



NORTH CAROLINA GENERAL ASSEMBLY

2025 Session

Legislative Actuarial Note - Retirement

Short Title: 2026 DST Admin/Technical/Clarifying Changes.-AB
Bill Number: House Bill 1126 (First Edition)
Sponsor(s): Rep. Wheatley and Rep. Carson Smith

SUMMARY TABLE

ACTUARIAL IMPACT OF H.B. 1126, V.1 (\$ in thousands)

	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>	<u>FY 2029-30</u>	<u>FY 2030-31</u>
State Impact					
General Fund	-	-	-	-	-
Highway Fund	-	-	-	-	-
Other/Receipts	-	-	-	-	-
TOTAL STATE EXPENDITURES	-	-	-	-	-
Local Impact					
Local Governments	-	-	-	-	-
TOTAL LOCAL EXPENDITURES	-	-	-	-	-

ACTUARIAL IMPACT SUMMARY

Sections 1.1, 1.2, 1.3, 1.4, 1.5, 1.10, 1.11, 3.3, 4.1, 4.2, 4.3, 4.4, 4.5, and 4.6 have potential actuarial impacts on retirement systems.

Systems Affected: Teachers' and State Employees' Retirement System (TSERS), Local Governmental Employees' Retirement System (LGERS), Consolidated Judicial Retirement System (CJRS), Legislative Retirement System (LRS), Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF), and Disability Income Plan (DIP)

Section 1.1: Allows previously credited "free military" (USERRA-eligible) service, which the member withdrew from the Retirement System, to then be restored as creditable service if the member makes the maximum eligible purchase of withdrawn service (up to 5 years). Both Gallagher, the actuary for the retirement systems, and Aon, the actuary for the General Assembly,

estimate that this section will have no material impact on the contribution rates or liabilities of TSERS or LGERS.

Section 1.2: Provides that the obligation to recover an overpayment of benefits does not extend to the Retirees' Contributory Death Benefit. Both actuaries estimate that this section will have no material impact on the contribution rates or liabilities of TSERS, LGERS, CJRS, or LRS.

Section 1.3: Clarifies the payment upon a second retirement when there was already a Contribution Based Benefit Cap contribution made at the first retirement. Both actuaries estimate that this section will have no material impact on the contribution rates or liabilities of TSERS or LGERS.

Section 1.4: Clarifies that compensation paid to a member of the legislature does not count toward the "earnable allowance" for TSERS retirees, and service as a member of the legislature does not cause suspension of the TSERS retirement allowance. Both actuaries estimate that this section will have no material impact on the contribution rates or liabilities of TSERS or LRS.

Section 1.5: Instructs the LGERS Board of Trustees to adopt administrative rules for fire/rescue departments participating in the FRSWPF to make their membership reports and contributions electronically. Both actuaries estimate that this section will have no material impact on the contribution rates or liabilities of FRSWPF.

Section 1.10: Clarifies that if there are multiple beneficiaries designated for the Return of Contributions (ROC), and any of them renounce their interest in the ROC, that does not make another beneficiary eligible for the Survivor's Alternate Benefit. Both actuaries estimate that this section will have no material impact on the contribution rates or liabilities of TSERS or LGERS.

Section 1.11: Removes certain timing and structural limitations on the Legislative Enactment Implementation Arrangements (LEIAs) that are currently in the TSERS and LGERS statutes. Both actuaries estimate that this section will have no material impact on the contribution rates or liabilities of TSERS or LGERS.

Section 3.3: Excludes NC Investment Authority employee performance-related bonuses from the definition of compensation in TSERS. Both actuaries estimate that this section will have no material impact on the contribution rates or liabilities of TSERS.

Section 4.1: Removes references to obsolete benefits and funds and makes other statutory corrections. Both actuaries estimate that this section will have no material impact on the contribution rates or liabilities of TSERS, LGERS, or LRS.

Section 4.2: Amends statutes governing reporting of earnings under the DIP to conform to actual practice. Both actuaries estimate that this section will have no material impact on the contribution rates or liabilities of the DIP.

Section 4.3: Clarifies the calculation of the lump-sum payment made by a retiree who violates the six-month waiting period. Both actuaries estimate that this section will have no material impact on the contribution rates or liabilities of TSERS.

