

Perspectives

FOR RETIRED
MEMBERS
OF THE
NORTH DAKOTA
PUBLIC
EMPLOYEES
RETIREMENT
SYSTEM

FALL 2001 • VOLUME 11, NUMBER 1

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Annual Dental Enrollment

The annual open enrollment for the ReliaStar group dental plan will be from October 15 through November 30, 2001. The group dental plan is available to retired employees that are receiving a retirement benefit from NDPERS, TIAA-CREF, TFFR, or the Travelers (Job Service). Please refer to the plan information inside this newsletter. If you would like a Voluntary Dental Enrollment Form, complete the "Request for an Application Form" and return it to NDPERS before November 15, 2001. An application will be sent to you within three business days. Applications cannot be dated prior to October 15 and must be postmarked or submitted to the NDPERS office no later than November 30, 2001. Late applications will not be accepted.

If you already participate in the dental plan your coverage will automatically be renewed unless you submit a cancellation request.



Dakota Retiree Health Plan

Many of you are probably familiar with the term "Dakota Carve-Out Plan." This is the NDPERS health plan for Medicare eligible retirees and dependents.

Effective July 1, 2001, this plan was filed with the State Insurance Department as an independent insurance product and the name was changed to the "Dakota Retiree Plan." As a participant in this plan, you will receive a new Certificate of Insurance Summary Plan Description sent to your home address later this Fall. This change in no way affects your health insurance benefits.

Governor Appoints New Board Chairman

Governor John Hoeven appointed Jon E. Strinden as Chairman to the NDPERS Board. The appointment is for a term of five years ending June 30, 2006. Jon is currently a partner in the Corporate group at Dorsey & Whitney, LLP in Fargo.

Prescription Drugs Removed from Formulary

The BCBSND pharmacy committee made up of North Dakota physicians, pharmacists, and BCBS staff regularly reviews all prescription drugs on the formulary list. Based on its last review, the committee recommended that 10 drugs be removed from the formulary list effective September 1, 2001. The drugs fall into the category of respiratory agents.

Following is a list of the drugs that are no longer in the formulary:

Aerobid/Aerobid-M	Alupent
Quibron	Theolair
Theo-24	Theolair-SR
Theochron	Uni-dur

BCBS sent letters to all NDPERS subscribers that currently use these drugs. The letter identified the drugs currently used and the available alternative drugs that are on the formulary list. It also provided an appeal procedure if there was no appropriate alternative to the prescription drug. If you are on one of the above drugs and did not receive a letter, please contact the NDPERS Service Unit at BCBSND at 1-800-223-1704.

Future Direction for PERS Defined Benefit Plan

The PERS Board and its Benefits Committee has been reviewing concepts relating to the future direction of the Defined Benefit Plan. This last session the plan reached its long time goal of providing a retirement income of 90% of final average salary, including social security, to the career employee (25 years of service). This breaks down to 50% from PERS and 40% from Social Security. With the approval of a 2% multiplier PERS has met its goal of 50% (25 years times 2% = 50%). The question now being addressed is what direction should the plan pursue in upcoming years. The following general goals are being reviewed:

- To continue to increase the multiplier with a goal of 2.5% so that a career employee with 20 years of service would receive 90% of final average salary at retirement (20 years times 2.5% = 50% from PERS plus 40% from Social Security).
- To increase the disability retirement income.
- To establish a mechanism to insure that cost of living adjustments are provided on a regular basis to all retired members now and in the future.
- To develop more options on how a member can access, contribute, supplement and draw their retirement funds (i.e. lower purchase costs, partial lump sum benefit at retirement, have a joint and survivor benefit as part of the level social security option, allow members to draw

retirement and continue to work, revise definition of final average salary, etc.).

- To provide incentives and rewards to members who engage in supplemental retirement savings (allow members who participate in the deferred comp to get a higher retirement benefit in the defined benefit plan or lower purchase costs).

Specific options have been developed relating to all the above goals. You can view them on the PERS Web Site under "News" and "Defined Benefit Plan Options". The PERS Board welcomes your thoughts on these options. Please e-mail us with your ideas or feel free to copy the list, rank the options, and send it to us.

Economic Growth and Tax Reconciliation Act (EGTRRA)

The EGTRRA, passed earlier this summer, will expand retirement savings opportunities for American workers. The bill contains provisions that increase contribution limits, assists individuals to "catch-up" on late or delayed retirement strategies, and simplifies distribution rules for Section 457 deferred

compensation plans. The NDPERS Board has approved the new provisions and staff is preparing for implementation. Most of the proposals are effective on or after January 1, 2002. However, some of the provisions need additional guidance from Treasury or legislative authorization.

