

MINUTES

North Dakota Public Employees Retirement System

Attorney General's Office Conference Room

Thursday, July 31, 2014

8:30 a.m.

Members Present: Ms. Casey Goodhouse
Mr. Mike Sandal
Ms. Arvy Smith
Ms. Yvonne Smith
Mr. Thomas Trenbeath
Ms. Kim Wassim

Via Conference Call: Chairman Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Rebecca Fricke, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. MaryJo Steffes, NDPERS
Ms. Jan Murtha, Attorney General's Office

Via Conference Call: Mr. Pat Pechacek, Deloitte

Chairman Strinden called the meeting to order at 8:30 a.m.

Self Insured Group Health Insurance Bid

Mr. Collins reviewed the second draft of the self insured request for proposal with the Board. He noted:

1. The timeline on page 2 has been updated.
2. The narrative about Appendix G on page 19 paragraph 3 under Vendor Responsibilities has been updated to include the "equivalent contract benefits" requirements in the NDCC.
3. The contract provisions discussion on page 20 & 21. Unlike the fully insured RFP where we offered a sample contract, in the self insured we are offering our minimum requirements with the remainder to be negotiated.
4. The change in the contract term from 6 years on the fully insured to 4 years on the self insured as required in NDCC 54-52.1-04.
5. The addition of evaluation criteria on page 30, #4 as required in NDCC 54-52.01-04.2.

6. The elimination of the request for aggregate stop loss. The statute requires individual stop loss in ND 54-52.1-04.2 so that is what is requested.
7. The inclusion of the preference language for transparent PBM's.
8. Appendix G since this discusses the "existing contract benefits" that will be used to evaluate the requirement in 54-52.1-04.2 which states "Any self insurance plan under this section . . . may be established only if it is determined by the board that an administrative services only or third-party administrator plan is less costly than the lowest bid submitted by a carrier for underwriting the plan with equivalent contract benefits".
9. The PBM questions will be reformatted to make it easier to submit a PBM proposal only.

In addition, Mr. Collins reviewed the evaluation methodology which will include consideration of projected claims, administrative fees, stop loss costs and reserves. It was noted that the claims projection of Deloitte will be used for the evaluation. It was noted that a projection is not requested from the bidders and the critical variables will be their networks in terms of breadth and depth of discounts. Bidders, however, are allowed to offer a claims projection if they desire, but they must meet the same performance objective as is in the existing contract. Mr. Collins also noted that on the self insured bid, a plan will need to be put into place to meet the requirements of NDCC 54-52.1-04.2 and that will need to be added to the self insured cost.

Mr. Collins was also seeking input from the Board on whether a vendor (bidder's) conference should be held to solicit questions in an open meeting format with staff and Deloitte. The Board concurred and staff will schedule a vendor conference. Ms. Murtha reviewed the proposed contract with the Board noting that many of the provisions in the current contract with BCBS would not be applicable in a self insured arrangement. The proposed contract was reviewed and only minimum necessary provisions for a self insured arrangement and required state language was included. Mr. Collins further explained that PERS would negotiate a contract under the self insured plan with the finalists. The Board discussed the draft request for proposal.

MR. SANDAL MOVED APPROVAL TO ADOPT THE SELF INSURED REQUEST FOR PROPOSAL SUBJECT TO FINAL EDITING. THE MOTION WAS SECONDED BY MS. WASSIM.

Ayes: Ms. A. Smith, Mr. Trenbeath, Ms. Goodhouse, Mr. Sandal, Ms. Y. Smith, Ms. Wassim, and Chairman Strinden

Nays: None

MOTION PASSED

Windsor Decision

Ms. Murtha reported that since the last Board meeting, Ice Miller has been retained as outside tax counsel. She reviewed their analysis stating it relates only to the main retirement plan at this time, but Highway Patrol, defined contribution and other plans will also be reviewed. Ice Miller did not just review what is minimally required, but also

reviewed all provisions of the plan that the Board may want to be aware of that could come in conflict with the Windsor decision.

The analysis has indicated that there are three specific plan provisions that the federal Internal Revenue Service (IRS) is requiring to be addressed. The IRS provisions include: rollovers, QDRO income, and 415(b) income limits. Ms. Murtha further explained that relating to fiduciary responsibilities, the Board has to make an attempt to maintain the qualified status of the plan. The Board is limited by what state law allows. Ms. Murtha explained that in an attempt to manage expectations for the next Board meeting, there are no easy, clear answers. She stated that the goal is to comply with the IRS requirements without violating state law.

Ms. Murtha further advised the Board that any decisions made now may need to be re-evaluated in the future. Based on IRS guidance, statutory changes (minimally necessary compliance) must be made during this next legislative session. Specifically, the Board will be asked to make decisions at the August meeting as these recommendations will need to go before the Employee Benefits Committee in September in advance of the session.

The Board had questions and discussed the IRS requirements with Ms. Murtha.

Defined Contribution Plan Study

Mr. Collins shared the next Government Finance Committee agenda with the Board, indicating that PERS has been asked to give a presentation on the existing defined contribution plan, the 457 plan and questions regarding the health insurance plan. Mr. Collins was seeking guidance relating to the bill draft to provide for changes to the main state employees retirement plan, which includes comments by interested persons. The Board agreed that Mr. Collins would request the Committee to allow the Board to comment on the bill draft after they have had a chance to review it at a future meeting.

The meeting adjourned at 9:10 a.m.

Prepared by,

Cheryl Stockert
Assistant to the Board