

Welcome to the NDPERS

Retiree Forum



Retiree Forum

November 19, 2007

WELCOME

Sparb Collins
Executive Director
NDPERS

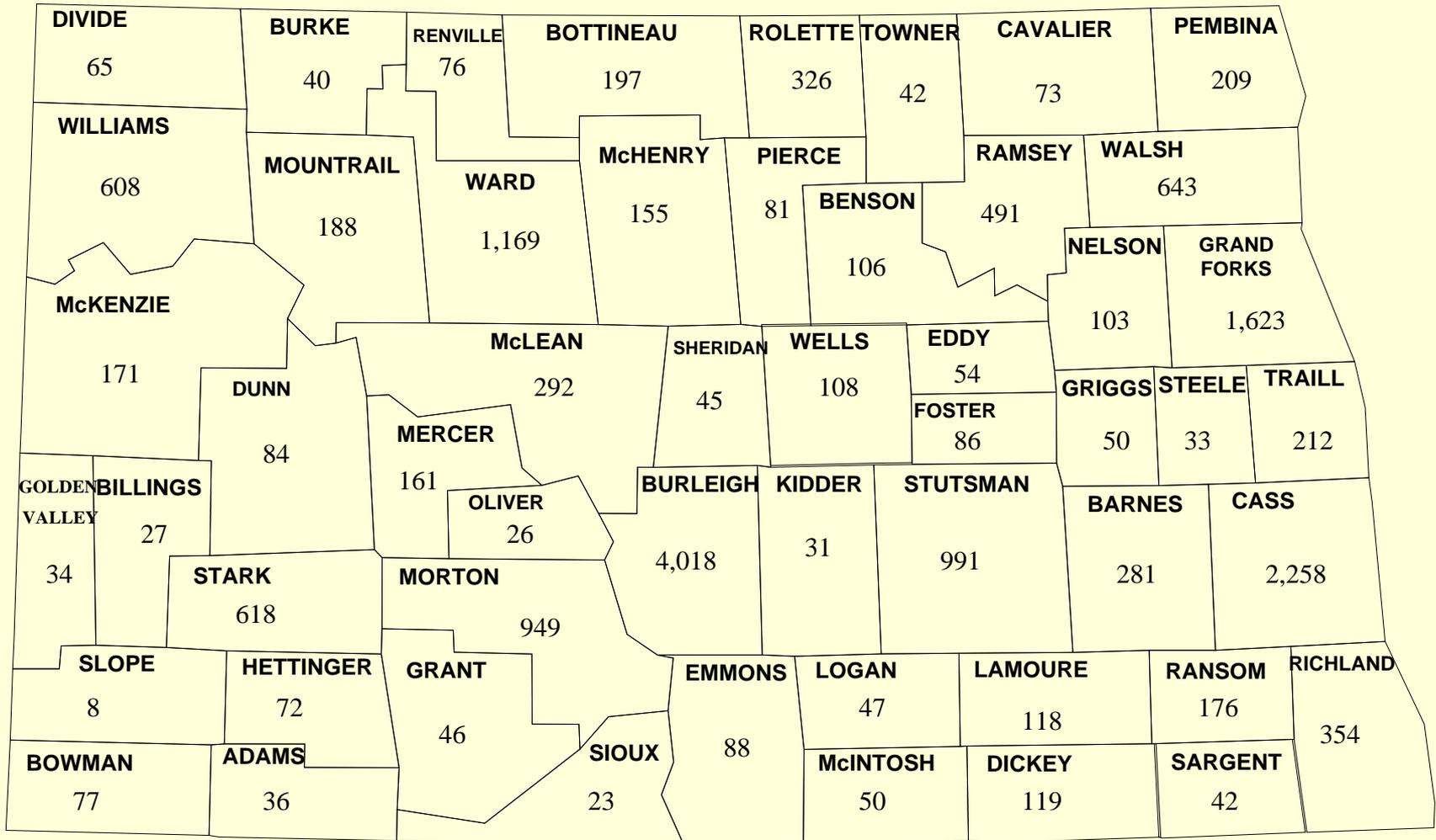
Today's Agenda

- **Retirement Update** – Sparb Collins
- **Rx – Part D Update** – Kathy Allen
- **Investment Update** – Steve Cochrane
- **Getting your questions answered** – Sharmain Dschaak & Ron Gilliam
 - Navigating the PERS website
 - Member service units
 - PERS
 - Blue Cross Blue Shield
 - Medicare Blue Rx
 - Frequently asked questions
- **Medicare Part D and formulary/non-formulary drugs** – Medicare Blue
- **“Beat the Bug” cold and flu season presentation** – BCBS staff

