

Job Service Retiree Meeting

December 9, 2008
Sparb Collins

Meeting Purpose

- Overview of PERS
- Update on the retirement plan
 - Last valuation
 - Future
- Update on the health plan

PERS BOARD

- *SEVEN MEMBERS*
 - *CHAIR - APPOINTED BY GOVERNOR*
 - *THREE ELECTED BY ACTIVE MEMBERS*
 - *ONE ELECTED BY RETIRED MEMBERS*
 - *STATE HEALTH OFFICER*
 - *ONE APPOINTED BY ATTORNEY GENERAL*

PERS BOARD

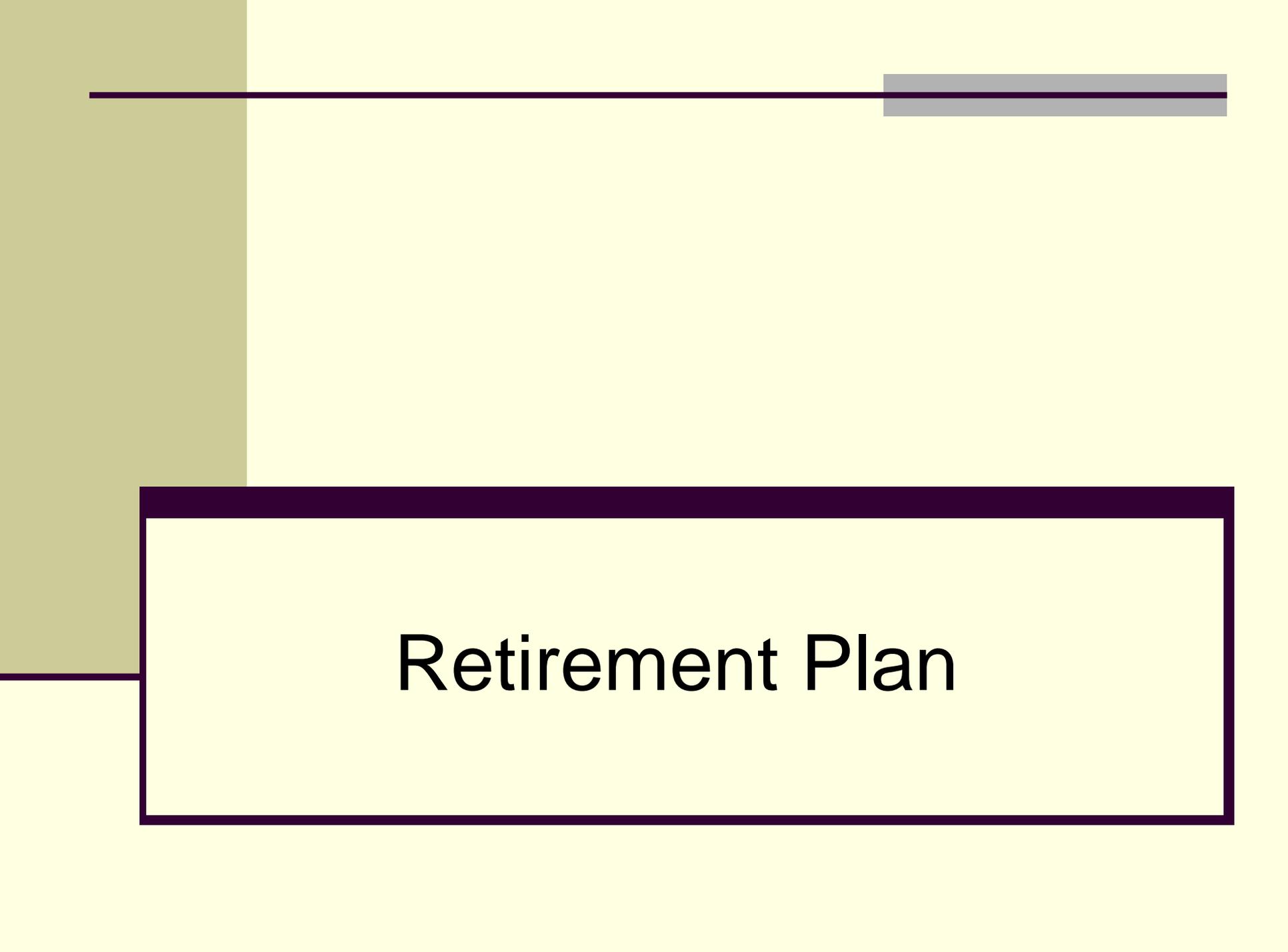
- *Jon Strinden* *Chair*
- *Levi Erdmann* *Elected - Actives*
- *Joan Ehrhardt* *Elected - Actives*
- *Mike Sandal* *Elected - Actives*
- *Ron Leingang* *Elected - Retirees*
- *Arvy Smith* *Health Officer*
- *Tom Trenbeath* *Attorney General*

