

Perspectives

FOR RETIRED
MEMBERS
OF THE
NORTH DAKOTA
PUBLIC
EMPLOYEES
RETIREMENT
SYSTEM

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PERS Retirement Plan Financial Update Part 4

This is installment four in a series of educational updates intended to keep you informed about the financial status of the NDPERS retirement system. In previous articles, we examined the effect the financial market downturn had on the PERS retirement system funds, shared results of our actuarial reports, discussed the probability of a future contribution deficiency, and examined the options by the NDPERS Board to mitigate the funding deficiency including the effects of various benefit reductions, rates of returns, and contribution increases. After reviewing its options, the Board focused on contributions as the option that would put the plans back on a positive course towards a 100% funded status. This article provides an update as to the current status of the Board's proposals.

The Board submitted three bill drafts to the Legislative Employee Benefits Committee (LEBC) proposing an 8% increase in contributions which would raise the total contribution from 8.12% to 16.12%. Three funding scenarios were proposed:

LC #51: An 8% increase in employee contributions phased in over 4 years at 2% each year beginning in January of 2012 and ending in January of 2015. The bill provides that the employee contribution increase would be pre-taxed pursuant to section 404(h).

LC #52: An 8% increase in employer contributions phased in over 4 years at 2% each year beginning in January of 2012 and ending in January of 2015.

LC #53: A 4% increase in employee contributions and a 4% increase in employer contributions phased in over 4 years with a 1% increase for the employer and employee beginning in January of 2012 and ending in January of 2015. Similar to #2, the state employee contribution increase would be pre-taxed pursuant to section 404(h).

The committee gave an unfavorable recommendation to LC #51 and #52 and a favorable recommendation for LC #53 which proposed that the required contribution increase be shared 50/50 between the employer and employee.

SB 2108 (LC #53) was introduced in the Senate and was amended, passed and sent to the House of Representatives for its consideration. The amendment retained the 2% employer and 2% employee contribution increase for the 2011-13 biennium. However, it removed the subsequent increase proposed for the 2013-15 biennium since, if necessary, it could be considered by the next Legislative session. The amended provisions of Senate Bill 2108 which includes a breakdown of how the contribution increases will be phased in, are included on the Summary of Legislative Proposals chart included on page 5 of this newsletter. Funding has been included in the Governor's budget to support the contribution increase for state agencies.

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Do You Know Your NDPERS Member ID?

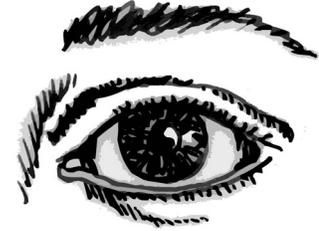
On October 4, 2010, NDPERS launched its new business system – PERSLink – “Your Online guide to Benefits Administered by NDPERS.” The new system includes functionality for each of the plans administered by NDPERS and will include Web-enabled self-service functionality for members, retirees, beneficiaries and employers.

One of the features of our new system was the ability to assign each member a unique NDPERS Member ID. This ID will be the primary identifier to access your personal and confidential information. As a member, all documents you receive from NDPERS will have this unique Member ID. In October you were sent a letter from NDPERS providing you with your personal ID number. If you are an active employee and have misplaced this document, your payroll/human resource department can provide you with your number. If you are retired, contact the NDPERS office for assistance. Also as a reference, if you have received any personal correspondence from the PERS office since the go-live date, the Member ID is printed in the upper right-hand area of the page.

You can use your Member ID to access your account via web self-service, telephone, or written communication. Web self-service is expected to be available sometime in the first half of 2011. You will be notified when this service becomes functional.

Superior Vision – Your New Vision Care Provider

Superior Vision became our new vision plan carrier on January 1, 2011. If you were previously enrolled in the Ameritas plan, and did not cancel your coverage, you were automatically enrolled with Superior Vision effective January 1, 2011.



