



PERS Update

Legislative Employee Benefits
Committee
Oct, 2012



***PERS Proposed
Legislation-
Submitted to
Legislative
Employee
Benefits
Committee for
the 2013
Legislative
Session***

- **Health Plan**
- **Pre-Medicare Retiree Health plan and Retiree Health Credit**
- **Retirement**
- **Administrative Bill**



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• ***Health Plan***

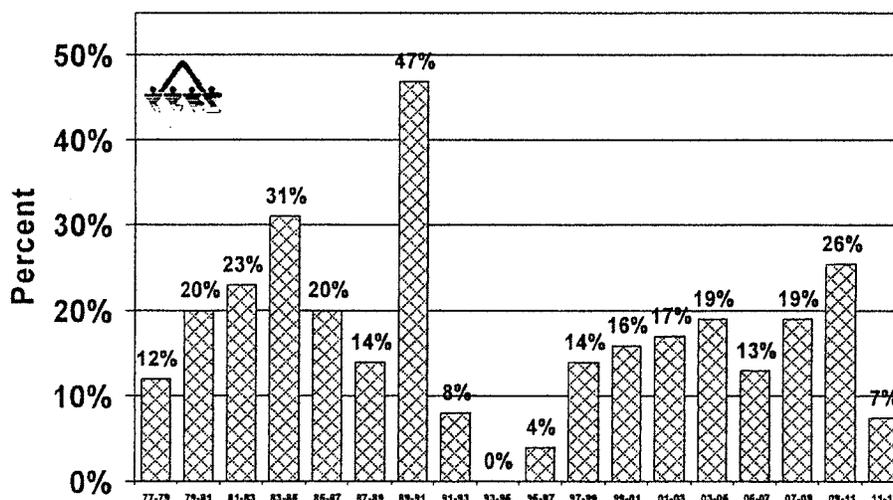
• **Pre-Medicare Retiree Health plan and Retiree Health Credit**

