

Perspectives

FOR ACTIVE
MEMBERS
OF THE
NORTH DAKOTA
PUBLIC
EMPLOYEES
RETIREMENT
SYSTEM

WINTER 2003 • VOLUME 26, NUMBER 2

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Board Members:

Jon Strinden
Chairman
Sandi Tabor

Attorney General Appointee

Dr. Terry L. Dwelle
State Health Officer

Members Elected:

Rosey Sand, Howard G. Sage,
David Gunkel, Weldee Baetsch
Sparb Collins

Executive Director
Kathy M. Allen
Editor

PERS Board Election

The term of North Dakota Public Employees Retirement System (NDPERS) Board member, Howard Sage, expires on June 30, 2003. NDPERS is required to give notification of the vacancy and the election process to all active employees. The Board acts as the administrating body to manage the Public Employees Retirement System, Judges Retirement System, Highway Patrol Retirement System, National Guard Security Officers and Firefighters System, the Uniform Group Insurance Program, Section 457 Deferred Compensation Plan, Prefunded Retiree Health Program, and the Section 125 FlexComp Program for public employees. In addition, three of the elected members are selected by the board to serve on the State Investment Board.

The Board consists of seven members. The chairman is appointed by the governor. Three members are elected by the active membership, one member is elected by the retired membership, there is an attorney general appointee, and one member is the state health officer. The board meets once a month in Bismarck with the meetings generally lasting four to five hours. Board members are paid \$62.50 per meeting.

Any active employee of a department of the State of North Dakota, or of a political subdivision who participates in NDPERS,

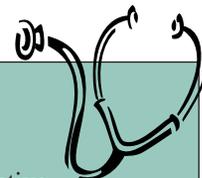
may become a candidate for election to the Board so long as that department or political subdivision is not currently represented on the Retirement Board by a board member not up for election (NDCC 54-52-03). Members from the Department of Public Instruction and Supreme Court currently serve on the Board, so employees from these agencies are not eligible to become candidates in the upcoming election.

An eligible individual must obtain the signatures of 100 active NDPERS members to be nominated as a candidate for the vacancy. Nomination petitions are available from the NDPERS office at 400 East Broadway, Suite 505, Bismarck, ND you may request this information in writing, by phone or through our e-mail address at discovernd.com/ndpers. The deadline to submit petitions is 4:00 pm, Friday, May 2, 2003. Election ballots will be mailed to active members the week of May 26, 2003. Ballots must be returned no later than the close of business on Friday, June 13, 2003. Election returns will be tabulated on Monday, June 16, 2003.

If you have any questions about the election, please call the NDPERS office at 701-328-3918 or toll free at 1-800-803-7377 if you are outside the Bismarck-Mandan calling area.

Health Plan Update

As reported in your last PERSpectives newsletter, the increase in active employee premiums submitted by BCBS for the next biennium is 26%. The Governor's executive recommendation to the legislature provides for a 20% increase in funding for the health plan. In addition to this recommendation, PERS is projecting that the health fund may have enough carryover from this biennium to



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Health Plan Update *continued from cover...*

fund an additional 2% of the proposed premium increase. This means that with the potential carryover and the Governor's recommendation, the plan would have enough funds to cover a 22% increase. The remaining cost of about 4% would have to be offset by changes in the plan design. Presently under consideration is the following alternate plan design and how it compares to the existing plan design.

The following outlines the changes in the plan design:

1. The deductible would be extended across all services except office calls, emergency room visits, preventive screenings, prenatal and postnatal maternity care, maternity delivery and newborn care, and prescription drugs.
2. The diagnostic x-ray and lab services co-payment would be eliminated.
3. The coinsurance percentages would change for the EPO, PPO and Basic plan.
4. The non-formulary co-payment for prescription drugs will change.

The legislature will consider the Governor's recommendation for funding the health plan.

