RETIREMENT SYSTEMS OF ALABAMA

PUBLIC EDUCATION EMPLOYEES' HEALTH INSURANCE PLAN

BOARD OF CONTROL MEETING

201 South Union Street, Room 843

Montgomery, Alabama 36104

877.517.0020

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VIDEOCONFERENCE PUBLIC EDUCATION EMPLOYEES' HEALTH INSURANCE PLAN BOARD OF CONTROL MEETING reported by Jeana S. Boggs, Certified Court Reporter and Notary Public, in the conference room of the Retirement Systems of Alabama, 201 South Union Street, Montgomery, Alabama, that was held on Tuesday, June 1st, 2021, at approximately 9:00 a.m.

APPEARANCES

BOARD MEMBERS:

MR. LUKE HALLMARK, CHAIRMAN

MR. JOHN R. WHALEY, VICE-CHAIRMAN

MR. JOHN MCMILLAN

DR. ERIC MACKEY

DR. JOSEPH G. VAN MATRE

DR. SUSAN WILLIAMS BROWN

MS. CHARLENE MCCOY

MRS. SUSAN LOCKRIDGE

MS. PEGGY MOBLEY

MS. ANITA GIBSON

MS. KELLI SHOMAKER

ALSO PRESENT:

DR. DAVID BRONNER, RSA CEO

MR. DON YANCEY, RSA DEPUTY DIRECTOR

MS. JO MOORE, RSA CFO

MR. DAVE WALES, DIRECTOR PEEHIP

MS. ERICA THOMAS, ASST DIRECTOR PEEHIP

MS. EMILY EATON, RSA ASSISTANT

MS.

MR. LARRY LANGER,

AGENDA

CHAIRMAN HALLMARK: All right. Okay. If everybody would be seated, we will go ahead and get started with our PEEHIP meeting his morning.

All right. We will start with roll call. Emily?

ROLL CALL

MS. EATON: Luke Hallmark?

CHAIRMAN HALLMARK: Here.

MS. EATON: Ricky Whaley?

MR. WHALEY: Here.

MS. EATON: Kelly Butler?

(No response).

MS. EATON: John McMillan?

MR. MCMILLAN: Here.

MS. EATON: Eric Mackey?

DR. MACKEY: Here.

MS. EATON: Joseph Van Matre?

MR. VAN MATRE: Here.

MS. EATON: Kelli Shomaker?

MS. SHOMAKER: Here.

MS. EATON: Susan Brown?

DR. BROWN: Present.

MS. EATON: Amy Crew?

(No response).

MS. EATON: Charlene McCoy?

MS. McCOY: Here.

MS. EATON: Susan Lockridge?

MRS. LOCKRIDGE: Here.

MS. EATON: Russell Twilley?

MR. TWILLEY: Here.

MS. EATON: Peggy Mobley?

MS. MOBLEY: Here.

MS. EATON: Anita Gibson?

MS. GIBSON: Here.

MS. EATON: Jeff Cole?

MR. COLE: Here.

CHAIRMAN HALLMARK: Okay. We do have a quorum. Thank you, Emily.

APPROVAL OF AGENDA

CHAIRMAN HALLMARK: Next on our agenda is the approval of today's agenda. There is -- we do need to make one note. If you will look at Item IV under Financial Update with Diane Scott, under Item III, this is not a Board action item.

Mistakenly put orange or red asterisk there, but it is not an item that will be voted on. So, just go ahead and scratch that out. Other than that, everything is appropriate.

So, at this time, I will need a motion to approve today's agenda.

So moved, Mr. Whaley. Second, Dr. Van Matre.

Any discussion?

(No response).

CHAIRMAN HALLMARK: All in favor say "aye"?

(Board members saying "aye").

CHAIRMAN HALLMARK: All opposed, like sign?

(No response).

CHAIRMAN HALLMARK: Ayes carry.

APPROVAL OF 3/2/2021 & 4/20/2021 MINUTES

Next we will move on to our approval of the March 2nd Board meeting minutes. I hope everyone has had a chance to look over them.

At this time, I will take a motion to approve both March 2nd and April 20th. Mr. Cole. Second, Dr. Mackey. Any discussion?

(No response).

CHAIRMAN HALLMARK: All in favor say "aye."

(Board members saying "aye").

CHAIRMAN HALLMARK: All opposed, like sign?

(No response).

CHAIRMAN HALLMARK: All right. We are about to move into our financial update. But before we do, just a couple of announcements I want to make. First of all, I appreciate everyone here today. We are trying to get back to normalcy, and to have so many people here speaks volumes of our Board members, you know, starting to come back to our meetings. And I think the -- our tech people that had our Board meetings did the best they could do during the Zoom or the videoconferencing. I see

Dr. Shomaker up there. But it's still -- it is just not quite the same as it is being live and in person.

So, I do appreciate everyone that is here today.

Secondly, I just want to say -- I think I can speak for everybody on the Board of how much we have appreciated Russell Twilley and Charlene McCoy on this Board. This will be pretty much their last Board meeting. And they have both been excellent Board members during the time they have served, and their knowledge they have brought to the Board has been extremely impressive, and I think their heart and the decisions they have made has always been in the best interest of both PEEHIP and TRS.

So, Russell and Charlene, I do thank y'all for what you-all have done.

(Applause).

MS. SHOMAKER: Mr. Hallmark, this is Kelli. Can you hear me? I am just

testing.

CHAIRMAN HALLMARK: Yes, ma'am.

MS. SHOMAKER: Okay. I want to say thank you too for the technology. I am away on vacation and I'm actually able to join this meeting today even though I'm away. So, thank you very much.

CHAIRMAN HALLMARK: Yes, ma'am.

Next we will move to our Financial Update, Diane Scott.

