Perspectives

FOR ACTIVE MEMBERS OF THE NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

SUMMER 2013 • VOLUME 35, NUMBER 2

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Kim Riedlinger Wassim Elected to the Board

Kim Riedlinger Wassim

Kim Riedlinger Wassim was elected to a five-year term on the NDPERS Retirement Board. Her term is effective July 1, 2013, and ends June 30, 2018. Kim is currently a Human Resource Officer with Human Resource Management Services, a division of OMB. The following is a recap of the election results:

	VOTES
Kim Reidlinger Wassim	799
Levi Erdmann	740
Invalid	36
Received after deadline	32
Total	1,607

The NDPERS Board and staff welcome Kim as its newest member.

Thank you, Levi!

Levi Erdmann

Levi Erdmann's term as the elected active representative on the NDPERS Board concluded on June 30, 2013. Levi served on the Board in this capacity for five years. The PERS Board and staff extend their appreciation to Levi for his contribution and dedication during his term on the Board.

Annual Statements for Fiscal Year Ending June 30, 2013

The 2012-2013 Summary Annual Statement for NDPERS' active and deferred members will be mailed out in mid-August. Due to the volume of statements, the mailing will be staggered. Therefore, not everyone will receive their statements at the same time.

A detailed annual statement will be available to view or print using the PERSLink Member Self-Service (MSS). The instructions to log in to MSS can be found on the NDPERS web site at www.nd.gov/ndpers. You will need a ND Login ID and password along with your NDPERS Member ID and date of birth.

If you do not receive a Summary Annual Statement by the end of September, go to the PERSLink MSS and review your address on the Detailed Annual Statement. If it is incorrect, you will need to correct your address for future mailings. Any name or address changes to your record must be sent to NDPERS in writing. A Notice of Change SFN 10766 should be completed and submitted to our office. If you need to update your beneficiary(ies), a Designation of Beneficiary for the Group Retirement Plan SFN 2560 and/or Life Insurance Designation of Beneficiary Change SFN 53855 must be completed.

If you misplace your annual statement, you can print a duplicate using the PERSLink MSS.

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Box 1657, Bismarck, ND 58502
701-328-3900
Toll free: 1-800-803-7377
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EOBs to be Bundled to Reduce Costs, Increase Efficiency

BCBS has implemented a new process for all their lines of business which will apply to all PERS subscribers.

Explanation of Benefits statements (EOBs), which members receive showing health care expenses, reimbursements by BCBSND and copays and coinsurance, will be bundled together for families.

The changes are being made to increase efficiency, reduce costs and make it easier for our members to track their health care expenses.

Instead of receiving separate EOBs for each member of a household whenever one of them receives health care services, EOB statements will be bundled up and mailed out for members of a household covered on the same insurance policy. This will allow members, especially parents with multiple dependent children, to better manage and track their family's medical spending and will avoid having to open, review and file multiple EOB letters for different family members within a short period of time.

EOBs will be bundled only for children 12 and younger (if the child's address is not listed as confidential in the system) that have the same policy number and address as the account subscriber and only if the member had a service during the same time as the dependent.

The move to bundled EOBs will help reduce costs for BCBS, which will also lead to reduced costs for members. The change will also increase efficiency and save time and resources for the company. Bundled EOBs will also make it easier for members to compare and better manage their health care usage by allowing for quick comparisons of multiple appointments of all family members. By helping provide more complete and easier to access health information, the company is also helping members to keep a closer eye on their health care usage.

Important Information About Your FlexComp Spending Account Card

Since spending accounts are tax-free benefits, the IRS requires that all spending account card purchases are for eligible healthcare expenses. Even though every effort will be made to validate the expense on your behalf, you may be asked to submit proof that you used your card for an eligible healthcare expense – SO PLEASE SAVE YOUR RECEIPTS!

Using Your Card at Retail Locations
The IRS requires all non-healthcare businesses (including retail, discount, groceries, and online stores) have an Inventory Information Approval System (IIAS) to accept spending account cards.

