

Perspectives

FOR ACTIVE
MEMBERS
OF THE
NORTH DAKOTA
PUBLIC
EMPLOYEES
RETIREMENT
SYSTEM

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PERS Retirement Plan Financial Update Part 4

This is installment four in a series of educational updates intended to keep you informed about the financial status of the NDPERS retirement system. In previous articles, we examined the effect the financial market downturn had on the PERS retirement system funds, shared results of our actuarial reports, discussed the probability of a future contribution deficiency, and examined the options by the NDPERS Board to mitigate the funding deficiency including the effects of various benefit reductions, rates of returns, and contribution increases. After reviewing its options, the Board focused on contributions as the option that would put the plans back on a positive course towards a 100% funded status. This article provides an update as to the current status of the Board's proposals.

The Board submitted three bill drafts to the Legislative Employee Benefits Committee (LEBC) proposing an 8% increase in contributions which would raise the total contribution from 8.12% to 16.12%. Three funding scenarios were proposed:

LC #51: An 8% increase in employee contributions phased in over 4 years at 2% each year beginning in January of 2012 and ending in January of 2015. The bill provides that the employee contribution increase would be pre-taxed pursuant to section 404(h).

LC #52: An 8% increase in employer contributions phased in over 4 years at 2% each year beginning in January of 2012 and ending in January of 2015.

LC #53: A 4% increase in employee contributions and a 4% increase in employer contributions phased in over 4 years with a 1% increase for the employer and employee beginning in January of 2012 and ending in January of 2015. Similar to #2, the state employee contribution increase would be pre-taxed pursuant to section 404(h).

The committee gave an unfavorable recommendation to LC #51 and #52 and a favorable recommendation for LC #53 which proposed that the required contribution increase be shared 50/50 between the employer and employee.

SB 2108 (LC #53) was introduced in the Senate and was amended, passed and sent to the House of Representatives for its consideration. The amendment retained the 2% employer and 2% employee contribution increase for the 2011-13 biennium. However, it removed the subsequent increase proposed for the 2013-15 biennium since, if necessary, it could be considered by the next Legislative session. The amended provisions of Senate Bill 2108 which includes a breakdown of how the contribution increases will be phased in, are included on the Summary of Legislative Proposals chart included on page 5 of this newsletter. Funding has been included in the Governor's budget to support the contribution increase for state agencies.

Continued on page 6

Do You Know Your NDPERS Member ID?

On October 4, 2010, NDPERS launched its new business system – PERSLink – “Your Online guide to Benefits Administered by NDPERS.” The new system includes functionality for each of the plans administered by NDPERS and will include web-enabled self-service functionality for members, retirees, beneficiaries and employers.

One of the features of our new system was the ability to assign each member a unique NDPERS Member ID. This ID will be the primary identifier to access your personal and confidential information. As a member, all documents you receive from NDPERS will have this unique Member ID. In October, you were sent a letter from NDPERS providing you with your personal ID number. If you are an active employee and have misplaced this document, your payroll/human resource department can provide you with your number. If you are retired, contact the NDPERS office for assistance. Also as a reference, if you have received any personal correspondence from the PERS office since the go-live date, the Member ID is printed in the upper right-hand area of the page.

You can use your Member ID to access your account via web self-service, telephone, or written communication. Web self-service is expected to be available sometime in the first half of 2011. You will be notified when this service becomes functional.

Superior Vision – Your New Vision Care Provider

Superior Vision became our new vision plan carrier on January 1, 2011. If you were previously enrolled in the Ameritas plan, and did not cancel your coverage, you were automatically enrolled with Superior Vision effective January 1, 2011.

Superior Vision has been in the managed care vision market since 1993. They deliver vision benefits through a PPO network, meaning that they have contracted with specific eye care providers (“in-network”) to bring you the greatest benefits value. As a participant in the Superior plan, you can expect the following:

- **A strong national provider network of MDs and ODs as well as retail chain of providers.** This translates into choice, quality, and accessibility for you, enabling your shopping preferences and budget to be your guide. You may also receive your exam and materials at different providers, allowing you the greatest flexibility. If you or any family members live outside North Dakota, go to one of the websites listed at the end of this article to search for an in-network provider in your area of residence.
- **Freedom of choice.** Choose any provider – whether in or out-of-network – to receive your benefits. The out-of-network benefits are excellent as well.
- **Award-winning customer service.** They are ranked #1 in customer service by a leading research firm, and their call center has extended hours to better serve your needs.
- **An easy-to-use, paperless system.** When using the in-network providers, you don’t have to worry about completing forms or complicated paperwork.
- **Value-extending discounts.** They provide a variety of deep discounts, including eyeglass lens upgrade options, overages on allowances, and additional pairs of eyeglasses or contact lenses.
- **A vision wellness program.** Routine eye exams help identify a need for vision



correction, and can also lead to early detection of such systemic diseases as diabetes, hypertension, and high-cholesterol. Take the first step in overall wellness.