Superior Vision has been in the managed care vision market since 1993. They deliver vision benefits through a PPO network, meaning that they have contracted with specific eye care providers (“in-network”) to bring you the greatest benefits value. As a participant in the Superior plan, you can expect the following:

- **A strong national provider network of MDs and ODs as well as retail chain of providers.** This translates into choice, quality, and accessibility for you, enabling your shopping preferences and budget to be your guide. You may also receive your exam and materials at different providers, allowing you the greatest flexibility. If you or any family members live outside North Dakota, go to one of the web sites listed at the end of this article to search for an in-network provider in your area of residence.
- **Freedom of choice.** Choose any provider – whether in or out-of-network – to receive your benefits. The out-of-network benefits are excellent as well.
- **Award-winning customer service.** They are ranked #1 in customer service by a leading research firm, and their call center has extended hours to better serve your needs.

- **An easy-to-use, paperless system.** When using the in-network providers, you don’t have to worry about completing forms or complicated paperwork.
- **Value-extending discounts.** They provide a variety of deep discounts, including eyeglass lens upgrade options, overages on allowances, and additional pairs of eyeglasses or contact lenses.
- **A vision wellness program.** Routine eye exams help identify a need for vision correction, and can also lead to early detection of such systemic diseases as diabetes, hypertension, and high-cholesterol. Take the first step in overall wellness.

Claims Procedure

- If you choose an in-network provider, claims will be filed for you by your provider. If you utilize an out-of-network provider, you will be required to pay your bill up front and then file a claim directly with Superior Vision. The claim form is available on the NDPERS website.

Information about your vision benefits is available at www.nd.gov/ndpers using the Superior Vision icon, or you may go to Superior Vision’s website at www.superiorvision.com.

2010 Comprehensive Annual Financial Report

NDPERS prepares a Comprehensive Annual Financial Report as of June 30 of each year. This report contains detailed financial, investment, actuarial and statistical information for the plans administered by NDPERS. You can view, download or print the report from the NDPERS website at www.nd.gov/ndpers under Forms and Publications. If you have any questions on the report, contact Sharon Schiermeister.

MediQHome: A Benefit for All North Dakotans

Your doctor says you have hypertension, a.k.a. high blood pressure. Or, maybe the diagnosis is asthma, ADHD, diabetes, chronic heart failure or coronary artery disease. In any case, you likely leave the appointment with more questions than answers.

What does it mean? How do I live with this? What do I do next?

Thanks to a program developed by Blue Cross Blue Shield of North Dakota, you and your doctor can better manage your condition now so it doesn't become a life-threatening condition later.

The program, MediQHome, revolves around a team approach where you choose one primary doctor to lead your care team. He or she collaborates with other care providers, managing all the details so nothing falls through the cracks.

You're Part of the Team

When you're part of MediQHome, your doctor will be ordering tests, treatment protocols, lab work and preventive screenings. As a patient, it's your responsibility to follow through on those recommendations. He or she may also recommend lifestyle changes and

educational information to help you manage your condition. Again, it is your responsibility to follow through.

Technology is Key to MediQHome

BCBSND provides North Dakota caregivers with software that allows them to better collaborate on your behalf. Certainly, doctors have collaborated for years, but not always to the extent they like. Tight schedules and system limitations sometimes mean that important information goes un-communicated. The MediQHome software puts everyone on

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What If: There have been several proposals so far this session relating to NDPERS. The question that has been asked is what if this proposal or that proposal passes, do the changes help address the funding challenge faced by the retirement plan?

Challenge: *The PERS plan is projected to run out of assets in 2041 and be at a 0% funded status; actions are needed to improve its funded position.*

Proposals that will enhance the funding position of PERS Main System (extend the assets of the fund beyond 2041):

SB 2108 (as proposed)	Increase contributions over 4 years by 8%. Increase shared by employer and employee.	2042 - The year Main System is projected to return to 100% funded status.
SB 2108 (as amended)	Would increase contributions over 2 years by 4%. Increase shared by employer and employee.	2012-2042 – The Main System is projected to maintain a funded status of about 60% during the next 30 years, and after 2042 is projected to decline to about a 22% funded status over the next 70 years.
HB 1228 (if amended to fund the change)	Close the Main System to new state employees and put new employees in a defined contribution plan. Amendment would increase total contributions to the defined benefit plan to 23.91% to fund the cost of the change.	2060 - The year Main State System is projected to return to 100% funded status. PERS would be able to meet its benefit commitments if this contribution level was maintained for all DB members until the last member left active employment which is projected to be in about 2060.

