

Defined Contribution Retirement Plan



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DC Plan Authorities

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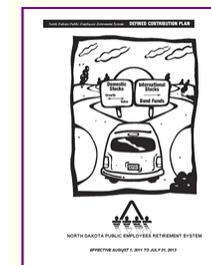
North Dakota Century Code

- NDCC 54-52.6
 - Administration of the plan
 - Plan Investment options
 - Fiduciary
 - Trustee
 - Contract with vendors
 - Confidentiality of Information
 - Enrollment
 - Retiree Health
 - Transfer of Funds
 - QDRO's
 - Appeals

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Plan Document

- Participation
- Contributions
- Vesting
- Distribution Rules
- Refunds/Rollovers
- Disability
- USERRA



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Investment Policies

STATE OF NORTH DAKOTA
DEFINED CONTRIBUTION
PROGRAM

PUBLIC EMPLOYEES
RETIREMENT SYSTEM

Statement of Investment Policy

- Objectives
- Selection of Investment Options
- Investment Categories
- Reporting and Enrollment
- Investment fund evaluation
- Fund Review
- Closing Funds
- Benchmarks

Board Subcommittee meets quarterly to fulfill these responsibilities

North Dakota Administrative Code

NDAC 71-08

Chapter

71-08-01	Election and Transfer
71-08-02	Membership in Defined Contribution Retirement Plan
71-08-03	Disability
71-08-04	Qualified Domestic Relations Orders
71-08-05	Review Procedure
71-08-06	Uniformed Services Employment and Reemployment Rights Act
71-08-07	Additional Contributions
71-08-08	Temporary Employee Participation
71-08-09	Return to Service - Retired Member

Program Process

Defined Contribution Plan

- Voluntary Plan for non-classified state employees adopted January 1, 2000
- Plan was expanded and effective October 1, 2013 through July 31, 2017, is now available on an optional basis to all state employees.
- As of August 1, 2017, the plan will once again only be available to non-classified state employees

Eligible Employee

- A permanent state employee, except a ND Highway Patrolmen, filling a permanent position that is regularly funded and not of limited duration,
- Works at least 20 hours per week for 20 or more weeks of the year, and
- Is at least 18 years of age.

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Election to Participate

- NDPERS provides an individualized benefit comparison of the two plans
- Eligible employee must make a written election and file it within 6 months of eligibility to join the plan
- Election made by an eligible employee is irrevocable
- If no election is made and filed at NDPERS within 6-month window, then the employee will be a member of the Defined Benefit Plan

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Election Process

- First letter – Invitation to join DC plan
 - Hypothetical Comparison
 - Investment information
 - Plan Highlights/Comparison
 - Choosing Investments
- Second letter – Reminder sent about 120 days after first letter.

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Participation

- Once elected, the participant remains in this plan regardless of whether they transfer to a non-eligible employer
- Once elected, the participant will direct the investment allocation of their account with the Trust Company
- If participant becomes a temporary employee, can continue DC participation at own expense

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Contributions

Employee Contribution
7%

Employer Contribution
7.12%

**Employer Health
Credit Contribution**
1.14%

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Contribution History

- Initially 8.12%
- In 2012 went to 10.12%
- In 2013 went to 12.12%
- In 2014 went to 14.12%
- Proposed by PERS to go to 16.12%

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Employer Contribution Vesting Schedule

<u>Service Credit</u>	<u>% Vested</u>
Less than 2 years	0%
2 years	50%
3 years	75%
4 years	100%

- Also vest 100% in employer contribution upon attaining age 65 as an active employee



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Distributable Events

- Termination of Employment
- Death
- Disability
- Required Beginning Date - Minimum Distribution at Age 70 1/2 (only if terminated)

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Benefits at Termination

Member Account Balance Options:

- Lump Sum Refund
 - 20% federal tax withholding
 - 10% penalty for early withdrawal
- Direct Rollover
 - All or a portion of member's account
 - Avoid tax & early withdrawal penalties
- Combination rollover/refund



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Member Account Balance Options

- Leave Money Intact/Deferred Benefit
 - May apply for periodic distributions at a later date
 - May take a refund/rollover at a later date
- Periodic Payments upon Retirement



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Retiree Health Insurance Credit (RHIC)

- Retirees of Defined Benefit & Defined Contribution Plans are eligible for RHIC
- \$5.00 for Every Year of Service Credit
- Reduced for Early Retirement
- Applies only to the NDPERS Group Health Insurance Plan
- Options for married members
 - ❖ 50% Joint & Survivor
 - ❖ 100% Joint & Survivor

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Present DC Plan Vendor

TIAA-CREF

- Primary Responsibilities
 - Recordkeeping
 - Investments
 - Education
- Fee is 23 basis points –paid from investment fees –
Get about 28 basis points difference is paid to member

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Selection Process

- Bid (last bid in 2011)
 - Was Fidelity moved to TIAA-CREF in Nov of 2011
 - Bidders
 - AXA
 - Fidelity
 - Great West
 - Hartford
 - ICMA
 - MetLife
 - TIAA- CREF
 - Valic

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Selection Process

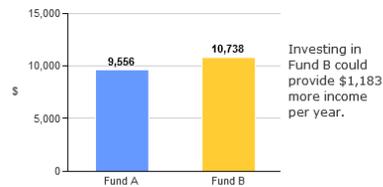
- Four were interviewed
 - TIAA/CREF selection
 - 23 basis points & most education
 - 30 basis points & \$8/\$25

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Importance of fees

Use the following interactive example to see how lowering your investment costs can help increase the amount of money you have available to spend each year in retirement.

Impact of costs on annual withdrawals



Starting balance	\$ 200,000
Fund A expense ratio	1.5 % (Up to 10%)
Fund B expense ratio	0.60 % (Up to 10%)
Annual return	8 %
Time you expect to spend in retirement	30 years

Vanguard

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Selection Process

- Organization/History/References
- Client Services/Recordkeeping
- Communication and Education
- Participant Services (Website, call center, etc.)
- Investment options
- Cost Structure

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2013 Metrics

Field Consulting Group Activity Results – Summary of 2013:

Days of individual financial consulting available to NDPERS members:

Total days of individual meetings YTD: 227

Number of days at NDPERS sites YTD: 64

Number of days at other ND sites YTD: 163

Group Presentations Delivered:

