



*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***

**November 20, 2014**

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*A Division of the Department of State Treasurer*

# Presentation Overview

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

# Background

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- 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

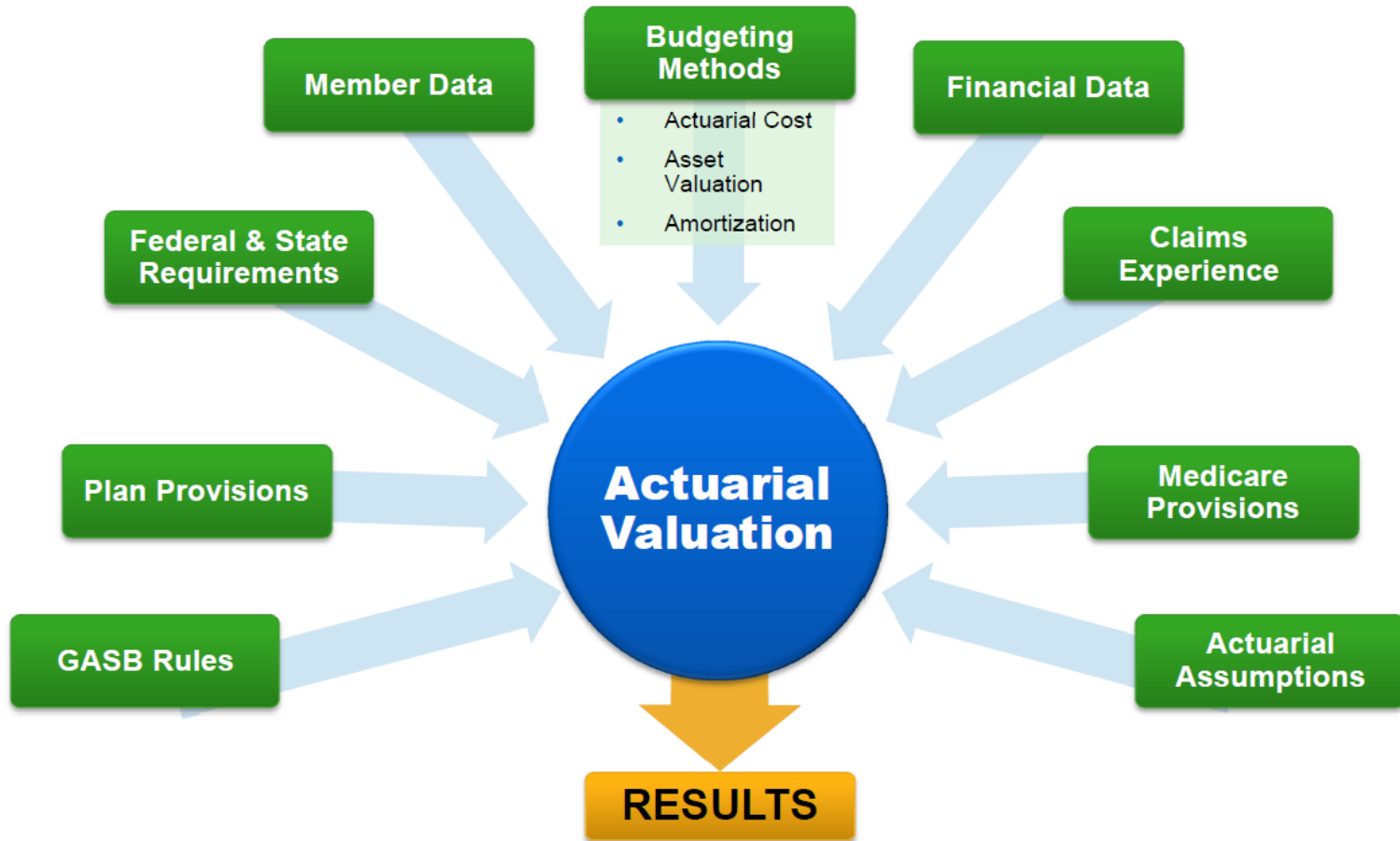
# Committee on Actuarial Valuation of Retired Employees' Health Benefits

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- 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

