

MEETING NOTICE
STATE POST-RETIREMENT BENEFITS TRUST FUND AND THE
ELECTED OFFICIAL POST-RETIREMENT BENEFITS TRUST FUND
BOARD OF TRUSTEES
Monday, August 17, 2015
State Capitol, Suite 170
Salt Lake City
9:00 A.M.

AGENDA

1. CALL MEETING TO ORDER: STATE TREASURER, CHAIR
2. APPROVAL OF MINUTES FROM THE JUNE 16, 2015 MEETING
3. REVIEW AND ADOPT ACTUARIAL ASSUMPTIONS
4. OTHER ITEMS FOR DISCUSSION

STATE POST-RETIREMENT BENEFITS TRUST FUND AND THE
ELECTED OFFICIAL POST-RETIREMENT BENEFITS TRUST FUND
BOARD OF TRUSTEES

June 16, 2015

10:00 A.M.

Pending Minutes

Meeting Location: 350 N State Street STE C170

Board Members Attending: Richard Ellis, Phil Dean, and John Reidhead.

Others Attending: Jonathan Ball, Steven Allred, Matt Lund, Nate Tally, Thom Roberts, Marcie Handy, Darin Janzen, Benn Buys, Paul Morley, Debra Valentine, David Damschen, and Allen Rollo.

Joining via Conference Call: Bob Russell-Hay Group.

The first agenda item called for approval of the minutes from the November 18, 2014 meeting. A motion was made by Mr. Dean to approve the minutes, Mr. Reidhead seconded the motion. The motion passed unanimously.

Mr. Janzen reviewed the financial information for the OPEB Trust Fund for the period ending May 31, 2015 and noted that employer contributions totaled \$30.3 million, investment income generated \$8.5 million, and expenditures for retiree health care premiums totaled \$20.6 million, resulting in an \$18.2 million increase in net assets, to \$216.7 million at end of the period. The net assets consisted of \$0.2 million in cash, investment in the Public Treasurer's Investment Fund (PTIF) of \$11.8 million and stock and bond mutual fund holdings of \$204.7 million. Mr. Janzen noted that the only change in the June 30, 2014 pro forma statements is the estimated payment of \$7 million for retiree health care benefits.

Mr. Janzen presented financial information for the Elected Officials' OPEB Trust Fund for the period ending May 31, 2015 and noted that \$1.4 million was appropriated to the trust, investment income amounted to \$0.3 million, and expenditures for retiree health premiums totaled \$0.3 million, resulting in an increase in net assets of \$1.4 million. Together with beginning net assets of \$7.3 million, total net assets amounted to \$8.7 million as of May 31, 2015. Net assets consisted of \$1.5 million in the PTIF and \$7.2 million in investments at Vanguard. The Elected Officials' pro forma statements for June 30, 2015 are the same as the May 31, 2015 statements.

Mr. Janzen reviewed the OEFT financial information for May 31, 2015 and indicated that employer contributions totaled \$2.3 million and investment income generated \$0.1 million, resulting in an increase in net assets of \$2.4 million. The \$10.8 million of net assets consisted of investment in the PTIF of \$5.8 million and \$5.0 million invested in a Vanguard bond mutual fund. Mr. Janzen noted that the funding for the OEFT Fund comes from any excess revenue generated over the ARC by the labor additive rate used to fund the OPEB Trust. The pro forma statements for June 30, 2015 reflect additional employer contributions of \$5.1 million, resulting in total net assets of \$15.9 million.

Mr. Janzen reviewed the proposed 2016 budget for the OPEB Trust Fund and noted that employer contributions are budgeted at \$30.3 million, investment income is expected to amount

to \$7.4 million, with a deduction for retiree benefits of \$28.2 million resulting in an increase in net assets of \$9.5 million. Mr. Dean made a motion to approve the budget for the OPEB Trust Fund, Mr. Reidhead seconded the motion. The motion to approve the OPEB Trust Fund budget passed unanimously.

Mr. Janzen reviewed the proposed 2016 budget for the Elected Officials' OPEB Trust Fund and noted that appropriations are budgeted at \$1.4 million, investment income is expected to amount to \$0.4 million, with deductions for retiree benefits of \$0.4 million resulting in an increase in net assets of \$1.4 million. Mr. Reidhead made a motion to approve the budget for the Elected Officials' OPEB Trust Fund. The motion to approve the Elected Officials' OPEB Trust Fund budget passed unanimously.

Mr. Janzen reviewed the proposed 2016 budget for the OEBT Fund and noted that employer contributions are budgeted at \$7.4 million, investment income is expected to amount to \$0.3 million resulting in an increase in net assets of \$7.7 million. Mr. Dean made a motion to approve the budget for the OEBT Fund. The motion to approve the OEBT Fund budget passed unanimously.

Mr. Bob Russell from the Hay Group reviewed the plan provisions of the Employees' OPEB Plan and the Elected Officials' OPEB Plan for December 31, 2014 and noted that total number of active employees in the Employees' OPEB Plan had decreased by approximately one thousand seven hundred employees from the previous study two years ago, while the number of retirees and dependents increased by approximately 300 persons.

