

North Carolina State Health Plan  
For Teachers And State Employees

## Summary of Draft GASB 74 OPEB Valuation As of December 31, 2019/Measured June 30, 2020

**Committee on Actuarial Valuation of Retired  
Employees' Health Benefits (OPEB Committee)**

August 28, 2020 / Daniel J. Rhodes, FSA, MAAA

# | Agenda

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# Summary of Key Valuation Results

	<b>June 30, 2020</b>	<b>June 30, 2019</b>
Total OPEB Liability (TOL)	\$29,802,158,533	\$33,095,182,920
Plan Fiduciary Net Position (Assets)	2,061,307,299	1,455,683,423
Net OPEB Liability (NOL)	\$27,740,851,234	\$31,639,499,497
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	6.92%	4.40%
	<b>June 30, 2020</b>	<b>June 30, 2019</b>
Service Cost at Beginning of Year	\$1,824,174,672	\$1,539,091,679
Covered Payroll <sup>1</sup>	17,975,000,000	17,622,000,000
	<b>June 30, 2020</b>	<b>June 30, 2019</b>
Actuarially Determined Contribution for Fiscal Year Ending	\$2,823,873,000	\$2,971,069,000
Actual Contribution for Fiscal Year Ending <sup>2</sup>	1,162,966,849	1,104,901,608
Benefit Payments	1,084,668,452	1,030,956,211

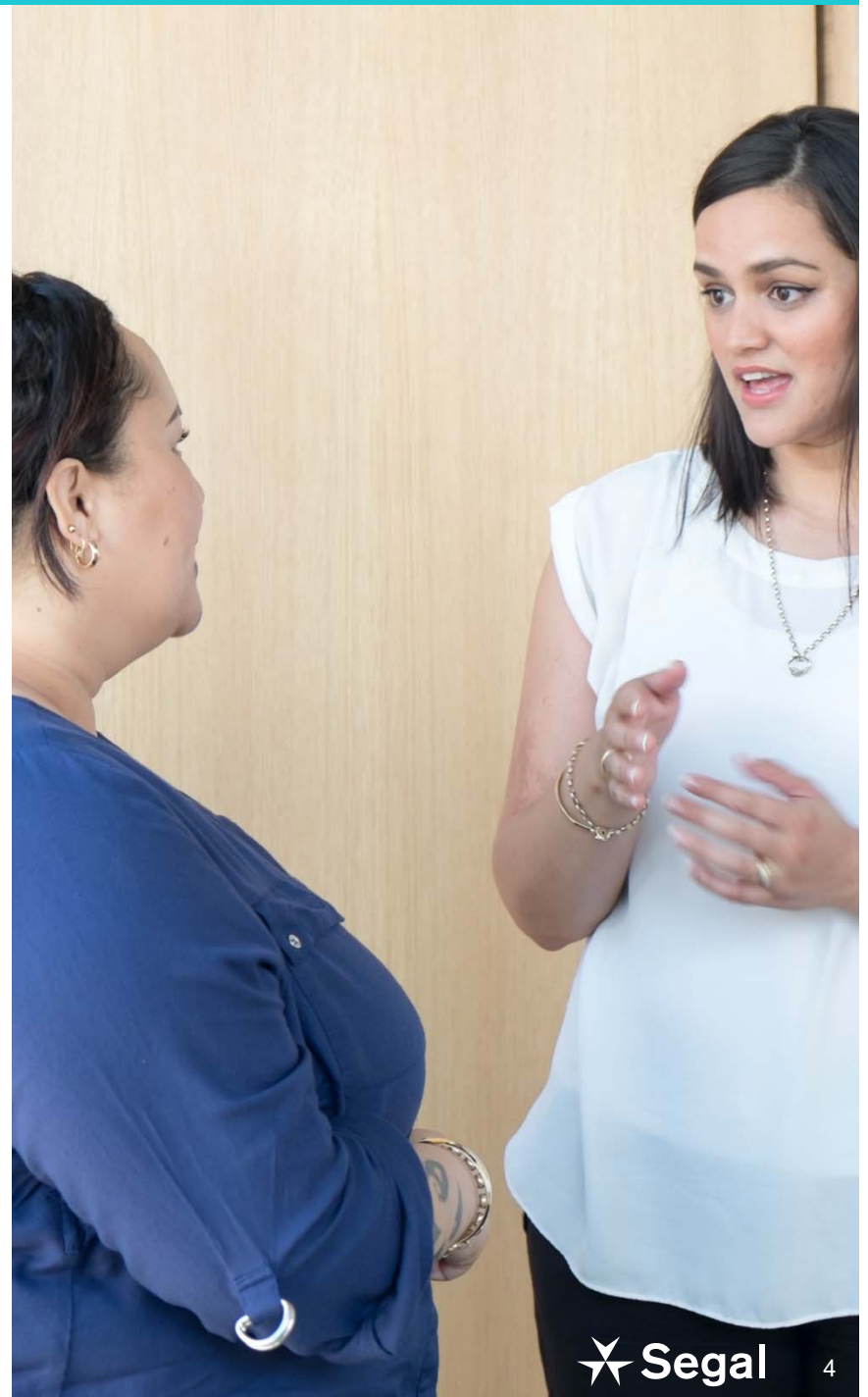
The “waterfall” chart on slide 6 shows the components of the change in Net OPEB Liability (NOL) from the prior year.

