

# NDPERS UPDATE

ATTORNEY GENERAL'S OFFICE – DECEMBER, 2011



# UPDATE

---

- × Retirement
- × Companion Plan/ DC Plan
- × Life Insurance Plan
- × Vision Plan
- × Health Plan
- × Dental Plan
- × PERS

---

# RETIREMENT PROGRAMS



# RETIREMENT

## Main System

North Dakota Public Employees Retirement System **GROUP RETIREMENT PLAN**



**NORTH DAKOTA  
PUBLIC EMPLOYEES RETIREMENT SYSTEM**

*EFFECTIVE AUGUST 1, 2003 TO JULY 31, 2005*

# RETIREMENT - MAIN

## Public Employees Retirement Plan

Chapter 54-52, NDCC

Employer Contribution: 4.12%

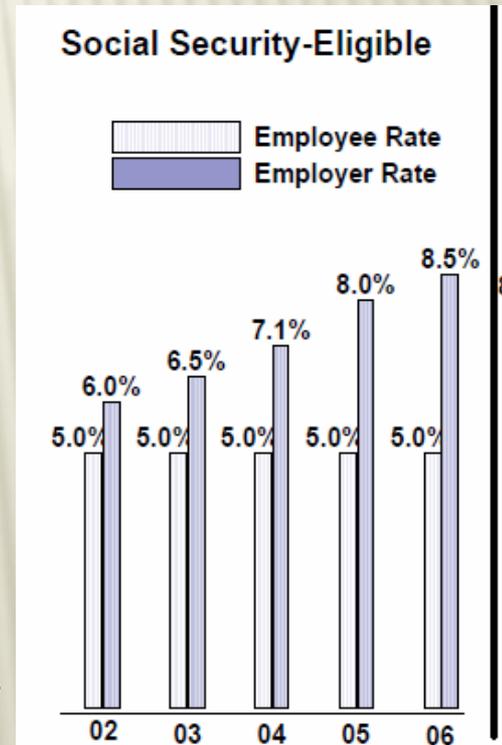
Employee Contribution: 4.00%

Total Retirement Contributions: 8.12%

Vesting in Disability Benefit: 180 days

Vesting in Retirement Benefit: 36 months

Normal Retirement: Age 65 or Rule of 85



# THE CHALLENGE

Defined Contribution Plan  
Hybrid Plan/Defined Benefit Plans



# WHERE HAPPENED?

---

× Financial Market Meltdown

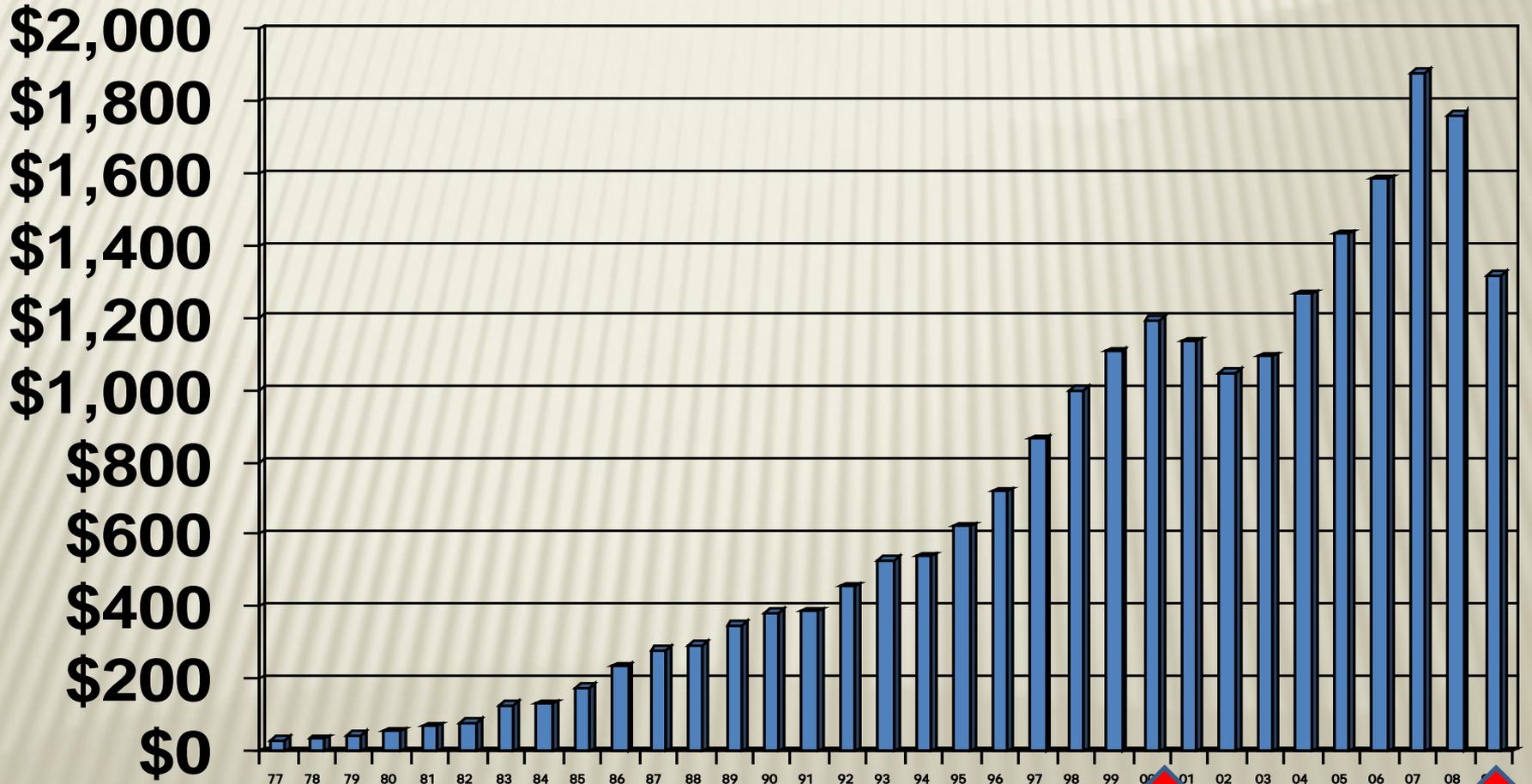
**-24.5%**

# NDPERS Retirement Systems Assets

(Main, Judges, Guard, and Law Enforcement Systems)

