

## Overview of NDPERS

### PERS BOARD

#### ☐ SEVEN MEMBERS

- CHAIR - APPOINTED BY GOVERNOR
- THREE ELECTED BY ACTIVE MEMBERS
- ONE ELECTED BY RETIRED MEMBERS
- STATE HEALTH OFFICER
- ONE APPOINTED BY ATTORNEY GENERAL

### PERS BOARD

- |                                        |                           |
|----------------------------------------|---------------------------|
| <input type="checkbox"/> Jon Strinden  | <i>Chair</i>              |
| <input type="checkbox"/> Howard Sage   | <i>Elected - Actives</i>  |
| <input type="checkbox"/> Joan Ehrhardt | <i>Elected - Actives</i>  |
| <input type="checkbox"/> Mike Sandal   | <i>Elected - Actives</i>  |
| <input type="checkbox"/> Ron Leingang  | <i>Elected - Retirees</i> |
| <input type="checkbox"/> Arvy Smith    | <i>Health Officer</i>     |
| <input type="checkbox"/> Tom Trenbeath | <i>Attorney General</i>   |

## PROGRAMS

- ☐ RETIREMENT
- ☐ GROUP INSURANCE
- ☐ FLEX COMP
- ☐ EMPLOYEE ASSISTANCE

## RETIREMENT PROGRAMS



## RETIREMENT

- ☐ DEFINED BENEFIT PLANS – 5
  - Main
  - Judges
  - Natl. Guard
  - Law Enforcement
  - Highway Patrol
  - Job Service
  - QASIS
- ☐ DEFINED CONTRIBUTION PLANS – 2
  - 457
  - 401(a)
- ☐ RETIREE HEALTH CREDIT
- ☐ ADMINISTRATIVE SERVICES
  - PRIOR JUDGES
  - JOB SERVICE RETIREE HEALTH CREDIT

## Retirement terms

- **Actuarial Valuation** — annual evaluation done by the systems actuary which determines and compares the actuarial value of assets to the accrued liabilities and determines the actuarial required employer contribution
- **Actuarial value of assets** — is a method for valuing assets over a five year period which provides more stability for planning purposes.
- **Market value of assets** — the actual value of assets on a given day
- **Statutory Rate** — the employer and employee contribution set in the North Dakota Century Code
- **Actuarial Rate** — the employer contribution for the upcoming year as determined by the actuary based upon the annual valuation
- **Margin** — The difference between the statutory rate and the actuarial rate
  - $4.12 - 5.79 = -1.67$
  - $4.12 - 3.61 = .51$

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## Retirement Equation

□ Contributions + Investment = Benefits + Expenses

Economic  
• Plan return  
• Salary increases

Demographic  
• Retirement rates  
• Disabilities  
• Mortality

- Experience Study
- Asset Liability Study

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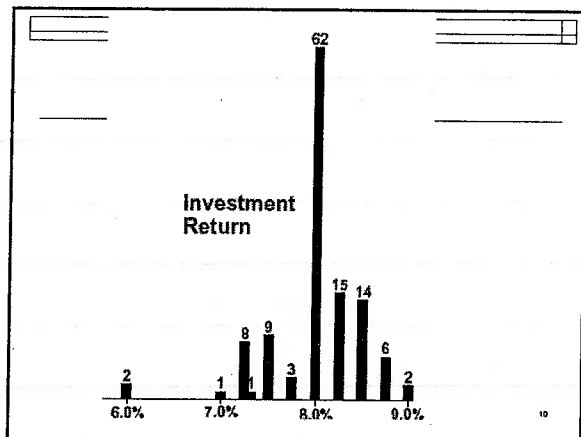
## KEY ASSUMPTION

### □ INVESTMENT RETURN

Average return assumption for 127 public plans is 8%

8%

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### NDPERS COMPARED TO OTHER STATE RETIREMENT PLANS

Asset class	PERS	Average
Domestic Equities	40	61
International Equities	15	
Domestic Fixed Income	29	27
International Fixed Income	5	2
Real Estate	5	4
Alternatives	5	4
Other	1	2

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### NDPERS and RIO

☐ NDPERS

- Investment Policies
- Asset Allocation
  - Major asset classes

☐ RIO

- Hire money managers
- Monitor money managers
- Refine the asset classes

**SIB membership:** Lt Governor, Chair

3 PERS Bd members	Kelly Schmidt
3 TFFR Bd members	Jim Poolman
Gary Preszler	Sandy Blunt

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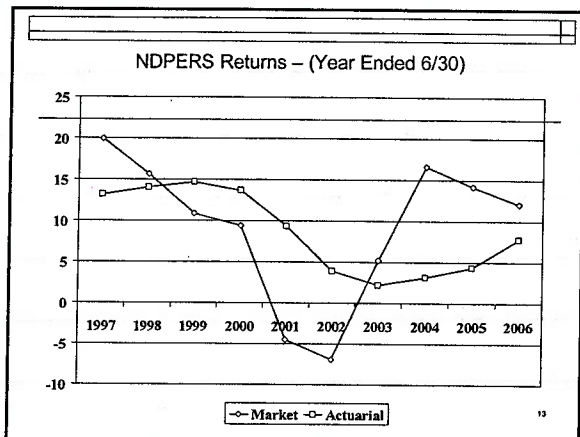
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**TOTAL CONTRIBUTIONS:**  
\$746,000,000

