

PROGRAM NARRATIVE**Date:** 12/07/2012**192 Public Employees Retirement System****Time:** 14:12:52**Program:** PERS**Reporting level:** 00-192-100-00-00-00-00000000**Program Performance Measures**

Defined Benefit/Hybrid Retirement Plans. One of the goals of the agency is to provide benefit plans that are competitive and affordable. The agency measures this by comparing the plans administered by NDPERS to other public retirement systems, using a Public Fund Survey prepared by a national organization. This comparison shows that our retirement plans provide a competitive level of benefits at less than average costs however due to the recent downturn in the financial markets the actuarial projections show that the PERS retirement plans face a funding shortfall over the long term that will require increased contributions, earnings or benefit reductions to reverse.

Health Insurance Plan. One of the goals of the agency is to provide benefit plans that are competitive and affordable. The agency measures this by comparing the health plan administered by NDPERS to other health plans, using various national surveys. This comparison shows that our health plan provides a competitive level of benefits at less than average costs. The agency also monitors customer service provided by Blue Cross Blue Shield. Twice a year, BCBS provides performance statistics on their call center and average time to process claims. Performance is monitored to insure there are no unacceptable variances in the level of service provided.

Program Statistical Data**RETIREMENT:**

Participation in the retirement plans continues to grow. Since last biennium, there was a 13.5% increase in the number of participants in the defined benefit plan and a 5.7% increase in the number of political subdivisions who participate in the defined benefit plan. Following are statistics on participation in each of the retirement programs.

PERS Defined Benefit/Hybrid Retirement Plans

(Includes PERS, Highway Patrol, Judges, Law Enforcement and Prior Service Plans)

Non-retired Participants:	28,551
Retired Participants:	8,551
State Agencies:	93
Political Subdivisions:	316

Job Service Retirement Plan

Non-retired Participants:	20
Retired Participants:	214
State Agencies:	1
Political Subdivisions:	Not eligible for this plan

Defined Contribution Retirement Plan

Non-retired Participants:	283
Retired Participants:	8
State Agencies:	80
Political Subdivisions:	Not eligible for this plan

Deferred Compensation Plan

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Active Participants: 5,790
Retired Participants: 2,790
State Agencies: 93
Political Subdivisions: 122

Retiree Health Insurance Credit Plan

Non-retired Participants: 28,551
Retired Participants: 4,585
State Agencies: 93
Political Subdivisions: 316

GROUP INSURANCE:

Participation in the insurance plans continues to grow. Since last biennium, the number of participants in the health insurance plan increased by 6.8%, and participation in the voluntary insurance programs increased by 31.2%. There was a large increase in enrollment in the vision plan when we changed to a new carrier. The amount of coverage in force for the life insurance plan increased by 17.8%. There was a slight increase in the number of political subdivisions who participate in life insurance program. Following are statistics on participation in each of the insurance programs.

Life Insurance

Active Members: 18,331
Retired Members: 3,034
State Agencies: 93
Political Subdivisions: 79
Coverage in force: \$1.369 billion

Health Insurance

Active Members: 20,508
Retired Members: 6,658
State Agencies: 93
Political Subdivisions: 189
Total Covered Lives: 62,185

Voluntary Insurance Programs**(Includes dental, vision and long term care plans)**

Active Members: 11,552
Retired Members: 2,605
State Agencies: 93
Political Subdivisions: Not eligible for these plans

Employee Assistance Program

Active Members: 15,773
Retired Members: N/A

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State Agencies: 93

Political Subdivisions: Not eligible for this program

FLEXCOMP:

Participation in the medical and dependent care spending accounts increased by 15% from the prior biennium. The annual salary reductions have also increased by 12.5%. Following are statistics on participation in the FlexComp program.

Medical Spending accounts: 2,923

Dependent Care accounts: 698

State Agencies: 82

Political Subdivisions: Not eligible for this program

Annual salary reductions exceed \$6.3 million per year

Explanation of Program Costs

The salaries and wages line item accounts for 65% of the budget request for the agency. This includes funding for 33 FTE.