Statistics

NDPERS Active Retirement Members

July 2007

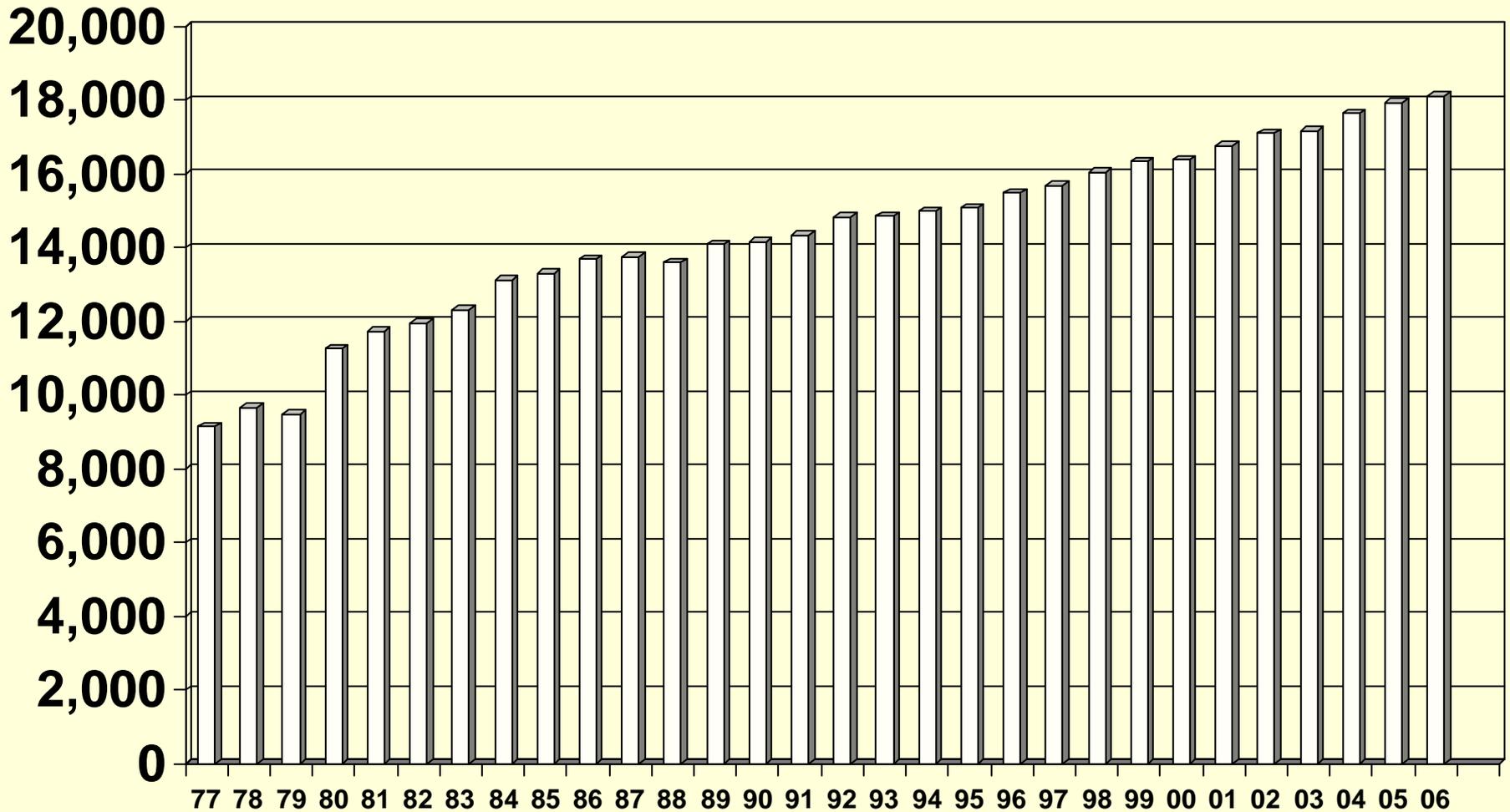


Out-of-State – 810

Total – 18,790

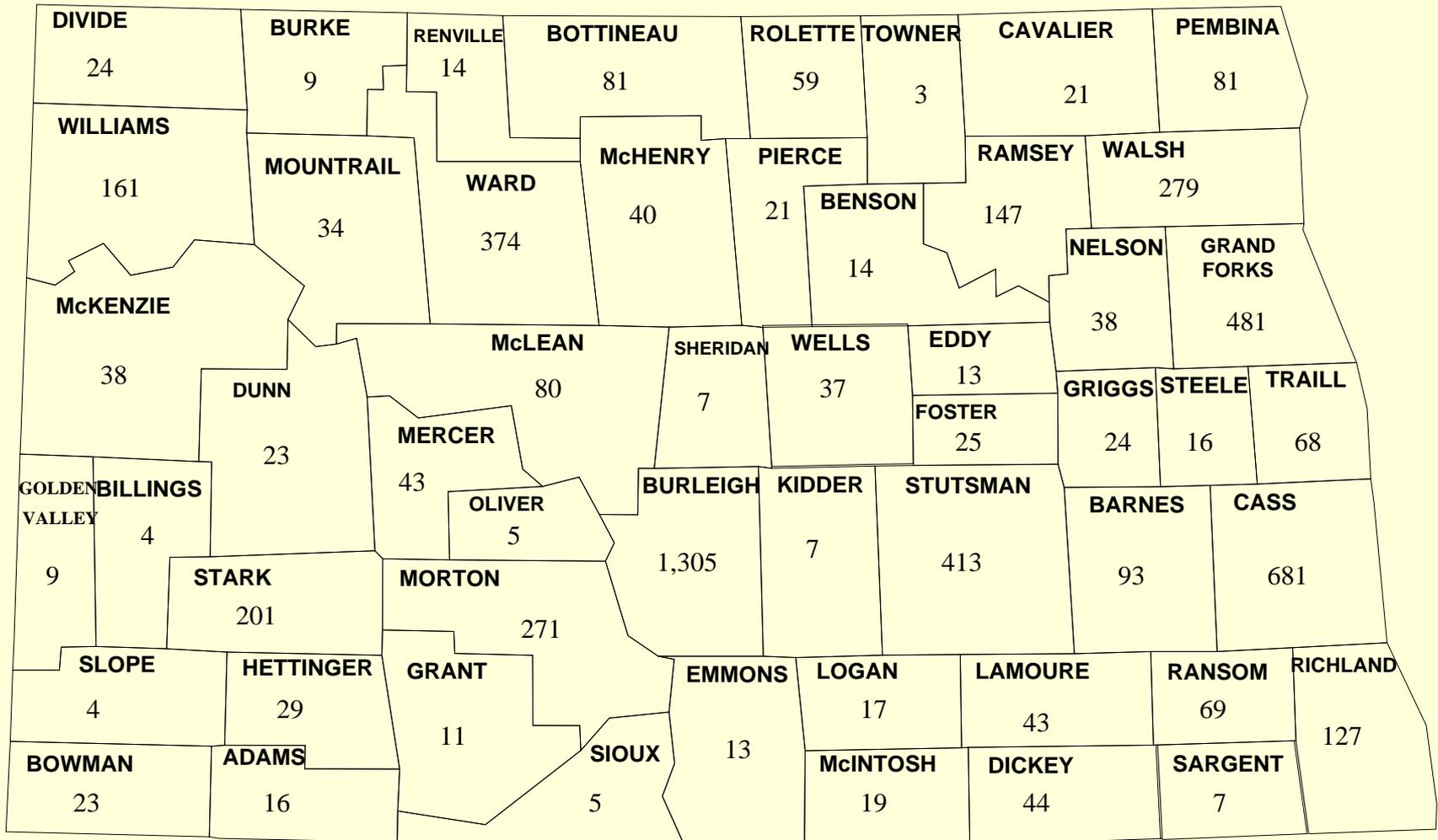
NDPERS

Main System Active Members



NDPERS Retirees

December 2006

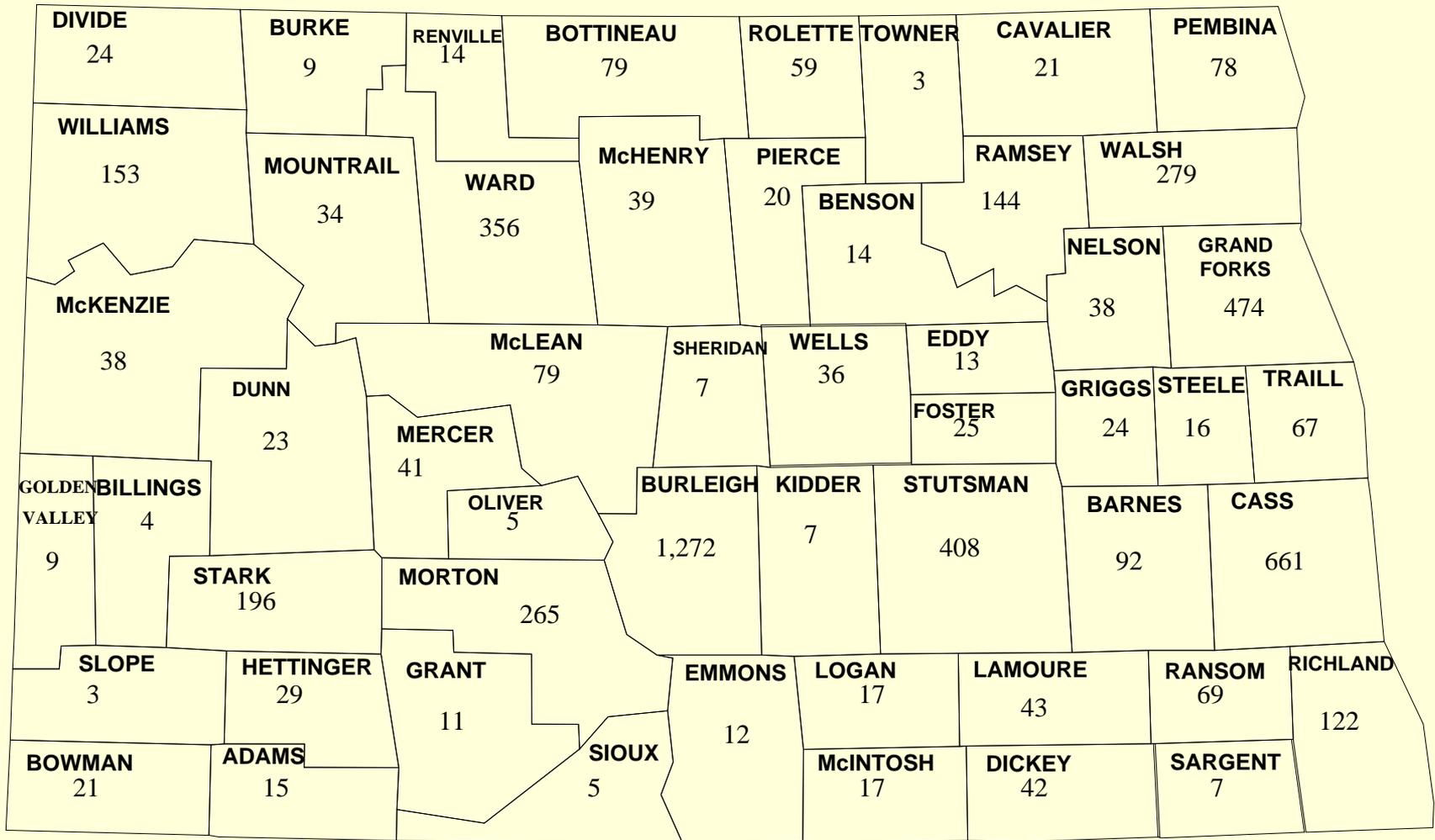


Out-of-State - 896

Total - 6,538

NDPERS Main System Retirees

January 2007



Out-of-State - 873

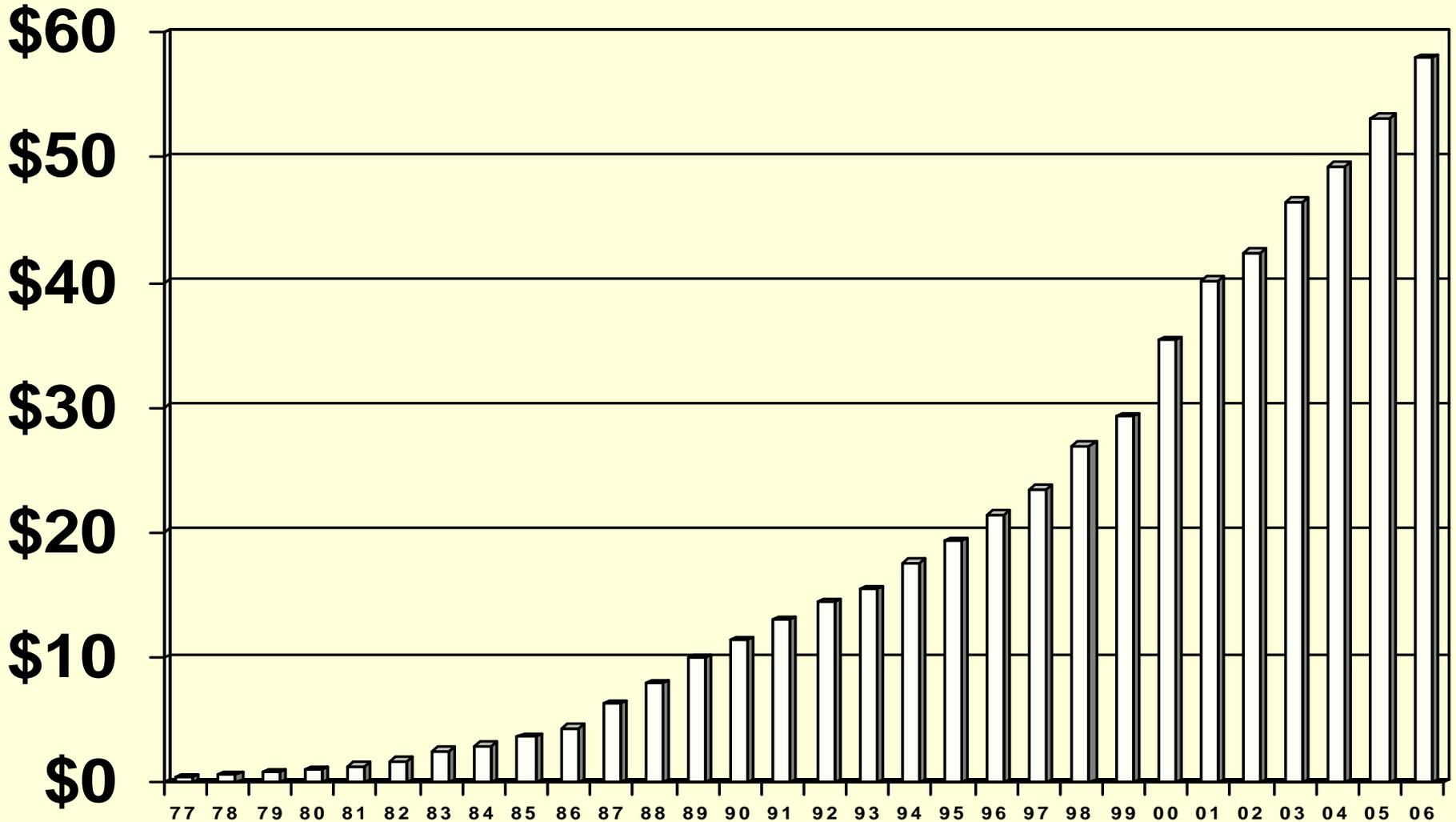
Total - 6,412

NDPERS Retiree Benefits

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

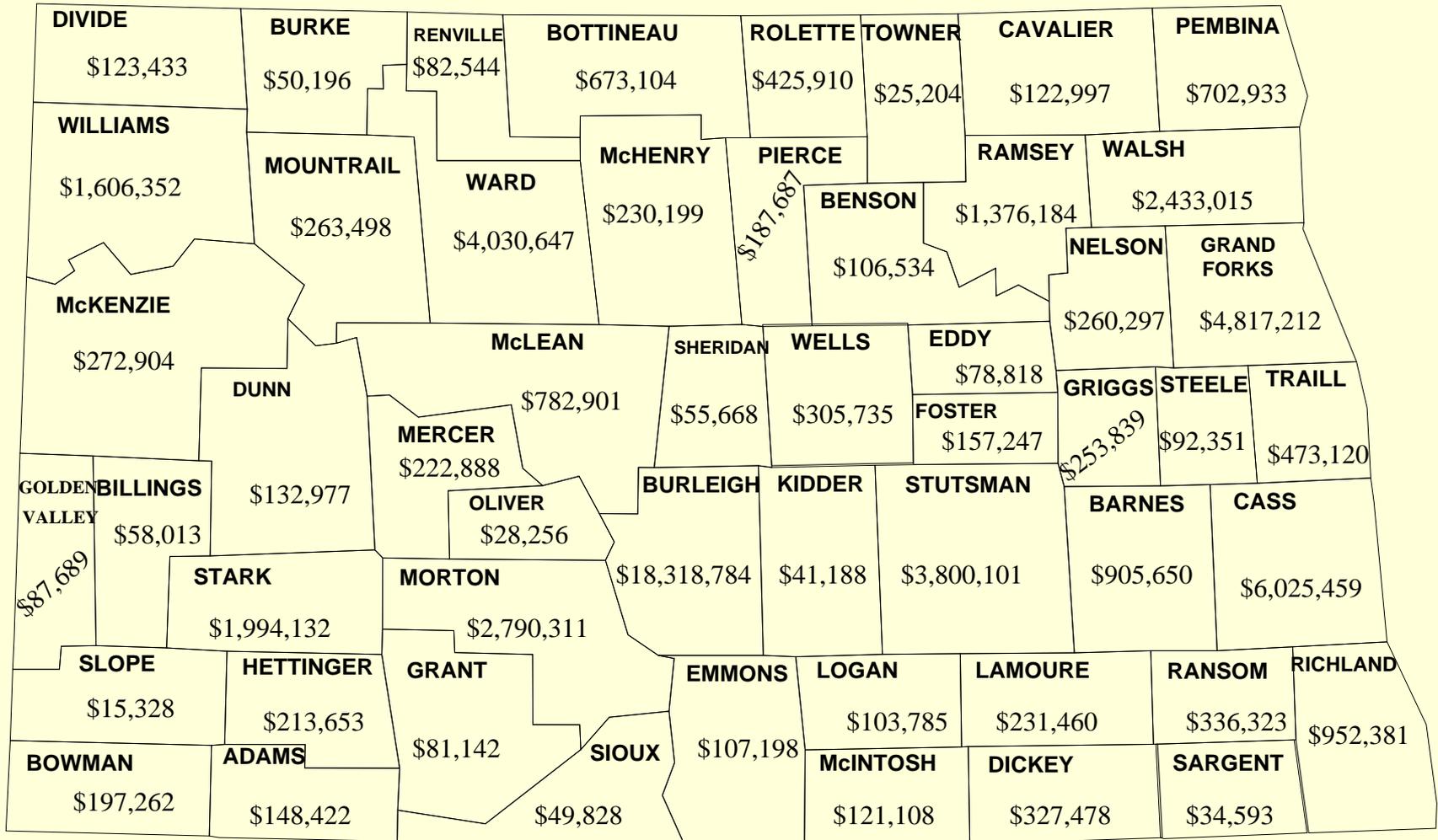
Millions

Year Ended June 30



NDPERS Retirees

Annual Benefits 2006



Out-of-State - \$8,242,082

Total - \$65,558,022

Actuarial Valuation - 2007

KEY ASSUMPTION

- **INVESTMENT RETURN**

Average return assumption for 127 public plans is 8%

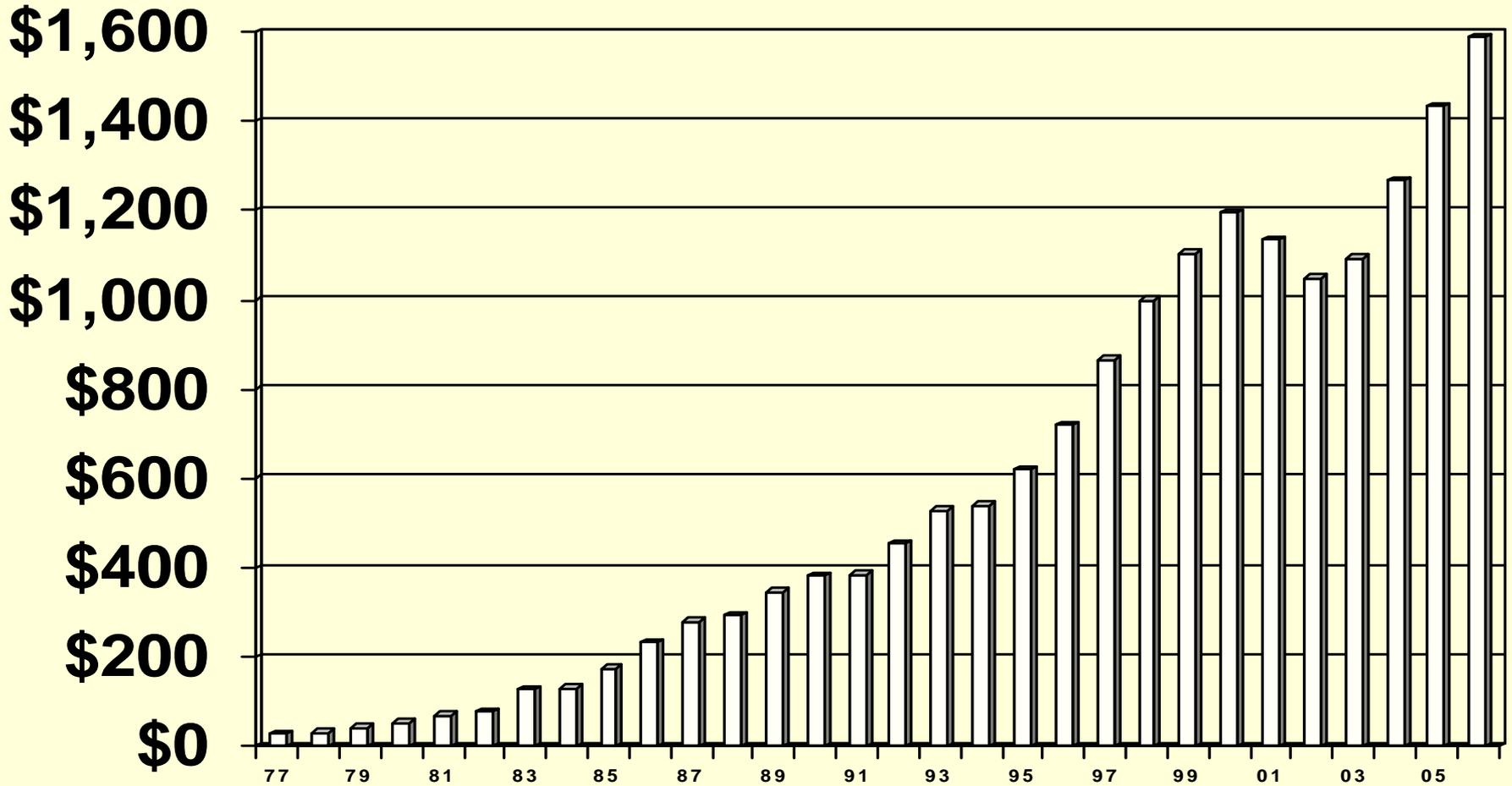
8%

NDPERS Retirement Systems Assets

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

Millions

Market Value – Year Ended June 30



2007 Actuarial Valuation - Main System

	2007	2006	Change
Total Number of Active Members	18,299	17,887	2.3% increase
Average Age of Active Members	47.0 years	46.8 years	increase
Average Annual Salary	\$31,169	\$29,998	3.9% increase
Total Payroll	\$570 million	\$537 million	6.1% increase

Main System - 2006 to 2007

Employer Cost Rate, 2006	6.90%
Employer Cost Rate, 2007	6.08%
Total Change in Contribution Rate	(0.82)%
Statutory Rate, 2007	4.12%
Contribution Margin, 2007 (1.96)%	

North Dakota Main System Projected Margins (Market Return After FY 2008 Always 8%)

If Market Return for FY 2008 Is	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012
18%	-0.23%	0.66%	1.78%	2.71%	3.24%
15%	-0.74%	0.39%	1.38%	2.17%	2.58%
12%	-0.94%	0.12%	0.97%	1.63%	1.91%
9%	-1.07%	-0.15%	0.56%	1.09%	1.24%
0%	-1.45%	-0.96%	-0.66%	-0.53%	-0.77%

Note: Projection reflects only investment return effects.

Assumes constant normal cost rate of 8.67% for Main.

The 2007 valuation margin is -1.96%.

Main - Funded Ratio

<u>Year</u>	<u>Actuarial Accrued Liabilities (millions)</u>	<u>Actuarial Value of Assets (millions)</u>	<u>Funded Ratio</u>
1998	\$710	\$788	111%
1999	831	901	109%
2000	879	1,010	115%
2001	994	1,096	110%
2002	1,087	1,130	104%
2003	1,170	1,145	98%
2004	1,251	1,172	94%
2005	1,333	1,210	91%
2006	1,450	1,286	89%
2007	1,576	1,470	93%

North Dakota Main System
Projected Funded Ratio
(Actuarial Value of Assets to the Actuarial Accrued Liability)
(Market Return After FY 2008 Always 8.0%)

If Market Return for FY 2008 Is	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012
18%	102.26%	106.67%	112.09%	116.47%	118.85%
15%	99.64%	105.32%	110.08%	113.84%	115.62%
12%	98.62%	103.97%	108.07%	111.21%	112.40%
9%	97.97%	102.62%	106.07%	108.58%	109.18%
0%	96.01%	98.56%	100.04%	100.70%	99.51%

Note: Projection reflects only investment return effects.
The 2007 funded ratio is 93.3% at Actuarial Value.

MAINTAIN PURCHASING POWER OF RETIREMENT BENEFITS BY PROVIDING COLA - AD HOC RETIREE ADJUSTMENTS

<u>Date</u>	<u>Multiplier</u>	<u>Retiree Adjustment</u>	<u>1980 Retiree with \$500 Benefit</u>
7/77	1.04%	1.04%	\$500
7/83	1.20%	15.38%	\$577
7/85	1.30%	8.33%	\$625
7/87	1.50%	15.38%	\$721
7/89	1.65%	15.76%	\$835
7/91	1.69%	2.42%	\$855
8/93	1.725%	2.00%	\$872
1/94	1.74%	1.00%	\$881
8/97	1.77%	5.00%	\$925
8/99	1.89%	8.00%	\$999
8/01	2.00%	6.00%	\$1,059

In 2006 there was a 13th check equal to half the monthly payment.