**TOTAL PAYMENTS:**  
\$561,150,000

**FUND BALANCE:**  
\$1,587,250,000

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**BACKGROUND DATA**

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RETIREMENT SYSTEM

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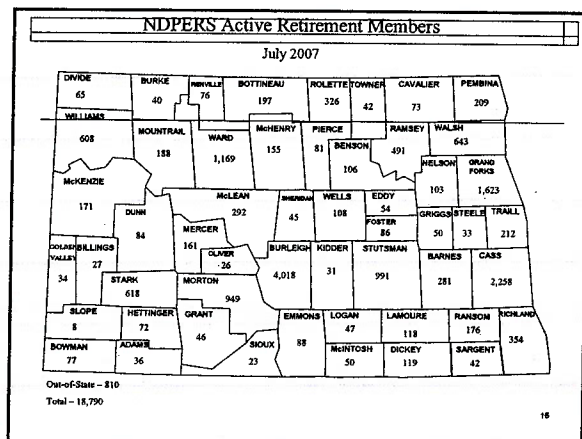
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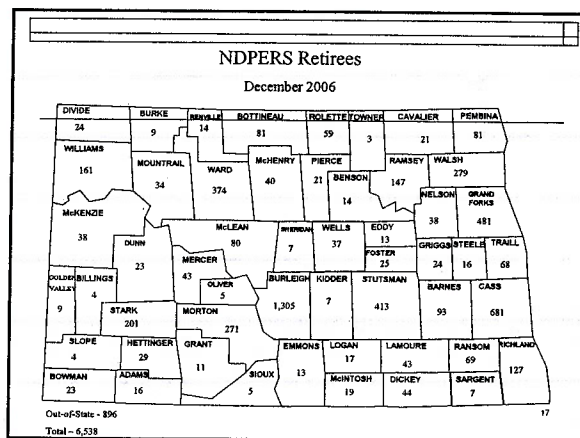
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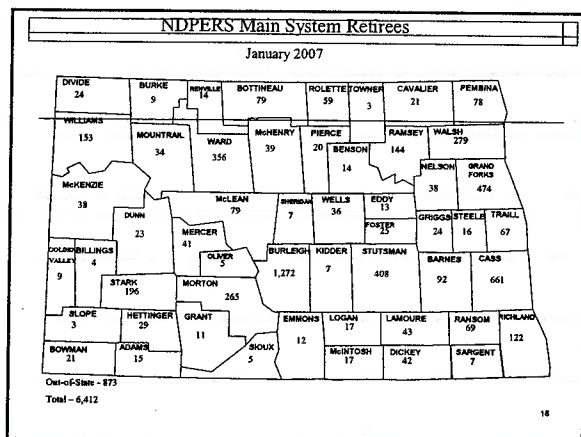
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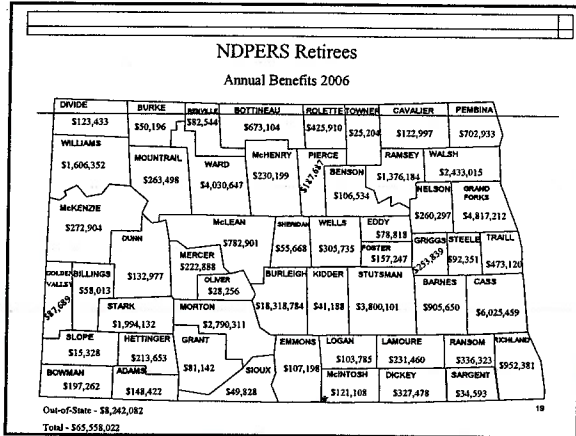
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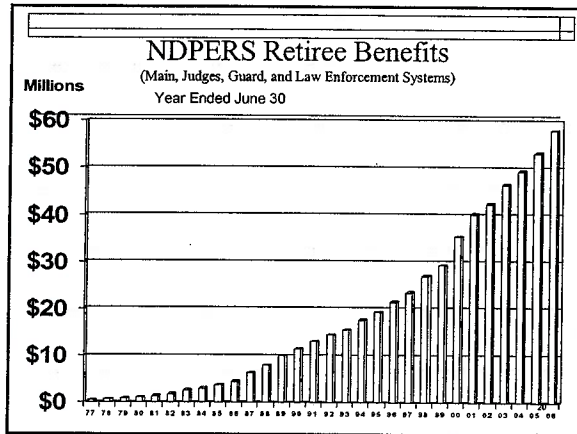
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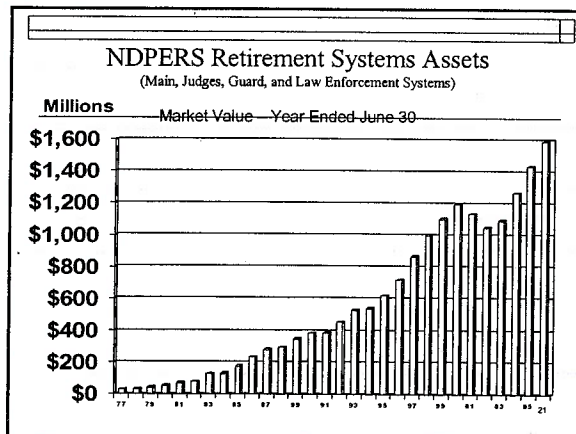
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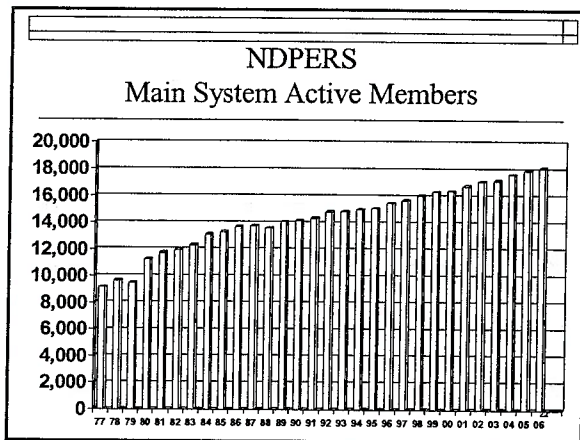
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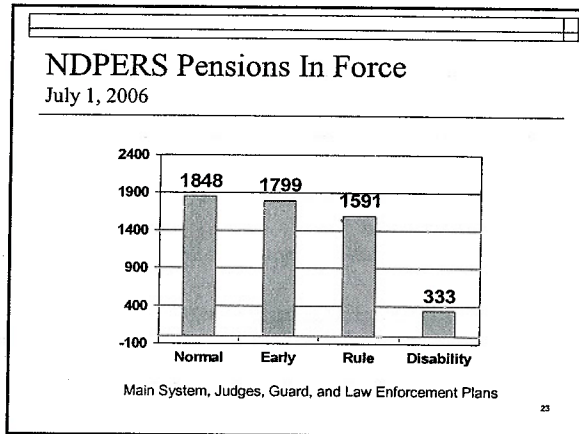
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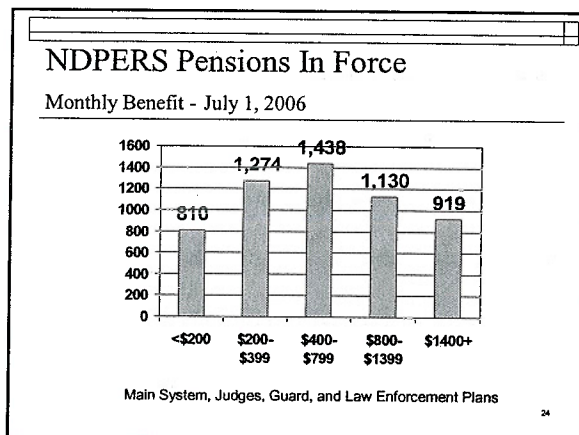
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# Retirement

## Main System



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## RETIREMENT - MAIN

### Public Employees Retirement Plan

Chapter 54-52, NDCC

Employer Contribution: 4.12%

Employee Contribution: 4.00%

Total Retirement Contributions: 8.12%

Vesting in Disability Benefit: 180 days

Vesting in Retirement Benefit: 36 months

Normal Retirement: Age 65 or Rule of 85

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## Retirement – Main System

### Assets as of 06/30/2006:

Market \$1,553,353,995

Actuarial \$1,286,478,642

### Members:

Active 17,887

Retired 5,540

Beneficiaries 610

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## RETIREMENT - Main

### Retirement Formula:

*Final Average Salary x 2% x Years of Credited Service*

### Example:

$\$2000 \times 2\% \times 20 = \$800$

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## PERS – Hybrid plan

- ❑ PEP – Portability Enhancement Provision
- ❑ PEP allows the member the option to vest in up to 4.00% of the employer contribution paid into the retirement pool of funds and have this vesting percentage credited to their member account.
- ❑ For every dollar you put in a Deferred Compensation plan, NDPERS will transfer one dollar from the retirement pool of funds to your member account balance.



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## Contribution Rate

- ❑ Has not increased since inception of plan, in 1989 was decreased by 1% for RHC program
- ❑ Is below average for public sector plans
- ❑ Effective rate is about 3.80% assuming:
  - 87% of retiree payments go to ND mailing addresses
  - Taxes generated are about \$1,000,000

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## Retirement – SB 2044

- ☐ Provides a 13<sup>th</sup> 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”

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## Retirement – SB 2048

- ☐ 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

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## 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”

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### HB 1078

- ☐ Allows employees of the State Board of Career and Technical Education who are in TFFR and one time opportunity to transfer to PERS

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### SB 2166

- ☐ Allow overtime to be counted for retirement purposes for staff at the State Mill and Elevator

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### SB 2413

- ☐ Provided that state employees that are peace officers or correctional officers would participate in the law enforcement plan.

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# Fiscal Note

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues					\$1,880,000	\$2,740,000
Expenditures						
Appropriations					\$1,880,000	\$2,740,000

18. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
						\$1,215,000	\$228,000	\$3,058,000

Not effective until 2009

Fully funds Retiree Adjustment in two years

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18. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

Not effective until 2009  
Fully funds Retiree Adjustment in two years

In 2006 there was a 13<sup>th</sup> check equal to half the monthly payment.  
In 2008 there may be a 13<sup>th</sup> check equal to  $\frac{1}{4}$  the monthly payment.