NDPERS on-site presentations YTD: 3

North Dakota State Staff Senate 2/13/13

Job Service 3/28/13

NDPERS Payroll Conference 6/12/13

NDPERS Pre-retiree Workshops YTD: 4

Bismarck Pre-Retirement Workshop 5/22/13

Grafton Pre-Retirement Workshop 7/11/13

Minot Pre-Retirement Workshop 9/18/13

Lake Region State College Pre-Retirement Workshop 10/23/13

Individual Meeting Survey Results: 93.3% overall Distinctiveness

Measured Survey Results for 2014

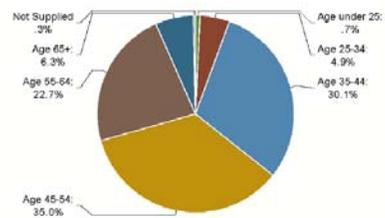
- "How strongly do you agree or disagree that your TIAA-CREF consultant put your interests first?" = 97.7% Agree or Strongly Agree
- "Please rate your TIAA-CREF consultant on some other specific characteristics."
 1. Providing quality advice = 93.8% Agree or Strongly Agree
 2. Understanding your needs and goals = 92.5% Agree or Strongly Agree
 3. Having the expertise required to handle your financial needs = 94.3% Agree or Strongly Agree
 4. Anticipating additional financial issues and bringing them to your attention = 88.4% Agree or Strongly Agree

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Plan Overview

Demographics

Under 25:	2
25 to 34:	14
35 to 44:	86
45 to 54:	100
55 to 64:	65
65 and over:	18
Not Supplied:	1
Average Age*:	49

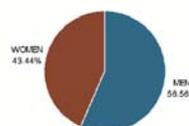
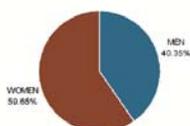


Demographics/Assets

PARTICIPANT DEMOGRAPHICS

PARTICIPANT COUNTS AND ASSETS - ACTIVE*, BY GENDER AND AGE

Counts			Assets			
	Women	Men	Total	Women	Men	Total
Under 25:	2	0	2	\$13,768	\$0	\$13,768
25 to 34:	4	7	11	\$78,740	\$209,536	\$288,285
35 to 44:	53	19	72	\$4,088,935	\$1,666,655	\$5,755,590
45 to 54:	52	30	82	\$5,092,067	\$4,726,124	\$9,818,191
55 to 64:	19	32	51	\$1,964,031	\$7,418,121	\$9,382,152
65 and over:	6	4	10	\$744,046	\$1,581,729	\$2,325,775
Total Active Participants:			228			\$27,583,762



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NDPERS Retirement Plans' Investment Menu

Investment Options Tier 1 (Target Date Funds)	
Asset Class	Fund
Retirement Income	TIAA-CREF Lifecycle Ret Inc
Target Date	TIAA-CREF Lifecycle 2010
Target Date	TIAA-CREF Lifecycle 2015
Target Date	TIAA-CREF Lifecycle 2020
Target Date	TIAA-CREF Lifecycle 2025
Target Date	TIAA-CREF Lifecycle 2030
Target Date	TIAA-CREF Lifecycle 2035
Target Date	TIAA-CREF Lifecycle 2040
Target Date	TIAA-CREF Lifecycle 2045
Target Date	TIAA-CREF Lifecycle 2050
Target Date	TIAA-CREF Lifecycle 2055

Investment Options Tier 2 (Core Index Funds)	
Asset Class	Fund
Mid-Cap Blend	Columbia Mid Cap Index A
Large Blend	Vanguard 500 Index Signal
Foreign Large Blend	Vanguard Total Intl Stock Index Inv

Investment Options Tier 3 (Core Active Funds)	
Asset Class	Fund
Inflation-Protected Bond	PIMCO Real Return Admin
Intermediate-Term Bond	PIMCO Total Return Admin
Large Growth	Franklin Growth Adv
Moderate Allocation	T. Rowe Price Capital Appreciation Adv
High Yield Bond	Prudential High-Yield Z
Large Growth	Wells Fargo Advantage Growth Adm
Mid-Cap Blend	ASTON/Fairpointe Mid Cap I
Large Value	Hartford Dividend & Growth R5
Large Blend	Vanguard Dividend Growth
Mid-Cap Growth	Prudential Jennison Mid Cap Growth Z
Large Value	T. Rowe Price Equity Income
Mid-Cap Value	RidgeWorth Mid-Cap Value Equity I
Small Growth	Brown Capital Mgmt Small Co Inv
Real Estate	Cohen & Steers Realty Shares
World Stock	Mutual Global Discovery Z
Diversified Emerging Mkts	Oppenheimer Developing Markets Y
Small Blend	Parnassus Small-Cap
Small Value	Allianz NFJ Small Cap Value Admin
World Bond	Templeton Global Bond Adv

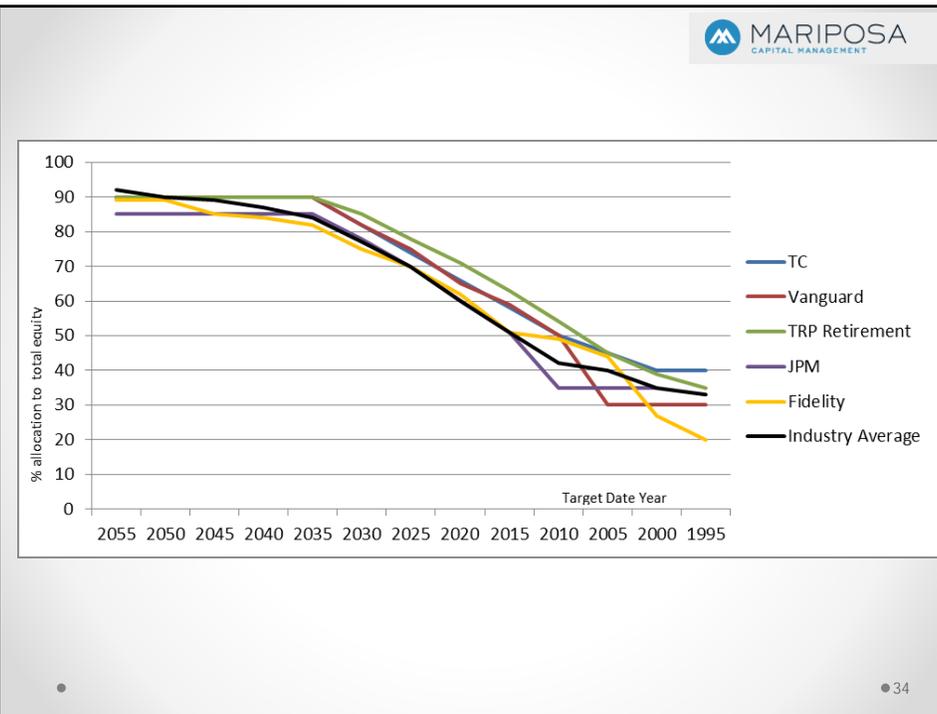
Investing involves risk, including possible loss of principal.