MS. DIANE SCOTT: Good morning, Mr. Chairman and Board members. If you will turn behind your financial update tab, if you are on your iPad, it's page 47 --

CHAIRMAN HALLMARK: Diane, let me make one correction, and I will have a blunder every now and then. And I was just looking around. I left out Jeff Cole. Today is Jeff's last meeting, as well. And, Jeff, I do appreciate you serving on the Board, as well. I have loan Jeff for a long time as an administrator, and he is a good person and has served the Board well

during his time. And we will miss you, Jeff, along with the other two, and I apologize for just the oversight of you on this. Thank you.

MR. COLE: Thank you.

CHAIRMAN HALLMARK: Diane.

FINANCIAL UPDATE

MS. DIANE SCOTT: On page 47 of your book, this is the balance sheet or the statement of net position as of March the 31st. I want to call out to you that the total investments at fair value on this as $294 million at that point in time. That was March the 31st. You take away your liabilities and your -- you get to a net position of $212 million.

Moving over to page 48, during the first six months of this fiscal year, you will see under claims that we have spent right at $700 million on claims.

On page 49, this is the budget for fiscal 2021. You will see that we had a $6.6 million operating budget. And

we have spent right at $2.6 million through the first six months with a remaining balance of $4 million to spend in the -- if we need it, in the last six months. We always want to make sure, when I prepare the operating budget, that we have adequate funds set aside in order that anything that comes up we might need, particularly in the professional services. But as you always know, we are very judicious about that and only use what we really, really need. So, we are -- we've only used about a third of our budget so far this year.

Page 50, 51, and 52 are reports that you are very used to seeing comparing claims for a three-year period and how that -- this just gross claims, just paid claims. And you can see that the medical and RX claims are just up just .42% compared to the first six months of last year. That's just on a paid basis.

And Southland is down just a little bit from last year. And then the HMO payments are down a little bit on page 52 from the prior year.

Looking on page 53, this shows you how many people are participating in each one of the offerings that we have. On the very top section with the hospital/medical, you will notice on the left side the letters MAPDP. That is the Humana. That's a Medicare Advantage prescription drug plan. Today Humana is the vendor that we have chosen to use. You can also see how many people participated in VIVA, as well as our Blue Cross and MedImpact plan.

That middle section shows you how many people participate in the optional plans. If you notice a line share of those are the dental. And then finally the Flex accounts at the very bottom.

Moving over to page 54, that's

our Retiree Trust. And you can see as of March the 31st, we had $1.8 billion in investments as of the end of March the 31st. That's up from $1.6 billion that we had at the end of September.

That's the financial statements.

CHAIRMAN HALLMARK: Any questions at this time for Diane?

(No response).

CHAIRMAN HALLMARK: Okay.

MS. DIANE SCOTT: So, I will move on to the projections for 2021 through 2023.

Pages 57, 58 and 59 and 60 are the same reports and charts that you are used to seeing. I always want to put these in here just for your reference, so that when you pick up the book, you will have it right there before you. Okay?

But the most important page I believe is on page 61. And that shows you my updated projection since the last

time we met in April. Okay? And you can see over in the right most column the period for fiscal 2023 that I am now projecting, if things stay the way they are, that the amount under the required 8% reserve is $109 million. The last time we met it was $93 million.

So, you know that we are doing as much as we can to my mitigate that. So, I will get to that because I think that's probably what you are wanting to hear about today.

So, if you will turn to page 62, we can see what we are doing. Included in that $109 million is $46 million -- already included is $46 million moving from the retiree trust over to the PEEHIP fund. We have incurred unreimbursed through April $35.4 million in coronavirus funds. Not sure yet whether or not we might be able to get any of the funds that the Legislature will have to appropriate in the future.

The trends are 4% for medical and 9% to 10% for pharmacy included in this. One of the things that I noticed through April was that the retirees, who are not Medicare eligible, continue to trend downward a little bit. Okay? Continue to trend downward. That's good for us. Okay?

Now, we have put in some additional cost containment strategies that I moved through here. And one of those are variable medical co-pay assistance program that we are building together with Blue Cross, and it's scheduled to start 10/1. And the savings on that will be roughly around -- we are estimating $12 million a year. Okay? So, that was good.

We also, as you know, have an RFP that we issued for the drug -- prescription drug program for PBM that would be effective for rates 10/1/2021. And that means if the rates -- be careful

with what I said there. That mean what we will be paying. There wouldn't a change for the members -- okay? -- and anything that they would.

So, the only thing that I can say today about that RFP is that we are analyzing what we have received together with the consultants, and we will be back to you toward the end of June for a recommendation. Okay?

You may be asking, now, how did will we got from a $93 million to $109 million? So, if you look on page 63, you can see that I have rolled for you what the major components. We had a projected increase in cost from the last time I saw you to this time of $6.8 million -- a net increased of $6.8 million because our cost increased our reserve increased a half million. I had a reduction in some revenue, and I will tell you about that.

Once a year, we calculate how much the universities owe us because the

universities have to pay what their retirees cost. Okay? We had an unusual movement of the university of retirees aging into the Medicare eligible space. Those costs are significantly less.

So -- and because of our Medicare eligible Humana pricing, it's so much less also. Then the amount that the universities would need to pay us would be less. Okay? So, that was one thing that caused a reduction.

And then as that rolled forward 2021, 2022 into 2023, my cash was down just a little bit. So, that's the change between the $93 million and the $109 million, about four different components there. Okay?

Any questions?

(No response).

MS. DIANE SCOTT: So, if not, is it okay for me to go ahead with the remainder of the --

CHAIRMAN HALLMARK: Any questions

at this time?

(No response).

CHAIRMAN HALLMARK: Diane.