# 2006 Actuarial Valuation

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## Main System - 2005 to 2006

Employer Cost Rate, 2005	6.03%
Employer Cost Rate, 2006	6.82%
Total Change in Contribution Rate	0.79%
Statutory Rate, 2006	<u>4.12%</u>
Contribution Margin, 2006	(2.70)%

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## Main- Funded Ratio

Year	Actuarial Accrued Liabilities (millions)	Actuarial Value of Assets (millions)	Funded Ratio
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%

2006 at Market Value would be 105.21%

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## North Dakota Main System Projected Margins (Market Return After FY 2007 Always 8%)

FY 2007 Return for	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011
18%	-1.81%	-0.75%	0.05%	0.64%	1.06%
15%	-1.92%	-0.96%	-0.32%	0.16%	0.46%
12%	-2.04%	-1.24%	-0.66%	-0.33%	-0.14%
9%	-2.15%	-1.48%	-1.05%	-0.81%	-0.74%
6%	-2.50%	-2.21%	-2.15%	-2.27%	-2.54%

Note: Projection reflects only investment return effects.  
Assumes constant normal cost rate of 6.64% for Main.  
The 2006 valuation margin is -2.78%.

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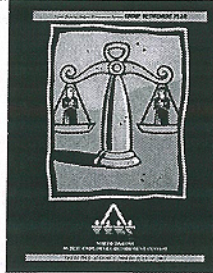
North Dakota Main System						
Projected Funded Ratio						
(Greater of Actuarial or Market Value of Assets to the Actuarial Accrued Liability)						
(Market Return After FY 2007 Always 8%)						
If Market Return for FY 2007 is	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011	
18%	117.26%	117.50%	117.97%	118.40%	118.88%	
15%	114.26%	114.55%	114.87%	115.23%	115.62%	
12%	111.27%	111.50%	111.78%	112.06%	112.38%	
9%	108.27%	108.45%	108.65%	108.88%	109.13%	
0%	99.27%	99.30%	99.33%	99.35%	99.38%	
Note: Projection reflects only investment return effects. The 2006 funded ratio is 88.8%.						

North Dakota Main System						
Projected Margins						
(Market Return After FY 2007 Always 9.3%)						
If Market Return for FY 2007 is	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011	
18%	-1.81%	-0.70%	0.23%	1.00%	1.68%	
15%	-1.82%	-0.94%	-0.15%	0.50%	1.05%	
12%	-2.04%	-1.18%	-0.52%	0.01%	0.43%	
9%	-2.15%	-1.43%	-0.89%	-0.49%	-0.19%	
0%	-2.50%	-2.10%	-2.00%	-1.97%	-2.04%	
Note: Projection reflects only investment return effects. Assumes constant normal cost rate of 8.64% for Main. The 2006 valuation margin is -2.78%.						

North Dakota Main System						
Projected Funded Ratio						
(Greater of Actuarial or Market Value of Assets to the Actuarial Accrued Liability)						
(Market Return After FY 2007 Always 9.3%)						
If Market Return for FY 2007 is	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011	
18%	117.26%	119.02%	120.88%	122.84%	124.93%	
15%	114.26%	116.94%	117.69%	119.55%	121.52%	
12%	111.27%	112.85%	114.51%	116.26%	118.10%	
9%	108.27%	109.78%	111.33%	112.97%	114.69%	
0%	99.27%	100.50%	101.78%	103.09%	104.45%	
Note: Projection reflects only investment return effects. The 2006 funded ratio is 88.8%.						

# Retirement

## □ Judges System



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## Retirement - Judges

### Public Employees Retirement Plan-Judge's Chapter 54-52, NDCC

Employer Contribution: 14.52%

Employee Contribution: 5.00%

Total Retirement Contributions: 19.52%

Vesting in Disability Benefit: 180 days

Vesting In Retirement Benefit: 60 months

Normal Retirement: Age 65 or Rule of 85

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## RETIREMENT - JUDGES

### Retirement Formula:

#### First Ten Years:

*Final Average Salary x 3.5% x First 10 Years of Credited Service*

#### Second Ten Years:

*Final Average Salary x 2.80% x Second 10 Years of Credited Service*

#### Remaining Years:

*Final Average Salary x 1.25% x Remaining Years of Credited Service*

**Example:**  $\$6861 \times 3.50\% \times 10 = \$2401.35$

$\$6861 \times 2.80\% \times 10 = \$1921.08$

$\$6861 \times 1.25\% \times 5 = \$428.80$  \$4751.23

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## RETIREMENT - JUDGES

### Assets as of 06/30/2006:

Market \$28,113,536  
Actuarial \$23,283,465

### Members:

Active 47  
Retired 21  
Beneficiaries 6  
74

## Judges - 2005 to 2006

Employer Cost Rate, 2005	11.62%
Plan Experience	0.16%
Effect of maintaining 20-year amortization	0.10%
Change in actuarial assumptions	0.48%
Employer Cost Rate, 2006	12.36%
Statutory Rate, 2006	14.52%
Contribution Margin	2.16%

## Judges - Funded Ratio

Year	Actuarial Accrued Liabilities (millions)	Actuarial Value of Assets (millions)	Funded Ratio
1998	\$9	\$12	130%
1999	10	14	134%
2000	12	16	136%
2001	14	18	130%
2002	16	19	122%
2003	17	20	115%
2004	18	21	113%
2005	20	22	109%
2006	21	23	107%

## Retirement – SB 2044

- ☐ Grants a 2% increase to Judges in 2007 and 2008.
- ☐ No fiscal effect to participating employers
- ☐ Reviewed by the Legislative Employee Benefits Committee and the committee reported “no recommendation”

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## Retirement

- ☐ National Guard and Law Enforcement Plans



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## RETIREMENT - NATL. GRD.

**Public Employees Retirement Plan  
National Guard**  
Chapter 54-52, NDCC

Employer Contribution: 6.50% of covered payroll

Employee Contribution: 4.00% of salary

Total Retirement Contribution: 10.50%

Vesting In Disability Benefit: 180 days

Vesting In Retirement Benefit: 36 months

Normal Retirement:

Age 55 with 3 years consecutive service  
as Firefighter or Security Police Officer

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## National Guard - 2005 to 2006

Employer Cost Rate, 2005	1.58%
Plan Experience	2.17%
Effect of maintaining 20-year amortization	0.01%
Change in actuarial assumptions	<u>0.26%</u>
Employer Cost Rate, 2006	4.02%
Statutory Rate, 2006	6.50%
Contribution Margin	2.48%

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## National Guard- Funded Ratio

Year	Actuarial Accrued Liabilities (millions)	Actuarial Value of Assets (millions)	Funded Ratio
1998	\$1.34	\$1.51	113%
1999	1.61	1.81	112%
2000	0.85	1.16	135%
2001	1.02	1.27	125%
2002	0.94	1.31	139%
2003	1.05	1.32	126%
2004	1.15	1.38	120%
2005	1.36	1.46	108%
2006	1.56	1.58	101%

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## Law Enforcement Plan

- ☐ Employee Contribution
  - 4.00%
- ☐ Current Employer Groups
  - 8.31% Employer Contribution
    - ☐ Based on Normal Cost to provide more favorable retirement provisions, plus past service credit liability
- ☐ New Employer Groups
  - 6.43%
  - Contribution based on Normal Cost to provide more favorable retirement provisions and no past service credit liability

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## New Law Enforcement Plan

- ☐ Provides for an earlier normal retirement date – age 55
- ☐ Set up as two systems
  - With past service
  - Without past service

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## New Law Enforcement Plan

- ☐ Number of employer groups:
  - With 9
  - Without 1
- ☐ Number of members:
  - With 113
  - Without 14

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## Eligibility

- ☐ Peace Officers
  - A public servant authorized by law or government agency or branch to enforce the law and to conduct or engage in investigations of violations of the law.
- ☐ Correctional Officers
  - A person who has completed a correctional officer course approved/certified by the North Dakota department of corrections and rehabilitation and is employed by a correctional facility as defined in the North Dakota Century Code section 12-44.1.