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NDPERS 401(a) Defined Contribution Plan & 457 Companion Plan - TIAA-CREF

	Hartford Dividend & Growth T.Rowe Price Equity Income	Vanguard 500 Index Signal Vanguard Dividend Growth	Franklin Growth Adv Wells Fargo Adv Growth Adm	LARGE
	RidgeWorth Mid Cap Value Equity I	ASTON/Fairpointe Mid Cap I Columbia Mid Cap Index A	Prudential Jennison Mid Cap Growth Z	
				MEDIUM
	Allianz NFJ Small Cap Value	Parnassus Small Cap	Brown Capital Mgmt Small Co Inv	SMALL
	VALUE	BLEND	GROWTH	
BALANCED FUND:	T.Rowe Price Capital Appreciation			
INCOME FUNDS:	Wells Fargo Stable Value Fund J	Vanguard Prime Money Market		
BOND FUNDS:	PIMCO Total Return Bond Fund	Prudential High Yield Z		
	PIMCO Real Return Admin Bond Fund	Templeton Global Bond		
REAL ESTATE:	Cohen & Steers Realty Shares			
INTERNATIONAL FUNDS:	Mutual Global Discovery Z	Vanguard Total Intl Stock Index	Oppenheimer Developing Markets Y	
LIFESTYLE FUNDS:	TIAA-CREF Lifecycle Ret Income	TIAA-CREF Lifecycle 2025	TIAA-CREF Lifecycle 2045	
	TIAA-CREF Lifecycle 2010	TIAA-CREF Lifecycle 2030	TIAA-CREF Lifecycle 2050	
	TIAA-CREF Lifecycle 2015	TIAA-CREF Lifecycle 2035	TIAA-CREF Lifecycle 2055	
	TIAA-CREF Lifecycle 2020	TIAA-CREF Lifecycle 2040		



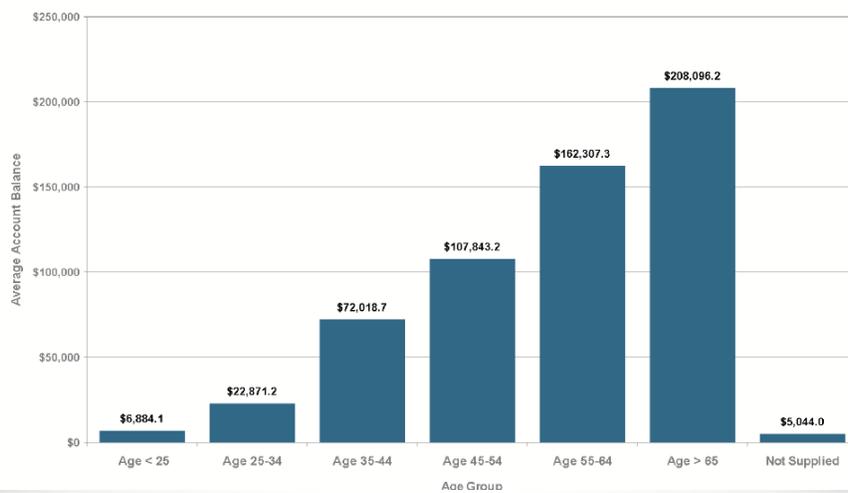
Self-Directed Brokerage Services

- Easy to set up
- Access to more than 3,500 mutual funds from hundreds of investment companies
- Buy, sell and transfer funds either online or through a toll-free number
- Minimum \$500 investment.
- The annual Brokerage Account Maintenance Fee will be waived for NDPERS participants
- Brokerage Services fees for transactions may apply (see below)

Type	Initial Cost	Short-term Redemption	Short Term Redemption/ Fund Co. Fee
Transaction Fee Funds	\$35 Buy or Sell*	N/A	Varies by Fund - Consult Prospectus
Non-Transaction Fee Funds	\$0 Buy or Sell	\$50.00	Varies by Fund - Consult Prospectus
Load Funds	Sales Charge/Varies by Fund – Consult Prospectus	Dependent on Fund Family	Varies by Fund - Consult Prospectus

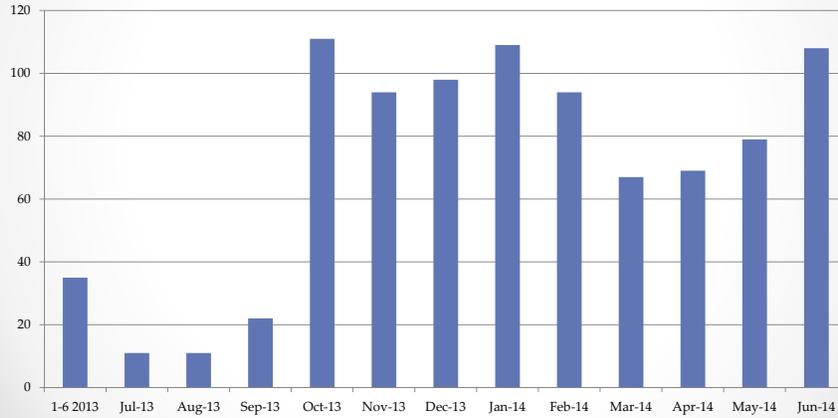
*Ongoing Transaction Fee waived when an Automatic Investment Plan is established.

Assets



Eligibles

Eligibles for DC Plan by Month



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DC Enrollments

DC Enrollment
Start Date Frequency

Before 2013/07	399
2013/08	1
2013/09	2
2013/10	2
2013/11	1
2014/01	1
2014/02	1
2014/03	2
2014/05	5
<u>2014/06</u>	<u>2</u>
Total	416

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Where are they from?

NDPERS DC 401(a) Active MEMBERS - June 2014

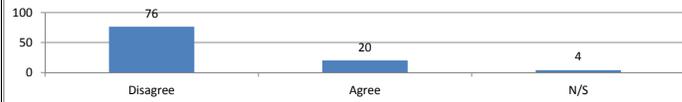
Agency	Frequency	Percent	Cumulative Frequency	Cumulative Percent
Workforce Safety & Insurance	82	37.44	82	37.44
Adjutant General ND National Guard	18	8.22	100	45.66
Legislative Council	12	5.48	112	51.14
Department Of Commerce	9	4.11	121	55.25
Information Technology Dept	9	4.11	130	59.36
Others (45 agencies)	89	40.64	219	100.00

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DC Plan Challenges

DC Questions

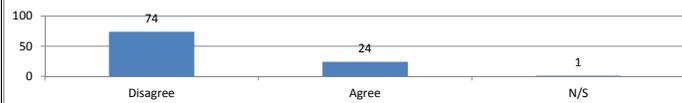
14. I feel I made the right decision selecting the DC 401(a) plan over the Defined Benefit plan. 54 | 9 | 13 | 7 | 8 | 5 | 4