MS. DIANE SCOTT: Okay. So, let's move on over to page 65. This is for your information. Our Cobra, leave of absence and surviving spouse monthly premiums will be increasing and decreasing, and you can see the change from fiscal 2021 to fiscal 2022.

DR. BRONNER: You didn't cover page 64.

MS. DIANE SCOTT: Pardon?

DR. BRONNER: You didn't cover 64.

MS. DIANE SCOTT: I didn't cover 64. Okay. I will go back to cover page 64.

This is the OPEB liability. And this shows you where we have gone from 2009 to 2020. And the unfunded liability is at $4.4 million. As soon as I finish, we are going to have a

presentation by our actuary to go over that in much more detail. I love this schedule because it kind of shows you the key indication -- results of key decisions that we have made along the way that helped to reduce the liability. Okay?

DR. BRONNER: I mean, that's a big deal because look at the numbers at the top. Because when you have numbers that are at the top of that page, you are going to have political problems because that means they owe you $11 billion, and to get it town to something that Diane and Don did is phenomenal because now you are getting done to -- it's reasonable. That doesn't mean that people aren't going to be shooting at you, because I don't know if you watched some of the things I sent you in the last month or two, but, you know, when you get states like Texas and Florida going to kill their pension programs when they are basically funded, I mean, it's

really startling.

So, but a big number in the insurance area here creates problems. And their excellent work, between Don and Diane and her staff and the actuaries and things, I mean, that's the result of our hard work by them. Go ahead. I am sorry.

MS. DIANE SCOTT: Okay. So, moving on to page 65, you can see the difference, and some of them increased and some of them decreased based upon cost, simply based upon cost. So, you don't have to vote on that. It's for your information so that you will know.

One other thing that I want to take a moment to talk to you about here is -- and to remind you as we go into open enrollment is that the law also requires -- and we talked about this last time -- that a non-Medicare eligible individual retiree's premium cannot be less than the sum of what we charge a

Medicare eligible individual plus what the Medicare Part B premium is, the sum of those two numbers. And last year if you remember we had to go up $4.00 because the Medicare Part B premium rose for $4.00. Again, this year the Medicare Part B premium rose another $4.00, so we will be going from $170 to $174, another $4.00 for the base non-Medicare eligible individual retiree premium. Okay?

Now, a couple of other things. I know that you have received phone calls before from retirees who are subject to the sliding scale because those premiums also change somewhat. And you have heard me say that the -- sometimes it's counter-intuitive the way they change. Okay?

This year they are not counter-intuitive. Okay? If you -- They are going in the same direction you would expect them to go. They are not going to be large this year. You know, some years

they are. They are not going to be large.

So, let's talk about for a moment what the non-Medicare eligible retirees, who are subject to the sliding scale, can expect. Okay? The largest increase, when I looked before, is $16.69. That is someone who retired with exactly ten years of service. They did not retire on disability and apply for Social Security. And they retired at 60 years old. Okay? So, that's an increase of $16.69.

MS. GIBSON: Is that per month?

MR. HALLMARK: Is that per month?

MS. DIANE SCOTT: Per month. Okay. The largest decrease will be $4.21. That's a person who worked 529 months. Okay? The mold is $5.35. Okay? That's an increase. And there were 67 of those. And in general, those were people who worked in a range of 282 months to 336 months with an age range of 48 years to 61 years. So,

it's all over the board. But in general, we are looking somewhere in the $5.00, $6.00 range for someone's presume to change.

So, that's the non-Medicare eligible retirees of which we have somewhere between 10,600 and just over 11,000 of those. Okay. All right.

The Medicare eligible retirees, now these are the ones who they are all over -- we have a lot of people who are not subject to the sliding scale who retired prior to 10/1/05. We have a group that retired 10/1/05 through 12/31/11 that are subject to the first sliding scale. And then we have another group who retired, or aged in, that retired 1/1/12 and after. The most are the ones that retired prior to 10/1/05. Their premium won't change. Okay?

Those that retired in that middle section between 10/1/05 and prior to 1/1/12, if they worked more than three

hundred months or more than 25 years, for every month that they worked more than 25 years, their premium will change two cents, two cents, less than two cents. Okay. So you can see how that's not bad. And I can tell you that not everyone's will in there because some of them worked so many years past 25 years that there won't be a change. Okay. All right.

Those people who worked -- who retired on or after 1/1/12. If they had more than 25 years, it will be a $.02 change. If they had less than 25 years it will be $.04 change because their penalty is a 4% penalty, not a 2% bonus like those that worked over 25 years. Okay?

So, having said that, that's a lot of information. But the bottom line is, it's nowhere near as drastic at all. Okay? It's manageable. It's still presents angst amongst the retirees. So, we have sat down and we have thought

about what can we do to make sure that they know this is coming. Okay? So, here's what we have done.

We have a new retiree letter. So, for a new retiree coming on, we are going to give them an estimate, here it is. And we are going to explain to them the sliding scale and explain to them that this is going to change -- potentially change every year -- okay? -- every year. That's number one.

We have already had Advisor articles in previous years, but we may change it up a little bit -- okay? -- rather somebody said, oh, I read that last year. Okay? We have a page on our website that is dedicated to the sliding scale. And we have calculators on there that they can come on if they want to. We will make sure those are updated timely. Okay?

We are going to add this year and haven't really figured out exactly

how or why. But after open enrollment closes on September the 10th, sometime after September the 10th and before payroll runs, I don't know if we will just do just those that have a change or all retirees. Remember, we are starting a new year, and this is what your premiums should be.

