

# Perspectives

FOR ACTIVE MEMBERS OF THE NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

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## ND PERS Retirement Plan Financial Update

### Background

The PERS office has had numerous inquiries about how the retirement plan is doing as a result of the recent downturn in the financial markets. This article is the first in a series of educational updates that will keep you informed of our situation. In this article we will review for the PERS system the market return for our fiscal year ending June 30, 2009, its effect on the plan, its implications and the steps we will take going forward.

### Investment Return

The State Investment Officer recently reported that the return for the PERS retirement plan for fiscal year ending June 30, 2009 was a negative 24.5%. The graph below shows this year's return and past years' actual returns.

As you will note, PERS investments have generally been strong but this year's return is unlike any the plan has ever experienced.

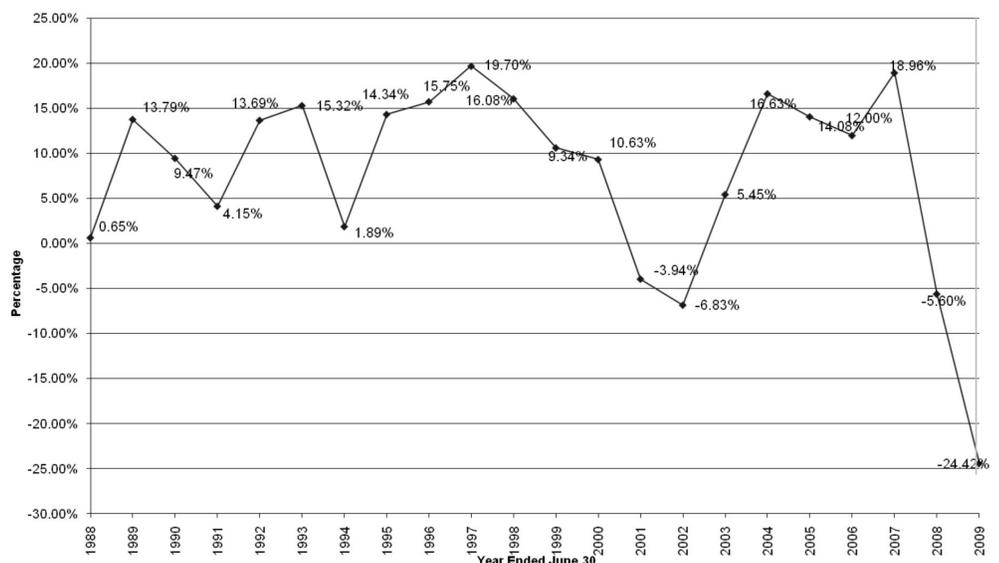
### Effect on the Plan

PERS has always had a strong funded position. Since the late 1980's our plan has always had a funded status of over 90% on both a market and actuarial value basis. Funded status refers to the amount of assets the plan has compared to the existing cost of the benefits earned. Market value is the actual value of assets at the end of the fiscal year. Actuarial value is calculated by recognizing 20% of a gain or loss in any one year with the remaining 80% recognized in 20% increments over the next four years. Actuarial value is used because it provides a more stable value for planning purposes.

The graph on page 2 shows our status over the past 10 years.

With this year's negative 24.5% return, you will see that for the 2009 fiscal year our funded status is projected to drop to 85% at actuarial value and to about 69% at market value. Even if our fund earned

*Continued on page 3*



8% every year over the next 4 years, our actuarial funded status would continue to drop and would be approximately 60% at the end of that period.

### Implications for the Plan

Employer contributions to the PERS plan are 4.12% and employee contributions are 4%. Some employers have “picked-up” the 4% contributions but these are still considered employee contributions by the plan. Unlike most plans, our contribution has remained level and has not changed since 1989 when the employer contribution was decreased by 1% and allocated to start and fund the Retiree Health Insurance Credit (RHIC) program. PERS has been able to maintain a level contribution for both the employers and employees due to the strong investment returns during the 1980’s and 1990’s.