Claims Procedure

- If you choose an in-network provider, claims will be filed for you by your provider. If you utilize an out-of-network provider, you will be required to pay your bill up front and then file a claim directly with Superior Vision. The claim form is available on the NDPERS website.
- If you are submitting a claim under the State of North Dakota FlexComp plan, the following applies:
 - *In-Network Provider* – Submit the itemized invoice from your provider that shows the total amount billed, the allowance paid by Superior and the amount you paid.
 - *Out-of-Network Provider* – Submit the Superior explanation of benefits. If you have not received an ID card or have lost your card, go to the Superior website listed below and select members and future members to login and print a new ID card.

If you are a first-time user, use your social security number as your Member ID number to set up your online account. Your benefit information is also available at this location.

Information about your vision benefits is available at www.nd.gov/ndpers using the Superior Vision icon, or you may go to Superior Vision’s website at www.superiorvision.com.

BCBSND Website Has Lots of Answers

Information provided by Blue Cross Blue Shield of North Dakota

If you think of a question for Blue Cross Blue Shield of North Dakota (BCBSND) after business hours, you often don't have to wait until the next day to learn the answer. Online Member Services gives you immediate answers to many questions about your BCBSND health coverage 24-hours-a-day.

Online Member Services is a secure website that allows you to view claims information and get duplicate EOB (Explanation of Benefits) forms. You can also view information about your benefits, such as eligibility, copay amounts and maximum amounts.

Here's what you need to do to register:

1. Go to www.BCBSND.com.
2. Choose 'register now for online services.'
3. Complete the brief member registration form.
4. Check your e-mail for login and password information.

If your EOB is a mystery to you, visit www.bcbsnd.com/members/eob for a detailed explanation on how to read an EOB.

Have you misplaced a copy of your health plan? You can request a replacement copy on Online Member Services as well as request a new ID card or change your contact information.

The BCBSND website also provides brief educational podcasts at www.bcbsnd.com/members/memberecasts. You can learn about saving on drug costs, teen hearing loss prevention, expanded coverage to age 26, tanning and sun dangers, tobacco cessation and allergy myths, among many others.

The FAQ at www.bcbsnd.com/members/faq can help you understand everything from networks and approved referrals to deductibles and copays to formulary drugs and maintenance drugs.

457 Deferred Comp Plan 2011 Annual Contribution Limits

The annual deferral limits established by the Internal Revenue Service (IRS) for the NDPERS 457 deferred compensation plan will remain the same for calendar year 2011.

The IRS dollar limits for qualified plans are determined using consumer price index (CPI) data released on October 15, 2010. Because the CPI did not increase from the third quarter of 2009 to the third quarter of 2010, the IRS dollar limits will not change in 2011. The 457 Deferred Compensation Plan under-age-50 contribution limit for calendar year 2011 is \$16,500.

The contribution limit for participants age 50 or older can be an additional \$5,500 or an annual maximum amount of \$22,000. Any employee who attains age 50 in 2011 is eligible to begin the 50+ additional catch-up amount in January. There is no special 50+ form to complete. The form SFN 3803 has a 50+ box in Part C to designate the higher limit.

The annual limits for participants enrolled in the deferred compensation plan regular or 'normal' 3 year catch-up option will remain at \$33,000. Employees who wish to enroll in the 'normal' 3 year catch-up must submit the 457 Catch-Up Worksheet to PERS for certification of eligibility.

Employees who wish to increase their deferred compensation plan monthly contribution amount must complete the 457 Deferred Compensation Plan Enrollment/Change form, SFN 3803, the month prior to the month in which the change in contribution is to occur. All forms may be obtained on the PERS web site at www.nd.gov/ndpers.

Wellness Tips

Provided by Wellness Specialist
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Did you know the longer you sit, the slower your metabolism remains, even when you later exercise?

