NDPERS BOARD MEETING
Agenda

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

May 19, 2016 **Time: 8:30 AM**

I. MINUTES
   A. April 21, 2016

II. PRESENTATIONS
   A. ESI Update – ESI and Sanford (Information)
   B. Asset Liability Study Results – Callan (Information)

III. GROUP INSURANCE
   A. Health Plan Renewal – Sparb (Board Action)
      1. Timeline
      2. Operations
      3. Survey
      4. Projection Methodology
      5. Pharmacy Benefit Consultant Services
   B. Dental/Vision/Life Consultant RFP – Bryan (Board Action)
   C. Health Plan Update – Rebecca (Information)

IV. RETIREMENT
   A. Defined Contribution to Defined Benefit Actuarial Analysis – Sparb (Information)
   B. Actuarial Transition Timeline – Sparb (Information)
   C. TIAA Renewal – Sparb (Information)
   D. ASIFlex Renewal – Sparb (Board Action)
   E. RHIC Policy – MaryJo (Information)

V. MISCELLANEOUS
   A. Contract Approvals – (Board Action)
      1. Gabriel Roeder Smith (Retirement Consultant)
      2. Nyhart (OPEB Valuation)
      3. Heart of America HMO
   B. Enhanced Self-service/Centralized Enrollment Process – Sparb (Board Action)
   C. Budget – Sharon and Derrick (Information)
   D. Board Planning – Sparb (Board Action)
   E. Member Surveys (Flexcomp and Deferred Compensation) – Bryan (Board Action)

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

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

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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: May 11, 2016

SUBJECT: ESI/Sanford Pharmacy Update

ESI/Sanford will be at the next Board meeting to provide you a pharmacy program update. We set this meeting up several months ago to follow up on concerns expressed by pharmacists and to get an update on plan performance for both the active plan and Medicare Part D plan.

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Memorandum

TO: PERS Board

FROM: Sparb

DATE: May 11, 2016

SUBJECT: Asset Liability Study

Attached is information on the Asset Liability Study for the retirement plan (attachment #1) and the retiree health credit program (attachment #2).

At this meeting Callan will review the information with the Board and answer questions. We are also looking for you to identify any other information you would like to get. David Hunter from RIO will also be at the meeting to provide additional information and answer questions as well.

At the next meeting staff (PERS/RIO) and our Investment Subcommittee will provide to you a recommendation for your consideration, therefore, this is informational at this meeting.

Callan

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Memorandum

To: Board of Trustees, North Dakota Public Employees Retirement System
From: Julia Moriarty, CFA; Paul Erlendson; Alexander Browning
CC: Sparb Collins, Executive Director; Bryan Reinhardt, Research and Planning Manager
Date: May 9, 2016
Subject: NDPERS Pension Fund Asset Liability Results

The primary objective of the asset liability study is to determine an appropriate strategic asset allocation for the North Dakota Public Employees Retirement System ("the Fund" or "the Plan") given the three policies that govern the Plan; the investment policy, the funding policy and the benefits policy. This objective is pursued by analyzing the interaction of assets and liabilities under a variety of capital market scenarios. Critical to the decision-making process is the Board's level of risk tolerance, which is ascertained after reviewing the quantitative and qualitative information contained in the asset liability study.

An appropriate asset allocation will satisfy two basic criteria:

1. The asset mix will be ***efficient***. Given an expected level of risk, the asset mix will generate the maximum level of expected return.

2. The asset mix will reflect an ***appropriate level of risk*** tolerance, based on a balanced consideration of Plan liabilities and the expected interaction of the liabilities with potential Fund performance.

Five efficient asset mixes were constructed based on the Plan's current asset classes (US Equity, Global ex-US Equity, Domestic Fixed Income, High Yield, NUS Fixed Income, Private Equity, Real Estate, Timberland, Infrastructure and Cash) and Callan's 2016-2025 capital market assumptions. The impact of adding hedge funds was examined and the results are shown in the appendix to the study.

Demographic Risk Analysis

Using the assumptions and plan provisions outlined in the July 1, 2015 valuation report provided by the Plan's actuary, Segal Consulting, we modeled liabilities by advancing the Plan population through time. Over the next few years, the active member average age rises to 48 years due to changes in the actuarial assumptions and Plan provisions. Liabilities are growing at a steady pace which is typical of an open plan. Liquidity needs are also increasing over time with net outflow as a percentage of assets rising from less than 1% in 2015 to 4.6% by 2035. Net outflow under 5% should be manageable as long as PERS adheres to the current funding policy.

Three additional assumptions were tested and the results outline in the appendix to the study:

- Active Population: 2.5% growth per year versus base-case scenario of 0% growth
- Contribution Rate: 2% additional Main System contribution (1% employer and 1% employee)
- Contribution Methodology: Actuarially required contribution versus statutory contribution rate

Expected Financial Condition

The projection of funded status suggests difficulty in closing the funding gap given current benefit and contribution policies. In the absence of benefit/contribution policy changes, the Plan's funded status (market value of assets / actuarial accrued liability) is expected to decline from 78% to 74% over the next 10 years under the current asset allocation.

Currently, the statutory contribution rates are insufficient to meet the needs of the Plan. The combined employer and employee Main System contribution rate of 14.12% is approximately 5% below the 2015-16 actuarially required contribution of 19.21%.

The important conclusion to draw from the projections is that investment policy alone is unlikely to close the Plan's deficit over the next 10 years. According to the asset liability simulations, the probability of becoming 100% funded ranges from just 16% for Mix 1 to 32% for Mix 5.

Critical Decision Factors

By combining assets and liabilities with thousands of possible capital market scenarios, statistically valid ranges of outcomes for numerous decision variables can be created. The range of outcomes may be conveyed in the presentation as "floating bars". The floating bars and table underneath illustrate the reward or expected-case outcome (the median or 50th percentile); the best-case outcome (defined as the 2.5th percentile); and the worse-case outcome (defined as the 97.5th percentile) for each asset allocation alternative under consideration. Two variables were identified as critical decision variables that may influence the asset allocation decision. These critical decision variables are:

- Funded Status (market value of assets / actuarial accrued liability)
- Liquidity Needs (net outflow / market value of assets where net outflow = benefits less contributions)

The funded status variable examined is an ongoing measure of the financial health of the Plan and arguably the most important decision variable as it indicates the ongoing financial security of promised benefits. Over the next 10 years, the funded status is expected to improve modestly only under the most aggressive asset allocation (Mix 5 with just 5% fixed income) and in a worse-case scenario fall to approximately 25-30% depending on the asset mix employed.

The liquidity measure (net outflow / assets) was analyzed across asset allocations. In a worse-case scenario in 2025, liquidity needs can be as high as 8-10% of assets. A Plan with net outflow less than 5% of assets should have manageable liquidity needs as portfolio income and cash management can effectively deal with the net drain each year. In the 5-10% range, the ability to manage liquidity needs is less clear. Today, most defined benefit plans are mature and are experiencing a net drain. This is a natural phase in the lifecycle of a defined benefit plan. When considering the current 25% allocation to illiquid asset classes, the Fund appears to be near its upper limitation of allocation to illiquid investments. At this time, it is not necessary to decrease illiquid investments and a more aggressive asset allocation, such as Mix 3, is not precluded from consideration due to its slightly lower liquidity relative to the current Target Mix.

Conclusion

Many factors support an asset allocation with a risk posture similar to or slightly more aggressive than the current Target. An asset allocation similar to Mix 2A or Mix 3 as shown below appears reasonable based on the results of the asset liability study. Mix 2A's risk posture is similar to the current Target while Mix 3 is a slightly more aggressive asset allocation.

Asset Class	Target	Change from Target	Mix 2A	Change from Target	Mix 3
US Broad Equity	29%	-1%	28%	0%	29%
Global ex-US Equity	23%	0%	23%	1%	24%
Domestic Fixed	12%	8%	20%	5%	17%
High Yield	5%	-2%	3%	-2%	3%
Non-US Fixed	5%	-5%	0%	-5%	0%
Private Equity	5%	2%	7%	2%	7%
Real Estate	10%	1%	11%	1%	11%
Timberland	5%	-2%	3%	-2%	3%
Infrastructure	5%	-1%	4%	0%	5%
Cash Equivalents	1%	0%	1%	0%	1%
Totals	100%	0%	100%	0%	100%
Expected Return	6.8%	0.1%	6.9%	0.2%	7.0%
Standard Deviation	14.5%	0.0%	14.5%	0.6%	15.1%
Probability $\geq$ 8%	39.3%	1.0%	40.3%	2.2%	41.5%
Public Equity	52%	-1%	51%	1%	53%
Fixed Income + Cash	23%	1%	24%	-2%	21%
Alternatives	25%	0%	25%	1%	26%

Note: Real Estate, Timberland and Infrastructure were modeled together as Real Assets with the following weights: 60% Real Estate + 15% Timberland + 25% Infrastructure.

Callan

May 18-19, 2016

North Dakota Public Employees Retirement System

2016 Asset Allocation and Liability Study

Alexander Browning
Vice President

Paul Erlendson
Senior Vice President

Julia Moriarty, CFA
Senior Vice President

Agenda

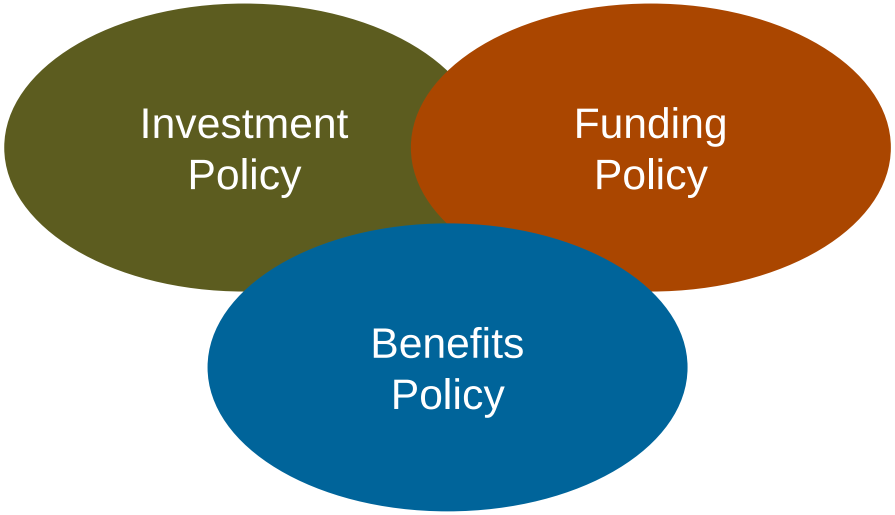
- Goal of the study
- Callan's asset-liability process
  - Capital market expectations
  - Develop asset mix alternatives
  - Build actuarial liability model
  - Deterministic projections
  - Simulate financial condition (stochastic projections)
- Asset allocation recommendation
- Appendix

Goal of the Study

- The goal of this asset-liability study is to identify an appropriate long-term strategic asset allocation policy for the North Dakota Public Employees Retirement System (PERS).
- An appropriate asset allocation will depend on the Plan Sponsor's investment objectives.
  - Minimize costs over the long run (long-term goal).
    - *How much return generation (from beta and alpha) is necessary to lower costs and/or improve funded status?*
  - Minimize funded status volatility (short-term goal).
    - *How much risk reduction is necessary to reduce funded status volatility?*
- The appropriate asset allocation should strike a balance between sustainable funded status volatility and minimization of costs over the long run.
- The appropriate asset allocation will vary by each Plan Sponsor's unique circumstances, preferences, and priorities.
  - No "one-size-fits-all" solution exists.

Where Does Asset Allocation Fit In?

We evaluate the interaction of the three key policies that govern the Fund with the goal of establishing the best investment policy.



Investment Policy

- How will the assets supporting the benefits be invested?
- What risk and return objectives?
- How to manage cash flows?

Funding Policy

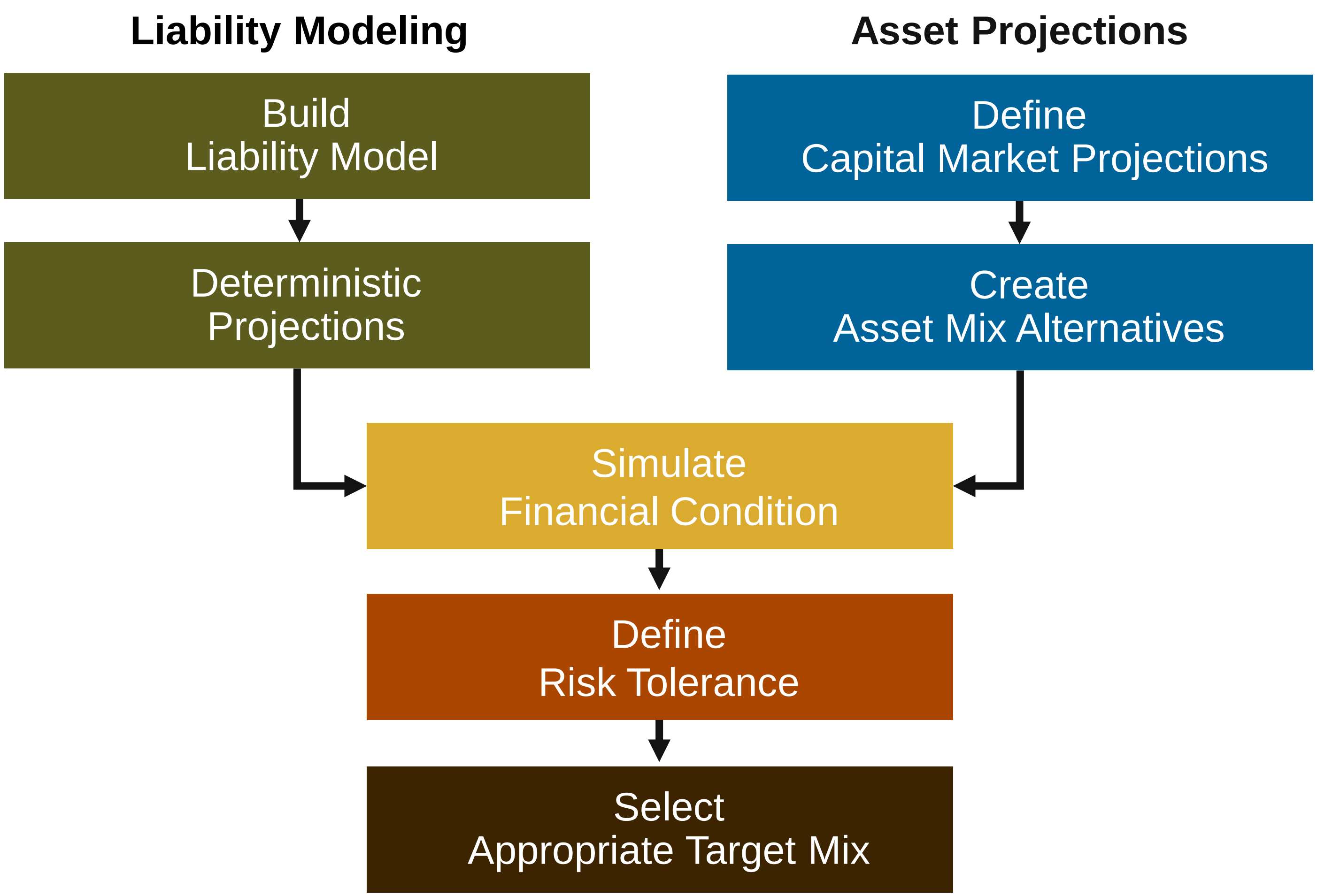
- How will the benefits be paid for (funded)?
- What are the actuarial assumptions?
- How are unfunded liabilities amortized or recognized over time?
- What are expected inflows (contributions)?

Benefits Policy

- What type/kind of benefits?
- What level of benefit?
- When and to whom are they payable?

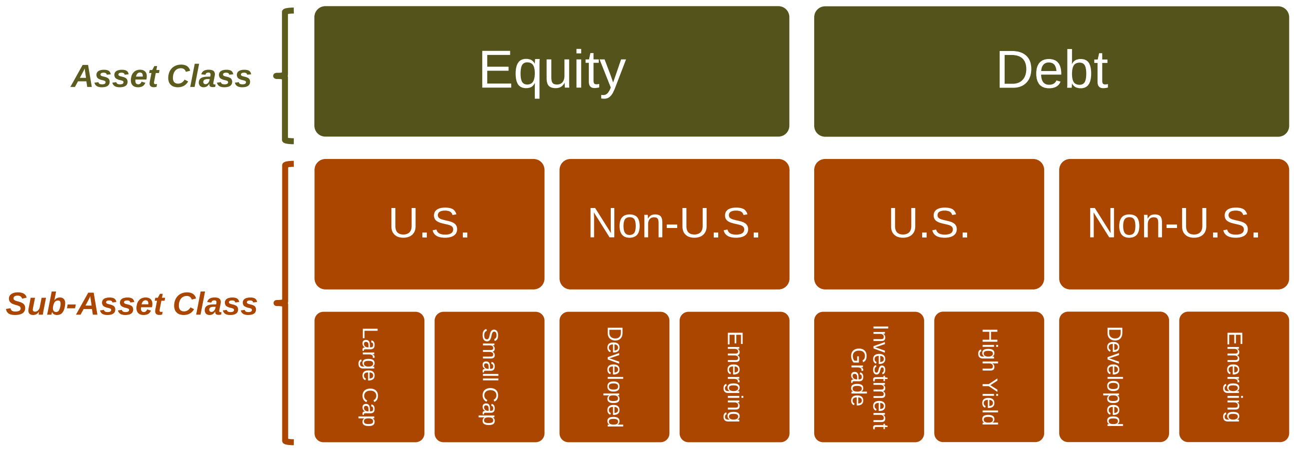
Asset Allocation and Liability Process

- Liabilities and assets are evaluated and tested separately, then integrated into a single model.



The Focus is on Broad Asset Classes

- Breakdowns between investment styles within asset classes (growth vs. value, large cap vs. small cap) are best addressed in a manager structure analysis.
  - Asset allocation assumes a net-of-fee investment in the relevant index fund (passive management).
  - Manager structure reflects the investor's decision about the use of active and/or passive management within an asset class; the number of different mandates within the asset class; the styles within the asset class; and whether or not to implement "tilts" that differ from the broad asset class benchmark.
- Primary asset classes and important sub-asset classes include:
  - U.S. stocks
  - U.S. bonds
  - Non-U.S. stocks
  - Non-U.S. bonds
  - Alternative investments
    - *Real estate*
    - *Private equity*
    - *Hedge funds*
  - Cash



How are Capital Market Projections Constructed?

- An annual internal process at Callan updates 10-year projections.
  - Evaluate current environment and economic outlook.
  - Examine relations between economy and historical asset class performance.
  - Create 10-year risk, return, and correlation projections.
  - Test projections for reasonable results.
  - Typically released in January each year.
- Projections cover most broad asset classes and inflation:
  - Broad domestic equity
    - *Large cap*
    - *Small cap*
  - International equity
    - *Developed markets*
    - *Emerging markets*
  - Domestic fixed income
  - International fixed income
  - Real estate
  - Alternative investments
  - Cash
  - Inflation
- Incorporates both advanced quantitative modeling as well as qualitative feedback and expertise contributed by Callan consulting professionals.

2016 Capital Market Expectations

Return and Risk

- Public market expectations represent passive exposure (beta only).
- Return expectations for private market investments such as real estate and private equity reflect active management premiums.
- Return expectations are net of fees.

Summary of Callan's Long-Term Capital Market Projections (2016 - 2025)

Asset Class	Index	Projected Return*	Projected Risk
Equities			
Broad Domestic Equity	Russell 3000	7.35%	18.70%
Large Cap	S&P 500	7.25%	17.95%
Small/Mid Cap	Russell 2500	7.55%	22.75%
Global ex-US Equity	MSCI ACWI ex USA	7.55%	21.30%
International Equity	MSCI World ex USA	7.25%	20.05%
Emerging Markets Equity	MSCI Emerging Markets	7.60%	27.85%
Fixed Income			
Domestic Fixed	Barclays Aggregate	3.00%	3.75%
TIPS	Barclays TIPS	3.00%	5.30%
High Yield	Barclays High Yield	5.00%	10.50%
Non-US Fixed	Barclays Global Aggregate ex-USD	1.40%	9.20%
Emerging Market Debt	EMBI Global Diversified	4.60%	9.90%
Other			
Real Estate	Callan Real Estate Database	6.00%	16.45%
Timberland	NCREIF Timberland	6.20%	17.50%
Infrastructure	S&P Global Infr / JPM Infr	6.60%	19.00%
Private Equity	TR Post Venture Capital	8.15%	32.80%
Hedge Funds	Callan Hedge FoF Database	5.25%	9.30%
Commodities	Bloomberg Commodity	2.75%	18.50%
Cash Equivalents	90-Day T-Bill	2.25%	0.90%
Inflation	CPI-U	2.25%	1.50%

** Geometric returns are derived from arithmetic returns and the associated risk (standard deviation).*

2016 Capital Market Expectations

Correlations

2016 Correlation Matrix

	Broad	Lg Cap	Sm/Mid	GlobxUS	Int'l Eq	Emerge	Dom Fix	TIPS	Hi Yield	NUS Fix	EMD	Real Est	Timber	Infrastr	Pvt Eqt	Hedge Fd	Comm	Cash Eq
Broad Domestic Equity	1.000																	
Large Cap	0.997	1.000																
Small/Mid Cap	0.965	0.940	1.000															
Global ex-US Equity	0.882	0.879	0.853	1.000														
International Equity	0.852	0.850	0.820	0.986	1.000													
Emerging Markets Equity	0.861	0.855	0.840	0.933	0.860	1.000												
Domestic Fixed	-0.108	-0.100	-0.130	-0.123	-0.105	-0.150	1.000											
TIPS	-0.050	-0.045	-0.065	-0.053	-0.045	-0.065	0.580	1.000										
High Yield	0.640	0.640	0.610	0.629	0.610	0.610	0.020	0.060	1.000									
Non-US Fixed	0.014	0.050	-0.100	0.013	0.060	-0.090	0.510	0.340	0.120	1.000								
EMD	0.579	0.580	0.550	0.550	0.530	0.540	0.030	0.150	0.600	0.010	1.000							
Real Estate	0.735	0.730	0.715	0.669	0.650	0.645	-0.020	0.005	0.560	-0.050	0.450	1.000						
Timberland	0.584	0.580	0.570	0.533	0.520	0.510	-0.020	0.000	0.430	-0.040	0.400	0.800	1.000					
Infrastructure	0.781	0.780	0.750	0.709	0.690	0.680	-0.020	0.010	0.580	0.060	0.590	0.650	0.500	1.000				
Private Equity	0.948	0.945	0.915	0.934	0.905	0.905	-0.190	-0.100	0.640	-0.060	0.560	0.710	0.570	0.760	1.000			
Hedge Funds	0.797	0.795	0.765	0.760	0.735	0.740	0.080	0.055	0.570	-0.080	0.540	0.600	0.460	0.620	0.770	1.000		
Commodities	0.167	0.165	0.165	0.177	0.170	0.175	-0.120	0.100	0.100	0.050	0.190	0.200	0.180	0.240	0.180	0.210	1.000	
Cash Equivalents	-0.043	-0.030	-0.080	-0.040	-0.010	-0.100	0.100	0.070	-0.110	-0.090	-0.070	-0.060	-0.050	-0.080	0.000	-0.070	0.070	1.000

- "Correlations" measure relationships between asset classes. They are as important, or more important, than the level of individual asset class assumptions.
- These relationships will have a significant impact on the generation of efficient asset mixes using mean-variance optimization.
- Correlations are what define the diversification benefit – or lack thereof – of asset combinations.

Asset Mix Alternatives

Mean-Variance Optimization

				Optimal Mixes				
Asset Class	**Target**	**Min.**	**Max.**	**Mix 1**	**Mix 2**	**Mix 3**	**Mix 4**	**Mix 5**
US Broad Equity	29%	0%	100%	24%	26%	29%	32%	35%
Global ex-US Equity	23%	0%	100%	20%	22%	24%	26%	28%
Domestic Fixed	12%	0%	100%	30%	24%	17%	11%	3%
High Yield	5%	0%	100%	4%	3%	3%	2%	2%
Non-US Fixed	5%	0%	100%	0%	0%	0%	0%	0%
Private Equity	5%	0%	100%	6%	7%	7%	8%	9%
Real Estate	10%	0%	100%	9%	10%	11%	12%	13%
Timberland	5%	0%	100%	2%	3%	3%	3%	3%
Infrastructure	5%	0%	100%	4%	4%	5%	5%	6%
Cash Equivalents	1%	1%	100%	1%	1%	1%	1%	1%
Totals	100%			100%	100%	100%	100%	100%
Expected Return	6.8%			6.5%	6.8%	7.0%	7.2%	7.5%
Standard Deviation	14.5%			12.5%	13.8%	15.1%	16.4%	18.0%
Probability $\geq$ 8%	39.3%			34.4%	38.4%	41.5%	43.3%	45.0%
Public Equity	52%			44%	48%	53%	58%	63%
Fixed Income + Cash	23%			35%	28%	21%	14%	6%
Alternatives	25%			21%	24%	26%	28%	31%

Note: Real Estate, Timberland and Infrastructure were modeled together as Real Assets with the following weights: 60% Real Estate + 15% Timberland + 25% Infrastructure.

- Only the current asset classes are modeled in the body of the study. The impact of adding hedge funds is explored in the appendix.

Asset Mix Alternatives

Mean-Variance Optimization

- While the Fund's expected return over the next 10 years falls short of the 8.0% actuarial return assumption, a few key items should be factored into this study's 6.8% return projection.
  - Callan's public market return projections do not incorporate active management premiums.
    - *Active management premiums accrue when investment firms selected by the State Investment Board outperform their passive benchmarks. It is important to note, though, that investment firms will at times underperform their passive benchmarks. The Plan's returns have benefitted from active management by 52 basis points (annualized) over the past five years. Based on history, 50 basis points would be a reasonable estimate of value-added from active management going forward.*
  - Callan's 10-year projections are below longer-term expectations due to the current economic environment and the forecast for the next several years.
    - *Callan's 10-year return projections are approximately 50 to 200 basis points below longer-term (30+ years) expectations. The difference between near-term and long-term return expectation depends on the asset class.*
  - The actuary assumes 3.50% price inflation versus Callan's 2.25% assumption. Within the context of this study, that means the comparable liability return is closer to 7.5% rather than 8.0%.
    - *The 8.0% return is not reduced by a full 125 basis points since retirees do not receive an automatic COLA (100% CPI) every year.*
  - The Plan still has a reasonable chance of achieving an 8.0% return over 10 years (39% probability).
- Finally, Callan's 2016 capital market assumptions result in the model not "liking" non-US fixed income from a pure beta standpoint. Models are a tool, not a substitute for informed human judgement. To that end, we believe that the historical "alpha" available through implementation makes a compelling case to override the simple "beta" (or index fund) assessment embedded in our optimization model.

Build Actuarial Liability Model

- For purposes of asset-liability modeling, Callan built an actuarial liability model based on the Fund's specific liabilities which initially matches Segal's actuarial liabilities within +/-5%.
  – Results are then scaled to match the actuarial report exactly.
- Liability model is based on the July 1, 2015 actuarial valuation report provided by Segal Consulting.

July 1, 2015 Financial Position	
Actuarial Accrued Liability	$3,052 Million
Market Value of Assets	$2,372 Million
Actuarial Value of Assets	$2,094 Million
Funded Status (MVA/AL)	77.7%
Funded Status (AVA/AL)	68.6%

Key Assumptions	Actuarial	Callan
Investment Return	8.0%	6.8%
Price Inflation	3.50%	2.25%

Build Actuarial Liability Model

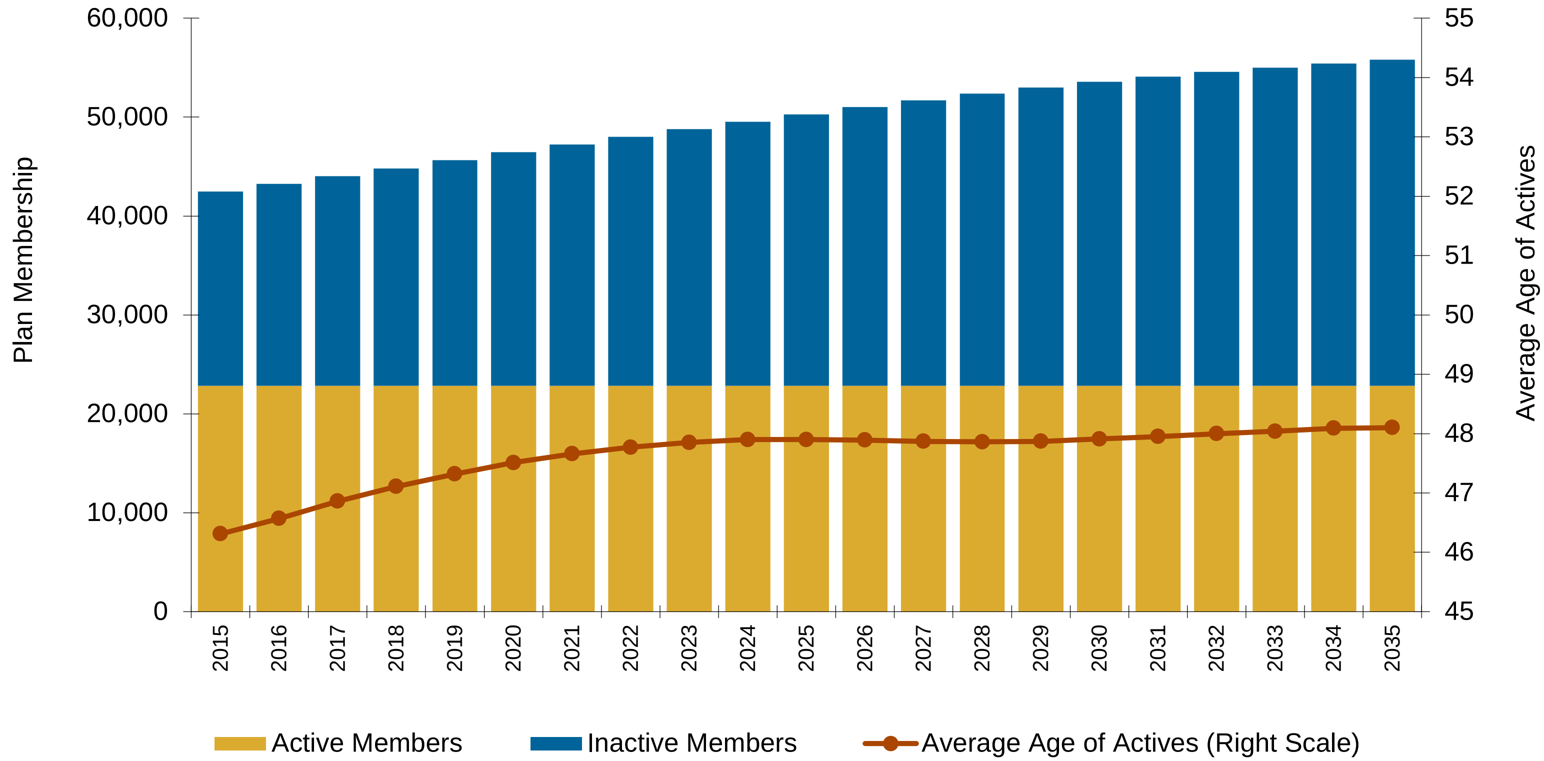
- Contributions (employer and employee) are set by statute.
- Current contribution rates are shown below for the various Plan populations along with the 2015-2016 employer actuarial contribution requirement.
- The Main System's contribution rates could rise as early as 2017 as shown in the bottom row in the table below. The impact on the Fund of a 1% increase in both the employer and employee contribution rates is shown in the appendix.

Contribution Rates	Employer	Employee	Total	2015-16 ARC
Law Enforcement with prior Main System service*	9.81%	5.58%	15.39%	15.36%
Law Enforcement without prior Main System service	7.93%	5.50%	13.43%	13.53%
Judges	17.52%	8.00%	25.52%	18.75%
Main System	7.12%	7.00%	14.12%	19.21%
Main System (Alternative Scenario)	*8.12%*	*8.00%*	*16.12%*	*n/a*

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

Plan Membership

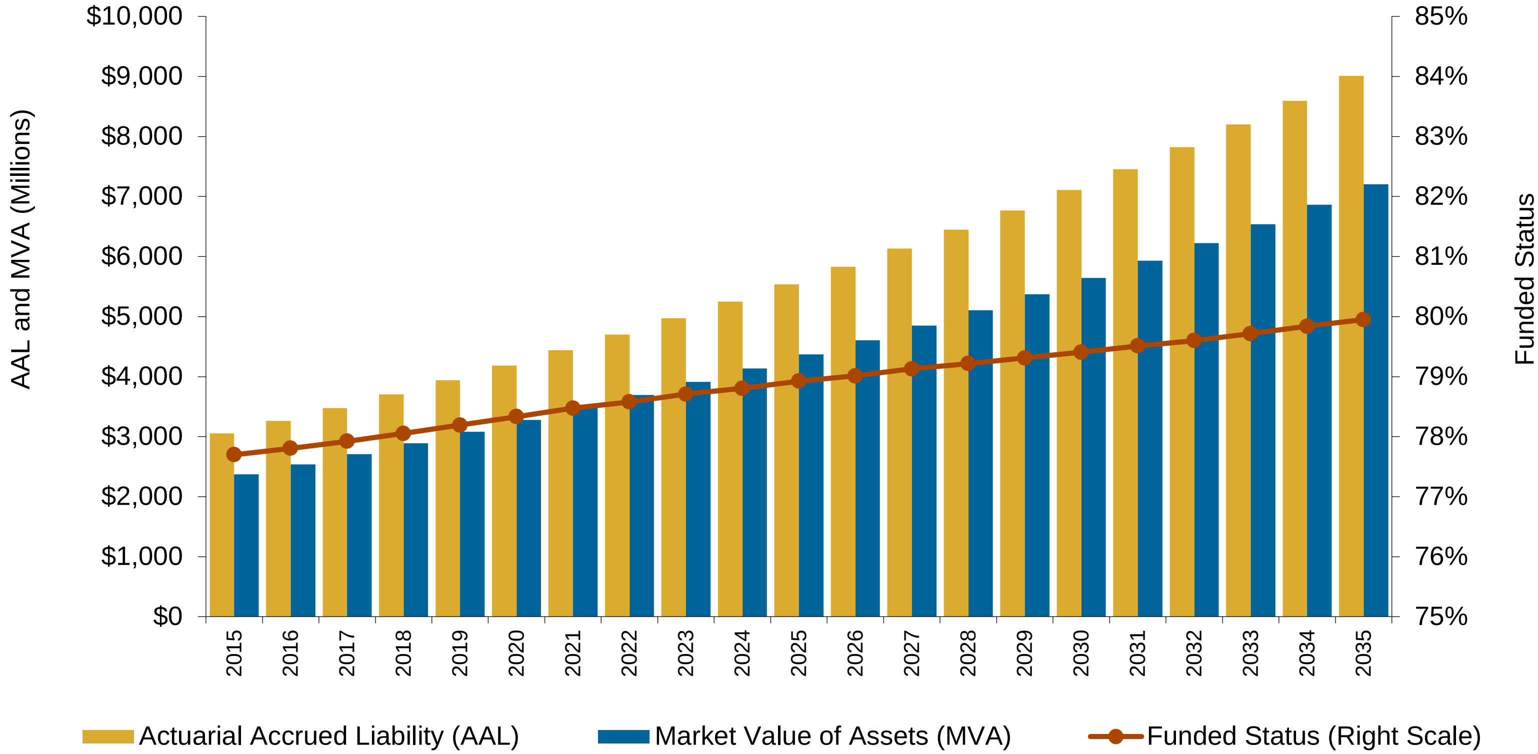
20 Year Projection (2015 to 2035)



- The number of active members is held constant at 22,845 (0% workforce growth).
  – Future new hires replace exits due to retirement, death, disability, and withdrawal.
- Average age of active members rises slightly in the first few years due to changes in actuarial assumptions (retirement rates) and plan provisions (normal service pension requirements and early retirement benefits).

Liabilities, Assets and Funded Status

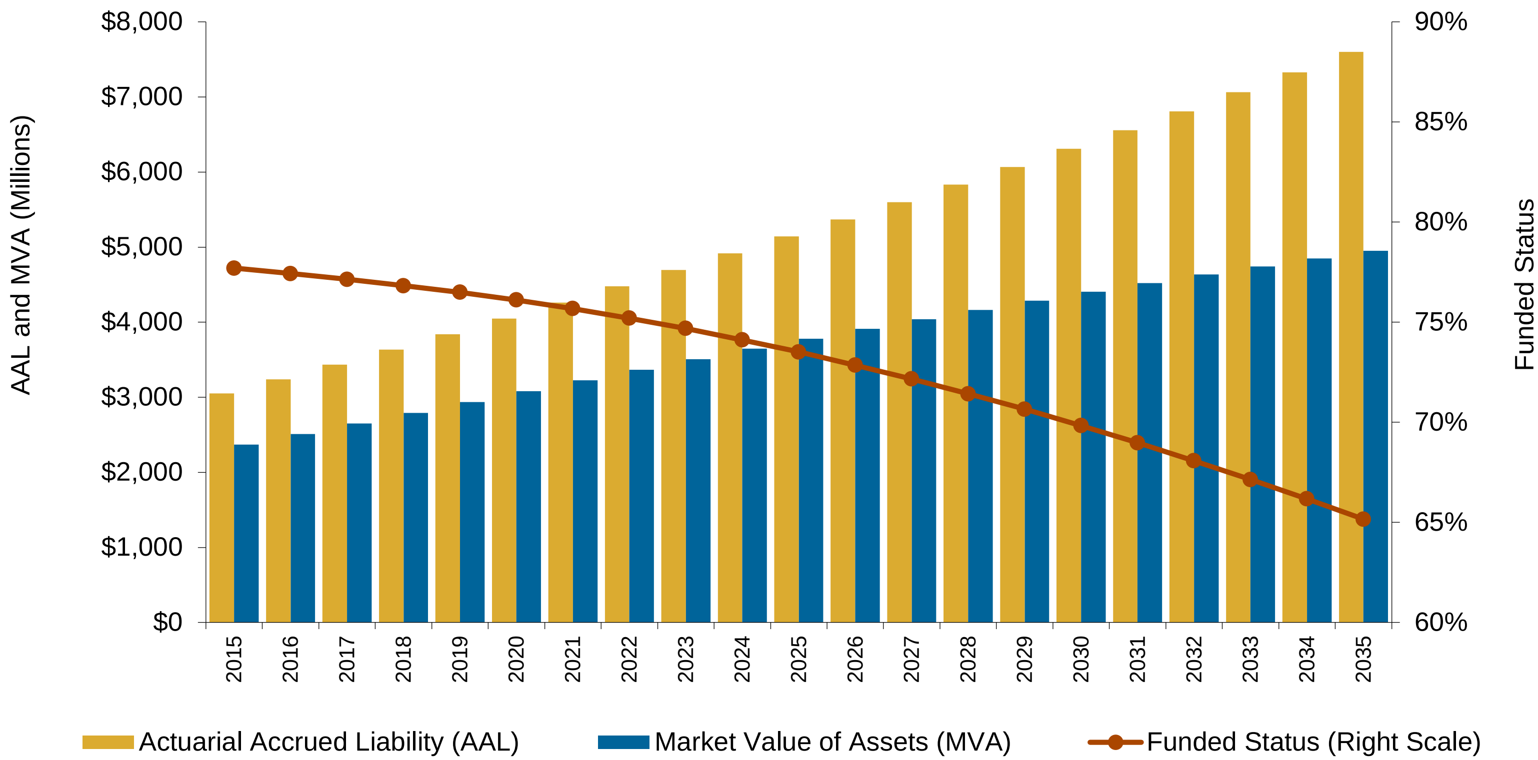
20 Year Projection (2015 to 2035): Actuarial Assumptions



- The above graph represents the baseline projection for the current target mix and current funding policy using ***actuarial assumptions***.
  - Current target mix is assumed to return 8.0% each year with price inflation of 3.5%.
- Funded status is expected to rise to 80% by 2035 under current statutory contribution rates.

Liabilities, Assets and Funded Status

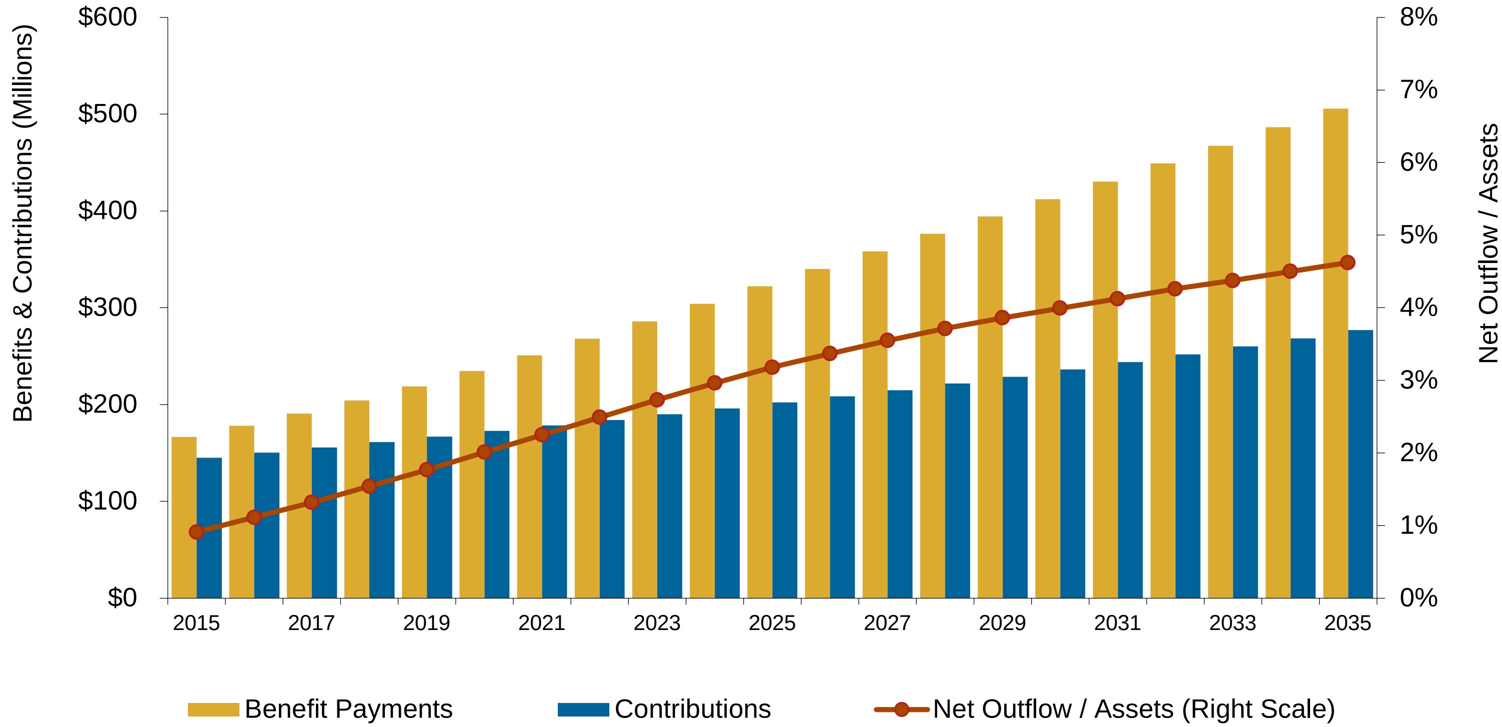
20 Year Projection (2015 to 2035): Callan Assumptions



- The above graph represents ***Callan's*** baseline projection for the current target mix and current funding policy. Callan's assumptions are used throughout the remainder of the study.
  - Current target mix is assumed to return 6.8% each year with price inflation of 2.25%.
- Funded status is expected to fall to 65% by 2035 under current statutory contribution rates and an assumed 6.8% investment return.