In 2008 there may be a 13th check equal to $\frac{3}{4}$ the monthly payment.

North Dakota Main System Projected Funded Ratio

(Greater of Actuarial or Market Value of Assets to the Actuarial Accrued Liability)
(Market Return After FY 2008 Always 9.3%)

If Market Return for FY 2008 Is	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012
18%	127.82%	129.87%	132.05%	134.36%	136.83%
15%	124.55%	126.51%	128.59%	130.79%	133.13%
12%	121.29%	123.16%	125.13%	127.21%	129.43%
9%	118.02%	119.80%	121.67%	123.64%	125.74%
0%	108.22%	109.72%	111.29%	112.92%	114.64%

Note: Projection reflects only investment return effects.
The 2007 funded ratio is 93.3% at Actuarial Value.

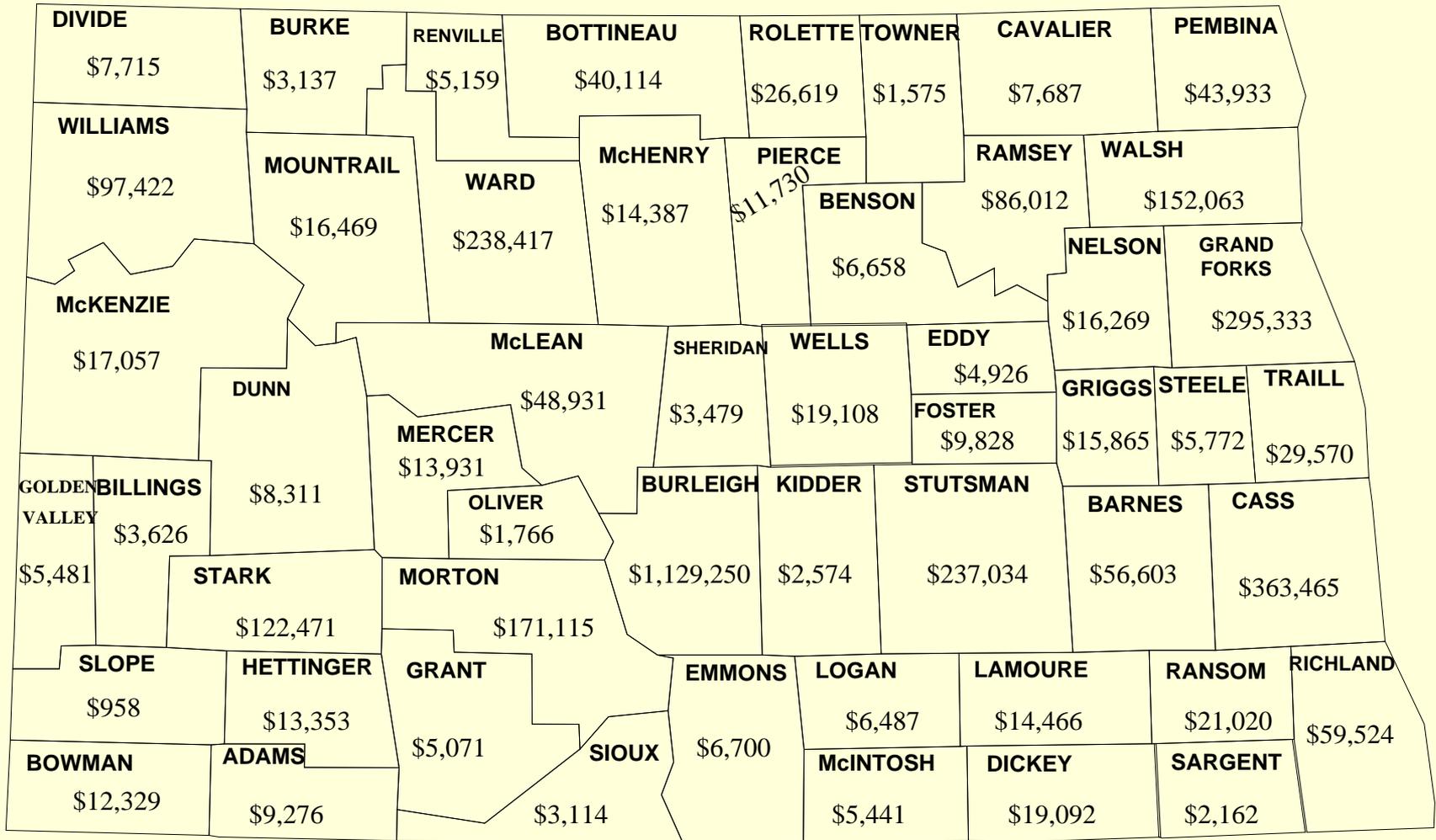
Legislation

Retirement – SB 2044

- Provides a 13th check to retirees if the return is greater than 9.06% or greater
- No fiscal effect to participating employers
- Reviewed by the Legislative Employee Benefits Committee and the committee reported “no recommendation”

NDPERS 75% Retiree 13th Check Payments

(Based on December 2006 Benefit Payments)



Out-of-State - \$505,239

Total - \$4,025,098

Retirement – SB 2048

- **Technical Amendments:**

- Updates federal compliance provisions of the Hybrid Plan and Highway Patrolmen's Retirement System;
- Provides record confidentiality rules under the Hybrid Plan and Highway Patrolmen's Retirement Plan to limit disclosure of information regarding employer service purchases to the minimum, necessary elements of data;
- Permits conversion of sick leave to retirement credit under the Hybrid Plan and Highway Patrolmen's Retirement System at any time, rather than within 60 days of termination only;
- Clarifies that employer service purchases on an actuarial equivalent basis under the Hybrid Plan must include contributions for both retirement and the Retiree Health Benefits Fund;
- Clarifies that temporary employees may not purchase any additional service credit, including repurchase of past service upon reemployment;
- Permits members who retire and commence receiving benefits after their normal retirement date under the Hybrid Plan or Highway Patrolmen's Retirement System to elect between a single lump sum payment equal to missed payments since normal retirement date or an increase in monthly retirement benefits that reflects the missed payments;
- Permits conversion of sick leave under the Defined Contribution Plan after four or more years of service, instead of after 25 or more years of service;
- Provides for automatic refund of member accounts under the Defined Contribution Plan if the vested account balance is less than \$1,000, instead of \$5,000.
- Reviewed by the Legislative Employee Benefits Committee and the committee reported a "favorable recommendation".
- No fiscal effect to participating employers

Retirement – SB 2051

- The proposed legislation would increase the employer contribution rate from 16.17% to 21.7% of salary for the Highway Patrolmen's Retirement System and from 4.12% to 5.12% of salary for the Hybrid Plan and Defined Contribution Plan. In addition, the proposed legislation would provide for an increase of 2% of monthly retirement benefits to retirees and their beneficiaries in both the Hybrid Plan and the Highway Patrolmen's Retirement System effective August 1, 2009.
- The contribution increase would fully pay for the enhancement in 2 years and therefore could be a one time payment if so determined.
- Retiree have not had a percentage increase since 2001
- Reviewed by the Legislative Employee Benefits Committee and the committee reported "no recommendation"

Retiree Health Credit

RETIREMENT - RETIREE HEALTH CREDIT PROGRAM

BENEFIT FORMULA:

\$4.50 for each year of credited service

Example: $\$4.50 \times 25 = \112.50

CONTRIBUTION

1% of payroll

Retiree Health Credit Challenge – Support for retiree premiums

NDPERS Retiree Health Credit History / Example

20 Year Employee

Year	Credit	Credit with 20 Years of Service	NonMedicare Family Premium	%	Medicare Family Premium	%
1989	\$3.00	\$60.00	\$360.07	17%	\$190.50	31%
1991	\$4.00	\$80.00	\$321.00	25%	\$230.00	35%
1993	\$4.50	\$90.00	\$368.00	24%	\$230.00	39%
1995	\$4.50	\$90.00	\$390.00	23%	\$239.00	38%
1997	\$4.50	\$90.00	\$438.48	21%	\$264.98	34%
1999	\$4.50	\$90.00	\$500.38	18%	\$308.62	29%
2001	\$4.50	\$90.00	\$570.00	16%	\$339.30	27%
2003	\$4.50	\$90.00	\$702.47	13%	\$415.18	22%
2005	\$4.50	\$90.00	\$781.86	12%	\$427.24	21%
2006	\$4.50	\$90.00	\$781.86	12%	\$329.24	27%
2007	\$4.50	\$90.00	\$946.00	10%	\$418.28	22%
2008	\$4.50	\$90.00	\$946.00	10%	\$418.28	22%

Year	Credit	Credit with 20 Years of Service	NonMedicare Family Premium	%	Medicare Family Premium	%
2009	\$4.50	\$90.00	\$1059.52	8%	\$468.47	19%
2011	\$4.50	\$90.00	\$1186.66	8%	\$524.69	17%
2013	\$4.50	\$90.00	\$1329.06	7%	\$587.65	15%
2015	\$4.50	\$90.00	\$1488.55	6%	\$658.17	14%
2017	\$4.50	\$90.00	\$1667.18	5%	\$737.15	12%
2019	\$4.50	\$90.00	\$1867.23	5%	\$825.61	11%

Future premiums assume a conservative 12% 2-year increase.

2007 Actuarial Valuation - Retiree Health Insurance Credit Fund

	2007	2006	Change
Total Number of Active Members	18,929	18,465	2.5% increase
Average Age of Active Members increase	46.8 years	46.7 years	
Average Annual Salary	\$31,848	\$30,761	3.5% increase
Total Payroll increase	\$603 million	\$568 million	6.2%

Retiree Health Insurance Credit Fund

- Assets, at Market Value, total \$45.3 million
- Assets, at Actuarial Value, total \$38.9 million (85.9% of Market Value)
- Market Value rate of return was 15.91%
- Actuarial Value rate of return was 10.44%, 2.44% more than the 8.00% investment return assumption

Retiree Health Insurance Credit Fund 2006 to 2007

Employer Cost Rate, 2006	1.00%
Plan Experience	(0.05)%
Assumption Changes	<u>0.00%</u>
Employer Cost Rate, 2007	0.95%
Statutory Rate, 2007	1.00%
Contribution Margin	0.05%

Retiree Health Insurance Credit Fund - Funded Ratio

<u>Year</u>	<u>Actuarial Accrued Liabilities (millions)</u>	<u>Actuarial Value of Assets (millions)</u>	<u>Funded Ratio</u>
1998	\$54.7	\$16.3	29.7%
1999	57.6	19.4	33.7%
2000	61.9	22.6	36.5%
2001	65.5	24.8	37.8%
2002	69.0	26.4	38.3%
2003	72.0	27.5	38.2%
2004	74.6	28.9	38.8%
2005	78.1	30.9	39.6%
2006	82.6	34.0	41.2%
2007	85.3	38.9	45.6%

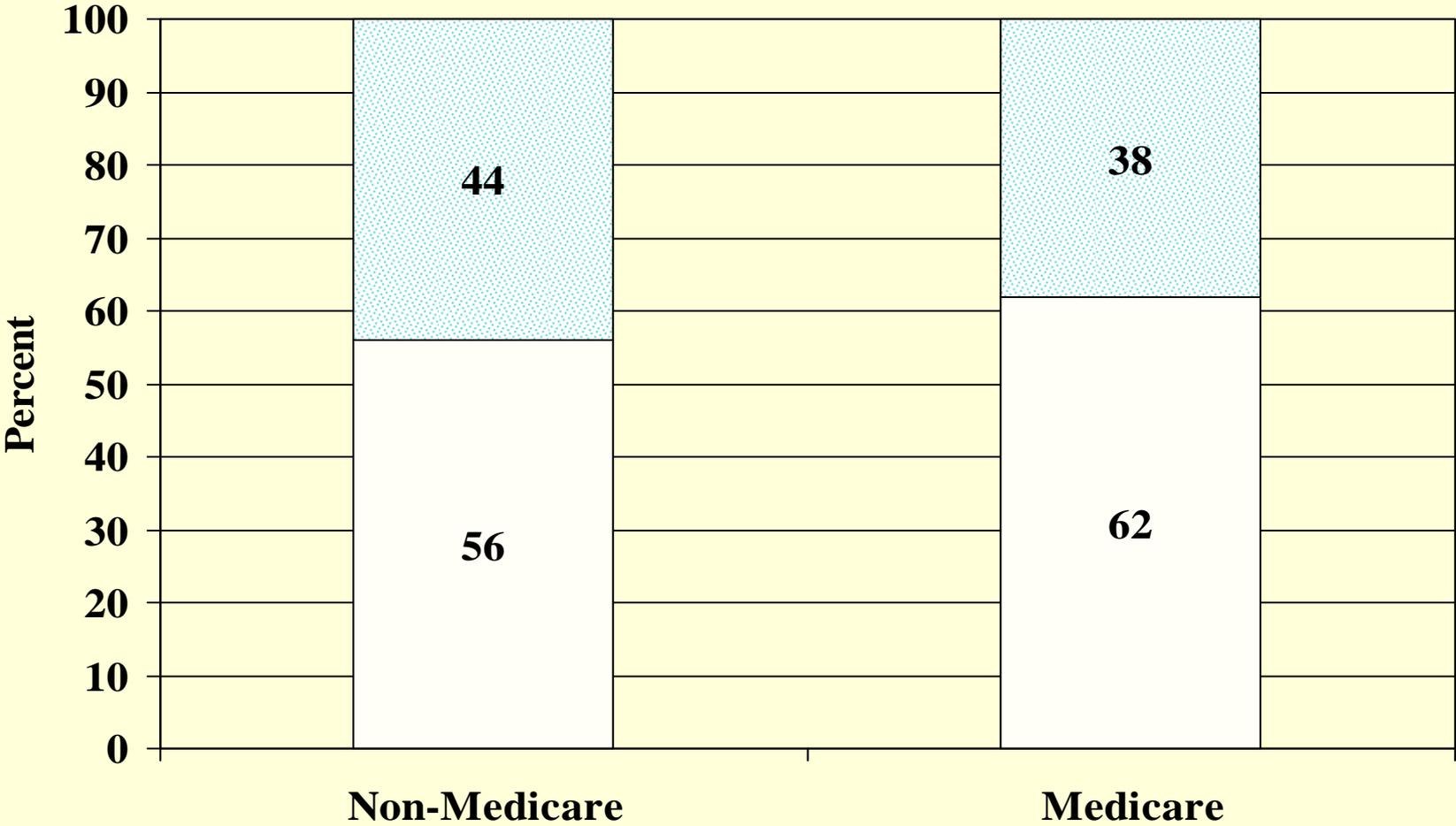
Retiree Health Program – SB 2050

- Increases the retiree health credit from \$4.50 to \$5
- Increases the employer contribution from 1% to 1.15% to pay for the increase.
- Reviewed by the Legislative Employee Benefits Committee and the committee reported “no recommendation”
- Included in the Governors Executive Recommendation