10 Tips to stop sitting still at work:

- Wear a pedometer during the day: set a goal to reach 10,000 steps a day (remember to start at a lower number if you are currently inactive).
- Set a timer to get up and move every 30 to 60 minutes for 2 to 5 minutes in length. This can be as simple as walking to get a glass of water or standing and stretching at your desk.
- Utilize an exercise ball at your desk (if this is approved by your safety officer).
- Stand or pace while you are on the phone or watching a webinar and/or WebEx.
- In place of calling or e-mailing someone who may be 10 feet away, get up and go ask them the question at hand.
- Stand during a meeting or take your meeting outside or within the hallways and stroll while discussing the topic at hand.
- When using the restroom, go to the one that is farthest from your work area.
- Do not have a printer, copier or scanner at your desk. This way you must get up and walk during the day.
- Utilize, do not skip, your 15 minute breaks and get away from your desk area and move.
- Ride your bike or walk to and from work to make sure you get your daily dose of physical activity.

MediQHome: A Benefit for All North Dakotans

Your doctor says you have hypertension, a.k.a. high blood pressure. Or, maybe the diagnosis is asthma, ADHD, diabetes, chronic heart failure or coronary artery disease. In any case, you likely leave the appointment with more questions than answers.

What does it mean? How do I live with this? What do I do next?

Thanks to a program developed by Blue Cross Blue Shield of North Dakota, you and your doctor can better manage your condition now so it doesn't become a life-threatening condition later.

The program, MediQHome, revolves around a team approach where you choose one primary doctor to lead your care team. He or she collaborates with other care providers, managing all the details so nothing falls through the cracks.

You're Part of the Team

When you're part of MediQHome, your doctor will be ordering tests, treatment protocols, lab work and preventive screenings. As a patient, it's your responsibility to follow through on those recommendations. He or she may also recommend lifestyle changes and educational information to help you manage your condition. Again, it is your responsibility to follow through.

Technology is Key to MediQHome

BCBSND provides North Dakota caregivers with software that allows them to better collaborate on your behalf. Certainly, doctors have collaborated for years, but not always to the extent they like. Tight schedules and system limitations sometimes mean that important information goes un-communicated. The MediQHome software puts everyone on the same page so they can make smart

decisions. Even patients outside the program benefit from MediQHome's software alerts that remind physicians to order a variety of immunizations and screenings based on age, gender and other criteria.

All of North Dakota Participates

MediQHome is available for all North Dakotans (not just BCBSND members) if their primary doctor participates in the program. Any BCBSND physician is eligible to become part of MediQHome. To date, 66 percent of North Dakota's primary care physicians have adopted the MediQHome approach to care.

The program is free to participants and enrollment is automatic for those diagnosed with one of the chronic conditions mentioned above. For more information about MediQHome, visit BCBSND.com/mediqhome.

Dependent Eligibility

The NDPERS group health plan has been modified to expand eligibility to children younger than age 26. As a result, you have the opportunity to enroll your children who are younger than age 26 in the group health plan, even if they previously lost coverage or were never eligible. You will have the opportunity to enroll these children during the transitional open enrollment period that will run from May 9 through June 13, 2011. Notice of this upcoming opportunity will be sent to your address on record in early May.



JUST PICTURE IT...

YOUR
LIFE...
WITHOUT
TOBACCO!

ENROLL BY APRIL 30 FOR FREE HELP QUITTING TOBACCO

We can help you quit using tobacco. All current state employees and their dependents age 18 and older who have NDPERS health coverage and who want to quit smoking or chewing tobacco are eligible to participate.

Get free counseling and advice from one of 11 local cessation programs, or call the North Dakota Tobacco Quitline at 1.800.QUIT.NOW (1.800.784.8669). Nicotine replacement medications also are available to help you quit.

Learn more by calling 1.800.223.1704, or visit www.bcsnd.com/ehealth/ndpersquit. Program is available to active state employees and eligible family members that are at least 18 years of age.



SUMMARY OF LEGISLATIVE PROPOSALS

The following summarizes the bills submitted to date for the 2011 legislative session. For more information or to review copies of the bills, please refer to our web site at www.nd.gov/ndpers and select the 'Proposed Legislation' icon from the NDPERS home page.

