

Perspectives

FOR ACTIVE
MEMBERS
OF THE
NORTH DAKOTA
PUBLIC
EMPLOYEES
RETIREMENT
SYSTEM

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PERS Retirement Plan Financial Update Part 2

In the last issue of this newsletter, we introduced this topic to provide you with an update about the effect the financial market downturn had on the PERS retirement system funds. We shared with you the results of the most recent actuarial report which indicated that our investment returns were a negative 24.5% for the fiscal year ending June 30, 2009.

We provided historical data on past year's returns and gave an overview of the funded status of the plan from both an actuarial and market perspective. We discussed the estimated projections from our actuary that outlined the contribution deficiency we may be facing in the future as a result of the negative returns and the NDPERS Board's plan of action to review and address this issue.

To address this challenge, the Board determined that one option available to mitigate the funding deficiency would be to increase the contribution rate. At its March meeting, the Board approved three bill drafts each depicting a different scenario based on an increase in the current employee and/or employer contribution. The bills will be introduced to the Legislative Employee Benefits Committee (LEBC) which starts a process of consideration that includes assessing the technical and actuarial effects of each bill. The committee will prepare a report of its findings to include along with the bill(s) if they are submitted for the

Legislature's consideration at the next session. The following is a summary of the three options proposed:

1. An 8% increase in employer contributions phased in over 4 years beginning in January of 2012.
2. An 8% increase in employee contributions phased in over 4 years beginning in January of 2012. The bill provides that the employee contribution increase would be pre-taxed pursuant to section 404(h).
3. A 4% increase in employee contributions and a 4% increase in employer contributions phased in equally over 4 years beginning in January of 2012. Similar to #2, the state employee contribution increase would be pre-taxed pursuant to section 404(h).

For further information, we have the following video presentations on our website at www.nd.gov/ndpers:
Retirement Plan Update Webcast

- Part One: The Challenge
- Part Two: The Considerations
- Part Three: To be released in May

In addition to the above, the site also includes a link to a *Grand Forks Herald* news article about the PERS retirement system that is a question and answer interview with our Executive Director, Sparb Collins.

We encourage you to view the webcasts for a more detailed explanation of the status of the PERS retirement system funds. Each presentation is approximately 15 minutes in duration and requires Windows Media Player®. We will also keep this site updated with additional news and related information as it becomes available.

Baby, This One's for You!

The Prenatal Plus program is a free, voluntary educational support program for expectant mothers. This program was developed 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.

Patient Protection and Affordable Care Act Passed March 21, 2010

On March 21, 2010, the House of Representatives passed the Patient Protection and Affordable Care Act. The Act (HR 3590) was passed by the Senate on December 24, 2009. The Act became law when it was signed by President Obama on March 23, 2010. Following is a summary of the Act as passed by the House and Senate:

Changes effective in 2010/2011

Although existing group health plans will be "grandfathered," that is, exempt from certain requirements, several requirements will now be effective for plan years beginning six months after the date of enactment. For the NDPERS plan this will be July 1, 2011.

- No lifetime benefit limits and only limited annual benefit limits.
- Coverage for dependent children up to age 26, as long as they do not have access to other employer-sponsored health coverage.
- No preexisting conditions for children under age 19.

In 2011, Health Flexible Spending Arrangements, Health Reimbursement Arrangements, and Health Savings Accounts can only reimburse participants

for over-the-counter drugs with a prescription written by their health care provider. Beginning in 2013, the Act will cap health FSA contributions at \$2,500 per year (indexed).

Additional reforms would be effective for plan years beginning on or after January 1, 2014, including a ban on waiting periods over 90 days.

Changes affecting retiree health plans

- Retiree reinsurance program: A program that will take effect within 90 days of enactment will reimburse plan sponsors for 80% of claims between \$15,000 - \$90,000 for pre-Medicare retirees age 55-64. The program is funded with \$5 billion and is designed to be a bridge to the Exchanges in 2014.
- Medicare Part D: Beneficiaries who are in a Prescription Drug Plan and who reach the doughnut hole in 2010 would receive a one-time \$250 rebate. In 2011, the reconciliation bill provides a 50% discount on brand-name drugs in a doughnut hole for retirees in a Prescription Drug Plan; 75% discount on generics. The measure is designed to eliminate the doughnut hole by 2020.

New Fidelity International Fund Added

The NDPERS Board is adding a new investment mutual fund to the core lineup for the Defined Contribution 401(a) Plan and the 457 Deferred Compensation Companion Plan. The Fidelity Spartan International Index Fund is a low fee international index fund to go with the actively managed Fidelity Diversified International Fund currently offered. The Fidelity Spartan International Index Fund has the ticker symbol: FSIIX and will be available in April.

Mastectomy-related Services Are Covered

Did you know that your health plan, as required by the Women's Health and Cancer Rights Act of 1998, provides benefits for mastectomy-related services? These services include all stages of reconstruction and surgery to achieve symmetry between the breasts, and prostheses and treatment for complications, such as lymphedemas, resulting from a mastectomy. Call the telephone number on the back of your BCBSND identification card for more information.

Do Generic Drugs Make You Smarter?

