North Carolina Retirement Systems

MEMORANDUM

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

FROM: Patrick Kinlaw
Director of Policy, Planning, and Compliance
Retirement Systems Division (RSD)

DATE: July 31, 2025

RE: Annual Report on Legislative Enactment Implementation Arrangements (LEIAs)

Two LEIA accounts were established effective October 1, 2017, one for TSERS and the other for LGERS. Each system's LEIA account is placed under the management of the system's Board of Trustees (Board). The governing provisions are G.S. 128-29(g) for LGERS and G.S. 135-7(h) for TSERS.

If the General Assembly creates or modifies any provision pertaining to retirement benefits for public officers or public employees, which has a cost savings as measured by actuarial note, either Board or both Boards may direct up to one one-hundredth of a percent of compensation (0.01%) out of the required employer contribution rate, to be deposited into a separate LEIA fund. Such contributions may be used to pay for administrative implementation of cost-saving provisions, or to pay for administrative or information technology purposes when necessary to prevent an interruption to the normal operation of the Retirement Systems. Unused LEIA funds are transferred to the Retirement System as employer contributions. The Boards are not permitted to direct contributions into the LEIAs after November 1, 2035.

The LEIAs are administered by the Boards, which must compile and maintain records necessary or appropriate for administration. The Boards have full discretionary authority to interpret, construe and implement LEIA provisions and to adopt any rules and regulations to implement LEIA provisions.

For LEIA allocations supporting implementation of new legislation, the Boards must identify the implementation project necessitated by legislation enacted within five years before the allocation; the Boards must determine that the cost savings measured by actuarial note meet certain minimum levels; and the Boards must identify the number of years (not more than four) during which LEIA funds will be used for the project. For LEIA allocations supporting administrative or information technology needs, the Boards must determine that the use of funds is necessary to prevent an interruption to the normal service of the Retirement Systems.

The Department of State Treasurer must report to the Boards, the Joint Legislative Commission on Government Operations and the Fiscal Research Division on the amounts and sources of funds collected by year, the amounts expended, the projects for which funds were expended, and the current status of the projects. This report must be submitted on or before August 1 of each year. The Boards of Trustees must also post this report on their public website.

The projects for which funds were expended and current status of these projects is shown below. Prior annual reports showed that for fiscal years ending 2017 through 2024, no funds were either collected by, or expended from, the TSERS LEIA or the LGERS LEIA. The information below will be maintained for fiscal years ending 2025 and later.

Determinations of Boards

On July 25, 2024, the Boards determined that the implementation of a new Imaging and Document Management System (IDMS) was an administrative or information technology purpose eligible for LEIA funding. On April 25, 2025, the Boards determined that any identifiable Department of State Treasurer employee or independent contractor costs are to be considered part of the purpose of implementing the IDMS, with the understanding that the total IDMS implementation costs were not expected to exceed $1.2 million.

Statement of Activities - TSERS

FY Ending	Description	Amount	Project	Project Status
	Balance at 6/30/2024	$0.00		
2025	Amounts Collected*	$779,999.35		
2025	Expenses	$222,659.81	IDMS	Ongoing
	Balance at 6/30/2025	$557,339.54		

* Total collections after subtracting $548,940.21 transferred (repatriated) to TSERS during year.

Statement of Activities – LGERS

FY Ending	Description	Amount	Project	Project Status
	Balance at 6/30/2024	$0.00		
2025	Amounts Collected*	$419,999.79		
2025	Expenses	$119,893.74	IDMS	Ongoing
	Balance at 6/30/2025	$300,106.05		

* Total collections after subtracting $247,462.56 transferred (repatriated) to LGERS during year.