17. I would recommend the PERS Defined Contribution 401(a) plan to other employees? 47 | 15 | 7 | 15 | 9 | 1 | 5



18. I am confident I will have enough money to retire. 47 | 13 | 14 | 6 | 16 | 2 | 1



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DC Plan Challenge

Ratio of Projected DC to DB Benefits	Future Contribution Rate		
	Current Plan 14.12% effective January 1, 2014	Increase to 16.12% effective July 1, 2015	Increase to 20.00% effective July 1, 2015
Less than 50%	49	41	32
50% - 75%	149	131	106
75% - 100%	27	52	69
100% and Over	<u>2</u>	<u>3</u>	<u>20</u>
Total	227	227	227

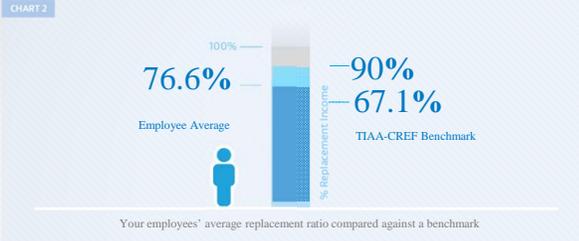
Not updated for this year

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Compare Your Plan to Benchmarks



Average income replacement across your employees compared to the TIAA-CREF Benchmark and average income replacement ratio



90% is a generally accepted target income replacement ratio.

The TIAA-CREF benchmark reflects 151 institutions in the not-for-profit market with plan assets between \$25M and \$100M.

	Your Plan Assets	TIAA-CREF Benchmark	Effect on income replacement ratio
Average annual salary (pre-tax)	\$70,422	\$71,446	The lower the average annual salary, the higher the ratio, because the participant must replace less income in retirement. Also, lower salary means Social Security has a greater impact in providing a retirement income floor.
Average annual retirement income (after-tax)	\$41,126	\$37,169	The higher the retirement income, the higher the income replacement ratio, assuming salaries are equal.
Average asset balance	\$107,839	\$43,071	The higher the average balance, the higher the potential income in retirement.
Average contribution rate	11%	9%	The higher the average contribution rate, the higher the potential income in retirement.
Average age	48	46	The lower the average age of plan participants, the more time employees have to save, leading to higher potential income in retirement.

TIAA-CREF Plan Outcome Assessment | For Institutional Investors Only. Not for Use With or Distribution to the Public.

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How much income is the plan actually replacing? The plan and the participants at a glance



North Dakota Public Employee Assets Only



Key Observations

- 18.7% of participants have income replacement ratios over 90%
- There are 11 employee with income replacement ratios under 50%

Retirement income replacement ratio calculated by TIAA-CREF's third-party advice provider, Ibbotson Associates, based on a participant's savings rate, asset allocation, balance and salary in 2012. Estimates a 70% chance of achieving after-tax retirement income as a percentage of after-tax salary in today's dollars.

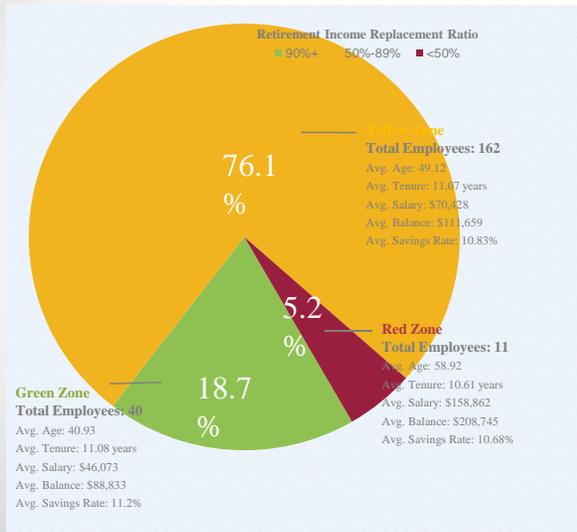
TIAA-CREF Plan Outcome Assessment | For Institutional Investors Only. Not for Use With or Distribution to the Public.

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Employee retirement readiness at a glance



Employee Detail by Zone



Key Observations

- Your plan and Social Security can provide **18.7%** of your employees with adequate income in retirement

TIAA-CREF Plan Outcome Assessment | For Institutional Investors Only. Not for Use With or Distribution to the Public.

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Considerations

- Final Benefit (adequacy) – contributions (started at 8.12% now 14.12% but scheduled to go down and proposed to increase to 16.12%)
- Mortality: Add lifetime payment options
- Ancillary Benefits (disability, spouse, etc.)

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Plan Features Considerations

- Disability – DC plan is balance only; Hybrid plan is 25% of FAS @ 6 months
- Leave time for financial planning – People in DC plan need to regularly engage in financial planning in order to be successful
- Death Benefit – DC is cash balance; Hybrid plan is 50% of accrued benefit for life of spouse.

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Initial income illustration sample page

Here's an example of what will be included in your customized Initial Income Illustration. It's where you will find, in detail, your initial monthly income from your TIAA and CREF annuities.

Please note that the following example is hypothetical and is only intended to assist you in reading your personalized illustration.

Options		Monthly Annuity Income						
		Variable Annuity			TIAA Traditional Annuity			
Lifetime Annuities	Guaranteed Period (In years)	CREF Combined Accounts	TIAA Real Estate Account	Graded Method		Standard Method		
				Contractual Payment	With Additional Amounts	Contractual Payment	With Additional Amounts	
One Life	No Lifetime Survivor Benefit	0	\$574	\$559	\$411	\$562	\$411	\$633
		10	\$560	\$547	\$407	\$550	\$407	\$620
		15	\$544	\$533	\$401	\$536	\$401	\$604
		20	\$520	\$513	\$392	\$516	\$392	\$583
	2/3 Benefit to Survivor	0	\$544	\$531	\$391	\$534	\$391	\$605
		10	\$543	\$530	\$391	\$533	\$391	\$605
		15	\$542	\$529	\$391	\$532	\$391	\$603
		20	\$537	\$526	\$390	\$529	\$390	\$600
	Full Benefit to Survivor	0	\$493	\$483	\$357	\$485	\$357	\$556
		10	\$492	\$482	\$357	\$485	\$357	\$555
		15	\$490	\$481	\$356	\$483	\$356	\$553
		20	\$485	\$476	\$355	\$479	\$355	\$549
1/2 Benefit to Annuity Partner	0	\$530	\$518	\$382	\$521	\$382	\$592	
	10	\$530	\$518	\$382	\$520	\$382	\$592	
	15	\$529	\$517	\$381	\$520	\$381	\$591	
	20	\$525	\$514	\$381	\$517	\$381	\$588	
Two Life	75% Benefit to Annuity Partner	0	\$511	\$500	\$369	\$502	\$369	\$573
		10	\$510	\$499	\$369	\$502	\$369	\$573
		15	\$509	\$498	\$368	\$501	\$368	\$571
		20	\$504	\$495	\$368	\$497	\$368	\$568

Payments from the variable annuity accounts are not guaranteed and will fluctuate based on investment performance.

