

NDPERS BOARD MEETING

Agenda

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

November 19, 2009

Time: 8:30 AM

I. MINUTES

A. October 22, 2009

II. ANNUAL INVESTMENT REPORT – Steve Cochrane (Information)

III. GROUP INSURANCE

- A. Sanford Health Plan Representatives (Information)
- B. Insurance Department – (Information)
- C. Group Insurance Consultant RFP – Sparb (Information)
- D. Part D Contract – Sparb (Board Action)
- E. Surplus/Affordability Update – Bryan (Information)
- F. Prescription Drugs Update – Bryan (Information)

IV. RETIREMENT

A. Public Fund Survey Summary of Findings FY2008 – Sparb (Information)

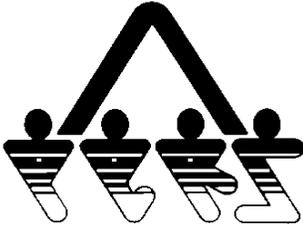
V. DEFERRED COMPENSATION

- A. 457 Training Report – Deb (Information)
- B. Investment Options – Bryan (Information)
- C. Draft Request for Proposal – Sparb (Board Action)

VI. MISCELLANEOUS

- A. Member/Employer Education Update – Kathy (Information)
- B. SIB Agenda

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



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

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

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

Memorandum

TO: PERS Board
FROM: Sparb
DATE: November 12, 2009
SUBJECT: Annual Investment Report

The *Statement of Investment Objectives and Policies*, adopted by the Board, states the following:

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

- *Changes in asset class portfolio structures, tactical approaches and market values;*
- *All pertinent legal or legislative proceedings affecting the SIB.*
- *Compliance with these investment goals, objectives and policies.*
- *A general market overview and market expectations.*
- *A Review of fund progress and its asset allocation strategy.*

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

Steve and Connie will be at the next meeting to provide the annual report to the PERS Board.



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: November 12, 2009
SUBJECT: Sanford Health Plan

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



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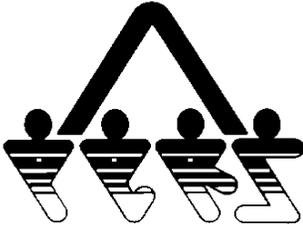
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Memorandum

TO: PERS Board
FROM: Sparb
DATE: November 12, 2009
SUBJECT: Insurance Department

Rebecca Ternes (Deputy Insurance Commissioner), Carole Kessel (Chief Examiner), and Mike Fix (Division Director and Actuary) from the North Dakota Insurance Department will be at the next meeting Board meeting. They will give you an overview of the recent audit of BCBS and the health insurance industry in North Dakota.



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: November 12, 2009
SUBJECT: Health Plan Consultant RFP

Pursuant to the action of the Board at the last meeting, staff has developed and issued the attached RFP for the group insurance consultant. Please note the timelines on pages 3 & 4 of the RFP for upcoming work efforts. The timeline for this RFP is:

1. Issued first part of November
2. Questions due by November 20, 2009
3. RFP's due by December 8, 2009

Our goal is to hire a consultant(s) in December or January. Also attached is a list of firms that were sent the RFP. If you have any firms that you would like us to send the RFP to, please let Cheryl know.

REQUEST FOR PROPOSAL

FOR

**North Dakota
Public Employees Retirement System**

Uniform Group Insurance

November 2009

Prepared by:

**North Dakota Public Employees Retirement System
400 East Broadway, Suite 505
P.O. Box 1657
Bismarck, ND 58502-1657
701.328.3900**

Request for Proposal Table of Contents

Section 1 – Introduction	3
Section 2 – Background	5
Section 3 – Scope of Services	7
Section 4 – Information Requests	11
Section 5 – Cost Proposal – Fees/Hours	16
Section 6 – Submission of Proposal	18
Section 7 – Review Process	19
Section 8 – Offer	20

SECTION 1 – INTRODUCTION

This Request for Proposal (RFP) is issued for actuarial and consulting assistance for a thirty month period (January, 2010 through June 30, 2012). In addition, the Board intends that the successful bidder will have the opportunity to renew its contract for two subsequent two-year periods if an acceptable agreement can be reached between the contractor and the Board.

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

1. Development, issuance, and review of an RFP for a vision plan.
2. Development, issuance and review of an RFP for the life plan.
3. Development, issuance, and review of an RFP for a dental plan (note this work effort will continue to the end of 2012).
4. Development, issuance and review of an RFP for the long term care plan.

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.

In addition, the Board is seeking a fee for service proposal for:

1. Development, issuance and review of an RFP for the group health plan.

A fee for service proposal is requested for this effort since the Board may consider adding to its RFP for the health plan a request for not only its traditional approach (selecting a single provider after considering responses for a fully insured versus a self funded plan) but also any new approach(s) as defined by the Board. The proposal will also need to address options for bidding our Part D prescription drug plan for retirees.

The Board is also seeking assistance for the following services on a fee for services basis: 1) general technical and consulting services relating to operations of the uniform group insurance program; 2) technical and actuarial evaluations of proposed legislation; and 3) review of the proposed renewals.

Following is a sequence of major activities.

January, 2010 Begin work on health and vision RFP's. The consultant and PERS will meet at the PERS office to discuss the upcoming work schedule.

March, 2010 Submit analysis of PERS health bid process to PERS Board

April, 2010 Submit draft health and vision RFP's to PERS staff. Proposed legislation relating to the health plan is referred to a consultant to do a technical and actuarial review with a report prepared for the Legislative Employee

Benefits Committee by July of 2010.

- May, 2010** Submit final health and vision RFP's to PERS Board for approval. Consultant should be available either by teleconference or video conference to review and answer questions for the Board
- June 1, 2010** Issue health RFP. Began work on life and long term care RFP. Report due to NDPERS for Legislative Employee Benefits Committee on technical and actuarial review of proposed legislation.
- July, 2010** Health and vision proposals due.
- August 12, 2010** Submit to PERS staff draft analysis of proposals and recommendations.
- August 26, 2010** Review health and vision proposal analysis and recommendations with PERS Board. Also, review life and long term care RFP with PERS Board. The consultant should plan to attend this NDPERS meeting.
- September, 2010** Issue life and long term care RFP. Meet with PERS to follow up on any issues relating to health, dental and vision RFP's from the August meeting and conduct interviews if necessary. PERS selects health, dental and vision insurance carriers. Submit final cost numbers for health plan to the Office of Management and Budget.
- November, 2010** Life and long term care proposals due.
- December, 2010** Review analysis of life and long term care bids and recommendations with PERS Board. The consultant should be available either by teleconference or video conference.
- January, 2011** North Dakota Legislative session begins. Follow up with PERS Board on any issues from the December meeting, conduct interviews if necessary.
- February, 2011** PERS Board selects life and long term care carrier.
- February, 2012** Start work on dental RFP.
- May, 2012** Submit RFP to PERS Board.
- June, 2012** Issue RFP
- August, 2012** Submit report to PERS Board.
- September, 2012** Conduct interviews and select dental vendor.

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 health, life, vision, dental and long term care areas.

PERS is managed by a Board comprised of seven members:

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

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 Health, Life, Dental, Vision, and Long Term Care Insurance:

1. Group Health:
The Uniform Group Health Insurance Plan is a fully insured plan underwritten by BCBSND. All state employees are eligible to be covered under the plan, including the staff at colleges and universities. Political subdivisions may participate in the health plan at their option. Estimated premiums for this biennium (2009-2011) will be approximately \$430,000,000, and the number of contracts under the plan is estimated to be 26,000.
2. Group Life:
The Uniform Group Life Insurance Plan is a fully insured plan underwritten by Prudential, out of Denver, CO. All state employees are covered under the plan, including the 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 \$2,930,000.

The Uniform Group Health and Life Insurance programs are under chapter 54-52.1 of the North Dakota Century Code (NDCC).

3. Dental:
The Uniform Group Dental Plan is a fully insured plan underwritten by CIGNA out of Denver, CO. All state employees are covered under the plan, including the staff at colleges and universities. As of January 1, 2009 there were 4,464 active contracts and 1,306 retired contracts. All premiums are paid by the employee. Premiums collected for the past fiscal year were approximately \$3,382,000.
4. Vision:
The Uniform Group Vision Plan is a fully insured plan underwritten by Ameritas out of Lincoln, NE. All state employees are covered under the plan, including the staff at colleges and universities. As of January 1, 2009 there were 3,580 active contracts and 737 retired contracts. All premiums are paid by the employee. Premiums collected for the past fiscal year were approximately \$430,000.
5. Long Term Care Plan:
The Uniform Group Long Term Care Plan is a fully insured plan underwritten by Unum out of Portland, MA. All state employees, including the staff and at colleges and universities and their spouses are covered under the plan. As of January 1, 2009 there were 36 contracts; 27 active employee and 9 spouse contracts. All premiums are paid by the employee. Premiums collected for the past fiscal year were approximately \$21,660.

SECTION 3 - SCOPE OF SERVICES

This Section outlines the scope of services.

A. Consulting Services: The consultant will be required to assist in the following areas relating to consulting services on a fee-for-service basis. Prior to initiating any efforts under this area, work must be authorized by the Executive Director on a not-to-exceed basis. Any work efforts the consultant completes or initiates that have not been authorized will not be reimbursed.

1. **General Consulting Services.** The consultant will be expected to serve on an ongoing basis in an advisory and review capacity to the PERS Board, Executive Director and PERS staff. In this capacity, the consultant will be expected to attend meetings and present findings and recommendations as required. The PERS Board meets on a monthly basis. The consultant must be able to provide the following:
 - a) The actuarial and administrative implications of particular interpretations of the health, life, vision, dental and long term care insurance statutes and administrative rules.
 - b) The effect of existing and proposed state and federal laws that affect, or may affect, the health, life, dental, vision and long term care insurance programs at PERS.
 - c) General assistance to PERS, as requested, regarding the ongoing administration of the group health, life, vision, dental and long term care programs, including the review of premiums and the development of procedures and forms.
 - d) Technical assistance relating to COBRA administration for health, dental and vision plans.
 - e) Technical assistance relating to plan design, PBM's, disease management programs; wellness programs, provider negotiations, provider networks, Part D plans and options, and plan documents.
 - f) Assistance with administrative and carrier issues relating to group insurance program.
 - g) Review of any renewals that may occur during the course of this relationship. NDPERS contract for a six-year period with two renewals occurring within that time period.
 - h) Compliance Assistance

- 2) **Proposed Legislation:** The consultant will be required to assist in the following areas relating to proposed legislation on a fee-for-service basis. Prior to initiating any efforts under this area, work must be authorized by the Executive Director on a not-to-exceed basis. Any work efforts the consultant completes or initiates that have not been authorized will not be reimbursed. The efforts under this task area include:

- a) Conduct a technical evaluation and cost analysis of proposed legislation or plan benefit modifications.
- b) Assist in the preparation and review of proposed changes to the governing laws.
- c) Pricing or general review work on legislation or plan benefit modifications shall specifically address each issue and give the basis for each finding. The consultant shall furnish its review in writing and, for pricing efforts, show the assumptions, pricing base, actuarial implications on total program, cost and alternatives, if appropriate.

B. Bid Solicitation and Evaluation for the Health, Life, Dental, Vision and Long Term Care Programs

The consultant will be expected to take a lead role in developing and issuing RFPs, and analyzing any proposals for the group health, dental, vision, long term care, and life insurance program. Four fixed fee bids and one fee for service bid 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.
4. The fourth fixed fee bid is for the RFP development, solicitation and evaluation for the long term care program.
5. The fifth is a fee for service bid for the RFP development, solicitation and evaluation for the group health plan.

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. In addition to the above requirements for the group health proposal, we are requesting:
 - a) A review of the methodology PERS has used to bid to the group health insurance plan to:
 - (1) Determine its strengths and weaknesses
 - (2) Identify opportunities to change the historical approach along with an analysis of the strengths and weakness of each approach with a recommendation
 - (3) Review of PERS Medicare retiree plan and its present plan design which combines the medical and Part D prescription drug program as a single offering for PERS retirees. Specifically PERS is interested in exploring this methodology versus others such as offering the medical and Part D coverage as separate options.
 - (4) Report to the PERS Board at its March 2010 meeting the analysis in 1 and 2.
 - b) The consultant will be required to estimate the required premiums for the group health insurance program for a twenty-four (24) month period beginning July 1, 2011 and ending June 30, 2013. The consultant will be supplied the proposed plan of benefits by July 2010. The consultant must have completed the estimates by August 15, 2010. In addition, the consultant shall prepare a report by August 15, 2010 detailing the assumptions and primary reasons for the premium estimates. The consultant shall also prepare probability estimates of the variation from the expected claim level. For example, what is the probability claims will vary by 2%, 4%, 6% or 10% from the expected claim level? The purpose of these estimates is to provide the Board an estimate of risk to be used in analyzing the merits of self-insured versus fully-insured product.

- c) Review the group insurance proposals when received in terms of self-insured versus fully insured and prepare an analysis of the cost of each method. The consultant shall prepare a recommendation to the Board as to which method and proposal, or combination of proposals, represents the best value to the State of North Dakota, including a breakeven analysis.
 - d) Do all other analysis that will be required based upon the outcome of the review of the bidding methodology
6. Present findings to the Board pursuant to the schedule previously outlined.
7. 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
- 4. Long Term Care 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. NDPERS is also interested in reviewing using group products versus individual products. We also want to explore requiring the LTC product to meet partnership requirements. Finally we interested in exploring different methods for enrollments and contracting including using broker networks. Discuss your experience in with these options and include planning time to review these methods in your fixed fee.
 - (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.
- b) Fee for Service Efforts
 - 1. General Consulting
 - (a) Discuss your understanding of the requested work
 - (b) Discuss the range of capabilities of your firm to respond to requests for general consulting as discussed previously for each of the benefit areas in this RFP (dental, vision, life, LTC and health)
 - 2. Legislative
 - (a) Discuss your understanding of the requested work
 - (b) Discuss the range of capabilities of your firm to respond to requests for legislative consulting as discussed previously for each of the benefit areas in this RFP (dental, vision, life, LTC and health)
 - 3. Group Insurance
 - (a) Generally discuss your understanding of the requested work
 - (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) Describe the method used by your firm to project expected claims. Also, provide specific details of how your firm decides the appropriate medical trend; what factors are considered; (i.e., historical claims trends, cost shifting, leveraging, intensity, etc.) and how these factors are weighted or allocated in the final decision. Please discuss how this relates to the PERS renewal.
 - (e) Specifically address how you would approach the review of the PERS bidding process, the product we could expect and the range of considerations you may review.
 - (f) Exceptions – identify any exceptions or variations in your proposal from the work effort identified in this RFP.
 - (g) 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, LTC 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 and LTC)
 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 from 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, LTC, 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
- d) For the fee for service efforts:
 1. Detail your experience in preparing, issuing and analyzing health insurance bids.
 2. Discuss how your experience will allow you to provide a comprehensive assessment of the PERS bidding process and what special insight your experience will lend to such an assessment.
 3. Discuss your experience in working with Part D products in general and in the public sector. Also identify the types of arrangements or options.
 4. Discuss your experience in doing health premium projections such as that requested in this RFP.
 5. Provide a list of clients for whom your organization has performed similar tasks and specifically highlight efforts in the public sector.
 6. Indicate your organization's depth of experience in each of the following areas:
 - (a) Benefit Design (health)
 - (b) Retiree Health Insurance
 - (c) Preparation of Plan Documents
 - (d) Preparation of Member Booklets
 - (e) Provider Contract Negotiations
 - (f) PPO Formulation and Development
 - (g) Actuarial Analysis and Reporting
 - (h) Preparation of Contracts, Bid Specifications and RFPs
 - (i) COBRA Administration and Interpretation
 - (j) Legal Issues
 - (k) Disease Management Programs
 - (l) Wellness Programs
 - (m)RX Carve out Programs

- (n) Legal Assistance
7. Describe your organization's experience and availability regarding legislative hearings and testimony.
 8. Explain how your organization develops premium rates for health insurance plans.
 9. What new cost containment programs does your organization foresee being implemented in the next 2-3 years and how are you positioned to provide assistance.
 10. For the general consulting efforts discuss the range of experience your firm can provide to PERS relating to:
 - (a) Responding to national health insurance reform initiatives. What is your firm's experience in following, analyzing and assessing the implications of federal initiatives? Please provide specific examples. How do you get your information on national initiatives?
 - (b) Please discuss the range of your experience in providing general consulting assistance to clients and especially public sector clients.

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. A separate schedule should be provided for the fee for service efforts identifying the four individuals that you anticipate will be doing most of the work relating to the fee for service efforts. Also identify the % of time you anticipate they will spend on the efforts outlined.
- 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 III are to be provided on a fixed fee or fee for service basis. 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	Rate

Dental Plan
Fixed Fee \$ _____

Staff Assigned	Estimated Hours	Rate

Life Plan

Fixed Fee \$ _____

Staff Assigned	Estimated Hours	Rate

Long Term Care Plan

Fixed Fee \$ _____

Staff Assigned	Estimated Hours	Rate

Group Health Plan

Fee for Service

Please identify here the four individuals that you anticipate will be doing most of the work relating to the fee for service efforts. Also identify the % of time you anticipate they will spend on the efforts outlined. PERS will use these rates to compare proposals relating to cost for the fee for service effort.

Staff Assigned	Rate	Percent

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. Sparb Collins, Executive Director
North Dakota Public Employees Retirement System
400 E. Broadway, Suite 505
PO Box 1657
Bismarck, ND 58501

Questions concerning the RFP shall be directed, in writing, to the above individual by 5:00 p.m. CST on November 20, 2009. Responses will be posted on the PERS website (www.nd.gov/ndpers) by November 27, 2009 under "Request for Proposals". If you would like a copy emailed to you, please notify us at cstocker@nd.gov

- D. Ten (10) copies of the proposal must be received at the above listed location by **5:00 p.m. CST on December 8, 2009**. The package the proposal is delivered in must be plainly marked "PROPOSAL TO PROVIDE CONSULTING AND ACTUARIAL SERVICES". In addition, we would request an electronic version of your 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 February of 2010.
- 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 reviewers 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:

- Technical Approach 30 Point
- Prior Experience 20 points
- Staffing/Organization 20 Points
- Pricing 30 points

For the fee for service efforts the rating will be:

- Technical Approach 25 Point
- Prior Experience 30 points
- Staffing/Organization 30 Points
- Pricing 15 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

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 January 2010 and end December 2012.
- 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: November 12, 2009
SUBJECT: Part D Contract

Attached please find the first draft of the renewal contract for the Part D plan. At the September meeting you approved the renewal which was for no increase in premiums and no changes in benefits. The contract was reviewed by Aaron and we will present any comments or suggested changes to you at the meeting.

Board Action Requested

Approve the contract for the Part D plan for 2010.

Group MedicareBlue Rx (PDP) Retiree Prescription Drug Plan

Master Contract

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

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

Effective Date: *01/01/2010*

Issued By: *Blue Cross Blue Shield of North Dakota** (“BCBS”)

RECITALS

WHEREAS Coverage is available to members of an employer or union group and separately issued by one of the following plans: Wellmark Blue Cross and Blue Shield of Iowa,* Blue Cross and Blue Shield of Minnesota,* Blue Cross and Blue Shield of Montana,* Blue Cross and Blue Shield of Nebraska,* Blue Cross Blue Shield of North Dakota,* Wellmark Blue Cross and Blue Shield of South Dakota,* and Blue Cross Blue Shield of Wyoming.*

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

and

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

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

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

NOW THEREFORE it is hereby agreed as follows:

ARTICLE I

DEFINITIONS

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

* Independent licensee of the Blue Cross and Blue Shield Association
A Medicare-approved Part D sponsor

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

ARTICLE II

PROVISION OF PRESCRIPTION DRUG COVERAGE

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

ARTICLE III

GROUP RESPONSIBILITIES

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

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

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

Total Monthly Premium per Enrollee: \$63.70;

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

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

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

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

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

The Group agrees to be responsible for reducing up-front the premium contribution required for its Group MedicareBlue Rx (PDP) retirees that are eligible for the Low-Income Subsidy. In the instance where the Group is not able to reduce up-front the

premiums paid by the enrollee, the Group must directly refund to the Enrollee the amount of the low-income premium subsidy up to the monthly premium contribution previously collected. The Group is required to complete the refund of the low-income premium subsidy amount payment for the low-income subsidy eligible enrollee within 15 days of the receipt of the Group MedicareBlue Rx (PDP) monthly invoice.

Note that in some cases the LIS beneficiary may not be the subscriber to or participant in an employer/union sponsored group health plan, but the spouse or dependent of the subscriber/participant. In these instances, where the Group refunds low-income premium subsidy amounts to LIS enrollees, it may refund such amounts directly to the employer/union group health plan subscriber/participant on behalf of a spouse or dependent who is an LIS-eligible beneficiary.

- 3.6 Agreement to Premium Requirements.** The Group understands all premium requirements listed above in this contract. By the Group signing the contract or acknowledging receipt of the contract, the Group verifies that it will meet the requirements.
- 3.7 Requirement to Obtain and Provide Written Documentation.** As a condition of this contract, CMS requires that BCBS enters into written agreements with Groups which require the Group to comply with the above requirements and to retain and provide documents upon request to BCBS evidencing the Group's adherence to such requirements. This includes the requirement that any low-income premium subsidy amount paid to the Group on behalf an LIS beneficiary is first used to reduce any portion of the monthly premium paid for by the enrollee (or subscriber/participant, if applicable). Also, if the Group assumes responsibility for either reducing up-front LIS beneficiaries' monthly premiums or refunding to LIS beneficiaries their monthly premium contributions, the written agreement will reflect the Group's assumption of these duties consistent with the above requirements. BCBS will be required to retain all of these written agreements with groups and must provide access to these written agreements for inspection or audit by CMS (or its designee) in accordance with 42 CFR 423.504(d) and 423.505(d) and (e).
- 3.8 Verification of Residency.** The Group is responsible to verify residency for any Enrollee who has a residential address consisting of a Post Office Box. The Group must maintain this verification in accordance with records retention requirements. In the case of an audit, the Group must be able to produce all applicable documentation.

ARTICLE IV

CANCELLATION

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

1. for nonpayment of the Group bill;

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

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

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

ARTICLE V

GROUP RESPONSIBILITIES

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

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

5.3 Involuntary Termination of Enrollee Coverage.

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

file prior to termination date, (b) explain the disenrollment is involuntary, and (c) include any other required file information.

2. **Enrollee Notification:** The Group must provide an involuntarily terminated Enrollee with advance notice of the termination at a minimum twenty-one (21) calendar days prior to the effective date of disenrollment. The Enrollee's notification must include all of the following components:

- A. notification of the Involuntary Termination;
- B. notice of other insurance options through the Group;
- C. reason for the termination;
- D. information on other individual plan options the beneficiary may choose and how to request enrollment;
- E. notification that the disenrollment means that the individual will not have Medicare drug coverage and the potential for late-enrollment penalties in the future;
- F. explanation on how to contact Medicare for more information about other Medicare Part D plan options that might be available to the individual.

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

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

ARTICLE VI

MISCELLANEOUS PROVISIONS

6.1 **Application of State Insurance Law.** State Insurance laws, such as laws guaranteeing renewability of insurance Contracts, generally do not apply to this Contract. Such laws are preempted by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, Pub. L. 108-173, 117 Stat. 2066. See Social Security Act § 1860D-12(g) (42 U.S.C. § 1395w-112(g)); accord, 42 C.F.R. §§ 422.402, 423.440(a). The terms of this Contract and Group MedicareBlue Rx (PDP) coverage are therefore regulated primarily by Federal law.

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

Note:

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

IN WITNESS WHEREOF:

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

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

By: _____

By: _____

Title: Chairman, NDPERS Board

Its President and CEO

Date: _____

Date: _____

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

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM DAKOTA PLAN

DAKOTA RETIREE PLAN

AMENDMENT

This amendment is to be effective January 1, 2010 through June 30, 2011. Please read this amendment carefully and keep it with your Benefit Plan document for future reference.