Millions

Market Value – Year Ended June 30

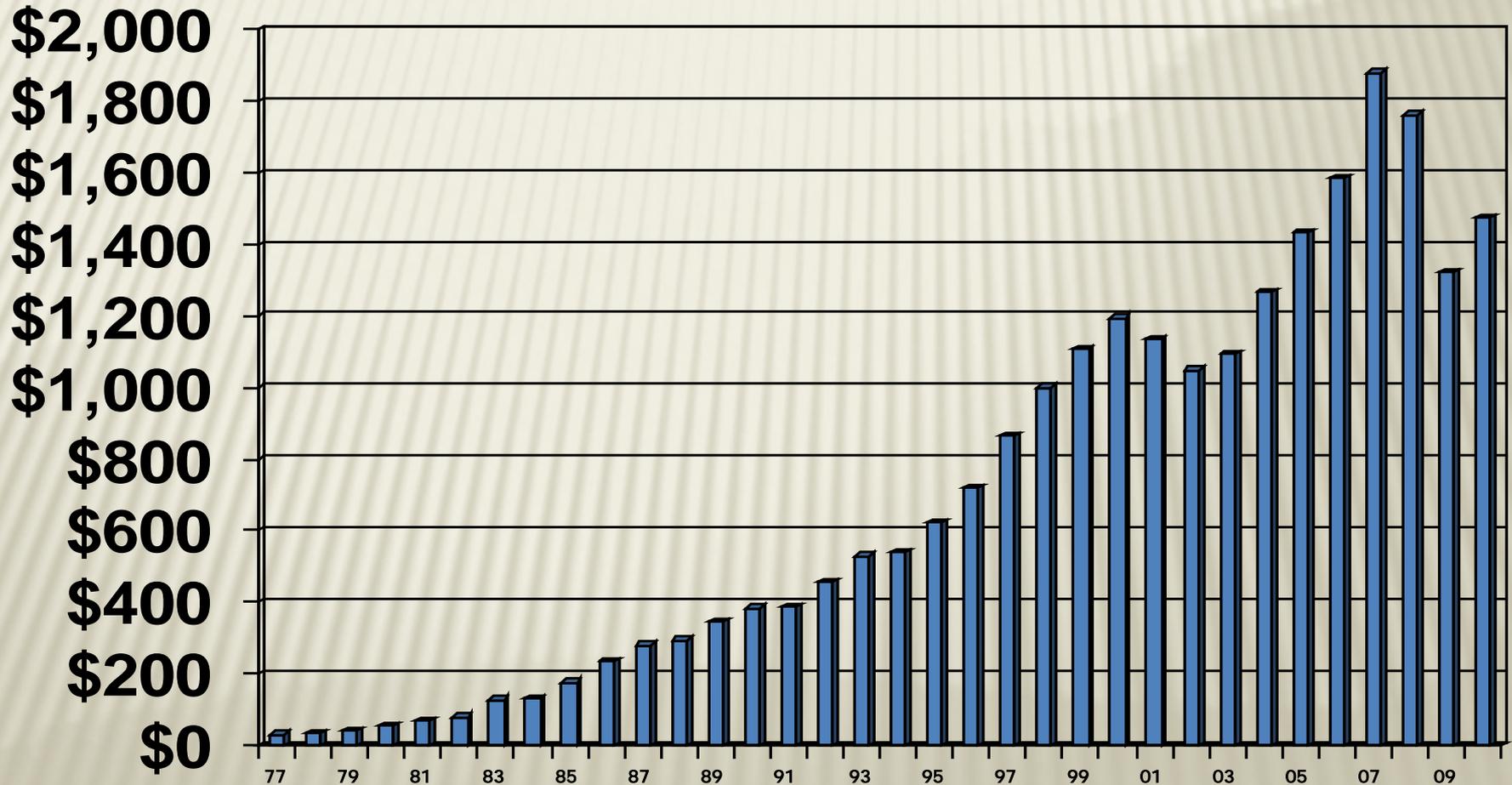


# NDPERS Retirement Systems Assets

(Main, Judges, Guard, and Law Enforcement Systems)

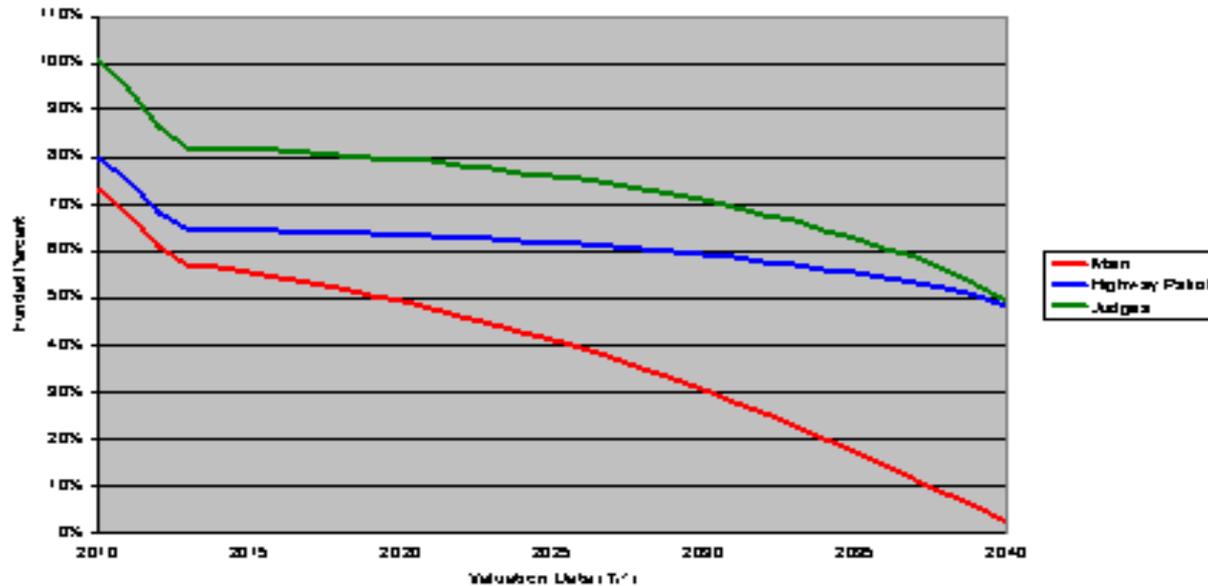
Millions

Market Value – Year Ended June 30

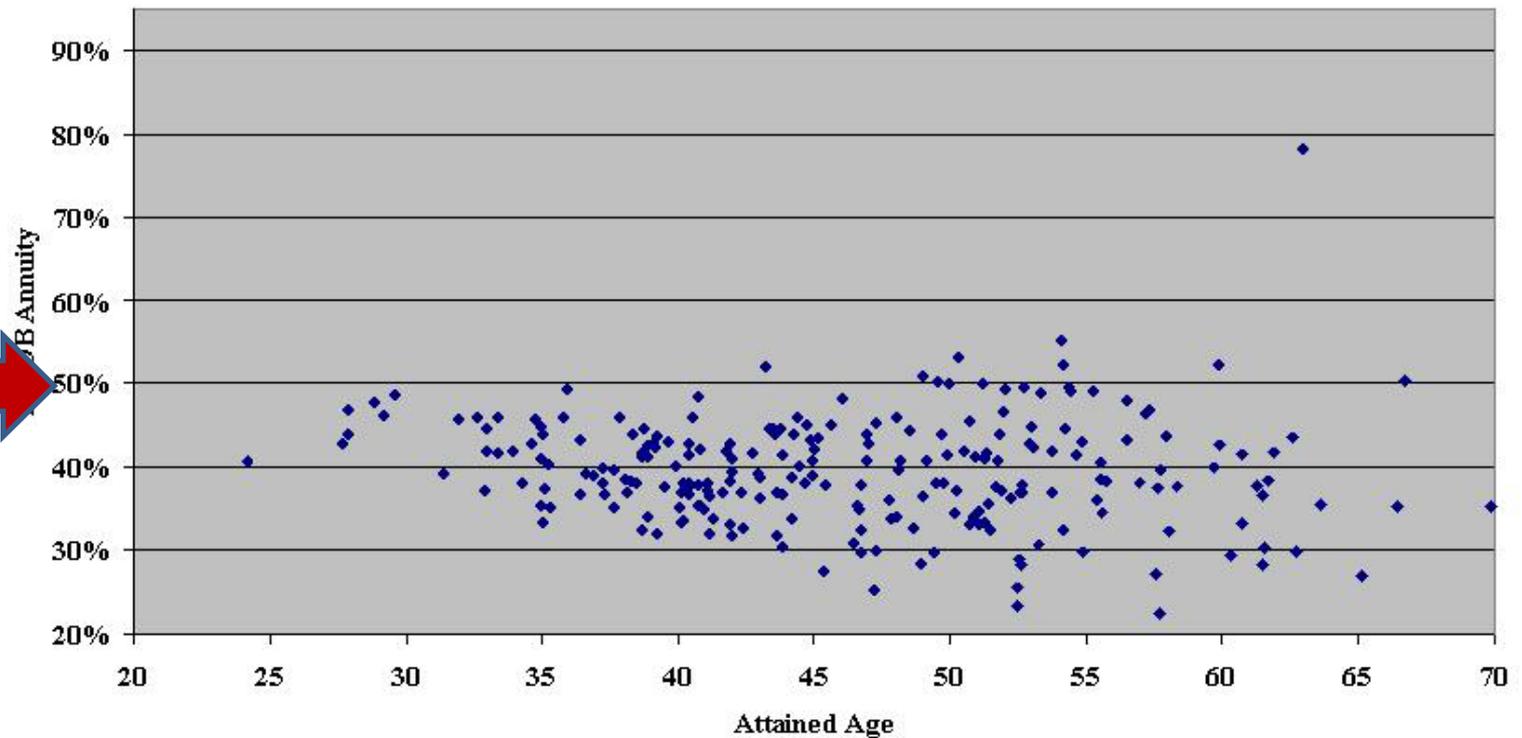


## Senate Bill 2108 – Current Plan Projections

Projected Funded Ratio  
(Actuarial Value of Assets to Actuarial Approved Liability)  
Based on July 1, 2010 Data



**Exhibit III**  
**Ratio of Projected DC Account (Converted to an Annuity) to DB Benefit**  
**by Attained Age as of July 1, 2010**  
**With 8.12% Future Contribution Rate**