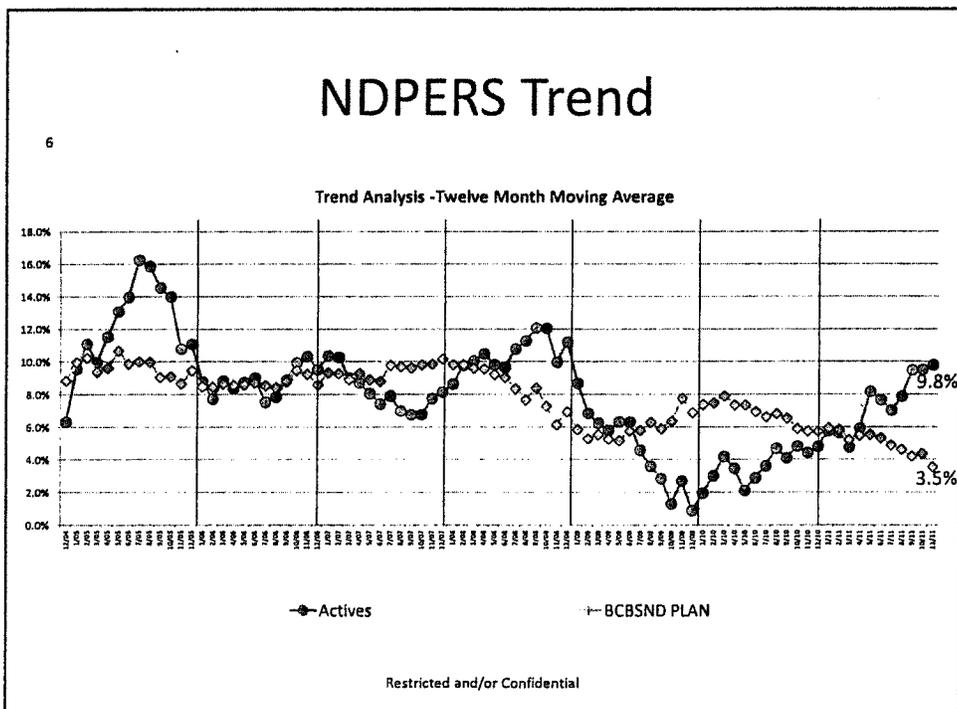
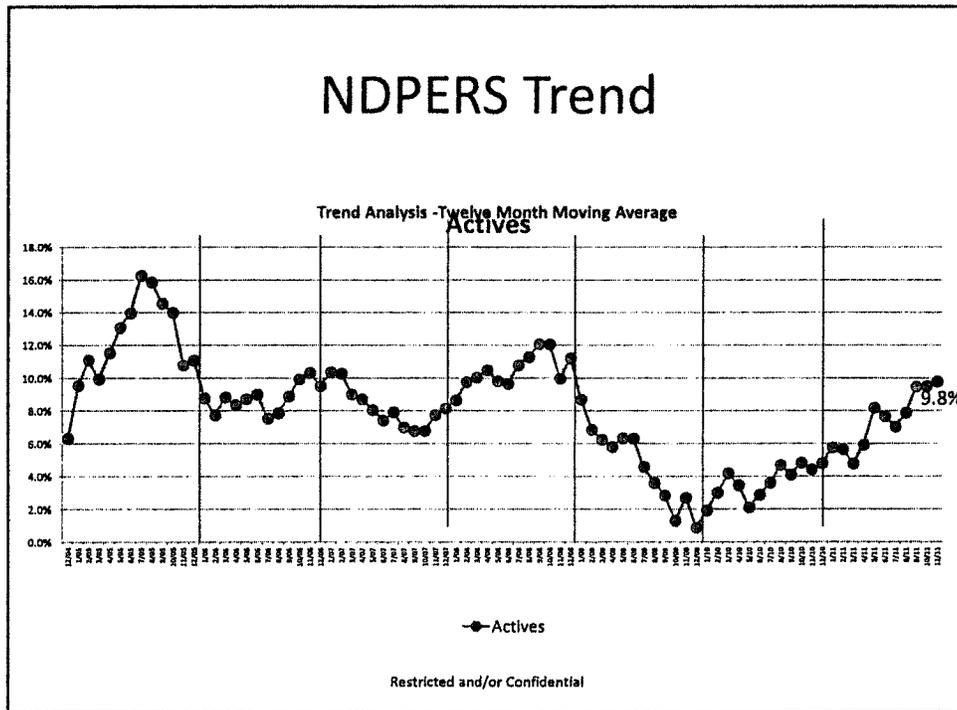
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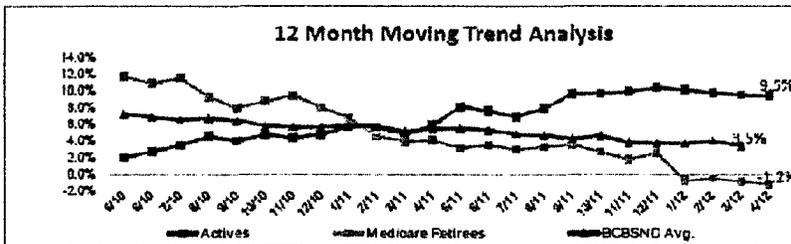
• **Administrative Bill**

State Health Premium Percentage Increase
From Previous Biennium

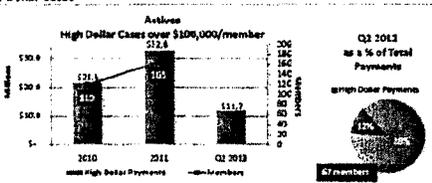
(Excludes Plan Design Changes)







HIGH DOLLAR CASES



Incurred Month	Twelve Month Moving Average		Annual Trend	
	Est Incurred Active	Med/Contract Retirees	Active	Med/Retirees
6/10	662.83	169.01	2.0%	11.0%
7/10	666.56	166.18	3.6%	11.7%
8/10	671.24	166.92	4.7%	12.4%
9/10	671.36	165.50	4.1%	12.0%
10/10	673.90	164.30	4.8%	12.8%
11/10	676.47	164.00	4.4%	12.6%
12/10	679.11	167.05	3.5%	13.1%
1/11	686.49	170.92	3.8%	13.9%
2/11	690.78	170.81	5.7%	14.6%
3/11	692.21	170.66	4.9%	14.0%
4/11	698.18	170.94	6.0%	14.7%
5/11	708.82	170.21	8.2%	15.2%
6/11	711.69	171.57	7.7%	14.9%
7/11	713.27	171.31	7.1%	14.6%
8/11	725.80	171.59	8.0%	15.4%
9/11	736.42	171.51	9.7%	16.1%
10/11	739.76	170.82	9.8%	16.2%
11/11	744.49	171.68	10.0%	16.4%
12/11	751.95	171.57	10.5%	16.9%
1/12	756.42	169.74	10.2%	16.6%
2/12	758.47	170.09	9.8%	16.4%
3/12	748.45	169.24	9.6%	16.2%
4/12	764.33	168.96	9.5%	16.1%