<sup>1</sup>Covered payroll is estimated for both 2019 and 2020 based on employer contributions

<sup>2</sup>Does not include \$475.2 million transfer from Public Employee Health Benefit Fund to Retiree Health Benefit Trust Fund in June 2020.

# Changes from Prior Report

- Starting claims costs, short-term trend and migration assumptions
  - Updated to be consistent with Q1 financial projections
- Medicare Advantage contract (January 1, 2021)
  - Reflects \$0 premium for MA Base plan, guaranteed for 5 years
- TPA contract (January 1, 2022)
  - Reflects savings in BCBSNC administrative fees
- Plan changes (January 1, 2021)
  - Reflects changes approved by the Board of Trustees on February 28<sup>th</sup> and June 15<sup>th</sup>
- Employer contribution changes (January 1, 2021)
  - Reflects legislative changes passed into law on June 26<sup>th</sup>
- Discount rate
  - From 3.50% to 2.21%, based on GO Bond index at Measurement Date
- Removal of ACA fees
  - Excise tax on high cost health plans
  - Health Insurer Fee



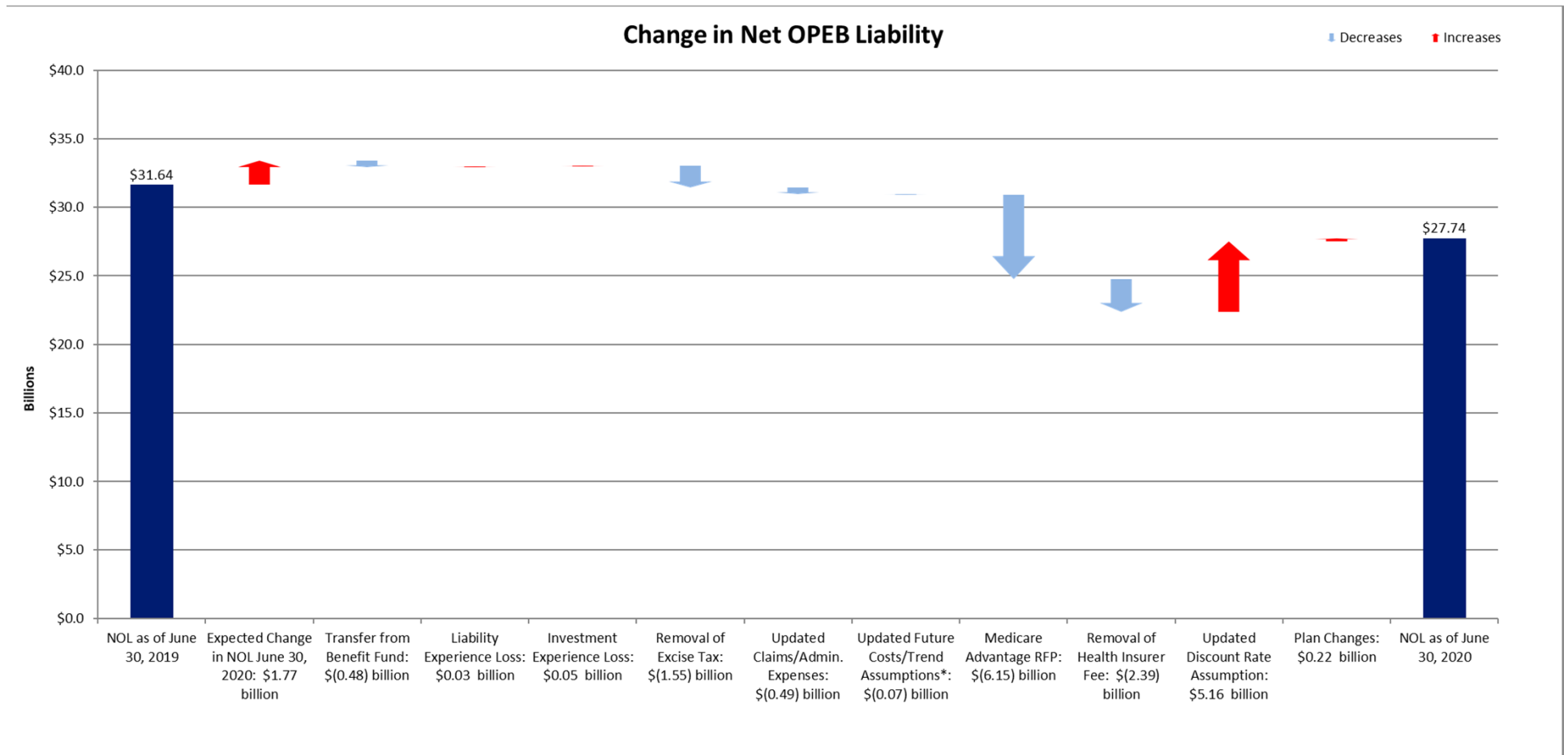
# Summary by Participant Type

Total OPEB Liability as of June 30, 2020	Pre-65	Post-65	Total
<b>Active</b>	\$11,510,435,808	\$6,812,094,499	\$18,322,530,307
<b>Vested</b>	1,610,305,712	2,121,143,014	3,731,448,726
<b>Retired</b>	2,216,982,472	4,991,863,299	7,208,845,771
<b>Beneficiary</b>	5,898,408	5,182,208	11,080,616
<b>Disabled</b>	<u>218,461,187</u>	<u>309,791,926</u>	<u>528,253,113</u>
<b>Total</b>	<b>\$15,562,083,587</b>	<b>\$14,240,074,946</b>	<b>\$29,802,158,533</b>