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

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

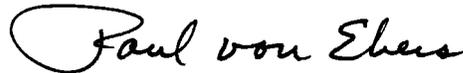
**NORTH DAKOTA PUBLIC EMPLOYEES
RETIREMENT SYSTEM**
(PLAN ADMINISTRATOR)
400 East Broadway, Suite 505
Box 1657
Bismarck, North Dakota 58502

By: _____

Title: _____

Date: _____

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



Its President and CEO

Date: November 6, 2009

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

By: _____

Title: _____

Date: _____

Effective Dates: 01/01/2010 – 06/30/2011

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2009-2011 BIENNIUM**

Rate Structure A

July 1, 2009 - December 31, 2009

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
				(1)-(2)			(3)-(4)+(5)		(6)+(7)
		Total	Less	Total	Premium	Medicare	Total	Plus	NDPERS
Code	Description	BCBSND	NDPERS	Premium to	Buydown	Part D	Monthly	NDPERS	Billing
		Bid	Retention	BCBSND		Premium	Paid to	Retention	Rate
							BCBSND		
<u>Political Subdivision Rates with Wellness Program</u>									
Active									
1	4	Single	\$425.10	\$2.80	\$422.30	\$0.14	\$422.16	\$2.80	\$424.96
2	4	Family	\$1,026.76	\$2.80	\$1,023.96	\$0.14	\$1,023.82	\$2.80	\$1,026.62
COBRA									
4	4	Single	\$425.10	\$2.80	\$422.30	\$0.14	\$422.16	\$11.30	\$433.46
5	4	Family	\$1,026.76	\$2.80	\$1,023.96	\$0.14	\$1,023.82	\$23.32	\$1,047.14
<u>Political Subdivision Rates w/o Wellness Program</u>									
Active									
1	3	Single	\$425.10	\$2.80	\$422.30	\$0.14	\$422.16	\$7.04	\$429.20
2	3	Family	\$1,026.76	\$2.80	\$1,023.96	\$0.14	\$1,023.82	\$13.06	\$1,036.88
COBRA									
4	3	Single	\$425.10	\$2.80	\$422.30	\$0.14	\$422.16	\$11.30	\$433.46
5	3	Family	\$1,026.76	\$2.80	\$1,023.96	\$0.14	\$1,023.82	\$23.32	\$1,047.14
<u>State Contracts with Wellness Program</u>									
Active									
1-3	2	S/F/Dual	\$825.80	\$2.80	\$823.00	\$0.14	\$822.86	\$2.80	\$825.66
COBRA									
4	2	Single	\$400.20	\$2.80	\$397.40	\$0.14	\$397.26	\$10.80	\$408.06
5	2	Family	\$962.98	\$2.80	\$960.18	\$0.14	\$960.04	\$22.06	\$982.10
Part-Time/Temporary/LOA									
6	2	Single	\$400.20	\$2.80	\$397.40	\$0.14	\$397.26	\$2.80	\$400.06
7	2	Family	\$962.98	\$2.80	\$960.18	\$0.14	\$960.04	\$2.80	\$962.84
<u>State Contracts w/o Wellness Program</u>									
Active									
1-3	1	S/F/Dual	\$825.80	\$2.80	\$823.00	\$0.14	\$822.86	\$11.06	\$833.92
COBRA									
4	1	Single	\$400.20	\$2.80	\$397.40	\$0.14	\$397.26	\$10.80	\$408.06
5	1	Family	\$962.98	\$2.80	\$960.18	\$0.14	\$960.04	\$22.06	\$982.10
Part-Time/Temporary/LOA									
6	1	Single	\$400.20	\$2.80	\$397.40	\$0.14	\$397.26	\$6.80	\$404.06
7	1	Family	\$962.98	\$2.80	\$960.18	\$0.14	\$960.04	\$12.42	\$972.46
<u>Non-Medicare Retiree</u>									
21	11	Single	\$600.22	\$2.80	\$597.42	\$0.14	\$597.28	\$2.80	\$600.08
22	11	Family	\$1,200.30	\$2.80	\$1,197.50	\$0.14	\$1,197.36	\$2.80	\$1,200.16
23	11	Family (3+)	\$1,500.34	\$2.80	\$1,497.54	\$0.14	\$1,497.40	\$2.80	\$1,500.20
COBRA									
24	11	Single	\$600.22	\$2.80	\$597.42	\$0.14	\$597.28	\$14.80	\$612.08
25	11	Family	\$1,200.30	\$2.80	\$1,197.50	\$0.14	\$1,197.36	\$26.80	\$1,224.16
26	11	Family (3+)	\$1,500.34	\$2.80	\$1,497.54	\$0.14	\$1,497.40	\$32.80	\$1,530.20
<u>Medicare Retiree</u>									
41	11	1 Medicare only	\$168.16	\$2.80	\$165.36		\$63.70	\$229.06	\$231.86
42	11	2 Medicare only	\$333.52	\$2.80	\$330.72		\$127.40	\$458.12	\$460.92
50	11	3 Medicare only	\$498.88	\$2.80	\$496.08		\$191.10	\$687.18	\$689.98
51	11	4 Medicare only	\$664.24	\$2.80	\$661.44		\$254.80	\$916.24	\$919.04
43	11	1 Medicare+Others	\$496.42	\$2.80	\$493.62	\$0.14	\$63.70	\$557.18	\$559.98
49	11	2 Medicare+Others	\$661.78	\$2.80	\$658.98	\$0.14	\$127.40	\$786.24	\$789.04
55	11	3 Medicare+Others	\$827.14	\$2.80	\$824.34	\$0.14	\$191.10	\$1,015.30	\$1,018.10
44	11	Part A Single	\$346.20	\$2.80	\$343.40	\$0.14	\$63.70	\$406.96	\$409.76

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2009-2011 BIENNIUM**

Rate Structure A (cont'd)

July 1, 2009 - December 31, 2009

Code	Description	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
		Total BCBSND Bid	Less NDPERS Retention	(1)-(2) Total Premium to BCBSND	Premium Buydown	Medicare Part D Premium	(3)-(4)+(5) Total Monthly Paid to BCBSND	Plus NDPERS Retention	(6)+(7) NDPERS Billing Rate	
COBRA										
46	11	1 Medicare only	\$168.16	\$2.80	\$165.36		\$63.70	\$229.06	\$7.44	\$236.50
47	11	2 Medicare only	\$333.52	\$2.80	\$330.72		\$127.40	\$458.12	\$12.02	\$470.14
53	11	3 Medicare only	\$498.88	\$2.80	\$496.08		\$191.10	\$687.18	\$16.60	\$703.78
54	11	4 Medicare only	\$664.24	\$2.80	\$661.44		\$254.80	\$916.24	\$21.18	\$937.42
48	11	1 Medicare+Others	\$496.42	\$2.80	\$493.62	\$0.14	\$63.70	\$557.18	\$14.00	\$571.18
52	11	2 Medicare+Others	\$661.78	\$2.80	\$658.98	\$0.14	\$127.40	\$786.24	\$18.58	\$804.82
56	11	3 Medicare+Others	\$827.14	\$2.80	\$824.34	\$0.14	\$191.10	\$1,015.30	\$23.16	\$1,038.46
Medicare Low Income Subsidy										
41	13	1 Medicare only (1cr)	\$168.16	\$2.80	\$165.36		\$33.30	\$198.66	\$2.80	\$201.46
42	13	2 Medicare only (2cr)	\$333.52	\$2.80	\$330.72		\$66.60	\$397.32	\$2.80	\$400.12
50	13	3 Medicare only (1cr)	\$498.88	\$2.80	\$496.08		\$160.70	\$656.78	\$2.80	\$659.58
51	13	4 Medicare only (1cr)	\$664.24	\$2.80	\$661.44		\$224.40	\$885.84	\$2.80	\$888.64
43	13	1 Medicare+Others (1cr)	\$496.42	\$2.80	\$493.62	\$0.14	\$33.30	\$526.78	\$2.80	\$529.58
49	13	2 Medicare+Others (1cr)	\$661.78	\$2.80	\$658.98	\$0.14	\$97.00	\$755.84	\$2.80	\$758.64
55	13	3 Medicare+Others (2cr)	\$827.14	\$2.80	\$824.34	\$0.14	\$130.30	\$954.50	\$2.80	\$957.30
61	13	1 Medicare only (.75cr)	\$168.16	\$2.80	\$165.36		\$40.90	\$206.26	\$2.80	\$209.06
71	13	1 Medicare only (.5cr)	\$168.16	\$2.80	\$165.36		\$48.50	\$213.86	\$2.80	\$216.66
81	13	1 Medicare only (.25cr)	\$168.16	\$2.80	\$165.36		\$56.10	\$221.46	\$2.80	\$224.26
57	13	4 Medicare only (2cr)	\$664.24	\$2.80	\$661.44		\$194.00	\$855.44	\$2.80	\$858.24
72	13	2 Medicare only (1cr)	\$333.52	\$2.80	\$330.72		\$97.00	\$427.72	\$2.80	\$430.52
Grandfathered Rates										
50	14	3 Medicare only	\$354.62	\$2.80	\$351.82		\$191.10	\$542.92	\$2.80	\$545.72
51	14	4 Medicare only	\$217.64	\$2.80	\$214.84		\$254.80	\$469.64	\$2.80	\$472.44
49	14	2 Medicare+Others	\$491.78	\$2.80	\$488.98	\$0.14	\$127.40	\$616.24	\$2.80	\$619.04
55	14	3 Medicare+Others	\$354.80	\$2.80	\$352.00	\$0.14	\$191.10	\$542.96	\$2.80	\$545.76
Grandfathered Rates COBRA										
53	14	3 Medicare only	\$354.62	\$2.80	\$351.82		\$191.10	\$542.92	\$13.70	\$556.62
54	14	4 Medicare only	\$217.64	\$2.80	\$214.84		\$254.80	\$469.64	\$12.24	\$481.88
52	14	2 Medicare+Others	\$491.78	\$2.80	\$488.98	\$0.14	\$127.40	\$616.24	\$15.18	\$631.42
56	14	3 Medicare+Others	\$354.80	\$2.80	\$352.00	\$0.14	\$191.10	\$542.96	\$13.72	\$556.68
Grandfathered Rates with Medicare Low Income Subsidy										
50	15	3 Medicare only (1cr)	\$354.62	\$2.80	\$351.82		\$160.70	\$512.52	\$2.80	\$515.32
57	15	4 Medicare only (2cr)	\$217.64	\$2.80	\$214.84		\$194.00	\$408.84	\$2.80	\$411.64

(1) - BCBSND premium rates, per bid.

(2) - Per contract charge retained by NDPERS

(3) - Total premium paid to BCBSND.

(4) - Amount of premium paid from surplus funds.

(5) - Medicare Part D Premium submitted to BCBSND. (rates for January 1, 2010 and after are to be determined (TBD))

(6) - Amount of premium NDPERS will send to BCBSND.

(7) - Per contract charge retained by NDPERS.

(8) - Premium amount NDPERS will bill its contract holders.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2009-2011 BIENNIUM**

Rate Structure A

January 1, 2010 - December 31, 2010

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
				(1)-(2)			(3)-(4)+(5)		(6)+(7)
		Total	Less	Total	Premium	Medicare	Total	Plus	NDPERS
Code	Description	BCBSND	NDPERS	Premium to	Buydown	Part D	Monthly	NDPERS	Billing
		Bid	Retention	BCBSND		Premium	Paid to	Retention	Rate
							BCBSND		
<u>Political Subdivision Rates with Wellness Program</u>									
Active									
1	4	Single	\$425.10	\$2.80	\$422.30	\$0.14	\$422.16	\$2.80	\$424.96
2	4	Family	\$1,026.76	\$2.80	\$1,023.96	\$0.14	\$1,023.82	\$2.80	\$1,026.62
COBRA									
4	4	Single	\$425.10	\$2.80	\$422.30	\$0.14	\$422.16	\$11.30	\$433.46
5	4	Family	\$1,026.76	\$2.80	\$1,023.96	\$0.14	\$1,023.82	\$23.32	\$1,047.14
<u>Political Subdivision Rates w/o Wellness Program</u>									
Active									
1	3	Single	\$425.10	\$2.80	\$422.30	\$0.14	\$422.16	\$7.04	\$429.20
2	3	Family	\$1,026.76	\$2.80	\$1,023.96	\$0.14	\$1,023.82	\$13.06	\$1,036.88
COBRA									
4	3	Single	\$425.10	\$2.80	\$422.30	\$0.14	\$422.16	\$11.30	\$433.46
5	3	Family	\$1,026.76	\$2.80	\$1,023.96	\$0.14	\$1,023.82	\$23.32	\$1,047.14
<u>State Contracts with Wellness Program</u>									
Active									
1-3	2	S/F/Dual	\$825.80	\$2.80	\$823.00	\$0.14	\$822.86	\$2.80	\$825.66
COBRA									
4	2	Single	\$400.20	\$2.80	\$397.40	\$0.14	\$397.26	\$10.80	\$408.06
5	2	Family	\$962.98	\$2.80	\$960.18	\$0.14	\$960.04	\$22.06	\$982.10
Part-Time/Temporary/LOA									
6	2	Single	\$400.20	\$2.80	\$397.40	\$0.14	\$397.26	\$2.80	\$400.06
7	2	Family	\$962.98	\$2.80	\$960.18	\$0.14	\$960.04	\$2.80	\$962.84
<u>State Contracts w/o Wellness Program</u>									
Active									
1-3	1	S/F/Dual	\$825.80	\$2.80	\$823.00	\$0.14	\$822.86	\$11.06	\$833.92
COBRA									
4	1	Single	\$400.20	\$2.80	\$397.40	\$0.14	\$397.26	\$10.80	\$408.06
5	1	Family	\$962.98	\$2.80	\$960.18	\$0.14	\$960.04	\$22.06	\$982.10
Part-Time/Temporary/LOA									
6	1	Single	\$400.20	\$2.80	\$397.40	\$0.14	\$397.26	\$6.80	\$404.06
7	1	Family	\$962.98	\$2.80	\$960.18	\$0.14	\$960.04	\$12.42	\$972.46
<u>Non-Medicare Retiree</u>									
21	11	Single	\$600.22	\$2.80	\$597.42	\$0.14	\$597.28	\$2.80	\$600.08
22	11	Family	\$1,200.30	\$2.80	\$1,197.50	\$0.14	\$1,197.36	\$2.80	\$1,200.16
23	11	Family (3+)	\$1,500.34	\$2.80	\$1,497.54	\$0.14	\$1,497.40	\$2.80	\$1,500.20
COBRA									
24	11	Single	\$600.22	\$2.80	\$597.42	\$0.14	\$597.28	\$14.80	\$612.08
25	11	Family	\$1,200.30	\$2.80	\$1,197.50	\$0.14	\$1,197.36	\$26.80	\$1,224.16
26	11	Family (3+)	\$1,500.34	\$2.80	\$1,497.54	\$0.14	\$1,497.40	\$32.80	\$1,530.20
<u>Medicare Retiree</u>									
41	11	1 Medicare only	\$168.16	\$2.80	\$165.36		\$63.70	\$229.06	\$231.86
42	11	2 Medicare only	\$333.52	\$2.80	\$330.72		\$127.40	\$458.12	\$460.92
50	11	3 Medicare only	\$498.88	\$2.80	\$496.08		\$191.10	\$687.18	\$689.98
51	11	4 Medicare only	\$664.24	\$2.80	\$661.44		\$254.80	\$916.24	\$919.04
43	11	1 Medicare+Others	\$496.42	\$2.80	\$493.62	\$0.14	\$63.70	\$557.18	\$559.98
49	11	2 Medicare+Others	\$661.78	\$2.80	\$658.98	\$0.14	\$127.40	\$786.24	\$789.04
55	11	3 Medicare+Others	\$827.14	\$2.80	\$824.34	\$0.14	\$191.10	\$1,015.30	\$1,018.10
44	11	Part A Single	\$346.20	\$2.80	\$343.40	\$0.14	\$63.70	\$406.96	\$409.76

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2009-2011 BIENNIUM**

Rate Structure A (cont'd)

January 1, 2010 - December 31, 2010

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
				(1)-(2)			(3)-(4)+(5)		(6)+(7)
Code	Description	Total BCBSND Bid	Less NDPERS Retention	Total Premium to BCBSND	Premium Buydown	Medicare Part D Premium	Total Monthly Paid to BCBSND	Plus NDPERS Retention	NDPERS Billing Rate
COBRA									
46	11 1 Medicare only	\$168.16	\$2.80	\$165.36		\$63.70	\$229.06	\$7.44	\$236.50
47	11 2 Medicare only	\$333.52	\$2.80	\$330.72		\$127.40	\$458.12	\$12.02	\$470.14
53	11 3 Medicare only	\$498.88	\$2.80	\$496.08		\$191.10	\$687.18	\$16.60	\$703.78
54	11 4 Medicare only	\$664.24	\$2.80	\$661.44		\$254.80	\$916.24	\$21.18	\$937.42
48	11 1 Medicare+Others	\$496.42	\$2.80	\$493.62	\$0.14	\$63.70	\$557.18	\$14.00	\$571.18
52	11 2 Medicare+Others	\$661.78	\$2.80	\$658.98	\$0.14	\$127.40	\$786.24	\$18.58	\$804.82
56	11 3 Medicare+Others	\$827.14	\$2.80	\$824.34	\$0.14	\$191.10	\$1,015.30	\$23.16	\$1,038.46
Medicare Low Income Subsidy									
41	13 1 Medicare only (1cr)	\$168.16	\$2.80	\$165.36		\$31.80	\$197.16	\$2.80	\$199.96
42	13 2 Medicare only (2cr)	\$333.52	\$2.80	\$330.72		\$63.60	\$394.32	\$2.80	\$397.12
50	13 3 Medicare only (1cr)	\$498.88	\$2.80	\$496.08		\$159.20	\$655.28	\$2.80	\$658.08
51	13 4 Medicare only (1cr)	\$664.24	\$2.80	\$661.44		\$222.90	\$884.34	\$2.80	\$887.14
43	13 1 Medicare+Others (1cr)	\$496.42	\$2.80	\$493.62	\$0.14	\$31.80	\$525.28	\$2.80	\$528.08
49	13 2 Medicare+Others (1cr)	\$661.78	\$2.80	\$658.98	\$0.14	\$95.50	\$754.34	\$2.80	\$757.14
55	13 3 Medicare+Others (2cr)	\$827.14	\$2.80	\$824.34	\$0.14	\$127.30	\$951.50	\$2.80	\$954.30
61	13 1 Medicare only (.75cr)	\$168.16	\$2.80	\$165.36		\$39.70	\$205.06	\$2.80	\$207.86
71	13 1 Medicare only (.5cr)	\$168.16	\$2.80	\$165.36		\$47.70	\$213.06	\$2.80	\$215.86
81	13 1 Medicare only (.25cr)	\$168.16	\$2.80	\$165.36		\$55.70	\$221.06	\$2.80	\$223.86
57	13 4 Medicare only (2cr)	\$664.24	\$2.80	\$661.44		\$191.00	\$852.44	\$2.80	\$855.24
72	13 2 Medicare only (1cr)	\$333.52	\$2.80	\$330.72		\$95.50	\$426.22	\$2.80	\$429.02
Grandfathered Rates									
50	14 3 Medicare only	\$354.62	\$2.80	\$351.82		\$191.10	\$542.92	\$2.80	\$545.72
51	14 4 Medicare only	\$217.64	\$2.80	\$214.84		\$254.80	\$469.64	\$2.80	\$472.44
49	14 2 Medicare+Others	\$491.78	\$2.80	\$488.98	\$0.14	\$127.40	\$616.24	\$2.80	\$619.04
55	14 3 Medicare+Others	\$354.80	\$2.80	\$352.00	\$0.14	\$191.10	\$542.96	\$2.80	\$545.76
Grandfathered Rates COBRA									
53	14 3 Medicare only	\$354.62	\$2.80	\$351.82		\$191.10	\$542.92	\$13.70	\$556.62
54	14 4 Medicare only	\$217.64	\$2.80	\$214.84		\$254.80	\$469.64	\$12.24	\$481.88
52	14 2 Medicare+Others	\$491.78	\$2.80	\$488.98	\$0.14	\$127.40	\$616.24	\$15.18	\$631.42
56	14 3 Medicare+Others	\$354.80	\$2.80	\$352.00	\$0.14	\$191.10	\$542.96	\$13.72	\$556.68
Grandfathered Rates with Medicare Low Income Subsidy									
50	15 3 Medicare only (1cr)	\$354.62	\$2.80	\$351.82		\$159.20	\$511.02	\$2.80	\$513.82
57	15 4 Medicare only (2cr)	\$217.64	\$2.80	\$214.84		\$191.00	\$405.84	\$2.80	\$408.64

(1) - BCBSND premium rates, per bid.

(2) - Per contract charge retained by NDPERS

(3) - Total premium paid to BCBSND.

(4) - Amount of premium paid from surplus funds.

(5) - Medicare Part D Premium submitted to BCBSND. (rates for January 1, 2010 and after are to be determined (TBD))

(6) - Amount of premium NDPERS will send to BCBSND.

(7) - Per contract charge retained by NDPERS.

