family members impacted by prevention and diabetes control programs implemented by the agency, the financial toll or impact diabetes and diabetes complications places on the agency's programs, and the financial toll or impact diabetes and diabetes complications places on the agency's programs in comparison to other chronic diseases and conditions.

   b. An assessment of the benefits of implemented programs and activities aimed at controlling diabetes and preventing the disease. This assessment must document the amount and source for any funding directed to the agency from the legislative assembly for programs and activities aimed at reaching those with diabetes.

   c. A description of the level of coordination existing between the agencies on activities, programmatic activities, and messaging on managing, treating, or preventing diabetes and diabetes complications.

   d. The development or revision of detailed action plans for battling diabetes with a range of actionable items for consideration by the legislative assembly. The plans must identify proposed action steps to reduce the impact of diabetes, prediabetes, and related diabetes complications. The plan must identify expected outcomes of the action steps proposed in the following biennium while also establishing benchmarks for controlling and preventing relevant forms of diabetes.

   e. The development of a detailed budget blueprint identifying needs, costs, and resources required to implement the plan identified in subdivision d. This blue print must include a budget range for all options presented in the plan identified in subdivision d for consideration by the legislative assembly.

Appendix B: Glossary of Terms

Prevalence: The proportion of a population found to have a condition, like diabetes.

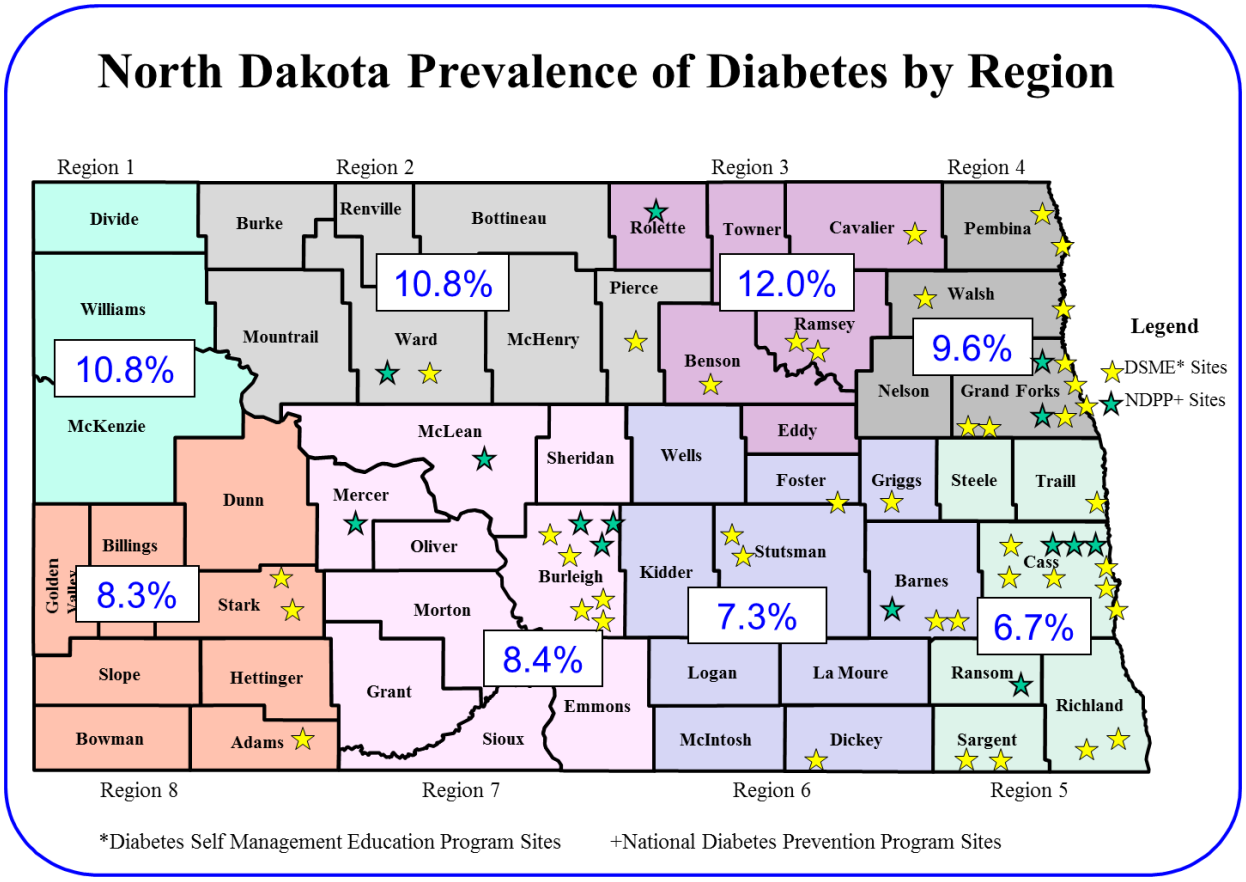
Type 1 Diabetes: An autoimmune disorder characterized by high blood glucose levels as a result of the loss of insulin production, requiring insulin administration for sustainment of life and blood glucose control.

Type 2 Diabetes: A condition characterized by high blood glucose levels that result from a deficiency of or a resistance to insulin that develops gradually over time. A sedentary lifestyle, obesity and genetic factors contribute to the risk for type 2 diabetes.

A1C Level: A blood test that correlates to an estimated average glucose over the past 2-3 months.

Prediabetes: Having prediabetes means your blood glucose (sugar) levels are higher than normal—but not high enough to be diagnosed as type 2 diabetes. Prediabetes can lead to heart disease, stroke, and type 2 diabetes, the most common form of diabetes. Prediabetes can often be reversed.

Appendix C: Diabetes Prevalence and Location of DSME and NDPP Sites in North Dakota



Source: Behavioral Risk Factor Surveillance System, 2014

Appendix D: Prediabetes Risk Test

CDC Prediabetes Screening Test

NATIONAL Diabetes PREVENTION PROGRAM

COULD YOU HAVE PREDIABETES?

Prediabetes means your blood glucose (sugar) is higher than normal, but not yet diabetes. Diabetes is a serious disease that can cause heart attack, stroke, blindness, kidney failure, or loss of feet or legs. Type 2 diabetes can be delayed or prevented in people with prediabetes through effective lifestyle programs. Take the first step. Find out your risk for prediabetes.

TAKE THE TEST—KNOW YOUR SCORE!

Answer these seven simple questions. For each "Yes" answer, add the number of points listed. All "No" answers are 0 points.

Yes	No	
1	0	Are you a woman who has had a baby weighing more than 9 pounds at birth?
1	0	Do you have a sister or brother with diabetes?
1	0	Do you have a parent with diabetes?
5	0	Find your height on the chart. Do you weigh as much as or more than the weight listed for your height?
5	0	Are you younger than 65 years of age and get little or no exercise in a typical day?
5	0	Are you between 45 and 64 years of age?
9	0	Are you 65 years of age or older?

Add your score and check the back of this page to see what it means.

AT-RISK WEIGHT CHART

Height	Weight *Pounds*	Height	Weight *Pounds*
4'10"	129	5'7"	172
4'11"	133	5'8"	177
5'0"	138	5'9"	182
5'1"	143	5'10"	188
5'2"	147	5'11"	193
5'3"	152	6'0"	199
5'4"	157	6'1"	204
5'5"	162	6'2"	210
5'6"	167	6'3"	216
		6'4"	221

National Center for Chronic Disease Prevention and Health Promotion
Division of Diabetes Translation

CDC

IF YOUR SCORE IS 3 TO 8 POINTS

This means your risk is probably low for having prediabetes now. Keep your risk low. If you're overweight, lose weight. Be active most days, and don't use tobacco. Eat low-fat meals with fruits, vegetables, and whole-grain foods. If you have high cholesterol or high blood pressure, talk to your health care provider about your risk for type 2 diabetes.

IF YOUR SCORE IS 9 OR MORE POINTS

This means your risk is high for having prediabetes now. Please make an appointment with your health care provider soon.

Appendix E: NDPERS "About the Patient" Program

Collaborative Drug Therapy Program Annual Report

2014

About The Patient— 1641 Capital Way Bismarck, ND 58501

T: 1.888.326.4657 **DD:** 701.231.6685 **E:** wbrown@aboutthepatient.net

Executive Summary

The Uniform Group Insurance Program-Collaborative Drug Therapy Program in accordance with section 54-52.1-17 of the North Dakota Century code purpose is to improve the health of individuals with diabetes in order to manage health care expenditures through face-to-face collaborative drug therapy services by pharmacists and certified diabetes educators. For covered individuals waived or reduced co-payment for diabetes treatment drugs and supplies are provided as an incentive for program participation. The North Dakota Pharmacist Association or specified delegate currently About the Patient facilitates patient curriculum based on national standards for diabetes care, enrollment procedures, documentation of clinical encounters, and assess economic/clinical outcomes. Funding of program is through the uniform group insurance program and if necessary an additional charge on the policy premium for medical and hospital benefits coverage may be added up to two dollars per month.

The About The Patient Program has been administering the Diabetes Management Program since July of 2008. A cost analysis of the Diabetes Management Program was conducted by the Center for Health Promotion and Prevention Research, University of North Dakota School of Medicine and Health Sciences in November of 2010. Return on investment calculation demonstrated a $71.14 pmpm health cost savings ($2.34 saved for every $1.00 spent for the program). Funding and program administration by About The Patient was extended for next biennium July 2013-June 2015.

Targeted direct marketing via letter and postcards to all eligible beneficiaries occurred during the first three quarters of 2014 in order to increase awareness and enrollment in the program.

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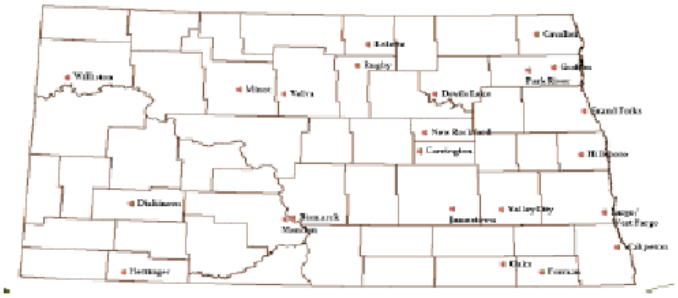
Diabetes Management Program

The Diabetes Management Program is an opt-in program for North Dakota Public Employee Retirement System beneficiaries with diabetes. On a monthly basis newly eligible patients are sent a letter explaining the program as well as a wellness enrollment form. The wellness enrollment form allows patients to choose one of 45 community pharmacy locations across North Dakota for face-to-face program participation.

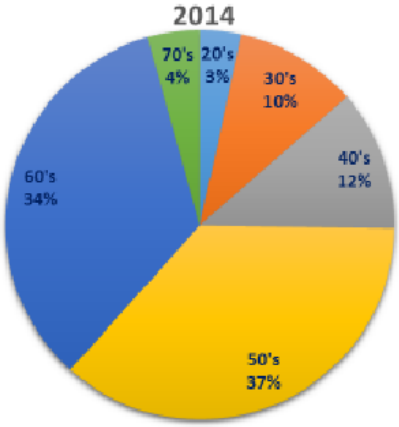


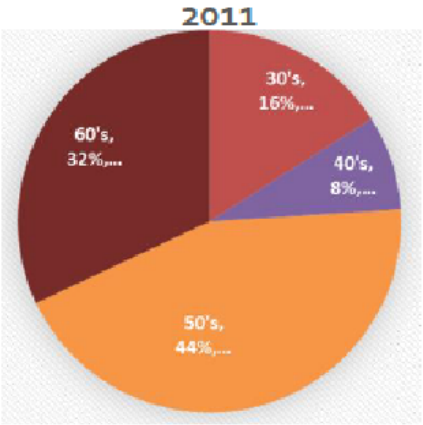
Patients are eligible for three visits within the first year and two visits per year thereafter. By actively partaking in the program patients receive reimbursement of co-pays on diabetes medications, ACE inhibitors and testing supplies on a quarterly basis. The patient curriculum is based on the seven self-care behaviors identified by the American Association of Diabetes Educators and principles of medication therapy management as outlined by the American Pharmacist Association. Patients are seen by a heath professional, currently a community pharmacist, who has completed additional training in diabetes management outside of their terminal degree and must document continuing education in this area on an annual basis. All patient clinical encounters are documented and billed using the North Dakota Pharmacy Services Corporation electronic medical record software MTM Express™.

Program Analysis 2014

Demographics

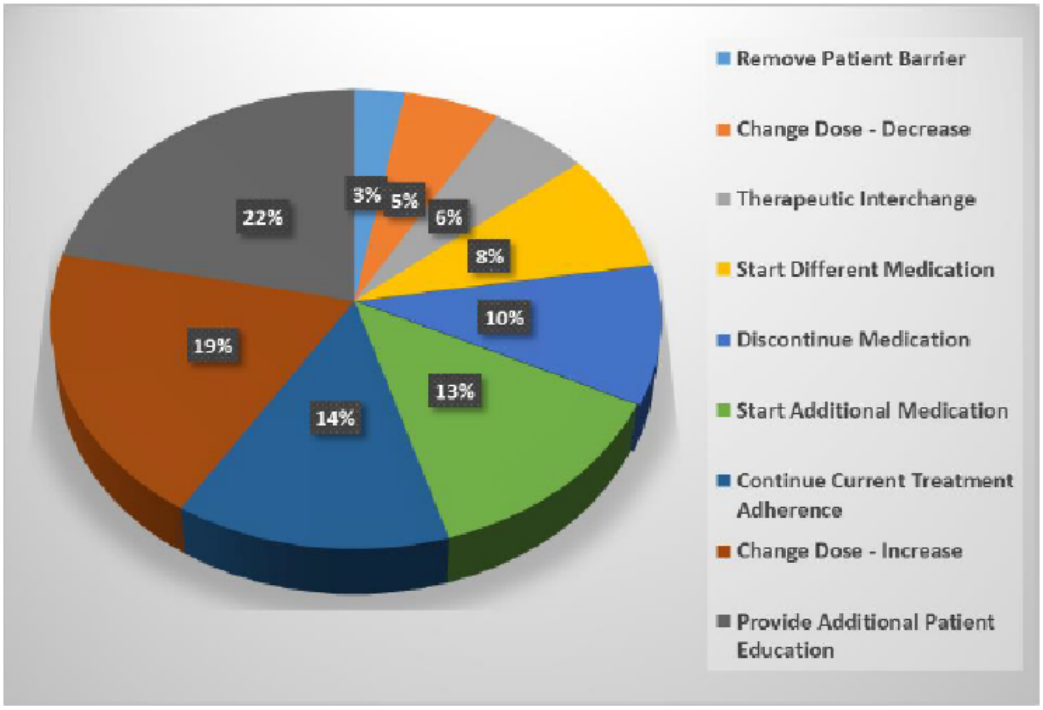
Marketing efforts have increased enrollment. The program currently has 207 active patients with signed wellness agreements. Within the active patients population 57% are male. Overall program participation rate is 6%. The trend with the current marketing strategy has increased participation among males and younger eligible patients.





Pharmacist Interventions

In 2014 there were 419 interventions (2011-2013 biennium there were 155 interventions) made by the pharmacists in collaboration with the patient and there primary health provider in order to manage diabetes and prevent costly complications.



Of the additional education 33% was on proper injectable medication use. The majority of the recommendations for increasing medication was to optimize basal insulin requirements.

Average Hemoglobin A1C =7.4 with most common HA1C=7.2 (Range 4.7 to 12.5). Most common blood pressure reading 138/80 which falls within ADA recommend blood pressure goals for most patients with diabetes.

According to the American Diabetes's Association's annual update 2015 most patients with diabetes should be receiving a moderate statin. In 2014, within the current active participants in the Diabetes Program 29% are receiving Statin therapy. Of those receiving Statins 64% are on a moderate to high dose.

Patient Satisfaction with Program

Perception: Diabetes Awareness Survey (1=Strongly Disagree to 5=Strongly Agree)	2014
1) Ask my pharmacist questions I may have about diabetes	4.1
2) Take my medications and administer injections as instructed	4.4
3) Check and record my blood glucose at least 2 times per day or as directed	4.2
4) Describe the long term complication of uncontrolled diabetes	4.1
5) Be motivated to keep up with my diabetes self-management	4.2
6) Voice concerns to my doctor about my diabetes	4.3
7) Keep my doctor appointments	4.6

Current active patients are motivated to work with their health providers. Maintain a high level of self-efficacy with a chronic disease.

Patient Satisfaction Survey (1=Strongly Disagree to 5=Strongly Agree)	2014	7/2013-3/2014
1.) Professional appearance of the provider	4.9	5.0
2.) Appearance of the meeting area	4.6	4.8
3.) System for scheduling your appointment	4.7	4.8
4.) The provider's interest in your health	4.8	4.9
5.) How well the provider helps you manage your medications	4.8	4.3
6.) How well the provider explains possible side effects	4.7	4.1
7.) The provider's efforts to solve problems that you have with your medications	4.7	4.3
8.) The responsibility that the provider assumes for your drug therapy	4.7	4.2
9.) Ability of the provider to answer your questions about your medications	4.8	4.4
10.) Ability of the provider to answer your questions about your health problems	4.7	4.4
11.) The provider's efforts to help you improve your health or stay healthy	4.8	4.9
12.) The program services overall	4.7	4.3
13.) Ability of the provider to see you at your scheduled time	4.8	4.8
14.) Courtesy and professionalism of the staff	4.9	5.0
15.) Follow-up after the appointment	4.7	4.8
16.) The educational materials provided	4.7	4.9

Patients continue to be highly satisfied with the diabetes management program. Over the course of this last year the program experienced co-workers of active patient call to inquire about the program.

Proposed Level of Service July 2015-June 2017

	July2015-June 2017
Direct Program Cost	
Provider Visits	$132,000.00
Patient Incentives	$43,000.00
Subtotal	$175,000.00

Administration Costs	
Subtotal	$20,000.00

Marketing Costs	
Direct to consumer mailings In-pharmacy marketing	$5000.00
Subtotal	$5000.00

TOTAL Biennial Expenses	$200,000.00

Expense estimates are for serving ~200 patients (~5% participation rate) over the next biennium. Each patient would be eligible to receive a Comprehensive Medication Review (CMR-$400.00) and up to 2 Targeted Medication Reviews (TMR-$80.00) the first year and one CMR ($200.00) and one TMR ($80.00) in for any subsequent years of participation in the program.