2009-13 Premiums

2009-11 Premium

2011-13 Premium

\$825.66

\$886.62

2013-15 Premiums

BCBS Premium

Sanford Premium

\$1001.72
\$1112.62

9

Active State Renewal Rate

NDPERS 2011- 2013 Allocation and 2013-2015 Projection	NDPERS 2013-2015 Planning Projections			
	BCBS	7% Trend	10% Trend	Sanford
2009-2011 rate	\$825.66	\$825.66	\$825.66	\$825.66
2011-2013 rate	\$886.62	\$886.62	\$886.62	\$886.62
2011-2013 % increase	7.4%	7.4%	7.4%	7.4%
Projected 2013-2015 rate	\$1001.72	\$1015.09	\$1072.81	\$1112.62
2013-2015 \$ increase	\$115.10	\$128.47	\$186.19	\$226.00
2013-2015 % increase	12.98%	14.50%	21.00%	25.48%
Total State additional funds*	\$31,768,000	\$35,458,000	\$51,388,000	\$62,376,000
Total additional general funds**	\$19,061,000	\$21,275,000	\$30,833,000	\$37,426,000

* - For biennium assuming 11,500 State FTE's
 ** - Assumed to be 60% of total funds

10

OPTIONS

Plan Design
Reserves

Plan Design

Other adjustments may occur to reduce the rate of increase

- Deductible
- Coinsurance
- Co-payments
- Rx

Draft-Estimates are subject to change and are illustrative only

NDPERS PPO Health Plan Design Cost Shifts
Maximum changes allowed to retain Grandfathered Status

	\$1,027.26 BCBS State Premium		
	Estimated % Change	Avg Monthly Cost Shift	Annual Shift
<u>Annual Premium Reductions to change deductible:</u> from \$400 single/\$1200 family to \$450 single/\$1350 family	0.7%	\$7.19	\$86.29
<u>Annual Premium Reductions to change coinsurance maximum:</u> from 75%/1500 to 90%/1800 IN and 1250/2500 to 1500/3000 OOW	0.6%	\$6.16	\$73.96
<u>Annual Premium Reduction for a \$5 increase in office visit copay:</u>	0.5%	\$5.14	\$61.64
<u>Annual Premium Reduction for a \$10 increase in emergency room copay:</u>	0.05%	\$0.51	\$ 6.16
<u>Annual Premium Reductions to change RX Formulary Generic copay:</u> from \$5 copay to \$10 copay	0.8%	\$8.22	\$98.62
<u>Annual Premium Reductions to change RX Formulary Brand copay:</u> from \$20 copay to \$25 copay	0.3%	\$3.08	\$36.98
<u>Annual Premium Reductions to change RX Non-Formulary copay:</u> from \$25 copay to \$30 copay	0.08%	\$0.82	\$ 9.86
<u>Annual Premium Reductions to change RX Formulary coinsurance maximum:</u> from \$1000 to \$1200	0.05%	\$0.51	\$ 6.16
Total of all changes shown above:	3.08%	\$31.64	\$379.68