(8) - Premium amount NDPERS will bill its contract holders.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2009-2011 BIENNIUM**

Rate Structure A

January 1, 2011 - June 30, 2011

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
				(1)-(2)			(3)-(4)+(5)		(6)+(7)
Code	Description	Total BCBSND Bid	Less NDPERS Retention	Total Premium to BCBSND	Premium Buydown	Medicare Part D Premium	Total Monthly Paid to BCBSND	Plus NDPERS Retention	NDPERS Billing Rate
<u>Political Subdivision Rates with Wellness Program</u>									
Active									
1	4	Single	\$425.10	\$2.80	\$422.30	\$0.14	\$422.16	\$2.80	\$424.96
2	4	Family	\$1,026.76	\$2.80	\$1,023.96	\$0.14	\$1,023.82	\$2.80	\$1,026.62
COBRA									
4	4	Single	\$425.10	\$2.80	\$422.30	\$0.14	\$422.16	\$11.30	\$433.46
5	4	Family	\$1,026.76	\$2.80	\$1,023.96	\$0.14	\$1,023.82	\$23.32	\$1,047.14
<u>Political Subdivision Rates w/o Wellness Program</u>									
Active									
1	3	Single	\$425.10	\$2.80	\$422.30	\$0.14	\$422.16	\$7.04	\$429.20
2	3	Family	\$1,026.76	\$2.80	\$1,023.96	\$0.14	\$1,023.82	\$13.06	\$1,036.88
COBRA									
4	3	Single	\$425.10	\$2.80	\$422.30	\$0.14	\$422.16	\$11.30	\$433.46
5	3	Family	\$1,026.76	\$2.80	\$1,023.96	\$0.14	\$1,023.82	\$23.32	\$1,047.14
<u>State Contracts with Wellness Program</u>									
Active									
1-3	2	S/F/Dual	\$825.80	\$2.80	\$823.00	\$0.14	\$822.86	\$2.80	\$825.66
COBRA									
4	2	Single	\$400.20	\$2.80	\$397.40	\$0.14	\$397.26	\$10.80	\$408.06
5	2	Family	\$962.98	\$2.80	\$960.18	\$0.14	\$960.04	\$22.06	\$982.10
Part-Time/Temporary/LOA									
6	2	Single	\$400.20	\$2.80	\$397.40	\$0.14	\$397.26	\$2.80	\$400.06
7	2	Family	\$962.98	\$2.80	\$960.18	\$0.14	\$960.04	\$2.80	\$962.84
<u>State Contracts w/o Wellness Program</u>									
Active									
1-3	1	S/F/Dual	\$825.80	\$2.80	\$823.00	\$0.14	\$822.86	\$11.06	\$833.92
COBRA									
4	1	Single	\$400.20	\$2.80	\$397.40	\$0.14	\$397.26	\$10.80	\$408.06
5	1	Family	\$962.98	\$2.80	\$960.18	\$0.14	\$960.04	\$22.06	\$982.10
Part-Time/Temporary/LOA									
6	1	Single	\$400.20	\$2.80	\$397.40	\$0.14	\$397.26	\$6.80	\$404.06
7	1	Family	\$962.98	\$2.80	\$960.18	\$0.14	\$960.04	\$12.42	\$972.46
<u>Non-Medicare Retiree</u>									
21	11	Single	\$600.22	\$2.80	\$597.42	\$0.14	\$597.28	\$2.80	\$600.08
22	11	Family	\$1,200.30	\$2.80	\$1,197.50	\$0.14	\$1,197.36	\$2.80	\$1,200.16
23	11	Family (3+)	\$1,500.34	\$2.80	\$1,497.54	\$0.14	\$1,497.40	\$2.80	\$1,500.20
COBRA									
24	11	Single	\$600.22	\$2.80	\$597.42	\$0.14	\$597.28	\$14.80	\$612.08
25	11	Family	\$1,200.30	\$2.80	\$1,197.50	\$0.14	\$1,197.36	\$26.80	\$1,224.16
26	11	Family (3+)	\$1,500.34	\$2.80	\$1,497.54	\$0.14	\$1,497.40	\$32.80	\$1,530.20
<u>Medicare Retiree</u>									
41	11	1 Medicare only	\$168.16	\$2.80	\$165.36		TBD	\$2.80	TBD
42	11	2 Medicare only	\$333.52	\$2.80	\$330.72		TBD	\$2.80	TBD
50	11	3 Medicare only	\$498.88	\$2.80	\$496.08		TBD	\$2.80	TBD
51	11	4 Medicare only	\$664.24	\$2.80	\$661.44		TBD	\$2.80	TBD
43	11	1 Medicare+Others	\$496.42	\$2.80	\$493.62	\$0.14	TBD	\$2.80	TBD
49	11	2 Medicare+Others	\$661.78	\$2.80	\$658.98	\$0.14	TBD	\$2.80	TBD
55	11	3 Medicare+Others	\$827.14	\$2.80	\$824.34	\$0.14	TBD	\$2.80	TBD
44	11	Part A Single	\$346.20	\$2.80	\$343.40	\$0.14	TBD	\$2.80	TBD

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2009-2011 BIENNIUM**

Rate Structure A (cont'd)

January 1, 2011 - June 30, 2011

Code	Description	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		Total BCBSND Bid	Less NDPERS Retention	(1)-(2) Total Premium to BCBSND	Premium Buydown	Medicare Part D Premium	(3)-(4)+(5) Total Monthly Paid to BCBSND	Plus NDPERS Retention	(6)+(7) NDPERS Billing Rate
COBRA									
46	11	1 Medicare only	\$168.16	\$2.80	\$165.36		TBD	TBD	TBD
47	11	2 Medicare only	\$333.52	\$2.80	\$330.72		TBD	TBD	TBD
53	11	3 Medicare only	\$498.88	\$2.80	\$496.08		TBD	TBD	TBD
54	11	4 Medicare only	\$664.24	\$2.80	\$661.44		TBD	TBD	TBD
48	11	1 Medicare+Others	\$496.42	\$2.80	\$493.62	\$0.14	TBD	TBD	TBD
52	11	2 Medicare+Others	\$661.78	\$2.80	\$658.98	\$0.14	TBD	TBD	TBD
56	11	3 Medicare+Others	\$827.14	\$2.80	\$824.34	\$0.14	TBD	TBD	TBD
Medicare Low Income Subsidy									
41	13	1 Medicare only (1cr)	\$168.16	\$2.80	\$165.36		TBD	TBD	\$2.80
42	13	2 Medicare only (2cr)	\$333.52	\$2.80	\$330.72		TBD	TBD	\$2.80
50	13	3 Medicare only (1cr)	\$498.88	\$2.80	\$496.08		TBD	TBD	\$2.80
51	13	4 Medicare only (1cr)	\$664.24	\$2.80	\$661.44		TBD	TBD	\$2.80
43	13	1 Medicare+Others (1cr)	\$496.42	\$2.80	\$493.62	\$0.14	TBD	TBD	\$2.80
49	13	2 Medicare+Others (1cr)	\$661.78	\$2.80	\$658.98	\$0.14	TBD	TBD	\$2.80
55	13	3 Medicare+Others (2cr)	\$827.14	\$2.80	\$824.34	\$0.14	TBD	TBD	\$2.80
61	13	1 Medicare only (.75cr)	\$168.16	\$2.80	\$165.36		TBD	TBD	\$2.80
71	13	1 Medicare only (.5cr)	\$168.16	\$2.80	\$165.36		TBD	TBD	\$2.80
81	13	1 Medicare only (.25cr)	\$168.16	\$2.80	\$165.36		TBD	TBD	\$2.80
57	13	4 Medicare only (2cr)	\$664.24	\$2.80	\$661.44		TBD	TBD	\$2.80
72	13	2 Medicare only (1cr)	\$333.52	\$2.80	\$330.72		TBD	TBD	\$2.80
Grandfathered Rates									
50	14	3 Medicare only	\$354.62	\$2.80	\$351.82		TBD	TBD	\$2.80
51	14	4 Medicare only	\$217.64	\$2.80	\$214.84		TBD	TBD	\$2.80
49	14	2 Medicare+Others	\$491.78	\$2.80	\$488.98	\$0.14	TBD	TBD	\$2.80
55	14	3 Medicare+Others	\$354.80	\$2.80	\$352.00	\$0.14	TBD	TBD	\$2.80
Grandfathered Rates COBRA									
53	14	3 Medicare only	\$354.62	\$2.80	\$351.82		TBD	TBD	TBD
54	14	4 Medicare only	\$217.64	\$2.80	\$214.84		TBD	TBD	TBD
52	14	2 Medicare+Others	\$491.78	\$2.80	\$488.98	\$0.14	TBD	TBD	TBD
56	14	3 Medicare+Others	\$354.80	\$2.80	\$352.00	\$0.14	TBD	TBD	TBD
Grandfathered Rates with Medicare Low Income Subsidy									
50	15	3 Medicare only (1cr)	\$354.62	\$2.80	\$351.82		TBD	TBD	\$2.80
57	15	4 Medicare only (2cr)	\$217.64	\$2.80	\$214.84		TBD	TBD	\$2.80

(1) - BCBSND premium rates, per bid.

(2) - Per contract charge retained by NDPERS

(3) - Total premium paid to BCBSND.

(4) - Amount of premium paid from surplus funds.

(5) - Medicare Part D Premium submitted to BCBSND. (rates for January 1, 2010 and after are to be determined (TBD))

(6) - Amount of premium NDPERS will send to BCBSND.

(7) - Per contract charge retained by NDPERS.

(8) - Premium amount NDPERS will bill its contract holders.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2009-2011 BIENNIUM**

Rate Structure B		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
First Year							(3)-(4)+(5)		
July 1, 2009 - December 31, 2009				(1)-(2)			Total		(6)+(7)
Code	Description	Total BCBSND Bid	Less NDPERS Retention	Total Premium to BCBSND	Premium Buydown	Medicare Part D Premium	Monthly Paid to BCBSND	Plus NDPERS Retention	NDPERS Billing Rate
<u>Political Subdivision Rates with Wellness Program</u>									
Active									
1	8 Single	\$405.00	\$2.80	\$402.20	\$0.14		\$402.06	\$2.80	\$404.86
2	8 Family	\$978.02	\$2.80	\$975.22	\$0.14		\$975.08	\$2.80	\$977.88
COBRA									
4	8 Single	\$405.00	\$2.80	\$402.20	\$0.14		\$402.06	\$10.90	\$412.96
5	8 Family	\$978.02	\$2.80	\$975.22	\$0.14		\$975.08	\$22.36	\$997.44
<u>Political Subdivision Rates w/o Wellness Program</u>									
Active									
1	7 Single	\$405.00	\$2.80	\$402.20	\$0.14		\$402.06	\$6.84	\$408.90
2	7 Family	\$978.02	\$2.80	\$975.22	\$0.14		\$975.08	\$12.58	\$987.66
COBRA									
4	7 Single	\$405.00	\$2.80	\$402.20	\$0.14		\$402.06	\$10.90	\$412.96
5	7 Family	\$978.02	\$2.80	\$975.22	\$0.14		\$975.08	\$22.36	\$997.44
<u>State Contracts with Wellness Program (see Rate Structure 'A')</u>									
Active									
1-3	2 S/F/Dual	\$825.80	\$2.80	\$823.00	\$0.14		\$822.86	\$2.80	\$825.66
COBRA									
4	2 Single	\$400.20	\$2.80	\$397.40	\$0.14		\$397.26	\$10.80	\$408.06
5	2 Family	\$962.98	\$2.80	\$960.18	\$0.14		\$960.04	\$22.06	\$982.10
Part-Time/Temporary/LOA									
6	2 Single	\$400.20	\$2.80	\$397.40	\$0.14		\$397.26	\$2.80	\$400.06
7	2 Family	\$962.98	\$2.80	\$960.18	\$0.14		\$960.04	\$2.80	\$962.84
<u>State Contracts w/o Wellness Program (see Rate Structure 'A')</u>									
Active									
1-3	1 S/F/Dual	\$825.80	\$2.80	\$823.00	\$0.14		\$822.86	\$11.06	\$833.92
COBRA									
4	1 Single	\$400.20	\$2.80	\$397.40	\$0.14		\$397.26	\$10.80	\$408.06
5	1 Family	\$962.98	\$2.80	\$960.18	\$0.14		\$960.04	\$22.06	\$982.10
Part-Time/Temporary/LOA									
6	1 Single	\$400.20	\$2.80	\$397.40	\$0.14		\$397.26	\$6.80	\$404.06
7	1 Family	\$962.98	\$2.80	\$960.18	\$0.14		\$960.04	\$12.42	\$972.46
<u>Non-Medicare Retiree (see Rate Structure 'A')</u>									
21	12 Single	\$600.22	\$2.80	\$597.42	\$0.14		\$597.28	\$2.80	\$600.08
22	12 Family	\$1,200.30	\$2.80	\$1,197.50	\$0.14		\$1,197.36	\$2.80	\$1,200.16
23	12 Family (3+)	\$1,500.34	\$2.80	\$1,497.54	\$0.14		\$1,497.40	\$2.80	\$1,500.20
COBRA									
24	12 Single	\$600.22	\$2.80	\$597.42	\$0.14		\$597.28	\$14.80	\$612.08
25	12 Family	\$1,200.30	\$2.80	\$1,197.50	\$0.14		\$1,197.36	\$26.80	\$1,224.16
26	12 Family (3+)	\$1,500.34	\$2.80	\$1,497.54	\$0.14		\$1,497.40	\$32.80	\$1,530.20
<u>Medicare Retiree</u>									
41	12 1 Medicare only	\$165.72	\$2.80	\$162.92		\$63.70	\$226.62	\$2.80	\$229.42
42	12 2 Medicare only	\$328.64	\$2.80	\$325.84		\$127.40	\$453.24	\$2.80	\$456.04
50	12 3 Medicare only	\$491.56	\$2.80	\$488.76		\$191.10	\$679.86	\$2.80	\$682.66
51	12 4 Medicare only	\$654.48	\$2.80	\$651.68		\$254.80	\$906.48	\$2.80	\$909.28
43	12 1 Medicare+Others	\$489.10	\$2.80	\$486.30	\$0.14	\$63.70	\$549.86	\$2.80	\$552.66
49	12 2 Medicare+Others	\$652.02	\$2.80	\$649.22	\$0.14	\$127.40	\$776.48	\$2.80	\$779.28
55	12 3 Medicare+Others	\$814.94	\$2.80	\$812.14	\$0.14	\$191.10	\$1,003.10	\$2.80	\$1,005.90

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2009-2011 BIENNIUM**

Rate Structure B		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
First Year (cont'd)							(3)-(4)+(5)		
July 1, 2009 - December 31, 2009				(1)-(2)			Total		(6)+(7)
Code	Description	Total BCBSND Bid	Less NDPERS Retention	Total Premium to BCBSND	Premium Buydown	Medicare Part D Premium	Monthly Paid to BCBSND	Plus NDPERS Retention	NDPERS Billing Rate
COBRA									
46	12 1 Medicare only	\$165.72	\$2.80	\$162.92		\$63.70	\$226.62	\$7.38	\$234.00
47	12 2 Medicare only	\$328.64	\$2.80	\$325.84		\$127.40	\$453.24	\$11.92	\$465.16
53	12 3 Medicare only	\$491.56	\$2.80	\$488.76		\$191.10	\$679.86	\$16.44	\$696.30
54	12 4 Medicare only	\$654.48	\$2.80	\$651.68		\$254.80	\$906.48	\$20.98	\$927.46
48	12 1 Medicare+Others	\$489.10	\$2.80	\$486.30	\$0.14	\$63.70	\$549.86	\$13.84	\$563.70
52	12 2 Medicare+Others	\$652.02	\$2.80	\$649.22	\$0.14	\$127.40	\$776.48	\$18.38	\$794.86
56	12 3 Medicare+Others	\$814.94	\$2.80	\$812.14	\$0.14	\$191.10	\$1,003.10	\$22.92	\$1,026.02

(1) - BCBSND premium rates, per bid.

(2) - Per contract charge retained by NDPERS

(3) - Total premium paid to BCBSND.

(4) - Amount of premium paid from surplus funds.

(5) - Medicare Part D Premium submitted to BCBSND. (rates for January 1, 2010 and after are to be determined (TBD))

(6) - Amount of premium NDPERS will send to BCBSND.

(7) - Per contract charge retained by NDPERS.

(8) - Premium amount NDPERS will bill its contract holders.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2009-2011 BIENNIUM**

Rate Structure B		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
First Year							(3)-(4)+(5)		
January 1, 2010 - June 30, 2010				(1)-(2)			Total		(6)+(7)
Code	Description	Total BCBSND Bid	Less NDPERS Retention	Total Premium to BCBSND	Premium Buydown	Medicare Part D Premium	Monthly Paid to BCBSND	Plus NDPERS Retention	NDPERS Billing Rate
<u>Political Subdivision Rates with Wellness Program</u>									
Active									
1	8 Single	\$405.00	\$2.80	\$402.20	\$0.14		\$402.06	\$2.80	\$404.86
2	8 Family	\$978.02	\$2.80	\$975.22	\$0.14		\$975.08	\$2.80	\$977.88
COBRA									
4	8 Single	\$405.00	\$2.80	\$402.20	\$0.14		\$402.06	\$10.90	\$412.96
5	8 Family	\$978.02	\$2.80	\$975.22	\$0.14		\$975.08	\$22.36	\$997.44
<u>Political Subdivision Rates w/o Wellness Program</u>									
Active									
1	7 Single	\$405.00	\$2.80	\$402.20	\$0.14		\$402.06	\$6.84	\$408.90
2	7 Family	\$978.02	\$2.80	\$975.22	\$0.14		\$975.08	\$12.58	\$987.66
COBRA									
4	7 Single	\$405.00	\$2.80	\$402.20	\$0.14		\$402.06	\$10.90	\$412.96
5	7 Family	\$978.02	\$2.80	\$975.22	\$0.14		\$975.08	\$22.36	\$997.44
<u>State Contracts with Wellness Program (see Rate Structure 'A')</u>									
Active									
1-3	2 S/F/Dual	\$825.80	\$2.80	\$823.00	\$0.14		\$822.86	\$2.80	\$825.66
COBRA									
4	2 Single	\$400.20	\$2.80	\$397.40	\$0.14		\$397.26	\$10.80	\$408.06
5	2 Family	\$962.98	\$2.80	\$960.18	\$0.14		\$960.04	\$22.06	\$982.10
Part-Time/Temporary/LOA									
6	2 Single	\$400.20	\$2.80	\$397.40	\$0.14		\$397.26	\$2.80	\$400.06
7	2 Family	\$962.98	\$2.80	\$960.18	\$0.14		\$960.04	\$2.80	\$962.84
<u>State Contracts w/o Wellness Program (see Rate Structure 'A')</u>									
Active									
1-3	1 S/F/Dual	\$825.80	\$2.80	\$823.00	\$0.14		\$822.86	\$11.06	\$833.92
COBRA									
4	1 Single	\$400.20	\$2.80	\$397.40	\$0.14		\$397.26	\$10.80	\$408.06
5	1 Family	\$962.98	\$2.80	\$960.18	\$0.14		\$960.04	\$22.06	\$982.10
Part-Time/Temporary/LOA									
6	1 Single	\$400.20	\$2.80	\$397.40	\$0.14		\$397.26	\$6.80	\$404.06
7	1 Family	\$962.98	\$2.80	\$960.18	\$0.14		\$960.04	\$12.42	\$972.46
<u>Non-Medicare Retiree (see Rate Structure 'A')</u>									
21	12 Single	\$600.22	\$2.80	\$597.42	\$0.14		\$597.28	\$2.80	\$600.08
22	12 Family	\$1,200.30	\$2.80	\$1,197.50	\$0.14		\$1,197.36	\$2.80	\$1,200.16
23	12 Family (3+)	\$1,500.34	\$2.80	\$1,497.54	\$0.14		\$1,497.40	\$2.80	\$1,500.20
COBRA									
24	12 Single	\$600.22	\$2.80	\$597.42	\$0.14		\$597.28	\$14.80	\$612.08
25	12 Family	\$1,200.30	\$2.80	\$1,197.50	\$0.14		\$1,197.36	\$26.80	\$1,224.16
26	12 Family (3+)	\$1,500.34	\$2.80	\$1,497.54	\$0.14		\$1,497.40	\$32.80	\$1,530.20
<u>Medicare Retiree</u>									
41	12 1 Medicare only	\$165.72	\$2.80	\$162.92		\$63.70	\$226.62	\$2.80	\$229.42
42	12 2 Medicare only	\$328.64	\$2.80	\$325.84		\$127.40	\$453.24	\$2.80	\$456.04
50	12 3 Medicare only	\$491.56	\$2.80	\$488.76		\$191.10	\$679.86	\$2.80	\$682.66
51	12 4 Medicare only	\$654.48	\$2.80	\$651.68		\$254.80	\$906.48	\$2.80	\$909.28
43	12 1 Medicare+Others	\$489.10	\$2.80	\$486.30	\$0.14	\$63.70	\$549.86	\$2.80	\$552.66
49	12 2 Medicare+Others	\$652.02	\$2.80	\$649.22	\$0.14	\$127.40	\$776.48	\$2.80	\$779.28
55	12 3 Medicare+Others	\$814.94	\$2.80	\$812.14	\$0.14	\$191.10	\$1,003.10	\$2.80	\$1,005.90

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2009-2011 BIENNIUM**

Rate Structure B		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
First Year (cont'd)							(3)-(4)+(5)		
January 1, 2010 - June 30, 2010				(1)-(2)			Total		(6)+(7)
Code	Description	Total BCBSND Bid	Less NDPERS Retention	Total Premium to BCBSND	Premium Buydown	Medicare Part D Premium	Monthly Paid to BCBSND	Plus NDPERS Retention	NDPERS Billing Rate
COBRA									
46	12 1 Medicare only	\$165.72	\$2.80	\$162.92		\$63.70	\$226.62	\$7.38	\$234.00
47	12 2 Medicare only	\$328.64	\$2.80	\$325.84		\$127.40	\$453.24	\$11.92	\$465.16
53	12 3 Medicare only	\$491.56	\$2.80	\$488.76		\$191.10	\$679.86	\$16.44	\$696.30
54	12 4 Medicare only	\$654.48	\$2.80	\$651.68		\$254.80	\$906.48	\$20.98	\$927.46
48	12 1 Medicare+Others	\$489.10	\$2.80	\$486.30	\$0.14	\$63.70	\$549.86	\$13.84	\$563.70
52	12 2 Medicare+Others	\$652.02	\$2.80	\$649.22	\$0.14	\$127.40	\$776.48	\$18.38	\$794.86
56	12 3 Medicare+Others	\$814.94	\$2.80	\$812.14	\$0.14	\$191.10	\$1,003.10	\$22.92	\$1,026.02

(1) - BCBSND premium rates, per bid.

(2) - Per contract charge retained by NDPERS

(3) - Total premium paid to BCBSND.

(4) - Amount of premium paid from surplus funds.

(5) - Medicare Part D Premium submitted to BCBSND. (rates for January 1, 2010 and after are to be determined (TBD))

(6) - Amount of premium NDPERS will send to BCBSND.

(7) - Per contract charge retained by NDPERS.

(8) - Premium amount NDPERS will bill its contract holders.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2009-2011 BIENNIUM**

Rate Structure B		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Second Year							(3)-(4)+(5)		
July 1, 2010 - December 31, 2010				(1)-(2)			Total		(6)+(7)
Code	Description	Total BCBSND Bid	Less NDPERS Retention	Total Premium to BCBSND	Premium Buydown	Medicare Part D Premium	Monthly Paid to BCBSND	Plus NDPERS Retention	NDPERS Billing Rate
<u>Political Subdivision Rates with Wellness Program</u>									
Active									
1	8 Single	\$445.20	\$2.80	\$442.40	\$0.14		\$442.26	\$2.80	\$445.06
2	8 Family	\$1,075.50	\$2.80	\$1,072.70	\$0.14		\$1,072.56	\$2.80	\$1,075.36
COBRA									
4	8 Single	\$445.20	\$2.80	\$442.40	\$0.14		\$442.26	\$11.70	\$453.96
5	8 Family	\$1,075.50	\$2.80	\$1,072.70	\$0.14		\$1,072.56	\$24.30	\$1,096.86
<u>Political Subdivision Rates w/o Wellness Program</u>									
Active									
1	7 Single	\$445.20	\$2.80	\$442.40	\$0.14		\$442.26	\$7.24	\$449.50
2	7 Family	\$1,075.50	\$2.80	\$1,072.70	\$0.14		\$1,072.56	\$13.54	\$1,086.10
COBRA									
4	7 Single	\$445.20	\$2.80	\$442.40	\$0.14		\$442.26	\$11.70	\$453.96
5	7 Family	\$1,075.50	\$2.80	\$1,072.70	\$0.14		\$1,072.56	\$24.30	\$1,096.86
<u>State Contracts with Wellness Program (see Rate Structure 'A')</u>									
Active									
1-3	2 S/F/Dual	\$825.80	\$2.80	\$823.00	\$0.14		\$822.86	\$2.80	\$825.66
COBRA									
4	2 Single	\$400.20	\$2.80	\$397.40	\$0.14		\$397.26	\$10.80	\$408.06
5	2 Family	\$962.98	\$2.80	\$960.18	\$0.14		\$960.04	\$22.06	\$982.10
Part-Time/Temporary/LOA									
6	2 Single	\$400.20	\$2.80	\$397.40	\$0.14		\$397.26	\$2.80	\$400.06
7	2 Family	\$962.98	\$2.80	\$960.18	\$0.14		\$960.04	\$2.80	\$962.84
<u>State Contracts w/o Wellness Program (see Rate Structure 'A')</u>									
Active									
1-3	1 S/F/Dual	\$825.80	\$2.80	\$823.00	\$0.14		\$822.86	\$11.06	\$833.92
COBRA									
4	1 Single	\$400.20	\$2.80	\$397.40	\$0.14		\$397.26	\$10.80	\$408.06
5	1 Family	\$962.98	\$2.80	\$960.18	\$0.14		\$960.04	\$22.06	\$982.10
Part-Time/Temporary/LOA									
6	1 Single	\$400.20	\$2.80	\$397.40	\$0.14		\$397.26	\$6.80	\$404.06
7	1 Family	\$962.98	\$2.80	\$960.18	\$0.14		\$960.04	\$12.42	\$972.46
<u>Non-Medicare Retiree (see Rate Structure 'A')</u>									
21	12 Single	\$600.22	\$2.80	\$597.42	\$0.14		\$597.28	\$2.80	\$600.08
22	12 Family	\$1,200.30	\$2.80	\$1,197.50	\$0.14		\$1,197.36	\$2.80	\$1,200.16
23	12 Family (3+)	\$1,500.34	\$2.80	\$1,497.54	\$0.14		\$1,497.40	\$2.80	\$1,500.20
COBRA									
24	12 Single	\$600.22	\$2.80	\$597.42	\$0.14		\$597.28	\$14.80	\$612.08
25	12 Family	\$1,200.30	\$2.80	\$1,197.50	\$0.14		\$1,197.36	\$26.80	\$1,224.16
26	12 Family (3+)	\$1,500.34	\$2.80	\$1,497.54	\$0.14		\$1,497.40	\$32.80	\$1,530.20
<u>Medicare Retiree</u>									
41	12 1 Medicare only	\$170.60	\$2.80	\$167.80		\$63.70	\$231.50	\$2.80	\$234.30
42	12 2 Medicare only	\$338.40	\$2.80	\$335.60		\$127.40	\$463.00	\$2.80	\$465.80
50	12 3 Medicare only	\$506.20	\$2.80	\$503.40		\$191.10	\$694.50	\$2.80	\$697.30
51	12 4 Medicare only	\$674.00	\$2.80	\$671.20		\$254.80	\$926.00	\$2.80	\$928.80
43	12 1 Medicare+Others	\$503.74	\$2.80	\$500.94	\$0.14	\$63.70	\$564.50	\$2.80	\$567.30
49	12 2 Medicare+Others	\$671.54	\$2.80	\$668.74	\$0.14	\$127.40	\$796.00	\$2.80	\$798.80
55	12 3 Medicare+Others	\$839.34	\$2.80	\$836.54	\$0.14	\$191.10	\$1,027.50	\$2.80	\$1,030.30

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2009-2011 BIENNIUM**

Rate Structure B		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Second Year (cont'd)							(3)-(4)+(5)		
July 1, 2010 - December 31, 2010				(1)-(2)			Total		(6)+(7)
Code	Description	Total BCBSND Bid	Less NDPERS Retention	Total Premium to BCBSND	Premium Buydown	Medicare Part D Premium	Monthly Paid to BCBSND	Plus NDPERS Retention	NDPERS Billing Rate
COBRA									
46	12 1 Medicare only	\$170.60	\$2.80	\$167.80		\$63.70	\$231.50	\$7.48	\$238.98
47	12 2 Medicare only	\$338.40	\$2.80	\$335.60		\$127.40	\$463.00	\$12.12	\$475.12
53	12 3 Medicare only	\$506.20	\$2.80	\$503.40		\$191.10	\$694.50	\$16.74	\$711.24
54	12 4 Medicare only	\$674.00	\$2.80	\$671.20		\$254.80	\$926.00	\$21.38	\$947.38
48	12 1 Medicare+Others	\$503.74	\$2.80	\$500.94	\$0.14	\$63.70	\$564.50	\$14.14	\$578.64
52	12 2 Medicare+Others	\$671.54	\$2.80	\$668.74	\$0.14	\$127.40	\$796.00	\$18.78	\$814.78
56	12 3 Medicare+Others	\$839.34	\$2.80	\$836.54	\$0.14	\$191.10	\$1,027.50	\$23.40	\$1,050.90

(1) - BCBSND premium rates, per bid.

