



2017 SOA  
**Annual Meeting  
& Exhibit**

Oct. 15-18, 2017  
Boston, MA

## Session 012 - Social Insurance & Public Finance Section Hot Breakfast

### Moderator:

Krzysztof M. Ostaszewski, FSA, CERA, MAAA, Ph.D.

### Presenters:

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Piotr Krekora, ASA, EA, FCA, MAAA

# 2017 SOA Annual Meeting & Exhibit

**STEVE BRYSON, FSA**  
**PIOTR KREKORA, ASA**

**Session 12: Social Insurance and Public Finance Section**  
**Breakfast**

October 16, 2017



# SOCIETY OF ACTUARIES

## Antitrust Compliance Guidelines

Active participation in the Society of Actuaries is an important aspect of membership. While the positive contributions of professional societies and associations are well-recognized and encouraged, association activities are vulnerable to close antitrust scrutiny. By their very nature, associations bring together industry competitors and other market participants.

The United States antitrust laws aim to protect consumers by preserving the free economy and prohibiting anti-competitive business practices; they promote competition. There are both state and federal antitrust laws, although state antitrust laws closely follow federal law. The Sherman Act, is the primary U.S. antitrust law pertaining to association activities. The Sherman Act prohibits every contract, combination or conspiracy that places an unreasonable restraint on trade. There are, however, some activities that are illegal under all circumstances, such as price fixing, market allocation and collusive bidding.

There is no safe harbor under the antitrust law for professional association activities. Therefore, association meeting participants should refrain from discussing any activity that could potentially be construed as having an anti-competitive effect. Discussions relating to product or service pricing, market allocations, membership restrictions, product standardization or other conditions on trade could arguably be perceived as a restraint on trade and may expose the SOA and its members to antitrust enforcement procedures.

While participating in all SOA in person meetings, webinars, teleconferences or side discussions, you should avoid discussing competitively sensitive information with competitors and follow these guidelines:

- **Do not** discuss prices for services or products or anything else that might affect prices
- **Do not** discuss what you or other entities plan to do in a particular geographic or product markets or with particular customers.
- **Do not** speak on behalf of the SOA or any of its committees unless specifically authorized to do so.
- **Do** leave a meeting where any anticompetitive pricing or market allocation discussion occurs.
- **Do** alert SOA staff and/or legal counsel to any concerning discussions
- **Do** consult with legal counsel before raising any matter or making a statement that may involve competitively sensitive information.

Adherence to these guidelines involves not only avoidance of antitrust violations, but avoidance of behavior which might be so construed. These guidelines only provide an overview of prohibited activities. SOA legal counsel reviews meeting agenda and materials as deemed appropriate and any discussion that departs from the formal agenda should be scrutinized carefully. Antitrust compliance is everyone's responsibility; however, please seek legal counsel if you have any questions or concerns.

# Presentation Disclaimer

*Presentations are intended for educational purposes only and do not replace independent professional judgment. Statements of fact and opinions expressed are those of the participants individually and, unless expressly stated to the contrary, are not the opinion or position of the Society of Actuaries, its cosponsors or its committees. The Society of Actuaries does not endorse or approve, and assumes no responsibility for, the content, accuracy or completeness of the information presented. Attendees should note that the sessions are audio-recorded and may be published in various media, including print, audio and video formats without further notice.*

# Agenda

- Section Update
- OPEB Research Update
- Q&A

# Section Update



# Section Update

- Mission
- Council Elections
- Webcasts
- Newsletter
- Friends and other volunteers

# OPEB Research Update





# OPEB Research Update

- Project Outline
- Progress and Preliminary Results
- What's Next

# OPEB Research Update - Project Outline

- SIPF Section proposed a research project with a working title: “An Analysis of the Financial Health of Public OPEB Plans”
- Project Oversight Group (POG) was created to identify objectives and to supervise project’s progress
- SOA issued a request for proposals
- Selection and contracting process were finalized in April of 2017