Comparison of the Basic, PPO Plan and EPO Plan						
PLAN FEATURES	PRESENT PLAN			ALTERNATIVE		
	BASIC	PPO	EPO	BASIC	PPO	EPO
Deductible for Non-Physician Services*				All	All	All
Per Person	\$250	\$250	\$100	\$250	\$250	\$100
Per Family	\$750	\$750	\$300	\$750	\$750	\$300
<i>*Services billed by a physician or psychiatrist.</i>				services	services	services
Co-payment for Physician Office Visits	\$25	\$20	\$15	\$25	\$20	\$15
Co-payment for Emergency Room Visits	\$50	\$50	\$50	\$50	\$50	\$50
Co-payment for Diagnostic X-ray/Lab Services				The co-payments are eliminated under this plan design and these services are subject to the deductible and then co-insurance.		
Per Service	\$20	\$10	\$5			
Annual DXL Co-payment Maximum						
Individual	\$200	\$100	\$50			
Family	\$400	\$200	\$100			
<i>(Co-insurance applies per service after co-payment.)</i>						
Co-insurance on Covered Services EXCEPT Physician Office Visits	80/20	85/15	90/10	75/25	80/20	85/15
Co-insurance Maximum						
Individual	\$1,250	\$750	\$500	\$1,250	\$750	\$500
Family	\$2,500	\$1,500	\$1,000	\$2,500	\$1,500	\$1,000
Prescription Formulary Generic Drug						
Co-payment	\$5	\$5	\$5	\$5	\$5	\$5
Co-insurance	15%	15%	15%	15%	15%	15%
Prescription Formulary Brand Name Drug						
Co-payment	\$15	\$15	\$15	\$15	\$15	\$15
Co-insurance	25%	25%	25%	25%	25%	25%
Prescription Non-Formulary						
Co-payment	\$25	\$25	\$25	\$25	\$25	\$25
Co-insurance	25%	25%	25%	50%	50%	50%
Out-of-Pocket Maximums (Deductible and Co-insurance)*						
Single	\$1,500	\$1,000	\$600	\$1,500	\$1,000	\$600
Family	\$3,250	\$2,250	\$1,300	\$3,250	\$2,250	\$1,300
<i>*Office visit and ER co-payments and prescription drug co-payments and co-insurance are additional.</i>						

PROPOSED LEGISLATION HIGHLIGHTS

PERS has submitted the following bills this session:

SB 2058 relates to the Main Retirement Plan, the Deferred Comp Plan, the Defined Contribution Plan, and the Retiree Health Credit Program. The bill provides for numerous administrative adjustments to the PERS statutes. No benefit increases or retiree adjustments are in the bill since the fund is unable to support any additional enhancements at this time.

SB 2059 relates to the Highway Patrol Retirement System. No benefit increases or retiree adjustments are in the bill since the fund is unable to support any additional enhancements at this time.

SB 2060 relates to the Uniform Group Insurance Program.

A copy of the testimony for each of the bills above, as well as a section by section analysis, is on the PERS website at www.discovernd.com/ndpers.

Several other bills have been submitted relating to PERS.

SB 2033 provides for the establishment of a new retirement plan for North Dakota Peace Officers.

SB 2176 allows retirees in a retirement system provided by a political subdivision that participates in the PERS health plan, the opportunity to participate in the health plan.

HB 1063 and 1064 transfers the responsibility for the OASIS and Job Service Retirement Plans to PERS.

SB 2029 requires that all mandates for covered services applied to group insurance plans in the state must be effective for the PERS plan beginning with the new biennium. PERS would study the effect of the mandate during the biennium and report its findings to the next legislative session.

HB 1247 mandates health insurance coverage for outpatient hormone replacement therapy, contraceptives, infertility therapy, and osteoporosis treatment. Refer to the "Health Benefit Enhancement" article on page 3.

HB 1349 mandates health insurance coverage for colorectal cancer screening. Refer to the "Health Benefit Enhancement" article.

Proposed Legislation

PERS Proposes Changes to Multiple Plan Membership Provision (SB 2058)

Multiple plan membership is how we coordinate our benefits with other public retirement systems such as TFFR, TIAA/CREF and the Highway Patrol. This provision was originally enacted to provide portability to members of these retirement systems as employees transfer from one type of public employment to another. To accomplish this, present law provides that a multiple plan member must be assigned entirely to one system or another. We must use the final average salary from the last system of participation to calculate the benefit. Two problems have arisen relating to this provision.

