Committee on Actuarial Valuation of Retired Employees’ Health Benefits
August 30, 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); Jim Dolan, Joan Fontes, and Fran Lawrence (State Treasurer); Matt Rish and Charles Sceiford (State Health Plan); Taylor Coburn (OSBM); and David Berger, Danny Rhodes, and Ken Vieira (Segal Consulting).

The Committee met by conference call and convened at 9:00 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 to Committee meeting minutes from June 12, 2019. Dr. 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 representatives of Segal if they would review the actuarial valuation report. Mr. Berger of Segal referred the Committee to a 9-page PowerPoint presentation that had been distributed to Committee members via PDF before the meeting and available on the OSBM website. Mr. Berger reviewed this presentation, noting the valuation includes a GASB 74 valuation only.

On page 3 of the presentation, Mr. Berger noted the new funded ratio of 4.45% and the increase in the total OPEB liability from $29.8 billion to $32.7 billion, leaving a net OPEB liability of $31.2 billion. He also reviewed the main drivers of the increase in OPEB liability (increase to the drug trend and a decrease in the discount rate).

On page 4, Mr. Berger notes that active liabilities are around 58% of the total OPEB liability (TOL) and brings attention to the fact that OPEB liability is higher for retirees post-65 than pre-65 and higher for active pre-65 than post-65. Treasurer Folwell asks why Mr. Berger commented on the size of OPEB liability post-65 and he explained that active pre-65 accounting for 33% of TOL is higher than they would typically expect to see. Discussion arises over the increase in the number of inactive vested from last year’s valuation; Mr. Perusse comments that it will be interesting to see how changing workforce dynamics, as well as legislative changes to the State Health Plan anticipated to take effect January 1, 2020, will impact this valuation and the state’s TOL over the next decade.

On page 5, Mr. Berger reviewed a visual representing the main drivers of changes in the TOL; he draws attention to the large blue downward arrow, noting that $1 billion of this decrease in the TOL is due to a recommendation from Charles Sceiford at the State Health Plan to separate average per head administrative costs between pre-65 and post-65. He notes that this method is actuarially sound and an improvement upon what they would typically have done.

On page 6, Mr. Berger notes that changes to the discount rate largely mirrors changes seen in TOL over the last several years; Mr. Berger explains that the 20-year bond rate is used to develop the discount rate as a form of liability matching.
Mr. Perusse asked if the Committee members had any additional questions, and there were none.

Mr. Perusse asked for a motion to accept the report. Dr. Combs made a motion to adopt the report and Ms. Jones seconded that motion. The motion passed with all member voting aye.

Hearing no further business, Mr. Perusse asked for a motion to adjourn. Dr. Combs made the motion; Ms. Jones seconded. The meeting adjourned at 9:48 a.m.

Taylor Coburn
August 30, 2019