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### Law Enforcement without prior Main Service - 2005 to 2006

Employer Cost Rate, 2005	7.61%
Plan Experience	(0.27)%
Effect of maintaining 20-year amortization	(0.04)%
Change in actuarial assumptions	0.13%
Employer Cost Rate, 2006	7.43%
Statutory Rate, 2006	6.43%
Contribution Margin	(1.00)%

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### Law Enforcement with prior Main Service - 2005 to 2006

Employer Cost Rate, 2005	12.03%
Plan Experience	(0.01)%
Effect of maintaining 20-year amortization	(0.25)%
Change in actuarial assumptions	0.30%
Employer Cost Rate, 2006	12.07%
Statutory Rate, 2006	8.31%
Contribution Margin	(3.76)%

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### Law Enforcement with prior Main Service

Year	Actuarial Accrued Liabilities (millions)	Actuarial Value of Assets (millions)	Funded Ratio
2004	\$2.43	\$2.11	87%
2005	6.40	2.62	41%
2006	7.00	3.1	44%

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## Law Enforcement without prior Main Service

Year	Actuarial Accrued Liabilities	Actuarial Value of Assets	Funded Ratio
2004	\$10,430	\$11,388	109%
2005	\$86,899	\$42,018	48%
2006	\$123,004	\$73,167	59%

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## RETIREMENT

### HIGHWAY PATROL RETIREMENT SYSTEM

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## Retirement - Highway Patrol

Chapter 39-03.1, NDCC

Employer Contribution: 16.7% of covered payroll

Employee Contribution: 10.3% of salary

Total Retirement Contribution: 27.0%

Vesting In Disability Benefit: 180 days

Vesting in Retirement Benefit: 120 months

Normal Retirement: Age 55 or Rule of 80

66

## Retirement - Highway Patrol

### Retirement Formula:

#### **First 25 Years:**

*Final Average Salary x 3.60% x First 25 Years*

#### **Remaining Years:**

*Final Average Salary x 1.75% x Remaining Years*

**Example:**  $\$3000.92 \times 3.60\% \times 25 = \$2,700.83$

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## Retirement - Highway Patrol

### Assets as of 06/30/2006:

Market \$51,628,427

Actuarial \$42,758,360

### Members:

Active 127

Retired 78

Beneficiaries 22

88

## Highway Patrol Retirement System 2005 to 2006

Employer Cost Rate, 2005	17.61%
Plan Experience	0.84%
Effect of maintaining 20-year amortization	(0.27)%
Contribution Shortfall	0.15%
Change in actuarial assumptions	0.70%
Employer Cost Rate, 2006	19.03%
Statutory Rate, 2006	16.70%
Contribution Margin	(2.33)%

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## Highway Patrol Retirement System - Funded Ratio

Year	Actuarial Accrued Liabilities (millions)	Actuarial Value of Assets (millions)	Funded Ratio
1996	\$23.8	\$22.2	93%
1997	27.5	24.9	90%
1998	28.9	28.1	97%
1999	32.2	32.0	99%
2000	34.0	35.9	105%
2001	38.1	38.8	102%
2002	40.5	39.5	97%
2003	42.4	39.6	93%
2004	44.5	40.0	90%
2005	46.3	40.7	88%
2006	49.1	42.8	87%

At Market - 105% Funded

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## Retirement

### □ Job Service



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## Retirement – Job Service

Employer Contribution: 0% of covered payroll  
Employee Contribution: 7% of salary  
Total Retirement Contribution: 0%

Vesting In Disability Benefit: 5 years  
Vesting in Retirement Benefit: 5 years  
Normal Retirement: Age 65

Age 62 with 5 years  
Age 60 with 20 years  
Age 55 with 30 years

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## Retirement - Job Service

### Retirement Formula:

#### **First 5 Years:**

*Final Average Salary x 1.50% x First 25 Years*

#### **Next 5 Years:**

*Final Average Salary x 1.75% x next 5 Years*

#### **Remaining Years**

*Final Average Salary x 2% x Remaining Years*

73

## Retirement – Job Service

### Assets as of 06/30/2006:

Market \$84,359,650

Actuarial \$70,628,705

### Members:

Active 44

Inactive 5

Retired 221

74

## Job Service - Funded Ratio

Year	Present Value of Projected Benefits (millions)	Actuarial Value of Assets (millions)	Funded Ratio
2000	\$57	\$71	125%
2001	59	71	121%
2002	60	68	113%
2003	61	66	109%
2004	62	68	109%
2005	63	69	109%
2006	70	71	101%

#142510 01/04/06

75

# RETIREMENT

## Defined Contribution Plans

457 plan  
401(a) plan

76

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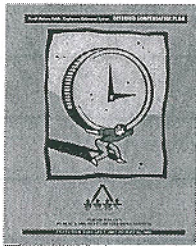
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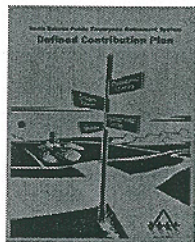
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## DC Plans



Deferred Comp Plan



Defined Contribution Plan

77

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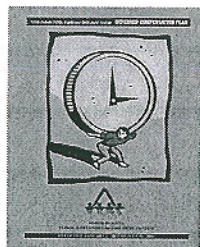
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## Deferred Comp Plan



78

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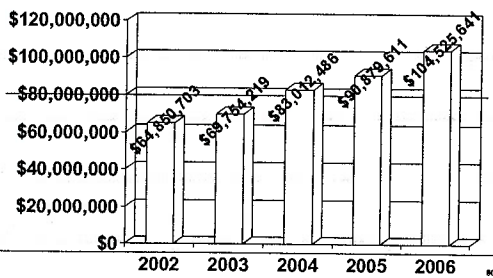
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## DEFINED CONTRIBUTION PLAN - DEFERRED COMP PROGRAM

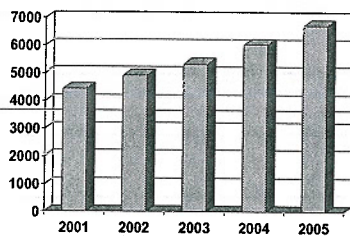
*The deferred compensation plan is a voluntary, supplemental retirement plan which allows a member to make pretax deductions from their salary with the intent to receive the deferred amount at a later date, such as retirement.*

79

NDPERS 457 Plan Assets  
Year Ended



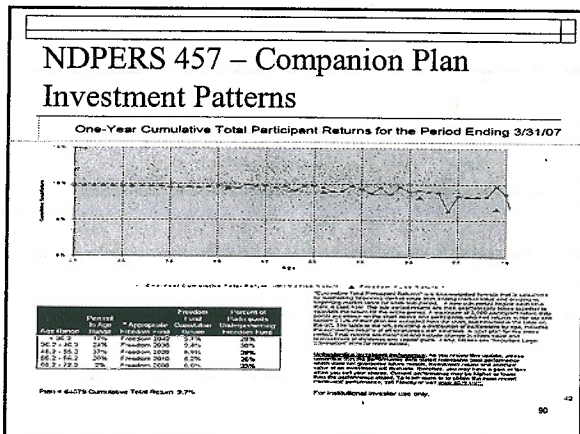
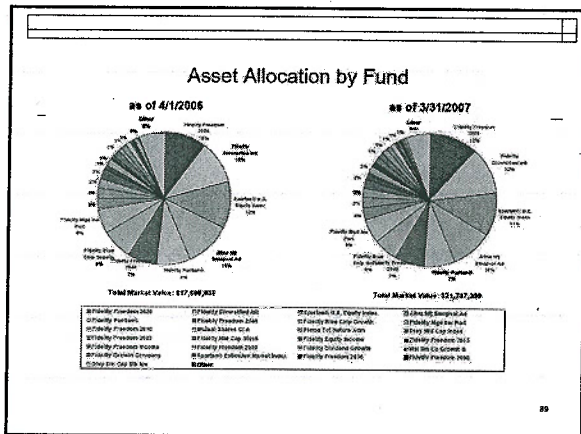
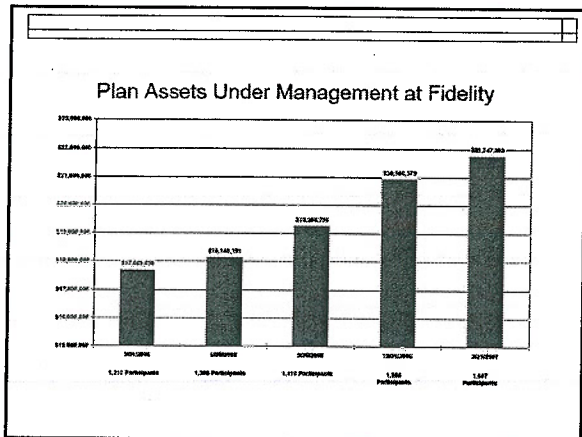
NDPERS PEP/457 Plan Participation



