

# Perspectives

FOR RETIRED  
MEMBERS  
OF THE  
NORTH DAKOTA  
PUBLIC  
EMPLOYEES  
RETIREMENT  
SYSTEM

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## ND PERS Retirement Plan Financial Update

### Background

The PERS office has had numerous inquiries about how the retirement plan is doing as a result of the recent downturn in the financial markets. This article is the first in a series of educational updates that will keep you informed of our situation. In this article we will review for the PERS system the market return for our fiscal year ending June 30, 2009, its effect on the plan, its implications and the steps we will take going forward.

### Investment Return

The State Investment Officer recently reported that the return for the PERS retirement plan for fiscal year ending June 30, 2009 was a negative 24.5%. The graph below shows this year's return and past years' actual return.

As you will note, PERS investments have generally been strong but this year's return is unlike any the plan has ever experienced.

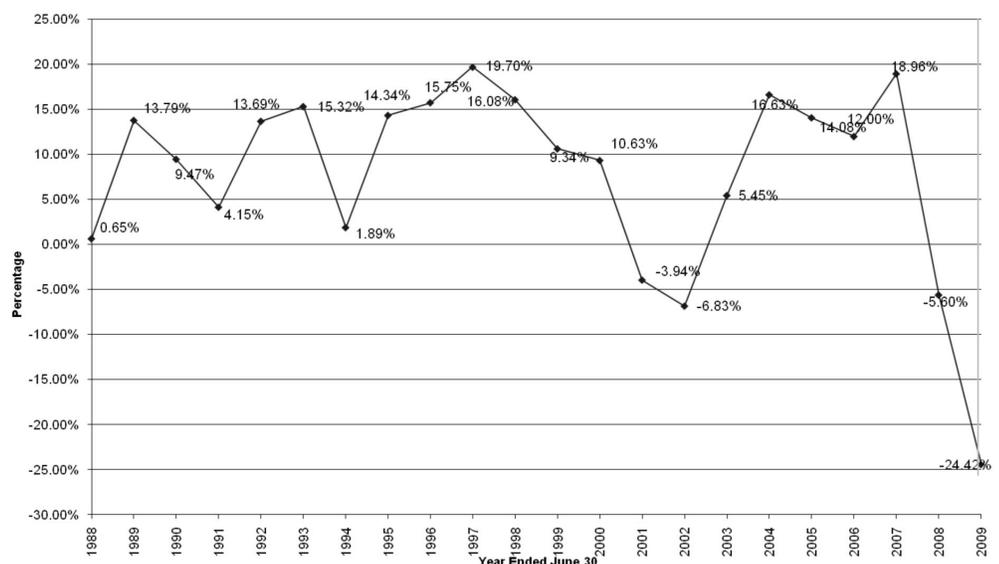
### Effect on the Plan

PERS has always had a strong funded position. Since the late 1980's our plan has always had a funded status of over 90% on both a market and actuarial value basis. Funded status refers to the amount of assets the plan has compared to the existing cost of the benefits earned. Market value is the actual value of assets at the end of the fiscal year. Actuarial value is calculated by recognizing 20% of a gain or loss in any one year with the remaining 80% recognized in 20% increments over the next four years. Actuarial value is used because it provides a more stable value for planning purposes.

The graph on page 2 shows our status over the past 10 years.

With this year's negative 24.5% return, you will see that for the 2009 fiscal year our funded status is projected to drop to 85% at actuarial value and to about 69% at market value. Even if our fund earned 8% every year over the next 4 years, our

*Continued on page 2*



actuarial funded status would continue to drop and would be approximately 60% at the end of that period.

### Implications for the Plan

Employer contributions to the PERS plan are 4.12% and employee contributions are 4%. Some employers have “picked-up” the 4% contributions but these are still considered employee contributions by the plan. Unlike most plans, our contribution has remained level and has not changed since 1989 when the employer contribution was decreased by 1% and allocated to start and fund the Retiree Health Insurance Credit (RHIC) program. PERS has been able to maintain a level contribution for both the employers and employees due to the strong investment returns during the 1980’s and 1990’s.