Operating expenses account for 31% of the budget request. Information technology costs account for 55% of the operating expense line item. The agency's IT costs are a combination of fees paid to a software vendor to support the agency's new PERSLink system, as well as fees paid to ITD for hosting, disaster recovery, network and email access, document storage in FileNet and telecommunications. In addition, the agency will be replacing its computer hardware and software in the 13-15 bienium, under a 4 year replacement cycle. Postage, printing, office rent and operating fees and services represent 36% of the operating expense line item. The benefit programs administered by the agency serve over 37,000 active and retired members and over 400 employer groups, therefore, communication is a substantial portion of the printing and postage expenses.

The contingency line item accounts for 4% of the budget request.

All programs administered by the agency are funded through special funds.

Program Goals and Objectives**RETIREMENT:****Defined Benefit/Hybrid Retirement Plan:**

- Enable career employees to care for themselves and their dependents at retirement and to provide a plan that will reduce personnel turnover and encourage career employment to high grade men and women.
- Establish a mechanism to insure that career employees can care for themselves and their dependents in retirement by maintaining the purchasing power of current retirement benefits.
- Improve the desirability of state and political subdivision employment by developing more options on how a member could access, contribute to, supplement, and draw their retirement funds.
- Insure that members will be better able to care for themselves and their dependents in retirement and to improve the desirability of state and political subdivision employment by providing incentives and rewards to members who engage in supplemental retirement savings.

Defined Contribution Retirement Plan:

- Provide an alternate defined contribution retirement plan for non-classified state employees that offers a diversified set of mutual fund options.

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- Provide information to each eligible employee in a timely manner.
- Establish investment guidelines for the funds and review their performance on a regular basis.
- Provide the members the opportunity for investment education.

Deferred Compensation Plan:

- Provide a supplemental retirement plan that will allow employees to augment their retirement benefits.
- Establish investment guidelines for the Companion Plan funds and review their performance on a regular basis.
- Provide the members the opportunity for investment education.
- To encourage and enroll all members who are eligible to participate in the plan.

Retiree Health Insurance Credit Program:

- Increase the retiree health insurance credit to reduce the health premium for retiree health insurance coverage.

GROUP INSURANCE:**Life Insurance:**

- Provide for a single, understandable and non-discriminatory life insurance plan to members at affordable premiums.
- Supplement the existing life insurance program with other programs.
- Have a premium structure that is the lowest and best available.

Health Insurance:

- Provide understandable options at affordable premiums which protect public employees and their families from excessive medical expense.
- Promote positive competition through PERS or group purchasing initiatives with providers who emphasize and practice the principles of continuous quality improvement.
- Develop and maintain an information database on quality and costs.
- Provide information and assistance in community, legislative and national matters related to health care services.
- Consider modifications and improvements to the benefit plan design that can be accomplished within the constraints of available funding.
- Encourage healthy lifestyles and preventative attitudes in an effective and cost efficient manner.
- To encourage our participating employers to sponsor wellness programs.

Voluntary Insurance Plans (Dental, Vision, Long Term Care):

- Provide state employees and retirees access to affordable dental, vision and long term care premiums that also provide for a reasonable level of coverage.

Employee Assistance Program:

- Provide state employees access to an EAP that effectively responds to employee's needs as well as the needs of the employer.

FLEXCOMP:

- Administer a program that allows state employees to elect to reduce their salaries to pay for qualified insurance premiums, medical expenses and dependent care expenses on a pretax basis.
- Remain budget neutral - the employer FICA savings cover the expenses of administering the program.