And as always, if those people who have electronic funds transfer, direct composite, for their check or their benefit and their premium -- not their premium or their deduction or their total amount that they get a benefit amount, changes from one month to the next, they automatically get a mailer that tells them. So, we are going to make sure. Of course, we will continue to do that. That's five thing we are setting in motion to make sure gets done for these retirees. Some people won't read any of them. Some people won't understand it unfortunately until they

see that deposit. But I really feel like this is going to be everything that we could do. Okay.

CHAIRMAN HALLMARK: Any questions? Yes. Ms. Gibson.

MS. GIBSON: Thank you. Just a comment. I just want to thank you and your staff for all the things you have done. This is quite different from last year's report. It's a lot better report.

MS. DIANE SCOTT: Oh, absolutely.

MS. GIBSON: You know, it's something that I think is just going to really be appreciated by the members, but I really appreciate the efforts, the extra efforts, that have been put in place to make sure that we let retirees know what's coming instead of just getting that notice that -- you know, and I am very happy to see that no one on here is going to have a change of $70 something dollars. And, you know, as I know last year you were too.

MS. DIANE SCOTT: Yeah. Right.

I am too. You know, and it's the way the numbers fall but --

MS. GIBSON: Yes. And it's good that we can get this kind of report. And I just wanted to, you know, just thank you and your staff and Mr. Yancey for everything that you do to help our retirees realize that change is coming. I especially like the letter to new retirees to explain that sliding scale. So, I just want to say thank you.

MS. DIANE SCOTT: I think Mr. Yancey is the one who came up with that one.

CHAIRMAN HALLMARK: Dr. Brown?

DR. SUSAN BROWN: Thank you, Mr. Chairman. I don't know if the question needed to be directed to you or to Ms. Scott, but I would like to see if we, as Board members, could get a copy of that letter that might help us fielding questions, as well.

CHAIRMAN HALLMARK: Yeah. Hold

on. Copy of the letter.

MS. DIANE SCOTT: Which letter?

DR. SUSAN BROWN: That new letter you were talking about.

CHAIRMAN HALLMARK: The new letter.

MS. DIANE SCOTT: Yeah. Sure. We can get that.

CHAIRMAN HALLMARK: Could you just get that -- either in between meetings we can get a copy for every Board member?

MS. DIANE SCOTT: Okay. All right.

DR. SUSAN BROWN: I think that will be helpful.

And so, I just had a question, in the past I think we have voted on this. Is this something different when you said we are not going to vote on it this time? I didn't know if there was a change of why.

CHAIRMAN HALLMARK: Are you talking about on Item C --

DR. SUSAN BROWN: Yes.

CHAIRMAN HALLMARK: -- the COBRA meeting? Diane?

MS. DIANE SCOTT: Several years ago it used to be protocol to vote on that. And then you-all had asked the question, well, if it's already a part of the law, do we have to. And I think the last few years we just suspense with voting on that. So, this year we decided we really didn't even need the asterisk there.

CHAIRMAN HALLMARK: That's right.

DR. SUSAN BROWN: So, basically -- Mr. Chair?

CHAIRMAN HALLMARK: Yeah, go ahead.

DR. SUSAN BROWN: So this is based -- all these changes are based without our control, it's based on the law.

CHAIRMAN HALLMARK: That's correct.

Any other questions at this time?

(No response).

MS. DIANE SCOTT: Okay. Moving right along to page 66, this is the VIVA. And we bring this to you every year. I want to make sure we all understand and know exactly what VIVA -- VIVA is another option that we provide to our non-Medicare eligible members, which would be actives and non-Medicare eligible retirees, hospital/medical and prescription drug coverage. It also provides dental coverage for them. So, they would not need to get a separate dental premium.

However, the premium that they pay is exactly the same premium as if they just had the hospital/medical with the Blue Cross and the MedImpact prescription drug program.

The page 67 and 68 you can see exactly what the coverage is and the copayments. They are slightly different than we have on the PEEHIP hospital/medical. But -- and there are

some coinsurances. So, it is an option. It is not available in 100% of the counties but almost all of the counties. And some people really love this and particularly because it has a dental built into it. So, it's an option and I'm glad that we can provide an option to our members.

We do have to vote on the amount that we will pay VIVA. It's fully insured. There is no risk to PEEHIP. They are asking for a five and quarter percent per month increase. This is in line with what I expect our cost to be on the hospital/medical, and they are improving one of the benefits. And the benefit that they improving is the deductible. Currently an individual deductible is $500. For the 22-year, they would reduce it to $300. And the family deductible is currently $1500, and they are going to reduce it to $900 per family. And this is in line with what we

have in the PEEHIP hospital/medical.

So, our recommendation is that you approve these rates for VIVA for fiscal 2022.

CHAIRMAN HALLMARK: Okay. You've heard Diane's recommendation about the approval of the rates for the VIVA health plan. I will need a motion to approve at this time.

MR. TWILLEY: Mr. Twilley. Second, Ms. Mobley. All right. Any discussion at this time?

(No response).

CHAIRMAN HALLMARK: All in favor say "aye."

(Board members saying "aye").

CHAIRMAN HALLMARK: All opposed, like sign?

(No response).

CHAIRMAN HALLMARK: Ayes carry. Thank you, Diane.

MS. DIANE SCOTT: Okay. Up next is Lisa Bennett.

CHAIRMAN HALLMARK: Alissa?

MS. BENNETT: All right. I am Alissa Bennett with Cavanaugh Macdonald Consulting, and I am going to go through the results of the OPEB valuation for PEEHIP.

So, first, we will go to this -- I think it's slide 70 with the basic retirement funding equation. And we always like to put these at the beginning of our presentations just as a reminder that this is a post-retirement health plan, but it's funded in the same way or paid for in the same way as a retirement plan in that this equation has to hold. At the end of the day when everything is over and the last benefit has been paid out, it has to be true that the contributions into the system plus the investment income have to equal the benefits that were paid out plus the expenses.