(2) - Per contract charge retained by NDPERS

(3) - Total premium paid to BCBSND.

(4) - Amount of premium paid from surplus funds.

(5) - Medicare Part D Premium submitted to BCBSND. (rates for January 1, 2010 and after are to be determined (TBD))

(6) - Amount of premium NDPERS will send to BCBSND.

(7) - Per contract charge retained by NDPERS.

(8) - Premium amount NDPERS will bill its contract holders.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2009-2011 BIENNIUM**

Rate Structure B		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Second Year							(3)-(4)+(5)		
January 1, 2011 - June 30, 2011				(1)-(2)			Total		(6)+(7)
Code	Description	Total BCBSND Bid	Less NDPERS Retention	Total Premium to BCBSND	Premium Buydown	Medicare Part D Premium	Monthly Paid to BCBSND	Plus NDPERS Retention	NDPERS Billing Rate
Political Subdivision Rates with Wellness Program									
Active									
1	8 Single	\$445.20	\$2.80	\$442.40	\$0.14		\$442.26	\$2.80	\$445.06
2	8 Family	\$1,075.50	\$2.80	\$1,072.70	\$0.14		\$1,072.56	\$2.80	\$1,075.36
COBRA									
4	8 Single	\$445.20	\$2.80	\$442.40	\$0.14		\$442.26	\$11.70	\$453.96
5	8 Family	\$1,075.50	\$2.80	\$1,072.70	\$0.14		\$1,072.56	\$24.30	\$1,096.86
Political Subdivision Rates w/o Wellness Program									
Active									
1	7 Single	\$445.20	\$2.80	\$442.40	\$0.14		\$442.26	\$7.24	\$449.50
2	7 Family	\$1,075.50	\$2.80	\$1,072.70	\$0.14		\$1,072.56	\$13.54	\$1,086.10
COBRA									
4	7 Single	\$445.20	\$2.80	\$442.40	\$0.14		\$442.26	\$11.70	\$453.96
5	7 Family	\$1,075.50	\$2.80	\$1,072.70	\$0.14		\$1,072.56	\$24.30	\$1,096.86
State Contracts with Wellness Program (see Rate Structure 'A')									
Active									
1-3	2 S/F/Dual	\$825.80	\$2.80	\$823.00	\$0.14		\$822.86	\$2.80	\$825.66
COBRA									
4	2 Single	\$400.20	\$2.80	\$397.40	\$0.14		\$397.26	\$10.80	\$408.06
5	2 Family	\$962.98	\$2.80	\$960.18	\$0.14		\$960.04	\$22.06	\$982.10
Part-Time/Temporary/LOA									
6	2 Single	\$400.20	\$2.80	\$397.40	\$0.14		\$397.26	\$2.80	\$400.06
7	2 Family	\$962.98	\$2.80	\$960.18	\$0.14		\$960.04	\$2.80	\$962.84
State Contracts w/o Wellness Program (see Rate Structure 'A')									
Active									
1-3	1 S/F/Dual	\$825.80	\$2.80	\$823.00	\$0.14		\$822.86	\$11.06	\$833.92
COBRA									
4	1 Single	\$400.20	\$2.80	\$397.40	\$0.14		\$397.26	\$10.80	\$408.06
5	1 Family	\$962.98	\$2.80	\$960.18	\$0.14		\$960.04	\$22.06	\$982.10
Part-Time/Temporary/LOA									
6	1 Single	\$400.20	\$2.80	\$397.40	\$0.14		\$397.26	\$6.80	\$404.06
7	1 Family	\$962.98	\$2.80	\$960.18	\$0.14		\$960.04	\$12.42	\$972.46
Non-Medicare Retiree (see Rate Structure 'A')									
21	12 Single	\$600.22	\$2.80	\$597.42	\$0.14		\$597.28	\$2.80	\$600.08
22	12 Family	\$1,200.30	\$2.80	\$1,197.50	\$0.14		\$1,197.36	\$2.80	\$1,200.16
23	12 Family (3+)	\$1,500.34	\$2.80	\$1,497.54	\$0.14		\$1,497.40	\$2.80	\$1,500.20
COBRA									
24	12 Single	\$600.22	\$2.80	\$597.42	\$0.14		\$597.28	\$14.80	\$612.08
25	12 Family	\$1,200.30	\$2.80	\$1,197.50	\$0.14		\$1,197.36	\$26.80	\$1,224.16
26	12 Family (3+)	\$1,500.34	\$2.80	\$1,497.54	\$0.14		\$1,497.40	\$32.80	\$1,530.20
Medicare Retiree									
41	12 1 Medicare only	\$170.60	\$2.80	\$167.80		TBD	TBD	\$2.80	TBD
42	12 2 Medicare only	\$338.40	\$2.80	\$335.60		TBD	TBD	\$2.80	TBD
50	12 3 Medicare only	\$506.20	\$2.80	\$503.40		TBD	TBD	\$2.80	TBD
51	12 4 Medicare only	\$674.00	\$2.80	\$671.20		TBD	TBD	\$2.80	TBD
43	12 1 Medicare+Others	\$503.74	\$2.80	\$500.94	\$0.14	TBD	TBD	\$2.80	TBD
49	12 2 Medicare+Others	\$671.54	\$2.80	\$668.74	\$0.14	TBD	TBD	\$2.80	TBD
55	12 3 Medicare+Others	\$839.34	\$2.80	\$836.54	\$0.14	TBD	TBD	\$2.80	TBD

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2009-2011 BIENNIUM**

Rate Structure B		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Second Year (cont'd)							(3)-(4)+(5)		
January 1, 2011 - June 30, 2011				(1)-(2)			Total	Plus	(6)+(7)
Code	Description	Total BCBSND Bid	Less NDPERS Retention	Total Premium to BCBSND	Premium Buydown	Medicare Part D Premium	Monthly Paid to BCBSND	NDPERS Retention	NDPERS Billing Rate
COBRA									
46	12 1 Medicare only	\$170.60	\$2.80	\$167.80		TBD	TBD	TBD	TBD
47	12 2 Medicare only	\$338.40	\$2.80	\$335.60		TBD	TBD	TBD	TBD
53	12 3 Medicare only	\$506.20	\$2.80	\$503.40		TBD	TBD	TBD	TBD
54	12 4 Medicare only	\$674.00	\$2.80	\$671.20		TBD	TBD	TBD	TBD
48	12 1 Medicare+Others	\$503.74	\$2.80	\$500.94	\$0.14	TBD	TBD	TBD	TBD
52	12 2 Medicare+Others	\$671.54	\$2.80	\$668.74	\$0.14	TBD	TBD	TBD	TBD
56	12 3 Medicare+Others	\$839.34	\$2.80	\$836.54	\$0.14	TBD	TBD	TBD	TBD

(1) - BCBSND premium rates, per bid.

(2) - Per contract charge retained by NDPERS

(3) - Total premium paid to BCBSND.

(4) - Amount of premium paid from surplus funds.

(5) - Medicare Part D Premium submitted to BCBSND. (rates for January 1, 2010 and after are to be determined (TBD))

(6) - Amount of premium NDPERS will send to BCBSND.

(7) - Per contract charge retained by NDPERS.

(8) - Premium amount NDPERS will bill its contract holders.



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M E M O R A N D U M

TO: NDPERS BOARD
SPARB COLLINS, NDPERS

FROM: *BTR*
BRYAN T. REINHARDT

DATE: October 21, 2009

SUBJECT: GROUP MEDICAL PLAN - SURPLUS/AFFORDABILITY UPDATE

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

Premium sent to BCBS in July 2009 was \$17,331,488. In 2007 it was \$13,406,858 and in July 2005 it was \$10,853,370. There are now 25,337 contracts on the NDPERS Health Plan, covering 56,000 over people.

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

The projection for the 2007 - 2009 biennium shows a loss of \$4.8 million. The plan is fully insured by BCBS, so the June 30, 2009 NDPERS estimated gain/loss is \$0.

\$3.0 million of the NDPERS cash was deposited for the 2009-2011 biennium. NDPERS still has about \$3.2 million on deposit at BCBS.

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

NDPERS - ESTIMATED SURPLUS PROJECTION: 2007-2009 BIENNIUM

September, 2009

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

1) Preliminary Underwriting Gain/Loss for the 2007-2009 Biennium		(\$4,806,500)
2) Wellness Program Expenses		\$0
3) Estimated Underwriting Gain/Loss for the 2007-2009 Biennium		(\$4,806,500)
4) Projected Interest Accumulation (adjusted for usage as premium)		\$0
5) Refunds and Settlements		
11/30/07 Perform Rebate	(Included as claim rebates)	\$340,034
02/29/08 Perform Rebate	(Included as claim rebates)	\$385,151
05/31/08 Perform Rebate	(Included as claim rebates)	\$328,973
08/31/08 Perform Rebate	(Included as claim rebates)	\$354,915
11/31/08 Perform Rebate	(Included as claim rebates)	\$395,601
02/28/09 Perform Rebate	(Included as claim rebates)	\$270,464
05/31/09 Perform Rebate	(Included as claim rebates)	\$257,188
08/31/09 Perform Rebate	(Included as claim rebates)	\$317,883
EPO Settlement Payments 7/07 - 6/08	(No target settlements)	\$0
6) Total Estimated Surplus Held by BCBS		(\$4,806,500)
7) BCBS Portion of Surplus (Half upto \$1,500,000)		\$0
8) PERS Portion of Surplus Held by BCBS		(\$4,806,500)
9) Cash Reserve Account Balance		\$0
Future Contributions:		\$0
Future Interest:		\$0
Total		\$0
10) NDPERS Wellness Accounts		
My Health Connection		\$0
Employer Based Wellness		\$0
Wellness Benefit Program		\$0
SubTotal		\$0
Total Adjusted for Usage		\$0
11) Total Estimated Funds Available to PERS on June 30, 2009		\$0

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

MONTH	PREMIUM COLLECTED	PREMIUM ADJUSTMENT	TOTAL PREMIUM INCOME	ADMIN EXPENSE \$29.90/Con	NET PREMIUM	INTEREST ON CASH	CLAIMS INCURRED & PAID TO DATE	ESTIMATED IBNR CLAIMS	TOTAL INCURRED CLAIMS(1)	ESTIMATED GAIN / LOSS
Jul-07	\$13,406,857	\$0	\$13,406,857	\$725,404	\$12,681,453	\$0	\$11,185,517	\$0	\$11,185,517	\$1,495,936
Aug-07	\$13,465,027	\$308	\$13,465,336	\$728,334	\$12,737,002	\$8,720	\$12,179,870	\$0	\$12,179,870	\$565,852
Sep-07	\$13,608,834	\$6,878	\$13,615,713	\$736,018	\$12,879,695	\$32,149	\$10,960,802	\$0	\$10,960,802	\$1,951,042
Oct-07	\$13,577,219	\$7,321	\$13,584,540	\$734,822	\$12,849,718	\$44,159	\$13,060,539	\$0	\$13,060,539	(\$166,662)
Nov-07	\$13,584,631	(\$6,547)	\$13,578,084	\$735,480	\$12,842,604	\$38,392	\$13,207,552	\$0	\$13,207,552	(\$326,556)
Dec-07	\$13,568,728	\$5,601	\$13,574,329	\$734,553	\$12,839,776	\$40,841	\$12,535,103	\$0	\$12,535,103	\$345,514
Jan-08	\$13,582,515	\$3,071	\$13,585,586	\$735,121	\$12,850,465	\$39,733	\$13,725,564	\$0	\$13,725,564	(\$835,366)
Feb-08	\$13,622,093	\$1,733	\$13,623,826	\$737,155	\$12,886,671	\$33,024	\$12,290,669	\$0	\$12,290,669	\$629,026
Mar-08	\$13,620,486	(\$2,685)	\$13,617,801	\$737,125	\$12,880,676	\$25,258	\$13,296,739	\$0	\$13,296,739	(\$390,805)
Apr-08	\$13,626,826	\$1,915	\$13,628,741	\$738,171	\$12,890,570	\$21,216	\$13,301,636	\$0	\$13,301,636	(\$389,850)
May-08	\$13,623,071	\$1,798	\$13,624,869	\$737,992	\$12,886,877	\$17,341	\$12,677,492	\$0	\$12,677,492	\$226,726
Jun-08	\$13,644,570	(\$2,237)	\$13,642,333	\$739,128	\$12,903,205	\$27,130	\$12,851,614	\$0	\$12,851,614	\$78,721
Jul-08	\$13,611,228	(\$4,554)	\$13,606,675	\$737,693	\$12,868,982	\$33,409	\$13,924,686	\$0	\$13,924,686	(\$1,022,296)
Aug-08	\$13,622,766	\$25,091	\$13,647,857	\$738,052	\$12,909,805	\$29,181	\$13,010,177	\$0	\$13,010,177	(\$71,191)
Sep-08	\$13,750,651	\$3,180	\$13,753,831	\$745,168	\$13,008,663	\$29,890	\$13,069,660	\$0	\$13,069,660	(\$31,107)
Oct-08	\$13,718,593	\$26,952	\$13,745,546	\$744,480	\$13,001,065	\$21,426	\$15,165,755	\$0	\$15,165,755	(\$2,143,263)
Nov-08	\$13,728,459	\$9,639	\$13,738,098	\$745,497	\$12,992,601	\$19,221	\$12,599,942	\$0	\$12,599,942	\$411,881
Dec-08	\$13,733,851	\$566	\$13,734,417	\$745,557	\$12,988,860	\$13,638	\$15,506,152	\$0	\$15,506,152	(\$2,503,653)
Jan-09	\$13,810,474	(\$5,691)	\$13,804,783	\$749,862	\$13,054,921	\$9,258	\$12,280,749	\$30,000	\$12,310,749	\$753,430
Feb-09	\$13,811,340	(\$5,048)	\$13,806,292	\$749,952	\$13,056,340	\$6,142	\$11,958,888	\$280,000	\$12,238,888	\$823,595
Mar-09	\$13,815,272	(\$6,974)	\$13,808,298	\$749,892	\$13,058,406	\$7,663	\$13,504,030	\$290,000	\$13,794,030	(\$727,961)
Apr-09	\$13,843,570	(\$6,718)	\$13,836,852	\$751,417	\$13,085,435	\$7,498	\$14,219,839	\$400,000	\$14,619,839	(\$1,526,905)
May-09	\$13,823,863	\$30,694	\$13,854,557	\$751,327	\$13,103,229	\$7,229	\$13,790,844	\$550,000	\$14,340,844	(\$1,230,386)
Jun-09	\$13,854,872	(\$7,670)	\$13,847,202	\$752,344	\$13,094,858	\$19,787	\$12,836,831	\$1,000,000	\$13,836,831	(\$722,186)
BIENNIAL										
TOTAL	\$328,055,797	\$76,623	\$328,132,421	\$17,780,542	\$310,351,879	\$532,306	\$313,140,650	\$2,550,000	\$315,690,650	(\$4,806,465)

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



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Memorandum

TO: PERS Board
FROM: Bryan
DATE: November 2, 2009
SUBJECT: NDPERS Prescription Drugs Update

The NDPERS Health Plan cost sharing for prescription drugs for the 2009-11 biennium is:

Prescription Formulary Generic Drug			
- Copayment	\$5	\$5	\$5
- Co-Insurance	15%	15%	15%
Prescription Formulary Brand-Name Drug			
- Copayment	\$20	\$20	\$20
- Co-Insurance	25%	25%	25%
Prescription Non-Formulary Drug			
- Copayment	\$25	\$25	\$25
- Co-Insurance	50%	50%	50%

The data for the latest year (7/2008 – 6/2009) shows the average charge for a generic drug at \$54.82 and the average charge for a brand name drug at \$215.60 per script. This compares to \$53.96 generic and \$190.93 brand for 7/07-6/08. This is an increase of 1.6% generic and 12.9% brand. The average amount the NDPERS Health Plan paid was \$18.84 for a generic and \$125.26 for a brand name. This compares to \$18.75 generic and \$107.89 brand for 7/07-6/08. This is a 16.1% increase for brand and a 0.5% increase for generic. There were 439,234 prescriptions during the 7/08-6/09 period. Note that the Medicare part-D claims are no longer processed through the BCBS/Prime system. The NDPERS generic utilization for this period was at 67%, compared to 63% and 57% the previous two years.

The new mail order pharmacy had only 504 claims for this period (1/10th of 1% of the total) compared to 511 the previous year. Members that are using the mail order option are getting higher cost drugs. The average charges and paid amounts for mail order were:

	Charges	Paid
Generic:	\$169.18	\$62.20
Brand:	\$644.55	\$349.39

The top mail order drugs were:

GENNAME	Frequency	Percent	Cumulative Frequency	Cumulative Percent
CRESTOR	18	3.67	18	3.67
LIPITOR	17	3.47	35	7.14
METFORMIN HCL	16	3.27	51	10.41
PANTOPRAZOLE SODIUM	16	3.27	67	13.67
LEVOTHYROXINE SODIUM	15	3.06	82	16.73
SOSORBIDE MONONITRATE ER	14	2.86	96	19.59
AVONEX	13	2.65	109	22.24
PLAVIX	12	2.45	121	24.69
TRICOR	12	2.45	133	27.14
ZOLPIDEM TARTRATE	12	2.45	145	29.59

The top drugs for the Prescription Drug Plan were:

GENNAME	Frequency	Percent	Cumulative Frequency	Cumulative Percent
AZITHROMYCIN	10346	2.39	10346	2.39
SIMVASTATIN	9653	2.23	19999	4.62
LISINOPRIL	9565	2.21	29564	6.83
LEVOTHYROXINE SODIUM	9265	2.14	38829	8.97
HYDROCODONE/ACETAMINOPHEN	8926	2.06	47755	11.03
LIPITOR	8219	1.90	55974	12.93
AMOXICILLIN	7564	1.75	63538	14.68
HYDROCHLOROTHIAZIDE	6867	1.59	70405	16.27
SERTRALINE HCL	6566	1.52	76971	17.78
METFORMIN HCL	6233	1.44	83204	19.23

Definitions:

- Azithromycin – Antibiotic
- Simvastatin – Generic of Zocor – Cholesterol lowering
- Lisinopril – ACE Inhibitor for high blood pressure (hypertension)
- Levothyroxine Sodium – Synthroid, thyroid hormone
- Hydrocodone – Pain reliever and cough suppressant
- Lipitor – Cholesterol lowering
- Amoxicillin – Antibiotic
- Hydrochlorothiazide – Treats fluid accumulation (edema)
- Sertraline HCL – Anti depressant
- Metformin HCL – Diabetes medication

Note that these are the same top 10 as the previous period although in different order.

If you have any questions or would like to see any other information, I will be available at the NDPERS Board meeting.



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: November 12, 2009
SUBJECT: Public Fund Survey

Attached for your information is the recently released Public Fund Survey published by the National Association of State Retirement Administrators. This report is compiled to provide information on the status of our industry to each of us and the public.



Public Fund Survey Summary of Findings for FY 2008

**Prepared by Keith Brainard
Research Director
National Association of State Retirement Administrators
October 2009**

Table of Contents

About the Public Fund Survey	1
Overview of the Public Pension Community	1
Effects of the 2008 Market Decline	2
Pensions and Retirement Security	3
The Meaning and Implications of Actuarial Funding Ratios	4
Past and Current Funding Levels	6
Investment Returns and Future Funding Levels	9
Asset Allocation and Investment Expenses	10
Membership	11
Contribution Rates	12
Annual Required Contributions	13
Assumptions for Inflation and Investment Return	14
Conclusion, Endnotes and Related Resources	15
System Summary	Appendix A
Actuarial Funding Summary	Appendix B

Abstract

The Public Fund Survey is an online compendium of key characteristics of the nation's largest public retirement systems and is sponsored by the National Association of State Retirement Administrators and the National Council on Teacher Retirement for the purpose of increasing knowledge and understanding of the public pension community. A Summary of Findings is conducted annually to provide an objective overview of overall plan financing, membership and design within these systems. This year's Summary is the first following the sharp drop in global investment markets that occurred in 2008.

As expected, State and local retirement systems have sufficient assets set aside, even after the market downturn, to continue paying promised benefits for decades. However, in the wake of this unprecedented decline, most are in the process of examining benefit levels, financing structures and asset allocations to rebuild reserves and ensure sustainability well beyond that time period. While State and local government employee retirement systems have a long time horizon that allows for a patient and metered approach, the uniqueness in plan design, benefit structure, and governance arrangement between systems will require diversified responses among them.

