North Carolina Retirement Systems

MEMORANDUM

TO: Boards of Trustees (Boards) of the Teachers' and State Employees' Retirement System (TSERS) and the Local Governmental Employees' Retirement System (LGERS)

FROM: Patrick Kinlaw, Retirement Systems Division (RSD) Director of Policy, Planning, and Compliance;
Taylor Matyi, RSD Policy Development Analyst

DATE: November 5, 2026

RE: Report on 2026 State Legislative Actions Affecting Retirement and Health Benefits

Executive Summary

As of October 23, 2026, the N.C. legislature has enacted five bills affecting the Retirement Systems or State Health Plan (SHP) during the 2026 session, including a budget law and four other laws. Key provisions of the five enacted bills included:

EMPLOYER CONTRIBUTIONS AND FUNDING POLICY

- All retirement systems were fully funded per the Boards' recommendations, based on promised benefits for fiscal year ending June 30, 2027.
- State budget provides one-time supplements (2.5% of annual retirement allowance) as close as practicable to October 15, 2026, for TSERS, Judicial, and Legislative payees who are living on September 1, 2026, and receiving benefits in connection with a retirement that commenced on or before September 1, 2026.
- The Legislative Enactment Implementation Arrangements (LEIAs) were modified to provide consistent funding when new laws or administrative requirements are being implemented to prevent the interruption to the normal operation of the Retirement Systems.

BENEFIT POLICY CHANGES

- The monthly benefit amount of the Firefighters' and Rescue Squad Workers' Pension Fund is increased from $175 to $184 per month effective January 1, 2027.
- The monthly benefit amount of the National Guard Pension Fund is increased from $105/$210 to $110/$220 (benefit amount based on total service credit) per month effective January 1, 2027.

ADMINISTRATION OF SYSTEMS AND PREVENTION/DETECTION OF FRAUD, WASTE, AND ABUSE

- The laws governing the TSERS, LGERS, Supplemental Retirement Income Plan, and NC ABLE Boards of Trustees were modified to change the total number of members, appointing bodies, per diem for members, qualifications of members, and vacancy appointment procedures.
- The Contributory Death Benefit was removed from the list of benefits that may be withheld to satisfy overpayments made by the Retirement Systems.

The Session

The 2026 "short session" or "second regular session" of the North Carolina General Assembly (General Assembly) initially convened on April 21, 2026 (SJR 772 further modified by SJR 778). As of August 6, 2026, the session adjourned. The session reconvened on August 31, 2026, and adjourned on September 2, 2026. The session reconvened on September 28, 2026, and adjourned on September 30, 2026. The session is scheduled to reconvene on October 26, 2026 through October 28, 2026, from November 16, 2026 through November 19, 2026, and from November 30, 2026 through December 18, 2026. Before the September 30, 2026 adjournment, 230 House bills or resolutions and 314 Senate bills or resolutions have been introduced, for a total of 544 introductions. The legislature has enacted 61 of these bills or resolutions. Meanwhile, the first extra session of the General Assembly convened on October 7, 2026 and adjourned sine die on the same day, with three House bills or resolutions and two Senate bills or resolutions introduced, of which two and two (respectively) were adopted or enacted. When the second regular session adjourns, or from time to time prior to adjournment, RSD will supplement this report if there have been any additional enactments material to Retirement System or State Health Plan policy. In particular, note that legislative actions taken after October 23, 2026 are not described in this report but will be included in a subsequent report if material.

During the 2026 session to date, nine bills whose proposed provisions had public policy implications for the Retirement Systems or the SHP have received a hearing in at least one of the pension committees or other action by the General Assembly. (G.S. 120-111.3 requires that "every bill, which creates or modifies any provision for the retirement of public officers or public employees or for the payment of retirement benefits or of pensions to public officers or public employees, shall, upon introduction in either house of the General Assembly, be referred to the Committee on Pensions and Retirement of each house.")

