



Memorandum

TO: Teachers' and State Employees' Retirement System (TSERS) Board of Trustees

FROM: Thomas G. Causey, Executive Director

DATE: April 29, 2021

RE: Supplemental Voluntary Insurance Rebates

Pursuant to G.S. 143C-4-10(c), the TSERS Board of Trustees may determine that rebates received by the Department of State Treasurer from supplemental voluntary insurance benefits are not needed to pay for the future administrative costs of those benefits. If the Board makes this determination, the State Treasurer may direct the funds to be transferred into the Unfunded Liability Solvency Reserve.

In order for the State Treasurer to direct such funds to the Unfunded Liability Solvency Reserve, the following conditions must be met:

- (a) The funds are the result of rebates received by the Department of State Treasurer from a company administering supplemental voluntary insurance benefits authorized under G.S. 120-4.32(b), 128-38.3(b), 135-18.8(b), or 135-75(b);
- (b) The funds are not owed to a company administering, or individuals participating in, supplemental voluntary insurance benefits; and
- (c) As determined by the Board of Trustees of the Retirement System, the funds are not to be needed to pay future administrative costs of the supplemental voluntary insurance benefits.

Upon the satisfaction of all three criteria, including the Board's determination that the rebate funds are not necessary to pay future administrative costs, the State Treasurer may direct the funds to be transferred into the Unfunded Liability Solvency Reserve. The balance in the Unfunded Liability Solvency Reserve as of the end of the fiscal year is then divided on a pro rata basis between the Health Benefit Fund and TSERS to offset each program's proportion of the State's total unfunded liability.

The Retirement Systems Division has received preliminary estimates from United Health Care (UHC), through Pierce Insurance, that a performance reward exceeding an estimated \$3 million will be rebated to the Division prior to the end of the current fiscal year for the dental and vision plans.

Staff recommends the following Board action:

The TSERS Board hereby makes the determination that funds expected to be received as a result of the rebate before June 30, 2021, are not needed to pay future administrative costs of the supplemental voluntary insurance benefits.