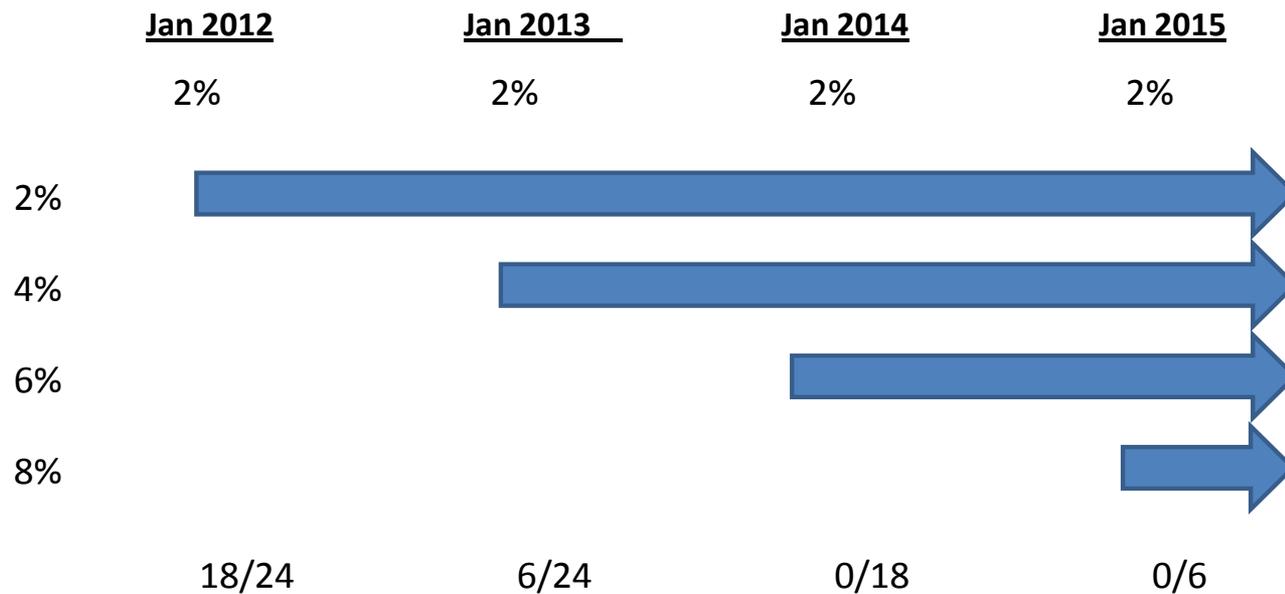
# THREE GOALS

---

- × To stop the downward trend in the funded status of the PERS retirement plans
- × To stabilize the plans
- × To put them on a positive trend to increase their funded status going forward

**SB 2108**

SB 2108

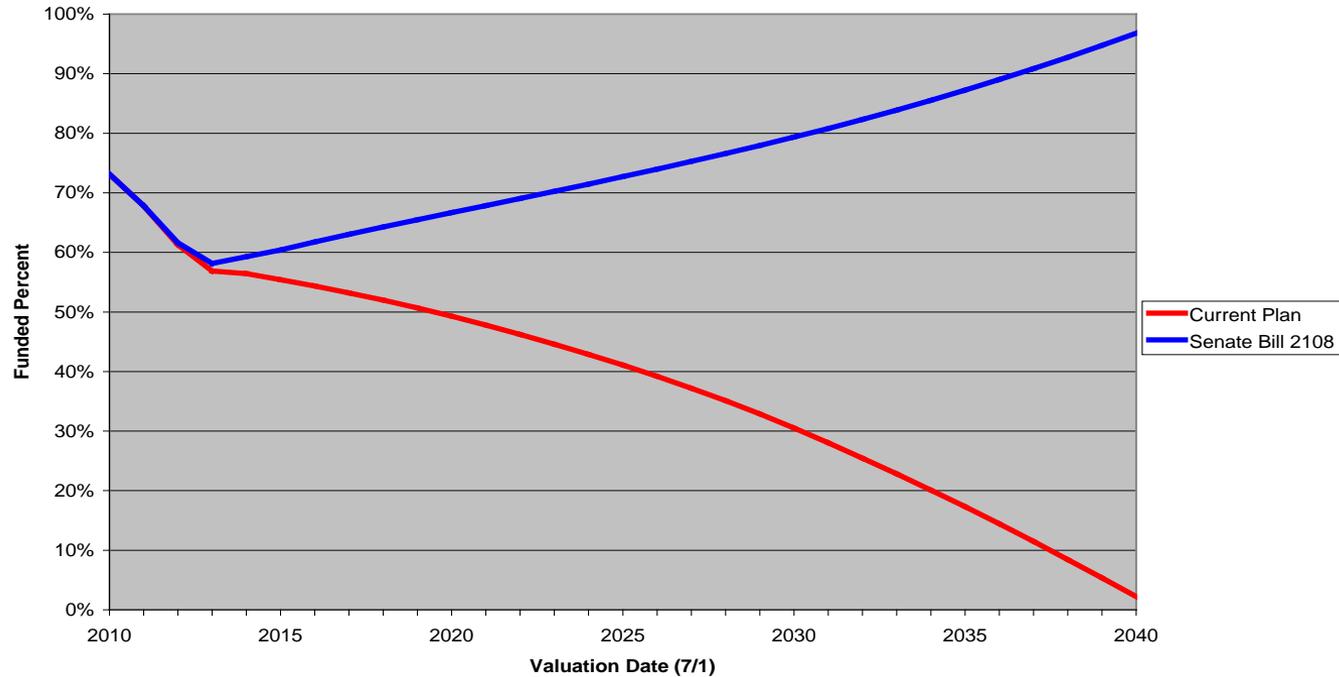


Months increase effective for 2011-2013/ Months effective for 2013-2015

2015 and beyond 100% effective

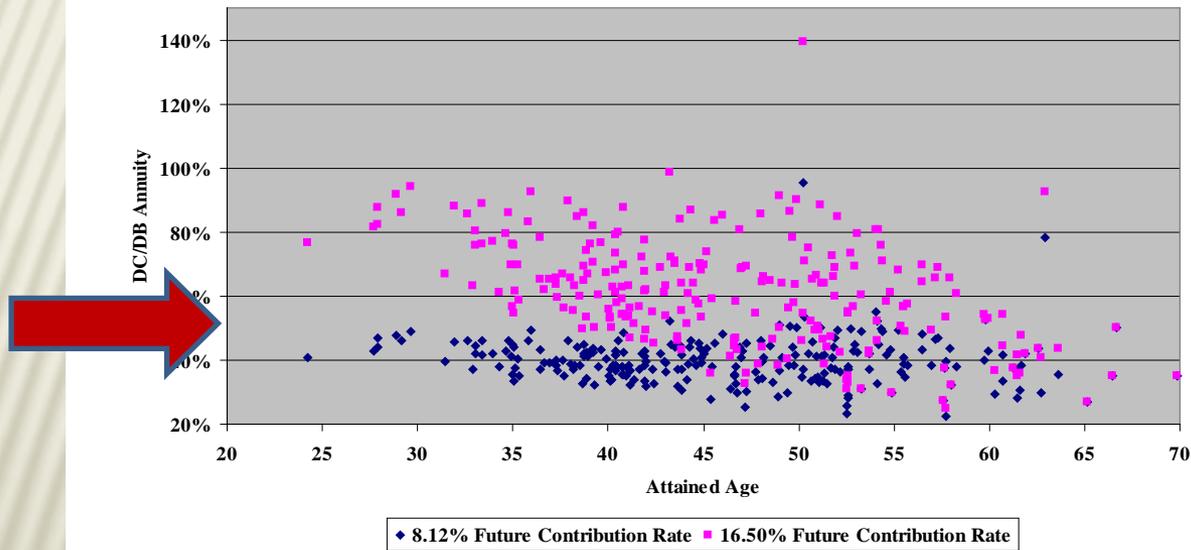
# Senate Bill 2108 – Actuarial Cost & Technical Analysis