# OPEB Research Update - Project Outline

- Intended Topics to be Researched:
  - Extent of OPEB underfunding
  - Implications of underfunding (long- and short-term)
  - Impact of new GASB accounting standards on liability measurement
  - Strategies employed by employers to manage the obligations

# OPEB Research Update - Project Outline

- Research Plan:
  - Phase 1: Collect data (survey and comb through publicly available sources)
  - Phase 2: Identify employers who successfully managed their obligations and create a summary of working strategies
  - Phase 3: Forecast changes in balance sheet liabilities due to implementation of the new accounting standards

# OPEB Research Update - Progress

- Current Status:
  - Survey for employers have been designed with input from the Project Oversight Group
  - Survey was distributed with help of the Government Finance Officers Association (GFOA) to all their members
  - Participation rate was initially low, research team reached out to target entities with requests to respond to the survey

# OPEB Research Update - Progress

- Current Status (continued):
  - Numerous financial statements available online have been downloaded
  - Valuation reports available online have been downloaded (some were forwarded to us)
  - Relevant data was extracted and catalogued
  - Data analysis is still underway

# OPEB Research Update - Progress

- Current Status (continued):
  - Data Being Collected (Results):
    - Actuarial Accrued Liability
    - Net OPEB Obligation
    - Annual Required Contribution
    - Annual OPEB Cost
    - Contributions made
    - Benefits paid

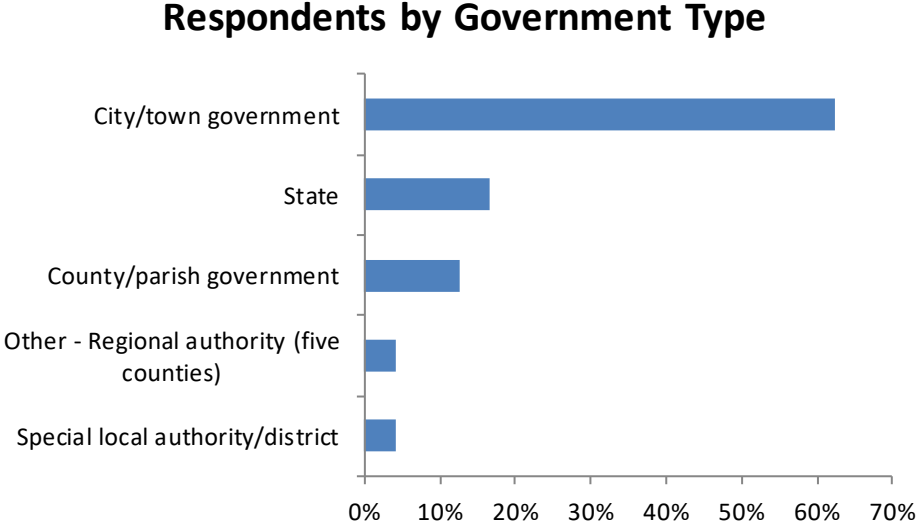
# OPEB Research Update - Progress

- Current Status (continued):
  - Data Being Collected (Inputs, Assumptions):
    - Benefit provisions
    - Population characteristics
    - Discount rate
    - Mortality
    - Trend rates (beginning, ending, convergence period)
    - Participation Rates
    - Amortization methods



