



North Carolina State Health Plan
For Teachers And State Employees

Summary of Draft GASB 74 OPEB Valuation As of December 31, 2022/Measured June 30, 2023

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

August 31, 2023 / 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, 2023	June 30, 2022
Total OPEB Liability (TOL)	\$29,850,087,265	\$26,557,120,814
Plan Fiduciary Net Position (Assets)	3,202,661,014	2,810,269,038
Net OPEB Liability (NOL)	26,647,426,251	23,746,851,776
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	10.73%	10.58%
	June 30, 2023	June 30, 2022
Service Cost at Beginning of Year	\$1,279,519,056	\$2,131,390,625
Covered Payroll ¹	19,839,303,000	19,034,634,000
	June 30, 2023	June 30, 2022
Actuarially Determined Contribution for Fiscal Year Ending	\$2,240,057,000	\$2,084,130,000
Actual Contribution for Fiscal Year Ending ²	1,366,927,988	1,197,278,490
Benefit Payments	1,120,623,054	1,044,121,158

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

¹Covered payroll represents total compensation basis for OPEB contributions. This amount is estimated for 2022 and 2023, based on the reported employer contributions divided by the employer contribution rate in effect in the measurement year.

²Does not include \$180.5 million transfer to Retiree Health Benefit Trust Fund in fiscal year 2022 or \$35.0 million in fiscal year 2023.

Changes from Prior Report

- Starting claims costs
 - Updated to be consistent with Q1 financial projections
 - Reflects updated Segal standard morbidity (age/sex) factors
- Revised short-term trend assumptions
 - Separate trends for Rx claims and rebates
- 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
- Savings from TPA RFP effective January 1, 2025
 - Reflected through adjustments to medical and administrative cost trends
- Updated employer contributions
 - Based on rates in draft budget legislation
- Inflation Reduction Act
 - Estimate of impact on MAPD rates after 5-year rate guarantee ends after 2025
- Discount rate
 - From 3.54% to 3.65%, based on GO Bond index at Measurement Date



Summary by Participant Type

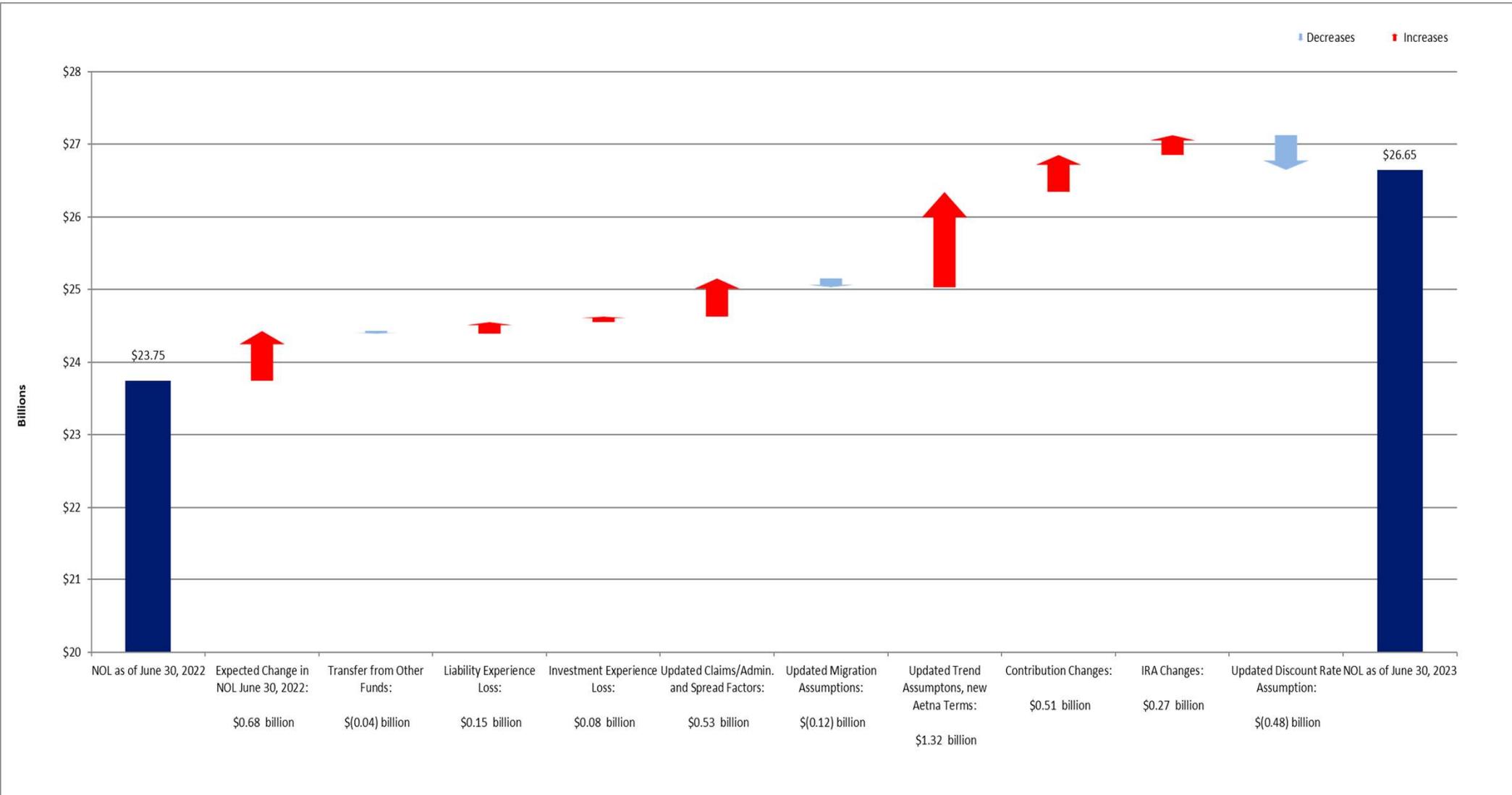
Total OPEB Liability as of June 30, 2023	Pre-65	Post-65	Total
Active	\$11,596,592,979	\$6,185,471,105	\$17,782,063,994
Vested	1,714,284,327	1,743,284,982	3,457,569,309
Retired	2,639,975,580	5,521,617,506	8,161,593,086
Beneficiary	8,408,260	9,001,636	17,409,896
Disabled	158,913,983	272,536,997	431,450,980
Total	\$16,118,175,129	\$13,731,912,136	\$29,850,087,265

