

# MINUTES

## North Dakota Public Employees Retirement System

Thursday, August 24, 2006  
ND Association of Counties, Bismarck  
BCBS, 4510 13<sup>th</sup> Ave SW, Fargo  
1:30 P.M.

Members Present: Ms. Joan Ehrhardt  
Mr. Ron Leingang  
Mr. Howard Sage  
Ms. Arvy Smith  
Ms. Sandi Tabor

Via Video Conference: Ms. Rosey Sand  
Chairman Jon Strinden

Others Present: Mr. Sparb Collins, Executive Director, NDPERS  
Ms. Cheryl Stockert, NDPERS  
Ms. Kathy Allen, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Cheryle Masset-Martz, NDPERS  
Mr. Dave Zentner  
Mr. Weldee Baetsch

Via Video Conference Or Conference Call: Mr. Bill Robinson, Gallagher Benefit Services  
Mr. Shawn Atkins, Gallagher Benefit Services  
Mr. Larry Brooks, BCBSND  
Mr. Kevin Schoenborn, BCBSND  
Mr. Chad Niles, BCBSND  
Ms. Janine Weideman, BCBSND  
Mr. Brad Bartle, BCBSND  
Ms. Onalee Sellhaim, BCBSND

Chairman Jon Strinden called the meeting to order at 1:40 p.m.

### HEALTH PLAN RENEWAL

Mr. Collins indicated that at today's meeting we will be reviewing the Blue Cross Blue Shield North Dakota health plan renewal for the existing plan design as well as estimated premiums for alternate plan designs. Final consideration of the health plan renewal will be conducted at the September 14 Board meeting. The PERS Board began its preparation for the renewal several months ago with presentations from BCBS and others. At the June meeting the Board heard the report from the PERS Benefits Committee that suggested the PERS Board seek renewal on the existing plan design along with alternate designs. The renewal for next biennium relating to the existing plan design assumed the same services and programs as this biennium. The proposed BCBS rate increase for

active employees is \$127.06 per month and for retirees is \$69.44 per month (medical only). The Rx portion for retirees will be renewed separately. The amount of \$24.52 of the \$127.06 or 19% is due to one time funds used last biennium to offset the premium increase then that will not be available this time. In order to pay for and maintain the existing current plan design it will cost approximately \$25 million in additional funds of which \$13 million will be general funds (does not include Higher Education). Information on the cost of the optional plan designs is available at the PERS office.

Mr. Collins stated that prior to the September 14 Board meeting, we will need to do the following: review this information with the Insurance Department; for the retiree group we should investigate the possibility of having them be part of a larger pool such as Medicare Supplement; obtain additional information and justification from BCBS for the retention increase; obtain information from BCBS to clarify the interest rate on our cash balance; clarify the reprojected rates for February 2007; and share the renewal information with OMB and other appropriate agencies/groups. Two additional items are: (1) modify the optional plan design for the high deductible health plan alternative so it would be compliant with HSA rules, and (2) continue to work with BCBS regarding auditing of the pharmacy benefits manager (PBM).

Mr. Robinson from Gallagher Benefit Services presented information to the Board regarding their review of the BCBS medical and prescription drug plan. Mr. Robinson stated there are some variances between their renewal projections and BCBS which can be explained through differences in trend factors, methodology and retention assumptions. Their review produced a similar rate as BCBS and therefore they are comfortable with the state of North Dakota renewing with BCBS. One concern of GBS related to BCBS's proposed increase in the retention charges of 10.8% and they suggest the Board request that BCBS thoroughly justify the reasons for this proposed increase.

Representatives from BCBS explained the breakdown of what was included in the rate increases for the actives and retirees and also the rationale for the increases. For the active group they noted that 19% of the increase was the result of one time funds from last biennium that are not available this biennium and therefore must be made up in premiums, 16% was associated with Rx, 39% was the result of medical inflation, 7% was utilization, 10% was technology, 7% was leverage, and 2% was retention. Mr. Brooks from BCBS reported that they are projecting a break even for the end of the biennium. Mr. Collins stated that staff will follow-up with Gallagher Benefit Services and BCBS on the questions that have been identified and staff will present this information on September 14 for final consideration.

A copy of the complete report to the Board is available at the NDPERS office.

The meeting adjourned at 3:00 p.m.

Prepared by,

Cheryl Stockert  
Secretary to the NDPERS Board