



North Carolina State Health Plan
For Teachers And State Employees

Summary of GASB 74 OPEB Valuation As of December 31, 2021/Measured June 30, 2022

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

August 31, 2022 / Daniel J. Rhodes, FSA, MAAA

Agenda

Summary of Key Valuation Results

Changes from Prior Report

Summary by Participant Type

Reconciliation of the Net OPEB Liability

Roll-forward from Valuation Date to Measurement Date

Comparative Results

Data Reconciliation

Plan Provisions

Summary of Key Valuation Results

	June 30, 2022	June 30, 2021
Total OPEB Liability (TOL)	\$26,557,120,814	\$33,500,219,231
Plan Fiduciary Net Position (Assets)	2,810,269,038	2,584,625,788
Net OPEB Liability (NOL)	23,746,851,776	30,915,593,443
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	10.58%	7.72%
	June 30, 2022	June 30, 2021
Service Cost at Beginning of Year	\$2,131,390,625	\$1,974,212,317
Covered Payroll ¹	19,034,634,000	18,184,883,000
	June 30, 2022	June 30, 2021
Actuarially Determined Contribution for Fiscal Year Ending	\$2,084,130,000	\$3,049,625,000
Actual Contribution for Fiscal Year Ending ²	1,197,278,490	1,214,750,155
Benefit Payments	1,044,121,158	1,100,633,395

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

¹Covered payroll is estimated for both 2021 and 2022 based on employer contributions

²Does not include \$187.0 million transfer from Public Employee Health Benefit Fund to Retiree Health Benefit Trust Fund in June 2021 or \$180.5 million throughout fiscal year 2022.

Changes from Prior Report

- Starting claims costs
 - Updated to be consistent with Q1 financial projections
 - Reflects reduced SHP administrative expenses
- Revised short-term trend assumptions
- Plan election and migration assumptions
 - Updated to be consistent with Q1 financial projections
 - No change to long-term Medicare Advantage enrollment targets
- Savings from PBM RFP effective January 1, 2023
- Discount rate
 - From 2.16% to 3.54%, based on GO Bond index at Measurement Date
- Change in employer contributions
 - Affects participants who pay percentage of full premium
 - All retirees (non-Medicare and Medicare) receive same employer contribution
 - Considered a plan change for GASB measurement