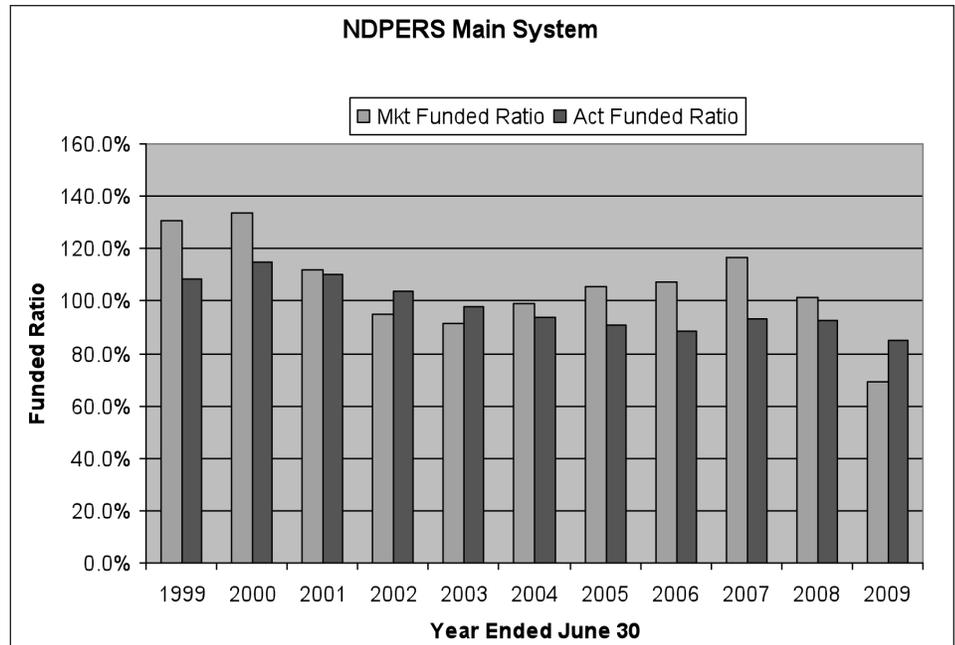
With the recent downturn in the markets and the dramatic drop this last year, we asked our actuary to estimate how much contributions would need to increase from the current 8.12% to fully fund the Plan in twenty years. These estimates assume that the assets will earn 8% every year going forward.

The table below shows the estimated projected contribution deficiency for 2009 to 2014 and what the total contributions should be in order to fully fund the Plan in twenty years. Based upon these projections, employer/employee contributions could increase by about 9% in the next 5 to 6 years. This would mean total contributions may need to change from the present rate of 8.12% to about 17%.

### Next Steps

As mentioned at the outset of this article, the above results are based upon our most recent actuarial report. The PERS Board has initiated a planning process to review this in detail and it will be ongoing

Year	Deficiency	Total Contribution
2009	3.62%	11.74%
2010	4.83%	12.95%
2011	6.15%	14.27%
2012	7.76%	15.88%
2013	8.94%	17.06%
2014	9.24%	17.36%



through February 2010. At that time the board will need to determine what actions to propose to the next legislative session and the Governor for consideration. Pursuant to legislative guidelines, PERS must submit its proposed legislation to the Legislative Employee Benefits Committee (LEBC) by March 31, 2010. This starts a process of consideration and a series of hearings by that committee. In addition, the committee asks the actuaries to prepare detailed reports on each bill which assess its technical and actuarial effect. The LEBC will conclude its work in November of 2010 and will add a report to the proposed legislation that will outline its findings. If the proposed bill is submitted at the next session, this report is attached for the Legislature’s consideration.

As the PERS Board moves forward it will:

1. Provide to you early next year in our newsletter information on proposals that are being considered to address the funding shortfall caused by the market’s recent downturn.
2. Send to you next spring a *letter* with information on all the legislation submitted.

In addition, the following will be available on our web site as indicated:  
December 2009 - webcast which will review the funding status of the plan in detail.

February 2010 - webcast on the proposals that are under consideration.

April 2010 - webcast on the proposed legislation. Copies of the proposed bill drafts will be available on our website.

## 2010 Annual Contribution Limits 457 Deferred Compensation Plan

The annual deferral limits established by the IRS for Section 457 deferred compensation plans will not increase for the calendar year 2010. The current limits will remain in effect as follows:

- Lesser of 100% of compensation or \$16,500.
- Age 50 or older is \$5,500 to an annual maximum of \$22,000. You are eligible to use the 50+ catch-up if you attain age 50 in 2010.
- Regular 3 year catch-up is \$33,000. If you wish to apply for the 3 year catch-up you must submit the 457 Catch-Up Worksheet for PERS approval and certification.

If you wish to increase your deferred compensation plan contribution you must complete the 457 Deferred Compensation Plan Enrollment/Change form, SFN 3803. The change must be in the month prior to the month the income is earned. All forms may be obtained on the PERS web site at [www.nd.gov/ndpers](http://www.nd.gov/ndpers).