The figures above are based on two annuitants age 65 and can be higher or lower depending on actual ages. For the hypothetical illustration above, we assume that a \$100,000 balance is converted to TIAA Traditional annuity income, a balance of \$50,000 in combined CREF and \$50,000 of TIAA Real Estate variable annuity income. We used a 5.25% interest rate for TIAA Traditional, but your actual rates and income can be higher or lower than those shown above.

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Legislation

- Allow employees to transfer back (Rep Haak)
- Increase contributions to 16.12% (PERS)

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Deferred Compensation Plan



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DEFINED CONTRIBUTION PLAN - DEFERRED COMPENSATION 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.

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ELIGIBILITY

- Employees of the State of North Dakota and employees of participating political subdivisions.
- Must be a permanent employee working at least 20 or more hours a week for 20 or more weeks in a calendar year and filling a position that is regularly funded and is not of limited duration.
- Legislators are eligible to participate in the plan.
- Temporary employees and independent contractors are not eligible to participate in the plan.

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Contribution Limits

Contributions Limits:

The minimum contribution is \$25.00 per month.

The maximum annual contribution limit is:

2014: The lesser of 100% of compensation or
\$17,500

(adjusted for cost-of-living in subsequent years)

May change your contribution amount at any time or suspend contributions and start again at a later date.

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Pre-tax savings through payroll deduction means...

If you defer \$100.00 per pay period:

TAX BRACKET	\$100 WILL COST YOU
15%	\$85.00
25%	\$75.00
28%	\$22.00

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Additional Contribution Options

Catch-Up Contributions

May contribute more than the regular contribution limit. There are two catch-up options available:

- **50+ Catch-Up**—Participants age 50 or older may contribute the maximum annual limit previously referenced plus an additional \$5,500 in 2014, for a total of \$23,000 in 2014 (adjusted for cost-of-living in subsequent years).
- **3-Year Catch-Up**—Participants within 3 years of normal retirement date may contribute the regular maximum annual limit plus missed contributions from previous years up to \$35,000 in 2014.

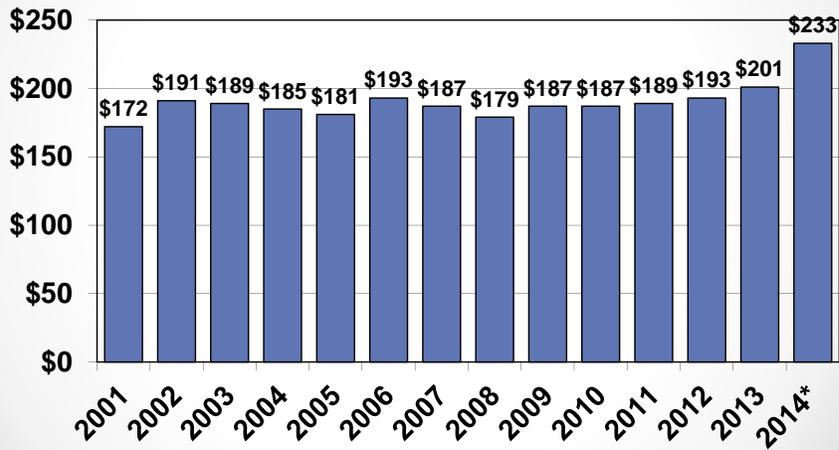
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NDPERS 457 Plan Assets



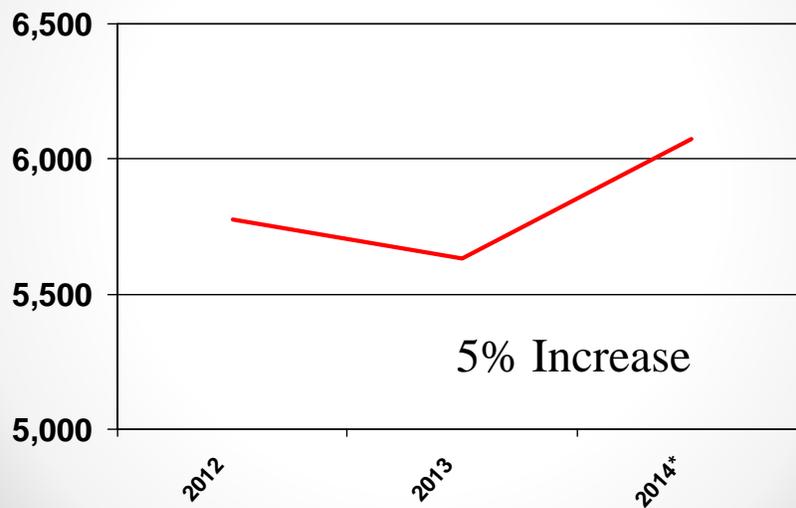
NDPERS 457 Plan

Average Monthly Contribution



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NDPERS Deferred Compensation Plan Active Membership (Start of year)



What is the Portability Enhancement Provision (PEP)?

PEP allows you to vest in a portion of the employer contribution!

- Must be an active member in the NDPERS Defined Benefit Pension plan.
- Requires participation in an eligible 457 Deferred Compensation Plan.
- Employer contributions are added to your member account balance in the defined benefit retirement plan according to the vesting schedule.
- Results in accelerated accrual of member's account balance in the defined benefit plan.

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Employer Contribution Vesting Schedule (PEP)

<u>Service Credit</u>	<u>Minimum</u>	<u>Maximum</u>
0-12 Months	\$25	1%
13-24 Months	\$25	2%
25-36 Months	\$25	3%
37+ Months	\$25	4%

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What is the Saver's Credit?

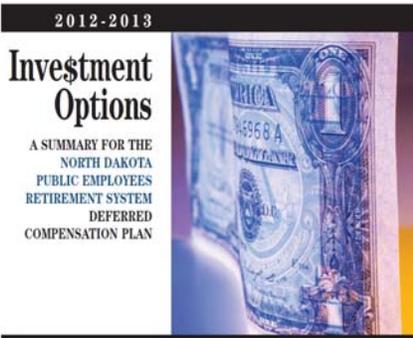
A Saver's credit is a tax credit that can help offset the cost of the first \$2,000 you voluntarily contribute to a 457 deferred compensation account.