So, when we run an actuarial

valuation, what we are doing is projecting out that B, benefits, for everybody who is currently retired and everyone who is currently active who may some day work until they are eligible to retire, then they do retire and get a benefit for the rest of their life and their beneficiaries' life.

So, a lot of our actuarial assumptions go into calculating that B from now until that last active employee is gone. Now, it's a closed plan when we do a valuation. We don't take into account new people that might be hired next year. But for everybody who is in the plan right now, we are calculating out that benefit stream. And, you know, with healthcare, we have got healthcare assumptions in there as well as all the, you know, normal once you think of like life expectancies, retirement patterns, and things like that.

So, after we do that, our

valuation is to help you come up with an actuarially determined C that will fund the plan over a certain number of years; in this case, we see later it's a 21-year amortization period plus pay for the continuing accruals of the actives.

Now, we know that PEEHIP isn't really funded on an actuarial basis. It's funded, you know, differently with the, you know, $800 per month that's paid for the healthcare. But we still have to calculate the actuarially determined contribution, and that's part of your valuation.

So, the next slide gives a little more detail on that, but we can go ahead and go on to page number 73. All right. And that just has some basic comments about our valuation.

So, our expected return on assets for this plan is 5%. And the reason for that it's kind of -- you know, back in the day when GASB was not -- the

new GASB 74/75, they were GASB 43 and 45, we had to use a blended type rate, you know, to say, well, you have got a long-term rate on your assets, but we know you are going to run out of money. So, at that point, you are going to go to a short term. So, let's kind of blend it. So, we have always been using 5% for our funding valuation.

Now, the new GASB is very, very specific. They tell you exactly how to run that calculation, and you also have to use the bond rate as of the measurement rate which, in this case, was September 30, 2020. At that point, the bond rate was 2.25%, very low.

So, for GASB, that blended rate turned out to be 3.05% for this year. Every year it's different. We have actually had numbers that are closer to five and even greater than five in the past, but it really is dependent on that bond rate.

So, that's what we are using for our long-term rate of return to calculate that "I" in the equation we saw earlier.

Now, the good news is that the actual asset return for this year was 8.3% instead of the assumed five. So, that is better than expected, and we will see in a chart later that that serves to reduce your liability, your unfunded liability, because assets coming in were bigger than expected.

So, our funded ratio for the funding valuation has increased from 25.6% last year to 26.6%. And funded ratio means what's assets divided by liability. So, our assets right now are paying for about 26% of our long-term expected liability.

Now, the actuarially determined employer contribution rate actually increased from 5.8% last year, that's what we had calculated to 6.27%. And a

lot of that, though, has to do with payroll. There has been some changes when payroll was reported. It actually was a little high last year.

So, this year payroll has gone down. And even when the dollar amount was the same, payroll was less than the percentage of payroll goes up. So, there is a little bit of skewing in that result. And there were no changes in any of our assumptions since the prior valuation things like, you know, mortality or retirements and things like that. Those were all the same as the prior valuation.

So, on the next page, page 74, this goes through our active and retired membership from 2014 until now. So, you can see that our head counts of activities have dropped, but it is really not really as bad as it looks because what happened is back in 2014 all the way to 2018 we were reporting this just as

the TRS headcounts, but there are some units, some employer groups, that we know are in TRS, but we know they aren't in PEEHIP.

So, starting in 2019, we just pulled those out. So, those don't even show up.

But you can still see that from 2019 to 2020, the active headcount has dropped. But, of course, 2020 was a very unusual year. So, we will keep an eye on that going forward, you know, to see what's really going on with active headcounts.

Retiree headcounts have increased. That is expected. That's already built into our valuation. We anticipate that. We know who your active employees are when you have a plan for when we think they are going to retire. So, we do anticipate retiree headcounts going up. So, that's built into our valuation.

But on the next page, page 75, we go through our assets. And we are showing here a market value and an actuarial value, and they are the same. And that's because actuarial value just really means what is the methodology we are using for your actuarial valuation. And in this case, we are setting it equal to the market value. For pension plans, usually you're seeing more of a smoothing kind of mechanism so that if there is really a good year, you smooth in the gains. If there is a bad year, you smooth in the losses. That is not happening here.

So, that means in the event you do have a good year, you take it all right now. Bad year, you take that all, all at once, as well. So, and that's pretty typical for an OPEB valuation. That's not really unusual at all.

All right. So, our funding results, then, are on page eight, the

next page. And it's the column in the middle that is this year's results. And then the column over to the right is last year's results. So, we can see that the unfunded has gone up just a tiny bit from $4.3 billion to $4.4 billion. That's the number right there in the middle of the page. And our amortization period is closed.

So, we are -- we are calculating our contribution with the idea that, if you paid that same amount year after year after year for 21 years, that the unfunded would eventually go to zero, and then all you would have left is your normal cost which is the cost of all the active employees who are working one more year, accruing one more year's worth of benefit, getting one more year closer to retirement.

So, there will always be a normal cost. But if we were paying based on this basis, we would get that unfunded

down to zero.

And so, you can see there are recommended employer contribution, you know, with taking all this into account was $431 million. And for context, which you actually did pay, is $198 million for this year ended September 30, 2020. But, you know, if you look at your GASB numbers, you can see -- or assets, you see the amount coming in and the amount going out to pay benefits and expenses. They are about the same.

So, right now, the money coming in, it is just covering money going out. So, the only investment income you are earning right now is on the bulk of the assets that are just sitting there, but there are new employer contributions coming in over and above the benefit payments.

So, then, on page nine, we go through our gain and loss analysis. And that's where we look at, well, what

happened between last year and this year to make the unfunded different, things that aren't really expected? So, a gain are your negative numbers. That means that it reduced your liability, and a loss is your positive number, that means it increased your liability. And when I say increase or decrease, I mean, more than what was expected based on our assumptions.