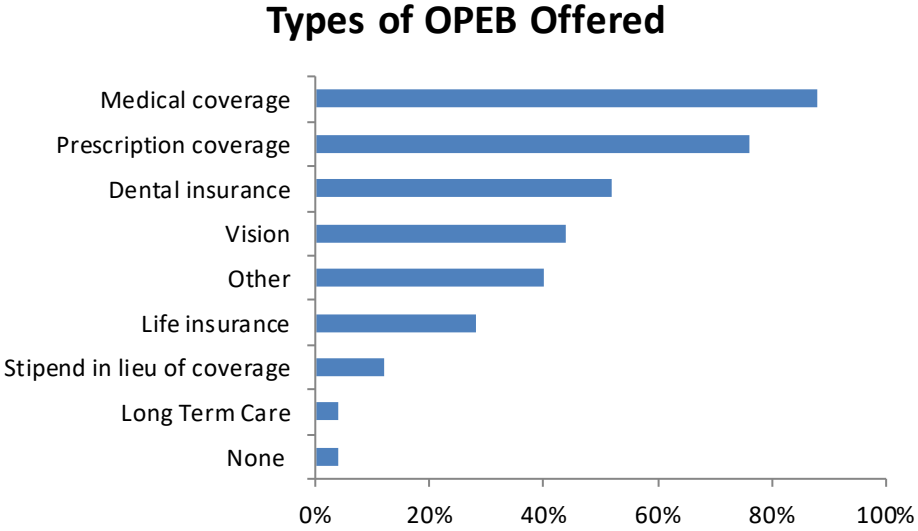
# OPEB Research Update - Progress

- Preliminary Results (survey):



# OPEB Research Update - Progress

- Preliminary Results (survey continued):



# OPEB Research Update - Progress

- Preliminary Results (survey continued):

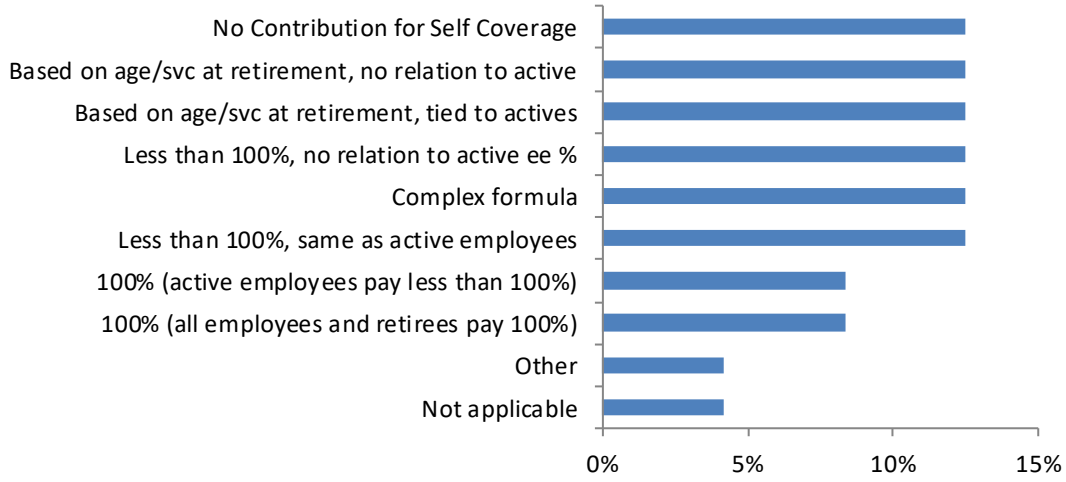
  - *“Other” Types of OPEB*

    - Basic Long Term Disability
    - Employees hired after 7/1/2011 receive a stipend when they retire.
    - Health Care Savings Plan to all full-time employees, five year vesting.
    - Coverage is only available to employees with sick leave earned prior to Jan. 1, 2005: one month of medical coverage for 8 hours of accrued sick leave prior to 1/1/2005.
    - Only post employment benefit is COBRA
    - A limited \$200/ month subsidy to retirees who have household income less than \$50K.
    - We have a Disability OPEB plan for DC Retirement System Members in addition to the Medical, et al., plans.