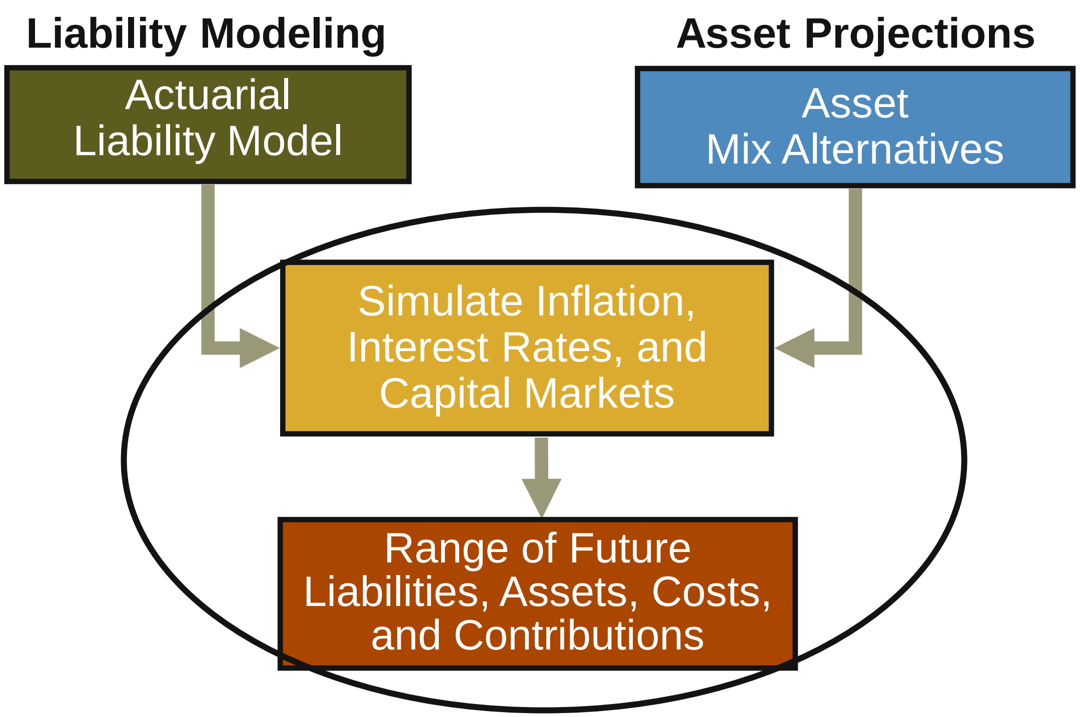
Liquidity Needs

20 Year Projection (2015 to 2035)



- Net Outflow = Benefit Payments – Employer Contributions – Employee Contributions
- Liquidity needs increase over time with net outflow as a percentage of assets rising from less than 1% in 2015 to 4.6% by 2035.
- Net outflow as a percentage of assets under 5% should be manageable as long as PERS adheres to the current funding policy.

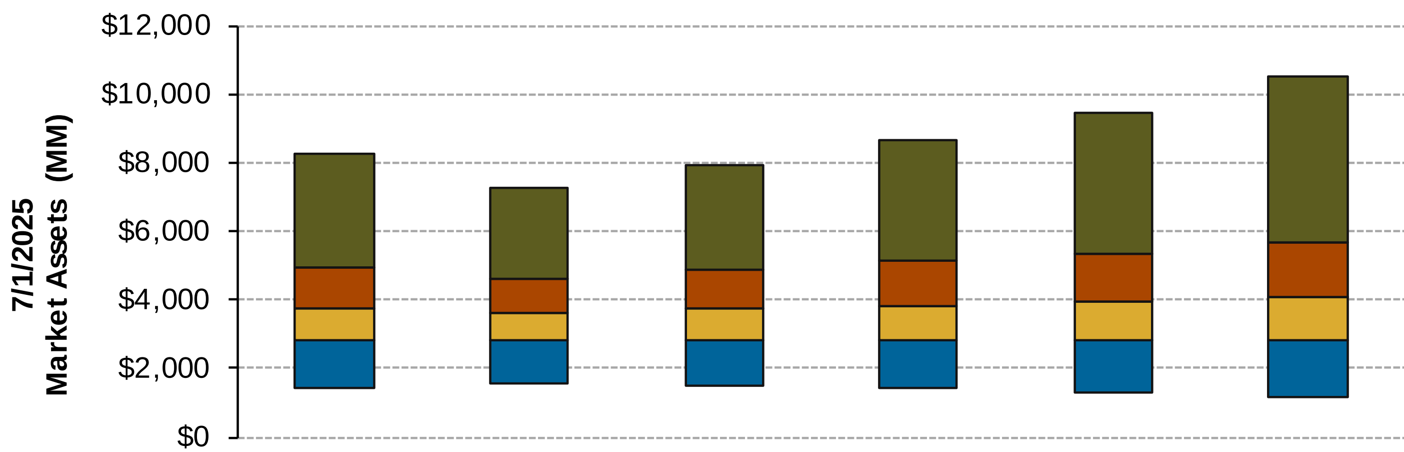
Simulate Financial Condition



- Generate 2,000 simulations per year, per asset mix to capture a broad range of possible future economic scenarios and their impact on the Fund.
- Focus on the 10-year planning horizon (July 1, 2015 – July 1, 2025).

Market Value of Assets

Projection Date: July 1, 2025

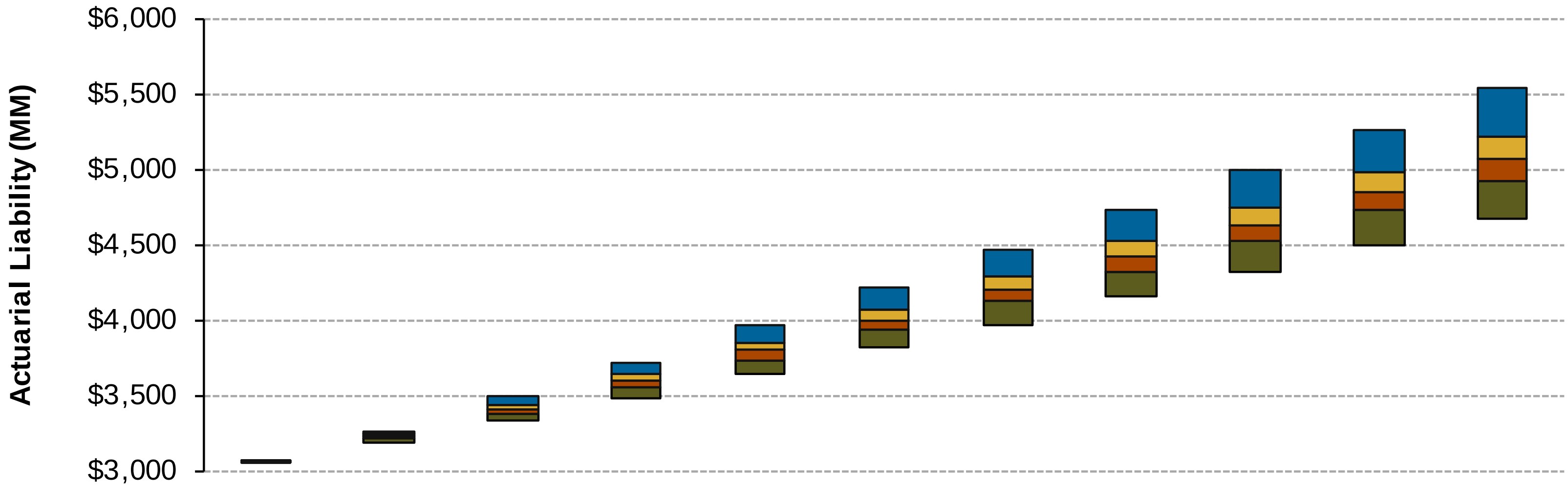


Percentile	Target	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5
2.5th	$8,257	$7,246	$7,921	$8,634	$9,479	$10,534
25th	$4,957	$4,624	$4,866	$5,115	$5,357	$5,686
50th	$3,763	$3,627	$3,742	$3,833	$3,938	$4,055
75th	$2,824	$2,838	$2,844	$2,834	$2,841	$2,820
97.5th	$1,436	$1,590	$1,489	$1,405	$1,302	$1,190
Range	$6,821	$5,656	$6,432	$7,228	$8,178	$9,344

- Moving from left to right (Mix 1 to Mix 5), the range of results widens as one takes on more risk (greater equity exposure).
- More aggressive mixes have larger expected values (50^{th} percentile) but lower worse-case (97.5^{th} percentile) outcomes.
  - The 50^{th} percentile is the expected case – half of the outcomes are higher and half lower.
  - The 97.5^{th} percentile is a worse case scenario – a 2.5% probability that assets will be the value shown or lower. This represents a two standard deviation event.

Actuarial Liability Growth Projection

July 1, 2015 to July 1, 2025

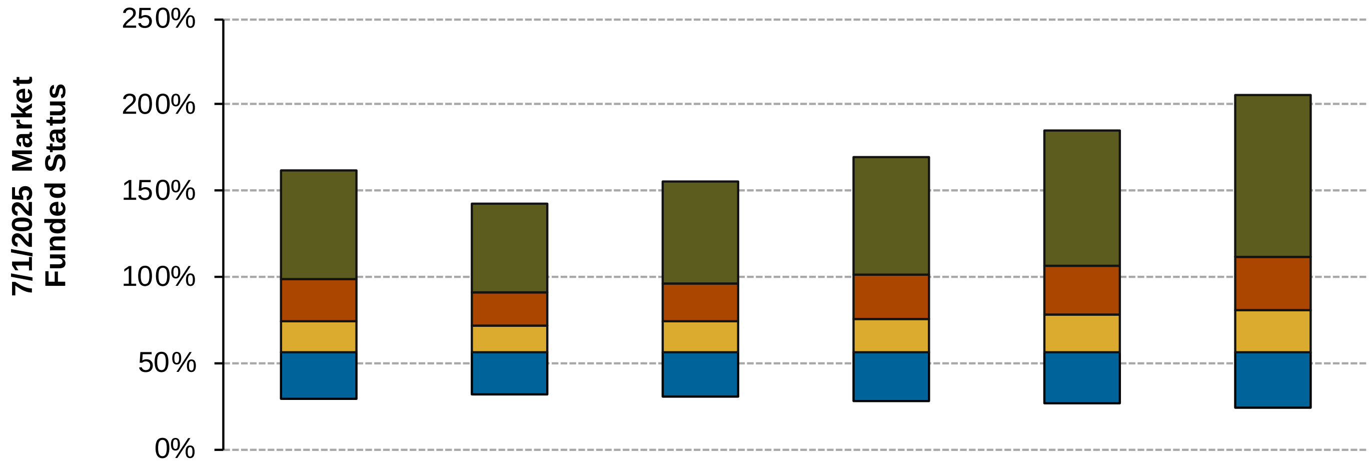


Percentile	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
97.5th	$3,052	$3,263	$3,486	$3,715	$3,957	$4,213	$4,467	$4,722	$4,994	$5,260	$5,530
75th	3,052	3,236	3,432	3,636	3,847	4,065	4,291	4,515	4,747	4,979	5,211
50th	3,052	3,223	3,404	3,595	3,796	3,998	4,202	4,415	4,626	4,847	5,063
25th	3,052	3,209	3,378	3,554	3,733	3,928	4,125	4,322	4,524	4,722	4,924
2.5th	3,052	3,182	3,325	3,481	3,644	3,810	3,967	4,151	4,321	4,499	4,667
Range	0	81	161	234	314	403	500	571	673	761	863

- Plan liabilities are increasing at a steady pace which is typical for an open plan.
  – The actuary assumes 3.50% price inflation versus Callan's 2.25% assumption which means the liability return is closer to 7.5% rather than 8.0%.
    – *The 8.0% return is not reduced by a full 125 basis points as retirees do not receive an automatic COLA (100% CPI) every year.*
- The Plan's liabilities are fairly sensitive to changes in inflation and the resulting impact on salaries.

Funded Status

Projection Date: July 1, 2025

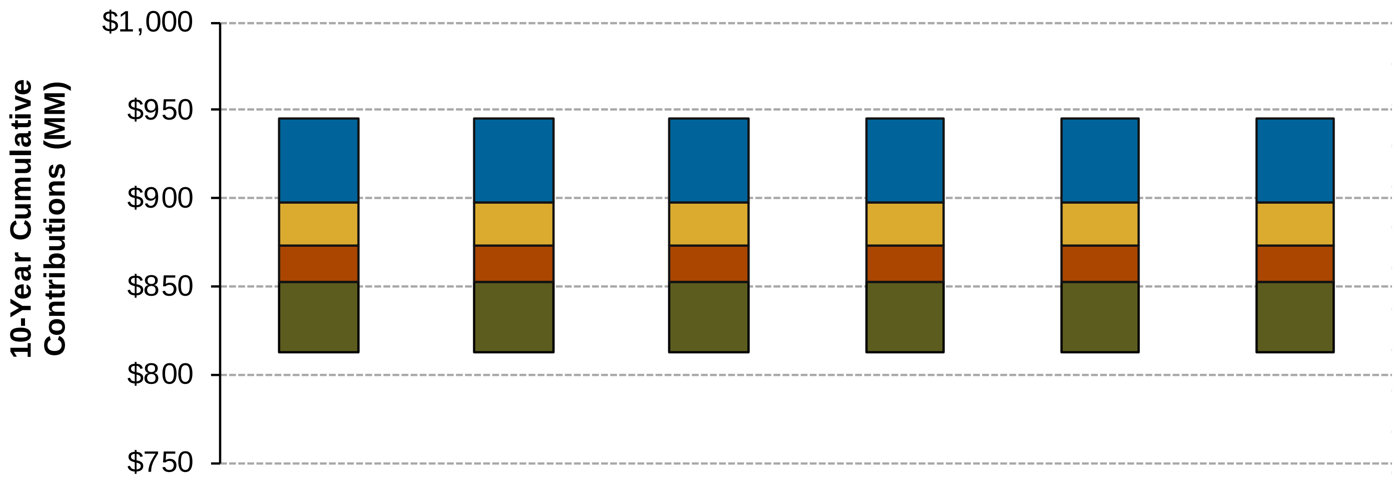


Percentile	Target	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5
2.5th	162%	142%	156%	170%	185%	205%
25th	98%	91%	96%	101%	106%	112%
50th	74%	71%	74%	76%	78%	80%
75th	56%	56%	56%	56%	56%	56%
97.5th	28%	31%	30%	28%	26%	24%

- Funded Status = Market Value of Assets / Accrued Liability
  – 7/1/2015 funded status = 77.7% ($2,372 / $3,052)
- The Plan's funded status is expected (50th percentile) to remain relatively unchanged over the next ten years under the current funding policy. Only Mixes 4 and 5 are expected to result in an improved funded status ten years out.
- More aggressive mixes are expected to have a higher funded status at the end of 10 years but will have a lower funded status in a worse-case scenario (97.5th percentile).

Cumulative Employer Contributions

2015 to 2024

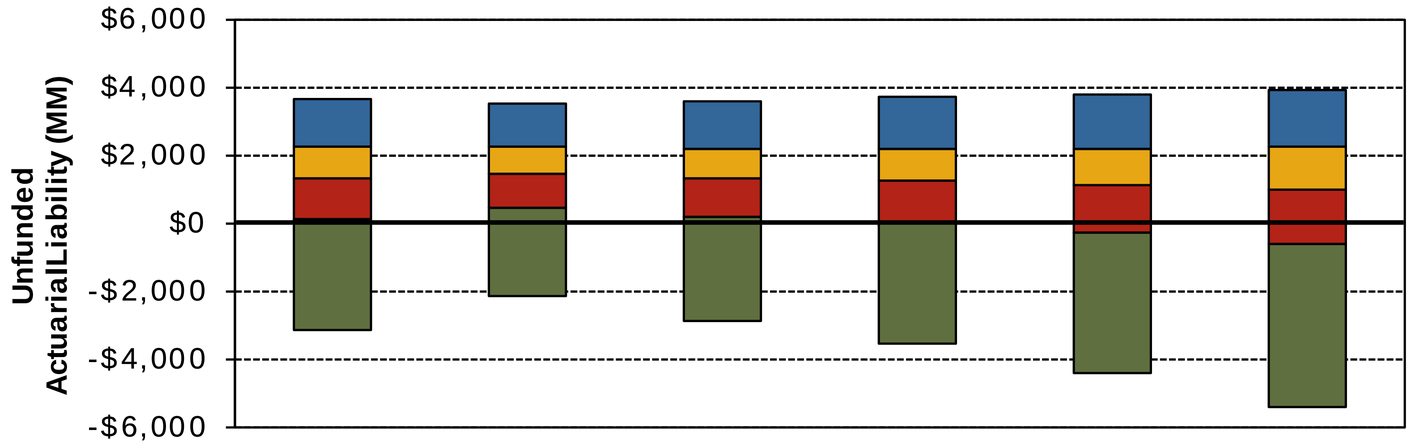


Percentile	Target	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5
97.5th	$945	$945	$945	$945	$945	$945
75th	$897	$897	$897	$897	$897	$897
50th	$874	$874	$874	$874	$874	$874
25th	$852	$852	$852	$852	$852	$852
2.5th	$813	$813	$813	$813	$813	$813
Range	$132	$132	$132	$132	$132	$132

- There is no contribution variability across the asset mixes due to the statutory percentage of pay policy.
  - Investment gains/losses are absorbed into the unfunded liability (funded status).
- Contribution volatility (from best- to worse-case) within an asset mix stems from simulated inflation which impacts salaries.

Unfunded Actuarial Liability

Projection Date: July 1, 2025

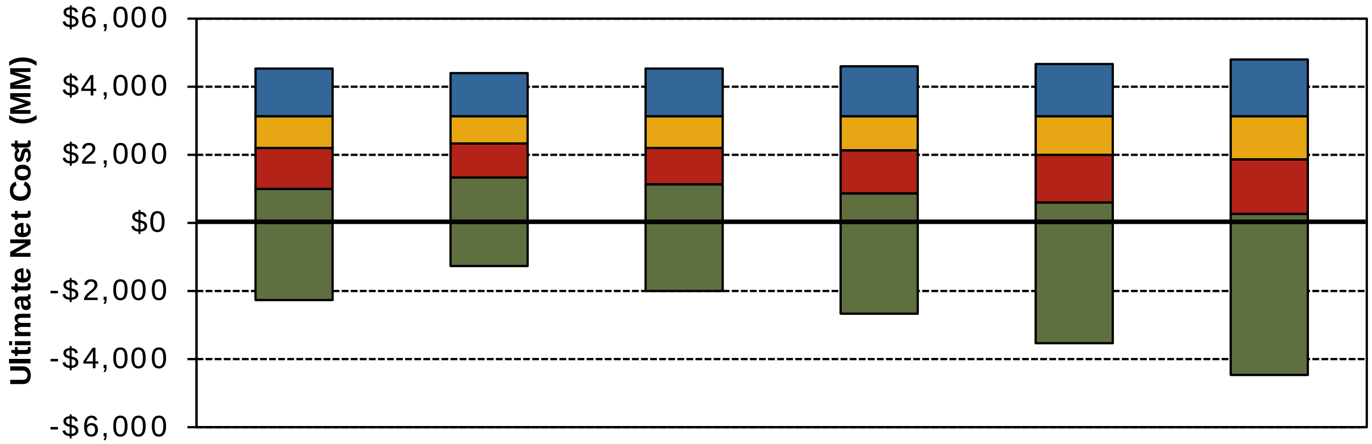


Percentile	Target	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5
97.5th	$3,656	$3,516	$3,602	$3,692	$3,798	$3,906
75th	$2,234	$2,230	$2,212	$2,214	$2,209	$2,221
50th	$1,286	$1,435	$1,320	$1,224	$1,106	$989
25th	$98	$452	$204	-$42	-$309	-$611
2.5th	-$3,151	-$2,158	-$2,887	-$3,555	-$4,414	-$5,388
Range	$6,808	$5,673	$6,489	$7,247	$8,212	$9,295

- Unfunded Actuarial Liability = Actuarial Liability - Market Value of Assets
  - The unfunded liability is being amortized over an open 20-year period.
- The 7/1/2015 actuarial unfunded liability of $958 million is expected to rise between $31 million and $477 million over the next 10 years depending on the asset mix employed.
  - The funded status, however, is expected to remain relatively unchanged as assets and liabilities grow at approximately the same rate .
- More aggressive asset mixes result in a lower unfunded liability in the expected case but result in a greater unfunded liability in worse-case scenarios.

Ultimate Net Cost

Projection Date: July 1, 2025



Percentile	Target	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5
97.5th	$4,534	$4,391	$4,483	$4,571	$4,676	$4,794
75th	$3,113	$3,102	$3,088	$3,086	$3,082	$3,096
50th	$2,160	$2,304	$2,193	$2,094	$1,991	$1,867
25th	$973	$1,342	$1,085	$831	$574	$266
2.5th	-$2,291	-$1,288	-$2,002	-$2,670	-$3,524	-$4,495
Range	$6,825	$5,679	$6,485	$7,241	$8,201	$9,289

- Ultimate Net Cost (UNC) = 10-Year Cumulative Contributions + 7/1/2025 Unfunded Actuarial Liability
- UNC is a more complete measure of the cost to the Plan since it captures what is expected to be paid over 10 years plus what is owed at the end of the 10-year period.
  - Negative numbers indicate the Plan is in a surplus position at 7/1/2025.
- More aggressive mixes lower UNC in the expected case but result in greater UNC in a worse-case scenario.

Making a Decision

Factor	Description
Return Objective	• Meet or exceed a liability return of approximately 7.5% over the next 10 years (8.0% over the next 30 years)
Time Horizon	• Indefinite (plan is open)
Liquidity Needs	• Liquidity needs are manageable under the current funding policy which allows for a meaningful allocation to illiquid investments
Actuarial Methodology	• Fixed contribution rate • Capital gains/losses are smoothed over 5 years while interest and dividends are recognized immediately • 20 year open amortization of the unfunded liability
Contribution Risk	• No contribution variability across asset mixes due to the statutory contribution policy
Risk Tolerance	• Risk tolerance is the ability and willingness to take risk • What is comfort level in taking more risk? • Consider worse-case funded status and/or worse-case deficit at the end of 10 years
Liability Growth	• Liabilities are growing • At 2.25% inflation, liability return is approximately 7.5% (at 3.50% inflation, liability return is 8.0%)
Funded Status*	• Plan is underfunded and funded status is expected to remain relatively unchanged going forward under the current statutory contribution policy • 7/1/2015 funded status (MVA) = 78%

** Many plan sponsors select a more aggressive asset allocation to assist with closing a plan deficit over the long run. However, a more aggressive asset allocation can make the financial situation worse, if investment performance is below average.*

Asset Allocation Recommendation

Two Reasonable Alternatives

Asset Class	Target	Change from Target	Mix 2A	Change from Target	Mix 3
US Broad Equity	29%	-1%	28%	0%	29%
Global ex-US Equity	23%	0%	23%	1%	24%
Domestic Fixed	12%	8%	20%	5%	17%
High Yield	5%	-2%	3%	-2%	3%
Non-US Fixed	5%	-5%	0%	-5%	0%
Private Equity	5%	2%	7%	2%	7%
Real Estate	10%	1%	11%	1%	11%
Timberland	5%	-2%	3%	-2%	3%
Infrastructure	5%	-1%	4%	0%	5%
Cash Equivalents	1%	0%	1%	0%	1%
Totals	100%	0%	100%	0%	100%
Expected Return	6.8%	0.1%	6.9%	0.2%	7.0%
Standard Deviation	14.5%	0.0%	14.5%	0.6%	15.1%
Probability ≥ 8%	39.3%	1.0%	40.3%	2.2%	41.5%
Public Equity	52%	-1%	51%	1%	53%
Fixed Income + Cash	23%	1%	24%	-2%	21%
Alternatives	25%	0%	25%	1%	26%

Note: Real Estate, Timberland and Infrastructure were modeled together as Real Assets with the following weights: 60% Real Estate + 15% Timberland + 25% Infrastructure.

- The proposed mixes maintain or slightly increase the Plan's risk profile.

Asset Allocation Recommendation

- The table to the right views the current target and proposed mixes through the asset allocation framework employed by PERS.
- Relative to the current target:
  - Mix 2A increases fixed income and private equity at the expense of public equity and real assets;
  - Mix 3 increases equity at the expense of fixed income and real assets.

Asset Class	Target	Mix 2A	Mix 3
Global Equity	57%	58%	60%
Public	52%	51%	53%
Private	5%	7%	7%
Global Fixed Income	22%	23%	20%
Investment Grade	17%	20%	17%
Non-Investment Grade	5%	3%	3%
Global Real Assets	20%	18%	19%
Real Estate	10%	11%	11%
Other	10%	7%	8%
Global Alternatives	0%	0%	0%
Cash Equivalents	1%	1%	1%
Totals	100%	100%	100%
Expected Return	6.8%	6.9%	7.0%
Standard Deviation	14.5%	14.5%	15.1%

Asset Allocation Recommendation

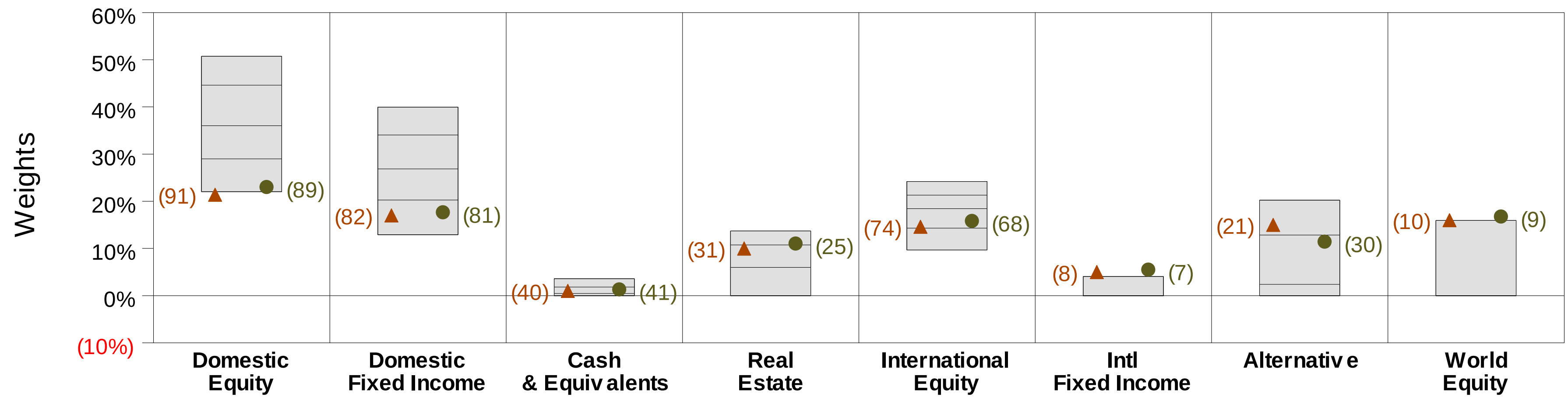
- The combination of a statutory contribution rate below that of the actuarially required contribution and an expected low-return environment over the next 10 years results in a deterioration of the funded status over time.
- Many factors support an asset allocation with a risk posture similar to or slightly more aggressive than the current target, including:
  - Pursuit of a 7.5% liability return;
  - Long time horizon; and
  - Actuarial methodology (static contribution rate and asset smoothing).
- While moving to a more aggressive asset allocation policy is expected to generate greater returns and a higher funded status, it also increases the risk of “bad investment outcomes” which in turn could result in further deterioration of the Plan’s funded status and the need for higher contribution rates (page 20).
- The statutory contribution policy combined with the current target’s risk level leads us to recommend maintaining the current risk posture (Mix 2A) or moving to a slightly more aggressive asset allocation (Mix 3).

Asset Allocation Recommendation

- Finally, while the Fund’s expected return over the next 10 years falls short of the 8.0% return assumption, there are mitigating factors that offset the projected 6.8% return.
  - Callan’s public market return projections are based on passive (i.e., index fund) implementation and do not incorporate active management premiums
  - Callan’s 10-year projections are cyclically lower than our longer-term (i.e., greater than 10 years) expectations.
  - The actuary assumes 3.50% price inflation versus Callan’s 2.25% assumption. The implication of our lower inflation expectation, all things being equal, is that the corresponding liability return is closer to 7.5% than 8.0%.
  - The current target asset allocation has a 39.3% probability of achieving an 8.0% return over the next 10 years.

Peer Comparison

Asset Class Weights vs Public Fund Sponsor Database



	Domestic Equity	Domestic Fixed Income	Cash & Equivalents	Real Estate	International Equity	Intl Fixed Income	Alternative	World Equity
10th Percentile	50.73	39.93	3.58	13.71	24.19	4.06	20.25	15.94
25th Percentile	44.61	34.04	1.83	10.74	21.29	0.00	12.84	0.00
Median	36.00	26.85	0.44	5.98	18.44	0.00	2.40	0.00
75th Percentile	29.00	20.25	0.00	0.00	14.31	0.00	0.00	0.00
90th Percentile	22.03	12.91	0.00	0.00	9.69	0.00	0.00	0.00
Fund ●	22.71	17.35	0.98	10.72	15.50	5.18	11.12	16.43
Target ▲	21.40	17.00	1.00	10.00	14.60	5.00	15.00	16.00
% Group Invested	97.44%	96.92%	70.26%	61.03%	89.74%	19.49%	44.62%	23.08%

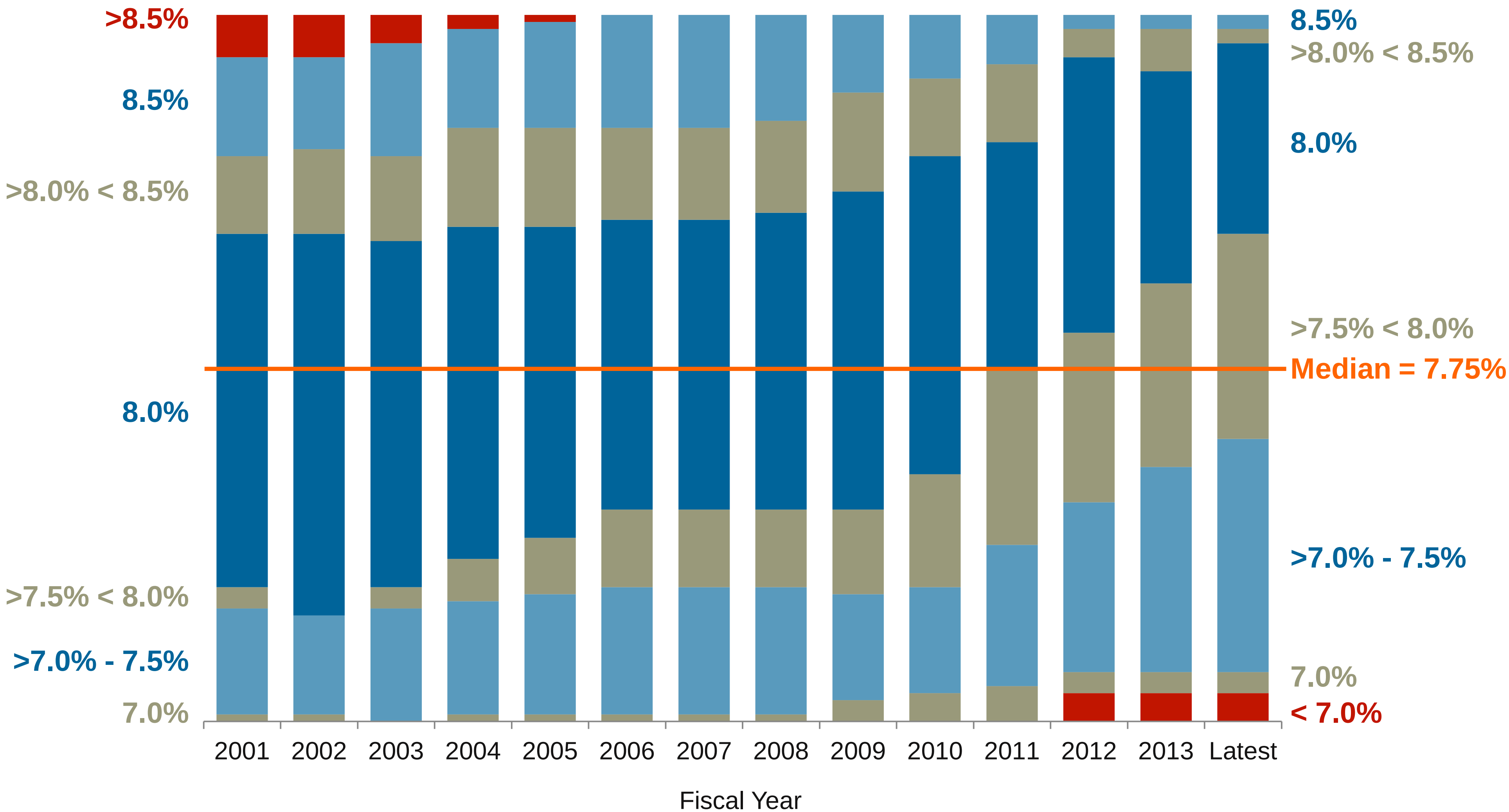
- Relative to Callan's Public Fund Sponsor Database, the Fund has:
  – Similar domestic equity (after splitting "World Equity" into domestic and international) and cash allocations;
  – A lower allocation to domestic fixed income due in part to the Fund's separate allocation to international fixed income; and
  – Higher allocations to international equity (after splitting "World Equity" into domestic and international), real estate and alternatives.

Appendix

Return Assumptions, Asset Allocation Trends,
Active Population, Contribution Rates,
Alternative Contribution Policy, Hedge Funds

Public Funds

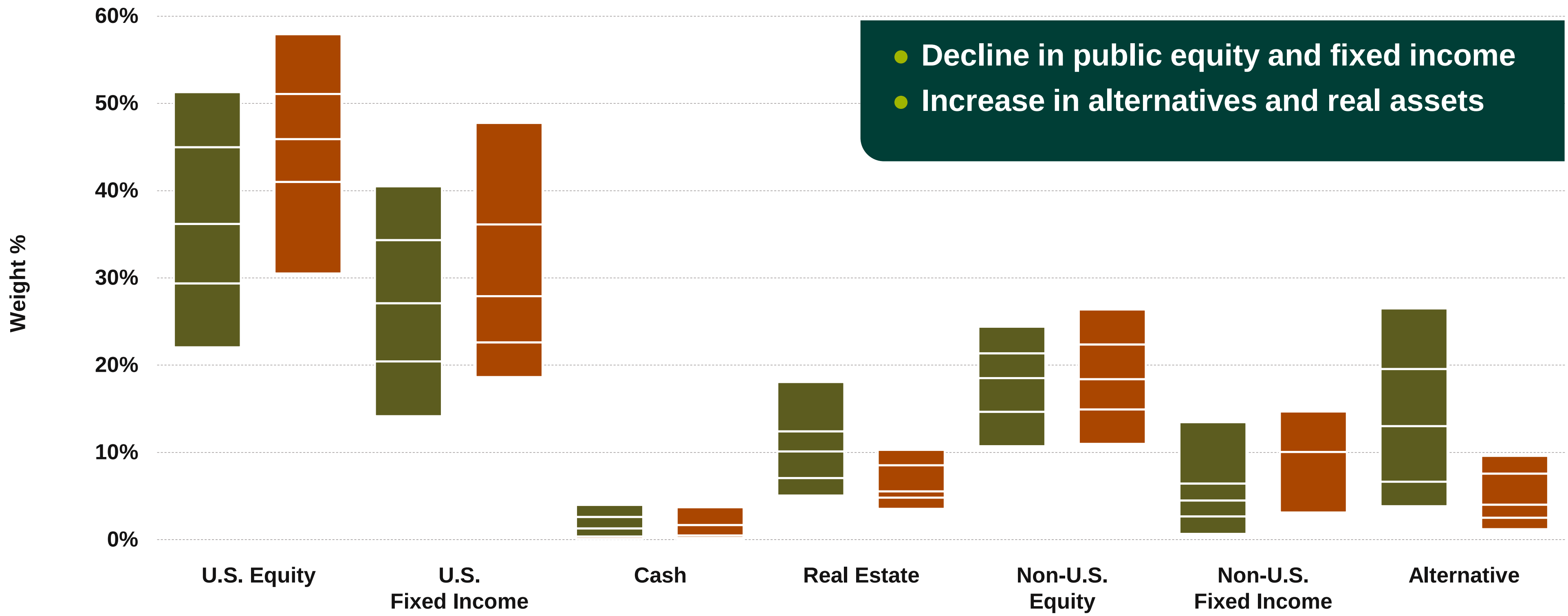
Historical Changes to Long-Term Return Assumptions



Source: Compiled by NASRA based on Public Fund Survey

Asset Allocation Style Trends – Public Fund Sponsor Database

First Quarter 2016 vs. First Quarter 2006



	U.S. Equity		U.S. Fixed Income		Cash		Real Estate		Non-U.S. Equity		Non-U.S. Fixed Income		Alternative	
	1Q16	1Q06	1Q16	1Q06	1Q16	1Q06	1Q16	1Q06	1Q16	1Q06	1Q16	1Q06	1Q16	1Q06
10th	51	58	40	48	4	4	18	10	24	26	13	15	27	10
25th	45	51	34	36	3	2	12	9	21	22	6	10	20	8
Median	36	46	27	28	1	0.5	10	6	19	18	4	3	13	4
75th	29	41	20	23	0.4	0.2	7	5	15	15	3	3	7	3
90th	22	31	14	19	0.1	0.1	5	4	11	11	1	3	4	1
% Invested	99%	97%	96%	99%	71%	58%	60%	55%	97%	88%	20%	22%	50%	36%

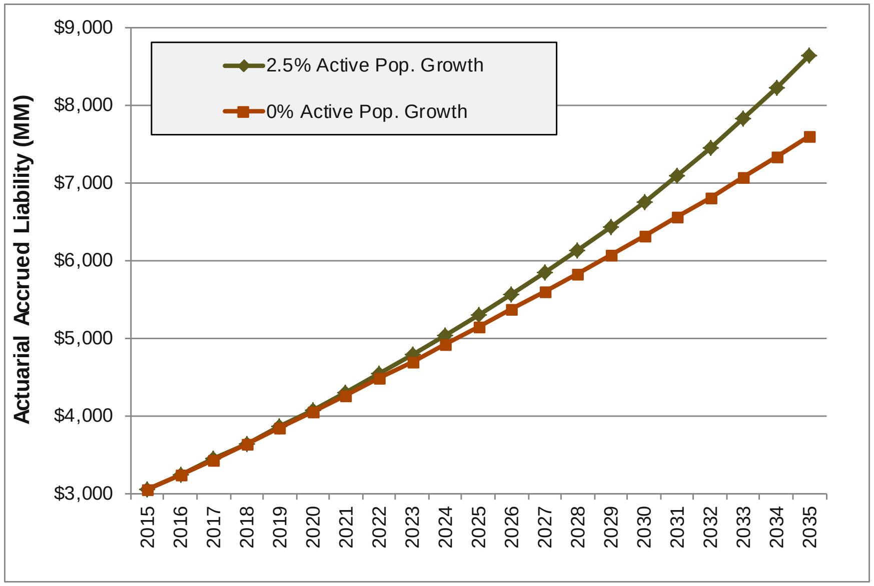
Source: Callan's Public Fund Sponsor database.

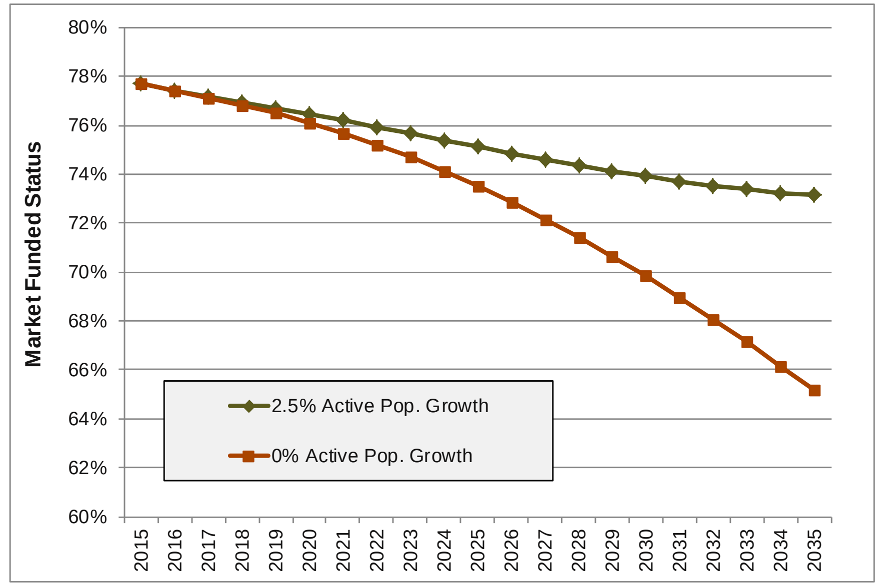
Active Population

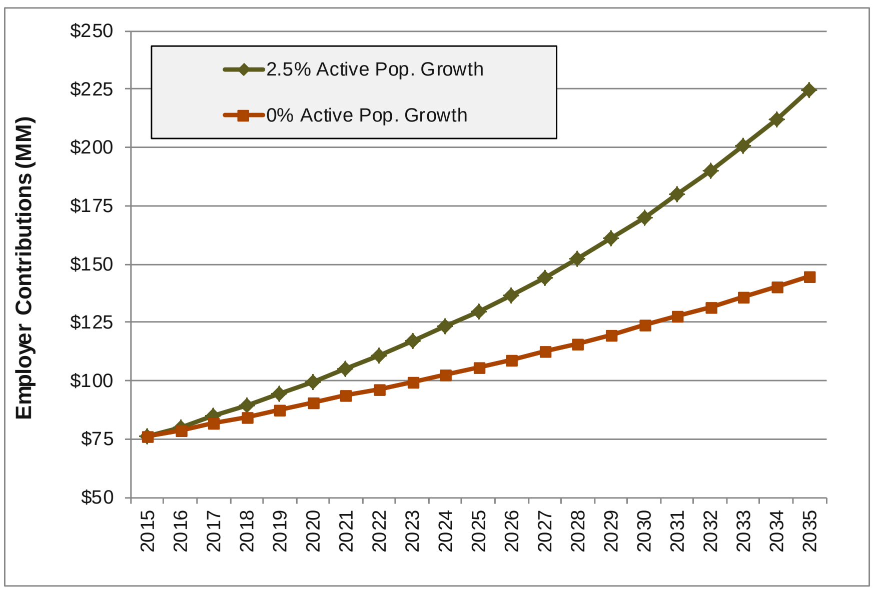
- The actuarial assumption employed in the valuation report is that the plan's active population remains constant (i.e., 0% growth).
- Historically, the active member population has grown by approximately 2.5% per year on average.
- Callan modeled a 2.5% annual increase in the active population to reflect the historical average.
  - Active population rises from 22,845 in 2015 to 37,434 by 2035, an increase of almost 15,000 members.
- The charts on the following page highlight the impact of an increase in the active population on liabilities, funded status and contributions.

Active Population

Liabilities, Funded Status and Employer Contributions







- 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.
- The funded status improvement is largely due to the increased contributions which flow into the Fund as a result of the additional active members.

Contribution Rates

- Current statutory contribution rates were modeled in the study.
- There is a possibility, however, that the Main System's contribution rates could rise as early as 2017 as shown in the table below.