So, these numbers are really not that big because you can see the biggest bar is that yellow one on the bottom. It's a gain, and it's your investment income. So, your investments earned more than they assumed 5%, so that was a gain.

So, everything really in there is pretty small. Our other gain is from retiree coverage changes. That means things like retirees dropping coverage or maybe not covering a spouse anymore, if they were covering children, the children

may be aged out, you know, things like that. But it doesn't mean changing from like pre-Medicare to Medicare. We anticipate that because we know how old they are. So, if we know if you are 64, the next year you're going to be 65. So, that's not included here. That's built into the valuation.

If someone, you know, was approved for disability and was on Medicare earlier than 65, that could go into that number. But overall your gains and losses are pretty small which means that our assumptions, you know, pretty well hit what was going to happen.

All right. So, the next page, page ten, this is our benefit of pre-funding slide. So, that means that right now we are using 5% as your discount rate because we know that you are not paying your full actuarially determined contribution. So, at some point, you know, we are looking at a

short-term rate of return to the extent the fund ran out of money or something like that. But if we did use a long-term rate like 7%, then that very bottom number there, or second to bottom, are total employer contribution would be $310 million. And that would pay off your unfunded in that same 21 years if we were able to earn 7% on our assets.

So, really that's the number you want to compare to the $198 million that we actually are paying. So, you are paying about $200 million. But if you can pay $310 million every single year, then, you know, you would be able to pre-fund the plan similar to how you might do a pension plan.

So, that's also just good information to have as an illustration.

And then, finally, on page 12, is our accounting numbers. That's our GASB 75 results. And, again, the number in the column in the middle is the more

up-to-date one.

So, this net OPEB liability kind of, in the middle of the page near the bottom of $6.4 billion, that's different from our funding valuation, which was $4.4 billion. One reason is because of the discount rate. We are using 3.05 at this point. And that's mostly because the bond rate is just so low as of September 30, 2020. So, as of September 30, 2021, it's higher than we'll have a higher number here.

The other reason is that due to timing, you need to get your financials done and get the accounting statements finished. Instead of waiting for this valuation, we use the prior valuation as of September 30, 2019, and roll that forward to 2020, which is a real typical way to do accounting numbers, as well.

So, this is just for your information as to what shows up in your accounting statements.

And that's really all I have about the valuation unless there are questions.

CHAIRMAN HALLMARK: All right. We have heard the report this morning. Any questions at this time?

(No response).

MS. BENNETT: All right. Well, thank you.

CHAIRMAN HALLMARK: Thank you.

We will move on to Item V, the PEEHIP Benefit Program Update, Part One, Dave Wales.

PEEHIP BENEFIT PROGRAM UPDATE

MR. WALES: Good morning, Mr. Chairman, members of the Board. It's wonderful to see everyone here today.

I have a relatively brief presentation for you. We are going to span a few topics. We will take a look at updated numbers around the COVID-19 impact for membership. We will shift gears and look at an annual business item

regarding a budget cap for the Alabama Department of Public Health, the services they provide for our members. And then we will take a look a quick look at the results of the formulary management of our MedImpact prescription drug plan.

So, to jump into it, if you will take a look at page 149, you will see that through April of 2021, we have experienced diversed period where month over month we have had less than and less positive tests of COVID-19 in our membership as illustrated by the downward slope in that bottom left graph on your page. That's terrific to see.

Also encouraging in the bottom right graph, you can see that the percentage of positive tests coming back. So, the ones that are tested, the ones coming back positive, is also decreasing. So, less positive tests overall. And then the tests that we are doing a smaller percentage of them are coming

back positive.

Moving on to the next slide, page 150, I want to illustrate the affect of Telehealth. Telehealth is a benefit that was borne out of the COVID pandemic. So, while there was a lot of anxiety to get into doctors' offices while there was risk of exposure to get into doctors' offices, Telehealth came about as a way to continue to deliver healthcare to members. They could still see their primary care physician. Could still see their specialists remotely. And so, what this board did, which I think was a great decision, was to continue indefinitely the availability of Telehealth beyond just kind of some predetermined set date of the pandemic but to continue to roll it out there for our members as needed.

And you can see the blue line is illustrating the activity or the utilization of in-office visits. And so, that's getting back up to pre-pandemic

levels. And if you take a look, then, at the gray line, you can see that despite the increase in the blue line, we are not seeing a one-to-one offset. So, there is still an appetite for an utilization study, utilization of Telehealth for our members.

So, that wraps up a look at what's going on with the COVID impact. We will transition now to part B, if there is no questions on the COVID report.

CHAIRMAN HALLMARK: Any questions on the COVID report at this time?

(No response).

CHAIRMAN HALLMARK: Okay, Dave.

MR. WALES: Thank you, Mr. Chairman.

So, part B is an annual budget request that we bring every year. You can see the schedule at the top of page 151 outlines the different services that the Department of Public Health provides

for our members. Wellness screenings, the processing and uploading of wellness screenings that come in from doctors' offices and then flu shots. And you can see the unit cost for each of these, the projected utilization of each of these and the resulting costs.

So, this is not a guaranteed expenditure. It's simply a budget of what PEEHIP would pay to ADPH so that they can continue to provide these services for our members that they do every year.

The information below and on the next page provides a little more detail around what these services are and then again illustrating what the unit costs per services. But I would ask for your vote to approve this ADPH budget request for fiscal year 2022.

CHAIRMAN HALLMARK: Okay. You have heard Dave's report this morning. He is asking for -- He has given us a

recommendation for the Alabama Department of Public Health budget request for FY-2022.

MS. GIBSON: So moved.