81







## Deferred Comp – SB 2047

- ☐ Automatically enrolls new employees in the deferred comp plan at \$25 per month
- ☐ Reviewed by the Legislative Employee Benefits Committee and given a “favorable recommendation”.
- ☐ No fiscal effect to participating employers
- ☐ Vetoed by Governor

91

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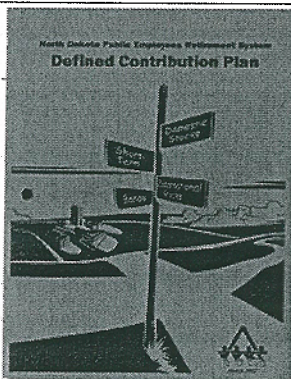
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## DEFINED CONTRIBUTION PLAN

92

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## DC Plan

- |                                                  |     |
|--------------------------------------------------|-----|
| <input type="checkbox"/> Number of participants: | 204 |
| <input type="checkbox"/> Deferred                | 42  |
| <input type="checkbox"/> Retired members:        | 7   |

93

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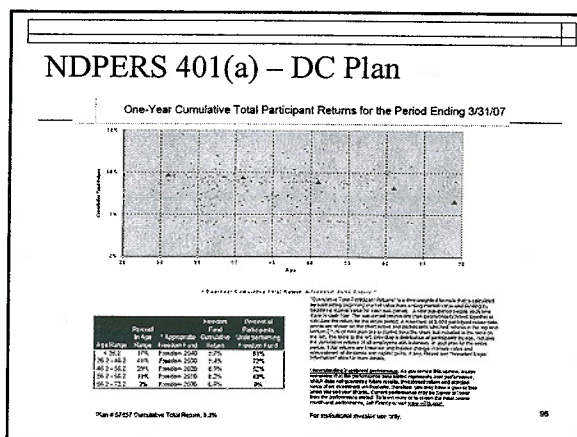
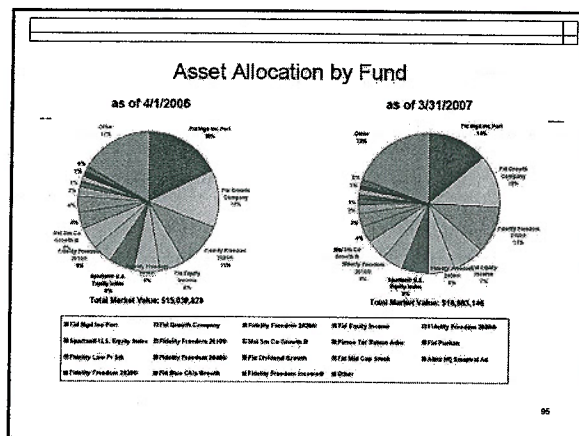
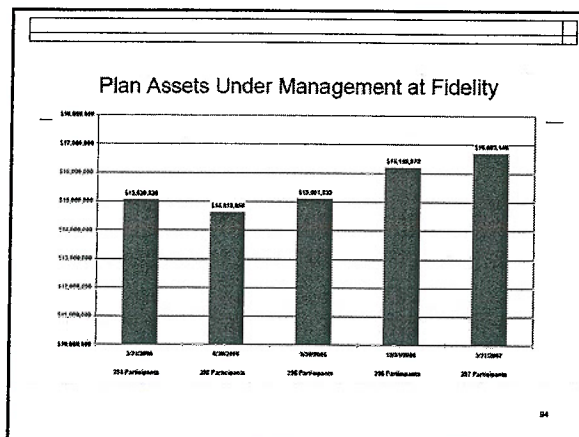
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## RETIREE HEALTH

### RETIREE HEALTH CREDIT PROGRAM

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### RETIREMENT - RETIREE HEALTH CREDIT PROGRAM

*Main System  
Highway Patrol  
National Guard  
Judges  
Defined Contribution*

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### 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*

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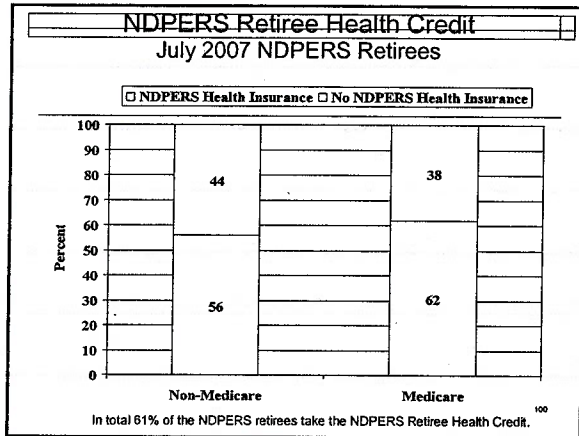
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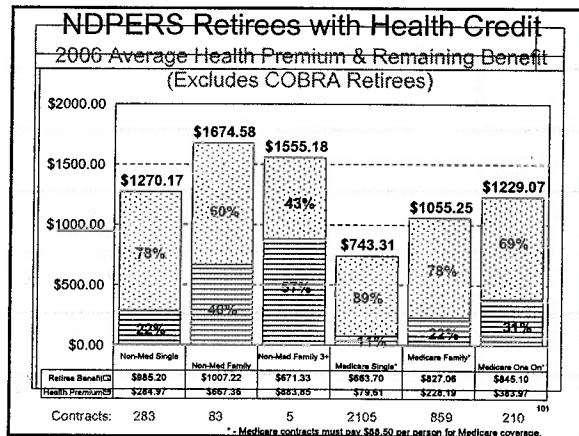
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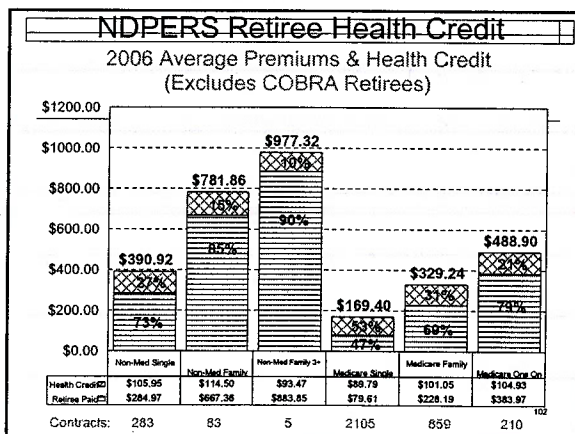
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Retiree Health Credit Challenge – Support for retiree premiums						
NDPERS Retiree Health Credit History / Example						
20 Year Employee						
Year	Credit	Credit with 20 Years of Service	NonMedicare Family Premium	%	Medicare Family Premium	%
1989	\$3.00	\$60.00	\$360.07	17%	\$190.50	91%
1991	\$4.00	\$80.00	\$321.00	25%	\$230.00	35%
1993	\$4.50	\$90.00	\$308.00	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	\$470.00	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%	\$529.24	27%
2007	\$4.50	\$90.00	\$946.00	10%	\$418.28	22%
2008	\$4.50	\$90.00	\$946.00	10%	\$418.28	22%

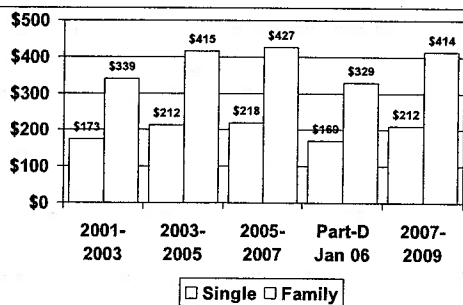
Year	Credit	Credit with 20 Years of Service	NonMedicare Family Premium	%	Medicare Family Premium	%
2009	\$4.50	\$90.00	\$1059.52	8%	\$468.47	19%
2011	\$4.50	\$90.00	\$1186.66	8%	\$524.69	17%
2013	\$4.50	\$90.00	\$1329.06	7%	\$587.65	15%
2015	\$4.50	\$90.00	\$1488.55	6%	\$658.17	14%
2017	\$4.50	\$90.00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

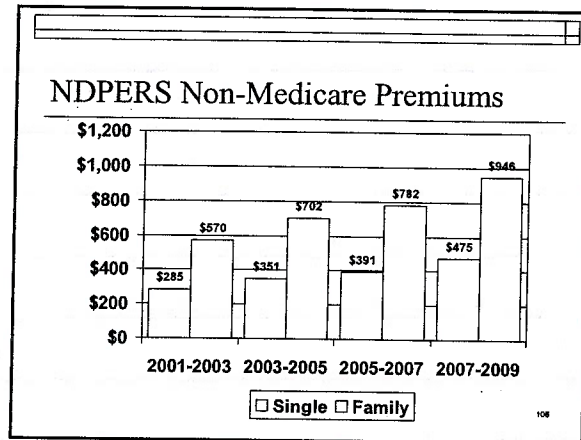
Future premiums assume a conservative 12% 2-year increase.

