



REQUIRED SUPPLEMENTARY INFORMATION OTHER POSTEMPLOYMENT BENEFIT PLANS

Required supplementary information for other postemployment benefit plans provides information on the sources of changes in net OPEB liabilities, information about the components of net OPEB liabilities, employer contributions, and investment returns.

The Required Supplementary Information for Other Postemployment Benefit plans includes the following schedules:

Schedule of Changes in the Net OPEB Liability and Related Ratios: Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans

Schedule of Employer Contributions: Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans

Schedule of Investment Returns: All Defined Benefit OPEB Plans

Notes to Required Supplementary Information: Schedule of Employer Contributions

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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT OPEB PLANS

Last Five Fiscal Years

(Dollars in Thousands)

	2021	2020	2019	2018	2017
Retiree Health Benefit					
Total OPEB liability					
Service Cost	\$ 1,974,212	\$ 1,824,174	\$ 1,539,092	\$ 1,753,384	\$ 2,650,984
Interest	690,162	1,203,196	1,192,810	1,261,878	1,332,874
Changes of benefit terms	-	224,085	(72,358)	-	-
Differences between expected and actual experience	194,899	30,157	(156,655)	(80,951)	(2,821,033)
Changes of assumptions	1,939,421	(5,489,969)	1,824,892	(6,141,972)	(10,835,144)
Benefit payments, including refunds of member contributions	(1,100,633)	(1,084,668)	(1,030,956)	(977,176)	(922,021)
Net change in total OPEB liability	3,698,061	(3,293,025)	3,296,825	(4,184,837)	(10,594,340)
Total OPEB liability - beginning	29,802,158	33,095,183	29,798,358	33,983,195	44,577,535
Total OPEB liability - ending (a)	\$ 33,500,219	\$ 29,802,158	\$ 33,095,183	\$ 29,798,358	\$ 33,983,195
Plan fiduciary net position					
Contributions-employer	\$ 1,214,750	\$ 1,162,967	\$ 1,104,902	\$ 1,018,693	\$ 950,813
Contributions-other	187,000	475,200	-	-	-
Net investment income	222,377	52,286	71,780	72,384	94,132
Benefit payments, including refunds of member contributions	(1,100,633)	(1,084,668)	(1,030,956)	(977,176)	(922,021)
Administrative expense	(175)	(162)	(215)	(298)	(490)
Net change in plan fiduciary net position	523,319	605,623	145,511	113,603	122,434
Plan fiduciary net position - beginning	2,061,307	1,455,684	1,310,173	1,196,570	1,074,136
Plan fiduciary net position - ending (b)	\$ 2,584,626	\$ 2,061,307	\$ 1,455,684	\$ 1,310,173	\$ 1,196,570
Retiree Health Benefit net OPEB liability - ending (a) - (b)	\$ 30,915,593	\$ 27,740,851	\$ 31,639,499	\$ 28,488,185	\$ 32,786,625
Plan fiduciary net position as a percentage of the total OPEB liability	7.72%	6.92%	4.40%	4.40%	3.52%
Covered payroll	\$ 18,184,883	\$ 17,974,758	\$ 17,622,035	\$ 16,837,901	\$ 16,365,112
Net OPEB liability as a percentage of covered payroll	170.01%	154.33%	179.55%	169.19%	200.34%
Disability Income					
Total OPEB liability					
Service Cost	\$ 23,010	\$ 22,708	\$ 22,567	\$ 25,919	\$ 25,441
Interest	10,969	11,424	13,800	14,654	14,111
Changes of benefit terms	-	-	-	(44,158)	(403)
Differences between expected and actual experience	15,758	5,137	4,106	48,787	22,345
Changes of assumptions	(2,935)	2	(4,980)	6,692	-
Benefit payments, including refunds of member contributions	(47,453)	(55,210)	(61,946)	(69,949)	(71,728)
Net change in total OPEB liability	(651)	(15,939)	(26,453)	(18,055)	(10,234)
Total OPEB liability - beginning	316,039	331,978	358,431	376,486	386,720
Total OPEB liability - ending (a)	\$ 315,388	\$ 316,039	\$ 331,978	\$ 358,431	\$ 376,486
Plan fiduciary net position					
Contributions-employer	\$ 16,226	\$ 17,848	\$ 24,468	\$ 23,385	\$ 61,654
Net investment income	(1,292)	28,322	24,725	(1,481)	(122)
Benefit payments, including refunds of member contributions	(47,453)	(55,210)	(61,946)	(69,949)	(71,728)
Administrative expense	(879)	(835)	(926)	(777)	(1,050)
Other	(113)	(20)	-	23	32
Net change in plan fiduciary net position	(33,511)	(9,895)	(13,679)	(48,799)	(11,214)
Plan fiduciary net position - beginning	365,233	375,128	388,807	437,606	448,820
Plan fiduciary net position - ending (b)	\$ 331,722	\$ 365,233	\$ 375,128	\$ 388,807	\$ 437,606
Disability Income's net OPEB asset - ending (a) - (b)	\$ (16,334)	\$ (49,194)	\$ (43,150)	\$ (30,376)	\$ (61,120)
Plan fiduciary net position as a percentage of the total OPEB liability	105.18%	115.57%	113.00%	108.47%	116.23%
Covered payroll	\$ 18,028,883	\$ 17,848,000	\$ 17,477,148	\$ 16,703,858	\$ 16,224,737
Net OPEB asset as a percentage of covered payroll	(0.09%)	(0.28%)	(0.25%)	(0.18%)	(0.38%)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT OPEB PLANS