	As of December 31, 2019	As of December 31, 2018
<b>Number of retirees</b>	209,980	205,490
<b>Number of spouses</b>	18,367	17,523
<b>Number of surviving spouses</b>	2,877	2,973
<b>Number inactive vested</b>	45,096	43,908
<b>Number of actives</b>	<u>348,905</u>	<u>346,173</u>
<b>Total number of participants and spouses</b>	<b>625,225</b>	<b>616,067</b>

- Post-65 costs have decreased significantly since the prior valuation, due to the reduction in Medicare Advantage premiums beginning January 1, 2021.
- As a result, post-65 liability is now 48% of the TOL, down from 56% of the total last year.
- 61% of the TOL is for active employees.

# Reconciliation of the Net OPEB Liability



\* Includes updates to trend and migration assumptions, new TPA contract, and PBM market check

# Roll Forward from Valuation Date to Measurement Date

## December 31, 2019 Valuation Liabilities Adjusted to June 30, 2020

1.	Entry Age Normal Actuarial Liability as of December 31, 2019	\$28,899,369,897
2.	Normal Cost for Calendar 2020	1,974,212,317
3.	Expected Benefit Payments for Calendar 2020	824,570,415
4.	Discount Rate	2.21%
5.	Proration of Normal Cost	987,106,159
6.	Proration of Benefit Payments	412,285,208
7.	Interest on 1. for six months	319,338,038
8.	Interest on 5. for six months	10,907,523
9.	Interest on 6. for three months	\$2,277,876
10.	Adjusted Entry Age Normal Actuarial Liability (TOL) <b>1. + 5. - 6. + 7. + 8. - 9.</b>	\$29,802,158,533
11.	Market Value of Assets	2,061,307,299
12.	Net OPEB Liability (NOL)	\$27,740,851,234