CHAIRMAN HALLMARK: I've got a motion from Ms. Gibson. Second from Mr. Cole. Any discussion at this time? Is this everything in accordance the way it's been year after year?

MR. WALES: Yes, sir. This is a yearly roll forward. Yes, sir.

CHAIRMAN HALLMARK: Okay. Any discussion?

(No response).

CHAIRMAN HALLMARK: All in favor say "aye."

(Board members saying "aye").

CHAIRMAN HALLMARK: All opposed, like sign?

(No response).

CHAIRMAN HALLMARK: Ayes carry.

MR. WALES: Okay. Thank you, Mr. Chairman.

So, immediately behind that, I have included for your reference. It's a report that I include every year. I will not walk through it today. There is a lot of information, clinical data that has pulled out of the screenings that ADPH has done for our members. Just some interesting looks at the health matrix of our memberships. So, I have included that there for your reference.

If you will, please skip forward all the way to page 160. This will wrap up part C of my report today. This is the updates from the management of our prescription drug plan.

So, if you will remember, this board has given the PEEHIP staff resolution authority to be very timely and nimble in managing the drug formulary so we can take advantages of opportunities as they arrive, and that we can avoid threats as they also arrive. Today's drug market is extremely

changeable, very volatile, and so we have to move very quickly.

And so, this board very wisely gave PEEHIP staff the ability to do that. Of course, in partnership with the clinical pharmacists from our PBM partner, MedImpact, and also the independent clinical pharmacists from our pharmacy consultants, Artemetrx. So, everything we do is kind of double-checked if you will.

So, page 160 shows you the summary of what we have done in January through March of 2021. Every quarter, we will have either additions to the formulary exclusions to the formulary or some change in what we call utilization management, things like step therapy, quantity level limits, prior authorizations, and so forth.

In the first quarter 2021, January through March, you can see that the only activity was around exclusions.

This affected 67 members, which is a relatively small number given the 223 some odd thousand members we have out there.

Primarily the way that we approach this with exclusions is to look at new drugs to market before there is any utilization of those drugs because oftentimes there is already an appropriate clinical alternative or even chemical equivalent to those drugs existing. And so, in those cases when it adds no value in terms of the health to the member, we look to exclude before there is utilization because we totally avoid any kind of member disruption in doing so.

So, that's generally our strategy around exclusions; however, when there are exclusions that do impact members, again, it is a decision that has been double-checked by the pharmacists at MedImpact, the pharmacist at Artemetrx,

and it's because there is a clinical equivalent alternative out there that is at a lower cost, better value to the plan just as helpful to the member as opposed to the drug that we are excluding. And when we do this, the way we go about it is to notify the members 60 days in advance saying this is the change that will happen or this is the exclusion that will happen, here are your alternatives; and if you have any questions, please call this number.

So, that wraps up my summary of the January through March formulary management.

CHAIRMAN HALLMARK: Okay. We have heard Dave's report on the PEEHIP benefit program update, his part of it. Any questions at this time?

(No response).

CHAIRMAN HALLMARK: Thank you, Dave.

Next, we will move to the

second part of dealing with the Humana area, and we will have Erika come forward, please.

MS. THOMAS: Good morning. Mr. Chair, members of the Board. Pleasure to see everyone today.

I am going to jump right into the Humana update starting on page 183. These slides have kind of become familiar to us, but we are glad to see that the numbers are decreasing regarding the COVID-19 cases and the death rates on page 183. And then, of course, the test counts on page 184, those are continuing to decrease, as well.

All right. We are going to move to page 185, which is a new slide. This is our COVID-19 vaccine summary. And so, as you can see, it's broken down by county, the most counties to have received the vaccine, Birmingham being the highest. And it also gives the vaccine brand news. As you can see,

Maderna and Pfizer are the most commonly used. And then the locations, the top five providers where the vaccine is being given, Walmart and UAB are the top.

And so, it also gives the vaccines administered. So, we would say about a quarter of our membership have all been vaccinated. So, out of 76,000, you look at it, we have about 24,000 members. So, that's a quarter of the Medicare population that's been vaccinated.

All right. Moving right along to page 186, this is the Telehealth with your primary care physician, COVID-19 versus non-COVID-19. As you can see, our members are still using the Telehealth services. In the month of January, you will see that we still had a high increase of members using those services. Those numbers are going down, but members are still taking advantage of the ability to use Telehealth services with their

primary care physician.

Page 187, this is also a look at the Telehealth services compared to the MDLive services where they have the ability to just contact any physician. As you can see, this Medicare population takes advantage of the ability to contact their personal physician versus just a random physician. We did see some slight increases. And the increases are due to CMS providing some additional guidance and procedures on how to properly file claims for the Telehealth services.

If you-all will recall, Telehealth services were not something that was previously offered to our Medicare members. And so, this was something that was borne out of COVID, and it does appear that CMS will continue this benefit for now because they are providing some additional guidance for it.

All right. Page 188,

previously we told you about the Go365 Wellness Program. And so, Humana decided to do two webinars for our Medicare population to give them some additional information on how to join the program and to answer any general questions.

And so, we have conducted two webinars on May 6th and May 12th. And we had 103 participants on the 6th and 104 on May 12th. So, we are hoping that gave those additional members some insight into the Go365 Program, and they can start to redeem rewards for services that are being rendered to them.

Okay. And then on to page 189, as you-all know, during the summer months, we typically do informational meetings throughout the state for our members. Humana is still not back traveling. And so, they will do these meetings via webinar. And so, they have eight meetings scheduled throughout the month of July and August for our members

to join, listen in, and answer any questions regarding their benefits. They will have invitations going out to our entire membership starting -- they should start arriving in homes around July 5th. And you also have the actual invitation that members will receive on how to join the webinar. They can join by phone or via the computer.