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Of those nine bills, five have been enacted:

BILLS RECEIVING COMMITTEE HEARING OR OTHER ACTION AND ULTIMATELY **ENACTED** IN 2026 (summary of legislation appears at the end of this document)

- Retirement Policy (may also have SHP implications)
  - HB 481 Pay Exceptions/Special Separation Allowance.
  - HB 1126 2026 DST Admin/Technical/Clarifying Changes.-AB
  - SB 257 2026 Appropriations Act.
  - SB 355 Support the Dept. of Adult Correction.-AB
  - SB 1041 Public Workforce Modernization Act.

BILLS RECEIVING COMMITTEE HEARING OR OTHER ACTION AND **NOT** ENACTED AS OF THE DATE OF THIS MEMORANDUM

- Retirement Policy (may also have SHP implications)
  - HB 1114 GSC Technical Corrections 2026.
  - SB 50 Freedom to Carry NC.
- SHP Policy
  - HB 434 Lower Healthcare Costs.
  - SB 316 Lower Healthcare Costs.

Summary of Appropriations for Retirement, Health, and Related Benefits

Appropriations from All Funding Sources

	FY 2026-2027 (S.L. 2026-41 with 2026 Payrolls)
PENSION ADEC FUNDING/SHP PREMIUMS	
Teachers' and State Employees' Retirement System	$3,676,209,498
State Health Plan Employer Premiums for Non-Retired Members	$2,641,800,000
Retiree Health Benefit Trust/Retiree Medical	$1,215,991,881
Public Employee Health Benefit Fund/Active Medical	$551,678,736
Consolidated Judicial Retirement System	$44,726,294
Legislative Retirement System	$702,280
Disability Income Plan of North Carolina	$13,726,069
State Employee Death Benefit Plan	$26,229,815
National Guard Pension Fund*	$1,173,123
Firefighters & Rescue Squad Worker's Pension Fund*	$21,102,208
Line of Duty Death Benefits*	$2,521,500
**Total Appropriation*	

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Rates effective July 1, 2026 through June 30, 2027, S.L. 2026-41 (Senate Bill 257), Section 41.25

FY 2026-2027	Total Rate	Breakdown of Rate Type					
		Retirement	Health	Disability Income Plan	Death Benefit	Supplemental Retirement^	Qualified Excess Benefit
TSERS General	26.10%	18.21%	7.69%	0.06%	0.13%		0.01%
TSERS Law Enforcement	31.10%	18.21%	7.69%	0.06%	0.13%	5.00%	0.01%
UNC ORP	14.59%	6.84%	7.69%	0.06%			
CJRS	49.80%	42.11%	7.69%				
Legislative Ret. System	27.09%	19.40%	7.69%				

^The "Supplemental Retirement" contributions for State Law Enforcement Officers are paid to Empower for the NC 401(k) Plan.

^^The rate for health includes two and four-tenths percent (2.40%) for the Public Employee Health Benefit Fund and five and twenty-nine hundredths percent (5.29%) for the Retiree Health Benefit Fund.

Maximum Amount of State/Employer Share of SHP Premium Per Employee or Retiree

S.L. 2026-41, Section 41.25.(b)

S.L. 2026-41 states the following maximum premiums per employee. The SHP Board of Trustees will adjust the maximum annual fiscal year rates to monthly rates effective for the SHP's plan year, which is a calendar year. The SHP issues invoices for premiums in the month prior to applicable coverage.

Employer Premiums

	FY 2026-2027
Active Employees	$8,925

Retirement Policy Legislation Enacted in 2026

- ***Pay Exceptions/Special Separation Allowance. (House Bill 481/ Session Law 2026-33):***

  The bill modifies the Special Separation Allowances (SSA) provided to Law Enforcement Officers by clarifying that for second (or third, etc.) retirements, any previous break in service while the officer was receiving service retirement (TSERS or LGERS) or disability retirement (LGERS) allowances does not restart the clock on the "five years of

continuous service as a LEO" eligibility requirement for the SSA. (However, to avoid the clock restarting on the "five continuous years," the officer must return to service within 45 days after the service retirement or disability retirement payments ceased.)

For the State LEO SSA only (not the Local LEO SSA), the bill also changes when the payments cease due to re-employment. It adds the requirement that, for the payments to cease due to re-employment, the new position must require TSERS membership. (Additionally, the new position must either be in the same agency from which the LEO retired or be subject to the State Human Resources Act; but those were already requirements in the prior statute.) Otherwise, SSA payments can continue. Effectively, this brings State LEOs in line with Local LEOs by allowing them to continue receiving the SSA if the position does not require membership in the Retirement Systems.

