



 Segal Consulting

NORTH CAROLINA STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES

**Summary of GASB 74 OPEB Valuation
As of December 31, 2018
Measured June 30, 2019**

OPEB Actuarial Valuation Committee Meeting

August 30, 2019



Presenting Today

Danny Rhodes

*Vice President and
Consulting Actuary*

David Berger

*Vice President and
Consulting Actuary*



Agenda

- Summary
- Reconciliation of the Net OPEB Liability
- Comparative Results
- Data Reconciliation
- Plan Provisions

Summary

- The Plan provides retiree medical benefits for retirees from State, UNC, community colleges, local school systems, and certain other entities including some local governments

	June 30, 2019	June 30, 2018
Total OPEB Liability (TOL)	\$32,685,122,147	\$29,798,358,029
Plan Fiduciary Net Position (Assets)	1,455,683,423	1,310,172,550
Net OPEB Liability	31,229,438,724	28,488,185,479
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	4.45%	4.40%
	June 30, 2019	June 30, 2018
Service Cost at Beginning of Year	\$1,539,091,679	\$1,753,384,309
Covered Payroll ¹	17,622,000,000	16,838,000,000
	June 30, 2019	June 30, 2018
Actuarially Determined Contribution for Fiscal Year Ending	\$2,856,526,000	\$2,613,258,000
Actual Contribution for Fiscal Year Ending	1,104,901,608	1,018,692,515
Benefit Payments	1,030,956,211	977,176,114

¹Provided by the State

- An increase to the drug trend and a decrease in the discount rate increased the TOL, but positive claims experience effectively cut the impact in half.

