

Retirement

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Pay Exceptions/Special Separation Allowance.

SL 2026-33 (H481)

S.L. 2026-33 (House Bill 481) allows State and local law enforcement officers (LEOs) to maintain eligibility for the special separation allowance after a break in continuous service due to any type of retirement. Previously, continued eligibility for the special separation allowance was only permitted due to a break in service for disability retirement.

The act also ends the payment of the special separation allowance when a retired State LEO is reemployed by a State department, agency, or institution that both:

- Requires participation in the Teachers' and State Employees' Retirement System.
- Is either (i) subject to the North Carolina Human Resources Act or (ii) located in the same agency from which the officer retired.

This act became effective July 2, 2026. The provisions that apply to ending payment of the special separation allowance for State LEOs apply to reemployment occurring on or after that date.

Local Government Employees' Retirement System Modifications – 2026 Appropriations Act.

SL 2026-41 (S257), Sec. 5.10(c)

Sections 5.10.(c), (c1), (c2), (c3), and (c4) of S.L. 2026-41 (Senate Bill 257) reconfigure the membership of the Local Government Employees' Retirement System (LGERS) Board of Trustees to include the State Treasurer, two members appointed by the State Treasurer, two members appointed by the Governor, and two members appointed by the General Assembly. The members appointed by the Governor and the State Treasurer are subject to confirmation by the General Assembly by joint resolution.

The position currently held by the Superintendent of Public Instruction and any vacant seat will be terminated on the effective date of these sections. Any member of the LGERS Board of Trustees serving a holdover, expired term on the effective date will continue serving, and the procedure for filing vacancies will apply. Any member of the LGERS Board of Trustees who is serving a current, unexpired term on the effective date will continue to serve until expiration of the term or upon vacancy.

The sections provide for four-year terms of appointive members. Appointive members are eligible for reappointment provided they serve no more than two four-year terms consecutively, and appointive members may only be removed by the appointing authority. Further, appointive members must take an oath, possess expertise in pensions, and must not hold other public office in the State or have any of the following apply:

- The individual has been indicted or charged with, convicted of, pled guilty or nolo contendere to, or forfeited bail concerning a felony or misdemeanor involving fraud, theft, or dishonesty.
- The individual had a judgement entered against the individual in a civil matter involving breach of fiduciary duties.
- The individual has been the subject of an adverse action by the Securities and Exchange Commission that resulted in any penalty.
- The individual, the individual's spouse, or other immediate family member, is or becomes employed by the State Treasurer or by any service provider that assists in the administration of the Retirement System overseen by the Retirement Systems Division.

The LGERS Board of Trustees must meet at least quarterly. Meetings may be called by the State Treasurer or by majority of the Board of Trustees. A minimum of four members must be present to establish a quorum, and a majority vote of the members present is required for any action taken with the vote of the State Treasurer prevailing in the event of a tie. The State Treasurer may appoint a designee. The State Treasurer serves as the chair of the Board of Trustees and must appoint a secretary.

Members who do not receive a salary or any portion of a salary from State funds are eligible to receive up \$100 per day during session, and all members will be reimbursed for necessary expenses in accordance with statute.

These sections become effective July 1, 2027.

Teachers' and State Employees' Retirement System Modifications – 2026 Appropriations Act.

SL 2026-41 (S257), Sec. 5.10(d)

Sections 5.10.(d), (d1), (d2), (d3), (d4), and (d5) of S.L. 2026-41 (Senate Bill 257) reconfigure the membership of the Teachers' and State Employees' Retirement System (TSERS) Board of Trustees to include the State Treasurer, the Director of the Office of State Human Resources as a non-voting member, two members appointed by the State Treasurer, two members appointed by the Governor, and two members appointed by the General Assembly. The members appointed by the Governor and the State Treasurer are subject to confirmation by the General Assembly by joint resolution.

The position currently held by the Superintendent of Public Instruction, the voting ability of the Director of the Office of State Human Resources, and any vacant seat will be terminated on the effective date of these sections. Any member of the TSERS Board of Trustees serving a holdover, expired term on the effective date will continue serving, and the procedure for vacancies will apply. Any member of the TSERS Board of Trustees who is serving a current, unexpired term on the effective date will continue to serve until expiration of the term or upon the member's vacancy.