13

Plan Design Options - Grandfathered Status	Est. Monthly State Premium	Est. Monthly Cost Shift	Est. Annual Cost Shift	Est. Annual % Change
Cost Sharing				
Single Deductible	\$400	\$450	\$50	12.5%
Family Deductible	\$1,200	\$1,350	\$150	12.5%
Single Coinsurance/Max	80%/750	90%/900	\$150	20.0%
Family Coinsurance/Max	80%/1,500	90%/1,800	\$300	20.0%
Office call copayment	\$25	\$30	\$5	20.0%
Emergency Rm copayment	\$50	\$60	\$10	20.0%
RX:				
Formulary				
Generic	\$5/\$85	\$10/\$85	\$5	10.0%
Brand	\$20/\$75	\$25/\$75	\$5	25.0%
Co Insurance Max	\$1,000	\$1,200	\$200	20.0%
Nonformulary				
Office visit	\$5	\$10	\$5	100.0%
Emergency room	\$50	\$60	\$10	20.0%
Summary				
5886.62 Monthly State Premium				
Plan Total Premium Income (\$1.02726)	\$12,986.12	\$13,365.80	\$379.68	2.9%
Premium Cost Shift	\$0.00	\$31.64	\$31.64	
Annual cost shift to OOP	\$0.00	\$31.64	\$31.64	
Annual member out of pocket (OOP) avg	\$1,864.00 (\$0.00)	\$1,948.12 (\$84.12)	\$84.12	4.5%
Avg annual % of pay (\$48,888)	3.81%	3.99%	0.18%	4.7%
Total Annual Premium Income (\$1.02726)	\$12,986.12	\$13,365.80	\$379.68	2.9%
Total Annual State Premium (millions)	\$12,986.12	\$13,365.80	\$379.68	2.9%

Fiscal Year

NDPERS Active Health Insurance Out-Of-Pocket
July-June Fiscal Year ending:

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Active Contracts	16,565	17,253	17,632	17,573	17,889	18,114	18,303	18,791	19,116	19,492
Deductibles	\$2,307,596	\$1,789,727	\$1,967,859	\$5,765,933	\$5,080,986	\$4,859,625	\$5,006,043	\$8,968,213	\$8,092,001	\$10,317,409
Coinsurance	\$6,427,972	\$7,340,161	\$8,424,109	\$9,315,964	\$11,044,560	\$11,358,692	\$11,932,003	\$10,710,173	\$11,179,053	\$12,705,154
RX Sanctions	\$0	\$0	\$0	\$795,964	\$0	\$0	\$0	\$1,469,334	\$1,791,889	\$2,099,048
Copayments	\$5,188,715	\$8,445,132	\$8,768,553	\$7,456,340	\$7,533,643	\$7,546,375	\$7,686,951	\$9,334,245	\$9,190,399	\$11,422,874
TOTAL	\$13,924,283	\$17,575,020	\$19,160,521	\$23,334,201	\$23,659,189	\$23,764,692	\$24,624,997	\$30,481,965	\$30,253,342	\$36,544,483
Per Contract	\$841	\$1,019	\$1,087	\$1,328	\$1,323	\$1,312	\$1,345	\$1,622	\$1,583	\$1,875

Calendar Year

NDPERS Active Health Insurance Out-Of-Pocket
Jan-Dec Calendar Year ending:

	2009	2010	2011
Active Contracts	19,317	19,728	20,016
Deductibles	\$9,290,919	\$9,816,469	\$10,073,095
Coinsurance	\$11,832,668	\$12,712,265	\$13,059,708
Sanctions	\$2,138,358	\$2,414,573	\$2,471,455
Copayments	\$10,295,041	\$11,464,880	\$11,696,304
TOTAL	\$33,556,986	\$36,408,187	\$37,300,562
Per Contract	\$1,737	\$1,846	\$1,864

<h2 style="text-align: center;">Reserves</h2>	<ul style="list-style-type: none"> • NDPERS Health Plan total premium buydown based on BCBS proposal of \$533,454,000 for 2013-2015.
<p><i>•Should reserves be allocated to buy down 2013-15 premiums</i></p>	<ul style="list-style-type: none"> • 1% premium buydown for 24 months: \$ 5.3 million • 2% premium buydown for 24 months: \$10.6 million • 3% premium buydown for 24 months: \$15.9 million • 4% premium buydown for 24 months: \$21.2 million • 5% premium buydown for 24 months: \$26.5 million • 6% premium buydown for 24 months: \$31.8 million • 7% premium buydown for 24 months: \$37.1 million • 8% premium buydown for 24 months: \$42.4 million