NDPERS Retiree Health Credit

July 2007 NDPERS Retirees

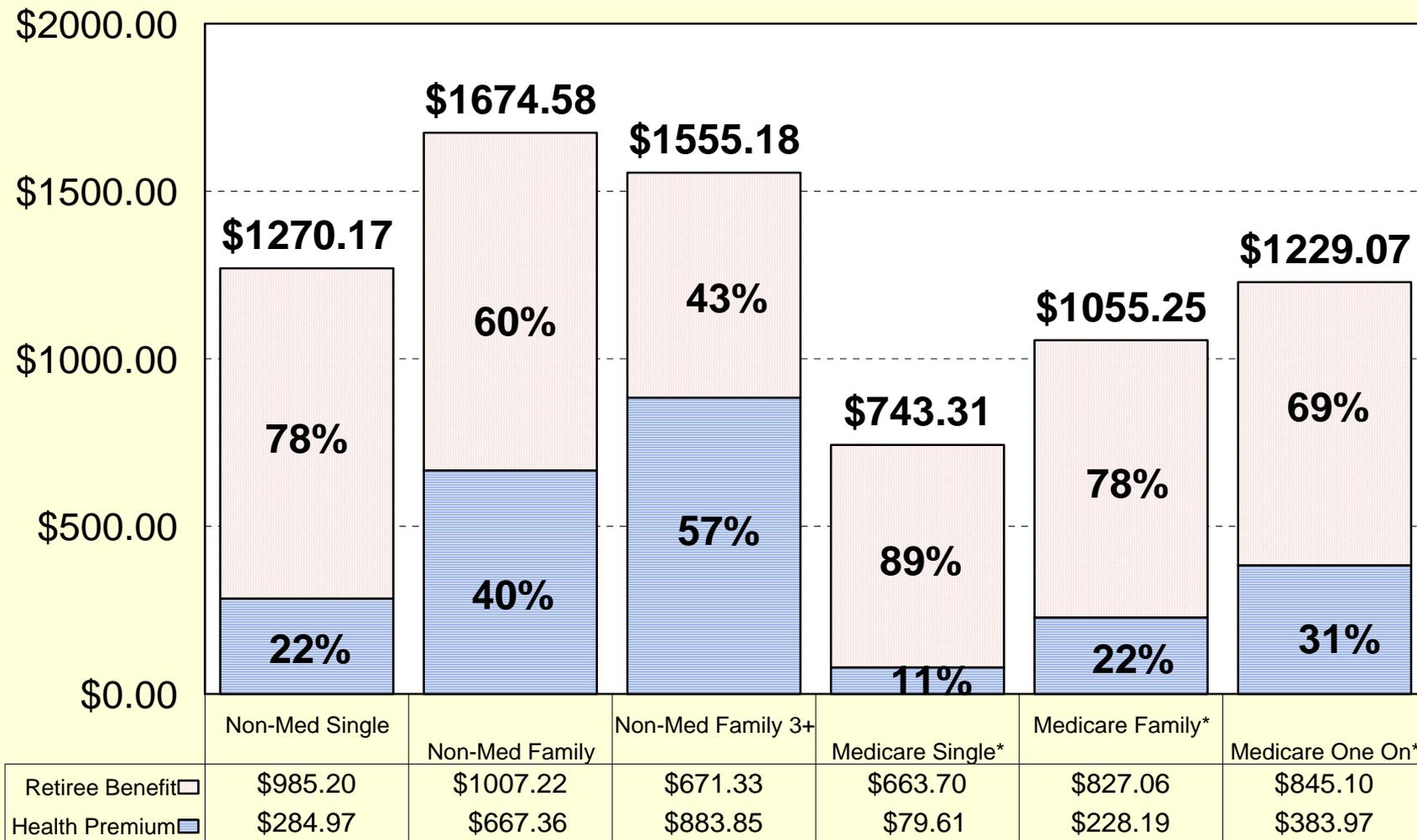
□ NDPERS Health Insurance ■ No NDPERS Health Insurance



In total 61% of the NDPERS retirees take the NDPERS Retiree Health Credit.

NDPERS Retirees with Health Credit

2006 Average Health Premium & Remaining Benefit
(Excludes COBRA Retirees)



Contracts: 283

83

5

2105

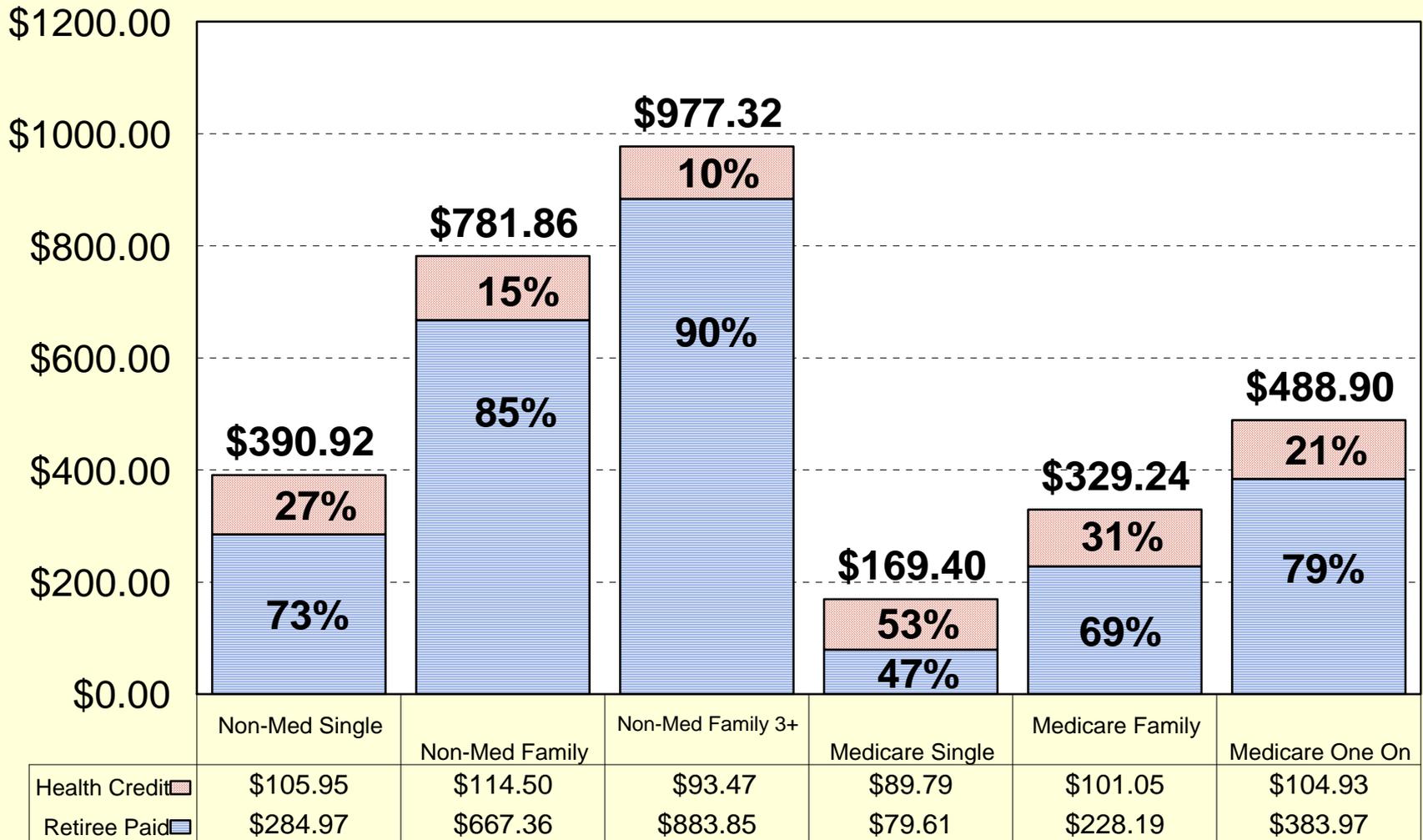
859

210

* - Medicare contracts must pay \$88.50 per person for Medicare coverage.

NDPERS Retiree Health Credit

2006 Average Premiums & Health Credit
(Excludes COBRA Retirees)



Contracts: 283 83 5 2105 859 210

Retiree Forum

Medicare Part D Renewal

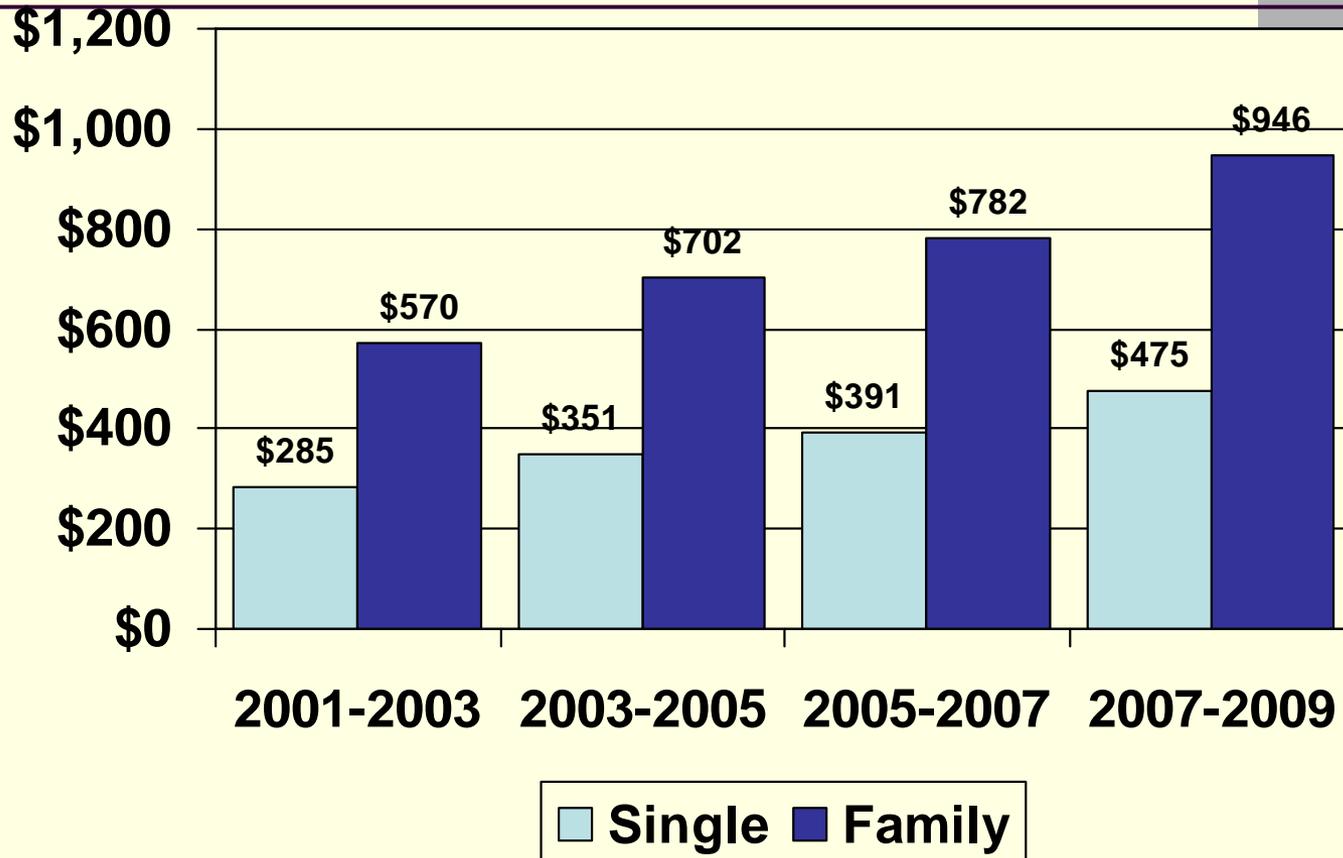
November 19, 2007

Kathy Allen

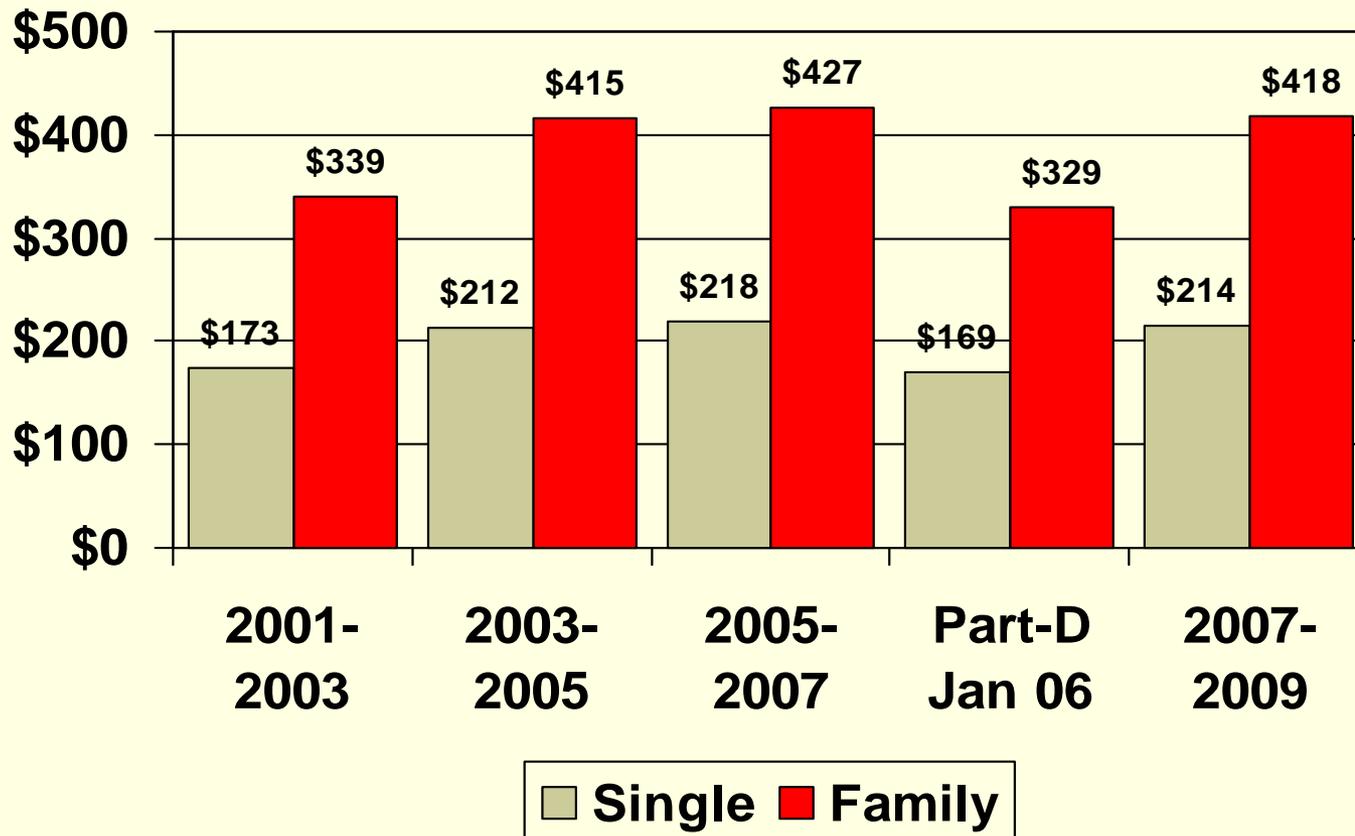
Medicare Part D Renewal

- Premium History
- Federal Requirements
- Premium Structure
- Renewal Proposal
- Review of Options
- Summary

Premium History -Non Medicare



Premium History - Medicare



Federal Requirements

- In response to new federal requirements, Medicare Blue Rx was implemented effective January 1, 2006.
- Renewal is on an annual calendar year renewal cycle in compliance with federal requirements.

Premium Structure

- Premium for Medicare eligible members is comprised of two parts:
 - Medical Coverage
 - Prescription Drug Coverage

- Breakdown of current Rx premium:

Gross premium	\$113.95
CMS subsidy	<u>53.81*</u>
Member Payment	\$ 60.14

*Subsidy is received for each Medicare eligible member on the contract.

