



North Carolina State Health Plan  
For Teachers And State Employees

# Summary of GASB 74 OPEB Valuation As of December 31, 2023/Measured June 30, 2024

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

August 29, 2024 / Robert Burrell, ASA, FCA, MAAA, EA

# 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, 2024	June 30, 2023
Total OPEB Liability (TOL)	\$37,702,714,420	\$29,850,087,265
Plan Fiduciary Net Position (Assets)	3,690,124,741	3,202,661,014
Net OPEB Liability (NOL)	34,012,589,679	26,647,426,251
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	9.79%	10.73%
	June 30, 2024	June 30, 2023
Service Cost at Beginning of Year	\$1,318,986,759	\$1,279,519,056
Covered Payroll <sup>1</sup>	20,784,240,000	19,839,303,000
	June 30, 2024	June 30, 2023
Actuarially Determined Contribution for Fiscal Year Ending	\$2,652,649,000	\$2,240,057,000
Actual Contribution for Fiscal Year Ending <sup>2</sup>	1,483,994,767	1,366,927,988
Benefit Payments	1,222,657,343	1,120,623,054

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

<sup>1</sup>Covered payroll represents the total compensation basis for OPEB contributions. This amount is estimated for 2023 and 2024, based on the reported employer contributions divided by the employer contribution rate in effect in the measurement year.

<sup>2</sup>Does not include \$35.0 million transfer to Retiree Health Benefit Trust Fund in fiscal year 2023 or a \$10.3 million transfer in fiscal year 2024.

# Changes from Prior Report

- Starting claims costs
  - Updated to be consistent with Q1 financial projections
- Revised short-term trend assumptions
  - Separate trends for medical claims, Rx claims and rebates, MA plans, retiree contributions and admin costs
- Plan election and migration assumptions
  - Updated to be consistent with Q1 financial projections
  - No change to long-term Medicare Advantage/ Prescription Drug (MAPD) plan enrollment targets
- Updated employer contributions
  - Based on rates projected by the State
- Inflation Reduction Act
  - Revised estimate of impact on MAPD rates after 5-year rate guarantee ends after 2025
- Removal of GLP-1 AOM coverage
- Discount rate
  - Updated from 3.65% to 3.93%, based on GO Bond index at Measurement Date