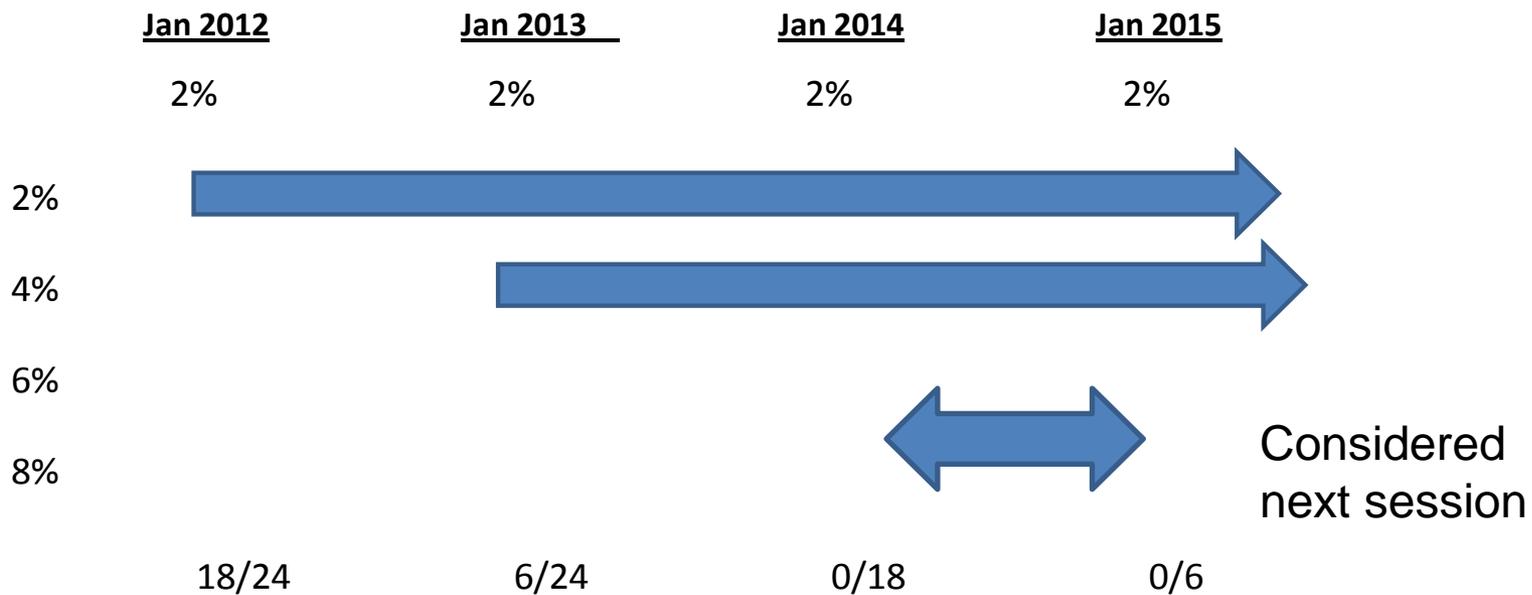
PERS (Main System)  
Comparison of Funded Ratio  
(Actuarial Value of Assets to Actuarial Accrued Liability)  
Based on July 1, 2010 Data



# Defined Contribution Analysis

Exhibit IV  
Ratio of Projected DC Account (Converted to an Annuity) to DB Benefit  
by Attained Age as of July 1, 2010

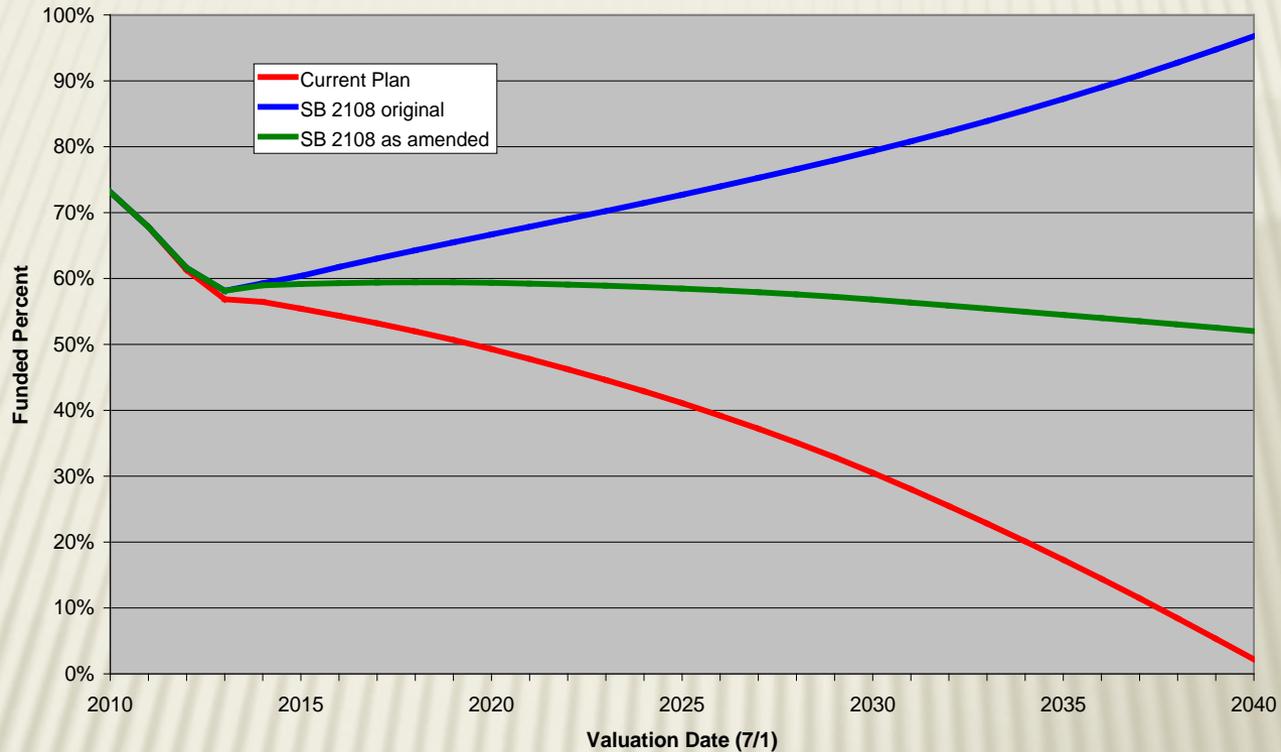




Months increase effective for 2011-2013/ Months effective for 2013-2015

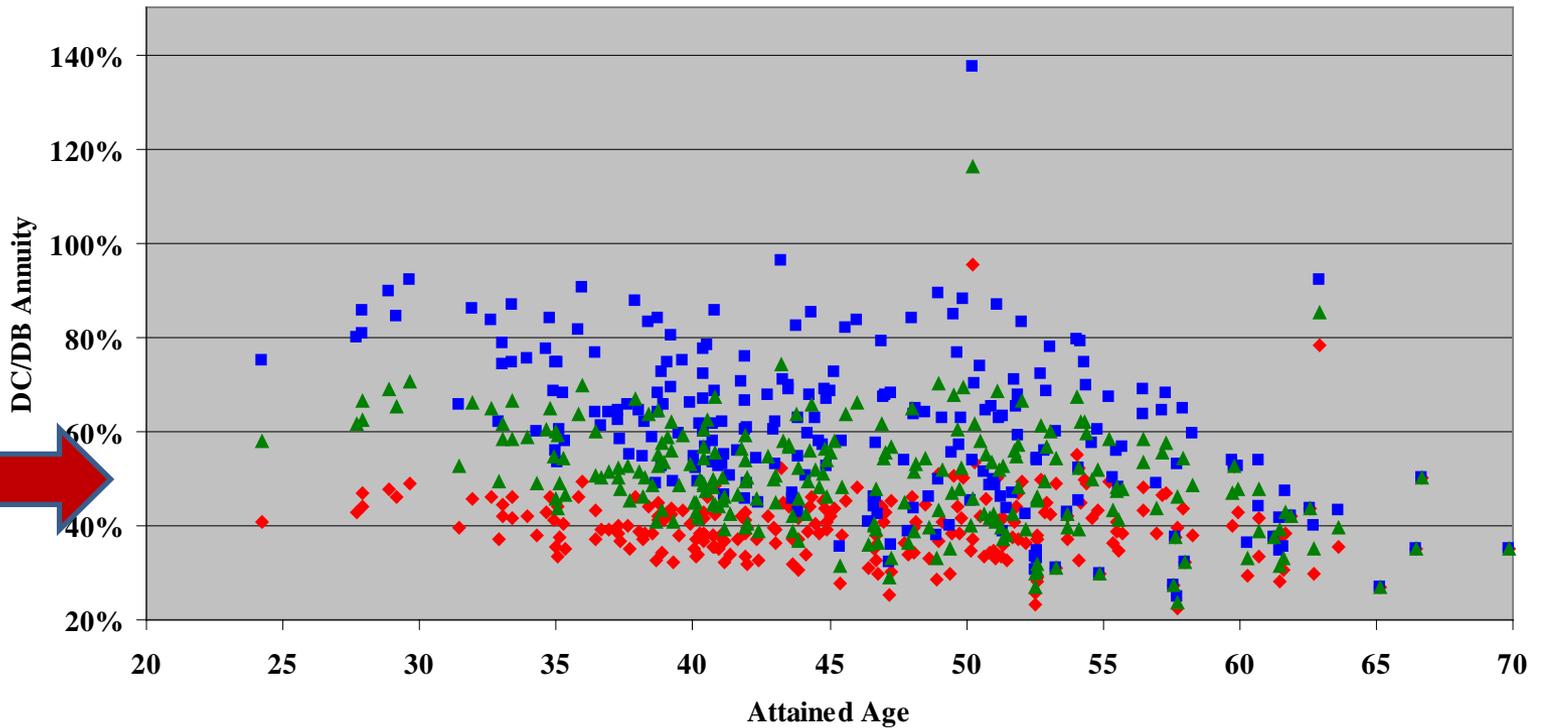
2015 and beyond 100% effective

PERS (Main System)  
Comparison of Funded Ratio  
(Actuarial Value of Assets to Actuarial Accrued Liability)  
Based on July 1, 2010 Data