PROGRAMS

- *RETIREMENT*
- *GROUP INSURANCE*
- *FLEX COMP*
- *EMPLOYEE ASSISTANCE*

RETIREMENT

- *DEFINED BENEFIT PLANS – 5*
 - *Main*
 - *Judges*
 - *Natl. Guard*
 - *Law Enforcement*
 - *Highway Patrol*
 - *Job Service*
 - *OASIS*
- *DEFINED CONTRIBUTION PLANS – 2*
 - *457*
 - *401(a)*
- *RETIREE HEALTH CREDIT*
- *ADMINISTRATIVE SERVICES*
 - *PRIOR JUDGES*
 - *JOB SERVICE RETIREE HEALTH CREDIT*



Retirement Plan

Retirement terms

- **Actuarial Valuation** — annual evaluation done by the systems actuary which determines and compares the actuarial value of assets to the accrued liabilities and determines the actuarial required employer contribution
- **Actuarial value of assets** — is a method for valuing assets over a five year period which provides more stability for planning purposes.
- **Market value of assets** — the actual value of assets on a given day

Retirement Equation

■ Contributions + Investment = Benefits + Expenses

↓
Economic
• Plan return
• Salary increases

↓
Demographic
• Retirement rates
• Disabilities
• Mortality

- Experience Study
- Asset Liability Study

2008 Actuarial Valuation - Job Service

- Frozen plan; declining membership
- Gain this year from salary increases (4.0% vs. 5.0% assumed)
- Gain this year from COLA (2.2% vs. 5.0% assumed)
- Loss from investment return (6.4% vs. 7.5% assumed)

2008 Actuarial Valuation - Job Service

	2008	2007	Change
Total Number of Active Members	38	40	5.0% decrease
Average Age of Active Members	56.4 years	55.5 years	increase
Average Annual Salary	\$46,385	\$46,079	0.7% increase
Total Payroll	\$1,763,000	\$1,843,000	4.4% decrease

Pensioners (including disableds) and beneficiaries:

Number paid by retirement plan

118

118

Total annual benefits

\$2,987,764

\$2,907,865

Average annual benefit

\$25,320

\$24,643

Number of Travelers annuitants

98

102

Total annual benefits from plan
(COLAs)

\$567,246

\$551,283

Job Service - Funded Ratio

<u>Year</u>	<u>Present Value of Projected Benefits (millions)</u>	<u>Actuarial Value of Assets (millions)</u>	<u>Funded Ratio</u>
2000	\$56.6	\$71.0	125%
2001	58.7	70.8	121%
2002	59.9	67.6	113%
2003	60.7	66.0	109%
2004	61.8	67.5	109%
2005	63.3	69.3	109%
2006	70.0	70.6	101%
2007	71.7	75.7	106%
2008	71.8	77.0	107%

Market Value was \$89,913,883

Agreement with DOL

To resolve this issue Job Service and the United States Department of Labor agreed to the following:

1. Commencing with the 1999 payment the United States Department of Labor will suspend the unfunded liability payments.
2. The unfunded liability payments will be reactivated and resumed by the United States Department of Labor at any time when the actuarial valuation indicates the Plan is in an underfunded status.
3. The trigger mechanism for determining when the Plan goes into an underfunded status is when the actuarial value of assets is less than the actuarial present value of benefits. This information will be made available in the annual Plan actuarial valuation report.

Funds Associated with Agreement

- Fifteen years remain on the 30-year amortization schedule with a remaining balance for the unfunded liability of the North Dakota Plan in the amount of \$9.7 million as of July 1998.