Bill No./Sponsor	DESCRIPTION	Status/Committee Recommendation
SB 2108 NDPERS	<p>Increases employee and employer contributions equally for the Main, Highway Patrol, Judges and Defined Contribution plans:</p> <ul style="list-style-type: none"> • 2% employee increase and 2% employer increase with a 1% increase January 1, 2012 and a 1% increase January 1, 2013. <p>Increases employee contributions for the Law Enforcement plan:</p> <ul style="list-style-type: none"> • 1% employee increase with a .5% increase January 1, 2012 and a .5% increase January 1, 2013. <p>Increases the temporary employee contribution for the defined benefit and defined contribution plans:</p> <ul style="list-style-type: none"> • 4% employee increase with a 2% increase January 1, 2012 and a 2% increase January 1, 2013. 	<p><i>Amended by the Senate to remove the 2013-15 increase. Passed the Senate.</i></p>
SB 2109 NDPERS	<p>Special annuity purchases in the alternate retirement program for University System employees, surviving spouse payment options under the Highway Patrolmen's retirement plan, calculation of member service credit under the Highway Patrolmen's retirement plan, election of members to the PERS Board, calculation of normal retirement date for peace officers and correctional officers under PERS, payment of member account balances under PERS, purchase of sick leave credit under PERS, spousal elections to participate in the uniform group insurance program, reporting of employer pickups under the defined contribution retirement plan, and Internal Revenue Code compliance under the Highway Patrolmen's retirement plan and PERS.</p>	<p><i>Passed the Senate</i></p>
HB 1228 Rep. Grande	<p>The proposed legislation would close employee participation in the Main System Defined Benefit (DB) Hybrid Plan to new state employees first hired after July 31, 2011. New main state employees would participate in the Defined Contribution (DC) Plan.</p> <p>New employees of political subdivisions would still be eligible to participate in the Hybrid Plan. Temporary state employees hired after July 31, 2011 would be eligible to elect to participate in the Defined Contribution Plan.</p> <p>Contribution rates for new state employees in the Defined Contribution Plan would be the same contribution rate as statutorily required under the defined benefit plans applicable to the appropriate employee group.</p>	<p><i>Was not passed by the House of Representatives</i></p>
SB 2110 NDPERS	<p>Amend the North Dakota Century Code relating to the uniform group insurance program. Allow another lower cost coverage option for retired employees not eligible for Medicare; allow the board to receive separate bids for prescription drug coverage; allow the board to consider self-insurance of health insurance benefits as well as part or all of the prescription drug coverage.</p>	<p><i>Passed the Senate</i></p>
HB 1364 Rep. Carlson	<p>Creates a high deductible health plan (HDHP) with a health savings account for state employees.</p>	<p><i>Passed by the House of Representatives.</i></p>

