



HOUSE BILL 651: State Pension/Ret. Health Ben. Fund Solvency.

2017-2018 General Assembly

Committee:		Date:	August 17, 2018
Introduced by:		Prepared by:	Theresa Matula
Analysis of:	S.L. 2018-30		Legislative Analyst

OVERVIEW: *S.L. 2018-30 creates the Unfunded Liability Solvency Reserve as a reserve in the General Fund to serve as an account for resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans.*

The act becomes effective October 1, 2018.

BILL ANALYSIS:

Section 1 of the act adds a new statute (G.S. 143C-4-9) to create the Unfunded Liability Solvency Reserve (Reserve) as a reserve in the General Fund. The Unfunded Liability Solvency Reserve would be an Employee Benefit Trust Fund, which is an "account for resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans." [G.S. 143C-1-3(a)(10)]

G.S. 143C-4-9(c) specifies that the Reserve shall receive the following funds:

- Any amounts appropriated by the General Assembly.
- Funds transferred under G.S. 142-15.4, 142-96, and 143C-4-2.

G.S. 143C-4-9(d) outlines the requirements for any transfer of funds from the Reserve. Funds in the Reserve must be appropriated by the end of the next fiscal year after the funds entered the Reserve. Transfers are allowed to be made only to the Retiree Health Benefit Fund established under G.S. 135-7(f) (Health Benefit Fund) or the Teachers' and State Employees' Retirement System of North Carolina (Retirement System) for the purposes of reducing the unfunded liabilities of those funds. Subsection (d) also specifies that transfers to Health Benefit Fund and the Retirement System will not supplant employer contributions and outlines the various conditions which must be met for a transfer.

G.S. 143C-4-9(e) specifies the use of the funds in the Reserve. On the first day of each fiscal year, the total balance of the Reserve as of the last day of the preceding fiscal year will be used to appropriate an additional employer contribution to the Health Benefit Trust Fund and the Retirement System. Subsection (e) specifies the calculation to be used to determine the additional employer contribution.

Section 2 makes conforming changes in G.S. 142-15.4, 142-96, and 143C-4-2.

EFFECTIVE DATE: The act becomes effective October 1, 2018.

Karen Cochrane-Brown
Director



Legislative Analysis
Division
919-733-2578