COLA's

■ History:

2003	2.1%
2004	2.7%
2005	4.1%
2006	3.3%
2007	2.3%

2008 approved rate was 5.8%

**Post-retirement
cost-of-living adjustment:** 5.0% per year.

PERS Board Authority relating to COLA's

- *the PERS Board has the option of authorizing a COLA in the amount of the consumer price index, or choosing not to authorize such a payment.*

NDPERS COMPARED TO OTHER STATE RETIREMENT PLANS

<i>Asset class</i>	<i>PERS</i>	<i>Job Service</i>
Domestic Equities	40	35
International Equities	15	5
Domestic Fixed Income	29	55
International Fixed Income	5	5
Real Estate	5	0
Alternatives	5	0
Other	1	

NDPERS and RIO

■ NDPERS

- Investment Policies
- Asset Allocation
 - Major asset classes

■ RIO

- Hire money managers
- Monitor money managers
- Refine the asset classes

SIB membership: Lt Governor, Chair

3 PERS Bd members

Kelly Schmidt (Treasurer)

3 TFFR Bd members

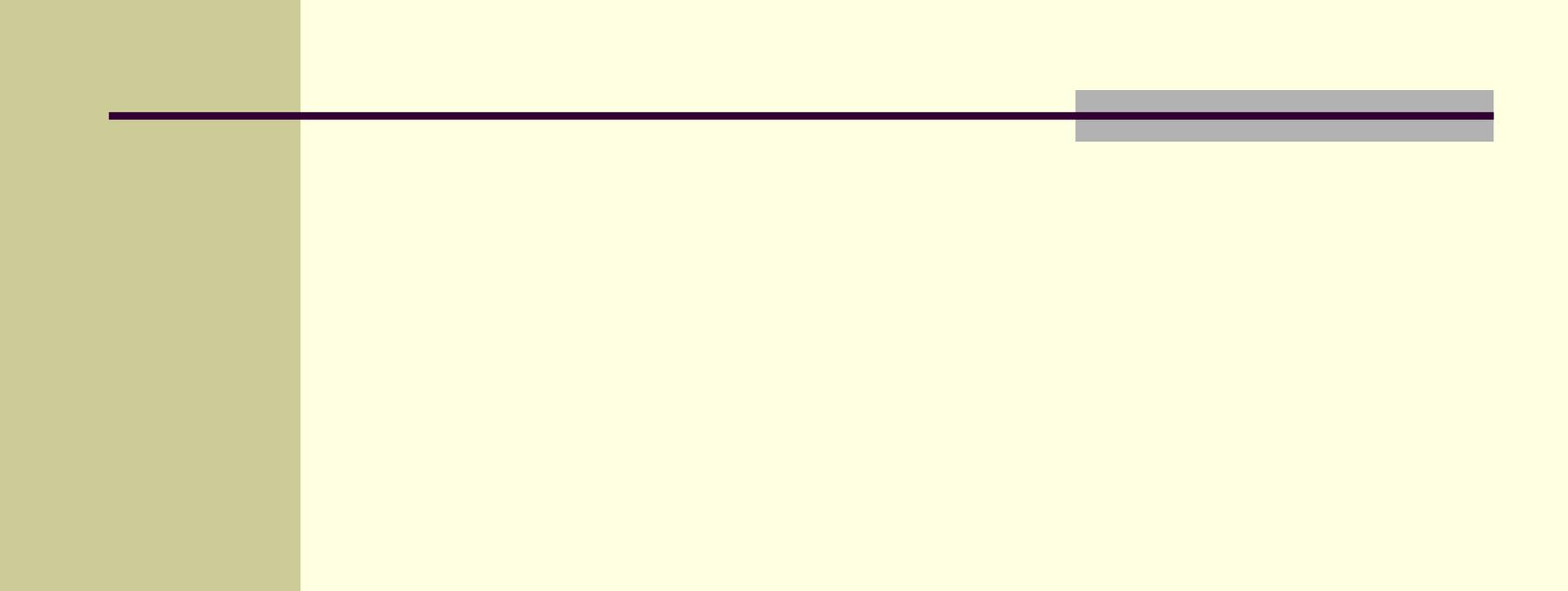
Adam Hamm (Ins. Com.)

