

**Committee on Actuarial Valuation of Retired Employees' Health Benefits**  
**June 12, 2019**

**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 (State Treasurer); Daneene Barton, and Matt Rish (State Health Plan); Lanier McRee and Taylor Coburn (OSBM); and David Berger, Matt Powell, and Ken Vieira (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 April 24, 2019. Dee Jones made a motion to adopt the minutes and Treasurer Folwell seconded this motion. The motion passed with all members voting aye.

Mr. Perusse invited the representatives of Segal to review the draft valuation assumptions. Mr. Berger of Segal provided an overview of the OPEB Actuarial Valuation Assumptions for the December 31, 2018, Valuation. The 20-page PowerPoint presentation was distributed to Committee members via email and made available for meeting attendees via the OSBM website.

Mr. Berger reviewed the 4 deliverables of the contract noted on page 3 of the presentation and reminded the Committee of the December 30, 2017 valuation results, a \$28.488 billion net liability (pg. 4).

Mr. Berger walked the group through the recommended valuation assumptions on pages 6 through 15, noting that the key assumptions on page 6 tend to be the primary drivers of change for the valuation. In reviewing the remaining assumptions, Mr. Berger reminded the Committee that, when applicable, rates and assumptions mirror those used by the pension plan, noted the assumptions are still being developed, and indicated which assumptions would be unchanged from the prior year valuation.

Specific questions and notes on the assumptions included:

- On page 6, Mr. Berger indicated that the discount rate is based on the 20-year, general obligation, municipal bond index rate as of the measurement date, June 30, 2019; that rate was 3.48% as of June 12, 2019 compared with 3.87% on June 30, 2018, which alone could have a \$2 billion impact on the net OPEB liability
- On page 7, Treasurer Folwell noted that the Clear Pricing Project will have an impact on the ultimate health trend.

- On page 9, Mr. Berger indicated that, at the recommendation of the Working Group, they are developing two administrative expense rates, one for pre-65 and one post-65, to determine if that has an impact on the net liability.
- On page 10, Mr. Berger highlighted the changes in the migration assumptions, especially the non-Medicare retiree split between the 70/30 and the 80/20 plans.
- On page 16, Mr. Berger explained a key difference between GASB 75 and the old GASB 45: the valuation is as of the measurement date. Changes post-June 30, 2019, can only affect the notes and may not change reported numbers; Treasurer Folwell confirmed that GASB 45 was not a deliverable of the contract.
- On page 17, Ms. Jones noted that some of the Clear Pricing Project details had changed from the information shown on the slide, including the reimbursement margin (increased from 77% to 82%) and the expected savings (updated from \$300 million to \$200 million year 1, \$250 million year 2).

At this point, there was a discussion of the expected net OPEB liability based on the December 31, 2018 valuation and June 30, 2019 measurement date. Segal noted that many assumptions are outstanding but, at this early stage, a net OPEB liability in the \$33 billion range could be expected assuming no other gains or losses.

Mr. Berger concluded his presentation by reviewing the timing milestones on page 19, noting the August 30, 2019 Committee meeting to review the GASB 74 report and a final GASB 75 report delivered at the end of February 2020.

Mr. Perusse invited comments and questions from the attendees. Committee members expressed appreciation for the work of the Working Group and with that Treasurer Folwell made a motion to accept the recommended assumptions outlined in 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. Mr. Peruse informed the Committee that the GASB 75 report from the December 31, 2017 valuation is available on the OSBM website. No other business was noted.

Mr. Perusse asked for a motion to adjourn. A motion was made and seconded; and the meeting adjourned at 2:51 p.m.

Lanier McRee, June 12, 2019