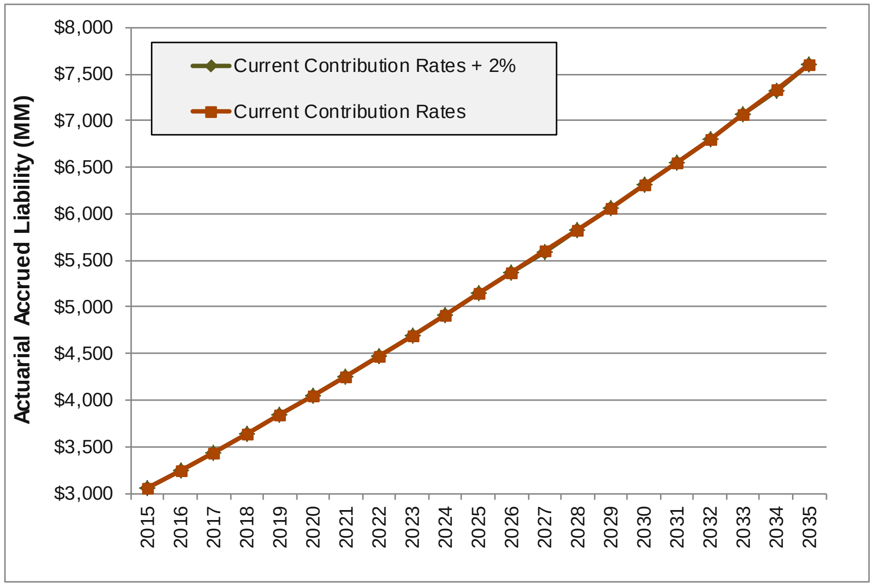
Statutory Contribution Rates	Employer	Employee	Total
Law Enforcement with prior Main System service*	9.81%	5.58%	15.39%
Law Enforcement without prior Main System service	7.93%	5.50%	13.43%
Judges	17.52%	8.00%	25.52%
Main System	7.12%	7.00%	14.12%
Main System (Alternative Scenario)	*8.12%*	*8.00%*	*16.12%*

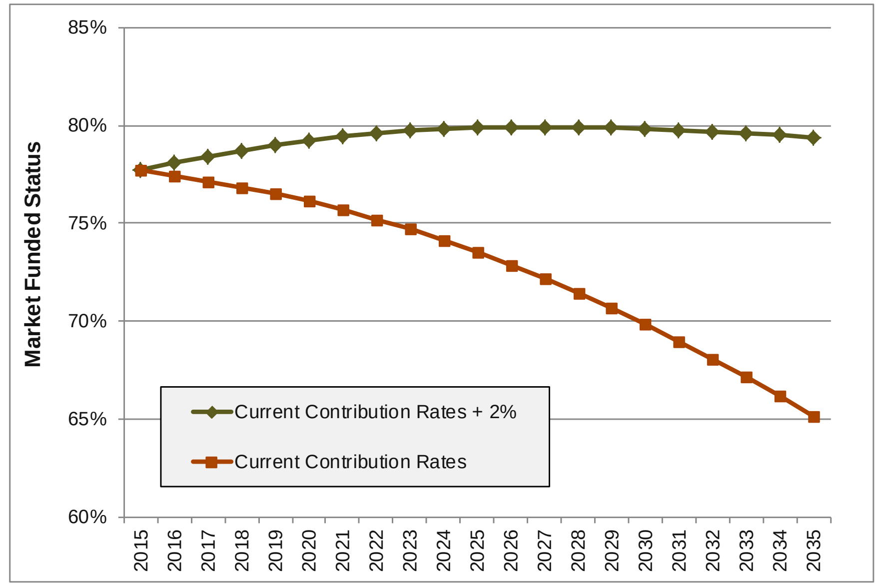
**5.50% employee contribution rate (6.00% for Bureau of Criminal Investigation)*

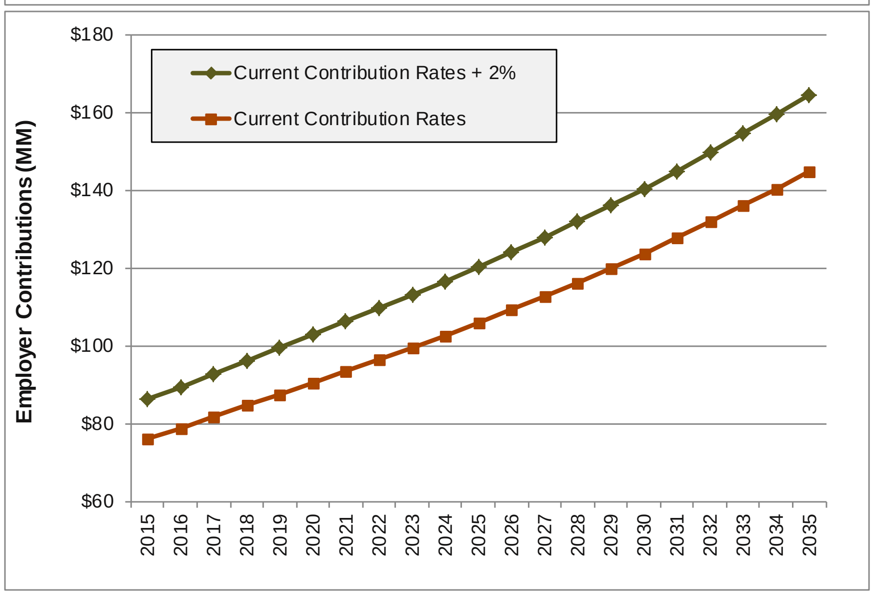
- Callan modeled a 1% increase in both the employer and employee contribution rates for the Main System population.
- The charts on the following page highlight the impact of an increase in the Main System's contribution rates on liabilities, funded status and contributions.

Contribution Rates

Liabilities, Funded Status and Employer Contributions







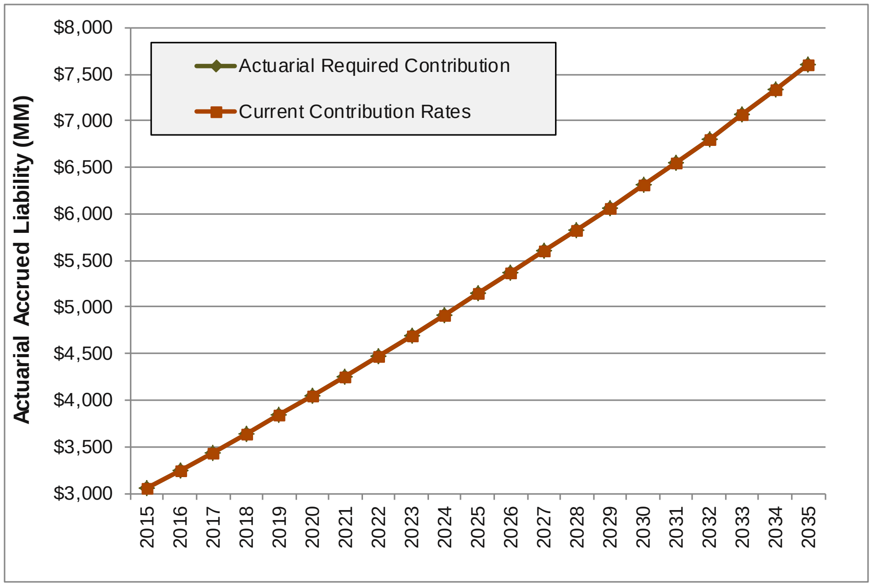
- Not surprisingly, an increase in the Main System contribution rates leads to higher contributions and no change in the actuarial liability.
- Higher contributions result in a greater funded status over the 20-year projection period.
  - 2035 funded status is 65.2% under the current contribution rates versus 79.4% assuming the additional 2% Main System contributions.

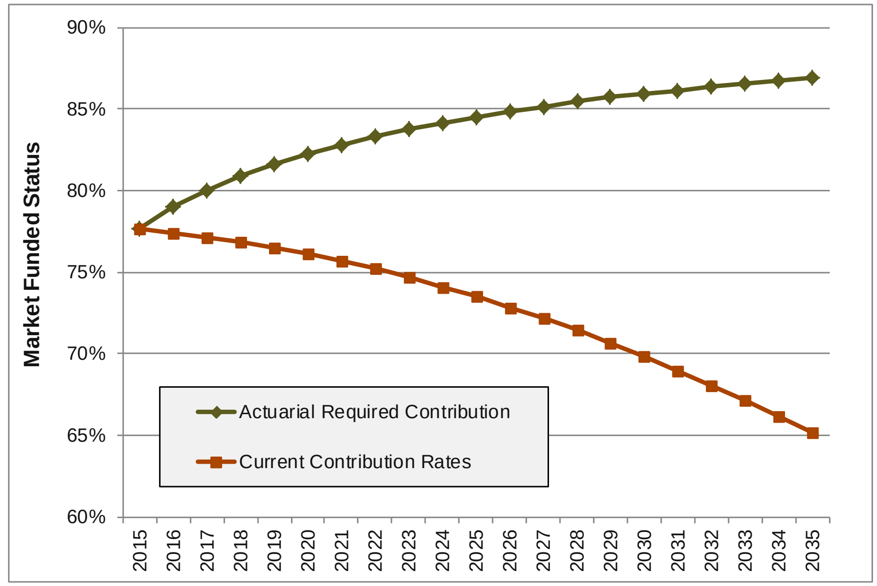
Alternative Contribution Policy

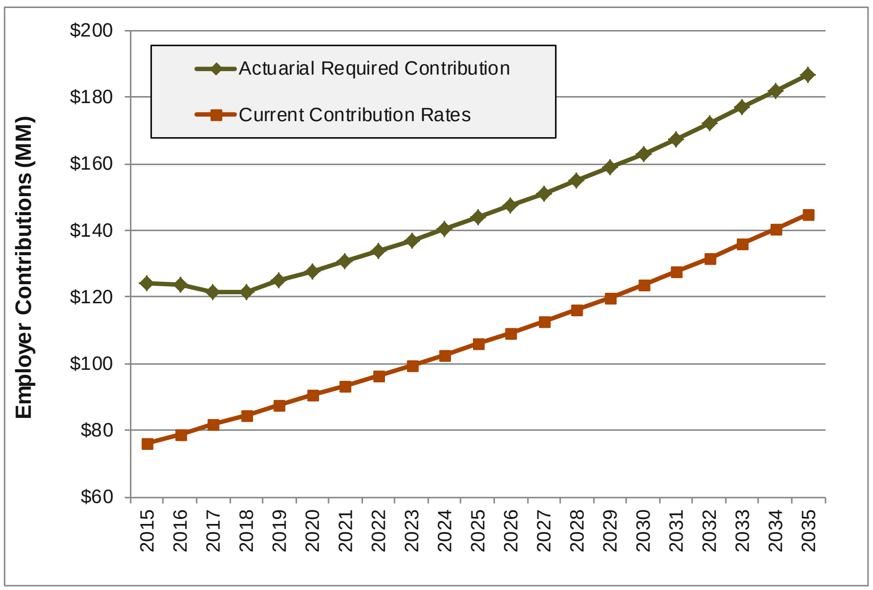
- The actuarially required contribution policy was modeled in addition to the current statutory percentage of pay policy.
- The charts on the following page compare the two contribution policies and their impact on liabilities, funded status and contributions.

Alternative Contribution Policy

Liabilities, Funded Status and Employer Contributions







- The actuarially required contribution policy results in much greater employer contributions over time, with no change in the actuarial liability.
- Higher contributions result in a greater funded status over the 20-year projection period.
  - 2035 funded status is 86.9% when employing the actuarially required contribution method versus 65.2% under the current statutory percentage of pay policy.

Hedge Funds

Modeling Results

- Callan's capital market return and risk expectations for hedge funds represent a generic fund-of-funds solution (return and risk between stocks and bonds).
- Targeting a 7% return, the model allocates 7% to hedge funds which results in a 5 basis point reduction in risk ("Mix 3 + Hedge Funds" in the table).
  - The hedge fund allocation is funded from a mixture of public equity, fixed income and infrastructure.
- What if the Fund can do better than T-Bills +3%?
  - The far right column shows the impact of increasing the hedge fund return expectation from 5.25% to 6.25%.
  - Maintaining the same asset allocation, the Fund would earn an additional 6 basis points of return.
  - While the incremental return would add up to an additional $20 million over the next 10 years given the expected growth in assets, the small increase in return and accompanying reduction in risk is not expected to materially affect the results of the study.
- Therefore what follows is educational in nature to determine if there is genuine interest in exploring an allocation to hedge funds at some point in the future.
  - If there is interest, Callan would suggest a more in depth educational session conducted by our hedge fund specialists.

Asset Class	Mix 3	Mix 3 + Hedge Funds	Mix 3 + Hedge Funds (6.25%)
US Broad Equity	29%	28%	28%
Global ex-US Equity	24%	23%	23%
Domestic Fixed	17%	14%	14%
High Yield	3%	2%	2%
Non-US Fixed	0%	0%	0%
Private Equity	7%	7%	7%
Real Estate	11%	11%	11%
Timberland	3%	3%	3%
Infrastructure	5%	4%	4%
Hedge Funds	0%	7%	7%
Cash Equivalents	1%	1%	1%
Totals	100%	100%	100%
Expected Return	7.00%	7.00%	7.06%
Standard Deviation	15.07%	15.02%	15.02%
Public Equity	53%	51%	51%
Fixed Income + Cash	21%	17%	17%
Alternatives	26%	25%	25%

Note: Real Estate, Timberland and Infrastructure were modeled together as Real Assets with the following weights: 60% Real Estate + 15% Timberland + 25% Infrastructure.

Hedge Funds

Overview

- Hedge funds focus around a trading strategy (or multiple strategies) and can employ various asset-class exposures and risk/return profiles.
- Hedge fund strategies may employ a variety of assets, leverage, derivatives, and/or other thinly traded instruments.
- Typically, hedge funds are private placement limited partnerships or limited liability companies, which are not widely available to the public.
  - Dodd-Frank has now required most hedge funds to register as ‘40 Act Investment Advisers.

Hedge Funds

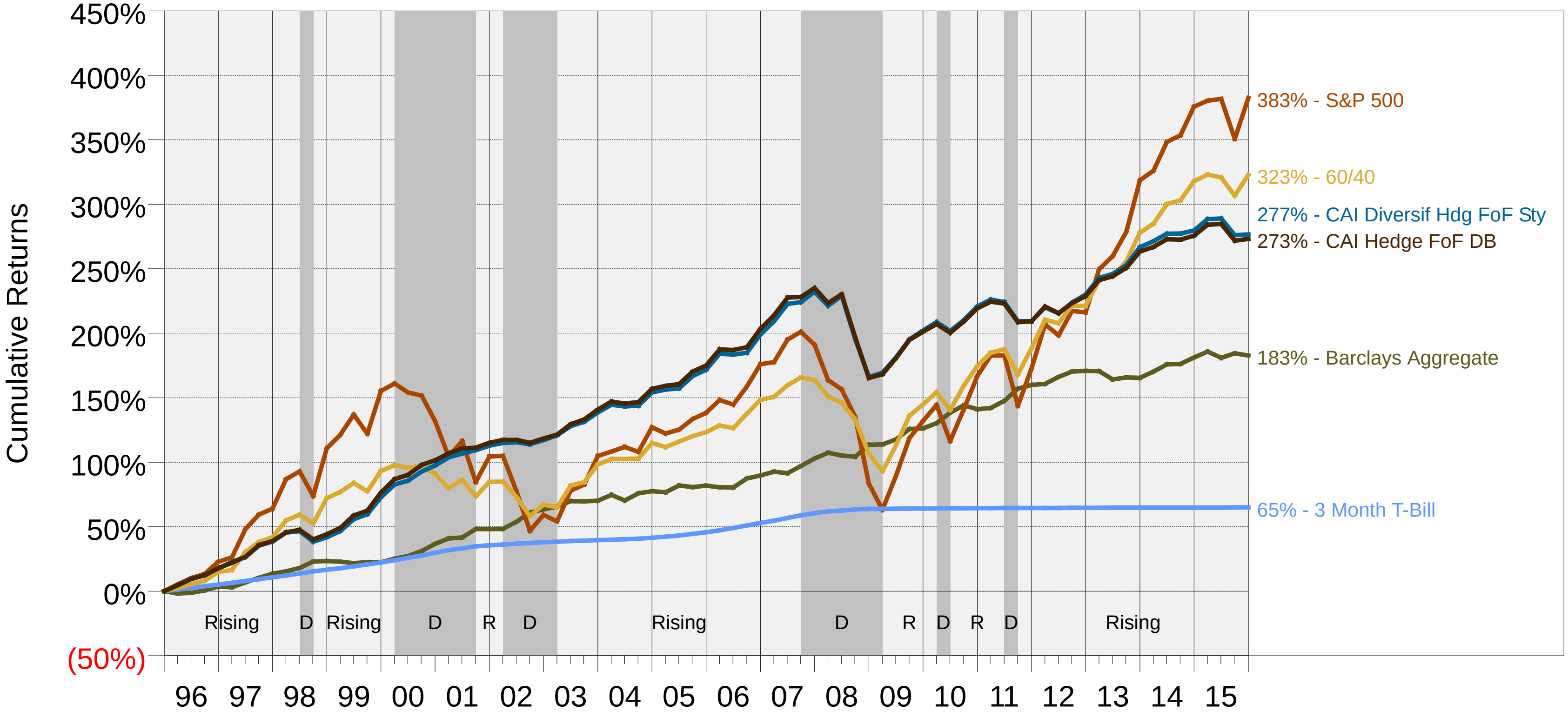
What is the Opportunity?

- Why hedge funds?
  - Higher risk-adjusted return.
  - Manager and/or strategy diversification.
  - Less sensitive to equity market risk.
  - Alternative to lower expected returns from stocks and bonds.
- Do you believe all of the following?
  - A portfolio of stocks and bonds benefits from additional diversification to smooth a fund's path to meet long-term return objectives.
  - Given manager skills and investment tools not available to traditional portfolio management, hedge funds can provide value-added returns from inefficiencies in public capital markets.
  - The various risks of hedge funds, including concerns of liquidity and capacity constraints, are manageable with proper due diligence and oversight given available resources.

Hedge Funds

Cumulative Returns throughout Market Cycles

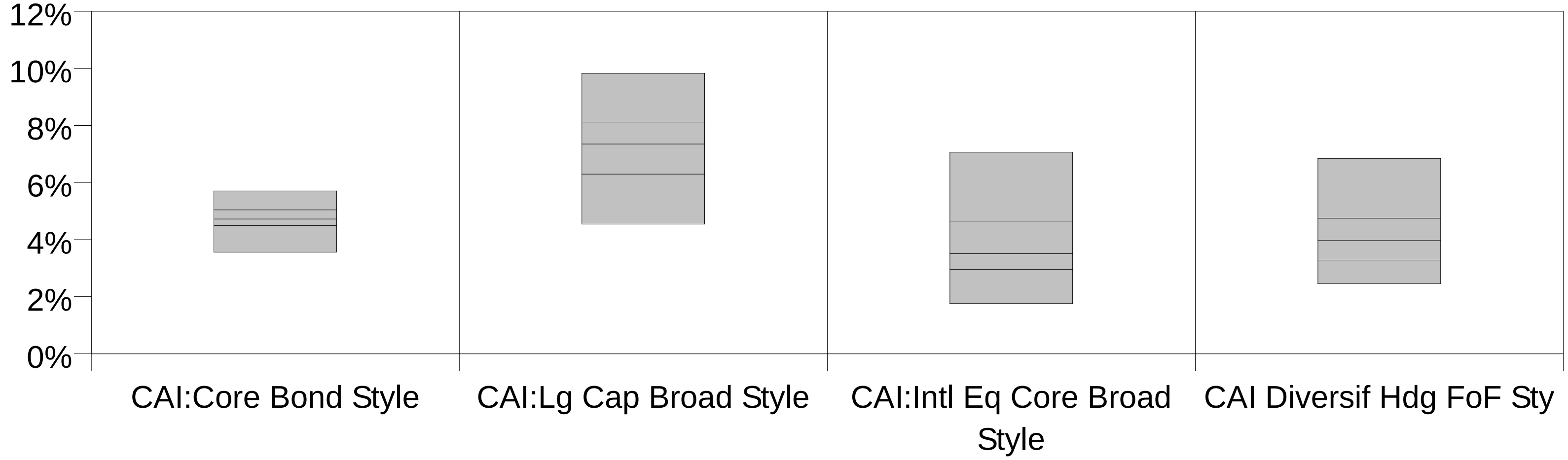
Cumulative Returns for 20 Years Ended December 31, 2015
Rising/Declining Domestic Equity Periods



Hedge Funds

Dispersion of Returns Compared to Traditional Assets

Net of Fee Returns
for 10 Years Ended December 31, 2015

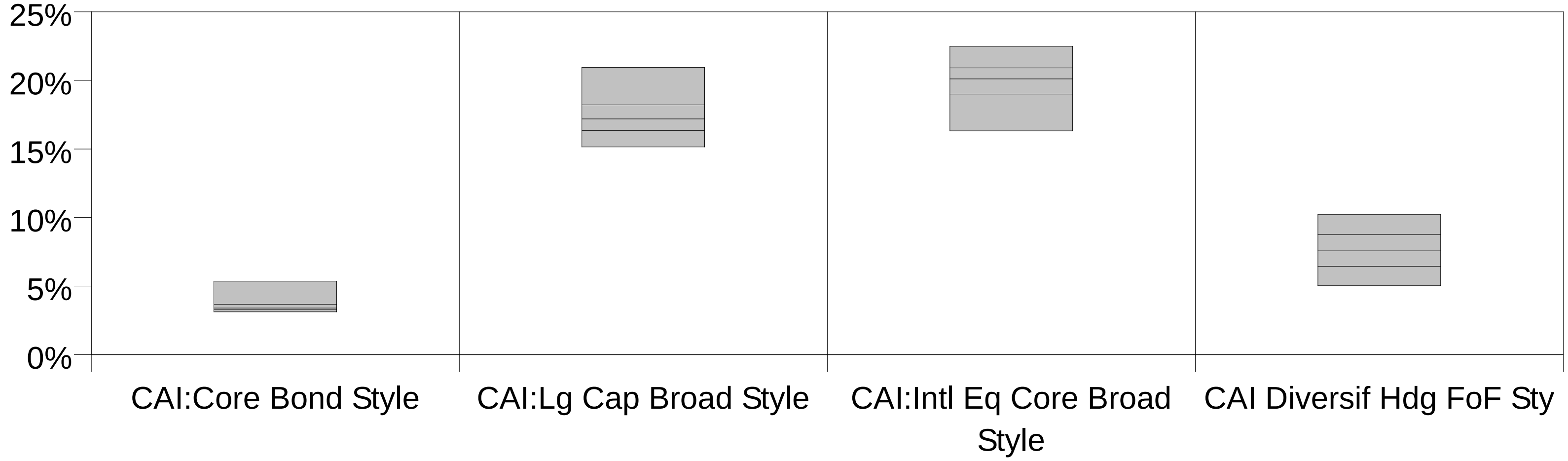


	CAI:Core Bond Style	CAI:Lg Cap Broad Style	CAI:Intl Eq Core Broad Style	CAI Diversif Hdg FoF Sty
5th Percentile	5.71	9.83	7.07	6.85
25th Percentile	5.04	8.12	4.65	4.75
Median	4.72	7.35	3.51	3.97
75th Percentile	4.49	6.30	2.96	3.29
95th Percentile	3.57	4.55	1.76	2.46
Member Count	40	88	31	51

Hedge Funds

Volatility Compared to Traditional Assets

Net of Fee Standard Deviation
for 10 Years Ended December 31, 2015

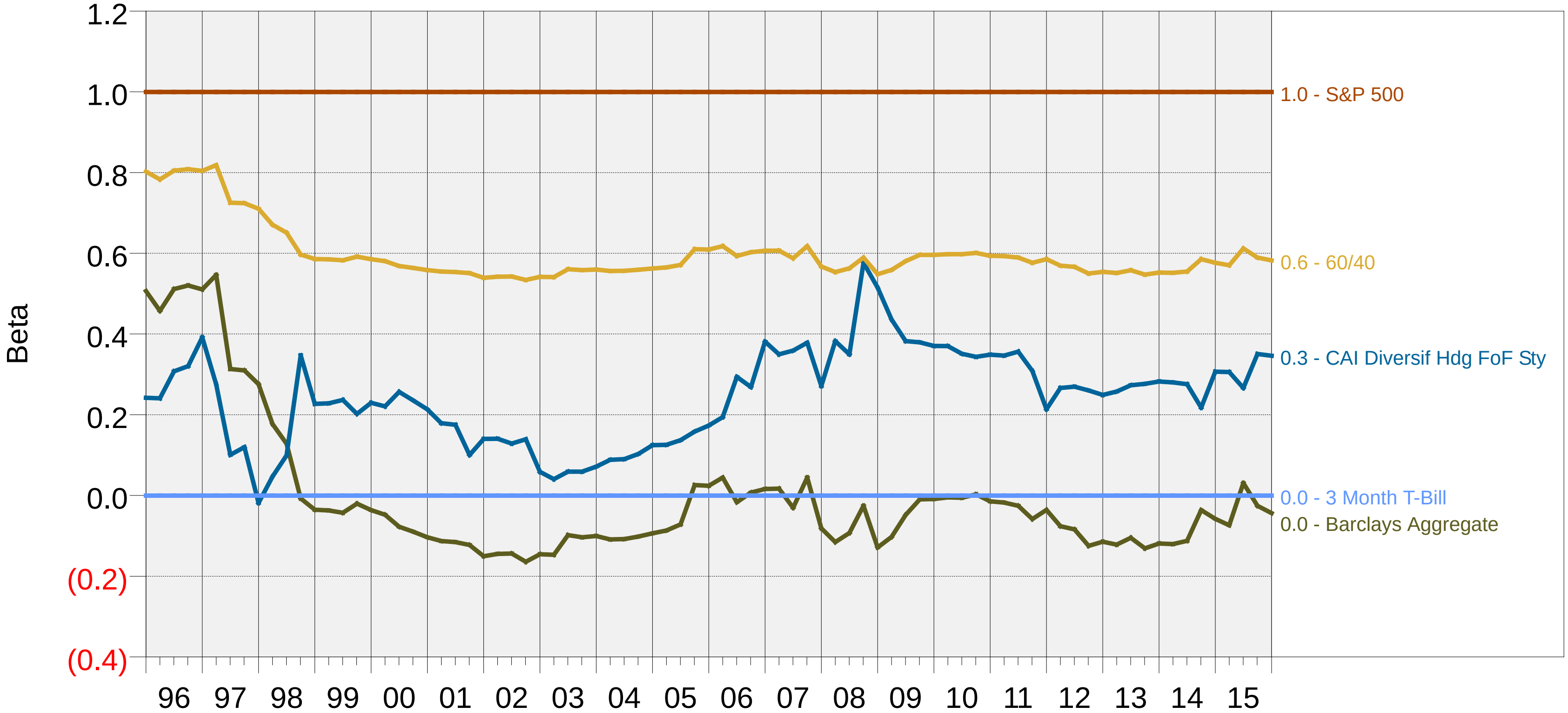


	CAI:Core Bond Style	CAI:Lg Cap Broad Style	CAI:Intl Eq Core Broad Style	CAI Diversif Hdg FoF Sty
5th Percentile	5.38	20.95	22.49	10.23
25th Percentile	3.66	18.22	20.92	8.77
Median	3.41	17.20	20.12	7.57
75th Percentile	3.31	16.35	19.01	6.45
95th Percentile	3.13	15.15	16.33	5.04
Member Count	40	88	31	51

Hedge Funds

Sensitivity to Equity Market Risk

Rolling 12 Quarter Beta Relative To S&P 500
for 20 Years Ended December 31, 2015



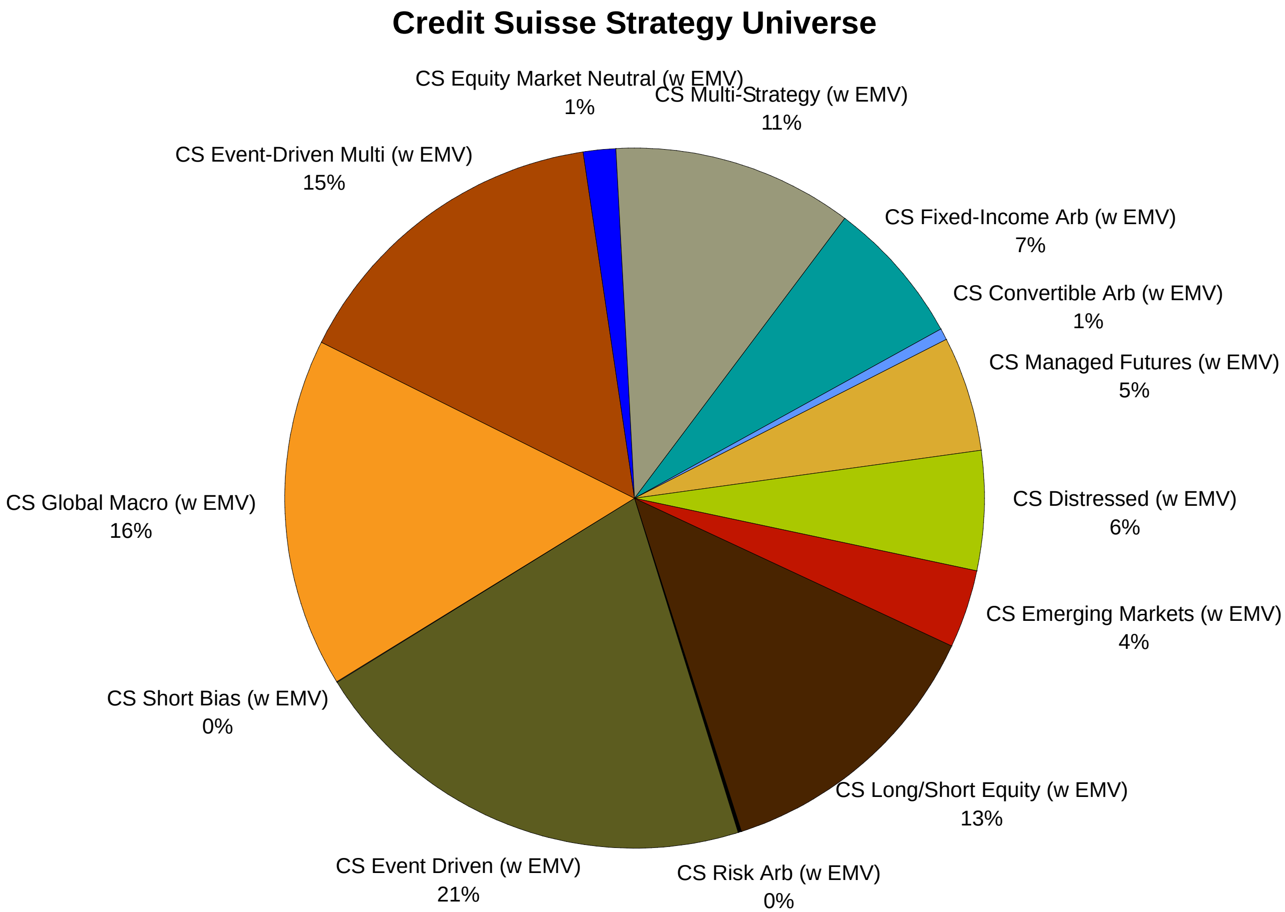
Hedge Funds

Types of Hedge Fund Strategies

Hedge Fund Strategy Classifications			
Equity Hedge	**Event Driven**	**Macro**	**Relative Value**
Long / Short Equity	Activist	Global Macro	Fixed Income Arbitrage
Short-Biased	Distressed / Restructuring	Managed Futures	Convertible Arbitrage
Emerging Markets	Merger Arbitrage		Capital Structure Arbitrage
	Credit Arbitrage / Special Situations		Equity Market Neutral
Multi-Strategy			

Hedge Funds

Current Universe of Hedge Fund Strategies*



* Source: Credit Suisse as of 12/31/15

Hedge Funds

Periodic Table of Investment Returns for the Credit Suisse Hedge Fund Strategies for Calendar Years since 1994

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Global Macro 30.67%	Emerging Markets 34.50%	Global Macro 37.11%	Managed Futures 20.64%	Long/Short Equity 47.23%	Convertible Arb 25.64%	Distressed 20.01%	Managed Futures 18.33%	Emerging Markets 28.75%	Distressed 15.62%	Emerging Markets 17.39%	Emerging Markets 20.49%	Emerging Markets 20.26%	Managed Futures 18.33%	Convertible Arb 47.35%	Event-Driven Multi 14.36%	Global Macro 6.44%	Distressed 11.77%	Long/Short Equity 17.73%	Managed Futures 18.36%
Distressed 26.12%	Global Macro 25.58%	Emerging Markets 26.59%	Long/Short Equity 17.18%	Emerging Markets 44.82%	Short Bias 15.76%	Global Macro 18.38%	Short Bias 18.14%	Distressed 25.12%	Event-Driven Multi 14.04%	Short Bias 17.00%	Event-Driven Multi 16.38%	Global Macro 17.36%	Short Bias 14.87%	Emerging Markets 30.03%	Global Macro 13.47%	Fixed Income Arb 4.69%	Multi Strategy 11.19%	Distressed 16.00%	Multi Strategy 6.09%
Long/Short Equity 23.03%	Distressed 25.55%	Long/Short Equity 21.46%	Market Neutral Eq. 13.31%	Event-Driven Multi 23.00%	Market Neutral Eq. 14.99%	Convertible Arb 14.58%	Global Macro 14.66%	Global Macro 17.99%	Emerging Markets 12.49%	Distressed 11.74%	Distressed 15.58%	Event-Driven Multi 16.82%	Risk Arb -3.27%	Fixed Income Arb 27.41%	Fixed Income Arb 12.51%	Market Neutral Eq. 4.49%	Fixed Income Arb 11.04%	Event-Driven Multi 15.26%	Long/Short Equity 5.54%
Convertible Arb 16.57%	Event-Driven Multi 22.71%	Distressed 20.73%	Multi Strategy 7.68%	Distressed 22.18%	Risk Arb 14.69%	Market Neutral Eq. 9.31%	Market Neutral Eq. 7.42%	Long/Short Equity 17.27%	Long/Short Equity 11.56%	Long/Short Equity 9.68%	Multi Strategy 14.54%	Long/Short Equity 13.66%	Global Macro -4.62%	Multi Strategy 24.62%	Managed Futures 12.22%	Short Bias 3.85%	Emerging Markets 10.28%	Multi Strategy 11.23%	Fixed Income Arb 4.37%
Event-Driven Multi 12.91%	Convertible Arb 17.87%	Event-Driven Multi 20.53%	Risk Arb 5.58%	Convertible Arb 16.04%	Event-Driven Multi 11.84%	Fixed Income Arb 8.04%	Emerging Markets 7.36%	Event-Driven Multi 17.19%	Global Macro 8.49%	Global Macro 9.25%	Long/Short Equity 14.38%	Multi Strategy 10.10%	Event-Driven Multi -16.25%	Distressed 20.95%	Emerging Markets 11.34%	Multi Strategy 1.83%	Event-Driven Multi 10.14%	Market Neutral Eq. 9.27%	Global Macro 3.11%
Fixed Income Arb 12.50%	Long/Short Equity 17.12%	Multi Strategy 18.28%	Distressed -1.68%	Market Neutral Eq. 15.33%	Global Macro 11.67%	Event-Driven Multi 6.79%	Multi Strategy 6.31%	Multi Strategy 15.04%	Multi Strategy 7.53%	Multi Strategy 7.54%	Convertible Arb 14.30%	Market Neutral Eq. 9.27%	Long/Short Equity -19.76%	Event-Driven Multi 19.34%	Convertible Arb 10.95%	Convertible Arb 1.13%	Long/Short Equity 8.21%	Emerging Markets 8.81%	Distressed 2.55%
Risk Arb 11.90%	Market Neutral Eq. 16.60%	Market Neutral Eq. 14.83%	Global Macro -3.64%	Risk Arb 13.23%	Multi Strategy 11.18%	Emerging Markets 5.84%	Fixed Income Arb 5.75%	Managed Futures 14.13%	Fixed Income Arb 6.86%	Event-Driven Multi 7.21%	Global Macro 13.53%	Risk Arb 8.77%	Distressed -20.48%	Long/Short Equity 19.47%	Distressed 10.27%	Risk Arb 0.80%	Convertible Arb 7.82%	Convertible Arb 6.03%	Emerging Markets 1.52%
Multi Strategy 11.87%	Fixed Income Arb 15.93%	Convertible Arb 14.48%	Convertible Arb -4.41%	Fixed Income Arb 12.11%	Fixed Income Arb 6.29%	Risk Arb 5.68%	Convertible Arb 4.05%	Convertible Arb 12.90%	Market Neutral Eq. 6.48%	Market Neutral Eq. 6.14%	Market Neutral Eq. 11.15%	Distressed 8.35%	Multi Strategy -23.63%	Risk Arb 12.00%	Multi Strategy 9.29%	Managed Futures -4.19%	Global Macro 4.58%	Risk Arb 4.92%	Event-Driven Multi 1.14%
Market Neutral Eq. 11.04%	Multi Strategy 14.06%	Risk Arb 9.84%	Short Bias -6.00%	Multi Strategy 9.38%	Managed Futures 4.24%	Multi Strategy 5.50%	Event-Driven Multi 1.22%	Risk Arb 8.98%	Managed Futures 5.96%	Risk Arb 3.08%	Fixed Income Arb 8.66%	Short Bias 6.04%	Fixed Income Arb -28.82%	Global Macro 11.55%	Long/Short Equity 9.28%	Distressed -4.24%	Risk Arb 2.82%	Global Macro 4.32%	Market Neutral Eq. -1.20%
Managed Futures -7.10%	Risk Arb 13.81%	Fixed Income Arb 9.34%	Fixed Income Arb -8.16%	Global Macro 5.81%	Long/Short Equity 2.08%	Managed Futures 1.90%	Distressed -0.69%	Fixed Income Arb 7.97%	Risk Arb 5.45%	Fixed Income Arb 0.63%	Risk Arb 8.15%	Managed Futures 6.01%	Emerging Markets -30.41%	Market Neutral Eq. 4.05%	Risk Arb 3.17%	Emerging Markets -6.68%	Market Neutral Eq. 0.85%	Fixed Income Arb 3.80%	Risk Arb -1.32%
Short Bias -7.35%	Managed Futures 11.97%	Managed Futures 3.12%	Event-Driven Multi -8.98%	Managed Futures -4.69%	Distressed 1.95%	Short Bias -3.58%	Long/Short Equity -1.60%	Market Neutral Eq. 7.07%	Convertible Arb 1.98%	Managed Futures -0.11%	Managed Futures 8.05%	Convertible Arb 5.17%	Convertible Arb -31.59%	Managed Futures -6.57%	Market Neutral Eq. -0.85%	Long/Short Equity -7.31%	Managed Futures -2.93%	Managed Futures -2.56%	Convertible Arb -1.67%
Emerging Markets -16.91%	Short Bias -5.48%	Short Bias 0.42%	Emerging Markets -37.66%	Short Bias -14.22%	Emerging Markets -5.52%	Long/Short Equity -3.65%	Risk Arb -3.46%	Short Bias -32.59%	Short Bias -7.72%	Convertible Arb -2.55%	Short Bias -6.61%	Fixed Income Arb 3.83%	Market Neutral Eq. -40.32%	Short Bias -25.03%	Short Bias -23.00%	Event-Driven Multi -11.96%	Short Bias -20.39%	Short Bias -24.94%	Short Bias -5.61%

- Individual manager and strategy risk may be substantial, but diversification effect of combining managers and strategies is powerful.

Source: CS Hedge Fund Index website @ www.hedgeindex.com, since index inception (net of fees)

Hedge Funds

Risks and Potential Risk Management Solutions

Systematic Risks

Market Risks
- Equity markets
- Interest rates
- Commodities

Geographic / Sector Risks
- Country exposure
- Currency
- Industry focus
- Geo-political issues

Unique Risks

Structural Risks
- Fund domicile
- Leverage
- Illiquidity mismatch
- Investor concentration
- Position concentration

Counterparty Risks
- Prime brokers
- Administrators
- Legal and accounting
- OTC transaction participants

Exposure Level Transparency

Operational Due Diligence
3rd Party Verification/Valuation

Risk Aggregation Systems

Separately Managed Accounts and Fund-of-One Investment Structures

Hedge Funds

Risk Management Solutions

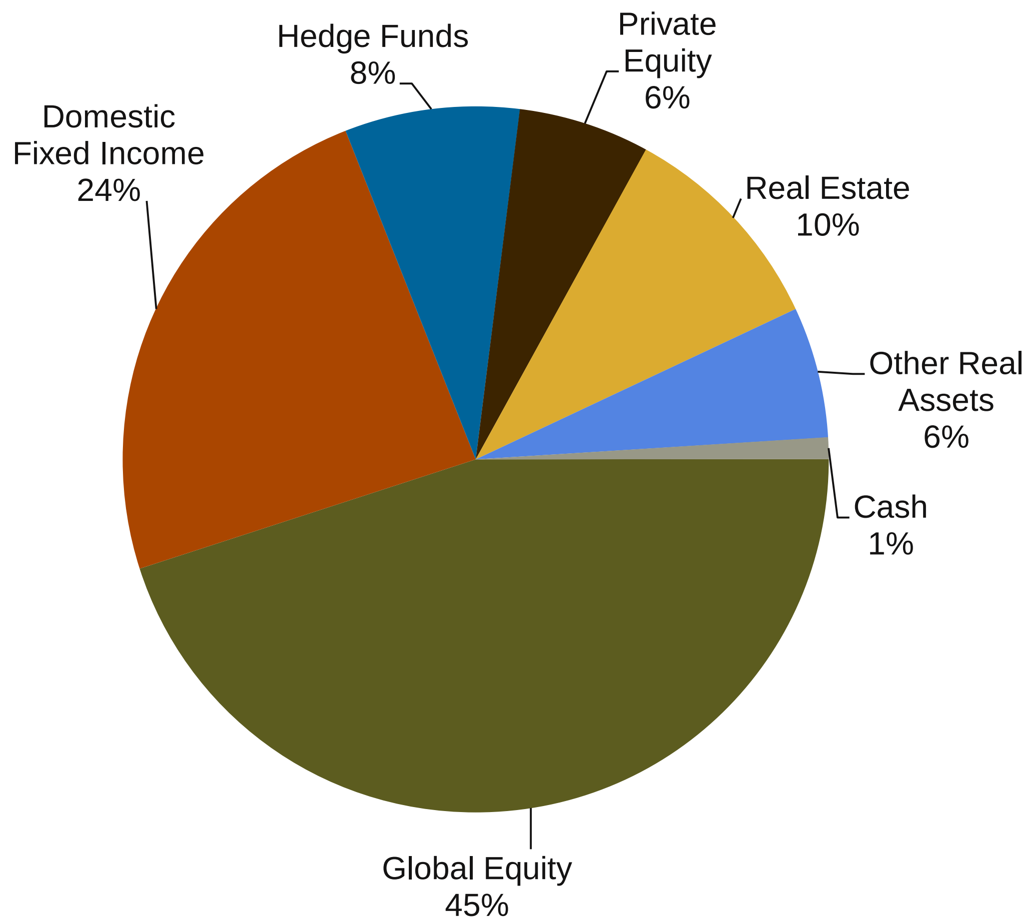
- Exposure level transparency
  - Majority of hedge funds now report their net and gross exposures for various asset classes, sectors, geographies, etc.
- Risk aggregation systems
  - Current systems provide analytical risk exposures of individual hedge funds by accessing the raw trade blotter data and/or position-level holdings from the manager's fund administrator.
  - Systems that generate risk factor models can show value-at-risk (VAR), leverage, gross and net exposures, and market sensitivity analyses.
- ODD – Third-party verification/valuation
  - ODD individuals/teams that are now part of their core investment research group have absolute veto power in fund investment decisions.
- SMA and fund-of-one investment structures
  - SMAs and fund-of-one structures provide more customization, transparency and control to underlying hedge fund investments.
  - Sizable investment needed.

