



Job Service Retiree Meeting

Sept 15, 2011

Sparb Collins



North Dakota Public Employees Retirement System

Meeting Purpose

- Overview/update of Job service
- Health Plan
- Legislation
- Update on the health plan and other PERS Programs
- Administrative Changes





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

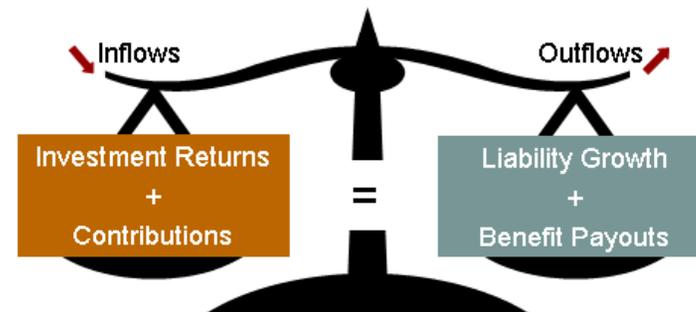
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Economic

- Plan return
- Salary increases

↓
Demographic

- Retirement rates
- Disabilities
- Mortality

- Experience Study
- Asset Liability Study



On an annual basis, the funded status calculation is used to measure a company's ability to meet this obligation. In its most basic form, funded status is determined using the formula:

$$\frac{\$ \text{ Plan Assets}}{\$ \text{ Plan Liabilities}}$$

2010 Actuarial Valuation - Job Service

- Frozen plan; declining membership
- Gain this last year from demographics
- No COLA for the year
- Loss from investment return

Category	July 1, 2010	July 1, 2009	Percent Change
Active participants:			
Number	31	35	(11.4)%
Average age	58.0	57.3	N/A
Average service	34.1	33.4	2.1
Projected compensation	\$1,611,216	\$1,709,424	(5.7)
Average pay	\$51,975	\$48,841	6.4
Inactive participants with rights to immediate or deferred pension	4	4	0
Pensioners (including disableds) and beneficiaries:			
Number paid by retirement plan	122	120	1.7
Total annual benefits	\$3,245,084	\$3,176,263	2.2
Average annual benefit	\$26,599	\$26,469	0.5
Number of Travelers annuitants	89	94	(5.3)
Total annual benefits paid by retirement plan (COLAs)	\$621,197	\$652,446	(4.8)
Average annual benefit paid by retirement plan (COLAs)	\$6,980	\$6,941	0.6

**Active Employees Included in the
July 1, 2010 Valuation by Age and Credited Service**

Age	Total	Years of Credited Service			
		0 – 24	25 - 29	30 - 34	35 and Over
Total	31	-	-	22	9
50 – 54	5	-	-	4	1
55 – 59	18	-	-	13	5
60 & over	8	-	-	5	3

	July 1, 2010	July 1, 2009
1. Additions		
(a) Contributions	\$114,626	\$119,115
(b) Investment Income		
(i) Interest and Dividends	\$2,042,786	\$1,998,050
(ii) Net Appreciation/(Depreciation)	7,565,552	(15,799,734)
(iii) Net Securities Lending Income	<u>4,884</u>	<u>10,350</u>
(iv) Total Investment Income	\$9,613,222	\$(13,791,334)
(v) Less Investment Expenses	<u>(305,699)</u>	<u>(301,287)</u>
(vi) Net Investment Income	\$9,307,523	\$(14,092,621)
(c) Total Additions	\$9,422,149	\$(13,973,506)
2. Deductions		
(a) Benefit Payments	\$(3,891,996)	\$(3,759,618)
(b) Administrative Expenses	<u>(24,318)</u>	<u>(25,101)</u>
(c) Total Deductions	\$(3,916,314)	\$(3,784,719)
3. Net Increase	\$5,505,835	\$(17,758,225)
4. Net Assets Held in Trust for Pension Benefits		
(a) Beginning of Year	\$72,155,658	\$89,913,883
(b) End of Year	\$77,661,493	\$72,155,658

1.	Actuarial Value of Assets as of July 1, 2009	\$74,472,806
2.	Increases During the Year	
	(a) Contributions	\$114,626
3.	Decreases During the Year	
	(a) Benefit Payments	\$(3,891,996)
	(b) Administrative Expenses	(24,318)
	(c) Investment Expenses	<u>(305,699)</u>
	(d) Total Decreases During the Year	\$(4,222,013)
4.	Actual Return – Interest and Dividends	\$2,042,786
5.	Preliminary Actuarial Value at End of Year [(1) + (2) + (3) + (4)]	\$72,408,205
6.	Market Value at End of Year	\$77,661,493
7.	Adjustment Toward Market Value (20% of [(6) – (5)])	\$1,050,658
8.	Adjustment to be Within 20% of Market Value	\$0
9.	Actuarial Value of Assets as of July 1, 2010 [(5) + (7) + (8)]	\$73,458,863
10.	Actuarial Value as a Percentage of Market Value [(9) / (6)]	94.6%