Renewal Proposal

	2007	2008	%
Gross Premium	\$113.95	\$130.81	16.02%
CMS Payment	\$53.81	\$59.02	9.68%
Member Payment	\$60.14	\$71.79	19.37%

Renewal Options

- Board requested options that might mitigate the proposed increase
- BCBS provided three options
 1. Change plan design
 2. Change the formulary
 3. Combination of both the above

Option #1 – Change Plan Design

Current Plan Design

Prescription Formulary Generic Drug			
- Copayment	\$5	\$5	\$5
- Co-Insurance	15%	15%	15%
Prescription Formulary Brand-Name Drug			
- Copayment	\$15	\$15	\$15
- Co-Insurance	25%	25%	25%
Prescription Non-Formulary Drug			
- Copayment	\$25	\$25	\$25
- Co-Insurance	50%	50%	50%

Option #1 – Change Plan Design

Standardize with active plan

Prescription Formulary Generic Drug			
- Copayment	\$5	\$5	\$5
- Co-Insurance	15%	15%	15%
Prescription Formulary Brand-Name Drug			
- Copayment	\$20	\$20	\$20
- Co-Insurance	25%	25%	25%
Prescription Non-Formulary Drug			
- Copayment	\$25	\$25	\$25
- Co-Insurance	50%	50%	50%

	2007	2008	%	Alt #1	%
Gross Premium	\$113.95	\$130.81	16.02%	\$125.05	10.91%
CMS Payment	\$53.81	\$59.02	9.68%	\$59.02	9.68%
Member Payment	\$60.14	\$71.79	19.37%	\$66.03	9.79%

Option #2 – New Formulary

- Ideal Formulary
 - 515 people affected
 - 137 single source drugs
 - 418 multi source drugs

	2007	2008	%	Alt #1	%
Gross Premium	\$113.95	\$130.81	16.02%	\$115.46	2.40%
CMS Payment	\$53.81	\$59.02	9.68%	\$59.02	9.68%
Member Payment	\$60.14	\$71.79	19.37%	\$56.44	-6.15%

Option #3 – Adopt Both Options

- Standardize plan design
- Change formulary

	2007	2008	#1 & 2	%
Gross Premium	\$113.95	\$130.81	\$109.69	-2.71%
CMS Payment	\$53.81	\$59.02	\$59.02	9.68%
Member Payment	\$60.14	\$71.79	\$50.67	-15.75%

Summary

	2007	2008	Option #1	Option #2	#1 & 2
Gross Premium	\$113.95	\$130.81	\$125.05	115.46	109.69
CMS Payment	\$53.81	\$59.02	\$59.02	59.02	59.02
Member Payment	\$60.14	\$71.79	\$66.03	56.44	50.67

	2007	2008	Option #1	Option #2	#1 & 2
Gross Premium		16.02%	10.91%	2.40%	-2.71%
CMS Payment		9.68%	9.68%	9.68%	9.68%
Member Payment		19.37%	9.79%	-6.15%	-15.75%

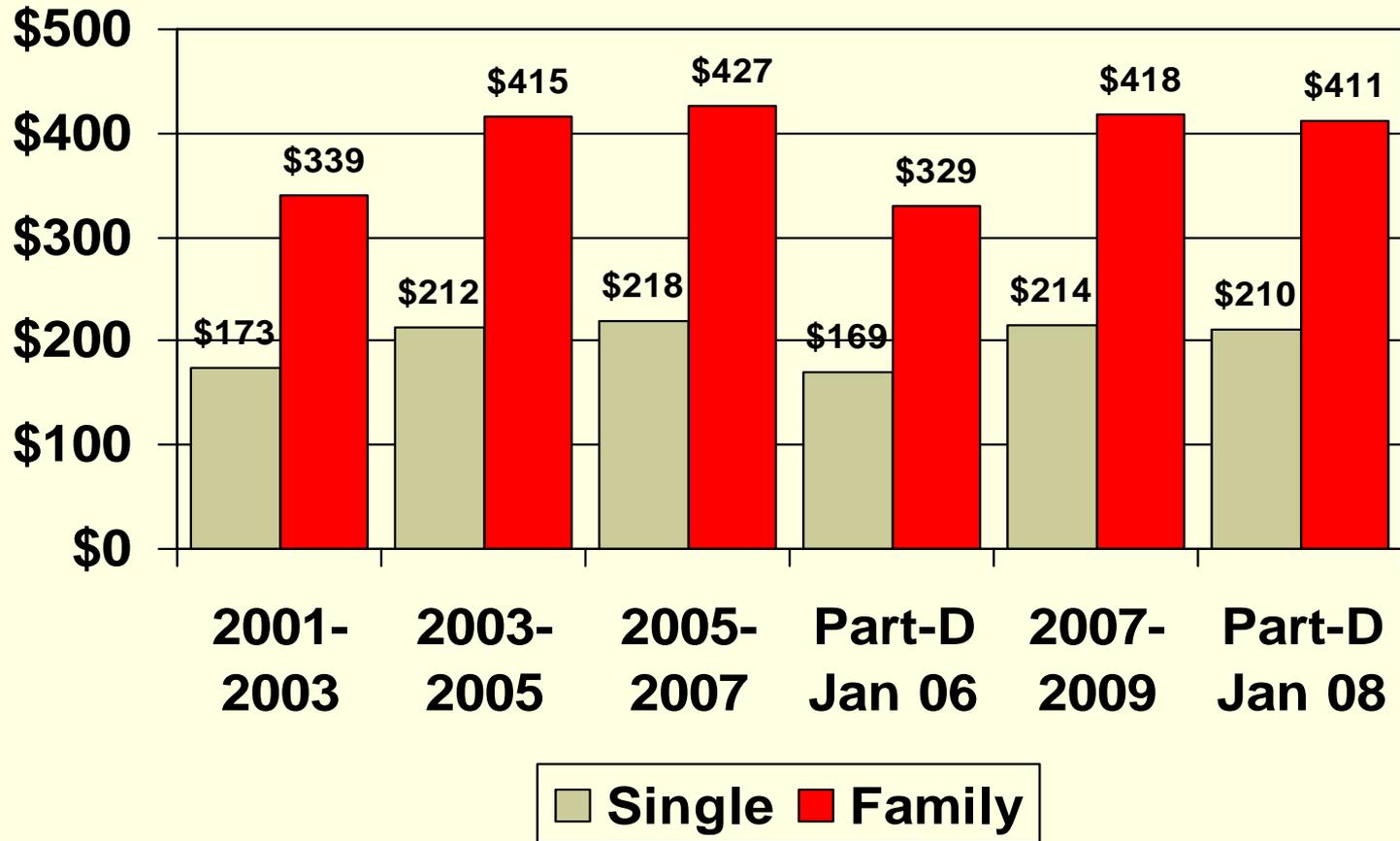
Summary

Board elected Option #2

Effective January 1, 2008:

- Change to Ideal Formulary
- Premium will decrease by approximately \$3.70 per month for each Medicare eligible member on the contract
- Single Medicare – \$214.20 \longrightarrow \$210.46
Family (2) – \$418.46 \longrightarrow \$410.98

Summary



Questions





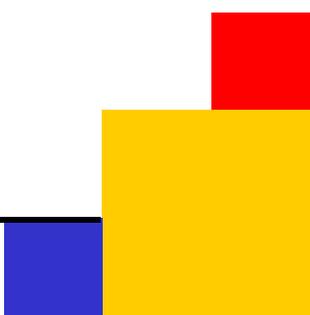
State Investment Board

Program Review



November 19, 2007

Steve Cochrane, CFA, Executive Director
ND Retirement and Investment Office



Annual Review

North Dakota Century Code Chapter 54-52-14.1. Public Employees Retirement System

Investment of the fund is under the supervision of the state investment board in accordance with chapter 21-10.

North Dakota Century Code Chapter 21-10-02.1



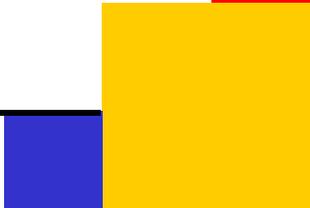
“write
guidelines for
investments!”



NDPERS Statement of Investment Goals, Objectives and Policies

II. DELEGATION OF AUTHORITY

Management responsibility for the investment program not assigned to the North Dakota State Investment Board (SIB) in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, ...



NDPERS Statement of Investment Goals, Objectives and Policies

5. INVESTMENT PERFORMANCE OBJECTIVE

- c. Over 10-year and longer periods the fund should match or exceed the expected **9.3%** rate of return projected in the asset/liability study without exceeding the expected risk for the period. Expected risk for the period, measured by standard deviation is **10.5%**.

Annualized Return and Risk (%)
Years ended June 30, 2007

	<u>1 Yr</u>	<u>3 Yrs</u>	<u>5 Yrs</u>	<u>10 Yrs</u>
PERS (net %)	18.96	14.98	13.33	8.92

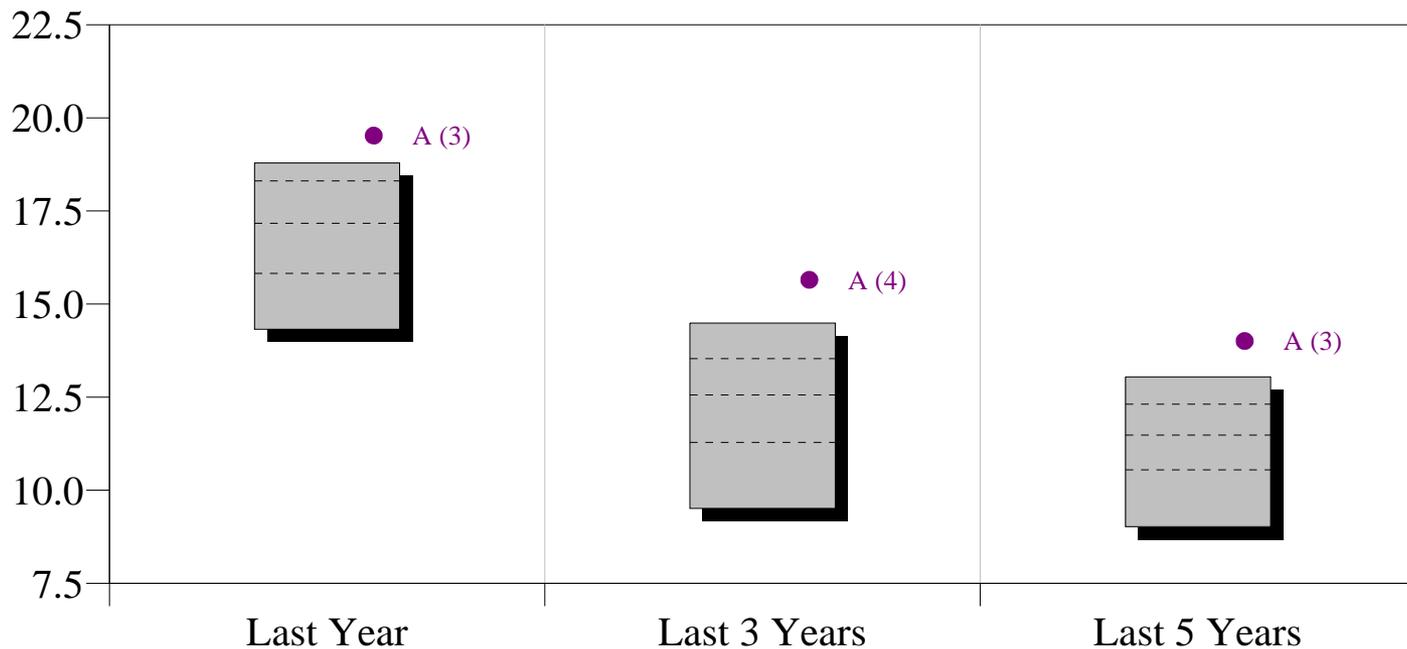
10-Year Annualized Standard Deviation: 9.93%

CALLAN ASSOCIATES FUND SPONSOR DATABASE STATISTICS

PERIOD ENDED JUNE 30, 2007

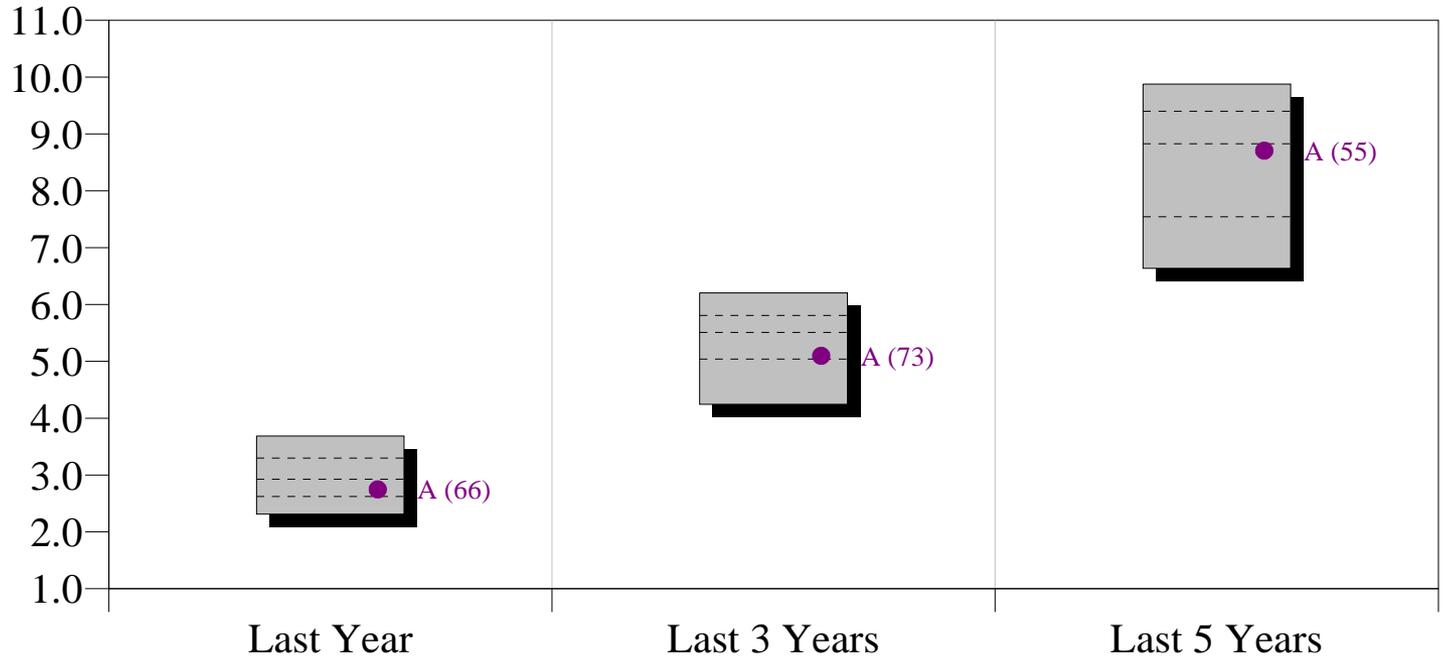
Fund Sponsor Database	Approx # of Funds	Approx Total Assets
CAI Public Fund Sponsor Database	120	\$750,000,000,000

Returns
for Periods Ended June 30, 2007
Group: CAI Public Fund Sponsor Database



10th Percentile	18.80	14.49	13.05
25th Percentile	18.31	13.54	12.32
Median	17.17	12.57	11.49
75th Percentile	15.83	11.28	10.55
90th Percentile	14.33	9.51	9.02
Member Count	119	113	109
PERS Total Fund-Gross ● A	19.53	15.66	14.01