- The first problem is administrative and concerns the difficulty in identifying the individuals who come under this provision, the difficulty participating employers have in understanding this provision, and the difficulty members have understanding the assignment process to one system or another in cases of service credit under both plans. The result is that when these situations are discovered, administrative transactions have had to be altered and in some cases the resulting change has adversely affected the member's expectation. A formal election will be required from multiple plan members.

- The second problem is with using the final average salary from the last system to calculate benefits in all systems. While this provides portability between systems and is extremely beneficial to most members, for a few individuals this can result in a dramatic and inequitable decrease in benefits.

Therefore, the purpose of the proposed changes is to address these two problems and make it easier to administer for our participating employers and make it clearer and more equitable for all our members.

The proposed new method would not require that a member be assigned entirely to one system or another. Instead the member would be allowed to participate in both systems and the employer would report contributions to both systems based upon the member's employment. At retirement employees would have the option to choose between two calculation methods and could select the one that best meets their needs while still maintaining the multiple membership provisions.

The first method would be to have their retirement benefit calculated using all years of service and the final average salary in the PERS system. The second method would be to use the final average salary from the last 120 months of employment to calculate the benefit for all eligible retirement plans. However, under this last method, overlapping months of service would be combined in determining the final average salary. Eligibility would be based upon combined years of service for both methods. This change will maintain the multiple membership aspects among the eligible retirement systems and be clearer for the member and the employer.

Lastly, this section will allow current multiple plan members an election window to choose if they want to have their benefit calculated under the existing law or the new law.

Legislation Would Authorize 457 and 403(b) Rollovers (SB 2058)

Proposed legislation would authorize rollovers into the PERS retirement plans from the state's Section 457 deferred compensation plan, other 457 plans within the State of North Dakota, and 403(b) plans in order to purchase service credit. This change is possible as a result of a change in federal regulations last year. In order for this provision to be added to the PERS plan it needs legislative approval.

Health Benefit Enhancements Proposed (HB 1349 and HB 1247)

HB 1349 relates to colorectal cancer screening and HB 1247 relates to coverage for contraceptives. The cost of HB 1349 is an additional premium of \$3.20 per contract per month and for HB 1247 it would be an additional premium of \$3.60 per contract per month. If the enhancements are added to the plan without a corresponding premium increase, the plan's deductible, coinsurance, or co-payments will need to be increased to offset the cost of the new provisions. If only the deductibles are increased, it will require an additional \$50 for each enhancement or \$100 in added annual out-of-pocket expenses. These bills are being considered by the legislature.

PERS Proposed Changes to Increase Competition for Health Plan (SB 2060)

The PERS Board is proposing several changes in the Uniform Group Insurance Statute in an attempt to increase competition for the group insurance plan in order to reduce the rate of inflation in health premiums.

The first change relates to the requirement that the health plan must have a formal bid process. This procedural requirement has not encouraged other health carriers to bid for the state's business in over 20 years. This change to our statute would allow PERS to place the group health insurance plan (hospital & medical) without having to go through a formal bid process should the board decide it is in the best interest of the plan. Pursuant to this authority, PERS staff would be authorized to solicit other potential carriers during the upcoming years to determine their interest and abilities and assess their capabilities. This change would likely make our plan more attractive to other carriers and make the possibility of such a change more practical. This added competitive pressure

would also be an incentive for BCBS in submitting its bid. The bid requirement would continue to be maintained for the vision, dental, LTC, EAP, and life insurance plans.

The second change is also intended to create more competition for the PERS health insurance plan. In placing the plan with a carrier there are two basic costs that are examined; the administration charge and the cost of the claims. This change addresses the administrative charges and would allow PERS to self-administer the group insurance plan. This creates a new benchmark for the level of administrative fees that are reasonable. That benchmark is the cost of self-administering versus the fees of a carrier such as BCBS. By establishing this additional benchmark, it should act as an additional consideration by carriers in determining what administrative fees they will propose. To make this change an effective competitive consideration, the bill provides a continuing appropriation authority to PERS and authorizes all necessary FTE's. The other change relates to the cost of the claims. Many carriers cannot compete in North Dakota because they do not have a provider network which means that the cost of claims for them is higher. This provision authorizes the board to establish an independ-

ent provider network. If PERS has its own provider network, it can offer it to other carriers in the bidding process. This makes it more feasible for other carriers to compete and thus creates more competition. This network is critical to creating a more competitive system.