# Seasonal Flu Vaccine and H1N1

We have had numerous inquiries about coverage for the seasonal flu and H1N1 vaccines. The novel H1N1 vaccine does not replace the seasonal flu vaccine.

The Center for Disease Control and Prevention's (CDC) recommends that the following groups are approved to get their vaccine as soon as it becomes available in their area:

- Pregnant women
- People who live with or provide care for infants younger than age 6 months of age.
- Health care and emergency medical services personnel
- People ages 6 months through 24 years
- People ages 25 through 64 years who have medical conditions that put them at higher risk for influenza-related complications.

### Coverage for active employees and non-Medicare retirees

You have coverage under your NDPERS health for both the seasonal flu and H1N1 vaccines as follows:

*Seasonal Flu Vaccine* – The administration and single dose of the vaccine is covered under your NDPERS benefit plan at 100% and the deductible is waived. If an office visit is billed, it will be subject to your office visit copay.

*H1N1 Vaccine (Swine Flu)* – The cost of H1N1 vaccine itself will be covered by the government for the approved groups. BCB-SND will allow the administration of the vaccine to be processed under your NDPERS health plan. If the CDC determines this vaccine should be given for other populations,

and is not covered through a governmental entity, it will be covered under your NDPERS benefit plan at 100% and the deductible is waived. If an office visit is billed, it will be subject to your office visit copay.

For the least out-of-pocket expense, you can receive your immunization through schools or community health centers who do not generally charge for an office visit. If you go to a clinic, ask if you can bypass an office visit and just be immunized.

### Coverage under Medicare Part B

Seasonal Flu Vaccine - Medicare Part B will pay 100% of the cost for a single dose of the seasonal flu vaccine and its administration.

*H1N1 Vaccine (Swine Flu)* – Medicare will cover administration of the H1N1 flu vaccine. Your doctor or healthcare provider can't charge you for the vaccine because they receive the vaccine for free. You pay nothing for the vaccine's administration if your doctor or health care provider accepts assignment. Assignment means that your doctor, provider, or supplier has signed an agreement with Medicare to accept the Medicare-approved amount as full payment for covered services. The Part B deductible and coinsurance do not apply to the H1N1 vaccine or its administration.

For more information, visit the CDC web site at <http://www.cdc.gov/h1n1flu/> or call 1-800-CDC-INFO (800-232-4636, TTY: (888) 232-6348, 24 hours a day, 7 days a week. For information regarding coverage or claims processing, please contact BCBS at (800) 223-1704.

# Designation of Beneficiary

Please be sure to keep your designation of beneficiary up-to-date for your retirement account and life insurance. It is very important that you keep this information current because upon your death, NDPERS relies on the designation to contact your beneficiaries. If the information is not current or is missing, NDPERS is unable to locate and issue payment, if any, to your beneficiary (ies).

To update or change your retirement designation of beneficiary, you must complete a "Designation of Beneficiary for the Group Retirement Plan SFN 2560". To update or change your life insurance designation of beneficiary, you must complete a "Life Insurance Designation of Beneficiary Change SFN 53855". To request a form, call the NDPERS office at (701) 328-3900 or 1-800-803-7377 if calling outside the Bismarck/Mandan calling area. You may also obtain forms on our website at [www.nd.gov/ndpers](http://www.nd.gov/ndpers) under forms and publications on the menu.

## CIGNA Dental Plan Renewed

At its May meeting, the NDPERS Board approved renewal of the group dental contract with CIGNA. This plan is available to state agency and University System employees. The proposal was for a 7% across the board increase over the current premium rates. This increase is the result of high utilization of services and the effects of inflation. The following monthly premiums will apply January 1, 2010 through December 31, 2010:

Level of Coverage	Active
Active/Retiree Only	\$ 37.56
Active/Retiree & Spouse	\$ 72.50
Active/Retiree & Child(ren)	\$ 84.14
Family	\$119.08

## AMERITAS Vision Plan Renewed

At its June meeting, the NDPERS Board approved renewal of the group vision contract with Ameritas. This plan is available to state agency and University System employees. Due to the favorable experience of the plan, they proposed an increase in the annual eye exam benefit from \$40 to \$45 with no increase in the premium rates.

## NDPERS Administered FlexComp Plan Grace Period for Dependent Care Accounts

NDPERS has amended its FlexComp Plan Document to incorporate the “grace period” provision for the Dependent Care Reimbursement Account effective with the 2009 plan year.