Standard Deviation
 for Periods Ended June 30, 2007
 Group: CAI Public Fund Sponsor Database

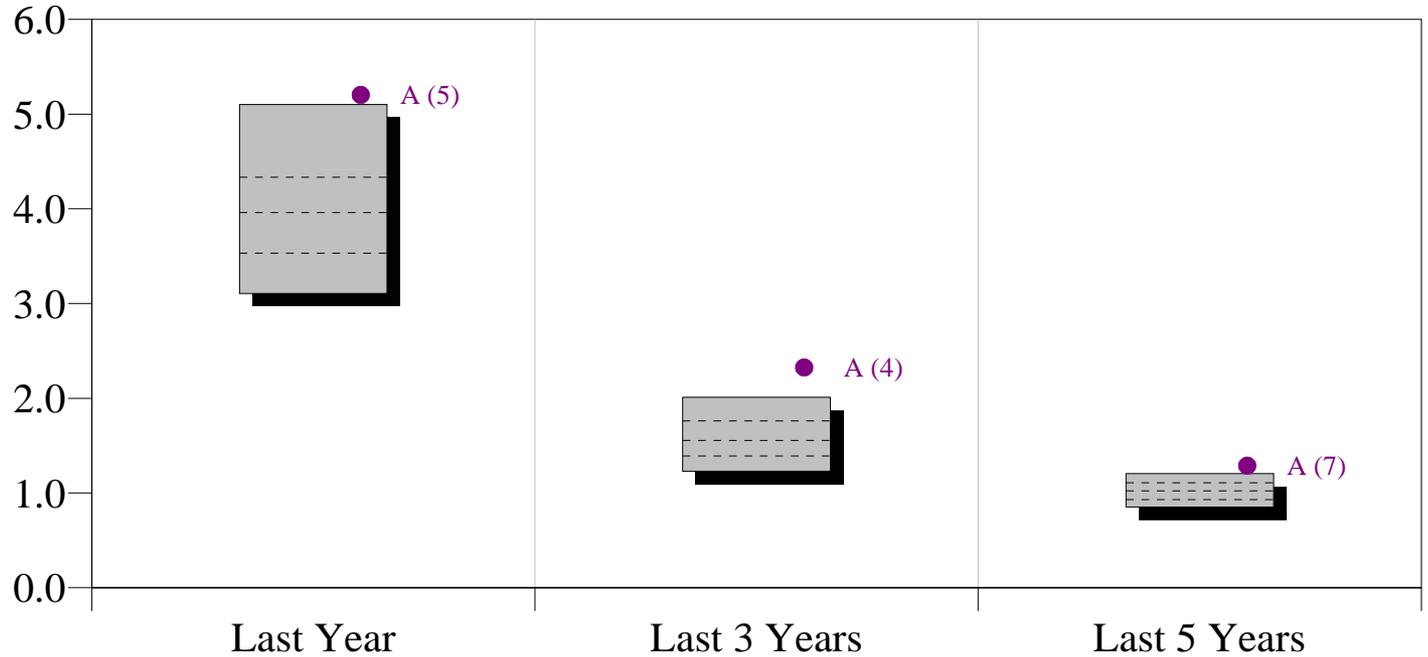


10th Percentile	3.69	6.21	9.88
25th Percentile	3.30	5.81	9.40
Median	2.93	5.51	8.83
75th Percentile	2.62	5.04	7.55
90th Percentile	2.31	4.25	6.64

Member Count	119	113	109
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PERS Total Fund-Gross	● A	2.75	5.10	8.71
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Sharpe Ratio
for Periods Ended June 30, 2007
Group: CAI Public Fund Sponsor Database

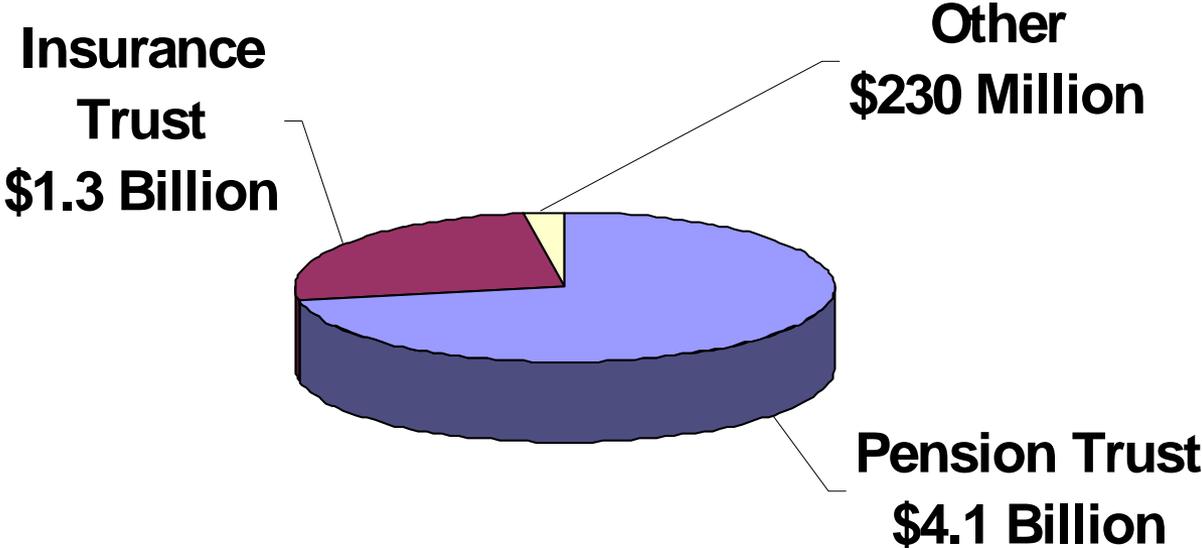


10th Percentile	5.10	2.01	1.21
25th Percentile	4.33	1.76	1.11
Median	3.96	1.56	1.02
75th Percentile	3.53	1.39	0.93
90th Percentile	3.11	1.23	0.85

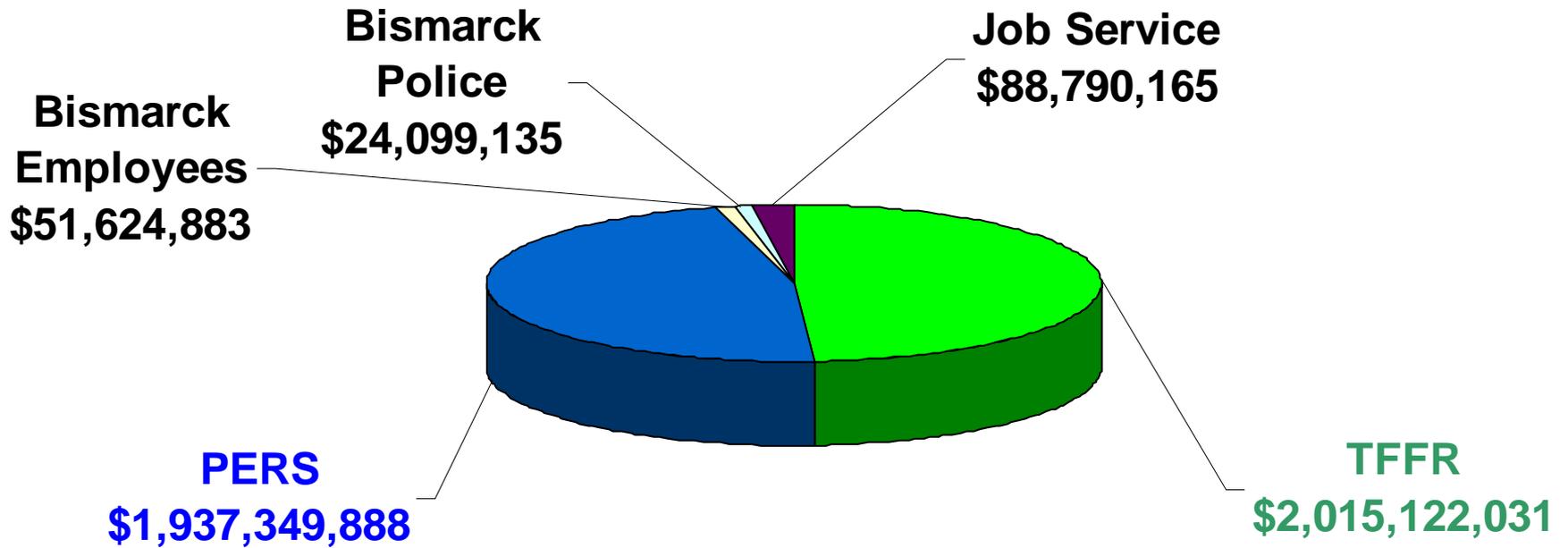
Member Count	119	113	109
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PERS Total Fund-Gross	● A	5.20	2.33	1.29
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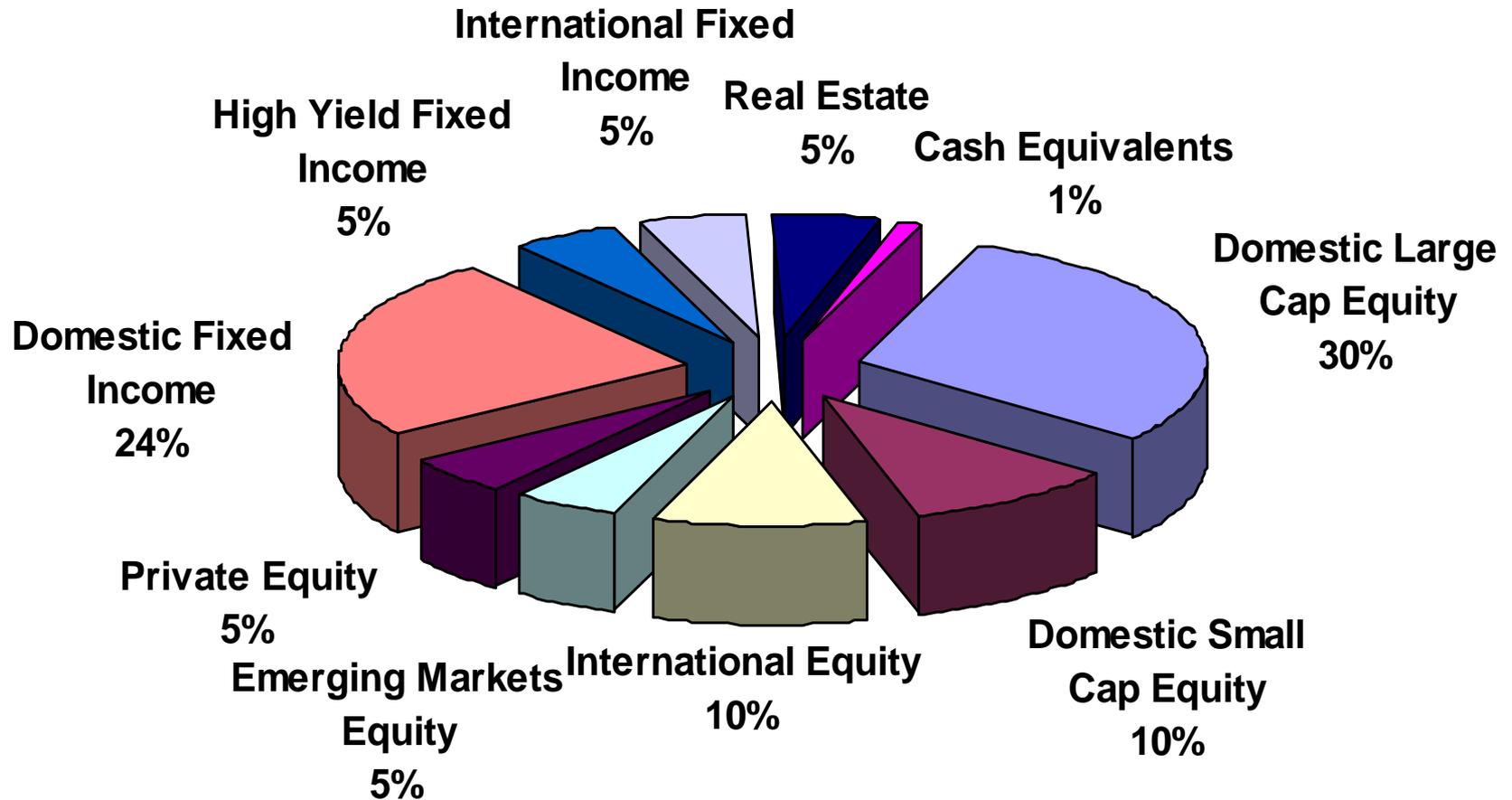
**State Investment Board
\$5.4 Billion**



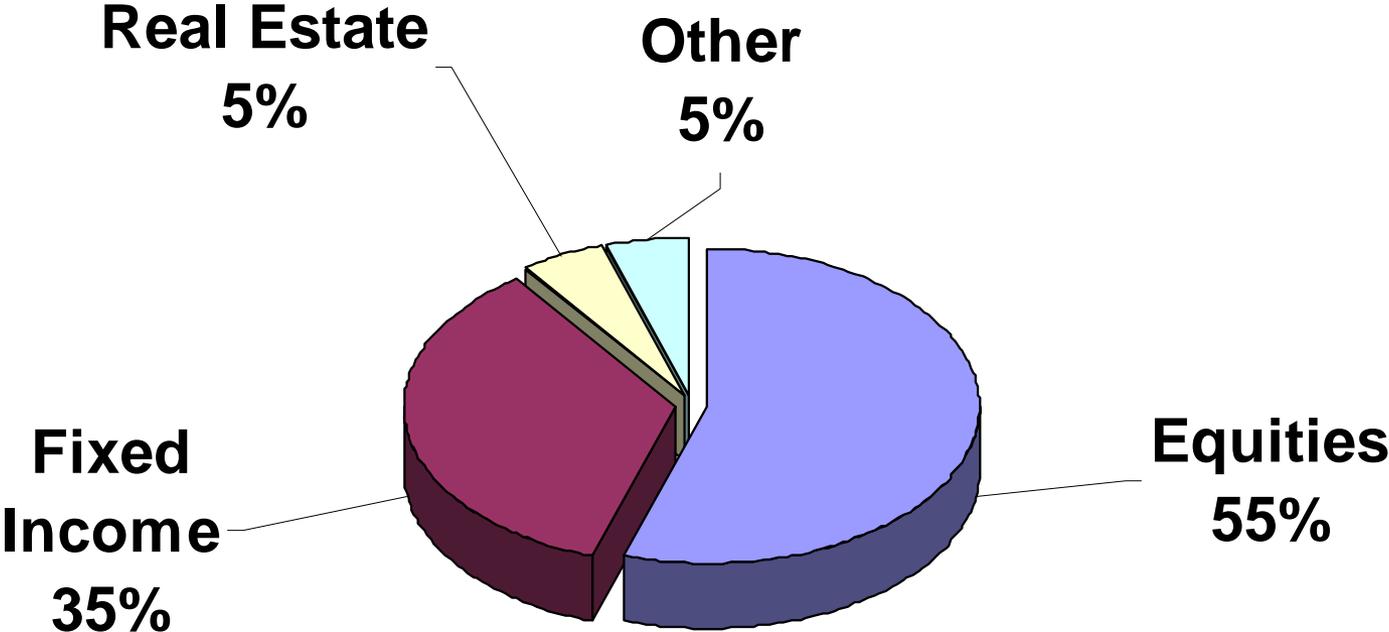
Pension Trust Participants \$4.1 Billion



