



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES



Actuarial Valuation of Retired Employees' Health Benefits Other Postemployment Benefits as of December 31, 2014

Based on report prepared by
The Segal Company
for the

Committee on Actuarial Valuation of Retired
Employees' Health Benefits

Board of Trustees Meeting

August 28, 2015

A Division of the Department of State Treasurer

Presentation Overview

- Background
- Committee on Actuarial Valuation of Retired Employees' Health Benefits
- Valuation Process
- Results
- Other Postemployment Benefits Exposure Draft

Background

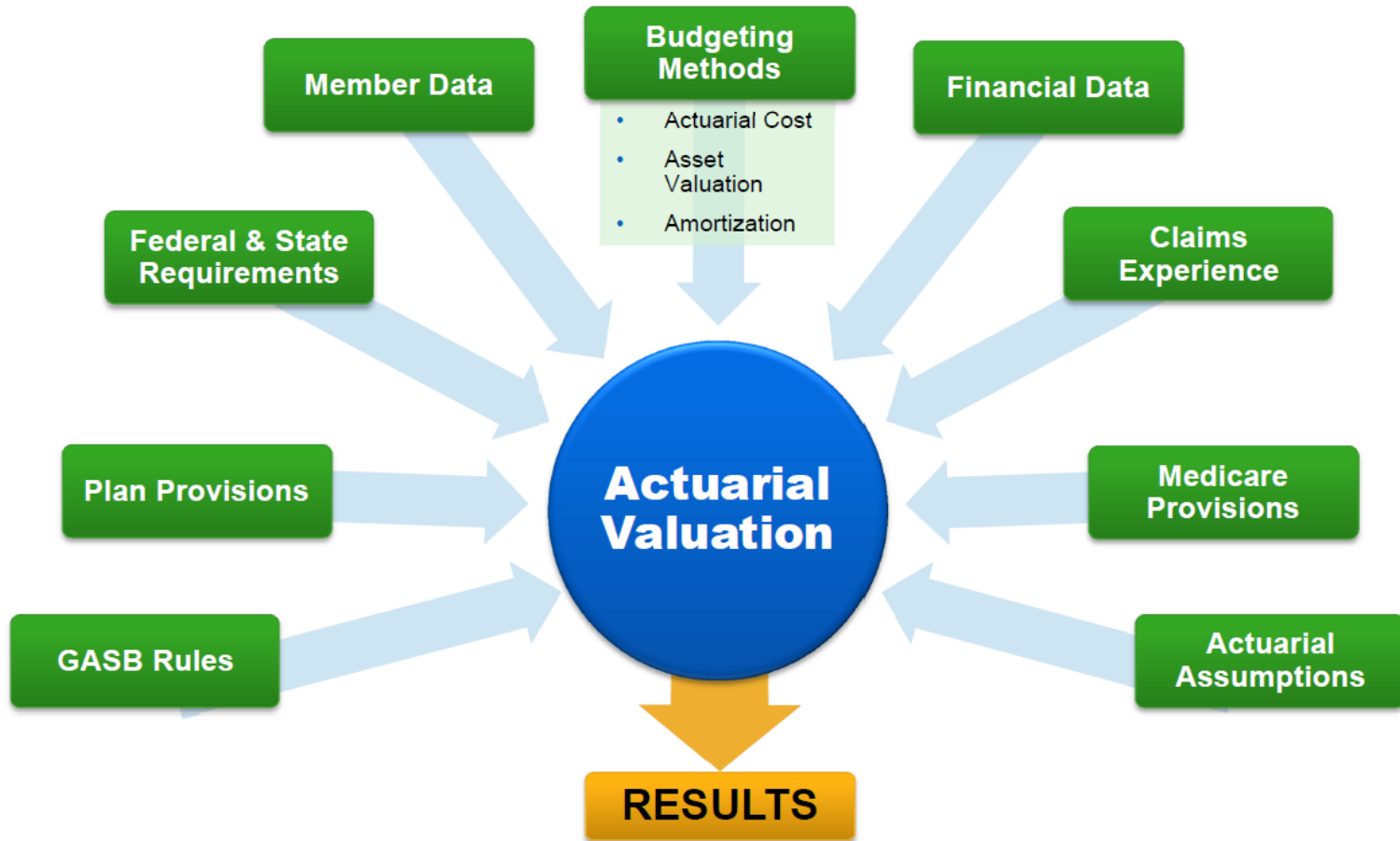
- The Governmental Accounting Standards Board (GASB) sets accounting standards for public and governmental entities to provide uniformity in financial reporting
- GASB statements 43 and 45 require governmental entities to disclose information on liabilities associated with Other Postemployment Benefits (OPEB), notably retiree health benefits
- Objective: To report in today's dollars the State's liability associated with retiree health benefits