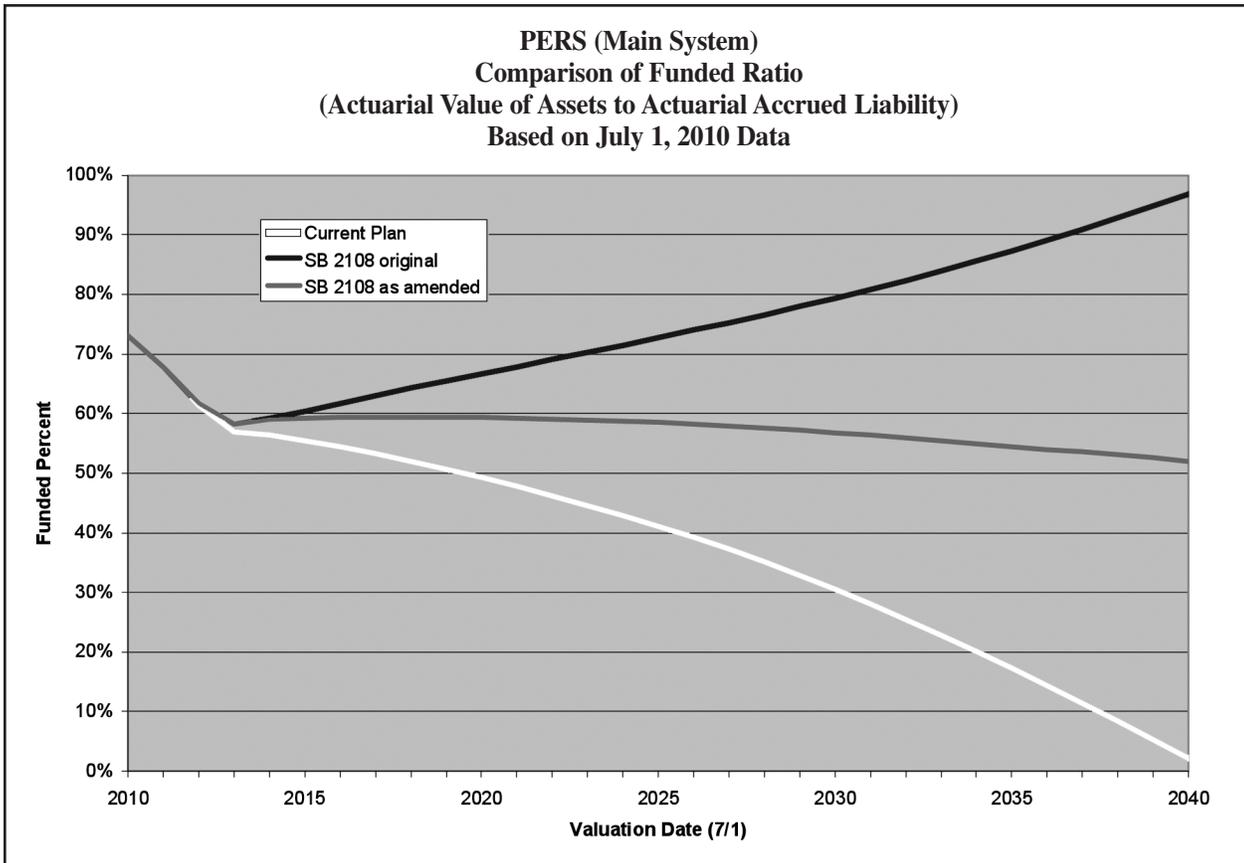
Financial Update *Continued from cover*

The following graph shows the effect of SB 2108 as originally submitted and as amended on the long-term funded status of PERS. If SB 2108 as amended passes and the next session passes the 2013-15 increases, the long-term funding status

projection will be the same as was intended when SB 2108 was originally submitted.

For further information about this update, as well as past updates, video

presentations are available on our website at www.nd.gov/ndpers. The webcasts are approximately 15 minutes in duration and require Windows Media Player®. This site will have a legislative update available in late March.



Defined Contribution Legislation

HB 1228 was introduced and proposes that the Main System Defined Benefit (DB) Hybrid plan be closed and that new state employees first hired after July 31, 2011 be required to become participants in a Defined Contribution retirement plan. If this legislation passes, and the DB plan is closed, its long-term financial status will be affected. This will occur because, over time, total payroll will drop due to resignation or termination of employees in the DB plan. As the active participation declines, the total payroll will drop and contributions paid in to the plan will drop accordingly, thereby reducing the amount of funds to pay off the unfunded liability of the DB plan. To offset the effects of closing the plan to new membership, our actuaries have projected it will require an increase in contributions to 23.91%. The following illustrates the contribution requirements if both bills are passed:

	Total Rate	Rate Change
HB 1228 ²	23.91	7.79%
SB 2108 ¹	16.12	8%
Present Rate	8.12	

¹ If only SB 2108 passes as originally proposed.

² If both HB 1228 and SB 2108 pass. As amended, the total rate for SB 2108 would be 12.12%, thereby changing the rate change amount to 4% and the rate change amount for HB 1228 to 11.79%.

Refer to the summary of legislation on page 5 of this newsletter. This bill was not passed by the House of Representatives on a vote of 47 in favor and 46 against. Although the bill received a majority of the votes cast, it required 48 votes to pass the House.

What If: There have been several proposals so far this session relating to NDPERS. The question that has been asked is what if this proposal or that proposal passes, do the changes help address the funding challenge faced by the retirement plan?

Challenge: *The PERS plan is projected to run out of assets in 2041 and be at a 0% funded status; actions are needed to improve its funded position.*

Proposals that will enhance the funding position of PERS Main System (extend the assets of the fund beyond 2041):

SB 2108 (as proposed) Increase contributions over 4 years by 8%. Increase shared by employer and employee.

SB 2108 (as amended) Would increase contributions over 2 years by 4%. Increase shared by employer and employee.

HB 1228 (if amended to fund the change) Close the Main System to new state employees and put new employees in a defined contribution plan. Amendment would increase total contributions to the defined benefit plan to 23.91% to fund the cost of the change.

2042 – The year Main System is projected to return to 100% funded status.

2012-2042 – The Main System is projected to maintain a funded status of about 60% during the next 30 years, and after 2042 is projected to decline to about a 22% funded status over the next 70 years.

2060 – The year Main State System is projected to return to 100% funded status. PERS would be able to meet its benefit commitments if this contribution level was maintained for all DB members until the last member left active employment which is projected to be in about 2060.

