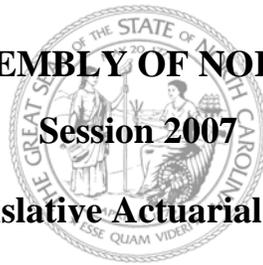


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Actuarial Note

HEALTH BENEFITS

BILL NUMBER: House Bill 1471 (Second Edition)

SHORT TITLE: Charter School Employment Benefits Election.

SPONSOR(S):

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Comprehensive Major Medical Plan.

FUNDS AFFECTED: State General Fund, State Highway Fund, other State employer receipts, premium payments for dependents by active and retired teachers and State employees, premium payments for coverages selected by eligible former teachers and State employees, premium payments for coverages selected by firefighters, rescue squad workers, members of the National Guard, and certain authorized local governments.

BILL SUMMARY: The bill permits the Board of Directors of the Orange Charter School and Bethany Community Middle School, public charter schools respectively, to become participating employers in the Teachers' and State Comprehensive Major Medical Plan within 30 days after the act becomes law. Under G.S. 135-40.3A, an election to join the Plan by the board of a charter school is irrevocable and shall require all eligible employees of the charter school to participate.

EFFECTIVE DATE: When it becomes law.

ESTIMATED IMPACT ON STATE: The consulting actuary for the Teachers' and State Employees Comprehensive Major Medical Plan, Aon Consulting, estimates a negligible financial impact to the Plan if the Orange Charter School elects to participate in the Plan. Aon Consulting estimates an average annual mid-point loss of \$77,280 for the 2007-2009 biennium. Comparisons between the Plan's current demographic data and the submitted demographic data by the schools were made for the purposes of estimating impact. However, without historical claims experience data, Aon Consulting notes that adverse selection against the Plan may occur and thereby possibly increase the cost impact.

Hartman & Associates, consulting actuary for the General Assembly's Fiscal Research Division, estimates that the financial impact on the Plan would not be significant upon enactment of the bill. Hartman and Associates noted that the employee demographics of the combined schools compare favorably to current Plan member demographics, and that given the minimal number of prospective employees to be enrolled, there is not expected to be a significant impact.

ASSUMPTIONS AND METHODOLOGY: The following enrollment characteristics for employees of the Orange Charter School were used in comparison to enrolled active employees under the Plan’s self-insured indemnity program for this analysis.

Distribution of Participants -- Orange Charter School

Ages	Active Employees			Dependents of Active Employees			Retired Employees			Dependents of Retired Employees		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
0-4			0			0			0			0
5-9			0			0			0			0
10-14			0			0			0			0
15-19			0			0			0			0
20-24		3	3	0	0	0			0			0
25-29	1	3	4	0	0	0			0			0
30-34	1	2	3	0	0	0			0			0
35-39	0	3	3	0	0	0			0			0
40-44	0	4	4	0	0	0			0			0
45-49	0	2	2	0	0	0			0			0
50-54	0	2	2	0	0	0			0			0
55-59			0			0	3	0	3	0	0	0
60-64			0			0			0			0
65-69			0			0			0			0
70-74			0			0			0			0
75-79			0			0			0			0
>79			0			0			0			0
Unknown			0			0			0			0
TOTAL	2	19	21	0	0	0	3	0	3	0	0	0

Distribution of Participants -- Bethany School

Ages	Active Employees			Dependents of Active Employees			Retired Employees			Dependents of Retired Employees		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
0-4			0			0			0			0
5-9			0			0			0			0
10-14			0			0			0			0
15-19			0	1		1			0			0
20-24			0			0			0			0
25-29		1	1	1		1			0			0
30-34		1	1			0			0			0
35-39	1	1	2			0			0			0
40-44			0			0			0			0
45-49		3	3	1		1			0			0
50-54		1	1			0			0			0
55-59	1	2	3	1		1			0			0
60-64			0			0			0			0
65-69			0			0			0			0
70-74			0			0			0			0
75-79			0			0			0			0
>79			0			0			0			0
Unknown			0			0			0			0
TOTAL	2	9	11	4	0	4	0	0	0	0	0	0

SOURCES OF DATA:

-Actuarial Note, Hartman & Associates, House Bill 1471 Proposed Committee Substitute, May 18, 2007, original of which is on file in the General Assembly’s Fiscal Research Division.

-Actuarial Note, Aon Consulting, House Bill 1471-CSLN-31, May 21, 2007, 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.

TECHNICAL CONSIDERATIONS: None

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Fiscal Research Division

DATE: July 11, 2007



Signed Copy Located in the NCGA Principal Clerk's Offices