	As of December 31, 2022	As of December 31, 2021
Number of retirees	220,848	215,811
Number of spouses	25,185	23,405
Number of surviving spouses	2,993	2,970
Number inactive vested	51,616	48,413
Number of actives	287,783	318,849
Total number of participants and spouses	588,425	609,448

- Pre-65 liability is 54% of the TOL, down slightly from 55% of the total last year.
- 60% of the TOL is for active employees, down slightly from 61% 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, 2022 Valuation Liabilities Adjusted to June 30, 2023

1. Entry Age Normal Actuarial Liability as of December 31, 2022	\$29,016,334,103
2. Normal Cost for Calendar 2023	1,318,986,759
3. Expected Benefit Payments for Calendar 2023	718,472,413
4. Discount Rate	3.65%
5. Proration of Normal Cost (½ of 2.)	659,493,380
6. Proration of Benefit Payments (½ of 3.)	359,236,207
7. Interest (compound) on 1. for six months	524,802,195
8. Interest (compound) on 5. for six months	11,927,888
9. Interest (compound) on 6. for three months	3,234,094
10. Adjusted Entry Age Normal Actuarial Liability (TOL) 1. + 5. - 6. + 7. + 8. - 9.	\$29,850,087,265
11. Market Value of Assets	3,202,661,014
12. Net OPEB Liability (NOL)	\$26,647,426,251

Comparative Results

GASB 74 Results	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Total OPEB Liability	\$29,850,087,265	\$26,557,120,814	\$33,500,219,231	\$29,802,158,533
Plan Fiduciary Net Position (Assets)	3,202,661,014	2,810,269,038	2,584,625,788	2,061,307,299
Net OPEB Liability	26,647,426,251	23,746,851,776	30,915,593,443	27,740,851,234
Plan Fiduciary Net Position as a percentage of TOL	10.73%	10.58%	7.72%	6.92%
Discount Rate	3.65%	3.54%	2.16%	2.21%
Contributions	\$1,366,927,988	\$1,197,278,490	\$1,214,750,155	\$1,162,966,849
Covered Payroll	\$19,839,303,000	\$19,034,634,000	\$18,184,883,000	\$17,974,758,000
Contributions as a Percentage of Covered Payroll	6.89%	6.29%	6.68%	6.47%
Service Cost (w/o interest) for the Next Fiscal Year	\$1,318,986,759	\$1,279,519,056	\$2,131,390,625	\$1,974,212,317
Service Cost as a Percentage of Covered Payroll	6.65%	6.72%	11.72%	10.98%
Pre-65 Blended Claims Costs (Age 65)	\$16,779	\$15,452	\$14,834	\$13,844
Post-65 Blended Claims Costs (Age 65)	\$671	\$907	\$825	\$1,781
Retiree and Spouse Count on Previous Dec. 31	249,026	242,186	237,033	231,224
Vested Terminations Count on Previous Dec. 31	51,616	48,413	47,306	45,096
Active Count on Previous Dec. 31	287,783	318,849	344,085	348,905
Total Valuation Count on Previous Dec. 31	588,425	609,448	628,424	625,225

- Post-65 valuation average starting costs for 2021 include reduced premiums due to new Medicare Advantage contract
- Post-65 valuation average starting costs for 2023 reflect migration from 70/30 to Medicare Advantage plan

Reconciliation of Participant Data

Data Reconciliation from December 31, 2021 to December 31, 2022

	Actives	Vested	Retirees	Retiree Spouses	Disabled	Disabled Spouses	Beneficiaries	Total
Counts as of December 31, 2021	318,849	48,413	204,169	22,703	11,642	702	2,970	609,448
Act to Vested	-6,390	6,390	0	0	0	0	0	0
Act to Ret	-10,385	0	10,385	0	0	0	0	0
Act to Dis	-229	0	0	0	229	0	0	0
Rehires	1,440	-1,375	-49	-4	-11	0	-1	0
Vest to "In Pay"	0	-992	904	0	88	0	0	0
Transfer to Vest	0	232	-23	-7	-201	0	-1	0
Transfer to Ret	0	0	73	-33	-22	-1	-17	0
Transfer to Ret Sp	-36	-36	0	76	-1	-2	-1	0
Transfer to Dis	0	0	-103	0	108	-1	-4	0
Transfer to Dis Sp	-1	0	0	-6	0	8	-1	0
Death w/ Ben	0	-1	-2	-319	0	-12	334	0
Death w/o Ben OR to Non-Participating	-20,029	-1,033	-7,004	-1,084	-412	-55	-343	-29,960
"Pickups"	4,564	18	1,034	3,133	44	87	57	8,937
Net Movement	-31,066	3,203	5,214	1,756	-178	24	24	-21,023
Counts as of December 31, 2022	287,783	51,616	209,384	24,459	11,464	726	2,993	588,425

- “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 ~4,500 new actives lower than last year (~6,000) and much less than 2020 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 draft full valuation report dated August 11, 2023 for additional information regarding plan provisions, assumptions, data, and methods.

Thank You