The fall in asset values has caused aggregate funding levels to move downward from 86.7 percent in FY 07 to 85.3 percent in FY 08. Because public pension actuarial methods are designed to temper the effect of market volatility, public pensions will recognize the investment losses incurred in 2008 over several years. During this recognition period, funding levels are expected to decline, although losses may be partially offset with investment gains. Future funding levels will also be influenced to the extent sponsoring state and local governments consider adjustments to benefit levels and financing arrangements, such as reduced benefits for future hires, reduced future accruals, and/or higher contributions for both employers and employees.

About the Public Fund Survey

The Public Fund Survey is an online compendium of key characteristics of most of the nation's largest public retirement systems. The Survey is sponsored by the National Association of State Retirement Administrators and the National Council on Teacher Retirement.

Beginning with fiscal year 2001, the Survey contains data on public retirement systems that provide pension and other benefits for 13.5 million active (working) members and 6.65 million annuitants (those receiving a regular benefit, including retirees, disabilitants and beneficiaries). Based on the latest information published in annual financial reports, systems in the Survey hold assets of \$2.6 trillion. The membership and assets of systems included in the Survey comprise approximately 85 percent of the entire state and local government retirement system community.

The primary source of Survey data is public retirement system annual financial reports. Data also is taken from actuarial valuations, benefits guides, system websites, and input from system representatives. The Survey is updated continuously as new information, particularly annual financial reports, becomes available. This report focuses on fiscal year 2008, which is reported for 93 of the 101 systems in the survey.

The Public Fund Survey captures key information from public retirement systems that account for some 85 percent of all public pension assets and participants in the U.S.

A key objective of the Survey is to increase the transparency and understanding of the public pension community and public pension funding concepts, by providing a factual and objective basis

on which to discuss many issues related to retirement benefits for public employees. The Public Fund Survey is accessible online at www.publicfundsurvey.org.

This Summary of Findings provides objective descriptions and perspective regarding key areas of public pension activity, such as changes in plans' funding condition, investment returns, membership, contribution rates, and others.

Overview of the public pension community

According to a 2007 study by the U.S. Government Accountability Office, employees of state and local government comprise 12 percent of the nation's full-time workforce. These employees perform a broad range of functions in such roles as public school teachers and administrators, firefighters, judges, police officers, public health officials, correctional officers, transportation workers, game wardens, nurses, engineers, health inspectors, bus drivers, procurement specialists, computer programmers, custodians, and many others.

Retirement benefits play a key role in attracting and retaining qualified employees needed to perform essential public services. These pension plans also provide stable and adequate income replacement in retirement for long-term workers, and ancillary casualty benefits related to disability and death before retirement. Unlike government programs funded out of general revenues, state and local government retirement systems generally are funded in advance, by investing employee and employer contributions during employees' public service. These benefits are distributed in the form of a lifetime payout in retirement. This allows for long-term financing and the majority of revenues to be generated from investment earnings and employee contributions, while also ensuring retirees do not outlive their retirement assets.

The long-term nature of the financing requires funding and asset allocation to be evaluated

regularly to ensure that plans and benefits are sustainable over a long time horizon and continue to accommodate the changing needs of the workforce and policy goals of the sponsoring government.

Like most investors, public pension funds have experienced exceptional market volatility in recent years, punctuated by the sharp decline in equities and other asset classes in 2008. The market decline in 2008 resulted in a median investment return for public pension funds of -25.3 percent for the year,ⁱ and is estimated to have reduced the aggregate market value of all public pension funds by more than \$800 billion.

Public pension plans are designed to withstand market volatility. Even after the market decline, through the use of strategies such as portfolio diversification, long investment and funding horizons, actuarial smoothing of investment gains and losses, and risk-pooling, the vast majority of public pension plans are able to pay promised benefits to retirees for decades into the future. While significant, the loss in assets was less severe than the losses experienced by many individual investors, particularly those with defined contribution plans as their primary retirement benefit, and has been partially offset with strong investment gains to-date in 2009.

Most individuals nearing retirement age who experience a decline in assets similar to that seen by public pension funds likely would be forced to postpone retirement, requiring additional years of work to make up for the losses. A recent study by the Employee Benefits Research Institute (EBRI) found that “nearly one in four (401(k) plan participants) ages 56-65 had more than 90 percent of their account balances in equities at year-end 2007, and more than two in five had more than 70 percent (in equities).”ⁱⁱ As a result, EBRI concluded, depending on several factors (e.g., age, salary, future investment returns), many 401(k) plan

participants would be required to work up to several additional years to recoup the losses from 2008.

Even after the 2008 market decline, with no changes in benefits or financing structures, pension funds covering the vast majority of public employees are able to continue to pay benefits as promised, for decades. This difference between public pension funds and individual retirement accounts is a result of public pension methods and strategies that temper the effects of market volatility, and helps illustrate the important role defined benefit plans play in promoting retirement security.

Effects of the 2008 market decline

The 2008 market decline, combined with other factors, will increase unfunded liabilities—and the cost of amortizing them—for most public pension plans. The extent of cost increases will vary by plan and will depend on several factors, especially the plan’s funding condition prior to the market decline; the adequacy of contributions to the plan by employers and employees; and the plan’s demographic composition. The cost to amortize unfunded liabilities also will be affected by the plan’s actuarial methods, assumptions, and past and future investment returns.

The timing of required cost increases also will vary by plan and will be affected mostly by the date of the plan’s actuarial valuation. Roughly three-fourths of the systems in the Public Fund Survey have a fiscal year-end date of June 30; most of the remaining systems have a fiscal year- end of 12/31. Because the steepest portion of the market decline occurred in October and November 2008, public pension plans with an actuarial valuation date prior

With no changes in benefits or financing structures, pension funds covering the vast majority of public employees are able to continue to pay benefits as promised, for decades.

to that period have not yet begun to incorporate those investment losses. Moreover, for many plans, the actuarial valuation date lags the system's fiscal year-end date. In these cases, the process of recognizing investment losses will be delayed further, typically by one year. In the interim, the performance of investment markets will offset or exacerbate the investment experience of the last few years. (Through the first three quarters of 2009, global equities experienced a robust recovery.)

The lag time between an actuarial event and a plan's actuarial valuation date, combined with other strategies employed to cushion the effects of market volatility, serves as an early warning signal of the future direction of the plan's funding level and required costs, giving plan administrators and policymakers an opportunity to plan and budget for changes to a pension plan's contribution rates and, if necessary, to its design and financing arrangements. In addition to contribution rate adjustments, these changes might also include some combination of lower benefits for future participants, or lower future benefit accruals for current participants, or both; and modifications to actuarial methods, assumptions, and processes.

Authority to revise benefit and financing arrangements varies widely among states, depending on a combination of constitutional and statutory provisions, and case laws. In some cases, policymakers may modify future benefit accrual patterns for existing plan participants. In other cases, once an employee has begun participating in the pension plan, that employee is entitled to continue to accrue benefits throughout her or his employment with the plan sponsor, with little or no change permitted.

Most plans use a five-year smoothing period (see Figure H on page 9); for these plans, incorporating the full effect of the 2008 market decline will last at least through 2013. The effects of the 2008 decline will take longer to incorporate for plans using a

longer smoothing period, as well as for those whose actuarial valuation dates lag their fiscal year-end date.

Modifying plan designs, financing arrangements, and actuarial methods is not new among public pension plans. Defined benefit plans are flexible and are structured to accommodate such changes while retaining their core elements: a) a benefit that cannot be outlived; b) a benefit based on the participant's salary and length of service; and c) assets that are pooled and professionally managed. The higher costs associated with increased unfunded liabilities caused by the sharp declines in 2008 are, however, likely to spur an increase in the number of plan sponsors considering adjustments. In fact, in 2009, a handful of states have approved modifications to the pension plan design for existing participants or future hires, or both; to financing arrangements, including higher contribution rates for employers, employees, or both; and to actuarial methods and processes.

Pensions and retirement security

The retirement security of working Americans presently appears shaky outside the public sector, due not only to the nation's heavy use of a retirement plan model that has been found to be undependable in its ability to provide reliable retirement income, but also due to low relative rates of participation in employer-sponsored retirement plans. According to the U.S. Bureau of Labor Statistics, fewer than one in five workers outside the public sector has access to a defined benefit plan, and many private sector employers offer no retirement benefit to their employees. Even when employees have access to an employer-sponsored retirement benefit, nearly one-fourth elect to not participate.

Of those private sector employees who do have access to an employer-sponsored retirement benefit, the vast majority of retirement plans offered are

defined contribution (DC) plans, such as a 401(k). The composite picture is one in which many workers outside the public sector are not participating in their employer-sponsored plan, and of those who are, the dependability of the available plan to produce an adequate stream of income for life, is questionable.

For most states and local governments, retirement security of retired workers is a policy that is being achieved. This is due chiefly to the provision by most public employers of a defined benefit plan featuring elements known to advance retirement security. Namely:

- mandatory participation
- mandatory annuitization, meaning that retiring participants must take their benefit as a lifetime annuity
- pooled assets that are professionally invested
- cost-sharing of contributions by employees and employers.

These plan design features promote retirement security by: a) helping ensure that workers not only have access to, but also participate in the employer-sponsored retirement plan; b) increasing the number of retiring workers who take their retirement assets as a lifetime annuity; c) keeping administrative and investment costs low; and d) maintaining the fund's stream of revenue and reducing taxpayers' costs.

Also, according to one study, by pooling assets and risk and generating higher investment returns for all plan participants, defined benefit plans deliver the same retirement benefit at nearly one-half of the cost of a defined contribution plan.ⁱⁱⁱ DB plans also are designed to assist public employers to attract and retain workers needed to perform essential public services; to promote an orderly turnover of workers, particularly among those who have reached an age at which they may be unable to

perform the duties required of their position; and to enhance the retirement security of a large segment of the nation's workforce.

The Meaning and Implications of Actuarial Funding Ratios

The most recognized measure of a public retirement plan's ability to meet current and future obligations is its actuarial funding ratio, derived by dividing the actuarial value of a plan's assets by the value of its liabilities. Pension benefits for public employees usually are funded in advance, meaning that a significant portion of the assets needed to fund pension liabilities is accumulated during an employee's working life, which is paid during the participant's years in retirement.

Such "pre-funding" is one way of financing a pension benefit. The opposite of pre-funding is pay-as-you-go, an arrangement under which current benefit obligations are paid with the pension plan sponsor's current revenues. In most cases, a pay-as-you-go pension plan eventually becomes too expensive to support with only current receipts and contributions. By contrast, investment earnings account for most revenue generated by a pre-funded pension plan, reducing required contributions from employees and employers (taxpayers).

Funded status is a spot measure of the degree to which a plan is on course to meet a distant goal. A pension plan whose assets equal its liabilities at one point in time, is funded at 100% and considered to be *fully funded*. A plan with assets less than its accrued liabilities at one point in time is considered *underfunded*.

Underfunding is a matter of degree, not of kind: the status of a plan whose funding level declines from 101 percent in year one to 99 percent the following year, changes from overfunded to underfunded. Yet despite this diametric shift in terminology, the reality of the plan's funding condition has changed little. The fact that a plan is underfunded is not

necessarily a sign of fiscal or actuarial distress; many pension plans remain underfunded for decades without causing fiscal stress for the plan sponsor or reducing benefits to current beneficiaries. The critical factor in assessing the current and future health of a pension plan is whether or not funding its liabilities creates fiscal stress for the pension plan sponsor.

Although a pension plan that is fully funded is preferable to one that is underfunded, other factors held equal, a plan's funded status is simply a snapshot in a long-term, continuous financial and actuarial process. A plan's funding level is akin to a single frame of a movie that spans decades. Because public pensions are "going concerns," operating essentially as perpetual entities, there is nothing particularly important about being fully funded at any particular point. Likewise, the fact that a plan is underfunded does not necessarily

Attaining full funding of a pension plan has been likened to a mortgage. At the end of the process, when fully paid, the mortgage would be considered fully funded. Although at any point during the 30-year mortgage, the outstanding liability may be considered an unfunded liability, more relevant considerations are a) whether the mortgage holder has the resources to continue making payments until the obligation is resolved; and b) whether the obligation is indeed being amortized. The size of a mortgage-holder's outstanding obligation reveals little about the holder's financial condition. The length of the mortgage and the ability of its owner to amortize the obligation without financial hardship are more relevant indicators.

Likewise, more pertinent considerations with regard to funding a public pension plan are the ability of the plan sponsor to continue to pay promised benefits and to make required contributions without

The critical factor in assessing the current and future health of a pension plan is whether or not funding its liabilities creates fiscal stress for the pension plan sponsor.

present a fiscal or actuarial challenge to the plan sponsor.

The effect of the 2008 market decline was sufficient to prompt most plans to evaluate whether adjustments are required with respect to their level of benefits and financing structure in order to regain long-term actuarial solvency. Yet even with no changes to funding policies or plan design, based on current contribution levels and projected benefit obligations, most public pension plans are positioned to continue paying promised benefits for decades. Public pension liabilities typically extend years into the future, during which the pension fund can accumulate the assets needed to fund its liabilities.

causing fiscal stress, and whether the plan's unfunded liability is being amortized.

All plans, underfunded and fully funded alike, that are open to newly hired workers, rely on future contributions and investment returns. A key difference between underfunded and fully funded plans is that underfunded plans require additional revenue to amortize the shortfall between assets and accrued liabilities. The degree of underfunding and its associated cost to the plan sponsor are key considerations in assessing a plan's overall condition.

Other factors indicative of a pension plan's health include the:

- length of the funding amortization period
- required current and future contribution rates

- plan's demographics
- plan's actuarial assumptions
- sustainability of the plan design
- plan's governance structure
- fiscal health of the plan sponsor
- commitment of the plan sponsor to continue funding the plan

Information about these factors is provided in annual reports and other material published by most public retirement systems.

Past and Current Funding Levels

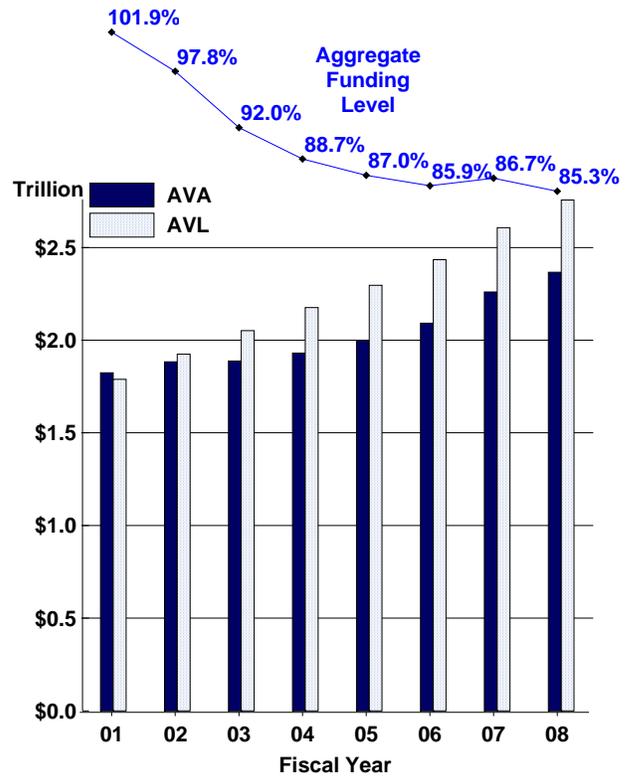
The aggregate public pension funding level declined in FY 08, from 86.7 percent to 85.3 percent. Figure A summarizes aggregate assets and liabilities and the resulting actuarial funding ratio for plans in the Public Fund Survey. The bar graph reflects assets and liabilities for 110 plans for which data is available for all the years in the period.

Following the market decline of 2000-2002, the aggregate funding level fell from FY 01 to FY 06, rising again in FY 07 due chiefly to investment gains that began in 2003, and to lower rates of liability growth. In response to declining investment markets beginning in October 2007, funding levels dropped in FY 08.

As described previously, public pensions are designed to absorb the shock of volatility in actuarial experience, including variations from expected levels of investment performance. This is achieved through the use of actuarial smoothing methods, which phase in investment gains and losses; funding amortization periods (that average approximately 25 years for plans in the Survey); and through use of a discount rate that is based on historic and projected long-term investment returns for individual asset classes and for the fund as a whole.

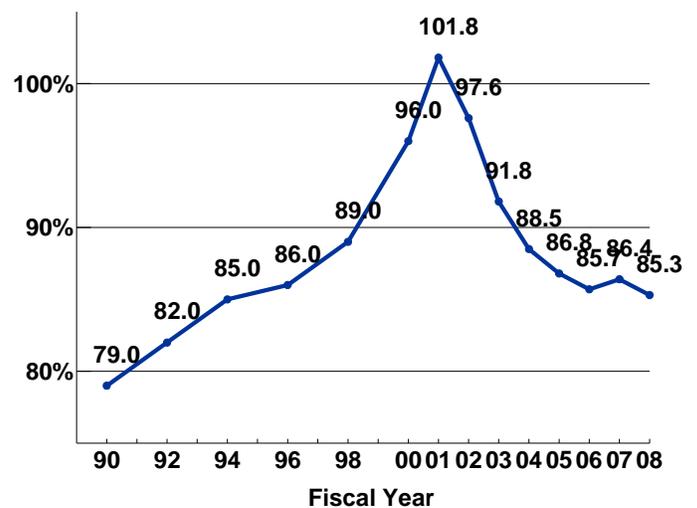
Figure B shows the change in the aggregate public pension funding level since 1990. Responding

Figure A: Change in aggregate actuarial value of assets, liabilities, and funding levels, FY 01 to FY 08



chiefly to changes in equity values, funding levels improved sharply during the 1990s, then declined beginning in 2002.

Figure B: Change in aggregate public pension funding level, FY 90 to FY 08



Standard & Poor's and Public Fund Survey

Operating under federal regulations known as ERISA, corporate pension plans are limited in their ability to moderate the effects of market volatility and required changes in plan costs. This difference in regulatory oversight is due chiefly to the fact that, unlike public sector entities, corporations can be acquired or declare bankruptcy and their pension plans can be terminated. As a result of ERISA, the aggregate funding level and required employer costs of corporate plans is significantly more volatile than that of public plans.

Figures C and D illustrate the contrast in funding levels and contributions between corporate and public pension plans. The volatility and uncertainty surrounding required costs for corporate pensions has been identified as a major factor in the decision by many corporations to freeze or terminate their pension plan. By contrast, public pension plan funding levels and contributions are designed to absorb change more slowly, due to their status as “going concerns.” As a result, public plans experience less dramatic year-to-year changes in funding levels and costs.

Figure C: Comparison of corporate and public pension funding levels, FY 00 to FY 08

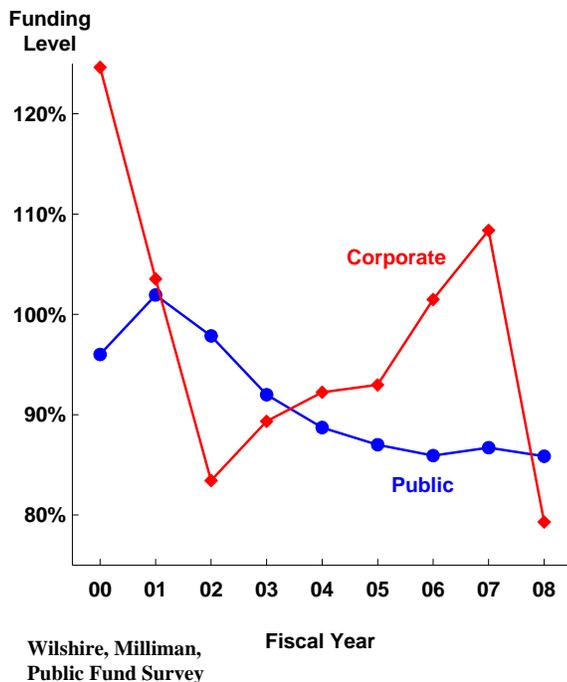
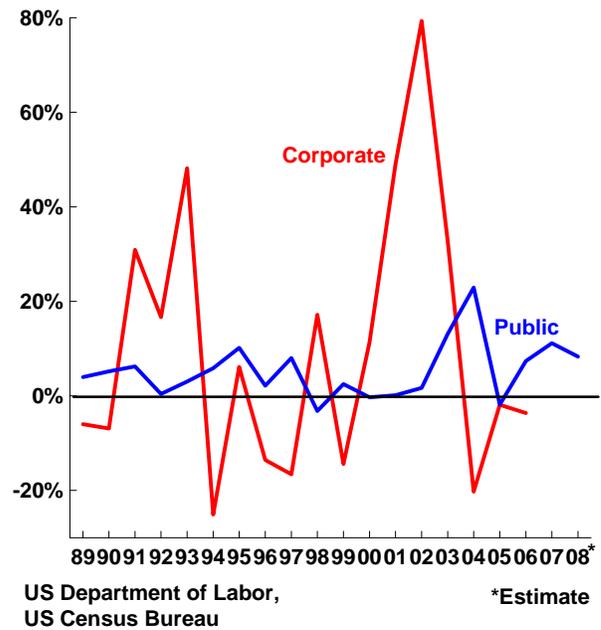


Figure D: Comparison of change from prior year in corporate and public pension contributions, 1989-2006



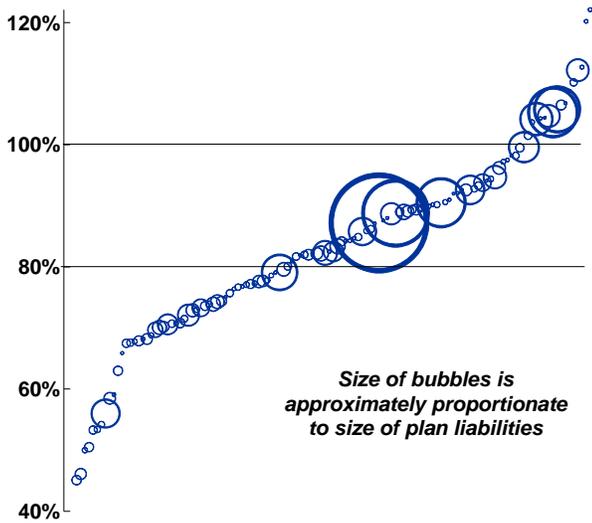
(Corporate pension contribution data, supplied by the U.S. Department of Labor, is available only through 2006.)

Figure E plots funding levels of the 125 plans in the Survey. The size of each circle on the chart is roughly proportionate to the size of the plan’s liabilities: larger bubbles signify larger plans, and smaller bubbles notate smaller plans.

The funding level for most plans is based on FY 08 data. Roughly three-fourths of systems in the Survey use a fiscal year-end date of June 30, most other plans have a FY-end date of 12/31, and the others have FY-end dates in-between.

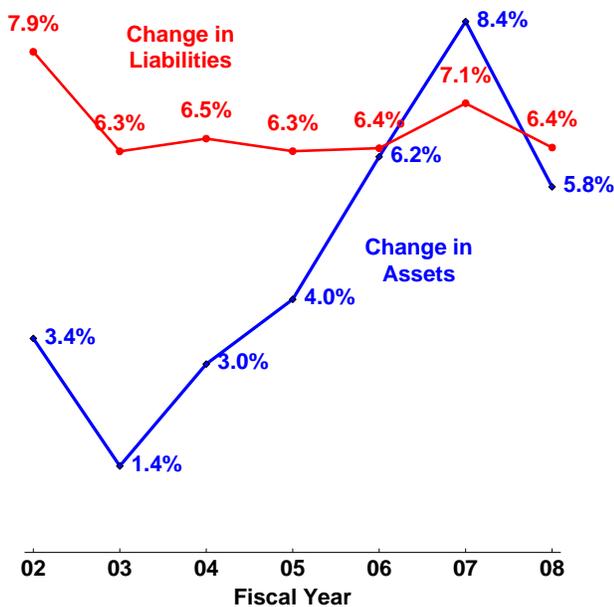
Actuarial valuation dates for nearly one-half of the plans lag behind the system’s fiscal year-end date, usually by one year. Only 10 plans in the Survey had an actuarial valuation conducted at the end of 2008, which incorporated the steepest portion of the 2008 market decline.