Summary by Participant Type

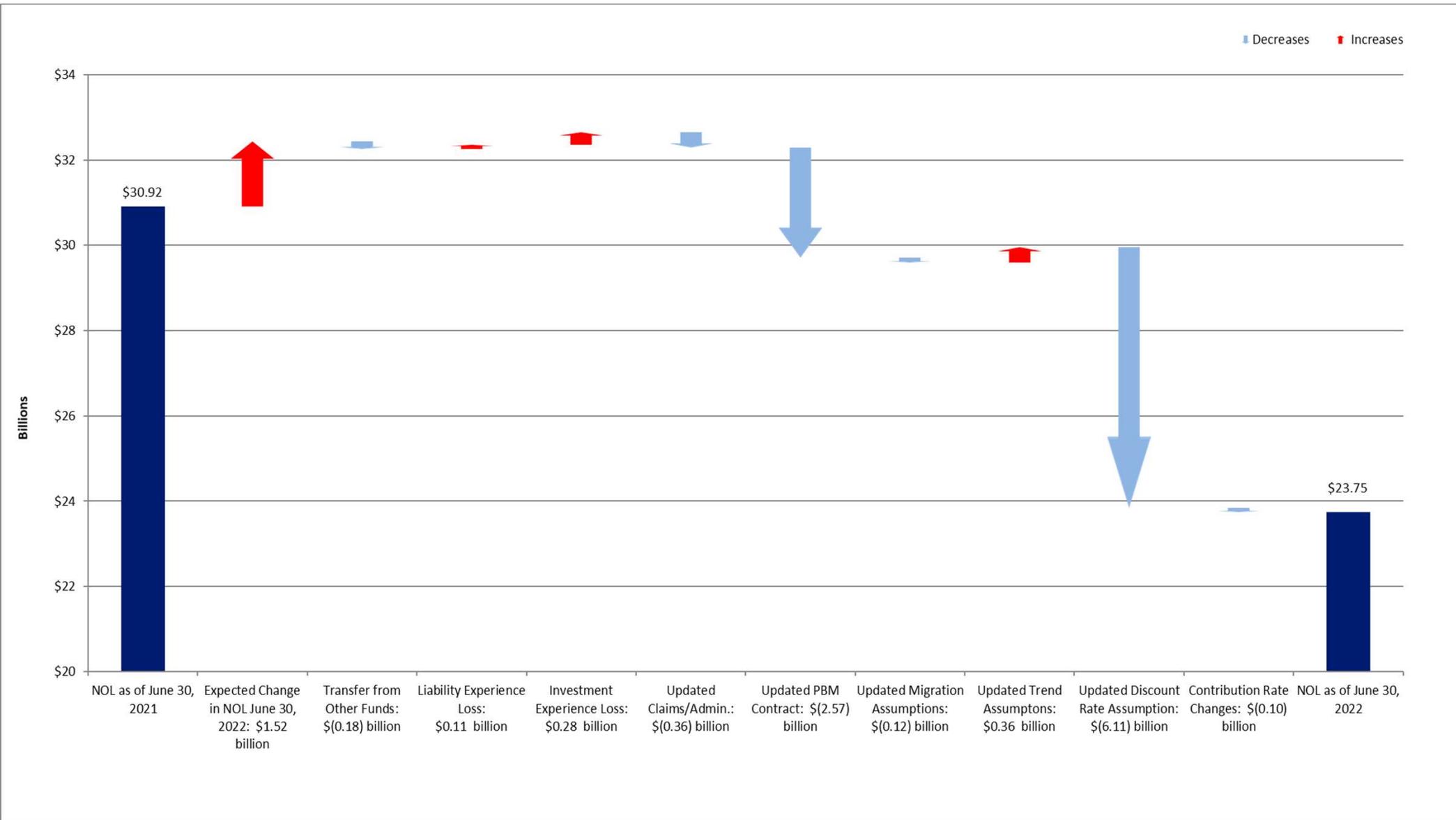
Total OPEB Liability as of June 30, 2022	Pre-65	Post-65	Total
Active	\$10,745,076,580	\$5,514,464,549	\$16,259,541,129
Vested	1,436,371,331	1,434,190,773	2,870,562,104
Retired	2,282,256,130	4,730,765,971	7,013,022,101
Beneficiary	6,925,055	4,750,440	11,675,495
Disabled	156,691,446	245,628,539	402,319,985
Total	\$14,627,320,542	\$11,929,800,272	\$26,557,120,814

	As of December 31, 2021	As of December 31, 2020
Number of retirees	215,811	212,915
Number of spouses	23,405	21,241
Number of surviving spouses	2,970	2,877
Number inactive vested	48,413	47,306
Number of actives	318,849	<u>344,085</u>
Total number of participants and spouses	609,448	628,424

- Impact of higher discount rate causes greater reduction in post-65 liabilities, which have longer duration.
- As a result, pre-65 liability is now 55% of the TOL, up from 50% of the total last year.
- 61% of the TOL is for active employees, similar to last year.

Reconciliation of the Net OPEB Liability

Change in Net OPEB Liability



Roll Forward from Valuation Date to Measurement Date

December 31, 2021 Valuation Liabilities Adjusted to June 30, 2022

1. Entry Age Normal Actuarial Liability as of December 31, 2021	\$25,815,386,282
2. Normal Cost for Calendar 2022	1,279,519,056
3. Expected Benefit Payments for Calendar 2022	718,144,642
4. Discount Rate	3.54%
5. Proration of Normal Cost (½ of 2.)	639,759,528
6. Proration of Benefit Payments (½ of 3.)	359,072,321
7. Interest (compound) on 1. for six months	452,958,516
8. Interest (compound) on 5. for six months	11,225,264
9. Interest (compound) on 6. for three months	3,136,455
10. Adjusted Entry Age Normal Actuarial Liability (TOL) 1. + 5. - 6. + 7. + 8. - 9.	\$26,557,120,814
11. Plan Fiduciary Net Position (Assets)	2,810,269,038
12. Net OPEB Liability (NOL)	\$23,746,851,776