The preliminary December 31, 2014 actuarial valuation for the State Employees' Plan shows a reduction in the unfunded actuarial accrued liability (UAAL) to \$160.3 million from \$258.5 million shown in the December 31, 2012 valuation. The decline in the UAAL of \$98.2 million was a result of a decline in the actuarial accrued liability (AAL) of \$42.8 million to \$365.8 million and increase in trust fund assets of \$55.4 million to \$205.5 million. The trust fund assets covered 56% of liabilities based upon preliminary valuation results for December 31, 2014 versus a funded status of 37% as of the December 31, 2012 actuarial valuation.

Mr. Russell reviewed the key valuation assumptions including the discount rate, health care trend rates, amortization period, actuarial cost method, per capita claims cost, mortality tables, participation rates, turnover rates, and retirement rates. Mr. Russell also noted that proposed changes to GASB rules include a requirement to use the entry age normal actuarial cost method and the discount rate will be based upon a composite of the long-term rate of return on assets and the yield on the 20 year municipal bond index. Also, the amortization of the UAAL will not be allowed, which will mean the unfunded UAAL will be reflected on the State's balance sheet.

After discussing the impact of the using the entry age normal actuarial cost method, Mr. Reidhead made a motion to use a 4.5% discount rate, entry age normal actuarial cost method and allow State Finance latitude to assess the impact of using different amortization assumptions and medical inflation trends for both the Employees' OPEB Trust and Elected Officials' OPEB Trust. The motion to adopt the actuarial valuation assumptions passed unanimously.

There were no other items of business, so Mr. Dean made a motion to adjourn. The meeting was adjourned.

State of Utah State Employees			Getzen Trend and PUC Method	Getzen Trend and EAN Method
Summary of Valuation Results Current Assumptions				
	As of December 31, 2012	2014	2014	2014
Assumptions				
Discount rate	4.50%	4.50%	4.50%	4.50%
Healthcare cost trend rates				
• Medical/Rx Pre-Medicare Trend -	8.50%	8.50%	5.20%	5.20%
• Medical/Rx Medicare Trend	6.90%	6.90%	5.20%	5.20%
• Ultimate trend rate	4.50%	4.50%	4.20%	4.20%
• Administrative Trend	3.00%	3.00%	3.00%	3.00%
• Ultimate rate	4.50%	4.50%	4.20%	4.20%
• Year Ultimate rate is Reached	2019	2021	2084	2084
Valuation Results				
1 Present Value of Future Benefits	\$492,608,617	\$430,107,707	\$425,432,435	\$430,302,616
2 Actuarial Accrued Liability (AAL)	\$408,661,169	\$365,794,177	\$359,192,146	\$386,532,391
3 Assets as of Valuation Date	<u>\$150,107,498</u>	<u>\$205,498,084</u>	<u>\$205,498,084</u>	<u>\$205,498,084</u>
4 Unfunded Actuarial Accrued Liability (actuarial accrued liability less assets)	\$258,553,672	\$160,296,093	\$153,694,062	\$181,034,307
5 Percent Funded as of Valuation Date	36.7%	56.2%	57.2%	53.2%
6 Normal Cost - BOY	\$10,018,164	\$8,365,513	\$8,329,173	\$5,946,102
Annual OPEB Cost - 20 year amortization	\$30,535,112	\$21,243,543	\$20,698,110	\$20,309,279
Annual OPEB Cost - 10 year amortization			\$28,595,800	\$29,561,906

**Table 1.1
Postretirement Medical Benefit Valuation Results**

State of Utah Elected Officials

	As of December 31, 2010	As of December 31, 2012	2014 Current Assumptions	2014 Getzen Trend (revised)	2014 Getzen & EAN Method
Assumptions					
Healthcare cost trend rates					
• Medical/Rx Pre-Medicare Trend - Current	9.50%	8.50%	8.50%	5.20%	5.20%
• Medical/Rx Medicare Trend	7.50%	6.90%	6.90%	5.20%	5.20%
• Ultimate trend rate	4.50%	4.50%	4.50%	4.20%	4.20%
• Administrative Trend	3.00%	3.00%	3.00%	3.00%	3.00%
• Ultimate rate	4.50%	4.50%	4.50%	4.20%	4.20%
• Year Ultimate rate is Reached	2019	2019	2021	2084	2084
Valuation Results					
1 Present Value of Future Benefits	\$25,024,416	\$17,132,822	\$15,703,006	\$17,756,044	\$17,756,044
2 Actuarial Accrued Liability (AAL)	\$21,989,938	\$14,506,933	\$13,411,385	\$14,845,365	\$12,694,069
3 Assets as of Valuation Date	\$0	\$5,302,071	\$8,863,190	\$8,863,190	\$8,863,190
4 Unfunded Actuarial Accrued Liability (UAAL)	\$21,989,938	\$9,204,862	\$4,548,195	\$5,982,175	\$3,830,879
5 Percent Funded as of Valuation Date	0.0%	57.6%	66.1%	59.7%	69.8%
5 Normal Cost	\$598,444	\$586,643	\$511,488	\$660,114	\$905,846
Annual OPEB Cost - 20 yr amortization		\$1,154,683	\$752,639	\$1,018,176	\$1,109,608
Annual OPEB Cost - 10 year amortization				\$1,110,185	\$1,095,003