Figure E: Distribution of actuarial funding levels for plans in the Public Fund Survey, based on latest available data



Generally, larger plans in the Survey have higher funding levels than smaller ones: plans funded above 80 percent comprise nearly three-fourths of the actuarial assets of all plans in the survey. The median funding level is 82.5 percent, down from 84.3 percent in FY 07.

Figure F: Median change from prior year in actuarial value of assets and liabilities



For a plan’s funding level to improve, the rate of growth in assets must exceed the rate of liability growth. Growth in liabilities is affected by a variety of factors, including salary growth, changes in benefits, and economic and demographic changes. As Figure F shows, FY 08 median liability growth exceeded growth in assets, a change that is consistent with the decline in the aggregate funding level.

Although comparing public pension funding levels against other plans may be tempting, such a comparison must also recognize the limitations of doing so, as important differences among plans can render comparisons misleading. Some of these differences are the:

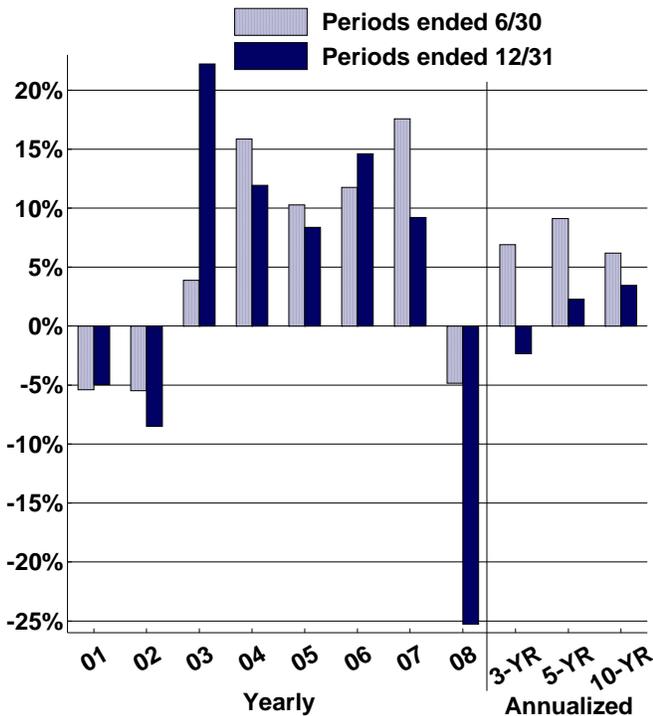
- level of required employee and employer contributions;
- plan sponsor(s)’ commitment and ability to make required contributions;
- fiscal condition of the plan sponsor;
- plan’s demographic makeup;
- level of benefits provided by the plan;
- plan’s governance structure, including the ability (or inability) to modify the plan design and financing structure;
- plan sponsor’s level of support for the pension plan;
- plan’s amortization period(s);
- required benefit payments in the current and future years relative to the plan’s asset base; and
- the pension fund’s investment performance, risk tolerance, and expected investment return.

Any analysis of a public pension plan’s financial or actuarial condition must take these and other factors into account, and failure to do so creates a risk of misunderstanding or misrepresenting the plan’s true condition.

Investment returns and future funding levels

Over time, investment earnings account for the majority of public pension fund revenues. From 1982 through 2008, investment earnings accounted for 58 percent of all public pension revenue.^{iv} The prominence of investment earnings in the financing arrangement magnifies the role of a pension fund's investment return on its funding condition.

Figure G: Median annual public pension fund investment returns (in percent) for years ended 6/30 and 12/31, 2001 to 2008



Source: Callan Associates

Figure G plots median public pension fund investment returns for the most-used fiscal year-end dates (6/30 and 12/31) for FY 01 to FY 08. This chart also illustrates the volatility in public pension investment returns in recent years. The chart also depicts the sharp contrast between returns for periods ended June 30 and December 31, 2008 resulting from the sharp market decline during the second half of 2008. As actuarial valuations incorporate more of the market decline, regardless

of the date of the valuation, funding levels for nearly all plans will decline.

As with most investors, public pension funds experienced major losses during the decline in global investment markets that occurred from October 2007 until March 2009. As these losses are incorporated into public pension plan actuarial valuations, funding levels will decline and unfunded liabilities will grow. The extent of the decline in funding levels will vary widely among plans, based especially on the plan's funding condition prior to the market decline and its investment returns in 2008 and in subsequent years.

Although funding levels in FY 09 and the next few years are projected to be lower, the market declines experienced in 2008 have been partially offset by improving investment markets through the third quarter of 2009. Market volatility is a primary reason that most public pension plans employ techniques to phase in their investment gains and losses, rather than basing funding levels (and required costs) on a single, point-in-time market value figure.

Figure H: Distribution of smoothing periods used to calculate actuarial value of plan assets

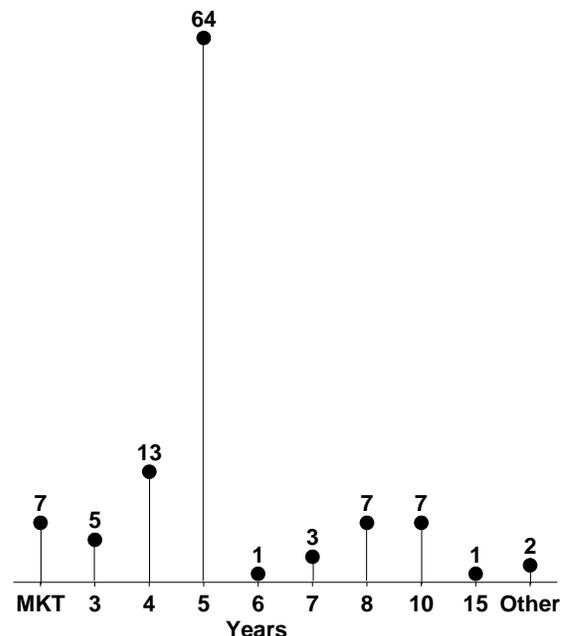
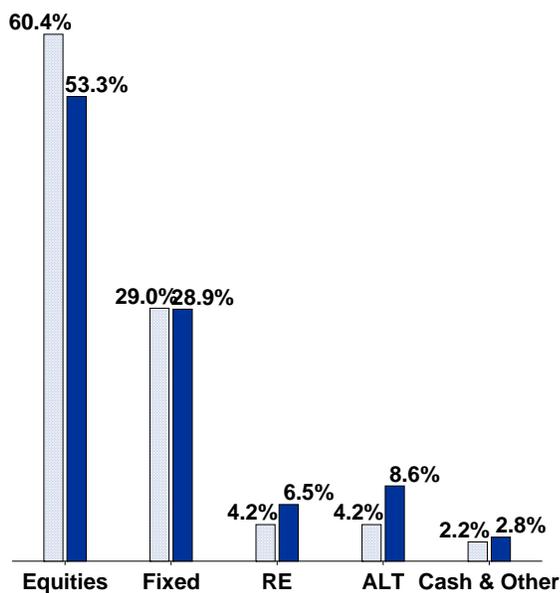


Figure H presents the distribution of periods used to determine plans' actuarial value of assets. Five years remains the predominant length of smoothing periods, although more plans are now using periods longer than five years than were several years ago. All plans that use eight years are part of the Washington State Department of Retirement Systems.

Asset Allocation and Investment Expenses

Figure I compares average asset allocations between FY 04 and FY 08 for systems in the Survey. While the fixed income allocation has barely changed, increased allocations to real estate and alternatives (chiefly private equity and hedge funds) have occurred via a reduction in equity allocations. This increased diversification reflects an effort by most public funds to retain expected returns at lower levels of risk, or to increase projected returns at the same level of expected portfolio risk.

Figure I: Comparison of average asset allocation, FY 04 and FY 08

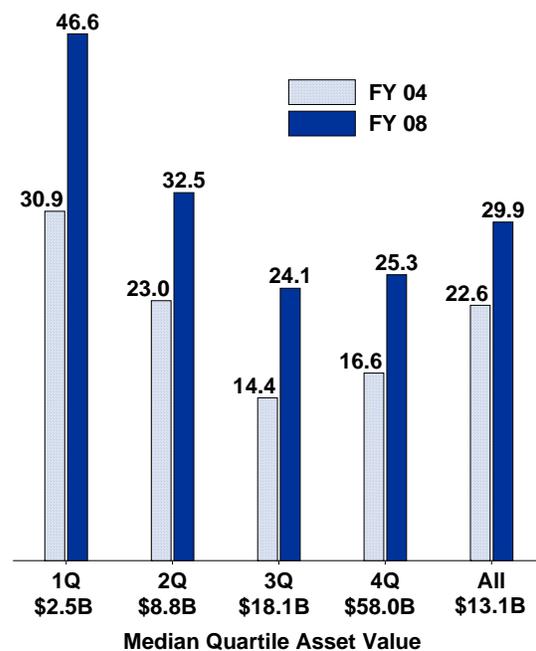


Investment management expenses paid by public funds have been rising in recent years, as evidenced in Figure J, which compares FY 04 and FY 08 median investment expenses, by quartile, for the 90

funds in the Survey for which this data is available. Median costs in each quartile are higher in FY 08 than they were in FY 04, likely due to increased use of real estate and other alternatives. Anecdotal evidence indicates that many large funds are working to negotiate lower fees for these types of investments.

Larger funds usually are able to use their size to negotiate lower asset management fees than smaller funds and individual investors. Perhaps because larger funds are more likely to be invested in alternative classes (which typically cost more to manage than other asset classes), expenses for the largest quartile are higher than those for the third quartile of funds.

Figure J: FY 04 and FY 08 median investment management expenses, by quartile



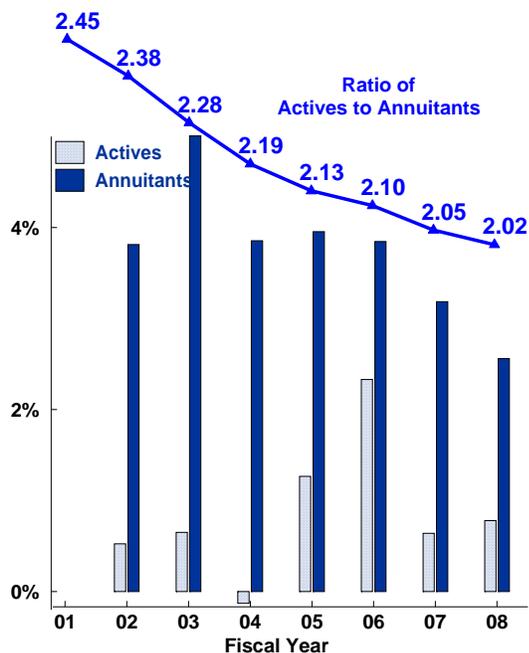
The median cost to administer plans in the Survey is under 10 basis points, or 0.10 percent of assets. Combined with investment management costs, the total cost of administering a typical public pension plan is considerably lower than that of a typical defined contribution plan, whose costs generally are 1.25 percent to 2.0 percent of assets.

Membership Changes

The Survey tracks two groups of members: actives, who are working and currently receiving service credit in their retirement plan; and annuitants, which includes any member receiving a regular benefit from the system: retirees, beneficiaries and disabilitants.

Figure K summarizes the percentage changes from the prior year in these membership groups from FY 01 to FY 08. Due largely to the aging of the nation's workforce, the rate of growth in annuitants has been outpacing the rate of growth in active (working) members. As the chart shows, the ratio of actives to annuitants has declined from 2.45 in FY 01 to 2.02 in FY 08. The number of annuitants among plans in the Public Fund Survey has increased since FY 01 by some 30 percent.

Figure K: Percentage change over prior year in active members and annuitants, FY 01 to FY 08, and change in ratio of actives to annuitants



By itself, a declining ratio of actives to annuitants does not pose a problem to a public pension plan's actuarial condition, because most public pensions fund the cost of their benefits in advance. However, to the extent that a plan is underfunded, a low or

declining ratio of actives to annuitants can complicate the plan's ability to move toward full funding, as fewer active, contributing workers, relatively, are available to amortize the plan's unfunded liability. An extreme example of this is evident in the case of pension plans that are closed. If a closed plan has an unfunded actuarial liability, its cost, as a percentage of payroll, will rise, often precipitously, as the liability is distributed among a diminishing pool of active participants.

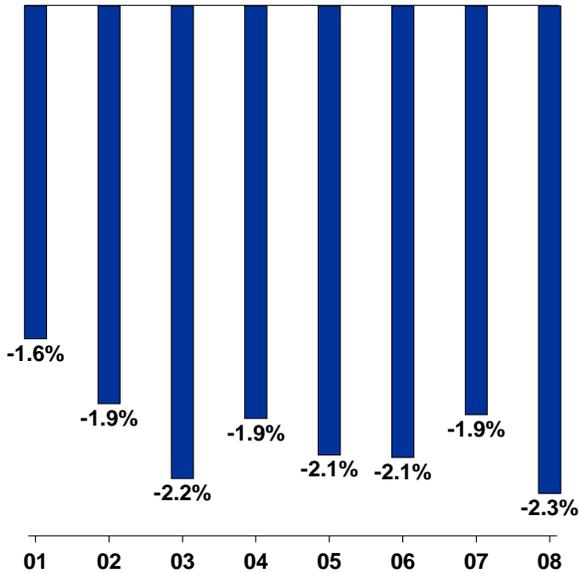
A declining ratio of actives to annuitants also can have financial and operational effects on a retirement system. For example, fewer active members create a larger negative cash flow (contributions minus benefit payments and administrative expenses). At a certain point, a negative external cash flow can require a pension fund to allocate a larger percentage of its assets to more liquid securities, or to make other adjustments to its asset allocation which may reduce long-term investment returns. In addition, as a group, annuitants tend to require more time and attention than actives from the retirement system staff. This is likely because annuitants are reliant, to some degree, on current income from the system, and are more attuned to the system's activities and operations.

Figure L displays the median external cash flow among systems in the Public Fund Survey. External cash flow is the difference between a fund's revenue from non-investment earnings sources (chiefly contributions), and the fund's required expenditures (chiefly benefits and administrative expenses). Eighty-four of the 91 systems (92 percent) whose external cash flow was measured in FY 08, had a negative external cash flow.

External cash flows for most systems are expected to become increasingly negative over time. This is a normal development for a pension plan in an aging society, and the degree of the negative cash flow

will also be affected by the 2008 decline in market values.

Figure L: Median external cash flow for systems in the Public fund Survey, FY 01 to FY 08



Contribution rates

Nearly all employees of state and local government are required to make contributions to defray the cost of their retirement benefit. According to the U.S. Census, from 1982 to 2006, contributions from employees and employers accounted for approximately 14 and 28 percent, respectively, of public pension fund revenues (investment earnings make up the difference).^v Contribution rates for employees usually are set as a fixed percentage of pay. The treatment of employer contributions varies by system: some also are fixed, others vacillate on the basis of actuarial results or the plan sponsor's fiscal condition. Although employee contributions are the smallest of the three main public pension sources of revenue, they also are the most steady and reliable, providing a predictable stream of revenue that typically is used to help fund plan benefits.

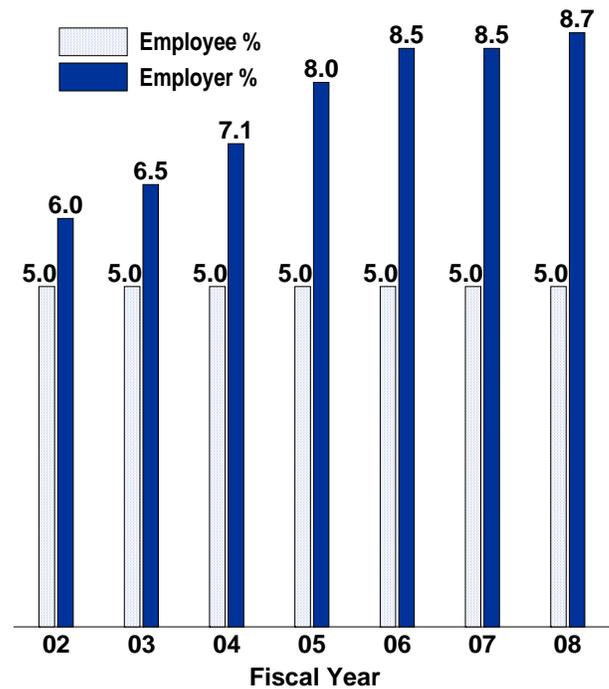
Figure M plots median contribution rates for employers and employees since FY 02 for general employees and school teachers who also participate

in Social Security. This data does not include public safety personnel, such as firefighters and police officers, or narrow employee groups, such as legislators or judges.

Median employer contribution rates for workers who participate in Social Security rose to 8.7 percent of pay. The median and modal employee contribution rate for this group remained five percent of pay.

Approximately one-fourth of all employees of state and local government do not participate in Social Security, including nearly one-half of public school teachers, a majority of firefighters and police officers, and most or substantially all public employees in Alaska, Colorado, Louisiana, Maine, Massachusetts, Ohio, and Nevada. Contribution rates usually are higher for non-Social Security eligible employers and workers, because benefits usually also are higher to offset the lack of Social Security.

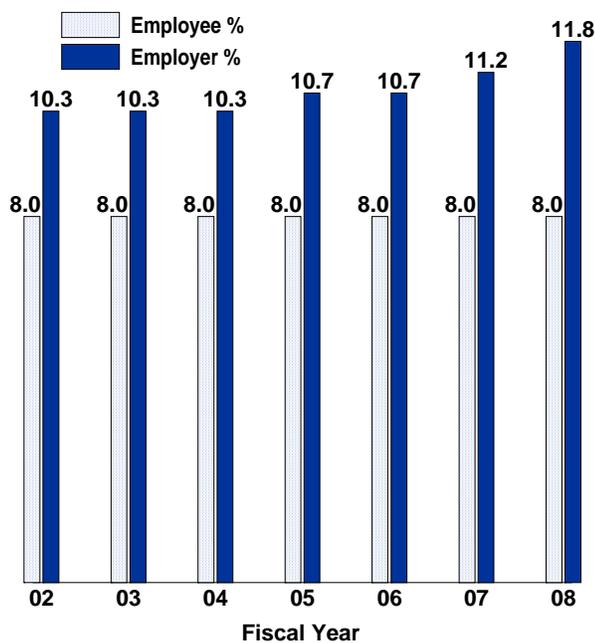
Figure M: Median employee and employer contribution rates as a percentage of pay, Social Security-eligible workers, FY 02 to FY 08



As shown in Figure N, median employer contribution rates for non-Social Security-eligible workers rose in FY 08 to 11.8 percent of pay, up from 11.2 percent in FY 07. Depending on the plan, higher employer rates may be a result either of higher required costs or additional resources available to plan sponsors to make required contributions, or both.

Employers and employees participating in non-Social Security plans each avoid the 6.2 percent contribution used to fund Social Security, but they are required to pay the 1.45 percent Medicare contribution.

Figure N: Median employee and employer contribution rates as a percentage of pay, non-Social Security-eligible workers, FY 02 to FY 08



Annual Required Contributions

A plan’s annual required contribution, or ARC, is calculated by an actuary and reflects the amount needed to fund benefits accrued in the current period (the normal cost) plus the amount needed to retire the plan’s unfunded liability over the plan’s funding period. Failure to make required contributions is a major contributor to public pension plans’ unfunded liabilities. Although many

plan sponsors consistently make their full ARC, some consistently fail to make their ARC. In a recent study of public pensions, the Government Accountability Office stated that many of the plan sponsors failing to pay their ARC also had plans in relatively poorer funding condition. “[T]he failure of some [plan sponsors] to consistently make the annual required contributions undermines [funding] progress and is cause for concern, particularly as state and local governments will likely face increasing fiscal pressure in the coming decades. While unfunded liabilities do not generally put benefits at risk in the near-term, they do shift costs and risks to the future.”^{vi}

Figure O: Average annual required contribution paid and percentage of plans paying at least 90 percent of their ARC, FY 01 to 08

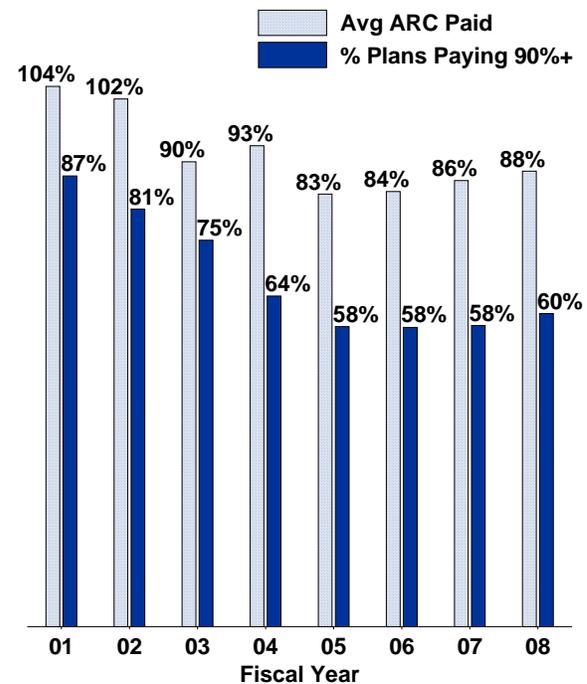


Figure O plots ARC history for plans in the Survey on the basis of two measures: the overall average ARC paid, and the percentage of plans receiving at least 90 percent of the ARC. Each plan in the Survey is equally weighted and these results are not weighted by plan size. At 88 percent, the overall average ARC paid by public plan sponsors in FY 08

was marginally higher than in previous years, but still below the 100+ percent level of FY 01. At 60 percent, the percentage of plan sponsors paying at least 90 percent of their ARC was slightly higher in FY 08 than in the last few years.

The method for setting employer contribution rates varies; some plan sponsors set the rate on the basis of the ARC; others pay a fixed percentage of employee pay; and still others base their contribution on how much funding is available.

Although employer pension contributions are estimated to have roughly doubled from 2002 to 2008, the average ARC paid in FY 08 remains below that of FY 02. This is because the ARC for most plans has increased faster than the increase in employer contributions, primarily due to increased costs required to amortize unfunded liabilities that resulted from the 2000-2002 market decline.

Assumptions for Inflation and Investment Return

Among the many actuarial assumptions used to calculate a plan's liabilities, rates of inflation and investment return exert a major effect on plan costs. The assumed inflation rate affects actual and projected wage growth, which is a major driver of benefit levels. Inflation also is one component of the investment return assumption; the other is the assumed real return, which is the investment return net of inflation.