# Summary by Participant Type

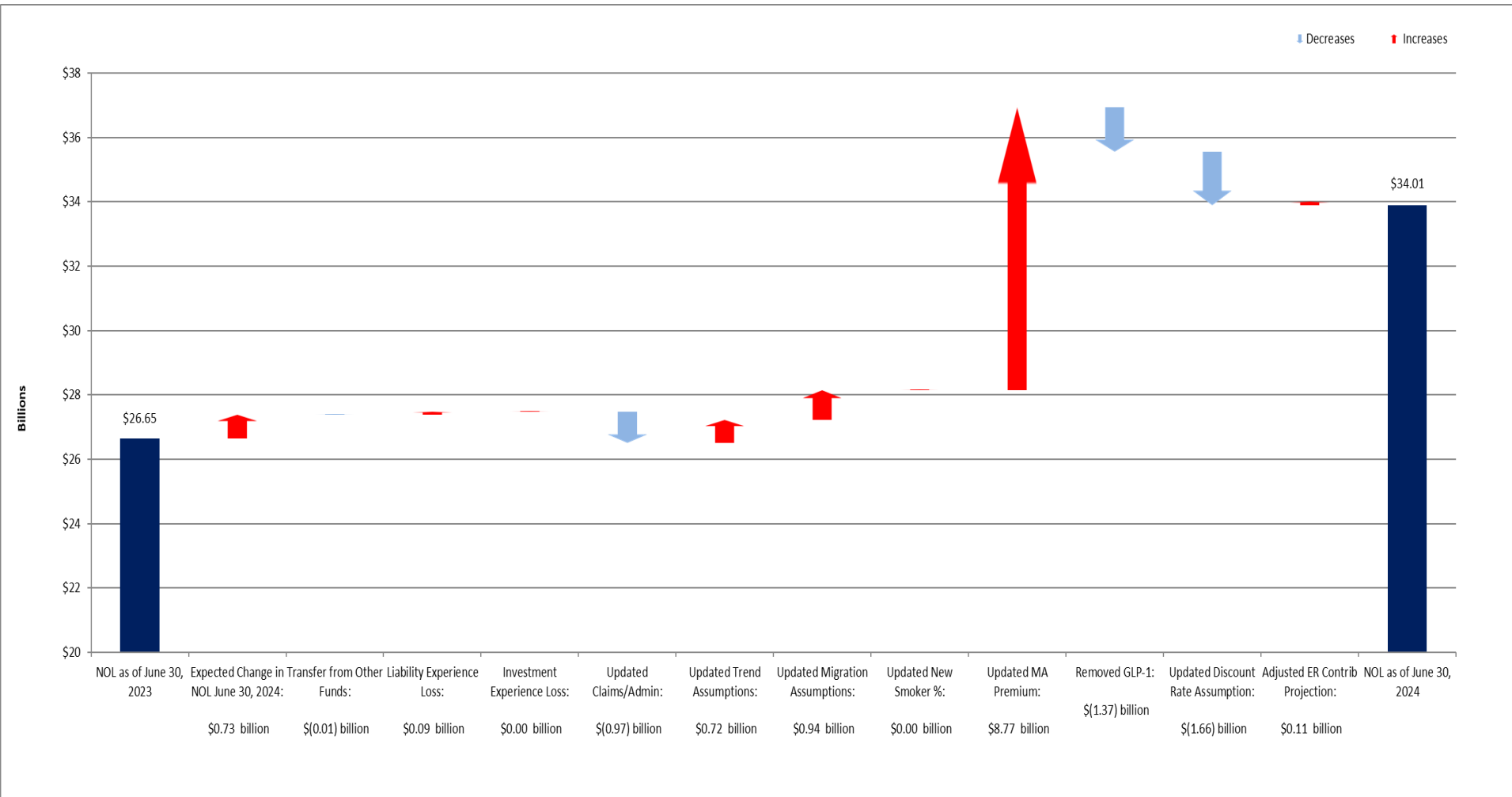
Total OPEB Liability as of June 30, 2024	Pre-65	Post-65	Total
Active	\$11,640,350,977	\$9,310,856,418	\$20,951,207,395
Vested	1,879,783,167	2,639,572,889	4,519,356,056
Retired	2,804,391,398	8,835,606,756	11,639,998,154
Beneficiary	9,472,767	12,241,728	21,714,495
Disabled	154,365,669	416,072,653	570,438,322
<b>Total</b>	<b>\$16,488,363,978</b>	<b>\$21,214,350,444</b>	<b>\$37,702,714,422</b>

	As of December 31, 2023	As of December 31, 2022
Number of retirees	224,000	220,848
Number of spouses	26,595	25,185
Number of surviving spouses	3,092	2,993
Number inactive vested	55,907	51,616
Number of actives	260,967	287,783
<b>Total number of participants and spouses</b>	<b>570,561</b>	<b>588,425</b>

- Pre-65 liability is 44% of the TOL, down from 54% of the total last year.
- 56% of the TOL is for active employees, down from 60% last year.
- Number of active employees continues to decrease, as new hires are not eligible for OPEB.

# Reconciliation of the Net OPEB Liability

## Change in Net OPEB Liability



# Roll Forward from Valuation Date to Measurement Date

## December 31, 2023 Valuation Liabilities Adjusted to June 30, 2024

1. Entry Age Normal Actuarial Liability as of December 31, 2023	\$36,658,151,616
2. Normal Cost for Calendar 2024	1,430,998,481
3. Expected Benefit Payments for Calendar 2024	788,864,413
4. Discount Rate	3.93%
5. Proration of Normal Cost (½ of 2.)	715,499,241
6. Proration of Benefit Payments (½ of 3.)	394,432,207
7. Interest (compound) on 1. for six months	713,391,155
8. Interest (compound) on 5. for six months	13,924,074
9. Interest (compound) on 6. for three months	3,819,459
10. Adjusted Entry Age Normal Actuarial Liability (TOL) 1. + 5. - 6. + 7. + 8. - 9.	\$37,702,714,420
11. Market Value of Assets	3,690,124,741
12. Net OPEB Liability (NOL)	\$34,012,589,679