This system allows the store to identify each item in your overall purchase and note which items are "eligible" for payment from your spending account and which items are not eligible.

Any eligible healthcare item purchased at a merchant with an IIAS will be automatically validated. To see if your favorite store has an IIAS, visit www.sigis.com and click "IIAS Merchant List."

See the chart below for instructions on where and how to use your card based on what is important to you.

If you want to minimize the number of times ADP asks for a receipt:

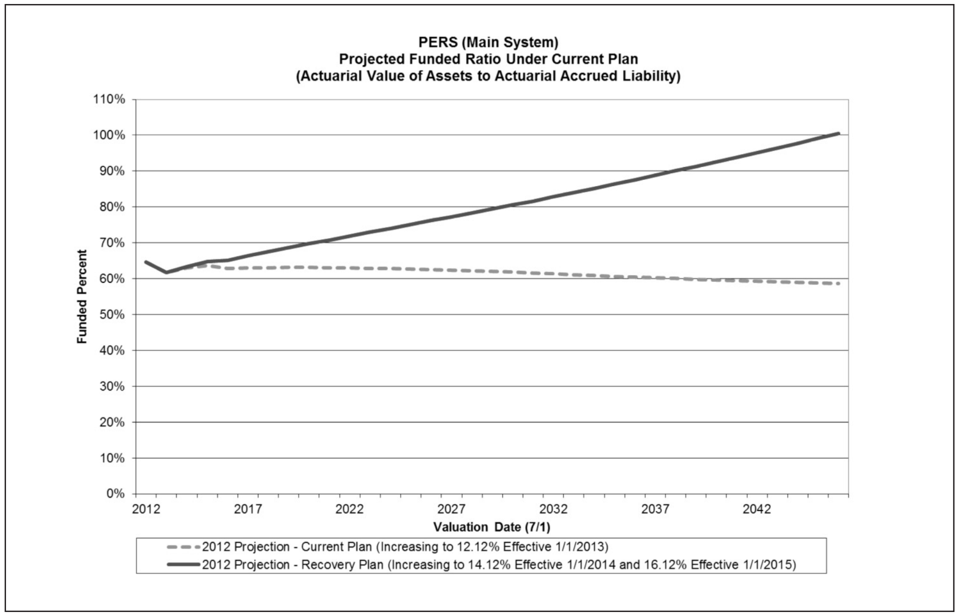
- Use your card for copays associated with health, dental, vision or prescription coverage only for individuals covered under your employer's plan.
- Use your card for over-the-counter items only at locations that have an IIAS in place. A list of IIAS retailers is available at www.sigis.com* under "IIAS Merchant List."
- Do not use your card to pay out-of-pocket coinsurance expenses.
- Do not use your card to pay out-of-pocket expenses at your health, dental or vision provider if you are NOT ENROLLED in your employer's respective benefit plan.

If you are comfortable with sending in receipts to validate your expenses:

- Use your card for any copays associated with health, dental, vision or prescription coverage, without regard to whether the coverage is provided by your employer.
- Use your card for over-the-counter (OTC) expenses at either IIAS retailers or eligible "90% Merchants." A list of these retailers is available at www.sigis.com under "90% Rule Merchant List."
- Use your card to pay out-of-pocket coinsurance charges.
- Use your card to pay for expenses at your health, dental or vision provider even if you are not enrolled in your employer's respective plan which covers those expenses. In most of the situations outlined above, you will be required to provide a receipt to validate that the card swipe was for an eligible expense.