Figure P plots the distribution of inflation assumptions among plans in the Public Fund Survey based on the latest available data. Many plans have reduced their inflation assumptions in recent years, resulting in a median and modal assumption of 3.5%. Most plans in the Survey use an inflation assumption between 3.0 percent and 3.5 percent. For the 25-year period ended in 2008, the average rate of inflation, based on the most-recognized inflation indicator published by the U.S. Bureau of Labor Statistics, was 3.0 percent.^{vii}

Figure N: Distribution of inflation assumptions, (most are as of FY 08)

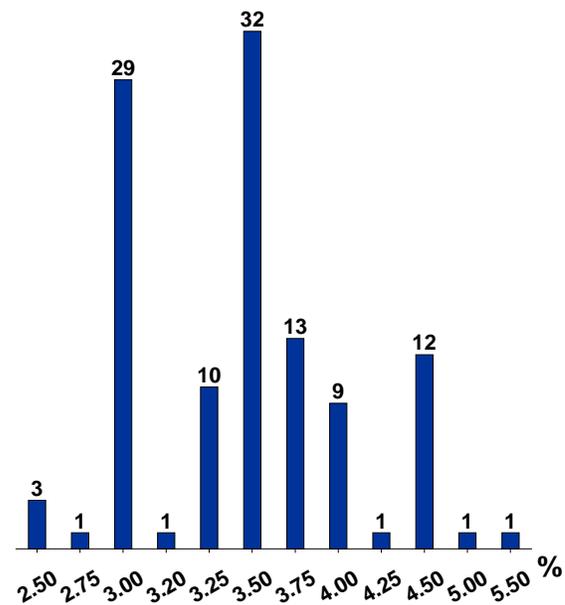
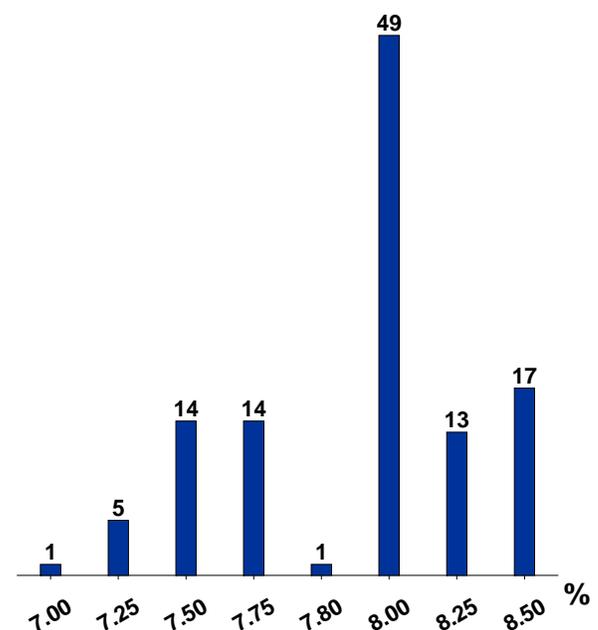


Figure Q plots the distribution of investment return assumptions. As with inflation assumptions, investment return assumptions for many plans have been reduced in recent years. In particular, all investment return assumptions in the Public Fund Survey above 8.5 percent have been reduced. The median and modal assumption remains 8.0 percent.

Figure Q: Distribution of investment return assumptions, FY 08



Conclusion

Although the overall funding level of plans in the Public Fund Survey declined only slightly in FY 08, the sharp drop in asset values in 2008 will drive funding levels for most plans lower in the next few years. The impact of the decline will depend on multiple factors, particularly the plan's funding condition entering 2008, its investment experience in 2008 and in subsequent years, and the fiscal condition of the plan sponsor(s).

The timing of lower funding levels will be affected largely by the date of plans' actuarial valuations,

and also by the length of plans' smoothing period. Absent dramatic improvements in investment markets, public pension funding levels will be lower in FY 09 and the ensuing three to five years, and costs for most plans will be higher. Employee contributions will play a role, to some degree, in blunting higher required costs, and the delay between the market declines and the implementation of higher costs gives plan sponsors an opportunity to prepare. Strong growth in global equity markets to-date in 2009 will help to offset a portion of the 2008 declines.

End Notes

ⁱ Callan Associates, "Plan Sponsor Universe, Median Returns for Periods Ended 12/31/08"

ⁱⁱ Employee Benefits Research Institute, "The Impact of the Recent Financial Crisis on 401(k) Account Balances," February 2009

ⁱⁱⁱ National Institute on Retirement Security (Almeida, Fornia), "A Better Bang for the Buck," August 2008

^{iv} U.S. Census Bureau, "State and Local Government Employee Retirement Systems,"

^v Ibid.

^{vi} Government Accountability Office, "State and Local Government Retiree Benefits: Current Funded Status of Pension and Health Benefits," January 2008

^{vii} Bureau of Labor Statistics, CPI-All Urban Consumers

Related Resources

Center for Retirement Research, Boston College (Munnell, Aubrey, Muldoon), "The Financial Crisis and State/Local Defined Benefit Plans," November 2008

Center for State & Local Government Excellence, (Munnell, Haverstick, Soto), "Why Have Defined Benefit Plans Survived in the Public Sector?," December 2007

Government Accountability Office: "State and Local Government Retiree Benefits: Current Funded Status of Pension and Health Benefits," January 2008

_____ "Current Status of Benefit Structures, Protections, and Fiscal Outlook for Funding Future Costs" September 2007

Moody's Investors Service, "Pension funding may suffer from 2008 stock market declines" November 2008

National Association of State Retirement Administrators/National Council on Teacher Retirement, "Market Declines and Public Pensions," December 2008

National Conference of State Legislatures, "Pension Enactments in State Legislatures"

National Institute on Retirement Security (Almeida, Fornia), "A Better Bang for the Buck," August 2008

Standard & Poor's (Hitchcock, Prunty), "No Immediate Pension Hardship for State and Local Governments, But Plenty of Long-Term Worries," February 2009

U.S. Department of Labor, Bureau of Labor Statistics (Wiatrowski), "The Structure of State and Local Government Retirement Benefits, 2008," February 2009

Appendix A

State	System Name	Market Value of Assets (\$000s)	Actives	Annuitants	As of FYE
AK	Alaska Public Employees Retirement System	6,935,808	29,431	24,063	6/30/2008
AK	Alaska Teachers Retirement System	3,550,798	8,682	9,992	6/30/2008
AL	Retirement Systems of Alabama	26,969,908	228,233	105,656	9/30/2008
AR	Arkansas Teachers Retirement System	11,018,088	70,172	26,801	6/30/2008
AR	Arkansas Public Employees Retirement System	5,638,452	44,427	23,679	6/30/2008
AZ	Arizona State Retirement System	24,962,358	227,730	92,673	6/30/2008
AZ	Arizona Public Safety Personnel Retirement System	5,019,281	21,093	8,241	6/30/2008
AZ	Phoenix Employees Retirement System	1,810,669	9,624	4,497	6/30/2008
CA	California Public Employees Retirement System	238,748,973	838,518	409,318	6/30/2008
CA	California State Teachers Retirement System	161,498,193	455,693	215,641	6/30/2008
CA	Los Angeles County Employees Retirement Association	38,724,671	94,492	52,350	6/30/2008
CA	San Francisco City and County Retirement System	15,832,521	35,396	21,048	6/30/2008
CA	San Diego County Employees Retirement Association	8,389,810	18,041	12,991	6/30/2008
CA	Contra Costa County Employees Retirement Association	3,749,699	9,385	7,012	12/31/2008
CO	Colorado Public Employees Retirement Association	29,320,585	190,684	81,248	12/31/2008
CO	Denver Public Schools Retirement System	2,453,577	7,560	6,186	12/31/2008
CO	Denver Employees Retirement Plan	1,455,545	9,324	6,869	12/31/2008
CT	Connecticut Teachers Retirement Board	12,227,995	53,546	28,042	6/30/2007
CT	Connecticut State Employees Retirement System	8,146,302	48,919	36,705	6/30/2005
DC	District of Columbia Retirement Board	3,734,480	10,482	4,082	9/30/2008
DE	Delaware Public Employees Retirement System	7,059,372	42,119	22,472	6/30/2008
FL	Florida Retirement System	124,466,800	683,811	274,842	6/30/2008
GA	Georgia Teachers Retirement System	50,063,600	225,024	78,633	6/30/2008
GA	Georgia Employees Retirement System	15,144,483	115,761	49,148	6/30/2008
HI	Hawaii Employees Retirement System	11,462,417	65,251	35,324	6/30/2007
IA	Iowa Public Employees Retirement System	22,370,594	167,850	87,490	6/30/2008
ID	Idaho Public Employee Retirement System	10,695,358	66,765	30,912	6/30/2008
IL	Illinois Teachers Retirement System	38,430,723	165,572	91,462	6/30/2008
IL	Illinois Municipal Retirement Fund	18,022,055	181,678	90,170	12/31/2008
IL	Illinois State Universities Retirement System	14,586,325	73,086	45,346	6/30/2008
IL	Chicago Public School Teachers Pension and Retirement Fund	12,772,609	32,968	23,623	6/30/2007
IL	Illinois State Employees Retirement System	10,995,366	66,237	56,111	6/30/2008
IN	Indiana Public Employees Retirement Fund	15,737,079	151,770	63,081	6/30/2008
IN	Indiana State Teachers Retirement Fund	8,563,959	114,237	41,253	6/30/2008
KS	Kansas Public Employees Retirement System	13,193,064	153,804	68,151	6/30/2008
KY	Kentucky Teachers Retirement System	14,076,692	75,539	40,739	6/30/2008
KY	Kentucky Retirement Systems	12,955,383	148,865	81,847	6/30/2008
LA	Louisiana Teachers Retirement System	14,996,250	82,840	61,070	6/30/2008
LA	Louisiana State Employees Retirement System	8,957,888	61,780	37,575	6/30/2008
MA	Massachusetts State Employees Retirement System	22,538,610	85,403	51,058	12/31/2007
MA	Massachusetts Teachers Retirement Board	17,311,137	89,636	50,024	12/31/2008
MD	Maryland State Retirement and Pension System	36,613,710	199,255	112,422	6/30/2008
ME	Maine Public Employees Retirement System	10,849,423	51,402	34,182	6/30/2008
MI	Michigan Public School Employees Retirement System	39,065,741	278,642	167,265	9/30/2008
MI	Michigan State Employees Retirement System	9,781,239	28,568	48,078	9/30/2008
MI	Municipal Employees Retirement System of Michigan	4,512,261	37,135	23,995	12/31/2008
MN	Minnesota Teachers Retirement Association	18,106,966	76,515	46,981	6/30/2008
MN	Minnesota Public Employees Retirement Association	18,064,823	158,233	71,392	6/30/2008
MN	Minnesota State Retirement System	10,143,209	54,522	29,582	6/30/2008
MN	Minneapolis Employees Retirement Fund	1,282,717	552	4,981	6/30/2004
MN	St. Paul Teachers Retirement Fund Association	1,023,640	4,121	2,851	6/30/2008
MN	Duluth Teachers Retirement Fund Association	271,617	1,140	1,243	6/30/2008

Appendix A

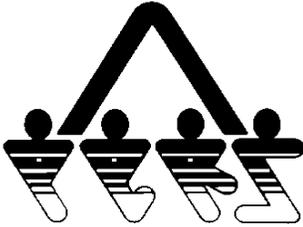
State	System Name	Market Value of Assets (\$000s)	Actives	Annuitants	As of FYE
MO	Missouri Public Schools Retirement System	30,010,701	129,301	60,026	6/30/2008
MO	Missouri State Employees Retirement System	8,011,371	54,542	30,132	6/30/2008
MO	Missouri Local Government Employees Retirement System	3,962,817	31,424	13,356	6/30/2008
MO	MoDOT & Patrol Employees Retirement System	1,718,675	8,581	7,345	6/30/2008
MO	St. Louis Public School Retirement System	810,631	5,021	4,456	12/31/2008
MS	Mississippi Public Employees Retirement System	19,739,790	166,576	76,496	6/30/2008
MT	Montana Public Employees Retirement Board	4,692,647	34,049	19,734	6/30/2008
MT	Montana Teachers Retirement System	2,993,393	18,292	11,788	6/30/2008
NC	North Carolina Retirement Systems	77,544,817	607,389	202,649	6/30/2008
ND	North Dakota Teachers Fund for Retirement	1,846,113	9,651	6,317	6/30/2008
ND	North Dakota Public Employees Retirement System	1,816,811	19,464	7,186	6/30/2008
NE	Nebraska Retirement Systems	8,726,932	54,245	13,226	6/30/2008
NH	New Hampshire Retirement System	5,425,204	50,988	22,870	6/30/2008
NJ	New Jersey Division of Pension and Benefits	85,836,770	523,749	236,541	6/30/2008
NM	New Mexico Public Employees Retirement Association	12,094,973	60,077	25,506	6/30/2008
NM	New Mexico Educational Retirement Board	8,770,044	63,698	31,192	6/30/2008
NV	Nevada Public Employees Retirement System	22,198,009	106,123	38,130	6/30/2008
NY	New York State and Local Retirement Systems	155,845,869	621,917	358,109	3/31/2008
NY	New York State Teachers Retirement System	95,769,336	269,938	136,706	6/30/2008
NY	New York City Employees Retirement System	39,716,826	178,741	128,863	6/30/2008
NY	New York City Teachers Retirement System	32,297,864	109,992	67,576	6/30/2008
OH	Ohio State Teachers Retirement System	66,837,412	173,327	126,506	6/30/2008
OH	Ohio Public Employees Retirement System	49,451,761	374,002	166,516	12/31/2008
OH	Ohio School Employees Retirement System	10,646,564	124,370	64,818	6/30/2008
OH	Ohio Police & Fire Pension Fund	7,757,630	28,864	24,878	12/31/2008
OK	Oklahoma Teachers Retirement System	8,945,859	88,678	45,238	6/30/2008
OK	Oklahoma Public Employees Retirement System	6,255,208	45,120	26,033	6/30/2008
OR	Oregon Employees Retirement System	58,010,291	167,452	105,721	6/30/2008
PA	Pennsylvania Public School Employees Retirement System	62,473,426	264,000	168,000	6/30/2008
PA	Pennsylvania State Employees Retirement System	22,795,813	110,866	108,146	12/31/2008
RI	Rhode Island Employees Retirement System	8,508,799	35,646	22,927	6/30/2007
SC	South Carolina Retirement Systems	26,633,045	225,014	115,310	6/30/2008
SD	South Dakota Retirement System	7,312,107	37,707	19,321	6/30/2008
TN	Tennessee Consolidated Retirement System	31,634,129	212,725	98,230	6/30/2008
TX	Teacher Retirement System of Texas	104,910,498	823,154	275,228	8/31/2008
TX	Texas Employees Retirement System	22,384,273	135,171	79,470	8/31/2008
TX	Texas Municipal Retirement System	14,636,084	100,459	36,863	12/31/2008
TX	Texas County & District Retirement System	12,054,818	120,347	36,509	12/31/2008
TX	Houston Firefighters Relief and Retirement Fund	3,029,159	3,876	2,421	6/30/2008
TX	Austin Employees Retirement System	1,234,496	8,643	3,835	12/31/2008
UT	Utah Retirement Systems	15,886,067	106,261	42,040	12/31/2008
VA	Virginia Retirement System	53,599,632	345,737	136,394	6/30/2008
VA	Educational Employees Supplementary Retirement System	1,858,572	19,599	8,354	6/30/2008
VT	Vermont Teachers Retirement System	1,501,320	10,685	5,555	6/30/2008
VT	Vermont State Employees Retirement System	1,282,494	8,442	4,555	6/30/2008
WA	Washington Department of Retirement Systems	58,061,969	294,201	122,527	6/30/2008
WI	Wisconsin Retirement System	80,390,755	262,856	137,117	12/31/2006
WV	West Virginia Consolidated Public Retirement Board	8,024,034	72,797	50,387	6/30/2008
WY	Wyoming Retirement System	4,621,174	40,687	20,393	12/31/2008
		2,594,869,805	13,515,957	6,651,893	

Appendix B

State	Plan Name	Actuarial Funding Ratio (%)	Actuarial Value of Assets (\$000s)	Actuarial Value of Liabilities (\$000s)	UAAL (\$000s)	Actuarial Valuation Date	As of FYE
AK	Alaska PERS	77.8	6,739,004	8,662,324	1,923,320	6/30/2007	6/30/2008
AK	Alaska Teachers	68.2	3,441,867	5,043,448	1,601,581	6/30/2007	6/30/2008
AL	Alabama Teachers	77.6	20,812,477	26,804,117	5,991,640	9/30/2007	9/30/2008
AL	Alabama ERS	75.7	9,905,766	13,078,687	3,172,921	9/30/2008	9/30/2008
AR	Arkansas Teachers	84.9	11,319,000	13,334,000	2,015,000	6/30/2008	6/30/2008
AR	Arkansas PERS	89.7	5,866,000	6,543,000	677,000	6/30/2008	6/30/2008
AZ	Arizona SRS	82.2	27,851,855	33,870,865	6,019,010	6/30/2008	6/30/2008
AZ	Arizona Public Safety Personnel	68.8	5,095,645	7,405,397	2,309,752	6/30/2008	6/30/2008
AZ	Phoenix ERS	79.1	1,908,414	2,413,365	504,951	6/30/2008	6/30/2008
CA	California PERF	87.2	216,484,000	248,224,000	31,740,000	6/30/2007	6/30/2008
CA	California Teachers	88.8	148,427,000	167,129,000	18,702,000	6/30/2007	6/30/2008
CA	LA County ERS	93.8	37,041,832	39,502,456	2,460,624	6/30/2007	6/30/2008
CA	San Francisco City & County	110.2	14,929,287	13,541,388	(1,387,899)	7/1/2007	6/30/2008
CA	San Diego County	94.4	8,236,926	8,722,294	485,368	6/30/2008	6/30/2008
CA	Contra Costa County	89.9	5,016,137	5,581,048	564,911	12/31/2007	12/31/2008
CO	Colorado School	70.1	21,733,329	31,000,202	9,266,873	12/31/2008	12/31/2008
CO	Colorado State	67.9	13,914,371	20,498,668	6,584,297	12/31/2008	12/31/2008
CO	Denver Schools	84.3	2,944,292	3,493,011	548,719	1/1/2009	12/31/2008
CO	Colorado Municipal	76.4	2,933,296	3,838,083	904,787	12/31/2008	12/31/2008
CO	Denver Employees	98.2	1,950,011	1,985,651	35,640	1/1/2008	12/31/2008
CT	Connecticut Teachers	63.0	11,781,338	18,703,793	6,922,455	6/30/2006	6/30/2007
CT	Connecticut SERS	53.3	8,517,677	15,987,547	7,469,870	6/30/2005	6/30/2005
DC	DC Police & Fire	102.4	2,877,463	2,809,858	(67,605)	10/1/2008	9/30/2008
DC	DC Teachers	102.4	1,502,237	1,466,942	(35,295)	10/1/2008	9/30/2008
DE	Delaware State Employees	103.7	6,751,949	6,549,856	(202,093)	6/30/2008	6/30/2008
FL	Florida RS	105.3	130,720,547	124,087,214	(6,633,333)	7/1/2008	6/30/2008
GA	Georgia Teachers	94.7	52,099,171	54,996,570	2,897,399	6/30/2007	6/30/2008
GA	Georgia ERS	89.4	14,017,346	15,680,857	1,041,490	6/30/2008	6/30/2008
HI	Hawaii ERS	67.5	10,589,773	15,696,546	5,106,773	6/30/2007	6/30/2007
IA	Iowa PERS	89.1	21,857,423	24,522,517	2,665,094	6/30/2008	6/30/2008
ID	Idaho PERS	92.8	10,402,000	11,211,800	(573,400)	7/1/2008	6/30/2008
IL	Illinois Teachers	56.0	38,430,723	68,632,367	30,201,644	7/1/2008	6/30/2008
IL	Illinois Municipal	82.2	21,061,054	25,611,199	4,550,145	12/31/2008	12/31/2008
IL	Illinois Universities	58.5	14,586,300	24,917,700	10,331,400	6/30/2008	6/30/2008
IL	Chicago Teachers	80.1	11,759,699	14,677,184	2,917,485	6/30/2007	6/30/2007
IL	Illinois SERS	46.1	10,995,366	23,841,280	12,845,914	6/30/2008	6/30/2008
IN	Indiana PERF	98.2	12,220,934	12,439,798	218,864	7/1/2007	6/30/2008
IN	Indiana Teachers	45.1	8,476,559	18,815,812	10,339,253	6/30/2007	6/30/2008
KS	Kansas PERS	70.8	13,433,115	18,984,915	5,551,800	12/31/2007	6/30/2008
KY	Kentucky Teachers	68.2	15,321,325	22,460,304	7,138,979	6/30/2008	6/30/2008
KY	Kentucky County	77.1	7,482,370	9,707,340	2,224,970	6/30/2008	6/30/2008
KY	Kentucky ERS	54.2	5,820,925	10,747,701	4,926,776	6/30/2008	6/30/2008
LA	Louisiana Teachers	70.2	15,507,834	22,090,516	6,582,682	6/30/2008	6/30/2008
LA	Louisiana SERS	67.6	9,167,170	13,562,214	4,395,044	6/30/2008	6/30/2008
MA	Massachusetts Teachers	73.9	22,883,553	30,955,504	8,071,951	1/1/2008	12/31/2008
MA	Massachusetts SERS	89.4	20,400,656	22,820,502	2,419,846	1/1/2008	12/31/2007
MD	Maryland Teachers	79.6	23,784,404	29,868,705	6,084,301	6/30/2008	6/30/2008
MD	Maryland PERS	77.2	13,599,717	17,609,769	4,010,052	6/30/2008	6/30/2008
ME	Maine State and Teacher	73.9	8,245,520	11,157,770	2,912,250	6/30/2007	6/30/2008
ME	Maine Local	108.8	2,001,714	1,838,975	(162,739)	6/30/2007	6/30/2008
MI	Michigan Public Schools	88.7	45,335,000	51,107,000	5,772,000	9/30/2007	9/30/2008
MI	Michigan SERS	86.2	11,344,000	13,162,000	1,818,000	9/30/2007	9/30/2008
MI	Michigan Municipal	77.3	5,973,000	7,723,900	1,750,900	12/31/2007	12/31/2008
MN	Minnesota Teachers	82.0	18,226,985	22,230,841	4,003,856	7/1/2008	6/30/2008
MN	Minnesota PERF	73.6	13,048,970	17,729,847	4,680,877	6/30/2008	6/30/2008
MN	Minnesota State Employees	90.2	9,013,456	9,994,602	722,788	6/30/2008	6/30/2008
MN	Minneapolis ERF	92.1	1,513,389	1,643,140	129,751	7/1/2004	6/30/2004
MN	St. Paul Teachers	75.1	1,075,951	1,432,040	356,089	6/30/2008	6/30/2008
MN	Duluth Teachers	82.1	298,067	363,044	64,977	7/1/2008	6/30/2008
MO	Missouri Teachers	83.4	28,751,241	34,490,452	5,739,211	6/30/2008	6/30/2008
MO	Missouri State Employees	85.9	7,838,496	9,128,347	1,289,851	6/30/2008	6/30/2008
MO	Missouri Local	97.5	3,957,069	4,058,829	143,425	2/28/2008	6/30/2008
MO	Missouri PEERS	82.5	2,703,762	3,278,602	574,840	6/30/2008	6/30/2008