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) – (a)	<i>Funded Ratio</i> (a) / (b)
07/01/2007	\$75,749,846	\$70,740,512	\$(5,009,334)	<i>107.08%</i>
07/01/2008	77,020,934	70,804,863	(6,216,071)	<i>108.78%</i>
07/01/2009	74,472,806	71,105,891	(3,366,915)	<i>104.74%</i>
07/01/2010	73,458,863	70,094,204	(3,364,659)	<i>104.80%</i>

Projected 2011

- As requested, we have calculated the projected funded percentage of the Job Service Plan as of July 1, 2011. Based on an estimated **16.5% rate** of return for the plan year ending June 30, 2011, the Plan's projected funded percentage (actuarial value of assets divided by actuarial present value
- of projected benefits) ***as of July 1, 2011 was 102%, compared to 103.5% as of July 1, 2010.*** On a market value of assets basis, the Plan's projected funded percentage ***as of July 1, 2011 was 119%, compared to 109.4% as of July 1, 2010.***

COLA's

- History:

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

2008 approved rate was 5.8%





Social Security Benefits Not Expected to Rise in '10



- The forecasts, by the Obama administration and the Congressional Budget Office, indicate that Social Security beneficiaries will not receive any cost-of-living increase in 2010 or in 2011. The COLA is intended to preserve the purchasing power of Social Security, by increasing benefits to keep pace with consumer prices. In the last year, overall inflation has been low, largely because of the economic downturn and a decline in energy prices.

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.



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.)

