

# NDPERS BOARD MEETING

## Agenda

**Bismarck Location:**  
WSI Boardroom  
1600 East Century Avenue  
**Fargo Location:**  
WSI Meeting Room  
2601 12<sup>th</sup> Ave SW

**October 16, 2008**

**Time: 8:30 AM**

### **I. MINUTES**

- A. September 18, 2008
- B. October 2, 2008

### **II. RETIREMENT & RETIREE HEALTH**

- A. Investment Update – Steve Cochrane (Informational)
- B. Annual Actuarial Valuations – Segal (Information)
- C. Job Service COLA – Kathy (Board Action)
- D. Retiree Health Fund – Steve Cochrane (Informational)

### **III. GROUP INSURANCE**

- A. BCBS Renewal – Sparb (Information)
- B. HB 1433 Update - Jamie Steig (Information)
- C. Surplus/Affordability Update – Bryan (Information)
- D. Health Promotion – Rebecca (Information)

### **IV. MISCELLANEOUS**

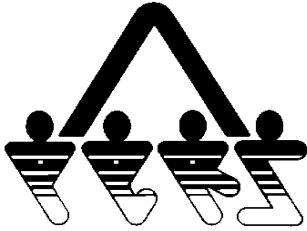
- A. Legislation – Sparb (Board Action)
- B. Quarterly Consultant Fees – Jim (Information)
- C. SIB Agenda

### **V. DEFERRED COMPENSATION**

- A. 2<sup>nd</sup> Quarter 2008 Investment Report – Bryan (Information)
- B. Hardship Appeal – Kathy (Board Action)

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



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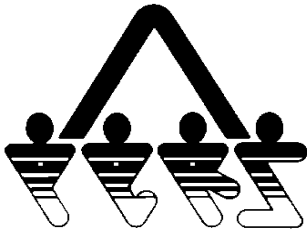
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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** October 9  
**SUBJECT:** Investment Update

Steve Cochrane, state investment officer, will be at the meeting to give you an update on the investments.



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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** October 9, 2008  
**SUBJECT:** Annual Actuarial Valuations

Brad Ramirez from the Segal Company will be at the next Board meeting to go over the annual actuarial valuations for each of the retirement plans and the retiree health credit program. Included with the Board materials are the valuations for your review and information. As noted in the summary, the following is the results for the PERS retirement plans:

The employer actuarial contribution requirements for 2008-2009 are as follows:

	Amount	Percentage of Payroll	Statutory/ Approved Rate
Main System	\$39,016,701	6.23%	4.12%
Judges	470,992	8.99	14.52
National Guard	67,538	3.44	6.50
Law Enforcement with prior Main service	457,034	9.04	8.31
Law Enforcement without prior Main service	58,951	7.15	6.43

A comparison of this year's actuarial contribution rates to last year's rates as a percent of payroll are as follows:

	2008-2009	2007-2008
Main System	6.23%	6.08%
Judges	8.99	9.31
National Guard	3.44	3.53
Law Enforcement with prior Main service	9.04	12.39
Law Enforcement without prior Main service	7.15	8.50

The following is the results for the Highway Patrol Plan:

The employer actuarial contribution requirement for 2008-2009 is \$1,025,737, or 15.76% of payroll. The statutory rate of 16.70% of payroll is greater than the actuarially determined rate by 0.94% of payroll. Last year, the actuarially determined rate of 15.08% exceeded the statutory rate of payroll by 1.62% of payroll.

The following is the results for the retiree health credit program:

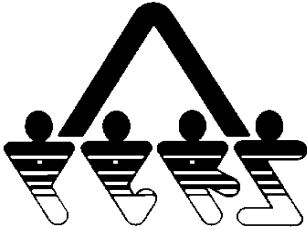
The actuarial contribution requirement for 2008-2009 is \$5.8 million, or 0.88% of payroll. The statutory rate of 1.00% of payroll is greater than the actuarially determined rate by 0.12% of payroll. Last year, the statutory rate exceeded the actuarially determined rate of 0.95% by 0.05% of payroll.

The following is the results for the Job Service Retirement Plan:

<u>Valuation Results</u>	<u>July 1, 2008</u>	<u>July 1, 2007</u>
Scheduled contribution at end of year	\$0	\$0
Contribution as a percentage of payroll	0.00%	0.00%
Total projected payroll of employees included in cost calculations	\$1,612,533	\$1,843,140
Outstanding balance of frozen initial liability	\$0	\$0
Amortization of frozen initial liability	\$0	\$0
Normal cost	\$0	\$0
Actuarial present value of projected benefits	\$71,828,872	\$71,724,859
Actuarial value of assets	77,020,934	\$75,749,846
Market value of assets	89,913,883	\$94,687,307

While the results for all the plans this year are okay, overall all the plans had a significant loss due to negative returns and the financial position of each deteriorated. Market returns for this year and next will have a significant affect on each plan's funded status.