Appendix B

State	Plan Name	Actuarial Funding Ratio (%)	Actuarial Value of Assets (\$000s)	Actuarial Value of Liabilities (\$000s)	UAAL (\$000s)	Actuarial Valuation Date	As of FYE
MO	Missouri DOT and Highway Patrol	59.1	1,783,902	3,019,634	1,235,732	6/30/2008	6/30/2008
MO	St. Louis School Employees	87.6	1,014,900	1,158,900	144,000	1/1/2008	12/31/2008
MS	Mississippi PERS	72.9	20,814,720	28,534,694	7,719,974	6/30/2008	6/30/2008
MT	Montana PERS	90.2	4,065,307	4,504,743	439,436	6/30/2008	6/30/2008
MT	Montana Teachers	76.8	3,159,100	4,110,800	951,700	7/1/2008	6/30/2008
NC	North Carolina Teachers and State Empl	104.7	55,283,121	52,815,089	(2,468,032)	12/31/2007	6/30/2008
NC	North Carolina Local Government	99.5	16,791,984	16,868,147	78,588	12/31/2007	6/30/2008
ND	North Dakota Teachers	81.9	1,909,500	2,330,600	421,100	7/1/2008	6/30/2008
ND	North Dakota PERS	92.6	1,609,800	1,737,600	127,800	6/30/2008	6/30/2008
NE	Nebraska Schools	90.6	6,932,919	7,654,536	673,972	7/1/2008	6/30/2008
NH	New Hampshire Retirement System	67.8	5,302,034	7,821,316	2,519,282	6/30/2008	6/30/2008
NJ	New Jersey Teachers	72.1	36,541,084	50,658,278	14,117,194	6/30/2008	6/30/2008
NJ	New Jersey PERS	73.3	29,503,522	40,245,886	10,742,364	6/30/2008	6/30/2008
NJ	New Jersey Police & Fire	74.3	22,747,975	30,620,225	7,872,250	6/30/2008	6/30/2008
NM	New Mexico PERF	93.3	12,836,217	13,761,750	925,533	6/30/2008	6/30/2008
NM	New Mexico Teachers	71.5	9,272,800	12,967,000	3,694,200	6/30/2008	6/30/2008
NV	Nevada Regular Employees	77.7	18,638,028	24,001,041	5,363,013	6/30/2008	6/30/2008
NV	Nevada Police Officer and Firefighter	70.8	4,599,624	6,494,850	1,895,226	6/30/2008	6/30/2008
NY	NY State & Local ERS	105.8	121,116,000	114,525,000	(6,591,000)	4/1/2008	3/31/2008
NY	New York State Teachers	104.2	82,858,900	79,537,200	(3,321,700)	6/30/2007	6/30/2008
NY	New York City ERS	82.5	38,367,100	46,478,800	8,111,700	6/30/2006	6/30/2008
NY	New York City Teachers	70.6	33,854,200	47,958,300	14,104,100	6/30/2007	6/30/2008
NY	NY State & Local Police & Fire	106.5	21,379,000	20,074,000	(1,305,000)	4/1/2006	3/31/2008
OH	Ohio Teachers	79.1	69,198,008	87,432,348	18,234,340	6/30/2008	6/30/2008
OH	Ohio PERS	92.6	67,151,000	69,734,000	2,583,000	12/31/2007	12/31/2008
OH	Ohio School Employees	82.0	11,241,000	13,704,000	2,463,000	6/30/2008	6/30/2008
OH	Ohio Police & Fire	81.7	11,213,000	13,728,000	2,830,000	1/1/2008	12/31/2008
OK	Oklahoma Teachers	50.5	9,256,800	18,346,900	9,090,100	6/30/2008	6/30/2008
OK	Oklahoma PERS	73.0	6,491,928	8,894,287	2,402,359	7/1/2008	6/30/2008
OR	Oregon PERS	112.2	59,327,800	52,871,200	(6,456,600)	12/31/2007	6/30/2008
PA	Pennsylvania School Employees	85.8	57,057,800	66,495,800	9,438,000	6/30/2007	6/30/2008
PA	Pennsylvania State ERS	89.0	30,636,000	34,437,000	3,801,000	12/31/2008	12/31/2008
RI	Rhode Island ERS	53.4	5,651,068	10,575,852	4,924,784	6/30/2006	6/30/2007
RI	Rhode Island Municipal	87.1	945,876	1,085,648	139,772	6/30/2006	6/30/2007
SC	South Carolina RS	69.7	23,541,438	33,766,678	10,225,240	7/1/2007	6/30/2008
SC	South Carolina Police	84.7	3,160,240	3,730,544	570,304	7/1/2007	6/30/2008
SD	South Dakota PERS	97.2	6,784,300	6,976,800	192,500	6/30/2008	6/30/2008
TN	TN State and Teachers	96.2	26,214,995	27,240,151	1,025,156	7/1/2007	6/30/2008
TN	TN Political Subdivisions	89.5	4,897,974	5,475,620	577,646	7/1/2007	6/30/2008
TX	Texas Teachers	90.5	110,233,000	121,756,000	11,523,000	8/31/2008	8/31/2008
TX	Texas ERS	92.6	23,511,918	25,403,280	1,891,362	8/31/2008	8/31/2008
TX	Texas Municipal	74.4	15,149,700	20,360,800	5,211,100	12/31/2008	12/31/2008
TX	Texas County & District	89.0	14,931,600	16,767,900	(1,506,037)	12/31/2008	12/31/2008
TX	Houston Firefighters	91.0	2,633,006	2,892,300	342,000	7/1/2007	6/30/2008
TX	City of Austin ERS	65.9	1,481,400	2,246,900	765,500	12/31/2008	12/31/2008
TX	Texas LECOS	92.0	774,509	842,135	67,626	8/31/2008	8/31/2008
UT	Utah Noncontributory	84.2	15,257,243	18,127,048	2,869,805	12/31/2008	12/31/2008
VA	Virginia Retirement System	82.3	47,815,000	58,116,000	10,301,000	6/30/2007	6/30/2008
VA	Fairfax County Schools	88.0	1,924,886	2,186,801	261,915	12/31/2007	6/30/2008
VT	Vermont Teachers	80.9	1,605,462	1,984,967	379,505	6/30/2008	6/30/2008
VT	Vermont State Employees	94.1	1,377,101	1,464,202	87,101	6/30/2008	6/30/2008
WA	Washington PERS 2/3	101.5	14,888,000	14,661,000	(227,000)	6/30/2007	6/30/2008
WA	Washington PERS 1	70.7	9,715,000	13,740,000	4,025,000	6/30/2007	6/30/2008
WA	Washington Teachers Plan 1	76.7	8,302,000	10,826,000	2,524,000	6/30/2007	6/30/2008
WA	Washington LEOFF Plan 1	122.1	5,298,000	4,340,000	(958,000)	6/30/2007	6/30/2008
WA	Washington Teachers Plan 2/3	112.7	5,277,000	4,682,000	(595,000)	6/30/2007	6/30/2008
WA	Washington LEOFF Plan 2	120.2	4,360,000	3,626,000	(734,000)	6/30/2007	6/30/2008
WA	Washington School Employees Plan 2/3	106.8	2,133,000	1,998,000	(135,000)	6/30/2007	6/30/2008
WI	Wisconsin Retirement System	99.6	73,415,300	73,735,800	320,500	12/31/2006	12/31/2006
WV	West Virginia Teachers	50.0	4,133,800	8,269,400	4,135,600	6/30/2008	6/30/2008
WV	West Virginia PERS	84.3	3,939,060	4,670,696	731,636	7/1/2008	6/30/2008
WY	Wyoming Public Employees	78.6	4,835,875	6,152,122	1,316,247	1/1/2009	12/31/2008
		85.3	2,578,068,581	3,020,689,271	437,408,925		



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Memorandum

TO: PERS Board

FROM: Deb Knudsen

DATE: November 10, 2009

SUBJECT: Report on 457 Training Pilot

Pursuant to our April 2009 meeting directive, NDPERS staff conducted a second pilot training. The pilot consisted of staff having a pool of approximately 187 provider representatives subject to NDPERS training requirements in 2009. In addition, we had approximately 14 new provider representatives who would be attending for the first time. We offered the training in three different options to existing representatives and two different options for new representatives in early summer and fall. The first two options were to attend in person at the NDPERS conference room or attend remotely via "Go to Meeting" using internet and telephone access and were available to both new and existing representatives. The last option, watching the presentation off the NDPERS website, was only offered to existing representatives. Continuing education credits were provided to those who attended live or using "Go to Meeting".

As of the date of this memo, we have had 71 existing representatives attend via "Go to Meeting" and 42 attend in person. Only 16 have completed the training off of the NDPERS website, but that mode of training is available until the end of the year, so the number will likely be higher at yearend. Of the new provider representatives that we had, 6 attended in person and 12 attended via "Go to Meeting". The evaluations we received back are attached for your review. Generally comments were positive, although we did experience technical difficulties on both ends at times and subject matter was review, which some did not care for. Provider representatives were also asked to suggest subject matter for future trainings, but did not provide input on this subject.

As of this date, we still have approximately 43 individuals who will need to take the web based training by yearend. We will be sending out a reminder notice to them by the end of November, in addition to the invitations that were sent both times training was offered in early summer and fall. Pursuant to rules, Kathy will follow-up with the provider companies to report any non-compliance and will report the results of that to you, if necessary.

Subject to the Board's approval, staff believes training should continue to be offered in this format.

Board Action required: Approve or deny training format provided in 457 pilot.

**1ST YEAR PROVIDER REPRESENTATIVE TRAINING
EVALUATION SUMMARY**

OF ATTENDEES: 9

OF EVALUATIONS RETURNED: 8

RATE THE SESSION AS TO THE AMOUNT OF USEFUL INFORMATION GAINED:

**Excellent: 3 Good: 5 Fair: Poor: Was not
Useful:**

COMMENTS:
Great review.

OPINION OF SPEAKER'S PRESENTATION OF SUBJECT MATTER:

Excellent: 6 Good: 2 Fair: Poor: Was not Useful:

COMMENTS:
Deb had an excellent grasp of the material.
She did an excellent job and asked for questions for clarity from the class.
Good knowledge of program and explained it well.

OPINION OF THE MATERIALS USED, CAN THEY BE IMPROVED:

Excellent: 3 Good: 3 Fair: 2 Poor: Was not Useful:

COMMENTS:
It was easier to follow on computer during the PEP portion due to small size of handout.
Phone number listed was not the number needed to access the class.

HOW WELL DID THE SESSION FULFILL YOUR EXPECTATIONS:

**Excellent: 4 Good: 3 Fair: 1 Poor: Was not
Useful:**

COMMENTS:
Loved PC go to meeting format. Should ask people on speaker phones to mute.
Good session!

SECOND MODULE –

RATE THE SESSION AS TO THE AMOUNT OF USEFUL INFORMATION GAINED:

Excellent: 4 Good: 4 Fair: Poor: Was not Useful:

COMMENTS:

OPINION OF SPEAKER'S PRESENTATION OF SUBJECT MATTER:

Excellent: 6 Good: 1 Fair: Poor: Was not Useful:

COMMENTS:

RATE THE MATERIALS - CAN THEY BE IMPROVED?

Excellent: 2 Good: 4 Fair: 1 Poor: Was not Useful:

COMMENTS:

Increase size of printout of slides.

HOW WELL DID THE SESSION FULFILL YOUR EXPECTATIONS?

Excellent: 4 Good: 3 Fair: Poor: Was not Useful:

Gave good information especially for those with limited experience with 457's.

EXTRA COMMENTS?

U:\Public\Kim\Defcomp\Provider Training Course\Provider Training Eval Master

**CURRENT PROVIDER REPRESENTATIVES
PROVIDER REPRESENTATIVE TRAINING
EVALUATION SUMMARY – 457 PLAN LEGISLATIVE UPDATE & REVIEW**

OF ATTENDEES: 85

OF EVALUATIONS RETURNED: 70

NDPERS 457 Plan Legislative Update & Review:

RATE THE SESSION AS TO THE AMOUNT OF USEFUL INFORMATION GAINED:

Excellent: 18

Good: 41

Fair: 10

Poor: 1

Was not Useful:

COMMENTS:

Very good overview of the current plan and any updates.
Glad didn't have to drive to Bismarck (240 miles) for mandatory training.
A lot of the statistics are not useful.
Staff not new to me.
I much appreciate the efficiency of offering by remote! Good job.
All the info that I needed.
Not much new.
Good refresher. Great to be able to do remotely!
Good to know.
Very thorough.
Only 38% of eligible are contributing an average of \$179/mo. This is disappointing.
There was much repeat of previous training sessions.
Good information, good speaker.
Much was repeat from prior sessions.

OPINION OF SPEAKER'S PRESENTATION OF SUBJECT MATTER:

Excellent: 33

Good: 35

Fair: 1

Poor:

Was not Useful:

COMMENTS:

The class was delayed for technical difficulties but Deb did a nice job in spite of the delay – always professional.
Easy to follow, power point type video can pause, replay, etc.
Deb tried to make the best of a limited amount of new information and technology glitches.
Speaker pretty much read the slides to us.
Very informative.
Deb does a good job.
Very clear.
Thanks Deb!
Deb did a good job of keeping the meeting moving.
Hard to hear on speaker phone. Possibly a one way connection. We could hear you but you couldn't hear us – even if not on mute. Liked the on-line format.
Prefer web based training.

Covered materials very well.

She mentioned that it has been years since providers have helped encourage participation at a seminar or fair and that it might help to do it again.

Diane did a very good job.

Diane did a great job! Very good speaker and presentation.

Presentation was good and liked format.

OPINION OF THE MATERIALS USED, CAN THEY BE IMPROVED:

Excellent: 16

Good: 46

Fair: 8

Poor:

Was not Useful:

COMMENTS:

Very clean and straight forward – large print easy to read.

Not much new info.

Loved go to meeting!

Go to meeting worked very well.

We didn't get the presentation started until 20 minutes after the start time.

I like the "bullet" format – was able to write notations on the copies of the slides.

Should contain all the forms we discussed and more hands on.

Do more of the mechanical "how to" on how accelerated vesting and matching contributions work.

The materials were easy to use and easy to read.

Difficulty logging on – change of number and audio was difficult to sign on.

HOW WELL DID THE SESSION FULFILL YOUR EXPECTATIONS:

Excellent: 18

Good: 43

Fair: 8

Poor: 1

Was not Useful:

COMMENTS:

Very good update! Deb does a nice job! I think go to meeting is a good idea!

Great time saver – no more traveling time and time away from office – convenient.

Had major wait before session started. Use of web technology, however, is crucial to keep our businesses working efficiently. Keep working out bugs. Was easy to log in on computer and phone.

I love the web base training – we don't have to travel.

Suggestion – future offerings please give estimate of time to schedule. I wasn't sure whether to schedule 1, 2 or 3 hours for session.

Thank you for having the go to meeting option. This saved me a full day out of the office.

The web cast is a great time saver from traveling to Fargo or Bismarck.

The session started late because of phone connections.

I like the go to meeting format. Very efficient use of our time.

Audio conference and go to meeting was a very convenient alternative.

This process fulfills the requirement to do the review and that's what was accomplished.

I would like a new Provider Handbook when available.

403b's now allow in-service rollovers to IRA's for employees over 59-1/2. This is a benefit I am sure 457 plan participants would benefit from.

Thank you for online access! You saved me a day of work, plus \$50 gas (I live 170 miles away).

Overall good presentation and the go to meeting was a time saver.

If you could get the employees with us (agents), I'd guarantee a substantial increase in participants.

I would like to hear and see the state promote the 11 providers. We've been approved and have

received the training. Why wouldn't you promote us? I don't understand. Always good to review. I really enjoyed the go to meeting format! Everything worked well!
I like the go to meeting. I wish there could have been a toll free number to use. That is my only suggestion.

The remote location (go to meeting) is a nice option to attend these meetings. I would like to see your department utilize this feature in the future.

I like not having to travel for this.

With the minimal updates the web based training was a better use of time. It would be nice if web based could qualify for CE.

Toll free phone number would be useful.

**1ST YEAR PROVIDER REPRESENTATIVE TRAINING
EVALUATION SUMMARY**

OF ATTENDEES: 8

OF EVALUATIONS RETURNED: 6

FIRST MODULE – PROVIDER TRAINING 2007:

RATE THE SESSION AS TO THE AMOUNT OF USEFUL INFORMATION GAINED:

Excellent: 6 Good: Fair: Poor: Was not Useful:

COMMENTS:

Deb did a great job expanding on each slide.
Much better understanding of PERS/PEP.

OPINION OF SPEAKER'S PRESENTATION OF SUBJECT MATTER:

Excellent: 4 Good: 2 Fair: Poor: Was not Useful:

COMMENTS:

She did a wonderful job explaining and has the right voice and personality to keep it going. (Deb)

OPINION OF THE MATERIALS USED, CAN THEY BE IMPROVED:

Excellent: 4 Good: 2 Fair: Poor: Was not Useful:

COMMENTS:

Liked that we could see it on the computer as well as take notes on handouts.
Slides and handouts were very helpful.

HOW WELL DID THE SESSION FULFILL YOUR EXPECTATIONS:

Excellent: 5 Good: 1 Fair: Poor: Was not Useful:

COMMENTS:

Helped understand PEP.

SECOND MODULE – PORTABILITY ENHANCEMENT PROVISION (PEP):

RATE THE SESSION AS TO THE AMOUNT OF USEFUL INFORMATION GAINED:

Excellent: 5 Good: Fair: Poor: Was not Useful:

COMMENTS:

Understand it much better. Still seems confusing but need to work with one and use the website. I wasn't familiar with PEP. Now I feel comfortable with the topic.

OPINION OF SPEAKER'S PRESENTATION OF SUBJECT MATTER:

Excellent: 5 Good: Fair: Poor: Was not Useful:

COMMENTS:

She did a great job. (Deb)
Deb was very knowledgeable.
All important to know.

RATE THE MATERIALS - CAN THEY BE IMPROVED?

Excellent: 4 Good: 1 Fair: Poor: Was not Useful:

COMMENTS:

Good slides. Very informative but not too detailed.

HOW WELL DID THE SESSION FULFILL YOUR EXPECTATIONS?

Excellent: 4 Good: 1 Fair: Poor: Was not Useful:

EXTRA COMMENTS?

There was sufficient opportunity to ask questions and the presenter conferred the material so that it was very understandable.

EXISTING PROVIDER REPRESENTATIVE TRAINING EVALUATION SUMMARY FROM OCTOBER 2009

NDPERS 457 PLAN LEGISLATIVE UPDATE & REVIEW

OF ATTENDEES: 28

OF EVALUATIONS RETURNED: 19

RATE THE SESSION AS TO THE AMOUNT OF USEFUL INFORMATION GAINED:

Excellent: 6 Good: 11 Fair: 2 Poor: 1 Was not Useful:

COMMENTS:

It was a review of information. All this info is on the NDPERS web site. This meeting provided no value and was not a good use of time.

Good review needed from time to time. Thanks.

Much of the information was the same as in the past but still a good refresher.

Screen on computer didn't advance but had paper handout of program.

OPINION OF SPEAKER'S PRESENTATION OF SUBJECT MATTER:

Excellent: 9 Good: 9 Fair: 2 Poor: Was not Useful:

COMMENTS:

Presentation was fine. Speaker was good.

Good, added so extra explanation on items.

Slide show didn't advance online, but was able to use printed power point presentation.

I didn't hear the entire presentation due to audio problems but what I heard was good.

OPINION OF THE MATERIALS USED, CAN THEY BE IMPROVED:

Excellent: 5 Good: 12 Fair: 3 Poor: Was not Useful:

COMMENTS:

I could not change slides on line so I used the material sent to me to follow.

Could not see screen from presenter.

I wasn't able to get audio through my office phone but my cell phone worked fine. Strange??

HOW WELL DID THE SESSION FULFILL YOUR EXPECTATIONS:

Excellent: 6 Good: 11 Fair: 2 Poor: 1 Was not Useful:

COMMENTS:

Deb always does a good job. Thank you.

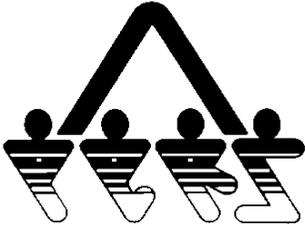
Training?

It was good. Go to meeting worked great.

I really like the ability to do this online! It saves the drive time.

Pretty much the same every year.

I love not having to take a day off work to travel to Bismarck to attend.



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Memorandum

TO: PERS Board

FROM: Sparb & Bryan

DATE: November 12, 2009

SUBJECT: Deferred Compensation Investment Options Summary

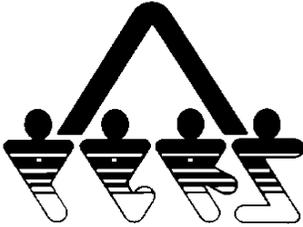
The 2009-2010 NDPERS Summary of Investment Options for the Deferred Compensation Plan is now available on the NDPERS web site.

The booklet contains provider contact information and all the investment options for the 457 plan. There are currently nine providers and over three hundred funds to choose from.

The link to the booklet is:

<http://www.nd.gov/ndpers/forms-and-publications/publications/investment-options.pdf>

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



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: November 12, 2009
SUBJECT: 457 Plan and 401(a) Plan RFP

Attached is the first draft of the 457 Plan and 401(a) Plan RFP. Staff is presently working with Segal on this draft and at this meeting we will be looking for your comments so they can be incorporated. Our 6 year arrangement with Fidelity expires this summer.

457 plan and 401(a) plan RFP timeline

- November conclude work on RFP
- December issue RFP
- February – receive proposals & start evaluation
- March – report findings
- April – Interview finalist and select vendor
- April to June – If Fidelity is not selected this time will be used transition the plan
- July 1 – New plan takes effect

Updated Risk Assessment

In recognition of the needs and timelines for our system replacement project, we are continually updating our risk assessment for that project as it relates to our other office activities. Our most recent assessment is based upon our most recent review of project needs going into the last year of the project. As a result of this review, we have determined the following:

1. The system replacement project PERS staffing requirements are going to increase starting this spring and for the remainder of the project as we enter the final months. Efforts that will require time from our staff include user acceptance testing, parallel testing, program implementation activities, training of employers in the new reporting processes and training of PERS staff. Further, starting July 1 through the end of the project, any change in the level of PERS commitment to the project will delay the completion (as you get to the end of a project the ability to change the work requirements is eliminated due to the limited amount of remaining time).
2. If the timeline for this project is extended because we do not meet the staffing requirements that we have committed to, any associated cost overruns that our vendor incurs may be our responsibility. Our vendor, Sagitec, has estimated an additional charge of up to \$200,000 per month of delay.
3. Currently, the project is tracking one month behind if all the remaining schedule buffers are utilized. If the schedule buffers are not used, the project is on track to go-live October 1, 2010 as originally planned. The schedule is tight, therefore, any reduction in PERS staff commitment to the project will impact the schedule. This in turn could cause a delay in implementing the system and incurring additional costs.
4. Several PERS staff who worked on the last transition of the 457 plan from Valic to Fidelity will not be able to work on any transition this summer since they are assigned to the project.
5. If we select another vendor instead of Fidelity, there will be substantial PERS efforts to help insure a smooth transition.
6. Any transition will affect several thousand members.

In recognition of the above, the following significant risks arise:

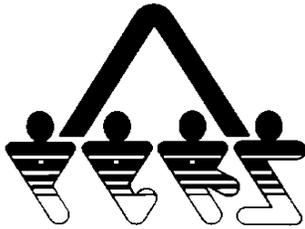
1. Staff gets spread too thin and unable to keep up.
2. This combination of efforts could cause a delay in our system replacement project causing cost overruns.
3. Issues arise in the transition and we are unable to respond in a timely manner upsetting our members or causing delays in the transition of the funds.

Options:

1. Proceed, recognizing the above risks.
2. Stop our 457 plan and 401(a) plan efforts when we conclude work on the RFP, do a one year renewal with Fidelity and restart our bid efforts next year at this time. If the business system timelines are met, we will have it on line by the beginning of 2011.

Recommendation:

While I believe that our staff can do the above, that confidence is based upon everything going smoothly. That is, the vendor selection is on schedule, no issues arise, members are not concerned and no issues arise with setting up the funds transfer process/contribution process. Also, my confidence is based upon no issues arising in the PERSLink project and that we have no staffing issues (someone leaving or getting sick for an extended period of time). I also know that once a project does start to have problems for whatever the reasons, it is almost impossible at the time to correct it immediately. In other words, any correction process takes time which is generally not very reassuring if it is a highly visible effort (that is it is affecting many of our members or causing costs to rise). Therefore, after assessing this with staff, I believe we should defer the 457/401(a) plan efforts back one year.



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Memorandum

TO: NDPERS Board
FROM: Kathy
DATE: November 10, 2009
SUBJECT: Member/Employer Education Update

NDPERS provides educational services upon request to our participating members and employers as well as to new groups requesting information about the plans we manage and administer. During 2009 PERS staff made contact with 58 employee/employer groups. This includes on-site meetings as well as those conducted using the GoToMeeting internet option. The following is a breakdown of the services provided, the number of meetings per service and the total number of participants for each service:

Service	No. of Meetings	No. of Participants
New Employee Orientation	11	152
New Employer Group	13	178
Pre-retirement Education Program (PREP)	5	559
TFFR PREP	3	127
Portability Enhancement Provision (PEP)	8	234
On-site Benefit Counseling (OSBC)	4	53
Payroll Conference	1	190
Authorized Agent Training	1	7
Benefit Fairs	2	55
Fidelity Investment Education	<u>10</u>	<u>88</u>
	58	1,643

The above averages out to approximately 5 contacts per month encompassing approximately 150 participants each month from January through mid-November.