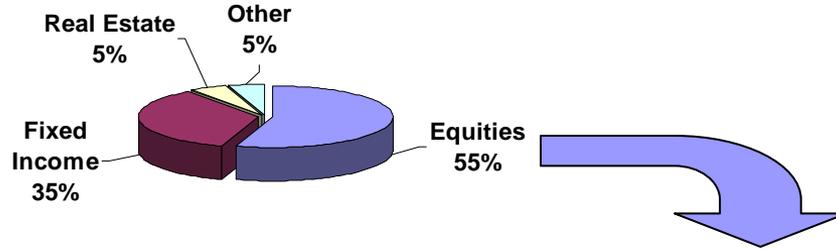
PERS Asset Allocation – FY07



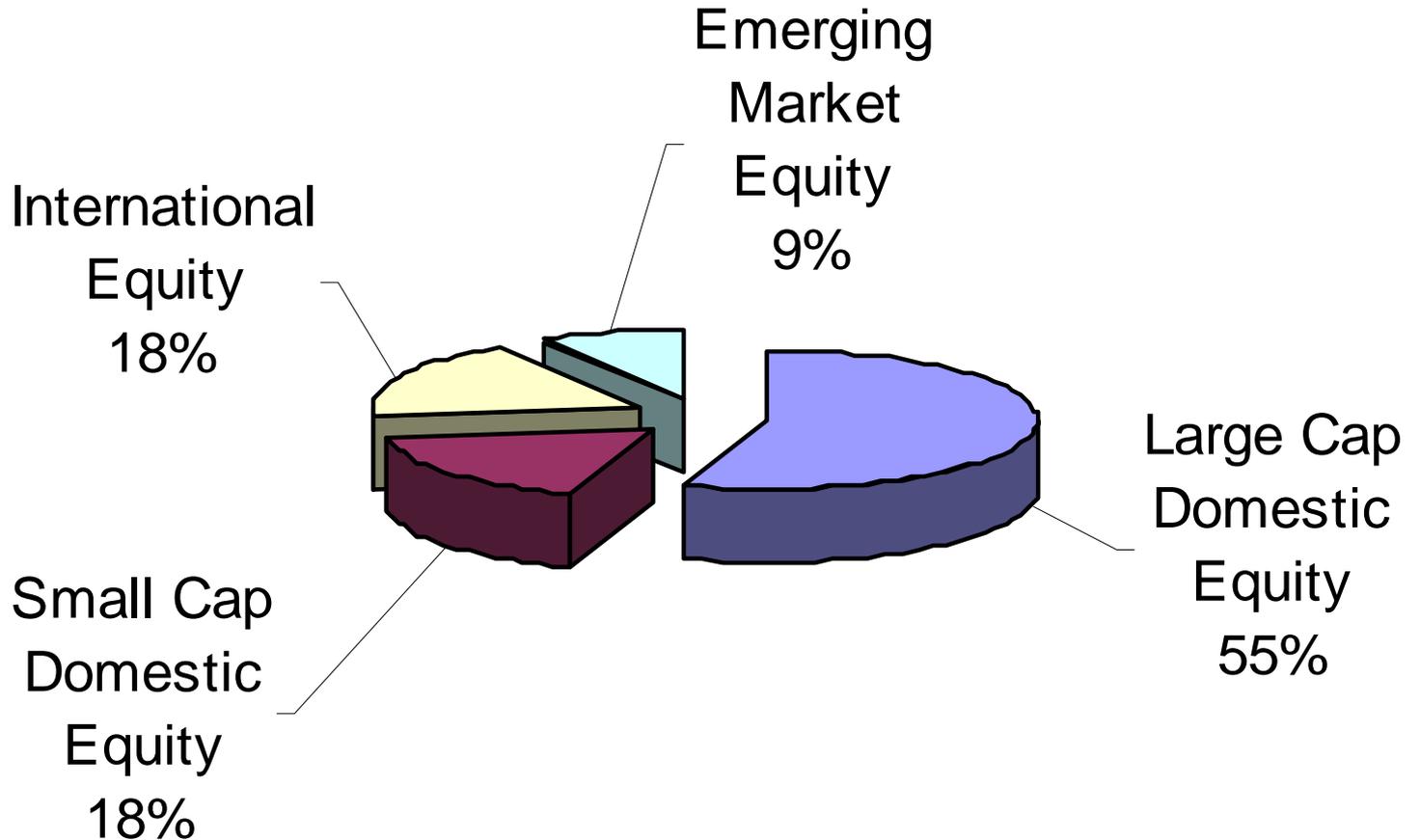
PERS Asset Allocation



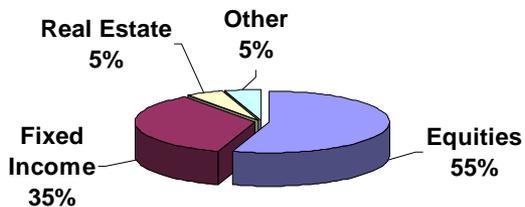
PERS Asset Allocation



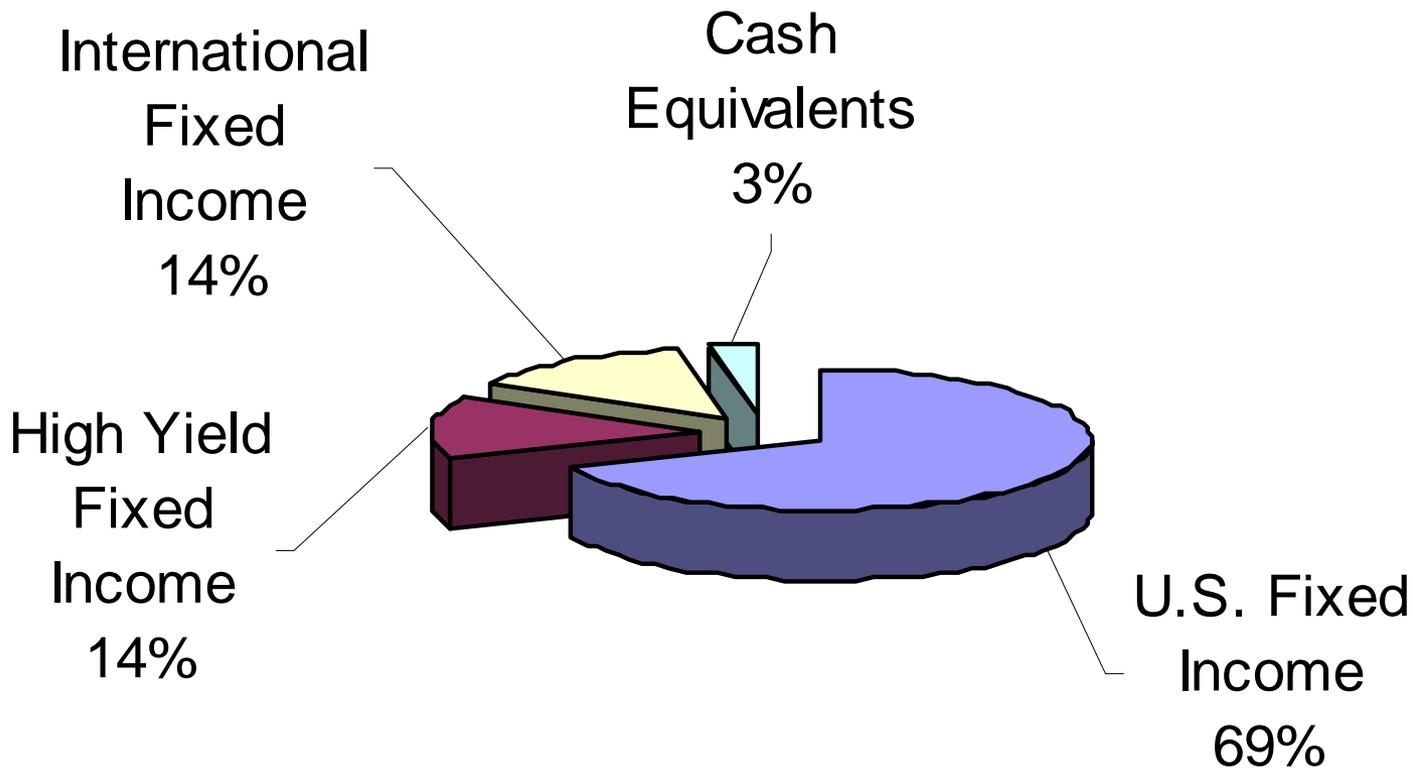
Broad Equity Categories



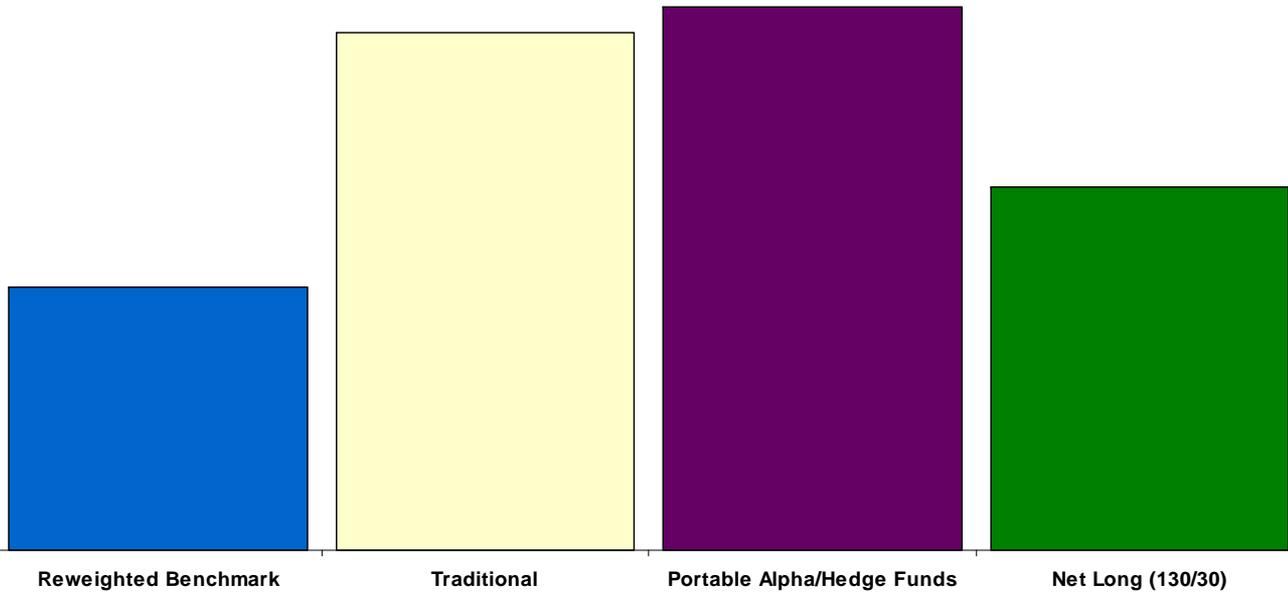
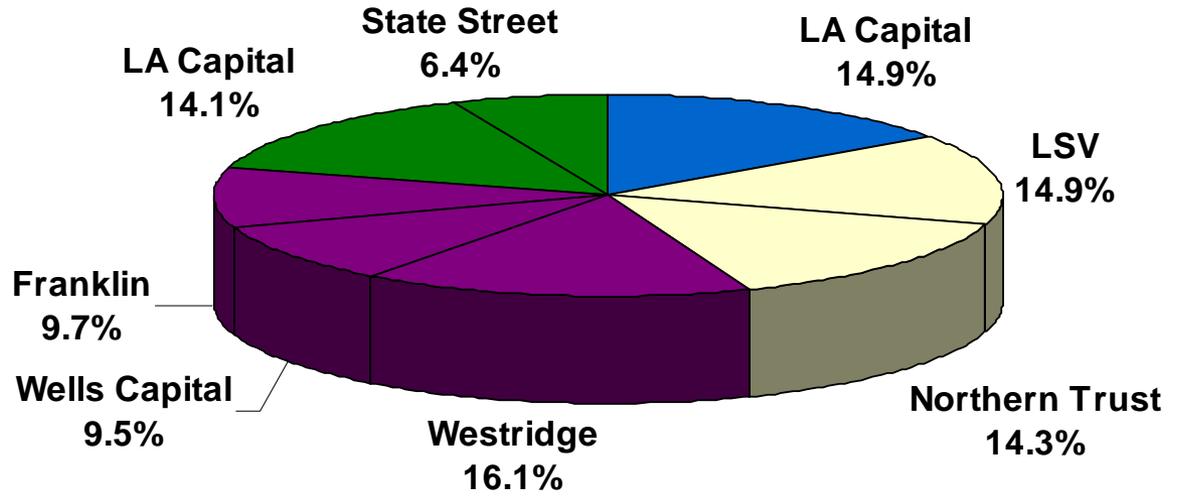
PERS Asset Allocation



Broad Fixed Income Categories



Domestic Large Cap Equity



Domestic Fixed Income

Timberland Investment Resources
27.6%

JP Morgan
0.3%

Western
12.6%

Bank of ND
23.2%

Prudential
12.6%

Wells Capital
12.6%

Calamos
11.1%

35.8%

11.1%

12.6%

12.6%

27.9%

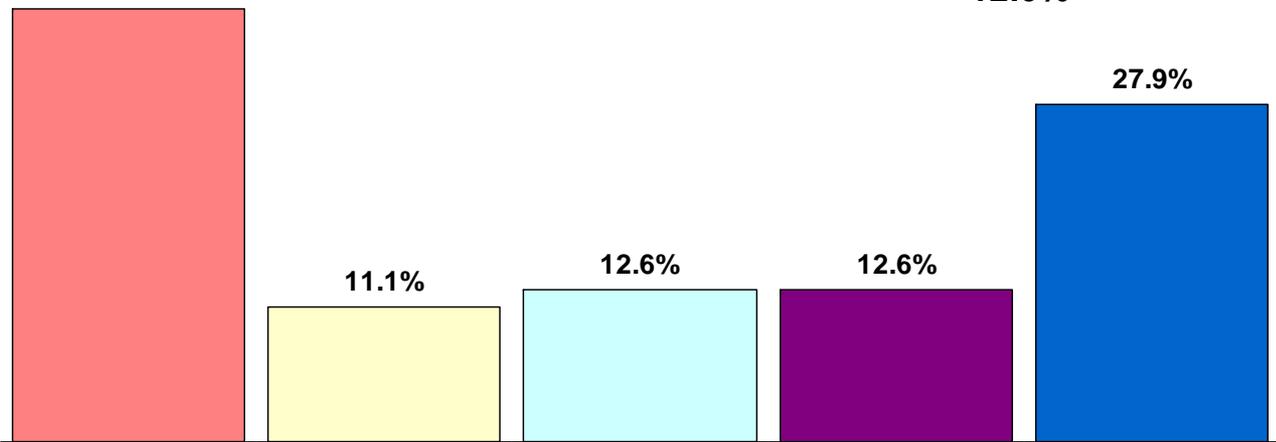
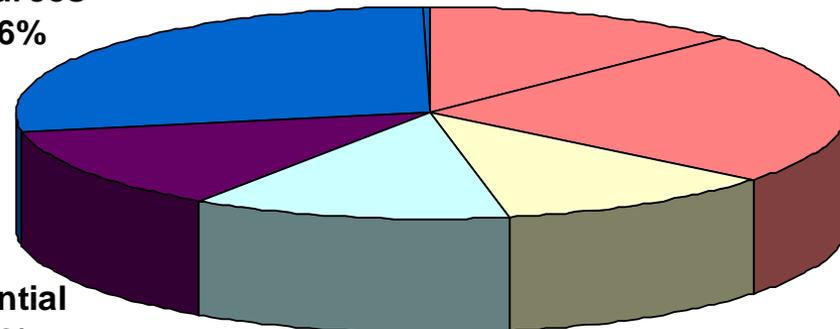
Core Bonds

