

## **Minutes**

### **State, Local Education and Local Government Insurance Committees**

March 23, 2023

1:00 PM-3:00 P.M. (CST)

The State, Local Education and Local Government Insurance Committees met on Thursday, March 23, 2023 at 1:00 p.m. (central), in Nashville Room, Third Floor, William R. Snodgrass TN Tower, Nashville, TN and via Cisco WebEx.

Eugene Neubert, Chairman of TN Department of Finance & Administration, called the Insurance Committee meetings to order at 1:01 p.m. (central) and noted he would chair the Committee meeting on behalf of Commissioner Jim Bryson, that Deputy Treasurer Rick DuBray would be sitting on the committees on behalf of Treasurer David Lillard, and welcomed Nicole Shaffer as the new delegate for Comptroller Jason Mumpower.

#### **State Insurance Committee Members**

##### **Present:**

- Eugene Neubert, Chairman, Finance and Administration
- Rick DuBray, State Deputy Treasurer
- Nicole Shaffer, representing Jason Mumpower, Comptroller of the Treasury
- Juan Williams, Commissioner, Human Resources
- Terry Carroll, Tennessee State Employees Association
- Michelle Consiglio-Young, state employee representative
- Judi Knecht, state employee representative
- Holly Girgies, representing Higher Education (TN Board of Regents)

##### **Absent:**

- Rep. Patsy Hazlewood, Chair of House Finance, Ways and Means Committee
- Sen. Bo Watson, Chair of Senate Finance, Ways and Means Committee
- Carter Lawrence, Commissioner, Commerce and Insurance

#### **Local Education Insurance Committee Members**

##### **Present:**

- Eugene Neubert, Chairman, Finance and Administration
- Rick DuBray, State Deputy Treasurer
- Nicole Shaffer, representing Jason Mumpower, Comptroller of the Treasury
- Jennifer White, Tennessee School Board Association (by teleconference)
- Erin Johnson, East TN School Employee representative (by teleconference)
- Kristy Baddour, West TN School Employee representative (by teleconference)

**Absent:**

- Carter Lawrence, Commissioner, Commerce and Insurance
- Maryanne Durski, Department of Education
- Vacant Seat in Middle TN

**Local Government Insurance Committee Members**

**Present:**

- Eugene Neubert, Chairman, Finance and Administration
- Rick DuBray, State Deputy Treasurer
- Nicole Shaffer, representing Jason Mumpower, Comptroller of the Treasury
- Kevin Krushenski, Tennessee Municipal League

**Absent:**

- Nathan Brock, Tennessee County Services Association

A roll call of attendance noted a physical quorum was not met in the Local Education Insurance Committee. Under T.C.A. § 8-44-108, the Local Education Insurance Committee can rely on the participation of members by telephone or other electronic means to constitute a quorum only upon finding of necessity by the Committee. As the approval of a new actuarial consulting contract award was a time sensitive item for Committee actions, Chairman Neubert called for a motion to approve a Determination of Necessity for the Local Education Insurance Committee. Motion was made by Mr. DuBray and Ms. Shaffer seconded the motion, which passed with the following roll call vote:

Shaffer	yes	DuBray	yes
White	yes	Baddour	yes
Johnson	yes	Neubert	yes

**Agenda Item #1 – [Action] Minutes of February 23, 2023 (All Committees):**

Chairman Neubert called for a motion for the State Insurance Committee to adopt the minutes and for a second. Motion was made by Ms. Consiglio-Young and seconded by Commissioner Williams. No discussion occurred and a roll call vote was taken.

Shaffer	yes	DuBray	yes
Williams	yes	Consiglio-Young	Yes
Knecht	yes	Carroll	yes
Girgies	yes	Neubert	yes

Chairman Neubert called for a motion for the Local Education Insurance Committee to adopt the minutes and for a second. Motion was made by Mr. DuBray and seconded by Chairman Neubert. No discussion occurred and a roll call vote was taken.

Shaffer	yes	DuBray	yes
Johnson	yes	Baddour	yes
White	yes	Neubert	yes

Chairman Neubert called for a motion for the Local Government Insurance Committee to adopt the minutes and for a second. Motion was made by Mr. Krushenski and seconded by Chairman Neubert. No discussion occurred and a roll call vote was taken.

Shaffer	yes	DuBray	yes
Krushenski	yes	Neubert	yes

### **Agenda Item #2 – [Action] Actuarial Consulting Contract Award (All Committees):**

Chairman Neubert introduced Seannalyn Brandmeir, Director of Procurement and Contracts to present the Actuarial Consulting contract award recommendation.