Note that the SSAs are administered by the employers of LEOs, and not by the Retirement Systems Division. However, we have provided the summary above as the new legislation may affect overall retirement policy and LEO retirement patterns.

Effective July 2, 2026.

- ***Public Workforce Modernization Act. (Senate Bill 1041/ Session Law 2026-40):***

  This enacted legislation repeals the State Human Resources Act (SHRA) and reenacts a new State Human Resources Act by reorganizing, clarifying, and improving the readability of the Act. Many of the updates modernize the base structure of the first SHRA by clarifying employee classifications, changing compensation and hiring policies, codifying SHRA standards and processes surrounding disciplinary actions and grievances, creating independent human resources systems for the Legislative Services Commission and Administrative Office of the Courts, and more.

  The Discontinued Service Retirement (DSR) allowance option for employers experiencing a reduction in force (RIF) is now recodified from G.S. § 126-8.5 to G.S. § 126A-94 and rewritten into the new format structure of the SHRA.

  Effective October 1, 2026.

- ***2026 Appropriations Act. (Senate Bill 257/ Session Law 2026-41):***

  - Section 5.6.(e): Budget Recommendations & Budget Message
    Clarifies that the Governor's Recommended State Budget shall include an employer contribution rate for TSERS that is no less than what the TSERS Board of Trustees contribution rate policy states the required employer contribution rate must be, as provided under G.S. 135-8(d)(3a).

    Effective July 7, 2026.

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- Section 5.10.(c) – (c4): LGERS Board of Trustees Modifications
  Modifies the LGERS Board of Trustees by changing the total number of members, appointing body, qualifications/disqualifications to service, vacancy provisions, per diem, and quorum requirements.
  - Appointed members must have expertise in pension systems and cannot hold other public office in North Carolina. Individuals are disqualified from Board service if they are charged with or convicted of certain crimes, found liable for a fiduciary breach, sanctioned or fined by the Securities and Exchange Commission, or if they or an immediate family member become employed by DST or by a service provider engaged by RSD.
  - Vacancies can also occur if the appointing authority removes the Board member, or if the Board member dies, resigns, fails to attend at least one of any three consecutive meetings (unless excused by Board vote), fails to cure a conflict of interest within 30 days, or does not agree to abide by the Board's ethics policy.
  - Any vacancies shall be filled by a new appointment made by the applicable appointing authority. Any appointed seat vacant for six or more months may be filled by a nomination made by the State Treasurer and approved by vote of the Board, until the seat is filled by the applicable appointing authority or the original term expires.
  - Increases the Board of Trustees per diem to $100.00 per day during sessions of the Board for members who are not State employees, plus reimbursement of necessary expenses.
  - Establishes quorum at four voting members of the Board with the State Treasurer's vote prevailing in the event of a tie.

Current Board (13)		**New Board (7)**	
Appointing Body	# of Appointees	Appointing Body	# of Appointees
Governor	9	Governor	2
Speaker of the House	1	Speaker of the House	1
President Pro Tempore	1	President Pro Tempore	1
Treasurer	0	Treasurer	2
Ex-Officio Members			
State Treasurer as Chair		State Treasurer as Chair	
Superintendent of Public Instruction		*Removed*	

Effective July 1, 2027.

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- Section 5.1.(d) – (d2), (d4): TSERS Board of Trustees Modifications
  Modifies the TSERS Board of Trustees by changing the total number of members, appointing body, qualifications/disqualifications to service, vacancy appointees, per diem, and quorum requirements.
  - The changes regarding qualifications, disqualifications, vacancies, per diem, and quorum are similar to those for the LGERS Board listed above.

Current Board (13)		**New Board (7 voting, 1 non-voting)**	
Appointing Body	# of Appointees	Appointing Body	# of Appointees
Governor	8	Governor	2
Speaker of the House	1	Speaker of the House	1
President Pro Tempore	1	President Pro Tempore	1
Treasurer	0	Treasurer	2
Ex-Officio Members			
State Treasurer as Chair		State Treasurer as Chair	
Director of the Office of State Human Resources *(voting)*		Director of the Office of State Human Resources *(non-voting)*	
Superintendent of Public Instruction		*Removed*	

Effective July 1, 2027.