Gary Preszler

WSI Director

Future actions

- PERS is doing an asset/liability study of the plan
- During study period the Board will continue to monitor returns
- Based upon this study & the returns the Board will determine actions relating to the DOL agreement



Health Insurance



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- Medicare Rx Rates
 - Medicare Medical Rates
 - Pre medicare Rates

Rx Renewal

- 2008 premium \$56.40
- 2009 premium: \$63.70

experience, no change in fed. sub. +2.8%
expc + change in fed. subsidy +13%

- That is, if the expected federal subsidy did not change, the premium would have been , a 2.8% increase.

Medicare Rx

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%

\$7.30 increase effective January 1, 2009

- 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.

Medical - Medicare

1 Medicare only	2,965	\$154.06	\$10,962,910	\$125.98	\$8,964,737	-18.2%
2 Medicare only	1,424	\$298.18	\$10,190,600	\$243.34	\$8,316,388	-18.4%
3 Medicare only	5	\$317.02	\$38,042	\$258.68	\$31,042	-18.4%
4 Medicare only	0	\$194.66	\$0	\$159.06	\$0	-18.3%
Part A 1 Medicare	1	\$424.32	\$10,184	\$346.06	\$8,305	-18.4%
1 Medicare + others	328	\$561.74	\$4,422,017	\$457.98	\$3,605,219	-18.5%
2 Medicare + others	7	\$439.38	\$73,816	\$358.34	\$60,201	-18.4%
3 Medicare + others	1	\$317.02	\$7,608	\$258.70	\$6,209	-18.4%

Estimates – numbers will be revised in final review

Changing the plan design

4. Medicare Retiree Benefits: (Illustration Only)

A group retiree benefit mirroring Medicare Supplement Plan F would be rated at approximately \$150 per Medicare member per month for the 2009-2011 biennium. This rate reflects NDPERS Medicare experience and a benefit increase of 35%-40% over the current NDPERS Medicare carve-out benefit. This product may be considered a Medicare Supplement plan by the North Dakota Department of Insurance and require filing and approval of group product and rates.

Since updated to about \$168

Rates

	Present Rate	Rx Inc	07/09 Rate	Med Rate New
Medicare Single	\$210.46	\$217.76	\$189.68	\$216.50
Medicare Family	\$410.98	\$425.58	\$370.74	\$430.20

Based upon update rates would be about \$18 higher

Premedicare Rates

Single	548	\$471.09	\$6,195,776	\$606.22	\$7,973,005	28.7%
Family	226	\$942.17	\$5,110,330	\$1,212.46	\$6,576,383	28.7%
Family 3+	6	\$1,177.73	\$169,593	\$1,515.58	\$218,244	28.7%

