

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE**

BILL NUMBER: House Bill 448

SHORT TITLE: Health Plan Eligibility Change

SPONSOR(S): Representative Charlotte Gardner

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Comprehensive Major Medical Plan and the State Retirement System's Reserve for Retired Employee Health Benefits

FUNDS AFFECTED: State General Fund, State Highway Fund, Other State Employer Receipts, Premium Payments for Dependents by Active and Retired Teachers and State Employees

BILL SUMMARY: Eliminates the requirement in the Comprehensive Major Medical Plan for Teachers' and State Employees' that a disabled employee have five years of retirement membership service credit at the time of disability in order to receive non-contributory benefits under the Plan. However, the disabled employee would still be required to have five years of state retirement membership service before the non-contributory benefits would actually begin. The major difference between the bill and the current situation for disabled employees is that such employees may receive salary continuation benefits after the onset of a disability. In the case of state law enforcement officers as defined in Article 12B of Chapter 143 of the North Carolina General Statutes, salary continuation may extend beyond the date of incapacity for up to two years before being affected by workers compensation benefits. Accumulated sick leave credits are not affected in any way by this type of salary continuation benefit. During this two year period, retirement membership service credits are accrued, allowing earlier receipt of non-contributory health benefits under the bill, which are currently available only on a fully contributory basis.

EFFECTIVE DATE: Effective upon ratification of the bill.

ESTIMATED IMPACT ON STATE: Based upon information supplied by officials of the Disability Income Plan of North Carolina (DIPNC) administered by the Department of State Treasurer and the Board of Trustees of the Teachers' and State Employees' Retirement System, 28 recipients of long-term disability benefits had five years of total retirement service credit and were without non-contributory health benefit premiums paid by the State Retirement System, of which 25 had five or more years of state retirement service. Another 6 long-term benefit recipients were receiving health benefits on a fully contributory basis, for a total of 31 beneficiaries eligible for non-contributory coverage from the Teachers' and State Employees'

Comprehensive Major Medical Plan under the bill's provisions. However, DIPNC officials maintain that 20 of these eligible benefits had previously been offered non-contributory coverage under the Plan without applying for such coverage. Consequently, a total of 11 beneficiaries would be eligible for non-contributory health benefit premiums under the provisions of House Bill 448. The premium amount to be paid annually by the Department of State Treasurer on behalf of these 11 beneficiaries would currently be \$19,100. As of December 31, 1994, the Reserve for Retiree Health Benefits maintained by the Department of State Treasurer had a cash balance of \$112,172,581, which would be used to pay the additional non-contributory premiums to the Plan. During calendar year 1994, this Reserve took in about \$12 million per month in the way of employer payroll contributions and investment earnings and paid out about \$9.3 million monthly in premium payments to the Plan, including the Plan's HMOs, and administrative costs to the Department of State Treasurer.

In summary, the bill has no effect upon the Teachers' and State Employees' Comprehensive Major Medical Plan, but the consulting actuary for the Teachers' and State Employees' Comprehensive Major Medical Plan, Alexander & Alexander Consulting Group, Inc., and the consulting actuary of the General Assembly's Fiscal Research Division, Dilts, Umstead & Dunn, both concur that the bill will increase payments from the State Retirement System's Reserve for Retired Employee Health Benefits by about \$20,000 annually.

ASSUMPTIONS AND METHODOLOGY: Included with Estimated Impact on State

SOURCES OF DATA:

- o Actuarial Note, Dilts, Umstead & Dunn, House Bill 448, April 7, 1995, original of which is on file in the General Assembly's Fiscal Research Division.
- o Actuarial Note, Alexander & Alexander Consulting Group, Inc., House Bill 448, April 7, 1995, original of which is on file with the Comprehensive Major Medical Plan for Teachers' and State Employees' and the General Assembly's Fiscal Research Division.
- o Census data from the Disability Income Plan of North Carolina and financial data on the Reserve for Retired Employee Health Benefits provided by the State Retirement System.

FISCAL RESEARCH DIVISION

733-4910

PREPARED BY: Sam Byrd

APPROVED BY: Tom L. Covington **TomC**

DATE: April 11, 1995



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