Referred to as the 2 1/2 Month Rule, it allows expenses incurred between January 1 and March 15 of the new plan year to be reimbursed out of any account balance remaining from the previous plan year. This means that rather than “LOSE” the remaining balance, participants will have the option to “USE” it during the grace period.

The “grace period” option is available to all active employees participating in a dependent care reimbursement account through the end of the plan year and will work as follows beginning with the 2009 plan year:

- Coverage must be in effect on December 31.
- You must check the box in Part B on the FlexComp Reimbursement Voucher if you want expenses incurred in the “grace period” reimbursed from your previous plan year account balance.
- Expenses will then be reimbursed first from any amount available in the prior plan year. If expenses submitted exceed the remaining account balance, you will then be reimbursed from your current plan year account, if applicable.
- If you do not check the box in Part B on the reimbursement voucher, your claim will be paid from the plan year in which expenses were incurred. No adjustment will be made to your account to reprocess the claim.

Grace period effect on Dependent Care Expense Accounts: There may be taxable income to an individual if reimbursements from the dependent care expense account exceed IRS permitted amounts in a calendar year. We suggest you consult your accountant or tax advisor with regard to your individual situation.

The deadline to file either medical or dependent care claims is four months after the plan year ends, or April 30. Any unused amounts in a medical spending account cannot be used for dependent care expenses and vice versa. Any amounts remaining in these accounts after April 30 are forfeited.

## NDPERS Offers State Employees Help with Quitting Tobacco

If you are a state employee who uses tobacco and is interested in quitting, you can get help from the North Dakota Public Employees Retirement System (NDPERS) Tobacco Cessation Program.

Administered by Blue Cross Blue Shield of North Dakota (BCBSND), the program is available to help state employees, along with any of their dependents 18 and older, to quit using tobacco.

To get started you can call the North Dakota Tobacco Quitline at 1-800-QUIT-NOW (800.784.8669), find a cessation provider in your area by visiting [www.bcbsnd.com/ehealth/ndpersquit](http://www.bcbsnd.com/ehealth/ndpersquit), or call BCBSND at 800.223.1704.

Participants can utilize one of the cessation programs across the state or can call the Quitline for help with quitting. Once you enroll in a program, an initial assessment will be performed to determine how ready you are to quit, what your smoking or chewing triggers are and what type of nicotine replacement therapy, such as patches or gum, and/or prescription medication, you may need. If prescription medication is recommended, you will also need to visit a doctor.

The program will reimburse you for any costs associated with taking a cessation class and will cover your co-pay if you need to make an office visit. Prescription and over-the-counter medication will be reimbursed up to \$500. If you choose to use the Quitline, you will be reimbursed for your office visit and your prescription and over-the-counter medications.

Individuals are eligible to enroll in the program once every six months. The program will end April 30, 2011.

**WE WILL HELP YOU  
BREAK FREE**

**Make the break today.**

We'll help by providing free medications and free counseling. You can call the North Dakota Tobacco Quitline or use one of 11 local cessation programs to help you leave tobacco behind.

Learn more at:  
[www.bcbsnd.com/ehealth/ndpersquit](http://www.bcbsnd.com/ehealth/ndpersquit)  
Or call:  
1.800.223.1704

**NDPERS**  
**TOBACCO CESSATION PROGRAM**  
break free!

**BlueCross BlueShield of North Dakota**  
An Equal Opportunity Employer  
All Programs are subject to the  
NDPERS & Blue Shield Administration

## Health Dialog Services Discontinued

Effective July 1, 2009, Health Dialog, the online disease management program provided by MyHealth Connection is no longer available to NDPERS members. However, NDPERS does continue to offer the following programs:

- Tobacco Cessation Program
- Prenatal Plus Program
- Diabetes Management Program

For additional information on the above programs, please refer to the related articles in this issue.

In addition to the above, effective July 1, 2009 in conjunction with our renewal with BCBS for the 2009-2011 biennium, we began offering the following wellness programs which are available to active and retired NDPERS members:

### WELLNESS PROGRAMS

#### • Health Club Credit

Up to two enrolled BCBSND members (one member, if enrolled in single coverage) can each earn up to a \$20 credit per month for visiting a NIHCA-affiliated health club. Eligible members include the enrolled Subscriber and the Subscriber's enrolled spouse, if any, who are both at least 18 years of age. To earn this credit, members must exercise a minimum of 12 days per month.