The sections further provide for four-year terms of appointive members. Appointive members are eligible for reappointment provided they serve no more than two four-year terms consecutively. Appointive members may only be removed by the appointing authority. Further, appointive members must take an oath, possess expertise in pensions, and must not hold other public office in the State or have any of the following apply:

- The individual has been indicted or charged with, convicted of, pled guilty or nolo contendere to, or forfeited bail concerning a felony or misdemeanor involving fraud, theft, or dishonesty.
- The individual had a judgement entered against the individual in a civil matter involving breach of fiduciary duties.
- The individual has been the subject of an adverse action by the Securities and Exchange Commission that resulted in any penalty.
- The individual, the individual's spouse, or other immediate family member, is or becomes employed by the State Treasurer or by any service provider that assists in the administration of the Retirement System overseen by the Retirement Systems Division.

The TSERS Board of Trustees must meet at least quarterly. Meetings may be called by the State Treasurer or by majority of the Board of Trustees. A minimum of four members must be present to establish a quorum, and a majority vote of the members present is required for any action taken with the vote of the State Treasurer prevailing in the event of a tie. The State Treasurer and the Director of the Office of State Human Resources may each appoint a designee. The State Treasurer serves as the chair of the Board of Trustees and must appoint a secretary.

Members who do not receive a salary or any portion of a salary from State funds are eligible to receive up \$100 per day during session, and all members will be reimbursed for necessary expenses in accordance with statute.

These sections become effective July 1, 2027.

Various Board Changes - Supplemental Retirement Board of Trustees – 2026 Appropriations Act.

SL 2026-41 (S257), Sec. 5.10(e)

Section 5.10(e) of S.L. 2026-41 (Senate Bill 257) does all of the following:

- Amends the membership of the Supplemental Retirement Board of Trustees (Board) by reducing the Governor's appointments from six members to two members and by adding two appointments by the State Treasurer. This reduces the total membership of the Board from nine to seven. It also allows for holdovers for appointive members whose terms have expired but whose successor has not been appointed. If a seat is vacant or held over for over six months, the State Treasurer may nominate a member for approval by the Board, who serves until the end of the unexpired term or until the vacancy is filled by the applicable appointing authority.

- Provides for automatic removal of members of the Board who (i) miss three consecutive meetings of the Board, unless excused by majority vote of the other members, (ii) fail to cure a conflict of interest within 30 days of identification of the conflict, or (iii) do not agree to abide by the Board's ethics policy.
- Requires appointive members of the Board to take an oath of office.
- Makes other technical and conforming changes.

This section becomes effective July 1, 2027.

Council of State Supplemental Retirement Allowance – 2026 Appropriations Act.

SL 2026-41 (S257), Sec. 41.27

Section 41.27 of S.L. 2026-41 (Senate Bill 257) creates a new Article titled "Council of State Supplemental Retirement Allowance" in Chapter 138 of the General Statutes. This section does the following:

- Creates a Council of State Supplemental Retirement Allowance (allowance) for individuals serving on the Council of State.
- Requires an individual to (i) serve as a member of the Council of State on or after July 1, 2026, (ii) have at least five years of Council of State creditable service, and (iii) have retired under the Retirement System for Teachers and State Employees to be eligible for the allowance. A beneficiary can be eligible to receive the allowance if certain criteria are met.
- Calculates the allowance by multiplying the individual's Retirement System benefit amount for the applicable month by the Supplemental Allowance Factor.
- Requires payment of the allowance to be concurrent with the payment of the individual's Retirement System benefit or the payment of the survivor's alternate benefit to the individual's beneficiary.

This section of the act became effective July 1, 2026, and applies to individuals retiring on or after that date.

Increase Benefits Payable under North Carolina National Guard Pension Fund – 2026 Appropriations Act.

SL 2026-41 (S257), Sec. 41.28

Section 41.28 of S.L. 2026-41 (Senate Bill 257) increases the monthly pension benefit for qualifying members and former members of the North Carolina National Guard from \$105.00 to \$110.00, with an additional \$11.00 per month for each additional year of creditable military service. The total amount of the benefit is not to exceed \$220.00 per month.

This section becomes effective January 1, 2027, and applies to pension benefit amounts payable from the North Carolina National Guard Pension Fund (Pension Fund) due to a qualifying member on or after January 1, 2027. If a member becomes eligible to receive a pension benefit from the

Pension Fund on or before December 31, 2026, but the pension benefit amount is paid from the Pension Fund on or after January 1, 2027, then the pension benefit amount due to the member must be the amount applicable to the pension benefit amount that was effective for each respective month to which the benefit applies.

Enhance Benefits Under North Carolina Firefighters' and Rescue Squad Workers' Pension Fund and Make Changes to the Related Statutes – 2026 Appropriations Act.