Section 4.4: Makes various technical changes to conform to federal law. Both actuaries estimate that this section will have no material impact on the contribution rates or liabilities of LRS or DIP.

Section 4.5: Removes the name of forms from certain statutes. Both actuaries estimate that this section will have no material impact on the contribution rates or liabilities of TSERS or LGERS.

Section 4.6: Makes miscellaneous technical corrections. Both actuaries estimate that this section will have no material impact on the contribution rates or liabilities of TSERS, LGERS or LRS.

ASSUMPTIONS AND METHODOLOGY

The cost estimates of the actuaries are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2024 actuarial valuations. Significant membership and financial statistics, assumptions, methods, and benefit provisions are shown in the following tables:

Membership Statistics (as of 12/31/2024 unless otherwise noted, M = millions)				
	<u>TSERS</u>	<u>LGERS</u>	<u>CJRS</u>	<u>LRS</u>
Active Members				
Count	298,000	145,531	594	170
General Fund Compensation	\$13,348M		\$106M	\$4M
Valuation Compensation (Total)	\$19,198M	\$10,074M	\$105M	\$4M
Average Age	46	43	54	59
Average Service	10.8	9.2	10.7	7.6
Inactive Members				
Count	240,872	115,944	66	112
Retired Members				
Count	257,645	87,699	862	291
Annual Benefits	\$5,572M	\$1,915M	\$59M	\$2M
Average Age	72	70	74	79
New Retirees During 2025	11,496	4,296	37	8

Financial Statistics (as of 12/31/2024 unless otherwise noted, M = millions)				
	<u>TSERS</u>	<u>LGERS</u>	<u>CJRS</u>	<u>LRS</u>
Accrued Liability (AL)	\$103,627M	\$42,211M	\$967M	\$30M
Actuarial Value of Assets (AVA)	\$91,621M	\$35,961M	\$763M	\$31M
Market Value of Assets (MVA)	\$88,517M	\$34,783M	\$736M	\$30M
Unfunded Accrued Liability (AL - AVA)	\$12,006M	\$6,250M	\$204M	(\$1M)
Funded Status (AVA / AL)	88%	85%	79%	102%
Required Employer Contribution for FY 2026-27 (as % of pay)	17.49%	15.10% (non-LEO)	40.68%	17.87%
Salary Increase Assumption (includes 3.25% inflation and productivity)	3.25% - 8.05%	3.25% - 8.25%	3.25% - 4.75%	3.25%
Assumed Rate of Investment Return: 6.50%				
Cost Method: Entry Age Normal				
Amortization: 12 year, closed, flat dollar				
Demographic assumptions based on 2015-2019 experience, Pub-2010 mortality, and projection of future mortality improvement with scale MP-2019				

Benefit Provisions				
	<u>TSERS</u>	<u>LGERS</u>	<u>CJRS</u>	<u>LRS</u>
Formula	1.82% x Service x 4 Year Avg Pay	1.85% x Service x 4 Year Avg Pay	3.02% to 4.02% x Service x Final Pay	4.02% x Service x Highest Pay
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/5	Any/30; 60/25; 65 (55 for LEO)/5	50/24; 65/5	65/5
Employee contribution (as % of pay)	6%	6%	6%	7%

Further detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from the Fiscal Research Division.

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

Gallagher, "HB 1126 / SB 936 – 2026 DST Admin/Technical/Clarifying Changes.-AB", May 11, 2026, original of which is on file in the General Assembly's Fiscal Research Division.

Aon, "House Bill 1126/Senate Bill 936", May 8, 2026, original of which is on file in the General Assembly's Fiscal Research Division.

LEGISLATIVE ACTUARIAL NOTE – PURPOSE AND LIMITATIONS

This document is an official actuarial analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described above. This document only addresses sections of the bill that have projected direct actuarial impacts on State or local government retirement systems and does not address sections that have no projected actuarial impacts.

CONTACT INFORMATION

Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

ESTIMATE PREPARED BY

David Vanderweide

ESTIMATE APPROVED BY

Brian Matteson, Director of Fiscal Research
Fiscal Research Division
May 12, 2026



Signed copy located in the NCGA Principal Clerk's Offices