

**Committee on Actuarial Valuation of Retired Employees' Health Benefits
November 15, 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, Jim Dolan, and Virginia Sisson (State Controller); Fran Lawrence (State Treasurer); Matt Rish and Charles Sceiford (State Health Plan); Taylor Coburn and Lanier McRee (OSBM); and Daniel Rhodes, David Berger, and Stuart Wohl (Segal)

The Committee met by conference call and convened at 1:30 p.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 Committee meeting minutes from October 30, 2019. Treasurer Folwell wants to confirm that the meeting minutes reflect the details of and reasoning for the last meeting accurately and completely. Mr. Perusse offers that the meeting minutes be voted on via email after the meeting to ensure members have sufficient time to review the minutes.

Mr. Perusse introduced the topic of the meeting and thanked Segal for their prompt work in addressing the concerns of the Committee and producing a revised report. Ms. Jones thanked her team at the State Health Plan and Charles Sceiford for identifying these concerns and commended the working group for their work.

Mr. Perusse invited Segal to review the changes to the actuarial valuation. Daniel Rhodes of Segal provided a timeline of the actuarial valuation since the original report was delivered and approved in August. He noted that Charles Sceiford, State Health Plan, asked for details of the process and calculations used in the valuation, and as a result of this review questions and concerns arose regarding certain methodologies used. On October 15th, Charles Sceiford and Segal had come to agreement that four items needed to be fixed or adjusted in a revised report. Mr. Rhodes referred the Committee to Segal's memo. The adjustments made resulted in a \$410 million increase in the Total OPEB liability (TOL), or 1.25 percent.

Mr. Rhodes referred the Committee to page 2 of the memo. The first item relates to administrative fees. As mentioned in the August Committee meeting, Segal refined the way they accounted for administrative fees in the valuation per a recommendation by the State Health Plan. The impact was being understated for pre-65 retirees, and the impact from children was not reflected correctly in the valuation. The second item relates to an incorrect contribution trend being applied in the calculation; this error resulted in a \$200 million increase in the TOL. The third item relates to how the retirement rate was calculated. The assumption used in the valuation that individuals retire halfway through the year was not applied to law enforcement officers, meaning that the rate for the first year of eligibility was incorrect. The final item relates to the wellness surcharge; the item was described correctly in the report but was not correctly applied to in the valuation calculations.

Mr. Rhodes referred the Committee to page 3 of the memo, which outline what changes have been made in the report. He noted that the report doesn't go into as much detail as the memo. Treasurer Folwell inquired about written attribution to the State Health Plan actuary in the final report, noting that more language should be added to page 7 of the report.

Dr. Combs noted that they will work with the group next year since OSC requirements are the main driver of the August deadline that results in a short turnaround for Segal's staff in producing the valuation report. They will do what they can to make the process as easy as possible. Ms. Jones noted that the State Health Plan and the working group will use our experience this year to adjust the timeline and attempt to get the text portion of the report completed earlier.

Ms. Jones invited Patrick Kinlaw, an actuary at the Retirement System, to comment on the report and discontinuities between the OPEB valuation and valuation completed for the Retirement System. Patrick Kinlaw noted that there are still differences in how the two valuations are completed, and he hopes that the valuation could be refined further next year to make it more consistent with the Retirement System valuation.

Mr. Perusse asked the Committee how they would like to proceed with approving the revised report. Treasurer Folwell made a motion to approve the report today pending technical changes of attribution. Dr. Combs seconded this motion. The motion passed with all members voting aye.

Ms. Jones confirmed that the Committee will approve minutes for the October 30, 2019 and November 15, 2019 meetings via email. No members indicated an issue with approving the minutes in this manner.

Treasurer Folwell made a motion to adjourn the meeting; Ms. Jones seconded this motion. The motion passed with all members voting aye. The meeting adjourned at 2:30 p.m.

Taylor Coburn
November 15, 2019