In-kind from NDPhA and NDSU: Telephone (maintaining toll free direct number for patients), office space, office supplies, Training/Credentialing/Certification of providers, patient curriculum, Clinical Coordinator, Data Analysis

Appendix F: Committee Members

North Dakota Department of Health
Jane Myers, Diabetes Prevention and Control Program Director
Mylynn Dumlao, Center for Disease Control and Prevention Public Health Advisor
Clint Boots, Chronic Disease Epidemiologist
Tamara Lelm, Division Director, Children Special Health Services
Krista Fremming, Director, Division of Chronic Disease
Kim Crawford, Evaluation Consultant

North Dakota Public Employees Retirement System
Kathy Allen, Employee Benefit Programs Manager
Bryan Reinhardt, Research Analyst/ Benefits Planner

Division of Medical Services, the Department of Human Services
Maggie Anderson, Medical Services

Indian Affairs Commission
Bradley Hawk, Indian Health Systems Administrator

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Memorandum

TO: PERS Board

FROM: Rebecca

DATE: June 8, 2016

SUBJECT: Wellness Renewal

NDPERS staff has completed the renewal of the Employer Based Wellness Program for the plan year July 1, 2016 to June 30, 2017. This renewal determines those employers that will qualify for the 1% health insurance premium discount during the plan year. Employers are given the opportunity to combine efforts with another NDPERS employer in order to qualify.

At this time, there are a total of 192 out of 254 employers electing to participate in the wellness program. This is an employer participation rate of 76%. However, approximately 97% of employees covered on the insurance plan are working for employers that are offering wellness programs and activities to their employees.

The break-down of the participating employers is as follows:

- 104 state agencies, universities and district health units
- 35 counties
- 15 schools
- 17 cities
- 21 political subdivisions

Rebecca will be available at the Board meeting to answer any questions that you may have regarding the wellness program renewal process.

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Memorandum

TO: PERS Board

FROM: Rebecca

DATE: June 8, 2016

SUBJECT: Health Plan Update

The following provides updates on areas that NDPERS and SHP have been working on.

a. **Wellness –**
   i. The new online wellness portal, Novu, launched on April 1. Through June 6, 6,111 members have logged into the portal and 5,308 have completed their health risk assessment, which is called a LifeScore on Novu. Staff from SHP will be at the meeting to provide a brief demo of the new site.
   ii. Staff from NDPERS and SHP hosted a Walk at Work Event on May 19th at the Capitol. Dr. Dwelle hosted the event with a brief discussion on the benefits of walking and then led 90 participants for a walk around the Capitol grounds. Events were also held at 12 other worksites across the state during the month of May.

b. **Certificate of Insurance (COI)** – Staff are reviewing amendments that need to be made to the Certificate of Insurance (COI). These amendments are mostly clarifications and ACA required modifications. Once the review is complete, the amendments will be sent to the Department of Insurance for approval. Upon approval, notice of the amendments will be sent to members.

c. **Medicare Part D** - At the March meeting, the board asked for information regarding the proximity to a 90 day network pharmacy from those pharmacies that had opted not to sign the 90 day network contract with ESI. Attachment 1 provides this information.

d. **Pharmacy** – SHP has provided NDPERS information related to members who had a prior authorization in place from BCBS that transitioned to SHP, as well as, temporary allowances for formulary exceptions. The following provides

details from Daniel Weiss, Senior Director of Pharmacy Benefits, about these issues. Daniel will be available at the Board meeting to address any questions that the board may have.

"It is standard operating process for a pharmacy benefit manager to import existing prior authorizations for a client the size of NDPERS. The implementation of benefits with Sanford Health Plan was no exception. Express scripts imported these prior authorizations, so that members were not abruptly disrupted during the transition when the previous carrier had committed to coverage of a specific medication.

In addition to this process, there were temporary allowances to offer formulary exceptions for members. This meant that NDPERS members were not immediately faced with changes to the formulary based on the change in insurance carriers. As of 7/1/16, the majority of these formulary exceptions will abruptly end. It is estimated that @ 2,000-3,000 members will be impacted. In many cases, members are not aware this was done on their behalf, as there was no notification done initially.

To assist the members from an abrupt disruption, Sanford is working with Express Scripts to extend the prior authorizations until such time that proper notification can be performed. Due to the complexity involving plan design, Sanford anticipates notification to members by July 1, 2016, and an effective date for this change 10/1/16. The initial impact data from Express Scripts contained all prior authorizations, which accumulated to @ 4,350 members (including the above referenced 2,000-3,000). Express Scripts is currently working to isolate only the prior authorizations related to this specific need. Additionally, Sanford is developing a notification letter for members that will be reviewed and approved by the NDPERS team.

While we recognize the importance of swift action, we do not wish to cause any unexpected issues with this project, so appropriate time is required to reduce this occurrence."

e. **SHP Staff** – SHP has notified NDPERS that Dr. Crandell, Chief Medical Officer, has retired. The following was provided by SHP to announce his replacement, Dr. Timothy Donelan.

"Sanford Health Plan is excited to announce Dr. Timothy P. Donelan will be taking over the role of Chief Medical Officer effective July 1st. Dr. Donelan has been a Family Medicine physician with Sanford Health for over 20 years. He has been part of numerous research experiences, and publications. His appointments have included being a professor for the Department of Family Medicine at Sanford USD School of Medicine, part of the Sioux Falls City Board of Health, and on the Sioux River Valley Community Health Center Board. Also, actively engaged with clinical administrative work, Dr. Donelan is currently on the Board of Governors with the Sanford Clinic, the Lead Physician (Department Chair) of his current clinic, and a Sanford Research Investigator. Also included in a long list of distinguished honors includes a Sanford Leading the Way graduate 2016, and the Sanford Physician of the Year 2015-16. When Dr. Donelan is not practicing medicine he enjoys spending time with his wife Amy and 3 boys, and interests include history, farming, economics, exercising, architecture, and travel. "

f. **PPO** – At the March board meeting, the board asked for information related to the providers who have not contracted with Sanford, specifically the number of members impacted. Sanford has provided Attachment 2 for your review and will be available at the Board meeting to discuss further.

g. **Explanation of Benefits (EOB) –** NDPERS has recently discussed Explanation of Benefits (EOB) related to areas that differ from the way EOB processing was handled with BCBS. These discussions have occurred due to inquiries from the membership.

   i. Dependent claims data is sent as an EOB to the policy holder at the policy holder address unless the dependent has requested to have an alternative address used. BCBS sent the EOB in the dependent's name to the policy holder's address unless the dependent requested to have the EOB sent to a different address.

      Sanford has indicated that their process is federally compliant, as well as HIPAA and ND law compliant. NDPERS has requested that Jan review this to ensure compliance with ND law.

      Sanford Health Plan has also indicated they are reviewing their EOB business practice and looking to modify the current process for a better member experience.

   ii. SHP does not provide a Quarterly Prescription Drug Summary to members. BCBS previously provided this summary. SHP has estimated that the cost to have these generated and sent to the membership would be approximately $38,000 per quarter.

   iii. Both medical and prescription drug claims data is available for the policy holder and dependents to view by signing into their online account on the Sanford Health Plan portal.

h. **Grandchild Eligibility Audit** – NDPERS will be conducting an audit of grandchildren on the various group insurance products (health, dental and vision) to ensure that they are still eligible to be covered on the plan. The audit will require the policy holder to certify that their grandchild is still eligible to be covered based upon NDCC 26.1-36-22 (3) & (4). NDPERS plans to conduct this audit annually.

Staff will be at the Board meeting if you have any further questions.

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Memorandum

TO: PERS Board

FROM: Sparb & Bryan

DATE: June 16th 2016

SUBJECT: Asset Liability Study

Note: Please bring your printed copies of the study to the meeting.

Representatives from Callan will call in to discuss the Asset Liability Study for the Main and Retiree Health Insurance Credit (RHIC) Systems. The NDPERS Investment Subcommittee discussed the study results at the May 26th quarterly meeting.

For the Main System asset mixes, the NDPERS Investment Subcommittee recommends proposed asset mix 2B which will have an expected return of 7.0% with a standard deviation of 14.8%. This compares to our current target mix expected return of 6.8% with a standard deviation of 14.5%. David Hunter will be here to discuss the attached changes to the main system investment policy that would result from asset mix 2B.

For the RHIC plan, the subcommittee recommends no changes.

Board Action:

Approve an asset mix for the Main retirement system.

TO: North Dakota Public Employees Retirement System ("NDPERS") Board

FROM: Dave Hunter, ED/CIO – Retirement and Investment Office ("RIO")

DATE: June 8, 2016

SUBJECT: Investment Policy Statement – PERS Main Plan

RIO intends to review the attached investment policy statement with the NDPERS Board on June 15, 2016, while highlighting the proposed asset allocation revisions in **green** and **red.**

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

1. PLAN CHARACTERISTICS AND FUND CONSTRAINTS

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

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

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

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

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

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

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

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

Fund fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the

management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The retirement funds belonging to the teachers' fund for retirement and the public employees retirement system must be invested exclusively for the benefit of their members and in accordance with the respective funds' investment goals and objectives. (NDCC 21-10-07)

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

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

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

3. DELEGATION OF AUTHORITY

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

Such procedures must provide for:

1. The definition and assignment of duties and responsibilities to advisory services and persons employed by the SIB pursuant to NDCC 21-10-02.1(1) (a).

2. Investment diversification, investment quality, qualification of money managers, and amounts to be invested by money managers pursuant to NDCC 21-10-02.1(1)(e). In developing these policies it is understood:

    a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
    b. The use of derivatives will be monitored to ensure that undue risks are not taken by the money managers.
    c. All assets must be held in custody by the SIB's master custodian or such other custodians as are selected by the SIB.

3. Guidelines for selection and redemption of investments will be in accordance with NDCC 21-10-02.1(1) (d).

4. The criteria for making decisions with respect to hiring, retention, and termination of money managers will be clearly defined. This also includes selecting performance measurement standards, consultants, report formats, and frequency of meetings with money managers.

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

4. INVESTMENT GOALS

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

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

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

The Board acknowledges the material impact that funding the pension plan has on the State's financial performance. To enable the State to continue offering secure pension benefits to plan participants, the Board believes that the Fund should pursue the following **secondary goals:**

1. Stabilize the employee and employer contributions needed to fund the Plan over the long term.
2. Avoid both substantial volatility in contributions and sizable fluctuations in the funding status of the Plan.

These two secondary goals affect the Fund's investment strategies and often represent conflicting goals. That is, minimizing the long-term funding costs implies a less conservative investment program, whereas dampening the volatility of contributions and avoiding large swings in the funding status implies a more conservative investment program. The Board places greater emphasis on the strategy of stabilizing the employee and employer contribution needed to fund the plan over the long term as it assists our participating employers by having a predictable contribution for budgeting.

5. INVESTMENT PERFORMANCE OBJECTIVE

The Board's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

1. The fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
2. The fund's risk, measured by the standard deviation of net returns, should not exceed **115%** of the policy benchmark over a minimum evaluation period of five years.
3. The risk-adjusted performance of the fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

6. ASSET ALLOCATION

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

Asset Class	Policy Target (%)	Rebalancing Range (%)
Global Equity	58	46-66
Public Equity	51	42-57
Private Equity	7	4-9
Global Fixed Income	23	16-30
Investment Grade	18	13-23
Non-Investment Grade	5	3-7
Global Real Assets	19	10-25
Global Real Estate	11	5-15
Other (Infrastructure/Timber)	8	5-10
Inflation Linked Bonds		0-5
Global Alternatives		0-10
Cash	0	0-2
~~Global Equity~~	~~57~~	~~46-65~~
~~Domestic Equity~~	~~31~~	~~26-36~~
~~International Equity~~	~~21~~	~~16-26~~
~~Developed~~	~~16~~	
~~Emerging~~	~~5~~	
~~Private Equity~~	~~5~~	~~4-8~~
~~Global Fixed Income~~	~~22~~	~~16-28~~
~~Domestic Fixed~~	~~17~~	~~13-21~~
~~Investment Grade~~	~~12~~	~~10-18~~
~~Non-Investment Grade~~	~~5~~	~~3-7~~
~~International Fixed~~	~~5~~	~~3-7~~
~~Developed~~	~~5~~	~~3-7~~
~~Emerging~~		~~0-3~~
~~Global Real Assets~~	~~20~~	~~12-28~~
~~Global Real Estate~~	~~10~~	~~5-15~~
~~Other~~	~~10~~	~~0-15~~
~~Infrastructure~~	~~5~~	~~0-10~~
~~Timber~~	~~5~~	~~0-7~~
~~Commodities~~		
~~Inflation Linked Bonds~~		
~~Other Inflation Sensitive Strategies~~		
~~Global Alternatives~~		~~0-10~~
~~Cash~~	~~1~~	~~0-2~~

The Board does not endorse tactical asset allocation, therefore, it is anticipated the portfolio be managed as close to the policy target as is prudent and practicable while minimizing re-balancing costs. Any allocation to Global Alternatives shall not increase the expected volatility of the portfolio as measured in Section #5, and all other targets will be adjusted pro-rata.

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

7. RESTRICTIONS

A. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.

B. Use of derivatives will be monitored to ensure that undue risks are not taken by the money managers

C. No transaction may be made which threatens the tax exempt status of the Fund.

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

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

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

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

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

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

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

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

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

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

8. INTERNAL CONTROLS

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

9. EVALUATION

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

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

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

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

_____	_____
J. Sparb Collins	David Hunter
Executive Director	Executive Director
North Dakota Public Employees Retirement System	North Dakota Retirement and Investment Office
Date: _____	Date: _____

Callan

June 16, 2016

North Dakota Public Employees Retirement System

2016 Asset Allocation and Liability Information

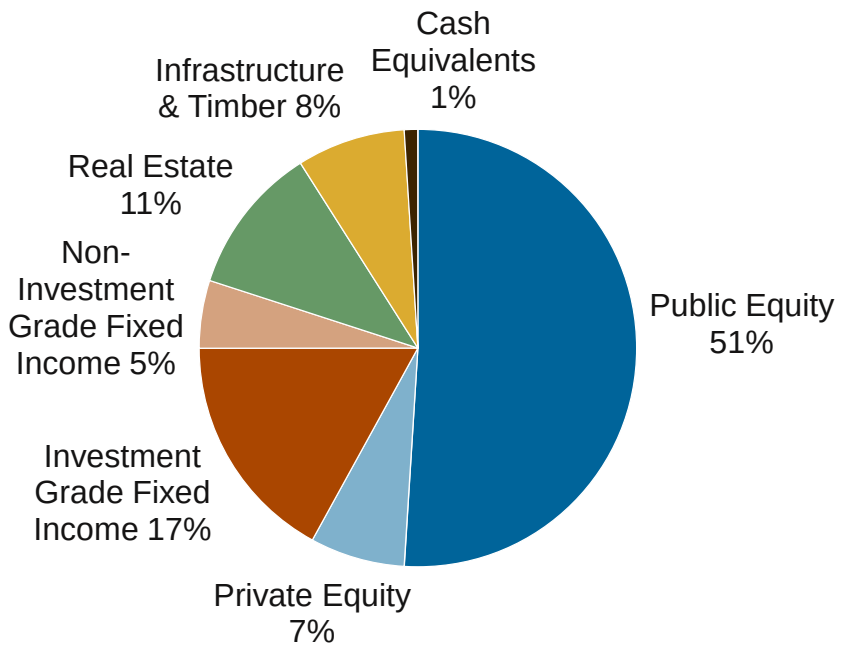
Alexander Browning
Vice President

Paul Erlendson
Senior Vice President

Julia Moriarty, CFA
Senior Vice President

Background

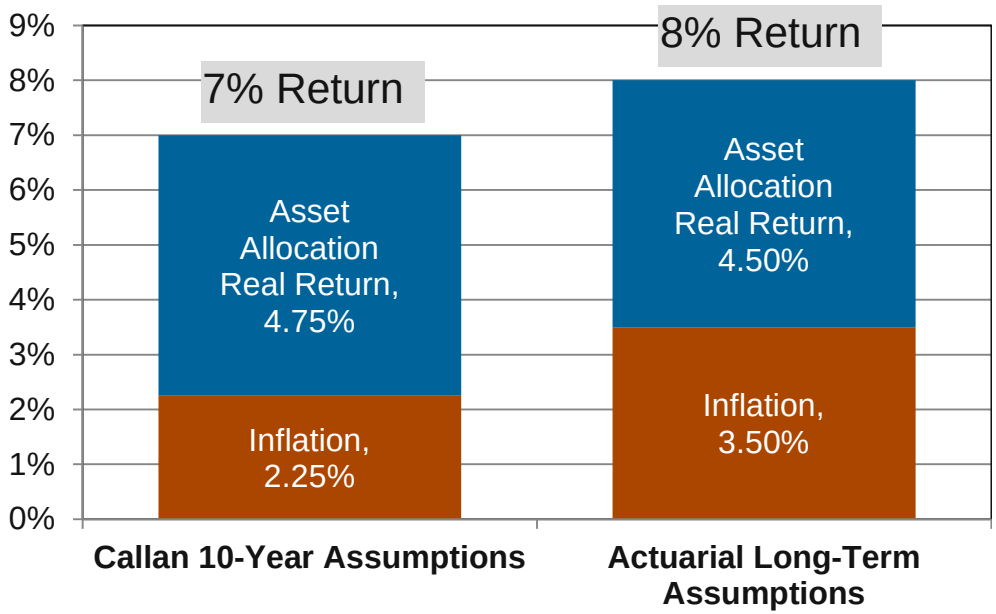
- Callan conducted an asset allocation and liability study for the North Dakota Public Employees Retirement System (NDPERS) and presented the findings to the NDPERS Investment Subcommittee on May 18, 2016 and to the NDPERS Board on May 19, 2016.
- The Investment Subcommittee recommends moving ahead with Mix 2B, a North Dakota Retirement & Investment Office (RIO) recommendation, which is shown below.



Background

- Callan's 10-year capital market expectations were employed in the asset allocation and liability study dated May 18-19, 2016.
- The chart to the right highlights Callan's 10-year expectation for Mix 2B (7% return) along with the actuary's assumption (8% return), which is longer-term in nature.
- At the direction of NDPERS Staff, Callan modeled an 8% investment return and 3.5% inflation assumption to gauge the impact on the Plan of potential increases in the active population and contribution rates relative to what was modeled in the asset allocation and liability study dated May 18-19, 2016.
  - A comparison of Callan's 10-year assumptions and the actuary's long-term numbers is included in the appendix.

