

Committee on Actuarial Valuation of Retired Employees' Health Benefits
May 26, 2021

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, Anne Godwin, and Virginia Sisson (State Controller); Joan Fontes and Fran Lawrence (State Treasurer); Matt Rish, Patrick Kinlaw, Tamara McNeill, Matt Rish, and Charles Sceiford (State Health Plan); Taylor Coburn, Paul Devenish, and Lanier McRee (OSBM); David Vanderweide (FRD); and Danny Rhodes and Ken Vieira (Segal).

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

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 15, 2021. 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 invited Committee members to make introductory statements. Dee Jones noted that the working group had a productive meeting the previous week and invited Danny Rhodes to begin the presentation.

Danny Rhodes, the lead actuary at Segal, reviewed their presentation, noting that the assumptions are the same as those discussed at the Working Group meeting and today's discussion would focus on the highlights of these recommendations. He also added that some recommendations are based on the assumptions approved by the pension plan in January 2021 based on their study that concluded in the Fall of 2020.

On Page 11, Danny Rhodes noted that the Ultimate Health Care assumption trend was discussed at the working group meeting, and it was decided to keep the rate at five percent rather than changing it. Segal believes this is a fair assumption to include.

On Page 13, Danny Rhodes commented on the discount rate and that there are no changes as additional funding, like that which occurred at the end of fiscal year 2020, is not expected.

Mr. Perusse asked the Committee if there are any further questions or comments. Dee Jones asked if we are able to adjust the funded status if contributions, like last year's \$475M, continue. Danny Rhodes notes that GASB recommends reviewing a five-year history, but there is no specific requirement; it is also relevant to look at state law, relevant statutes, and formal policies to guide decisions. He added that if regular contributions continue being made, they could begin looking into updating funded status of the plan and other relevant variables.

Treasurer Folwell asked about the interaction between increased discount rate, inflation, and health care costs on the OPEB liability, especially given the current funding status of the plan. Danny Rhodes noted that it is always true that an increase in the discount rate will result in a reduction in the liability, but the question is to what extent. It's probably true that the impact wouldn't be large when the plan is unfunded and there's no plan to fund it.

Mr. Perusse asked for a motion to approve the assumptions. Dr. Linda Combs 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 staff at the State Health Plan, and the working group, for their work and note that the valuation process has been smooth.

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 and the meeting concluded at 2:30 pm.

Taylor Coburn
May 26, 2021