- Section 5.10.(d3): TSERS Public Records Recodification
  Recodifies the TSERS Public Records laws from G.S. 135-6.1 to G.S. 135-13.1 with no modifications.

  Effective July 7, 2026.

- Section 5.10.(e) – (e1): SRIP Board of Trustees Modifications
  Modifies the SRIP Board of Trustees by changing the total number of members, appointing body, and vacancy appointees.
  - The changes regarding qualifications, disqualifications, vacancies, per diem, and quorum are similar to those for the LGERS Board listed above.

Current Board (9)		**New Board (7)**	
Appointing Body	# of Appointees	Appointing Body	# of Appointees
Governor	6	Governor	2
Speaker of the House	1	Speaker of the House	1
President Pro Tempore	1	President Pro Tempore	1
Treasurer	0	Treasurer	2
Ex-Officio Member			
State Treasurer as Chair		State Treasurer as Chair	

Effective July 1, 2027.

- Section 5.10.(f): Committee on Actuarial Valuation of Retired Employees' Health Benefits
  Disbands the OPEB Committee and directs the State Health Plan to fulfill the same requirements previously held by the Committee in terms of actuarial valuations, GASB requirements, and notice of the reports for the Actuarial Valuation of Retired Employees' Health Benefits.

  Effective July 7, 2026.

- Section 7.31.(a): Establishment of the Northeast Regional School of Biotechnology and Agriscience
  Employees of the school will participate in TSERS and SHP on the same terms as other school system employees.

  Effective July 7, 2026.

- Section 8.11: UNC System Faculty Realignment Incentive Program
  Authorizes the UNC Board of Governors to permit UNC institutions to provide severance payments to faculty members who are: (i) at least 55 years of age, (ii) eligible to commence retirement with and early or service retirement allowance in TSERS or vested in ORP, and (iii) not receiving disability or workers' compensation benefits. These severance payments are exempt from retirement contributions and not considered compensation for the purposes of supplemental plans administered by UNC or SRIP.

  Effective July 7, 2026.

- Section 16.19(b): Special Superior Court Judges for Complex Family Financial Case Disposition
  Adds three special superior court judges to hear and decide complex family financial cases and identifies the mandatory retirement age for a judge appointed under this section as 78 years of age.

  Effective July 1, 2026 and appointments must occur by September 1, 2026.

- Section 16.20: Establish the Council of District Attorneys
  Creates a Council of District Attorneys as a Type II transfer under G.S. 143A-6. The Council will likely be a new employer under TSERS.

  Effective July 1, 2027.

- Section 41.25: Salary-Related Contributions
  Increases the employer contribution rate, effective July 1, 2026, for TSERS, CJRS, and LRS, to satisfy the actuarially determined contributions and requirements under the TSERS Board of Trustees funding policy, including funding the cost of the one-time supplement of 2.5% (provided under Section 41.26) within one year.

  Effective July 7, 2026.

- Section 41.26: One-Time Cost-of-Living Supplement for Retirees of TSERS, CJRS, and LRS
  Provides a one-time supplement payment, equal to 2.5% of the annual retirement allowance, paid as close as practicable to October 15, 2026, for payees of record under those three systems who are living on September 1, 2026 and receiving benefits in connection with a retirement that commenced on or before September 1, 2026. The supplement is not prorated for the date of retirement commencement.

  Effective July 7, 2026.

- Section 41.27: Council of State Supplemental Retirement Allowance
  Provides a supplemental retirement allowance to Council of State members meeting certain eligibility requirements that is paid by their employer immediately prior to retirement. RSD will not administer this allowance – meaning that RSD will not determine eligibility, calculate benefits, or pay benefits. The Council of State employer will administer the benefits. The allowance eligibility and amount are based on their Council of State service and paid concurrently with their benefit from TSERS. Any cause for suspension, forfeiture, or other cessation of their TSERS benefit applies to this benefit.