Adjusted Gross Income				Tax Credit for 1 st \$2,000 Contribution
Saver Credit Rate	Single Filers	Head of Household	Joint Filers	
50%	0 - \$17,750	0 - \$26,625	0 - \$35,500	\$1,000
20%	\$17,751 - \$19,250	\$26,626 - \$28,875	\$35,501 - \$38,500	\$400
10%	\$19,251 - \$29,500	\$28,876 - \$44,250	\$38,501 - \$59,000	\$200

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Investment Firms Offered



SECTION I	
Summary of Investment Options NDPERS Companion Plan	6
SECTION II	
Summary of Investment Options NDPERS Section 457 Deferred Compensation Plan	
American Trust Center	10
AXA Equitable	15
Bank of North Dakota	24
Hartford Life Insurance Company	25
Jackson National Life	28
Nationwide Life Insurance	30
Valle	33
Waddell & Reed Financial Services	37

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PERS Companion Plan & DC Plan Provider



<https://www.tiaa-cref.org/tcm/ndpers>

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PERS Companion Plan & DC Plan Provider



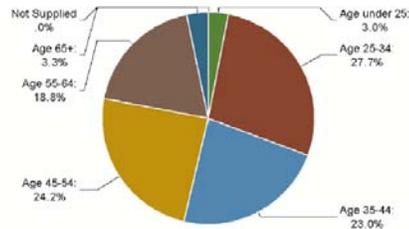
NDPERS 457 Deferred Compensation Companion Plan Survey

1. Are you satisfied with the investment funds available?	84% Yes 12% No
2. Are you satisfied with the availability of plan information?	88% Yes 6% No
3. Are you confident that you are on the right track for retirement?	72% Yes 24% No
4. Have you ever met with a TIAA-CREF investment advisor?	32% Yes 64% No
5. Do you use an investment advisor or financial planner (other than TIAA-CREF) to help you with your investment decisions?	40% Yes 58% No

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Demographics

Under 25:	151
25 to 34:	1,396
35 to 44:	1,150
45 to 54:	1,220
55 to 64:	945
65 and over:	164
Not Supplied:	1
Average Age:	43



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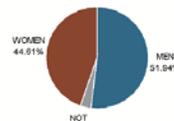
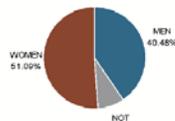
● 65

Demographics/Assets

PARTICIPANT DEMOGRAPHICS

PARTICIPANT COUNTS AND ASSETS - ACTIVE*, BY GENDER AND AGE

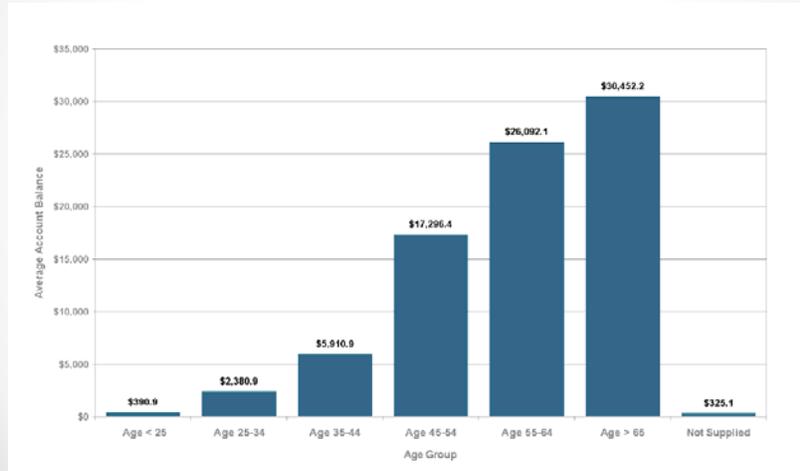
	Counts				Assets			
	Women	Men	Not Supplied	Total	Women	Men	Not Supplied	Total
Under 25:	73	59	6	138	\$29,207	\$21,755	\$6,098	\$57,061
25 to 34:	508	451	119	1,078	\$1,387,952	\$1,329,478	\$305,549	\$3,022,979
35 to 44:	495	350	79	924	\$3,005,905	\$2,898,830	\$166,705	\$6,071,440
45 to 54:	534	375	71	980	\$9,430,742	\$9,110,223	\$625,472	\$19,166,437
55 to 64:	368	314	52	734	\$8,006,535	\$10,831,463	\$644,448	\$19,482,446
65 and over:	35	46	5	86	\$975,776	\$2,399,149	\$20,011	\$3,394,936
Total Active Participants:				3,940				\$51,195,298



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Assets



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THE VALUE OF STARTING NOW

	Age 40-70	Age 35-70	Age 30-70	Age 25-70
Annual \$4,800 Contributions	\$144,000	\$168,000	\$192,000	\$216,000
Earnings	\$247,703	\$384,116	\$574,785	\$838,061
Total Accumulation	\$391,703	\$552,116	\$766,785	\$1,054,061

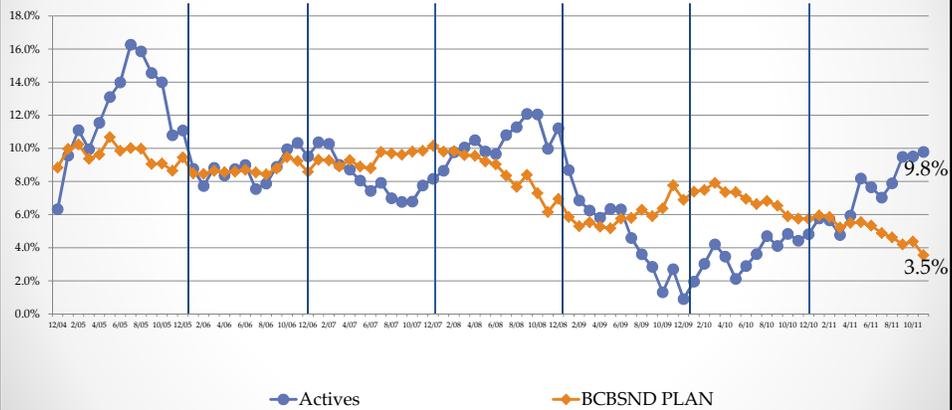
Hypothetical Illustration. Based on a 6% Annualized Rate of Return. By paying less taxes, you'll have more money to save. This graph shows how your extra savings can grow over time with potentially compounded earnings. Of course, investments carry risks, including the risk of loss. These returns are for illustrative purposes only and do not reflect actual product performance.