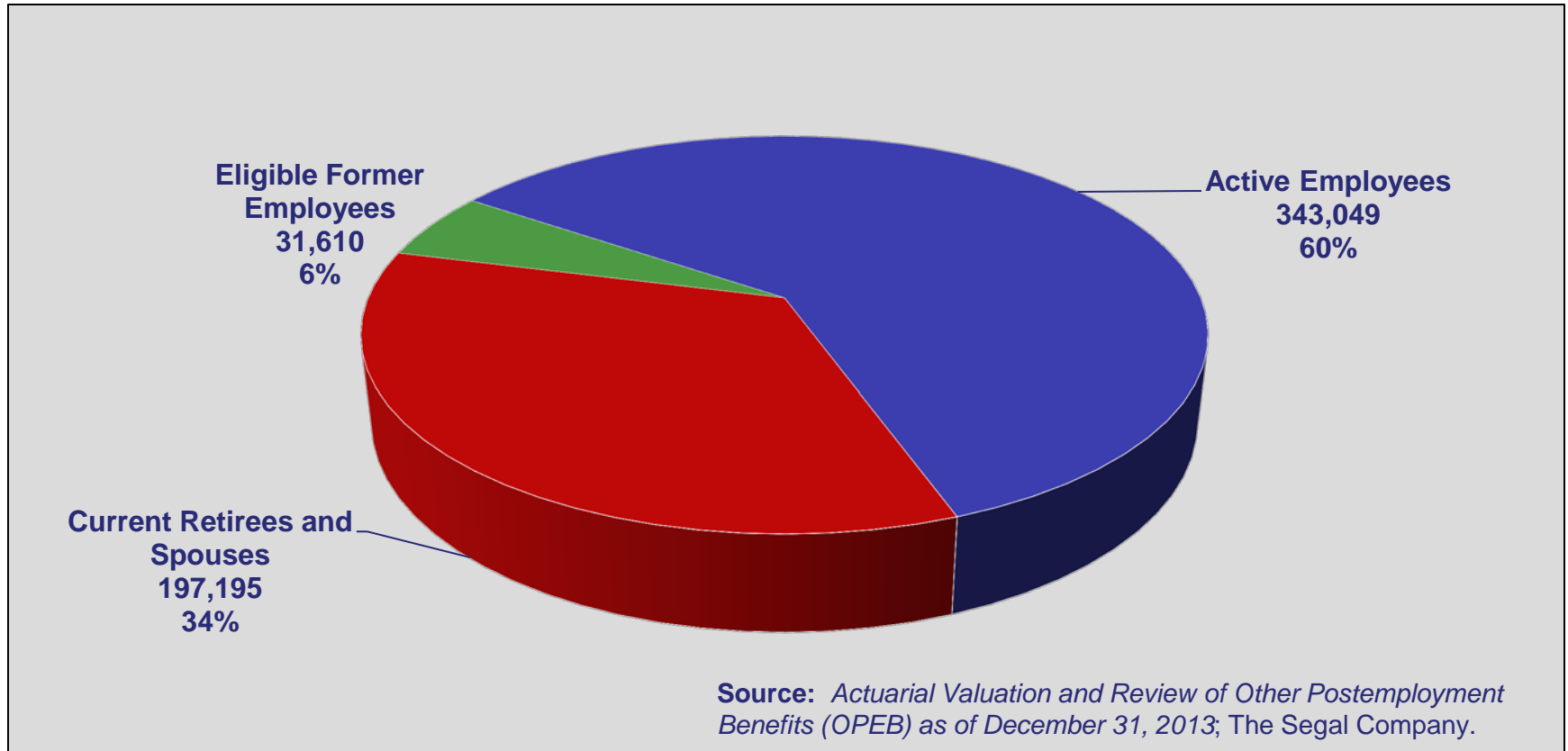
## OPEB VALUATION BASICS



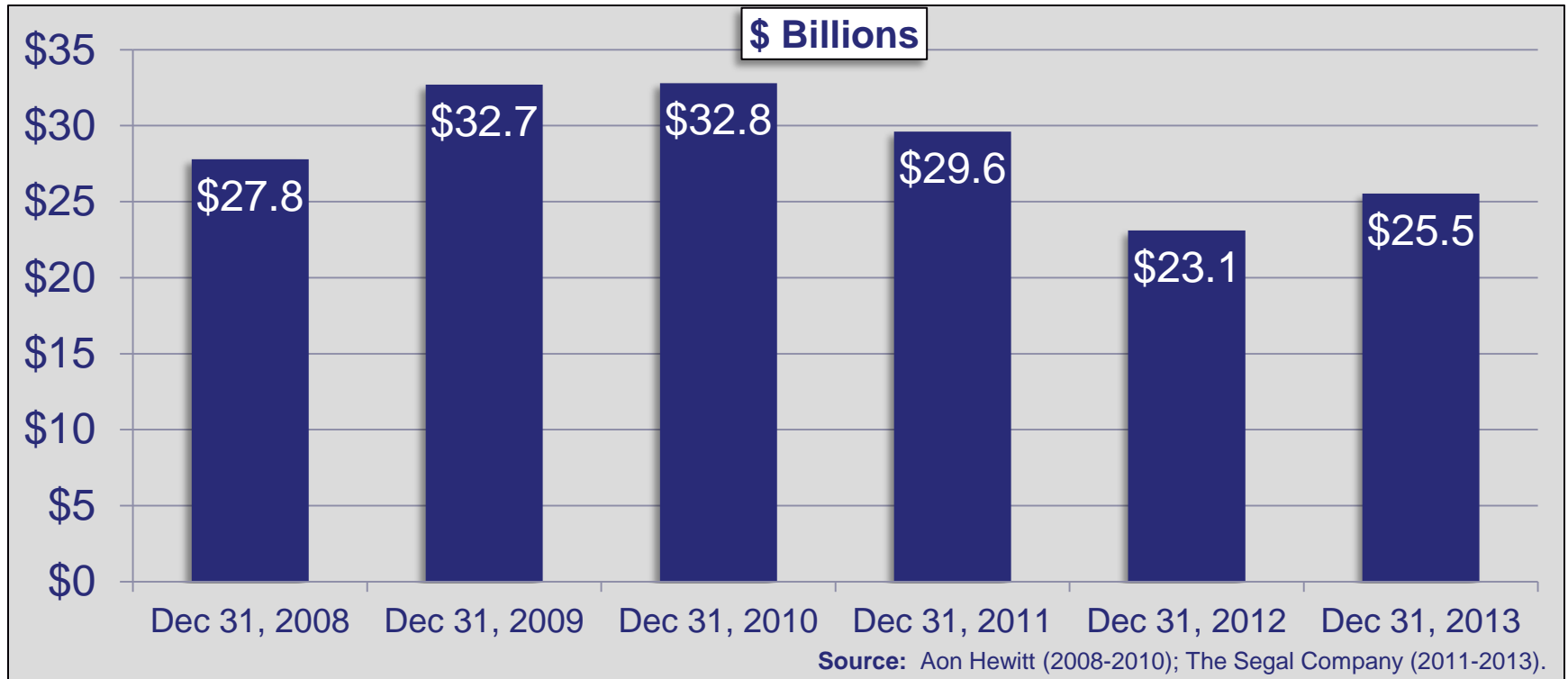
★ Segal Consulting

# Valuation Census

- As of December 31, 2013, there were 571,854 employees and retirees eligible for retiree health benefits



# Results: Unfunded Actuarial Accrued Liability (UAAL)



- UAAL increased \$2.4 billion from December 31, 2012 to December 31, 2013
- 2013 UAAL was \$1.0 billion more than projected last year due to:
  - **Assumption changes** (e.g., per capita healthcare costs, long-term trends) **increased** UAAL by \$2.4 billion
  - **Actuarial experience** (e.g., demographics, investment performance, contributions) **decreased** UAAL by \$1.4 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 \$943 million
  - Liability associated with future benefits earned in the current (valuation) year is the “normal cost.” Normal cost for 2013 UAAL is \$1.281 billion

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



# Future Changes to OPEB Reporting

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- GASB released “Exposure Drafts” relating to OPEB in June 2014
- The drafts would require OPEB liabilities to be listed as a balance sheet item rather than a note beginning with fiscal years starting after December 15, 2016 (State Fiscal Year 2017-18 for NC)
- The drafts would also make changes to the calculation of total OPEB liabilities and require additional disclosures and supplementary information
- OPEB liabilities are not the responsibility of the Plan or the Board of Trustees, but once the proposed changes are implemented, there may be pressure on the Board and the State to reexamine retiree health benefits