  The Department of State Treasurer shall, upon request, provide each applicable State agency, department, or institution with the required TSERS benefit details and beneficiary information for each individual who qualifies for the Council of State Supplemental Retirement Allowance.

  Effective July 1, 2026 and applies to any individual retiring on or after that date.

- Section 41.28: Increase Benefits Payable Under NC National Guard Pension Fund
  Increases the benefit payment from $105 to $110 per month after 20 years of service and from $210 to $220 per month after 30 years of service. The incremental benefit for each year between 20 and 30 years of service will increase from $10.50 to $11.00.

  Effective for benefits payable on and after January 1, 2027.

- Section 41.29: Enhance Benefits Under NC Firefighters' and Rescue Squad Workers' Pension Fund and Make Technical Changes
  Increases the benefit payment from $175.00 to $184.00 per month and makes technical changes to the General Statutes.

  Effective for benefits payable on and after January 1, 2027.

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- ***Support the Dept. of Adult Correction.-AB. (Senate Bill 355/ Session Law 2026-44):***

    - Section 3.1: Vested Probation and Parole Officers Maintain Eligibility for Supplemental Retirement When Service in Certain Roles
      Allows full-time paid employees of the Department of Adult Correction's Office of Staff Development and Training who are certified as a Probation/Parole Officer and work exclusively in training roles to maintain their classification as Probation/Parole Officers. This will allow the members to retain eligibility for the Special Separation Allowance among other benefits.

      Effective July 8, 2026.

- ***2026 DST Admin/Technical/Clarifying Changes.-AB. (House Bill 1126/ Session Law 2026-50):***

  Part I – Retirement Systems Division

    - Section 1.1: Previously Credited Military Service to be Reinstated Upon Purchase of Previously Withdrawn Service
      Allows members who previously withdrew their retirement contributions to restore their military service credit (from when they were called to active-duty service) if they fully repay their account by purchasing the maximum allowable amount of withdrawn service credit surrounding the free military service credit. That is, to have the military service restored, they must purchase five years of the withdrawn service, or their entire amount of withdrawn service if less than five years.

      Effective January 1, 2027, with forfeited service that was previously credited, for members who subsequently purchase the maximum amount of withdrawn service on or after January 1, 2027.

    - Section 1.2: Contributory Death Benefit Not Subject to Overpayment Offsets
      Removes the Contributory Death Benefit from the list of benefits that may be withheld to satisfy overpayments made by the Retirement Systems. That is, the Contributory Death Benefit will be paid to the beneficiaries rather than applied toward an overpayment.

      Effective July 8, 2026.

    - Section 1.3: Contribution-Based Benefit Cap Invoice/Second Retirement
      Prevents double payments to the Retirement System when a member retires, returns to active contributing service for at least three years, and retires again under the CBBC provisions. The second additional contribution required to restore the member's monthly benefit to the pre-cap amount will be reduced

dollar-for-dollar by the initial paid additional contribution. This is consistent with how RSD would have already administered the situation in question.

Effective July 8, 2026.

- Section 1.4: Legislative Retirement System Reemployment Flexibility
  Provides that retired legislators can continue to receive their LRS benefit while in active contributing membership in TSERS. For any LRS member who retired on or after September 1, 2005, and before July 1, 2026, whose LRS retirement benefit was previously suspended under G.S. 120-4.21(d), the benefit will continue to be suspended until the member withdraws from membership in either TSERS or CJRS, and the member is not entitled to any retroactive reinstatement of a service retirement allowance related to the expiration of G.S. 120-4.21(d).

  Effective July 8, 2026.

- Section 1.5: Electronic Reporting of Contributions/Firefighters' and Rescue Squad Workers' Pension Fund
  Gives the LGERS Board of Trustees the authority to create administrative rules that would require electronic reporting of FRSWPF contributions and service.

  Effective July 8, 2026.

- Section 1.6: Clarification/Felony Forfeiture of Certain Supplemental Retirement Income Plan Benefits
  Allows the Supplemental Retirement Plan to temporarily freeze NC 401(k) distributions to Law Enforcement Officers who have been convicted of a felony for up to 60 days until RSD determines if the TSERS or LGERS felony forfeiture statute applies to their retirement benefits.