# Comparative Results

<b>GASB 74 Results</b>	<b>June 30, 2024</b>	<b>June 30, 2023</b>	<b>June 30, 2022</b>	<b>June 30, 2021</b>
<b>Total OPEB Liability</b>	\$37,702,714,420	\$29,850,087,265	\$26,557,120,814	\$33,500,219,231
<b>Plan Fiduciary Net Position (Assets)</b>	3,690,124,741	3,202,661,014	2,810,269,038	2,584,625,788
<b>Net OPEB Liability</b>	34,012,589,679	26,647,426,251	23,746,851,776	30,915,593,443
<b>Plan Fiduciary Net Position as a percentage of TOL</b>	9.79%	10.73%	10.58%	7.72%
<b>Discount Rate</b>	3.93%	3.65%	3.54%	2.16%
<b>Contributions</b>	\$1,483,994,767	\$1,366,927,988	\$1,197,278,490	\$1,214,750,155
<b>Covered Payroll</b>	\$20,784,240,000	\$19,839,303,000	\$19,034,634,000	\$18,184,883,000
<b>Contributions as a Percentage of Covered Payroll</b>	7.14%	6.89%	6.29%	6.68%
<b>Service Cost (w/o interest) for the Next Fiscal Year</b>	\$1,430,998,481	\$1,318,986,759	\$1,279,519,056	\$2,131,390,625
<b>Service Cost as a Percentage of Covered Payroll</b>	6.89%	6.65%	6.72%	11.72%
<b>Pre-65 Blended Claims Costs (Age 65)</b>	\$17,725	\$16,779	\$15,452	\$14,834
<b>Post-65 Blended Claims Costs (Age 65)</b>	\$788	\$671	\$907	\$825
<b>Retiree and Spouse Count on Previous Dec. 31</b>	253,687	249,026	242,186	237,033
<b>Vested Terminations Count on Previous Dec. 31</b>	55,907	51,616	48,413	47,306
<b>Active Count on Previous Dec. 31</b>	260,967	287,783	318,849	344,085
<b>Total Valuation Count on Previous Dec. 31</b>	570,561	588,425	609,448	628,424

- Post-65 valuation average starting costs for 2021 include reduced premiums due to new Medicare Advantage contract and also reflect updated MAPD rates following the end of the guarantee period.
- Post-65 valuation average starting costs for 2024 reflect migration from 70/30 to Medicare Advantage plan