## 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 Medicare Premiums






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Impact on OASB Liability - Non-Medicare Premiums Set at 150% of the Active Rate Compared with Non-Medicare Premiums Set at 100% of the Active Rate

	Prior Valuation (Non-Medicare Premiums at 100% of Rate)	New Scenario (Non-Medicare Premiums at 150% of Rate)	Expected Change	
			\$	%
<b>ACTUARIAL ACCRUED LIABILITY (AAL)</b>				
EXPLICIT SUBSIDY (RHC)	\$84,838,404	\$84,838,404	\$0	0%
IMPLICIT SUBSIDY	\$4,749,037	\$18,804,586	\$12,055,549	254%
<b>TOTAL</b>	<b>\$89,587,441</b>	<b>\$103,642,990</b>	<b>\$12,055,549</b>	<b>17%</b>
<b>UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAL)</b>				
EXPLICIT SUBSIDY (RHC)	\$31,305,388	\$31,305,388	\$0	0%
IMPLICIT SUBSIDY	\$4,749,037	\$18,804,586	\$12,055,549	254%
<b>TOTAL</b>	<b>\$36,054,425</b>	<b>\$48,109,984</b>	<b>\$12,055,549</b>	<b>33%</b>
<b>ANNUAL REQUIRED CONTRIBUTION (ARC)</b>				
NORMAL COST	\$2,157,385	\$2,989,864	\$832,500	38%
INTEREST COST	\$211,887	\$289,424	\$77,527	37%
AMORTIZATION PAYMENT	\$1,374,254	\$1,833,794	\$459,510	33%
<b>TOTAL</b>	<b>\$3,743,518</b>	<b>\$5,113,152</b>	<b>\$1,369,638</b>	<b>37%</b>

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## HEALTH PLAN

☐ DAKOTA PLAN

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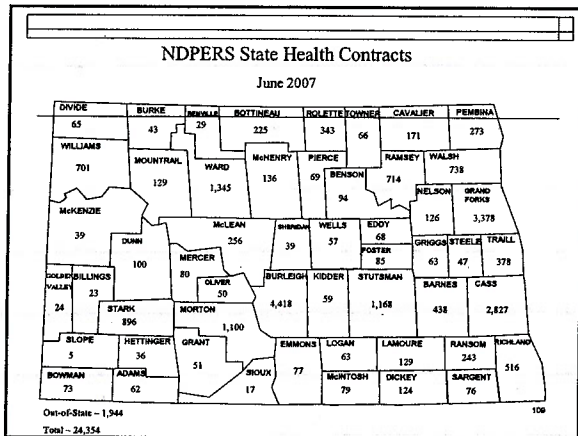
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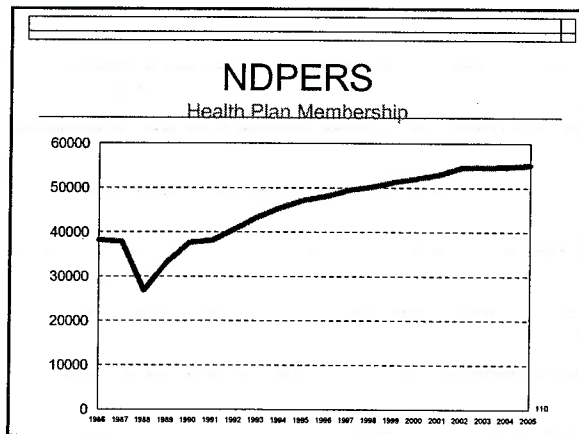
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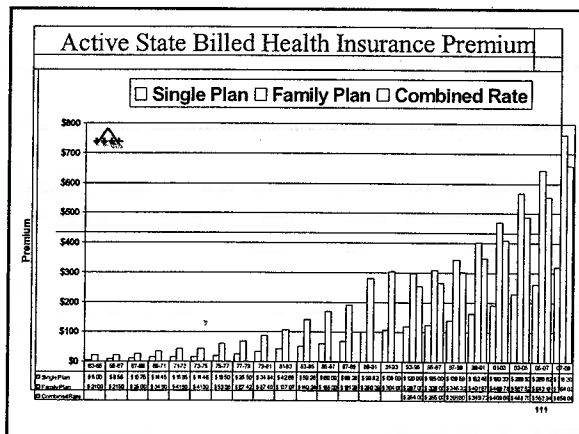
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## Cost Sharing

- ☐ Is the dollar amount you are responsible for paying
- ☐ Three features:
  - Deductible
  - Coinsurance
  - Copayment

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## Definitions

- ☐ Deductible - specific dollar amount you are responsible to pay for services before your health plan begins to pay.
- ☐ Coinsurance - the percentage you pay for covered services after the deductible has been met.
- ☐ Copayment - the amount you pay each time you seek medical care.
- ☐ Total Out of Pocket Maximum - is the sum of your annual deductible and coinsurance maximum amounts.

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## Deductible

	PPO	EPO	Basic/Self Referral
Individual	\$400	\$200	\$400
Family	\$1200	\$600	\$1200

117

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### Coinsurance Maximums

	PPO 20%	EPO 15%	Basic/Self Referral 25%
Individual	\$750	\$500	\$1,250
Family	\$1,500	\$1,000	\$2,500

118

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### Copayment Amounts

	PPO	EPO	Basic/Self Referral
Office Call (per visit)	\$25	\$20	\$30
Emergency Room Visit (per visit)	\$50	\$50	\$50

119

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### Total Out-of-Pocket Maximum

\*Includes deductible and coinsurance only

	PPO	EPO	Basic/Self Referral
Individual	\$1,150	\$ 700	\$1,650
Family	\$2,700	\$1,600	\$3,700

120

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## Prescription Drug Coverage for all Plans



- ☐ Formulary Generic
  - \$5 copayment + 15% coinsurance\*
- ☐ Formulary Brand Name
  - \$20 copayment + 25% coinsurance\*
- ☐ Nonformulary Generic/Brand
  - \$25 copayment + 50% coinsurance

\*\$1,000 Formulary coinsurance maximum per person per benefit period. After maximum met, only copayment applies.