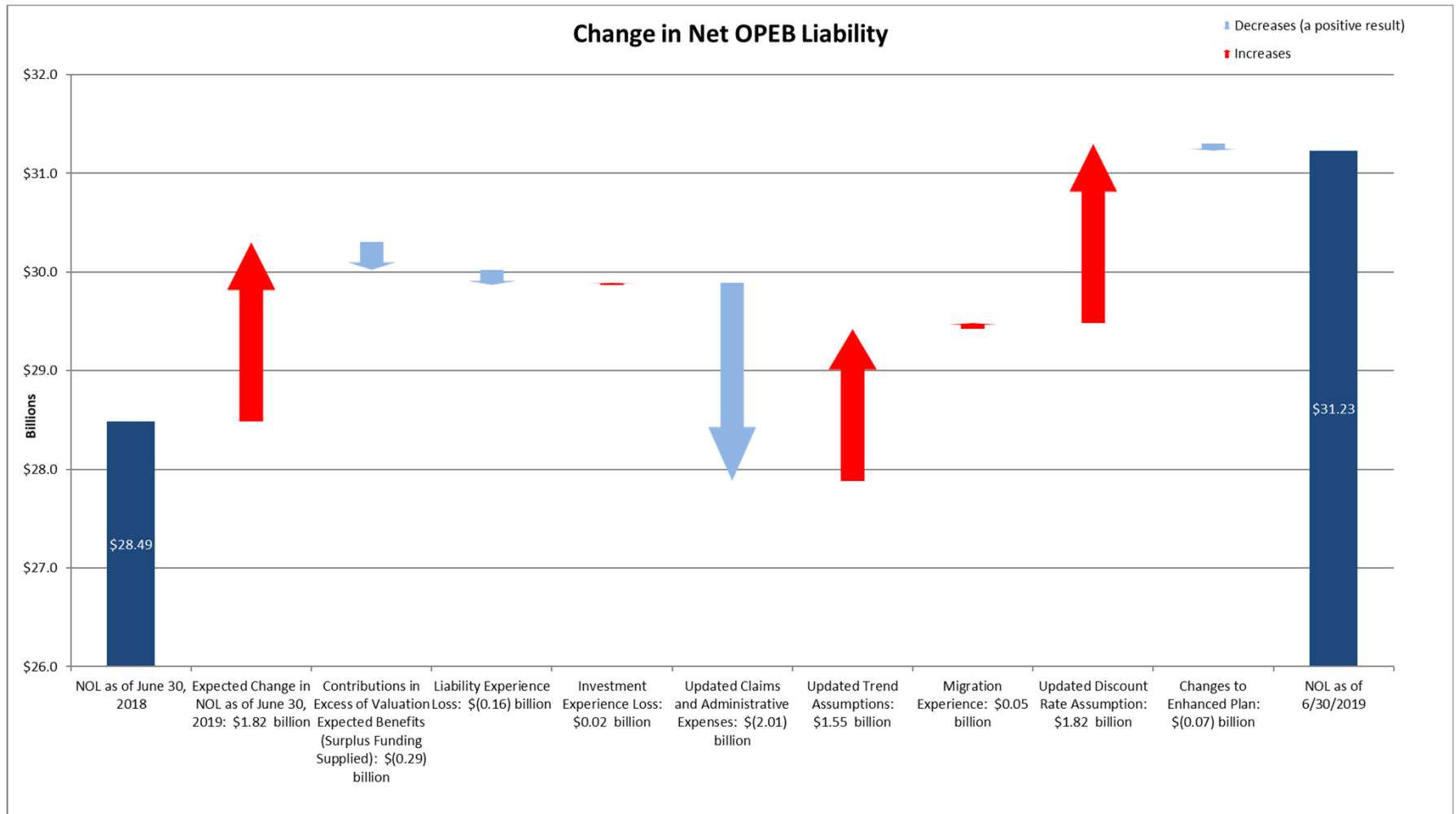
Summary

Total OPEB Liability as of June 30, 2019	Pre-65	Post-65	Total
Active	\$10,754,797,482	\$8,214,264,344	\$18,969,061,826
Vested	1,357,014,115	2,341,718,992	3,698,733,107
Retired	2,109,352,642	7,227,883,566	9,337,236,208
Beneficiary	4,170,948	961,188	5,132,136
Disabled	<u>250,264,342</u>	<u>424,694,528</u>	<u>674,958,870</u>
Total	\$14,475,599,529	\$18,209,522,618	\$32,685,122,147

	As of December 31, 2018	As of December 31, 2017
Number of retirees	205,490	201,052
Number of spouses	17,523	16,552
Number of surviving spouses	2,973	2,053
Number inactive vested	43,908	41,471
Number of actives	<u>346,173</u>	<u>344,411</u>
Total number of participants and spouses	616,067	605,539

- Post-65 costs still drive the total liabilities, but recent experience has shifted the costs down to 56% of the total (57% last year).
- 58% of the TOL is for active employees.

Reconciliation of the Net OPEB Liability



Comparative Results

GASB 74 Results	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Total OPEB Liability	\$32,685,122,147	\$29,798,358,029	\$33,983,194,571	\$44,577,535,234
Plan Fiduciary Net Position (Assets)	1,455,683,423	1,310,172,550	\$1,196,570,107	\$1,074,136,233
Net OPEB Liability	31,229,438,724	28,488,185,479	\$32,786,624,464	\$43,503,399,001
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	4.45%	4.40%	3.52%	2.41%
Discount Rate	3.50%	3.87%	3.58%	2.85%
Contributions	\$1,061,257,394	\$1,018,692,516	\$950,812,690	\$880,847,000
Covered Payroll	\$17,622,000,000	\$16,838,000,000	\$16,365,112,000	\$15,729,411,000
Contributions as a Percentage of Covered Payroll	6.02%	6.05%	5.81%	5.60%
Service Cost for the Next Fiscal Year	\$1,788,397,968	\$1,539,091,679	\$1,753,384,309	\$2,650,983,801
Service Cost as a Percentage of Covered Payroll	10.15%	9.14%	10.71%	16.85%
Pre-65 Blended Claims Costs (Age 65)	\$13,658	\$13,008	\$12,310	\$12,048
Post-65 Blended Claims Costs (Age 65)	\$ 1,459	\$ 1,840	\$ 2,103	\$ 2,191
Retiree and Spouse Count on Previous Dec. 31	225,986	219,657	213,425	207,884
Vested Terminations Count on Previous Dec. 31	43,908	41,471	39,230	37,118
Active Count on Previous Dec. 31	346,173	344,411	338,158	342,965
Total Valuation Count on Previous Dec. 31	616,067	605,539	590,813	587,967

Reconciliation of Participant Data

Data Reconciliation from December 31, 2017 to December 31, 2018								
	Actives	Vested	Retirees	Retiree Spouses	Disabled	Disabled Spouses	Beneficiaries	Total
Counts as of December 31, 2017	344,411	41,471	188,994	16,213	12,058	339	2,053	605,539
New Hires	33,093							33,093
Act to Vested	(5,217)	5,217						-
Act to Ret	(8,687)		8,687					-
Act to Dis	(350)				350			-
Rehires	1,812	(1,665)	(113)	(20)	(13)	(1)	-	-
Vest to "In Pay"		(874)	874					-
Transfer to Vest		219	(44)	(10)	(165)			-
Transfer to Ret			75	(34)	(37)		(4)	-
Transfer to Ret Sp	(19)	(30)	(70)	132	(1)	(3)	(9)	-
Transfer to Dis		(125)	(99)	(1)	225		-	-
Transfer to Dis Sp	(1)	(1)	(16)	(184)		203	(1)	-
Death w/ Ben		(2)	(856)	(234)	(3)	(2)	1,097	-
Death w/o Ben OR to Non-Participating	(18,891)	(1,128)	(4,733)	(1,137)	(327)	(39)	(255)	(26,510)
"Pickups"	22	826	683	2,220	21	81	92	3,945
Net Movement	1,762	2,437	4,388	732	50	239	920	10,528
Counts as of December 31, 2018	346,173	43,908	193,382	16,945	12,108	578	2,973	616,067

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 and 80/20 Plans
 - Medicare-eligible
 - 70/30 Plan, Medicare Advantage Plans (Base and Enhanced)
- **Coverage duration:** Lifetime



Please see our full valuation report dated August 30, 2019 for additional information regarding plan provisions, assumptions, data, and methods.

Thank you

 Segal Consulting

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