Ms. Brandmeir began by stating that, unlike Requests for Proposals (RFP), the Request For Qualifications (RFQ) is the format for this procurement. The RFQ was conducted by the Central Procurement Office (CPO), with our assistance.

This contract will provide employee benefits professional services, including actuarial, auditing, and other post employment benefits (OPEB) consulting. The current contract is managed by our Program Integrity team in coordination with the Division of Accounts for OPEB valuation. The contract of actuarial services ends 12/31/22 and OPEB reporting requirements extend through 2024. The new contract will combine them and end at the same time.

The evaluation team consisted of four members, three of whom were from Benefits Administration (BA) and one from the Division of Accounts. The RFQ was issued on November 9, 2022. The deadline of technical responses was January 23, 2023, and BA received two proposals – one from Aon and one from Milliman.

As these are specialized services, not many companies have capabilities for both actuarial and OPEB specifications combined, which resulted in fewer proposals. Many companies handle one or the other but not both.

Our technical response evaluation criteria for the RFQ are similar to those in an RFP. BA added two questions to the Section A template provided by CPO: asking for 10-years of experience for their principal consultant, including 3-years of management and supervisory responsibility for this type of services and signed acknowledgement that prohibited the respondent from bidding on any procurements the company may have assisted BA with in the past. Both companies passed Section A Mandatory Requirements Items (Pass/Fail). For Section B, General Qualifications and Experience (10 points), there were 19 questions which included providing a list of customers, total numbers of lives and

information about similar services they provided to them and providing up to five customer references. Section C, Technical Qualifications, Experience and Approach (75 points) involved evaluation of 32 questions grouped together based on our pro forma contract, which was included in the RFQ. Section D of the Technical Qualifications was oral presentations, which consisted of five questions/focus areas. Respondents were given an hour and a half for oral presentations. Based on the evaluation team's technical scores the CPO negotiated with the top respondent a Best and Final Offer (BAFO) based on their cost proposal. The BAFO included a request for reduced rates for the various auditing services portion of the cost proposal. As a result of the procurement, Aon was deemed the best evaluated respondent.

The staff recommends approval to enter into a contract with Aon effective May 1, 2023 through December 31, 2029. This will provide eight months of implementation and seventy-two months of service (6-years) delivery to the State. While the benefit consulting and auditing services will begin January 1, 2024, the OPEB Actuarial Services will begin on October 1, 2024, and run through December 31, 2029. This contract will run for six years to sync up the actuarial and OPEB consulting services.

Chairman Neubert asked all committees if they had questions. Judi Knecht asked if the current provider applied for this contract again. Ms. Brandmeir confirmed they have. Ms. Knecht asked if the scope of this contract mirrored the previous contract and if not, what was new. Ms. Brandmeir explained that additional auditing language was included in the new contract. Christa Martin, Director of Program Integrity in Benefits Administration, added that we included language to strengthen the auditing services. Ms. Martin also said the pricing strategies and cost had a new structure. Under the current contract, auditing and actuarial services have the same rate but auditing should typically be less. The new contract has lower auditing services rates.

Chairman Neubert asked for any other comments, Michelle Consiglio-Young asked how the current cost proposal is different from the bid's cost proposal. Ms. Martin addressed this by saying it is different due to the Auditing Services and Actuarial Services broken out separately versus combining them at the same rate. Ms. Martin also stated that the current rates will stay the same in the first year of the new contract and would then increase in the second year of the new contract. Ms. Martin also pointed out that this is a longer contract, six years versus a five year, like the previous one. The rate of increase will be 3.5%-4.5%. Maximum liability is \$10.197 million for five years and \$12.712 million for six years. Laurie Lee, Executive Director of Benefits Administration, also commented that Ms. Martin had done a very thorough evaluation of the BAFO for hourly rates. Based on her estimate of the need for auditing services and a projection of likely hours used for these services during the life of the contract, we estimate a 4% reduction in cost.

Kevin Krushenski stated it gives him pause when few bidders bid for this contract. Ms. Brandmeir also noted that the last time these services were procured, we had only three respondents and two for this procurement. Ms. Brandmeir also stated that the staff maintain a database of those interested in this type of work and reached out to the companies that might want to submit a proposal. Mr. Krushenski had one follow-up question concerning the pre-implementation audits and if this new contract would continue them. Ms. Martin responded by saying it would continue going forward.