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### NDPERS Active Health Insurance Out-Of-Pocket

July-June Fiscal Year ending:

	2001	2002	2003	2004	2005	2006
Active Contracts	16,565	17,253	17,532	17,573	17,889	18,114
Deductibles	\$2,307,596	\$1,789,727	\$1,967,859	\$5,765,933	\$5,079,511	\$4,845,677
Coinsurance	\$6,427,972	\$7,340,161	\$8,424,109	\$10,111,928	\$11,042,096	\$11,319,831
Copayments	\$5,188,715	\$8,445,132	\$8,768,553	\$7,456,340	\$7,532,759	\$7,520,171
Exceed Max	\$247,044	\$361,158	\$672,490	\$378,841	\$550,479	\$737,193
Exclusions	\$1,560,268	\$1,702,808	\$1,847,570	\$2,322,307	\$2,494,578	\$2,888,517
TOTAL	\$15,731,595	\$19,638,986	\$21,680,581	\$26,035,349	\$26,699,423	\$27,311,389
Per Contract	\$950	\$1,138	\$1,230	\$1,482	\$1,493	\$1,508

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## Basic Health Equation

Units of \* Cost - Out of / Number of = Premium  
service per unit pocket Contracts

•Wellness Programs	•PPO	•Deductibles	Adverse Selection	Mix
•Disease Mgt	•EPO	•Coinsurance	•Minimum premiums	•Employer
•Medical Review		•Copayments	•Minimum participation	•Employee

$\$1,000,000(\text{cost}) / 166(\text{contracts}) / 12(\text{months}) = \$502 \text{ per Month}$

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## Members

### Basic Utilization Equation 2006

NDPERS PAID	% Members	% of		% of Charges	
		NDPERS Paid	Plan	Member*	Other**
\$0	10.7%	0.0%	0%	11%	89%
\$1 - \$499	41.9%	3.5%	21%	10%	69%
\$500 - \$999	13.6%	4.2%	27%	11%	62%
\$1000 - \$2119	13.9%	8.7%	23%	8%	69%
\$2120+	20.0%	83.6%	45%	5%	50%

\* - Includes Deductibles, Coinsurance, and Copayments

\*\* - Includes Fee Schedule, UCR, Discounts, other payers, non-covered, etc.

20% of NDPERS members account for 84% of Health Plan medical expenses.  
80% of NDPERS members account for 16% of Health Plan medical expenses.

10% of NDPERS members account for 71% of Health Plan medical expenses.  
90% of NDPERS members account for 29% of Health Plan medical expenses.<sup>124</sup>

## Contracts

### Basic Utilization Equation 2006

NDPERS PAID	% Contracts	% of		% of Charges	
		NDPERS Paid	Plan	Contract*	Other**
\$0	3.3%	0.0%	0%	7%	93%
\$1 - \$999	32.7%	2.4%	16%	8%	76%
\$1000 - \$1999	17.0%	4.5%	20%	7%	73%
\$2000 - \$2999	10.6%	4.7%	21%	7%	72%
\$3000 - \$3999	7.2%	4.5%	27%	8%	65%
\$4000 - \$4999	4.6%	3.7%	29%	8%	63%
\$5000+	24.7%	80.2%	48%	5%	47%

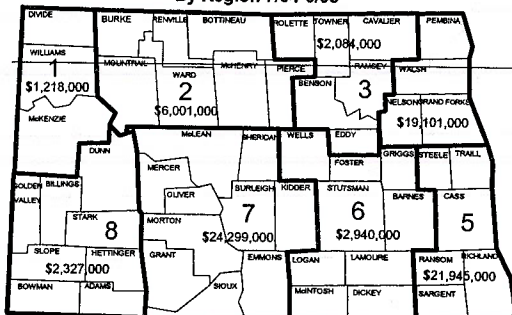
\* - Includes Deductibles, Coinsurance, and Copayments

\*\* - Includes Fee Schedule, UCR, Discounts, other payers, non-covered, etc.

20% of NDPERS Contracts account for 75% of Health Plan medical expenses.  
80% of NDPERS Contracts account for 25% of Health Plan medical expenses.

10% of NDPERS Contracts account for 60% of Health Plan medical expenses.  
90% of NDPERS Contracts account for 40% of Health Plan medical expenses.<sup>125</sup>

### NDPERS Health Plan Paid (Hospital & Clinic/Physician)\* By Region 7/04-6/05



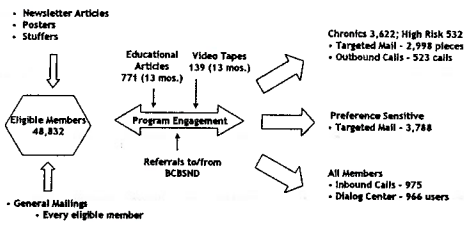
Out-Of-State = \$16,642,000

Total = \$96,556,000

\* - Excludes Prescription Drug Pharmacy Claims

126

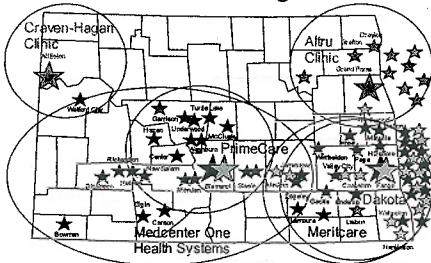
## Activities and Scope\*



\*Reflects activity through October, 2006.

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## NDPERS EPO Areas Exclusive Provider Organizations



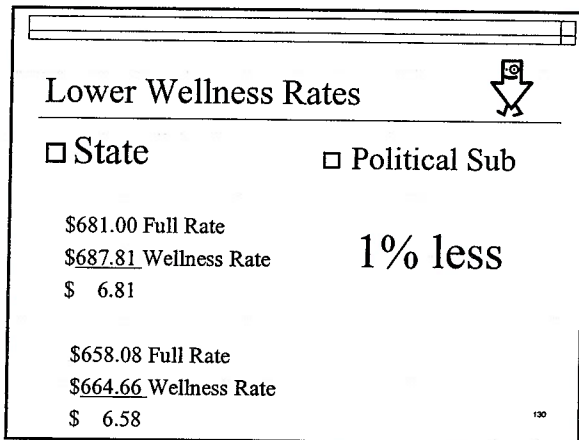
128

## North Dakota Century Code Direction

54-52.1-14. **Wellness program.** The board shall develop an employer-based wellness program. The program must encourage employers to adopt a board-developed wellness program by either charging extra health insurance premium to nonparticipating employers or reducing premium for participating employers.



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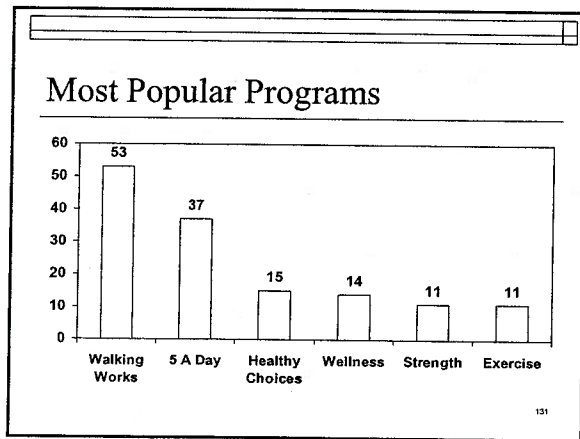
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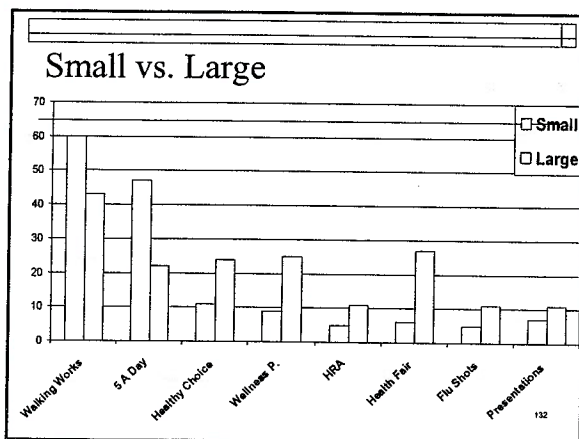
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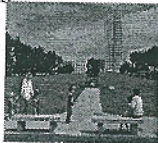
## Other Programs

- |                                                     |                                                   |
|-----------------------------------------------------|---------------------------------------------------|
| <input type="checkbox"/> Nutrition program (9%)     | <input type="checkbox"/> Wellness Education (2%)  |
| <input type="checkbox"/> Presentations (8%)         | <input type="checkbox"/> Wellness Website (2%)    |
| <input type="checkbox"/> HRA (7%)                   | <input type="checkbox"/> Wellness Discounts (1%)  |
| <input type="checkbox"/> Stress Management (7%)     | <input type="checkbox"/> Prenatal plus (<1%)      |
| <input type="checkbox"/> Flu shots (7%)             | <input type="checkbox"/> Water Works (<1%)        |
| <input type="checkbox"/> Take Care of Yourself (6%) | <input type="checkbox"/> Healthy Snack Café (<1%) |
| <input type="checkbox"/> Paper Newsletter (3%)      | <input type="checkbox"/> Coping w/Change (<1%)    |
| <input type="checkbox"/> Smoking Cessation (3%)     | <input type="checkbox"/> Needs Assessment (<1%)   |
| <input type="checkbox"/> Ergonomic Assessment (3%)  | <input type="checkbox"/> Challenge (<1%)          |
| <input type="checkbox"/> Weight loss (3%)           |                                                   |

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## Overview of the NDWHP Program

- ☐ 4 State agencies, 400 employees
- ☐ Both worksite-level & individual assistance
- ☐ 2 w/"high" and 2 w/"medium" interventions
- ☐ Outcomes incl. costs, health behavior, & satisfaction



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## HB 1179

- ☐ Provides that Health Districts and the Garrison Diversion Conservancy District will participate in the health plan and receive the state rate

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## SB 2045

- Allows PERS to offer separate medical and Rx coverage to retirees.