Final Premium

- Trend
- Benefit Adjustments
 - Grandfathered or not
 - Plan Design (Deductible, Co-insurance, Copayments, Rx)
- Reserve

18

Final Premiums

Factor	Implication		
Trend	12.98%	12.98%	12.98%
Plan Design	0	-1.85%	-2.28%
Reserve	-4.00%	-3.25%	-2.00%
Total	8.98	7.88%	-8.70%

Considerations:

2013-2015

- Upcoming Bid
- Plan Design Implications
 - Keep Grandfathered Status or not
 - Alternatives
- Reserves

<p>Shared Responsibility Rules</p>	<ul style="list-style-type: none"> • "Eligible Employees" include – <ul style="list-style-type: none"> – "permanent employees," defined as employees "whose services are not limited in duration, who is filling an approved and regularly funded position in a governmental unit, and who is employed at least seventeen and one-half hours per week and at least five months each year or for those first employed after August 1, 2003, is employed at least twenty hours per week and at least twenty weeks each year of employment", and – Members of the legislative assembly, judges of the supreme court, paid members of state or political subdivision boards, commissions, or associations, full-time employees of political subdivisions, certain elective state officers, and disabled permanent employees who are receiving compensation from the North Dakota workforce safety and insurance fund. • "Temporary Employees" who satisfy the following criteria – <ul style="list-style-type: none"> – If employed before August 1, 2007, by completing the necessary enrollment forms and qualifying under the medical underwriting requirements, or – If employed on or after August 1, 2007, if employed at least 20 hours per week and at least 20 weeks per year.
<p>The Affordable Care Act's Shared Responsibility rules, effective beginning on January 1, 2014, will impose potential penalties on "applicable large employers" that –</p> <ol style="list-style-type: none"> 1. fail to offer "minimum essential coverage" to "full-time employees" and their dependents ("No Coverage"), or 2. offer "minimum essential coverage" to full-time employees and their dependents, but the coverage does not meet certain minimum value and affordability thresholds ("Inadequate Coverage"). <p>For purposes of the Shared Responsibility rules, a "full-time employee" for any month is anyone who is employed on average at least 30 hours of service per week during that month.</p>	<p>21</p>

<p>Considerations:</p>	<p>Plan Design</p> <ul style="list-style-type: none"> – Grandfathered Status – Benefits <ul style="list-style-type: none"> • Wellness • Birth Control
<p>Plan Design</p> <ul style="list-style-type: none"> PPO/Basis HDHP/HSA 	<p><i>State PPO/Basis is Grandfathered HDHP/HSA is not Grandfathered</i></p> <p>22</p>

Birth Control

Cost to add will be about \$8.38 per contract per month

ACH requires this benefit to be added to all non-grandfathered plan with plan years starting after Sept 2012.

23

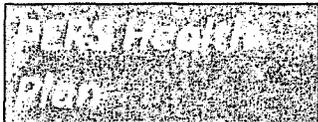
Grandfathered vs Non-Grandfathered status

- Additional benefits for non grandfathered Plan
- Cost for additional benefits about 1.5%
- For state that would be approximately an additional \$13.30 per month per contract or about \$175,000 more per month or \$4.1 million for the biennium
- HDHP has benefits

• Grandfathered status or not?

- PERS will bid the plan for both Grandfathered and Non-Grandfathered
- Like PERS Political Subdivisions state can elect plan which plan for PPO/Basic

24



Considerations:

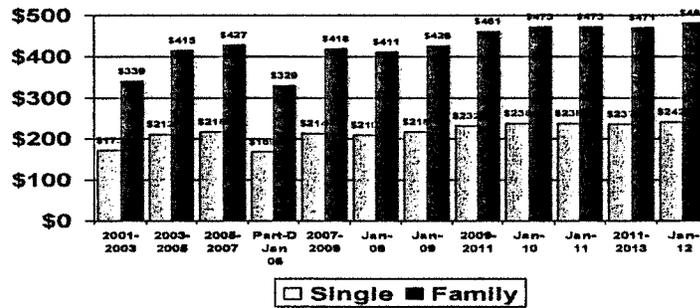
Plan Design

- Plan Design
 - Other Benefits
 - Alternative Plan Designs
 - Birth Control

MEDICARE PREMIUMS – PART D



NDPERS Medicare Premiums



Enrollment on 7/31/2012	2012		2013		Rate Change
	Monthly Premium	Annual Income	Monthly Premium	Annual Income	
7,436	\$74.90	\$5,683,477	\$57.20	\$5,104,070	-23.6%

The single plan premium will go down by \$17.70 a month and the family plan premium will go down by \$35.38 per month.