Chairman Neubert asked for a motion for the State Insurance Committee to accept the recommendation of staff and enter into a contract with Aon for actuarial consulting and auditing services. Motion was

made by Commissioner Williams and seconded by Judi Knecht, which passed. The following roll call vote:

Shaffer	yes	DuBray	yes
Williams	yes	Consiglio-Young	Yes
Knecht	yes	Carroll	yes
Girgies	yes	Neubert	yes

Chairman Neubert asked for a motion for the Local Education Insurance Committee to accept the recommendation of staff and enter into a contract with Aon for actuarial consulting and auditing services. Motion was made by Mr. DuBray and seconded by Chairman Neubert, which passed. The following roll call vote:

Shaffer	yes	DuBray	yes
Johnson	yes	Baddour	yes
White	yes	Neubert	yes

Chairman Neubert asked for a motion for the Local Government Insurance Committee to accept the recommendation of staff and enter into a contract with Aon for actuarial consulting and auditing services. Motion was made by Kevin Krushenski and seconded by Chairman Neubert, which passed. The following roll call vote:

Shaffer	yes	DuBray	yes
Krushenski	yes	Neubert	yes

### **Agenda Item #3 – [Action] Plan Document Changes (All Committees):**

Ms. Lee discussed the proposed Plan Document Changes for the State, Local Education and Local Government Plans, which were outlined in detail in the insurance committee memo sent on March 13, 2023. Ms. Lee reminded the Committees that the Plan Documents describe the eligibility rules and plan coverage. Benefits Administration automatically updates the Plan Documents when federal or state law changes. They are also updated when the Committees vote on specific actions such as benefits. In addition, as we continue to review the Plan Documents language to ensure it is contemporary and reflects accurately our practices, we bring these proposed edits to the Committees. One example of the proposed edits today is to clarify and reflect the current funding mechanism, such as the existence of a trust. Another example is clarification of language around reinstatement of a member. The current language does not precisely state the process and the proposed changes will eliminate ambiguity.

Kevin Krushenski asked if the language would help in the instance of ineligible employees receiving benefits, such as during a retroactive termination. Ms. Lee clarified that if the member notifies the agency in a timely manner, but the agency doesn't act timely, it does not hold that member responsible.

The proposed language clarified that process. Ms. Martin also stated that the document is intended for better reporting and keeping agencies accountable.

Mr. Krushenski emphasized that we reach out to the Agency Benefits Coordinators (ABC) regarding these changes. Chairman Neubert asked what the process looks like to push this information out. Ms. Martin responded that this will be discussed in the ABC calls and a written communication would also be sent.

Chairman Neubert called for a motion for the State Insurance Committee to adopt the Plan Document changes proposed by staff and for a second. Motion was made by Commissioner Williams and seconded by Mr. DuBray, which passed. Ms. Consiglio-Young asked if these would go into effect immediately or if there would be a time lapse. Ms. Lee stated that the changes are effective immediately and, following the meeting, BA staff would be notified to update the plan documents. The following roll call vote:

Shaffer	yes	DuBray	yes
Williams	yes	Consiglio-Young	Yes
Knecht	yes	Carroll	yes
Girgias	yes	Neubert	yes

Chairman Neubert called for a motion for the Local Education Insurance Committee to adopt the Plan Document changes proposed by staff and for a second. Motion was made by Mr. DuBray and seconded by Chairman Neubert, which passed. The following roll call vote:

Shaffer	yes	DuBray	yes
Johnson	yes	Baddour	yes
White	yes	Neubert	yes

Chairman Neubert called for a motion for the Local Government Insurance Committee to adopt the Plan Document changes proposed by staff and for a second. Motion was made by Mr. Krushenski and seconded by Chairman Neubert, which passed. The following roll call vote:

Shaffer	yes	DuBray	yes
Krushenski	yes	Neubert	yes

#### **Agenda Item #4 – Information Only – End of Public Health Emergency**

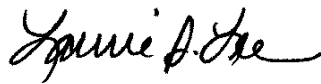
Ms. Lee notified the Committees that the Department of Health and Human Services has announced they will end the designation of the public health emergency related to the COVID-19 pandemic on May 11<sup>th</sup> of 2023. The Committees had previously approved waiving cost sharing for various COVID-19 related testing and treatment through the public health emergency. As this designation ends, that cost-sharing would no longer be funded through the plans and normal member cost-sharing would apply.

Judi Knecht asked how the information will be disseminated to the members. Ms. Lee responded that through email and by regular mail to those for whom we do not have email addresses, to ensure delivery.

Chairman Neubert asked for a motion to adjourn. Ms. Consiglio-Young made a motion, which was seconded by Commissioner Williams.

The next meeting of the State, Local Education and Local Government Insurance Committees is scheduled for April 27, 2023. With no further business, Chairman Neubert adjourned the meeting at 1:37 p.m. (central).

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Laurie S. Lee". The signature is written in a cursive, flowing style.

Laurie S. Lee