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

HOUSE BILL 626: Realistic Evaluation of Actuarial Liabilities.

2019-2020 General Assembly

Committee:	House Pensions and Retirement. If favorable, re-refer to Finance. If favorable, re-refer to Rules, Calendar, and Operations of the House	**Date:**	April 29, 2019
Introduced by:	Reps. McNeill, Ross	**Prepared by:**	Tawanda N. Foster
Analysis of:	PCS to First Edition H626-CSTV-13		Staff Attorney

OVERVIEW: The PCS to House Bill 626 does the following:

- ***Requires stress testing for the Teachers' and State Employees' Retirement System (TSERS), as recommended by the Pew Foundation;***
- ***Makes amendments related to the pension solvency fund; and***
- ***Clarifies the lien priority of TSERS as it relates to charter school payment plans.***

<u>The PCS removes provisions from the original bill related to subrogation and the right of recovery of the North Carolina State Health Plan for Teachers and State Employees.</u>

CURRENT LAW:

<u>G.S. 135-6(n</u>) requires the actuary, at least once every five years, to investigate the mortality, service and compensation experience of the members and beneficiaries of the Retirement System and make a valuation of the assets and liabilities of the funds in the System. Taking this investigation and valuation into account, the Board of Trustees will then: 1) adopt mortality, service, and other tables as necessary for the Retirement System; and 2) certify the rates of contributions payable to the State of North Carolina on account of new entrants at various ages.

<u>G.S. 143C-4-10</u> establishes the Unfunded Liability Solvency Fund, also known as the pension solvency fund, and provides how funds held in the reserve may be used.

BILL ANALYSIS: This PCS does the following:

Section 1 adds two new subsections to require a pension stress test study every five years that would test the sustainability of the pension funds before and after every five-year experience review and report the results to the General Assembly and the Governor. This provision would also provide that the cost of producing the report would be paid for from the pension funds. This change in the law is recommended by the Pew Foundation.

Section 2 adds a new subdivision to allow rebates the Department receives under the supplemental insurance contract to be transferred into the pension solvency fund.

Section 3 clarifies the order in which any unencumbered balance in the Public Employee Health Benefit Fund at the end of each fiscal year must be used and allows transfers from the State Health Plan active reserve into the Retiree Health Benefit Trust.

Section 4 makes the pensions solvency fund non-reverting.

Section 5 creates an expiration date of June 14, 2023 for withdrawal payment plans and provides any charter school entering a withdrawal liability payment plan prior to the expiration date will have three years to complete the payment plan and that the lien priority will apply during the entire period of the payment plan.

EFFECTIVE DATE: Except as otherwise provided, this act becomes effective July 1, 2019.