#### • MyHealthCenter

To help our members lose weight, quit tobacco or just get in shape. MyHealthCenter from Blue Cross Blue Shield of North Dakota (BCBSND) can help them meet their personal goals by providing customized wellness plans, informative resources and premium services – all designed to teach them how to make more informed choices about their health. Members will be rewarded for their healthy behavior with points that can be exchanged for valuable merchandise such as iPods, fitness equipment and VISA gift cards!

The total yearly dollar incentive between the Health Club Credit and MyHealthCenter programs is up to \$250/year. For more information on these programs, log on to [NDWellnessCenter.com](http://NDWellnessCenter.com)

## Have You Heard About the Diabetes Management Program?

These are just a few of the comments from members participating in the diabetes management wellness program offered by NDPERS. This service, which has been offered since July 2008, is provided by pharmacists and other health professionals throughout the state. The North Dakota Pharmacy Service Corporation administers this program. Preliminary data shows that members participating in the program are experiencing improved results in managing their diabetes.

The Diabetes Management program focuses on helping members better understand and control this harmful disease. There will be a series of visits with a designated provider selected by the member. The visits will take from 30-60 minutes to complete. The provider will review the member's health history, diabetes goals, recent lab results, and all of their current medications. The provider will then educate the member on their health conditions, make recommendations to improve their medication therapy, and refer them to other health care providers such as dietitians or eye specialists if needed. Information will be shared with the member's doctor to make sure that everything is done to meet their medication and health goals. The member's health will be improved by utilizing the specialties of a variety of health care professionals.

*The word is out.....*

- *Excellent program – thank you!*
- *My diabetes has improved at least 50%*
- *This is an amazing program and it has helped me immensely*
- *Very helpful!*
- *I wish this program would have been available 10-20 years ago*

Members will benefit from this program in multiple ways. Most importantly, their overall health will be improved. Secondly, members participating and complying with the requirements of the program will receive quarterly reimbursements for out-of-pocket co-pays (currently \$20 for brand name medications and \$5 for generic medications) spent on diabetic medications and certain medications used for kidney protection. Members can improve their physical and financial health by enrolling in this program!

Members can continue to enroll in this program. Members must be diagnosed with a type of diabetes in order to participate in the program. For additional information, you can visit the program website at [www.aboutthepatient.net](http://www.aboutthepatient.net), or call Frontier Pharmacy, the Clinical Coordinator, at 1-877-364-3932. The entire cost of the program is paid by NDPERS.

### Benefits Have Been Enhanced

An integral part to the self-management of diabetes is self monitored blood glucose. Therefore, to encourage participants to self-monitor their condition, the co-pay incentives now include reimbursement for the cost of diabetic testing supplies (test strips and lancets). This change is effective January 1, 2010.

## Prenatal Plus Program

The Prenatal Plus program is a free, voluntary educational support program for expectant mothers. This program helps to identify women at high risk for premature delivery and to decrease the incidence of preterm births.

To enroll in this program, simply call the number on the back of your Blue Cross Blue Shield of ND health ID card and sign up for your free pregnancy assessment. The best time to call is after your first prenatal visit with your health care provider. After you've enrolled in the program, an experienced nurse will call you back to perform a pregnancy assessment over the phone. This short survey will allow BCBSND to tailor their support to meet your particular needs. If the assessment determines you are at risk for having a premature or low birth-weight baby, you will be offered additional assistance from an experienced BCBSND case manager.

As a Prenatal Plus participant, you will receive a packet of valuable health information related to your pregnancy, a pregnancy calendar and prenatal visit chart, samples and coupons, and a "Take Care of Your Child" book.

To learn more about Prenatal Plus, listen to the Prenatal Plus podcast on bcbsnd.com. Visit [https://www.bcbsnd.com/members/membercasts/membercast\\_013.html](https://www.bcbsnd.com/members/membercasts/membercast_013.html).

## Redemption Center for MyHealthCenter Now Open Year Round!

BCBSND is excited to open the MyHealthCenter redemption center year round starting December 1st, 2009. This means members will no longer have to wait until the month of April to redeem points as previously communicated. This will allow participating members to redeem MyHealthCenter points for great prizes at any time. By offering the opportunity to redeem points more frequently, BCBSND hopes to encourage increased utilization.

Remember, points must be redeemed in the same year as they were earned. If the earned points go unredeemed, they will not be carried over to the following year and will expire at midnight on December 31st. For example, points earned this year from inception of the program (July 1, 2009) must be redeemed by midnight December 31, 2009.

*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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