PERS Proposes Employer-based Wellness Programs (SB 2060)

The Health Department identified in its "Building a Healthy North Dakota" initiative that while the leading causes of death in North Dakota are heart disease, cancer, accidents and diabetes the real causes of death are tobacco use, diet, inactivity, alcohol and other life style behaviors/habits. To respond to this PERS is proposing that an employer based wellness program be authorized to address some of the real causes and help to reduce future health care costs. This change is to provide an incentive for employer based wellness programs by providing either a premium increase to those employer groups that do not have a program or a premium decrease to those that do have a program. Actively involving the employers in helping to address these real causes will provide an additional mechanism to encourage our members to maintain a healthy lifestyle.

ND PERS FlexComp Plan



Effective with the 2003 Plan Year, form SFN 53511 FlexComp Change In Status will replace SFN 17188 FlexComp Medical Spending – Change In Status and SFN 51857 FlexComp Dependent Care – Change In Status. Form SFN 53511 must be completed and submitted to NDPERS along with Form SFN 17759 Annual FlexComp Benefit Election Salary Redirection Agreement within 60 days from the date of a change in status event.

Employees who retire or terminate employment during the Plan Year and participate in the Medical Spending Reimbursement Account will be offered COBRA continuation coverage through the end of the plan year. Form SFN 53512 Continuation of Coverage in a Medical Spending Account (COBRA) has been added as a new form.

You may obtain these forms from your payroll/human resource office or you may download the forms from the PERS website: www.discovernd.com/ndpers, and selecting "FlexComp".

USERRA Employer Update Available On Website

There are special policies that apply to the administration of our retirement and group insurance benefits with regard to reservists that are called for active duty. We have prepared a memorandum regarding the administration of NDPERS benefits for these individuals. This memorandum is available at www.discovernd.com/ndpers under both "News" and "Employer" on the menu. Please reference this memorandum if you have any questions.

Retirement Plan Update

In October, the retirement plan's actuary, The Segal Company, reported to the PERS Board. The actuary noted that all the PERS retirement plans continue to be well funded despite the market downturn. In fact, all plans remain over 90% funded. The actuary also noted that, at this time, it would be difficult for the fund to take on additional liabilities by increasing active or retiree benefits and suggested that any future enhancements be considered after the market's performance improves. As a result, the Board removed from all proposed legislation any provisions that had an actuarial effect, including a retiree ad hoc adjustment of 2% for the next biennium.

www.discovernd.com/ndpers

Voluntary Vision Plan

The NDPERS Voluntary Vision Plan is up and running. The plan is currently available to state and university system employees. The plan is underwritten by Ameritas and is NOT a Blue Cross Blue Shield product (ND Vision Services). We are making this point because BCBS has notified us that they have received feedback that NDPERS members have informed some providers that they are covered through the NDPERS vision plan with BCBS.

The following is to clarify some points based on feedback and requests received by our office:

- The plan handbooks and ID cards are available through your payroll/human resource office. The vision plan handbook is also available on the NDPERS website at www.discovernd.com/ndpers.
- Ameritas has provided a "Vision Claim Form" for plan participants to use to file a claim. The forms are ONLY available on the NDPERS website. Do not contact the NDPERS office to obtain the form. Part B of the form states that it must be completed by the doctor. However, since you must attach a copy of the itemized billing to the

claim form, the doctor is not required to complete this section. To file a claim with Ameritas you can either mail or fax your claim form and copy of itemized bill to:

Ameritas Life Insurance Corp.
Group Claims
P.O. Box 82520
Lincoln, NE 68501
Fax: 402-467-2030

You may also use a "Universal Claim Form" which can be obtained from your eye care professional's office.

The following are the Vision rates for the 2003 calendar year:

COBRA			
Individual Only	\$ 4.96	\$ 5.06	
Individual & Spouse	\$ 9.92	\$10.12	
Individual & Child(ren)	\$9.04	\$9.22	
Family	\$14.00	\$14.28	

When filing for reimbursement of vision expenses under the NDPERS FlexComp Plan, you must include a copy of the Explanation of Benefits received from Ameritas along with your request for reimbursement.

If you are pretaxing your vision plan premium through the NDPERS FlexComp Plan, you cannot cancel your coverage until the end of the plan year on December 31, 2003.