Bryan Klipfel WSI Director

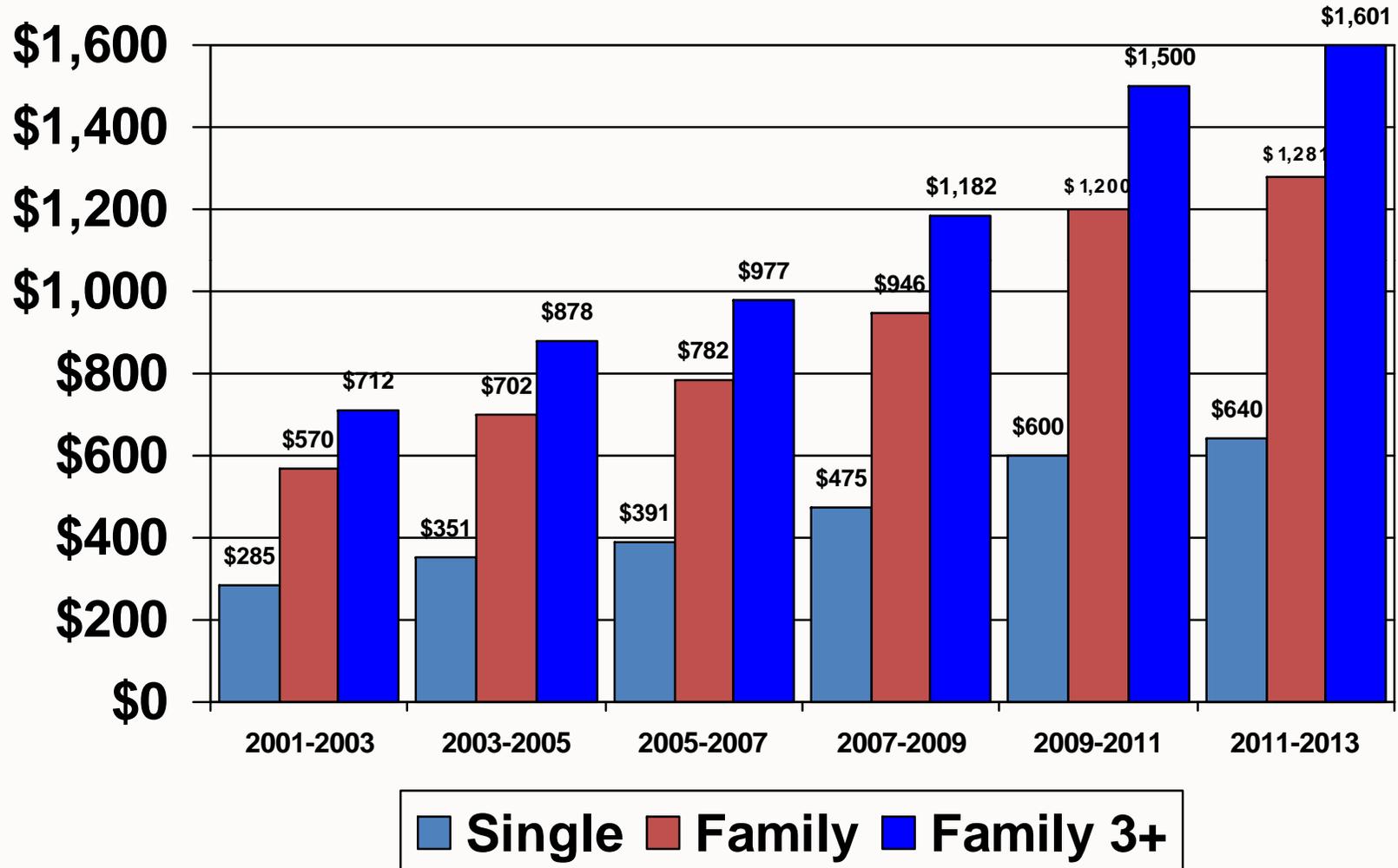


North Dakota Public Employees Retirement System

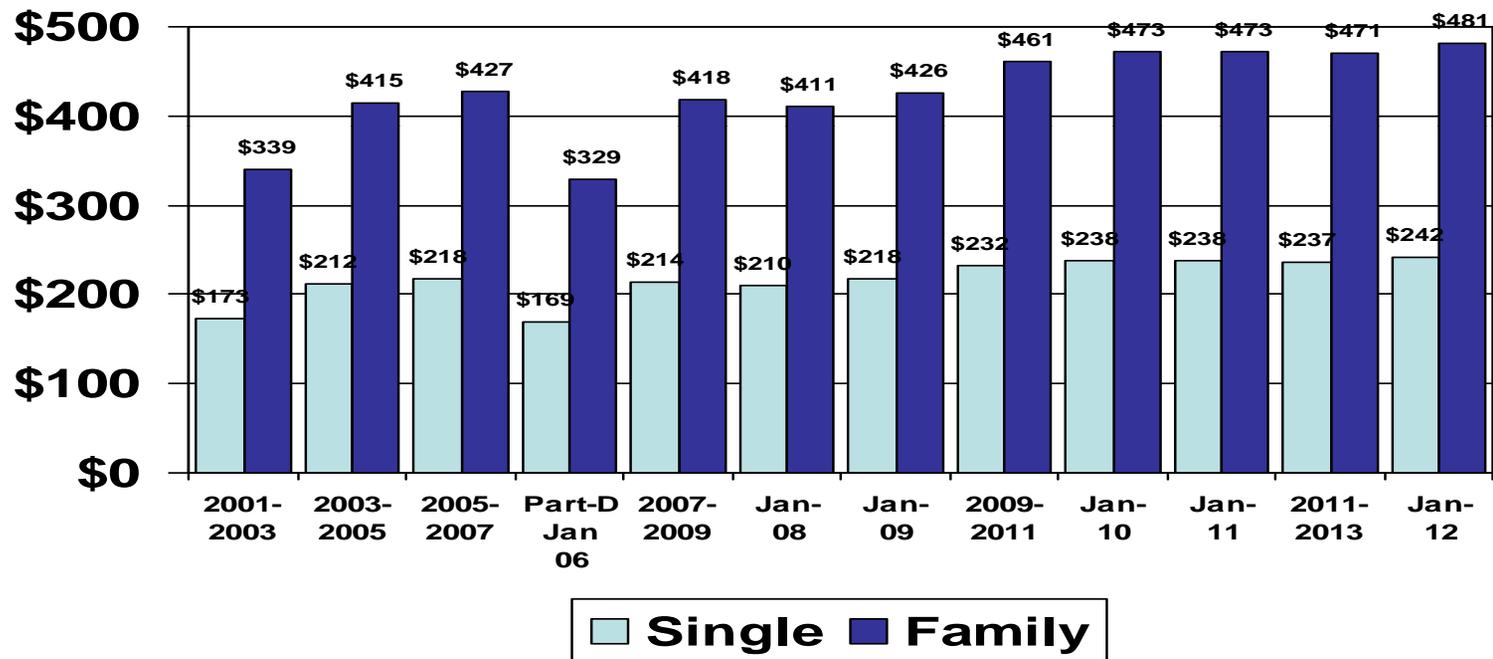
Health Insurance



NDPERS Non-Medicare Premiums



NDPERS Medicare Premiums



The increase for Rx coverage is \$5.40 per month or about 7.8%.