Last Ten Fiscal Years

(Dollars in Thousands)

Retiree Health Benefit	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 3,049,625	\$ 2,823,873	\$ 2,971,069	\$ 2,613,258	\$ 2,728,064
Contributions in relation to the actuarially determined contribution (1)	1,214,750	1,162,967	1,104,902	1,018,693	950,813
Contribution deficiency	<u>\$ 1,834,875</u>	<u>\$ 1,660,906</u>	<u>\$ 1,866,167</u>	<u>\$ 1,594,565</u>	<u>\$ 1,777,251</u>
Covered payroll	\$ 18,184,883	\$ 17,974,758	\$ 17,622,035	\$ 16,837,901	\$ 16,365,112
Contributions as a percentage of covered payroll	6.68%	6.47%	6.27%	6.05%	5.81%
Disability Income					
Actuarially determined contribution	\$ 16,226	\$ 17,848	\$ 22,720	\$ 23,385	\$ 24,337
Contributions in relation to the actuarially determined contribution (1)	16,226	17,848	24,468	23,385	61,654
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,748)</u>	<u>\$ -</u>	<u>\$ (37,317)</u>
Covered payroll	\$ 18,028,883	\$ 17,848,000	\$ 17,477,148	\$ 16,703,858	\$ 16,224,737
Contributions as a percentage of covered payroll	0.09%	0.10%	0.14%	0.14%	0.38%

(1) Contributions in relation to the actuarially determined contribution are the same as the contractually required contribution (CRC). The CRC was the same as the actuarially determined contribution except in years where there is a deficiency (excess).

Note: Changes in benefit terms, methods and assumptions are presented in Notes to the Required Supplementary Information (RSI) schedules following the OPEB RSI tables.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 2,516,706	\$ 2,211,436	\$ 2,226,586	\$ 2,072,951	\$ 2,371,490
880,847	854,383	815,157	813,223	710,027
<u>\$ 1,635,859</u>	<u>\$ 1,357,053</u>	<u>\$ 1,411,429</u>	<u>\$ 1,259,728</u>	<u>\$ 1,661,463</u>
\$ 15,729,411	\$ 15,562,532	\$ 15,095,500	\$ 15,343,830	\$ 14,200,540
5.60%	5.49%	5.40%	5.30%	5.00%

