

Committee on Actuarial Valuation of Retired Employees' Health Benefits
June 25, 2018
Meeting Minutes

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

Others attending: Elizabeth Colcord, Anne Godwin, and Jim Dolan (State Controller); Greg Gaskins, Dora Fazzini, Michelle Fox, and Joan Fontes (State Treasurer); Charles Sceiford, Andrew Norton, Daneene Barton, and Matt Rish (State Health Plan); Sam Watts and Patrick Kinlaw (Retirement System); David Vanderweide (Fiscal Research); Amy Senogles (State Auditor); Danielle Ward (OSBM); and David Berger and Danny Rhodes (Segal Consulting).

The Committee met by conference call and convened at 2:00 p.m. Mr. Perusse welcomed those in attendance and took the roll call.

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 June 7, 2018. A motion was made and seconded. The motion passed with all members voting aye.

Mr. Perusse asked Treasurer Folwell if he had any comments before the presentation. Treasurer Folwell welcomed the meeting attendees, thanked Ms. Jones for her work on this project, and invited the representatives of Segal to begin the discussion. Mr. Berger of Segal provided an overview of the OPEB Actuarial Valuation Assumptions for the December 31, 2017, Valuation (a 19-page PowerPoint presentation that was distributed to Committee members via email). On pages 2 through 5, he noted the timing and differences of new GASB Accounting Standards 74 and 75.

On page 6, Treasurer Folwell asked for clarification on the discount rate assumption. Mr. Berger reported that Segal suggests that the assumed rate be changed to 3.58% (it is currently trending at 3.8%).

Mr. Berger walked the group through the recommended assumptions on pages 7 through 14. There was discussion on the recommended assumptions for the long-term rate of return on plan assets (7.00%), the assumed payroll growth (3.00%), and the Ultimate Health Trend (5.00%). There was a question about the frequency of the calculations for the demographic assumptions. Mr. Kinlaw advised the group that they would be refreshed in 2020, using 2019 data. Mr. Berger pointed out that some of the recommended rates are still being developed, and that some are recommended as "no change." He reminded the Committee that, when applicable, rates mirror those used by the pension plan.

Mr. Berger concluded his presentation by noting that some items needed to be approved by this body, and reminded them about the upcoming August 15th and August 29th deadlines, when the draft and final report are due, respectively. Dr. Combs reported that OSC is in agreement with the working group's recommendation. Representatives from DST concurred. The Treasurer Folwell asked what impact the recommendation may have on the terminal liability of the program. Mr. Berger reported that there would be no impact.

Mr. Perusse invited comments and questions from the attendees. Treasurer Folwell made a motion to accept the recommended assumptions on page 7 of the presentation. Dr. Combs seconded the motion. The motion passed with all members voting aye.

Mr. Berger was invited to walk the group through the methodology used in creating the assumptions recommended on page 15 of the presentation. Treasurer Folwell made a motion to accept the recommended assumptions on page 15 of the presentation. Dr. Combs seconded the motion. The motion passed with all members voting aye.

Mr. Perusse asked whether there was any further business for the Committee. The committee was reminded to keep the August 15th and August 29th deadlines in mind. Mr. Perusse asked for a motion to adjourn. A motion was made and seconded; and the meeting adjourned at 2:59 p.m.

Danielle Ward, June 25, 2018