# OPEB Research Update - Progress

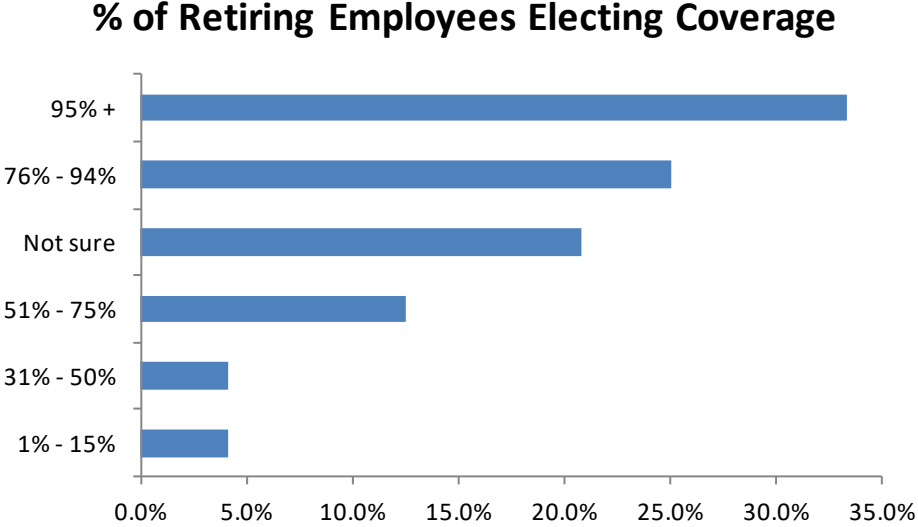
- Preliminary Results (survey continued):

**% of Stated Premium Paid by Retiree for Self Coverage**



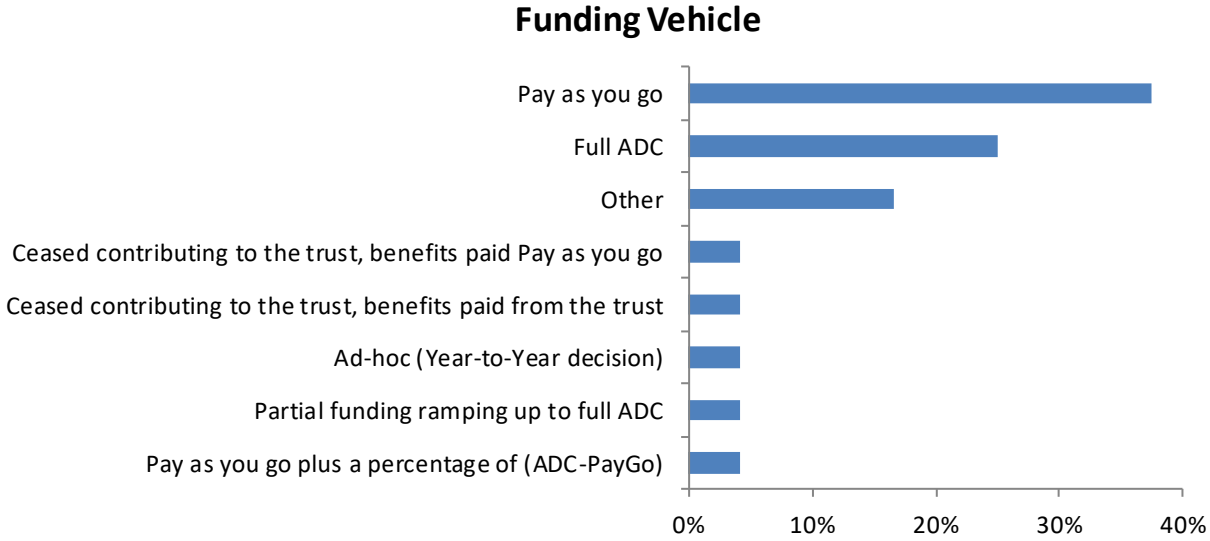
# OPEB Research Update - Progress

- Preliminary Results (survey continued):



# OPEB Research Update - Progress

- Preliminary Results (survey continued):



# OPEB Research Update - Progress

- Preliminary Results (survey continued):