Comparative Results

GASB 74 Results	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Total OPEB Liability	\$26,557,120,814	\$33,500,219,231	\$29,802,158,533	\$33,095,182,920
Plan Fiduciary Net Position (Assets)	2,810,269,038	2,584,625,788	2,061,307,299	1,455,683,423
Net OPEB Liability	23,746,851,776	30,915,593,443	27,740,851,234	31,639,499,497
Plan Fiduciary Net Position as a percentage of TOL	10.58%	7.72%	6.92%	4.40%
Discount Rate	3.54%	2.16%	2.21%	3.50%
Contributions	\$1,197,278,490	\$1,214,750,155	\$1,162,966,849	\$1,104,901,608
Covered Payroll	\$19,034,634,000	\$18,184,883,000	\$17,974,758,000	\$17,622,035,000
Contributions as a Percentage of Covered Payroll	6.29%	6.68%	6.47%	6.27%
Service Cost (w/o interest) for the Next Fiscal Year	\$1,279,519,056	\$2,131,390,625	\$1,974,212,317	\$1,824,174,672
Service Cost as a Percentage of Covered Payroll	6.72%	11.72%	10.98%	10.35%
Pre-65 Blended Claims Costs (Age 65)	\$15,452	\$14,834	\$13,844	\$13,658
Post-65 Blended Claims Costs (Age 65)	\$907	\$825	\$1,781	\$1,459
Retiree and Spouse Count on Previous Dec. 31	242,186	237,033	231,224	225,986
Vested Terminations Count on Previous Dec. 31	48,413	47,306	45,096	43,908
Active Count on Previous Dec. 31	318,849	344,085	348,905	346,173
Total Valuation Count on Previous Dec. 31	609,448	628,424	625,225	616,067

- Post-65 valuation average starting costs for 2021 include reduced premiums due to new Medicare Advantage contract

Reconciliation of Participant Data

Data Reconciliation from December 31, 2020 to December 31, 2021

	Actives	Vested	Retirees	Retiree Spouses	Disabled	Disabled Spouses	Beneficiaries	Total
Counts as of December 31, 2020	344,085	47,306	201,326	20,603	11,589	638	2,877	628,424
Act to Vested	-4,349	4,349	0	0	0	0	0	0
Act to Ret	-9,582	0	9,582	0	0	0	0	0
Act to Dis	-241	0	0	0	241	0	0	0
Rehires	1,389	-1,303	-70	-6	-10	0	0	0
Vest to "In Pay"	0	-944	863	0	81	0	0	0
Transfer to Vest	0	244	-31	-8	-202	-1	-2	0
Transfer to Ret	0	0	63	-25	-35	0	-3	0
Transfer to Ret Sp	-30	-37	-4	72	0	-1	0	0
Transfer to Dis	0	0	-455	0	457	-1	-1	0
Transfer to Dis Sp	-3	0	0	-18	0	21	0	0
Death w/ Ben	-1	-1	-19	-318	-3	-20	362	0
Death w/o Ben OR to Non-Participating	-18,331	-1,212	-7,400	-1,092	-486	-40	-318	-28,879
"Pickups"	5,912	11	314	3,495	10	106	55	9,903
Net Movement	-25,236	1,107	2,843	2,100	53	64	93	-18,976
Counts as of December 31, 2021	318,849	48,413	204,169	22,703	11,642	702	2,970	609,448

- “Pickup” actives would not be new hires (since OPEB plan is closed to post-1/1/21 hires), but likely due to:
 - Match issues (e.g., change in SSN)
 - Movement from a non-covered employer to a covered one
 - Prior non-vested terminations who returned to work
- Count of ~6,000 new actives much less than prior year count of over 27,000

Plan Provisions

- Eligibility: Retirees from State, UNC, community colleges, local school systems, and certain other entities including some local governments
 - Employees hired on or after January 1, 2021, are not eligible for OPEB benefits
- 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 full valuation report dated August 31, 2022 for additional information regarding plan provisions, assumptions, data, and methods.

Thank You

