

Committee on Actuarial Valuation of Retired Employees' Health Benefits
August 31, 2017
Meeting Minutes

Committee members attending: State Treasurer Dale Folwell; State Controller Linda Combs; State Health Plan Executive Administrator Dee Jones; and State Budget Director Charlie Perusse.

Others attending: North Carolina Representative John M. Blust; Chris Farr, Fran Lawrence, Joan Fontes, and Dora Fazzini (State Treasurer); Mark Collins (State Health Plan); Jim Tulenko, Elizabeth Colcord, and Virginia Sisson (State Controller); Katina Bell and Vernon Utley (State Auditor); David Vanderweide and Timothy Dale (NC General Assembly); Thomas Cheek and John Sparrow (OSBM); and David Berger and Danny Rhodes (Segal Company).

The meeting convened at 2:01 p.m. Mr. Perusse welcomed those in attendance and reminded Committee members of the Ethics Awareness and Conflict of Interest Reminder statement. All members indicated that they had no conflict.

Mr. Perusse asked for a motion to adopt the Committee meeting minutes from June 13, 2017. Dr. Combs made the motion; Treasurer Folwell seconded. The motion passed with all members voting aye.

Mr. Perusse asked representatives of Segal if they would provide the actuarial valuation update. Mr. Berger referred Committee members to the *Summary of GASB 45 OPEB Valuation As of December 31, 2016*, a 31-page PowerPoint presentation that had been distributed to Committee members via PDF before the meeting, along with the December 31, 2016 GASB 45 and June 30, 2017 GASB 74 OPEB valuation reports.

Mr. Berger explained the reason for preparing two GASB reports for the 2016 valuation – GASB 43 was replaced by GASB 74 for plan accounting for the 2016 valuation; GASB 45 still applies to state accounting, but will be replaced by GASB 75 for the 2017 valuation.

Referring to page 3 of the presentation, Mr. Berger summarized the valuation results. He indicated that positive claims experience, lower national medical trends, and new contracts for the Medicare Advantage Plans and for pharmacy benefit management led to the lower costs, which were largely offset by using a lower discount rate than in previous years.

Mr. Berger and Mr. Rhodes reviewed the remaining items in the document with the Committee, referencing key valuation methods and assumptions used, including the asset valuation method (market value), and plan provisions. Mr. Rhodes noted on page 14 that the discount rate used for the valuation was 3.58%, based on the 20-year general obligation municipal bond rate as of June 30, 2017. On page 18, Mr. Berger noted the changes that lowered the GASB 45 valuation of Unfunded Actuarial Accrued Liability from \$32.5 billion as of December 31, 2015, to \$31.4 billion as of December 31, 2016.

Referencing back to page 3, Treasurer Folwell requested a ranking of the valuation information for all 50 states. Mr. Perusse indicated that OSBM staff would send that information to the Committee members.

On page 28, Mr. Rhodes discussed the GASB 74 results. He indicated that Net OPEB Liability reduced from \$43.5 billion as of the December 31, 2015 valuation date to \$32.8 billion as of December 31, 2016, primarily resulting from a higher discount rate (from a 20-year general obligation municipal bond rate of 2.85% as of June 30, 2016, to 3.58% as of June 30, 2017) and positive trend.

Ms. Jones requested more time to consider the information in the presentation and reports and to ask questions of Segal following the meeting, before voting on adoption of the report; Treasurer Folwell concurred. Dr. Combs indicated that mid-September was acceptable for receiving the final financial data for the CAFR.

Mr. Perusse requested that Committee members submit any questions by the end of the week beginning September 4 and that a follow-up telephone meeting be held in mid-September.

Hearing no further business, Mr. Perusse asked for a motion to adjourn. Ms. Jones made the motion, and Dr. Combs seconded. The meeting adjourned at 3:36 p.m.

John Sparrow
September 5, 2017