

Committee on Actuarial Valuation of Retired Employees' Health Benefits
May 29, 2020

Meeting Minutes

Committee members attending: State Budget Director Charles Perusse (Chair), State Treasurer Dale Folwell, State Controller Dr. Linda Combs, and State Health Plan Executive Administrator Dee Jones.

Others attending: Elizabeth Colcord, Jim Dolan, and Virginia Sisson (State Controller); Joan Fontes and Fran Lawrence (State Treasurer); Matt Rish, Patrick Kinlaw, and Charles Sceiford (State Health Plan); Taylor Coburn, Paul Devenish, and Lanier McRee (OSBM); David Vanderweide (FRD); and Danny Rhodes, Ken Vieira, and Stuart Wohl (Segal)

The Committee met by conference call and convened at 10:00 a.m. Mr. Perusse welcomed those in attendance and asked for a roll call of members and meeting attendees.

Mr. Perusse read the Ethics Awareness and Conflict of Interest Reminder statement. No member indicated a conflict. Mr. Perusse asked for a motion to adopt the Committee meeting minutes from April 8, 2020. Dr. Linda Combs made a motion to adopt the minutes and Dee Jones seconded this motion. The motion passed with all members voting aye. Mr. Perusse asked for a motion to adopt the Working Group meeting minutes from May 19, 2020. Dr. Linda Combs made a motion to adopt the minutes and Dee Jones seconded this motion. The motion passed with all members voting aye.

Mr. Perusse invites Dee Jones and Charles Sceiford to introduce Segal. Charles Sceiford introduces Segal's valuation assumption presentation and notes that not all assumptions are up for vote by the Committee. Danny Rhodes, the lead actuary at Segal, reviews their presentation, noting that the assumptions are mostly the same as those discussed at the Working Group meeting and today's discussion will focus mainly on changes or assumptions that were made emphasize during the Working Group meeting.

On Page 4, Danny Rhodes highlights the pension adjustments used in their valuation. He notes that there was some discussion on this assumption during the Working Group meeting, but Segal recommends no changes to their assumption. Treasurer Folwell asks Segal to make copy changes to the Ultimate Health Trend to indicate "no change" from last year for consistency with how other unchanged assumptions are displayed.

On Page 6, Danny Rhodes reviews the assumptions regarding the Medicare Advantage Plan. Segal completed modeling and reviewed these with Charles Sceiford, State Health Plan, to see the effect of the new deal with Humana, which is effective January 1, 2021. They assume a cost of \$0 per the Humana rate in 2021-2026, and \$54 in 2026 for the base plan. Treasurer Folwell asks if they've seen a plan as competitively priced with other clients. Danny Rhodes comments that they have seen \$0 plans and Ken Vieira adds that North Carolina's plan was a great deal and North Carolina was the first state that they know of to have a \$0 MA-PD and lock in that rate for five years.

On Page 7, Danny Rhodes reviews the Health Trend and notes that it is consistent with other methodologies. The migration trend will be looked at further and updated as necessary given uncertainty on how trends may change due to the \$0 Medicare rate.

In conclusion, Danny Rhodes highlights that there will be a significant decrease in the discount rate which will lead to a significant increase in the OPEB liability. Treasurer Folwell asks if this can be noted in the report since it will be such a big lever in the valuation, and we want to emphasize that this is not a choice by the Committee.

Mr. Perusse asks the Committee if there are any further questions or comments. Dee Jones asks Matt Rish to further discuss the statement on page 6 about the \$0 MA-PD premium. Matt Rish explains that the cost to the plan is \$0, although typically the plan has added a \$4 administrative fee for dependents. He notes that the dependent election rate of 10% may change, but this would not significantly impact the liability.

Mr. Perusse asks for a motion to approve the assumptions. Treasurer Folwell made the motion, pending technical corrections to the document, and Dee Jones seconded the motion. The motion passed with all members voting aye.

The Committee members thanked the staff at the State Health Plan, and the Working Group, for their work and note that the valuation process continues to improve each year.

Hearing no further business, Mr. Perusse asked for a motion to adjourn. Dee Jones made the motion and Charlie Perusse seconded. The motion to adjourn passed with all members voting aye.

Taylor Coburn
May 29, 2020