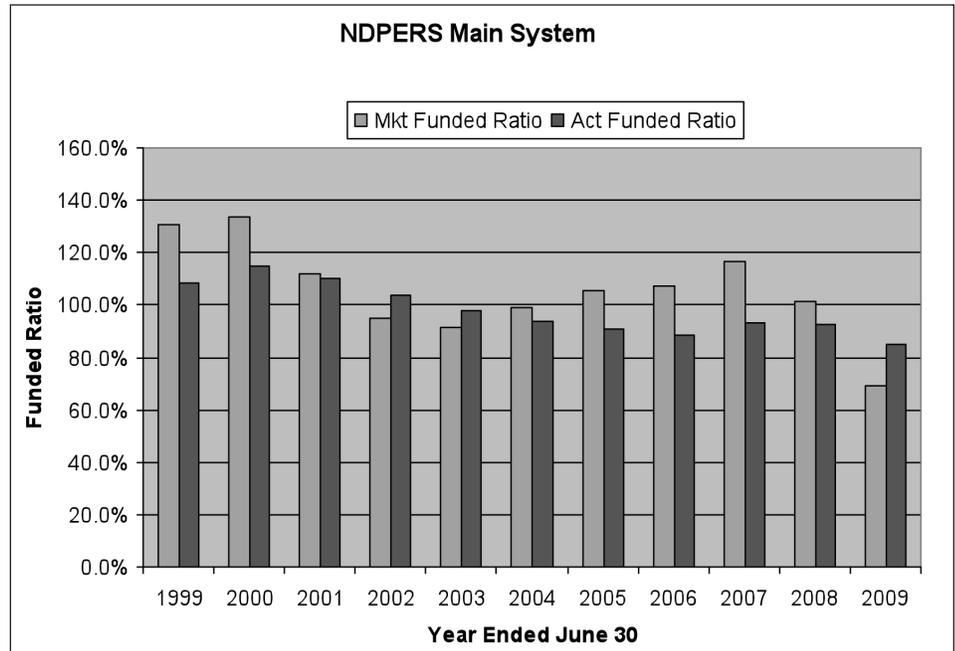
With the recent downturn in the markets and the dramatic drop this last year, we asked our actuary to estimate how much contributions would need to increase from the current 8.12% to fully fund the Plan in twenty years. These estimates assume that the assets will earn 8% every year going forward.

The table below shows the estimated projected contribution deficiency for 2009 to 2014 and what the total contributions should be in order to fully fund the Plan in twenty years. Based upon these projections, employer/employee contributions could increase by about 9% in the next 5 to 6 years. This would mean total contributions may need to change from the present rate of 8.12% to about 17%.

### Next Steps

As mentioned at the outset of this article, the above results are based upon our most recent actuarial report. The PERS Board has initiated a planning process to review

Year	Deficiency	Total Contribution
2009	3.62%	11.74%
2010	4.83%	12.95%
2011	6.15%	14.27%
2012	7.76%	15.88%
2013	8.94%	17.06%
2014	9.24%	17.36%



this in detail and it will be ongoing through February 2010. At that time the board will need to determine what actions to propose to the next legislative session and the Governor for consideration. Pursuant to legislative guidelines, PERS must submit its proposed legislation to the Legislative Employee Benefits Committee (LEBC) by March 31, 2010. This starts a process of consideration and a series of hearings by that committee. In addition, the committee asks the actuaries to prepare detailed reports on each bill which assess its technical and actuarial effect. The LEBC will conclude its work in November of 2010 and will add a report to the proposed legislation that will outline its findings. If the proposed bill is submitted at the next session, this report is attached for the Legislature’s consideration.

As the PERS Board moves forward it will:

1. Provide to you early next year in our newsletter information on proposals that are being considered to address the funding shortfall caused by the market’s recent downturn.
2. Send to you next spring a letter with information on all the legislation submitted.

In addition, the following will be available on our web site as indicated:

**December 2009** - webcast which will review the funding status of the plan in detail.

**February 2010** - webcast on the proposals that are under consideration.

**April 2010** - webcast on the proposed legislation. Copies of the proposed drafts will be available on our website.

## CIGNA Dental Plan Renewed

At its May meeting, the NDPERS Board approved renewal of the group dental contract with CIGNA. This plan is available to state agency and University System employees. The proposal was for a 7% across the board increase over the current premium rates. This increase is the result of high utilization of services and the effects of inflation. The following monthly premiums will apply January 1, 2010 through December 31, 2010:

Level of Coverage	Active
Active/Retiree Only	\$ 37.56
Active/Retiree & Spouse	\$ 72.50
Active/Retiree & Child(ren)	\$ 84.14
Family	\$119.08

## Seasonal Flu Vaccine and H1N1

We have had numerous inquiries about coverage for the seasonal flu and H1N1 vaccines. The novel H1N1 vaccine does not replace the seasonal flu vaccine.

The Center for Disease Control and Prevention's (CDC) recommends that the following groups are approved to get their vaccine as soon as it becomes available in their area:

- Pregnant women
- People who live with or provide care for infants younger than age 6 months of age.
- Health care and emergency medical services personnel
- People ages 6 months through 24 years
- People ages 25 through 64 years who have medical conditions that put them at higher risk for influenza-related complications.

### Coverage for active employees and non-Medicare retirees

You have coverage under your NDPERS health for both the seasonal flu and H1N1 vaccines as follows:

*Seasonal Flu Vaccine* – The administration and single dose of the vaccine is covered under your NDPERS benefit plan at 100% and the deductible is waived. If an office visit is billed, it will be subject to your office visit copay.