Legislation



North Dakota Public Employees Retirement System

RETIREMENT – Main – SB 2018

Public Employees Retirement Plan

Chapter 54-52, NDCC

Employer Contribution: 4.12%

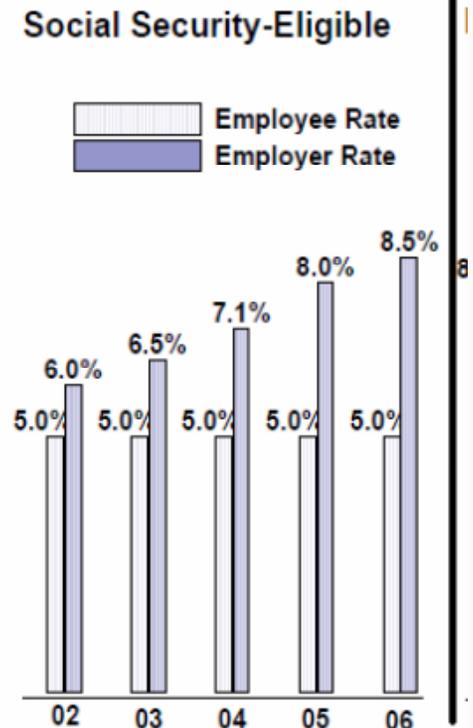
Employee Contribution: 4.00%

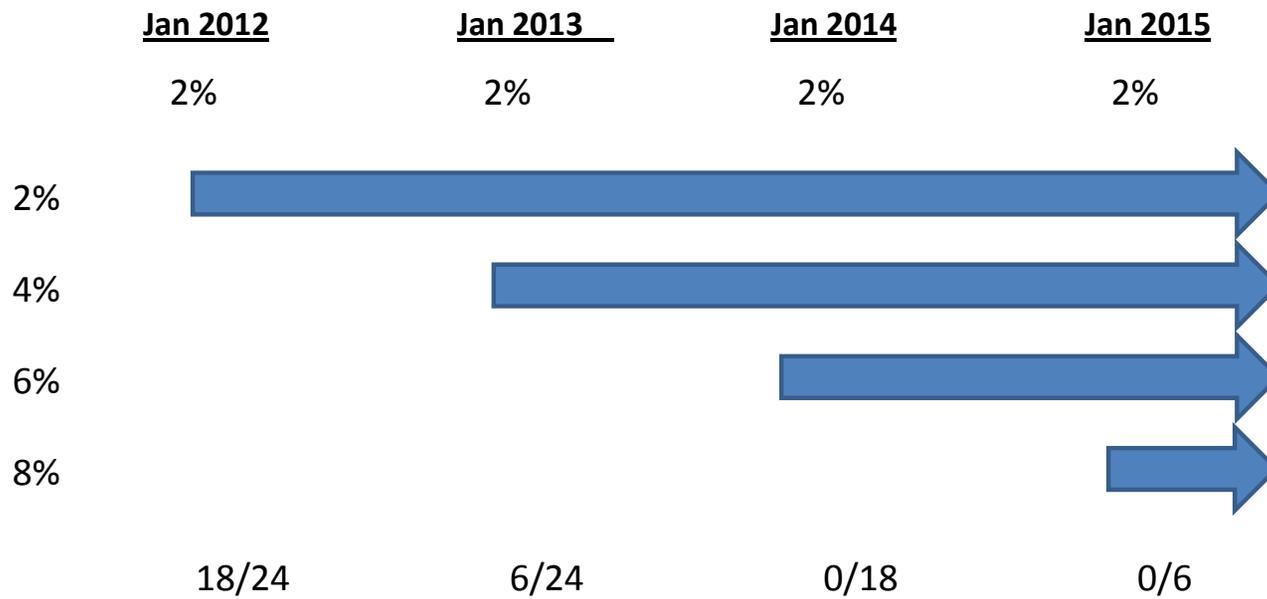