# Comparative Results

<b>GASB 74 Results</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2017</b>
<b>Total OPEB Liability</b>	\$29,802,158,533	\$33,095,182,920	\$29,798,358,029	\$33,983,194,571
<b>Plan Fiduciary Net Position (Assets)</b>	2,061,307,299	1,455,683,423	1,310,172,550	1,196,570,107
<b>Net OPEB Liability</b>	\$27,740,851,234	\$31,639,499,497	\$28,488,185,479	\$32,786,624,464
<b>Plan Fiduciary Net Position as a percentage of Total OPEB Liability</b>	6.92%	4.40%	4.40%	3.52%
<b>Discount Rate</b>	2.21%	3.50%	3.87%	3.58%
<b>Contributions</b>	\$1,162,966,849	\$1,104,901,608	\$1,018,692,516	\$950,812,690
<b>Covered Payroll</b>	\$17,975,000,000	\$17,622,000,000	\$16,838,000,000	\$16,365,112,000
<b>Contributions as a Percentage of Covered Payroll</b>	6.47%	6.27%	6.05%	5.81%
<b>Service Cost (w/o interest) for the Next Fiscal Year</b>	\$1,974,212,317	\$1,824,174,672	\$1,539,091,679	\$1,753,384,309
<b>Service Cost as a Percentage of Covered Payroll</b>	10.98%	10.35%	9.14%	10.71%
<b>Pre-65 Blended Claims Costs (Age 65)</b>	\$13,844	\$13,658	\$13,008	\$12,310
<b>Post-65 Blended Claims Costs (Age 65)</b>	\$1,781	\$ 1,459	\$ 1,840	\$ 2,103
<b>Retiree and Spouse Count on Previous Dec. 31</b>	231,224	225,986	219,657	213,425
<b>Vested Terminations Count on Previous Dec. 31</b>	45,096	43,908	41,471	39,230
<b>Active Count on Previous Dec. 31</b>	348,905	346,173	344,411	338,158
<b>Total Valuation Count on Previous Dec. 31</b>	625,225	616,067	605,539	590,813

- While post-65 valuation starting costs (for 2020) have increased since prior valuation, this year's valuation includes reductions in 2021 and beyond due to new Medicare Advantage contract, which reduce post-65 OPEB liability (as noted on slide 5)