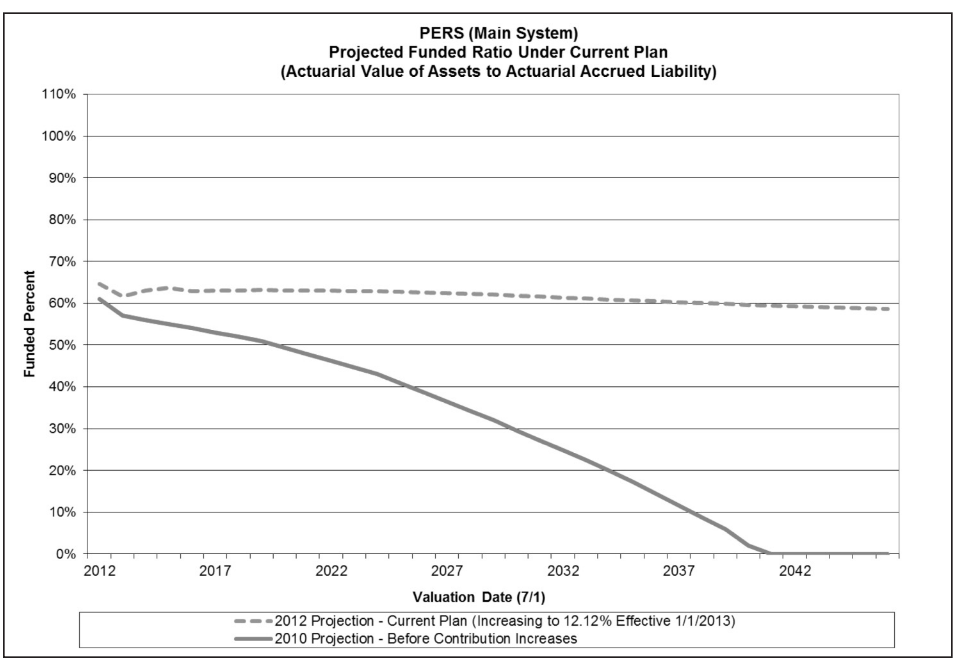
Funding Status of the PERS

In 2011, due to the challenge created as a result of the downturn in the financial markets, the PERS Board submitted to the Legislature a four-year recovery plan to bring the retirement plan back to 100% funded status. The recovery plan consisted of employer and employee contribution increases spread over four years for the PERS retirement plan. The legislature elected not to approve the full four-year recovery plan and deferred consideration of the last two years to the 2013 session. Prior to the downturn, the plan's funded status had been at approximately 100% over the last several decades. The table below shows the challenge the plan faced prior to the 2011 session. As the chart shows, the challenge the retirement plan faced as a result of the downturn in the financial markets was a declining funded status over time (solid line). The adoption of the first two years of the recovery plan (SB 2108 from 2011) stopped the decline and stabilized the funded status at around 60% (the dotted line), thereby meeting the first two goals of the recovery which were to stop the downward trend and stabilize the plan.



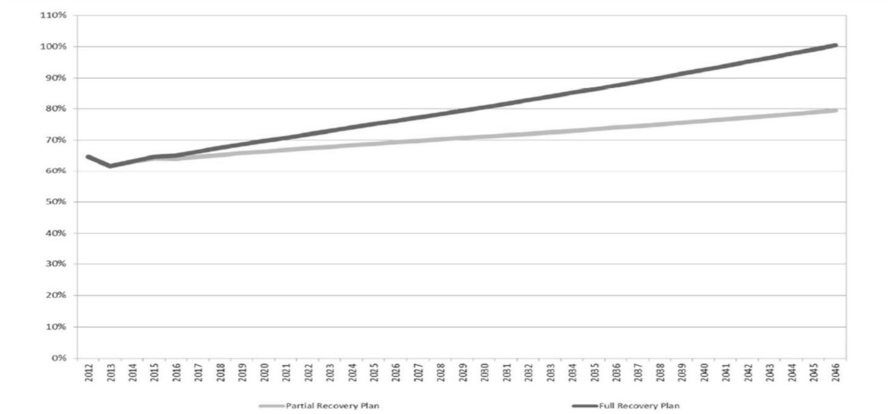
For the 2013 session, the last two years of the recovery plan were submitted in SB 2059 and if approved would have put the plan on a course back to 100% funded status (solid line above) and this was the third goal.