Generic drugs may not necessarily make you smarter, but they are definitely a smart choice. But, do you really have a choice when you need a prescription drug? Yes, you do. In fact, in addition to brand-name drug options, most medical conditions have at least one generic drug treatment option available.

Generics work the same as brand-name drugs. The United States Food and Drug Administration (FDA) requires that the active ingredients in generic medications be the same as in their brand-name counterparts. But generics cost much less – up to 80 percent less in some cases. Why? Because manufacturers spend years and millions of dollars researching a brand-name drug and bringing it to market. Generic drug companies do not have these expenses.

Choosing generics can save you money. Choosing generics can also help control rising health care costs which increase insurance premiums. Generic drug choices also encourage drug manufacturers to keep researching new and better medicines. Gary Buehler, Director of the FDA’s Office of Generic Drugs states, “Generic competition helps keep the cost of drugs down. It also encourages the research-based drug companies to keep finding newer and better medicines that have patent protections.”¹

These are some examples of brand-name drugs that have generic treatments available:

Condition	Brand-name drug	Generic drug
Allergies	Allegra®	Fexofenadine
High cholesterol	Zocor®	Simvastatin
Depression	Zoloft®	Sertraline
High blood pressure	Norvasc®	Amlodipine
Diabetes: type II	Glucophage®	Metformin
Insomnia	Ambien®	Zolpidem

Generic drugs are safe and effective. A generic drug delivers the same quality, strength, purity and stability as brand-name drugs at a lower cost. To compare generic and brand-name drug costs, log on to MyRxHealth.com. To find out which generic option is a good choice for you, talk with your doctor.

Generic Savings²

Average retail price of generic prescription drug: \$ 32

Average retail price of brand-name prescription drug: \$ 111

¹Food and Drug Administration. “FDA Ensures Equivalence of Generic Drugs.” 6 January 2003. <http://www.fda.gov/buyonlineguide/generic_equivalence.htm>.

²Generic Pharmaceutical Association. <www.gphaonline.org/Content/NavigationMenu/AboutGenerics/Statistics/default.htm>.

Prescriptions Delivered Directly to You

One of the best things about PrimeMail® prescription mail service, which is provided by your Blue Cross and Blue Shield plan, is that your prescriptions are delivered directly to you. With PrimeMail® you do not have to wait in line or drive to the pharmacy.

PrimeMail® delivers your long-term prescription drugs in plain-labeled packaging to your home, office or other address you choose. Inside, for your safety, the medication you order is contained in tamper-evident packaging. In addition, if your medications are temperature-sensitive, those prescriptions are shipped in temperature-controlled packaging.

To start using PrimeMail® today, follow these easy steps:

1. Talk to your doctor

- Ask for a prescription for the maximum amount of your medication
- Ask for a second prescription for a one-month supply to fill at your retail pharmacy for immediate use

2. Complete the PrimeMail® order form

- Find PrimeMail® order forms online. Go to www.MyRxHealth.com or call PrimeMail® at 877.357.7463 for more information

3. Submit your order

- Send your completed order form and prescriptions through the mail; be sure to include your payment information
- PrimeMail® will call you when they receive and send your order
- Refill dates will be clearly printed on the PrimeMail® prescription label
- Refills can be requested online, by phone or through the mail

You can be sure PrimeMail® keeps your privacy and safety in mind. If you have questions about this time- and money-saving benefit, PrimeMail® is available 24 hours a day, seven days a week at 877-357-7463 or visit www.myrxhealth.com.

2009 Comprehensive Annual Financial Report

NDPERS prepares a Comprehensive Annual Financial Report as of June 30 of each year. This report contains detailed financial, investment, actuarial and statistical information for the plans administered by NDPERS. You can view, download or print the report from the NDPERS website at www.nd.gov/ndpers under Forms and Publications. If you have any questions on the report, contact Sharon Schiermeister.

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, 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 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
Or call:
1.800.223.1704

NDPERS
TOBACCO CESSATION PROGRAM
break free

BlueCross BlueShield of North Dakota
An Equal Opportunity Employer
Member of Blue Cross of North Dakota

State Investment Board Update

Submitted by the Retirement & Investment Office (RIO)

It is with deep sadness that we share with you that Steve Cochrane, Executive Director and Chief Investment Officer (CIO) for the ND Retirement and Investment Office (RIO) and ND State Investment Board (SIB), recently passed away. Steve was a talented and well-respected investment professional who served as the state's CIO for over 13 years, and our agency's director for 11 years. His expertise and friendship will be greatly missed.

In the meantime, please be assured that the SIB has a long-term strategic investment program in place. Investment operations continue to run smoothly and without disruption. Pension and insurance trust fund investment policies are implemented by outside managers hired by the SIB; no funds are managed internally. Those outside investment managers will continue to be monitored by experienced SIB staff and external investment consultant, with appropriate action taken by the SIB as needed.