Mix 2B

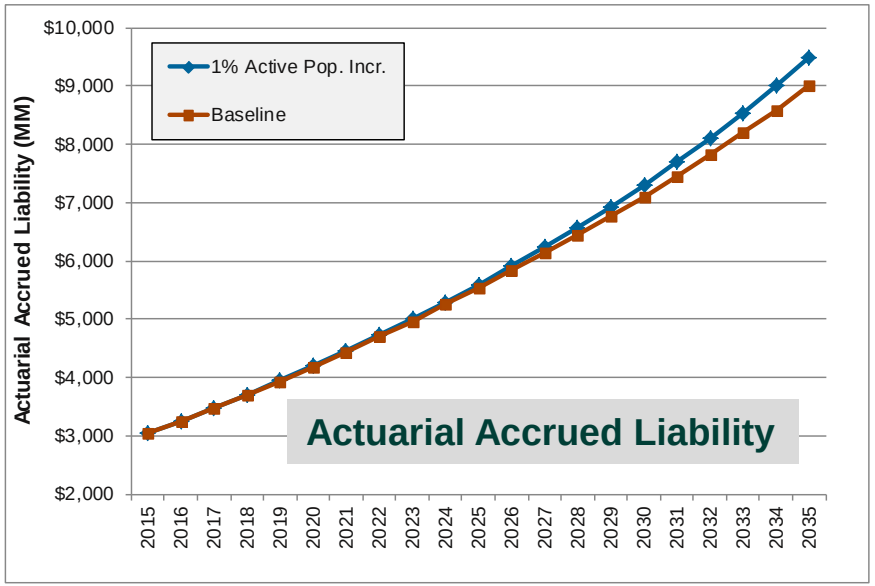


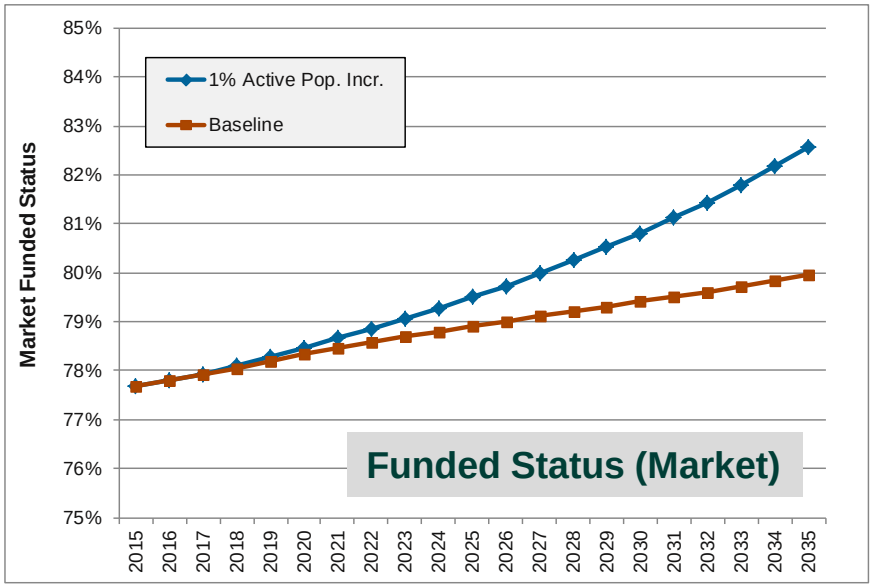
Active Population Increase

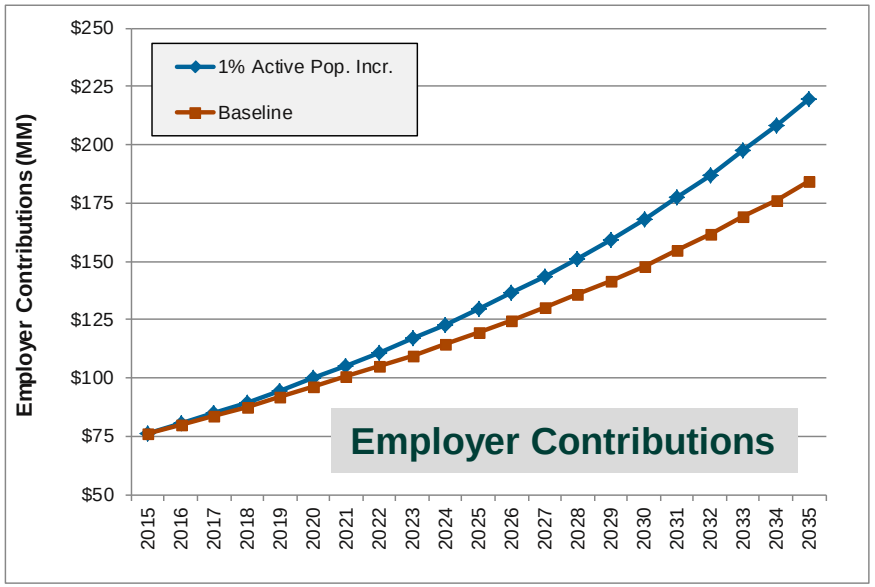
- A constant (i.e., 0% growth) active population was employed in the asset allocation and liability study dated May 18-19, 2016.
  - Referred to as the “Baseline” on the following page.
- Historically, the active member population has grown by approximately 2.5% per year on average.
- The charts on the following page highlight the impact of a 1% increase in the active population on Plan liabilities, contributions and funded status relative to the baseline assumption.
  - Active population rises from 22,845 in 2015 to 27,875 by 2035, an increase of just over 5,000 members.

Active Population Increase

Liabilities, Employer Contributions and Funded Status (***8% Return and 3.5% Inflation***)







- It is not surprising that an increase in the active population leads to an increase in the liability.
- What may be somewhat surprising though, is that an increased active population results in an improvement in the funded status.
  - 2035 funded status is 82.6% with a 1% increase in the active population versus 80.0% with a stable active population.
- The funded status improvement is largely due to the increased contributions which more than cover the normal cost.

Contribution Rate Increase

- Current statutory contribution rates were modeled in the asset allocation and liability study dated May 18-19, 2016.
  - Referred to as the "Baseline" on the following page.

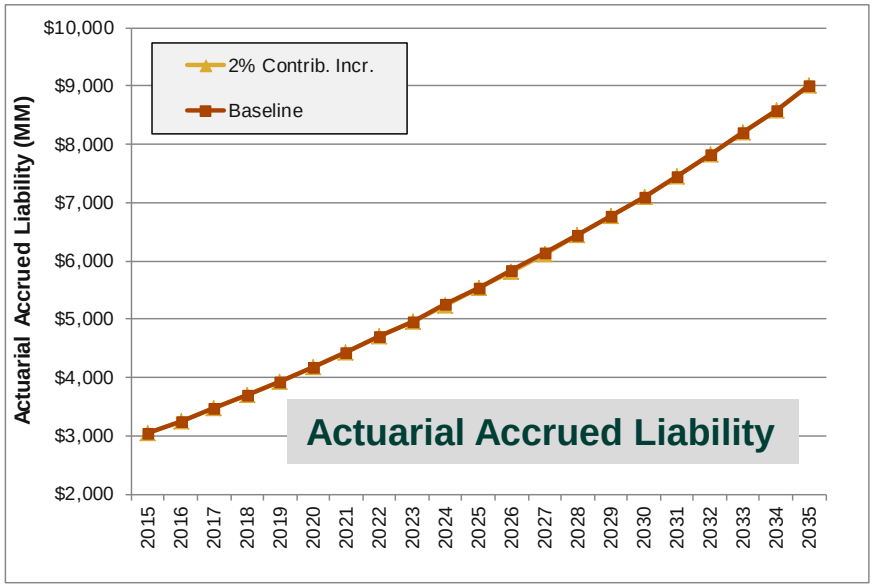
Statutory Contribution Rates	Employer	Employee	Total
Law Enforcement with prior Main System service*	9.81%	5.58%	15.39%
Law Enforcement without prior Main System service	7.93%	5.50%	13.43%
Judges	17.52%	8.00%	25.52%
Main System	7.12%	7.00%	14.12%
Main System (Alternative Scenario)	*8.12%*	*8.00%*	*16.12%*

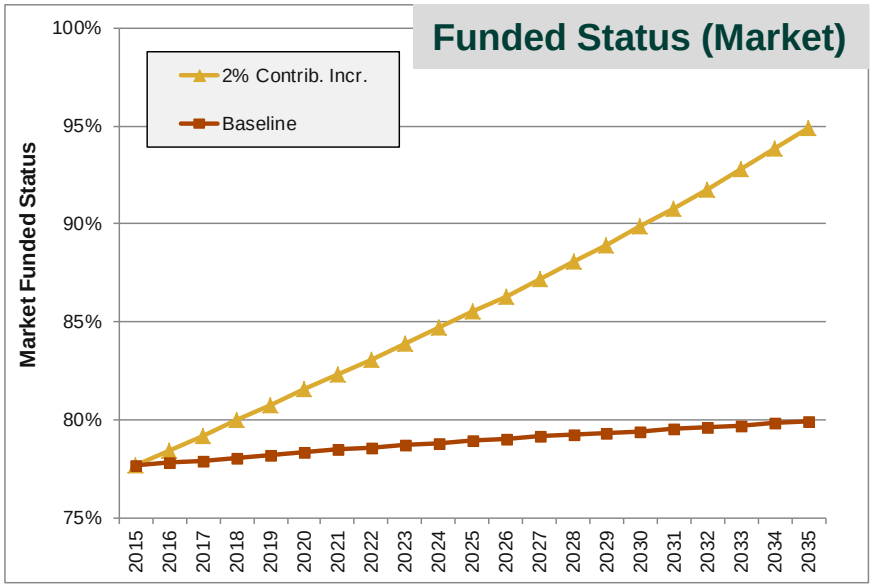
**5.50% employee contribution rate (6.00% for Bureau of Criminal Investigation)*

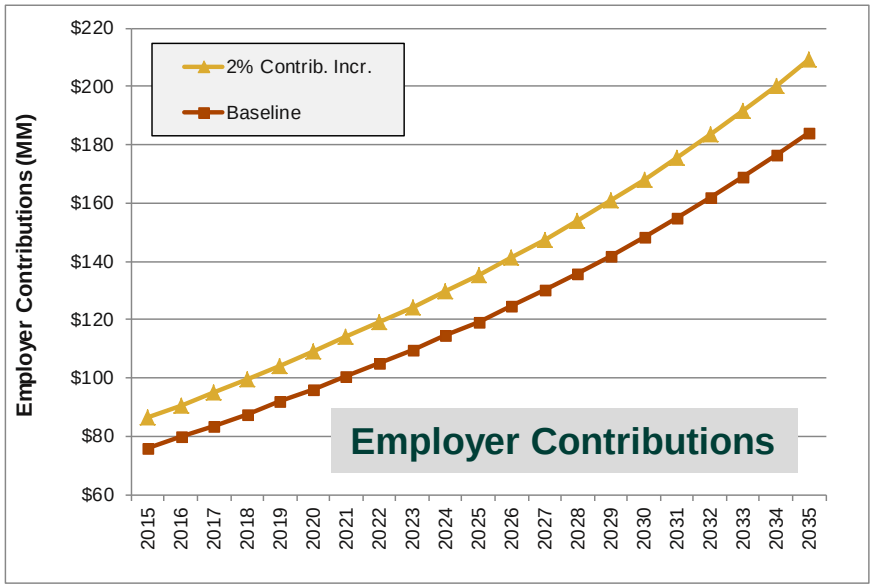
- The charts on the following page highlight the impact of a 1% increase in both the employer and employee contribution rates for the Main System population on Plan liabilities, contributions and funded status relative to the baseline assumption.

Contribution Rate Increase

Liabilities, Employer Contributions and Funded Status (***8% Return and 3.5% Inflation***)







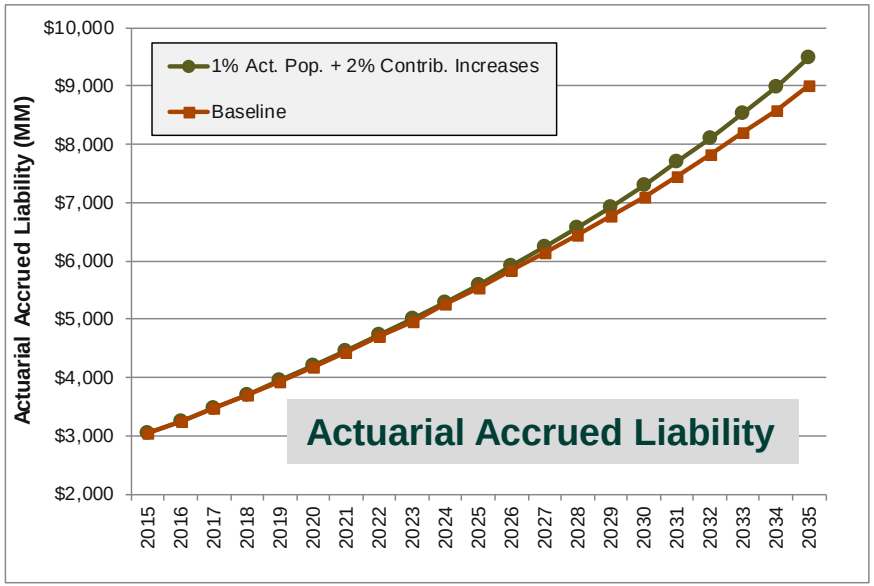
- Not surprisingly, an increase in the Main System contribution rates leads to higher contributions and no change in the actuarial liability.
- Higher contributions result in a greater funded status over the 20-year projection period.
  - 2035 funded status is 94.9% with the additional 2% Main System contribution versus 80.0% under current contribution rates.

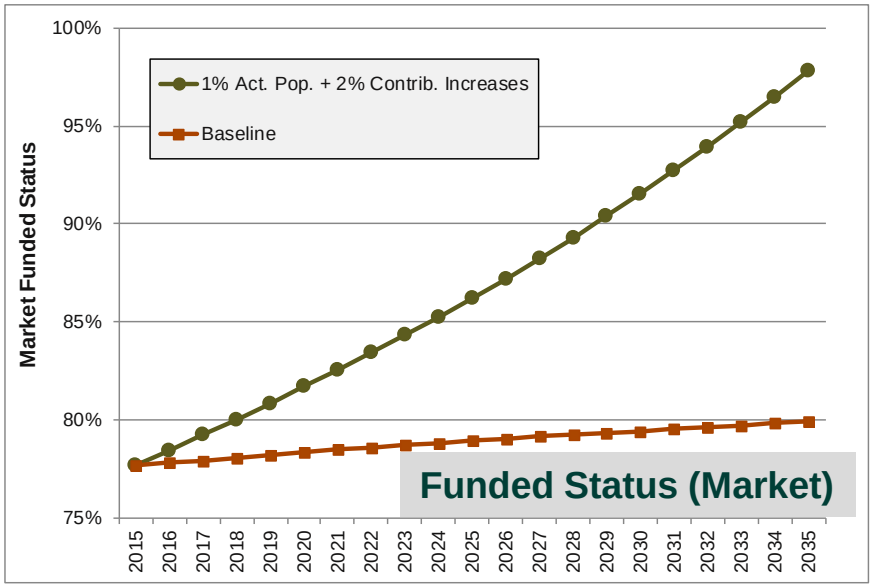
Active Population and Contribution Rate Increases

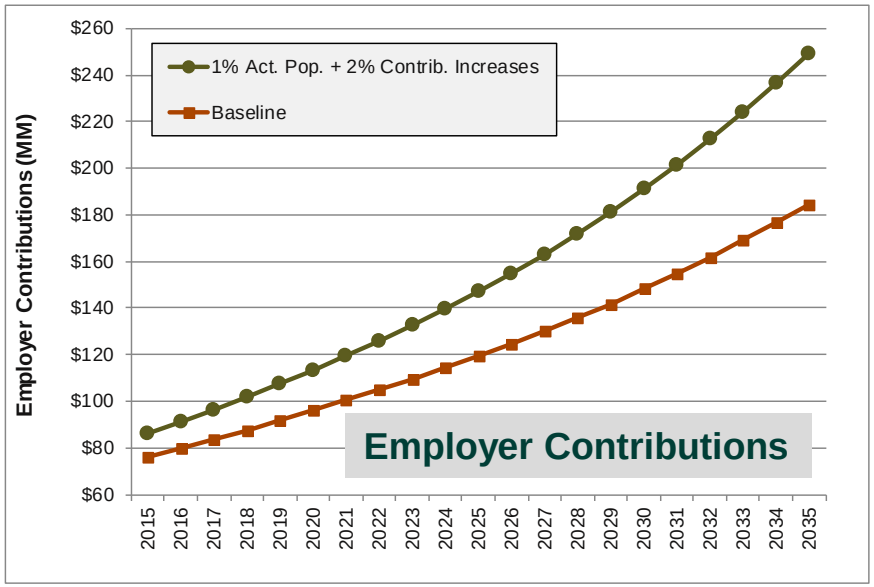
- A constant (i.e., 0% growth) active population and current statutory contribution rates were modeled in the asset allocation and liability study dated May 18-19, 2016.
  - Referred to as the “Baseline” on the following page.
- The charts on the following page highlight the impact of a 1% annual increase in the active population along with a 1% increase in both the employer and employee contribution rates for the Main System population on Plan liabilities, contributions and funded status relative to the baseline assumption.

