



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

2017-2018 General Assembly

<b>Committee:</b>	House Pensions and Retirement	<b>Date:</b>	June 28, 2017
<b>Introduced by:</b>	Reps. Dollar, Lambeth, McNeill, Ross	<b>Prepared by:</b>	Amy Jo Johnson, Bill Drafting Attorney & Theresa Matula
<b>Analysis of:</b>	PCS to First Edition H651-CSMR-2		Committee Staff

**OVERVIEW:** *House Bill 651 would create the Unfunded Liability Solvency Reserve as a reserve in the General Fund. The bill also outlines the use of the Reserve funds and requirements that must be met prior to a transfer of funds. The PCS makes technical and conforming changes as provisions in Section 2 of the First Edition of the bill were contingent upon House Bill 7: LRC/Strengthen Savings Reserve becoming law. Session Law 2017-5 (HB 7) was enacted on April 13, 2017.*

### ANALYSIS:

**Section 1** of the PCS would create G.S. 143C-4-9 establishing 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)]

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

- Any amounts appropriated by the General Assembly.
- 25% of the unreserved fund balance of the current fiscal year not otherwise designated, which must be placed in the Reserve the next fiscal year.
- Funds transferred under G.S. 142-15.4, 142-96, and 143C-4-2.

The new 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.

The new 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** of the PCS makes conforming changes in G.S. 142-15.4, 142-96, and 143C-4-2.

**EFFECTIVE DATE:** The PCS changes the effective date to October 1, 2017 to conform to S.L. 2017-5 (HB 7).

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