Proposals that separately or together will diminish PERS Funded Status (exhaust the assets of the fund before 2041):

HB 1228	Close the Main System to new state employees and put new employees in a defined contribution plan with no increase in contributions to address the actuarial effect of the change.	2031 – The year the Main State System is projected to run out of assets. The effect of this proposal will cause the plan to run out of money 10 years earlier than if nothing is done.
HB 1228 and SB 2108 (as proposed)	Close the Main System to new state employees and put new employees in a defined contribution plan with no increase in contributions. Also pass SB 2108 as proposed which would increase contributions over 4 years by 8%. Increase shared by employer and employee.	2037 - The year the Main State System is projected to run out of assets. These proposals together will result in the plan running out of money 4 years earlier than if nothing is done. The increase in contributions in SB 2108, which extends the funded status of PERS above is offset by the additional cost of HB 1228 which is not funded in this scenario.
HB 1228 and SB 2108 (as amended)	Close the Main System to new state employees and put new employees in a defined contribution plan with no increase in contributions. Also pass SB 2108 as amended which would increase contributions over 2 years by 4%. Increase shared by employer and employee.	2033 - The year the Main State System is projected to run out of assets. These proposals together will result in the plan running out of money 8 years earlier than if nothing is done. The increase in contributions in SB 2108 which extends the funded status of PERS above is offset by the additional cost of HB 1228 which is not funded in this scenario.