Hedge Funds

Strategic Role in Target Allocation

- Typically 5%-10% of portfolio.
- Expected return between stocks and bonds.
- Good diversifier (low correlation with stocks and bonds).

Example Target Allocation



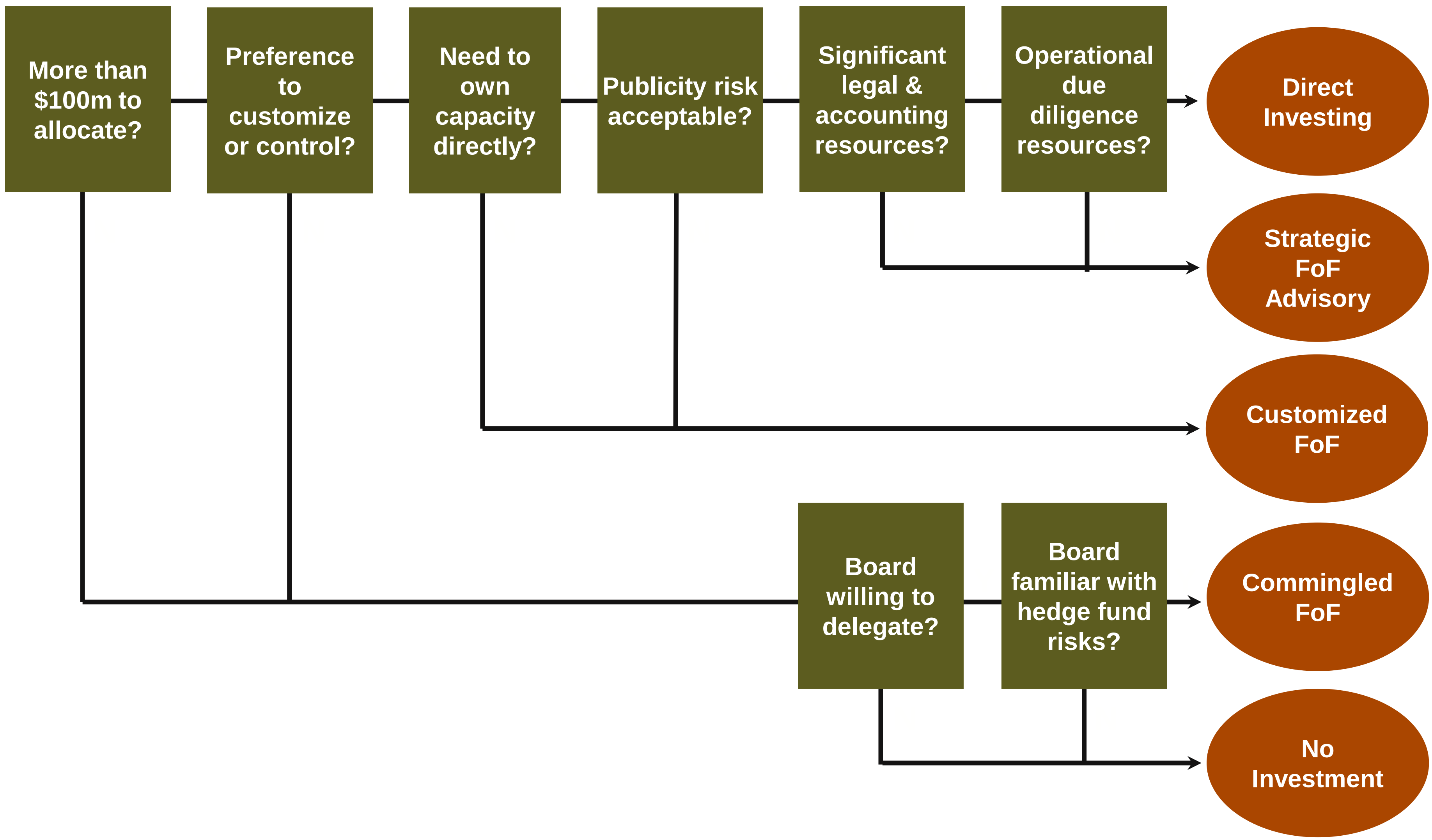
Hedge Funds

Implementation of Various Hedge Fund Programs

- Customized or commingled fund-of-fund (FoF) approach
  - Experienced oversight manager(s) creating fully diversified portfolios.
  - Appropriate for investors with limited experience and resources.
  - High level of extra fees represent a visible cost of proper due diligence.
- Direct investing options
  - More control, accountability and flexibility for investor.
  - Avoids an added layer of explicit fees by using non-discretionary advisors.
  - However, it requires experienced staffing, built out infrastructure, and considerable time to implement and monitor.

Hedge Funds

Implementation Decisions



Hedge Funds

How to Allocate to Various Hedge Fund Sub-Strategies

- Fixed-Income Alternative – Absolute Return Program
  - Absolute return strategies offering expected returns of T-bills + 4% with similar volatility to bonds.
  - Primarily allocate to relative value (e.g., convertible arbitrage, fixed-income arbitrage, market neutral equity), and event driven (e.g., merger arbitrage, distressed securities), with less than 20% of fund assets allocated to long-short equity or other directional strategies.
- Equity Alternative – Long-Short Equity Program
  - Long-short equity and other hedged directional strategies exhibit equity-like returns with less volatility.
  - Primarily allocate to long-short equity and other directional strategies, with less than 20% of fund assets allocated to relative value and event driven strategies.
- Balanced Alternative – Core Diversified Program
  - Core diversified strategies looks to reduce a portfolio's overall exposure to stocks and bonds while introducing a return based on short-term interest rates. A strategic role for inflation hedging.
  - Allocate 20% or more of fund assets to each of the following strategies: (1) relative value, (2) event driven and (3) long-short equity or other directional strategies.

Hedge Funds

Types of Portfolio Structures to Consider

<u>Broadly Diversified Mandates</u>

- Each FoF provides exposure to all types of hedge funds (e.g., large and small funds, U.S. and non-U.S. funds, directional and non-directional strategies).
- Appropriate only for one or two FoF relationships to avoid over-diversified exposures.

<u>Core/Satellite Mandates</u>

- FoFs specifically hired to focus for a given expertise with smaller or larger funds, but each still diversified enough to meet broad investment objectives.
- Achieves economies of scale with larger fund focus while also targeting capacity-constrained opportunities with FoF expertise hiring smaller/emerging managers.

<u>Strategy-Specific Mandates</u>

- To implement a broadly diversified strategy, different FoFs hired to handle distinctly separate strategy mandates (e.g., long-short equity as an equity substitute, absolute return as a bond alternative, global macro for tactical allocation).
- Enables more top-down strategy mix control by investor with niche FoF expertise.

Hedge Funds

Summary Thoughts

- Benefits
  - Hedge funds are expected to generate higher risk-adjusted returns than stocks and bonds while being less sensitive to equity market risk which sometimes dominates a portfolio.
  - Hedge funds provide an alternative to lower expected returns from stocks and bonds.
- Considerations
  - The additional time and expense associated with an allocation to hedge funds is expected to result in a marginal increase in total portfolio return and/or decrease risk.
  - The well-diversified nature of the Fund tends to make the case for hedge funds less compelling.
- Conclusions
  - Further education is warranted if you believe all of the following:
    - *The Fund will benefit from additional diversification to smooth the path to meeting long-term return objectives;*
    - *Given manager skills and investment tools not available to traditional portfolio management, hedge funds can provide value-added returns from inefficiencies in public capital markets; and*
    - *The various risks of hedge funds, including concerns of liquidity and capacity constraints, are manageable with proper due diligence and oversight given available resources.*

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Memorandum

To: Board of Trustees, North Dakota Public Employees Retirement System
From: Julia Moriarty, CFA; Paul Erlendson; Alexander Browning
CC: Sparb Collins, Executive Director; Bryan Reinhardt, Research and Planning Manager
Date: May 9, 2016
Subject: NDPERS RHIC Fund Asset Liability Results

The primary objective of the asset liability study is to determine an appropriate strategic asset allocation for the North Dakota Public Employees Retirement System Retiree Health Insurance Credit Fund ("the Fund" or "the Plan") given the three policies that govern the Plan; the investment policy, the funding policy and the benefits policy. This objective is pursued by analyzing the interaction of assets and liabilities under a variety of capital market scenarios. Critical to the decision-making process is the Board's level of risk tolerance, which is ascertained after reviewing the quantitative and qualitative information contained in the asset liability study.

An appropriate asset allocation will satisfy two basic criteria:

1. The asset mix will be ***efficient***. Given an expected level of risk, the asset mix will generate the maximum level of expected return.

2. The asset mix will reflect an ***appropriate level of risk*** tolerance, based on a balanced consideration of Plan liabilities and the expected interaction of the liabilities with potential Fund performance.

Five efficient asset mixes were constructed based on the Plan's current asset classes (US Equity, Global ex-US Equity and Domestic Fixed Income) and Callan's 2016-2025 capital market assumptions.

Demographic Risk Analysis
Using the assumptions and plan provisions outlined in the July 1, 2015 valuation report provided by the Plan's actuary, Segal Consulting, we modeled liabilities by advancing the Plan population through time. Over the next few years, the active member average age rises to 48 years due to changes in the actuarial assumptions and Plan provisions. Liabilities, which grow with credited service, are increasing at a steady pace which is typical of an open plan. Liquidity needs are low as the Fund is cash flow positive over the projection period given the current funding policy. The actuarially required contribution methodology was tested with the results outlined in the appendix to the study.

Expected Financial Condition

The projection of funded status suggests the Plan will become fully funded in the next 10 years given current benefit and contribution policies. In the absence of benefit/contribution policy changes, the Plan's funded status (market value of assets / actuarial accrued liability) is expected to rise to 123% over the next 10 years under the current Target asset allocation.

Currently, the statutory contribution rates are more than enough to meet the needs of the Plan. The employer contribution rate of 1.14% is 42 basis points above the 2015-16 actuarially required contribution of 0.72%.

The important conclusion to draw from the projections is that the current statutory contribution rate will likely lead to a surplus in the next 10 years regardless of the asset mix employed. Expected-case funding in 2025 ranges from 109% for Mix 1 to 129% for Mix 5. Given the current asset allocation, the Plan is expected to reach full funding in 2021.

Critical Decision Factors

By combining assets and liabilities with thousands of possible capital market scenarios, statistically valid ranges of outcomes for numerous decision variables can be created. The range of outcomes may be conveyed in the presentation as “floating bars”. The floating bars and table underneath illustrate the reward or expected-case outcome (the median or 50th percentile); the best-case outcome (defined as the 2.5th percentile); and the worse-case outcome (defined as the 97.5th percentile) for each asset allocation alternative under consideration.

Funded status (market assets/actuarial liability) was identified as the critical decision variable that may influence the asset allocation decision. The funded status variable examined is an ongoing measure of the financial health of the Plan and arguably the most important decision variable as it indicates the ongoing financial security of promised benefits. All asset mixes are expected to be fully funded in the next six to eight years, with more aggressive mixes reaching full funding earlier than more conservative mixes.

Conclusion

The recommended asset allocation depends on the goal(s) for the Plan. If the goal is to reduce risk, the Fund may want to adopt a more conservative asset allocation assuming no change to the contribution and benefit policies. If the goal is to lower the cost to the sponsor in the form of a lower contribution rate, the Fund may wish to maintain or possibly increase the current risk posture assuming the benefit policy remains unchanged. If the goal is to increase benefits, the Fund may want to maintain or possibly increase the current risk posture assuming the contribution policy remains unchanged.
Of course, any combination of the above goals may also be sought.

Callan

The table below outlines the recommended mixes. Mix 1 meets the goal of reducing the risk required to achieve full funding. Mix 4 is consistent with the goal of reducing contributions while maintaining the ability to achieve full funding. Mix 4 is also consistent with the goal of increasing benefit levels at the current contribution rate.

		Optimal Mixes	
Asset Class	**Target**	**Mix 1**	**Mix 4**
US Broad Equity	46%	18%	36%
Global ex-US Equity	14%	12%	24%
Domestic Fixed	40%	70%	40%
Totals	100%	100%	100%
Expected Return	6.2%	4.8%	6.2%
Standard Deviation	11.3%	6.0%	11.4%
Probability > 8%	31.1%	5.1%	31.2%
Equity Allocation	60%	30%	60%

Callan

May 18-19, 2016

North Dakota PERS Retiree Health Insurance Credit Fund

2016 Asset Allocation and Liability Study

Alexander Browning
Vice President

Paul Erlendson
Senior Vice President

Julia Moriarty, CFA
Senior Vice President

Agenda

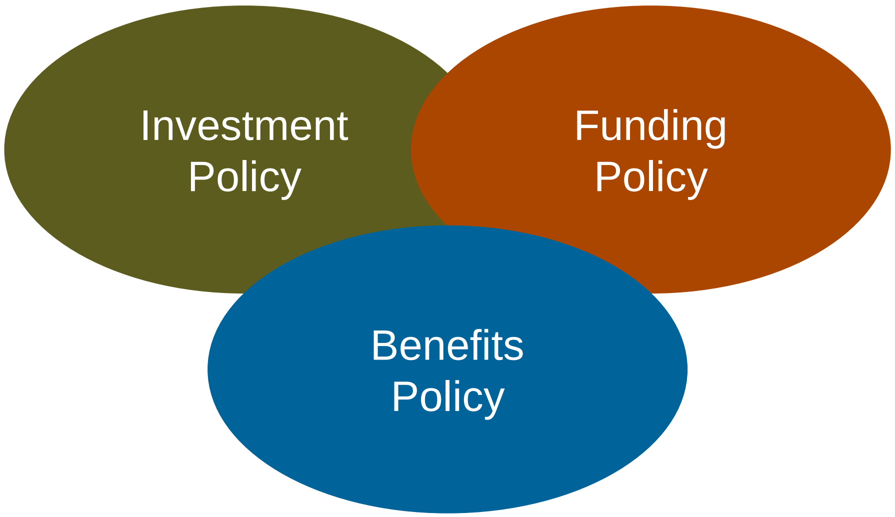
- Goal of the study
- Callan’s asset-liability process
  - Capital market expectations
  - Develop asset mix alternatives
  - Build actuarial liability model
  - Deterministic projections
  - Simulate financial condition (stochastic projections)
- Asset allocation recommendation
- Appendix

Goal of the Study

- The goal of this asset-liability study is to identify an appropriate long-term strategic asset allocation policy for the NDPERS Retiree Health Insurance Credit (RHIC) Fund.
- An appropriate asset allocation will depend on the Plan Sponsor's investment objectives.
  - Minimize costs over the long run (long-term goal).
    - *How much return generation (from beta and alpha) is necessary to lower costs and/or improve funded status?*
  - Minimize funded status volatility (short-term goal).
    - *How much risk reduction is necessary to reduce funded status volatility?*
- The appropriate asset allocation should strike a balance between sustainable funded status volatility and minimization of costs over the long run.
- The appropriate asset allocation will vary by each Plan Sponsor's unique circumstances, preferences, and priorities.
  - No "one-size-fits-all" solution exists.

Where Does Asset Allocation Fit In?

We evaluate the interaction of the three key policies that govern the Fund with the goal of establishing the best investment policies.



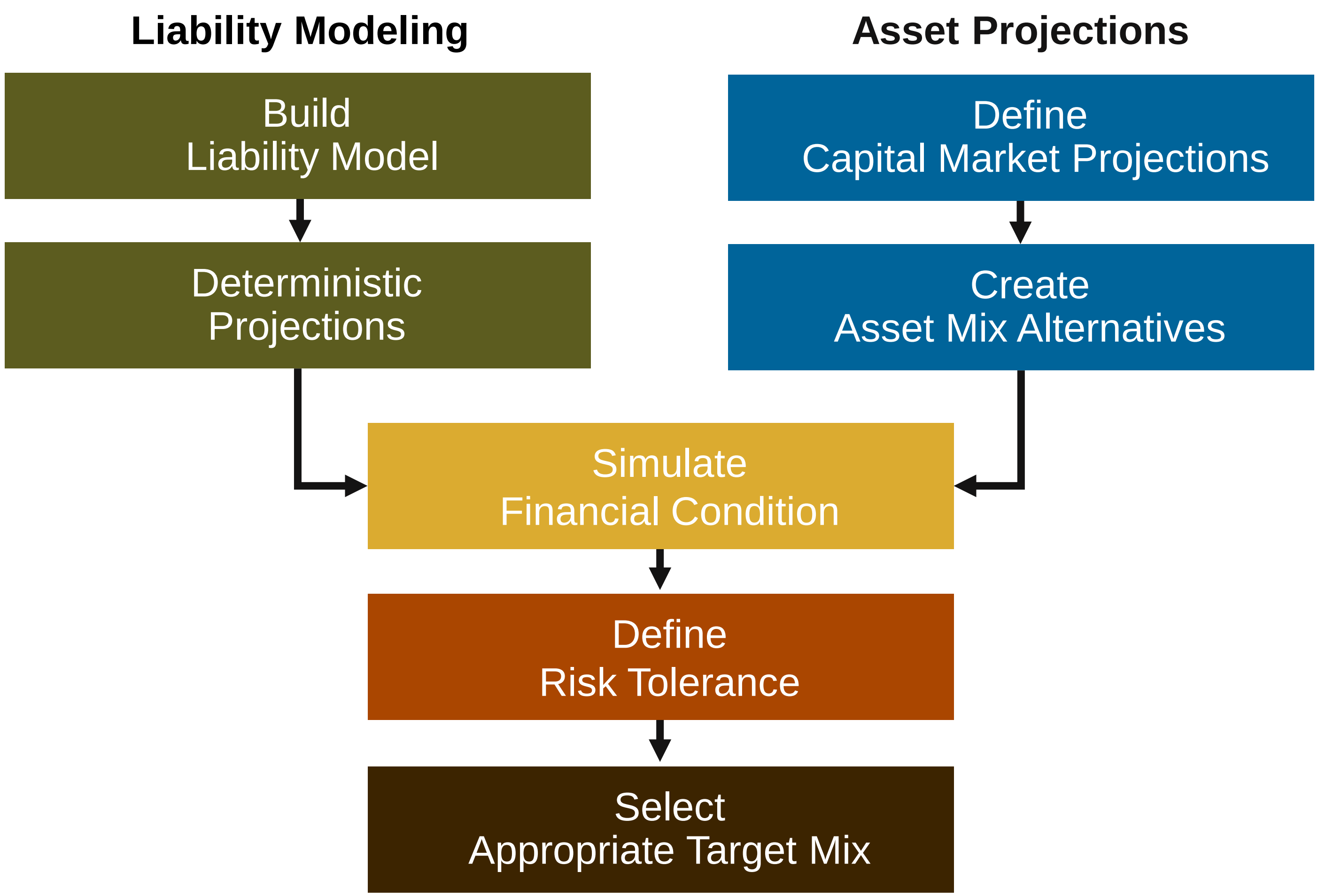
Investment Policy
- How will the assets supporting the benefits be invested?
- What risk and return objectives?
- How to manage cash flows?

Funding Policy
- How will the benefits be paid for (funded)?
- What are the actuarial assumptions?
- How are unfunded liabilities amortized or recognized over time?
- What are expected inflows (contributions)?

Benefits Policy
- What type/kind of benefits?
- What level of benefit?
- When and to whom are they payable?

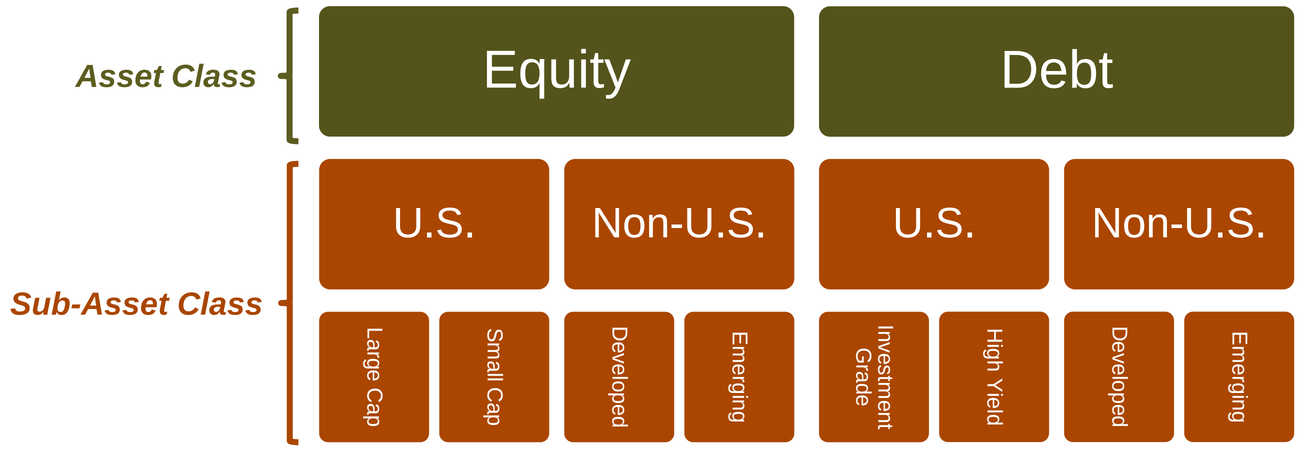
Asset Allocation and Liability Process

- Liabilities and assets are evaluated and tested separately, then integrated into a single model.



The Focus is on Broad Asset Classes

- Breakdowns between investment styles within asset classes (growth vs. value, large cap vs. small cap) are best addressed in a manager structure analysis.
  - Asset allocation assumes a net-of-fee investment in the relevant index fund (passive management).
  - Manager structure reflects the investor's decision about the use of active and/or passive management within an asset class; the number of different mandates within the asset class; the styles within the asset class; and whether or not to implement "tilts" that differ from the broad asset class benchmark.
- Primary asset classes and important sub-asset classes include:
  - U.S. stocks
  - U.S. bonds
  - Non-U.S. stocks
  - Non-U.S. bonds
  - Alternative investments
    - *Real estate*
    - *Private equity*
    - *Hedge funds*
  - Cash



How are Capital Market Projections Constructed?

- An annual internal process at Callan updates 10-year projections.
  - Evaluate current environment and economic outlook.
  - Examine relations between economy and historical asset class performance.
  - Create 10-year risk, return, and correlation projections.
  - Test projections for reasonable results.
  - Typically released in January each year.
- Projections cover most broad asset classes and inflation:
  - Broad domestic equity
    - *Large cap*
    - *Small cap*
  - International equity
    - *Developed markets*
    - *Emerging markets*
  - Domestic fixed income
  - International fixed income
  - Real estate
  - Alternative investments
  - Cash
  - Inflation
- Incorporates both advanced quantitative modeling as well as qualitative feedback and expertise contributed by Callan consulting professionals.

2016 Capital Market Expectations

Return and Risk

- Public market expectations represent passive exposure (beta only).
- Return expectations for private market investments such as real estate and private equity reflect active management premiums.
- Return expectations are net of fees.

Summary of Callan's Long-Term Capital Market Projections (2016 - 2025)

Asset Class	Index	Projected Return*	Projected Risk
Equities			
Broad Domestic Equity	Russell 3000	7.35%	18.70%
Large Cap	S&P 500	7.25%	17.95%
Small/Mid Cap	Russell 2500	7.55%	22.75%
Global ex-US Equity	MSCI ACWI ex USA	7.55%	21.30%
International Equity	MSCI World ex USA	7.25%	20.05%
Emerging Markets Equity	MSCI Emerging Markets	7.60%	27.85%
Fixed Income			
Domestic Fixed	Barclays Aggregate	3.00%	3.75%
TIPS	Barclays TIPS	3.00%	5.30%
High Yield	Barclays High Yield	5.00%	10.50%
Non-US Fixed	Barclays Global Aggregate ex-USD	1.40%	9.20%
Emerging Market Debt	EMBI Global Diversified	4.60%	9.90%
Other			
Real Estate	Callan Real Estate Database	6.00%	16.45%
Timberland	NCREIF Timberland	6.20%	17.50%
Infrastructure	S&P Global Infr / JPM Infr	6.60%	19.00%
Private Equity	TR Post Venture Capital	8.15%	32.80%
Hedge Funds	Callan Hedge FoF Database	5.25%	9.30%
Commodities	Bloomberg Commodity	2.75%	18.50%
Cash Equivalents	90-Day T-Bill	2.25%	0.90%
Inflation	CPI-U	2.25%	1.50%

** Geometric returns are derived from arithmetic returns and the associated risk (standard deviation).*

2016 Capital Market Expectations

Correlations

2016 Correlation Matrix

	Broad	Lg Cap	Sm/Mid	GlobxUS	Int'l Eq	Emerge	Dom Fix	TIPS	Hi Yield	NUS Fix	EMD	Real Est	Timber	Infrastr	Pvt Eqt	Hedge Fd	Comm	Cash Eq
Broad Domestic Equity	1.000																	
Large Cap	0.997	1.000																
Small/Mid Cap	0.965	0.940	1.000															
Global ex-US Equity	0.882	0.879	0.853	1.000														
International Equity	0.852	0.850	0.820	0.986	1.000													
Emerging Markets Equity	0.861	0.855	0.840	0.933	0.860	1.000												
Domestic Fixed	-0.108	-0.100	-0.130	-0.123	-0.105	-0.150	1.000											
TIPS	-0.050	-0.045	-0.065	-0.053	-0.045	-0.065	0.580	1.000										
High Yield	0.640	0.640	0.610	0.629	0.610	0.610	0.020	0.060	1.000									
Non-US Fixed	0.014	0.050	-0.100	0.013	0.060	-0.090	0.510	0.340	0.120	1.000								
EMD	0.579	0.580	0.550	0.550	0.530	0.540	0.030	0.150	0.600	0.010	1.000							
Real Estate	0.735	0.730	0.715	0.669	0.650	0.645	-0.020	0.005	0.560	-0.050	0.450	1.000						
Timberland	0.584	0.580	0.570	0.533	0.520	0.510	-0.020	0.000	0.430	-0.040	0.400	0.800	1.000					
Infrastructure	0.781	0.780	0.750	0.709	0.690	0.680	-0.020	0.010	0.580	0.060	0.590	0.650	0.500	1.000				
Private Equity	0.948	0.945	0.915	0.934	0.905	0.905	-0.190	-0.100	0.640	-0.060	0.560	0.710	0.570	0.760	1.000			
Hedge Funds	0.797	0.795	0.765	0.760	0.735	0.740	0.080	0.055	0.570	-0.080	0.540	0.600	0.460	0.620	0.770	1.000		
Commodities	0.167	0.165	0.165	0.177	0.170	0.175	-0.120	0.100	0.100	0.050	0.190	0.200	0.180	0.240	0.180	0.210	1.000	
Cash Equivalents	-0.043	-0.030	-0.080	-0.040	-0.010	-0.100	0.100	0.070	-0.110	-0.090	-0.070	-0.060	-0.050	-0.080	0.000	-0.070	0.070	1.000

- “Correlations” measure relationships between asset classes. They are as important, or more important, than the level of individual asset class assumptions.
- These relationships will have a significant impact on the generation of efficient asset mixes using mean-variance optimization.
- Correlations are what define the diversification benefit – or lack thereof – of asset combinations.

Asset Mix Alternatives

Mean-Variance Optimization

				Optimal Mixes				
Asset Class	**Target**	**Min.**	**Max.**	**Mix 1**	**Mix 2**	**Mix 3**	**Mix 4**	**Mix 5**
US Broad Equity	46%	0%	100%	18%	24%	30%	36%	42%
Global ex-US Equity	14%	0%	100%	12%	16%	20%	24%	28%
Domestic Fixed	40%	0%	100%	70%	60%	50%	40%	30%
Totals	100%			100%	100%	100%	100%	100%
Expected Return	6.2%			4.8%	5.3%	5.8%	6.2%	6.6%
Standard Deviation	11.3%			6.0%	7.7%	9.6%	11.4%	13.3%
Probability $\geq$ 8%	31.1%			5.1%	14.1%	24.3%	31.2%	36.9%
Equity Allocation	60%			30%	40%	50%	60%	70%

- The optimal mixes are constructed with increasing allocations to equity (from 30% to 70%).
  - Mix 1 is the most conservative while Mix 5 is the most aggressive.
- As the equity allocation increases, the expected portfolio return and risk increase.
- The current target mix has a risk and return profile similar to that of Mix 4 but with a lower allocation to non-U.S. equity as a percentage of total equity (23% versus 40% for the efficient mixes).
- None of the mixes are expected to return 8.0% over the next 10 years.

Asset Mix Alternatives

Mean-Variance Optimization

- While the Fund's expected return over the next 10 years falls short of the 8.0% actuarial return assumption, a few key items should be factored into this study's 6.2% return projection.
  - Callan's public market return projections do not incorporate active management premiums.
    - *Active management premiums accrue when investment products selected by SEI outperform their passive benchmarks. It is important to note, though, that investment firms will at times underperform their passive benchmarks.*
  - Callan's 10-year numbers are below longer-term expectations due to the current economic environment and the forecast for the next several years.
    - *Callan's 10-year return projections are approximately 50 to 200 basis points below longer-term (30+ years) expectations. The difference between near-term and long-term return expectation depends on the asset class.*
  - The Plan still has a reasonable chance of achieving an 8.0% return over 10 years (31% probability).

Build Actuarial Liability Model

- For purposes of asset-liability modeling, Callan built an actuarial liability model based on the Fund's specific liabilities which initially matches Segal's actuarial liabilities within +/-5%.
  - Results are then scaled to match the actuarial report exactly.
- Liability model is based on the July 1, 2015 actuarial valuation report provided by Segal Consulting.

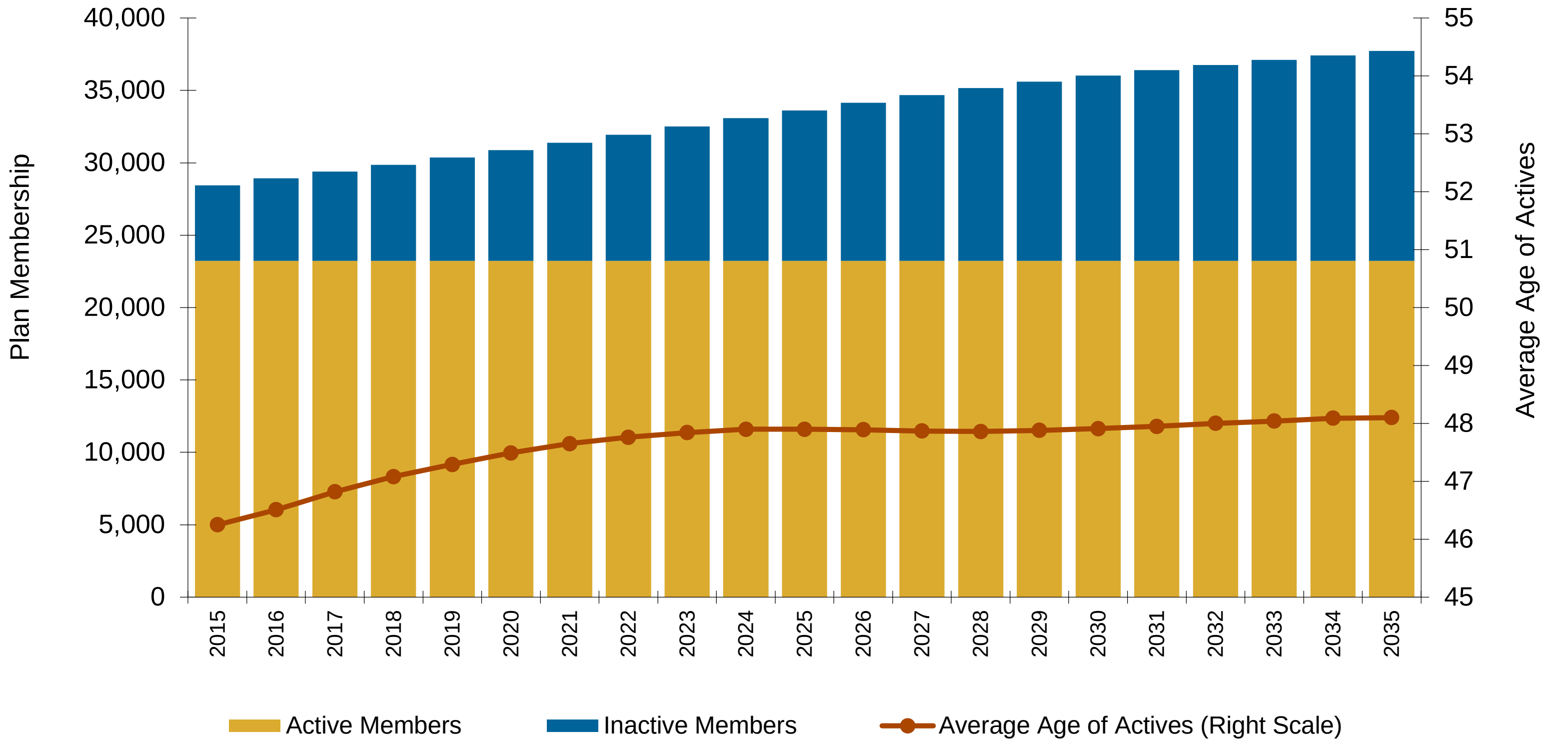
July 1, 2015 Financial Position	
Actuarial Accrued Liability	$129 Million
Market Value of Assets	$99 Million
Actuarial Value of Assets	$89 Million
Funded Status (MVA/AL)	76.9%
Funded Status (AVA/AL)	69.4%

Statutory Employer Contribution Rate	2015-16 ARC
1.14%	0.72%

Key Assumptions	Actuarial	Callan
Investment Return	8.0%	6.2%

Plan Membership

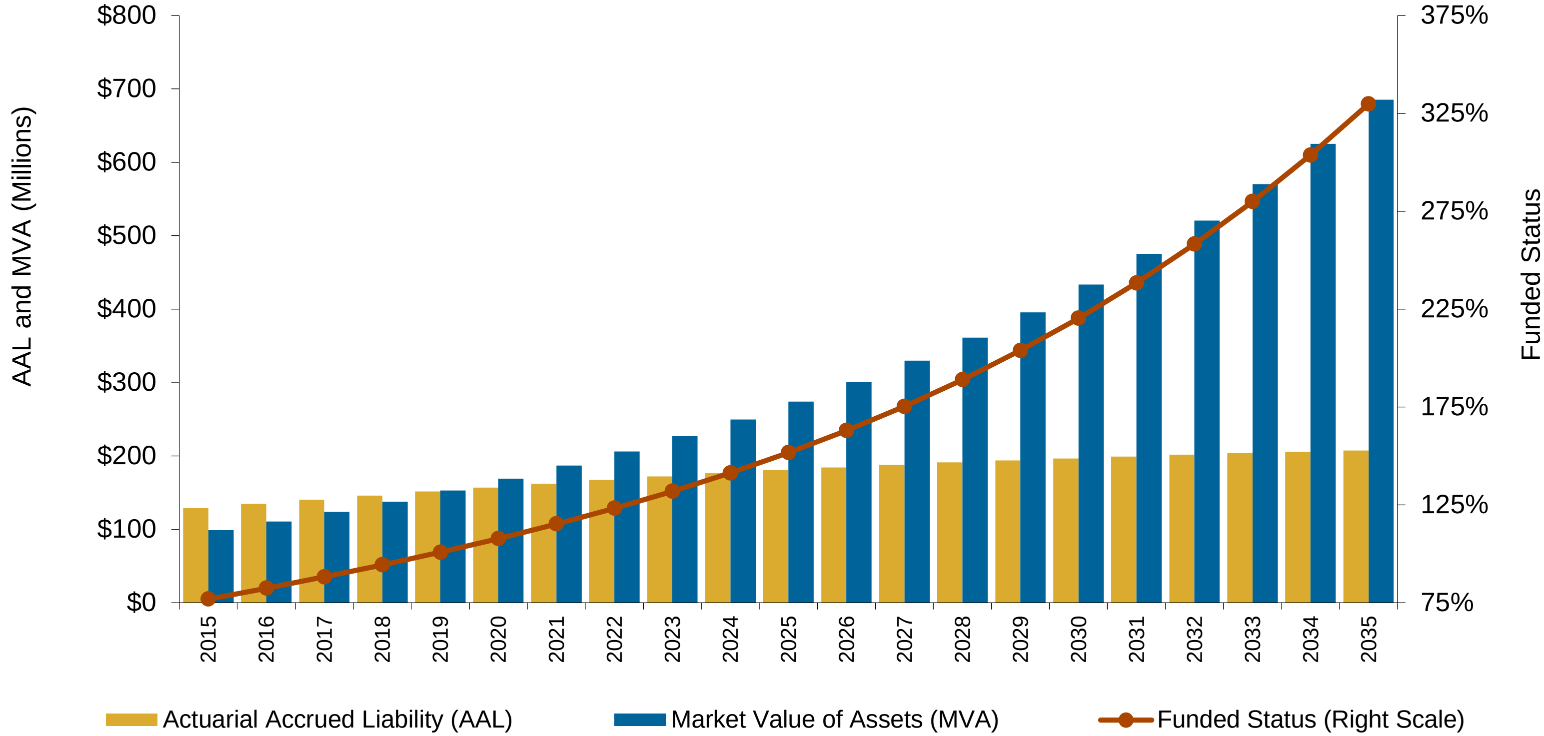
20 Year Projection (2015 to 2035)



- The number of active members is held constant at 23,237 (0% workforce growth).
  - Future new hires replace exits due to retirement, death, disability, and withdrawal.
- Average age of active members rises slightly in the first few years due to changes in actuarial assumptions (retirement rates) and plan provisions (normal service pension requirements and early retirement benefits).

Liabilities, Assets and Funded Status

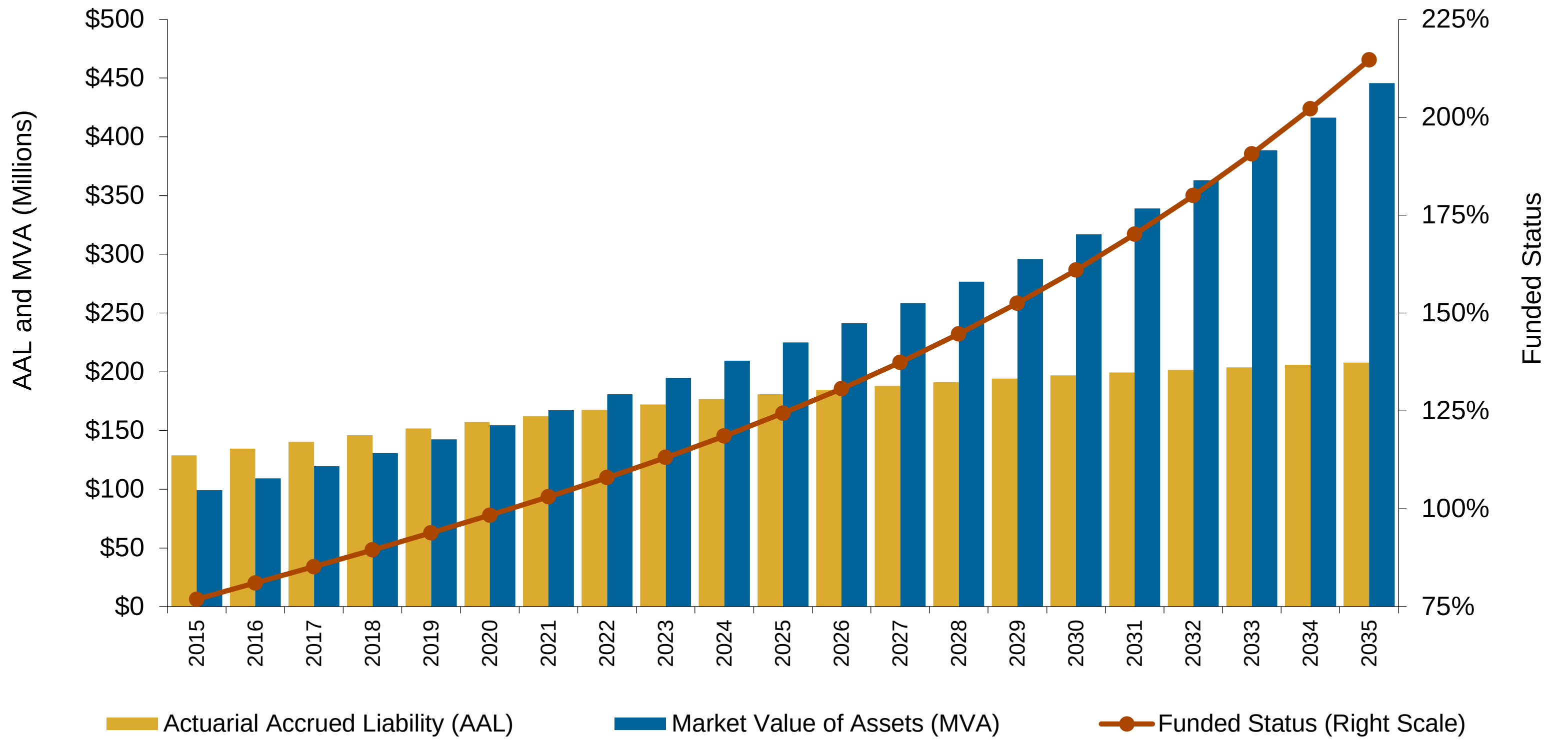
20 Year Projection (2015 to 2035): Actuarial Assumptions



- The above graph represents the baseline projection for the current target mix and current funding policy using ***actuarial assumptions***.
  - Current target mix is assumed to return 8.0% each year.
- Funded status is expected to rise dramatically under the current statutory contribution rate.
  - 100% funding is reached in 2019.

Liabilities, Assets and Funded Status

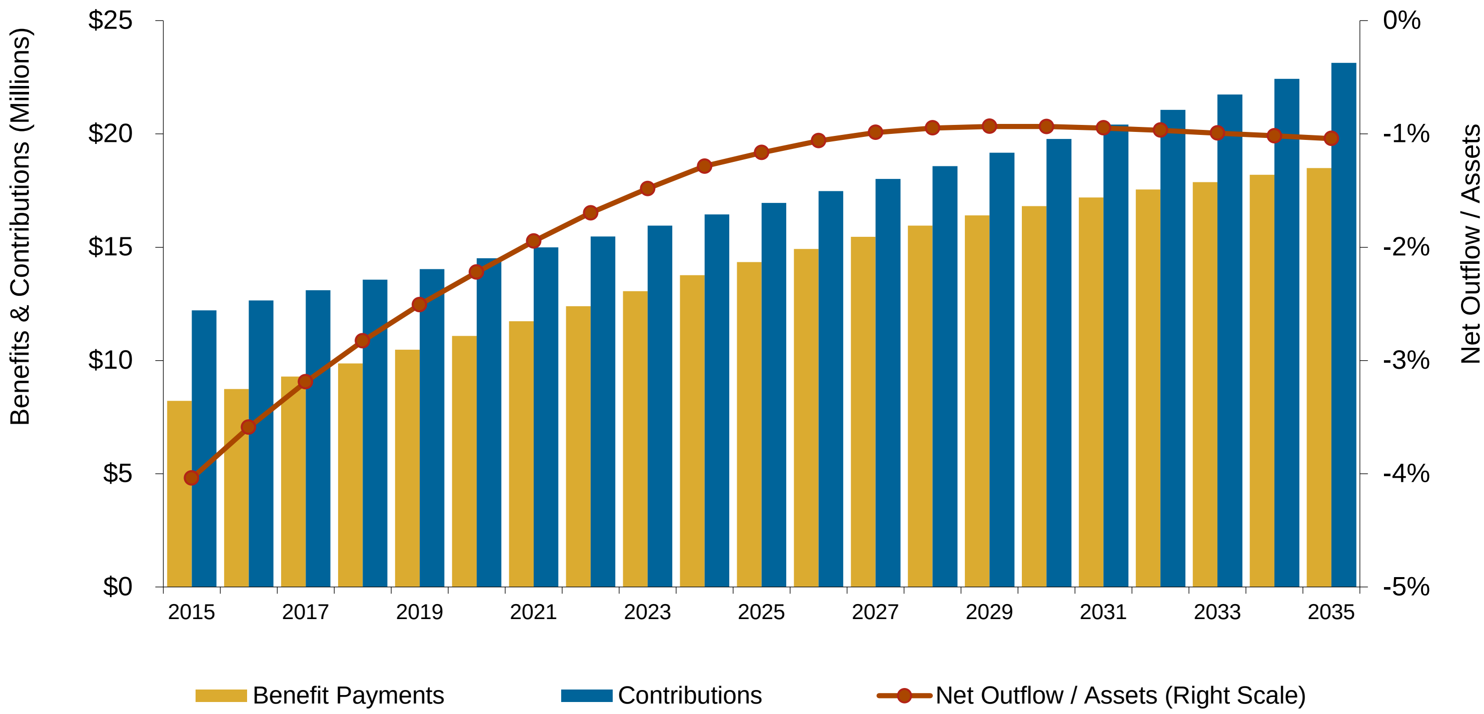
20 Year Projection (2015 to 2035): Callan Assumptions



- The above graph represents ***Callan's*** baseline projection for the current target mix and current funding policy. Callan's assumptions are used throughout the remainder of the study.
  - Current target mix is assumed to return 6.2% each year.
- Funded status is expected to rise dramatically under the current statutory contribution rate.
  - 100% funding is reached in 2021.