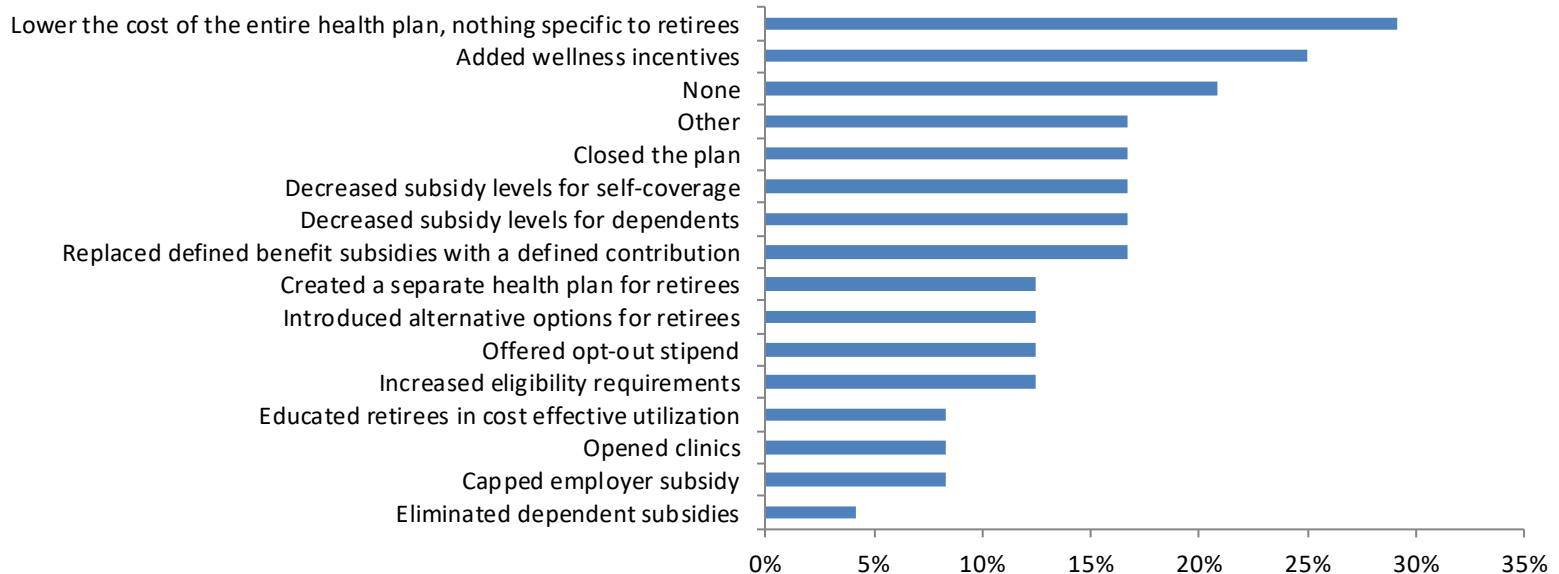
  - *“Other” Funding Vehicles*

    - Currently pay as you go, until our OPEB is fully funded (which should be in about seven years).
    - Fully funding ADC and pay as you go plus additional every year.
    - The full ARC has been contributed as a minimum each year. Some years additional funds have been contributed in excess of ARC.
    - The Village does use pay as you go. However, the Village has started saving (in a savings account) for OPEB, but the savings is not even growing as fast as the liability.

# OPEB Research Update - Progress

- Preliminary Results (survey continued):

## Initiatives Implemented in the last 10 Years





# OPEB Research Update - Progress

- Preliminary Results (survey continued):

