

## **OPEB Committee Meeting (Teleconference)**

Wednesday, April 8, 2020; 2:00 pm; 919-981-2500

### **Goals:**

- I. Selection of the Technical Advisor and Actuary with a focus on smoother review process.
- II. Establish the evaluation timeline allowing for report finalization by 8/31/20 as requested by the State Controller for purposes of finalizing the CAFR

### **I. Actuary Recommendation and Selection:**

In keeping with statute, the Committee designates either the actuary for the State Health Plan or the actuary for the Retirement Systems Division. Historically, since this is a valuation of a health benefit, the Committee has selected the actuary for the State Health Plan. The Health Plan has a contract with The Segal Company (Segal) that includes the option of conducting the OPEB valuation. The contract outlines Segal's valuation process, methodology, and data requirements. The Segal contract also states that the GASB 74 report will be completed at the earlier of August 31<sup>st</sup> or 60 days within receipt of the required data.

In the event the committee selects Segal, it has been discussed to add recommendations to Segal in order to have a smoother review process in 2020. This will include:

- More rigorous test life review to ensure accuracy.
- Additional Report review time for the "Working Group"
- Internal report review by Segal prior to submission to "Working Group" and Committee for typos and clarity, including language regarding:
  - o Correct the retirement eligibility assumption to matching the pension plan's methodology of having unused leave converted to years of service.
  - o Updated MA Premiums and adequate description of future assumed increases
  - o Clear description of Federal HR 1865 (December 2019) repealing HIP Fee and ACA Excise Tax and its impact on the OPEB liability

The cost to the State Health Plan for Segal to complete the GASB 74 and 75 reports last year was \$95,000 which will remain the same for the reports this year.

### ***MOTION – Proposed Actuary Recommendation***

## II. Timeline Recommendation:

### Definition:

The “Working Group” consists of Subject Matter Experts from OSC, OSBM, and DST with extensive GASB, financial, or actuarial knowledge. The purpose of the “Working Group” is to provide feedback to the actuary prior to presentation to the OPEB Committee.

### 2019 Process and Timeline

- 4/24/19 – Selection of Technical Advisor and Actuary
- 6/7/19 – Discussion with “Working Group” around reporting assumptions including
  - Discount rate
  - Trend rate
  - Payroll growth
  - Demographic Assumptions
- 6/12/19 – Segal presents Assumptions and Timeline to OPEB Committee
- 8/16/18 – Segal provides Draft GASB 74 Report to “Working Group”
- 8/20/19 – Segal presents Draft GASB 74 Report to Committee
- 8/23/19 – “Working Group” submits Report revisions
- 8/30/19 – Segal provides Final GASB 74 Report
- 10/7/19 – SHP submits review of test lives to Segal as additional review.
- 10/30/19 – Committee requests revision of GASB 74 Report
- 11/5/19 – Segal Submits Revised Draft of GASB 74 Report
- 11/15/19 – Segal provides Final GASB 74 Report
- 12/16/19 – Segal provides Draft GASB 75 Report and Allocation Tables to FOD
- 1/17/20 – FOD responds with edits to GASB 75 Report and Allocation Tables
- 1/29/20 – Segal provides final GASB 75 Report and Allocation Tables

### Proposed 2020 Process and High Level Timeline

- 4/8/20 – Selection of Technical Advisor and Actuary
- 5/20/20 – “Working Group” reviews recommended assumptions for reasonability and changes from prior year.
- 5/29/20 – State and Actuary finalize timeline and review reporting assumptions including: discount rate, trend rate, inflation rate and payroll growth
- 8/7/20 – Financial Operations Division provides final FYE RHBTF Financial Statements to Segal
- 8/12/20 – “Working Group” receives Segal DRAFT GASB 74 Report
- 8/18/20 – Segal Presents draft GASB 74 Report to “Working Group”
- 8/24/20 – “Working Group” Submits Report revisions
- 8/31/20 – Segal provides FINAL GASB 74 Report; Segal presentation; OPEB Committee consensus as to GASB 74 Report acceptance
- 12/16/20 – Segal provides draft GASB 75 Report and Allocation Tables
- 2/12/21\* – FOD asks questions, clarifications, and comments regarding GASB 75 Report and Allocation Tables
- 2/26/21\* – Segal provides Final GASB 75 Report and Allocation Tables

\* FOD is simultaneously verifying the GASB 75 Report and Allocation Tables as well as other Reports (i.e. DIPNC, CDBP, etc) for the CAFR from December to February. It could be possible that FOD provides feedback to the actuary prior to 2/12/2021 where FOD would expect a final GASB Report and Allocation Tables within 2 weeks of the final comments.

### **MOTION - Proposed 2020 Process and High Level Timeline**