Active Population and Contribution Rate Increases

Liabilities, Employer Contributions and Funded Status (***8% Return and 3.5% Inflation***)



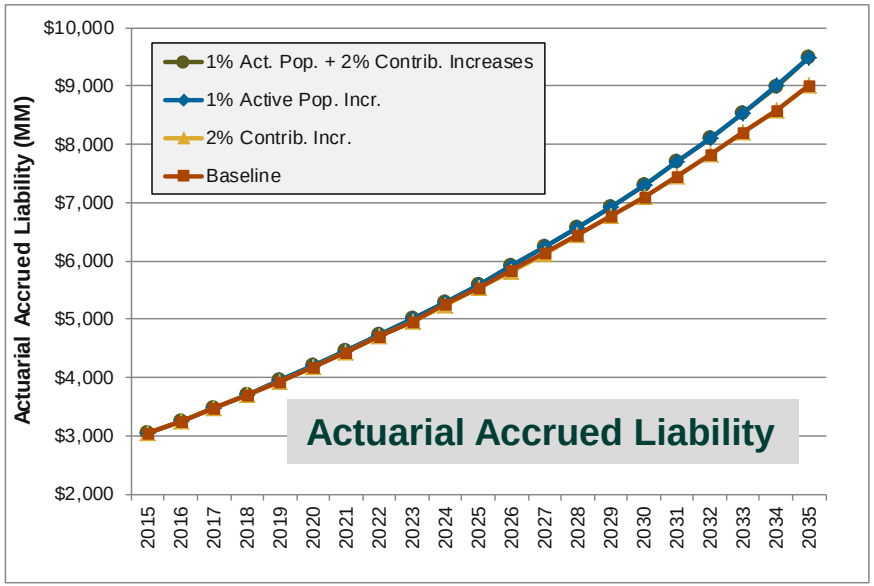


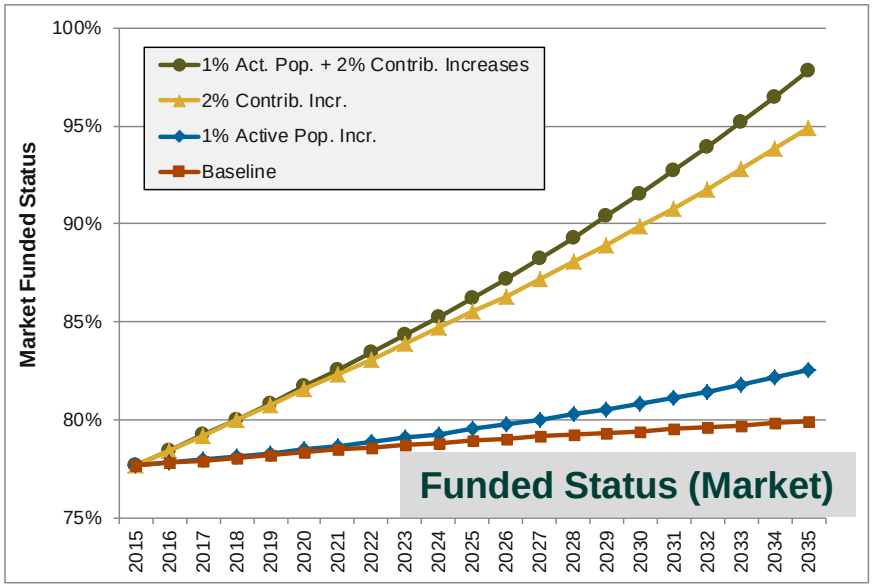


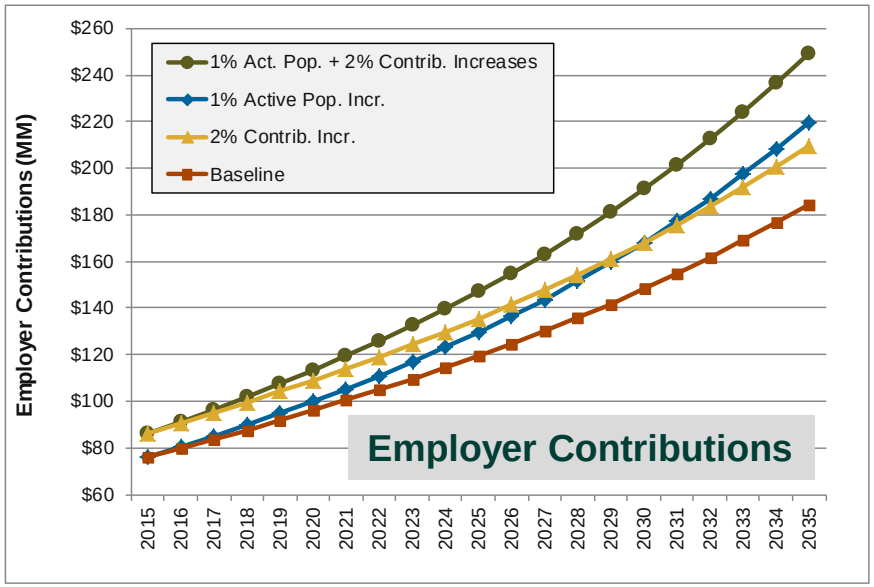
- Combining an increase in the active population with an increase in the contribution rate results in greater contributions.
  - Employer contributions increase by $10 million in 2015 and by $65 million in 2035.
- The contribution increase outweighs the increased liability, resulting in a much improved funded status.
  - 2025: 86.2% with the additional 2% Main System contribution versus 78.9% under current contribution rates.
  - 2035: 97.8% with the additional 2% Main System contribution versus 80.0% under current contribution rates.

Summary Observations

Liabilities, Employer Contributions and Funded Status (***8% Return and 3.5% Inflation***)







- A 1% increase in the active population results in modest improvement in the funded status.
- A 2% increase in the Main System contribution rate results in a significant improvement in the funded status.
- The two increases combined result in a greatly improved funded status.
  - 2025: 86.2% versus 78.9% under the baseline assumptions.
  - 2035: 97.8% versus 80.0% under the baseline assumptions.

Transition

- The below table highlights the required change, in percentage and dollar terms, in order to transition from the current to the proposed investment policy.

	Current Policy		Proposed Policy (Mix 2B)		Change	
Asset Class	% Allocation	$ Allocation (MM)	% Allocation	$ Allocation (MM)	% Change	$ Change
Public Equity	52%	$1,259	51%	$1,235	-1%	-$24
Private Equity	5%	$121	7%	$170	2%	$48
Investment Grade Fixed Income	17%	$412	17%	$412	0%	$0
Non-Investment Grade Fixed Income	5%	$121	5%	$121	0%	$0
Real Estate	10%	$242	11%	$266	1%	$24
Infrastructure & Timber	10%	$242	8%	$194	-2%	-$48
Cash Equivalents	1%	$24	1%	$24	0%	$0
Totals	100%	$2,422	100%	$2,422	0%	$0

Note: $ Allocation based on March 31, 2016 market value of $2.4 billion.

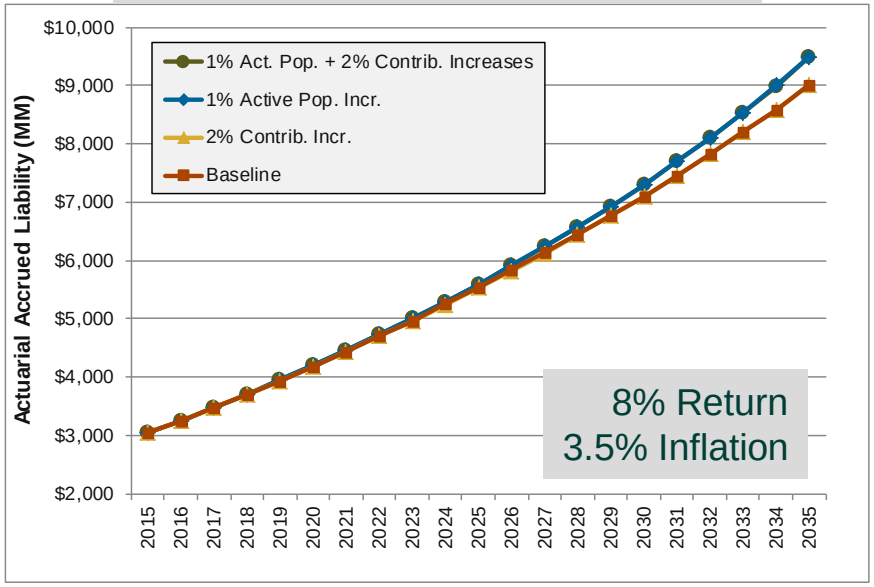
Appendix

Assumption Comparison

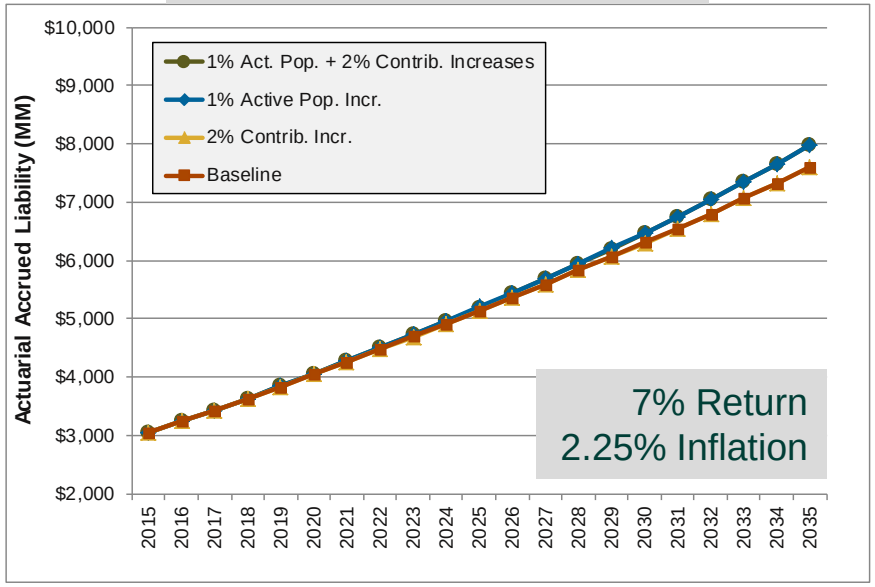
Assumption Comparison

Actuarial Accrued Liability

Actuarial Long-Term Assumptions



Callan 10-Year Assumptions

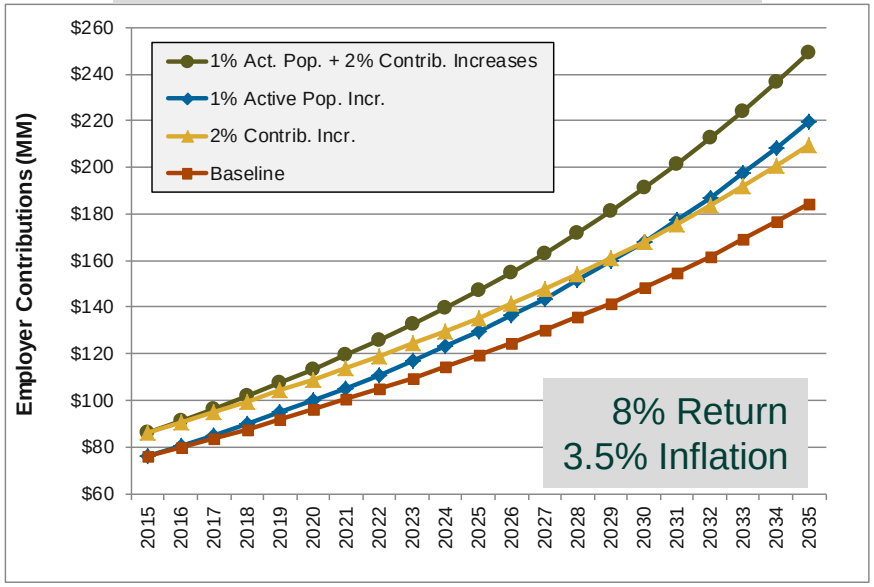


- The actuarial accrued liability rises faster under the higher inflation scenario (left-hand chart).

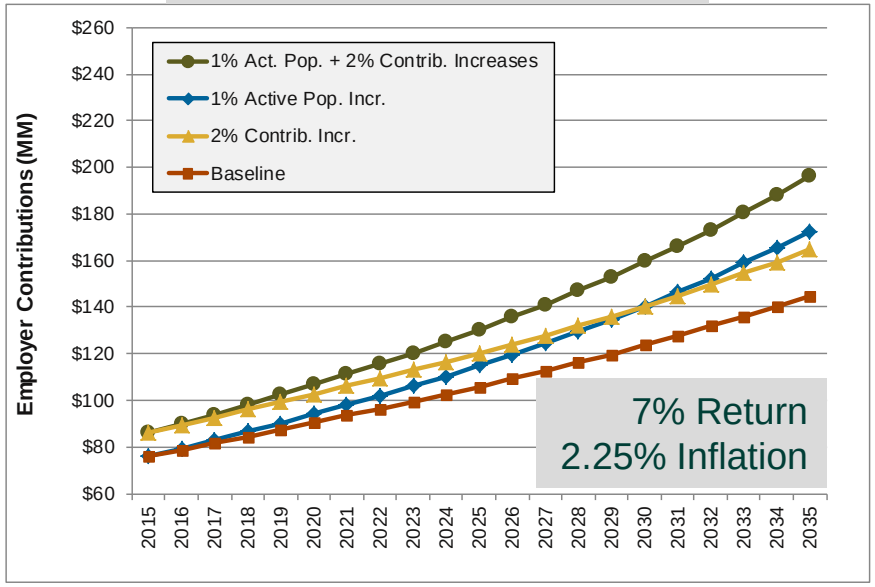
Assumption Comparison

Employer Contributions

Actuarial Long-Term Assumptions



Callan 10-Year Assumptions

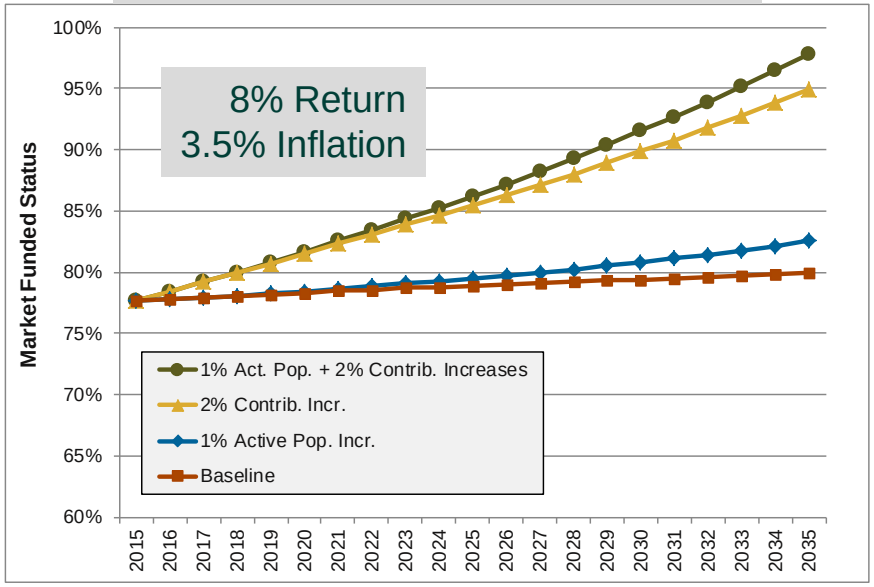


- Employer contributions are greater under the higher inflation scenario (left-hand chart) as higher inflation leads to higher salaries.
  - Contributions are a percentage of pay.

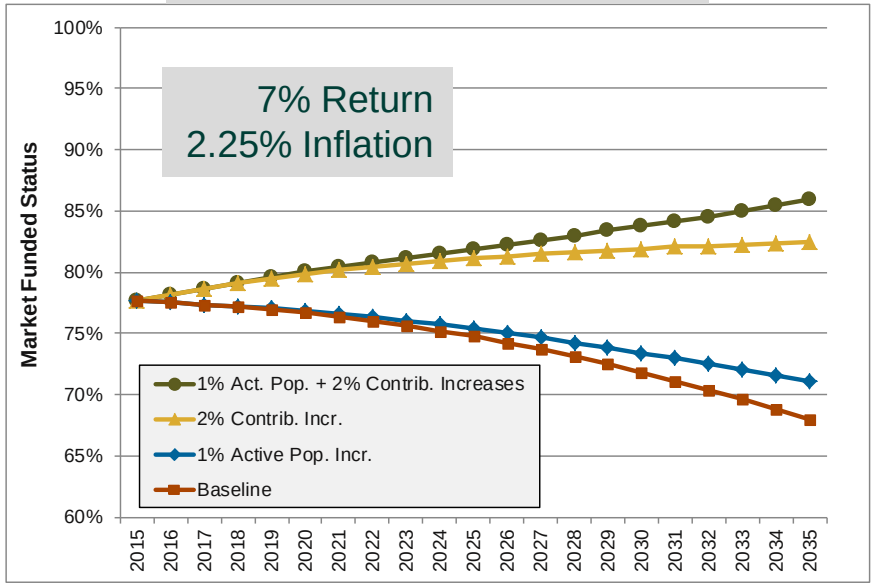
Assumption Comparison

Market Funded Status

Actuarial Long-Term Assumptions



Callan 10-Year Assumptions



- Funded status is lower under Callan's 10-year assumptions, as investment losses exceed liability gains.

Disclaimers

This report is for informational purposes only and should not be construed as legal or tax advice on any matter. Any decision you make on the basis of this content is your sole responsibility. You should consult with legal and tax advisers before applying any of this information to your particular situation.

This report may consist of statements of opinion, which are made as of the date they are expressed and are not statements of fact.

Reference to or inclusion in this report of any product, service or entity should not be construed as a recommendation, approval, affiliation or endorsement of such product, service or entity by Callan.

Past performance is no guarantee of future results.

The statements made herein may include forward-looking statements regarding future results. The forward-looking statements herein: (i) are best estimations consistent with the information available as of the date hereof and (ii) involve known and unknown risks and uncertainties such that actual results may differ materially from these statements. There is no obligation to update or alter any forward-looking statement, whether as a result of new information, future events or otherwise. Undue reliance should not be placed on forward-looking statements.

NDPERS

Memo

To: NDPERS Board

From: Bryan T. Reinhardt

Date: 6/9/2016

Re: 457 Companion Plan & 401(a) Plan 1st Quarter 2016 Report

Here is the 1st quarter 2016 investment report for the 401(a) & 457 Companion Plan. The reports are available separately on the NDPERS web site. The NDPERS Investment Sub-committee reviewed the 1st quarter reports. The two plans have 6,628 participants with an account balance and over $85.3 million in assets.

Assets in the 401(a) plan decreased to $10.6 million as of March 31, 2016. The number of active participants is at 88. The largest funds are the TIAA-CREF Lifecycle funds with 60% of assets.

Assets in the 457 Companion Plan increased to $74.7 million as of March 31, 2016. The number of active participants is increasing and is now at 4,397 active. The largest funds are the TIAA-CREF Lifecycle funds with 74% of assets.

Benchmarks:
Fund returns for the quarter were mixed. Core fund performance was also mixed when compared to their benchmarks and peer funds. Note that index funds are expected to slightly underperform their benchmarks because of fund administration fees.

Fund / Investment News:
The NDPERS Investment Subcommittee reviewed the 1st quarter plan review, field activity report and investment overview with TIAA. The Subcommittee marked the Wells Fargo Growth Admin Fund (SGRKX), and Allianz NFJ Small Cap Fund (PVAD) as underperforming for the quarter. The investment subcommittee took no action on the funds currently under formal fund review, but will take a closer look at them next quarter. The Investment Subcommittee reviewed the Asset Liability Study with the RIO staff and came up with a recommendation for an asset mix for the Main plan and decided to keep the RHIC plan as is.