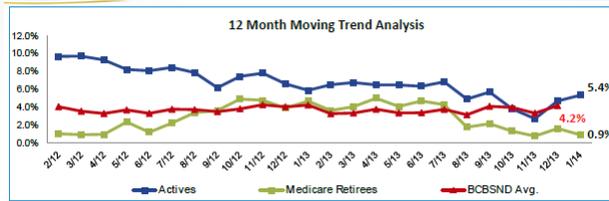
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Health Plan

NDPERS Trend

Trend Analysis - Twelve Month Moving Average





Incurred Month	Twelve Month Moving Average		Annual Trend	
	Est. Incurred Claim/Contract Actives	Med Retirees	Actives	Med Retirees
3/12	\$759.75	\$171.89	9.7%	0.9%
4/12	763.45	172.25	9.3%	1.0%
5/12	767.26	174.18	8.3%	2.4%
6/12	770.34	173.51	8.1%	1.2%
7/12	774.57	175.08	8.5%	2.2%
8/12	783.52	177.39	7.9%	3.4%
9/12	782.27	177.81	6.2%	3.7%
10/12	795.13	179.85	7.5%	4.9%
11/12	802.63	179.72	7.8%	4.8%
12/12	800.64	178.99	6.6%	3.9%
1/13	801.43	179.81	5.9%	4.7%
2/13	807.86	178.57	6.5%	3.6%
3/13	811.34	178.89	6.8%	4.1%
4/13	813.28	180.92	6.5%	5.0%
5/13	817.21	181.31	6.5%	4.1%
6/13	819.36	181.70	6.4%	4.7%
7/13	827.74	182.60	6.9%	4.3%
8/13	822.10	180.56	4.9%	1.8%
9/13	827.04	181.67	5.7%	2.2%
10/13	825.55	182.24	3.8%	1.3%
11/13	824.53	181.11	2.7%	0.8%
12/13	838.34	181.91	4.7%	1.6%
1/14	844.46	181.46	5.4%	0.9%

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Active State Renewal Rate

NDPERS 2013-2015 Allocation and 2015-2017 Projection	NDPERS 2015-2017 Planning Projections			
	5.0% Trend	7.0% Trend	9.0% Trend	10.0% Trend
2009-2011 rate	\$825.66	\$825.66	\$825.66	\$825.66
2011-2013 rate	\$886.62	\$886.62	\$886.62	\$886.62
2013-2015 rate (\$998.92 BCBS)	\$981.68	\$981.68	\$981.68	\$981.68
2013-2015 % increase	10.72%	10.72%	10.72%	10.72%
Projected 2015-2017 rate	\$1101.31	\$1143.66	\$1186.82	\$1208.69
2015-2017 \$ increase	\$102.39	\$144.74	\$187.90	\$209.77
2015-2017 % increase	12.19%	16.50%	20.09%	23.12%
Total State additional funds*	\$29,488,000	\$41,685,000	\$54,115,000	\$60,414,000
Total additional general funds**	\$16,218,000	\$22,927,000	\$29,763,000	\$33,228,000

* - For biennium assuming 12,000 State FTE's
 ** - Assumed to be 55% of total funds



Additional \$ estimate assumes same level of buy down as this biennium

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NDPERS 2015-2017 Implementation

Issue	NDPERS			Comments
	Grandfathered Dakota Plan	Not Grandfathered Dakota Plan	Not Grandfathered NDPERS HDHP	
#1 Out-of-Pocket Maximum	NA	X	X	On NDPERS 2015-2017 renewal
#2 Removal of Waiting Period	X	X	X	On NDPERS 2015-2017 renewal
#5 Conversion Language	X	X	X	On NDPERS 2015-2017 renewal
#8 BlueCard	X	X	X	On NDPERS 2015-2017 renewal
#11 20% Non-Par Sanction (Remove)	NA	X	X	On NDPERS 2015-2017 renewal
#14 Eliminate Medical Qualification	X	X	X	On NDPERS 2015-2017 renewal
#16 Member Rights/Responsibilities	X	X	X	On NDPERS 2015-2017 renewal
#17 Alcohol Misuse	NA	X	X	On NDPERS 2015-2017 renewal
#2 Required Screening for Hepatitis C Virus	NA	X	X	On NDPERS 2015-2017 renewal
#3 Medications Primary Breast Cancer in Women	NA	X	X	On NDPERS 2015-2017 renewal
#4 Lung Cancer Screening	NA	X	X	On NDPERS 2015-2017 renewal

NOTE: The issues that affect the GF plans are shown in red.
All of the above benefits would be effective 7-1-2015 upon renewal.

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Plan Reserve Estimate

\$34,100,000 Health Plan Reserves
 + 9,078,000 2011-13 Settlement (est.)
 + 2,800,000 Cash Reserves at BCBS
 - 5,600,000 7/14-6/15 Buydown
\$40,378,000 Total

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PERS Plan Eligibility Today

FTE under State Law	Temporary Employee
<ul style="list-style-type: none"> In an approved and regularly funded position Working 20 or more hours per week Working 20 or more weeks per year 	<ul style="list-style-type: none"> Not in approved and regularly funded position Services may or may not be of limited duration Working 20 or more hours per week Working 20 or more weeks per year

HB 1059

Testimony of Sparb Collins

" Section 2 of the bill would amend Section 54-52.1-03.4 of the North Dakota Century Code to modify the uniform group insurance program's eligibility rules for temporary employees first employed after December 31, 2013, and to limit the amount any temporary employee can be required to contribute towards the cost of coverage. The purpose of the proposed changes is to prevent the State of North Dakota from being subjected to the Employer Shared Responsibility penalties with respect to its temporary employees under the Affordable Care Act. The Shared Responsibility penalty for No Coverage will be \$2,000 per FTE per year. This No Coverage penalty will be imposed only if at least one FTE purchases coverage in a Health Insurance Exchange and qualifies for a Premium Tax Credit or Cost-Sharing Reduction."

Sixty-third Legislative Assembly of North Dakota
In Regular Session Commencing Tuesday, January 8, 2013

HOUSE BILL NO. 1059
(Government and Veterans Affairs Committee)
(At the request of the Public Employees Retirement System Board)

AN ACT to amend and reenact sections 54-52.1-03.1, 54-52.1-03.4, and 54-52.1-16 of the North Dakota Century Code, relating to withdrawal of a political subdivision from the uniform group insurance program, the deferral of employee payment of the cost of uniform group insurance premiums for temporary employees, and the health savings account option offered to political subdivisions as part of the high-deductible health plan alternative under the uniform group insurance program.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 54-52.1-03.1 of the North Dakota Century Code is amended and reenacted as follows:

54-52.1-03.1. Certain political subdivisions authorized to join uniform group insurance program - Employer contribution.