This bill was given a "favorable recommendation" by the Legislative Employee Benefits Committee and was included in the Governor's Executive Recommendation. The bill was passed by the Senate but defeated in the House. However, the recovery provisions of SB 2059 were added to HB 1452 by the Senate and passed by the Senate. The House did not concur with the Senate amendments and the bill went to conference committee. In conference committee, the bill was amended to approve the first year of the recovery plan and remove the last year. With this amendment, the plan's long-term funding projection no longer moves it back to 100% funded status (the top line) if all other assumptions are met, but rather to 80% (the bottom line) as shown on the chart to the right.



If the plan exceeds its return assumption of 8% over the above period, its long-term funded status could go to 100% without the last year of the recovery plan. This was one of the reasons offered for removing the last year of the recovery; to see if the last year would be necessary. For 2013 the preliminary estimate is the plan's investment return will exceed 8% and be about 13.5% which could increase the long term funded status to about 85%. More detailed projections will be done this fall once all the final numbers are available.

Also affecting the above projection was the cost of adding the defined contribution plan as a permanent option for new state employees. The funded status of the defined benefit plan will be reduced contingent on the number of members that



Projected Funded Ratios Under HB 1452 with Partial Recovery Plan (1% Increases on 1/2013 and 1/2014) and Full Recovery Plan (2% Increases on 1/2013 and 1/2014) Main System (AVA Basis)

elect the DC plan. In consideration of this, the Senate amended the bill to offer the DC option only through July 2017 instead of on a permanent basis. This reduced the cost to the defined benefit plan and will provide time to more specifically estimate this effect. The actuary indicated that as amended and assuming 10% of new state employees elect the DC plan, the cost will be .1% of payroll which would reduce the new funds going to the DB plan recovery from 2% to 1.9% and will reduce the long term funded status by several percentage points. As the percent of members that elect the DC plan increases, so will the cost to the DB plan, thereby further reducing the funds going toward the recovery. Conversely, if the percent of members electing to change is less, the cost would decrease. In the last several years, for the existing DC option for non-classified employees, less than 10% of eligible members have elected to change.

Defined Contribution Plan Eligibility Expanded

House Bill 1452 provides for expanding the eligibility to enroll in the defined contribution plan to all state employees. Previously, the plan was available to only employees in non-classified service. Effective October 1, 2013, the plan will be available to all permanent state employees hired on or after that date. The provision expires July 1, 2017. The eligibility will be expanded to include the Judges, Air National Guard, Law Enforcement and Main System Members. It excludes employees of the Highway Patrol and participating political subdivisions.

Anytime is a Good Time to Save More for Retirement

Good news! You can be better prepared for the future by increasing your contributions to your 457 deferred compensation plan account and enjoy additional tax benefits:

• Reduced tax bill. Contributing more to the retirement plan can lower your current tax bill, because your contributions come automatically from your salary, before you get your paycheck – and before taxes are calculated.
• More of your money works toward your retirement goals. Your earnings can compound faster, giving you the potential for even greater accumulations. Because you don't have to pay taxes each year on the potential earnings, the money you would have paid out in taxes stays in your account.

If you're not saving the maximum to your plan, now's the time to increase your contributions. For 2013, the annual maximum limits for salary deferral retirement plans are $17,500 if you're under 50 years of age, and $23,000 if you're 50 or older. To increase your plan contributions, complete SFN 3803, 457 Deferred Compensation Plan Enrollment/Change Form available from the PERS web site at www.nd.gov/ndpers under Forms & Publications.

Not sure if you're saving enough? Schedule a one-on-one investment advice session with a TIAA-CREF Consultant at no additional cost. A Consultant will help you determine if you're saving enough to meet your goals and help you select the appropriate investments for your portfolio.

To schedule a one-on-one consultation with a TIAA-CREF Financial Consultant, go to: www.tiaa-cref.org/schedulenow

Summary of Legislation

The following summarizes the provisions of the bills passed by the 2013 legislature.

