

TO: NC State & Local Retirement Systems' Board of Trustees

DATE: January 16, 2014

FROM: Steve Toole

SUBJECT: Separate Insurance Benefits Plan

Session Law 2013-360 mandates the diversion of funds from the Separate Insurance Benefits Plan to reimburse employer paid State Health Plan premiums made on behalf of state law enforcement officers and to reimburse employer paid contribution rates for the State Health Plan based on the reported compensation of state law enforcement officers for fiscal years ending June 30, 2014 and June 30, 2015.

The initial transfer is required by state law, but future transfers may violate the constitution. Based on Buck's projections, if the General Assembly takes the same action in the next biennium, the fund could be depleted in 2016. If the fund is depleted and therefore cannot provide benefits, then the fund would not be able to fulfill its contracts with its beneficiaries and there could be a violation of the contracts clause in the constitution.

Staff recommends that the Board approve the transfer for FY 2013-2014 from the Separate Insurance Benefits Plan for the reimbursement of premiums paid for state law enforcement officers as set forth in Session Law 2013-360.