**4% contribution increase** - *has stopped downward trend and stabilized the plan*

**Exhibit IV**  
**Ratio of Projected DC Account (Converted to an Annuity) to DB Benefit**  
**by Attained Age as of July 1, 2010**



◆ 8.12% Future Contribution Rate    ■ 16.12% Future Contribution Rate    ▲ 12.12% Future Contribution Rate

# OUR CHALLENGE

## × Last Session accomplishments

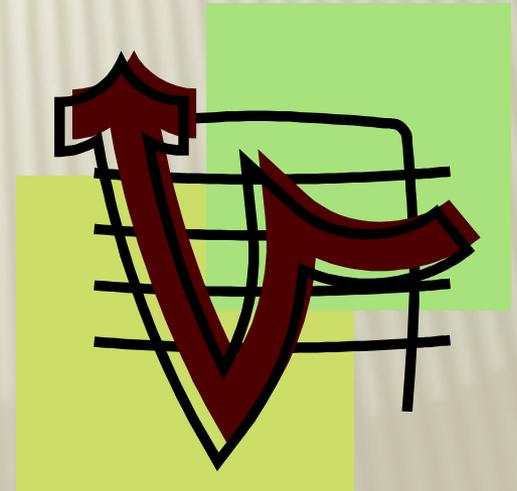
- + To stop the downward trend in the funded status of the PERS retirement plans
- + To stabilize the funds

## × Next Session

- + To put them on a positive trend to increase their funded status going forward

# 2011 INVESTMENT RETURN

21%

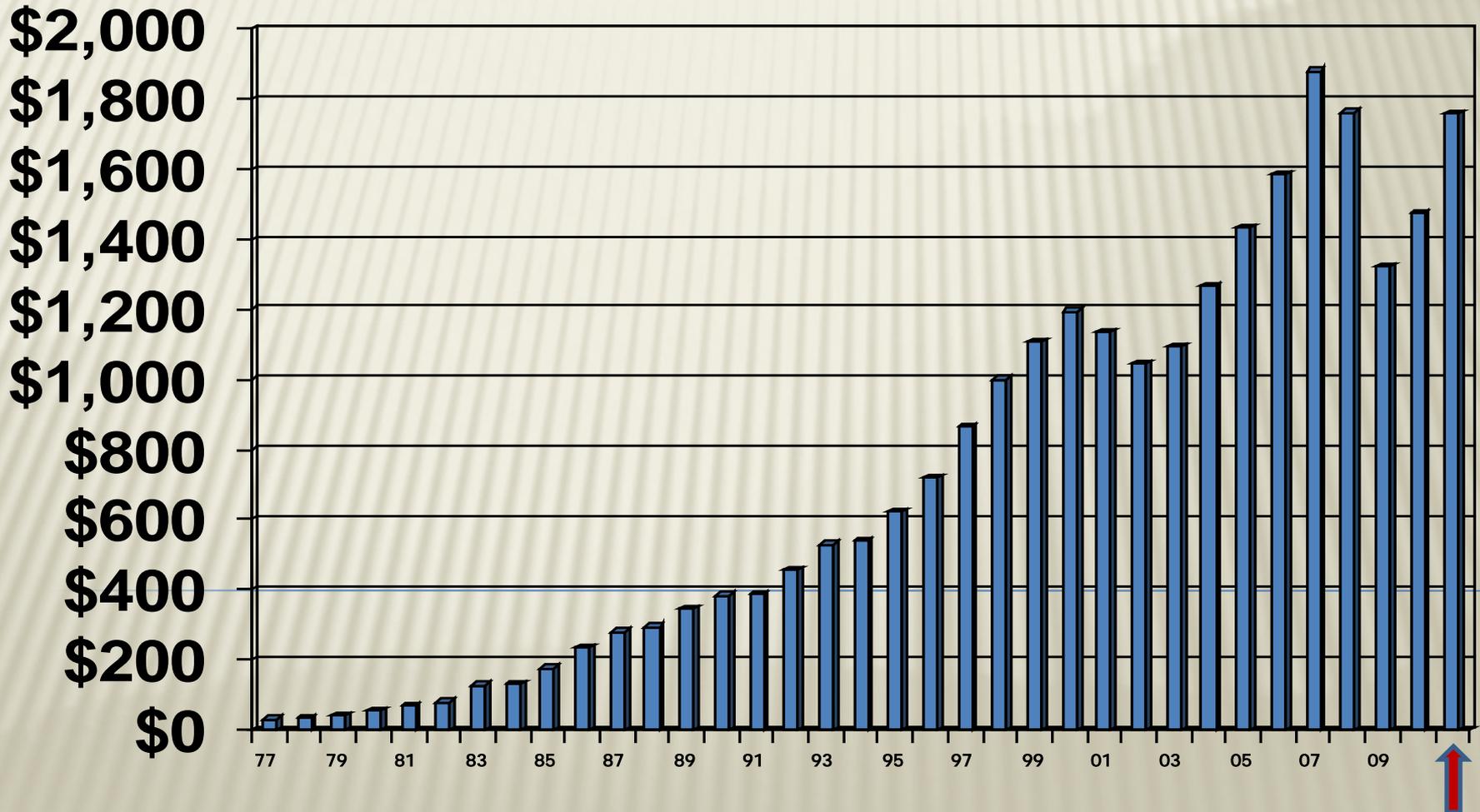


# NDPERS RETIREMENT SYSTEMS ASSETS

(MAIN, JUDGES, GUARD, AND LAW ENFORCEMENT SYSTEMS)