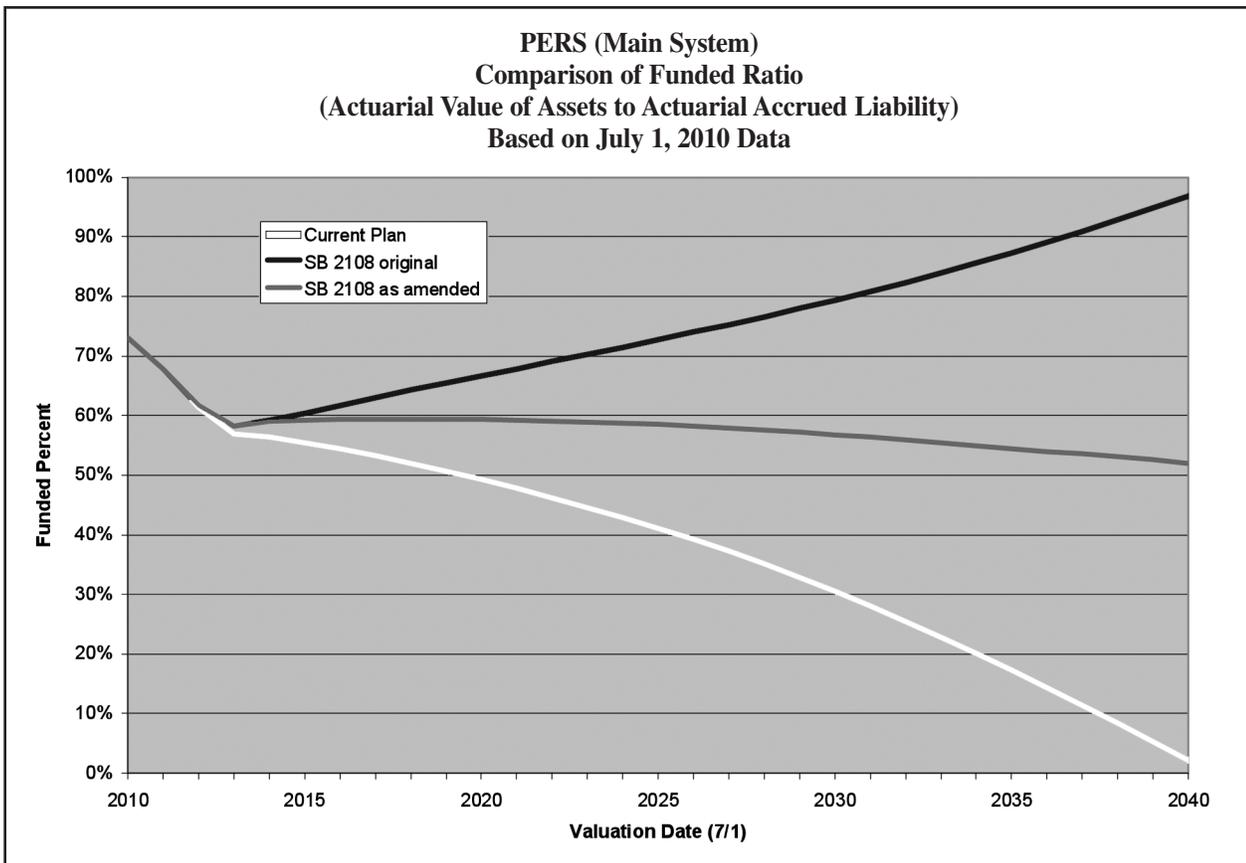
Financial Update *Continued from cover*

The following graph shows the effect of SB 2108 as originally submitted and as amended on the long term funded status of PERS. If SB 2108 as amended passes and the next session passes the 2013-15 increases, the long term

funding status projection will be the same as was intended when SB 2108 was originally submitted.

For further information about this update, as well as past updates, video

presentations are available on our website at www.nd.gov/ndpers. The webcasts are approximately 15 minutes in duration and require Windows Media Player®. This site will have a legislative update available in late March.



Defined Contribution Legislation

HB 1228 was introduced and proposes that the Main System Defined Benefit (DB) Hybrid plan be closed and that new state employees first hired after July 31, 2011 be required to become participants in a Defined Contribution retirement plan. If this legislation passes, and the DB plan is closed, its long-term financial status will be affected. This will occur because over time total payroll will drop due to resignation or termination of employees in the DB plan. As the active participation declines, the total payroll will drop and contributions paid in to the plan will drop accordingly, thereby reducing the amount of funds to pay off the unfunded liability of the DB plan. To offset the effects of closing the plan to new membership, our actuaries have projected it will require an increase in contributions to 23.91%. The following illustrates the contribution requirements if both bills are passed:

	Total Rate	Rate Change
HB 1228 ²	23.91	7.79%
SB 2108 ¹	16.12	8%
Present Rate	8.12	

¹ If only SB 2108 passes as originally proposed.

² If both HB 1228 and SB 2108 pass. As amended, the total rate for SB 2108 would be 12.12%, thereby changing the rate change amount to 4% and the rate change amount for HB 1228 to 11.79%.

Refer to the summary of legislation on page 5 of this newsletter. This bill was not passed by the House of Representatives on a vote of 47 in favor and 46 against. Although the bill received a majority of the votes cast, it required 48 votes to pass the House.

SUMMARY OF LEGISLATIVE PROPOSALS

The following summarizes the bills submitted to date for the 2011 legislative session. For more information or to review copies of the bills, please refer to our web site at www.nd.gov/ndpers and select the "Proposed Legislation" icon from the NDPERS home page.

