



 Segal Consulting

NORTH CAROLINA STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES

**Summary of GASB 74 OPEB Valuation
As of December 31, 2017
Measured June 30, 2018**

OPEB Actuarial Valuation Committee Meeting

August 31, 2018



Presenting Today

Danny Rhodes

*Vice President and
Consulting Actuary*

David Berger

*Vice President and
Consulting Actuary*

Agenda

- Summary
- Reconciliation of the Net OPEB Liability
- 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, 2018	June 30, 2017
Total OPEB Liability	\$29,798,358,029	\$33,983,194,571
Plan Fiduciary Net Position (Assets)	1,310,172,550	1,196,570,107
Net OPEB Liability	28,488,185,479	32,786,624,464
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	4.40%	3.52%
	June 30, 2018	June 30, 2017
Service Cost at Beginning of Year	\$1,753,384,309	\$2,650,983,801
Covered Payroll ¹	16,838,000,000	16,365,112,000
	June 30, 2018	June 30, 2017
Actuarially Determined Contribution for Fiscal Year Ending	\$2,613,258,000	\$2,728,064,000
Actual Contribution for Fiscal Year Ending	1,018,692,515	950,812,690
Benefit Payments	977,176,114	922,020,892

¹Estimated for year ending June 30, 2018

- Good claims experience, faster migration to the Basic Medicare Advantage Plan, and a higher discount rate led to good experience