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29



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30



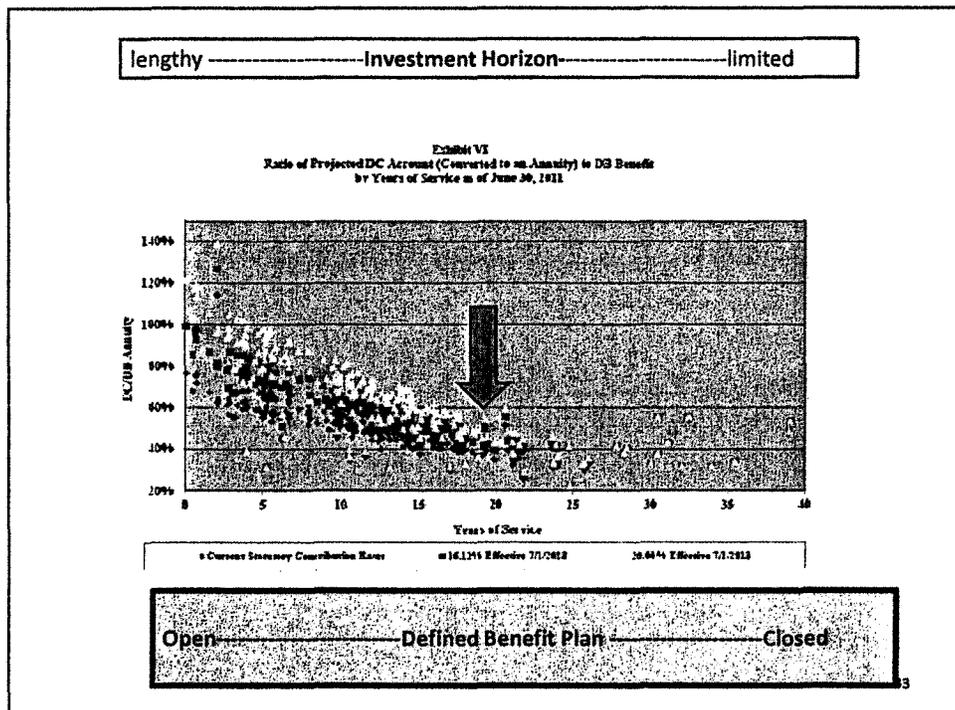
Retirement Plan



31

Job Service Retirement Plan

- Different since the plan is closed – no new members
- Number of active members is diminishing
- A fixed investment horizon instead of one that goes to perpetuity – less recovery time should a negative event occur
- For investment purposes is starting to look like a DC plan



Current Characteristics and Potential De-Risking Impacts

Current Characteristics

- The plan is 126% funded based on the 7/1/2011 valuation
 - Market Value Assets = \$85.7M MVA / L = 125.7%
 - Actuarial Value of Assets = \$74.2M AVA / L = 108.8%
 - Liability = \$68.2M
- 240 total participants (23 active, 217 inactive), no contribution required since 1999

Potential de-risking impact

- The plan's asset allocation policy would have less equity and more fixed income
 - Instead of the current 40% equity, 60% fixed income mix, a de-risked portfolio may have 20% equity with 80% fixed income (invested in a liability-matching portfolio)
- An assumed rate of return closer to 5% would be consistent with a de-risked portfolio, vs. the current 7.5% rate
 - This change causes the funded ratio to fall, perhaps by as much as 10-15% (based on liability duration)
- A top-up contribution *may* be required to maintain fully funded status
 - Future contributions, if any, would be far more predictable given low surplus risk

Defined Contribution Programs

- Defined Contribution and Companion Plan Provider
 - Completed a competitive bid process (8 proposals)
 - Selected a new vendor
 - Lower administrative fees for members
 - Revenue sharing
 - Greater fund selection in mutual fund window
 - 280 days of on site counseling vs 21
- All implementation efforts complete