Millions

Market Value – Year Ended June 30

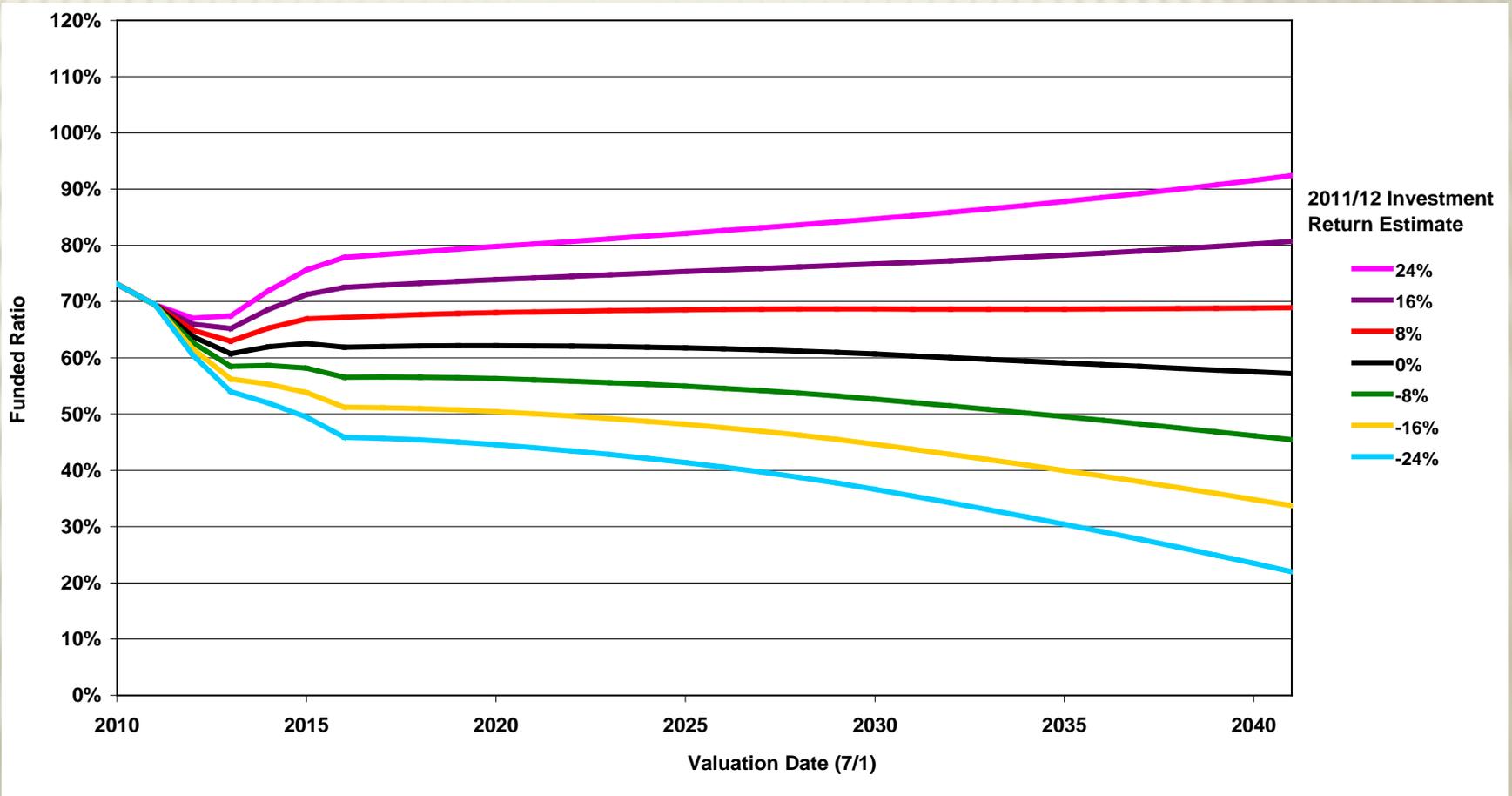


# North Dakota PERS - Main System

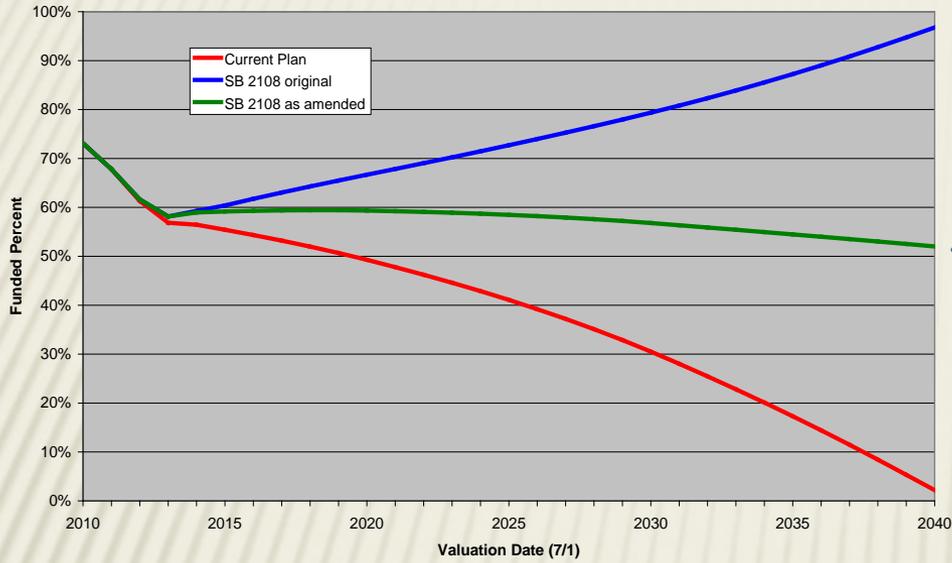
Draft Estimate

## Projected Funded Ratio – Actuarial Value Basis

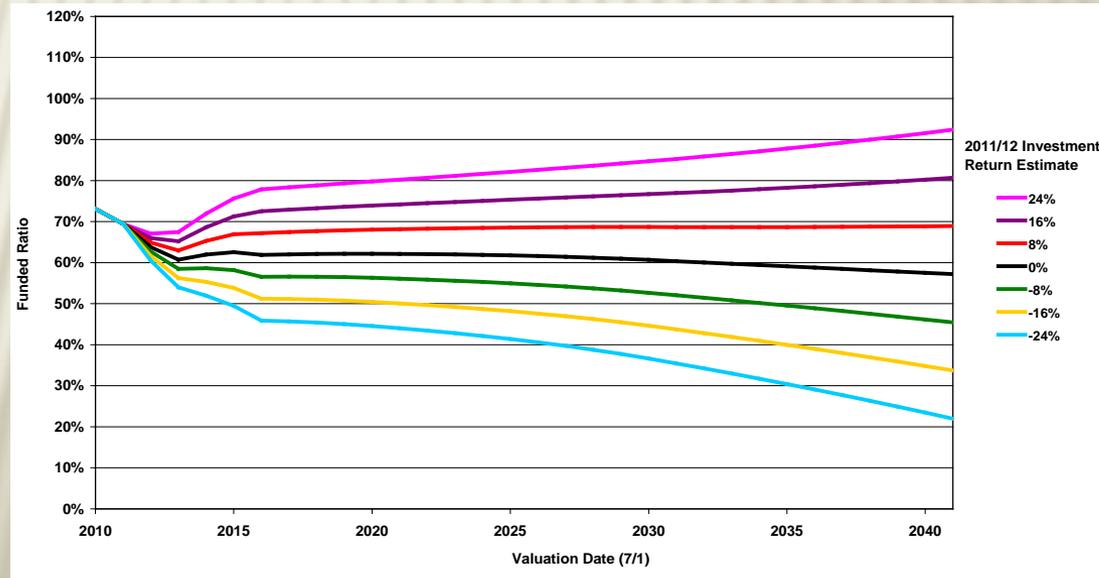
Actuarial Value of Assets to the Actuarial Accrued Liability  
Market Return for FY 2011 was 21.0%  
Market Return After FY 2012 Always 8.0%  
Contribution Rates Increased by 2.0% on 1/1/2012 and 1/1/2013



**PERS (Main System)  
Comparison of Funded Ratio  
(Actuarial Value of Assets to Actuarial Accrued Liability)  
Based on July 1, 2010 Data**



**Actuarial Value of Assets to the Actuarial Accrued Liability  
Market Return for FY 2011 was 21.0%  
Market Return After FY 2012 Always 8.0%  
Contribution Rates Increased by 2.0% on 1/1/2012 and 1/1/2013**



# FUTURE ACTIONS NEEDED

---

- × Put plan on course to 90-100% funded status
  - + Move forward with additional increases in 2014 &15
  - + Look at benefit adjustments instead of contribution increase
  - + Combination of above
- × Defined Contribution Plan members (especially older members) will need more help in order to achieve a reasonable funded status at retirement

# Other Changes at PERS during the last year

- × Companion Plan/Defined Contribution Plan
- × HDHP/HSA
- × Life Plan
- × Vision Plan
- × Dental Plan

---

# Defined Contribution Plans

## Companion Plan & DC Plan



# PERS COMPANION PLAN & DC PLAN PROVIDER

---



**Fidelity**<sup>®</sup>  
INVESTMENTS

# WHAT CHANGED

On November 1, TIAA-CREF became the new provider and recordkeeper for the

- 457(b) Deferred Compensation Companion Plan
- 401(a) Defined Contribution Plans

# WHY DID IT CHANGE

- Lower administrative fees
- Increased number of days of onsite counseling
- Greater range of counseling services
- Expanded brokerage window

By moving to TIAA-CREF, NDPERS provides a better value and depth of retirement services to our plan participants

## New Investment Menu



Financial Services

For Institutional Investor Use Only. Not for Use with or Distribution to the Public.