Proposals that separately or together will diminish PERS Funded Status (exhaust the assets of the fund before 2041):

HB 1228 Close the Main System to new state employees and put new employees in a defined contribution plan with no increase in contributions to address the actuarial effect of the change.

HB 1228 and SB 2108 (as proposed) Close the Main System to new state employees and put new employees in a defined contribution plan with no increase in contributions. Also pass SB 2108 as proposed which would increase contributions over 4 years by 8%. Increase shared by employer and employee.

HB 1228 and SB 2108 (as amended) Close the Main System to new state employees and put new employees in a defined contribution plan with no increase in contributions. Also pass SB 2108 as amended which would increase contributions over 2 years by 4%. Increase shared by employer and employee.

2031 – The year the Main State System is projected to run out of assets. The effect of this proposal will cause the plan to run out of money 10 years earlier than if nothing is done.

2037 – The year the Main State System is projected to run out of assets. These proposals together will result in the plan running out of money 4 years earlier than if nothing is done. The increase in contributions in SB 2108 which extends the funded status of PERS above is offset by the additional cost of HB 1228 which is not funded in this scenario.

2033 – The year the Main State System is projected to run out of assets. These proposals together will result in the plan running out of money 8 years earlier than if nothing is done. The increase in contributions in SB 2108 which extends the funded status of PERS above is offset by the additional cost of HB 1228 which is not funded in this scenario.

Top 10 Health Myths

Sometimes it's hard to distinguish between health facts or persistent myths. Here are the facts behind 10 common health myths.

1. Follow the five-second rule.

Unfortunately, if you drop that delicious doughnut on the floor, you better not eat it – even if you pick it up within five seconds. Food can be contaminated almost immediately.

2. It's OK to double-dip.

The truth is that double-dipping will transfer bacteria from one eater's mouth to another, so you may want to guard your dips from double-dippers.

3. We only use 10 percent of our brains.

Not so. Strokes and head injuries have been debunking this one for ages. It takes much less than 90 percent brain damage to cause permanent, catastrophic harm. In fact, almost all of the brain is active at any given time.

4. Skinny is healthy. Believe it or not, being physically active is more important than being a certain weight. According to a study published in the Annals of Epidemiology, physically active people significantly reduced all-cause mortality – even if they were overweight or obese.

5. Feed a cold. Starve a fever. Your body naturally responds to a fever with a

diminished appetite, so there's no need to "starve" yourself. Good nutrition – especially healthy fluid intake – is important for fighting illness. And a cold is no excuse to binge on food.

6. Step into the cold with wet hair... and catch a cold.

The only way you can get a cold is through exposure to a virus. However, you may not feel comfortable with wet hair in the cold. And it's always good to encourage kids to wear a hat in the winter.

7. Eating before bed will make you gain weight. Your weight depends on the calories you take in and the energy you expend, according to the Mayo Clinic.

Continued on next page

Snacking before bed just adds more calories, which could make you gain weight.

8. Vegetarian diets are healthier. The key to healthy eating is to enjoy a variety of healthy foods. A vegetarian diet restricts certain foods – so it takes extra effort to get nutrients you'd get from meat and dairy. However, a vegetarian diet can be healthy, too. Just make sure you get everything you need.

9. Muscle turns to fat if you stop working out. If you stop working out, your muscles gradually shrink, but they won't turn to fat. If you continue to eat the same amount of calories when you decrease your physical activity, those extra calories could show up as fat.

10. You need eight glasses of water a day. There is no scientific evidence that eight glasses is the magic daily number. Your body also gets water from juice, coffee, milk and prepared foods. Drink when you're thirsty. Stay hydrated when you're sick, exercising, on long flights or out in hot weather.

– Information provided by
Blue Cross Blue Shield of North Dakota

2010 Comprehensive Annual Financial Report

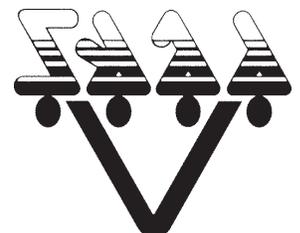
NDPERS prepares a Comprehensive Annual Financial Report as of June 30 of each year. This report contains detailed financial, investment, actuarial and statistical information for the plans administered by NDPERS. You can view, download or print the report from the NDPERS website at www.nd.gov/ndpers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

Mastectomy-related Services Are Covered

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

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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