Committee on Actuarial Valuation of Retired Employees' Health Benefits

- Established to conduct the annual OPEB valuation
- Committee consists of:
 - State Budget Officer (as Chair)
 - State Controller
 - State Treasurer
 - Executive Administrator of the State Health Plan
- Committee's responsibilities:
 - Select actuary (can choose the Plan's actuary or Retirement's actuary)
 - Collect data
 - Review actuarial assumptions to be used in the valuation
 - Report results

Valuation Process

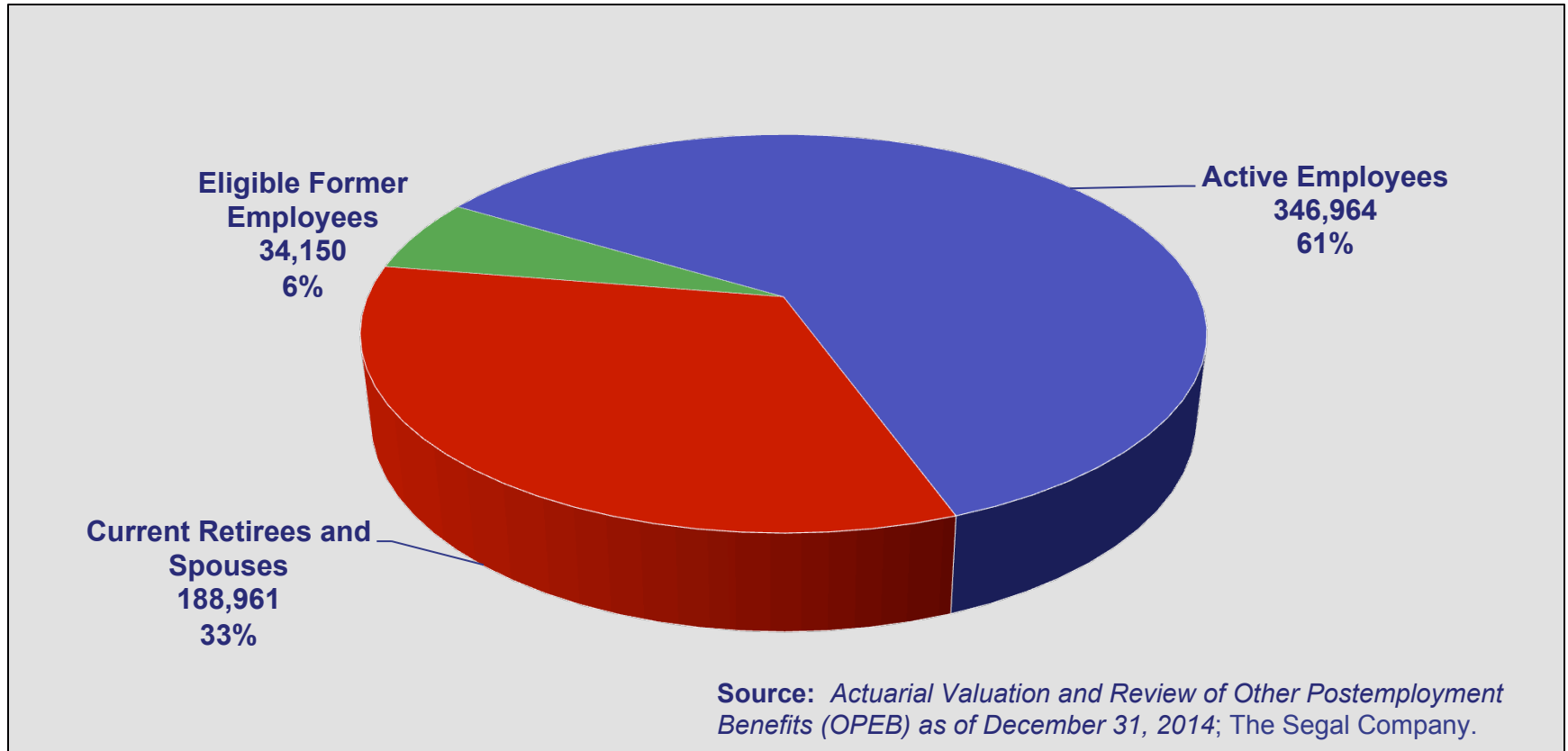
OPEB VALUATION BASICS



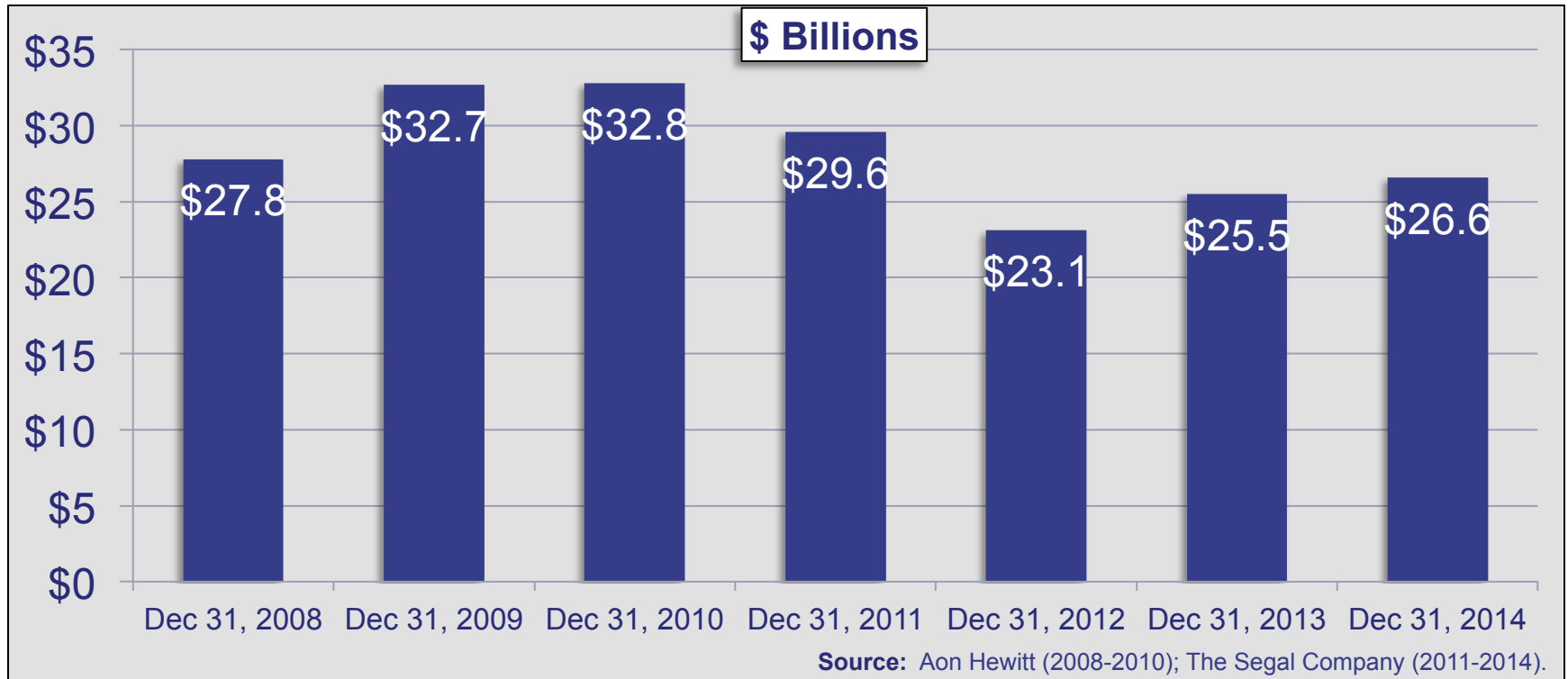
★ Segal Consulting

Valuation Census

- As of December 31, 2014, there were 570,075 employees and retirees eligible for retiree health benefits



Results: Unfunded Actuarial Accrued Liability (UAAL)



- UAAL increased \$1.1 billion from December 31, 2013 to December 31, 2014
- 2014 UAAL was \$0.54 billion less than projected last year due to:
 - **Assumption changes** (e.g., per capita health care costs, long-term trends) **decreased** UAAL by \$1.01 billion
 - **Actuarial experience** (e.g., demographics, investment performance, contributions) **increased** UAAL by \$0.47 billion

Results: Annual Required Contribution (ARC)

- ARC = Amortization of unfunded liability + normal costs