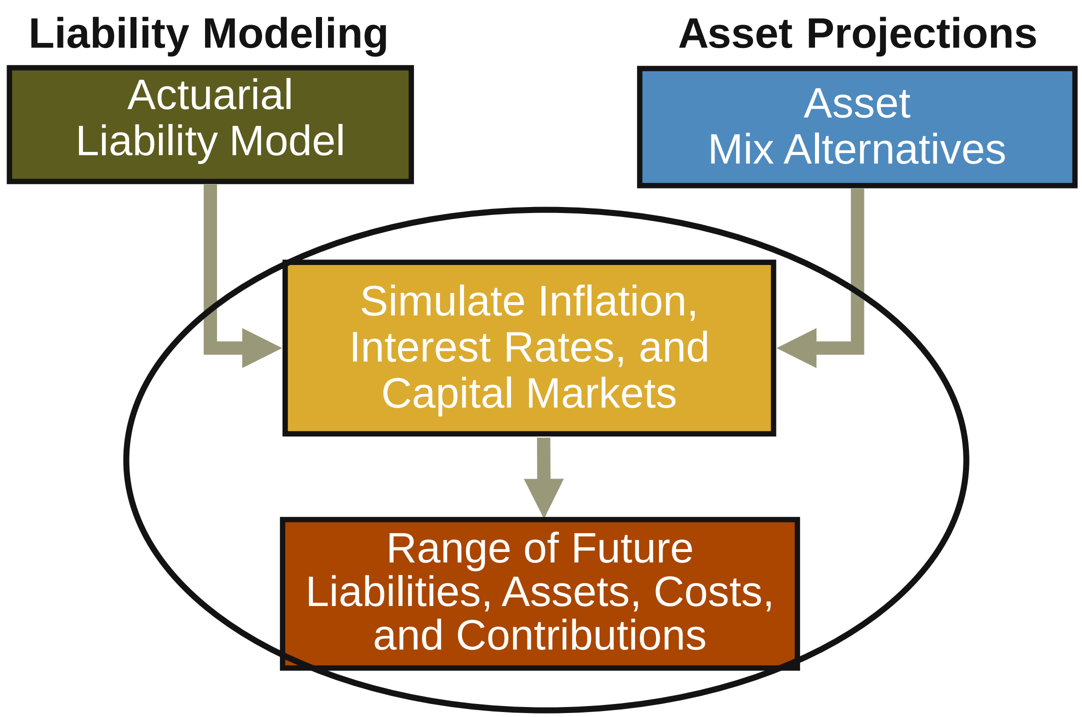
Liquidity Needs

20 Year Projection (2015 to 2035)



- Net Outflow = Benefit Payments – Employer Contributions – Employee Contributions
- Liquidity is not an issue under the current funding policy as the Fund is cash flow positive over the 20-year projection period.

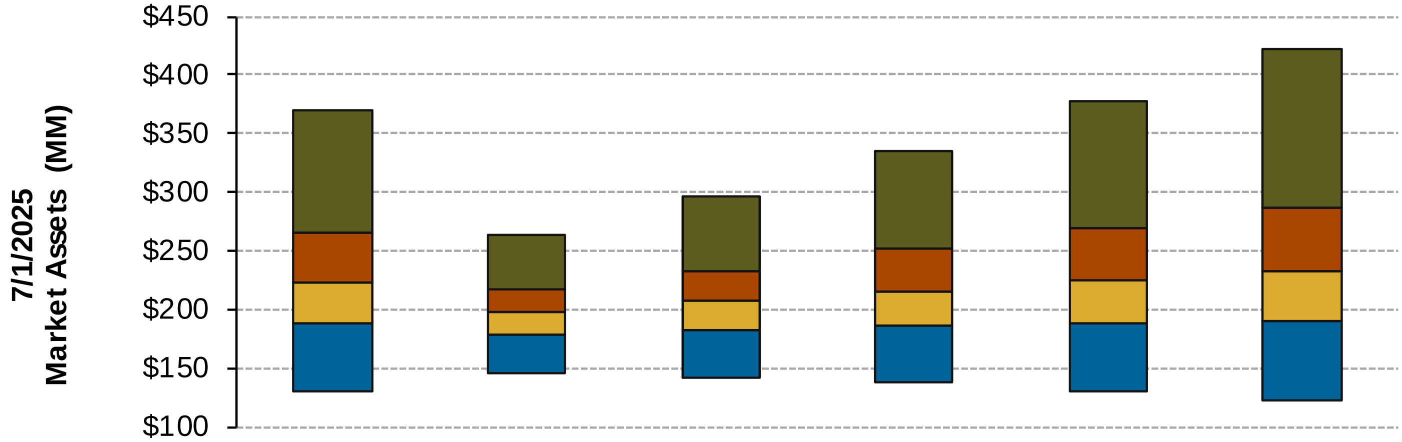
Simulate Financial Condition



- Generate 2,000 simulations per year, per asset mix to capture a broad range of possible future economic scenarios and their impact on the Fund.
- Focus on the 10-year planning horizon (July 1, 2015 – July 1, 2025).

Market Value of Assets

Projection Date: July 1, 2025

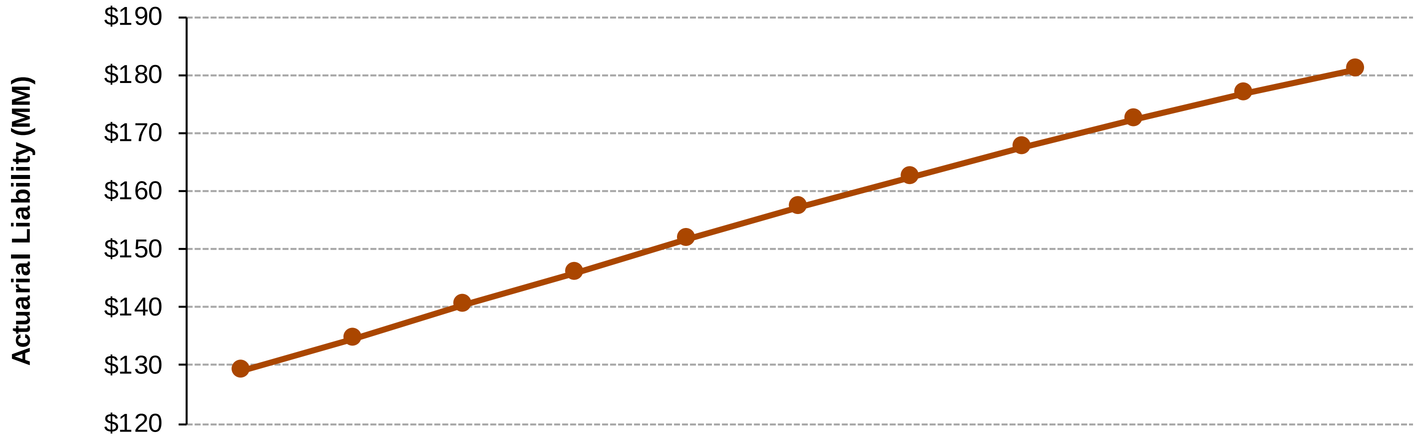


Percentile	Target	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5
2.5th	$370	$264	$296	$335	$377	$422
25th	$265	$217	$233	$251	$268	$287
50th	$223	$197	$207	$216	$224	$233
75th	$187	$179	$182	$186	$188	$190
97.5th	$131	$146	$142	$137	$131	$122
Range	$240	$117	$154	$198	$246	$300

- Moving from left to right (Mix 1 to Mix 5), the range of results widens as one takes on more risk (greater equity exposure).
- More aggressive mixes have larger expected values (50th percentile) but lower worse-case (97.5th percentile) outcomes.
  – The 50th percentile is the expected case – half of the outcomes are higher and half lower.
  – The 97.5th percentile is a worse case scenario – a 2.5% probability that assets will be the value shown or lower. This represents a two standard deviation event.

Actuarial Liability Growth Projection

July 1, 2015 to July 1, 2025

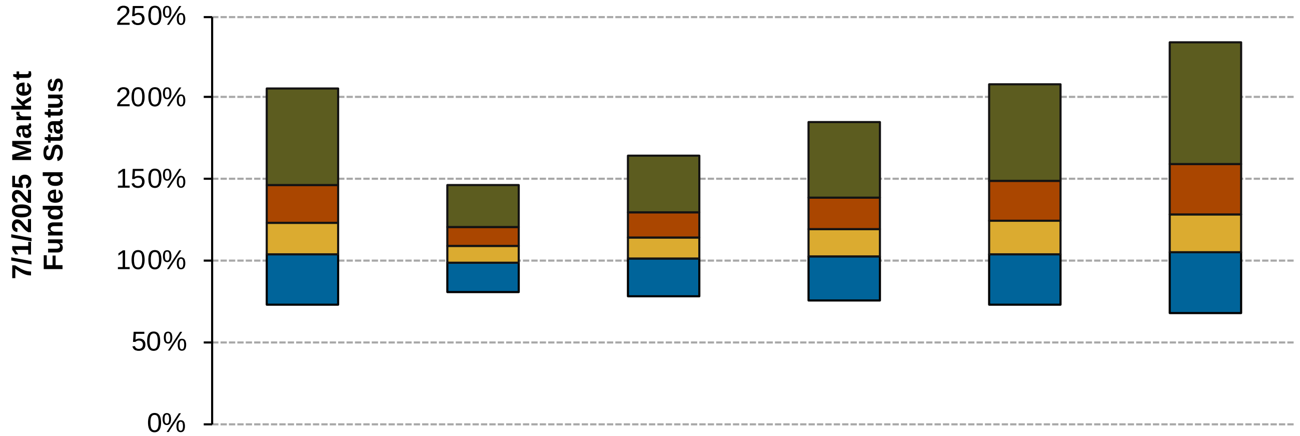


Percentile	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
97.5th	$129	$135	$140	$146	$152	$157	$162	$167	$172	$177	$181
75th	129	135	140	146	152	157	162	167	172	177	181
50th	129	135	140	146	152	157	162	167	172	177	181
25th	129	135	140	146	152	157	162	167	172	177	181
2.5th	129	135	140	146	152	157	162	167	172	177	181
Range	0	0	0	0	0	0	0	0	0	0	0

- Plan liabilities are increasing at a steady pace which is typical for an open plan.
- The liability increases with credited service.
  - Plan liabilities are insensitive to changes in inflation and the resulting impact on salaries.

Funded Status

Projection Date: July 1, 2025



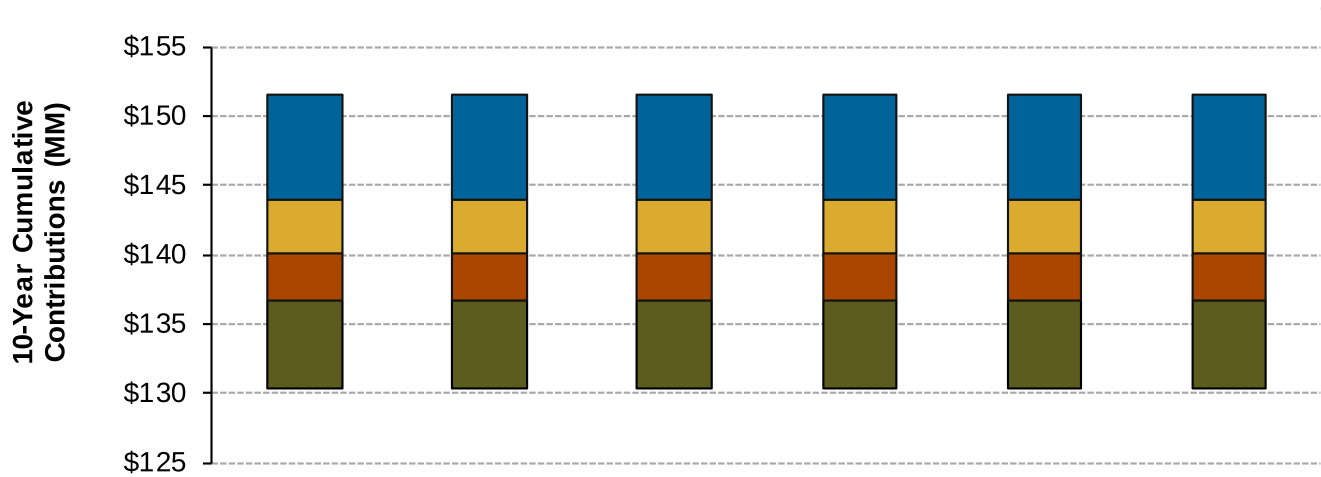
Percentile	Target	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5
2.5th	205%	146%	164%	186%	208%	234%
25th	147%	120%	129%	139%	149%	159%
50th	123%	109%	114%	119%	124%	129%
75th	104%	99%	101%	103%	104%	105%
97.5th	72%	81%	78%	76%	72%	68%
Fully Funded by	2021	2023	2022	2022	2021	2021

In the expected case

- Funded Status = Market Value of Assets / Accrued Liability
  - 7/1/2015 funded status = 76.9% ($99 / $129)
- The Plan's funded status is expected (50th percentile) to rapidly improve under the current funding policy, as all of the mixes are expected to be fully funded in ten years.
- More aggressive mixes are expected to have a higher funded status at the end of 10 years but will have a lower funded status in a worse-case scenario (97.5th percentile).

Cumulative Employer Contributions

2015 to 2024

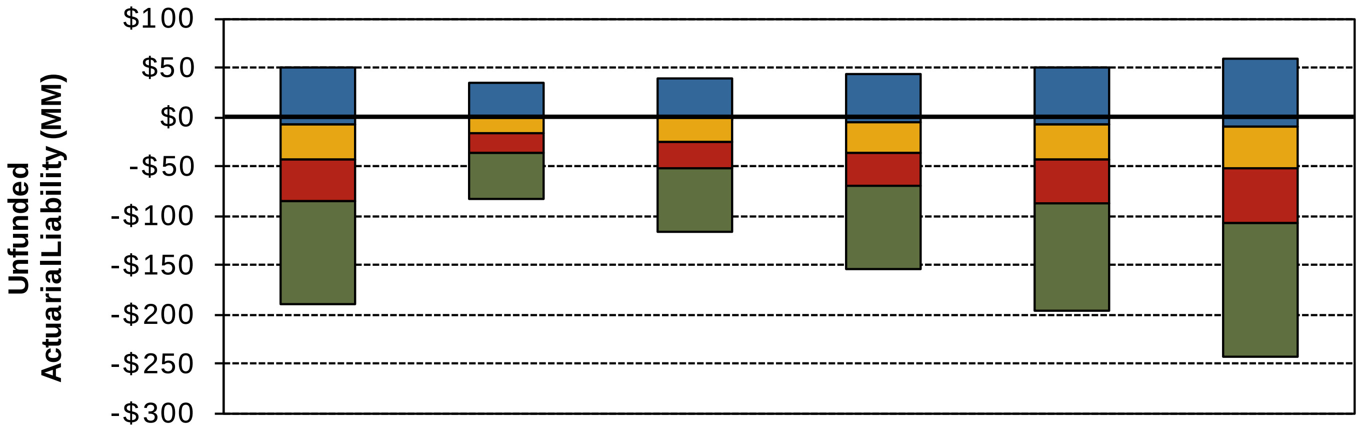


Percentile	Target	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5
97.5th	$152	$152	$152	$152	$152	$152
75th	$144	$144	$144	$144	$144	$144
50th	$140	$140	$140	$140	$140	$140
25th	$137	$137	$137	$137	$137	$137
2.5th	$130	$130	$130	$130	$130	$130
Range	$21	$21	$21	$21	$21	$21

- There is no contribution variability across the asset mixes due to the statutory percentage of pay policy.
  – Investment gains/losses are absorbed into the unfunded liability (funded status).
- Contribution volatility (from best- to worse-case) within an asset mix stems from simulated inflation which impacts salaries.

Unfunded Actuarial Liability

Projection Date: July 1, 2025

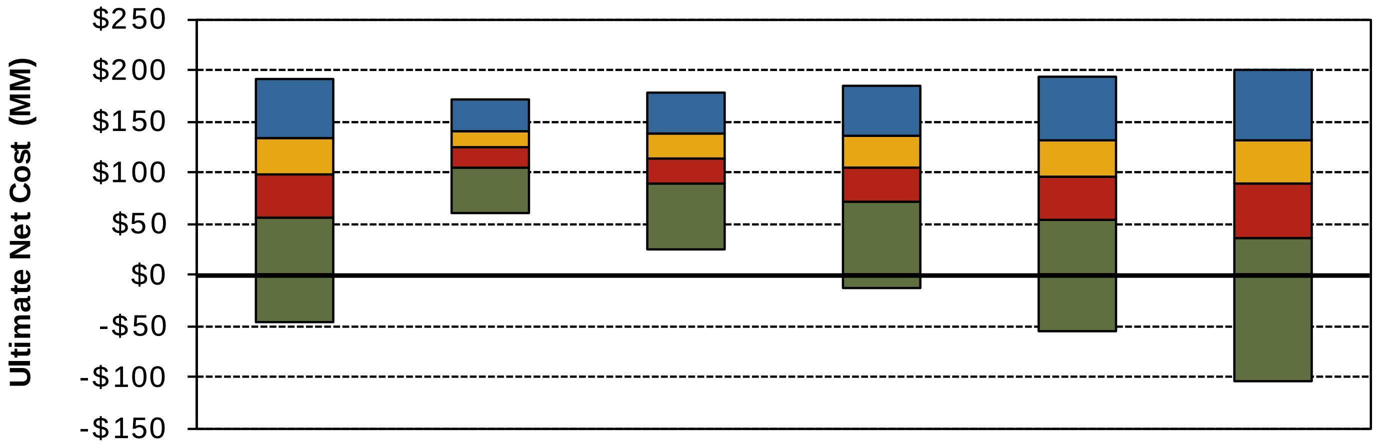


Percentile	Target	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5
97.5th	$50	$34	$39	$44	$50	$59
75th	-$6	$2	-$2	-$5	-$7	-$9
50th	-$42	-$16	-$26	-$35	-$44	-$52
25th	-$85	-$36	-$52	-$70	-$88	-$106
2.5th	-$190	-$83	-$115	-$155	-$196	-$241
Range	$240	$117	$154	$198	$246	$300

- Unfunded Actuarial Liability = Actuarial Liability - Market Value of Assets
  - The unfunded liability is being amortized over a closed 15-year period.
  - Negative numbers imply a surplus.
- The 7/1/2015 actuarial unfunded liability of $30 million is expected to fall between $46 million and $82 million over the next 10 years depending on the asset mix employed, resulting in all mixes posting a surplus in the expected case.
- More aggressive asset mixes result in a higher surplus in the expected case but result in a greater unfunded liability in worse-case scenarios.

Ultimate Net Cost

Projection Date: July 1, 2025



Percentile	Target	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5
97.5th	$191	$171	$178	$185	$194	$201
75th	$133	$141	$138	$135	$132	$131
50th	$99	$124	$114	$105	$96	$89
25th	$56	$105	$88	$71	$54	$35
2.5th	-$46	$60	$25	-$13	-$55	-$104
Range	$238	$111	$153	$198	$249	$305

- Ultimate Net Cost (UNC) = 10-Year Cumulative Contributions + 7/1/2025 Unfunded Actuarial Liability
- UNC is a more complete measure of the cost to the Plan since it captures what is expected to be paid over 10 years plus what is owed at the end of the 10-year period.
  – Negative numbers indicate the Plan is in a surplus position at 7/1/2025.
- More aggressive mixes lower UNC in the expected case but result in greater UNC in a worse-case scenario.

Making a Decision

Factor	Description
Return Objective	• Meet or exceed a liability return of 8.0% over the next 10 years
Time Horizon	• Indefinite (plan is open)
Liquidity Needs	• Liquidity needs are low under the current funding policy
Actuarial Methodology	• Fixed contribution rate • Capital gains/losses are smoothed over 5 years while interest and dividends are recognized immediately • 15 year closed amortization of the unfunded liability
Contribution Risk	• No contribution variability across asset mixes due to the statutory contribution policy
Risk Tolerance	• Risk tolerance is the ability and willingness to take risk • What is comfort level in taking more risk? • Consider worse-case funded status and/or worse-case deficit at the end of 10 years
Liability Growth	• Liabilities are growing with credited service
Funded Status*	• Plan is underfunded but funded status is expected to rapidly improve going forward under the current statutory contribution policy • 7/1/2015 funded status (MVA) = 78%

** Many plan sponsors select a more aggressive asset allocation to assist with closing a plan deficit over the long run. However, a more aggressive asset allocation can make the financial situation worse, if investment performance is below average.*

Asset Allocation Recommendation

- Summary of findings:
  - Plan liabilities are increasing at a steady pace which is typical for an open plan.
    - *The liability increases with credited service and is insensitive to changes in inflation and the resulting impact on salaries.*
  - There is no contribution variability across the asset mixes due to the statutory percentage of pay policy.
  - The Plan's funded status is expected to rapidly improve under the current funding policy.
    - *All asset mixes are expected to be fully funded in the next six to eight years, with more aggressive mixes reaching full funding earlier than more conservative mixes.*
- The recommended asset allocation depends on the goal(s) for the Plan.
  - If the goal is to reduce risk, the Fund may want to adopt a more conservative asset allocation assuming no change to the contribution and benefit policies.
    - *Mix 1, the most conservative mix analyzed with 30% equity, achieves full funding in eight years (2023).*
  - If the goal is to lower the cost to the sponsor in the form of a lower contribution rate, the Fund may wish to maintain or possibly increase the current risk posture assuming the benefit policy remains unchanged.
  - If the goal is to increase benefits, the Fund may want to maintain or possibly increase the current risk posture assuming the contribution policy remains unchanged.
  - Of course, any combination of the above goals may also be sought.
- A table highlighting the recommended asset mixes is shown on the following page.

Asset Allocation Recommendation

- Recommended mixes:
  - Mix 1 meets the goal of reducing the risk required to achieve full funding.
  - Mix 4 is consistent with the goal of reducing contributions while maintaining the ability to achieve full funding.
  - Mix 4 is also consistent with the goal of increasing benefit levels at the current contribution rate.

		Optimal Mixes	
Asset Class	Target	Mix 1	Mix 4
US Broad Equity	46%	18%	36%
Global ex-US Equity	14%	12%	24%
Domestic Fixed	40%	70%	40%
Totals	100%	100%	100%
Expected Return	6.2%	4.8%	6.2%
Standard Deviation	11.3%	6.0%	11.4%
Probability > 8%	31.1%	5.1%	31.2%
Equity Allocation	60%	30%	60%

- Finally, while the Fund's expected return over the next 10 years falls short of the 8.0% return assumption, there are mitigating factors that offset the projected 6.2% return.
  - Callan's public market return projections are based on passive (i.e., index fund) implementation and do not incorporate active management premiums
  - Callan's 10-year projections are cyclically lower than our longer-term (i.e., greater than 10 years) expectations.
  - The current target asset allocation has a 31.1% probability of achieving an 8.0% return over the next 10 years.

Appendix

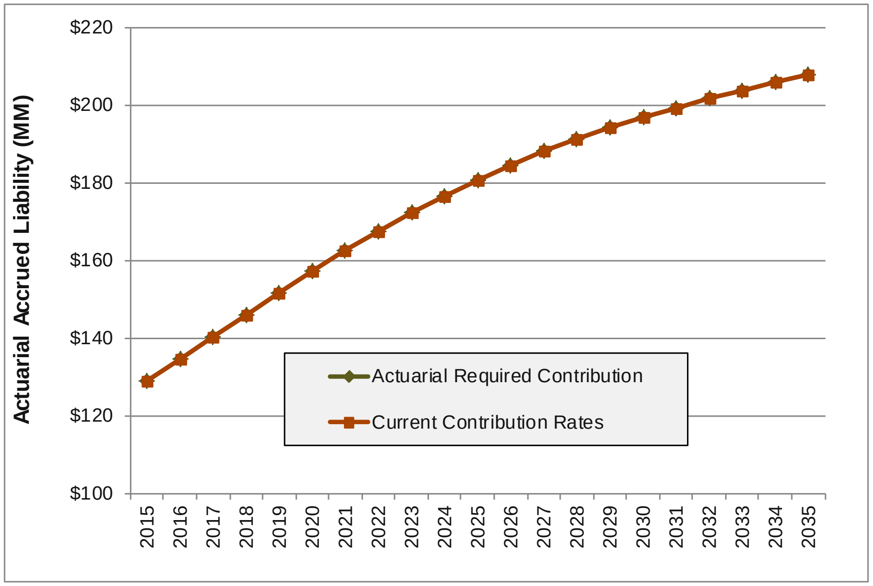
Alternative Contribution Policy

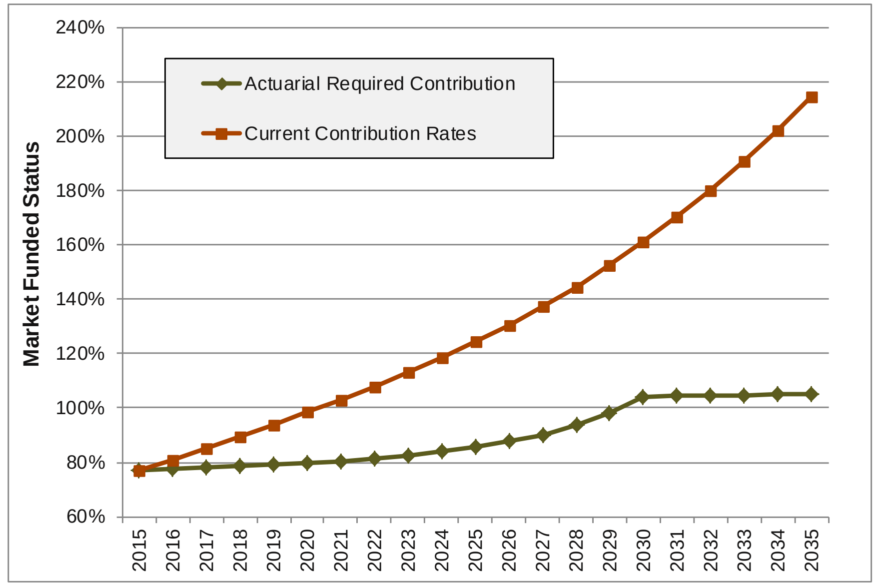
Alternative Contribution Policy

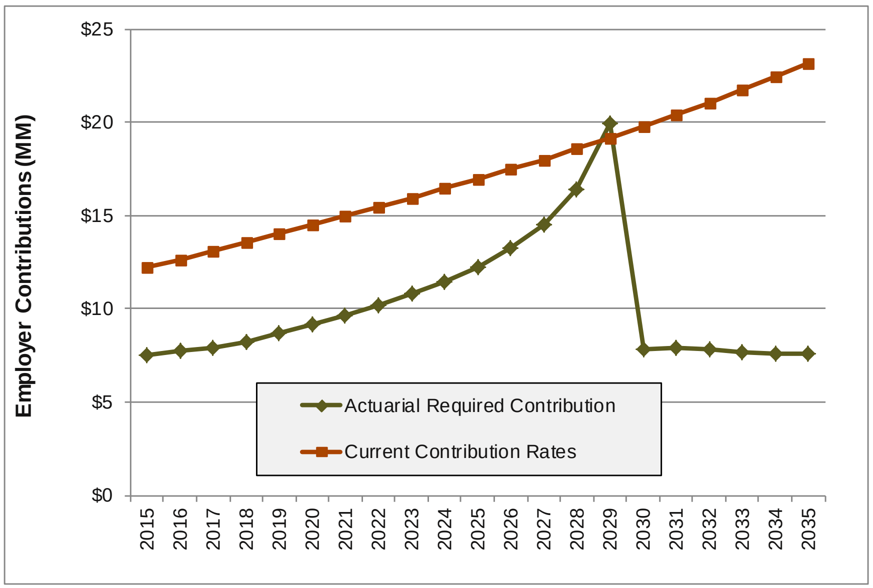
- The actuarially required contribution policy was modeled in addition to the current statutory percentage of pay policy.
- The charts on the following page compare the two contribution policies and their impact on liabilities, funded status and contributions.

Alternative Contribution Policy

Liabilities, Funded Status and Employer Contributions







- The actuarially required contribution policy results in lower employer contributions over time, with no change in the actuarial liability.
- Lower contributions result in a lower funded status over the 20-year projection period.
  – The funded status reaches 105% in 2035 when employing the actuarially required contribution method versus 215% under the current statutory percentage of pay policy.

Disclaimers

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Past performance is no guarantee of future results.

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Memorandum

TO: PERS Board

FROM: Sparb

DATE: May 12, 2016

SUBJECT: Health Plan Renewal/Bid

At the last meeting we discussed the upcoming health plan renewal. Several items were identified for follow-up.

1. Attachment #1 is a more detailed work plan with Deloitte for the renewal/bid. **(informational)**

2. Attachment #2 relates to the operational review we discussed at the last meeting. As noted, state statute requires that as part of the renewal effort we must:

    > *(2) Review the carrier's performance measures, including payment accuracy, claims processing time, member service center metrics, wellness or other special program participation levels, and any other measures the board determines relevant to making the determination and shall consider these measures in determining the board's satisfaction with the carrier's performance.*

    At the last meeting we reviewed a possible work effort from our consultant to address the above. The cost of that was between $75,000 to $125,000. We also discussed that Sanford will be doing a SOC 1 audit with Deloitte and that as part of that effort we may be able to get the necessary information to respond to the above. Sanford agreed to follow-up on that item. Attachment #2 is a proposed effort based upon using information from SOC 1 audit. This approach would have no cost to PERS. At this meeting we should decide it the attached information is sufficient or if we should consider other approaches**. (Board Action Requested)**

3. Attachment #3 is an updated survey and updated methodology as discussed at the last meeting. Pursuant to that discussion, the survey methodology has been updated so it will go to a sample (7,500) of all members. More details relating to the goals, sampling, distribution method and response collection are included. With the

attached changes, staff is seeking Board approval to move forward with the survey. **(Board Action Requested)**

4. Attachment #4 is the projection methodology from Deloitte. At the last meeting we noted that the statute states:

   > *(1) Use the services of a consultant to concurrently and independently prepare a renewal estimate the board shall consider in determining the reasonableness of the proposed premium renewal amount.*

   This effort is part of our contract with Deloitte. Attached is the proposed methodology for your review and approval. **(Board Action Requested)**

5. Attachment #5 is from Linda Cahn. (This will be distributed via email). At the last meeting we discussed the unbundling of the Medical and Rx if we had to go to bid and that last time we decided to add to the team Linda Cahn with the firm Pharmacy Benefits Consultants (PBC) to help us with the evaluation of the RFP and to help develop a PBM contract. At that time, it had been observed that it would have been more efficient if we had added her services during the RFP development stage instead of the analysis phase. At the last meeting we decided to approach Ms. Cahn about what the cost would be to include her help at this time in our proposal development should we have to go to bid. Attached is a proposal letter. Staff is seeking your approval to move forward with this as part of bid development. **(Board Action Requested)**

Deloitte.

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Memo

DRAFT

Date: May 10, 2016

To: Sparb Collins

From: Josh Johnson

Subject: HEALTH PLAN RFP PROCESS

Deloitte was asked to summarize a work plan for health plan Request for Proposals (RFPs) should the board decide go out to bid in the fall of 2016. The following summarizes our recommended approach.

BACKGROUND

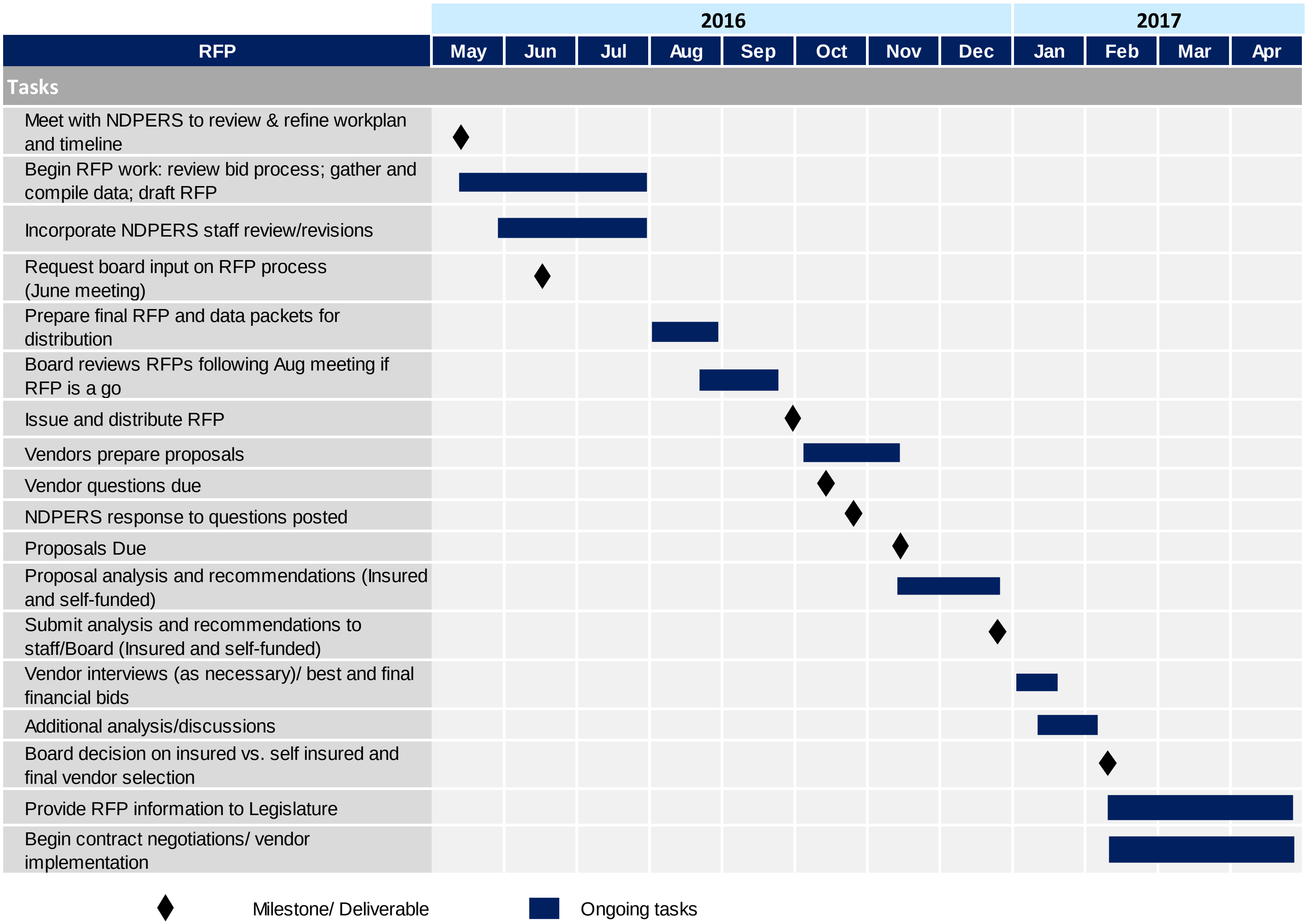
Every six years PERS issues a RFP soliciting responses to provide health plan administration services on a fully insured and self-insured basis from interested vendors. The next required RFP is in 2020. However, the existing arrangement provides for renewals every two years during this six year period. If the renewal terms from the incumbent vendor are not acceptable to the board it will issue a new RFP. The next renewal is scheduled for the summer of 2016. If this is not accepted, the Board will authorize a bid process starting this fall.

There is a separate Medicare Prescription Drug Plan (PDP) which is also bid every six years subject to one year renewals. Similar to the above the incumbent vendor will have an opportunity to renew this plan in the summer of 2016. If this is not accepted, the Board will authorize a bid process starting late summer or early fall.

RFP WORK PLAN

In order to be prepared to release the RFPs in the fall, preparation should begin immediately to draft the RFPs, compile required data, and solidify the approach. The goal should be to have the RFPs in near final form by August 1st and ready for board review should the decision be made to go out to bid. RFPs will be released in late September or early October with vendor proposals due by mid-November. Proposal review and analysis will be conducted in November and December with results/recommendations presented to the board in December. Vendor interviews will be conducted in January if necessary. Additional analysis and results of the interviews will be summarized and presented to the board to support vendor selection with a target of February 2017. Note: the RFP timeline will need to be compressed for the PDP if the decision is made to target a January 1, 2017 effective date for the new plan. Please see the following page for a detailed timeline.

NDPERS - Health Plan/ PDP RFP - Proposed Timeline



Deloitte.

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May 11, 2016

Ms. JoAnn Kunkel
Chief Financial Officer
Sanford Health
1305 West 18 111 Street
P.O. Box 5039
Sioux Falls, SD 57117

Dear Ms. Kunkel:

On behalf of Deloitte Consulting LLP ("Deloitte Consulting") I am pleased to submit our proposal to conduct a claim review of Sanford Health Plan (Sanford) as requested by North Dakota Public Employees Retirement System (NDPERS).

Deloitte Consulting will conduct the requested claim review for Sanford and present the results and recommendations to Sanford. Sanford is permitted to share the final Deliverable under this engagement letter with NDPERS, provided that Deloitte Consulting may require, at its discretion, NDPERS to sign an access letter in a form acceptable to Deloitte Consulting before such Deliverable may be provided to NDPERS.

We have presented our recommended approach to this project in the attached scope of services (Attachment 1), and our general business terms (Attachment 2). If you wish to discuss any aspect of this proposal, please do not hesitate to contact me at 612-397-4033 or Josh Johnson at 612-659-2782

Sincerely,

Patrick L Pechacek

Patrick L. Pechacek, Director
Human Capital/Actuarial, Rewards & Analytics

cc: Josh Johnson, Manager, Deloitte Consulting
Ed Bair, Specialist Leader, Deloitte Consulting

Attachment 1: Scope of Services

Activities and Deliverables

Our claims administration review includes four phases:

- Phase 1: Pre-project preparation
- Phase 2: On-site reviews at Sanford Health Plan, including a claims transactions review
- Phase 3: Report development and presentation
- Phase 4: Documentation of Vendor corrective action plan

Phase 1: Pre-Project Preparation

Our first step will be to meet with appropriate Client management representatives to discuss and confirm the scope, objectives, and timing for the review. Based upon our experiences conducting claim reviews, we suggest the review be designed to meet the following objectives:

- Confirm that benefit plan provisions are interpreted correctly and that payments are made only for eligible claimants based on a review of the samples selected.
- Determine the financial, payment, and processing accuracy, and timeliness of claim payments, based on a review of the samples selected.
- Benchmark results to common industry practices and performance levels.
- Recommend specific steps to improve claims administration performance.

At this initial meeting, we also will outline the data that we will need from Client for the project; for example, claim data, current benefit plan summaries, specific examples of any service or performance issues encountered, etc.

At Deloitte Consulting

In addition to the work steps just described, we will:

- Review Client's benefit plan documents.
- Select a sample of claims from the electronic data set provided. We will forward the sample in advance of the on-site visit so that supporting documentation for each of the claims selected for review can be collected.
- Select a sample of performance guarantee metrics in the Client's contract with NDPERS and validate the Client's calculation against the contractual requirements.
- Prepare claim review checklists, including customizing checklists to reflect the provisions of Client's plans. We also will pre-print relevant information for sampled claims on our claim review checklists.

Phase 2: On-site Review

While on-site, we will conduct a statistical claim transactions review, as follows.

Statistical Claim Transactions Review

In this project step, we will review stratified random sample of claims paid. The claim review will include claims paid during the time period, July 1, 2015 to June 30, 2016 (if available at the time of review).

Sampling

The statistical reliability of our results will be impacted by the size of the sample that is tested. We will select a claim sample based on an assumed confidence level of 95% and precision of +/-3%, assuming no more than a 5% error rate in the population. Based upon these parameters, we anticipate reviewing a sample size of approximately 200 claims.

We will apply a stratified sampling technique for the claim review. Using this technique:

- Claims with the greatest paid amounts will be isolated and included in the sample for review.
- Remaining claims in the population will be arrayed by amount paid and divided into five or six sub-populations (strata).
- A random sample of claims will be selected from each stratum.

We will select the claim review samples from an electronic claim extract file provided. The samples will be selected in advance to provide adequate time for gathering the claim batches and supporting documentation for our on-site review.

Review Technique

Each sampled claim will be reviewed to determine if it was processed according to the claims administration guidelines and the provisions of plans.

To be deemed correct, each claim must meet the minimum requirements included on the Deloitte Consulting Claim Review Checklist.

We will test each claim in the sample to verify that it is accurate and appropriate in each of the following areas:

- Timeliness of processing
- Eligibility
- Interpretation of charges
- Data entry of diagnostic and medical coding
- Claim examiner handling of claim documentation, including interaction with other functional areas within the claim operation
- Interpretation of plan provisions, including eligibility, deductible amounts, coinsurance amounts, reasonable and customary fees, provider discounts, covered medical expenses, medical management provisions, fee unbundling and up-coding, and plan limitations
- Duplicate payments

- Assignment of benefits and payment to the correct party
- Third-party liability administration: integration with motor vehicle insurance and subrogation/right of reimbursement provisions

During this process, we will review the actual claim documentation submitted in relation to the claim records included in the claims processing systems. All claims with potential errors will be reviewed via an on-site rebuttal process with representative(s) selected by the plan.

Phase 3: Report Development and Presentation

After completing the review described in Phase 2, we will prepare a written management report that summarizes our findings. The report will provide a high level overview of our review methodology and will outline any specific problems identified during the review.

Our report will include the following:

- General information
- Scope and objectives of the review
- Overview of findings
- Specific statistical claims transaction review results, including:
  - Total number of claims examined
  - Total dollar amount represented in the claims reviewed
  - Financial, payment and processing accuracy
  - Claim turn-around-time
  - Total number and dollar amount of errors detected in the sample
  - Total overpayments and underpayments
- Detailed descriptions of the types, magnitude, and frequency of various errors
- Comparisons to generally accepted industry performance goals, where appropriate
- Comments, recommendations, and suggested action plans for any issues identified during the review

We will work with the plan to identify reasons for the observed errors, to develop remedial action plans and to review any "impact reports" (that identify the number of affected claims and their value).

Phase 4: Documentation of Corrective Action Plans

During the close-out meeting, we will identify a list of corrective measures and action steps that should be undertaken. These will include correction of discrete errors, changes to plan design or interpretation, systemic corrections, claim processor re-training and impact reports.