\$ 63,963	\$ 63,267	\$ 65,878	\$ 64,969	\$ 71,244
63,963	63,267	65,878	64,969	80,537
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,293)</u>
\$ 15,600,732	\$ 15,430,976	\$ 14,972,273	\$ 14,765,682	\$ 15,487,885
0.41%	0.41%	0.44%	0.44%	0.52%

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
ALL DEFINED BENEFIT OPEB PLANS
Last Five Fiscal Years

Annual money-weighted rate of return, net of investment expense	2021	2020	2019	2018	2017
Retiree Health Benefit	10.96%	3.80%	5.73%	6.58%	9.31%
Disability Income	(0.41)%	8.68%	7.74%	(0.42)%	(0.06%)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

For the Fiscal Year Ended June 30, 2021

Changes of benefit terms. Effective January 1, 2016, benefit terms related to copays, out-of-pocket maximums and deductibles were changed for three of five options of the Retiree Health Benefit Fund (RHBf). Most of the changes were an increase in the amount from the previous year.

Effective January 1, 2017, benefit terms related to copays, coinsurance maximums, out-of-pocket maximums, and deductibles were changed for two of five options of the RHBf. Most of the changes were an increase in the amount from the previous year.

Effective January 1, 2019, benefit terms related to copays, out-of-pocket maximums and deductibles were changed for one of four options of the RHBf. Out of pocket maximums increased while certain specialist copays decreased related to option benefits.

Effective January 1, 2020, benefit terms related to copays, out-of-pocket maximums and deductibles were changed for the 70/30 PPO option of the RHBf. Only the copays were adjusted for 80/20 PPO option of the RHBf.

Effective January 1, 2021, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

Additionally, the December 31, 2017 Disability Income Plan of North Carolina (DIPNC) actuarial valuation includes a liability for the State's potential reimbursement of health insurance premiums paid by employers during the second six months of the short-term disability benefit period.

Method and assumptions used in calculations of actuarially determined contributions. An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning six months preceding the date of the valuation results for the RHBf. The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results for the DIPNC. See Note 14 for more information on the specific assumptions for each plan. The actuarially determined contributions were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

Changes of assumptions. In 2020, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent experience review examined each plan's experience during the period between January 1, 2015, and December 31, 2019. Based on the findings, the Boards of Trustees of the Teachers' and State Employees' Retirement System and the Committee on Actuarial Valuation of Retired Employees' Health Benefits adopted a number of new actuarial assumptions and methods for the RHBf and the DIPNC. The most notable changes to the assumptions include updates to the mortality tables and mortality improvements. These assumptions were adjusted to be based on the Pub-2010 mortality tables reflecting the mortality projection scale MP-2019, released by the Society of Actuaries in 2019. In addition, the assumed rates of retirement, salary increases and rates of termination from active employment were updated to more closely reflect actual experience.

Consistent with the prior year, for the actuarial valuation measured as of June 30, 2021, the discount rate for the RHBf was updated to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end. In 2020, disability rates were adjusted to the non-grandfathered assumptions used in the Teachers and State Employees' Retirement System actuarial valuation to better align with the anticipated incidence of disability. Medical and prescription drug claims costs were changed based on most recent experience, and medical and prescription drug trend rates were changed to the current schedule. Enrollment assumptions were updated to model expected migrations among RHBf plan options over the next four years. For the DIPNC actuarial valuation as of December 31, 2018, for individuals who may become disabled in the future, the Social Security disability income benefit (which is an offset to the DIPNC benefit) was updated to be based on assumed Social Security calculation parameters in the year of the disability. The assumed costs related to the Patient Protection and Affordable Care Act regarding the Health Insurance Provider Fee for the fully insured plans and Excise Tax were removed when those pieces were repealed in December 2019 and first recognized in the 2020 OPEB report.