Bill No.	Description
SB 2060	Updates the Internal Revenue compliance provisions of the Highway Patrol retirement plan; updates the name for the legislative oversight committee in the Highway Patrol plan; allows the NDPERS Board to utilize deferred compensation provider fees to fund administration expenses of the program; updates the language for eligibility for normal retirement in the National Guard and Law Enforcement plans; updates language in the National Guard and Bureau of Criminal Investigation plans to be consistent with changes made last session in the Law Enforcement plan; removes the level social security retirement benefit option under the public employees retirement system; updates the name for the legislative oversight committee in the NDPERS plan; updates the Internal Revenue compliance provisions of the NDPERS plan; allows the Board to pay a third party vendor from the funds received from the pretax benefits program; clarifies how the defined contribution assets are to be distributed if a named beneficiary predeceases the member; standardizes the provisions for use of the retiree health credit for defined contribution plan member to be consistent with those of the Main Hybrid plan; establishes a federal compliance section for the defined contribution plan.
HB 1058	Closes the pre-Medicare plan to retirees beginning July 1, 2015; allows retiree health credit to be used for other health and prescription drug coverage and the PERS dental, vision or LTC plans.
HB 1059	Changes the definition of temporary employee to comply with the Affordable Care Act (ACA) and sets the premium level accordingly; allows political subdivisions to set up their own health spending account if they select the high deductible health plan (HDHP).
HB 1452	Increases employee and employer contributions equally for the Main, Highway Patrol, Judges and Defined Contribution plans: • 1% employee increase and 1% employer increase January 1, 2014. Increases employee contributions for the Law Enforcement plan: • .5% employee increase and a .5% employer increase January 1, 2014. Increases the temporary employee contribution for the defined benefit and defined contribution plans: • 2% employee increase January 1, 2014.
Special Studies	**Legislative Management Study – State Employee Health Insurance Premiums.** The legislative management shall consider studying, during the 2013-14 interim, the feasibility and desirability of establishing a maximum state contribution to the cost of state employee health insurance premiums. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-fourth legislative assembly. **Legislative Management Study – North Dakota Retirement Plans.** During the 2013-14 interim, the legislative management shall consider studying the feasibility and desirability of existing and possible state retirement plans. The study must include an analysis of both a defined benefit plan and a defined contribution plan with considerations and possible consequences for transitioning to a state defined contribution plan. The study may not be conducted by the employee benefits programs committee. The legislative management shall report its findings and recommendations, together with any legislation needed to implement the recommendations, to the sixty-fourth legislative assembly.

North Dakota Public Employees Retirement System
Box 1657
Bismarck, ND 58502-1657

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PERSLink Member Self-Service

NDPERS began rolling out its full version of PERSLink Member Self-Service (MSS) to active members in April 2013. Since then, we have been rolling out MSS to select employer groups each month which will continue through September 2013. It is our goal for all employees to have access to MSS by October so that it will be available for the Annual Enrollment Season this fall.

The MSS deployment schedule is as follows:

- April – District Health Units & Other Political Subdivisions beginning with Organization ID "500"
- May – School Districts
- June – Cities
- July – Higher Education/Universities
- August – State Agencies
- September – Counties

NDPERS will notify your employer when PERSLink MSS is available to you. There are instructional guides and on-line video tutorials available for you on the NDPERS website at www.nd.gov/ndpers.

Pre-Medicare Health Insurance and RHIC Portability

HB 1058 was passed this last Legislative session. The law change closes the pre-Medicare health insurance plan to retirees with a retirement effective date of July 1, 2015 or later. In addition, the change allows the retiree health insurance credit (RHIC) to be used for other health and prescription drug coverage (non-NDPERS) and the NDPERS dental, vision or LTC plans. Once implemented, this option will also be available to existing retirees.

More information will be available as the administrative details are defined and procedures are developed.

Retirement Contribution Rates

Pursuant to the passage of HB1452 during the 2013 legislative session, both the employer and the employee contributions will be increased by 1% in January 2014 for the Public Employees Retirement System, Judges Retirement Plan, Highway Patrol Retirement Plan, and the Defined Contribution Retirement Plan. Both the employer and employee contribution for Law Enforcement and National Guard Plans will increase by .5%.

The additional employee contribution for State agencies will be paid by the employee as a pre-tax contribution. Non-state employers have the option to make an election on how the employee contribution will be paid.