Total Retirement Contributions: 8.12%

Vesting in Disability Benefit: 180 days

Vesting in Retirement Benefit: 36 months

Normal Retirement: Age 65 or Rule of 85



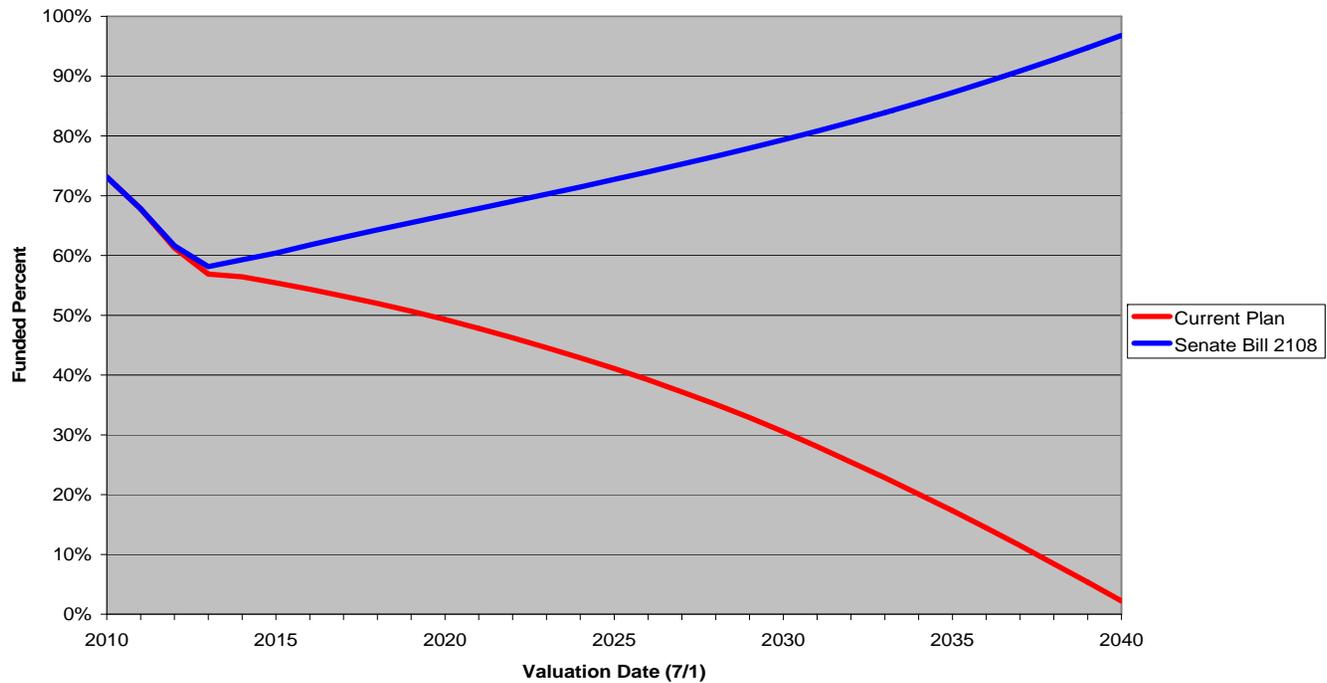


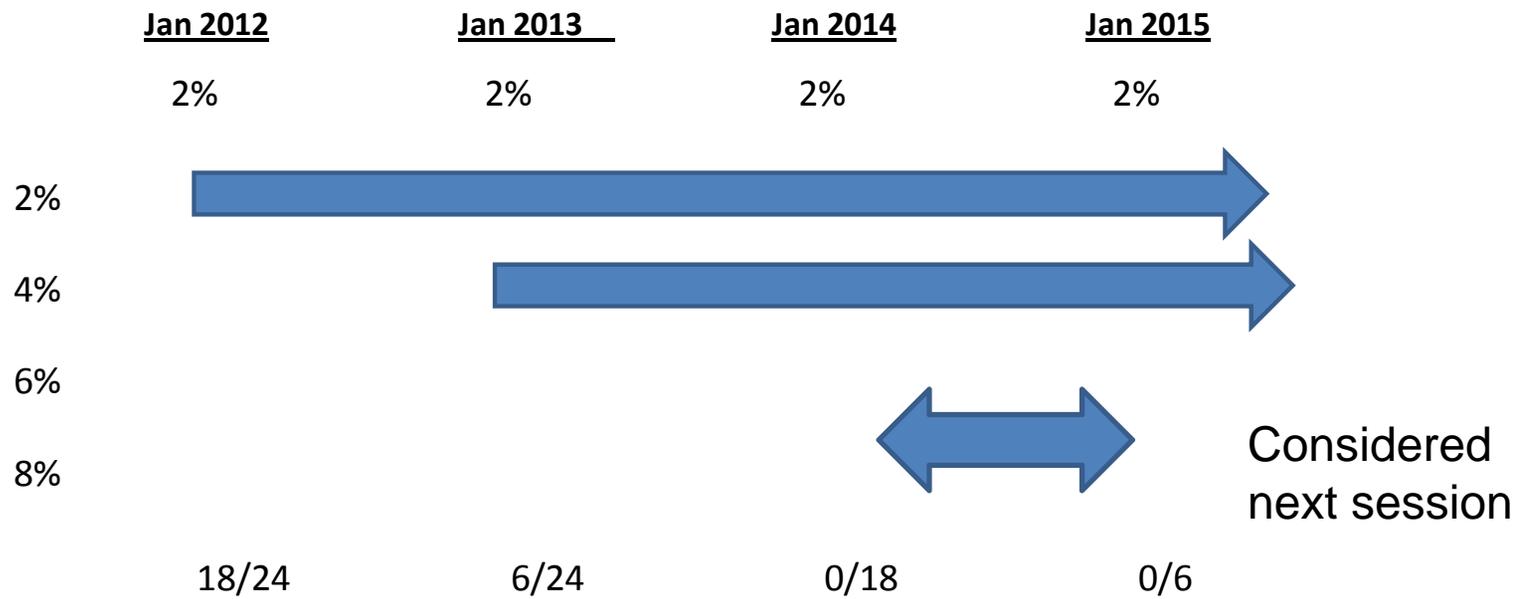
Months increase effective for 2011-2013/ Months effective for 2013-2015