Current Law	New Law
Distributions to participants are reported on Form W-2 and are withheld under income tax table rates.	Beginning in 2002, distributions from governmental 457 plans will be reported on form 1099R and are subject to the withholding and reporting rules that apply to qualified plans and 403(b) plans.
Amounts distributed from 457 plans cannot be rolled over, but can be transferred tax-free to another 457(b) plan.	Beginning 2002, distributions from a governmental 457 plan are eligible for rollover to a governmental 457 plan, 403(b) plan, 401(a) retirement, profit sharing or stock bonus plan or an IRA
No provision for rollovers, but a 457 plan may accept tax-free transfers from another 457 plan.	Beginning in 2002, governmental 457 plans may, but are not required to accept rollovers of distributions from a governmental 457 plan, 401(a) retirement, profit sharing or stock bonus plan, or a 403(b) plan. (Implementation is subject to guidance from the IRS)
<p>Benefits are taxable in the year "paid" or "otherwise made available"</p> <p>Benefit is not treated as "made available" merely because a participant may elect to defer commencement of distributions.</p> <p>Section 457 plans are subject to the minimum distribution rules applicable to tax-qualified pension plans. In addition, 457 plans also require;</p> <ul style="list-style-type: none"> • non-spousal beneficiaries must receive their benefit within 15 years. • payments made over a period of more than one year can only be made in substantially non-increasing amounts. 	Aligns the 457 plan minimum distribution rules with the rules applicable to qualified plans. This change eliminates the requirement that non-spousal beneficiaries receive their benefit within 15 years. It also eliminates the "substantially non-increasing" benefit prohibition. For governmental 457 plans, the Act liberalizes the distribution rules so that benefits are taxable for the year in which paid, not the year in which benefits are "otherwise made available."

Defined Benefit Plan Investment Managers Intact

As we sort out the aftermath of the recent attacks on the United States, we must recognize that many investment firms were negatively impacted. Losses of personnel, facilities and systems were incurred. This aspect of the tragedy is of particular interest to participants in the investment markets.

In the time since the September 11th assault on our nation, the Retirement and

Investment Office (RIO), on behalf of the State Investment Board (SIB) and its participating funds, has maintained continuous communications with its many independent external investment managers. The twenty managers employed by the SIB are geographically distributed throughout the United States. Two of the managers are located in New York City, none are in Washington D.C. Without exception, all firms have reported no loss

of life and no operational impairment. In addition to this, while the SIB has approximately \$210 million in real estate holdings, none of the investment properties are located in lower Manhattan. We are fortunate, for many have not been so lucky.

Dental Plan Highlights and Application

The dental services covered by this insurance are divided into four main categories shown below. This dental summary of benefits is intended to describe only a general outline of the plan of benefits and does not represent the actual terms and conditions of the Policy.

SERVICE	DEDUCTIBLE	COINSURANCE	WAITING PERIOD
Preventive & diagnostic treatment (cleaning & X-rays every 6 months)	\$10*	100%	None
Basic treatment (fillings, oral surgery, periodontics)	\$50 per person**	80%	6 months
Major treatment (crowns, bridges, dentures)	\$50 per person**	50%	1 year
Orthodontic treatment ***	None	50%	2 years

Dental Premiums

January 1, 2002



Per Month	
Retiree only	\$27.72
Retiree & spouse	\$53.40
Retiree & child(ren)	\$62.16
Family (retiree, spouse & children)	\$87.84

* The deductible for Preventive and Diagnostic Treatment is the amount payable by you or your insured dependent each time you visit a dentist's office.

** The deductible includes total expenditures per person for all basic major treatment combined.

*** Orthodontic treatment is available to eligible dependent children; lifetime maximum benefit is \$1,500.

Request for an Application Form

This is not your application.

You must indicate the retirement system you are receiving a retirement benefit from and which payment option you desire. **No phone orders for an application will be accepted.**

This request must be returned to NDPERS by **November 15**.

Retirement System

NDPERS
 TFFR

Payment Option – Must Select One

Deduct from NDPERS or TFFR pension check
 Withhold from bank checking account
 Withhold from bank savings account

TIAA-CREF

Travelers (Job Service)

Withhold from bank checking account

Withhold from bank savings account

Please **print** the following information legibly. **Incomplete request forms will be returned.**

Name: _____

Address: _____

City, State, Zip: _____

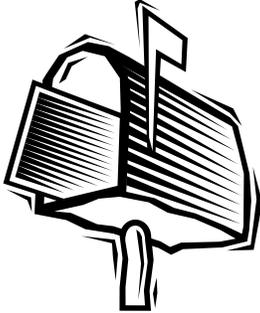
Social Security Number: _____

Daytime Phone Number: _____

2002 Mailing Schedule

The following is the 2001 schedule when annuitant checks will be MAILED from the NDPERS office:

January 2
February 1
March 1
April 1
May 1
June 3
July 1
August 1
September 3
October 1
November 1
December 2



In the event you do not receive your annuity check by the 10th of the month, please report the missing check to the NDPERS Accountant by calling (701) 328-3914 or 1-800-803-7377 if calling outside the Bismarck/Mandan calling area. A "Stop Payment" will be placed on your check and a new one will be issued after the 10th. If the original check should arrive at your residence after a "Stop Payment" has been order, DO NOT cash the check. Return it to the NDPERS office.

FYI

- Annuitant 1099-R tax statements will be mailed out by January 31, 2001. If you do not receive your tax statement by February 15, 2002, please call the NDPERS accountant at (701) 328-3914 or toll free at 1-800-803-7377 if calling outside the Bismarck/Mandan calling area.
- Retiree annual statements will be mailed at the end of December 2001.

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.

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