# NEW INVESTMENT MENU

<b>Investment Options Tier 1 (Target Date Funds)</b>	
<b>Asset Class</b>	<b>Fund</b>
Retirement Income	TIAA-CREF Lifecycle Ret Inc
Target Date	TIAA-CREF Lifecycle 2010
Target Date	TIAA-CREF Lifecycle 2015
Target Date	TIAA-CREF Lifecycle 2020
Target Date	TIAA-CREF Lifecycle 2025
Target Date	TIAA-CREF Lifecycle 2030
Target Date	TIAA-CREF Lifecycle 2035
Target Date	TIAA-CREF Lifecycle 2040
Target Date	TIAA-CREF Lifecycle 2045
Target Date	TIAA-CREF Lifecycle 2050
Target Date	TIAA-CREF Lifecycle 2055

<b>Investment Options Tier 2 (Core Index Funds)</b>	
<b>Asset Class</b>	<b>Fund</b>
Mid-Cap Blend	Columbia Mid Cap Index A
Large Blend	Vanguard 500 Index Signal
Foreign Large Blend	Vanguard Total Intl Stock Index Inv

<b>Investment Options Tier 3 (Core Active Funds)</b>	
<b>Asset Class</b>	<b>Fund</b>
Inflation-Protected Bond	PIMCO Real Return Admin
Intermediate-Term Bond	PIMCO Total Return Admin
Large Growth	Franklin Growth Adv
Moderate Allocation	T. Rowe Price Capital Appreciation Adv
High Yield Bond	Prudential High-Yield Z
Large Growth	Wells Fargo Advantage Growth Adm
Mid-Cap Blend	ASTON/Fairpointe Mid Cap I
Large Value	Hartford Dividend & Growth R5
Large Blend	Nuveen Tradewinds Value Opportunities I
Mid-Cap Growth	Prudential Jennison Mid Cap Growth Z
Large Value	T. Rowe Price Equity Income
Mid-Cap Value	RidgeWorth Mid-Cap Value Equity I
Small Growth	Brown Capital Mgmt Small Co Inv
Real Estate	Cohen & Steers Realty Shares
World Stock	Mutual Global Discovery Z
Diversified Emerging Mkts	Oppenheimer Developing Markets Y
Small Blend	Parnassus Small-Cap
Small Value	Allianz NFJ Small Cap Value Admin
World Bond	Templeton Global Bond Adv

Investing involves risk, including possible loss of principal.

# SELF-DIRECTED BROKERAGE SERVICES

- Easy to set up
- Access to more than 3,500 mutual funds from hundreds of investment companies
- Buy, sell and transfer funds either online or through a toll-free number
- Minimum \$500 investment.
- The annual Brokerage Account Maintenance Fee will be waived for NDPERS participants
- Brokerage Services fees for transactions may apply (see below)

Type	Initial Cost	Short-term Redemption	Short Term Redemption/ Fund Co. Fee
Transaction Fee Funds	\$35 Buy or Sell*	N/A	Varies by Fund - Consult Prospectus
Non-Transaction Fee Funds	\$0 Buy or Sell	\$50.00	Varies by Fund - Consult Prospectus
Load Funds	Sales Charge/Varies by Fund – Consult Prospectus	Dependent on Fund Family	Varies by Fund - Consult Prospectus

\*Ongoing Transaction Fee waived when an Automatic Investment Plan is established.

---

# Life Insurance Plan



# CONSIDERATIONS

---

- Basic Life for active employees increased from \$1,300 to \$3,500 – 269%
- Travel Assistance Benefits to include:
  - Pre-trip Information
  - Emergency Personal Service (non-medical)
  - Medical Assistance Services
  - Emergency Transportation Services
- Funeral Planning & Concierge Services

# PRE-TRIP INFORMATION

---

- Visa, passport, and immunization requirements.
- Foreign exchange rates.
- Embassy/consular referral.
- Travel/tourist advisories.
- Temperature & weather conditions.
- Cultural information.

# EMERGENCY PERSONAL SERVICE (NON-MEDICAL)

- Urgent message relay.
- Interpretation/translation services.
- Emergency travel arrangements.
- Recovery of lost or stolen luggage or personal possessions.
- Legal Assistance and/or bail bond.

# MEDICAL ASSISTANCE SERVICES

---

- Medical referrals.
- Medical case monitoring.
- Rx assistance.
- Payment of emergency medical services up to \$10,000

# EMERGENCY TRANSPORTATION SERVICES

---

- Visit of family member or friend.
- Return of traveling companion.
- Return of dependent children.
- Return of vehicle.
- Return of mortal remains.

- For any of these services contact:

ING Travel Assistance:

U.S. Toll Free:

800.859.2821

Worldwide Collect:

202.296.8355

Email: [ops@europassistance-usa.com](mailto:ops@europassistance-usa.com)

Web: [www.europassistance-usa.com](http://www.europassistance-usa.com)

# FUNERAL PLANNING & CONCIERGE SERVICES

---

- Provided through Everest at no cost to employees, their spouse, and children under age 25 and includes:
  - Unlimited use of online planning tools to include reports comparing local funeral home prices nationwide.
  - Round-the-clock toll-free access to Everest advisors.
  - Concierge services for personal assistance to include:
    - Planning a funeral/memorial service.
    - Negotiating prices with funeral homes.
- For any of these services:
  - Go to Everest Enrollment site at [www.everestfuneral.com/ing](http://www.everestfuneral.com/ing) or contact an Everest Advisor at 1.877.456.5050

---

# VISION PLAN



# VISION PLAN

---

- × Started in 1997
- × Fully insured with Ameritas
- × Available to state employees and retirees
- × Went to bid in 2010 changed carriers to Superior

# VISION RATES

---

No change in premiums for 2012

<u>Level of Coverage</u>	<u>Active &amp; Retiree Premium</u>
Individual Only	\$ 4.92
Individual & Spouse	\$ 9.84
Individual & Child(ren)	\$ 8.96
Family	\$13.88

# VISION PLAN – SUPERIOR VISION

## Outline of Benefits

**Co-payments:**                 \$0 Comprehensive Eye Exam  
                                       \$35 Materials  
                                       \$35 Contact Lens Fitting

In-network co-pays are paid directly to the provider.  
 Materials co-pay applies to lenses and/or frames, not contact lenses.

	In-Network <sup>1</sup>	Out-of-Network <sup>1</sup>
<b>Comprehensive Eye Exam:</b>		
Ophthalmologist (MD)	Covered in Full	Up to \$45
Optometrist (OD)	Covered in Full	Up to \$45
<b>Standard Lenses (Per Pair):</b>		
Single Vision	Covered in Full	Up to \$35
Bifocal	Covered in Full	Up to \$50
Trifocal	Covered in Full	Up to \$70
Lenticular	Covered in Full	Up to \$70
Progressives	Covered to providers retail trifocal amount	Up to \$70
<b>Contact Lenses (Per Pair):<sup>2</sup></b>		
Medically Necessary	Covered in Full	Up to \$210
Elective <sup>3</sup>	Up to \$100	Up to \$100
<b>Contact Lens Fitting<sup>4</sup></b>		
Standard	Covered in Full	Not Covered
Specialty	Up to \$50	Not Covered
<b>Frames-Standard<sup>3</sup></b>	Up to \$75	Up to \$40

<sup>1</sup> All in-network and out-of-network allowances are at the retail value.

<sup>2</sup> Contact lenses are in lieu of eyeglass lenses and frames benefit.

<sup>3</sup> The insured is responsible for paying any charges in excess of this allowance.

<sup>4</sup> Standard contact lens fitting applies to an existing contact lens user who wears disposable, daily wear, or extended wear lenses only. The specialty contact lens fitting applies to new contact lens wearers and/or a member who wears toric, gas permeable, or multi-focal lenses.

### Plan Frequency

Comprehensive Exam           1 per Calendar Year  
 Contact Lens Fitting           1 per Calendar Year  
 Lenses                           1 Pair per Calendar Year  
 Frames                          1 per Calendar Year  
 Contact Lenses                 1 Allowance per Calendar Year

**Monthly Rates:**   Employee Only                 \$4.92  
                           Employee and Spouse         \$9.84  
                           Employee and Child(ren)     \$8.96  
                           Employee and Family         \$13.88

As of today there are 161 providers in our network

Coverage Level	Number of Contracts		
	Actives	Retirees	COBRA
Employee	1,794	489	8
Employee+Child(ren)	470	4	1
Employee+Spouse	1,269	317	3
Employee+Family	<u>1,560</u>	<u>8</u>	<u>5</u>
<b>Total</b>	<b>5,093</b>	<b>818</b>	<b>17 = 5,928</b>