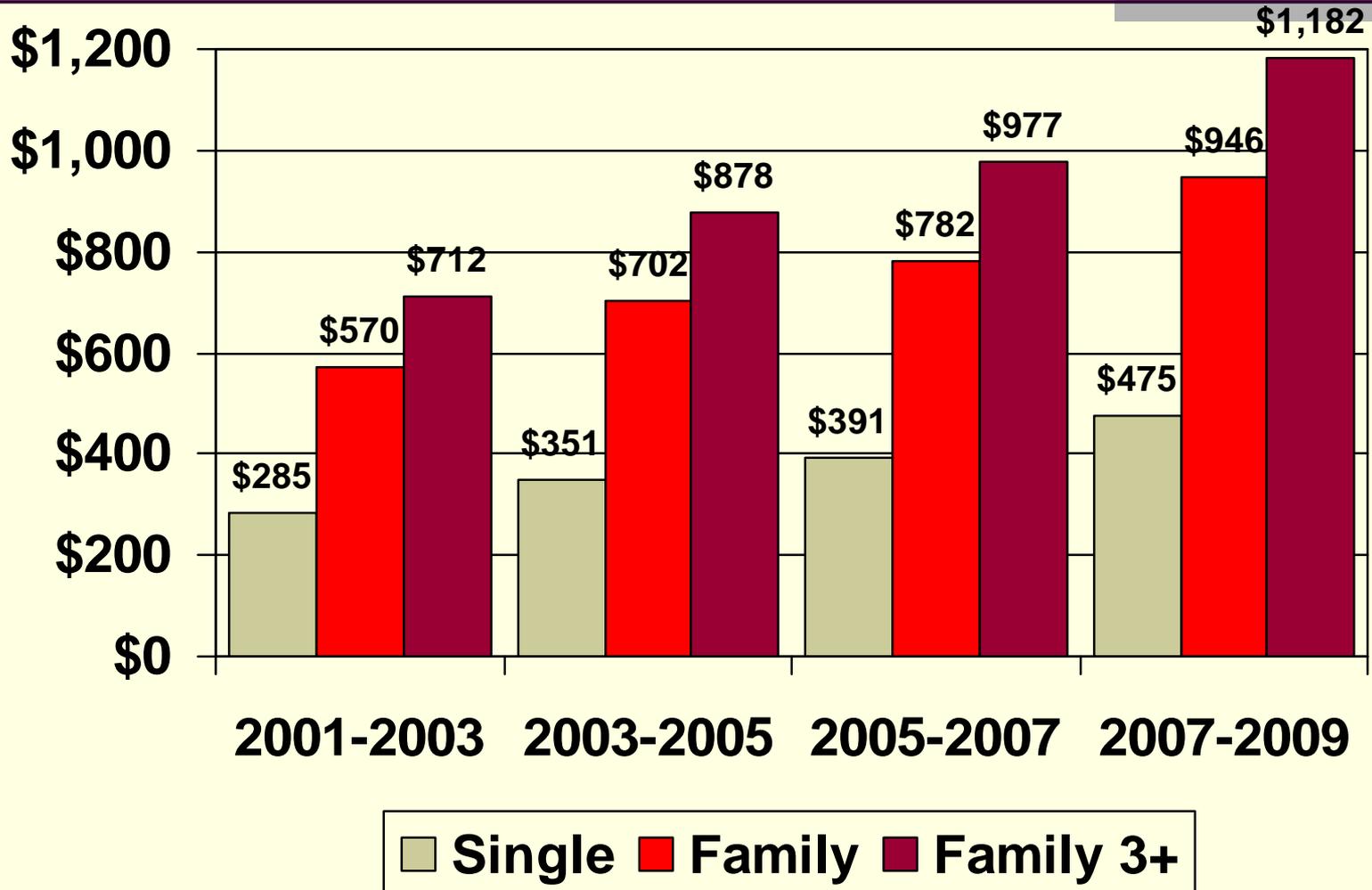
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**Bill Draft – LC
90113.01**– This bill proposes to change the PreMedicare calculation method to reduce the cost for these retirees and members (PERS, TFFR, TIAA-Creff, HP, Job Service and former legislators)

Proposals

1. State law presently sets the premedicare rate as:
 - a. For single plans it is 150% of the state single rate
 - b. For family plans of 2 it is 2 times the single rate (set in a)
 - c. For family plans of 3 or more it is 2.5% times the single rate (set in a)The proposed change in this section would change the 150% to 125% thereby reducing the premedicare rates. This will increase the active rates and have an effect on the OPEB liability that will be determined in the actuarial review.
2. Provides an expiration for the bill as July 1, 2011.

NDPERS Non-Medicare Premiums



NDPERS Non-Medicare Rates 2009-2011 biennium (current plan design)

NM	Active Single:	\$404.16	Biennium		
Retirees					
150% Single	548	\$606.24	\$332,220		28.69%
Family	226	\$1,212.48	\$274,020		
Family 3+	6	<u>\$1,515.60</u>	<u>\$9,094</u>		
			\$615,334	\$14,768,006.40	
140% Single	548	\$565.82	\$310,072		20.11%
Family	226	\$1,131.65	\$255,752		
Family 3+	6	<u>\$1,414.56</u>	<u>\$8,487</u>		
			\$574,311	\$13,783,472.64	
				\$984,533.76	
135% Single	548	\$545.62	\$298,998		15.82%
Family	226	\$1,091.23	\$246,618		
Family 3+	6	<u>\$1,364.04</u>	<u>\$8,184</u>		
			\$553,800	\$13,291,205.76	
				\$1,476,800.64	
130% Single	548	\$525.41	\$287,924		<u>11.53%</u>
Family	226	\$1,050.82	\$237,484		
Family 3+	6	<u>\$1,313.52</u>	<u>\$7,881</u>		
			\$533,289	\$12,798,938.88	
				\$1,969,067.52	
125% Single	548	\$505.20	\$276,850		7.24%
Family	226	\$1,010.40	\$228,350		
Family 3+	6	<u>\$1,263.00</u>	<u>\$7,578</u>		
			\$512,778	\$12,306,672.00	



Estimates – numbers will be revised in final review