And so, that is my update. Are there any questions?

CHAIRMAN HALLMARK: Any questions? Yes, Dr. Brown.

DR. SUSAN BROWN: Thank you, Mr. Chairman. I wondered, you said roughly, if I understood it correctly, of the 65 and above, the people who qualify for Medicare who are on Humana, was there only around 25% are fully vaccinated?

MS. THOMAS: That's correct.

DR. SUSAN BROWN: So, Mr. Chairman and Erika, do we have any proposed items that you are going to do to

try to encourage more? I mean, I know that with Humana they do those gift cards and they do all kinds of incentives for the wellness and their medical visits. I just didn't know if they had any incentives or publications that they are going to use to try to increase that number.

MS. THOMAS: So, I know they are working in partnership with Walmart to -- and they are targeting certain areas. And so, what they are doing is they are trying to -- once they make up this agreement with Walmart in certain areas, they are targeting members within that particular population.

It has taken them a little bit of time to establish those relationships, but that is one way that they are trying to target certain members. We do know that we also have to account for those members that are aging into the population that may have already received their vaccine under the non-Medicare

benefit side.

I do know that Humana is working -- at this point, they do not have a reward set like the flu vaccine where you get $10.00. They do not have a set plan for that just yet. I think that is something they potentially will be considering as time progresses but not at this time.

DR. SUSAN BROWN: Okay. That's kind of what I was looking at. And is the general population in Alabama that same age roughly 30% that's fully vaccinated, or do you know?

MS. THOMAS: I'm not sure about that.

DR. SUSAN BROWN: Okay. Thank you.

MS. THOMAS: You are welcome.

CHAIRMAN HALLMARK: Any other questions at this time? Comments?

(No response).

CHAIRMAN HALLMARK: Thank you,

Erika.

MS. THOMAS: Thank you.

CHAIRMAN HALLMARK: Item VII, Mr. Yancey.

MR. YANCEY: Thank you, Mr. Chairman. Just a couple of brief comments that I think you've received an excellent report from the PEEHIP staff. You know, everything is looking good. There are no cross-the-board premium increases this year, you know, for the members. They will be glad of that. There are a few of the statutory adjustments that we don't really have anything -- any control over.

You know, Diane was projecting a significant shortfall for 2023. But as we told you at the last meeting, we sincerely believe this RFP that we've put out for a new PBM service, Pharmacy Benefit Manager Service, will save significant amounts of money, and we hopefully will have a better idea that

when we meet again on the 25th to approve the new PBM contract.

You know, again, I go back to page 59 in the materials talks about historic costs to the State. This year, $952 million in 2008, $962 million. So, $10 million more 14 years ago than it is now. And I think that's evidence of a pretty good management of a program.

So, the PEEHIP staff is doing very well, speaking of which Dr. Bronner acknowledged my participation, which actually is very minimal. So, it's really Diane and Dave and their staffs that do all the work on this.

The letter to new retirees, someone at the last Board meeting, and I'm sorry I don't remember who it was that brought this up, that people were kind of blindsided sometimes by the premiums. So, we've initiated this automatic letter that, as soon as we get a retirement application, that letter is

generated and sent out to give the people notice of what their projected PEEHIP premium will be. Most of the time, it's actually going to be less than that because, when we calculate the retirement, add in the sick leave credit, it actually gives them more credit which serves generally to reduce the premiums.

So -- but at least this goes out immediately. If they have questions, you know, they can, you know, stop their retirement process, you know, in a timely basis. So -- and we will continue to do whatever we can to help notify the members of these things.

So, anyway, thank you. And that's all I have, Mr. Chairman.

CHAIRMAN HALLMARK: Thank you, Mr. Yancey. Any other comments? Mr. Twilley?

MR. TWILLEY: Thank you for the good investment return.

DR. BRONNER: You can do that at

the next meeting.

CHAIRMAN HALLMARK: He's getting an early start.

Any other comments?

(No response).

CHAIRMAN HALLMARK: All right. We have got the TRS meeting coming up. Y'all want to do it in about 20 minutes or 25 minutes, get out of the way. Dr. Bronner is that okay with you?

DR. BRONNER: That's fine.

CHAIRMAN HALLMARK: Okay. So, at this time, I need a motion to adjourn.

MS. McCOY: So moved.

CHAIRMAN HALLMARK: Ms. McCoy. Second, Ms. Mobley. All in favor say "aye?"

(Board members saying "aye").

CHAIRMAN HALLMARK: All opposed, like sign?

(No response.)

CHAIRMAN HALLMARK: Ayes carry.

(Conclusion of PEEHIP Board of Control meeting at 10:00 a.m.)

REPORTER'S CERTIFICATE

STATE OF ALABAMA

COUNTY OF ELMORE

I, Jeana S. Boggs, Certified Professional Reporter and Notary Public in and for the State of Alabama at Large, do hereby certify on Tuesday, June 1st, 2021, that I reported the meeting of the PUBLIC EDUCATION EMPLOYEES' HEALTH INSURANCE PLAN BOARD OF CONTROL; that the foregoing colloquies, statements, questions and answers thereto were reduced to 70 typewritten pages under my direction and supervision; that the above is a true and accurate transcription of said meeting set out herein.

I further certify that I am neither of relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of such attorney or counsel, nor am I financially interested in the results thereof. All rates charged are usual and customary.

I further certify that I am duly licensed by the Alabama Board of Court Reporting as a Certified Court Reporter as evidenced by the ACCR number following my name found below.

This 1st day of June, in the year of our Lord, 2020.

_____

Jeana S. Boggs, CCR
ABCR NO. 7, 9/30/2021
Certified Court Reporter and
Notary Public
Commission expires: 8/9/2022