*H1N1 Vaccine (Swine Flu)* – The cost of H1N1 vaccine itself will be covered by the government for the approved groups. BCBSND will allow the administration of the vaccine to be processed under your NDPERS health plan. If the CDC determines this vaccine should be given for other populations,

and is not covered through a governmental entity, it will be covered under your NDPERS benefit plan at 100% and the deductible is waived. If an office visit is billed, it will be subject to your office visit copay.

For the least out-of pocket expense, consider receiving your immunizations through schools or community health centers who do not generally charge for an office visit. If you go to a clinic, ask if you can bypass an office visit and just be immunized.

### Coverage under Medicare Part B

Seasonal Flu Vaccine - Medicare Part B will pay 100% of the cost for a single dose of the seasonal flu vaccine and its administration.

*H1N1 Vaccine (Swine Flu)* – Medicare will cover administration of the H1N1 flu vaccine. Your doctor or healthcare provider can't charge you for the vaccine because they receive the vaccine for free. You pay nothing for the vaccine's administration if your doctor or health care provider accepts assignment. Assignment means that your doctor, provider, or supplier has signed an agreement with Medicare to accept the Medicare-approved amount as full payment for covered services. The Part B deductible and coinsurance do not apply to the H1N1 vaccine or its administration.

For more information, visit the CDC web site at <http://www.cdc.gov/h1n1flu/> or call 1-800-CDC-INFO (800-232-4636, TTY: (888) 232-6348, 24 hours a day, 7 days a week. For information regarding coverage or claims processing, please contact BCBS at (800) 223-1704.

## Retiree Annual Statements

Every year, NDPERS mails out an annual statement to all of our members who are receiving a monthly benefit check. In late December 2009 or early January 2010, you should receive your annual statement.

This year you will see a difference in how your social security number is listed on the annual statement. To protect the privacy of our members, we have listed your social security number to include only the last four digits as follows:

**xxx-xx- 0000**

In order to ensure that you receive your annual statement, please notify NDPERS of any change of address that may have occurred. You may complete the Notice of Change form available on our website at [www.nd.gov/ndpers](http://www.nd.gov/ndpers) under "Forms & Publications" for Defined Benefit Hybrid Plan. If you do not have internet access, please contact our office at 701-328-3900 or 1-800-803-7377 to request a Notice of Change form. If you do not receive your annual statement by January 31, 2010, please contact our office so that we can verify your address on file and send out a new annual statement.

## Redemption Center for MyHealthCenter Now Open Year Round!

BCBSND is excited to open the MyHealthCenter redemption center year round starting December 1st, 2009. This means members will no longer have to wait until the month of April to redeem points as previously communicated.

This will allow participating members to redeem MyHealthCenter points for great prizes at any time. By offering the opportunity to redeem points more frequently, BCBSND hopes to encourage increased utilization.

Remember, points must be redeemed in the same year as they were earned. If the earned points go unredeemed, they will not be carried over to the following year and will expire at midnight on December 31st. For example, points earned this year from inception of the program (July 1, 2009) must be redeemed by midnight December 31, 2009.

### AMERITAS Vision Plan Renewed

At its June meeting, the NDPERS Board approved renewal of the group vision contract with Ameritas. This plan is available to state agency and University System employees. Due to the favorable experience of the plan, they proposed an increase in the annual eye exam benefit from \$40 to \$45 with no increase in the premium rates.

## No Increase for Medicare Eligible Participants

If you participate in the NDPERS MedicareBlue Rx Prescription Drug Plan (Part D), you know the plan is renewed annually and the premium increases for this plan occur on January 1.

The NDPERS Board recently reviewed the proposal for the annual renewal of the MedicareBlue Rx prescription drug plan at its September meeting for the 2010 calendar year. The renewal proposed no increase in the premiums for Part D prescription drug coverage. The Board approved renewal of the contract. Therefore, there will be no increase to your current monthly premium on January 1, 2010.

## 2010 Mailing Schedule

NDPERS mails your retirement benefit check the first working day of each month. Check mail dates for 2010 are:

January 4th	July 1st
February 1st	August 2nd
March 1st	September 1st
April 1st	October 1st
May 3rd	November 1st
June 1st	December 1st

If you do not receive your annuity check by the 10th of the month, please report the missing check to the NDPERS Retirement Accountant by calling 701-328-3900 or 1-800-803-7377 if outside the Bismarck-Mandan calling area. A "stop payment" order will be placed on the check and a new one will be issued after the 10th.

To avoid delays or lost checks, we encourage you to sign up for direct deposit. This is a safe and secure option that ensures your check is deposited electronically to your bank account each month. The form for application of this service is available from our web site at [www.nd.gov/ndpers](http://www.nd.gov/ndpers) under "Forms & Publications" for Defined Benefit Hybrid Plan. If you do not have internet access, please contact our office at the phone numbers referenced above.

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