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

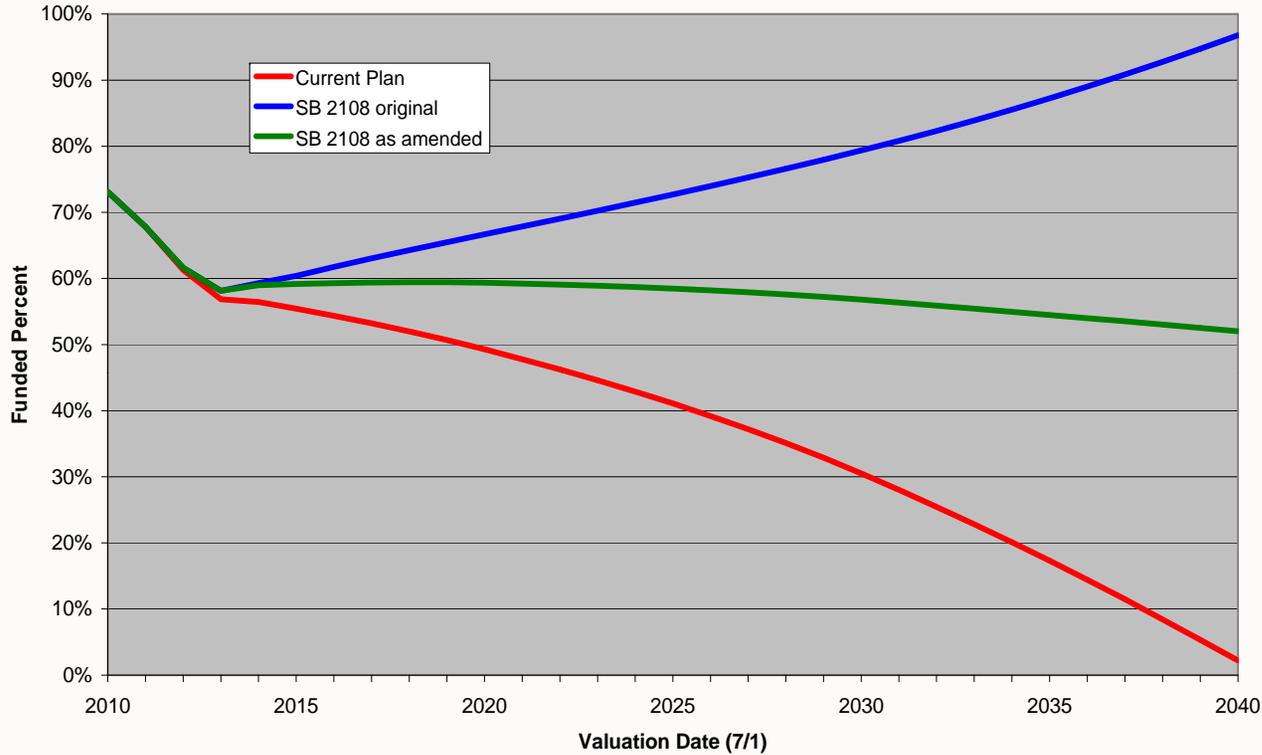




Months increase effective for 2011-2013/ Months effective for 2013-2015

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**



Blue Line – Contribution would increase to 16.12 over 4 years, remain the same thereafter with earnings at 8%

Green Line – Contribution would increase to 12.12 over 2 years , remain the same thereafter with earnings at 8%

SB 2109

- PERS Administrative Bill
 - Updates IRS compliance provisions
 - Modified the PERS election eligibility
 - Spouse eligibility for health plan
 - Process for benefit election for deceased members

As proposed, this bill would amend the North Dakota Century Code relating to the uniform group insurance program as follows:

