

Dear Trustees,

As you know, 114 municipalities participating in the State Health Plan have not been contributing toward the Plan's retiree health care liabilities—despite the clear long-term consequences of failing to do so. This number is deeply concerning. For years, many local governments have operated on a “pay-as-you-go” approach, neglecting to set aside funds for future obligations. When participating entities do not pay for the liabilities they incur, those costs are shifted elsewhere and ultimately grow.

Currently, municipalities hold more than **\$7.6 billion** in total Other Post-Employment Benefits (OPEB) liability. Only about **\$400 million** has been set aside as actuarially determined assets. This leaves an unfunded liability of more than **\$7 billion**, a disproportionate burden that falls on the State Health Plan. Most participating municipalities have not dedicated long-term funding streams to reduce these obligations, resulting in the Plan effectively subsidizing local governments.

The State Health Plan is already facing significant sustainability challenges. The recent legislation extending the deadline for municipal compliance to **June 30, 2026**, only prolongs the problem. Each delay increases the financial strain not only on the Plan and its members, but on all North Carolina taxpayers.

We urge the Board of Trustees to engage in a robust and meaningful discussion on this matter at tomorrow's meeting. Addressing this issue now is essential to ensuring the long-term health and stability of the Plan.

Thank you for your time and attention to this critical concern.

Respectfully,

Suzanne Beasley

Government Relations Director

State Employees Association of North Carolina (SEANC)