Timing:

The timeline below is abbreviated as compared to a standard claims review process and will depend on the health plan and client providing plan information and data under aggressive deadlines.

- Week 1: Kick-off call
- Week 1-2: Request and receive claim file from health plan
- Week 3: Deloitte reconciles data and pulls the sample for the onsite review
- Week 4-5: Health plan prepares for onsite review
- Week 6: Onsite review
- Week 7-8: Health plan responds to any open questions
- Week 9-10: Deloitte prepares the report

Professional Fees

We estimate that our fees for this engagement will be

In addition to our professional fees, we will bill for project-related travel and living expenses without markup.

****

This engagement letter, together with the General Business Terms attached hereto and incorporated herein by reference, constitutes the entire agreement between Sanford Health and Deloitte Consulting with respect to this engagement, supersedes all other oral and written representations, understandings or agreements relating to this engagement, and may not be amended except by the mutual written agreement of Sanford Health and Deloitte Consulting.

Feel free to call me at 612-397-4033 or email me at ppechacek@deloitte.com. Josh Johnson can be reached at 612-659-2782 or jkjohnson@deloitte.com

Deloitte Consulting LLP

By: Patrick L Pechacek
Patrick L. Pechacek, Director

Accepted And Agreed to on behalf of Sanford Health:

Accepted By:______________________________ Date: ____________
JoAnn Kunkel, Chief Financial Officer

NDPERS SURVEY PLAN

April 2016

(VERSION 4)

SANFORD HEALTH PLAN

EXECUTIVE SUMMARY: NDPERS MEMBER SURVEY PLAN

The North Dakota Public Employees Retirement System (NDPERS) and Sanford Health Plan will work collaboratively to survey the NDPERS membership. The following sections outline key survey details, and survey questions are presented in the following sections.

SURVEY GOALS

- *Are NDPERS members satisfied with the customer service provided by Sanford Health Plan?* Gather perceptions related to benefit communications, claims processing and the member services call center.
- *What improvements can be made to increase overall satisfaction with Dakota Plan Health customer service?* Gather high-level satisfaction and utilization metrics, along with basic demographic information, to determine areas that are most likely to improve customer service and member satisfaction.

SURVEY TARGETS AND SAMPLING

- *Survey Population*: All NDPERS policy holders (29,000+)
- *Completion Target*: Gather 750-900 completed survey responses, including 250-300 members who have called the member services call center in the past 6 months (approximate margin of error +/-4%).
- *Survey Lists*: Sanford Health Plan will provide a list of all policy holders, including last name, first name, complete mailing address, and the line of business group).
- *Random Sample*: A simple random sample will identify 7,500 members who will be invited to complete the survey.
- *Estimated Response Rate*: Response rates are conservatively estimated at 12%.
- *Participants*: Instructions will note that the survey is to be completed by the healthcare decision maker.

SURVEY DISTRIBUTION AND RESPONSE COLLECTION

- *Mail Distribution*: All members will receive paper surveys with pre-paid return envelopes.
- *Digital Option*: Members will be given an option to complete the survey online instead of returning the paper survey.
- *Collaborative Effort*: A cover letter explaining the survey will be included in the mailing. The letter will be co-branded and co-signed by NDPERS and Sanford Health Plan.
- *Unique Survey ID*: To track responses, variable data printing will be used to assign each survey a unique ID number.
- *Confidentiality*: Four confidentiality protections will be communicated to NDPERS members, including: 1) Survey results will be combined for reporting purposes; 2) No personally identifiable information will be reported; 3) Completing the survey is optional and will not affect benefits; and 4) The survey ID number is used only to track survey completion and avoid follow-up reminders.
- *Mailing Envelopes*: Outgoing mail envelopes will be NDPERS-branded; reply envelopes will direct responses to Sanford Health Plan.
- *Survey Reminder*: A reminder postcard will be developed and deployed if needed.

SURVEY QUESTIONS

- *Core Questions*: Questions 1-9 are considered core NDPERS member survey questions, gathering information about benefit utilization and satisfaction, along with high level member experience metrics.
- *Demographic Questions:* Questions 10-14 are basic demographic questions, allowing Sanford Health Plan to determine the representative nature of the results.
- *Call Center Questions*: Questions 15-23 provide feedback on the Sanford Health Plan member services call center.
- *Survey Length*: The survey instrument is estimated to take 5-7 minutes to complete all questions.

PROPOSED TIMELINES

- *May 19*: Revised survey plan presented to NDPERS board.
- *May 30*: Latest date by which survey distribution will begin; actual distribution date may be sooner provided direction from the NDPERS board does not materially alter the survey materials.
- *June 27:* If needed, a survey reminder will be distributed to NDPERS members.
- *July 18*: Survey collection closes (may occur sooner if upper-end target of 900 completed surveys is reached).

- *August 1:* Latest date by which a topline report is provided to NDPERS and Sanford Health Plan.
- *August 17:* Final report delivered.

NDPERS SURVEY QUESTIONS

1. **When was the last time you received health services that led to a health insurance claim?**
   Consider any service that impacts your individual or family deductible or coinsurance. Examples include services provided by physicians, hospitals, laboratories or pharmacies. Place a (✓) next to one of the options below.
   - ▫ Within the last 30 days
   - ▫ 1 to 2 months ago
   - ▫ 3 to 4 months ago
   - ▫ 5 to 6 months ago
   - ▫ More than 6 months ago
   - ▫ N/A - Neither I nor my family have used any services that led to a health insurance claim

2. **Which health prevention or health screening services do you use?**
   Place a (✓) next to every prevention or screening service used by you or any member of your family.
   - ▫ Annual physical examination
   - ▫ Immunizations, such as flu shots
   - ▫ Well Child Care services
   - ▫ Cancer screening services, such as breast cancer or colon cancer screenings.
   - ▫ Other (please specify) ______________________
   - ▫ N/A - Neither I nor my family use prevention or screening services

3. **Which NDPERS Dakota Wellness Program benefits do you use?**
   Place a (✓) next to every NDPERS Dakota Wellness Program benefit used by you or any member of your family.
   - ▫ Worksite education or wellness activities (newsletters, book clubs, wellness challenges)
   - ▫ Fitness Center Reimbursement Program
   - ▫ Tobacco Cessation, Diabetes Management or Healthy Pregnancy programs
   - ▫ The Novu online wellness portal, which launched on April 1, 2016
   - ▫ Other (please specify) ________________________
   - ▫ N/A - Neither I nor my family use NDPERS Dakota Wellness Program benefits

4. **How satisfied are you with your NDPERS Dakota Plan Health Benefits?**
   Use the 10-point scale below to tell us your opinion; 1 is "Not At All Satisfied" and 10 is "Extremely Satisfied." Place a (✓) beneath one number.

Not at All Satisfied									Extremely Satisfied
1	2	3	4	5	6	7	8	9	10
☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

5. **Why did you give your NDPERS Dakota Plan Health Benefits that rating?**
   In the previous question, you rated your satisfaction with NDPERS Dakota Plan Health Benefits. Use the space below to briefly explain your satisfaction with your NDPERS Dakota Health Plan benefits.

Please tell us more about your experience as a plan member.

For the next 4 questions, read each statement and rate your experience. Use the 4-point scale to tell us your opinion; 1 is “Strongly Disagree” and 4 is “Strongly Agree.” If the statement doesn’t apply to you, choose the N/A option.

6. **Printed materials or internet resources help you understand how your health plan works.** Consider any information about your benefits provided by Sanford Health Plan, which may include written materials or information available on Sanford Health Plan’s web site. Place a (✓) below one of the options below.

Strongly Disagree 1	2	3	Strongly Agree 4	N/A
☐	☐	☐	☐	☐

7. **Explanation of Benefits (EOB) documents are easy to understand.** Place a (✓) below one of the options below.

Strongly Disagree 1	2	3	Strongly Agree 4	N/A
☐	☐	☐	☐	☐

8. **Health insurance claims are processed in a timely manner.** Place a (✓) below one of the options below. If you have not received any services that generated a health insurance claim, please choose the “N/A” option.

Strongly Disagree 1	2	3	Strongly Agree 4	N/A
☐	☐	☐	☐	☐

9. **Health insurance claims are processed accurately.** Place a (✓) below one of the options below. If you have not received any services that generated a health insurance claim, please choose the “N/A” option.

Strongly Disagree 1	2	3	Strongly Agree 4	N/A
☐	☐	☐	☐	☐

Please tell us more about yourself.

The next 5 questions ask for basic information about you and the coverage you receive. Answering these questions helps us better serve our members.

10. **How do you or your family qualify for NDPERS Dakota Plan Health Benefits? Please respond from the standpoint of the person who owns the policy.** Place a (✓) next to one of the options below.
    - ☐ As an active employee of the State of North Dakota.
    - ☐ As an active employee of a political subdivision (city, county, school, etc.)
    - ☐ As a retiree
    - ☐ As a COBRA participant

11. **What is your zip code?**
Use the space below to write in your zip code.
    - Five-digit zip code:_______________

12. **Which health insurance plan do you have?**
Place a (✓) next to <u>one</u> of the options below.
    - NDPERS PPO/Basic Plan
    - NDPERS High Deductible Health Plan (HDHP)
    - NDPERS Dakota Retiree Plan (Medicare)
    - Don't Know / Unsure

13. **How many people in your household are covered by your NDPERS Dakota Plan Health Benefits?**
Place a (✓) next to <u>one</u> of the options below.
    - 1
    - 2
    - 3
    - 4 or more

14. **How old are you?**
Place a (✓) next to <u>one</u> of the options below.
    - Under 25 years old
    - 25 to 34 years old
    - 35 to 44 years old
    - 45 to 54 years old
    - 55 to 64 years old
    - 65 years or older

Please provide your feedback on the member services call center.

The remaining questions relate to your experience with the Sanford Health Plan member services call center. If you have called the member services center more than once within the last 6 months, please answer the questions based upon the most recent time you called the member services department.

15. **Have you called the Sanford Health Plan member services center in the past 6 months?**
Place a (✓) next to <u>one</u> of answers below.
    - No ➔ *You are finished with the survey. Please do not answer the remaining questions.*
    - Yes ➔ *Please continue to Question 16.*

16. **How satisfied were you with the service you received when you called member services?**
Use the 10-point scale below to tell us your opinion; 1 is "Not At All Satisfied" and 10 is "Extremely Satisfied." Place a (✓) beneath <u>one</u> number.

Not at All Satisfied									Extremely Satisfied
1	2	3	4	5	6	7	8	9	10
☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

17. **Why did you call the member services call center?**
Place a (✓) next to <u>one</u> of the options below.
    - To get information about coverage or benefits
    - To ask a question about a health insurance claim or explanation of benefits (EOB)
    - To discuss or obtain prior authorization
    - To check provider participation status
    - To initiate an appeal

- Other - Please specify ___________________________

18. **How long did it take the representative to provide the information or help you needed?**
    Place a (✓) next to <u>one</u> of the options below.
    - The issue was addressed during the initial call
    - Less than 24 hours
    - Less than 1 week
    - 1 to 2 weeks
    - 3 or more weeks
    - The issue was not resolved

19. **How long did you have to wait before you were able to talk to customer service representative?**
    Place a (✓) next to <u>one</u> of the options below.
    - The call was answered immediately by a representative
    - Less than 1 minute
    - 1 to 2 minutes
    - Longer than 2 minutes
    - I hung up before talking to a customer service representative.
    - Don't Know / Don't Remember

Please share your feedback about the representative you talked with.

For the next 4 questions, read each statement and rate the service representative. Use the 4-point scale to tell us your opinion; 1 is "Strongly Disagree" and 4 is "Strongly Agree." If the statement doesn't apply to you, choose the N/A option.

20. **The customer service representative treated you with courtesy and respect.**
    Place a (✓) below <u>one</u> of the options below.

Strongly Disagree			Strongly Agree
1	2	3	4
☐	☐	☐	☐

21. **The customer service representative was knowledgeable.**
    Place a (✓) below <u>one</u> of the options below.

Strongly Disagree			Strongly Agree
1	2	3	4
☐	☐	☐	☐

22. **The customer service representative answered my questions clearly and completely.**
    Place a (✓) below <u>one</u> of the options below.

Strongly Disagree			Strongly Agree
1	2	3	4
☐	☐	☐	☐

23. **The customer service representative completed any follow-up that was promised.**
    Place a (✓) below <u>one</u> of the options below. If your call did not require follow-up, choose the N/A option.

Strongly Disagree			Strongly Agree	N/A
1	2	3	4	

☐ ☐ ☐ ☐ ☐

DIGITAL SURVEY LANDING PAGE WIREFRAME

GRAPHIC HEADER
NDPERS + SANFORD HEALTH PLAN LOGOS
NDPERS MEMBER SURVEY
770 X 300

Please share your thoughts about the customer service you receive.

Providing your feedback through this survey will take less than 5 minutes. The North Dakota Public Employees Retirement System (NDPERS) and Sanford Health Plan are working together to ask NDPERS Dakota Plan Health Benefits members a few questions about your benefits, and specifically about the customer service you receive. If you complete the survey online, please do not complete and return the paper survey you received.

About the Survey

We hope you will participate in this survey, but before you start answering questions it is important that you understand a few things about privacy and confidentiality.

- Completing this survey is optional, and will not impact the benefits you receive.
- All responses will be combined for reporting purposes, and no personally identifiable information will be reported.
- The unique survey identification number printed on your invitation letter and your survey is used to track survey completion, avoid duplicate survey responses, and ensure that we don't send you additional reminders to complete the survey.

Enter your survey ID below to get started.

Use the space below to enter the 4-digit survey ID number listed on the letter that accompanied this survey. After you enter your survey ID number, click the ">>" to start the survey.

Survey ID Number	

Deloitte.

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

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

Memo

Date: May 12, 2016

To: Sparb Collins

From: Josh Johnson and Jon Herschbach

Subject: MEDICAL CLAIMS PROJECTION METHODOLGY

Deloitte was asked to provide our recommended methodology to project medical and pharmacy claims expenses for the biennium beginning July 1, 2017. The following summarizes our recommended approach.

BACKGROUND

NDPERS changed insurance carriers effective July 1, 2015 from BlueCross BlueShield ND to Sanford. Sanford is currently almost one year into a biennium premium rate guarantee. In the summer of 2016, Sanford will be submitting renewal information to NDPERS which will detail their proposed rates for the biennium beginning July 1, 2017. Upon switching to Sanford, NDPERS monthly paid claims showed a sharp increase. This disparity in claims presents additional considerations to the premium rate calculation process.

A typical premium rate development for an organization the size of NDPERS would incorporate 24 months of completed claims (accounting for incurred but not paid claims), make required adjustments in claims from the experience period to the rating period to account for plan design and other program changes and add in all other fixed costs. Most often, more weight is given to the most recent experience e.g. 80% weight to the most recent 12 months and 20% to the prior 12 months. In this case, due to the significant change in paid claims levels after the change to Sanford, using two years of claims data will skew results. Therefore, we propose to conduct two rate projections utilizing different experience and methodology.

A. Rate projection using only Sanford claims experience

B. Rate projection using assumed competitive market claims projections

Rates calculated to bring Sanford up to acceptable profitability levels would likely produce unreasonable biennium increases in NDPERS rates. Normal market increases in biennium fully-insured rates would likely result in medical loss ratios (MLR) being unsustainably high for Sanford, as is likely the case currently. Sanford's actual renewal submission will likely contain rates somewhere between these two scenarios. For that reason we are adding a second projection of rates that we expect a competitor to be able to offer.

Claims Projection

Claims projections start with allowed claims representing only the medical and pharmacy claim liability paid by the plan administrator to the providers during the plan year. The most up-to-date allowed claims reports from the plan administrator with appropriate claims runout should be used as the experience period claims. The two projection scenarios are listed below:

Scenario A – Projection using Sanford claims

Because of the sharp change in monthly claims payments before and after the change in plans, it is not credible to use a 2-year experience period or even a weighted blend of each of the two prior years, as would normally be performed. This scenario would use only the available Sanford claims experience (10-11 months) to project claims to the rating period.

In addition, Sanford Health Plan has notified NDPERS and Deloitte that they are in final negotiations with several provider groups and with Express Scripts for improved contractual terms (discounts) that will be in effect by the July 1, 2017 renewal date should NDPERS elect to renew with Sanford. Sanford has agreed to provide detail sufficient for Deloitte to evaluate the potential impact of said improved contracts on projected claims for the NDPERS program during the next biennium. We will adjust our projections to account for this as necessary.

Scenario B – Projection starting with BCBS ND claims

This projection would begin with the most recent 2 years of NDPERS claims experience through BCBS. Specific adjustments would be made to trend the claims to a comparable time period, and to account for the likely deterioration in provider discounts within the BCBS ND network due to the expiration of the NDPERS specific PPO network. IBNR adjustments will not be necessary for this data as it is fully complete. This scenario will provide a very useful data point, considering a wide range of possible renewal rates from the incumbent.

The following factors will be applied to the proposed projections as applicable.

- Incurred But Not Reported (IBNR) Claims factor – Because not all claims which were incurred within the experience period will be reported and paid by the time of the report, and actuarial factor must be applied which estimates the amount of IBNR claims outstanding.

- Other Adjustment Factors – It may be necessary to adjust for other factors such as legislative changes or plan design changes that affect the actuarial value of the plan.

- Trend Factor– An appropriate trend should be used to roll forward the adjusted allowed experience claims to the projection period. Trend may be supplied by the plan administrator or obtained from industry studies or other published surveys.

The focus of Deloitte's analysis will be to project expected claims experience. In order to compare our projections to Sanford's renewal we will add Sanford's quoted retention (administration cost, risk charges, taxes, etc.) in order to have comparable cost to the fully insured renewal quote provided.

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: May 12, 2016

SUBJECT: Pharmacy Benefit Consultant Services

The information relating to a proposal from Linda Cahn will be distributed via email.

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

Sparb Collins
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(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: May 12, 2016

SUBJECT: Dental, Vision, and Life Insurance Bids

As discussed at our planning meeting, the dental, vision and life insurance plans are approaching the end of their six year contract periods and are scheduled to go out to bid. Last time when we bid a series of group insurance products, we bundled them together when we sought assistance in placing products. Similarly, we have developed an RFP to do the same this time. Attached is an RFP for these services. You will note that:

- The scope of services and description of work effort is on page 6 of the attached.
- The timeline for the services is on page 3 and 4 of the attached.
- You will note this is a fixed fee effort on pages 11 and 12. Also a provision is made for hourly fees that are outside the scope of services identified.

Board Action Requested:

Approve the attached RFP.

REQUEST FOR PROPOSAL

FOR

North Dakota
Public Employees Retirement System

Uniform Group Insurance
Actuarial and Consulting Services

May 2016

Prepared by:

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

Request for Proposal
Table of Contents

SECTION 1 – INTRODUCTION

This Request for Proposal (RFP) is issued for actuarial and consulting assistance for the period July, 2016 through December, 2018. Responses to this RFP are due 5:00pm June 24th CDT. The NDPERS Board will select a consultant at its July/August meeting.

The Board is seeking fixed fee bids for the following efforts:

1. Development, issuance, and review of an RFP for a vision plan. (effective 1/1/2018)
2. Development, issuance and review of an RFP for the life plan. (effective 7/1/2017)
3. Development, issuance, and review of an RFP for a dental plan (effective 1/1/2019)

Based on its review, the successful bidder must also be prepared to make a recommendation to the NDPERS Board for each of the above efforts.

Following is a sequence of major activities.

August, 2016	Begin work on life RFP. The consultant and PERS will meet to discuss the upcoming work schedule.
October, 2016	Submit life RFP to PERS Board for approval. Begin work on vision RFP.
November, 2016	Issue life RFP.
January, 2017	Submit vision RFP to PERS Board for approval. Receive & begin evaluation of life RFP's.
February, 2017	Issue vision RFP. Submit life evaluation to NDPERS Board. The consultant should plan to attend this NDPERS meeting via conference call.
March, 2017	Interview and select life vendor. The consultant should plan to attend this NDPERS meeting.
April, 2017	Receive and begin evaluation of vision RFP's.
May, 2017	Submit vision evaluation to NDPERS Board. The consultant should plan to attend this NDPERS meeting via conference call.
June, 2017	Interview and select vision vendor. The consultant should plan to attend this NDPERS meeting.
October, 2017	Begin work on dental RFP.

January, 2018 Submit dental RFP to PERS Board for approval. Consultant should be available either by teleconference or video conference to review and answer questions for the Board.

February, 2018 Issue dental RFP.

April, 2018 Receive and begin evaluation of dental RFP's.

May, 2018 Submit dental evaluation to NDPERS Board. The consultant should plan to attend this NDPERS meeting via conference call.

June, 2018 Interview and select dental vendor. The consultant should plan to attend this NDPERS meeting.

SECTION 2 - BACKGROUND

A. The Agency:

The North Dakota Public Employees Retirement System is responsible for the administration of the State's retirement, health, life, dental, vision, deferred compensation, flex comp, retiree health insurance credit, long term care and EAP programs. This proposal is for assistance in the life, vision, and dental areas.

PERS is managed by a Board comprised of nine members:

1-Chairman appointed by the Governor
1-Member appointed by the Attorney General
1-Member elected by retirees
3-Members elected by active employees
1-State Health Officer or designee
2-Members elected by Legislative Management

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

B. Group , Life, Dental, and Vision Insurance:

1. <u>Group Life:</u>
   The Uniform Group Life Insurance Plan is a fully insured plan underwritten by Voya. All state employees are covered under the plan, including the professional staff at colleges and universities. Political subdivisions may participate in the life plan at their option. Premiums collected for the past fiscal year totaled approximately $3,000,000.
   The Uniform Group Health and Life Insurance programs are under chapter 54-52.1 of the North Dakota Century Code (NDCC).
2. <u>Dental:</u>
   The Uniform Group Dental Plan is fully insured by Delta Dental. As of January 2015 there were 6,700 active contracts and 1,950 retired contracts. All premiums are paid by the employee. Premiums collected for the past fiscal year were approximately $4,000,000.
3. <u>Vision:</u>
   The Uniform Group Vision Plan is fully insured by Superior Vision. As of January 2015 there were 7,950 active contracts and 1,650 retired contracts. All premiums are paid by the employee. Premiums collected for the past fiscal year were approximately $500,000.

SECTION 3 - SCOPE OF SERVICES

This Section outlines the scope of services.

A. Bid Solicitation and Evaluation for the, Life, Dental, and Vision Programs

The consultant will be expected to take a lead role in developing and issuing RFPs, and analyzing any proposals for the group dental, vision, and life insurance program. Three fixed fee bids are requested:

1. The first fixed fee bid is for RFP development, solicitation and evaluation for the vision program.
2. The second fixed fee bid is for RFP development, solicitation and evaluation for the life programs.
3. The third fixed fee bid is for the RFP development, solicitation and evaluation for the dental program.

These are major and significant tasks for PERS as the proper placement of these programs is critical. The consultant must provide the following service for all of the above efforts:

1. Sections 54-52.1-04 and 54-52.1-04.2 NDCC requires that the PERS Board solicit bids for the insurance programs. The consultant must prepare draft bid proposals pursuant to the schedule outlined previously. The consultant will be also responsible for developing a list of firms to be solicited. This list will be supplemented by requests PERS has received and those additional requests that come in as a result of a notice appearing in local newspapers in North Dakota.

2. The Board and staff will review draft RFP's pursuant to the schedule outlined previously.

3. The consultant shall review all bids within the timeframes previously outlined. The analysis shall include the following:

   a) Confirm that all bidders meet the minimum requirements and eliminate any non-qualified bidders.
   b) Evaluate the financial implications of each bid (quantitative factors). Section 54-52.1-04 of NDCC requires the Board to give consideration to the following:
      (1) The economy to be effected
      (2) The ease of administration
      (3) The adequacy of the coverage
      (4) The financial position of the carrier, with special emphasis as to its solvency
      (5) The reputation of the carrier and such other information as is available tending to show past experience with the carrier in matters of claim settlement, underwriting and services.

4. Review the technical aspects of each proposal (qualitative factors).

5. Present findings to the Board pursuant to the schedule previously outlined.

6. The consultant shall assist in developing contracts with the successful bidder.

SECTION 4 - INFORMATION REQUESTS

The proposal must comply with the format as set forth below and contain your organization's response to the requested information. The request must be restated followed by your response.

Part I - Executive Summary
Discuss your view of the entire project as requested in this RFP and provide a flow chart depicting your understanding of the major work efforts and timeframes for beginning and completing tasks.

Part II - Minimum Requirements
The successful vendor must have a multidisciplinary staff including a health actuary with experience in the work requirements outlined herein. The firm must also have demonstrated experience in doing the work outlined herein. In this section you will summarize your staffing and experience. The individuals/firm shall also summarize any potential conflicts of interest here as well.

Part III – Proposal

1) **Technical Approach.**
   a) Fixed Fee Work efforts
      1. Dental Plan
         (a) Generally discuss your understanding of the work requested.
         (b) Timeline – discuss your understanding of the timeline for this effort
         (c) Approach- discuss your project plan for this effort, identify major steps, timeframes and products
         (d) Exceptions- identify any exceptions or variations in your proposal from the work effort identified in this RFP
         (e) Outline the product PERS will receive from you
      2. Vision Plan
         (a) Generally discuss your understanding of the work requested
         (b) Timeline – discuss your understanding of the timeline for this effort
         (c) Approach- discuss your project plan for this effort, identify major steps, timeframes and products
         (d) Exceptions- identify any exceptions or variations in your proposal from the work effort identified in this RFP
         (e) Outline the product PERS will receive from you
      3. Life Insurance Plan
         (a) Generally discuss your understanding of the work requested
         (b) Timeline – discuss your understanding of the timeline for this effort
         (c) Approach- discuss your project plan for this effort, identify major steps, timeframes and products
         (d) Exceptions- identify any exceptions or variations in your proposal from the work
         (e) Outline the product PERS will receive from you

2) Experience.

a) General firm experience - a brief description of the size, structure and services provided by your organization.

b) Describe your organization's approach to actuarial/benefit consulting for health, dental, vision and life insurance programs.

c) For the fixed efforts:

1. Detail your experience preparing, issuing and analyzing bids for each of the efforts in the fixed fee area (dental, vision, life)
2. Discuss what you find are the primary considerations for doing these efforts and special considerations of doing it in the public sector
3. Based upon your experience detail the expected level of analysis your firm will conduct for each of the fixed efforts, what distinguishes your firm's approach form others and any special insights your experience will bring to the proposed efforts
4. Provide a listing of public and private sector clients for whom your organization provides group vision, life and dental insurance program consulting and actuarial services. References should identify the appropriate contact person(s), addresses and telephone numbers.
5. Discuss your firm's responsibilities in similar projects with other public or private clients. Discuss your understanding of the difference between a public bid process versus a private bid process

3) Staffing.

a) This Section should include individual resumes for the personnel who are to be assigned to the project and should indicate the proposed project role or assignment of each individual. The project team should include staff with experience in developing RFP's of the type requested herein, evaluating responses, doing the required actuarial analysis and assisting with implementation.

b) The offeror shall provide a schedule at the beginning of this Section that shows the number of hours that each person is assigned to each of the fixed fee projects.

c) Resume information should identify not only educational and work history but also specific information on what clients the individual has worked for and in what role. Please note we may use this information to contact past clients to gather information on the individual.

Please note that it is critical that the information presented in this section is specific enough for us to understand who is being assigned to each major effort proposed in the RFP and that their role, responsibility and experience demonstrates their ability to successfully complete the required tasks.

4) Additional Information.

a) This section is optional and can include any additional information the offeror deems relevant to this procurement and the satisfaction of the Board's objectives.

5) Conflicts of interest.

a) In this Section the offeror shall identify and discuss any potential conflicts of interest. The contractor cannot receive any other compensation relating to this work effort except as provided in the cost proposal. Any other arrangements/relationships/contracts the offeror may have with vendors that could be a part of this solicitation must be identified herein and may serve as cause to disqualify the offeror.

6) Company Literature (if applicable).

a) If company literature or other material is intended to respond to any RFP requirement, it must be included in this section. The offeror's responses in previous sections of the proposal must include reference to the document by name and page citation.

SECTION 5 – COST PROPOSAL - FEES/HOURS

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

Your proposal for fees for the consulting and actuarial services requested must be made as identified below. All services discussed in Sections 3 are to be provided on a fixed fee. Expenses for travel, lodging, meals and other out-of-pocket expenses will be paid on an incurred basis if the Executive Director of PERS has given prior approval for each individual to incur such expenses. PERS is under no obligation to reimburse the consultant if no approval was given.

Vision Plan
Fixed Fee $____________________________________

Staff Assigned	Estimated Hours

Dental Plan
Fixed Fee $____________________________________

Staff Assigned	Estimated Hours

Life Plan
Fixed Fee $____

Staff Assigned	Estimated Hours

Please identify hourly rates for services requested that are not part of the fixed fee (note all such services must have the prior approval of the Executive Director):

Fees:

SECTION 6 - SUBMISSION OF PROPOSAL

A. Proposals should be prepared in a straightforward manner to satisfy the requirements of this RFP. Emphasis should be on completeness and clarity of content. Costs for developing proposals are entirely the responsibility of the proposer and shall not be chargeable to PERS.

B. Section 8 - Offer, should be signed by a partner or principal of the firm and included with your proposal. If changes are proposed they should be added and then a signed offer included. Each addition shall be identified along with the reason why.

C. Address or deliver the RFP to: Mr. Bryan Reinhardt
North Dakota Public Employees Retirement System
400 E. Broadway, Suite 505
PO Box 1657
Bismarck, ND 58502

Questions concerning the RFP shall be directed, in writing to the above individual or email to breinhar@nd.gov and cstocker@nd.gov , by 5:00 p.m. CST on June 13, 2016. Responses will be posted on the PERS website (www.nd.gov/ndpers) by June 17, 2016 under "Request for Proposals".

D. Ten (10) copies and one (1) electronic copy of the proposal must be received at the above listed location by **5:00 p.m. CST on June 24, 2016**. The package the proposal is delivered in must be plainly marked "PROPOSAL TO PROVIDE CONSULTING AND ACTUARIAL SERVICES". Include an electronic version of your entire proposal.

A proposal shall be considered late and will be rejected if received at any time after the exact time specified for return of proposals.

E. The policy of the PERS Board is to solicit proposals with a bona fide intent to award a contract. This policy will not affect the right of the PERS Board to reject any or all proposals.

F. The PERS Board may request that representatives of your organization appear before them for interviewing purposes. Travel expenses and related costs will be the responsibility of the organization being interviewed.

G. The PERS Board will award the contract for services no later than August 2016.

H. In evaluating the proposals, price will not be the sole factor. The Board will consider the staff review as outlined herein and may consider any other factors it deems necessary and proper to make a determination.

I. The failure to meet all procurement policy requirements shall not automatically invalidate a proposal or procurement. The final decision rests with the Board.

SECTION 7 – REVIEW PROCESS

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

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

- Project Summary (4.1.0) 10 Points
- Technical Approach (4.3.1) 30 Points
- Prior Experience (4.3.2) 15 points
- Staffing/Organization (4.3.3) 15 Points
- Pricing (5.0) 30 points

Please note the Board may award the entire bid to one bidder or may award the fee for service efforts separate from the fixed fee efforts. The Board may also consider awarding the fixed fee efforts separately if the responses warrant such consideration. Please note in the cost proposal any conditions that would limit such consideration by the PERS Board.

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

SECTION 8 – OFFER

AGREEMENT FOR SERVICES BETWEEN (Name of Contractor) AND NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

<u>(Name of Contractor)</u> (hereinafter CONTRACTOR) has offered to provide services to 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 ("Agreement").

CONTRACTOR and NDPERS agree to the following:

1) **<u>SCOPE OF SERVICES:</u>** CONTRACTOR agrees to provide the service(s) as specified in the 2016 RFP and proposal (attached hereto and incorporated by reference Exhibit A). 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.

2) **<u>TERM:</u>** The term of this contract shall commence July 1, 2016, and end December 31, 2018.

3) **<u>FEES:</u>** NDPERS shall only pay pursuant to the terms in Exhibit A.

4) **<u>BILLINGS:</u>** The CONTRACTOR shall receive payment from NDPERS upon the completion of the services identified in the respective invoice. The CONTRACTOR shall bill NDPERS monthly in arrears for Services rendered and expenses incurred in accordance with the terms hereof.

5) **<u>TERMINATION:</u>** Either party may terminate this agreement with thirty (30) days written notice mailed to the other party, or as mutually agreed to by the parties. Upon any termination the CONTRACTOR shall be compensated as described in Exhibit A for services performed up to the date of termination.

   In addition, PERS by written notice to CONTRACTOR, may terminate the whole or any part of this Agreement 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 Agreement or are no longer eligible for the funding proposed for payments authorized by this Agreement.

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

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

In addition, NDPERS may terminate this Agreement effective upon thirty (30) days prior written notice to CONTRACTOR, or any later date stated in the notice:

1) If CONTRACTOR fails to provide services required by this Agreement 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 Agreement, or so fails to pursue the work as to endanger performance of this Agreement 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 Agreement.

6) **ASSIGNMENT AND SUBCONTRACTS:** CONTRACTOR may not assign or otherwise transfer or delegate any right or duty without STATE'S express written consent. However, the State expressly consents to CONTRACTOR entering into (i) subcontracts with its affiliates located in the United States, and (ii) third-party subcontracts provided that any such third-party 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 to the same extent as if such performance were done by CONTRACTOR. CONTRACTOR does not have authority to contract for or incur obligations on behalf of NDPERS.

7) **ACCESS TO RECORDS AND CONFIDENTIALITY:** The parties agree that all participation by PERS members and their dependents in programs administered by NDPERS is confidential under North Dakota law. CONTRACTOR may request and NDPERS shall provide directly to CONTRACTOR upon such request, confidential information necessary for CONTRACTOR to provide the services described in Exhibit A. CONTRACTOR shall keep confidential all NDPERS 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 NDPERS, or created or received by CONTRACTOR on behalf of NDPERS. 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 NDPERS 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 public records law. CONTRACTOR agrees to contact NDPERS immediately upon receiving a request for information under the public records law and to comply with NDPERS's instructions on how to respond to the request.

8) **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.

9) **MERGER AND MODIFICATION:** This Agreement shall constitute the entire agreement between the parties. In the event of any inconsistency or conflict among the documents making up this agreement, the documents must control in this order of precedence: First – the terms of this Agreement, as may be amended and Second - the state's Request for Proposal (attached in Exhibit A) and Third – CONTRACTOR's Proposal (attached in Exhibit A). 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.

10) **INDEMNITY:** CONTRACTOR agrees to defend, indemnify, and hold harmless the state of North Dakota, its agencies, officers and employees (State), from and against claims based on the vicarious liability of the State or its agents, but not against claims based on the State's contributory negligence, comparative and/or contributory negligence or fault, sole negligence, or intentional misconduct. This obligation to defend, indemnify, and hold harmless does not extend to professional liability claims arising from professional errors and omissions. The legal defense provided by CONTRACTOR to the State under this provision must be free of any conflicts of interest, even if retention of separate legal counsel for the State is necessary. Any attorney appointed to represent the State must first qualify as and be appointed by the North Dakota Attorney General as a Special Assistant Attorney General as required under N.D.C.C. § 54-12-08. CONTRACTOR also agrees to defend, indemnify, and hold the State harmless for all costs, expenses and attorneys' fees incurred if the State prevails in an action against CONTRACTOR in establishing and litigating the indemnification coverage provided herein. This obligation shall continue after the termination of this Agreement.

11) **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 contract 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 $1,000,000 per occurrence.
4) Workers compensation coverage meeting all statutory requirements.

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

1) Any deductible or self-insured retention amount or other similar obligation under the policies shall be the sole responsibility of the CONTRACTOR.
2) This insurance may be in policy or policies of insurance, primary and excess, including the so-called umbrella or catastrophe form and must be placed with insurers rated “A-” or better by A.M. Best Company, Inc., provided any excess policy follows form for coverage. Less than an “A-” rating must be approved by the State.
3) The duty to defend, indemnify, and hold harmless the State under this Agreement shall not be limited by the insurance required in this Agreement.

4) The state of North Dakota and its agencies, officers, and employees (State) shall be endorsed on the commercial general liability policy, including any excess policies (to the extent applicable), as additional insured. The State shall have all the benefits, rights, and coverages of an additional insured under these policies that shall not be limited to the minimum limits of insurance required by this Agreement or by the contractual indemnity obligations of CONTRACTOR.

5) The insurance required in this Agreement, through a policy or endorsement, shall include:

a) "Waiver of Subrogation" waiving any right to recovery the insurance company may have against the State;

b) a provision that CONTRACTOR's insurance coverage shall be primary (i.e. pay first) as respects any insurance, self-insurance or self-retention maintained by the State and that any insurance, self-insurance or self-retention maintained by the State shall be in excess of the CONTRACTOR's insurance and shall not contribute with it;

c) cross liability/severability of interest for all policies and endorsements;

d) The legal defense provided to the State under the policy and any endorsements must be free of any conflicts of interest, even if retention of separate legal counsel for the State is necessary;

e) The insolvency or bankruptcy of the insured CONTRACTOR shall not release the insurer from payment under the policy, even when such insolvency or bankruptcy prevents the insured CONTRACTOR from meeting the retention limit under the policy.

5) CONTRACTOR shall furnish a certificate of insurance to the undersigned State representative prior to commencement of this Agreement.

6) Failure to provide insurance as required in this Agreement is a material breach of contract entitling State to terminate this Agreement immediately.

7) CONTRACTOR shall provide at least 30 day notice of any cancellation or material change to the policies or endorsements.

12) **SEVERABILITY:** If any term in this Agreement 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 Agreement did not contain that term.

13) **INDEPENDENT ENTITY:** CONTRACTOR is an independent entity under this Agreement 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 Agreement, except to the extent specified in this Agreement.

14) **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. NDPERS shall be solely responsible for, among other things: (i) making all management decisions and performing all management functions; (ii) designating a competent management member to oversee the Services; (iii) evaluating the adequacy and results of the Services; and (iv) establishing and maintaining internal controls, including, without limitation, monitoring ongoing activities.

15) **FORCE MAJEURE:** Neither party shall be held responsible for delay or default caused by fire, riot, terrorism, 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.

16) **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.

17) **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:

NDPERS:

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

CONTRACTOR:

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.

18) **NONDISCRIMINATION AND COMPLIANCE WITH LAWS:** CONTRACTOR agrees to comply with all laws, rules, and policies, including those relating to nondiscrimination, accessibility and civil rights, as are applicable to CONTRACTOR. CONTRACTOR agrees to timely file all legally required reports, make required payroll deductions, and timely pay all taxes and premiums owed, including 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.

19) **STATE AUDIT:** All records, regardless of physical form, and the accounting practices and procedures of CONTRACTOR relevant to this Agreement are subject to examination by the North Dakota State Auditor, the Auditor's designee, or Federal auditors. CONTRACTOR shall maintain all of these records for at least three (3) years following completion of this Agreement and be able to provide them at any reasonable time. State, State Auditor, or Auditor's designee shall provide reasonable notice.

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

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM	**CONTRACTOR**
____________________________	____________________________
Sparb Collins, Executive Director ND Public Employees Retirement System	Signature
	____________________________
	Printed Name
	____________________________
	Title
____________________________	____________________________
Date	Date

SECTION 9 – BUSINESS ASSOCIATE AGREEMENT

Business Associate Agreement

(Revised 10-2013)

This Business Associate Agreement, which is an addendum to the underlying contract, is entered into by and between, the North Dakota Public Employees Retirement System ("NDPERS") and the **ENTER BUSINESS ASSOCIATE NAME**, **ADDRESS OF ASSOCIATE.**

1. Definitions

a. Terms used, but not otherwise defined, in this Agreement have the same meaning as those terms in the HIPAA Privacy Rule, 45 C.F.R. Part 160 and Part 164, Subparts A and E, and the HIPAA Security rule, 45 C.F.R., pt. 164, subpart C.
b. Business Associate. "Business Associate" means the **ENTER BUSINESS ASSOCIATE NAME**.
c. Covered Entity. "Covered Entity" means the **North Dakota Public Employees Retirement System Health Plans**.
d. PHI and ePHI. "PHI" means Protected Health Information; "ePHI" means Electronic Protected Health Information.

2. Obligations of Business Associate.

2.1. The Business Associate agrees:

a. To use or disclose PHI and ePHI only as permitted or required by this Agreement or as Required by Law.
b. To use appropriate safeguards and security measures to prevent use or disclosure of the PHI and ePHI other than as provided for by this Agreement, and to comply with all security requirements of the HIPAA Security rule.
c. To implement administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of ePHI that it creates, receives, maintains or transmits on behalf of the Covered Entity as required by the HIPAA Security rule.
d. To mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a use or disclosure of PHI or ePHI by Business Associate in violation of the requirements of this Agreement.
e. To report to Covered Entity (1) any use or disclosure of the PHI not provided for by this Agreement, and (2) any "security incident" as defined in 45 C.F.R. § 164.304 involving ePHI, of which it becomes aware without unreasonable delay and in any case within thirty (30) days from the date after discovery and provide the Covered Entity with a written notification that complies with 45 C.F.R. § 164.410 which shall include the following information:
    i. to the extent possible, the identification of each individual whose Unsecured Protected Health Information has been, or is reasonably believed by the Business Associate to have been, accessed, acquired or disclosed during the breach;
    ii. a brief description of what happened;
    iii. the date of discovery of the breach and date of the breach;
    iv. the nature of the Protected Health Information that was involved;

v. identify of any person who received the non-permitted Protected Health Information;
vi. any steps individuals should take to protect themselves from potential harm resulting from the breach;
vii. a brief description of what the Business Associate is doing to investigate the breach, to mitigate harm to individuals, and to protect against any further breaches; and
viii. any other available information that the Covered Entity is required to include in notification to an individual under 45 C.F.R. § 164.404(c) at the time of the notification to the State required by this subsection or promptly thereafter as information becomes available.

f. With respect to any use or disclosure of Unsecured Protected Health Information not permitted by the Privacy Rule that is caused by the Business Associate's failure to comply with one or more of its obligations under this Agreement, the Business Associate agrees to pay its reasonable share of cost-based fees associated with activities the Covered Entity must undertake to meet its notification obligations under the HIPAA Rules and any other security breach notification laws;
g. Ensure that any agent or subcontractor that creates, receives, maintains, or transmits electronic PHI on behalf of the Business Associate agree to comply with the same restrictions and conditions that apply through this Agreement to the Business Associate.
h. To make available to the Secretary of Health and Human Services the Business Associate's internal practices, books, and records, including policies and procedures relating to the use and disclosure of PHI and ePHI received from, or created or received by Business Associate on behalf of Covered Entity, for the purpose of determining the Covered Entity's compliance with the HIPAA Privacy Rule, subject to any applicable legal privileges.
i. To document the disclosure of PHI related to any disclosure of PHI as would be required for Covered Entity to respond to a request by an Individual for an accounting of disclosures of PHI in accordance with 45 C.F.R. § 164.528.
j. To provide to Covered Entity within 15 days of a written notice from Covered Entity, information necessary to permit the Covered Entity to respond to a request by an Individual for an accounting of disclosures of PHI in accordance with 45 C.F.R. § 164.528.
k. To provide, within 10 days of receiving a written request, information necessary for the Covered Entity to respond to an Individual's request for access to PHI about himself or herself, in the event that PHI in the Business Associate's possession constitutes a Designated Record Set.
l. Make amendments(s) to PHI in a designated record set as directed or agreed by the Covered Entity pursuant to 45 C.F.R. § 164.526 or take other measures as necessary to satisfy the covered entity's obligations under that section of law.

3. Permitted Uses and Disclosures by Business Associate

3.1. General Use and Disclosure Provisions

Except as otherwise limited in this Agreement, Business Associate may Use or Disclose PHI and ePHI to perform functions, activities, or services for, or on behalf of, Covered Entity, specifically, uniform group insurance consulting services – provided that such use or disclosure would not violate the Privacy Rule or the Security Rule if done by Covered Entity or the minimum necessary policies and procedures of the Covered Entity.