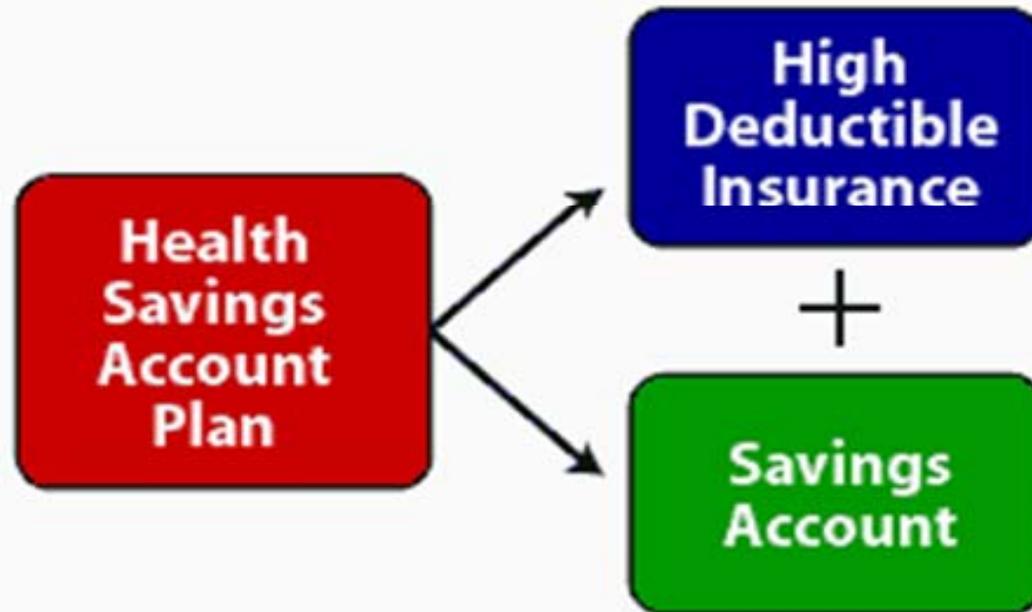
- Allow another lower cost coverage option for retired employees not eligible for Medicare.
- Allow the board to receive separate bids for prescription drug coverage
- Allow the board to consider self insurance of the health insurance benefits as well as part or all of the prescription drug coverage.
- Establishes a target range of contingency reserve funds and a timeline to meet the reserve requirement