 - If the State were to amortize the UAAL over a 30-year period, the annual payment would be \$983 million
 - Liability associated with future benefits earned in the current (valuation) year is the “normal cost.” Normal cost for 2014 UAAL is \$1.243 billion

	12/31/2008	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014
Amortization of Unfunded Liability	\$1.0 b	\$1.2 b	\$1.2 b	\$1.1 b	\$0.8 b	\$0.9 b	\$1.0 b
Normal Cost	\$1.7 b	\$1.8 b	1.7 b	\$1.4 b	\$1.2 b	\$1.3 b	\$1.2 b
ARC	\$2.7 b	\$3.0 b	\$2.9 b	\$2.5 b	\$2.0 b	\$2.2 b	\$2.2 b
As % of Payroll	17.5%	19.9%	19.3%	16.7%	13.5%	14.8%	14.2%

Key Takeaways

December 31, 2014 Valuation

- Although the unfunded liability is \$1.1 billion higher than the previous year:
 - It remains below the 2008 through 2011 valuations
 - It is more than \$500 million less than anticipated last year
- The ARC is basically unchanged from last year
 - The percent of payroll necessary to pay the ARC decreased from 14.75% in Fiscal Year 2013-14 to 14.21% in Fiscal Year 2014-15
- OPEB liabilities are currently noted on the State's Comprehensive Annual Financial Report (CAFR)
 - Future OPEB reporting will likely require liabilities to be listed as a balance sheet item and greater standardization of the assumptions used to calculate the liabilities