Is Case Management for You?

Case management is a voluntary program available through Blue Cross Blue Shield to help you maximize your benefit plan. The mission of the Case Management Department is to have a positive impact on our members' health by ensuring the quality, cost effective health care they need. To support this commitment, if you qualify for case management services you may be allowed benefits not covered under the regular benefit plan. Using case management does not alter other benefits offered by your health care plan. For further information on this program, please access our website at www.discovernd.com/ndpers, select "Insurance Plans" from the menu, and go to "Is Case Management for You?" under Group Health Plan.

Transfer Procedures

Currently, when an employee transfers employment from one covered employer to another covered employer, the employee's retirement and flexcomp records are transferred to the new employer in order to maintain the continuity of coverage. For the group health, life, dental, LTC and vision plans the individual is treated as a new employee and is required to complete a new application form.

Recently, the NDPERS Board reviewed our administrative procedures in this area and determined that our enrollment requirements should be standard across all plans. In order to accommodate this directive, it was decided that when an employee transfers from one covered employer to another covered employer they will not be treated as a new employee. Therefore, they will no longer be required to complete new applications for any NDPERS programs. This policy will be effective July 1, 2003. However, staff is still working out the details to implement these new administrative procedures.

TIAA-CREF Seeking Eligibility to Provide Services

TIAA-CREF is interested in becoming a provider in the North Dakota Public Employees Retirement System Deferred Compensation Plan. Before a provider company is eligible to provide services under the Plan it must have at least 50 participants enrolled. The following briefly describes TIAA-CREF and explains how to obtain further information should you like to consider TIAA-CREF as a provider.

TIAA-CREF is a nonprofit organization, serving employees of educational and research institutions since 1918. With approximately \$250 billion in assets under management, TIAA-CREF is the largest pension system in the world, offering an array of high-quality financial products and retirement planning services. Today more than 2 million people at over 10,000 employers entrust their retirement savings to TIAA-CREF.

Here in North Dakota, TIAA-CREF has enjoyed a long-term relationship with the North Dakota University System, and other educational organizations, providing pension and related benefits to employees. If you would like to consider TIAA-CREF as your provider for the North Dakota Public Employees Retirement System Deferred Compensation plan, please call Linda Robinson at (800) 842-2009, or e-mail her at LRobinson@tiaa-cref.org.

Strong Opportunity Fund Placed on “Formal Review”

The PERS Board has placed the Strong Opportunity Fund on formal review. Pursuant to the investment guidelines this means:

“Funds rated as not meeting performance standards and policy objectives will, in the Boards discretion, either be placed in a closed status or on a “formal fund review list.”

When a fund has been placed under formal review, the Board shall monitor the fund, its operations, and its performance. During this period the Board may close the fund.”

In recognition of the above criteria and the fund review, the Board finds that the

Strong Opportunity Fund did not meet its performance standards over the 3 or 5 year period, resulting in the decision to place the fund on “Formal Review”. On the PERS website there is a letter from Strong

discussing the challenge they face and their plan of action. You can view the letter at www.discovernd.com/ndpers choose “Retirement Plans” on the menu and then “Defined Contribution Plan.”

Who should you call?

The NDPERS office receives hundreds of phone calls each day from our membership and fortunately most of the questions can be answered by our staff. However, in the event you are calling about a health insurance claim or have coverage questions, please direct those calls to the Blue Cross Blue Shield service unit. BCBSND has 12 staff assigned to the NDPERS group that can assist you.

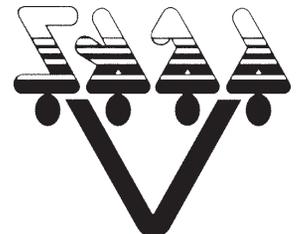
The next time you need assistance with your health insurance claims or have coverage questions – who should you call? BCBSND at 1-800-223-1704 or 282-1400 for Fargo area members. The North Dakota Relay Service toll-free number is 1-800-366-6888.

When Visiting the NDPERS Office...

Please make an appointment before stopping by the NDPERS office. Although staff will accommodate walk-ins when possible, an appointment will ensure that someone is available to assist you at the time you arrive. An appointment also allows staff to prepare appropriate benefit information for your individual needs.

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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