# Reconciliation of Participant Data

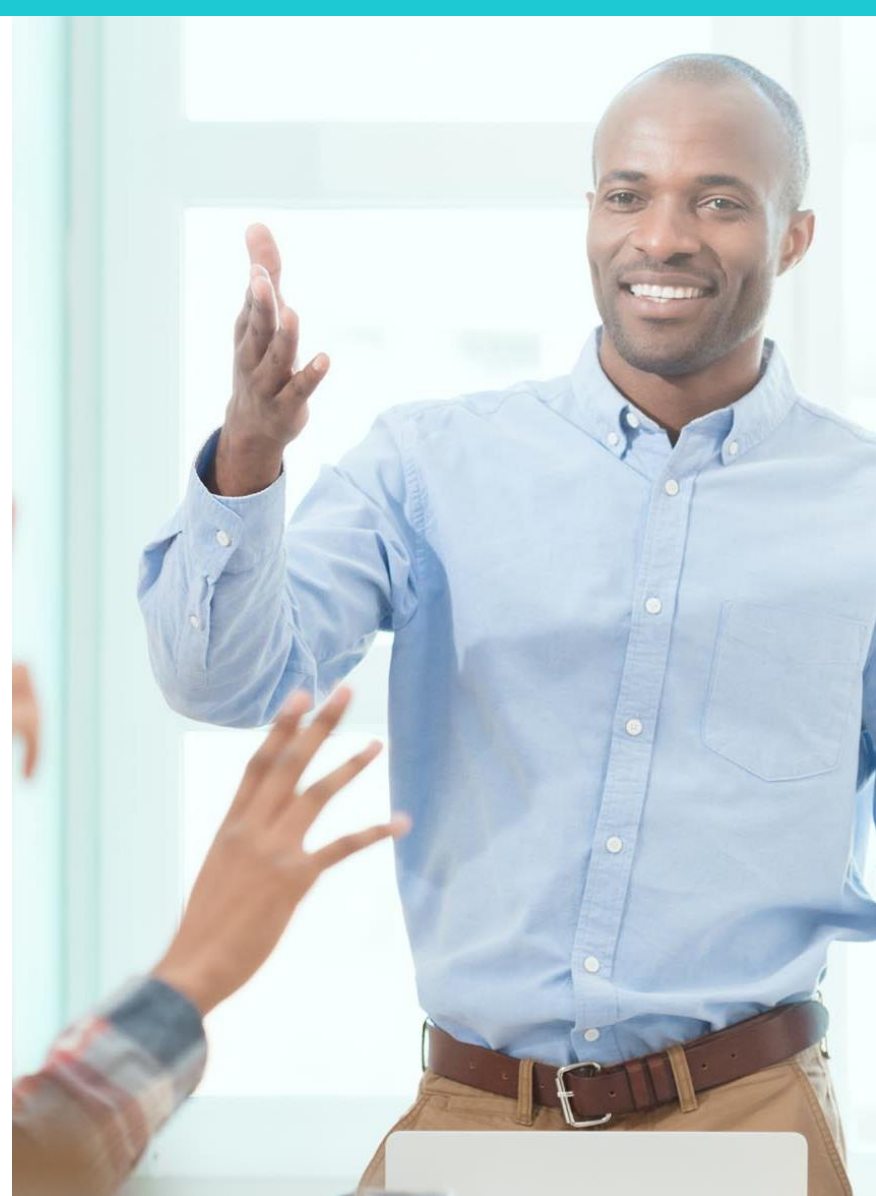
Data Reconciliation from December 31, 2022 to December 31, 2023

	Actives	Vested	Retirees	Retiree Spouses	Disabled	Disabled Spouses	Beneficiaries	Total
Counts as of December 31, 2022	287,783	51,616	209,384	24,459	11,464	726	2,993	588,425
Act to Vested	-7,615	7,615	0	0	0	0	0	0
Act to Ret	-8,935	0	8,935	0	0	0	0	0
Act to Dis	-189	0	0	0	189	0	0	0
Rehires	1,339	-1,272	-49	-7	-11	0	0	0
Vest to "In Pay"	0	-923	862	0	61	0	0	0
Transfer to Vest	0	204	-33	-11	-158	-1	-1	0
Transfer to Ret	0	0	39	-18	-19	0	-2	0
Transfer to Ret Sp	-28	-33	-1	66	-2	-4	0	0
Transfer to Dis	0	0	-113	-2	115	0	0	0
Transfer to Dis Sp	-1	-2	0	-5	0	8	0	0
Death w/ Ben	-4	-3	-5	-345	-2	-18	377	0
Death w/o Ben OR to Non-Participating	-15,136	-1,303	-6,626	-1,054	-427	-51	-316	-24,913
"Pickups"	3,753	8	379	2,773	18	77	41	7,049
Net Movement	-26,816	4,291	3,388	1,399	-236	11	99	-17,864
Counts as of December 31, 2023	260,967	55,907	212,772	25,858	11,228	737	3,092	570,561

- “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 ~3,700 new actives lower than last year (~4,500)

# 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 28, 2024 for additional information regarding plan provisions, assumptions, data, and methods.

Thank You

