This Bill Analysis reflects the contents of the bill as it was presented in committee.

HOUSE BILL 24:
Study Unfunded Liability/Retiree Health Fund.

2017-2018 General Assembly

Committee:	House Pensions and Retirement	**Date:**	February 28, 2017
Introduced by:	Reps. Hurley, R. Turner	**Prepared by:**	Theresa Matula Legislative Analyst
Analysis of:	PCS to First Edition H24-CSSH-1		

***OVERVIEW:* House Bill 24 would establish the Joint Legislative Committee on the Unfunded Liability of the Retiree Health Benefit Fund to study options for reducing the unfunded liability of the Fund and to report to the 2018 Regular Session of the General Assembly upon its convening. This bill was a recommendation from the Joint Legislative Program Evaluation Oversight Committee. The PCS makes changes to conform to language normally found in study bills including what constitutes a quorum.**

[As introduced, this bill was identical to S22, as introduced by Sens. Krawiec, Edwards, which is currently in Senate Appropriations on Pensions, Compensation, and Benefits.]

BILL ANALYSIS: House Bill 24 would establish the Joint Legislative Committee on the Unfunded Liability of the Retiree Health Benefit Fund.

Section 1(a) provides the membership composition and the organization of the Committee which will consist of 13 members:

- Five members of the Senate appointed by the President Pro Tempore of the Senate;
- Five members of the House of Representatives appointed by the Speaker of the House;
- the State Treasurer, or designee, as an ex officio nonvoting member;
- the Executive Administrator of the State Health Plan as an ex officio nonvoting member;
- and a representative of the Board of Trustees of the State Health Plan for Teachers and State employees, selected by the Board and serving as an ex officio nonvoting member.

The PCS provides that the members serve at the pleasure of the appointing officer, clarifies that the President Pro Tempore of the Senate and the Speaker of the House of Representatives each designate a member to serve as a cochair, and specifies that a quorum is five voting members.

Section 1(b) of the bill outlines items the Committee must examine for reducing the unfunded liability including: increasing assets in the Retiree Health Benefit Fund through appropriation; increasing the costs of the retiree benefits borne by the federal government; reducing the State's future liability by transitioning to a different model; reducing the number of persons eligible for retiree benefits; requiring employees to contribute to the Retiree Health Benefit; increasing the amount that retirees pay for health benefits; and any other proposals to reduce the unfunded liability.

Section 1(c) requires the Committee to issue a final report of findings and recommendations, including legislation, to the 2018 Regular Session of the General Assembly upon its convening. The Committee will terminate upon filing its final report, or upon the convening of the 2018 General Assembly, whichever is earlier.

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H24-SMSH-2 CSSH-1 -V-3

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EFFECTIVE DATE: House Bill 24 would become effective when it becomes law.

BACKGROUND: HB 24 is a recommendation from the Joint Legislative Program Evaluation Oversight Committee. Report 2015-05 is the final report on the unfunded actuarial liability for retiree health benefits. A summary of the study from the Program Evaluation Division website is provided below.

> *North Carolina's Retiree Health Benefit Fund contributes the State's share of retiree premiums to the State Health Plan. Unfunded liability for the fund is $25.5 billion, and North Carolina is not a strong performer on measures used to compare the funded status of states. Several options to reduce the unfunded liability exist: increasing appropriations, shifting costs to the federal government, transitioning to a defined contribution model, reducing the number of individuals eligible, requiring contributions from active employees, and increasing the amount retirees pay for the benefit. To address the unfunded liability, the General Assembly should direct the State Health Plan to shift costs to the federal government by requiring eligible retirees to be on Medicare Advantage plans, generating an estimated savings of up to $64 million annually, and could appoint a joint committee to determine which other options to pursue in light of financial and legal considerations.*