REQUEST DETAIL BY PROGRAM

192 Public Employees Retirement System

Bill#: HB1022

Date: 12/07/2012

Time: 14:12:52

Biennium: 2013-2015

Program: PERS		Reporting Level: 00-192-100-00-00-00-00000000			
Description	Expenditures 2009-2011 Biennium	Present Budget 2011-2013	Budget Request Change	Requested Budget 2013-2015 Biennium	Optional Request 2013-2015
Salaries and Wages					
Salaries - Permanent	3,036,829	3,239,503	118,913	3,358,416	0
Salaries - Other	0	0	0	0	316,831
Overtime	51,472	15,300	(10,100)	5,200	0
Fringe Benefits	1,173,018	1,308,704	47,943	1,356,647	0
Total	4,261,319	4,563,507	156,756	4,720,263	316,831
Salaries and Wages					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	4,261,319	4,563,507	156,756	4,720,263	316,831
Total	4,261,319	4,563,507	156,756	4,720,263	316,831
Operating Expenses					
Travel	38,140	56,915	0	56,915	0
Supplies - IT Software	25,562	20,900	11,700	32,600	0
Supply/Material-Professional	6,083	6,812	0	6,812	0
Office Supplies	27,913	32,501	0	32,501	0
Postage	210,736	293,310	26,205	319,515	0
Printing	95,446	102,554	7,800	110,354	0
IT Equip Under \$5,000	28,293	28,800	35,200	64,000	0
Office Equip & Furn Supplies	2,127	34,000	(29,000)	5,000	0
Insurance	1,726	4,800	0	4,800	0
Rentals/Leases-Equip & Other	27,344	35,000	0	35,000	0
Rentals/Leases - Bldg/Land	233,945	254,424	20,576	275,000	0
Repairs	4,519	9,000	0	9,000	0
IT - Data Processing	473,320	316,929	21,471	338,400	0
IT - Communications	56,448	53,631	0	53,631	0
IT Contractual Svcs and Rprs	200,000	620,521	121,759	742,280	0
Professional Development	45,713	46,112	0	46,112	0
Operating Fees and Services	63,562	97,995	0	97,995	0
Fees - Professional Services	75,734	40,179	(11,200)	28,979	0
Total	1,616,611	2,054,383	204,511	2,258,894	0
Operating Expenses					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	1,616,611	2,054,383	204,511	2,258,894	0
Total	1,616,611	2,054,383	204,511	2,258,894	0

REQUEST DETAIL BY PROGRAM

192 Public Employees Retirement System

Bill#: HB1022

Date: 12/07/2012

Biennium: 2013-2015

Time: 14:12:52

Program: PERS		Reporting Level: 00-192-100-00-00-00-00000000			
Description	Expenditures 2009-2011 Biennium	Present Budget 2011-2013	Budget Request Change	Requested Budget 2013-2015 Biennium	Optional Request 2013-2015
Technology Project Carryover					
IT Contractual Svcs and Rprs	4,138,576	597,338	(597,338)	0	0
Total	4,138,576	597,338	(597,338)	0	0
Technology Project Carryover					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	4,138,576	597,338	(597,338)	0	0
Total	4,138,576	597,338	(597,338)	0	0
Contingency					
Special Line Other	0	250,000	0	250,000	0
Total	0	250,000	0	250,000	0
Contingency					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	0	250,000	0	250,000	0
Total	0	250,000	0	250,000	0
Total Expenditures	10,016,506	7,465,228	(236,071)	7,229,157	316,831
Funding Sources					
Total	0	0	0	0	0
Special Funds					
483 Public Employee Retirement Sys 483	10,016,506	7,465,228	(236,071)	7,229,157	316,831
Total	10,016,506	7,465,228	(236,071)	7,229,157	316,831
Total Funding Sources	10,016,506	7,465,228	(236,071)	7,229,157	316,831
FTE Employees	33.00	33.00	0.00	33.00	0.00

CHANGE PACKAGE DETAIL
192 Public Employees Retirement System
Biennium: 2013-2015

Bill#: HB1022

Date: 12/07/2012

Time: 14:12:52

Program: PERS			Reporting Level: 00-192-100-00-00-00-00000000			
Description	Priority	FTE	General Fund	Federal Funds	Special Funds	Total Funds

Base Budget Changes

One Time Budget Changes

A-E 1 Remove one time expenditures		0.00	0	0	(688,338)	(688,338)
Total One Time Budget Changes		0.00	0	0	(688,338)	(688,338)

Ongoing Budget Changes

A-A 2 General operating expense		0.00	0	0	14,381	14,381
A-A 3 IT Plan changes		0.00	0	0	281,130	281,130
Base Payroll Change		0.00	0	0	156,756	156,756
Total Ongoing Budget Changes		0.00	0	0	452,267	452,267

Total Base Budget Changes

		0.00	0	0	(236,071)	(236,071)
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Optional Budget Changes

Ongoing Optional Changes

A-C 100 Salary Compression	1	0.00	0	0	316,831	316,831
Total Ongoing Optional Changes		0.00	0	0	316,831	316,831

Total Optional Budget Changes

		0.00	0	0	316,831	316,831
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