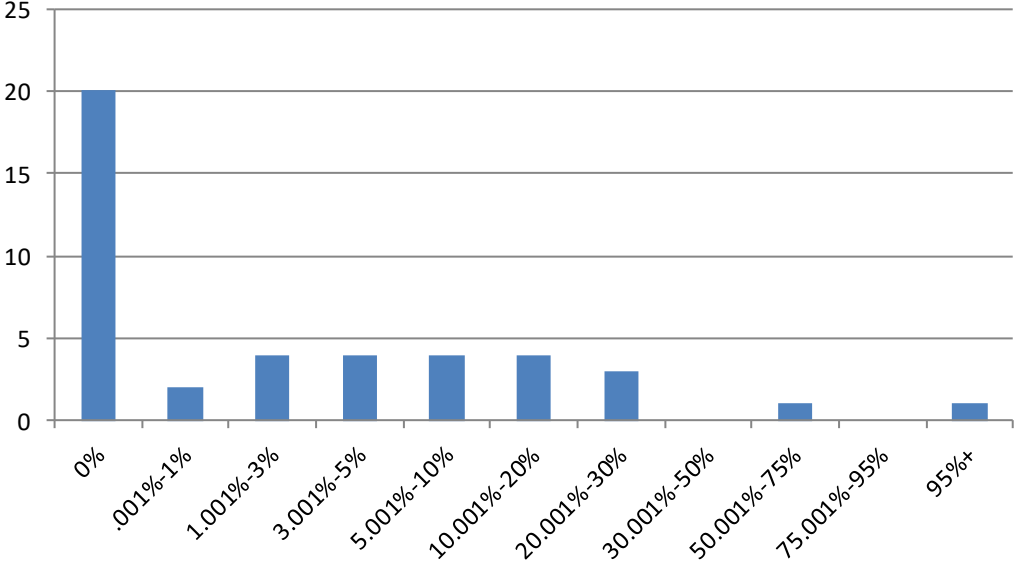
*“Other” Initiatives Implemented*

- Unblended the rates for retirees.

# OPEB Research Update - Progress

- Preliminary Results (public data):

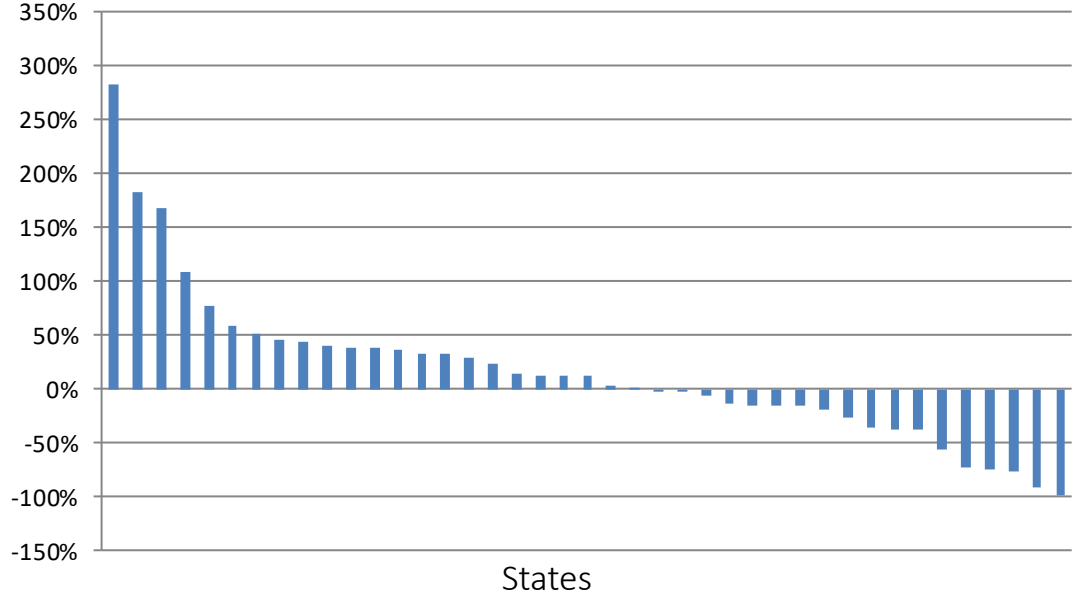
**AVA/AAL for State OPEB**



# OPEB Research Update - Progress

- Preliminary Results (public data continued):