Decisions on selecting a new Executive Director/CIO rest with the SIB. At their meeting on April 23, the SIB:

- Established an Executive Committee to search for an interim Executive Director/CIO until a permanent replacement can be found.
- Established a Search Committee to look for a permanent Executive Director/CIO.
- Authorized a special audit to verify the assets and controls of the program. Assigned SIB Audit Committee with responsibility for selecting independent audit firm and defining scope of audit.
- Affirmed Fay Kopp as Acting Executive Director for agency operations. Connie Flanagan, Fiscal & Investment Officer, will continue to handle investment program operations, with additional assistance from the SIB's investment consultant, Callan Associates, as needed.

Summary of Legislative Proposals

The following summarizes the bills submitted to date to the interim Legislative Employee Benefits Committee for the 2011 legislative session.

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Bill No. 51 Increase employee contributions under the Highway Patrolmen's plan and the PERS defined benefit and defined contribution retirement plans by 8% beginning with a 2% increase in January of 2012 and 2% increase annually thereafter with the final increase effective for the reporting period beginning January of 2015.

Increase employee contributions under the Law Enforcement Plan by 4% beginning with a 1% increase in January of 2012 and 1% increase annually thereafter with the final increase effective for the reporting period beginning January of 2015. *(Sponsored by PERS)*

Bill No. 52 Increase employer contributions under the Highway Patrolmen's Plan and the PERS defined benefit and defined contribution retirement plans by 8% beginning with a 2% increase in January of 2012 and 2% increase annually thereafter with the final increase effective for the reporting period beginning January of 2015. *(Sponsored by PERS)*

Bill No. 53 Increase employer contributions by 4% and employee contributions by 4% for the Highway Patrolmen's plan and the PERS defined benefit and defined contribution retirement plans; increase employer contributions by 4% beginning with a 1% increase in January of 2012 and a 1% increase annually thereafter with the final increase effective for the reporting period beginning January of 2015; increase employee contributions by 4% beginning with a 1% increase in January of 2012 and a 1% increase annually thereafter with the final increase effective for the reporting period beginning January of 2015.

Increase employee contributions for the Law Enforcement Plan by 2% beginning with a .5% increase beginning in January of 2012 and a .5% increase annually thereafter with the final increase effective for the reporting period beginning January of 2015. *(Sponsored by PERS)*

Bill No. 59 Special annuity purchases in the alternate retirement program for University System employees, surviving spouse payment options under the Highway Patrolmen's retirement plan, calculation of member service credit under the Highway Patrolmen's retirement plan, election of members to the PERS Board, calculation of normal retirement date for peace officers and correctional officers under PERS, payment of member account balances under PERS, purchase of sick leave credit under PERS, spousal elections to participate in the uniform group insurance program, reporting of employer pickups under the defined contribution retirement plan, and Internal Revenue Code compliance under the Highway Patrolmen's retirement plan and PERS. *(Sponsored by PERS)*

Bill No. 80 Defined contribution plan for new state employees first employed after July 31, 2011. *(Rep. Wald)*

UNIFORM GROUP INSURANCE PROGRAM

Bill No. 60 Formation of subgroups under the uniform group insurance program to allow another coverage option for retired employees not eligible for Medicare. *(Sponsored by PERS)*

Bill No. 1 Retiree health insurance credit benefits for members of the Legislative Assembly. *(Sen. Mathern)*

Bill No. 9 Public Employees Retirement System medical benefits coverage for autism spectrum disorders. *(Sen. Nelson, Sen. Wardner)*

Bill No. 36 Expansion of the uniform group insurance program to allow participation by permanent and temporary employees of private sector employers and by certain other individuals who are otherwise without health insurance coverage. *(Sen. Mathern)*

Bill No. 38 Negotiate with state and federal entities to purchase public employees retirement system health insurance coverage for each Medicaid-eligible person in lieu of Medicaid coverage. *(Sen. Mathern)*

DEFERRED COMPENSATION Additional Deferral Opportunities

Upon separation of employment, IRC regulations allow lump sum payments of accumulated annual leave, sick leave, or back pay to be deferred on a pretax basis to your 457 Deferred Compensation account.

To be eligible, you must elect to defer these lump sum payments while still actively employed and in the month prior to the month you separate from employment. These deferrals are treated as part of your annual maximum limit in effect for the year in which the deferrals are made. The annual limits for 2010 are:

- \$16,500 or 100% of your taxable compensation, whichever is less
- If age 50+ you are eligible to defer an additional \$ 5,500

To make an election for these additional deferral opportunities, you must complete a 457 Deferred Compensation Plan Enrollment/Change Form (SFN 3803). The form is available from our web site under "Forms & Publications" or through your payroll/human resource office. When making this election, be sure to work with your payroll office to ensure you allowed for any applicable deductions and that you do not exceed the maximum limit.

Member Education

With the new year comes those New Year's resolutions. Now is the perfect time to take advantage of the two new Wellness Programs offered by BCBSND. If you want to lose weight, quit tobacco or just get in shape, MyHealthCenter is the perfect program. NDWellnessCenter.com offers customized fitness plans, nutrition plans or self improvement plans. You can also take advantage of the Health Club Credit and earn up to \$20 per month towards a gym membership. For more information please contact Jessica Petrick at 701-255-5575 or Milissa Van Eps at 701-795-5360.

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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