3.2. Specific Use and Disclosure Provisions

Except as otherwise limited in this Agreement, Business Associate may use PHI and ePHI:

a. For the proper management and administration of the Business Associate, provided that disclosures are Required By Law, or Business Associate obtains reasonable assurances from the person to whom the information is disclosed that it will remain confidential and used or further disclosed only as Required By Law or for the purpose for which it was disclosed to the person, and the person notifies the Business Associate of any instances of which it is aware in which the confidentiality of the information has been breached.
b. To provide Data Aggregation services to Covered Entity as permitted by 45 C.F.R. § 164.504(e)(2)(i)(B), but Business Associate may not disclose the PHI or ePHI of the Covered Entity to any other client of the Business Associate without the written authorization of the covered entity Covered Entity.
c. To report violations of law to appropriate Federal and State authorities, consistent with 45 C.F.R. §§ 164.304 and 164.502(j)(1).

4. Obligations of Covered Entity

4.1. Provisions for Covered Entity to Inform Business Associate of Privacy Practices and Restrictions

Covered Entity shall notify Business Associate of:

a. Any limitation(s) in its notice of privacy practices of Covered Entity in accordance with 45 C.F.R. § 164.520, to the extent that any such limitation may affect Business Associate's use or disclosure of PHI.
b. Any changes in, or revocation of, permission by an Individual to use or disclose PHI, to the extent that any such changes may affect Business Associate's use or disclosure of PHI.
c. Any restriction to the use or disclosure of PHI that Covered Entity has agreed to in accordance with 45 C.F.R. § 164.522, to the extent that any such restriction may affect Business Associate's use or disclosure of PHI.

4.2. Additional Obligations of Covered Entity. Covered Entity agrees that it:

a. Has included, and will include, in the Covered Entity's Notice of Privacy Practices required by the Privacy Rule that the Covered Entity may disclose PHI for Health Care Operations purposes.

b. Has obtained, and will obtain, from Individuals any consents, authorizations and other permissions necessary or required by laws applicable to the Covered Entity for Business Associate and the Covered Entity to fulfill their obligations under the Underlying Agreement and this Agreement.

c. Will promptly notify Business Associate in writing of any restrictions on the Use and Disclosure of PHI about Individuals that the Covered Entity has agreed to that may affect Business Associate's ability to perform its obligations under the Underlying Agreement or this Agreement.

d. Will promptly notify Business Associate in writing of any change in, or revocation of, permission by an Individual to Use or Disclose PHI, if the change or revocation may affect Business Associate's ability to perform its obligations under the Underlying Agreement or this Agreement.

4.2. Permissible Requests by Covered Entity

Covered Entity may not request Business Associate to use or disclose PHI in any manner that would not be permissible under the Privacy Rule or the Security Rule if done by Covered Entity, except that the Business Associate may use or disclose PHI and ePHI for management and administrative activities of Business Associate.

5. Term and Termination

a. Term. The Term of this Agreement shall be effective as of July 1, 2016, and shall terminate when all of the PHI and ePHI provided by Covered Entity to Business Associate, or created or received by Business Associate on behalf of Covered Entity, is destroyed or returned to Covered Entity, or, if it is infeasible to return or destroy PHI and ePHI, protections are extended to any such information, in accordance with the termination provisions in this Section.
b. Automatic Termination. This Agreement will automatically terminate upon the termination or expiration of the Underlying Agreement.
c. Termination for Cause. Upon Covered Entity's knowledge of a material breach by Business Associate, Covered Entity shall either:
    1. Provide an opportunity for Business Associate to cure the breach or end the violation and terminate this Agreement and the Underlying Agreement if Business Associate does not cure the breach or end the violation within the time specified by Covered Entity;
    2. Immediately terminate this Agreement and the Underlying Agreement if Business Associate has breached a material term of this Agreement and cure is not possible; or
    3. If neither termination nor cure is feasible, Covered Entity shall report the violation to the Secretary.
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. Upon explicit written agreement of Covered Entity that return or destruction of PHI or ePHI is not feasible, 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.

6. Miscellaneous

a. Regulatory References. A reference in this Agreement to a section in the HIPAA Privacy or Security Rule means the section as in effect or as amended.
b. Amendment. The Parties agree to take such action as is necessary to amend this Agreement from time to time as is necessary for Covered Entity to comply with the requirements of the Privacy Rule, the Security Rule, and the Health Insurance Portability and Accountability Act of 1996, Pub. L. No. 104-191.

c. Survival. The respective rights and obligations of Business Associate under Section 5.c, related to "Effect of Termination," of this Agreement shall survive the termination of this Agreement.
d. Interpretation. Any ambiguity in this Agreement shall be resolved to permit Covered Entity to comply with the Privacy and Security Rules.
e. No Third Party Beneficiaries. Nothing express or implied in this Agreement is intended to confer, nor shall anything this Agreement confer, upon any person other than the parties and their respective successors or assigns, any rights, remedies, obligations or liabilities whatsoever.
f. Applicable Law and Venue. This Business Associate Agreement is governed by and construed in accordance with the laws of the State of North Dakota. Any action commenced to enforce this Contract must be brought in the District Court of Burleigh County, North Dakota.
g. Business Associate agrees to comply with all the requirements imposed on a business associate under Title XIII of the American Recovery and Reinvestment Act of 2009, the Health Information Technology for Economic and Clinical Health (HI-TECH) Act, and, at the request of NDPERS, to agree to any reasonable modification of this agreement required to conform the agreement to any Model Business Associate Agreement published by the Department of Health and Human Services.

7. Entire Agreement

This Agreement contains all of the agreements and understandings between the parties with respect to the subject matter of this Agreement. No agreement or other understanding in any way modifying the terms of this Agreement will be binding unless made in writing as a modification or amendment to this Agreement and executed by both parties.

IN WITNESS OF THIS, **NDPERS** [CE] and **ENTER BUSINESS ASSOCIATE NAME** [BA] agree to and intend to be legally bound by all terms and conditions set forth above and hereby execute this Agreement as of the effective date set forth above.

For Covered Entity:	For Business Associate:
______________________________ Sparb Collins, Executive Director ND Public Employees Retirement System	______________________________ Signature
	______________________________ Printed Name
	______________________________ Title
______________________________ Date	______________________________ Date

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Memorandum

TO: PERS Board

FROM: Rebecca

DATE: May 11, 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 May 8, 5,473 members have logged into the portal and 4,727 have completed their health risk assessment, which is called a LifeScore on Novu.
   ii. Staff from NDPERS and SHP will be hosting a Walk at Work Event on May 19th at 11:30 a.m. The event will be at the Capitol and will include Dr. Dwelle, who will introduce First Lady Betsy Dalrymple. The First Lady will lead participants in a walk around the Capitol mall following a brief presentation.

b. **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.

a. **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."

b. **SHP Staff Update** – 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. "

c. **PPO Update** – 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.

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

Attachment 1
Proximity to 90 Day Network Pharmacy

PHARMACY	CITY	ZIP	DISTANCE1	PHARMACY1	CITY1	ZIP1	DISTANCE2	PHARMACY2	CITY2	ZIP2	DISTANCE3	PHARMACY3	CITY3	ZIP3
THE BOWMAN DRUG COMPANY	BOWMAN	58623	43.1	NEW ENGLAND DRUG	NEW ENGLAND	58647	43.8	WHITE DRUG	HETTINGER	58639	49.3	BAKER REXALL DRUG	BAKER	59313
KENMARE DRUG	KENMARE	58746	30.2	WHITE DRUG	MOHALL	58761	34.2	DAKOTA DRUG	STANLEY	58784	50.5	TIOGA DRUG	TIOGA	58852
LAKOTA DRUG AND GIFT	LAKOTA	58344	26.9	CLINIC PHARMACY	DEVILS LAKE	58301	27.1	WHITE DRUG	DEVILS LAKE	58301	27.1	RAMSEY DRUG	DEVILS LAKE	58301
LARIMORE DRUG AND GIFT	LARIMORE	58251	13.9	PAUL BILDEN PHARMACY	NORTHWOOD	58267	26	ALTRU CLINIC PHARMACY FMC	GRAND FORKS	58201	26	THRIFTY WHITE PHARMACY	GRAND FORKS	58201
CENTRAL PHARMACY	CARRINGTON	58421	33.3	NILLES DRUG	FESSENDEN	58438	47.1	ALMKLOVS PHARMACY	COOPERSTOWN	58425	47.3	WHITE DRUG	MADDOCK	58348
ELLENDALE PHARMACY	ELLENDALE	58436	27.6	OAKES DRUG	OAKES	58474	27.8	TARA'S THRIFTY WHITE PHARMACY	OAKES	58474	32.2	LA MOURE DRUG STORE	LAMOURE	58458
HILLSBORO DRUG	HILLSBORO	58045	30.3	THRIFTY WHITE DRUG	ADA	56510	33.2	WALLS HEALTH MART PHARMACY	GRAND FORKS	58201	33.6	WHITE DRUG	GRAND FORKS	58201
NAPOLEON DRUG	NAPOLEON	58561	24.6	WISHEK DRUG	WISHEK	58495	29.1	STEELE DRUG	STEELE	58482	33.8	WHITE DRUG	LINTON	58552
TURTLE LAKE REXALL DRUG	TURTLE LAKE	58575	38	VELVA DRUG COMPANY	VELVA	58790	42.5	HORIZON PHARMACY	BISMARCK	58503	44	HAZEN DRUG	HAZEN	58545
CHASE DRUG	WASHBURN	58577	28.2	HAZEN DRUG	HAZEN	58545	31.3	HORIZON PHARMACY	BISMARCK	58503	33.8	THRIFTY WHITE PHARMACY	MANDAN	58554
IRSFIELD PHARMACY	DICKINSON	58601	0.2	ST JOSEPHS HOSP AND HLTH CNTR	DICKINSON	58601	0.7	GREENE DRUG	DICKINSON	58601	0.8	THRIFTY WHITE PHARMACY	DICKINSON	58601
INHEALTH SPECIALTY PHARMACY	FARGO	58103	0.7	LINSON PHARMACY	FARGO	58103	0.8	SOUTHPOINTE PHARMACY	FARGO	58103	1.2	INNOVIS HEALTH	FARGO	58104
ROCKVIEW PHARMACY	PARSHALL	58770	17.6	LARSEN SERVICE DRUG	NEW TOWN	58763	33.1	DAKOTA DRUG	STANLEY	58784	48.3	CVS	MINOT	58701
EDGELEY PHARMACY	EDGELEY	58433	20	LA MOURE DRUG STORE	LAMOURE	58458	37.4	WHITE DRUG	JAMESTOWN	58401	37.5	MEDICINE SHOPPE PHARMACY	JAMESTOWN	58401
CENTRAL PHARMACY	NEW ROCKFORD	58356	24.4	NILLES DRUG	FESSENDEN	58438	33.3	WHITE DRUG	MADDOCK	58348	37.5	WHITE DRUG	DEVILS LAKE	58301
LANGDON COMMUNITY DRUG	LANGDON	58249	28.9	WALHALLA PRESCRIPTION SHOP	WALHALLA	58282	35.3	THRIFTY WHITE PHARMACY	CAVALIER	58220	45.6	YE OLDE MEDICINE CENTER	PARK RIVER	58270
ARTHUR DRUG	ARTHUR	58006	14.2	CASSELTON HEALTH MART DRUG	CASSELTON	58012	28.1	THE PRESCRIPTION SHOP	WEST FARGO	58078	29.1	THRIFY WHITE PHARMACY	WEST FARGO	58078
BOTTINEAU CLINIC PHARMACY	BOTTINEAU	58318	0.3	THOMPSON DRUG	BOTTINEAU	58318	30.9	BELCOURT DRUG	BELCOURT	58316	35.2	WHITE DRUG	ROLETTE	58366
CARRINGTON DRUG	CARRINGTON	58421	33.6	NILLES DRUG	FESSENDEN	58438	46.7	ALMKLOVS PHARMACY	COOPERSTOWN	58425	47.5	WHITE DRUG	MADDOCK	58348
AASEN DRUG	MAYVILLE	58257	24.9	PAUL BILDEN PHARMACY	NORTHWOOD	58267	35	WALLS HEALTH MART PHARMACY	GRAND FORKS	58201	35.1	WHITE DRUG	GRAND FORKS	58201

Example: The Bowman Drug Company has a 30 day network contract. The closest pharmacy with a 90 day network is New England Drug, which is 43.1 miles away. The 2nd closest pharmacy with a 90 day network is White Drug in Hettinger at 43.8 miles and the 3rd closest is Baker Rexall Drug in Baker, which is 49.3 miles from The Bowman Drug Company.

ATTACHMENT 2

NDPERS Provider Contracting as of May 11, 2016

Description	Institutional	Professional
Total in network providers	298	5943
Non-contracted providers (with submitted claims)	3	49

Top Institutional provider types of claims received but non-contracted	Count-April	Count-May	Total Claim Count	Unique Member Count
Dialysis	1	1	384	3
Skilled Nursing/Home Health	1	0	0	0
I H S/Military	2	2	83	6
Total	**4**	**3**	**467**	**9**

Top Professional provider types of claims received but non-contracted	Provider Count-April	Provider Count-May	Total Claim Count	Unique Member Count
Chiropractors	33	29	3057	740
Behavioral Health	6	4	77	22
Vision	8	7	77	51
MD/DO/NP/PA	3	4	50	33
Other	7	5	79	43
Total	**57**	**49**	**3340**	**889**

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Memorandum

TO: PERS Board

FROM: Sparb

DATE: May 12, 2016

SUBJECT: DC to DB Transfer

Attached please find a memo from Segal on the recent transfer of members from the DC plan to DB plan. This memo reviews the demographics of the transfer, the liabilities the plan has assumed and the assets transferred.

Segal Consulting

5990 Greenwood Plaza Boulevard Suite 118 Greenwood Village, CO 80111-4708
T 303.714.9900 www.segalco.com

April 27, 2016

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

RE: Defined Contribution to Defined Benefit Transfers

Dear Sparb:

Recently, PERS Defined Contribution (DC) Plan members were granted an opportunity to terminate membership in the DC plan and become participating members of the PERS Hybrid Defined Benefit (DB) Plan. The following presents our analysis of the effect of these transfers on the Main System of the PERS Hybrid DB plan.

Based upon information provided by System staff, there were 223 DC plan members eligible to transfer. Of these participants, 170 elected to transfer to the Hybrid DB plan. A summary of the demographic data of these participants is provided below.

DC Plan Participants	Number	Average Age	Average Service	Average Annual Compensation
Participants Electing Transfer				
Actives	168	49.7	17.7	$52,690
Inactives	2	54.4	29.5	
Total	170			
Participants Not Electing Transfer				
Actives	50	37.2	5.3	$43,285
Inactives	3	34.6	3.4	
Total	53			

We note that participants who elected to transfer were generally older, had more service, and earned higher salaries than those who did not transfer.

For comparison, the current Main System participants have the characteristics shown below.

Main System Participants	Number	Average Age	Average Service	Average Annual Compensation
Actives	22,381	46.5	9.7	$41,107
Inactives	9,270*	46.3	5.2	
Total	31,651			

* Includes 213 transfers to other systems.

Participants who elected to transfer were granted past service in the Hybrid DB Plan (some of this service may have been earned as a participant in the Hybrid DB Plan prior to transferring to the DC Plan) and will continue to earn service in the same manner as current participants. Transferring participants' DC account balances were transferred to the Hybrid DB Plan to help offset the past service liability. In addition, former DC Plan participants will contribute 2% of covered payroll more than current PERS Main Plan members.

The liability and assets associated with the transfers is shown below:

Actuarial Accrued Liability of Prior DC Participants	$23,682,370
Less: Assets (DC Participant Balances)	23,572,699
Increase to Unfunded Actuarial Accrued Liability	$109,671

When amortized over 20 years, the addition of these members would decrease the employee recommended contribution rate for all PERS Main members by approximately 0.08% of all covered payroll.

If the unfunded liability associated with the participants is amortized over only the transferring participants' payroll, the recommended contribution rate for these participants would be calculated as follows.

	Amount	Percent
Total Normal Cost	$1,146,481	12.21%
Less: Member Contributions	845,062	9.00
Net Employer Normal Cost	$301,419	3.21%
Net Normal Cost Adjusted for Timing	313,244	3.34
UAL Amortization	7,654	0.08
Total Recommended Employer Contribution	$320,898	3.42%
Less: Expected Employer Contributions	668,538	7.12
Contribution Margin	$347,640	3.70%

Based on the Plan's current funding policy, the total contribution rate for these members is 16.12% of the group's covered payroll (7.12% employer contribution and 9.00% employee contribution). Hence, when considered on their own, the transferred members will have an employer contribution margin of 3.70%, compared to the current PERS Main shortfall of 5.09%.

The lower employer contribution requirement for the transfers is primarily due to the small unfunded actuarial accrued liability for this group. This reflects the terms of the original transfer of assets equal to present value of accrued benefits from the Hybrid DB Plan to the DC Plan.

Please note that these calculations are sensitive to the assumptions used, and that if experience differs from the assumptions (including asset rates of return and individual mortality experience), the cost impact to the plan could vary from these estimates significantly.

The projections were made using generally accepted actuarial practices and are based on the July 1, 2015 actuarial valuation. Calculations were completed under the supervision of Laura Mitchell, MAAA, EA.

Sincerely,

Brad Ramirez
Vice President and Consulting Actuary

BR/csw

5429285v1/01640.001

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Memorandum

TO: PERS Board

FROM: Sparb

DATE: May 12, 2016

SUBJECT: Actuarial Consultant Transition

At the last meeting it was decided to transition to a new actuarial consultant based upon pricing considerations. GRS is that firm. They will be working on proposed legislation as early as this July. We had a planning conference call with them recently and attached is the proposed timeline for transition. As you will note, efforts will need to begin immediately in order to for us to be in a position to do the necessary legislative evaluations for the Legislative Employee Benefits Committee and meet their timelines.

		TASK DESCRIPTION	RESPONSIBILITY			
			GRS	NDPERS	PRIOR ACTUARY	PRELIMINARY DUE DATE
PLANNING MEETING	1.0	**Planning Meeting with Client and Team**				
		a.) Conference Call to formalize work plan and due dates	X	X		05/12/2016
TRANSITION	2.0	**Commence Parallel Valuation**				
		a.) NDPERS send two years of raw valuation data		X		05/13/2016
		GRS request and Prior Actuary send the following:	X			05/19/2016
		b.) Valuation-ready data			X	05/27/2016
		c.) Appropriate test lives			X	05/27/2016
		d.) Work papers			X	05/27/2016
		e.) Historical reports and documents			X	05/27/2016
	3.0	**Replicate (Insert Census Year) Valuation Results**				
		a.) Write and test valuation programs	X			07/15/2016
		b.) Run parallel valuation and confirm discrepancies with prior actuary	X		X	07/15/2016
		c.) Submit and discuss replication results with client	X			07/29/2016
DATA	4.0	**Census Data**				
		a.) Receipt of census data from client		X		08/05/2016
		b.) Data check, load data and email results to client	X			08/12/2016
		c.) Data questions to client	X			08/12/2016
		d.) Data answers received from client		X		08/19/2016
		e.) Load data answers and finalize data	X			08/22/2016
		f.) Data Reconciliation to client	X			08/26/2016
		g.) Data Reconciliation confirmed by client		X		08/29/2016
	5.0	**Financial Data**				
		a.) Receipt of draft financial statements from client		X		09/09/2016
		b.) Assets entered and reviewed	X			09/16/2016
FUNDING AND RHIC VALUATION AND REPORTS	6.0	**Calculations and Programs**				
		a.) Test Life program check	X			09/07/2016
		b.) Test Life program review	X			09/09/2016
		c.) Financing work papers input	X			09/14/2016
		d.) Financing work papers review	X			09/16/2016
	7.0	**Gain/Loss**				
		a.) Run gain/loss programs and analyze	X			09/23/2016
		b.) Review gain/loss by source	X			09/26/2016
	8.0	**Funding Report**				
		a.) Draft valuation report	X			09/28/2016
		b.) Valuation report review	X			09/29/2016
		c.) Consultant final review valuation report	X			09/30/2016
	9.0	**Funding Reports Deliverable Schedule**				
		a.) Draft reports to client	X			10/03/2016
		b.) Report comments from client		X		10/10/2016
		c.) Final reports to client	X			10/12/2016
GASB 67/68 REPORTS	10.0	**GASB 67/68 Report**				
		a.) Draft GASB 67/68 report	X			10/21/2016
		b.) GASB 67/68 report review	X			10/26/2016
		c.) Consultant final review GASB 67/68 report	X			10/28/2016
	11.0	**GASB 67/68 Deliverable Schedule**				
		a.) Draft report to client	X			10/31/2016
		b.) Report comments from client		X		11/07/2016
		c.) Final report to client	X			11/11/2016

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: May 12, 2016

SUBJECT: 457 and 401(a) Contract - TIAA

As discussed at our planning meeting, the TIAA contract ends its six year contract period next year and is scheduled to go out to bid. The attached RFP is to select a consultant to assist us developing the RFP, analyzing the responses, interviewing the responds, reviewing the investment options and if we change vendors helping in the transition. Attached is an RFP for these services. You will note that:

- The scope of services and description of work effort is on page 9 of the attached.
- The timeline for the services is on page 4 of the attached.
- You will note this is a fixed fee effort for a general review of the responses and detailed review of 3 finalists. Also a provision is made for hourly fees that are outside the scope of services identified.

Board Action Requested:

Approve the attached RFP.

REQUEST FOR PROPOSAL

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

Prepared by:

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

Request for Proposal
Table of Contents

SECTION 1- PROCEDURES FOR SUBMITTAL

1.1 Overview

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

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

1.2 Governing Authority

PERS is managed by a Board comprised of nine members:

(1) Chairman – appointed by the Governor
(1) Member – appointed by the Attorney General
(1) Member – elected by the retirees
(3) Members – elected by active employees
(2) Legislators – appointed by Legislative Management Chair
(1) State Health Officer designee

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

1.3 Defined Contribution Programs Administered by PERS

PERS IRC Section 457 Deferred Compensation Plan:

The administration of the deferred compensation plan for public employees was given to the Retirement Board on July 1, 1987. All state employees are eligible to participate, as well as political subdivision employees, if the governing authority of the political subdivision elects to offer the state plan.

Presently 7,200 employees have accounts with fifteen investment providers. Presently there are nine active providers. Assets are over $200 million. The PERS Board has developed a plan and contracts with investment providers (mainly insurance companies) to invest the contributions of employees.

The deferred compensation plan is found in Chapter 54-52.2 of the North Dakota Century Code (NDCC).

State administrative code allows any provider company to participate in the program that has 50 or more eligible members willing to sign up for their product. PERS does not select or monitor the investment products offered by these vendors, and does not act as a trustee for their products.

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

The Companion Plan has over $75.0 million in assets with over $700,000 in monthly contributions from over 4,800 active members. TIAA is the present provider for these services.

PERS 401(a) Defined Contribution Plan:
The state of North Dakota approved the establishment of a defined contribution plan for certain state employees, effective January 1, 2000. This program is offered as an option to the state's defined benefit plan. Eligible employees are not classified by Human Resource Management Services; however, this does not include employees of the University System and the Supreme Court. Approximately 258 employees selected the DC plan. In 2015 the legislature approved an option to allow members of this plan to join the DB plan. One hundred and seventy elected to transfer back to the DB plan. In so doing $23.5 million of assets was transferred from the DC plan to DB plan. The estimated value of assets in this plan is approximately $10,000,000 for just over 100 members. Monthly contributions in the amount of 14.12% of salary (approximately $70,000) are added to the plan for each month. Similar to the Deferred Comp plan the "Statement of Investment Policy" and "Quarterly Report" are available on the PERS Web site under Defined Contribution Retirement Plan. Fidelity is the present provider for these services.

The timeline for the services under this contract are:

Sept	Begin Work effort
Oct	First draft of RFP for PERS Board Review
Nov	Final draft of RFP for PERS Board Approval
Dec	RFP Issued
Jan	Proposals returned
Feb	Review analysis of proposals with Board
March	Vendor interview and award
June	Transition month if necessary
July	Start of new contract

1.4 Proposal Schedule

RFP Issued:	May 27, 2016
Vendor Questions Due:	5:00 p.m., CST, June 17, 2016
Responses to Questions Issued:	June 20, 2016
Proposals Due:	5:00 p.m., CST, July 8, 2016
PERS Board Review:	July 2016
Vendor Interviews:	Aug 2016 (if necessary)
Vendor Selection:	No later then Aug 2016

1.5 Vendor Questions About The RFP

A pre-bid meeting is not scheduled. Questions concerning the specifications contained herein are to be submitted by mail to the individual below or by email to breinhar@nd.gov and cstocker@nd.gov , no later than 5:00 p.m., CST, on June 17, 2016

Bryan Reinhardt
North Dakota Public Employees Retirement System
P O Box 1657
Bismarck, ND 58502-1657

Responses will be posted on the PERS website (www.nd.gov/ndpers) by June 20, 2016 under "Request for Proposals".

1.6 Proposals

To be considered, each bidder must submit a COMPLETE response to this RFP in writing.

1.7 Oral Presentation

Bidders who submit proposals may be required to make oral presentations of their proposals to PERS if a decision is not clear based upon the written material submitted. The date for oral presentations is expected to be in August of 2016. However, since PERS will likely award this work effort based solely upon the written material, we encourage all respondents to prepare a clear, comprehensive and responsive proposal and not anticipate or plan on the opportunity to clarify/elaborate on their offering during an oral presentation.

1.8 Acceptance Of Proposal Interpretations

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

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

1.9 Proposal Interpretations And Addenda

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

1.10 Economy Of Preparation

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

1.11 Cost Liability

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

1.12 Minimum Qualifications

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

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

1.13 Selection Criteria (also see section 4)

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

- The ability of the organization to meet the terms of the RFP and the technical approach.

- Qualifications of the staff assigned to the PERS account. PERS may require that the appropriate individuals be interviewed.

- Ability to meet the minimum qualifications.

- Fees and other compensation.

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

1.14 Bid Receipt

Proposals must be received on or before:

5:00 p.m., Central Time July 8, 2016

Ten copies of your proposal and one electronic copy must be sent to:

Bryan Reinhardt
North Dakota Public Employees Retirement System
P O Box 1657
400 East Broadway Avenue, Suite 505
Bismarck, ND 58502-1657

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

1.15 Right Of Rejection Or Acceptance

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

1.16 Additional Information

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

1.17 Conflict Of Interest

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

1.18 Contract Term

The services sought in Section 2 will be provided beginning Sept, 2016 through July 2017.

1.19 Accounting Records

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

1.20 Confidentiality

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

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

1.21 Cancellation

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

1.22 Delegation And/Or Assignment

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

SECTION 2 - BACKGROUND AND SCOPE OF SERVICES

2.1 Background

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

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

2.2 Develop Request for Proposal

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

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

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

2.3 Analysis of Proposals

PERS is seeking a consultant to analyze the proposals received in response to the RFP. This analysis will be in two phases. The first phase will be to do a general assessment of all proposals received and recommend to the Board three responses that would be reviewed in detail. The consultant should be prepared to make this recommendation at the February PERS Board meeting. The second phase would be to conduct a detailed review of the three proposals selected by the Board and to provide a recommendation to the Board on which proposal to accept. The detailed evaluation should be presented to the Board at the March meeting. If necessary, the Board may elect to interview one or more of the three. Such an interview would be conducted at a special meeting in March. The consultant is asked to bid this portion of the work effort on a fixed fee basis. The consultant should include in the fixed fee one on-site meeting with the PERS Board to review the results. If the Board elects to do vendor interviews or conduct any on-site meetings, the consultant will be reimbursed for that time on a fee for service basis. Please note that travel costs will not be a part of the fixed fee and will be paid based upon expenses incurred and will be subject to prior approval by the PERS Executive Director.

2.4 Implementation Assistance

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

SECTION 3 – PROPOSAL

3.1 Technical Proposal – This Shall be Labeled "Technical Proposal"

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

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

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

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

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

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

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

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

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

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

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

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

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

3.2.1 Pricing

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

Development of RFP (2.2)

Fixed Fee: $____

Staff Assigned	Estimated Hours	Rate

Evaluation of Responses (2.3)

Fixed Fee $____

Staff Assigned	Estimated Hours	Rate

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

Staff Assigned	Rate

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

3.2.2 Agreement

The consultant is asked to sign the attached agreement and send it as part of the proposal. If PERS accepts your offer, we will sign the agreement and return a copy to you. If the consultant wishes to propose amendments, they must be offered in the response so that PERS can determine if they can be accepted.

SECTION 4 - PROPOSAL REVIEW

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

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

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

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

SECTION 5 - AGREEMENT FOR SERVICES

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

Contractor and NDPERS agree to the following:

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

2) **TERM:** The term of this contract shall commence in September 2016 and continue through July 30, 2017.

3) **FEES:** NDPERS shall only pay pursuant to the terms in the proposal and RFP.

4) **BILLINGS:** The Contractor shall receive payment from NDPERS upon the completion of the services identified under this Agreement.

5) **TERMINATION:** Either party may terminate this agreement with respect to tasks yet to be performed with thirty (30) days written notice mailed to the other party.

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

7) **SUBCONTRACTS:** Subcontractors to the Contractor shall be considered agents of the Contractor and agree to provide services as specified in the proposal and RFP.

8) **ACCESS TO RECORDS:** PERS agrees that all participation by its members and their dependents in programs hereunder is confidential. The Contractor shall not disclose any individual employee or dependent information to the covered agency or its' representatives without the prior written consent of the employee or family member. The Contractor will have exclusive control over the direction and guidance of the persons rendering services under this agreement. The Contractor agrees to keep confidential all PERS information obtained in the course of delivering services.

9) **OWNERSHIP OF WORK PRODUCT:** All work products of the Contractor, including but not limited to, data, documents, drawings, estimates and actuarial calculations which are provided to NDPERS under this agreement are the exclusive property of NDPERS.

10) **APPLICABLE LAW AND VENUE:** This agreement shall be governed by and construed in accordance with the laws of the State of North Dakota. Any action to enforce this contract must be brought in the District Court of Burleigh County, North Dakota.

11) **MERGER AND MODIFICATION:** This contract, the RFP and the proposal shall constitute the entire agreement between the parties. In the event of any inconsistency or conflict among the documents making up this agreement, the documents must control in this order of precedence: First – the terms of this Contract, as may be amended and Second - the state's Request for Proposal and Third – Contractor's Proposal. No waiver, consent, modification or change of terms of this agreement shall bind either party unless in writing and signed by both parties. Such waiver, consent, modification or change, if made, shall be effective only in the specific instances and for the specific purpose given. There are no understandings, agreements, or representations, oral or written, not specified herein regarding this agreement.

12) **INDEMNITY:** Contractor agrees to defend, indemnify, and hold harmless the state of North Dakota, its agencies, officers and employees (State), from and against claims based on the vicarious liability of the State or its agents, but not against claims based on the State's contributory negligence, comparative and/or contributory negligence or fault, sole negligence, or intentional misconduct. This obligation to defend, indemnify, and hold harmless does not extend to professional liability claims arising from professional errors and omissions. The legal defense provided by Contractor to the State under this provision must be free of any conflicts of interest, even if retention of separate legal counsel for the State is necessary. Contractor also agrees to defend, indemnify, and hold the State harmless for all costs, expenses and attorneys' fees incurred if the State prevails in an action against Contractor in establishing and litigating the indemnification coverage provided herein. This obligation shall continue after the termination of this agreement.

13) **INSURANCE:** Contractor shall secure and keep in force during the term of this agreement, from insurance companies, government self-insurance pools or government self-retention funds, authorized to do business in North Dakota, the following insurance coverages:

1) Commercial general liability, including premises or operations, contractual, and products or completed operations coverages (if applicable), with minimum liability limits of $250,000 per person and $1,000,000 per occurrence.
2) Professional errors and omissions, including a three year "tail coverage endorsement," with minimum liability limits of $1,000,000 per occurrence and in the aggregate.
3) Automobile liability, including Owned (if any), Hired, and Non-Owned automobiles, with minimum liability limits of $250,000 per person and $500,000 per occurrence.
4) Workers compensation coverage meeting all statutory requirements.

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

1) Any deductible or self-insured retention amount or other similar obligation under the policies shall be the sole responsibility of the Contractor.
2) This insurance may be in policy or policies of insurance, primary and excess, including the so-called umbrella or catastrophe form and must be placed with insurers rated "A-" or better by A.M. Best Company, Inc., provided any excess policy follows form for coverage. Less than an "A-" rating must be approved by the State. The policies shall be in form and terms approved by the State.

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

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

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

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM	CONTRACTOR
By: ______________________	By: ____________________________
WITNESS:	**WITNESS:**
__________________________	______________________________

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

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

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

Memorandum

TO: PERS Board

FROM: Sparb

DATE: May 12, 2016

SUBJECT: ASIFlex

The 2013 session passed HB 1058 which closed the pre-Medicare plan and made the retiree health insurance credit portable. The bill had a delayed effective date of July 2015. In August of 2014 the Board passed the following motion:

> **MR. TRENBEATH MOVED TO GO OUT TO BID TO OBTAIN A VENDOR ON A SHORT TERM BASIS (2 YEARS) TO PROCESS RETIREE HEALTH INSURANCE CREDIT, AND THAT DURING THE INTERIM, STAFF IS TO DEVELOP A PROPOSAL TO INCORPORATE THE PROCESS INTO THE PERSLINK BUSINESS SYSTEM. THE MOTION WAS SECONDED BY MS. WASSIM.**

Pursuant to this motion staff issued a bid for services and in February of 2015 the Board selected ASIFlex as the vendor. We had 4 firms bid on the project with a cost ranging from $3.15 per month per member to $1.75 per month per member. ASIFlex was at $1.75 per member.

At the Board planning meeting, staff reviewed with the Board that to bring this effort in-house in 2017 would be a significant effort. It would require additional staffing plus the development of a business processing system to administer the payment of benefits. We also noted that in 2015 with the implementation of the health transition from BCBS to Sanford, the Medicare Part D transition to ESI, the DC-DB transfer option, the new GASB requirements, the new plan tier, and this program we have not had time to refine this concept. However, we are at a point now that if we are to move forward as directed above we will need to put funds into the proposed 2017-19 budget. Therefore, staff is seeking your direction at this time.

Staff Recommendation

Staff is recommending that we defer this for another 2 years thereby providing us more of an opportunity to study the implications of bringing the RHIC reimbursement process in-house. This would mean a schedule as follows:

- 2017-18 study the implications of bringing it in-house
- 2018 if determined to proceed build the cost into the 2019-2021 budget
- 2019-2021 develop and implement

In deferring this we would continue to contract out this effort. Staff recommendation is based upon the following work efforts that we need to do in the upcoming year:

1. Complete the new web site project.
2. Complete the mobile application project.
3. Transition to a new retirement consultant.
4. Do the health renewal and possibly rebid the plan.
5. Do the vision plan bid. If the existing vendor is not selected transition the plan.
6. Do the life plan bid. If the existing vendor is not selected transition the plan.
7. Do the 457 Companion Plan bid and 401(a) Defined Contribution plan bid. If the existing vendor is not selected transition the plan.
8. Do the dental plan bid in 2017. If the existing vendor is not selected transition the plan.
9. Address Internal Audit Recommendations.
10. PERSLink enhancements.

If the Board does not want to defer this item, staff would suggest that we review the above efforts to see what could be deferred to a later time. Concerning the life, dental, 457/401(a) plan and vision bids these are bids that we go out for every 6 years and are up now. We could look at extending some of these efforts and not go out to bid. We can also continue to defer #9 and #10 above.

Board Action Requested

Determine if efforts for the RHIC should be deferred and the new schedule adopted.

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: MaryJo

DATE: May 9, 2016

SUBJECT: Retiree Health Insurance Credit Portability

At the December 2014 meeting, the Board established policies for administering the Retiree Health Insurance Credit (RHIC) through a 3rd party vendor. Due to RHIC becoming portable July 1, 2015, RHIC benefits may be reimbursed for any eligible health and/or prescription drug premium expense.

Policy prior to July 1, 2015 allowed for recovery of RHIC over/under payments through adjustments to the NDPERS health insurance premium. Any adjustment that either increased or decreased the RHIC amount was handled through the NDPERS group insurance billing process. If there was an RHIC underpayment, it was paid to the member in a lump sum pursuant to NDAC 71-03-05-07 as an overpayment of premium. If there was an overpayment of RHIC, the member was required to repay by either a lump sum or installments pursuant to NDAC 71-03-05-08 as an underpayment of premium. If repayment arrangements were not in place within 60 days of written request, payments were required to be made in three equal installments using the same payment method the individual authorized for paying monthly premiums.

The Board policy established for payment or recovery of RHIC over/under paymentsthrough the 3rd party vendor is as follows:

1. *Underpayment of Benefits – If an adjustment occurs that results in an underpayment of RHIC benefits to a member, the vendor will reprocess any claims for the months impacted by the adjustment and pay any additional reimbursement due to the member in a lump sum.*
2. *Overpayment of Benefits – If an adjustment occurs that results in an overpayment of RHIC benefits to a member, then*

a. *The amount of the overpayment will be offset against future monthly RHIC benefits until the overpayment has been recovered, or*
b. *If the member is no longer eligible for RHIC benefits (return to work, suspended DC payment), the member will be notified of the overpayment and given the repayment options (lump sum or installments) that are currently defined in NDAC 71-03-05-08*
c. *If the member is deceased and there is a surviving spouse to whom the RHIC benefit continues to, the overpayment would be offset against the surviving spouse benefit until the overpayment has been recovered, or*
d. *If the member is deceased and no further benefits are payable, PERS would notify the estate of amount of the overpayment and request payment in a lump sum.*

During an audit of RHIC payments, PERS identified five members with RHIC overpayments that have an ongoing RHIC benefit. According to the current Board policy, this would allow PERS to offset future monthly RHIC benefits until the overpayment is recovered.

Below is a list of members affected and estimated number of months the 3rd party vendor will offset future RHIC payments to recover overpayments.

ID	RHIC Was	Correct RHIC	Overpayment Due	# Months for Offset	Reason
Member 1	$75.42	$75.00	**$76.86**	**2**	1 additional month YOS
Member 2	$55.83	$55.41	**$62.58**	**2**	1 additional month YOS
Member 3	$204.58	$151.58	**$1,234.00**	**9**	1 additional month YOS, incorrect reduction factor and combined spouse's benefit
Member 4	$41.67	$27.64	**$1,164.49**	**43**	1 additional month YOS, incorrect reduction factor
Member 5	$144.17	$143.75	**$31.92**	**1**	1 additional month YOS

This is being provided to the Board as information only, as this is the first time NDPERS will be applying the new policy.

NDPERS will be at the Board meeting to answer any questions.

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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: May 11, 2016

SUBJECT: Contracts

Attached, for your review and approval, are several contracts:

1. **GRS Contract** - this effort was awarded at the last meeting to the firm that was able to meet the contracting requirements. Jan and I worked with the firms and GRS agreed to terms specified by the Board.
2. **Nyhart Contract** – this is for the OPEB work effort and was awarded at the last meeting. This firm did the work last time and this is the same contract we had with them at that time.
3. **Heart of America** – this contract is for Heart of America to continue to provide an HMO in the Rugby area for the July 1, 2016 through June 30, 2017 contract period. They have been providing this option to employees in that area since the 1980's.

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.

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries

One Towne Square
Suite 800
Southfield, MI 48076-3723

248.799.9000 phone
248.799.9020 fax
www.gabrielroeder.com

May 3, 2016

Mr. Bryan T. Reinhardt
Research & Planning Manager
NDPERS
400 E. Bdwy, Suite 505
Box 1657
Bismarck, ND 58502

Re: Agreement for Services

Dear Mr. Reinhardt:

Enclosed are two signed copies of the Agreement for Services between the NDPERS and Gabriel, Roeder, Smith & Company (GRS). Once you have signed the contracts, please return one copy to me for our files.

Thank you and we look forward to working with you.

Sincerely,

Judith A. Kermans

Judith A. Kermans
President

JAK:rmn
Enclosure

cc: Lance Weiss

AGREEMENT FOR SERVICES

The parties to this Agreement for Services are (hereinafter CONTRACTOR) 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" of "Contract").

CONTRACTOR and NDPERS agree to the following:

1) **SCOPE OF SERVICES:** CONTRACTOR agrees to provide the services as specified in the RFP and proposal. The terms and conditions of the RFP and the proposal are hereby incorporated as part of the Contract.

2) **TERM:** This Agreement shall be for the period July 1, 2016 through June 30, 2018. Subject to the written agreement by PERS and the CONTRACTOR, this Agreement may be extended for two additional two-year periods.

3) **FEES:** NDPERS shall only pay pursuant to the terms in the RFP.

4) **BILLINGS:** The CONTRACTOR shall receive payment from NDPERS upon the completion of the services identified in the respective invoice. The CONTRACTOR shall bill NDPERS monthly in arrears for Services rendered and expenses incurred in accordance with the terms hereof.

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 shall not disclose any individual employee or dependent information without the prior written consent of the employee or family member. 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 may retain archival copies in accordance with its record retention policies and procedures (i) with respect to

backup media for which selective deletion of files or data is not feasible and (ii) in order to enable it to comply with its professional standards requirements and substantiate its work in the event of a dispute; provided further that any such archival copies shall continue to be subject to the confidentiality obligations under this Agreement.

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 delivered to NDPERS or created for and 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. In the event of any inconsistency or conflict among the documents making up this agreement, the documents must control in this order of precedence: First – the terms of this Contract, as may be amended and Second - the letter dated September 16, 2014 and attached hereto as Exhibit A. 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.
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. NDPERS acknowledges that CONTRACTOR is not a fiduciary.

17) **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.

18) **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.

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

20) **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 **400 E Bdwy, Suite 505, Box 1657** **Bismarck, ND 58502-1657**	**or**	**Judith A. Kermans, President** **Gabriel, Roeder, Smith & Co** **One Towne Square, Suite 800** **Southfield, MI 48076-3723**

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.

21) **SPOLIATION – NOTICE OF POTENTIAL CLAIMS:** CONTRACTOR and NDPERS shall promptly notify one another 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.

22) **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.

23) **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 to the extent permitted under applicable law. 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 to CONTRACTOR.

24) **EFFECTIVENESS OF CONTRACT:** This Contract is not effective until fully executed by both parties.

NDPERS:	**CONTRACTOR:**
______________________	Judith A. Kermans
Sparb Collins, Executive Director ND Public Employees Retirement System	Judith A. Kermans, President Gabriel, Roeder, Smith & Company

AGREEMENT FOR SERVICES

The Howard E. Nyhart Company, Incorporated's (hereinafter "Contractor") proposal constitutes a formal offer to provide services to the State of North Dakota acting through its Public Employees Retirement System (NDPERS or STATE). The terms of this Contract, the RFP and the proposal shall constitute the agreement between the parties ("Agreement").

Contractor and NDPERS agree to the following:

1) **SCOPE OF SERVICES:** Contractor agrees to provide the retiree health valuation services as specified in the RFP and proposal. The terms and conditions of the RFP and the proposal are hereby incorporated as part of the Agreement ("Agreement" or Scope of Service Documents).

2) **TERM:** The term of this Agreement shall commence on the date of award and continue until the completion of the services identified under this Agreement, with an expected date of completion of all services by July 1, 2016 pursuant to the terms of the RFP.

3) **FEES:** NDPERS shall only pay pursuant to the terms in the proposal and RFP.

4) **BILLINGS:** The Contractor shall receive payment from NDPERS upon the completion of the services identified under this Agreement.