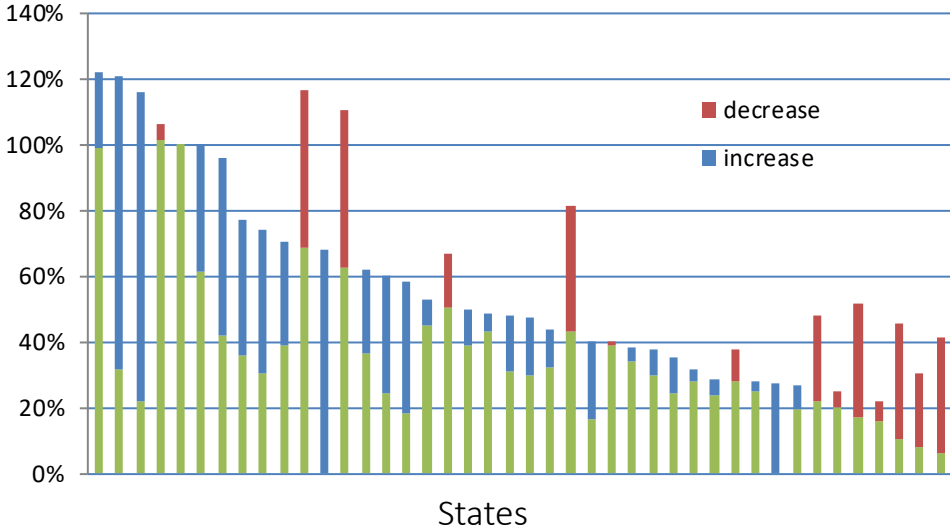
**Change in UAAL from 2008 to 2016**



# OPEB Research Update - Progress

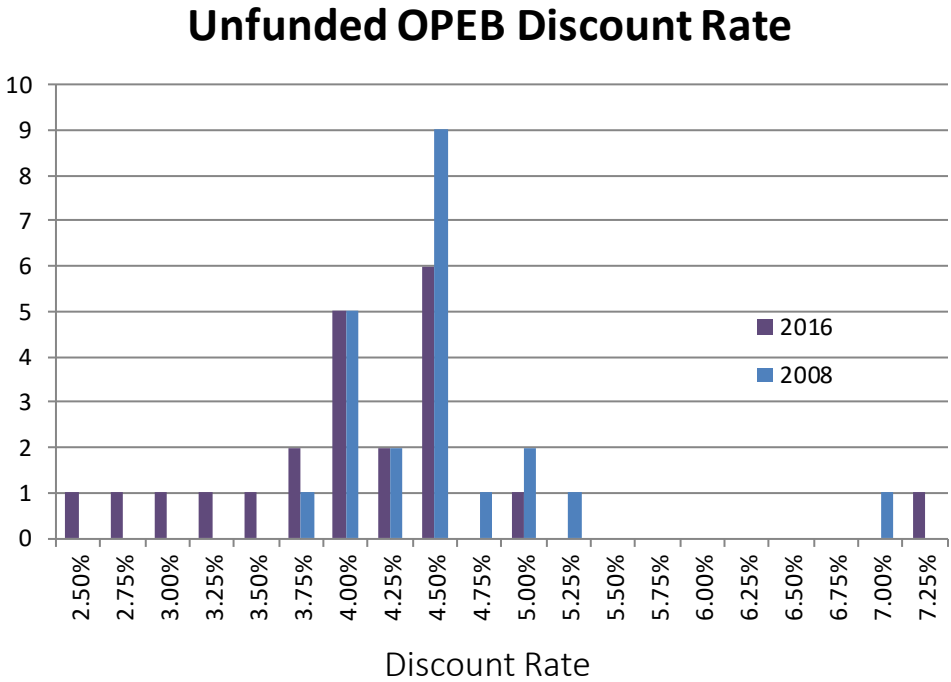
- Preliminary Results (public data continued):

**Change in % of ARC Contributed  
from 2008 through 2016**



# OPEB Research Update - Progress

- Preliminary Results (public data continued):



# OPEB Research Update – What's Next

- Remaining Tasks:
  - Finish analyzing data from public sources and from the survey
  - Estimate changes in the balance sheet liabilities due to implementation of GASB Statement 75
  - Follow up with employers who successfully managed their liability (to identify working strategies)
  - Follow up with employers who tried but failed to manage their liability (to identify mistakes to be avoided and strategies that didn't work)
  - Release the report

# Questions? Comments?





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