A political subdivision may extend the benefits of the uniform group insurance program under this chapter to its permanent employees, subject to minimum requirements established by the board and a minimum period of participation of sixty months, if the political subdivision withdraws from participation in the uniform group insurance program, before completing sixty months of participation, unless federal or state laws or rules are modified or interpreted to allow that member participation in the political subdivision in the uniform group insurance program no longer allowable or appropriate, the political subdivision shall make payment to the board in an amount equal to any expenses incurred in the uniform group insurance program that exceed income received on behalf of the political subdivision's employees as determined under rules adopted by the board. The Garrison Division Conservancy District and district health units are required to participate in the public employees retirement system under section 54-52.02, shall participate in the uniform group insurance program under the same terms and conditions as state agencies. A retiree who has accepted a retirement allowance from a participating political subdivision's retirement plan may elect to participate in the uniform group under this chapter without meeting minimum requirements of age sixty-five, when the employee's spouse reaches age sixty-five, upon the receipt of a benefit, when the political subdivision joins the uniform group insurance plan if the retiree was a member of the former plan, or when the spouse terminates a retirement plan. If the retiree or surviving spouse elects to participate in the uniform group under this section, the retiree or surviving spouse must meet the minimum requirements established by the board. Each retiree or surviving spouse shall pay directly to the board the premiums or effect for the coverage then being provided. The board may require documentation that the retiree has accepted a retirement allowance from an eligible retirement plan other than the public employees retirement system.

SECTION 2. AMENDMENT. Section 54-52.1-03.4 of the North Dakota Century Code is amended and reenacted as follows:

54-52.1-03.4. Temporary employees and employees on unpaid leave of absence.

A temporary employee employed before August 1, 2007, may elect to participate in the uniform group insurance program by satisfying the necessary enrollment forms and qualifying under the medical underwriting requirements of the program. A temporary employee employed on or after August 1, 2007, is not eligible to participate in the uniform group insurance program if the employee is employed at least twenty hours per week and at least twenty weeks each year of employment. A temporary employee that, beginning after December 31, 2013, is eligible to participate in the uniform group insurance program only if the employee meets the definition of a full-time employee under

PERS Plan Eligibility

FTE under State Law

- In an approved and regularly funded position
- Working 20 or more hours per week
- Working 20 or more weeks per year

Temporary Employee

- ~~Not in approved and regularly funded position~~
- ~~Services may or may not be of limited duration~~
- ~~Working 20 or more hours per week~~
- ~~Working 20 or more weeks per year~~

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PERS Plan Eligibility

FTE under State Law

- In an approved and regularly funded position
- Working 20 or more hours per week
- Working 20 or more weeks per year

Temporary Employee

- Employees that are full time employees under the ACA but not under state law
- Working 30 or more hours per week in month (130 hrs) or 1560 hours per year
 - Not seasonal employees
 - May include variable hour employees
 - Includes any employee that you reasonable expect to work to work 30 hours per week for a month and is not seasonal

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HB 1059: Definition of Temporary Employee

Scope of Pre HB 1059 Temp Definition

New HB 1059 Definition

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PERS Plan Eligibility

FTE under State Law

- In an approved and regularly funded position
- Working 20 or more hours per week
- Working 20 or more weeks per year

Temporary Employee

- Employees that are full time employees under the ACA but not under state law
- Working 30 or more hours per week (130 hrs per month) for a month or 1560 hours per year
 - Not seasonal employees
 - May include variable hour employees
 - Includes any employee that you reasonable expect to work 30 hours per week for a month and is not seasonal
- **Cannot charge these employees more than 9.5% of their household income for single coverage but must also provide coverage to dependents**

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HB 1059 & HB 1015

FISCAL NOTE
Requested by Legislative Council
8/12/2013

Revised
Amendment to HB 1059

1. **State fiscal effects:** Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated over current law.

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

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

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Counties	\$0	\$0	\$0	\$0	\$0	\$0
Cities	\$0	\$0	\$0	\$0	\$0	\$0
Countywide	\$0	\$0	\$0	\$0	\$0	\$0
Townships	\$0	\$0	\$0	\$0	\$0	\$0
Totals	\$0	\$0	\$0	\$0	\$0	\$0

2.4. **Bill and fiscal impact summary:** Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).

The fiscal implications in this bill relate to adjusting the definition of temporary employees and their premium payments to comply with the shared responsibility provisions of the Affordable Care Act (ACA).

3. **Fiscal impact sections:** Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.

Section 1 of the bill would change the definition of temporary employees to comply with the definition requirement to meet the shared responsibility requirement of the Affordable Care Act (ACA) and to avoid any penalties for non-compliance. Pursuant to the ACA, these employees can be charged no more than 9.5% of household income. This additional employer premium requirement is estimated in the expenditures and the additional appropriation is shown as well. The appropriation for this expenditure is in the OMB budget under Health Insurance Pool - Temporary Employees.

3. **State fiscal effect details:** For information shown under state fiscal effect in 1A, please:

A. **Revenues:** Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.

B. **Expenditures:** Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.

This expenditure is in the executive budget. The intent language is in HB1059 Section 1.

"The fiscal implications in this bill relate to adjusting the definition of temporary employees and their premium payments to **comply with the shared responsibility provisions of the Affordable Care Act (ACA)**."

"...the bill would change the definition of temporary employee to **comply with the definition requirement to meet the shared responsibility requirement of the Affordable Care Act (ACA) and to avoid any penalties for noncompliance.**

Pursuant to the ACA, these employees can be charged no more than 9.5% of household income. This additional employer premium requirement is estimated in the expenditures and the additional appropriation is shown as well. The appropriation for this expenditure is in the OMB budget under Health Insurance Pool - Temporary Employees. "

New Federal Guidance Announced on July 2, 2013

"As noted, IRS Notice 2013 45 confirms that no employer shared responsibility penalties pursuant to IRC § 4980H will be assessed for 2014."

Treasury Department's July 2, 2013 announcement that it would not enforce IRC §§ 4980H, 6055, and 6056 in 2014

What were the options?

If the board determines that any section or the phraseology of any section of this chapter does not comply with applicable federal statutes or rules, the board shall adopt appropriate terminology with respect to that section to comply with the federal statutes or rules, subject to the approval of the legislative management's employee benefits programs committee. The board may assume responsibility for group purchasing arrangements as provided by federal law. Any plan modifications made by the board under this section are effective until the effective date of any measure enacted by the legislative assembly providing the necessary amendments to this chapter to ensure compliance with the federal statutes or rules.

- **54-52.1-08.2.**
Uniform group insurance program
- Compliance with federal requirements -
Group purchasing arrangements.

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New Effective Date

January
2015

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