Brad will give a presentation reviewing the above. Also he will present projections relating to the PERS plans performance in future years a various rates of return and he will be available to answer any question you may have.



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# Memorandum

**TO: NDPERS Board**

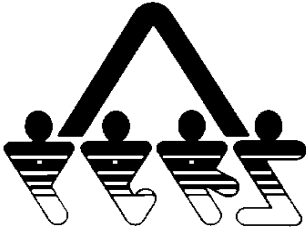
**FROM: Kathy**

**DATE: October 7, 2008**

**SUBJECT: Job Service COLA**

According to Article VII(3) of the plan document for the Retirement Plan for Employees of Job Service North Dakota, “effective each December 1 of any year, the monthly amount of each retirement annuity, death benefit, or disability benefit then payable shall be increased by the percent increase, if any, in the Consumer Price Index.” It further states...”no increase in retirement allowance granted under the Plan, or the date for commencement of such increase, will become effective unless the same increase has been authorized for the Civil Service Retirement System, and unless the increase has been authorized by the NDPERS Board.” This provision for a COLA increase was authorized by the United States Department of Labor as part of a larger agreement reached with the USDOL in the late 1970’s. Since that time the Plan practice has been to provide COLA’s consistent with the Federal Civil Service Plan. The plan assumes a post-retirement COLA of 5%.

The annual COLA percentage adjustment for the Federal Civil Service Plan is not available until October 15<sup>th</sup>. Therefore, the increase and its effect on the system will be provided at the meeting.



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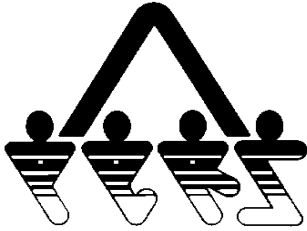
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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** October 9, 2008  
**SUBJECT:** Retiree Health Fund

Steve Cochrane will be at the Board meeting and will discuss a proposal from State Street concerning an issue relating to the management of the funds in the Retiree Health Benefits Program.



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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** October 9, 2008  
**SUBJECT:** Health Renewal

Since our last meeting on October 3 we have:

- Relayed to BCBS the Board's decision
- Reviewed and finalized all schedules
- Set up meetings with OMB and Legislative Council to review the Board's decision and the schedules

Attached for your reference are the final schedules. Attachment # 1 is the final rating sheet with the 1% contingency adjustment. Attachment # 2 is the final plan design and alternatives spreadsheet that was forwarded to OMB and Legislative Council. Attachment # 3 is the final PDP rates.

Please note that in the previous sheet, BCBS showed the base rate without the adjustment for the ideal formulary. Since PERS did approve the ideal formulary last year the base rate has been adjusted to reflect that decision. The increase remains 13% but off the smaller base rate.

# North Dakota Public Employees Retirement System

## 7-09/6-11 Renewal Results based on Current Plan Design

		<u>April 2008 Contracts</u>	<u>7-07/6-09 Rates</u>	<u>Biennium Income</u>	<u>7-09/6-11 Rates *</u>	<u>Biennium Income</u>	<u>Rate Increase</u>
Actives	Single	3,307	\$658.08	\$52,230,493	\$838.20	\$66,526,258	27.4%
	Family	11,031	\$658.08	\$174,222,732	\$838.20	\$221,908,421	27.4%
Actives LOA, COBRA, Temp.	Single	293	\$318.30	\$2,238,286	\$404.16	\$2,842,053	27.0%
	Family	138	\$764.02	\$2,530,434	\$978.08	\$3,239,401	28.0%
Non-Medicare Retirees	Single	548	\$475.32	\$6,251,409	\$606.22	\$7,973,005	27.5%
	Family	226	\$946.40	\$5,133,274	\$1,212.46	\$6,576,383	28.1%
	Family 3+	6	\$1,181.95	\$170,201	\$1,515.58	\$218,244	28.2%
Political Subs.	Single	1,625	\$339.56	\$13,242,840	\$429.58	\$16,753,620	26.5%
	Family	1,881	\$817.58	\$36,908,832	\$1,043.14	\$47,091,512	27.6%
Pol. Subs. All in EPO	Single	378	\$316.30	\$2,869,474	\$399.72	\$3,626,260	26.4%
	Family	516	\$760.86	\$9,422,490	\$970.32	\$12,016,443	27.5%
Medicare Retirees	1 Medicare only	2,965	\$210.46	\$14,976,334	\$189.68	\$13,497,629	-9.9%
	2 Medicare only	1,424	\$410.98	\$14,045,652	\$370.74	\$12,670,410	-9.8%
	3 Medicare only	5	\$486.22	\$58,346	\$449.78	\$53,974	-7.5%
	Part A 1 Medicare	1	\$480.72	\$11,537	\$409.76	\$9,834	-14.8%
	1 Medicare + others	328	\$618.14	\$4,865,998	\$521.68	\$4,106,665	-15.6%
	2 Medicare + others	7	\$552.18	\$92,766	\$485.74	\$81,604	-12.0%
	3 Medicare + others	1	\$486.22	\$11,669	\$449.80	\$10,795	-7.5%
		<u>24,680</u>		<u>\$339,282,767</u>		<u>\$419,202,511</u>	<u>23.6%</u>