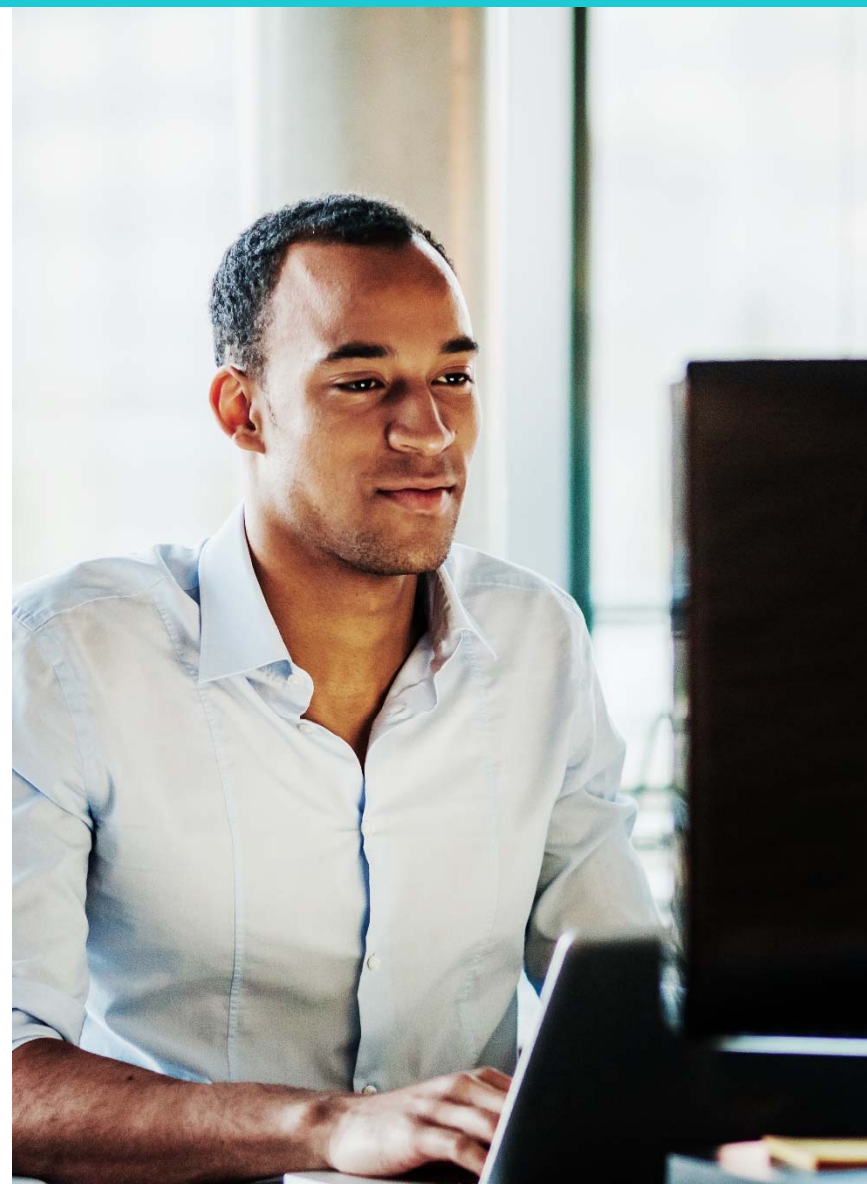
# Reconciliation of Participant Data

Data Reconciliation from December 31, 2018 to December 31, 2019

	Actives	Vested	Retirees	Retiree Spouses	Disabled	Disabled Spouses	Beneficiaries	Total
<b>Counts as of December 31, 2018</b>	<b>346,173</b>	<b>43,908</b>	<b>193,382</b>	<b>16,945</b>	<b>12,108</b>	<b>578</b>	<b>2,973</b>	<b>616,067</b>
New Hires	34,335	0	0	0	0	0	0	34,335
Act to Vested	-5,068	5,068	0	0	0	0	0	0
Act to Ret	-8,435	0	8,435	0	0	0	0	0
Act to Dis	-357	0	0	0	357	0	0	0
Rehires	1,681	-1,550	-111	-8	-11	-1	0	0
Vest to "In Pay"	0	-1,121	978	0	143	0	0	0
Transfer to Vest	0	201	-24	-7	-170	0	0	0
Transfer to Ret	0	0	45	-12	-23	0	-10	0
Transfer to Ret Sp	-25	-28	0	56	-1	-1	-1	0
Transfer to Dis	0	0	-61	-1	63	-1	0	0
Transfer to Dis Sp	0	0	0	-5	-1	6	0	0
Death w/ Ben	0	0	-8	-239	-2	-16	265	0
Death w/o Ben OR to Non-Participating	-19,399	-1,394	-5,523	-1,020	-370	-51	-383	-28,140
"Pickups"	0	12	755	2,069	19	75	33	2,963
Net Movement	2,732	1,188	4,486	833	4	11	-96	9,158
<b>Counts as of December 31, 2019</b>	<b>348,905</b>	<b>45,096</b>	<b>197,868</b>	<b>17,778</b>	<b>12,112</b>	<b>589</b>	<b>2,877</b>	<b>625,225</b>

# Plan Provisions

- Eligibility: Retirees from State, UNC, community colleges, local school systems, and certain other entities including some local governments
- Retirees contribute based on plan elected (and years of service for retirees hired after 10/1/2006)
- Benefit types
  - Pre-Medicare
    - 70/30 Plan
    - 80/20 Plan
  - Medicare-eligible
    - 70/30 Plan
    - Medicare Advantage Plan – Base
    - Medicare Advantage Plan – Enhanced
- Coverage duration: Lifetime



Please see our draft full valuation report dated August 12, 2020 for additional information regarding plan provisions, assumptions, data, and methods.

Thank You