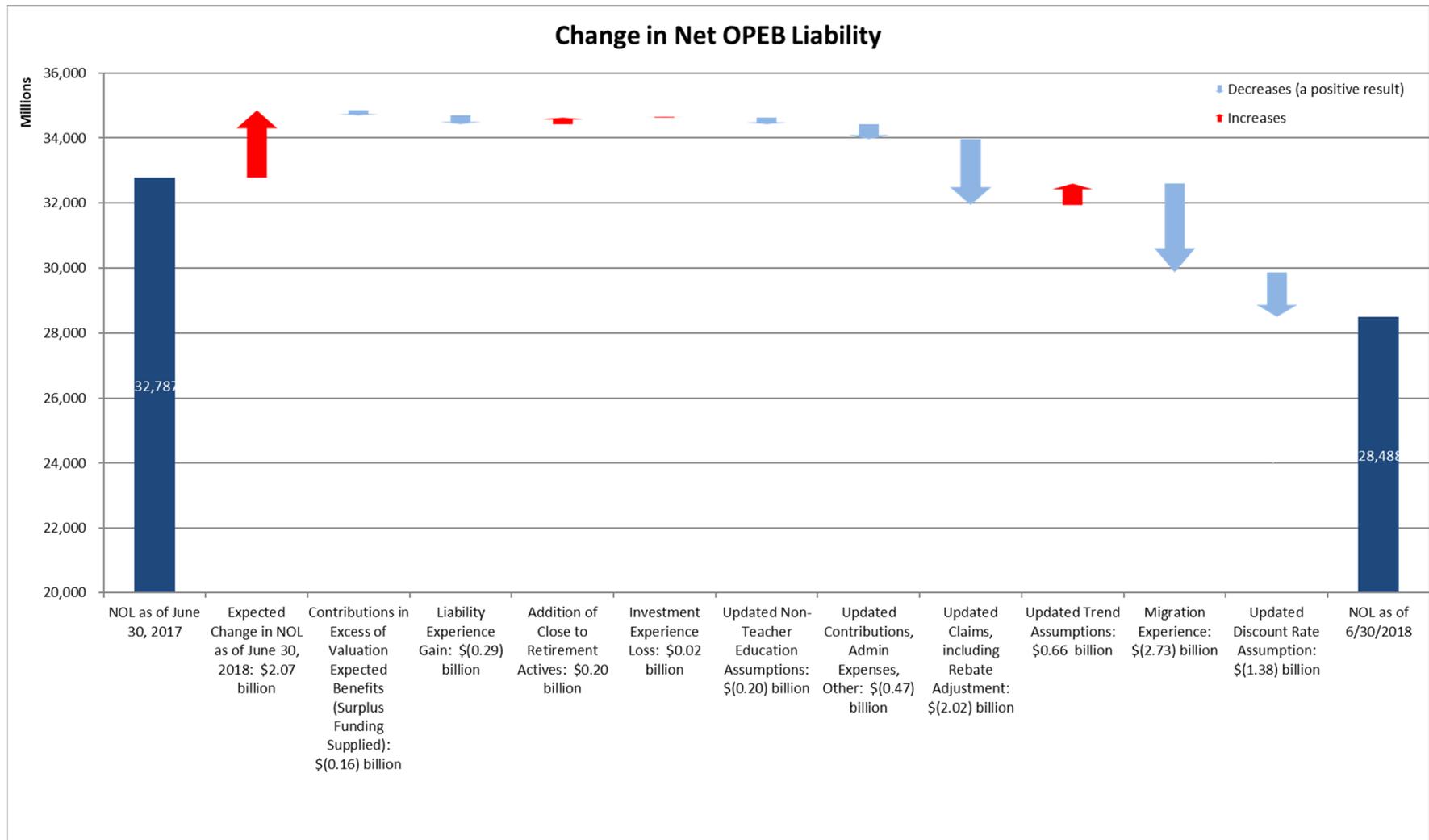
Summary

Total OPEB Liability as of June 30, 2018	Pre-65	Post-65	Total
Active	\$9,530,079,585	\$7,491,261,197	\$17,021,340,782
Vested	1,178,984,041	2,115,917,220	3,294,901,261
Retired	1,957,698,432	6,861,020,593	8,818,719,025
Beneficiary	1,497,248	3,686,128	5,183,376
Disabled	<u>258,295,551</u>	<u>399,918,034</u>	<u>658,213,585</u>
Total	\$12,926,554,857	\$16,871,803,172	\$29,798,358,029

	As of December 31, 2017	As of December 31, 2016
Number of retirees	201,052	200,341
Number of spouses	16,552	10,969
Number of surviving spouses	2,053	2,115
Number inactive vested	41,471	39,230
Number of actives	<u>344,411</u>	<u>338,158</u>
Total number of participants and spouses	605,539	590,813

- Post-65 costs still drive the total liabilities, but recent experience has shifted the costs down to 57% of the total.
- The Vested group is relatively large.

Reconciliation of the Net OPEB Liability



Data Reconciliation

	Actives	Vested	Retirees	Retiree Spouses	Disabled	Disabled Spouses	Beneficiaries
Dec. 31, 2016	338,158	39,230	188,559	10,664	11,792	305	2,115
New Hires	32,654						
Act to Vested	(5,548)	5,548					
Act to Ret	(4,894)		4,867	27			
Act to Dis	(539)				539		
Rehires	1,669	(1,556)	(91)	(15)	(7)		
Vest to "In Pay"		(643)	475	33	135		
Transfer to Vest		171	(23)	(5)	(142)		(1)
Transfer to Ret			153	(65)	(34)	(8)	(46)
Transfer to Ret Sp			(4,550)	4,569	(1)	(11)	(7)
Transfer to Dis			(112)	(1)	114		(1)
Transfer to Dis Sp			(11)	(14)	(1)	27	(1)
Death w/ Ben	(1)		(92)	(115)	(1)	(4)	213
Death w/o Ben OR to Non Participating	(17,088)	(1,331)	(5,533)	(976)	(382)	(33)	(290)
"Pickups"		52	5,352	2,111	46	63	71
Net Movment	6,253	2,241	435	5,549	266	34	(62)
Dec. 31, 2017	344,411	41,471	188,994	16,213	12,058	339	2,053

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
 - Basic, Enhanced and CDHP
 - Wellness incentive credits for Enhanced and CDHP
 - Medicare eligible
 - Basic, Medicare Advantage Plans
- **Coverage duration:** Lifetime
- Please see our full valuation report dated August 30, 2018 for additional information regarding plan provisions, assumptions, data, and methods.



Thank you

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UNDERSTANDING GASB 74/75

Some Acronyms and Nomenclature

AAL - Actuarial Accrued Liability – Pre-GASB 74/75

ADC - Actuarially Determined Contribution - GASB 74/75 (replaces the ARC)

AOC - Annual OPEB Cost – Pre-GASB 74/75

ARC - Annual Required Contribution – Pre-GASB 74/75

CAFR - Comprehensive Annual Financial Report

GASB - Governmental Accounting Standards Board

NOL - Net OPEB Liability/Asset - GASB 74/75 (replaces the NOO)

NOO - Net OPEB Obligation/Asset – Pre-GASB 74/75

OPEB - Other Postemployment Benefits

OPEB Expense - Annual income statement item – GASB 74/75 (replaces the AOC)

Plan Fiduciary Net Position - Market Value of Assets – GASB 74/75 (replaces the Actuarial Value of Assets)

RSI - Required Supplementary Information – GASB 74/75

Service Cost - Value of benefits expected to accrue in the upcoming year – GASB 74/75 (replaces Normal Cost)

TOL - Total OPEB Liability – GASB 74/75 (replaces AAL)

UAAL - Unfunded Actuarial Accrued Liability – Pre-GASB 74/75