NDPERS
Quarterly Investment Report
1st Quarter
1/1/2016 – 3/31/2016

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 - TIAA-CREF

INITIAL OFFERING:

	VALUE	BLEND	GROWTH	
	Hartford Dividend & Growth	Vanguard 500 Index Signal	Franklin Growth Adv	
	T.Rowe Price Equity Income	Vanguard Dividend Growth	Wells Fargo Adv Growth Adm	
				LARGE
	RidgeWorth Mid Cap Value Equity I	ASTON/Fairpointe Mid Cap I	Prudential Jennison Mid Cap Growth Z	
		Columbia Mid Cap Index A		
				MEDIUM
	Allianz NFJ Small Cap Value	DFA US Small Cap	Brown Capital Mgmt Small Co Inv	
				SMALL

BALANCED FUND:	T.Rowe Price Capital Appreciation		
INCOME FUNDS:	Wells Fargo Stable Value Fund J	Vanguard Prime Money Market	
BOND FUNDS:	PIMCO Total Return Bond Fund	Prudential High Yield Z	
	PIMCO Real Return Admin Bond Fund	Templeton Global Bond	
REAL ESTATE:	Cohen & Steers Realty Shares		
INTERNATIONAL FUNDS:	Mutual Global Discovery Z	Vanguard Total Intl Stock Index	Oppenheimer Developing Markets Y
LIFESTYLE FUNDS:	TIAA-CREF Lifecycle Ret Income	TIAA-CREF Lifecycle 2025	TIAA-CREF Lifecycle 2045
	TIAA-CREF Lifecycle 2010	TIAA-CREF Lifecycle 2030	TIAA-CREF Lifecycle 2050
	TIAA-CREF Lifecycle 2015	TIAA-CREF Lifecycle 2035	TIAA-CREF Lifecycle 2055
	TIAA-CREF Lifecycle 2020	TIAA-CREF Lifecycle 2040	TIAA-CREF Lifecycle 2060

FUND STYLE CHANGES:

	VALUE	BLEND	GROWTH	
← →				**LARGE**
↑ ↓	ASTON/Fairpointe Mid Cap I ←			**MEDIUM**
				SMALL

OTHER FUNDS:

CURRENT LINEUP:

	VALUE	BLEND	GROWTH	
	Hartford Dividend & Growth	Vanguard 500 Index Signal	Franklin Growth Adv	
	T.Rowe Price Equity Income	Vanguard Dividend Growth	Wells Fargo Adv Growth Adm	
				LARGE
	ASTON/Fairpointe Mid Cap I	Columbia Mid Cap Index A	Prudential Jennison Mid Cap Growth Z	
	RidgeWorth Mid Cap Value Equity			
				MEDIUM
	Allianz NFJ Small Cap Value	DFA US Small Cap	Brown Capital Mgmt Small Co Inv	
				SMALL

BALANCED FUND:	T.Rowe Price Capital Appreciation		
INCOME FUNDS:	Wells Fargo Stable Value Fund J	Vanguard Prime Money Market	
BOND FUNDS:	PIMCO Total Return Bond Fund	Prudential High Yield Z	
	PIMCO Real Return Admin Bond Fund	Templeton Global Bond	
REAL ESTATE:	Cohen & Steers Realty Shares		
INTERNATIONAL FUNDS:	Mutual Global Discovery Z	Vanguard Total Intl Stock Index	Oppenheimer Developing Markets Y
LIFESTYLE FUNDS:	TIAA-CREF Lifecycle Ret Income	TIAA-CREF Lifecycle 2025	TIAA-CREF Lifecycle 2045
	TIAA-CREF Lifecycle 2010	TIAA-CREF Lifecycle 2030	TIAA-CREF Lifecycle 2050
	TIAA-CREF Lifecycle 2015	TIAA-CREF Lifecycle 2035	TIAA-CREF Lifecycle 2055
	TIAA-CREF Lifecycle 2020	TIAA-CREF Lifecycle 2040	TIAA-CREF Lifecycle 2060

NDPERS Investment Benchmarks - 1st Quarter 2016

	Quarter	Y-T-D	1-Year	3-Year	5-Year
Stable Value / Money Market Fund					
Vanguard Prime Money Market - VMMXX	**0.09%**	**0.09%**	**0.14%**	**0.06%**	**0.05%**
Wells Fargo Stable Return Fund J - WFSJ#	**0.22%**	**0.22%**	**0.85%**	**0.79%**	**1.00%**
3 Month T-Bill Index	0.05%	0.05%	0.08%	0.05%	0.06%
Fixed Income Fund					
PIMCO Real Return Admin - PARRX	**4.06%**	**4.06%**	**-0.55%**	**-1.89%**	**2.39%**
PIMCO Total Return Bond Fund - PTRAX <ON WATCH>	**1.73%**	**1.73%**	**0.06%**	**1.27%**	**3.40%**
Barclays Aggregate Bond Index	3.03%	3.03%	1.96%	2.50%	3.78%
Taxable Bond Fund Universe	3.52%	3.52%	-0.06%	2.53%	4.91%
Prudential High Yield Z - PHYZX	**3.33%**	**3.33%**	**-1.81%**	**2.61%**	**5.19%**
ML High Yield Bond Fund Index	3.25%	3.25%	-3.99%	1.75%	4.71%
High Yield Bond Fund Universe	2.12%	2.12%	-4.19%	0.99%	3.78%
Templeton Global Bond Adv - TGBAX	**0.09%**	**0.09%**	**-4.16%**	**-0.41%**	**2.18%**
Citi World Govt Bond Index	7.09%	7.09%	5.92%	0.49%	1.16%
World Bond Fund Universe	4.25%	4.25%	0.47%	-0.05%	1.64%
Real Estate Fund					
Cohen & Steers Realty Shares - CSRSX	**3.74%**	**3.74%**	**3.60%**	**10.75%**	**10.96%**
FTSE NAREIT All Equity REITs Index	6.00%	6.00%	4.43%	10.47%	11.89%
Real Estate Fund Universe	4.68%	4.68%	2.66%	9.26%	10.59%
Balanced Fund					
T.Rowe Price Capital Appreciation - PACLX	**1.93%**	**1.93%**	**3.90%**	**10.82%**	**10.51%**
60% Large Cap Value Univ & 40% Taxable Bond Universe	2.18%	2.18%	-1.80%	5.87%	7.08%
60% Russell 1000 Value & 40% Agg Bond Index	2.17%	2.17%	-0.12%	6.64%	7.63%
Large Cap Equities - Value					
Hartford Dividend & Growth - HDGTX	1.17%	**1.17%**	**0.02%**	**10.14%**	**9.88%**
T.Rowe Price Equity Income - PRFDX <On Watch>	**2.74%**	**2.74%**	**-3.10%**	**6.35%**	**8.06%**
Russell 1000 Value Index	1.60%	1.60%	-1.50%	9.40%	10.20%
Large Cap Value Fund Universe	1.29%	1.29%	-2.96%	8.09%	8.52%
Large Cap Equities - Blend					
Vanguard 500 Index - VFIAX	**1.34%**	**1.34%**	**1.76%**	**11.78%**	**11.54%**
Vanguard Dividend Growth Fund - VDIGX	**2.86%**	**2.86%**	**4.66%**	**11.84%**	**12.33%**
S&P 500 Index	1.35%	1.35%	1.78%	11.82%	11.58%
Large Cap Blend Fund Universe	0.29%	0.29%	-2.19%	9.24%	9.08%
Large Cap Equities - Growth					
Wells Fargo Adv Growth Adm - SGRKX <ON WATCH>	**-5.58%**	**-5.58%**	**-7.47%**	**7.96%**	**8.53%**
Russell 3000 Growth Index	0.34%	0.34%	1.34%	13.16%	12.00%
Franklin Growth Adv - FCGAX	**0.27%**	**0.27%**	**-0.87%**	**12.32%**	**10.94%**
Russell 1000 Growth Index	0.70%	0.70%	2.50%	13.60%	12.40%
Large Cap Growth Fund Universe	-2.46%	-2.46%	-2.37%	11.00%	9.62%
Mid Cap Equities - Value					
RidgeWorth Mid Cap Value Equity I - SMVTX	**2.66%**	**2.66%**	**-3.85%**	**8.14%**	**8.14%**
Russell Mid Cap Value	3.92%	3.92%	-3.39%	9.88%	10.52%
Mid Cap Value Fund Universe	2.44%	2.44%	-5.38%	8.23%	8.47%
Mid Cap Equities - Blend					
Columbia Mid Cap Index A - NTIAX	**3.61%**	**3.61%**	**-4.03%**	**8.95%**	**9.04%**
S&P Mid Cap 400	3.78%	3.78%	-3.60%	9.46%	9.52%
ASTON/Fairpointe Mid Cap I - ABMIX	**3.65%**	**3.65%**	**-8.98%**	**8.89%**	**8.65%**
Wilshire 4500 Index	-0.14%	-0.14%	-7.64%	8.75%	8.79%
Mid Cap Blend Fund Universe	1.25%	1.25%	-6.47%	7.63%	7.63%
Mid Cap Equities - Growth					
Prudential Jennison Mid Cap Growth Z - PEGZX	**-0.67%**	**-0.67%**	**-8.71%**	**7.80%**	**8.47%**
Russell Mid Cap Growth	0.58%	0.58%	-4.75%	10.99%	9.99%
Mid Cap Growth Fund Universe	-1.81%	-1.81%	-7.78%	8.09%	7.24%

Fund Returns in RED do not meet both benchmarks. **Fund Returns in BLACK meet both benchmarks.**

NDPERS Investment Benchmarks - 1st Quarter 2016

	Quarter	Y-T-D	1-Year	3-Year	5-Year
Small Cap Equities - Value					
Allianz NFJ Small Cap Value - PVADX	**1.95%**	**1.95%**	**-8.87%**	**3.76%**	**5.50%**
Russell 2000 Value Index	1.70%	1.70%	-7.72%	5.73%	6.67%
Small Value Fund Universe	2.18%	2.18%	-7.01%	6.04%	6.82%
Small Cap Equities - Blend					
DFA US Small Cap - DFSTX	**1.84%**	**1.84%**	**-5.29%**	**9.15%**	**9.06%**
Russell 2000 Index	-1.52%	-1.52%	-9.76%	6.84%	7.20%
Small Blend Fund Universe	0.55%	0.55%	-8.12%	6.50%	6.83%
Small Cap Equities - Growth					
Brown Capital Mgmt Small Co Inv - BCSIX	**-5.48%**	**-5.48%**	**-1.87%**	**10.99%**	**10.95%**
Russell 2000 Growth Index	-4.70%	-4.70%	-11.80%	7.90%	7.70%
Small Growth Fund Universe	-4.32%	-4.32%	-11.81%	6.37%	6.18%
International Equity Funds					
Mutual Global Discovery Z - MDISX	**-1.43%**	**-1.43%**	**-7.71%**	**5.21%**	**6.10%**
Vanguard Total Intl Stock Index Inv - VGTSX	**-0.17%**	**-0.17%**	**-8.18%**	**0.82%**	**0.67%**
MSCI EAFE	-0.38%	-0.38%	-9.19%	0.32%	0.31%
International Stock Fund Universe	-2.02%	-2.02%	-5.70%	2.60%	2.38%
Oppenheimer Developing Markets Y - ODVYX	**3.07%**	**3.07%**	**-10.04%**	**-2.76%**	**-1.57%**
MSCI Emerging Markets Index	5.71%	5.71%	-12.03%	-4.50%	-4.13%
Diversified Emerging Mkts Universe	3.85%	3.85%	-11.45%	-4.68%	-4.04%
Asset Allocation Funds:					
TIAA-CREF Lifecycle Ret Income - TLIRX	**1.37%**	**1.37%**	**-0.95%**	**3.95%**	**5.18%**
Income Benchmark	1.78%	1.78%	-0.34%	4.33%	4.94%
TIAA-CREF Lifecycle 2010 - TCLEX	**1.30%**	**1.30%**	**-1.09%**	**4.43%**	**5.48%**
2010 Benchmark	1.73%	1.73%	-0.53%	4.66%	5.23%
TIAA-CREF Lifecycle 2015 - TCLIX	**1.07%**	**1.07%**	**-1.37%**	**4.82%**	**5.73%**
2015 Benchmark	1.67%	1.67%	-0.72%	4.99%	5.51%
TIAA-CREF Lifecycle 2020 - TCLTX	**0.77%**	**0.77%**	**-1.83%**	**5.31%**	**6.06%**
2020 Benchmark	1.55%	1.55%	-1.04%	5.47%	5.91%
TIAA-CREF Lifecycle 2025 - TCLFX	**0.42%**	**0.42%**	**-2.40%**	**5.80%**	**6.37%**
2025 Benchmark	1.43%	1.43%	-1.42%	5.96%	6.31%
TIAA-CREF Lifecycle 2030 - TCLNX	**0.17%**	**0.17%**	**-2.84%**	**6.22%**	**6.63%**
2030 Benchmark	1.30%	1.30%	-1.81%	6.43%	6.72%
TIAA-CREF Lifecycle 2035 - TCLRX	**-0.16%**	**-0.16%**	**-3.43%**	**6.56%**	**6.81%**
2035 Benchmark	1.11%	1.11%	-2.16%	6.88%	7.05%
TIAA-CREF Lifecycle 2040 - TCLOX	**-0.56%**	**-0.56%**	**-3.99%**	**6.70%**	**6.95%**
2040 Benchmark	0.93%	0.93%	-2.52%	7.30%	7.36%
TIAA-CREF Lifecycle 2045 - TTFRX	**-0.49%**	**-0.49%**	**-3.93%**	**6.70%**	**6.95%**
2045 Benchmark	0.93%	0.93%	-2.52%	7.29%	7.35%
TIAA-CREF Lifecycle 2050 - TLFRX	**-0.49%**	**-0.49%**	**-3.87%**	**6.74%**	**6.97%**
2050 Benchmark	0.93%	0.93%	-2.53%	7.29%	7.34%
TIAA-CREF Lifecycle 2055 - TTRLX	**-0.44%**	**-0.44%**	**-3.84%**	**6.74%**	**N/A**
2055 Benchmark	0.93%	0.93%	-2.53%	7.28%	7.34%
TIAA-CREF Lifecycle 2060 - TTRLX	**-0.43%**	**-0.43%**	**-3.77%**	**N/A**	**N/A**
2060 Benchmark	0.93%	0.93%	-2.53%	7.28%	7.34%

Income Benchmark is comprised of 27.2% Wilshire 5000, 13.1% MSCI EAFE, 46.6% Ag Bond, 3.0% HY Bond, 10.1% 3 Month T-Bill
2010 Benchmark is comprised of 30.8% Wilshire 5000, 14.6% MSCI EAFE, 43.7% Ag Bond, 3.0% HY Bond, 7.9% 3 Month T-Bill
2015 Benchmark is comprised of 34.3% Wilshire 5000, 16.1% MSCI EAFE, 40.7% Ag Bond, 3.0% HY Bond, 5.9% 3 Month T-Bill
2020 Benchmark is comprised of 39.9% Wilshire 5000, 18.5% MSCI EAFE, 34.7% Ag Bond, 3.0% HY Bond, 3.9% 3 Month T-Bill
2025 Benchmark is comprised of 45.5% Wilshire 5000, 20.8% MSCI EAFE, 27.8% Ag Bond, 4.0% HY Bond, 1.9% 3 Month T-Bill
2030 Benchmark is comprised of 51.1% Wilshire 5000, 23.2% MSCI EAFE, 20.7% Ag Bond, 5.0% HY Bond
2035 Benchmark is comprised of 56.8% Wilshire 5000, 25.5% MSCI EAFE, 12.7% Ag Bond, 5.0% HY Bond
2040 Benchmark is comprised of 62.2% Wilshire 5000, 27.9% MSCI EAFE, 4.9% Ag Bond, 5.0% HY Bond
2045 Benchmark is comprised of 62.1% Wilshire 5000, 27.9% MSCI EAFE, 5.0% Ag Bond, 5.0% HY Bond
2050 Benchmark is comprised of 62.1% Wilshire 5000, 28.0% MSCI EAFE, 4.9% Ag Bond, 5.0% HY Bond
2055&2060 Benchmark is comprised of 62.0% Wilshire 5000, 28.0% MSCI EAFE, 5.0% Ag Bond, 5.0% HY Bond

Wilshire 5000 Index	1.17%	1.17%	0.23%	11.26%	11.01%
MSCI EAFE	-0.38%	-0.38%	-9.19%	0.32%	0.31%
Barclays Aggregate Bond Index	3.03%	3.03%	1.96%	2.50%	3.78%
ML High Yield Bond Fund Index	3.25%	3.25%	-3.99%	1.75%	4.71%
3 Month T-Bill Index	0.05%	0.05%	0.08%	0.05%	0.06%

Fund Returns in RED do not meet both benchmarks. **Fund Returns in BLACK meet both benchmarks.**

457(b)	Assets	Pct
TIAA-CREF Lifecycle 2020 Fund Retirement	$12,253,182	16.4%
TIAA-CREF Lifecycle 2025 Fund Retirement	$11,670,910	15.6%
TIAA-CREF Lifecycle 2030 Fund Retirement	$7,890,156	10.6%
TIAA-CREF Lifecycle 2015 Fund Retirement	$7,406,383	9.9%
TIAA-CREF Lifecycle 2035 Fund Retirement	$4,937,684	6.6%
TIAA-CREF Lifecycle 2040 Fund Retirement	$3,742,280	5.0%
TIAA-CREF Lifecycle 2045 Fund Retirement	$3,153,839	4.2%
Vanguard 500 Index Fund Admiral	$2,830,284	3.8%
TIAA-CREF Lifecycle 2050 Fund Retirement	$1,970,094	2.6%
TIAA-CREF Lifecycle 2010 Fund Retirement	$1,655,760	2.2%
Vanguard Total International Stock Index Fund Admiral	$1,481,334	2.0%
PIMCO Total Return Fund Admin	$1,382,596	1.8%
AllianzGI NFJ Small Cap Value Fund Administrative	$1,325,924	1.8%
Wells Fargo Stable Return Fund - J	$1,243,216	1.7%
Vanguard Dividend Growth Fund Investor	$1,189,272	1.6%
Columbia Mid Cap Index Fund A	$957,806	1.3%
Franklin Growth Fund Advisor	$851,022	1.1%
T. Rowe Price Equity Income Fund	$817,621	1.1%
Wells Fargo Growth Fund Administrator	$789,860	1.1%
T. Rowe Price Capital Appreciation Fund Advisor	$734,238	1.0%
Cohen & Steers Realty Shares	$722,835	1.0%
Vanguard Prime Money Market Fund Investor	$622,100	0.8%
Templeton Global Bond Fund Advisor	$585,448	0.8%
ASTON/Fairpointe Mid Cap Fund I	$498,613	0.7%
Oppenheimer Developing Markets Fund Y	$447,365	0.6%
Hartford Dividend and Growth Fund R5	$415,155	0.6%
Prudential Jennison Mid-Cap Growth Fund Z	$371,057	0.5%
Prudential High Yield Fund Z	$368,927	0.5%
Self Directed Brokerage Account	$365,969	0.5%
TIAA-CREF Lifecycle Retirement Income Fund Retirement	$350,003	0.5%
Brown Capital Management Small Company Fund Institutional	$316,834	0.4%
RidgeWorth Mid Cap Value Equity Fund I	$316,825	0.4%
Franklin Mutual Global Discovery Fund Z	$312,163	0.4%
PIMCO Real Return Fund Administrative	$307,564	0.4%
TIAA-CREF Lifecycle 2055 Fund Retirement	$290,515	0.4%
DFA U.S. Small Cap Portfolio Institutional	$167,981	0.2%
TIAA-CREF Lifecycle 2060 Fund Retirement	$1,663	0.0%
TIAA-CREF Money Market Fund Retirement	$0	0.0%
Vanguard Total Bond Market Index Fund Admiral	$0	0.0%
Total	**$74,744,480**	**100.0%**