\* - Medicare rates include the Jan 1, 2009 Part-D increase rate of \$63.70 and rates will change each Jan 1.

Current Rate: \$658.08

	Existing Plan	Existing Plan	Existing Plan	Existing - EPO	Option A	Alt 1	Alt 1 - A	Alt 2	Alt 2 - A	Alt 3 HDHP
BCBS bid	\$846.64	\$846.64	\$846.64	\$829.76	\$839.00	\$837.88	\$830.64	\$810.56	\$803.70	\$751.90
<b>Deductions</b>										
Remove 1% Contingency	(\$8.44)	(\$8.44)	(\$8.44)	(\$8.27)	(\$8.36)	(\$8.36)	(\$8.28)	(\$8.08)	(\$8.02)	(\$7.50)
<b>Sub total</b>	<b>\$838.20</b>	<b>\$838.20</b>	<b>\$838.20</b>	<b>\$821.49</b>	<b>\$830.64</b>	<b>\$829.52</b>	<b>\$822.36</b>	<b>\$802.48</b>	<b>\$795.68</b>	<b>\$744.40</b>
	27.37%	27.37%	27.37%	24.83%	26.22%	26.05%	24.96%	21.94%	20.91%	13.12%

**Biennium**

**Cost**

Increase: FTE's

State 8,900	\$38,473,632	\$38,473,632	\$38,473,632	\$34,904,376	\$36,858,816	\$36,619,584	\$35,090,208	\$30,843,840	\$29,391,360	\$18,437,952
General Fund 60%	\$23,084,179	\$23,084,179	\$23,084,179	\$20,942,626	\$22,115,290	\$21,971,750	\$21,054,125	\$18,506,304	\$17,634,816	\$11,062,771
Other Funds 40%	\$15,389,453	\$15,389,453	\$15,389,453	\$13,961,750	\$14,743,526	\$14,647,834	\$14,036,083	\$12,337,536	\$11,756,544	\$7,375,181

	With EPO + Ben	W/O EPO +/-Ben	W/O EPO -Ben	W/O EPO +/-Ben	W/O EPO +/-Ben	W/O EPO +/-Ben	W/O EPO +/-Ben	W/O EPO +/-Ben	W/O EPO +/-Ben	
<b>Wellness Package</b>										
EPO	\$0.00	(\$16.71)	Inc. above	(\$16.56)	(\$16.53)	(\$16.39)	(\$15.99)	(\$15.85)		
Benefit Standard	\$0.00	(\$3.40)	(\$3.40)	(\$3.40)	(\$3.40)	(\$3.40)	(\$3.40)	(\$3.40)		
Wellness Benefits	\$7.88	\$7.88	\$0.00	\$7.88	\$7.88	\$7.88	\$7.88	\$7.88		
Subtotal	\$7.88	(\$12.23)	(\$3.40)	(\$12.08)	(\$12.05)	(\$11.91)	(\$11.51)	(\$11.37)		
<b>Sub Total</b>	<b>\$846.08</b>	<b>\$825.97</b>	<b>\$838.20</b>	<b>\$818.09</b>	<b>\$818.56</b>	<b>\$817.47</b>	<b>\$810.45</b>	<b>\$790.97</b>	<b>\$784.31</b>	<b>\$744.40</b>
Increase \$'s	\$188.00	\$167.89	\$180.12	\$160.01	\$160.48	\$159.39	\$152.37	\$132.89	\$126.23	\$86.32
Increase %	28.57%	25.51%	27.37%	24.31%	24.39%	24.22%	23.15%	20.19%	19.18%	13.12%