35

OTHER PERS EFFORTS



36

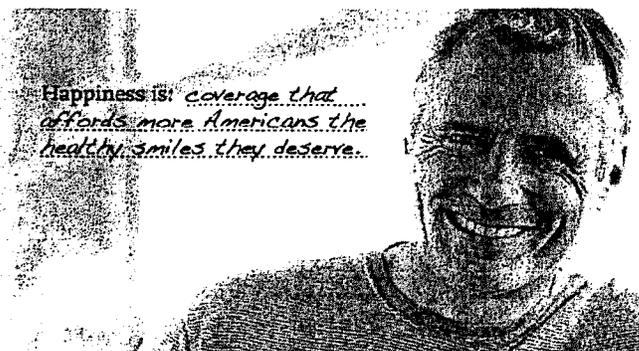
Dental Program

- Dental Plan
 - Completed a competitive bid process (over 10 bidders)
 - Selected a new vendor
 - 7% reduction in rates
 - Addition of an optional network for member use (60% of claims already go through the new network)
 - No High Charges

37

New Dental Carrier – Jan 1

- Delta Dental
 - Lower Premiums (7%)
 - Network Options (61%)



38

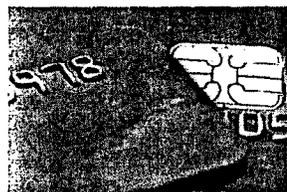
Flex Program

- Flex Program
 - Health Care Reform
 - Capped Med Account a \$2,500 previously \$6,000
 - Changing Business Method – Making it easier to participate – increase small accounts
 - Moving from PeopleSoft to ADP
 - Completed a competitive bid process (12 bidders)
 - Adding new services for members

39

New Flex Claims Processing System

- Traditional method
- On line claims processing
- Debit cards
- Mobile applications
- Auto Adjudication?

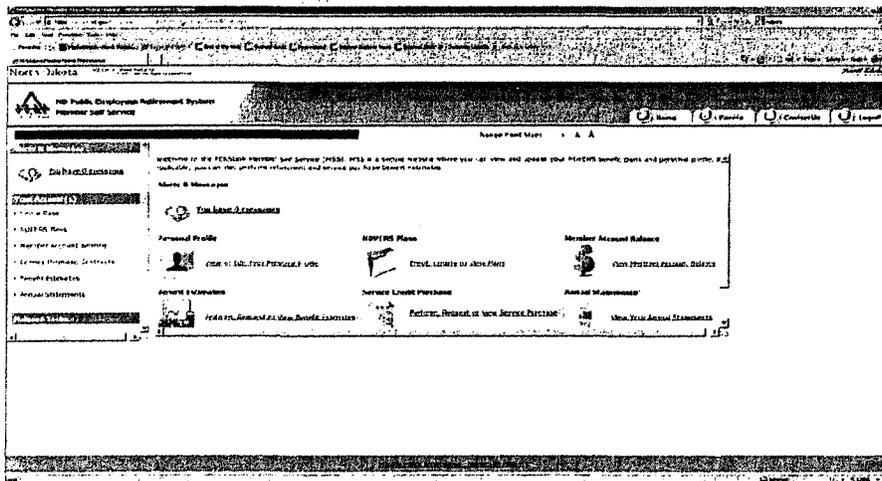


40



PERSLINK

41



42

MSS Functionality-Active Members

- View
 - Demographics
 - Benefit Plan Enrollments including
 - Member Account Balance
 - Levels of Coverage
 - Dependents
 - Retirement & Life Beneficiaries
 - Annual Statements
 - Service Purchase Contracts

MSS Functionality-Active Members

- Perform Retirement Benefit Projections
 - Includes:
 - Ability to forecast salary increases
 - Service purchases cost & affect
 - Deductions (Insurances, Income Tax)
- Perform Service Purchase Projections
 - Includes:
 - Cost Calculations
 - Installment Payment Schedules

MSS Functionality-Active Members

- Update Demographic details
- Enroll in eligible benefit plans
 - Update to enrolled plans
- Report a Death
- Request an Appointment
- Submit On-line Question
- View & Enroll in Upcoming Seminars