401(a)	Assets	Pct
TIAA-CREF Lifecycle 2025 Fund Retirement	$1,294,368	12.2%
TIAA-CREF Lifecycle 2035 Fund Retirement	$1,069,398	10.1%
TIAA-CREF Lifecycle 2030 Fund Retirement	$1,056,577	10.0%
TIAA-CREF Lifecycle 2020 Fund Retirement	$957,816	9.0%
TIAA-CREF Lifecycle 2010 Fund Retirement	$756,390	7.1%
TIAA-CREF Lifecycle 2040 Fund Retirement	$504,791	4.8%
Wells Fargo Stable Return Fund - J	$469,884	4.4%
Vanguard 500 Index Fund Admiral	$450,106	4.3%
Wells Fargo Growth Fund Administrator	$336,279	3.2%
Vanguard Total International Stock Index Fund Admiral	$324,175	3.1%
PIMCO Total Return Fund Admin	$299,462	2.8%
T. Rowe Price Capital Appreciation Fund Advisor	$280,237	2.6%
Self Directed Brokerage Account	$271,981	2.6%
TIAA-CREF Lifecycle 2045 Fund Retirement	$213,194	2.0%
AllianzGI NFJ Small Cap Value Fund Administrative	$200,126	1.9%
Cohen & Steers Realty Shares	$189,429	1.8%
TIAA-CREF Lifecycle 2050 Fund Retirement	$174,774	1.7%
Prudential High Yield Fund Z	$173,984	1.6%
TIAA-CREF Lifecycle 2015 Fund Retirement	$161,449	1.5%
Franklin Mutual Global Discovery Fund Z	$147,537	1.4%
Brown Capital Management Small Company Fund Institutional	$136,702	1.3%
Hartford Dividend and Growth Fund R5	$135,341	1.3%
Franklin Growth Fund Advisor	$135,174	1.3%
T. Rowe Price Equity Income Fund	$124,415	1.2%
Templeton Global Bond Fund Advisor	$106,231	1.0%
TIAA-CREF Lifecycle 2055 Fund Retirement	$86,173	0.8%
RidgeWorth Mid Cap Value Equity Fund I	$85,784	0.8%
ASTON/Fairpointe Mid Cap Fund I	$78,326	0.7%
Vanguard Prime Money Market Fund Investor	$70,980	0.7%
Prudential Jennison Mid-Cap Growth Fund Z	$69,621	0.7%
PIMCO Real Return Fund Administrative	$59,219	0.6%
Oppenheimer Developing Markets Fund Y	$55,710	0.5%
Columbia Mid Cap Index Fund A	$47,774	0.5%
DFA U.S. Small Cap Portfolio Institutional	$34,826	0.3%
Vanguard Dividend Growth Fund Investor	$27,688	0.3%
TIAA-CREF Lifecycle 2060 Fund Retirement	$1,613	0.0%
TIAA-CREF Lifecycle Retirement Income Fund Retirement	$0	0.0%
TIAA-CREF Money Market Fund Retirement	$0	0.0%
Vanguard Total Bond Market Index Fund Admiral	$0	0.0%
Total	**$10,587,538**	**100.0%**
Grand Total	**$85,332,017**	

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: June 7, 2016

SUBJECT: Contracts

Attached, for your review and approval, are the Segal addendum and Pharmacy Benefit Consultants contracts based on your action at the May Board meeting.

All agreements has been reviewed by legal counsel and updated accordingly. Jan will be at the meeting to answer any questions you may have.

Board Action Requested.

Approve the attached contracts.

FOURTH ADDENDUM TO AGREEMENT FOR SERVICES
BETWEEN
NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
AND
THE SEGAL COMPANY

This agreement is made between the State of North Dakota, acting through its North Dakota Public Employees Retirement System (STATE) and The Segal Company (CONTRACTOR). This agreement is an addendum to the Agreement for Services between the parties originally effective July 1, 2012, the addendum effective July 1, 2013, and the addendum effective July 1, 2014, and the addendum effective July 1, 2015 and is made in accordance with the Merger and Modification provisions of the Agreement for Services. All provisions of the Agreement for Services and subsequent addendums remain in full force and effect except as otherwise modified herein.

Whereas, the parties desire to extend the term of the Agreement for Services from July 1, 2016 through October 31, 2016, for the purpose of providing services to and on behalf of the STATE while the STATE transitions between retirement actuarial and technical service providers.

Therefore, the parties in consideration of the mutual agreements and undertakings set forth in the Agreement for Services and subsequent addendums do hereby agree as follows:

1. That this Fourth Addendum to the Agreement for Services between the parties shall be effective for the term of July 1, 2016 through October 31, 2016; and,

2. That services performed by CONTRACTOR at the request of STATE related to the transition between retirement actuarial and technical service providers during the term of this extension will billed on an hourly basis at the blended rate of $295.00 per hour, as set forth in the March 27, 2015 correspondence attached to the Third Addendum as Exhibit A.

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM	**CONTRACTOR The Segal Company**
By: Sparb Collins	By: _____
Title: Executive Director	Title: _____
Date: _____	Date: _____

AGREEMENT FOR SERVICES BETWEEN PHARMACY BENEFIT CONSULTANTS, INC. AND NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

The parties to this Agreement for Services are Pharmacy Benefit Consultants, Inc. (hereinafter CONTRACTOR or PBC) and the State of North Dakota acting through its Public Employees Retirement System (hereinafter NDPERS). The terms of this Contract shall constitute the consulting services agreement (hereinafter "Agreement" or "Contract").

CONTRACTOR and NDPERS agree to the following:

1) **SCOPE OF SERVICES:** CONTRACTOR agrees to provide the following service(s):

A. *Initial Work: Preparation for Issuing A Self-Insured Contract During A RFP:* PBC will review the self-insured contract previously created under a prior contract between the parties, and update it, including by updating the Specialty Drug Exhibit List to obtain Minimum Guaranteed Discounts for each Specialty Drug. PBC will also collaborate with Deloitte and other NDPERS consultant representatives concerning contract issues that should be addressed in the proposed NDPERS RFP.

If requested, PBC will also conduct a claims data analysis to analyze the drugs that are being dispensed to plan beneficiaries, and the costs of such drugs. Based on its analysis, PBC will make recommendations to the State about how it might alter its Benefit Plan Design to reduce its costs and improve the coverage it provides to plan beneficiaries. PBC will assess (i) the drugs that are covered (that might be excluded from coverage, or that might be placed in a Mandatory Generic Program, to reduce the State's costs); (ii) the quantity limits that are on drugs (or that are not on drugs, and that could be added, to better control the State's costs); (iii) the structure of the State's existing Formulary (to determine which Brands are being favored, that might be disfavored, etc., to reduce the State's costs). Also, if made accessible, PBC will review the State's existing Savings Programs (or lack thereof), such as Prior Authorization and Step Therapy Programs, to ascertain how these programs could be improved to better control the State's costs.

B. It is understood and agreed that CONTRACTOR's services (the "Services") may include advice and recommendations, but all decisions in connection with the implementation of such advice and recommendations shall be the responsibility of, and made by, NDPERS. Any additional work performed by PBC at the request of NDPERS beyond the services set forth in Section (1)(A) must be set forth in an amendment to this Agreement.

C. *Record of Work Performed:* PBC shall maintain a record of all work performed for Client, recording the date on which activities are performed, a description of the actual work performed, and the total amount of time incurred, in increments of one-tenth of an hour, with any partial increments rounded down. PBC shall also maintain a record of all expenses to be reimbursed by Client as described in

this Agreement. PBC shall present PBC's record of all work performed, and all expenses incurred, to Client as an Invoice approximately once a month, or at the completion of work, as requested.

2) **TERM:** The term of this contract shall commence on May 19, 2016 and continue through September 1, 2016 or at such time as the services have been completed, whichever is earlier.

3) **FEES:** NDPERS shall only pay PBC for the work identified in Section I-A at the lower of (i) the total cost resulting from its hourly rates, or (ii) a maximum "cap" on its costs of twelve thousand dollars ($12,000). Likely costs are estimated to be $8,000 or less.

PBC's hourly rates are as follows:

(i) For all work performed by Attorney Linda Cahn: $375 per hour
(ii) For all work performed by Auditor & Financial Analyst Hal Holzman: $200 per hour
(iii) For all work performed by Clinician Robert Gregory: $200 per hour

Client shall pay all out-of-pocket expenses incurred by PBC as a result of PBC's work for Client, including fed ex charges and any reasonable travel costs incurred, as a result of any trip made by PBC as a result of Client's request and which have been approved by the NDPERS Executive Director. Client shall reimburse PBC for all such expenses as described in Section 4.

The parties have agreed to work together to minimize Client's Fees incurred as a result of hourly charges. Toward that end, upon the Client's request, PBC shall provide an update to Client concerning total fees incurred, within one (1) day of such information being requested.

4) **BILLINGS:** Client shall timely and fully pay all Invoices presented by PBC within thirty (30) days of Client's receipt of said Invoices.

5) **TERMINATION:**

Termination without Cause: Either party may terminate this agreement with respect to tasks yet to be performed with thirty (30) days written notice mailed to the other party. Upon any termination the CONTRACTOR shall be compensated as described in Exhibit A performed up to the date of termination.

Termination for Lack of Funding or Authority: NDPERS by written notice to CONTRACTOR, may terminate the whole or any part of this Contract under any of the following conditions:

1) If funding from federal, state, or other sources is not obtained and continued at levels sufficient to allow for purchase of the services or supplies in the indicated quantities or term.

2) If federal or state laws or rules are modified or interpreted in a way that the services are no longer allowable or appropriate for purchase under this Contract or are no longer eligible for the funding proposed for payments authorized by this Contract.

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

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

Termination for Cause: NDPERS may terminate this Contract effective upon delivery of written notice to CONTRACTOR, or any later date stated in the notice:

1) If CONTRACTOR fails to provide services required by this Contract within the time specified or any extension agreed to by NDPERS; **or**

2) If CONTRACTOR fails to perform any of the other provisions of this Contract, or so fails to pursue the work as to endanger performance of this Contract in accordance with its terms.

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

6) **EMPLOYMENT STATUS:** The CONTRACTOR acknowledges that any services performed in connection with the CONTRACTOR's duties and obligations, as created and provided for in this agreement, are performed in the capacity of an independent contractor. At no time during the performing of services as required by this contract will the CONTRACTOR be considered an employee of the State of North Dakota.

7) **ASSIGNMENT AND SUBCONTRACTS:** CONTRACTOR may not assign or otherwise transfer or delegate any right or duty without STATE'S express written consent. However, CONTRACTOR may enter into subcontracts provided that any subcontract acknowledges the binding nature of this contract and incorporates this contract, including any attachments. CONTRACTOR is solely responsible for the performance of any subcontractor. CONTRACTOR does not have authority to contract for or incur obligations on behalf of NDPERS.

8) **ACCESS TO RECORDS AND CONFIDENTIALITY:**

The parties agree that all participation by PERS members and their dependents in programs administered by PERS is confidential under North Dakota law. Contractor may request and PERS shall provide directly to Contractor upon such request, confidential information necessary for Contractor to provide the services described in the **SCOPE OF SERVICE** section. Contractor shall keep confidential all PERS information obtained in the course of delivering services. Failure of Contractor to maintain the confidentiality of such information may be considered a material breach of the contract and may constitute the basis for additional civil and criminal penalties under North Dakota law. Contractor has exclusive control over the direction and guidance of the persons rendering services under this Agreement. Upon termination of this Agreement, for any reason, Contractor shall return or destroy all confidential information received from PERS, or created or received by Contractor on behalf of PERS. This provision applies to confidential information that may be in the possession of subcontractors or agents of Contractor. Contractor shall retain no copies of the confidential information. In the event that Contractor asserts that returning or destroying the confidential information is not feasible, Contractor shall provide to PERS notification of the conditions that make return or destruction infeasible. Upon explicit written agreement of PERS that return or destruction of confidential information is not feasible, Contractor shall extend the protections of this Agreement to that confidential information and limit further uses and disclosures of any such confidential information to those purposes that make the return or destruction infeasible, for so long as Contractor maintains the confidential information.

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

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

9) **OWNERSHIP OF WORK PRODUCT:** All work product, equipment or materials created for NDPERS or purchased by NDPERS under this Contract belong to NDPERS and must be immediately delivered to NDPERS at the request of NDPERS upon termination of this Contract.

10) **APPLICABLE LAW AND VENUE:** This agreement shall be governed by and construed in accordance with the laws of the State of North Dakota. Any action to enforce this contract must be adjudicated exclusively in the State District Court of Burleigh County, North Dakota. Each party consents to the exclusive jurisdiction of such court and waives any claim of lack of jurisdiction or forum non conveniens.

11) **MERGER AND MODIFICATION:** This contract shall constitute the entire agreement between the parties. No waiver, consent, modification or change of terms of this agreement shall bind either party unless in writing and signed by both parties. Such waiver, consent, modification or change, if made, shall be effective only in the specific instances and for the specific purpose given. There are no understandings, agreements, or representations, oral or written, not specified herein regarding this agreement.

12) **INDEMNITY:** NDPERS and CONTRACTOR each agrees to assume its own liability for any and all claims of any nature including all costs, expenses and attorneys' fees which may in any manner result from or arise out of this agreement.

13) **INSURANCE:** CONTRACTOR shall secure and keep in force during the term of this agreement, from insurance companies, government self-insurance pools or government self-retention funds, the following insurance coverages:

1) Commercial general liability, including premises or operations, contractual, and products or completed operations coverages (if applicable), with minimum liability limits of $250,000 per person and $1,000,000 per occurrence.
2) Professional errors and omissions with minimum liability limits of $1,000,000 per occurrence and in the aggregate, CONTRACTOR shall continuously maintain such coverage during the contact period and for three years thereafter. In the event of a change or cancellation of coverage, CONTRACTOR shall purchase an extended reporting period to meet the time periods required in this section.
3) Automobile liability, including Owned (if any), Hired, and Non-Owned automobiles, with minimum liability limits of $250,000 per person and $500,000 per occurrence.
4) Workers compensation coverage meeting all statutory requirements.

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

1) Any deductible or self-insured retention amount or other similar obligation under the policies shall be the sole responsibility of the CONTRACTOR. The amount of any deductible or self-retention is subject to approval by the State.
2) This insurance may be in policy or policies of insurance, primary and excess, including the so-called umbrella or catastrophe form and must be placed with insurers rated "A-" or better by A.M. Best Company, Inc., provided any excess policy follows form for coverage. Less than an "A-" rating must be approved by the State. The policies shall be in form and terms approved by the State.
3) CONTRACTOR shall provide at least 30 day notice of any cancellation or material change to the policies or endorsements.
4) Upon NDPERS's written request, the CONTRACTOR shall furnish a certificate of insurance to the undersigned State representative prior to commencement of this agreement.
5) Failure to provide insurance as required in this agreement is a material breach of contract entitling NDPERS to terminate this agreement immediately.

14) **SEVERABILITY:** If any term in this contract is declared by a court having jurisdiction to be illegal or unenforceable, the validity of the remaining terms must not be affected, and, if possible, the rights and obligations of the parties are to be construed and enforced as if the contract did not contain that term.

15) **INTERNAL USE:** NDPERS agrees that all services and deliverables shall be solely for NDPERS' purposes and internal use, and are not intended to be, and may not be relied upon by any person or entity other than NDPERS, or the State of North Dakota in connection with the Services.

16) **INDEPENDENT ENTITY:** CONTRACTOR is an independent entity under this contract and is not a State employee for any purpose, including the application of the Social Security Act, the Fair Labor Standards Act, the Federal Insurance Contribution Act, the North Dakota Unemployment Compensation Law and the North Dakota Workforce Safety and Insurance Act. CONTRACTOR retains sole and absolute discretion in the manner and means of carrying out CONTRACTOR'S activities and responsibilities under this contract, except to the extent specified in this contract.

17) **ATTORNEY FEES:** In the event a lawsuit is instituted by NDPERS to obtain performance due under this contract, and NDPERS is the prevailing party, CONTRACTOR shall, except when prohibited by N.D.C.C. § 28-26-04, pay NDPERS's reasonable attorney fees and costs in connection with the lawsuit.

18) **NDPERS RESPONSIBILITIES:** NDPERS shall cooperate with the CONTRACTOR hereunder, including, without limitation, providing the

CONTRACTOR with reasonable facilities and timely access to data, information and personnel of NDPERS. NDPERS shall be responsible for the performance of its personnel and agents and for the accuracy and completeness of data and information provided to the CONTRACTOR for purposes of the performance of the Services. NDPERS acknowledges and agrees that the CONTRACTOR's performance is dependent upon the timely and effective satisfaction of NDPERS's responsibilities hereunder and timely decisions and approvals of NDPERS in connection with the Services. The CONTRACTOR shall be entitled to rely on all decisions and approvals of NDPERS.

19) **FORCE MAJEURE:** Neither party shall be held responsible for delay or default caused by fire, flood, riot, acts of God or war if the event is beyond the party's reasonable control and the affected party gives notice to the other party immediately upon occurrence of the event causing the delay or default or that is reasonably expected to cause a delay or default.

20) **ALTERNATIVE DISPUTE RESOLUTION – JURY TRIAL:** NDPERS does not agree to any form of binding arbitration, mediation, or other forms of mandatory alternative dispute resolution. The parties have the right to enforce their rights and remedies in judicial proceedings. NDPERS does not waive any right to a jury trial.

21) **APPROVAL OF DELIVERABLES:** Deliverables shall be deemed accepted by NDPERS if not rejected, in writing, within ninety (90) days of delivery.

22) **NOTICE:** All notices or other communications required under this contract must be given by registered or certified mail and are complete on the date mailed when addressed to the parties at the following addresses:

Sparb Collins	**Linda Cahn, Esq.**
Executive Director NDPERS	**President, PBC, Inc.**
400 E. Broadway, Suite 505	**7 Arborview Way**
Bismarck, ND 58502	**Morristown, NJ 07960**

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

23) **SPOLIATION – NOTICE OF POTENTIAL CLAIMS:** CONTRACTOR shall promptly notify NDPERS of all potential claims that arise or result from this contract. CONTRACTOR shall also take all reasonable steps to preserve all physical evidence and information that may be relevant to the circumstances surrounding a potential claim, while maintaining public safety, and grants to NDPERS the opportunity to review and inspect the evidence, including the scene of an accident.