Convertibles

BBB Average Quality

Private Debt

Timber/Infrastructure



Traditional
Standard Equity
Standard Fixed Income
Leveraged Bank Loans

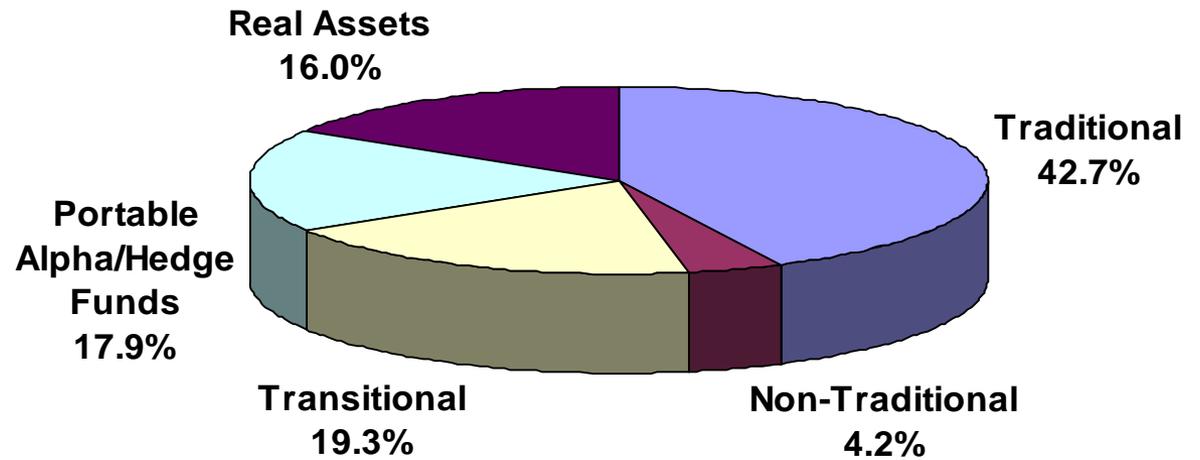
Transitional
Small Cap Int'l Equity
Small Cap EMG Equity
BBB Average Quality Bonds
130 / 30
Convertibles
Private Debt
Mezzanine Debt

Non-Traditional
US and Non-US Private
Equity, VC, Distressed,
Buyouts, Energy

Real Assets
Real Estate
Timberland
Global Infrastructure

Portable Alpha / Hedge Funds
Index Arbitrage
Multi-Strategy
GTAA
Market Neutral
Currency
Commodities
Volatility / Statistical
Arbitrage
Relative Value Arbitrage
Fixed Income Arbitrage
Fund of Hedge Funds
Enhanced Cash

Pension Trust





"That's all Folks!"

NDPERS On-Line Services

www.nd.gov/ndpers

What is Available?

NDPERS Contact Information

- Phone Number
- Mailing Address
- E-mail Address
- Location

Forms & Publications

- Designation of Beneficiary
 - Tax Forms
 - Direct Deposit
 - Name & Address Change
-

What Is Available Cont.

- Benefit Plan Handbooks
 - Retirement
 - Health, Dental, & Vision Insurance
 - Part D Prescription Drug
 - Life Insurance
 - Long Term Care
 - Archive of PERSpectives Newsletter
 - News Flashes
-

NDPERS Secured On-Line Services

Registration

- One-time Process

What is Available?

- Copy of your Annual Statements
 - Future Goal is to provide additional secured on-line services such as:
 - Monthly payment amount
 - Deductions
 - Designated Beneficiary
 - Level of Insurance Coverage
-

Let's View the NDPERS On-Line Services

Member Service Units



NDPERS Member Service Unit

- Assist with general questions about NDPERS programs
- Assist with requests for forms, brochures, and benefit books
- Assist with questions regarding eligibility to participate in one or more of NDPERS insurance plans
- Additional services outside the scope of Member Services will be referred to the staff member best equipped to help you

NDPERS Member Service Unit Cont

- Our busiest times are the day after a holiday and the first week of every month. If you place a call to us during these high volume periods, please be patient.
- Have your social security number available when you call as this will help staff members access the appropriate file more quickly.
- All your benefit information is confidential. For your protection, staff cannot release benefit information to any party without first obtaining your written authorization or your Durable Power of Attorney, or upon being served with a subpoena.
 - you may request information over the phone, only you may do so and only after you have provided the correct response to at least three of five criteria established by the NDPERS Board.

BCBS Member Service Unit

- Questions about medical coverage and claims
- Obtain BCBS Insurance ID card and Benefit Summary

MedicareBlue RX Member Service Unit

- Questions regarding prescription drug coverage
- Identifying participating pharmacies
- Obtaining Prescription ID Card and benefit summary

Frequently Asked Questions

- Hand Out – “Who Should You Contact”
 - Who should I contact regarding health or prescription drug coverage?
 - How do I obtain an ID Cards



MedicareBlueRx
NDPERS Retiree Conference
November 19, 2007

Presented by:
BCBSND & Prime Therapeutics, Inc.



Introductions

- Introductions:
 - Larry Brooks, BCBSND
 - Scott Percival, Prime Therapeutics & RAS
 - Onalee Sellheim, BCBSND



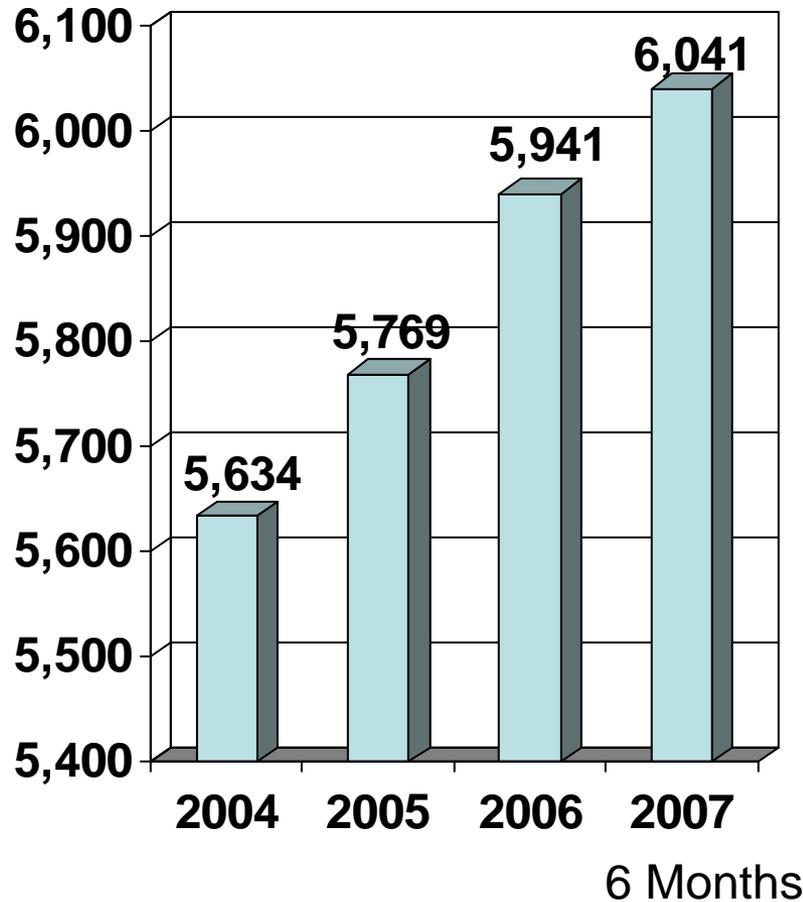
Participants

- CMS – Center of Medicare Services
- RAS (Regional Alliance....
 - Representing 7 states: Iowa, Minnesota, Montana, North Dakota, Nebraska, South Dakota, Wyoming
- MedicareBlueRx
 - Offers a number of plans including Individual and Group products
 - NDPERS has Option E (group specific)
- Prime Therapeutics (claims processor and lead vender)
 - Other Venders (call center, etc.)
- BCBSND
- The Pharmacy Community
- NDPERS
- Medicare Retiree Members



Enrollment

Average No. of Members per Month

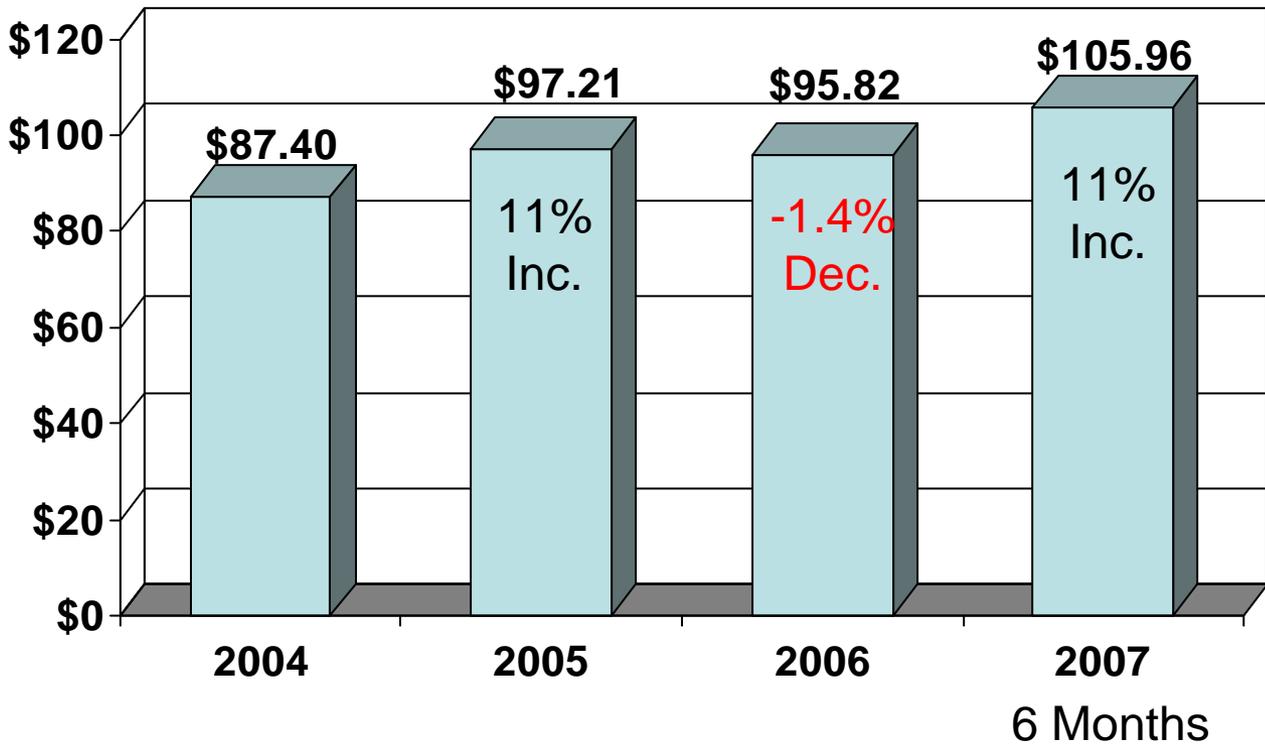


- Membership steadily increasing
- Since 2004, average members per month has risen 7%



Utilization Trends

Plan Payments PMPM



* Since 2004, payments PMPM have risen 21%.



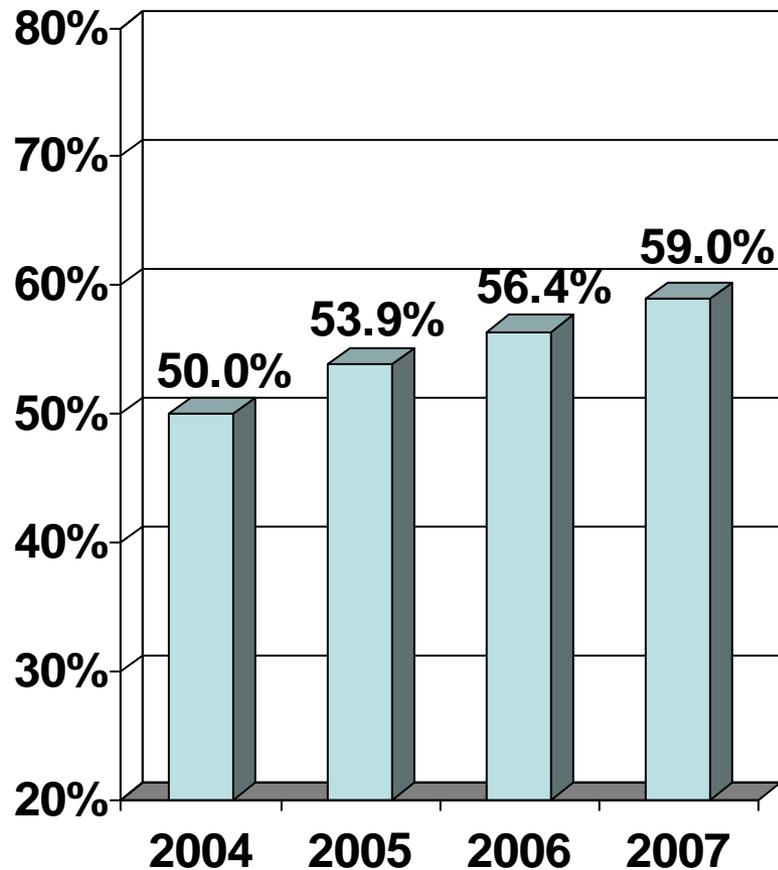
Utilization Trends

- Formulary compliance rate consistently at 89% per year
- Number of mail order claims has increased steadily during 2006 and 2007 (thru June)
 - 2004 & 2005 – no claims
 - 2006 – 5.4% of total claims (9,030)
 - 2007 (3Q) – 8.7% of total claims (7,904)



Generic Utilization

Generic Utilization Rate



- Historically, retiree members experience better generic utilization rate than active members
- 59% is excellent
- Percent of total payments for generics is between 20% and 23%



2008 Changes

- Copayment/Coinsurance levels will remain as is for 2008
- Change to use a new formulary
 - Referred to as the Ideal Formulary
 - Positive affect on premiums for 2008
 - But will require changes on part of member
 - Scott will talk more on the formulary change



Premium Make-up

- Total Gross Premium
- CMS Subsidy Reduction
 - Primary reason for considering Part D
- Net Premium



Premiums

- Premium change for Jan 1, 2008
 - Current - \$60.14
 - Effective Jan 1 - \$56.40
 - Decline of \$3.74 (-6.2%)
- If current formulary in place today and used for 2008, rate increase would have been substantial. An increase of 17% in the market place.



Introduce Scott Percival of Prime Therapeutics, Inc.



Ideal Formulary

- Ideal Formulary
 - Why change?
 - Examples of changes?
 - What can I expect?
 - Notifications
 - “Grandfathered situation”, how long?
 - What should I do now?
 - Is there an appeals process?



Why Change?

	NDPERS	Other Plan*
Generic Utilization Rate	59	69
Formulary Compliance Rate	89	98

*Plan is using a similar Formulary to Ideal Formulary

- High level of opportunities to provide clinical effective drugs at the most cost effective way
- Significant drug trend increase
 - Utilization (8%NDPERS)
 - Required greater coverage of drugs in 6 classes
 - New biotech treatments (17.2% national), oncology (18.6% national)



Examples of Changes

- There are 354 drugs removed due to CMS mandate (351) and safety reasons (4)
- Removal of multisource brands while generics are covered in the lowest tier
 - Zocor (brand): \$164 per month
 - Simvastatin (generic of Zocor): \$20 per month



Questions?