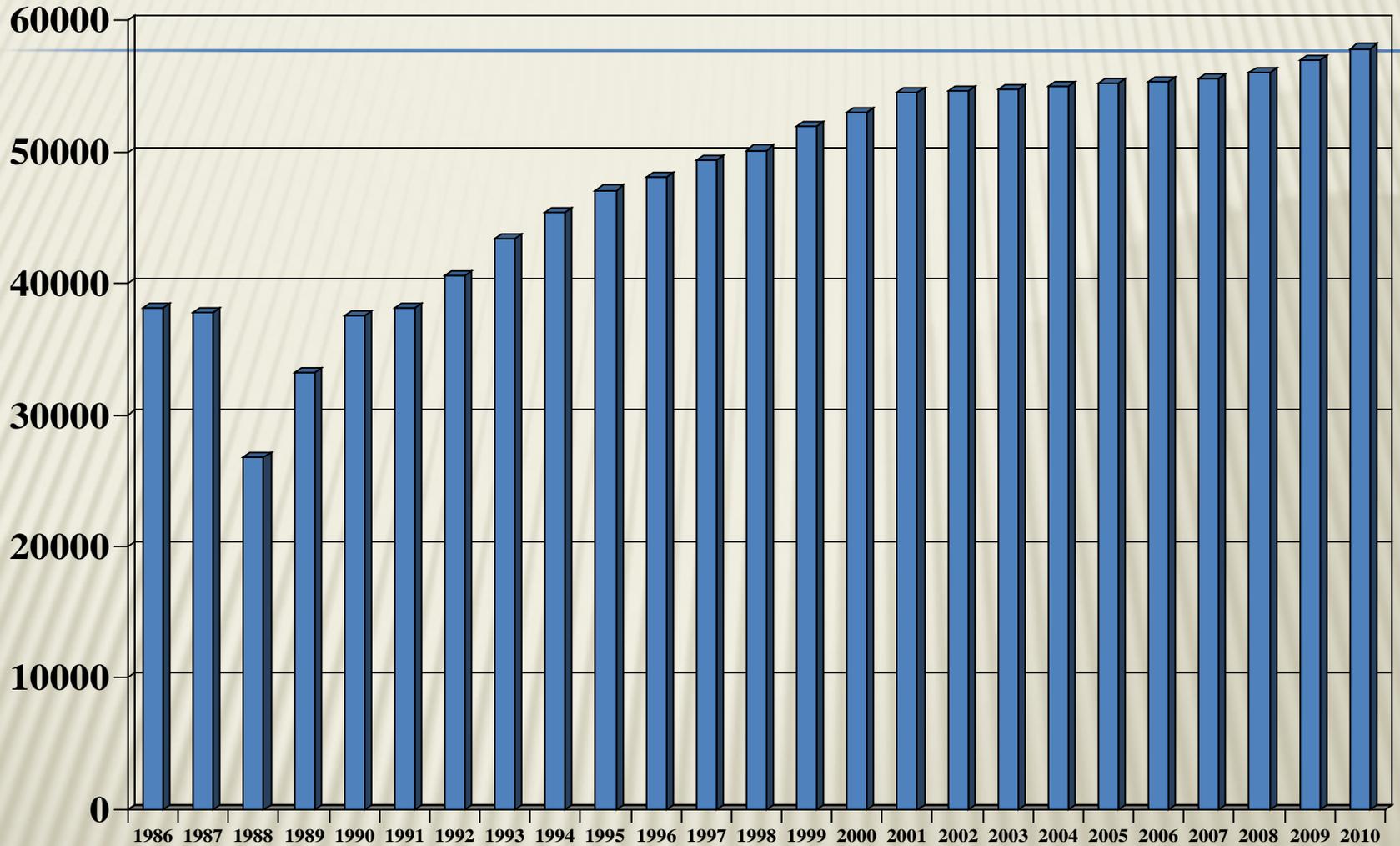
There is an increase of 1,541 contracts for the group.

---

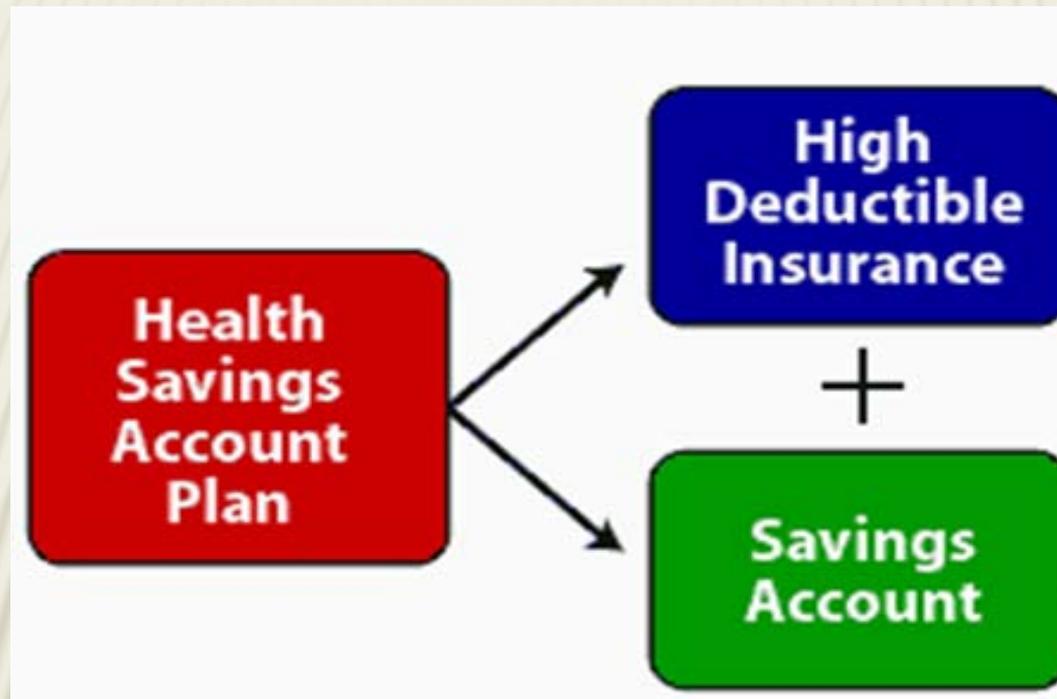
# HEALTH PLAN



# NDPERS Health Plan Membership



# HB 1364



# HDHP DIFFERENCES

\* includes the Basic Plan

- ✘ This will be a Comprehensive Deductible and Coinsurance plan.
- ✘ There are no Copayments under this plan.
- ✘ Deductible will apply first dollar since there is no copay structure on Prescriptions.
- ✘ Because this is a Comprehensive HDHP a Member can exceed the \$1500 Individual Deductible/Coinsurance.

# DEDUCTIBLE

PLAN	INDIVIDUAL	FAMILY
PPO	\$ 1500	\$ 3,000
BASIC	\$ 1,500	\$ 3,000

# COINSURANCE MAXIMUMS

PLAN	INDIVIDUAL	FAMILY
<b>PPO</b> <b>80/20 %</b>	\$ 1500	\$ 3,000
<b>BASIC</b> <b>75/25 %</b>	\$ 2,000	\$ 4,000

# TOTAL OUT-OF-POCKET MAXIMUM

\*Includes deductible and coinsurance only

<b>PLAN</b>	<b>INDIVIDUAL</b>	<b>FAMILY</b>
<b>PPO</b>	\$ 3,000	\$ 6,000
<b>BASIC</b>	\$ 3,500	\$ 7,000

# HEALTH SAVINGS ACCOUNT

## Benefits

- Enroll in High Deductible Health Plan
- Enroll in the HSA ( S-\$658; F-\$1,592)

## Before Deductible Met

- Use HSA to pay for out-of-pocket/deductible expenses

## After Deductible Met

- Now covered by HDHP
- Save your HSA funds!

# EXAMPLE ONE

***During the year a Family of four has \$480 (6 visits) in office calls costs and \$1,800 in Rx costs***

	PPO	HDHP
Member out of pocket costs	\$526.25	\$2,280.00
Health Savings Account		1,592.88
Amount Paid from Health Savings Account		1,592.88
Total member out pocket	526.25	687.12
Total amount left in health savings account		0.00

# EXAMPLE TWO

*During the year a Family of four has \$10,000 in costs (2 members meet deductible and the rest goes to coinsurance)*

	<u>PPO</u>	<u>HDHP</u>
Member out of pocket costs	\$ 2,300.00	\$ 4,400.00
Health Savings Account		1,592.88
Amount Paid from Health Savings Account		1,592.88
Total member out pocket	2,300.00	2,807.12
Total amount left in health savings account		-

# EXAMPLE TWO

*During the year the a Single member has \$80 (1 visit) office call cost*

	<u>PPO</u>	<u>HDHP</u>
Member out of pocket costs	\$ 25.00	\$ 80.00
Health Savings Account		658.08
Amount Paid from Health Savings Account		80.00
Total member out pocket	25.00	-
Total amount left in health savings account		578.08

---

# DENTAL PLAN



# DENTAL PLAN

---

- × Started in 1997
- × Fully insured with Reliastar
- × Available to state employees and retirees
- × Changed carriers in 2007
- × Now fully insured with Cigna
  - + Current rate expires December 2009
  - + Renewed for 2011 - 7% increase
  - + **Renewed for 2012 – 3.4% increase**

---

# OTHER PERS EFFORTS



# ADMINISTRATIVE CHANGES

---

## PERSLink

- Continued refinement of system
- Expanded Benefit Statement
- Member Self Service
  - Member Benefit Projections
  - Employee Portal