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

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

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM	**CONTRACTOR**
By: _____	By: _____
Date:	**Date:**
_____	_____

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

Sparb Collins
Executive Director
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1-800-803-7377

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

Memorandum

TO: PERS Board

FROM: Sharon Schiermeister & Derrick Hohbein

DATE: June 9, 2016

SUBJECT: 2017-2019 Biennium Budget Request

The request by the Governor to develop a 90% budget only applies to general funds and not special funds; therefore, PERS is not being asked to submit a restricted budget. However, we have been asked to perform a thorough review of programs and submit budget proposals that produce savings. Also, any additional positions must be requested in an optional change package.

Budget Request

The budget being presented to you today is for $9,357,864 which is slightly less than the base budget calculation provided by OMB.

2015-17 appropriation	$ 9,496,373
Cost to continue adjustments	99,934
Remove one-time funding	(177,370)
Base Budget calculated by OMB	**$ 9,418,937**
Decrease for 2017-19	(61,073)
2017-19 Budget Request	**$ 9,357,864**

This budget provides funding to maintain the existing level of services provided by the agency at a staffing level of 34.5 FTEs. It includes funding for temporary staff which will allow the agency to continue the internship program in the internal audit area and also provide additional support, as needed, on special work efforts.

This request also supports several initiatives that were part of our budget approved last session. First, the legislature authorized a new Chief Financial Officer position in the agency which is allowing for the role of the Chief Operating Officer to be fully implemented. With these changes, we are doing the necessary reclassifications. The legislature also approved salary equity funds to help move PERS employees towards the average of other state employees. We started this initiative with the salary increase package last July and will continue this initiative this year. We have also added duties with the new RHIC

reimbursement program and the ESI Part D plan which has changed responsibilities internally.

While costs relating to office rent, IT software/hardware, postage and printing are anticipated to increase due to inflation, the overall budget is being reduced primarily from the removal of the one-time costs that were approved for the additional maintenance costs to work on the backlog of PERSLink enhancements.

Optional Budget Requests

At the May Board Meeting, we discussed the optional packages for an office space move as well as the cost of adding 2 FTE in the event we were to award a self-funded insurance contract. We have included two additional optional requests for your consideration, remodeling the reception area in our existing office space and cyber risk insurance. Our current budget includes funding to remodel our reception area to provide better security and privacy; however, this was put on hold when we were presented with the possibility of relocating to the WSI building. We are including this as an optional package in the event we remain in our current office space. We have also included an optional package to purchase cyber risk insurance, which provides liability coverage in the event of a data breach.

Following is the cost information relating to the optional packages:

Initiative	**FTE**	**Cost**	**% Increase/ (Decrease) Over Base Budget**
Office Space Move to WSI Building	-	$ (18,682)	(.2%)
Self-Funding Health Insurance	2.0	$ 436,678	4.6%
Reception Area Remodel to Existing Office	-	$ 30,000	.3%
Cyber Risk Insurance	-	$ 75,000	.8%
TOTAL	2.0	$ 522,996	5.6%

Board Action Requested:

1. Approve the 2017-19 base budget request to be submitted to OMB.

2. Determine what optional initiatives should be included in the agency's 2017-19 budget request and assign a priority.

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Memorandum

TO: **NDPERS Board**

FROM: **Kathy**

DATE: **June 7, 2016**

SUBJECT: **Recruitment, Retention and Performance Bonus Policies**

NDPERS management has elected to adopt recruitment and retention policies in order to provide additional monetary flexibility with regard to attracting and retaining employees in hard-to-fill occupations. Authority to implement these policies are contained in NDCC section 54-06-31.

In addition, in order to recognize exceptional work efforts, when resources are limited for making adjustment to an employee's base salary, we are also proposing a performance bonus policy. Authority for this policy is included in NDCC 54-06-30. In accordance with this section, the written policy was communicated to all employees and included a request for any input. Staff had no additional feedback.

Draft copies of all three policies are included for your review and comment along with the recruitment and retention bonus agreements. Unless there is further input from the Board, staff recommends approval of the proposed policies which will be incorporated in our Personnel Policy Manual.

Board Action Requested

RECRUITMENT & RETENTION BONUS PROGRAM
NDCC 54-06-31

North Dakota Century Code section 54-06-31 allows state agencies to develop programs to provide bonuses to recruit or retain classified state employees in hard-to-fill occupations.

The purpose of this policy is to provide guidelines and limitation for recruitment and retention bonuses paid to employees of the North Dakota Public Employees Retirement System.

Recruitment Bonus is a lump-sum payment, which is not a part of an employee's base salary, paid to recruit a new employee for a hard-to-fill classified position. A recruitment bonus is subject to State and Federal tax withholding.

A recruitment bonus is used only in extraordinary circumstances where there is a need to fill a position and usual recruitment methods are demonstrated to be unsatisfactory. Identification of eligible positions or occupations will consider the following factors:

- Explanation of recent efforts to fill a position or a substantially-similar position: number of qualified applicants, recruitment methods utilized, why job offer was declined, etc.;
- Turnover: history, number of existing vacancies, frequency, length of vacancy;
- Labor market data factors: information indicating the availability in the labor market of the skills/professions being recruited, current market rate of pay for occupation, unemployment rate, etc.
- Special qualifications: education, experience, skills, or licensure/certification required for profession which make it more difficult to fill the job; and
- Budget availability: amount of money available for bonus.
- Low unemployment rate for the occupation.
- Higher current rate of pay by other state agencies and the private sector for the occupation.

A manager or supervisor may request positions to be considered for a recruitment bonus by submitting a letter to the Executive Director or Chief Operating Officer. The letter should contain information based on the above criteria.

A bonus may not exceed more than three month's starting salary. Before a recruitment bonus will be paid, the new employee must sign a written agreement to complete two years of full-time employment with the agency. If the employee does not complete the specified term of employment, the employee must repay the bonus which will be prorated based on the incomplete period. The bonus may be paid upon the new employee starting employment, upon completion of training, or upon completion of the probationary period.

Request and recommendations must be sent to the Executive Director or the Chief Operating Officer. Recruitment bonus requests will be reviewed and approved or denied by the NDPERS Executive Director or Chief Operating Officer.

Retention Bonus means a lump-sum payment, which is not a part of an employee's base salary, paid to retain an employee in a hard to fill classified position unless the employee is leaving to work for another state agency. A retention bonus is subject to State and Federal tax withholding.

DRAFT

A retention bonus may be used only in situations where it is necessary to meet a critical deadline, to complete a critical project, or to maintain staffing in positions of critical need, where recruitment has been difficult or the risk of losing the incumbent is high. A retention bonus should be proactive to retain staff with critical skills. It is not to be used for counter-offers. Identification of eligible positions or occupations will consider the same factors set forth for recruitment bonuses.

Before a retention bonus will be paid, the employee must sign a written agreement to remain in the agency's current full-time position for a specified time as determined by the Executive Director or Chief Operating Officer. If the employee does not complete the specified term, the employee must repay the portion of the bonus attributable to the incomplete period.

A retention bonus may not exceed more than three month's salary of the incumbent.

All bonus recommendations will be reviewed by the Executive Director or Chief Operating Officer. The Executive Director or Chief Operating Officer will determine whether a bonus will be granted and the bonus amount, so as to maintain consistency throughout the agency, and in consideration of available funding.

DRAFT

RECRUITMENT BONUS AGREEMENT

This agreement is made between the North Dakota Public Employees Retirement System (NDPERS) and <<Employee Name>> (Employee). NDPERS and Employee agree to the following:

1. NDPERS agrees to pay Employee a recruitment bonus of $<<Amount>>, as additional compensation to be paid <<Terms of Payment>>, in consideration for Employee's acceptance of employment as a <<Position>> and agreement to continue employment with NDPERS for a period of two (2) years, beginning on <<Start Date>>.

2. Employee understands the bonus is compensation for employment, subject to required deductions for State and Federal tax withholding, FICA and other purposes, which will reduce the net amount of the bonus received by Employee.

3. If Employee voluntarily resigns employment, is terminated, or fails to obtain and maintain in good standing all licenses, certificates, or permits necessary to perform Employee's employment duties resulting in termination of employment prior to completing the period of full-time employment listed in section 1 above, Employee must repay the portion of the bonus attributable to the incomplete period on a prorated basis. For example, if Employee completes only six months of full-time employment, Employee would be responsible to repay 25% of the recruitment bonus. Employee will only receive credit for complete months of service.

   Recruitment bonus payments still owed to NDPERS will first be withheld from Employee's last paycheck; any unpaid balance is due and payable upon termination.

4. This agreement is not an employment contract and does not alter other terms and conditions of employment.

Approvals:

Executive Director or
Chief Operating Officer _____ Date _____

Division Manager or
Supervisor _____ Date _____

Agreement to Terms:

Employee _____ Date _____

DRAFT

RETENTION BONUS AGREEMENT

This agreement is made between the North Dakota Public Employees Retirement System (NDPERS) and <<Employee Name>> (Employee). NDPERS and Employee agree to the following:

1. NDPERS agrees to pay Employee a retention bonus of $<<Amount>>, as additional compensation to be paid in Employee's payroll check, in consideration for Employee's agreement to continue employment with NDPERS for a period of <<Term>> beginning on <<Start Date>>.

2. Employee understands the bonus is compensation for employment, subject to required deductions for State and Federal tax withholding, FICA and other purposes, which will reduce the net amount of the bonus received by Employee.

3. If Employee voluntarily resigns employment, is terminated, or fails to obtain and maintain in good standing all licenses, certificates, or permits necessary to perform Employee's employment duties resulting in termination of employment prior to completing the period of full-time employment listed in section 1 above, Employee must repay the portion of the bonus attributable to the incomplete period on a prorated basis. For example, if Employee completes only six months of full-time employment, Employee would be responsible to repay 25% of the retention bonus. Employee will only receive credit for complete months of service.

   Retention bonus payments still owed to NDPERS will first be withheld from Employee's last paycheck; any unpaid balance is due and payable upon termination.

4. This agreement is not an employment contract and does not alter other terms and conditions of employment.

Approvals:

Executive Director or
Chief Operating Officer _____ Date _____

Division Manager or
Supervisor _____ Date _____

Agreement to Terms:

Employee _____ Date _____

DRAFT

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Memorandum

TO: NDPERS Board

FROM: Kathy

DATE: June 6, 2016

SUBJECT: RECEIPT OF DOCUMENTS

At the August 2015 meeting, the Board reviewed an appeal which focused on the date an incoming document was postmarked and the NDPERS policy of recognizing the receipt of a document as the date it is stamped in-house. Based on the date stamp, staff determined that the member had not met the deadline for the DC to DB transfer window. The Board approved recognition of the postmark as the official date and staff accepted the documents as valid for the window.

The Board recommended staff review our current policy of using the date stamp as the effective date of receipt. Using the postmark would require us to scan all envelopes for the employee records.

Staff has conducted a review and following is a summary of the various channels through which documents are received by our office and our proposed policy regarding the use of the date stamp or postmark to validate receipt of these documents and those instances in which the envelope is retained for the record:

Mail Piece	Process Envelope	Date Stamp
Documents from Attorneys or courts	X	
DC and DB election forms	X	
Appeals	X	
Certified Mail receipts	X	
Correspondence		X
Forms		X
Emails		X
Drop Off Mail		X
Faxes		X
Inside Mail		X
UPS		X
FedEx		X

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Memorandum

TO: PERS Board

FROM: Sparb

DATE: June 8, 2016

SUBJECT: Facebook

At the February Board planning meeting, NDPERS presented Facebook as an example of a social media platform to introduce this 2016. After careful consideration and planning, NDPERS is prepared to launch an Official Facebook page on July 5, 2016.

The implementation plan is included for your review.

A Comments Policy and Legal Disclaimer document will be forwarded for legal review. Currently, the Comments Policy excludes comments that campaign for or against the nomination or election of a candidate or NDPERS Board member or the qualification passage, or defeat of a legislative bill or administrative rule. We are looking to identify any concerns or additional information the Board members would like to receive regarding this new communication platform.

This is provided as information only. NDPERS will be at the Board meeting to answer any questions.

NDPERS Facebook Implementation Plan

Objective

To enhance communication with NDPERS members through the use of Facebook. This can be accomplished by sharing valuable information and updates regarding NDPERS.

Goals

- Acquire 100 page likes
    - to track demographic information: age, gender, and cities
    - to understand what type of posts engage members through comparing NDPERS to similar retirement systems on Facebook
- Experience an upward trend in post engagement
- Establish benchmark for Likes, Reach and Engagement in one year

Strategy

NDPERS will have a conservative approach when initiating the use of Facebook as a social media platform. Comments will be enabled for all posts.

- Organic strategy: No budget for paid ads.
- Post consistently 2 or 3 times a week. Third time is reserved for last minute announcements.

  Initial schedule: Mondays and Wednesday
- Review notifications daily.
- During weekends, comments will be monitored by Page Admin through Page Manager mobile app but same internal processes apply. Responses will be managed on the next business day.

Internal Processes

- Comments not abiding to Comments Policy and Legal Disclaimer will be hidden
- If comments contain personal information, they will be deleted. A message will be sent to the member via Facebook with the following:
    - personal information must not be posted
    - NDPERS is not responsible
    - refer back to the Comments Policy
    - contact NDPERS directly

NDPERS Facebook Implementation Plan

- Comments with general statements/opinions will not be addressed
  - "Thank you"
  - "Great job"
  - "I don't think we should continue using this vendor"
- Comments with specific questions from members will be addressed
  - 24 to 48 hours to respond via Facebook if follow up is applicable
  - Contact ticket created by Page Admins and assigned to internal party responsible as listed in the NDPERS Division Guide

Year Review

- Annual metrics report aligned with goals
- Revisit addition of apps such as enabling Visitor Posts and Reviews.

Implementation Schedule

- July 5: First post
- October 3: Metrics report
- January 3: Metrics report
- April 3: Metrics report and discussion of Annual Report requirements
- July 3: Annual Report. Revisit addition of apps.

NDPERS Facebook Implementation Plan

Roles

Page Admin

- Public Information
  - Monitor comments
  - Download metrics
  - Create and assign contact tickets
  - Develop content and posting schedule
- IT (Backup)
  - Monitor comments
  - Download metrics
  - Create and assign contact tickets

To mitigate risk:

- New accounts will be created to access Facebook Ndpersfacebook1@nd.gov
- Limited accessed to Facebook
- These accounts do not compromise internal employee accounts

	Admin	Editor
Manage Page roles and settings	✔	
Edit the Page and add apps	✔	✔
Create and delete posts as the Page	✔	✔
Send messages as the Page	✔	✔
Respond to and delete comments and posts to the Page	✔	✔
Remove and ban people from the Page	✔	✔
Create ads	✔	✔
View insights	✔	✔
See who published as the Page	✔	✔

NDPERS Facebook Implementation Plan

Risk Mitigation

Prevention

- Change Facebook passwords every month
- IT will monitor the **Where You're Logged In** Facebook section to monitor IP addresses reflects only saved approved devices
- Security Settings will be set for highest security

  Login approvals will be placed. Login approvals are a security feature similar to login alerts, but with an extra security step. If you turn on login approvals, you'll be asked to enter a special security code each time you try to access your Facebook account from a new computer, mobile phone or browser.

If Facebook Account gets hacked

- Page Admin will delete hacked account
- Report will be filed with Facebook
- Alert will be placed on our website
- Special communication will be sent out
  - MailChimp
  - PeopleSoft Portal
  - Authorized Agents outlook

If Facebook Account receives a threat

- IT will determine follow up action
  - Remove comment and block individual (spam)
  - Contact police department (threat)

Comments Policy and Legal Disclaimer

Welcome to NDPERS Official Facebook page. In order to stay connected and better serve our thousands of NDPERS members and their families, we are introducing this communication platform to provide you with valuable information and updates regarding your benefits.

Members, who decide to participate and comment on this site, do so voluntarily and at their own risk. We encourage you to take precautionary measures when posting any information on this Facebook page. By liking or commenting on the NDPERS Facebook page, you may identify yourself as a NDPERS member. NDPERS assumes no liability for any damages incurred directly or indirectly by the NDPERS member contributing to this page.

In an effort to protect our members' personal information, NDPERS has established guidelines for commenting on this page. Comments not adhering to this policy will be removed. Posts and comments on the NDPERS are not confidential. Following are some examples of unacceptable comments that will be deleted. These include, but are not limited to, any post or comment that:

- contains any member's personal or sensitive information including social security information, phone numbers, addresses, etc.
- campaigns for or against the nomination or election of a candidate or NDPERS Board member or the qualification, passage, or defeat of a legislative bill or administrative rule
- compromises the safety or security of the public or public systems
- solicits commerce, donations or promotes a product
- includes profanity or obscenity of any kind such as sexual content, links to sexual content, or nudity in a profile picture
- promotes, fosters, or perpetuates discrimination on the basis of race, creed, color, age, religion, gender, marital status, national origin, physical or mental disability or sexual orientation
- encourages illegal activity
- infringes on copyrights
- is unrelated to the subject matter of the particular post or article including spam or defaming comments

This site is not intended nor created to be a forum for the general public, vendors, or solicitors or to discuss specific individual member information. Information made available is not intended to provide pension or financial advice. NDPERS does not guarantee the applicability or accuracy of the information with regard to each individual participant's circumstances. Additionally, this site is not meant to replace traditional methods of communications, including the NDPERS website, individual or group counseling or educational sessions with the NDPERS staff, or PERSLink Member Self-Service (MSS) portal.

Members with specific questions regarding their benefits can contact NDPERS directly at 1-800-803-7377 or 701-328-3900 to speak to a NDPERS representative. You are encouraged to schedule a meeting by accessing the PERSLink Member Self Service (MSS) portal. No personal information should be posted on any public sites including the NDPERS Facebook page. Personal inquiries will not be addressed on Facebook.

NDPERS will review comments on its Facebook page periodically during regular business hours (Monday-Friday from 8:00 a.m. to 5:00 p.m. CST). Comments posted after hours and on weekends will be reviewed as early as possible on the next business day.

NDPERS does not endorse comments posted on our social media accounts, and such comments do not reflect the official position of NDPERS, its officers or employees or the State of North Dakota. NDPERS reserves the right to delete comments at any time.

