



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES



Joint Legislative Program Evaluation Oversight Committee Summary of Retiree Health Report

Board of Trustees Meeting

August 28, 2015

A Division of the Department of State Treasurer

Program Evaluation Division Retiree Health Report

- Program Evaluation Division and Oversight Committee
- Overview of Study Process
- PED Report Findings
- Committee Actions

Overview of Program Evaluation Division Work

- The Program Evaluation Division (PED) is a central, non-partisan unit of the Legislative Services Commission of the North Carolina General Assembly that assists the General Assembly in fulfilling its responsibility to oversee government functions.
- The mission of the Program Evaluation Division is to evaluate whether public services are delivered in an effective and efficient manner and in accordance with the law.
- The Joint Legislative Program Evaluation Oversight Committee was created in 2007 to oversee formal evaluation of state agency programs by PED.

Overview of Program Evaluation Division Work

- The PED work plan is developed by the Joint Legislative Program Evaluation Oversight Committee and the Division Director, with input from staff.
 - Requests for program evaluations must come from a member of the General Assembly.
- The Division Director reviews requests in light of staff capacity and the current work plan and makes recommendations to the Oversight Committee as to alterations of the 2015–17 work plan.
 - Any project required by state law automatically amends the work plan.
- The 2013-15 work plan included a study on the funding status of the Retiree Health Benefit Fund.

Overview of the Study Process

- PED developed research questions, studied state policy, and investigated other state programs.
- PED interviewed State Health Plan and Department of State Treasurer staff members to learn about the Plan and the costs of and funding for retiree benefits.
- The Department was asked to provide technical and substantive feedback on a draft report of PED's findings.
- PED presented their findings to the Oversight Committee in July with a follow-up in late August.
- Mona Moon provided responses on behalf of the Plan to legislative inquiries.

PED Report Findings

- North Carolina's unfunded actuarial liability for the Retiree Health Benefit Fund is \$25.5 billion.
- Key factors include:
 - Pay-as-you-go model
 - 100% non-contributory coverage availability
 - Benefits are available to all retirees with requisite service requirements
- North Carolina is not a strong performer on any of the measures used to compare the funded status of other states. Findings included in Fiscal Year 2012–13:
 - NC ranked 41st in unfunded liability per state resident for retiree health benefits
 - NC was one of 38 states with a funded ratio of 10% or less for its retiree health benefits
 - NC was one of 26 states that paid less than 50% of its annual required contribution

PED Report Findings Continued

- The General Assembly *could* consider the following options to reduce the unfunded liability of the Retiree Health Benefit Fund:
 - Increase the appropriation to the fund
 - Shift more costs to the federal government
 - Transition to a defined contribution model
 - Reduce the number of individuals eligible for the benefit
 - Require active employees to contribute to the fund
 - Increase the amount retirees pay for the benefit by increasing premiums and out-of-pocket costs
- To address the unfunded liability, the General Assembly *should*:
 - Direct the State Treasurer and State Health Plan Board of Trustees 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
 - Appoint a joint committee to determine which of the report's other options to pursue in light of the financial and legal implications of the report

Joint Legislative Program Evaluation Oversight Committee

Response/Action

- Oversight Committee delayed voting on the report until its next meeting
 - Meeting scheduled for Wednesday, August 26th was cancelled
 - Plan staff will continue to monitor the Oversight Committee's activity