Bill No./Sponsor	DESCRIPTION	Status/Committee Recommendation
SB 2108 NDPERS	<p>Increases employee and employer contributions equally for the Main, Highway Patrol, Judges and Defined Contribution plans:</p> <ul style="list-style-type: none"> • 2% employee increase and 2% employer increase with a 1% increase January 1, 2012 and a 1% increase January 1, 2013. <p>Increases employee contributions for the Law Enforcement plan:</p> <ul style="list-style-type: none"> • 1% employee increase with a .5% increase January 1, 2012 and a .5% increase January 1, 2013. <p>Increases the temporary employee contribution for the defined benefit and defined contribution plans:</p> <ul style="list-style-type: none"> • 4% employee increase with a 2% increase January 1, 2012 and a 2% increase January 1, 2013. 	<i>Amended by the Senate to remove the 2013-15 increase. Passed the Senate.</i>
SB 2109 NDPERS	<p>Special annuity purchases in the alternate retirement program for University System employees, surviving spouse payment options under the Highway Patrolmen's retirement plan, calculation of member service credit under the Highway Patrolmen's retirement plan, election of members to the PERS Board, calculation of normal retirement date for peace officers and correctional officers under PERS, payment of member account balances under PERS, purchase of sick leave credit under PERS, spousal elections to participate in the uniform group insurance program, reporting of employer pickups under the defined contribution retirement plan, and Internal Revenue Code compliance under the Highway Patrolmen's retirement plan and PERS.</p>	<i>Passed the Senate</i>
HB 1228 Rep. Grande	<p>The proposed legislation would close employee participation in the Main System Defined Benefit (DB) Hybrid Plan to new State employees first hired after July 31, 2011. New Main State employees would participate in the Defined Contribution (DC) Plan.</p> <p>New employees of political subdivisions would still be eligible to participate in the Hybrid Plan. Temporary State employees hired after July 31, 2011 would be eligible to elect to participate in the Defined Contribution Plan.</p> <p>Contribution rates for new State employees in the Defined Contribution Plan would be the same contribution rate as statutorily required under the defined benefit plans applicable to the appropriate employee group.</p>	<i>Was not passed by the House of Representatives</i>
SB 2110 NDPERS	<p>Amend the North Dakota Century Code relating to the uniform group insurance program. Allow another lower cost coverage option for retired employees not eligible for Medicare; allow the board to receive separate bids for prescription drug coverage; allow the board to consider self-insurance of health insurance benefits as well as part or all of the prescription drug coverage.</p>	<i>Passed the Senate</i>
HB 1364 Rep. Carlson	<p>Creates a high deductible health plan (HDHP) with a health savings account for state employees.</p>	<i>Passed by the House of Representatives.</i>

Retiree Wellness Fair Scheduled

Provided by Wellness Specialist Marissa Parmer, BCBSND/NDPERS
marissa.parmar@bcbsnd.com

The Fargo Wellness Retiree Fair is scheduled
for May 26th from 8:00 a.m. to 11:00 a.m.
at North Dakota State University.

Watch for a postcard in your mailbox for further details.
Grand Forks and Minot locations are TBD.

Mastectomy-related Services Are Covered

Did you know that your health plan, as required by the Women's Health and Cancer Rights Act of 1998, provides benefits for mastectomy-related services? These services include all stages of reconstruction and surgery to achieve symmetry between the breasts, and prostheses and treatment for complications such as lymphedemas resulting from a mastectomy. Call the telephone number on the back of your BCBSND identification card for more information.

The articles and opinions in this publication are for general information only and are not intended to provide specific advice or recommendations for any individual. We suggest that you consult your attorney, accountant, financial or tax advisor with regard to your individual situation. This newsletter is available in alternate formats upon request. Printed on recycled paper.

MediQ Home...

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the same page so they can make smart decisions. Even patients outside the program benefit from MediQHome's software alerts that remind physicians to order a variety of immunizations and screenings based on age, gender and other criteria.

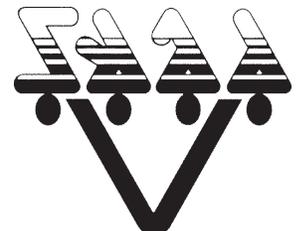
All of North Dakota Participates

MediQHome is available for all North Dakotans (not just BCBSND members) if their primary doctor participates in the program. Any BCBSND physician is eligible to become part of MediQHome. To date, 66 percent of North Dakota's primary care physicians have adopted the MediQHome approach to care.

The program is free to participants and enrollment is automatic for those diagnosed with one of the chronic conditions mentioned above. For more information about MediQHome, visit BCBSND.com/mediqhome.

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North Dakota Public Employees Retirement System



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