  Effective July 8, 2026.

- Section 1.7: Personnel Flexibility
  Allows the TSERS/LGERS Boards of Trustees to identify positions in RSD that do not comport with the centralized state agency personnel classification system and redesignate those positions as requiring specialized skills or knowledge to administer the Retirement Systems. Allows the Boards to authorize the State Treasurer to establish compensation plans, including salaries and performance-related bonuses. The redesignated positions cannot exceed more than 40% of total RSD staff.

  Effective July 8, 2026.

- Section 1.8: Legal Counsel Flexibility
  Makes a conforming change to allow the LGERS Board of Trustees to seek and designate private counsel for its benefit programs, and changes the legal advisor to the Boards of Trustees from the Attorney General to a licensed attorney employed by the Department of State Treasurer.

  Effective July 8, 2026.

- Section 1.9: Board of Trustees Per Diem
  Sets a per diem rate of $100 plus normal travel expenses for the TSERS, LGERS, SRIP, and ABLE Boards of Trustees.

  Effective July 8, 2026.

- Section 1.10: Survivor's Alternate Benefit Renunciation Clarification
  Codifies existing RSD practice that a beneficiary cannot make another beneficiary eligible for the Survivor's Alternate Benefit by renouncing their own claim to benefits.

  Effective July 8, 2026.

- Section 1.11: Legislative Enactment Implementation Arrangement Modifications
  Modifies the Legislative Enactment Implementation Arrangements (LEIAs) to provide consistent funding when new laws or administrative requirements are being implemented to prevent the interruption to the normal operation of the Retirement System. Specifically, this section removes several individual restrictions on determining a specific use case for the funds, removes the requirement that funds revert to TSERS/LGERS at the end of each fiscal year, allows the Boards to transfer funds from the LEIAs into TSERS/LGERS at any time as an additional employer contribution, and removes the funding "sunset" so that employer contributions can now go into the LEIAs after January 1, 2035.

  Effective July 1, 2026.

Part III – North Carolina Investment Authority

- Section 3.1: Conform with the Change from the State Treasurer as Custodian of Funds to the North Carolina Investment Authority
  Makes conforming reference changes in various statutes clarifying the roles of the State Treasurer and the North Carolina Investment Authority.

  Effective July 8, 2026.

- Section 3.3: Exclude NCIA Employee Performance-Related Bonuses From Compensation Calculations/Technical Clean-Up of Definition
  Adds performance-related bonuses paid to employees of the NCIA in accordance with G.S. 147-71.2(d) to the list of items that are not compensation for TSERS purposes. (G.S. 147-71.2(d), as enacted by Session Law 2025-6, authorizes the

NCIA to establish market-oriented compensation plans for certain employees, subject to the requirements in that statute.) Makes other technical and conforming changes to the definition of compensation in TSERS and LGERS.

Effective July 1, 2025, and applies to any performance-related bonuses paid to employees of the NCIA on or after that date.

Part IV – Technical and Clarifying Changes

Makes various conforming changes to the statutes governing the Retirement Systems based on the actual practice and operation of the Retirement Systems Division. It also removes references to obsolete benefits and funds while ensuring consistency with State and Federal laws. It also makes other technical corrections for other divisions of the Department of State Treasurer.

As a technical matter, some of the changes (those in Section 4.1) are effective January 1, 2027, and others are effective on the effective date of the law.

Effective July 8, 2026.

Part VI – State and Local Government Finance

- Section 6.6: Modify General Assembly Actuarial Note Procedure
  Eliminates the requirement for the Fiscal Research Division of the General Assembly to prepare a separate actuarial note from the actuarial note provided by the actuary employed by the Retirement Systems Division.

  Effective July 8, 2026.

Part II – State Health Plan; Part V – Unclaimed Property; Part VII – North Carolina Capital Facilities Finance Agency

- No Retirement Systems Division Impact

Please note that some parts of this report are extracted almost verbatim from publicly available documents created by our colleagues at the Department and from the work of legislative staff members. It is not intended to be presented as entirely original work as it is merely a compilation for convenience for users of this document.