PERS Benefits Committee Priority:	1	3	2	7	4	5	6	8	9	10
NDPERS Priority:	1	2	3	4	5	6	7	8	9	10

**Biennium**

**Cost**

Increase: FTE's

State 8,900	\$40,156,800	\$35,861,304	\$38,473,632	\$34,178,136	\$34,278,528	\$34,045,704	\$32,546,232	\$28,385,304	\$26,962,728	\$18,437,952
General Fund 60%	\$24,094,080	\$21,516,782	\$23,084,179	\$20,506,882	\$20,567,117	\$20,427,422	\$19,527,739	\$17,031,182	\$16,177,637	\$11,062,771
Other Funds 40%	\$16,062,720	\$14,344,522	\$15,389,453	\$13,671,254	\$13,711,411	\$13,618,282	\$13,018,493	\$11,354,122	\$10,785,091	\$7,375,181

\* - No longer funding Health Dialog at \$4.18 because Disease Management is included in BCBS Administration.

Option A	Increase individual coinsurance by \$250 and family by \$500
Alternative 1	Increase individual deductibles by \$50 on EPO and \$100 on PPO and Basic plans. Increase family deductible by \$150 on EPO and \$300 on PPO and Basic Plans
Alternative 1.A	Both Alternative 1 and Option A
Alternative 2	Increase individual deductibles by \$300 on EPO and \$350 on PPO and Basic plans. Increase family deductible by \$900 on EPO and \$1050 on PPO and Basic Plans
Alternative 2.a	Both Alternative 2 and Option A
Alternative 3	HDHP with \$1250 individual deductible and \$2,500 family deductible

**NDPERS Health Plan 2009-2011 Wellness Additions:**

\$200 Screening Benefit	\$5.84
HPV Vaccine	\$0.36
Zoster Vaccine	\$0.30
Tetanus Vaccine	\$0.20
Influenza Vaccine	\$0.10
Chiropractic Copay Standardization	\$0.24
LRD Obesity Visit	\$0.72
7 Well Child Care Visits	\$0.12
Subtotal	\$7.88
* Circumcisions	\$0.18
* My Health Center	\$0.72
Total	\$8.78

\* Last two are included in BCBS Adm fee

**NDPERS Health Plan 2009-2011 Benefit Reductions:**

Well Child Care Copays	\$1.02
PT/OT/ST Copays	\$1.06
Maintenance Drug Copays	\$1.32
Total	\$3.40

## North Dakota Public Employees Retirement System

2009 Renewal for Group Prescription Drug Plan  
Based on Current Plan Design

Enrollment on 6/30/2008	2008		2009		Rate Increase
	Monthly Premium	Annual Income	Monthly Premium	Annual Income	
6,201	56.40	\$4,196,837	63.70	\$4,740,044	12.9%

### Notes for 2009 Renewal:

- The Centers for Medicare and Medicaid Services (CMS) reported on August 14, 2008 the national average monthly bid amount for standard Part D individual coverage of \$84.33 and the Part D base beneficiary premium for 2008 (average individual premium) of \$30.36. These amounts are increases from those used in 2008, which were \$80.52 and \$27.93 respectively.

Further information on this topic can be found at the CMS website:

<http://www.cms.hhs.gov/medicareadvtspeccratestats/Downloads/PartDandMAbenchmarks2009.pdf>

- Direct CMS subsidy payments, which account for more than half of expected claim costs for the NDPERS GPDP, are derived from bidding averages discussed above. For the 2009 NDPERS GPDP rating estimated total CMS payments are expected to **decrease by 12.4%** from that assumed in the 2008 GPDP rating.
- The NDPERS Group Prescription Drug Plan (GPDP) has been rated for 2009 based on prior claim experience from 2007 and the first half of 2008.

**North Dakota Public Employees Retirement System**  
 2009 Renewal Rate Calculation for Group Prescription Drug Plan  
 Based on 2008 Plan Design