Any information posted here is considered public information and may be subject to monitoring, moderation or disclosure to third parties. All information posted on this page and all other NDPERS internet pages are subject to open record laws. Confidentiality of Records does not apply. *Include Statute excerpt or reference it 54-52 26.*

For more information, visit http://www.nd.gov/ndpers/

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MEMORANDUM

TO: NDPERS Board

FROM: Jamie Kinsella Jamie

DATE: May 18, 2016

SUBJECT: **March 10, 2016 PERS Audit Committee Minutes**

Attached are the approved minutes from the March 10, 2016 meeting. Those who attended the meeting are available to answer any questions you may have.

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

The next audit committee meeting is currently scheduled for August 17, 2016 at 10:00 a.m., in the NDPERS Conference Room.

Attachment

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MEMORANDUM

TO: Audit Committee
Jon Strinden
Arvy Smith
Rebecca Dorwart
Representative Pamela Anderson

FROM: Jamie Kinsella, Internal Auditor Jamie

DATE: March 24, 2016

SUBJECT: **March 10, 2016 Audit Committee Meeting**

In Attendance:
Jon Strinden
Arvy Smith
Rebecca Dorwart
Representative Pamela Anderson
Jamie Kinsella
Julie McCabe
Sparb Collins
Sharon Schiermeister
Derrick Hohbein

The meeting was called to order at 10:00 a.m.

I. December 11, 2015 Audit Committee Minutes

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

II. Internal Audit Reports

A. Quarterly Audit Plan Status Report – A summary of the internal audit staff time spent for the past quarter was included with the audit committee materials. There were 243 hours in Retirement for January due to increased audit population and time spent researching issues, as well as setting up a statistics worksheet to track findings. There were 35 hours in Information Technology due to testing PIRS.

There was discussion about having staff come to the May Audit Committee meeting and provide an overview of the payroll processing area and Internal Audit will provide input on what benefits they look for in an audit. The Audit Committee is interested in having this presentation.

B. Audit Recommendations Status Report – As stated in the Audit Policy #103, the Internal Audit Division is to report quarterly to management and the audit committee the status of the audit recommendations of the external auditors, as well as any found by the internal auditor. The report has been updated to reflect what has been accomplished during November 1, 2015 through January 31, 2016.

C. Benefit/Premium Adjustments Report – The quarterly benefit adjustment report was provided to the audit committee. The report is in two sections, Retirement and Insurance. This report has 8 retirement, 1 RHIC and 2 insurance adjustments. The adjustments resulted from a variety of reasons as shown on a report to the committee.

D. Internal Audit Report 2015 - The Internal Audit Report for 2015 was provided to the Audit Committee for their information. There were a couple changes made to the report. This will be provided to the Board for their information.

E. Internal Audit Plan 2016-2017 – The Internal Audit plan for 2016-2017 was provided to and approved by the Audit Committee.

III. Administrative

A. Audit Committee Meeting Date & Time - The next audit committee meeting is scheduled for May 18, 2016 at 10:00 a.m.

B. Audit Committee Charter Activity Review - The Audit Committee Charter states that it will "17. Confirm annually to the Board, members, retirees and beneficiaries, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services." This will be provided to the Board for their information.

C. Internal Audit charter Activity Review - A copy of the Internal Audit Charter Activity review matrix of the activities completed through December 31, 2015 was given to the Audit Committee for review.

D. Internship Update - The internship program was approved on November 3, 2015 by the Human Resource Management Services for 50% funding of the intern's hourly wage. The total funding will be for 720 hours at $15 per hour for a total of $10,800, of which $5,400 will be reimbursed.

Five candidates were interviewed for this position. The position was offered to Michael Sisk, a junior at the University of Mary. He started on Monday, February 8, 2016 and will work 20 hours per week.

E. Internal Audit Job Title - Previously management level positions had been entitled "Manager" of the division they were managing. However, recently we've added two positions in the agency with job titles that start with "Chief" - Chief Operating Officer and Chief Financial Officer. This brought up the

question whether we should revise the Internal Audit Manager's Title to "Chief Audit Executive." The motion was made and seconded to change the Internal Audit Manager job title to Chief Audit Executive. Motion carried.

F. Confidential Meeting between Internal Audit and Audit Committee - The International Professional Practice Framework Performance Standard 2060 states in part: "The Chief Audit Executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the board." This meeting was held after the meeting agenda was completed.

IV. Miscellaneous

A. Travel Expenditures Update – There are no travel expenditures incurred by the Board and/or Executive Director for out-of-state travel for the period November 1, 2015 through January 31, 2016.

B. Risk Management Report - The Loss Control Committee provides quarterly to the Audit Committee a copy of the Loss Control Committee's agenda from their last meeting as well as the approved minutes. Copies of the September 10, 2015 minutes and the agenda for the December 18, 2015 meeting were provided to the audit committee.

C. Report on Consultant Fees - According to the Audit Committee Charter, the audit committee should "Periodically review a report of all costs of and payments to the external financial statement auditor. The listing should separately disclose the costs of the financial statement audit, other attest projects, agreed-upon-procedures and any non-audit services provided." A copy of the report showing the actuary/consulting audit, legal, investment and administrative fees paid during the quarters ended September and December 2015 was attached for the audit committee's information.

D. Publications – The December 2015 publication of the Tone at the Top was provided to the audit committee for their perusal.

E. Webinars and CPE's – Ms. Kinsella and Ms. McCabe have been participating in free Webinars that the Institute of Internal Auditors provides for their members. Each 1 hour webinar provides 1 hour of continuing professional education credits. The internal auditors have attended two webinars from December 1, 2015 through January 31, 2016. These webinars are held during the lunch hour so the internal auditors remain available to staff during normal business hours.

F. Annual Evaluation - Sparb informed the Audit Committee that it was time to conduct the annual evaluation for Jamie Kinsella. He asked if the Audit Committee was okay with the format followed last year. They agreed with using last years format.

Meeting adjourned at 11:45 a.m.

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Memorandum

TO: PERS Board

FROM: Review Committee

DATE: June 8, 2016

SUBJECT: ANNUAL EVALUATION OF EXECUTIVE DIRECTOR

Mr. Sandal, Ms. Arvy Smith, and Chairman Strinden were on the committee to conduct the performance review of the Executive Director.

Attached is the evaluation form with ratings. All PERS Board members completed a performance review. The overall average rating was 2.5 on a scale of 3, with 3 being the highest rating.

The state legislative salary budget for state employees for the second year of the biennium is a base increase funded at an average increase of 3% of the salaries and wages line item. The legislative guidance for classified employees provides that increases can be granted at between 2% to 4% based on acceptable performance.

Mr. Collins current salary is $16,104 per month. The committee met to discuss the performance evaluation and has recommended a 3% salary increase.

Board action is requested on the committee recommendation.

Critical Job Elements
NDPERS Executive Director
For the Year: 2015
Completed in 2016

CJE – Critical Job Element	Expectation	Rating	Comments
Category 1 Board Meetings	1. Agenda items are prepared with supporting information. 2. Board materials are distributed at least 3 days before the meeting. 3. Appropriate information is provided to Board either orally/verbally to aid the Board in arriving at a decision. 4. Board material identifies items, which need "Board Action", and makes a staff recommendation where appropriate. 5. Education is provided at Board meetings in order that the Board may adequately perform their policy setting role.	2.8	I feel that I am well-informed, not by my action, but by the work of Sparb and his staff in insuring that I have all the information necessary to carry out my responsibilities. I find that I am able to easily get the answers to any questions that I have. Necessary background information is provided to me either in the board book or through discussion at board meetings. I feel well prepared to make good decisions. Sometimes, however, it seems we are rushed through certain topics as our meetings have been running long and we are not able to cover all topics on the agenda. We may want to discuss scheduling the board meetings for the entire day. If we get done earlier, great. I also believe the board needs to have regular, ongoing education and scheduling the board meetings for an entire day may provide the opportunity to do this. All Board meetings are well prepared and information is sent out to members at least a week in advance of each meeting, so they have sufficient time to review all information. When information is presented at the Board meeting, there is not sufficient time to review materials. Board meeting materials are very comprehensive and always made available in a timely manner. Board information is timely and well prepared. We, sometimes, do not get through all on the agenda, but appreciate taking the time we need for questions and discussions on items.
Category 2 Board Relations	1. The Director is responsive to Board requests. 2. The Director is adaptable to Board direction on PERS policy and able to work with the board as a team member. 3. The Director keeps Board members aware of current issues and when appropriate provides information to Board members between board meetings.	2.8	Sparb has done a good job of keeping the board informed of issues as they arise. Sparb is extremely responsive and has excellent relationship with the Board.

CJE – Critical Job Element	Expectation	Rating	Comments
	4. The Director provides timely and accurate problem identification to the Board as well as providing solutions and options for the Boards consideration.		I have contacted Sparb on a number of occasions due to issues that employees and agency payroll staff have brought to me regarding individual coverage and PERS processes. Sparb has checked into each issue, visits with the appropriate PERS staff and provides a thorough response. He offers to talk directly to the employee if needed, refer them to SHP if needed, and has identified some processes that will be modified to cover some minor gaps. Sparb was very quick to respond when there were issues resulting from the change in health insurance carrier. Very positively received by employees with questions/issues. It is a pleasure to work with a Board that functions in its full responsibility as a governing board, and not as a rubber stamp at the behest of the Executive Director. Sparb provides the information necessary for the Board to make decisions and is respectful of the Board. He is flexible to changing circumstances and provides leadership in response to those circumstances. Sparb is always available to me and our Board is engaged in what is going on. Sparb responsiveness to concerns and requests actually exceeds my expectations, in terms of speed of response and willingness to devote time to my requests. His grasp of the issues and his institutional memory is amazing. Performance is strong in all areas except that work needs to be done to ensure accuracy of retirement benefit calculations using the new system. I am unaware of any deficiencies in # 4.
Category 3 Operations	1. Accurate Records 1.1 Maintain appropriate, accurate and accessible data for individual members and benefit recipients. 1.2 Accurate accounting records and a system of internal controls is maintained to result in an annual, unqualified opinion by the	2	As a newer member of the Board, I have not had experience with some of the items under this category. I give Sparb less than a 3 only because of that reason. Sparb seems to do a good job of managing the operations of PERS.

CJE – Critical Job Element	Expectation	Rating	Comments
	System's auditor. 1.3 An application to GFOA for the Certificate of Achievement for Excellence in Financial Reporting is submitted annually. 1.4 The Public Pension Coordinating Council's Award of Excellence is submitted biennially. 2. Biennial Budget 2.1 Biennial budget is prepared pursuant to OMB guidelines and submitted pursuant to guidelines established by the Governor. 2.2 Board is provided opportunity to review the budget before it is submitted. 2.3 Expenditures for budget items do not exceed appropriation without approval of the Board. 3. Timely and Understandable Service 3.1 Member inquiries are responded to in a timely manner. (Survey information shall be reported to the board relating to this from the "How are we doing" cards and the biennial survey). 3.2 Participating employers shall be provided the necessary support to administer the PERS programs in which they participate. (Biennial surveys shall be done relating To this and reported to the Board). 4. Staffing 4.1 All applicable personnel rules of the State of North Dakota shall be followed. 4.2 Staff performance evaluations are completed at least annually. 4.3 Employees receive recognition, direction or discipline as appropriate.		Sparb did an excellent job of leading the staff through the BCBS to Sanford transition. I would like to see member survey information. Does PERS still send out "How are we doing" cards? There have been several errors in information that have resulted in appeals to the board. Considering the amount of transactions made, the error rate is low. Runs an excellent office. Always timely in responding to members. While there have been some record-keeping issues during my tenure on the PERS Board, they have been minimal and have been handled well. When inquiries have peaked due to changes in health care carrier, etc., the office has been staffed to address the increased volume. Error rates, per internal audit, on individual retirement accounts. No direct experience, so far, on budget and process, but we operate within the limits, which is good.
Category 4 Investment Programs	1. Maintain board approved Investment Objectives and Policies for: 1.1 The defined benefit plan 1.2 The defined contribution plan 1.3 The deferred compensation plan 2. Performance 2.1 Produce and report investment return information for the defined contribution plan and the PERS Companion Plan. 2.2 Accurate yearly reports are given to the Board concerning the defined benefit plan and its progress and compliance with the investment policies. 2.3 Advice and recommendations are given to the board on investment	2.1	In my experience, I can come to an understanding of the various plans, assumptions, and returns, if I think them through. Sparb is very helpful in his explanations. He can only do that because of the confidence he has that the information is accurate and accountable. He is very thorough in that regard. Information provided to the board was very timely and informative. Investment information and presentations by the CIO are helpful. Very knowledgeable in the DB and DC area and a great source of information for the Board members.

CJE – Critical Job Element	Expectation	Rating	Comments
	matters to support Board decision making. 2.4 Recommend corrective actions including termination of funds in the deferred comp plan and the defined contribution plan. 3. Provider Monitoring 3.1 Monitor the various providers in the defined contribution plan and deferred compensation to insure that all contract provisions are being followed. 3.2 Identify and report to the board all infractions of the contract provisions. 4. Fiduciary Standards Discharge investment duties solely in the interest of the members and benefit recipients with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.		A good working relationship with RIO and utilization of the Investment Subcommittee results in good performance monitoring. Our investment program and process are excellent and something I am proud of for our stakeholders.
Category 5 Benefit Program Operations	1. Actuarial Management 1.1 Provide accurate member, retiree and asset data necessary for the Actuary to perform the annual actuarial valuation for the four PERS defined benefit plans. 1.2 Provide accurate member and retiree data for the actuary to perform biennial premiums estimates for the group insurance plans. 1.3 Maintain knowledge of actuarial methods, the current status of the actuarial makeup of the various retirement and group insurance plans and the impact of benefit enhancements to the contribution rates. 1.4 Provide actuarial information to the Board, Legislature, employers, members and retirees so they have sufficient background to make knowledgeable decisions. 2. Contract Management 2.1 Distribute and analyze bids for services for the various retirement, group insurance, EAP and Flex Programs to facilitate Board decision making. 2.2 Monitor contractor performance and advise the Board of any issues, including options for responding and recommended action plan.	2.5	I have complete confidence in the information provided for both actuarial and contract management. The recent change in health insurance providers was a difficult, but well managed, process. The transition would have been much worse if not for the efforts of Sparb, PERS staff, and the Sanford personnel. The strongest indication that I had that everything was handled properly was the acknowledgement by Blue Cross that Sanford had satisfied the RFP. Sparb uses his team well to keep the board informed in these areas. I have seen those professional efforts carried out in other circumstances, as well. Sparb does a good job with contract management, especially when we often have a short time frame for execution. Under Sparb's direction, the operations of the benefit program proceed quite smoothly. With the major effort of switching health insurance providers, the office operated under considerable stress. However, they handled this challenge very professionally. Sparb's leadership skills were evident throughout this process.

CJE – Critical Job Element	Expectation	Rating	Comments
	2.3 Provide direction to all contractors to insure that board objectives are achieved. 2.4 Insure that all contractors comply with contract provisions, state law and administrative rules.		Performance is acceptable except that work needs to be done to ensure accuracy of retirement benefit calculations using the new system
Category 6 Public Relations	1. Publish a newsletter at least semiannually. 2. Provide informational programs to employers, members, retirees, and public groups. 3. Represent the System with appropriate affiliate organizations and functions. 4. Maintain availability to the news media.	2.3	Good efforts in improving the web site. Communications during the health plan change were excellent and well thought out. I am very happy PERS has hired a Public Info Specialist. Communication in a variety of forms is critical to our members. Excellent job in representing NDPERS. PERS members are many and diverse. It is not possible to make everyone happy, but every effort is made to do just that. I don't have much personal knowledge in this area. However, would assume Sparb does very well, if dealing with the Legislature is any indication. This is a challenging area, but appears to be handled quite well.
Category 7 Legislative Relations	1. Develop Legislative proposals in concert with the Board and its advisory committee. 2. Present requests for legislative changes to the Legislature. 3. Make the Boards position known to members, employers and the legislature. 4. Keep the Legislature, through the Interim Committee informed regarding the financial, legislative and administrative status of the system. 5. Develop adequate rapport with Legislators so that the legislative body as a whole has a sense of credibility with the positions taken by the Board on behalf of the System.	2.8	Sparb is an excellent representative of the board and PERS to the legislature. As a legislator, I see this issue from both sides. Sparb has always been responsive to requests from the Legislature. I have never felt that he has allowed Legislators to have less than a full understanding of the issues. It is my feeling that having two legislators on the Board has provided an opportunity for us to serve as liaison between the Board and the Legislature. That will not continue if the leadership places Legislators with an antagonistic approach to that responsibility. Sparb continues a positive and professional relationship with legislators. He represents PERS very well and knows the information inside and out.

CJE – Critical Job Element	Expectation	Rating	Comments
			Sparb is well respected by the legislature. I have great confidence in Sparb's ability to navigate in the legislative arena. Sparb has always maintained a professional relationship and strong credibility with the legislative body, even when there are differing opinions. Good relationship with legislative body. Well respected! Sparb does a great job in testifying in front of the committees I have been involved with- very open and transparent, answers questions, brings others along.
Category 8 Professional and Personal Development	1. Maintain membership and involvement in professional organizations. 2. Maintain professional certifications. 3. Be dependable. 4. Exhibit stability/reaction to pressure. 5. Have strong leadership skills.	2.2	I would like Sparb to share his extensive knowledge in providing professional development/education to the board during our regular meetings. Sparb continues to take a leadership role in national organizations. Sparb's leadership skills are demonstrated by the quality of the PERS upper level management team. He apparently allows them to work independently while also providing backup. Presentations at Board meetings are a team collaborative effort. Sparb is well regarded among peers and professionals. Again, not much actual knowledge about this category. But, do know he just attended a conference, per our expense reimbursement!
Category 9 General	1. Follow safety procedures. 2. Adhere to all laws, rules, policies, procedures and professional ethics. 3. Work as part of a team. 4. Use courtesy and respect in all interactions. 5. Maintain a well-organized work area and a business like appearance. 6. Foster good working relations by being responsive to requests. 7. Maintain confidentiality policy.	2.9	The PERS organization seems to me to be a very professional, well-run organization. That is necessary to serve the very large volume of member concerns they deal with. If there are any complaints either within the organization, or among those they serve, I am certainly not aware of them. No issues that I am aware of.

CJE – Critical Job Element	Expectation	Rating	Comments
	Overall Rating	**2.5**	

There are nine major evaluation categories. When evaluating, rate using the following categories (indicate a rating of 1, 2, or 3 in each evaluation category):

1. **DOES NOT MEET EXPECTATIONS**: Executive Director is not performing acceptably and expectations are not being met.. Goals for improvement must be set and performance review date established (3-6 months).

2. **MEETS EXPECTATIONS:** Executive Director is performing acceptably and is meeting all standards and expectations.

3. **EXCEEDS EXPECTATIONS:** Executive Director is performing beyond and exceeds the established standards and expectations.