SB 2110

NDPERS Non-Medicare Premiums



HP 1364



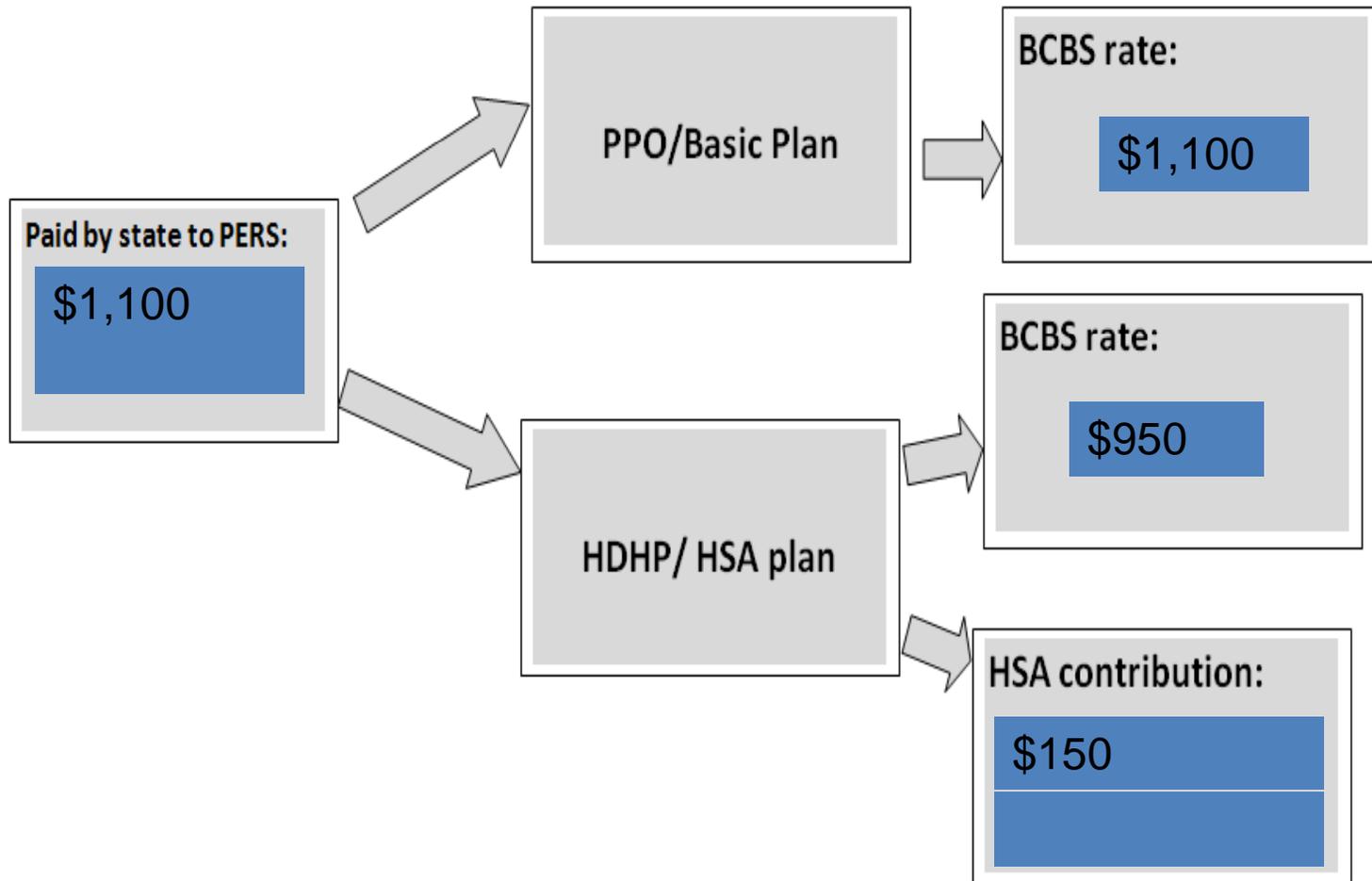
HB 1304

Plan Design	NDPERS PPO/Basic	High Deductible Health Plan
Single Deductible	\$400	At least \$1,200
Family Deductible	\$1,200	At least \$2,400
Single Out-of-pocket maximum	\$1,150	No more than \$5,950
Family Out-of-pocket maximum	\$2,700	No more than \$11,900
Copayments (office visits, therapy)	\$20/25/30	Subject to Deductible and Out-of-pocket maximum
Prescription Drugs (generic, brand, non-formulary)	\$5/20/25	Subject to Deductible and Out-of-pocket maximum

HSA with HDHP – funded with difference in premium

Favorable recommendation

HDHP/HSA





PROGRAM/VENDOR CHANGES

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 ¹	Out-of-Network ¹
Comprehensive Eye Exam:		
Ophthalmologist (MD)	Covered in Full	Up to \$45
Optometrist (OD)	Covered in Full	Up to \$45
Standard Lenses (Per Pair):		
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
Contact Lenses (Per Pair):²		
Medically Necessary	Covered in Full	Up to \$210
Elective ³	Up to \$100	Up to \$100
Contact Lens Fitting⁴		
Standard	Covered in Full	Not Covered
Specialty	Up to \$50	Not Covered
Frames-Standard³	Up to \$75	Up to \$40

¹ All in-network and out-of-network allowances are at the retail value.

² Contact lenses are in lieu of eyeglass lenses and frames benefit.

³ The insured is responsible for paying any charges in excess of this allowance.

⁴ 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>
Total	5,093	818	17 = 5,928

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

Life Insurance - ING

- **As of July 1 moving back to ING (8% decrease in overall cost)**
 - Basic coverage increase from \$1,300 to \$3,500
 - Travel Assistance
 - Pre-trip Information
 - Emergency Personal Services (non medical)
 - Urgent message relay, Interpretation/translation services, emergency travel arrangements, recovery of lost or stolen luggage or personal possessions and legal assistance and/or bail bonds
 - Medical Assistance (medical referrals, medical case monitoring, Rx assistance and arrangement and payment of emergency medical services – up to \$10,000 with a written guarantee of reimbursement from eligible participant)
 - Emergency transportation Services
 - Funeral Planning and Concierge Services

Deferred Comp and Defined Contribution Plan – TIAA/CREF

- Moving from Fidelity to TIAA/CREF on Nov 1
- Annual recordkeeping fees are going away
– \$8/\$30
- On Site Services are increasing dramatically
- Assets will be transferred in late Oct and information will be going to members this fall

What TIAA/CREF Offered NDPERS

- A comprehensive investment menu of mutual funds
- Lower administrative fees
- Expanded, third-party investment advice from TIAA-CREF and more days of counseling
- Expanded brokerage services
- Custom retirement plan website: **www.tiaa-cref.org/ndpers**

When it comes to helping you prepare for retirement, partnering with TIAA-CREF has its advantages. In fact, in a recent survey of 30 companies, TIAA-CREF participants had the highest average retirement account balances.*

* Source: LIMRA, Not-for-Profit Market Survey, second-quarter 2011 results. Average assets per participant based on full-service business. Please note average retirement account balances are not a measure of performance of TIAA-CREF retirement offerings.

Your New NDPERS Retirement Plans' Investment Menu

Investment Options Tier 1 (Target Date Funds)	
Asset Class	Fund
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

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

Investment Options Tier 3 (Core Active Funds)	
Asset Class	Fund
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.

Key Communication Dates

Date	Communication
September 6	Announcement Letter
September 19	Transition Guide Mailing
September 21	Custom Retirement Website goes Live
October 1	Welcome Kits Mailed
October 3	Webinars Begin
October 3	Group Meeting Reminder Mailing (10 th – 19 th)
October 4	Group Meetings Start
October 5	Individual Financial Counseling Sessions Start
October 24	Individual Financial Counseling Session Reminder Mailing
December 1	Final Reminder Mailing (Plan Changes)
January 3	Quarterly Statement

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.

Dental Plan

- 3.32% increase in January

Single	\$41.14
One + Spouse	\$79.42
One + child(ren)	\$92.18
Family	\$131.26

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ADMINISTRATIVE CHANGES

Administrative Changes

PERSLink

- Continued refinement of system
- Employee portal