SL 2026-41 (S257), Sec. 41.29

Section 41.29 of S.L. 2026-41 (Senate Bill 257) increases the monthly pension benefit under the North Carolina Firefighters' and Rescue Squad Workers' Pension Fund (Fund) from \$175 per month to \$184 per month. It also recodifies several provisions relating to monthly dues for membership in the Fund and made other technical changes.

This section becomes effective January 1, 2027, and applies to benefits payable after that date. Fund members who received monthly benefits prior to January 1, 2027, will receive the increased monthly benefit amount for all benefits paid on or after that date.

Administrative Changes/Retirement Systems – 2026 Department of State Treasurer Administrative/Technical/Clarifying Changes.

SL 2026-50 (H1126), Part I

Part I of S.L. 2026-50 (House Bill 1126) does the following:

- Allows the forfeited armed service retirement credit to be reclaimed.
- Exempts State Employees' Retirement System (TSERS) and Local Governmental Employees' Retirement System (LGERS) death benefits from overpayment offsets.
- Allows TSERS and LGERS pension-spiking restoration payments to offset after a return to service and subsequent re-retirement.
- Clarifies that the TSERS benefit pause does not apply to service as a member of Legislative Retirement System (LRS.) As of July 1, 2026, LRS members continue to receive benefits if they become members of TSERS or Consolidated Judicial Retirement System (CJRS); however, LRS members whose benefits had already been suspended would not have benefits reinstated until withdrawing from TSERS or CJRS.
- Requires submissions to the Firefighters' and Rescue Squad Workers' Pension fund to be made electronically.
- Pauses the withdrawal of Supplemental Income Retirement Plan contributions by State and local law enforcement officers convicted of a felony while the administrator determines if the officer is subject to felony forfeiture.
- Allows the State Treasurer and the Boards of Trustees of TSERS and LGERS to establish compensation plans for designated employees of each retirement system, who would be exempt from many of the provisions of the State Human Resources Act.

- Allows the State Treasurer to retain private counsel to represent the retirement systems.
- Allows \$100 per diem payments to various Board of Trustees members.
- Clarifies that if there is more than one designated and living beneficiary when a TSERS or LGERS member dies, and a beneficiary elects to renounce the share of the accumulated contributions, that renunciation will not result in another beneficiary becoming eligible to receive the accumulated contributions.
- Clarifies that Legislative Enactment Implementation Arrangement (LEIA) assets can be used (i) to implement retirement-related legislation and (ii) for administrative and information technology purposes necessary to prevent interruption of normal operation of the retirement systems.

The provisions of Part I pertaining to armed service credited restoration become effective January 1, 2027. The provisions regarding LRS benefit suspension became effective July 1, 2026. The provisions regarding LEIA assets became effective July 1, 2026. The provisions related to per diem payment became effective July 7, 2026, and apply to sessions of the Board of Trustees on or after that date. The remainder of Part I became effective July 7, 2026.

North Carolina Investment Authority – 2026 Department of State Treasurer Administrative/Technical/Clarifying Changes.

SL 2026-50 (H1126), Part III

Part III of S.L. 2026-50 (House Bill 1126) makes the following conforming changes to the North Carolina Investment Authority (NCIA) throughout the General Statutes:

- Makes the NCIA the custodian of assets that had been in the custody of the State Treasurer.
- Clarifies that prohibitions on investment that had applied to the State Treasurer also apply to the NCIA. The policies previously adopted by the State Treasurer under the statute governing prohibitions on State investment must remain in effect until the applicable policy is adopted by the Board of Directors of the NCIA.
- Clarifies that performance-related bonuses paid to NCIA employees do not count in the compensation calculations for the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System. This provision is effective retroactively to July 1, 2025, and applies to any performance-related bonuses paid to employees of the Investment Authority on or after that date.

The remainder of this Part became effective July 7, 2026.

Technical and Clarifying Changes – 2026 Department of State Treasurer Administrative/Technical/Clarifying Changes.

SL 2026-50 (H1126), Part IV

Part IV of S.L. 2026-50 (House Bill 1126) makes technical and clarifying changes to retirement provisions and statutes related to the North Carolina Department of State Treasurer. These

changes are spread throughout the General Statutes. Section 4.1 of Part IV removes references to obsolete benefits and funds and makes other technical changes to related statutes.

The provisions removing references to obsolete benefits and funds and making technical changes to related statutes becomes effective on January 1, 2027. The rest of this Part became effective on July 7, 2026.