1A. Allowed Claims Amounts (Incurred 1-1-07 thru 12-31-07, paid thru 7-25-08)	12,140,460
1B. Benefit Adjustment to Current Period [ (1) x 0.900 ]	10,926,414
2A. Allowed Claims Amounts (Incurred 1-1-08 thru 6-30-08, paid thru 7-25-08)	6,156,709
2B. Benefit Adjustment to Current Period [ (2) x 0.990 ]	6,095,142
3. Incurred Allowed Claims [ (1B) + (2B) ]	17,021,556
4. Member Months Exposed (1-1-07 thru 6-30-08)	109,661
5. Adjusted Experience Period Allowed Claims PMPM [ (3) / (4) ]	155.22
6. Trend [ 21 months @ 7.5% annual ]	1.13125
7. Rating Period Allowed Claims PMPM [ (5) x (6) ]	175.59
8. Rating Period Plan Paid PMPM [ (7) x 0.661 ]	116.07
9. Rating Period Member Cost Share PMPM [ (7) - (8) ]	59.53
10. Estimated 2009 Rx Drug Rebate PMPM	18.00
11. 2009 Plan Payments PMPM [ (8) - (10) ]	98.07
12. 2009 Anticipated Loss Ratio	85%
13. 2009 Gross Premium to BCBSND [ (11) / (12) ]	115.38
14. CMS Payments to BCBSND	51.72
15. Calculated Member Premium [ (13) - (14) ]	63.66
16. Rounded to Nearest \$0.10	63.70

PLAN FEATURES	05-07 Plan			07-09 Plan			Alt #1			Alt #2			Alt #3 - HDHP	
	Basic	PPO	EPO	Basic	PPO	EPO	Basic	PPO	EPO	Basic	PPO	EPO	Single	Family
Deductible for Non-Physician Services* - Per Person - Per Family * Services billed by a physician or psychiatrist.	All \$250 \$750 services	All \$250 \$750 services	All \$100 \$300 services	All \$400 \$1200 services	All \$400 \$1200 services	All \$200 \$600 services	\$500 \$1500	\$500 \$1500	\$250 \$750	\$750 \$2250	\$750 \$2250	\$500 \$1500	\$1250	\$2500
Copayment for Physician Office Visits	\$25	\$20	\$15	\$30	\$25	\$20	\$30	\$25	\$20	\$30	\$25	\$20		
Copayment for Emergency Room Visits	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50		
Co-Insurance on covered services EXCEPT Physician Office Visits	75/25	80/20	85/15	75/25	80/20	85/15	75/25	80/20	85/15	75/25	80/20	85/15	80/20	80/20
Prescription Formulary Generic Drug - Copayment - Co-Insurance	\$5 15%	\$5 15%	\$5 15%	\$5 15%	\$5 15%	\$5 15%	\$5 15%	\$5 15%	\$5 15%	\$5 15%	\$5 15%	\$5 15%		
Prescription Formulary Brand-Name Drug - Copayment - Co-Insurance	\$15 25%	\$15 25%	\$15 25%	\$20 25%	\$20 25%	\$20 25%	\$20 25%	\$20 25%	\$20 25%	\$20 25%	\$20 25%	\$20 25%		
Prescription Non-Formulary Drug - Copayment - Co-Insurance	\$25 50%	\$25 50%	\$25 50%	\$25 50%	\$25 50%	\$25 50%	\$25 50%	\$25 50%	\$25 50%	\$25 50%	\$25 50%	\$25 50%		
Co-Insurance Maximum - Individual - Family	\$1250 \$2500	\$750 \$1500	\$500 \$1000	\$1250 \$2500	\$750 \$1500	\$500 \$1000	\$1250 \$2500	\$750 \$1500	\$500 \$1000	\$1250 \$2500	\$750 \$1500	\$500 \$1000	\$1250	\$2500
Out of Pocket Maximums (Deductible & Coinsurance)* -Single -Family * - Copayments and Prescription Drugs are Additional	\$1500 \$3250	\$1000 \$2250	\$600 \$1300	\$1650 \$3700	\$1150 \$2700	\$700 \$1600	\$1750 \$4000	\$1250 \$3000	\$750 \$1750	\$2000 \$4750	\$1500 \$3750	\$1000 \$2500	\$2500	\$5000
Prescription Drug Coinsurance Maximum (Formulary Only)	\$1000	\$1000	\$1000	\$1000	\$1000	\$1000	\$1000	\$1000	\$1000	\$1000	\$1000	\$1000		
<b>Option A</b>														
Co-Insurance Maximum - Individual - Family				\$1500 \$3000	\$1000 \$2000	\$750 \$1500	\$1500 \$3000	\$1000 \$2000	\$750 \$1500	\$1500 \$3000	\$1000 \$2000	\$750 \$1500		
Out of Pocket Maximums (Deductible & Coinsurance)* -Single -Family * - Copayments and Prescription Drugs are Additional				\$1900 \$4200	\$1400 \$3200	\$950 \$2100	\$2000 \$4500	\$1500 \$3500	\$1000 \$2250	\$2250 \$5250	\$1750 \$4250	\$1250 \$3000		