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## HB 1432 & 1433

- Relates to diabetes management services for state employees
  - The is to set up a collaborative drug therapy program
  - The board will involve pharmacist's and certified diabetes educators

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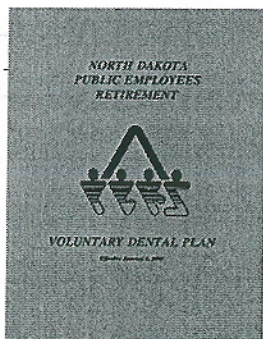
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## Dental Plan

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## DENTAL PLAN

- ☐ Started in 1997
- ☐ Available to state employees and retirees.
- ☐ In 1998 plan design was changed to increase out of pocket expenses, premiums increased and rate structure changed
- ☐ Fully insured with Cigna

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	TOTAL FOR ALL OF NDPERS	TOTAL RETIREE	TOTAL ACTIVE EMPLOYEES	RETIREES AS PER- CENTAGE OF PLAN
EMPLOYEE ONLY	2,259	794	1,465	18.8
EMPLOYEE AND SPOUSE	878	299	579	7.1
EMPLOYEE AND CHILDREN	276	3	273	.1
EMPLOYEE AND FAMILY	809	13	796	.3
TOTAL FOR ALL OF NDPERS	4,222	1,109	3,113	26.3

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## DENTAL RATES

The following monthly premiums apply January 1, 2006 through December 31, 2006:

Level of Coverage	Active Premium	COBRA Premium
Individual Only	\$33.54	\$34.21
Individual & Spouse	\$64.58	\$65.88
Individual & Child(ren)	\$75.22	\$76.73
Family	\$106.30	\$108.43

The following monthly premiums apply January 1, 2007 through December 31, 2008:

Level of Coverage	Active Premium	COBRA Premium
Individual Only	\$32.20	\$33.85
Individual & Spouse	\$62.16	\$63.41
Individual & Child(ren)	\$72.16	\$73.61
Family	\$102.12	\$104.17

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DENTAL PLAN	
Cigna HealthCare	
BENEFIT PROVISIONS	
Class I, II, III Calendar Year Maximum	\$1,000
Class IV Lifetime Maximum	\$1,500
Calendar Year Deductible	
Individual	\$20
Family Maximum	Not Applicable
Class I	
Preventive Care	No charge
Class II	
Best Restorative	80% after plan deductible
Class III	
Major Restorative	80% after plan deductible
Class IV	
Orthodontia	50% after plan deductible

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Dental Plan	
<ul style="list-style-type: none"> <li>□ Reliastar was first carrier</li> <li>□ Now with Cigna           <ul style="list-style-type: none"> <li>■ Rate set for 2 years</li> <li>■ 3rd year no more than 10% increase</li> </ul> </li> </ul>	

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GROUP INSURANCE PROGRAMS	
Life Insurance Plan	

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### Basic Life

If your employer is participating in the NDPERS Life Insurance Program, you will receive basic life insurance coverage in the amount of \$1,300. The premium is \$0.28 a month and is paid by your employer.

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### Types of coverage

- ☐ Supplemental Life
  - Pretax first \$50,000
- ☐ Dependent Life
  - \$2,000/\$5,000
- ☐ Spouse supplemental coverage
- ☐ AD&D coverage
- ☐ Accelerated life Benefit

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### Amount of coverage – June 2007

Basic	\$26,952,900
Supplemental	\$798,127,900
Dependent	\$24,102,000
Spouse	\$168,045,000

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## New Carrier

- ☐ ING since 1998
- ☐ Prudential is new carrier effective July 1, 2005
  - Prudential's price was about 10% lower overall.
- ☐ GASB - OPEB
  - Retiree rates were .28 cents for basic coverage
  - implicit subsidy
  - rates updated to eliminate subsidy

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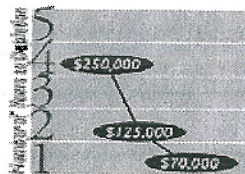
## GROUP INSURANCE PROGRAMS

### LONG TERM CARE

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## Long Term Care Insurance

### How Long Would Your Assets Last?\*



How quickly would your assets disappear without long term care insurance? Based on the average yearly cost of nursing home care,\* a portfolio of \$250,000 would be depleted in less than five years

\*Most Americans Unprepared for Long-Term Care Costs." AARP News Release, December 20, 2001.

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# EMPLOYEE ASSISTANCE PROGRAM

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## EMPLOYEE ASSISTANCE PROGRAM

*The EAP is designed to provide special assistance in guidance and counseling and to determine appropriate diagnosis and/or course of treatment to employees and their eligible dependents in cases of alcoholism, drug abuse and personal problems. This assistance is rendered for a specified number of visits and the EAP is responsible for recommending further referrals to clinical or supportive organizations and medical professionals if necessary. They also conduct educational seminars and provide informational brochures.*

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## EMPLOYEE ASSISTANCE PROGRAM

### **CURRENT EAP PROVIDERS**

*St. Alexius*

*Medcenter One*

*Village Family Services*

*Deer Oaks*

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## Agency based selection process

- ☐ PERS bids the services
- ☐ PERS certifies those meeting the minimum requirements
- ☐ Agencies select vendors from list

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## FLEX COMP PROGRAM

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## FLEX COMP PROGRAM

*The FlexComp Plan is administered in accordance with Internal Revenue Code Section 125. It is a voluntary benefit program that allows you to set aside a portion of your salary before state and federal taxes are deducted and have it credited to accounts from which you may draw Tax Free reimbursements to pay for eligible out-of-pocket medical and dependent care expenses. You may also have certain eligible payroll deducted insurance premiums deducted on a pre-tax basis. The Plan Year begins on January 1 and ends on December 31.*

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## FLEX COMP PROGRAM

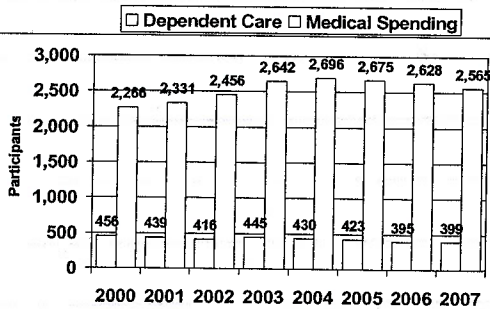
### □ *THREE TYPES OF ACCOUNTS*

- *MEDICAL*
- *DEPENDENT CARE*
- *PREMIUM CONVERSION*

### ■ *Use it or lose it*

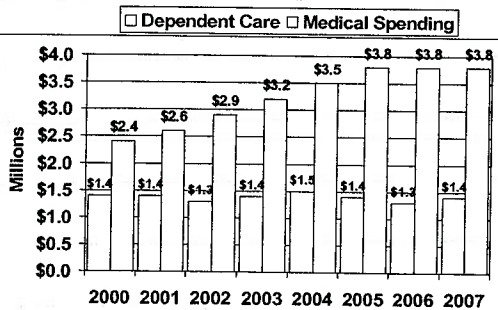
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## NDPERS Flexcomp Participation



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## NDPERS Flexcomp Participation



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