5) **TERMINATION:**
   a. 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.
   b. Termination for lack of funding or authority. NDPERS by written notice of default to CONTRACTOR, may terminate the whole or any part of this Agreement, 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 Agreement or are no longer eligible for the funding proposed for payments authorized by this Agreement.
   (3) If any license, permit, or certificate required by law or rule, or by the terms of this Agreement, is for any reason denied, revoked, suspended, or not renewed.
   (4) Termination of this Agreement under this subsection (b) is without prejudice to any obligations or liabilities of either party already accrued prior to termination.
   c. Termination for cause. NDPERS may terminate this Agreement 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 Agreement 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 Agreement, or so fails to pursue the work as to endanger performance of this Agreement in accordance with its terms.

6) **EMPLOYMENT STATUS:** CONTRACTOR is an independent entity under this Agreement 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 Agreement, except to the extent specified in this contract.

7) **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 Agreement and incorporates this Agreement, 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 STATE.

8) **ACCESS TO RECORDS:** The parties agree that all participation by NDPERS members and their dependents in programs administered by NDPERS is confidential under North Dakota state law. The Contractor may request and NDPERS shall provide to Contractor upon such request, confidential information necessary for Contractor to provide the services described in the Agreement. The Contractor shall not disclose any individual employee or dependent information without the prior written consent of the employee or family member. The Contractor will have exclusive control over the direction and guidance of the persons rendering services under this Agreement. The Contractor agrees to keep confidential all NDPERS information obtained in the course of delivering services. 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 or specified under this Agreement. NDPERS shall not disclose any information it receives from CONTRACTOR that CONTRACTOR has previously identified as confidential and that STATE determines in its sole discretion is protected from mandatory public disclosure under a specific exception to the North Dakota open records law, N.D.C.C. ch. 44-04. The duty of STATE and CONTRACTOR to maintain confidentiality of information under this section continues beyond the term of this contract. Failure of Contractor to maintain the confidentiality of such information may be considered a material breach of the Agreement and may constitute the basis for additional civil and criminal penalties under North Dakota law. Upon termination of this Agreement, for any reason, Contractor shall return or destroy all confidential information received from NDPERS, or created and received by Contractor on behalf of NDPERS. This provision applies to confidential information that may be in the possession of subcontractors or agents of Contractor. In the event that Contractor asserts that returning or destroying the confidential information is not feasible, Contractor shall provide NDPERS notification of the conditions that make return or destruction infeasible. Upon written agreement of DNPERS 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 information.

CONTRACTOR understands that, except for disclosures prohibited in this Agreement, STATE 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 Agreement, except for records that are confidential under this Agreement, may, under certain circumstances, be open to the public upon request under the North Dakota open records law. STATE retains ownership of all work product, equipment or materials created or purchased under this Agreement. CONTRACTOR agrees to contact STATE immediately upon receiving a request for information under the open records law and to comply with STATE'S instructions on how to respond to the request.

9) **OWNERSHIP OF WORK PRODUCT:** All work product, equipment or materials created or purchased under this Agreement belong to STATE and must be delivered to STATE at STATE'S request upon termination of this Agreement. CONTRACTOR agrees that all materials prepared under this Agreement are "works for hire" within the meaning of the copyright laws of the United States and assigns to STATE all rights and interests CONTRACTOR may have in the materials it prepares under this Agreement, including any right to derivative use of the material. CONTRACTOR shall execute all necessary documents to enable STATE to protect its rights under this section.

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 Agreement must be brought in the District Court of Burleigh County, North Dakota.

11) **MERGER AND MODIFICATION:** This contract, the RFP and the proposal shall constitute the entire Agreement between the parties. In the event of any inconsistency or conflict among the documents making up this Agreement, the documents must control in this order of precedence: First – the terms of this Contract, as may be amended and Second - the state's Request for Proposal and Third – Contractor's Proposal. No waiver, consent, modification or change of terms of this Agreement shall bind either party unless in writing and signed by both parties. Such waiver, consent, modification or change, if made, shall be effective only in the specific instances and for the specific purpose given. There are no understandings, agreements, or representations, oral or written, not specified herein regarding this Agreement.

12) **INDEMNITY:** Contractor agrees to defend, indemnify, and hold harmless the state of North Dakota, its agencies, officers and employees (State), from and against claims based on the vicarious liability of the State or its agents, but not against claims based on the State's contributory negligence, comparative and/or contributory negligence or fault, sole negligence, or intentional misconduct. This obligation to defend, indemnify, and hold harmless does not extend to professional liability claims arising from professional errors and omissions. The legal defense provided by Contractor to the State under this provision must be free of any conflicts of interest, even if retention of separate legal counsel for the State is necessary. Any attorney appointed to represent the State must first qualify as and be appointed by the North Dakota Attorney General as a Special Assistant Attorney General as required under N.D.C.C. § 54-12-08. Contractor also agrees to defend, indemnify, and hold the State harmless for all costs, expenses and attorneys' fees incurred if the State prevails in an action against Contractor in establishing and litigating the indemnification coverage provided herein. This obligation shall continue after the termination of this Agreement.

13) **INSURANCE:** Contractor shall secure and keep in force during the term of this Agreement, and Contractor shall require all subcontractors, prior to commencement of an agreement between Contractor and the subcontractor, to 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 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) Workers compensation coverage meeting all statutory requirements. The policy shall provide coverage for all states of operation that apply to the performance of this contract.

4) Employer's liability or "stop gap" insurance of not less than $1,000,000 as an endorsement on the workers compensation or commercial general liability insurance.

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

1) Any deductible or self-insured retention amount or other similar obligation under the policies shall be the sole responsibility of the Contractor.

2) This insurance may be in policy or policies of insurance, primary and excess, including the so-called umbrella or catastrophe form and must be placed with insurers rated "A-" or better by A.M. Best Company, Inc., provided any excess policy follows form for coverage. Less than an "A-" rating must be approved by the State.

3) The duty to defend, indemnify, and hold harmless the State under this Agreement shall not be limited by the insurance required in this Agreement.

4) The state of North Dakota and its agencies, officers, and employees (State) shall be endorsed on the commercial general liability policy, including any excess policies (to the extent applicable), as additional insured. The State shall have all the benefits, rights and coverages of an additional insured under these policies that shall not be limited to the minimum limits of insurance required by this Agreement or by the contractual indemnity obligations of the Contractor.

5) Contractor shall provide at least 30 day notice of any cancellation or material change to the policies or endorsements.

6) The Contractor shall furnish a certificate of insurance to the undersigned State representative prior to commencement of this agreement.

7) Failure to provide insurance as required in this agreement is a material breach of contract entitling State to terminate this agreement immediately.

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

15) **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.

16) **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, Executive Director
ND Public Employees Retirement System
400 East Broadway, Suite 505
PO Box 1657
Bismarck, ND 58502-1657

With a copy to:

Sharon Schiermeister
Chief Operating Officer
ND Public Employees Retirement System
400 East Broadway, Suite 505
PO Box 1657
Bismarck, ND 58502-1657

OR

Thomas Totten
The Howard E. Nyhart Company, Incorporated
8415 Allison Pointe Blvd., Suite 300
Indianapolis, IN 46250

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.

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

18) **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.

19) **STATE AUDIT**

All records, regardless of physical form, and the accounting practices and procedures of CONTRACTOR relevant to this Agreement 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 Agreement and be able to provide them at any reasonable time. State, State Auditor, or Auditor's designee shall provide reasonable notice.

20) **TAXPAYER ID**

CONTRACTOR'S federal employer ID number is: 35-0966414.

21) **PAYMENT OF TAXES BY STATE**

State is not responsible for and will not pay local, state, or federal taxes. State sales tax exemption number is E-2001, and certificates will be furnished upon request by the purchasing agency.

22) **EFFECTIVENESS OF CONTRACT**

This Agreement is not effective until fully executed by both parties.

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

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM	**CONTRACTOR**
By:	By:
Title:	Title: CEO
Date:	Date: 05|12|16

Business Associate Agreement

(Revised 10-2013)

This Business Associate Agreement, which is an addendum to the underlying contract, is entered into by and between, the North Dakota Public Employees Retirement System ("NDPERS") and The Howard E. Nyhart Company, Incorporated, 8415 Allison Pointe Boulevard, Suite 300, Indianapolis, IN 46250.

1. Definitions

   a. Terms used, but not otherwise defined, in this Agreement have the same meaning as those terms in the HIPAA Privacy Rule, 45 C.F.R. Part 160 and Part 164, Subparts A and E, and the HIPAA Security rule, 45 C.F.R., pt. 164, subpart C.
   b. Business Associate. "Business Associate" means **The Howard E. Nyhart Company, Incorporated.**
   c. Covered Entity. "Covered Entity" means the **North Dakota Public Employees Retirement System Health Plans**.
   d. PHI and ePHI. "PHI" means Protected Health Information; "ePHI" means Electronic Protected Health Information.

2. Obligations of Business Associate.

2.1. The Business Associate agrees:

   a. To use or disclose PHI and ePHI only as permitted or required by this Agreement or as Required by Law.
   b. To use appropriate safeguards and security measures to prevent use or disclosure of the PHI and ePHI other than as provided for by this Agreement, and to comply with all security requirements of the HIPAA Security rule.
   c. To implement administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of ePHI that it creates, receives, maintains or transmits on behalf of the Covered Entity as required by the HIPAA Security rule.
   d. To mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a use or disclosure of PHI or ePHI by Business Associate in violation of the requirements of this Agreement.
   e. To report to Covered Entity (1) any use or disclosure of the PHI not provided for by this Agreement, and (2) any "security incident" as defined in 45 C.F.R. § 164.304 involving ePHI, of which it becomes aware without unreasonable delay and in any case within thirty (30) days from the date after discovery and provide the Covered Entity with a written notification that complies with 45 C.F.R. § 164.410 which shall include the following information:
      i. to the extent possible, the identification of each individual whose Unsecured Protected Health Information has been, or is reasonably believed by the Business Associate to have been, accessed, acquired or disclosed during the breach;
      ii. a brief description of what happened;
      iii. the date of discovery of the breach and date of the breach;
      iv. the nature of the Protected Health Information that was involved;

v. identify of any person who received the non-permitted Protected Health Information;

vi. any steps individuals should take to protect themselves from potential harm resulting from the breach;

vii. a brief description of what the Business Associate is doing to investigate the breach, to mitigate harm to individuals, and to protect against any further breaches; and

viii. any other available information that the Covered Entity is required to include in notification to an individual under 45 C.F.R. § 164.404(c) at the time of the notification to the State required by this subsection or promptly thereafter as information becomes available.

f. With respect to any use or disclosure of Unsecured Protected Health Information not permitted by the Privacy Rule that is caused by the Business Associate's failure to comply with one or more of its obligations under this Agreement, the Business Associate agrees to pay its reasonable share of cost-based fees associated with activities the Covered Entity must undertake to meet its notification obligations under the HIPAA Rules and any other security breach notification laws;

g. Ensure that any agent or subcontractor that creates, receives, maintains, or transmits electronic PHI on behalf of the Business Associate agree to comply with the same restrictions and conditions that apply through this Agreement to the Business Associate.

h. To make available to the Secretary of Health and Human Services the Business Associate's internal practices, books, and records, including policies and procedures relating to the use and disclosure of PHI and ePHI received from, or created or received by Business Associate on behalf of Covered Entity, for the purpose of determining the Covered Entity's compliance with the HIPAA Privacy Rule, subject to any applicable legal privileges.

i. To document the disclosure of PHI related to any disclosure of PHI as would be required for Covered Entity to respond to a request by an Individual for an accounting of disclosures of PHI in accordance with 45 C.F.R. § 164.528.

j. To provide to Covered Entity within 15 days of a written notice from Covered Entity, information necessary to permit the Covered Entity to respond to a request by an Individual for an accounting of disclosures of PHI in accordance with 45 C.F.R. § 164.528.

k. To provide, within 10 days of receiving a written request, information necessary for the Covered Entity to respond to an Individual's request for access to PHI about himself or herself, in the event that PHI in the Business Associate's possession constitutes a Designated Record Set.

l. Make amendments(s) to PHI in a designated record set as directed or agreed by by the Covered Entity pursuant to 45 C.F.R. § 164.526 or take other measures as necessary to satisfy the covered entity's obligations under that section of law.

3. Permitted Uses and Disclosures by Business Associate

3.1. General Use and Disclosure Provisions

Except as otherwise limited in this Agreement, Business Associate may Use or Disclose PHI and ePHI to perform functions, activities, or services for, or on behalf of, Covered Entity, specifically **retiree health plan valuation services** – provided that such use or disclosure would not violate the Privacy Rule or the Security Rule if done by Covered Entity or the minimum necessary policies and procedures of the Covered Entity.

3.2. Specific Use and Disclosure Provisions

Except as otherwise limited in this Agreement, Business Associate may use PHI and ePHI:

a. For the proper management and administration of the Business Associate, provided that disclosures are Required By Law, or Business Associate obtains reasonable assurances from the person to whom the information is disclosed that it will remain confidential and used or further disclosed only as Required By Law or for the purpose for which it was disclosed to the person, and the person notifies the Business Associate of any instances of which it is aware in which the confidentiality of the information has been breached.
b. To provide Data Aggregation services to Covered Entity as permitted by 45 C.F.R. § 164.504(e)(2)(i)(B), but Business Associate may not disclose the PHI or ePHI of the Covered Entity to any other client of the Business Associate without the written authorization of the covered entity Covered Entity.
c. To report violations of law to appropriate Federal and State authorities, consistent with 45 C.F.R. §§ 164.304 and 164.502(j)(1).

4. Obligations of Covered Entity

4.1. Provisions for Covered Entity to Inform Business Associate of Privacy Practices and Restrictions

Covered Entity shall notify Business Associate of:

a. Any limitation(s) in its notice of privacy practices of Covered Entity in accordance with 45 C.F.R. § 164.520, to the extent that any such limitation may affect Business Associate's use or disclosure of PHI.
b. Any changes in, or revocation of, permission by an Individual to use or disclose PHI, to the extent that any such changes may affect Business Associate's use or disclosure of PHI.
c. Any restriction to the use or disclosure of PHI that Covered Entity has agreed to in accordance with 45 C.F.R. § 164.522, to the extent that any such restriction may affect Business Associate's use or disclosure of PHI.

4.2. Additional Obligations of Covered Entity. Covered Entity agrees that it:

a. Has included, and will include, in the Covered Entity's Notice of Privacy Practices required by the Privacy Rule that the Covered Entity may disclose PHI for Health Care Operations purposes.

b. Has obtained, and will obtain, from Individuals any consents, authorizations and other permissions necessary or required by laws applicable to the Covered Entity for Business Associate and the Covered Entity to fulfill their obligations under the Underlying Agreement and this Agreement.

c. Will promptly notify Business Associate in writing of any restrictions on the Use and Disclosure of PHI about Individuals that the Covered Entity has agreed to that may affect Business Associate's ability to perform its obligations under the Underlying Agreement or this Agreement.

d. Will promptly notify Business Associate in writing of any change in, or revocation of, permission by an Individual to Use or Disclose PHI, if the change or revocation may affect Business Associate's ability to perform its obligations under the Underlying Agreement or this Agreement.

4.2. Permissible Requests by Covered Entity

Covered Entity may not request Business Associate to use or disclose PHI in any manner that would not be permissible under the Privacy Rule or the Security Rule if done by Covered Entity, except that the Business Associate may use or disclose PHI and ePHI for management and administrative activities of Business Associate.

5. Term and Termination

a. Term. The Term of this Agreement shall be effective as of the date of contract award for the retiree health valuation, and shall terminate when all of the PHI and ePHI provided by Covered Entity to Business Associate, or created or received by Business Associate on behalf of Covered Entity, is destroyed or returned to Covered Entity, or, if it is infeasible to return or destroy PHI and ePHI, protections are extended to any such information, in accordance with the termination provisions in this Section.
b. Automatic Termination. This Agreement will automatically terminate upon the termination or expiration of the Underlying Agreement.
c. Termination for Cause. Upon Covered Entity's knowledge of a material breach by Business Associate, Covered Entity shall either:
    1. Provide an opportunity for Business Associate to cure the breach or end the violation and terminate this Agreement and the Underlying Agreement if Business Associate does not cure the breach or end the violation within the time specified by Covered Entity;
    2. Immediately terminate this Agreement and the Underlying Agreement if Business Associate has breached a material term of this Agreement and cure is not possible; or
    3. If neither termination nor cure is feasible, Covered Entity shall report the violation to the Secretary.
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. Upon explicit written agreement of Covered Entity that return or destruction of PHI or ePHI is not feasible, 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.

6. Miscellaneous

a. Regulatory References. A reference in this Agreement to a section in the HIPAA Privacy or Security Rule means the section as in effect or as amended.
b. Amendment. The Parties agree to take such action as is necessary to amend this Agreement from time to time as is necessary for Covered Entity to comply with the requirements of the Privacy Rule, the Security Rule, and the Health Insurance Portability and Accountability Act of 1996, Pub. L. No. 104-191.
c. Survival. The respective rights and obligations of Business Associate under Section 5.c, related to "Effect of Termination," of this Agreement shall survive the termination of this Agreement.
d. Interpretation. Any ambiguity in this Agreement shall be resolved to permit Covered Entity to comply with the Privacy and Security Rules.
e. No Third Party Beneficiaries. Nothing express or implied in this Agreement is intended to confer, nor shall anything this Agreement confer, upon any person other than the parties and their respective successors or assigns, any rights, remedies, obligations or liabilities whatsoever.
f. Applicable Law and Venue. This Business Associate Agreement is governed by and construed in accordance with the laws of the State of North Dakota. Any action commenced to enforce this Contract must be brought in the District Court of Burleigh County, North Dakota.
g. Business Associate agrees to comply with all the requirements imposed on a business associate under Title XIII of the American Recovery and Reinvestment Act of 2009, the Health Information Technology for Economic and Clinical Health (HI-TECH) Act, and, at the request of NDPERS, to agree to any reasonable modification of this agreement required to conform the agreement to any Model Business Associate Agreement published by the Department of Health and Human Services.

7. Entire Agreement

This Agreement contains all of the agreements and understandings between the parties with respect to the subject matter of this Agreement. No agreement or other understanding in any way modifying the terms of this Agreement will be binding unless made in writing as a modification or amendment to this Agreement and executed by both parties.

IN WITNESS OF THIS, **NDPERS** [CE] and The Howard E. Nyhart Company, Incorporated [BA] agree to and intend to be legally bound by all terms and conditions set forth above and hereby execute this Agreement as of the effective date set forth above.

For Covered Entity:	For Business Associate:
______________________	______________________
Sparb Collins, Executive Director ND Public Employees Retirement System	Signature
	Thomas L. Totten
	Printed Name
	CEO
	Title
______________________	05/12/16
Date	Date

SANFORD HEART OF AMERICA HEALTH PLAN
PROVIDER AGREEMENT

This is an agreement between the state of North Dakota acting through its Public Employees Retirement System (PERS or STATE) and Sanford Heart of America Health Plan (Heart of America), 810 S. Main Avenue, Rugby, North Dakota, 58368.

Whereas the PERS Board may contract with one or more health maintenance organizations to provide eligible employees the option of membership in a health maintenance organization pursuant to North Dakota Century Code (N.D.C.C.) 54-52.1-04.1.

Whereas Heart of America by letter dated February 12, 2016 submitted a request to continue to offer Heart of America membership to qualified North Dakota public employees.

Whereas the PERS Board had previously approved Heart of America to provide such membership to qualified North Dakota public employees.

Whereas the PERS Board has determined that Heart of America has met the applicable qualifications.

Whereas the PERS Board on March 17, 2016 exercised its discretion to include Heart of America's participation as a health plan within the Uniform Group Insurance Program.

TERMS AND CONDITIONS

1. **Term of Agreement.** The term of this agreement is for a period of twelve months, commencing on the first day of July 1, 2016 and terminating on the 30th day of June 2017.

2. **Premium Rate.** The following rates shall be effective for the term of this agreement:

	High Option	Low Option	Share Option
Single	$ 688.90	$ 631.50	$ 514.50
Single plus Dependent	$1,181.80	$1,087.70	$ 886.60
Family	$1,614.00	$1,496.50	$ 1,220.70

3. **Service Area.** The service area shall be those communities identified in the Group Benefit Plan for the Rugby Service Area.

4. **Termination.** This contract may be terminated by mutual consent of both parties, or by either party upon 30 days' written notice.

   PERS may terminate this contract effective upon delivery of written notice to Heart of America, or at such later date as may be stated in the notice, under any of the following conditions:

   a. 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. The contract may be modified by agreement of the parties in writing to accommodate a reduction in funds.

   b. If federal or state laws, rules or regulations are modified or interpreted in such 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.

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

d. If Heart of America amends or terminates its group contract filed with the North Dakota Insurance Commissioner.

Termination for cause. PERS may terminate this contract effective upon delivery of written notice to Heart of America, or any later date stated in the notice:

(1) If Heart of America fails to provide services required by this contract within the time specified or any extension agreed to by PERS; or
(2) If Heart of America 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.

Any such termination of this contract shall be without prejudice to any obligations or liabilities of either party already accrued prior to such termination.

5. **Indemnity.** Heart of America agrees to defend, indemnify, save and hold harmless the State of North Dakota, its agencies, officers and employees, including the North Dakota Public Employees Retirement System, including its Board of Trustees, officers and employees (for the purposes of this provision all parties are together referenced as the “State”), from and against claims based on the vicarious liability of the State or its agents, but not against claims based on the State’s contributory negligence, comparative and/or contributory negligence or fault, sole negligence, or intentional misconduct. This obligation to defend, indemnify, and hold harmless does not extend to professional liability claims arising from professional errors or omissions. The legal defense provided by Heart of America to the State under this provision must be free of any conflicts of interest, even if retention of separate legal counsel for State is necessary. Any attorney appointed to represent the State must first qualify as and be appointed by the North Dakota Attorney General as a Special Assistant Attorney General as required under N.D.C.C. § 54-12-08. Heart of America also agrees to defend, indemnify, and hold the State harmless from all costs, expenses and attorneys’ fees incurred if State prevails in an action against Heart of America in establishing and litigating the indemnification coverage provided herein. This obligation shall continue after the termination of this agreement.

6. **Assignment and Delegation.** Heart of America may not assign or otherwise transfer or delegate any right or duty without the express written consent of the PERS Board.

7. **Modification.** This agreement may not be waived, altered, modified, supplemented, or amended, in any manner, except by written agreement signed by both parties.

8. **Group Contract.** Heart of America’s group contract filed and approved with the Insurance Commissioner under N.D.C.C. §26.1-18.1-07 is incorporated herein by reference and Heart of America agrees to comply with all statements contained in that agreement except where such statements are modified herein.

9. **Coverage.** Heart of America’s listing of benefits and services outlined in its request to offer membership to qualified PERS members by letter dated February 12, 2016 and attachments is incorporated herein by reference.

10. **Payment.** PERS will pay Heart of America the following amount for each type of state contract:

State Contracts	High Option	Low Option	Share Option
Single	$ 688.90	$ 631.50	$ 514.50
Single plus Dependent	$1,181.80	$1,087.70	$ 886.60
Family	$1,311.74	$1,311.74	$ 1,220.70

Political Subdivision Contracts	High Option	Low Option	Share Option
Single	$ 688.90	$ 631.50	$ 514.50
Single plus Dependent	$1,181.80	$1,087.70	$ 886.60
Family	$1,614.00	$1,496.50	$ 1,220.70

11. **Premium Differential.** The difference between the Health Plan's premium outlined in Provision 2, and the PERS payment outlined in Provision 10, must be collected from the member. Heart of America is responsible for attaining and maintaining appropriate payroll deduction authorization from the participating member and submitting it to the member's employer (i.e., payroll department) by June 1 of each year and thereafter within fifteen days of enrollment. A copy of such authorization must also be filed with PERS.

12. **Enrollment.** Heart of America must file a copy of the enrollment application with PERS by June 1 of each year and thereafter within fifteen days of enrollment. The application must include the type of contract and its effective date.

13. **Legal Compliance.** Heart of America agrees to comply at its own expense with all federal and state laws and all regulations promulgated under those laws in carrying out its responsibilities outlined in this agreement.

14. **Merger.** This agreement constitutes the entire agreement between the parties. There are no understandings, agreements, or representations, oral or written, not specified within this agreement.

15. **State Audit.** The books, records, documents, and all other records in any form, and the accounting practices and procedures of Heart of America relevant to this Agreement are subject to examination by the North Dakota State Auditor, Auditor's designee, or Federal auditors. Heart of America will maintain all such records for at least three years following completion of this contract and be able to provide them at any reasonable time. STATE, State Auditor, or Auditor's designee shall provide reasonable notice.

16. **Severability**. If any term of 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.

17. **Applicable Law and Venue**. This contract is governed by and construed in accordance with the laws of the State of North Dakota. Any action to enforce this contract must be brought in the District Court of Burleigh County, North Dakota.

18. **Confidentiality.** The parties agree that all participation by PERS members and their dependents in programs under this agreement is confidential. Heart of America agrees to comply with the requirements of a separately signed Business Associate Agreement as required under the HIPAA Privacy Rule, 45 C.F. R. 164.502(e)(2) and with respect to any services provided under this agreement, to comply with all applicable requirements of the federal HIPAA

privacy rule, 45 CFR pts. 160 and 164. Heart of America shall not use or disclose any information it receives from PERS under this Agreement that PERS 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 PERS or specified under this Agreement. PERS shall not disclose any information it receives from Heart of America that Heart of America has previously identified as confidential and that PERS determines in its sole discretion is protected from mandatory public disclosure under a specific exception to the North Dakota open records law, N.D.C.C. ch. 44-04. The duty of PERS and Heart of America to maintain confidentiality of information under this section continues beyond the term of this contract. Failure of Heart of America 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. The indemnity provisions of this agreement specifically apply to the duty of Heart of America to comply with this confidentiality requirement. Upon termination of this Agreement, for any reason, heart of America shall return or destroy all confidential information received from PERS, or created and received by Heart of America on behalf of PERS. This provision applies to confidential information that may be in the possession of subcontractors or agents of Heart of America. In the event that Heart of America asserts that returning or destroying the confidential information is not feasible, Heart of America shall provide PERS notification of the conditions that make return or destruction infeasible. Upon written agreement of PERS that return or destruction of confidential information is not feasible, Heart of America 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 Heart of America maintains the information.

19. **Compliance with Public Records Law**. Heart of America understands that, except for information that is confidential or otherwise exempt from the North Dakota open records law, PERS must disclose to the public upon request any records it receives from Heart of America. Heart of America further understands that any records that are obtained or generated by Heart of America under this contract, except for records that are confidential or exempt may, under certain circumstances, be open to the public upon request under the North Dakota open records law. Heart of America agrees to contact PERS immediately upon receiving a request for information under the open records law and to comply with PERS instructions on how to respond to the request.

20. **Insurance.** Heart of America shall secure and keep in force during the term of this agreement and Heart of America shall require all subcontractors, prior to commencement of an agreement between Heart of America and the subcontractor, to secure and keep in force during the term of this agreement, from insurance companies, government self-insurance pools or government self-retention funds, authorized to do business in North Dakota, the following insurance coverages:

    1) Commercial general liability, including premises or operations, contractual, and products or completed operations coverages (if applicable), with minimum liability limits of $250,000 per person and $1,000,000 per occurrence.
    2) Automobile liability, including Owned (if any), Hired, and Non-Owned automobiles, with minimum liability limits of $250,000 per person and $1,000,000 per occurrence.
    3) Workers compensation coverage meeting all statutory requirements. The policy shall provide coverage for all states of operation that apply to the performance of this contract.
    4) Employer’s liability or “stop gap” insurance of not less than $1,000,000 as an endorsement on the workers compensation or commercial general liability insurance.
    5) Professional errors and omissions with minimum limits of $1,000,000 per occurrence and in the aggregate, Heart of America shall continuously maintain such coverage during the contact period and for three years thereafter. In the event of a change or

cancellation of coverage, Heart of America shall purchase an extended reporting period to meet the time periods required in this section.

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 Heart of America.
2) This insurance may be in policy or policies of insurance, primary and excess, including the so-called umbrella or catastrophe form and must be placed with insurers rated "A-" or better by A.M. Best Company, Inc., provided any excess policy follows form for coverage. Less than an "A-" rating must be approved by the State. The policies shall be in form and terms approved by the State.
3) The duty to defend, indemnify, and hold harmless the State under this agreement shall not be limited by the insurance required in this agreement.
4) The state of North Dakota and its agencies, officers, and employees (State) shall be endorsed on the commercial general liability policy, including any excess policies (to the extent applicable), as additional insured. The State shall have all the benefits, rights and coverages of an additional insured under these policies that shall not be limited to the minimum limits of insurance required by this agreement or by the contractual indemnity obligations of Heart of America.
5) The insurance required in this agreement, through a policy or endorsement, shall include:
    a) "Waiver of Subrogation" waiving any right to recovery the insurance company may have against the State;
    b) A provision that Heart of America's insurance coverage shall be primary (i.e. pay first) as respects any insurance, self-insurance or self-retention maintained by the State and that any insurance, self-insurance or self-retention maintained by the State shall be in excess of Heart of America's insurance and shall not contribute with it;
    c) Cross-liability/severability of interest for all policies and endorsements;
    d) The legal defense provided to the State under the policy and any endorsements must be free of any conflicts of interest, even if retention of separate legal counsel for the State is necessary;
    e) The insolvency or bankruptcy of the insured Heart of America shall not release the insurer from payment under the policy, even when such insolvency or bankruptcy prevents the insured Heart of America from meeting the retention limit under the policy.
6) Heart of America shall furnish a certificate of insurance to the undersigned State representative prior to commencement of this agreement. All endorsements shall be provided as soon as practicable.
7) Failure to provide insurance as required in this agreement is a material breach of contract entitling the State to terminate this agreement immediately.
8) Heart of America shall provide at least 30 day notice of any cancellation or material change to the policies or endorsements.

21. **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 that 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.

22. **Independent Entity** Heart of America 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. Heart of America retains sole and absolute discretion in the manner and means of carrying out Heart of America's activities and responsibilities under this contract, except to the extent specified in this contract.

23. **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:

Kathy M. Allen
Benefit Programs Manager
NDPERS
400 E Broadway, Suite 505
Bismarck, ND 58502

or

Adam Craghead
Sanford Health Plan
300 N Cherapa Place #201
Sioux Falls, SD 57103

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.

24. **Spoliation – Notice of Potential Claims** Heart of America shall promptly notify STATE of all potential claims that arise or result from this contract. Heart of America 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 STATE the opportunity to review and inspect the evidence, including the scene of an accident.

25. **Attorney Fees** In the event a lawsuit is instituted by STATE to obtain performance due under this contract, and STATE is the prevailing party, Heart of America shall, except when prohibited by N.D.C.C. § 28-26-04, pay STATE'S reasonable attorney fees and costs in connection with the lawsuit.

26. **Alternative Dispute Resolution – Jury Trial** STATE 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. STATE does not waive any right to a jury trial.

27. **Effectiveness Of Contract** This contract is not effective until fully executed by both parties.

______________________________	______________________________
Jon Strinden, Chair North Dakota Public Employees Retirement System Board	Chief Executive Officer Sanford Heart of America Health Plan
______________________________	______________________________
Date	Date

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: May 11, 2016

SUBJECT: Self-service Enhancements and Centralized Enrollments

Last year several staff had a presentation from a firm that offers enhanced self-service functionality to help members understand their benefits and also a centralized enrollment methodology which includes call center support. We had a follow-up presentation on this with additional staff within the last six months. During our planning meeting we also briefly discussed this and it appears on our Board Planning Timeline:

		2016							
	April	May	June	July	August	Sept	Oct	Nov	Dec
PERS Administration									
Explore additional features for benefit enrollment/annual enrollment, such as videos, avatars, expanded call center.									

If you are interested in considering any enhancements such as these in the 2017-19 biennium, we will need to put that into our proposed budget for consideration by OMB this summer. Consequently, we are asking if you would like us to develop an optional budget package for your consideration to move forward on this effort in the 2017-19 biennium. Adding this as an optional package does not mean that you will have decided to do this effort but rather funding would be there to allow you the flexibility to pursue these enhancements during the 2017 biennium if you should decide to after having had a chance to fully assess the enhanced features.

If we decide not to put an optional package in at this time, you can still investigate this during the 2017-19 biennium but it would then have to be a part of the 2019-21 budget should you decide to move forward.

<u>Board Action Requested:</u>

Should staff develop for your consideration an optional budget request item for self-service enhancements and centralized enrollments.

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Memorandum

TO: NDPERS Board

FROM: Sharon Schiermeister & Derrick Hohbein

DATE: May 12, 2016

SUBJECT: 2017-19 Biennium Budget

On May 7, 2016, the Governor and OMB met with agencies and released the budget guidelines for the 2017-19 biennium. The Governor is requesting that agencies submit a 90% General Fund budget. For special funded agencies, such as NDPERS, the 10% reduction does not apply. However, the Governor's direction is for special fund agencies to perform a thorough review of programs and submit budget proposals that produce savings.

To assist us in putting together the budget, we are seeking the Board's guidance on the following initiatives:

1. **<u>Office move</u>**. There is a possibility that office space would be available in the WSI building as a result of the Department of Commerce relocating into the new BND building. We have not been provided with any specifics as to the amount of square footage, monthly rent or anticipated date the space would become available; however, the current price per square foot is approximately 8% less than what we are paying at our current location. Funding would need to be included for moving expenses if we are to consider this further.

2. **<u>Bring RHIC reimbursement process in-house</u>**. Currently, administration for the RHIC reimbursements is done by ASIFlex. If the decision is made to bring this effort in-house, funding would need to be included for staffing and enhancements to our PERSLink system (discussed under agenda item IV.D).

3. **<u>Enhanced self-service/centralized enrollment process</u>**. We have seen presentations from a firm that offers enhanced self-service functionality to help members understand their benefits and also provides a centralized enrollment methodology which includes call center support. Funding would need to be included

to integrate these services and features into our PERSLink system and website (discussed in agenda item V.B).

4. **Self-funded staffing.** As part of the upcoming renewal process for the health plan, there is the possibility for the Board to go out to bid. If this were to occur, there could also be the possibility for the PERS Health Insurance Plan to become self funded. If the plan were to become self-funded, it would clearly add additional administrative efforts and would also substantially increase PERS' accountability for the plan. Today, most all of our administrative and financial/operational risk is transferred to Sanford Health Plan. However, on a self-funded basis, that would become the Board's responsibility. Funding would need to be included for staffing.

Staff is seeking the Board's guidance on the above initiatives. Based upon that guidance, we will develop a specific budget number for your final consideration at the June Board meeting.

2015-17 Budget Update

As we review the status of our current biennium budget, we are expecting that we will need to transfer funds from the Contingency line item to the Operating line item. At this time, we are estimating this transfer to be around $100,000. This is directly related to the costs for development of the PERSLink mobile app, which the Board approved at the December 2015 meeting. We will continue to monitor our expenditures and bring this back for Board action, if necessary.

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Memorandum

TO: PERS Board

FROM: Sparb

DATE: May 12, 2016

SUBJECT: Board Planning Items

Attached please find the list of the items that came out of the Board Planning meeting and a chronology for addressing them over the next 18 months. At the last meeting we reviewed the items and at this meeting we will review the timeline. If this meets your needs, we will proceed along this timeline.

One item I would like to note is the following:

	April	May	June	July	August	Sept	Oct	Nov	Dec	Jan	Feb	March
Have the dental, vision, life, EAP, flex, ASI and DC vendors provide annual updates to the Board.	DC					Flex, life, dental, vision, ASI						

Pursuant to this action item, we are having vendors provide their annual update to the Board. In this case it is proposed for September for the Flex, Life, Dental, Vision and Retiree Health vendors. What is being suggested is that we have a special meeting at the same time as the benefits fair that is a part of State Employee Recognition Week. All of our vendors will be here at that time and we could coordinate a Board meeting at that time for the annual updates and avoid special travel.

Board Action Requested:

Approve or disapprove a special September meeting to have annual reviews with the PERS vendors.

Board Planning Efforts Timelines

		2016								2017					
	April	**May**	**June**	**July**	**August**	**Sept**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**March**	**April**	**May**	**June**
PERS Administration															
Office security remodel on hold, possibly looking at WSI office space to be vacated in 2017.															
PERSLink: continue with the backlog of system refinements.															
Obtain full actuarial review of the costs for the DC-DB special election.															
Review Audit Committee findings and recommendations with the Board on a yearly basis.															
Discuss the feasibility of bringing the retiree health credit reimbursement in-house.															
Update the Board on the website project and have MABU attend Board meeting(s) to explain new concepts.															
Explore additional features for benefit enrollment/annual enrollment, such as videos, avatars, expanded call center.															
Retirement Plans															
Submit legislation to include the 4th year of the recovery plan.															
Submit legislation to reduce the BCI employee contribution.															
The board should review the BCI employer contribution.															
Update retirement mortality tables and develop plan for implementation.															
Go out to bid on the PERS Companion Plan and 457 Deferred Compensation Plan administrator.															
Continue to investigate adding annuities the companion plan.															
Group Insurance, EAP, and Flex Comp Programs															
Begin the bid process for a renewal of the dental plan summer of 2016.															
Begin the bid process for the rebid of the life insurance plan summer of 2016.															
Health plan renewal & bid if necessary	Renewal effort					Bid if Necessary									
Begin the bid process for a rebid of the vision insurance plan in the summer of 2017.															
Determine whether to increase per employee per month amount for the EAP next biennium and include in the executive budget summer of 2016.															
Begin the bid process for a renewal of the EAP's spring of 2017.															
Conduct a survey of members in the summer of 2016.															
Continue efforts to inform members of the benefits of participation in the deferred comp program.															
Begin the bid process for a renewal of the flexcomp vendor January of 2018.															
Review the health insurance plan performance including: Review the numbers with Sanford to determine the implications in order to get a perspective on the effect for the 2017-2019 biennium. Continue to work with Sanford to get the remaining providers on the PPO network.															
Continue working on implementation of the wellness programs, chronic condition programs and high cost programs.															
Review incorporating more outcome oriented employer based activities (partner with UND, Health Department).															
Continue to investigate informational programs for the active and retiree members.															
Enhance intermediate efforts by adding more medical home activities and investigate establishing provider based programs such as the EPO.															
Consider a pharmacy benefit audit to ensure we are getting 100% of rebates															
Continue working with ND pharmacies on pricing issues with the next renewal.															
Study specialty drug programs, pricing and growth.															
Have the dental, vision, life, EAP, flex, ASI and DC vendors provide annual updates to the Board.	DC					Flex, life, dental, vision, ASI									
Discuss continued use of the debit card for the flexcomp program.															
Board Election (Mike Sandal's term expires June 30, 2017)															
Discussion or Information Items for Future Board Meetings															
How many people retire within 1 year of meeting the Rule?															
How many years would it take for the retirement plan to become funded using the actuarial required contribution rate?															
Could we use the health surplus to fund a 1% COLA for retirees?															
Would the number of people who retire under the Rule of 85 increase if we increased the contribution rate by 1%?															
Is there a way to incorporate behavioral health into EAP/Wellness programs – such as the "face it together" program for addiction issues?															
Is there a way to look at Rx data to identify usage that may indicate prescription drug addiction?															
Mandate participation in disease management programs.															

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Memorandum

TO: PERS Board

FROM: Bryan

DATE: May 19, 2016

SUBJECT: Flexcomp and Deferred Compensation Companion Plan Surveys

After we changed our flexcomp administration to ADP, we did a survey of our participants. We also surveyed our DC 401(a) and 457 Companion Plan participants after our transition to TIAA-CREF (now TIAA). It will soon be time to do a renewal for these plans. We are planning to do a similar survey to measure current plan satisfaction and any improvement over the prior survey. Many of the same questions will be on the new survey. Attached is a draft of the two survey instruments.

We'll plan on sending these out no later than the end of summer.

Let me know if you have any questions, comments, or suggestions.

NDPERS 2016 Flexcomp Plan Survey

1. Which Flexcomp program(s) do you participate in?	___ Medical ___ Dependent ___ Pre-Tax
2. Are you satisfied with the NDPERS Flexcomp enrollment process?	____ Yes ____ No
3. Are you satisfied with the availability of Flexcomp plan information?	____ Yes ____ No
4. Have you contacted ADP customer service?	____ Yes ____ No
5. Have you participated in the Flexcomp program before this year?	____ Yes ____ No
6. Do you plan to participate in the Flexcomp plan next year?	____ Yes ____ No

Please mark the box with how much you agree/disagree with the following statements. Use "N/A" if you have not used the service or don't know.	Strongly disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree	N/A
7. I understand the NDPERS Flexcomp progam.	1	2	3	4	5	6	9
8. I am satisfied with the claim submission options available from ADP.	1	2	3	4	5	6	9
9. I am satisfied with the online Web Services available from ADP.	1	2	3	4	5	6	9
10. I am satisfied with the Debit Card option available from ADP.	1	2	3	4	5	6	9
11. I am satisfied with the online claims submission option available from ADP.	1	2	3	4	5	6	9
12. I am satisfied with the Mobile App option available from ADP.	1	2	3	4	5	6	9
13. I am satisfied with the Automatic Claim Reimbursement option available from ADP.	1	2	3	4	5	6	9
14. I am satisfied with the customer service provided by ADP.	1	2	3	4	5	6	9
15. I am satisfied with the Flexcomp service provided by the NDPERS office.	1	2	3	4	5	6	9
16. I plan to enroll in the Flexcomp plan next year.	1	2	3	4	5	6	9
17. I would recommend the NDPERS Flexcomp plan to other employees.	1	2	3	4	5	6	9

18. Years of Service with the state	19. Age at last birthday	20. Marital Status
________ Years	________ Years	____ Single ____ Married
21. Did you defer/contribute more than $1,000 to your Flexcomp account? ____ Yes ____No		

Additional Comments?

THANK YOU!
Please return this survey in the postage-paid envelope by:
June 15, 2016

NDPERS 457 Deferred Compensation Companion Plan Survey

1. Are you satisfied with the investment funds available?	____ Yes ____ No
2. Are you satisfied with the availability of plan information?	____ Yes ____ No
3. Are you confident that you are on the right track for retirement?	____ Yes ____ No
4. Have you ever met with a TIAA investment advisor?	____ Yes ____ No
5. Do you use an investment advisor or financial planner (other than TIAA) to help you with your investment decisions?	____ Yes ____ No

	Strongly disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree
6. I understand how PEP works with my contribution to increase my pension plan account balance.	1	2	3	4	5	6
7. I am satisfied with the investment education and advice given by TIAA.	1	2	3	4	5	6
8. I am satisfied with the web services and quarterly statements provided by TIAA.	1	2	3	4	5	6
9. I am satisfied with the availability of counselors and advisors from TIAA.	1	2	3	4	5	6
10. I am satisfied with the brokerage window for investing in other mutual funds & ETFs.	1	2	3	4	5	6
11. I would recommend TIAA to other employees.	1	2	3	4	5	6
12. I am satisfied with the service provided by the NDPERS office.	1	2	3	4	5	6
13. I find selecting my own investments and asset allocation confusing.	1	2	3	4	5	6
14. I am confident I will have enough money to retire.	1	2	3	4	5	6
15. I am confident my retirement savings will grow over time.	1	2	3	4	5	6
16. I am interested in having my contributions automatically increased each year.	1	2	3	4	5	6
17. I would be interested in contributing a percentage of my salary instead of a set dollar amount.	1	2	3	4	5	6

18. Years of Service with the state	19. Age at last birthday	20. Marital Status
_________ Years	_________ Years	____ Single ____ Married
21. Please circle your current monthly salary range? 1. <$2,000 2. $2,000-$3,999 3. $4,000-$5,999 4. $6,000+		
22. What is your monthly deferred compensation contribution? 1. $25 2. $26-$100 3. $101-$500 4. $501+		
Additional Comments?		

THANK YOU!

Please return this survey in the postage-paid envelope by: June 15, 2016